LIST OF FILES

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,TRADE AND TOURISM, 2011-2012 (SCOMM 167)

MEMBERS:

REPRESENTATIVE BOB HERRON, CHAIR
REPRESENTATIVE KURT OLSON, VICE-CHAIR
REPRESENTATIVE NEAL FOSTER
REPRESENTATIVE REGGIE JOULE
REPRESENTATIVE WES KELLER
REPRESENTATIVE CATHY MUNOZ
REPRESENTATIVE STEVE THOMPSON
REPRESENTATIVE BERTA GARDNER
REPRESENTATIVE CHRIS TUCK

Established by HR 1, 2011

LIST OF FILES (PAGE 1)

1/25/11 Overview: DCCED - New Division of Economic Development

1/27/11 Overviews: Agriculture in Alaska

2/01/11 Overviews: Alaska Seafood Marketing Institute and Alaska Travel Industry Association

2/10/11 Presentation: Ralph Samuels on Tourism in Alaska

2/15/11 Discussion on Planned Closure of Kenai Liquified Natural Gas Plant

2/22/11 Presentation: Getting Alaskans' Gas to Alaskans by David Gottstein

3/01/11 Confirmation: Susan Bell, Commissioner, Department of Commerce, Community & Economic Development

3/15/11 Presentation: Alaska Adventure Center: Selling Tourism in the 21st Century

3/31/11 Presentation: Port MacKenzie Rail Extension Project

3/31/11 Presentations: Alaska's Role in the Global Marketplace and Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward

4/07/11 Presentation: Biomass Boiler Heating Systems

1/19/12 Presentation: Pacific Northwest Economic Region - Arctic Caucus Update

1/31/12 Presentation: Canada-Alaska Relations Update

2/07/12 Presentation: Department of Commerce, Community & Economic Development Updates

2/21/12 Presentations: Southeast Integrated Resource Plan & International Trade Update

3/31/12 Presentation: South Denali Visitor Center

Alaska Adventure Center Proposal

Georgeson Botanical Garden, Letters Seeking Support

HB 67

HB 119

HB 120

HB 160

HB 191

HB 222

HCR 19

HJR 15

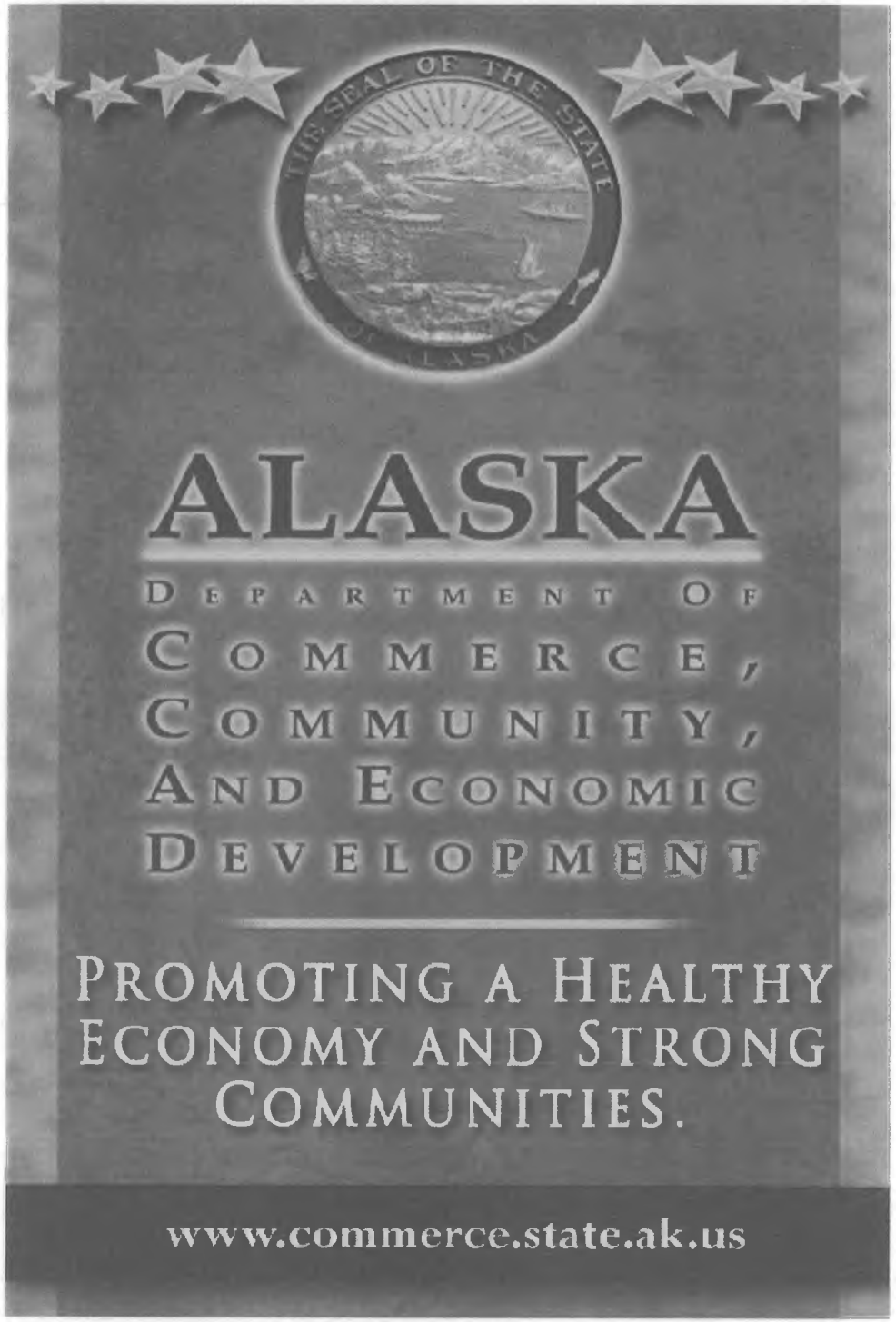
HJR 19

HJR 22

HJR 27

1/25/11 Overview: DCCED - New Division of Economic Development

<TARGET><BILL></BILL><SUBJECT>1-25-11 Overview DCCED - New Division of Economic Development</SUBJECT><COMM>HEDT27</COMM></TARGET>



A presentation to the:

House Committee on Community & Regional Affairs

House Special Committee on Economic Development, Trade & Tourism

Susan Bell, Commissioner
Curtis Thayer, Deputy Commissioner
Wanetta Ayers, Division Director

January 25, 2011

Our Mission

"Promote a healthy economy, strong communities and protect consumers in Alaska"

- Coordinate, develop and promote programs for sustainable economic growth.
- Regulate and enforce to protect the consumer and to provide a stable business climate.
- Assist in the development of sustainable energy systems and reduce the cost of energy in rural Alaska.
- Assist communities to achieve maximum local self-government and foster volunteerism statewide.

The Department Consists of the Commissioner's Office plus Six Core Agencies

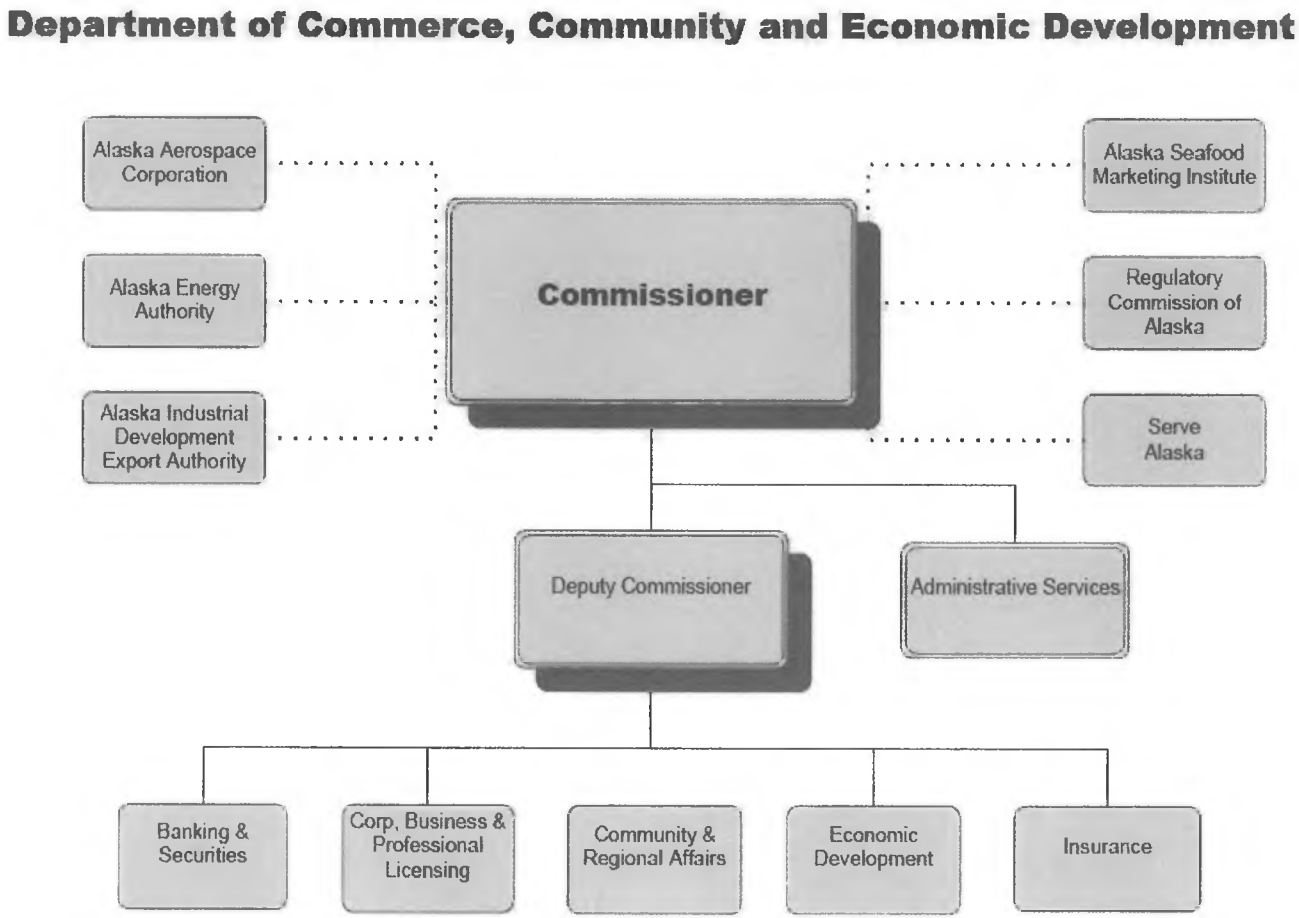
- Administrative Services
- Banking and Securities
- Community and Regional Affairs
- Corporations, Business and Professional Licensing
- Economic Development
- Insurance

The Department Houses Seven Corporate Agencies

The corporate agencies, although aligned with the department's mission, operate more independently than core state agencies.

- Alaska Aerospace Corporation
- Alaska Energy Authority
- Alaska Industrial Development and Export Authority
- Alaska Railroad Corporation
- Alaska Seafood Marketing Institute
- Regulatory Commission of Alaska
- Serve Alaska

Department Organization

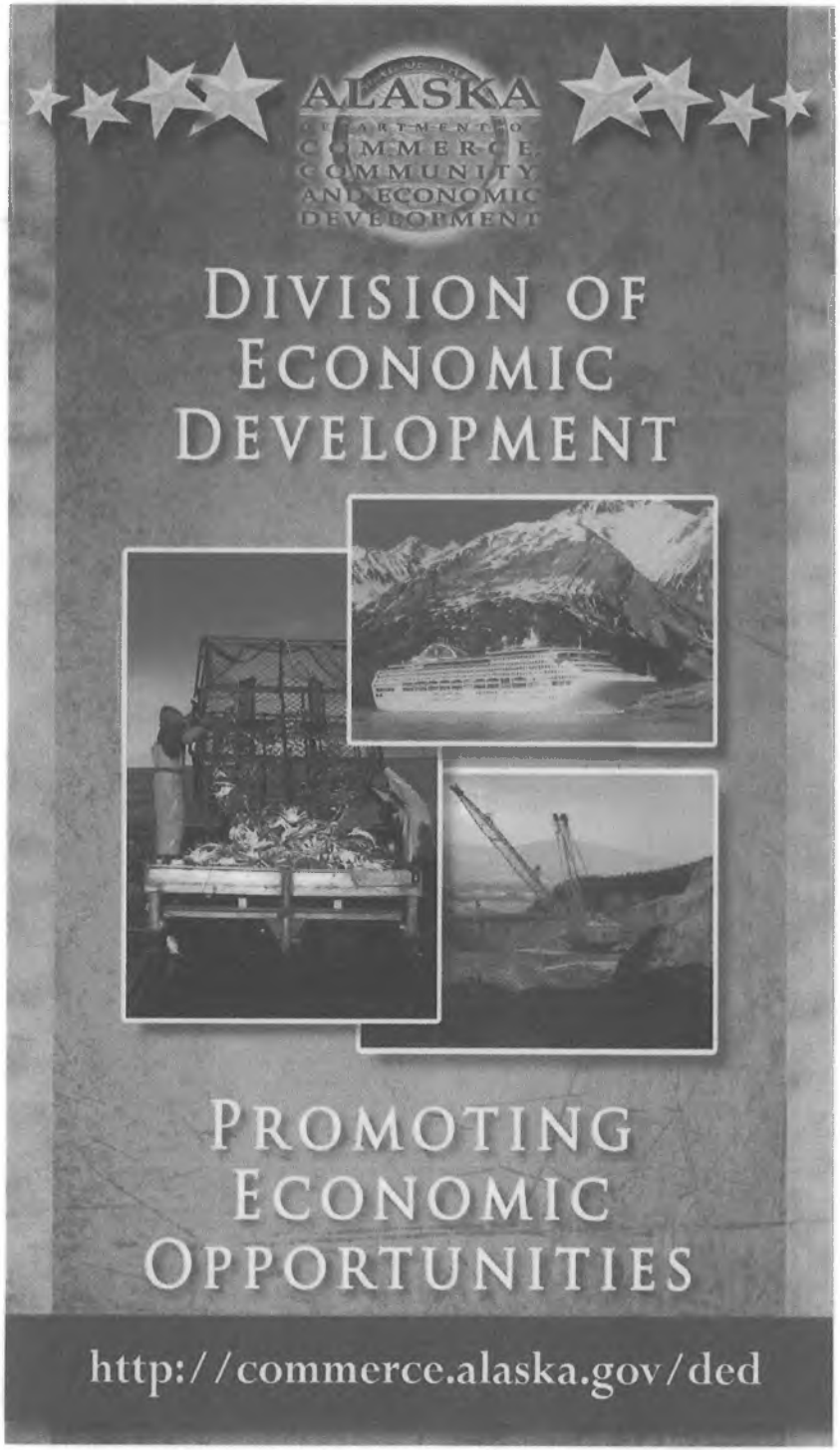


Who We Are

Total employees 538



Anchorage
Bellevue
Bethel
Dillingham
Fairbanks
Juneau
Kodiak
Kotzebue
Nome
Tok


ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT
DIVISION OF
ECONOMIC
DEVELOPMENT
PROMOTING
ECONOMIC
OPPORTUNITIES
http://commerce.alaska.gov/ded

Economic Development defined . . .

a program, group of policies, or activity that seeks to improve the economic well-being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base.

- International Economic Development Council (IEDC)

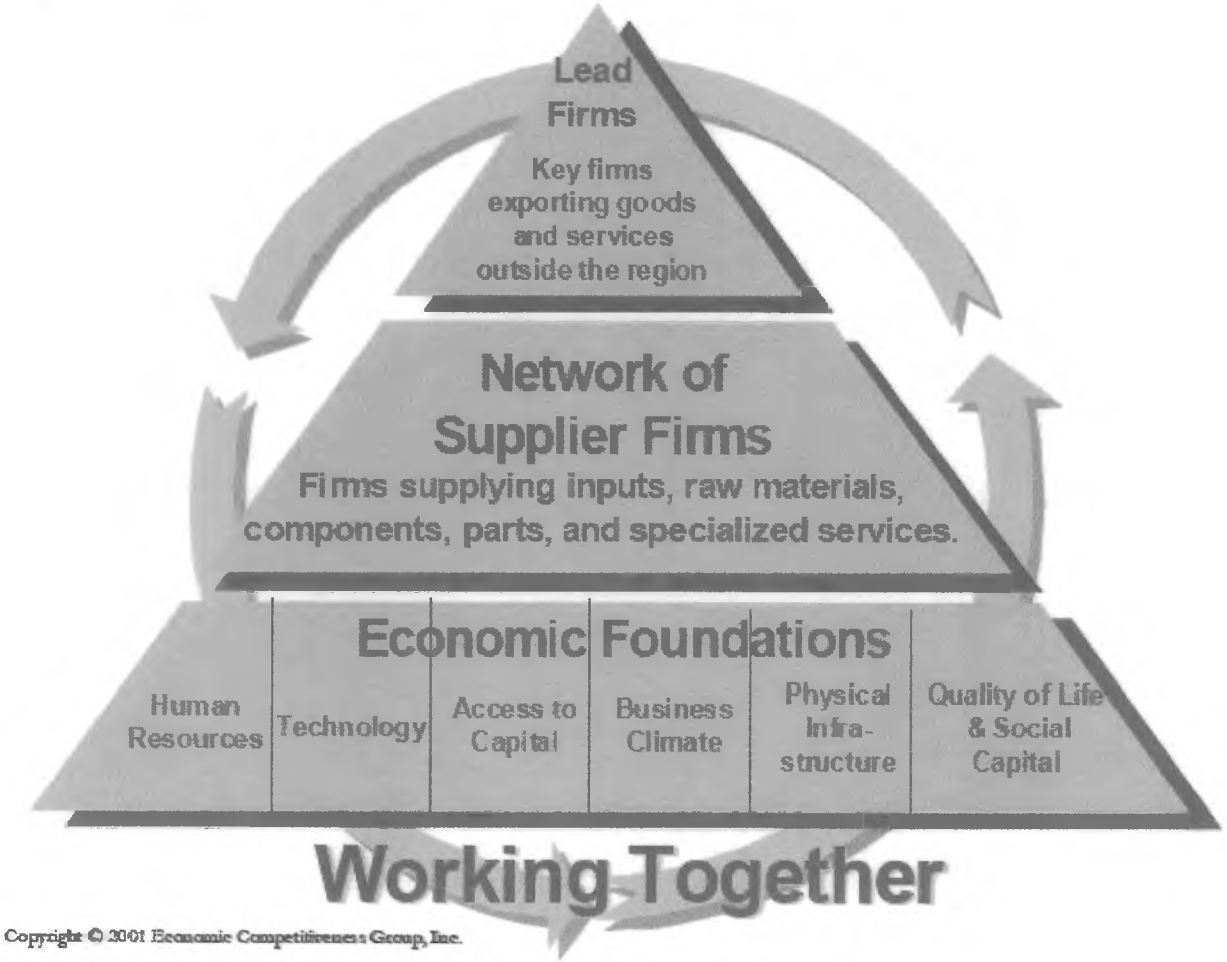
Economic Development defined . . .

What is Economic Development? It:

- takes a long time
- requires a lot of resources
- requires a lot of human capital
- requires consistency and stick-to-itiveness
- requires planning, coordination, and doing

Cluster Development Framework

Figure 5. Economic Foundations of a Cluster-Based Economic Development Framework



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Examining Economic Development

December 4, 2009

House Special Committee on Economic Development, Trade and Tourism

- Review of State agencies and corporations
- Analysis of other state's organizational and functional approaches

2010 Legislative Session

- Ongoing inquiries into economic development efforts

Assessment of E.D. System

"The economic development system in Alaska is decentralized and fragmented with little overarching structure . . . to foster a sustainable and resilient economy for the future.

Only 2.5% of the respondents . . . 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."

Alaska Forward: Phase I – Situational Analysis

ALASKA FORWARD
TOWARD A NEXT GENERATION ECONOMY

Economic Priority

"Jobs for Alaskans Requires Positioning our Economy for Growth with a Solid Investment Climate."

- Governor Parnell



Sean Parnell
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

October 12, 2010

ADMINISTRATIVE ORDER NO. 257

I, Sean Parnell, Governor of the State of Alaska, under the authority of Art. III, Secs. 1 and 24, of the Alaska Constitution, establish the Division of Economic Development within the Department of Commerce, Community, and Economic Development.

PURPOSE AND DIRECTIONS

I direct the Department of Commerce, Community, and Economic Development to merge, consistent with State law, the Office of Economic Development and the Division of Investments into a single division called the Division of Economic Development.

Combining these divisions under a single umbrella and making any necessary regulation changes would create a one-stop shop that can assist an existing or proposed business entity with financing, marketing, business assistance, and governmental coordination. The newly unified division, operating from State offices in Anchorage, Fairbanks, and Juneau would be better able to serve the business community and leverage other economic development programs and services.

EFFECTIVE DATE

This Order takes effect immediately.

DATED at Juneau, Alaska this 12th day of October, 2010.

/s/Sean Parnell
Governor

Division of Economic Development

- Combines development and financing activities into one cohesive unit
- Facilitates the functional restructuring of economic development
- Creates operational and cost efficiencies
- Lays the foundation for improvements in:
  - Business outreach and technical assistance
  - Marketing and promotion of financing tools
  - Outreach and development of traditional targeted industries
  - Development of emerging growth industries
- Paves the way for future improvements in:
  - Overarching marketing and branding of Alaska
  - Expanded business outreach & technical assistance
  - Expanded financing programs
  - Coordination of multiagency, multidisciplinary development response

Division of Economic Development

Staffing by Duty Station and Section:

Duty Station	Director's Office	Development Section	Financing Section
Anchorage	3	4	5
Fairbanks		2	
Juneau	1	6	31
Tok		4	
TOTAL	4	17	37

Annual State Loan Fund Report FY2010

AS 37.05.035
(Dollars in Thousands)

Fund	Total # of Loans Closed	Average Statutory Interest Rate	Total Principal on Loans Closed
Commercial Fishing (all other)	177	5.500%	13,304.6
Com Fish (Product Quality)	15	3.000%	365.4
Com Fish (Fuel Efficiency)	13	3.000%	566.4
Fisheries Enhancement*	3	5.000%	1,951.0
Small Business Economic Development	8	4.000%	797.5
Rural Development	2	6.000%	84.0
Capstone Avionics	2	4.000%	76.5
TOTAL	220		17,145.4

** Interest forgiven and principal payment deferred for first six years*

FY2010 Loan Servicing Summary

SUMMARY	
Total No. of Outstanding Loans	1,921
Total Principal Amount Outstanding	147,398.4
Average Loan Amount	76.7
Total No. Other Accounts	640
Total Principal Amounts of Other Accounts	50,093.2
Delinquency and Default Statistics *(based on balances outstanding)*	
Delinquent	0.4%
Foreclosure	0.3%
TOTAL LOANS AND OTHER ACCOUNTS	2,561
TOTAL PRINCIPAL OUTSTANDING	197,491.6

what types?

New Financing Tools

Alaska microloan revolving loan fund

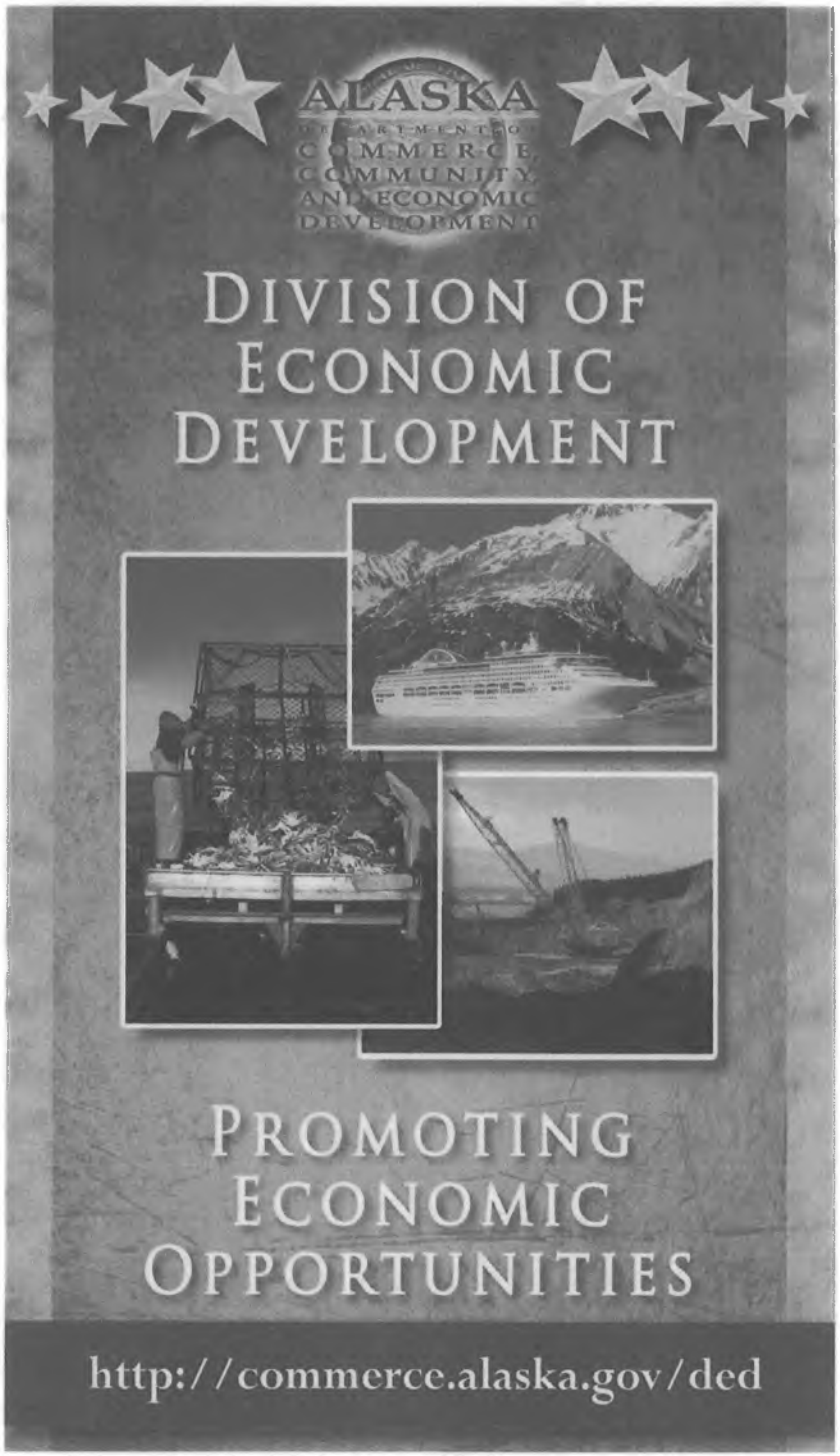
- $3.5MM new capitalization
- $35K individual/$70K two or more
- Six year term
- prime plus one percentage point, but not less than six percent per year and not more than eight percent per year

Commercial charter fisheries revolving loan fund

- $5MM new capitalization
- $100K loan limit
- 15 year term
- prime plus two percentage points, but may not be less than three percent per year and not more than 10½ percent per year

Mariculture revolving loan fund

- $3MM new capitalization
- $100K loan limit
- 20 year term
- Option for interest only payments years 1 – 6
- prime plus one percentage point, but not less than five percent per year and not more than nine percent per year


ALASKA
DEPARTMENT OF
COMMERCE,
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AND ECONOMIC
DEVELOPMENT
DIVISION OF
ECONOMIC
DEVELOPMENT
PROMOTING
ECONOMIC
OPPORTUNITIES
http://commerce.alaska.gov/ded

1/27/11 Overviews: Agriculture in Alaska

<TARGET><BILL></BILL><SUBJECT>1-27-11 Overviews Agriculture in Alaska</SUBJECT><COMM>HEDT27</COMM></TARGET>

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair
State Capitol Building, Room 411
Juneau, Alaska 99801-1182
Phone (907) 465-4942
Fax (907) 465-4589
Rep.Bob.Herron@legis.state.ak.us

Rep. Peggy Wilson, Rep. Berta Gardner, Rep. Kurt Olson, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Neal Foster, Rep. Steve Thompson, Rep. Chris Tuck

Date: January 20, 2011

To: Suzi Lowell, Chief Clerk

From: Rep. Bob Herron, Chair

Re: House Economic Development, Trade, and Tourism Committee Schedule

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Schedule for House Economic Development, Trade, and Tourism

Tuesday, January 25th at 8:00 AM in House Finance Room 519

Joint with HCRA: DCCED Overview on Division of Economic Development

+ Teleconferenced

Tuesday, January 25th at 10:15 AM in CAP 124

Committee Goals and Priorities

+ Teleconferenced

Thursday, January 27th at 10:15 AM in CAP 124

Agriculture in Alaska: Opportunities and Innovations

+ Teleconferenced

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, January 27th.

Welcome to the second meeting of the Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Today we have four presentations relating to Agriculture in Alaska. We'll hear from Tim Meyers (an organic farmer in Bethel), Souix-z Humphrey Marshall (an Anchorage entrepreneur growing hydroponic micro-greens, Dr. Jenifer McBeath [pronounced MacBeth] (a UAF Professor involved in Seed Potato export) and Bryce Wrigley (President of the Alaska Farm Bureau).

My staff Rob Earl will be running the slides for the first two presentations. Take it away staff.

"Thanks Mr. Chairman. For the record, Rob Earl, staff to the Chair. In the interest of time I'm not going to give long introductions because you should all have bio-sheets in front of you. Presenters though, please do feel free to introduce yourselves as lengthily as you'd like. First we have Tim Meyers, who is growing organic vegetables in Bethel. We have a little slideshow that corresponds to his talk. So take it away Tim."

"Thanks Tim. Next we have Souix-z Humphrey Marshall (an Anchorage entrepreneur growing hydroponic micro-greens) and she has this powerpoint to accompany her talk. Also, Jane is passing around a little sampling of her product so you can all be nibbling away while Souix-z is telling us how healthy it all is. Souix-z please begin."

[After Souix-z, I'll fade away and Pete Fellmen will come up and do the last two presenters: McBeath (powerpoint then questions) and Wrigley (movie and then questions).]

Economic Development, Trade, and Tourism Committee (EDT)
Thursday, January 27th at 10:15 AM
Agriculture in Alaska: Opportunities & Innovations

1. **Tim and Lisa Meyers**, Meyers Farm, P.O.Box 30, Bethel Alaska 99559 meyersfarm.net; meyersfarm@gmail.com 907.543.1270

Tim and Lisa have been farming in Bethel since 2003 and have learned to grow large quantities of organic vegetables in their Arctic climate. They use fish waste from the Kuskokwim river for fertilizer and built an underground root cellar that can hold 200,000 pounds of vegetables. They use alternative energy to keep the root cellar warm in the winter and cool in the summer, allowing storage and selling of vegetables year round.

They will be planting about 10 acres of land this year and hope to harvest about 50,000 pounds of crops. They are currently shipping vegetables to some of the villages and hope to sell to many of the villages year round. In a year or two, they should be able to supply a portion of the Delta with much healthier organic food.

A few more farmers with similar operations would go a long way toward food security for Alaska.

2. **Sioux-z Humphrey Marshall**, Northern Latitudes, Hydroponically-grown MicroGreens nlcea.com Siouxz@nlcea.com 907.240.6363

Sioux-z Humphrey Marshall is co-Owner and CEO of Northern Latitudes Controlled Environment Agriculture (NLCEA). She holds an MBA from Alaska Pacific University and a Bachelor's degree in marketing from San Diego State University. Her expertise is in business start-up and entrepreneurial education. Her professional background includes IT and business consulting and project management for numerous Alaska clients, including CTG, Qivliq, and TKC Communications. She is founder and CEO of her own 20-year business and project management firm, Strides, and has lead implementation teams in enterprise software, small business and joint venture start-up, federal schedule management, and business analysis.

Northern Latitude CEA (NLCEA) is a "controlled environment agriculture" indoor farm servicing the Alaska marketplace 12 months a year. The first crop is the very popular Hydrolicious micro greens: a nutrient rich, early-growth, hydroponically fed, potpourri of micro red, yellow, and orange beets, pea shoots, sunflower shoots, corn shoots, micro cilantro, micro chervil, micro arugula, micro carrots and micro celery.

NLCEA is currently selling Alaska Grown-certified greens at numerous restaurants in Southcentral Alaska. Their produce is available retail at the indoor farmers' market every Wednesday at the Northway Mall in Anchorage. NLCEA may soon provide technical expertise as one of its products and is exploring the idea of marketing custom-made micro green kits for communities who want to provide their own greens.

3. **Dr. Jenifer Huang McBeath – Alaska Seed Potatoes Export to Asia**
   jhmcbeath@alaska.edu 907.474.7431

Jenifer Huang McBeath was born in Chengdu, China. She received a B. S. degree in plant pathology and entomology from National Taiwan University in 1965, a M.S. degree in plant pathology from the University of California, Davis in 1970, and a Ph.D. degree in plant pathology from Rutgers University in 1974. Presently, she is Professor of Plant Pathology and Biotechnology at the University of Alaska Fairbanks. McBeath was one of the first plant pathologists in Alaska to study diseases in agricultural crops. She excels in innovative, effective and environmentally benign means of plant disease control. For more than thirty years, she has tirelessly educated students, farmers and policy makers on plant pathology principles and impacts to the Alaska economy and environment. McBeath was recognized by her exceptional achievement in the development of lab-tested, disease-free seed potato for export. She was the only academician to negotiate and co-authored the phytosanitary protocols for exporting U.S. (Alaska) seed potatoes at the US/China bilateral talks on agricultural products. The cold-tolerant, *Trichoderma atroviride,* discovered and developed by her, proved to be efficacious in the treatment of snow mold and other pathogens in both cold and temperate climate regions. Among her many awards are the prestigious 'Usibelli Distinguished Professor" and "U.S. Embassy Scientist Fellowship award."

Dr. McBeath will address the history, challenges and prospects of exporting Alaska seed potatoes to China and other Asian countries.

4. **Bryce Wrigley, President, AK Farm Bureau**
   bjwrigley@gmail.com 907.687.9924

Bryce Wrigley farms 2000 acres in Delta Junction. He moved to Delta Junction in 1983 and has raised hay potatoes, hogs, barley and wheat over the last 28 years. Delta is the largest grain-producing region in Alaska and supplies most of the in-state livestock market with barley and straw.

Mr. Wrigley is the president of the Alaska Farm Bureau, an agricultural advocacy organization that represents over 350 farm families in Alaska. Their mission is to promote the development of agriculture to increase the food security of Alaska.

Mr. Wrigley's presentation will focus on some current opportunities for agriculture in Alaska, increasing our food security, and using agriculture as an economic development engine in rural Alaska.

adn.com
Anchorage Daily News

Indoor winter 'farm' is producing micro vegetables

By STEVE EDWARDS
Daily News correspondent
(01/04/11 20:58:42)

In Alaska, giant cabbages and other huge plants generally rule the garden.

But a couple of local growers are going the opposite direction -- they're cultivating micro produce. Sioux-z Humphrey Marshall and Rusty Foreaker have teamed up to create Northern Latitude Controlled Environment Agriculture.

In a 1,300-square-foot warehouse on Arctic Boulevard, they are growing "micro greens" indoors in a custom-designed hydroponic system. Among the greens they produce are broccoli, pac choi, arugula, beets, cress, endive, basil, cilantro, radish, pea shoots and corn shoots.

"People are familiar with sprouts," Marshall says. "If you wait a little longer, you have micro greens. You harvest them when they are between five and 20 days old.

"You're harvesting baby plants, but they taste exactly like their full-grown vegetable counterparts. Actually, sometimes you have really intense flavors. The radish has a crazy strong, fabulous flavor."

Like many new food trends, Marshall says, the micro green concept can be traced to California. In fact, a California company was supplying the micro greens in Alaska. However, Marshall says wholesaler Food Services of America is now using Northern Latitude's produce.

While most people probably haven't used micro greens at home, they might have tasted Northern Latitude's foods at several of Anchorage's restaurants, including Hot Stixx, Bear Tooth Grill, Ginger, Kincaid Grill, Marx Bros. and Southside Bistro.

"We've been selling to local restaurants since August," Marshall says. "We've kind of been experimenting with shelf life and such."

Right now, she says, the produce lasts about two weeks if properly cared for in the refrigerator. The company is selling 4-ounce containers to local restaurants for $18.

Marshall says they hope the company will grow and create a unique Alaska product.

"We think this has the ability to make a profit and serve a real need here," she says. "This is something that can be sustainable in rural Alaska. You can turn a closet in a school into a small place to grow micro greens. People won't be getting an apple, but they will be getting fresh produce."

For more information about the company, visit www.nlcea.com.

Steve Edwards lives and writes in Anchorage. If you have a suggestion for a future Market Fresh

column, please contact him at sedwards@adn.com.

Print Page | Close Window

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ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
bjwrigley@gmail.com

Jane Hamilton, Executive Director
janehamilton99737@yahoo.com

February 2, 2011

Representative Bob Herron, Chairperson
Economic Development and Trade Committee
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

Dear Representative Herron,

Thanks for the opportunity to speak to you and the members of the Economic Development and Trade Committee last week.

Agriculture is extremely important to the health and food security of every Alaskan. We are encouraged by the interest that the industry is beginning to attract from our citizens as well as the legislature. There are great opportunities for growth - from increasing the amount of locally grown food for our kitchen tables to producing our own flour and exporting seed potatoes. These will bolster the income of agricultural producers and provide new job opportunities across the state.

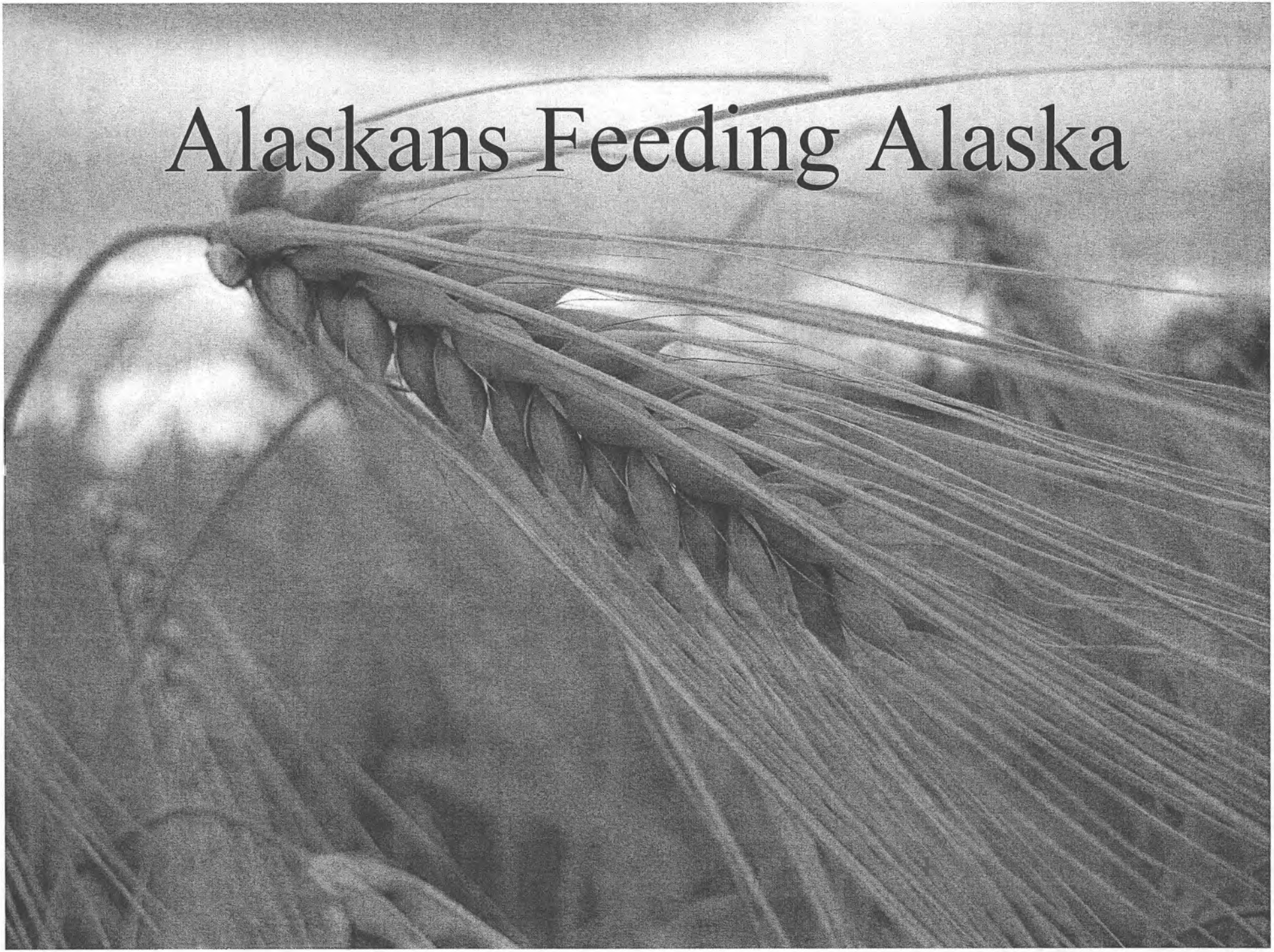
Your interest in agriculture is greatly appreciated and the Alaska Farm Bureau looks forward to working with you. We need to remove some of the obstacles that prohibit growth within the industry as well as provide some of the infrastructure that will increase the amount of food grown within the state for the enjoyment and health of it's citizens as well as the security of our state as a whole.

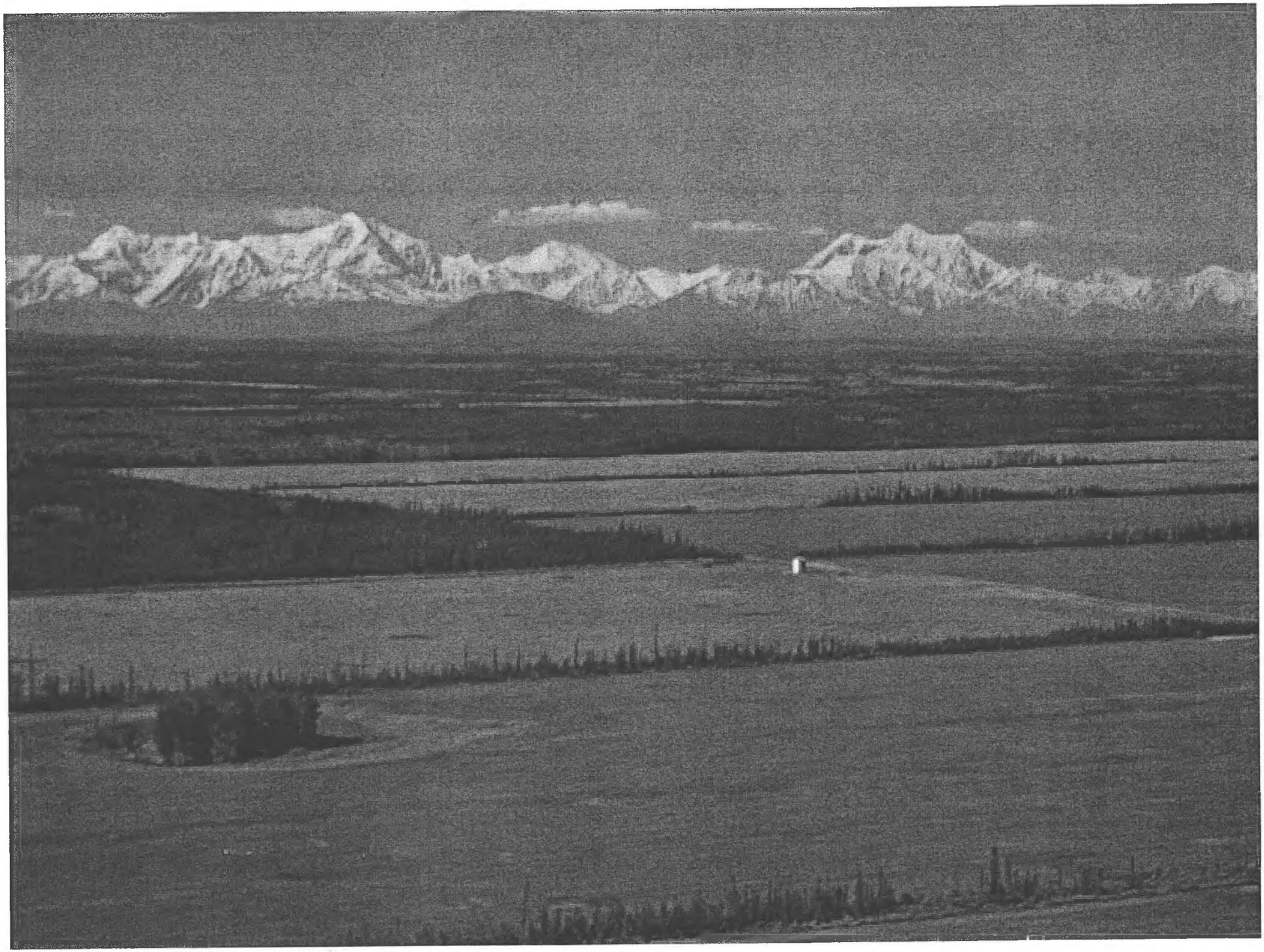
Please don't hesitate to contact me if you have any questions about agriculture, our food, or the food security of our state.

Best regards,

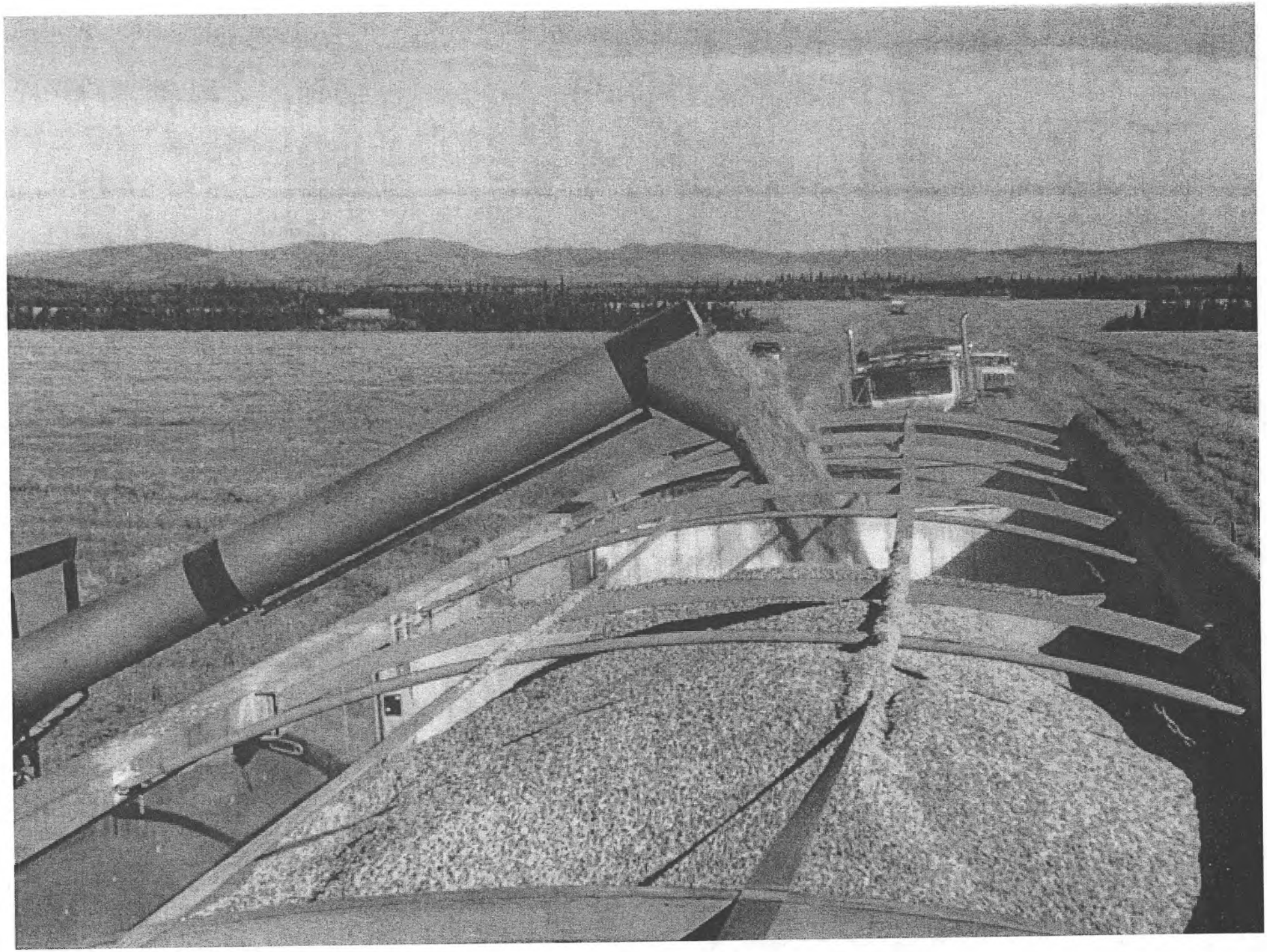
Bryce Wrigley,
President

PO Box 760 Delta Junction, Alaska 99737 Telephone: (907) 895-4752


Alaskans Feeding Alaska



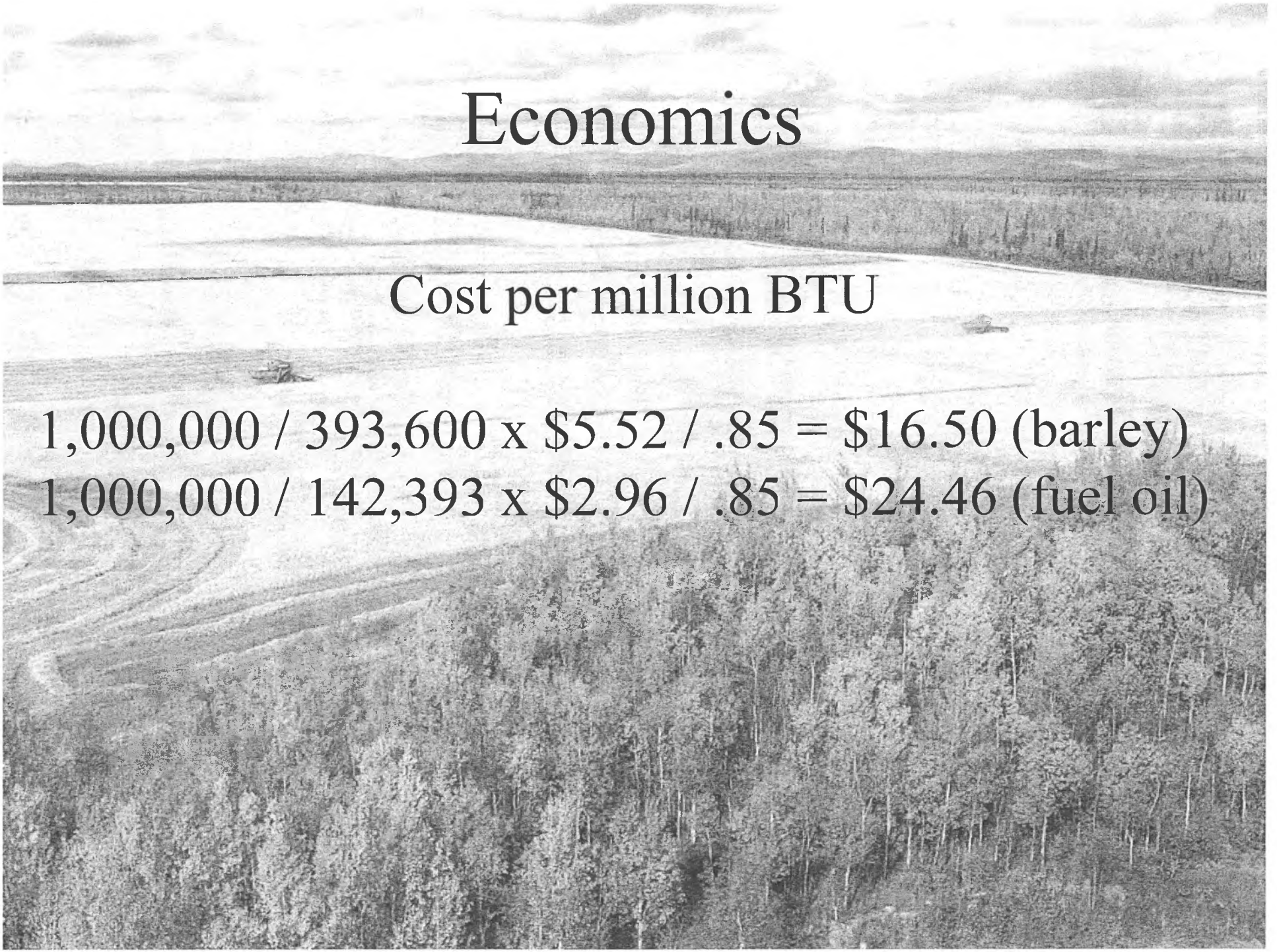




Agricultural Bio-mass for Fuel

- Barley
- Hay
- Straw
- Canola Oil





Economics

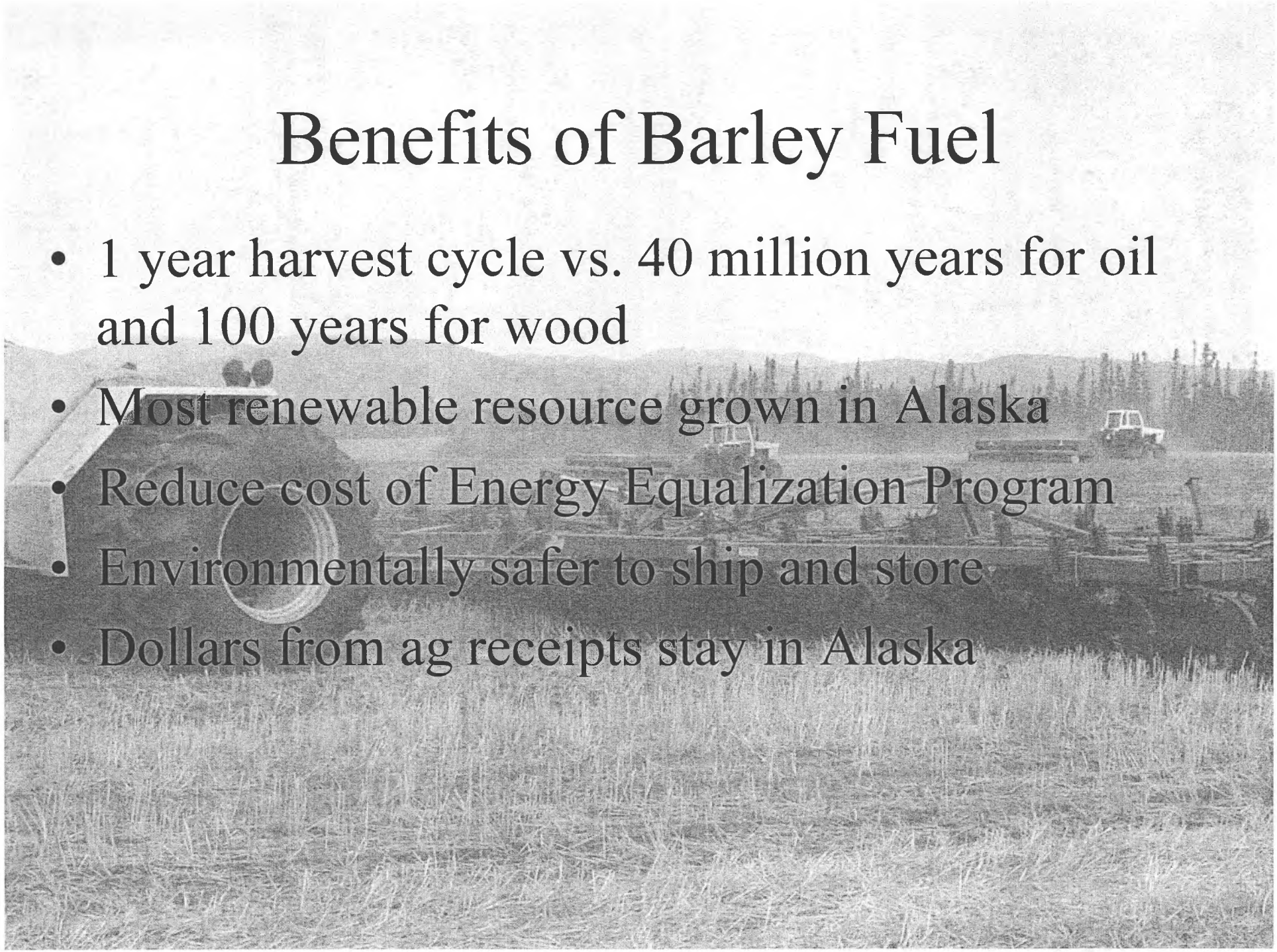
Cost per million BTU

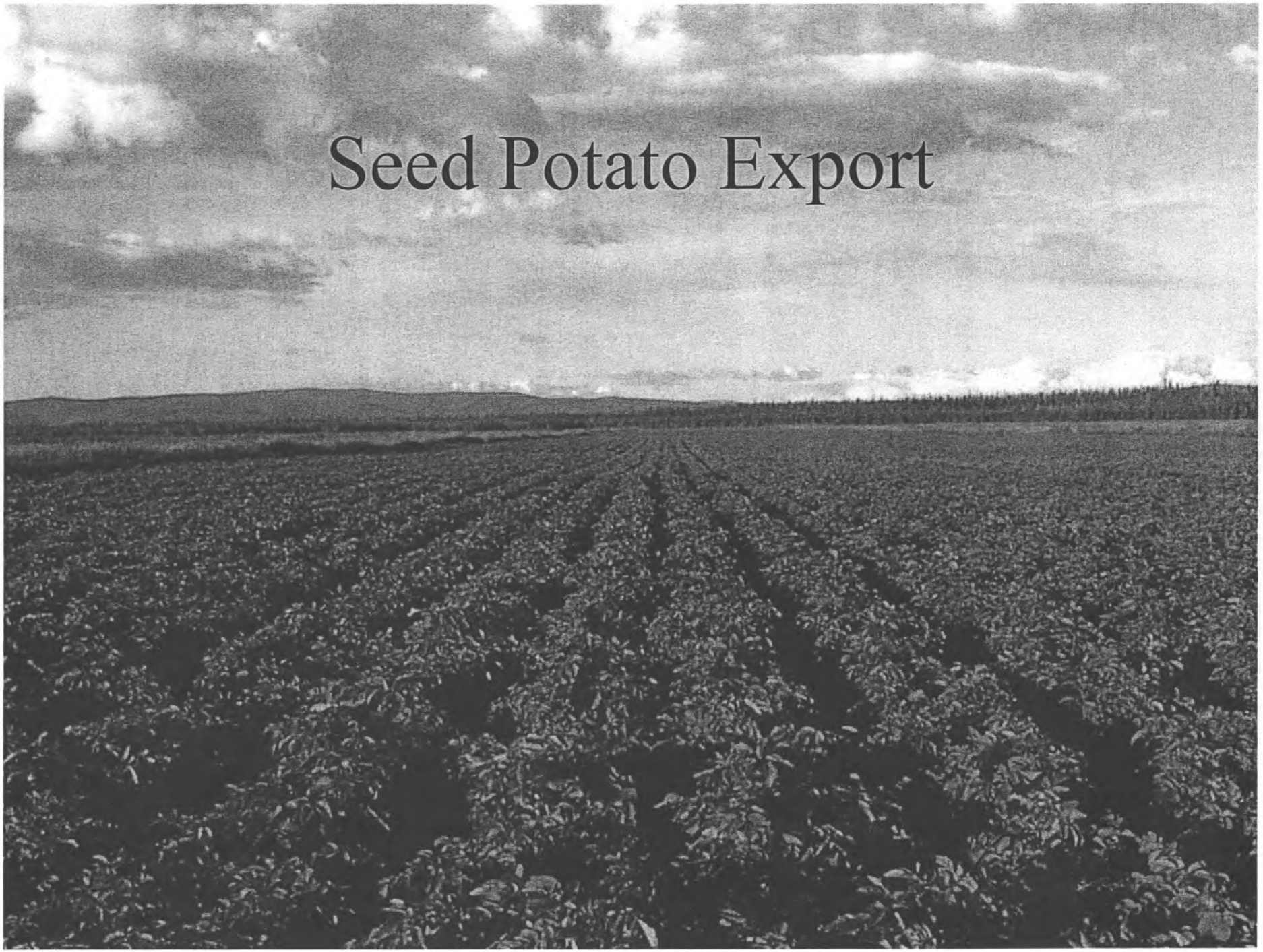
1,000,000 / 393,600 x $5.52 / .85 = $16.50 (barley)

1,000,000 / 142,393 x $2.96 / .85 = $24.46 (fuel oil)

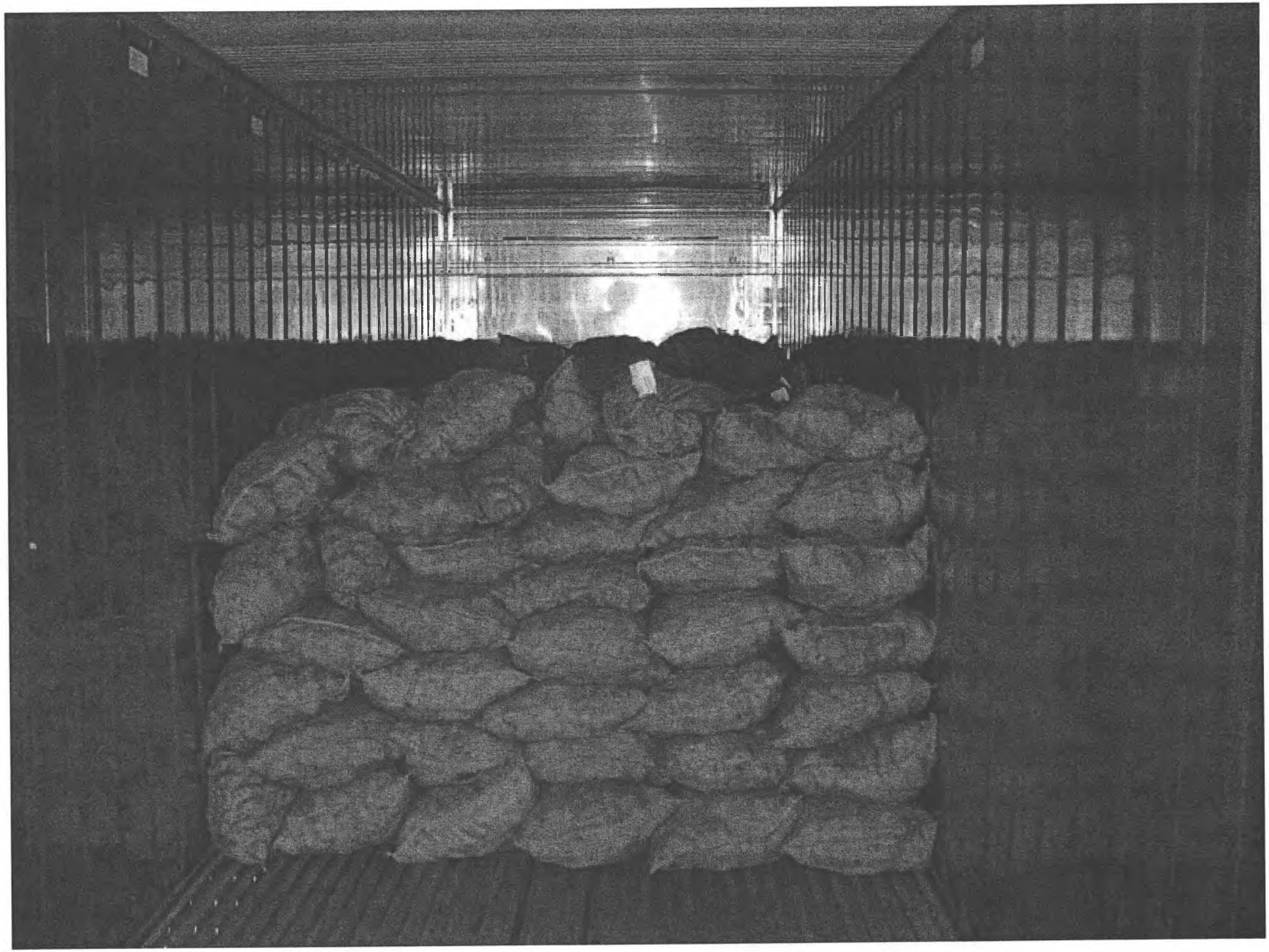
Benefits of Barley Fuel

- 1 year harvest cycle vs. 40 million years for oil and 100 years for wood
- Most renewable resource grown in Alaska
- Reduce cost of Energy Equalization Program
- Environmentally safer to ship and store
- Dollars from ag receipts stay in Alaska




Seed Potato Export


EGAN



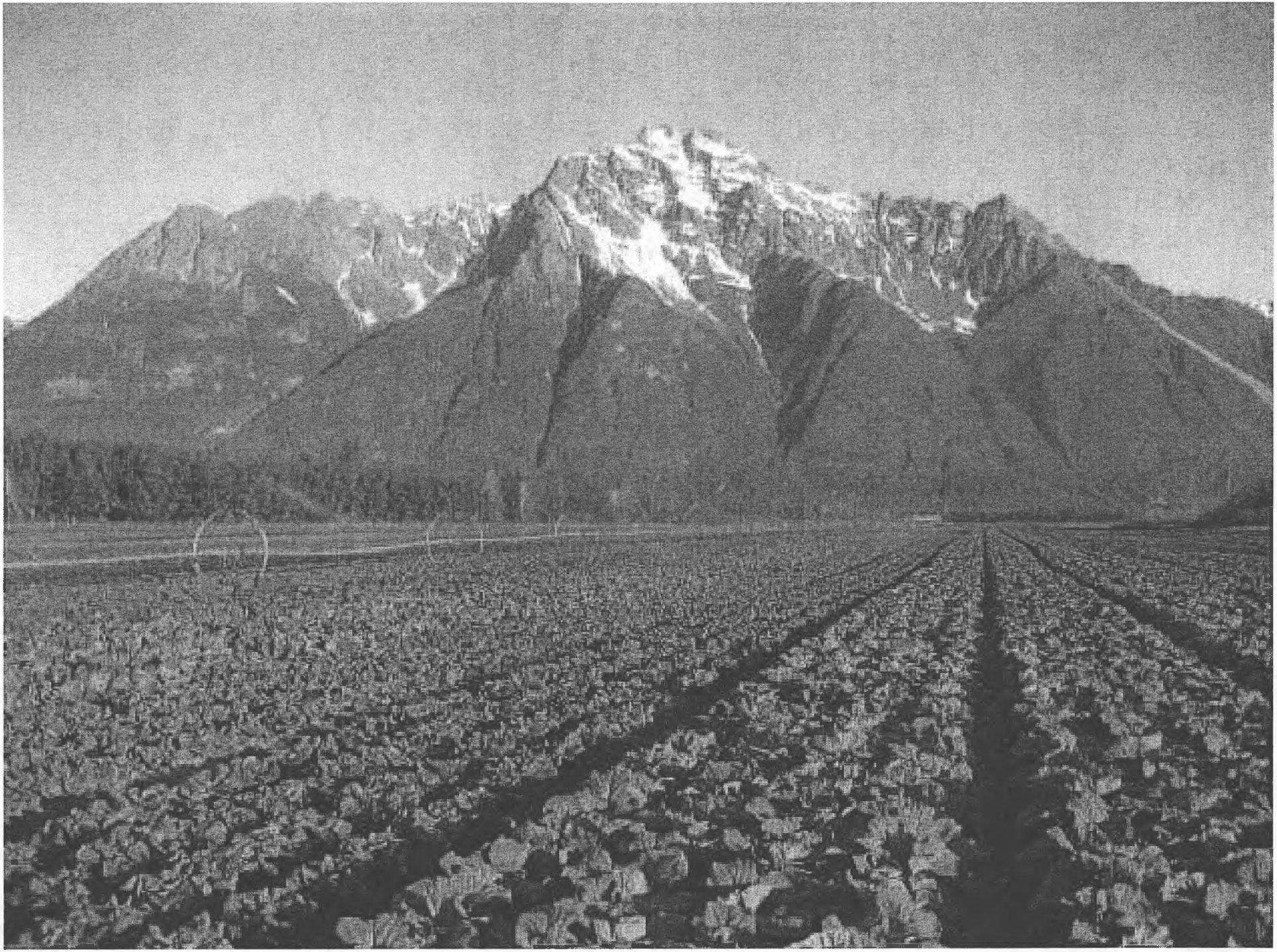
Economic Activity for Delta

	2010 Farm Gate Value	2015 Farm Gate Value	2020 Farm Gate Value
Crops and Livestock	$9.5 Million	$12.7 Million	$24.7 million
Seed Potato Export		$30 Million	$108 Million
Total Farm Sales	$9,500,000	$42,700,000	$132,700,000
Total Economic Activity	$76,000,000	$341,600,000	$1,061,600,000


Food Security

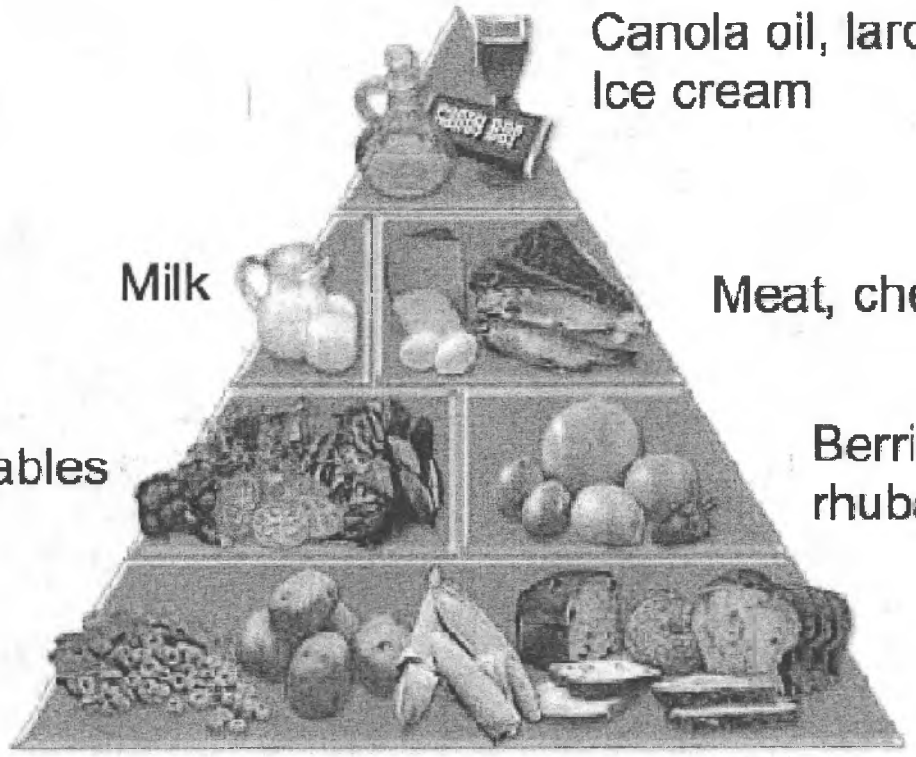








Alaska Food Pyramid



Canola oil, lard, honey,
Ice cream

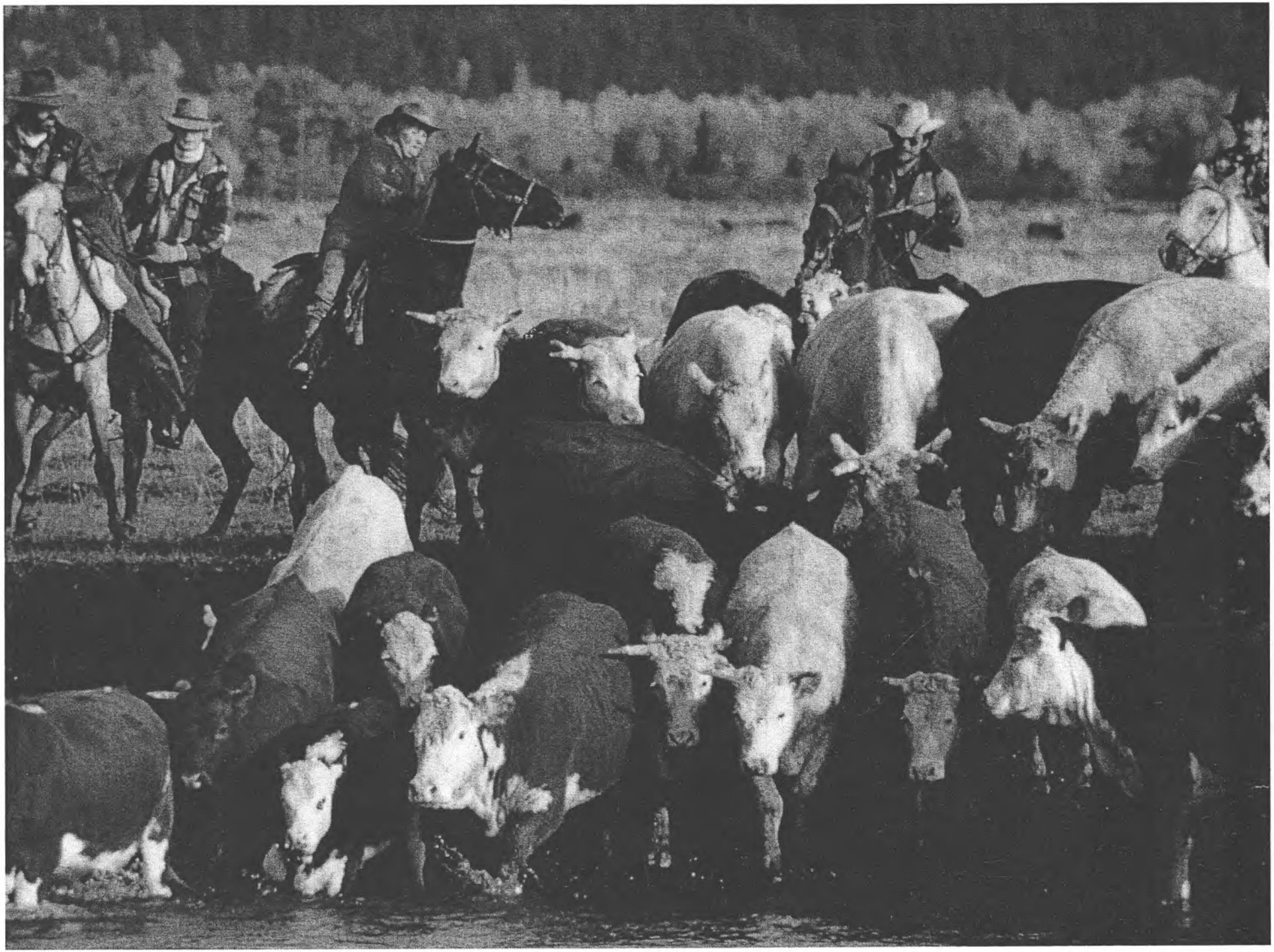
Milk

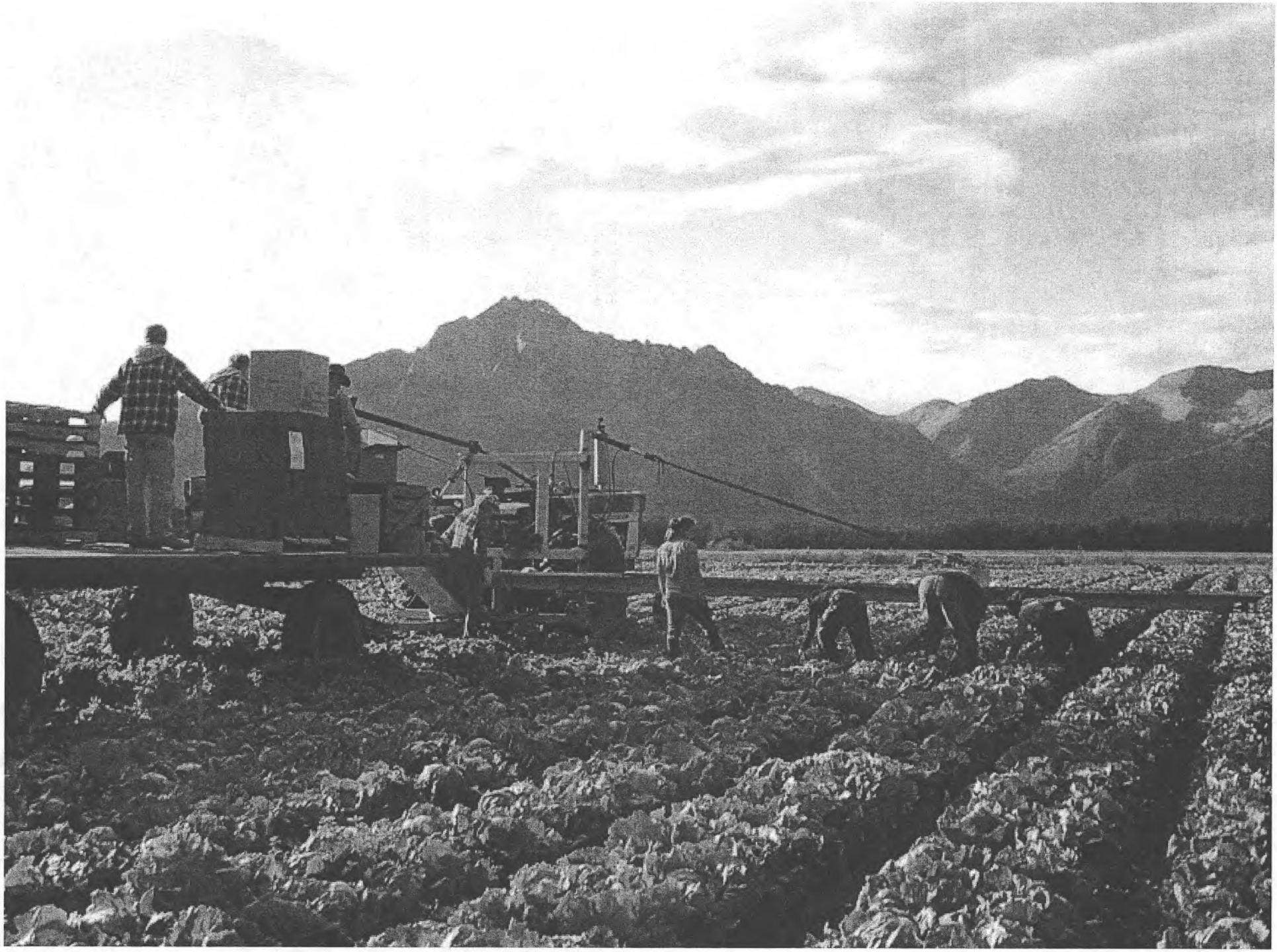
Meat, cheese, eggs

Vegetables

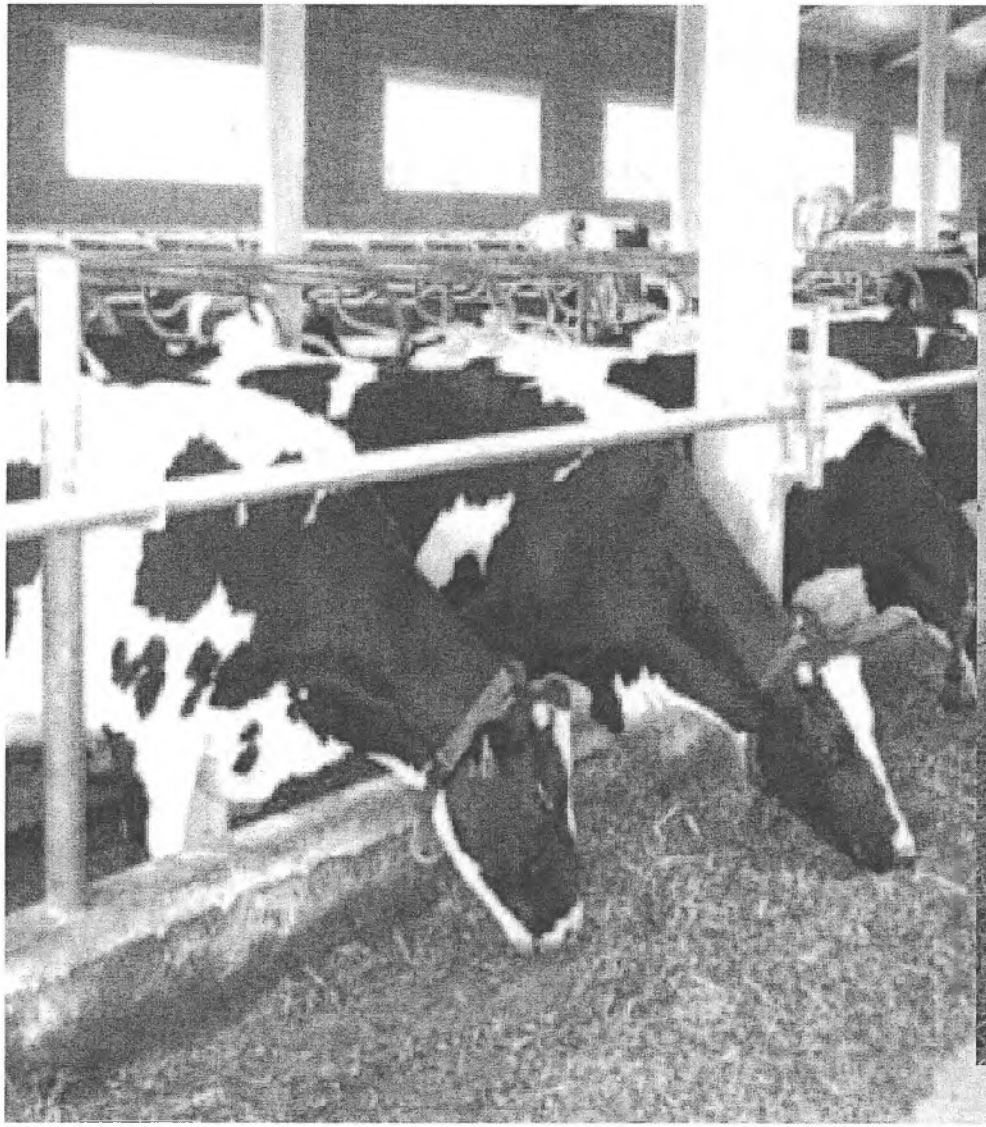
Berries, apples
rhubarb

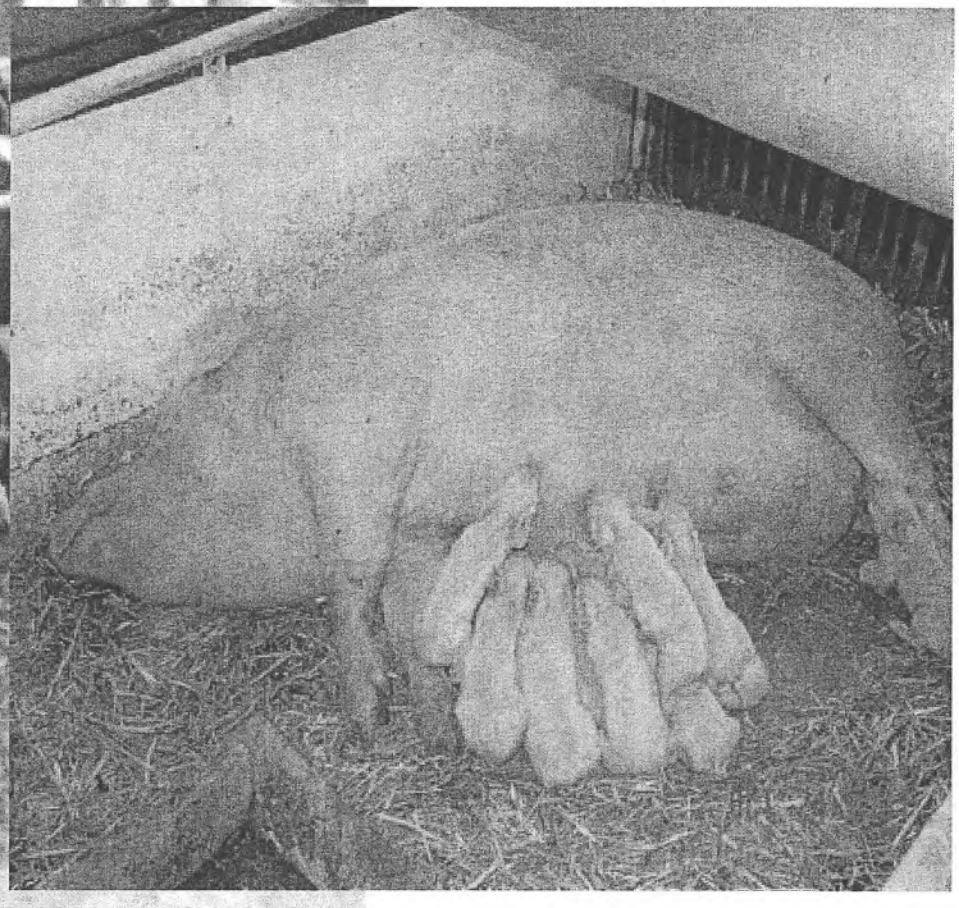
Barley, wheat, oats, rye, spuds









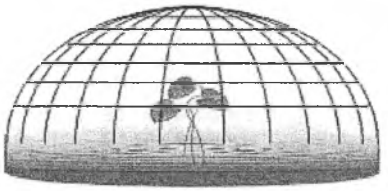


Goals of the Agriculture Plan

- Broaden the economic base of the state
- Stabilize real food costs by increasing local food.
- Provide alternative job opportunities
- Improve rural life by developing an economic base through agriculture.
- Increase food security for Alaska

Challenges

- Small ag industry
- Market competition from Outside sources
- Government policies and regulation
- Infrastructure
- Lack of Ag culture



NorthernLatitude
Controlled Environment Agriculture

Presentation to:

House Economic Development, Trade & Tourism Special Committee

January 27, 2011

Our Team:
Sioux-z Humphrey Marshall, Chief Executive Officer siouxz@nlcea.com
Rusty Foreaker, Chief Production Officer rusty@nlcea.com

Our Location:
5801 Arctic Blvd, Unit E Anchorage, Alaska 99518 www.nlcea.com 907-891-2832

NorthernLatitude
Controlled Environment Agriculture

Our Mission

- To be commercial indoor agriculture production leaders in the Northern Latitudes
- To help northern communities gain food security and independence
- To grow local, clean, and nutritious food



NorthernLatitude
Controlled Environment Agriculture

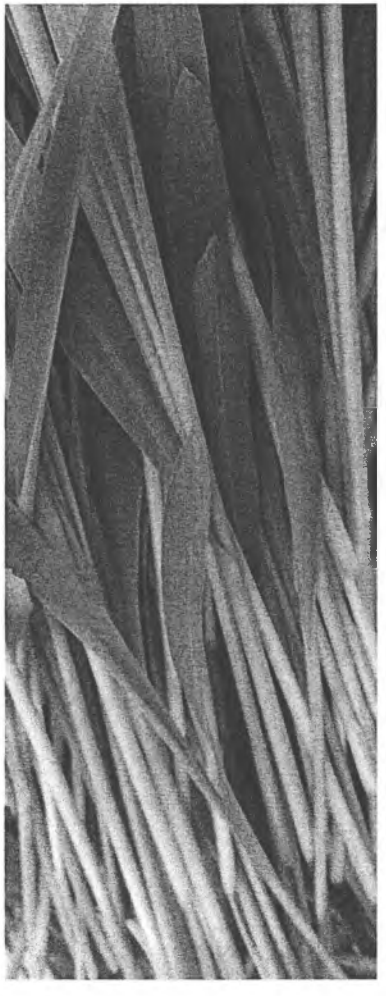
What is a CEA?

CEA = Controlled Environment Agriculture

- Nutrient Film Technique (NFT) Hydroponic System
- Fluorescent Grow Lights
- Temperature Controlled
- Air Circulation System
- Nutrient Controlled



Hydrolicious Micro Greens



Why did we choose to grow Micro Greens?

- Micro Green is a stage of growth – popular green option
- Micro Greens contain high concentrations of nutrients
- Short growth cycle (5 to 20 days)
- Could use a "rack" system to increase yield with small footprint
- Amazing flavors
- It pencils out!

Hydrolicious

Natural, Clean, Fresh

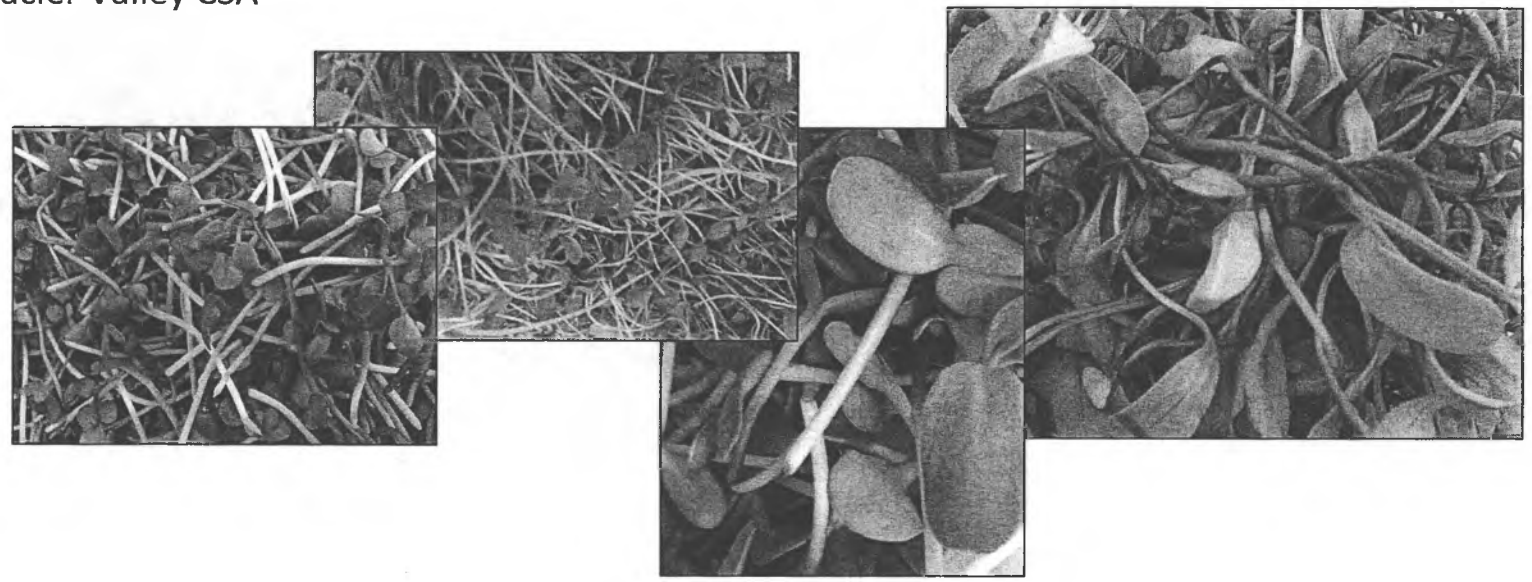


Where we are today…

Harvested Weekly, 100% Natural, No Pesticides, No GMOs

Find us at:

- Local restaurants
- Food Services of America – we have displaced a micro green import!
- The Winter Farmers Market inside the Northway Mall
- Glacier Valley CSA



NorthernLatitude
Controlled Environment Agriculture



Where are we going?

- Hydrolicious in a retail store near you
- NLCEA custom micro green systems
  - Growing Kits
  - Custom Racks
  - Technical Support
  - Target Market: Rural Alaska and other Northern Latitude communities
  - Systems are small enough to fit in a corner of a room – very small footprint
  - Opportunity for community to get hands-on with the growth and harvest of greens

NorthernLatitude
Controlled Environment Agriculture

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Prospects and Challenges of Alaska Seed Potatoes Export to Asia

Dr. Jenifer Huang McBeath
Plant Pathology and Biotechnology Laboratory (PPBL)
Agricultural and Forestry Experiment Station (AFES)
University of Alaska Fairbanks (UAF)

Agriculture Information

- Land classified suitable for agriculture: 12 million acres
- Land in agricultural use:<50,000
- Agricultural areas: Interior and Southcentral regions primarily
- Growing Conditions: short but intense, arid

  Season: 95-100 frost free days

  Daylength: 22-24 hours
- Major crops: barley, hay, potatoes, vegetables

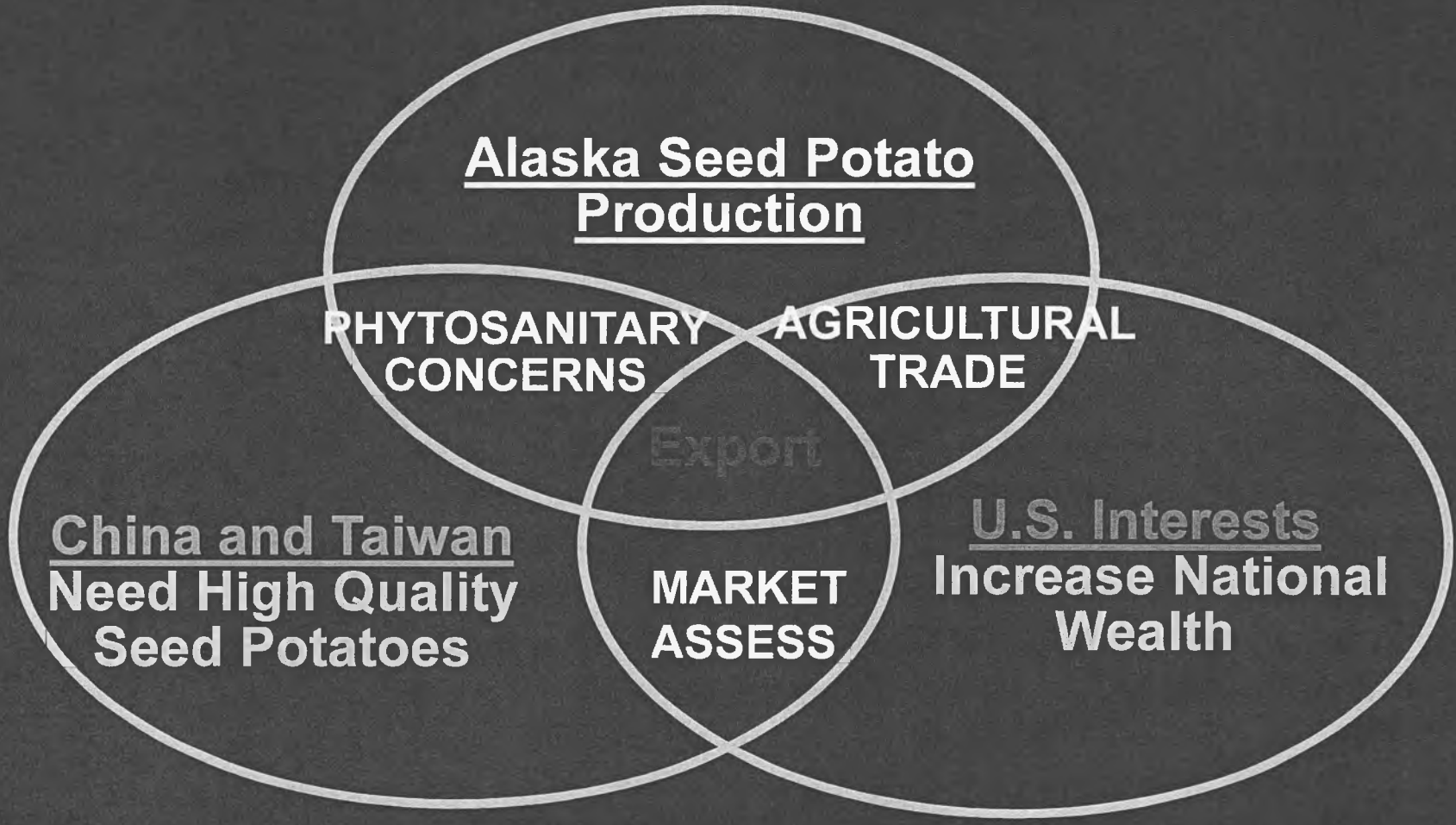
Challenges to agricultural development

- Natural environment:
  - Isolation—high costs of operation, transportation, etc.
  - harsh climatic conditions
  - Farm has to be established from wilderness
  - Small domestic market for agricultural products
- Politic climate:
  - Inconsistent agricultural policies
  - Dependency in multi-national corporation in the development of natural resources
  - Reluctance in investing state funds in agricultural development and research
  - Ignorance of diseases and pests problems
  - Lack of infrastructure—road, storage facilities, etc.
- Producers: small number of professional farmers

Development of a Lab-test based Verification system

- This new concept was developed in 1989
- Purpose: to develop Alaska agricultural products for international markets
- The program began in 1996
- Products—Alaska premium lab-tested, disease-free seed potatoes and other crops
- This concept has expanded to other Alaska agricultural crops

Relationships Among Alaska Seed Potato Production, US Interests and Interests of China and Taiwan



How did Alaska seed potatoes and other agricultural products gain access to China and Taiwan (1988-2003)

Background: In 1988, bacterial ring rot (BRR, a quarantined diseases) epidemic occurred on potatoes in Alaska. In 1989, farmers and the president of the Alaska Stockgrower's Association (=Alaska Farm Bureau) requested McBeath's assistance in: 1) solving BRR problem, and 2) facilitating potato exports.

- 1990 Established field sampling and lab testing protocols for 6 viruses, BRR, late blight, root knot nematode. Results: Alaska lab-tested, disease-free seed potatoes. Presented this concept to Taiwan (1991) and China (1992).
- 1991 – 1994 Provided government of Taiwan, through USDA, information they requested for pest risk assessment for Alaska seed potatoes, including field sampling and lab-testing procedures.
- 1994 Taiwan signed the export protocols for Alaska seed potatoes. Alaska became the first (still the only) state in the world to be able to export seed potatoes to Taiwan.
- 1995 PPBL was inspected by quarantine official from Taiwan as part of the pre-sale clearance procedure.

How did Alaska seed potatoes and other agricultural products gain access to China and Taiwan (continued)

- 1995 Obtained export protocols for Alaska table stock potatoes (one of the five US states), carrots (one of the two U.S. states) and asparagus (one of the two U.S. states).
- 1997 and 1998 Obtained from Chinese government special import permits for Alaska lab-tested disease-free seed potatoes.
- 1999 Provided China, through USDA, information they requested for pest risk assessment for Alaska seed potatoes, including field sampling and lab-testing procedures.
- 2000 – 2003 McBeath, as a member of the US Negotiation Team, negotiated with China for exporting Alaska seed and table stock potatoes.
- 2000 – 2004 PPBL was inspected by four teams of quarantine officials from China, including pre-sale clearance inspection.
- 2003 China signed export protocols for Alaska seed potatoes. Alaska is the first (still the only) state in the U.S. as well as the world to be able to export seed potatoes commercially to China.

Accomplishments of the Lab-tested based Certification System

- Alaska is the only state in the world permitted to export seed potatoes to Taiwan (1994)
- Alaska is the only state in the world permitted to export seed potatoes to China (2003)
- Alaska is one of the five US states permitted to export table stock potatoes to Taiwan (1995)
- Alaska is one of the two US states permitted to export asparagus to Taiwan (1996)
- Alaska is the only state in the US permitted to export carrots to Taiwan (1996)

Key Requirements in Exporting Seed Potato Export to China

- Seed potatoes must be tested by the Plant Pathology and Biotechnology Laboratory at the University of Alaska Fairbanks.
- Seed potatoes must be lab-tested disease-free, which also provide the basic information for phytosanitary certificate.
- Alaska seed potato Certification.
- Minimal amount of soils (Chinese and Taiwanese officials understands that seed potatoes can not be washed).
- Minimal numbers of commercial diseased potatoes (dry rot).

List of Pathogens and Pests Routinely Surveyed and Lab-tested at PPBL, UAF

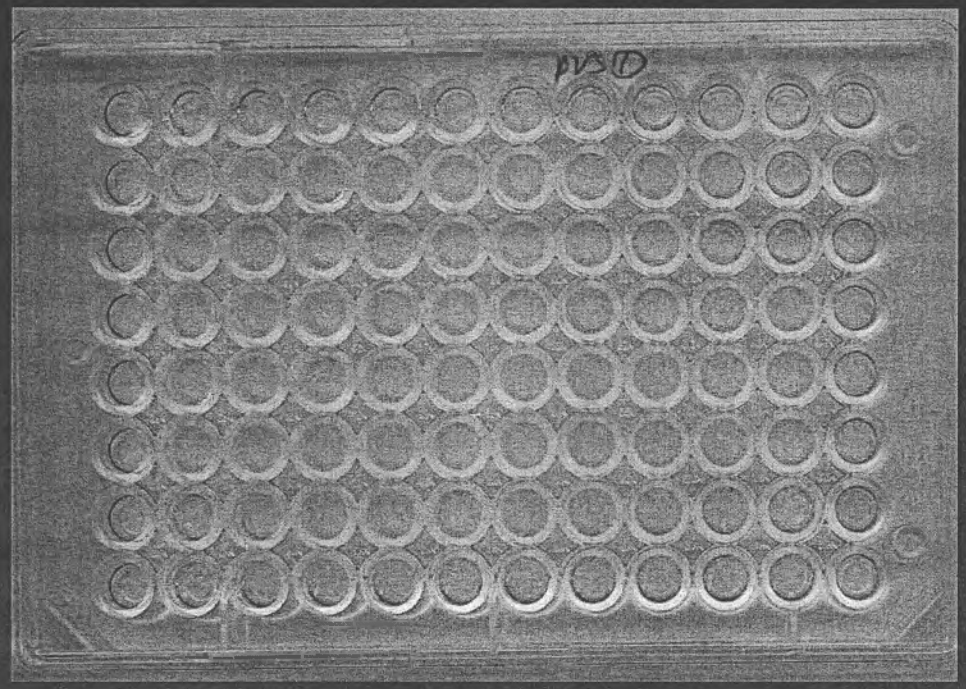
- Potato Viruses (X, Y, A, M, S, potato leaf roll, and potato latent)
- Bacterial Ring Rot: *Clavibacter Michiganans* pv *Sepedonicus*
- Late Blight: *Phytophthora infestans*
- Phytoplasmas: witches' broom, aster yellows, purple top wilt, etc.
- Nematodes: *Meloigogyne* spp., *Globodera* spp., *Trichodorus* spp. *Ditylenchus* spp.

How to Produce Lab-Tested Disease-Free Seed Potatoes in Alaska through PPBL, UAF

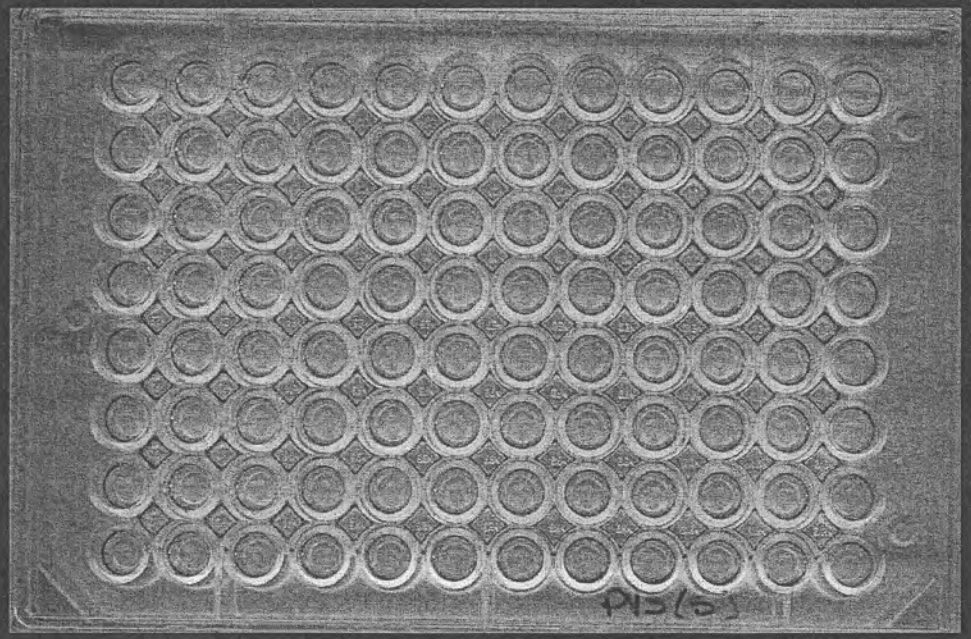
- Seed potato farmers obtain disease-free plantlets or mini-tubers from Alaska Plant Materials Center, Cornell Univ., etc. and plant them in the ground to produce the Generation 1 (G 1) seed potatoes. State inspection. Sampling and lab-tests by PPBL (intensity: 100%).
- Seed farmers plant G1 to produce G2. State inspection. Sampling and lab-tests by PPBL (intensity: 50% - 75%).
- Seed farmers plant G2 to produce G3. State inspection. Sampling and lab-tests by PPBL (intensity: 30%). Lab-tested disease-free seed potatoes are qualified for export.
- Seed farmers plant G3 to produce G4. State inspection. Sampling and lab-testing by PPBL (intensity: 20%). Lab-tested disease-free seed potatoes are qualified for export.




3/24/1998



Seed lots tested free of PVS

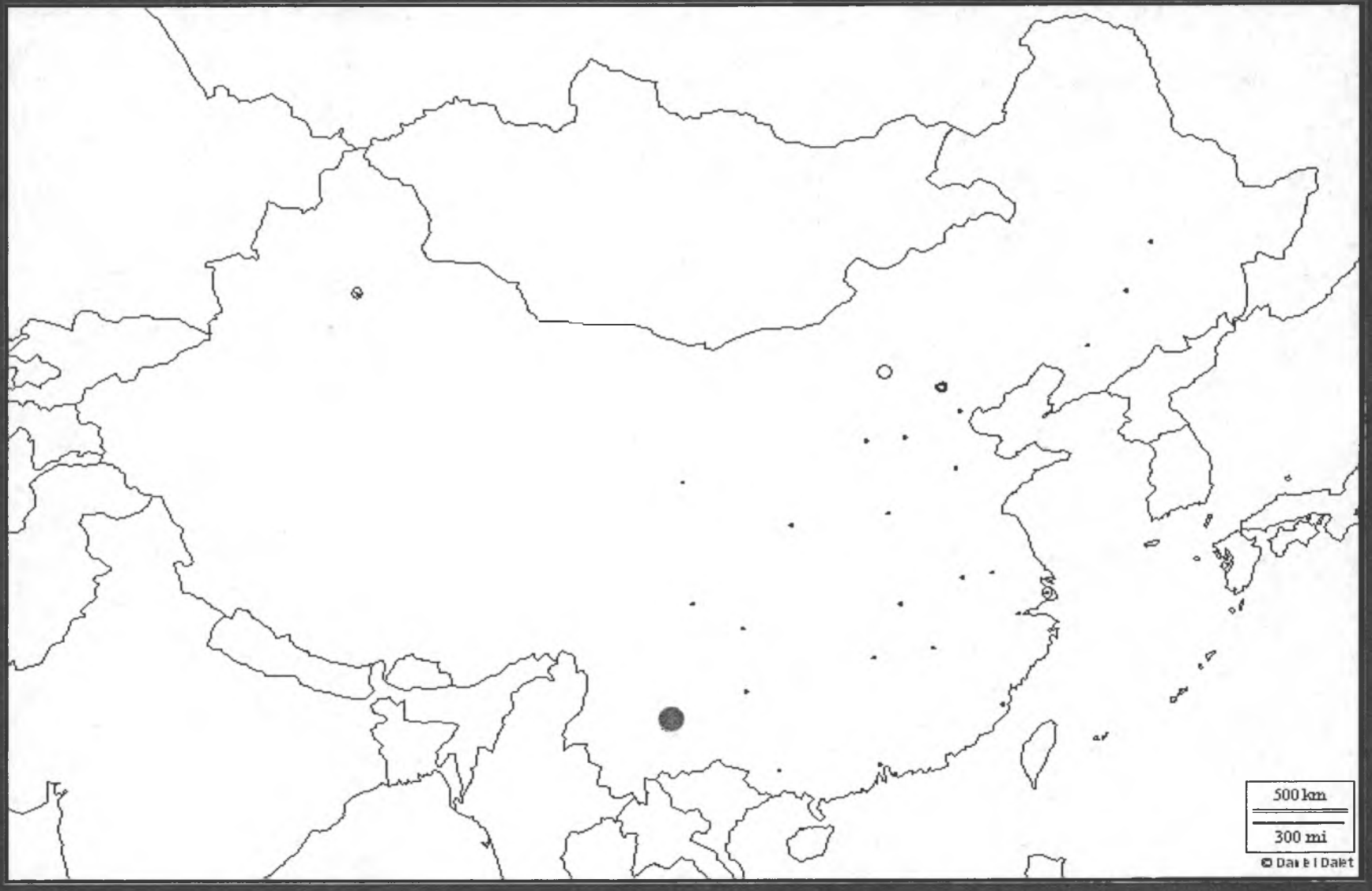


Potato seed lots tested positive of PVS

Progress of Alaska lab-tested disease-free seed potatoes exporting to China, 2003-2005

- 2003 Phytosanitary protocols for U.S. Alaska Seed Potato Exports to China was signed by the U.S. and China and make China accessible for Alaska seed potato exports.
- 2004 McBeath, U.S. Embassy Science Fellow, represented U.S.A. at the World Potato Congress held in Kunming, Yunnan
- During the Congress, McBeath negotiated with Yunnan Provincial government on exporting Alaska seed potatoes to Yunnan.
- 2005 Exported 20 tons of Alaska lab-tested disease-free seed potatoes to China—the first shipment of seed potatoes fo foreign origin entering China through commercial channels since the establishment of PRC in 1949.

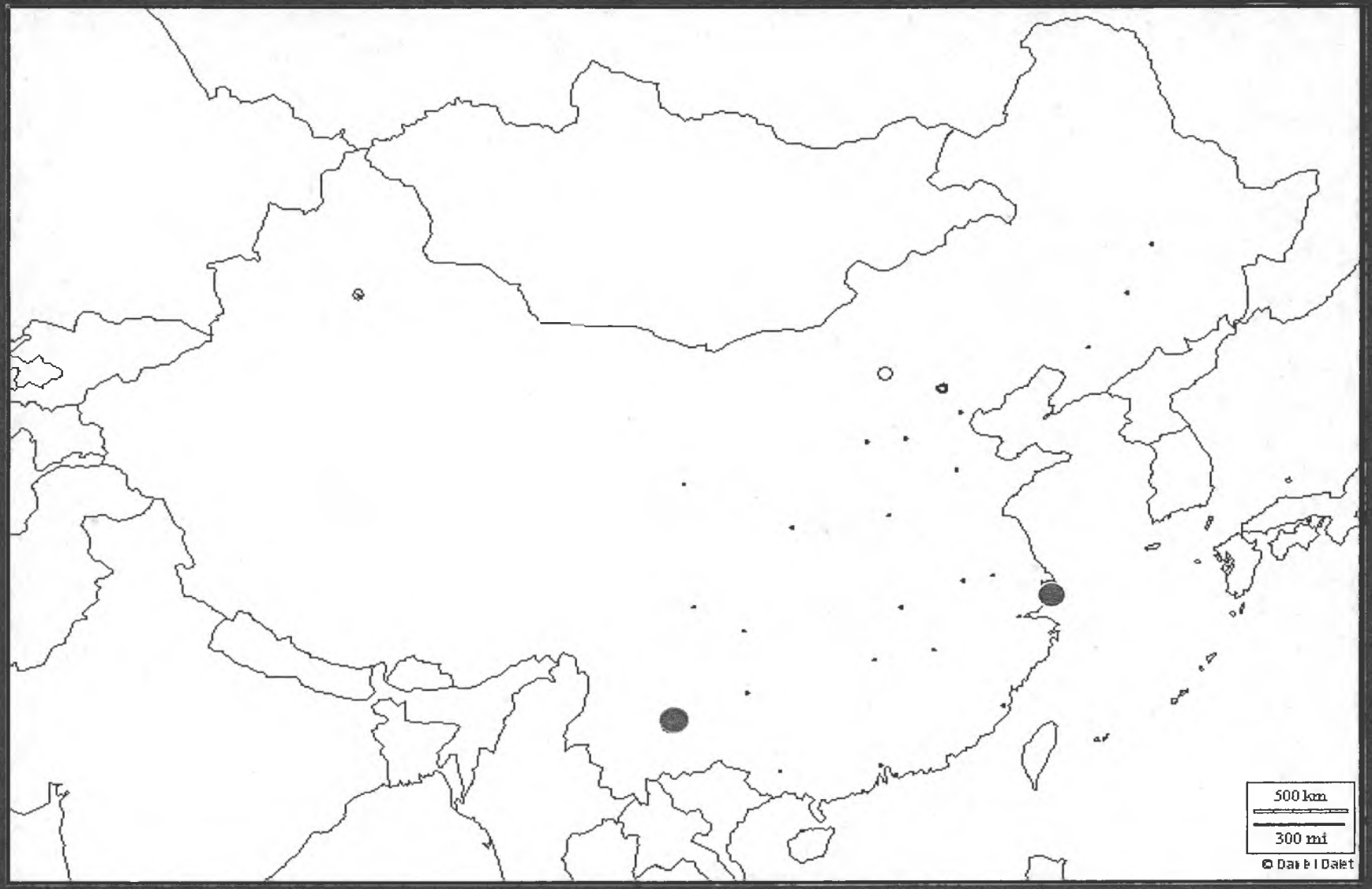
2004-2006, Yunnan, China



Progress of Alaska lab-tested disease-free seed potatoes exporting to China, 2007-2009

- 2007 McBeath was invited by Dongtai government to give a talk on biological control of plant diseases, after presenting a keynote address at the China Vegetable Network in Hangzhou.
- 2007 McBeath, touting the advantages of growing Alaska seed potatoes to officials and Shen (associate of Feng)
- 2008 McBeath met Feng, who owns 24,000 acres of prime, reclaimed farmland in Dongtai.
- 2008 and 2009 Shen and Feng ordered 40 tons of seed potatoes. No seed potatoes was available due to lack of funds for tests.
- 2009 Feng met Richard Larsen through Stanley Huang and intertaining the idea of to come to Alaska to get seed potatoes.

2007-2009, Yunnan and Dongtai, China



Progress of Alaska lab-tested disease-free seed potatoes exporting to China, 2010-

- March, Feng, Larsen and the group came to Alaska and decided to work with Alaskan farmers to grow lab-tested disease-free seed potatoes for export.
- April, funding made available for McBeath's lab to test 22 seed lots (11 were found lab tested disease-free).
- July-Sept, McBeath's lab performed field sampling and lab tests on farms in Palmer and Delta; 1,756 greenhouse samples from PMC and 86,000 progenies of minitubers.
- December, 140-160 tons of lab-tested disease-free seed potatoes are scheduled to be exported.
- Current export projection: 1,100 tons by 2012.

Challenges and Solutions

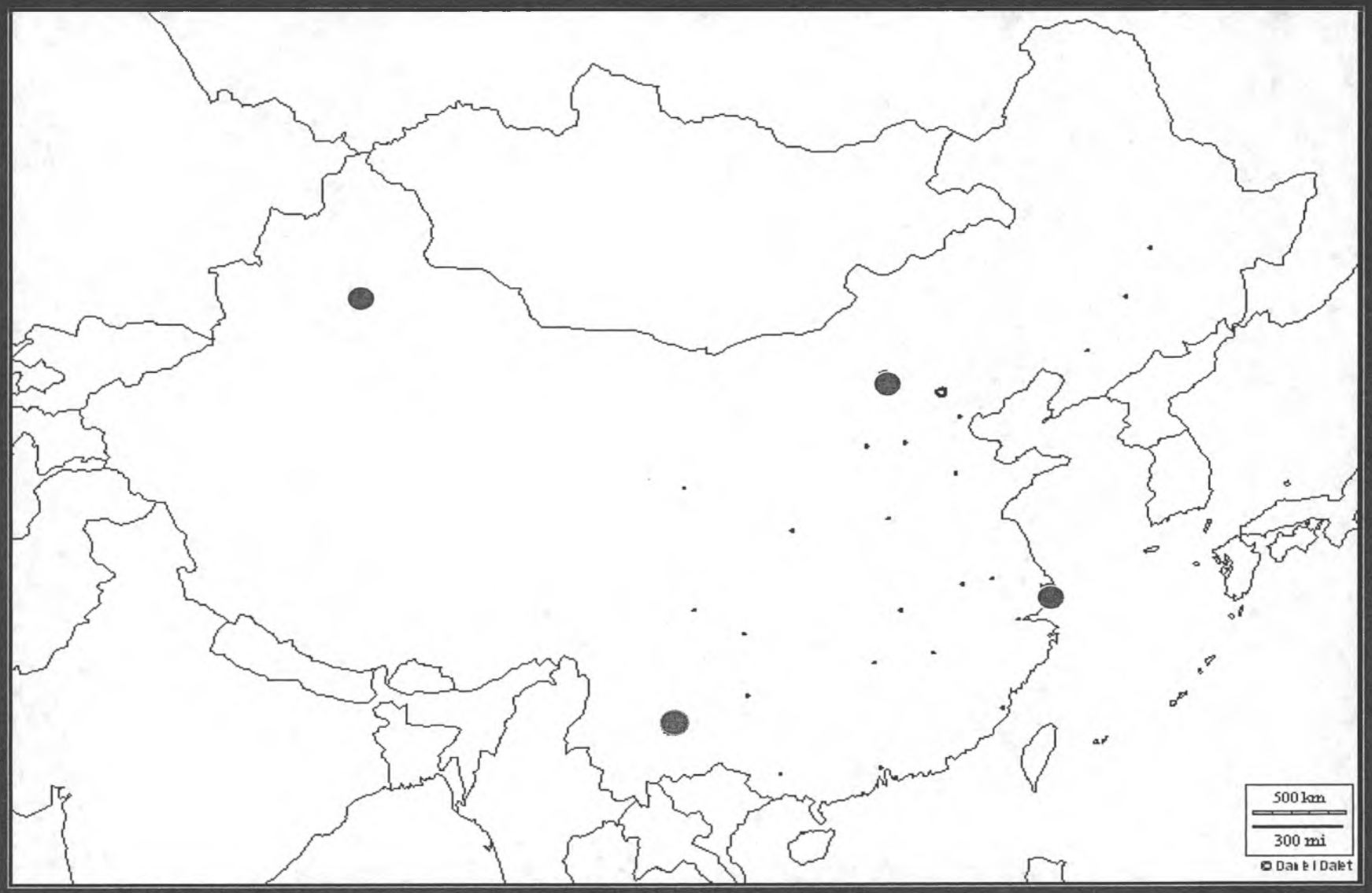
- C: Limited minituber production in Alaska(~300 lb in 2010). S: Imported 86,000 minitubers from Michigan in 2010. Production of 500 K to 1 M plantlets/seedlings, McBeath's lab(10/10-5/11).
- C: Limited acreage on seed potato production. S: Purchasing land in AK for increasing seed potato production.
- C: Limited storage. S: Building modern potato storage in 2011.
- C: Shipping large quantities of potatoes in a short time period. S: establish center in areas of different growing seasons.
- C: Short growing season in AK. S: Extend the season by treating potatoes with Plant Helpers to promote the growth.
- C: Unseasonable harvesting season. S: Kill vine in August and harvest early.



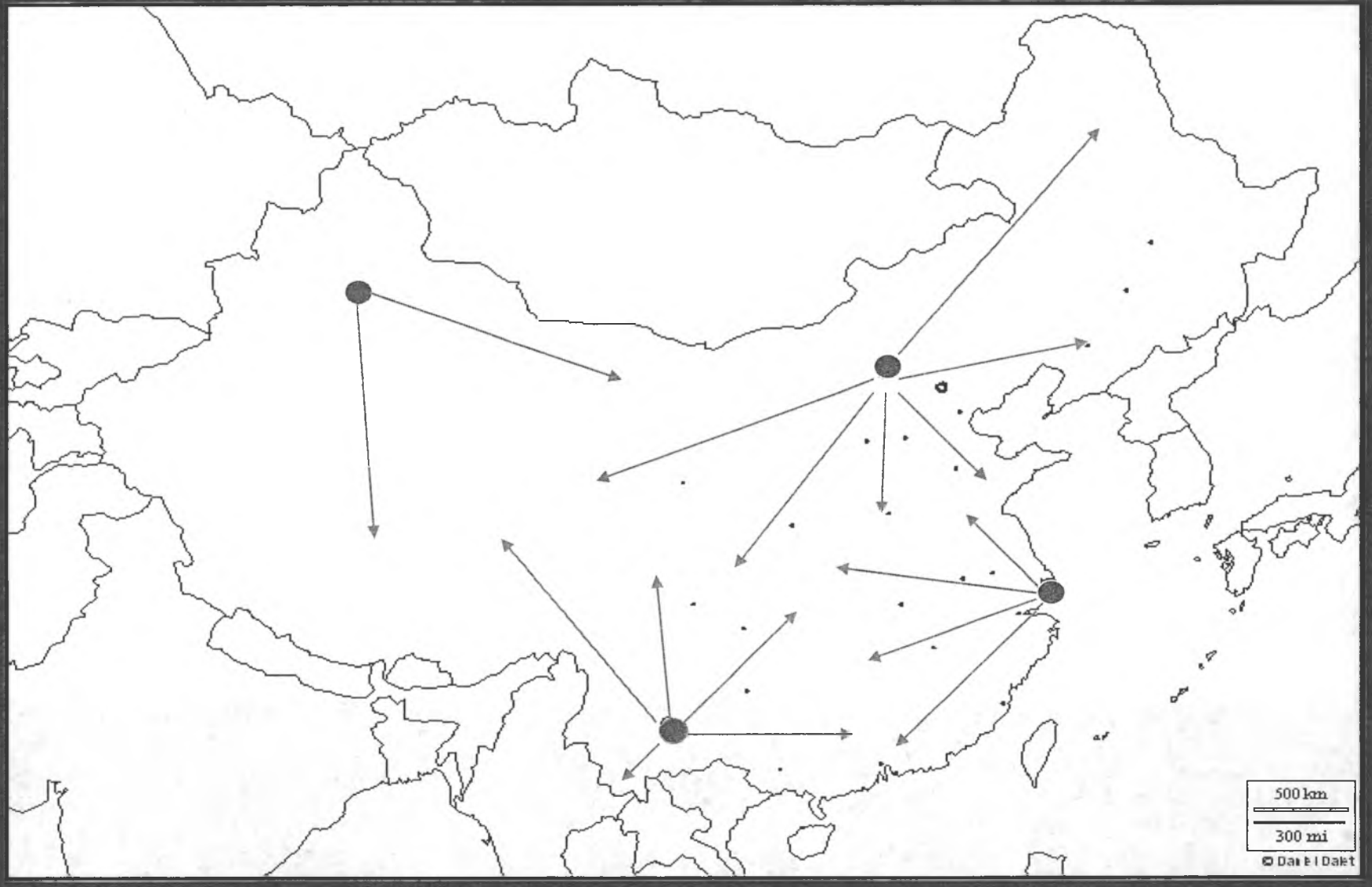
Seed piece treated with Plant Helper (formulated *Trichoderma atroviride)* Untreated control

PLANT GROWTH ENHANCEMENT

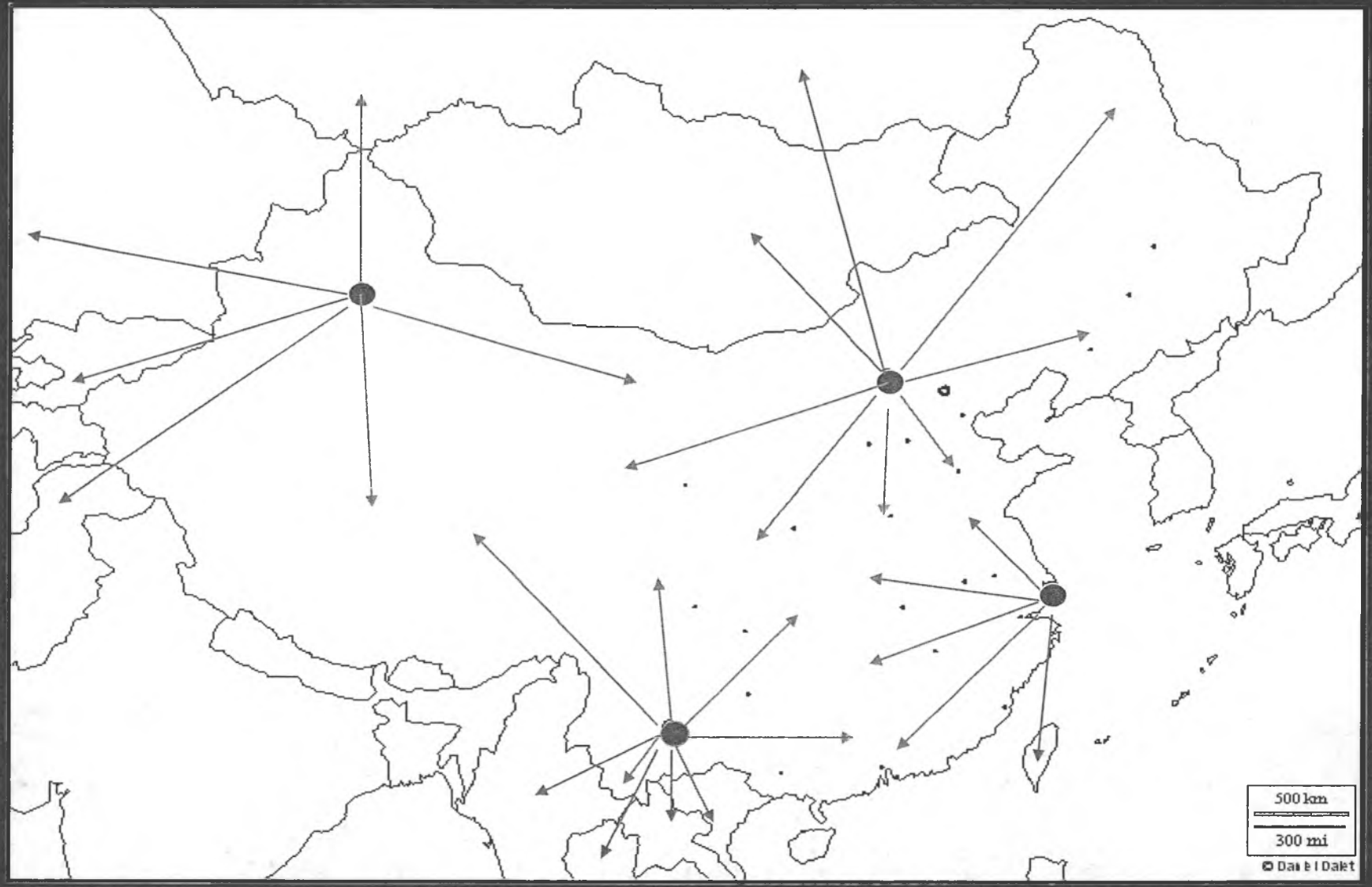
Future Plans for Alaska Lab-tested Disease-free Seed Potatoes in China. Phase 1: selection center sites, 2010



Future Plans for Alaska Lab-tested Disease-free Seed Potatoes in China. Phase 2: distribution network



Future plans for Alaska lab-tested disease-free seed potatoes in China. Phase 3: expansion



Thank You

Alaska State Legislature

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Juneau, AK 99801-1182
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Fax: 465-2833
Toll Free (800) 465-3779
Representative_Mike_Chenault@legis.state.ak.us

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Second Floor
Kenai, Alaska 99611
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Fax: 907-283-7184

Representative Mike Chenault
Speaker of the House
District 34

February 9, 2011

Representative Mike Hawker, Chair
Legislative Budget and Audit Committee
Room 502, State Capitol
Juneau, AK 99801

Dear Chair Hawker and Member of Legislative Budget and Audit:

This year more funding is being requested for the Virus Free Seed Potato project. State funding for this project started in approximately 1994 with various requests and appropriations moving from Department to Department to continue the project. To date, no obvious return to Alaska has been demonstrated by this project.

I respectfully request an audit of this project which would include answers to the following questions.

1. Provide a schedule of all funding provided by the State of Alaska for the virus free seed potato project specifically or as part of another appropriation. The schedule should identify the amount, the agency receiving the appropriation and the source of funds.
2. Identify if any funding in the Northern Plants Materials Center, the Ag Development Allocation, the Agricultural Revolving Loan Fund and the University Mat-Su Experimental Farm relates to the virus free seed potato project.
3. Identify if expenditures for this program over the last seven years were reasonable and necessary.
4. Identify if resources (i.e. facilities) of the University of Alaska were provided for this project—what and how much.
5. If other funding (grants, etc.) was obtained for this project and University of Alaska facilities were used, was there return to the University through an indirect charge or other mechanism at the approved indirect cost allocation rate.
6. Has there been any return (monetary or otherwise) to the State of Alaska from this project? Has there been any return (monetary or otherwise) to private entities benefiting from this project?
7. What is the intended outcome of this project for the State? Will there be any monetary outcome realized by State government for assisting this project or is this funding a subsidy to farmers who may wish to grow seed potatoes?
8. Are the appropriations for this project being used for essential state services? Is there a longer term cost/benefit of continued state involvement in the business of virus free seed potatoes?
9. Identify any areas that come to light during the course of the audit that would be of interest to the Legislature.

Sincerely yours,

Representative Mike Chenault
Speaker of the House

Alaska Farm & Ranch News

VOL. 3 NO. 1

8 PAGES

January 2011

$ 2.00



Page 2
Turning Light Farm showcases human-animal interdependence

Page 5
Farmers call for spending cuts in next Farm Bill

Farm Bureau hires Fellman as lobbyist

By MICHAEL PASCHALL
Alaska Farm & Ranch News

The Alaska Farm Bureau has hired Peter Fellman, former legislative aide to Rep. John Harris (R-Valdez) as a lobbyist. Under the direction of the Farm Bureau, Fellman is to work toward creating a Department of Agriculture.

Alaska currently has a Division of Agriculture within the Department of Natural Resources (DNR). Farm Bureau leaders have complained that the Division does not receive the attention it deserves under DNR. The Department is currently responsible for oil, gas, and mining as well as other divisions, including Agriculture; Coastal and Ocean Management; Forestry; Mining, Land and Water; Parks and Outdoor Recreation; and other offices.

According to Farm Bureau Executive Director Jane Hamilton, "The Alaska Farm Bureau continues to pursue the creation of a Department of Agriculture per our member's vote during the November 2010 annual meeting. To that end, we have just hired our very first lobbyist."

As many in the industry know, Fellman has been an advocate for agriculture and has an understanding of the legislative system.

During his 12 years working as an aide to Rep. Harris, "He gained experience and expertise in both the legislative and budgeting process. He understands the need for a Department of Agriculture and the many agricultural issues that need to be addressed in legislation that would create a Department of Agriculture," wrote Hamilton in a statement.



File photo
The Alaska Farm Bureau has hired Pete Fellman to lobby the Alaska legislature for the creation of a cabinet-level Department of Agriculture.

With a new commissioner in the Department of Natural Resources, it remains to be seen how the Department will treat the Division of Agri-

See FELLMAN, page 5

7th Annual SARE Conference agenda set

Preconference to feature goat, small dairy cheesemaking workshop

By TAYLOR MAIDA
UAF Cooperative Extension Service

The Seventh Annual Sustainable Agriculture Conference is scheduled for March 23–24, 2011, at the Fairbanks Princess Riverside Lodge in Fairbanks. A special preconference growers/ranchers school is planned for March 22, featuring a variety of goat and small dairy workshops at the Princess Lodge and a farmstead goat milk cheesemaking workshop at the Hutchison Institute of Technology kitchen. Events are open to everyone – from home gardeners to foodies to commercial growers.

More than 200 people from 27 different communities across Alaska have attended the conference in past years. This year's workshop on goat and small dairy will feature a panel of national and state speakers who will discuss the considerations of running a small dairy. Each speaker will present a different component of the discussion. Speakers include Lorrie Conway of Conway Family Farm, Camas, Wash.; Dr. Susan Kerr of Washington State University Klickitat County Extension; Gene Wiseman of the Missouri Department of Agriculture; and Dr. Robert Gerlach of the Alaska Division of Environmental Health.

Other topics to be presented by state speakers include root cellars and extending crop availability, funding opportunities, CSAs (Community Supported Agriculture) around Alaska, agriculture research from around the state, different methods of fertilizing organically, employment strategies, small fruit and berries, and the rhubarb industry.

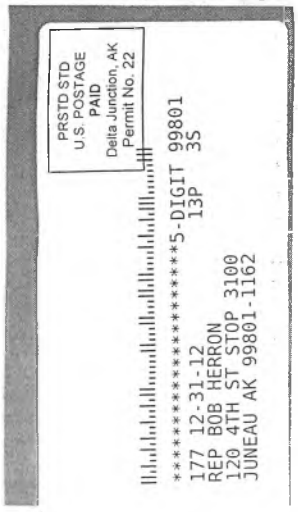
Dairy goat farmer and cheese maker Lorrie Conway of Conway Family Farm will be the keynote guest speaker. She will share how raising dairy goats and making cheese can be successful on a small family farm. She and her husband Shaun, along with daughters Ashley and Amber, have raised Nubian goats and Leicester sheep on their five acres for more than 15 years. Having built the farm from the ground up themselves, Conway Family Farm is now a Grade A raw milk licensed dairy through the state of Washington.

In addition to raising goats and making cheese, the Conways also raise sheep for their wool, keep honeybees, and maintain "u-pick" blueberry and lavender fields. The goats and sheep also provide the Conways with grass-fed meat year-round.

In 2006, Lorrie and her family were nominated for the Western Region SARE Patrick Madden Award for Sustainable Agriculture. They were recognized for their efforts in sharing their knowledge of small scale, sustainable agriculture with the public through e-mails, farm visits and tours, phone calls, community events and speaking engagements at conferences. Lorrie holds a bachelor of science degree in business and management, which she combines with her lifetime experience of farming to operate her own business management and accounting practice.

All interested individuals are

See SARE, page 7



Is this your last issue of Alaska Farm & Ranch News?

If you receive your Alaska Farm & Ranch News as a benefit of membership in the Alaska Farm Bureau, this may be your last issue. If you have not renewed your membership to the Alaska Farm Bureau, you may not receive the February issue.

Check the address label for the date. If your subscription has run out, you need to pay for your 2011 membership or submit your subscription request.

Under a new program instituted by the Alaska Farm Bureau, members must submit a form to renew their subscription to Alaska Farm & Ranch News.

For more information e-mail Alaska Farm & Ranch News at editor@alaskafarmandranchnnews.com or contact the Alaska Farm Bureau at janehamilton99737@yahoo.com or call the Farm Bureau at 895-4752.

CALENDAR

January 27 – Delta Junction

Delta Farm Bureau Chapter Annual Meeting

Program will be held at the Trophy Lodge. Call Jane Hamilton, chapter secretary, at 907-895-4752.

January 26-27 – Anchorage

Alaska Greenhouse and Nursery Conference and Polar Grower Trade Show

More information is available by calling Cooperative Extension at 907-745-3360 or online at www.uaf.edu/ces.

January 28-29 – Anchorage

Alaska Peony Growers Conference

More information is available by contacting Rita Jo Shoultz at 907-235-8768 or online at www.uaf.edu/ces.

February 16 – Wasilla

Mat-Su Farm Bureau Chapter Annual Meeting

To be held at the Elks Club at Finger Lake, 6-10 p.m. RSVP to Marie Domer at daugnmarie@gci.net or 907-745-6561.

March 12 – Anchorage

5th Annual Spring Garden Conference

More information is available under Events at www.alaskabg.org

March 22-24 – Fairbanks

7th Annual Sustainable Agriculture Conference. Preconference workshop 3/22: Goats, Sheep, and Farmstead Cheesemaking.

Fairbanks Princess Riverside Lodge. Information: http://aksare.wikispaces.com or call Taylor Maida at 907-474-2422.

Farm shows animal-human bond

By NANCY TARNAI
UAF School of Natural Resources and Agricultural Sciences



Photo by Nancy Tarnai

Cat Whitney cradles a baby chick in her hands at Turning Light Farm.

All the while Cat Whitney worked as a veterinary technician, she became more and more aware of the bond between humans and animals.

Now she is demonstrating that bond herself at Turning Light Farm, a nonprofit learning facility off Chena Hot Springs Road. The 40-acre farm is home to Icelandic sheep, yaks, and poultry.

"It was founded to model human-animal interdependence," Whitney said.

The inspiration to start this type of farm struck in 2007 when Whitney worked as the interim livestock manager for Heifer International's learning center in Massachusetts. Two years later she started Turning Light and dreams of it eventually becoming an official Heifer facility.

Growing up in the suburbs of New York City, with Martha Stewart (yes, that Martha Stewart) living up the street, Whitney considered herself the "black sheep" of the family. Feeling that she didn't fit in led her to flee the East Coast for Alaska at the age of 18. She earned degrees in English and biology at the University of Alaska Fairbanks and then studied to become a veterinary technician in Denver.

For 12 years, Whitney moved to various towns, using her vet tech skills, but in 2005 a longtime goal came true when she went to Uganda as a volunteer with a non-governmental agency. Helping widows of the AIDS crisis raise cattle, Whitney began to see how animals are not only a protein source but provide material wealth and dairy products.

Whitney has found the job as Turning Light's steward challenging.

"Farming is not a task to be done by a 100-pound woman," she said. "We do the best we can."

Another obstacle to overcome is building community awareness, which Whitney believes is crucial to the farm's success.

The upside is an office that encompasses the great outdoors.

"I'm outside every day and I can see the subtle changes of the season," Whitney said. "It's amazing how your sense of time changes. The direct connection with the land is the best part."

Connecting people to the land is another bonus. "When you pick up an egg that is still warm from the hen and put it in a child's hand, they connect," Whitney said.

She is working with AmeriCorps VISTA to start a youth incentive program where high-risk students could do farm work to fulfill requirements and learn literacy skills for high school graduation. Another plan is to invite young people sentenced in youth court to perform service hours at the farm.

Meanwhile Whitney, 36, is charged with caring for the critters, from milking the sheep to butchering lambs to spinning the yak hair into fiber. The yak help out as draft animals and have learned to pull carts.

At this time her two yaks are both castrated males but she eventually hopes to raise yak for meat.

Turning Light has a 300-square-foot garden and apple trees. Whitney is open to a community supported agriculture venture but needs someone to run it.

When not working the farm she teaches a distance course in veterinary medical terminology for UAF. For fun she does spinning and knitting and writes novels, short stories and poetry.

In January, Whitney will give a public presentation about the farm at the Noel Wien Library and will begin selling animal shares. Whitney said each animal will have its own Facebook page. An open house for the public to visit the farm is also under consideration.

"It's exciting. There are so many opportunities on this piece of land. People love the idea."

Whitney's philosophy is to simply keep moving forward. She is confident the farm will be successful and become a valuable community educational site.

"It will work," she said. "And it will work in its own timeframe. People want to be involved with the land."

Back East, her family is still concerned for her sanity, but Whitney just laughs it off. "This is the place for me. People here are nice and quirky. You can just be yourself."

This column is provided as a service by the UAF School of Natural Resources and Agricultural Sciences and the Agricultural and Forestry Experiment Station. Nancy Tarnai is the school and station's public information officer. She can be reached at ntarnai@alaska.edu.

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OPINION

What Humane Society of the United States has to say

EDITOR'S NOTE: *This information is presented to keep farmers and ranchers informed about the positions promoted by the Humane Society of the United States.*

Taken from the blog of Wayne Pacelle, president and CEO of The Humane Society of the United States

We've had a strong year on animal protection in state legislatures, just the latest indicator of forward movement in the policy-making realm for our cause. This year, 97 new state laws and regulations were enacted to protect animals, and since 2005, it's been 537 laws passed and a number of other rules and regulations.

The reforms fall into a wide variety of categories – upgrading of animal fighting laws, disaster planning legislation, restricting the keeping of exotic pets, equine protection, farm animal welfare, puppy mills, and others.

Today, I want to list what I think are the 10 most important policy gains of the year at the state level.

California banned the sale of eggs from laying hens confined in battery cages, as a follow up to the passage of Prop 2 in November 2008. Prop 2 phases out the extreme confinement of veal calves, breeding sows, and laying hens, and the 2010 law means that all shell eggs sold in the state must conform to Prop 2's standards. Both take effect in January 2015.

Missouri voters approved Prop B, cracking down on puppy mills. Given that Missouri is the number one puppy mill state in the nation – with perhaps 3,000 mills, and 30 percent of the entire industry – this was the most important puppy mill measure ever. Some lawmakers in Missouri want to repeal the measure, so we'll need to be vigilant in protecting Prop B. The second and third biggest puppy mill states – Oklahoma and Iowa – also passed legislation to improve care of dogs.

Alaska lawmakers passed legislation to significantly upgrade the state's anti-cruelty law by making the most egregious acts of cruelty to animals a felony on the first offense and also prohibiting the sexual abuse of animals. Prior to this bill's passage, Alaska was the only state in the nation that allowed felony-level penalties for animal cruelty only after two prior convictions.

Louisiana, which only banned cockfighting in 2008, made it a crime to be a spectator at a cockfight.

In response to the infiltration of the Everglades by tens of thousands of exotic Burmese pythons, lawmakers in Florida banned the import into the state, breeding, sale and possession as pets of many large constricting snakes.

We worked to defeat Prop 109 in Arizona, which would not only have established a constitutional right to hunt, but would have blocked future wildlife protection initiatives in the state.

Lawmakers in Hawaii banned the horribly cruel and wasteful practice of shark finning. This was a widespread practice in Hawaiian waters, so it has special significance in our effort to ban the activity globally.

It was a regulation, but the Florida Fish and Wildlife Conservation Commission outlawed fox penning in the state – where coyotes and foxes are run down and torn apart in a fenced enclosure. It's an ugly blend of canned hunting and animal fighting and we want it outlawed everywhere.

Lawmakers in New Hampshire and Rhode Island outlawed greyhound racing in their states, following up on the ballot initiative win in Massachusetts in November 2008.

Illinois lawmakers banned the keeping of primates as pets.

Legislatures will reopen for business in most states in January.

The only way we'll get good laws passed is if we work hard on reforms in the new year and continue to educate the public so these measures get the momentum they deserve.

We'll keep you updated, and we'll count on your help.

OUTPOST AGRICULTURE

By PHILIP A. LORING

Permafrost Pig Roast

A month or so ago I participated in a ritual that filled my soul with hope for the future of American food culture and health. It was an experiment, a pig roast attempted in the perpetually frozen soils of Fairbanks, complete with locally raised swine. For a moment, the feast was a complete disaster, but then suddenly, an overwhelming success. The pig came out of the hole seeming more alive than when it came off of the truck, and even our determined host seemed to resign himself as he prodded different parts of the underdone beast with a meat thermometer. Maybe it was because we were all so hungry, or well lubricated with spirit, but after only the briefest moment of shared defeat we rallied with a vigor, and butchered that animal right onto the grill and then to our plates. We were triumphant, and full, and pleased.

It has me thinking about the origins of food tradition. Not knowing how to eat properly used to be a clear indicator of one's status as a cultural outsider. Food preparation, pairings, place settings, course orderings, table manners, and behaviors are ultimate examples of insider information. We have all laughed at caricatures of unindoctrinated eaters, disadvantaged whether because they come from a "lower" class (My Fair Lady), or some otherwise primitive origins (Encino Man). But how do we explain a nation of insiders who themselves have none of this insider information? That is not to suggest that Americans have no food ritual or culture; surely we do, yet I see no evidence that our food culture achieves anything but making us less healthy.

It cannot be for an absence of material; there is at least as much information in your local bookstore about eating as there is about programming a computer. Is the former, then, so much more difficult to master than the latter? As one with extensive experience in both, both my gut and my reason tell me no. Eating, especially in an abundance of options, should not be hard, is not hard, and only very recently has become hard. Many historical and modern cultures display elegantly adapted food systems in which people are well fed, despite not obsessing or even thinking about counting calories, vitamins, and fatty acids. For that matter, it is impossible to imagine any species surviving nearly as long as Homo sapiens has that cannot eat *properly – this is* the very antithesis of adaptation. Yet here we are. The problem, it seems, is very new but increasingly ubiquitous.

Robin Fox once wrote that "we eat who we are," suggesting that the hodge-podge of culinary tastes and traditions found across America are a reflection of the ethnic melting pot nature of American society. Surely, foods from a diversity of ethnic traditions, and from countless possible combinations of those traditions, are widespread. The virtues of Tex-Mex, Asian Bistro, and California cuisine aside, however, I think it is self-evident that most Americans do not know how to eat. Given the paradox that we are a nation of people who aspire to body images of malnutrition and who fetishize programs of dietary restriction, yet are for the most part overweight or obese and struggling with any number of diet-related illnesses and diseases, we should probably look back to that original axiom "we are what we eat," adding, perhaps, "because we don't know any better."

Every common food ritual and practice must have started somewhere, however, and surely there were many more trials than errors. I believe that this is why I and my friends were so invigorated by the pig roasting. We fed ourselves, in a very imperfect, messy, and unrefined way. I might even call it primal. But we learned, and spoke for days after of how we would do things better "next time." Cooking makes us human; in both the symbolic and evolutionary sense, and every meal is a ritual, whether we enact it in the privacy of our car or in the expanse of our back yards and in the company of friends. We might ask ourselves, then, each time we enact that ritual, what kind of humanity we wish to cultivate, and through this question, find a direction for rediscovering how to eat.

Outpost Agriculture explores all things food: the science, culture, and politics of its production and consumption. Philip Loring and his wife live and garden in Goldstream. Phil studies the anthropology of food and nutrition at UAF. For citations from this or past articles he can be contacted by e-mail at editor@thefireweed.com.

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BAXTER BLACK

ON THE EDGE OF COMMON SENSE



The Catfish Institute

Several years ago I made a commercial for the Catfish Institute. Their office was in Belzoni, Mississippi. The commercial concluded, "... just write in care of Miz June. That's B-E-L-Z-O-N-I. You learned to spell Mississippi in grade school!"

I have spent most of my life in the mountain west, so trout has been my primary fish source. But I come from deep Oklahoma roots and, from my youth, I have been a frequent visitor to my Okie farmer kinfolks. Each one had a pond stocked with bass and catfish. Catfish almost tastes like meat, whereas trout tastes like fish.

Anybody who lives in the S.E.C., South East College Football Conference, appreciates that catfish beats country ham and red-eye gravy as the supper of choice, most of the time. Catfish is to the south what chile is to the southwest, brisket is to Texas, crabs to the Chesapeake Bay, pizza to middle-school soccer moms, and porridge is to Minnesota.

Catfish on the menu still flourishes, but the local catfish farmer's market is in decline for the 6th straight year. Reason: Cheaper imported catfish primarily from Asia. Sound familiar? Just ask the three sheepherders still in the United States, or ask an American Lumberjack if you can find one, or a shoemaker or steelworker.

America is still capable of supplying all our catfish needs but raising them is now being "outsourced." The Catfish Institute blames higher grain prices as a factor, but I'm guessing even if soybeans and corn dropped to less than a dollar and the USDA and EPA removed all the catfish regulations, the Mong, Vietnamese and Chinese could still furnish it cheaper! The Institute is pushing for a mandatory "Country of Origin" labeling law. It seems to be having a dampening effect on our Mexican beef imports.

But if Miz June called me and said, "Bax, what can we do to compete with foreign catfish farmers?" I would point to the most successful "value added" (which means you can charge more) program that I know: Certified Angus Beef. On a private sector level, look at Dole Pineapple, Diamond Walnuts, Omaha Beef, Washington Apples, Idaho Potatoes, French Toast, Belgian waffles, and why are Florida Oranges worth more than Edmonton Oranges or Milwaukee Oranges?

Distinguish your product from imports with name brands like: "Cajun Catfish, raised on Zydeco music!"

"The Crimson Catfish, each granted an honorary degree from University of Alabama!" Talk about a school of fish!

"Bentonville Catfish, with the Wal-Mart Seal of Approval!"

How 'bout "Mississippi River Baptized Catfish, sprinkled for Catholics and dunked for Baptists!"

Right now I'm getting hungry for some good ol' catfish cookies, or a dish of catfish ice cream ... with red eye gravy, of course!

www.baxterblack.com

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The Value of Buying Local: A look inside Fairbanks Food Co-op

By EDGE FUENTES
Calypso Farm & Ecology Center

Many of you may have heard about the new Fairbanks Community Cooperative Market, which for the past few years has been a community-building project with high hopes for redirecting consumers as well as producers towards a more local and sustainably-minded shopping alternative: a food co-op. Why? Is there something wrong with the food we are purchasing at our local supermarket? Our local corporate supermarkets are what feed and supply the majority of our community on a year-round basis. Through a harsh winter climate, these supermarkets are a dependable source for anything we could want to consume, right? So why offer an alternative store, which is asking for money from the community to get established, will carry far fewer products, and will struggle to compete with the larger stores' prices?

Let's first take a look at the relationship we, as a community, have with these larger stores. Food and other products are brought in from all over the country and even distant parts of the globe. To the Alaska consumer, whatever is being offered at these few large supermarkets is the only option. But suppose we had an option created by and in the interest of our own community, rather than the large distributors?

The concept of a member-run cooperative that incorporates the views and interests of the involved community to establish a viable market is not new. Several hundred years ago, during the onset of the industrial revolution in England, there existed a group known as the Rochdale Pioneers. This group of weavers and artisans created a member-run grocery and market that carried food staples and fabric supplies. As many skilled workers found their livelihoods threatened by the surge of mechanization, the community responded to the need to secure their own subsistence. The Rochdale Pioneers paved the way for thousands of member-run food cooperatives, deeply rooted in their communities.

The Fairbanks Co-op Market in its simplest form is a grocery store. In a larger sense it is an organization that is heavily immersed in all aspects of community involvement. It is also a business that will engage consumers as well as contributing producers in experiencing the benefits of integrating local resources. Lastly, it is a shopping venue featuring high-quality products that have been thoughtfully chosen by its own members.

How will it all come together here in Fairbanks? Once the decision had been made that there was enough interest in the community to support such a project, the search for dedicated volunteers began. Essentially, the entire organization will be run by volunteers (not counting the storefront employees). The success of the market will be determined by the extent of community involvement and dedication.

"We are building this business for the community members and they need to be a part of it," said Hans Geier, who sits on the Board of Directors for the market.

Richard Seifert, another board member, describes how the market was founded:

"About four years ago Old Dr.

See CO-OP, page 6

Lamb. It could be for dinner.

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Farmers call for spending cuts, can't agree where

ATLANTA (AP) – The nation's biggest farm lobbying group supports a balanced budget. It's against tax increases and says the federal government needs to tighten its belt.

Just don't ask its members where the government should trim billions of dollars in agriculture spending – they can't agree.

Despite warnings about belt-tightening and record federal deficits, delegates to the American Farm Bureau Federation left their annual convention recently without making major suggestions on where Congress should trim spending in the next Farm Bill, which sets federal funding for agriculture.

Senior Farm Bureau leaders, a ranking senator, and even U.S. Agriculture Secretary Tom Vilsack signaled that cutbacks are likely as the aftermath of the Great Recession pushes U.S. government deficits to levels last seen during World War II.

"We have a responsibility, even an obligation, as an organization with great political and policy influence, to weigh in and help find solutions to these problems facing our nation," Farm Bureau President Bob Stallman told the convention in his opening address. He urged his fellow farmers to "make choices and establish priorities."

It didn't happen.

"Our delegates did not give us clear direction as how and when and where that should occur," Stallman conceded two days later, after the farmers punted those decisions back to the Farm Bureau's board of directors.

It remains unclear exactly when cuts could be coming. Lawmakers could trim spending approved in the 2008 Farm Bill this year to align existing spending with the federal government's diminished income. But the austerity debate also could be delayed until Congress starts major work on the next five-year Farm Bill.

> *"This is going to be the most difficult Farm Bill that we've ever had to write."*
>
> **Sen. Saxby Chambliss**
> U.S. Senator from Georgia

"This is going to be the most difficult Farm Bill that we've ever had to write," Sen. Saxby Chambliss of Georgia, the ranking Republican on the Senate agriculture committee, told the convention.

Some farmers signaled a willingness to compromise to save the U.S. money. They suggested individual farmers should pick which safety net program they want from the federal government but not take assistance from multiple programs.

Money saved under that plan could be used to expand agriculture insurance and price protection for all farmers, said Craig Lang, who leads the Iowa Farm Bureau and helped draft the proposal. Farmers with better insurance would be protected from problems that hit their wallets but are beyond their control, such as disease outbreaks and drought.

"It protects the assets so you can come back the next year and keep producing either that meat, milk, eggs or crop, or whatever it is," Lang said.

But the proposal was ripped apart by other delegates, especially Southern farmers. They prefer direct payments from the federal government – one part of the existing safety net – and have complained that insurance premiums are too high for the benefits they receive.

With that opposition, support for the compromise quickly evaporated, and delegates decided to lobby for direct payments, crop insurance and two other programs designed to protect farmers' bottom line.

Wisconsin Farm Bureau President William Bruins, a dairy farmer, worried the lobbying group was asking for too much.

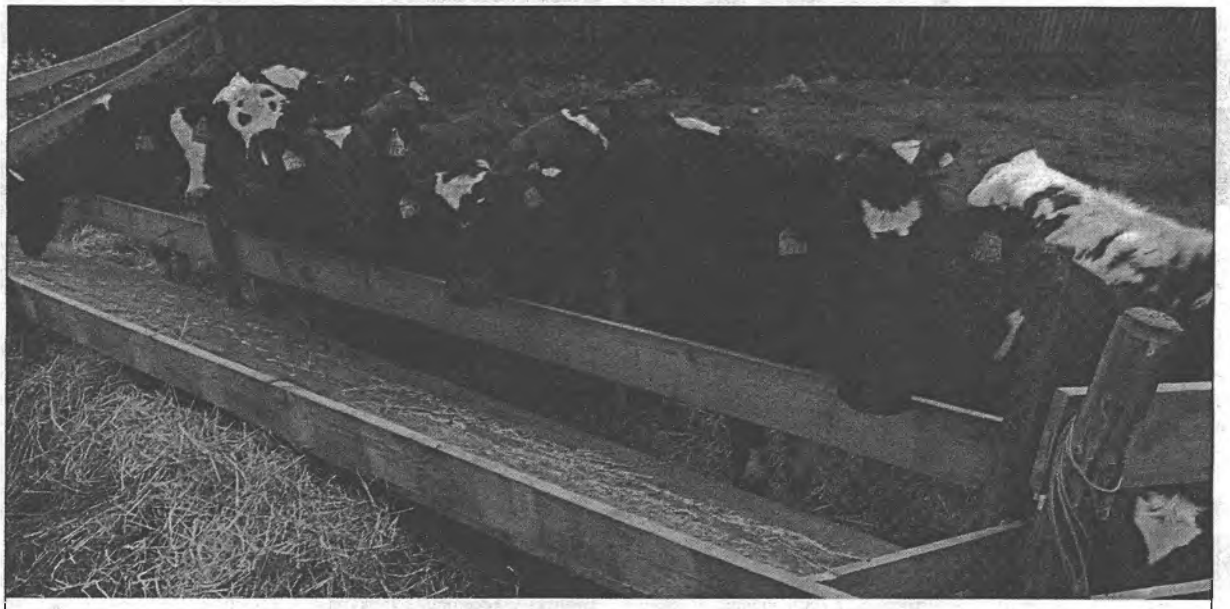
"Let's make sure that each and every program that we support in the Farm Bill is important enough that we want to save some dollars for it," he said. "So let's not simply load the Christmas tree up with ornaments and see how many of those programs we can keep alive."

FELLMAN, from page 1

culture. The Department was scheduled to present a legislative briefing to the House Resources Committee on Jan. 19.

According to Hamilton, Fellman's contract with the Farm Bureau began with the start of this legislative session and will terminate when the session ends in April. He will be in Juneau during this session.

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FARM BUREAU MEMBER BENEFITS

FB members are eligible to receive a $500 rebate when purchasing a Dodge truck or automobile. Contact the Alaska Farm Bureau office for details.

Grainger offers FB members discounts of up to 50% on many items purchased at their Anchorage and Fairbanks stores. The same discounts are available when ordering on-line. Most on-line orders are eligible for free shipping to Alaska.

FB members receive discounts when renting vehicles from AVIS and Budget. Use AVIS discount code A298802 and Budget discount code Y775702 when renting from either company.

COUNTRY Financial offers Farm, Auto, Financial Planning, and ID Theft Protection policies. Only Alaska Farm Bureau members are elilgible to purchase farm polices, which include farm vehicles and buildings. For more information, please contact your local agent.

Alaska Farm Bureau News

Alaska Farm Bureau offers scholarships

By JANE HAMILTON
Alaska Farm Bureau

The Alaska Farm Bureau offers two $2,000 scholarships to applicants who are interested in working in an agricultural or natural resource field. Applicants may be graduating high school students who are applying to schools for the fall semester or students and adults already enrolled in a college, trade school or vocational school.

The deadline to apply is April 8, 2011. Applications are available at the Alaska Farm Bureau's website http://akfb.fb.org or by contacting the Alaska Farm Bureau Office at 907-895-4752 or by e-mail at janehamilton99737@yahoo.com.

The scholarships are funded through the scholarship auction held each year during the annual meeting in November. One hundred percent of auction funds are devoted to scholarships, and the number of scholarships offered each year depends on the amount of money raised. Scholarships are offered in $2,000 increments, with any balances brought forward towards the next year. The November 12, 2010 auction raised $2,713, which was combined with the account's $1,460 balance from the previous year.

Thanks so much to the Alaska Farm Bureau members who donated auction items as well as those who made purchases during this event.

Beginning Farmer and Rancher Advisory Committee

By JOHN CRABTREE
Center for Rural Affairs

On December 15, the Beginning Farmer and Rancher Advisory Committee selected Traci Bruckner of the Center for Rural Affairs as its chair. Bruckner was recently reappointed to serve another two-year term on the USDA advisory board.

The committee advises the Secretary of Agriculture on assisting beginning farmers and ranchers in securing financing, increasing the number of beginning farmers and ranchers, and creating farming and ranching opportunities. Secretary Tom Vilsack set an agency goal to help 100,000 new farmers and ranchers get started.

The fastest growing age-group of farmers and ranchers are those over 70, the fastest declining age-group are those under 25.

The Center for Rural Affairs created the Farm Bill Helpline to assist beginning and established farmers and ranchers in a variety of USDA programs. Call 402-687-2100, ask for the Farm Bill Helpline, and you can speak to a someone who is knowledgeable about program rules and can help you understand how to participate in these programs. More often than not, the person a caller will talk to is Traci Bruckner.

Learn more and locate your nearest committee member at www.cfra.org/renewrural/usda-beg-farmer-committee.

CO-OP, from page 4

Dave Lacey, a true man of the sixties, who wore that youthful hope for a better world like a badge of honor, decided one fine day that this community needed a healthy foods, Co-op Food Market. And being a person undaunted by remarkable challenges, he set out to build a coalition of friends and neighbors to do just that. He started it all, called meetings, organized, raised money, signed agreements, and had glorious fundraising parties. But Dave's health failed, and very sadly he never got to see the fruition of his idea."

When asked about the need for such a market in the Fairbanks community, Geier points out that there is a local market of growers and other artisans that is virtually untouched. The co-op plans to carry as many local products as it can find within the community and throughout the rest of the state. "We hope to highlight as many local producers as possible," said Geier, adding, "though the first concern will be to become a successful retail business," which will include selling some out-of-state products.

How does an interested community member become a member of the market? To help cover the startup costs of a retail business, there is a one-time membership fee. This fee of $200 is an investment, going directly to establishing the business. There are now almost 1,000 members, about half of whom have paid their membership in full. The co-op is also pursuing other means of raising the needed funds, including a member loan program. Seifert explains:

Building the cooperative spirit through cooperative business ownership is a grand American tradition with a good success record. The camaraderie and example of members helping themselves is a great approach to the future. It is also the only way we can succeed. About twenty solidly committed folks have taken Dave's vision and are now going to the community to try to raise the necessary leverage money. The member loan program has been launched and has raised nearly half of the $300,000 we hope to receive to finance the market.

The market received a $25,000 matching loan from the Sprout Fund of the National Cooperative Bank, which the board will match with its member loans. Once the store is up and running, members will immediately begin to receive benefits such as purchasing products at a discounted price and paying lower tuition for classes offered by the co-op.

Eventually members may receive an annual dividend from the store once total revenue has surpassed the operating costs.

Food cooperatives throughout the nation continue to be created by motivated citizens in search of an alternative to supermarket chains. I for one am proud to support a local organization, which not only includes the community in its view, but also relies on the web of inspired patrons to progress as a valued local business. As an ever-learning student of growing food and a practicing land steward, I am proud to be a part of this effort to redeem the value in food: value that can only be truly appreciated by those individuals who believe that eating well is living well.

To become a member or get more involved, please visit the website at www.fairbankscoop.org, the blog at http://fairbankscoop.wordpress.com, or the Facebook group. Edge Fuentes is the Farm Health Manager at Calypso Farm and Ecology Center, where he grows and sells food to the Fairbanks community.

SARE, from page 1

encouraged to attend this exciting and informative conference, which is sponsored by the Alaska Division of Agriculture, Fairbanks Soil and Water Conservation District, USDA. Animal and Plant Health Inspection Service, Western Region Sustainable Agriculture Research and Education, UAF Cooperative Extension Service and UAF Office of Sustainability.

More information on the conference – including agenda updates, accommodations and registration details – will soon be uploaded to www.uaf.edu/ces and http://aksare.wikispaces.com/ Please check these websites often, as plans are underway. Conference contacts are Michele Hébert at 474-2423 or mahebert@alaska.edu, Taylor Maida at 474-2422 or temaida@alaska.edu, and Ronda Halvarson at 474-2450 or rlhalvarson@alaska.edu.

Canning, fresh food on top 10 list

STAFF REPORT

The Food Channel has included canning and purchasing local on its list of top ten trends for 2011 – A favorable trend for small producers and farmers markets. Food preservation or canning is listed as their number one trend for 2011.

"They used to call it 'putting up,' as in putting up tomatoes or corn for the winter ahead.... What it means of course is canning, pickling, and preserving," says the Food Channel.

Why is personal canning of food becoming more popular when the canned food is readily available at the store? The Food Channel thinks it is the increase in the number of recalls and incidents of contamination. According to the Center for Disease Control, there have been over 400 reported outbreaks of contamination and near 20,000 reported illnesses from contaminated fruits and vegetables.

The Food Chanel says, "recent scares over contaminated tomatoes, jalapenos, and eggs have driven people to take more control over what they put on the table."

They also suggest that a tighter economy and the better taste of items purchased at the local farmer's market might be contributing factors in the increase of canning.

Number seven on the Food Channel's list of trends this year is the purchase of items from local butchers and bakeries.

"More consumers are willing to take the time to visit specialty shops for foods of a higher quality, even if it does cost a bit more," they say.

Seventh Annual Sustainable Agriculture Conference Agenda

Wednesday, March 23

7:45–8:15 Registration
8:15–8:30 Welcome

Growers' Highlights:
8:30–9:00 Developing Soils in Galena with Green Manures, *Paul Aplaibeck, Galena*
9:00–9:30 Community Supported Agriculture (CSAs) in Homer, *Emily Garrity, Twitter Creek Gardens, Homer*
9:30–10:15 A Root Cellar for Extending Crop Availability in Bethel, *Tim Meyers, Meyers Farm, Bethel*
10:15–10:45 Break and Poster Session

Funding Programs:
10:45–11:15 Cost-Share Programs for Organic Farming and Environmental Incentive Programs (e.g., high tunnels and nutrient management), *Sunny Castillo, USDA Natural Resources Conservation Service, Fairbanks, and Lloyd Wilhelm, USDA Farm Service Agency, Delta Junction*
11:15-12:00 Funding Opportunities and Land Sales through the Alaska Division of Agriculture, *Patricia O'Neill, Alaska Division of Agriculture, Palmer, and Dan Proulx, Alaska Division of Agriculture, Fairbanks*
12:00–1:00 Lunch on Site

Livestock Session:
1:00–1:30 Parasites of Sheep and Goats, *Dr. Susan Kerr, Washington State University, Kickital County Extension*
1:30–2:00 Cheese Marketing from Small-Scale Goat Dairies, *Lorrie Conway, Conway Family Farm, Camas, Wash.*
2:00–2:30 Raw Milk Regulations in Missouri, *Gene Wiseman, Missouri Department of Agriculture*
2:30–3:00 Break and Poster Session
3:00–3:30 State of Alaska Cheese and Meat Regulations, *Dr. Robert Gerlach, Alaska Division of Environmental Health, Palmer*
3:30–4:00 Chicken Tractors and Other Poultry Innovation, *Pam Laker*
4:00–5:00 Future of Agriculture and Food Security Panel, *lead by Mike Emers, Alaska Community Agriculture Association, Ester*
5:00 Closing Remarks, Announcements and Evaluation

Thursday, March 24

7:45–8:15 Registration
8:15–8:30 Welcome

Research Updates:
8:30–9:00 Update on Fish/Hay Composting Project, *Jodie Anderson, UAF School of Natural Resources and Agricultural Sciences, Palmer*
9:00–9:30 Novelty Potato Research, *Jeff Smeenk, UAF School of Natural Resources and Agricultural Sciences, Palmer*

Nutrient Management in Organic Settings in Alaska, Panel Discussion:
9:30–10:00 Organic Fertilizer Research, *Dr. Mingchu Zhang, UAF School of Natural Resources and Agricultural Sciences, Fairbanks*
10:00–10:45 Break and Poster Session
10:45–11:15 Using Local Compost Enhanced with Organic Fertilizers, *Susan Willstud, Calypso Farm and Ecology Center, Ester*
11:15–11:45 Fertilizing Biodynamically, *Susan Kerndt, Demeter's Wild Rose Farm, Fairbanks*
11:45–12:00 Question and Answer
12:00–1:00 Lunch on Site

Miscellaneous:
1:00–1:30 Rhubarb Industry in Alaska, *Bruce Bush, Bushes Bunches, Palmer, and Carol Kenley, Alaska Vegetable Farm, Palmer*
1:30–2:15 Root Cellar Panel, *featuring Pete Meyo, Spinach Creek Farm, Fairbanks; Tim Meyers, Meyers Farm, Bethel; and Paul Apfelbeck, Galena*
2:15–2:45 Break and Poster Session
2:45–3:30 Small Fruits and Berries for Alaska, *Papa, Papa's Greenhouse, North Pole, and Danny Barney, USDA Agricultural Research Service, Fairbanks*
3:30–4:00 Alaska Growers School, *Heidi Rader, UAF Cooperative Extension Service*
4:00–4:45 Employment Strategies for Small Alaska Farms, TBA
5:00 Closing Remarks, Announcements and Evaluation

Preconference Workshops: Tuesday, March 22

9:00–2:30 Goat and Small Dairy Workshop, *presented by Lorrie Conway, Conway Family Farm, Camas, Wash., and Dr. Susan Kerr, Washington State University, Kickital County Extension. All sessions to be held at Fairbanks Princess Riverside Lodge.*
- 9:00–9:30 Stock Selection, *Lorrie Conway and Dr. Susan Kerr*
- 9:30–10:20 Feeding Goats, *Lorrie Conway and Dr. Susan Kerr*
- 10:20–11:40 Diseases of Sheep and Goats, *Dr. Susan Kerr*
- 11:40–12:25 Marketing Milk Products, *Lorrie Conway*
- 12:25–1:00 Lunch on Site
- 1:00–2:00 Reproduction and Kidding Practices and Processes, *Dr. Kerr*

3:00–8:00 Farmstead Goat Cheesemaking Workshop, *presented by Lorrie and Shaun Conway at Hutchison Institute of Technology kitchen*

LOCATION & LODGING
Fairbanks Princess Riverside Lodge
4477 Pikes Landing Road
Fairbanks, AK 99709
907-455-4477 or 800-426-0500

Conference rate: $75/night + tax, single/double
Call: 1-800-777-1725, Ext. 2
Online reservations: http://www.princesslodges.com/fairbanks_lodge.cfm
Group code: TNBL1080

— Agenda subject to change; please check often for updates! —

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Mail, drop off, or fax this form to Alaska Farm & Ranch News.
We are located upstairs in the AMC building on the Alaska Highway in Delta Junction.
Mail to: Alaska Farm & Ranch News • PO Box 986 • Delta Jct AK 99737
Fax to: 907-895-5116;
email to: ads@alaskafarmandranchnews.com

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City: _____ State: _____ Zip: _____
Phone(s): _____ Fax: _____
email: _____

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$10 for 10 lines (approximately 80 words)
Add 75¢ for each additional line (approximately 8 words)
Pay in advance

Classification (circle one)

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NEATLY PRINT ad copy or attach printed copy:

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(Payment must accompany order)

Amount: $_____ Check #_____
Visa or MasterCard (circle one) Name on card: _____
Number: _____ Exp. date: _____
3-digit code on back of card: _____
Card billing address: _____



Seventh Annual

Sustainable Agriculture Conference

March 23–24, 2011

Fairbanks Princess Riverside Lodge, Fairbanks, Alaska

Breathing life into agricultural profitability, environmental integrity and community strength

March 22, 2011
Preconference workshop:
Goats, Sheep and Farmstead Cheesemaking



UAF · APHIS USDA Animal Plant Health Inspection Service · Fairbanks Soil and Water Conservation District · Western SARE Sustainable Agriculture Research & Education · Cooperative Extension Service

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2/01/11 Overviews: Alaska Seafood Marketing Institute and Alaska Travel Industry Association

<TARGET><BILL></BILL><SUBJECT>2-01-11 Overviews Alaska Seafood Marketing Institute and Alaska Travel Industry Association</SUBJECT><COMM>HEDT27</COMM></TARGET>

ALASKA SEAFOOD®

Wild, Natural & Sustainable®

House Economic Development, Trade and Tourism Committee

February 1, 2011



ASMI is...

- **A partnership** of public and private sectors to foster economic development.
- **Guided by Governor-appointed Board of Directors**: five processors, two commercial harvesters.
- **Alaska's official seafood promotion arm.**



3



Brand Manager for <u>All</u> Alaska Seafood

- AS 16.51.110 prohibits ASMI promoting seafood by geographic origin other than from the state generally, geographic region of the state, or specified brand name.



ASMI Mission Statement

The Alaska Seafood Marketing Institute is a marketing organization with the mission of **increasing the economic value of the Alaska seafood resource** through:

- Increasing positive awareness of the Alaska Seafood brand,
- Collaborative marketing programs that align ASMI and the industry marketing efforts for maximum impact within the food industry,
- Long-term proactive marketing planning,
- Quality assurance, technical industry analysis, education, advocacy and research,
- Prudent, efficient fiscal management.

Lead by Industry

- **Board of Directors** - 7 members (5 processors, 2 harvesters)
  - Joe Bundrant, Chair, Trident Seafoods Corp.
  - Kevin Adams, Vice Chair, commercial harvester
  - Bruce Wallace, commercial harvester
  - Mark Palmer, Ocean Beauty Seafoods
  - Barry Collier, Peter Pan Seafoods, Inc.
  - Dennis Guhlke, Icicle Seafoods
  - Jack Schultheis, Kwik' Pak Fisheries
- **Ex-Officio Members**
  - Sen. Gary Stevens
  - Rep. Bill Stotze
  - Curtis Thayer, Deputy Commissioner, Department of Commerce, Community and Economic Development



ASMI Advisory Committees

Species Committees

- Salmon
- Halibut-Sablefish
- Shellfish
- Whitefish

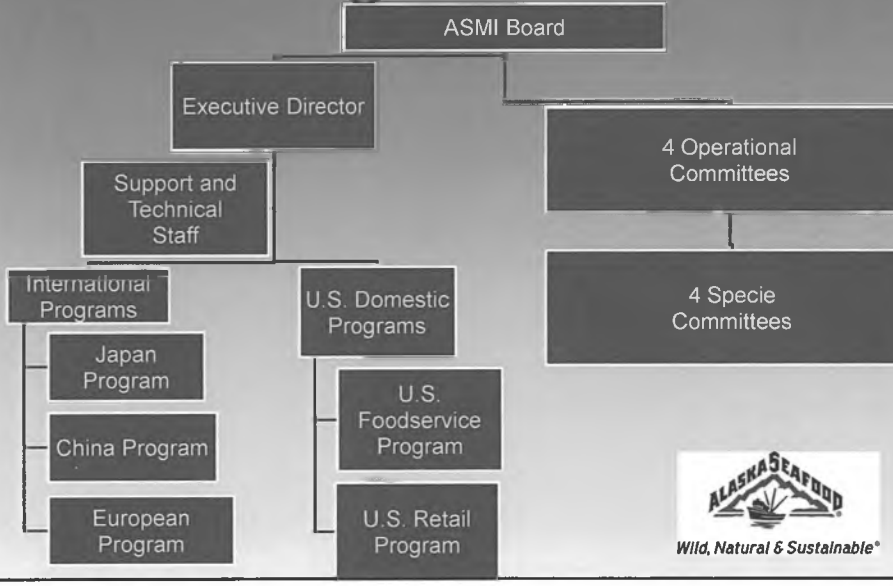
Operational Committees

- International Marketing
- Seafood Technical
- Foodservice Marketing
- Retail Marketing

Customer Advisory Panel



ASMI Organization Chart

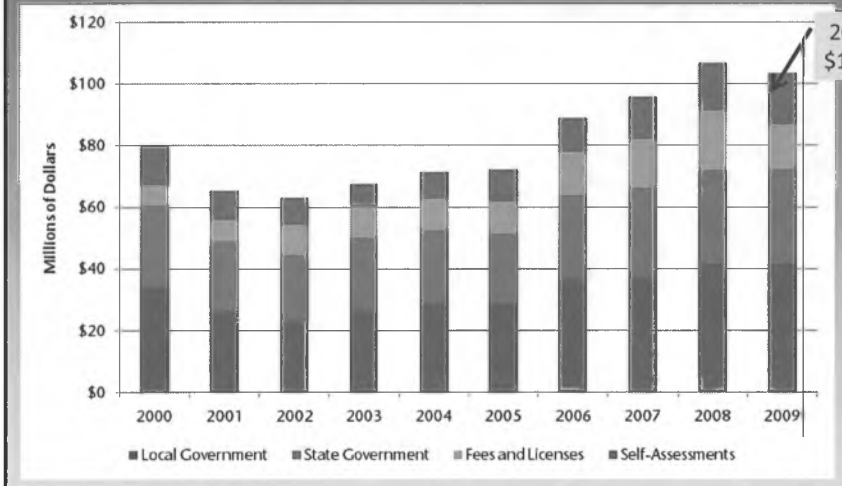


ASMI FY 2012 Governor's Budget



Wild, Natural & Sustainable®

Taxes, Fees and Self-Assessments



Sources: DOR, OMB, DCCED, NOAA and McDowell Group estimates.

Wild, Natural & Sustainable®

ASMI is Economic Development

- Developing new markets
- Increasing value in existing markets
- Increased value means increased opportunity
- Aligning marketing efforts with new product development
- Education
- International Food Aid



Alaska Seafood is…

- **worth $5.8 billion** to Alaska in terms of direct and induced economic output (source: Northern Economics)
- the state's largest private sector employer
- Alaska's number one export
- worth **$100 million in tax revenue to state and local governments**
- a renewable resource



Alaska –A Global Player in Seafood

1/5 landmass of USA

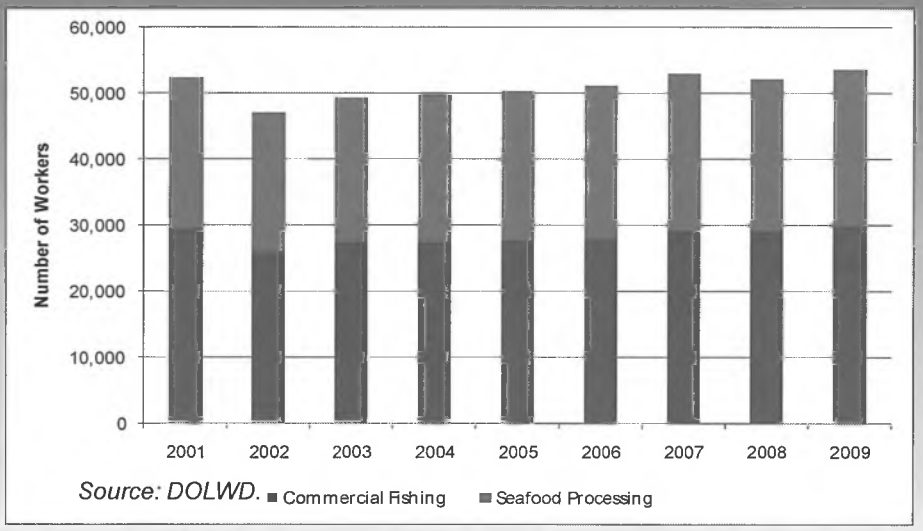


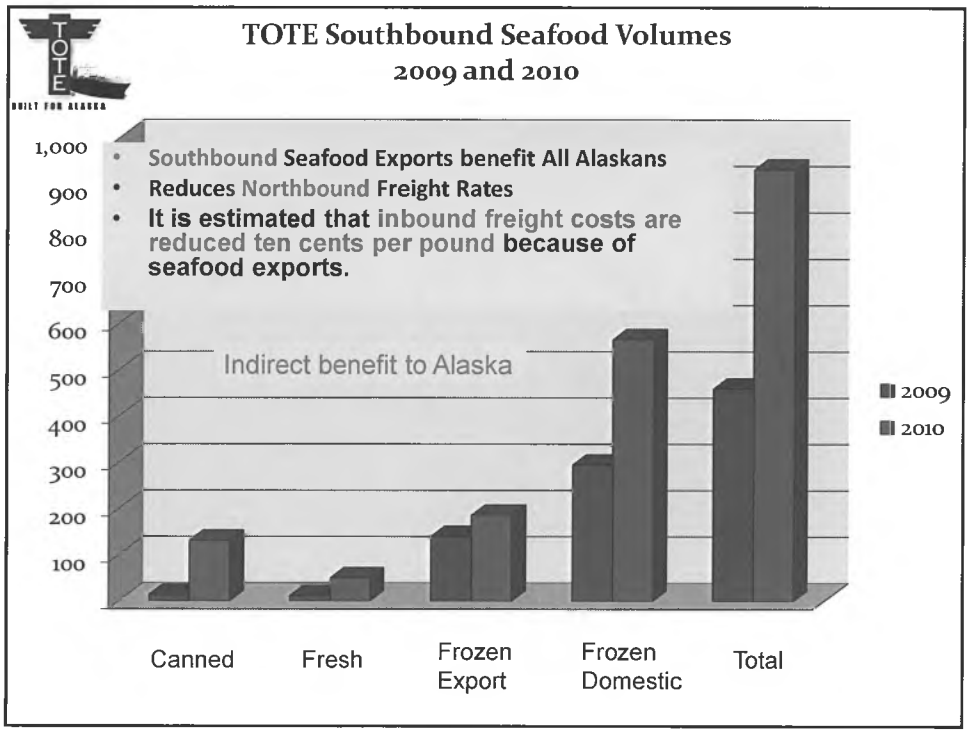
More than 50% coastline of USA

- Alaska would be in top 10 of seafood producing nations
- 52% of U.S. Production

Source: Northern Economics, 2009

Alaska's Seafood Industry Employs Over 50,000 People

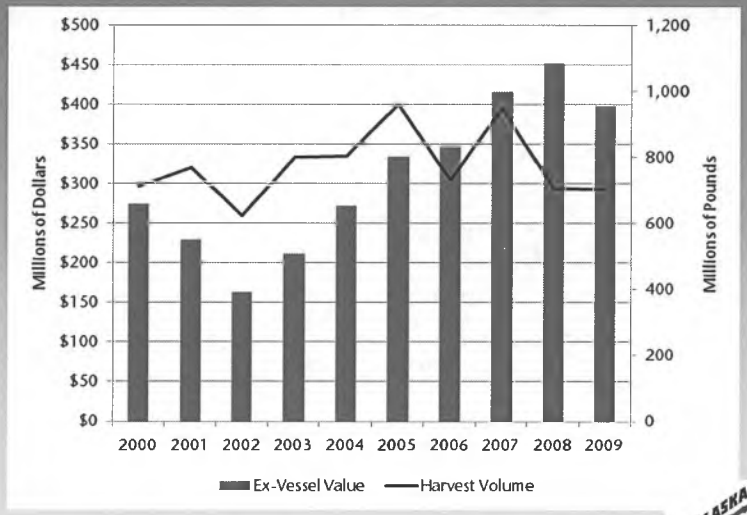




Big Impact on Small Communities

- The seafood industry is a central piece of rural economies, providing:
- Cash infusion to subsistence economies
- Economies of scale that often dramatically reduce the cost of :
  - Utilities
  - Shipping
  - Goods & Services
- Infrastructure essential to non-road communities

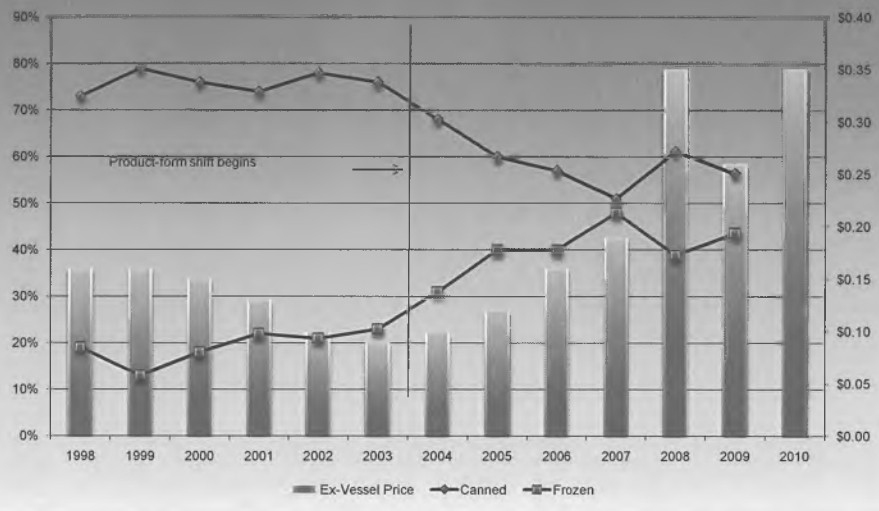
Value and Volume of Alaska Salmon



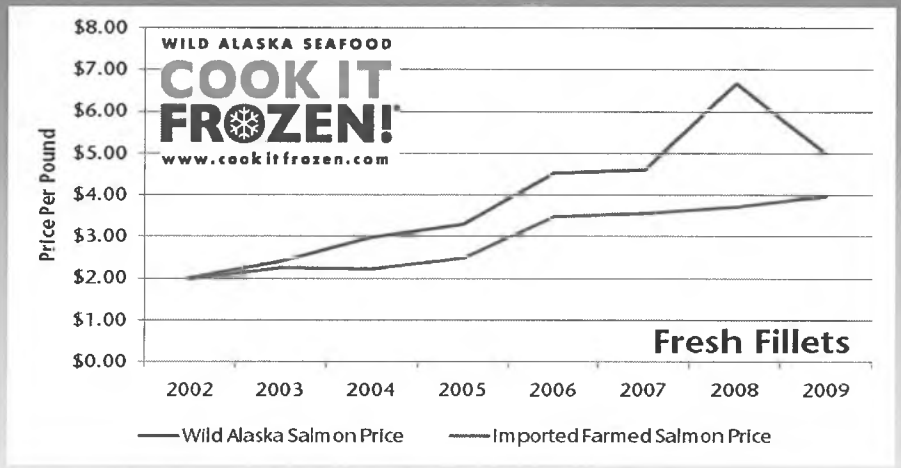
Source: ADF&G

Wild, Natural & Sustainable

Pink Salmon Product Form



Wild Alaska Salmon Enjoys a Premium Over Farmed Salmon



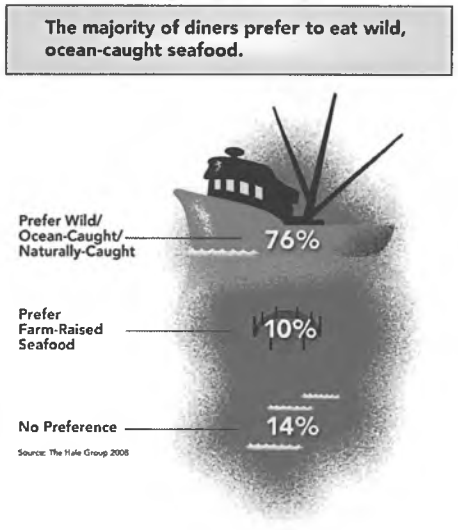
Source: Alaska Department of Revenue and National Marine Fisheries Service

Seafood Success Story



- Alaska Seafood is second place among food brands on U.S. menus of the top 500 restaurant chains.
- 82% of consumers surveyed say that seeing the Alaska Seafood logo would increase their likelihood to purchase.

Source: TRD Frameworks, 2009

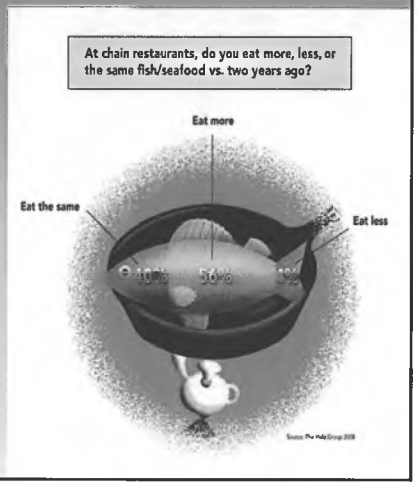


CHALLENGES

- Global recession has hurt prices
- Genetically modified salmon FDA approval in the works
- Russian salmon and Russian pollock have increased production
- Norway trying to buy U.S. market: $15M salmon campaign in U.S
- Confusion over eco-labels
- Pressure to reduce USDA Market Access Program

Seafood Trends

- Increased awareness of the impacts our food choices have on the environment and on our own health.
- Consumers would like to see a greater variety of seafood offerings.
- "wild" and "natural" are key descriptors when it comes to seafood.



ASMI Programs

- Domestic Retail
- Domestic Foodservice
- International
- Technical
- Food Aid
- Public Relations



Domestic Retail

- Maintain Alignment with Consumer Advertising & PR
- Digital Marketing
  (iphone app, cook it frozen)
- Merchandising and Point of Sale
- Seafood Buyer/Merchandiser Training
- Consumer Shows

Boston Food and Wine Show

- Educated consumers on how to prepare Alaska seafood using COOK IT FROZEN! techniques and recipes.
- 24,000 individual pieces of recipes and nutritional literature.
- a total of 6,720 samples Alaska cod and Salmon handed out.
- Grand Cru tasting and 69 lbs. of Alaska Snow Crab Claws and dipping sauce were sampled.



Domestic Foodservice

- Helps operators handle, menu and promote Wild Alaska Seafood.
- Works with Chefs and Universities
- Educational Materials
- Market Research



- Each year new recipe books are developed incorporating the latest food trends.
- Promotional packages also available include posters, menu sheets, tabletents, waitstaff buttons and tip cards.

International Marketing

- Active in U.S. and key overseas markets: Japan, Western Europe, Eastern Europe, China
- Emerging markets: Ukraine, Poland, Russia, Brazil
- USDA Market Access Program: 2:1 Federal to State match ($5,000,000)



European Seafood Exposition

Brussels, Belgium May, 2011

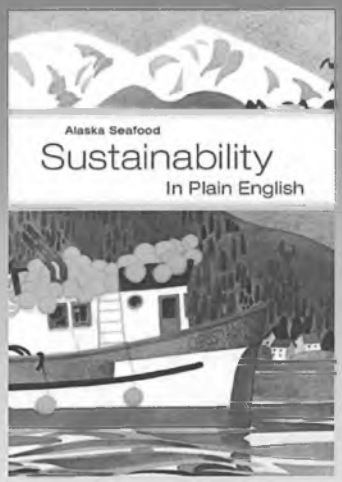
- World's Largest Seafood Show
- Competing Against Nations
- 14 companies in Alaska Pavilion



- $48 million in sales at the 2010 show, over $500 million in follow on sales in the next 12 months

Technical

- Sustainability Certification
- Seafood Quality
- Food Safety
- Labeling/Regulatory Issues
- Purity/Contaminant Issues
- Ecological Issues
- Health and Nutrition



International Food Aid Program

- Expanded use of Alaska canned salmon
- Exploring prospects for canned herring in international food aid programs through ASMI's global food initiative



Consumer Public Relations

- Supports Domestic Programs
- Food Buzz
- Food Writer Familiarization Tours
- ATIA Media Roadshow
- Social Media



Marketing Alaska

- Cooperative efforts with ATIA, Alaska Grown and others
- Yakutat Surfing
- Media Road Show
- Nobu Show in London







Thank You

For more information please contact:

Alaska Seafood Marketing Institute
311 North Franklin, Suite 200
Juneau, Alaska 99801
907-465-5560

www.alaskaseafood.org

ALASKA SEAFOOD
Wild, Natural & Sustainable®

Wild, Natural & Sustainable®

February 9, 2011

Representative Bob Herron
State Capitol, Room 411
Juneau, AK 99801

Dear Representative Herron,

Thank you for the opportunity to present about the seafood industry and Alaska Seafood Marketing Institute's (ASMI's) unique role increasing the economic value of the resource and encouraging economic development statewide.

Attached is a synopsis of the evaluation criteria used to appraise the effectiveness of ASMI marketing programs that was requested by Representative Gardner at the February 1st meeting of the House Economic Development, Trade and Tourism Committee.

If we have misunderstood and this is not the information the committee requested or you would like any additional information about ASMI please do not hesitate to ask.

Best regards,

Ray Riutta
Executive Director,
Alaska Seafood Marketing Institute

CC: Representative Berta Gardner

Alaska Seafood Marketing Institute ▲ 311 North Franklin Street, Suite 200 ▲ Juneau, AK 99801-1147
Phone 907/465-5560 800/478-2903 ▲ Fax 907/465-5572 ▲ www.AlaskaSeafood.org ▲ info@AlaskaSeafood.org

ASMI FOODSERVICE PROGRAM

EVALUATION CRITERIA

Successful evaluation is important to ASMI's ongoing efforts to improve the overall effectiveness of its programs. The following evaluation criteria have been approved by the foodservice committee and ASMI board for each segment of budget spending.

OPERATOR AND DISTRIBUTOR PROMOTIONS:

While it is important to measure the success of merchandising and promotional programs based on increased sales volumes with participating operator chains and distributors, it is also important to evaluate success as it relates to changes in customer attitude and awareness.

The foodservice program has formalized its partnership programs with an application process that includes both pre and post promotion information. The following criteria are required for ASMI foodservice promotions:

- All products must be harvested from Alaska waters.
- The product is called out on the menu and/or promotional materials as "Alaska".
- The ASMI logo is included on marketing and advertising materials (there may be exceptions).
- Operator or distributor provides promotion results that may include the following:
    1. Alaska seafood pounds purchased for promotion or $ equivalent vs. prior period.
    2. Traffic/guest counts vs. prior period.
    3. Number of Alaska seafood menu items sold during promotion vs. prior period.
    4. Alaska seafood menu items remain on the menu after promotion period.
    5. Did sales continue after promotion?
    6. Cost of promotion.
    7. Increase in check average for partner
    8. Testimonials – was it a success for our partner?

TRADE SHOWS AND CONFERNCES:

Evaluation of trade shows and conferences are subjective in terms of how many and type of contacts and leads are generated, and the degree of success with key decision makers in utilizing Alaska seafood products in future years. In addition, show attendance and volume of promotion materials distributed will be monitored for each event.

TRADE EDUCATION:

As a key industry resource, much of ASMI's feedback in the area of trade education will come directly from industry and trade members.

- Educational Training Seminars: All sales training and educational seminars will include a post-test evaluation in the form of a questionnaire to help determine the effectiveness of individual activities.
- Collateral Materials: Material distribution will be monitored and evaluated as to the volume distributed, audience acceptance, number and type of inquiries and requests, and industry and trade opinions.

ADVERTISING:

All advertising is measured against the mission of the organization and the specific program objectives.

ASMI Mission:

The Alaska Seafood Marketing Institute is a marketing organization with the mission of increasing the economic value of the Alaska seafood resource through:

- Increasing positive awareness of the Alaska seafood brand,
- Collaborative marketing programs that align ASMI and industry marketing efforts for maximum impact within the food industry,
- Long-term proactive marketing planning,
- Quality assurance, technical industry analysis, education, advocacy and research,
- Prudent, efficient fiscal management.

Foodservice Program Objectives:

- Generate increased foodservice demand and product usage via Alaska seafood brand-oriented marketing programs.
- Achieve solid between wild Alaska seafood, farmed and other seafood sources.

Effective evaluation criteria also includes:

- Opinion Research: Trade publications conduct their own advertising research to determine the impact of specific advertising messages on our target audience (i.e. Harvey studies). These studies are conducted one to two times per year on a national basis. Regional or specific demographic buys are not included in Harvey studies.

PUBLIC RELATIONS:

While the measurement of public relations efforts can be somewhat subjective, evaluations should be based upon publication circulation as well as geographic coverage, reader and participant response, along with industry and trade opinions.

- Clipping Service: Utilize a clipping service to measure ASMI's PR efforts in the foodservice trade and consumer media by monitoring and providing a compilation report to measure response and equivalent ad value.
- Readership Coverage: Measurement of PR results should be based upon each publication's circulation as follows.
    - Foodservice Trade:
        1. By publication.
        2. By key target reached.
- Ad Value Ratios.

ASMI RETAIL PROGRAM

EVALUATION CRITERIA

Successful evaluation is important to ASMI's ongoing efforts to improve the overall effectiveness of its programs. The following revised evaluation criteria are pending approved by the Retail Committee and ASMI board.

RETAIL PROMOTIONS:

While it is important to measure the success of merchandising and promotional programs based on increased sales volumes with participating retail chains, it is also important to evaluate success as it relates to changes in customer attitude and awareness.

The retail program has formalized its partnership programs with an application process that includes both pre- and post-promotion information. The following criteria are required for ASMI retail promotions:

- All products must be harvested from Alaska waters.
- The product is called out in all promotional materials as "Alaska".
- The ASMI logo and tagline Wild, Natural & Sustainable is included on marketing and advertising materials (no exceptions are allowed).
- Retailers provide samples of all promotional materials and promotion results that may include the following:
  9. Alaska seafood pounds purchased for promotion or $ equivalent vs. prior
  10. Number of Alaska items sold during promotion vs. prior period.
  11. Follow on sales of same products to establish overall sales lift.
  12. Cost of promotion.
  13. Testimonials – was it a success for our partner?

TRADE SHOWS AND CONFERNCES:

Evaluation of trade shows and conferences is subjective in terms of how many pounds of Alaska seafood were demoed and the number of samples that were served. In addition, show attendance and volume of promotion materials distributed will be monitored for each event.

TRADE EDUCATION:

As a key industry resource, much of ASMI's feedback in the area of trade education will come directly from industry and trade members.

- Educational Training Seminars: All sales training and educational seminars will include a post-test evaluation in the form of a questionnaire to help determine the effectiveness of individual activities.

- Collateral Materials: Material distribution to retail will be monitored and evaluated as to the volume distributed and type of inquiries and requests, and industry and trade opinions when available.

ADVERTISING:

All advertising should be measured against the mission of the organization and the specific program objectives.

ASMI Mission:

The Alaska Seafood Marketing Institute is a marketing organization with the mission of increasing the economic value of the Alaska seafood resource through:

- Increasing positive awareness of the Alaska seafood brand,
- Collaborative marketing programs that align ASMI and industry marketing efforts for maximum impact within the food industry,
- Long-term proactive marketing planning,
- Quality assurance, technical industry analysis, education, advocacy and research,
- Prudent, efficient fiscal management.

Retail Program Objectives:

1. Differentiate wild Alaska Seafood from other/farmed fisheries
2. Increase consumer preference for Wild Alaska Seafood
3. Increase retail merchandising and understanding of the importance of Alaska Seafood through training and communication targeted directly to retailers.

Effective evaluation criteria also include:

- ASMI conducts their own research to determine the impact of specific advertising messages on our target audience (attitude awareness and brand preference). This research is typically conducted on an every other-year basis to determine consumer purchase behavior, trends, perceptions and seafood preferences.
- The retail program also conducts annual trade & consumer advertising both print and electronic (banner and box ads on select trade & national websites). Circulation, impressions as well as traffic driven to specific websites will be tabulated and made available as proof of performance.

PUBLIC RELATIONS:

While the measurement of public relations efforts can be somewhat subjective, evaluations should be based upon publication circulation as well as geographic coverage, reader and participant response, along with industry and trade opinions. This information will be supplied by ASMI's agency of record and overall ROI.

ASMI International Program

EVALUATION CRITERIA

ASMI's seven international programs are divided in three distinct strategic categories: Consumer, Trade and HRI (hotel/restaurant/institutional). Each program conducts activity evaluations for all activities undertaken and provides detailed reports to both the USDA Foreign Agricultural Service (FAS administers the Market Access Program—ASMI International's major funding source) and the Alaska seafood industry for review. Both groups provide detailed feedback and contribute extensively to program evaluation and direction. In fact, this program undergoes a tremendous amount of scrutiny and has a multitude of performance measures applied to all aspects of its marketing activities. These are summarized in the following list of evaluation categories:

1) Activity evaluations/Quarter Reports
2) Country Progress Reports (CPRs)
3) Independent 3rd party program evaluations
4) Seafood industry/International Marketing Committee (IMC) Review
5) In-depth consumer perception research
6) ASMI annual strategy sessions

Activity Evaluations/Quarter Reports

ASMI International activities are evaluated by staff with clear measures illustrating the actual results vs. expected. At the end of every quarter, the results of all activities are consolidated into Quarter Reports and are provided to FAS and ASMI's IMC for review. Quarter Reports are primarily used to demonstrate the outputs of our activities. These include: number of consumer impressions, amount of product moved, % change of product moved during promotion, seminar attendees, trade leads generated, value of sales at trade shows, free press value and website visits, among others. The following is a summarized example of ASMI China's Q1 retail merchandising results:

Current Quarter Activity Results:

- *14 MT Alaska seafood sold at JUSCO's Great American Food Fair in Hong Kong, a 65% increase over non-promotional period sales.*
- *13 MT Alaska seafood sold at JUSCO stores in Guangdong Province.*
- *8.6 MT Alaska seafood sold at 3 Guangzhou department stores (5 outlets total), a 75% increase (on average) over non-promotional period sales.*
- *9.5 MT Alaska seafood sold at CityShop promotion in Shanghai, a 60% increase over non-promotional period sales.*
- *12.5 MT Alaska seafood sold at Ole Supermarkets in Beijing.*

Country Progress Reports

At the end of every fiscal year, ASMI International conducts an annual review of each program that evaluates both cumulative activity outputs and measures changes in long-term perceptions and

purchasing habits of Alaska Seafood by our target audiences. These Country Progress Reports thoroughly evaluate each program's ability to meet the goals set for the fiscal year under review. Each of the Consumer, Trade and HRI sections for each region has anywhere between three and 12 performance measures which are developed by ASMI staff and endorsed by FAS Program Specialists. These measures are evaluated closely by FAS and form a key part of FAS' scoring rubric that determines funding allocations for grant recipients.

For example, the following is a performance measure table taken from the Trade section of ASMI Northern Europe's (UK, The Netherlands, Ireland, Finland, Denmark, and Sweden) 2009 CPR. Please note that goals and actual vary from year-to-year depending on funding levels, Alaska fishery output and macroeconomic trends. "NPM" indicates a new performance measure, meaning this was the first year that information was collected:

PERFORMANCE MEASURES	2009 BENCHMARK	2010 GOAL	2010 ACTUAL
1. Long term inclusion of Alaska seafood products in product range (Imp/Ret/Dist.)	9	10	11*
2. Additional new Alaska seafood products promoted by four major retailers	6	7	6*
3. Additional volume (MT) of AK fresh/frozen salmon product sold during promotional activities.	81MT	85MT	81.85MT*
4. Awareness among trade (Imp/Ret/Dist) of the long term sustainability of Alaska seafood and the inherent advantages over other seafood competition.	68%	70%	74%*
5. Number of smokers using Alaska sockeye salmon and ASMI POS	Npm	1	3*
6. Number of distributors promoting Alaska whitefish	Npm	1	2*

*Based on information provided by trade partners including distributors, importers & buyers and Agriview Key Account Survey June 2010

Independent Third Party Evaluations

Every year, ASMI International contracts with an outside consulting firm to conduct a thorough review of the strategy and execution of ASMI's International programs. This may be one or two regions or a more general overview of the entire International program. These reports are shared with both our industry and FAS and their findings are generally instrumental in effecting strategic changes in the programs. Additionally, the evaluating firm is given the opportunity to present directly to ASMI's Board of Directors and/or International Marketing Committee.

Seafood Industry/International Marketing Committee Review

Four times a year, ASMI International meets with its International Marketing Committee. The IMC is comprised of nine ASMI Board-appointed members that are all experts in international seafood trade. In addition to reviewing ASMI International's reports, the IMC provides strategic guidance on the ASMI's marketing programs and candid feedback on the successes and failures or ASMI's programs.

In Depth Consumer Perception Surveys

ASMI conducts consumer perception surveys in our traditional markets to measure how "Alaska" is perceived and which of our core characteristics (wild, natural, sustainable) best resonate with consumers. These not only give us an indication of how effective our long-term marketing efforts have been but allow us to custom tailor our marketing strategies to each region. The following excerpt is from a consumer survey conducted in Japan:

Willingness to purchase Alaskan seafood in the future

- Almost 100% of the people who have purchased Alaskan seafood were willing to continue purchasing Alaskan seafood and that they are highly satisfied with the quality.
- 22% of respondents were willing to purchase Alaskan seafood and 70% of respondents showed interest in purchasing Alaskan seafood after seeing the promotional materials - indicating the effectiveness of the advertisements in arousing people's interest in purchasing.
- There was a positive correlation between increasing income and the number of people who were willing to purchase Alaskan seafood; it is also important to note that after presenting the promotional materials to the women in their 20's, who previously did not have a clear image regarding Alaskan seafood or were less aware of Alaskan seafood, showed quite a high interest in purchasing the product.
- The major challenge in the future will be to develop effective methods of market penetration among consumers who have never purchased Alaskan seafood and those who are not particular about brands despite highly effective promotional brochures.

Annual Strategy Sessions

Each year all ASMI International staff comes together on two separate occasions to discuss long-term strategy with staff and industry. Usually, this is scheduled to coincide with an IMC and Board meeting. The summer session is conducted in Alaska provides an opportunity for our Overseas Representatives to visit Alaska fisheries around the state.

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair
State Capitol Building, Room 411
Juneau, Alaska 99801-1182
Phone (907) 465-4942
Fax (907) 465-4589
Rep.Bob.Herron@legis.state.ak.us

Rep. Peggy Wilson, Rep. Berta Gardner, Rep. Kurt Olson, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Neal Foster, Rep. Steve Thompson, Rep. Chris Tuck

Date: January 27, 2011

To: Suzi Lowell, Chief Clerk

From: Rep. Bob Herron, Chair

Re: House Economic Development, Trade, and Tourism Committee Schedule

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Schedule for House Economic Development, Trade, and Tourism

Tuesday, February 1 at 10:15 AM in CAP 124

Overview: Alaska Seafood Marketing Institute, Ray Riutta, E.D.
Overview: Alaska Travel Industry Association, Ron Peck, President & COO

+ Teleconferenced

Thursday, February 3rd at 10:15 AM in CAP 124

HB 119, AIDEA: PROCUREMENT; PROJECTS

+ Teleconferenced

<<GAVEL>>
Let's call this meeting of the Special Committee on Economic Development, Trade, and Tourism to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 1st .

Present are:

- Vice-Chair Olson
- Representative Keller
- Representative Tuck
- Representative Foster
- Representative Gardner
- Representative Thompson
- Representative Munoz
- Representative P. Wilson
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<



ALASKA TRAVEL INDUSTRY ASSOCIATION

Report to the House Economic Development Trade & Tourism Committee

Path to Recovery & Growth

- Increase the Economic Value of Tourism for the Benefit of All Alaskans
- Sustained $20 million tourism marketing funding needed for FY12 and beyond



A Quick Refresher

1988 = ATMC created (Industry match varied from 15 to 25% between FY89 to FY00)

1999 = Millennium Plan passed

2000 = ATIA created (Industry match varied from 30 to 60% between FY01 to FY04)

2004 = Vehicle Rental Tax (VRT) imposed in HB 271 ($7.7 million in FY12 forecast)



A Quick Refresher

2006 = Ballot Measure 2 added taxes and regulation to cruise industry

2008 = Industry match requirement changed to 30% (sunsets after FY11)

2008 = Visitation & jobs growth ends

2009 = Severe recession impacts visitor's spending & jobs



A Quick Refresher

2010 = Decrease in cruise deployment and economy leads State to reinvest $7 million in marketing & reduce cruise ship taxes for FY11. Slight increase in independent visitation measured

2011 = Modest increases in independent visitation is forecast



A Quick Refresher

2012 = Visitor industry is forecast to contribute:

- $116.8 million in State revenue
- $69.8 million in Municipal revenue

2012 = Need to reinvest tourism industry taxes for Tourism Marketing Program

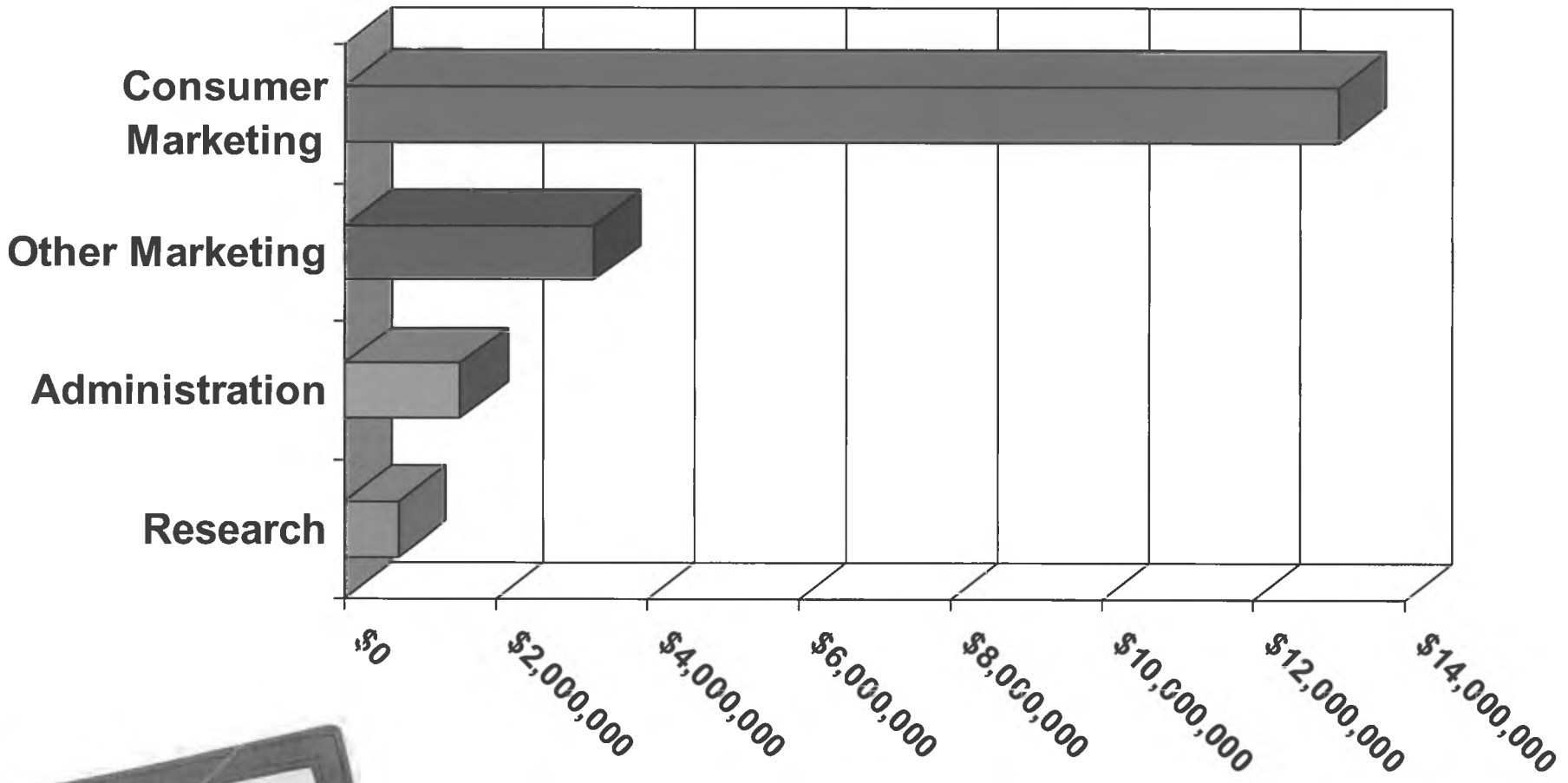


Alaska's
FY11 Tourism Marketing Plan

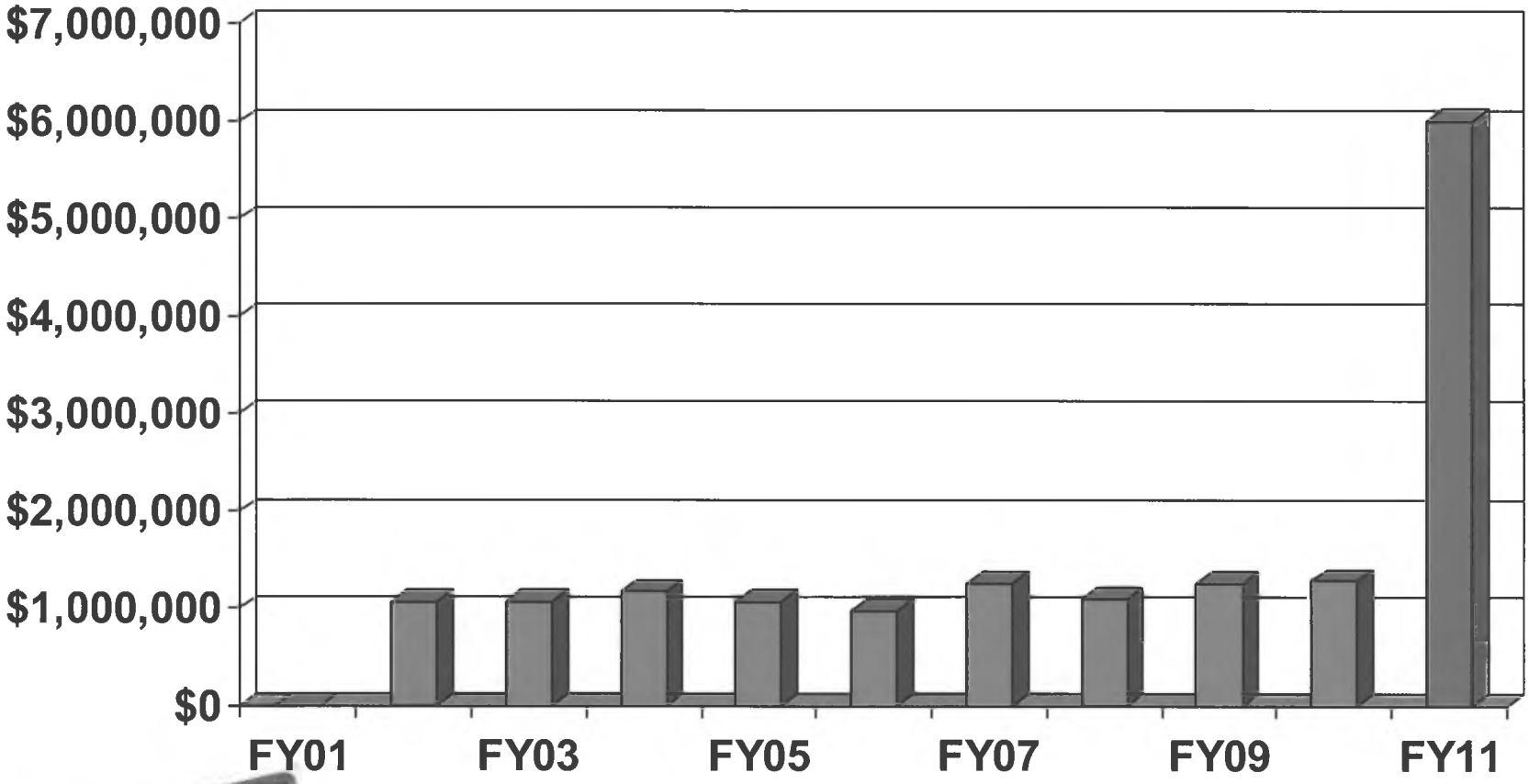


ALASKA TRAVEL INDUSTRY ASSOCIATION

FY11 Alaska Tourism Marketing



Television Advertising Up 470%



Alaska Awareness Increasing

- Consumers were asked unprompted what travel ads they remember
- New TV campaign moved Alaska to #6 in January 2011 from #10 in October 2010
  - Alaska ranked ahead of brands such as California, Orlando, Jamaica and the Bahamas



Advertising Effectiveness Study, Jerry Henry & Associates

Viewers Love Alaska TV Ads

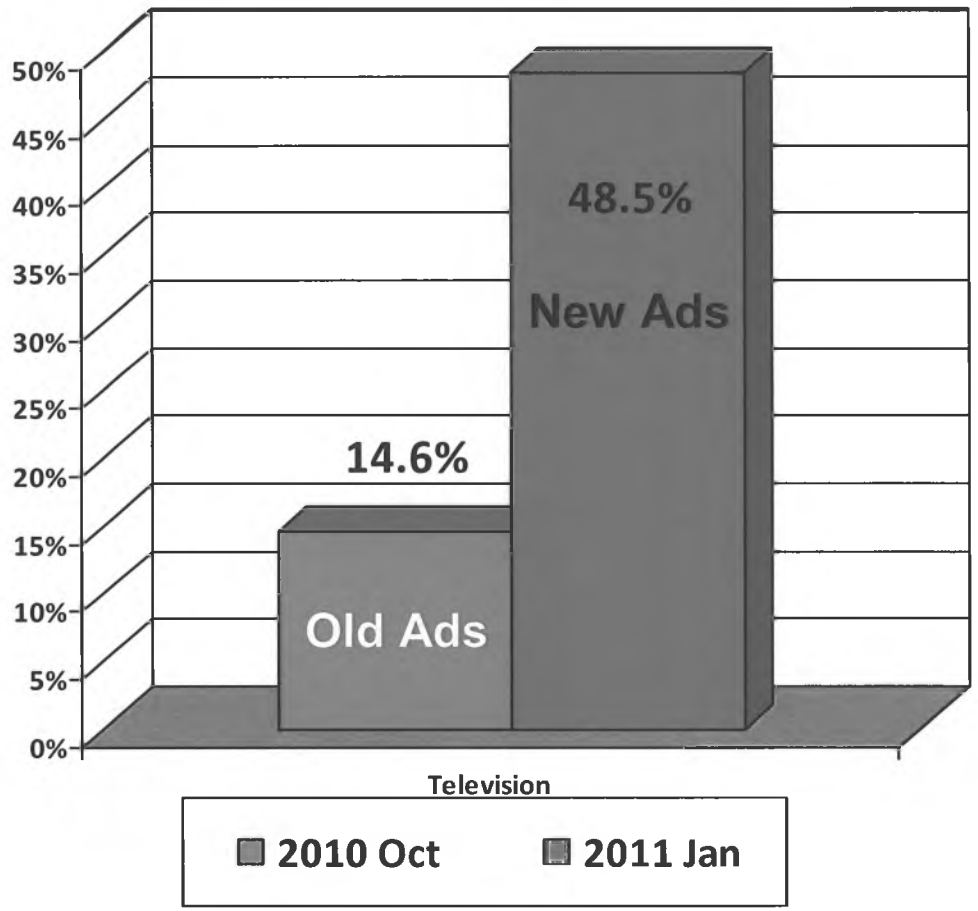
- 79% of respondents had a positive opinion of Alaska's advertising
- Ads do a good job of communicating:
  - Breathtaking scenery, wildlife in its natural habitat, illustrated state's variety of activities, positioned Alaska as an appealing destination



Advertising Effectiveness Study, Jerry Henry & Associates

TV Generates Intent to Visit

- Intent to visit **increased three fold** after viewing Alaska's new TV campaign



Advertising Effectiveness Study, Jerry Henry & Associates

Other Consumer Marketing

- Vacation Planners
- TravelAlaska.com
- Magazine ads
- Direct Mail
- Consumer Shows
- PR & Media







Promoting Tourism in Alaska

(CBS Early Show viewership = 2.56 million)







ALASKA TRAVEL INDUSTRY ASSOCIATION

Promoting Tourism in Alaska

(Magazine Readership = More than 7 million)

Paula's *Dream Vacation...*

The best trips I've ever taken in my life began with a recommendation from one of my friends or family. Well, y'all are my magazine family, so I just gotta tell you about my dream vacation to Alaska. I know you would absolutely love it! Listen, I know what you're thinking: Alaska's like a wild frontier. I thought the same thing—y'all know I'm not some outdoors survival expert—but I had an absolutely fabulous time and got around with no trouble at all. We ate the best food. From the fresh fish to the multitude of berries, it all just tasted delicious and it was good for us, too! We saw the most unbelievable natural sights and stunning wildlife everywhere we turned. The air was so pure, and the weather was perfect. (It stayed between 40 and 60 degrees. That ain't the Caribbean, but it's not Siberia either!)While we were up there, we saw a tourism slogan set up like an Alaskan vanity license plate. It read, "B4UDIE." And that's exactly what Alaska is all about. It's one of those lifetime trips, a place to check off your personal "bucket list." You've just gotta go and try something you never thought you would. I promise you won't regret it. —*Paula*



ALASKA

ATIA & ASMI Partnership

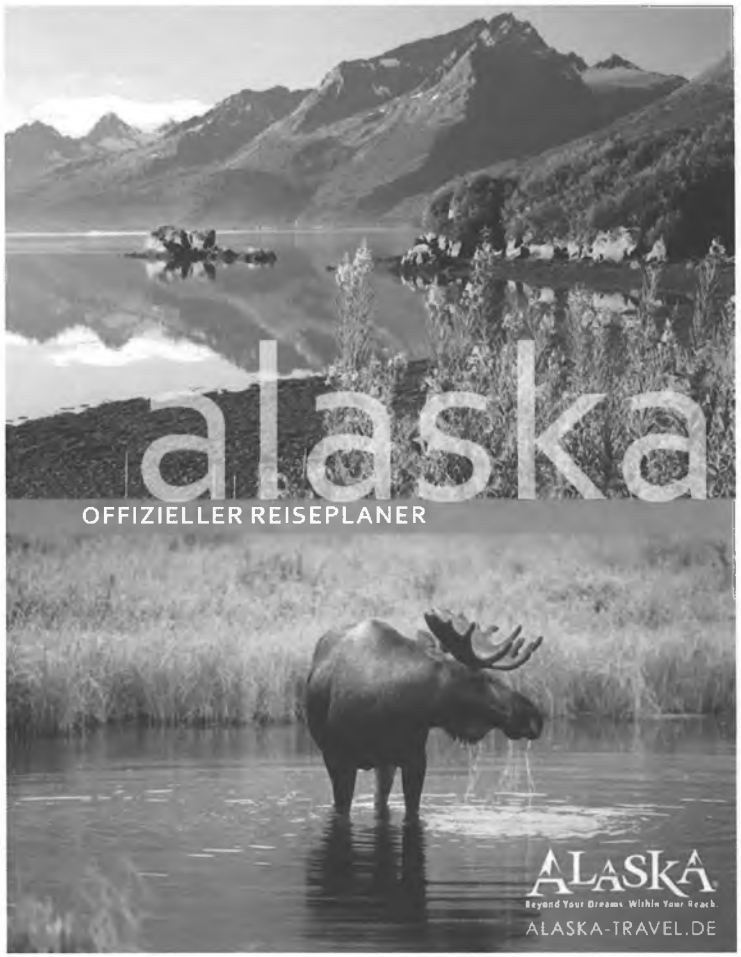
- Full Page Ad in 2011 Vacation Planner to 550,000 inquirers
  ($73,000 ad value)
- Alaska Media Road Show
- National Tour Association in Montreal
- London ASMI / ATIA event just last week





Overseas & Travel Trade Marketing

- Top 3 international markets:
  - United Kingdom
  - Australia
  - German Speaking Europe
- Partner with tour operators to increase awareness of Alaska and drive sales





Together We Can Recover From Here

Year	Summer Visitors*	Direct Spending	3rd Quarter Employment**
2008	1,707,400	$1.40 billion (est)	34,586
2009	1,601,700	$1.31 billion* (actual)	32,318
2010	1,505,600	$1.23 billion (est)	Unavailable

*Alaska DCCED

**Alaska DOL



2011 Growth Benefits Economy

- 77,000 additional visitors estimated for 2011
- $72 million estimated In State spending

Advertising Effectiveness Study, Jerry Henry & Associates
2011 Alaska Travel Intentions Study, GMA Research



About the Industry Match

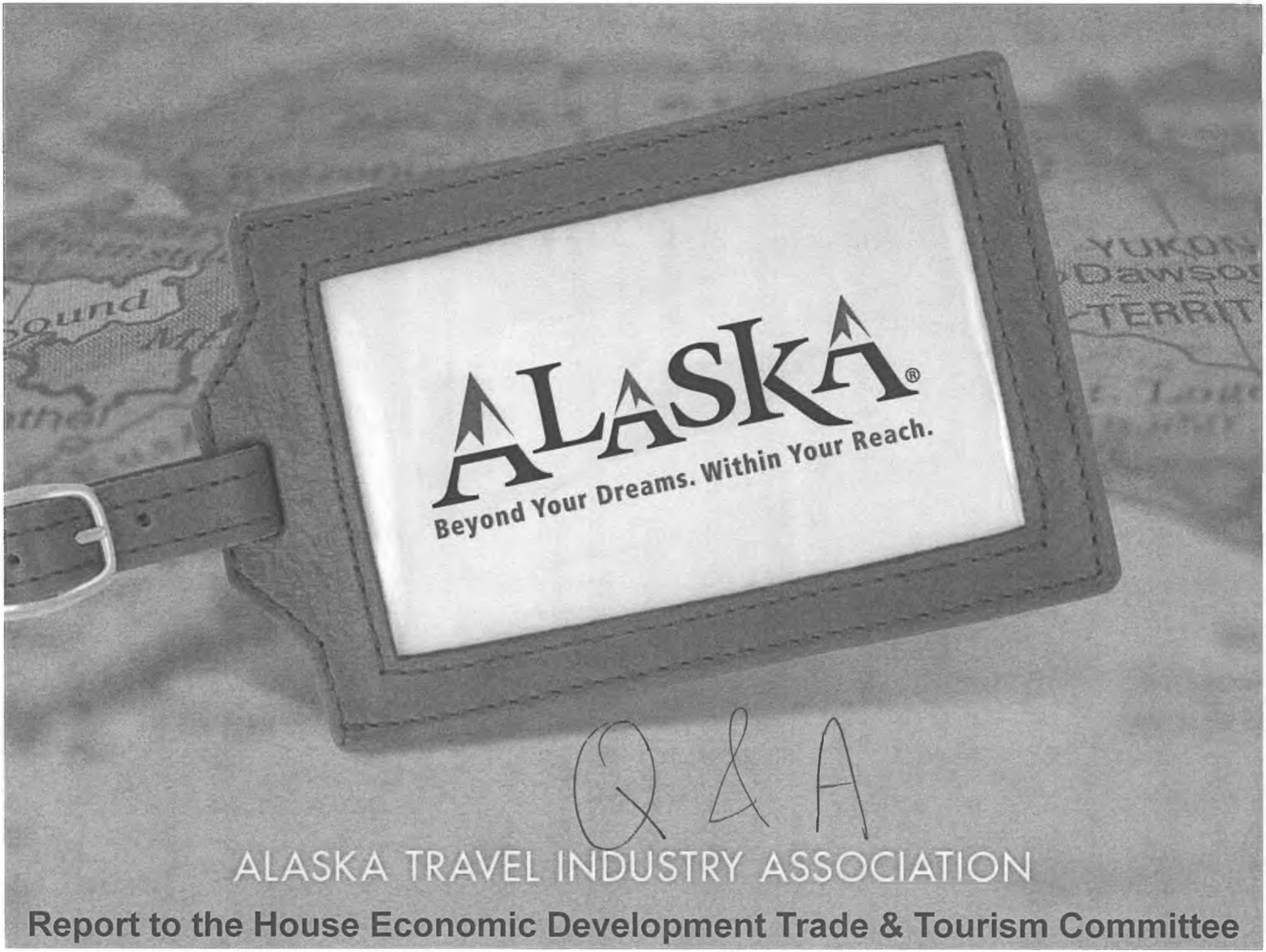
- 750 Alaskan businesses & 26 communities raise $2.7 million annually for the campaign
- Without legislation this session, the match requirement becomes an unattainable 100% starting FY12



Path to Recovery & Growth

- Increase the Economic Value of Tourism for the Benefit of All Alaskans
- Sustained $20 million tourism marketing funding needed for FY12 and beyond





ALASKA TRAVEL INDUSTRY ASSOCIATION

Report to the House Economic Development Trade & Tourism Committee

Responses for Rep. Tuck

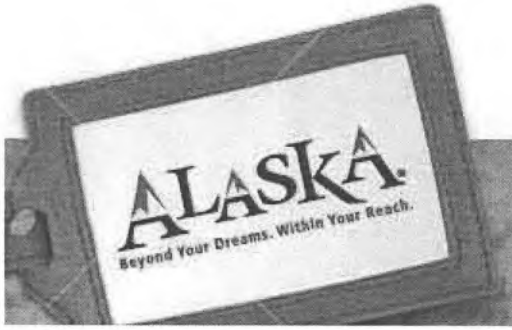
Question: "What were the parameters of the Advertising Effectiveness study, how many subjects?"

Question: "How was that company selected and what was the cost?"



Advertising Effectiveness Study

- Two-part online research study conducted by Jerry Henry & Associates (JH&A) Oct 2010 – Jan 2011
  - Sample Size = 4,589
- Contract awarded by competitive RFP
  - RFP advertised only in Alaska, 45 companies inquired, 8 bid
  - The most compelling reason for selecting JH&A was their experience conducting this study for other states (providing competitive data).
  - Study Cost = $92,250



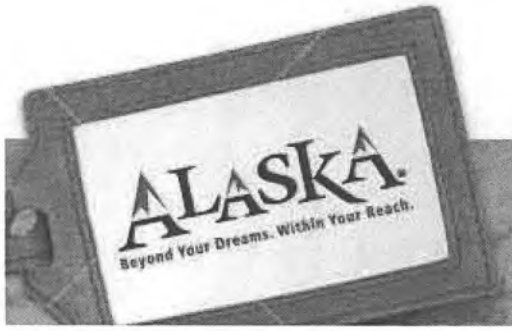
Response for Rep. Gardner

Question: "Do we have an estimate of how the spending varies? What is the spending within Alaska for cruise ship passengers versus independents, per person?"



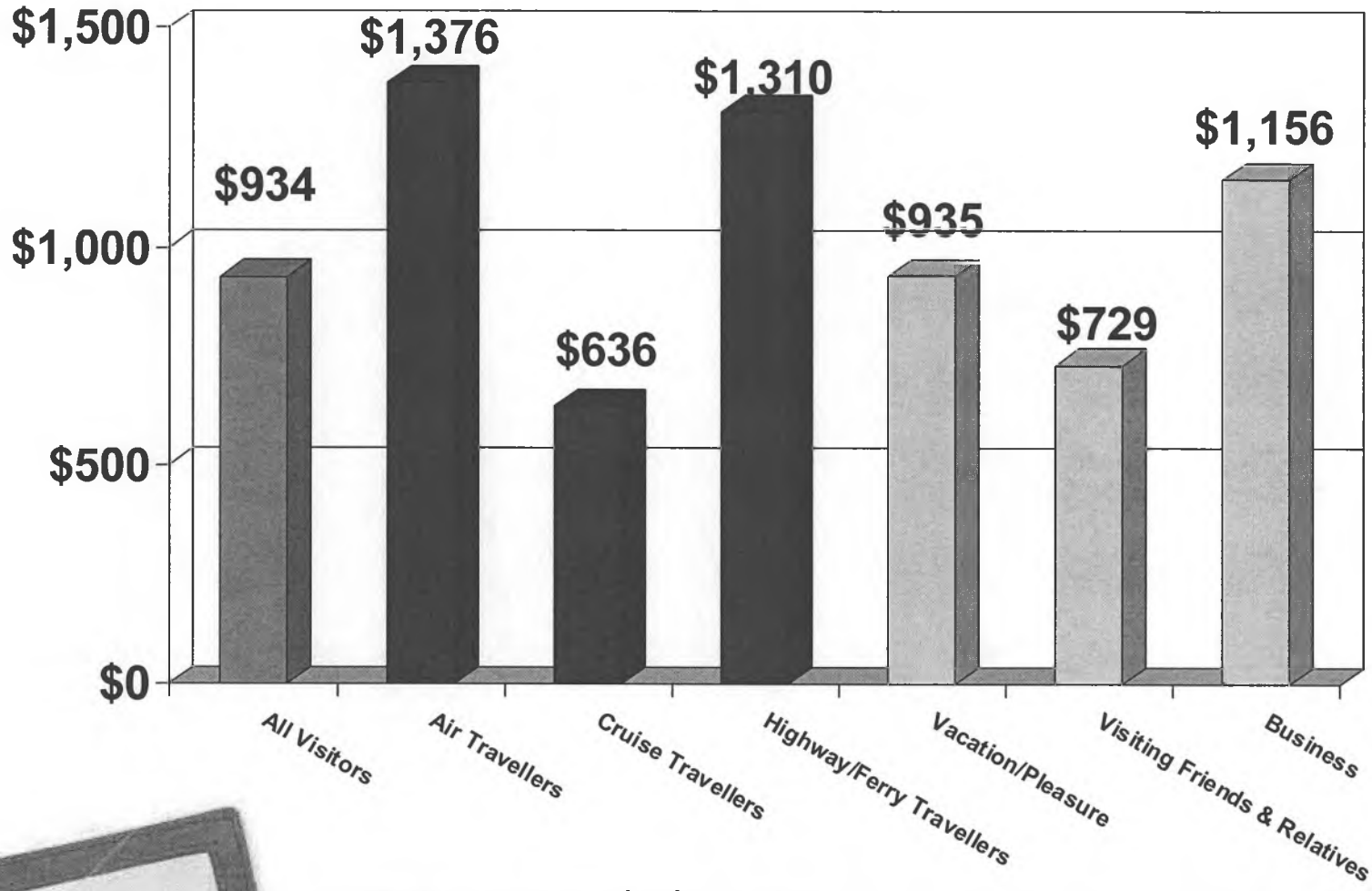
Average Per-Person Expenditures

- Independent travelers spend more per person in Alaska than cruise visitors
- The most recent data is from the Summer 2006 Alaska Visitor Statistics Program (AVSP). Updated AVSP data for summer 2011 is expected in March 2012.



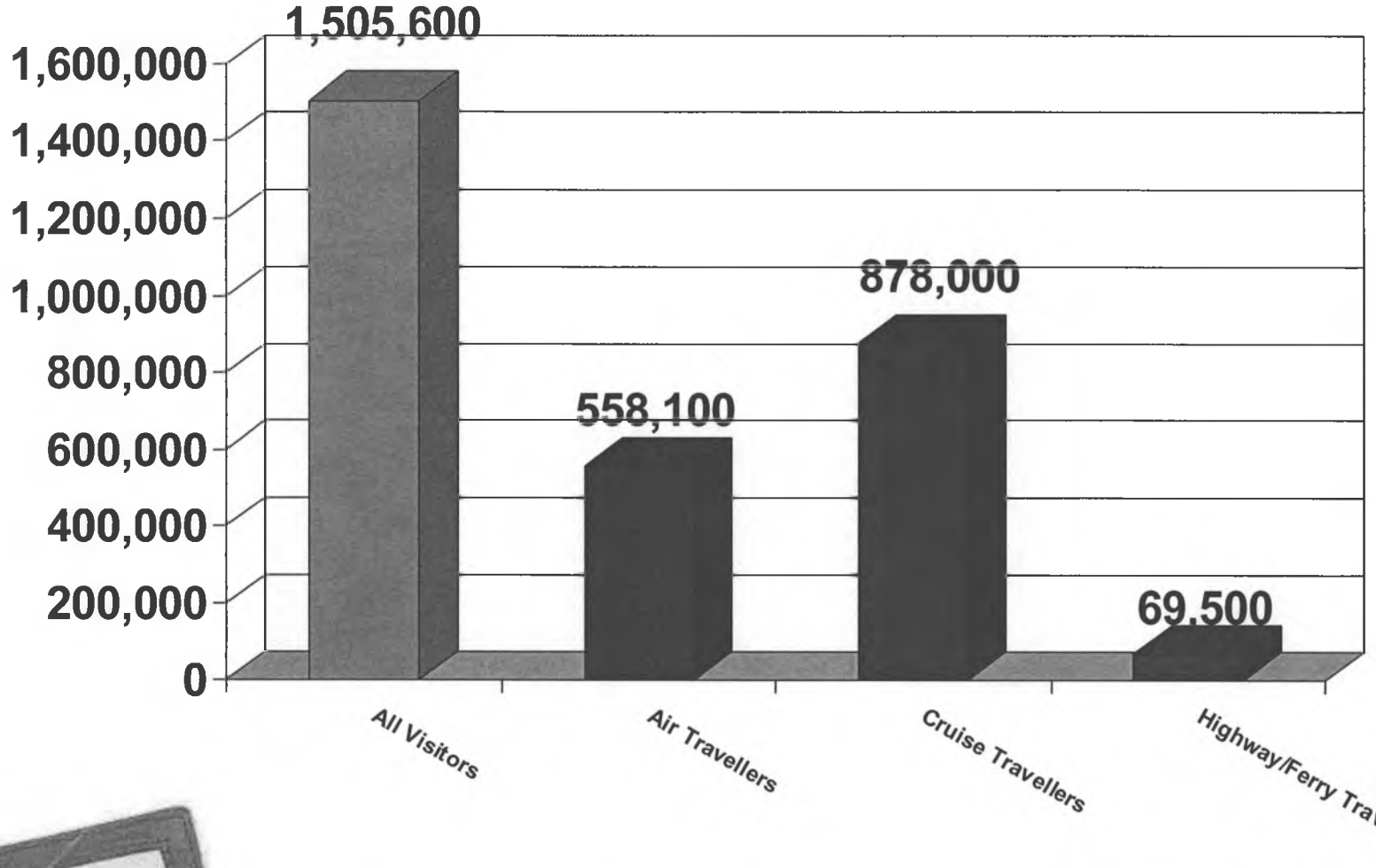
Average Per-Person Expenditures, Summer 2006

Excludes travel to/from Alaska



2006 Summer Alaska Visitor Statistics Program (AVSP), Alaska DCCED

Visitor Volume, Summer 2010



2010 Summer Alaska Visitor Statistics Program (AVSP), Alaska DCCED

Response for Rep. Foster

Summarized Question: Do you have statistics on what the 2010 changes were for cruise and other sectors.

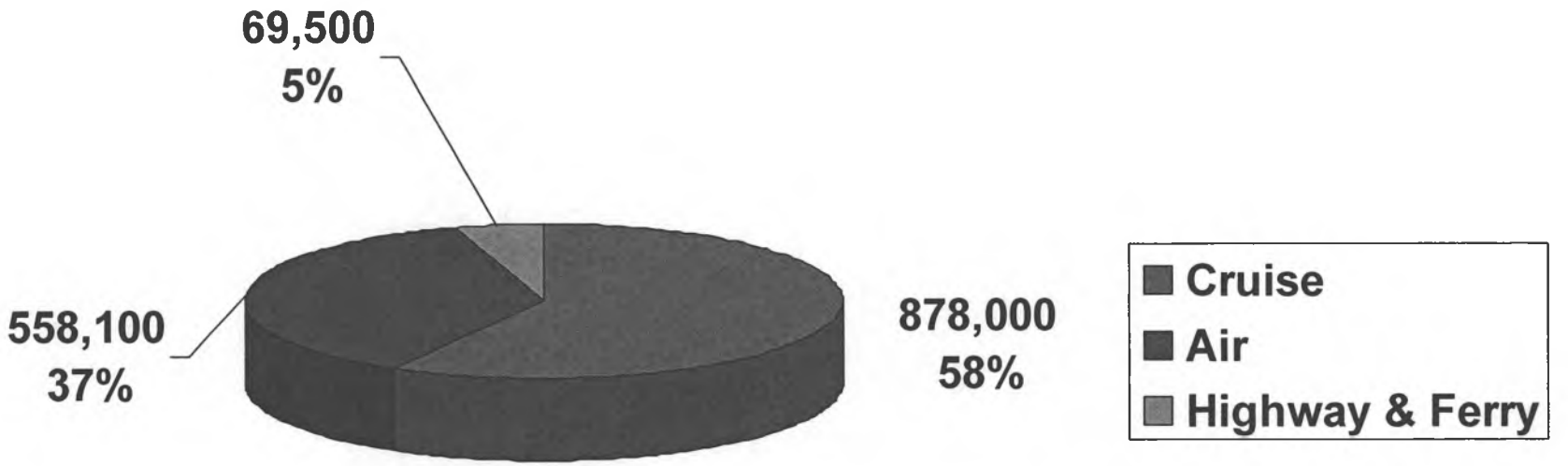


Visitors By Travel Mode

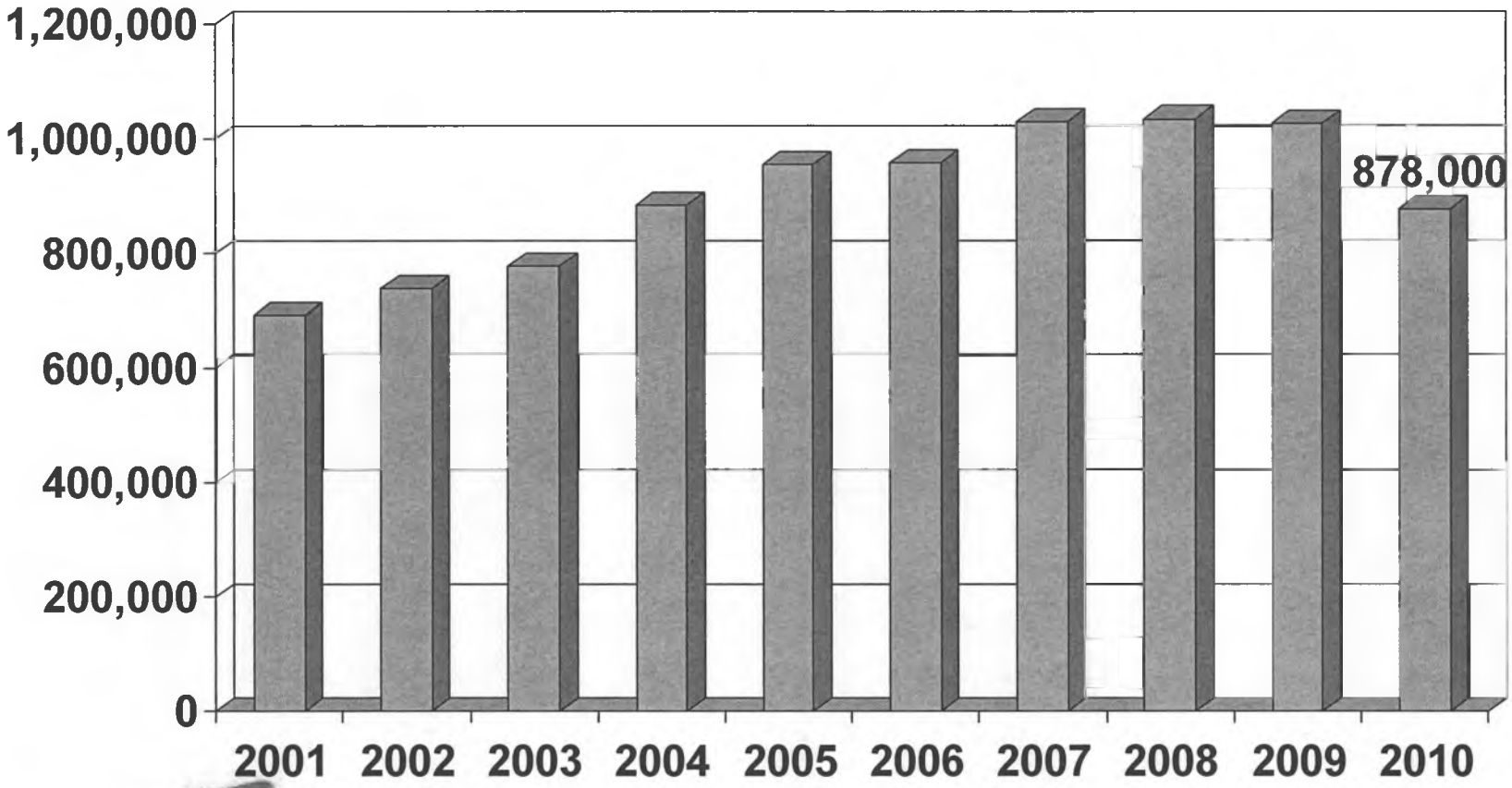
- 2010 Cruise visitors declined significantly
  - Positive impact of cruise tax adjustments not felt until 2012 due to deployment planning timeline
- 2010 Visitors by Air, Highway and Ferry increased
  - Increased direct air service and stabilized national economy helped draw independent visitors



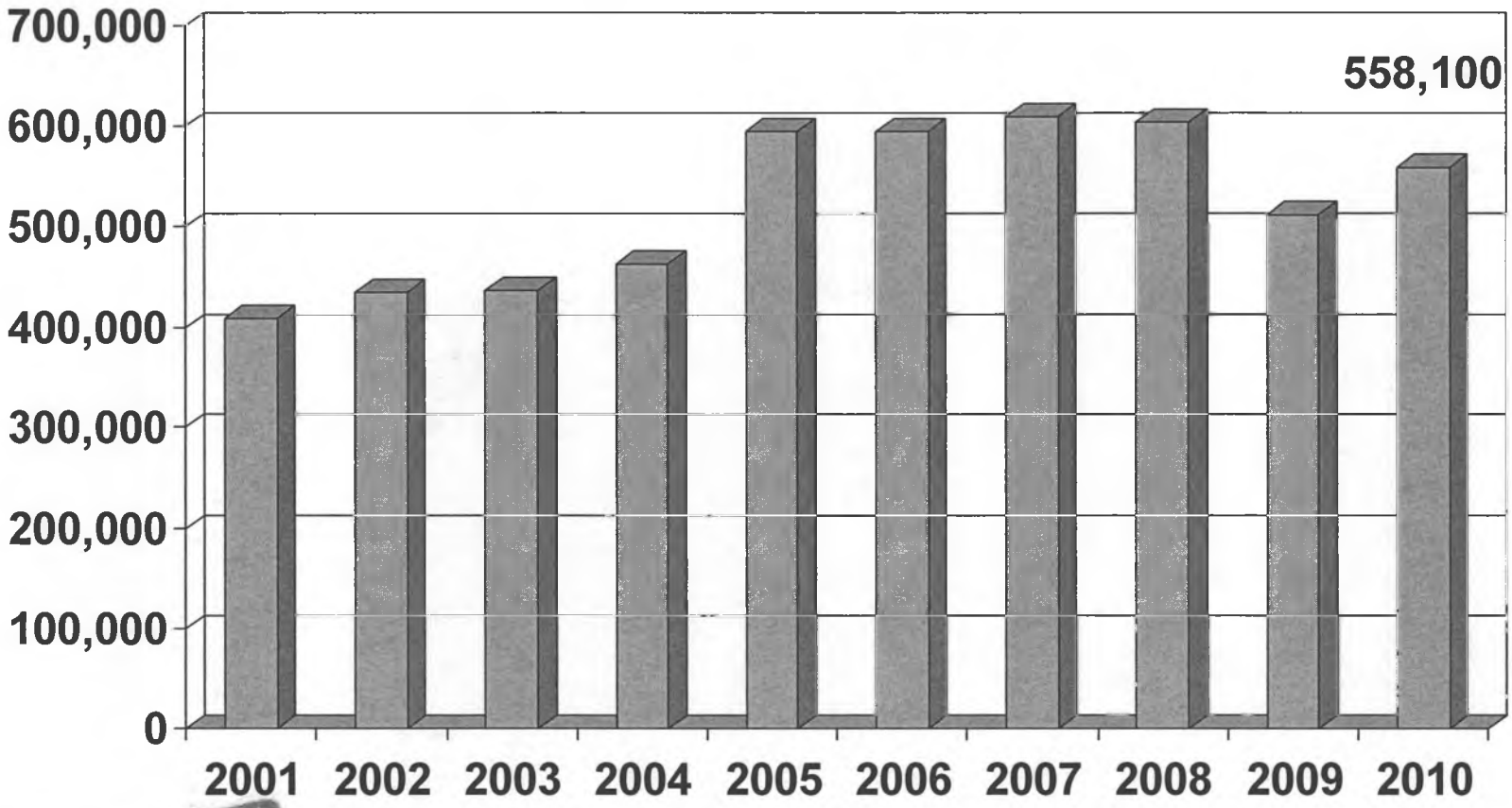
2010 Summer Visitors



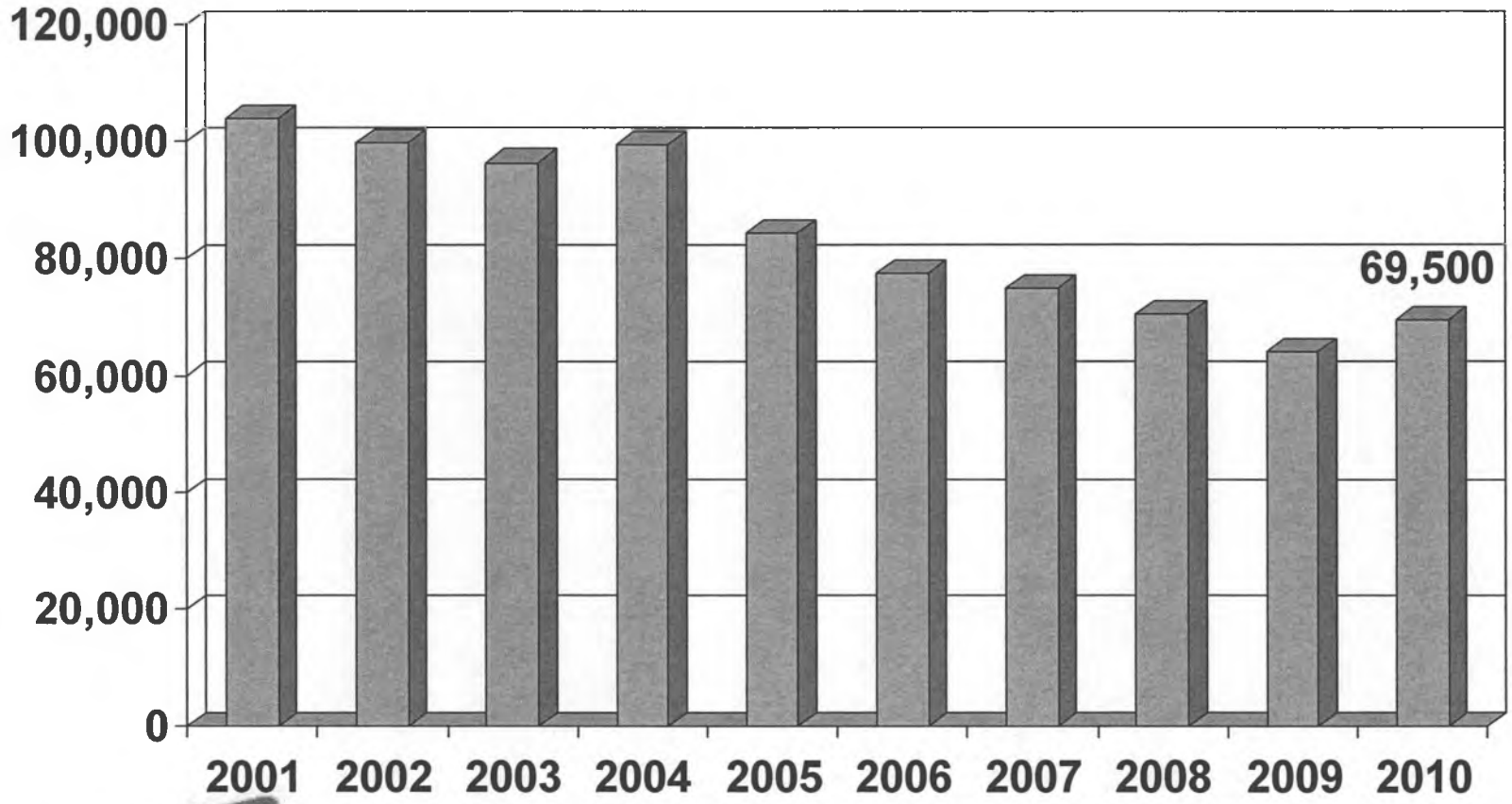
Summer Cruise Visitors



Summer Air Visitors



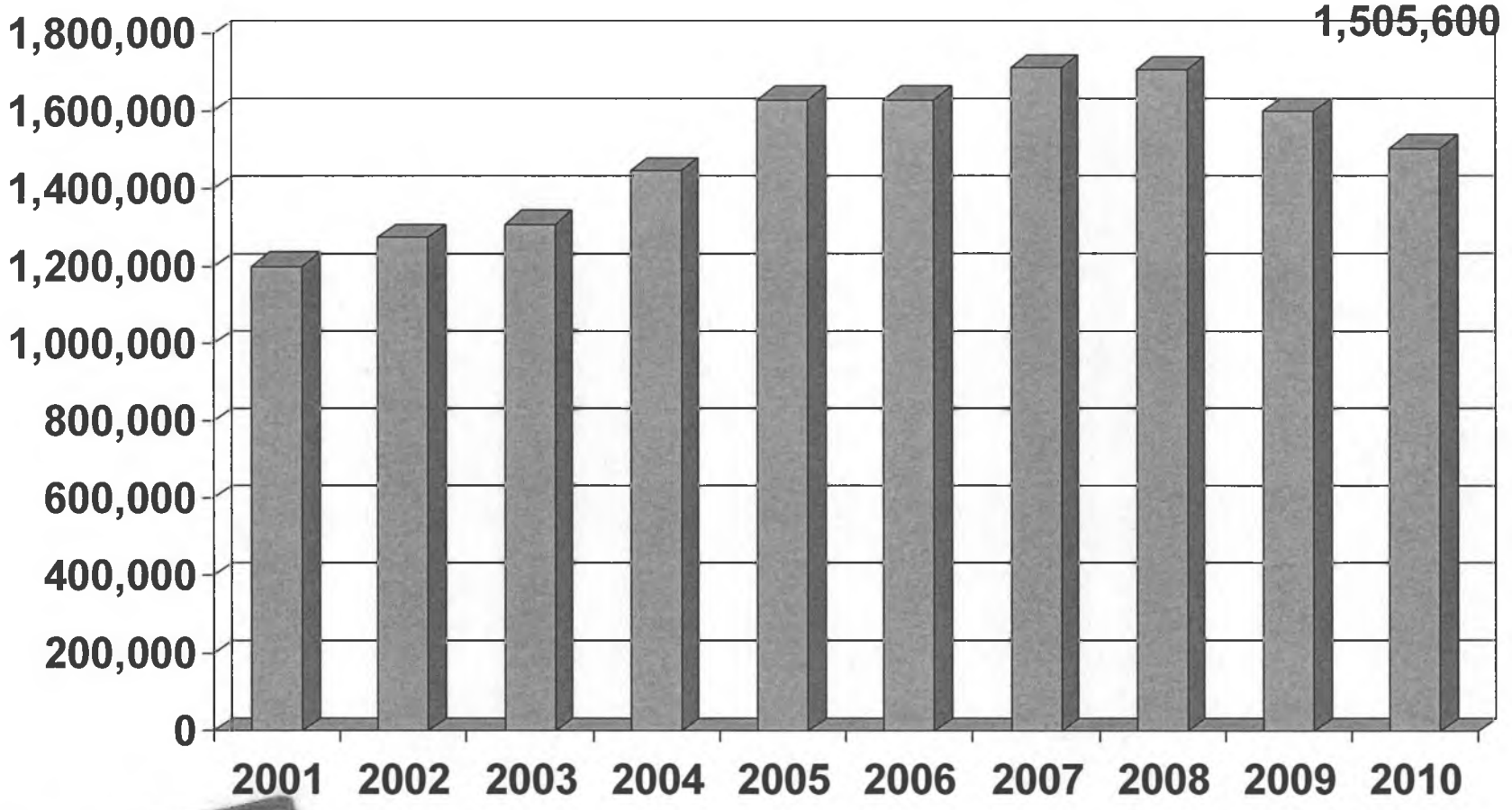
Summer Highway & Ferry Visitors



ALASKA
Beyond Your Dreams. Within Your Reach.

ALASKA TRAVEL INDUSTRY ASSOCIATION

Total Summer Visitors



Response for Rep. Tuck

Question: "You mentioned that Princess will be returning with a ship. Can you let us know how many cruise lines have reduced their ships and by how many?"



Cruise Deployment Highlights

2007-2009 represents the peak of Alaska cruise inventory

2010

est. 142,000 berth loss

- Princess Cruises removed 1 ship
- Holland America reduced departures
- Norwegian Cruise Line removed 1 ship
- Royal Caribbean removed 1 ship
- Regent Seven Seas Cruises reduced capacity
- Cruise West (small ships) ceases operation at end of 2010 season

est. 7,000 berth gain

2011

- Holland America removes 1 ship
- Disney Cruise Line announced one year of operation in Alaska adding 1 ship
- Oceania Cruises will begin operation in Alaska adding 1 ship
- Crystal Cruises adds 1 ship
- InnerSea Discoveries (small ships) will begin operation in Alaska
- Alaskan Dream Cruises (small ships) will begin operation in Alaska adding 2 ships

est. 37,000 berth gain

2012 preliminary announcements

- Princess Cruises adding 1 ship
- Crystal Cruises removing 1 ship



Cruise Line Agencies of Alaska

ALASKA TRAVEL INDUSTRY ASSOCIATION

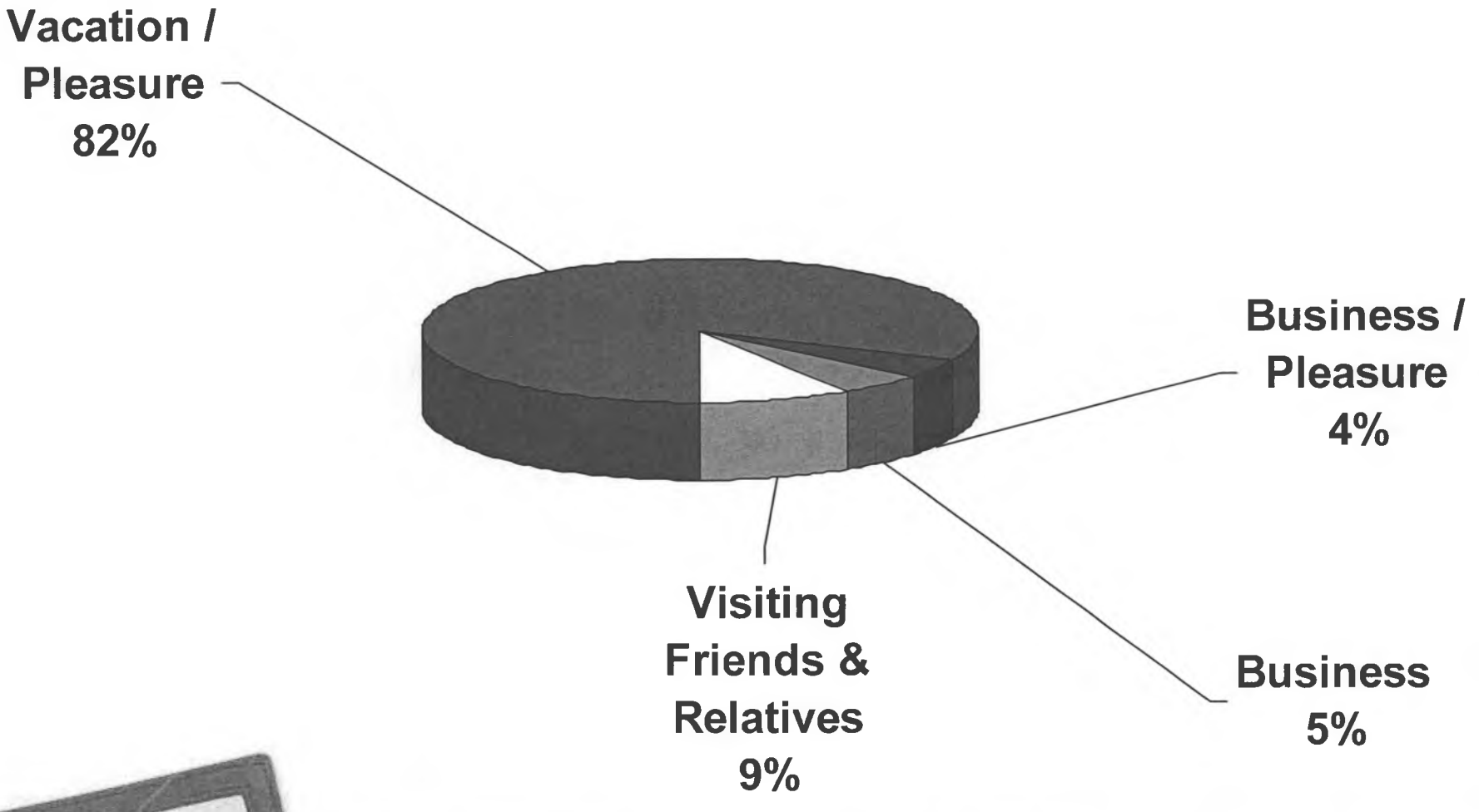
Response for Rep. Tuck

Question: "How is it determined that people are coming up here for business, versus visiting friends & family, versus for tourism?"

Response: The 2006 AVSP report contains these breakouts based on visitor intercept surveys. Updated numbers will be available in March 2012.



2006 Summer Visitors



2006 Summer Alaska Visitor Statistics Program (AVSP), Alaska DCCED

For More Information

Thank you for the opportunity to present to the committee. For further information please feel free to contact:

Ron Peck
President & COO
Alaska Travel Industry Association
rpeck@AlaskaTIA.org
907-646-3306



ALASKA TRAVEL INDUSTRY ASSOCIATION

cooking with Paula DEEN™

JANUARY/FEBRUARY 2011

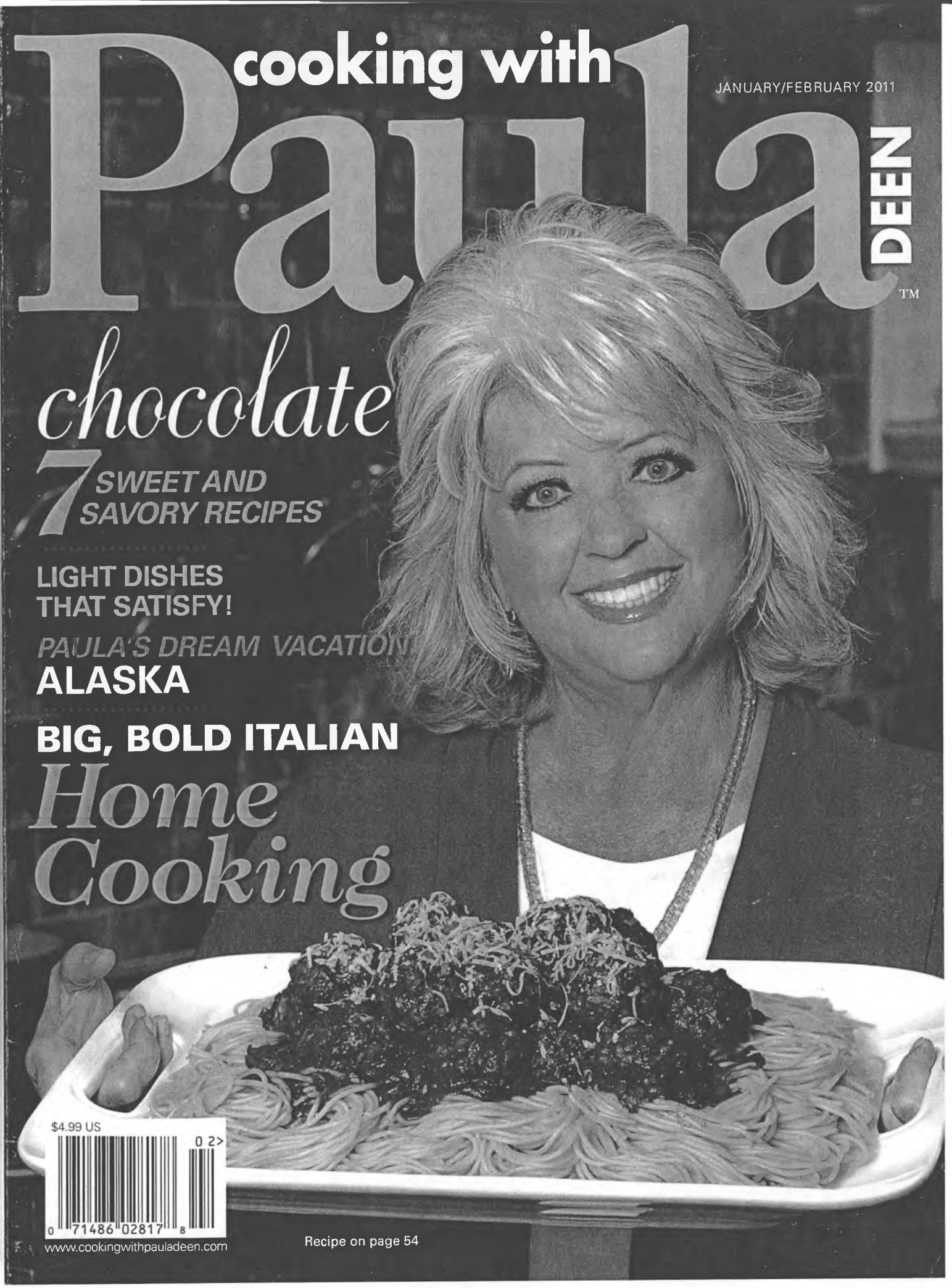
chocolate

7 SWEET AND SAVORY RECIPES

LIGHT DISHES THAT SATISFY!

PAULA'S DREAM VACATION
ALASKA

BIG, BOLD ITALIAN
Home Cooking



$4.99 US

0 2>

0 71486 02817 8

www.cookingwithpauladeen.com

Recipe on page 54

FEATURES

January/February 2011

let's get cookin'

48 Big, Bold Italian Home Cooking

Paula serves up her favorite traditional Italian recipes. Friends and family will want to linger around the table over these dishes.

56 Chocolate–Sweet and Savory

The rich, smoky flavor of unsweetened cocoa crosses the cookin' line between sweet and savory. Here you'll find the best-tasting recipes of both worlds.

66 The Main Event

Simplify dinnertime with a hearty center-stage entrée coupled with ready-made sides and desserts.

welcome home

76 A First Peek at Paula's Dish Pantry

For the first time ever, Paula invites you into her newly designed dish pantry. Every issue, we'll share the stories behind some of her most prized collectables. First up—Grandmother Paul's dinner plates.

78 Fresh Face-lift

A tired, less-than-polished kitchen gets a clean, contemporary update.

hit the road

82 Paula's Dream Vacation–Alaska

She can't seem to get enough of the stunning wildlife, spectacular views, great food, comfortable weather, and fun adventures—here's her testament from her third visit to Alaska.

104 Good Food & Fine Wine

Culinary talents meet from all over for seminars, demonstrations, parties and eats galore during the New York festival celebrating the best of world cuisine—and all for charity.

106 Clifton—An Award-winning Charlottesville Hotel

Rich history, luxurious amenities, Southern hospitality, and international sophistication await you at Virginia's Clifton Inn.



Yutka Bay Fisherman's Stew, page 87



I'm sitting on my porch overlooking the water and thinking about another treasured year washing away and the tide of a new year rolling in. What a joy to take this time to reflect on the many blessings of a busy 2010 and to plan for the exciting times of 2011!

My year is kicking off with an unbelievable moment that may be hard for me to top. I have been chosen as the 2011 Grand Marshal of the Tournament of Roses parade in Pasadena. It's a huge honor and a special time I know I will carry with me forever. I hope the year begins with wonderful experiences for each of you as well—whether big moments or small.



This is the time of year folks will work hard to get back on track making healthy food choices. To start on a cheerful note and to steer you in the right direction, I've come up with some delicious and wholesome recipes for salads (page 20). Now these salads may be lighter on calories, but they are big, bold, and full of flavor. Trust me, they are more than a tiny pile of lettuce and will certainly fill you up!



Now, life is all about balance, right? So I'm also sharing some comforting Italian dishes (page 48) with you. They are big, cheesy, garlicky, and saucy—everything you want in classic Italian home cooking. And of course, we need to begin the new year with something really worth celebrating, and that is chocolate (page 56). I've got some truly decadent chocolate desserts for you, but I'm also going to show you how to use chocolate to add smoky, rich flavor to some savory recipes.

Finally, I'm going to take you on a trip to one of the most beautiful places on Earth—Alaska (page 82). I have visited Alaska three times in my life, and I just can't get enough. My dream would be for everyone to visit this gorgeous land of fresh air, fine food, and genuine people. But if you can't get there anytime soon, these breathtaking images and delicious recipes will take your imagination there.

Make this year a memorable one, starting today! Love and Best Dishes!

Paula

Throughout our many journeys across the country, my staff and I run across various artisan foods that are worth the splurge. I came up with the name "hidden gems" because these tasty finds are too valuable to miss. Check out these culinary delights that are definitely worth tasting.



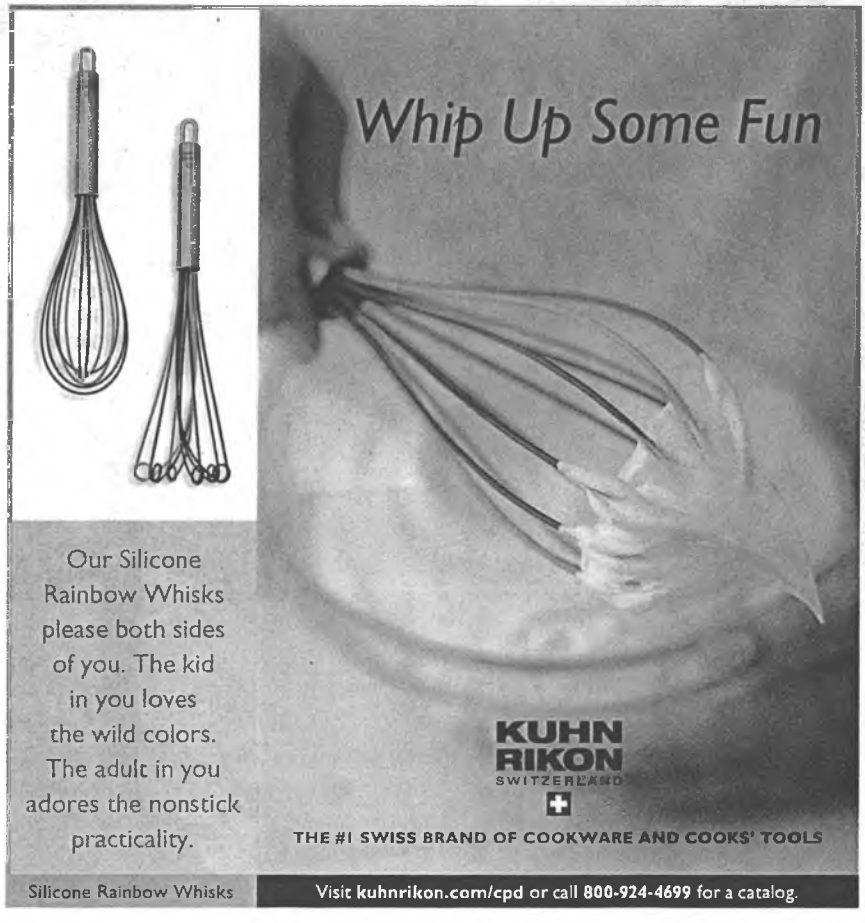
Skillet Bacon Jam

Chef/owner Joshua Henderson and wife, Kelli, created a traveling street food business out of a retrofitted Airstream trailer in Seattle, Washington. Since 2007, his upscale-inspired menu, which changes with the seasons, has drawn a major following. Due to customer demand, Joshua started selling the Skillet Bacon Jam that he spreads on his famous gourmet burgers. Try slathering it on your own burgers, crostini, or any other food that would be enhanced by the sweet and smoky bacon flavors. To purchase, visit skilletstreetfood.com.

Wild Smoked Salmon

For the finest selection of wild smoked salmon, siblings Jane Davis and Annette King, Florida natives turned Alaska snow bunnies, are your go-to source. Since 2007 their Kenai, Alaska-based company has offered the best in fresh-caught Alaska fish and seafood. Perfect for gift giving or your own personal enjoyment, it arrives at your door flash-frozen and vacuum-sealed to ensure the ultimate in quality and freshness.

To order, call 888-355-2747 or visit their website at 2sistersalaskaseafood.com.





Italian Ceramic Coffee, Salt, and Spice Jars from Sur La Table, $5.95-$14.95; *surlatable.com* or 800-243-0852



Parmesan Dipping & Drizzling Oil by Olivier from Williams-Sonoma, $14.50; *williams-sonoma.com* or 877-812-6235 .





Saucier, 2¼-quart from Le Creuset, $165; *lecreuset.com* or 877-273-8738



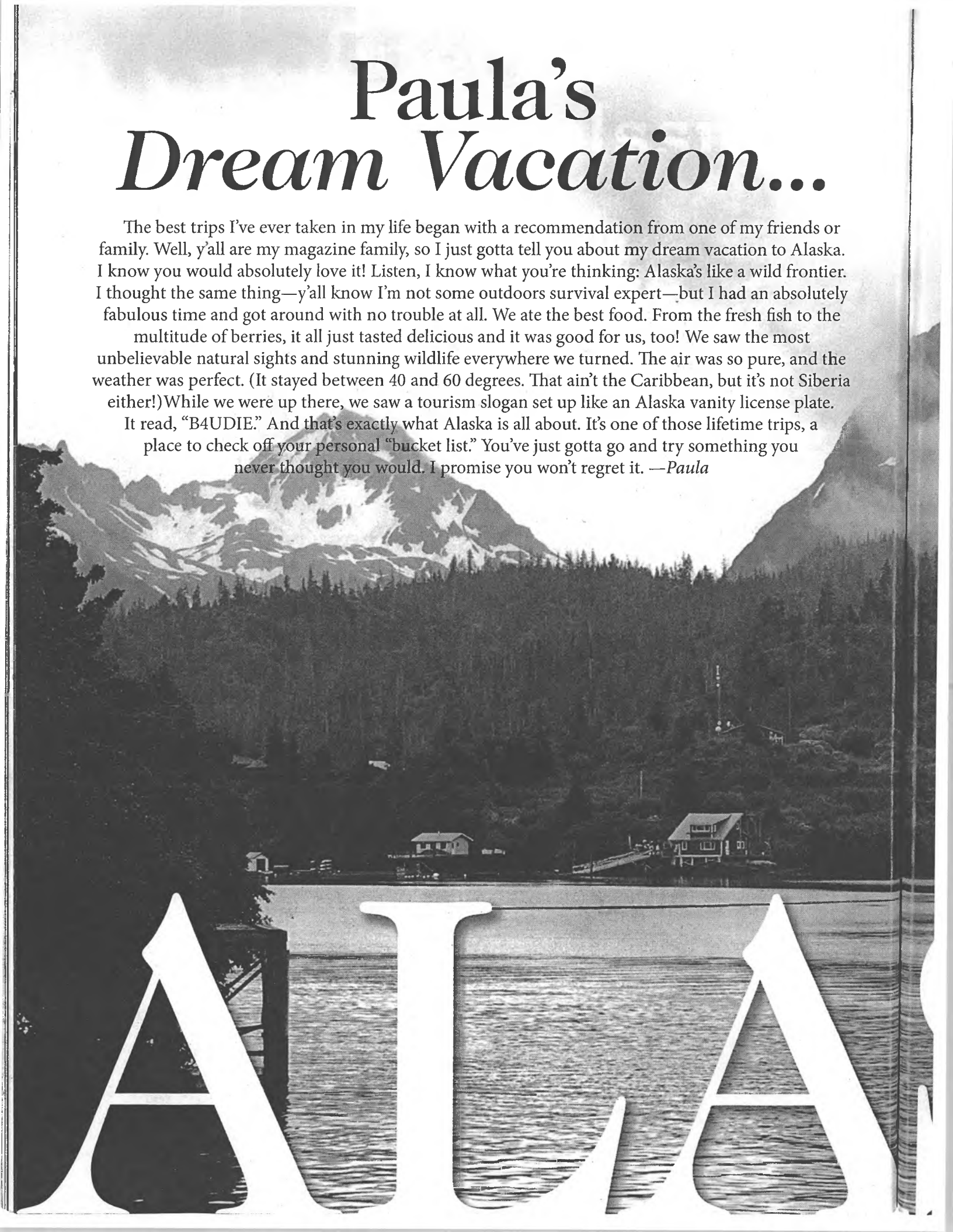


The Signature Fouta Towel from Scents & Feel, $69; *scentsandfeel.com* or 305-891-8445

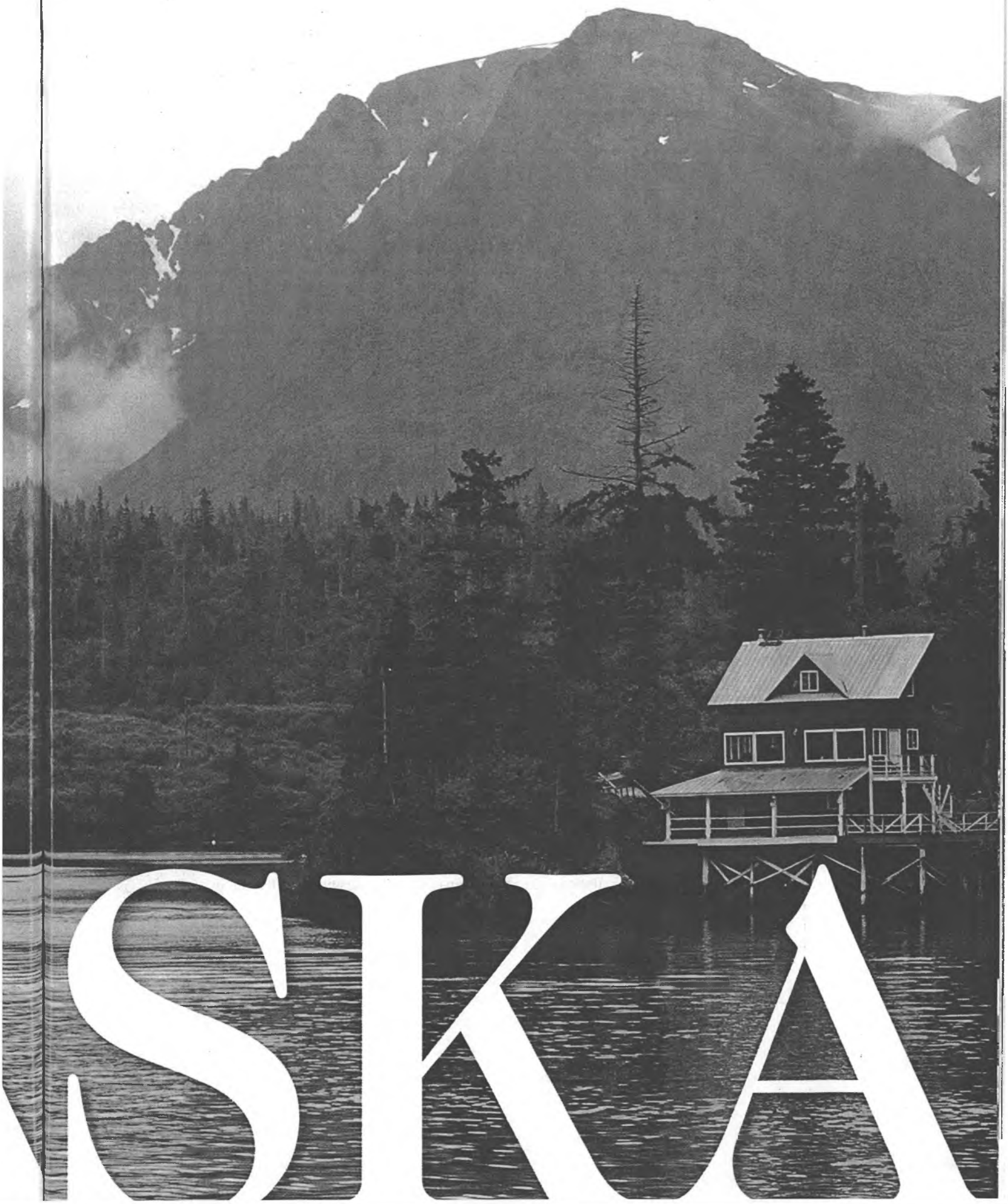
Inupiat Ulu and Bowl Set from The Ulu Factory, $39.95 not including engraving; *theulufactory.com*, 800-488-5592 (outside Alaska), or 800-478-3119 (inside Alaska)

Paula's *Dream Vacation...*

The best trips I've ever taken in my life began with a recommendation from one of my friends or family. Well, y'all are my magazine family, so I just gotta tell you about my dream vacation to Alaska. I know you would absolutely love it! Listen, I know what you're thinking: Alaska's like a wild frontier. I thought the same thing—y'all know I'm not some outdoors survival expert—but I had an absolutely fabulous time and got around with no trouble at all. We ate the best food. From the fresh fish to the multitude of berries, it all just tasted delicious and it was good for us, too! We saw the most unbelievable natural sights and stunning wildlife everywhere we turned. The air was so pure, and the weather was perfect. (It stayed between 40 and 60 degrees. That ain't the Caribbean, but it's not Siberia either!)While we were up there, we saw a tourism slogan set up like an Alaska vanity license plate. It read, "B4UDIE." And that's exactly what Alaska is all about. It's one of those lifetime trips, a place to check off your personal "bucket list." You've just gotta go and try something you never thought you would. I promise you won't regret it. —*Paula*

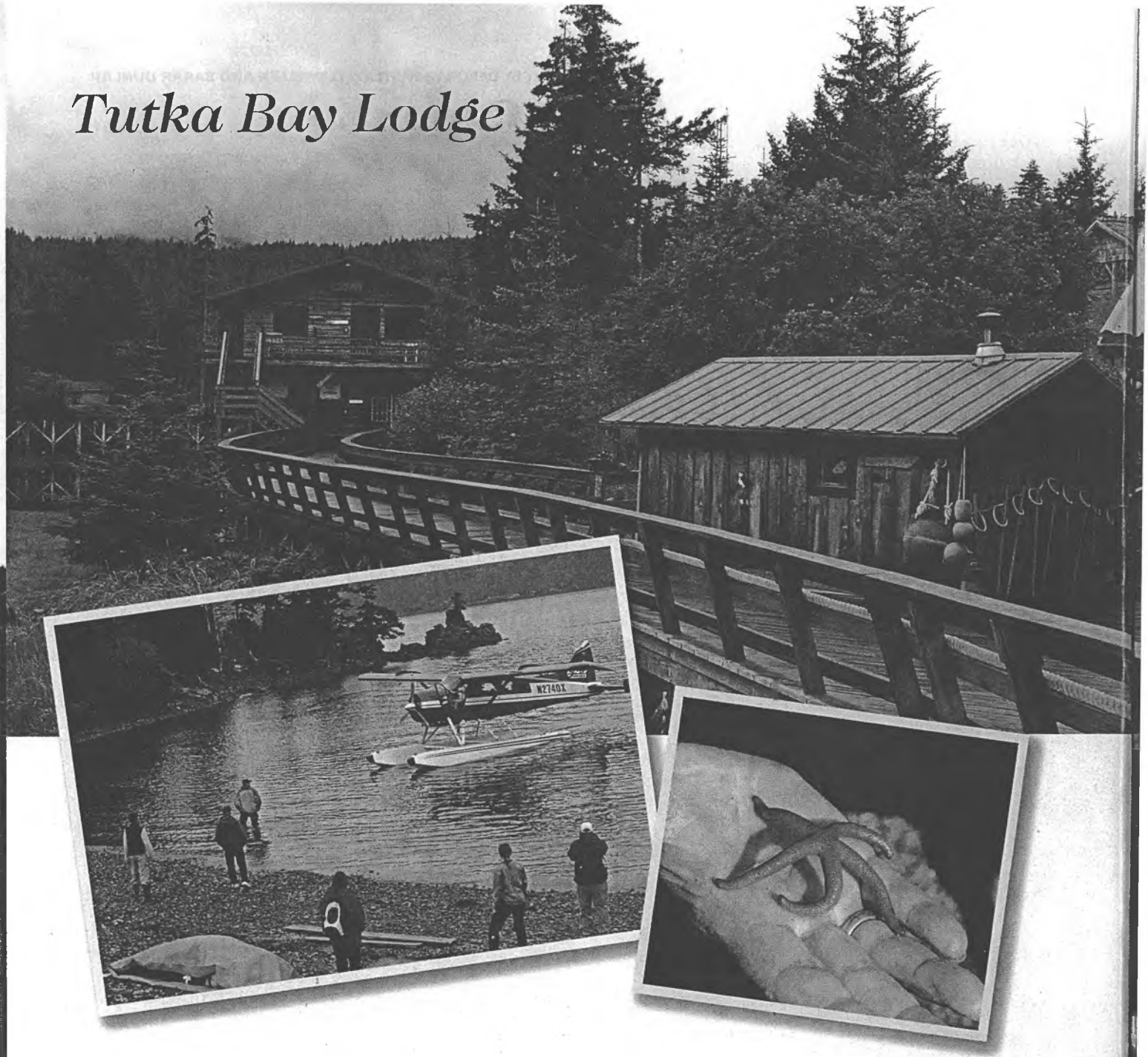


PHOTOGRAPHY BY **DEBORAH WHITLAW LLEWELLYN AND SARAH DUNLAP**



SKA

Tutka Bay Lodge



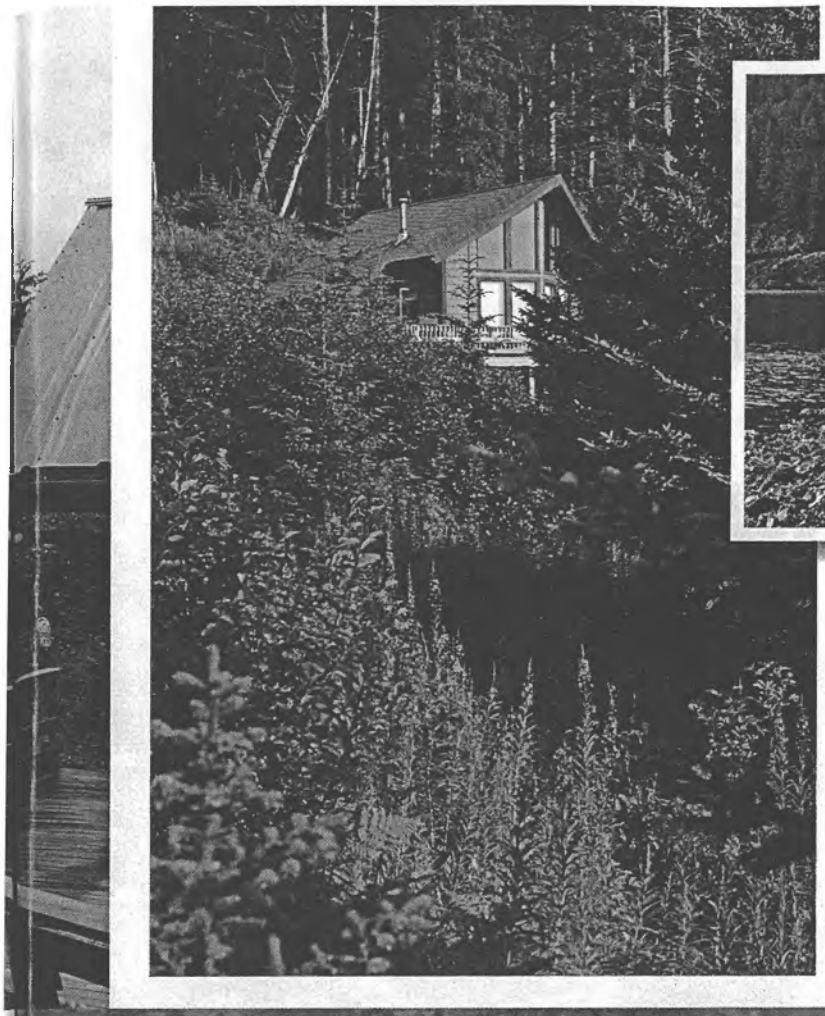
Most water taxis in the village of Homer, Alaska, leave from the Spit, a thin piece of land whipped like a tail into the middle of Kachemak Bay and lined with a lively entertainment district of shops, restaurants, and inns. Why should you be interested in water taxis? That's your best mode of transportation from the Spit to Tutka Bay (a skinny slip of water slicing into the crook of Alaska's southern mainland) and right up to Tutka Bay Lodge, a haven for rest and relaxation.

Upon arriving at the lodge's pier, the staff's welcome is warm, an open-armed reception reminding one guest of an episode of the television show *Fantasy Island*. "It was magical," she said. "It usually takes my husband and me a day or so of vacation to decompress from our jobs, but at Tutka, it was immediate."

Instant decompression. Sounds nice, right? And makes perfect sense when you survey the landscape here: forest lines drawn by old-growth Sitka spruce, a rocky shoreline, and isolated beaches, all against a mountain backdrop.

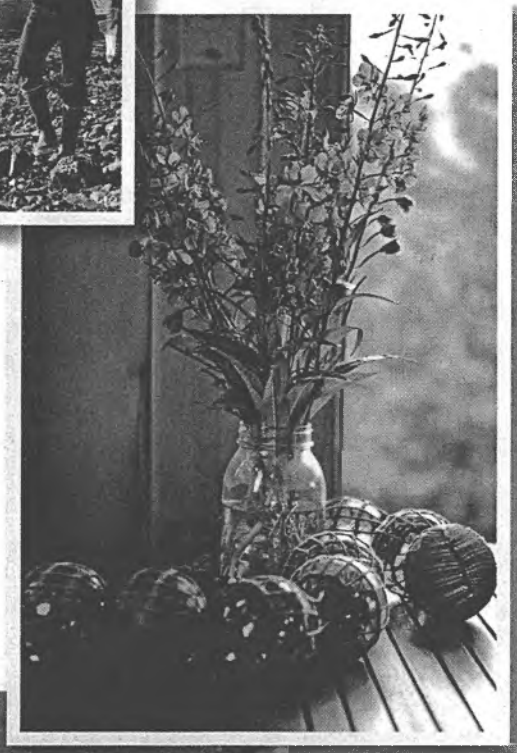
Six wooden cabins (each with phenomenal views and sleeping three to seven) surround the main lodge, where every meal is its own restful escape thanks to owner and chef Kirsten Dixon. Her international culinary background (she's a Le Cordon Bleu Paris grad with a master's in gastronomy from the University of Adelaide in Australia) and sincere passion for indigenous, ingredient-driven Alaska cuisine inspire each menu. Local fishermen deliver fresh fish daily. Kirsten and her staff gather berries, herbs, and vegetables from the lodge's garden as well as other edibles from the saltwater tide pools nearby.

Kirsten has even developed a cooking school taught on the main lodge's open deck (at right), where she shares her techniques and philosophy for creating great meals from what's



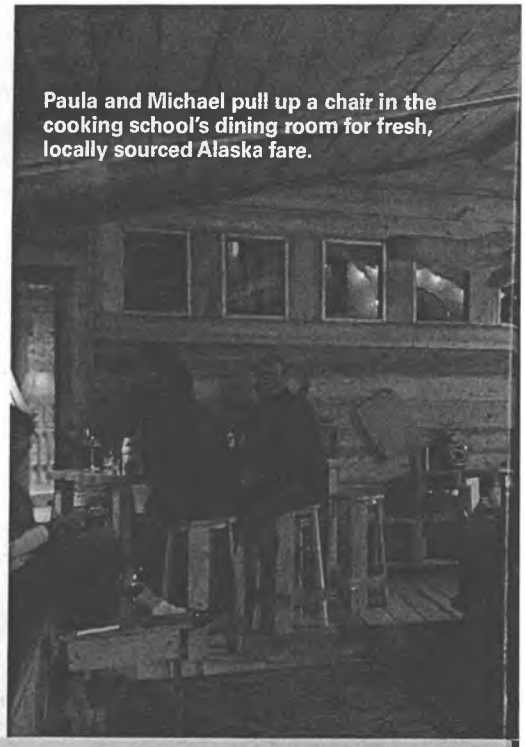


Left: Walking with Carl Dixon along the rocky beach of Tutka Bay, Paula gets an up close look at an amazing array of marine life inhabiting the tide pools.



Paula joins Kirsten Dixon as she demonstrates her culinary skills on the lodge's deck.

A stunning view from the deck of Tutka Bay Lodge of old-growth Sitka spruce trees against a mountain backdrop.



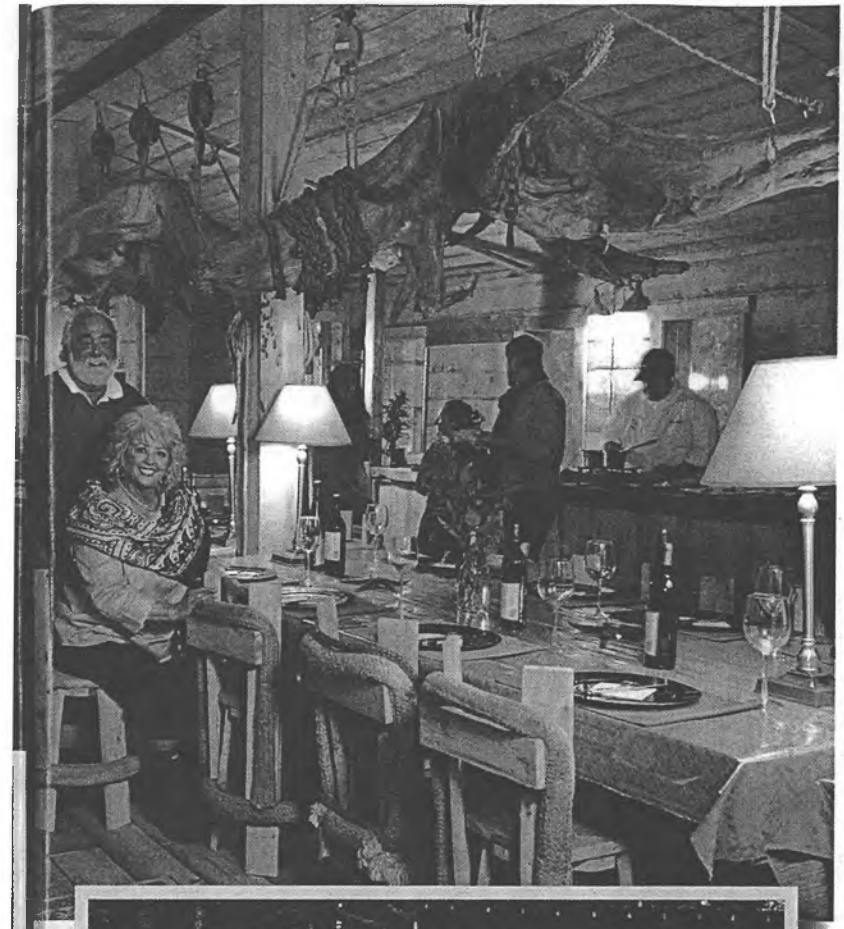
Paula and Michael pull up a chair in the cooking school's dining room for fresh, locally sourced Alaska fare.



Fresh fish delivered daily to Tutka Bay Lodge.



Paula marvels at bull kelp pulled from the cold bay waters.





The Tutka Bay Cooking School is built in the hull of a grounded crabbing boat.

locally available. (By mid-2011, she plans to move the cooking school a short walk from the lodge to a grounded crabbing boat that's been transformed into a two-story teaching kitchen.)

Tutka Bay Lodge's surroundings and amenities are its most appealing aspects. Enjoy hikes on walking trails lined with purple fireweed, or along the water's edge where driftwood resembles fine art sculptures. Fill your time with activities from deep sea fishing charters (of course, you'll eat what you catch) to morning yoga sessions and afternoon massages.

That said, you'll absolutely love this place for its intimacy. You will never be joined by more than 20 guests at a time, and the staff pays close attention to every guest.

"The beauty of the size of our lodge is that we get to know the personalities of our guests," says Carl Dixon, Kirsten's husband and lodge co-owner. "So many have asked us why we don't continue adding cabins so we can have more guests. Why would we do that?"



Tutka Bay Fisherman's Stew
Makes 4 servings

Adapted from Chef Kirsten Dixon

2½ tablespoons canola oil, divided
2 small red potatoes, cut into eighths
1 medium carrot, peeled and chopped
½ red onion, chopped
2 ounces chorizo
3 cloves garlic, minced
½ pound tomatoes, chopped
1 cup fish stock*
½ cup dry white wine
½ teaspoon saffron threads, crushed
¼ teaspoon dried oregano
¼ teaspoon cayenne pepper
8 wild Alaska littleneck clams, scrubbed
4 wild Alaska butter clams, scrubbed
8 wild Alaska mussels, scrubbed and debearded*
¼ pound wild Alaska Spot shrimp, peeled
¼ pound wild Alaska cod fillet
¼ pound wild Alaska halibut
¼ pound wild Alaska scallops
1 tablespoon chopped fresh flat-leaf parsley
Sourdough bread

1. In a Dutch oven, heat 2 tablespoons canola oil over medium heat. Add potato, carrot, onion, chorizo, and garlic; sauté 5 minutes or until onion begins to soften. Stir in tomatoes, fish stock, wine, saffron, oregano, and cayenne pepper; bring to a boil. Cover, reduce heat, and simmer about 15 minutes.
2. Add clams and simmer, covered, 3 minutes. Add mussels; cover and simmer 3 minutes. Remove and discard any unopened clams or mussels. Add shrimp and cod, and cook for 5 minutes.
3. Heat a sauté pan over medium heat, and add remaining ½ tablespoon canola oil. Pan-sear halibut and scallops. To serve, ladle stew into bowls. Top with pieces of halibut and scallops. Sprinkle with parsley. Serve with plenty of sourdough bread.
*Chicken stock may be substituted for fish stock. Buy mussels with tightly closed shells. If any are open, tap them lightly. If they close, they're alive.

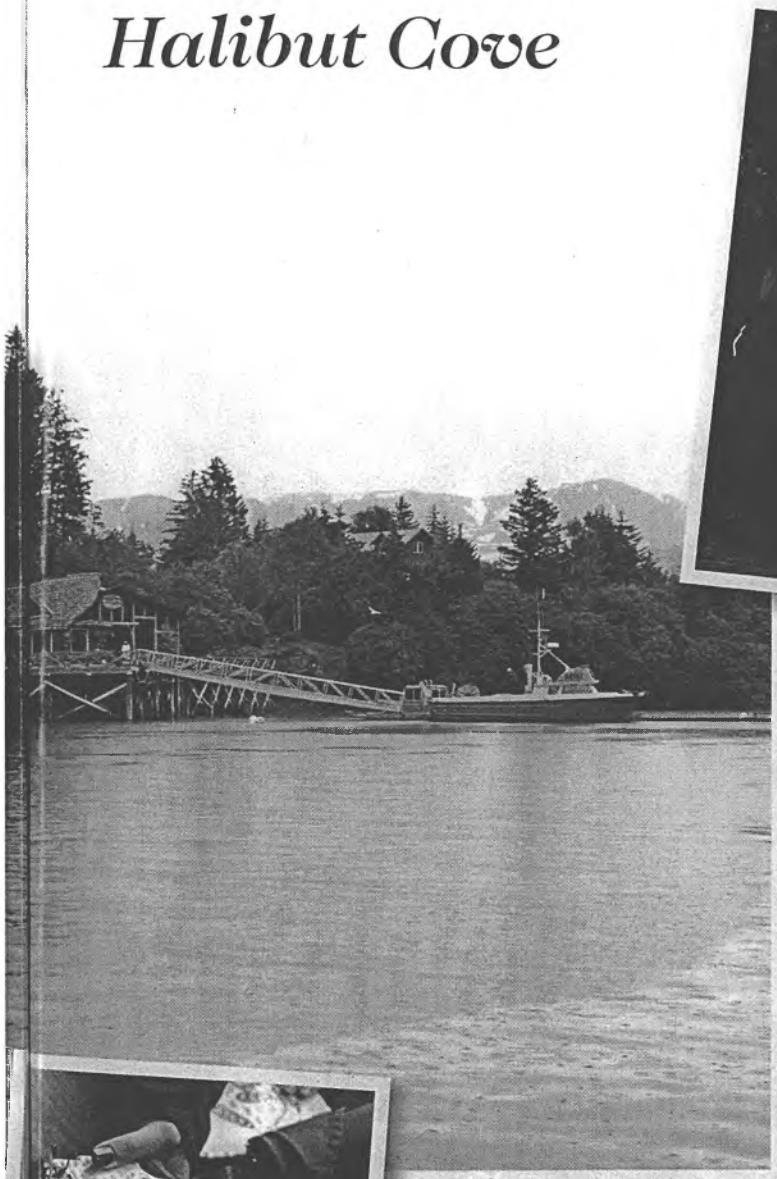
Owner Marian Beck and Paula, below right, show off the handmade dinnerware at The Saltry Restaurant. Paula and Michael, opposite, get ready to feast on some of The Saltry's most popular starters: pickled shrimp, ceviche, shrimp poke, nori maki, and smoked salmon pâté.

A 12-block boardwalk runs the length of Halibut Cove, a small village situated on the south side of Ismailof Island and hugged by the lapping waters of Kachemak Bay. The boardwalk is like a town square, a congregation point for the 30-or-so permanent residents and a jumping-off spot for visitors lucky enough to explore this place. When we say small, we mean *small.* There's one restaurant (The Saltry Restaurant), one art gallery (Halibut Cove's Experience), one post office, and zero roads.

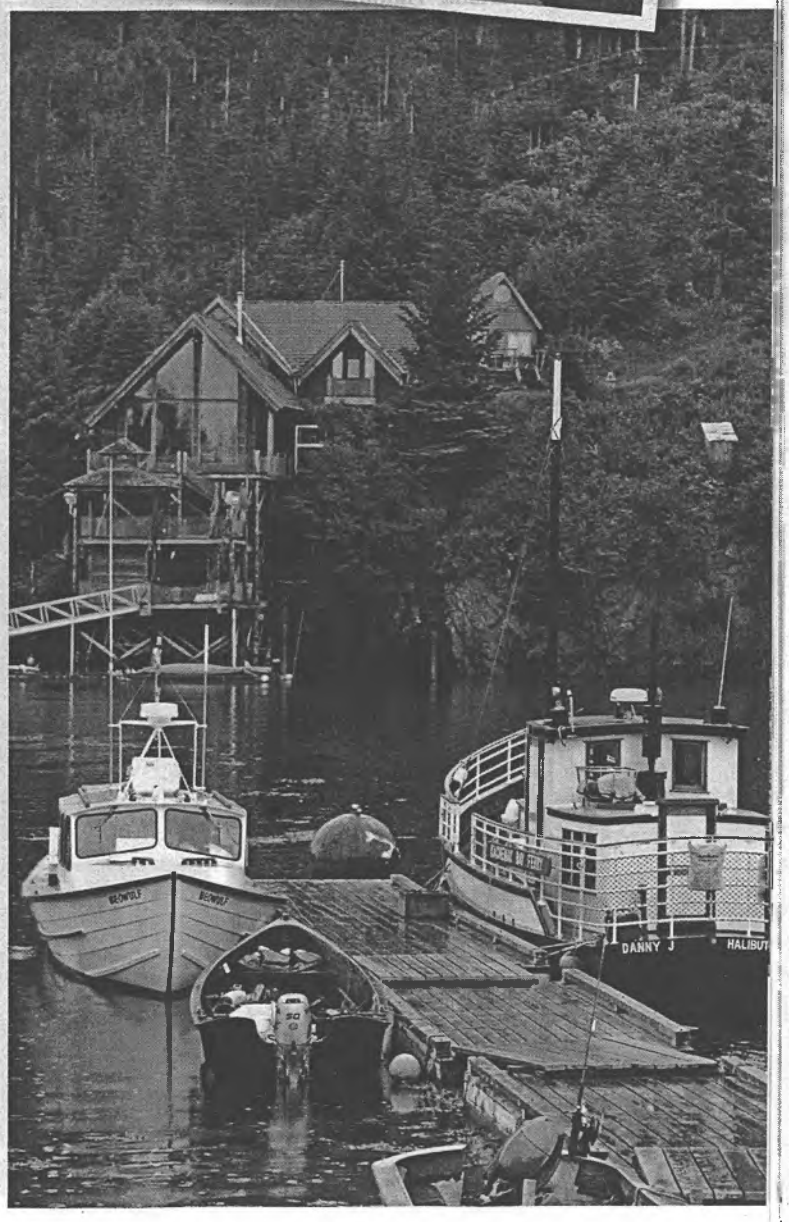
The proper immersion in Halibut Cove begins at The Saltry Restaurant, opened by Marian and Dave Beck in 1984 with a focus on locally sourced ingredients. The salad herbs and greens are pulled from their garden, the oysters are harvested right out of Kachemak Bay, and the bread is baked there daily. Marian takes great pride in her staff's creative prowess with the menu items. (To her, they are not chefs or cooks: They are culinary artists.) That's especially evident in the salmon pâté—"It's some of the best I've ever had in my life," says Paula. Request an outdoor table for the incredibly picturesque views, but be sure to notice the restaurant's unique details, too: the handmade plates, the structural lumber sawn from trees on the island, and a natural rock wall complete with a cozy fire pit.



Halibut Cove





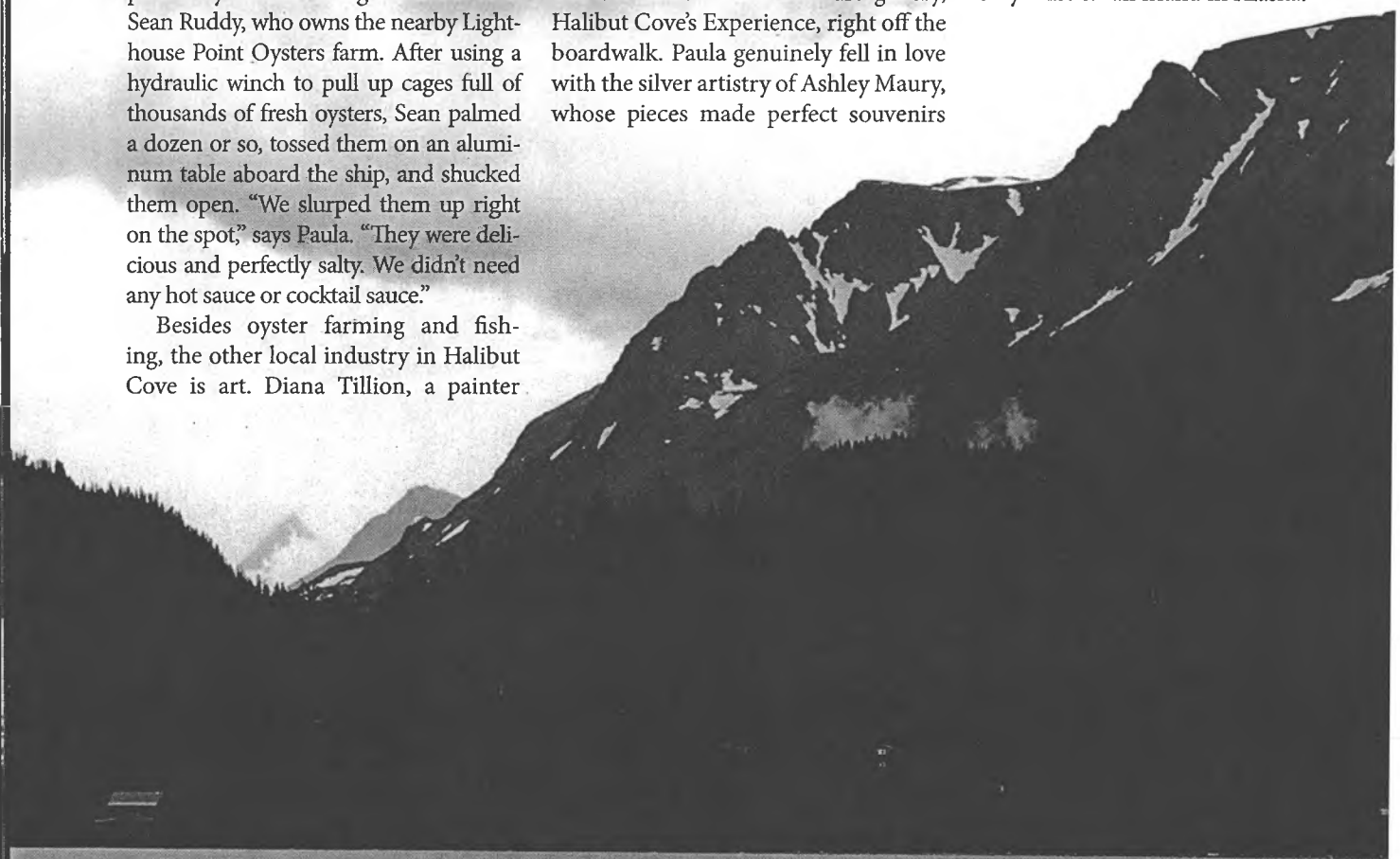






We mention the Kachemak Bay oysters at The Saltry specifically (order them on the half shell) because while touring Halibut Cove, Paula and Michael took a private oyster-harvesting excursion with Sean Ruddy, who owns the nearby Lighthouse Point Oysters farm. After using a hydraulic winch to pull up cages full of thousands of fresh oysters, Sean palmed a dozen or so, tossed them on an aluminum table aboard the ship, and shucked them open. "We slurped them up right on the spot," says Paula. "They were delicious and perfectly salty. We didn't need any hot sauce or cocktail sauce."

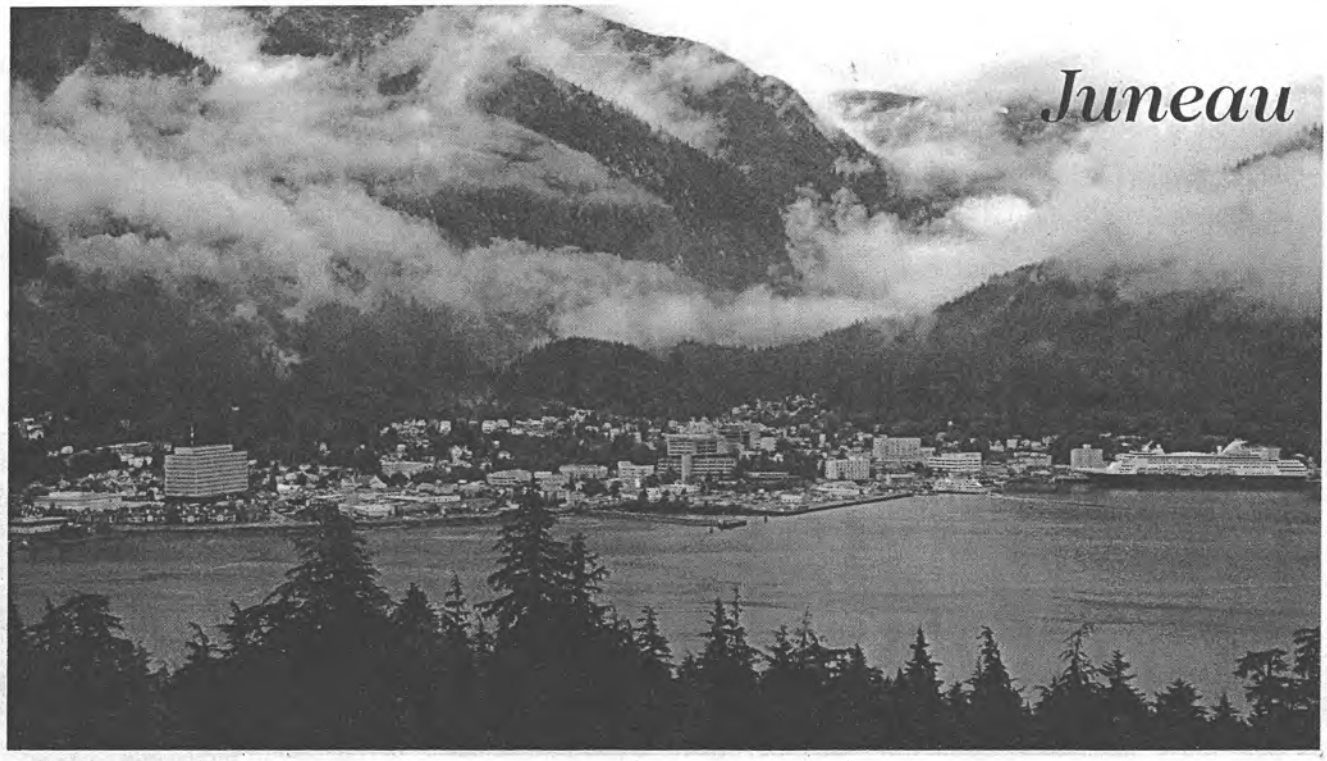
Besides oyster farming and fishing, the other local industry in Halibut Cove is art. Diana Tillion, a painter who moved here in 1952, spurred the community's interest in art, and it has since grown into an artists' colony of sorts. Almost half of the permanent residents are artists, and their works can be found at the fine art gallery, Halibut Cove's Experience, right off the boardwalk. Paula genuinely fell in love with the silver artistry of Ashley Maury, whose pieces made perfect souvenirs and gifts for Paula's family and friends back home. Peruse the entire gallery, and you'll get a sense—through local artists' eyes—of the wondrous, inspirational landscape of this place that could only exist on an island in Alaska.







Each bright blue float indicates a lantern cage that's suspended below in the deep, icy waters and filled with thousands of cultivated oysters. At right, Paula joins Sean Ruddy and Greg Bates on an oyster-harvesting excursion.

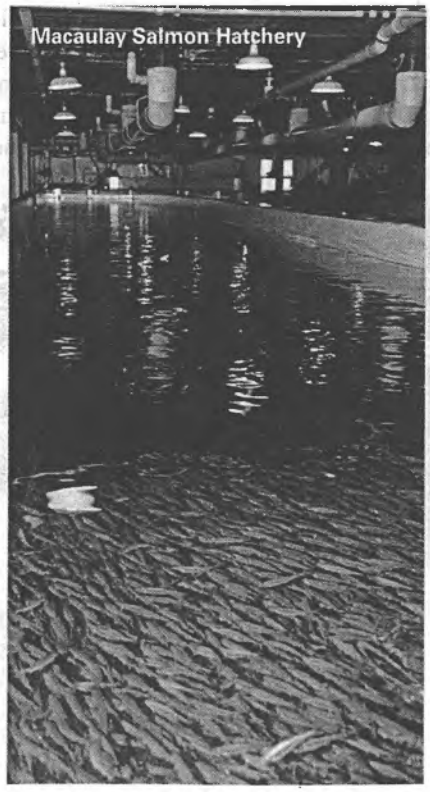


Juneau

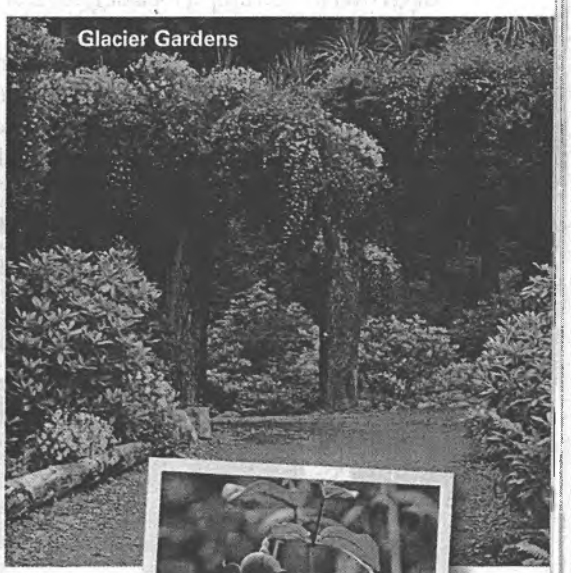
For folks in the "Lower 48," it might come as a tad of a surprise that you can't drive into Alaska's capital city of Juneau. It's only accessible by boat or plane. Sure, once you're there you'll find streets, and if you have a vehicle, you can ferry it in. But no roads lead to Juneau, so most visitors encounter the city via cruise ships. (The local population of 30,000 welcomes 900,000 cruising tourists annually to its port.) This city is filled with unique experiences for visitors. But since you'll likely be stepping off one of those big boats with a finite amount of time in town, we've chosen two must-see stops.

The wild salmon business booms in Alaska, and close to 40 hatcheries throughout the state keep it thriving. When in Juneau, tour the visitor-friendly Macaulay Salmon Hatchery, one of the largest in the state. Each spring, the hatchery releases 125 million salmon into the ocean, and between one and ten percent return between mid-June and October when they are ready to spawn (a salmon's instinct brings it back to where it was hatched). In addition to offering a peek inside the business, the tour winds by several aquariums, including a 5,000-gallon tank and an open touch tank, populated by 150 species of native marine life. Sample smoked salmon dip or salmon jerky in the gift shop, or order your own shipment of smoked salmon.

The Tongass National Forest, the nation's largest, expands across 17 million acres of islands in Southeast Alaska. It is still a very wild place—the few roads scoring the forest were built to facilitate the timber industry—that houses glaciers, caves, and an abundance of wildlife. For a tame experience inside the Tongass, hop the shuttles and stroll the paths and boardwalks of Glacier Gardens, a 50-acre swath of the forest that has been professionally landscaped and manicured. Streams flow throughout the flower-filled gardens, feeding waterfalls and ponds. The gardens' most unique features are the upside-down trees, with trunks planted directly in the ground and flowers sprouting from their exposed root systems. Before leaving, take in the spectacular overlook views of Juneau's Mendenhall Valley, a perfect image to help you remember your stop off here.



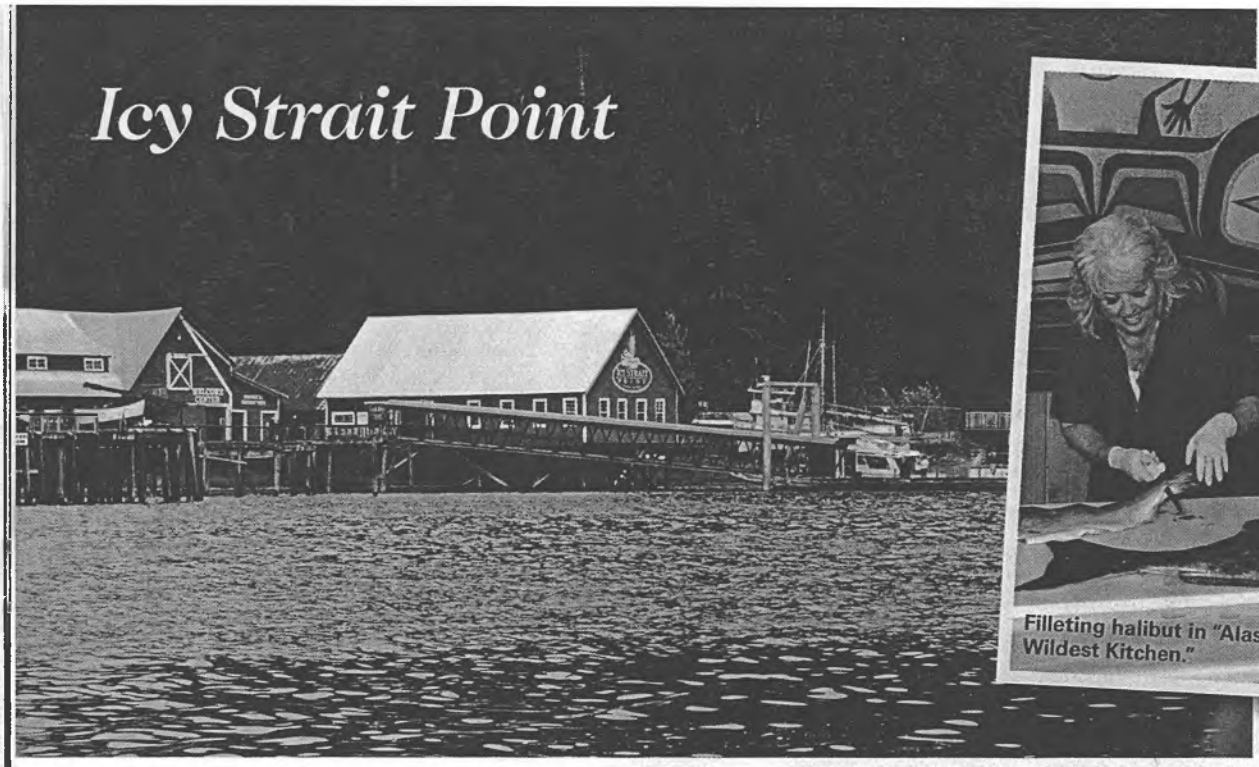
Macaulay Salmon Hatchery



Glacier Gardens



Icy Strait Point





Filleting halibut in "Alaska's Wildest Kitchen."

The village of Hoonah sits about 50 miles west of Juneau. The Huna Tlingit people, with a population of 850, have inhabited the area for centuries, living a subsistence lifestyle by fishing. If you're visiting this part of Southeast Alaska, however, you're likely destined for the nearby Icy Strait Point, a wilderness port anchored by a former 1912 salmon cannery (now a museum) and home base for multiple excursions that are truly Alaska experiences.

For a surefire adrenaline rush, ride a bus to a mountaintop launching area where you'll be strapped into a harness to ride ZipRider, the world's longest zip line. In 90 seconds, you'll travel over a mile, drop a total of 1,300 feet, and barrel through the treetops, catching occasional views of Port Frederick and Icy Strait and reaching speeds of up to 60 miles per hour.

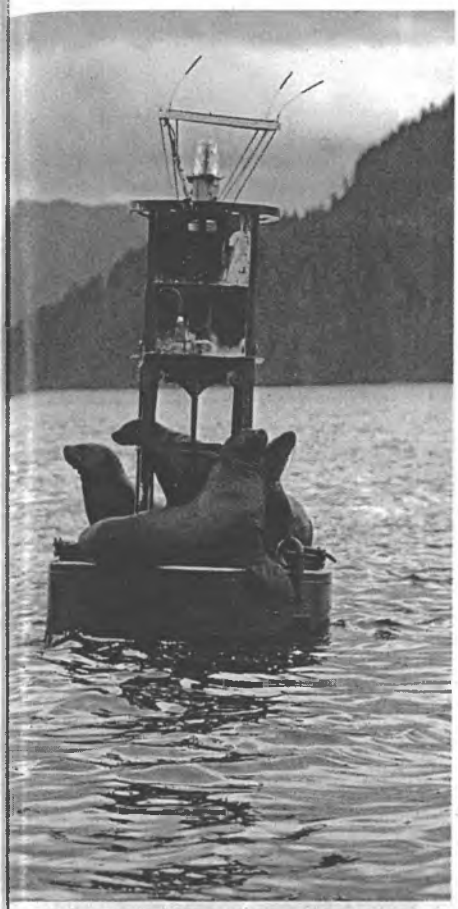
A slower, sea- and ground-level tour (called Whales, Wildlife, and Bear Search) combines a cruise out to Point Adolphus to see majestic humpback whales breaking the water's surface with a bus trip to the Spasski River Valley to catch glimpses of the Coastal Brown grizzly bears of Chichagof Island. The trip includes informed local naturalists and other guides who expound on the area's history and wildlife.

It's difficult to eat more locally than at the 1½-hour feast aptly named Chef Choice—in Alaska's Wildest Kitchen. It begins cooking class–style with an instructor sharing the secrets to seasoning and filleting wild salmon and halibut. Your meal is then prepared on an alder-wood grill, and you'll likely hear a few of the region's stories and legends.

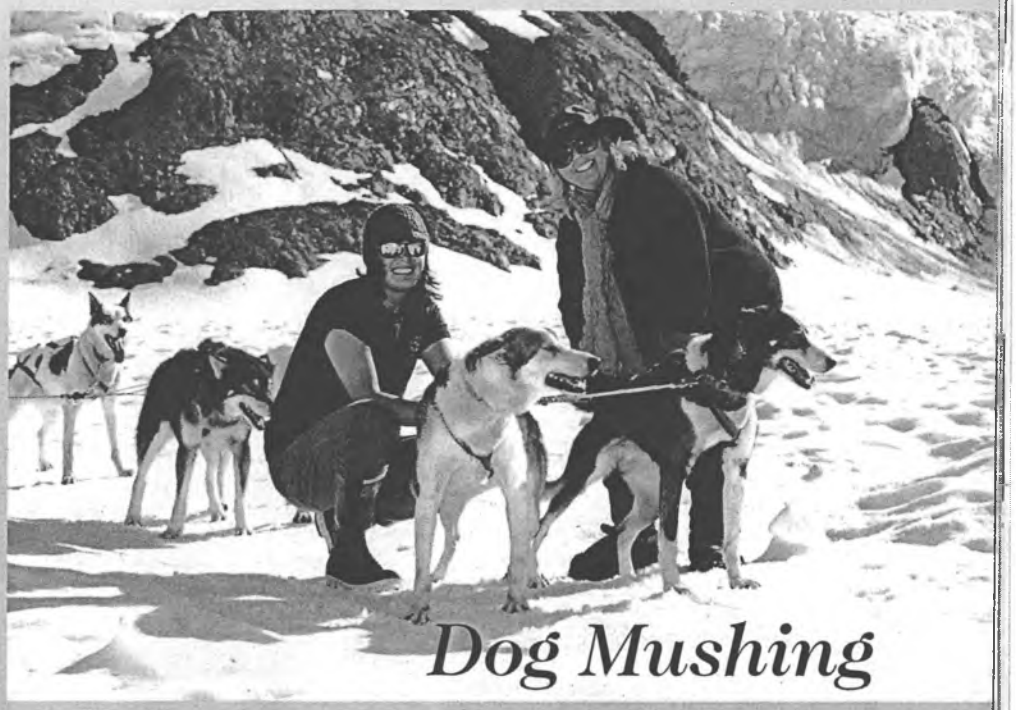
Berry-picking isn't a formal excursion, but during your walks around Icy Strait Point, you'll encounter a multitude of varieties, including the popular salmonberry. Another variety, the thimbleberry, grows rampant along the boardwalk. It's rather fragile and must be picked with a gentle hand, but Paula loved them and thought they were the sweetest of all the Alaska berries. "They reminded me of raspberries," she says.











Dog Mushing





You might not be familiar with the term "dog mushing" (it's the form of transportation over snow or ice using dogs), but you've seen it any time you've watched reports from Alaska's famous Iditarod Trail Sled Dog Race, the nearly-1,200 miler from Anchorage to Nome. Ever wondered about the thrill of that kind of ride? A unique tour offers anyone of any skill level—yes, Paula did it!—the opportunity to dog mush on the Mendenhall Glacier. But first, you gotta get there. The 12-mile-long glacier floats about 12 miles outside of Juneau, and the best way to access it is via helicopter. Temsco Helicopters, Inc. flies its passengers on a breathtaking ride, over the Tongass National Forest and the glacier peaks, to a sled dog camp on the glacier operated by Southeast Alaska's oldest sled dog tour company, Alaska Icefield Expeditions. Once you land, you'll meet professional mushers and the dogs they lead, learn all about the sport, and even get to do some mushing yourself.



Taku Glacier Lodge





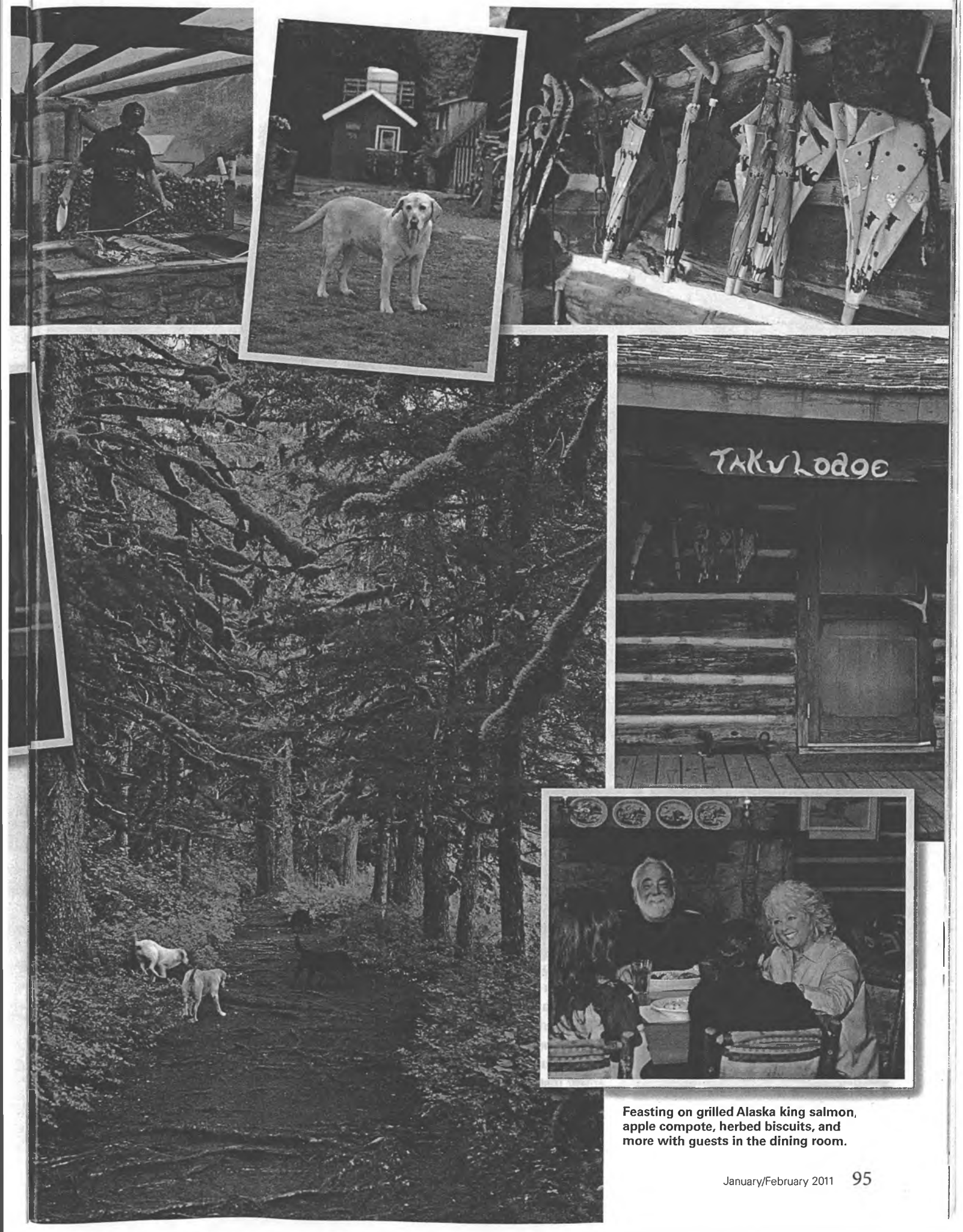
Paula and friends listen as Michael Ward tells the history of Taku Glacier Lodge.

As the Wings Airways deHavilland Otter float plane takes off from the water off the dock in downtown Juneau, a guide begins a narration of the area's history and the geography everyone sees below (enjoy window views from every seat). The Otter turns a corner up the Taku River and soon sails above five of the major glaciers in the Juneau Icefield, including Taku Glacier, the largest.

The views are enough to satisfy any passenger, but this flight has a specific destination with a culinary payoff: the remote 1923 Taku Glacier Lodge. "Out here, you are truly in the Alaska wilderness," says Wings Airways president Holly Johnson. "But we like to think of the lodge as wilderness presented in a rustically elegant way."

Several well-maintained trails traverse the lodge property, and the only sounds you'll hear are all nature-inspired—even calving glaciers. That is until the dinner bell rings. You'll probably smell the wild Alaska king salmon grilling on the alder-wood fire before you spy the grill. Slip inside to begin building your plate of sides, from apple compote to Taku baked beans. Don't forget the herbed biscuits, one of Paula's favorites for sure, and save just enough room to finish your meal with a few homemade ginger cookies.

As the fire crackles in the background, Michael Ward, the owners' son, tells the story of the lodge and of Mary Joyce, the Alaskan adventurer who put the lodge on the map. His tales place your whole excursion here into context. Don't be surprised if you find yourself swept up into the experience—the surroundings, the massive feast, and even the bears sneaking up to the grill outside to sample the leftover salmon drippings. It's a feeling that will stay with you as you return to the mainland on the float plane and a memory to be savored for years to come.



Feasting on grilled Alaska king salmon, apple compote, herbed biscuits, and more with guests in the dining room.

Alyeska Resort

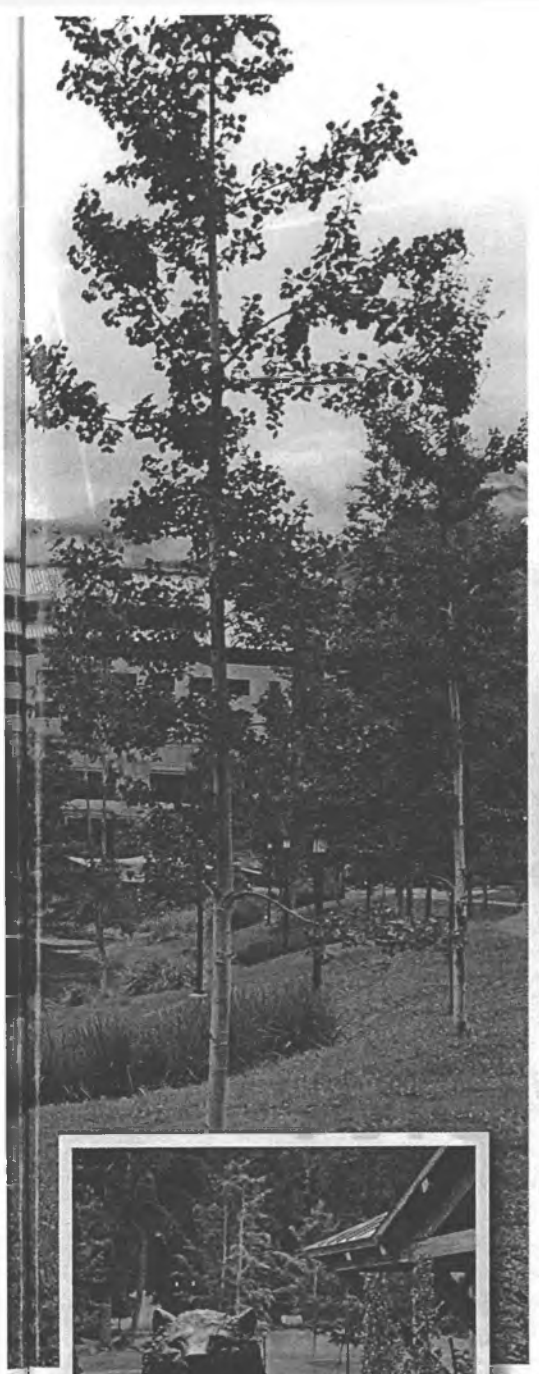


The Chugach Mountains rise in all directions around Alyeska Resort. This popular snow-skiing destination (it boasts an annual snowfall of 643 inches and the longest continuous double black diamond run in North America) owes much of its appeal to those mountains. However, with year-round activities, a phenomenal restaurant, and an intimate spa, a stay here involves so much more than hitting the slopes.

The crush of the ski season runs from just before Thanksgiving until the third week of April, but during the summer (the most popular time for cruise shippers), resort guests often take off on whale-watching expeditions, salmon-fishing trips, and "flightseeing" (yes, that's from a plane) excursions above the abundant glaciers in this part of the state.

Speaking of glaciers, take an aerial tram to the mountain-top restaurant, Seven Glaciers, where you'll feast on stunning views and a menu that revolves around the season's fresh seafood catch, including—depending on what's running—salmon, halibut, king crab, and locally caught shrimp. Turn to page 100 for more on the rising chef that reigns at this award-winning restaurant.

After all of your touring and food









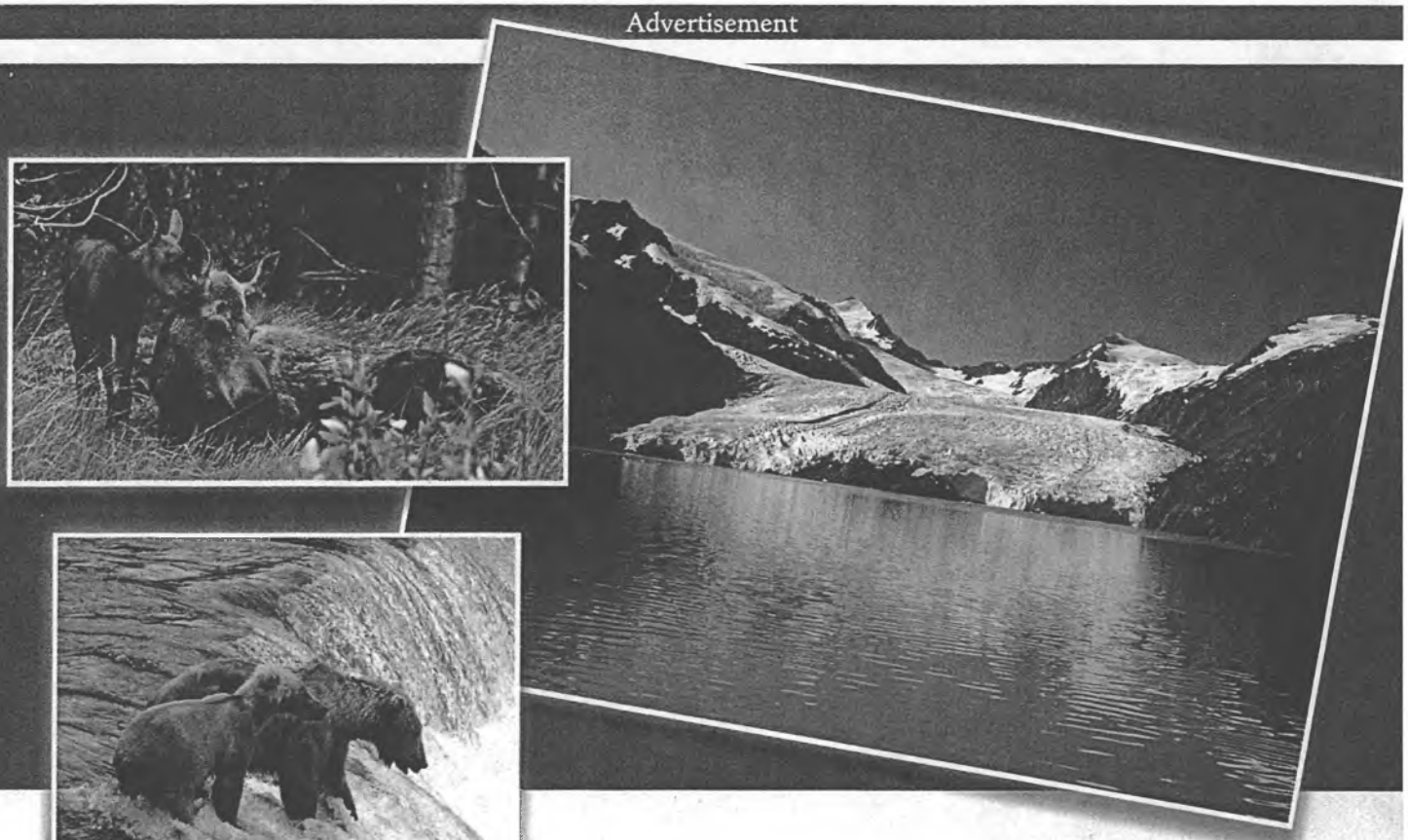


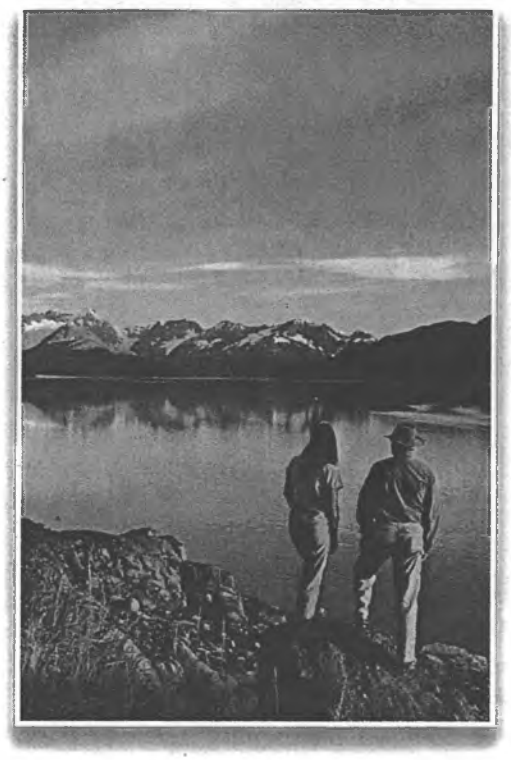
An aerial tram takes guests to the Seven Glaciers Restaurant, famed for its panoramic views as well as its award-winning menu.

sampling, you may be looking for something more low-key. Make yourself an appointment at the Spa at Alyeska and totally disengage. The spa menu includes a variety of treatments—from Vichy showers to mud wraps to full-body massages. One of the spa's most popular treatments is the Alaska Glacial Facial, which uses the locally produced, mineral-rich Alaska Glacial Mud. While relaxing in the spa, you'll notice the calming effect of the green color palette and lush fern designs that wonderfully complement the resort's natural surroundings—especially those ever-present mountains that greet you from the moment you first check in.

For more information, visit *travelalaska.com.*

Advertisement





Destinations

ALASKA

ADVENTURES OF A LIFETIME

Not every state can boast the continent's tallest mountain, one of the nation's longest rivers, Santa Claus' home and America's national symbol on their "must-do-and-see" list. They all exist in Alaska.

Wildlife is literally in every direction. Alaska offers unparalleled opportunities to observe and photograph wildlife, from the grizzly bears of Katmai National Park and Preserve to the caribou, wolves, foxes, and moose of Denali National Park and Preserve. Alaska's shorelines are home to an abundance of marine life and are a birder's paradise, with nearly 430 species of birds.

With 17 national parks—more than any other state—Alaska's opportunities for adventure are endless. Follow in the footsteps of tens of thousands of hopeful gold prospectors up the Chilkoot Trail in Klondike Gold Rush National Historic Park or raft one of the longest rivers in America in Yukon-Charley Rivers National Preserve and much more.

Whether you want to explore Alaska's vibrant Native culture or other artistic attractions like music festivals, local artisan handiwork, Russian iconography or museum exhibits, a long list of attractions in every region of Alaska awaits you.

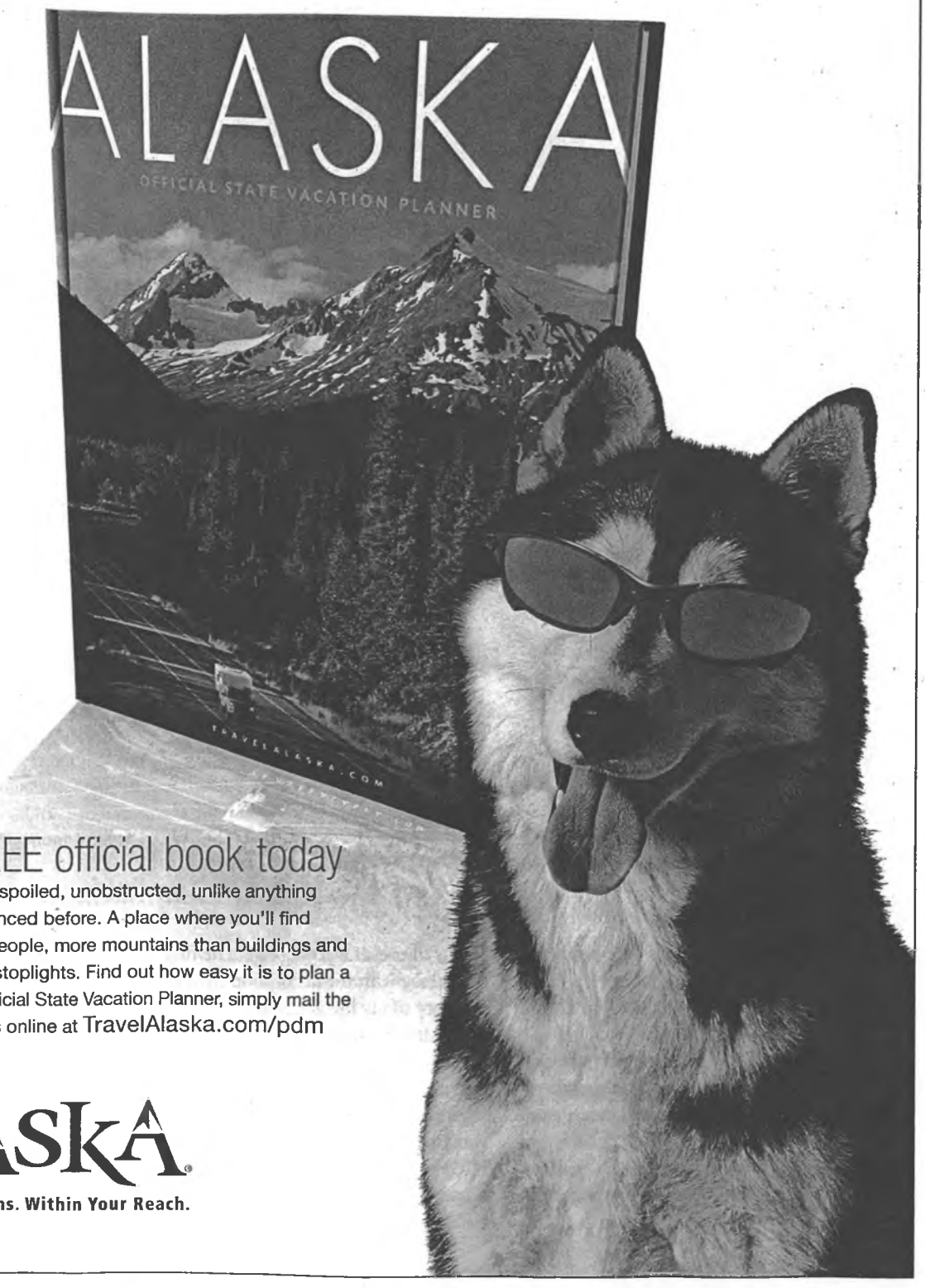
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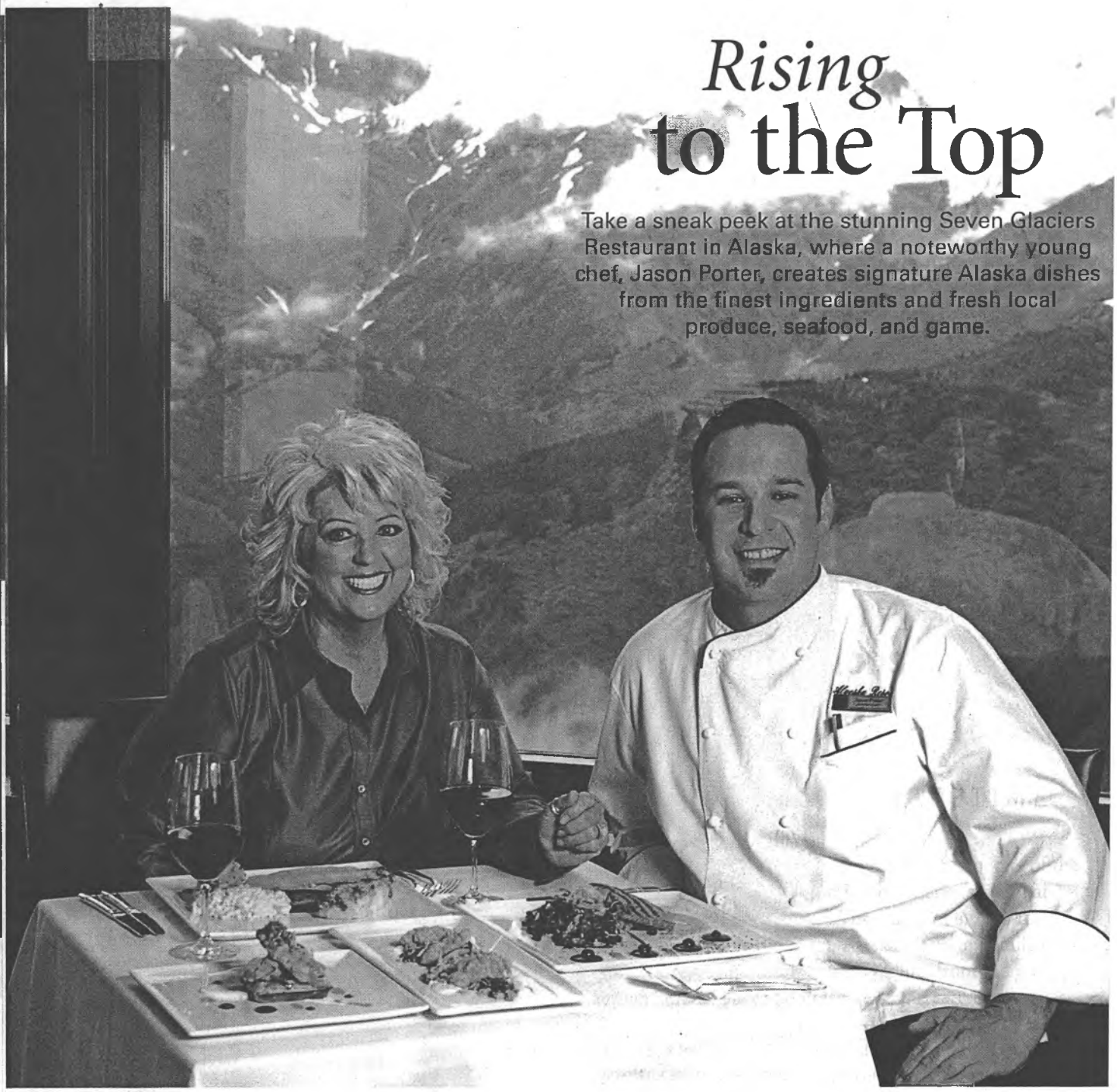
Alaska – it's hot. Unspoiled, unobstructed, unlike anything you've ever experienced before. A place where you'll find more wildlife than people, more mountains than buildings and more glaciers than stoplights. Find out how easy it is to plan a visit. For a FREE Official State Vacation Planner, simply mail the reply card or visit us online at TravelAlaska.com/pdm

ALASKA

Beyond Your Dreams. Within Your Reach.

Rising to the Top

Take a sneak peek at the stunning Seven Glaciers Restaurant in Alaska, where a noteworthy young chef, Jason Porter, creates signature Alaska dishes from the finest ingredients and fresh local produce, seafood, and game.



He's young, charming, genuine, and passionate about his craft. Jason Porter, Executive Chef of Alyeska Resort's Seven Glaciers Restaurant in Alaska, certainly has what it takes to maintain a successful restaurant—creativity, dedication, drive, and a strong work ethic.

Porter officially got his start cooking in the Navy, but it was on his mother's 15-acre, "you-pick-'em" farm in California where, as a young child, he first fell in love with the art of food. "Every memory of my life is tied to food," he says. After his time in the Navy, Porter moved to Las Vegas, where he worked under Chef Julian Serrano at the Bellagio Hotel and Casino, to focus on advancing his culinary skills and growing his knowledge of the craft. In 2000, he made the big move to Alaska, traveling and working hard across the beautiful state as both a lodge and a private chef, as well as a chef on the remote oil fields of Alaska's North Slope. He quickly learned all about this breathtaking place that he would come to call home and where he would truly make a name for himself as an outstanding chef.

When Porter first came on board at Alyeska Resort in 2007, he cooked at the Pond Café and quickly moved up to chef at the Aurora Bar & Grill. Porter



Cornmeal-Crusted Oyster Salad with Pink Peppercorn-Buttermilk Dressing and Corn Relish

Makes 4 servings

Adapted from Executive Chef Jason Porter

12 fatty Alaska oysters, shucked and reserved in liquor
1 cup buttermilk
2 cloves garlic, crushed
10 to12 black peppercorns
1 thyme sprig
¾ cup fine cornmeal
¼ cup all-purpose flour
1 tablespoon kosher salt
1½ teaspoons ground black pepper
Vegetable oil
Seasonal, local greens
Pink Peppercorn-Buttermilk Dressing (recipe follows)
Corn Relish (recipe follows)
Garnish: shaved radish

1. Combine oysters, buttermilk, garlic, peppercorns, and thyme sprig in a plastic container. Cover and marinate in refrigerator for 1 hour.
2. In a shallow dish, combine cornmeal, flour, kosher salt, and black pepper. In a deep pot, pour oil to a depth of 4 inches, and heat to 350°.
3. With a slotted spoon, remove oysters from buttermilk mixture; dredge in cornmeal mixture, shaking off excess. Fry in hot oil for 1 to 1½ minutes. Remove to a paper towel-lined plate.
4. Arrange greens on plates. Drizzle with Pink Peppercorn-Buttermilk Dressing. Top with Corn Relish and fried oysters. Garnish with shaved radish, if desired. Serve immediately.

Pink Peppercorn-Buttermilk Dressing

1 cup buttermilk
1 cup mayonnaise
1 cup sour cream
3 to 4 tablespoons pink peppercorns
1½ tablespoons chopped fresh flat-leaf parsley
1½ tablespoons chopped fresh chives
1½ teaspoons minced garlic
Kosher salt to taste

1. In the container of a blender, add buttermilk, mayonnaise, sour cream, peppercorns, parsley, chives, and garlic; process until blended and smooth.
2. Add kosher salt to taste. Cover and store in refrigerator up to 1 week.

Corn Relish

2 ears sweet corn
½ cup sherry vinegar
¼ cup honey
2 tablespoons sugar
1 red bell pepper
1 jalapeño pepper
½ cup finely diced red onion
3 tablespoons chopped fresh flat-leaf parsley
2 tablespoons finely chopped fresh chives
1½ teaspoons lemon juice
1½ teaspoons kosher salt, or to taste

1. Remove outer layer of corn husks, leaving 1 to 2 inner layers in tact. Place corn in large pot with water to cover, and let soak for 30 minutes.
2. In a saucepan, combine vinegar, honey, and sugar, and cook over medium heat until reduced by one-third. Set aside to cool.
3. On a grill pan, cook red bell pepper and jalapeño over medium-high heat until skins are blackened all over; place peppers in a closed paper bag to cool. When cool, peel, de-seed, and dice peppers. Place in a medium bowl, and set aside.
4. Grill corn in husks in grill pan about 3 minutes per side. Let cool. Remove husks and silk, and cut kernels from cob. Add kernels, onion, parsley, and chives to peppers. Stir in vinegar mixture and lemon juice. Add kosher salt to taste.

loved these experiences, but in the back of his mind he had his sights set on Seven Glaciers—the resort's AAA Four Diamond award-winning, mountain-top restaurant, with spectacular views of seven glaciers and the mountains. "When I came to Alyeska Resort, I knew I wanted to lead the culinary efforts at Seven Glaciers, and for the past three years I have worked with that goal in mind," Porter says.

Switching to Seven Glaciers is truly "moving on up," as one must take a scenic aerial tram ride to 2,300 feet above sea level to reach the restaurant, which is perched high above The Hotel Alyeska. In September 2010, Porter made this amazing move when he was promoted to head chef of the resort's premier restaurant. "I am very excited to cook the food I love," he says. "My vision for Seven Glaciers' new winter menu is to feature seasonal ingredients and flavor combinations that will warm you up on cold winter days."

Paula was fortunate enough to spend a day alongside Porter in his kitchen, where he was full of Alaska hospitality. He put together an amazing menu that married Alaska's finest and freshest ingredients with good old Southern comfort food—merging two cuisines that, although many miles



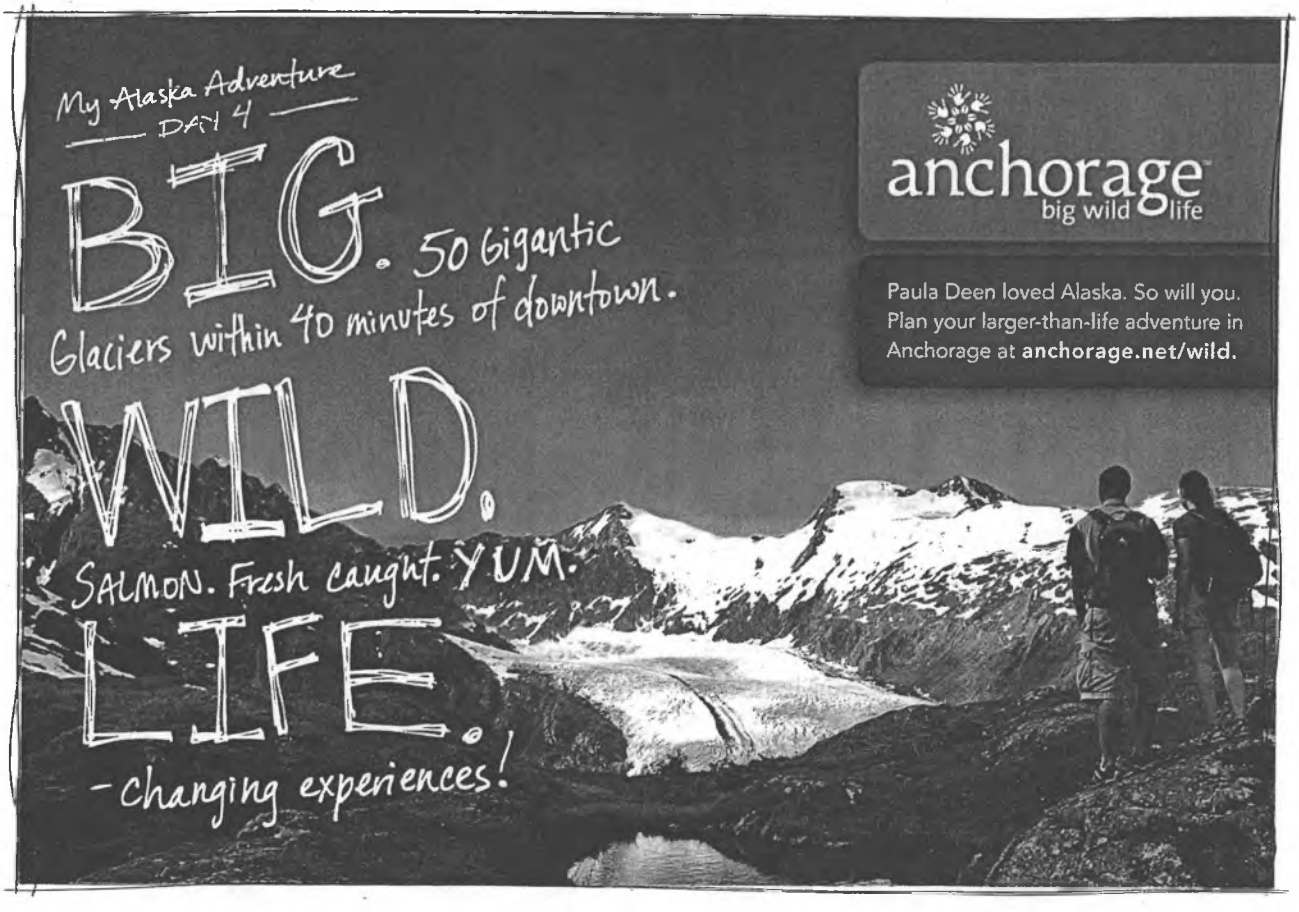
Paula gets a firsthand look at the attention to detail every dish receives at the Seven Glaciers Restaurant. Jason even gets her to lend a hand in preparing one of the evening's entrées.

apart, are not too terribly different in style and taste. Porter says, "I feel honored to have spent the day with Paula, and it truly has been the highlight of my career. I had a lot of fun coming up with the dishes and Paula was a true professional at making one feel comfortable."

Paula raves about the young chef, saying, "Dining over his exceptional food and fine wine in that breathtaking atmosphere was truly one of the most amazing experiences."

If you have the opportunity to visit Seven Glaciers, you'll find—just as Paula did—that the chefs have created a memorable and exquisite menu that emphasizes local produce, seafood, and game. Each dish is truly a unique masterpiece, complemented by the award-winning wine list and full bar. Save room for the "Baked Alyeska" for dessert, and truly savor each flavor as well as the unforgettable view outside.

There will be a seasonal closure starting mid-October 2011 with a grand winter reopening for Thanksgiving.



2/10/11 Presentation: Ralph Samuels on Tourism in Alaska

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<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, February 10, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

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Today we have HB 67, FILM PRODUCTION TAX CREDIT. We will hear this bill for the next three consecutive meetings.

On Tuesday the 15th we will have some directors and business representatives who have benefited from recent Alaska film productions and on Thursday the 17th we will have the Alaska Film Group, the Crew Training Institute and others. Note that the only day we will be taking uninvited public testimony will be Tuesday the 15th.

Today we have Chris Tuck, co-prime sponsor and my staff Rob Earl presenting the bill. Then we'll have Wanetta Ayers, Director, ED Division of DCCED give a presentation on the Film Office. Note that today we also have Johanna Bales (Director of Tax Division, DOR) and bill drafter Alpheus Bullard available for questions. So, Rep. Tuck and Rob you guys want to take the podium there.

Tuck goes over Talking Points.

Rob goes over HB 67 Bill Details (including Sectional)

Tuck and Rob stand open for questions.

Wanetta gives Powerpoint. Takes questions.

[Invite Johanna up if you wish – else she's there for questions only.]

Special Guest: Well, I see Ralph Samuels (VP, Gov&Community Relations, Holland America Line?) sitting back there. Former Rep. Samuels, would you like to come forward for a minute?

Rob passes out Samuels copies – he goes over them NOT using the Powerpoint. Takes Questions.
THE END (Thank God?)

HB 67 MEETING SCHEDULE APPENDIX

First Meeting (Feb. 10th)

- Introduce bill - Chris Tuck, AK State Rep. & Rob Earl, legislative aide
- Alaska Film Office presentation - Wanetta Ayers (Director, ED Division)
- Johanna Bales – Revenue, Director of Tax Division (questions only)
- Alpheus Ballard – Bill Drafter (questions only)

Second Meeting (Feb 15th)

- On the Ice - Andrew McClain Director / Cara Marcous Producer – Alaska rocks, film incentives are reason it works to produce here
- NANA
- *Ghost Vision – Eric Briemen, Stephen Paul, producers; Joseph Ruznak, Director; Jon Voight – film incentives drew us & here's why*
- *Kate Tesar – Development & Business Director, Evergreen Films or Mike Devlin – Evergreen Films – moved to AK because of original bill*
- *Captain Cook Hotel – or others from hotel industry*
- *Uptown Blossoms – florist highlighted in AK Biz Monthly*
- *Downtown restaurant owners*
- *Car rental companies*

Third Meeting (Feb. 17th)

- AK Film Group - Bob Crockett, in person – how well the incentives work to bring production to AK (he won't arrive until 10:45)
- Crew Training Institute – Deborah Schlitz – putting Alaskans to work
- *Ariel Tweto? - Alaskan reality show highlights best of Alaska*
- Johanna Bales – Revenue, Director of Tax Division (questions only)
- Alpheus Ballard – Bill Drafter (questions only)
- Final work on bill - Chris Tuck, AK State Rep. & Rob Earl, legislative aide

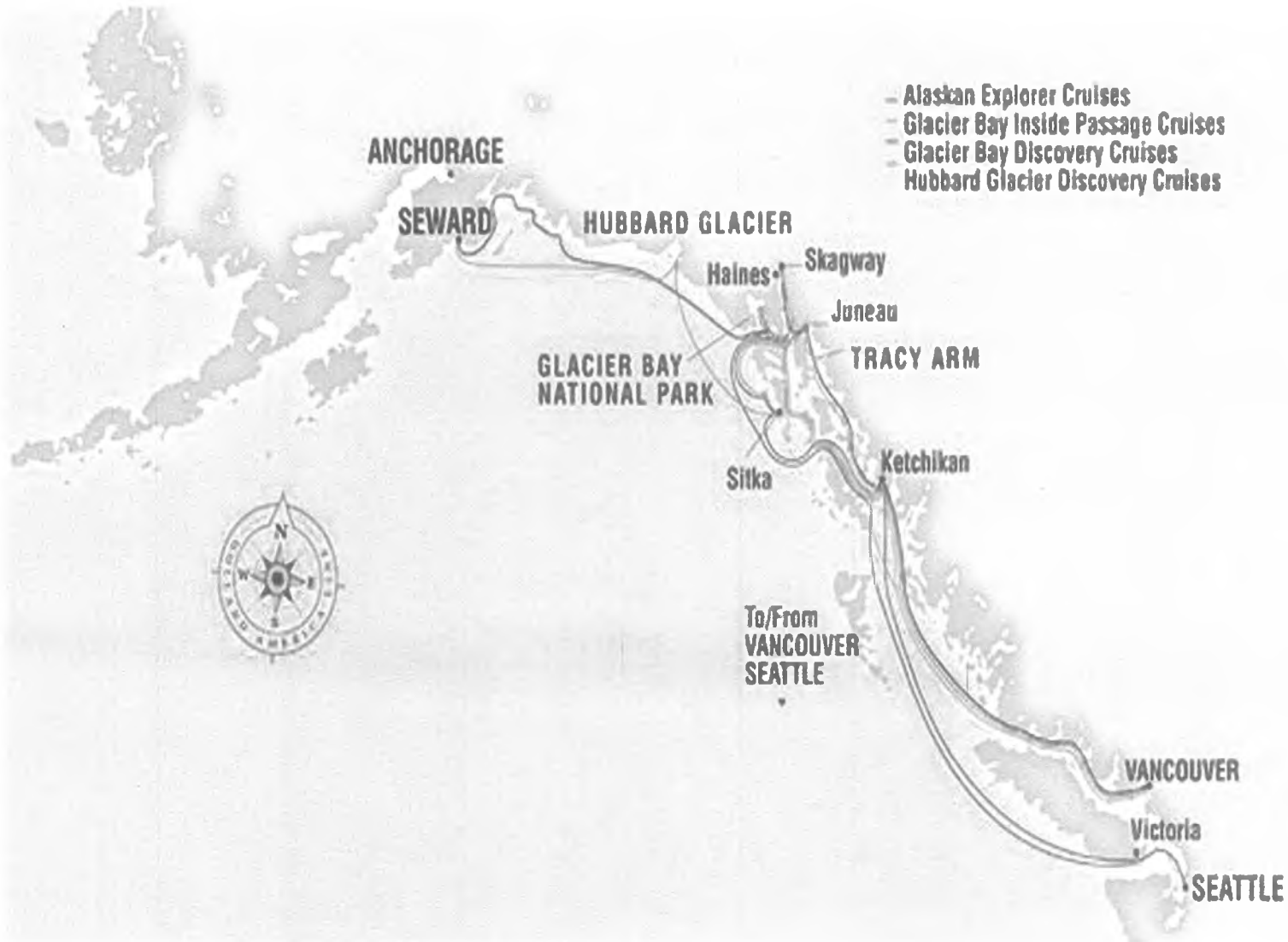
Holland America Line
A Signature of Excellence

ALASKA CRUISE ASSOCIATION

Ralph Samuels, Holland America Line
VP Government & Community Relations

February 10, 2011

Alaska - Ports of Call



ALASKA CRUISE ASSOCIATION

Ships that left the market in 2010

- Norwegian: (20 voyages) 40,040 passengers lost
- RCL: (20 voyages) 42,000 passengers lost
- Princess: (19 voyages) 49,400 passengers lost
- Holland America: approx 12,000 passengers lost

Total # of passengers leaving =approx 142,000

Ships leaving the Market in 2011

- HAL: (19 voyages) 24,054 passengers
- Princess: (8 voyages) 5,400 passengers
- CruiseWest: (55 voyages) 7,000 passengers

Passengers leaving **-36,454**

Other itinerary changes **-14,995**

Ships coming to the Market in 2011

- Disney (18 voyages) 43,200 passengers added
- Oceana (10 voyages) 6,850 passengers added
- Crystal (9 voyages) 8460 passengers added

Passengers added **58,510**

HARD TRUTH:

Net Gain of 7,061 passengers

however,

even with additional ships in the Alaska cruise market, the number of passengers in 2011 is still 90,000 less than in 2008

ALASKA CRUISE ASSOCIATION

Thank you

ALASKA CRUISE ASSOCIATION

2/15/11 Discussion on Planned Closure of Kenai Liquified Natural Gas Plant

<TARGET><BILL></BILL><SUBJECT>2-15-11 Discussion on Planned Closure of Kenai Liquified Natural Gas Plant</SUBJECT><COMM>HEDT27</COMM></TARGET>

EDTT Hearing on the Kenai LNG Plant Closure – List of Participants
Tuesday, Feb. 15, 10:15 AM -- CAP 124

Presenting:
Speaker of the House Mike Chenault (Video)
Rep. Kurt Olson
Tom Nelson DoL, Dep. Comm.
Dan Clark Conoco Phillips Alaska, manager of Cook Inlet assets
Janis Wilson RCA Commissioner (Telecom)

Available for Questions:
Carri Lockhart Alaska Asset Production Manager for Marathon Oil (Telecom)
Colleen Starring Enstar President (Telecom)
Curtis Thayer DCCED Dep. Comm.
Governor representative (invited)

✓ LOCAL IMPACT

✓ LABOR SUPPORT

✓ CONOCO PRESENTATION

SOUTHCENTRAL ENERGY SUPPLY

LNG Questions

LABOR

Are there positions around Kenai for these workers to fill?

Will these workers have to pack up their families and move – to Anchorage, or even out of state – to find comparable work?

CONOCO

preserve plant warm/cold MOTHBALL

Plant shutdown: Explain the reasoning behind. If the problem is an inability to secure contracts with buyers in Asia Pacific, what were the terms holding those contracts up? Political resistance in Alaska to continuing exports? Possible supply problems out of Cook Inlet? Inability to secure enough supply to export?

Were contracts with others than Tokyo Electric aggressively pursued?

What is seen as the longer-term picture for gas exports out of Alaska, and how is the LNG market changing? (Shift from regional to global pricing, spot markets instead of traditional long-term contracts)

To what degree will the plant be shut down? How complex/costly/time-consuming would a re-start be? Under what scenarios could you see restarting the facility?

Does Conoco intend to sell the plant? Are there discussions with utilities about buying the plant? Turning it into an import facility?

What role did state and community support – or the lack of support – play in your decision to close this plant? Looking forward, what could have fostered a better business environment for the facility?

Where did the plant's supply come from? What options will those producers have now for their gas, especially in the summer when local demand is much lower?

WAS THE STATE THERE HELPING YOU ON CONTRACTS?

Conoco or RCA, maybe Enstar:

Is there an expectation that producers may shut wells in without markets?

Without the additional market of LNG exports, will newcomers just getting into the Cook Inlet gas game curtail their plans?

What incentive is there for companies to keep producing gas with a much smaller market?

Will this – and if so, how – affect gas storage developments?

How many Cook Inlet gas producers are also oil producers, and could this in turn impact oil production? (Without an outlet for associated gas, can they keep producing oil? Flaring, etc., is not allowed as wasting gas)

RCA

Implications of the shut-down on deliverability in Cook Inlet

How close is Southcentral to a major problem? What is being done about it, by the producers, utilities and RCA? How can the state help?

LNG imports – Is this in our near future? What would this entail?

If you choose to go toward LNG import questions, Larry Persily is well-versed in the federal rules and so on; he said he's happy to testify via phone, and could talk about the timelines, the politics (nationally, in a broad sense) and so on. Larry is at lpersily@arcticgas.gov or cell, 351-8276. He is in Anchorage today, Juneau tomorrow, back to DC by Tuesday morning.

Rob Earl

From: William Warren [williaminkenai@webtv.net]
Sent: Tuesday, February 15, 2011 7:21 AM
To: Rob Earl
Subject: RE: Kenai LNG Plant Closure

Hello Rob
Many questions
but
will be listening with both ears.

It's hard to understand why our state
is in this terrible position.

water-water everywhere-not a drop to drink.

Big oil and goverment is causing a lot
pain and harm to the people of Alaska.

Why this just in time delivery or no delivery
of nat gas??

A question to Dan Clark and Carrie Lockhart would be--
Would the state be better off taking care of
our own Nat. Gas needs(building our own gas line) or can we DEPEND on
you for our Nat. Gas?

Thanks
Bill

From: Rob Earl
Sent: Monday, February 14, 2011 2:52 PM
To: William Warren
Subject: RE: Kenai LNG Plant Closure

Thanks Bill.

Any questions you would want to ask any of these people:

EDTT Hearing on the Kenai LNG Plant Closure – List of Participants
Tuesday, Feb. 15, 10:15 AM -- CAP 124

Presenting:
Speaker of the House Mike Chenault
Rep. Kurt Olson
Tom Nelson DoL, Dep. Comm.
Dan Clark Conoco Phillips Alaska, manager of Cook Inlet assets (in person)
Janis Wilson RCA Commissioner (Telecom)

Available for Questions:

NEWS RELEASE Feb. 14, 2011

Contact: Rep. Bob Herron, 907-465-4942

Nikiski LNG Plant Pending Closure

Legislators plan to explore ways to blunt the economic, community and energy supply impacts of the news that ConocoPhillips and Marathon Oil Co. will be shutting down the nation's only LNG export facility.

The House Special Committee on Economic Development, Trade & Tourism, will meet at 10:15 a.m. Tuesday, February 15 in Room 124 of the Capitol Building.

"I hope this hearing answers some of the questions Alaskans have about the closure, and opens future lines of inquiry as to how the stake-holders can offset some of the adverse effects and may generate further dialogue in the Energy, Resources, and Finance Committees" said committee chairman Representative Bob Herron of Bethel.

Herron and Vice-Chair Representative Kurt Olson of Soldotna said the hearing should provide details of the closure as well as how the closure could impact the energy situation in Southcentral. The committee expects to take testimony from the Department of Labor and Workforce Development, Conoco Phillips, the Regulatory Commission of Alaska and others.

"The Nikiski LNG export plant closure will have implications throughout Alaska," Herron commented. "Not only will Kenai Peninsula residents suffer, but Southcentral Alaska faces an energy supply threat. The region I represent, the Y-K Delta, is among those rural areas exploring the possibility of importing alternatives to diesel fuel to offset our high energy costs. Does this closure reduce the number of alternatives?"

ConocoPhillips and Marathon Oil announced February 9 they will shut down operations at the Nikiski export facility after 40 years filling contracts with Japanese buyers. Approximately 60 workers may be affected. The companies plan to mothball the facility in April or May after shipping one last load of LNG to Asia-Pacific markets. They cited changing LNG markets for the shut-down.

~~"Quote from Olson about DoL for workers, and about communities"~~

The public is welcome to attend the Juneau hearing, or to watch online at http://alaskalegislature.tv.

~~###~~

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Anchorage Daily News

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Conoco, Marathon to close gas liquefaction plant on Peninsula

Murkowski and Begich speak up for a North Slope line.

By ELIZABETH BLUEMINK
ebluemink@adn.com

(02/10/11 17:53:51)

The biggest single user of Cook Inlet natural gas is shutting down, raising fresh concern about the future of Southcentral Alaska's main energy supply.

Due to deteriorating market conditions, the Nikiski liquefied natural gas plant will no longer export gas to Japan starting this spring, its owners announced Wednesday.

It's a historic milestone in Cook Inlet, if a disappointing one: The plant has exported gas to Japan for 41 years.

The plant's owners, Conoco Phillips and Marathon Oil, said Wednesday that despite being granted a new export license by the federal government, they were unable to renew new supply contracts with LNG customers in Japan.

The producers said they will now focus their efforts on supplying gas to the regional utilities that use Cook Inlet gas to heat homes and provide electricity.

"This is a disappointment for Cook Inlet," said John Sims, a spokesman for Enstar Natural Gas Co., the region's largest gas utility. Enstar was already short on its guaranteed gas supplies for this year -- the first time that has ever happened. The company is concerned that without the overseas customers, Cook Inlet producers will have less incentive to explore for new sources of gas.

Enstar is now looking at importing gas from overseas within the next few years. It's possible that some of gas that was exported to Japan will now be sold to the utilities instead, limiting the amount of gas that will have to be imported.

The mothballing of the plant also brings new sizzle to the debate over piping North Slope gas via a bullet line to Southcentral to alleviate the region' gas supply crunch.

"Whenever we shut down an export facility in Alaska knowing that we have 35 trillion cubic feet of gas 800 miles away on the North Slope, and decide that it's easier to import gas, it should be cause for concern," said House Speaker Mike Chenault, a Republican whose home district in Nikiski is directly affected by the shutdown. "This, at the least, should serve as a wake-up call to Alaskans."

Is the plant's closure a bad sign for the viability of selling North Slope gas to Asian markets? Advocates of piping the gas to Valdez, including 2010 gubernatorial candidate Bill Walker, have touted the idea of liquefying the gas there and shipping it to Asia.

At least one gas line pundit said Wednesday night that it's inappropriate to assume that Asian customers will feel the same way about the small output of the Kenai plant versus the huge possibilities of North Slope gas. The Kenai plant shipped about 21 billion cubic feet of LNG in 2009, off a peak of 64 billion cubic feet. Trillions of cubic feet of gas are available from the North

Slope.

LOST JOBS

The gas exports by Conoco and Marathon provided roughly 30 jobs on land and 30 jobs on the Tyonek platform in northern Cook Inlet. Conoco said it is working to relocate the onshore workers in new jobs. The offshore workers on the platform will not be laid off because the platform will continue to supply gas for local consumption.

"The closure of the LNG plant will leave a huge hole in Kenai's economy," said U.S. Sen. Lisa Murkowski, R-Alaska. Echoed by U.S. Sen. Mark Begich, D-Alaska, Murkowski said the closure highlights the urgent need to commercialize the North Slope's gas reserves.

Though some state politicians objected to shipping Cook Inlet gas overseas because of the looming shortages for local residents, the plant was a "virtual storage facility" for regional gas and electric utilities when their supplies were stretched thin in the dead of winter, according to Enstar.

Enstar supported the plant -- the only in the United States now authorized to export LNG overseas -- because it stimulated exploration for natural gas in Cook Inlet and it sent gas to the utilities during the peak demand days of winter, Sims said.

"It was an insurance policy we no longer have," he said.

For now, it's unclear how the plant's closure will affect local gas supplies and the prices paid by local consumers. It's possible, for example, that Conoco and Marathon could sell more gas to the region's gas and electric utilities, company officials said.

"How it will change the market, we don't know," Sims said.

A FUTURE USE?

Conoco said Wednesday that it plans to mothball the plant in April or May and preserve it for future options. Those options include converting it into an LNG import plant, so local utilities can purchase foreign gas, or using it to export gas transported via bullet line from the North Slope.

"We don't have any agreements for that but we want to keep our options open," said Conoco spokeswoman Natalie Lowman.

In the meantime, closing the export plant could put some gas wells in Northern Cook Inlet in jeopardy of never producing again due to water intrusion in the geologic formations. That could occur when less gas is produced.

"There could be some negative things that happen to the (North Cook Inlet) field. We may have to shut in some wells or choke them back. That could cause production problems. We'll try to manage that so we don't lose too many of our wells," Lowman said.

Find Elizabeth Bluemink online at adn.com/contact/ebluemink or call 257-4317.

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Thursday, February 10, 2011

Nikiski LNG plant to close: ConocoPhillips, Marathon to cease exports, mothball facility

By Molly Dischner | *Peninsula Clarion*

Employees at the Liquified Natural Gas plant in Nikiski were notified on Wednesday that the plant will be shutting down later this spring.

The plant is co-owned by ConocoPhillips and Marathon Oil, with ConocoPhillips operating the plant.

ConocoPhillips respresentative Natalie Lowman said the company employs 30 people directly, and will work on helping them get jobs within the company.

"We'll definitely work with them to find opportunities for them," she said.

In a statement, Rep. Mike Chenault, R-Nikiski, said the loss of jobs would hurt the local economy.

"I can only imagine what this is doing for the workers there and their families, and those on the platform," he said. "I've gone to school with, know and represent today some of the families affected by today's decision. The plant offered 30-plus jobs, with another 30-plus on the platform. Those were high-paying, family-supporting wages. Gone."

Lowman didn't know if those opportunities would be on the Kenai Peninsula, elsewhere in Alaska or at the company's other locations throughout America and abroad.

Alaska Sen. Mark Begich, a Democrat, said in a statement that he was disappointed to hear the news about the plant closing.

"I am glad to hear ConocoPhillips will work to ensure these employees are quickly placed in jobs elsewhere," he said.

Lowman said the decision was a gradual one, made as the company tried to negotiate its contracts for the LNG it ships to Japan. The closure will also be gradual.

"We will be ceasing actual exports effective April or May of this year," Lowman said.

The closure will be a mothballing process, so it could be used again in the future if LNG demand warranted it, she said.

Lowman said the plant received needed license extensions last year, but was not able to get a satisfactory price for their LNG. Conoco Phillips has been producing LNG to ship to Japan for more than 40 years.

The Associated Press reported that Marathon Oil's Carri Lockhart said the "business case does not support continuing exports at this time."

The company will continue to produce natural gas from the Beluga and Tyonek fields to fulfill other natural gas contracts in Alaska, but Lowman didn't know if it would be producing the same quantity of gas.

"I think that there's some risk that production will go down," she said.

Lowman said it was too early to say whether the company will have more gas to sell to locally now that none is being shipped out of state. But the closure does reinforce the need for gas storage, Lowman said. The company has not signed on as a customer for the proposed Cook Inlet Natural Gas Storage Facility in the central Kenai Peninsula area, but supports gas storage efforts throughout the state, she said.

"We're definitely aware of the others that are seeking opportunities for gas storage," she said. "We certainly support that."

While not a storage facility per se, the plant has been a backstop for Southcentral utilities when gas wells in the area did not meet the peak winter demand during cold weather. Staying warm may be trickier without that fall-back, Chenault said in a statement.

"It's a sad day for the Inlet and our outlook," he said. "The problem now comes in the winter time when cold, dark days hit Southcentral and we can't supply gas that the plant saved as a back-stop."

Conoco Phillip's Dan Clark told The Associated Press that at its peak, about 64 billion cubic feet a year was exported. But volumes have been falling. He couldn't say what the most recent volumes were but said during 2010, the company went to using one ship when it previously had been running two.

In 2010, the company went to using one ship when it previously had been running two, he said.

Chenault said the planned closure highlights the need for gas development on the Peninsula, and elsewhere in the

state.

"This, at the least, should serve as a wake-up call to Alaskans," he said.

Sen. Lisa Murkowski, a Republican, agreed.

"This announcement highlights the urgent need we face to find a way to commercialize our North Slope gas reserves and create the kind of economic growth that will keep families in Alaska," she said.

Molly Dischner can be reached at molly.dischner@peninsulaclarion.com.

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Anchorage Daily News

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Kenai closure reminder of fragile gas market

TIM BRADNER
ECONOMY
(02/12/11 20:01:39)

The announcement last week by Conoco Phillips and Marathon Oil that they will close the Kenai natural gas liquefaction plant is another rude reminder of how fragile our petroleum economy has become.

I wasn't surprised about the decision except that I thought it would happen in 2013, when a federal LNG export license expires But what disturbed me was that the closure now is caused partly by the inability of the companies to get the right price in the Asian LNG market for the small volumes they would ship.

There is now a lot of LNG on the world market and prices are dropping, Conoco told me.

That is profoundly disturbing because it means that one of our options for developing North Slope gas, building a pipeline to a new LNG plant in Valdez or Cook Inlet, might be closed off by changes in the market.

There's more to the decision by the companies, of course. Declining production of natural gas from Cook Inlet wells that supply the plant also weighed in.

This is just one more of a spate of disturbing developments, which include Shell's delay in being able to explore the offshore Arctic, BP's delay of its new Liberty project and Conoco's inability to get access to new oil and gas discoveries in the National Petroleum Reserve-Alaska due to a permit dispute with a federal agency.

Let's add to this list the close call we had over the possible freezeup of the trans-Alaska oil pipeline last month, when the pipeline shut down for several days.

NEW DEVELOPMENTS

Not everything in the oil patch is looking so glum, though.

Eni Oil and Gas is about to bring its new Nikaitchuq field in the Beaufort Sea into production, which will put new oil into the pipeline. Also on the Slope, Exxon Mobil continues development of the Point Thomson gas and condensate field east of Prudhoe Bay.

BP eventually will develop Liberty -- it's just a delay -- and I believe Shell and Conoco, with patience and perseverance, eventually will get access to promising areas these companies are interested in.

In Cook Inlet, new state exploration incentives are resulting in new exploration wells being drilled for gas and for a jack-up rig to be brought in to explore promising areas. And, there's a new company acquiring acreage in Cook Inlet, with plans to drill: Apache Oil and Gas.

So the game isn't over.

VALUE-ADDED INDUSTRY

Still, the early loss of the LNG plant should be a wakeup call for Alaskans because that plant, and the Kenai fertilizer plant that closed a few years ago, not only were industrial anchors of the Kenai Peninsula economy, they were shining examples of industry making value-added products from Alaska resources.

Let's reflect on this: The LNG plant and fertilizer plants were creative and innovative, and hugely successful, ventures by industry to take large gas reserves discovered in Cook Inlet in the 1960s, for which there was no market except for then-small local utilities, and make new products (fertilizer) or to put the gas into a form where it could be shipped to market (LNG).

The LNG venture was particularly daring because very long-distance international shipments of liquefied gas had never been done. The Kenai-to-Japan shipments were the world's first.

Looking for markets for their stranded gas, Phillips Petroleum (now Conoco Phillips) and Marathon Oil convinced major Japanese utilities that importing LNG from Alaska would work. The Japanese had never imported LNG, so this was a radical idea. They were attracted to the idea of using clean-burning gas for power generation rather than oil or coal.

Technology innovations were also involved. Phillips had developed a new design for manufacturing LNG, which was used for the first time in the Kenai plant. However, no LNG ships of the size and type needed existed. These had to be designed and built.

Kenai LNG was Phillips' biggest single investment at the time, and it was a gamble. It paid off, though. Once the Alaska plant set the example, other companies followed. Shell soon signed contracts to develop and sell LNG from gas fields in Brunei, in Southeast Asia, and the development of the world LNG industry followed.

Meanwhile, LNG ships have sailed regularly from Kenai to Japan from 1969 until now.

NEW OPPORTUNITIES

The history of this is worth pondering now because it shows what even relatively small companies (as Phillips and Marathon were then) can do when presented with challenges.

Today we have companies trying to figure out what to do with large North Slope gas reserves that are also stranded. There are big challenges with new competition from Lower 48 shale gas and now a flood on LNG on world markets.

Maybe the idea of building pipelines to move this gas is becoming obsolete. Perhaps we need to make something more valuable from the gas, a different kind of product.

A role for the state might be to encourage new thinking and new ideas for commercializing North Slope gas. Maybe we're too focused on old ideas.

It was a different time, but the innovation of Phillips and Marathon more than 40 years ago showed the power of new ideas.

Let's do it again.

Tim Bradner writes for an Alaska economic reporting service. He also consults for private clients and writes for business publications. His opinion column appears every month in the Anchorage Daily News.

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Anchorage Daily News

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State plans to aid workers hurt by closure of Kenai LNG plant

(02/13/11 22:17:11)

JUNEAU -- A Kenai lawmaker says the state plans to offer help to the workers and families affected by the impending closure of that community's liquefied natural gas plant.

Republican Rep. Kurt Olson says he met with the state labor commissioner and governor's office on the issue of state assistance. Olson says the preliminary plan is to offer re-employment workshops and job search services for workers and family members who want that help.

Conoco Phillips and Marathon Oil Corp. announced Wednesday that they're closing the plant after more than 40 years in operation, citing market conditions. The plant exported liquefied natural gas to Japan. A Conoco official said the closure will affect about 30 employees. Contractors also have worked at the plant, though the number has fluctuated.

-- *The Associated Press*

Bill advanced by Senate panel seeks 120-day session in '12

The Legislature would convene for a 120-day session next year under a measure advanced by a state Senate panel Thursday.

The bill, sponsored by Republican Senate President Gary Stevens, calls for the Legislature to meet for the current 90 days during odd-numbered years and for 120 days in even-numbered years.

Voters passed the 90-day structure in 2006. Stevens told the Senate State Affairs Committee it isn't working. He says it gives more power to the governor. The measure now goes to the Senate Finance Committee for consideration.

-- *The Associated Press*

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STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner
Robert M. Pickett, Chairman

Regulatory Commission of Alaska

February 18, 2011

The Honorable Bob Herron
House of Representatives
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Dear Representative Herron:

On behalf of Chairman Pickett I submit the following information for the record of the hearing of the House Special Committee on Economic Development, Trade, and Tourism held February 15, 2011, on the subject of LNG Plant Closure:

1. A document containing two schedules, one showing each Cook Inlet gas contract submitted to the Regulatory Commission of Alaska (RCA) for approval since 2000 and the second containing detailed information about each of the contested gas contract cases heard by the RCA.

2. A copy of each RCA order resolving disputed issues in a contested gas contract proceeding.
   a. Order U-01-007(8)
   b. Order U-03-084(7)
   c. Order U-06-002(15)
   d. Order U-08-58(8)

   All separate statements of commissioners, appendices, and other orders and documents detailing the above proceedings are available on the RCA's website at www.rca.alaska.gov by entering the docket number (e.g., U-01-007) in the "Find a Matter" search box on the right-hand side.

Do not hesitate to call or email if you or members of the committee have questions or if we can send you further documents directly.

Sincerely,

Janis W. Wilson, Commissioner
Regulatory Commission of Alaska

701 W. 8th Avenue, Suite 300, Anchorage, Alaska 99501-3469
Telephone: (907) 276-6222 Fax: (907) 276-0160 Text Telephone: (907) 276-4533
Website: www.rca.alaska.gov

RCA REVIEW OF RECENT MAJOR COOK INLET GAS SUPPLY CONTRACTS
ENTERED INTO BY ECONOMICALLY REGULATED GAS AND ELECTRIC UTILITIES

ENSTAR Natural Gas Company

Supplier	Date Contract Filed	Date of RCA Action	Processing Time (Days)	Contract Contested	RCA Action	Commission Proceeding
Phillips/Anadarko	6/15/2000	9/19/2000	96	No	Approved	TA114-4
Unocal	12/12/2000	10/25/2001	317	Yes	Approved, with modifications*	U-01-007
NorthStar Energy Group	8/08/2003	3/23/2004	228	Yes	Approved, with modifications*	U-03-084
Marathon	11/14/2005	9/28/2006	318	Yes	Not approved*	U-06-002
Marathon	4/11/2008	10/31/2008	203	Yes	Approved, with modifications*	U-08-058
ConocoPhillips	4/11/2008	10/31/2008	203	Yes	Approved, with modifications*	U-08-058
Anchor Point Energy LLC	9/21/2009	11/05/2009	45	No	Approved	TA180-4
Marathon	4/09/2010	5/24/2010	45	No	Approved	TA187-4
ConocoPhillips	8/13/2010	10/11/2010	59	No	Approved	TA193-4

*The attached page contains more detailed information about the contested contracts

Chugach Electric Association, Inc.

Supplier	Date Contract Filed	Date of RCA Action	Processing Time (Days)	Contract Contested	RCA Action	Commission Proceeding
ConocoPhillips	5/12/2009	8/21/2009	101	No	Approved	TA305-8
Marathon	4/02/2010	5/17/2010	45	No	Approved	TA316-8

Average Processing Time in Days for *Uncontested* Contracts (including 30-day public notice period)	65
Average Processing Time in Days for *Contested* Contracts (including 30-day public notice period)	254
Average Processing Time for *All* Contracts (including 30-day public notice period)	151

FURTHER INFORMATION ON CONTESTED GAS CONTRACT PROCEEDINGS
(all proceedings are ENSTAR proceedings)

Supplier and Year Filed	Parties in Proceeding	Days of Hearing	Number of Witnesses	Pages of Transcript	RCA Action
Unocal 2000 (U-01-007)	PAS, Marathon, Unocal, ENSTAR	4	7	841	RCA approved the contract *with modifications* (limiting volume to 450 Bcf, limiting third party gas to 15%, and giving ENSTAR a right of first refusal to buy non-economic gas) Unocal and ENSTAR accepted the modifications
NorthStar Energy 2003 (U-03-084)	RAPA, NorthStar, ENSTAR	3	5	591	RCA approved the contract *with modifications* (reducing floor price from $3 to $2.75, capping transportation rate at $0.30 per Mcf, and limiting third party gas to 15%) NorthStar and ENSTAR accepted the modifications [no gas was ever sold under this contract]
Marathon 2006 (U-06-002)	RAPA, Tesoro, Trading Bay, Walker, Marathon ENSTAR	13	10	2619	RCA approved the contract to the extent the contract price did not exceed weighted average cost of gas from existing contracts Marathon and ENSTAR did not put the contract into effect
Marathon ConocoPhillips 2008 (U-08-058) [both contracts were considered in one proceeding]	RAPA, Chugach, HEA, Aurora Power Resources, Fairbanks Natural Gas, ENSTAR	13	11	2267	RCA approved the contract *with modifications* (ConocoPhillips contract—a floating price cap based on production basin prices) (Marathon contract—a similar floating price cap and deletion of a particular provision to the extent inconsistent with unbundling of price and volume) Modifications were not accepted

PAS was RCA Public Advocacy Section; RAPA is Regulatory Affairs and Public Advocacy Section of the Attorney General

STATE OF ALASKA

THE REGULA TORY COMMISSION OF ALASKA

Before Commissioners: G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of the Gas Sales Agreement Between ALASKA PIPELINE COMPANY, a Wholly-owned Subsidiary of SEMCO ENERGY, INC., of Which the ENSTAR NATURAL GAS COMPANY is a Division, and the UNION OIL COMPANY OF CALIFORNIA, Filed as TA117-4	U-01-7 ORDER NO. 8

ORDER CONDITIONALLY APPROVING TA 117-4 (GAS SALES AGREEMENT) AND REQUIRING FILING

BY THE COMMISSION:

Summary

We conditionally approve a gas sales agreement (GSA) between Unocal[1] and Enstar[2] and require the parties to file an executed addendum to the GSA consistent with this Order.

[1]Union Oil Company of California.

[2]Enstar Natural Gas Company is a division of SEMCO ENERGY, Inc. Alaska Pipeline Company (APL), is a wholly-owned subsidiary of SEMCO ENERGY. APL, not Enstar Natural Gas Company, is the actual party to the GSA. The Commission has historically regulated APL and Enstar as a single entity. The use of the name Enstar in this proceeding includes both APL and Enstar.

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Background

On December 12, 2000, Enstar filed a tariff advice letter (TA117-4)[3] requesting approval of a new GSA between Unocal and Enstar. Enstar also requested that we approve the addition of the GSA to Section 708 of Enstar's tariff as a base supply contract and the inclusion of all costs related to the GSA in calculating Enstar's Gas Cost Adjustment. TA117-4 was publicly noticed on December 19, 2000.

We suspended TA117-4 for a period of six months[4] to allow Enstar an opportunity to show that the GSA provisions were in the public interest, that a reasonably competitive procurement process was undertaken,[5] and to explain the GSA's impact on long-term regional gas supply.

We received comments from the public regarding the GSA.[6] Phillips Alaska, Inc., (Phillips) supported Enstar's desire to spur additional exploration, but expressed concern that the proposed GSA would make Unocal a gas broker because the GSA did not contain a definite term, volume or geographical limitation for Unocal's supply. Phillips stated that, for a gas explorer, uncertainty about when an opportunity to supply Enstar's unmet requirements might arise adds to the standard risks of

[3]The tariff advice letter was filed as TA117-4.

[4]Order U-01-7(1), dated January 18, 2001. In Order U-01-7(5) we extended the suspension for good cause to January 25, 2002.

[5]In Order U-01-7(7), dated August 9, 2001, we clarified our interest in ensuring that any contract that affected the public interest was the result of an arms-length transaction and that the ratepayers would receive a fair price. We limited our inquiry to the merits of the GSA terms, the GSA as a whole, and how it compares to other signed contracts.

[6]We received comments opposing GSA approval from, among others, Agrium; Alaska Sea Food Exports; Aurora Power Resources, Inc.; Chevron U.S.A Inc.; Marathon Oil Company and Marathon Alaska Natural Gas Company; and Phillips Alaska, Inc. We also received comments supporting GSA approval from the City of Kenai; Homer Electric Association, Inc.; Kenai Peninsula Borough; and Peak Oilfield Service Company.

exploration. Uncertainty reduces Phillips' incentive to invest in Cook Inlet exploration relative to other exploration opportunities.[7]

Chevron U.S.A. Inc. (Chevron) stated it had significant volumes of uncommitted natural gas reserves in the Beluga River Gas Field, and that it needs a reasonable opportunity to secure a viable market for its Cook Inlet gas reserves. Chevron said the GSA could reduce competition among producers and limit Cook Inlet exploration activities. Producers will hesitate to make necessary capital investments to locate and develop new reserves if they don't have a reasonable expectation of a gas market. If Unocal is unsuccessful in finding new reserves during the GSA's term and competitors do not explore, projected gas supply shortages will remain.[8]

Aurora Power Resources, Inc. (Aurora) opposed Enstar entering into a "requirements" contract. Aurora stated that GSA approval would close the largest potential market for natural gas through 2005 and would discourage exploration and development activities in Cook Inlet. Aurora stated that the public interest would be served by requiring Enstar to purchase reasonable quantities of gas from smaller producers and smaller existing fields.[9]

Steve Toth of Alaska SeaFood Exports and six individuals opposed the GSA as embodying a rate hike.[10]

[7]Letter from Phillips Alaska, Inc., dated January 19, 2001.

[8]*Chevron's Comments to Enstar's Tariff Advice Letter No. 117-4,* filed June 19, 2001.

[9]Letter from Aurora Power, dated January 18, 2001.

[10]Letter from Steve Toth dated January 15, 2001, and letters from M. Eaton, R. Haye, C. Hickey, J. Schnell, R. Schnell, and B. Worley-Callander, dated January 18, 2001.

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Agrium Inc., a producer and wholesaler of fertilizer and retail supplier of agricultural products, expressed concern over the GSA's possible impact on the export competitiveness of Cook Inlet industrial production.[11]

Homer Electric Association, Inc. (HEA) supported the GSA and stated that a secure long-term gas supply is essential to the viability of its customers. New discoveries on the peninsula may be the key to bringing natural gas to Homer.[12] The City of Kenai, Kenai Peninsula Borough, and Peak Oilfield Service Company expressed hope that the GSA will encourage the discovery of new gas resources and be the impetus to providing natural gas to the lower Kenai Peninsula.[13]

We designated the Public Advocacy Section (PAS) as a party and granted intervention by Marathon Oil Company (Marathon) and Unocal.[14] A public hearing on the GSA was held from August 14, 2001, through August 20, 2001.

Standard of Review

In deciding whether to approve the GSA we are guided by our obligation to act in the public interest. The GSA is a commercially negotiated agreement. We will not speculate whether a better agreement could have been obtained by Enstar with Unocal or with another potential supplier.

Our primary concern is to ensure reliable and reasonably priced utility service. We will determine whether the GSA is fair as a whole and we make modifications only to protect the public.

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[11]Letter from Agrium, dated February 2, 2001.

[12]Letter from HEA, dated January 19, 2001.

[13]Letters from Peak Oilfield Service Co., dated January 18, 2001; Kenai Peninsula Borough, dated January 19, 2001; and City of Kenai, dated January 19, 2001.

[14]Order U-01-7(1) and U-01-7(2).

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Discussion

Cook Inlet gas production began as a by-product of oil exploration. Several major gas fields were discovered between 1955 and 1965.[15] It was estimated initially that the gas fields would supply local gas needs for at least a hundred years. Accordingly, the oil companies focused on developing demand for the overabundance of gas. They built a liquefied natural gas (LNG) plant and a fertilizer plant.[16] Also, the historical abundance of natural gas has allowed Cook Inlet consumers to pay less than the national average for gas.[17]

Natural gas reserves, while plentiful in the past, are declining. It is predicted that the known natural gas reserves in Cook Inlet will be exhausted by 2012. Exploration for new sources of gas in Cook Inlet has not kept pace with other areas.[18] There is also concern that the older fields of Cook Inlet will be unable to deliver natural gas at the rates required.[19] The ability to meet peak demand may also be affected by the lack of gas storage facilities. Exploration and development of new natural gas sources takes many years and requires that exploration companies act years before reserves are exhausted by customer demand.[20]

The GSA's genesis was when Marathon informed Enstar that it would not be able to exercise the APL-4 contract option for 400 Bcf of gas and recommended

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[15]Barnes prefiled testimony at 2.

[16]Barnes prefiled testimony at 3. These two users account for approximately sixty-one percent of the natural gas consumption in southcentral Alaska today. Strickland reply prefiled testimony at 9. The LNG plant has a license to export LNG until 2009. *Id.* at 24; McConnell prefiled testimony at 21.

[17]Strickland prefiled reply testimony at 12.

[18]"A Review of Cook Inlet Natural Gas Supply and Demand" by Northern Economics. Dieckgraeff prefiled testimony exhibit DMD-5 at 2, 4, 10.

[19]Strickland at 21.

[20]*Id.* at 25.

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in 1995 that Enstar seek a new gas supplier.[21] In protracted contract discussions for additional gas, only a few options were available to Enstar. Enstar did contract for gas from the Moquawkie field. Marathon could supply gas under various scenarios including acceleration of long term gas commitments, but these scenarios did not fit Enstar's strategic planning needs for future gas supplies. Little was offered in new gas reserves. Enstar believed greater economic incentives were necessary to motivate new drilling,[22] so it agreed to move toward market prices. Enstar asserted this has resulted in successfully executed gas supply agreements in 2000 with Anadarko, Phillips and Unocal.[23]

The opposing parties imply that the GSA shifts the risk for future Cook Inlet gas exploration to the Enstar ratepayer. We understand that concern. However, we find that Enstar has identified its future requirements and developed a credible compendium of gas supply contracts to meet those requirements. While Marathon and the PAS advocate disapproval of the entire GSA, we do not find cause for such action. No party convincingly demonstrated a fatal flaw in any GSA condition. We are satisfied that the negotiations were at arms-length, and that the GSA with the modifications as more fully set forth in this Order is in the public interest.

As the GSA is a matter of public record we do not intend to set forth all of its terms. Instead, we focus on the essential objections and issues raised by the parties.

[21]Barnes prefiled testimony at 9.

[22]Barnes prefiled testimony at 12, 14.

[23]Barnes prefiled testimony at 15.

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Price

The gas price Enstar pays Unocal will be determined annually by using a thirty-six-month daily average of the Henry Hub[24] natural gas futures (HHF) and a floor price of $2.75 per thousand cubic feet (Mcf) adjusted for one-half of the inflation rate after 2002.

The PAS argued we should not adopt a price tied to HHF because it is volatile and the HHF is tied to gas prices in the eastern United States. The PAS believes an HHF price results in higher prices and volatility not related to Cook Inlet market conditions. The PAS also objected to the price because it includes a floor price but no ceiling price. The PAS recommended a composite index of Light Sweet Crude Futures and a dual index that captures the price of natural gas paid by Agrium and the LNG plant for Cook Inlet gas. The PAS is also concerned that the price allows arbitrage of gas from other sources.[25]

Marathon argued that the price is not a fair price.[26] Marathon believes the price reflects a price premium without a correlating firm contract volume commitment to justify the premium.[27] Marathon states the GSA should "be tested in the marketplace against actual firm volume commitments offered by other producers."[28] Marathon argued that Enstar's commitment of its entire unmet

[24]Henry Hub is a large pipeline interconnection in Louisiana. Strickland prefiled reply testimony at 52.

[25]McConnell prefiled testimony at 18-21.

[26]Marathon defines a fair price as one that reflects the obligations of the party entitled to payment under a contract, as tested in the market. Risser prefiled testimony at 26.

[27]*Id.*, at 27, 31.

[28]*Id.*, at 30.

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requirement to Unocal creates a disincentive for other producers to explore and develop natural gas resources in Cook Inlet.[29]

Unocal and Enstar characterize the GSA as an "exploration contract" because the focus of the GSA is on exploration for new gas sources. Existing gas fields are old and the likelihood of discovering large fields is slim.[30] While Unocal is confident new gas will be discovered, the fields are likely to be small and the cost of production and transporting the gas to market will be high.[31]

Exploration for new sources of gas is risky[32] and investment capital in Cook Inlet must compete with investment opportunities worldwide. Demands from other gas users, like Marathon's LNG plant and Agrium's fertilizer plant, have not created sufficient incentive for new exploration. We acknowledge that the discovery of a large gas field poses a risk of depressing Cook Inlet gas prices; and that North Slope gas may significantly impact the Cook Inlet area, but when it may be available is speculative.

Exploration is needed in order to ensure an adequate supply of gas for Enstar ratepayers. The risk associated with exploration must be compensated or exploration will go elsewhere. While the HHF price structure is higher than previously approved contracts, we weigh the risk that Enstar will not have an adequate natural gas supply in the future against a higher exploration price. The HHF volatility risk is mitigated by the use of a thirty-six month trailing average. Testimony disclosed that

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[29] *Id.*, at 31.

[30] Tr. at 593.

[31] Tr. 637, 652-653.

[32] Strickland prefiled reply testimony at 28; Tr. at 622-624, 629-632.

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companies would not explore for new gas without assurance that their investment could be recovered.

The evidence persuades us that Enstar must pay a competitive price to attract necessary capital and encourage exploration in Cook Inlet. The HHF price is necessary to attract exploration capital. We find that a price tied to the HHF, with a floor of $2.75 is a reasonable balance of the risks associated with gas exploration and the need to assure an adequate supply of gas for Enstar's ratepayers.

Peaking Fee

Any day that Unocal supplies more than its pro rata share of maximum deliverability, Enstar must pay Unocal a peaking fee of $1.00 per Mcf (in addition to the price) for the excess.[33] Testimony by Unocal and Enstar estimate that peaking fees will not exceed $10,000 a year.

Peaking gas covers times when Enstar's shippers do not supply all the gas that Enstar customers need on a particular day. The GSA allows Enstar to get the needed gas from Unocal. There is a premium associated with this peaking gas because of the additional costs Unocal bears to produce and deliver it. When a particular shipper does not supply its committed gas to Enstar, the peaking fee will be passed back to that shipper. When Enstar's swing is greater than normal (for example, when Anchorage has an extremely cold temperature and the demand for gas is unusually high), Enstar can go to Unocal for the extra swing gas and pay the peaking fee. This peaking fee would be passed on to the ratepayer through Enstar's Gas Cost Adjustment. In both cases Enstar needs the ability to get the extra gas for

[33]GSA 4.6 and 4.1.1.2. The fee will be adjusted each year.

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its customers. Unocal considers peaking gas as a service to Enstar, not an opportunity to make money.[34]

The PAS views the peaking fee as a penalty assessed against Enstar passed to ratepayers. The PAS suggests that Unocal should deliver peaking gas without charge, subject to Enstar replacing the gas within six months.[35] The PAS stated Enstar should be required to correctly forecast and contract for its needs. The risk of an incorrect forecast should be borne by Enstar's shareholders, not by its ratepayers.[36]

We weigh the risk of ratepayers not having enough gas on peak days against the price. The prospect of Enstar's customers not having sufficient gas outweighs the price concern. Peaking gas is a safety net for Enstar.[37] We do not find the peaking fee to be unreasonable.

Transportation Fees

Unocal has the responsibility to build all pipelines and other facilities necessary to deliver gas to receipt points on Enstar's pipeline system. The price for gas includes all RCA-approved tariffs for pipelines operating on the effective date of the contract. Enstar will reimburse Unocal for RCA-approved tariff charges (up to $1.00 per Mcf) on pipelines constructed after the contract effective date. The parties must agree to any reimbursement in excess of $1.00 per Mcf.

The PAS indicates that the transportation fee provision could require Enstar ratepayers to pay for the construction of Unocal's gas storage facilities, or any

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[34]Tr. 569-570.

[35]The PAS cites the APL-1 contract as an example of this type of provision. McConnell prefiled testimony at 22.

[36]McConnell prefiled testimony at 22.

[37]Tr. 570-571.

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other unspecified service or facility that is used to transport gas to and from storage for delivery to Enstar, or for a pipeline constructed to deliver gas to a third party in exchange for gas delivered to Enstar. PAS states these costs are capital expenditures that should be incurred by Enstar and then included in rate base.[38]

If new gas is discovered, pipelines may need to be built. The cost of construction and operation of pipelines are recovered in tariffed rates. The GSA new pipeline transportation costs are capped at $1.00 per Mcf.[39] Before these costs may be passed through to ratepayers, we must approve the tariff. Therefore we have an opportunity to determine if the rates are just and reasonable. We see no reason to interfere with this portion of the GSA.

GSA Term

The proposed GSA does not contain a definite termination date. The agreement will not terminate until Unocal has delivered all of the gas it has committed to deliver. This is the equivalent of an all-requirements agreement as long as Unocal can deliver Enstar's unmet requirements.

The PAS opposed this provision because Enstar cannot terminate the GSA. The PAS supported an April 2009 termination date that coincides with the Department of Energy LNG export license expiration and would allow the Commission and Enstar to evaluate the availability of North Slope gas. The PAS also stated that Enstar should be able to terminate the contract for good cause shown.[40]

While an open-ended GSA may encourage exploration, it binds Enstar and Enstar ratepayers indefinitely. New large gas reservoirs might be discovered.

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[38]McConnell prefiled testimony at 23-24.

[39]The actual transportation rate may be less. Enstar insisted on the one-dollar cap. Tr. at 573.

[40]McConnell prefiled testimony 27-28.

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Gas from the North Slope may become available. Unocal testified that a volume of 450 Bcf created sufficient incentive to explore and recover its capital investment.[41] We limit the GSA term to delivery of 450 Bcf to preserve exploration incentive and give us an opportunity to review whether continuation of the GSA remains in the public interest.[42]

Arbitrage

The GSA does not prevent Unocal from purchasing gas from other sources at a lower price and reselling it to Enstar at the higher HHF contract price. The PAS argued that Unocal should not be allowed to buy gas from other producers at a lower price and sell it to Enstar at the GSA price. Marathon agreed.[43]

Unocal sees the possibility of reselling lower priced gas to Enstar as an unlikely scenario.[44] The Cook Inlet basin is old. Some of the fields are producing on a flat or declining basis and do not have the swing capabilities to meet Enstar's needs. Unocal says it should not be prevented from buying third party gas to meet Enstar's unmet requirements. Unocal envisions a situation where it would take gas from flat or declining fields or from a one well producer, inject it into storage and then produce it at a rate that would match Enstar's needs. Through the process of injecting gas into storage the value of the gas would be increased and could be used to meet Enstar's needs.[45] Although Unocal believes a prohibition against purchasing third party gas would strand a lot of gas that could be used by consumers, limiting its ability to sell gas

[41]Tr. at 580, 595.

[42]A 2009 termination date, as suggested by the PAS, would cause an avoidance of the contract and discourage exploration. Tr. at 581, 655.

[43]Risser prefiled testimony at 30.

[44]Tr. at 414, 416.

[45]Tr. at 416-419, 422, 565-568, 598.

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to fifteen percent of the total annual gas volume sold would not affect its ability to insure certain supply.[46]

While we agree with Unocal that gas in declining fields should not be stranded, we also understand the arbitrage concerns. We find limiting Unocal's ability to sell third party gas to fifteen percent of the total annual gas volume sold is a reasonable limitation to the GSA and adequately protects the ratepayer.

Non-economic provision

If Unocal forecasts and an independent engineer agrees that gas production will not be economic, Unocal's obligation to produce, deliver and sell gas will be suspended as long as production is not expected to be economic. However, during any period that gas production is not economic, Unocal may make sales to third parties at a swing rate[47] of 1.2 or less.[48]

The PAS objects to allowing gas production to be declared non-economic without our review. The PAS states that Unocal should not be free to sell the non-economic gas to third parties whose swing rate is 1.2 or less and that Enstar should have first priority to all such gas. The PAS also requested that we permit Enstar to terminate the GSA with the same 180-day notice required of Unocal if Unocal declares gas production not economic.[49]

We understand that exploration and production of new gas at the contract price may not be economic. We do not find the contract's non-economic

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[46]Tr. at 568.

[47]GSA at 8.

[48]GSA at 19-20.

[49]McConnell prefiled testimony at 29.

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clause to be unreasonable. However, before Unocal sells gas to third parties under this provision, Enstar should have a right of first refusal to purchase the gas at a flatter swing rate.[50] Accordingly, we direct the parties to modify the GSA to provide Enstar with a right of first refusal before Unocal may sell non-economic gas to third parties.

Conclusion

We have reviewed the GSA and considered the evidence and testimony presented. Enstar will be permitted to recover the costs of the GSA under Section 708 of its tariff, gas cost adjustment in accordance with the discussion. We find that the GSA, with modifications as more fully set forth in this Order, is in the public interest. Its purpose is to provide Enstar ratepayers with a reliable supply of reasonably priced gas. While it is not certain that the exploration envisioned in the GSA will be successful, it may lead to discovery of new gas reserves. The GSA also creates an incentive for more than one gas producer to remain in Cook Inlet.

We will review whether continuation of the GSA, with modifications as more fully set forth in this Order, remains in the public interest when Unocal delivers 450 Bcf of gas to Enstar or when the contract terminates due to Unocal's inability to discover new gas reserves.

We do not by approval of the GSA, with modifications as more fully set forth in this Order, waive any jurisdiction now or in the future. We will continue to take all actions necessary or proper to fulfill our obligations and duties mandated by AS 42.05.141.

[50]Unocal does not disagree. Tr. at 577.

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ORDER

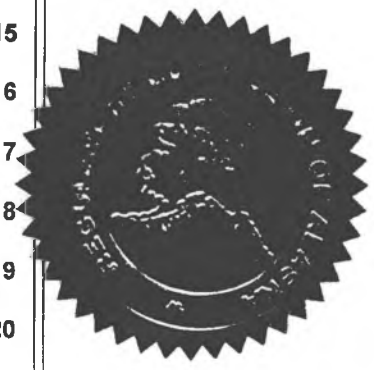
THE COMMISSION FURTHER ORDERS:

1. The Gas Sales Agreement between Union Oil Company of California and Alaska Pipeline Company as filed in TA117-4 is approved with modifications as more fully set forth in this Order.

2. By 4 p.m., November 14, 2001, the parties must file an executed addendum to the Gas Sales Agreement consistent with this Order. The executed addendum will limit the term of the Gas Sales Agreement to delivery of 450 Bcf, limit Unocal's ability to sell third party gas to fifteen percent of the annual gas volume sold, and provide Enstar with a first right of refusal to purchase non-economic gas before Unocal may sell non-economic gas to third parties.

DATED AND EFFECTIVE at Anchorage, Alaska, this 25th day of October 2001.

BY DIRECTION OF THE COMMISSION
(Commissioners Bernie Smith and Patricia DeMarco, not participating.)



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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:	Mark K. Johnson, Chair Kate Giard Dave Harbour James S. Strandberg G. Nanette Thompson
In the Matter of the Application by ENSTAR NATURAL GAS COMPANY to Amend its Natural Gas Public Utility Certificate of Public Convenience and Necessity No. 4 to Include Additional Areas in and Around Homer and Seward	U-96-108 ORDER NO. 12
In the Matter of the Gas Sales Agreement between ENSTAR Natural Gas Company, a division of SEMCO ENERGY, INC. and NORTHSTAR ENERGY GROUP, INC. filed as TA125-4	U-03-84 ORDER NO. 7

ORDER CONDITIONALLY APPROVING GAS SALES AGREEMENT, INCLUSION OF COSTS OF GAS SALES AGREEMENT IN GAS COST ADJUSTMENT, AND HOMER AREA SURCHARGE; DENYING, WITHOUT PREJUDICE, THE REQUEST TO AMEND SERVICE AREA; VACATING PREVIOUS FILING REQUIREMENT; AND REQUIRING FILINGS

BY THE COMMISSION:

Summary

We approve the Gas Sales Agreement (Agreement)[1] between ENSTAR[2] and NorthStar Energy Group, Inc. (NorthStar) on the condition that the parties execute

[1] *Gas Sales Agreement between NorthStar Energy Group, Inc. and ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc.*, executed July 31, 2003.

[2] ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc.

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and file an addendum to the Agreement that: (1) establishes a floor price of $2.75; (2) modifies the transportation rate to include a cap of $.30 per thousand cubic feet (Mcf); and (3) limits arbitrage to not more than 15 percent of the total volume of gas sold under the Agreement. We find that the Agreement, as submitted for our approval, is not in the public interest and require modifications to the Agreement that resolve our public interest concerns. We approve 1) the inclusion of the Agreement with the addendum in Section 708 of ENSTAR's tariff; 2) the inclusion of all costs related to the Agreement in ENSTAR's Gas Cost Adjustment (GCA); and 3) a line extension surcharge for the Anchor Point to Homer pipeline extension, subject to filing and approval of the addendum. We deny ENSTAR's request for an additional amendment to its service area. We also vacate Ordering Paragraph No. 2 of Order U-96-108(11).[3]

Background

Exploration in the area to the north of Homer has shown promise of yielding an adequate supply of natural gas that would make feasible a natural gas utility service in Homer. ENSTAR and others before have worked to bring gas supply to the City of Homer for the last twenty years to no avail.[4]

ENSTAR and NorthStar are before us with a proposed gas supply agreement to exploit gas reserves in the North Fork gas field, located north of Homer, and deliver this gas to Homer. This gas field is close enough to Homer to make

[3] *Order Acknowledging Filings, Granting Motion for Extension of Time, Requiring Filings and Vacating Filing Requirements*, dated August 28, 2003.

[4] The record shows there are potential alternative gas supplies to the north of Homer in Happy Valley, and further north at Ninilchik. At one time, there were plans to extend the Kenai Kachemak Pipeline (KKPL) to Anchor Point, but the Unocal Exploration program did not reveal commercial quantities of gas. ENSTAR indicates at some point in time Unocal gas may become available. However, ENSTAR considers these as alternatives to be pursued, if NorthStar is unable to fulfill its contract terms.

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transportation and distribution of gas to retail customers economically feasible, and the volumes appear adequate to supply Homer's needs for at least twenty years.

There is public support for natural gas service in Homer. ENSTAR surveyed 70 potential small and large commercial customers and 216 potential residential customers, and both groups indicated strong support for natural gas service in the Homer area. (T-3, p. 10.) Thomas Clark, a member of the public, testified during the hearing in support of gas service for the Lower Kenai Peninsula, and particularly for Anchor Point, where he lives.[5] Mr. Clark asserted that natural gas is a foundational mechanism for community growth. (Tr. 77.)

ENSTAR was granted a Certificate of Public Convenience and Necessity (Certificate), subject to certain conditions, to serve Homer, Alaska, on November 3, 1997.[6] The primary condition of certification was that ENSTAR provide natural gas service to Homer by December 31, 2000. (T-1, p. 3.) At ENSTAR's request, that deadline was extended to December 31, 2002,[7] and then to March 31, 2003.[8] On April 1, 2003, ENSTAR requested an additional extension until August 31, 2003, which we granted.[9] We also granted ENSTAR's most recent request to extend the deadline to January 2, 2004.[10]

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[5]Mr. Clark is also vice chair of the Kenai Peninsula Borough Planning Commission.

[6]Order U-96-108(6)/U-96-109(6), dated November 3, 1997.

[7]Order U-96-108(8), dated April 16, 2001.

[8]Order U-96-108(9), dated December 26, 2002.

[9]Order U-96-108(10), dated April 28, 2003.

[10]*See* n. 2.

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On August 8, 2003, ENSTAR filed a tariff revision, designated as TA125-4, which included the Agreement between ENSTAR and NorthStar. ENSTAR requested that we:

1) approve the Agreement between ENSTAR and NorthStar, which will provide a 20-year gas supply for Homer;

2) approve the addition of the Agreement to Section 708 of ENSTAR's tariff as a base supply contract;

3) include all costs related to the Agreement in ENSTAR's GCA; and

3) approve a line extension surcharge for Homer.

We suspended TA125-4 for investigation and scheduled a hearing.[11] The hearing was held on January 13, 14, and 15, 2004. ENSTAR presented the testimony of Dan Dieckgraeff, Manager, Finance and Rates, and Treasurer of ENSTAR; and Dr. Bruce Fairchild, consultant. NorthStar presented the testimony of Stephen J. Easley, Vice President for Corporate Development and External Affairs. The Attorney General (AG) presented the testimony of Dr. Arlon R. Tussing, consultant.

The Agreement provides that NorthStar will supply, and ENSTAR will purchase, all of the gas required to serve Homer for twenty years from the date of first delivery. (T-1, p. 5; T-6, p. 11.) The Agreement requires NorthStar to use the gas well at North Fork drilled in 1965, and to drill at least one additional well. (T-1, pp. 4-5; T-6, p. 8.) NorthStar must also prove up its gas reserves and establish, according to an independent petroleum engineer, that its leases constitute a commercial quality gas field. (T-1, p. 5.)

NorthStar proposes to construct a pipeline to transport gas from its leases to Anchor Point. (T-1, p. 5; T-6, p. 12.) ENSTAR will then construct a pipeline

[11]Order U-03-84(2), dated October 31, 2003.

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extension from Anchor Point to Homer and install local gas distribution facilities in Homer. (T-1, p. 5.) The local distribution facilities would be a part of ENSTAR's system-wide rate base. (T-1, p. 12.) Initially, these pipelines will not be interconnected with the existing gas pipeline network on the Kenai Peninsula. (T-1, p. 5.) However, NorthStar hopes to find sufficient gas reserves to exceed the gas volumes necessary to meet ENSTAR's load in Homer and to interconnect with the KKPL. (T-1, p. 5.) NorthStar would like to sell additional gas into the south-central market so it contemplates building a pipeline to Anchor Point large enough to accommodate both the gas necessary to serve ENSTAR plus additional volumes. (T-2, p. 9.) If the pipeline were built just to serve ENSTAR's load, it would need to be a 4-inch line. (T-2, p. 10.)

NorthStar asserted that it will spend between $8 and $12 million for expenses associated with drilling, completing, and testing wells that target new gas reserves and in constructing a pipeline. (T-6, p. 12.) NorthStar asserted that it must further spend in excess of $500,000 on technical staff salaries and in excess of $500,000 in lease rentals, seismic data, and potentially, additional land acquisition costs. (T-6, p. 12.)

Under the Agreement, the gas is priced annually using a 36-month daily trailing average of the Henry Hub index of natural gas futures prices. (T-1, p. 6.) The gas has a floor price of $3.00/Mcf adjusted for half of inflation using the Gross Domestic Product Implicit Price Deflator. (T-1, p. 6.)

ENSTAR will reimburse NorthStar for production costs and taxes, and ENSTAR will pay NorthStar's approved tariff rate for transportation costs once those are established. (T-1, p. 6.) The transportation costs are limited to payment for the pipeline and do not include drilling and production facilities. (Tr. 101-102.)

The Agreement also requires NorthStar to maintain clear title to its leases, demonstrate that its leases qualify as a commercial quality gas field, maintain financial

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and operational "fitness, willingness, and ability" to perform according to ENSTAR, construct necessary facilities and meet other ongoing obligations. (T-1, p. 6; T-6, p. 22.)

At hearing, ENSTAR requested an additional amendment to its service area. (Tr. 87-88.)

Discussion

In deciding whether to approve the Agreement, we are guided by our obligation to act in the public interest. Our primary concern is to ensure reliable and reasonably priced utility service. We will determine whether the Agreement is fair as a whole, and we make modifications to the Agreement to protect the public. We also review the rate methodologies that ENSTAR has proposed to recover the costs of providing gas to Homer customers.

Uncontested Issues

ENSTAR proposed the use of postage stamp rates for Homer customers and a Homer specific line extension surcharge. The AG did not oppose these rate methodologies.

We find that the rate structure proposed by ENSTAR is consistent with its historical rate methodology, and reasonable. We find that permitting ENSTAR to charge "postage stamp" rates and a line extension surcharge for service to Homer customers is just, fair, and reasonable. We find that ENSTAR should be permitted to recover the costs of the Agreement through its GCA.[12] The GCA will blend the cost of

[12]ENSTAR recovers its general non-gas revenue requirement, consisting of its capital accounts including depreciation and interest, under one track; while the second track consists of the costs of purchased gas, or a gas cost adjustment. ENSTAR's general revenue requirement is periodically reviewed in a general rate case, while the cost of gas is flowed through to customers on a dollar-for-dollar basis.

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NorthStar gas into ENSTAR's overall cost of gas, including the transportation charge, to be borne by all ratepayers.

Homer ratepayers will directly bear some of the costs unique to serving Homer through the imposition of a $1.00/Mcf surcharge. The surcharge permits a delayed recovery of the contribution customers must make for ENSTAR to build its line extension from Anchor Point to Homer, termed CIAC.[13] This CIAC is normally required to be paid before a customer can receive service under ENSTAR's current tariff.

ENSTAR proposed to collect the Homer surcharge only until the total actual capital costs associated with the pipeline (including construction costs, rate of return, and income taxes) are recovered. (T-1, p. 11.) ENSTAR estimates that it will be necessary to collect the Homer surcharge for approximately ten years. (T-4, p. 4; T-1, p. 11.) In order to track recovery of the cost of the line extension, we require ENSTAR to file yearly reconciliation of Homer surcharge collections. ENSTAR shall append the yearly accounting to its annual report.

Contested Issues

The AG argued that the fairness and reasonableness of the Agreement must be evaluated, as well as its consistency with the public interest. (T-8, p. 5.) Specifically, the AG expressed concern with the gas pricing methodology, price of gas, the treatment of arbitrage opportunities, and the term of the agreement and need for a market-out clause.

Gas Pricing Methodology

The AG argued there were two fundamental errors of principle incorporated in the Agreement and that these errors can create serious harm to the ratepayers and public interest. (T-8, p. 12.) According to the AG, the first error is the

[13]CIAC = Contribution in aid of construction.

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use of the 36-month trailing average of Henry Hub natural gas futures prices. The AG argued there is no logical or economic relationship between Southern Louisiana and the Cook Inlet natural gas markets.[14] The AG asserted that the second error is the link between Henry Hub futures prices and the purchase price computed by the Agreement. (T-8, p. 14.) The AG contended that this link is unorthodox, inconsistent with the customary language and practice of commerce, and is misleading. (T-8, p. 14.)

We do not find the use of the Henry Hub futures prices as an index inconsistent with customary language and practice of commerce. ENSTAR's current long-term gas supply agreements have typically included annual price adjustment clauses that are tied to various price indices. These include the 3-month average for Light Sweet Crude futures in addition to the Henry Hub futures.[15] We recently allowed use of the Henry Hub futures price as an index for the Unocal Gas Supply Contract.[16]

The AG further stated that the link greatly understates the true price of North Fork gas taken into the ENSTAR system and obscures the fact that it obligates ENSTAR to pay, and to pass on to its ratepayers, a cost of gas that is priced higher than Henry Hub prices. (T-8, p. 14.) The AG asserted that the Henry Hub price

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[14]The Henry Hub is a cluster of direct pipeline connections among thirteen natural gas pipelines in southern Louisiana that directly connect to thirteen other pipelines. (T-8, p. 12.) The dense network of pipelines results in gas prices that vary by only a few cents per unit and fluctuate in close formation. (T-8, p. 13.) The twenty-six pipelines that directly interconnect at Henry Hub connect with each other and with hundreds of other pipelines throughout North America. Altogether, these pipelines constitute a unified transport infrastructure that extends into every state except Alaska and Hawaii, into all but two Canadian provinces, and into much of Mexico. (T-8, p. 13.)

[15]Order U-03-84(1), dated September 18, 2003, at 9.

[16]Order U-01-7(8), dated October 25, 2001. Docket U-01-7 is titled *In the Matter of the Gas Sales Agreement Between ALASKA PIPELINE COMPANY, a Wholly-owned Subsidiary of SEMCO ENERGY, INC., of Which the ENSTAR NATURAL GAS COMPANY is a Division, and the UNION OIL COMPANY OF CALIFORNIA, Filed as TA117-4.*

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includes both production taxes and transport charges between the wellhead and the Henry Hub. Because the Agreement includes Alaska specific production taxes and transportation charges as a separate item, the AG asserted the ratepayer pays twice for these charges. (T-8, p. 14.)

We do not agree with the AG's allegation that ENSTAR will be paying for transportation fees and production taxes twice. (T-8, p.14.) We are persuaded that these costs are included in Henry Hub prices, but ENSTAR correctly points out that Henry Hub prices are market-driven auction prices that are not cost-based, but rather supply/demand driven. (Tr. 519.)

This Agreement was negotiated using a number of considerations that likely included cost, but not exclusively cost; therefore, we will not order the Agreement price to be changed to remove production taxes and transportation fees. Such a cost disallowance is not appropriate for the specific circumstances surrounding this Agreement.

Price of Gas

The AG argued that the Agreement was most comparable to the Moquawkie contract where the producer also developed a known field for production through an existing well and drilled a second well. (Tr. 137.) The pricing provision under the Moquawkie contract was a flat rate of $2.75/Mcf, adjusted for inflation. (Tr. 130-131.) The Moquawkie contract was entered into approximately six months before the Unocal contract, so the AG contended that it was contemporaneous with the Unocal contract. (Tr. 130.)

Under the Unocal contract, Unocal was required to explore for gas in new areas rather than develop existing gas fields. (Tr. 140.) The AG further argued that Unocal had a commitment to expend a minimum amount of funds on exploration

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whereas NorthStar does not. (Tr. 163-164.) Unocal actually expended $50 million last year and anticipates spending $60 million this year. (Tr. 166.)

The AG argued that because the North Star gas well development requirement is comparable to Moquawkie, the well head price should be $2.75/Mcf, without the Henry Hub pricing index.

In contrast, ENSTAR asserted the Agreement is more like the Unocal contract and proposed a $3.00/Mcf floor, and use of the Henry Hub pricing index. NorthStar must drill a new well and create a redundant gas supply, and address the risks associated with establishing a second commercial well where earlier drilling efforts had yielded dry holes. (T-6, p. 14.)

We agree with ENSTAR that employing the Henry Hub pricing index, as we did in the Unocal contract, is reasonable for this specific case given the risks associated with development of further proven reserves. First, the Moquawkie contract did not require additional drilling before gas deliveries could begin. (Tr. 155.) This is clearly not the case for this Agreement. ENSTAR and NorthStar established that under this Agreement, NorthStar would need to expend significant investment before it would have the opportunity to sell gas.[17] NorthStar must prove it has 14.5 billion cubic feet (Bcf), and the present proven reserves for the North Fork field are 12.0. (T-2, p. 2.) NorthStar must also drill a second "commercial quality gas field" well to provide a second gas well. (T-6, pp. 12, 14.)

The AG's assertions of similarity to Moquawkie are not persuasive, and we allow the Unocal pricing structure. However, we do not find adequate support to

[17]"They [NorthStar] have to spend whatever it takes to find the gas...that meets the qualification." (Tr. 162.)

"NorthStar does not have a contract unless they are successful." (Tr. 166.)

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allow the proposed $3.00/Mcf floor price, which is a $0.25/Mcf increase over the Unocal floor price. NorthStar arguments of inflation, higher costs of capital and current elevated costs of gas are not supported in the record. We therefore require that the contract floor price be set at $2.75/Mcf.

Arbitrage

ENSTAR asserted that a limit on arbitrage, the possibility that NorthStar could purchase less expensive gas from a third party and provide it to ENSTAR at the contract rate, was unnecessary. (T-2, p. 16.) ENSTAR contended this was because there are no other proven gas sources for NorthStar, there is value and security in NorthStar having the ability to "cover" with gas from other sources, if necessary, and the opportunity for a market may cause some other producer to drill in the area. (T-2, p. 16.) NorthStar stated that the potential for arbitrage was not a legitimate concern because there are no producers in the Cook Inlet with extra gas to sell to NorthStar. (T-6, p. 28.) NorthStar further argued that if there were such a producer, it would sell its gas directly to ENSTAR. (T-6, p. 28.) Finally, NorthStar argued that there would be no way to transport such gas to Homer. (T-6, pp. 29-30.) However, NorthStar did not oppose a limitation on arbitrage, if we decided to impose one. (Tr. 436.)

We conclude that at the present time there is little opportunity for NorthStar to engage in arbitrage because there are no alternate proven gas sources for NorthStar other than the North Fork field. However, NorthStar has indicated an interest in interconnecting with another pipeline in the future if there are gas reserves sufficient to meet ENSTAR requirements to serve the Homer market as well as other customers. Under these circumstances, we must be concerned with the possibility of arbitrage.

NorthStar did not oppose a limitation on arbitrage, so we condition our approval of the Agreement to an arbitrage limitation equivalent to the one approved in

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the Unocal contract; not more than 15 percent of the total gas volume sold under the Agreement may come from third party sources.

Term & Market-Out Clause

The AG asserted that the 20-year term of the Agreement is not, in itself, unreasonable. (T-8, p. 17.) However, the AG argued that the length of the Agreement, coupled with unprecedented high prices, an unprecedented high floor price, an indefinite price escalator unrelated to Alaska markets, and the total lack of downward flexibility, renders the Agreement unreasonable. (T-8, p. 17.)

NorthStar argued that a market-out provision was inconsistent with the risks inherent in a development contract. (T-7, p. 8.) NorthStar argued that before it committed its resources to undertake gas development, it must be reasonably assured that it has a market for the gas at a reasonable price over a long enough time period for the investment to make financial sense. (T-7, p. 8.) NorthStar further argued that investors and financiers must be reasonably assured that NorthStar would obtain sufficient revenues over a long enough period to justify investment. (T-7, p. 8.)

We conclude that twenty years is a reasonable contract term. This contract term ensures that there is a firm gas supply to meet the needs of the additional customers to be served in Homer. We also recognize that the Homer customers will have to bear the costs associated with retrofitting their current heating systems to accept an alternate fuel, natural gas. A twenty-year contract also ensures that there is sufficient gas for a reasonable period of pay-off for customers to recover retrofitting costs. It also provides for investors to reasonably anticipate a return of and a return on investment.

While we agree that it could be beneficial five years into this Agreement to provide a means to allow ENSTAR to secure gas from another available lower-cost provider, this is not appropriate under these circumstances. The AG worries that future

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discoveries could make this Agreement a windfall for NorthStar shareholders, to the detriment of ENSTAR ratepayers; however, there is nothing in the record to justify such a contract modification at this time. We must deal with current information, rather than speculate on the future. We therefore reject the AG's proposed market-out clause.

Contract Conditions

We conclude that the Agreement is not in the public interest as it was presented. As with the Unocal contract approval, we require certain provisions to be modified. First, ENSTAR did not support an increase in the floor price for gas in excess of the rate we approved in the Unocal contract. The Agreement should be modified to establish a $2.75/Mcf floor price.

In the Moquawkie contract, we established a flat rate transportation charge of $.15/Mcf. In the Unocal contract, we approved a $1.00/Mcf cap on any transportation charges approved in a separate tariff filing. In this case, ENSTAR and NorthStar also advocate establishing the transportation rate in a separate tariff. That tariff filing requires our approval before it may be implemented. We conclude that the NorthStar Agreement should also have a transportation rate cap. We find that a $.30/Mcf rate cap is reasonable because this pipeline is approximately one-third the length of the pipeline addressed in the Unocal contract and the diameter of the pipeline necessary to serve ENSTAR's projected Homer gas load is approximately one-third the diameter of the KKPL pipeline.

We limit NorthStar's ability to sell third party gas to not more than 15 percent of the total gas volume sold under the Agreement. ENSTAR must file an addendum to the Agreement reflecting these modifications by the deadline established in this Order.

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Transportation Rate

We also determine that we will not approve transportation rates on NorthStar's pipeline that are in excess of the charges necessary to support a 4-inch pipeline from North Fork to Anchor Point. We will determine the actual transportation rate after we have reviewed and approved NorthStar's future tariff filing on this issue once NorthStar becomes a certificated public utility and becomes dependent, in part, on the actual cost of the pipeline construction. The transportation rate will be recovered from all ratepayers as part of ENSTAR's GCA. (Tr. 188.)

We understand that NorthStar hopes to find sufficient gas reserves to meet ENSTAR's need and to serve third parties. As ENSTAR asserted, if NorthStar is successful ". . . the vast majority of the gas going through that line may be for other purposes and other people." (Tr. 185.) We find that it is not reasonable to include in ENSTAR's rates transportation charges on NorthStar's pipeline in excess of those necessary to support a pipeline of the length and diameter[18] necessary to serve the projected Homer gas load. We place NorthStar on notice that we will only approve transportation charges that recover the costs of a pipeline four inches in diameter from its leases to Anchor Point. With these limitations, we conclude that approval of the Agreement without known transportation charges is reasonable.

We are interested in ensuring that any contract that affects the public interest is the result of an arms-length transaction.[19] Because ENSTAR's affiliate, Alaska Pipeline Company, could be asked to build NorthStar's pipeline, we levy an additional condition on the contract to ensure that the public interest is protected. We

[18]ENSTAR has projected that it will have approximately 1,500 customers in Homer after three years and that a pipeline four inches in diameter will be required.

[19]*See* Order U-01-7(7), dated August 9, 2001.

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place NorthStar on notice that its transportation tariff filing must demonstrate that a valid, reasonably advertised, competitive procurement process was undertaken for the construction of the NorthStar pipeline.[20]

Tariff

ENSTAR has asked us to approve the addition of the Agreement to ENSTAR's tariff, the inclusion of the costs of the Agreement in its GCA, and the addition of a surcharge. We find those requests reasonable, and we grant the requested approvals on the condition that ENSTAR files an addendum to the Agreement that complies with this Order. We require ENSTAR to make tariff filings implementing the requested approvals 90 days before gas is delivered. These tariff filings must include transportation rates, and terms and conditions, subject to the conditions for inclusion of Homer-specific transport costs.

Service Area Amendment

In supplemental testimony, ENSTAR proposed to revise its Homer service area boundaries. (T-2, p. 24.) ENSTAR asserted that it expected to file an application[21] to amend its Certificate to include the area along the KKPL so that it can provide service from the KKPL to those nearby communities.

In reply testimony, ENSTAR proposed an additional service area amendment to include some sections that were inadvertently excluded from the original service area in Docket U-96-108.

[20] *See* Order U-01-7(1), dated January 18, 2001; Order U-01-7(7).

[21] ENSTAR anticipated filing the application approximately 60 days from the submission of its supplemental direct testimony on October 31, 2003.

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We deny ENSTAR's request to amend its service area. In this proceeding, we are only addressing ENSTAR's proposed Agreement with NorthStar. We will address ENSTAR's request to amend its service area concurrently in Dockets U-96-108 and U-04-31.[22]

Service to Homer

We originally approved ENSTAR's application to provide service to Homer, subject to conditions, including a requirement that it begin service to Homer by December 31, 2000. At ENSTAR's request, we extended that deadline several times, most recently to January 2, 2004, and required it to request an extension of time to provide service, if needed. ENSTAR did neither. While our decision in this case warrants vacating that requirement, we remind ENSTAR that it must comply with all Commission orders or seek appropriate relief. We will not issue a certificate for Homer until gas service begins. We reserve the right to re-impose conditions if there are significant delays.

This Order constitutes the final decision in this proceeding. This decision is appealable within thirty days of the date of this Order in accordance with AS 22.10.020(d) and the Alaska Rules of Court, Rules of Appellate Procedure, Rule 602(a)(2). In addition to the appellate rights afforded by the aforementioned statute, a party may file a petition for reconsideration in accordance with 3 AAC 48.105. In the

[22]On March 17, 2004, ENSTAR filed an amendment to its service area to serve communities along the KKPL in Docket U-04-31. In that filing, ENSTAR asserted that its Homer service area was already amended following a request presented in Docket U-03-84. The proceeding in Docket U-04-31 is titled *In the Matter of an Application filed by ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc., to Amend Certificate of Public Convenience and Necessity No. 4 to Extend its Service Area to Serve Communities along the Kenai Kachemak Pipeline (KKPL) and KKPL's Proposed Extension, Including Kasilof and Ninilchik.*

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event such a petition is filed, the time period for filing an appeal is then calculated in accordance with Alaska Rules of Court, Rules of Appellate Procedure, Rule 602(a)(2).

ORDER

THE COMMISSION FURTHER ORDERS:

1. The Gas Sales Agreement between ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc., and NorthStar Energy Group, Inc., filed as TA125-4, is approved on the condition that an addendum is filed with the modifications set out in the body of this Order.

2. Inclusion by ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc., of the Gas Sales Agreement filed as TA125-4 in Section 708 of its tariff, is approved on the condition that the addendum required by Ordering Paragraph No. 1 is filed and approved.

3. Inclusion by ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc., of all costs of the Gas Sales Agreement filed as TA125-4 in its Gas Cost Adjustment, is approved on the condition that the addendum required by Ordering Paragraph No. 1 is filed and approved.

4. A surcharge of $1.00 per thousand cubic feet for the Homer service area is approved on the condition that the addendum required by Ordering Paragraph No. 1 is filed and approved.

5. The request to amend the service area of ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc., is denied, without prejudice.

6. Ordering Paragraph No. 2 of Order U-96-108(11) requiring ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc., to commence service to Homer, Alaska, or to file a motion for extension of time by January 2, 2004, is vacated.

7. By 4 p.m., April 23, 2004, the parties must file an executed addendum to the Gas Sales Agreement consistent with this Order.

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8. By 4 p.m., March 31 of each year, ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc. must file an annual reconciliation of Homer surcharge collections, as set out in the body of this Order. ENSTAR Natural Gas Company, a division of SEMCO Energy, Inc. shall append the yearly accounting to its annual report.

DATED AND EFFECTIVE at Anchorage, Alaska, this 23rd day of March, 2004.

BY DIRECTION OF THE COMMISSION
(Commissioner Kate Giard, dissenting, in part, and Commissioners Mark K. Johnson and G. Nanette Thompson, not participating.)



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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Mark K. Johnson, Chair
Kate Giard
Dave Harbour
James S. Strandberg
G. Nanette Thompson

In the Matter of the Application by ENSTAR NATURAL GAS COMPANY to Amend its Natural Gas Public Utility Certificate of Public Convenience and Necessity No. 4 to Include Additional Areas in and Around Homer and Seward	U-96-108
In the Matter of the Gas Sales Agreement between ENSTAR Natural Gas Company, a division of SEMCO ENERGY, INC. and NORTHSTAR ENERGY GROUP, INC. filed as TA125-4	U-03-84

CERTIFICATION OF MAILING

I, Jessica Desmarais, certify as follows:

I am Administrative Clerk III in the offices of the Regulatory Commission of Alaska, 701 West Eighth Avenue, Suite 300, Anchorage, Alaska 99501.

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On March 23rd, 2004, I mailed copies of

ORDER NOS. 12 and 7, respectively, entitled:

ORDER CONDITIONALLY APPROVING GAS SALES AGREEMENT, INCLUSION OF COSTS OF GAS SALES AGREEMENT IN GAS COST ADJUSTMENT, AND HOMER AREA SURCHARGE; DENYING, WITHOUT PREJUDICE, THE REQUEST TO AMEND SERVICE AREA; VACATING PREVIOUS FILING REQUIREMENT; AND REQUIRING FILINGS

(Issued March 23, 2004)

in the proceeding identified above to the persons indicated on the attached service list.

DATED at Anchorage, Alaska, this 23rd day of March, 2004.

Jessica Damarais

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SERVICE LIST
U96108.12/U03084.7

DATE: 03/23/2004

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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Gas Sales Agreement Between ENSTAR NATURAL GAS COMPANY, A DIVISION OF SEMCO ENERGY, INC. and MARATHON OIL COMPANY Filed as TA139-4	U-06-2 ORDER NO. 15

ORDER REJECTING TA139-4 AS A BASE SUPPLY CONTRACT HAVING THE EFFECT OF INCREASING THE CURRENT AVERAGE COST OF SYSTEM GAS SUPPLY BUT ALLOWING TA139-4 TO TAKE EFFECT IMMEDIATELY AS A BASE SUPPLY CONTRACT HAVING THE EFFECT OF DECREASING THE CURRENT AVERAGE COST OF SYSTEM GAS SUPPLY AND REQUIRING FILINGS

BY THE COMMISSION:

Summary

We reject Tariff Advice Letter 139-4 (TA139-4) which includes the gas supply contract, APL-5, because ENSTAR[1] did not meet its burden of demonstrating that gas supplies pledged under the contract are reliable and that the price is reasonable. We allow APL-5 to go into effect without our approval to the extent that APL-5 has the effect of decreasing the current average cost of system gas supply in any

[1]ENSTAR Natural Gas Company is a division of SEMCO Energy, Inc. (SEMCO). Alaska Pipeline Company (APLC) is a wholly-owned subsidiary of SEMCO. APLC, not ENSTAR Natural Gas Company, is the actual party to APL-5. The commission has historically regulated APLC and ENSTAR as a single entity. The use of the name ENSTAR in this proceeding includes both APLC and ENSTAR.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

year of its implementation subject to ENSTAR making supplemental filings addressing Section 2.7.4 of APL-5.

Background

At issue in this proceeding is TA139-4 filed November 14, 2005, in which ENSTAR requested our approval of a new gas supply contract, APL-5, with Marathon Oil Company (Marathon) providing for deliveries beginning in 2009.[2] ENSTAR operates under Certificate of Public Convenience and Necessity Nos. 4 and 141 as a natural gas transmission and distribution utility in Southcentral Alaska. Marathon is a current ENSTAR supplier under a Gas Purchase Agreement dated May 1, 1988.[3]

ENSTAR requested that the commission approve the addition of APL-5 as a base supply contract to its tariff[4] and also requested inclusion of all costs related to the contract in the calculation of ENSTAR's Gas Cost Adjustment.[5]

ENSTAR's tariff requires we approve any gas sales agreements that increase ENSTAR's current average cost of gas. Tariff Sheet 90, Section 708f, provides:

> Base Supply Contracts.
>
> The base supply contracts are those contracts in effect on September 1, 1987. Additional contracts or revisions of base supply contracts having the effect of increasing the current average cost of system gas supply will be made, subject to Commission approval, by filing with the Commission, 45 days prior to the proposed effective date of such addition or revision, a copy of such addition or revision. Additional contracts or revisions of base supply contracts having the effect of decreasing the current average cost of system gas supply become effective immediately without notification.

[2] H-1 at 1.

[3] T-9 at 5.

[4] H1-C (Tariff Sheet Nos. 89 and 221).

[5] *Id.*

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(907) 276-6222; TTY (907) 276-4533

ENSTAR believes that a secure supply of gas that is reliably available when its customers most need it is the utility's absolute top priority.[6] ENSTAR's gas supply contracts require ENSTAR to provide an annual forecast of its needs and supplies for the next ten years each October[7] in its "Buyer's Annual Forecast."[8] ENSTAR calculates its annual gas requirements based on existing supplier commitments and identifies any year in which there may be a supply shortfall ("Buyers Unmet Requirements").[9] Under ENSTAR's contact with Unocal,[10] Unocal has the right to supply any projected shortfall for five years into the future, beginning October 10, 2004. ENSTAR may not take gas from any third party so long as Unocal's total commitment of gas brings ENSTAR's unmet requirements to zero.[11]

In October 2004, ENSTAR projected unmet requirements beginning in 2008 and 2009.[12] Unocal was unable to commit to provide all of the additional gas needed for 2009.[13] ENSTAR notified other Cook Inlet producers of its need for new gas supplies. Marathon was the only gas producer that offered to meet ENSTAR's unmet requirements, including its full swing requirements, beginning in 2009 and continuing for a reasonable period.[14]

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[6]T-1 (Izzo) at 3.

[7]T-7 (Dieckgraeff) at 19.

[8]H-1B at 3.

[9]H-1B at 4.

[10]H-26 at 11.

[11]*Id.*

[12]T-7 (Dieckgraeff) at 6.

[13]*Id.*

[14]T-7 (Dieckgraeff) at 10.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ENSTAR's swing ratio is approximately 3.0, meaning its forecasted peak winter demand can be three times greater than its average daily demand. Chugach[15] and ML&P[16] have swing ratios ranging from 1.4 to 1.6 because electricity usage does not fluctuate as dramatically from season to season as does the demand for gas for space heating purposes. The industrial plants operating on the Cook Inlet - Agrium, the LNG[17] plant, and the Tesoro Refinery - have virtually no swing. They consume a more or less steady volume year-round.[18]

ENSTAR has elected not to develop storage to meet its deliverability requirements. Rather, ENSTAR "subcontracts" this important service to its suppliers.[19] Many gas distribution utilities in the Lower 48 use gas storage facilities to meet deliverability. SEMCO, in Michigan, uses a combination of leased and company-owned storage totaling 15.1 Bcf[20] to provide approximately 40 percent of its winter supply requirements and 25 percent of its peak-day requirements.

ENSTAR has contractual commitments from a 1988 contract with Marathon (APL-4), a 1982 contract with the Beluga producers (Chevron, ConocoPhillips, and ML&P), a 2000 contract with Aurora (also called the Moquawkie Contract), and a 2000 contract with Unocal.[21]

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[15]Chugach Electric Association, Inc. (Chugach).

[16]Municipality of Anchorage d/b/a Municipal Light & Power (ML&P).

[17]Liquefied natural gas (LNG).

[18]T-1 (Izzo) at 13.

[19]*Id.*

[20]One billion standard cubic feet (Bcf).

[21]T-7 (Dieckgraeff) at 6.

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The committed volumes supplied by the Beluga, Moquawkie, and APL-4 contracts are declining as illustrated by ENSTAR's 2005 Buyers Annual Forecast as follows:[22]

EXHIBIT A

TO THE OCTOBER 14, 2005 GAS SALES AGREEMENT BETWEEN MARATHON OIL COMPANY AND ALASKA PIPELINE COMPANY

ARTICLE XIVBUYER'S ANNUAL FORECAST

Buyer's Annual Gas Requirements (Bcf)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Annual Requirements	26.70	27.50	28.30	29.0	29.7	30.30	31.00	31.60	32.20	32.70
Existing Commitments:										
Beluga	1.10	0.80	0.70	0.60	0.00	0.00	0.00	0.00	0.00	0.00
Marathon APL4	13.00	11.00	9.00	7.00	5.00	5.00	5.00	5.00	5.00	5.00
Moquawkie	1.80	1.50	1.10	0.80	0.60	0.50	0.30	0.30	0.20	0.00
Unocal Commitments	10.80	14.20	17.50	19.00	16.00	13.00	10.00	7.00	4.00	1.00
Total Existing Commit.	26.70	27.50	28.30	27.40	21.60	18.50	15.30	12.30	9.20	6.00
Unocal Conditional Option	0.00	0.00	0.00	0.00	3.00	6.00	9.00	12.00	15.00	18.00
Marathon APL5 Initial Annual Commitment	0.00	0.00	0.00	1.60	5.10	5.80	6.70	7.30	8.00	8.70
Marathon APL5 Additional Commitment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Marathon Commit.	0.00	0.00	0.00	1.60	5.10	5.80	6.70	7.30	8.00	8.70
Additional Third-Party Commitments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unmet Requirements*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Starting in the mid-1970s, ENSTAR's first gas supply contract (APL-I) had a portion of its price indexed on a component of the producer price index. The price adjustment term for the Marathon APL-4 contract and Beluga Contract is based on the NYMEX[23] oil futures. The price adjustment term for the Moquawkie contract is based on the Gross Domestic Product Implicit Price Deflator (GDPIPD), a national measure of inflation. In the Unocal and NorthStar[24] contracts, the price itself is based on a

[22]H-1A, Ex. A at 44-46.

[23]New York Mercantile Exchange (NYMEX).

[24]As of the hearing date, there were no volumes committed from the NorthStar contract.

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701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

36-month daily average Henry Hub natural gas futures.[25] We have attached an appendix which illustrates the differing prices of ENSTAR's gas supply contracts.

ENSTAR presents its new supply contract with Marathon which "should insure that ENSTAR has sufficient gas to meet all of its customers' requirements through at least 2016."[26] Marathon provides all the gas needed by ENSTAR above that which comes from fixed volume contracts. APL-5 is effective October 14, 2005, with the full requirements provisions effective for Contract Years 2009 through 2016.[27] Marathon makes available 62.8 BCF of Proven Reserves to meet its Initial Annual Commitment.[28] There are limits on Marathon's rights to sell gas produced from its Proven Reserves if it can not meet its obligations under APL-5.[29] ENSTAR will have a priority on Marathon's gas delivered into the Cook Inlet area, except for Marathon's existing commitments;[30] and any subsequent contract entered into or any existing contract modified by Marathon must recognize this priority.[31]

The contract price (Index Price) of gas under APL-5 is set annually in October for the next year beginning January 1.[32] The Index Price is calculated using the simple daily average price of the NYMEX Henry Hub natural gas futures market during the preceding twelve months ending September 30.[33]

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[25]T-7 (Dieckgraeff) at 16.

[26]H-1 at 2.

[27]H-1A at 1.

[28]*Id.*

[29]*Id.* at 2.

[30]H-1A, Ex. E.

[31]T-7 (Dieckgraeff) at 15.

[32]H-1A at 2.

[33]*Id.* at 3.

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701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

The Index Price is discounted as follows to determine the Contract Price (defined in Section 3.1, p. 22 of APL-5) which is subject to a Floor and a Ceiling:

i. If the Index Price is $6.00 per Mcf[34] or less, the Contract Price equals the Index Price;

ii. If the Index Price is greater than $6.00 per Mcf and equal to or less than $8.00 per Mcf, the Contract Price equals $6.00 plus 80 percent of the difference between the Index Price and $6.00;

iii. If the Index Price is greater than $8.00 per Mcf and less than or equal to $10.00 per Mcf, the Contract Price is $7.60 plus 95 percent of the difference between the Index Price and $8.00;[35]

iv. If the Index Price is greater than $10.00 per Mcf, the Contract Price is $9.50 plus 85 percent of the difference between the Index Price and $10.00,[36]

APL-5 has a floor price, the minimum price Marathon will receive from ENSTAR, which is set at $4.25 adjusted annually by one-half the annual rate of inflation based on the GDPIPD.[37]

[34]One thousand standard cubic feet (Mcf)

[35]H-1B, Section 3.1(iii) at 23.

[36]H-1A at 3.

[37]H-1B, Section 3.3 at 23-24 - The Floor Price is equal to the initial price of $4.25 times one plus the floor price adjuster divided by 2. The floor price adjuster is the GDPIPD for the quarter ended June 30 of the year before the price is calculated, divided by GDPIPD for the quarter ended June 30, 2006.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

APL-5 also has a ceiling price of $15.00 that is adjusted annually by one-half the annual rate of inflation based on the GDPIPD; however, the cap cannot change by more than 1.5 percent per year.[38]

APL-5 requires ENSTAR to pay Marathon $0.25 per Mcf as a gas transportation fee to ship the gas to ENSTAR's pipelines. There is also an Excess Peaking gas fee of $2.50 per Mcf for gas that Marathon provides in excess of its pro rata share of ENSTAR's peak day gas requirements. Additionally, APL-5 requires ENSTAR to reimburse Marathon for all production taxes on gas purchased by ENSTAR.[39]

We have previously decided the ENSTAR-Unocal Gas Sales Agreement (Unocal GSA)[40] and the ENSTAR-NorthStar Gas Sales Agreement (NorthStar GSA).[41]

Unocal Gas Sales Agreement

On October 25, 2001, we issued Order U-01-7(8) conditionally approving a Unocal GSA between ENSTAR and Unocal. Unocal and ENSTAR characterized the Unocal GSA as an exploration contract because the focus of the contract was

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[38]H-1B, Section 3.4 - The Ceiling Price is equal $15.00 times one plus the ceiling price adjuster divided by 2. The ceiling price adjuster is the GDPIPD for the quarter ended June 30 of the Year before the Year for which the Price is calculated, divided by GDPIPD for the quarter ended June 30 of the Year two years before the year the Contract Price is calculated. However, the calculation of the ceiling price in any contract year, the ceiling price adjuster used in such calculation will not be more than 1.0300.

[39]H-1B, Article V.

[40]Docket U-01-7, *In the Matter of the Gas Sales Agreement Between ALASKA PIPELINE COMPANY, a Wholly-owned Subsidiary of SEMCO ENERGY, INC., of Which the ENSTAR NATURAL GAS COMPANY is a Division, and the UNION OIL COMPANY OF CALIFORNIA, Filed as TA117-4.* TA117-4 was filed December 12, 2000.

[41]Docket U-03-84, *In the Matter of the Gas Sales Agreement between ENSTAR Natural Gas Company, a division of SEMCO ENERGY INC. and NORTHSTAR ENERGY GROUP, INC. filed as TA125-4.* TA125-4 was filed August 8, 2003.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

exploration for new gas sources.[42] Under the contract Unocal committed to spend in excess of $10 million over two years looking for new gas fields.

The Unocal GSA was the first time we allowed a gas supply contract to be priced to a market index, Henry Hub natural gas futures. We found that ENSTAR needed to pay a competitive price to attract exploration capital and that a price tied to Henry Hub with a floor of $2.75 was a reasonable balance of the risks associated with gas exploration and the need to assure an adequate supply of gas to ENSTAR.[43]

Northstar Gas Sales Agreement

On March 23, 2004, we issued Order U-03-84(7), conditionally approving a full requirements gas sales agreement between ENSTAR and Northstar to serve Homer for twenty years beginning at the first delivery under the contract.[44]

NorthStar stated it would spend between $8 and $12 million for expenses associated with drilling, completing, and testing wells that target new gas reserves and constructing a pipeline.[45] We found that the investment required of NorthStar prior to the opportunity to sell gas, the requirement to prove additional reserves, and the requirement to drill a second 'commercial quality gas field' well as justifications for Henry Hub pricing.[46]

Hearing Proceeding

We convened a hearing on APL-5. It began on July 6, 2006, and continued through July 13, 2006, when it was recessed because Marathon refused to

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[42]Order U-01-7(8) at 8.

[43]*Id.* at 9.

[44]Order U-03-84(7) at 4

[45]*Id.* at 5.

[46]*Id.* at 10.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

provide discovery we ordered. ENSTAR presented the testimony of Paul R. Carpenter (Carpenter); Anthony M. Izzo (Izzo); Oliver Scott Goldsmith (Goldsmith), and Daniel M. Dieckgraeff (Dieckgraeff).[47]

The hearing resumed on August 22, 2006. Intervenor James L. Walker (Walker) presented testimony and was cross-examined[48]. Marathon presented the testimony of Bruce B. Henning (Henning) and Catherine M. Elder (Elder).[49] The Attorney General (AG) presented its witness Arlon R. Tussing (Tussing).[50] Tesoro presented Benjamin Schlesinger (Schlesinger).[51] The final witness was C. Les Webber (Webber), sponsored by Marathon, who had previously been unavailable due to scheduling conflicts.[52] On Sunday, August 27, 2006, we heard closing argument by the parties.[53] The positions of the parties are summarized below.

Positions of the Parties

ENSTAR

ENSTAR requests Commission approval for the addition of APL-5 to Section 708 of ENSTAR's tariff as a base supply contract and for inclusion of all costs related to the contract in the calculation of ENSTAR's Gas Cost Adjustment, including Henry Hub pricing.

ENSTAR stated that it supports using a 12-month trailing average of the Henry Hub Index (Trailing HHI) because it provides 240 data points of actual

[47]Tr. at 118-1261.

[48]Tr. at 1298-1399.

[49]Tr. at 1399-1656.

[50]Tr. at 1687-2050.

[51]Tr. at 2052-2308.

[52]Tr. at 2318-2478.

[53]Tr. at 2054-2619.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

transactions in a highly liquid, transparent, and competitive natural gas market. ENSTAR added that the Trailing HHI reflects price changes more quickly than the 36-month trailing average HHI used in Unocal GSA and NorthStar GSA. ENSTAR stated that a 12-month trailing average in APL-5 buffers the Unocal GSA by reflecting falling prices. An additional advantage of the Trailing HHI price is that it is market-responsive, thereby mitigating the risk that, over the term of the contract, the price will be higher than the HHI price.[54]

ENSTAR asserted that the Henry Hub is a dominant market reference and the commission twice sent signals to the market indicating that contracts with trailing averages of Henry Hub represent a fair price. ENSTAR absolutely believes APL-5 is a fair market price, and that ENSTAR got this gas for less than straight Henry Hub price even with a ceiling. ENSTAR asserted that Cook Inlet gas is in scare supply and that APL-5 diversifies ENSTAR's supply portfolio.

ENSTAR maintained that the purpose of the Henry Hub price was to stimulate additional exploration and development of reserves in Cook Inlet. ENSTAR added that the price needs to be high enough to attract investment capital to this market compared to other markets. ENSTAR stated that the Henry Hub is what the Department of Energy (DOE) uses as a comparative reference. ENSTAR stated that two alternatives have been proposed, one on the West Coast and one in Alberta, but points out that both those markets have a lot of supply. ENSTAR added that the supply and demand balance in those markets is not the same as it is in the Cook Inlet market. ENSTAR hoped that, over the long haul, the Cook Inlet market would come into some sort of a balance.[55]

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[54]TA139-4 at 5.

[55]Tr. at 671-578.

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(907) 276-6222; TTY (907) 276-4533

ENSTAR proposed the $4.25/Mcf price floor and the ceiling being capped at $15.00/Mcf, noting that the floor and cap are adjusted annually by one-half of inflation, but the cap cannot change by more than 1.5 percent from year-to-year. The purpose of the cap and floor is to force the price to fall within a relatively narrow range and to avoid extreme swings in price.[56]

ENSTAR explained that the floor and the ceiling were agreed to by the parties as a mutual allocation of risk.[57] ENSTAR explained that the floor and ceiling price were negotiated terms, and in its opinion, not arbitrary.[58]

APL-5 requires ENSTAR to pay a transportation fee of $0.25/Mcf to Marathon for transportation of all gas provided to ENSTAR. The transportation fee is intended to cover the construction, installation, and operation of Marathon's production, gathering, treating, and processing facilities; and all pipelines necessary to deliver gas to ENSTAR. The alternative, according to ENSTAR, would be to pay the actual tariff for each pipeline, which creates risks that arise from the new regulation of most Cook Inlet gas pipelines. ENSTAR added that the use of actual tariffs is also unworkable because Marathon will have two contracts with ENSTAR; and gas will be delivered simultaneously under both contracts starting in 2009, so there is no way to determine which gas molecules are from APL-4 or APL-5. ENSTAR does not think it wise to expose its customers to these risks and proposes a fixed rate as best for its ratepayers.[59]

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[56]TA139-4 at 5, Tr. 453.

[57]Tr. at 229.

[58]Tr. at 139.

[59]TA139-4 at 6.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ENSTAR asserted that there is no limitation to the transportation fee, whether a pipeline is preexisting or constructed later.[60] ENSTAR added that Marathon has not indicated from where it plans to ship the gas. ENSTAR further added that it is conceivable that Marathon will be shipping gas through preexisting pipelines, newly-constructed pipelines, and newly-regulated pipelines.[61] ENSTAR stated that Marathon indicated it may ship gas over the Kenai-Nikiski Pipe Line, Cook Inlet Gas Gathering System, and Beluga, which are now regulated pipelines.[62]

APL-5 requires ENSTAR to pay a peaking gas fee of $2.50/Mcf, in addition to the price of the gas for all gas delivered in excess of Marathon's pro rata share of ENSTAR's peak day gas requirements. According to ENSTAR, the additional charge of $2.50/Mcf (in addition to the HHI price) was necessary, if ENSTAR requests and Marathon provides gas (1) in excess of Marathon's pro-rata share of what it would provide on the peak day or (2) in excess of the flow rate that if sustained for 24-hours would cause Marathon to supply more than its pro-rata share of the peak day requirement. However, if the reason for the request for excess gas is due to an inaccurate forecast by ENSTAR of its estimated peak day requirement, the incremental charge of $2.50/Mcf is not applied and the price payable is the HHI price.[63]

ENSTAR stated that the peaking fee contract provision supports the notion that a full requirements contract with swing has a great deal of value. ENSTAR continued that providing for swing is also costly for a producer not in a position to be

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[60]Tr. at 851.

[61]Tr. at 852.

[62]Tr. at 853-854.

[63]TA139-4 at 6.

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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

able to itself go to the spot market and pick up emergency supplies to backfill a contract. ENSTAR stated that swing has value to a buyer and costs to a seller.[64]

ENSTAR also reported awareness that Marathon provided peaking gas to a third party at basically the same price as the peaking price under the Unocal contract. ENSTAR stated that the price for the peaking gas in the Unocal contract price is base price plus $1.00 per Mcf. ENSTAR stated that the reason Marathon received the $2.50/Mcf peaking fee was that it was part of the overall contract negotiations.[65]

APL-5 provides that ENSTAR will reimburse Marathon for all production taxes. ENSTAR asserted that the price includes all royalties. ENSTAR added that these provisions are essentially identical to the Unocal and NorthStar contracts.[66] ENSTAR added that the producers have insisted upon provisions for tax reimbursement in all of ENSTAR's gas supply arrangements since the mid-1970s. ENSTAR stated that no one needs to look further than the flurry of activity around production taxes in the recent legislative session to understand why. ENSTAR added that under the current statutory scheme, the provisions for oil production taxes also apply to gas production taxes.[67]

Marathon will be ENSTAR's full requirements supplier beginning in contract year 2009 and ending in contract year 2016; however, Marathon may provide gas into the future beyond 2018. ENSTAR added that APL-5 is a relatively short-term contract compared to ENSTAR's other gas supply contracts. Further, Marathon has committed to supply ENSTAR's unmet requirements through 2016 and Marathon has

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[64]Tr. at 283-286.

[65]Tr. 1179-1180.

[66]TA139-4 at 7.

[67]T-7 at 19.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

no right to "put" additional gas to ENSTAR unless shortfalls occur for specified reasons during those years. ENSTAR added that Marathon has an option to offer additional gas to ENSTAR under various circumstances; however, ENSTAR has the option to take or not take the optional gas. ENSTAR asserted the contract's term balances the need for an assured gas supply against the possibility that less expensive or alternative gas supplies might become available from the North Slope or new Cook Inlet discoveries or developments.[68]

ENSTAR offered three reasons why APL-5 does not have a limitation on the amount of gas that Marathon can purchase each year and resell. First, when gas is scarce it is not desirable to make it more difficult to discover, produce, deliver, or to otherwise limit the seller's alternatives to procure gas to meet ENSTAR's requirements. Second, Marathon is not obligated to but may wish, in the future, to develop storage facilities for meeting some of its commitments to ENSTAR. ENSTAR stated that purchasing gas when it is available (typically during the summer) and putting it into storage for the winter is very desirable because that maximizes the gas available for ENSTAR. Third, the proposed APL-5 is relatively short-term and it would be beneficial if Marathon can offer additional gas as a result of purchases. ENSTAR does not expect that Marathon will purchase significant quantities of gas to meet its obligations, but believes it unwise to constrain that option during the term of APL-5.[69]

[68]TA139-4 at 4.

[69]TA139-4 at 5.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

Marathon

Marathon supports APL-5 and offers its opinion that the agreement satisfied the "public interest" standard adopted by the commission.[70] Marathon stated that it invested significant amounts of capital to prove up and develop its gas reserves so it can fully serve ENSTAR. As a result of its investment Marathon can now provide a long term secure supply to ENSTAR and its customers.[71] Marathon added that in the contract negotiations it made significant concessions to benefit ENSTAR's customers regarding the pricing of the gas and other key terms.[72] Marathon stated that APL-5 was carefully structured to satisfy the commission's public interest standard, as well as to balance the needs of each of the parties and that in its opinion the public benefits from approval of APL-5.[73] Marathon was the only gas producer that offered to meet specific load-following needs of the ENSTAR customer base and is willing to also meet ENSTAR's unmet requirements beginning in 2009 and for a reasonable period thereafter.[74] In its role as an ENSTAR gas supplier meeting ENSTAR's considerable swing and peak requirements, Marathon suggests that it will incur significantly more cost than the cost of meeting the load of a customer who takes a relatively constant daily volume of gas over an extended period.[75] Marathon witness Henning[76] stated this contract has a very high likelihood of reducing ENSTAR's WACOG (weighted average

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[70] *Comments of Marathon Oil Company* filed December 22, 2005 in TA139-4, at 1.

[71] *Id.* at 2.

[72] *Id.* at 3.

[73] *Id.* at 4.

[74] *Id.* at 2.

[75] *Id* .at 4

[76] T-14 (Henning) at 24.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

cost of gas). Marathon also stated in closing argument there was an extraordinary likelihood in this record that the result of APL-5 will be a decrease to ENSTAR's WACOG.[77]

Attorney General

The AG noted seventeen specific concerns with APL-5 and set them out in his statement of issues and early filed comments.[78] The AG's principal concern is whether the price of gas under APL-5 is unjust and unreasonable such that the pricing provision of APL-5 should be rejected in its entirety.[79] The AG identified three subcomponents of the price inquiry including:

(a) Whether it is appropriate to use the Henry Hub index (HHI) as a pricing proxy under the facts presented in APL-5;

(b) Whether APL-5's use of a twelve-month HH average would be prudent given HH market volatility and the resulting potential for consumer rate shock;

(c) Whether the price floor ($4.25/Mcf) and price cap ($15.00/Mcf) in APL-5 are reasonable.

The AG identified other concerns including such matters as the opportunity for arbitrage, peaking fees, transportation fees, and production taxes. The AG asked whether storage might render suspect Marathon's claim of high cost to meet deliverability and suggested that approval of one or all of the pricing provisions will require a determination of whether the inclusion of such term in APL-5 meets the

[77] Tr. at 2529.

[78] *Attorney General's Statement of Issues,* filed June 28, 2006, and *Comments of the Attorney General* filed in TA139-4 on December 22, 2005.

[79] *Comments of the Attorney General*, filed December 22, 2005, in TA139-4, at 2.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

standard of fair, just, and reasonable.[80] The AG suggested that the APL-5 raises significant public policy issues and would, if adopted, impact all of ENSTAR's captive ratepayers.[81]

Intervenor Walker

Walker is a residential ratepayer who opposes APL-5.[82] Walker asked that the contract be rejected as the price terms are neither just nor reasonable.[83] Walker stated that the ENSTAR gas cost adjustment mechanism means ENSTAR's captive ratepayers will bear all of the economic and supply risk under APL-5. ENSTAR will bear no economic risk or supply risk at all if APL-5 is approved by the commission.[84] Walker added that public policy should encourage construction of gas storage facilities to ensure the long-term provision of utility services necessary for the public convenience and necessity.[85] Walker stated that the lack of gas production capability in Cook Inlet is not solved by this contract.[86] Walker objected to allowing companies the opportunity to take profits from Cook Inlet without requiring them to reinvest in Cook Inlet, thereby ensuring a long term gas supply for Alaska consumers.[87]

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[80] *Id.* at 2.

[81] *Id.* at 3.

[82] *Comments of James L. Walker*, filed December 19, 2005, in TA139-4, at 1.

[83] *Id.* at 1.

[84] *Id.* at 1.

[85] Tr. 1384-1385 and *Comments of James L. Walker,* filed December 19, 2005, in TA139-4 at 3.

[86] *Comments of James L. Walker,* filed December 19, 2005 at 1.

[87] *Id.* at 4

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
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(907) 276-6222; TTY (907) 276-4533

Intervenor Tesoro

Tesoro's primary concern with APL-5 is the objectionable pricing mechanisms. Tesoro asserted that a price based on the 12-month trailing average of Henry Hub prices is essentially a "straight Henry Hub" price and approval of straight Henry Hub price will result in ENSTAR paying excessive prices for Cook Inlet natural gas.[88] According to Tesoro, Cook Inlet natural gas is either used locally, used to manufacture fertilizer for export along the Pacific Rim, or converted into LNG for export to Japan,[89] and none of these uses is linked in any direct way to Henry Hub[90] pricing; and therefore, a HHI price bears no logical relationship to the prices of Cook Inlet natural gas.[91] Tesoro stated that the only justification for using HHI pricing is as an incentive for a commitment to explore for additional natural gas, such as in the Unocal GSA.[92] Tesoro asserted that because of the absence of an exploration obligation or other undertakings on the part of Marathon, APL-5 lacks justification in support of the proposed straight HHI pricing.[93] Tesoro is also concerned that the peaking and excess volume price premiums to be paid by ENSTAR customers are excessive.[94]

According to Tesoro, premiums for peaking gas are arguably built into the HHI pricing structure, are reflective of seasonal supply and demand dynamics, and

[88] *Tesoro Alaska Company's Comments on Tariff Advice Letter 139-4 and Petition to Intervene*, filed December 22, 2005, in TA139-4, at 3.

[89] *Id.*

[90] Henry Hub Index.

[91] *Id.*

[92] *Id.* at 5.

[93] *Id.* at 6.

[94] *Id.* at 3 and 7.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

appear to be inappropriate as premiums above HHI pricing.[95] Tesoro said that the propriety of these price adjustments for premium services should be investigated by the commission.[96] Tesoro is also concerned with the ability of Marathon to resell third-party natural gas to ENSTAR at a premium above its acquisition cost without any restrictions or constraints.[97] According to Tesoro, APL-5 puts Marathon in the position of a gas broker, providing it with the opportunity to purchase gas at lower prices from others and sell that same gas to ENSTAR under APL-5.[98]

Intervenor Trading Bay

Trading Bay Energy Corporation (Trading Bay) was granted intervenor status in the Docket proceeding but did not participate at the hearing.[99] Trading Bay is an Alaska business that has as its goal establishing an Alaska owned and operated oil and gas exploration and production company.[100] The company complained that a "[c]onsistent stick in the spokes" as it has sought to grow its business and produce oil or gas, is the lack of opportunity to sell newly discovered gas into the existing marketplace.[101] Trading Bay asked that the commission take steps to require that a set

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[95] *Id.*

[96] *Id.*

[97] *Id.* at 8.

[98] *Id.*

[99] Order U-06-2(2), *Order Granting Motion for Leave to Accept Reply Filed by Tesoro, Denying Motion for Leave to Accept Reply Filed by Agrium, Affirming Electronic Ruling Granting Intervention to Marathon and Denying Intervention to Agrium, Vacating Electronic Ruling Denying Intervention to Tesoro, Granting Petitions to Intervene Filed by Walker and Trading Bay, Rejecting Reply by Trading Bay, Affirming Bench Ruling and Adopting Procedural Schedule, and Granting Motion to Adopt Orders Governing Discovery and Confidential Discovery Material,* dated March 23, 2006.

[100] *Comments by Trading Bay Energy Corporation,* filed in TA139-4 on December 27, 2005, at 1.

[101] *Id.* at 2.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

aside of at least 10 percent of the gas sold under APL-5 come from smaller independent gas producers and that it be sold on the same terms as are enjoyed by the primary seller.[102] Sales by small producers to the ENSTAR market on the same terms as are provided for in a primary seller contract will create economic incentive for exploration and production companies to risk investment capital in gas projects in the Cook Inlet Basin.[103]

Comments by Non-parties

A number of interested individuals and entities commented on APL-5 after issuance of our public notice. While these individuals and entities did not participate in the public hearing, we consider their comments important to our review.

For example, C. Grey objected to the production and transportation costs that would be paid to the producer.[104] Daniel Donkel urged broader competition and asked that the RCA assure that competitors be given a fair share of the ENSTAR gas market.[105] Gregory Micallef requested a 25 percent set aside gas market for smaller producers to encourage new competition amongst major oil companies and mid sized independents.[106] G. Scott Pfoff, the president of Aurora Gas, LLC, cited the commission to two major areas of concern with regard to APL-5: (1) a potential negative impact on exploration and (2) a negative impact on the Moquawkie Contract that Aurora has with ENSTAR.[107] AARP asked that the gas pricing provision of APL-5

[102] *Id.* at 2.

[103] *Id.* at 3.

[104] E-mail from C. Gray to RCA, filed in TA139-4, December 12, 2005.

[105] Letter from D. Donkel to RCA filed in TA139-4, November 28, 2005.

[106] Letter from G. Micallef to RCA filed in TA139-4, December 23, 2005.

[107] Letter from G. Pfoff to RCA filed in TA 139-4, December 22, 2005.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

be investigated including the appropriateness of the index to which the prices are to be tied, and other price components.[108]

Standard of Review

ENSTAR asked us to find that APL-5 is in the public interest and allow the costs that ENSTAR incurs under the agreement to be recovered in ENSTAR's rates.[109] ENSTAR's focus in this proceeding was on supply. "ENSTAR's main focus is having a secure supply of gas now and in the future." According to ENSTAR, that's the main issue for its customers and Southcentral Alaska.[110]

We believe ENSTAR's position that supply is the "main issue" does not give enough weight to the cost of that supply. ENSTAR ratepayers, not ENSTAR, bear the cost of natural gas supplies that ENSTAR's obtains in its negotiations with the gas producers.[111]

The AG observed,

> "[f]irst, to be consistent with the public interest, any proposed GSA must help provide ENSTAR with a reliable supply of gas. And second, gas sold under APL-5 must be 'reasonably priced.' Both requirements must be met, and a finding of reliability does not trump the need for ENSTAR to also show any proposed GSA is "reasonably priced".[112]

We adopt the Attorney General's observations as our standard of review because it achieves the proper balance between the needs of the utility and the needs of the ratepayers. We will approve APL-5 if we find that it achieves a reliable supply at

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[108]Letter from AARP to RCA, filed in TA139-4, December 22, 2005.

[109]*ENSTAR's Issue Statement and Witness List*, filed June 28, 2006, at 1.

[110]T-8 (Dieckgraeff) at 26.

[111]Tr. at 205.

[112]*Comments of the Attorney General,* filed in TA-139-4.December 22, 2005)

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

a reasonable price. Only if both of these factors are met can we find that APL-5 is in the public interest.

Discussion

In the words of ENSTAR's witness Goldsmith, these are times of "unprecedented market uncertainty" in Cook Inlet.[113] Indeed, we cannot predict from the record presented by the parties whether, in the next decade, Cook Inlet will continue to export gas, as it has for almost 40 years, or whether it will import gas, or both. During the latter years covered by APL-5, ENSTAR's customers could, for example, burn exclusively local gas or a mixture of local gas and foreign LNG or even North Slope gas.

We realize from the record that ENSTAR's alternatives for gas supply today in Cook Inlet are limited. The many transportation options and availability of multiple suppliers that exist in the contiguous 48 states are not present in the Alaska market. ENSTAR witness Izzo stated that from a long-term perspective there are three other ways to bring gas to ENSTAR's pipeline system, coalbed methane, conventional gas from interior basins, and import of LNG.[114] On the possibility of North Slope Gas from a spur line, Izzo stated, "[t]he earliest that North Slope gas might be available to ENSTAR would be right around the time that APL-5 expires, approximately 2016, and that's only if everything goes perfectly."[115]

ENSTAR witness Goldsmith testified that the concern over the fall in Cook Inlet gas reserves led us to approve the Unocal and NorthStar contracts.[116] Marathon informed us that it has taken deliberate steps to prove up gas reserves in response to

[113]T-6 (Goldsmith) at 3.

[114]T-1 (Izzo) at 16.

[115]T-2 (Izzo) at 6.

[116]T-5 (Goldsmith) at 18.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

the perceived market signals given to gas producers with ENSTAR's Unocal and NorthStar contracts.[117] Marathon stated it spent substantial sums of money since 2002 which clearly demonstrates that Marathon "reacted in the same way as Unocal and NorthStar to find and develop Cook Inlet gas."[118] Goldsmith explained to us that new fields have been discovered and brought into production and production companies that are new to Cook Inlet and Alaska have been exploring for gas.[119] ENSTAR states its experience with paying higher market-based prices has resulted in Unocal finding over 130 Bcf of gas it committed to ENSTAR.[120] ENSTAR believes that unless new reserves are discovered, it will soon not have enough Cook Inlet gas to meet the needs of the community.[121]

ENSTAR's case in support of APL-5 is based on an assumption that ENSTAR's current ratepayers should, by themselves, pay prices for natural gas high enough to incent future exploration and development in Cook Inlet. Among the recitals in APL-5 is one that reads:

> WHEREAS, Buyer believes that it is in the best interest of its customers to encourage and promote additional Gas exploration and development to meet the Gas demands of the Cook Inlet in 2009 and beyond;[122]

It is evident from that recital, as well as ENSTAR's testimony in support of APL-5,[123] that ENSTAR's case hinges on the assumption that it would be acceptable for its ratepayers to pay more for gas than others pay in the belief that paying extra would help Cook Inlet

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[117] T-9 (Webber) at 3.

[118] T-10 (Webber) at 4-5.

[119] T-5 (Goldsmith) at 17.

[120] T-8 (Dieckgraeff) at 10.

[121] T-1 (Izzo) at 3.

[122] APL-5, at 1.

[123] T-8 (Dieckgraeff) at 9.

Regulatory Commission of Alaska
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Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

exploration and development along. While it may be advantageous for a public utility's shareholders to promote specific kinds of economic development, we cannot allow ratepayers to bear the cost of this laudable goal alone.

Ratepayers should pay the going price in the regional market from which they buy, a price that secures for them a gas supply with the appropriate swing they need. They should not be required to pay a premium to achieve general economic goals, although it might be acceptable under limited circumstances to acquire particular supplies.

Ratepayers want gas at the lowest price they have to pay to get it. While as Alaskans, they may prefer gas from nearby fields, which benefit the state and local economies, as ratepayers, the price of gas is more important to them than its place of origin. If foreign gas from a reliable source is cheaper, a public utility should not force its captive ratepayers to pay for more expensive, Alaska gas. At this time, foreign gas is not an option for ENSTAR or its ratepayers but, in the longer term, including many of the years covered by APL-5, that option is viable.

The exploratory activity we believed that would lead to additional Cook Inlet reserves as a result of our orders in Unocal and NorthStar has not materialized. In the United States as a whole, the reserves-to-production ratio has historically been about 10:1. In 1970 in the Cook Inlet, it was 30:1.[124] By 2002, the reserves-to-production ratio had fallen to 10.7:1, close to the rest of the U.S. gas market.[125]

ENSTAR stated that January 1, 2006, reserves compare unfavorably with the Department of Natural Resources Cook Inlet reserves as of January 1, 2004.[126]

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[124] *Id.* at 13.

[125] T-5 at 15.

[126] T-8 (Dieckgraeff) at 5.

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(907) 276-6222; TTY (907) 276-4533

Reserves are lower by nearly the amount of production that occurred during the two-year period, decreasing by 439.1 Bcf.[127]

Despite ENSTAR's ratepayers funding millions of dollars in an "exploration and development" incentive plan, Cook Inlet reserves have declined. No party presented evidence that Henry Hub pricing resulted in more reserves for ENSTAR. ENSTAR witness Goldsmith described supply curtailments that occurred in the winter of 2005-2006 and stated that those incidents suggested that the reserves-to-production ratio is lower than it should be and that it is due to insufficient incentives to invest in new reserves.[128]

No party presented evidence to us that would suggest how much price incentive ENSTAR ratepayers must pay to increase Cook Inlet reserves.[129] Marathon witness Henning affirmed that no company ever made an investment exclusively off a pricing signal.[130]

We must reluctantly conclude, based on this record, that the now five year old economic experiment promoted by ENSTAR in both the Unocal and NorthStar contracts has not produced noticeable results. There have been no net reserves added

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[127] *Id.*

[128] T-5 (Goldsmith) at 19.

[129] We also cannot ignore the parts of this record that tell us that exploration (as distinct from development of existing reserves) in Cook Inlet cannot be incentivized at any price, that the possibility of a spur line from the North Slope trumps any monetary effort ratepayers could make. And always in the back of producers' minds is the possibility and expected price of imported LNG. ENSTAR offering a price above that expected amount is unlikely to incent general exploration and development, although it might elicit the desired behavior as to particular gas for which ENSTAR pledges to pay its uniquely high price.

[130] Tr. at 1466.

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701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

to Cook Inlet. In fact, what ENSTAR tells us today is that reserves replacement is not keeping up with production.[131]

We note from the record there seems to be only one driver that spurs substantial increases in Cook Inlet reserves—the export of LNG to Japan. Tesoro witness Schlesinger stated, "[t]he export sale of Cook Inlet gas as LNG to Japan also represents Marathon's primary alternative market for its gas sales."[132] Cook Inlet reserves additions were reported in only 3 years between 1977 and 2004.[133] In 1986, Cook Inlet reserves increased by 1,400 Bcf, in 1996 reserves increased by 955 Bcf, and in 1997 by 439 Bcf.[134]

Phillips Alaska Petroleum Gas Corporation and Marathon Oil Company (the owners of the LNG plant) sell LNG to utility companies in Japan. On April 11, 1988, two years after Cook Inlet reserves were increased by 1,400 Bcf, the LNG owners filed an application with the Economic Regulatory Administration (ERA), requesting a fifteen-year export license extension to March 31, 2004[135]

Eight years later, on December 31, 1996, the owners of the LNG plant filed an application requesting that the DOE extend their authorization to export LNG for

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[131]T-8 (Dieckgraeff) at 5.

[132]T-19 (Schlesinger) at 8.

[133]T-5 (Goldsmith) at 16.

[134]H-2 at 71.

[135]H-60 at n.3 referencing DOE/ERA Opinion and Order No. 261, *Order Amending Authorization to Export Liquefied Natural Gas to Japan* (Order No. 261).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

five years through March 31, 2009.[136] In 1996 and 1997, Cook Inlet reserves increased by nearly 1,400 Bcf. The export license was extended through March 31, 2009.[137]

We observe with interest this correlation between Cook Inlet reserves growth and requests for extension of LNG exports[138] revealed in this record. The record before us provides little more than speculation that the use of Henry Hub by one utility provides sufficient incentive to result in Cook Inlet reserves growth.

Reliable Supply of Gas

ENSTAR stated that it applied the following criteria for new gas purchases, (1) full requirements (if possible) (2) full swing, (3) fair price, (4) proven reserves and (5) diversified supply.[139] ENSTAR stated its first priority is always to obtain a reliable, long-term gas supply at the lowest possible price.[140]

ENSTAR witness Izzo stated,

> I see APL-5 as a bridge contract that will give ENSTAR a high level of supply security during a very, very uncertain transition period. APL-5 provides us with an assured supply at a reasonable, market-based price, provided by a highly reliable and responsible supplier that ENSTAR has been able to trust to meet its requirements for over 40-years."[141]

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[136] H-60 at 2.

[137] H-60 at 57.

> After taking into consideration all of the information in the record..., we find a five-year extension of the authority.... to export LNG to Japan has not been shown to be inconsistent with the public interest. In particular, the record shows here is a sufficient regional supply of natural gas to satisfy local and export demand through the extension period. Furthermore, we believe the extension will continue benefits provided by the export to the Alaskan economy, energy production, and international trade.

[138] T-5 (Goldsmith) at 16).

[139] T-7 (Dieckgraeff) at 11).

[140] *Id.* at 12.

[141] T-2 (Izzo) at 7.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ENSTAR bears the burden of proving that this contract will provide that high level of supply security. We test ENSTAR's statements against the record compiled in this hearing.

ENSTAR believed that Marathon has committed to supply ENSTAR's unmet requirements through 2016.[142] It maintained that:

> ENSTAR's most recent major gas supply contract, the Unocal contract was not backed by proven reserves, but rather imposed an exploration obligation on Unocal and it has been quite successful. As a result Unocal has found, and is developing, significant new quantities of gas on which ENSTAR has "first call". ENSTAR believes however that is prudent that the next layer of gas supply be based on proven reserves."[143]

This commitment is embodied in APL-5 contract at Section 2.3, Full Requirements Supplier, which states. In part,

> 2.3 Full Requirements Supplier. The Parties acknowledge and agree that Seller has made the Initial Annual Commitments in such amounts as are necessary, in light of Buyer's current projections, to 'reduce Buyer's Unmet Requirements .to zero (0) for each Contract Year beginning in Contract Year 2009 and ending in Contract Year 2016, and that, for those Contract Years, Seller will be "Buyer's Full Requirements Supplier.[144]".

Section 2.7.4 of the Contract discusses the priority of ENSTAR's position in relation to other of Marathon's gas sales contracts and states, in part,

> 2.7.4 Seller shall not commit to dispose of Gas from Seller's Proven Reserves if such commitment would have a 'material adverse effect on Seller's ability to meet the obligations of Seller under this Agreement. *Except for Seller's Third Party Commitments,* Buyer has first call on Seller's Gas delivered into the Cook Inlet Area necessary to meet Seller's obligations to make Gas available to Buyer under this Agreement. Any agreement' (including an amendment to Seller's Third Party Commitments or exercise of an option under Seller's Third Party Commitments) made on or after October 14, 2005 by Seller to dispose of Seller's Gas from its Proven Reserves during the Term of this Agreement must recognize that Seller has committed

[142]T-7 (Dieckgraeff) at 14.

[143]*Id.*

[144]H-1B at 9.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

> to make Gas available to Buyer under this Agreement and that Buyer has prior call on that Gas to satisfy the obligations of seller to make Gas available to Buyer.[145]

A list of fifteen contracts or agreements between Marathon and third parties are included at Exhibit E to the contract.[146] Several of the contracts appear to be related to Marathon's LNG export activities as well as what appear to be gas supply contracts with Agrium, Tesoro, Chugach Electric Association, XTO Energy, and others.

During the hearing we became aware that ENSTAR had not fully evaluated the effect of Section 2.7.4 on its committed supplies from Marathon.[147]

ENSTAR has relied on Marathon's representations "about not letting the town to go dark while industrials operated"[148] and has required a reserves letter from Marathon but has not yet fully evaluated it.[149] ENSTAR maintained that it takes a lot of comfort from its 40-plus year relationship with Marathon.[150]

ENSTAR stated that its criteria for new gas purchases are based on full requirements, proven reserves, and diversified supply.[151] We have established a standard of review which requires that APL-5 provide a reliable supply of gas at a reasonable price.

[145]H1-B at 12 (emphasis added).

[146]H-1B, at 58.

[147]Tr. at 151-157.

[148]Tr. at 1016.

[149] Tr. at 1019.

[150]Tr. at 1017.

[151]T-7 (Dieckgraeff) at 3.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
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(907) 276-6222; TTY (907) 276-4533

We find that ENSTAR did not meet its burden of proof that APL-5 provides a reliable supply of gas because it has not sufficiently reviewed possible commitments of Marathon's reserves prior to bringing the contract to us for approval.[152]

Were this the only deficiency in ENSTAR's case in support of APL-5, we would be able to conditionally approve APL-5, subject to ENSTAR's submission of further information curing this defect.

Our Unocal and NorthStar orders have been read too broadly by ENSTAR.[153] We have not decided that Lower 48 market prices are a reasonable proxy for Cook Inlet market prices under all circumstances and we certainly have not decided that we will allow ENSTAR or any other public utility to pay Lower 48 market prices plus transportation plus production taxes for all Cook Inlet gas.[154]

[152] *Id.* at 11 and Tr. 1016-1020.

[153] For example, Marathon's witness Henning testified that "[w]hen the Commission approved the pricing provisions of the Unocal contract with ENSTAR, it sent a clear price signal that the market for natural gas in Alaska would be linked with the broader North American natural gas market." T-14 (Henning) at 12.

[154] Henry Hub prices have departed fundamentally from the basic economics of Cook Inlet since the time of the Unocal contract and the NorthStar contract. Even if our orders could reasonably be read to generally endorse Henry Hub prices, which we do not believe they can, it would be necessary for us now, solely because of that departure, to reexamine that policy decision.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ENSTAR has told us there is no other company that can provide what Marathon offers to provide in APL-5.[155] Thus, there is no competition for this piece of ENSTAR's gas supply.[156] Competition is what holds down price. In the absence of competition, it is only our review that serves to hold down price. Marathon has every incentive to negotiate for itself the highest price it believes ENSTAR would pay or we would allow ENSTAR to pay. We must carefully assess the agreed-upon price.

The price in APL-5 is not a negotiated price. ENSTAR and Marathon decided not to negotiate a price but rather to select an index and allow that index to set the price of the contract, with add-ons for transportation and production taxes. A market price is not a negotiated price. In that way APL-5 is like the Unocal and NorthStar contracts and unlike the ENSTAR supply contracts that preceded the Unocal and NorthStar contracts. Those legacy contracts contained negotiated prices, based on market conditions in Cook Inlet. The negotiated prices of the legacy contracts are adjusted annually according to an agreed upon index.

Evaluation of APL-5 Price

We evaluate the reasonableness of the pricing terms of APL-5 as a whole rather than picking apart the elements and assessing the reasonableness of each element separately, as we did with the Unocal and NorthStar contracts. We now recognize that pricing terms are negotiated as a whole, that each element is adjusted

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[155]T-7 (Dieckgraeff) at 10.

[156]We are not certain there is any meaningful competition for ENSTAR's business. The gas supply in Cook Inlet is largely tied up in long-term contracts. A workably competitive environment for ENSTAR's supply would be one in which producers sold gas on short-term contracts and there was common carrier storage available to take care of ENSTAR's swing requirements. Only under those conditions could small and large producers be on equal footing to compete for ENSTAR's business.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

and fine-tuned to counterbalance each other element of the contract to arrive at terms the contracting parties can embrace. If we were to assess individual items with the intent of conditioning our approval on a change in one or more individual elements, we would be disturbing that balance.

We believe the fairer and wiser course is to approve or disapprove pricing terms as a whole. We take the price of APL-5 and superimpose the changes Marathon offered (none of which ENSTAR objected to) in response to some of the intervenors' concerns and assess the resulting pricing terms as a whole. We cannot find that either the original pricing terms of APL-5 or the pricing terms as revised by Marathon assure that ratepayers will pay no more than a reasonable price for the gas bought for them under APL-5.

The other Marathon contracts entered into evidence in this proceeding (and given confidential status) demonstrate that the price of APL-5, at present Henry Hub 12-month trailing average prices plus 25¢ for transportation plus production taxes,[157] is a radical departure from the basic economics of Cook Inlet. ENSTAR has not sufficiently justified that radical departure in this record.

The best proxy we have for the Cook Inlet market price for gas with the same variable deliverability and swing required by ENSTAR is ENSTAR's own WACOG. The WACOG, by its very nature, represents a diverse base of suppliers, both willing and able to meet ENSTAR's deliverability and swing. ENSTAR's WACOG is also comprised of a blend of legacy pricing based on proven reserves combined with the exploration-driven Henry Hub, through Unocal. That WACOG is currently approximately $5.00 for calendar year 2006. The 2006 price of APL-5 (if in effect, which it is not) is

[157] If ENSTAR were taking gas under APL-5 today the price of gas would be $7.50 plus production taxes. Tr. 924.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

$7.50 plus production taxes. The APL-5 price for proven reserves represents at least a 50 percent increase over ENSTAR's current WACOG. That is an unacceptable divergence because ENSTAR is currently receiving supplies from both proven reserves and exploration efforts at a much lower price.

ENSTAR has not sustained its burden to prove that the price of APL-5 is reasonable. We reject APL-5 based on our conclusion that the price, to the extent that it increases ENSTAR's WACOG, is not reasonable.

We give guidance to the contracting parties on what pricing terms we might be able to accept. In doing so, we do not seek to interfere with future negotiations or second-guess past negotiations. The APL-5 pricing terms are simply too divergent from other prices in Cook Inlet. They must be conformed in some way to the realities of the Cook Inlet market.

As evidenced in our earlier discussion, we have difficulty approving pricing terms if the parties' goal in entering into those terms is to change the Cook Inlet market by paying a higher price than is necessary to obtain the gas needed. We believe ENSTAR should pay prices appropriate to the existing market, considering its deliverability and swing requirements. ENSTAR is likely to need to pay a higher price than other buyers in Cook Inlet because of those requirements but needs to create an adequate record on which we can base our decision in support of that need.

The use of Henry Hub or another market index with or without discounts requires the parties to justify use of the index for their contract and must reconcile use of the market index with Cook Inlet market conditions. Assuming they do so, use of such an index might be acceptable, but only if transportation and production taxes are not added on and if there is a meaningful cap.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
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(907) 276-6222; TTY (907) 276-4533

The record reveals that, generally, sellers pay transportation to the hub at which gas is priced and buyers pay transportation away from the hub.[158] Whether transportation should be added on to a hub market index price depends upon the pricing point to which the market price index is applied. In this instance, the only points which make sense under the configuration in Cook Inlet are the KPL junction (where a number of pipelines, including ENSTAR's eastside pipeline, come together) and the inlet to ENSTAR's westside pipeline in the Beluga River field.

The only reasonable alternatives to those points are the wellheads in each field. We believe wellheads are inappropriate pricing points at which to apply a market index. The evidence tells us that sellers pay transportation from the wellhead to the hub.

We do not believe a reasonable price would include a transportation cost added on to a price determined directly by a market index. Transportation was not added on to ENSTAR's legacy contracts. The Unocal contract did provide that a fee would be added on to the market price if gas was shipped through a newly constructed pipeline. A transportation fee was also to be added on to the market index price in the NorthStar contract. The Unocal and NorthStar contracts are distinguishable from the current contract because the pricing terms in those contracts were approved as exploration incentives. We would not allow a transportation fee to be added to a market index price in APL-5.

There is no evidence in this record that buyers at Henry Hub or at any other hub with a market index pay sellers' production taxes. Production taxes are a normal cost of producing gas, like compressors, salaries, and office overhead. Market prices are a function of supply and demand and have no relationship to costs of

[158] T-13 (Elder) at 6-8.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
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production. ENSTAR did not provide any support for the tax add-on in APL-5 except to say that the provision is in all its other contracts and that producers preferred it that way.[159] Contrary to our decision in NorthStar, we now find on the basis of the existing record in this proceeding insufficient justification to add production taxes on to market index prices, which already compensate sellers for costs of production.

Prices established on Henry Hub might be acceptable in the presence of a meaningful cap. Neither the $15.00 cap nor the $14.00 cap proposed protects ratepayers from anything other than circumstances in Lower 48 markets that are so dire as to be almost unimaginable. The devastating storms of 2005 resulted only in price spikes to $15.00. The yearly average for 2005 was in the $9.00 range. We find that in this market even a cap of $9.00 does not ensure that ENSTAR's ratepayers will pay a reasonable price when we see other buyers in Cook Inlet paying less than half that amount. Even the Japanese utilities taking Cook Inlet gas pay $2.00 less than this $9.00 cap at the receiving point in Japan. If a contract is priced to another market, there must be a meaningful cap that prevents the price paid by ENSTAR's ratepayers from diverging too far from the price paid by others in Cook Inlet unless that divergence is due to and in proportion with differing deliverability and swing requirements.

We understand that the price of natural gas is rising, in step with crude oil. There is evidence in the record that natural gas prices have been steadily increasing in the Pacific Basin.[160] There is evidence in the confidential record that non-utility contracts for gas supplies have been increasing. We are not opposed to recognizing in APL-5 economically rational price increases that reflect the realities of Cook Inlet's gas market.

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[159]T-8 (Dieckgraeff) at 19.

[160]T-19, Ex. BSA-5.

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Conclusion

On the basis of the evidence in this record we conclude that ENSTAR has failed to meet its burden of proof that APL-5 achieves a reliable gas supply at a reasonable price. Accordingly, we reject the addition of TA139-4 as a base supply contract having the effect of increasing the current average cost of system gas supply as proposed by ENSTAR. We note, however, that ENSTAR's tariff allows it to add base supply contracts having the effect of decreasing the cost of system gas without our approval. We allow ENSTAR to add TA139-4 to its base supply under those limited conditions.

Final Order

This order constitutes the final decision in this proceeding. This decision may be appealed within thirty days of the date of this order in accordance with AS 22.10.020(d) and the Alaska Rules of Court, Rule of Appellate Procedure (Ak. R. App. P.) 602(a)(2). In addition to the appellate rights afforded by AS 22.10.020(d), a party has the right to file a petition for reconsideration as permitted by 3 AAC 48.105. If such a petition is filed, the time period for filing an appeal is then calculated under Ak. R. App. P. 602(a)(2).

ORDER

THE COMMISSION FURTHER ORDERS:

1. TA139-4, as presented by ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc., is rejected as discussed in the body of this order.

2. TA139-4 , as presented by ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc., may otherwise go into effect immediately without further approval, provided it has the effect of decreasing the current average cost of system gas as per tariff Sheet No. 90, Section 708f.

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3. By 4 p.m., November 1, 2006, should ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc., choose to have TA139-4 take effect under Ordering Paragraph No. 2 above, it must file any revisions to its contract terms and perfect its supply commitments under Section 2.7.4 of APL-5.

DATED AND EFFECTIVE at Anchorage, Alaska, this 28th day of September, 2006.

BY DIRECTION OF THE COMMISSION
(Commissioners Dave Harbour and Mark K. Johnson, dissenting.)



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Appendix
ENSTAR Weighted Average Cost of Gas 2002 – 2006

2002 Contract	Price	Vol. BCF	Total $ Millions
APL-4[1]	2.46	21.0	51.67
Beluga[2]	2.43	3.0	8.01
Moquawkie[3]	2.99	1.3	3.84
Unocal[4]	-	-	-
		25.6	63.52
Adjustments			0.28
Total Gas Costs			63.80
Total Sales Volume (BCF)			25.46
Weighted Average Cost of Gas			2.5059

2003 Contract	Price	Vol. BCF	Total $ Millions
APL-4	2.40	19.0	45.69
Beluga	2.42	3.3	7.99
Moquawkie	3.00	4.2	12.64
Unocal	-	-	-
		26.5	66.32
Adjustments			1.14
Total Gas Costs			67.46
Total Sales Volume (BCF)			26.38
Weighted Average Cost of Gas			2.5575

2004 Contract	Price	Vol. BCF	Total $ Millions
APL-4	2.69	17.0	45.68
Beluga	2.78	2.1	5.83
Moquawkie	2.98	2.9	8.70
Unocal	4.74	5.3	25.31
		27.4	85.51
Adjustments			(0.84)
Total Gas Costs			84.67
Total Sales Volume (BCF)			27.20
Weighted Average Cost of Gas			3.1123

2005 Contract	Price	Vol. BCF	Total $ Millions
APL-4	3.38	15.0	50.64
Beluga	3.56	1.6	5.70
Moquawkie	3.02	1.9	5.74
Unocal	5.10	9.2	47.06
		27.7	109.15
Adjustments			(0.87)
Total Gas Costs			108.28
Total Sales Volume (BCF)			27.54
Weighted Average Cost of Gas			3.9321

2006 Contract	Price	Vol. BCF	Total $ Millions
APL-4	4.43	13.0	57.58
Beluga	5.12	1.1	5.64
Moquawkie	3.04	1.8	5.47
Unocal	6.49	10.7	69.32
		26.6	138.00
Adjustments			(6.00)
Total Gas Costs			131.99
Total Sales Volume (BCF)			26.39
Weighted Average Cost of Gas			5.0009

Source: Exhibit H-39, as corrected by RCA Staff

[1] APL-4 Gas Purchase Agreement with Marathon Oil Company, dated May 1, 1988, and approved by the Commission in U-88-49(6), dated July 20, 1989.

[2] Beluga Gas Purchase Agreement between Shell Western E&P, Inc. and Alaska Pipeline Company, approved by the Commission in docket U-83-2(6), dated June 3, 1983. The Commission approved an amended contract, Beluga Schedule 3, in U-92-7(3) dated December 7, 1992.

[3] Moquawkie Gas Purchase Agreement with Anadarko Petroleum Corporation and Phillip's Alaska, Inc., dated May 16, 2000, and approved by the Commission in TA114-4, dated July 27, 2000.

[4] Unocal Gas Purchase Agreement with Union Oil of California Inc., approved by the Commission in U-01-7 dated October 25, 2001.

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Gas Sales Agreement Between ENSTAR NATURAL GAS COMPANY, A DIVISION OF SEMCO ENERGY, INC. and MARATHON OIL COMPANY Filed as TA139-4	U-06-2

CERTIFICATION OF MAILING

I, Natasha L. Odom-Brown, certify as follows:

I am Administrative Clerk III in the offices of the Regulatory Commission of Alaska, 701 West Eighth Avenue, Suite 300, Anchorage, Alaska 99501. On September 28, 2006, I mailed copies of

Order No. 15, entitled:

ORDER REJECTING TA139-4 AS A BASE SUPPLY CONTRACT HAVING THE EFFECT OF INCREASING THE CURRENT AVERAGE COST OF SYSTEM GAS SUPPLY BUT ALLOWING TA139-4 TO TAKE EFFECT IMMEDIATELY AS A BASE SUPPLY CONTRACT HAVING THE EFFECT OF DECREASING THE CURRENT AVERAGE COST OF SYSTEM GAS SUPPLY AND REQUIRING FILINGS
(Issued September 28, 2006)

in the proceeding identified above to the persons indicated on the attached service list.

DATED at Anchorage, Alaska, this 28th day of September, 2006.

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U-06-2(15)

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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Robert M. Pickett, Chairman
Kate Giard
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Tariff Revision, Designated as TA167-4, Regarding a Proposed Gas Sales Agreement Between ENSTAR NATURAL GAS COMPANY, A DIVISION OF SEMCO ENERGY, INC. and ConocoPhillips Alaska, Inc. and a Proposed Gas Sales Agreement Between ENSTAR NATURAL GAS COMPANY, A DIVISION OF SEMCO ENERGY INC. and MARATHON OIL COMPANY	U-08-58 ORDER NO. 8

ORDER APPROVING GAS SALES AGREEMENTS, IF AMENDMENTS REQUIRED IN THIS ORDER ARE FILED

BY THE COMMISSION:

Summary

We find that ENSTAR was prudent in its efforts to secure natural gas supplies. We approve the gas sales agreements at issue in this proceeding if ENSTAR files signed amendments to each contract in accordance with this Order.

We establish a floating market-based price cap for the natural gas supplies under each gas supply contract as described in Appendix D and E. We require the use of these price caps for as long as natural gas is exported from Cook Inlet or there are ongoing activities leading to the export of natural gas. Additionally, we do not approve any aspect of Section 2.4(b) of the Marathon GSA that is inconsistent with our directive that future ENSTAR GSAs shall be unbundled as to volume and price to remove the limitation on third party suppliers contained in Section 2.4(b).

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We acknowledge the approval of these contracts with the pricing terms is a compromise of different positions of the parties. By virtue of approving the pricing tiers we accept that ENSTAR's swing profile is more difficult to meet than a flatter swing profile and that tier pricing is justified. We do not, by virtue of our approval, find that pricing or volume increments within the tiers are appropriate for future contracts. We are merely accepting that tier pricing appears to be a reasonable first step to unbundling ENSTAR's future contracts.

We find that the producers of natural gas in Cook Inlet have the ability to exercise market power and were able to do so in their negotiations with local buyers of natural gas. Market power arises from the particular circumstances of supply and demand in Cook Inlet. Producers own the liquefied natural gas (LNG) plant and are themselves the alternative buyer of the gas. Relatively inelastic consumer demand for natural gas, particularly when combined with tightening supply, allows producers to more easily force prices higher. Absent the unequivocal need on the part of ENSTAR consumers for natural gas in the wintertime, producers would not have market power and there would be much less need for regulatory intervention.

We have some of the tools for addressing this situation. Other agencies have additional tools. Based on our record, we believe that U.S. Department of Energy and the State of Alaska could have done a better job in ensuring that local needs were met at reasonable pricing terms before the LNG export license was extended. Approval of the LNG export license weakened ENSTAR's negotiation position and conversely gave the Cook Inlet producers an opportunity to exercise market power.

We also require that ENSTAR unbundle all future natural gas contracts in volume and in price.

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Background

ENSTAR filed a tariff advice letter, TA167-4, in which it requested approval of two proposed GSAs.[1] The proposed GSAs are between ENSTAR and ConocoPhillips and between ENSTAR and Marathon.[2] ENSTAR requested inclusion of the GSAs in Section 708 of its tariff as base supply contracts and requested inclusion of all costs related to the GSAs in the calculation of its gas cost adjustment. We suspended TA167-4, opened this docket for further investigation, and scheduled a public hearing.[3]

The Attorney General, Regulatory Affairs & Public Advocacy (AG) elected to participate in this proceeding.[4] We granted[5] the petitions to intervene filed by Fairbanks Natural Gas, LLC (FNG);[6] Aurora Power Resources, Inc. (Aurora Power);[7]

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[1]TA167-4, filed April 11, 2008 (H-1).

[2]*Id.*; H-1, Attach. A, ConocoPhillips Contract, *Gas Sales Agreement Between ConocoPhillips Alaska, Inc. and Alaska Pipeline Company* (H-2); H-1, Attach. B, Marathon APL-6 Contract, *Gas Sales Agreement Between Marathon Oil Company and Alaska Pipeline Company* (H-3).

[3]Order U-08-58(1), *Order Suspending TA167-4, Inviting Petitions to Intervene, Requesting Participation by the Attorney General, Addressing Timeline for Decision, Establishing Procedural Schedule, Designating Commission Panel, and Appointing Administrative Law Judge,* dated May 12, 2008 (Order U-08-58(1)), as corrected by *Errata Notice to Order U-08-58(1),* dated May 23, 2008.

[4]*Notice of Election to Participate* and *Entry of Appearance,* both filed May 21, 2008.

[5]Order U-08-58(5), *Order Granting Petitions to Intervene Filed by Fairbanks Natural Gas, LLC; Aurora Power Resources, Inc.; Chugach Electric Association, Inc.; and Homer Electric Association, Inc. and Alaska Electric and Energy Cooperative, Inc.*, dated June 12, 2008.

[6]*Petition to Intervene by Fairbanks Natural Gas,* filed May 20, 2008.

[7]*Petition to Intervene of Aurora Power Resources, Inc.,* filed May 21, 2008.

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Chugach Electric Association, Inc. (Chugach);[8] and Homer Electric Association and Alaska Electric and Energy Cooperative, Inc. (together, HEA).[9] We allowed HEA to withdraw as a party from the docket before the scheduled hearing.[10] FNG withdrew its prefiled testimony before the hearing but did not request withdrawal as a party.[11]

We held a public hearing that began on July 28, 2008, and continued through August 13, 2008. FNG did not participate in the hearing.[12] The parties[13] filed post-hearing briefs.[14]

ENSTAR requested a decision regarding the GSAs by October 31, 2008.[15] Both GSAs may be terminated if approval does not occur by October 31, 2008.[16]

ENSTAR filed a notice of amendment to testimony and pleadings on

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[8]*Chugach Electric Association, Inc.'s Petition for Leave to Intervene,* filed May 21, 2008.

[9]*Petition for Permission to Intervene of Homer Electric Association, Inc. and Alaska Electric and Energy Cooperative, Inc.,* May 21, 2008.

[10]Order U-08-58(7), *Order Granting Homer Electric Association, Inc. and Alaska Electric and Energy Cooperative, Inc.'s Motion to Withdraw from Docket,* dated July 25, 2008.

[11]*Final Witness List of Fairbanks Natural Gas*, filed July 21, 2008.

[12]Prehearing conference, dated July 28, 2008, Tr. at 23; Public hearing, dated July 28, 2008 (Vol. II), Tr. at 30.

[13]The parties at hearing were ENSTAR, the AG, Chugach, and Aurora Power.

[14]*ENSTAR's Initial Post-Hearing Brief*, filed August 22, 2008 (ENSTAR Post-Hearing Brief); *Attorney General's Post-Hearing Brief*, filed August 29, 2008 (AG Post-Hearing Brief); *Chugach Electric Association, Inc.'s Post-Hearing Brief*, filed August 29, 2008 (Chugach Post-Hearing Brief); *Aurora Power Resources, Inc.'s Post-Hearing Brief*, filed August 29, 2008 (Aurora Post-Hearing Brief); *ENSTAR's Post-Hearing Reply Brief*, filed September 5, 2008 (ENSTAR Post-Hearing Reply Brief).

[15]H-1 at 2.

[16]H-2 (ConocoPhillips GSA) at 22 (§10.1(b)); H-3 (Marathon GSA) at 35 (§11.3).

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October 15, 2008, a short two weeks before its requested decision date of October 31, 2008.[17] The hearing in this matter concluded on August 13, 2008, and the final post hearing brief, ENSTAR's reply, was filed on September 5, 2008. The AG[18] and Chugach[19] filed motions to strike ENSTAR's notice of amendment. We explicitly did not consider ENSTAR's notice, amended testimony, or pleadings in reaching our decision in this order. Accordingly, we decline to rule on the motions to strike or the propriety of ENSTAR's notice of amendment at this time.

Discussion

Overview of TA167-4 Gas Sales Agreements

ENSTAR is required by its tariff to file for advance approval any new base supply contract that will increase its current average cost of system gas.[20] ENSTAR base supply contracts that decrease the current average cost of system gas become effective immediately without our prior approval.[21]

The GSAs with ConocoPhillips and Marathon (Producers) provide for deliveries of natural gas starting in 2009 and continuing through 2013.[22] ENSTAR states that it will no longer have an unmet requirements supplier beyond 2008 and that

[17] *Notice by ENSTAR Natural Gas Company of Amendment to Testimony and Pleadings*, filed October 15, 2008.

[18] *Motion to Strike*, filed October 16, 2008.

[19] *Chugach Electric Association, Inc.'s Motion to Strike Notice by ENSTAR Natural Gas Company of Amendment to Testimony and Pleadings; or, in the Alternative, Motion to Reopen Record*, filed October 20, 2008.

[20] ENSTAR's Tariff Sheet No. 90, § 708(f).

[21] *Id.*

[22] H-1 at 1; H-2 (ConocoPhillips GSA) at 23; H-3 (Marathon GSA) at 28-29.

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the GSAs are necessary to fill a gap in its gas supply portfolio beginning in 2009.[23] The two GSAs combine to provide 37.8 Bcf[24] of natural gas over their terms.[25]

The GSAs provide committed volumes that, combined with ENSTAR's other GSAs, meet 100 percent of ENSTAR's projected needs for 2009 and 2010.[26] ENSTAR plans to develop storage and utilize gas storage facilities to meet its peak seasonal fluctuations beginning in 2011.[27] ENSTAR views these relatively short term GSAs as a bridge to the future that will include storage and a possible supply of natural gas from the Brooks Range.[28]

ENSTAR requests approval of the GSAs as base supply contracts under its tariff and for inclusion of all costs related to the GSAs in the calculation of its gas cost adjustment.[29] ENSTAR's tariff advice letter, TA167-4 (Exhibit H-1), the ConocoPhillips GSA (Exhibit H-2), and the Marathon GSA (Exhibit H-3) are attached to this order as Appendices A, B, and C, respectively.

ConocoPhillips GSA

The ConocoPhillips GSA provides for an expected total volume of approximately 12.1 Bcf over the five-year term of the agreement.[30] Gas delivered under the GSA is divided into three tiers for pricing purposes described as a Base Tier, a

[23]H-1 at 2, 4.

[24]Bcf means one billion standard cubic feet.

[25]*Prefiled Direct Testimony of Eugene N. Dubay,* filed May 28, 2008 (E-1) at 4.

[26]H-1 at 4.

[27]*Id.*

[28]E-1 (Dubay Direct) at 6-7, 41-42.

[29]H-1 at 1.

[30]E-1 (Dubay Direct) at 16; H-1 at 5; H-2 (ConocoPhillips GSA) at 34.

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Seasonal Tier, and a Needle Peak Tier.[31] The Base Tier contains gas used throughout the year and is approximately 64 percent of total gas consumption.[32] The Seasonal Tier includes increments above the Base Tier which ENSTAR purchases during October through April.[33] The Needle Peak Tier is used on the coldest winter days and is approximately five percent of overall demand.[34]

Pricing under the ConocoPhillips GSA is based on an Energy Price derived from the twelve-month trailing average of the daily median prices at five West Coast and Canadian trading locations.[35] The "basket" of trading locations is a variation on the Cook Inlet Composite Index (CICI), proposed by the AG's expert Arlon Tussing in Docket U-06-2.[36] The trading locations are TCPL Alberta (AECO-C); Northwest, Canadian Border (Sumas); PG&E Malin; PG&E City Gate; and SoCal Gas.[37] Base Tier volumes are priced at the Energy Price, Seasonal Tier volumes are 125 percent of the Energy Price, and Needle Peak Tier volumes are 150 percent of the Energy Price.[38] The price will be adjusted quarterly.[39]

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[31]E-1 (Dubay Direct) at 17; H-2 (ConocoPhillips GSA) at 10.

[32]E-1 (Dubay Direct) at 17.

[33]*Id.*

[34]*Id.*

[35]*Id.* at 18-19.

[36]*Id.* at 18-19. Docket U-06-2 is titled *In the Matter of the Gas Sales Agreement Between ENSTAR NATURAL GAS COMPANY, A DIVISION OF SEMCO ENERGY, INC. and MARATHON OIL COMPANY Filed as TA139-4.*

[37]*Id.*; H-1 at 5; H-2 (ConocoPhillips GSA) at 40.

[38]H-1 at 5; H-2 (ConocoPhillips GSA) at 15.

[39]E-1 (Dubay Direct) at 21; H-2 (ConocoPhillips GSA) at 12.

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Marathon GSA

The Marathon GSA, also called APL-6, provides for an expected total volume of approximately 25.6 Bcf over the five-year term of the agreement.[40] Gas delivered under the GSA is divided into six tiers for pricing purposes described as Base Load Gas, Seasonal Peak Tier 1 Gas, Seasonal Peak Tier 2 Gas, Needle Peak Gas, Storage Gas up to 1.0 Bcf, and Storage Gas in excess of 1.0 Bcf.[41] ENSTAR states that the tier structure and rationale behind the tier structure is "essentially similar" to that in the ConocoPhillips GSA.[42] Base Load Gas plus Seasonal Peak Tier 1 Gas are consumed year-round, the Seasonal Peak Tier 2 Gas is consumed during October through April, and Needle Peak Gas is consumed on the coldest days during November through March. Storage gas will be taken during the summer months and injected into storage.[43]

Pricing under the Marathon GSA is based on an Energy Price derived from the twelve-month average of the daily median of the midpoint prices at three natural gas trading locations.[44] The "market basket" of trading locations contains two locations that overlap with the ConocoPhillips GSA and seeks to dampen volatility through geographic diversity.[45] The trading locations are Chicago Citygate, PG&E Citygate, and SoCal Gas.[46] Base Load Gas volumes are priced at 98 percent of the Energy Price, Seasonal

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[40]E-1 (Dubay Direct) at 25-26; H-1 at 7; H-3 (Marathon GSA) at 45-49.

[41]*Id.*at 25-27; H-1 at 7; H-3 (Marathon GSA) at 15-24.

[42]E-1 (Dubay Direct) at 26.

[43]*Id.* at 27; H-1 at 7.

[44]E-1 (Dubay Direct) at 26; H-1 at 7; H-3 (Marathon GSA) at 24-25.

[45]E-1 (Dubay Direct) at 26; H-1 at 7.

[46]E-1 (Dubay Direct) at 26; H-1 at 7; H-3 (Marathon GSA) at 24-25.

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Peak Tier 2 Gas is 115 percent of the Energy Price, Needle Peak Gas is 130 percent of the Energy Price, Storage Gas up to 1.0 Bcf is 98 percent of the Energy Price, and Storage Gas in excess of 1.0 Bcf is 88 percent of the Energy Price.[47] The GSA includes an "'S-curve' price dampening mechanism" that dampens volatility through adjusting the Energy Price upward if the market basket value is below $6.00 and adjusting it downward if the index basket value is above $8.50.[48]

Positions of the Parties

ENSTAR states that it needs gas supplies beginning in January 2009.[49] It asserts that the Energy Price provisions, made up of a "basket" of trading locations are reasonable and that the tier pricing provisions are reasonable additions to the base Energy Price and reasonably reflect the value of peaking gas supplies and storage.[50] It claims that the proposed terms for the GSAs advocated by the AG and Chugach are not available in the Cook Inlet market and that the Producers have no obligation to accept contract terms dictated by the commission.[51] Finally, ENSTAR argues that the contracts meet the test of "overall reasonableness in the current market."[52]

The AG argues that the ConocoPhillips GSA and the Marathon GSA are the result of excessive Producer market power and contain unreasonable price terms and unreliable gas supplies.[53] However, the AG does not recommend rejection of the

[47]H-1 at 7; H-3 (Marathon GSA) at 24.

[48]E-1 (Dubay Direct) at 28; H-1 at 7; H-3 (Marathon GSA) at 24.

[49]ENSTAR Post-Hearing Brief at 4-7.

[50]*Id.* at 11-12, 14-15.

[51]ENSTAR Post-Hearing Brief at 12-3.

[52]*Id.* at 7-11.

[53]AG Post-Hearing Brief at 7-13.

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GSAs.[54] Instead the AG asks that we limit the price under the GSAs with the composite index that was proposed by the AG's expert witness in Docket U-06-2, Arlon Tussing.[55] Tussing did not participate in the current proceeding. The AG's witness in this proceeding, Cristina Klein, adopted Tussing's proposed index and recommends its use in this docket.[56] The AG also asks that we state that approval of these GSAs is not "precedent," that ENSTAR gas storage should be addressed in a separate docket, and that ENSTAR should absorb some costs of the GSAs.[57]

Chugach argues that the GSAs are unreasonable and should be disapproved.[58] It claims that we can help ENSTAR manage 2009 without these GSAs.[59] It suggests that we open a separate docket to address ENSTAR storage and that we "tell" the State of Alaska, Department of Natural Resources (DNR) and the United States of America Department of Energy (DOE) that local utilities need gas under contract before LNG export is authorized.[60] Finally, it requests guidance on reasonable natural gas pricing for Cook Inlet.[61]

Aurora does not oppose approval of the ConocoPhillips GSA and the Marathon GSA.[62] It requests our identification of attributes for acceptable future

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[54]AG Post-Hearing Brief at 2, 20.

[55]*Id.* at 15-17.

[56]*Id.* at 15-17.

[57]*Id.* at 18-19.

[58]Chugach Post-Hearing Brief at 2-13.

[59]*Id.* at 13-16.

[60]*Id.* at 16-19.

[61]*Id.* at 19-20.

[62]Aurora Post-Hearing Brief at 1-2, 20.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

GSAs.[63] Attributes Aurora suggests are shorter terms, unbundled services including deliverability and storage, and unbundled price.

Standard for Evaluation

We have articulated a standard for our evaluation of ENSTAR GSAs on several previous occasions. Although there have been variations, we have consistently looked to the public interest while considering whether ENSTAR acted in a prudent fashion, whether the terms of the GSA at issue are reasonable,[64] and whether the GSA ensures reliable and reasonably priced-utility service.[65] Accordingly, we evaluate the ConocoPhillips and Marathon GSAs to determine whether approval is in the public interest. We consider whether ENSTAR's decision to enter into the GSAs was prudent. We consider whether the future gas supplies provided by the GSAs are reliable.

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[63]Aurora Post-Hearing Brief at 3-18.

[64]AS 42.05.431(a).

[65]Order U-83-2(6), *Order Approving Gas Supply Contracts and Related Tariff Revisions*, dated June 3, 1983, at 6-8; Order U-88-49(6), *Order Approving Contract, Exchange Agreement, and Gas Cost Adjustment; Subject to Conditions and Modifications*, dated July 20, 1989, at 5, as corrected by *Errata Notice to Order No. 6,* dated August 1, 1989; Order U-01-7(8), *Order Conditionally Approving TA117-4 (Gas Sales Agreement) and Requiring Filing*, dated October 25, 2001, at 4, as corrected by *Errata Notice to Order No. 8,* dated December 21, 2001; Order U-96-108(12)/-U-03-84(7), *Order Conditionally Approving Gas Sales Agreement, Inclusion of Costs of Gas Sales Agreement in Gas Cost Adjustment, and Homer Area Surcharge; Denying, Without Prejudice, the Request to Amend Service Area; Vacating Previous Filing Requirement; and Requiring Filings*, dated March 23, 2004, at 6, as corrected by *Errata Notice to Order U-96-108(12)/U-03-84(7),* dated April 8, 2004; Order U-06-2(15), *Order Rejecting TA139-4 as a Base Supply Contract Having the Effect of Increasing the Current Average Cost of System Gas Supply but Allowing TA139-4 to Take Effect Immediately as a Base Supply Contract Having the Effect of Decreasing the Current Average Cost of System Gas Supply and Requiring Filings*, dated September 28, 2006 (Order U-06-2(15)) at 22-23, as corrected by *Errata Notice to Order U-06-2(15),* dated March 8, 2007; Order U-06-2(17), *Order Granting Reconsideration in Part; Denying Reconsideration in Part; and Revising Order U-06-2(15)*, dated December 29, 2006, at 2.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

We are guided by AS 42.05.431(a). Under that subsection, we are required to determine whether the GSAs or particular terms within the GSAs are unjust, unreasonable, unduly discriminatory, or preferential when viewed in the context of Cook Inlet which is unique among regional natural gas markets in the United States.

Prudency of Entering into GSAs

ENSTAR is a natural gas transmission and distribution utility that services 127,000 residential, commercial, industrial, and electric power generation customers.[66] ENSTAR has asserted and presented evidence that without new gas supply contracts it faces a gas shortage beginning January 1, 2009.[67] ENSTAR acted in a reasonable fashion to negotiate these GSAs.[68] We are convinced, based on the testimony, that ENSTAR negotiated the best contracts it was able, given its urgent need for gas and its position in relation to the Producers.[69] We find that ENSTAR acted in a prudent fashion in entering into the ConocoPhillips and Marathon GSAs.

Reliable Supply

The AG questions the reliability of the supplies provided under the ConocoPhillips GSA by highlighting Section 2.3(h) of the GSA which states that deliveries to ENSTAR may be reduced if the State of Alaska (State) elects to take its royalty in kind.[70] Additionally, the AG argues that ratepayers are at risk due to the lack

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[66]*Prefiled Direct Testimony of Mark William Slaughter,* filed May 28, 2008 (E-6) at 2-3.

[67]H-1 at 3; E-1 (Dubay Direct) at 4; E-6 (Slaughter Direct), MWS-2; Public hearing, August 5, 2008 (Vol. VIII), Tr. (Slaughter) at 1273-1274.

[68]Public hearing, dated August 6, 2008 (Vol. IX), Tr. (Klein) at 1416-1417.

[69]Vol. II, Tr. (Dubay) at 99; Vol. IV, Tr. (Dubay) at 423; E-1 (Dubay Direct) at 12-14, 21, 27.

[70]AG's Post Hearing Brief at 13; Vol. II, Tr. (Dubay) at 127-129.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

of a requirement that Marathon deliver Needle Peak gas beyond 2010,[71] or that ConocoPhillips deliver Needle Peak gas beyond the first quarter of 2011[72] and the attendant need for ENSTAR to develop appropriate storage before those times.[73]

ENSTAR argues that the GSAs provide for a reliable gas supply.[74] ENSTAR testified that the gas storage and peak shaving term within the ConocoPhillips GSA will help ensure the reliability of ENSTAR's gas supply.[75] ENSTAR provided testimony that it has purchased gas from Marathon for over forty years with no supply disruptions.[76] Further, ENSTAR provided testimony that it is confident in ConocoPhillips' ability to supply the volumes contracted under its GSA.[77]

We find that the term in the ConocoPhillips GSA allowing a reduction in deliveries to ENSTAR if the State elects to take its royalty in kind is not in the public interest. This provision creates the potential for an impact in the gas supply relied upon by ENSTAR and its customers. However, we will not require removal of the term. As discussed below, there is sufficient evidence in the record to find that gas supplies under the GSAs are reliable even with the inclusion of the offending term.

The DOE, Office of Fossil Energy recently granted the Producers' request to export LNG from Cook Inlet to Japan or one or more countries on either side of the

[71]H-3 (Marathon GSA) at 17, 47-48.

[72]H-2 (ConocoPhillips GSA) at 11.

[73]AG's Post-Hearing Brief at 13; R-1 (Klein) at 62-68; Vol. II, Tr. at 142-145.

[74]ENSTAR'S Initial Post-Hearing Brief at 15-16.

[75]Vol. II, Tr. (Dubay) at 146.

[76]Vol. III, Tr. (Dubay) 366-368; Vol. VIII, Tr. (Slaughter) at 1252-1253.

[77]*Id.* at 369-370; *Id.* at 1251-1252.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

Pacific Rim (DOE Order).[78] The DOE found that Cook Inlet contains adequate supplies to meet domestic utility demand through at least the first quarter of 2011.[79] In its application to the DOE, ConocoPhillips and Marathon provided information that there were 1,726.4 Bcf of "proved and probable natural gas reserves in Cook Inlet" as of January 1, 2006.[80] The State agreed with the Producers that Cook Inlet natural gas resources are more than adequate to satisfy the requested export volumes and utility demand in Southcentral Alaska during the export period.[81] Both of the GSAs contain a requirement for the Producers to curtail the delivery of gas to the LNG facility to the extent necessary to meet their obligations under the GSAs.[82] Further, both Producers committed to undertake new drilling efforts in their settlement agreement with the State of Alaska.[83]

The ConocoPhillips GSA explicitly recognizes ENSTAR's priority, subject to existing commitments, for delivery of natural gas.[84] Both GSAs require the Producers to demonstrate on a yearly basis that they have proven and risked probable reserves sufficient to fulfill their commitments to ENSTAR.[85] No party presented evidence that

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[78]*Order Granting Authorization to Export Liquefied Natural Gas from Alaska,* FE Docket No. 07-02-LNG (June 3, 2008) (H-37) at 70. (The entire record before the DOE in FE Docket No. 07-02-LNG was incorporated into evidence in this docket. Public hearing, August 8, 2008 (Volume XI) Tr. at 1795-1796.)

[79]H-37 at 58-59.

[80]*Application for Blanket Authorization to Export Liquefied Natural Gas,* FE Docket No. 07-02-LNG (January 10, 2007) (H-20) at 10.

[81]*Prefiled Testimony of Cristina M. Klein,* filed June 24, 2008 (R-1), CMK-5 at 7 (§1(c)).

[82]H-2 at 12 (§2.3(i)); H-3 at 23 (§2.4 (c)).

[83]R-1 (Klein), CMK-5 at 6, 9-10.

[84]H-2 at 12 (§2.3(i)).

[85]*Id.*; H-3 at 23 (§2.7).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

Cook Inlet contains insufficient reserves or that either Producer lacks access to sufficient reserves to meet the volume commitments presented in these GSAs.

Based on the evidence presented in this record we find that the future gas supplies provided by the ConocoPhillips GSA and the Marathon GSA are reliable. However, we reserve the right to revisit the reliability of gas supplies under these GSAs if the Producers fail to follow through on the commitments made in the GSAs and during the course of the DOE proceedings.

Statutory Authority

AS 42.05.431(a) states in part:

> When the commission, after an investigation and hearing, finds that a rate demanded, observed, charged, or collected by a public utility for a service subject to the jurisdiction of the commission, or that a classification, rule, regulation, practice, or contract affecting the rate, is unjust, unreasonable, unduly discriminatory or preferential, the commission shall determine a just and reasonable rate, classification, rule, regulation, practice, or contract to be observed or allowed and shall establish it by order.

ENSTAR is a public utility that provides service subject to our jurisdiction.[86] The ConocoPhillips and Marathon GSAs, if approved, will affect the rates charged by ENSTAR.[87] Therefore, we are required by statute to determine whether the GSAs are unjust, unreasonable, unduly discriminatory, or preferential, and if so, determine terms that are just and reasonable, and establish them by order.

Preliminary Issues

During the course of these proceedings, it became apparent that we must address two foundational issues that affect our analysis of the reasonableness of the GSAs. The first issue is whether it is appropriate to price Cook Inlet natural gas used

[86] *See* ENSTAR's Certificate of Public Convenience and Necessity No. 4.

[87] H-1 at 1.

Regulatory Commission of Alaska
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(907) 276-6222; TTY (907) 276-4533

locally at consumption area prices, as the GSAs do. The second issue is whether the Producers entering into the GSAs with ENSTAR have market power in the Cook Inlet natural gas market that would cast doubt on the reasonableness of all or portions of the GSAs.

Cook Inlet Natural Gas Production

Vast quantities of natural gas were discovered in Cook Inlet by petroleum companies exploring for oil.[88] Natural gas is currently produced in Cook Inlet and has been produced in Cook Inlet for forty years.[89] A majority of the gas produced over those forty years was converted to LNG or manufactured into fertilizer and exported out of the Cook Inlet area.

Today, fertilizer is no longer produced in Cook Inlet. However, LNG continues to be exported to Japan and will be exported to Japan until March 31, 2009. At that time, a two-year extension of ConocoPhillips' and Marathon's export license will take effect and LNG will be exported to Japan and/or one or more other countries on either side of the Pacific Rim, according to the DOE order. The natural gas produced in Cook Inlet and not exported is used for oil and gas production purposes and for electric

[88]E-1 (Dubay Direct) at 7; E-4 (Carpenter Direct) at 9; Ex. H-29, *Economic Analysis of Kenai LNG Export* (H-29) at 4-1.

[89]E-4 (Carpenter Direct) at 9-13 (history of natural gas discovery and production in Cook Inlet), 18 (gas production by owner in Cook Inlet); E-4 (Carpenter Direct), PRC-4 at 27-28 (natural gas supply in Cook Inlet); Public hearing, July 31, 2008 (Vol. V), Tr. at 813 (Carpenter); Public hearing, August 11, 2008 (Vol. XII), Tr. at 1965 (Gibson); Vol. II, Tr. at 66 (Gibson); *See* H-2 (ConocoPhillips GSA); H-3 (Marathon GSA); H-20 at 18-25 (natural gas exploration, development and supply in Cook Inlet); H-29 at 4-1 (RD Report natural gas exploration and development); H-37 (DOE Order) at 45-47 (natural gas reserves in Cook Inlet).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

and gas utility purposes.[90] The quantities to be sold under the ConocoPhillips and Marathon GSAs are among the quantities used locally.[91]

The evidence presented in this record indicates that in 2007, the reserves-to-production ratio for Cook Inlet was approximately 10:1.[92] This means that without the development of additional reserves, proven and probable reserves will be exhausted in ten years.[93] By its nature, a reserves-to-production ratio is calculated for a production area. A reserves-to-production ratio of around 8:1 to 10:1 is typical in Lower 48 states.[94] We find that the reserves-to-production ratio in Cook Inlet is in the same range as is typical for Lower 48 production areas.

The need for natural gas in the Cook Inlet area has always been able to be satisfied by Cook Inlet production. No natural gas has ever been imported into the Cook Inlet area. Further, Cook Inlet is unique as the home of the only plant in the United States that liquefies natural gas and ships it out of the immediate area as LNG.[95] In fact, as previously stated, LNG from Cook Inlet is exported outside of the United States.[96] We find that Cook Inlet is a natural gas production basin.

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[90]E-1 at 8-9 (Dubay Direct); E-4 (Carpenter Direct) at 13-14; R-1 (Klein), CMK-2; Vol. V, Tr. at 711-712 (Carpenter); Vol. VIII, Tr. at 1331-1332 (Klein).

[91]H-2 (ConocoPhillips GSA) at 8 (definition of Receipt Point) and 36 (location of Receipt Points); H-3 (Marathon GSA) at 13 (definition of Receipt Point(s)) and 58-60 (Exhibit C, location of Receipt Points).

[92]E-4 (Carpenter Direct) at 11.

[93]*Id.*

[94]H-29 at 4-4 to 4-5.

[95]Vol. V, Tr. at 774 (Carpenter); Public hearing, August 7, 2008 (Vol. X), Tr. at 1606 (Leitzinger).

[96]H-37 (DOE Order) at 70.

Regulatory Commission of Alaska
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(907) 276-6222; TTY (907) 276-4533

Cook Inlet Market Power

ConocoPhillips, Marathon, and Union Oil Company of California, a division of Chevron (Union), control the vast majority of the natural gas supplied in Cook Inlet.[97] Of these three, ConocoPhillips and Marathon are the two largest.[98] ConocoPhillips and Marathon own the Kenai LNG export facility.[99] Therefore, the Cook Inlet market is vertically integrated with the Producers as their own best customers through the medium of sales to the LNG export facility.

ENSTAR's witness Carpenter, in earlier proceedings before the Federal Energy Regulatory Commission (FERC), defined market power as:

> [T]he power to raise price profitably above the competitive level (defined as marginal cost) and not lose so many sales in the process that the price increase must be rescinded. Courts have defined market power as "the power to control prices or exclude competition."[100]

In this docket, Carpenter agreed during cross-examination by the AG with a definition of market power which stated in part "when one buyer or seller in a market has the ability to exert significant influence over the quantity . . . of goods and services traded, or the price at which they are sold."[101] These definitions are consistent with the definition of market power provided by Professors Samuelson and Nordhaus in the academic

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[97]R-1 (Klein) at 22; E-4 (Carpenter Direct) at 18.

[98]E-4 (Carpenter Direct) at 18.

[99]*Id.* at 17 (Carpenter Direct); H-20 (DOE Application) at 4; H-37 (DOE Order) at 14.

[100]H-44 at 10 (internal citation omitted).

[101]Vol. V, Tr. at 610-611. (AG quoting a definition of market power from Economist.com).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

textbook *Microeconomics*.[102] We reviewed ENSTAR's GSAs and the record in this proceeding with these definitions of market power in mind.

As a gas utility ENSTAR requires a supply of natural gas for its very existence. The AG presented testimony from its witness, Cristina Klein (Klein), that the Producers in Cook Inlet have considerable or substantial market power.[103] Klein quoted and affirmatively agreed with the State's observation in front of the DOE that "[t]he Lerner Index approximation of basin price and cost indicates a degree of exerted monopoly power is present at current price levels."[104] Eugene Dubay, the Senior Vice President and Chief Operating Officer of ENSTAR's parent corporation, stated, "[W]e're -- we're in a fairly constrained market and using again, my poor rental car analogy, at least the [P]roducers here even though they -- they know to some extent they've got us by the throat, are only asking for [sic] us what lots of other companies are paying in a liquid market."[105] Under questioning from Commissioner Price, Carpenter, ENSTAR's expert witness, stated, "[u]nder those circumstances [circumstances in Cook Inlet] the [P]roducers definitely have market power. I've never -- I've never said they don't have significant bargaining leverage. But it's the reality of the market. It's the reality under which these contracts are negotiated."[106]

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[102]Samuelson and Nordhaus, *Microeconomics*, Thirteenth Edition, McGraw-Hill, Inc., 1989 at 631 ("The degree of control that a firm or group of firms has over the price and production decisions in an industry.").

[103]R-1 (Klein) at 22-23.

[104]*Id.*

[105]Vol. IV, Tr. at 423.

[106]Vol. V, Tr. at 794.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ENSTAR issued a request for proposals (RFP) on February 1, 2007, seeking long-term gas supply contracts to fill its projected need beginning in 2009.[107] ENSTAR requested supply proposals by March 19, 2007.[108] Only ConocoPhillips and Marathon responded to the RFP.[109] The ConocoPhillips GSA was entered into on April 10, 2008,[110] and the Marathon GSA was entered into on April 11, 2008.[111] No supplier would agree to fill the role of unmet requirements supplier for ENSTAR, and no supplier would meet ENSTAR's full deliverability needs beyond the first quarter of 2011.[112]

Union, ENSTAR's current unmet requirements supplier, did not submit a response to ENSTAR's RFP. Further, Union has supplied only the volumes required under its contract with ENSTAR and has not provided any discretionary additional volumes allowed under the contract.[113]

Certain terms that were agreed to by ENSTAR give us concern and provide evidence of an excessive degree of control over the terms of the GSAs by ConocoPhillips and Marathon. These terms include the limitations on the ability for third-party producers to supply gas to ENSTAR found in the Marathon GSA; the requirement for ENSTAR to develop storage to successfully provide service to its customers inherent in both the ConocoPhillips GSA and the Marathon GSA; and the explicit contractual control over ENSTAR's participation in this proceeding by

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[107] E-1 (Dubay Direct), END-1 at 1.

[108] *Id.*, 1 at 2.

[109] *Id.* at 13; H-1 at 2.

[110] H-2 (ConocoPhillips GSA) at 4.

[111] H-3 (Marathon GSA) at 6.

[112] E-1 (Dubay Direct) at 14; E-2 (Dubay Reply) at 39.

[113] E-1 (Dubay Direct) at 13; E-6 (Slaughter Direct) at 6.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

ConocoPhillips and Marathon, neither of whom filed a petition to intervene to participate on its own behalf.

The Marathon GSA contains a provision that ENSTAR states "allow[s] increased access by independent producers to the ENSTAR market . . . ."[114] However, the term may be viewed as a restriction on ENSTAR's ability to procure gas from a third-party supplier, rather than an opportunity for such a third-party supplier.[115] The provision states that it accommodates purchases of up to 0.5 Bcf from a new supplier to begin in 2011.[116] However, the third-party supplier must meet all levels of deliverability described under the GSA, meaning Base Load Gas, Seasonal Peak Tier 1 Gas, Seasonal Peak Tier 2 Gas, and Needle Peak Gas.[117] Marathon is no longer required to provide Needle Peak Gas in 2011. ConocoPhillips only provides Base Load Gas after the first quarter of 2011. Therefore, the small third-party supplier must provide a higher level of deliverability than the two largest suppliers of natural gas in Cook Inlet if it seeks to supply relatively small amounts of gas to ENSTAR. It is doubtful that an independent supplier can provide a higher level of deliverability than Marathon itself is willing to provide. This provision is unreasonable on its face, is evidence of Marathon's ability to exclude competition, and is evidence of an excessive degree of control over the terms of the GSA by Marathon. We note that this provision may be inconsistent with our requirement that all future ENSTAR contracts shall be unbundled as to volume and price. To the extent that Section 2.4(b) of the Marathon GSA is inconsistent with our directive, we do not approve the inconsistent aspect of the provision.

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[114]E-6 (Slaughter Direct) at 12.

[115]H-3 (Marathon GSA) at 22-23 (§2.4(b)).

[116]H-1 at 8; H-3 (Marathon GSA) at 22 (§2.4(b)).

[117]H-3 (Marathon GSA) at 23 (§2.4(b)).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

The GSAs contain terms that allowed ConocoPhillips and Marathon to exert a significant degree of control over ENSTAR during these proceedings. Neither ConocoPhillips nor Marathon became a party to this docket. Neither ConocoPhillips nor Marathon filed a petition to intervene in this docket. Under the terms of its GSA:

- ConocoPhillips was affirmatively "not obligated" to file a petition to intervene in this docket;
- ENSTAR was required to provide copies of all pleadings in this docket to ConocoPhillips;
- ENSTAR was required to seek approval for filings that may include content that would impact ConocoPhillips' business in Cook Inlet; and
- ConocoPhillips could have objected and prevented ENSTAR from using content that would affect ConocoPhillips' business.[118]

Both GSAs allow the Producers to terminate the agreements if they determine that discovery requests are "unduly burdensome," while ConocoPhillips may terminate its GSA if it decides that discovery requests are "not relevant to the proceeding."[119] These provisions provide evidence that ConocoPhillips and Marathon possess the ability to exert significant influence over the terms of any sale of natural gas to ENSTAR.

ENSTAR describes the difficulty in meeting its full deliverability for all levels of demand and the consequences that may ensue in its prefiled testimony.[120] The difficulty in meeting deliverability relates to the large differential between ENSTAR's peak demand on the coldest day in the winter and its lowest demand during the

[118]H-2 (ConocoPhillips GSA) at 21-22 (§10.1(a)).

[119]H-2 (ConocoPhillips GSA) at 22 (§10.1(b)); H-3 (Marathon GSA) at 35 (§11.3).

[120]E-1 (Dubay Direct) at 9-11; E-6 (Slaughter Direct) at 5.

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

summer.[121] The consequences of failure to meet full deliverability could include service interruptions during the coldest time of the year.[122] Yet, neither GSA will provide ENSTAR with full deliverability for all levels of demand beyond 2010. This shortcoming requires ENSTAR to obtain and implement storage prior to that time. While ENSTAR plans to do so, it has no concrete strategy in place at this time.[123] The deliverability tiers of the GSAs were developed in order to meet the Producers' desired efficiency range.[124] The Producers' implicit refusal to provide ENSTAR with gas at full deliverability throughout the length of the GSAs, and the GSAs' inherent requirement for ENSTAR to develop and implement storage by 2011, is evidence that ConocoPhillips and Marathon exerted significant influence on the deliverability terms of the GSAs.

We find that ConocoPhillips and Marathon have market power over ENSTAR in the Cook Inlet natural gas market. Further, we find that the GSAs that ENSTAR has submitted for approval in this docket contain terms that are affected by the Producers' exercise of their market power.

The finding that the Producers have market power over ENSTAR, and our earlier finding that Cook Inlet is a production area, in and of themselves do not require any particular action on our part in relation to the GSAs. However, the findings do affect our evaluation of whether the GSAs or particular terms within the GSAs are unjust, unreasonable, unduly discriminatory, or preferential when viewed in the context of Cook Inlet, which is unique among United States regional natural gas markets.

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[121]E-6 (Slaughter Direct) at 5.

[122]E-1 (Dubay Direct) at 10.

[123]*Id.* at 41-42; *Errata to Reply Testimony of Eugene N. Dubay,* filed July 21, 2008 (E-2) at 39.

[124]E-6 (Slaughter Direct) at 7; H-2 (ConocoPhillips GSA) at 10-11; Public hearing, dated August 4, 2008 (Vol. VII), Tr. at 1076 (Slaughter).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

GSA Price Terms

The parties presented widely varied viewpoints on the reasonableness of the pricing terms of the GSAs. ENSTAR presented evidence that the price terms are reasonable.[125] Regarding the ConocoPhillips GSA, ENSTAR stated, "The price was arrived at through arm's length negotiations. The Company agreed to this price because it is a reasonable market-based price for the value of natural gas in Cook Inlet."[126] Regarding the Marathon GSA ENSTAR similarly stated, "From the Company's perspective, I would also emphasize that this is a market-based price, negotiated at arm's length in the market in which ENSTAR must buy its gas supplies. It is the price that ENSTAR was required to pay to induce [Marathon Oil Company] to commit the gas to ENSTAR with all of the positive elements that the contract includes."[127] ENSTAR asserts that it is not realistic to expect it to obtain GSA terms that are not available in the market.[128] ENSTAR argues that the tier pricing provisions are reasonable and reflect the value of deliverability and seasonal swing services compared to the value of similar services such as storage.[129] ENSTAR acknowledges that there is some seasonal fluctuation due to demand built into the Energy Price.[130] ENSTAR states that based on its forecasts its calculations show that under the ConocoPhillips GSA, the tier structure

[125]E-1 (Dubay Direct) at 18-28; E-2 (Dubay Reply) at 26-30; E-4 (Carpenter Direct) at 5-9, 32-47; *Prepared Reply Testimony of Paul R. Carpenter,* filed July 14, 2008 (E-5) at 5-9.

[126]E-1 (Dubay Direct) at 19.

[127]*Id.* at 27.

[128]E-2 (Dubay Reply) at 9.

[129]E-4 (Carpenter Direct) at 4, 43-47; Vol. IV, Tr. at 499-501 (Dubay).

[130]Volume II, Tr. at 160 (Dubay).

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

will add in the range of $0.95/Mcf[131] to $1.24/Mcf to the Energy Price for 2009.[132] Similarly, it states that based on its forecasts the Marathon GSA tier structure will add in the range of $.75/Mcf to $.88/Mcf to its Energy Price for 2009.[133] ENSTAR claims that the tier additions are not excessive when compared to benchmarks for storage services in Lower 48 markets.[134]

The AG presented evidence in support of his argument that the pricing provisions of the GSAs are not reasonable.[135] The AG claims that a reasonable price for Cook Inlet gas with full deliverability would be "the CICI market index proposed by [the Regulatory Affairs and Public Advocacy Section of the Department of Law] and used in the COP [ConocoPhillips] GSA. . . ."[136] The "CICI market index" proposed by the AG is composed of the same trading hubs utilized by the ConocoPhillips GSA to calculate an Energy Price.[137] The AG states that these trading hubs are reasonable because one, TCPL Alberta, AECO-C, "would be the first liquid point for Alaska gas flowing south by pipeline."[138] And, "The other four hubs have a closer regional affinity to Alaska than East Coast or Midwest hubs, and/or they are locations where Alaska LNG might someday be shipped."[139] The AG claims that the tier pricing provisions within the

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[131]Mcf means one thousand standard cubic feet.

[132]E-4 (Carpenter Direct) at 45.

[133]*Id.*

[134]*Id.*

[135]R-1 (Klein) at 30-41.

[136]*Id.* at 41.

[137]*Id.* at 31, 41.

[138]*Id.* at 41.

[139]*Id.* at 41.

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GSAs are unreasonable.[140] Further, the AG asserts that the Energy Price under the GSAs is a yearly average that already includes costs for storage and seasonal swing.[141] The AG advocates for pricing provisions that average out to the CICI median price with discounts for base gas and adders for peaking gas.[142] However, the AG acknowledges that ENSTAR had limited bargaining power and that ENSTAR needs the gas provided by the GSAs.[143] Therefore, the AG recognizes that public policy may require approval of the GSAs.[144]

Chugach offered testimony that ENSTAR failed to present a compelling economic justification for the pricing provisions of the GSAs.[145] Chugach also presented testimony that the price provisions of the GSAs are unreasonable.[146] Chugach presented testimony suggesting that production basin indices are more appropriate pricing proxies for the Cook Inlet than trading hub and city gate indices.[147] Chugach also presented testimony that ENSTAR's weighted average cost of gas (WACOG) may be an "attractive" price for sellers.[148]

ENSTAR responded to Chugach's testimony claiming that production area prices are inappropriate for Cook Inlet as there is consumption as well as production in

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[140]R-1 (Klein) at 42-48.

[141]Vol. IX, Tr. at 1450 (Klein).

[142]R-1 (Klein) at 43.

[143]Vol. VIII, Tr. at 1325 (Klein).

[144]Vol. IX, Tr. at 1394 (Klein).

[145]C-1 (Leitzinger) at 3-27.

[146]C-3 (Gibson) at 3-23.

[147]*Id.* at 8-11.

[148]*Id.* at 13-17.

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Cook Inlet.[149] However, as noted by Chugach, there is generally consumption in a production basin.[150] Further, ENSTAR's witness Carpenter acknowledged during cross-examination that there is consumption in Lower 48 production areas.[151]

We stated in Order U-06-2(15) that the use of a market index to set the price terms for an ENSTAR GSA may be acceptable.[152] However, the use of the market index must be justified and reconciled with Cook Inlet market conditions.[153] We also stated that a GSA may not add costs for transportation or production taxes over and above the index price.[154] Further, we stated that the use of an index requires "a meaningful cap."[155]

The Union contract was intended to be an exploration contract, with a price Union represented it needed to explore and develop additional resources for the local utility market, and, specifically, for ENSTAR. Union's unwillingness to provide additional volumes to ENSTAR, discussed above, is further evidence supporting our conclusion in Order U-06-2(15) that attempts to justify the prices in an ENSTAR GSA through asserting the need to provide an exploration and development incentive in Cook Inlet have not been fully realized.[156]

[149]E-5 (Carpenter Reply) at 35.

[150]Vol. XII, Tr. at 1976 (Gibson).

[151]Vol. V, Tr. at 707-708 (Carpenter).

[152]Order U-06-2(15) at 34.

[153]*Id.*

[154]*Id.*

[155]*Id.*

[156]*Id.* at 24-27.

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Meaningful Price Cap

The price that ENSTAR pays for natural gas is passed on to its ratepayers. Residential customers need gas for space heating purposes and their demand is fairly inelastic.[157] For the price terms of ENSTAR's GSAs to be reasonable, or for the cap on a market index to be meaningful, they must bear some relationship to the characteristics that exist in Cook Inlet. We find that it is in the public interest to place a dynamic market-based cap on the burden ratepayers are required to bear. For this cap to be meaningful, we tie it to production-area market prices. This is appropriate given the unique nature of Cook Inlet as a production area that exports a significant amount of its natural gas beyond its immediate geographic boundaries and is home to the only LNG export plant in the United States. The cap is necessary to protect the public interest given the market power over ENSTAR that is held by the Producers.

Based on the record presented in this proceeding, we find that a ConocoPhillips GSA Price Cap and a Marathon GSA Price Cap based on the El Paso, Permian Basin; Panhandle, Tx.-Okla.; El Paso, San Juan Basin; Kern River, Opal Plant; and TCPL Alberta, AECO-C trading locations will provide a meaningful and appropriate cap for price terms in ENSTAR's GSAs with ConocoPhillips and Marathon.[158] The Price Cap shall be calculated based on the twelve month trailing average of the trading locations and is further explained in Appendix D and Appendix E to this order. The ConocoPhillips Price Cap and the Marathon Price Cap include production taxes and royalties.

[157]Vol. V, Tr. at 638 (Carpenter).

[158]*See* Ex. H-45, *Production Prices vs. Consumption Prices* (H-45); *Prefiled Direct Testimony of Suzanne L. Gibson,* filed June 24, 2008 (C-3) SLG-3.

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The trading locations were selected because they are net producing locations and export gas beyond their immediate geographic vicinity.[159] They are located in the United States and Canada with geographic diversity to dampen risk. The trading locations are transparent with daily trading volumes.[160] These factors work together to provide a meaningful cap that will help to ameliorate any unreasonable price terms within the GSAs. Correspondingly, the ConocoPhillips Price Cap and the Marathon Price Cap also recognize the need for the Producers to earn market based rates.[161]

Based on our review of the pricing information provided by ENSTAR we find that, with one modification, the calculations embodied in the tier structure for base, seasonal and needle peak gas in the Marathon GSA, is a more accurate representation of seasonal price fluctuations than the calculations embodied in the tier structure proposed by the ConocoPhillips GSA.[162] We do require a minor modification to the price structure for Base Load Gas and Seasonal Peak Tier 1 Gas in the Marathon GSA (§3.1(a)) for purposes of calculating the Marathon Price Cap. Base Load Gas and Seasonal Peak Tier 1 Gas are used year-round, and gas from both tiers is taken every day of the contract year.[163] Therefore it is unreasonable to segment these tiers and unreasonable to charge a 5 percent premium for a portion of this year-round gas. We require the Marathon GSA Price Cap to be calculated such that Base Load Gas and

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[159]E-5 (Carpenter Reply) at 39; C-3 (Gibson Direct) at 9; H-45; Vol. III, Tr. at 208-209 (Dubay); Vol. V, Tr. at 714, 717 (Carpenter); Vol. XII, Tr. at 1975-1977 (Gibson).

[160]*See* C-3 (Gibson Direct), SLG-3.

[161]*See* E-1 (Dubay Direct) at 33; Vol. III, Tr. at 208-209 (Dubay).

[162]*See* H-68 (Carpenter work papers, excel spreadsheet).

[163]E-6 (Slaughter Direct) at 8.

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Seasonal Peak Tier 1 Gas are priced at 100 percent of the Energy Price. We are allowing tier additions in the calculation of the Price Caps to recognize the need to compensate the Producers for services such as meeting quality specifications and transporting gas to ENSTAR's system.[164]

We find that the floating market-based caps based on production area trading locations are an appropriate limit and price signal for ENSTAR GSAs given the current market conditions. The ConocoPhillips Price Cap and the Marathon Price Cap shall remain in effect as long as natural gas is exported from Cook Inlet or there are ongoing activities leading to the export of natural gas.

Tier Pricing

We find that storage costs are embedded in the tiers. Therefore, the value of storage is hidden and difficult to analyze. Further, we find that the evidence shows that the tier demarcations were Producer-efficiency driven and then retroactively superimposed on ENSTAR's seasonal demand profile.[165] However, we recognize that ENSTAR's forecasts indicate a need for the gas supplied by these GSAs in 2009. We find that the pricing tiers in these GSAs are the beginning of unbundled pricing of supply to ENSTAR. While imperfect, the tiers are an interim step to achieve unbundled rates. We require the next GSAs filed by ENSTAR for our approval to be fully unbundled, including pricing for storage. We explicitly do not endorse the tier structure in either of the current GSAs; however in the absence of storage, some seasonal differential pricing may be appropriate. In light of the forecasted immediate need for gas and the very tight deliverability constraints in Cook Inlet, and provided that the GSAs are amended to

[164] *See* E-5 (Carpenter Reply) at 35.

[165] E-6 (Slaughter Direct) at 7; H-2 (ConocoPhillips GSA) at 10.

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incorporate the ConocoPhillips Price Cap and the Marathon GSA Price Cap, respectively, we do not find the tier structures unreasonable.

ConocoPhillips Quarterly Price Adjustment

The AG expressed concern that the quarterly price adjustment contained within the ConocoPhillips GSA[166] presented the potential for rate shock.[167] In response, ENSTAR presented testimony that the quarterly adjustment would dampen any potential swings in pricing.[168] Further, the AG acknowledged that the volumes subject to the quarterly adjustment are small and the potential impact would not be significant.[169] We do not find that the quarterly price adjustment term in the ConocoPhillips GSA is unreasonable.

Public Interest

We find that the public interest is served through ENSTAR's entering into GSAs with terms that are not unreasonable and which reflect the characteristics of the Cook Inlet natural gas production area. We find that ENSTAR acted in a prudent fashion to enter into the ConocoPhillips and Marathon GSAs and that the future gas supplies provided for under the GSAs are reliable. We find that the public interest requires a floating market-based cap on the price terms of the GSAs that reflects the Cook Inlet's unique status as a production area that exports natural gas beyond its immediate geographic area and outside of the United States. The ConocoPhillips GSA Price Cap and the Marathon GSA Price cap are required to help militate against the market power and resultant imbalance in bargaining power held by the Producers over

[166]H-2 (ConocoPhillips GSA) at 15 (§3.3).

[167]R-1 (Klein) at 48-49.

[168]Vol. II, Tr. at 168-170 (Dubay).

[169]Vol. VIII, Tr. at 1348-1351 (Klein).

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ENSTAR. We find that approval of the GSAs, with the conditions described in the order above, is in the public interest. We require ENSTAR to amend the GSAs to incorporate the appropriate Price Cap.

Involvement of Other Government Agencies

Evidence presented in this record has made clear that it is the State of Alaska, Department of Natural Resources (DNR), which has the ability to require and approve plans of development by natural gas producers.[170] Further, DNR has the ability to influence exploration and development at the time the Producers appear before the DOE to request an extension of their export authorization.[171] It is the United States of America Department of Energy (DOE) which has the ability to place conditions on the Producers' authorization to export natural gas. Our role in the regulatory regime is to review the ENSTAR GSAs presented in this docket in order to hold utility prices to a reasonable level.[172]

In the recent proceedings before the DOE, DNR and the State Attorney General, on behalf of the State as a resource owner,[173] entered into a settlement agreement with ConocoPhillips and Marathon that resulted in the State's unconditional support for the Producers' export application.[174] As a part of the settlement agreement, ConocoPhillips and Marathon committed to act in good faith, in their sole discretion, to complete gas supply agreements with ENSTAR that we would find approvable.[175] The

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[170]Tr. at 1826-28 (Hosie).

[171]*See e.g.,* Tr. at 1893-94 (Dubay); CMK-5 at 1, 6, 9-12.

[172]Order U-06-2(15) at 32.

[173]The Attorney General, Regulatory Affairs & Public Advocate was not a party to the settlement agreement.

[174]CMK-5 at 1-2.

[175]CMK-5 at 8.

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recent authorization to export LNG allows the Producers to export up to 98.1 Bcf of LNG between April 2009 and March 2011.[176] In contrast, the ConocoPhillips GSA and Marathon GSA combine to provide 37.8 Bcf of natural gas to local ratepayers through ENSTAR, a local utility. As explained above, we have concerns about the GSAs and are able to approve them only after amendment to incorporate a Price Cap. Based on our review of the record, we find that the DOE's decision to extend the Producers' export authority negatively impacted ENSTAR's negotiating position and the resulting terms of the ConocoPhillips GSA and the Marathon GSA. We recognize that the LNG export facility is a benefit to the State of Alaska as a whole and that the export of LNG stimulates exploration and development of new reserves. However, it is in the best interests of local utility ratepayers to require the Producers to finalize contracts with local utilities before receiving authorization to export natural gas. Therefore, we request that DNR require the Producers to provide completed gas supply agreements, which we have approved, with local utilities before supporting any future export applications from the Producers. Additionally, we request that DOE require the Producers to provide completed gas supply agreements, which we have approved, with local utilities before granting future applications for authorization to export LNG.

Final Order

This order constitutes the final decision in this proceeding. This decision may be appealed within thirty days of the date of this order in accordance with AS 22.10.020(d) and the Alaska Rules of Court, Rule of Appellate Procedure (Ak. R. App. P.) 602(a)(2). In addition to the appellate rights afforded by AS 22.10.020(d), a party has the right to file a petition for reconsideration as permitted

[176] H-37 (DOE Order) at 70.

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by 3 AAC 48.105. If such a petition is filed, the time period for filing an appeal is then calculated under Ak. R. App. P. 602(a)(2).

ORDER

THE COMMISSION FURTHER ORDERS:

1. The *Gas Sales Agreement Between ConocoPhillips Alaska, Inc. and Alaska Pipeline Company*, filed with TA167-4 on April 11, 2008, is approved, subject to filing of an amendment that incorporates the ConocoPhillips GSA Price Cap described in this order.

2. By 4 p.m., December 1, 2008, ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc. shall file an amendment to the *Gas Sales Agreement Between ConocoPhillips Alaska, Inc. and Alaska Pipeline Company,* filed with TA167-4, that incorporates the ConocoPhillips GSA Price Cap described in this order.

3. The *Gas Sales Agreement Between Marathon Oil Company and Alaska Pipeline Company*, filed with TA167-4 on April 11, 2008, is approved, subject to filing of an amendment that incorporates the Marathon GSA Price Cap described in this order; and subject to the further exception that any aspect of Section 2.4(b) of the agreement that is inconsistent with our directive that future ENSTAR gas sales agreements shall be unbundled as to price and volume is not approved.

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4. By 4 p.m., December 1, 2008, ENSTAR Natural Gas Company, a Division of SEMCO Energy, Inc. shall file an amendment to the *Gas Sales Agreement Between Marathon Oil Company and Alaska Pipeline Company*, filed with TA167-4, that incorporates the Marathon GSA Price Cap described in this order.

DATED AND EFFECTIVE at Anchorage, Alaska, this 31st day of October, 2008.

BY DIRECTION OF THE COMMISSION



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2/22/11 Presentation: Getting Alaskans' Gas to Alaskans by David Gottstein

<TARGET><BILL></BILL><SUBJECT>2-22-11 Presentation Getting Alaskans' Gas to Alaskans by David Gottstein</SUBJECT><COMM>HEDT27</COMM></TARGET>

Economic Development, Trade & Tourism Committee

Presentation By David Gottstein

February 22, 2011

Alaska is headed towards long-term fiscal decay

- Non-oil and gas based economy is insufficient to sustain government
- Get Alaskan's gas to Alaskans in 6-8 years while maximizing the potential for export volumes
- Capable of delivering lower cost economies-of-scale energy to Alaskans, while providing resources to sustain government and to fill Permanent Fund

Context

- The business of Big Oil
- Requirements for a Fill-It Then Build-It pipeline
- Only path to low cost energy for Alaskans is to piggyback onto an efficient export project
- SOA doesn't need tariffs
- Risks of doing nothing versus risks of doing something
- Marginal costs versus marginal returns

Four Options:

1. Do nothing and import LNG
2. North Slope Bullet Line (A path to poverty)
3. Wait until energy pricing & economies of scale align (Fill & Then Build)
4. Build It, Then Fill It

Do Nothing and Import LNG

a. High transportation costs
b. Subject to market price spikes
c. The right thing to do until a good long-term solution is in place

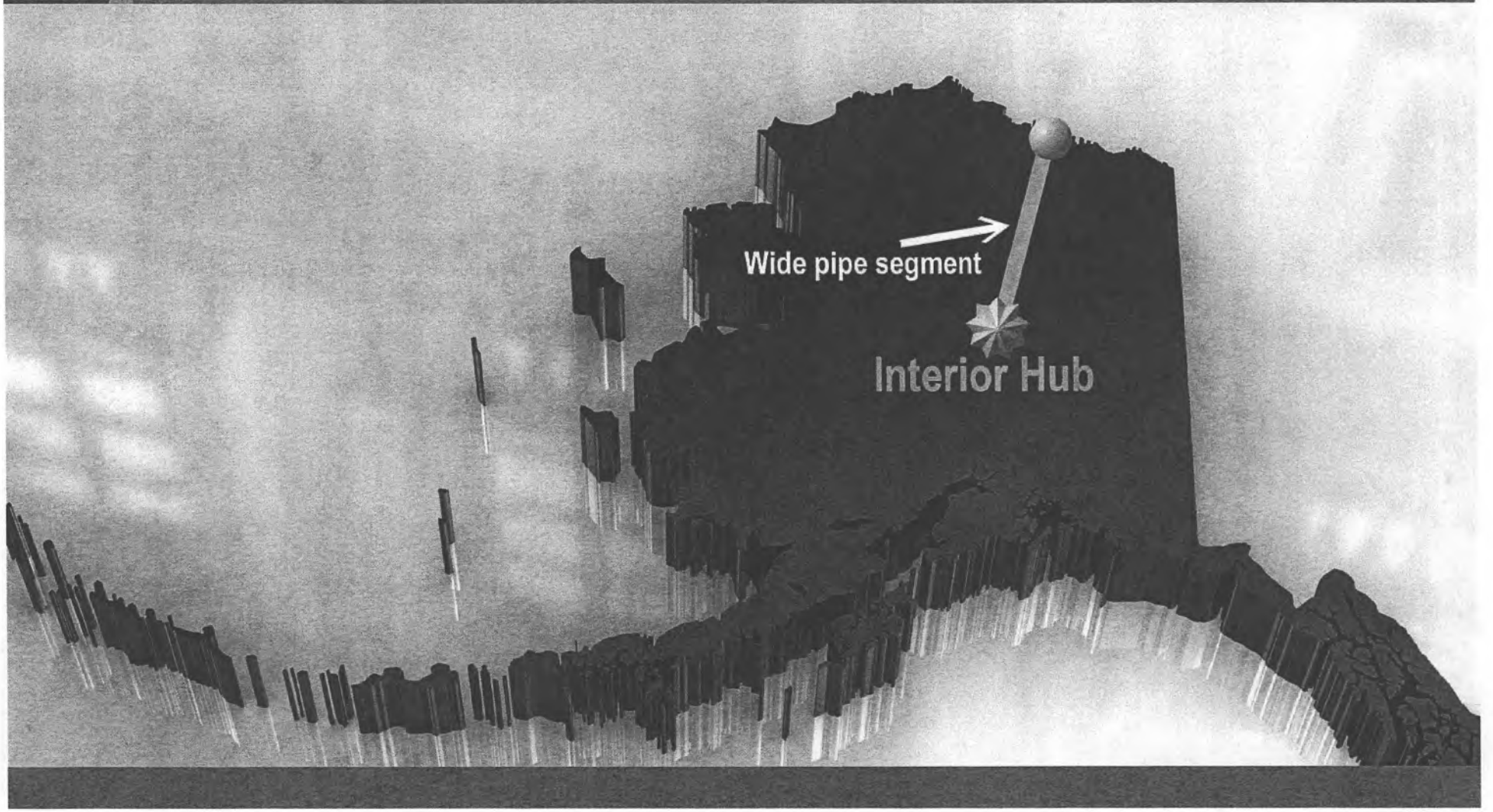
Bullet Line Path to Poverty

a. Very high energy costs locked in for decades due to inefficient pipe
b. Makes an export project less economic

Wait Until Energy Pricing & Economies of Scale Align (Fill & Then Build It)

a. Even optimistic price forecasts will defer decision for many years
b. Waiting will indefinitely extend time necessary to import LNG

Build It & Then Fill It Model Changes Everything



How Do We Do It? Step One.

- Administration renegotiates AGIA license with TC for Alaska to co-sponsor an export capacity gasline from the North Slope to an Interior Hub.
- Building to a logistical sweet spot capable of linking to In-State utilities concurrently, and export & value-added market opportunities as they develop. (Plug and Play)
- Because AK makes its gross margin on selling the resource, it can justify a build-then fill approach. It cannot afford not to.

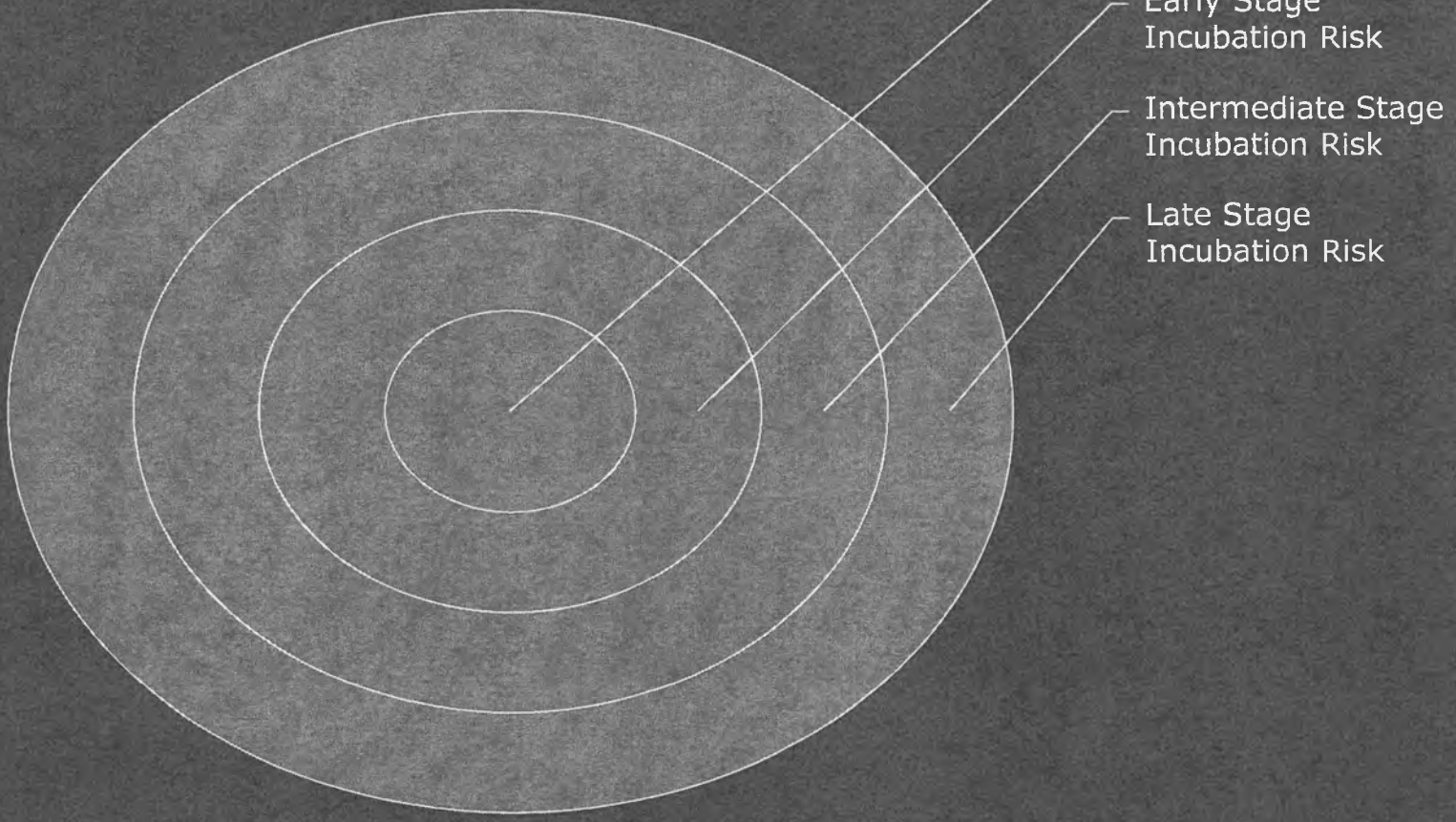
Step Two.

- SOA announces that it is co-sponsoring the "Export Pre-Build" segment to Fairbanks area, bringing project to investment grade status
- What does Investment Grade mean?

Step Three.

- Sponsoring group invites the private sector to participate by investing in & acquiring rights to initial and future capacity
- With SOA keeping only those speculative tariff rights private sector cannot absorb.
- For example, later stage capacity utilization generated tariffs.
- SOA will not design, build, maintain or operate the pipeline; that will be left to private sector participants.
- SOA will only do the LEAST necessary to INSURE the export pre-build is built.

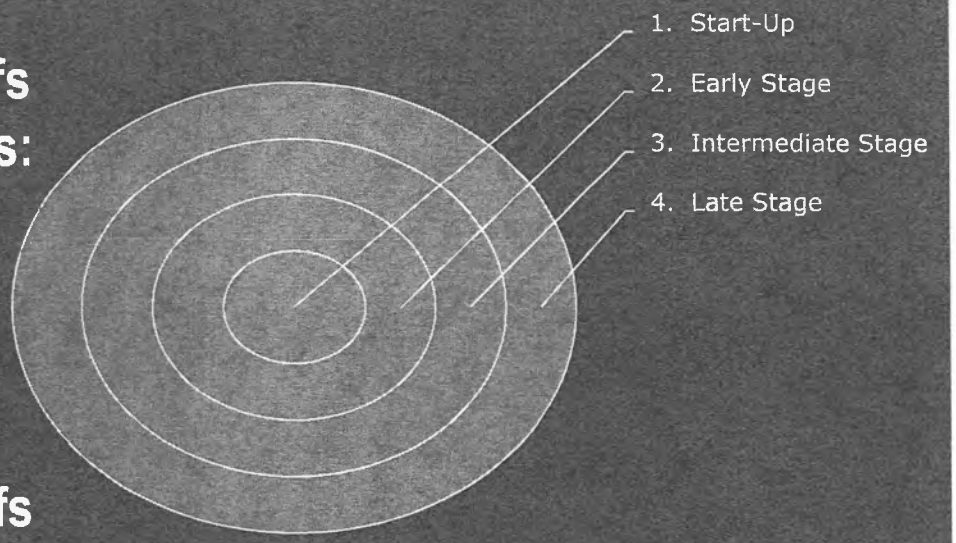
Plan of Finance (Condominium-Like Financial Engineering)



Possible Project Ownership Carve-Outs

1. 10-25 percent start-up capacity utilization & tariffs [low risk] Possible Owners: Big Oil, Utilities, Pipeline Companies

2. 25-50 percent early stage capacity utilization & tariffs [2-5 Years, modest risk] Possible Owners: Big Oil, Pipeline Companies, Value-Added Processors



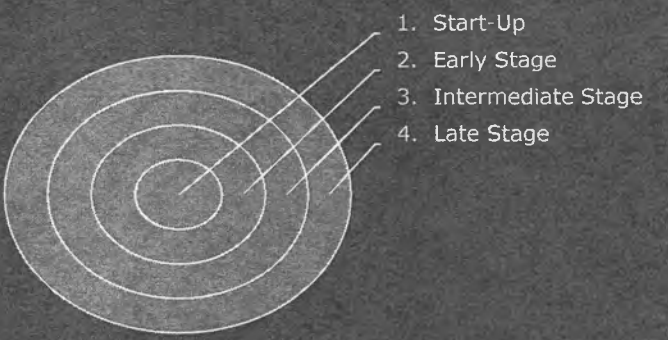
Possible Project Ownership Carve-Outs

3. 50-75 percent intermediate stage capacity utilization & tariffs [5-10 years, moderate risk]

Possible Owners: Private Equity, Hedge Funds

4. 75-100 percent later stage capacity utilization & tariffs [10-20 years, higher risk]

Possible Owners: State of Alaska, China (???)



IT ALL COMES DOWN TO PRICE FOR THE INVESTORS

Step Four

- Once sponsoring group is established for an investment grade export pre-build segment, we will have opportunity for an open season bidders can take seriously.
- Once purchasers know they can get gas, they can begin to put bona fide bids together. Railbelt & other utilities can with certainty make gas purchase commitments

Step Five.

- **Consistent with the Build and Then Fill Model, SOA negotiates with Hawaii enough tariff discounts as investments in Hawaii's new gas infrastructure to make North Slope Gas their economical fuel of the future.**

Step Six.

- It is then Open Season on a continuous increase in capacity utilization

What Do We Get For Our Marginal Cost of $3-6 Billion?

a. We avoid saddling Alaskans with high energy costs for possibly decades.
b. We avoid putting an export project at materially greater risk in terms of time and money by moving from a highly inefficient logistical footprint to a highly efficient one.
c. We get gas to Alaskans in as little as six to eight years.
d. We put our future and destiny on our timeframe.

What Do We Get For Our Marginal Cost of $3-6 Billion?

e. By announcing to the energy community that we are prepared now to build, and we invite them to participate, we force them to act, for fear of being left behind.

f. We greatly invigorate the potential for adding volumes to not only the gas pipeline, but the oil pipeline as well.

g. The Oil & Gas Commission, for the first time will be empowered to maximize their mandate by maximizing the trade-off of oil and gas values, unconstrained by capacity limitations.

What Do We Get For Our Marginal Cost of $3-6 Billion?

i. We position many parts of rural Alaska to benefit with reliable access to lower cost energy over time because of the economies-of-scale generated.

ii. We create the opportunity to approach Hawaii about Alaska being a long-term significant solution to their energy needs with a project that could actually happen. Unfettered with any export limitations.

j. Upon the announcement of an investment grade project, we will jump-start the Alaskan economy and generate decades of improved prosperity for almost all Alaskans.

What Do We Get For Our Marginal Cost of $3-6 Billion?

j. We avoid, to a considerable degree, exposing the SOA to long-term fiscal decay, and hopefully put off pressures to use Permanent Fund to help pay for state government.

k. If we have buyers and a pipeline, producers will have no choice but to supply our gas.

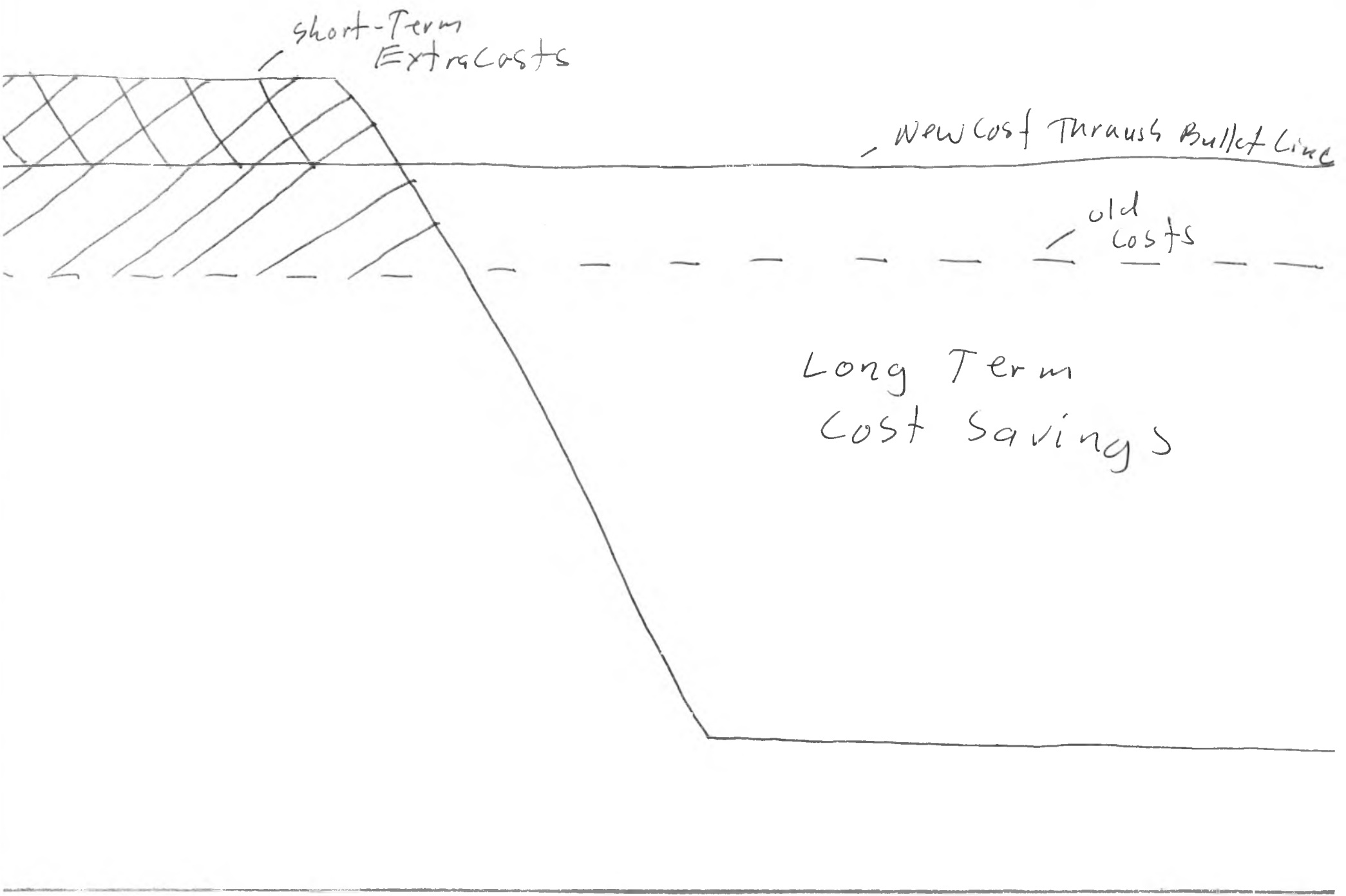
Closing Comments

- Tariff pricing becomes a public policy issue regarding assistance
- Marginal cost is only between $3-6 billion
- It is the cheapest insurance we could ever buy in order to insure prosperity versus economic calamity
- We will be importing LNG for 6-8 years plus the time it takes to an investment grade decision

Gottstein Permanent Fund Value Forecast 02-21-11	
Population Growth	1.0%
Inflation	2.5%
Oil Flow Annual Decay	-4.0%
Annual Oil Price Rise	5.0%
Current PF Value	$39,650,300,000
Budget Reserve	$9,500,000,000

	PF Allocation	PF Allocation %	Expected Ret.	Attribution
US Bonds	$6,153,500,000	15.5%	4.5%	0.7%
US Stocks	$6,686,400,000	16.9%	8.5%	1.4%
Non US Stocks	$8,225,600,000	20.7%	9.5%	2.0%
Global Stocks	$4,808,100,000	12.1%	9.5%	1.2%
Non US Bonds	$1,037,200,000	2.6%	5.0%	0.1%
Real Estate	$3,528,500,000	8.9%	6.5%	0.6%
Cash	$1,482,300,000	3.7%	1.5%	0.1%
Alternatives	$4,708,600,000	11.9%	6.0%	0.7%
Real Ret. External	$3,020,100,000	7.6%	4.5%	0.3%
Total	$39,650,300,000	100.0%		7.1%

Year	Current State Savings	Net Fee Return Perm. Fund 7.1%	State Oil Rev + 1.0%	State Portion of Budget Growth(Pop+Inf) 3.5%	Surplus Bud. To P. Fund	Dividend% Of PF Earnings After Inflation 25%	Perm. Fund Inf. Proofing	Price per Barrel
1	49,150,300,000	3,477,460,301	6,000,000,000	5,500,000,000	500,000,000	562,175,700	1,228,757,500	$91.00
2	49,088,124,300	3,473,061,273	$6,060,000,000	$5,692,500,000	367,500,000	561,464,541	1,227,203,107	$95.55
3	48,894,159,758	3,459,337,980	$6,120,600,000	$5,891,737,500	228,862,500	559,245,996	1,222,353,994	$100.33
4	48,563,776,262	3,435,962,833	$6,181,806,000	$6,097,948,313	83,857,688	555,467,107	1,214,094,407	$105.34
5	48,092,166,843	3,402,595,732	$6,243,624,060	$6,311,376,503	(67,752,443)	550,072,890	1,202,304,171	$110.61
6	47,474,341,509	3,358,883,627	$6,306,060,301	$6,532,274,681	(226,214,380)	543,006,272	1,186,858,538	$116.14
7	46,705,120,857	3,304,460,067	$6,369,120,904	$6,760,904,295	(391,783,391)	534,208,011	1,167,628,021	$121.95
8	45,779,129,454	3,238,944,733	$6,432,812,113	$6,997,535,945	(564,723,833)	523,616,624	1,144,478,236	$128.05
9	44,690,788,997	3,161,942,950	$6,497,140,234	$7,242,449,703	(745,309,470)	511,168,306	1,117,269,725	$134.45
10	43,434,311,222	3,073,045,189	$6,562,111,636	$7,495,935,443	(933,823,807)	496,796,852	1,085,857,781	$141.17
11	42,003,690,563	2,971,826,549	$6,627,732,752	$7,758,293,183	(1,130,560,431)	480,433,571	1,050,092,264	$148.23
12	40,392,696,560	2,857,846,213	$6,694,010,080	$8,029,833,445	(1,335,823,365)	462,007,200	1,009,817,414	$155.64
13	38,594,865,996	2,730,646,900	$6,760,950,181	$8,310,877,615	(1,549,927,435)	441,443,812	964,871,650	$163.42
14	36,603,494,749	2,589,754,282	$6,828,559,683	$8,601,758,332	(1,773,198,649)	418,666,728	915,087,369	$171.59
15	34,411,629,371	2,434,676,391	$6,896,845,279	$8,902,819,874	(2,005,974,594)	393,596,414	860,290,734	$180.17
16	32,012,058,363	2,264,903,004	$6,965,813,732	$9,214,418,569	(2,248,604,837)	366,150,386	800,301,459	$189.18
17	29,397,303,140	2,079,904,998	$7,035,471,870	$9,536,923,219	(2,501,451,350)	336,243,105	734,932,578	$198.64
18	26,559,608,685	1,879,133,694	$7,105,826,588	$9,870,715,532	(2,764,888,943)	303,785,869	663,990,217	$208.57
19	23,490,933,872	1,662,020,170	$7,176,884,854	$10,216,190,575	(3,039,305,721)	268,686,706	587,273,347	$219.00
20	20,182,941,445	1,427,974,552	$7,248,653,703	$10,573,757,245	(3,325,103,543)	230,850,254	504,573,536	$229.95
21	16,626,987,649	1,176,385,281	$7,321,140,240	$10,943,838,749	(3,622,698,509)	190,177,647	415,674,691	$241.45
22	12,814,111,492	906,618,352	$7,394,351,642	$11,326,873,105	(3,932,521,463)	146,566,391	320,352,787	$253.52
23	8,735,023,637	618,016,531	$7,468,295,159	$11,723,313,664	(4,255,018,505)	99,910,235	218,375,591	$266.20
24	4,380,094,897	309,898,538	$7,542,978,110	$12,133,629,642	(4,590,651,532)	50,099,041	109,502,372	$279.51
25	(260,655,677)	(18,441,795)	$7,618,407,891	$12,558,306,680	(4,939,898,788)	(2,981,351)	(6,516,392)	$293.48


Short-Term
Extra Costs
New Cost Through Bullet Line
old
costs
Long Term
Cost Savings

3/01/11 Confirmation: Susan Bell, Commissioner, Department of Commerce, Community & Economic Development

<TARGET><BILL></BILL><SUBJECT>3-01-11 Confirmation Susan Bell, Commissioner, Department of Commerce, Community and Economic Development</SUBJECT><COMM>HEDT27</COMM></TARGET>

Bell, Susan
Commissioner - Department of Commerce, Community and Economic Development

SUSAN K. BELL

RECENT PROFESSIONAL EXPERIENCE

Commissioner, State of Alaska — Juneau

- Responsibilities as commissioner for the Department of Commerce, Community and Economic Development include developing and implementing programs that promote a healthy economy, strengthen communities, and protect Alaska consumers.

Special Assistant, Office of the Governor — Juneau

- Served as a liaison and policy advisor for the Department of Commerce, Community and Economic Development; Department of Revenue; and Department of Administration.
- Contributed to passage of economic development legislation including enhancement of State of Alaska business financing opportunities, reduction of business taxes, and increased marketing for Alaskan industries.

Principal, McDowell Group — Juneau

- Contributed to significant business expansion of the Alaska research and consulting firm in terms of employees, projects, and sales.
- Managed significant portfolio of projects involving economic development, market research, and public opinion research.
- Extensive project management experience in tourism and transportation, ANCSA corporation development, and feasibility studies for public and private sector infrastructure projects.

Vice President, Goldbelt Incorporated — Juneau

- Responsible for 11 business ventures. Responsible for formation of management team during period of rapid corporate investment and growth.
- Achieved consistent growth in gross sales, net income, and shareholder employment.
- Developed management and shareholder training program.

PERSONAL INFORMATION

- Lifetime Alaska resident; born in Nome and raised in Fairbanks.
- Shareholder of Bering Straits Native Corporation and Sitnasuak Native Corporation.
- Married to Robert Koentizer since 1999.
- Big Brothers Big Sisters volunteer.
- Enjoys outdoor activities including skiing, biking, and hiking.

EDUCATION

- BLA from University of Alaska.

PHONE (907) 789-0874 • E-MAIL sbell@gci.net
PO BOX 35261 JUNEAU ALASKA 99803

CONFIRMATION COMMITTEE REPORT

Action date: 3.1.11

The **House Special Committee on Economic Development, Trade, and Tourism** has reviewed the qualifications of the following Governor's appointee and recommends that this name be forwarded to a joint session for consideration:

Commissioner – Department of Commerce, Community, and Economic Development
Susan Bell
Appointed: 7/8/2010

This does not reflect intent by any of the members to vote for or against this individual during any further sessions for the purposes of confirmation.

Signature:	Printed Last Name
	THOMPSON
[redacted]	
CHAIR	HERRON
	JOULE
	FOSTER
	MUÑOZ
Chair:	

Please return to the Chief Clerk's office.

Alaska State Legislature

House of Representatives

Office of the Chief Clerk

Official Business

Thomas B. Stewart Legislative
Office Building, Room 202
Juneau, AK 99801-1182
Phone: (907) 465-3725
Fax: (907) 465-5334

MEMORANDUM

Date: February 2, 2011

To: Representative Herron, Chair
House Special Committee on Economic Development, Trade, and Tourism

From: Suzi Lowell, Chief Clerk

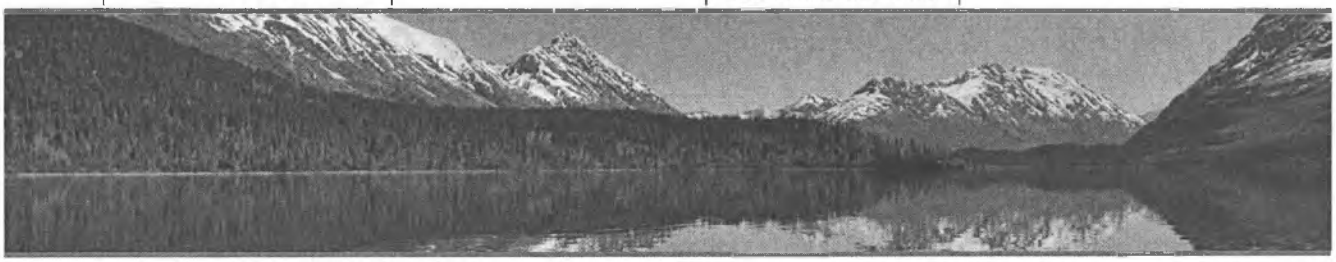
Subject: Governor's Appointment(s)

The Speaker referred the following Governor's appointment(s) to the Community and Regional Affairs Committee and the House Special Committee on Economic Development, Trade, and Tourism:

Commissioner – Department of Commerce, Community, and Economic Development
Susan Bell
Appointed: 7/8/2010

The Confirmation Committee Report and resume are attached for your use. In addition, the resume is also being sent electronically.

Attachments as noted



OUR MISSION: PROMOTING A HEALTHY ECONOMY AND STRONG COMMUNITIES.



Susan K. Bell
Commissioner



Curtis Thayer
Deputy Commissioner

Divisions:

[redacted]

Corporate Agencies:

[redacted]

What's Hot

- 2009 Alaska Economic Performance Report
- State, NASA ink new agreement
- First customers for new energy loans
- DCCED at international forum
- Fuel Watch 2010
- State highlights top 10 investor traps
- CCED assists with relocation of the Village of Newtok

Archived News Articles

[redacted]

State of Alaska © 2010 Webmaster

Court System Information
Court of Appeals Slip Opinions
Supreme Court Oral Argument Calendar
Supreme Court Slip Opinions
Alaska Trial Court Cases

Back to top

Department of Administration

907-465-2200
Alaska Public Broadcasting Commission
Division of Administrative Services
Enterprise Technology Services
Division of Finance
Division of General Services
Division of Motor Vehicles--On-line Services
Division of Personnel and Labor Relations
Division of Retirement and Benefits
Division of Risk Management
Office of Equal Employment Opportunity
Office of Public Advocacy
Office of Administrative Hearings
Oil and Gas Conservation Commission
Public Defender Agency
Public Offices Commission - APOC
Training and Development
Violent Crimes Compensation Board

Back to top

Department of Commerce, Community & Economic Development

907-465-2500
Alaska Aerospace Corporation
Alaska Energy Authority
Alaska Industrial Development and Export Authority
Alaska Railroad Corporation
Alaska Seafood Marketing Institute
Division of Administrative Services
Division of Banking and Securities
Division of Community & Regional Affairs
Division of Economic Development
Division of Insurance
Division of Corporations, Business and Professional Licensing
Office of the Commissioner
Office of International Trade (in Governor's Office)
Regulatory Commission of Alaska
Serve Alaska, State Service Commission

Back to top

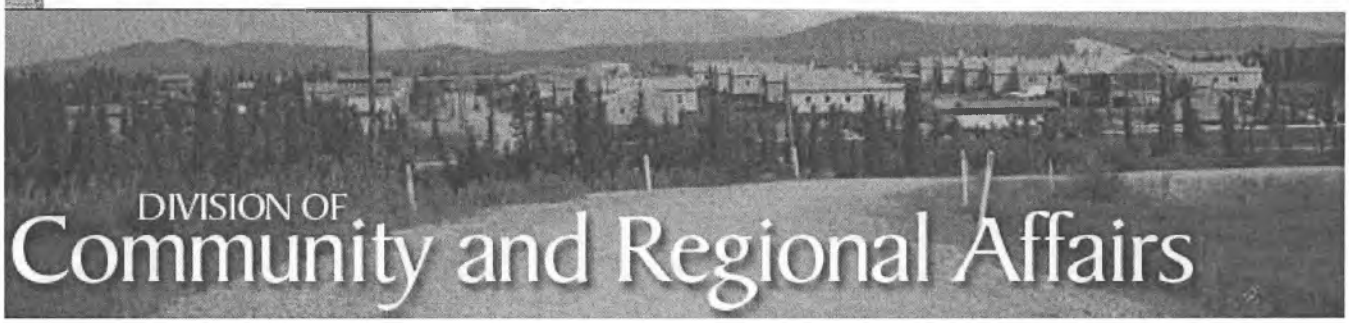
Department of Corrections

907-465-4652
Division of Administrative Services
Division of Probation and Parole
Division of Institutions
Parole Board

Back to top

Department of Education and Early Development

907-465-2800
Commission on Postsecondary Education (Alaska Student Loans)
Division of Libraries, Archives & Museums
SLED (Statewide Library Electronic Doorway)
State Council on the Arts



Our Mission:
Within the scope of the Department's mission, DCRA promotes strong communities and healthy economies by providing information, technical and financial assistance, and other capacity building resources.

EXTRA! EXTRA!

- NEW! Current Community Conditions: Fuel Prices Across Alaska
  - •January 2011 Update
- AKSSF Outreach and Education Matching Grant Program
  - Program Application Guidelines
  - Program Application.pdf
  - Program Application.doc
- Notice of Public Meeting Local Boundary Commission (LBC)
- Lien Watch: A Report of Small Community Liens November-December 2010
- Dillingham Annexation Petition Preliminary Report Released
- Chinook Salmon Direct Distribution Program
- Notice of Filing of Petition for Annexation to the City of Gustavus
- FY12 Library Construction and Major Expansion Matching Grant Program
  - Program Application Guidelines
  - Program Application.pdf
  - Program Application.doc
- Southeast Alaska Chinook Salmon Mitigation Infrastructure Grants
  - Program Guide
  - Application.pdf
  - Application.doc
  - Southeast Region Map

Information by Community

- Alaska Community Database
- Alaska Community Directory
- Capital Project Database
- Community Funding Database
- Community Maps
- Community Infrastructure Library
- Community Plans Library
- Financial Documents Delivery System
- More...

Special Interest Items

- Alaska Statutes/Title 29
- Enhanced Rural Financial Services Initiative
- Newtok Planning Group
- Sample Documents for Alaska Municipal Land Management Handbook
- Alaska Municipal Land Management Handbook
- Who's Planning Alaska

Funding Resources

- The American Recovery and Reinvestment Act (ARRA)
  - •FY2010 Community Economic Stimulus Program (GSF)
  - •FFY 09 Community Development Block Grant(CDBG) - Recovery
  - •FFY 09/10 Community Services Block Grant(CSBG) - ARRA
- Community Revenue Share FY2011 Applications
  - •Borough Application
  - •City Application
  - •Unincorporated Application
- Direct Community Payments
  - •Community Revenue Sharing
  - •Payment in Lieu of Taxes



Scott Ruby, Director

E-mail Scott

DCRA by Programs

- Grants Section
- Financial Assistance to Communities
- Local Government Management Assistance
- Local Boundary Commission
- Local Government Online (LOGON)
- Office of the State Assessor (OSA)
- Research & Analysis Section

  Rural Utility Business Advisor (RUBA)
- Planning and Land Management

Miscellaneous

- Calendar of Events
- Publications
- Related Links
- Contact DCRA Staff

Economic and Demographic Resources

- 2010 Community Development Resources(CDR)

- Southeast Alaska Chinook salmon infrastructure grant regulations
  - Notice of proposed regulations
  - Proposed regulations
- Fuel Watch 2010
- 2010 Alaska Taxable
- Community and Regional Affairs Programs Available
- View Past "Extra! Extra!"
- 2011 Report to the Legislature, National Petroleum Reserve-Alaska
- Chinook Salmon Direct Distribution Program
- Alaska's Rural Population Report, November 2009

Programs and Links

Services Staff Directory Webmaster

Questions for Commissioner Susan Bell
EDT/CRA Joint Confirmation MTG – 3.1.11, 8 AM

1. **Do you think CRA works well under the umbrella of DCCED? Is inter agency communication between divisions easy and successful and, if not, are there plans for facilitating inter-agency communication and collaboration within DCCED?**

2. **In the house DCCED Sub Committee budget, the decrement for Ilisavik College was denied. As such $600.0 in base funding for this program will continue. Why did the department propose cutting this funding and do you have any comments on successes or failures of this program? (Note: It seems like the reason for this deletion of funding was that it was labeled by the Governor's request as an OTI, but there is no indication that the legislature intended this to be one-time funding).**

3. **The funding in the CRA budget to maintain a position that provides communities with land management, site control verification, planning assistance services and management of Alaska Native Claims Settlement Act (ANCSA) was meant for training a new planner when the current planner retires. The sub finance committee added this funding to the base going forward. Do you have a timeline for the retirement of the current planner working on ANCSA and the completion of training of his/her replacement? Should the legislature be looking forward to a decrement (base) for this funding once the transition is complete? Is it helpful to have CRA within DCCED for communications regarding land status issues and capital grants?**

4. **Can you give us an update on the Newtok Relocation? What can we do to help?**

5. **How successful was the Fuel Watch Program this year? Did you learn anything this year that will lead to changes in the program?**

6. **Do you think Redistricting or out-migration will have a negative effect on DCCED funding directed toward the YK Delta (or other rural areas in the state) in the near future?**

7. **Can you tell us about the initiative to better coordinate all the state's international trade efforts? Any discussions about moving the Office of Int'l Trade from the Gov's office to the Division of Economic Development?**

8. **Have you heard any discussions about possibly increasing the state's contribution to ARDOR funding? (It could be funded from AIDEA program receipts?)**

DART

Regarding: Developing Alaska Rural Tourism (DART). How many employees work on that program? What are some recent successes? Planning any changes to the program?

Broadband Task Force

Rep Herron was just appointed to the 20-member Statewide Broadband Task Force. Any idea when the first meeting will be? Will the meetings be telephonic or in person? Is it fair to say the Task Force's mission is to provide high-speed internet to every Alaskan as soon as possible? With the federal budget crisis, how do you see Alaska achieving this goal? What funding sources will be used?

Alaska Railroad Corp.

How's the Railroad's financial health these days?
A couple years ago the Railroad expanded service to Grandview and Spencer Glacier. How is that going? Does the railroad make money off that service?
How much room do you think there is for expanded "rail tourism" in Alaska? How about the ski train? Does the RR turn a profit on that? And is the flag stop north of Talkeetna still operating?
Port McKensie Rail Extension: is this project moving forward and when will it be complete? How will the extension help the Railroad?

Corporate Agency Governance

DCCED included eight corporate agencies, right? What level of control does the Commissioner have over these agencies? Does the level of control vary per agency, and do you think the levels of Commissioner-control over the agencies is appropriate or would you like to see any of that change?

Board of AIDEA

How has your experience as a Board member of AIDEA been so far? How many board members does AIDEA have right now? When will the Board be full? Can the Board function without full membership? Tell us about the new Public Members on the Board and if you think they will work out OK. . HBs 119 and 120 recently passed out of the EDT committee. Can you describe how these bills are important to AIDEA pursuing its mission?

DCCED Reorganization

You of course recently combined the Division of Investments with the Office of E.D. at DCCED. Is that process complete and how do you think the new order better serves Alaskans? Any other major changes at DCCED in the works?

DCRA

Scott Ruby seems to be doing a good job as new Director over at DCRA. Comments?

3/15/11 Presentation: Alaska Adventure Center: Selling Tourism in the 21st Century

<TARGET><BILL></BILL><SUBJECT>3-15-11 Presentation Alaska Adventure Center Selling Tourism in the 21st Century</SUBJECT><COMM>HEDT27</COMM></TARGET>



Alaska Tourism Economy

A Challenging Situation Impacting All Alaskans that Requires Aggressive Strategy and Action

Alaska's Tourism Economy

- Alaska Tourism Economy totals $2.1B - $3.4B including indirect spending
  - shrinking and causing economic distress - Alaskans, Alaska businesses and State and Municipal governments
  - Since 2008 – visitors declined over 200,000 ~ approximately 11%
- Primary cause - economic recession in the lower 48 and foreign countries
  - Every visitor segment
  - Major decline cruise industry
- Alaska's tourism future is uncertain
  - Potential visitors pending habits and attitudes changed - fear and uncertainty
  - Cruise capacity to Alaska reduced
  - Traditional marketing techniques unlikely to increase tourism quickly
- Requires urgent aggressive action - government and private sector tourism leaders
- Requires new and powerful marketing strategies - "pull "and "push" potential visitors to Alaska

Primary Challenge: Summer Season Visitor Decline

- Almost the entire decline since 2008 - peak summer tourism season
  - Both cruise and non-cruise
  - Total decline – 202,000
  - Cruise decline – 155,000
  - Non-cruise decline – approx. 47,000 (preliminary Summer 2010 results +70,000?)
- Cruise visitor decline a particular concern
  - Structure changed – capacity reduced by approximately 140,000 - redeployed
  - Cruise visitors primarily "pushed" to Alaska to fill ship capacity
  - "Push" marketing generates cruise ship visitors - also stimulates non-cruise visitors
- Non-cruise visitor declines will continue to be influenced by economic uncertainty
  - Good news - Millions of domestic and foreign people desire to visit Alaska
  - Bad news - Spending attitudes more challenging – must work harder to get

Alaska Visitor numbers have declined since 2008

Alaska Tourism Analysis ~ Visitors

	2008	2009	2010
Annual Total Visitors	**1,954,800**	**1,825,800**	**1,745,000**
Variances to LY		-129,000	-80,800
Variances vs. 2008			-209,800
% vs. 08		-6.6%	-10.7%
Summer Total Visitors	**1,707,400**	**1,583,300**	**1,505,000**
Variances to LY		-124,100	-78,300
Variances vs. 2008			-202,400
% vs. 08		-7.3%	-11.9%
Share %	87.3%	86.7%	
Fall/Winter Total Visitors	**247,400**	**242,500**	**240,000**
Variances to LY		-4,900	-2,500
Variances vs. 2008			-7,400
% vs. 08		-2.0%	-3.0%
Cruise Visitors			
Annual Total	**1,033,100**	**1,026,600**	**878,000**
Summer Total	**1,033,100**	**1,026,600**	**878,000**
Variances to LY		-6,500	-148,600
Variances vs. 2008			-155,100
% vs. 08		-0.6%	-15.0%
Fall/Winter Total	**0**	0	**0**
Non-Cruise Visitors			
Annual Total	**921,700**	**799,200**	**867,000**
Variances to LY		-122,500	67,800
Variances vs. 2008			-54,700
% vs. 08		-13.3%	-5.9%
Summer Total	**674,300**	**556,700**	**627000**
Variances to LY		-117,600	**70,300**
Variances vs. 2008			-47,300
% vs. 08		-17.4%	-7.0%
Fall/Winter Total	**247,400**	**242,500**	**240,000**
Variances to LY		-4,900	-2,500
Variances vs. 2008			-7,400
% vs. 08		-2.0%	-3.0%

Alaska's Tourism Economy is Shrinking
Detailed Analysis Summary

- Alaska's Tourism Economy declined by about $560M - over 15% since 2008
  - Direct spending declined by $335M - 19%
  - Direct spending by cruise lines and individual visitors on airline and ferry tickets declined by $11M
  - Cruise line, cruise payroll and cruise member spending decreased approximately $45M
  - Indirect spending declined by approximately $215M
- Significant hardships throughout Alaska
  - Municipal and State tax revenue declined by approximately $35M
  - Thousands of private sector jobs lost
  - Businesses closed or struggling
  - Alaska can not afford Tourism Economy to continue to decline
- Alaska can rebuild Tourism Economy and recreate private sector jobs, tax revenue and business profits.
  - Recovery has to be forced - aggressive efforts and incentives
  - Cruise industry "push" marketing needs augmented - replace lost cruise visitors
  - New efforts to create convention and business visitors needed
  - Foreign visitor numbers increased

Alaska's Tourism Economy is Shrinking

Alaska Tourism Analysis ~ Tourism Economy

Annual Visitor Spending		Oct. 07-Sept 08	Oct. 08-Sept 09	Oct. 09-Sept 10	$ vs. 2008
Gifts/Souvenirs		$398.9	$338.1	$323.1	-$75.7
per visitor spending		$204	$185	$185	
Tour/Activities		$329.4	$279.2	$266.8	-$62.5
per visitor spending		$169	$153	$153	
Lodging		$338.5	$286.9	$274.2	-$64.3
per visitor spending		$173	$157	$157	
F&B		$289.4	$245.3	$234.4	-$55.0
per visitor spending		$148	$134	$134	
Transportation		$184.9	$156.7	$149.8	-$35.1
per visitor spending		$95	$86	$86	
Other		$231.2	$196.0	$187.3	-$43.9
per visitor spending		$118	$107	$107	
Total Visitor Spending	110%	$1,772.0	$1,502.0	$1,436.1	-$335.9
per visitor spending		$906	$823	$823	-19%
$ vs. 08			-$270.0	-$335.9	
Other Spending					
Cruise line spending		$251.6	$250.0	$217.5	-$34.1
Cruise line payroll spend		$62.4	$62.0	$53.9	-$8.5
Crew member spending		$16.5	$16.4	$14.3	-$2.2
Air tickets		$272.5	$270.8	$306.0	$33.5
Ferry Tickets		$11.5	$11.4	$11.4	-$0.1
	101%				
Grand Total Tourism Spending		$2,386.5	$2,100.0	$2,039.2	-$347.2
$ vs. 08			-$286.5	-$347.2	
Indirect Spending		$1,479.6	$1,300.0	$1,264.3	-$215.3
%/Grand total Spending		62%	62%	62%	
Grand Total Tourism Economy(Dir/Indir)		$3,866.1	$3,400.0	$3,303.6	-$562.5
$ vs. 08			-$466.1	-$562.5	
% vs. 08			-12%	-15%	
Municipal and State Tax Revenue		$237.2	$208.6	$201.6	-$35.6
$ vs. 08				-$35.6	
% vs. 08				-15%	

New Visitor Growth Strategies

Need Specific Visitor Targets

Focus Effort and Investment



























Targets Need to be Established
New Marketing Strategies Need to be Initiated

- Achievable targets – produce significant increases in visitors
- Specific targets by visitor segment
- Quantifiable targeted markets need to be established
  - Cruise
  - Non-Cruise
- Specific market segment targets identified
  - Domestic vacation visitors
  - Foreign vacation visitors
  - Business and Convention visitors
- Aggressive, detailed target marketing strategies implemented
  - Key strategy - replace lost cruise visitors by creating a new "push" marketing strategy
  - Key strategy - create a new value premise that will stimulate Alaska vacation decision making
- We recommend the following minimum targets be set for the 2013/14 Tourism Economy
  - Increase visitor numbers by 205,000
  - Increase Alaska's Tourism Economy by approximately $386M

Alaska's Future Proposed Visitor Targets

Alaska Tourism Analysis ~ Visitor Growth Targets

	2008	2009	2010	2013/14	var. 2010	Situations and New Strategies
Annual Total Visitors	**1,954,800**	**1,825,800**	**1,745,000**	**1,950,000**	205,000	
					12%	
Summer Total Visitors	**1,707,400**	**1,583,300**	**1,505,000**	**1,700,000**	195,000	
					13%	
Fall/Winter Total Visitors	**247,400**	**242,500**	**240,000**	**250,000**	10,000	
					4%	
Cruise Visitors						
Annual Total	**1,033,100**	**1,026,600**	**878,000**	**925,000**	47,000	**Partial recovery in cruise capacity**
					5%	**General global economic recovery**
Summer Total	**1,033,100**	**1,026,600**	**878,000** (preliim)	**925,000**	47,000	**Launch bold new Alaska travel incentives**
					5%	**Initiate new "push" marketing strategy - AAC**
Fall/Winter Total	**0**	0	**0**	**0**		
Non-Cruise Visitors						
Annual Total	**921,700**	**799,200**	**867,000**	**1,025,000**	158,000	**Initiate new "push" marketing strategy**
					18%	**Launch new Convention business strategy**
Summer Total	**674,300**	**556,700**	**627,000** (preliim)	**775,000**	148,000	**Develop new Foreign visitor strategies**
					24%	**Launch bold new Alaska travel incentives**
Fall/Winter Total	**247,400**	**242,500**	**240,000**	**250,000**	10,000	**Expand airline capacity - Demand**
					4%	**General global economic recovery**

Visitor Targets

	2008	2010	2013/14
Annual Total	**1,954,800**	**1,745,000**	**1,950,000**
			205,000
Domestic	**1,764,800**	**1,580,000**	**1,755,000**
			175,000
Foreign	**190,000**	**165,000**	**195,000**
			30,000
AAC Air			10,000
Other			20,000
Summer Cruise	**1,033,100**	**878,000**	**925,000**
vs. 2010			**47,000**
AAC Cruise			20,000
Cruise Ind.			27,000
Summer Non-cruise	**674,300**	**627,000**	**775,000**
vs. 2010			**148,000**
AAC Air			65,000
ACC Business Convention Air			5,000
Other			78,000

Key New Strategies
Launch a New Foreign visitor strategy

- 2009 Foreign visitors – Approximately 190,000
  - estimate 25,000 decline in 2010
- Target – Increase foreign visitors by 30,000 visitors
- Target – Chinese, Japanese and Germans
- Fully maximize the potential benefits of the Travel Promotion Act (S.1023).
  - a national public-private partnership, to bring overseas travelers to all destinations in the U.S.
  - Visa Waiver Program
  - Establish Alaska as a gateway to America for foreign carrier – Target China
- **Launch an aggressive Alaska Adventure Center "push" marketing strategy with new visitor incentives**
  - **Target 10,000 foreign visitors**
  - **Establish an outpost that exposes foreigners to Alaska attractions and experiences**
  - **Provide incentives to travel agents and visitors**
- Create and initiate other marketing strategies to achieve 20,000 incremental foreign visitors

Key New Strategies

Maximize the New Dena'ina Civic and Convention Center



Key New Strategies
Maximize the New Dena'ina Civic and Convention Center

- Increase Business Convention and Meeting visitors by 10,000
- Utilize the newly expanded and updated Dena'ina Civic and Convention Center
  - Anchorage's civic and convention capacity increased by 300 percent.
  - Capacity and updated quality can be catalyst for growth
- Small, medium and large size conventions, trade shows and outings
  - 3000 attendees or less
  - Link business meetings with Alaska's uncommon pleasure opportunities
  - Specialize in concierge type service and experiences
- **Launch an aggressive Alaska Adventure Center "push" marketing strategy with new visitor incentives**
  - **Target 5,000 new convention visitors**
  - **Target 10 small to medium sized conventions**
  - **Target 5 medium to large sized conventions**
  - **Expose meeting planners and conventioneers to Alaska attractions and experiences and facilities**
  - **Provide incentives to travel agents and visitors to stimulate travel**
- Create and initiate additional marketing strategies to achieve 5,000 incremental convention visitors

Key New Strategies

Launch the Alaska Adventure Center Marketing Strategy



The Alaska Adventure Center
New "Push" Marketing Strategy

- Target 100,000 visitors to Alaska
- The "Alaska Adventure Center" in Las Vegas, Nevada
  - Create Alaska themed attraction - Las Vegas Blvd
  - Scream Alaska - exterior design - interior design, content and entertainment
  - Showcase Alaska's attractions, activities and accommodations
  - Impressive "marquee" type structure
  - Corner visibility - between New York New York and Monte Carlo Hotels
  - Promote all segments and regions of the Alaska tourism industry – small and large
  - Compete for visitor time and attention
  - Attract millions of Las Vegas tourists inside
- Targeted 100,000 new Alaska visitors
  - spend approximately $1200 each in Alaska
  - Approximately $120 Million in direct spending
  - Approximately $70 Million in indirect spending
  - $11 Million in State and Municipal taxes
  - $16 Million in airline and ferry ticket purchases
  - increase jobs and improve quality of life across the entire state
- Increase the Alaska Tourism Economy by approximately $217 Million


Initial Design Direction

ALASKA ADVENTURE CENTER



Big screen video, Oversized images, High ceilings, Clear open lines of sight

Alaska Adventure Center

Why locate in Las Vegas?

Alaska Adventure Center in Las Vegas

Like Alaska Pavilion at Disney's Epcot Center or Shanghai World Expo

- Similar to foreign country presentations in Epcot Center
  - 11M annual visitors
  - Designed and funded to promote/"push" tourism and economic growth in home countries
    - **China: Step into the legendary architecture and culture of China. Experience a fascinating world featuring the Temple of Heaven, tomb sculptures, gardens and ponds, dining, shops and the riveting 360-degree film, *Reflections of Chin***
- Similar to the international pavilions at World Expo – Shanghai 2010
  - 73 million visitors
  - **The Shanghai World Expo provided an unparalleled opportunity for the tourism industry.**
  - Used by 189 countries to showcase what they have to offer China's 1.3 billion people as well as the rest of the planet.
- Similar to Disney's Epcot Center or the World Expo, Las Vegas is one big attraction "pulling" 36M
  - Convention visitors
  - Foreign and domestic tourists
  - Active spending tourists
  - Demographic similarities

Walt Disney Epcot Center

Chinese Showcase



Shanghai World Expo 2010 Pavilions



Saudi Arabia



Russia



Japan



Italy

Alaska and Las Vegas Visitor Demographic Similarities
Market Size

Alaska Visitors Profile

Total Visitors ~ 1.750.000

- Domestic Visitors ~ 81% ~ 1.560,000
- **International Visitors ~ 9% ~ 190,000**
- **Average age 51.6**
  - 35-54 - 32% - 55 and older - 51%
- **Retired/semi-retired 39%**
- **Male/Female ~ 50/50**
- **College graduate ~ 59%**
- **Average Income $103,000**
- **Western US 39%**
  - Southern US 19%
  - Eastern US 13%
  - Midwest US 13%
  - Canada 6%
  - International 9%
- **Business and Pleasure visitors**
  - **4% ~ 70,000**

Las Vegas Visitor Profiles

2009 Total Visitors ~ 36,351,469

- Domestic Visitors ~ 86% ~ 31,262,263
- **From foreign country ~ 14% ~ 5,089,206**
- **Average age 50**
  - 40 or older 72% ~ 26,173,058
- **Retired 28% ~ 10,178,411**
- **Male/Female ~ 50/50**
- **College degrees ~ 47% ~ 17,085,190**
- **income $60K or more 63% ~ 22,901,425**
- **From the West ~ 55% ~ 19,993,308**
  - From CA ~ 31% ~ 11,268,955
- **Conventions and meetings visitors**
  - **12% ~ 4,492,275**
- **Note: 64% attend shows – 23 million**

The Alaska Adventure Center
Targeted Las Vegas Site – Best Visibility and Location

- Targeted site on The Las Vegas Strip – not final
- Adjacent to - New York New York, MGM Grand, Monte Carlo and City Center Hotels
- Up the strip from Bellagio, Ceasar's Palace, Paris and Venetian Hotels
- +/- 45,000 pedestrians and +/- 70,000 vehicles per day pass by on Las Vegas Blvd
- Powerful street presence – corner location
- Unusual opportunity to acquire property
    - Economic downturn hit Las Vegas hard
    - Terms are realistic and feasible

Alaska Adventure Center

3790 Las Vegas Blvd



Alaska Adventure Center

3790 Las Vegas Blvd




NEW YORK
NEW YORK
ZUMANITY
ROK
3797 Las Vegas Boulevard South
Exit Photo


NEW YORK
NEW YORK
ZUMANITY
ROK
RUE DE MONTE CARLO
Exit Photo
Google


3820 Las Vegas Boulevard South
Exit Photo
TAXI
26
27

Alaska Adventure Center
Visitor Targets

Domestic Visitors	
Summer	
Cruise	
AAC Cruise	20,000
Summer	
Non-cruise	
AAC Vacation Air	65,000
ACC Business Convention Air	5,000
Foreign Visitors	
AAC Vacation Air	10,000
Grand Total ACC Visitor Target	**100,000**

Note: AAC Targeting High Spenders to get maximum return
2006 McDowell Report on average expenditures by transportation segment
Cruise visitor average spending - $636
Air visitor average spending - $1376

Alaska Adventure Center Attraction Focus and Content
Strategy: Lead with Preferred Tourism Activities – Primary Tourism Drivers

- **Shopping 71%**
- **Wildlife Viewing 56%**
  - -bird watching 19%
- **Cultural activities 49%**
  - -museums
  - -native cultural tours/activities 20%
  - -Historical/cultural attract. 18%
  - -Gold-panning/mine tour 15%
- **City/sightseeing tours 44%**
- **Day cruises 40%**
- **Train 38%**
  - -White Pass/Yukon Route 27%
  - -Alaska Railroad 16%
- **Hiking/Nature walk 30%**
- **Fishing 20%**
  - -guided fishing 13%
  - -unguided 8%
- Flight-seeing 15%
- Salmon bake 12%
- Tramway/gondola 12%
- Shows/Alaska entertainment 10%
- Business 8%
- Camping 7%
- Rafting 5%
- Kayaking/canoeing 5%
- Biking 3%
- Northern Lights Viewing 1%
- Hunting 1%
- Other 7%
- VFR 17%
-

Themed Hotel Casino Competing Visual "Noise" Surrounding Site









Theatrical
High quality
Authentic & Modern
Magical & Powerful
Large & Loud
Icons of Attraction's
Theme



Alaska Adventure Center Structure – Design Theme Inspiration

Authentic, Natural, Modern, High Quality Wilderness Lodges



Alaska Adventure Center - Evolving Design Direction

The World's largest Authentic, Modern, High Quality Alaska Wilderness Lodge



Alaska Adventure Center Design Direction

Theatrical, Large and Loud Alaska Wilderness Lodge



Alaska Adventure Center Design Direction

Magical and Powerful Alaska Wilderness Lodge



Showcasing the Magic of Alaska

Alaska Adventure Center

Design elements to be Incorporated and Featured

Design Theme Elements

"Alaska Wonder" visuals

















Design Theme Elements

Alaska Wild Animals, Birds and Fish – Photo-ops



























Cultural Design Theme Elements

Native cultural music, Sounds of nature, Historic replicas, Native People, Costumes, Crafts























Alaska Adventure Center

A Multi-dimensional Entertainment Attraction

4 Separate Stand-alone Attractions within the One Big Attraction

The best Alaska has to offer – Each Pulls its weight

Compound Attraction Pulling Power

Combination is Greater than Sum of Parts

Alaska Adventure Center
Strategy: 1 + 1 +1 + 1 = 100,000

- Four Stand Alone Attractions in One Big Attraction
  - Theatre Attraction
  - Restaurant Attraction
  - Retail Attraction
  - Vacation Planning Attraction
- Presented within one Design theme expressing the essence of Alaska
  - Alaska, alive, natural and casual
  - Majestic, large, tall, oversized and bold
  - Bright and sunny and warm
  - High ceilings, open lines of site
  - Lodge themed décor, furniture, furnishings
- Presented by Alaska owned businesses and Alaska business partners
  - Offering a comprehensive cross section of Alaska tourism businesses
  - Covering every key tourism destination attraction from all regions of Alaska
  - Exposing small and large tourism businesses throughout the State

Alaska Visitor Center Interior Design
Alaska Experience Theatre Entertainment



- Alaska Experience Theatre
  - 300 seat theatre
  - Free big screen Alaska flight seeing movie every hour
  - 2 live "Alaska 1890 Gold Rush Days" theatre productions each night
    - Featuring Alaska History and Native Culture
    - Historic 1890's gold rush days
    - Life and fun in Alaska in the golden days
    - Music, dance, comedy, history















Alaska Visitor Center Interior Design
Unique Alaska Shopping Entertainment



- Fur Rendezvous Trading Post - Retail
  - 7 Alaska businesses
    - Alaska souvenirs and gifts
    - Alaska seafood and gourmet
    - Alaska furs
    - University of Alaska Museum display
    - Alaska gold
    - Alaska art
    - Alaska native handicrafts

























Alaska Visitor Center Interior Design
Exclusive Alaska Dining Entertainment

- Wilderness Lodge Dining - (Addresses Alaska's negative fine dining image)
  - Operated by Alaska F&B business
  - Featuring Alaska seafood
  - Family style, value priced, casual
  - 150 seats
  - Lodge décor, Open kitchen
  - 3 meals per day











Alaska Visitor Center Interior Design

Main Feature – Vacation Planning Experience

One Large, Exciting Presentation - 6 Alaska Vacation Planning Zones

Majestic Alaska Sightseeing

Adventure Alaska Outdoors

Cruise Alaska

Alaska's Culture and History

Alaska Sports Spectacular

Alaska Hospitality and Business

Alaska Visitor Center Interior Design
Vacation Planning Zones

- 6 Unique interrelated Vacation Planning zones - total 10,000-12,000 sf
  - Focused by primary tourism activity driver
  - Dramatic, oversized images and authentic props in each area
  - Deliver enticing real Alaska experiences – "tastes of Alaska"
- Big screen video presentations
- Vacation planning sit down, consultation stations
- Interactive Computerized Vacation Planning – research, planning, costing and booking
- Print Materials – unique for each Tourism Planning Zone
- Sales Manager - motivated selling team
  - Manager leads and directs ACC vacation planning sales effort
  - Coordinates content, presentation and training with ATIA
  - Sales staff responsibility - maximize tourism growth results for ATIA members
  - Linked to Alaska tourism businesses via internet and ongoing training program
  - Sales associates rove zones with consumers

Vacation Planning Zones
Featuring Primary Tourism Drivers

- Majestic Alaska Sightseeing ~ National Parks, Scenic Wonders
  - **City/sightseeing tour 44%**
  - Tramway/gondola 12%
  - Flight seeing 15%
  - **Train 38%**
    - White Pass/Yukon Route 27% -
    - Alaska Railroad 16%
  - Bush planes
  - Motor coach, bus
  - **Shopping 71%**










Vacation Planning Zones
Featuring Primary Tourism Drivers

- Adventure Alaska Outdoors
  - **Wildlife viewing 56%**
  - **Hiking/nature walk 30%**
  - Bird watching 19%













Vacation Planning Zones
Featuring Primary Tourism Drivers

- Alaska's Rich Culture and History
  - **Cultural activities 49%**
  - Historical/cultural attractions 18%
  - Native cultural tours/act 20%
  - Salmon bake 12%
  - Shows/Alaska entertainment 10%
  - Gold panning/mine tour 15%
  - Museums 28%
  - Russian-American history
  - Trans-Alaska Pipeline


















Vacation Planning Zones
Featuring Primary Tourism Drivers

- Cruise Alaska
  - Cruise packages
  - **Day cruise 40%**
  - Cruise optional tours












Vacation Planning Zones
Featuring Primary Tourism Drivers

- Alaska Sports Spectacular
  - **Fishing 20%**
  - -guided fishing 13%
  - -unguided 8%
  - Camping 7%
  - Rafting 5%
  - Kayaking/canoeing 5%
  - Biking 3%
  - Hunting 1%
  - Dog sledding















Vacation Planning Zones
Featuring Primary Tourism Drivers

- Alaska Hospitality and Business
  - Business 8%
  - Convention capability
  - Airlines
  - Wilderness Lodges
  - B&B's
  - Deluxe hotels, historic hotels
  - Oil, natural gas
  - Alaska restaurants
  - Other Tourism related business












Alaska Business Participation
Small and Large

- Small and Large businesses invited to be part of Vacation Planning Zones
  - Receive powerful marketing reaching millions of potential visitors
  - Each business marketed aggressively by the Vacation Planning Sales Team
  - Each business receives
    - big screen video
    - interactive computer vacation planning
    - print advertising exposure
    - AAC sales person marketing
  - Each business pays monthly marketing fees
    - Small business package
    - Large business package
- Major Sponsor Opportunities
  - External marquee – Jumbo-tron video screens
  - Title sponsorships - targets
    - Flight-seeing video experience (Alaska Airlines)
    - Live show (NANA)
    - Restaurant (ASMI)
  - Internal large video and static images
  - Plus interactive computer planning, print exposure and sales people support

Alaska Adventure Center

Close the Deal

Provide Increased Value for Potential Visitors

with

Alaska Dollars

Alaska Visitor Dollars

{Program to Address Alaska's Negative Cost Image & Stimulate Sales}

- Alaska needs the Alaska Adventure Center to be successful
- Launch a new visitor incentive
  - "Alaska Dollars"
  - Alaska currency to be spent only while in Alaska to get "better deals" on most purchases
- Designed to drive visitors to Alaska and drive visitors through out Alaska
- "Alaska Dollars" ~ Proprietary Alaska Visitor Currency
  - Visitors purchasing Alaska packages receive $1000 Alaska Dollars (party of 2)
  - Accepted (same as cash) at attractions, F&B, optional tours, hotels, transportation and retail
  - Visitors use Alaska Dollars to reduce the price of purchases up to 20%
- Designed to double visitor spending
  - Party of 2 normally spends $2,000 while in Alaska
  - Party of 2 needs to spend a net $4,000 (after using Alaska Dollars) to spend their Alaska Dollars
  - Creates increased value, excitement, fun and purchase motivation
- "Pushes" visitors' spending into participating businesses across the State
  - Alaska businesses voluntarily participate and accept Alaska Dollars same as cash
  - Used to stimulate traffic and sales to their locations
  - Participating businesses promoted through special Alaska Visitor Dollars advertising brochures and marketing

Alaska Visitor Dollars

Visitor Currency to be Spent while in Alaska





Alaska Adventure Center

Phase I – Development Feasibility

August 2011 – March 2012

Present Findings, Recommendations and Projected Costs in March 2012 for Implementation Phase Funding

Schedule

2011	2012	2013

Feasibility Phase

Site Control
Detail Planning
Consumer research
Economic Analysis
Legal
Information Technology
Production Costs
Security and Maintenance
Marketing
Tenants and Participants
Design
Construction Costs
Sourcing
Human Resources

Implementation Phase

Site Development
Building Construction
Exhibitry
Equipment
Commissioning

OPEN TO THE PUBLIC

Timing is Key

- Timing is great to take advantage of current depressed real estate situation in Las Vegas
- National interest in Alaska is high
- Recently-passed Travel Promotion Act may benefit project
- Key Alaska leaders support Tourism



"I remain committed to helping Alaska regain its former position as a growing and vibrant destination." ~ *Governor Sean Parnell*

3/31/11 Presentation: Port MacKenzie Rail Extension Project

<TARGET><BILL></BILL><SUBJECT>3-31-11 Presentation Port MacKenzie Rail Extension Project</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 8:00 a.m. on Thursday, March 31, 2011.

Welcome to a joint meeting of the Economic Development, Trade, and Tourism and the Community & Regional Affairs Committees. (Third joint meeting this session)

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Today we have three presentations. It's the chair's intent to hear them in this order:

1. **"Port MacKenzie Rail Extension Project"**
2. **"Alaska's Role in the Global Marketplace"**
3. **"Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward"**

Presenters, please note that since this meeting wants to end at 9:45 AM, you each have 35 minutes (including questions) for your presentations.

"Port MacKenzie Rail Extension Project"
by Mayor Larry DeVilbiss & Acting Manager Elizabeth Gray, Mat-Su Borough; Rick Mystrom, Project Consultant [Invite Mayor up first, then he will introduce Gray and Mystrom and they will all sit at the table together]

"Alaska's Role in the Global Marketplace"
by Greg Wolf, E.D., World Trade Center Alaska (Easy-peasy)

"Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward"
by Mayor Willard Dunham & City Manager Phillip Oates, Seward; Dawson Hoover, Program Manager, Coastal Villages Region Fund
[Note that since the powerpoint is just pictures, we DID NOT distribute copies]
Intro Mayor Dunham, the 5 min. video, then City Manager Oates powerpoint, then telephonic Dawson Hoover testimony, and finally a summary by the Mayor.

Ray Gillespie
Gillespie & Associates
Lobbying and Governmental Affairs
raygillespie@ak.net



SESSION (January–April)
130 Seward Street #201
Juneau, Alaska 99801
Telephone: 907.463.3375
Fax: 907.463.5522
Cell: 907.230.8843

INTERIM (May–December)
1231 W. N. Lts. Blvd. #819
Anchorage, Alaska 99503
Telephone: 907.243.3125

March 17, 2011

Memo: Completed MatSu Borough response to SFIN

Attached please find a complete packet of the response from the MatSu Borough to the Senate Finance Committee regarding the Point MacKenzie Rail Extension Project. All signed letters of support are included.

Please call with any questions or concerns.

Thank you,

Ray Gillespie
Gillespie & Associates

MATANUSKA-SUSITNA BOROUGH

Acting Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645
Phone (907) 746-7405 • Fax (907) 745-9669

March 4, 2011

Senator Stedman, Co-Chair
Senate Finance Committee
State Capitol
Room 516
Juneau, Alaska 99801

Dear Senator Stedman,

Thank you for allowing us to present the Port MacKenzie Rail Extension Project. At the finance committee meeting questions were asked that required follow up. Please see the attached response that we have prepared for you.

We truly appreciate your time and effort regarding this important project.

Sincerely,

Elizabeth Gray

Elizabeth Gray
Acting Borough Manager

EG:kr

cc: Senator Hoffman

Responses to Senate Finance Committee Questions
Regarding Port MacKenzie Rail Extension

Q1: Senator Stedman requested letters of support from potential customers.

R1: Letters are being requested and will be forwarded upon receipt from current port lessees:

- Alutiiq Manufacturing (module construction),
- Klondike Concrete (cement import),
- NPI (bulk natural resource export),
- PacArctic/Koniag (transportation logistics), and
- Central Alaska Energy (fuel farm)

Q2: Past and future capital costs for the Port itself (not the rail extension).

R2: The table presented below provides this information.

Project Name	Status	Cost (in millions)	Funder
Deep Water Draft Dock	Complete	$14.7	State/Private/Borough
Barge Dock/Access Road	Complete	$7.2	State
Electricity/Communication	Complete	$2.5	State
Conveyor System	Complete	$7	Private
Terminal Office Building Well/Septic	Complete	$4.5	Federal, FTA
Port Road Grade Reduction and Paving	Complete – Fall of 2011	$5.2	Federal FHA and AKDOT&PF
Barge Dock Expansion	Complete Spring of 2011	$3.9	Federal EDA and MSB
Future Port Projects			
Improve/Replacement of Conveyor System	Planning Stage	$1.5	Private
Deep Water Draft Extension (after rail extension is complete)	Permitted	$35	Funding to be requested from Federal and State
Ferry Dock	Permitted	$17 (partially Funded)	Federal FTA with 20% State/MSB Match

Q3: Senate McGuire wanted to know how much it would cost to bring the existing infrastructure up to code for maintenance.

R3: The existing port structures are already up to code and would not need significant maintenance for many years. The structures have been constructed within the last 10 years, and most would have a 50 year life. For example, the deep draft dock is five years old and is expected to last 50 years. In approximately seven years, MSB will be spending up to $1 million on dock preservation and maintenance.

Q4: Senator Hoffman asked how much the tonnage by potential customer (type of product) is, and the expected revenue.

R4: Dr. Paul Metz, University of Alaska Fairbanks, has provided an updated chart laying out the tonnages of different products expected to be carried over the rail extension during the first 5, 10, 20, and 30 year periods. This chart is entitled, "Estimated Port MacKenzie Extension Freight Tonnages During First 30 Years of Operations, February 23, 2011." This was provided as a final page in Dr. Metz's presentation to the Senate Finance Committee during the February 23rd hearing. The chart indicates that the products to be exported would include coal, aggregates (sand and gravel), lime, wood products, petroleum products, possibly natural gas pipeline, military logistics, and mineral concentrates. The attached chart sets forth the tonnages for each of these products expected during the different periods of development. Examples of interested customers are:

- Usibelli Coal
- Exxon
- ConocoPhillips
- British Petroleum
- Trans Alaska Pipeline Company
- JP Power – Japan
- NANA
- CH2MHill
- Fort Knox – Gold Mine
- Shorty Creek – Copper Mine
- Livengood Gold
- Prospect Copper
- Nenana Native Corporation
- Doyon Ltd.
- U.S. Military
- State of Alaska

The Institute of Social and Economic Research (ISER) completed a study regarding the expected fiscal return associated with the new mines that would be stimulated by the transportation cost savings associated with the rail extension. This study concluded that a combination of the

three mines, limestone production, and potential cement production, could generate about $2.5 billion per year of additional in-state spending. It would also generate about 1,000 jobs by 2017 and increase to about 5,500 jobs by 2023. it is also expected that over the next 30 years, additional revenue to the State of Alaska could reach $57 million per year in the early years, and $267 million per year by 2040.

Q5: Mr. Perkins said that no dredging will be required at the port because the current prevents siltation. Senator Stedman asked for a letter from the Army Corps of Engineers to support that assertion.

R5: A letter is attached from the Army Corps of Engineers.

Estimated Port MacKenzie Extension Freight Tonnages
During First 30 Years of Operation
February 23, 2011

This information was taken from Table 3 on page 26 of the Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska, Phase II – Possible Rail Extension Users Analysis by Paul A. Metz, Ph.D., DIC, P.G., November 2007. The information was updated by Dr. Metz in February, 2011.

Product	Annual Tonnages in Years (1-5)	Annual Tonnages in Years (6-10)	Annual Tonnages in Years (10-20)	Annual Tonnages in Years (20-30)
Coal Exports	1,000,000 – 2,000,000	2,000,000 – 3,000,000	3,000,000	3,000,000
Aggregates (sand and gravel)	100,000	100,000	100,000	100,000
Lime	50,000	50,000	50,000	50,000
Wood Products	60,000	60,000	60,000	60,000
Petroleum Products	200,000	300,000	400,000	400,000
Natural Gas Pipeline	0	960,000**	0	0
USARAK Logistics	Not Available	Not Available	Not Available	Not Available
Mineral Concentrates	365,000	365,000	1,679,000	1,879,000
Total	1,775,000 – 2,775,000	3,835,000 – 4,835,000	5,289,000	5,489,000

* Non-metallic freight tonnages remain the same in the second and third decade, though it is expected that these tonnages would grow significantly. Freight tonnages do not include coal tonnages associated with the Agrium Coal Gasification Project.

** Assume 960,000 tons of pipe and construction materials for each of two years during the five year period

DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, ALASKA
P.O. BOX 6898
JBER, ALASKA 99506-0898

REPLY TO ATTENTION OF:

CEPOA-PM-C

Ms. Elizabeth Gray
Assistant Borough Manager
Matanuska-Susitna Borough
350 East Dahlia Ave.
Palmer, Alaska 99645

Dear Ms. Gray;

Recently I was asked whether the U.S. Army Corps of Engineers has ever dredged at or near Port MacKenzie. The answer is that the Corps has not conducted any dredging operation, either new work or maintenance dredging, at Port MacKenzie.

Should you or your staff have any similar question, please contact me at 907-753-5799.

Sincerely,

Stephen C. Boardman, P.E.
Chief, Civil Project Management Branch
U.S. Army Corps of Engineers, Alaska

CENTRAL ALASKA ENERGY LLC

03/05/11

Elizabeth Gray
Acting Borough Manager
Matanuska-Susitna Borough
350 E. Dahlia Ave.
Palmer, AK 99645

Dear Mrs. Gray,

I would like to express my strong support for the Port MacKenzie rail extension project. Our plan at Central Alaska Energy is to construct a fuel terminal at Port MacKenzie. The terminal would hold primarily unleaded and diesel fuel for South-Central and Interior Alaska. Having access to the railroad lowers the cost of transportation which results in lower fuel prices to the consumer. Alaska needs to be prepared to deal with increased demand for ultra low sulfur diesel which is currently produced in limit quantities. Connecting the railroad to Port MacKenzie will provide access to other fuel markets (lower 48 or international) to a greater number of Alaskans than will be possible without the railroad.

I urge the legislature and governor to provide the $55 million needed to move ahead with this project as part of the Fiscal Year 2012 Capital Budget.

Sincerely,

Justin Charon
Chief Executive Officer

3261 Amber Bay Loop, Anchorage AK 99515
(907) 440-0769 phone (907) 562-9168 Fax
www.centralakenergy.com

NPI
A Responsible Resource Development Company

BOX 870213, WASILLA, ALASKA 99687
(907) 357-3722 OFFICE
(907) 357-3822 FACSIMILE

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

Dear Ms. Gray, 4 March 2011

NPI, LLC has been the primary tenant at Port MacKenzie from the very beginning of Port operations and hopes to continue to grow and develop new opportunities though Port MacKenzie.

In the past six years, NPI has exported wood chips and lumber, facilitated gravel movement and has imported bulk steel and cement. We foresee a bright future at Port MacKenzie and the rail extension is vital to the continued growth and prosperity South Central Alaska and the Interior.

Rail access to the deep water dock at Port MacKenzie will allow bulk commodities to be more readily available to the world market and continue to build our economy. Port MacKenzie is unique amongst available ports in Alaska as it designed for industrial use and has adequate room to grow. Rail service will expedite more rapid growth and provide jobs to the local area.

This letter is in support of the continuation of the rail extension project to Port MacKenzie. This rail extension project adds much needed infrastructure to Alaska, giving all Alaskans the benefit of expanded economic opportunity.

NPI strongly supports the rail extension project and urges the legislature and the Governor to include the full $55 million for this project in the FY 2012 Capital Budget.

Sincerely,
Dane Crowley
COO
NPI, LLC
Wasilla, AK

Alutiiq

3909 Arctic Blvd., Suite 400
Anchorage, AK 99503
(907) 222-9500 • fax (907) 222-9519

Date: March 8, 2011

Subject: Port McKenzie Rail Extension Funding Letter

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

Dear Ms. Gray,

I am the Director of Operations for the Construction Division of Alutiiq Manufacturing Contractors, LLC. We are currently leasing 31.5 acres of property from the Matanuska-Susitna Borough at Port MacKenzie. Alutiiq Manufacturing is currently utilizing our manufacturing plant on this property to construct modular building for shipment throughout the state of Alaska.
The purpose of this letter is to voice Alutiiq's strong support for the Rail Extension Project at Port MacKenzie, and to urge the Governor and State legislature to provide funding in this year's Capital Budget for the rail extension.

The rail extension would become a great asset to our current operations, as well as help to develop the importing & exporting of materials and goods to Interior Alaska.
We also anticipate that with the development of this rail project, Alutiiq will be able to provide additional services to the North Slope oil companies with our Alutiiq Oilfield Solutions side of our company.

Again, we urge the legislature and governor to provide funding to move ahead with this project.

Sincerely,

W. Jake Garner
Director of Operations
3909 Arctic Blvd. Suite 400
Anchorage, AK. 99503
(907) 440-7657

Klondike Concrete Co., Inc.

P.O. Box 671169
Chugiak, AK 99567
Phone: (907) 688-2161
Fax: (907) 688-6016

March 14, 2011

Subject: Port MacKenzie Rail Extension

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, AK 99645

Dear Ms. Gray,

Klondike Concrete has been operating a warehouse at Port MacKenzie for the last several years for the purpose of importing bulk materials to be used in the local construction market. The proposed rail extension would greatly improve the ability to move bulk commodities in and out of Port MacKenzie.

Port MacKenzie is a very promising location but is very limited at this time due mostly to lack of access. The rail extension is one major step in making Port MacKenzie a viable port and bolstering the economy of South Central Alaska.

Thank you for your time.

Sincerely,

Steve Siegel
Klondike Concrete Co.

SS/dj

KONIAG
INCORPORATED
4300 B Street Suite 407 Anchorage, AK 99503

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

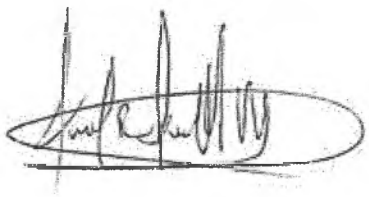
Dear Ms. Gray,

I am director of Logistics and Marketing Resource Development for Koniag, Incorporated, and our company is leasing property from you at Port MacKenzie. We will be using this property to run a transportation logistics operation to convey goods between the Port MacKenzie rail extension and the Port MacKenzie dock for both bulk export and import. The purpose of this letter is to voice Koniag's strong support for the Rail Extension Project, and to urge the Governor and state legislature to provide $55 million in this year's Capital Budget for the rail extension.

The importance of the rail extension to our operation is critical. We are specifically leasing more expensive land between Port MacKenzie Road and the rail extension so that we can provide a direct service between the port dock and the rail extension. We expect to be carrying everything from bulk natural resources such as riprap to general mining camp supplies, construction materials, and other forms of support materials required for resource development. Being 147 miles closer to tide water at Port MacKenzie greatly reduces the transportation costs for moving the type of bulk supplies, machinery, and natural resources that need to be moved to Interior Alaska.

Again, we urge the legislature and governor to provide $55 million to move ahead with this project as part of the governor's Fiscal Year 2012 Capital Budget.

Sincerely,



King R Hufford III
Director of Logistics and Marketing
Koniag Inc.

JDM Consultants, LLC

P.O. Box 92325
Anchorage, Alaska 99509

+1(907)301-7992
jdm@acsalaska.net

16 March 2011

Ms. Elizabeth Gray, Acting Borough Manager
Matanuska-Susitna Borough
350 East Dahlia Avenue
Palmer, Alaska 99645

RE: Funding for Port MacKenzie Alaska Railroad Extension

Dear Ms. Gray:

I support a State funding appropriation of the full $55 million requested this year for the project to extend the Alaska Railroad to Port MacKenzie. I understand the current appropriation under consideration is only $20 million. .

As you know, I hope to site a $5 billion coal-to-liquids project in West Cook Inlet. For Port MacKenzie to be considered for this project, it needs rail access from the Interior to supply up to 6 million tons of coal annually as feedstock to the facility, and for the delivery of produced fuels and chemicals to the Interior's refineries, military, and commercial aviation users. The full $55 million appropriation can be considered an industrial development investment.

By the State's providing the requested $55 million for rail access to Port MacKenzie, it will indicate State's intent to complete the rail extension project, which will reassure my project's investors that they can consider Port MacKenzie as a viable location. One for which the complete transport infrastructure for the coal-to-liquids production facility will be in place, reducing capital costs for our project and thus improving its economic feasibility.

Let me know what else I can do to help obtain your full funding request for this year,

JDM Consultants, LLC

John D. McClellan, P.E.
Principal

Port MacKenzie Rail Extension





Ken Graham



Symbols show mineral deposits

A rail link from the Alaska Railroad mainline to the deep draft dock at Port MacKenzie will significantly boost the export of Alaska's strategic minerals, coal, cement, and other natural resources, helping diversify the Alaska economy.



Patty Sullivan/MSB

Photos: the ship, the deepest draft vessel ever in Upper Cook Inlet at Port MacKenzie; Above: 2010 haul road and rail loop construction at Port Mac moved 1.9 million cubic yards of dirt.

ON SCHEDULE
UNDER BUDGET

Funding Plan:

Already funded-$62 million

2011 Governor's budget-$20 million
2011 Requested appropriation-$55 million, pays for half of rail embankment
2012 Appropriation request-$63.5 million, build rest of embankment
2013 Appropriation request-$43 million, placement of rails, completes project
2014 Ribbon cutting

Port MacKenzie is an exporting port for bulk natural resources. Port MacKenzie complements the Port of Anchorage, where consumer goods are imported.

Description & Justification: $55 million

The Port MacKenzie Rail extension will bring tremendous economic benefit to Alaska through economic diversification, state revenues, and new jobs. The production of bulk resources is heavily dependent on low transportation costs. This new rail link will shorten the distance to tidewater and lower transport costs to such an extent that minerals now idle will be profitable to mine and export. The value of mineral production is projected to be nearly $1 billion a year over 100 years, according to ISER, Institute of Social & Economic Research. Three mining companies say the Asian market is poised now for Alaska minerals such as molybdenum, lead, zinc, and copper. Also, a 1.5 billion ton limestone deposit near Livengood could be mined to produce a new export: Portland cement. A world-class cement manufacturing plant would be built in the Interior. Alaska would supply up to 15 percent of our nation's demand for cement. With the rail link, Alaska coal becomes more competitive on the world market. Usibelli Coal Mine estimates it will likely export up to 4 million tons of coal a year through Port MacKenzie. State revenues are estimated to reach $300 million annually in taxes, royalties, and fees. Some 3,000 construction related jobs and 4,000 mining jobs will be created. The Alaska Pipeline project will gain $100 million in transport savings by shipping heavy pipe north through Port MacKenzie.

Elizabeth.Gray@matsugov.us

CONTENTS

NO. 1 Port MacKenzie: A major bulk materials terminal for Alaska

NO. 2 Funding: On schedule and under budget

NO. 3 Rick Mystrom's Compass Legislators Got It Right: Infrastructure Investment ADN April 2009

NO. 4 Resolutions of Support

NO. 5 Alaska State Chamber of Commerce Newsletter – Port MacKenzie Rail is a Top Infrastructure Project

NO. 6 Economic Studies

NO. 7

NO. 8

IFS0588

AVERY® EXECUTIVE READY INDEX® DIVIDERS

Port MacKenzie Rail Extension
Funding it now makes sense

- In light of the national recession, the faster the rail is completed, the faster we are able to add up to 4,000 permanent mining and logistics jobs to the Alaska economy.
- Additionally, construction will provide up to 3,000 jobs, beginning December 2011.
- Due to the economic downturn, bids for railbed construction work have been coming in significantly below engineering estimates. By avoiding a construction delay, we can take advantage of this window, building more rail miles for less money.
- With Alaska's rapidly declining oil production, the need to diversify our economy is urgent. The rail extension will provide less expensive transport for bulk materials and minerals from Interior Alaska to tidewater. This transportation link will lower the transport costs to such an extent that new mineral areas will become economic to mine.
- The construction of the Susitna Dam could utilize the rail extension for most of its construction materials.
- Leading Alaska mining companies indicate that Pacific Rim markets exist now for increased Alaska exports, and the prices are right. The sooner the rail line is completed, the sooner Alaska exports can increase to new record levels. This will also be beneficial for the national debt payments and increasing American exports.
- The Alaska coal industry indicates that the markets are ripe for coal exports. As soon as the rail line is completed, the coal industry can quadruple Alaska coal exports from one million tons to four million tons per year. Any funding lag, delays these benefits and puts at risk new markets that seek dependable suppliers.
- Timely funding will enable the rail extension to be completed and operational for 2014. This is the earliest possible start date for construction of a gas line from the North Slope, and the rail line will enable the construction effort to save more than $100 million.
- Any funding delay will mean the loss of a summer construction season and a year-long delay in completing the rail extension.

1

Port Mackenzie: A major bulk materials terminal for Alaska



In June, a vessel, too large to fit through the Panama Canal, tied up easily at Port MacKenzie and loaded 1,250 tons of coal as a test-run. The test went smoothly and was a harbinger of bigger things to come. Up to 4 million tons of coal annually could be exported through Port MacKenzie, once a rail link is in. And this is just one of the projected exports. Aggregate minerals, limestone, cement, and timber all show promise. These developments emphasize how important Port MacKenzie will be in providing income, commerce, and jobs to the Matanuska-Susitna Borough.

With a coming rail link, an existing deep draft dock, and even a coming ferry connection, Port MacKenzie will become the major bulk materials export and import terminal for Alaska. It will also evolve into the largest industrial development grounds in the state.

Its natural amenities, large land resource, deep draft dock, and expanding infrastructure make it ideal. Nowhere else in the state is there a 100-rail car loop for the efficient offloading of bulk materials from rail to ship. Construction got underway on this loop last summer. The rail line will shorten the distance to tidewater making idle minerals profitable to mine and export. The value of mineral production is estimated to be nearly $1 billion a year over 100 years, according to ISER, Institute of Social and Economic Research. A 1.6 billion ton limestone deposit in the Interior will introduce a new industry to Alaska, the production of Portland cement. to 15 percent of our nation's cement could go through Port MacKenzie in the future. Such development will bring tremendous revenues to the Borough.





The nearly 9,000 acres of public lands in the Port District provide abundant land for stockpiling commodities, manufacturing products and processing petro chemicals. The port's deep water dock, a large expanded barge dock, terminal building, paved road access, and natural resources conveyor system from the uplands to the port, all contribute to the port's value and potential.

The development of the Port MacKenzie will also result in a large number of high paying, temporary and permanent jobs for Borough residents. It is estimated that more than 3,500 direct jobs will be created over the next 10 – 20 years

Natural scouring occurs in front of the deep draft dock so costly dredging is never needed.

As the planned terminus for the Knik Arm Bridge from Anchorage, Port MacKenzie will become a main transportation hub for the region.

Port MacKenzie is an exporting port for bulk natural resources. It complements the Port of Anchorage, where consumer goods are imported.

2

Port MacKenzie Rail Extension
Funding: On schedule and under budget

Funds appropriated to date:

- $10 million – to complete Environmental Impact Statement (EIS)
- $17.5 million – to complete bi-modal rail/road loop
- $35 million – build first 5 – 6 miles of rail line embankment, design rail route selected by EIS, and buy right-of-way *(Project completion at 28%)*

Total funds appropriated to date: **$62.5 million**

Estimated Funds Required to Complete Rail Extension

- $55 million (first year) – complete next 10 – 11 miles of rail route embankment, and buy remainder of right-of-way [$20 million currently in Governor's Budget – additional $35 million needed] *(Project completion at 53%)*

- $60 million (second year) – to complete construction of remaining rail embankment to the Alaska Railroad mainline. *(Project completion at 81%)*

- $41 million (third year) – to purchase and lay rail, and complete rail extension construction *(Project completion 100%, Fall 2014 ribbon cutting)*

Total estimated additional funds needed: **$156 million**

Total estimated cost of rail extension cost: $218.5 million

3

COMPASS: *Other points of view*

Big capital budget can boost quality of life

By RICK MYSTROM

Is the capital budget proposed by the Legislature too high? Will it overheat the economy? Was it a "spending spree"? Or ... will it stimulate a slowing economy? Will it stop the job losses predicted by the state's economists? Will it improve the quality of life for Alaskans?



Every state government in America would like the opportunity to stimulate its economy. Only Alaska has that ability.

ALASKA'S CAPITAL BUDGET IS DIFFERENT

In every other state in the U.S., a large capital budget means that you take money out of the private sector to pay for the projects. Usually it's through state income tax increases, property tax increases or, in some cases, sales tax or fee increases.

Alaska is different. We've already taken the money out of the private sector. With billions and billions of dollars of surplus, the question for Alaska is do we want to use the taxes we've already collected to pay for the capital projects or are we better off leaving the money in one of the state's surplus accounts?

THE LEGISLATURE GOT IT RIGHT

Put me on the side of those who think the Legislature got it right. Probably not perfect, but generally right. At this time in Alaska's economic history we should have a large capital budget as long as those projects can either grow the economy or improve Alaskans' quality of life or both. Here's why I think this capital budget is good for Alaska's economy:

• **This is a very uncertain time for Alaska's economy.** Many unknowns are out there concerning future oil exploration, the future of a gas line or lines, the future of Alaska Native contracting legislation at the federal level, the high cost of energy, etc.

• **Economists are predicting a loss of about 1,000 jobs over this next year.** In effect, the economy is frozen. The private sector, with the exception of health care, is shrinking. This is exactly the time that the state should be investing in capital projects. While I don't presume to know the specifics of all of the capital budget projects, I do believe that the amount is very appropriate for this time in Alaska's history.

• **A capital budget of $3 billion will not overheat the economy.** It will keep the economy from shrinking and allow healthy growth. Every state government in America would like the opportunity to stimulate its economy. Only Alaska has that ability. Any conclusion that this amount would overheat the Alaska economy is not correct and not substantiated historically. Two other times in the past 30 years our economy was in danger of decline as it is today. Once the decline was avoided by capital projects. Once it was not.

• **In 1979-80 the construction of the trans-Alaska pipeline was completed and workers were moving out.** Gov. Jay Hammond realized the importance of creating jobs through the capital budget. With the support of the Legislature, he implemented a plan that gave every community in Alaska $1,000 per person to develop capital projects. That meant about $650 million a year for three years in 1980 dollars. This was in addition to the state's direct capital budget for roads, schools, public buildings, etc. Hammond's action was correct. It saved the Alaska economy from a post-pipeline decline.

• **In 1986 the economy dropped again.** This was caused by a 75 percent plunge in oil prices following five years of loose real-estate lending practices. It was also exacerbated by the tax reform act of 1986, which devalued real estate. None of those issues is in play today. While capital spending could not have stopped that major decline in the economy, it could have mitigated it somewhat. Gov. Steve Cowper chose to hold back money for capital spending and save the money for the tough times. The rest is history.

The measure of a state's economic health is not the amount of money in a state's savings accounts. It's the growth of the economy, the prosperity and quality of life of its citizens and the opportunities for its young people. If projects in the capital budget meet these criteria, they should not be vetoed.

Rick Mystrom served as mayor of Anchorage from 1994 to 2000 and is currently an economic development adviser to the Mat-Su Borough.

4

Resolutions of Support

Denali Borough

Alaska Railroad Corporation

Alaska Miners Association, Inc

Greater Fairbanks Chamber of Commerce

Matanuska-Susitna Borough

Greater Wasilla Chamber of Commerce

City of Palmer

Alaska State Chamber of Commerce
Top infrastructure priority

DENALI BOROUGH, ALASKA
RESOLUTION NO. 10-01

A RESOLUTION SUPPORTING THE PORT MACKENZIE RAIL EXTENSION

WHEREAS, natural resource development is vital to the economy of the entire State of Alaska; and

WHEREAS, Port MacKenzie, with a vast amount of industrial development land and a deep draft dock, is capable of processing and handling bulk resource commodities; and

WHEREAS, Port MacKenzie is strategically located and has available land and space to stage bulk resources for export; and

WHEREAS, Port MacKenzie can accommodate Panamax and Cape-size vessels and does not require annual dredging; and

WHEREAS, the distance to tidewater at Port MacKenzie from the Interior Alaska offers lower transportation costs and the Port MacKenzie Rail Extension will stimulate the use and export of coal and other minerals from the Interior; and

WHEREAS, the rail extension will eliminate congestion from shipping high-volume export materials on the southern rail end from Wasilla to Anchorage, and will eliminate the need for more costly upgrades to the rail system south of Big Lake; and

WHEREAS, off-loading, staging, and rail transportation of north bound materials for construction of a gas pipeline and other large projects from Port MacKenzie would be less costly than rail shipment from Anchorage or Seward; and

WHEREAS, the first two phases of rail extension development, the Environmental Impact Statement and the construction of a bi-modal road/rail loop at the port, are due to be completed during the next six to nine months.

NOW THEREFORE BE IT RESOLVED: the Denali Borough Assembly supports the Matanuska-Susitna Borough in their efforts to extend the Alaska Railroad to Port MacKenzie.

BE IT FURTHER RESOLVED: that the Denali Borough Assembly requests the Governor and the Alaska State Legislature support all phases of construction and rail extension development;

BE IT FURTHER RESOLVED: that the Denali Borough Assembly supports state funding of $57 million for phase III of the project so construction can begin on the first 11 miles of rail line, and design and engineering can be completed on the connection route selected by the Environmental Impact Study.

AND BE IT FURTHER RESOLVED, that this resolution be distributed to:

Governor Sean Parnell
Commissioner Annette Kreitzer, Administration
Commissioner Emil Notti, DCCED
Commissioner Larry Hartig, ADEC
Commissioner Denby Lloyd, ADF&G
Commissioner Click Bishop, ADOL
Commissioner Tom Irwin, ADNR
Commissioner Patrick S. Galvin, ADOR
Commissioner Leo Von Scheben, ADOT
Director Karen Rehfeld, OMB
Sen. Gary Stevens, Senate President
Rep. Mike Chenault, House Speaker
Sen. Albert Kookesh, Senate Transportation Chair
Sen. Linda Menard, Senate Transportation Vice-chair
Rep. Peggy Wilson, House Transportation Chair
Rep. Craig Johnson, House Resources Chair and Transportation Vice-chair
Rep. Mark Neuman, House Resources Co-chair
Sen. Lesil McGuire, Senate Resources Co-chair
Sen. Bill Wielechowski, Senate Resources Co-chair
Sen. Bert Stedman, Senate Finance Co-chair
Sen. Lyman Hoffman, Senate Finance Co-chair
Rep. Mike Hawker, House Finance Co-chair
Rep. Bill Stoltze, House Finance Co-chair
Interior Delegation
Talis Colberg, Matanuska-Susitna Borough Mayor
Luke Hopkins, Fairbanks North Star Borough Mayor

PASSED AND APPROVED by the Denali Borough Assembly on this 13TH day of January, 2010.

David M. Talerico, Borough Mayor

ATTEST _____
Gail Pieknik, Borough Clerk

PASSED UNANIMOUSLY

Adopted: October 12, 2010

Resolution No. 2010-34

Relating to Supporting Funding of
the Port MacKenzie Rail Extension

WHEREAS, The Alaska Railroad is a powerful economic engine and backbone for Alaska's transportation infrastructure, hauling millions of tons of freight per year and providing critical support for resource industries such as coal, petroleum, and gravel; and

WHEREAS, the State of Alaska needs to diversify and strengthen its economy and an effective transportation system facilitates such diversification; and

WHEREAS, the Matanuska-Susitna Borough is building a rail extension from Port MacKenzie to the Alaska Railroad mainline and the Alaska Railroad is assisting in this effort by serving as a contractor and applicant to the Surface Transportation Board for the project; and

WHEREAS, the new rail line will shorten the distance for transporting minerals and freight from the interior to tidewater and the Alaska Railroad expects the rail extension will lead to additional bulk resource rail transport opportunities in the future; and

WHEREAS, the Alaska Railroad serves ports in Seward, Whittier and Anchorage and the connection to Port MacKenzie, with it 9,000 acres of industrial zoned land and deep-draft dock, is a logical next step in enhancing the State's transportation capacity for bulk natural resources; and

WHEREAS, the rail extension also provides an additional rail route to tidewater that can serve both our military logistics and national security needs; and

WHEREAS, this project is expected to create thousands of new jobs for Alaskans and is a project of statewide benefit and significance.

NOW THEREFORE BE IT RESOLVED that the Alaska Railroad Board of Directors supports the inclusion of $55 million in the Governor's Fiscal Year 2012 Capital Project Budget to complete Phase Four construction of the rail extension between Port MacKenzie and the Alaska Railroad mainline.

This is to certify that I am the Secretary of the Board of Directors of the Alaska Railroad Corporation, and the above Resolution No. 2010-34 is a true and correct copy of the resolution adopted by the Alaska Railroad Corporation's Board of Directors at its regular meeting on October 12, 2010.

Date 10-13-2010 Wendy Lindskoog

Wendy G. Lindskoog
Board Secretary

Corporate Seal

327 W. Ship Creek Avenue
Anchorage, Alaska 99501

MAILING ADDRESS
P.O. Box 107500 Anchorage, Alaska, 99510-7500

TEL 907.265.2300 FAX 907.265.2416
AlaskaRailroad.com

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • 907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

November 15, 2010

Honorable Sean Parnell
Governor
State of Alaska
Capitol Building
Juneau, Alaska 99811

Re: Railroad Extension from Port MacKenzie to the Alaska Railroad Main Line

Dear Governor Parnell,

We are writing to urge continued funding for the extension of the railroad from the port at Point MacKenzie to the Alaska Railroad main line north of Wasilla.

The completion of this rail connection is needed for the export shipment of bulk commodities from existing and future mines in Southcentral and Interior Alaska. This project will provide important diversification and new opportunities for the state and will help stimulate new mineral development projects.

Mines producing coal, base metal (copper, zinc, lead, iron) concentrates, and many industrial minerals depend on reasonable transportation costs and this project has the opportunity to do just that. This extension, when combined with the results from the current western Alaska transportation study, will provide the best opportunity for concentrates from Interior Alaska to reach a deep water port.

Furthermore, this extension would allow current sand and gravel producers that are on the Alaska Railroad to export a portion of their production. In some cases, sand and gravel from these mines will provide the most economical sources for construction projects around the coast of Alaska.

We appreciate your consideration of this funding.

Sincerely,

Steven C. Borell, P.E.
Executive Director

GREATER FAIRBANKS CHAMBER OF COMMERCE

Interior Alaska – The "Place" To Do Business

Introduced By:	Transportation Committee
Date Introduced:	September 27, 2010
Date Passed:	September 27, 2010
Date Transmitted:	September 27, 2010

RESOLUTION 10-0927

A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF COMMERCE SUPPORTING PORT MACKENZIE RAIL EXTENSION PROJECT

WHEREAS, the State of Alaska needs to diversify its statewide and regional economies and develop an efficient and effective transportation system to support such diversification; and

WHEREAS, the rail extension being built from Port MacKenzie to the Alaska Railroad mainline will greatly stimulate such economic diversification by reducing the cost of transportation from Southcentral and Interior Alaska for bulk natural resources to tidewater; and

WHEREAS, the Greater Fairbanks Chamber of Commerce supports the need for economic diversification on both a statewide and regional basis as well as the need for significant transportation infrastructure improvements; and

NOW THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce supports the inclusion of funding to continue construction of the rail extension between Port MacKenzie and the Alaska Railroad Mainline in the Governor's Capital Project Budget.

BE IT FURTHER RESOLVED that this resolution be distributed to:

Members of the Alaska Legislature Transportation and Finance Committees
Interior Delegation
Governor's office
Mat Su Borough Mayor
Mat Su Borough Assembly
Alaska State Chamber of Commerce

GREATER FAIRBANKS CHAMBER OF COMMERCE

Dan Britton
Board of Directors, Chairman

Karl Gohlke
Transportation Committee, Chairman

INVESTORS

DIAMOND
- BP Exploration
- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- FMH & Denali Center
- Flint Hills Resources Alaska

PLATINUM
- Alyeska Pipeline Service Co.
- Carlson Center
- Doyon, Limited
- Fred Meyer Stores
- Golden Heart Utilities
- Mt. McKinley Bank
- Wells Fargo Bank Alaska

GOLD
- Alaska USA FCU
- Birchwood Homes
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- GCI
- Kinross-Fort Knox Mine
- MAC Federal Credit Union
- Pogo Gold Mine
- The Boeing Co.
- Usibelli Coal Mine

SILVER
- ACS
- Alaska Airlines
- Alaska Railroad
- AT&T
- Denali – The Alaska Gas Pipeline
- Everts Air Cargo, Everts Air AK
- Exclusive Paving/Univ. Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- Fountainhead Development
- General Teamsters Local 959
- GVEA
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- Northrim Bank
- Personnel Plus
- Spirit of Alaska FCU
- Tanana Valley Clinic
- TDL Professional Staffing
- TOTE
- WAL-MART Stores. Inc.
- Yukon Title Company

Adopted: 02/02/10

MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 10-009

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY SUPPORTING THE PORT MACKENZIE RAIL EXTENSION AS A STATEWIDE, ECONOMIC DIVERSITY, STIMULUS PROJECT.

WHEREAS, the Port Mackenzie Rail Extension project connecting the Alaska Rail Road mainline will greatly reduce the distance for transporting bulk materials to and from Southcentral and Interior Alaska to tidewater; and

WHEREAS, reduced transport distance translates to reduced transportation costs which leads to an increase in volume of freight and the stimulation of resource development projects near the rail corridor; and

WHEREAS, the State currently relies on the petroleum industry for 85 percent of its revenue; and

WHEREAS, by stimulating resource development, the project would diversify and stabilize the State and local economies; and

WHEREAS, the construction and operation of the rail extension and the increased development it would stimulate along the rail corridor will provide thousands of jobs for Alaskans.

NOW, THEREFORE, BE IT RESOLVED, that the Matanuska-Susitna Borough Assembly supports the Port Mackenzie Rail Extension as a project which will provide Statewide benefits, economic diversity, and jobs for Alaskans.

ADOPTED by the Matanuska-Susitna Borough Assembly this 2 day of February, 2010.

TALIS J. COLBERG, Borough Mayor

ATTEST:

LONNIE R. McKECHNIE, CMC, Borough Clerk

(SEAL)

PASSED UNANIMOUSLY: Woods, Houston, Arvin, Ewing, Bettine, Colver and Halter.

GREATER WASILLA CHAMBER OF COMMERCE RESOLUTION No. xx

A RESOLUTION OF THE GREATER WASILLA CHAMBER OF COMMERCE SUPPORTING EXTENSION OF THE ALASKA RAILROAD FROM THE RAILROAD MAIN LINE TO PORT MACKENZIE.

WHEREAS, bulk natural resource development and export is important to the economy of the Matanuska-Susitna Borough, the Denali Borough, the Fairbanks North Star Borough, and the State of Alaska; and

WHEREAS, the ability of the Alaska Railroad to continue to provide economical transportation of bulk commodities is vital to the economic health of Alaska; and

WHEREAS, Port MacKenzie, with its 8,940 acres of industrial development land and deep draft dock, is a developing port with capability for bulk natural resource transport; and

WHEREAS, Port MacKenzie is capable of handling panamax and cape-size vessels (the largest ships in the world); and

WHEREAS, Port MacKenzie is closer to tidewater than the existing ports of Southcentral Alaska; and

WHEREAS, a shorter distance to tidewater will make resource development in South Central and Interior Alaska more economical by lowering transportation costs; and

WHEREAS, the shorter rail distance to tidewater will further stimulate the use and export of coal from the Usibelli mine and other extracted material developments in the Denali Borough, Matanuska-Susitna Borough and Interior Alaska; and

WHEREAS, the rail extension will make development of natural resources (coal, limestone, sand and gravel, timber and metallic minerals, etc.) located in the rail belt and Interior more economically feasible; and

WHEREAS, the rail spur to Port MacKenzie will create more usage of the Alaska Railroad and increase the economic viability of the railroad; and

WHEREAS, the increase in economic activity will significantly contribute to the State's economic well being, increase employment of Alaskans, and contribute to the continued economic stability of one of the fastest growing regions in the nation.

NOW THEREFORE, be it resolved that the Greater Wasilla Chamber of Commerce strongly supports construction of the Alaska Rail line Extension from the Alaska Railroad mainline to Port MacKenzie.

ADOPTED by the Greater Wasilla Chamber of Commerce this ___ ___day of December,2009.

David Johnston
President

Lyn Carden
Executive Director

CITY OF PALMER INFORMATION MEMORANDUM NO. 10-011

SUBJECT: Resolution No. 10-009: Supporting the Extension of the Alaska Railroad from the Railroad Mainline to Port MacKenzie

AGENDA OF: January 12, 2010

Council action:

Adopted

Approved for presentation by B.B. Allen, City Manager B.B. Allen

Route To:	Department/Individual:	Initials/Date:	Remarks:
x	Originator – City Manager	12/21/09	
x	City Clerk	12/31/09	
x	City Attorney	12/31/09	
	Director of Administration		
	Director of Community Development		
	Director of Community Services		
	Director of Public Safety		
	Director of Public Works		

Attachments: Resolution No. 10-009

Certification of Funds:

X	No fiscal impact.	
	Funds are budgeted from this account number:	
	Funds are not budgeted. Budget modification is required. Affected account number:	

Director of Administration Signature: _____

Summary statement: The Matanuska Susitna Borough seeks Palmer City Council support for the extension of the Alaska Railroad main mine into Port MacKenzie.

Administration recommendation: Approve resolution no. 10-009.

Introduced by: City Manager Allen
Date: January 12, 2010
Action: Adopted
Vote: Unanimous

Yes:	No:
Chmielewski	
Erbey	
Vanover	
Best	
Hanson	
Brown	

CITY OF PALMER, ALASKA

RESOLUTION NO. 10-009

A RESOLUTION OF THE CITY OF PALMER COUNCIL SUPPORTING EXTENSION OF THE ALASKA RAILROAD FROM THE RAILROAD MAIN LINE TO PORT MACKENZIE

WHEREAS, bulk natural resource development and export is important to the economy of the Denali Borough, Matanuska-Susitna Borough and its cities, the Fairbanks North Star Borough, and the State of Alaska; and

WHEREAS, the Usibelli Coal Mine is the main developed source of coal in Alaska; and

WHEREAS, Usibelli Coal Mine has offices and employees residing in Palmer; and

WHEREAS, Port MacKenzie with its 8,940 acres of industrial development lands and deep draft dock, is a developing port with potential for bulk natural resource transport; and

WHEREAS, Port MacKenzie is capable of handling panamax and cape size vessels (the largest ships in the world); and

WHEREAS, Port MacKenzie is closer to tide water than the existing ports of Southcentral Alaska; and

WHEREAS, a shorter distance to tide water will make resource development in Interior and Southcentral Alaska more economical, by lowering transport costs; and

WHEREAS, the shorter rail distance to tide water will further stimulate the use and export of coal from the Usibelli mine and other mineral developments in the Denali Borough, Matanuska-Susitna Borough, and Interior Alaska; and

WHEREAS, the rail extension will make development of various natural resources (coal, limestone, sand and gravel, timber and metallic minerals, etc.) located in the rail belt and Interior more feasible; and

WHEREAS, the economic activity will contribute to the Matanuska-Susitna Borough economy, tax base, and employment.

NOW THEREFORE, be it resolved that the City of Palmer strongly supports construction of the Alaska Rail line Extension from the Alaska Railroad mainline to Port MacKenzie.

Passed and approved by the City Council of the City of Palmer, Alaska this twelfth day of January 2010.

Kevin W. Brown II, Mayor Pro-Tempore

Janette M. Bower, MMC, City Clerk

5

ALASKA STATE CHAMBER OF COMMERCE

Business to Business

December 2010



Lawmakers discuss Alaska's economic future

By Jedediah R. Smith

On the cusp of an election, and with $12 billion in budget reserve accounts, five of Alaska's 60 legislators participated in a panel discussion before the State Chamber of Commerce, not to campaign, but to share their experiences and thoughts on strategies for filling the Trans-Alaska Pipeline, the state's regulatory regime, public employee retirement systems and ways the Legislature can create a more friendly investment climate.

At times, politics crept into the discussion. But the panel generally focused on the issues at hand. Chamber executive board chair Kip Knudson moderated the discussion and first asked lawmakers whether and how the state should spend the $12 billion available in reserve accounts.

Responses were varied, from Sen. Kevin Meyer's belief that the money shouldn't be touched until the economy improves, to Rep. Anna Fairclough's reminder that the state has a $12 billion liability to PERS/TRS retirement accounts.

"We made a promise to those that came before us," Fairclough (R-Eagle River) said.

"I think we have to be very careful," said Rep. Bill Stoltz (R-Chugiak), who noted the state has invested money in important infrastructure projects in Southcentral Alaska, such as the Port McKenzie rail spur. Prioritizing infrastructure projects is critical in choosing the best projects that will prove a return on investment for the state. But once open, that valve can be difficult to control with 60 legislators all vying for a piece of the action, Stoltz said.

The response highlighted the subtle differences on the political landscape among the business-friendly legislators, whose dis-

See Panel, Page 2

Chair's message: How to Create Jobs

By Kip Knudson

In last quarter's newsletter I expressed dismay with candidates who claim they will create jobs.

Most of our elected officials have lost track of the fact that the private sector creates two-thirds of Alaska's jobs, and pays the taxes that fund the remaining third. If they haven't forgotten this fact, then they are afraid to talk about it in public forums.


Knudson

During the State Chamber's priority-setting Tie-In, we heard from Scott Cohn about how Alaska finished dead-last in the CNBC's 2010 Business Ranking. He told us about our bottom-of-the-pack rankings on things like road quality (not quantity), litigiousness, high taxes (our world-beating oil and gas taxes weren't even factored in) and low-outcome, high-cost education system.

My dismay at politicians talk about "creating jobs," and Mr. Cohn telling us everything-we-know-but-wish-we-didn't spurred a fantastic conversation among the State Chamber's Board of Directors on a central question: How can the State Chamber convince our elected officials to focus on policies and programs that encourage the private sector to create more jobs?

The first step is to sharpen our strategic plan, and below is a proposal that I intend to forward to the State Chamber Board.

Tag Line:
The Voice of Alaska Business

Vision (What does the future look like?): A top ranking in "Best Places to Do Business" lists.

Mission (Why do we exist?): Advocate for public policies that encourage private sector investment and job growth.

Values (How do we operate?): Results-driven. We will focus on measurable improvement of the Alaska business climate. Be a statewide, all-business-sector advocate. "The Voice of Alaska Business" grows stronger when all businesses are represented.

Strategy (What will we do?): The State Chamber will achieve progress through three initiatives aimed at creating a robust business climate – and thus job growth – in Alaska. These initiatives provide focus both to members and to government officials. Success on these initiatives can be measured and will result in private sector growth.

Perhaps most important to note is that the discreet action items within each initiative are generated by our membership. The more your business participates in State Chamber priority setting, the more likely the entire business community will benefit from collective ideas to grow our economy.

The State Chamber's strategy will:

Reduce Government Burden.

Our state government can either help or hinder business growth and

See Chair, Page 2

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ACE Air Cargo: ACE to the rescue! From Dutch Harbor to Ketchikan and 20 locations in between — ACE Air Cargo delivers more destinations, more often. ACE offers scheduled cargo flights, passenger and cargo charters, small package service and logistics across Alaska with connecting service to the Lower 48.

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Sumitomo Metal Mining Pogo LLC (SMM Pogo) has been working on operation of the Pogo Mine, which is located about 90 miles southeast of Fairbanks. The Pogo Mine began its production in February 2006 and

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anti-development, on budget issues and Alaska's dependence on resource development for operating revenue.

"Students were saying 'Anna, we need to give the university tens of millions of more dollars,' and I would say, 'I'd love to do that, can you tell me what we should cut?"

"We need to engage Alaskans in understanding where the economy is coming from and where it is going," Fairclough said.

In the short-term, the members of the panel, which also included Sen. Charlie Huggins (R-Wasilla) and Sen. Kevin Meyer (R-Anchorage) said they didn't think changes in the state's retirement system, from a defined benefit to a defined contribution (Tier 3 to Tier 4) had a significant impact on recruiting well qualified workers.

Public employee unions have continued to confound legislators who have attempted to solve the state's entitlement obligations though.

"You can't say you want to go back to a system of defined benefits that will bankrupt our state and also want to enshrine the dividend," Stoltz said. "Every year there is a bill and a lot of pressure to radically reverse the system. This is one of the most political issues. Some of us stuck our finger in the electric pencil sharpener that is that union. I still have a little bit of a nub left. I'm willing to do it again."

Attracting highly qualified state employees to run the permitting system continues to be a concern among resource development industries, said Jason Brune, executive director of the Resource Development Council. The current litigious climate makes hiring good state employees all the more important for industry, as regulators are charged with writing permits that will ultimately hold up in a court of law. Brune challenged the panel to find alternatives to avoid the "lawsuit first" strategy pursued by many environmental groups opposing resource development projects.

Johnson said he'd tried a number of different things during the last session, notably introducing a bill to freeze the timeline of a permit once a lawsuit is filed.

"If you can stretch it out in court so that a permit expires, you just wasted a bunch of time and expense," Johnson said. Even if the developer prevails, the project may have to reapply for another permit or even go through the costly Environmental Impact Statement process again. His legislation would allow the clock on the permit to resume only after the lawsuit was settled.

"I'm not confident we're going to get away from the public litigant way of doing business for awhile," said Johnson, who hopes to introduce the legislation again this year. "It isn't a big fix, but might be something on the table to help."

Other steps the legislature must take, according to Johnson, are to leverage existing funds to attract money for large scale hydroelectric projects like the Susitna Dam or Chakachamna, not necessarily by building them, but perhaps by providing loan guarantees. He said the state missed the opportunity 20 years ago to build a project like Susitna, and that, "We need to vision," Johnson said. "I dread 15 years from now, having people say, 'why didn't you do something?"

S Continued from Page 2

on private and public sector transportation programs and projects throughout Alaska, including major road and port maissance engineering for oil/g and mining developments.

Contact: Mike Gordon McKinnon, Owner/Manager
Email: mgmckinnon@gci.net
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Phone: (907) 523-9877

New members in September:

American Seafoods Group
Great Northwest Inc.

New members in October:

Faulkner Walsh Constructors
Health Care Cost Mgmt. Corp. of A
Hotel Seward
Kenai Physical Therapy Inc.
Northern Gas Pipeline
U.S. Dept. of Labor, VETS
MacCheyne's Carpets Plus Inc.

New members in November:

Alaska Addiction Professionals Association
River's Edge Resort

Chair Continued from Page 2

job creation. Therefore, the State Chamber will lobby to:

- Reform oil and gas tax;
- Continue the existing coast zone program;
- Continue effective administration of the state's strong mining regulations;
- Review RCA regulations;
- Adopt tax incentives for new economic sectors;
- Lower workers compensation costs
- Privatize public services that compete with the private sector;
- Reduce litigation costs and delays;
- Reform state procurement code;
- Create, and then follow, a strategic plan for economic development; and
- Reduce state GF spending to FY10 levels.

Improve and Expand Infrastructure

- Create an infrastructure endowment to reliably fund renewal and expansion;
- Renew the Port of Anchorage;
- Construct a rail spur to Pt. McKenzie; and,
- Advocate for a long-range energy plan and then identify all barriers to that long-range plan

Communicate and Educate

Advocacy on the above two initiatives can be leveraged through a solid communication and education program, including:

- In cooperation with all the trade associations in Alaska, create a scorecard to clearly communicate our expectations to lawmakers;
- Support the Board of Trustees Alaska Business Political Action Committee in their efforts to support candidates who commit to grow the private sector;
- Immerse high school students in entrepreneurship and leadership through the Alaska Business Week summer program;
- Empower our partners in local chambers to affect statewide change, in addition to supporting local chambers focus on growing their community and regional economies;
- Provide timely updates to membership on progress on the initiatives through print and electronic media;
- Educate member companies on how to engage employees to participate in the government's progress on these initiatives; and,
- Connect members with their legislators to drive home the in-district impact of adopting the initiatives
- Consistent, valuable communication both internal and external to the State Chamber

I welcome your feedback on this strategic plan at kip.c.knudson@tsocorp.com.

Make a plan and work the plan.

6

PORT MACKENZIE
RAIL EXTENSION

FIND ALL THE STUDIES ONLINE

The entire studies can be found at the Matanuska-Susitna Borough website. The link to the website is below:

http://ww1.matsugov.us/index.php?option=com_docman&task=cat_view&gid=125&Itemid=238

Benefit-Cost Assessment of the Port MacKenzie Rail Extension

Final Report

prepared for
Matanuska-Susitna Borough

prepared by
Steve Colt
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Institute of Social and Economic Research
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20 June 2008



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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.

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[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.

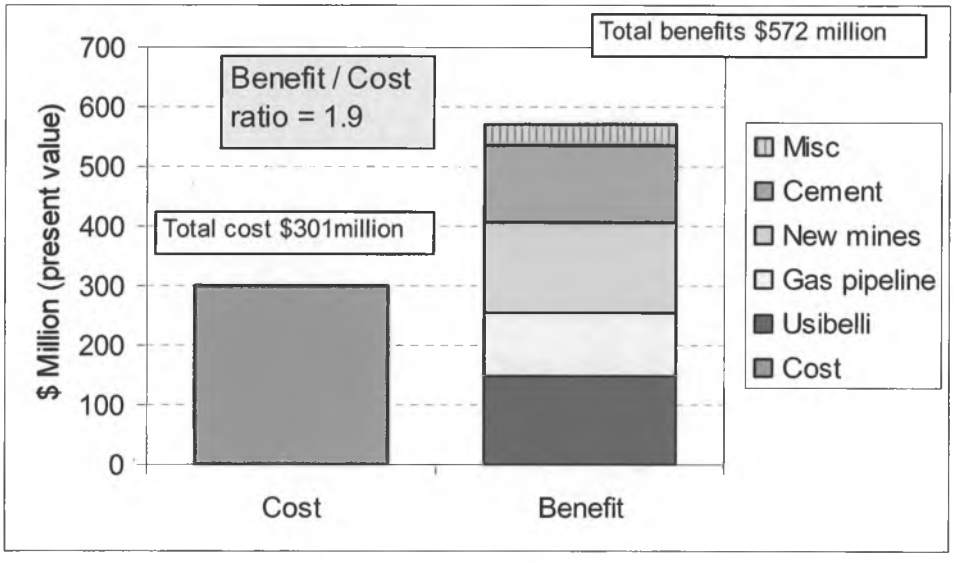
[3] Paul Metz, Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska. February 2007

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 (Metz, 2007a), 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.[5]

[4] We have assumed that the state would pay half of these upgrades and pipeline builders would pay half.
[5] 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

prepared for:

Matanuska – Susitna Borough
Economic Development Department

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January 21, 2010

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Benefits of the Southcentral Rail Extension to the Municipality of Anchorage

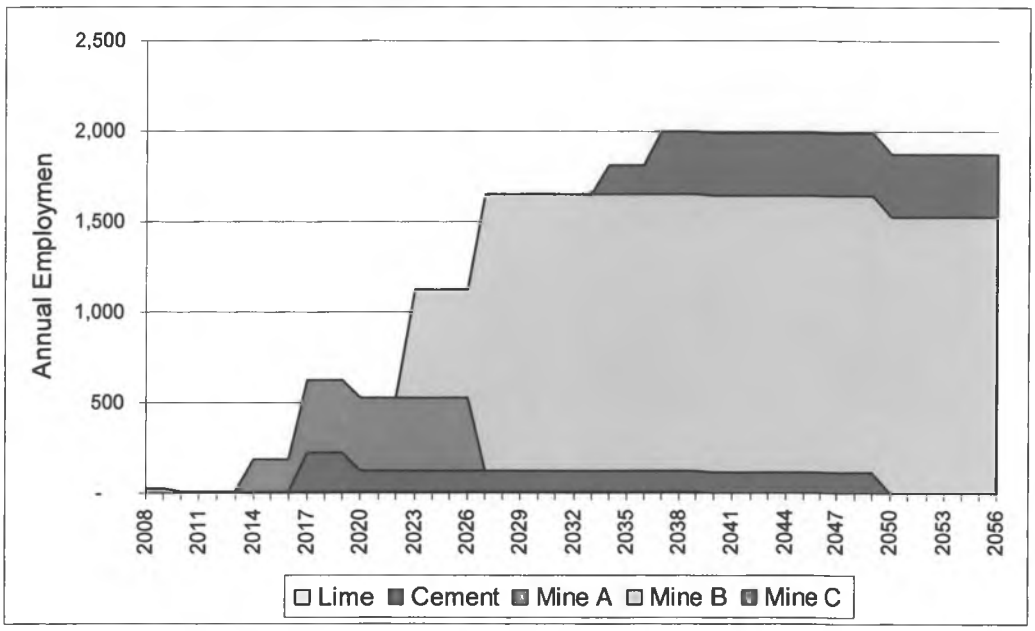
Summary of Findings

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.

Final Report

Economic Analysis of Rail Link

Port MacKenzie to Willow, Alaska

By

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Submitted to:

Matanuska-Susitna Borough

February 2007

Executive Summary

A railroad link of 43 miles from Willow to Port MacKenzie will result in rail freight savings for bulk commodities and heavy freight transported to and from the Rail Belt area of interior Alaska. Tidewater access at Port MacKenzie from interior Alaska is 26.4, 89.1, and 140.7 miles shorter than the Ports of Anchorage, Whittier, and Seward respectively. Bulk freight from metallic and industrial mineral development, coal and petrochemical production, and forest products are estimated. These bulk freight quantities are then multiplied times a per mile cost for the number of miles saved by using Port MacKenzie versus other ports. This results in an annual monetary savings. The net present value of these savings is calculated at a public tax-free bond interest rate of 4.5%, for payback periods of 25 and 30 years.

Metallic mineral and other natural resource freight loads are estimated from a probabilistic analysis of the known mineral and resource occurrences within a 120-mile wide transportation corridor in three separate segments. The primary economic analysis is on the existing Alaska Railroad from Port MacKenzie to the northeastern end of the Alaska Railroad at Eielson AFB. A secondary analysis is conducted on a planned railroad extension from Eielson AFB to Delta Junction and tertiary analysis is conducted on a potential railroad extension from Delta Junction to the Canadian Border.

The primary analysis indicates that the net present value of rail freight savings from the proposed rail link relative to the Ports of Whittier and Seward greatly exceeds the capital cost of the proposed project. The net present value of the rail freight savings for Port MacKenzie relative to the Port of Anchorage over a 30 year period equals 92% of the capital cost of the project.

The economic benefits to the State of Alaska from the development of the metallic mineral occurrences in the rail corridor from Port MacKenzie to Eielson, AFB, assisted by the line extension, greatly exceed the capital cost of the project. These benefits are estimated to range between $61 and $773 million per year for a 100 year time period. Industrial minerals, coal, petrochemicals, and forest products will add significantly to the economic benefits of metallic mineral production.

The citizenry of the state will be the prime beneficiaries of the proposed rail extension addition to the infrastructure of the state that will reduce bulk transportation costs, increase economic development, decrease transportation congestion in the Anchorage area, and decrease the adverse impact of natural disasters on the surface transportation systems in central and south-central Alaska.

Final Report

Economic Analysis of Rail Link

Port MacKenzie to Willow, Alaska

Phase II - Possible Rail Extension Users Analysis

By

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Submitted to:

Matanuska-Susitna Borough

November 2007

Executive Summary

This economic analysis examines possible business activities that will be induced or enhanced in Southcentral and Interior Alaska by the rail extension from Port MacKenzie to the Alaska Railroad mainline. The possible business activities include: coal exports, mineral aggregate (sand and gravel) exports, lime and portland cement exports, forest product exports, refined petroleum product exports and imports, the Alaska Natural Gas Pipeline logistics and metallic mineral development. This is also a preliminary investigation of the economic benefits provided by these uses and whether these benefits justify the capital investment needed to build the rail extension. The analysis does not include the coal tonnage that would likely be transported on the rail extension, if the Agrium Coal Gasification Project moves forward.

Background: Metallic and non-metallic mineral and solid fuel (coal) resource development is a major source of freight for most railroads worldwide. These bulk commodities must be transported to worldwide markets by the most economical method available. Thus, railroads either transport the materials from mines and quarries directly to manufacturing and population centers or to ocean vessels via the nearest port facilities. Alaska is no exception.

Alaska has abundant mineral and energy resources that can supply both North American and worldwide markets. In the absence of a railroad connection to the contiguous states and major manufacturing in Alaska, these resources must be exported through deepwater port facilities. Connecting the mines to the ports via railroads greatly reduces transportation costs. This increases the competitive advantage of Alaskan resources, and results in maximum returns to the State in the form of jobs, corporate income taxes, and mineral rents and royalties. Estimating the mineral and energy resource potential of Alaska is a necessary step in the planning, design, financing, and construction of infrastructure.

Part I: Part I examines possible exports and imports of products, other than metallic minerals, over the rail extension during the first ten years of rail extension operation. The analysis provides information on expected rail extension use during the first five years (2012-2017) and the second five years (2017-2022) of operation. During the first five years, 1.4 million tons of freight is expected to be annually transported over the rail extension. For the second five year period, 2.4 to 3.4 million tons are expected to be annually transported. *The five year and ten year freight tonnage projections in this investigation* ***may be very conservative.*** *These expected annual tonnages are over and above the 3.3 million tons of coal annually required for the Agrium Coal Gasification Project at Nikiski.*

Part II: Part II focuses on new metallic mineral developments that will be enabled by the proposed 25-40 mile rail extension. The Part II analysis examines the feasibility of developing one small, one large, and one medium metallic mineral deposit inland from the port over the first, second, and third decades of rail extension operation. In addition, the analysis includes a forecast of the tonnage of rail freight for each mine over the initial

mine life; the mining license taxes, royalties, and corporate income taxes expected to accrue to the State of Alaska; and the expected economic benefits that will accrue to the communities along the rail belt from the mine developments.

Metallic mineral deposits and coal in the railbelt corridor have the greatest potential for generating additional rail freight revenues and additional revenues to the State of Alaska as well as additional economic benefits to the railbelt communities. Other potential sources of rail freight loads are relatively small or short term. During the first thirty years of rail extension operation, it is expected that the annual metallic mineral development tonnages transported will be at least 365,000 tonnes in the first decade, 1.7 million tonnes in the second decade and 1.9 million tonnes during the third decade.

The expected annual rail freight revenues from metallic mineral production for the first, second, and third decades of the rail extension operation are expected to increase by $7.8, $33, and $45.1 million respectively The expected revenue streams to the State of Alaska over a sixty year period in the form of corporate income taxes, mining license taxes, and mining royalties from metallic minerals alone are estimated at $18.1 billion or $300 million per year. The economic benefits that will accrue to the railbelt communities from metallic mining over the same period are estimated at $185 billion or $3 billion per year. These amounts far exceed the estimated $225 - $330 million capital cost of providing the rail connection between Port MacKenzie and the rest of the Alaska Railroad system.

Conclusion: The combined Part I and Part II results of estimated metallic and non-metallic annual freight tonnages over the first thirty years of rail extension operation are conservatively expected to range up to 3.7 million tonnes in the first decade, 4.1 million tonnes in the second decade and 4.3 million tonnes in the third decade. Most of the origin or destination of the freight would be the interior of Alaska thus the average haul distances are expected to be approximately 350 miles. At an average freight rate of $0.06 per ton mile, four million tonnes of freight per year along this route would generate annual gross revenues of $84 million.

Cost Savings Related to Use of the Port MacKenzie Rail Extension to Support Alaska Gas Pipeline Construction

Prepared for the

Matanuska-Susitna Borough

March 2008

Prepared by

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Revised Executive Summary Including Additional Scenarios from Appendices

This report was commissioned by the Matanuska-Susitna Borough (MSB) in January 2008. The report's purpose is to examine the transportation savings and other economic advantages of using Port MacKenzie and a proposed rail extension to provide logistical support for construction of a natural gas pipeline connecting Alaska North Slope (ANS) gas reserves to markets in Canada and the Lower 48, as well as a natural gas spur line that will serve Southcentral Alaska markets. This revised executive summary includes a discussion of scenarios included in the appendices showing estimated transportation costs from Anchorage and Whittier.

Transporting gas pipeline construction materials by rail from Port MacKenzie appears to generate significant savings when compared to the costs and foregone savings associated with the transportation of the same materials by rail from Seward, Whittier or Anchorage, or by truck from Valdez. This report estimates that $122 million in cost savings and foregone spending (compared to the use of Port of Seward) could be realized with the full development and use of Port MacKenzie and a rail extension linking the port with the ARRC mainline. Savings are significantly higher—$165 to 176 million—when compared to using the Port of Valdez and using trucks as the primary mode of land transportation. Savings are lower—$107 to $111 million—when compared to using the Port of Anchorage with rail or the Port of Whittier with rail.

Table ES–1 provides a summary of the transportation costs associated with moving pipe, supplies, equipment and other materials for the construction of the ANS main gas pipeline and a gas spur line from Fairbanks to Wasilla. The results are shown for various scenarios developed in this report and in the appendices.[1]

Land Transportation Costs

The summary table shows estimated transportation costs using rail from Seward, using rail from Port MacKenzie, using trucks from Valdez, and using rail from Anchorage and Whittier. The estimated costs of moving material by rail from Port MacKenzie are $23 to $30 million less than the costs of moving the material from the Port in Seward. Moreover, the estimated costs of moving the material by truck from Valdez are significantly higher than any of the rail-based scenarios. The Port MacKenzie transportation costs are up to $58 million less than the Valdez truck option. The rail-based costs from Port MacKenzie are from $5 to $11 million less than estimated rail-based costs from Anchorage and $14 to $20 million less than estimated rail-based costs from Whittier.

Marine Transportation Costs

The summary table also provides comparisons of marine transportation costs to each of the ports including the port fees. In general, the differences in marine transportation costs among ports (up to $5 million), are small relative to the differences in land-based transportation costs. Due to its higher tariff cost, it is estimated that marine costs to Anchorage are highest ($19 million) among the ports considered, while marine costs to Whittier are lowest ($14 million). Marine costs to both Seward and Port MacKenzie are both estimated at $16 million, while marine costs to Valdez are estimated at $15 million.

[1] Land transportation estimates in the main body of the report focus on costs from Port MacKenzie, Seward and Valdez. Appendix B provides additional detail of land-based transportation costs and includes estimates of moving material by rail from Anchorage and from Whittier.

Infrastructure Improvement Costs

The summary table also addresses infrastructure improvement costs related to pipe and pipeline material transport including road and bridge improvements, at-grade rail crossings, and module transport-related road improvements.

Assuming that the pipe and other gas pipeline materials will be transported by truck from Valdez, the road and bridge improvements needed to support gas pipeline construction-related transportation from Delta to Valdez will be no less than $90 million. If the pipe preparation plant is in Valdez, the Glennallen to Tok Highway segment could be used in addition to the Delta to Valdez highway segment. In that case, the road and bridge improvements needed to support gas pipeline construction will be no less than $100 million. The road improvements considered include bridges, passing lanes, turning lanes, safety pull-outs, weigh station upgrades, and other highway improvements. This would be considered a minimum level of investment with no significant pre-construction pavement and sub-base rehabilitation.

Under a second scenario, where you presume that the substandard road segments, with less than ideal geometric standards (lane width, shoulders, curvature and grade) as well as substandard pavement condition need to be brought up to a high standard, the pre-construction investment would rise significantly to the $225 million range with an additional $50 million needed for the Tok Highway section. These improvements do not include pipeline construction related "road wear and tear" repairs (Ottesen, 2008). These road improvement costs are assumed for the Valdez truck transportation options.

It is estimated that the cost of improvements to at-grade rail crossings in and around Wasilla is approximately $73 million (Brooks, 2008). This analysis assumes that this expense would be foregone given the construction of the rail extension to Port MacKenzie since pipeline materials would not go through Wasilla and a significant portion of future freight traffic would use the rail extension. To capture these foregone expenditures if the rail line to Port MacKenzie is built, the analysis shows the $73 million as a cost that would need to be incurred if any of the other ports are used for transporting pipeline materials.

Furthermore, Flour (2003) estimated that $20 million in highway improvements would be required to move modules by road from Kenai. If Port MacKenzie is used to construct some of the large modules and support structures that might otherwise be constructed on the Kenai Peninsula or in Anchorage, and assuming that these modules and structures can be transported by rail, then the need to spend $20 million on improvements to the Glenn and Parks Highway could be eliminated. The $20 million in costs are assumed to occur if Port MacKenzie is not used.

Table ES-1. Summary of Costs Related to the Transport of Pipeline Materials under Different Scenarios

Description	Scenario 1: Seward by Rail	Scenario 2: Port Mackenzie by Rail	Scenario 3: Valdez by Truck	Scenario 4: Valdez by Truck with Coating Plant	Scenario 5: Anchorage by Rail	Scenario 6: Whittier by Rail
Total Tons of Materials to Transport for ANS Gas Mainline (tons)	1,275,383	1,275,383	1,275,383	1,275,383	1,275,383	1,275,383
Total Tons of Materials to Transport for Fairbanks to Wasilla Spur Line (tons)	235,096	235,096	235,096	235,096	235,096	235,096
Total Tons of Materials to Transport for Main Line and Spur Line (tons)	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**
Estimated Land Transport Costs						
Land Transport Costs for ANS Gas Mainline (S)	181,000,000	161,000,000	204,000,000	206,000,000	166,000,000	173,000,000
Land Transport Costs For Spur Line ($)	20,000,000	16,000,000	24,000,000	24,000,000	17,000,000	19,000,000
Land Transport of All Materials for Both Main Line and Spur Line ($)	**201,000,000**	**178,000,000**	**228,000,000**	**229,000,000**	**183,000,000**	**192,000,000**
Differential From Unadjusted Port Mackenzie Costs ($)	23,000,000	-	50,000,000	52,000,000	5,000,000	14,000,000
Land Transport of All Materials (With Adjustment—See Note #4)	**201,000,000**	**172,000,000**	**228,000,000**	**229,000,000**	**183,000,000**	**192,000,000**
Differential From Adjusted Port Mackenzie Costs ($)	30,000,000	-	57,000,000	58,000,000	11,000,000	20,000,000
Estimated Marine Transport Costs						
Marine Transport Costs for ANS Gas Mainline (S)	13,000,000	13,000,000	12,000,000	12,000,000	16,000,000	12,000,000
Marine Transport Costs For Spur Line ($)	3,000,000	3,000,000	2,000,000	2,000,000	3,000,000	2,000,000
Marine Transport of All Materials for Both Main Line and Spur Line ($)	**16,000,000**	**16,000,000**	**15,000,000**	**15,000,000**	**19,000,000**	**14,000,000**
Differntial from Port Mackenzie Costs ($)	less than -500,000	-	-2,000,000	-2,000,000	3,000,000	-2,000,000
Other Costs and Avoided Costs Related to the Transport of Pipeline Materials						
Costs to Repair At-grade Knik Goose Bay Rail Crossings	73,000,000	-	-	-	73,000,000	73,000,000
Costs tp Improve Glen and Parks Highways for Pipeline Module Transport ($)	20,000,000	-	20,000,000	20,000,000	20,000,000	20,000,000
Costs to Improve Richardson Highway between Valdez and Delta Junction ($)	-	-	90,000,000	90,000,000	-	-
Costs to Improve Tok Cut-off between Glenallen and Tok ($)	-	-	-	10,000,000	-	-
Total Costs and Avoided Costs ($)	**93,000,000**	**-**	**110,000,000**	**120,000,000**	**93,000,000**	**93,000,000**
All Marine and Land Costs Related to the Transport of Pipeline Materials						
All Marine and Land Costs and Avoided Costs ($)	**310,000,000**	**188,000,000**	**353,000,000**	**364,000,000**	**295,000,000**	**299,000,000**
Differential from Adjusted Port Mackenzie Costs ($)	122,000,000	-	165,000,000	176,000,000	107,000,000	111,000,000

Source: Estimates were generated by Northern Economics.

Notes:

1. Details regarding these estimates can be found in Appendix B.
2. Costs are rounded to the nearest million—rounding errors account for apparent inconsistencies.
3. All estimates for land transport include rail or trucking costs to staging areas.
4. This adjusts Port MacKenzie rail costs by including $6 million in "difficult to quantify" savings due to congestion costs and higher per mile maintenance costs on the existing ARRC track between Houston and Seward. More details on these adjustments are found in the main report.
5. Otteson (2008) indicates that $90 million in road improvements would be required on the Richardson Highway between Valdez to Delta Junction, with an additional $10 million required if 80-ft double joint sections of pipe will be moved from Valdez.
6. Brooks (2008) estimates the costs to upgrade crossings at $73 million. This report assumes the crossing upgrades would not be required if the rail extension to Port MacKenzie is constructed.
7. Flour (2003) estimates that the $20 million in improvements would be required to move modules from Kenai. These costs could be foregone with a rail extension to Port MacKenzie.

Economic Effects of the Southcentral Rail Extension

Prepared for the

Matanuska-Susitna Borough

March 2007

Prepared by

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In association with

HDR Alaska, Inc.

Executive Summary

The proposed plan to expand the transportation infrastructure in the Point MacKenzie area by creating a rail link between Port MacKenzie and the Alaska Railroad Corporation's (ARRC) mainline is expected to generate significant economic benefits to the region and the state. This study evaluates the potential economic effects of the construction and operations of the proposed Southcentral rail extension project and some of the anticipated development that may occur as a result of the rail extension. In particular, this study evaluates the direct, indirect, and induced economic effects of the following project components and associated development:

- Construction and operations of the rail extension
- Construction and operations of a new dock at Port MacKenzie
- Construction and operations of loading and unloading facilities from the rail terminal to the dock
- Expansion of coal production at the Usibelli Coal Mine

The economic benefits of the project were measured according to the direct, indirect, and induced jobs and industry output or sales that would be generated by the local spending for construction and operations of various facilities associated with the project. The direct effects estimates of local spending (or in-state spending) were generated using preliminary cost estimates of construction and operating costs for the various facilities. The indirect and induced economic effects (or the multiplier effects) within the state were estimated using an input-output model of the Alaska economy.

Table ES-1 and Table ES-2 summarize the direct and the multiplier effects of the proposed project and associated development.

Table ES-1. Estimated Direct, Indirect, and induced Industry Output/Sales Associated with the Proposed Southcentral Rail Extension and Associated Development (in million $)

Facility	Direct Local Spending	Additional Business Sales	Total
Rail Extension			
Construction	$193	$164	$357
Operations (annual)	$1.5 - $2	$1.25 - $1.67	$2.75 - $3.67
Uplands Development			
Construction	$8	$6	$14
Operations (annual)	$12	$9.80	$21.80
Port MacKenzie Dock			
Construction	$23 - $26	$19.5 - $22	$42.5 - $48
Operations (annual)	$0.99	$0.80	$1.00
Usibelli Coal Mine (expansion)			
Operations	$15 -$20	$11	$26 - $31
Total Construction			**$413.50 - $419.00**
Total Operations			**$51.55 - $57.47**

If the construction of the rail extension takes two years to complete, then the number of jobs in any year would depend on the expenditures made in each year. If the expenditures in both years of

construction were equal, then the number of total construction-related jobs would be about 1,600 to 1,700 full-time and part-time jobs.

Table ES-2. Estimated Direct, Indirect, and Induced Jobs Associated with the Proposed Southcentral Rail Extension and Associated Development

Facility	Direct	Indirect + Induced	Total
Rail Extension			
Construction	1,700 to 1,900	1,500	3. 200 to 3,400
Operations (annual)	10 to 20	10 to 15	20 to 35
Uplands Development			
Construction	80	45	125
Operations (annual)	25 to 35	80	105 to 115
Port MacKenzie Dock			
Construction	230 to 260	145 to 165	375 to 425
Operations (annual)	10	<10	< 20
Usibelli Coal Mine (expansion)			
Operations	60 to 70	115	175 to 185
Total Construction			**3,600 to 3,950**
Total Operations			**320 to 355**

Port MacKenzie Rail Extension



Economic Benefits to the Alaska Economy

Alaska's Uncertain Economy

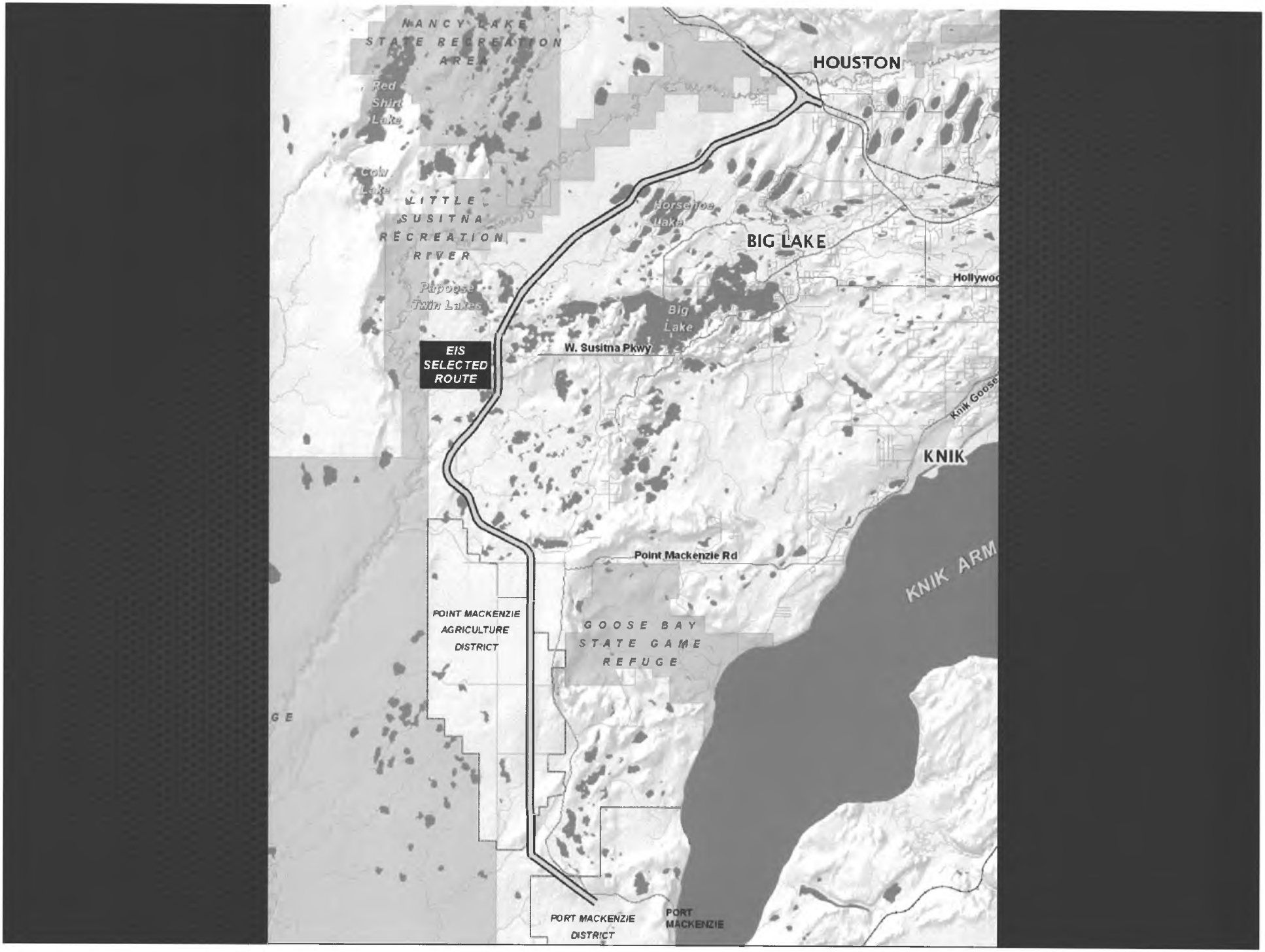
- Uncertainty about the Gas Line construction
- Uncertainty about energy availability and costs
- Uncertainty about the future of the TransAlaska Pipeline
- Uncertainty about Small Business Administration contracting program for Native Business

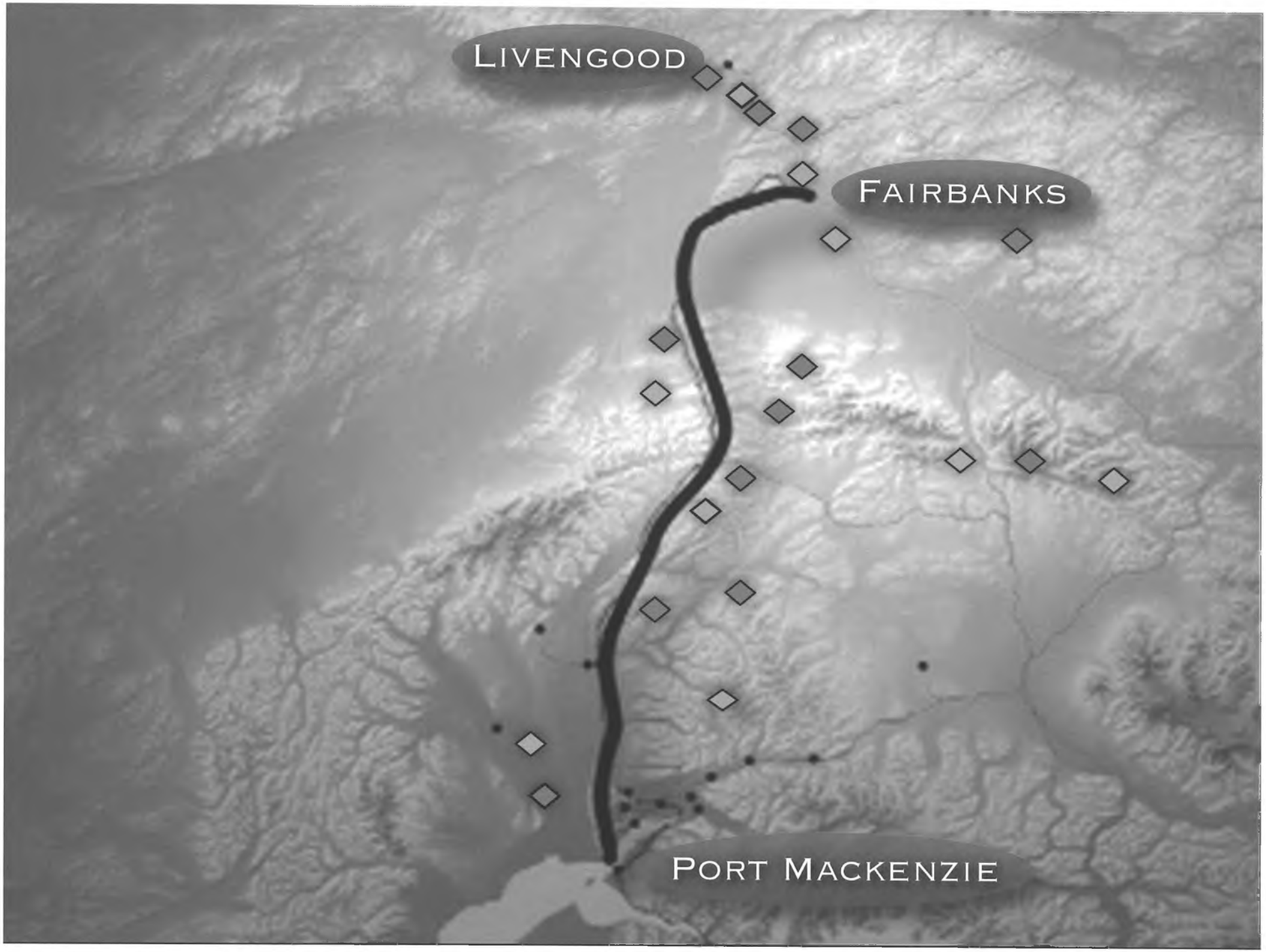
- Uncertainty about exploration permits for Chukchi and Beaufort Sea
- Lack of diversification of Alaska's economy
- Lack of transportation infrastructure to promote economic development

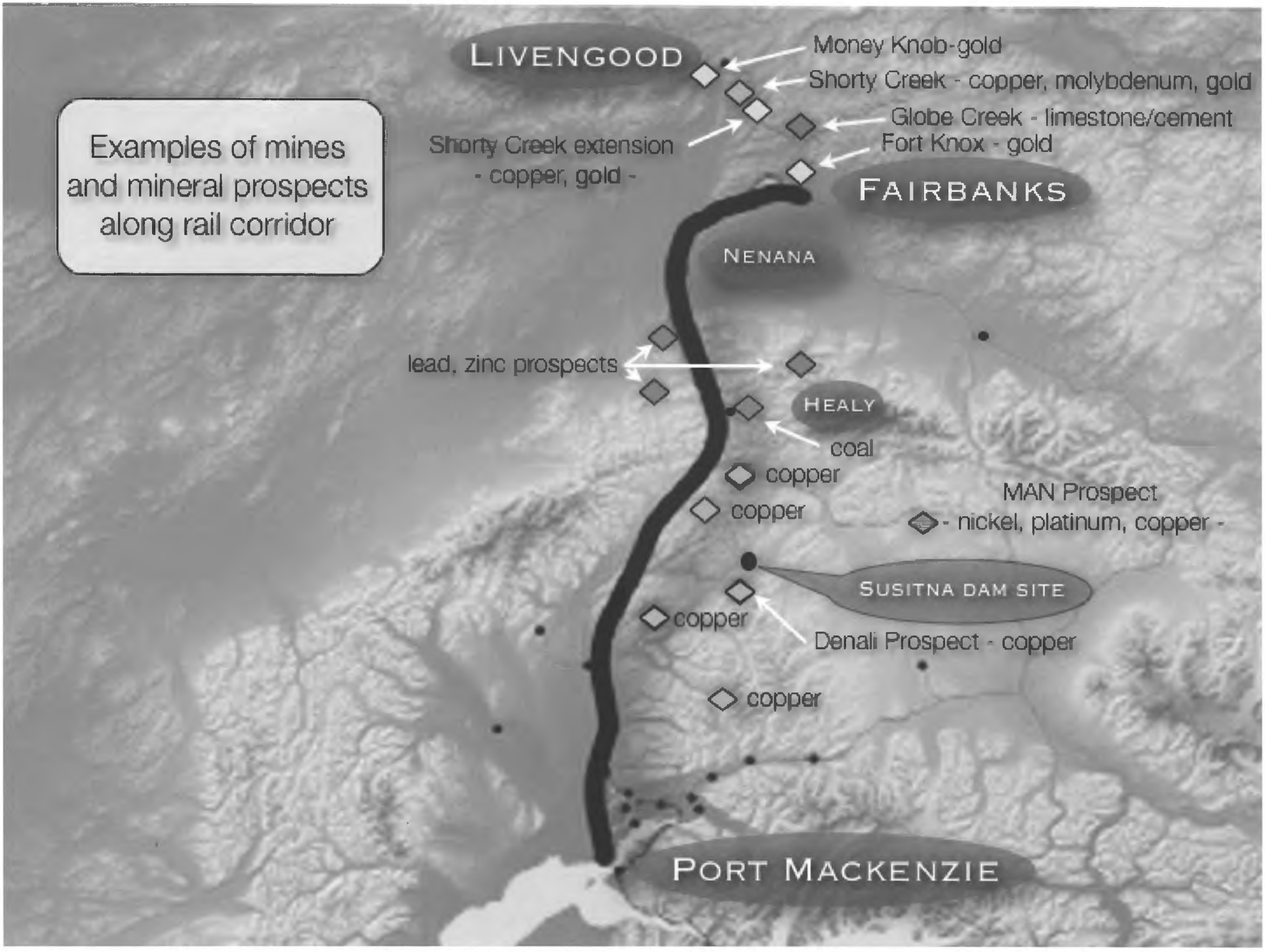
But a major solution to some of these problems is *underway now!*

4


PORT MACKENZIE
RAIL EXTENSION


NANCY LAKE STATE RECREATION AREA
Red Shirt Lake
Cow Lake
LITTLE SUSITNA RECREATION RIVER
Papoose Twin Lakes
HOUSTON
Horseshoe Lake
BIG LAKE
Hollywoo
Big Lake
EIS SELECTED ROUTE
W. Susitna Pkwy
Knik Goose
KNIK
Point Mackenzie Rd
KNIK ARM
POINT MACKENZIE AGRICULTURE DISTRICT
GOOSE BAY STATE GAME REFUGE
GE
PORT MACKENZIE DISTRICT
PORT MACKENZIE


LIVENGOOD
FAIRBANKS
PORT MACKENZIE


Examples of mines and mineral prospects along rail corridor
LIVENGOOD
Money Knob-gold
Shorty Creek - copper, molybdenum, gold
Globe Creek - limestone/cement
Fort Knox - gold
Shorty Creek extension - copper, gold -
FAIRBANKS
NENANA
lead, zinc prospects
HEALY
coal
copper
copper
MAN Prospect - nickel, platinum, copper -
SUSITNA DAM SITE
copper
Denali Prospect - copper
copper
PORT MACKENZIE

What the Rail Extension means to Alaska's economy

- **Opens up the Interior to resource development**
- **Creates a development corridor along the Railbelt for exploration and extraction of strategic minerals (lead, zinc, copper, molybdenum and silver)**
- **Facilitates the development of a world class limestone deposit between Livengood and Fairbanks**

9

- Facilitates the development of a cement production facility in or near Fairbanks
- Dramatically improves the world competitiveness of Alaska coal
- Significantly reduces transportation and staging cost for the Alaska Gas Pipeline construction
- Increases employment in the Mat-Su Borough, the Denali Borough, the Fairbanks North Star Borough and Anchorage

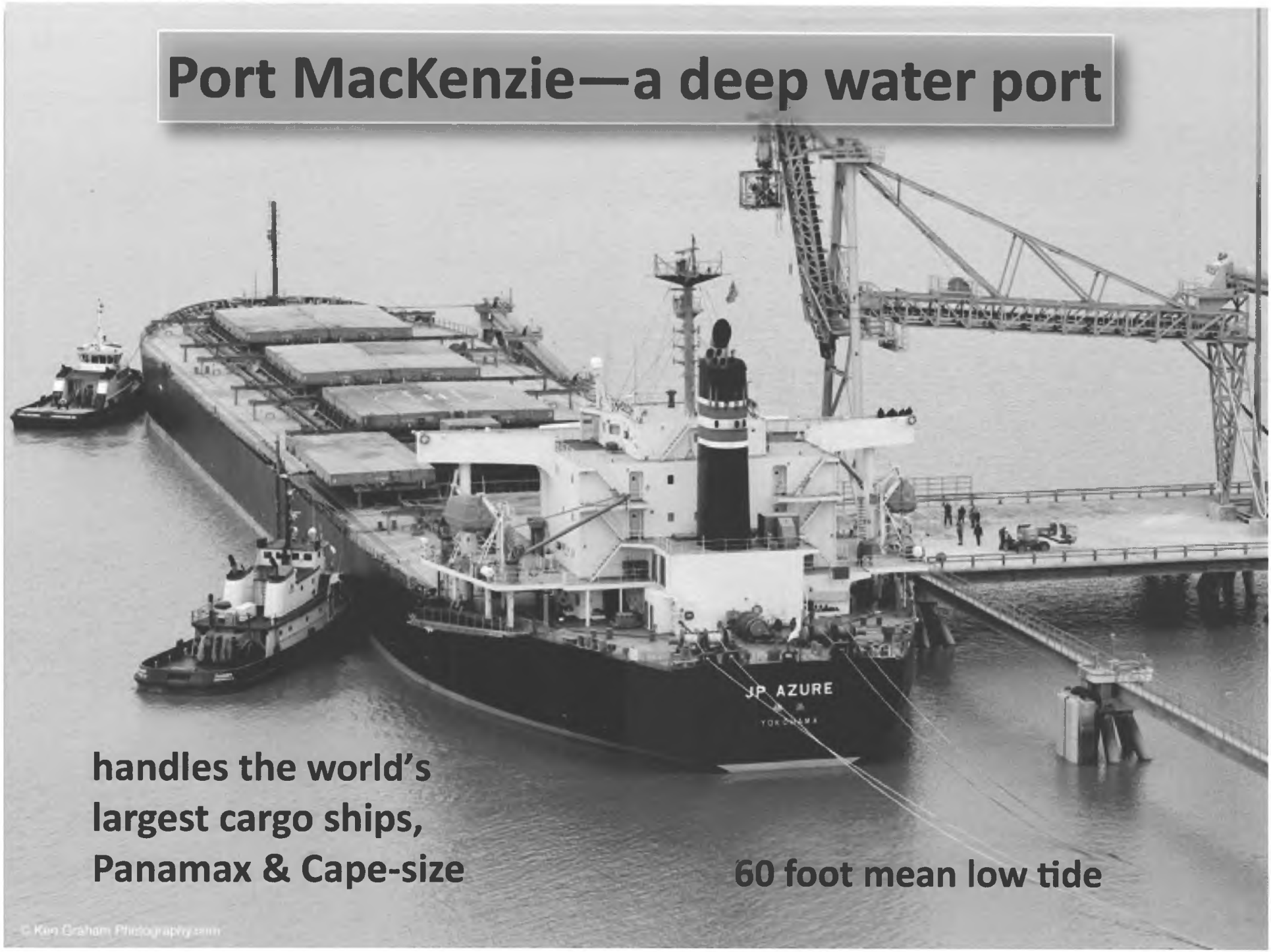
10

Port MacKenzie and the Rail Extension working together

- Port MacKenzie is a bulk commodities port for the export of minerals, cement and coal
- Provides for the import, storage and staging of bulk fuel and pipe and all the product needed for Susitna Dam project.
- Is not a consumer goods or container port like the Port of Anchorage

11

Port MacKenzie—a deep water port



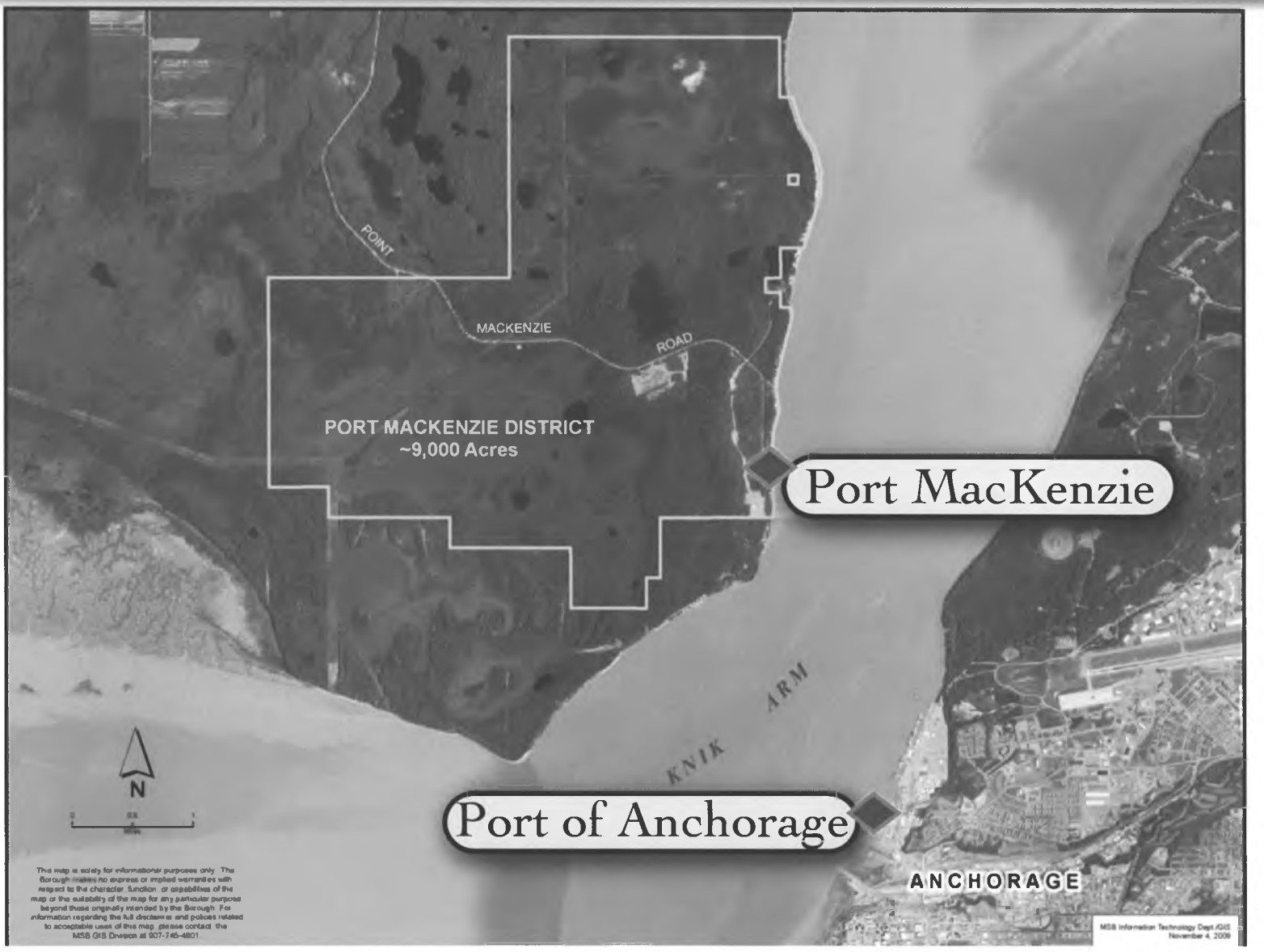
handles the world's largest cargo ships, Panamax & Cape-size

60 foot mean low tide

© Ken Graham Photography.com

Port MacKenzie

a port with 14 square miles of industrial land



13















Advantages of Rail to Port Mac

- Shorter rail distance to tidewater for mineral exports
- Only Alaska port with 100 rail car loop
- Efficient product transfer from train to ship
- Avoids the most congested portion of Alaska RR mainline
- Deep draft port that operates year-round

21

- 14 square miles of industrial area
- Will make **Alaska's minerals more competitive** on the world market (molybdenum, copper, lead, zinc, coal)
- Port MacKenzie Rail Extension is a **great opportunity to grow our export economy**

22

Alaska's export economy

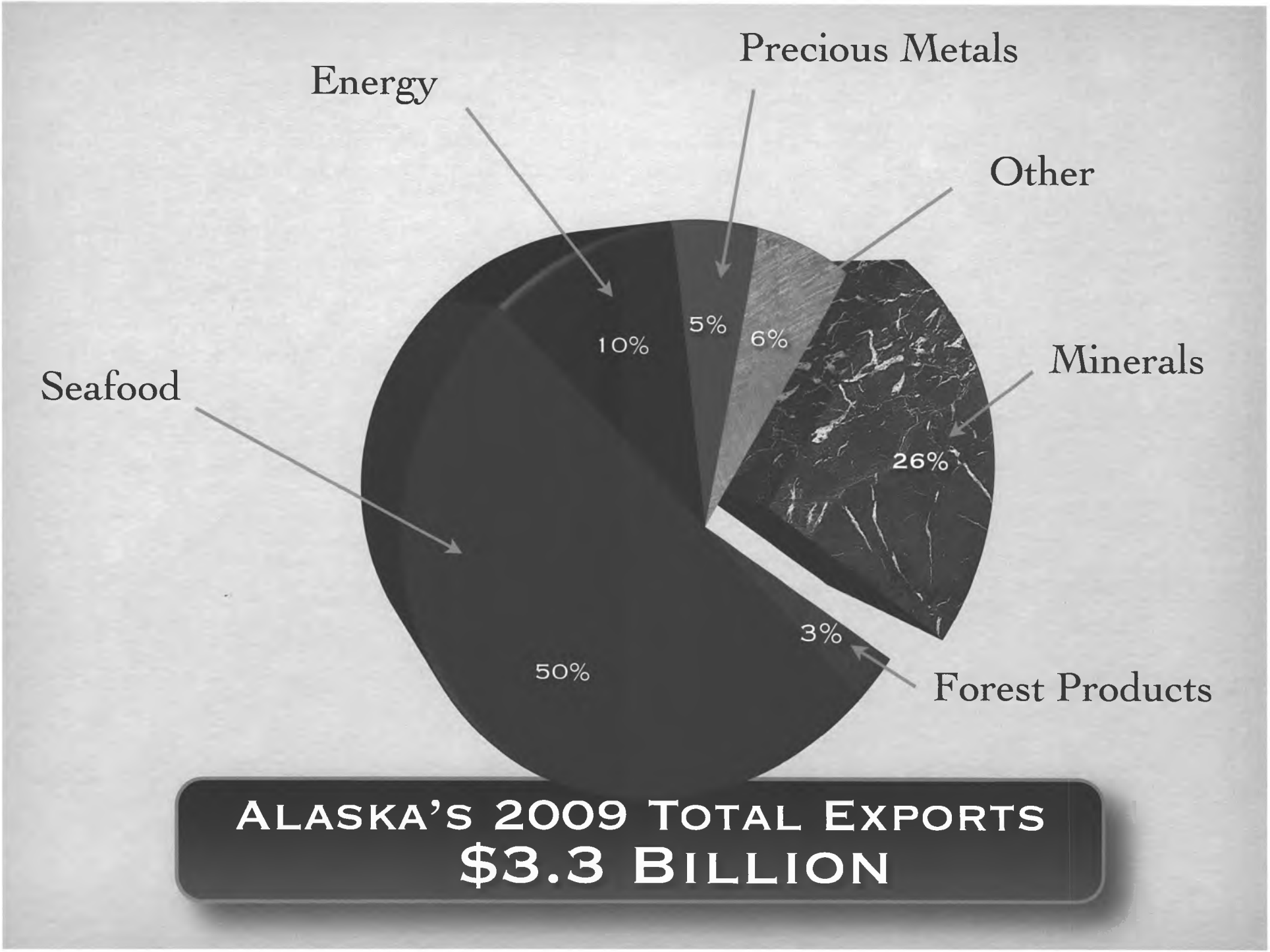


$3.3 Billion

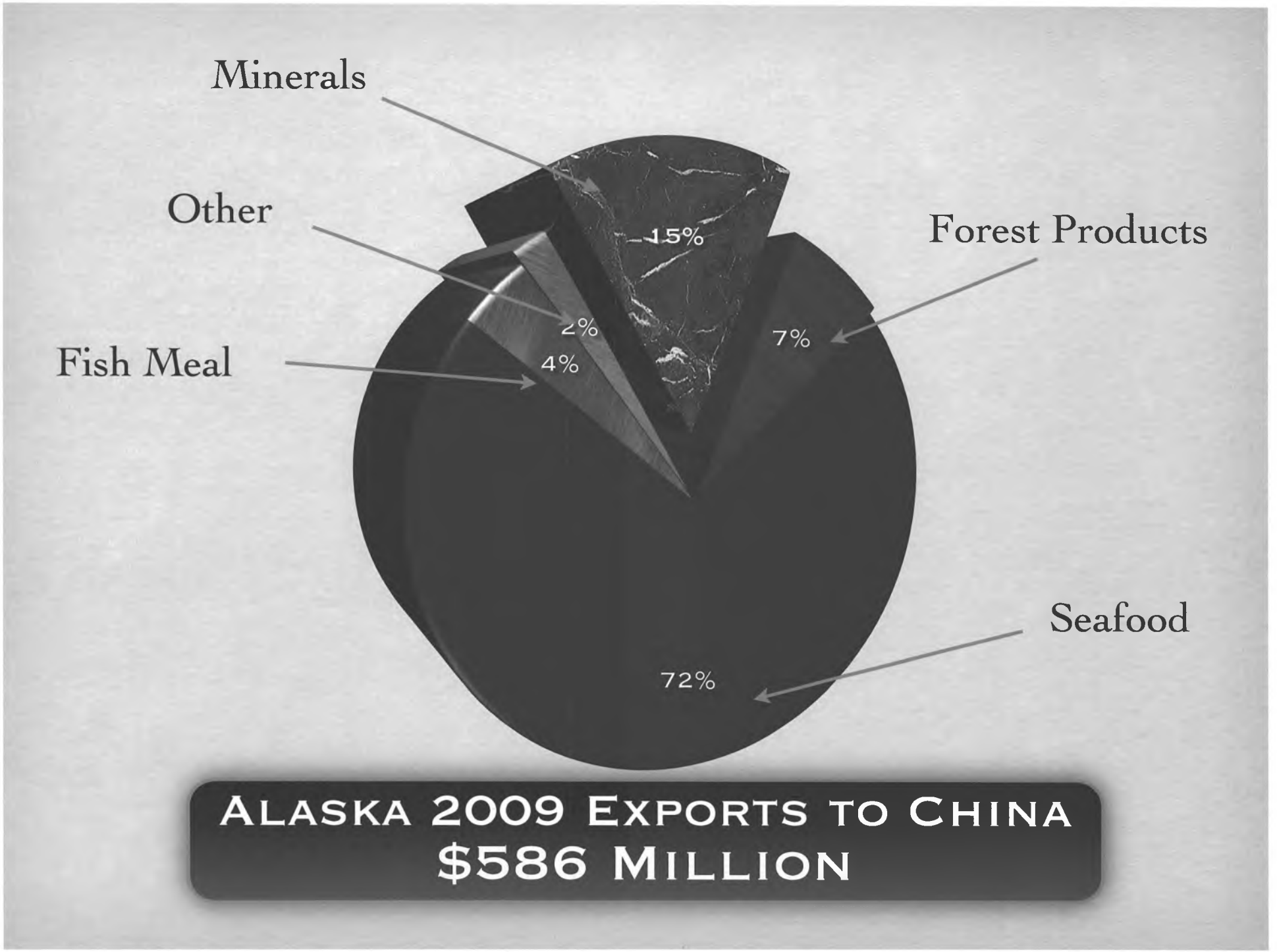
2009

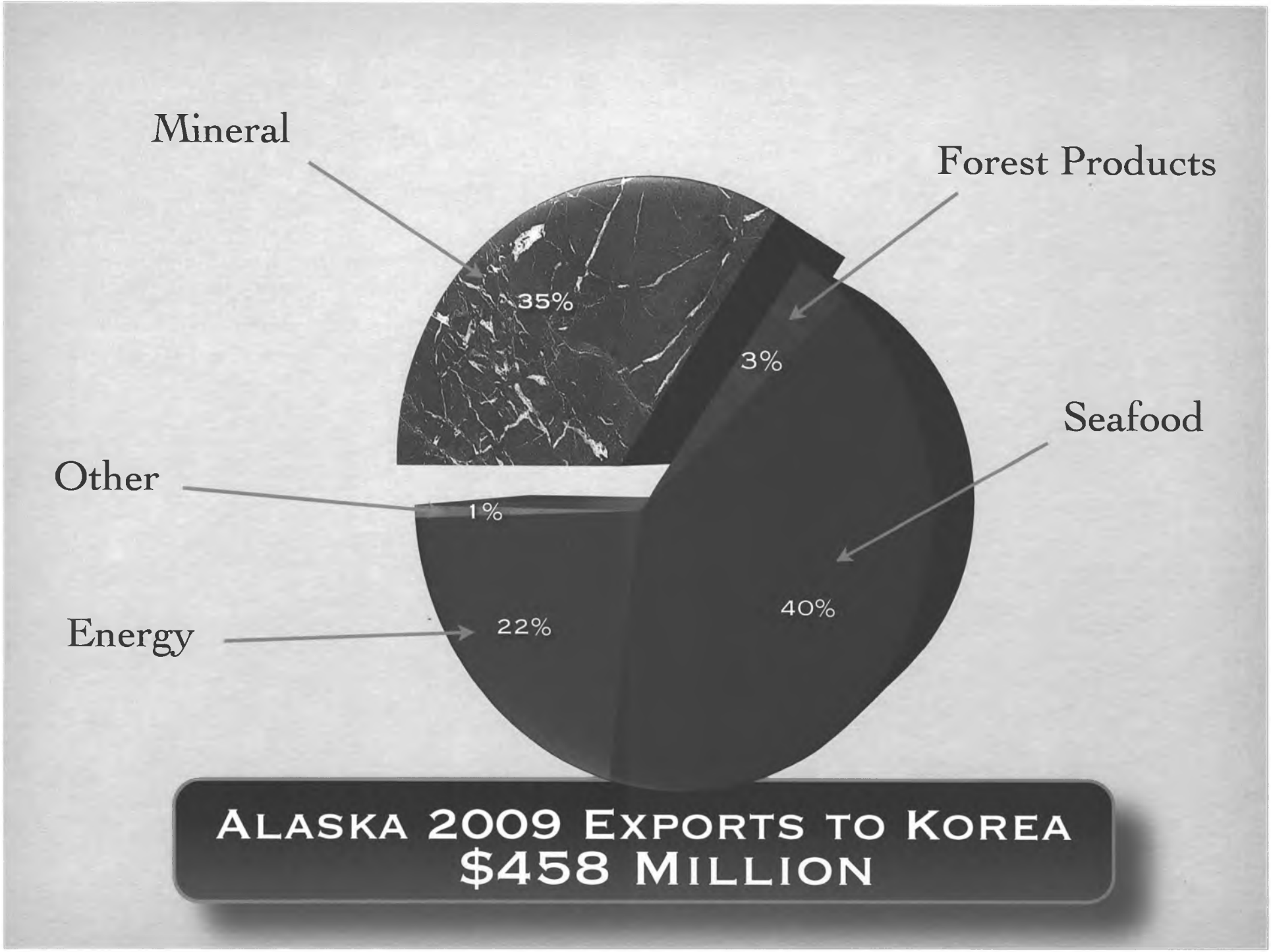
Alaska's Total Exports

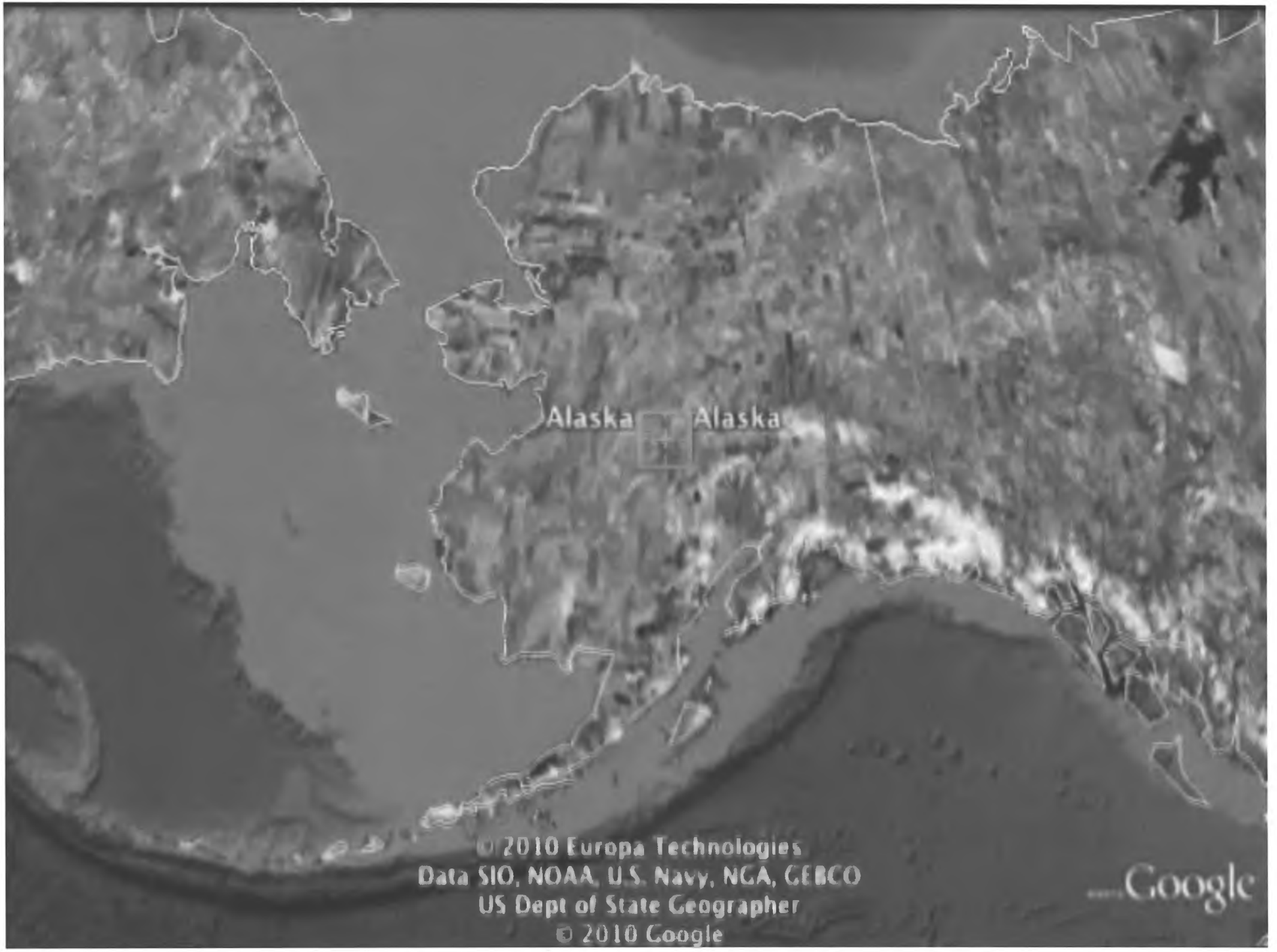


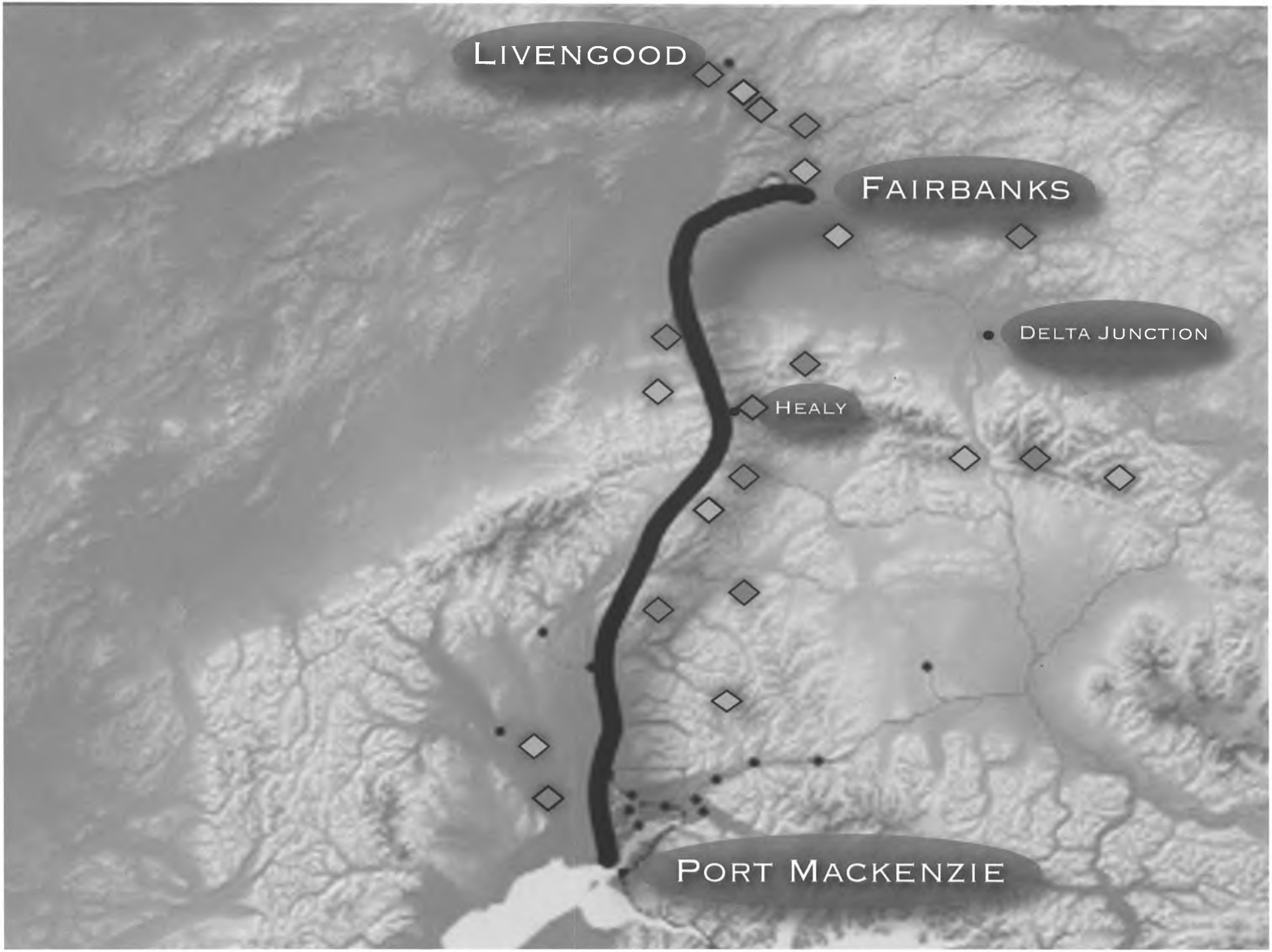

Energy
Precious Metals
Other
Minerals
Seafood
Forest Products
10%
5%
6%
26%
50%
3%
Alaska's 2009 Total Exports
$3.3 Billion


Minerals
Other
Energy
Forest Products
Seafood
14%
2%
2%
27%
55%
Alaska 2009 Exports to Japan
$981 Million


Minerals
Other
Fish Meal
Forest Products
Seafood
15%
2%
4%
7%
72%
ALASKA 2009 EXPORTS TO CHINA
$586 MILLION


Mineral
Forest Products
Seafood
Other
Energy
35%
3%
1%
40%
22%
ALASKA 2009 EXPORTS TO KOREA
$458 MILLION


Alaska
Alaska
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Google


LIVENGOOD
FAIRBANKS
DELTA JUNCTION
HEALY
PORT MACKENZIE


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32

JOBS CREATED

by Rail Extension and Port MacKenzie Expansion*

direct, indirect and induced jobs from construction



3000



*Estimates by HDR and ISER

JOBS CREATED

private development

mining development along rail line

4000

industrial development of Port MacKenzie

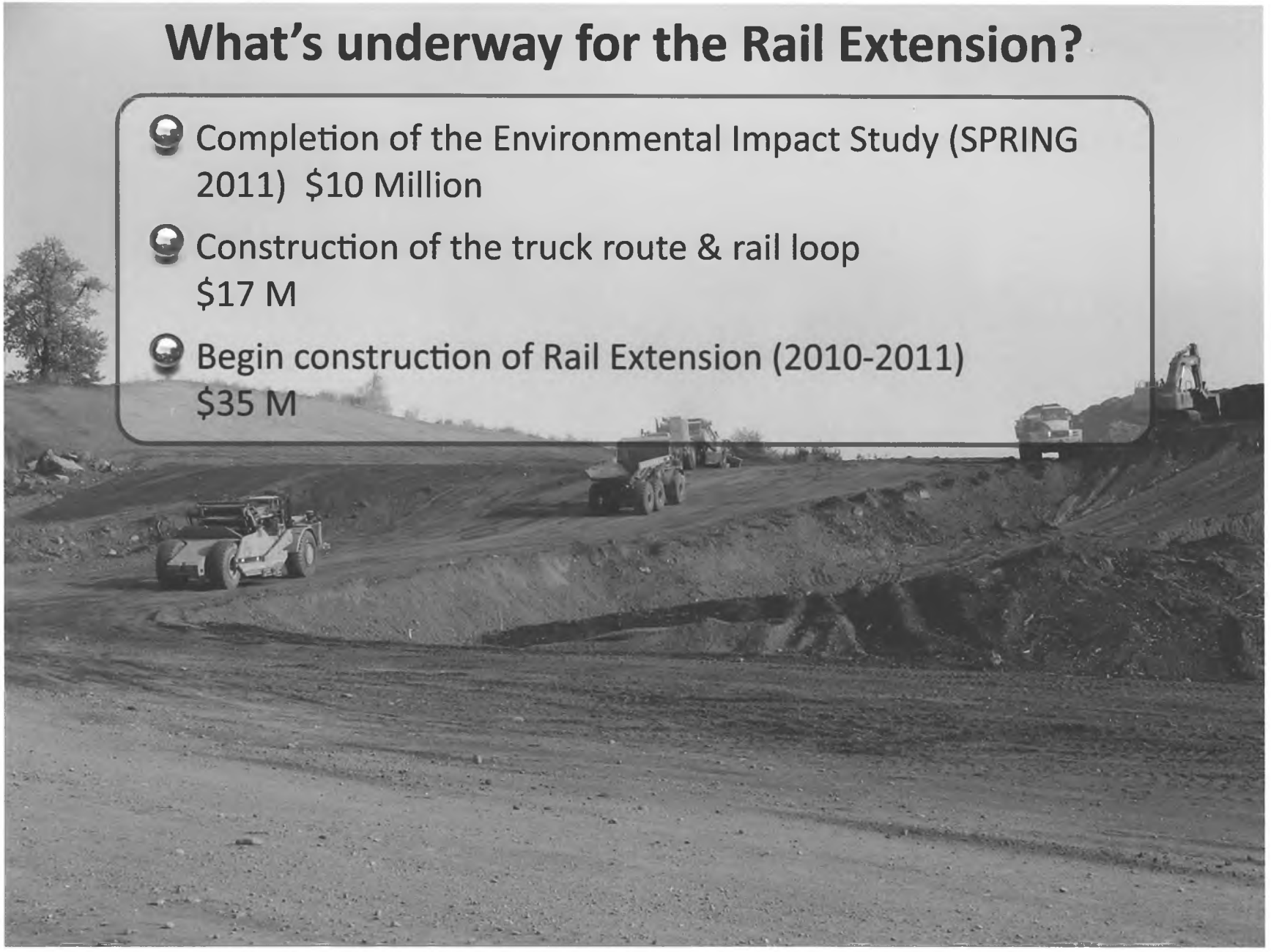
3500



*Estimates by HDR and ISER



What's underway for the Rail Extension?



- Completion of the Environmental Impact Study (SPRING 2011) $10 Million
- Construction of the truck route & rail loop $17 M
- Begin construction of Rail Extension (2010-2011) $35 M

35

What's Next?



- Continued construction of Rail Extension (fall 2011)
  $55M
- Complete railbed to Alaska main line (2013)
  $63 M
- Lay rail and complete Rail Extension (2014)
  $43 M



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3/31/11 Presentations: Alaska's Role in the Global Marketplace and Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward

<TARGET><BILL></BILL><SUBJECT>3-31-11 Presentations Alaska's Role in the Global Marketplace and Coastal Villages CDQ Fleet Homeport Move from Seattle to Seward</SUBJECT><COMM>HEDT27</COMM></TARGET>

Alaska's Role in the Global Marketplace

The Importance of International Trade to Alaska's Economy

Presented by:
Greg Wolf, Executive Director, World Trade Center Alaska
March 31, 2011
Presented to:
House Special Committee on Economic Development, Trade, & Tourism

International Trade is Big Business for Alaska

- Annual Worldwide Exports totaled $3.3 billion in 2009
- This represented: nearly 8%-10% of the Alaska's Gross State Product (GSP)
- New Money into Economy
- Thousands of Direct and Indirect Jobs
- Results in stronger, more diversified economy

Why Trade Matters?

- Substantial component of Alaska's economy. Exports typically account for between 8 - 10% of the GSP. Export total does not include the export of services from Alaska — such as construction, engineering and oil & gas services.
- Exports bring nearly $4 billion of new money into our economy. New money, not recycled money. Also, exports account for nearly $2 billion in induced and indirect economic benefits, according to a recent study by Northern Economics.
- Export jobs are high paying jobs. Export-related jobs typically pay 13-16% 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.

How We Rank?

Table ES-1. Alaska Ranking for Value of US Exports by State, 2009

Rank	State	Annual Export Value ($)
35	Nebraska	4,868,867,546
36	West Virginia	4,822,106,056
37	Oklahoma	4,415,124,146
38	Delaware	4,310,891,618
39	Idaho	3,879,807,527
40	Alaska	3,254,978,781
41	Vermont	3,170,846,510
42	New Hampshire	3,061,594,401
43	Maine	2,276,290,790
44	North Dakota	2,177,803,333

Table ES-2. Top Ten US States by Value of Exports on a Per Capita Basis, 2009

Rank	Description	Per Capita Export Value ($)
1	Washington	7,763.79
2	Louisiana	7,282.78
3	Texas	6,579.14
4	Vermont	5,099.79
5	Delaware	4,870.39
6	Alaska	4,660.14
7	Kentucky	4,081.71
8	Connecticut	3,985.45
9	Oregon	3,899.12
10	Utah	3,712.18

Table ES-3. Alaska Ranking for Export Value as a Percentage of GSP, 2008[1]

Rank	State	Exports as a Percentage of GSP
22	Arizona	7.9
23	Delaware	7.9
24	California	7.8
25	Massachusetts	7.8
26	New Jersey	7.5
27	Alaska	7.4
28	Florida	7.3
29	Minnesota	7.3
30	Connecticut	7.1
31	New York	7.0

Table ES-4. Percent Change in the Value of Exports, 2008-2009

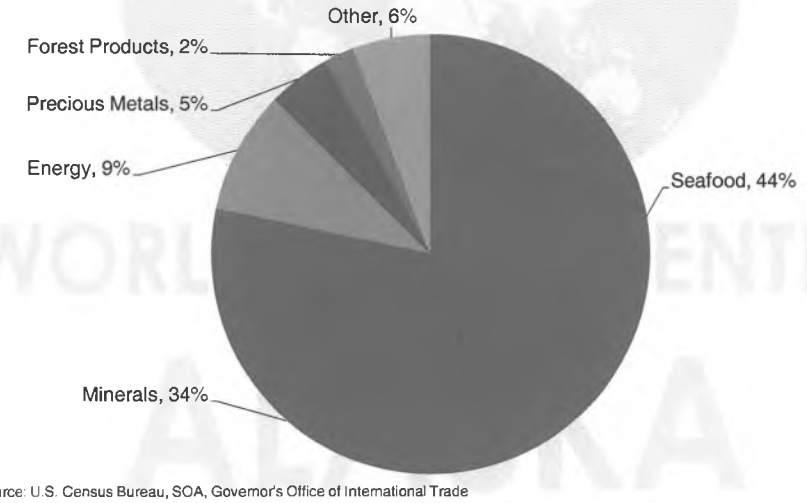
Rank	State	Percent Change
1	Utah	0.42
2	Nevada	-7.29
3	Kentucky	-7.76
4	Connecticut	-8.43
5	Alaska	-8.8
6	Arkansas	-8.86
7	Nebraska	-9.98
8	Vermont	-11.83
9	Delaware	-11.92
10	Tennessee	-11.95

Note: These rankings are based on the 50 states only, and do not include Washington, D.C., Puerto Rico, or the U.S. Virgin Islands.

Highlights from *The Economic Impact of International Trade Exports on the Alaskan Economy* prepared by Northern Economics (July 2010)

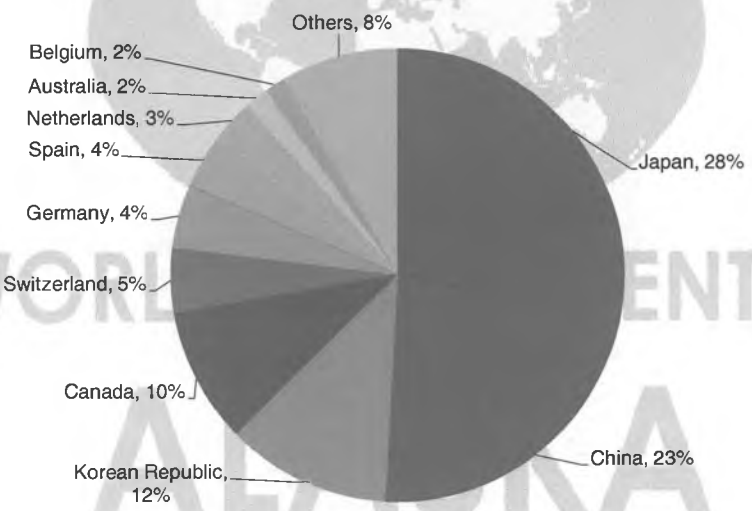
- In 2009, Alaska's exports to overseas markets totaled $3.3 billion.
- In 2009, Alaska ranked sixth in the nation by value of exports on a per capita basis.
- Exports represented 7.4 percent of the state's economy in 2008.
- Although exports suffered nationwide in the recent recession, Alaska's exports value dropped by only 8.8 percent from 2008-2009, beating the national average by 10 percent.
- Exports supported nearly 15,000 direct and 9,800 indirect and induced jobs in Alaska in 2008.
- Alaska's exports sector generated more than $5.5 billion in total economic output.
- Each year more than half of Alaskan seafood production is sent overseas.
- Of Alaska's average coal production of 1.5 million tons per year, approximately 40 percent was shipped to overseas customers.

Alaska's Top Export Commodities (January – October 2010)



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

Alaska's Top Ten Export Markets (January – October 2010)



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

Alaska Worldwide Exports

USD Billions



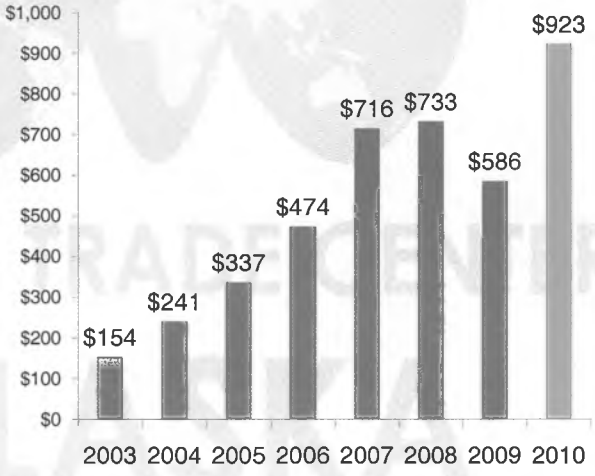
Source: U.S. Census Bureau, SOA, Governor's Office of International Trade

Alaska's Exports to China

(2003 – 2010 Full Year Comparison)
USD Millions







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

Overarching Trends That Benefit Alaskan Exports

- Growth in emerging market consumer class
  More people, with higher expectations, and more money to spend (they want what we have) and increasingly have the ability to obtain these things. According to Standard Chartered, close to 5 billion people will live in cities by 2030, compared to 3.4 billion now. An equally significant increase in the size of the global "middle class" will see the number of these consumers growing from 1.8 billion people today to about 5 billion in 2030.

- Resource Scarcity
  Growth in populations and wealth are outpacing development of energy, food, and other vital staples of modern living. Alaska is fortunate to be an exporter of natural resources that the world needs for economic development.

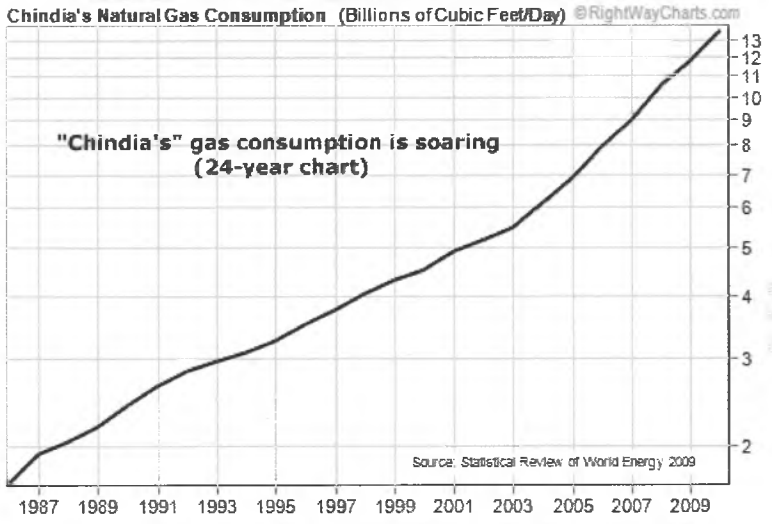
- Decline of U.S. Dollar
  Continuing dollar weakness translates into higher commodity prices and the ability of our partners to buy more from us (as their currencies strengthen). Alaska's export industries benefit when our customers have strong economies and strong currencies.

Why Emerging Markets?

Cause	Effect	Possible Ramifications	
Rapid Economic Growth	Higher Family Incomes	More Consumer Spending	Emerging Market Opportunity
High Savings Rates in Asia	Low Household Debt	Ready Supply of Domestic Capital	Emerging Market Opportunity
Urbanization	Infrastructure Buildout	Demand for Commodities	Emerging Market Opportunity
Desire for Social Stability	Policies for Peace & Prosperity	Focus on Creating Jobs	Emerging Market Opportunity
Natural Resources Wealth	Exploration, Development & Production	Revenue Stream for Governments	Emerging Market Opportunity
Corporate Transparency	Easier to Attract Overseas Investments	Market Liquidity	Emerging Market Opportunity

Source: U.S. Global Investors

"Chindia" Natural Gas Consumption



China's Top Energy Deals of 2010

Acquirer	Target Company	Target Country	Total Cost
Sinopec	Repsol Brasil	Brazil	$7,100,000,000
Sinopec	ConocoPhillips	Canada	$4,650,000,000
CNOOC Ltd	Pan American Energy	Argentina	$3,500,000,000
CNOOC Ltd	Bridas Corporation	Argentina	$3,100,000,000
Sinochem Corporation	Statoil ASA	Brazil	$3,070,000,000
Sinopec	Occidental	Argentina	$2,500,000,000
Sinopec	Sonangol Sinopec Int Ltd	Angola	$2,457,000,000
CNOOC Ltd	Chesapeake	United States	$2,160,000,000
PetroChina	Athabasca Oil Sands Corp	Canada	$1,836,340,000
PetroChina	Arrow Energy	Australia	$1,610,656,000
China Investment Corp	Penn West Energy Trust	Canada	$789,626,000

Source: Agora Publishing

China Invests in "Lower 48" Shale Gas

January 30, 2011

Chinese National Offshore Oil Corporation (CNOOC) invests $570 million to purchase 33% of Chesapeake Energy Corporation's shale gas leases in Colorado and Wyoming. Also commits $697 million for drilling and completion costs.

October 10, 2010

Chinese National Offshore Oil Corporation (CNOOC) invests $1.08 billion to purchase 33% of Chesapeake Energy Corporation's shale gas leases in Texas. Also commits $1.08 billion for drilling and completion costs.

Boots on the Ground



2011 Trade Outlook

- Results will depend heavily on commodity prices - minerals and metals, and value of seafood catch
- Watch inflation rates in markets for Alaskan exports, such as China. Governments will likely increase interest rates to slow overheated economies and battle inflation. Any significant slowdown in key markets would impact Alaskan exports.
- Watch the dollar - a weaker dollar makes U.S. exports relatively cheaper
- Exports should remain consistent with 2010
- 2011 Forecast: $4.2 to $4.3 billion – at record or near-record level

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The Economic Impacts of International Trade Exports on the Alaskan Economy

WORLD TRADE CENTER
ALASKA

- Alaska ranks sixth in the nation by value of exports on a per capita basis.
- Exports represented 7.4 percent of the state's economy in 2008.
- Although exports suffered nationwide in the recent recession, Alaska's exports value dropped by only 8.8 percent from 2008-2009, beating the national average by 10 percent.
- Exports supported nearly 15,000 direct and 9,800 indirect and induced jobs in Alaska in 2008.
- Alaska's exports sector generated more than $5.5 billion in total economic output.
- Each year more than half of Alaskan seafood production is sent overseas.
- Usibelli Coal Mine, Inc. produces an average of 1.5 million tons of coal per year, and in 2009, 40 percent of production was exported.[1]

Alaska's 2009 Top Five Export Markets

(Millions of US Dollars)

1) Japan ($981)
2) China ($586)
3) South Korea ($458)
4) Canada ($318)
5) Switzerland ($150)

Alaska's 2009 Top Export Commodities

(Millions of US Dollars)

1) Seafood[1] ($2,013)
2) Precious Metals and Minerals ($994)
3) Energy ($328)
4) Forest Products ($88)

[1] This figure includes Alaska seafood exported via Seattle

Northern Economics

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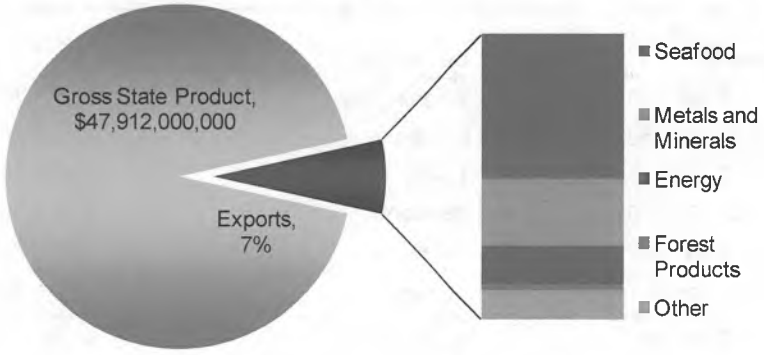
119 N Commercial Street, Suite 190
Bellingham, WA 98225
Phone: (360) 715-1808
Fax: (360) 715-3588

[1] McDowell Group, Inc. The Economic Benefits of Alaska's Mining Industry. Prepared for the Alaska Miners Association, Inc., January 2010.

Executive Summary

World Trade Center Alaska (WTCAK) commissioned Northern Economics, Inc. to study the economic impacts of international trade exports upon the Alaskan Economy. As a percentage of Gross State Product (GSP), Alaska sat near the middle of all states with export values amounting to 7.4 percent of total GSP in 2008. As shown in Figure ES-1, the seafood, metals and minerals, energy and forest products industries were the most significant export sectors.

Figure ES-1. Alaskan Goods Exports as a Percentage of GSP, 2008



Source: Northern Economics, Inc. using data from the BEA and US Census Bureau Origin of Movement data supplied by the Alaska Governor's Office of International Trade, 2010

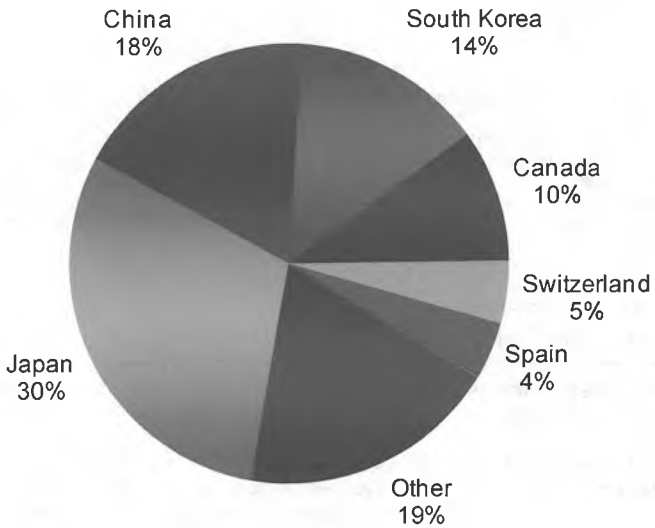
For the purpose of this study "exports" refers only to goods and services sold internationally; it does not include the Alaskan goods and services sold out-of state to domestic buyers. Gross State Product (GSP) refers to Gross Domestic Product (GDP) data that are grouped by state.

48 percent of Alaskan GSP was attributable to mining (which includes oil and gas), and government in 2008. Federal, state, and local governments employ a large percentage of Alaskans, and the state economy is heavily dependent upon the public sector. Transportation and warehousing and real estate rental and leasing comprised an additional 17 percent. All other sectors combined amounted to less than 35 percent of 2008 GSP.

Figure ES-2 summarizes the value of Alaskan goods exports by destination. In 2009, Japan, China, and South Korea were the top three recipients of Alaskan goods; combined, they imported 62 percent of Alaska's exports. Canada received 10 percent of Alaskan exports, and Switzerland received 5 percent.

In 2009, Alaska ranked 40th among all states for goods export value. Alaska's low standing on an export value basis understates the importance of the export sector to the state economy. If the value of goods exports is adjusted to account for the state's relatively small population, Alaska's standings improve dramatically. As shown in Table ES-2, on a per capita basis,

Figure ES-2. Value of Alaskan Exports by Destination Country, 2009



Source: Northern Economics, Inc., using US Census Bureau Foreign Trade Division data, 2010

Alaska ranked sixth in the nation for value of exports in 2009; it exported an equivalent of $4,660 in goods for each person in the state.

With the exception of Utah, which saw a slight increase in its exports, all U.S. states saw a drop in the value of their exports between 2008 and 2009. During this time, the average national drop in the value of exports was 18.7 percent. As shown in Table ES-4, the value of Alaskan exports dropped only 8.8 percent. This beat the national average by 10 percent and put Alaska in the top ten states to withstand the decline in exports, highlighting the resiliency of the state's export sector.

Table ES-1. Alaska Ranking for Value of US Exports by State, 2009

Rank	State	Annual Export Value ($)
35	Nebraska	4,868,867,546
36	West Virginia	4,822,106,056
37	Oklahoma	4,415,124,146
38	Delaware	4,310,891,618
39	Idaho	3,879,807,527
40	Alaska	3,254,978,781
41	Vermont	3,170,846,510
42	New Hampshire	3,061,594,401
43	Maine	2,276,290,790
44	North Dakota	2,177,803,333

Table ES-2. Top Ten US States by Value of Exports on a Per Capita Basis, 2009

Rank	Description	Per Capita Export Value ($)
1	Washington	7,763.79
2	Louisiana	7,282.78
3	Texas	6,579.14
4	Vermont	5,099.79
5	Delaware	4,870.39
6	Alaska	4,660.14
7	Kentucky	4,081.71
8	Connecticut	3,985.45
9	Oregon	3,899.12
10	Utah	3,712.18

Table ES-3. Alaska Ranking for Export Value as a Percentage of GSP, 2008[1]

Rank	State	Exports as a Percentage of GSP
22	Arizona	7.9
23	Delaware	7.9
24	California	7.8
25	Massachusetts	7.8
26	New Jersey	7.5
27	Alaska	7.4
28	Florida	7.3
29	Minnesota	7.3
30	Connecticut	7.1
31	New York	7.0

Table ES-4. Percent Change in the Value of Exports, 2008-2009

Rank	State	Percent Change
1	Utah	0.42
2	Nevada	-7.29
3	Kentucky	-7.76
4	Connecticut	-8.43
5	Alaska	-8.8
6	Arkansas	-8.86
7	Nebraska	-9.98
8	Vermont	-11.83
9	Delaware	-11.92
10	Tennessee	-11.95

Note: These rankings are based on the 50 states only, and do not include Washington, D.C., Puerto Rico, or the U.S. Virgin Islands.

Source: Northern Economics, Inc. using US Census Bureau GSP data, US Census Bureau Population Estimates, and World Trade Center of New Orleans data from the US Census Bureau, Foreign Trade Division, Origin of Movement series, prepared by World Institute for Strategic Economic Research (WISER), 2010.

[1] These rankings were compiled using 2008 gross production data released from the Bureau of Economic Analysis (BEA). GSP data for 2009 are not expected to be released until November of 2010.

Seafood



The annual harvest and processing of Alaskan seafood contributes significantly to the state economy. Thousands of people are employed annually on fishing boats, on processing vessels, at docks, and in processing plants, harvesting groundfish (pollock, Pacific cod, sablefish, rockfish, etc.), crab, salmon, and other marine species.

In 2009, $1.37 billion worth of Alaska seafood (68 percent of total seafood exports) left Alaska[2] directly and $640 million (32 percent of total seafood exports) were exported via Seattle. Of the direct exports, 73 percent of products were shipped to Asia, while 12 percent went to Europe, and 5 percent were sent to Canada. Each year more than half of Alaskan seafood production is sent overseas.

Energy



Alaska's energy resources are vast and consist of both renewable and fossil-based sources. The majority of today's energy exports take the form of liquefied natural gas (LNG); LNG exports were 78 percent of the total value of energy exports in 2009.

Usibelli Coal Mine, Inc. (UCM) is located south of Fairbanks near Healy, in the Alaska Range. UCM produces an average of 1.5 million tons of coal per year, and in 2009, 40 percent of production was exported, (McDowell Group, 2010).

Precious Metals and Minerals



Each year the extraction of gold, silver, lead, zinc, and other industrial minerals yields millions of dollars worth of construction and manufacturing materials. The mining of these materials creates jobs both within the industry and in support sectors; the transportation and storage of materials and workers generates spending and jobs that extend throughout the logistical network.

Ores and minerals are raw materials that usually need to be smelted or refined before they can be used. Many Alaskan mines export their products to refineries in countries such as South Korea, Canada, Japan, Spain, and China.

Forest Products



Alaskan wood products are mostly round logs and primary wood products and include cants, flitches, shop lumber, wood chips, and music wood. These forest products have been marketed to Pacific Rim markets for more than 40 years; the largest consumers of Alaska wood products exports are China, Japan, and South Korea.

[2] The Foreign Trade Division of the U.S. Census Bureau considers all Alaskan export ports to be part of the Anchorage District. The Anchorage District is representative of state-wide exports. http://www.census.gov/foreign-trade/schedules/d/distcode.html

Table ES-5. Summary of Selected Employment Effects, 2008

Export Sector	Direct Jobs Related to Exports	Indirect and Induced Jobs	Total Jobs
Seafood	13,715	7,797	21,511
Precious Metals and Minerals	937	1,285	2,222
Energy	136	497	633
Forestry	153	236	389
Total	**14,940**	**9,814**	**24,755**

Source: Northern Economics, Inc. 2010

Employment and spending within Alaska's export sectors create a wave of economic activity that continues beyond the dock, mine, well or forest where the initial effect was generated.[3] As shown in Table ES-5, Alaskan export industries provide direct jobs to a significant number of Alaskans as well as indirect and induced jobs to a host of workers in supporting and related sectors through associated spending. The revenue generated through the sale of seafood, energy, precious metals and minerals, and forestry exports contributed almost 24,755 jobs and $5.6 billion to the Alaskan economy in 2008 (see Table ES-6).

The federal government does not yet provide data by state for services that are provided by U.S. firms to customers in other countries. It is known that a number of Alaska companies provide services to clients in other countries, but the identities of the Alaska firms and the value of the services that are exported are not reported. A preliminary estimate of Alaska service sector exports could range from $580 million to potentially as high as $1.7 billion. Thus, service sector exports could represent about 14 to 43 percent of the value of goods exported from the state, and about 1.2 to 3.6 percent of Alaska's GSP in 2007.

Table ES-6. Summary of Selected Economic Output Effects, 2008

Export Sector	Value of Exports ($ millions)	Indirect and Induced Economic Output ($ millions)	Total Economic Output ($ millions)
Seafood[4]	2,213	1,346	3,559
Precious Metals and Minerals	835	414	1,249
Energy	473	140	613
Forestry	83	57	140
Total	**3,604**	**1,957**	**5,560**

Source: Northern Economics, Inc. 2010.

Note: Alaskan seafood exports as measured in this analysis include estimates of Alaskan products warehoused in Seattle before being exported internationally. Therefore, this figure does not agree with the state's 2008 figure of $1.8 billion.

WORLD TRADE CENTER ALASKA

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.

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This publication was funded in part through a grant from the State of Alaska, Department of Commerce, Community, and Economic Development.

[3] Data on export values, sector employment, and industry production were used to determine the direct employment and economic output attributable to Alaska's export sector. Indirect and induced effects are measured in terms of employment, labor income, and economic output. These effects were determined through I-O analysis using IMPLAN data for the relevant industries.

[4] The Foreign Trade Division of the U.S. Census Bureau considers all Alaskan export ports to be part of the Anchorage District. The Anchorage District is representative of state-wide exports. http://www.census.gov/foreign-trade/schedules/d/distcode.html

Passport to Profit

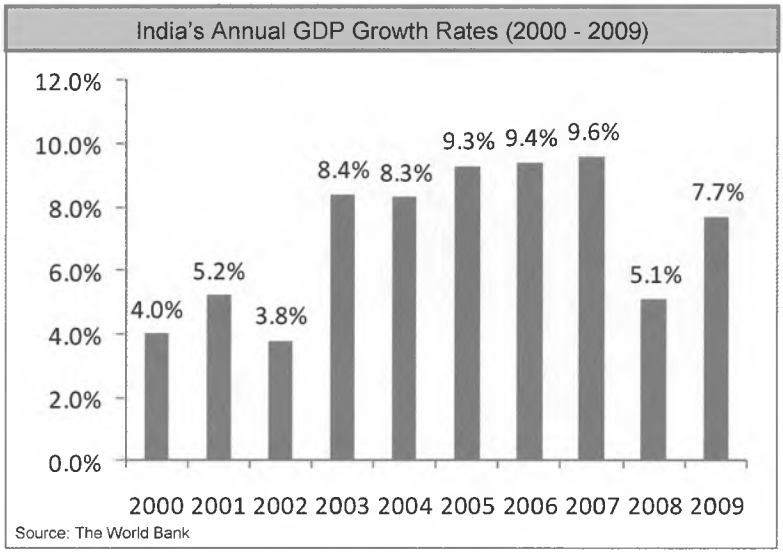
WORLD TRADE CENTER ALASKA

Special Report No. 11 www.wtcak.org February 2011

Another 'BRIC' In The Wall

Is India on your radar screen yet?

By Greg Wolf



China's epic rise to economic prominence during the past three decades is certainly no secret and is very much an ongoing phenomenon. The Middle Kingdom's economic expansion has been a great source of benefit to Alaska's export industries as the country's near insatiable demand for natural resources of all kinds has created upwards pressure on prices that Alaskan producers receive for their commodities. The value of Alaskan exports to China has increased dramatically, growing from $103 million in 2000 to $923 million in 2010.

Somewhat overlooked in the media and analytical coverage has been the steady and impressive growth of India's economy. Along with Brazil, Russia and China, India is one of the so-called 'BRIC' economies, a term created in 2001 by Jim O'Neill, a well-known investment analyst at Goldman Sachs, the venerable investment banking firm. The acronym is now widely used to describe these four developing economies, their high growth trajectories, and the impact they will have on the global economy in the coming decades.

India's economy has been growing consistently in recent years, and while it has grown at a somewhat slower rate than China, for the past five years it has risen by more than 8% annually. Like China, the country is home to more than a billion people, has a large and growing middle class, and has a huge appetite for energy and other natural resources. Last fall, Indian Premier Manmohan Singh told the country's energy companies to scour the globe for fuel supplies, warning that the country's demand for fossil fuels (oil, natural gas, and coal) is set to rise 40% over the next ten years. He said that his government is "encouraging national oil companies to pursue equity in oil and gas opportunities overseas." The country has massive infrastructure development needs and is devoting hundreds of billions of dollars to this effort. According to a recent report by McKinsey & Company, the country will build out 80% of its infrastructure within the next 20 years!



Pictured above: Several members of the Alaska delegation following a meeting with the Indian Government's Ministry of Mining in New Delhi. At center is Mr. Sundeep Kumar Nayak, the Ministry's Joint Secretary.

As part of World Trade Center Alaska's "*New Markets-New Customers*" trade development program, we have made India one of the focus areas of our work. Four years ago, we conducted the **Alaska-India and Singapore Business Conference** in Anchorage and, just two months ago, led the first **Alaska Trade Mission to Southeast Asia** that included a business stop in New Delhi. While in New Delhi, the Alaska delegation met with U.S. government trade officials and with senior officials of three Indian Government agencies: Ministry of Mining, Ministry of Commerce, and the Ministry of Petroleum and Natural Gas. We are now preparing a special report that examines the India opportunity for Alaska in greater detail.

To find out more about potential opportunities in the Indian market, and how your company can participate, contact WTCAK.

Passport to Profit

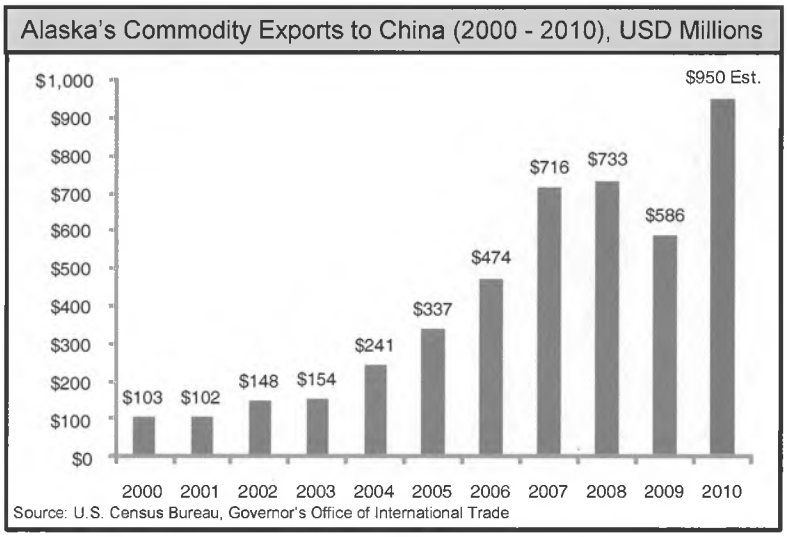
WORLD TRADE CENTER ALASKA

Special Report No. 10 www.wtcak.org February 2011

China's Growth Benefits Alaska

Alaska's '*China Era*' Continues To Prosper

By Greg Wolf

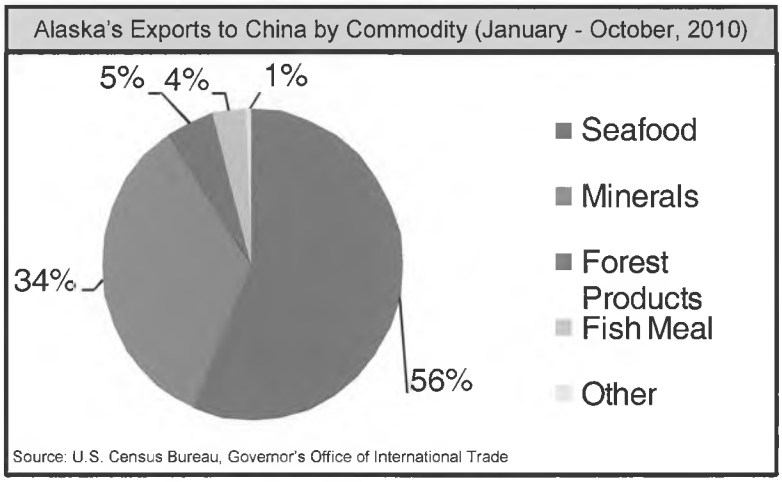


For the past three decades, the Chinese economy has been growing at a sizzling rate, averaging 10% per year. For 2011, the latest International Monetary Fund forecast calls for China's economy to grow at 9.6%. Not bad when you consider the same forecast sees the U.S. economy growing at just 2.6%.

The rapid expansion of the Middle Kingdom's economy, now the second largest in the world, has certainly benefited Alaska's export industries. China currently ranks as the state's second largest trading partner. Alaskan exports to China have risen from $103 million in 2000 to as high as $733 million in 2008. Reflecting the impact of the Great Recession (2008-2009), exports to China fell to $586 million in 2009. However, in 2010, the value of export shipments to China has rebounded strongly: for the period of January through October, exports totaled $859 million, a whopping 54% over the same period in the previous year. **When the final numbers are in for the full year, 2010 will easily be a record-setting year for Alaskan exports to China.** We are projecting approximately $950 million.

Seafood is the largest export category, representing 56% of the state's total exports to China. Some of the seafood shipped to China is for local consumption, and another portion is processed and then re-exported to other countries. Minerals, primarily zinc and lead concentrates, is the second largest category at 34%, followed by forest products and fishmeal.

As we have suggested on a number of occasions, we see commercial ties between Alaska and China evolving and expanding. Clearly, China is already a significant and important buyer of Alaska's exports. This we expect to continue for the foreseeable future. But also, in the years ahead, we anticipate that Chinese companies will become investors in major natural resource development projects in Alaska. There is considerable interest by Chinese companies in Alaska's vast energy and mineral reserves. As they have done in many other jurisdictions where these resources are abundant, we expect Chinese companies to establish joint ventures or other equity involvement in such development projects.



Chinese cargo airlines have become an important customer at the Ted Stevens Anchorage International Airport. There are currently five mainland cargo airlines operating through Anchorage, as well as one Hong Kong-based carrier.

World Trade Center Alaska (WTCAK) has made China a major area of focus for our work. Since 2005, for example, we have conducted six Alaska-China Business Conferences in Anchorage. During the same time period, we have led two trade missions of private and public sector officials to China. In addition, we have published a number of reports to keep Alaskans informed about trade opportunities with China and have hosted receptions for visiting Chinese dignitaries enabling them to meet informally with Alaskan business and government leaders.

To find out more about Alaska's growing trade ties with China, and how your company can participate, contact WTCAK.

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CITY OF SEWARD, ALASKA
RESOLUTION 2011-020

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, SUPPORTING THE RELOCATION OF THE COASTAL VILLAGES REGION FUND FISHING FLEET FROM SEATTLE TO A NEW HOME-PORT AT SEWARD, ALASKA

WHEREAS, the State of Alaska worked tirelessly within the framework of the Magnuson-Stevens Fishery Conservation and Management Act to transition from a federal fishery dominated by foreign fishing vessels to a fishery fully utilized by Americans; and

WHEREAS, the State of Alaska worked in partnership with the Alaska Congressional Delegation in the 1990s to promote the Community Development Quota (CDQ) initiative in the Bering Sea that provided residents of the villages ringing the Bering Sea fisheries a stake in the fishing industry; and

WHEREAS, many past leaders of Alaska have had a long-standing goal of Alaskanizing ownership of the fishing fleets serving the CDQ Groups and home porting those fleets in Alaska; and

WHEREAS, the Coastal Villages Region Fund, one of six CDQ Groups and the largest Alaskan owned and Alaska based Seafood Company in Alaska's 100 year history of commercial fisheries, has 100% sole ownership of its fishing fleet, or ownership in partnership with another CDG Group; and

WHEREAS, Coastal Villages Region Fund is projected to have $75 million in seafood sales in 2011; and

WHEREAS, the Coastal Villages Region Fund has become so big and successful that it costs $2 million to fill up the fuel tanks of their fishing fleet one time; they spend approximately $20 million annually in Seattle for moorage, vendor support, and maintenance; and they spend approximately $2 million per year to fly crews to and from Alaska and Seattle; and

WHEREAS, this is money that could be spent in Alaska, not in Seattle; and

WHEREAS, the legislation establishing the CDQ Groups requires their earnings to be reinvested in the Bering Sea area, thus necessitating other ownership of their supporting infrastructure outside the Bering Sea area; and

WHEREAS, there are no locations within the Bering Sea area that meet the home porting requirements of the large fishing and processing vessels owned by Coastal Villages Region Fund; and

CITY OF SEWARD, ALASKA
RESOLUTION 2011-020

WHEREAS, the Coastal Villages Region Fund desires to relocate its home port from Seattle to a port in Alaska that has the following characteristics: (1) year-round ice-free deep water port; (2) road, rail, and air access; (3) available space on the water and upland for development; (4) major ship repair capabilities; and (5) maritime training and licensing; and

WHEREAS, after a statewide review the Coastal Villages Region Fund has determined that the City of Seward is the only community in Alaska that meets all their requirements; and

WHEREAS, the President and Board of Directors of the Coastal Villages Region Fund have proposed that Seward become the homeport for its growing fishing and processing fleet; and

WHEREAS, Coastal Villages Region Fund requires half a mile of dock space to park their fishing vessels; 20,000 square feet of warehouse; 5,000 square feet of office space; and 5 to 10 acres of fenced yard for equipment and staging; and

WHEREAS, the movement of the Coastal Villages Region Fund to Alaska will encourage and facilitate the movement of the remaining 5 CDQ Groups to Alaska; and

WHEREAS, the home porting of the largest CDQ Group in Seward will begin the transition of hiring Alaskans vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair diesel engines, supply packaging, provide fuel and groceries, and provide marine safety training; and

WHEREAS, with the relocation of the home port to Seward the dollars earned by Coastal Villages Region Fund in the Bering Sea fisheries will thus ripple through the greater Alaskan economy; and

WHEREAS, the Alaska District of the United States Army Corps of Engineers has found that the relocation of the Coastal Villages Region Fund fishing fleet to Seward is economic; and

WHEREAS, the infrastructure for home porting the Coastal Villages Region Fund fishing fleet in Seward will build upon some $70 million in existing infrastructure at the Seward Marine Industrial Center (SMIC) that was built in the 1980s; and

WHEREAS, the City of Seward has paid for the initial engineering analysis to home port the Coastal Villages Region Fund in Seward; and

WHEREAS, $400 thousand has been requested in the FY2012State of Alaska Capital Budget to complete the economic analysis, engineering design, and geotechnical report and preparation of permit documents for home porting the Coastal Villages Region Fund; and

WHEREAS, construction of the infrastructure to support home porting Coastal Villages

CITY OF SEWARD, ALASKA
RESOLUTION 2011-020

Region Fund in Seward could be completed by December 15, 2014; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA that:

Section 1. The City of Seward is fully supportive of moving the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

Section 2. By working together with public and private partners we will begin to accomplish the historic opportunity of Alaskanizing the Bering Sea fishing fleet.

Section 3. The existing infrastructure at the Seward Marine Industrial Center (SMIC) provides a foundation for economically constructing the on-water and upland infrastructure that is necessary to home port the Coastal Villages Region Fund in Seward, Alaska.

Section 4. The initiative to construct the home port facilities for Coastal Villages Region Fund at the Seward Marine Industrial Area (SMIC) of Seward is fully consistent with provisions in the Seward City Code, City Charter, Comprehensive Plan, Strategic Plan, and Land-Use Plans.

Section 5. This resolution shall take effect immediately.

PASSED AND APPROVED by the City Council of the City of Seward, Alaska, this 29th day of March, 2011.

THE CITY OF SEWARD, ALASKA

Jean Bardarson

Jean Bardarson, Vice Mayor

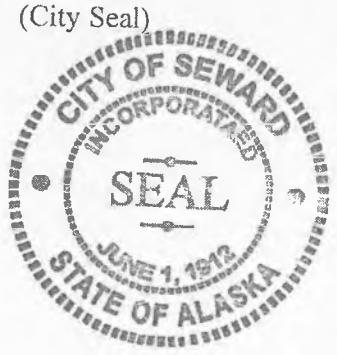
AYES: Valdatta, Shafer, Casagranda, Bardarson
NOES: None
ABSENT: Smith, Keil, Dunham
ABSTAIN: None

CITY OF SEWARD, ALASKA
RESOLUTION 2011-020

ATTEST:

Johanna Kinney, CMC
City Clerk

(City Seal)



Introduced by:	McClure
Date:	03/01/11
Action:	Adopted
Vote:	8 Yes, 0 No, 1 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2011-014

A RESOLUTION SUPPORTING THE CITY OF SEWARD'S STATE FUNDING REQUEST TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FUND'S FISHING FLEET IN SEWARD, ALASKA

WHEREAS, the Coastal Villages Region Fund (CVRF) is one of six Community Development Quota (CDQ) groups; and

WHEREAS, it has been a longstanding goal, beginning with the Magnuson-Stevens Act of 1976, and the CDQ Program in 1982 to return the home port of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

WHEREAS, CVRF offers fishing and processing jobs for more than 1,000 residents each year; and

WHEREAS, Coastal Villages owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

WHEREAS, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet, and is the only port in Alaska to meet all of the requirements; and

WHEREAS, the City of Seward is poised to become the home port for the CVRF fleet;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly supports the relocation of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska.

SECTION 2. That the Kenai Peninsula Borough Assembly supports the efforts of the City of Seward to obtain FY2012 state funding to prepare for this relocation effort.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF MARCH, 2011.

Gary Knopp, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

KENAI PENINSULA BOROUGH 1964

Yes:	Haggerty, Johnson, McClure, Pierce, Smalley, Smith, Tauriainen, Knopp
No:	None
Absent:	Murphy

14896 Kenai Spur Highway, Suite 103-A • Kenai, AK 99611
Phone: (907) 283-3335 • Fax: (907) 283-3913
info@kpedd.org • www.kpedd.org

Leadership to enhance, foster and promote economic development

Introduced: J. Torgerson
Date: 2/24/2011

KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT, INC.

RESOLUTION 2011-12

SUPPORT OF THE CITY OF SEWARD'S REQUEST FOR STATE FUNDING TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FISHING FLEET IN SEWARD ALASKA.

Whereas, the Coastal Villages Region Fund is one of six Community Development Quota Groups in Alaska; and

Whereas, it has been a longstanding goal, beginning with the Magnusun-Stevens Act of 1976 and the CDQ Program in 1982 to return the home port of Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

Whereas Coastal Villages Region Fund offers fishing and processing jobs for more than 1,000 residents each year; and

Whereas, Coastal Villages Region Fund owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

Whereas, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet; and

Whereas the City of Seward is poised to become the home port for the Coastal Village Region Fund's fleet;

NOW THERREFORE BE IT RESOLVED BY THE Board of Directors of the Kenai Peninsula Economic Development District that:

The District supports the relocation of the Coastal Village Regions Fund's fishing fleet from Seattle to Alaska.

The District supports the City of Seward's request for funding from the State of Alaska for this relocation effort.

The District finds that this project meets the Comprehensive Economic Development Strategy produced by the District with support of the Kenai Peninsula Borough, the State of Alaska and the Economic Development Administration.

APPROVED BY THE KPEDD BOARD OF DIRECTORS THIS 24TH DAY OF FEBRUARY, 2011.

Kristine Holdridge
President

2·24·11
Date

ATTEST:

John Torgerson
Executive Director

2-28-11
Date

Project Title: Seward - Moving The Home Ports Of The CDQ Fishing Fleets From Seattle to Alaska

TPS Number: 56209

Priority: 1

Agency: Commerce, Community and Economic Development
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Seward

FY2012 State Funding Request: $400,000

Future Funding May Be Requested

Brief Project Description:

Economic Analysis, Survey, Geotechnical Investigation, Preliminary Engineering, and Permitting to establish the home port for the CDQ fishing fleets at Seward, Alaska

Funding Plan:

Total Project Cost:	$405,000
Funding Already Secured:	($5,000)
FY2012 State Funding Request:	($400,000)
Project Deficit:	$0

Explanation of Other Funds:

Since 1982, the City of Seward has obtained approximately $35.72 million in Federal or State grants, appropriations, and City bonds to construct a basin, ship lift, and ship repair facility at the Seward Marine Industrial Center. This funding significantly reduces the cost of contructing the infrastructure to begin home porting the CDQ fishing fleets in Alaska. The City of Seward also invested $5 thousand this year to conduct the initial engineer and economic scoping analysis.

Detailed Project Description and Justification:

After receiving a request from Coastal Villages Region Fund (CVRF is one of six CDQ Groups) to assess the possibility of relocating their home port from Seattle to Seward, Alaska, the City of Seward obtained the services of PND Engineers, Inc. and Northern Economics to conduct a scoping analysis. Their analysis provides an estimate of the cost of an Economic Analysis, Survey, Geotechnical Investigation, Preliminary Engineering, and Permitting to be $400,000. These actions would be completed during the period July 15, 2011 and September 15, 2011 and establish the basis for bonding or other grants and appropriations to construct the home port infrastructure that would ultimately meet the needs of all CDQ Groups.

Since 1982, the City of Seward has obtained approximately $35.72 million in Federal or State grants, appropriations, and City bonds to construct a basin, ship lift, and ship repair facility at the Seward Marine Industrial Center. The Center is within the city limits on the eastern shore of Resurrection Bay. This infrastructure provides an essential foundation to meet the requirements for home porting the CDQ fishing fleets is Alaska. If this infrastructure were not available the estimated cost of approximately $33.7 million to provide the infrastructure for home porting CVRF in Alaska would would be twice that amount.

Moving the home port of the Coastal Villages Region Fund (CVRF) fishing fleet from Seattle to Alaska is a historic opportunity. This is a longstanding goal of many prominent Alaskans that began with the Magnuson-Stevens Act of 1976 and the Community Development Quota (CDQ) Program that began in December of 1992. The vision of the recent Senator Ted Stevens and others saw the Magnuson-Stevens Act of 1976 and subsequent amendments to the Act as opportunities first to Americanize the fishing fleet in Alaska, secondly to provide fishing quotas to the communities surrounding prime fishing areas, thirdly to reinvest profits to produce jobs and grow the industry, and finally to Alaskanize the Alaska fishing fleet.

In considering moving the CVRF home port from Seattle to Alaska, the CVRF Board of Directors and staff established the following essential requirements:

Submitted to Legislature

-- deep water year-round ice-free port
-- sufficient space and depth of water to construct a half-mile of dock for mooring, loading, and servicing deep draft and other marine vessels
-- sufficient land upland to construct warehouses and offices
-- existing ship repair and maritime support facilities
-- existing maritime training and licensing facilities
-- road, rail, and air access

In examining ports across Alaska, only the City of Seward on Resurrection Bay met all their requirements. It is a deep water year-round ice-free port. It has the space on the water and upland to construct the half-mile of dockage to meet current needs, and room to expand in the future to meet the needs of the remaining 5 CDQ groups. It is the home of AVTEC where maritime crews receive training, licensing, and recertification of maritime skills. It has a major ship repair facility, Seward Ship's Dry Dock that has the capability of lifting and repairing the largest 341 foot CVRF fishing vessel. It has a 250-ton travel lift and upland storage and maintenance space for smaller vessels at the Seward Marine Industrial Center. It has an existing maritime and fishing industry. It has road, rail, and air access and close proximity to Anchorage.

Project Timeline:

Project Kick-Off July 15, 2011
Survey Layout September 15, 2011
Geotechnical Report October 31, 2011
Draft Economic Report December 1, 2011
Permits Prepared and Submitted September 15, 2011
Final Economic Report February 1, 2012
Preliminary Engineer Report February 1, 2012

Entity Reponsible for the Ongoing Operation and Maintenance of this Project:

City of Seward

Grant Recipient Contact Information:

Name:	Phillip Oates
Address:	410 Adams Street (P.O. Box 167)
	Seward, AK 99664
Phone Number:	(907)224-4047
Email:	poates@cityofseward.net

This project has been through a public review process at the local level and it is a community priority.

Coastal Villages Region Fund

711 H Street, Suite 200 • Anchorage, Alaska 99501 • Phone 907.278.5151 • Fax 907.278.5150

February 7, 2011

The Honorable Willard E. Dunham
P.O. Box 167
Seward, AK 99664

Dear Mayor Dunham,

We have a historic opportunity at hand – moving the home port of the Coastal Villages Region Fund (CVRF) fishing fleet from Seattle to Alaska. This is a longstanding goal of many prominent Alaskans that began with the Magnuson-Stevens Act of 1976 and the Community Development Quota (CDQ) Program that began in December of 1992. The vision of the recent Senator Ted Stevens and others saw the Magnuson-Stevens Act of 1976 and subsequent amendments to the Act as opportunities first to Americanize the fishing fleet in Alaska, secondly to provide fishing quotas to the communities surrounding prime fishing areas, thirdly to reinvest profits to produce jobs and grow the industry, and finally to Alaskanize the Alaska fishing fleet.

It is conceivable that the move of CRVF to Alaska would encourage the other 5 CDQ Groups to relocate their home ports to Alaska as well. Please allow me a moment to introduce you to the CDQ Program. The CDQ program allocates a portion of the Bering Sea and Aleutian Island harvest amounts to CDQ groups, including pollock, halibut, Pacific cod, crab and bycatch species. The CDQ program was granted perpetuity status during the 1996 reauthorization of the Magnuson-Stevens Act.

Our Coastal Villages Region Fund has become the largest of the CDQ groups. We may be the largest Alaskan owned and Alaska based Seafood Company in Alaska's 100+ year history of commercial fisheries. CVRF is owned by 9,400 native Alaskans from the beautiful west coast of our great state. We are projected to generate about $100 million in seafood sales in 2011. In the 1990s when the Federal government allocated most of the Bering Sea to Seattle and Japanese companies it gave Coastal Villages 2% of the fish. Over the last decade we have gone from zero to nearly a quarter of a billion dollar balance sheet. And we have become the largest private-sector employer in the Kuskokwim Region.

CVRF offers fishing and processing jobs for more than 1,000 of our residents each year. We offer scholarships and summer jobs to our youth. We have become the largest Alaska based harvester and processor of seafood in the Bering Sea. Coastal Villages provides hope, fish, and work.

To provide the regional jobs Coastal Villages owns and operates a fleet of large fishing and processing vessels in the Bering Sea. With success our Bering Sea fleet has become quite big – it costs $2 million to fill up the fuel tanks of our fishing fleet one time; we pay the crew more than $10 million each year; we have more than 250 crew members including skippers who make more

than $300 thousand each year and entry level jobs that pay more than $50 thousand each year; we spend between $5 million and $10 million each year on maintenance; we spend approximately $20M annually in Seattle for moorage, vendor support, and maintenance; and we spend approximately $2M per year to fly crews to and from Alaska and Seattle. This is money that should be spent in Alaska, not in Seattle.

There are no harbors on the Alaska road system big enough to moor our entire fleet of vehicles. We need half a mile of dock space to park our vessels; we need 20,000 square feet of warehouse; we need 5,000 square feet of office space; we need 5 to 10 acres of fenced yard each year for equipment and staging; we need vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair the 50 diesel engines aboard our vessels, provide packaging for seafood products, provide fuel, provide Marine safety training, provide groceries and provisions. In other words we need in Alaska all those things that Seattle vendors have been providing for the last 50 years for the fishing industry. We need your help to Alaskanize the Bering Sea fisheries.

Coastal Villages has 100% ownership of 8 deep draft vessels ranging in length from 113 feet to 341 feet and 10 other tenders, longliners, and a tug. In partnership with another CDQ group, the Norton Sound Economic Development Corporation, we acquired another crab vessel and 5 pollock trawlers just last week. We will continue to buy more of the Seattle based Alaska fishing vessels in the future because the Federal CDQ Program requires all 6 CDQ Groups to reinvest in the Bering Sea. It is inevitable that our recently acquired fleet will gravitate north to its owner for the same reason that many of the vessels still go south to their Seattle owners and for the same reason that before the Americanization of our fisheries that began in 1976 the vessels used to go home to cities in Asia.

In considering moving our home port from Seattle to Alaska, our Board of Directors and staff established a set of criteria that are essential to our success. We identified the following requirements:

deep water year-round ice-free port
sufficient space and depth of water to construct a half-mile of dock for mooring, loading, and servicing our deep draft and other vessels
sufficient land upland to construct warehouses and offices
existing ship repair and maritime support facilities
existing maritime training and licensing facilities
road, rail, and air access

In examining ports across Alaska, we concluded that Seward on Resurrection Bay meets all our requirements. It is a deep water year-round ice-free port. It has the space on the water and upland to construct the half-mile of dockage to meet our needs, and room to expand in the future to meet the needs of others that will surely migrate north, including the other 5 CDQ groups. It is the home of AVTEC where our residents receive training, licensing, and recertification of maritime skills. It has a major ship repair facility, Seward Ship's Dry Dock that has the capability of lifting and repairing our largest 341 foot fishing vessel. It has a 250-ton travel lift and upland storage and maintenance space for our smaller vessels at the Seward Marine Industrial Center. It has an

existing maritime and fishing industry. It has road, rail, and air access and close proximity to Anchorage.

By working together we can accelerate this process of Alaskanizing the part of the Alaskan fishing fleet active in the Bering Sea. We look forward to working with you to achieve this historic opportunity.

Quyana,

John O. Mark, President
Coastal Villages Region Fund

Kent Dawson Company
INCORPORATED

Rep. Herron,

Just a reminder from our brief hallway discussion, that the mayor and city manager of Seward will be in Juneau March 30/31 and possibly April 1st should you wish to have a committee hearing concerning the Coastal Villages port issue.

Kent

P.O. Box 20790 • Juneau, Alaska 99802 • 423 Seward Street • Juneau, Alaska 99801
907-463-2533 • Fax: 907-463-3922 • kdawson@alaska.com





CONCEPT
2/9/11

PND Engineers, Inc. (PND) is not responsible for safety programs, methods or procedures of operation, or the construction of the design shown on these drawings. Where specifications are general or not called out, the specifications shall conform to standards of industry. Drawings are for use on this project only and are not intended for reuse without written approval from PND. Drawings are also not to be used in any manner that would constitute a detriment, directly or indirectly to PND

REV	DATE	DESCRIPTION

DATE: _____

1506 West 36th Avenue
Anchorage, Alaska 99503
Phone: 907.561.1011
Fax: 907.563.4220
www.pndengineers.com

P N D
ENGINEERS, INC.

SEWARD SMIC BASIN

EXISTING CONDITIONS

DESIGNED BY:	KWE	DATE:	2/9/11
CHECKED BY:	JSP	PROJECT NO:	111015

Figure 1

J:\2011\111015 Seward SMIC Basin\Drawings\SMIC Basin Existing Conditions.dwg, Layout: 2/9/2011 1:35:17 PM, Micah Berg, PND Engineers, Inc., 1:2



CONCEPT
2/9/11

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REV	DATE	DESCRIPTION

DATE: _____

1506 West 36th Avenue
Anchorage, Alaska 99503
Phone: 907.561.1011
Fax: 907.563.4220
www.pndengineers.com

P N D ENGINEERS, INC.

PROJECT: SEWARD SMIC BASIN

TITLE: CONCEPTUAL LAYOUT

DESIGNED BY:	KWB	DATE:	2/9/11
CHECKED BY:	JMP	PROJECT NO:	111015

SHEET NO. Figure 2

DRAFT

HOUSE JOINT RESOLUTION NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

A RESOLUTION

RELATING TO THE RELOCATION OF THE COASTAL VILLAGES REGION FUND FISHING FLEET FROM SEATTLE TO A NEW HOME-PORT AT SEWARD, ALASKA

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS, the State of Alaska worked tirelessly within the framework of the Magnuson-Stevens Fishery Conservation and Management Act to transition from a federal fishery dominated by foreign fishing vessels to a fishery fully utilized by Americans; and

WHEREAS, the State of Alaska worked in partnership with the Alaska Congressional Delegation in the 1990s to promote the Community Development Quota (CDQ) initiative in the Bering Sea that provided residents of the villages ringing the Bering Sea fisheries a stake in the fishing industry; and

WHEREAS, many past leaders of Alaska have had a long-standing goal of Alaskanizing ownership of the fishing fleets serving the CDQ Groups and home porting those fleets in Alaska; and

WHEREAS, the Coastal Villages Region Fund, one of six CDQ Groups and the largest Alaskan owned and Alaska based Seafood Company in Alaska's 100-year history of commercial fisheries, has 100% sole ownership of its fishing fleet, or ownership in partnership with another CDG Group; and

WHEREAS, Coastal Villages Region Fund is projected to have $75 million in seafood sales in 2011; and

WHEREAS, the Coastal Villages Region Fund has become so big and successful that it costs $2 million to fill up the fuel tanks of their fishing fleet one time; they spend approximately $20 million annually in Seattle for moorage, vendor support, and maintenance; and they spend approximately $2 million per year to fly crews to and from Alaska and Seattle; and

WHEREAS, this is money that could be spent in Alaska, not in Seattle; and

WHEREAS, the legislation establishing the CDQ Groups requires their earnings to be reinvested in the Bering Sea area, thus necessitating other ownership of their supporting infrastructure outside the Bering Sea area; and

WHEREAS, there are no locations within the Bering Sea area that meet the home porting requirements of the large fishing and processing vessels owned by Coastal Villages Region Fund; and

WHEREAS, the Coastal Villages Region Fund desires to relocate its home port from Seattle to a port in Alaska that has the following characteristics: (1) year-round ice-free deep water port; (2) road, rail, and air access; (3) available space on the water and upland for development; (4) major ship repair capabilities; and (5) maritime training and licensing; and

WHEREAS, after a statewide review the Coastal Villages Region Fund has determined that the City of Seward is the only community in Alaska that meets all their requirements; and

WHEREAS, the President and Board of Directors of the Coastal Villages Region Fund have proposed that Seward become the homeport for its growing fishing and processing fleet; and

WHEREAS, Coastal Villages Region Fund requires half a mile of dock space to park their fishing vessels; 20,000 square feet of warehouse; 5,000 square feet of office space; and 5 to 10 acres of fenced yard for equipment and staging; and

WHEREAS, the movement of the Coastal Villages Region Fund to Alaska will encourage and facilitate the movement of the remaining 5 CDQ Groups to Alaska; and

WHEREAS, the home porting of the largest CDQ Group in Seward will begin the transition of hiring Alaskans vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair diesel engines, supply packaging, provide fuel and groceries, and provide marine safety training; and

WHEREAS, with the relocation of the home port to Seward the dollars earned by Coastal Villages Region Fund in the Bering Sea fisheries will thus ripple through the greater Alaskan economy; and

WHEREAS, the Alaska District of the United States Army Corps of Engineers has found that the relocation of the Coastal Villages Region Fund fishing fleet to Seward is economic; and

WHEREAS, the infrastructure for home porting the Coastal Villages Region Fund fishing fleet in Seward will build upon some $70 million in existing infrastructure at the Seward Marine Industrial Center (SMIC) that was built in the 1980s; and

WHEREAS, the City of Seward has paid for the initial engineering analysis to home port the Coastal Villages Region Fund in Seward; and

WHEREAS, $400 thousand has been requested in the FY2012 State of Alaska Capital Budget to complete the economic analysis, engineering design, and geotechnical report and preparation of permit documents for home porting the Coastal Villages Region Fund; and

WHEREAS, construction of the infrastructure to support home porting Coastal Villages Region Fund in Seward could be completed by December 15, 2014; therefore

BE IT RESOLVED that the Alaska State Legislature is fully supportive of moving the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

CONSULAR OFFICE OF JAPAN
3601 C STREET, SUITE 1300
ANCHORAGE, ALASKA 99503-5921
TELEPHONE: (907) 562-8424
FAX: (907) 562-8434

Alaska State Legislature
House Special Committee on Economic Development, Trade & Tourism
State Capitol
Juneau, Alaska 99811-0001

The Honorable Olson, Gardner, Joule, Keller, Muñoz, Foster, Thompson and Tuck
Representatives
State Capitol
Juneau, Alaska 99811-0001

March 21, 2011

Dear House Special Committee members:

I would like to convey my sincere thanks for your kind words of condolence and the offer of assistance from the House Special Committee on Economic Development, Trade & Tourism on the occasion of the unprecedented natural disasters which recently overtook Japan.

The kindness and sympathy shown to Japan and her people by Alaskans has been overwhelming because the Great Alaskan Earthquake is still on the minds of many Alaskans.

Thank you for your kindness and sympathy during these difficult times. It gives us much comfort to know that you are thinking of those who have been affected, and those who continue to work to prevent further disaster. It truly is comforting to know that we are not alone as we begin the process of recovering and rebuilding Japan.

Warm regards,

H. F.

Hideo Fujita
Consul

4/07/11 Presentation: Biomass Boiler Heating Systems

<TARGET><BILL></BILL><SUBJECT>4-07-11 Presentation Biomass Boiler Heating Systems</SUBJECT><COMM>HEDT27</COMM></TARGET>

COFFMAN ENGINEERS

LASTING creativity | results | relationships

Biomass Boiler Heating Systems

Featuring the Delta Greely Biomass Project

September 16, 2010

Alaska and Biomass Boilers

- Alaska's Biomass Boilers
  - Craig, Tok, Delta Junction, Dot Lake
  - Modular Conex unit for Bush School Testing
  - Campbell Creek Science Center
  - Juneau, SeaAlaska (Pellet)
- Other States
  - Montana, Oregon, Idaho
- Department of Forestry – Research
- As well as several individuals who have dedicated themselves to biomass research

Types of Systems

- Residential / Commercial Systems
- Cord Wood, Pellet, or Wood Chip







Feasibility Assessment

- Evaluation of Pay Back
- Fuel Cost Comparisons
- Sources of Fuel
- Support From State and Federal Agencies
- Cost of Construction

COFFMAN ENGINEERS

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Key Components and System Considerations

Fuel Source



Fuel Source

Wood Chip quality and delivery

- Verify the quality and quantity of fuel
- Wood chip quality is directly related to boiler efficiency
- Assess the availability of pellets in the future







Wood Chip Delivery & Storage



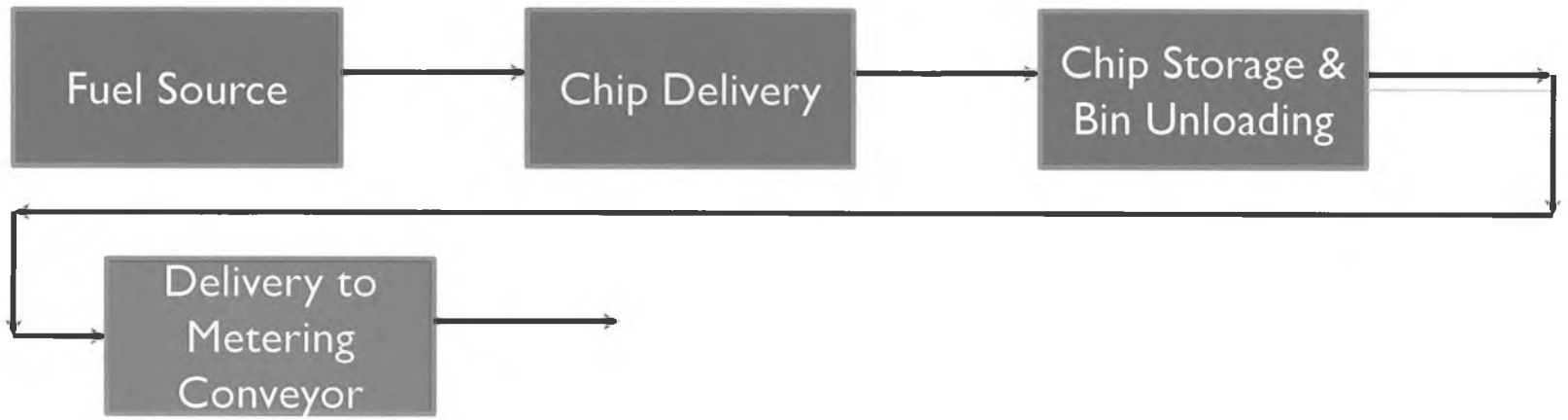
Wood Chip Delivery

- Determine type of trucks that will be used to deliver chips
  - Walking floor, conveyor floor, dump style, heated, larger semi trailers, or standard dump trucks
- The truck type has a large impact on the approach to the storage building and bulk delivery to the boiler
- Chip storage





Chip Handling



Conveyor Systems

Options:

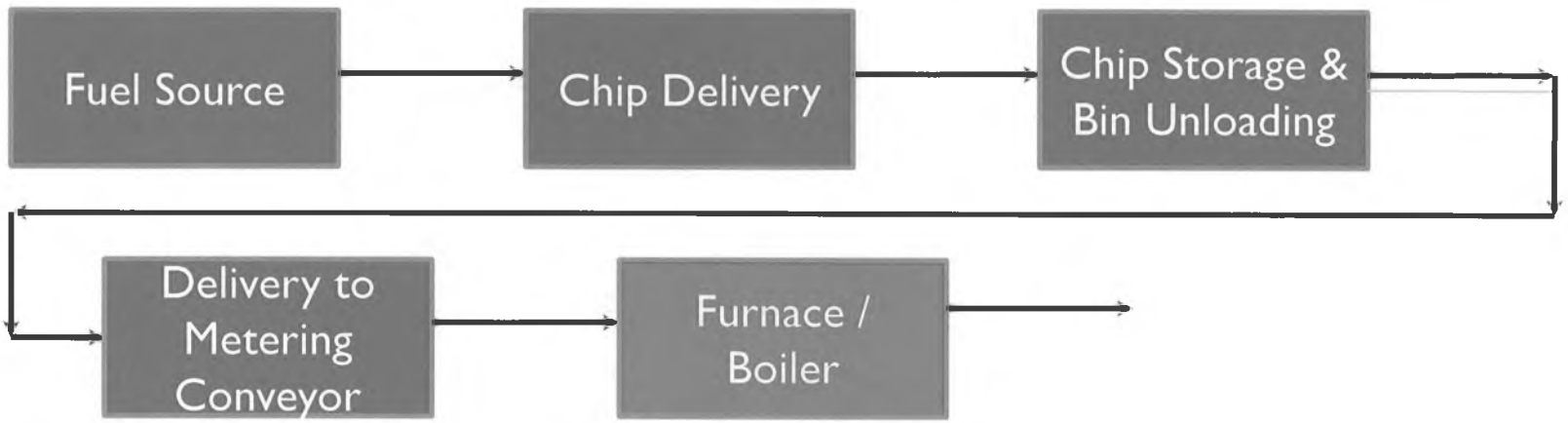
1. Bulk delivery by sliding chain/bar conveyor
2. Belt conveyor to a shaker screen for removal of large chips (if required)
3. Screw conveyors for delivery to the fire grate







Furnace / Boiler



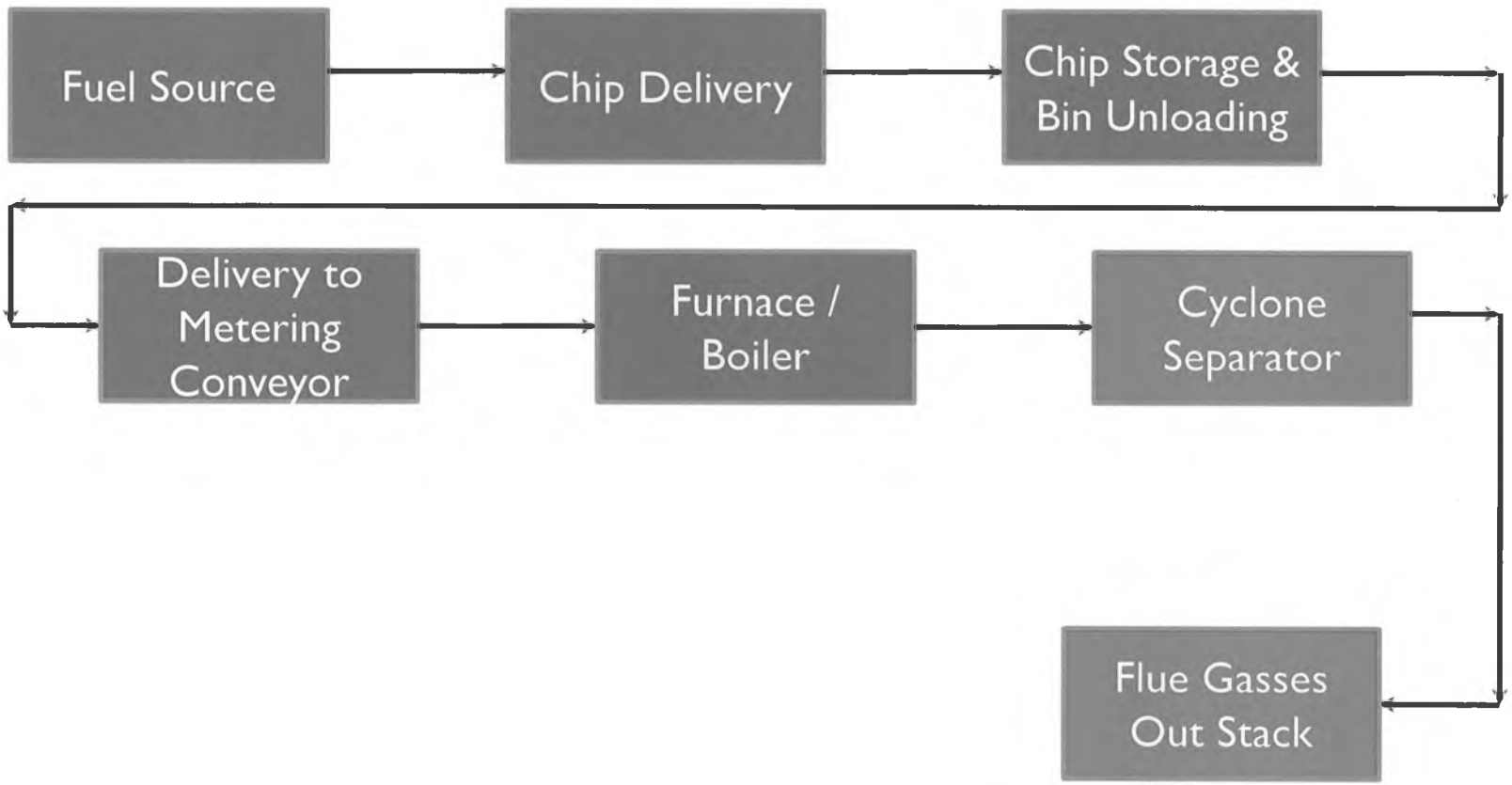
Boiler System

- Gasification System
  - Fixed grate, conveyor grate, step grate
- Boiler – fire tube, hot water, 30 psig
- Vendors



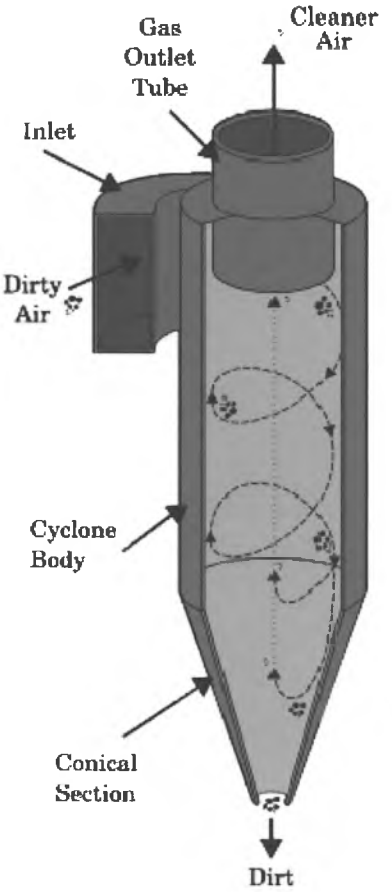


Furnace / Boiler

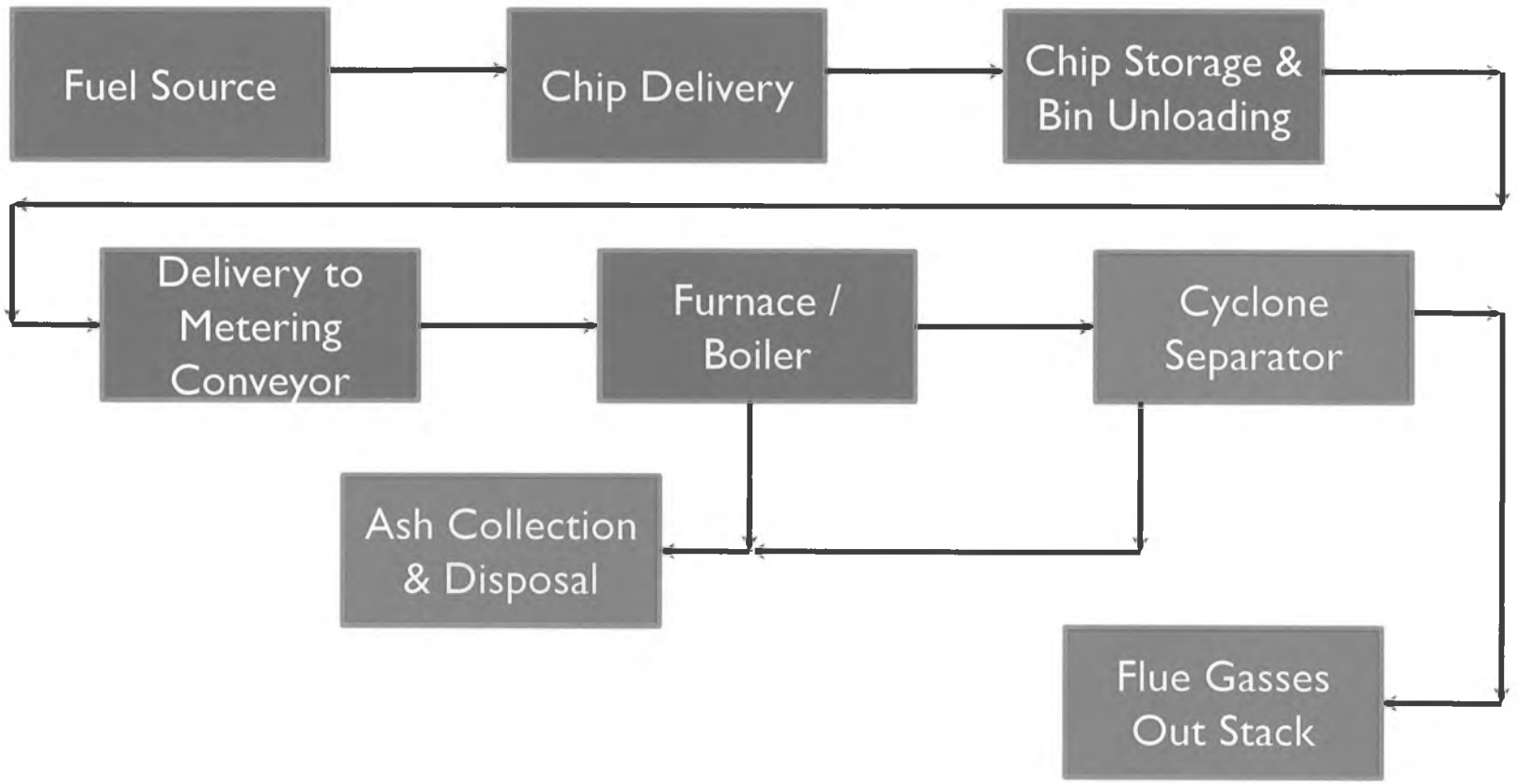


Flue Gasses

- Flue gasses will run through a cyclone separator or electrostatic precipitator
- Stack is usually 65+ ft tall and penetrates the roof
- Stack height is analyzed based on wind, other buildings and obstacles to determine the most efficient dispersion height



Furnace / Boiler



Ash

- Ash is collected for removal from the facility
- Collection/removal may be automated or manual
- Disposal options:
  - Concrete mix
  - Soil mix
  - Dispose at the land fill
  - Farm/Garden soil additive



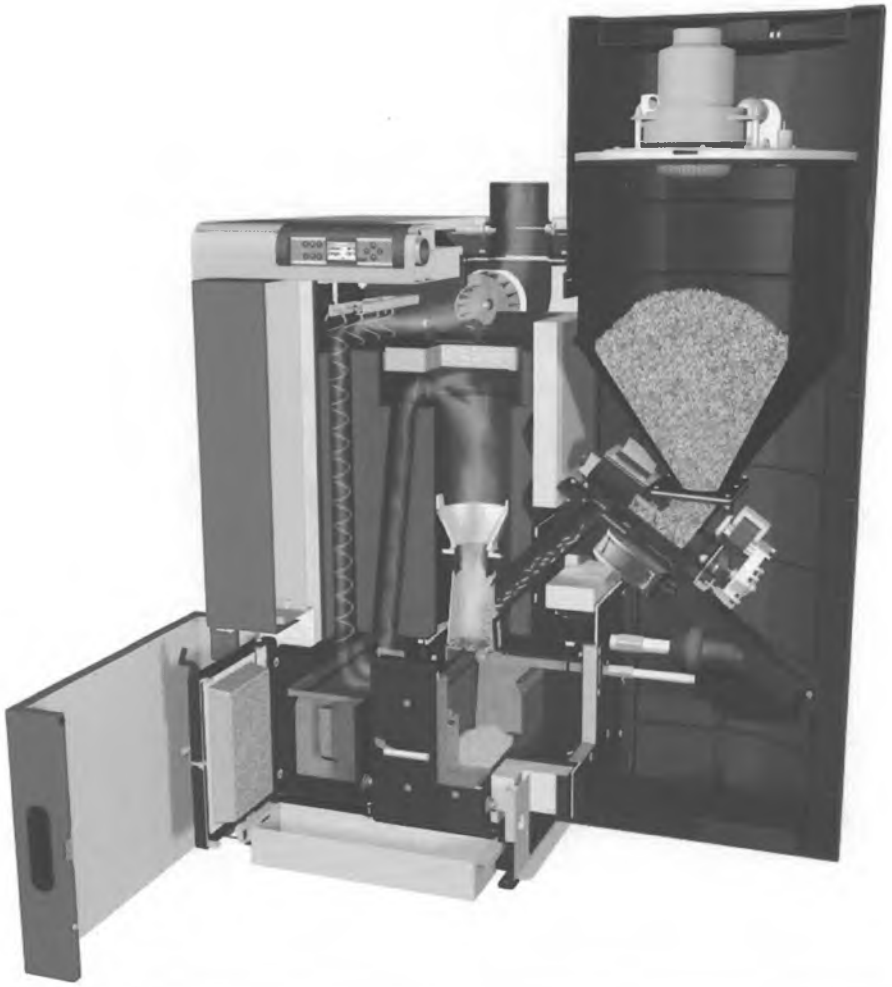
Structure

- Boiler Building
  - Pre-engineered metal building with insulated panels on a concrete slab
- Wood Chip Storage
  - Concrete bunker with either a pre-engineered metal structure or fabric structure cover.
- Wood Cylo feeder system

Permits & ADEC

- Permit/ADEC – Discussions required
  - Emission calculation will be required to confirm

Questions?



COFFMAN ENGINEERS

1/19/12 Presentation: Pacific Northwest Economic Region - Arctic Caucus Update

<TARGET><BILL></BILL><SUBJECT>1-19-12 Presentation Pacific Northwest Economic Region - Arctic Caucus Update</SUBJECT><COMM>HEDT27</COMM></TARGET>

Pacific NorthWest Economic Region



Pacific NorthWest Economic Region

Arctic Caucus Working Group

2011 Arctic Caucus

Yellowknife, NWT
August 20, 2011

Arctic Caucus Oil Spill Task Force

Yukon



Alaska



Northwest Territories



Arctic Caucus Oil Spill Task Force

Designated Representatives

Brian Love – Yukon
Peter Vician – Northwest Territories
Larry Dietrick - Alaska

Mission

Action Item #6 - Establish the Arctic state/territorial oil spill task force to educate, share information, collaborate, and coordinate oil spill planning, preparedness, and response in the Arctic

Arctic Caucus Oil Spill Task Force

Task Force Teleconference
November 16, 2011

Participants
Calum MacPherson, NWT
Ron Sumanik , Yukon
Perry Diamond, Yukon
Larry Dietrick, Alaska


Renda and Healy


Nome Fuel Delivery

Arctic Caucus Oil Spill Task Force

Task Force Teleconference
November 16, 2011

Agenda

Review and discuss implementation of Action Item #6

Verify the "official" points of contact

Share information

Future collaboration

Arctic Caucus Oil Spill Task Force

Task Force Teleconference
November 16, 2011

Discussion

Each member has different jurisdiction, authority, organizational frameworks, responsibilities and interests in spill preparedness and response. In that regard the extent and degree of participation on the Task Force may vary. Participation is also influenced by devolution, other commitments, priorities and relationships with federal counterparts and other organizations and agencies that may have responsibilities for spill preparedness and response. These variables will influence the extent and degree of participation in the Task Force and are also drivers in how the Task Force may evolve and move forward.

Arctic Caucus Oil Spill Task Force

Task Force Teleconference
November 16, 2011

Outcome

All participants agreed to a follow up future teleconference to continue discussions about future Task Force direction and activities.

There was also agreement to exchange basic information between members about the extent and scope of spill preparedness and response programs for each member prior to the next teleconference.

Arctic Caucus Oil Spill Task Force

Items of Interest

Arctic Council

Task Force on Oil Spill Preparedness and Response – Arctic Mutual Aide Agreement
Arctic Council Best Practice Prevention of Marine Oil Pollution – Arctic Prevention Practices
Emergency Prevention and Preparedness Working Group

CANUSNORTH 2012
Arctic Shield offshore drill
Alaska North Slope Mutual Aide drill

National Energy Board Report – Drilling Safety

Northern Waters Task Force Report – Alaska Legislature



US/Canadian Beaufort

University of Alaska Fairbanks – Science and Technology Center for Oil Spill Prevention and Preparedness in the Arctic

Offshore drilling – Chukchi and Beaufort Seas – 2012

Shipping and Vessels in Innocent Passage – Response Capability and the Polar Code

Oil Spill Plan Updates - Alaska's northern coast

Information

Pacific NorthWest Economic Region: http://www.pnwer.org/

Arctic Caucus Working Group: http://www.pnwer.org/WorkingGroups/ArcticCaucus.aspx

Alaska Department of Environmental Conservation Spill Prevention and Response: http://www.dec.alaska.gov/spar/index.htm


Alaska Jack Up Rig


Russian Drilling Platform

USPS Bypass Mail

The USPS bypass mail program allows shippers to mail commodities to rural communities in the state of Alaska at parcel post rates, which are significantly lower than the rates that would apply if shipped via regular air freight. The shippers deliver the goods directly to the air carriers, who carry it to the various hubs and to the villages beyond those hubs. This shipping process "bypasses" the USPS facilities entirely.

One of the primary purposes of the bypass mail program, as directed by federal legislation, is to ensure commercially viable passenger service levels for rural Alaska. As such, bypass mail is a critical part of the infrastructure for the roadless communities in the Western and Northern parts of the state. The revenue from bypass mail helps passenger air carriers offset the extremely high costs of flying to the Bush. As such, any reduction in bypass mail revenue impairs the economics of this air service and would likely require passenger carriers to raise fares, reduce frequency or both.

Background

- For Alaska Airlines, the designated bypass hubs are Dillingham, Bethel, Nome, Kotzebue, King Salmon, and Barrow
- The USPS assigns the mail to mainline air carriers to carry it to the rural regional hubs and then onto bush carriers who carry the mail from the hubs to the rural villages surrounding the regional hubs.
- Alaska Airlines currently moves bypass mail from
    a. Anchorage to Bethel, Nome, Kotzebue, and Dillingham
    b. Deadhorse to Barrow
    c. Seasonally from Anchorage to King Salmon
- In the 12 months ended November 2011, Alaska Airlines carried 18.6 million pounds of mail.

Program under Scrutiny

The bypass mail program is under scrutiny. The USPS is under financial distress and is looking to cut costs across its system, including the cost of the bypass mail program. In addition, there is postal reform legislation pending in Congress that could potentially alter the program.

Possible Actions

In this environment of scrutiny, there are a few key options for the program under consideration:

1. Maintain Status Quo

- Benefits
    i. Maintains stability in the air transportation infrastructure, especially for those bush villages beyond the hubs. Access to medical care and affordable passenger transportation is critical.
    ii. Prevents disruption in flow of goods to bush communities; keeps products in bush communities – already at incredibly high price levels – from becoming even more expensive.
    iii. Businesses that use bypass for shipping goods are able to plan and continue with normal programs.

Alaska Airlines supports maintaining the status quo, as it is the best means of ensuring commercially viable passenger service levels for rural Alaska.

2. Bypass Program remains, but with some changes designed to save money

- Two main concepts have been put forward:

A. Rate Making Process is eliminated. USPS solicits for competitive bids. Equitable tender provisions eliminated.

- Benefits:
  i. Saves postal service money, but only a fraction of the cost of the program
  ii. Possibility of mainline carriers building partnerships with bush carriers to get mail to the rural communities

- Negatives:
  i. Bush communities at risk, because all-cargo carriers may win a large share of the mail to rural villages. If this occurs, passenger service to the communities will most likely be reduced and prices for transportation will likely increase.

Alaska Airlines could potentially support a competitive bidding process provided it is under the bypass structure. However, Alaska Airlines prefers the status quo, as it is the best means of ensuring commercially viable passenger service levels for rural Alaska.

B. Hub overflying is allowed without penalty to mainline carriers serving rural hubs. New overfly hubs such as Savoonga, Chevak, Hooper Bay, etc. are designated.

- Negatives:
  i. Mainline carriers would mostly likely only want to operate 1x per week.
  ii. Negatively impacts passenger service levels between rural hubs and villages.
  iii. With the uncertainty of the bypass program, significant capital investments would be needed in these locations to facilitate mail service. It would be difficult for any carrier to fund.

Alaska Airlines opposes hub overflying, as it would divert mail revenue and, thus, negatively impact commercial passenger service levels (frequency and price) to the hubs and between the hubs and villages.

3. Bypass Program is eliminated in its current form entirely

- Negatives:
  i. Regional hubs likely to see an increase in cost of goods previously shipped via bypass
  ii. Bush communities likely to see higher commodity costs, air fares, and reduction in service beyond hubs

Alaska Airlines opposes elimination of the program as it would negatively impact the commercial viability of maintaining current passenger and cargo service levels to the rural hubs and villages.

Pacific NorthWest Economic Region

PNWER Capital Visit- Juneau January 18 & 19, 2012
PNWER Delegation



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Minister of Industry Tourism and Investment
Government of Northwest Territories
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Additional Attendees
Matt Morrison, Chief Executive Officer, PNWER
Steve Myers, Program Manager, PNWER
David Kettles, Government of Alberta
Harvey Brooks, Government of Yukon
Steve Rose, Government of Yukon
Val Boxall, Government of Yukon
Lynda Comerford, Government of Northwest Territories
Peter Vician, Government of Northwest Territories

Pacific NorthWest Economic Region

2011 - 2012
PNWER Executive Committee*

Rep. Mike Schaufler; Oregon
President

Lyle Stewart, MLA,
Saskatchewan
Vice President

State Sen. Kevin Ranker
Washington
Vice President

Hon. David Ramsay
Northwest Territories
Vice President

Hon. Mel Knight; Alberta
Immediate Past President

State Sen. Lesil McGuire;
Alaska
Past President

George Groeneveld; MLA
Alberta

John Les; MLA
British Columbia

Rep. George Eskridge; Idaho
Past President

Jim Kenyon; MLA Yukon
Past President

Rep. Deb Eddy;
Washington

State Sen. Cliff Larsen;
Montana

Hon. Bob McLeod;
Northwest Territories

Neil Windsor, P.Eng.; Alberta
APEGGA,
Private Sector Co-Chair

Jan Romerdahl, Washington,
US Bank,
Private Sector Co-Chair

*Partial listing

DRAFT

January 17, 2012

The Honorable Hillary Rodham Clinton
U.S. Secretary of State
U.S. Department of State
2201 C Street NW
Washington, DC 20520

Dear Secretary Clinton,

As Members of the Alaska State Legislature, and the representatives of the governments of Yukon and Northwest Territories in the Pacific NorthWest Economic Region Arctic Caucus we are writing to suggest that the United States and Canada cooperate to prioritize issues that both nations would like to bring forward to the Arctic Council when the leadership of the Council returns to Canada (2013-2015), and then to the US (2015-2017).

Just as Denmark, Sweden and Norway agreed on common objectives for their respective chairmanships, the PNWER Arctic Caucus sees inherent value in the U.S. and Canada cooperating during their Chairmanships, and beginning a discussion now about what specific issues could have shared prioritization during the subsequent terms when Canada, and then the US will chair the Council.

We believe that the peoples of the northern communities of Alaska, Yukon, Northwest Territories, and Nunuvut have a common heritage, and share many common concerns, and would be well served by such a discussion.

The PNWER Arctic Caucus was formed in 2009 to provide a forum within PNWER for sub-national jurisdictions to discuss their mutual interests in cross border policies, regional economic development, health, and safety issues. The Caucus is chaired by the governments of Yukon, Northwest Territories, and the State of Alaska on a rotating basis and includes representatives from across the PNWER region. Meetings are held in the North.

Enclosed is some background information on the Caucus, and PNWER. The Arctic Caucus leadership will be in Washington, DC on March 8, 2012 and look forward to meeting with Julia Gourley to discuss this further.

Founded in 1991, PNWER is the only statutory, non-partisan, bi-national, public/private partnership in North America. PNWER is the forum for collaborative bi-national planning involving both the public and private sectors and was chartered in statute in 1991 by the states of Alaska, Washington, Oregon, Idaho, Montana, and the western Canadian provinces of British Columbia, Alberta, Saskatchewan, the Yukon and Northwest Territories.

The Arctic Caucus and PNWER applaud your efforts on the Arctic Council and stand ready to assist in any way we can.

Sincerely,

Rep. Mike Schaufler
PNWER President 2011-2012
Oregon State Representative

Senator Lesil McGuire
Past PNWER President 2009-2010
Alaska State Senate

Representative Bob Herron
PNWER Arctic Caucus
Alaska State House of Representatives

The Honourable David Ramsay
PNWER Vice President
Government of the Northwest Territories

The Honourable Currie Dixon
Government of Yukon

Matt Morrison
Chief Executive Officer
PNWER

cc: Julia Gourley, U.S. State Department

Pacific NorthWest Economic Region

2011 - 2012 PNWER Executive Committee*

Rep. Mike Schaufler; Oregon
President

Lyle Stewart, MLA,
Saskatchewan
Vice President

State Sen. Kevin Ranker
Washington
Vice President

Hon. David Ramsay
Northwest Territories
Vice President

Hon. Mel Knight; Alberta
Immediate Past President

State Sen. Lesil McGuire;
Alaska
Past President

George Groeneveld; MLA
Alberta

John Les; MLA
British Columbia

Rep. George Eskridge; Idaho
Past President

Jim Kenyon; MLA Yukon
Past President

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Washington

State Sen. Cliff Larsen;
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Hon. Bob McLeod;
Northwest Territories

Neil Windsor, P.Eng.; Alberta
APEGGA,
Private Sector Co-Chair

Jan Romerdahl, Washington,
US Bank,
Private Sector Co-Chair

*Partial listing

DRAFT

January 16, 2012

Ms. Fran Ulmer
Chair
U.S. Arctic Research Commission
420 L Street, #315
Anchorage, AK 99501

Mr. Bernard Funston
Chairperson
Canadian Polar Commission
Suite 1710, Constitution Square
360 Albert Street
Ottawa, Ontario, K1R 7X7

Dear Colleagues,

The Pacific Northwest Economic Region (PNWER) Arctic Caucus requests your consideration to have a caucus representative attend and participate on behalf of the PNWER Arctic Caucus to the joint Canadian Polar Commission and U.S. Arctic Research Commission meeting at the 2012 International Polar Year Conference in Montreal, QC on April 27-28, 2012.

At the Arctic Caucus meeting in Yellowknife, NWT August 16 – 19, 2011, it was agreed to reach out to the U.S. Arctic Research Commission and Canadian Polar Commission on ways to support development of Northern Research and potential collaboration with sub-national governments on further development of post-secondary education, training and research opportunities across the North.

The Arctic Caucus was formed in 2009 to provide a forum within PNWER for sub-national jurisdictions and others to discuss their mutual interests in cross border policies and regional economic development. The Arctic Caucus is chaired by the governments of Yukon, Northwest Territories, and the State of Alaska on a rotating basis and includes representatives from across the PNWER region. The purpose of the Arctic Caucus is to identify shared issues that have cross border implications and to collaborate among the territories and the State of Alaska to support the needs of northern communities.

Founded in 1991, PNWER is the only statutory, non-partisan, bi-national, public/private partnership in North America. PNWER is the forum for collaborative bi-national planning involving both the public and private sectors and was chartered in statute in 1991 by the states of Alaska, Washington, Oregon, Idaho, Montana, and the western Canadian provinces of British Columbia, Alberta, Saskatchewan, the Yukon and Northwest Territories.

The Arctic Caucus looks forward to your response and consideration to join the discussions in April.

Sincerely,

Senator Lesil McGuire, Co-Chair, PNWER Arctic Caucus
Past PNWER President 2009-2010
Alaska State Senate

The Honourable David Ramsay, Co-Chair PWNER Arctic Caucus
PNWER Vice President
Government of the Northwest Territories

The Honourable Currie Dixon
Government of Yukon

Matt Morrison
Chief Executive Officer
PNWER

cc:

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair
State Capitol Building, Room 411
Juneau, Alaska 99801-1182
Phone (907) 465-4942
Fax (907) 465-4589
Rep.Bob.Herron@legis.state.ak.us

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Thursday, January 19, 10:15 – 11:45 AM
Capital Rm. 124
PNWER Arctic Caucus Update
Meeting Agenda

Senator Lesil McGuire
- Arctic Caucus Background and Introduction

Matt Morrison, Executive Director, PNWER

Hon. David Ramsay, Minister of Industry, Tourism & Investment, Northwest Territories
Hon. Peter Vician, Deputy Minister of Industry, Tourism & Investment, Northwest Territories
- Arctic Caucus Introduction and NWT Arctic Caucus Action Items

Hon. Currie Dixon, Minister of Economic Development, Yukon
Hon. Harvey Brooks, Deputy Minister of Economic Development, Yukon
- Yukon Arctic Caucus Action Items
- Alaska/Yukon Relationship

Larry Dietrick, ADEC Div. of Spill Prevention & Response, Director
- Update on Alaska/Yukon/NWT Oil Spill Response Discussions

Colin Smith, Past President Assn. of Professional Engineers & Geoscientists of BC and Co-Chair of PNWER Workforce/Northern Development Working Group
- Update on the PNWER Workforce/Northern Development Working Group

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, January 19, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Joule
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<

- Arctic Caucus Introduction and NWT Arctic Caucus Action Items

Hon. Currie Dixon, Minister of Economic Development, Yukon
Hon. Harvey Brooks, Deputy Minister of Economic Development, Yukon

- Yukon Arctic Caucus Action Items
- Alaska/Yukon Relationship

Larry Dietrick, ADEC Div. of Spill Prevention & Response, Director

- Update on Alaska/Yukon/NWT Oil Spill Response Discussions

Colin Smith, Past President Assn. of Professional Engineers & Geoscientists of BC
and Co-Chair of PNWER Workforce/Northern Development Working Group

- Update on the PNWER Workforce/Northern Development Working Group

(No Known Offnets)

Juneau Itinerary January 18 - 19, 2012

Matt Morrison Cell Phone: 206-399-4026

Tuesday, January 17	
Delegation Arrival	Please make your own ground transportation arrangements to the Hotel Juneau Westmark Baranof Reservations: 1-800-544-0970 Code: PNWER2012 Online: Link to Juneau Westmark Baranof -
Optional Dinner - 7:00pm	Meet in the Lobby Sen. Fred Dyson will join for dinner

Wednesday, January 18	
8:00am	**Breakfast**- – on your own – be ready to leave hotel at 8:45am from the Lobby
9:00am	Initial meeting with PNWER House Delegates Room - Butrovich Room – Capital 205
9:30am - 9:50am	**Meeting with Sen. Fred Dyson-** Location: Room 121 Phone: 907-465-2199
10:00am - 10:30am	**Meeting with Rep. Bryce Edgmon** **PNWER Delegate** Location: 4th Floor, 416 Phone: Tim Clark, 907-465-4451
11:15am	**Meeting with Lt. Governor Mead Treadwell** Location: 3rd Floor, State Capitol Phone: Cameron Eggers (907) 269-7460
12:00pm – 1:00pm	**Pizza Lunch with Legislators** **in Capitol (House Speaker Chambers, 2nd Floor Rm 208)**
1:00pm - 1:30pm	**Meeting with Rep. Beth Kerttula,** **House Minority Leader** Location: Room 404 Scheduler: Aurora- 907-465-4766

1:30pm - 3:00pm	Meeting with Senator Lesil McGuire, Chair; Senate Finance Subcommittee for the Department of Military and Veterans' Affairs Butrovich Room – Capitol 205

3:00pm - 3:30pm	
4:00pm	**Meeting with Rep. Alan Austerman, House Majority Leader** Location: Room 204 Scheduler: Erin Harrington 907-465-2487
5:00pm - 6:30pm	Welcome to Juneau Reception – Centennial Hall, Juneau 101 Egan Drive
7:00pm	**State of the State Address by Governor Sean Parnell (details through Speaker's Office)**(907) 465-3779 (invitations thru Rules Committee – Chair, Craig Johnson – limited seating may be only for elected reps)

Thursday, January 19	
8:00am – 8:45am	**Breakfast**- – on your own – be ready to leave hotel at 8:45 am from the Lobby
9:00 am	**Meeting with Senate President Gary Stevens** **Location Room 111** **Phone: Nona or Katrina 907-465-4925 (needs to be confirmed)**
9:45am	**Meeting with Speaker Mike Chenault** Location: Room 208 Phone: Tyra Smith 907-465-3779
10:15am - 11:45am	**Rep. Bob Herron (D) and House Economic Development, International Trade & Tourism Committee** presentation on Arctic Caucus Action Plan Presenting: Matt, Minister Ramsay, Peter Vician, Minister Dixon, Harvey Brooks, Colin Smith, Peter Taylor
12:00pm – 2:00pm	**Lunch with Larry Dietrick,** head of Alaska's oil spill response section **Location: Zen Restaurant – 51 Egan Drive** (907)586-5075
2:00 - 2:30	
2:45pm	**Meeting with Governor Sean Parnell** Location: 3rd Floor, State Capitol, Governor's Conference Room
4:00pm - 5:00pm	**Meeting with Captain Ed Page** US Coast Guard (Ret). Executive Director Marine Security Exchange of Alaska Location: 1000 Harbor Way, Suite 204
5:00pm - 6:00pm	Dinner

Friday January 20	
8:00am	Breakfast and departures

Meetings to be confirmed:

Meeting with Senator Gary Stevens, Senate President (requested for early am)
Hearing on Arctic Caucus with Alaska Finance Committee
Rep. Joule, Chair of Northern Waters Task Force
Minister Curry Dixon, Yukon
Minister Dave Ramsay, NWT
Pizza Lunch with Legislators
Meeting on oil and gas development – Alaska Economic Development Commission
Rep. Mark Neuman (discussion of TransCanada and status of pipeline), Rep.

COURTESY DRAFT COPY TO PNWER DELEGATION



src: USCG

FINDINGS & RECOMMENDATIONS OF THE ALASKA NORTHERN WATERS TASK FORCE



January 30, 2012

Diminishing sea ice and the intensifying worldwide race for natural resources has rapidly increased international interest in the Arctic. Arctic Nations are anticipating the development of northern shipping routes, mineral extraction, oil and gas exploration, commercial fisheries, and tourism.

For Alaska, the economic benefits over the long term could be substantial. But how will we confront the challenges and opportunities awaiting us in the Arctic while also providing for sustainable communities and protecting the environment?

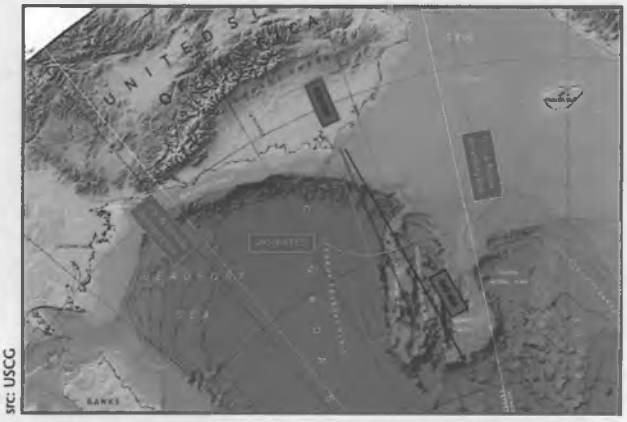
In 2010, the Alaska State Legislature established the Alaska Northern Waters Task Force (ANWTF) to identify opportunities to increase the state's engagement with these issues. On both the state and federal level, the task force has found many urgent needs. The following are its topmost recommendations:

Priority Recommendations

1. Statewide public testimony gathered by the task force made it clear that the state and federal governments must provide Alaskans with meaningful opportunities to participate in Arctic policy and Outer Continental Shelf development decisions. Many local government officials, tribal government representatives, and individuals expressed a need for timelier, more frank, and more thorough information from state and federal authorities regarding policies and activities off Alaska's coasts. The task force believes that consistent, structured communication and consultation—particularly with those Alaskans likely to be most impacted by evolving conditions—is the best way to build consensus, advance responsible policies, and stimulate broadly beneficial economic development.

2. The state of Alaska has only just begun to grapple with the challenges and opportunities developing in the far north. It is imperative the state be strategically involved and in a leadership role in the development of policies affecting the state, its communities, and citizens. It is therefore among the task force's highest priorities to press for the creation of a commission to develop a comprehensive state strategy for the Arctic. As the Arctic changes, the decisions Alaska faces will continue to evolve and grow in complexity. An Alaskan Arctic Commission will enable Alaska to more effectively respond to unfolding developments and will jumpstart Alaska's preparations to ensure that the interests of the state and its people are protected.

3. The ANWTF recommends that the Alaska State Legislature and the state of Alaska continue to urge the United States Senate to ratify the United Nations Convention on the Law of the Sea (UNCLOS). Joining the more than 160 nations that have ratified UNCLOS will enable the U.S. to legitimize its claims to resources in areas of the Continental Shelf that extend beyond the 200-mile Exclusive Economic Zone. To quote President George W. Bush, who, like President Barack Obama, supports U.S. ratification of the convention, "It will give the United States a seat at the table when the rights that are vital to our interests are debated and interpreted."



src: USCG

Map shows the extent of the US Continental Shelf off Alaska's Arctic coast.

The following summarizes top recommendations among the many task force findings in areas including Arctic governance, oil and gas development, marine transportation, infrastructure, fisheries, and research.

The full recommendations of the task force can be found at www.anwtf.com

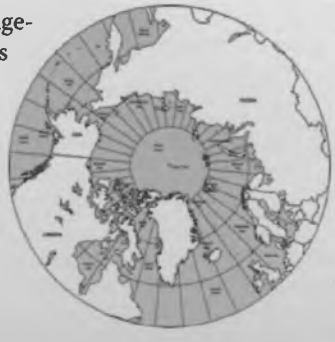
Governance

Changes in the Arctic make it necessary to evaluate the adequacy of existing Arctic governance structures and to consider adjusting these systems or creating new ones to better suit developing needs. At the international level, Arctic Nations must strengthen their relations and enhance regulatory frameworks and policy mechanisms to address pressing issues. We in Alaska must ensure that our Arctic residents and the state of Alaska have a strong voice in these matters.

1. The ANWTF supports the development and implementation of a comprehensive U.S. Arctic strategy. This strategy should ensure that national interests are balanced with Alaska state interests, so that commitments to safeguard the environment and the wellbeing of the region's communities and cultures accompany all plans to advance economic development.

2. The ANWTF recommends that the state of Alaska and the United States participate in the adoption of international agreements for shipping, fisheries, oil and gas development, and other transboundary issues. It is in our interest to ensure all parties develop resources in the region safely and responsibly.

3. The ANWTF recommends the state of Alaska and the Alaska State Legislature support greater international cooperation through the Arctic Council. Having recognized that the Arctic Council is the world's predominant intergovernmental forum for Arctic governance, the ANWTF recommends greater state engagement with the council and its working groups and encourages the council's member countries to support expanding its mandate as an institution for forging multilateral agreements among Arctic Nations.



Oil and Gas Development

A warming Arctic provides new opportunities and challenges for oil and gas development. The U.S. Geological Survey estimates that 13 percent of the Earth's undiscovered oil reserves and 30 percent of undiscovered gas reserves are in the Arctic.

1. The ANWTF recommends that the state of Alaska and the United States develop a framework for the identification, acquisition, and sharing of data and other information to support leasing, permitting, and other agency decisions.

2. The ANWTF recommends that the state of Alaska and the United States support continued improvement in the ability of industry and the government to prevent, contain, control, clean up, and remediate spills in the Arctic. These measures should include contingency plans and response capabilities for all large commercial vessels operating in Arctic waters, including vessels travelling internationally in "innocent passage."



src: commons.wikimedia.org

3. The ANWTF recommends that the University of Alaska establish an oil spill research center.



src: commons.wikimedia.org

Marine Transportation

Maritime powers have been searching for a shorter route from the Atlantic to Asian waters for centuries. The warming Arctic raises the feasibility of two such routes: the Northern Sea Route, north of Russia, and the Northwest Passage, north of Canada and Alaska. Shipping traffic—already increasing—is expected to surge in the decades ahead. We must take steps to establish secure and environmentally sound marine transportation in the region as soon as possible.

1. The ANWTF recommends that the United States, with the participation of the state of Alaska, work with the international community to finalize the Polar Code for ships operating in Arctic waters and examine whether to establish an offshore vessel routing scheme for circumpolar marine traffic, including through the Aleutians.

2. The ANWTF supports increasing short- and long-range navigational aids in the North American Arctic and extending Automatic Identification System (AIS) vessel tracking across the North Slope waters to Tuktoyaktuk, in the Northwest Territories.

3. The ANWTF endorses completing the Aleutian Islands Risk Assessment and recommends that the state of Alaska continue to support and participate in the United States Coast Guard Port Access Route Study.

Fisheries



src: NOAA

As sea ice diminishes and some commercial fish species move into northern waters, interest in fisheries north of the Bering Strait has increased. However, currently there is not nearly enough information available to make sustainable management of commercial fisheries possible there, and in 2009 the North Pacific Fishery Management Council approved a moratorium on fishing in these waters. The ANWTF believes the state of Alaska and the U.S. government should continue in its precautionary policy, but the moratorium should not cause Alaska to postpone research into viable commercial fisheries north of the Bering Strait.

1. The ANWTF recommends greatly increasing fisheries-related research and monitoring in the region.

2. The ANWTF encourages the state of Alaska and the U.S. government to continue actively negotiating fisheries-related transboundary accords with other nations.

3. The ANWTF recommends that the state of Alaska and federal authorities prepare strategies to maximize the degree to which local communities and resident Alaskans will benefit from the development of commercial fisheries in waters north of the Bering Strait.

Infrastructure

Immediate investment in Arctic infrastructure is a foremost priority for Alaska and the entire United States. Increased human activity related to shipping, oil and gas development, commercial fishing, and tourism will require, at a minimum, new ports and safe harbors, equipment and facilities for oil spill response, additional Polar Class icebreakers for the U.S. fleet, and improved charting and mapping.

1. The ANWTF recommends the Alaska State Legislature and the state of Alaska continue to urge the federal government to forward base the United States Coast Guard in the Arctic and to fund the construction of additional icebreakers and ice-capable vessels for the U.S. fleet.

2. The task force recommends the state of Alaska and the federal government continue efforts to develop deep-draft ports and additional safe harbors in northern waters as soon as possible.

3. The ANWTF supports increased funding to expedite the National Ocean and Atmospheric Administration's (NOAA) Hydrographic Arctic mapping. The task force particularly supports updated mapping of coastal navigation routes and entrance routes to coastal villages.

Research


src: gb-sol.co.uk

Worldwide climate change is already having an impact on the Arctic, where temperatures are rising twice as quickly as those in more southern latitudes. Profound transformations are underway in its complex ecosystems. These changes are expected to trigger unprecedented degrees of human activity in the region. As a consequence, transformation in the far north will accelerate all the more, not just environmentally, but also on socioeconomic levels. Under these circumstances, the need for wide-ranging scientific research and monitoring in the Arctic has never been more pressing. We must continue to gather essential baseline information about the environment and its dynamics in order to become better able to discern shifting conditions. In turn, our understanding of the implications of changes there will increase, and we will improve our ability to prepare for and mitigate impacts.

1. The ANWTF recommends that the state of Alaska and the federal government identify priorities for Arctic research. By ranking priorities funding can be targeted more effectively and research can be better coordinated. Major knowledge gaps will be closed far more quickly.

2. The ANWTF recommends improving the exchange of research information and integration of data management. Faster and more extensive integration of data collected by state and federal agencies, academics, and industry would yield enormous benefits for all stakeholders.

3. The ANWTF recommends increased long-term monitoring of the Arctic, including routine surveys of key chemical, physical, and biological parameters of the Beaufort and Chukchi Seas and associated coastal plains. In order to better understand, quantify, and predict the effects of changes in both marine and terrestrial Arctic ecosystems, Alaska must increase our long-term monitoring of a wide range of environmental characteristics.

Alaska Northern Waters Task Force Members

Representative Reggie Joule, Chair, Kotzebue

Senator Bert Stedman, Vice-Chair, Sitka

Senator Lyman Hoffman, Bethel

Representative Bob Herron, Bethel

Larry Hartig, Commissioner, Dept. of Environmental Conservation

Chuck Greene, Vice-President, NANA Corp., Kotzebue

Chris Hladick, City Manager, Unalaska

Edward Itta, Former Mayor, North Slope Borough

Dave Kubiak, Chair, Alaska Marine Conservation Council

Denise Michels, Mayor, Nome

The United States Coast Guard served as the federal liaison and was represented by Rear Admiral Christopher Colvin until May 19, 2011. Upon Rear Admiral Colvin's departure, Rear Admiral Thomas Ostebo served as the federal liaison.

Alternate members

Senator Donald Olson, Golovin

Representative Bryce Edgmon, Dillingham

Cora Campbell, Commissioner, Dept. of Fish & Game

Richard Glenn, Vice President, Arctic Slope Regional Corp., Barrow



July 9, 2011: The Alaska Northern Waters Task Force meets in the village of Wales on the Bering Strait.

For the full findings and recommendations of the task force, please go to www.anwtf.com



Pacific NorthWest Economic Region



PNWER
Arctic Caucus Proceedings

Yellowknife, Northwest Territories
August 17-19, 2011

Barrow, Alaska
December 2-3, 2010





PNWER Arctic Caucus Forum

Yellowknife, Northwest Territories, Canada *17-19 August 2011*

Introduction

The Arctic Caucus was initially formed as an informal sub-set of PNWER, focusing on issues in the northern jurisdictions of Alaska, Yukon and Northwest Territories. After meeting at the 2009 PNWER Leadership Forum in Regina and the 2010 Annual Summit in Calgary, Alberta the group decided to meet at the Annual Summit each year, as well as hold an annual Arctic Caucus Forum in the North.

This Forum was the second meeting north of the 60 parallel. The first meeting was held December 1-3, 2010. The 2011 meeting focused on continuing the development of the Arctic Caucus, further identifying common projects and sharing information on developments in a wide range of topic areas, including:

- Arctic Infrastructure for Development: Cables, Wires, and Towers
- The Arctic Council
- Search and Rescue
- Update on Alaska's Northern Waters Task force
- Oil Spill response
- Mining
- Financing for Infrastructure Development

Welcome to Yellowknife

The opening night of the Arctic Caucus Forum was held at the Air Tindi Hanger at Yellowknife Airport. This location was a chance to showcase and understand the importance of aviation to the development of the North and learn about the many companies that support the logistics of the communities, camps and industry in the NWT. Some of the delegates had come in the night before and were welcomed with a luncheon with Premier Floyd Roland, and attended the first PNWER 'Capital Visit' to Yellowknife, meeting with key industry officials in NWT as well as Ministers and MLA's. The Territorial government was in session, and we were able to visit the Legislature during their session to experience the NWT's 'consensus government' in action.

On Wednesday night, Arctic Caucus delegates were welcomed by former Premier [insert name], and [insert name], a well known storyteller and prospector, who shared stories of prospecting on the land, and prospecting in the Yellowknife Dump, which we learned is a popular tourist destination (really!). We also were welcomed by Mikey of Buffalo Air from the Ice Pilots TV show. Besides the visiting PNWER executive committee (see below) and Arctic Caucus Delegates, many local private sector participants were on hand as well.



Information Exchange and Best Practices

Arctic Caucus Delegates were welcomed by Minister Bob McLeod, PNWER President Representative Mike Schaufler (OR) and Yellowknife Mayor Gord Van Tighem. The Yellowknife Dene drummers also offered a prayer for a good meeting and performed a welcome dance.

The first day of the Arctic Caucus was dedicated to sharing projects, issues and developments across the north. This included a number of presentations on a variety of subjects. The presentations themselves can be found at www.pnwer.org/Arcticcaucus. The following is a discussion of the presentations and questions.

Session 1: Arctic Infrastructure for Development: Cables, Wires, and Towers

- "Gas to Wires" - Rod Lenfest, Boundless Energy and John Cameron, Marsh Creek, LLC, Link
- "Northern Telecom Network Diversity and Associated Funding Models" - Don Pumphrey, NorthwestTel, Link

Gas to Wires:

As with most of the presentations throughout the day, much of this first session focused on infrastructure development. John and Rod presented on the project they are exploring in Alaska, to potentially convert currently stranded natural gas on the North Slope to electricity that could then be shipped by High Voltage Direct Current (HVDC) Technology to markets in Alaska, Canada and the lower 48.

This presentation was in follow-up to one at the Summit [hyperlink] which gave some of the basics of the technology. In general terms, the project would consist of a gas turbine generation plant in the far north of Alaska, the HVDC transmission line to Fairbanks (initially) and on to Anchorage. This line could then be attached to another proposed marine cable to the lower 48 at some point in the future.

One of the major advantages of HVDC is the ability to transport electricity very long distances with very little line loss, a major factor in shipping electricity by more traditional AC methods. Additionally, as opposed to other methods to moving the gas from the North Slope, the permitting process may be easier and quicker for this project, as could the actual laying of the 3-4 inch cable. Another advantage is the ability to put various types of power into the cable at various points along its length. A challenge of HVDC is the need to make a large investment in a conversion transformer, to convert the Direct Current into Alternating Current for use in communities.

Northern Telecom Network Diversity and Associated Funding Models:

At the Barrow meeting, Don Pumphrey presented on the initial opportunities to integrate telecom infrastructure in the Canadian North with Alaska. His presentation in Yellowknife focused on the economic development facilitated in the North by enhanced reliable and robust telecom capabilities. This included sharing a number of companies that have been able to "go global"



from Yukon and NWT through their web connections. One of the points of the presentation included the attractiveness of the quality of life in the North for professionals whose work is geographically independent when telecom enabled.

In order to increase the reliability of the network in the north, it is very important to build circular or redundant connections with broader network resources. This allows the delivery of email, telehealth and other services to greatly decrease their risk of outages.

Don presented a number of proposals and projects that are currently being considered to increase connectivity in the North, while managing some of the costs of providing this service. The presentation pointed out that there is a need for public-private solutions to continue the build-out of the network, as it is a capital intensive process.

Discussion:

Discussion of both presentations followed. The following points were discussed:

- Proponents for large HVDC projects usually include (at least in part) a political driver of the project.
- As a major infrastructure project, HVDC is in its early stage in Alaska, but the idea would be to work with shared or existing rights-of-way with other infrastructure such as pipelines or roads where possible. It was also pointed out that most utilities have worked with AC, and will need to increase their familiarity and education related to HVDC.
- The possibility of a pipeline, road or transmission project would be a strong partnership opportunity for Telecom infrastructure as well.

Session 2: Arctic Council and Search and Rescue (SAR)

- "Update on Canada's engagement in the Arctic Council; outcomes from Nuuk; and upcoming priorities" - Shawn Morton, Canadian Federal Department of Foreign Affairs and International Trade: Link
- "Search and Rescue Overview and Future Plans" - Clayton Purvis, Department of National Defence, Canada: Link
- "An update on Work of the Northern Waters Task Force" - Rep. Bob Herron, State of Alaska: Link

Update on Canada's engagement in the Arctic Council; outcomes from Nuuk; and upcoming priorities:

Shawn began by giving a brief history and background of the Arctic Council. It was started as a consensus based high-level intergovernmental forum. The US, Canada, Denmark, Iceland, Norway, Sweden, Finland and Russia make up the state members, with the other permanent participants representing aboriginal peoples throughout the region:

- Aleut International Association (AIA)
- Arctic Athabaskan Council (AAC)



- Gwich'in Council International (GCI)
- Inuit Circumpolar Council (ICC)
- Saami Council
- Russian Arctic Indigenous Peoples of the North (RAIPON)

The Arctic Council is an important forum for Canada to advance policy and bring forth issues with the other stakeholders in the region. In May 2011, the Arctic Council held its bi-annual Ministerial meeting in Nuuk, Greenland. For the first time, the US Secretary of State participated, signaling further engagement from the US.

The Council is in a phase now of moving from "policy shaping" to "policy making" with the signing of the Search and Rescue (SAR) agreement in Nuuk being their first legally binding document. While the SAR agreement is a significant development for the Arctic Council, it will only formalize further the strong sharing of resources that Canada has with the US and Denmark particularly in this area.

There is a strong opportunity for North America and the PNWER Arctic Caucus to help influence the future of the Arctic Council, as Canada will take over the chair from 2013-2015 with the US the following two years. There is strong interest in identifying a common agenda between the two countries for their leadership of the Arctic Council.

Search and Rescue Overview and Future Plans:

The leadership of SAR in Canada's north is Joint Task Force North (JTF-N), and the US is under US Northern Command. The system is built to include all assets through military branches, civil government institutions and private sector cooperation and involvement in response. That being said, JTF-N may not be the first responders on an incident, but does coordinate the overall response.

In Canada's North, response can be a challenge with over 15 million square kilometers of land and sea. To facilitate response, there are joint response centers always on standby, with the one responsible for the Northwest Territories located in Kingston, ON. Most parts of the country can receive a response in 4 hours, the entire country within 11 hours; although due to sea ice and other factors, larger assets can take quite a while to get into place.

Interestingly enough, even with increased population and traffic in the North, the number of incidents have been stable or even decreasing, with only 3% of all incidents happening in the North. Additionally, Canada has experience repositioning areas of responsibilities and assets to aid the US when its own assets are largely deployed, as they were following Hurricane Katrina.

This fall Canada will be holding a joint tabletop SAR exercise in Whitehorse with the Arctic Council. The scenario is currently in development, but either directly or indirectly there will be outcomes from this event that will be relevant to the Arctic Caucus.



An update on Work of the Northern Waters Task Force:

At the Barrow meeting, the Alaska Northern Waters Task Force (NWTF) held a hearing in conjunction with the Arctic Caucus Forum. Rep. Herron shared an update on Alaska's NWTF activities, goals and timeline, as they relate to the PNWER Arctic Caucus.

The NWTF is looking at models for overseeing development in Alaska that includes strong consultation and information sharing with local stakeholders. While there are many people and organizations that come from the outside to study Alaska, this information is not always broadly shared. There is a need to increase local resident involvement in this work, as it can influence federal, state and local policy. One of the other goals of the NWTF is to identify and coordinate issues of mutual concern to various levels of government.

The Task force has a set schedule of meetings, with seven scheduled throughout the state. The NWTF will then produce a report back to the legislature on their findings and recommendations in:

- Arctic Governance
- Oil, Gas, and Mineral Development
- Arctic Fisheries
- Marine Transportation
- Arctic Research
- Arctic Infrastructure

This report will be publicly available and shared with PNWER Arctic Caucus Members.

Additionally, Rep. Herron pointed out that one area of concern for Alaska is the US Senate's reluctance to ratify the United Nations Convention on the Law of the Sea (UNCLOS). It is very important for the US and this region to support ratification, as it will allow the US to fully define its maritime borders in the high Arctic especially. It will also facilitate management of the increasing amount of maritime traffic in the Arctic, with over 6000 vessels now operating in the region. He asked that PNWER help support Alaska in its efforts to push for adoption of UNCLOS.

Discussion:

The following points were discussed:

- There is technology available to have a common operating picture across the arctic, but it will be necessary to break down barriers to information sharing. PNWER may be able to assist in working with the Marine Exchange of Alaska to install an AIS station in Canada.
- Clayton explained that the private sector is included in response for disaster; however the government does not want to take the place of private sector where they can play a role in a disaster. The private sector is encouraged to be more involved in JTF-N.
- There was a discussion of the Arctic Caucus applying for observer status with the Arctic Council. Shawn suggested working with the Canadian Consulate in Anchorage to discuss this. There is a criteria that have been developed by the Arctic Council to evaluate membership applications. The Arctic Caucus was encouraged to jointly communicate our priorities regarding the Arctic Council to our federal governments' mean time.



Luncheon Keynote: "Update on the MacKenzie Gas Project" - Fred Carmichael, Aboriginal Pipeline Group

The MacKenzie Gas Project is a 1200 km 30 inch pipeline from Inuvik down to the BC/AB border. The project is a joint venture of the Aboriginal Pipeline Group (33.3%), Imperial Oil (33.4%), ExxonMobil, Shell and ConocoPhilips.

The Aboriginal Pipeline Group (APG) was formed in 2000 to share ⅓ interest in the proposed pipeline project for the Aboriginal Groups living on the proposed route. APG is an opportunity for the local communities to benefit from the pipeline and to have a direct voice in its development. This includes a guarantee of set aside work of $1 billion for corridor groups. The project has a potential to be a huge economic boost for the entire region, and supply long term royalty and tax revenues to the Federal government of nearly $10 Billion.

While the MacKenzie Pipeline has been discussed for a number of decades, recently the regulatory process has gone forward with National Energy Board Approval, opening the door to further development of the project. The biggest hurdle to moving forward at this time is finalizing a fiscal framework with the Federal Government to finance the project. These discussions are going on right now, but need to be completed by the end of the year.

Fred would like to have PNWER help support the project as work continues on the fiscal framework. This might be in the form of a letter or other communications to government leaders.

Session 3: National Energy Board (NEB) Review and Spill Response Session

- "Process/Outcomes of Arctic Offshore Drilling Review" - Dr. Brian Chambers, NEB: Link
- "Spill Planning, Preparedness and Response in the Arctic and Opportunities for Cooperation between Alaska, Yukon and NWT" - Larry Dietrick, Alaska Department of Environmental Conservation: Link

Process/Outcomes of Arctic Offshore Drilling Review

With the Deep Water Horizon Spill in the Gulf of Mexico last year, there has been a renewed interest the safety of off-shore drilling. The NEB is one of the agencies that evaluate applications for off-shore drilling, with major roles played by other federal agencies, including Aboriginal Affairs and Northern Development.

The NEB's role is not to evaluate whether there should or shouldn't be drilling in Canada's Arctic, but to ensure that should it happen, safety, environmental management and spill response plans are developed, evaluated and approved. While there have been some small blow outs in wells in the Arctic, the technology to manage it worked properly as opposed to the experience in the Gulf. One of the issues that has come up is the extreme difficulty of responding to a possible spill in the Arctic due to the lack of response resources and climate.

In order to develop a strong response strategy, NEB is working with partners and communities to understand their concerns. There is a desire by communities to be trained in spill response protocols and clarity in the roles in the case of an incident.



Spill Planning, Preparedness and Response in the Arctic and Opportunities for Cooperation between Alaska, Yukon and NWT

With the changing ice pack in the Arctic Ocean, there will be more interest in development and transportation in the North. With an increase in ship traffic, as well as possible drilling activities, the risk for spills is a very important issue to address. This can be mitigated in part by managing well safety, blow out contingencies and containment systems. Even with prevention systems in place, response plans to spills needs to be proactive, and take into account various natural and man-made causes.

In Alaska the spill response is initiated by a reporting of an incident, essentially a 911 call for response. The response plans are developed by integrating Federal, State, Local and Industry plans. As industry is the area with the most expertise, assets and human resources available, they are often in a leading role in response. During a response, these stakeholders are included in the Incident Command System. In looking for models for spill response in the Arctic between jurisdictions, a good model may be the Pacific States and British Columbia - Oil Spill Task Force. http://www.oilspilltaskforce.org

Discussion:

- While the true opening of the Northwest Passage may be a ways off, the amount of traffic is already increasing in the Arctic Ocean, with a lot of interest in possible port development on the Arctic Coast.
- In the case of a response, it is important to realize that the industry has much broader logistic capacity than government. They are typically given the lead in a response because they can do it better.

Session 4: Mining

- "A brief history and mining in the NWT" - Tom Hoefer, NWT and Nunavut Chamber of Mines: Link
- "Infrastructure Gateways to Support Economic Development" -Dr. Harvey Brooks, Yukon Department of Economic Development: Link
- "State Financing of Infrastructure to Facilitate Mineral Development: the Skagway and Red Dog Projects" - Jim Hemsath, Alaska Industrial Development Authority: Link

A brief history and mining in the NWT

The Northwest Territories (and Nunavut) are home to vast mineral resources that due to the large land mass and minimal population are yet unexplored. The NWT is the third largest producer of diamonds in the world. Most communities in the Territories that do host mining operations have minimal other forms of non-governmental jobs.



One of the challenges of the mining industry in NWT is that as an industry with an exhaustible resource, it is important to the Territories, companies and workforce to have strong ideas of what upcoming projects are on the horizon. This is a challenge as only about 1 in 1000 exploration projects lead to a fully developed mine. A challenge in NWT is that exploration has actually been decreasing in recent years.

For much of mining's history in the territory, there has been little involvement by aboriginal groups, but the last 12 years communities and their residents have become more involved in the industry. This has been a positive development for the industry, but there are challenges with communities understanding their partnership role.

Tom pointed out that with the growth of the middle class in India and China, diamond demand looks good going forward, as do economic prospects for other products of NWT. Additionally, he pointed out that NWT must imports 33% of its products from PNWER's Canadian jurisdictions alone, as well as many from the US members.

Infrastructure Gateways to Support Economic Development

Due to geography and history, the Yukon does not have its own deepwater port; the Territory relies on Skagway, Haines and Stewart, BC to ship in and out goods. Since the territory covers a vast area with a minimal population, development of infrastructure and projects needs to be done in partnership with public and private entities. One of the advantages of Yukon from an infrastructure perspective is the high connectivity of its people, with all but one community accessible by road, and 98% of the population having broadband access.

This connectivity has enabled a number of businesses in Yukon to access global markets, and allows for knowledge workers to telecommute from the territory. One of the (re)emerging opportunities for the Territory economically is a new era of mining. This presents new challenges, especially from an infrastructure perspective.

The current increase in mining in Yukon is in part fuelled by devolution, settled land claims (11 of 14 first nations in the territory), as well as an increase in Foreign direct investment, particularly from China. Additionally, mining operations can go through the single window Yukon Environmental and Social-economic Assessment (YESAA) which streamlines permitting processes.

With Yukon's diverse geology, and the current global demand for gold, copper, lead and zinc, there are a large number of potential mines. As many of these claims are far from existing infrastructure, it will present additional challenges to be addressed. Yukon does see the development of the Port of Skagway and the link to the Territory as an integral part of its economic future.



State Financing of Infrastructure to Facilitate Mineral Development: the Skagway and Red Dog Projects

One of the main challenges of developing projects in the North is obtaining financing that makes projects in the north competitive and viable. The Alaska Industrial Development and Export Authority (AIDEA) helps finance commercially viable projects. This includes big and small projects, urban and rural, which has directly contributed 735 jobs to the state. They are conscientious of community support of projects, and require that the borrower have their own capital to invest. Benefits to the program include bringing money into the state and increasing the ability of organizations to receive federal grants, because they have backing from a state agency.

Red Dog Mine is a project that received support through AIDEA. The port at Red Dog is only open three months a year, but the mine is open 365 days a year. This means that all shipping waits for that three month period, during which they moved 1.4 million tons of concentrate. 2.5 billion dollars in zinc export last year. There is a real benefit to owning both the port and the roads leading to it, because you are able to partner with outside companies, like the state did in this case with TECK. The state has a 50 year deal at Red Dog Mine, and has made 6% on the investment.

Skagway is a major port for exporting ore, and has a direct road in Whitehorse, Yukon. Through the state investment they are able to expand to include more ore sheds while working with the mines, the port, and the cruise industry. This adds 35-40 permanent jobs to Skagway, which is a large contribution to a small community.

AIDEA is open to sharing their model with other jurisdictions and partnering to provide capacity. This might be a way to leverage existing institutions with Alaska's neighbors in the North to support economic development.



Action Items:

The final day of the Forum centered around the development of new, and the review of previous, action items. The following table includes the new action items, with the second table giving a brief overview of the status of the action items from Barrow.

Table 1 - New Action Items

#	Action Item	Status
1	Develop joint resource inventory, infrastructure, and opportunity map of the Arctic Caucus Region (Alaska, Yukon, and NWT). This map should be interactive, shared, with multiple GIS layers for infrastructure, resources, with links to contacts and more detailed information. [Suggest each jurisdiction identify a lead person to develop mapping data in their own jurisdiction, with one person to lead the joint effort.]	In progress - the Northwest Territories is the lead and will populate the map. Technical leads from Yukon and Alaska are involved.
2	Bring a report on prospective models for an Arctic Infrastructure Development Authority, and establish a subcommittee to bring a proposal to the next Arctic Caucus Forum.	In Progress - Jim Hemsath at (AIDEA) is working with Harvey Brooks (Yukon) on prospective models for an Arctic Infrastructure Development Authority. Rep. Herron is the Lead for this action item
3	Facilitate the development of a pilot AIS station in the Western Canadian Arctic.	In Progress – Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska
4	Facilitate the development of a public common operating picture for Vessel Tracking and Search and Rescue, along with operational capabilities in the US-Canadian Arctic. Encourage cooperation and coordination protocols to share information across the border and between jurisdictions.	In Progress - Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska is the lead
5	Yukon will coordinate a report back from the Arctic Council Tabletop in Whitehorse (October 2011) results and recommendations for next steps to the Arctic Caucus Search and Rescue initiative. [Post Whitehorse, consider forming a State/Territory Search and Rescue Working	In Progress - Awaiting Final report from Canadian Federal Government - Carl Burgess Yukon Lead



	Group to develop information sharing protocols and guidelines for future initiatives in our region]	
6	Facilitate Arctic state/territorial collaboration for information sharing and coordination on oil spill planning, preparedness and response in the Arctic.	In Progress - Larry Dietrick, head of Alaska's oil spill response section, is the lead and has been engaged with Yukon and NWT on Emergency Management and Oil Spill Response Coordination.
7	Ask PNWER to suggest to the appropriate US and Canadian Federal government Officials that they: A) coordinate their chairmanships of the Arctic Council (2013-2017). [Alaska will request to the US, identifying key issues, and the Territories will make the request to Ottawa, and B) include economic and infrastructure development for the benefit and sustainability of northern people and their arctic communities in their objectives	In Progress - PNWER has a draft Arctic Council Letter and will have Rep. Schaufler and Arctic Caucus Leads sign and submit it to the U.S. and Canadian Federal Government.
8	Develop a PNWER Arctic Caucus strategy to strengthen the voice of our arctic communities for the 2013-2017 Canada and US Chairmanships of the Arctic Council, in addition to other organizations the group recognizes. This should be a multifaceted strategy engaging the entire PNWER region.	In Progress – Mike Pawlowski is the lead
9	Craft a resolution for presentation to the PNWER executive in November supporting the commercialization of Arctic Gas.	On hold until Strategy is Determined
10	Develop and create alignment on a common vision to forward the northern regions telecom infrastructure to support economic development; including Alaska, NWT and Yukon in a cross jurisdictional view. This vision should specifically provide northern business and residents with higher speed and greater capacity data networks, and bring greater diversity and survivability to these networks in all jurisdictions. The vision should also look to capitalize on existing infrastructure already in place and leverage cross jurisdictional opportunities.	In Progress - Don Pumphrey of NorthwesTel gave a presentation to the Alaska Broadband Task Force on November 17th.
11	Review the map of sub-national and regional actors and develop recommendations for areas of action for the Arctic Caucus.	In Progress the Institute of the North is the lead
12	Facilitate a meeting with Fran Ulmer, Director of the Arctic Research Commission on ways to support development of Northern Research and a potential	In Progress - Fran Ulmer participated at Sept. 28th, 2011 meeting -



	collaboration with the territories on further development of post-secondary education, training, and research opportunities across the North.	recommended engaging USARC before the April 22-25 IPY Conference in Montreal
13	Send a letter of support to the Governor and Lt. Governor of Alaska supporting US ratification of UNCLOS, and work on joint communication from PNWER member jurisdictions to their federal congressional delegations for the capital visit to Washington, DC. Have a model letter, speaking points and develop a presentation for delegates at the PNWER Winter meeting to encourage US signing of UNCLOS.	In Progress – ION is the lead and PNWER is working with Sen. Ranker on a drafting the letter
14	Draft Arctic Caucus Organizing Committee, each jurisdiction lead should submit potential delegates to PNWER by November 15, 2011 for PNWER Executive Committee meeting in Victoria	Completed
15	Establish an Arctic State/Territorial working group to identify and share jurisdictional best practices on resource development regulatory systems.	In Progress – Suggested as a topic for discussion at the Whitehorse Forum
16	Recommend that the PNWER Workforce Development Working Group include topics related to training for Northern Industries and peoples	In Progress –

Table 2- Action Items from Barrow with Status

Action Item	Status
Map out sub-national and regional actors so that it is relevant and non-duplicative (identify niches).	In Progress
Advocate for cabinet-level (US) participation in the Arctic Council	Completed
Convene in May/June in Northwest Territories prior to the annual meeting, which will take place in Portland.	Completed (Held meeting in August)
Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)	In Progress (Alaska passed House Joint Resolution 15)
Provide a platform for connecting science and policy in order	Will be referred to President



to meet its mission of economic development. Suggest to University Presidents Round Table	Round Table and an academic liaison will be requested.
Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/exercises	In-progress
Promote federal support of the Alaska/Canada highway and Shakwak funding.	On-going. PNWER has sent a letter, and will again when Alaska and/or Yukon request.
Support Broadband infrastructure development Interconnectivity (Wide Area Network)	Ongoing. See this meetings action items.
(Support Development of Northern University in Canada) Invite Yukon College, Ilisagvik, Aurora Colleges to University Presidents' Round table	This has been referred to both the University Presidents' Round table and the Workforce Development Working Group.
Communicate proceedings and conclusions of Northern Waters task Force to regional members.	Completed.
Have Arctic Caucus keynote panel at the Summit	Likely to be included in the 2012 Summit
Suggest content to the Legislative Energy Horizon's Institute (LEHI) and Transportation Institute on issues in the north.	Partially completed (Alaska specific content was included in the Transportation Institute and LEHI leadership will look at it and how to include content.)
Identified Issue: 1. Gas Pipeline development (Reshare Pipeline study) 2. UNCLOS 3. Transmission/Local Energy Development 4. Joint Tourism/Marketing 5. Training/Workforce Development 6. Support development of youth exchange programs (Ian) 7. Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure.	These items are not action items, but rather potential areas of interest, but some work has been done on items 1 and 6, with most other items included in action items from this meeting (Table 1)



PNWER Executive Committee's first Capital Visit to Yellowknife

The Northwest Territories joined PNWER officially in the Summer of 2009. The executive committee of the PNWER board typically visits each capital city at least every other year to better understand the economy, politics, culture and priorities of our member jurisdictions.

On August 17th, members of the PNWER executive from Alaska, Oregon, Idaho, Washington, Alberta, Yukon and Alaska held their first official capital visit ever to Yellowknife. This visit was both a chance to deepen our already existing relationship with the Territories, and to build new ones.

Meetings and presentations were very informative for visiting PNWER Delegates. We were welcomed by Minister of Industry, Tourism and Investment, the Hon. Bob McLeod. Member of the Legislative Assembly (MLA) David Ramsey led a discussion about the Standing Committee on Economic Development and Industry (SCEDI). He was joined by other committee members David Krutko, Jackie Jacobson and Bob Bromley for parts of the discussion as well.

Following the discussion with the Executive Committee members, the Speaker of the House, The Hon. Paul Delorey shared a great deal of information about the legislature and the unique style of consensus government unique to the Northwest Territories and Nunavut. This proved to be a very interesting topic for all of the visitors, leading to a lively discussion.

Following the Speaker, Premier Floyd Roland met with the group. He further explained the importance of PNWER membership to the territories, and the need for deeper cooperation amongst our members. He was thanked by the executive committee for his contribution, as he has announced he will be stepping down this fall.

In the afternoon, Executive Committee members were given a tour of the spectacular capital building and observed the opening session of the legislature. (View the transcript of the group's introduction here.) This was followed by a very productive meeting with 10 representatives of the private sector in the NWT.

The meeting with the private sector highlighted the wide ranging opportunities in the territories, but reiterated a theme heard throughout the Arctic Caucus as well. There are many challenges in housing, human resources, regulatory complexity and investment that members of the private sector are interested in working with PNWER on.



Policy Tours

Giant Mine Remediation

The Giant Mine is a large gold mine in the city limits of Yellowknife. The mine has now been out of production for most of a decade, but the process used to process ore deposited about 230,000 tons of highly toxic arsenic trioxide into underground mine chambers. Due to fluctuating water tables, there is major concern that this could be released into the local environment, including nearby Great Slave Lake.

The previous developers of the site went out of business, leaving it to Environment Canada to come up with a solution for the site. After considering a large number of options, the project is moving forward to permanently freeze the arsenic dust in place. Currently there is a test project underway to freeze one of the 14 underground three-story plus high chambers storing the toxic waste. Based on the results of this test, freezing of the other chambers will go forward over the coming years.

The PNWER delegation was given a very in depth overview of the project and was able to tour most of the above ground features of the project, which is spread over hundreds of acres and bisected by one of the main roads out of Yellowknife.

Still to be included

- Links to:
    - Presentations
    - Past Arctic Caucus Proceedings



PNWER's Arctic Caucus Leadership Forum

Barrow, Alaska, U.S. *1-3 December 2010*

Introductions

Sponsored by:

As part of PNWER, the Arctic Caucus formed in 2009 as an informal group of legislators, government officials, business and nonprofit leaders committed to the responsible development of North America's Arctic.

The Caucus provides a forum within PNWER for the Arctic jurisdictions of Alaska, Yukon and the Northwest Territories to share information, discuss issues of mutual concern, identify areas of concern, identify areas for collaboration, which may include working with other jurisdictions, and providing Arctic-relevant input to PNWER working groups.

Welcome to Barrow

Barrow's hospitality and the significant amount of assistance given by the North Slope Borough through three days of the Arctic Caucus Leadership Forum in Barrow should be recognized from the beginning. From the opening night reception, the tour of Barrow and Point Barrow, the community reception that featured traditional dancing and rides to and from the airport, the warmth and receptiveness with which PNWER was received is well-appreciated and deserves to be highlighted in this proceedings.

Setting the stage – Arctic Policy 101

Summary of three presentations:

- *Colonel Todd Balfe, Deputy Commander, Alaska NORAD Region*
- *Giles Norman, Canadian International Centre for the Arctic Region*
- *Consul General, Phil Chicola, US Consulate General, Vancouver, BC*

An important feature of this first Arctic Caucus Leadership Forum was to impart on attendees basic and compelling information about Alaska, the Yukon Territory and the Northwest Territories, as well as their relationship to and with the Arctic as a whole. Important throughout was how integrated Canada and the United States are. That integration provides good guidance to PNWER and provides a model of cooperation for the Arctic Caucus.



Security, of course, is a primary area of interest for the region and between the two countries and the effective integration of processes, polices and communication is important to remember. This has been done through NORAD where business is conducted efficiently to protect and secure.

Of particular importance, and something for the Arctic Caucus to remember, is the Arctic policy of both countries to protect and demonstrate sovereignty, In this, it was interesting to hear a reference to "empowering" sovereignty – cooperation between the two countries has meant empowering mutually dependent and interconnected societies.



Successfully communicating and sharing critical data ensures leveraged security on both sides of the border. When thinking beyond defense, search and rescue becomes a primary focus, which is supported by both the U.S. and Canada Coast Guards. Responding to life threatening situations in the Arctic precludes borders; search and rescue operations are conducted with that in mind. It is a necessary response to saving lives. The Arctic Caucus heard this expressed by members of the community as well.

That said, those attending heard that the region needs to expand cooperation and its ability to respond to crisis in Arctic waters. PNWER could advocate for increasing Arctic SAR exercises and building northern communities' capacity to respond.

This report must stress – given the number of times iterated – the underlying theme of the importance of relationships in accomplishing goals in the Arctic. Developing capacity and demonstrating capability is best illustrated by expanding the existing spheres of cooperation.

In this, cooperative was described in terms of the *practical* (i.e. military) component rather than the *political* (i.e. diplomacy and sovereignty) component. Here the Arctic Caucus can leverage the military relationship to achieve political, environmental and economic development goals. That military relationship extends to search and rescue operations across borders.

One Area of Interest (**AOI**) for PNWER's Arctic Caucus could be increased Arctic surveillance consisting of environmental research and vessel tracking. A current of lack of surveillance infrastructure results in lack of critical date flowing to decision makers.

It is interesting to think of the region's sensitivity to location. In Canada, an established piece of the nation's identity is northern. The same can not be said for much of the United States. The



average American does not identify the U.S. as an Arctic nation. This could be another area to address by the Arctic Caucus – providing responsible education and outreach to those in and outside the region in the interest of better developing an understanding of the challenges and the opportunities facing Alaska, the Yukon and the Northwest Territories.

In the United States, Arctic policy has been developed in a bipartisan manner, and includes the following key points:

- Post cold war security and defense;
- Environmentally sustainable natural resource management;
- Involvement of indigenous peoples;
- Enhancement of science and research capability;
- Strengthening partnerships; and,
- Protecting the environmental.



The U.S. also prioritizes strategic governance, which has meant that the U.N. Convention on the Law of the Sea (UNCLOS) has been endorsed by the presidency but continues to wait to be ratified by Congress. This is a major challenge to Arctic diplomacy though activities continue to proceed under customary policies.

For instance, Arctic nations continue to map their Outer Continental Shelf limits and Exclusive Economic Zones. The establishment of a multi-national Hydrographic Commission continues to move forward. Both promote responsible natural resource management and define boundaries and jurisdictions, which is important to the United States.

The U.S. prioritizes addressing Arctic issues through the Arctic Council and will work to strengthen the Council.

An **AOI** for the Arctic Caucus could be to advocate for Cabinet-level participation by the U.S. in the Arctic Council, providing some guidance at a national level and elevating the work within our region.

Canada's Arctic Policy is very similar to that of the United States, including:

- Exercising sovereignty
- Environmental protection
- Local benefit



As was mentioned, the Arctic is part of Canada's national identity, unlike in the U.S. That has meant a more significant focus on Canada's northern region and priorities, with critical investment in community infrastructure to benefit economic development. Power and transportation infrastructure issues remain key to economic development and are possible arenas for collaboration.

It is important here to highlight the role of First Nations in Canada's Arctic policy and the strong partnership that exists with first Native Alaskan communities. In identifying challenges and opportunities, Canada's indigenous peoples have a crucial seat at the table.

The Beaufort Sea boundary dispute remains a challenge, though the Prime Minister has identified this as one priority to be addressed in the near future.



The group heard that over-the-top passages in the Arctic focused on the Northern Sea Route and less on the Northwest Passage. The Bering Strait will remain a chokepoint and important, at least, for Alaska.

One recurring theme was the need to connect science and policy, and to promote space for that dialogue to take place.

A number of other takeaways include:

- Canada's youth have been involved in a Model Arctic Council; and have also served as ambassadors at Northern-focused conferences.
- The Conference of Arctic Parliamentarians is considered a very important platform for lawmakers to participate in.
- The Alaska State Legislature has previously passed resolutions in support of UNCLOS.
- In regards to cultural heritage and social challenges, the Arctic Council's SDWG focus is on the human dimension and a good platform for addressing these issues.

There is a need for the identification of resources and research to supplement existing knowledge within the PNWER Arctic Caucus. Possible online resources include the International Polar Year (IPY), the Institute of the North, the Northern Forum, the University of the Arctic (UArctic), Arcticnet, and the Northern Waters Task Force.

Two final recommendations came during this session. The first supports addressing and mitigating tension between local users and industry/shipping. An integrated oceans management system (found in Canada and Norway) is an ecosystems-based approach to management. Here, nothing is looked at in isolation and local communities are involved as part of the plan.



Perhaps one of the greatest functions that PNWER's Arctic Caucus could play is in providing a pan-Northern approach to federal government, which has been successful in Canada. By sharing knowledge, interests and best practices, the three jurisdictions are able to articulate a coordinated approach to economic development in the North.

Northern Waters Task Force – Sidebar

The PNWER Arctic Caucus Leadership Forum leveraged its session by coordinating closely with the State of Alaska's Northern Waters Task Force (NWTF), which was able to hold a public hearing during the event.

The Northern Waters Task Force was created in response to increased activity off of Alaska's coast – marine shipping, fisheries, transportation – and works to define Alaska's role relative to these issues.

The community hearing in Barrow brought to light many issues facing the community, northern lands and waters, and challenges shared with neighbors.

The main thrust of many of the comments made during the NWTF hearing was that cultural, social and environmental issues need to be included in decision-making and a balanced approach taken, likened to that of the SDWG and the human dimension. The state has an opportunity to include local decision making and input in its approach to coastal zone management.

One concern highlighted during testimony was that of resource development in the Arctic and the state's ability to respond to oil spills without adequate existing technology nor critical infrastructure.

The region does have an asset in the amount of research conducted from Barrow's NARL facility. Research here has had a significant impact on ecosystem management in the area, including whaling.

Another asset of the region is found in Ilisagvik College, whose mission is to meet the resource needs of local employers while maintaining cultural heritage. Of concern was respect for traditional and local knowledge.

When considering Arctic issues, the NWTF heard that lawmakers should look outside state/federal jurisdictions to the resources they have in the people closest to the land.

For many, it came back to the value systems driving governance decisions. Citizens in Barrow were left wondering what to hold onto?

Afternoon Session – PNWER

- *Larry Hartig, Commissioner, Department of Environmental Conservation (Alaska)*
- *The Honourable Jim Kenyon, Minister of Economic Development (Yukon)*
- *David Ramsay, MLA (Northwest Territories)*
- *Ray Prins, MLA (Alberta)*

PNWER's Arctic Caucus is responding to the increased attention paid to the Arctic and within Alaska. Open water has meant new interest in energy, mineral development, military activity and social/cultural/environmental protection.

While there are multilateral and bilateral agreements in place to protect the environment or secure borders, as well as increasing community input, it is important to provide a regional voice. Adapting to change is a huge component and reverberates throughout the challenges the region faces.

Alaska, the Yukon Territory and the Northwest Territories have similarities in population density, distance between communities, and infrastructure needs that make sense when speaking with one voice. There are common interests and common opportunities in the region – energy costs, climate change, non-renewable resource base, adventure travel, infrastructure, transportation linkages – that allow for synergistic development.

In Canada, devolution has been important for the northern territories and highlights local control and input. First Nations in Canada have mostly settled their lands claims and now act as foreign governments given their sovereignty. The level of consultation goes well beyond that of the south of Canada.



At the same time, Canada has invested in infrastructure that gets minerals out – i.e. a zinc mine ten times larger than Red Dog is being developed in Yukon, with investment in and shipping planned to Asia (a target market).

Currently, NWT is going through the process of devolution with Canada's federal government that includes the transfer of funding and government positions. This process is accomplished while working in concert with aboriginal partners and with federal government with a plan to give a portion of the new revenue to the Territories' First Nations.

We can also think about other PNWER locations as "gateway jurisdictions." Alberta, B.C., and Washington serve to support northern neighbors, with a specific interest in energy and transportation – and transportation of energy – as well as strengthening economic connectivity.



Within northern jurisdictions, one of the priorities is seen to be supporting communities that are off the road by offering business incentives (local labor), resource development (training), community revenue sharing, and increased connectivity. In regards to this PNWER could conduct an infrastructure gap assessment – what's there vs. what could be put there.

Transportation

- *Admiral Thomas Barrett, Deputy Federal Coordinator*
- *Bruce Harland, VP Crowley*
- *Captain Ed Page, Marine Exchange of Alaska*

One challenge that is particularly difficult is convincing federal policy makers of the need for rural infrastructure investment given limited populations. The ability to make a compelling return on investment justification is important in this regard.

A lack of infrastructure inhibits economic development opportunities and the quality of life for communities. For many issues northerners need to focus on prevention rather than response – this is especially true when considering environmental disasters such as an oil spill. One component of prevention is knowledge of what's out there – i.e. marine vehicle tracking system in place off coast of Alaska.

Invest in infrastructure. The bottom line is that there is an incredible amount of research out there supporting the fact that infrastructure investment results in economic growth, energy efficiency, productivity, public health, and emergency response.

A gap analysis of telecommunications networks between Canada and Alaska indicates areas of opportunity for connection and survivability. Collaboration could improve network diversity and opens up other economic opportunities.

We should address objectives – vibrant communities with sustained heritage; healthy and better connected communities; adequate emergency, prevention and response capabilities. In this, there is a need to better anticipate needs and desires of northern peoples and economy (communicating a shared vision). One way to accomplish this is to develop private-public partnerships – that include indigenous participation – so that projects are able to compete nationally.

Connectivity in the North is driven by distance, geography, cost, and population. Data is sent south to population centers where it's redistributed back to consumers. Could we make the Alaska Highway an information superhighway?



Takeaways and final day's discussions

Work must be done to develop the role of the Arctic Caucus in feeding issues into established PNWER working groups and informing the work of the Annual Summit.



Communication is going to be integral to Arctic Caucus success – and time should be given to a private/public sector panel discussion at Summit highlighting interest and sharing.

We have to be careful that jurisdictions involved in Arctic Caucus process don't replace other activities within PNWER. An integrated approach to this will be appropriate.

Proposed Arctic Caucus Action Items (December 2010)

Type= S-Substantive, A-Administrative, C-Communicative (Letter Writing)

Type	Action Item	Team Lead	Initial Team Members
A	Map out sub-national and regional actors so that it is relevant and non-duplicative (identify niches).	Nils Andreassen	Ian, Carl
C	Advocate for cabinet-level (US) participation in the Arctic Council	Senator McGuire	Mike Pawlowski
A	Convene in May/June in Northwest Territories prior to the annual meeting, which will take place in Portland.	David Ramsay	Linda Ecklund
C	Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)	Rep. Herron	David Ramsay, Min. Kenyon
S	Provide a platform for connecting science and policy in order to meet its mission of economic development. Suggest to University Presidents		Ian



	round Table		
S	Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/excersises	Capt. Page	Mike Pawlowski, Jackie Jacobson, Carl Burgess
S	Promote federal support of the Alaska/Canada highway and Shakwak funding.	Mike Pawlowski	Min. Kenyon
S	Support Broadband infrastructure development Interconnectivity (Wide Area Network)	Don Pumphrey	Krag Johnsen (GCI), Mike Pawlowski
S	(Support Development of Northern University in Canada) Invite Yukon College, Ilisagvik, Aurora Colleges to University Presidents' Round table	Andrea	PNWER Secretariat, Kevin Cook
C	Communicate proceedings and conclusions of Northern Waters task Force to regional members.	Mike Pawlowski	
A	Have Arctic Caucus keynote panel at the Summit	Mike Pawlowski	
	Suggest content to the Legislative Energy Horizon's Institute and Transportation Institute on issues in the north.	David	
	Identified Issue : • Gas Pipeline development (Reshare Pipeline study) • UNCLOS • Transmission/Local Energy Development • Joint Tourism/Marketing • Training/Workforce Development • Support development of youth exchange programs (Ian) • Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure.		



Draft #8
Terms of Reference
for the
PNWER Arctic Caucus

November 30, 2010

Background
First proposed in concept by Senator McGuire in October 2009, the PNWER Arctic Caucus was formed in November 2009 as an informal group of legislators, government officials, business and non-profit leaders committed to the responsible development of North America's Arctic. The Arctic Caucus's first open meeting was held at the July 2010 Annual PNWER meeting in Calgary, Alberta. The next meeting of the Arctic Caucus is planned for December 1-3, 2010 in Barrow, Alaska.

Purpose
The purpose of the Arctic Caucus is to provide a forum within PNWER for the arctic jurisdictions of Alaska, Yukon and NWT to share information, discuss issues of mutual concern, identify areas for collaboration, which may include working with other jurisdictions, and providing arctic-relevant input to PNWER working groups.

Expected Outcomes

- Share information, strengthening PNWER's capacity to engage at national level on arctic issues.
- Support each other in achieving mutual goals.
- When appropriate, provide support to other jurisdictions to help them achieve their individual goals.
- Provide a unified arctic voice to direct PNWER's convening and advocacy capacity to advance cooperation on arctic issues.
- Review the work of other PNWER working groups in order to provide and accommodate the arctic perspectives and positions.
- Increase attention to arctic issues within PNWER in general, increased reflection of the arctic position within the work of PNWER working groups, including the provision of Arctic policy/positions and interests for visits to our national capitals.
- Provide input and suggestions into topics and speakers for Summits/Forums.
- Identify areas regarding opportunities for mutual economic development in the Arctic.



Composition

The Arctic Caucus will be made up of PNWER public and private sector members from Alaska, NWT and Yukon. Other PNWER jurisdictions are encouraged to participate and to provide their input according to their interest issues affecting the Arctic.

The Caucus will be chaired on an annual rotation by one of the three core members. Core members will be responsible for setting the agenda and determining the interests and direction of the group.

Process

- The AC should compile an annual summary to be tabled at the Annual PNWER meeting.
- The AC would meet at least once a year as a group within the PNWER context (summer or winter meeting) and conduct most of its work through "virtual" means.
- The AC is free to call additional meetings in one of the member jurisdictions.
- The AC Chair would devote a larger portion of his/her time to meeting organization and project organization, if applicable.
- PNWER will provide Secretariat support to the group.

Timetable
Goals for Year One

- Develop a Terms of Reference for the group
- Identify areas of common interests
- Isolate priorities
- Develop action items
- Table a summary at summer meeting



Processes	Issues
Indigenous and local input	Energy
Partnerships and collaboration	Research
Cross-border infrastructure	Telecommunications
Involvement of youth	Transportation
Pan-Arctic voice	Security

Questions for Consideration by PNWER's Arctic Caucus	
	How does PNWER's Arctic Caucus respond to concerns for local input and sharing? What mechanisms can be put in place to ensure an open "table" and access to it?
	How does timing impact our decisions? What is our urgency index? How can PNWER's Arctic Caucus be proactive and strategic in its approach, while also being responsive?
	What could PNWER contribute to the Canada and U.S. chairmanships of the Arctic Council?
	How do issues highlighted by the Arctic Caucus contribute to the overall mission of economic development in the PNWER?

1/31/12 Presentation: Canada-Alaska Relations Update

<TARGET><BILL></BILL><SUBJECT>1-31-12 Presentation Canada-Alaska Relations Update</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, January 31, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

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Today we welcome two friends from Canada:

- Canada's Consul General Denis Stevens (Based in Seattle) and
- Consul Peter Taylor (Based in Anchorage). [Also staff Allison Biastock present but not presenting.]

They will be giving a powerpoint presentation titled: "Relations with Canada: A Time of Opportunity." Consuls, welcome.

[Presentation and Questions happen.]

[Note for next meeting]:
We'll be meeting again Thursday where we'll have HCR 19 back before us and presentations from:

- Brian Holst, Director of the Juneau Economic Development Council; AND
- Mark Myers, Vice Chancellor for Research, University of Alaska, Fairbanks



Action Items:

The final day of the Forum centered around the development of new, and the review of previous, action items. The following table includes the new action items, with the second table giving a brief overview of the status of the action items from Barrow.

Table 1 - New Action Items

#	Action Item	Status
1	Develop joint resource inventory, infrastructure, and opportunity map of the Arctic Caucus Region (Alaska, Yukon, and NWT). This map should be interactive, shared, with multiple GIS layers for infrastructure, resources, with links to contacts and more detailed information. [Suggest each jurisdiction identify a lead person to develop mapping data in their own jurisdiction, with one person to lead the joint effort.]	In progress - the Northwest Territories is the lead and will populate the map. Technical leads from Yukon and Alaska are involved.
2	Bring a report on prospective models for an Arctic Infrastructure Development Authority, and establish a subcommittee to bring a proposal to the next Arctic Caucus Forum.	In Progress - Jim Hemsath at (AIDEA) is working with Harvey Brooks (Yukon) on prospective models for an Arctic Infrastructure Development Authority. Rep. Herron is the Lead for this action item
3	Facilitate the development of a pilot AIS station in the Western Canadian Arctic.	In Progress – Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska
4	Facilitate the development of a public common operating picture for Vessel Tracking and Search and Rescue, along with operational capabilities in the US-Canadian Arctic. Encourage cooperation and coordination protocols to share information across the border and between jurisdictions.	In Progress - Mike Pawlowski is working with Captain Ed Page, Marine Security Exchange of Alaska is the lead
5	Yukon will coordinate a report back from the Arctic Council Tabletop in Whitehorse (October 2011) results and recommendations for next steps to the Arctic Caucus Search and Rescue initiative. [Post Whitehorse, consider forming a State/Territory Search and Rescue Working	In Progress - Awaiting Final report from Canadian Federal Government - Carl Burgess Yukon Lead



	Group to develop information sharing protocols and guidelines for future initiatives in our region]	
6	Facilitate Arctic state/territorial collaboration for information sharing and coordination on oil spill planning, preparedness and response in the Arctic.	In Progress - Larry Dietrick, head of Alaska's oil spill response section, is the lead and has been engaged with Yukon and NWT on Emergency Management and Oil Spill Response Coordination.
7	Ask PNWER to suggest to the appropriate US and Canadian Federal government Officials that they: A) coordinate their chairmanships of the Arctic Council (2013-2017). [Alaska will request to the US, identifying key issues, and the Territories will make the request to Ottawa, and B) include economic and infrastructure development for the benefit and sustainability of northern people and their arctic communities in their objectives	In Progress - PNWER has a draft Arctic Council Letter and will have Rep. Schaufler and Arctic Caucus Leads sign and submit it to the U.S. and Canadian Federal Government.
8	Develop a PNWER Arctic Caucus strategy to strengthen the voice of our arctic communities for the 2013-2017 Canada and US Chairmanships of the Arctic Council, in addition to other organizations the group recognizes. This should be a multifaceted strategy engaging the entire PNWER region.	In Progress – Mike Pawlowski is the lead
9	Craft a resolution for presentation to the PNWER executive in November supporting the commercialization of Arctic Gas.	On hold until Strategy is Determined
10	Develop and create alignment on a common vision to forward the northern regions telecom infrastructure to support economic development; including Alaska, NWT and Yukon in a cross jurisdictional view. This vision should specifically provide northern business and residents with higher speed and greater capacity data networks, and bring greater diversity and survivability to these networks in all jurisdictions. The vision should also look to capitalize on existing infrastructure already in place and leverage cross jurisdictional opportunities.	In Progress - Don Pumphrey of NorthwesTel gave a presentation to the Alaska Broadband Task Force on November 17th.
11	Review the map of sub-national and regional actors and develop recommendations for areas of action for the Arctic Caucus.	In Progress the Institute of the North is the lead
12	Facilitate a meeting with Fran Ulmer, Director of the Arctic Research Commission on ways to support development of Northern Research and a potential	In Progress - Fran Ulmer participated at Sept. 28th, 2011 meeting -



	collaboration with the territories on further development of post-secondary education, training, and research opportunities across the North.	recommended engaging USARC before the April 22-25 IPY Conference in Montreal
13	Send a letter of support to the Governor and Lt. Governor of Alaska supporting US ratification of UNCLOS, and work on joint communication from PNWER member jurisdictions to their federal congressional delegations for the capital visit to Washington, DC. Have a model letter, speaking points and develop a presentation for delegates at the PNWER Winter meeting to encourage US signing of UNCLOS.	In Progress – ION is the lead and PNWER is working with Sen. Ranker on a drafting the letter
14	Draft Arctic Caucus Organizing Committee, each jurisdiction lead should submit potential delegates to PNWER by November 15, 2011 for PNWER Executive Committee meeting in Victoria	Completed
15	Establish an Arctic State/Territorial working group to identify and share jurisdictional best practices on resource development regulatory systems.	In Progress – Suggested as a topic for discussion at the Whitehorse Forum
16	Recommend that the PNWER Workforce Development Working Group include topics related to training for Northern Industries and peoples	In Progress –

Table 2- Action Items from Barrow with Status

Action Item	Status
Map out sub-national and regional actors so that it is relevant and non-duplicative (identify niches).	In Progress
Advocate for cabinet-level (US) participation in the Arctic Council	Completed
Convene in May/June in Northwest Territories prior to the annual meeting, which will take place in Portland.	Completed (Held meeting in August)
Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)	In Progress (Alaska passed House Joint Resolution 15)
Provide a platform for connecting science and policy in order	Will be referred to President



to meet its mission of economic development. Suggest to University Presidents Round Table	Round Table and an academic liaison will be requested.
Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/exercises	In-progress
Promote federal support of the Alaska/Canada highway and Shakwak funding.	On-going. PNWER has sent a letter, and will again when Alaska and/or Yukon request.
Support Broadband infrastructure development Interconnectivity (Wide Area Network)	Ongoing. See this meetings action items.
(Support Development of Northern University in Canada) Invite Yukon College, Ilisagvik, Aurora Colleges to University Presidents' Round table	This has been referred to both the University Presidents' Round table and the Workforce Development Working Group.
Communicate proceedings and conclusions of Northern Waters task Force to regional members.	Completed.
Have Arctic Caucus keynote panel at the Summit	Likely to be included in the 2012 Summit
Suggest content to the Legislative Energy Horizon's Institute (LEHI) and Transportation Institute on issues in the north.	Partially completed (Alaska specific content was included in the Transportation Institute and LEHI leadership will look at it and how to include content.)
Identified Issue: 1. Gas Pipeline development (Reshare Pipeline study) 2. UNCLOS 3. Transmission/Local Energy Development 4. Joint Tourism/Marketing 5. Training/Workforce Development 6. Support development of youth exchange programs (Ian) 7. Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure.	These items are not action items, but rather potential areas of interest, but some work has been done on items 1 and 6, with most other items included in action items from this meeting (Table 1)



Denis Stevens

Denis Stevens (BA Honours, Harvard University, 1988; LLB, MBA, McGill University, 1992) was called to the Ontario bar in 1994. He joined the Department of Foreign Affairs and International Trade in 1996, where he served as policy adviser to the minister of foreign affairs, deputy director in the Human Rights Division and director of policy in the Secretariat on War-Affected Children. A graduate of the Accelerated Executive Development Program, he has, since 2001, served in management positions at the departments of Justice, Indian and Northern Affairs, Public Safety, and at the Privy Council Office. Since 2007, he has been the director general of intergovernmental relations and public outreach at Foreign Affairs and International Trade Canada. He is married to Geneviève Chanteloup, and they have two daughters.

M. Denis Stevens (B.A. avec spécialisation, Université Harvard, 1988; LL.B. et M.B.A., Université McGill, 1992) est devenu membre du Barreau de l'Ontario en 1994. Il est entré au ministère des Affaires étrangères et du Commerce international en 1996, où il a occupé les postes de conseiller en politique auprès du ministre des Affaires étrangères, de directeur adjoint de la Direction des droits de la personne et de directeur de la politique au Secrétariat pour les enfants touchés par la guerre. Diplômé du Programme de perfectionnement accéléré des cadres supérieurs, il a occupé depuis 2001 des postes de direction au sein de divers ministères (Justice, Affaires indiennes et du Nord, Sécurité publique), ainsi qu'au Bureau du Conseil privé. Depuis 2007, il est directeur général, Relations intergouvernementales et relations auprès du public, à Affaires étrangères et Commerce international Canada. Il est marié à Geneviève Chanteloup, et le couple a deux filles.

Peter Taylor
Consul, Political/Economic Relations and Public Affairs
Consulate General of Canada, Anchorage, Alaska

Peter Taylor was born in Fredericton, New Brunswick in 1949. He earned his B.A. and M.A. in history from the University of New Brunswick and undertook doctoral studies at the University of London. After teaching history at UNB and the University of Prince Edward Island, he joined the Canadian Foreign Service in 1983. Mr. Taylor has served abroad in the Canadian Embassies in Bogota, Warsaw and Guatemala and in the Permanent Mission of Canada to the United Nations in New York. From 1993 to 1995, he was seconded to the Department of Political Affairs of the United Nations Secretariat in New York, as desk officer for Greece, Turkey and Cyprus. In this capacity, he supported the Cyprus good offices mission when Joe Clark was Special Representative of the Secretary-General and the mediation efforts of Cyrus Vance in the dispute between Greece and Macedonia. He was Deputy Director in Foreign Affairs' UN Division from August 2001 to September 2005, at which time he joined the Mine Action and Small Arms Team, also as Deputy Director. Mr. Taylor served as Consul, Political/Economic Relations and Public Affairs at the Consulate General of Canada in Miami from August 2007 to July 2011. He took up his duties as Consul of Canada in Anchorage on August 8, 2011.

Foreign Affairs and International Trade Canada | Affaires étrangères et Commerce international Canada

Canada



Relations with Canada

A Time of Opportunity

A presentation to the Alaska House Committee on

Economic Development, Trade and Tourism

January 31, 2012

Consul General Denis Stevens

OVERVIEW

- **Canada is still the US's largest economic partner, your largest supplier of energy and a very close security ally.**
- **Today - update on developments and opportunities of interest:**
  - Current situation in Canada
  - State of the Canada-US economic relationship
  - New initiatives on borders and regulatory cooperation
  - Canada-Alaska economic relations
  - Canadian mining in Alaska
  - Canada and Alaska's partnerships in the Arctic

Current situation in Canada

- 2011 Canadian federal general election yields majority government
- Good news for Alaskans - resource development and the Arctic remain among our highest priorities

	2011 GDP Growth (Est.)	2011Deficit	Unemployment as of Jan. 2012
United States	1.7%	- 8.7%	8.5%
Canada	2.3%	- 4%	7.4%

- Forbes magazine ranks Canada as the best place for business to grow and create jobs
- OECD and IMF predict Canadian economy will be among world leaders for the next two years
- Canadian banks are considered the soundest in the world

Canada transforms

- Return to balanced budgets
- S&T investments for a competitive economy
- Immigration reform to supply economy & labour force
- FTAs with EU (2012) and India (2013) plus Trans-Pacific Partnership
- Energy sales to Asia as well as the US
- Implement Beyond the Border initiative with the US

The Canada-US economic relationship: working together

- Total Canada–US goods and services trade $627 billion – about $1million per minute
- Total Canada–US merchandise trade in 2010: $481 billion
- More than 8 million US jobs depend on Canada–US trade
- Canada is the top export destination for 36 states
- US exports more to Canada than to China, Japan and the UK combined
- Canada is the United States' largest and most secure supplier of energy: oil, natural gas, electricity and nuclear fuel
- About 400,000 people cross the Canada–US border daily

Canada's border with Alaska

- Canada and Alaska have partnered on the border since the Klondike Gold Rush
- 6 border crossings – Skagway and Beaver Creek are particularly important to Alaska and the Yukon
- Skagway is Yukon's port – mineral exports
- AlCan highway - a vital link for Alaska
- The measures in the *Beyond the Border* Action Plans on Perimeter Security, Competitiveness and Regulatory Cooperation will have an impact on Alaska

Beyond the Border

Beyond the Border - Action Plans on Borders and Regulatory Cooperation

Action Plan on Perimeter Security and Economic Competiveness

- addressing threats early
- facilitating trade
- economic growth and jobs
- integrating cross-border law enforcement
- improving critical infrastructure and cyber-security.

Beyond the Border

The Action Plan on Regulatory Cooperation

- reduce barriers to trade
- lower costs for consumers and business
- create economic opportunities on both sides of the border.

29 initiatives where Canada and the US will align their regulatory approaches

- agriculture and food
- transportation
- health and personal care products
- chemical management
- the environment, and other cross-sectoral areas

While not compromising our health, safety or environmental protection standards.

Effects on Alaska?

- Increased mutual security and a better business environment
- Potential benefits (illustrative)
- A common approach to screening travelers
- Preclearance of cruise ship passengers bound for AK in Vancouver, BC
- Infrastructure: coordination of infrastructure upgrades at small and remote ports of entry

What's new in the Canada-Alaska economic relationship?

- **Positive trend in two-way trade: from $866 million in 2009 to $948 million in 2010**
- **AK exports to Canada: from $314 million in 2009 to $385 million in 2010 to *$571 million from January to November 2011***
- **Canada's exports to AK also up - $552 million in 2009 to $563 million in 2010**
- **Alaska employment attributed to Canada-US trade estimated at 20,400**
- **Canadian investment – mostly mining – supports approximately 3,000 AK jobs and $198 million in payroll**

Canadian mining companies and Alaska

- "Canadian" label on approximately 70% of mining investment in AK
- Need to support companies and protect Canada "brand"
- Canadian expertise in mining and the Canadian mining finance system

Canadian mining companies and Alaska, cont'd

- Canadian AK production – Red Dog (Teck/NANA) and Fort Knox (Kinross)
- Big Canadian AK development projects: Donlin Gold (Barrick Gold and NovaGold) and Pebble (Northern Dynasty 50%)
- 26 of 30 exploration companies active in AK as of 2010 are Canadian. E.g., exciting new play by U-Core in rare earth elements in Southeast
- Economic benefits to AK in terms of well-paid employment, taxes, contracts for local businesses and infrastructure

Social license to operate/corporate social responsibility (CSR)

- Canadians expect Canadian companies to operate as responsibly abroad as in Canada
- AK and Canada both have high standards
- Government of Canada encourages companies to support CSR principles - 2009 initiative
- Canadian companies also participate in industry-led initiatives for sustainable mining
- Canadian Consulate in Anchorage works with industry to improve understanding of the benefits of Canadian investment in AK mining and that Canadian companies operate responsibly

Canada US Collaboration in the Arctic

- Back-to-back Arctic Council Chairships, starting with Canada in 2013
- Numerous security and environmental protection partnerships
- Sharing of science to advance understanding of this unique region
- Common interest to create sustainable, dynamic northern economies

Thank you

QUESTIONS?

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No Better Partner:

Canada and Alaska's Mining Sector

Prepared by
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the Consulate of Canada, Anchorage
July, 2011

Executive Summary

As stewards of resource-rich land and sensitive northern environments, Alaskans and Canadians want their natural resources to be developed responsibly and they demand rigorous, fair, and efficient regulatory oversight by their governments. Canadians also expect that Canadian companies operate with the same degree of responsibility no matter where they work in the world. These values have evolved and strengthened over the last few decades.

Canadian companies operating in Alaska know that responsible behavior is a prerequisite for community support of mining activity, and their codes of conduct and involvement in various national and international sustainable development mechanisms reflect that commitment.

Anti-foreign, and specifically anti-Canada, rhetoric has been a feature of advertising, social media, and public presentations by mine critics in Alaska. With roughly 70 percent of the mining exploration and development expenditures in the state coming from Canadian companies, this has a deep impact on Canada's reputation in Alaska and beyond, given the national attention these campaigns have generated.

At a time when mining projects need a social license to operate as much as they need the required permits and financing, companies and governments are looking at ways to raise public awareness of the value of responsible resource development, the positive impact of outside investment, and the mechanisms to encourage corporate social responsibility at home and abroad.

For most of Alaska's history, local businesses did not have the capital, access to financing, or technical expertise to take on the high risk and capital intensive investments to develop the state's energy and mining resources. The benefits of attracting outside investment to the state have been significant: providing employment, contracts for Alaska businesses, local and state tax revenues, technical expertise, and infrastructure.

It is easy to measure employment numbers, taxes, and direct or indirect spending. It is much more difficult to measure the impact of role models and opportunity on an individual's life. By working closely with stakeholders and listening to community input, Canadian mining companies have provided many rural and Native Alaskans an opportunity to participate in the modern economy while maintaining a traditional lifestyle.

Corporate social responsibility practices make good business sense. By balancing economic, environmental, and social objectives, mining companies build trust and support in the communities in which they operate. They also strengthen their competitive advantage by improving their corporate reputation which increasingly impacts investor decisions and employee recruitment and retention.

The Government of Canada launched a Corporate Social Responsibility Strategy (CSR) for the International Extractive Sector in 2009. In addition to encouraging Canadian companies to act responsibly abroad, it provides concrete tools and mechanisms to assist their efforts and to promote dialogue among stakeholders. Greater awareness of the companies' activities, the Government's commitment to CSR, and Canada's leadership role in global mining will strengthen Canada's reputation in Alaska and the recognition that Canada is an excellent partner for responsible resource development.

Table of Contents

Executive Summary	2
Introduction	4
Part One: Positive Impact of the Canadian Mining Industry in Alaska	
Overview of Canadian company projects	5
Map of Mining Exploration in Alaska	9
Economic Impact	10
Social Impact	12
Sustainability Practices	13
Part Two: Canada in the International Extractive Sector	
Sustainable Mining and Corporate Social Responsibility	14
The Government of Canada's Commitment to International Corporate Social Responsibility	15
Industry Initiatives Towards Sustainable Mining	16
Canada, a Global Leader in Mining	17
References and Useful Links	20

Note: Unless otherwise indicated, all dollar amounts are in U.S. dollars. Canadian dollar amounts are shown as C$.

Introduction

Mining has connected Alaska and Canada since the Klondike Gold Rush brought thousands of people through Alaska to the Yukon in the 1890s. Today, Canadian companies are active in mining exploration, development, and production in Alaska and their dominant role brings heightened visibility and scrutiny to their activities in the state.

The challenges for mining in Alaska are well known. The Arctic climate, lack of power and transportation infrastructure, distance from suppliers and markets, limited exploration and construction seasons, rugged terrain, and high exploration costs demand significant commitments of time, expertise, and financing. However, many major mineral deposits throughout the world carry some or all of the above challenges. Alaska's comparative advantage is political stability, rigorous but fair and transparent regulatory processes, relative fiscal certainty in the U.S. dollar and the state's taxation regime, due process, and the rule of law.

In 1959, Alaska became the 49th state to join the union and the delegates to its Constitutional Convention had the advantage of reviewing the other state constitutions and considering their impact. As a result, the Alaska Constitution strikes a fine balance between development and conservation of the state's resources. Article 8, section 2 gives general authority to the legislature to "provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." A major argument for statehood was that Alaska could contribute to the nation and be largely self-sustaining if given the opportunity to develop its natural resources. To do this, Alaskans needed to reach beyond the state for the financial resources and technical expertise.

All of the major industries in Alaska, from mining and oil and gas to seafood processing and tourism, have grown as a result of outside investment, but the value of attracting investment to the state is not always well understood. Anti-development groups have taken advantage of this in their campaigns, warning Alaskans that foreign companies will exploit Alaska's resources. Mining companies have been a primary target. For example, a recent television ad opposing the Pebble project says its foreign developers "get the gold, Alaskans get the toxic waste."[1]

This anti-foreign, and specifically anti-Canada, rhetoric has been a common feature of advertising, social media, and public presentations by mine critics in Alaska. With roughly 70 percent of the mining exploration and development expenditures in the state coming from Canadian companies[2], this has a deep impact on Canada's reputation in Alaska and beyond, given the national attention these campaigns have generated.

A company cannot deliver one message to residents of an Alaska village and another to potential investors in Vancouver. This information is so easily accessible online and through social media that discrepancies can and will be easily seen. Once damaged, that trust can be very difficult to rebuild.

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1 www.youtube.com/watch?v=E8s5AEsaY-c&NR=1, October 21, 2009

2 *Canada's Impact on Alaska*, report by the McDowell Group for the Consulate of Canada, September 2011

At a time when mining projects need a social license to operate as much as they need the required permits and financing, it is critical to raise public awareness of the value of responsible resource development, the positive impact of outside investment, and the mechanisms to encourage corporate social responsibility no matter where a company operates.

This paper, *No Better Partner: Canada and Alaska's Mining Sector,* explores the context of Canada's role by first examining the extent of involvement and the impact of Canadian mining companies in Alaska. In the second part, it analyzes the factors that make Canada and Canadian companies such ideal partners for Alaska. This includes the Government of Canada's efforts to encourage Canadian companies to meet high standards in corporate social responsibility and Canada's leadership role in the global mining sector.

Part 1: Positive Impact of the Canadian Mining Industry in Alaska

Overview of Canadian company projects

Canadian mining companies are active in all aspects of the mining industry in Alaska from development and production to exploration and services. This section provides general information about the companies and their work in Alaska.

Production

Despite scores of exploration projects in recent decades, there are only five large hard rock mines in production in Alaska. Two, both located in Juneau in Southeast Alaska, are operated by U.S. companies: Greens Creek (silver) operated by Hecla Mining Co., and Alaska's newest mine, Kensington (gold), operated by Coeur d'Alene Mining Corp. Pogo, a gold mine in Interior Alaska, is owned and managed by the Japanese company Sumitomo Metal Mining, although it was developed and brought into production by Sumitomo's then partner, Teck Resources Ltd. The Canadian companies, Teck and Kinross, each operate a mine: the Red Dog zinc/lead mine in Northwest Alaska and the Fort Knox gold mine in Fairbanks.

Teck Resources Ltd.

Vancouver-based Teck Resources Ltd. operates the Red Dog mine near Kotzebue in Northwest Alaska. One of world's largest producers of zinc concentrate, Red Dog was first discovered in 1968 although it did not go into production until 1989. The land is owned by the NANA regional corporation, one of thirteen Alaska Native regional corporations established by the federal Alaska Native Land Claims Settlement Act of 1971.

The Red Dog agreement was an innovative development agreement at the time because it provided not only royalty payments to NANA, but also employment and contracting opportunities. Today NANA

shareholders make up 57 percent of the workforce at the mine[3] and NANA has grown into a multinational corporation with $1.2 billion in revenue (2008) and 9,000 employees worldwide.[4] Red Dog's impact on the Northwest Arctic Borough and Alaska will be explored further in the economic and social impact sections on pages 10-13.

The Red Dog port is located on the Chukchi Sea, 46 miles from the mine. As this Arctic port is only ice-free from July to October each year, the concentrate is stored throughout the winter in large buildings at the port. In 2010, Red Dog produced 538,000 tonnes of zinc and 109,900 tonnes of lead which was shipped to Teck's facilities in British Columbia and to customers in Asia and Europe. Red Dog's operating profit before depreciation, amortization, and price adjustments was C$548 million.[5]

With the main pit nearing an end after two decades of production, Teck expanded last year into the adjacent Aqqaluk deposit which should extend production at the mine to 2030. Aqqaluk contains 51.6 million tons of reserves with an average of 16.7 percent zinc and 4.4 percent lead.[6]

Kinross

The Fort Knox gold mine, 26 miles northeast of Fairbanks, is in a historic placer mining district in Interior Alaska. The mine is located on lands owned by the State of Alaska and the state's Mental Health Trust. The first modern deposit discovery was in 1984, with production beginning in 1996. Two years later, Toronto-based Kinross acquired 100 percent interest in the mine.

Fort Knox, the largest surface gold mine in Alaska, is a conventional open-pit mine with high grade ore processed on site in the carbon-in-pulp mill and, beginning in 2009, a heap leach operation for low grade ore stockpiles.

In 2010, Fort Knox's gold equivalent production was 348,729 ounces and the mine's proven and probable reserves was 3.6 million ounces.[7] The mine operates year round with 400-425 employees.

Development

Alaska has two large development projects. Donlin Gold, a joint venture between two Canadian companies, Barrick Gold Corporation and NovaGold, is located in Western Alaska. Pebble, a copper/gold/molybdenum deposit, is being developed by Pebble Partnership, a joint venture between the British multinational AngloAmerican and Northern Dynasty, a Vancouver-based junior.

Two other projects have attracted significant investment: Livengood, a gold lode deposit discovered in 2007, which is under development by International Tower Hill's subsidiary, Talon Gold, and Niblack, a gold/silver/copper/zinc deposit explored by Niblack Mineral Resources which agreed to a joint venture with the Hunter Dickinson subsidiary, Heatherdale Resources, in 2009.

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3 http://www.reddogalaska.com

4 http://nana-dev.com/about/fact_sheet/

5 http://www.teck.com/Generic.aspx?PAGE=Teck%20Site/Investors%20Pages/Financial%20Reporting%20Pages/Quarterly%20Reports&portalName=tc

6 http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fAqqaluk&portalName=tc

7 http://www.kinross.com/operations/operation-fort-knox-alaska-usa.aspx

There are also two recently operating intermediate sized mines. Nixon Fork, a copper/gold mine in Interior Alaska, was bought by a new Vancouver-based junior, Fire River Gold Corp., in 2009. Fire River completed its Preliminary Economic Assessment in February 2011 and began mining in March (permits and facilities were already in place when Fire River Gold purchased the mine in 2009). Rock Creek, a gold mine near Nome, started and suspended operations in 2008. NovaGold announced in October 2010[8] that it was seeking offers on the property.

Barrick/NovaGold

Donlin Gold is a 50/50 joint venture formed in 2007 between Barrick Gold Resources and NovaGold to develop a gold mine in the Yukon Kuskokwim region of Western Alaska. With probable reserves estimated at 33.6 million ounces of gold, Donlin is one of the world's largest known undeveloped gold deposits.[9]

Donlin is on land mostly owned by the Kuskokwim Corporation (TKC), a consortium of ten villages upriver from Donlin, and the subsurface rights are owned by the Calista Corporation, the Alaska Native regional corporation for Western Alaska.

An April 2009 feasibility study estimated that constructing the mine would cost $4.48 billion[10] with a combination of diesel and wind power providing the necessary 157 megawatts of electricity to run the mine[11]. Since then, the companies have been evaluating the possibility of building a small 12-inch natural gas pipeline that would run 312 miles from Cook Inlet to the site. The company plans to complete this evaluation by the end of 2011 and then start the permitting process. If the pipeline is feasible, there will be significant benefit for communities along the route to access natural gas and reduce their dependence on diesel which is barged up the Kuskokwim River from Bethel at great cost.

During the construction period, Donlin would employ up to 3,000 people. Some 600-1,000 full time positions would be needed to operate the mine. To date, Donlin has achieved an impressive record of local hire. Currently, almost 90 percent of the workers at the Donlin camp, including nine of the ten supervisors, are Calista Corporation shareholders.[12]

Northern Dynasty

The Vancouver-based junior, Northern Dynasty, acquired the Pebble Project in 2001 and partnered with the British company AngloAmerican in 2007 to develop and operate the mine. With one of the world's largest concentrations of copper, gold, and molybdenum,[13] the mine's potential size and its location at the headwaters of Bristol Bay, a world-class salmon fishery, have ignited passionate debate. Opponents of the project have waged an intense multi-year advertising campaign through traditional and social media and also put forward an ultimately unsuccessful ballot initiative[14] to block the project.

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8 www.mineweb.com/mineweb/view/mineweb/en/page34?oid=113029&sn=Detail

9 www.donlingold.com/our-plan

10 *Mining Explorers 2010*, Petroleum News, p. 75

11 www.donlingold.com/our-plan

12 www.donlingold.com/emplovees

13 80.6 billion lbs. of copper, 5.6 billion lbs. of molybdenum, 107.4 million oz. of gold (measured, indicated and inferred. http://www.pebblepartnership.com/project/designation

14 August 2008, 56.4% voted against the ballot initiative, 43.6% voted for it.

The Pebble Partnership counters that Pebble is situated on state land designated for mining, the mine can be developed in a safe and environmentally responsible manner, and the U.S. federal government and the State of Alaska have a very rigorous regulatory process that will not approve the mine unless it meets their high standards. That process, which involves dozens of permits and opportunities for public input, is explored further on page 14. The Pebble Partnership has compiled comprehensive environmental baseline studies and their 2011 work plan focuses on a prefeasibility study that could be completed in 2012.[15]

The Pebble Partnership anticipates that the mine would employ approximately 2,000 workers during the construction phase and 1,000 high-wage, year round jobs for 25-35 years of production. It would represent a multi-billion dollar capital investment in a region with grave economic challenges stemming from the lack of employment opportunities, limited infrastructure, and a very high cost of living.

Exploration

Stronger commodity prices in 2009 resulted in a 25 percent jump in exploration spending in Alaska between 2009 and 2010. A total of $225 million was spent on exploration last year, with 50 projects spending more than $100,000, of which 24 projects spent more than $1 million.[16] The map on page 9 illustrates the range of exploration activity in the state.

A 2009 McDowell Group report for the Canadian Consulate found that Canadian companies were responsible for 70 percent of the exploration and development dollars spent in Alaska.[17] Of the 30 exploration companies listed in *Mining Explorers 2010*[18], 26 are headquartered in Canada. Instead of profiling all 26 companies in this paper, their websites are listed on page 21. *Mining Explorers 2010* also provides an excellent snapshot of each company and their projects in Alaska. Most of these companies are seeking gold and copper, but some are looking for zinc, lead, silver, and even rare earth elements.

Very few junior companies end up developing or operating a large mine on their own. The juniors usually sell a promising project for reimbursement of expenses, a subsequent royalty interest, or a joint venture opportunity. Two recent examples of the latter are Northern Dynasty in the Pebble Project and NovaGold in Donlin.

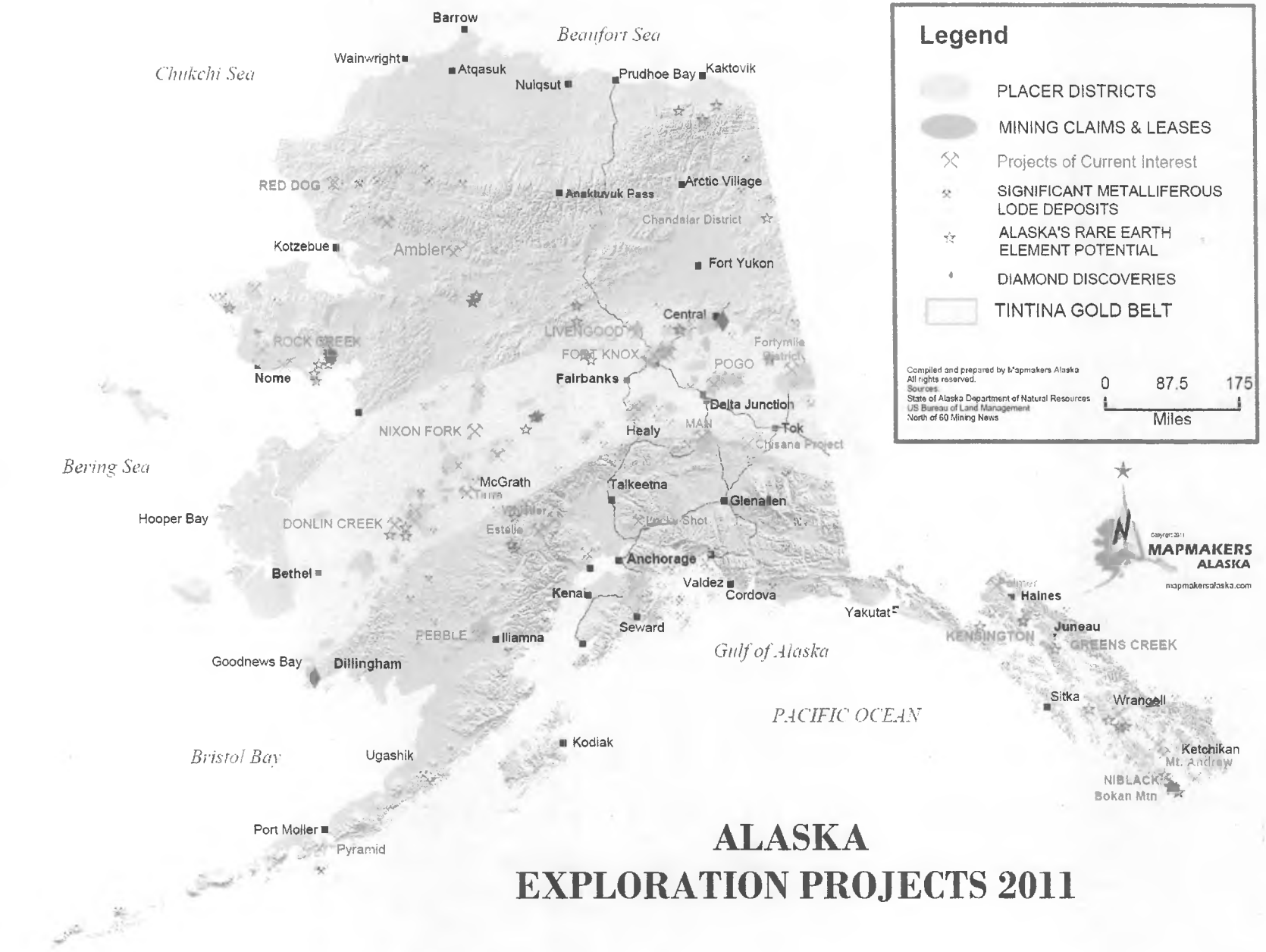
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15 http://www.pebblepartnership.com/home, press release 4/29/2011: *Pebble Partnership Outlines 2011 Work Program.*

16 *The Economic Benefits of Alaska's Mining Industry*, a report prepared for the Alaska Miners Association by the McDowell Group, Inc. January 2011

17 *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

18 An annual publication of Petroleum News/North of 60 Mining News, www.petroleumnews.com



ALASKA
EXPLORATION PROJECTS 2011

Economic Impact

For most of Alaska's history, local businesses did not have the capital, access to financing, or technical expertise to take on the capital intensive and high risk investments needed to develop the state's energy and mining resources. To date, there are only three publicly traded companies headquartered in Alaska.[19] The benefits of attracting outside investment to the state have been significant: providing employment, contracts for Alaska businesses, local and state tax revenues, technical expertise, and infrastructure. Yet it is not unusual to hear Alaskans say that foreign companies take profits out of the state and give nothing in return. In order to counter that statement, the next two sections will examine the economic and social impact of Canadian mining companies in Alaska.

Between 1981 and 2010, Canadian mining companies spent $4.6 billion in the state.[20] The high risk of exploration and development and the impact of the volatility of commodity prices are illustrated by the fact that for all the dozens of mining exploration projects in that time, there are only five large hard rock mines operating in Alaska. Given the high degree of risk, it is not surprising that the Native regional corporations, NANA and Calista, turned to Canadian mining companies with northern expertise to explore and develop the mining potential on their lands.

Jobs for Alaskans

Canadian mining companies provide high paying jobs in Alaska, often in remote and rural areas where the unemployment rate is significantly higher than the state and national averages. In 2010, 1,000 Alaskans were working in Alaska for Canadian mining companies.[21] The producing mines, which operate year-round, employ the most people: 500 employees plus 350 contractors at Fort Knox[22] and 550 full-time jobs (including contractors) at Red Dog with additional construction employment in the summer.[23] Employment numbers fluctuate more for the explorers and developers because of the seasonal nature of these activities.

According to the Alaska Department of Labor and Workforce Development, metal ore mining is one of the top industries for hiring Alaska residents. In 2009, 73 percent of metal ore mining workers were Alaska residents. By comparison, only 25 percent of seafood processing workers were Alaska residents. The resident mining worker's average annual wage of $85,000 is significantly greater than the state average of $34,000.[24] This impact is felt all around the state. A recent study showed that the mining industry employs workers from more than 120 Alaska communities.[25] Hundreds of Alaska business benefit by supplying the mining industry. Red Dog alone purchased $217 million in goods and services from 242 Alaska businesses in 2009.[26]

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19 Northrim Bank and two telecommunication companies: Alaska Communications and GCI. The twelve Alaska Native Regional Corporations are not publicly traded.

20 *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

21 *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

22 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011

23 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc

24 http://labor.alaska.gov/research/reshire/reshire.htm

25 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011

26 Presentation by Wayne Hall, Manager, Community and Public Relations, Teck to Anchorage Chamber, May 2, 2011.

Stable Source of Tax Revenue

In addition to strengthening local economies through employment and procurement, Canadian mining companies are also a stable source of revenue for local governments. Red Dog mine is the only taxpayer in the Northwest Arctic Borough and provides 60 percent of the borough's revenue.[27] In 2010, its payment in lieu of taxes was $6.7 million. The borough has received a total of $64 million from Red Dog since 1990.[28] Fort Knox is the largest property taxpayer in the Fairbanks Northstar Borough, paying $4.6 million in property taxes last year.[29] Revenues to the state government include royalties, rents, fees and taxes. In 2009, Red Dog paid $116 million in federal and state taxes. [30]

Diversifying Alaska's Economy

With up to 90 percent of Alaska's general revenue funds coming from oil and gas taxes and royalties, it is important to encourage diversity. The export of mineral ores in 2010 was valued at $1.339 billion and accounted for 32 percent of Alaska's total exports.[31] $210.5 million of that amount was exported to Canada, mostly concentrate from Red Dog to Teck's smelter in British Columbia. Canada is a distant third to Japan and China as a destination for Alaska exports, but that fact misses the importance of Canadian mining companies to Alaska's mineral exports to Asia. In 2008, Canadian mining companies were responsible for $398 million of Alaska's exports to countries other than Canada.[32]

Building Needed Infrastructure

Historically, mining has either brought electrical power infrastructure to the state or provided the economy of scale to reduce power costs to residents. Three out of the five hydroelectric power plants operating today in Juneau were built by the mining industry and for years residential electrical bills in Fairbanks noted the reductions provided as a result of the Fort Knox mine. Barrick and NovaGold, the Canadian companies developing Donlin Gold, may be a contemporary example. If they decide to pursue their 12" natural gas pipeline option, the villages along the route would have an opportunity to access the gas and significantly reduce their reliance on very high cost barged diesel.

Another infrastructure example is the construction of the DeLong Mountains Transportation System by the Alaska Industrial Development and Energy Authority (AIDEA). This state agency built the port and the 52 mile road between the Red Dog mine and the Chukchi Sea in 1990 under its authority to build and own infrastructure that provides jobs for Alaskans and helps diversify Alaska's economy. The initial construction cost $180 million and a subsequent upgrade brought the investment to $267 million.[33] Red Dog operates and maintains the system under a 50 year exclusive use agreement and pays a toll based on throughput of concentrates with a guaranteed minimum amount. According to the Alaska Miners Association, by 2010, the state had received $312 million on its investment.[34]

27 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc
28 Information provided in April 2011 by Wayne Hall, Manager, Community and Public Relations,Teck.
29 *The Economic Benefits of Alaska's Mining Industry*, McDowell Group, Inc. January 2011
30 http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc
31 http://gov.alaska.gov/parnell/governors-office/international-trade/international-trade-home.html 2010 Export update.
32 *Canada's Impact on Alaska*, McDowell Group, Inc. July 2009.
33 www.aidea.org/projects.html
34 *Infrastructure for Mines*, Steve Borell, Alaska Miners Association, September 2010

AIDEA also owns the Skagway Ore Terminal. Built in 1968, the terminal was used to store and transport ore from the Yukon to international markets. AIDEA bought the facility in 1990, but the low price of zinc in the 1990s eventually led to the closure of the Yukon mines and the last shipment of zinc concentrate through the terminal was in 1998. In 2007, AIDEA refurbished the terminal and Capstone Mining/Minto Explorations currently uses about 40 percent of the capacity to ship ore from the Yukon. According to AIDEA, the terminal is responsible for ten jobs plus additional opportunities provided by the trucking of the concentrates. These year-round positions are important for a local economy that is heavily reliant on the seasonal tourism industry. [35]

Partnering with Alaska Natives

One large operating mine, Red Dog, and one advanced development project, Donlin, are located on land owned by Alaska Native regional corporations. Through a unique aspect of the 1971 Alaska Native Land Claims Settlement Act (ANCSA), referred to as 7(i) and 7(j), a portion of the royalties paid to a native corporation is distributed to the other Alaska native regional and village corporations. Between 2005 and 2009, Red Dog paid NANA $373 million in royalty payments, 62 percent of that amount was shared with the other native corporations.[36]

The impact of Red Dog on the Northwest Arctic Borough goes far beyond royalty payments, local taxes, and jobs provided to NANA shareholders (57 percent of the jobs at Red Dog are filled by NANA shareholders). The mine provided an opportunity for NANA to establish camp services, catering, and management companies. Today NANA employs 9,000 workers around the world in construction, engineering, real estate, and hotel development. Some of those 9,000 jobs are filled by 1,315 NANA shareholders and 5,000 Alaskans. In Alaska, NANA companies or its affiliates employ 2,800 people.[37]

Social Impact

A quote on NANA's web site: "Red Dog is more than just a mine developing essential minerals; it is a mechanism for hope and catalyst for the northwest Alaska and statewide economy."[38] It is easy to measure employment numbers, taxes, and direct or indirect spending. It is much more difficult to measure the impact of role models and opportunity on an individual's life. By working closely with stakeholders and listening to community input, Canadian mining companies have given many rural and Native Alaskans an opportunity to participate in the modern economy while maintaining a traditional lifestyle.

Community Investment

The Canadian mining community supports a number of education, training, and scholarship programs to benefit Alaskans and to encourage students' interest in science, engineering, and technology. Red Dog, Teck, Pebble, and Northern Dynasty are sponsors of the Alaska Native Science and Engineering Program, a successful University of Alaska Anchorage (UAA) initiative that works with Alaska Native

35 www.aidea.org/PDF%20files/PFS_Skagway.pdf
36 http://www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fEconomic+Benefits&portalName=tc
37 Presentation by Wayne Hall, Manager, Community and Public Relations, Teck to Anchorage Chamber, May 2, 2011.
38 www.nana.com/regional/resources/red-dog-mine/

students from middle school through to graduate studies. By providing bridge support, mentors, community-based learning, and internships, it is increasing the number of Alaska Natives in science, technology, engineering, and mathematics.

The Canadian mining companies also actively support regional education and training. In 2009, Red Dog provided almost 17,000 hours of on-the-job training to NANA shareholders, development programs in operations, trade apprenticeships, advanced technical training, and a job-share program for employees to further their education while maintaining their eligibility for work at the mine.[39] Red Dog also provided $416,000 to community programs, including $100,000 to the local school district.[40] Red Dog, Donlin, and the Pebble Partnership are all investing in regional education and opportunities for local students to pursue higher education and vocational training through direct scholarships or contributions to regional scholarship funds.

The Pebble Partnership has also established the Pebble Fund to support infrastructure and community development in Southwest Alaska. To date, the fund has supported a variety of projects including renewable energy, school programs, and a food bank. The fund has a $5 million endowment and its decisions are made by a board of directors made up of local leaders. The Pebble Partnership is not a voting member of the board.

Disaster Relief

Red Dog and Donlin have also recently shown that they are very good neighbors. In September, 2007, the City of Kivalina was threatened by a severe storm that seemed likely to inundate the community. Elderly residents and children were evacuated by air to Kotzebue, but over 100 people travelled almost 20 miles at night by four-wheeler and boat to the Red Dog port. The company sent buses to transport them to the mine where they were housed and fed despite limited facilities at this remote 24/7 operation.

In May 2011, Donlin sent four employees including a paramedic and its helicopter contractors to evacuate 53 villagers from Crooked Creek after an ice dam on the river caused flooding and destroyed a bridge. The company provided warm food and shelter to the evacuees while taking additional supplies by helicopter to the village. The Crooked Creek Traditional Council President Evelyn Thomas wrote that no other agency could have responded as quickly and efficiently as Donlin.[41]

Sustainability Practices

Canadian companies operating in Alaska know that responsible behavior is a pre-requisite for community support of mining activity and their codes of conduct and involvement in various national and international sustainable development mechanisms reflect that commitment. Alaskans have also supported a thorough permitting process to ensure that experienced and knowledgeable regulators will analyze the permit applications and make decisions that will ensure responsible development of the natural resources, strong health and safety rules, and protection of the environment.

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39 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fSkills+and+Training&portalName=tc

40 www.reddogalaska.com/Generic.aspx?PAGE=Red+Dog+Site%2fCommunity&portalName=tc

41 http://www.adn.com/2011/05/11/1858013/good-folks-at-donlin-creek-mine.html

A Rigorous Regulatory Process

The planning and environmental review, testing, and approval process to permit a large mine in Alaska takes many years from start to finish, with dozens of local, state, and federal government agencies involved in the process. A recent example is the Pogo gold mine near Delta Junction that was developed by Teck in partnership with Sumitomo.[42] The deposit was discovered in 1994 and agency discussions and baseline studies began in 1997. The permits were issued in 2003 and production began in 2006. That is a six year permitting process and 12 years from discovery to production. Beginning the permitting process is no guarantee that the mine will be approved as each project requires a tailored approach that assesses each aspect and its potential impact. Throughout the process there are opportunities for public input and engagement.

When a mine is permitted and begins production, the federal and state oversight continues to ensure the operation adheres to the safety and environmental requirements. This monitoring and enforcement endures through closure and beyond. There is a common misconception in Alaska that a foreign company can just walk away from its obligations. This is not accurate. Alaska law (AS 27.19) requires that a mine site must be returned to stable condition compatible with post-mining land use. Long before starting operations, mining companies must submit a reclamation plan for approval by the Commissioner of Natural Resources, as well as financial assurance to ensure that the state can reclaim the land if the company cannot. The financial assurance is then audited and recalculated every five years or when a significant change occurs. This law applies equally to U.S. and non-U.S. companies.

Part 2: Canadian Leadership in the International Extractive Sector

Sustainable Mining and Corporate Social Responsibility

As stewards of resource-rich land and sensitive northern environments, Alaskans and Canadians want their natural resources to be developed responsibly and they demand rigorous, fair, and efficient regulatory oversight by their governments. Canadians also expect that Canadian companies operate with the same degree of responsibility no matter where they work in the world. These values have evolved and strengthened over the last few decades.

Emerging Context of Sustainable Development

The Brundtland Report (United Nations World Commission on Environment and Development) of 1987 marked the beginning of a new era in recognizing the importance of sustainable development. It concluded that "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[43] As public awareness increased so did the expectation of greater accountability and engagement by industry and governments to ensure responsible behavior.

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42 Pogo is now owned by Sumitomo.

43 www.un-documents.net/ocf-02.htm#I

In Canada, this led to a national discussion in the early 1990s and the establishment of the Whitehorse Mining Initiative (WMI), a forum for the mining industry, Canadian federal, provincial, and territorial governments, First Nations representatives, and environmental groups to discuss issues in a non-adversarial environment. The mining industry came to the table recognizing that it needed to align its work with Canadians' values.

In 1994, the WMI released an accord which called for "improving the investment climate for investors; streamlining and harmonizing regulatory and tax regimes; ensuring the participation of Aboriginal peoples in all aspects of mining; adopting sound environmental practices; establishing an ecologically based system of protected areas; providing workers with healthy and safe environments and a continued high standard of living; recognition and respect for Aboriginal treaty rights; settling Aboriginal land claims; guaranteeing stakeholder participation where the public interest is affected; and creating a climate for innovative and effective responses to change."[44]

Two years later, the Government of Canada released its Minerals and Metals Policy: Partnerships for Sustainable Development. This policy called for all aspects of mining and mineral use to be as efficient, competitive, and environmentally responsible as possible. It also promoted advancing the concept of sustainable development of mineral and metals at the international level by working with stakeholders in other countries and through international organizations.[45]

The Government of Canada's Commitment to International Corporate Social Responsibility

As one of the world's largest exporters of minerals and a strong supporter of a rules-based international trade and investment framework, Canada played a lead role in promoting sustainable development and championing initiatives to improve the performance of mining and energy companies internationally. These included co-hosting a conference on mining and sustainable development in Lima, Peru, in 1998, co-sponsoring a global dialogue on mining and sustainable development in the early 2000s, leading the 2003 Kimberley Process certification for conflict diamonds, and launching the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries in 2006. The Roundtables concluded that more could be done to encourage companies to support corporate social responsibility (CSR) principles and that success also depended on supporting countries to develop effective regulatory regimes.

In 2009, the Government of Canada launched a Corporate Social Responsibility Strategy for the International Extractive Sector. The strategy has four pillars:

- The first pillar supports initiatives to enhance the governance capacities of host countries to manage the development of minerals and oil and gas and improve opportunities for economic development.
- The second pillar promotes three widely-recognized international CSR performance guidelines: the International Finance Corporation's Performance Standards on Social and Environmental Sustainability; the Voluntary Principles on Security and Human Rights; and the Global

44 www.nrcan.gc.ca/mms-smm/poli-poli/gov-gov/wmi-imw-eng.htm
45 www.nrcan.gc.ca/mms-smm/poli-poli/htm/mmp-pmm/con-con-eng.htm

Reporting Initiative. Canada also adheres to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

- The third pillar supports the develop of a Centre for Excellence in CSR, a web-based resource hosted by the Canadian Institute of Mining, Metallurgy and Petroleum to develop and disseminate CSR best practices, information, training, and tools to a variety of stakeholders.
- The fourth pillar called for an Office of the Extractive Sector CSR Counsellor which was established in 2010 to provide a review process to help resolve issues connected to the activities of Canadian extractive sector companies operating outside of Canada.[46]

While much of the CSR focus has been on developing countries, the principles and values that underlie the strategy are appropriate for mining activity in any part of the world, including Alaska. Fundamentally, CSR practices make good business sense. By engaging early and working together to balance economic, environmental, and social objectives, mining companies build trust and support in the communities in which they operate. They also strengthen their competitive advantage by improving their corporate reputation which impacts investor decisions as well as employee recruitment and retention.

The Canadian CSR Counsellor's dispute resolution process is a tool that can be added to options available to Alaskans concerned about activities of a Canadian mining company. The process is voluntary, transparent, and non-judicial. It uses a consensual, dialogue-based approach to seek practical solutions to resolve conflicts and ultimately strengthen relationships.

Industry Initiatives Towards Sustainable Mining

This evolution in thinking about sustainable development in the 1990s, greater dissemination of information through the internet, and some negative media coverage and criticism of Canadian mining operations abroad pushed the mining industry to do more.

The Mining Association of Canada (MAC) launched a multi-year effort to develop a voluntary initiative with performance standards to gain trust and improve its reputation. This effort resulted in "Towards Sustainable Mining" (TSM), an initiative to improve the mining industry's performance by providing specific performance indicators that are reported annually. TSM is mandatory for all members of the association and it is the first national mining association to require external evaluations of its members' results.

Initially, the evaluations examined performance in four areas: tailings management, energy use and green house gas emissions, Aboriginal and community outreach, and crisis management planning. TSM recently added two new protocols: safety and health and biodiversity conservation management. A new protocol on mine closure and one on water and mining are under development and an international application is being considered.
At the international level, nine major global mining companies created the Global Mining Initiative in 1999 to improve sustainable development performance in the mining industry. It broadened its

46 www.international.gc.ca/csr_counsellor-conseiller_rse/About_us-A_propos_du_bureau.aspx

membership and became the International Council on Mining and Metals (ICMM) two years later. Its membership currently consists of 20 mining companies and 31 national and regional mining associations. The company members are required to implement the ICMM's sustainable development framework which includes public reporting of performance results and third party verification.[47] Of the Canadian companies working in Alaska, Barrick and Teck are members of the ICMM. Both the Mining Association of Canada and the Prospectors and Developers Association of Canada are mining association members.

The Prospectors and Developers Association of Canada has also developed a voluntary CSR program called E3Plus specifically for exploration companies. The first phase was launched in 2009 and provided governing principles for environmental stewardship, social responsibility, and health and safety. They have also developed toolkits to help the companies integrated these principles into their operations in Canada and internationally. A second phase under development will look at performance measurements, reporting, and verification.[48]

Canada, a Global Leader in Mining

To understand why Canadian companies dominate mining activities in Alaska, it is useful to examine the factors that encouraged the development of the industry in Canada and led to Canada becoming a global leader in the industry. First, Canada is a mining country. Its rich mineral deposits have attracted miners since the 19th century and it remains a top world producer of many minerals, including uranium, nickel, aluminum, molybdenum, and diamonds.

Over time, the federal and provincial governments put in place policies to encourage investment, increase regulatory oversight, and invest in infrastructure. In the Canadian federal system, the provinces own and manage their natural resources. All aspects of mining, from exploration through development and production to reclamation, come under the authority of the provincial governments and each have their own policies of taxation, regulation, and incentives for mining.[49] The federal government retains responsibility for financial regulation, taxation, international trade, environmental regulation, fisheries and fish habitat, and navigable waters.

Economic Impact in Canada

Mining makes a significant contribution to the Canadian economy. In 2009, 306,000 workers were employed in mineral extraction, processing, and manufacturing in Canada[50] and the industry was responsible for a C$32 billion share of Canada's gross domestic product.[51]

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47 www.icmm.com

48 /www.pdac.ca/e3plus/index.aspx

49 The federal government is responsible for mining in the territories, generally north of 60 degrees latitude, although it is in the process of devolving greater responsibility to the territorial governments.

50 www.mining.ca Facts and Figures 2010, p.46

51 www.mining.ca Facts and Figures 2010, p.6

Last year, Canada exported C$49 billion in metals, ores, and alloys, which constituted 12 percent of Canada's overall exports.[52] Not surprisingly, more than half of these mineral exports go to the United States, mostly iron and steel, aluminum, copper, gold, and nickel.[53] In fact, proximity to the U.S. market was a major factor in the growth of the Canadian mining industry.

As mining companies grew and prospered, Canadians were attracted to these opportunities and Canadian education institutions responded by growing their geology and mine engineering departments to world class standards. Canadian miners, geologists, and metallurgists have earned a reputation as skilled professionals and are sought for projects all over the world.

Specialization in mining supplies and services, from legal, financial, and environmental services to transportation and drilling, was a natural result of the growing importance of the industry. This growth also had benefits south of the border.. The United States has the largest mining supply sector in the world and its top destination for sales is Canada.

Canadian Financing Expertise for Mining

Mining is an inherently risky investment. Explorers spend millions of dollars looking for a discovery, hundreds of millions of dollars can be needed over many years to develop the prospect, and volatile commodity prices can derail the process or significantly impact production revenue at any time. While the U.S. Securities and Exchange Commission tightened rules to discourage high risk financing, the Canadian financial sector began to specialize in equity financing for mining projects.

Today, mining companies from around the world list their shares on Canadian stock exchanges. In 2009, 1,434 companies, 59 percent of the world's public mining companies, were listed on the Toronto Stock Exchange (TSX) and its Venture Capital Exchange, which attracts the junior exploration companies that are too small to be listed on the TSX.

Of the 133 mining companies listed on the TSX in 2009, 22 had a market capitalization of more than C$1 billion and seven were greater than C$10 billion,[54] including Barrick, Teck and Kinross, which are active in Alaska. The TSX and Venture Exchange listed companies had just under 9,000 mineral projects in process in 2010, 52 percent were in Canada and 13 percent were in the United States.

Whether raising money for international or domestic projects, all Canadian and foreign-owned companies listed in Canada must meet strong Canadian disclosure standards called National Instrument 43-101.[55] This strict set of rules governing the public reporting of exploration results and estimations of resources and reserves was designed to protect investors from unsubstantiated, erroneous, or fraudulent reports.

National Instrument 43-101 requires that a qualified person confirm the information is accurate and there are professional and legal ramifications for the qualified person if this is not done correctly. The

52 http://www40.statcan.gc.ca/l01/cst01/gblec04-eng.htm

53 58% of Canada's mineral exports went to the U.S. in 2009. www.mining.ca Facts and Figures 2010, p.70

54 www.mining.ca Facts and Figures 2010, p.35

55 www.mining.ca Facts and Figures 2010, p.36 (source: Infomine, compiled by TSX, July 2010)

repercussions can be fines as well as prohibitions on certain activities, including being barred from disseminating mining disclosures or acting as a director or officer of any issuer. The Canadian securities commissions can also issue warnings and require that companies release clarifications or, for more serious breaches, they can order the company to cease trading until they are satisfied the disclosure is compliant.

Government of Canada Taxation Incentives Attract Investment

In addition to financial specialization, taxation incentives have also encouraged mining companies to establish their corporate headquarters in Canada. The Government of Canada recognized that a positive investment climate would help Canada compete for global investment dollars. In January, 2011, Canada lowered its corporate tax to 16.5 percent making it one of the lowest in the OECD countries.

Canada also supports mining exploration and development through a 15 percent mineral exploration federal tax credit, also known as flow-through shares. Junior companies need to raise capital by selling shares in order to finance their exploration and development activities, but they cannot deduct their expenses because they have no revenue from production. Flow-through shares allow a junior company to transfer its deductible resource expenses to the investor.[56]

Responsibility at Home and Around the World

Canada's rich resources and encouragement of Canadian mining companies both in Canada and internationally has resulted in a robust industry. As of 2009, Canadian mining companies have C$56 billion invested abroad and there was C$74 billion in foreign investment in the mining industry in Canada.[57]

Resource development helped Canada to become a nation and to prosper. Over time, the imperative to develop those resources in a responsible, sustainable manner became part of Canadian's view of themselves and their country. These values transcend borders and Canadians expect Canadian companies to meet the highest standards of corporate behavior wherever they operate.

The Canadian companies investing abroad have brought expertise and employment opportunities to countries around the world and they remain excellent partners for Alaska.

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56 www.cra-arc.gc.ca/tx/bsnss/tpcs/fts-paa/menu-eng.html

57 Mining Association of Canada background paper, *Canada's Mining Industry – Contributions, Challenges and Recommendations*, April 14, 2011 www.mining.ca

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The Canadian Institute of Mining, Metallurgy and Petroleum: www.cim.org
The Mining Association of Canada: www.mining.ca
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Canadian Mining Companies Active in Alaska

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Mines and Projects in Alaska

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This paper, *No Better Partner: Canada and Alaska's Mining Sector,* was written for the Consulate of Canada, Anchorage in July 2011, using information gathered from a variety of sources including websites and print media; public presentations by mining company representatives; visits since 2004 to Fort Knox, Red Dog, Pogo, and Pebble; and interviews with Canadian government officials, Canadian mining company executives, the Alaska Miners Association, and the Council of Alaska Producers. The paper was slightly changed in November 2011 to update the figures from *Canada's Impact on Alaska*, McDowell Group, Inc. July 2009 with information from *Canada's Impact on Alaska*, McDowell Group, Inc. September 2011.

The exploration map on page 9 is the property of Mapmakers Alaska and was licensed only for use in this paper. Contact: www.mapmakersalaska.com.

Matthias Consulting was established in Anchorage, Alaska in 2010 to provide clients with strategic analysis of Alaska's economic and political landscapes and to add value to their advocacy and business development efforts in the state.

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Canada

Canada's Impact on Alaska

Shared Commerce, Investment, and Partnerships

Canadian investment plays a significant role in Alaska's economy,

directly accounting for approximately 3,000 jobs and $198 million in payroll annually.

Including direct and indirect impacts, Canadian economic activity resulted in more than 7,100 jobs and $395 million in payroll in Alaska in 2010.

Canada is Alaska's fourth largest export market. In 2010, products and services worth $385 million were exported to Canada.

Canada's economic influence on Alaska is diverse and far-reaching, touching industries from mining, to energy, to the visitor industry.

By the numbers

- **$948 million:** Total Canada-related trade value, 2010
- **$385 million:** Alaska's exports to Canada, 2010
- **$563 million:** Alaska's imports from Canada, 2010
- **#4:** Rank of Canada among Alaska's export markets, 2010
- **$4.6 billion:** Total investment in mining exploration and development by Canadian companies, 1981-2010
- **70%:** Canada's approximate share of total mining industry exploration and development expenditures, 1981-2010
- **42:** Number of Canadian mining exploration and mining companies investing in Alaska, 2010
- **$793 million:** Estimated spending in Alaska by 112,800 Canadian visitors, 2010
- **20,400:** Total Alaska employment attributable to Canadian-U.S. trading relationship, 2008 (Baughman/François study)

Updated November 2011 • All amounts in this report in U.S. dollars.

Canada — the Keystone of Alaska's Mining Sector

The Alaska and Canadian mining industries have been linked since the Gold Rush days of 1898. Today, mining represents the most significant economic connection between Alaska and Canada.

Investing in Alaska

Between 1981 and 2010, Canadian companies spent $4.6 billion on mineral exploration and development in Alaska. In 2010 alone, they spent $207 million on exploration and $129.6 million in development. A total of 42 Canadian exploration and mining companies operated in Alaska in 2010. Canadian companies account for approximately 70 percent of exploration and development expenditures in Alaska's mineral industry.

Providing good jobs for Alaskans

In 2010, Canadian mining companies employed approximately 1,000 Alaskans. Mining industry workers in Alaska earned an average of $97,000 per year in 2010, double the statewide average annual wage.

Alaska's largest surface gold mine, the Fort Knox Mine near Fairbanks, is owned by Toronto-based Kinross Gold. The mine employs 500 people, generating $45 million in wages and benefits annually. It is the second-largest private sector employer in the Fairbanks North Star Borough.

Red Dog Mine, located in Northwest Alaska, is one of the world's largest producers of zinc concentrates. Owned and operated by Vancouver-based Teck Resources Limited, Red Dog Mine employs 550 year-round workers and generates $52 million in total wages annually. Red Dog is the largest employer in the Northwest Arctic Borough in terms of annual payroll, and second-largest in terms of employment.

In July 2011, Vancouver-based Fire River Gold Corporation started operation of Nixon Fork Gold Mine, Alaska's newest gold producer. Located near McGrath, the mine employs 45 workers.





Anglo American and Vancouver-based Northern Dynasty Minerals have created the Pebble Partnership, which is assessing the potential for developing the Pebble Project, a copper, gold, and molybdenum deposit in Southwestern Alaska. Between 2001 and 2010, Pebble Partnership invested more than $400 million in engineering, exploration and environmental studies. If developed, the project may create 800-1,000 production jobs.

Vancouver-based Heatherdale Resources Limited is assessing the feasibility to develop its Niblack Project, a polymetallic deposit on Prince of Wales Island. Since 1995, approximately $50 million has been invested in exploration.

Vancouver-based International Tower Hills Mines Limited is assessing the feasibility to develop Livengood Project, a gold deposit northwest of Fairbanks. Since 2007, approximately $58 million has been invested in exploration. The project may create 450-500 production jobs.

Hammonds Plains, Nova Scotia-based Ucore Rare Metals owns Bokan Mountain Project on the southern tip of Prince of Wales Island, the site of a former high-grade producing uranium mine and a Rare Earth Elements (REE) resource. This prospect is the largest combined heavy and light REE deposit in the U.S. In 2010, the company spent approximately $2.4 million exploring the property.

Partnering with Alaska Native corporations

In partnership with Alaska Native Claims Settlement Act (ANCSA) corporations, Canadian exploration and mining companies create employment, income, and business opportunities for thousands of Alaska Natives.

Between 1989 and 2010, Teck Resources Limited paid $596 million in royalties to NANA Regional Corporation, of which $341 million was redistributed to all Alaska Native corporations.

Two Canadian companies, NovaGold and Barrick Gold Corporation, are partners in the Donlin Creek gold project in Western Alaska. The property is under lease from Calista Corporation and The Kuskokwim Corporation. In 2010, 83 percent of its on-site jobs were held by Calista shareholders or their descendents. If developed, the project may create 600 – 1,000 production jobs.

Supporting local governments and services

Canadian-owned mines are major sources of revenue for local governments in Alaska. Fort Knox paid $4.6 million in property taxes to the Fairbanks North Star Borough in 2010, making it the largest property tax payer in the Borough. Teck Resource's Red Dog Mine is the single largest source of revenue for the Northwest Arctic Borough, with a payment in lieu of taxes of $6.7 million in 2010.

Canadian-owned mines also help support public services. Because Fort Knox is a very large purchaser of electric power ($36 million in 2010), other consumers of power in the Fairbanks area enjoy lower rates.

Canada Strengthens Alaska's Economy

Resource development

Technical expertise and logistics
A variety of Canadian companies, employing more than 150 Alaskans, support Alaska's main industries through technical expertise and logistical services.

Oilfield service companies like Nordic-Calista Services provide a wide range of services such as engineering, construction management, and fabrication.

ATCO Structures & Logistics, part of the Calgary-based ATCO Group, provides modular buildings and structures for use in Alaska's remote locations and extreme climate. ATCO mobile site offices and remote work force housing are used in the mining and oil and gas industries, including camp housing for more than 15,000 workers on the Alyeska Pipeline. The company also provides radar and site communications equipment at numerous sites in Alaska.

Golder Associates Inc., headquartered in Mississauga, Ontario, provides consulting services for sustainable Arctic development, design, and construction related to the earth, environment and energy. Golder has broad expertise in the mining, oil and gas, and transportation industries, and specialist capabilities in permafrost and rock engineering that have been applied to the development of North Slope facilities, onshore and offshore pipelines, and most major mines in Alaska, including Red Dog, Fort Knox, Nixon Fork, and Kensington. Public and private infrastructure is another area where Golder has considerable experience, including work on bridges and highways, railways, telecommunication and wind towers, and transmission lines.

ALS Minerals, a subsidiary of Vancouver-based ALS Canada Ltd., provides assays and analytical work through a sample preparation laboratory in Fairbanks, and opened an additional sample preparation lab in Anchorage during 2011. The company provides assaying and analytical testing services for mining and mineral exploration companies, and also offers on-site mine lab design and operations.

Pipeline development
The potential natural gas pipeline from Alaska to Alberta would ship Alaska's gas to the North American market, delivering clean energy while providing jobs and contracting opportunities in both countries.

Transportation

Canadian transportation companies are represented in Alaska from the North Slope to Southeast.



Arrow Transportation assists Red Dog Mine in Kotzebue through specially designed trucks that haul up to 85 tons of ore bodies at a time 52 miles (83 km) to port facilities at the Chukchi Sea.

Several air transportation companies provide seasonal flights between Alaska and Canada. Yukon-based Air North provides charter and cargo services as well as seasonal scheduled service between Fairbanks and western Canada. Air Canada offers seasonal service between Anchorage and Vancouver, B.C.

Skagway – Yukon's port
In a partnership promoting northern economic development, the Skagway Ore Terminal in Southeast Alaska ships mineral concentrates from northern Canada, creating up to ten jobs in Skagway plus trucking jobs. This year-round operation enhances employment in a community otherwise heavily dependent on the summer visitor industry. In addition, all Skagway residents benefit from the enhanced road maintenance to Whitehorse that accompanies the movement of the ore concentrates. Movement of copper ore from Capstone Mining Corporation's Minto Mine in Yukon Territory utilizes 40 percent of the terminal's storage capacity. In 2010, approximately $88 million worth of copper passed through the Skagway Ore Terminal heading for export markets. The State of Alaska continues to seek opportunities with the Yukon mining industry to expand the terminal.

Canadian-owned White Pass operates three deepwater docks in Skagway, the main port for moving products to and from the Yukon.

Building connections
Northern Transportation Company Limited (NTCL), a NorTerra Inc. company, provides on-demand shipping up the Mackenzie River to coastal villages and Alaska's North Slope oilfield. NTCL has hauled drilling rigs and oilfield modules north, along with dry cargo and fuel. The company is 100 percent Inuit owned.

To the south, CN AquaTrain provides a marine/rail link from Prince Rupert, B.C. to Whittier, Alaska via ocean tug. The AquaTrain ships materials that support Alaska's mining, oil and gas, and construction industries including lumber, specialty chemicals, machinery, and equipment.

Manufacturing

Cold-weather know-how
Capitol Glass Northerm Windows, whose Yukon First Nation-owned parent company is based in Whitehorse, has been manufacturing and distributing window products in Alaska since 1989, including work with the Cold Climate Housing Research Center. The company has a staff of 42 and an annual business volume of nearly $8.5 million.

Seafood

Approximately $100 million worth of Alaska seafood was exported to Canada in 2010. One of the state's larger processing firms, Alaska General Seafoods, is the U.S. affiliate for British Columbia's Canadian Fishing Company. It operates processing plants in Ketchikan and Naknek, and support facilities in Egegik. Peak employment is estimated at approximately 800 workers.

Retail

Employing rural Alaskans
The North West Company International (NWCI) owns and operates 35 retail outlets across rural Alaska, operating under the banner name Alaska Commercial Company. The stores serve populations of 400 to 9,000 located in communities from the North Slope through the Aleutians, and into the Southeast region. Since 1993, NWCI has spent more than $65 million building and renovating stores throughout the state. The company added an additional store in 2011 and plans to add five additional stores over the next five years. With more than 900 employees and an annual payroll of $22 million, NWCI is one of the largest private sector employers in rural Alaska.

Want to know more?

For further information, please contact the Consulate of Canada, Anchorage.

907.264.6734 • ancor@international.gc.ca • www.anchorage.gc.ca

Government of Canada
Consulate of Canada

Gouvernement du Canada
Consulat du Canada



Trade between neighbors

Canada's trade relationship with Alaska is vital to Alaska's economy. With $385 million in exports in 2010, Canada is ranked as Alaska's fourth largest export market.

According to the U.S. Census, metal commodities dominate Alaska's exports to Canada, representing 54 percent of total 2010 exports (or $210 million), followed by unprocessed fish (24 percent or $93 million).

Alaska imported $563 million worth of Canadian products in 2010, for a combined trade impact of $948 million. The largest import was refined petroleum ($197 million).

Visitor industry

The Alaska and Canada visitor industries are inextricably linked, primarily because of two travel markets: cruise passengers and highway travelers.

Canadians traveling to Alaska also provide a boost to the economy. Regional visitors in the Yukon and B.C. make frequent, short trips for business, recreation, festivals, and events. In total, 112,800 Canadian visitors spent an estimated $93 million in Alaska in 2010.

Cruise ship

Of Alaska's 835,000 cruise passengers in 2010, virtually all passed through Canada at some point on their journey. Nearly half of all cruise passengers begin or end their cruise in Vancouver. Many passengers also call in Victoria or Prince Rupert on their way to or from Alaska.

Cruise passengers also visit Canada by taking day tours into the Yukon from Skagway, by taking overnight tours through the Yukon on land tour packages, and by purchasing overnight tour packages to Vancouver, Victoria, and the Canadian Rockies.

In 2007, the Alaska cruise industry accounted for $565 million in total payroll and an annual equivalent of 14,500 Alaskan jobs. Canadian ports and tours facilitate and strengthen this significant industry.

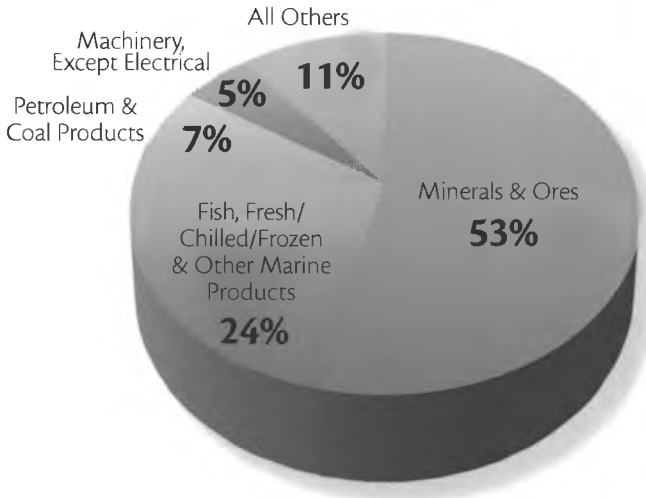
Highway

Nearly all of Alaska's highway visitors pass through Canada. For many visitors, the Yukon and B.C. are essential elements of their trip. Between October 2009 and September 2010, approximately 321,000 people crossed an Alaska/Canada highway border.

Railroad

The White Pass & Yukon Route Railway is the most prominent Canadian-owned company in Alaska's visitor industry. In 2010, the railway carried 368,000 passengers from Skagway into Canada. Nearly 700,000 cruise passengers transit its docks in Skagway every year. In 2010, the company employed 168 unionized, seasonal and year-round employees in Alaska.

Alaska Exports to Canada by Product, 2010



This handout was prepared for the Consulate of Canada by McDowell Group, Inc. ©2011. Sources for the data in this brochure include the Alaska Department of Labor and Workforce Development, Alaska Department of Commerce, Community & Economic Development, Industry Canada, Statistics Canada, U.S. Department of Census Foreign Trade Division, Alaska Industrial Development and Export Authority, and private businesses.







Photo by John Hagen

2/07/12 Presentation: Department of Commerce, Community & Economic Development Updates

<TARGET><BILL></BILL><SUBJECT>2-07-12 Presentation Department of Commerce, Community and Economic Development Updates</SUBJECT><COMM>HEDT27</COMM></TARGET>



EDT&T Presentation
Alaska State Legislature

February 7, 2012

ALASKA
DEPARTMENT OF
COMMERCE,
COMMUNITY,
AND ECONOMIC
DEVELOPMENT

EDT&T Presentation

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Presentation Outline

1. Division of Economic Development Update
2. Broadband Initiative
3. Alaska Tourism Marketing

Division of Economic Development Update

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

New in FY12



Division of Economic Development

- Work on underutilized species, mariculture, and outreach to seafood processors on regulatory, workforce, and product form issues
- Robust commercial fishing and small business lending resulted in 313 new loans valued at $30 million
- Significant outreach to forest products industry as part of the Timber Jobs Task Force as well as DED initiatives
- Regulation development for Alternative Energy Loan program (capitalized in FY12)

Division of Economic Development Update

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

New in FY12



Division of Economic Development

- Increased film and television production through incentives, enhanced marketing, and strong industry engagement
- Enhanced minerals outreach, new promotional material, and teamwork with other agencies
- Secured a STEP grant to promote small business exports to China

Division of Economic Development Update

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

New in FY12

Division of Economic Development

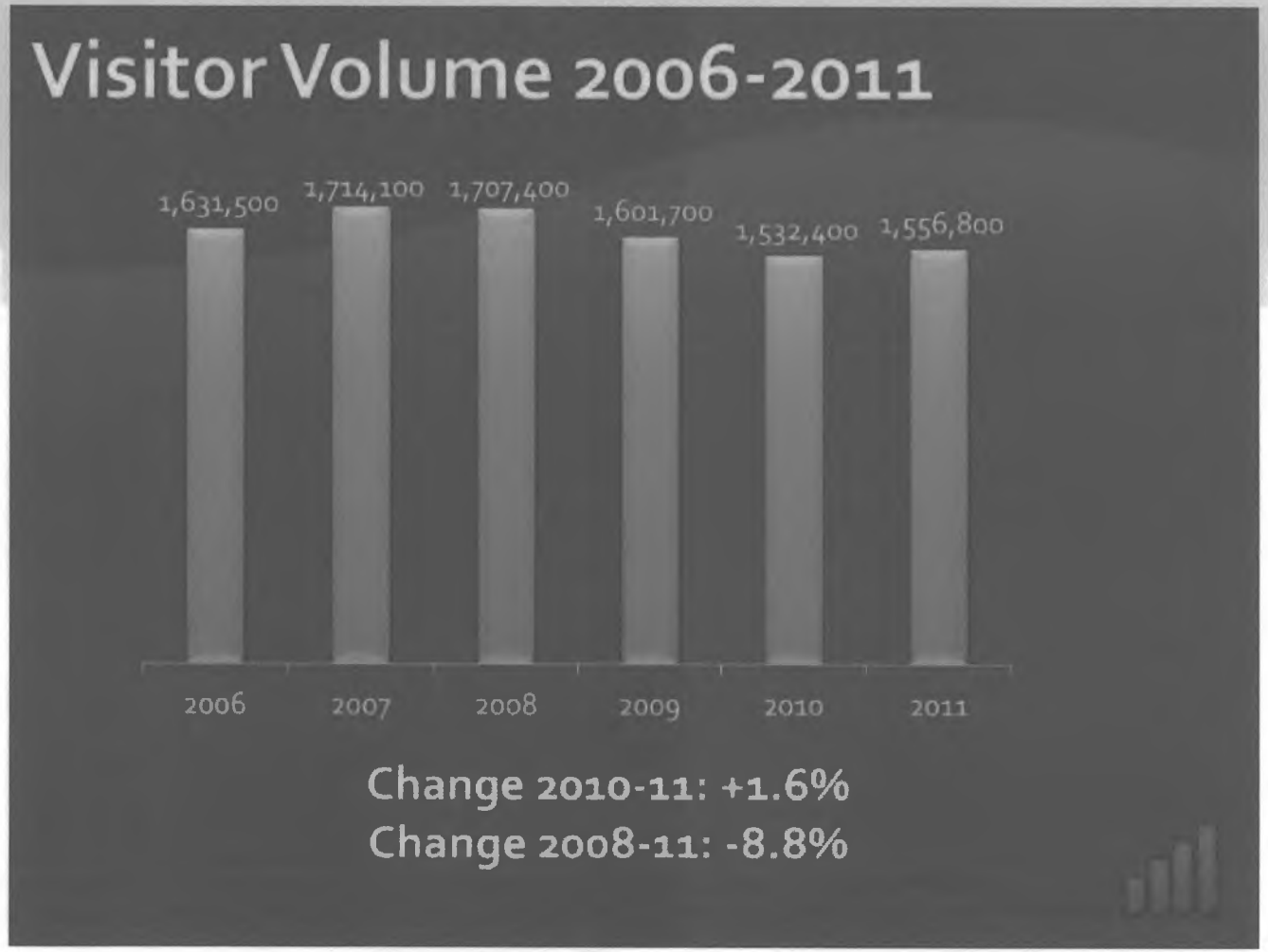
- Implementing the FY12 tourism marketing program
- Participating in cross-agency marketing plan development
- Conducting Alaska Visitor Statistics Program: visitor volume, spending, experience ratings, previous and future travel plans – and much more



Division of Economic Development Update

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

New in FY12



CONNECT ALASKA®

Broadband Initiative

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT



What Broadband Means for Alaska

- Make it possible for every Alaskan to participate and be competetive in the global economy
- Tele-medicine
- E-learning
- Improved communications during emergencies

Broadband Initiative

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Broadband Initiative Background

- 2008 Congress passed Broadband Data Improvement Act
- Alaska received $6.3 million to fund activities through 2014
- Denali Commission redirected funds to Connected Nation
- Connect Alaska formed



Broadband Initiative

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Alaska's Grant Components

- Mapping: Alaska's last-mile capability, map maintenance/validation
- Planning: AK Broadband Taskforce
- Application: Assess and improve e-government services
- Technical Assistance: local-level research on residential and business adoption, digital literacy, and community needs assessments and benchmarking

Statewide Broadband Task Force

- 21 organizations, groups and agencies each nominated a person to serve on the task force
- Members range from libraries, hospitals, schools, Native organizations, telecommunication, emergency responders, and House and Senate
- Task force meets monthly to plan the state's broadband future and infrastructure needs

Broadband Initiative

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Task Force Vision Statement

EXTEND	▪ To extend the full benefits of broadband technology to every Alaskan
PARTICIPATE	▪ To make it possible for every Alaskan to participate and be competetive in the global community
BY 2020	▪ By 2020, every Alaskan has 100 megabits per second (mbps) broadband connectivity
PLAN	▪ Draft plan roll-out in fall of 2012

Broadband Initiative

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Task Force Deliverables

FALL 2012	▪ Deliver a plan for future broadband deployment and adoption
COST	▪ Cost to develop a middle-mile infrastructure
POTENTIALS	▪ Economic development potentials (based on modeling) when 100 mbps is delivered
IMPACTS	▪ The impacts on e-commerce, e-government services, telemedicine, education, emergency services

Alaska Tourism Marketing

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Alaska Tourism Marketing

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Implementation

- Legislature directed FY12 marketing funds to DCCED
- DCCED contracts – advertising, media relations, website, fulfillment, and research
- Developed MOU with ATIA – travel trade and international
- Marketing committee participation

Alaska Tourism Marketing

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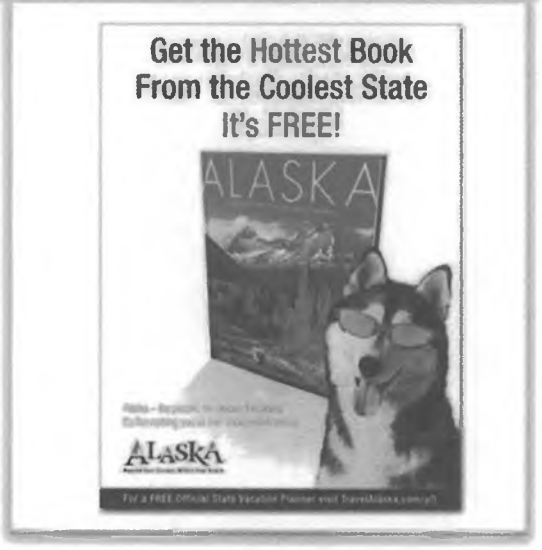
Marketing Budget

State Program	Cost Estimate
Advertising	$7,842,000
Vacation Planner/Reach Brochure	1,335,000
Media Relations	939,000
Website	733,000
North to Alaska – Alaska/Canada Promotion	510,000
Research	239,000
In-State Marketing	150,000
Opportunities and Contingency	*252,000*

Alaska Tourism Marketing

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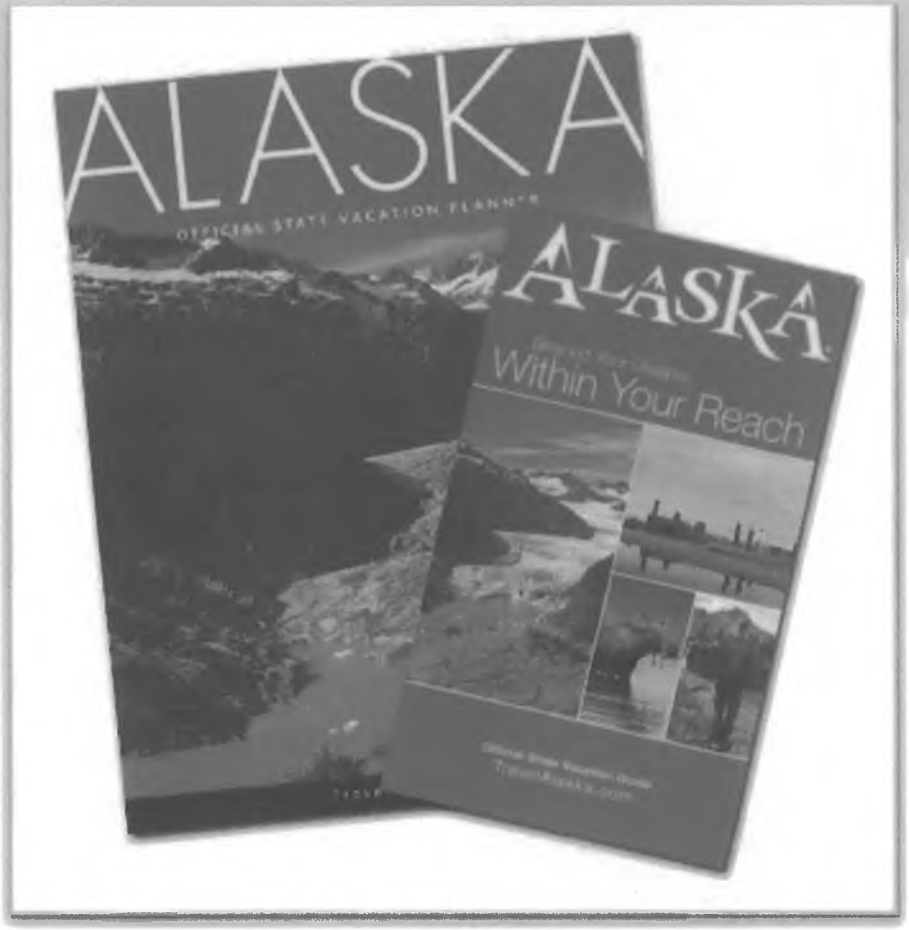


Advertising

- 24 full-page ads in national magazines (circulation: 45 million)
- 9 smaller ads in magazines (circulation: 31.7 million)
- National television advertising
  - 465 30-second ads on cable
  - 340 10-second ads on nationally syndicated programs

Alaska Tourism Marketing

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT



Advertising (cont.)

- Distributing
  - 450,000 Vacation Planners
  - 200,000 Reach Brochures
  - 100,000 North to Alaska Guides
  - 1.3 million direct mail pieces
- New winter photography

Alaska Tourism Marketing

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Public Relations

- Generated 168 stories (PR value $19.2 million)
- *Today Show's* Al Roker broadcast – dog sledding, bear viewing, fishing, cooking Alaska salmon, and sightseeing
- *Media Road Show*, 40 journalists
- DC media event with ASMI, 20 journalists
- New York media trip, Alaska cooking competition
- Monthly e-newsletter, 650 journalists
- Social media



Alaska Tourism Marketing

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TravelAlaska.com

- 600,000 unique visits monthly
- 400,000 e-newsletters monthly
- Japanese and German language websites
- Updating content on state marketing partners, cultural information, and heritage tourism

Alaska Tourism Marketing

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DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT



Trade Shows and Events

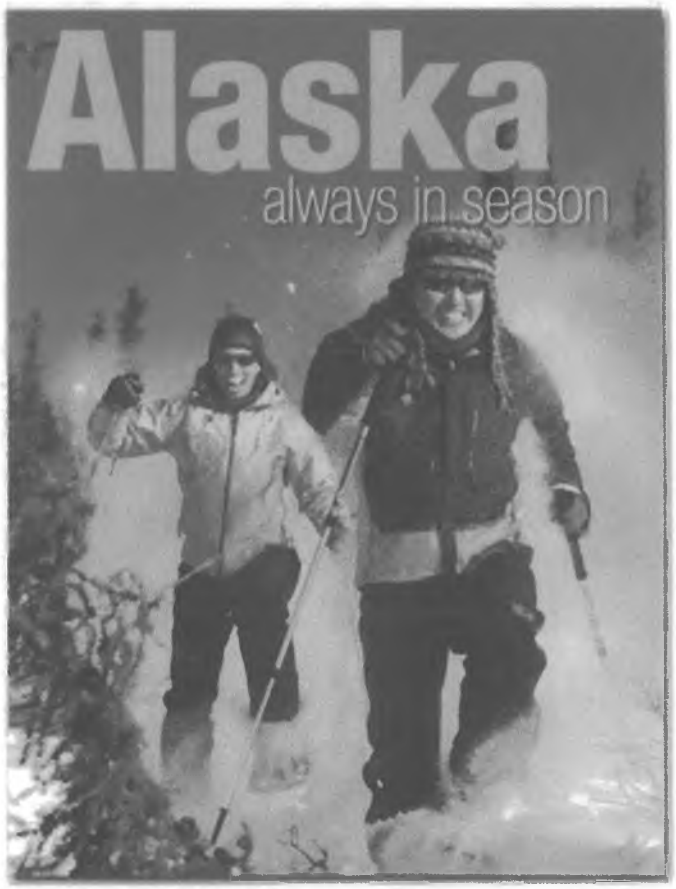
- Attended 6 national consumer shows
- U.S. – China tourism summit
- China and South Korea trade mission: tourism, ASMI, airports
- Trade mission to Iceland
- State Travel Offices annual meeting

Alaska Tourism Marketing

ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Upcoming Activities

- Winter press trip: Yukon Quest, Fur Rondy, Iditarod
- New York Media Event, March 8
- New Mobile App, March 26
- Korean language website, June 1
- Planning for FY13 program





Comments and Questions

Executive Summary

The Anchorage Economic Development Corporation contracted with McDowell Group, an Alaska research and consulting company, to assess the economic impacts of the 2010 filming in Anchorage, Barrow, and Seward of the Universal Studios motion picture *Everybody Loves Whales*. The production, which included several well-known actors and hundreds of cast and crew, had high visibility during the months of shooting, but there is likely little understanding about the full economic impact it had on the economy and the large number of vendors whose businesses were directly affected during the two-month filming effort.

Summary of Findings

Alaska's film Industry

- Based on data provided by the Alaska Film Office, $14.9 million was spent in Alaska in FY2010 and FY2011 year-to-date on the production of feature films, documentaries, television programs, and commercials. It does not include *Everybody Loves Whales* or other production efforts this year that have not submitted spending data to the state for the state's film production tax credit.
- Filming or other production-related activities occurred in 35 Alaska communities over the past two years.

The U.S. Film Industry

- The motion picture industry's global box office revenue in 2009 totaled $29.9 billion (U.S. dollars), an increase of 7.6 percent from 2008. Approximately one-third of that amount came from the U.S. and Canada ($10.6 billion, up ten percent from 2008 and 20 percent from 2003).
- The U.S. film industry supported 2.4 million jobs and over $140 billion in total wages in 2008. This included 296,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows, and 453,000 jobs in related businesses including theaters, rental stores, television broadcast companies, cable companies, and online ventures.
- In 2008, there were over 95,000 businesses in total related to the film industry, which made more than $40 billion in purchases of goods ands services. The industry paid an estimated $15.7 billion in federal taxes.[1]

Film-Based Tourism

Alaska tourism marketers are attempting to capitalize on movie and television program-generated publicity by running ads during the programs featuring Alaska wildlife, scenery, and activities including fishing, kayaking, and rafting. While it is difficult to quantify the effect on visitor travel of this type of exposure, experience elsewhere in the country suggests there is potential for it to help stimulate tourism growth.

[1] *The Economic Contributions of the Motion Picture and Television Industry to the U.S. Economy*, 2009

Economic impact of Everybody Loves Whales

The total economic impact of the filming of *Everybody Loves Whales* on the Alaska economy was an estimated $16.5 million.[2] Of that amount, $6.2 million consisted of labor income (payroll and benefits). In other words, Alaska workers earned an extra $6.2 million because *Everybody Loves Whales* was filmed in the state, and the state as a whole generated $16.5 million more in output than otherwise would have been the case. Specific economic impacts include:

- A total of over 1,300 Alaskans earned income directly related to filming of *Everybody Loves Whales.* This includes 175 crew, 48 Alaska resident cast members (with speaking parts), and 1,100 extras. Based on hours worked and wages earned, the *Everybody Loves Whales* workforce translates into the annual equivalent of 110 jobs.

- Alaskans (actors, extras, and crew) earned a total of $4 million in wages during the 58-day filming effort, the equivalent of about $70,000 for each day of production in Alaska.

- Filming of *Everybody Loves Whales* included spending with at least 80 different Alaska businesses and organizations. This spending on goods and services totaled $7.7 million.

- A wide variety of businesses provided goods and services to the film production project, including hotels, rental car companies, restaurants, security firms, construction and engineering companies, realtors, boat charters, diving companies, sled dog operations, hardware stores, clothing stores, dumpster rental companies, plumbing and heating companies, caterers, grocery stores, seafood processing companies (ice), and dozens of other businesses.

- Including payroll earned by Alaska residents and purchases of goods and services from Alaska businesses, filming of *Everybody Loves Whales* directly accounted for $11.7 million in Alaska spending.

- Most of the economic impact of filming was in Anchorage, but Barrow also benefitted from the week of filming that was done there. Impacts also extended specifically to the Kenai Peninsula, as well, as a result of brief filming in Seward and the significant purchases of ice from area seafood processing companies.

- Production company spending in Alaska on goods and services, coupled with local spending of new payroll dollars generated by the film project, supported additional jobs and income throughout the Alaska economy. Including indirect and induced effects (the multiplier effect), the economic impact of filming *Everybody Loves Whales* equaled the annual-equivalent of 180 jobs and $6.2 million in labor income.

[2] These estimates are based on a preliminary analysis conducted prior to the filing of detailed financial documents required to obtain the film tax credit.

- Both the labor income and total output estimates are conservative to the extent they do not capture all of the spending by non-Alaskan cast and crew members. Spending on accommodations, transportation, and meals was captured, but incidental spending by non-resident cast and crew members while in Alaska was not. Anecdotally, at least some of the visiting cast and crew spent freely on visitor activities, entertainment, and cold-weather clothing while in Alaska.

Estimated Economic Impact of *Everybody Loves Whales*

	Direct	Indirect and Induced	Total
Employment	**110**	**70**	**180**
Labor Income	$4,000,000	$2,200,000	$6,200,000
Spending on Goods and Services	$7,700,000	$2,600,000	$10,300,000
Output	$11,700,000	$4,800,000	$16,500,000

- Including direct and indirect labor income, filming of *Everybody Loves Whales* generated approximately $107,000 in income for Alaskan workers for each day of filming.
- Total direct and indirect output (the sum of all direct and indirect payroll and non-payroll spending) related to filming *Everybody Loves Whales* in Alaska was approximately $16.5 million.
- Filming of *Everybody Loves Whales* created approximately $285,000 in economic activity for each day of filming in Alaska.

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

February 7, 2012

Dear Alaska Legislators:

The attached brochure describes the FY 2012 Destination Tourism Marketing Program implemented by the Department of Commerce, Community, and Economic Development (DCCED).

Utilizing the marketing plan framework developed with tourism industry input, implementation of the marketing campaign has been timely and effective. We continue to work closely with the travel industry to develop and refine the program.

As the brochure outlines, marketing accomplishments include:

- Ads in national magazines reaching 76 million readers
- Nearly 1,000 national television commercials airing on cable and syndicated television channels through April 1, 2012
- More than one million direct mail pieces sent to consumers
- Distribution of 450,000 copies of the *Official State Vacation Planner* and 200,000 *Reach* brochures
- 168 editorial stories in publications
- 1.5 million unique viewers annually to the *TravelAlaska.com* website
- 400,000 informative e-newsletters sent monthly to consumers

Alaska's increased investment in tourism marketing is paying off with growth in most industry sectors. In the cruise sector alone, estimates indicate cruise ship passengers will increase by nearly 100,000 in 2012 and 2013 combined. Independent visitors are making a more gradual recovery, with air travel growing more rapidly.

I am confident that by continuing to execute the robust marketing plan promoting Alaska as a visitor destination, we will see positive results for Alaska's economy.

Sincerely,

Susan K. Bell
Commissioner

P.O. Box 110800, Juneau, Alaska 99811-0800
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437
Email: questions@alaska.gov Website: http://www.commerce.alaska.gov/

Alaska's

Tourism Marketing Campaign



Why Market Alaska?

Tourism is an important part of our economy and enhances the quality of life for Alaskans. Money spent by travelers provides an immediate and substantial impact on jobs and families.

The State of Alaska seeks to increase brand awareness and year-round visitation through a targeted and creative tourism marketing campaign. The Department of Commerce, Community, and Economic Development (DCCED) implements the marketing campaign while working in cooperation with travel industry partners who invest in the program.

Tourism Marketing Goals

- ***Generate awareness and interest in travel to Alaska***
- ***Increase year-round visitation to Alaska***
- ***Grow private sector funding of tourism marketing programs***

Advertising

Television

Television is a powerful medium for delivering Alaska's message to the widest audience, and is the primary means of increasing exposure to the Alaska brand and inspiring a decision to visit.

- Thirty-second ads placed on national cable networks such as the History Channel and Discovery Channel
- Ten-second ads placed on nationally syndicated broadcast shows, such as ESPN



Direct Mail

Direct mail is an effective means of communicating with potential visitors. Information is sent to lists of potential travelers that meet very specific criteria. The mailing includes an invitation to come to Alaska along with a card to order a State Vacation Planner.



- Distributed to one million potential visitors and past inquirers
- Direct mail lists are refined through research

Magazine Advertising

Ads offering the State Vacation Planner are placed in magazines that have been selected for their demographics, readership, and ability to produce visitors.

- Placement of full-page ads in select publications
- Inclusion of reply cards, which are used to capture intent to visit and other information



Internet Marketing

TravelAlaska.com

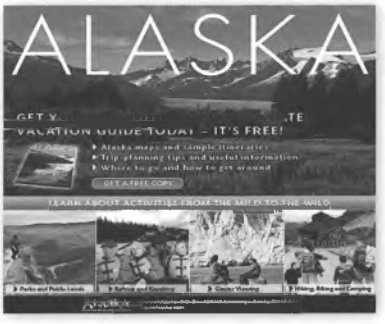


TravelAlaska.com is the official travel website that provides potential visitors with the information they need to fully research and plan a trip. During the course of the year, new features, information, and photography are continually posted to the website, as are banner ads and "hot links" purchased by Alaska tourism businesses. Among the many features on the site is a section for journalists, information for the travel trade and a photo gallery.

- 1.9 million site visits annually
- 1.5 million unique site visitors
- 28,000 monthly click-throughs to businesses

Online Marketing

A variety of internet marketing techniques are used to target potential visitors and drive traffic to TravelAlaska.com. Online marketing continues to grow each year. The following techniques are used to generate inquiries and website visitors:



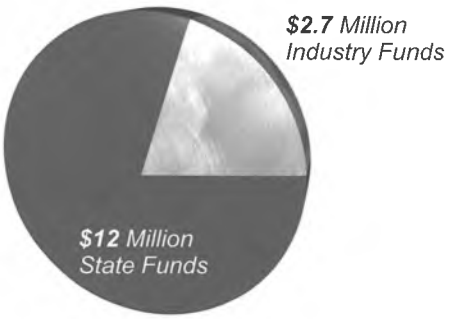
- E-newsletters
- Third-party emails
- Display ads
- Text ads and links
- Search engine marketing

Domestic Marketing

Budget

Expenditures for the FY12 marketing campaign include a total budget of $14.7 million: $12 million appropriated by the Legislature to DCCED plus another $2.7 million raised through collaborative marketing programs administered by the Alaska Travel Industry Association (ATIA).

FY12 Tourism Marketing Budget



Marketing Elements

The marketing program employs a variety of tools to raise awareness about Alaska and deliver messages and information that resonate with the target audience. The amount invested in each method is shown below. Industry-funded elements are noted with an asterisk.

Advertising	$7,842,000
Vacation Planner and Reach Brochure	1,335,000
Trade & International Marketing (5 countries)*	1,175,000
Media Relations	939,000
Website	733,000
North to Alaska - Alaska/Canada Promotion	510,000
Opportunities and Contingency	252,000
Research	239,000
In-State Marketing	150,000
Implementation*	1,585,000
Total	**$14,700,000**

Cooperative Marketing

The Alaska travel industry leverages the State's marketing investment through cooperative programs that would otherwise not be available to tourism businesses and communities. Programs include:

- Placing ads in the official Alaska State Vacation Planner
- Advertising in national magazines and on TravelAlaska.com
- Sharing in the cost of trade show booths
- Hosting travel writers and attending Media Road Show

Strategic Direction

Because Alaska is the type of vacation that represents a significant commitment in both planning time and resources, the strategy used to attract potential prospects and take them through the decision-making process is very important. The state tourism campaign:

- Inspires a decision to visit through TV advertising and public relations
- Generates requests for information via direct-response advertising
- Provides travelers with the tools they need to plan and book a trip to Alaska

Primary Target Market

To maximize return on investment, the program focuses on a primary target market comprised of U.S. residents who are most likely to have the time and money to take an Alaska vacation.

High-Potential US Travelers

- Baby boomers, 45-65 years old
- Affluent couples
- College-educated
- Frequent travelers, especially those who have taken a foreign vacation

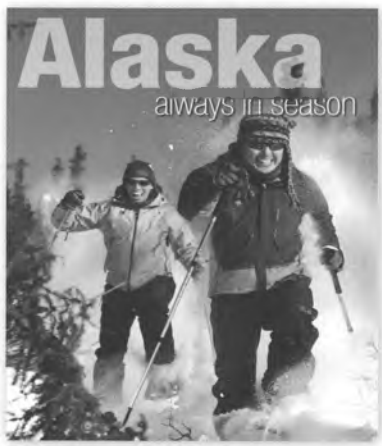
Niche Markets

Within this primary target, two distinct niche markets have been singled out for additional emphasis. These are:

- Adventure travelers
- Highway travelers

Year-Round Marketing

Although most visitors arrive between April and September, the marketing program works to promote Alaska as a year-round destination. In addition, a concerted effort is underway to expand the promotion of winter travel such as:



- Enhancing the winter section on TravelAlaska.com
- Hosting winter familiarization tours for travel writers and tour operators
- Conducting research devoted to better understanding the winter traveler
- Incorporating new winter photography into materials

Partnerships

Alaska leverages its marketing resources and partners with other state agencies and organizations such as:

- Alaska Grown (Division of Agriculture/DNR)
- Alaska Marine Highway System (DOT&PF)
- Alaska State Parks (DNR)
- Alaska Railroad (DCCED)
- Alaska Seafood Marketing Institute (DCCED)
- Alaska Scenic Byways (DOT&PF)
- Made in Alaska Program (DCCED)
- Alaska Film Program (DCCED)
- Wildlife Viewing (ADF&G)
- Silver Hand Program (DEED)
- National Park Service

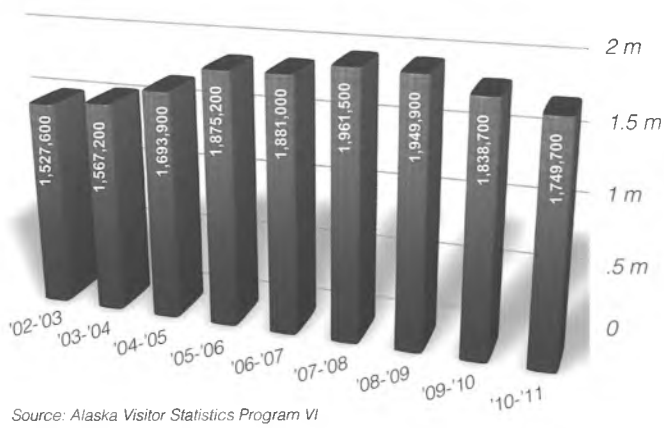
Partnerships also extend to our neighbors in Canada. The North to Alaska program is one of the longest-standing international agreements of its kind between Alaska and Alberta, British Columbia, and Yukon governments. The goal of the program is to inspire prospective visitors to experience the ultimate North American road trip: driving through Canada into Alaska.



Results

Alaska's tourism marketing efforts have resulted in:

- 24 full-page ads in national magazines with a total circulation of 45 million
- 9 smaller ads in magazines with total circulation of 31.7 million
- 805 national television ads airing between September 2011 and April 2012
- 1.3 million direct mail pieces mailed to consumers
- 168 editorial stories in publications, on television networks, and online media with a public relations value of $19.2 million
- Hosted 40 top travel journalists at October 2011 media event
- 600,000 unique visits each month to TravelAlaska.com
- 400,000 E-newsletters delivered to consumers monthly



Source: Alaska Visitor Statistics Program VI

Visitor Volume Estimates

Summer 2011 visitor volume increased nearly 2% to 1,556,800 visitors over the prior summer.

Alaska tourism generates

$3.4 billion

in direct and indirect spending in Alaska

more than

$100 million

in taxes and fees

and creates over

40,000

jobs

The Forecast

Alaska's increased investment in tourism marketing is beginning to pay off with increases in most sectors of the industry. Cruise ship visitation will increase by nearly 100,000 in 2012 and 2013. Independent visitor bookings indicate a slow, steady recovery.

Department of Commerce, Community, and Economic Development

www.commerce.alaska.gov

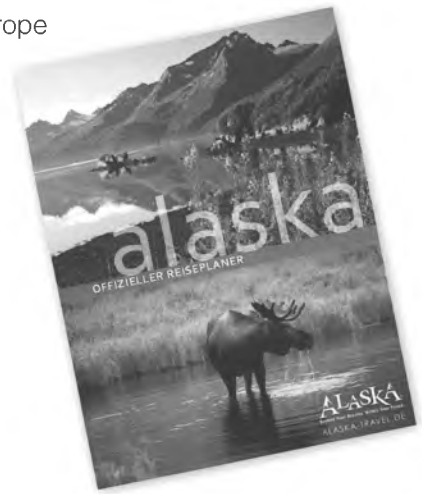
International Marketing

Although fewer visitors come from overseas, international travelers tend to stay longer and spend considerably more money than domestic visitors. Both established and emerging markets have long-term growth potential.

Primary Markets
Australia
German-speaking Europe
Japan
United Kingdom

Secondary Markets
Belgium
Korea
Luxembourg
Netherlands
Scandinavia

Emerging Markets
China
Latin America
Taiwan



German Guide

Alaska fosters interest among travelers from abroad by providing information and acting as a facilitator between Alaska tour companies and international buyers. Activities include generating media coverage through public relations, conducting joint marketing campaigns with tour operators, and collaborating with international air carriers to promote flights in both summer and winter.

Alaska's overseas travel contractors are located in:

- Australia
- German-speaking Europe
- Japan
- Korea
- United Kingdom

Printed materials and TravelAlaska.com are available in:

- German
- Japanese
- Korean - available in June 2012

Travel Trade

The trade program works with those who sell travel — tour operators, wholesalers, and travel agencies — and encourages them to add or expand their Alaska travel products. To achieve the highest return on investment, activities focus on large distribution networks and companies with high volumes of business.

- Meetings with airlines, cruise lines, and tour operators
- Spearheading Alaska's presence at national travel trade association meetings
- Alaska workshops and sales calls
- Destination training and familiarization tours
- Alaska Certified Expert (ACE) online travel agent training program



Public Relations and Social Media

Public Relations

The national public relations campaign works with journalists to produce positive editorial coverage about Alaska. The program includes everything from escorting journalists while in-state to arranging large-scale media events. Important elements include:

- Ongoing dialogue with media
- Providing information, assistance, travel editorial, and press kits
- Distributing press releases and e-newsletters
- Hosting media events and press trips

Social Media

Top social networking sites such as Facebook, Twitter, and YouTube are used to engage and inform potential visitors and journalists, and to create buzz about Alaska as a vacation destination. Campaigns and regular updates focus on tourism businesses, links to travel news and videos that reinforce the Alaska brand.

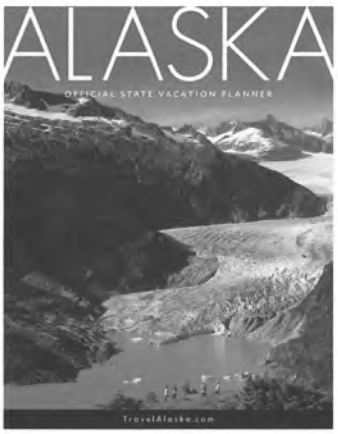


Publications

One of the primary objectives of the Alaska ads, whether they are on TV, in print, online, or by direct mail, is to persuade potential visitors to contact the state for more information. Our research has shown those who request information are more likely to convert into visitors than those who do not.

Alaska State Vacation Planner

The vacation planner is sent to those who are interested in visiting in the next few years. It includes everything from basic trip planning information to detailed business listings. Visitors refer to it often and use it as a tool to convince others to come to Alaska.



- 450,000 copies distributed annually
- Sent to consumers who have stated an interest in visiting
- Connects visitors with Alaska businesses that can close the sale

Reach Brochure



This brochure is designed to help those who have not yet made a decision.

- Key objective is to help prospective visitors realize that Alaska is within their "reach"
- 200,000 copies distributed annually

23 percent

of people who receive an Alaska brochure visit within three years

Source: Conversion Study

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner

MEMORANDUM

TO: Representative Bob Herron, Chair
House Economic Development, Trade and Tourism

DATE: August 2, 2011

FROM: Susan K. Bell, Commissioner

RE: Marketing Alaska

The Department of Commerce, Community, and Economic Development (DCCED) has been asked to provide comments on a proposed new approach to analyzing state marketing opportunities. While the committee is reviewing proposed legislation, I believe it is important for you to understand the actions we are taking to promote a healthy economy, strong communities, and protect consumers.

DCCED is significantly enhancing our role in promoting Alaska, our natural resources, business opportunities and many industries. We are working on several fronts to leverage existing resources and identify new opportunities, including:

- Actively engaging business leaders about economic goals and the marketing strategies that support increased business activity.
- Researching success stories and strategies used in other states.
- Conducting market research and analysis needed to advance Alaska's marketing efforts.
- Taking the lead role to develop a more comprehensive approach to state marketing and completing a gap analysis to address marketing gaps/opportunities in various economic sectors.
- Developing enhanced media and community outreach strategies to tell Alaska's story.
- Implementing the FY 2012 tourism marketing campaign, including oversight of advertising, public relations, market research, website, and other contracts that are central to the state's marketing effort.
- Collaborating with the Alaska Travel Industry Association, so that marketing programs funded directly by the trade organization are complimentary to the state-funded efforts.
- Through the Alaska Seafood Marketing Institute, DCCED is ensuring that Alaska's premier market position is retained.
- Through the Alaska Railroad Corporation, DCCED is ensuring that Alaska's passenger and commercial rail services are marketed to residents, visitors, and resource development clients.
- Seeking ways to enhance marketing of Alaska's film industry, mineral resources, and forest products.
- Collaborating with state agencies inside and outside of our department to leverage marketing activities related to tourism, seafood marketing, and transportation.
- Working within the air cargo and international trade sectors to develop effective strategies for both exogenous and endogenous marketing.

I am confident we can successfully execute a marketing program that will generate new energy and stimulate growth in numerous sectors of the Alaska economy.

Questions for DCCED

Division of Economic Development

Film Tax Incentives: HCR 19 which we've just passed from committee asks the legislature to look at State Direct Financial Interest (SDFI) a system whereby Norway invests directly in their oil fields. Have you explored a similar system for Film Tax incentives? Where the state would invest in film productions, and then either lose the money if the film flopped or make money if the film succeeded? (The former case of the film flopping is similar to what happens now, since the state never recoups the tax credits.) What would the state have to lose by pursuing such a model?

Broadband:

Has the Commissioner or DC attended any meetings?

Final product of the Task Force on p. 12. Will specific budget recommendations be part of the final product? Seems to me that, sure, the Final Report will be useful, but in the end it's going to come down to money and lots of it. Have you been thinking about how the state can best finance state-wide broadband? Obviously the private sector is a big player, and GCI has done a lot with that, but wasn't much of the funding for Terra from the Stimulus Package? How much help can we expect from the Federal government in the future?

Is the Task Force taking at close look at Arctic Link, or at any other proposals that will get Broadband out to the Aleutians? Has there been any discussions of AIDEA financing broadband initiatives?

Don Pumphrey presented information on the SE Alaska Fibre Ring to the Task Force on Nov. 17. Do you think any information about how we can cooperate with our Canadian partners on Broadband will make it into the Final Report? Have you heard of or can you think of any other ways Alaska could cooperate with the Canada on Broadband?

When is the Task Force meeting next and what's on the agenda? (Answer: 2.22.12 – agenda: voting on Research budget proposals. Other items on agenda forthcoming?)

Tourism Marketing

Besides the North to Alaska – AK/Canada Promotion (P. 15), What are we doing to cooperate with Yukon on tourism marketing? In tourism marketing, what are you doing to help out the small independent operators, vs just the big players? Why is in-state marketing (P.15) such a small percentage (less than 2%) of Advertising budget? Tell us about the rationale there. Lots of Alaskans have relatives out of state, so maybe we should be targeting in state advertisement more?

Almost $1million on media relations? (P.15)

Social Media (Mentioned on P.18)

Does ATIA have social media presence like facebook and twitter? Seems like this would be much more effective per dollar than print and TV advertising. Does the state engage in any social media directly, or is it all thru ATIA?

What is tourism marketing campaign doing to increase rural and winter (off-season) tourism? Are you taking full advantage of the active auroral displays?

2/21/12 Presentations Southeast Integrated Resource Plan & International Trade Update

<TARGET><BILL></BILL><SUBJECT>2-21-12 Presentations Southeast Integrated Resource Plan and International Trade Update</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 21, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz (Sub-Committee conflicts until 2.28.12)
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

<<

EDT QUESTIONS

For Devany or Strandberg (or possibly Deerfield) (First two presentations)

Conceivably, what percentage of all SE's space heating needs could be supplied by wood pellets, and still be a sustainable resource? How much loggable land would be needed?

What do you consider the level of maturity of the technology? Are advances coming that might in some sense make it worthwhile to wait before large investments?

Right now communities in SE are importing pellets from Canada, right? Does it make sense for the state to fund pellet plants to get the industry started?

Regarding the pellet plant in FBX: Where do they send their pellets? Do they export any pellets, and if not, do you think they will in future?

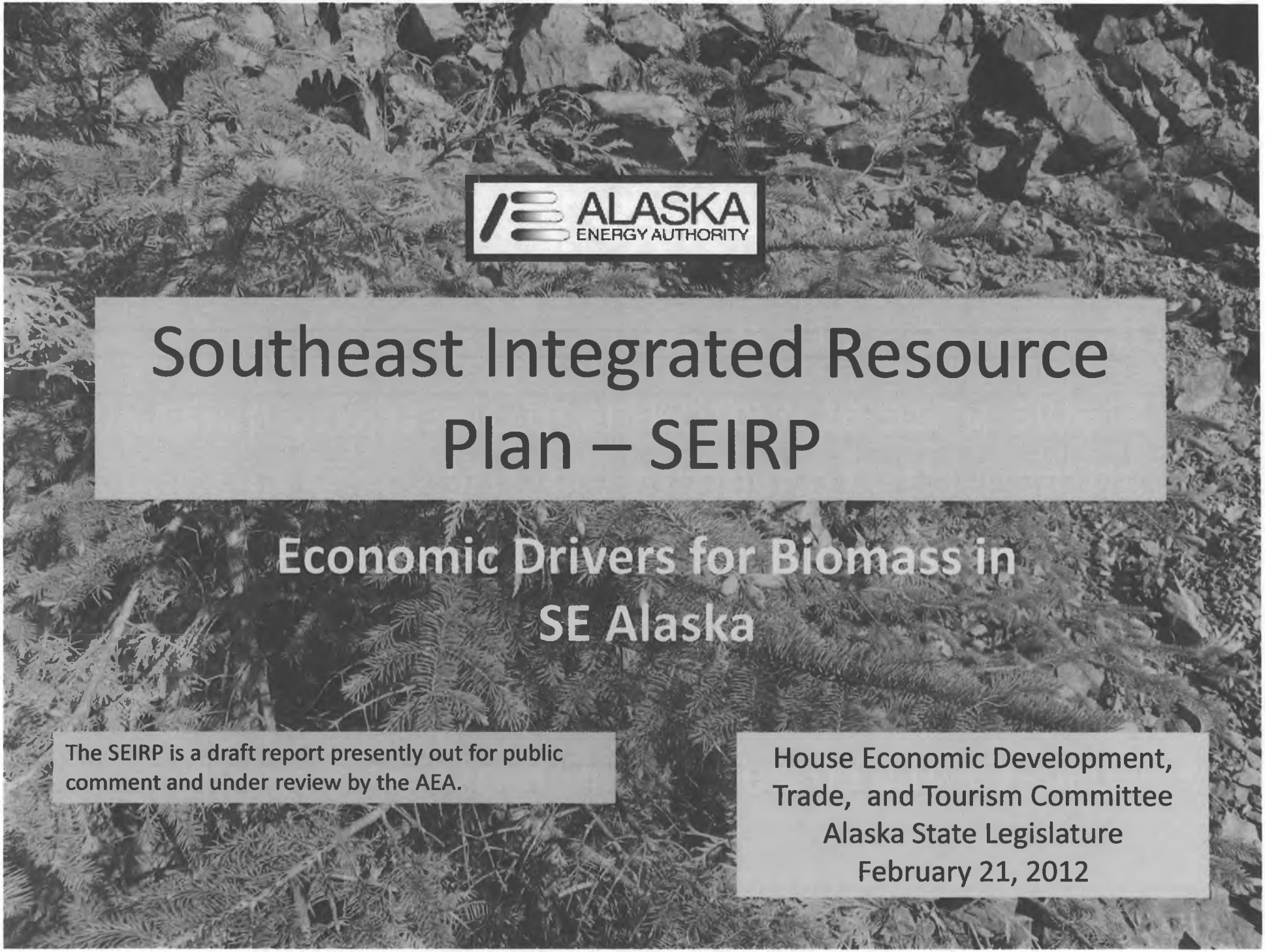
Tell us about possible pellet plants in Thorne Bay and Ketchikan.

Are pellets themselves the same for residential and commercial?

Is SE wood better for pellets than interior wood?

How mature do trees need to be to work for pellets?

If you are worried about too many people converting space heat to electricity and overloading hydro in the short term, Might it make more sense in the long run to just build more hydro? How more viable hydro capacity do we have in SE? Will SE hydro ever be exported to Canada?



Southeast Integrated Resource Plan – SEIRP

Economic Drivers for Biomass in SE Alaska

The SEIRP is a draft report presently out for public comment and under review by the AEA.

House Economic Development, Trade, and Tourism Committee
Alaska State Legislature
February 21, 2012

Current Situation

- High cost of heating oil is driving conversions to electric space heating
- Stable price of hydro-based electricity makes it attractive to convert to electric space heating
- Conversions have eaten into reserve hydro power to the point that utilities need to supplement hydro with diesel-fired generation
- Costs to ALL customers increase as a result

SEIRP Recommendations

- Preserve hydro power for higher use needs
  - Lighting, appliances
  - "Electricity runs motors that make jobs"
- Space Heating equates to 75% of energy footprint
  - Alternatives to electricity are available
- Biomass for space heating has a compelling economic benefit
  - Payback of recent pellet heating projects - 4-7 years
  - Imported pellets similar to the cost of hydro and up to ½ the cost of diesel
  - Maintenance and operation of pellet boilers similar to oil boilers
  - Economic Development opportunities for pellet manufacture in Southeast

Angoon Home Budget

2016 Full Implementation

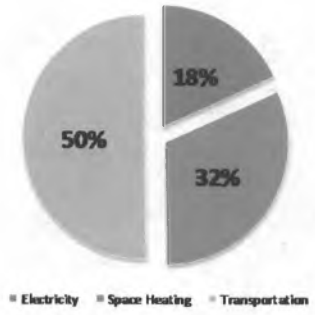
Input

Location:	Angoon	
Building Size:	1200	sq feet
Space Heating Type:	Biomass, Pellets	
Space Heating Cost:	$350.00	per TON
Residential Electricity Rate:	$0.61	per kWh
PCE Eligible	YES	
PCE Rate	$0.41	per kWh
Gasoline Price:	$4.53	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$1,267	$106
Heating Costs	**$2,192**	**$183**
Transportation Costs	$3,499	$292
TOTAL	$6,958	$580



2/9/2012

30.3% realized savings over "No Implementation"

2011 Base Case

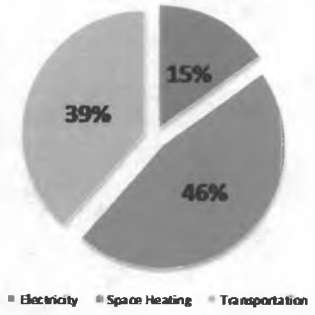
Input

Location:	Angoon	
Building Size:	1200	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$4.60	per gallon
Residential Electricity Rate:	$0.61	per kWh
PCE Eligible	YES	
PCE Rate	$0.41	per kWh
Gasoline Price:	$4.53	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$1,370	$114
Heating Costs	**$4,198**	**$350**
Transportation Costs	$3,499	$292
TOTAL	$9,067	$756



ALASKA ENERGY AUTHORITY

SEIRP - draft plan analysis

2016 No Implementation

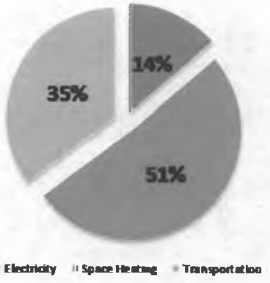
Input

Location:	Angoon	
Building Size:	1200	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$5.60	per gallon
Residential Electricity Rate:	$0.61	per kWh
PCE Eligible	YES	
PCE Rate	$0.41	per kWh
Gasoline Price:	$4.53	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$1,370	$114
Heating Costs	**$5,111**	**$426**
Transportation Costs	$3,499	$292
TOTAL	$9,980	$832



10.1% increase from 2011

POW Island (Craig) Home Budget

2016 Full Implementation

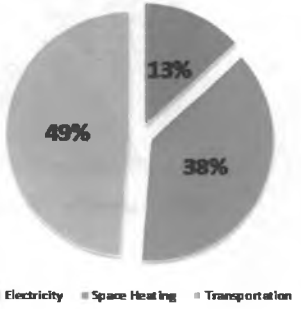
Input

Location:	Prince of Wales (Craig)	
Building Size:	1200	sq feet
Space Heating Type:	Biomass, Pellets	
Space Heating Cost:	$350.00	per TON
Residential Electricity Rate:	$0.22	per kWh
PCE Eligible	YES	
PCE Rate	$0.07	per kWh
Gasoline Price:	$3.64	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$759	$63
Heating Costs	**$2,192**	**$183**
Transportation Costs	$2,811	$234
TOTAL	$5,762	$480



34.4% realized savings over "No Implementation"

2011 Base Case

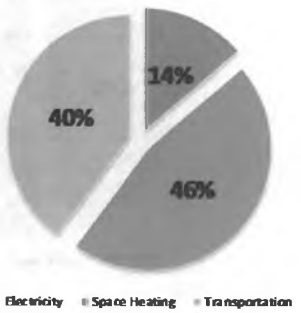
Input

Location:	Prince of Wales (Craig)	
Building Size:	1200	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$3.59	per gallon
Residential Electricity Rate:	$0.22	per kWh
PCE Eligible	YES	
PCE Rate	$0.07	per kWh
Gasoline Price:	$3.64	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$970	$81
Heating Costs	**$3,277**	**$273**
Transportation Costs	$2,811	$234
TOTAL	$7,057	$588



ALASKA ENERGY AUTHORITY

2016 No Implementation

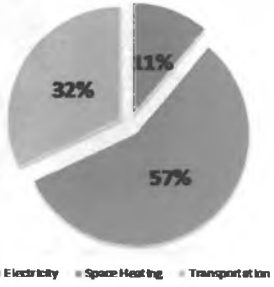
Input

Location:	Prince of Wales (Craig)	
Building Size:	1200	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$5.48	per gallon
Residential Electricity Rate:	$0.22	per kWh
PCE Eligible	YES	
PCE Rate	$0.07	per kWh
Gasoline Price:	$3.64	per gallon

Note: If Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$970	$81
Heating Costs	**$5,002**	**$417**
Transportation Costs	$2,811	$234
TOTAL	$8,782	$732



24.5% increase from 2011

Juneau Home Budget

2016 Full Implementation

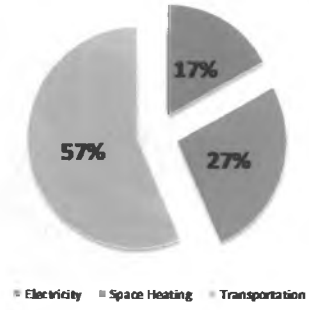
Input

Location:	Juneau	
Building Size:	1600	sq feet
Space Heating Type:	Biomass, Pellets	
Space Heating Cost:	$310.00	per TON
Residential Electricity Rate:	$0.11	per kWh
PCE Eligible	NO	
PCE Rate	$0.00	per kWh
Gasoline Price:	$3.43	per gallon

Note: if Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$994	$83
Heating Costs	**$1,553**	**$129**
Transportation Costs	$3,311	$276
TOTAL	$5,858	$488



27.9% realized savings over "No Implementation"

2011 Base Case

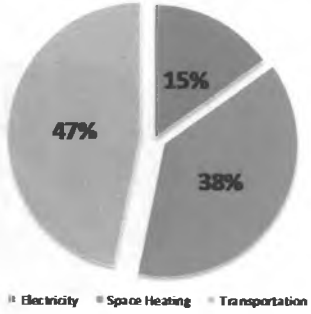
Input

Location:	Juneau	
Building Size:	1600	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$3.69	per gallon
Residential Electricity Rate:	$0.11	per kWh
PCE Eligible	NO	
PCE Rate	$0.00	per kWh
Gasoline Price:	$3.43	per gallon

Note: if Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$1,067	$89
Heating Costs	**$2,694**	**$225**
Transportation Costs	$3,311	$276
TOTAL	$7,073	$589



ALASKA ENERGY AUTHORITY

2016 No Implementation

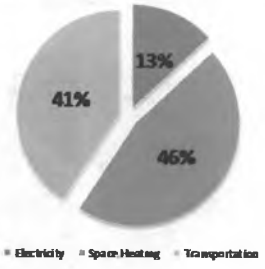
Input

Location:	Juneau	
Building Size:	1600	sq feet
Space Heating Type:	Heating Fuel #1	
Space Heating Cost:	$5.13	per gallon
Residential Electricity Rate:	$0.11	per kWh
PCE Eligible	NO	
PCE Rate	$0.07	per kWh
Gasoline Price:	$3.43	per gallon

Note: if Space Heating Type is Electricity, Space Heating Costs should equal Residential Electricity Rate

Output

	Annual Costs	Monthly Costs
Electricity Costs	$1,067	$89
Heating Costs	**$3,746**	**$312**
Transportation Costs	$3,311	$276
TOTAL	$8,124	$677



14.9% increase from 2011

Frequently Asked Questions

- How do the emissions of pellet boilers compare to other fuels?
  - Lower sulfur dioxide and net greenhouse gases than both oil and propane.
  - Higher particulate matter and carbon dioxide.
  - Advanced 2-stage combustion has greatly improved emission levels
- Are pellet boilers more complex to operate and maintain than oil boilers?
  - Require periodic ash removal and an annual inspection and cleaning.
- What is the source of pellets?
  - Initially pellets would be imported from the Pacific Northwest or Canada.
  - Pellet manufacture could be developed in Alaska.

Biomass Energy Fundamentals

Thomas Deerfield

Dalson Energy, Inc

Biomass Consulting Firm
Anchorage, AK

Klondike Energy Group

Biomass Project Firm
Anchorage, AK
Florence, AL





Alaska Legislative Briefing – February 2012

Status Quo

- 10,000 years of wood, 60 years of fossil fuel
- Fossil fuel systems require very few rural jobs
- Fossil fuel systems maintain dependencies
- Fuel Oil systems increasingly unsustainable
- The “thermostat culture” is killing rural Alaska

Biomass is about jobs

- Local fuels = local jobs
  - Local jobs, job training, sustainable economy
- The infrastructure is being rebuilt
- Wildfire risk reduction
  - $10-20K/acre fire cost vs $1200/acre thinning cost
- Harvest, Processing, Transport
- Economic Localization

Scale

- Residential & Community Buildings
  - Up to 500,000BTU/hr
  - Cordwood systems
- Commercial –Offices and Businesses
  - 100,000 to 1MMBtu/hr
  - Pellet systems
- Industrial –larger schools and facilities
  - 1MMBtu/hr to 100MBtu/hr
  - Woodchip systems

Trends

- Other 48
  - Vermont & Montana "Fuels for Schools"
  - Other State's support for biomass thermal = projects
- Canada
  - NWT -12,000 tons/yr of pellet consumption, for a population base of 35,000, in just 4 years
  - YT –just starting to follow NWT model, possible customer for AK pellets
  - BC -1.3M tons produced, most shipped to EU
- EU
  - 10M tons/year pellet
  - Growing to est. 100M tons/year

Lessons Learned

- Wind-intermittent and hard to integrate
- Solar-intermittent and seasonal
- Hydrokinetic –pre-commercial
- Small Hydro –expensive and seasonal
- Biomass –here and now
  - Creates more local jobs than alternatives
  - Low tech
  - Sustainable

Biomass Costs

- Pre-Feasibility Studies $25K
- Feasibility Studies $50K to $500K
- Cordwood Systems (HELE) $250K
- Pellet Systems $20K to $100K+
- Woodchip Systems $2.5M to $4M
- Lower cap cost per delivered BTU
- Lower costs per delivered BTU

Biomass Boiler Heating Systems



Pellet Boilers

Chip Boilers

Cord Wood Boilers



Tony SlatonBarker, PE

Program Manager, Alternative Energy

Coffman Engineers, Anchorage AK

February 21, 2012

Types of Systems

- Residential / Commercial Systems
- Individual Facilities, Central Boilers with Distribution System
- Cord Wood, Hog, Pellet, or Wood Chip







Key Components and System Considerations



Fuel Source



Fuel Source

Wood Chip /Pellet Quality and Delivery

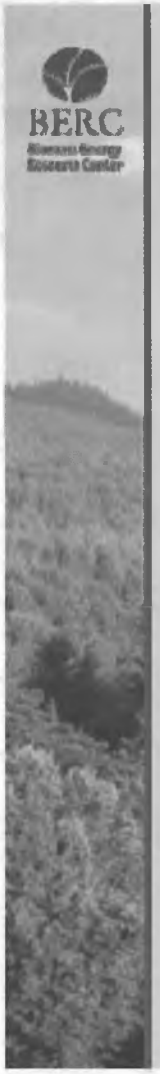
- Verify the quality of available fuel (different wood has different BTU)
- Verify available quantity of fuel (for individual users and community)
- Fuel quality and moisture content is directly related to boiler efficiency
- Assess the availability of fuel for long term
- Local wood supply creates local jobs
- Barley grown in Delta Junction / Fort Greely area







Pellet Specifications -Pellet Fuels Institute



PFI Pellet Quality Standards

	Super Premium	Premium	Standard	Utility
Bulk Density (lbs/ft^2)	40.0 - 46.0	40.0 - 46.0	38.0 - 46.0	38.0 - 46.0
Durability Index	>97.5	>97.5	>95.0	>95.0
Fines (% at mill gate)	<0.50	<0.50	<0.50	<0.50
Inorganic Ash Content (%)	<0.50	<1.0	<2.0	<6.0
Moisture	<6.0	<8.0	<8.0	<10.0
Chloride (PPM)	<300	<300	<300	<300
Heating Value (Btu/lb)	>8,000	>8,000	>8,000	>8,000

Source: http://www.woodpellets.com/Pellet-Fuel-Standards.aspx

Wood Chip Delivery & Storage



Tree Delivery, Chip Maker - Tok



Wood Chip Delivery

- Determine type of trucks that will be used to deliver chips
  - Walking floor, conveyor floor, dump style, heated, larger semi trailers, or standard dump trucks
- The truck type impacts the approach to the storage building and bulk delivery to the boiler
- Chip storage
- Onsite drying with perforated floor inside storage area





Pellet Delivery

BERC

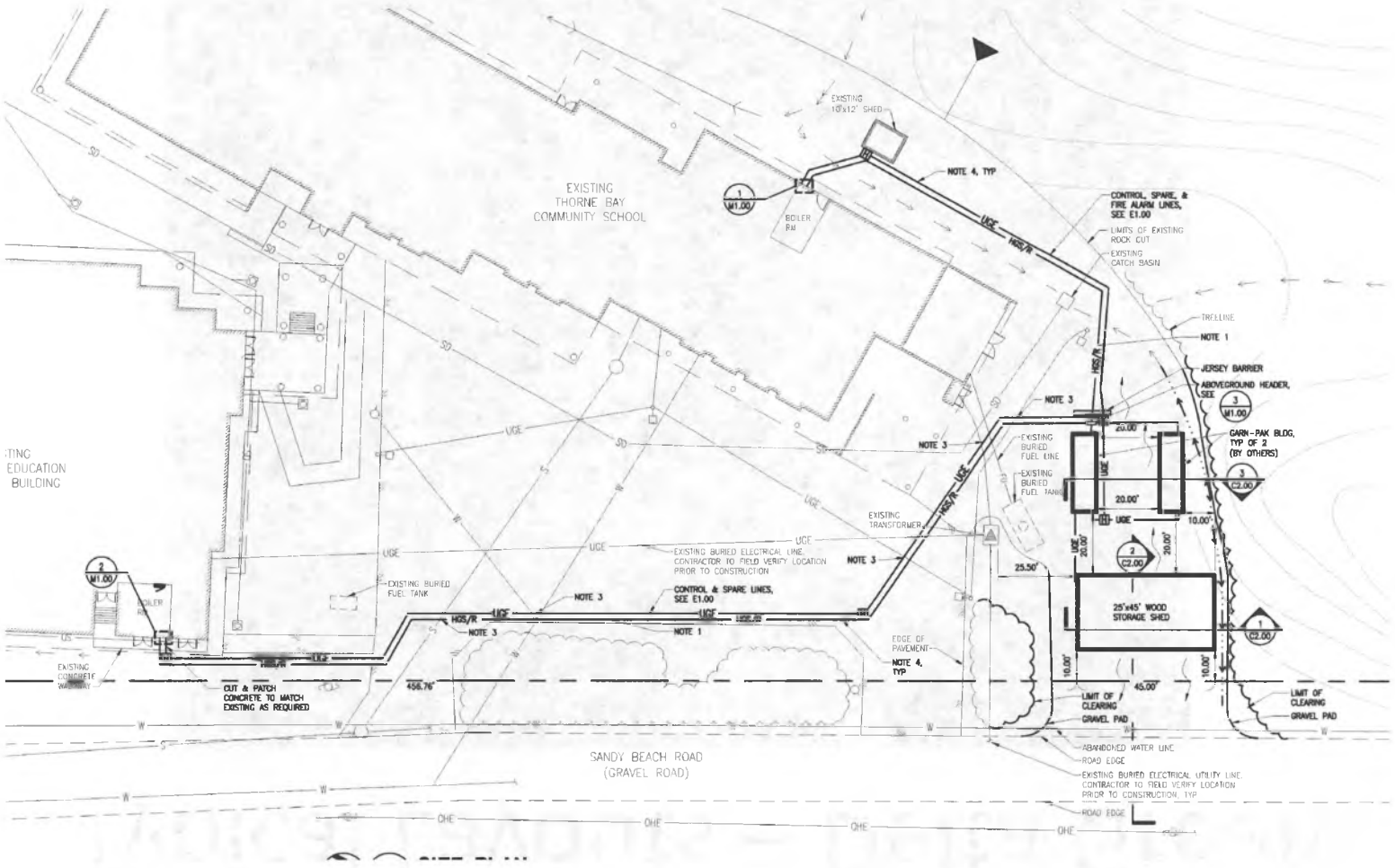
Bulk Delivery Advancements

- ❑ Use of pneumatic systems
- ❑ Reduced pellet breakage during delivery!!!
- ❑ Dust control systems for indoor storage bins are essential
- ❑ On-board scales = accurate measure of every delivery

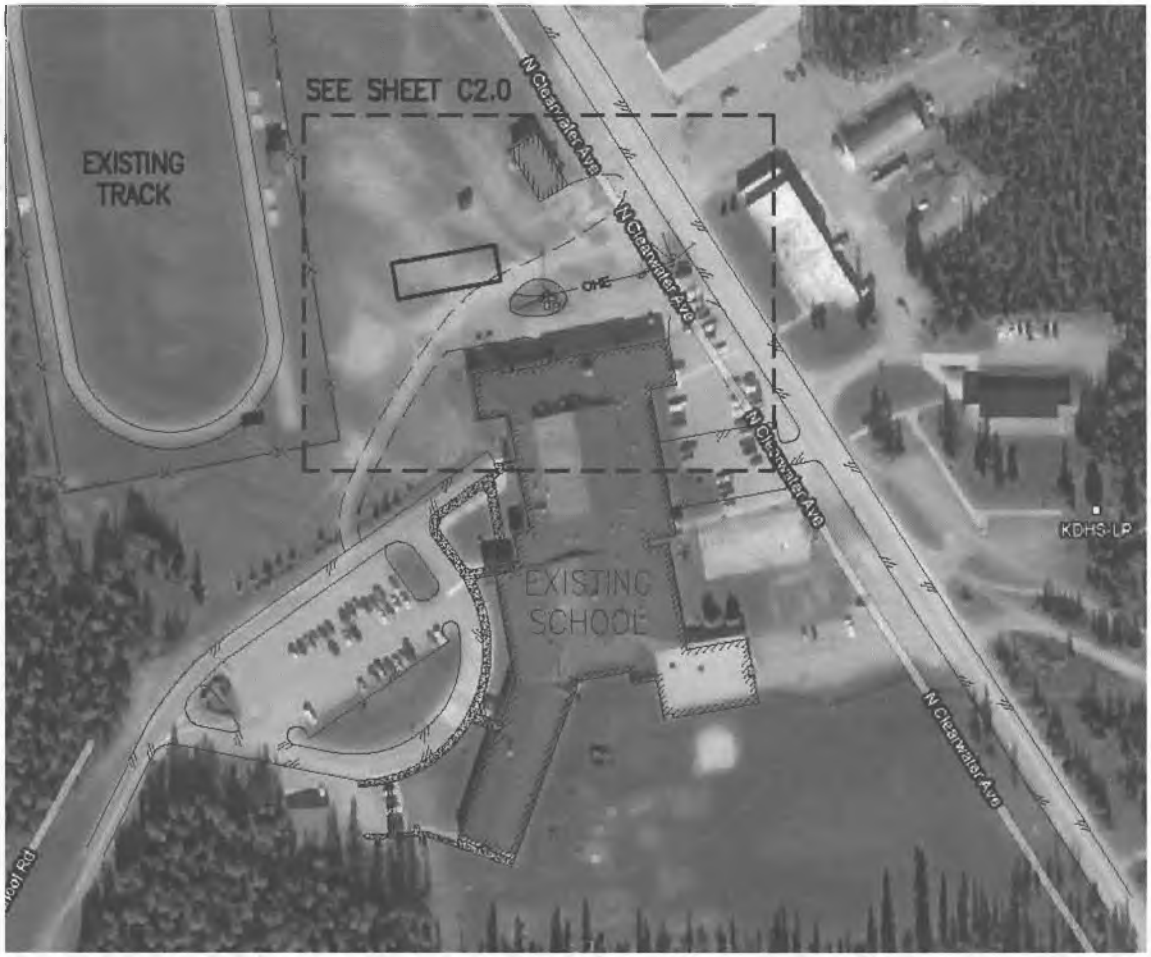




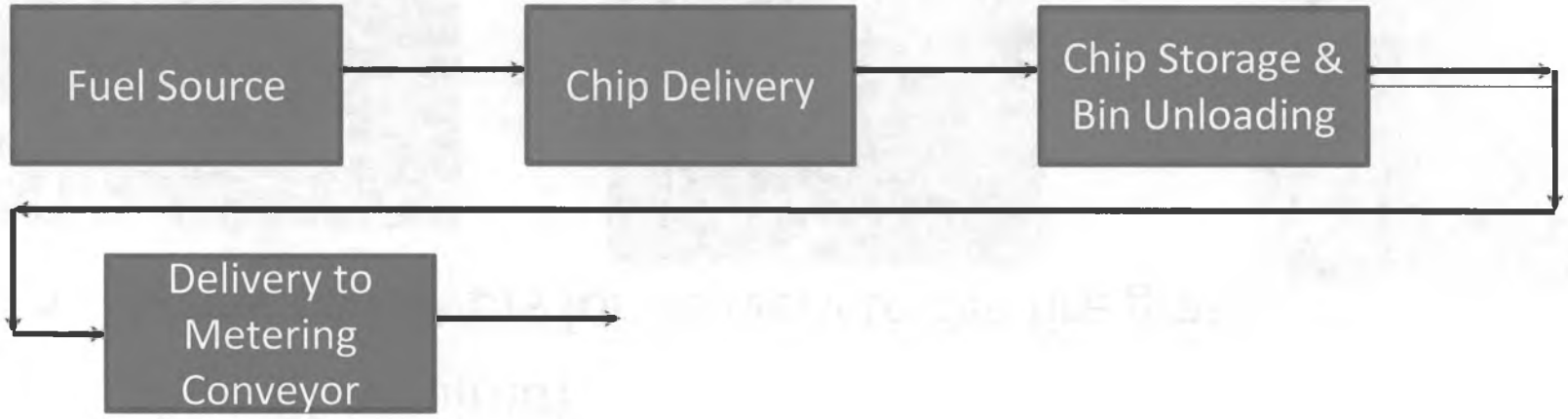
Typical Layout – Thorne Bay



Typical Layouts – Delta Greely



Chip/Pellet Handling



Conveyor Systems Bulk

Options:

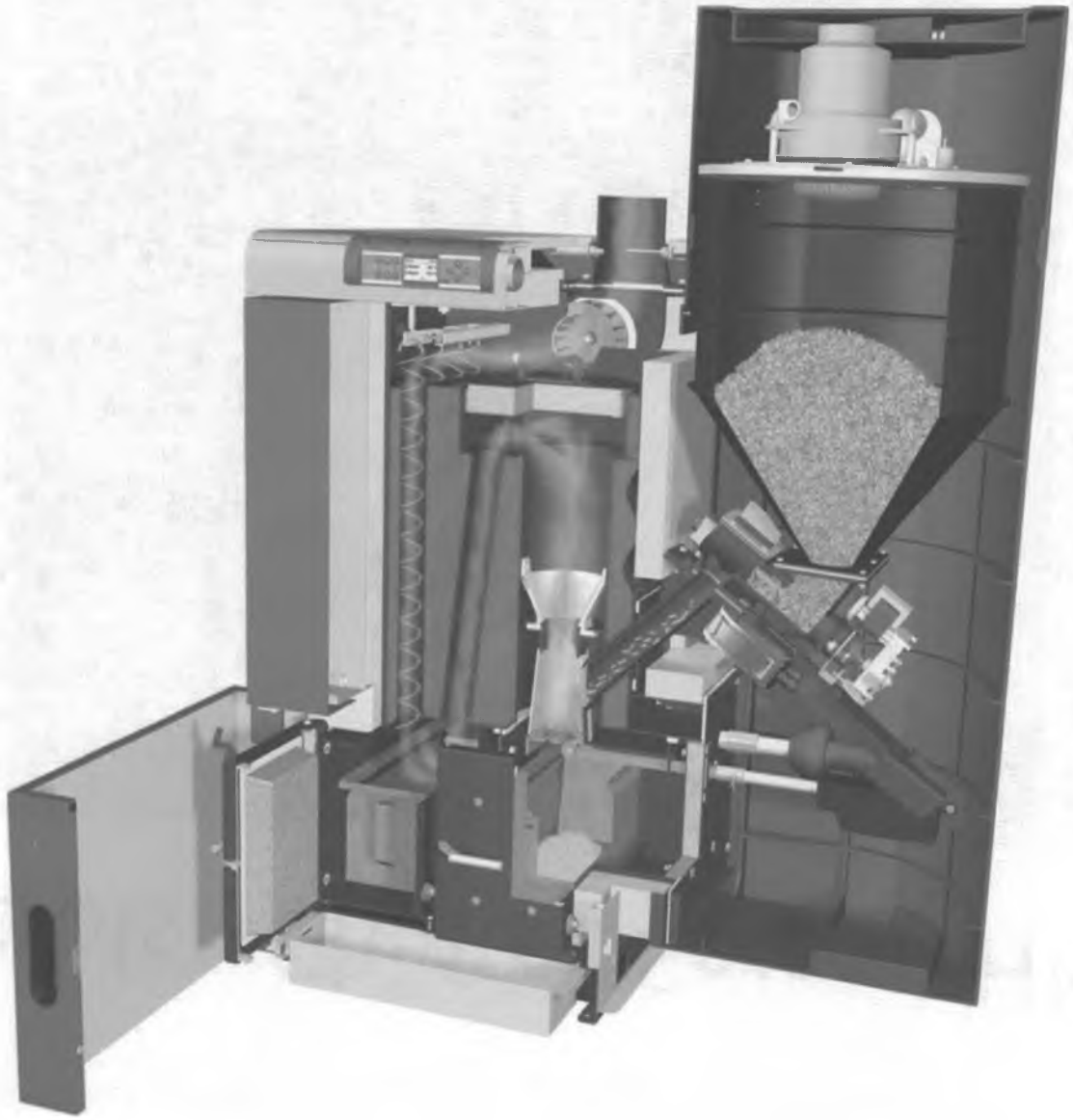
1. Bulk delivery by sliding chain/bar conveyor
2. Belt conveyor to a shaker screen for removal of large chips (if required)
3. Screw conveyors for delivery to the fire grate



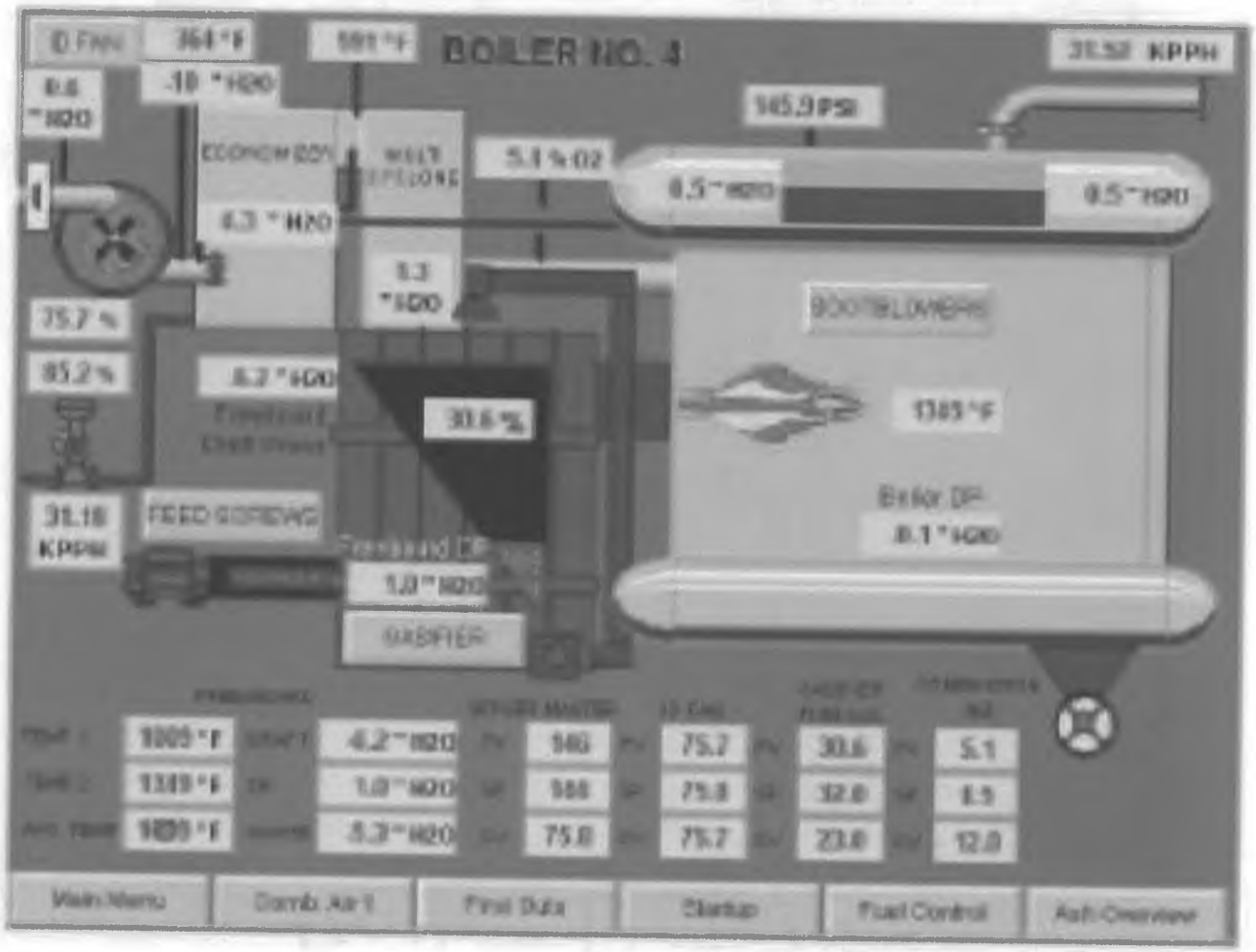




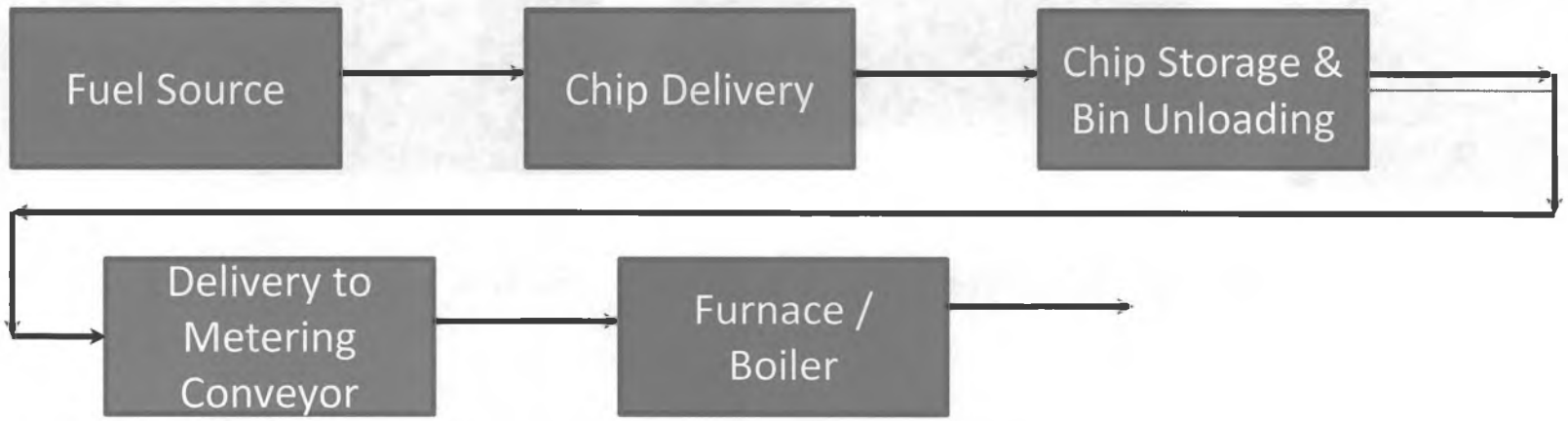
Pellet Delivery



Controls - Chiptec Screen HMI



Furnace / Boiler



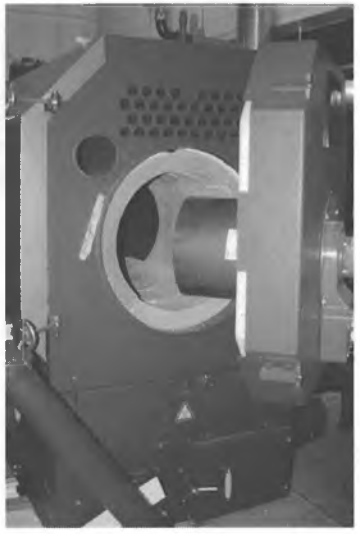
Boiler Systems

- Gasification System
- Boiler – fire tube, hot water, steam
- Garn with fire box inside water tank

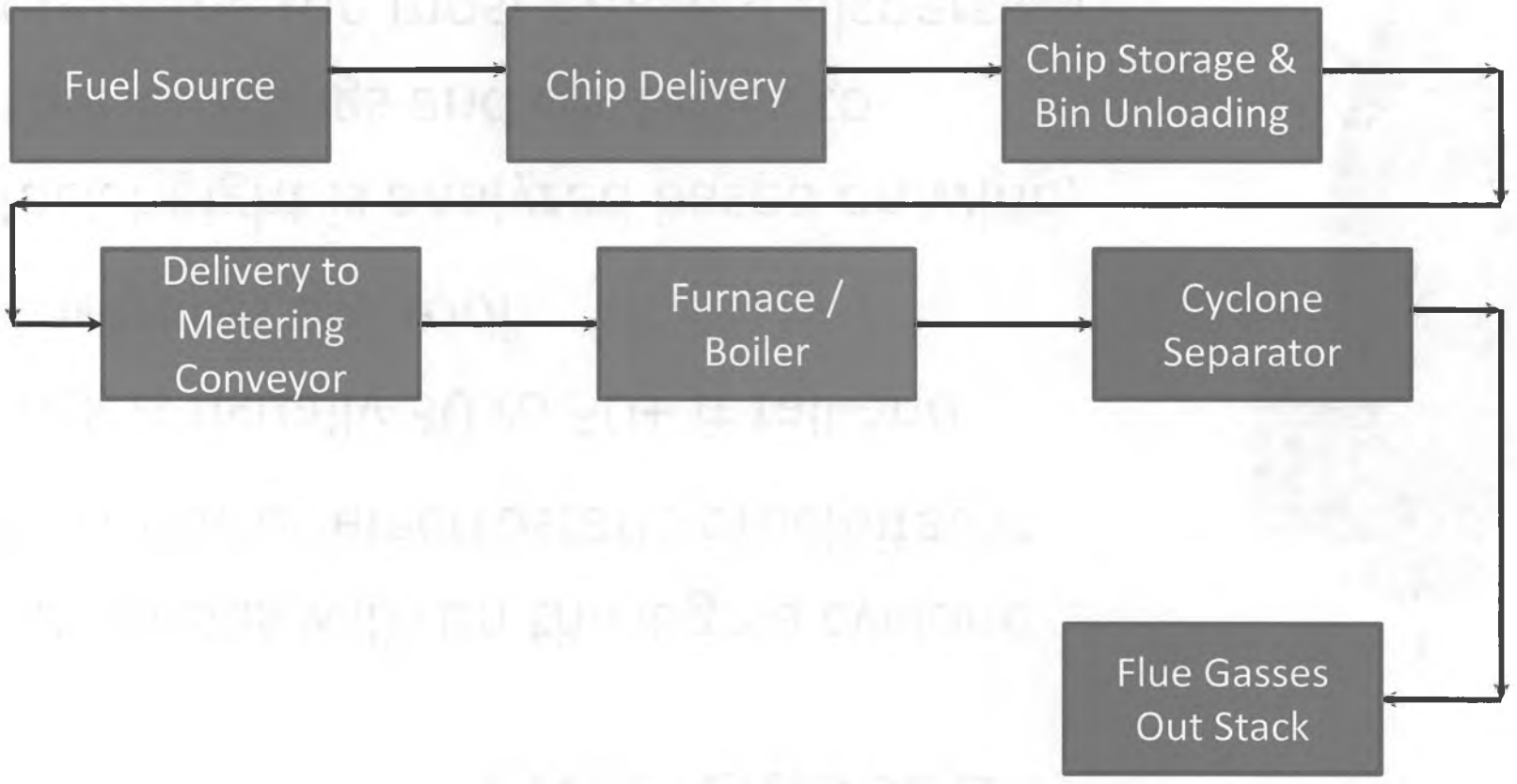
Photos: Left, Garn; Center, Delta Greely HS; Right, Sealaska





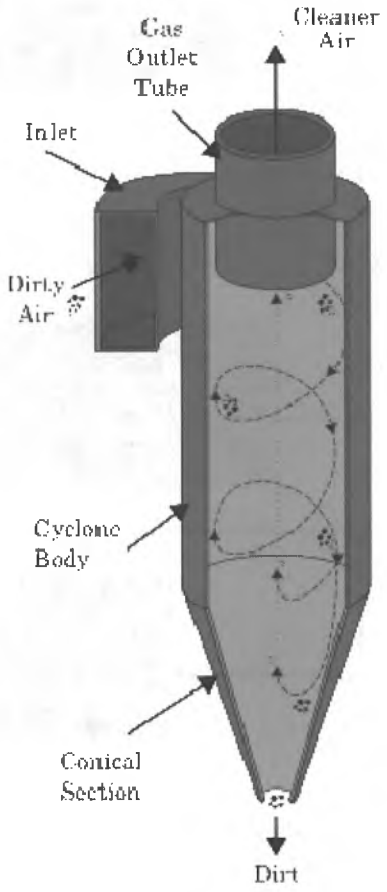


Furnace / Boiler

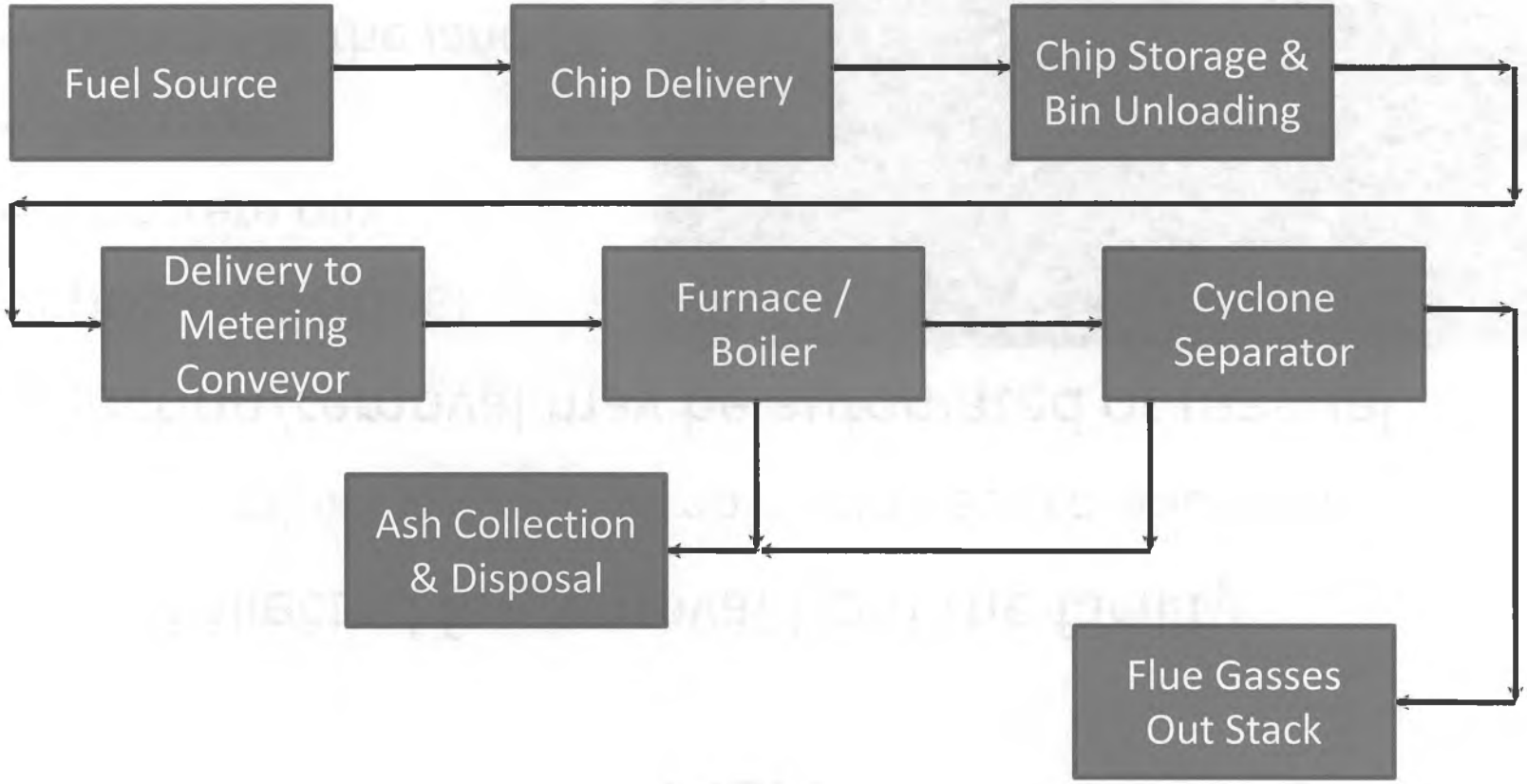


Flue Gasses

- Flue gasses will run through a cyclone separator or electrostatic precipitator
- Stack is usually 30 to 50+ ft tall and penetrates the roof
- Stack height is analyzed based on wind, other buildings and obstacles to determine the most efficient dispersion height



Furnace / Boiler



Ash

- Ash is collected for removal from the facility

  (very minimal due to almost complete combustion)
- Collection/removal may be automated or manual
- Disposal options:
  - Concrete mix
  - Soil mix
  - Dispose at the land fill
  - Garden soil additive



New Structures – Buried Piping

- Boiler, chip storage and trailer storage building
  - Pre-engineered metal building with insulated panels on a concrete slab





Interior Storage

- Wood Chip Storage
  - Concrete bunker with either a pre-engineered metal structure or fabric structure cover





Pellet Storage – Interior/Exterior

BERC

Bulk Pellet Storage Options



Outdoor grain silo bin



Rigid metal bins



Timber-framed fabric bins



V bottom rigid bin in storage room

Exterior Cord Wood Storage



Thank You - Questions?



Tony SlatonBarker, PE, Coffman Engineers

http://www.youtube.com/watch?v=lbO_AP2-sTE&list=PLDCC49BE1571A6E01&index=10&feature=plpp_video&noredirect=1

Alaska's Place in the World:

An Update on International Trade

Presented by:

Greg Wolf, Executive Director, World Trade Center Alaska

21 February, 2012

Presented to the House Special Committee on Economic Development, Trade, and Tourism

Juneau, Alaska

International Trade is Big Business for Alaska

- Annual Worldwide Exports totaled $4.7 billion (January – October 2011)
  20% increase over 2010 figures
- This represents nearly 10% of the Alaska's Gross State Product (GSP)
- New Money into Economy
- Thousands of Direct and Indirect Jobs
- Results in stronger, more diversified economy
- How We Rank? – Alaska ranks 37th among all states

How do we rank per capita?

Why Trade Matters?

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

- Exports now bring more than $5 billion of new money into our economy. New money, not recycled money. Also, exports account for nearly $2 billion in induced and indirect economic benefits, according to a recent study by Northern Economics.

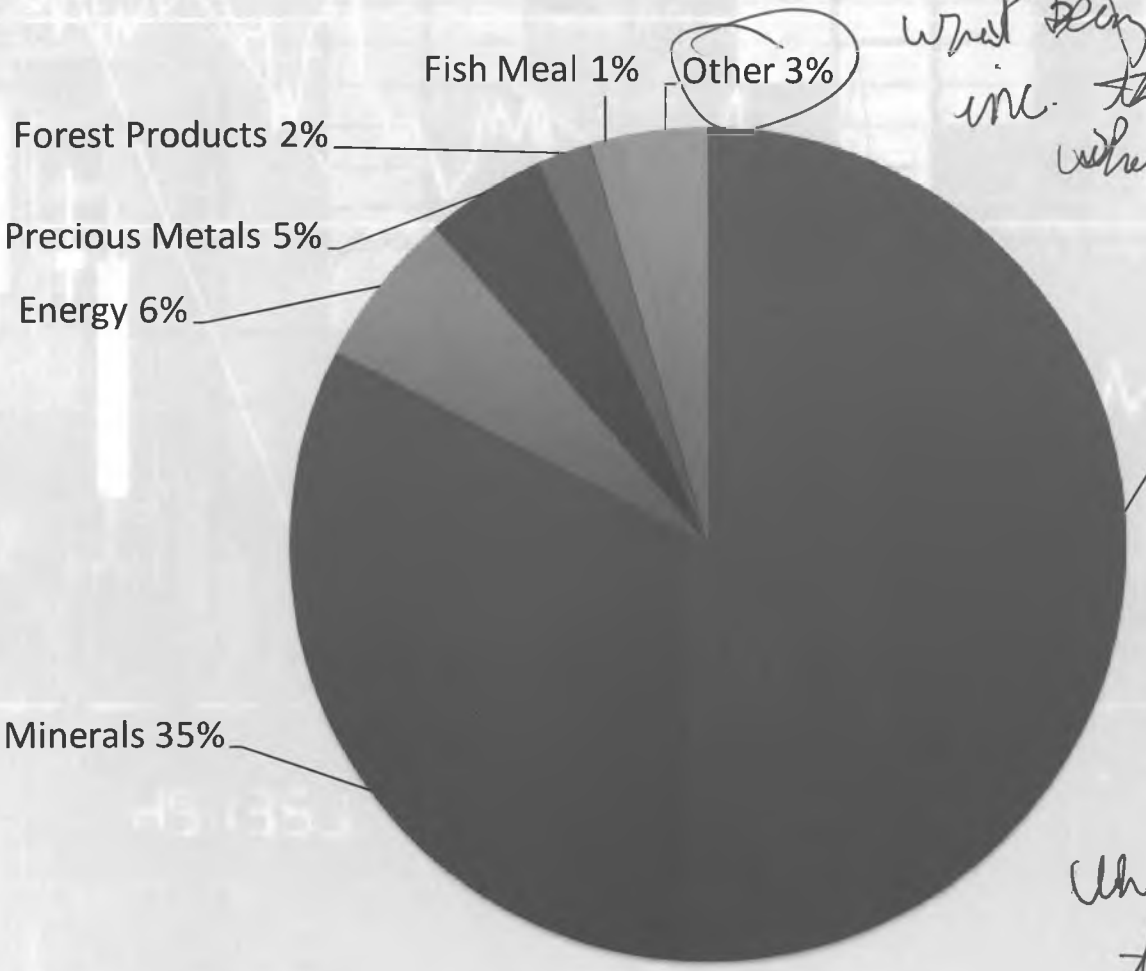
- Exports allow companies to become larger through expanded markets and customer base.

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

Exports = Jobs

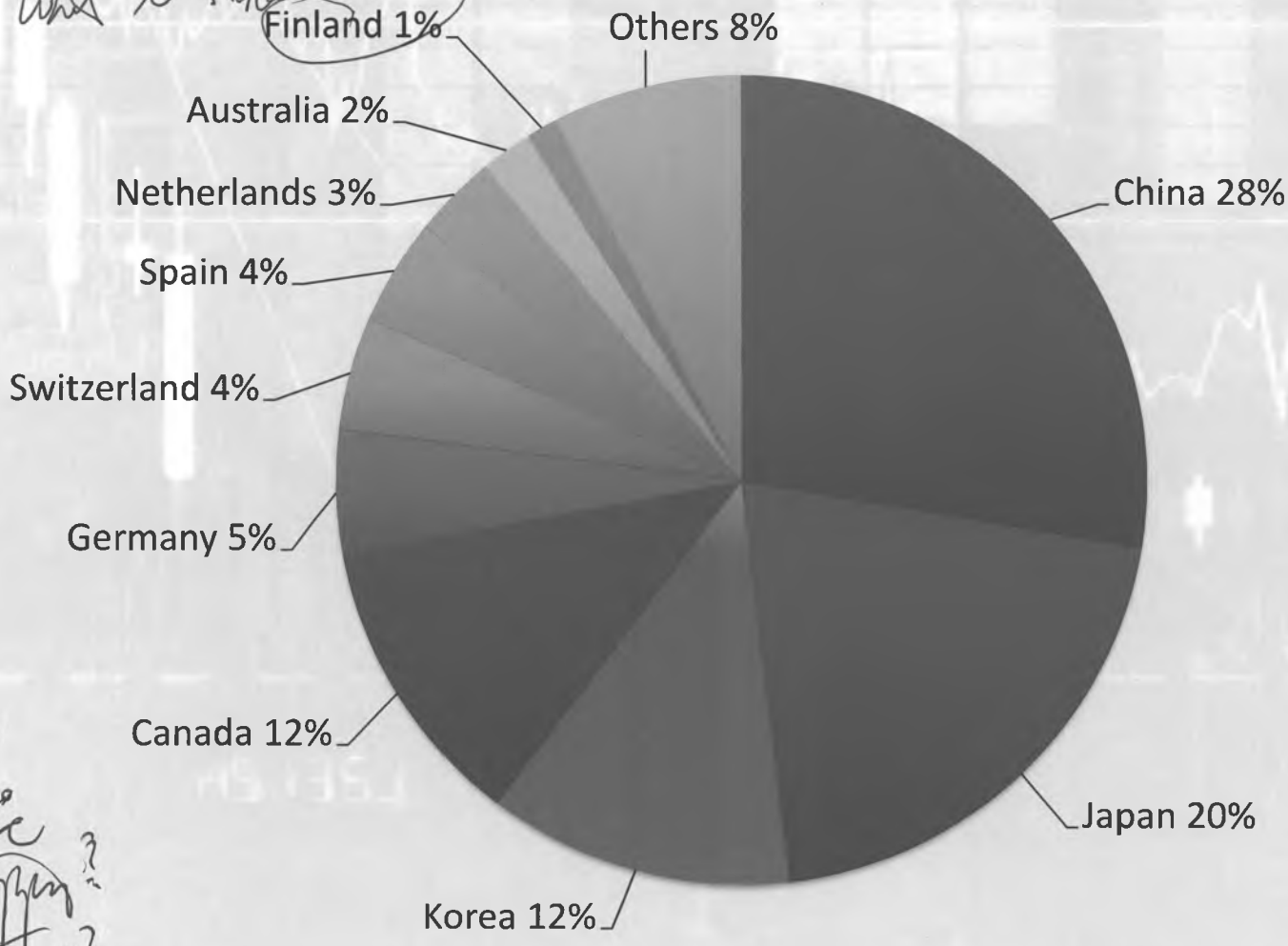
- Exports supported nearly 15,000 direct and 9,800 indirect and induced jobs in Alaska in 2008
- Export jobs are high paying jobs. Export-related jobs typically pay 13-16% more than jobs tied solely to domestic economy
- According to the U.S. Department of Commerce, there are approximately 340 companies that export from locations in Alaska

Alaska's Top Export Commodities (January – October 2011)



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

Alaska's Top Ten Export Markets (January – October 2011)



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

Alaska Worldwide Exports 1994 -2011

USD Billions



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

Alaska's Exports to China

(2000 – 2011 Full Year Comparison)
USD Millions







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

Overarching Trends That Benefit Alaskan Exports

- Growth in emerging market consumer class

  More people, with higher expectations, and more money to spend (they want what we have) and increasingly have the ability to obtain these things. According to Standard Chartered, close to 5 billion people will live in cities by 2030, compared to 3.4 billion now. An equally significant increase in the size of the global "middle class" will see the number of these consumers growing from 1.8 billion people today to about 5 billion in 2030.

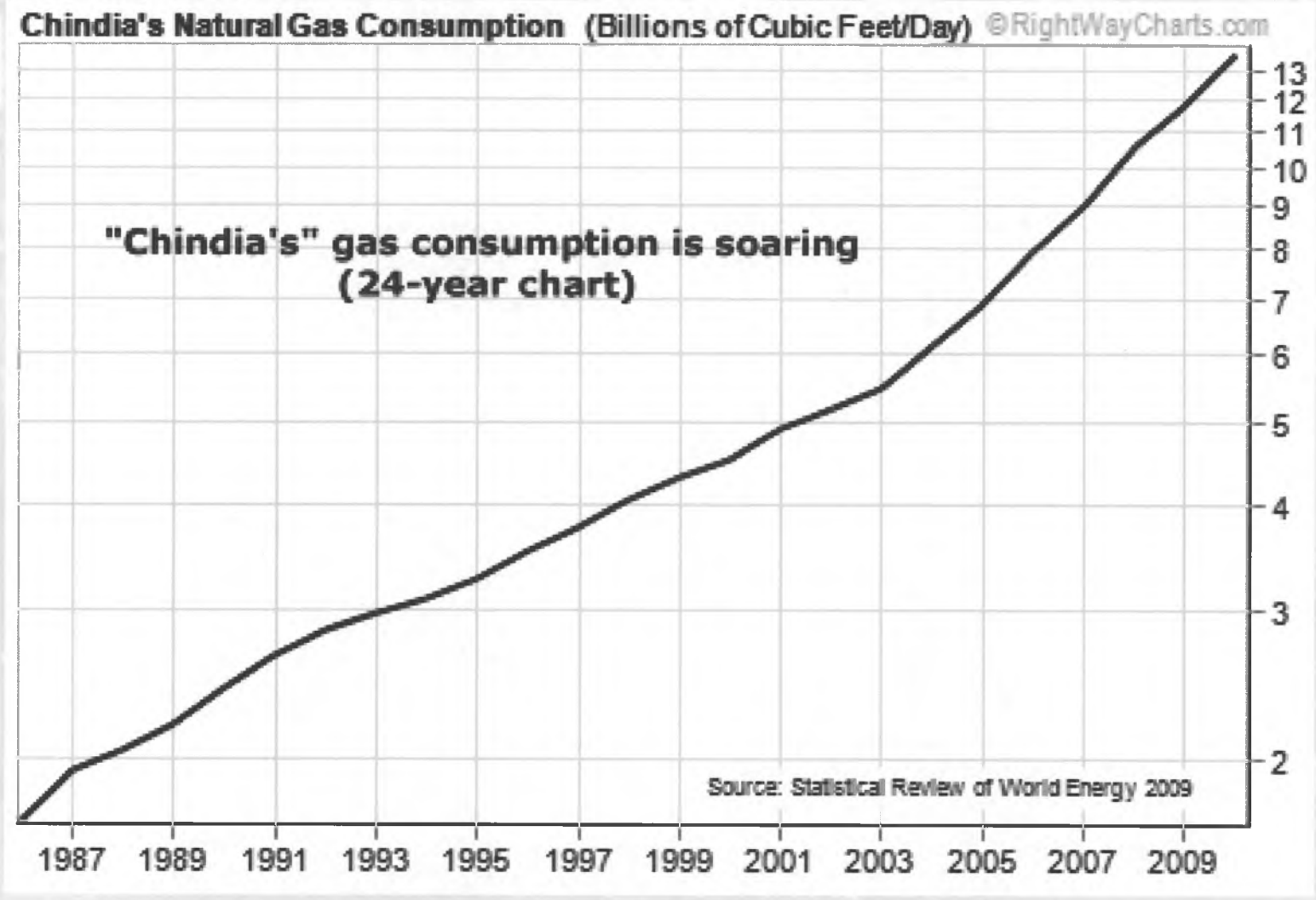
- Resource Scarcity

  Growth in populations and wealth are outpacing development of energy, food, and other vital staples of modern living. Alaska is fortunate to be an exporter of natural resources that the world needs for economic development.

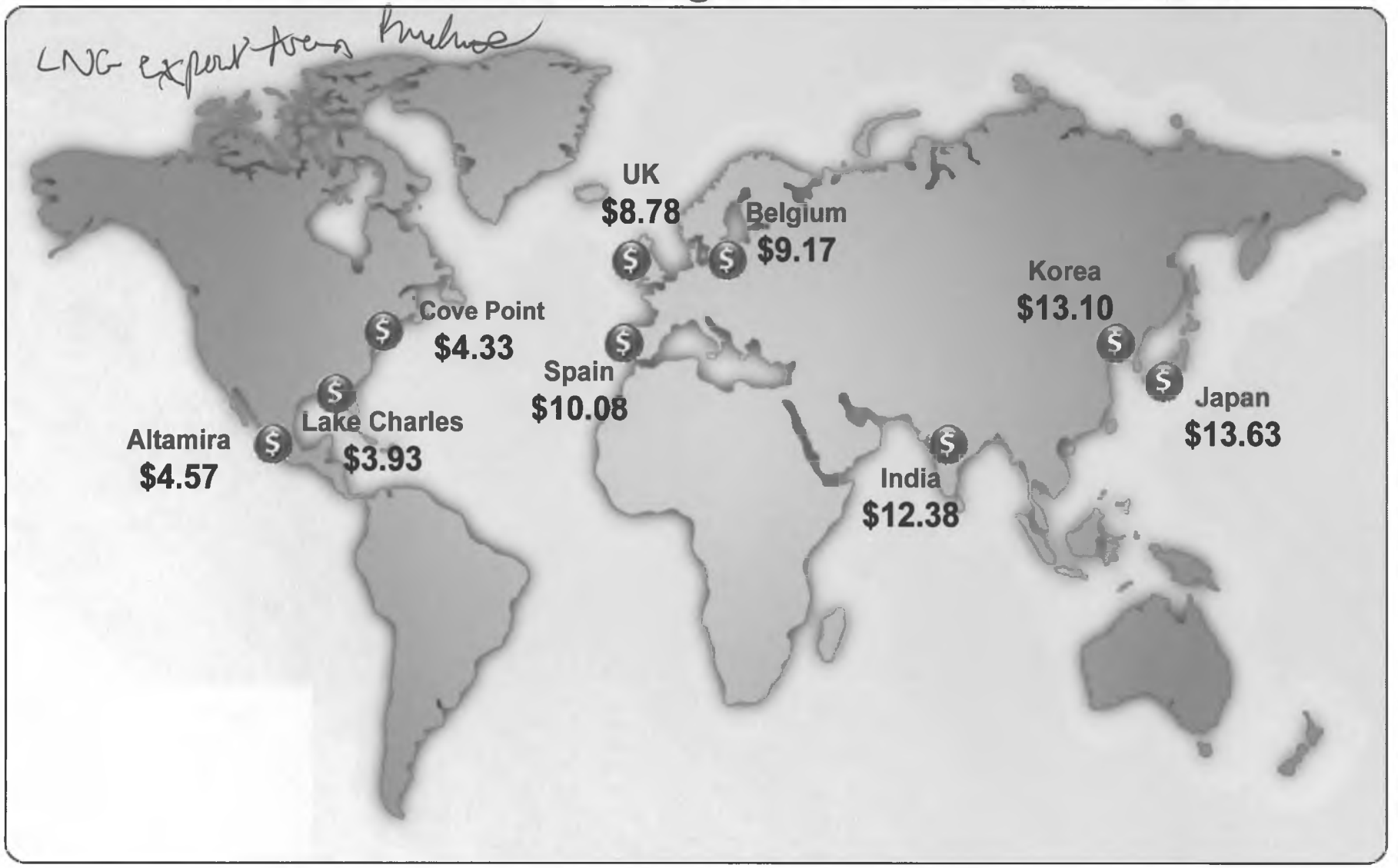
- Decline of U.S. Dollar

  Continuing dollar weakness translates into higher commodity prices and the ability of our partners to buy more from us (as their currencies strengthen). Alaska's export industries benefit when our customers have strong economies and strong currencies.

“Chindia” Natural Gas Consumption



World LNG Estimated August 2011 Landed Prices



Source: Federal Energy Regulatory Commission (FERC)

China Invests in "Lower 48" Shale Gas

January 2012

China Petrochemical Corporation (SINOPEC) invests $2.5 billion to purchase 33% of Devon Energy's shale oil & gas leases in Michigan, Ohio, and several other states.

January 2011

Chinese National Offshore Oil Corporation (CNOOC) invests $570 million to purchase 33% of Chesapeake Energy Corporation's shale gas leases in Colorado and Wyoming. Also commits $697 million for drilling and completion costs.

October 2010

Chinese National Offshore Oil Corporation (CNOOC) invests $1.08 billion to purchase 33% of Chesapeake Energy Corporation's shale gas leases in Texas. Also commits $1.08 billion for drilling and completion costs.

"Boots On The Ground" Strategy



- One of the functions of WTCAK is to organize and lead trade missions overseas

- Missions enable Alaskans to better understand markets and make valuable contacts

- Internet and e-mail are useful, but do not replace first-hand experience and face-to-face meetings

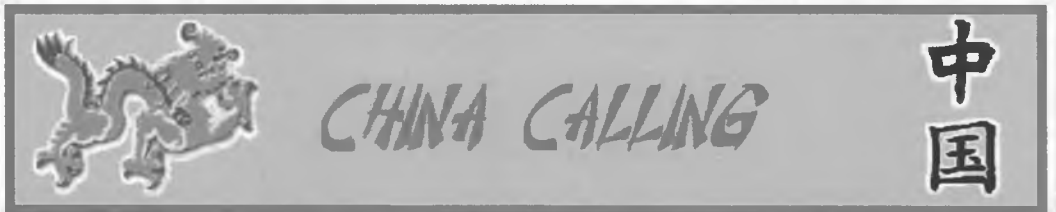
During the past 10 years, WTCAK has led missions to a variety of countries, including: China, Korea, India, Taiwan, Singapore, and Canada

~~Europe~~ offerings? What do we export?

WTCAK Trade Development Programs



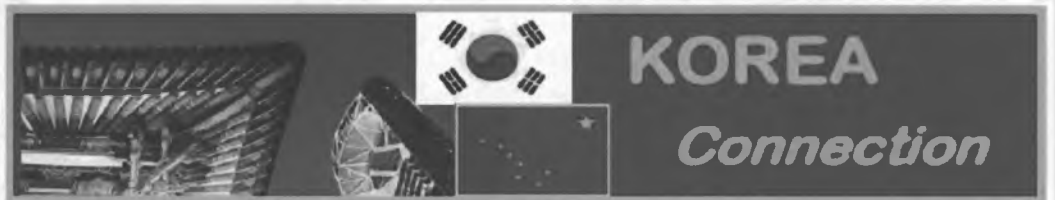
Japan Focus is a trade development program of World Trade Center Alaska. The program provides information and services to Alaskans seeking to do business in Japan.



***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.*



***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.*



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.

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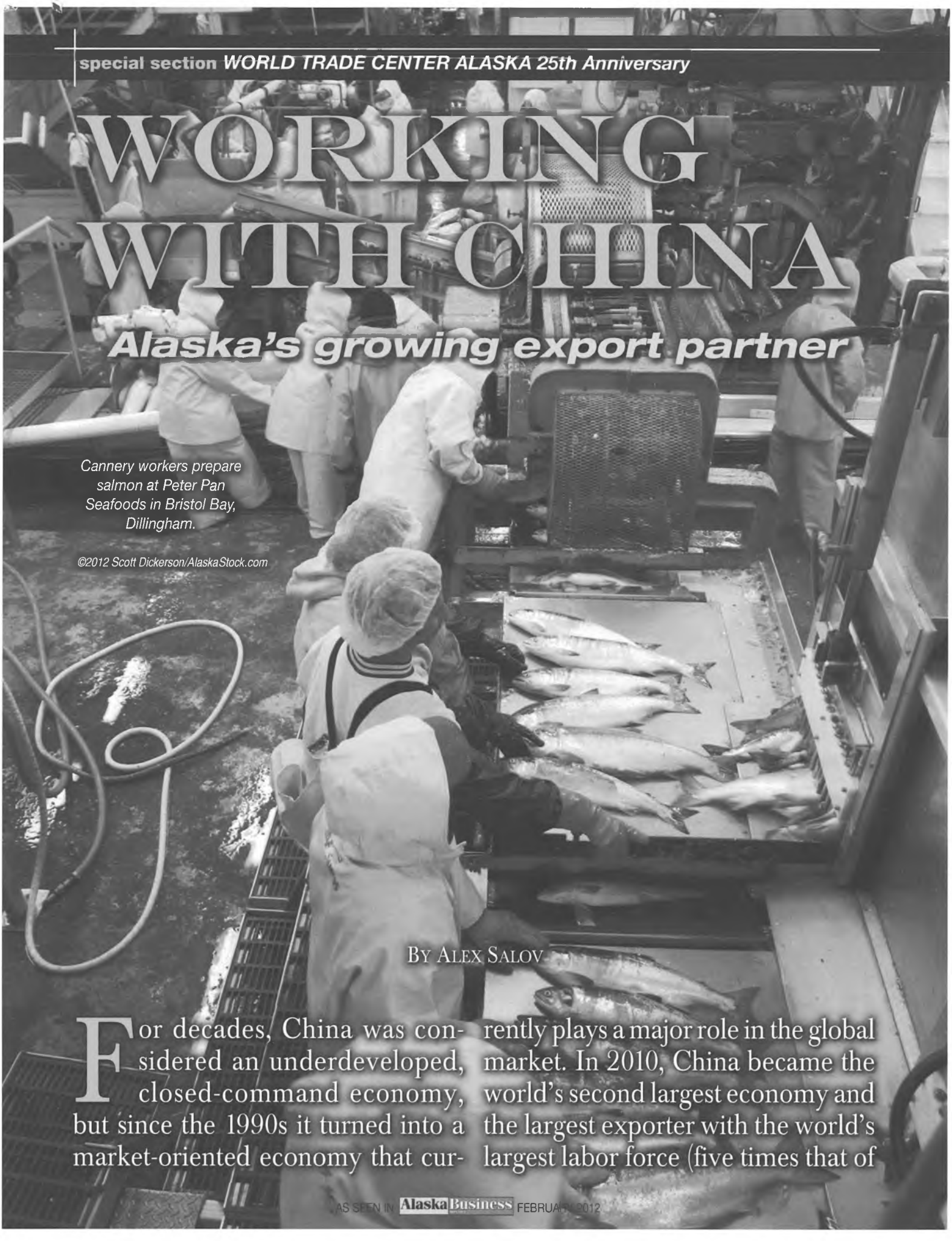
THE SEAL OF THE STATE OF ALASKA

UAA
UNIVERSITY *of* ALASKA
ANCHORAGE

U.S. COMMERCIAL SERVICE
United States of America
Department of Commerce

WORKING WITH CHINA

Alaska's growing export partner



Cannery workers prepare salmon at Peter Pan Seafoods in Bristol Bay, Dillingham.

©2012 Scott Dickerson/AlaskaStock.com

By Alex Salov

For decades, China was considered an underdeveloped, closed-command economy, but since the 1990s it turned into a market-oriented economy that currently plays a major role in the global market. In 2010, China became the world's second largest economy and the largest exporter with the world's largest labor force (five times that of

the United States). It is the world's leader in gross value of industrial output and its insatiable demand for natural resources continues to grow.

One important factor is the growth of the emerging markets within China that have become very lucrative markets for the imported goods. By the "emerging markets" within China we mean so called "second-tier" cities (large cities other than Beijing, Hong Kong, Shanghai and Guangzhou). Second-tier cities include places like Tianjin, Wuhan, Chongqing, Shenzhen and others. The growth of the second-tier markets is driven by China's rapid urbanization.

According to McKinsey Global Institute, by 2025 more than 400 million Chinese will migrate from rural areas to cities. Already there are more than 160 cities in China with populations of more than 1 million people. According to the U.S. Department of Commerce, China's top 15 second-tier cities account for 60 percent of U.S. products imported to China. These cities are growing economically and are less filled with imported goods.

Growing middle class is another factor that influences growth of Alaska's exports to China. According to China's National Bureau of Statistics, the country's middle class will expand from 5 percent of the population in 2009 to 45 percent in 2020. Naturally, as the people have more disposable income, they have an increased demand for higher quality goods. U.S. products have a good reputation among the Chinese consumers and are successfully competing with other foreign products. Chinese buyers also prefer the products packaged in the country of origin rather than China to avoid possible counterfeits.

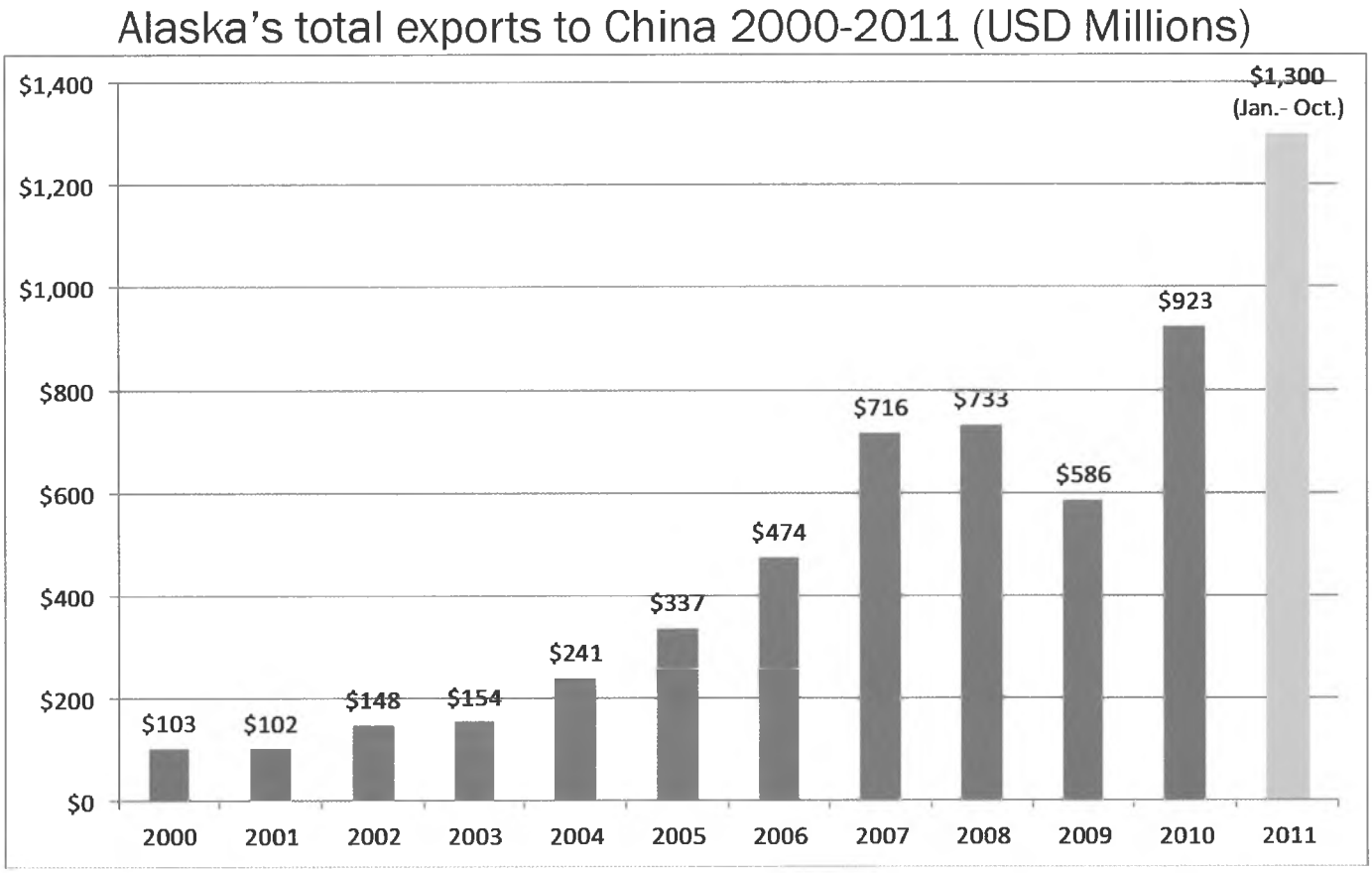
Also, in 2005, Chinese government has made the decision that moved yuan (RMB) away from fixed U.S. dollar (USD) peg. As a result, between 2005 and 2011, the yuan rate has risen by about 28 percent (Forex), thus making Chinese exports to the U.S. more costly, but also making U.S. goods more affordable in the Chinese market.

For Alaska's exports, China has been a very dynamic market that grew almost 9 times in value during the last 10 years–from $102 million in 2001 to $923 million in 2010 (see graph). Due to the impact of the Great Recession (2008-2009), the value of Alaska's exports to China decreased to $568 million in 2009. In 2010, however, it rebounded strongly and set the record of $923 million.

Seafood is Top Export

Seafood is Alaska's largest export category and currently represents 56 percent of the total exports to China. Seafood export to China totaled $517 million in 2010 and only rivals to those to Japan ($523 million). If fish meal export is taken into account, then China is actually Alaska's largest seafood customer (larger than Japan) with a little more than $550 million in total exports value. According to Alaska Seafood Marketing Institute, in 2010, 37 percent of Alaska's seafood exports to China were pink, chum and sockeye salmon; 28 percent groundfish (cod and pollock); 22 percent flatfish and 6 percent snow crab.

Some of the seafood exported to China is being consumed within the



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

domestic market and some of it is being processed and then re-exported to other countries. With the growth of the middle class and their disposable income there is an opportunity to sell larger amounts of seafood from Alaska every year.

Chinese seafood market differs from the U.S. seafood market in the way the fish is consumed. Chinese customers use the whole fish literally from head to tail. Many times fish is cooked intact. At the same time, parts that are traditionally considered waste in the U.S. are also used in the various dishes. For example, heads and fins are commonly used in soups and stews.

During World Trade Center Alaska's trade mission to China last December, we visited several upscale supermarkets that sell seafood products from all over the world. Customers buying seafood at those supermarkets pay a lot of attention to the quality of the products and prefer the seafood to be fresh rather than frozen.

Mined Resources Exports

Minerals and precious metals are another important category of exports from Alaska to China. In 2010, $308 million worth of minerals and precious metals was exported to China, this represents 33 percent of Alaska's total exports. This export is mainly represented by zinc and lead concentrates, and, also gold. In 2011 final numbers, we will see an increase in the precious metal exports (gold), as a result of the June 2010 contract between Coeur Alaska Inc. (a subsidiary of Coeur d'Alene Mines Corp.) and China National Gold Group Corp. (China's largest gold producer).

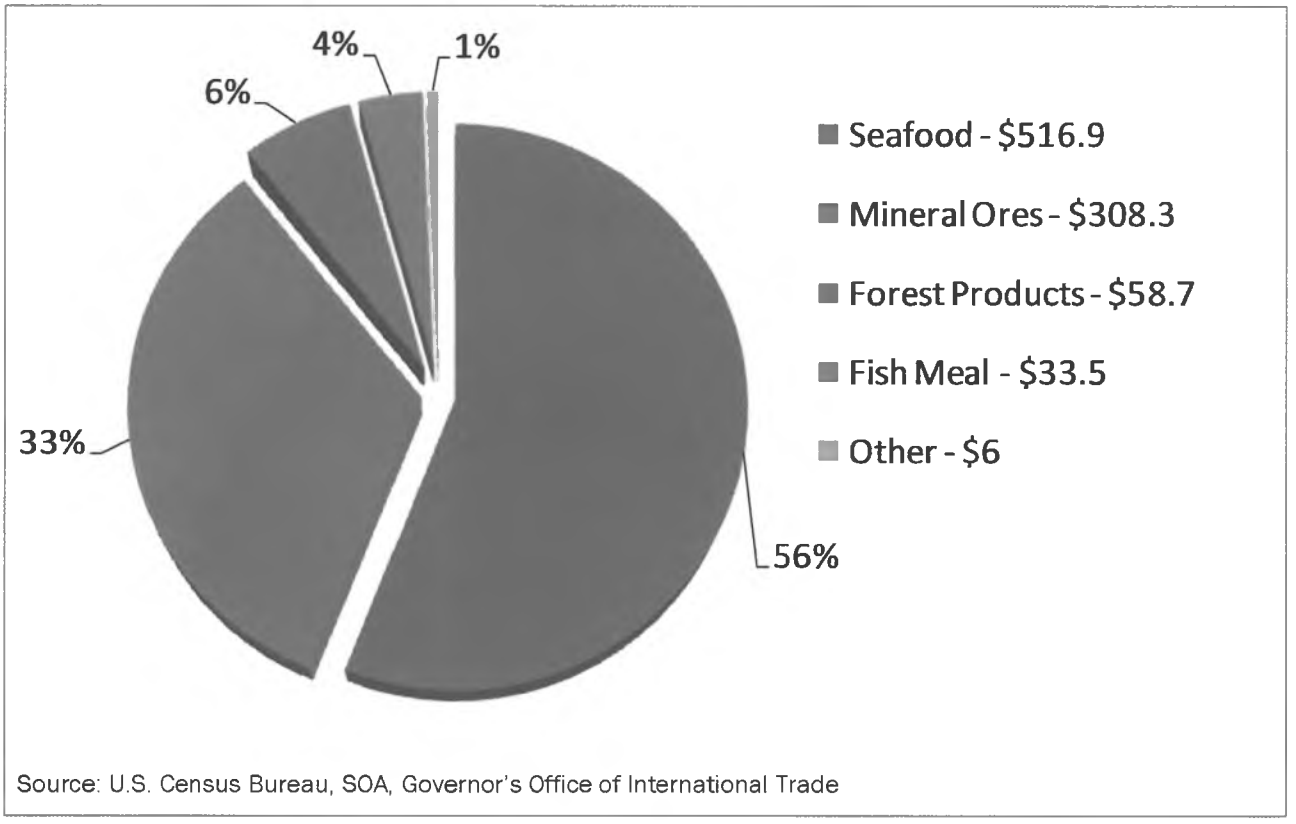
The contract is for purchasing and processing gold concentrates produced by the newly opened Kensington gold mine in Southeast Alaska. China National Gold has agreed to purchase approximately half of the concentrates to be produced at Kensington. According to Coeur, this agreement is the first of its kind between a state-owned corporation of China and a U.S. precious metals mine. Kensington mine began commercial production in July 2010.

Logging

Forest products' exports to China counted for $58.7 million in 2010. China is currently the largest importer of logs from Alaska, accounting for approximately 50 percent of the total forest products exports from the state.

Seafood is Alaska's largest export category and currently represents 56 percent of the total exports to China. Seafood export to China totaled $517 million in 2010 and only rivals to those to Japan ($523 million).

2010 Alaska Exports to China by Commodity in USD Millions (Total - $923.4)



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

Transportation Connection

Another important aspect of relations between Alaska and China is the ongoing transportation connection via Ted Stevens Anchorage International Airport. Currently, there are seven mainland China cargo airlines that are customers of Ted Stevens Anchorage International Airport: Air China, China Cargo Airlines, China Southern Airlines, Great Wall Airlines, Jade Cargo, Shanghai Airlines Cargo International and Yangtze River Airlines. Cathay Pacific Cargo from Hong Kong has also been using Anchorage Airport for a number of years. Together, the Chinese cargo airlines operate more than 100 flights a week. The number of cargo flights might increase with the growth of exports of the commodities that can be shipped by air, fresh seafood can be a good example.

The China Era

World Trade Center Alaska has made China a major area of work for almost 10 years. We established a trade development program "China Calling" in 2006 to assist Alaskans to identify and pursue business opportunities in China. China has been the fastest-growing export destination in our state's history. The products Alaska offers are of high demand in China and, considering the trends discussed, we can predict Alaska's exports to China will exceed $1 billion and, thus, China will become Alaska's No. 1 trading partner as of the end of 2011, surpassing Japan.

Since 2005, we have conducted the Annual Alaska-China Business Conference. This event brings together experts from the private and public sectors, both Chinese and American, and provides the attendees with the latest information and ideas on business opportunities with China.

Since 2005, we've also conducted three trade missions to China, taking Alaskan business and government leaders to the country, familiarizing them with the local business environment, and getting them closer to signing deals with Chinese partners. We are looking forward to working more with China and seeing the continuing growth of the China era. ❑



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About the Author

Alex Salov is the business operations manager at World Trade Center Alaska and has been working there since 2004. He has a master's degree in global supply chain management from the University of Alaska Anchorage. Also, since 2005, Salov works as an adjunct instructor of Japanese language at the University of Alaska Anchorage.

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Celebrating 25 years of Service to the Alaskan Business Community

2012 is a very special year for us: it's our 25th anniversary!

For two and a half decades, we have had the privilege of serving our members and community partners with information and services to help them grow through international trade and commerce.

We are proud of our past and confident of our future. To learn more about our work, please go to our website: www.wtcak.org

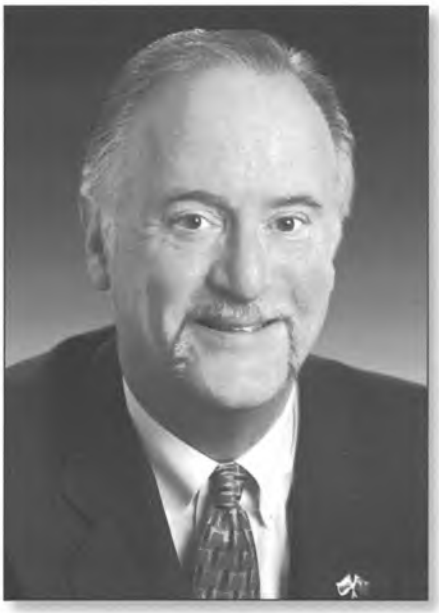
Editor's Note

To help the World Trade Center Alaska celebrate 25 years, Alaska Business Monthly presents a special section devoted to international trade. Opening the section is a Q&A with World Trade Center Alaska Executive Director Greg Wolf. We hope you find his answers and the rest of the special section as interesting and informative as we did.
–Susan Harrington, Managing Editor

Q&A with Greg Wolf

ABM: Who are our largest trading partners? What are the top exports?

WOLF: Alaska's major trading partners are Pacific Rim countries, primarily in Asia. Consider our top four exports markets: Japan, China, Korea and Canada. Taken together, these four markets alone account for 70 percent of the state's total overseas exports. There are several reasons for this concentration of exports to Asia: first, many countries in the region are resource-poor, while Alaska is resource- rich. In other words, we have what they need. Secondly, there is geographic proximity. Alaska is a neighbor, relatively speaking, and there are well-established transportation links by sea and air. Finally, and often overlooked, Alaska, as part of the United States, offers political stability that is very important for countries that rely on stable supplies of much needed commodities.



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Greg Wolf
Executive Director
World Trade Center Alaska

In addition to the countries already mentioned, five European countries, namely, Switzerland, Germany, Spain, Netherlands and Belgium are members of our Top 10 export markets. Australia rounds out the grouping. What distinguishes the major Pacific Rim customers from those in Europe is that the former are comparatively much larger customers and they typically buy a wider variety of commodities from Alaska.

Seafood has been and remains the state's top export commodity. In 2010, seafood accounted for 44 percent of the state's total exports. At 32 percent, minerals, primarily zinc and lead concentrates, are the second-largest category, followed by energy (10 percent). This category includes liquid natural gas, coal and refined fuel products. Precious metals and here, of course, we're talking about gold and silver, is the fourth major sector, followed by forest products. Clearly, we are an exporter of natural resources. This has served us very well during recent years and all of the trends indicate that there is a lot more growth possible for Alaska, if we are allowed to responsibly develop our vast reserves of natural resources that are in so much demand from both developed and emerging markets.

ABM: How has this changed in the last five years?

WOLF: Actually, not that much. Then, as now, Japan, Korea, China and Canada are Alaska's four top markets. The specific rankings of these four have alternated from year to year, but these have been our top markets for a long time. Japan has always been our No. 1 market, but that is about to change as China assumes the role of Alaska's largest export market. 2011 will be the year the Middle Kingdom moves up to the No. 1 spot. This represents the culmination of 10 years of consistent and dramatic growth by China as a customer of Alaskan exports. Exports to China have grown from just over $100 million in 2000 to $923 million in 2010. That's a nine-fold increase in 10 years. For 2011, we project that exports from Alaska to China will exceed $1 billion. I've been in this business

for 24 years and we have never seen a major market grow so fast for Alaskan exports. For Alaska's international trade community, China has been the headline story for a number of years. Our state has clearly benefited from China's rise to economic prominence.

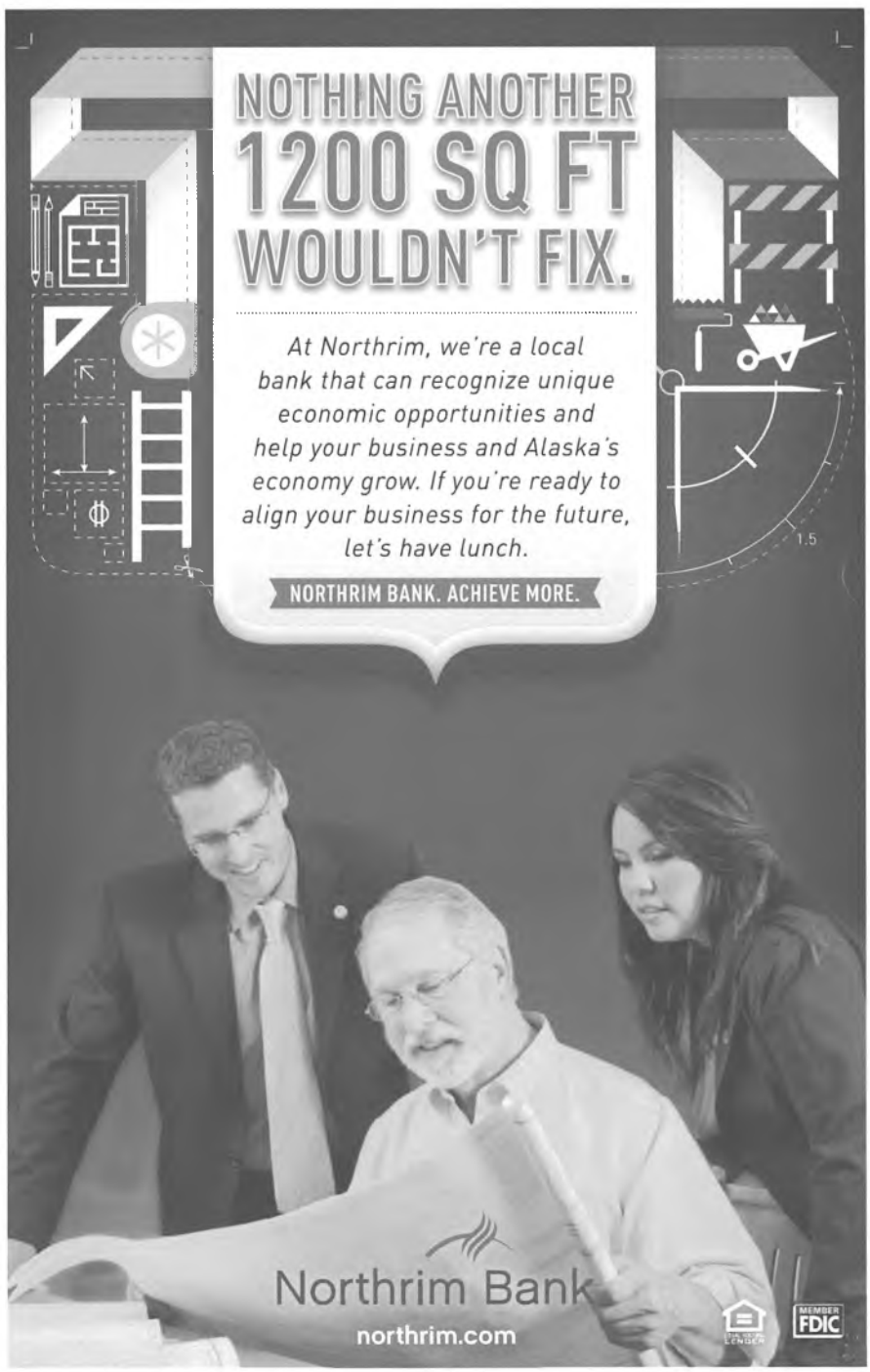
ABM: How much are Alaska's exports worth? What does it mean to the economy?

WOLF: We don't have full-year figures available for 2011 yet, but looking at the first 10 months (January through October) data, the total has already reached $4.7 billion. Once the final numbers are reported, we anticipate it will be an all-time record year for the value of Alaskan exports. We expect exports to top $5 billion, surpassing the $4.2 billion total in 2010, until now the previous record. Exports are important because they bring new money into our economy, create diversification and sustain thousands of jobs for Alaskans across the state. In a nutshell, when you consider exports and what they mean for us, you should think three things: revenues, expanded economic opportunities and employment.

ABM: What would happen to Alaska if we didn't have a healthy trade market?

WOLF: Well, we would certainly have a much smaller economic base and fewer high paying jobs. Certainly, some of the biggest players in our economy would not be active in Alaska were it not for overseas exports markets. We must remember that Alaska itself is a very small market. Our population is around 700,000. That's like a suburb of a lot of major cities around the world. To attract resources industries to our state, export markets are a necessity. Exports enable some of our major industries to be as large and significant as they are today. In some cases, virtually 100 percent of the production generated by these companies is exported to customers overseas. In other words, but not for the existence of overseas markets, these companies would either not be in Alaska or their operations would, at least, be considerably smaller. For example, so far, the only natural gas to leave Alaska has been the LNG exports to Japan. The only coal to leave the state has been to overseas markets like Korea and Chile. Virtually all of the minerals and metals go overseas and about 50 percent of Alaska's annual seafood catch is destined for foreign markets.

International trade is also a major source of employment for Alaskans. According to a recent study conducted by Northern Economics, exports are directly responsible for nearly 15,000 jobs and almost another 10,000 jobs



on an indirect or induced basis. Taken together then, trade accounts for about 25,000 jobs in Alaska. I think that is significant. We also know many of these jobs are relatively high paying ones versus jobs found elsewhere in the economy.

ABM: How many companies are involved with exports from Alaska? Are they mainly large organizations?

WOLF: According to the most recent information available from the U.S. Department of Commerce, there are 340 companies who export from locations in Alaska. If you include companies that export Alaskan commodities, but do so from a location outside of the state, such as a seafood processor in Seattle, then that number would be higher.

They report that 76 percent of the state's exporting firms have fewer than 500 employees and are thus considered small- or medium-sized companies. Further, their research indicates approximately 50 percent of the state's export dollars are generated by the small- and medium-sized enterprises, while the other half results from the export operations of the large companies, such as the multinational corporations operating in Alaska.

ABM: What is the role of World Trade Center Alaska? How do you help companies and promote trade?

WOLF: We work directly with Alaska companies, mainly small- and medium-sized firms seeking to grow their businesses though exports. Some of these companies are "new to export," meaning they will be selling to an overseas customer for the first time—others already have some overseas customers and are looking to expand their sales, sometimes to a new market.

One of our key roles is serving as a bridge between Alaska sellers and overseas buyers. This is the matchmaking role to help Alaskans find customers overseas. But there is typically a lot of other important work that must take place before we get to that point with a company. We normally work with companies that are export ready, meaning they already have a product or service to export and have the capacity to adequately respond to customers' orders.

We help these companies to research potential markets, to understand the distribution channels, regulations and other market requirements that pertain to their specific business. These issues can differ substantially from one country to the next. Of course, there are language and cultural barriers to contend with and business practices can be much different than our own.

Through trade leads, trade missions, conferences, research reports and one-on-one counseling, we work to expand Alaska's export capacity. With our full-time staff and interns, we have many years of international experience and the ability to provide assistance in a variety of languages. We are also fortunate to have strong, long-standing partnerships with the State of Alaska, the U.S. Department of Commerce and the University of Alaska that enable us to provide Alaskans with a high level of service.

ABM: Wrapping it up, are there any new markets we expect to see in the future?

WOLF: It's no secret that most of the world's economic growth continues to occur in Asia. That's good news for Alaska; as a Pacific Rim neighbor, we can supply the natural resources these countries need to meet the requirements of their growing economies and populations. A rising standard of living in these countries is leading to higher consumer expectations. More disposable income can help boost sales of our high-quality, wild-caught seafood products. A growing number of people around the world are seeking out Alaska seafood for its healthy attributes and sustainability.

We are currently researching several emerging markets to see how their import needs match up with our export capabilities. One of those countries in India. At present, Alaska does very little trade with India, but that country, like China, is on a rapid growth trajectory. They, too, have a population of more than 1 billion people. Their economy is growing 8 percent to 9 percent annually. As their economy grows and modernizes, this could represent the next big opportunity for Alaska. Some of our work to get to know this market better and for India to know Alaska better, has been an Alaska-India Business Conference conducted in Anchorage in 2006 and a trade mission of private and public sector officials to New Delhi in 2010.

A much smaller, but potentially lucrative niche market is Singapore. We are also keeping an eye on Vietnam and some other markets around the world that may present opportunities.

ABM: Anything else you would like to add?

WOLF: I believe Alaska has a bright future. We are fortunate to be at the right time in history, in the right place geographically, and with the right type of exports—valuable natural resources—that the world so badly needs for growth and prosperity. If we can develop our vast supply of resources, our best days may still lie ahead of us. ❑

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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 Are We Doing So Far? What Others Say About World Trade Center Alaska.



Dennis L. Mitchell - Vice President Oil and Gas, Lynden International

Lynden International has been a member of the World Trade Center Alaska for 25 years. They provide timely and relevant information regarding Alaska's role in international trade and assist many companies in finding the right path when navigating this arena. Our involvement has led to many valuable business contacts both in Alaska and internationally which has enhanced our opportunities. We encourage businesses with an interest in expanding to international markets to become a member of WTCAK and discover the benefits of being a part of this dynamic group.

Richard Strutz - Regional President, Wells Fargo Bank Alaska



Understanding our customers' international trade needs is of paramount importance to Wells Fargo, and World Trade Center Alaska connects us with the resources to stay well informed about pertinent economic trade issues impacting Alaska. World Trade Center Alaska has helped us develop long-term relationships with Alaskan businesses that are just entering the global marketplace or expanding their horizons. We look forward to continuing our membership with WTC Alaska and working with them to advocate for Alaskan businesses. Congratulations to World Trade Center Alaska for 25 years of connecting Alaskan businesses with the global marketplace!



Gregory Galik - Founder & Chairman, Alaska Brands Group, Anchorage

I discovered the value of membership in the World Trade Center Alaska over ten years ago. Through my business career, and several business endeavors, World Trade Center Alaska has been vital to connecting and selling in markets worldwide. Now our business depends on WTCAK to help us expand and reach the world with our Premium Glacial Water business. The assistance Greg and his staff has provided is priceless, and their association with the U.S. Department of Commerce and other trade organizations have provided welcome introductions and 'deal-flow' for us. No matter your enterprise, product or service, if you are planning to do business in foreign markets, I encourage you to become a member of World Trade Center Alaska. You'll find that membership a valuable second Passport that will open doors for you!

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 many years. Over the years, UCM and WTCAK have successfully partnered to market Alaska coal to a variety of international customers on the Pacific Rim. The management team at WTCAK possesses the talent and expertise to prosper business relationships for international trade missions abroad. They continue to develop strategic plans and conduct market surveys that foster great relationships with allied countries. It is a great pleasure to applaud the great work at WTCAK as we celebrate their 25th Anniversary.



Angelina Skowronski - Marketing Development, The Auction Block Co.

The Auction Block Co., a locally-owned Homer-based seafood company, has worked with WTCAK for a number of years. This last year was my first personal experience with the organization and I was delightedly impressed with their work. Our goal was to expand our markets to Europe and it could not have been so smoothly attained if not for the aid of Alex Salov and the WTCAK team. They helped us in every corner of the process from linking us with the appropriate contacts abroad to answering my many travel and visa questions. They were effective communicators, professional, and met every interaction with great enthusiasm and genuine care. It was a true pleasure working with them. We are greatly appreciative for their hard work put forth.

Samuel Pelant - Managing Director, PolyEarth Construction International, LLC



PolyEarth Construction International is a small Alaska-based company that has successfully prosecuted projects in the Middle East and Mediterranean regions. With an interest in finding available opportunities in South Asia, PolyEarth approached World Trade Center Alaska for help. With World Trade Center Alaska's help, and through their excellent South Asian regional network connections, we have developed key relationships that we are using to create some new and very exciting export items from Alaska to South Asia. We could not have done this efficiently and effectively without the support we received from World Trade Center Alaska. When it comes to supporting the export of Alaskan goods and services, World Trade Center Alaska is truly a World Class organization!



Ryan B. Gilbert - Business Advisor and International Trade Specialist, Alaska Small Business Development Center

Greg Wolf and his staff at the World Trade Center Alaska apply their expertise where it matters, while their professional relationships throughout the world put global commerce at the fingertips of all Alaskan businesses. I had the pleasure of accompanying WTCAK on the 2011 China Trade Mission and witnessed, first hand, the unparalleled value of their connectedness.

3/13/12 Presentation: South Denali Visitor Center

<TARGET><BILL></BILL><SUBJECT>3-13-12 Presentation South Denali Visitor Center</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, March 13, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

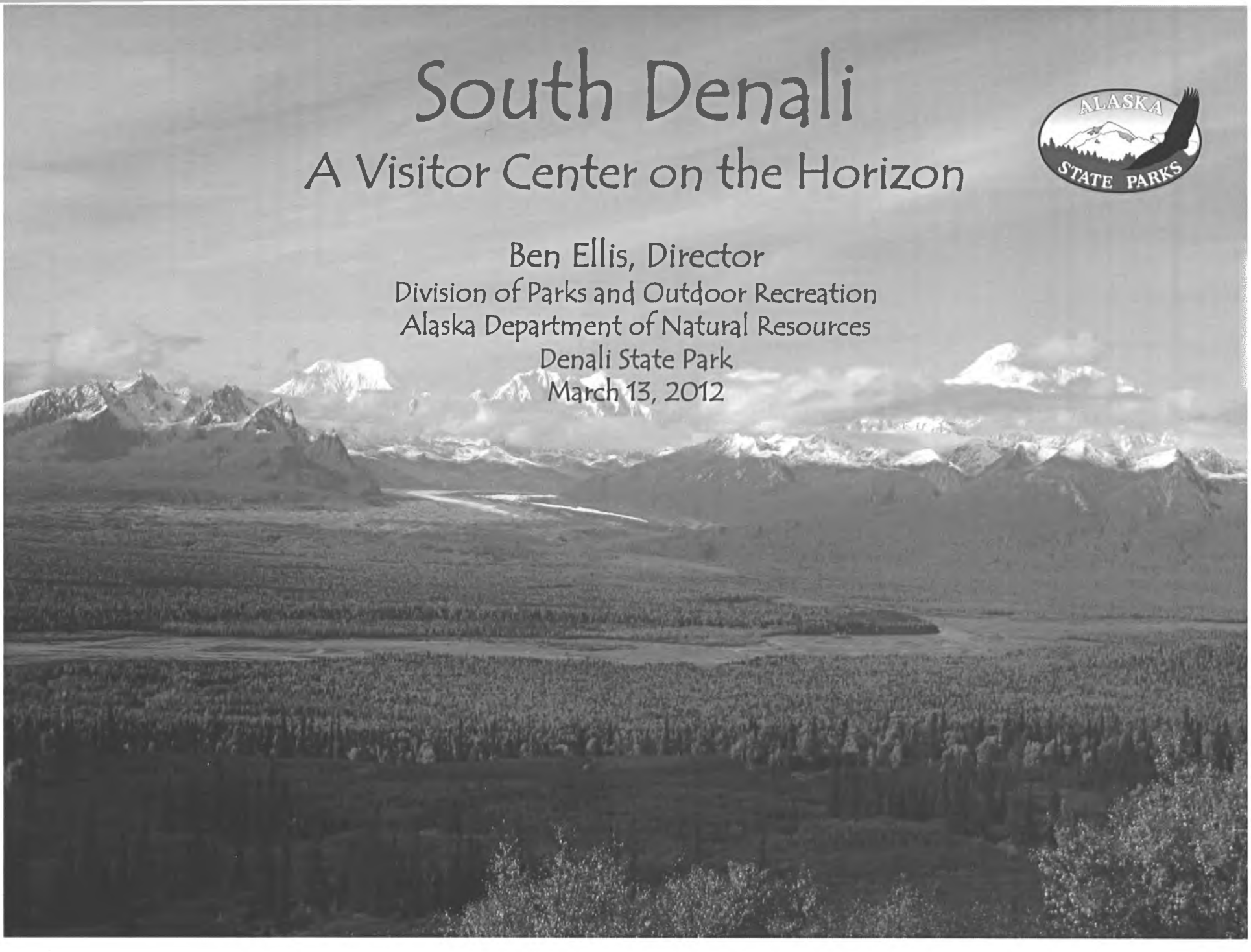
- Vice-Chair Olson
- Representative Foster
- Representative Munoz (going to miss this meeting)
- Representative Thompson
- Representative Gardner (going to arrive around 10:45)
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]
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Today we have one presentation on the

Proposed South Denali Visitor Center: By Ben Ellis, Director, State Parks

No further meetings are planned at this time.

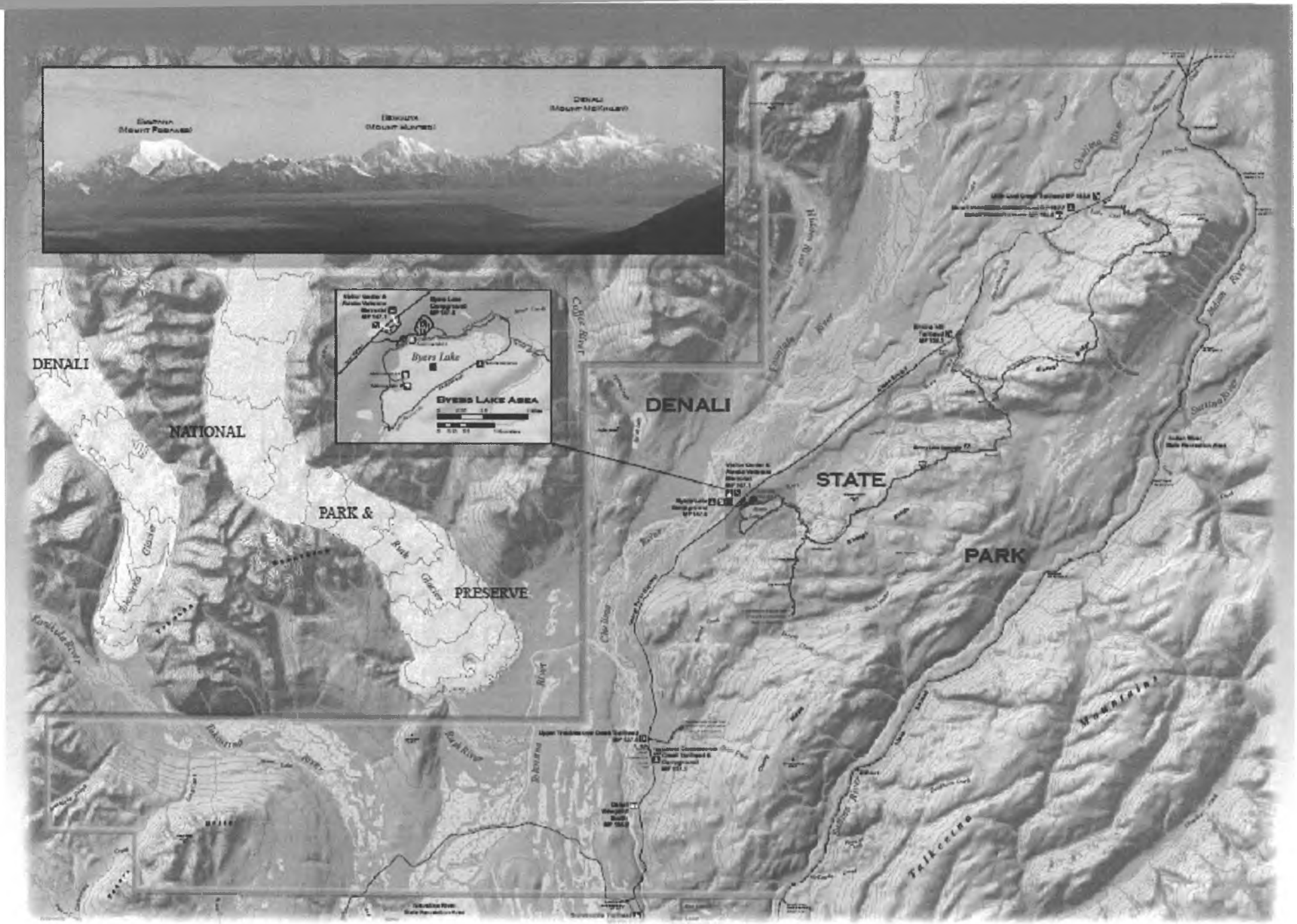


South Denali

A Visitor Center on the Horizon

Ben Ellis, Director
Division of Parks and Outdoor Recreation
Alaska Department of Natural Resources
Denali State Park
March 13, 2012




DENALI
NATIONAL
PARK &
PRESERVE
DENALI
STATE
PARK
Byers Lake
Byers Lake Area
Cantwell
Talkeetna

Denali State Parks Experiences












OTTER

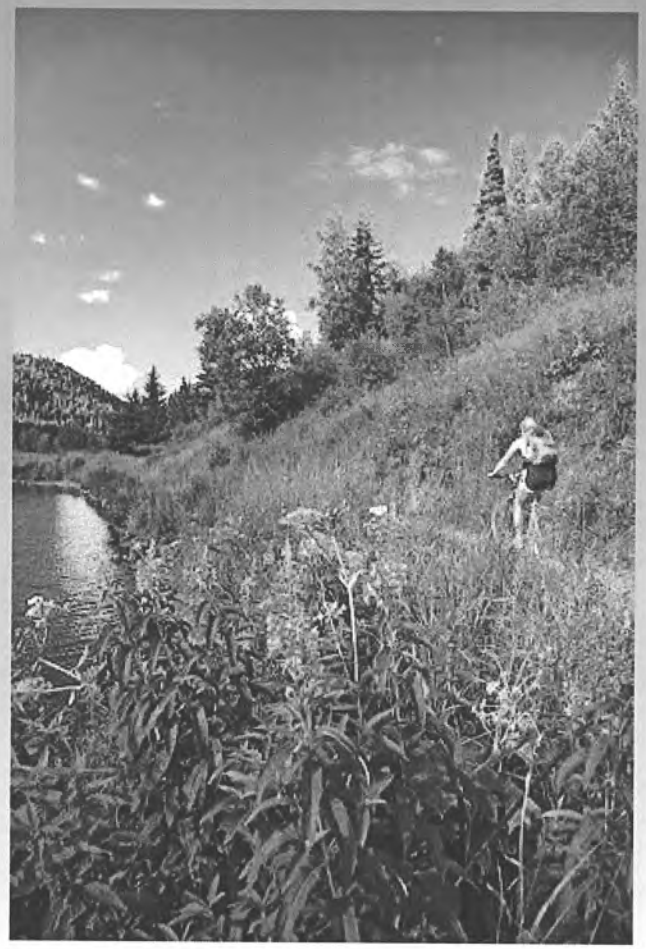












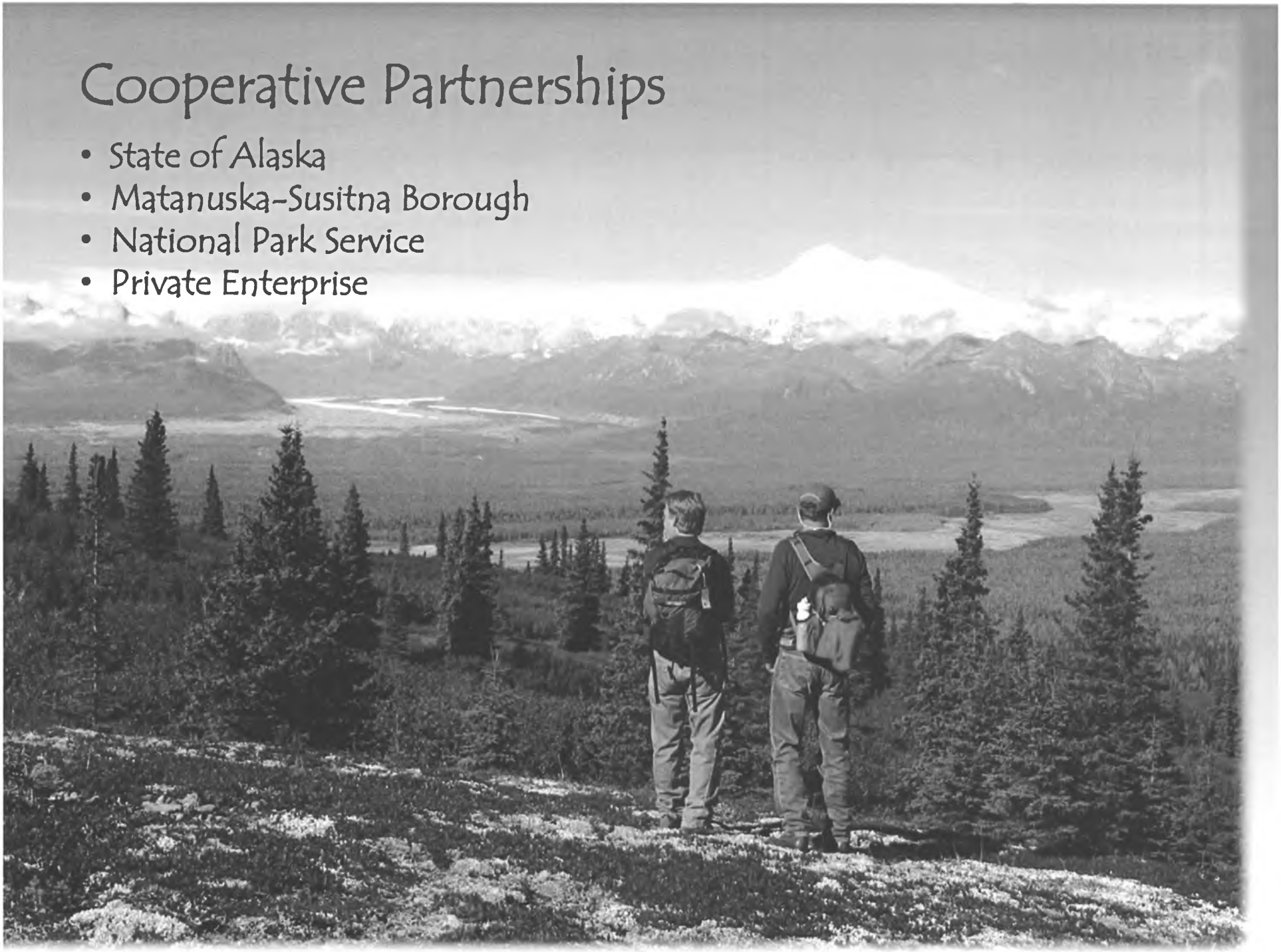






Cooperative Partnerships

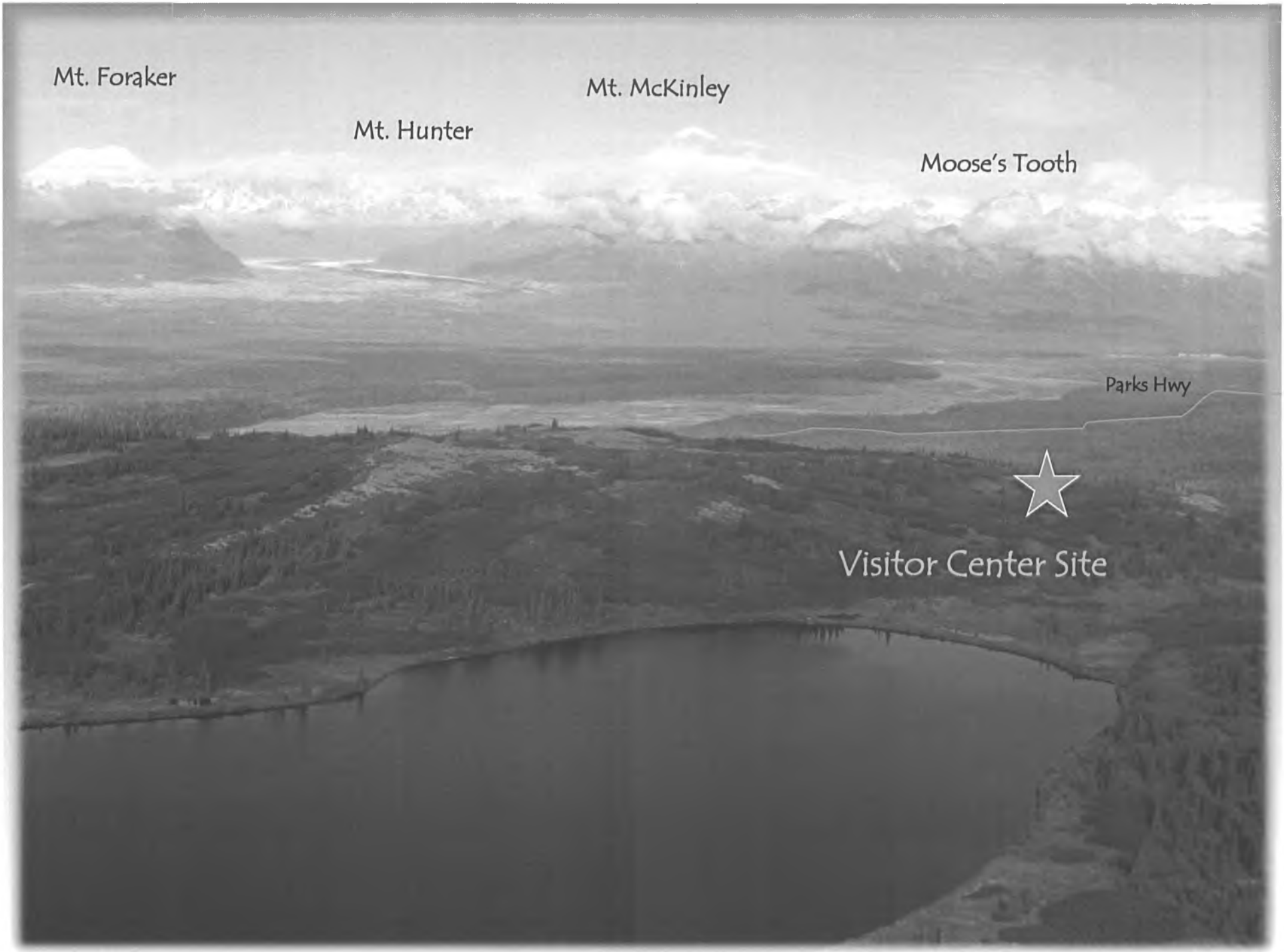
- State of Alaska
- Matanuska-Susitna Borough
- National Park Service
- Private Enterprise

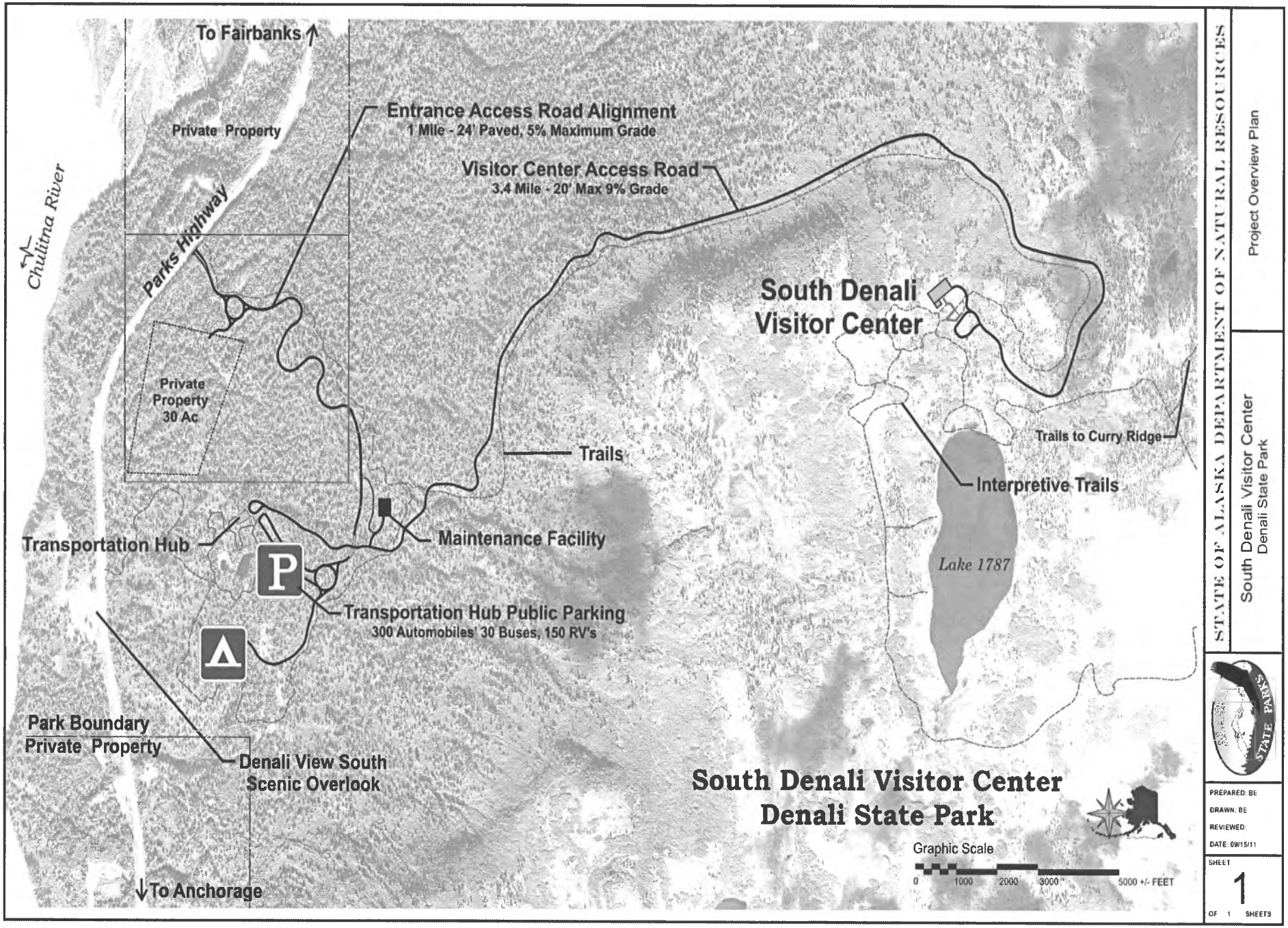


South Denali Visitor Center Complex Purpose

- Share the beauty of the South Denali Region
- Provide a unique visitor experience
- Enhance recreational opportunities
- Provide educational and interpretive activities




Mt. Foraker
Mt. McKinley
Mt. Hunter
Moose's Tooth
Parks Hwy
Visitor Center Site



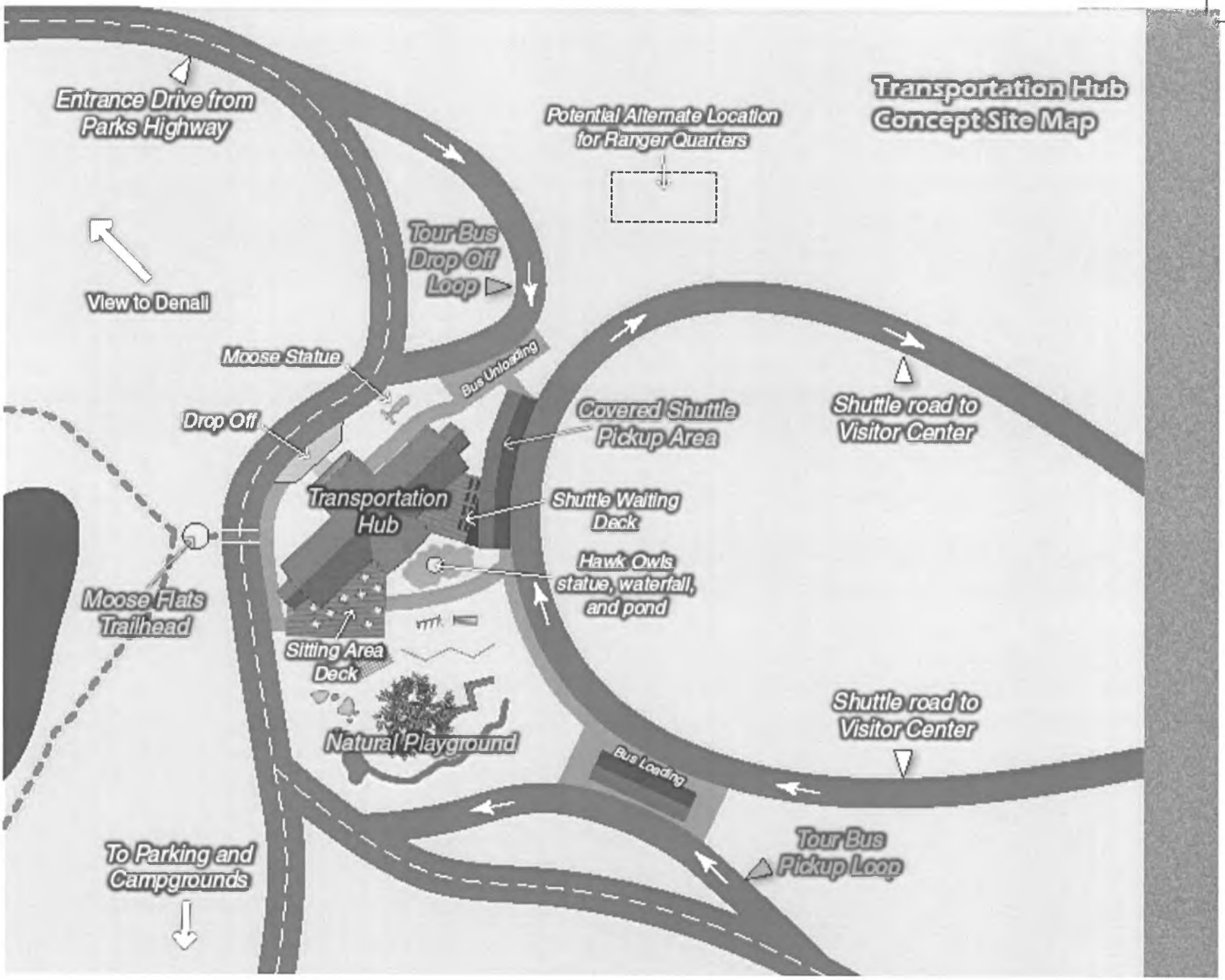
STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

Project Overview Plan

South Denali Visitor Center
Denali State Park

PREPARED: BE
DRAWN: BE
REVIEWED:
DATE: 09/15/11

SHEET 1 OF 1 SHEETS


Transportation Hub
Concept Site Map
Entrance Drive from
Parks Highway
Potential Alternate Location
for Ranger Quarters
View to Denali
Tour Bus
Drop Off
Loop
Moose Statue
Bus Unloading
Drop Off
Covered Shuttle
Pickup Area
Shuttle road to
Visitor Center
Transportation
Hub
Shuttle Waiting
Deck
Hawk Owls
statue, waterfall,
and pond
Moose Flats
Trailhead
Sitting Area
Deck
Natural Playground
Shuttle road to
Visitor Center
Bus Loading
To Parking and
Campgrounds
Tour Bus
Pickup Loop



Estimated Construction Costs

Total Project Cost	$36 million*
Lower Access Road	$1.5 million
Transportation Hub	$8.5 million
Campgrounds/Trails	$2.5 million
Road to Visitor Center	$4.5 million
Visitor Center	$19 million

* Does not include electrical grid extension on Parks Highway



Funding to Date & Remaining Needed

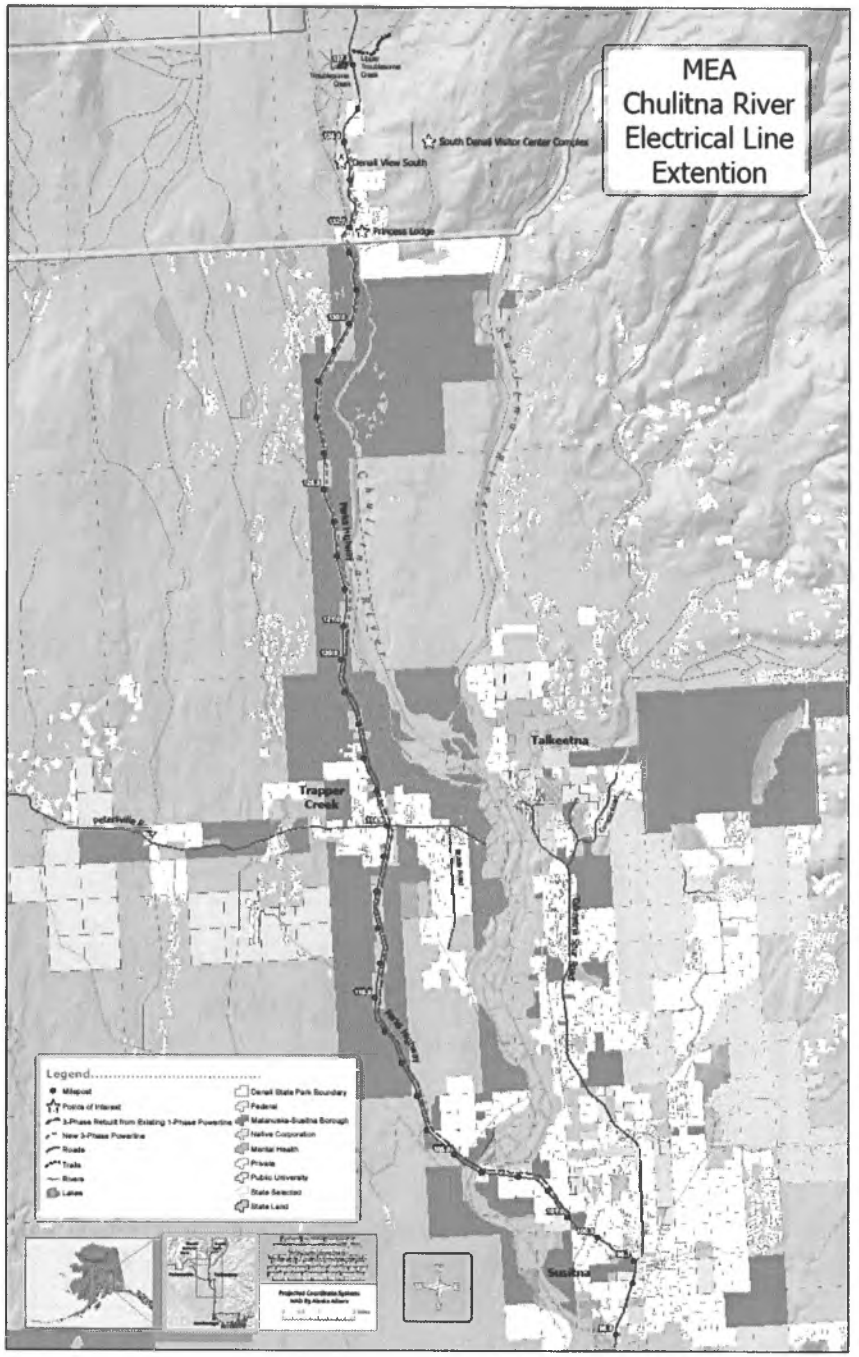
Total Funding to Date $12.89 million

FY09 (GF) Lower access road/transportation hub building	$8.9 million
FY12 (GF) Design	$3 million
FFY12 Scenic Byways grant	$950,000

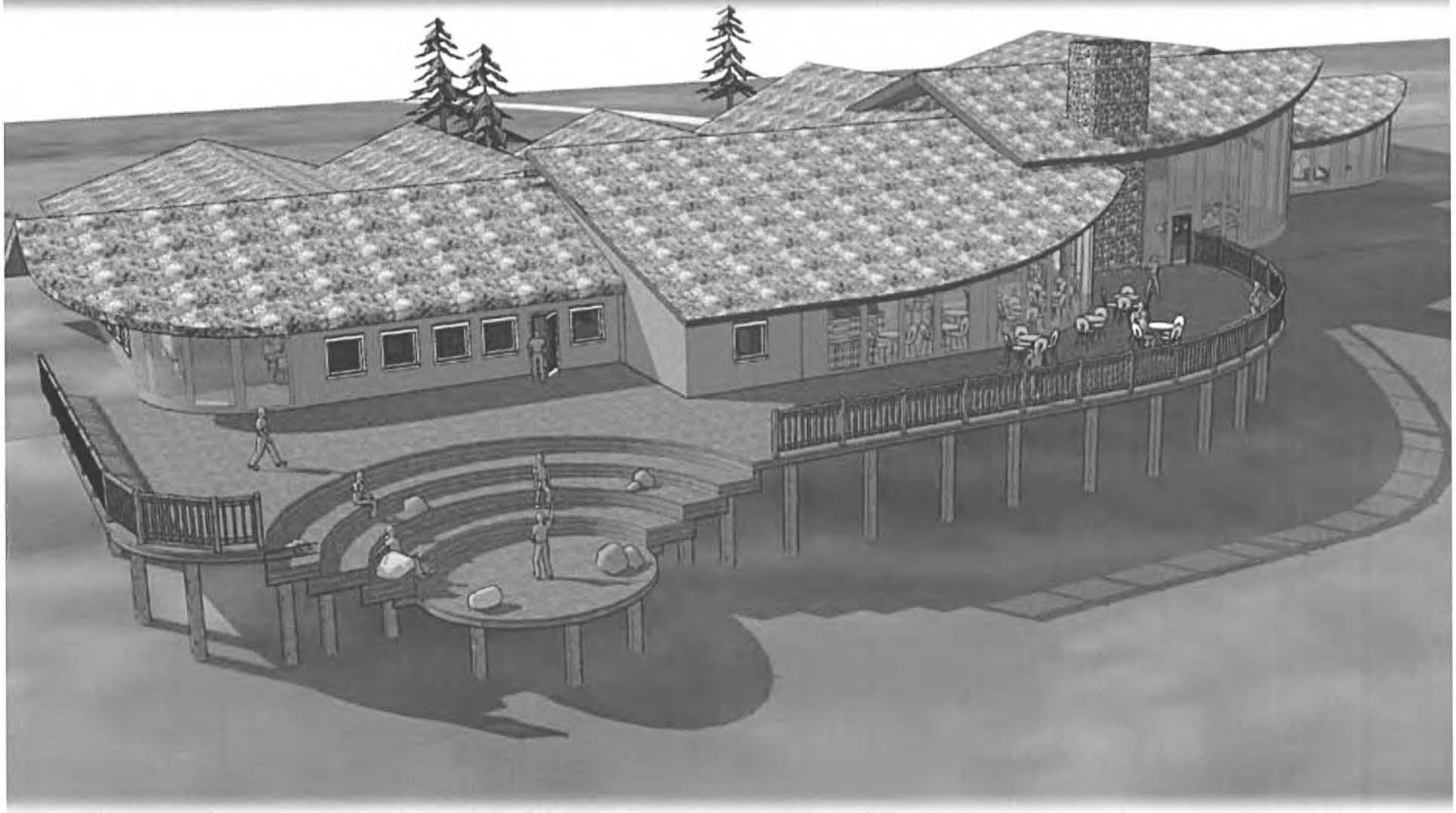
Remaining Funding Needed $23 million

Electrical Extension Cost

Total	$6 million
Private donation	$1 million
Funding needed	$5 million



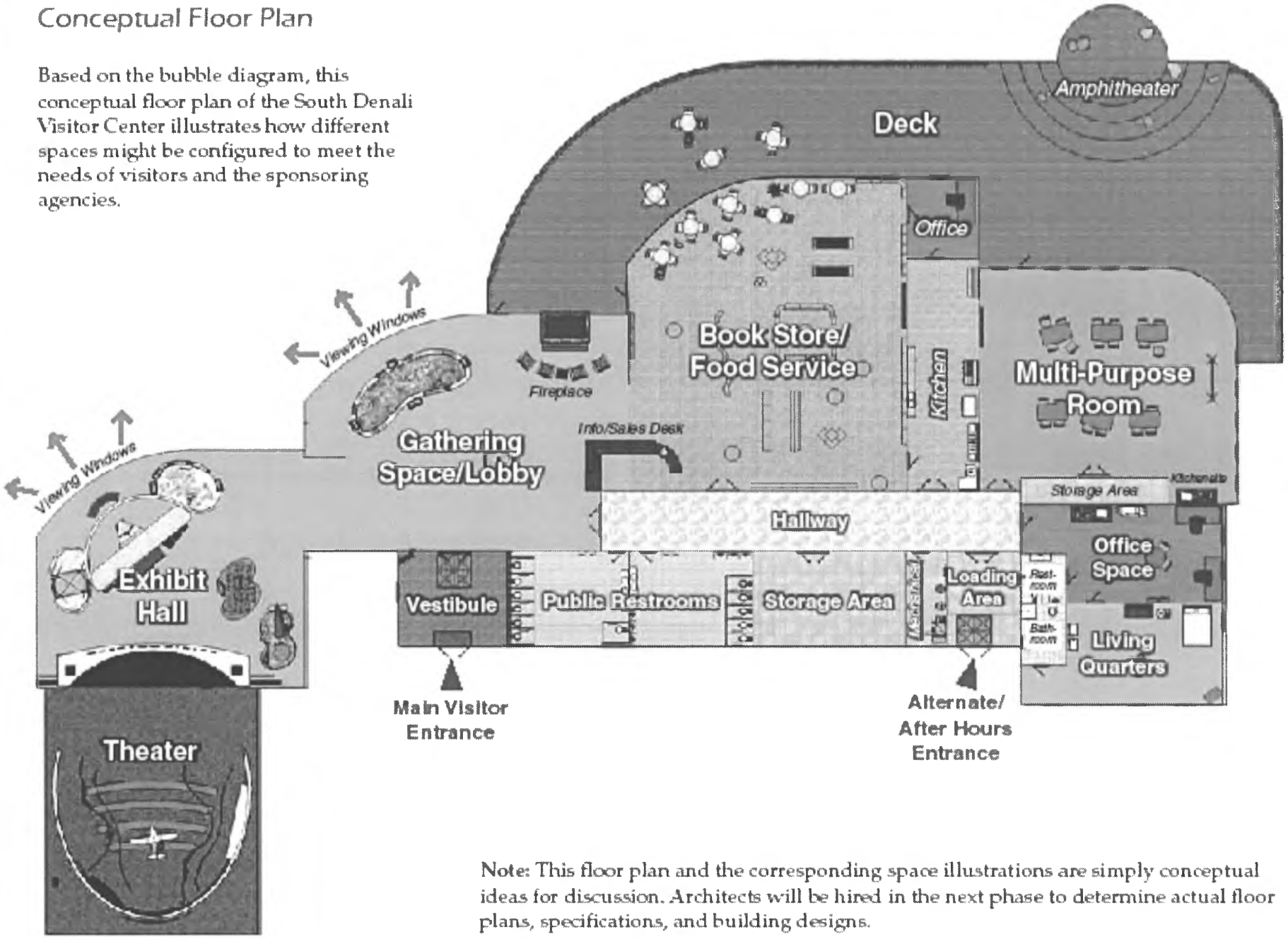
Visitor Center Design Concept



Back of Bulilding

Conceptual Floor Plan

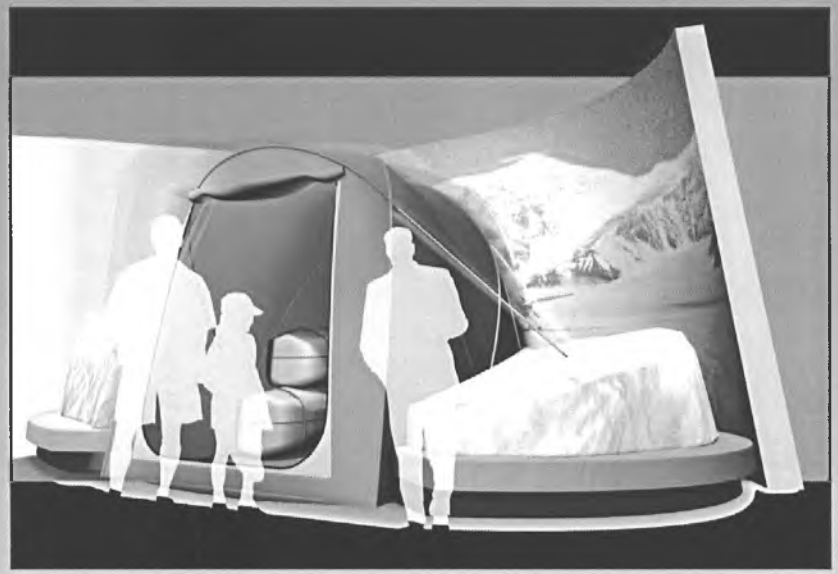
Based on the bubble diagram, this conceptual floor plan of the South Denali Visitor Center illustrates how different spaces might be configured to meet the needs of visitors and the sponsoring agencies.



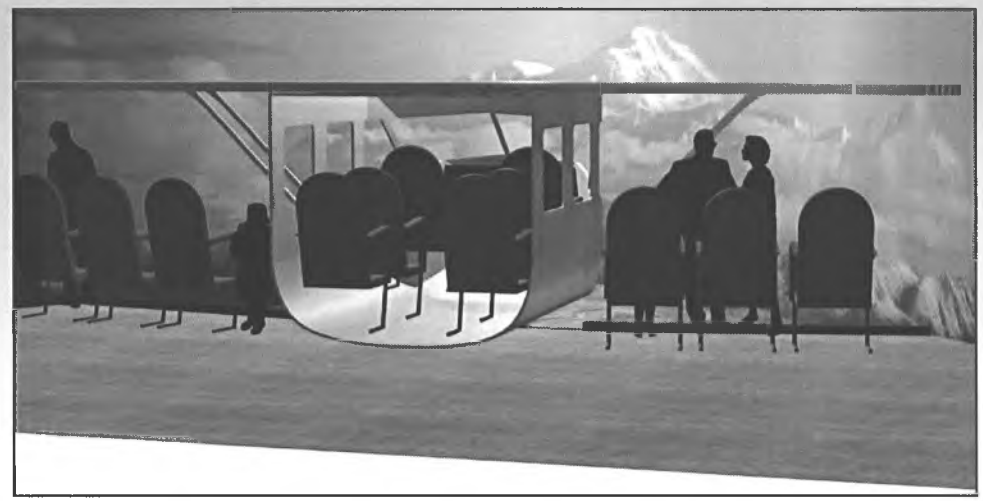
Note: This floor plan and the corresponding space illustrations are simply conceptual ideas for discussion. Architects will be hired in the next phase to determine actual floor plans, specifications, and building designs.

Interactive Exhibits










Relief Map of Alaska Range
Access to Viewing Deck
Fireplace Sitting Area
Universally Accessible Information Desk
Projection Map of Denali State Park

Feasibility/Economic Impacts Studies

University of Alaska Center for Economic Development

- Used a composite forecast model methodology (Gramann, 2003)
- Baseline visitation is projected at 230,600
- This forecast is based 2010 visitor counts at four other popular south central national park visitor facilities.
- Conservative estimate when compared with the 303,000 visitors that Denali National Park (2010).
- Especially considering greater accessibility to both Anchorage and Talkeetna.



Receipts

- Primarily transit fees - $2.375 million
- Receipts from campgrounds, tour operators, food and bookstore concessions an additional $625,000
- Does not address other potential receipts from winter or shoulder season visitors including conferences, camping & tours.



Operations Costs

- Facility maintenance costs $1 million
- Staffing at $491,000 (22 positions including State, NPS, Mat-Su Borough employees and volunteer stipends)
- Utilities and operations $240,000



Margin/Surplus

- Projected at nearly $1.25 million
- Contingent on timely start up and marketing
- Why such a large surplus?
  - No debt service
  - Debt svc, assuming $45 million at current rate of AA rate of 5%, $2.25 million (annually)



Overall Economical Impact of the SDVC

- Impacts are measured by projected expenditures by
  - Government
  - Private/individuals
  - Multiplier (indirect & induced spending)
- To State of Alaska, Region (MatSu) & Local
- Construction and Operations Phase Impacts
  - Expenditures
  - New Jobs

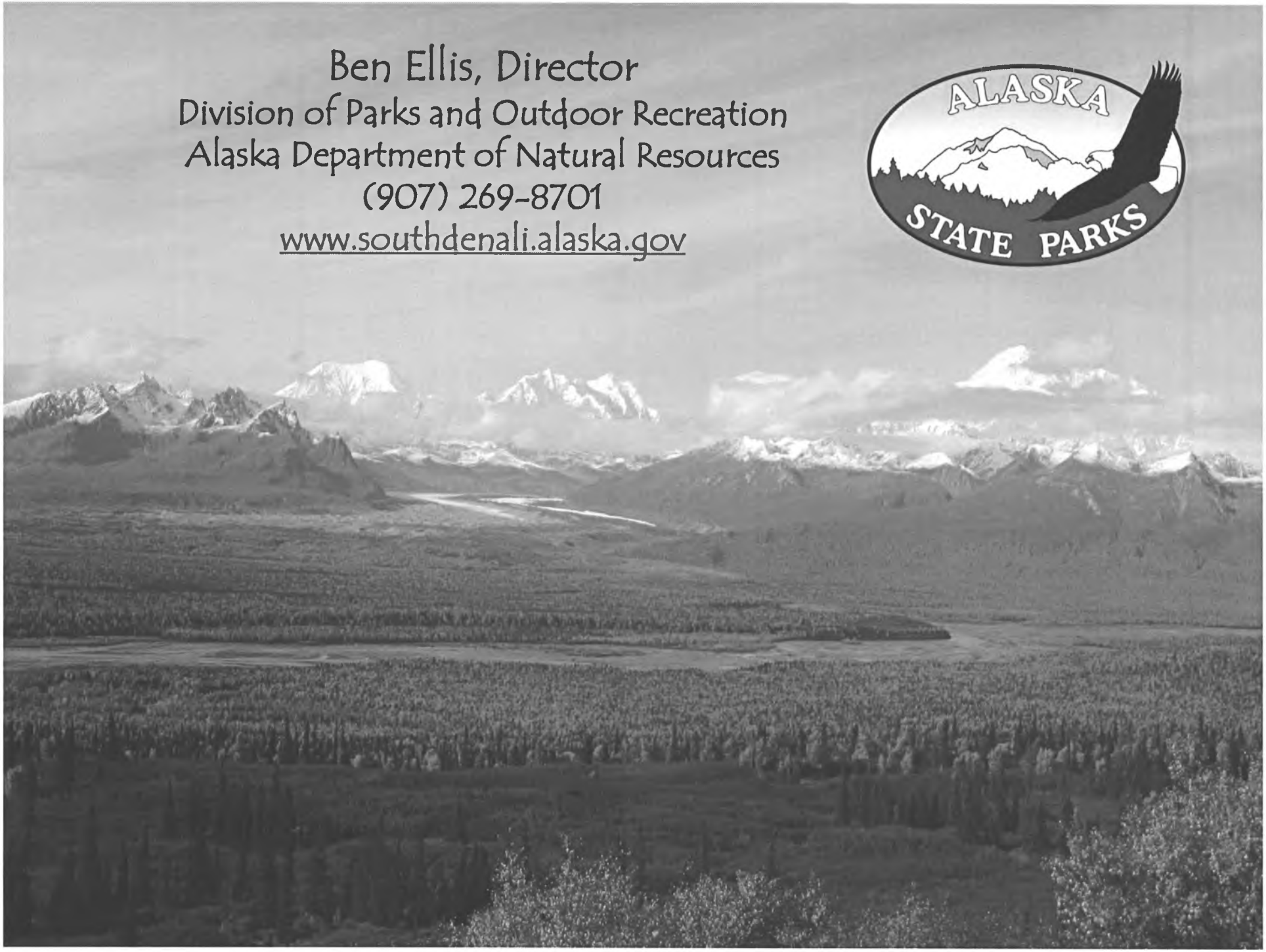


Estimated Economic Impacts of SDVC

Substantial during construction through operations

- Construction $13 million annually; 230 new jobs
- Operations $1.9 million annually; 39 new jobs
- Additional Spending by visitors, residents and business development $30.6 million annually; 600 new jobs




Ben Ellis, Director
Division of Parks and Outdoor Recreation
Alaska Department of Natural Resources
(907) 269-8701
www.southdenali.alaska.gov
ALASKA
STATE PARKS

Feasibility Study for the Proposed South Denali Visitor Center

Prepared for the State of Alaska, Department of Natural Resources, Division of Parks and Outdoor Recreation

By The Center for Economic Development
at the University of Alaska Anchorage

March 2011

This study examines the feasibility of the proposed South Denali Visitor Center in Denali State Park. We find that the proposed facility would generate significant operating margins annually from about $1.2 million in the initial year to $2.8 million annually by 2023 under modest assumptions and 3% visitor growth. The study includes projected construction costs, various revenues from operations, and facility costs projected annually from completion in 2014 out ten years to 2023.

Feasibility Study for the South Denali Visitor Center
Prepared by the University of Alaska Center for Economic Development
Final Report: March 21, 2011

Executive Summary

This analysis examines in an economic context the feasibility of the proposed South Denali Visitor Center in Denali State Park. The analysis focuses on direct economic measures associated with the project; thus, qualitative or non-pecuniary aspects of the proposed project are evaluated. The analysis is based primarily on updated estimates of construction costs provided by the Department of Natural Resources (DNR), operational revenue, and cost data provided by Denali National Park, Princess Tours, Alaska Geographic, and visitor traffic projections from modeling visitation to similar Park sites located in South Central Alaska.

Our principal findings are as follows:

(1) Once the Center is fully operational we project the proposed Visitor Center will be a viable economic driver for the State of Alaska and its operating partners-the National Park Service and Matanuska Susitna Borough. Under fairly modest assumptions, our projections indicate that the South Denali Visitor Center will generate surplus receipts in excess of $1 million annually.

(2) Several visitor scenarios were considered for the analysis as well as future tourism growth rates based on historical trends. In all cases the analysis is robust in predicting that revenues will greatly exceed operating costs. In fact, the center will break even - exactly cover operations costs - with just 121,400 annual visitors, or just 52.6% of our projected annual visitor traffic.

(3) Baseline visitation is projected at 230,600 annually based on a model of 2010 visitor counts at four other popular south central national park visitor facilities. This estimate is somewhat conservative when compared with the 303,000 visitors that Denali National Park received in 2010. With greater accessibility and shorter driving distance to both Anchorage and Talkeetna the proposed South Denali Visitor Center could, over time, exceed the visitation of Denali National Park.

(4) Operating revenues will largely come from the $10 per visitor entrance fee projected at $2.38 million. Concession receipts for food, gifts and books, campground fees, and contract tour operations add an estimated $.7 million. It is important to note that these revenues are highly contingent on packaged tour operators whose business is dependent on general economic conditions. That said, even with the slight declines in visitation experienced during 2009 these numbers of visitors would easily cover the proposed South Denali Center's operating costs.

(5) Assuming a long term average 3% increase in annual visitors strengthens the financial performance of the proposed center resulting in surplus receipts to exceed $2 million annually by 2019.

(6) The annual operations costs are dominated by projected long-term maintenance expenditures. Assuming approximately 1% of the total project's construction costs will be required annually, after the initial startup period, maintenance activities represent nearly $1.3 million or 2/3 of our

projected total annual operations cost. We believe this amount is a conservative estimate of long-term maintenance costs, costs which could be further reduced if an asset management plan is developed and implemented by the State of Alaska upon completion of the project.

(7) Construction of the proposed visitor center would bring substantial economic development to the area known as "Denali Country" of the Matanuska Susitna Borough. This development would lead to additional hotel room capacity, utilities expansion, and increased employment year-round, but especially during the summer season. Support for the visitor industry would expand, creating additional employment and economic opportunities for area residents, as well as additional bed tax receipts.

(8) Finally, possible revenues derived from meetings and conferences have been excluded from the analysis. While a comprehensive study of MatSu infrastructure indicated that the Matanuska Susitna Borough needs expanded meeting facilities we felt that incorporating these activities into the present analysis would be too speculative (MCDowell Group, Inc., June 2006).

Contents

- Introduction 4
- Visitor Projections 8
- Revenues/Receipts 9
- Construction/Project Cost 11
- Operations Costs 12
- Other Considerations 14
  - Economic Development in Denali Country
  - Additional visitor facilities
  - Winter tourism
  - Meetings/conferences

Introduction

Our analysis examines the feasibility of the proposed South Denali Visitor Center to be constructed in Denali State Park. The center as proposed would be a world-class facility located near Curry Ridge, approximately four miles off the Parks Highway at mile 136. The project includes extensive facilities and infrastructure components as the proposed site lacks any development or existing utilities. This study was commissioned for use by the State of Alaska Department of Natural Resources and its project partners-National Park Service and the Matanuska Susitna Borough –for advancing the project through the funding process. It is expected that the State of Alaska Department of Natural Resources, the National Park Service, and the Matanuska Susitna Borough will share responsibility for operating the facility once construction is completed and the center is operational.

Our analysis includes all proposed construction costs but not the business plan or startup costs. An assumption underlying all of the analysis presented is that the facility will achieve full operation upon completion. The validity of this assumption depends on construction completion and implementation of a business plan that includes promotion and marketing of the facility.

Our analysis is based on a number of data sources for construction costs, operations expenditures, visitor projections, and revenue estimates from various project components. Due to the uniqueness of the project and lack of comparable facilities our study relies extensively on modeling of revenue and cost estimates from other visitor facilities in South Central Alaska. The basis for our modeling of projected visitation is an established methodology (Gramann, 2003), which takes into account qualitative factors that are consistent across various sites and facilities.

Our study is organized as follows: Visitor projections and the modeling assumptions are discussed in the following section. These projections form the foundation for our revenue forecasts that are developed in section 3. Facilities and infrastructure construction cost estimates are presented in Section 4. The operations costs and expenditures are developed in Section 5. The final section identifies other ancillary activities associated with the proposed project.

Figure 1 on the following pages presents a summary schedule of the feasibility analysis for the Visitor Center. The schedule provides evidence from the initial forecast year that the Visitor Center revenues exceed operating costs by a considerable amount. The summary table can be interpreted several ways. The first column, designated Year T, represents the first full year of operations. Under the assumption that there is no growth in visitor volumes over future periods this initial year is representative of the expected annual revenues and cost for all future years.[1]

[1] The forecast of static receipts and costs relies on the additional assumption that revenues and costs increase equally in proportion over future periods (e.g. price level changes).

The dominant driver (or factor) for the strong operating margin is visitor volume. Under relatively modest assumptions discussed more completely in Section 3 Visitor Forecasts, projected annual visitation during the initial opening year (2014) is 230,600 people. This forecast is derived from a composite weighted average of 2010 actual visitation to qualitatively similar National Parks located in South Central Alaska. By way of comparison our initial year forecast's visitation is just 76% of Denali National Park's front country visitor total for 2010 of 303,085. With greater accessibility and shorter driving distance to both Anchorage and Talkeetna the proposed South Denali Visitor Center could, over time, exceed the visitation of Denali National Park.

To examine the sensitivity of our projections to changes in actual visitor traffic we conducted break-even analysis to determine the minimum level of visitation required to cover the proposed center's annual operating cost. While not presented in Figure 1, the number of visitors required to generate sufficient revenues to cover expenses is just 121,400, or 52.6% of the projected annual visitation.

Assuming that visitor traffic increases at an annual rate of 3%, the additional columns present the forecasted amounts of revenues and expenditures nine years hence-year 2015 to year 2023. Our 3% estimated growth rate is quite conservative. By comparison, the historical growth trend in visitors to Denali National Park for the 10 years ending in 2007 was 3.8%. It is interesting to note, that under this assumed annual growth of visitor traffic the predicted surplus operating margins nearly double by 2023, the tenth year forecasted, to more than $2.8 million from the base year's 1.25 million dollars. As discussed more completely in Section 2 in our modeling of visitation, our predicted visitor numbers are a composite estimate of similar facilities in the region. It is likely that the actual visitation numbers will be greater given that our base year estimate is just 76% of Denali National Parks' 2010 visitor counts.

Under a higher assumed growth rate of 6%-which reflects the longer 20-year visitor growth rate to Alaska-the 2023 revenues are forecasted at $6.7 million with associated expenditures of $1.9 million producing a surplus margin in excess of $4.7 million. We consider this growth trend optimistic and recognize that it relies on continued growth in tourism capacity-namely, cruise ships and strong economic growth both nationally and internationally-that has been forecasted for 2011. However, in the longer term this growth may not be sustainable given national economic conditions.

Our analysis excludes winter season visitation of the proposed center. While the area is in close proximity to Alaska's largest city and 66.6% of the State's population, very little data is available to predict what level of usage will occur during the winter season. The Parks Highway is the most heavily traveled transportation corridor in the State. It is likely that residents will use the proposed facility in numbers at least as great as Denali National Park, which in recent years has been 1% to 4% of the total annual visitation. If the South Denali Visitor Center is built, it will advance the development of infrastructure in the Denali country region of the Matanuska Susitna Borough. These facilities will boost overall availability and usage of the area through the expansion of hotels, restaurants, and independent tour activities. It is likely that many residents and nonresidents will take advantage of off-season recreational experiences. Finally, this development will provide additional jobs and economic opportunities for residents from construction on through operations.

Figure 1 - Feasibility Summary (assuming 3% growth)

	Year T	2015	2016	2017	2018
Visitor #s	230,626	252,011	259,572	267,359	275,379
Revenues					
Entrance Fees	$ 2,375,448	$ 2,674,756	$ 2,796,323	$ 2,923,416	$ 3,056,285
Concessionaire	193,152	217,490	227,375	237,709	248,513
Bookstore	138,200	155,614	162,686	170,080	177,811
Campgrounds	110,943	114,322	116,036	117,777	119,544
Tour Operators	185,168	190,807	193,669	196,574	199,522
Total Revenues	$ 3,002,911	$ 3,352,987	$ 3,496,089	$ 3,645,556	$ 3,801,675
Expenditures					
Operations	$ 57,569	$ 59,322	$ 60,212	$ 61,115	$ 62,032
Bldg Utilities	56,650	58,375	59,251	60,139	61,041
Sewer/Trash	92,700	95,523	96,956	98,410	99,886
Shuttle	32,396	33,382	33,883	34,391	34,907
Staffing	491,310	506,270	513,864	521,572	529,396
Maintenance	1,025,593	1,025,593	1,025,593	1,025,593	1,025,593
Total Costs	$ 1,756,217	$ 1,778,465	$ 1,789,758	$ 1,801,221	$ 1,812,855
Projected Surplus	**$ 1,246,694**	**$ 1,574,522**	**$ 1,706,331**	**$ 1,844,335**	**$ 1,988,820**

T = the assumed initial year of operations and the annual projected revenues and associated expenses under a no growth of visitation in future years.

Figure 1 - Feasibility Summary (continued)

	2019	2020	2021	2022	2023
Visitor #s	283,641	292,150	300,915	309,942	319,240
Revenues					
Entrance Fees	$ 3,195,194	$ 3,340,415	$ 3,492,237	$ 3,650,959	$ 3,816,895
Concessionaire	259,808	271,616	283,961	296,867	310,359
Bookstore	185,892	194,341	203,174	212,408	222,062
Campgrounds	121,337	123,157	125,004	126,879	128,782
Tour Operators	202,515	205,553	208,636	211,766	214,942
Total Revenues	$ 3,964,746	$ 4,135,082	$ 4,313,012	$ 4,498,879	$ 4,693,040
Expenditures					
Operations	$ 62,963	$ 63,907	$ 64,866	$ 65,839	$ 66,826
Bldg Utilities	61,957	62,886	63,830	64,787	65,759
Sewer/Trash	101,384	102,905	104,449	106,015	107,606
Shuttle	35,430	35,962	36,501	37,049	37,605
Staffing	537,337	545,397	553,578	561,882	570,310
Maintenance	1,025,593	1,025,593	1,025,593	1,025,593	1,025,593
Total Costs	$ 1,824,664	$ 1,836,650	$ 1,848,816	$ 1,861,164	$ 1,873,699
Projected Surplus	**$ 2,140,080**	**$ 2,298,432**	**$ 2,464,196**	**$ 2,637,715**	**$ 2,819,341**

Visitor Projections

As noted in the earlier section, visitor projections are the most important component underlying this feasibility analysis because they drive most of the projected revenues and some of the projected costs. Our study models visitation consistent with established methodology followed in other feasibility studies (Gramann, 2003). Since there are no exact comparable facilities to use as a reference we selected four qualitatively similar facilities with which to construct a composite weighting of visitor traffic. These four centers include Denali National Park (front country), Wrangell-Saint Elias National Park, Begich Boggs, and Kenai Fjords National Park. All are located in South Central Alaska, within 200 miles of the proposed visitor site. Each of these facilities offers viewing of wild life and spectacular scenery.

Annual visitation data was collected for 2009 and 2010 for each site. Visitation at Denali National Park front country offers what is arguably a comparable experience to that at the proposed South Denali Visitor Center with the minor exception that the developed facilities and infrastructure will be much less at the proposed site. For this reason a double weighting of Denali National Park visitor counts was employed in constructing our composite average for calendar year 2010. This composite projection forms the basis for our base year visitor projections used throughout this analysis.

Other methodologies were considered including the historical trend of exit passengers compiled by the State of Alaska's Department of Commerce and Economic Development. Historically, 33% of the nonresident visitor volume spent at least a day in Denali National Park.[2] However, 2010 visitor statistics were not available at the time our analysis was assembled. The 2009 statistics resulted in higher predictions than our composite average visitor projections. For this reason we feel that our methodology is conservative in terms of estimating the number of annual visitors to the proposed visitor center.

An important caveat to interpreting our projections: visitation levels are highly dependent on national economic climate. For the first time in more than a decade of steady increases, visitor traffic to Alaska declined in 2008. We can only speculate on economic conditions in two or three years, when the proposed South Denali Center could be completed and opened for visitors.

[2] Source: Alaska Department of Commerce, Community and Economic Development, Alaska Visitor Statistics Program V, Data file 2007. These nonresident visitor volume estimates are based on exit mode surveys.

Revenues/Receipts

This section presents our modeling and assumptions used to project the proposed visitor center's revenues. Our revenue projections are largely driven by forecasted visitor levels. Besides visitor entrance fees our revenue projections include food, bookstore, campground, and independent tour operator concession receipts. A majority of the forecasted revenue is generated through admission receipts assumed to be similar to the $10 entrance fee charged at Denali National Park during 2010.[3] Based on the projected visitor counts at the $10 per person fee, we predict total admission receipts of at least $2.375 million annually. Fees will be collected at the shuttle terminal ensuring that all visitors will incur the fee. Either a contract operator or kiosk will administer ticket sales.

It is important to note that the projections presented in Figure 1 can be interpreted two ways: Year T reflects a steady state of approximately 230,600 visitors annually, generating nearly $2.4 million in annual revenues. Allowing for a 3% increase in visitation and fee increases consistent with predicted price level changes produces annual revenue increases of about 7% per year through 2021. At 77% of total projected revenues, this source of revenue is by far the dominant source for the proposed center.

Further, our revenue forecasts assume that visitor spending and activities at the proposed South Denali Visitor Center will be similar to those at Denali National Park's front country. Camping fees are also assumed to be comparable to those at Denali National Park.

Most services at Denali National Park are provided to visitors through an exclusive concessionaire contract with Doyon/ARAMark joint venture. This contract operator provides food services, tour bus operations, manages the various campgrounds, and other incidental services. For our study we assume similar visitor spending levels and base our forecasts using actual 2010 expenditures data.[4] During 2010, a typical visitor spent an average of $5.28 each on food items (this amount excludes bus ticket fees, bookstore purchases and camping fees). Using this amount and assuming a similar concessionaire contract arrangement at the South Denali Visitor Center, 15.4% of gross receipts, we predict annual receipts from food service operations of at least $205,000. Similar to our projections for visitor entrance fees, we expect these receipts to grow at the current 1.5% price index rate during the forecast horizon.

We assume that the visitor bookstore at the proposed center will be operated by Alaska Geographic under a contract similar to its other park operations and that it will generate sales comparable to those at Denali National Park. Alaska Geographic currently operates stores at twelve other park visitor facilities. Approximately 50% of the net receipts are shared with the park under these operating agreements. Based on actual receipts for Denali National Park[5], adjusted for differential visitor volumes under our forecasted visitation numbers, we projected receipts of approximately $138,200 for year T.

[3] We assume for this analysis that all visitors will pay the $10 fee. In actual practice the entrance fee may be reduced or waived for seniors, families, season pass or golden pass holders and others. Application of these considerations does not impact the conclusions of this study.

[4] We are grateful to the National Park Service for sharing this proprietary data with us.

[5] Data provided by Alaska Geographic.

Our predicted bookstore receipts increase each year based on our increasing projected visitor counts and by general price level changes.

Our forecasts for campground and independent tour operator receipts are intertwined with a key assumption regarding occupancy rates for the proposed campground facilities. The campground at South Denali will have 47 sites. We assume a similar annual occupancy rate as Denali National Park, which was 85% during the 2010 season.[6] We further assume that only campers will engage in independent tour excursions. This assumption is based on the expectation that most of the visitors to South Denali will already be part of an organized tour package. Accordingly, these visitors will arrange tours with these independent operators before arriving at South Denali.

Our forecasted receipts for campground fees are $185,000 annually with increases in annual camping fees consistent with general price level changes in years through 2023. The campgrounds are assumed to be operated by Alaska State Park staff. Independent tour receipts are based on the assumption that every camper will undertake one tour per day. Data provided by Princess Tours, which operates the Mt McKinley lodge just three miles from the proposed South Denali Visitor Center, suggest that all of their guests participate in at least one tour each day and these tours range in cost from $69 to over $300 each. We assumed an average margin from these tour operators of just $25, a conservative estimate given the possible volume of independent visitors that may stop at the South Denali Visitor Center. Forecasting these receipts out to 2023, we only assume an increase for general price increases, not increases in visitation volumes (we assume only campers will participate and this number is fixed at 47 spaces over the entire forecast period).

It is important to note that all of our forecasted revenues are predicated primarily on summer[7] operations of comparable facilities. We don't consider possible winter revenues, which makes our forecast conservative with respect to off season operations. A number of possible shoulder and off-season activities could be incorporated into the facility's final business plan. These might include winter camping and hosting of retreats and conferences. Currently, Denali State Park experiences a large number of winter recreational users that might utilize camping facilities operated by the South Denali Visitor Center. Further, there may be significant demand for meeting space available at the proposed visitor center if off-season accommodations were available in close proximity.

[6] We thank Denali National Park for sharing this data with us. Camping fees are assumed to be identical to Denali National park.

[7] For this study summer season is defined identical to the time period used by the Department of Commerce, Community and Economic Development's Alaska Visitor Statistics Program from May 1 to September 30.

Construction/Project Costs

Construction cost estimates for each component of the facility and infrastructure requirements are identified below. These cost estimates were developed for the South Denali Environmental Impact statement (National Park Service, April 2006) and have been updated using a price index to reflect estimated 2010 construction costs.[8]

South Denali Visitor Center

Component	Component Estimate	Total Cost	Life Cycle in Years	Estimated Annual Cost
Site Development	$211,400	$211,400	Indefinite	$0
Main Facility	$10,781,400	$10,781,400	50 years	$215,628
Fixtures, Furnishings & Equipment	$1,638,350	$1,638,350	15 years	$109,223
Utilities Infrastructure	$988,295	$988,295	50 years	$19,766
Transportation Hub Facility	$3,012,450	$3,012,450	50 years	$60,249
Fixtures, Furnishing & Equipment-Transportation Hub	$404,275	$404,275	15 years	$26,952
Utilities Infrastructure Transportation Hub	$4,228,000	$4,228,000[A]	50 Years	$121,977
Parking & Access Roads	$7,399,000	$7,399,000	20 years	$369,950
Shuttle (4)	$194,430	$777,720	15 years	$51,848
Landscaping	$211,400	$211,400	Indefinite	$0
Campground Facilities	$1,000,000	$1,000,000	20 years	$50,000
Design (15%)	$4,611,823	$4,611,823[B]	Indefinite	$0
Construction Administration & Contingency (15)%	$4,611,823	$4,611,823[B]	indefinite	$0
Project Total	$39,293,646	$39,875,936		$1,025,593

Notes on Cost Estimates presented: (A) $4 million of electrical extension to be paid by private partners; (B) 15% administration and contingency reserve is based on the estimated total project costs.

[8] Facilities construction cost estimates generated by the State of Alaska, Department of Natural Resources (ADNR) were developed using 2003 RSMeans Square Foot Costs, 24th Annual Edition; historical data from previous Alaska State Parks construction projects for similar facilities; and cost estimating worksheets provided by the State of Alaska, Department of Transportation and Public Facilities (ADOT&PF)

Operations Costs

Forecasting the proposed facilities operations costs was tenuous. There are not comparable facilities other than the front country center at Denali National Park, and this facility operates only during the summer visitor season.[9] The proposed South Denali Visitor Center is located in a remote area. It will have highway access but will still be more than 100 miles from any large city. The proposed facility will be operated under an agreement with project partners: the National Park Service and the Matanuska Susitna Borough.

By far the largest operations cost of the proposed visitor center will be the annual maintenance, which represents more than 58% of the total annual operation expenses. We estimated these at approximately 1% of estimated capital construction costs. If an asset management plan is developed for infrastructure maintenance activities, this estimated cost could likely be reduced substantially.

Visitor center staffing is a distant second at $491,000, or 28% of total costs. A schedule of expected staff is presented in Figure 2 below. Some of these positions would be transferred from the National Park Service visitor center in Talkeetna, Alaska, and from existing positions in Denali State Park. These positions and associated salaries include employee benefits and taxes. Our annual forecasts to 2021 assume wage increases equal to predicted price level changes (1.5%).

Shuttle operations involve four units operating continuously during the peak summer visitor season and at a reduced schedule during slower periods. Shuttles will take 30 minutes to complete a round trip between the transportation hub and the Visitor Center, which includes loading and unloading of passengers. Operations costs include fuel and regular maintenance expenses.[10] Maintenance will be performed offsite using contracted services. Depreciation costs associated with the shuttle vehicles and trailers amounts to $52,000 annually and are included in total maintenance costs discussed above.

Finally, utilities and sewer/trash are projected to total approximately $150,000 annually. These costs are based on operations costs provided by Princess Tours for the Mt McKinley lodge located 3 miles from the proposed site. These cost estimates are likely high because while the lodge operates only seasonally, it accommodates a total population, including guests and support staff, of nearly 900. As such, while the proposed visitor center will have higher rates of visitation, the duration and thus utility demand will be much lower. Additionally, this comparable facility is older, and was not built to the energy efficiency standards under which the South Denali Visitor Center will be constructed.

[9] This period is defined as May 1 to September 30. See note 7 for additional information about how this period is defined.

[10] Costs for shuttle operators have been omitted because it is assumed that the shuttles will be operated under contract with a private company. Driver costs will be recovered through fees. If DNR operates the shuttles the estimated additional operating costs would be approximately $144,000 annually.

Figure 2: Proposed Visitor Center Staffing

Staffing Needs		
Natural Resource Manager I	1 position year-round	
Park Ranger I	1 position year-round	
Park Specialist	1 position seasonal (7 months)	
Park Technician	3 positions seasonal (6 months)	
Maintenance Worker I	1 position year-round	
Laborer	1 position seasonal (6 months)	
Park volunteer	1 position year-round	
Park volunteers	8 positions seasonal (5 months)	
Mat-Su Upper Valley Planner	1 position Year-round	
NPS Biological Technician	2 positions seasonal (6 months)	
NPS Interpretation Ranger	1 position seasonal (6 months)	
NPS Visitor Use Assistant	1 position seasonal (6 months)	
Total 22 positions		**$491,310**

Other Considerations

This final section will identify and discuss additional considerations related to the South Denali Visitor Center. As mentioned earlier our analysis was limited in some areas due to the lack of reliable data.

Additional visitor facilities

Currently, two large hotels in the region generate significant economic development. These two properties account for most of the region's hotel rooms. Development of the proposed visitor center will likely result in significant expansion of visitor facilities and expand hotel capacity by 50%.[11] These facilities are projected to include an additional large hotel complex and a number of smaller Inns or B&B operations. These additional facilities will have two important impacts on the Matanuska Susitna Borough: increased tourism spending locally for lodging, meals, tours and incidentals, and increased bed tax revenues. The increased visitor activity will create a number of local jobs both directly and indirectly through supporting activities. Further, the increased lodging will increase the associated property tax receipts to the Matanuska Susitna Borough.

The proposed facility will offer an alternative land based destination for Alaska's visitor industry. Due to its proximity to Anchorage, land based tours to the South Denali Visitor Center would offer a more affordable alternative to the extended stay required to tour Denali National Park. Cruise operators may find strong demand for a land based tour that offers similar sightseeing yet does not require an overnight stay at the Park. Further, the National Park Service and others have acknowledged that Denali National Park is near its infrastructure's visitor capacity. The proposed South Denali Center may help reduce or mitigate the impacts of the future visitor growth on Denali National Park.

Meetings/conferences

The development of the South Denali Visitor Center will provide meeting space currently lacking in the MatSu area. A recent study commissioned by the Borough estimated that a conference or convention facility could produce increased visitor spending in the range of $700,000 to $1.6 million annually through a combination of lodging and other expenditures (MCDowell Group, Inc., June 2006). Despite its relatively remote location the proposed South Denali Visitor Center could provide an attractive meeting/conference facility for corporate and trade meetings due to the lodging in close proximity and all weather highway access just two hours from Anchorage's International airport. These off season activities would provide additional economic benefits during a traditionally slow fall and winter period. Promoting the area can lead to synergistic benefits by exposing attendees to available activities and facilities (like all-weather road system, trails, and visitor facilities).

[11] Source: Economic Impacts of the Proposed South Denali Visitor Center (Colt, 2008).

With little existing data available on these activities at comparable sites, we can only speculate on the amounts of net receipts that would accrue directly to the proposed South Denali Visitor Center. Thus, we have decided to omit estimates of the direct impacts that hosting meetings and conferences might generate.

Winter tourism

Currently, the upper Matanuska Susitna Borough is a popular area for a diverse number of outdoor activities. The nearby Petersville area boasts many popular snowmachine and ski trails. Construction of the South Denali Visitor Center will expand the number of winter activities available and attract additional visitors during the winter season. These increases in visitation would likely lead to additional year-round facilities and activities, and promote the area as a destination for both Anchorage and Fairbanks residents. Greater utilization of hotel and other visitor facilities would increase the economic viability for these services and increase year-round employment by these businesses.

Economic Development in Denali Country

Denali country, defined as the area between Willow and Denali, currently has 58% of the available rooms in the Matanuska Susitna Borough and accounts for 60% of total bed tax receipts annually[12]. Construction and operation of the South Denali Visitor Center would add substantially to the area's economic base. The Center and the related build up of additional hotel capacity, infrastructure, and support businesses will significantly affect employment and economic opportunity for area residents. Construction of the visitor center will extend the existing electrical service north into Denali State Park, which will further development of existing private lands. There will be substantial spillover or indirect benefits from both the visitor industry and support businesses that service these additional visitors. Finally, this build up will increase the assessed value of property subject to property taxes in this region of the Matanuska Susitna borough.

[12] Denali country bed tax revenues from S. Colt et al., 2008, Total Matanuska Susitna Borough bed tax receipts for 2007 were provided by Chris Drashner, Borough Accounting Specialist.

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Economic Impacts of the Implementation of the Proposed South Denali Visitor Center

Prepared for the State of Alaska, Department of Natural Resources, Division of Parks and Outdoor Recreation

By the Center for Economic Development
at the University of Alaska Anchorage

March 2011

This study assesses the direct and indirect economic impacts associated with the proposed plan to develop a visitor center near Curry Ridge in Denali State Park. We project significant temporary and permanent economic impacts related to the proposed South Denali Visitor Center and associated facilities.

Executive Summary

Our study finds substantial temporary and permanent economic impacts associated with the proposed South Denali Visitor Center (Visitor Center). We identify and model the proposed spending activities and use these to project the direct and total economic impacts on the local Matanuska-Susitna Borough as well as the State of Alaska. Direct impacts are generated for spending on construction and operations; total impacts consider both the indirect and induced impacts that arise from the increased spending and employment that generate increased support activities and related businesses and the impacts from increased income/wages that households spend for goods and services.

The study focuses on the region known as "Denali Country" in upper Matanuska-Susitna Borough. This region begins at the Talkeenta Junction on the Parks highway and runs north to the Denali National Park border. We provide an inventory of the existing or baseline visitor facilities and visitation to the region.

We provide construction spending estimates for both the public and private sources. Our study assumes that construction of the proposed South Denali Center will spur significant private development of additional lodging capacity and related visitors' services in the region. Our study models these impacts on the Matanuska-Susitna Borough, Anchorage, and State of Alaska economy.

Once the facilities are completed and operational, we forecast increases in visitor related direct spending to exceed $18.4 million annually in the Matanuska-Susitna Borough alone. The total economic impacts for this increased visitation will generate almost $30 million annually when the indirect and induced impacts are included. It is important to note that these impacts will continue in perpetuity, and will be sustainable or "green." Tourism has a small environmental impact relative to other development related activities.

Our study updates an earlier analysis by (Colt et al., 2008). Similar to this earlier one, this study models and assesses the impact from several spending scenarios but the present study employs recent visitor data and the recently completed feasibility study for the proposed visitor center. One other important difference between the studies concerns the modeling of the economic impacts. This study assumes a multiplier of 1.62 to project the total-indirect and induced-economic impacts. The earlier study used the IMPLAN input/output to predict the effects on local and regional spending. The multiplier captures the total economic impacts from a direct spending change. For example, increased spending for operations of the visitor center generates direct impacts from increased wages paid to employees and increased contractor services for maintenance. The payments for maintenance and wages to employees create additional purchases by households that in turn generate indirect and induced economic impacts. The multiplier uses these related impacts to capture the total impacts from a given change in economic activity.

Introduction:

Strong tourism growth over the past decade has prompted interest in expanding visitor opportunities in Denali State Park. Our study examines the economic impacts of construction and operation of the proposed South Denali Visitor Center (Visitor Center) to be located east of the Parks Highway at mile post 135.6. As envisioned the Visitor Center, would be a world-class destination with panoramic views of the Alaska Range, Mt McKinley, and Denali State Park. The proposed development would include parking areas, a transportation hub, shuttles to transport visitors to and from the center, and a 16,000 sq ft facility capable of accommodating up to 400 people at a time. Our study updates an earlier study of the proposed Visitor Center by Steve Colt and Nick Szymoniak completed in 2008 (Colt et al.). The current study differs from the earlier one in several key respects: (1) revised visitor data, (2) updated construction costs, and (3) incorporation of the feasibility study of Visitor Center operations.

The economic effects of implementing the proposed development include increased levels of economic activity, particularly in the upper Matanuska-Susitna Borough region. This increased level of economic activity encompasses business growth driven by increased spending for construction of facilities, expansion and growth of businesses that provide visitor related services, and increased employment by the visitor industry and related support businesses. This increase in economic activity occurs primarily from public and private spending for facilities construction, and increases in annual visitor numbers and spending by those visitors. This study considers the following categories of spending:

Construction spending by the State of Alaska
Construction spending by private development to support the increased visitation to the region
Spending for operations costs of the facility
Spending by nonresident visitors
Spending by Alaska residents

An economic impact analysis traces the flows of spending associated with activity in a region to identify changes in income, sales, and jobs due to that economic activity. Our study estimates spending levels for each of these categories and then models the forecasted impacts on the Matanuska-Susitna Borough, Anchorage and the State of Alaska. Our study quantifies both income/sales and employment impacts for each region. However, our primary focus is on the "Denali Country" region immediate to the proposed visitor center that begins at the Talkeetna junction of the Parks Highway and extends to the border of Denali National Park. This area will experience the greatest development and economic impacts. The activities of this project primarily consist of construction and tourism. Other socio-economic impacts, while important to local residents, are beyond the scope of this study. Spending activities generate a number of impacts: a direct impact from changes in income and employment levels, and indirect and induced impacts. The indirect and induced impacts occur as a result of the increased economic activity that in turn generates growth in such support sectors of the economy as transportation, food service suppliers, utilities, and increased spending by households. These indirect and induced impacts are

captured by application of economic multipliers on the spending changes that are contemplated with an activity.[1]

Project Activities/Construction

The South Denali Project Record of Decision and Environmental Impact Statement calls for the construction of Alternative C: Parks Highway of the South Denali Implementation Plan. We developed the following scenario to describe construction and changes in visitor and resident spending patterns as a result of the implementation of the Denali Implementation Plan.[2] Figure 1 provides an overview and map of the proposed development at milepost 135.6 of the Parks Highway. Construction costs and operations data were obtained from the Feasibility Study of the Proposed South Denali Visitor Center.[3]

Baseline Economic Activities

The baseline level of economic activity assumes by definition existing levels of visitor volumes and spending by those visitors. This spending and its associated economic impacts are tracked by the State of Alaska Department of Commerce, Community and Economic Development Division of Economic Development. These annual visitor surveys provide important assessments of the visitor sector of Alaska's economy. For this study we utilize the annual visitor statistics Program VI, produced annually for both summer and winter visitor periods; we also incorporate several additional studies that assess the economic impacts and survey visitor spending in Alaska that are identified below:

Feasibility Study for the Proposed South Denali Visitor Center 2011
Economic Impact of Alaska's Visitor Industry 2010
Economic Importance of Sportfishing in the Matanuska-Susitna Borough 2009
Economic Impacts of the South Denali Implementation Plan 2008
Alaska Visitor Statistics Program VI Interim Visitor Volume Report Summer 2010
Alaska Visitor Statistics Program VI Interim Visitor Volume Report Fall/Winter 2009-10
Summer 2006 Alaska Visitor Statistics Program (AVSP) Exit Intercept data file

The following sections provide details on relevant aspects of the visitation and related spending in Alaska. Following this is an overview of the existing visitor infrastructure that currently exists in the Denali Country region of the Matanuska-Susitna Borough. The next section develops our estimates of increased spending for construction, operations, and visitors related to the South Denali Visitor Center

[1] For example if the multiplier is 2, then every $1 change in spending generates an additional $1 of indirect and induced spending.

[2] The Implementation plan envisioned a number of development projects: construction of a visitor center and facilities near Curry Ridge, and the development of facilities including parking, river access, and campgrounds in the Trapper Creek and Petersville Road. This study focuses on the visitor center and facilities near Curry Ridge.

[3] State of Alaska, Department of Natural Resources, Division of Parks and Outdoor Recreation, Feasibility Study for the Proposed South Denali Visitor Center, March 2011.

implementation plan. Alaska residents are also anticipated to visit Denali Country more frequently as a result of the construction of the Visitor Center; these impacts are discussed as well. The last section presents our analysis of the predicted economic impacts-direct and indirect-from the proposed construction and related build-up of visitor facilities at the proposed Visitor Center, and the impacts of both increased numbers of visitors and increased visitor spending associated with the operations of the proposed Visitor Center.

Present Facilities

Existing Facilities/Infrastructure: As discussed previously, this study focuses on the region beginning at the Talkeetna junction of the Parks Highway extending to the southern boundary of Denali National Park. Existing facilities in this area include approximately 900 rooms. Almost 700, or 60%, of these rooms are contained in two hotels-the CIRI Talkeetna Alaskan Lodge and the Princess Mount McKinley Wilderness Lodge. These rooms generate substantial revenues-$12 million in 2007 alone[4]-that impact the regional economy through operations, employment, and bed taxes. The remaining 40% of rooms are in smaller establishments, including bed & breakfasts.

Tourism in Alaska has grown markedly over the past several decades. Table 1 provides a breakdown, by transportation method, of visitors from 2008 to 2010. The total number of visitors to Alaska in 2010 is estimated at just over 1.5 million. This total is off the record number of 1.7 million visitors, set in 2007. The statistics clearly show that the cruise market, at 878,000 visitors, is the largest participant in the visitor industry in Alaska despite the declines suffered in 2009 and 2010 as a result of the national economic downturn. Forecasts for 2011 predict a strong recovery for the cruise market with announcements of additional boats and increased numbers of cruises by existing vessels. The non-cruise visitor counts actually increased in 2010 relative to 2009.

Table 1: Visitor Volume, by Exit Mode and Cruise Market, Summers 2008-2010

Exit Mode	2008	2009	2010	% Chg 2009-10	% Chg 2008-10
Air	800,600	702,800	693,400	-1.3%	-13.4%
Cruise Ship	836,500	835,000	742,700	-11.1%	-11.2%
Highway	59,900	55,200	59,500	+7.8%	-0.7%
Ferry	10,400	8,700	10,000	+14.9%	-3.8%
Total	1,707,400	1,601,700	1,505,600	-6.0%	-11.8%
Cruise Market					
Cruise	1,033,100	1,026,600	878,000	-14.5%	-15.0%
Non-Cruise	674,300	575,100	627,000	+9.1%	-6.9%

Tables 2 & 3 present descriptive data on visitors to Denali National Park. This data was collected as part of a special survey in summer 2006 to assess visitor spending in Alaska in several popular destinations. For the purposes of this analysis it is important to note that of the total number of visitors to Alaska during summer 2006, 31% took a ground excursion to Denali National Park with 28% electing an overnight stay; 5% were only day visitors.

[4] S Colt et al., 2008 p10.

Table 2: Characteristics of Denali National Park and Preserve Nonresident Visitors, Summer 2006.

Denali National Park		
	Overnight	**Day Visitor**
Number of Visitors	456,820	81,575
% of total Alaska Visitors	28%	5%
Mean # of Nights at Denali NP	2.9	
Frequency of Nights Stayed	Percentage	
1	10.3	
2	34.5	
3	31.0	
4	10.3	
5	3.4	
6	10.3	
Exit Mode	Percent	
Domestic Air	49.7	56.5
International Air	18.8	17.4
Ferry	5.4	6.5
Cruise Ship	13.2	3.3
Highway	12.9	16.3
Male	53.1	60.9
Female	46.9	39.1
Retired?		
Yes	50.9	46.7
No	47.6	52.2
Children living in household?		
Yes	18.7	18.5
No	79.9	80.4
Average age (years)	56	55
Average party size	2.4	2.2
Average length of stay - days	13.5	12.7

Source: Alaska Department of Commerce, Community and Economic Development, Alaska Visitor Statistics Program V, Data file, 2007.

The same survey collected data on visitor spending during their Alaska visit; this information is presented in Table 3. Spending data for visitors who traveled to Denali National Park is important for our analysis. It is one of the few sources documenting the expenditures of visitors for ground-based excursions and features a wealth of data on lodging, meals, transportation and other spending activities. This data indicates that average spending per day by overnight and day only visitors was $132 and $90, respectively.[5]

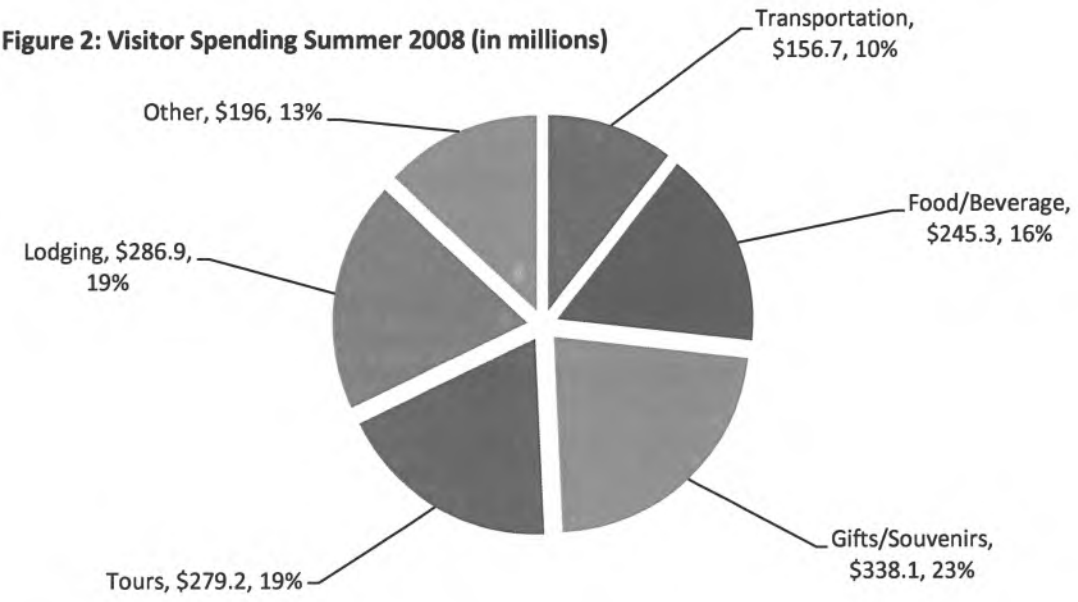
[5] These amounts are in 2006 dollars. For our analysis we adjust these amounts for changes in general price levels to reflect prices changes since 2006.

Table 3: Expenditures by Denali National Park and Preserve overnight and day Visitors, Summer 2006.

Persons Who Visit Denali National Park		
In-State Expenditures	Overnight	Day Visitor
Total Alaska per Party	$4,279	$2,512
Total Alaska per Person	$1,783	$1,142
Total Alaska per Person per Day	$132	$90
Expenditures per Party by Location		
Denali-Healy-Cantwell Average		
Lodging	$180	$0
Tours	$156	$61
Gifts/Souvenirs/Clothing	$62	$14
Food-Beverages	$84	$14
Rental Cars-Fuel-Transportation	$28	$6
Other	$60	$0
Total	$569	$96
Portion total Alaska trip expenditures	13%	4%
Denali per party per day expense	$196	$96
Half day Increase	$98	$48
Talkeenta Average		
Lodging	$158	$93
Tours	$147	$75
Gifts/Souvenirs/Clothing	$36	$30
Food-Beverages	$60	$77
Rental Cars-Fuel-Transportation	$13	$125
Other	$0	$12
Total	$	$
Portion total Alaska trip expenditures		
Palmer-Wasilla Average		
Lodging	$60	$55
Tours	$14	$6
Gifts/Souvenirs/Clothing	$17	$31
Food-Beverages	$54	$62
Rental Cars-Fuel-Transportation	$71	$60
Other	$0	$0
Total	$216	$216
Portion total Alaska trip expenditures	**5%**	**8%**
Anchorage		
Lodging	$267	$265
Tours	$52	$74
Gifts/Souvenirs/Clothing	$118	$101
Food-Beverages	$140	$168
Rental Cars-Fuel-Transportation	$396	$376
Other	$91	$157
Total	$1,063	$1,141
Portion total Alaska trip expenditures	**25%**	**45%**

Figure 2 (presented below) illustrates visitor spending by the economic sector during summer 2008. These expenditures totaled $1.5 billion and contributed significantly to Alaska's economy-both in rural and larger communities. This spending has an estimated total economic impact of $3.4 billion to Alaska's economy when both direct and indirect impacts are considered.[6]

Figure 2: Visitor Spending Summer 2008 (in millions)



Source: Economic Impact of Alaska's Visitor Industry (2010).

Alaska Resident Travel

It is anticipated that the proposed Visitor Center will also attract Alaska residents to the Matanuska-Susitna's Denali region. Table 4 presents data on residents collected for the Alaska Resident Statistics Program. A review of the table indicates that about 50% of the population residing in South-central and interior communities make at least one trip to the Mat-Su Borough each year. Popular activities include snow machining, fishing, wildlife viewing and hiking. The data, however, doesn't provide information on the duration of these visits. To address this, we follow the similar assumptions made by the previous Colt et al. study when spending projections are discussed in the impact section of this study.

Table 4 provides data on the numbers of Alaska residents visiting Mat-Su Borough from South-central and Interior regions, number of visits, and frequency of activities while visiting. This data was collected as part of a special Resident Visitor Statistics program that is ongoing.[7]

[6] Total impacts on the Alaskan economy were derived using the IMPLAN input/output model of local and state economies. The difference between the direct and total impacts implies an economic multiplier of 1.619. This is the multiplier we use for all of our impact analyses.

[7] Since this study has yet to be published, we by necessity have reproduced the table from the Colt et al 2006 Study.

Table 4: Numbers of Alaska residents visiting Mat-Su Borough from Southcentral and Interior regions, number of visits, and frequency of activities while visiting

Population base (18+)	333,066		
Total people making visits		159,848	
Total Visits (lower bound estimate)	736,222		
Total Visits (best estimate)	1,021,852		
Activity Frequency:	Lower bound Estimate		Best estimate
Visit developed campgrounds		99,790	138,330
Visit developed trail systems		196,827	270,466
Hike		190,633	262,895
Camp		148,653	208,527
Wildlife viewing		180,310	249,819
Fishing (freshwater)		131,448	181,687
Boating (non-motorized)		48,863	66,068
Ski and snowshoe		62,627	86,026
Snowmachine riding		109,336	126,796
Note: The columns "lower bound estimate" and "best estimate" reflect the range of values obtained from the same raw data but using two different methods for tabulating the raw data.			
Source: Alaska Resident Statistics Program, preliminary results. People living inside the Mat-Su Borough are excluded from these counts			

Source: Economic Impacts of the South Denali Implementation Plan 2008.

Proposed South Denali Visitor Center Impacts:

Our Study considers the economic impacts of the proposed Visitor Center on both the Matanuska-Susitna Borough and the State of Alaska. As discussed earlier, our focus is on the immediate construction-related impacts and the longer term impacts from increased non-resident and resident visitors to the Visitor Center. In this section we develop estimates of spending by these categories and then discuss our predicted changes in sales, income, and employment associated with the project. It is important when interpreting our forecasts to emphasize that visitation and the visitor industry are sensitive to changes in the national economic condition.

Alternative 1: No South Denali Visitor Center.

We develop our analysis by considering first the construction related impacts associated with the proposed Visitor Center. Under the baseline scenario there would be no South Denali Visitor Center constructed, Denali State Park would continue to attract visitors with existing facilities, and enhancements and expansion of visitor facilities would occur largely through private funding and construction. There would not be significant additional employment and no changes in the numbers of nonresident visitors to the region or Denali State Park. Finally, Alaska residents would continue to travel to the Matanuska-Susitna Borough for recreational activities year round.

Alternative 2: Construction of South Denali Visitor Center

Construction activities: The current projected construction cost for the proposed Visitor Center is $39.2 million. The project is expected to take three years to complete, so we assume that these costs are expended evenly over the construction period. These costs are further divided equally among labor, material, and project management costs. The labor and management costs are assumed to stay within Alaska while materials costs would predominantly be paid to out of state suppliers. It is further assumed that most of the project's labor would be paid to workers residing in the Matanuska-Susitna Borough. Project management costs would be split 75:25 between the Matanuska-Susitna Borough and Anchorage.

We also assume private construction would occur as well to provide the lodging and services capacity necessary to support the increased visitation the Visitor Center would attract. Following Colt et al. (2008), we assume that private spending will fund at least one large hotel complex-75 rooms- and smaller lodges, eateries, and stores will generate additional private construction spending of $44.6 million. For simplicity we make similar assumptions about how spending on these projects will occur and the allocation of spending between regions within Alaska and out-of-state suppliers.

Table 5 presents proposed construction spending plans for the Visitor Center and private developments over the three-year construction period for the Matanuska-Susitna Borough, Anchorage, and State of Alaska. These are only representations of the possible spending activities for modeling the economic impacts associated with construction of these facilities. The construction of private facilities may not begin until construction of the Visitor Center is near completion; however, this fact does not alter the magnitude of our predicted economic impacts, only their timing and duration.

Operational Impacts Associated with the Proposed Visitor Center

Once completed, the Visitor Center will employ a large staff to support operations and maintain the facility. We model these longer term permanent impacts using the projected receipts the Visitor Center will collect from visitors annually. This data is contained in the Feasibility Study for the Proposed South Denali Visitor Center (2011). We use forecasted expenditures for the initial year of operation (excluding depreciation). We use this amount instead of the 2006 visitor spending survey data reported earlier in Table 3 because these receipts represent additional amounts that visitors are predicted to spend at the Visitor Center.

We follow Colt et al. in assuming that the proposed Visitor Center will increase both the number of non-resident visitors who opt for a ground-based tour to Denali Park and extend the duration of existing (baseline) land-based visitors.[8] While these assumptions are supported by discussions with cruise industry executives, they are also intuitive. The proposed center's proximity to Anchorage will allow for day trips from Anchorage at a much lower cost than existing land-based tours. In addition, the new facility will be a major attraction for existing land based tours to Denali National Park resulting in visits of longer duration. Both of these changes will result in increased spending by non-resident visitors.

[8] See Colt et al. 2006 for additional discussion regarding this assumption.

We assume that the proposed Visitor Center will result in 20,000 more visitors who opt for land-based tours. We further assume that these visitors will stay an average visit of three days and two nights, leading to an additional $8.8 million of visitor spending annually. Further, we assume that 10% of all existing visitors opting for the land-based Denali National Park tour will increase the duration of their total visit by an additional full day, resulting in an additional spending of $7.5 million annually.

Finally, we project an increase in the number of Alaska residents visiting the Mat Su borough for recreational activities as a result of construction of the Visitor Center. Based on the data presented in Table 4 the baseline for visitation by residents is approximately 1 million visits annually from communities outside of the Matanuska-Susitna Borough. We assume that this volume increases by 10% or 100,000 visits annually. For our spending estimates we rely on a study of sportfishing economic impacts commissioned by the Matanuska-Susitna Borough in 2009. This study surveyed both resident and nonresident angler spending. For our analysis we assume that resident visitors spend $212 per day for transportation, meals and lodging/camping[9] and generate an additional $2.5 million of spending annually in the Matanuska-Susitna Borough. This spending estimate is based on an earlier survey of angler activities in the Matanuska-Susitna Borough (Haley et al 1999).[10] It is important to note that this spending activity does not increase the overall level of economic activity within the State of Alaska; rather, it represents a shift to the Matanuska-Susitna Borough from other areas of the State.

Economic Impacts

Table 5 presents a summary of the spending impacts from construction activities and additional visitor spending on the level of economic activity including direct, indirect, and induced assuming a multiplier of 1.62.[11] The table also presents estimates of these spending forecasts on employment levels within the Matanuska-Susitna Borough, Anchorage, and State of Alaska. Generally, our findings are qualitatively similar to those reported by Colt et al. 2008. We find that the impacts on the Matanuska-Susitna Borough's economy are significant and positive. These impacts are discussed by the categories and for the Matanuska-Susitna Borough and the State of Alaska.

---

[9] This study reported in Table 1 spending estimates: low $212, medium $399 and high $550, per day, respectively. To be conservative, we base our resident spending projections on the low amount.

[10] This study reported $28 per day per person based on 1993 dollars. This figure is quite dated and thus is not likely a reliable estimate of resident spending.

[11] The magnitude of the economic multiplier used in other studies ranges from 1.35 to 2.0. We selected 1.62 because this was the multiplier implied in Colt et al. (2008). The 1.35 multiplier was advanced by Goldsmith (1989) but recent studies, including the Colt et al study, suggest that the multiplier has increased most likely as a result of Alaska's transition to a more mature, developed economic base.

Table 5 Economic Impacts from the South Denali Visitor Center

Activity	Spending				Employment		
Construction Spending (Per year)- Temporary	Direct Spending	Indirect & Induced	Total Impacts		Direct	Indirect & Induced	Total
Public							
MatSu	$7,414,627	$4,589,654	$12,004,280		117	90	206
Anchorage	$768,637	$475,786	$1,244,424		12	9	21
Alaska	$8,183,264	$5,065,440	$13,248,704		129	99	228
Private							
MatSu	$6,503,378	$4,025,591	$10,528,969		103	79	181
Anchorage	$929,030	$575,070	$1,504,100		15	11	26
Alaska	$7,432,408	$4,600,661	$12,033,069		117	90	207
Visitor Spending - Permanent							
Visitor Center Operations -MatSu	$1,230,625	$761,757	$1,992,382		24	15	39
Longer Stays-MatSu	$7,541,730	$4,668,331	$12,210,061		147	91	238
Additional Visitors							
MatSu	$7,064,311	$4,372,808	$11,437,119		138	85	223
Anchorage	$1,766,078	$1,093,202	$2,859,280		34	21	56
Alaska							
Alaska Residents	$8,830,389	$1,574,736	$4,118,735		52	31	83

The public-funded construction direct impacts over the three year estimated construction period for the Matanuska-Susitna Borough (State of Alaska) are $7.4 million ($8.2 million) annually. Privately funded construction direct impacts are similar at $6.4 million (7.4 million) for the Matanuska-Susitna Borough (State of Alaska). Combined projected economic impact from both public and privately funded construction on the Matanuska-Susitna Borough (State of Alaska) is $10.5 million ($12 million) when the direct and indirect/induced effects of this increased spending are considered. Employment gains are also very strong. We project an additional 209 (228) constructional related jobs to be created in the Matanuska-Susitna Borough (State of Alaska) over the three year construction period.[12]

South Denali Visitor Center Operational Impacts

Once the proposed Visitor Center is completed and operational, our analysis projects that it will have a substantial economic impact on the Denali Country region of the Matanuska-Susitna Borough. Table 5 presents predicted annual operational spending for the Visitor Center of $1.2 million. The total economic impacts associated with these expenditures-including direct and indirect/induced-is estimated

[12] We based our employment impacts assuming that the additional jobs created as a result of the public and private build-up would pay the 2010 average construction wage of $63,440 reported by the State of Alaska Dept of Commerce and Community Development, Division of Economic Development.

at $2 million annually. The total projected increase in employment for the Matanuska-Susitna Borough associated with operation of the Visitor Center is 83, based on the 2009 median wage rate of $51,221.[13]

The longer duration visits by nonresidents to Denali Country are estimated to generate an additional direct (total impact) economic impact of $7.5 million ($12.2 million). It is assumed that all of these impacts will be captured by the Matanuska-Susitna Borough. This change will generate employment increases of 238 positions using the same median wage rate as discussed above.

The increased number of nonresident visitors opting for a ground based tour to Denali Country is predicted to generate a direct economic impact of $7 million ($8.8 million) in the Matanuska-Susitna Borough (State of Alaska) and to increase Matanuska-Susitna Borough employment by 279 permanent positions.

Finally, the projected impact from increased visitation by Alaska residents is an additional $2.5 million direct and $4.1 million total annually to the Matanuska-Susitna Borough. These impacts represent a shift in spending from other regions of Alaska to the Matanuska-Susitna Borough's economy.

Summary

In summary, the proposed South Denali Visitor Center would provide strong economic benefits to the Matanuska-Susitna Borough and the State of Alaska. Our estimates indicate that following the buildup from construction-related activities, the Denali Country region of the Matanuska-Susitna Borough would enjoy permanent long-term growth of $29.8 million annually, and employment gains of approximately 637 permanent positions. It is important to realize that these impacts will continue in perpetuity and will be sustainable or "green." Tourism has a small environmental impact relative to other development-related activities.

[13] The median annual wage of $51,221 is likely high for the employment sectors typically represented by the visitor industry. However, chose this amount because there is no composite wage benchmark available.

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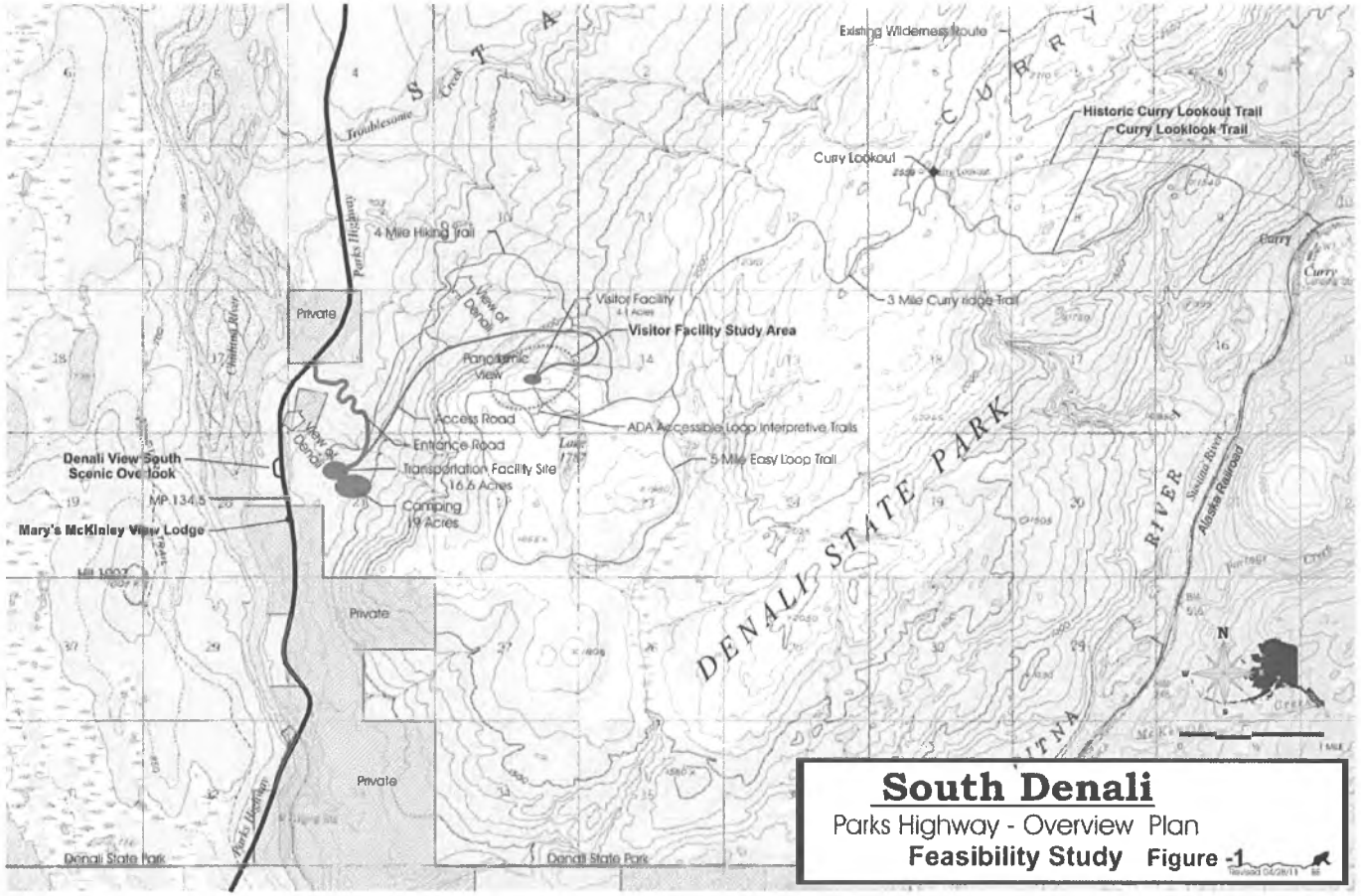
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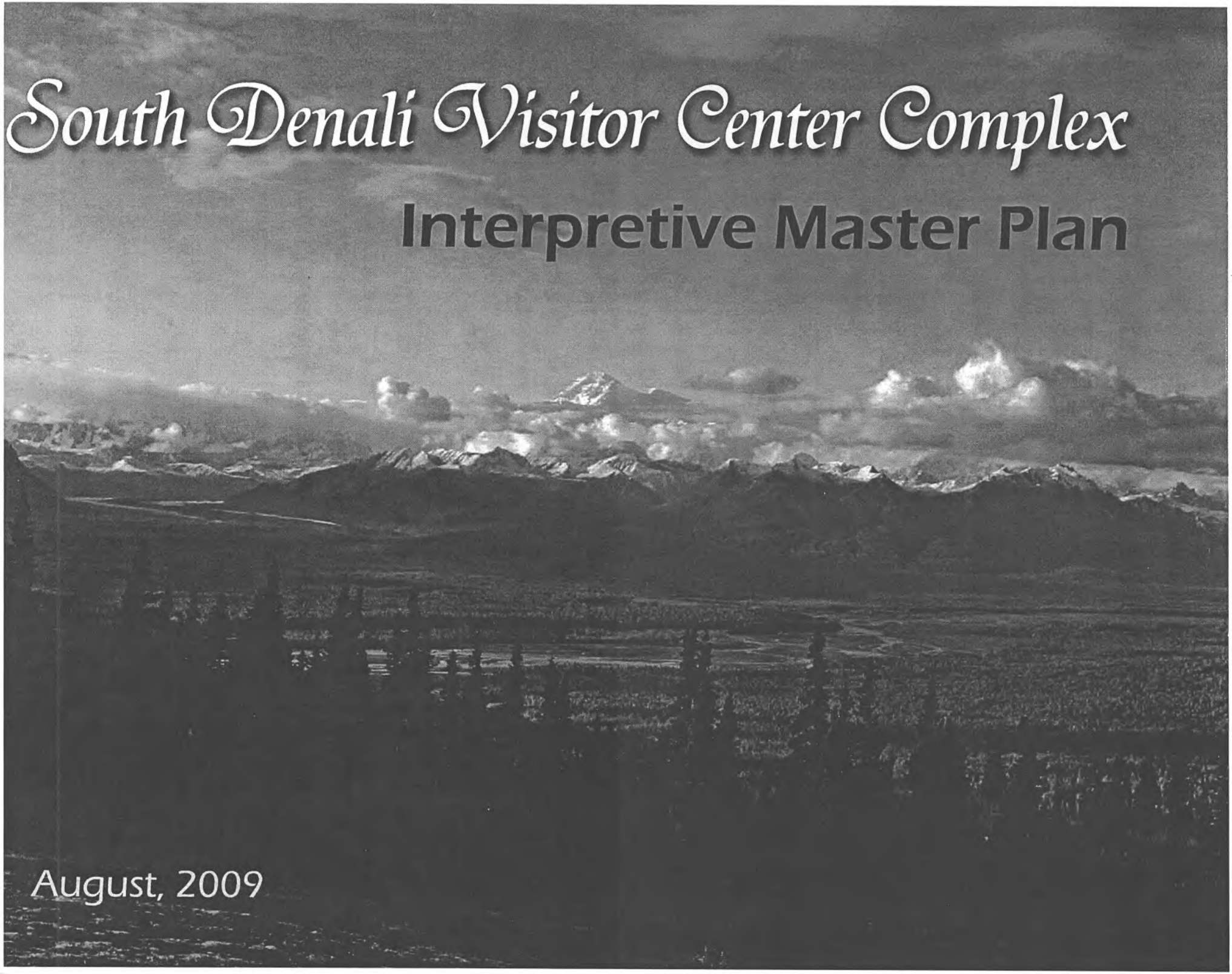
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Existing Wilderness Route
Historic Curry Lookout Trail
Curry Looklook Trail
Curry Lookout
4 Mile Hiking Trail
Parks Highway
Troublesome Creek
Chulitna River
Private
View of Denali
Visitor Facility
Visitor Facility Study Area
Panoramic View
3 Mile Curry ridge Trail
Access Road
ADA Accessible Loop Interpretive Trails
Entrance Road
Transportation Facility Site
16.6 Acres
Camping
19 Acres
5 Mile Easy Loop Trail
Denali View South Scenic Ove look
MP 134.5
Mary's McKinley View Lodge
Hill 1007
Private
Private
Parks Highway
Denali State Park
Denali State Park
DENALI STATE PARK
CURRY
RIVER
Alaska Railroad
N
South Denali
Parks Highway - Overview Plan
Feasibility Study
Figure -1



South Denali Visitor Center Complex

Interpretive Master Plan

August, 2009

Front Cover: Denali and the Ruth Glacier rise above the braided Chulitna River, as seen from the visitor center site on Curry Ridge. November, 2007

Facing Page: The 20,320 foot summit of Denali, the tallest mountain in North America, is a must-see for Alaska visitors. November, 2007

South Denali Visitor Center Complex

Interpretive Master Plan

August, 2009



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The completion of the South Denali Visitor Center Interpretive Master Plan marks one more milestone in a long process that started over 40 years ago when a vision to create a visitor center in the area was first proposed. A new visitor center in Denali State Park on Curry Ridge has the potential to allow both residents and visitors to have a "Denali experience" that would not otherwise be possible with existing facilities.

This plan is an exciting step in ensuring that the project is completed with the utmost consideration to providing quality opportunities for people to view Mt. McKinley and the spectacular subalpine around lake 1787. The plan recommends ways to minimize adverse affects on the natural resources as well as reducing visual impacts of the built environment. The research and thought that has been put into the location of the visitor center, road alignment, transportation, parking, trails, interpretive displays, building style and other details will help guide the development of a world class facility that will be enjoyed by millions of people.

In planning for additional recreational opportunities in the South Denali region the planners for this project conducted a thorough outreach with multiple public meetings, a discussion forum on their web page, and an open willingness to accept telephone and email comments, all in an effort to capture participant's comments for inclusion. We are pleased with the scope and quality of their work and believe that the resulting South Denali Visitor Center Interpretive Master Plan is an excellent document that will guide the development of the South Denali Visitor Center Complex. We extend a hearty thank you to everyone one who has participated in the process and encouraged this great project.

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James King
Director
Alaska State Parks

Paul Anderson — Date: July 30, 2009
Paul Anderson
Superintendent
Denali National Park

John Duffy — Date: July 31, 2009
John Duffy
Borough Manager
Matanuska Susitna Borough

Exhibition: The Alaska Range—Where Colossal Forces Collide....107
Building the Alaska Range....*108*
Extremes of Weather in the Alaska Range....*110*
Scouring the Landscape....*112*
Exhibition: Life on Curry Ridge....114
Mountain Pond....*115*
Alpine Tundra....*116*
Willow, Alder, White Spruce Thickets....*117*
Object Theater—Spirit of Alaska....118
Spirit of Alaska Storyline Concept....*120*
Outdoor Interpretive Media....124
Denali Vistas Trail Panel—Conceptual Design....125
Trailheads....126
Denali Vistas Trail Panels....128
Stop 1—Tiny But Tough....130
Stop 2—Boggy Soggy Muskeg....131
Stop 3—Arteries into the Heart of Alaska....132
Stop 4—Alaska Range Viewpoint....133
Stop 5—Lake 1787 Viewpoint....134
Stop 6—Giants Carved this Land....135
Stop 7—Alpine Thickets....136
Stop 8—Wood Frogs are Super Cool....137
Stop 9—Beaver Works....138

Chapter 7: Base Transportation Facility, Site, and Media Development....139
Development of the Base Transportation Facility....140
Base Facility Concept Overview....141
Entry into the South Denali Visitor Center Complex....142
Entrance Signage....142
Entry Drive....144
Parking Areas....145
Transportation Hub Building....146
Interior Design of the Transportation Hub....148
Transportation Hub Conceptual Floor Plan....150
Entry Portico; Restrooms....151
Reception and Orientation Room....152
Service Counter and Kitchen; Ranger Living Quarters....153



Narcissus-Flowered Anemone and spider on Curry Ridge. June, 2008



Frigid Arnica on Curry Ridge. June, 2008

Media for Transportation Hub 154
George Parks Scenic Byway Exhibit 155
A Sense of Place in South Denali 156
Preparation for Ridge-Top Experience 157
3-D Topographic Projection Map of Denali State Park 158
Amenities Near Transportation Hub 159
Wildlife Sculptures 159
Natural Playgrounds 160
Moose Flats Trail 161
Moose Flats Trail Interpretive—Panel Locations 162
1. Moose Flats Trailhead 163
2.Bushwacker's Misery—Devil's Club and Alder Thickets 164
3. Trees of the Spruce and Hardwood Bush 164
4. A Young Country, An Eroding Landscape 164
5. Bear Country 165
6. Out of the Bush—Mary Carey's McKinley View Lodge and Parks Hwy 165
7. Muskeg Bogs 165
Moose Flats Campgrounds 166
Connecting the Base Facility to the Visitor Center 168
The Shuttle Tram 168
Waiting for the Shuttle Tram 169
The Shuttle Tram Experience 169
Shuttle Tram Road and Hiking Trail—Concept Site Layout 170
Pedestrian and Biking Trails to Visitor Center 172

Appendices 175
Appendix 1: Visioning Meeting: Results 176
Appendix 2: Community Meetings: Results 180
Trapper Creek (November 27, 2007) 180
Wasilla (November 28, 2007) 182
Anchorage (November 29, 2007) 184
Appendix 3: South Denali Economic Impacts Assessment: Key Findings 186

Table of Contents

Chapter 1: Introduction 1
- Importance of the South Denali Visitor Center 2
- Background Information 3
- Purpose of this Document 3
- South Denali Visitor Center Complex at Curry Ridge 4
- The Planning Process 5

Chapter 2: Vision and Goals for Facility Development 7
- Denali State Park Management Plan Vision Statement (2006) 8
- Memorandum of Understanding Vision Statement (July 2007) 8
- Visioning Workshop 9
- Community Meetings 10

Chapter 3: The Audience 11
- Out-of-State Visitors 12
- Discussion and Implications of Out-of-State Visitor Data 15
- Alaska Residents 17
- Discussion and Implications of Alaska Residents Visitor Data 18

Chapter 4: Resources, Themes, and Messages 21
- Site Resources 22
  - Tangible Natural Site Features 22
  - Tangible Cultural Site Features 23
- Themes and Messages 24
  - Primary Theme 25
  - Sub-theme 1: Ecosystems of Curry and K'esugi Ridges 26
  - Sub-theme 2: Geologic Features that have Sculpted the Landscape 32
  - Sub-theme 3: Atmospheric patterns and Phenomenon 39
  - Sub-theme 4: Greater Denali Ecosystem/Indicator of Global Change 41
  - Sub-theme 5: Alaska Natives 42
  - Sub-theme 6: Denali and the Alaska Range 44
  - Sub-theme 7: Chulitna and Susitna Rivers/Historic Travel Routes 49
  - Sub-theme 8: Denali State Park Opportunities 56



Tundra plants on the higher elevations of Curry Ridge. November, 2007

Table of Contents



Lesser Yellowlegs on Curry Ridge. June, 2008



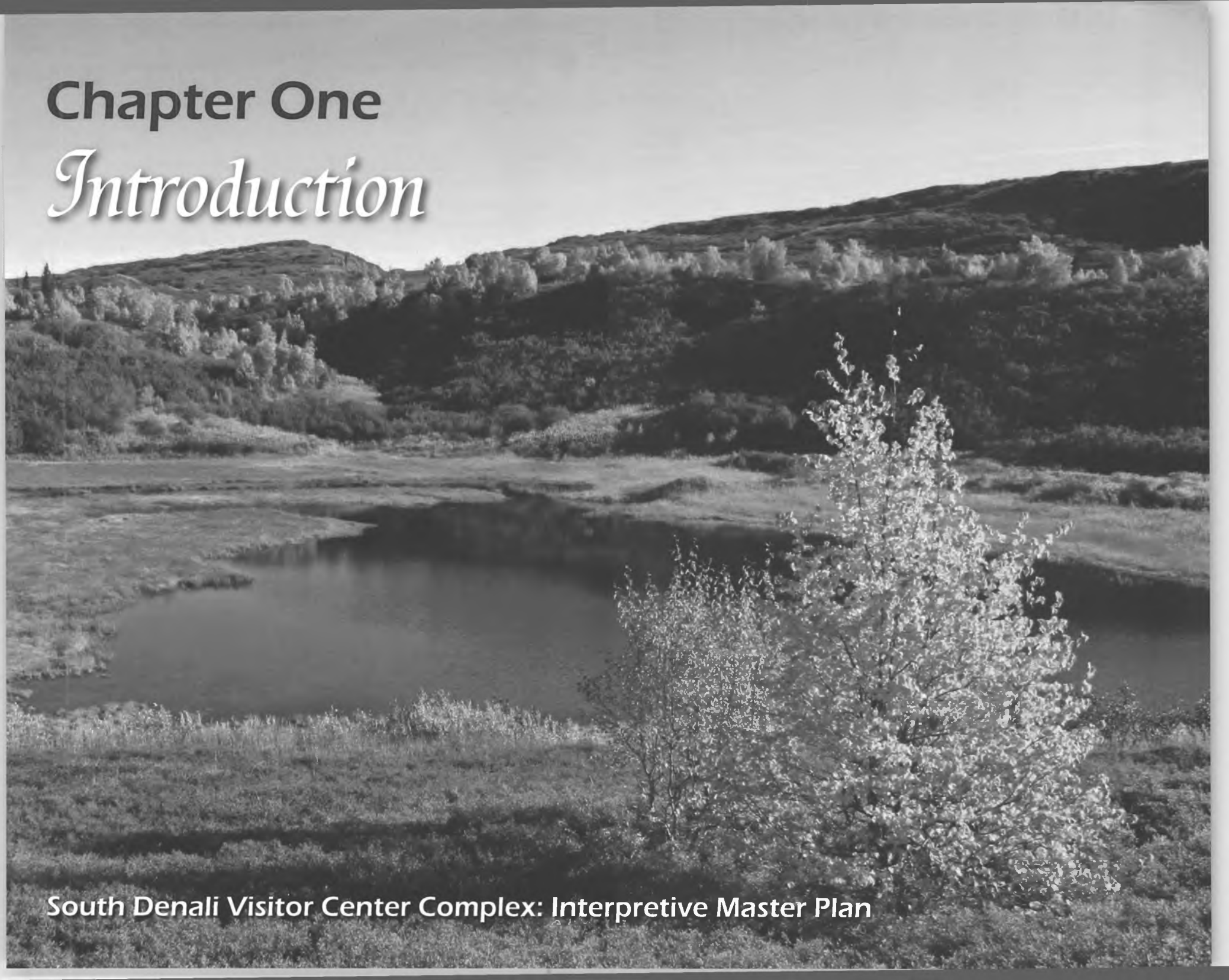
Alpine Azalea on Curry Ridge. June, 2008

Chapter 5: Interpretive Facility and Site Development 59
- Visitor Center Site 60
  - Rationale for Site Location on Curry Ridge 60
  - Panoramic Views from the Visitor Center Site 66
- Visitor Center Design 68
  - Architectural Precedents in the Curry Ridge Region 68
  - Ecological Influences on Curry Ridge 69
  - Architectural Guidelines for the Curry Ridge Visitor Complex 70
  - Sustainable Design 71
  - Visitor Center Conceptual Design—Looking Southeast 72
  - Visitor Center Conceptual Design—Looking Northwest 74
- Exterior of the Visitor Center 76
  - Vehicle Access and Parking 76
  - Entrance from Shuttle Tram 77
- Interior Design of the Visitor Center 78
  - Bubble Diagram 79
  - Conceptual Floor Plan 80
  - Main Visitor Entrance: Patio and Vestibule 81
  - Gathering Area/Lobby and Information Desk 82
  - Exhibit Hall and Spirit of Alaska Theater 84
  - Book Store/Food Service, Kitchen, and Office 86
  - Multi-Purpose Room 87
  - Deck and Amphitheater 88
  - Office Space and Living Quarters 89
  - Public Restrooms, Storage Room, and Mechanical Room 90
  - Alternate Entrance/Loading Area and Hallway 91
- Curry Ridge Trails 92
  - Trail Design Guidelines 92
  - Denali Vistas Interpretive Trail 94
  - Beaver Meadows Trail 96
  - Curry Lookout Trail 98
  - Trail Structures and Amenities 100

Chapter 6: Interpretive Media 101
- Interpretive Programming 102
- Visitor Center Exhibits 103
  - Tactile Topographic Map of Alaska Range, Curry/K'esugi Ridges 104
  - 3-D Topographic Projection Map of Denali State Park 106

Chapter One

Introduction





Alaska State Park staff enjoy the view of Denali on Curry Ridge. September, 2006

Importance of the South Denali Visitor Center

The South Denali Visitor Center on Curry Ridge promises opportunities for people to experience the iconic natural and cultural heritage of Alaska at one exquisite place. This location offers a premier view of the Alaska Range which stretches out as a backdrop behind the deep Chulitna River Valley. The Ruth Glacier glimmers down through the Range into the valley and leads the eye up to the shining peaks of Denali that loom majestically over the site.

A shuttle tram ride to the visitor center immerses travelers in the shelter of dark spruce forests, which provides a dramatic contrast to the sunlit alpine and bright views from the visitor center on the summit. The trails on the ridge provide people the unique opportunity to experience the mountain breezes, smells, and quiet solitude of this special place.

This site, which arguably offers the best view of Denali, is strategically located within the primary travel corridor to Denali National Park and to Fairbanks. It is within 150 miles of more than half of Alaska's residents and can serve diverse audiences in multifaceted ways. It has the enthusiastic support of agencies like the National Park Service, Alaska State Parks, and the Matanuska-Susitna Borough. Each has provided support and insight into the development of this plan.

Unlike many tourist attractions, this visitor center has the potential to serve the recreational needs of Alaska residents, especially in the shoulder and winter seasons. The facility is designed to serve multiple uses and to adapt to changing needs and audiences. In summer, it will accommodate thousands of Alaska tourists; in spring and fall it will provide a staging area for community festivals, weekend getaways for families, and an accessible facility for school outdoor programming. Its comfortable multipurpose room will draw conference and business meetings, providing a uniquely Alaskan theme and environment to their experience.

This facility is intended to stimulate economic growth in the region. It will attract visitors, both tourist and Alaskan resident. It will hold them in the area for extended periods and will motivate them to explore the region's other attractions and amenities. It will rely on concessionaires to provide food, beverage, lodging, and guiding services. The *South Denali Economic Impacts Assessment*, completed in 2008 by the Institute of Social and Economic Research (University of Alaska), projects major increases in regional employment opportunities, local business owner income, and tourism expenditures. The key findings are included in Appendix 3.

This project offers a singular opportunity to create a world class, multi-use visitor center that can adapt to the changing needs of the area and adjust to the ever evolving demands of the tourist industry in Alaska. It is designed as a dynamic and responsive place that will motivate people to return frequently.

Background Information

Since the 1960s there has been a shared vision among public land managers in the South Denali region that the area had potential for greater use and development for visitors. Various proposals and feasibility studies have been developed for sites in the Peters Hills and along the Parks Highway. The designation of Denali State Park in 1970 was intended to provide the land base and protections needed for a major public tourism facility. In 2006, Curry Ridge was selected as the preferred site for a South Denali Visitor Center Complex. The long planning history leading to this selection is documented in the Final South Denali Implementation Plan and Environmental Impact Statement.

Purpose of this Document

This conceptual plan has three primary purposes:

1. It documents the vision, mission and goals for this project, examines the public needs, and identifies the resources to be interpreted.
2. It communicates concepts and parameters for site, building, and interpretive media development to stakeholders to provide them with an opportunity to review and comment on the project before any construction begins.
3. It provides an architectural program and media concepts that will guide architects, engineers and media fabricators.







Sunrise over the Chulitna River from Curry Ridge. September, 2007

South Denali Visitor Center Complex at Curry Ridge

The 2000-2001 Denali National Park Business Plan recommends a South Denali development as a more easily accessed alternative tourist destination to Denali National Park and Preserve: "The area offers beautiful views of Mount McKinley and the Alaska Range, glaciers, streams, and much of the impressive array of wildlife for which the Denali Park Road is famous. This alternative visitor destination would be created through partnerships with the state, local communities, and native corporations."

The National Park Service received a fiscal year 2004 Congressional appropriation to develop facilities in the South Denali region, and a Notice of Intent to prepare a South Denali Implementation Plan was published in the Federal Register in February 2004. The South Denali Implementation Plan and EIS were developed between 2004 and 2006 with a rigorous public involvement process that identified Curry Ridge as the preferred alternative. In April 2006 the Final South Denali Implementation Plan and Environmental Impact Statement was published. As stated in the Introduction, "This implementation plan represents a cooperative effort between the State of Alaska, the Matanuska-Susitna Borough, and the National Park Service. The visitor center proposed in this plan will be cooperatively managed by the State of Alaska and the National Park Service."

In July of 2007, a Memorandum of Understanding for Development of the South Denali Master Interpretive Plan was entered into by the DNR Division of Parks and Outdoor Recreation and Schmeeckle Reserve Interpreters of the University of Wisconsin-Stevens Point. The purpose of the project was to "develop and produce a master interpretive plan for a new visitor center complex to be constructed in Denali State Park." A 2008 amendment expands the scope to provide design concepts for the base transportation facility.

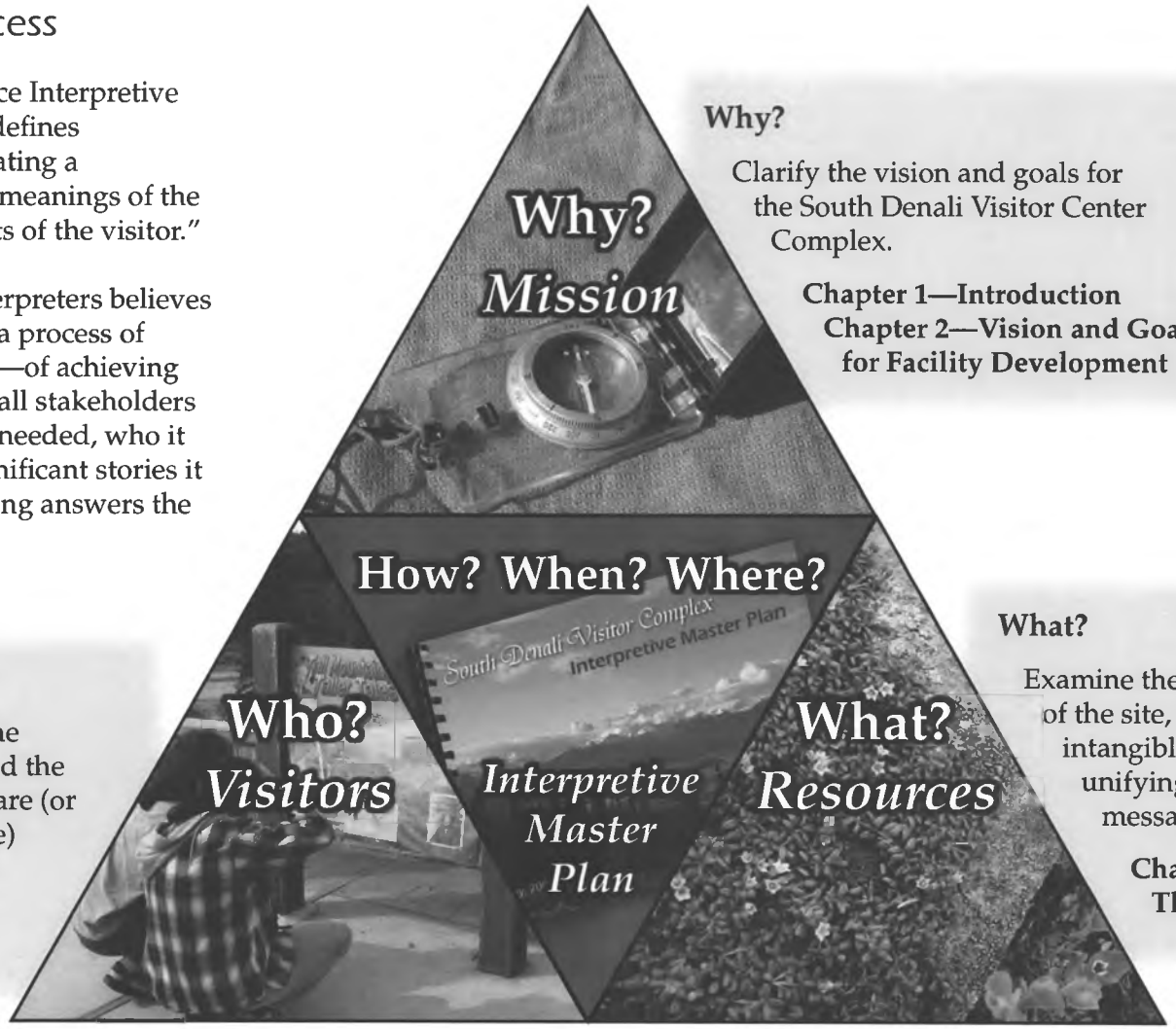
Bee on monkshood on Curry Ridge. August, 2007



The Planning Process

The National Park Service Interpretive Development program defines interpretation as "facilitating a connection between the meanings of the resource and the interests of the visitor."

Schmeeckle Reserve Interpreters believes interpretive planning is a process of consensus development—of achieving a shared perspective by all stakeholders of why interpretation is needed, who it will serve, and what significant stories it will tell. Effective planning answers the following questions:



Why?

Clarify the vision and goals for the South Denali Visitor Center Complex.

Chapter 1—Introduction
Chapter 2—Vision and Goals for Facility Development

Who?

Document who the visitors will be and the experiences they are (or will potentially be) seeking.

Chapter 3—The Audience

What?

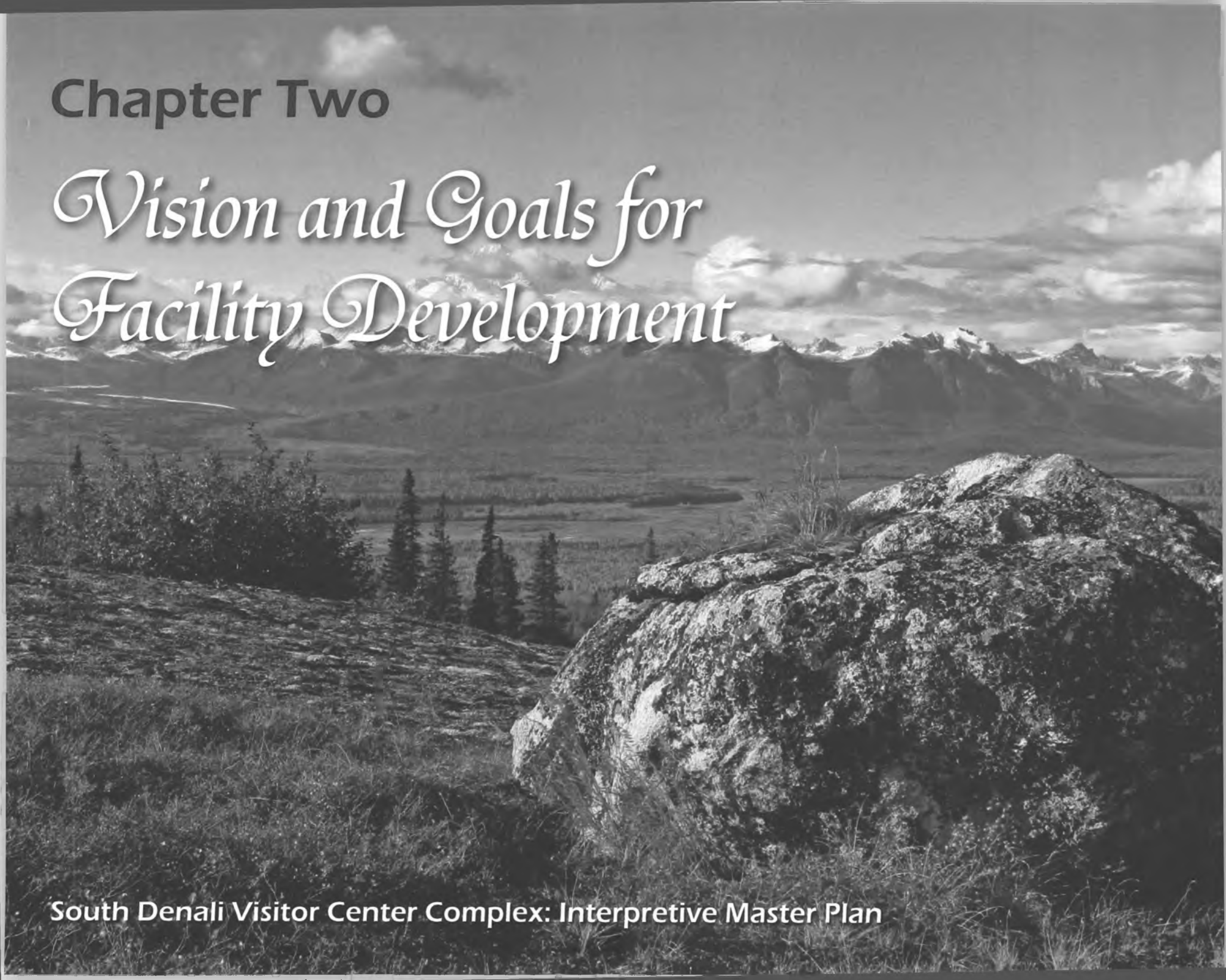
Examine the tangible resources of the site, then distill their intangible meanings into unifying themes and messages.

Chapter 4—Resources, Themes, and Messages

How? Where? When?

Based on the why, who, and what, develop conceptual plans for facilities and media that best promote visitor/resource connections.

Chapter 5—Interpretive Facility and Site Development
Chapter 6—Interpretive Media
Chapter 7—Base Transportation Facility, Site, and Media Development



Chapter Two

Vision and Goals for Facility Development





Visitors take in the interpretation at the Denali View South Viewpoint. August, 2007

Vision and Goals

Denali State Park Management Plan Vision Statement (2006)

The 2006 management plan documents the vision of the Alaska DNR Division of Parks and Outdoor Recreation for the South Denali Visitor Center Complex (page 81). This plan adopts the overall recommendations of the Final South Denali Implementation Plan and Environmental Impact Statement:

This destination facility will serve Alaskan and out-of-state travelers, local school groups and package tours. The vision is for a high quality facility that offers a range of opportunities for learning and recreating. It will provide visitors of various abilities a chance to experience alpine and subarctic tundra environments and opportunities to view Denali and the Alaska Range.

The visitor center and trail system could engage visitors for an hour, half-day or all day. Diverse opportunities (such as interpretation of natural and cultural resources, viewing Denali, short walks, long hikes, educational programs, hands-on exhibits and viewing films) and information about regional recreational opportunities, safety, and emergency assistance will be provided to accommodate diverse visitor interests and backgrounds. Opportunities for winter activities will be provided, though not at the same level of service as in summer.

Memorandum of Understanding Vision Statement (July 2007)

The Memorandum of Understanding for Development of the South Denali Master Interpretive Plan (July 2007) states the vision for the visitor center:

The South Denali Visitor Center will be a sustainable learning and recreation gateway, providing a welcoming and accessible interpretive transition for people of all ages, abilities, and backgrounds. The visitor center, trails, and viewing areas will be unimposing and harmoniously nestled within the surrounding landscape, furnishing venues for education, study, and wildlife and scenic viewing. Heritage interpretation will enhance visitor appreciation of, connection to, and care for area resources by offering an interactive program focusing on the key themes of transition, sustainable resource management, recreation, earth processes, and natural and cultural history. This year-round gathering place will enable visitors to experience migrating and resident wildlife, breathtaking views of Denali and the Alaska Range, and Alaskan nights painted with sheets of dancing aurora. Visitors will come to experience and stay to enjoy.

Visioning Workshop

To establish a clear direction for the visitor center project, a visioning workshop was held on August 16, 2007 with a cross section of project stakeholders. The purpose of the workshop was to determine:

- Specific goals of the project (reported below)
- Target and potential audiences (reported in Chapter 3)
- Important stories to be told (incorporated in Chapter 4, themes and messages)
- Development and activities that should and should not be planned for the facilities (incorporated in Chapters 5-7)

A full list of results from the meeting is included in **Appendix 1**. Workshop participants included representatives from the Alaska Department of Natural Resources, National Park Service, Denali Concessions, and private businesses.

Specific Goals of the Project

Numbers represent weighting by participants based on their perceived importance.

1. Demonstrate commitment to stewardship (Green architecture and development through LEED certification, alternative fuels, view shed preservation) (17)
2. Emphasize active use of Denali State Park through outdoor recreational activities. Provide information/infrastructure for recreational activities. Provide indoor hands-on media designed for multi-generational visitors with diverse abilities (15)
3. Incorporate a wide variety of viewpoints of the resource and facilitate understanding between user groups (10)
4. Exploit multi-modal opportunities (9)
5. Celebrate the stunning natural setting. People come for the view of Denali and landscape—emphasize view (8)
6. Connect cultural and recreational resources with the natural resources—celebrate community heritage. Connect local communities to the area—get communities involved along with tourists (8)
7. Make an education connection with local youth (7)
8. South Denali should release pressure from Denali NP, promote economic growth of communities and enhance the scenic byways experience (6)

Visioning session at Denali National Park. August, 2007



9. Connect the people of Anchorage and communities north to year-round recreation and enjoyment (5)
10. Access and facilitate responsible use of resources- promote resource protection (5)
11. Make this a destination facility (5)
12. Promote casual enjoyment, affordable activities that people want (4)
13. Interpret stories that other centers have not addressed (mountains) (4)
14. Promote appreciation for the South Denali region and its unique natural resources (3)
15. Provide a central axis point for multiple agency land management cooperation (2)
16. Make a strong connection to the environment and environmental changes in the area (2)



Community meeting in Anchorage. November, 2007



Community Meetings

In November, 2007, information gathering sessions were held in Anchorage, Wasilla and Trapper Creek. The planning team recorded responses to the following questions:

1. What stories would you share with an out-of-town visitor? (About your community? About Curry Ridge and this region?)
2. What effects do you foresee the South Denali facility having on the region, your community, or Curry Ridge? (Potential benefits? Concerns?)
3. How can the South Denali facility be developed to benefit Alaska residents? (Specific features of the visitor center? Specific features of the site?)
4. What/who are some resources that we can investigate or interview to learn more about this area?

Complete responses to these questions are reported in **Appendix 2.**

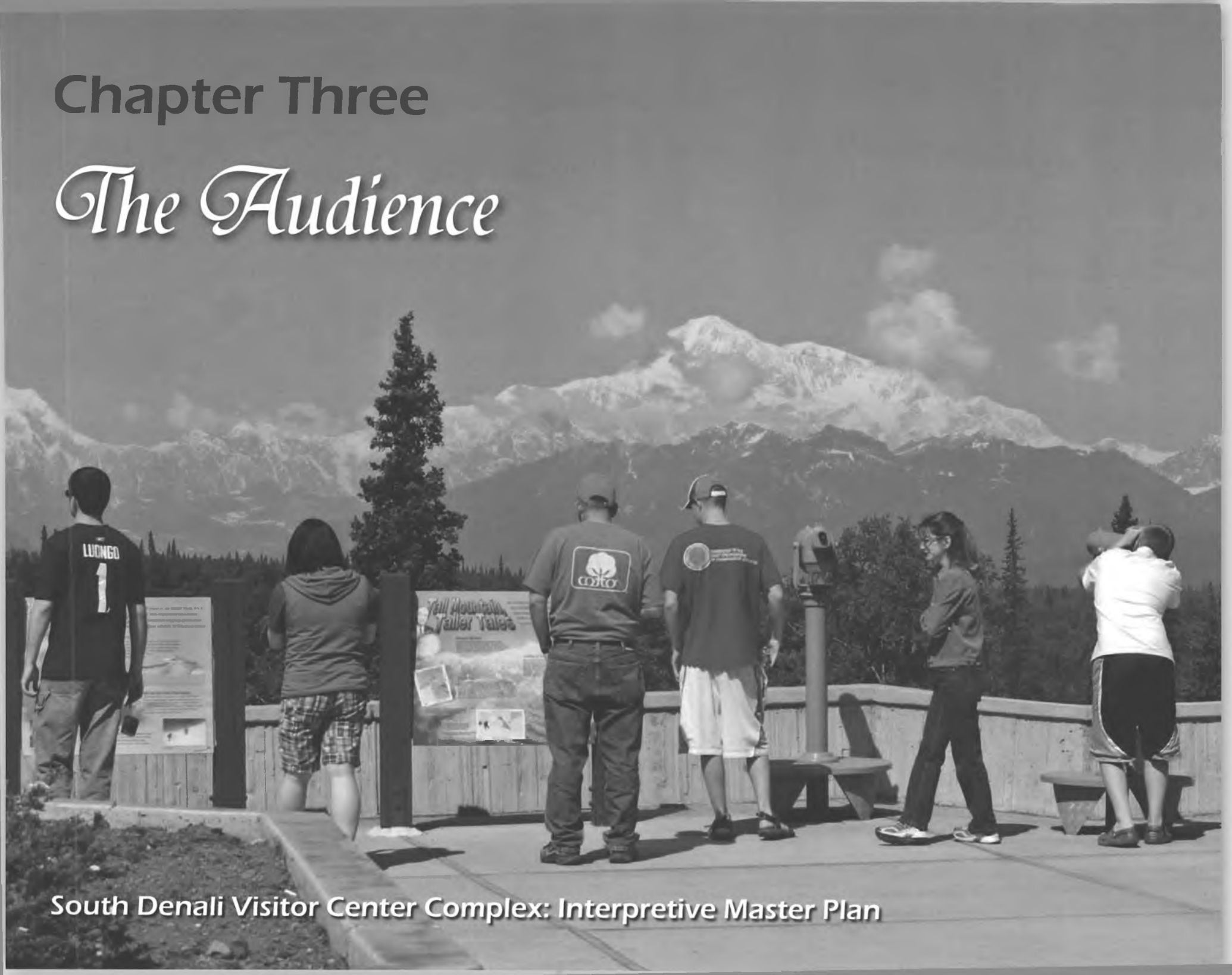
Summary of Community Meetings

A review of the comments provides insights into the vision and concerns of local and regional citizens for the South Denali project:

- Anticipate and mitigate impacts to the alpine flora and wildlife. Conduct biological inventories and monitor wildlife (important area for bears and moose).
- All development should be sensitive to the viewshed and tranquility of the site and minimize environmental impact. Shuttle to the top strongly supported.
- Avoid "glitter gulch" developments along the Parks Highway.
- Minimize recreational impacts on Curry Ridge from trampling and motorized vehicles (strong consensus to restrict snow machine use to other areas).
- Provide non-motorized shoulder season and winter use of the facilities and site by locals and schools.
- Interpret local history (Town of Curry, railroad, indigenous Athabaskans, mountaineering, aviation, mining, homesteading, Parks Highway).
- Interpret the ecological and geological history and geomorphology.
- The center and trails will be an important recreational resource for Alaska residents and should be designed to meet their needs as well as out-of-state visitors.

Chapter Three

The Audience





The Audience

The South Denali Visitor Center Complex will serve two primary audiences: out-of state visitors and Alaska residents. Each of these audiences has different needs and expectations which make specific demands on facility design as well as staffing and operation of the facility. This chapter examines data for the various target markets within these categories and proposes ways to best meet the needs and expectations of these markets.



Denali View North Viewpoint. June, 2008

Out-of-State Visitors

The **Alaska Visitor Statistics Program V: Summer 2008** report and **Fall/Winter 2007-08** report provides the following key findings:

- From May 1 to September 30, 2008, Alaska received 1,707,400 out-of-state visitors. 87% of Alaska visitors come between May 1 and September 30.
- From October 1, 2007 to April 30, 2008, Alaska received 247,400 out-of-state visitors (13% of total).
- Summer trip purposes were 1,400,100 vacation/pleasure; 153,700 visiting friends/family; 85,400 business; 68,300 business/pleasure.
- Fall/winter trip purposes were 104,700 visiting friends/family; 96,500 business; 29,400 vacation/pleasure; 16,800 business/pleasure.
- Cruise ship market share was 1,033,100, 61% of total visitors. Approximately 200,000 exited Alaska by other modes. Cruise lines operate only in the summer.
- Summer visitation has been relatively stable for the past four years with slight increases from 2005-2007 (1,632,000 '05 to 1,714,100 '07) and a slight decrease in 2008 (1,707,400) attributed to higher fuel prices and the economy.
- The greatest growth in Alaska tourism has been through the cruise industry, with steady growth from 690,600 in 2001 to 1,033,100 in 2008.

Data from the **AVSP Summer 2006** report includes profile data not included in the more recent reports:

- Ages of Alaska visitors were <18 6%; 18-24 3%; 25-34 7%; 35-44 10%; 45-54 22%; 55-64 28%; 65+ 23%. The average age was 51.6. 39% are retired or semi-retired.
- 34% have been to Alaska before.
- Six out of ten visitors were traveling in couples, while 18 percent were traveling alone, and 22 percent in parties of three or more.

- 6 of 10 are college graduates with 26% holding advanced degrees; average household income was $103,000.
- 56% overall and 49% overnight Alaska visitors include South Central Alaska in their tour; 28% visit Denali.

The **Matanuska-Susitna Borough Tourism Infrastructure Study** (June 2008) reports the following estimates for out-of-state tourism:

- The annual volume of all visitors to the Mat-Su Borough was estimated to be nearly 780,000 visitors in 2006/2007.
- An estimated 332,000 out-of-state visitors traveled to the Mat-Su Borough. Summer visitation represented nearly 90 percent of the out-of-state visitor activity.
- The cruise market is anticipated to grow between 2 and 5 percent annually over the next five years. The percentage of passengers that spend time in Alaska before or after their cruise is also growing (including participation in tour packages and time spent on their own).
- About 12 percent of cruise passengers spend additional time in Alaska (outside of their tour package). This market segment is growing between 2 and 5 percent each year. It is anticipated that more of these cruise passengers will spend time in the Mat-Su Borough due to increased public and private investment in infrastructure and attractions.
- The independent visitor market that travels to and from Alaska by air is expected to grow steadily. Many of these visitors rent cars or RVs and have high potential for Mat-Su communities and attractions.
- Popular visitor activities included visiting friends and relatives, wildlife viewing, cultural activities, hiking and nature walking, camping, and flightseeing.



Train platform at Denali National Park. August, 2007



Roadhouse in Talkeetna. August, 2007



Gift shop at Denali National Park. September, 2008



Morino Grill food service at Denali National Park. September, 2008

The February 2008 report, **Economic Impacts of the South Denali Implementation Plan** estimates that 350,000 cruise customers in 2007 took the "Gulf crossing" and that up to 200,000 took Denali NP land tours. They estimate (based on information from the cruise companies) that there will be a 20% increase in cruise land tours because of the new opportunities and new tours developed to take advantage of the visitor center.

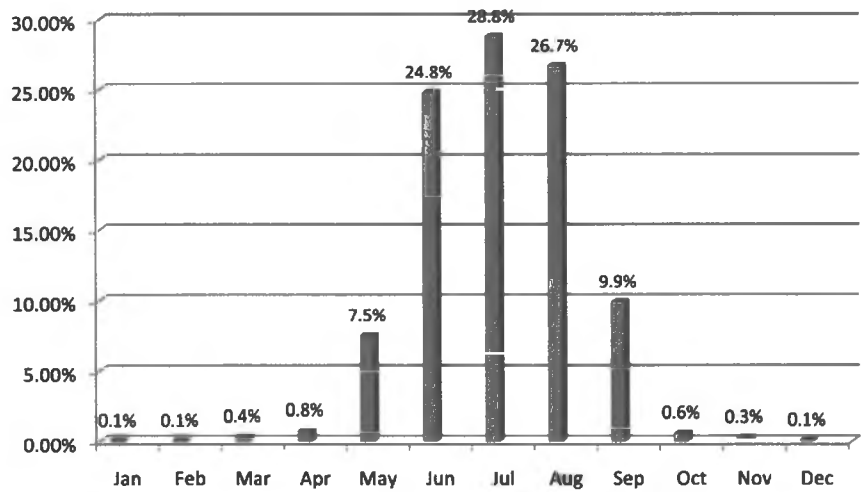
Denali National Park and Preserve Visitation *(Source: DNPP fact sheet)*

2008: 432,301 visitors
2007: 458,307
2006: 415,935

Visitation Scenarios for South Denali Visitor Center for 2010 and 2015 (Source: Final South Denali Implementation Plan and EIS, Appendix E, Visitor Projections)

	2010	2015
Low Growth Scenario (2%)	218,149	240,854
Medium Growth Scenario (4%)	245,105	298,208
High Growth Scenario (6%)	274,781	367,719

Denali NPP: 2004 Total Visitation percentage by month



(Source: Final South Denali Implementation Plan and EIS)

Discussion and Implications of Out-of-State Visitor Data

The data presented do not reflect the impact of the current economic recession on tourism in Alaska. The Alaska Visitor Statistics Program V reports that visitation to Alaska dropped by 0.4% between summer 2007 and summer 2008. It is difficult to make tourism projections for the immediate future, but past performance has shown that the tourism industry is resilient and rebounds quickly when the economic situation improves.

1. Cruise Package Tourists

Cruise package tours will comprise a large share of visitation to the South Denali Visitor Center in June, July, and August. In 2008 about 160,000 visited Denali National Park on a cruise land tour. However, this number is expected to decline to about 120-130,000 in 2009 and the number of cruise ships making regular Gulf crossings to Seward and Whittier will decline from ten to seven in 2010 (personal communication, Holland America/Princess-Alaska Land Operations).

The cruise industry is anticipating the development of the visitor center and will include it in many of their packages. A reasonable expectation is that about 100,000 cruise land package customers will visit South Denali annually with growth potential into the future. Since about 85% of cruise visitation is in June, July, and August, this translates into approximately 1,000 cruise package visitors per day during this peak season. Special accommodation will be required for cruise package tourists. They will arrive in chartered buses with pre-paid shuttle tram tickets and a time limit on their visit. A separate loading zone is recommended. Cruise tourists are generally older, well educated and affluent, but there are an increasing number of families with children (personal communication, Holland America/Princess).

Cruise customers will appreciate the dramatic views, exhibits, and theater production which will provide welcome insights into the "spirit of Alaska." They will require time to shop for memorabilia. Many, if not all, will venture onto the Denali Vistas Trail, at least for a short distance to designated overlooks. When their allotted time is finished, they will board the shuttle tram as a group and return to their tour bus.



Star Princess Cruise courtesy of VASTtrak Vacations.





Bus loading facility in Denali National Park. September, 2008

2. Independent Tourists

In the summer of 2008, 1.4 million Alaska visitors came for "vacation or pleasure." One million were cruise customers and about 330,000 arrived by air. Since about 12% (120,000) of the cruise customers travel independently after their cruise, the total Alaska independent tourists in 2008 were about 450,000.

Independent tourists will rent cars and RVs, and in the case of those visiting South Central Alaska, most will drive the George Parks Highway to their tourist destinations. The data indicate that about half of the independent tourists, about 200,000, came to South Central Alaska in 2008. It is reasonable to expect that about 100,000 will visit the South Denali Visitor Center. A small proportion, about 10,000 (based on the reported data), will come during the shoulder and winter seasons. Therefore, about 90,000 independent tourists can be expected at South Denali during the peak months of June, July and August. This translates into about 1,000 daily independent tourists during these peak months.

Since this target market is only under self-imposed time limits, they should be encouraged to plan for a day-long experience on-site. This would include the visitor center media and facilities and hiking the Denali Vistas and Beaver Meadows trails. Multi-day visits would allow hikes on the Curry Lookout Trail.



Alaska Railroad train platform in Denali National Park. August, 2007

Alaska Residents

Anchorage and Mat-Su Borough residents are all within a three hour drive of the South Denali Visitor Center Complex at Milepost 135. The "Metro Statistical Area" (comprising Anchorage and Mat-Su Borough) encompasses 53% of Alaska residents with a 2008 population estimate of 364,700. This compares to a total 2007 state population of 683,478. The Anchorage growth rate is 1.4% and the Mat-Su Borough 4.2% which promises an increasing resident tourism base into the foreseeable future.

The **Matanuska-Susitna Borough Tourism Infrastructure Study** of June 2008 reports the following facts about resident tourism:

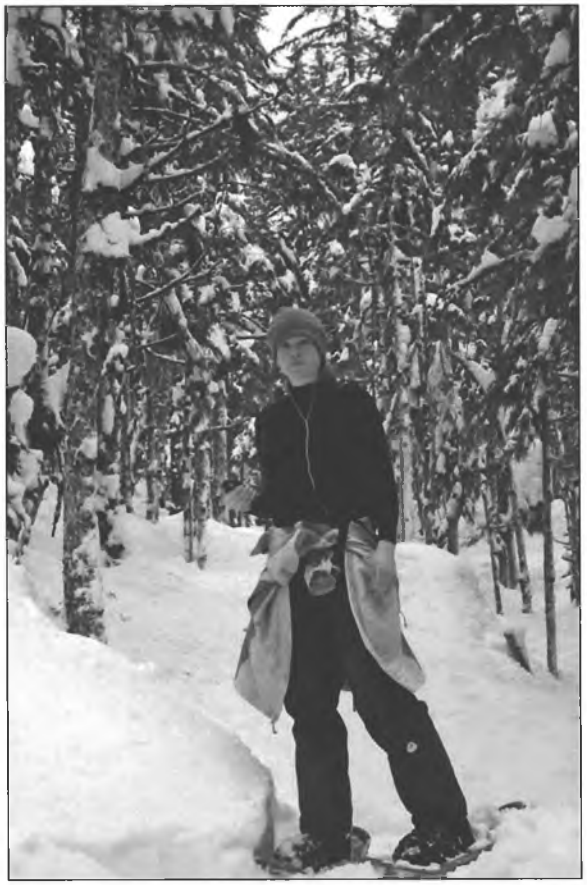
- Population growth in Anchorage (11 percent over the past decade) is extremely favorable for year-round Mat-Su visitation.
- The study team estimated that 446,000 Alaskans visited the Mat-Su Borough in 2007, with the largest market being Anchorage residents. Summer visitors represented nearly 60 percent or 262,800 visitors; the number of fall/winter visitors totaled 183,400 Alaskans.

The Economic Impacts of the South Denali Implementation Plan (February 2008) reports that one half of Alaskans living in Anchorage, the Kenai, or the Interior (Fairbanks and Environs) make at least one visit with about one million total "visits" to the Mat-Su Borough per year whose primary activity was:

- 9% visit developed campgrounds
- 13% camp
- 17% visit developed trail systems
- 17% hike
- 16% view wildlife
- 11% fish
- 4% boat
- 5% ski and snowshoe
- 8% snow machine



Camping, hiking, and viewing wildlife are major activities that Alaska residents participate in. The South Denali Visitor Center will serve as a hub for these activities. Camping on Curry Ridge. September, 2007



Residents at the community meetings felt that a facility open year-round would best meet their needs. Many were looking for more non-motorized recreational opportunities, like hiking, cross-country skiing, and snowshoeing.

Photo courtesy of Jill Homer, "Up in Alaska—Jill's Subarctic Journal"

Community Meetings

In September 2007, the planning team held community meetings and received public input in Anchorage, Wasilla, and Trapper Creek. Selected responses to one question provide guidance to the development and management of the South Denali Visitor Center Complex:

"How can the South Denali facility be developed to benefit Alaska resident?"

- Keep the facility open year-round. Most of the winter the mountain is visible.
- Provide space for Mat-Su school classes. The shoulder seasons will be ideal for field trips to the site. Offer teacher training workshops.
- Provide space for meetings. Offer retreats and educational opportunities around the core values of the landscape and Alaska issues.
- Have a warming area with a fireplace. Make it comfortable for people who cannot be outside where they can linger and watch the expansive view of the Alaska Range.
- Development of hiking trails will benefit Alaska residents. Not many trails in the state just for hiking, most are multi-use. Encourage non-motorized recreation such as snowshoeing and cross-country skiing.

Discussion and Implications of Alaska Residents Visitor Data

1. Residents hosting out-of-state visitors

The South Denali Visitor Center will be a major attraction for Alaska residents entertaining out-of-state visitors. As reported in the Alaska Visitor Statistics Program 2008 data, during the summer, 153,700 (9% of total summer visitation) are visiting family and friends, and during the winter, 104,700 (42% of winter total). Since South Denali will be easily accessible to more than half of Alaska residents, will be open year-around, and offers a "real Alaska" experience, it can be expected that this will be a significant market. Most important, this is a significant market winter and summer.

Residents are always looking for places to entertain their guests. It will be important to offer shoulder season and winter hours and perhaps a winter snow coach shuttle to the visitor center.

2. Residents on weekend and day-trip recreation excursions

The South Denali Visitor Center will be an ever-growing recreation venue for Alaska residents. As reported above, more than 75% of the 446,000 annual Alaska resident visitors to Mat-Su Borough are for outdoor pursuits including camping, hiking, snowshoeing, skiing and wildlife viewing. South Denali is easily accessible for more than half of Alaska residents and offers these recreational activities in one of the most scenic locations in the world. This will be a significant shoulder and winter season target market before and after the summer onslaught of tourists in June, July and August. A winter weekend snow coach shuttle to the visitor center would make this a popular winter destination for snowshoeing, skiing or simply enjoying the views.

As reported in the community meeting data, there is a strong sentiment that Curry Ridge in the vicinity of the visitor center be designated as a non-motorized recreation zone to preserve the quiet and serenity that the majority of residents are seeking and a place to enjoy the views from the trails and visitor center. The South Denali trails and visitor center will offer family-friendly recreational and learning experiences. This will be a popular venue for parents to bring their children.

3. Schools of Mat-Su Borough

The Mat-Su Borough School District currently has 37 schools ranging in size from 25 to over 1,000 students. The larger schools are in urban settings while some of the outlying schools are located farther north at the base of Denali. The Mat-Su Borough School District has an enrollment of 15,500 students, employing 1,005 teachers. It is the second largest and the fastest growing school district in the State of Alaska.

Participants in the community meetings envision the South Denali Visitor Center as ideal for class field trips and teacher training, especially in the shoulder season. The center educational exhibits and interpretive trails can be readily incorporated into the curriculum of the Borough School District. Coordinating field trips will require significant time for one or more staff members. Field trip visits could be independent of staff leadership, but online materials should detail how teachers can effectively use the visitor center exhibits, theater program, and interpretive trail. Special programs could be offered in the multi-purpose room.

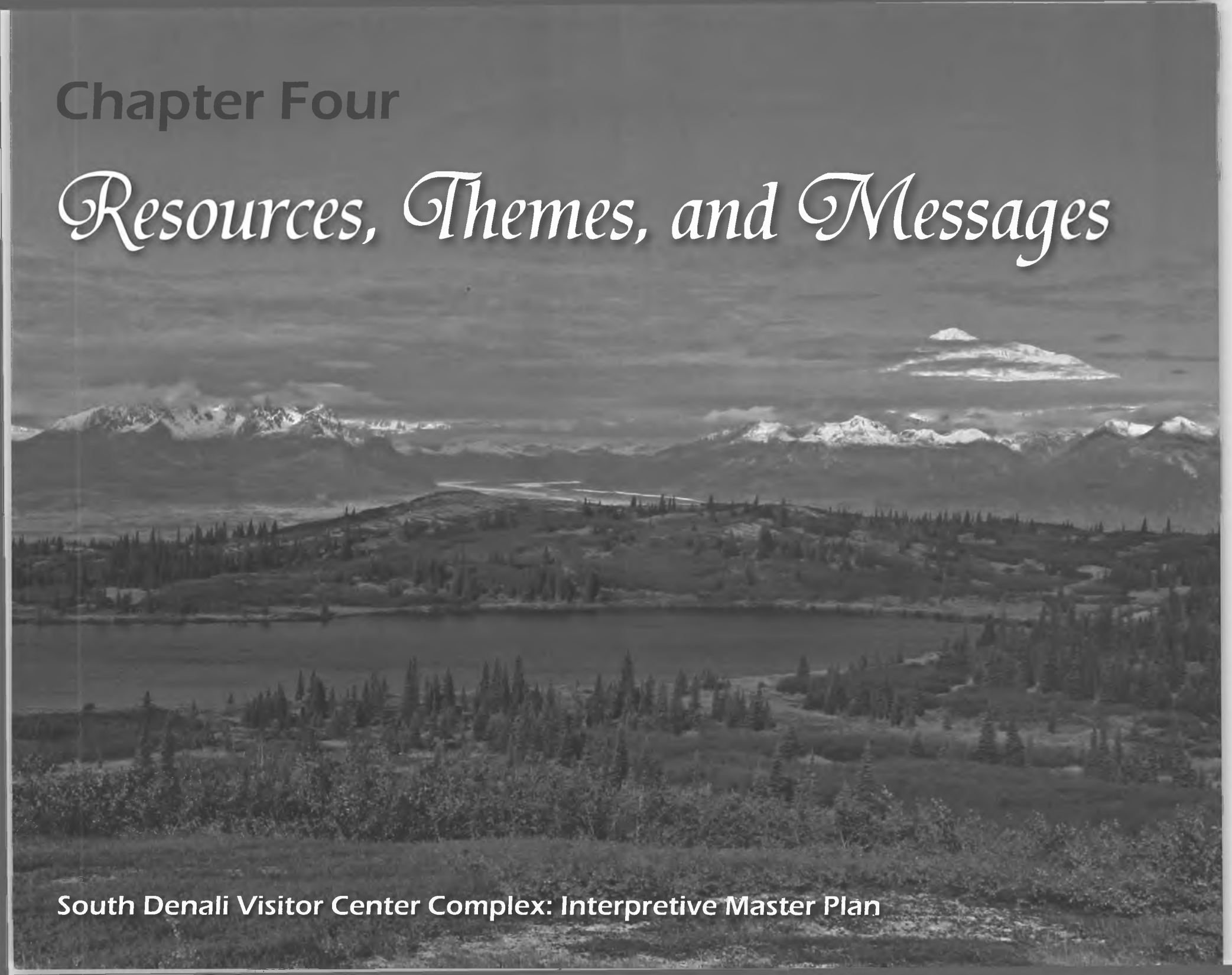


The South Denali facility will be an ideal place for school field trips that focus on the natural history of the region.

Photo at Kachemak Bay National Estuarine Research Reserve, courtesy of NOAA

Chapter Four

Resources, Themes, and Messages



South Denali Visitor Center Complex: Interpretive Master Plan



Erratic boulders on Curry Ridge. September, 2007

Site Resources

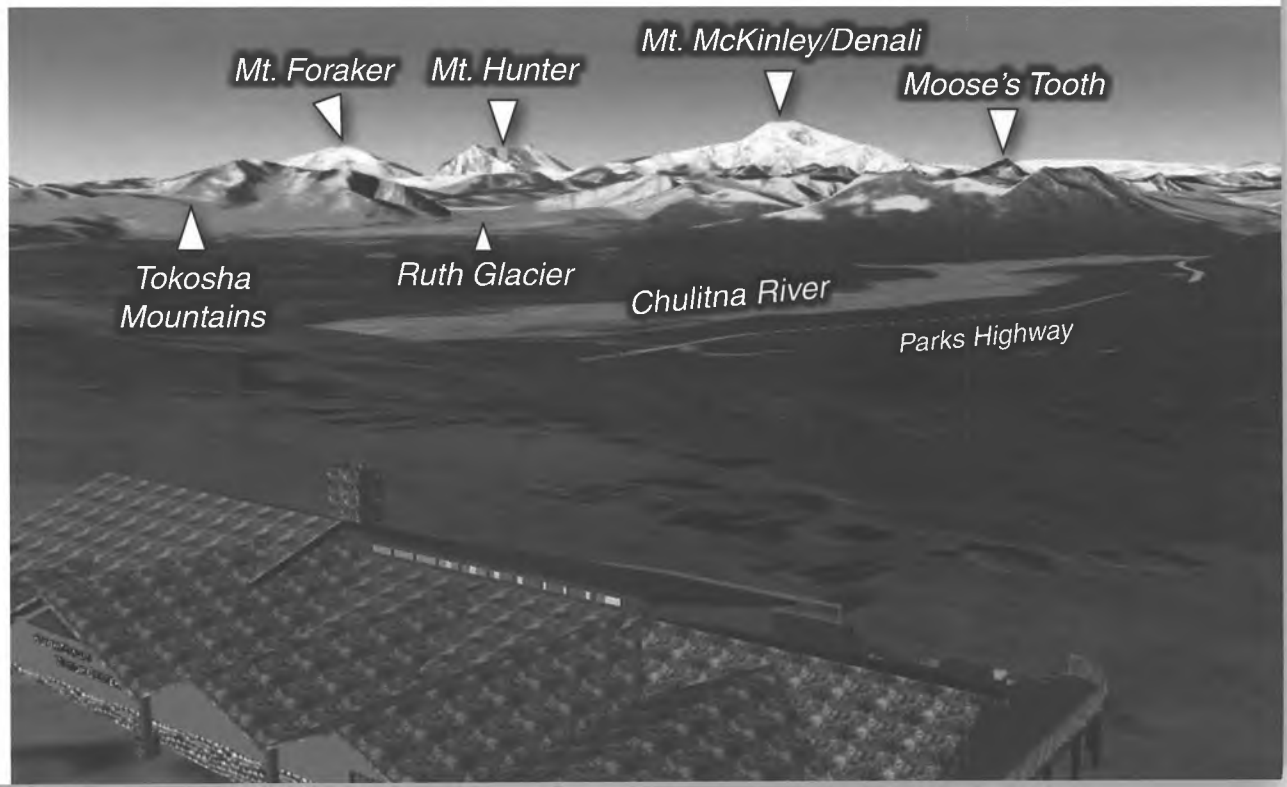
Resources are at the core of an interpretive experience. **Tangible resources**, those things that can be seen or touched, are important for connecting visitors physically to a unique site. **Intangible resources**, such as concepts, values, and events, facilitate emotional and meaningful experiences for visitors. Effective interpretation occurs when tangible resources are connected with intangible meanings.

The visitor center site on Curry Ridge maximizes access to resources that serve as tangible connections to the natural and cultural history of the region.

Tangible Natural Site Features

1. Granite outcroppings and erratic boulders (glacial striations)
2. Panoramic views of surrounding landscape
   - Peaks of the Alaska Range (include Denali/Mt. McKinley, Mt. Foraker, Mt. Hunter, Mt. Huntington, Mt. Dickey, Moose's Tooth, Broken Tooth, Tokosha Mountains)
   - Peters Hills
   - Talkeetna Mountains
   - Braided Chulitna River and valley
   - Ruth Glacier
   - Curry Ridge

The stunning views from the visitor center site reveal a plethora of tangible features that can be interpreted. This shot from Google Earth shows some of the major ones.



3. Diversity of habitats and uniquely adapted vegetation
    - Lake 1787 (alpine lake)
    - Alpine Tundra (specially adapted plants, stunted trees)
    - High Brush (scrub/shrub)
    - Spruce Forests
    - Numerous beaver ponds and streams
    - Sedge meadows and muskegs
4. Diversity of wildlife species
    - Infrequent large mammals (include moose, black bears, grizzly bears)
    - Small mammals (including beaver, mink, red fox, pine marten, weasels, snowshoe hare, porcupines, collared pika)
    - Large birds (including trumpeter swans, sandhill cranes, bald eagles, golden eagles, northern harriers, gyrfalcons, hawk owls)
    - Water birds (including Pacific loons, common loons, horned grebes, harlequin ducks, buffleheads, lesser yellowlegs, red-necked Arctic terns)
    - Migratory birds (include northern flickers, white-crowned sparrows, northern shrikes)
5. Unfettered views of the open sky
    - Aurora Borealis/Northern Lights
    - Storms, clouds, and other weather patterns
    - Sun halos and sun dogs

Tangible Cultural Site Features

1. Historic Curry Lookout and trail (connection to Curry and the Alaska Railroad, artists)
2. Wreck of an Air Force C-47 plane on K'esugi Ridge (connection to bush pilots)
3. Panoramic views of surrounding landscape
    - Denali/Mt. McKinley and the Ruth Glacier (connection to exploration, mountain climbing, and Alaska Native stories)
    - Peters Hills (connection to gold mining and settlement)
    - Chulitna River (connection to early Dena'ina transportation and settlement)
    - Parks Highway (connection to development of interior access)



Themes and Messages

Themes are the important ideas that organize the messages to be communicated at the South Denali Visitor Facility. They create a framework for planning and help place resources and events into meaningful contexts for visitors. Once these significant concepts are identified, decisions can be made about what site resources and media are most appropriate to tell these stories. Compelling interpretive themes link a tangible resource to the interests of visitors.

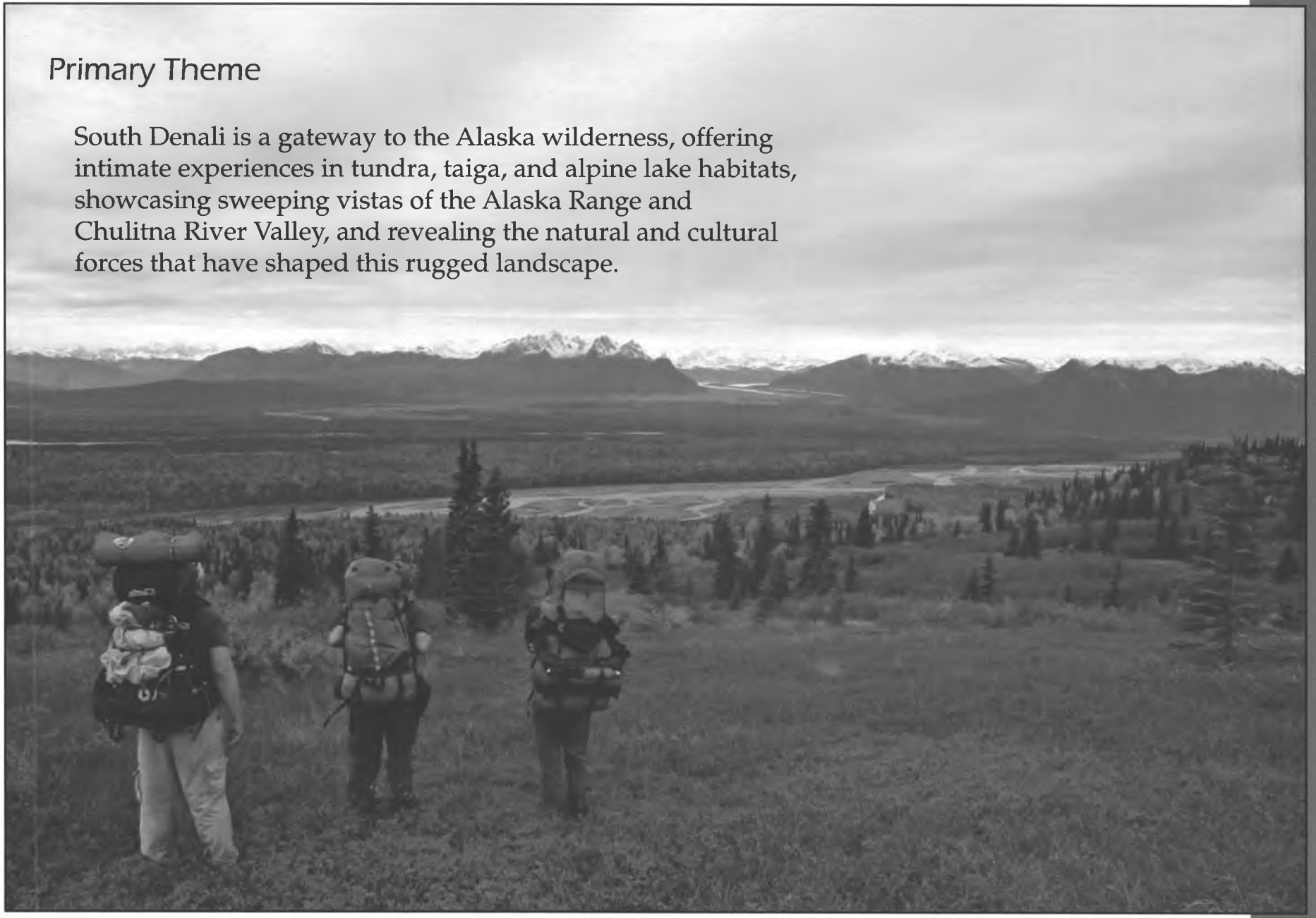
A theme statement, the main idea of an interpretive opportunity, should contain universal concepts. A **universal concept** is an intangible meaning that has significance to almost everyone, but may not mean the same thing to any two people. They are the ideas, values, challenges, relationships, needs, and emotions that speak to the human condition.

Interpretation is most effective when media and other interpretive opportunities allow visitors to grasp the meanings expressed in themes and apply them to their own lives. Visitors may not parrot the themes we write—but if they are provoked, inspired, or can relate to something within themselves, we have been successful.

- A **primary theme** expresses the main idea and unifying concepts that tie together the stories of South Denali. To provide a cohesive visitor experience, all interpretation at the facility complex should relate to this holistic theme.
- **Sub-themes** split the primary theme into several more specific and workable ideas. These broad storylines guide visitors to discover deeper meanings and relationships with the resources of the site.
- **Messages** break down the broad sub-themes into specific, discrete stories that can be told with interpretive media and programming.

Primary Theme

South Denali is a gateway to the Alaska wilderness, offering intimate experiences in tundra, taiga, and alpine lake habitats, showcasing sweeping vistas of the Alaska Range and Chulitna River Valley, and revealing the natural and cultural forces that have shaped this rugged landscape.





Rainbow over Curry Ridge. September, 2007



Alpine bearberry and lichen. November, 2007

Sub-theme 1

Curry and K'esugi Ridges are the backbone of Denali State Park, harboring dynamic ecosystems of specially adapted wildlife and plants.

Messages for Sub-theme 1:

1.1 Alpine Tundra, found in the higher elevations of Curry and K'esugi Ridges, is a miniature world of plants adapted to harsh conditions of sunlight, wind, cold, drought, and a short growing season.

a. Alpine environments are characterized by short, cold, and unpredictable growing seasons. Soils are thin, nutrient poor, and dry out quickly.

b. The principle characteristic of an alpine environment is its lack of trees which allows high wind and intense solar penetration into the ground vegetation and soil.

c. Alpine plants are usually slow-growing, long-lived perennials. They store energy in a good year to make it through a bad year. They often reproduce vegetatively rather than sexually. Many are evergreen; they don't grow stems, leaves, flowers and fruit each season.

d. Tundra plants are specially adapted to the harsh conditions of high elevation. Dark colors absorb more heat. Many leaves are small, needle shaped, or silver colored to reduce stress from intense alpine sunshine. Some plants have hairs, which allow them to trap heat and diffuse the harmful solar radiation. Hairy undersides of leaves may also trap and retain moisture, such as those found on Labrador tea. Other plants, like mountain cranberry, store water in their waxy leaves, which also prevents desiccation from drying winds.

e. Most alpine plants are matted against the earth, away from the harmful wind. They cling to rocks which retain warmth better than the soil. Many have renewal buds close to the ground where they are protected from cold and wind.

f. Crowberry, dwarf blueberry, and low-bush cranberry attract a variety of animals, including black and grizzly bears. Other wildlife species that inhabit this association at some time during the year are ptarmigan, fox, coyote, ground squirrel and moose.

g. Many "trees" in the tundra grow stunted and horizontally instead of standing upright. This alpine phenomenon is termed "krummholz," or twisted wood.

h. Hardy alpine trees often demonstrate "flagging"—branches only grow on the leeward side of the trunk and point the wind direction.

i. Lichens are well adapted to the rocky substrate and proliferate. They initiate the process of soil accumulation that will allow other pioneer plant species to succeed them.

j. The alpine tundra association is fragile—it is easily damaged and recovers very slowly. Thin soils, short growing seasons, high winds, and low moisture contribute to the sensitivity of this habitat.

1.2 The High Brush (scrub/shrub) system is a transition zone between treeline and alpine tundra that provides significant browse and cover for large mammals.

a. Vegetation cover in this association ranges from very dense to open with widely scattered spruce trees. Dominant species are willow and alder, intermixed with a groundcover of berry plants (blueberry, soapberry, lingonberry, thimbleberry, salmonberry, currant) and devil's club.

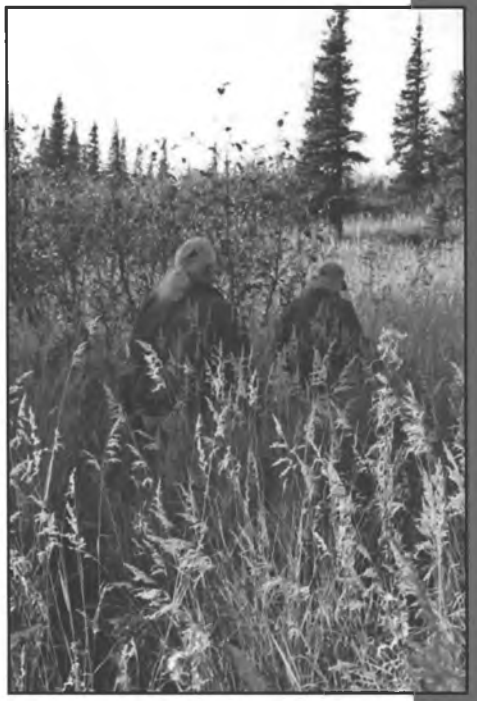
b. High Brush systems provide important browse and cover for large mammals in the park. The large number of berries supports black and brown bear populations.

1.3 Upland Spruce/Hardwood Forests are fairly dense forest systems that provide cover for many of the larger mammals in the park.

a. This forest type is a mixture of white spruce, Alaska paper birch, quaking aspen, black cottonwood, and balsam poplar. It covers most of the lower elevations within Denali State Park.

b. Understory species provide browse for moose and cover for larger mammals found within the park.

1.4 Bottomland Spruce/Poplar Forests are productive, dense forest systems found on level floodplains, low river terraces, and thawed south-facing slopes.



High Brush habitat near visitor center site. September, 2007



Spruce Forest habitat near beaver ponds east of the visitor center site. September, 2007



Beaver streams east of the visitor center site on Curry Ridge. September, 2007



Sedge meadows and streams at the northern edge of Lake 1787. June, 2008

a. The dominant species of these forests are white spruce mixed with black cottonwood and balsam poplar. Large cottonwood trees are located in areas adjacent to river channels or less active flood plain zones.

b. This association provides understory brush used as browse by moose. Moose often congregate in this association for cover and feeding.

c. The high productivity of these sites is promoted by frequent flooding that adds nutrients to the soil and removes the accumulated litter layer.

1.5 Wetlands on the Ridges (streams, sedge meadows, bogs, and muskeg) support distinct vegetation and wildlife, while serving as important sources of water for all wildlife species.

a. Wetlands are found in river bottom lowlands, along lake shores, upland terraces, and low-lying drainage systems throughout Denali State Park.

b. In moist tundra meadows (muskeg), cottongrass tussocks, dwarf shrubs (birch, willow, alder, and black spruce) and sphagnum moss are the dominant species.

c. The Chulitna, Susitna, and Tokositna Rivers provide essential habitat for bald eagles, trumpeter swans, and other waterfowl. These rivers and associated creeks are essential habitat for several species of anadromous fish.

d. A scenic chain of still ponds and swiftly flowing streams cut through a valley that separates the visitor center site from the rest of Curry Ridge to the northeast. Numerous dams, lodges, and fresh tree cuttings demonstrate the ability of beavers to change and diversify a landscape.

1.6 Lake 1787, an alpine lake perched on Curry Ridge near the visitor center site, attracts a diversity of waterfowl and supports a rich shoreline habitat.

a. Lake 1787 is about 2,800 feet long by 1,000 feet wide.

b. Alpine lakes are extreme habitats with cold temperatures, a lack of nutrients, and alternating periods of intense UV radiation contrasting with months of darkness.

c. Due to their isolation, simple food chains, and extreme conditions, alpine lakes have been used as

early warning systems for global environmental changes.

d. Around its shore, the lake harbors sedge meadows, flowing streams, alder and willow thickets, and stands of spruce. The diversity of habitat coupled with a constant water supply is a wildlife magnet.

e. Lakes provide important feeding habitat for the Arctic Tern, Long-tailed Jaegers, and Ospreys.

f. The haunting yodel and excited laugh of loons adds a primal atmosphere to Lake 1787. Groups of Pacific Loons were observed on the lake in August and September, 2007. Swans and a swimming black bear have also been observed by members of the planning team.

1.7 Denali State Park's size, diversity, and proximity to other wild areas make it home to many unique, northern wildlife species.

a. The South Denali Region, south of the Alaskan Range, receives greater precipitation and thus supports more lush vegetation and wildlife than Denali National Park on the north side of the mountains. Dense cover also makes animals harder to observe.

b. The river valleys and ridges are migratory routes for many birds and serve as areas of seasonal concentration for bears and other large mammals.

c. Denali State Park's wildlife is vulnerable to human activities both within and outside the park boundaries. Hunted species in the state park retain a wariness not seen in game species living in the refuge of Denali National Park.

d. Altitudinal migration is commonly practiced by many animals in this mountainous region. Food is plentiful in alpine meadows in summer but these high, open areas are colder and windier in winter. Therefore moose, porcupine, and a number of predators move to lower, protected elevations.

1.8 The diversity of habitats on Curry Ridge attracts many bird species, most of which are migrants and spend just the summer breeding season in the area.

a. More than 130 bird species use the park for breeding or during migration.

b. Most birds are migrants, but a few year-round residents include



Pacific Loons in Lake 1787. June, 2008



Crossing the stream outlet at the south end of Lake 1787. June, 2008



White-crowned sparrows. June, 2008

the gray jay, raven, willow ptarmigan, rock ptarmigan, spruce grouse, and black-capped and boreal chickadees.

c. Lakes and streams attract water birds such as Pacific loons, red-throated loons, common loons, horned grebes, trumpeter swans, American widgeon, mallard, shoveler, pintail, green-winged teal, greater and lesser scaup, harlequin duck, surf and white-winged scoters, buffleheads, Barrow's goldeneye, semiplamated plovers, lesser yellowlegs, least sandpiper, spotted sandpipers, common snipe, red-necked phalarope, long-tailed jaegers, Arctic terns, and mew gulls.

d. Smaller migratory bird species fill the trees and shrubs with color and song. These include northern flickers, Say's phoebe, horned larks, violet-green swallows, bank swallows, cliff swallows, orange-crowned warblers, yellow-rumped warblers, Arctic warblers, Wilson's warblers, ruby-crowned kinglets, northern wheatear, northern shrikes, golden-crowned sparrows, tree sparrows, white-crowned sparrows, dark-eyed juncos, Lapland longspurs, snow buntings, gray-crowned rosy finches, and common redpolls.

e. Raptors, like bald eagles, golden eagles, northern harriers, and gyrfalcons, ride the updrafts of Curry Ridge and may be seen soaring past the visitor center. Uncommon hawk owls hunt from tree top to tree top, short-eared owls nest in open tundra habitats, and great-horned and boreal owls may be found in forests.

f. Many large bird species in Denali are ground or cliff nesters partially due to the abundance of cliffs and the relative lack of large trees.

g. Select areas of the Park serve as rich, breeding grounds for many species of birds, like swans and cranes, which depend on the abundance of sunlight, summer food, and the relative lack of predators to rear young in this northern environment. Many of these birds migrate latitudinally thousands of miles to wintering grounds in South America and Africa.

h. The sandhill crane is Alaska's largest game bird. Cranes can be seen on Curry Ridge in late summer and early fall as they

begin flocking and feeding on the abundant berries. These belong to the Pacific Flyway Population, which overwinter in the Central Valley of California. The birds come together in great flocks before and during migrations but are wary and scatter widely in their breeding and nesting areas. Cranberries were originally called "craneberries," because their flowers look like cranes and early English settlers to North America saw cranes feeding on the berries.

1.9 Several mammal species provide potential (although infrequent) viewing opportunities.

a. Large mammals include moose, black bears and grizzly bears (attracted to the berries in the high shrub and alpine tundra), and occasional hunting wolf packs. Caribou were historic migrants into the tundra, but are now uncommon. Common smaller mammals include beaver, mink, red fox, pine marten, ermine, least weasel, snowshoe hare, porcupine, and collared pika. Red squirrels and flying squirrels are common in spruce forests. Arctic ground squirrels and hoary marmots are found in open alpine areas. Coyotes, river otters, wolverines, and lynx are less common in this area.

b. Marmots and ground squirrels, like most small mammals in Denali, hibernate through the winter in underground burrows.

c. Beaver adapt their behavior to changing seasonal conditions rather than migrating or hibernating. Caches of food stored underwater provide nourishment to overwintering beavers.

d. Animal species that remain active throughout the winter may turn white such as the ptarmigan, weasel, and snowshoe hare.

1.10 Wood frogs are one of the few amphibians in Alaska

a. They are commonly seen around the Moose Flats bogs and Lake 1787.

b. They are the only frog that survives north of the Arctic Circle.

c. In winter they have the ability to pump their cells full of glucose anti-freeze and freeze solid then awaken during the spring thaw.



Hoary Marmot. June, 2008



Wood frog. September, 2008



View of Denali from Curry Ridge. September, 2007

Sub-theme 2

Dramatic mountain, glacier, lake, and river landforms visible from Curry Ridge illustrate the major geologic forces that have sculpted the landscape of this region.

Messages for Sub-theme 2:

2.1 Curry Ridge offers spectacular views of the Alaska Range, dramatized by the flat Chulitna River valley in the foreground.

a. On a clear day, several major peaks can be seen from Curry Ridge: Mount Foraker (17,400 feet), Mount Hunter (14,573 feet), Mount Huntington (12,240 feet), Mount McKinley/Denali (20,320 feet), Mount Dickey (9,545 feet), Moose's Tooth (10,335 feet), and Broken Tooth (9,050 feet).

b. The vantage point provides an overview of geologic landforms like glaciers, outwash plains, rivers, cirques, and U-shaped valleys—an ideal staging area to connect viewers to the sweeping stories of geology and the adventures of explorers, pioneers, and climbing expeditions.

c. Mount McKinley/Denali is the highest peak in North America at 20,320 feet. However, with an astounding 18,000 foot vertical elevation above the surrounding landscape, Denali has the most dramatic local relief of any of the world's tallest mountains. It has two major summits: the South Summit is the highest and most climbed, while the North Summit is 19,470 feet. The mountain is regularly climbed today with just over half of the expeditions successful. Extreme temperatures and wind, however, make it a dangerous climb.

d. The debate over calling the mountain "Denali" or "Mount McKinley" continues today. Denali is derived from the language of Athabaskans who lived north of the mountain and means "The Tall One." In 1896, William Dickey, a gold rush reporter, named the peak after presidential candidate McKinley, who supported the gold standard. After President McKinley was assassinated in 1901, the name of the mountain was officially changed to Mount McKinley. Over the years, Alaska residents have repeatedly lobbied to have the name changed back to the Athabaskan "Denali" without success. Although the Alaska Board of Geographic Names changed the name back to

Denali in 1980, the U.S. Board on Geographic Names still maintains McKinley.

e. At 17,400 feet, Mount Foraker is the second highest peak in the Alaska Range and the fourth highest peak in the United States. The mountain was named for Joseph Foraker, a U.S. Senator from Ohio, in 1899. The Tanana Indians in the Lake Minchumina area called the mountain "Sultana" or "Menlale," meaning "Denali's Wife."

f. Mount Hunter at 14,573 feet was known as "Begguya" in the Dena'ina language, which means "Denali's Child." It is the third highest peak in the Alaska Range. The mountain is topped by a large glacial plateau with long steep ridges. In 1903, a reporter of the Frederick Cook expedition named a peak after his aunt Anna Hunter. Although it was a different peak than this one, a government surveyor mistakenly named this third highest peak Hunter in 1906.

g. Mount Huntington at 12,240 feet has a steep pyramid peak—in nearly every direction, the face drops over 5,000 feet in a mile. The mountain is therefore a much more technical climb than Denali. The peak was named after Arch Huntington, former president of the American Geographical Society who sponsored an early expedition of the northwest branch of the Ruth Glacier.

h. Moose's Tooth is a unique rock peak on the east side of the Ruth Gorge. Its summit is a craggy, angled, long ridge that runs east-west for about a mile, giving the appearance of a tooth. The name was translated from an Athabaskan name for the peak. Despite its lower elevation of 10,335 ft., its large rock faces and deep gorges (couloirs) make it a difficult, technical climb. Broken Tooth at 9,050 feet is also part of this rocky complex.

i. Mount Dickey is a peak on the west side of the Ruth Gorge. At 9,545 feet, it has a relatively low elevation. However, its sheer granite east face is nearly a vertical mile, making it one of the tallest rock walls in the world. It is named after William Dickey, a prospector who named Mount McKinley in 1896.

j. Nestled between the mouths of the Ruth and Tokositna Glaciers, the tooth-like granite crags of the



Mount Foraker. August, 2008



Mount Hunter. August, 2008



Moose's Tooth. August, 2008



Tokosha Mountains glow pink at sunrise. September, 2007



Picture of Mt. McKinley painted by Sydney Laurence

Tokosha Mountains rise 6,148 feet from the Chulitna River valley in front of the larger mountain peaks. The mountains were named in 1906 from a Dena'ina word meaning "the place where there are no trees."

k. The Peters Hills, also visible from Curry Ridge, are foothills of the Alaska Range rising to about 3,373 feet. They are important to the gold mining story of the region and are popular for recreational activities such as moose hunting and hiking.

l. The Talkeetna Mountains are visible to the east side of Curry Ridge on clear days. The range stretches northeast-southwest about 150 miles north of Anchorage, with the tallest peak, called Sovereign Mountain, at 8,849 feet.

m. Fed by numerous glaciers from the Alaska Range, the braided Chulitna River valley stretches before the Alaska Range at the base of Curry Ridge.

2.2 The dramatic and rugged scenery of the region has inspired the work of artists, like renowned painter Sydney Laurence.

a. Sydney Laurence was the first professionally trained artist to make Alaska his home in 1904. His image of Mount McKinley from the Peters Hills above the rapids of the Tokositna River (visible from the visitor center site) became his trademark.

b. Laurence applied the "tonalist" techniques that he learned in New York and Europe to the Alaska wilderness. His paintings helped to define Alaska as "The Last Frontier."

c. An image of Mt. McKinley had been painted on the wall of the Curry Lookout, which provided a view even when the clouds masked the peak. There is speculation that the painting may have been started by Sydney Laurence. At some point, the wall board was cut away and the painting removed.

2.3 The Alaska Range was formed by global tectonic forces that are still occurring today.

a. The Alaska Range is a relatively narrow band of mountains that extends for about 600 miles. It forms an east-west arc with its most northerly section in

the middle. The range curves southwest towards the Alaska Peninsula and the Aleutian Islands, and southeast into the Pacific Coast Ranges.

b. The Alaska Range is a patchwork of sedimentary, metamorphic, and granitic rock.

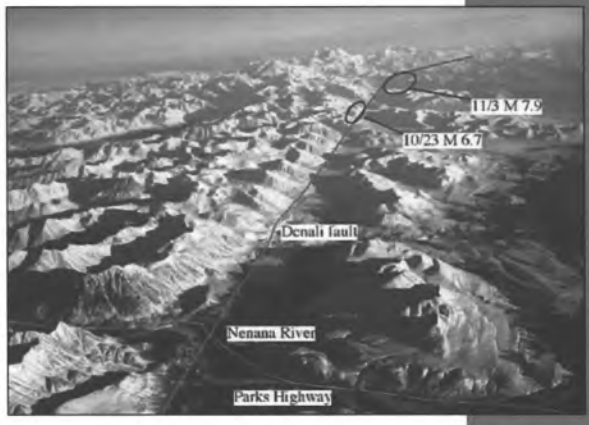
- From about 150 to 80 millions years ago, this region was covered by a sea that deposited layer upon layer of sand, shells, and other debris. These sediments hardened into enormous blocks of sedimentary rock.
- During a period of volcanic activity 56 million years ago, large pools of magma rose toward the surface and cooled, forming massive blocks of granite called plutons—they would eventually be uplifted as Mount McKinley and the Ruth Gorge. Another pluton formed 38 million years ago that became Mount Foraker.
- The highest peaks of the Alaska Range are composed of granite plutons, which erode slower than the neighboring sedimentary mountains.

c. Plate tectonics, a theory that the earth's crust is divided into several massive moving plates, explains the formation of the Alaska Range.

- The Pacific Plate moves north and plunges beneath the North American Plate on the south coast of Alaska.
- The moving plates act like conveyor belts, hauling large chunks of crust from other places on the planet.
- About 50 million years ago, a massive piece of crust called the Yakutat microplate (terrane) hitched a ride north on the moving Pacific Plate from the coast of British Columbia. Between 10 and 20 million years ago, this lump began smashing into southern Alaska, creating the eastern Chugach-St. Elias Mountains.
- As the Pacific Plate continues to plunge beneath the North American Plate, the lump of hitchhiking Yakutat microplate is being forced underneath. This has caused a massive wedge-shaped piece of the North American Plate, called the Wrangell Subplate,



This illustration shows how the Pacific Plate pushes the Yakutat Microplate (YAK) beneath the North American Plate.



Overlay of the Denali fault.



Glacial striations in bedrock near the visitor center site. September, 2007

to break loose and rotate counterclockwise.

- The blocks of sedimentary and granitic rock of the Alaska Range are being buckled and forced upward where the broken Wrangell Subplate is pushing against the North American Plate. The Yakutat microplate underneath is somewhat buoyant and light, and is likely driving the rise of the Alaska Range to great heights.
- The Denali Fault is 600 miles long and is the most significant "strike-slip" fault (where two sides slip horizontally past each other) in Interior Alaska. In the center of the Alaska Range, the mountains straddle the fault. It defines the northeastern margin of the Wrangell Subplate.
- Mount McKinley was likely thrust up higher than other peaks due to its unique position near a bend in the Denali Fault, where both vertical (thrust) and lateral (strike-slip) movements occur between the plates.
- The Pacific Plate continues to move northward and plunge under the North American Plate at a rate of about 5.5 cm per year. The Alaska Range is being uplifted along the Denali Fault at about 1 cm per year.

d. The mountains act as a high barrier to the flow of moist air from the Gulf of Alaska northwards. The heavy snowfall contributes to a number of large glaciers, including the Cantwell, Castner, Black Rapids, Susitna, Yanert, Muldrow, Eldridge, Ruth, Tokositna, and Kahiltna Glaciers.

2.4 Curry and K'esugi Ridges were formed by the same processes that shaped the Alaska Range.

a. Curry and K'esugi Ridges are 35 mile-long north/south alpine plateaus between the Chulitna and Susitna River. They are composed of the same sedimentary (150-80 million years old) and granitic (56 million years old) rock that makes up the Alaska Range.

b. The broad, flat rocky areas on top of Curry Ridge are composed of the same 56 million year old granite that forms the peak of

Mount McKinley and the Ruth Gorge. It is a direct connection to the towering formations visible from the visitor center site.

c. As plates move horizontally past each other in a strike-slip fault (like the Denali Fault), narrow pieces of the earth are broken apart and thrust upwards along cracks parallel to the strike-slip fault (called "thrust faults"). The resulting landscape is like a series of rugged steps—the highest steps are nearest to the main strike-slip fault, and steps decrease in size the further away they get from the main fault. The highest peaks of the Alaska Range straddle the Denali Fault. Curry and K'esugi Ridges were formed similar to the Alaska Range, but were uplifted to a lesser extent due to their greater distance from the Denali Fault.

d. Faults tend to weather and erode more quickly than unfaulted rock. Glaciers naturally follow the weaker thrust faults and overtime carve out deep valleys. The Chulitna and Susitna River Valleys likely follow thrust faults that may have lifted Curry and K'esugi Ridges.

2.5 Ruth Glacier is an impressive and recognizable feature of Denali National Park and Preserve

a. The dirty snout of Ruth Glacier flows into the Chulitna valley providing a front and center view. Denali and its companion peaks are accented by spectacular valley glaciers and steep ice-carved gorges and a year-around mantle of snow and ice above 8,000 feet. These glaciers, such as the Ruth, Buskin, and Eldridge, are from 14 to 38 miles long and up to four miles wide. They flow from the high peaks and melt into the broad U-shaped Chulitna Valley, giving the Chulitna River the milky waters and braided channels that are typical of a glacial stream.

b. In 1903, Dr. Frederick Cook made the first low-altitude circumnavigation of Denali. He named the Ruth Glacier after his step-daughter.

c. Don Sheldon Amphitheater on the Ruth Glacier was listed by Reader's Digest as one of the ten most spectacular places on earth. The Ruth Gorge is equally spectacular.



View of Ruth Glacier from Curry Ridge. September, 2007



Dr. Frederick Cook named the Ruth Glacier after his step-daughter. Picture circa 1908

d. The head of Ruth Glacier receives all of the snow that falls on the southeast side of the mountain where moisture-laden winds blow in from the coast.

e. The snow and ice that accumulate in this area flows through the narrow restriction of the one-mile-wide Great Gorge. The glacier, dropping 200 feet every mile, cracks into hundreds of dangerous crevasses here.

f. The walls of the Great Gorge loom 5,000 feet above the surface of the Ruth Glacier. The ice has been estimated at 3,800 feet thick, so the Gorge is actually 8,800 feet deep; deeper than the Grand Canyon.

g. Ruth Glacier currently races down the mountain at 3.3 feet per day. Four million pounds of ice push through the canyon daily.



Ruth Glacier. Courtesy of Wikipedia Commons, commons.wikimedia.org/wiki/File:Ruth_Glacier_4.jpg

Sub-theme 3

The broad open crown of Curry Ridge offers unrestricted views of atmospheric patterns and phenomenon.

Messages for Sub-theme 3:

3.1 The Aurora Borealis, or Northern Lights, is a uniquely northern phenomenon that contributes to the mythology of Alaskan winters.

a. Auroras are naturally occurring, atmospheric light displays that are best viewed during darkness in Polar Regions. These lights are named for the Greek goddess of dawn, Aurora. In the northern hemisphere they are called Aurora Borealis, in reference to the Greek name for the north wind, Boreas.

b. Auroras are produced by the collision of charged particles in the Earth's magnetosphere with particles swept into it by solar winds. This occurs at altitudes between 50 and 200 miles above the Earth's surface.

c. Many northern cultures have developed folklore and mythology about the Aurora Borealis. People have long associated these mysterious dancing lights with the spiritual world and wonder about their origins. In Norway they were sometimes referred to as "Herring Flash." It was believed that they were the reflections of huge schools of Herring cast onto the sky. Some Algonquin Tribes in North America believed them to be ancestors dancing around a fire. Many gold-struck Klondike prospectors thought the lights reflected the huge mother lode of gold (see Robert Service poems of Alaska during that era). Today in Japan, many consider the viewing of the Aurora Borealis to be a romantic opportunity to conceive a child of outstanding fortune. Native peoples of the circumpolar region believe that one should be very quiet and respectful when observing the northern lights. Mocking them, singing, or whistling could invite bad fortune and danger.

d. Optimal viewing times are from December to March when nights are long and dark. They can be seen in a full spectrum of colors but red is the rarest. The aurora is most active late at night or early in the morning when the sky is clear and the air is chilly.



Aurora Borealis. United States Air Force photo by Senior Airman Joshua Strang

e. Auroras tend to be brightest two days after intense solar activity since it takes two days for the "solar wind" to reach Earth.

3.2 As the highest point in North America at 20,320 feet, Mount McKinley/Denali experiences some of the most severe weather in the world.

a. Denali is considered to be one of the coldest mountains on earth, with air temperatures falling to -40 degrees Fahrenheit even in June. At 19,000 feet temperatures range from -30 to -70 degrees Fahrenheit in winter.

b. Windstorms on Denali can last over a week with wind speeds in excess of 100 miles per hour.

c. Halfway to the summit, the climate of Denali is equivalent to the North Pole.

d. Denali is large enough that it can create its own localized weather. The summit is often shrouded in clouds. The entire mountain is only visible a few days each summer.

e. The Alaska Range creates a massive rain shadow to the north. Moist air from the ocean travels northward and is forced up the high peaks of the range. As it cools, moisture condenses to form clouds, rain, and snow. By the time the air descends the north side of the ridge, much of its moisture is gone.

f. According to some Alaska Native stories, the clouds on top of Denali are the smoke from fires of the "mountain people." When the fires burn, clouds appear around the summit and the temperature begins to warm. When the fires no longer burn, the clouds clear from the peak and the temperature drops.

3.3 Sun halos and sun dogs are a common sight in Alaska, especially in winter.

a. Sun halos are faint rings of light visible around the sun. They form when sunlight passes through ice crystals in high cirrus clouds (30,000 feet above the earth). The crystals bend the light 22 degrees.

b. Sun dogs are two colorful bursts of light that appear on either side of the sun. They also form when light shines through cirrus clouds or falling ice crystals called "diamond dust." The crystals fall with their flat surfaces parallel to the earth, and bend the light into colors like a prism. They are also known as "mock suns" and scientifically as "parhelia."

c. Sun halos and sun dogs are most often seen near sunrise or sunset.



Rainstorm view from Curry Ridge. September, 2007

Sub-theme 4

Denali State Park is a microcosm of the intact Greater Denali Ecosystem, an important indicator for global environmental changes.

Messages for Sub-theme 4:

4.1 The Greater Denali Ecosystem is one of the few systems in North America that is almost entirely intact, complete with top level predators within their natural ranges (grizzly bears, black bears, wolves) and a diversity of large mammal species.

4.2 Much of the ecosystem is composed of ice field, glaciers, and rocky slopes. In higher elevations, alpine vegetation of dwarf shrub communities dominates. More protected slopes support scrub communities of dwarf birch, willows, and alder. Well-drained sites harbor white spruce, black spruce, paper birch, and quaking aspen.

4.3 The higher elevation soils of the ecosystem tend to be poor, shallow over bedrock, and may not retain enough moisture to form permafrost.

4.4 Denali State Park (325,240 acres) and Denali National Park and Preserve protect over 6.3 million acres of the Greater Denali Ecosystem.

4.5 Much of Alaska's environment exists near the melting point of ice. Small increases in global temperatures can have significant impacts on the ecosystem. The region serves as an important indicator for worldwide climate change.

4.6 According to a 2006 study (National Assessment Synthesis Team), Alaska has warmed 4 degrees Fahrenheit in the last 50 years. This compares with the global average of just over 1 degree Fahrenheit.

4.7 As the earth's temperature increases, tundra vegetation has given way to shrubs and trees, reducing wildlife populations that depend on the tundra habitat. According to geophysicist Ken Tape of the University of Washington, the growth of shrubs across the tundra has increased by 40% in less than 60 years.

4.8 Increased forest insect infestations and fires are caused by longer and dryer growing seasons.

4.9 Permafrost temperatures in Denali have increased 0.5-1.5 degrees Celsius since 1980, causing forest damage and the eroding of tundra riverbanks.

4.10 Many glaciers in the Greater Denali region are retreating. Studies (Geophysical Institute and the USGS, 2006) have found that 95% of Southeast Alaska's glaciers are thinning. These glaciers are more susceptible to climate change due to their low elevation and flat, broad surfaces. Projections indicate that a sustained warming of 1 degree Celsius will reduce glaciers by 15%.

4.11 Sustainable building practices help to reduce greenhouse gases that are warming the planet. Denali State Park and Denali National Park and Preserve can serve as demonstration and educational areas for sustainable practices that minimize human impact on the Earth.

4.12 The altitudinal diversity of Curry Ridge, and the panoramic views it offers of the landscape, make it an excellent location to introduce visitors to the interconnectedness of ecosystems and their own effects on the Earth.



Athabaskan exhibit in the Denali National Park Visitor Center. September, 2008

Sub-theme 5

Alaska Natives have depended on the rich resources of the ridges and rivers for survival, maintaining an important network of trade and spiritual connection to the land.

Messages for Sub-theme 5:

5.1 "Athabaskan" is a family of culturally and linguistically related Native American groups that traditionally lived in the interior of Alaska, northwest Canada, and the American southwest.

5.2 Living in the harsh condition of interior Alaska, traditional Athabaskans were a nomadic people that seasonally followed their food sources. In summer, they traveled to camps on small rivers and lakes where they fished and hunted waterfowl. In winter, they moved to semi-permanent villages to hunt caribou and moose and trap smaller animals.

5.3 Extensive trade networks were in place between Athabaskan groups and their neighbors long before white settlers arrived in the region.

5.4 The Dena'ina (Tenaina) is a group of Athabaskan Alaska Natives who originally inhabited the south-central part of the state, including the area around Cook Inlet and K'esugi and Curry Ridges.

5.5 With access to the rich waters of Cook Inlet, the Dena'ina people did not need to be as nomadic as other Alaska Native groups.

5.6 Shem Pete, a Dena'ina born near Susitna Station in 1896, is renowned as an expert of Dena'ina language and culture. His knowledge was recorded in a book entitled Shem Pete's Alaska, first published in 1983.

5.7 K'esugi (for which Kesugi or K'esugi Ridge is named) is a Dena'ina name meaning the "Ancient One." Curry Ridge was known to the Alaska Natives as K'esugi Ken, which means "Base of the Ancient One."

5.8 The Ridges were important hunting areas for the Dena'ina people. Shem Pete relates a story of killing 14 bears on Curry Ridge in 1914. He also tells of native people hunting caribou on K'esugi Ridge every summer and floating the meat in skin boats back to Kroto (about 10 miles south of visitor center site on the Susitna River).

5.9 The Chulitna River was known as the "Ts'ilutnu" in Dena'ina, which possibly means "Straight Hand," "Forearm," or "Tongue" River.

5.10 The Chulitna was more navigable in a skin boat than the Susitna. Belmore Browne, a famous mountaineer, traveled the Chulitna River in 1910 by motor boat in an attempt to find a route to Denali. He reported:

[The Indians] drifted past us in boats made of the green skins of moose and caribou. The primitive canoes were loaded to the gunwales with men, women, children, and dogs, and in the bow of each sat an Indian man tapping the river bottom with a slender pole and searching the channel for danger that might wreck his frail craft.

—*The Conquest of Mt. McKinley* by Belmore Browne, 1913

5.11 The Dena'ina called Ruth Glacier "Dghelay Ka'a Li'a," which means "Big Mountain-Glacier." According to Shem Pete, early crossings of the glacier could take an entire day. Leaders would haul packs of grass and use it to mark a safe route over the ice.

5.12 Denali is derived from the language of Athabaskans who lived north of the mountain. "Deenaalee" means "The Tall One" (also referred to as "The Great One" by Ahtna people). The Dena'ina word is Dghelay Ka'a, which means "Big Mountain." These names were often used interchangeably to describe all of the high peaks in the Central Alaska Range. Athabaskan people are quietly reverent toward Denali, rarely speaking of it.

5.13 According to many regional Alaska Native traditions, Denali is the birthplace of mankind. The Creator in the form of a raven lives at the base of the mountain fashioning people. The tallest peak in North America marks the beginning of the world, from which all humans spread throughout the land.



Shem Pete at Eklutna, Alaska, with dog and cabin in background. Summer 1980. Photographer: James Kari. Courtesy of Anchorage Museum of History and Art



"A Standing Ovation" from the Denali National Park photo gallery.

Sub-theme 6

The lofty peaks of Denali/Mt. McKinley and the Alaska Range and the promise of riches have beckoned adventurers and thrill-seekers since the late 19th century.

Messages for Sub-theme 6:

6.1 The highest mountain in North America attracts climbers from around the world.

a. Mount McKinley has a larger bulk and rise than Mount Everest. Even though the summit of Everest is about 9,000 feet higher as measured from sea level, its base sits on the Tibetan Plateau at about 17,000 feet, giving it a real vertical rise of little more than 12,000 feet. The base of Mount McKinley is roughly a 2,000-foot plateau, giving it an actual rise of 18,000 feet.

b. About 1,200 people have attempted to climb the summit of McKinley annually in the last decade; only about half succeed.

c. Mount McKinley is a non-technical climb, but still entails considerable risk due to severe weather, avalanches, and altitude sickness. Over 100 climbers have died attempting to summit; on average 1 out of every 200 climbers die on the mountain.

d. The safest climbing of Denali is from May 1st to the first week in July.

e. 80% of all climbing expeditions today use the West Buttress Route pioneered by Bradford Washburn. Nearly 20,000 climbers have attempted that route.

f. Most climbs take about two weeks but bad weather can stretch the time required to over a month. Descending the mountain is more dangerous and time-consuming than going up.

g. Climbers are expected to be responsible for their own safety, to know their limitations, and be prepared. The National Park Service conducts search and rescues only when conditions are reasonably safe for rescuers.

h. Trash must be carried off the mountain and human excrement must be removed from higher elevations to allow for a snow source that can provide safe drinking water.

6.2 Mount McKinley is one of the greatest mountaineering challenges

in North America and has inspired colorful climbing adventures in its short history.

a. Denali, the tall one, is legendary for its wild and unpredictable moods. Since its "discovery," people have been enthralled with the goal of reaching its peak. It is a fitting Alaskan icon.

b. Dr. Frederick Cook, a celebrated explorer, falsely claimed to have summited in 1906. His claim was eventually discredited but the fervor generated by his claim ignited passion in some local Alaskans who subsequently did make a successful ascent to the summit.

c. The "Sourdough Expedition of 1910" was one of the most unlikely and phenomenal ascents in mountaineering history. Four locals (Tom Lloyd, Peter Anderson, Billy Taylor, and Charles McGonagall), known as the Sourdough Expedition, with little or no climbing experience and homemade equipment hauled a 14 foot spruce pole up 8,000 vertical feet to Mt. McKinley's north summit. The round trip from about 11,000 feet took them less than 18 hours. They enjoyed doughnuts and hot chocolate on the summit. Their climb was met with skepticism by the public for the next three years until the Stuck Expedition successfully scaled the south summit and reported seeing the spruce pole erected on the north peak.

d. The first ascent of the main summit of McKinley came on June 7, 1913 by a party led by Hudson Stuck. The first man to reach the summit was Walter Harper, an Alaska Native. Harry Karstens and Robert Tatum also made the summit. Archdeacon Hudson Stuck was steadfast in his plea that the mountain should be known as Denali, not McKinley; a view shared by many Alaskans today.

e. After the Stuck Expedition's undisputed conquest of the south summit, incentive to climb the mountain declined. Nineteen years would pass before another party attempted the climb.

f. The first double peak expedition to ascend both the North and South Summits was accomplished by the Lindley-Liek Party in 1932.



From the "Ascent of Denali" by Hudson Stuck, 1915



Brad Washburn and his wife Barbara at the summit of Mt. Bertha in 1940.



Bucketline gold dredge in the Cache Creek drainage at the base of the Peter Hills, 1931. Locally abundant coal was used for power.

Postcard property of Dennis Garrett, http://en.wikipedia.org/wiki/File:Cache_creek_ak_dredge.jpg

g. The first woman to reach the summit was Barbara Washburn in 1947. Her husband, Bradford, was the first climber to summit twice when he accompanied her.

h. The first successful attempt that did not use the traditional Muldrow Glacier route to the summit was led by Bradford Washburn up the West Buttress Route in 1951. Washburn a serious and respected mountaineer devoted his life to researching the mountain. He is widely considered to be the world's leading authority on Mount McKinley.

i. The popular West Buttress Route was discovered and successfully used by Bradford Washburn in 1951. It is a 14 mile climb with a vertical gain of 13,000 feet.

j. The first truly technical ascent of Denali was made up the Cassin Ridge by Riccardo Cassin and his team of Italian climbers in 1961.

k. In 1967, the team of Ray Genet, Art Davidson, and Dave Johnston successfully climbed the mountain in winter. Later that year, Denali recorded Alaska's most deadly mountaineering disaster when seven members of the Wilcox Party died.

l. In 1970, Naomi Uemura succeeds in a solo attempt to summit the South Peak. He dies in the descent.

m. Dr. Mira Ercolani is the first woman to solo the peak in 1982.

n. Vern Tejas is the first solo winter ascent with a safe return in 1988.

6.3 After the purchase of Alaska from Russia in 1867 by the United States, miners and prospectors journeyed into the Susitna and Chulitna River valleys.

a. The name, Mount McKinley was proposed by an early prospector and explorer, W. A. Dickey who navigated the Susitna River upstream to the Indian River in 1896. His name is etched with three others near the mouth of Portage Creek.

b. Gold Creek, which was an active mining area with 200-300 residents, was supplied by sternwheeler and tunnel hull barges that traveled up the Susitna River. The area remained remote to most travelers until

the construction of the Alaska Railroad.

c. Gold was discovered in the Yentna Cache-Creek Mining District of the upper Susitna Valley in 1898, soon followed by claim staking. Placer mining was reported in the Cache Creek drainage of the Dutch Hills by 1906. About 200,000 ounces of gold has been produced from these placer deposits.

d. The Petersville region ranked among Alaska's major placer gold districts in the early 1900's. The Peters Hills have many named streams as a result.

e. By 1927, a road from Talkeetna was constructed into the mining area, known today as The Petersville Road. The abandoned mining camp of Petersville, Alaska served as the area Post Office for several years in the late 1920's and early 1930's.

f. Two areas have been set aside for recreational gold mining, the North and South units of the Petersville State Recreation Mining Areas. Many smaller one-man and family placer mining operations continue today.

6.4 Bush pilots are part of the romantic lore of the Alaska Range and Mount McKinley.

a. Alaska is famous for bush flying. In this roadless country, remote communities depend on the skill and tenacity of resourceful pilots to bring in life sustaining supplies. These bush pilots frequently must contend with unpredictable weather, rugged landscape, and challenging landing strips on lakes and tundra. The danger and romance of bush piloting is mythical in Alaska.

b. Don Sheldon was a legendary bush pilot who flew out of Talkeetna in the shadow of Mount McKinley. He spent a lifetime time delivering hunters, fishers, and climbers to wilderness locations. He conducted numerous rescue missions and saved more than a few lives. The Don Sheldon Amphitheater, at the head of Ruth Glacier was named in his honor. He was awarded the Alaska Certificate of Achievement for his many rescue missions.

c. Don Sheldon's most harrowing rescue might well have been his lifesaving flights into Devils



"Alaskan 'bush' pilot, Don Sheldon, flying plane during rescue of survivors of climbing accident." May, 1960. Photo by Grey Villet of LIFE magazine



Bush planes and pilots continue to be an important part of Alaska's "sense of place." Float plane coming in for a landing. June, 2008



The site of the 1954 C-47 crash on K'esugi Ridge, 2004. Courtesy of Rupert Pratt, touchingancientone.squarespace.com

Canyon to rescue an eight man Army scout team stranded on the rugged cliffs above the rapids. Don spotted the boat debris floating down the Susitna River and then saw seven men clinging to a ledge just above the raging water. He navigated the swirling winds of the canyon and landed his float plane on a straight stretch of river upstream from the men. Sheldon's plane raced backwards downstream at 30 mph. He maintained power to control his speed and to steer the plane. In the first pass one man managed to jump aboard. He repeated the adventure three more times and lifted out two men with each attempt. He then found the eighth man 18 miles downstream.

d. Talkeetna's Cliff Hudson's bush flying deeds have made the pages of numerous Alaskan adventure stories. He is a pioneer of glacier flying in Denali National Park. Hudson Air Service celebrated its 60th anniversary in 2006.

e. On February 5, 1954, an Air Force C-47 flying towards Fairbanks broke apart over the Susitna Valley and fell onto K'esugi Ridge. Ten died in the crash but six miraculously escaped, survived bone-chilling cold, and were rescued through the efforts of pilots Cliff Hudson and Don Sheldon. Hudson was in the air within an hour to pinpoint the crash location prior to a storm front that would postpone rescue operations. He later spent the night with the survivors before the storm broke and they could be flown to safety.

Sub-theme 7

The Chulitna and Susitna Rivers are historic travel routes into the rugged interior of Alaska.

Messages for Sub-theme 7:

7.1 Curry and K'esugi Ridges are flanked by two rivers—the Chulitna River on the west (visible from the visitor center site) and the Susitna River on the east.

a. The Chulitna River is fed by multiple valley glaciers from the Alaska Range. It flows 77 miles past the west side of Curry Ridge before joining the Susitna River.

b. The milky waters and braided channels of the Chulitna River are typical of a glacial stream. The water of the main channel is clouded with pulverized rock called "glacial flour," limiting opportunities for sport fishing. Salmon do ascend the Chulitna for spawning, however, and the clear side streams that flow into the river are popular fishing areas.

c. The floodplain of the Chulitna River is just 550 feet in elevation, showcasing the dramatic height of the adjacent Alaska Range mountains.

d. The Chulitna River valley is pitted with landforms left by recent glaciation, including ground moraines, drumlin fields, eskers, kettle lakes, and outwash plains.

e. The Susitna River originates at the Susitna Glacier and flows 313 miles to the Cook Inlet, passing the east side of Curry Ridge. Ranked by volume discharge, the Susitna is the 15th largest river in the United States.

f. "Susitna" is a Dena'ina word that means "Sandy River."

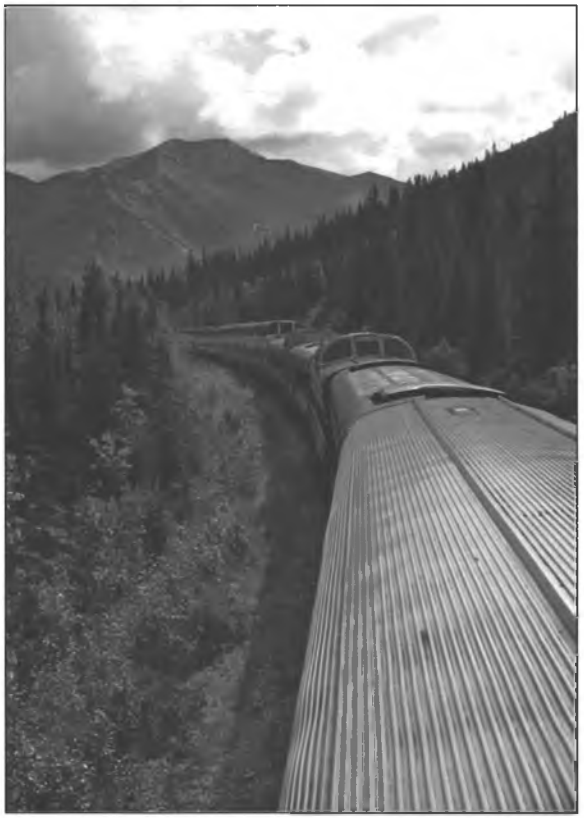
g. The Susitna is one of South Central Alaska's premier sport fishing streams for Chinook salmon, Coho salmon, grayling, burbot, and rainbow trout.

7.2 People traditionally accessed the interior of Alaska by following the rivers.

a. Dena'ina people traditionally used the Susitna and Chulitna Rivers as a primary means of travel between villages and hunting/fishing areas. In the warmer months, they traveled in birch bark canoes and moose/caribou skin boats. When the rivers froze in winter, they



Susitna River with Curry and K'esugi Ridges on the left. September, 2007



Alaska Railroad heading to Denali National Park. August, 2007

became ice highways for travel by foot and dog sled.

b. Although much of the Susitna and Chulitna floodplains are swampy and difficult to travel, early pioneers followed higher ridges that paralleled the rivers to reach the Alaska Interior. Trails created by Native Alaskans and pioneers crisscrossed the landscape.

c. In the late 1890s, discovery of gold and copper in Alaska's interior spurred the development of better transportation for the influx of prospectors.

7.3 The development of the Alaska Railroad opened the interior of Alaska to settlers, miners, and travelers. Curry, for which Curry Ridge is named, was developed next to the tracks and became a flourishing community in the Alaska wilderness.

a. The Alaska Central Railroad was the brainchild of Seattle real-estate developer John Ballaine in 1900. The first tracks were laid in 1903 from Seward 50 miles north. In 1905-06, survey crews entered the Susitna River Valley to determine the best routing of the railroad. In 1907, the railway went bankrupt and was reorganized as the Alaska Northern Railway. About 20 more miles were constructed before it too went bankrupt in 1910.

b. In 1914, President Woodrow Wilson signed the Alaska Railroad Enabling Act, and Congress agreed to fund the construction and operation of the railroad from Seward to Fairbanks for an estimated $35 million.

c. Curry was originally known as Deadhorse Hill, supposedly named in 1916 when a team of horses fell to their death from the top of a steep hill. It became the main supply and equipment staging point north of Talkeetna for constructing the Alaska Railroad.

d. Supplies for the railroad construction were shipped by large river steamers and sternwheelers to Old Kroto Landing on the Susitna River. From here, smaller tunnel boats (with chambers that protected propellers from the river bottom) hauled supplies in shallow water to camps like Deadhorse Hill.

e. In 1917, a roadhouse was built at Deadhorse Hill to serve overnight railroad workers. Nellie Neal Lawing, more popularly known as Alaska Nellie, was given the contract to manage the roadhouse.

f. Alaska Nellie was already well known as an innkeeper, dog musher, and big game hunter.

g. The name of "Deadhorse Hill" was changed to a more traveler-friendly "Curry" in 1922 to honor Congressman Charles F. Curry of California, a great supporter of the railroad. The tall ridge directly west of the community became known as "Curry Ridge."

h. In March of 1923, the lavish Curry Hotel was opened on the nearly completed Alaska Railroad. The settlement, near the mid-point of the line running from Seward to Fairbanks, was a logical stopover for travelers.

i. In July of 1923, President Warren Harding was the first president to visit Alaska. He enjoyed Alaska Nellie's hospitality at the Dead Horse Roadhouse on his tour. On July 15, he celebrated the completion of the Alaska Railroad by driving the golden spike in Nenana. He died of a stroke or heart attack on his return trip to San Francisco on August 2.

j. Curry Lookout, also known as Regalvista Camp, is a small hexagon-shaped shelter located on top of Curry Ridge. It offers sweeping views of Denali and the Alaska Range. Built in the 1920s by employees of the Alaska Railroad, visitors to Curry could reach the lookout by crossing a 537-foot suspension bridge over the Susitna River and climbing a steep 5-mile trail to the top of a 2,600 foot ridge. The building was placed on the National Register of Historic Places in 1992.

k. A 1924 Pathfinder of Alaska article describes the Curry Lookout…

A short jaunt across the Susitna River… affords one an unusually magnificent view of Mount McKinley, as the vantage point at Curry is many miles closer to this majestic mountain than is any other point along the Alaska Railroad. Seekers of the beautiful in Nature will consider this feature alone well worth a stopover in Curry.

l. Curry continued to grow in the 1930s and 40s with expansions



Alaska Nellie poses in front of the Deadhorse Roadhouse in the 1920s. Courtesy of Trapper Creek Museum-Alaska Nellie Collection.



Cliff Hudson stands in the Curry Lookout, 1950. Courtesy of Trapper Creek Museum Collection.



A cabin hand-built by pioneer Alaska 59ers. Courtesy of the Detroit Free Press, March 13, 1960 as seen in the Trapper Creek Museum

to the Curry Hotel and the development of a ski area in 1947, one of the first in Alaska with a tow-rope and jump.

m. The beginning of the end for Curry occurred on April 9, 1957 when a major fire burned the Curry Hotel to the ground and took the lives of three people. Faster diesel trains eliminated the need for extra stopovers along the rail line. As more operations moved to Talkeetna and other communities, Curry was abandoned. A mess hall was the last building standing which operated into the 1980s.

n. Today, Curry is once again a stop for travelers on the Alaska Railroad, with interpretive signs that tell the history of the community and a growing network of trails.

7.4 Alaska is one of the last true American frontiers, challenging pioneers with rugged terrain, extreme weather, and isolation.

a. The Homestead Act was passed by Congress in 1862, providing 160 acres of land for less than $20. Homesteaders were required to live on the land, build a residence, and farm part of it within 5 years. Thousands of eager families flocked to the undeveloped American West.

b. When Alaska became the 49th state in 1959, the Homestead Act again lured homesteaders by offering land for just a $10 filing fee. Pioneers to this new land, some of whom traveled thousands of miles, were known as "59ers."

c. The Alaska 59ers were considered by many to be "modern day pioneers setting out to tame the Alaska wilderness."

d. Homesteaders faced many hardships on their journey. For example, on March 5, 1959, a group of 21 Detroit families embarked on a 4,500 mile route to the Alaska wilderness. Flat tires, vehicle breakdowns, and bad weather turned what should have been an 18-day trip into a 53-day arduous journey. Just 12 families made it to the remote Susitna River valley. Only 4 families stayed long enough to claim a homestead.

e. Homesteading was grueling work that brought neighboring families and friends together.

Summer was a time for clearing land, cutting firewood, planting gardens, collecting wild berries, and canning salmon to survive the long, dark winters. Settlers helped each other during the hard times and provided a social outlet. This "frontier spirit" is still alive in the small communities and cabins that dot the Susitna River Valley.

f. The Homestead Act was finally repealed in 1976, though Alaska was granted an extension until 1986. Nearly 10% of U.S. land was settled in the 114 years of the Act, which included significant portions of Alaska.

g. The Trapper Creek Museum on Petersville Road is now housed in a log cabin built by the Donaldson family, one of the members of the Michigan 59ers.

7.5 The Parks Highway, visible from the visitor center site, is a marvel of engineering—a 323-mile modern road that took just 12 years to construct through the rugged terrain of the Alaska Interior.

a. The Talkeetna Trail was an early pioneer route from Cook Inlet to Talkeetna that followed the flat floodplain of the Susitna River and its tributaries. It was a forerunner of the Parks Highway.

b. The Alaska Road Commission was formed by Congress in 1899 to oversee construction and maintenance of roads and trails in Alaska. It was transferred to the federal Bureau of Public Roads in 1956, making it eligible to receive funds under the Federal Aid Highway Act. When Alaska became a state in 1959, one of its first projects was the construction of a new Anchorage to Fairbanks highway.

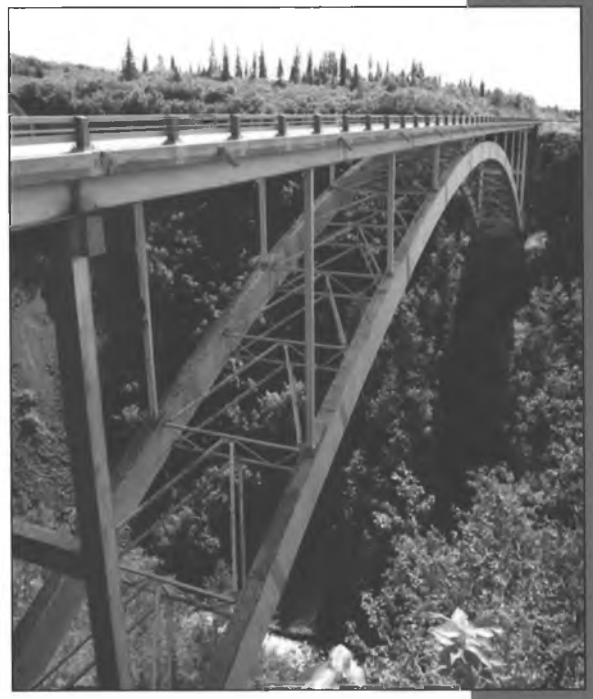
c. The route for the new Anchorage-Fairbanks highway was chosen to follow the flat Susitna River drainages, the most direct accessible route between the two largest cities.

d. Construction of the highway started in 1959 and took 12 years to complete at a cost of $150 million. When completed in 1971, it was originally named the Anchorage-Fairbanks Highway.

e. The highway was renamed in 1975 for George Alexander Parks, governor of the Territory of Alaska from 1925 to 1933. Its proximity to Denali State



Trapper Creek Museum. June, 2008



Hurricane Gulch at Mile 174.3 of the Parks Highway illustrates the major engineering feat of building the road. June, 2008



Talkeetna welcomes visitors with its rustic signage and charm. August, 2007

and National Parks was also recognized.

f. The Parks Highway runs 323 miles from the Glenn Highway 35 miles north of Anchorage to Fairbanks in the Alaska Interior. Mileposts along the road start at Mile 35.

g. The Parks Highway travels through some of the most diverse and spectacular scenery in all of Alaska. A 116-mile segment (milepost 132 to 248) was designated as an Alaska State Scenic Byway and is currently under consideration to be designated as a National Scenic Byway.

h. The recently completed "George Parks Highway Scenic Byway: Corridor Partnership Plan" describes the significance of the road.

If one byway could epitomize all that is Alaska, that byway would be the Parks Byway. Passing through Denali country, dominated by the lofty, snow-covered peaks of the Alaska Range, active glaciers, rolling tundra, boggy muskegs, and spruce forests laced by rivers, the Parks Byway is, according to some residents, the best drive in Alaska.

7.6 Communities near Curry Ridge were formed to provide supplies and serve as social gathering areas for trappers, miners, and homesteaders.

a. Talkeetna is located at the confluence of the Susitna, Chulita, and Talkeetna Rivers, an important fishing and trading site for the Dena'ina people. The name comes from the Athabaskan word "K'Dalkitnu" which means "River of Plenty."

b. The gold rush in the Susitna River area brought prospectors to the region as early as 1896. Talkeetna became a riverboat steamer station in 1915 to provide supplies to prospectors heading out to mining claims. Talkeetna was chosen as the divisional headquarters for the Alaska Railroad in 1916, and its population peaked near 1,000. The townsite was established in 1919 when the railroad surveyed and auctioned 80 lots. The community continued to supply area minters until 1940.

c. In 1964, a 14-mile spur off the Parks Highway opened Talkeetna to vehicle traffic and development. Today, the village of about 770 people celebrates its past with rustic log buildings,



The Trappers Creek Museum tells the story of this area with an array of unique artifacts. June, 2008

wooden signs and a true Alaska small town atmosphere. The community is a staging area for climbing expeditions up Mt. McKinley, scenic flights, and jet boat tours. The historic downtown was placed on the National Register of Historic Places in 1993.

d. Trapper Creek is located at the intersection of two roads. The first semi-permanent settlers of the Trapper Creek area were two brother trappers, Oliver and Noah Robideux, who built a cabin in 1909. In 1917, an early day miner named Henry Bahrenburg blazed a trail leading east from the Cache Creek gold mines to Talkeetna. The Alaska Railroad improved the trail into a wagon road, with the present name of Petersville Road.

e. In 1939, Shorty Bradley settled along Petersville Road a few miles west of "The Landing," a point directly across the Susitna River from Talkeetna. Other settlers joined Bradley to farm the fertile land, including the Michigan 59ers in 1959.

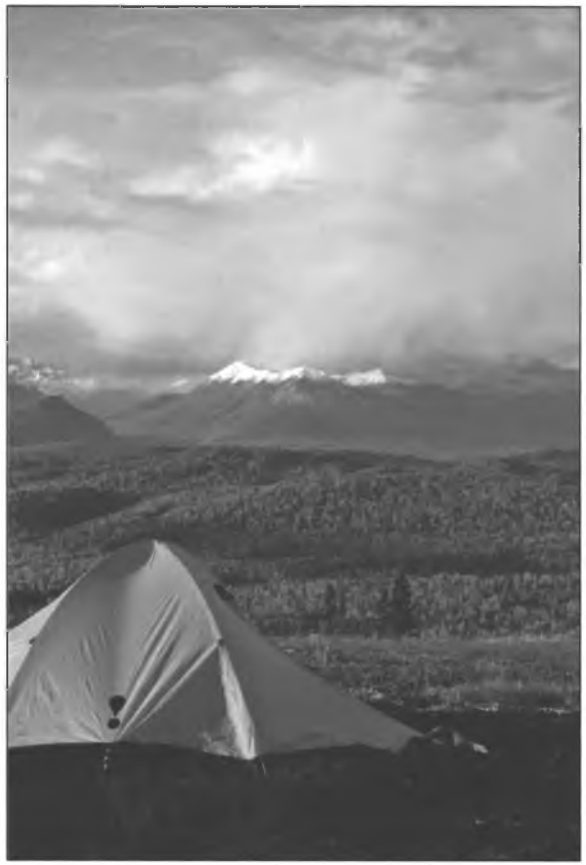
f. Trapper Creek became an official community when the Parks Highway was constructed in 1968, intersecting with Petersville Road near the same area that Shorty and other homesteaders had settled. Today, the community of about 420 people has a variety of services and tourist attractions.



Talkeetna. August, 2007



Oliver and Francis Robideux. Oliver and his brother Noah were the first semi-permanent settlers of Trapper Creek. Courtesy of Trapper Creek Museum



Camping on Curry Ridge. September, 2007

Sub-theme 8

Denali State Park offers unique opportunities for residents and visitors to intimately experience the diverse landscapes and habitats of the region.

Messages for Sub-theme 8:

8.1 The mission of Alaska's Division of Parks and Outdoor Recreation is to provide outdoor recreation opportunities and conserve and interpret resources. Guided by this mission, the South Denali Visitor Center Complex will serve as a hub for diverse outdoor recreational activities in Denali State Park.

8.2 Much of Denali State Park's 325,240 acres are in a wilderness state. Wilderness ethics and "Leave No Trace" principles are important for visitors to understand before engaging in recreational opportunities.

8.3 Black bears and grizzly bears are common throughout the park, especially near salmon spawning streams in spring and ridge blueberry patches in fall. Safety information about bear behavior and encounters must be provided to visitors.

8.4 Camping is an ideal way to experience the park, allowing people to witness the landscape in the changing light of day and encounter wildlife in their dynamic traveling patterns. Roadside camping is available at Byers Lake (79 units), Lower Troublesome Creek Trailhead (20 units), Denali View North (20 units), and Denali View South (20 units). The campgrounds offer toilets, picnic sites, and drinking water. Three log public use cabins are also available for rental on Byers Lake.

8.5 For the more adventurous, several rustic trails provide hikers and backpackers access to the park's backcountry region. The backcountry is a totally immersive experience, showcasing world-class vistas, providing unlimited opportunities to observe wildlife and plants, connecting people to the rugged landscape, and offering true exposure to the Alaska wilderness. About 50 miles of trails start at various points along the Parks Highway and climb steeply to the top of K'esugi Ridge. Low impact camping is allowed anywhere in the backcountry.

8.6 Hunting is a popular activity in Denali State Park, a tradition that spans back to the Dena'ina people hunting caribou and bear on Curry and K'esugi Ridges. The entire park is open to hunting, except within a quarter mile of the Parks Highway and a half mile of developed facilities. Common species harvested include black bear, brown bear, moose, and ptarmigan. Fish and wildlife in the park are managed by the Alaska Department of Fish and Game.

8.7 The clear streams of Denali State Park are ideal habitat for many fish species. Black and brown bears flock to the spawning areas during late spring and early summer, which has given arise to names such as "Troublesome Creek." Humans are also attracted to the waterways in pursuit of Pacific salmon, rainbow trout, arctic grayling, and Dolly Varden. Small numbers of lake trout, whitefish, and burbot are found in Byers Lake. The major rivers are clouded with glacial silt, so fishing is limited.

8.8 A plethora of edible wild berries in the park sustain wildlife populations and entice human gatherers. In the higher elevations, colorful blueberries, crowberries, cloudberries, and low-bush cranberries blanket the tundra habitat. In more protected areas, highbush cranberries, currents, and watermelon berries (twisted stalk family) grow.

8.9 Motorized vehicles can cause lasting damage to vegetation and trails in the park, and are limited to maintained roads and parking areas.

8.10 In winter, snowshoeing, cross-country skiing, and dog mushing are popular activities in the park, especially in lower, protected areas where snow is deeper. Snowmachines are allowed in the park when the snow depth is sufficient (about 18 inches) to protect vegetation.

8.11 In winter, the windswept upper reaches of Curry and K'esugi Ridges often have exposed rock and tundra areas, not ideal for winter recreation. Deeper snow is concentrated in the lower areas around Lake 1787 and between the flat rocky outcroppings.



Fishing at Troublesome Creek.



Blueberries on Curry Ridge. September, 2007

Chapter Five

Interpretive Facility and Site Development



South Denali Visitor Center Complex:
Interpretive Master Plan

Visitor Center Site

The South Denali Visitor Center will serve as a gateway and hub to the Alaska outdoors. Visitors who have meaningful experiences at the site will take home not only fond memories, but also a deeper intellectual and emotional understanding of the region. Effective planning of the site and facilities based on interpretation has a positive effect on visitors, garnering future support for the agencies and organizations that manage Alaska's natural resources.

Rationale for Site Location on Curry Ridge

The location of the South Denali Visitor Center must maximize interpretive experiences, while minimizing ecological and visual impacts. The most effective site identified within the study area is a flat, rocky overlook north of Lake 1787 marked with a prominent erratic boulder. The area is just above dense thickets of alder on a north brow of the Ridge.

The following sections describe rationale for this location as an ideal visitor experience.

Note: The exact building site location may be subject to change pending geotechnical information, land surveys, and other preliminary studies.

Location on Curry Ridge that reduces impact on the site

The visitor center site is nestled on a small east-west arcing lip of Curry Ridge. It is perched above a valley that divides the Ridge into a small discrete, lower elevation knoll to the southwest (where the visitor center will be constructed) and a long, higher elevation ridge to the northeast.

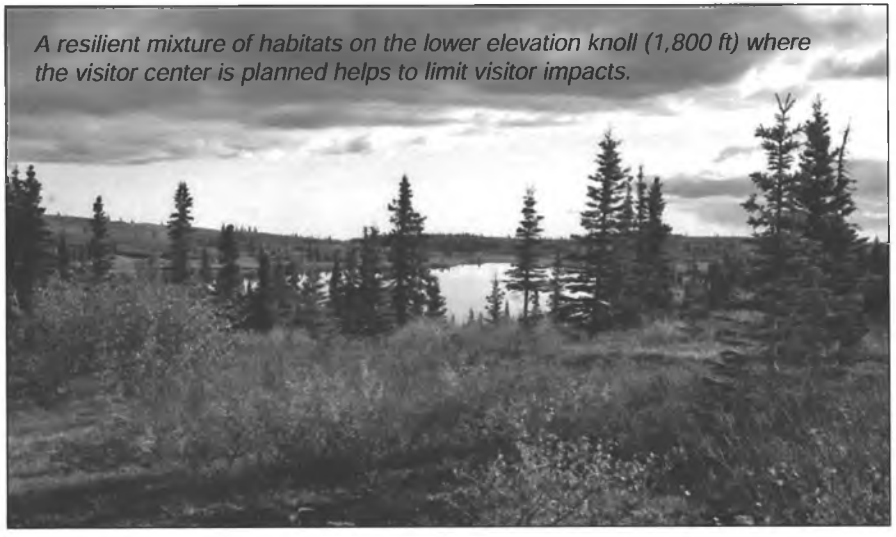
- **Majority of Curry Ridge remains in natural state:** The location of the building on the discrete southwest portion of Curry Ridge leaves the majority of the ridge available in a natural state for backcountry use. Due to its lower elevation, the visitor center will be hidden from view at the Curry Lookout. Only users who continue down the ridge (southwest) from the Lookout will be able to see the visitor center when they approach the descent into the valley. Currently, the most popular backcountry trail in the area is along K'esugi Ridge, where the visitor center will always be hidden from view.
- **Resilient habitat around center:** The habitat of this site at about 1,800 feet is a relatively resilient mixture of high brush, alpine tundra, spruce trees, alders, and willows. Dense stands of alder and willow and pockets of wetlands channel hikers along corridors and assist trail planners in directing traffic. The site has the best potential to provide easy access to portions of tundra habitat while protecting it from extreme disturbance. In contrast, the vast tundra at the top of Curry Ridge above 2,000 feet (northeast of the site, separated by a valley) is far more sensitive to disturbance; footprints and snowmobile tracks are evident throughout. The distance from the proposed visitor center site (3-4 miles) and the difficult terrain (steep valleys and slopes), however, will limit the number of visitors who can access this more fragile area.
- **Reduced visual impact:** The visitor center's orientation to the north completely hides the building from traffic driving on the Parks Highway south of Denali View South. The rugged, high topography of K'esugi Ridge, Troublesome Creek, and Curry Ridge proper north of the site will also minimize the view of the building for Parks Highway travelers north of Denali View South.


Visitor Center Site in Relation to Greater Curry Ridge
Parks Highway
Troublesome Creek
Curry Ridge
High elevations over 2,000 feet
Susitna River
Curry Lookout 2,559 ft
Historic Curry Site
Unnamed Creek
Visitor Center Site
Denali View South
Lower elevations around 1,800 feet

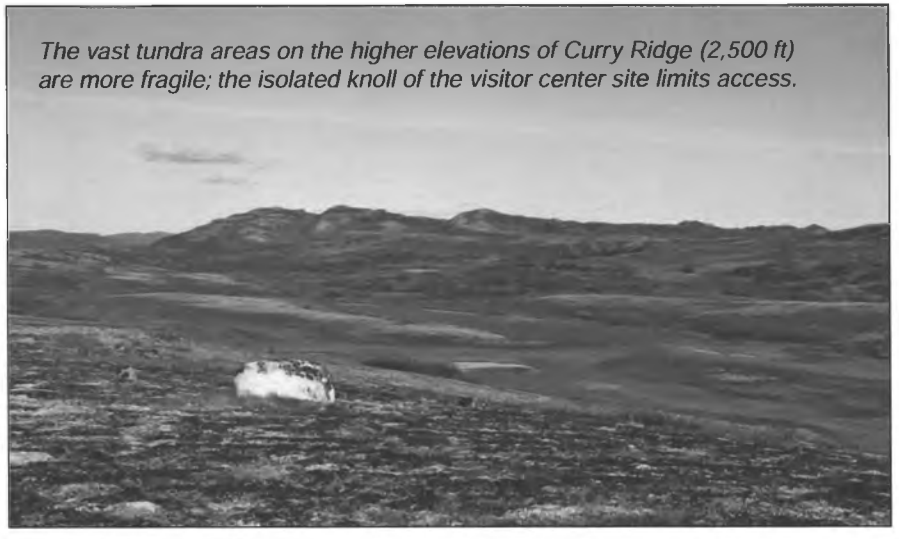
- **Limited access to sensitive Curry Ridge habitats:** The visitor center will serve as a hub to recreational activities in the Curry Ridge backcountry. Its proposed location, however, will effectively limit the number of visitors that can reach the more sensitive alpine tundra habitats. The majority of use will be concentrated around the visitor center area. A few hardy adventurers can choose to follow a rustic trail down the dividing valley slope, over beaver streams, and up a steep incline to access the higher elevations of Curry Ridge and the Curry Lookout.
- **Screened parking areas:** Ample space would be available in close proximity east of this site for shoulder season parking. Topography and spruce trees would help to hide the lot from the interpretive center, Curry Ridge hiking trails, and the Parks Highway below.

Excellent views of Denali/Mt. McKinley and the Alaska Range

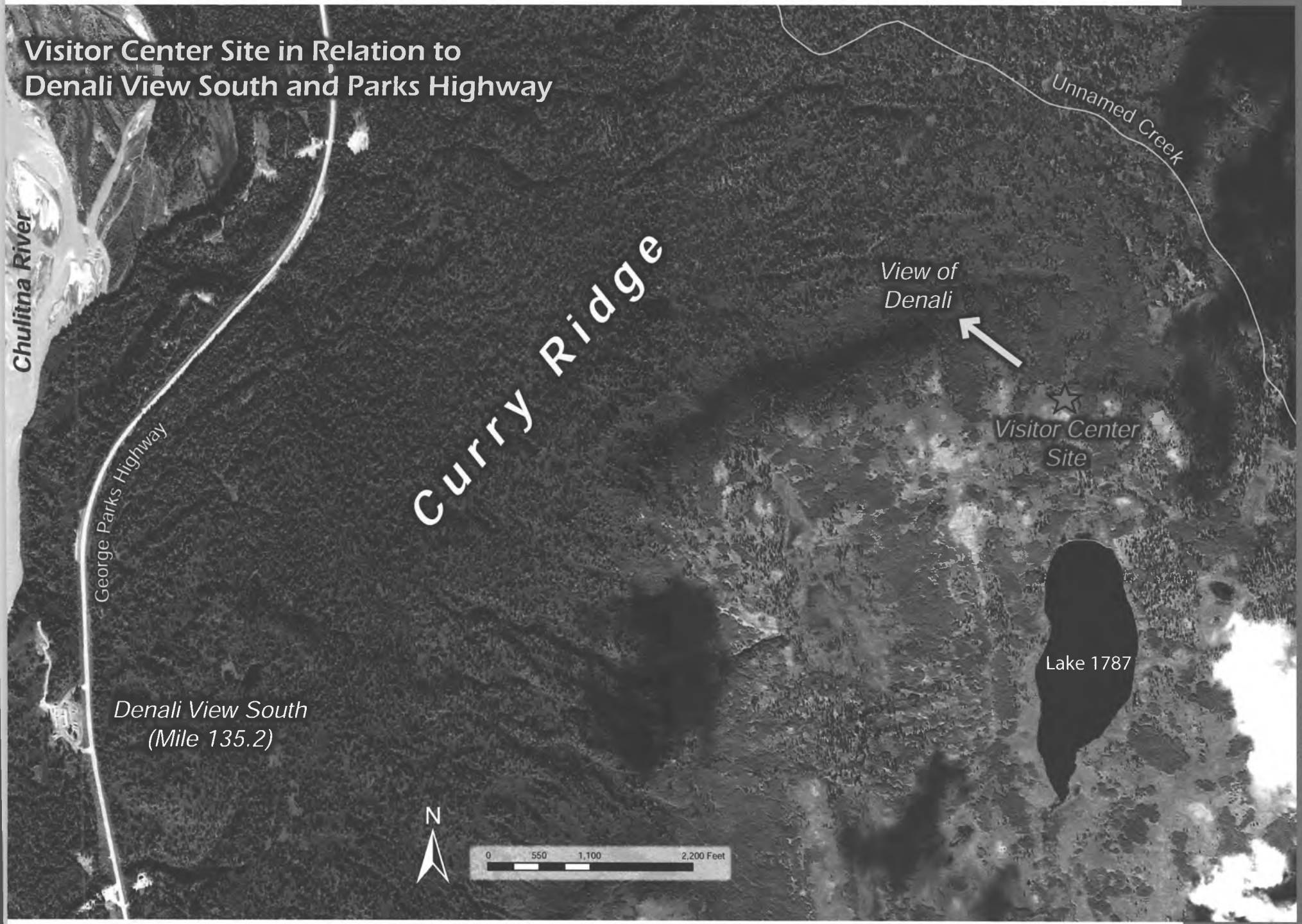
- **Denali:** The site offers spectacular views of Denali, the icon that many seek to "experience." The view of the mountain here dramatizes Denali's astounding 18,000 foot vertical elevation above the surrounding landscape. This unique view emphasizes that it has the most dramatic local relief of any of the world's tallest mountains.
- **Dynamic scenes:** Viewers are engulfed in mountain sunlight, cool air, and panoramic vistas. Unlike exhibits or audio-visual presentations, this scene is dynamic; storms blow in, eagles soar, or sunlight illuminates the mountain peaks. It can be a rich and serendipitous experience that is more valuable because it cannot be guaranteed.
- **Natural and cultural stories:** The vistas permit people to see the historic routes that expeditions and climbers have taken to Denali. The vantage point provides an overview of geologic landforms like glaciers, outwash plains, rivers, cirques, and U-shaped valleys. This is an excellent staging area to connect viewers to the sweeping stories of geology and the adventures of explorers, pioneers, and climbing expeditions.

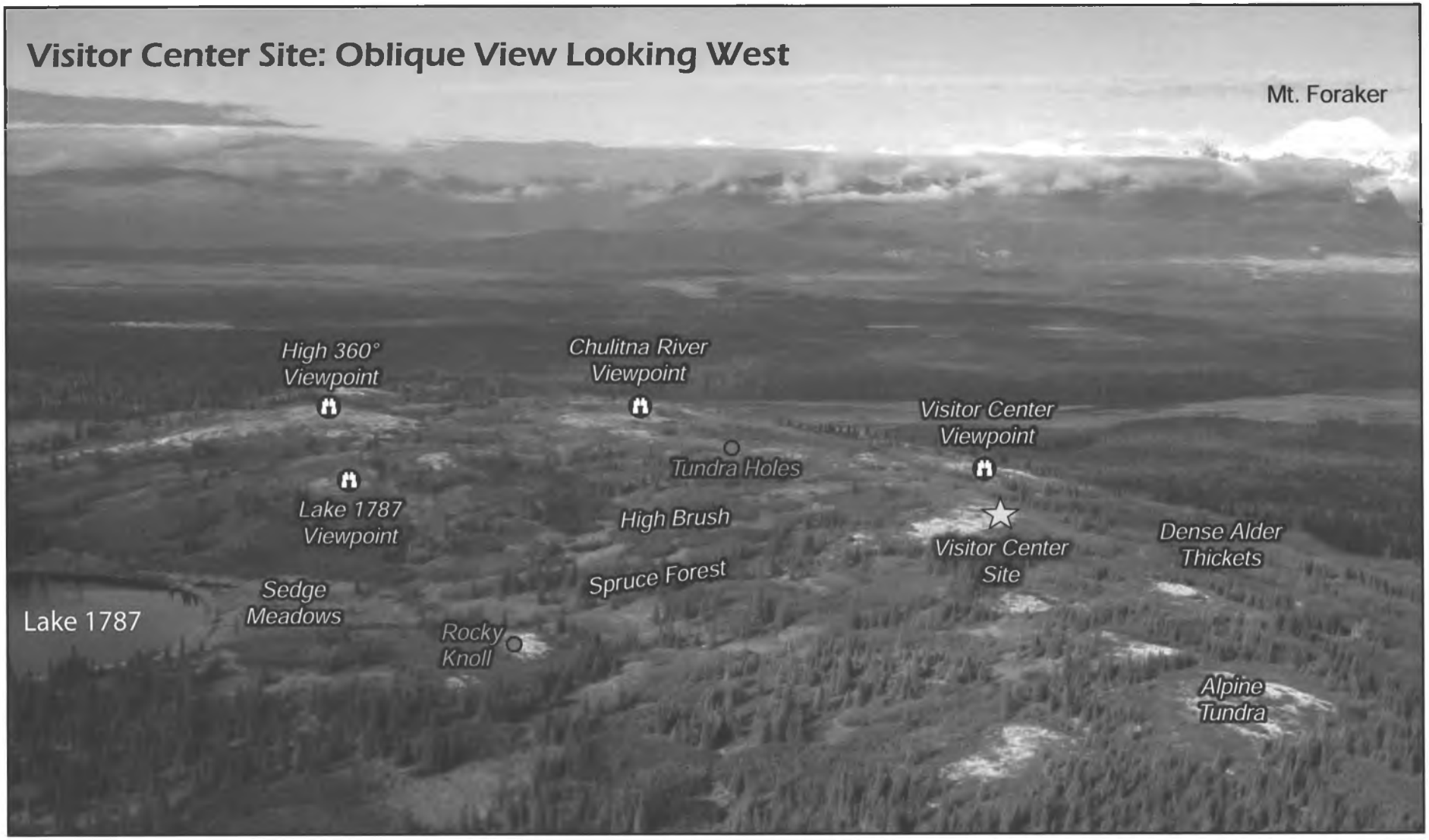


A resilient mixture of habitats on the lower elevation knoll (1,800 ft) where the visitor center is planned helps to limit visitor impacts.



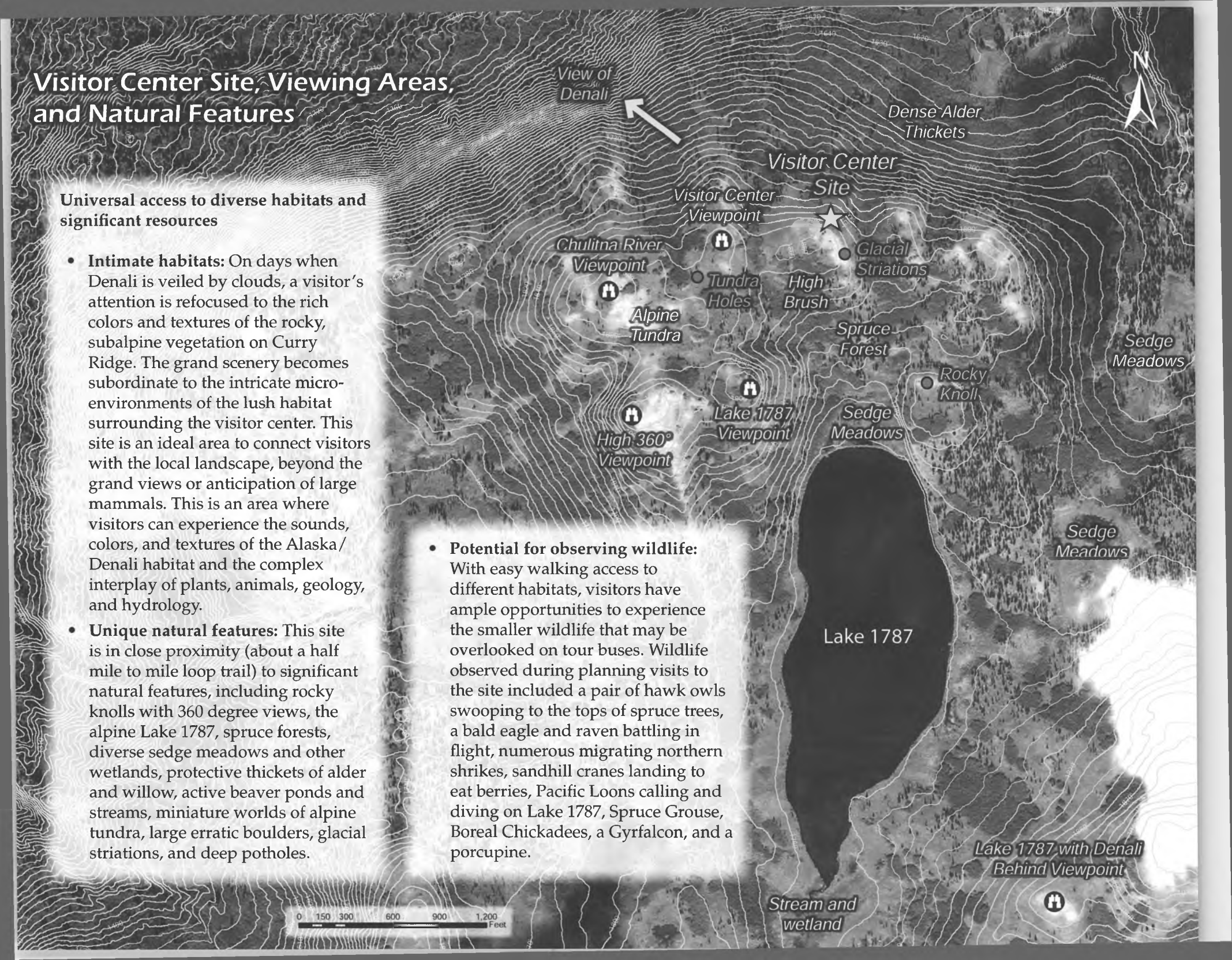
The vast tundra areas on the higher elevations of Curry Ridge (2,500 ft) are more fragile; the isolated knoll of the visitor center site limits access.


Visitor Center Site in Relation to
Denali View South and Parks Highway
Chulitna River
George Parks Highway
Curry Ridge
Unnamed Creek
View of
Denali
Visitor Center
Site
Lake 1787
Denali View South
(Mile 135.2)
N
0
550
1,100
2,200 Feet



- **Natural observation areas:** High vantage points will naturally attract visitors who want a better view. Several overlooks are in close proximity to the site, including a knoll west of the site (providing 360 degree panoramic views), a rocky overlook northwest of Lake 1787 (with an impressive view of the entire lake), and a 1,980 foot hill southeast of Lake 1787 (spectacular view of the lake with Mt. McKinley rising behind). Well constructed trails can be built connecting these high points with the interpretive facility to avoid trampling of the tundra habitat. In addition, the Parks Highway is less visible from this vantage point than other similar lookouts.

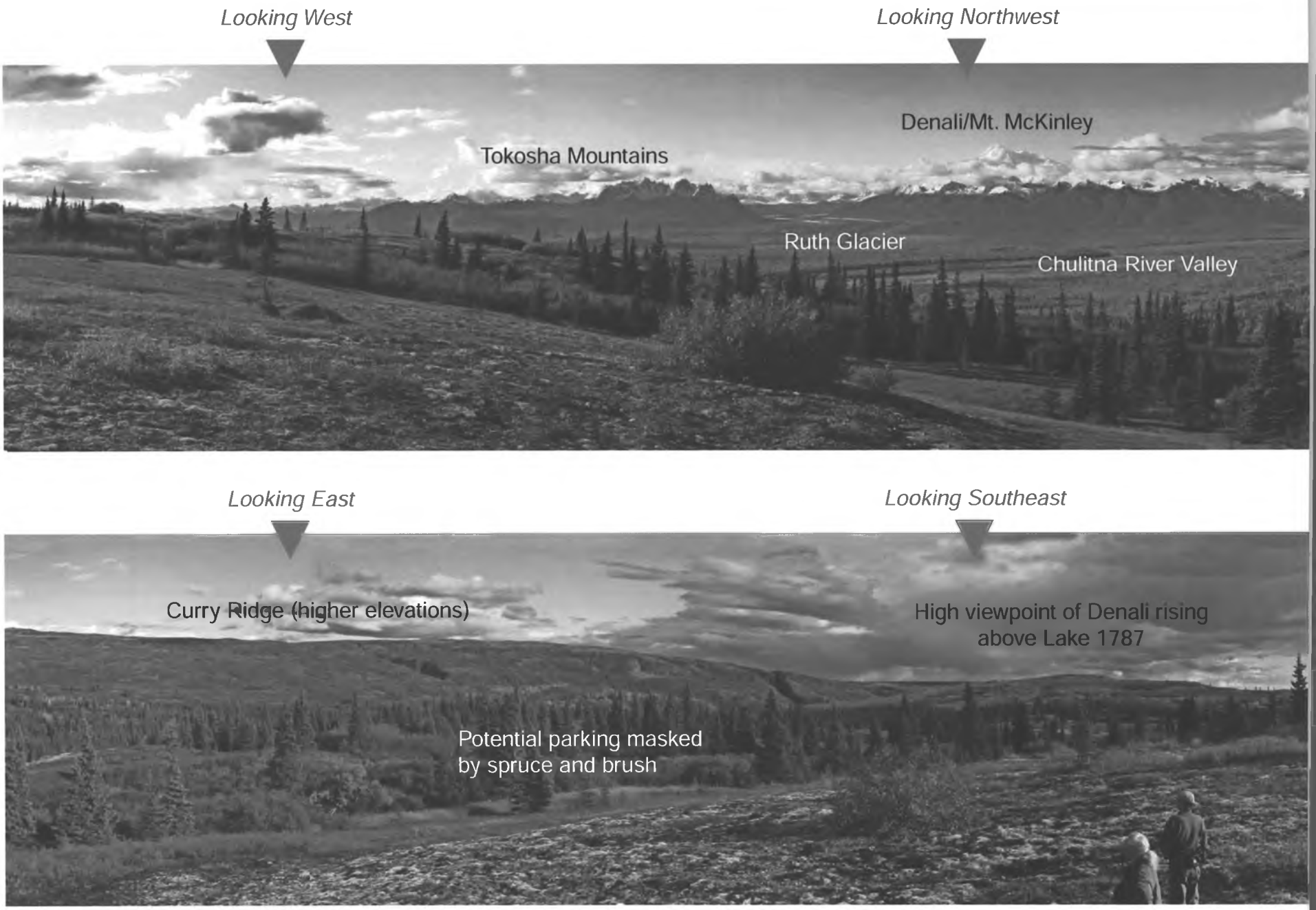
Visitor Center Site, Viewing Areas, and Natural Features

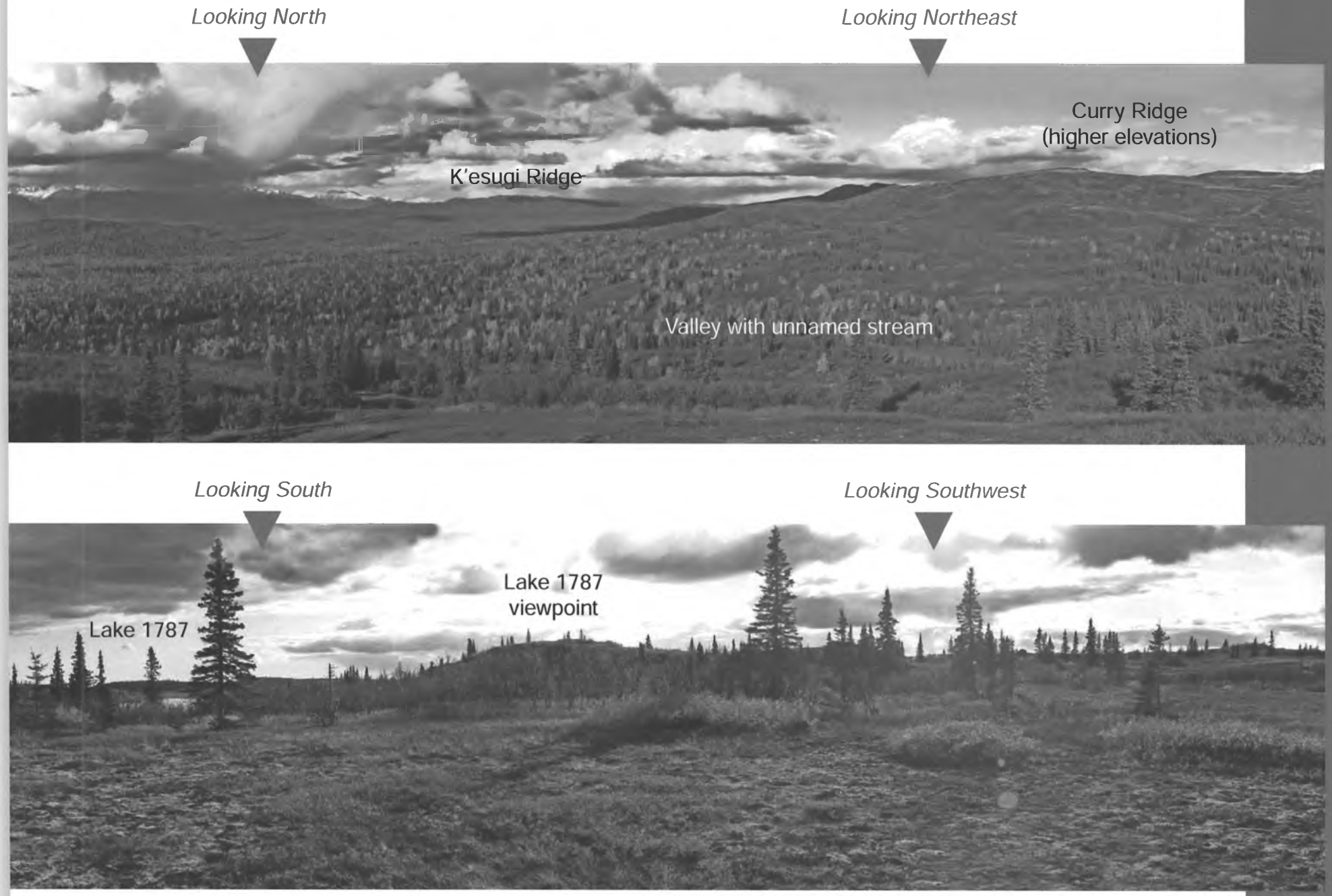


Universal access to diverse habitats and significant resources

- **Intimate habitats:** On days when Denali is veiled by clouds, a visitor's attention is refocused to the rich colors and textures of the rocky, subalpine vegetation on Curry Ridge. The grand scenery becomes subordinate to the intricate micro-environments of the lush habitat surrounding the visitor center. This site is an ideal area to connect visitors with the local landscape, beyond the grand views or anticipation of large mammals. This is an area where visitors can experience the sounds, colors, and textures of the Alaska/Denali habitat and the complex interplay of plants, animals, geology, and hydrology.
- **Unique natural features:** This site is in close proximity (about a half mile to mile loop trail) to significant natural features, including rocky knolls with 360 degree views, the alpine Lake 1787, spruce forests, diverse sedge meadows and other wetlands, protective thickets of alder and willow, active beaver ponds and streams, miniature worlds of alpine tundra, large erratic boulders, glacial striations, and deep potholes.
- **Potential for observing wildlife:** With easy walking access to different habitats, visitors have ample opportunities to experience the smaller wildlife that may be overlooked on tour buses. Wildlife observed during planning visits to the site included a pair of hawk owls swooping to the tops of spruce trees, a bald eagle and raven battling in flight, numerous migrating northern shrikes, sandhill cranes landing to eat berries, Pacific Loons calling and diving on Lake 1787, Spruce Grouse, Boreal Chickadees, a Gyrfalcon, and a porcupine.

Panoramic Views from the Visitor Center Site




Looking North
Looking Northeast
Curry Ridge
(higher elevations)
K'esugi Ridge
Valley with unnamed stream
Looking South
Looking Southwest
Lake 1787
viewpoint
Lake 1787



This trailhead structure in Knochan Crag National Nature Reserve, Scotland, harmonizes with the stone and heather of this mountain environment.



Homesteads in Alaska are creatively constructed of locally available materials. This cabin showcases rough log construction, a metal roof, and a traditional cache. August, 2007

Visitor Center Design

Alaska is America's Frontier. It is, in the collective minds of Americans, the symbol of wilderness and vast open landscapes. It contains examples of architecture that compliment the scale and the materials seen in the landscape. Many classic Alaskan buildings blend with their settings.

The South Denali Visitor Center should grow from its surroundings and synthesize rustic building practices with today's needs and technology. Native and vernacular materials should be used when feasible but even when other materials are utilized, they should harmonize with the surroundings, be durable, consume less energy, and invite visitation.

The visitor center will serve as a gateway and hub to the real experience out on the site, concentrating intense visitor use within a limited area. This portal will serve as a filter that buffers on-site use of the area. It will provide for visitors' physical comforts and needs, orient them, and prepare people to experience the spirit of this place.

Architectural Precedents in the Curry Ridge Region

When buildings are designed and constructed in response to the inherent virtues and limitations of a particular site, visitors and residents can develop deeper connections to the region's unique sense of place.

There is a strong heritage and local affinity for rustic architecture and design in the Curry Ridge region. Distinct architectural styles include:

- Rough log construction with locally available materials is the rule. Available timber is relatively small diameter and therefore beam construction is usually round, not squared or sawn.
- Vernacular stone design. Geology is varied. Where stone is available it has been used for the first few feet of the first story to avoid snow accumulating on log footings and bases where rot might occur. Stone fireplaces and chimneys are common and firewood stacks were and still are seasonal fixtures in most rural Alaska homes.
- Sod and earthen roofs have been used on some rustic cabins. Metal roofs are quite common. Rooflines tend to be steep to reduce snow loads. Building

placement often takes advantage of windbreaks and available sun.

- Traditional vernacular buildings included outhouses and elevated caches near homes. Often antlers are displayed over doors and in roof peaks. Satellite dishes are a recent addition to home exteriors.
- Railroads shaped the landscape and influenced settlement and commerce. They became a dominant cultural force in modifying the natural environment. Bridges, grades, avalanche sheds, and tunnels are noticeable landscape features in Alaska. The railroads also ferried commercial building materials into once remote areas.
- Quonset huts and other temporary structures became familiar sights here during WWII and in the post war era. Many still persist.
- Federal land agencies like the National Parks, Forests, or Bureau of Land Management have erected numerous wilderness and park structures that emulate the classic, rustic park design of the 1930s. Alaskans and visitors are accustomed to seeing these structures in natural settings.
- Mining is an architectural and landscape influence in the region.
- Tourism, which has been traditionally concentrated in the summer season, has greatly influenced transportation, lodging, and dining facilities. Services are measured out by bus loads. Corporate motels and restaurants have replaced mom and pop businesses along the Parks Highway. Mega lodges with full service tourist packages are expanding in this region.

Ecological Influences on Curry Ridge

The visitor center site is a broad windswept ridge top, at times washed by intense sunlight and at other times muted by cool, gray clouds. Weather conditions, topography, and natural communities are diverse, and can influence the design of the visitor center.

Some ecological considerations include:

- Seasonally strong and abundant sunlight countered with long, dark winters. Clear bright skies or cold, wet and cloudy days.
- Intense freeze-thaw cycles
- Dramatic and dynamic geology (exposed rock, glaciers, outwash plains etc.)
- Vast landscapes that provide little sense of enclosure or shelter. Alpine areas are particularly windy, bright, and, exhibit contrasting extremes of hot or cold.
- Thin mountain soils are unable to retain moisture or to support lush vegetation.
- Some of the most mountainous and wild terrain in North America surrounds the building site.
- Migrations of large flocks of birds and large mammals that may seasonally cross and travel trails and roadways.



In Alaska, people can experience natural forces of weather and geology on a colossal scale. September, 2007

Architectural Guidelines for the Curry Ridge Visitor Complex

Based on the region's cultural and ecological considerations, as well as the visions of the partnering agencies, the desires and concerns of Alaska residents, and the needs of Alaska tourists, the following concepts will guide the development of the South Denali Visitor Center Complex.

- Respect the local climate, topography, and ecosystems, both natural and human.
  - Locate structures below the brow of hills and mountains
  - Place buildings on the edges of clearings and other transitional zones
  - Attempt to duplicate the forms and rhythms of the landscape in built structures

- Size and scale of structures should be appropriate to the wild grandness of the mountain terrain.
  - Maintain a low profile in treeless areas
  - Design the structure to appear rustic and substantial
  - Break up the mass of larger buildings with unified smaller shapes and elements
  - Repeat simple forms to increase a unified appearance
  - Place the building below the brow of the ridge to keep it harmonious with the site and inconspicuous from the Parks Highway

- Materials should reflect the natural characteristics of the site and be themed to the culture and natural heritage of the region
  - Use stone as a base for walls to compliment the region's rugged geology, to visually tie the building to the ground, and to protect the wall from snow and moisture
  - Use building materials that are in scale with the site. Large rock is proportional to the mountainous terrain, while the fine vegetation textures of the alpine tundra can be repeated as the roof covering
  - Make windows large enough to invite views of the panoramic scenery and take advantage of the cherished sunlight
  - Place entrances in protected locations, such as the leeward side of the building, and provide a vestibule or porch for inclement weather.
  - Avoid skylights or place them near the roof peak and isolate them from large mammals like bears or moose that may have seasonal access to the roof
  - Unify all signage, bridges, viewing platforms, benches, and other landscape elements by using key features of the building's architecture, such as stone blocks and wood
  - Use elements of the natural environment in all walkways, signs, and landscape elements
  - Celebrate wood but use it only where appropriate and use local wood sources whenever possible

- Building and landscape color should be consciously planned with regard to the site's seasonal color palette
  - Muted earth tones are appropriate to blend a facility into a natural site
  - Color values should be kept in the medium range in Alaska as a response to frequent grey skies and overcast weather
  - Use light colors indoors to optimize ambient light reflection
  - Coordinate the colors of the exterior and interior of the building and the site

Sustainable Design

A program of comprehensive sustainable (green) design that is most appropriate to the site and location should be applied to the planning, construction, and operation of the Curry Ridge Visitor Complex.

Sustainable design has many precedents in Alaska. Two rating systems are used to achieve long-term cost savings and environmental benefits: LEED (Leadership in Energy and Environmental Design) and the Interior Alaska Green Building Initiative. Both award points that result in bronze/ certified, silver, gold, or platinum ratings for sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality. Some local architects cite weaknesses in the LEED rating system which they believe tends to focus more on an arbitrary point system rather than real achievement in appropriate design for efficiency in remote areas of Alaska. The Curry Ridge Visitor Center should strive for the highest possible rating, but temper design decisions with a rational approach with respect for balancing the specific demands of the site, visitor needs, and agency budgets. Building a site specific, sustainable facility should be the goal and a good rating will result.

Model sustainable design projects include:

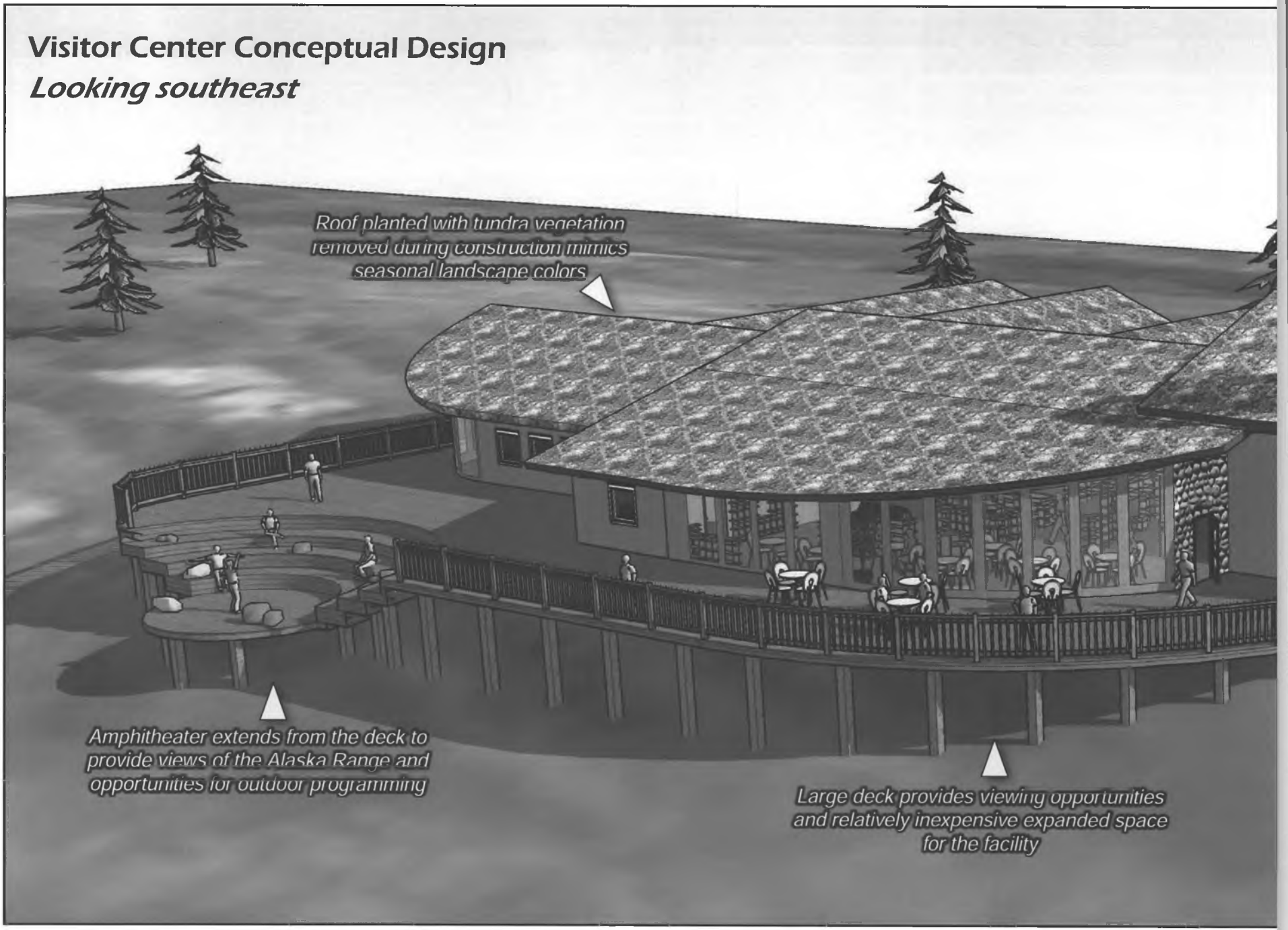
- Eielson Visitor Center in Denali National Park (RIM, Architects) which incorporated an earth-sheltered envelope, green (reclaimed tundra) roof, energy efficient lighting and appliances coupled with solar panel and micro-hydroelectric systems, and recycled materials from the old building. The goal is to achieve a LEED Platinum rating.
- Homer Public Library (ECI/ Hyer Inc., Architects) achieved a LEED silver rating by using almost exclusively local and recycled materials.
- Cold Climate Housing Research Center at UA Fairbanks used a ceramic heater coupled with hydronic heating coils, a vegetated green roof, a clerestory for lighting, a water recycling system, and many other green design features. The building itself is a testing facility for cold climate design.

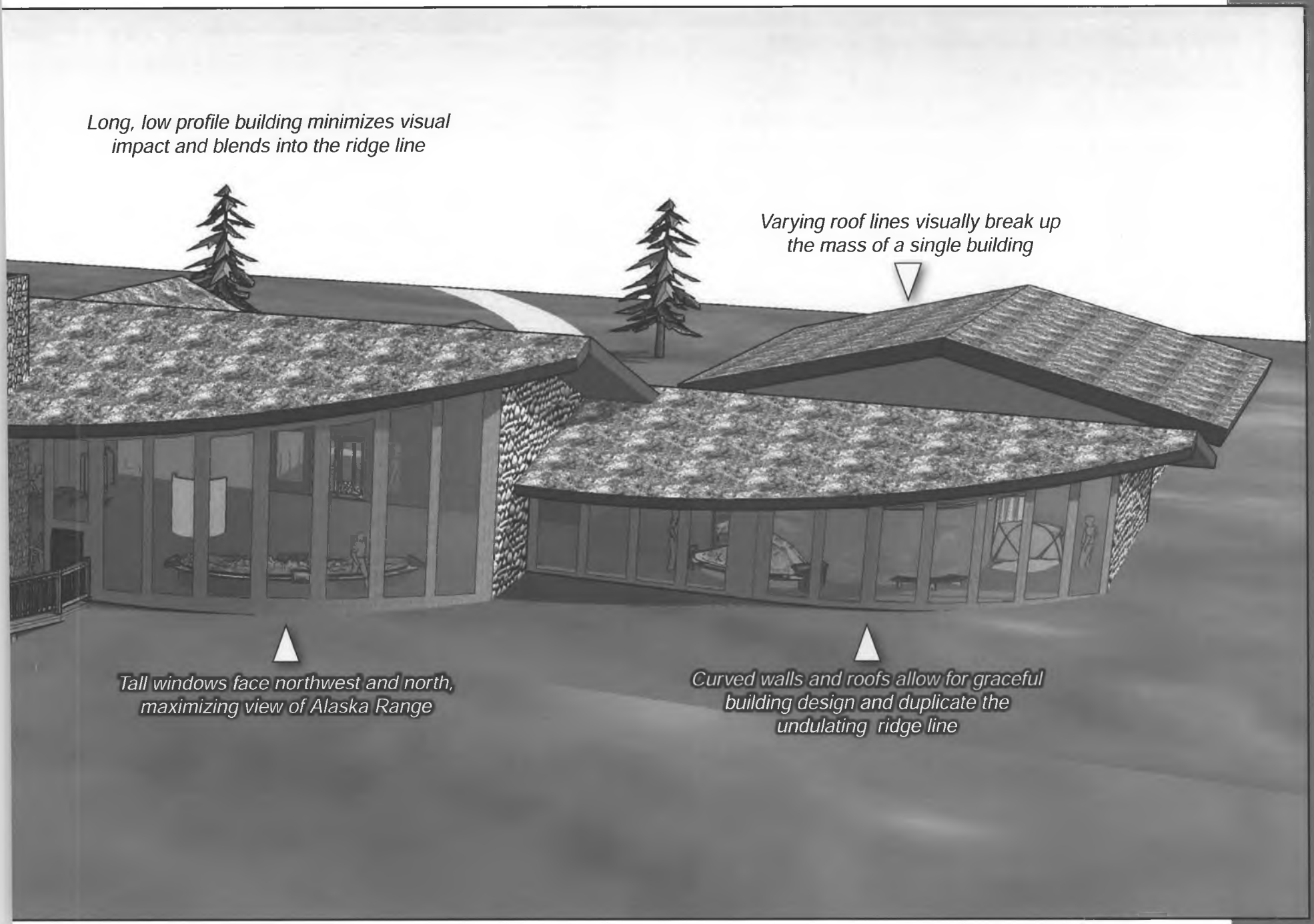
A partial listing of potential sustainable design features:

- Build on a frost protected shallow foundation
- Apply a green roof using the plants removed from the construction site
- Use natural day lighting, perhaps with clerestory windows or a wide overhanging roof that minimizes greenhouse heating through glass windows
- Heat with a natural stone surfaced ceramic heater/fireplace coupled with hydronic heating coils. Use local wood fuels
- Create natural cross-ventilation throughout
- Use local wood and stone construction materials
- Use Alaska manufactured cabinets, insulation materials, and other fixtures
- Use efficient toilets and faucets; recycle gray water; consider a composting toilet system; have an on-site water source
- Use efficient lighting and appliances
- Create the least site disturbance for the building and access roads
- Consider constructing a net zero energy building, perhaps incorporating a hybrid micro energy system for electricity generation that eliminates the need for running power lines to the site
- Use the Residential Exterior Membrane Outside-insulation Technique (REMOTE) developed by the Cold Climate Housing Research Center which minimizes energy loss and moisture build-up on interior walls

Visitor Center Conceptual Design

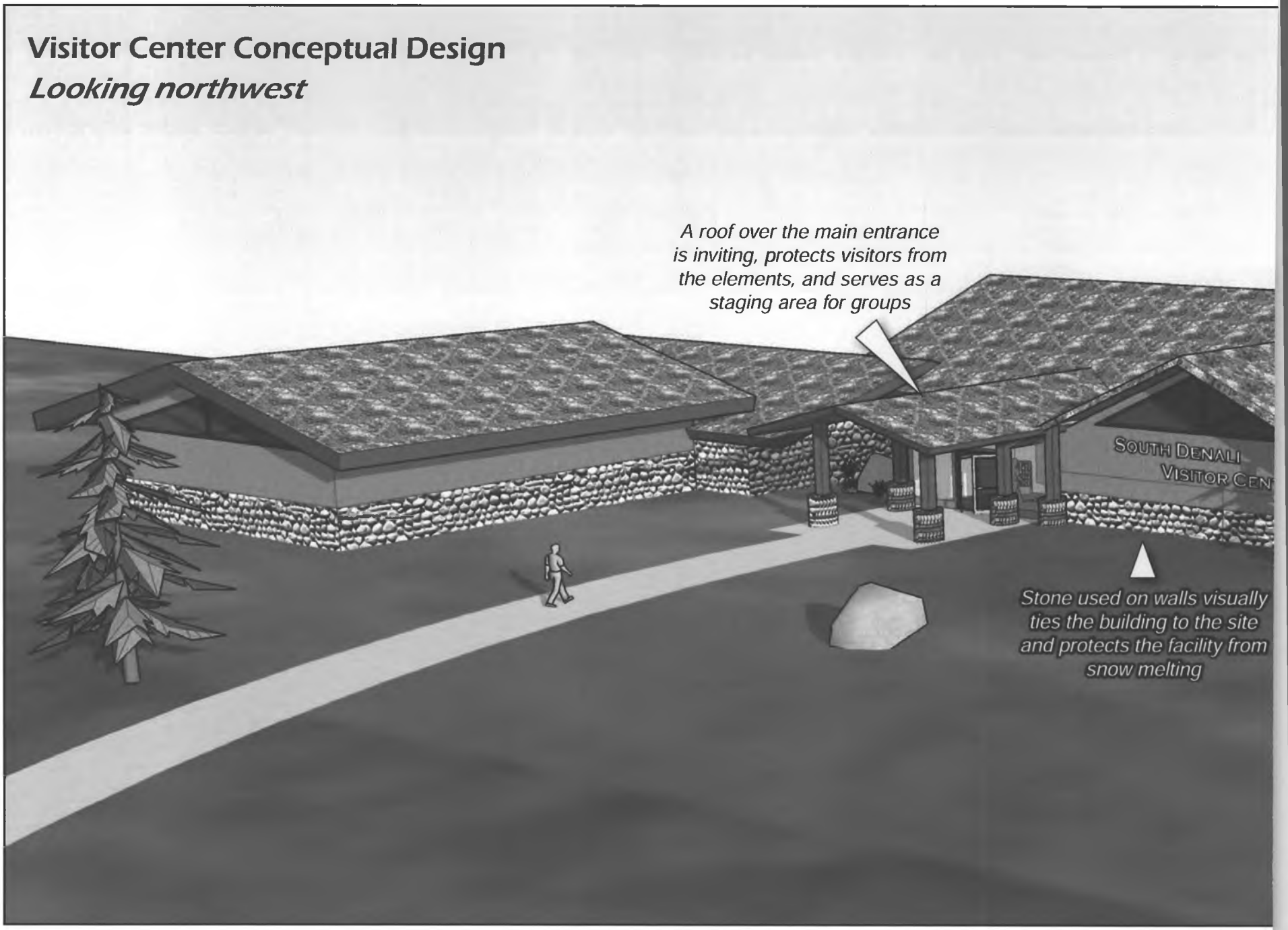
Looking southeast

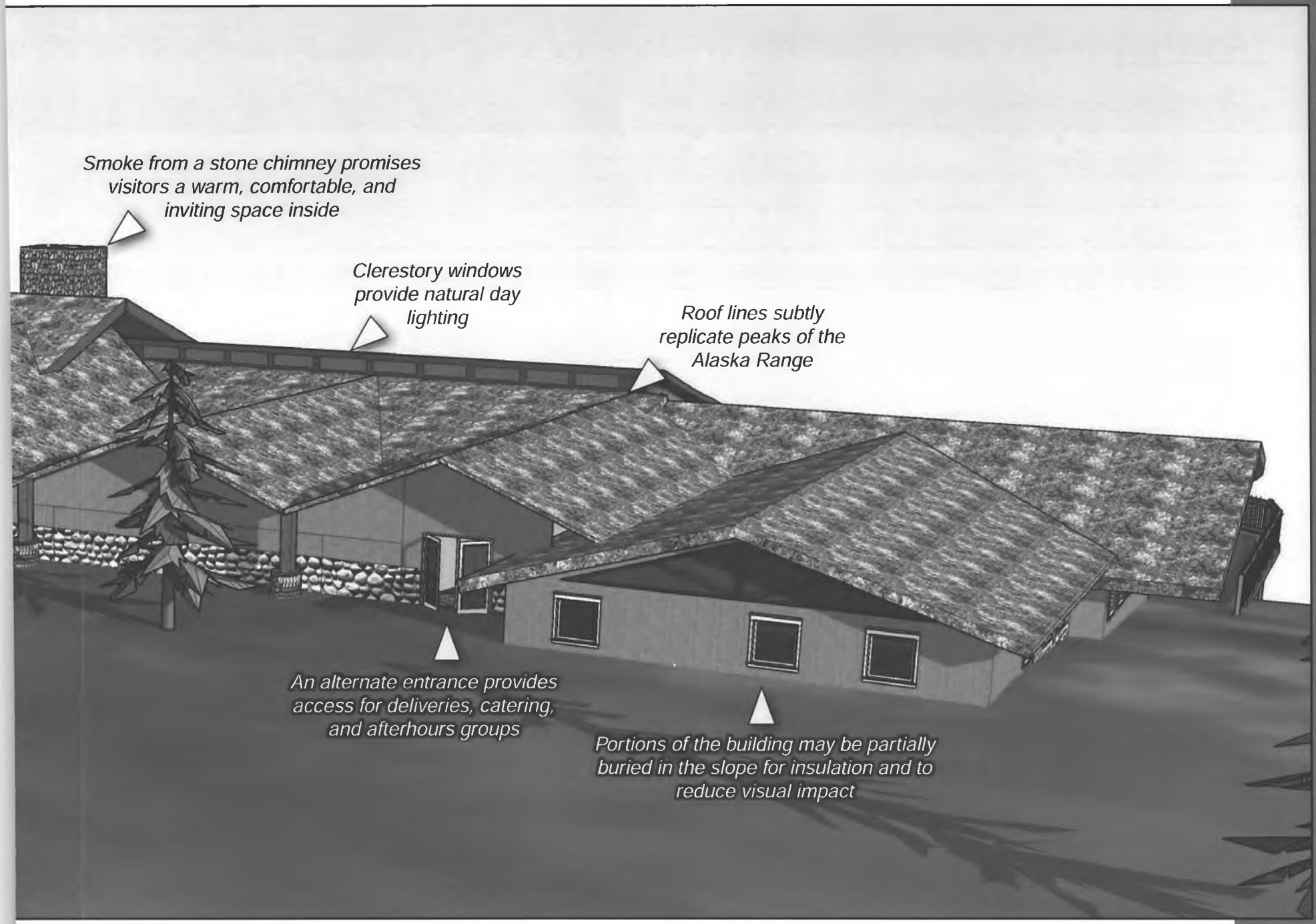



Long, low profile building minimizes visual impact and blends into the ridge line
Varying roof lines visually break up the mass of a single building
Tall windows face northwest and north, maximizing view of Alaska Range
Curved walls and roofs allow for graceful building design and duplicate the undulating ridge line

Visitor Center Conceptual Design

Looking northwest




Smoke from a stone chimney promises visitors a warm, comfortable, and inviting space inside
Clerestory windows provide natural day lighting
Roof lines subtly replicate peaks of the Alaska Range
An alternate entrance provides access for deliveries, catering, and afterhours groups
Portions of the building may be partially buried in the slope for insulation and to reduce visual impact

Exterior of the Visitor Center

Vehicle Access and Parking

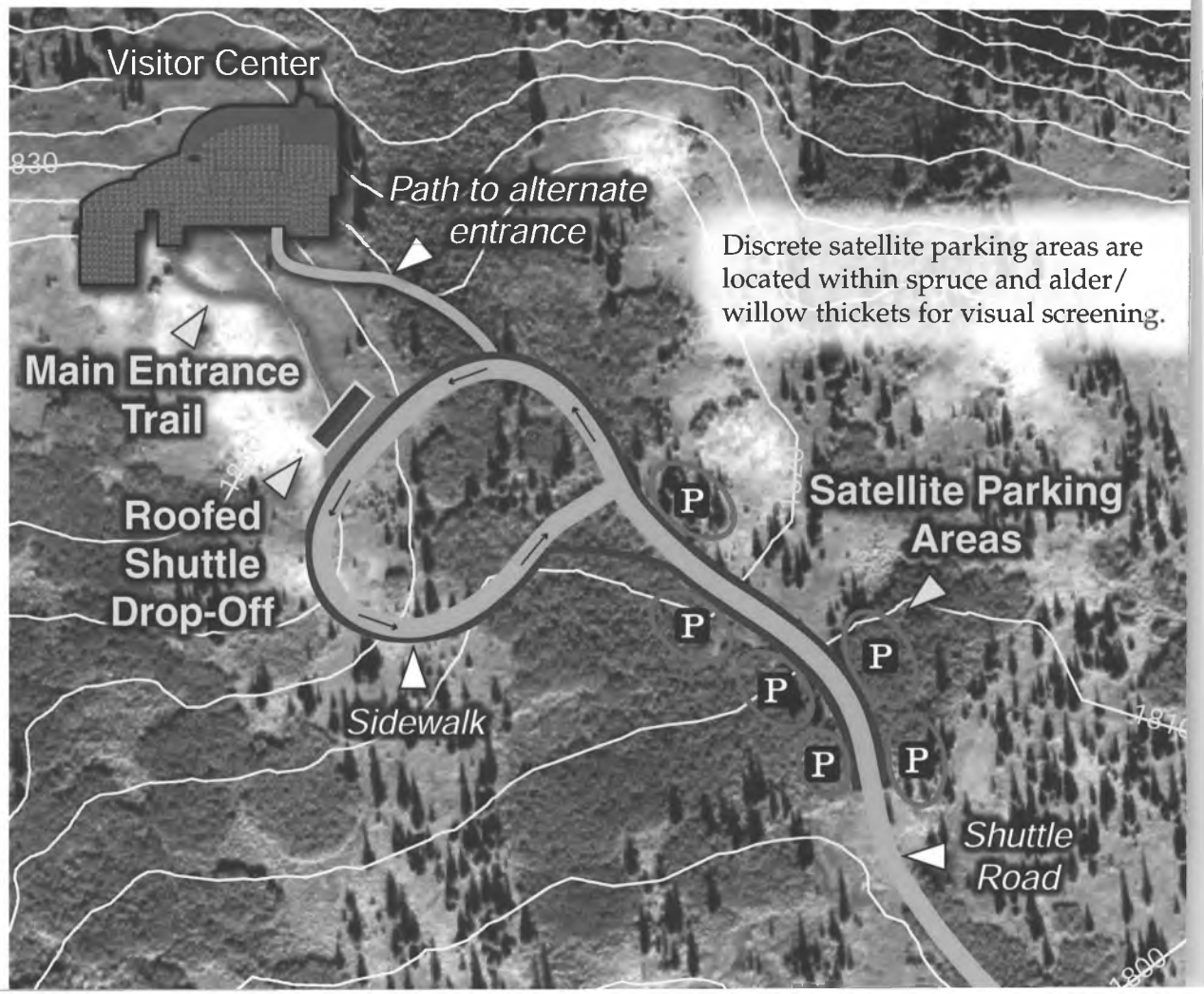
Only shuttle tram traffic will be permitted on the main ridge road during the summer season. Official State Park vehicles should be limited to emergency and maintenance duties. Staff can carpool to the site or take the shuttle when not opening or closing the facility.

The spirit of the Curry Ridge site emanates from its wilderness qualities—its opportunities for solitude, quiet, and observing wildlife. The shuttle system serves as an important transition that prepares visitors for this type of experience. Therefore, it is strongly recommended that tour buses not be permitted to drive up the ridge road. People on the buses would miss a significant portion of the holistic experience (the educational shuttle ride), and increased large vehicle traffic would cause noise pollution detrimental to the qualities of the site.

During the "shoulder seasons," when out-of-state visitation decreases and Alaska resident visitation increases, private cars will be allowed to drive on the road and access the visitor center site. This provides maximum recreational opportunities for Alaska residents, an important mission of the state parks.

Parking areas will be in the form of small satellite lots that are discreetly clustered in spruce stands staggered along each side of the road east of the visitor center. These lots should be of a porous nature with stone barriers defining them. Trails should connect these lots to the center.

The lots must be carefully planned to utilize the natural vegetative screening of spruce trees and alder/willow thickets. This will minimize visual impacts from viewpoints around the visitor center and from the higher elevations of Curry Ridge.



Entrance from Shuttle Tram

The visitor center building is hidden beneath the brow of the ridge. Travelers on the shuttle tram may catch fleeting glimpses of the viewing windows soaring above them as they climb the final crest of the ridge. Lake 1787 steals the view as it is briefly unveiled behind spruce stands to the south. Then the shuttle stops just below the crest of the bald ridge. There are no cars or parking lots to be seen—only people walking.

A sod roofed kiosk with stone supports welcomes the arriving shuttles and provides a sheltering portal from the elements. A textured concrete walkway gently sweeps through the alpine to the visitor center, which appears to emerge organically from the ridge. As visitors walk to the building, they pass a large glacial boulder that rests provocatively out of place in the mountain meadow. A rustic timber and iron kiosk announces this as a major trailhead.

Approaching the front entrance to the building, the walkway widens to accommodate gathering groups. A large sod covered canopy extends out over the front door and invites visitors to enter through wide glass doors into a sunlit portico.



Interior Design of the Visitor Center

The interior design of the visitor center must assure that there is a smooth flow of visitor traffic from the entry, throughout the building, and onto the trail system. It must permit a sense of openness that invites and allows people to move freely from one use area to another.

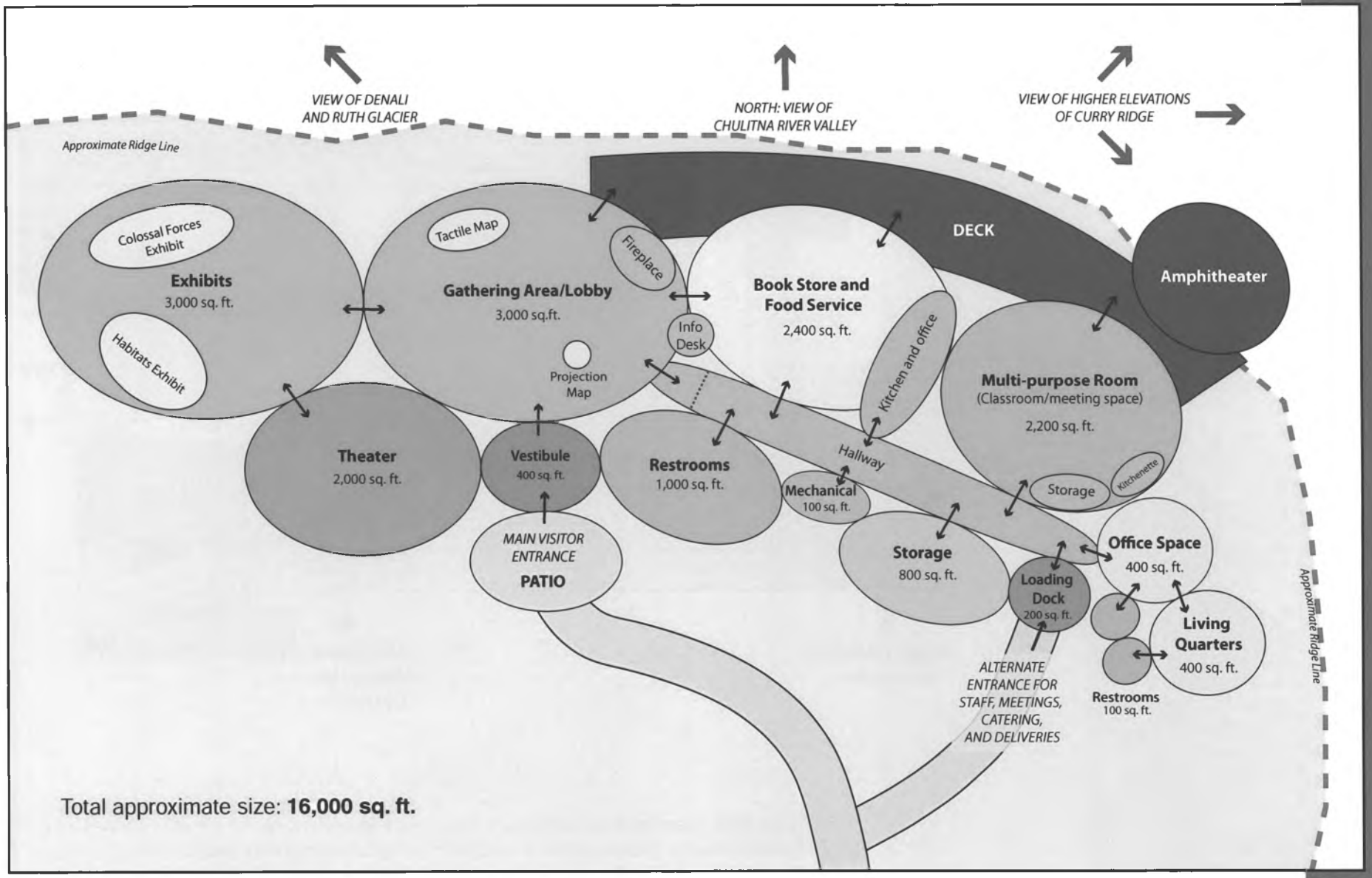
The interior of the building should encourage visitors to explore, to move quickly through some areas and linger in other spaces. Unobstructed views of the Alaska Range and Chulitna Valley should be provided throughout the interior.

Bubble Diagram

Bubble diagrams show the general sizes and relationships between various components of the visitor center, based on the specifications outlined in this chapter. They allow planners to consider the pros and cons of various alternatives of traffic flow and dedicated spaces before committing to more architectural details. Architects use the diagram as a foundation for developing an actual floor plan.

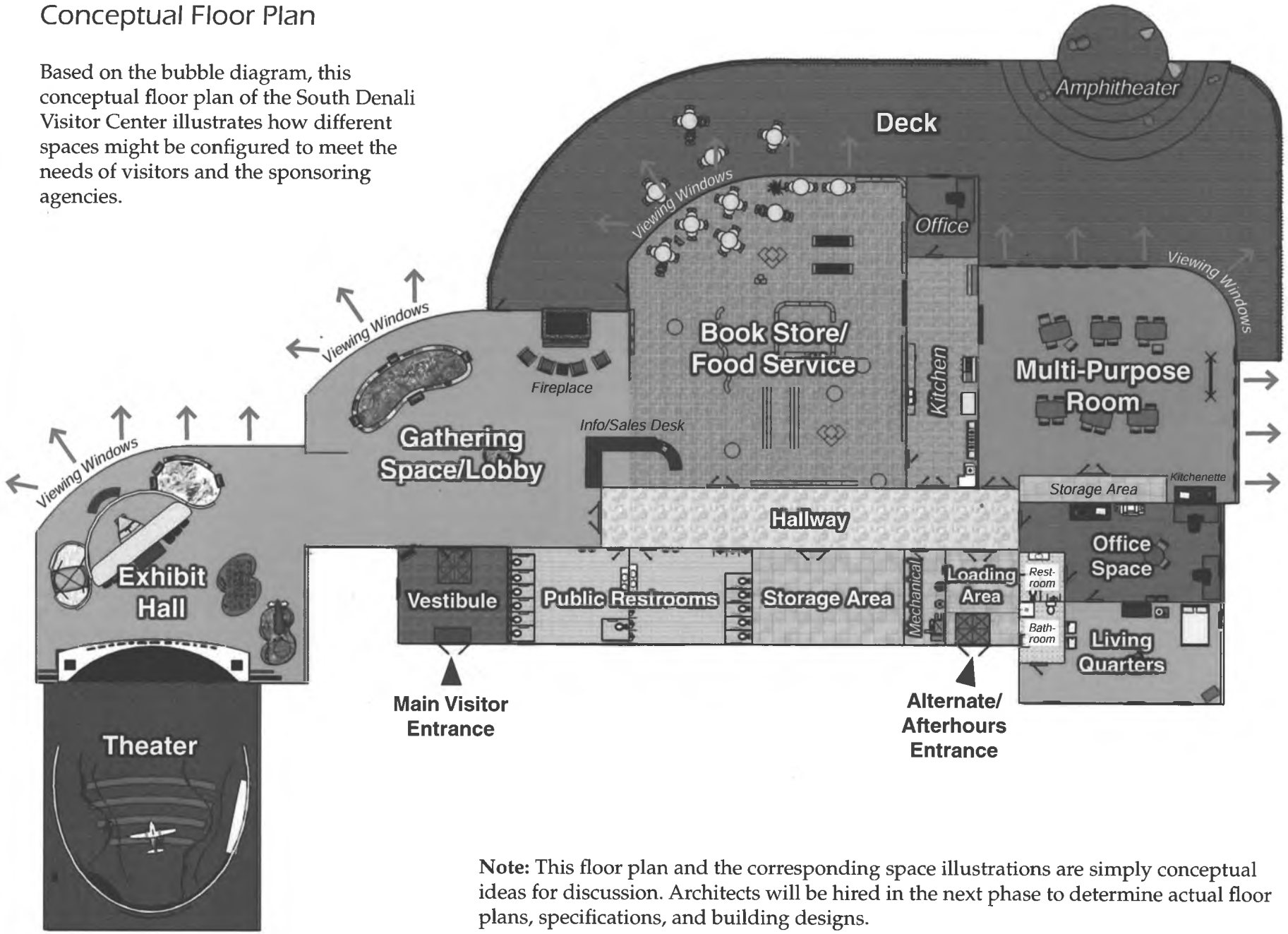
Circles represent the relative size of spaces, while arrows indicate the primary direction of visitor flow.

Bubble Diagram: South Denali Visitor Center



Conceptual Floor Plan

Based on the bubble diagram, this conceptual floor plan of the South Denali Visitor Center illustrates how different spaces might be configured to meet the needs of visitors and the sponsoring agencies.

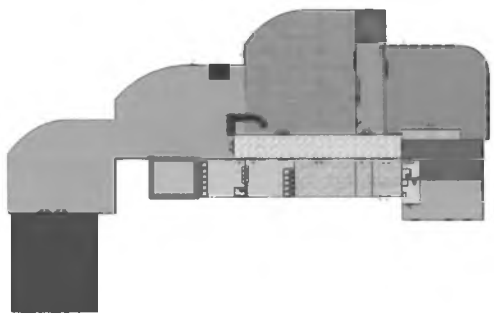


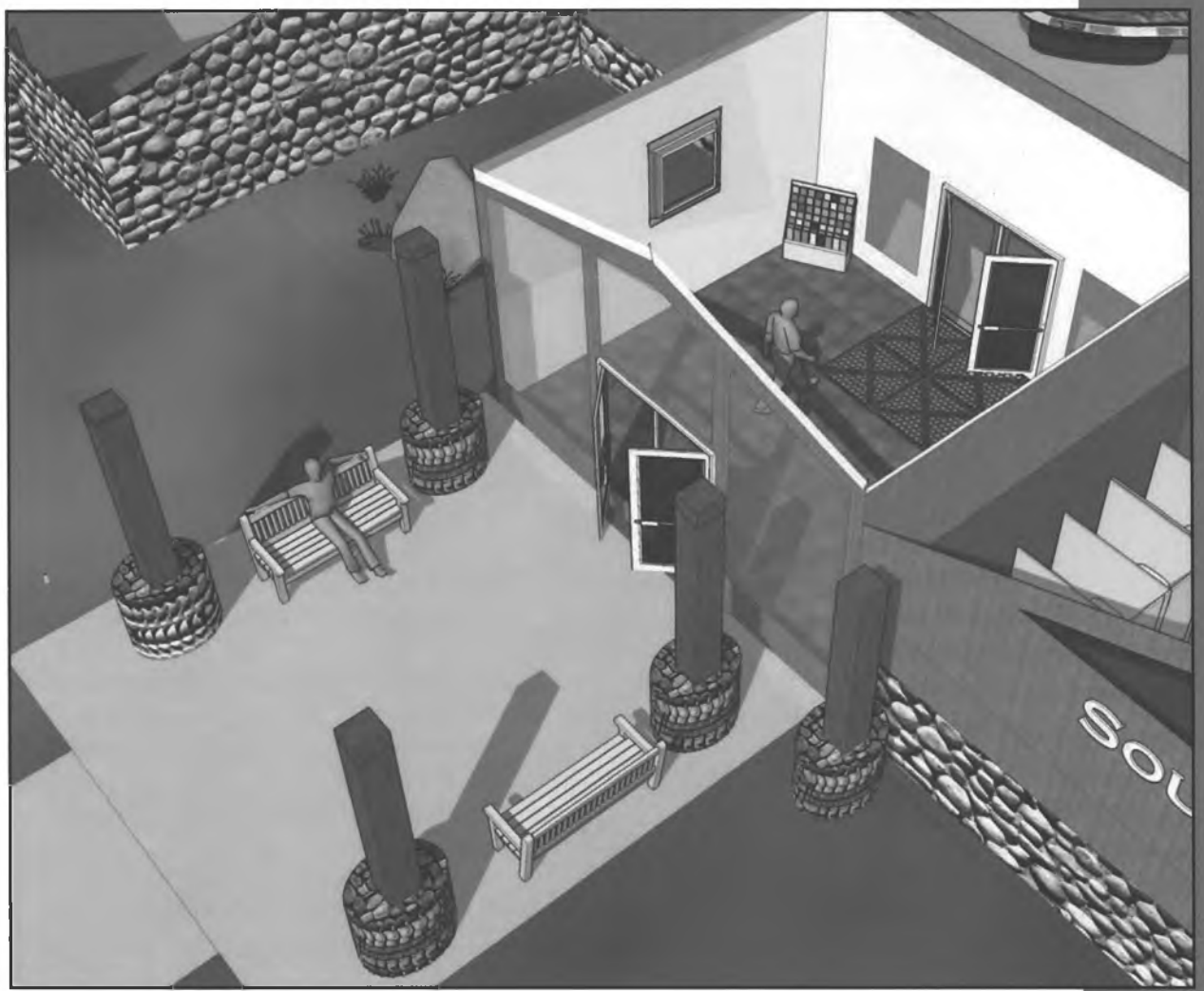
Note: This floor plan and the corresponding space illustrations are simply conceptual ideas for discussion. Architects will be hired in the next phase to determine actual floor plans, specifications, and building designs.

Main Visitor Entrance: Patio and Vestibule

The wide walkway **patio** at the front doors is located so that it will be sheltered from prevailing winds and be warmed by sunlight from the south. It should be recognizable as a public entrance and be wide enough to invite large numbers of visitors to pass in each direction.

Glass side lights and doors will allow views into and out of the **vestibule** (400 square feet) and help to blend the interior with the out of doors. An air lock is needed to buffer the blustery wind and cold on the ridge. This entrance is an appropriate location to install shoe cleaning grates which will minimize mud and snow entering the building from the trails. The vestibule could be locked and after hour's access to restrooms can be provided at the other end of the east-west hallway near the caretaker's quarters. Twenty-four hour emergency telephones will be available here as well as safety information.





Gathering Area/Lobby and Information Desk

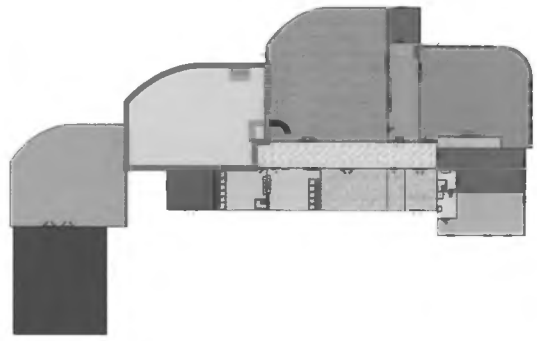
The main entrance provides a clear line of sight through the spacious **lobby** (3,000 square feet) to Mount McKinley. The glass wall will soar to its maximum height at this location offering a panoramic view of the Alaska Range looming above the Chulitna River Valley. This dramatic scene will draw visitors across the room so it is imperative that this lobby area be expansive and open to allow viewers to circulate in an unobstructed manner. This grand, central chamber of the building sets visitors expectations and serves as an open hub for unimpeded travel to other destinations in the building. When visitors are near the viewing windows, they will see that adjoining rooms have similar panoramic windows. When the building is crowded, the natural human tendency will be to spread into the other less crowded spaces in the adjacent rooms. The purpose of this room is to welcome and orient visitors to the site in both a personal and cognitive fashion.

A large scale **relief map** featuring Denali and the Alaska Range is placed near the windows for orientation to the real peaks seen beyond. When clouds veil portions of the Range, viewers can study the relief map and determine if McKinley is visible in relation to peaks they may be seeing out the window and they can identify them by referencing the corresponding features on the map and by accessing touch screen computers found at each end of this large three dimensional map.

A smaller **map of Denali State Park** is located in the center of the room near the information desk. When accessed via push buttons, it illuminates boundaries, trails, camp sites and interpretive points of interest within the park.

A large stone **fireplace** provides a cozy corner for returning hikers on cool days. This technology works efficiently, burning limited volumes of small diameter wood fuel which is locally available. Comfortable seating and thematic books invite visitors to linger.

For special events in the off season, this spacious room can serve as an elegant hall where groups can gather socially. The large multi-purpose meeting room down the hall can be set for meals or other more formal functions while this magnificent room provides a place for casual mixing while enjoying stunning views of the Chulitna Valley, Ruth Glacier, and Mount McKinley.



The **information/reception desk** will be well illuminated, barrier free, and centrally located. It allows one staff person to observe as much of the public area as possible. During slow visitation periods, it should serve the multiple functions of reception desk and sales area checkout. It must be large enough to accommodate several staff members during crowded periods.

A layered information delivery system supplements the personal interactions of the reception staff. An interactive map of Denali State Park will be located near the desk, along with photographs of trail destinations and significant features. Wayfinding signs (to restrooms, gift shop, exhibits, theater, meeting room) answer visitor's orientation questions when the desk staff is busy with others. Brochures and other handouts should be readily available but should be limited to pertinent site information.


Relief Map of Alaska Range
Access to Viewing Deck
Fireplace Sitting Area
Projection Map of Denali State Park
Universally Accessible Information Desk

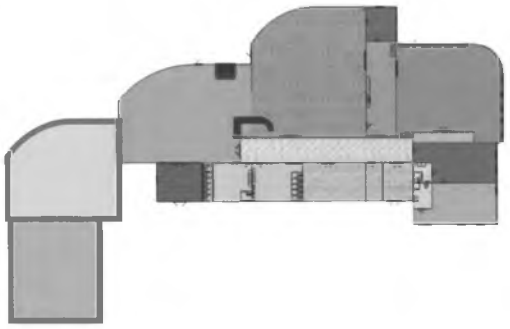


Exhibit Hall and Spirit of Alaska Theater

Exhibit Hall
The viewing windows continue to be a major focus in the exhibit hall (3,000 square feet). This room contains pods and islands of engaging, three-dimensional exhibits that assist people in understanding the special qualities of the place they are visiting. Exhibits will interpret the unique aspects of the South Denali region.

Themes in the hall may include such topics as the dynamics of the area's geologic processes. Media will be designed for optimal visitor involvement. For example, at one exhibit visitors are challenged to physically uplift a mountain range by turning a sluggish crank and watching the resulting simulated fault rise in the exhibit. Other exhibits interpret the adaptations that plants and animals have in order to survive in this beautiful, harsh environment.

The exhibit hall's location next to the theater entry promotes extended visitor interaction while they wait for the next film cycle.

More information about specific media that will be included in the exhibit hall is located in **Chapter 6: Interpretive Media**.

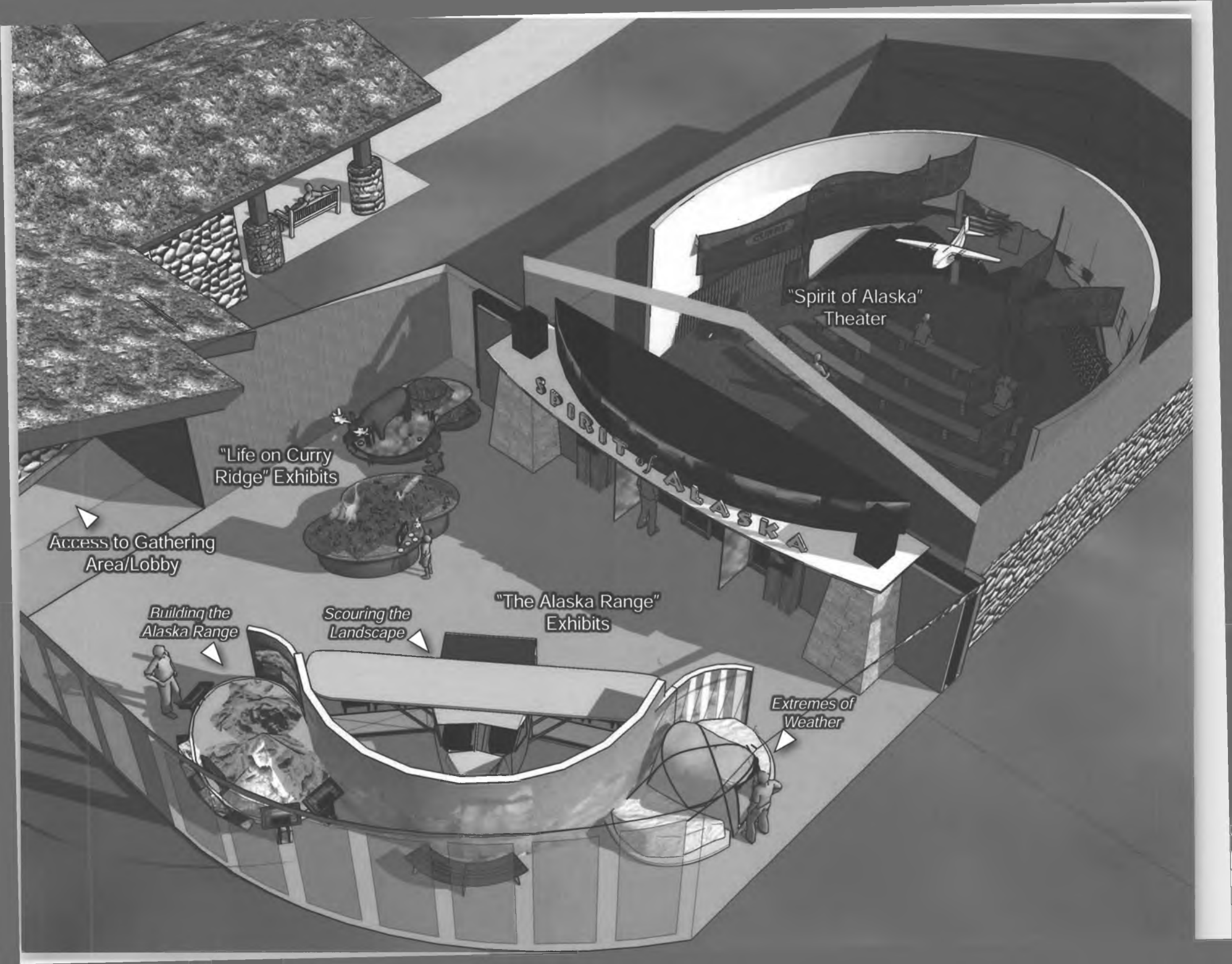
Spirit of Alaska Theater
A multi-sensory object theater experience immerses visitors in the dramatic geological, ecological, and cultural stories of the Alaska Range and Curry Ridge. This dramatic sensory presentation brings stories to life and underscores the possibilities awaiting visitors out on the trails.

Object theaters are dynamic presentations that blend moving pictures and audio with real artifacts and objects artistically revealed during the presentation. Special effects, such as surround sound, colored lights, opening curtains, vibrating seats, spray misters, and fans help bring the production to life.

A theater production is the most involving way to tell a complex story, make mythology relevant, and engage the imagination of the viewer.

The theater size of 2,000 square feet should accommodate approximately 60 adults, the size of a full tour bus.

More information about the Spirit of Alaska Theater experience is located in **Chapter 6: Interpretive Media**.


"Spirit of Alaska" Theater
"Life on Curry Ridge" Exhibits
Access to Gathering Area/Lobby
"The Alaska Range" Exhibits
Building the Alaska Range
Scouring the Landscape
Extremes of Weather

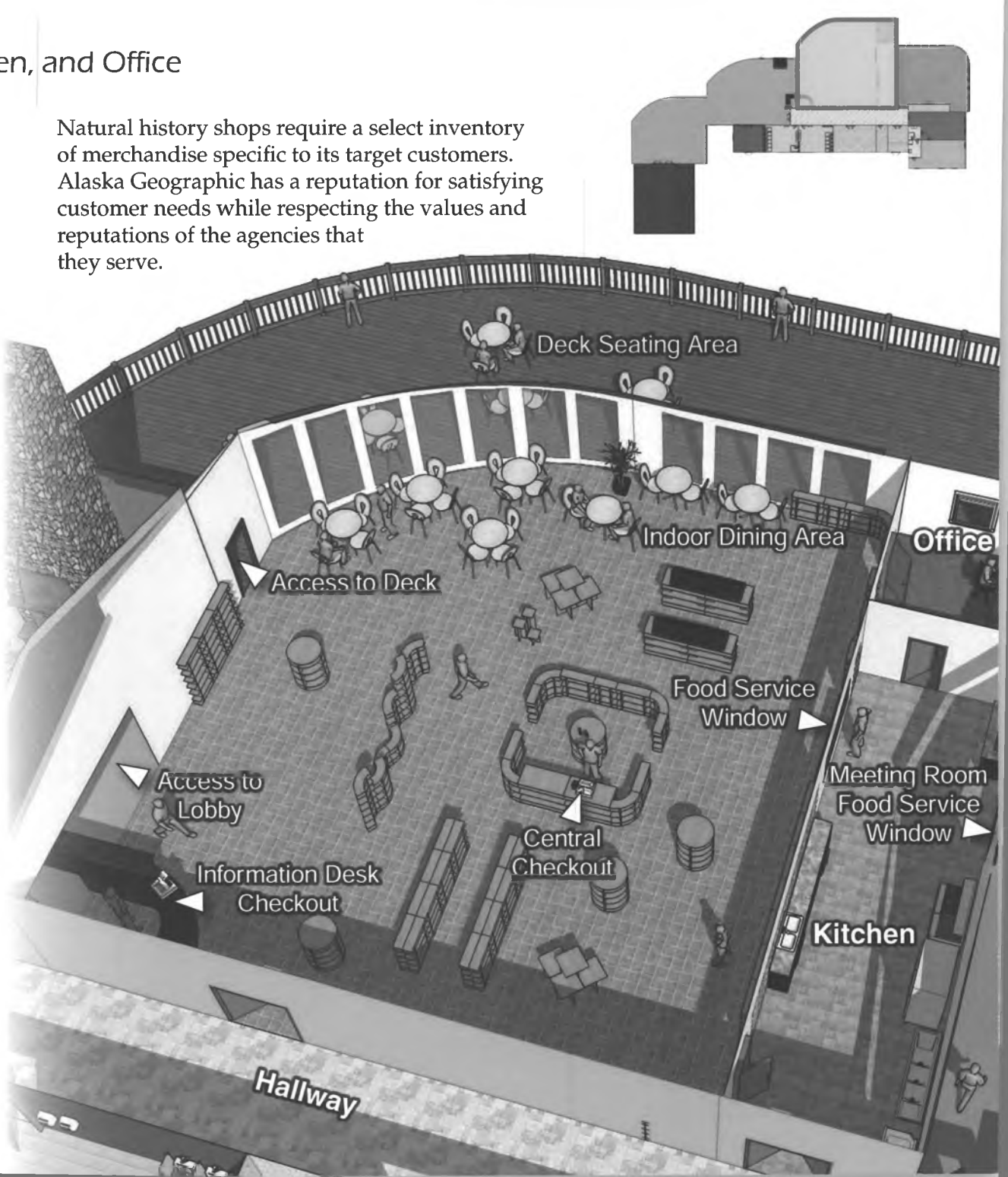
Book Store/Food Service, Kitchen, and Office

The **book store/dining area** (2,400 square feet) also offers sweeping views of the Alaska Range. It is adjacent to and very visible from the lobby and the front desk. During the shoulder seasons one person can greet visitors and watch the sales area from this location. Peak visitation periods will require that the sales counter be staffed at another location away from this high traffic lobby.

The sales area is integral to the visitor experience. It offers the possibility for profits but also serves crucial public relations needs and can be an effective educational tool. This sales space is large to accommodate surges of customers and to encourage leisurely shopping. Locally produced items can help connect visitors to the site and the community's sense of place.

A small **kitchen** facilitates limited food preparation by a concessionaire and serves as a staging area for catering special events and meetings in the multi-purpose room. It is centrally located for efficient transportation of food to the meeting room, deck, and indoor dining space. It is located near an exterior wall for access to deliveries from the hallway. The small **office** adjacent to the kitchen is used by the sales manager for counting cash and other business transactions.

Natural history shops require a select inventory of merchandise specific to its target customers. Alaska Geographic has a reputation for satisfying customer needs while respecting the values and reputations of the agencies that they serve.

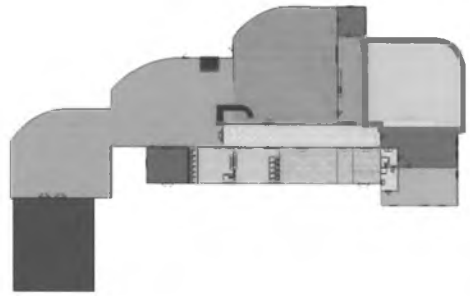


Multi-Purpose Room

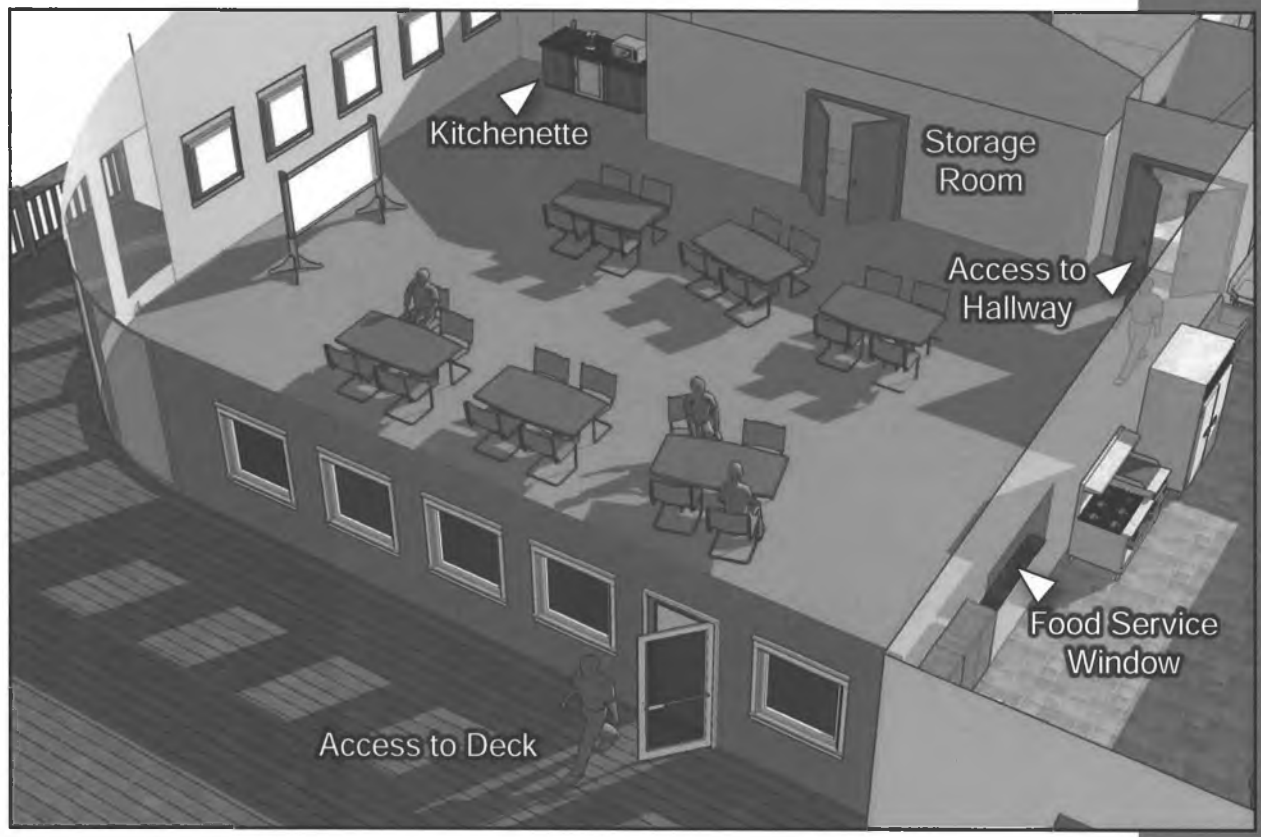
The **multi-purpose room** is designed for maximum versatility. It can be divided for use as two classrooms for school visits or used for "breakout sessions" in workshops. It can serve community events, be used for formal meetings, and it functions well for catered events. Special "traveling exhibits" of artwork or select natural history topics can be displayed here. It should have the following features:

- A high ceiling, proportional to the room size that facilitates projection onto a large screen.
- Windows and doors for scenic views and access to the deck; light blocking shades on all windows
- Sound proof room divider and sound absorbing floor and ceiling surfaces
- **Storage space** for tables and chairs
- **Kitchenette** counters and sink for light food and beverage service. Service window to kitchen to allow for catered meals
- Appropriate number of electrical outlets for audiovisual and computer service and to provide lighting for special events and exhibits
- **Access to the deck** for breaks and outdoor sessions

At a size of 2,200 square feet, the multi-purpose room would be large enough to accommodate about 200 people with just chairs, or 150 people with tables and chairs.



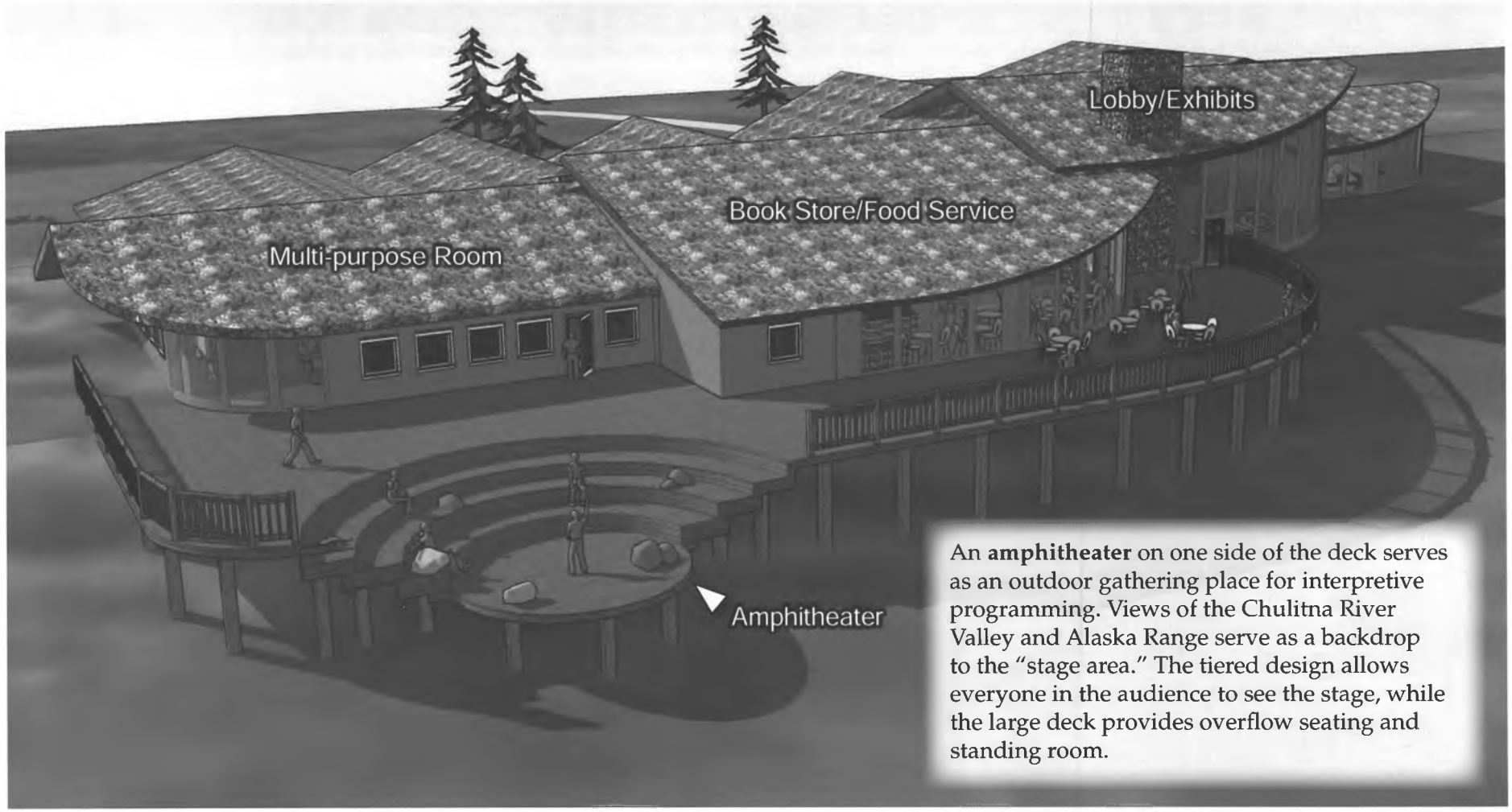
Meetings and workshops held in the multi-purpose room will require food that is prepared off site and catered to the building. These specialized and regulated services are best provided by private entrepreneurs who will assume responsibility for employee hiring, training, and management of services.



Deck and Amphitheater

A **deck** sweeps along the north glass wall of the sales area and past the meeting room windows. It is accessible from the lobby, book store, and multi-purpose room. This deck connects the outdoor vistas to the building's interior.

During mild weather and peak visitation, it provides a comfortable space for eating, relaxing, and participating in public programs. It allows large outdoor gatherings without fear of trampling vegetation. Its placement permits views of Denali without crowds of people blocking the panorama. This deck is a highly desirable area for visitors to gather in good weather so it must be large. It is inexpensive overflow space that will receive optimal use during peak periods of visitation.



An **amphitheater** on one side of the deck serves as an outdoor gathering place for interpretive programming. Views of the Chulitna River Valley and Alaska Range serve as a backdrop to the "stage area." The tiered design allows everyone in the audience to see the stage, while the large deck provides overflow seating and standing room.

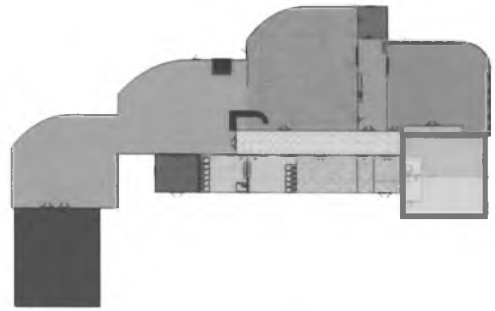
Office Space and Living Quarters

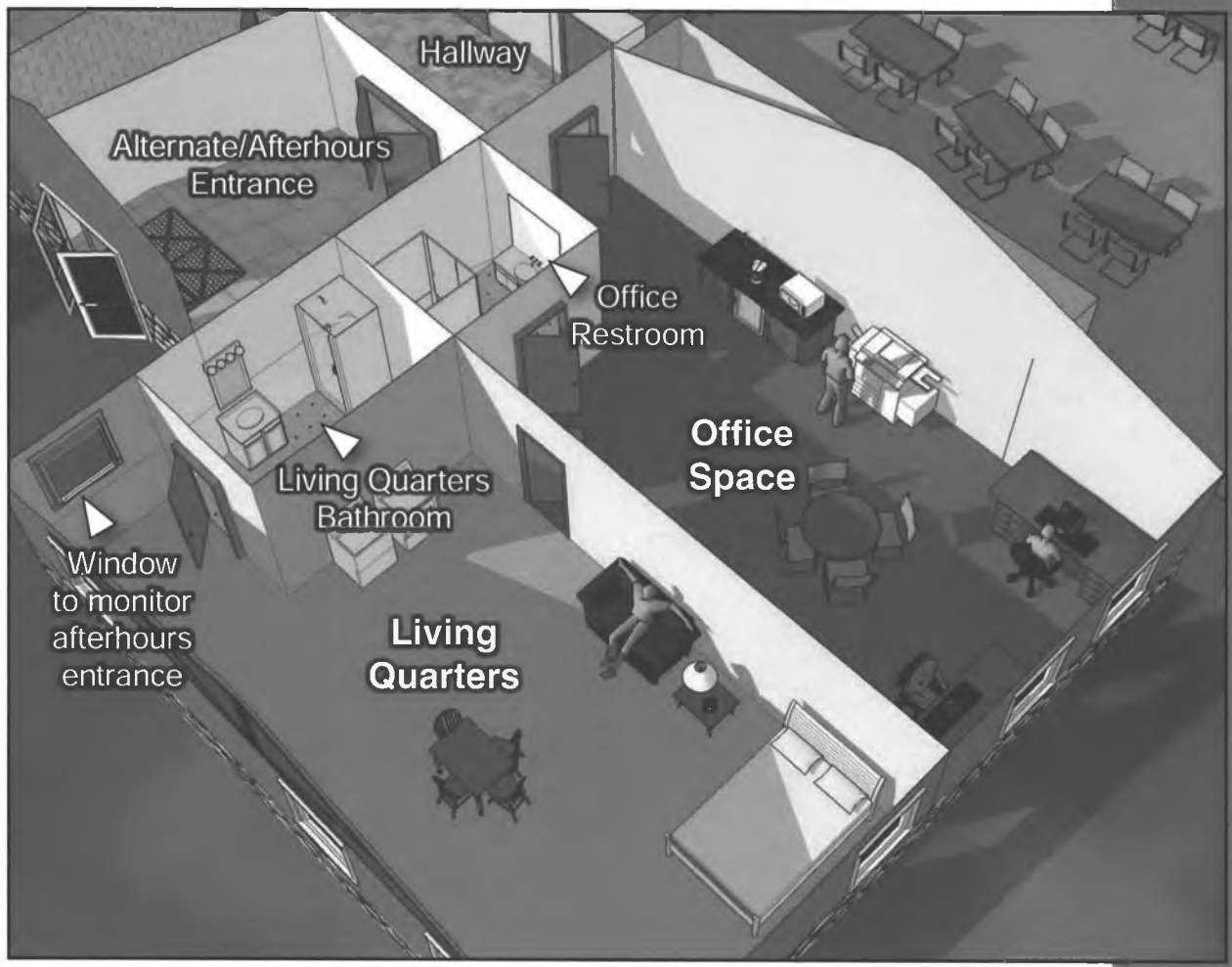
The **office space** (400 square feet) serves the seasonal and permanent program staff for the visitor center. It is adjacent to a small **efficiency apartment** (400 square feet) for an on-site caretaker and functions as an off-season contact station. These facilities are strategically located to provide views of the parking area, shuttle tram loop, and trailheads so that staff can better monitor activity at the site.

The office space and living quarters are discreetly separated since there may be daytime staff working in the office but not living on site. Two small bathrooms serve these areas; additional plumbing is a minimal expense since these restrooms are back to back.

The open concept office space allows for maximum flexibility in arranging and rearranging this room to meet the changing seasonal needs of staff. The location at the far end of the hall from the lobby and exhibit space reduces noise and commotion that might deter staff from their office responsibilities.

In the living quarters, a small window with blinds faces the loading area doorway allowing rangers to access and anticipate the needs of afterhours visitors. In case of emergency, a buzzer and telephone system connects visitors to rangers stationed in the visitor center or down below in the Transportation Hub. This is a logical location to keep first aid equipment since trained staff will be here and it is the probable entry where people with emergencies will seek assistance.

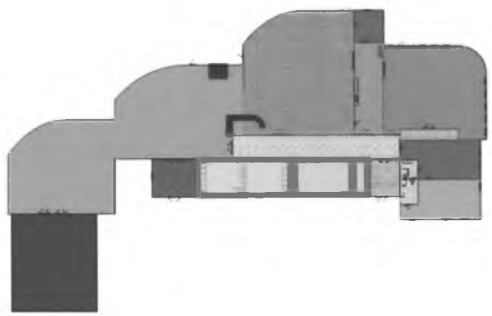


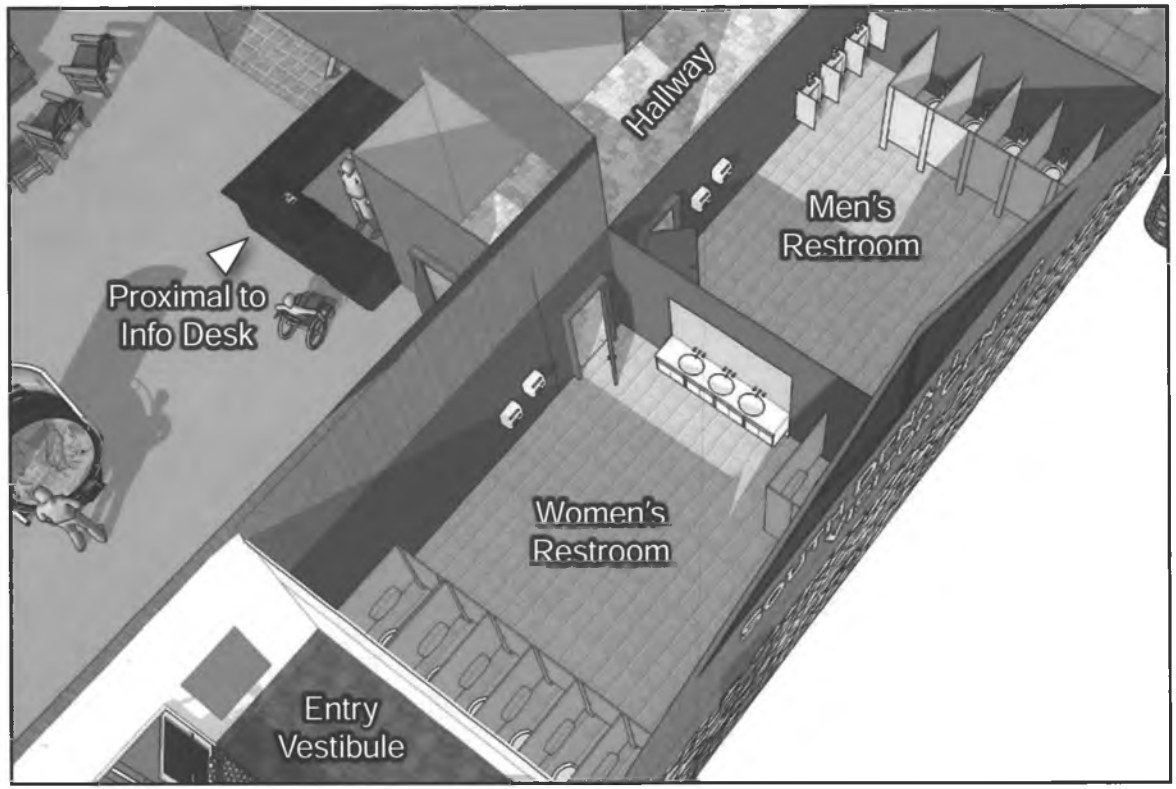


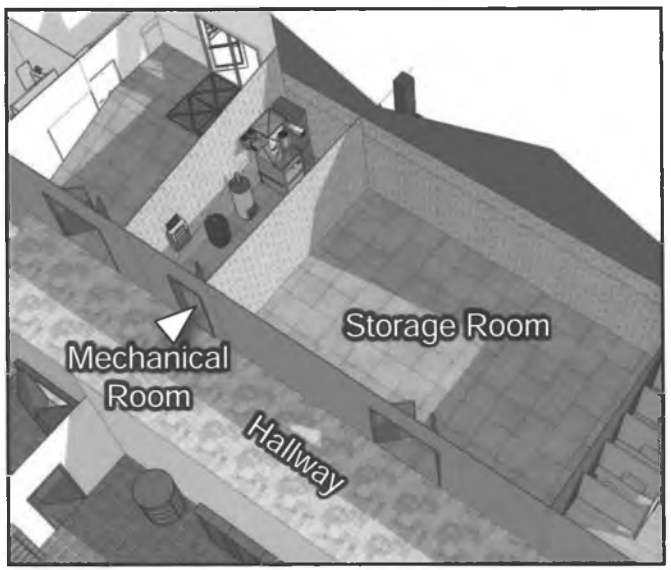
Public Restrooms, Storage Room, and Mechanical Room

The pulse of traffic into and out of this facility will be driven by the shuttle schedules. Bathroom use will be concentrated around the arrival and departure of these vehicles.

The **restrooms** (1,000 square feet) must have enough toilets, urinals, and sinks to accommodate multiple tour groups without long lines. The lower visitor services hub should be designed to alleviate some of the demands on these restrooms. As recommended in the section on sustainable design, a priority should be given to water efficiency/ recycling technologies and waterless and composting toilets. Ambient light should be used during the summer and self dimming lights should be incorporated for winter use. This is an excellent room to provide interpretive signage about sustainable concepts that are concentrated here and that can be seen throughout the building.







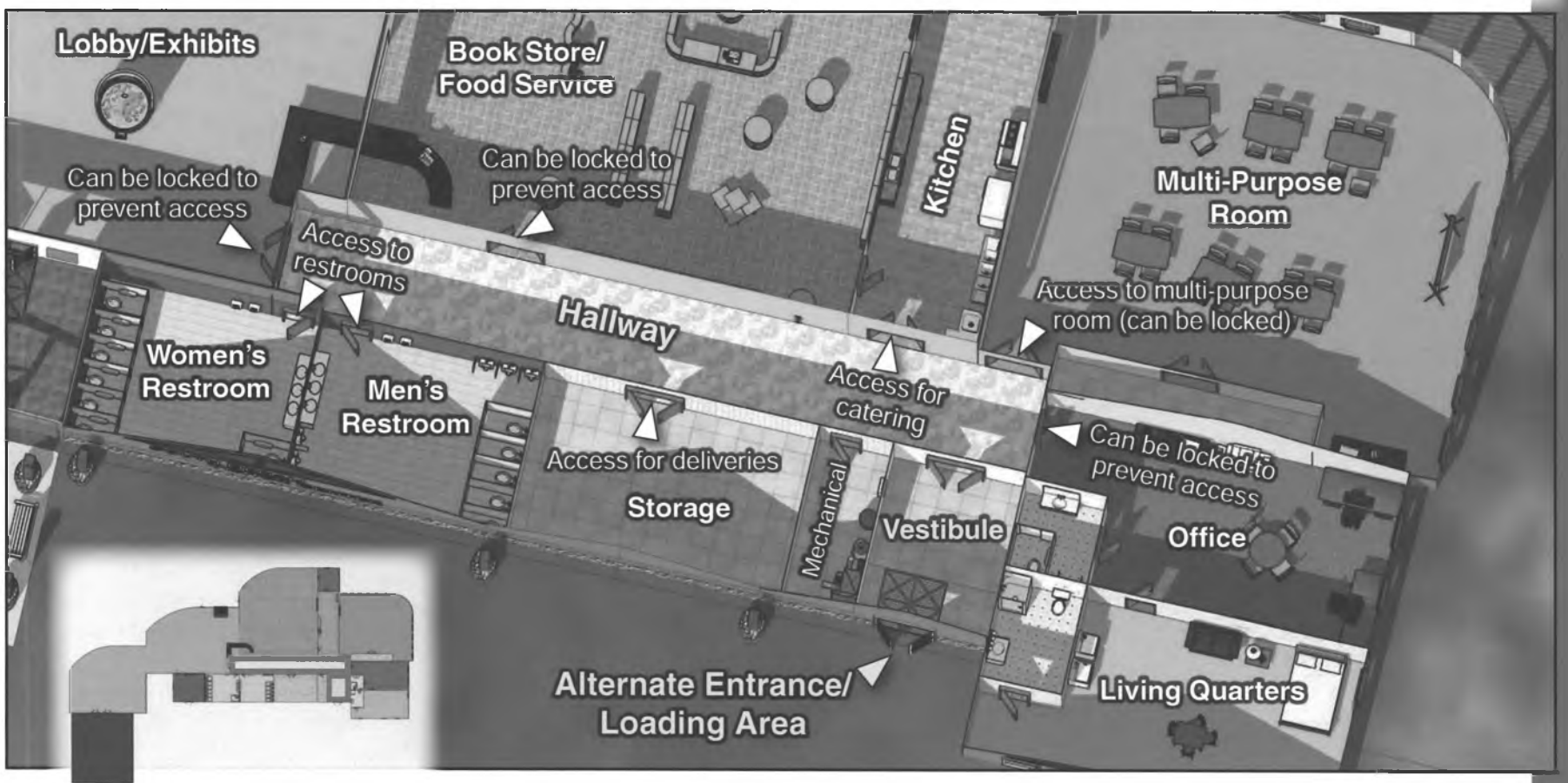
Storage is the most under planned area in interpretive facilities according to surveys of site and facility managers. This 800 square foot **storage room** can be divided into discrete areas for housing store merchandise, kitchen inventory, and program materials. It is easily accessed from the central hallway via double doors. Its proximity to the kitchen, sales area, and the multi-purpose room eliminate the need for hauling items great distances through the building. A system of heavy duty shelving and a moveable staircase are desirable for maximizing the vertical space in this room.

Alternate Entrance/Loading Area and Hallway

The **alternate entrance** permits people to access the multi-purpose room, staff office, and kitchen area without using the public entry into the lobby. This eliminates congestion at the pubic entry and facilitates delivery of sales inventory, food, and provides access to staff areas. A main **hallway** offers access or closure to most rooms. In the off-season or at night, this entrance provides a secure afterhours doorway to the restrooms and emergency assistance from on-site staff.

The **vestibule** (200 square feet) should be equipped with a buzzer system to alert staff to the presence of people needing assistance. It should have a telephone for communicating with the Transportation Hub when this facility is not staffed. A window in the ranger residence will allow surveillance of the entry area.

The entry should be universally accessible for wheelchairs and delivery dollies. It should have floor grates to reduce mud and snow from being tracked into the building. Large glass doors and windows will be south facing and should be useful in helping to heat the space.



Curry Ridge Trails

The South Denali Visitor Center is the gateway to Curry Ridge. To really experience the site, visitors must get outdoors and explore the ridge for themselves. A carefully planned trail network provide opportunities for visitors to experience different habitats of Curry Ridge, observe wildlife in their natural surroundings, and climb to scenic viewing areas, while discouraging off-trail trampling.

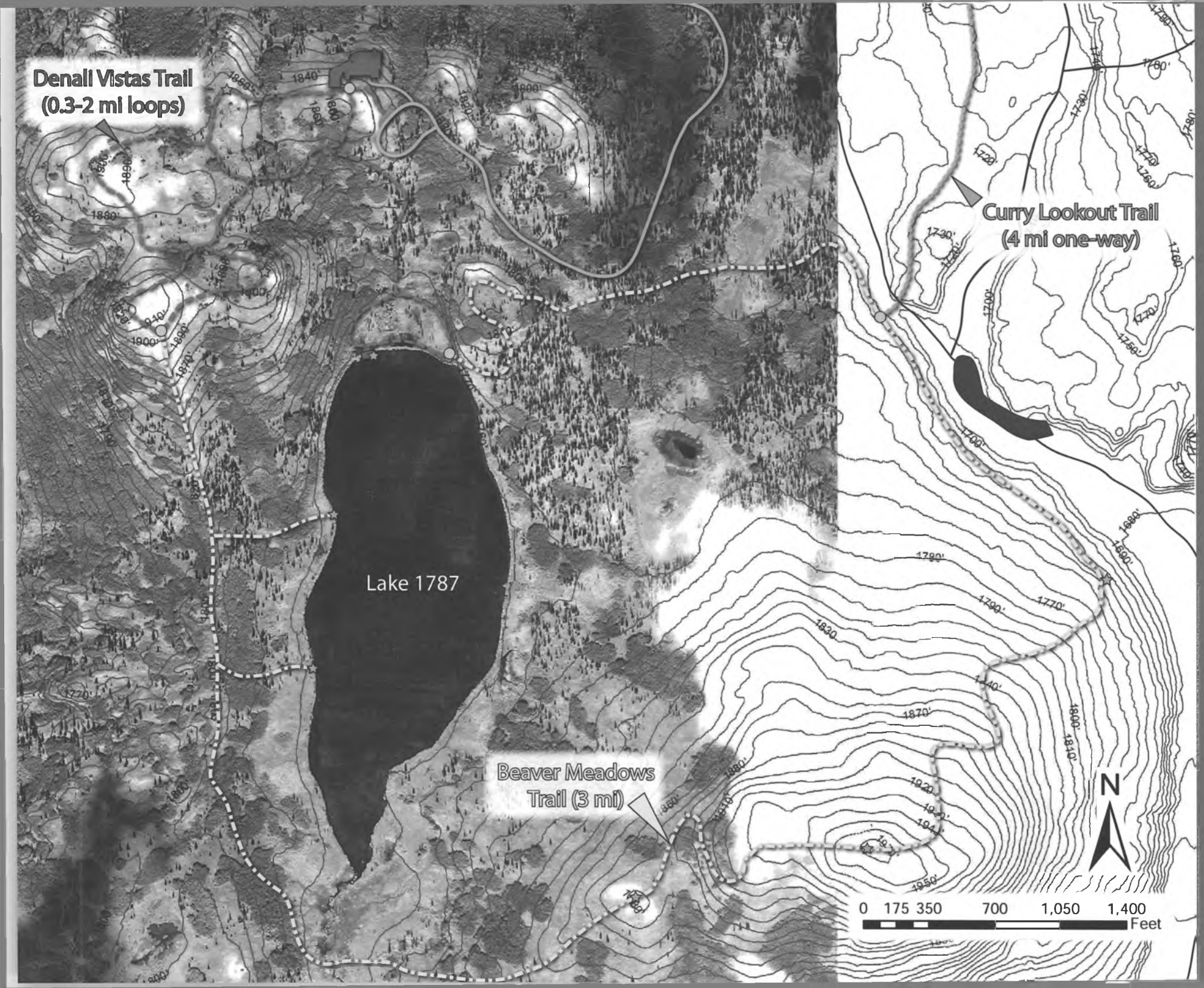
Three trails are proposed for varying degrees of access into the site.

1. **Denali Vistas Interpretive Trail:** The short main loop connects the visitor center to panoramic viewing points and Lake 1787. The trail provides universal access and wayside exhibits.
2. **Beaver Meadows Trail:** This longer trail encircles Lake 1787 and parallels scenic beaver ponds and streams. It provides opportunities for visitors to experience the Alaska wilderness, while still being in relatively close proximity to the visitor center.
3. **Curry Lookout Trail:** This long wilderness trail climbs the steep slope of Curry Ridge to the northeast and connects to the historic Curry Lookout. It requires preparation and a full-day of hiking.

Trail Design Guidelines

The following recommendations will guide the design and layout of the South Denali trail system.

- The visitor center will serve as the heart of a looped, circulatory trail system that is designed to serve concentrations of visitors near the building and provide a continuum of increasingly wild experiences for hikers as they disperse out into the park. Visitors will self-select from a series of experiences that satisfy their schedules, physical abilities, and interests.
- Trail experiences in high use areas near the building will be designed to protect fragile alpine and wetland habitats with boardwalks, bridges, railings, and other barriers that limit human traffic to specific corridors. Trail designers will utilize preexisting natural site barriers as much as possible by routing trails near alder and willow thickets, dense concentrations of ground shrubs, wet swampy areas, and boulders. This site contains a diversity of vegetation and topography that dictates corridors of travel and discourages the creation of shortcuts and off-trail travel.
- Trails will be developed to optimize opportunities to explore the mystery, variety, and beauty of the Ridge. Trails will be routed to showcase the diversity of this site. High lookouts will provide panoramic views and offer safe opportunities to see big game. Sheltered, leeward microenvironments on a trail will permit intimate views of plants and small animals. Trails will be designed to offer glimpses of prominent features and destinations, but that also conceal some mysteries that lie ahead.
- Visitors will be encouraged to better appreciate and protect this environment through outdoor interpretive media designed to help connect their interests to the meanings of this unique place.
- Outdoor media materials need to be resistant to the extremes of weather that the Ridge experiences; powerful high-altitude UV sunlight, high winds carrying abrasive dirt and rocks, frigid sub-zero temperatures, and heavy loads of snow and ice.


Denali Vistas Trail
(0.3-2 mi loops)
Curry Lookout Trail
(4 mi one-way)
Lake 1787
Beaver Meadows
Trail (3 mi)
N
0 175 350 700 1,050 1,400
Feet



View of Denali from High Panorama Viewpoint



Lake 1787 Viewpoint



Walking through spruce forests to Lake 1787

Denali Vistas Interpretive Trail

Interpretive Loops, 0.35-2 mile loops

A series of short trail loops that start at the visitor center provide universal access to the natural habitats and observation points of Curry Ridge. Named Denali Vistas Trail, the path promises visitors dramatic views of Mount McKinley, Ruth Glacier, the Alaska Range, and the Chulitna River Valley. A trail spur also takes them down for an intimate view of Lake 1787.

The varied topography around the visitor center offers a highly diverse experience in a relatively short walk. The trail traverses a variety of alpine plant communities from ridge top to muskeg. Visitors are invited to explore high bare rock ridges, alpine tundra, muskeg holes, thickets of alder and willow, spruce forests, swampy lake shores, and beaver meadows.

Most visitors to the South Denali Visitor Center will likely walk at least portions of this trail. Loops of varying lengths (0.35 mile, 0.7 mile, and 1 mile to the viewpoints; 1 mile to the lake and back) provide visitors with choices. All segments of this trail will be designed for universal access.

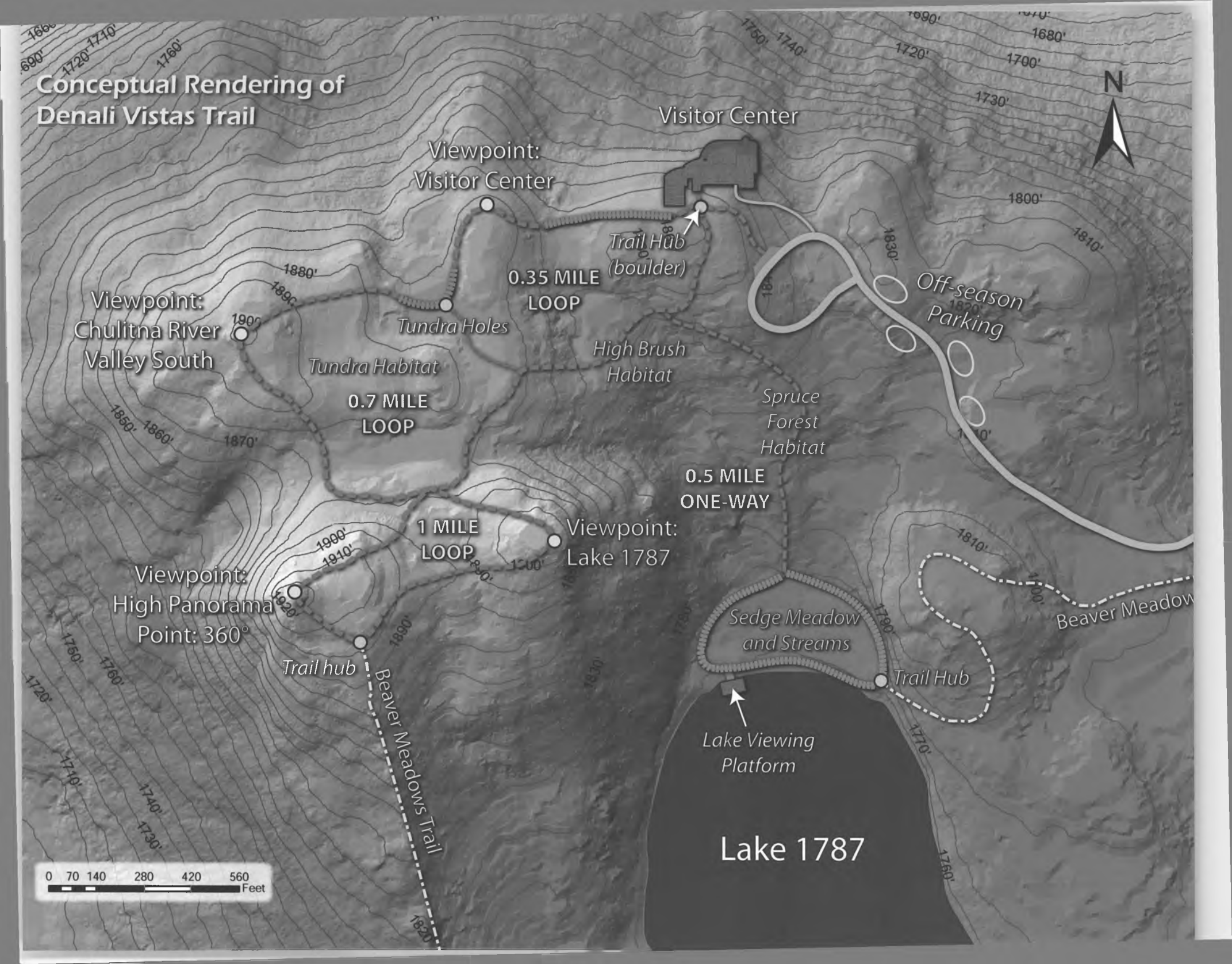
Boardwalks and hard surfaces are required to protect the tundra and provide universal access for visitors.

Effective trail layout should use natural site features, like brush thickets, boulders, and wet areas, as barriers to keep visitors within the defined corridor. The best viewing points and most direct routes to access them should be identified early in the process, so trails can be planned to avoid cutting. In wide open areas with low vegetation (like the higher viewpoints), structures such as decks, boardwalks, and viewing platforms should be built to limit trampling.

Wayside exhibits along the trail will interpret the flora and fauna that are adapted to the harsh extremes of the ridge. Three viewpoints are included on the loop which will have rustic benches to encourage visitors to linger and enjoy the vista. A lakeside platform will have built-in seating for observing wildlife on Lake 1787.

Muskeg h




Conceptual Rendering of
Denali Vistas Trail
N
Visitor Center
Viewpoint:
Visitor Center
Trail Hub
(boulder)
0.35 MILE
LOOP
Off-season
Parking
Viewpoint:
Chulitna River
Valley South
Tundra Holes
Tundra Habitat
High Brush
Habitat
0.7 MILE
LOOP
Spruce
Forest
Habitat
0.5 MILE
ONE-WAY
1 MILE
LOOP
Viewpoint:
Lake 1787
Viewpoint:
High Panorama
Point: 360°
Trail hub
Beaver Meadows Trail
Sedge Meadow
and Streams
Trail Hub
Beaver Meadow
Lake Viewing
Platform
Lake 1787
0 70 140 280 420 560
Feet



Crossing braided streams of Lake 1787 outlet



View of Denali rising above Lake 1787



Rushing stream through beaver meadows

Beaver Meadows Trail

Nature Hiking Loop, 3 miles

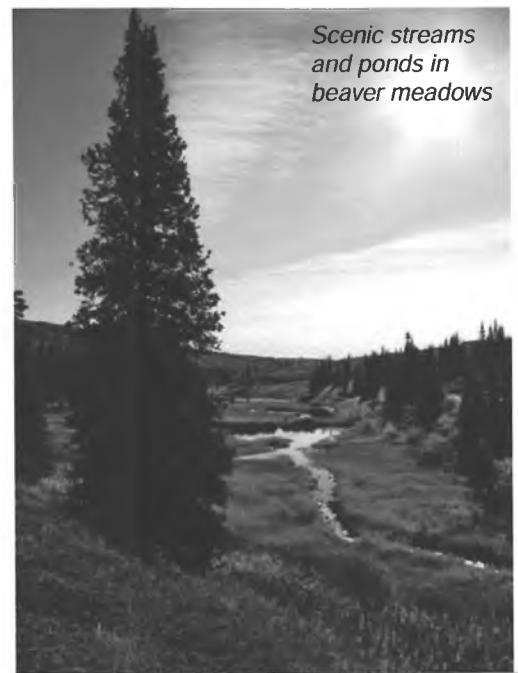
This longer trail rewards hikers with opportunities to exercise, glimpse wildlife, and climb a ridge for an unparalleled view of Denali. It requires a greater investment of time and energy than the Denali Vistas Trail and allows hikers to get away from other visitors to experience the solitude of the site.

The trail follows a ridgeline to the west of Lake 1787, offering unique views of the lake from a high vantage. Two trail spurs connect to wildlife viewing blinds on the west shore of the lake. Crossing the southern outlet of the lake, hikers experience a diverse complex of streams, muskeg holes, and sedge meadows. Southeast of the lake, a 200-foot promontory offers a dramatic view of Mt. McKinley and the Ruth Glacier rising above Lake 1787. The trail parallels an unnamed stream on the east with views of active beaver lodges, dams, and ponds, before returning to the north edge of the lake through a large sedge meadow.

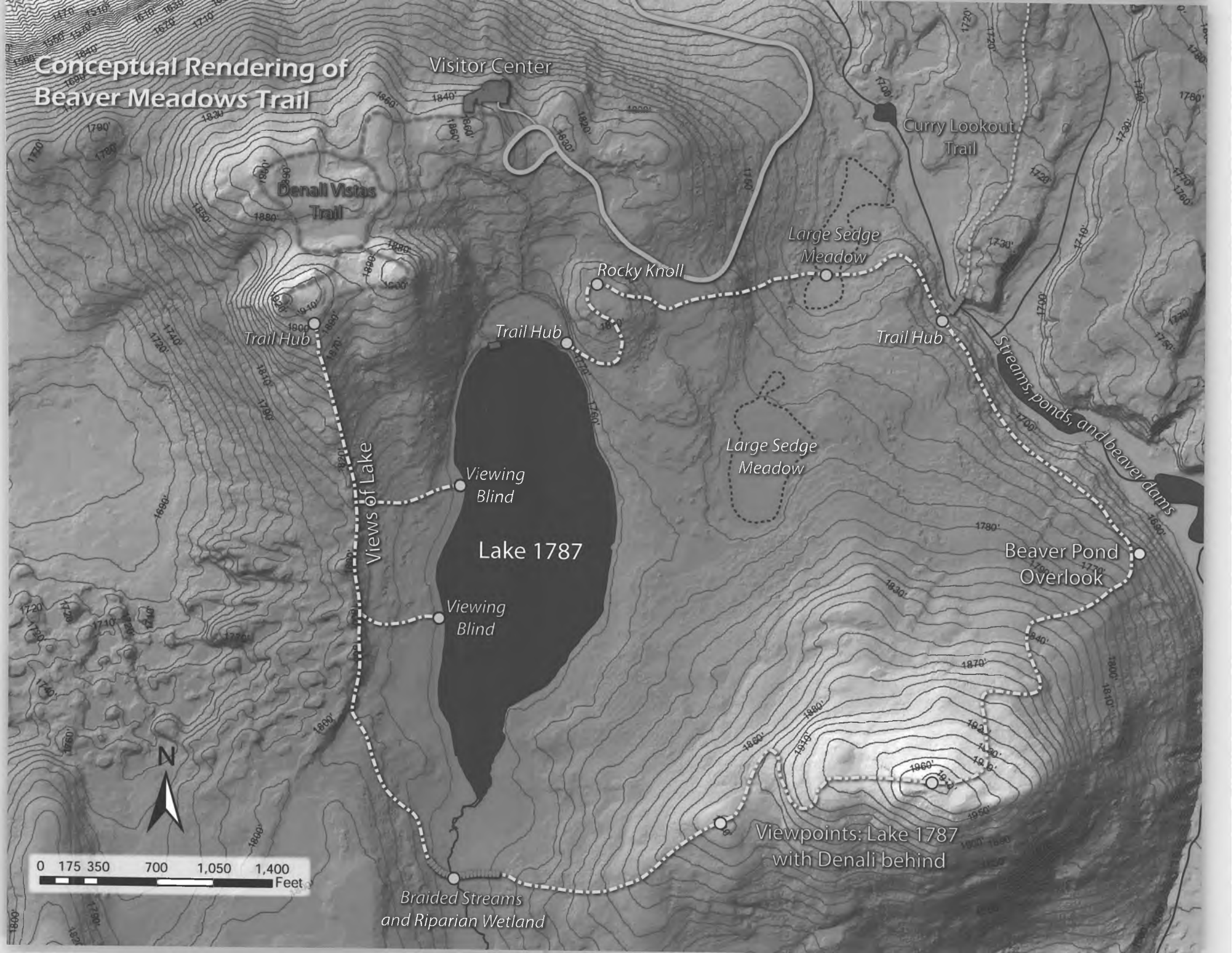
This trail is expected to have moderate use compared to the Denali Vistas Trail near the visitor center, but it is short enough that many groups will still be able to fit the hike into their schedule. The trail will be widened for comfortable walking in groups and improved with a gravel surface. Boardwalks will be built over wetland areas. It will not be strictly ADA compliant, but will be available as a more challenging recreational trail for people in wheelchairs.

Wayfinding is important on this trail, as some visitors may feel uncomfortable venturing so far from the visitor center. Maps and direction signs will reassure them that they are on the correct path. This trail intersects the Denali Vistas Trail at two locations; trailhead map panels will be provided at these junctures.

Limited wayside exhibits may be placed at natural gathering points (viewing areas, beaver ponds and dams, sedge meadows) to connect visitors with a more holistic story.



Scenic streams and ponds in beaver meadows


Conceptual Rendering of Beaver Meadows Trail
Visitor Center
Curry Lookout Trail
Denali Vistas Trail
Large Sedge Meadow
Rocky Knoll
Trail Hub
Trail Hub
Trail Hub
Streams, ponds, and beaver dams
Large Sedge Meadow
Viewing Blind
Views of Lake
Lake 1787
Viewing Blind
Beaver Pond Overlook
N
0 175 350 700 1,050 1,400 Feet
Viewpoints: Lake 1787 with Denali behind
Braided Streams and Riparian Wetland



Pleasant wooded ridge after crossing stream



Steep, wide valley between Lake 1787 (in the background) and the high elevations of Curry Ridge



Curry Lookout shelter

Curry Lookout Trail

Wilderness Trail, 4 miles one-way

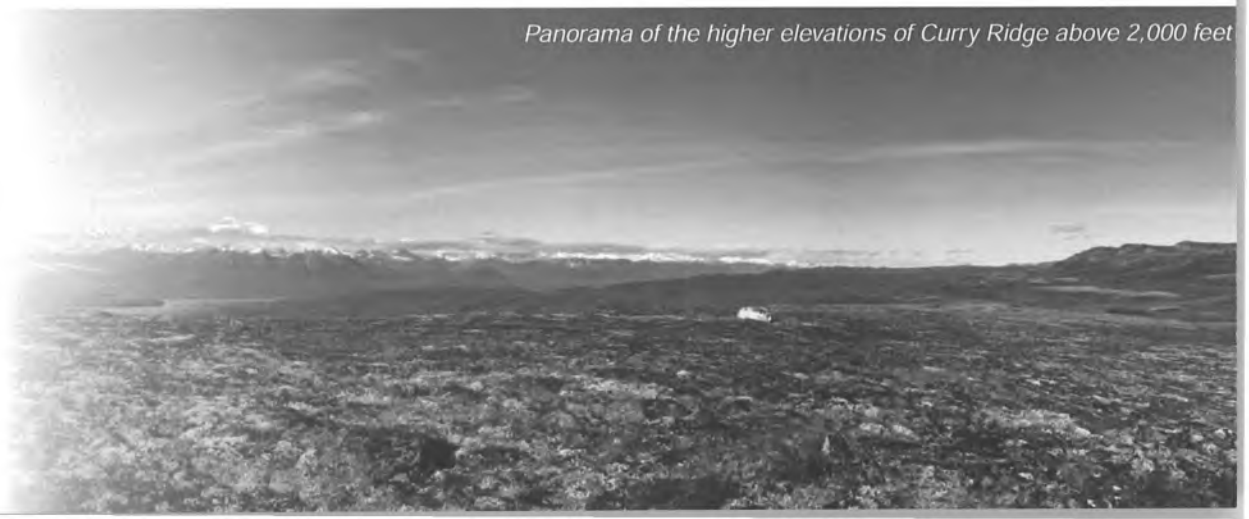
This rustic wilderness trail connects the visitor center to Curry Lookout shelter to the northeast. A spur from the Beaver Meadows Trail climbs steeply about 800 feet to the higher elevation top of Curry Ridge. Once at the top, visitors are rewarded with spectacular views of the Alaska Range and an "other worldly" feel of being in the barren, high elevation tundra punctuated by unique rock formations and blue alpine lakes.

Due to its relatively long length and steep climbs, this trail is expected to have much lower use than the others. It is a day-long adventure that requires a degree of preparation and a commitment to hiking.

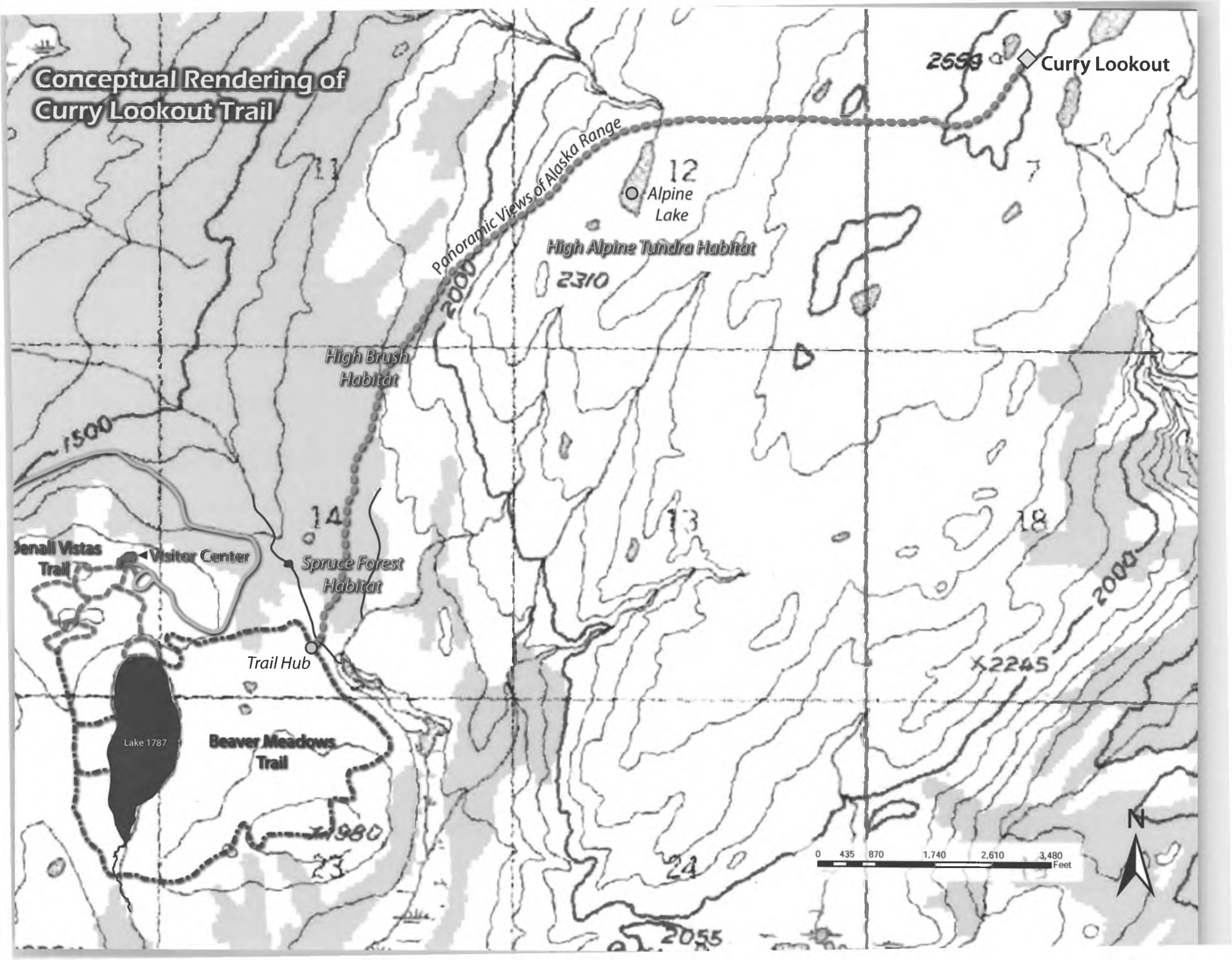
This wilderness trail has few improvements other than minimal wayfinding information such as trail maps and stone cairns across the tundra. Visitors do need to know how much further the Curry Lookout is as distances can be deceiving.

A trailhead map panel will be provided where the trail intersects with the interpretive loop. The Curry Lookout Shelter will discreetly house some interior panels with historic photographs of the town of Curry, the bridge that led to the Lookout Trail, and pictures and interpretation of early hikers from the railroad station and hotel.

Future plans call for trails that will connect Curry Lookout with existing paths along K'esugi Ridge. Discussions have also been conducted with Alaska Railroad representatives to potentially rebuild a trail between Curry Lookout and the historic Curry site on the east side of the Susitna River. At present, there is no crossing over the river.



Panorama of the higher elevations of Curry Ridge above 2,000 feet

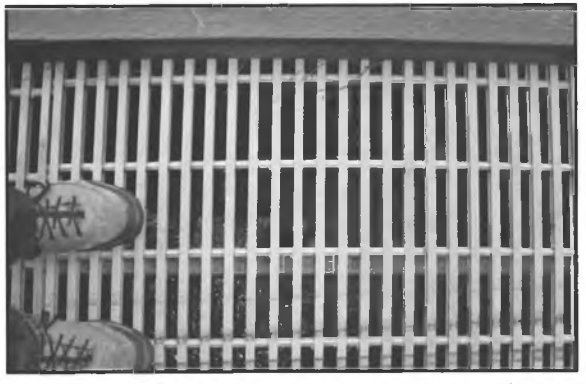

Conceptual Rendering of
Curry Lookout Trail
Curry Lookout
2593
Panoramic Views of Alaska Range
12
Alpine
Lake
High Alpine Tundra Habitat
2310
2000
High Brush
Habitat
1500
14
13
18
2000
Denali Vistas
Trail
Visitor Center
Spruce Forest
Habitat
Trail Hub
X2245
Lake 1787
Beaver Meadows
Trail
980
23
24
2055
0 435 870 1,740 2,610 3,480
Feet
N



Rustic stone overlook, Knockan Crag NNR, Scotland



Themed wooden bench, Jordan's Custom Sculptures, Indian, Alaska



Boardwalks with grate surfaces allow water and sunlight to pass through. Islands & Ocean Visitor Center, Homer

Trail Structures and Amenities

The core adventure on Curry Ridge is found outside the walls of the visitor center on the trails and in exploring the wild ridge top and saddles. The potential of a peak trail experience is enhanced by the wonderful diversity of the landscape traversed by the trails.

Trail design adds to this heightened sense of discovery. A well designed trail helps hikers explore the mystery, variety, and beauty of a site. The trail surfaces can magnify the sense of changing landscapes; boardwalks can lift a traveler over boggy wetlands, beaver meadows, or present a fresh perspective from above a miniature alpine flower garden.

On the rocky ridge tops, stone should be incorporated into the design of low profile walls that subtly define the edges of scenic overlooks. Boulder benches and stacked stone should be used for seating that is harmonious with the location. In forested areas, rustic carved wood benches that reflect the themes of the trail should be used. For example, at the beaver meadow overlook, a bench with beavers carved in relief and accented with simulated beaver gnawing around the edges would be appropriate.

Trail surfaces and boardwalk treads should blend with the landscape as well. Interlocking concrete pavers formed and stained to resemble rock can reduce erosion and trampling on the heavily used main loop. Rough cut, treated lumber provides a nonskid boardwalk surface on the stream crossings at the south end of Lake 1787. Boardwalks with grate surfaces allow rain and sunlight to reach the ground; this may be a good solution in alpine tundra areas where vegetation can continue to grow under the tread.

A floating platform that lies low on the water at the north shore of Lake 1787 invites discovery. Underwater viewing scopes installed on the platform provide unique glimpses into the clear alpine waters of the lake. Permanently mounted spotting scopes will invite visitors to study the distant views from the ridges and to focus in on moose in wetlands and loons on the lake.

Other viewing platforms on the west side of the lake serve as wildlife blinds, thematically camouflaged with a layer of sticks and logs from an old beaver lodge.



Chapter Six

Interpretive Media and Programs





Personal interpretation is the most effective means of connecting visitors to the meanings of the resources. This ranger at Crater Lake National Park uses a tactile topographic model to orient visitors.

Interpretive Programming

Personal interpretation is the most effective technique for connecting the interests of visitors to the meaningful and unique stories found on Curry Ridge. A seasoned interpretive naturalist can help people to see and experience the environment in new and sensory ways that cannot be achieved with more passive techniques.

Since the real intent of this facility is to help people discover wild Alaska experientially on trails and ridge tops, guided trail walks are an excellent way to open visitors' eyes, hearts, and minds.

The National Park Service plans to provide some interpretive staffing that will include interpreters and environmental educators. Seasonal staff will provide some summer needs for programming. A number of interpretive needs demand a higher quality of knowledge and professional expertise than seasonal staff can be expected to deliver. It is difficult for agencies to meet the seasonal demands for both quantity and quality due to the limited training schedules and the turnover of seasonal employees.

There are entrepreneurial interpretive services that are locally available near Curry Ridge. These firms have proven experience and sound cultural and natural history knowledge of this area. These services should be formally encouraged and integrated into the management plan of the visitor center facility.

This symbiotic relationship will assist the Park in meeting the diverse needs of this large audience while supporting the local economy. Private companies can better meet the needs of this market and be more responsive to its changing demands, numbers, and schedules than government agencies. They can also assume the financial risks and potential profits inherent in providing these services.

Standards and programmatic objectives should be defined by State Parks in order to contract with reputable guide and interpretive entities who will provide a level of visitor service not available through agency programming.

Several provisions have been incorporated into the visitor center design to facilitate interpretive programming. These include an amphitheater off the deck, a large multi-purpose room that can be divided, a large storage area for program supplies, a trail system with different sized loops, and trail gathering areas such as overlooks and a platform on the lake.

Visitor Center Exhibits

Interpretive media are non-personal forms of communication that enhance visitors' experiences by helping them make connections between the tangible resources of South Denali and the intangible meanings that these resources represent. Exhibits, theater productions, and outdoor panels are some of the vehicles that help visitors see how this place is relevant to their own lives.

Specific media components were consciously selected and developed to best interpret the significant attributes of the South Denali site: its ecology, geology, and human history. The varied modes of communication chosen for the media are intended to reach diverse learning styles and span a continuum of ages.

The **visitor center exhibits** are intended to prepare people to understand and value this unique place that they are about to experience. The media can demonstrate complex and colossal geological forces in direct ways that are understandable on a human scale. Some exhibits give visitors unique views of elusive wildlife that they may only glimpse fleetingly as they explore the site. Historic events can burst to life through dramatic theater productions that involve the emotions and intellect of viewers of all ages.

Organization of Media Concepts

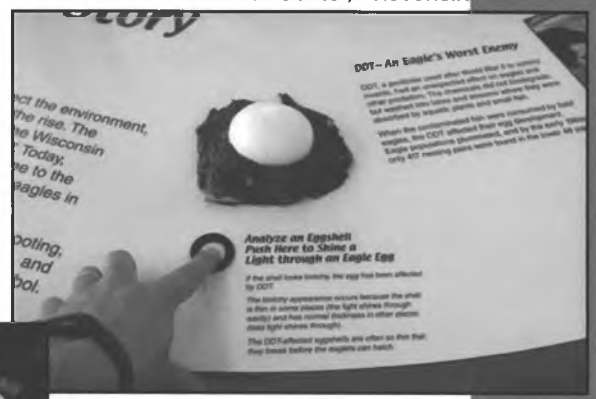
Each media concept is developed as follows:

1. A brief **purpose** is provided. That explains why the exhibit concept is recommended
2. A list of **sub-themes** and **messages** that will guide interpretation for the exhibit is linked to the framework in Chapter 4.
3. **Objectives** are provided that describe what the visitor will learn (educational), what they will do (behavioral), and how they will feel (emotional connections).
4. A **description** along with graphic representations details each media concept.

Begich-Boggs Visitor Center, Alaska



Great River Road Visitor Center, Wisconsin



Everglades National Park Visitor Center, Florida



The most effective exhibits are those that involve the visitor. Tactiles, audio units, smell boxes, flip panels, mechanical devices, videos, and computer interactives are components that increase participation and enhance the success of an exhibit.

Tactile Topographic Map of Alaska Range, Curry Ridge, K'esugi Ridge and Chulitna River Valley

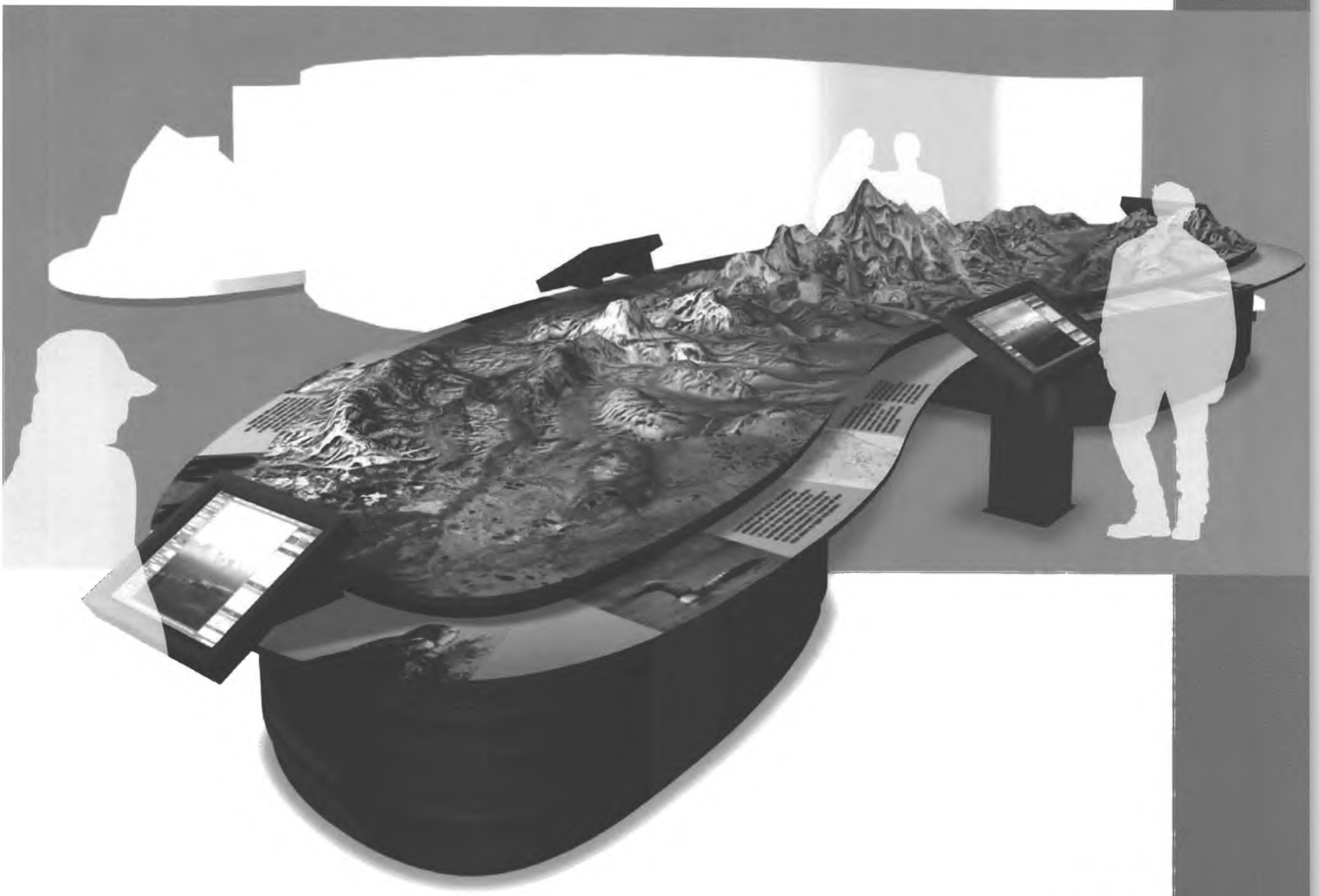
Purpose:
To identify the mountains and other landscape features visible from Curry Ridge and help visitors comprehend their size and relationships even when they are partially covered by clouds.

Themes and Messages Interpreted:
Sub-Theme 2, Messages 2.1 a-m

Objectives:

- Visitors will learn the names of the visible mountains, glaciers, rivers and ridges.
- Visitors will be encouraged to touch the physical maps as they view the real landscape scene out the window;
- Visitors will confidently explore Curry Ridge with a newly acquired cognitive map

Description:
This large free-standing topographic map of the South Denali landscape will be constructed without borders or barriers to allow visitors full tactile access to the map. The map will be placed near the viewing window so visitors can make reference to the "real thing" and interpreters can give "map talks" about the features. STM (Solid Terrain Models) is a company that makes maps fitting these criteria.



3-D Topographic Projection Map of Denali State Park

Purpose:
To provide a fun, easily understood, interactive map experience that encourages visitors to plan their visits in a holistic manner. Options will be presented based on visitors' planned length of visit, preferred activities, physical ability, etc.

Themes and Messages Interpreted:
Sub-Theme 8, Messages 8.1-8.11

Objectives:

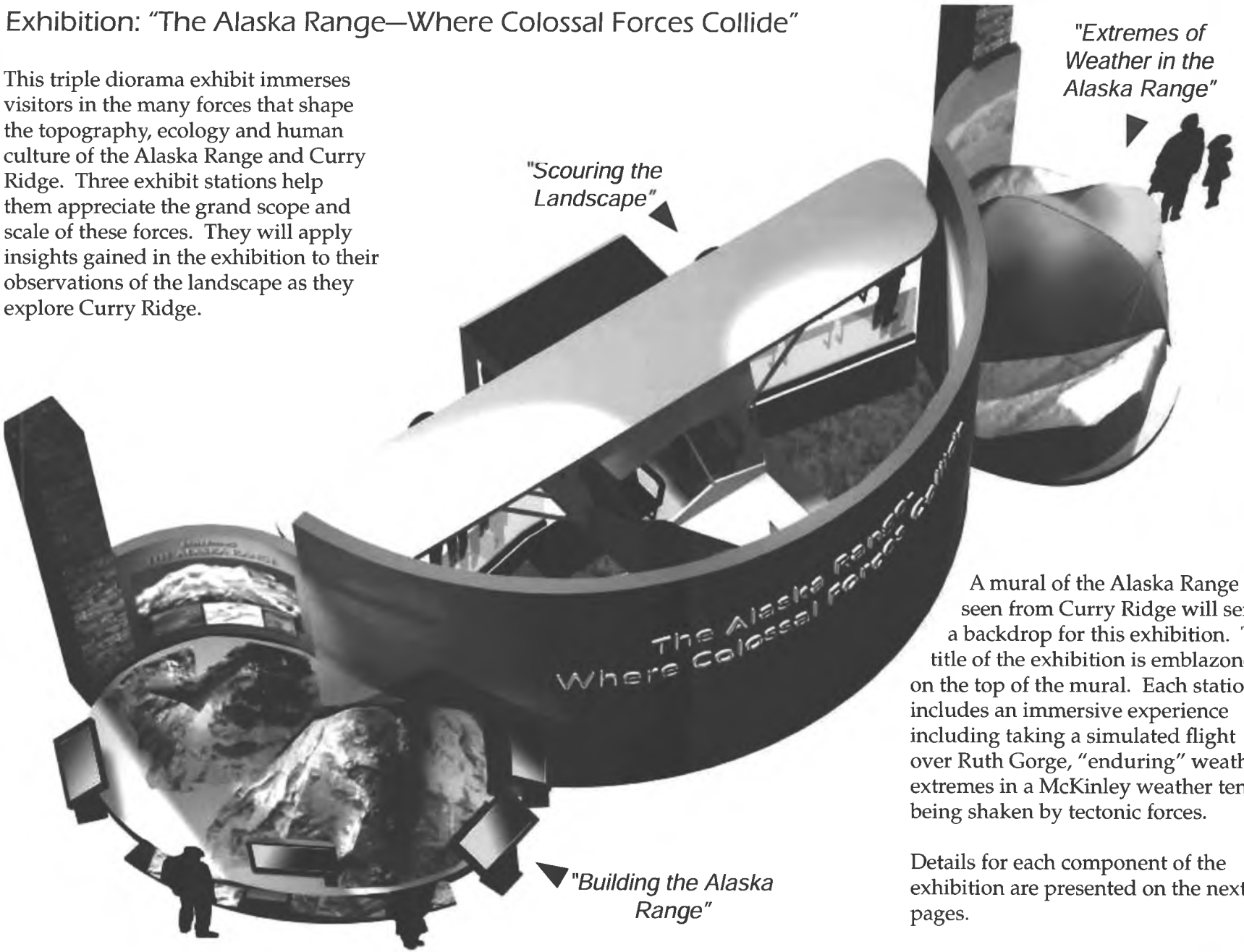
- Visitors will learn about the range of recreation opportunities and special features of the park as they push buttons that project images such as trails, roads, boundaries, interpretive features, and access points.
- Visitors will plan their visit to the park based on the information provided.

Description:
This map and its projection system will be conveniently placed in an exhibit alcove near the visitor information desk. A menu of projection options will allow visitors to choose various overlays such as fishing and hunting opportunities, camping, trails, etc. It will provide appropriate options based on length of visit and interests.



Exhibition: "The Alaska Range—Where Colossal Forces Collide"

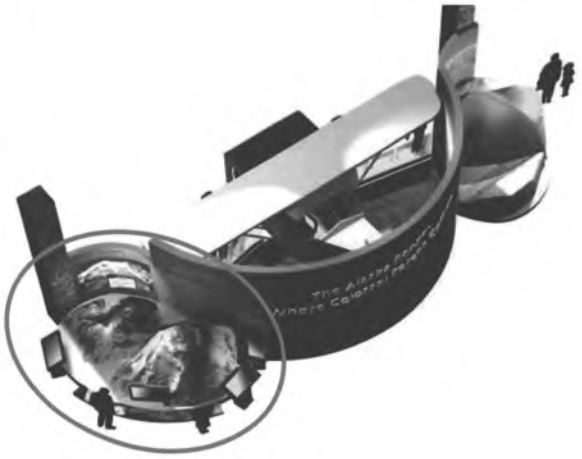
This triple diorama exhibit immerses visitors in the many forces that shape the topography, ecology and human culture of the Alaska Range and Curry Ridge. Three exhibit stations help them appreciate the grand scope and scale of these forces. They will apply insights gained in the exhibition to their observations of the landscape as they explore Curry Ridge.



A mural of the Alaska Range as seen from Curry Ridge will serve as a backdrop for this exhibition. The title of the exhibition is emblazoned on the top of the mural. Each station includes an immersive experience including taking a simulated flight over Ruth Gorge, "enduring" weather extremes in a McKinley weather tent, and being shaken by tectonic forces.

Details for each component of the exhibition are presented on the next pages.

Exhibition: "The Alaska Range—Where Colossal Forces Collide"



Building the Alaska Range

Purpose:
To interpret the tectonic forces uplifting the Alaska Range and Curry Ridge and the rocks and minerals that make up the range.

Themes and Messages Interpreted:
Sub-Theme 2, Messages 2.3 a-c; 2.4 a-d

Objectives:

- Visitors will learn about the tectonic forces that shaped the Alaska Range
- Visitors will be physically engaged in learning the geologic history of the Alaska Range. They will view animations, operate mechanical devices, and feel rock samples.

Description:
Building the Alaska Range interprets the tectonic forces that have uplifted the Alaska Range and Curry Ridge. These concepts are interpreted around the surface of a prominent model of Mount McKinley. A 3-D animation of the forces shaping the Alaska Range is projected on a large flat-panel screen embedded in the mountain. The viewer stands in front of the screen and views the animation through 3-D glasses. A sub-woofer groans and vibrates in synchrony with colliding crustal plates, slipping faults, and rising mountains. Near the animation, mechanical devices operated by the viewer will allow them to simulate slip-strike and vertical thrust faulting, crustal warping, and the uplift of the Mount McKinley pluton. A reading rail will have illustrations and a timeline of the building of the Alaska Range. Large samples of rocks and minerals are available for visitors to explore. This allows visitors to touch and see what makes up the Alaska Range (e.g.: Plutonic granite making up Mt. McKinley) and learn about their origins from text and graphics placed with the samples.


BUILDING
THE ALASKA RANGE

Extremes of Weather in the Alaska Range

Exhibition: "The Alaska Range—Where Colossal Forces Collide"



Purpose:
To interpret how the Alaska Range intercepts moist air from the Gulf of Alaska and as the air lifts up the slopes extremes of weather are created that are dangerous to mountaineers.

Themes and Messages Interpreted:
Sub-Theme 3, 6
Messages 3.2 a-f, 6.1 a-h

Objectives

- Visitors will be surprised that, although Denali is a non-technical climb, it is one of the most dangerous due to the severe weather, avalanches and altitude sickness.
- Visitors will learn that Denali experiences some of the most severe weather in the world.
- In a game of survival, visitors will choose items that they would need for a two-week climb of Denali (with weather contingencies that could extend it to a month). They will be rewarded if they return safely.

Description:
A large mountain climber's base-camp tent is erected in a simulated glacial ice field. Visitors are lured into the tent by the frantic sounds of a two-way radio and the roar of mountain gale-force wind. The radio voice relates the drama of climbing teams stranded in relentless storms, enduring days of numbing stress from howling winds, crashing avalanches, and flapping tents. "Denali makes its own weather" has real-time readings of current weather conditions on the mountain. A flat panel screen illustrates the changing weather on Mount McKinley and adjacent peaks, especially the flow of clouds from the Gulf of Alaska up the slopes of the mountains, providing high amounts of clouds and precipitation on the windward side and low amounts on the leeward side. A graphic panel shows the relative precipitation at various points and interprets how the mountains affect the climate on the windward and leeward sides of the Alaska Range.



Scouring the Landscape

Exhibition: "The Alaska Range—Where Colossal Forces Collide"



Purpose:
Using the Chulitna River and Ruth Glacier as examples, the exhibit interprets the landscape shaping effects of glaciers and rivers.

Themes and Messages Interpreted:
Sub-Theme 2, Messages 2.5 a-g
Sub-Theme 7, 7.1 a-f

Objectives:

- Visitors will feel the excitement and some of the sensations of a pilot-narrated flight-seeing trip over Curry Ridge, up the Chulitna River to Ruth Glacier, up the glacier to the Don Sheldon Amphitheater.
- Visitors will learn about how glaciers and rivers have shaped the landscape and created features such as Ruth Gorge.
- Visitors will be awestruck by the narrated facts about Ruth Glacier.
- Visitors will see glacial flour in the Chulitna River that limits opportunities for sport fishing.

Description:
An old, "authentic" Ruth Glacier flight-seeing ski plane invites visitors to "climb aboard" for a video tour of the Chulitna River and Ruth Glacier. It is positioned in front of a curved, icy, backdrop. Visitors wear headphones to hear the "pilot" narrate the tour. As the plane "takes off," a breeze blows over the viewer's faces and their seats vibrate to the roar of the engines. The tour begins with a flight over Curry Ridge down to the Chulitna River. The pilot relates that all of this river flow is melt water from the glaciers. He tells about the glacial flour that gives it the characteristic color. He points out that it flows through a valley that was once shaped by surging glaciers. Then it's up Ruth Glacier through Ruth Gorge, ending with a landing in the Don Sheldon Amphitheater. As the landscape floats by, the pilot points out the features and facts of Ruth Glacier. After completing the tour, visitors can walk nearby to touch glacier etched rocks, see rock flour in water and view graphics of Alaska Range glaciers and rivers.





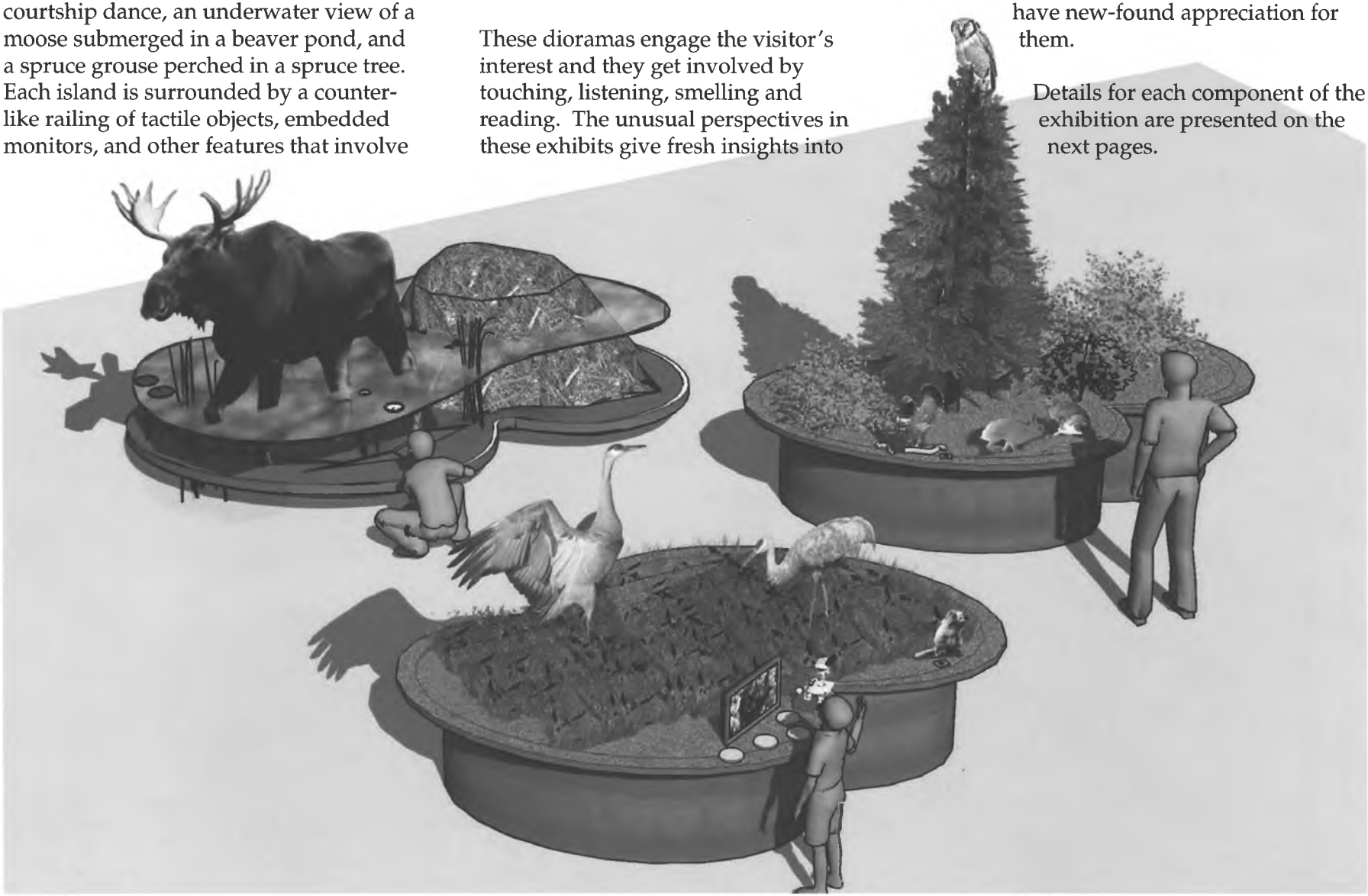
Narration Excerpt: *The glacier's "Great Gorge" is one mile wide and drops almost 2,000 feet over ten miles with crevasses along the surface. Above the surface on both sides are 5,000-foot granite cliffs. From the top of the cliffs to the bottom of the glacier is a height exceeding that of the Grand Canyon.*

Exhibition: Life on Curry Ridge

Three habitat islands feature dramatic scenes such as cranes in tundra leaping in courtship dance, an underwater view of a moose submerged in a beaver pond, and a spruce grouse perched in a spruce tree. Each island is surrounded by a counter-like railing of tactile objects, embedded monitors, and other features that involve the viewer in actively experiencing and investigating each habitat.

These dioramas engage the visitor's interest and they get involved by touching, listening, smelling and reading. The unusual perspectives in these exhibits give fresh insights into these plants and animals. When visitors encounter them on the trails, they will have new-found appreciation for them.

Details for each component of the exhibition are presented on the next pages.



Life on Curry Ridge: Mountain Pond

Purpose:
To provide interactive experiences that help visitors learn about selected animals that live in and around Lake 1787.

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.6 d; 1.8 a, c

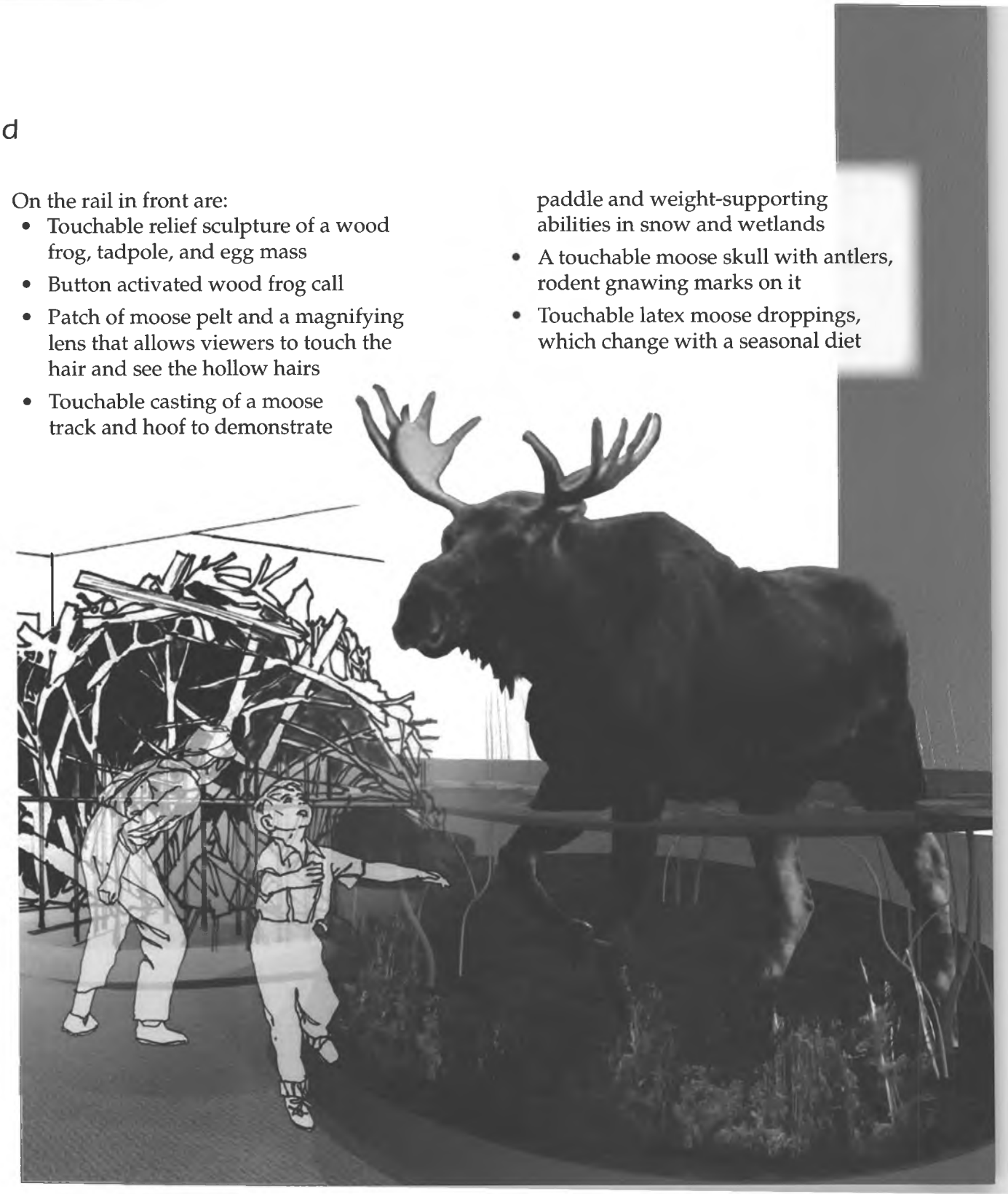
Objectives:

- Visitors will learn that Lake 1787, an alpine lake perched on Curry Ridge near the visitor center site, attracts a diversity of wildlife in both the open water and shoreline habitats.
- Visitors will interact with various tactile elements that illustrate fun features of a variety of animals that live in and near Lake 1787. Children will be delighted to crawl into a musky beaver lodge.
- Visitors will be awestruck by the size of a moose and physically engaged with the tangible features of moose embedded on the railing.

Description:
This island replicates a mountain pond environment, featuring a moose foraging near a beaver lodge. Kids can climb into the musky beaver lodge and peer out under the water.

On the rail in front are:

- Touchable relief sculpture of a wood frog, tadpole, and egg mass
- Button activated wood frog call
- Patch of moose pelt and a magnifying lens that allows viewers to touch the hair and see the hollow hairs
- Touchable casting of a moose track and hoof to demonstrate paddle and weight-supporting abilities in snow and wetlands
- A touchable moose skull with antlers, rodent gnawing marks on it
- Touchable latex moose droppings, which change with a seasonal diet



Life on Curry Ridge: Alpine Tundra

Purpose:
To interpret tundra plants and animals and their adaptations to the harsh alpine environment of Curry Ridge.

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.1 a-j; 1.8 h

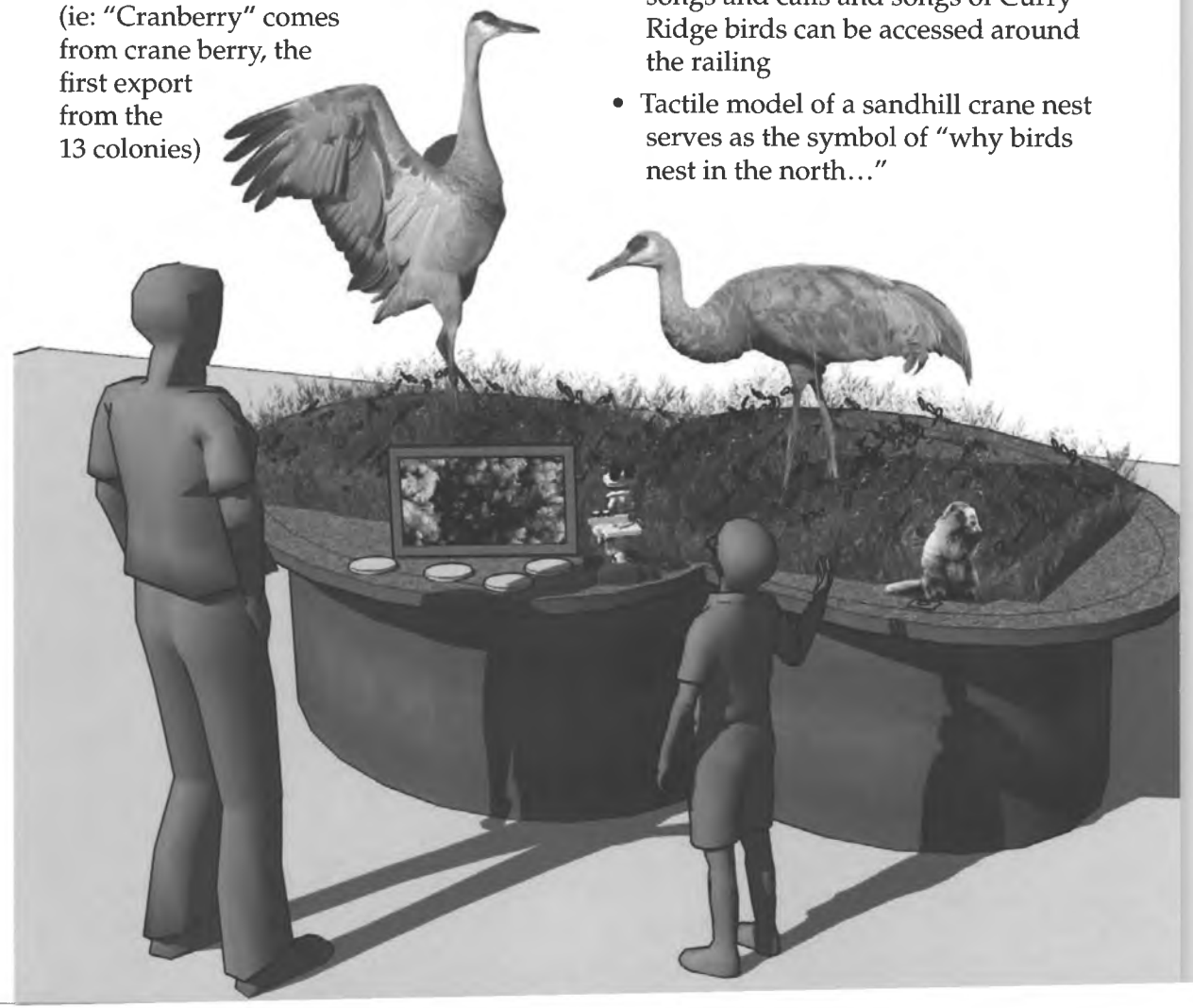
Objectives:

- Visitors will learn that alpine tundra, found in the higher elevations of Curry and K'esugi Ridges, is a miniature world of plants adapted to harsh conditions of sunlight, wind, cold, drought, and a short growing season.
- Visitors will study magnified embedded alpine plants and insect pollinators on a monitor to see and learn about adaptations for alpine survival. Visitors will push buttons to hear and learn about alpine birds including the sandhill crane and its fall visits for blueberries and "craneberries".
- Through the use of various senses to explore the exhibit, visitors will be actively engaged and rewarded with surprising information.

Description:
This island illustrates alpine tundra habitat, and features a pair of dancing sandhill cranes in a courtship display.

On the rail in front are:

- Tiny plants and berries embedded in resin that can be magnified on a monitor so viewers see hairy stems, waxy leaves, spreading roots, and other modifications for alpine survival. When an image shows on the monitor, interpretation relates the plant to the interests of the reader (ie: "Cranberry" comes from crane berry, the first export from the 13 colonies)
- Tundra insect pollinators embedded in resin to be viewed and projected. These include big, hairy bees and butterflies with qualities that make them successful in alpine habitats
- Touchable model of a hoary marmot with alarm call button nearby.
- Bird photographs and push-button songs and calls and songs of Curry Ridge birds can be accessed around the railing
- Tactile model of a sandhill crane nest serves as the symbol of "why birds nest in the north..."



Life on Curry Ridge: Willow, Alder, White Spruce Thickets

Purpose:
To provide interactive experiences that help visitors learn about selected animals that live in the sub-alpine thickets.

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.2 a-b; 1.3 a-b

Objectives:

- Visitors will learn that the high brush thickets and spruce forests are a transition zone between lower forests and alpine tundra that provides significant browse and cover for mammals and birds.
- Visitors will interact with tactile models of parts of a spruce grouse, hawk owl and snowshoe hare that illustrate physical adaptations of these animals to survive in this habitat.

Description:
This island features a willow, alder, and white spruce thicket. Several tactile models of wildlife, such as red squirrels, spruce grouse, hawk owls, and snowshoe hares, encourage exploration.

On the rail in front are:

- Spruce grouse model with associated fringed and feathered foot, and pullout snow burrow, push-button sounds of the grouse
- Molds of two spruce grouse intestinal tracks contrasting the short summer length with the winter one which is 40% longer to absorb the spruce needle diet.
- Snowshoe hair model with touchable big furry feet
- Hawk owl model with turnable head and a nearby "listening funnel" that simulates the facial discs of the owl to channel and magnify the sound of a vole in the exhibit.
- Accessible snag near rail invites people to pull open a hinged door and "meet" a family of northern flying squirrel models



Object Theater—"Spirit of Alaska"

Purpose:
To provide an immersive theater experience that gives viewers a sweeping overview of the unforgiving Denali landscape and the people who have met the challenge. This theater is meant to surprise the audience and evoke a sense of adventure as the spirit of the Alaska Frontier unfolds around them. It is more experiential than factual. It is intended to excite people to want to see and do more during their Alaska adventure.

Themes and Messages Interpreted:
Sub-Theme 5, Messages 5.1-5.13;
Sub-Theme 6, Messages 6.1-6.4;
Sub-Theme 7, Messages 7.1-7.6

(Note: In the development of the script, specific messages will be selected that best achieve the purpose and objectives)

Objectives:

- Visitors will learn about the interior Athabaskan people and witness their spiritual connection to the land; that the promise of riches has beckoned adventurers and thrill-seekers since the late 19th century; and that the Chulitna and Susitna Rivers have been corridors for access to the Alaska interior.
- Visitors will be awed by the beauty and diversity of life in the Alaska Range and the Chulitna-Susitna River valleys and ridges. They will feel amazement at the stories of mountain climbers, bush pilots, homesteaders and other adventurers drawn to this land.
- Visitors will be compelled to taste the spirit of Alaska by hiking the ridge, riding the river rapids, or chartering a flight.

Description:
The "object theater" has an arc of alcoves to the right, left, and above a HDTV format screen (e.g., Da-lite™ Cinema Contour 9' X 14' screen). Each alcove has a vignette of historic events complete with objects and artifacts that will be dramatically revealed through motion, lighting and sound during the course of the presentation. The alcoves are hidden behind scrims that reveal what is behind them when illuminated. The ceiling has undulating special scrims that transform the theater to a show of northern lights. A surround sound system for commercial theaters will provide the dramatic sound effects for the production ranging from roaring bush plane engines or a rushing waterfall to the gnawing sounds of a beaver or a calling family of Boreal Chickadees. The production will be stored and presented in a digital high definition format.

The audience is engulfed in an array of dreamlike experiences that give them insights into Athabaskan mythology about the "Tall One," Denali. Stories about Alaskan legends and real people personalize the history of this land. Theatrical lighting, surround sound, and dynamic video footage actively engage viewers in the presentation. The voices of sourdoughs, bush pilots, and'59ers, echo through the room. The room is filled with movement and surprises.

A veiled "stage" encircles the theater audience. As the story unfolds, lights mysteriously illuminate symbolic artifacts behind a scrim. Sounds, voices, and highlighted objects pull people's attention from one side of the room to the other. The theater is alive with the sound of life—the gurgle of a brook in one direction transitions to the roar of a bush plane in the other and the theater seats vibrate in response. A darkened room bursts into brilliant arcs of undulating color when the Aurora Borealis glows from the dancing drapery of the reflective ceiling. Periodically the large screen jumps to life with dynamic sequences of mountain sunrises or the thunder of an avalanche.



Entrances to the theater are to the right and left of a large door opening. On the corridor walls behind the opening are a series of large simulated theater posters. These interpretive panels are illustrated with dramatic headlines, text, photos and graphics representing stories that are told in the theater: "Shem Pete's World: The Dena'ina of the Alaska Range"; "Gold Fever: Sourdoughs of Denali rivers;" "Tough as Nails: The Sourdough Expedition"; "Railroad Town: Alaska Nellie's Curry Roadhouse"; "Bush Pilots of Talkeetna: Tales of Don Sheldon and Cliff Hudson"; "The 59er's: Staking a Claim in the Wilderness"; "The Parks Highway: Corridor to Adventure."

"Spirit of Alaska" Storyline Concept

Opening Scene—The theater lights fade and when the theater is dark and quiet, a raven call breaks the silence. A Dena'ina male voice quietly retells their ancient legend of how the Great Mountain was created. He describes the flight of a young brave who has taken a bride from the Raven Chief's camp and paddles to escape the wrath of the chief..... The audience will see the dream-like silhouettes in their peripheral vision (shadows behind a scrim). As the tale reaches its climax the ceiling bursts into a shimmering Aurora Borealis and the Alaska Range and the towering Denali begins to glow on the screen.

Scene 1—Spectacular views of the summit of Denali are accompanied by the sound and feel of wind in the theater. Fly-over views ensue of the rugged mountain terrain under a low winter sun. The audience is immersed in the vast, wild landscape. A close-up of a calving glacier's wall is transmitted with thundering sound and vibration in the theater. The camera follows the surging melt water to a stream with the glint of a gold nugget in the gravel bed. The screen fades dark.

Scene 2—The sound of water shifts to the side where a light begins to illuminate a moving rocker box and sluice trough. The murmur of miners escalates to excited shouts of "Gold!" The voices fade and the sound of ragtime piano draws the audience's eyes to the screen where historic black and white images of gold-town saloons appear. An argument ensues: Tom Lloyd, Kantishna miner says, "Bill (Bill McPhee, barroom owner, standing behind the bar) you know that Dr. Cook was a liar. He didn't make the summit and every Alaskan knows it." (Bill): "Tom, I don't think anyone can climb that mountain." (Tom): "I'll bet me and some of my boys can do it!" (Bill): "I've got $500 for anyone who can make the climb and prove if that fellow Cook made the climb or not."

Scene 3—a series of old black and white photographs are projected on-screen of historic Denali climbing parties accompanied by verbal quotes from accounts of the Sourdough Expedition (e.g.: "Those guys had to be tough as nails"). Doughnuts and a thermos are illuminated on a side alcove. A flag on a spruce pole waves in a breeze. The Sourdoughs images slowly appear behind a scrim, near the spruce pole.

Scene 4—Theater goes dark, a raven call gives way to the distant whistle of a steam locomotive. An engine headlight



"...and as the Raven Chief's spear soared over the young brave, it struck the huge wave, turning it to a great stone mountain."

breaks the darkness. The sound grows louder. The seats rumble to a passing train as the whistle shrieks from one side of the theater to the other. Light strobes onto a Curry Station sign. Vintage video footage and stills tell the story of building the Alaska Railroad. The nearby town of Curry is featured, first as a construction landing, later as an overnight stop for travelers on the railroad. Photos of President Warren Harding show he was a guest at the Curry Hotel when he drove the golden spike at Nenana. The story of Alaska Nellie and her Deadhorse Roadhouse in Curry is told as a tale of a frontier woman who exemplified the spirit of Alaska. Adventurers climbing to Curry Lookout from the Curry Hotel are testimony to the lure of frontier Alaska. The last photo in the scene is of Cliff Hudson standing in the doorway of Curry Lookout. He is identified as a pioneer bush pilot. The light fades to black.

Scene 5—The sound of an airplane engine firing to life breaks the silence. A reproduction of the 1930's McGee Airways sign "Fly an hour or walk a week—keep sled dogs off runway" is illuminated behind a scrim. The engine roars for takeoff, reverberating through the seats, from Talkeetna and you fly over the Susitna River to Curry Ridge where you circle the Curry Lookout. You enter a cloud and a raging snowstorm and an airman's voice describes his ordeal when his C123 breaks up over the snow-covered Curry Ridge. Historic film and photos of famous Talkeetna bush pilots, Don Sheldon and Cliff Hudson provides the images (perhaps add some re-enactment footage like some airmen waving frantically from the snow fields below) for the telling of their dramatic rescue of the airmen. Bush pilots are illustrated with historic film as the link to the wilderness and a lifeline for homesteaders, miners, and trappers. Cliff Hudson is seen bringing mail and supplies to a homestead is the transition to the '59ers and earlier homesteaders.

Scene 6—Artifacts from a homesteader's cabin (a cook stove, tools, furniture, etc.) are illuminated behind the scrim. Vintage film depicting the life of homesteaders in the Alaska bush is narrated in their own words. These contemporary pioneers are representative of the true spirit of Alaska.

Scene 7—The George Parks Highway, completed in the 1970's, connected Anchorage with Fairbanks and brought civilization to Susitna and Chulitna River homesteaders. This story is told through the words of Mary Carey, who had a homestead just up the road from South Denali Viewpoint and petitioned the Governor to build the road. ("We already have two roads in Alaska. Why do we need another one?" responded the Governor). When the road was completed she opened McKinley View Lodge. The scene ends with a photo of Mary at her lodge that dissolves.

Final Scene—A bright, present-day view of the lodge reappears on the screen and you soar away from the lodge, above the valley. A voice invites you to "Catch the spirit of Alaska". A view into the river shows rafters on the Chulitna, and suddenly you are aboard a raft surging through swirling rapids. You are lifted from the rapids and soar above Curry Ridge where join happy hikers on their way to Curry Lookout. From the top of the ridge you look to the south as a train snakes along the Susitna River. You zoom in to see people waving from an observation car. Your attention is turned to a group of birdwatchers on Lake 1787 who focus their spotting scope on Pacific loons calling on the lake. You hear the sounds of insects and your focus is turned to a meadow of mountain flowers that turn to ripened berries and the rusts and golds of fall, and finally the silence of winter snows. The light fades on Denali and the Northern Lights once again dance above you in the theater.



President Harding drove the golden spike that symbolized the completion of the Alaska Railroad, dedicating it "to the men who suffered cold and defied death that they might write their page in history."

Outdoor Interpretive Media

The South Denali Visitor Center serves as a gateway to the real Alaska outdoors. A well developed network of trails is proposed in Chapter 5: Interpretive Facility and Site Development. Signage planned along the trails provide opportunities for interpreting actual resources and events that visitors are currently experiencing on the site. This is a powerful method for connecting visitors to the stories of Curry Ridge.

Standardized trail panels and supports are desirable for visual recognition by visitors. They should blend aesthetically into the environment, while also serving as comfortable visual icons, assuring visitors that this is a well maintained and safe place.

When interpretive signs are unified and designed for a specific site, they create a sense of identity and a familiarity to visitors that makes them more user friendly. The following are some considerations for creating a "family" of related signs at the Curry Ridge site:

Sign Supports

- Flat iron supports that are thematically designed for each individual panel.
- The hard metal is harmonious with the site and resilient to weathering and vandalism
- The low angled profile matches the horizontal lines of the environment
- The sculptural cutouts cast shadows and silhouettes of animals that accentuate the strong seasonal sunlight on site and create a dynamic aspect to each sign

Sign Panels

- Fabrication material will allow for full color printing and high resolution images.
- Preferred material is exterior grade, high-pressure laminate produced through a reputable, experienced fabrication company.
- At least a ten year warranty from fading and delaminating should be included in the specifications.

Sign Face

- The design of the sign face must be a response to bright sunlight, the vibrant colors of flowers and alpine vegetation, and the dramatic seasonal variations in hues and patterns on the ridge.
- Light colored backgrounds of flat color will reflect the intense light and can make reading text difficult. A quiet wash of color and pattern that still provides a contrast between letters and their background is desirable.
- The complexity of textures at this site requires that sign panels and supports exhibit some textural complexity as well if they are to "fit" the environment.
- All messages should be conveyed visually and verbally expressed as concise inscriptions of 60 words or less in the primary paragraph.
- Each panel should be designed to present an obvious message hierarchy. Varying font and graphic sizes should represent the relative importance of each message.

Denali Vistas Trail Panel—Conceptual Design

Stylized title font develops a personality for the family of signs

Bold, unified banner creates contrast and gains attention

A hierarchy of text and graphic sizes improves readability

Colors can be changed for variety and to suit subjects

Wood Frogs are Super Cool!



Have you seen any frogs hopping around Lake 1787?

Then you've seen a wood frog,the *only* amphibian in interior Alaska. They have an incredible ability to freeze solid in winter, and then thaw out and hop away in spring.



Watch for a small frog with a black mask and a white "mustache." In early spring listen for their "quacking" call when they enter the water to mate and lay eggs. The rest of the summer, see them hunting insects near the lake.

Ragged edges on photos and tint blocks mirror the vegetation and jagged lines of the alpine

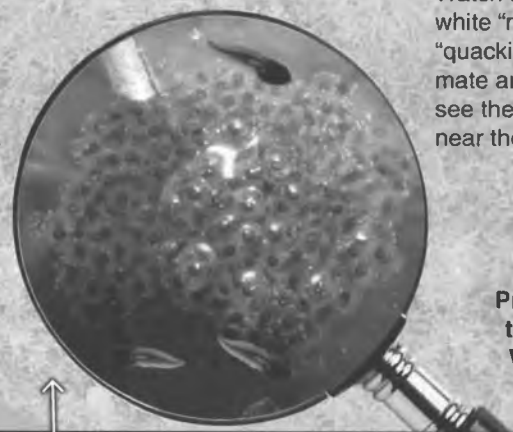
How do wood frogs survive an Alaska winter?

Antifreeze! Wood frogs protect their cells by pumping them full of glucose. They hibernate under leaves or soil insulated by the snow pack.



Frozen wood frog hibernating

Take a closer look...
Wood frogs deposit eggs in floating masses that absorb heat from the sunlight and speed their growth into tadpoles.



Press to hear the call of a Wood Frog

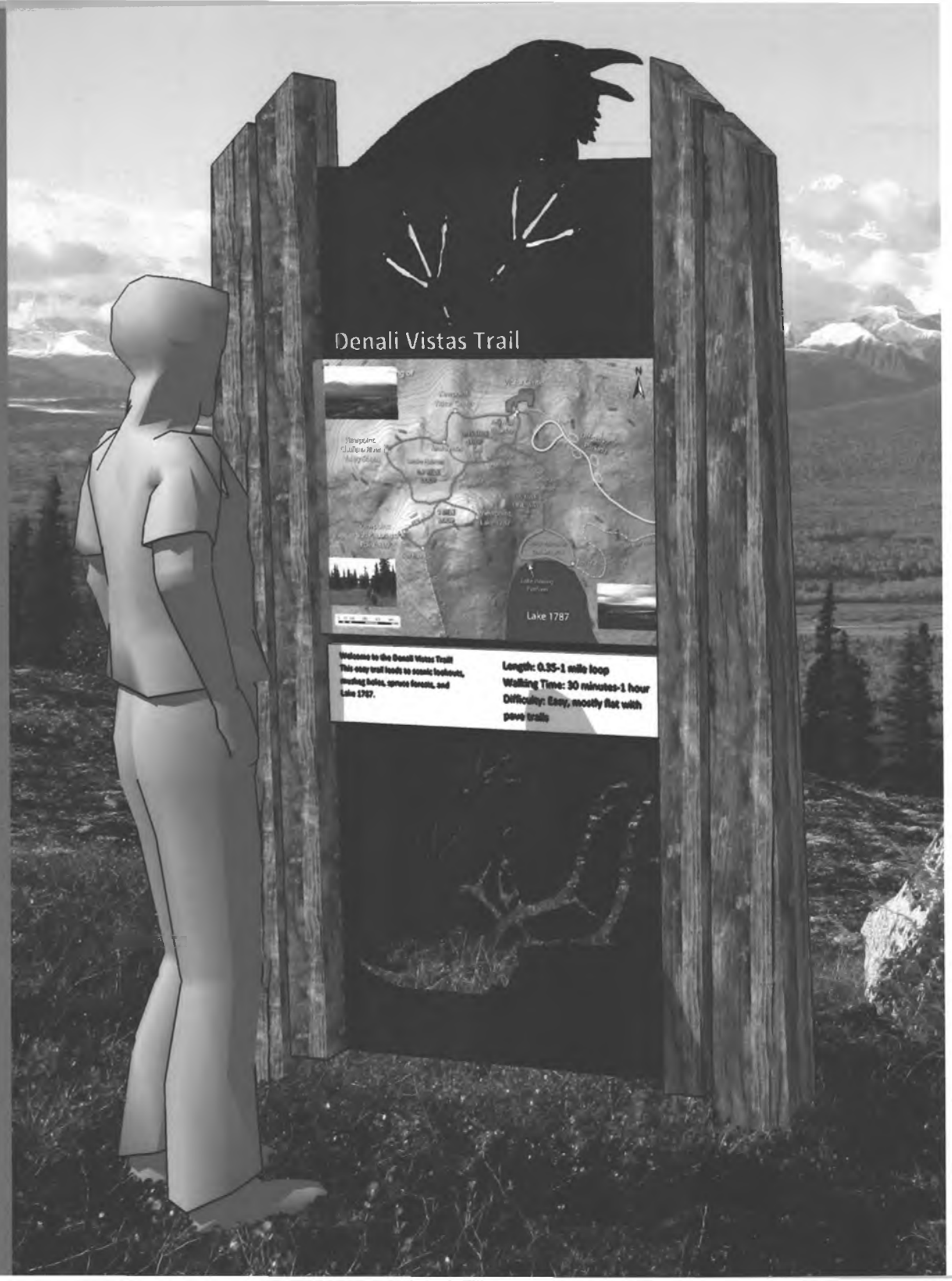


Touch a Wood Frog

Thematic tint blocks separate sub-stories from the main ideas

Soft, thematic background reduces glare in a bright alpine environment

Audio units and tactile models provide a sensory experience



Trailheads

Three trail systems are proposed near the South Denali Visitor Center. Trailhead panels will be installed at the main visitor center hub, as well as locations where different trails intersect. The panels provide basic information about each trail to visitors, while enticing them with promises of unique features and viewpoints they can experience.

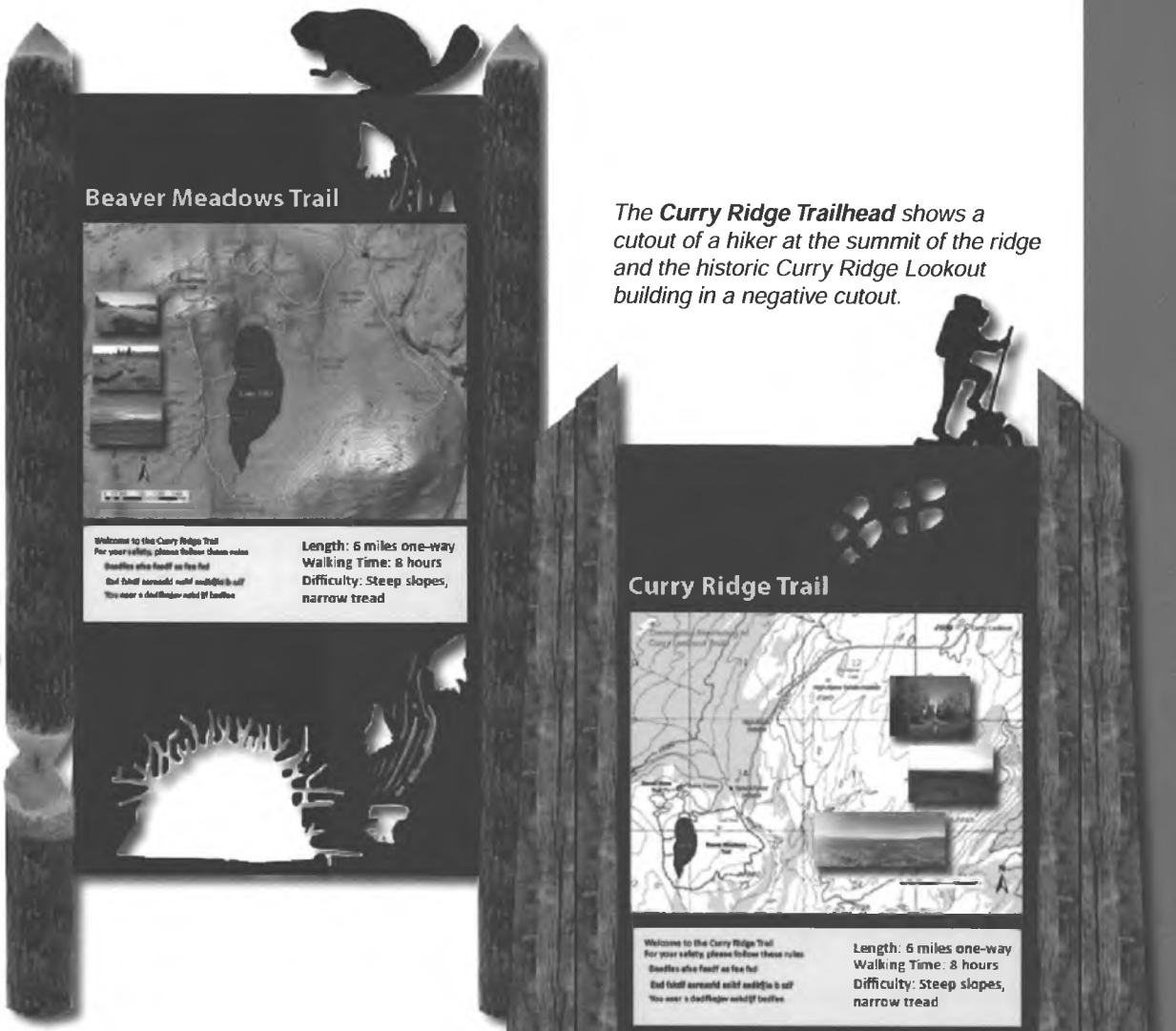
Design features for the trailheads include:

- Each trailhead will be designed to express the unique features of each trail loop.
- Trailhead panels will be designed using support plates of iron and wood timbers for ease of maintenance, for a rugged appearance, and to resist weathering and vandalism.
- Positive and negative cutouts in the iron plates will reinforce the themes of each trail.
- The cutout iron images will be repeated in interpretive panels along the trails.

*The **Denali Vistas Trailhead** features a raven cutout with bird tracks and a caribou skull punched into the iron plate.*

Each trailhead panel will include:

- A full color map that shows a simple trail layout and significant features. The map should be **oriented to the site** ("north" isn't necessarily "up" on the map; instead, "up" will represent "straight ahead.") The viewer's current location will be clearly marked with a "You are here."
- Basic information pertinent to hiking the trail, including length, estimated walking time, difficulty, wheelchair accessibility, elevation change, and safety precautions (wildlife encounters, changing weather, etc.)
- Photographs of trail features and a concise introduction to the theme of the trail.



*The **Curry Ridge Trailhead** shows a cutout of a hiker at the summit of the ridge and the historic Curry Ridge Lookout building in a negative cutout.*

*The **Beaver Meadows Trailhead** is highlighted by a beaver cutout, a lodge, and a support with a beaver gnawing.*

Denali Vistas Trail Panels

Golden Gate Canyon State Park, Colorado



Tijeras Pueblo Archaeological Site, New Mexico



The addition of tactile elements, audio units, and participatory devices on trail panels provides a memorable, multi-sensory experience for visitors.

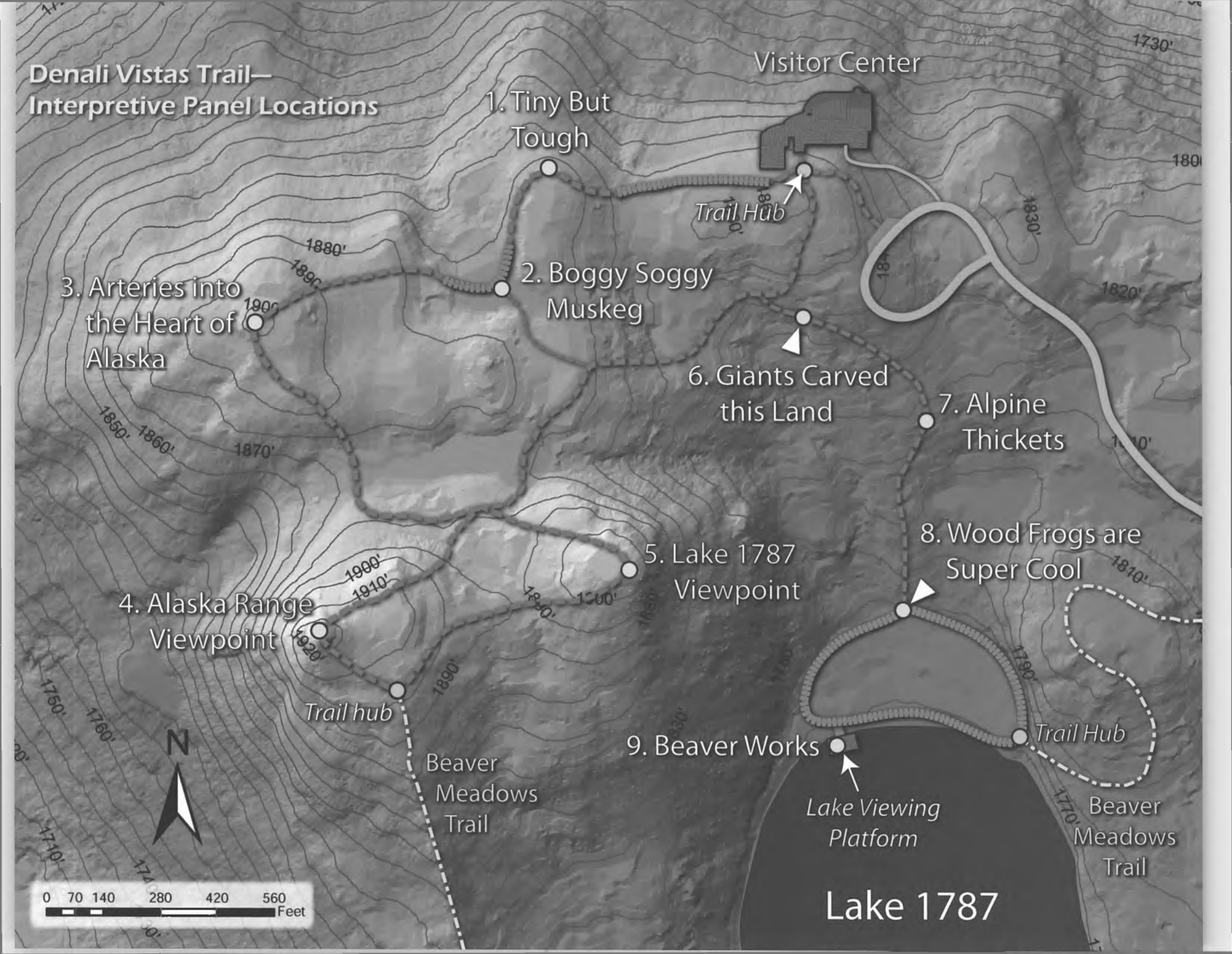
The Denali Vistas Trail is a system of universally accessible trail loops that begin and end at the visitor center. It is expected that the majority of visitors will likely walk at least a portion of this trail. This is an ideal location for wayside exhibits that interpret the resources of Curry Ridge. The purpose of the trail is to connect visitors to the intangible meanings associated with the resources.

A series of 9 interpretive panels are proposed for the trail system. Each is associated with a specific viewpoint, unique feature, or habitat—places where visitors will naturally congregate.

The trail is designed to be an interactive and engaging experience for visitors. The signage should pose questions to readers, encouraging them to explore aspects of the site that may not be readily apparent. Focal point graphics and illustrations should be the primary means of telling the story, with associated concise text only where necessary. Tactile components and audio units should be incorporated into as many panels as possible, providing a sensory experience that goes beyond just sight.

Crowley's Ridge Nature Center, Arkansas




Denali Vistas Trail—
Interpretive Panel Locations
Visitor Center
1. Tiny But Tough
Trail Hub
2. Boggy Soggy Muskeg
3. Arteries into the Heart of Alaska
6. Giants Carved this Land
7. Alpine Thickets
8. Wood Frogs are Super Cool
5. Lake 1787 Viewpoint
4. Alaska Range Viewpoint
Trail hub
Beaver Meadows Trail
9. Beaver Works
Trail Hub
Lake Viewing Platform
Beaver Meadows Trail
Lake 1787
N
0 70 140 280 420 560
Feet

Stop 1—"Tiny But Tough"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.1 a-j

Lead Paragraph: Curry Ridge may look barren but look closely and discover a carpet of miniature plants. Welcome to the world of upland tundra.

Sub-message heading: Why are the plants so small?
These hardy little plants are adapted to dry winds, thin soil, and short growing seasons countered by cold winters. To survive these extremes, the little perennials grow slow, live long, and huddle together for shelter. Fuzzy stems, leaves, and buds protect them from freezing while their dark colors absorb warm sunlight.

Sub-message heading: A Kaleidoscope of Color
In spring, tundra plants burst into bloom to attract swarms of insect pollinators. By August, the tundra is lush with seeds and berries. By September, the ridge blazes in leafy rusts, reds and yellows as the plants prepare for winter.

Graphics: *Close-up photos that illustrate the described plant adaptations. Include a photo of a krumholtz tree with the caption: Look for flag-shaped trees that have been sculpted by howling winter winds. These trees are called Krumholtz, meaning "twisted wood". Tundra animals could include ptarmigan (Alaska's state bird, affectionately called "Alaska chicken") and bears eating blueberries.*

Tactile: *Acrylic embedment of a representative tundra plant with labels identifying the adaptations, or bas relief models of common tundra plants.*



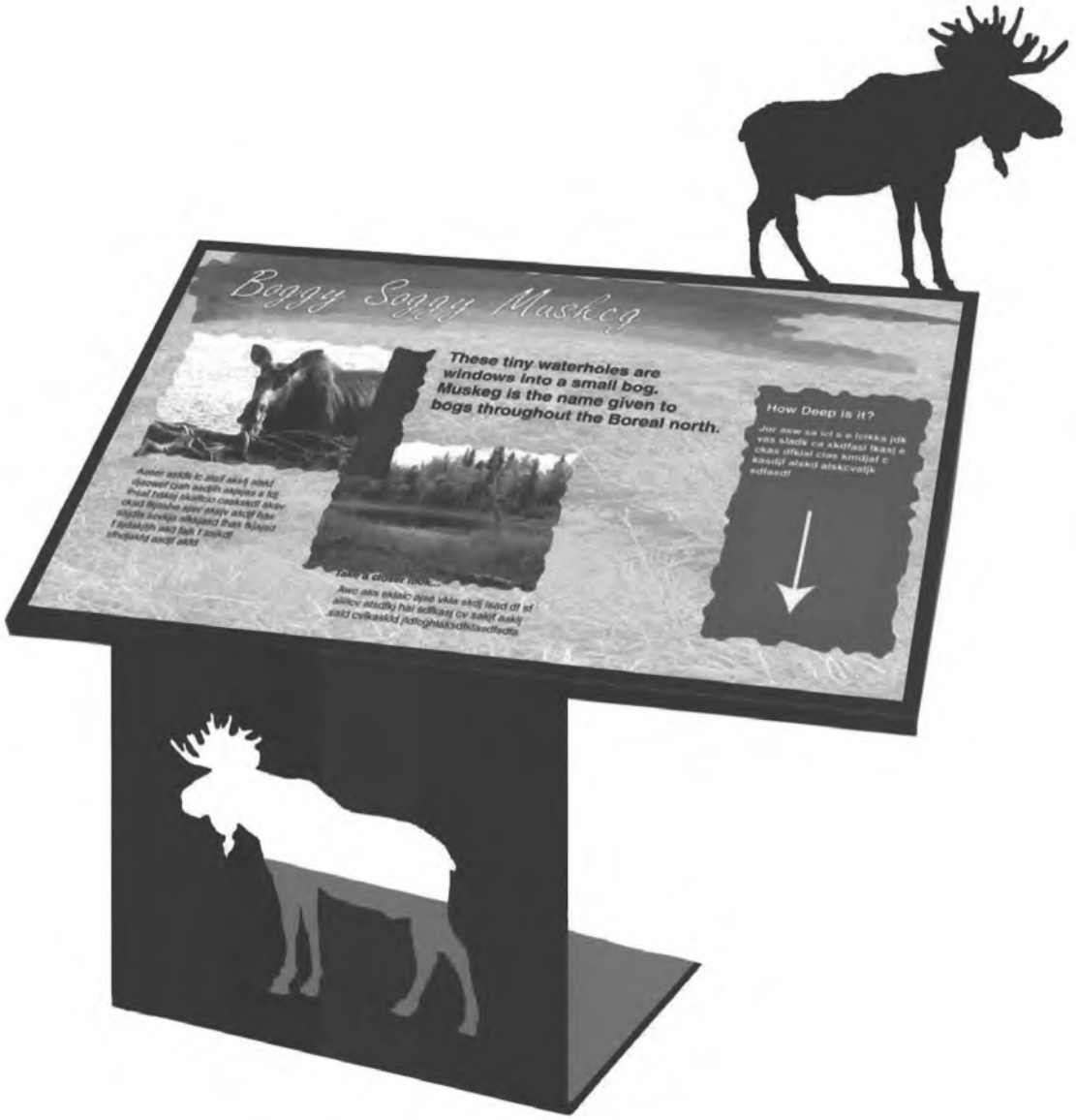
Stop 2—"Boggy Soggy Muskeg"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.5 b

Lead Paragraph: These tiny waterholes are windows into a small bog. Muskeg is the name given to bogs throughout the Boreal north. Muskeg is found where poor drainage, cool summers and acidic water restrict plant decomposition. Eventually a buildup of dead plants in the water becomes overgrown with sphagnum moss, small shrubs or even stunted trees. Hiking across muskeg is like walking on a giant waterbed with the added danger of suddenly disappearing into the water below!

Graphics: *Photo of muskeg bog in the campground/entry area with caption: Visit the muskeg bog on the Moose Flats Trail when you return to the Transportation Center.*

Tactile: *Acrylic embedment of sphagnum moss with a caption describing how, over time, they form deep peat beds. Model of a full-size moose hoof print.*



Stop 3—"Arteries into the Heart of Alaska"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.5 c, 1.7 b
Sub-Theme 7, Messages 7.1 a-g, 7.2 a-c, 7.5 a-h ;

Lead Paragraph: You traveled here either on the Parks Highway through the Chulitna River valley or on the Alaska Railroad along the Susitna River. Travelers, be they fish, bird or human, have always used these rivers and valleys to access the Alaska interior.

Graphics: *A map of the Alaska Range, Chulitna and Susitna Rivers, and Curry and Kesugi ridges, with the Parks Highway and Alaska Railroad corridors as prominent features.*

Sub-Message: The ebb and flow of wildlife and people pulse with the seasons up and down the river valleys and through the mountain passes of the Alaska Range. Birds follow these corridors between nesting and wintering grounds. In spring, returning salmon are met in their birth creeks by indigenous bears. Winter rivers become highways for dog sleds and snow machines which surge back to rafting waters in spring. Travelers on the Alaska Railroad and George Parks Highway follow the gentle inclines of these waterways.

Graphics: *Salmon run photo on Troublesome Creek; bears fishing for salmon; birds commonly seen on Curry Ridge; dog sleds and rafts on the river.*

Tactiles: *Model of a salmon or a full-size black bear footprint.*



Stop 4—"Alaska Range Viewpoint"

Themes and Messages Interpreted:
Sub-Theme 2, Messages 2.1 a, 2.3 a, c

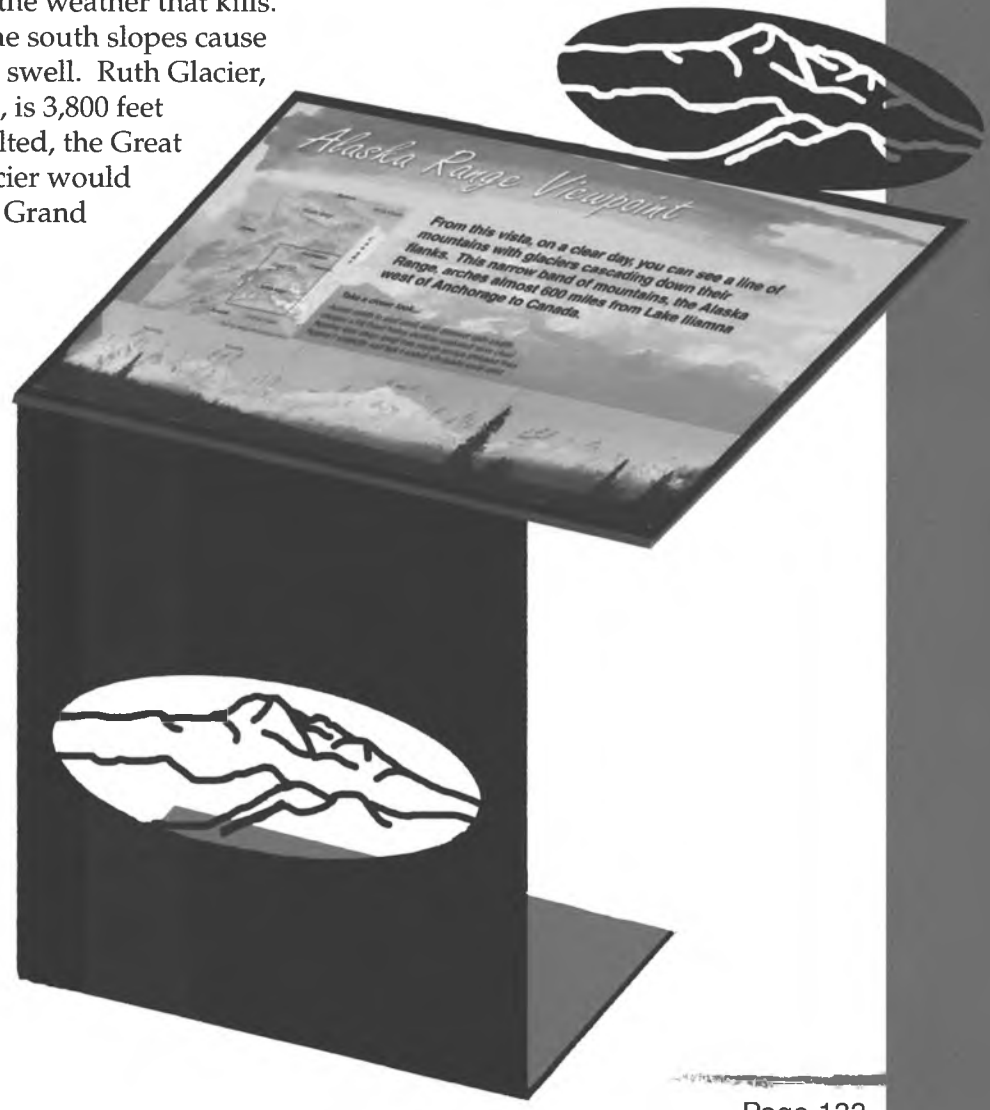
Lead Paragraph: From this vista, on a clear day, you can see a line of mountains with glaciers cascading down their flanks. This narrow band of mountains, the Alaska Range, arches almost 600 miles from Lake Iliamna west of Anchorage to Canada.

Graphic: *Physiographic map of Alaska highlighting the Alaska Range and indicating "you are here," Mount McKinley, Anchorage and Fairbanks.*

Sub-Paragraph Headline: Bumping and Shoving Builds Mountains
Earth's crust is like a giant jigsaw of puzzle pieces (called plates) floating on molten rock. When one plate bumps into another, the land warps and buckles. The Alaska Range and Curry Ridge rise up as the Pacific Plate crushes against the North American Continental Plate. The Alaska Range is rising at the same rate that your fingernails grow!

Graphic: *Illustration showing the plates and movements. Include and label the Denali fault. This could be developed as a tactile by including raised panel overlays that represent the plates.*

Inset Headline: What's Up with the Weather?
The Alaska Range blocks the flow of moist air from the Gulf of Alaska and creates some of the harshest weather in the world. Mountain climbers know: It isn't the climb but the weather that kills. Heavy snows on the south slopes cause massive glaciers to swell. Ruth Glacier, visible to the north, is 3,800 feet thick. If it ever melted, the Great Gorge of Ruth Glacier would be deeper than the Grand Canyon!



Stop 5—"Lake 1787 Viewpoint"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.6 a-f

Lead Paragraph: This alpine lake is a wildlife magnet because it is surrounded by sedge meadows, flowing streams, alder and willow thickets and stands of spruce. Watch for Pacific Loons, Arctic Terns, Long-tailed Jaegers, and Trumpeter Swans attracted here. If you're lucky, you might even see a swimming black bear or wading moose.

Sub-message: An Extreme Environment, alpine lakes are cold, nutrient poor and can support only simple food chains. Scientists use these isolated, sensitive, pristine lakes as early warning systems for global environmental changes.

Inset: What's in a name? In a state as big, wild, and new as Alaska not everything is named. Map makers can't wait for every feature to receive an inspired title. Lake 1787 was christened for its elevation above sea level!

Graphics: *Moose swimming in lake. Air photo of Lake 1787 showing Beaver Meadows trail. Photos of birds identified in text.*

Audio: *Include a sound button that plays the different calls of a Pacific Loon. Perhaps add audio for other common lake birds.*



Stop 6—"Giants Carved This Land"

Sub-Theme 2, Messages 2.1 m, 2.3 d, 2.5 a

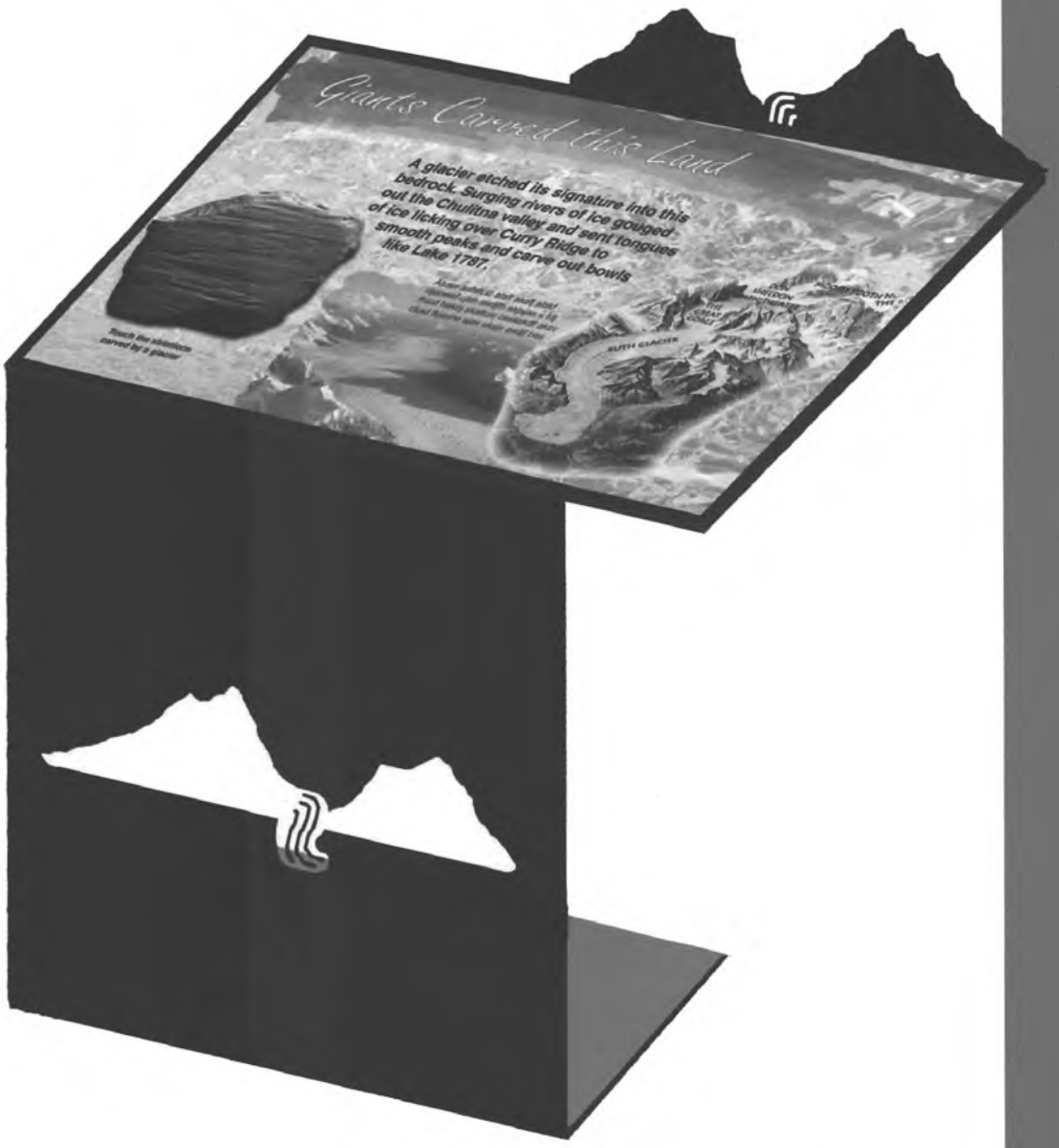
Lead Paragraph: A glacier etched its signature into this bedrock. Surging rivers of ice gouged out the Chulitna valley and sent tongues of ice licking over Curry Ridge to smooth peaks and carve out bowls like Lake 1787.

Sub-message: Glaciers flow downhill carrying embedded rocks and gravel. The tremendous weight of the ice can cause these rocks to scratch into softer layers of bedrock creating glacial striations that point the direction of the glaciers movement. Graphic: Photo of etched rocks with arrow indicating direction.

Graphic showing Ruth Glacier with labels:

- *Glaciers still shape the Denali landscape. From here, you can see Ruth Glacier flowing down Mount McKinley into the Chulitna River Valley.*
- *Rushing water and rock spew from the melting glacier snout to form a terminal moraine of mixed stones and gravel.*
- *Like a giant conveyor belt, the flowing ice carries streaks of dirt and rock.*

Tactile: *Piece of rock with glacial striations.*



Stop 7—"Alpine Thickets"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.2 a-b; 1.3 a-b

Lead Paragraph: Thickets of white spruce, alder, willow and berry bushes fill the soggy swales of Curry Ridge. In summer, look for birds singing and feeding their young in these tangled perches. In fall, both Brown and Black Bears roam these thickets in search of berries. Moose browse the willow and alder in spring and fall.

Inset: Spruce grouse inhabit dense spruce forests feeding on berries and spruce needles. They are called "fools hens" because they often can be approached to within a few feet.

Graphics: *Photos of common thicket shrubs (white spruce, Siberian alder, willow, etc.) and nesting birds that might be seen here (spruce grouse, juncos, warblers, white-throated sparrows, etc.)*

Audio: *Include a sound button that plays the normal peeping cluck call of a spruce grouse, and the low whining call of a male during breeding season.*



Stop 8—"Wood Frogs are Super Cool"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.10 a-c

Lead Paragraph: Have you seen any frogs hopping around Lake 1787? Wood frogs are the only amphibian in interior Alaska or north of the Arctic Circle! They have an incredible ability to freeze solid in winter, and then thaw out and hop away in spring.

Inset 1:
Graphic: *Include a photo or illustration of a hibernating frog.*

Text: How do wood frogs survive an Alaska winter? Antifreeze! Wood frogs protect their cells by pumping them full of glucose. They hibernate under leaves or soil insulated by the snow pack.

Inset 2:
Graphic: *Include a photo a photo of a wood frog.*

Text: Look for a small frog with a black mask and a white mustache. In early spring listen for their "quacking" call when they enter the icy water to mate and lay eggs. The rest of the summer, see them hunting insects near the lake.

Tactile and Audio: *Include a model of a life-size wood frog and a sound button that plays its "quacking" call.*



Stop 9—"Beaver Works"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.9 c

Lead Paragraph: This slope was terraced by beavers. Look closely and you will see evidence of old stair-step dams that keep this ravine wet. Many animals depend on these wetland ponds.

Sub-message: Beaver dams slow the flow of water, filtering it and reducing floods and erosion. The beaver's constant pruning and tree cutting stimulates sprouts and new grow that are eaten by other wildlife.

Graphic: *Photo of moose in water.*

Sub-message: Diagram of a lodge with an underwater entry. Labels describe the following:

- Beavers build ponds to protect their lodges and create safe access to food. When the pond freezes they are locked in their lodges or under the ice until it thaws.
- They stick caches of aspen and willows in the muddy pond bottoms for winter food.
- The snug mud and stick lodges protect them from wolves, lynx and weather.
- On a cold winter day steam rises from a small vent hole in the roof.

Tactile: Scaly beaver tail with caption—*What use is this fat tail? It stores fat for the winter, warns the family of danger when slapped in the water, and provides a stable prop when chewing down trees.*





Chapter Seven

Base Transportation Facility, Site, and Media Development

Development of the Base Transportation Facility

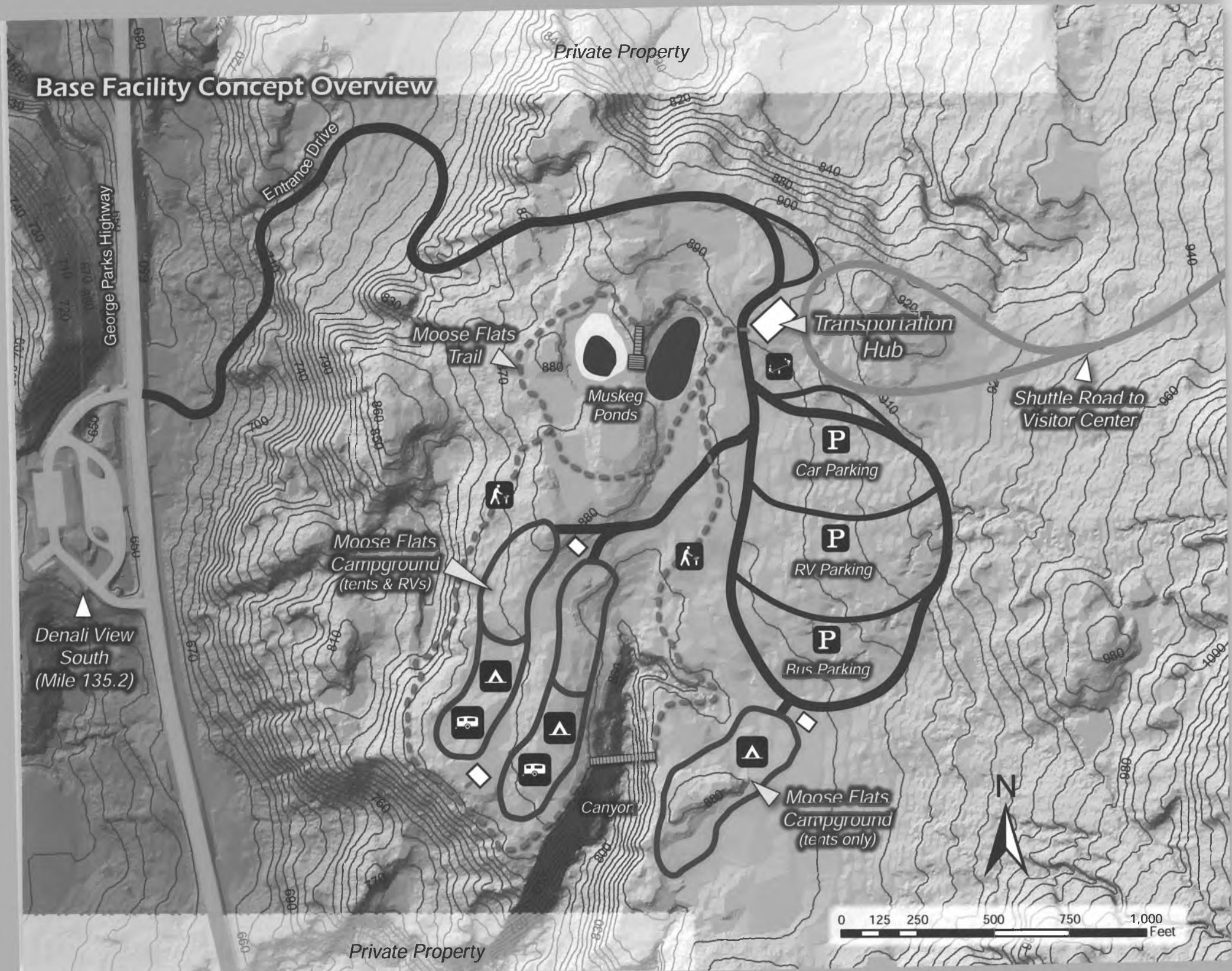
The Curry Ridge Visitor Center and ridge-top trail experiences are the premier attractions for visitors to South Denali. To preserve the wild and pristine quality of the experience, quiet and efficient shuttle trams will transport visitors 3.5 miles up to the center from a transportation hub. This base facility will include a transportation center, campground, ranger living quarters, nature trail, and other facilities to enhance the visitor experience. It will be built on a spruce/hardwood plateau just off the George Parks Highway across from the popular Denali View South Wayside.

The philosophy applied to the base transportation facility development is that it should function as a transition from viewing the landscape from cars and motor coaches to an immersive outdoor Alaska experience.

The **Transportation Hub** building will orient visitors to the ridge-top opportunities for dramatic views, wilderness trails, and exhibits that interpret the landscape and its people. The hub will also provide information on attractions and opportunities available along the George Parks Highway Scenic Byway allowing visitors to plan other experiences after they leave Curry Ridge.

The "**Moose Flats Campground**" will offer tent and RV camping in a quiet forest setting. Campers will have easy access to wilderness trails where they can spend days exploring Curry Ridge.

The "**Moose Flats Trail**" will begin at a transportation hub kiosk and encircle the campground, then return to the hub. This trail features a diverse landscape that will provide rewarding discoveries and wildlife viewing opportunities.


Base Facility Concept Overview
Private Property
Entrance Drive
George Parks Highway
Moose Flats Trail
Muskeg Ponds
Transportation Hub
Shuttle Road to Visitor Center
Car Parking
RV Parking
Bus Parking
Moose Flats Campground (tents & RVs)
Denali View South (Mile 135.2)
Canyon
Moose Flats Campground (tents only)
N
0 125 250 500 750 1,000 Feet
Private Property

Entry into the South Denali Visitor Center Complex

Entrance Signage

Alaska visitors on the Parks Highway are traveling fast. They make instantaneous decisions based on symbolic cues, a few words on a sign, and the look and feel of an intersection and a park entrance.

A well designed entrance quickly sets visitor expectations about the quality and purpose of a park visit. Signage must be appropriate to the site; it must be easily seen and understood by someone passing by at highway speeds and should naturally convey the theme and mood of this unique place. The size and scale of this structure should be commensurate with the grand scenery and the visitor experience. The sign and the surrounding landscaping must make a bold sculptural statement about the significance of this park. Highway signage, both north and south of this location should alert and prepare travelers as they are approaching the park entrance.

The sign supports and panel should harmonize with the natural materials found on site. The sign should incorporate other architectural elements used in the buildings and should be unified with a family of signs in the park. Some elemental materials that reflect the site include stone, timber, and flat iron. It is anticipated that these materials will be used in the buildings, benches, and other trail sign supports. Repetitions of design (size, texture, color, and typeface) provide a reassuring and familiar patterns that subliminally guide first time visitors through this vast landscape. The sign should be unique but should incorporate elements of other state park entry signs; perhaps utilizing the same typeface, color, or supports. The state parks logo and the symbolic identities of other partners should be included, either on the sign panel or in an auxiliary location on the stone supports. It should prominently indicate that this is an information center for the George Parks Highway Scenic Byway.

Letter styles have character; each font has a unique personality. The clean sans-serif typeface used on many Alaska State Park signs conveys a visual message to motorists that is easily read and understood at a glance.

The conceptual drawing of an entry sign is designed to communicate that this is a high quality, nature related site. The powerful outline of Mount McKinley, coupled with a pair of northern hawk owls is intended to convey a dynamic visual image to the casual viewer. To those with a natural history background, the hawk owl represents a true northern species, seldom seen in the lower 48 but common on Curry Ridge. This symbol promises visitors the possibility of encountering wildlife, but not necessarily the mega fauna of Denali National Park.

The stone wall anchors the sign to the site both visually and thematically and leads the eye from the roadway to the entry drive. The durable sign panel should convey a sense of rustic artistry that is reminiscent of earlier park architecture and yet compatible with other park signage. The owls, produced in relief and attached, provide dimension to the panel and can be readily removed or replaced if damaged.

The large stone pillar has a twofold purpose. It grounds the structure to the landscape, ending the visual movement of a viewer's eye along the rock wall, and in a practical way, it provides an appropriate support for displaying the brands or logos of participating partners without competing with the dominant focal points on the sign panel.

South Denali Main Entrance Sign
Conceptual Design



Entry Drive

The drive into the park should prepare people for the ensuing experience and create a sense of anticipation. It should visually promise visitors a safe but exciting adventure. Scenic views and a meandering roadway are intended to gently ease motorists from the fast pace on the Parks Highway into a more relaxed mood.

The road way should seemingly undulate with the landscape and not appear to be cut and imposed into the terrain. The obligatory road cuts through this steep terrain should be softened and healed with stone and native plants. Objectionable views and artificial structures should be screened, and some road curves should be planned to give fleeting glimpses of mountain peaks and the river valley. Planners should consider cutting views into the forest and should design the roadway for opportunities to increase the mystery, variety, and beauty of this site to travelers.

The dramatic cycle of freezing and thawing in this country must be considered when designing this road. North facing slopes can present hazards of ice retention and buildup. Prevailing winds blowing hard across the river valley can deposit excessive snow drifts in deep swales exposed to the west. Views of the transportation center should be revealed to visitors and they should feel as if they are discovering it. They should not have to negotiate a crowded parking area on their journey to the building. It should be a culmination of their trip from the entry. Parking then becomes a simple event that does not detract from the excitement of discovering the center.



A curving entry road serves as a transition from the fast-paced Parks Highway to the natural experiences of South Denali.

Parking Areas

Large parking areas that accommodate RVs, tour buses, and cars should be buffered by islands of vegetation that screen the view of pavement and parked vehicles and reduce the perceived size of the paved areas. A series of smaller lots with screened landscaping is preferable to a large lot of continuous hard surface. Views from the Transportation Building should be screened so that cars and buses don't dominate the setting. The vegetation should include plantings of spruce trees to function as visual screens and sound buffers throughout the seasons.

Porous parking surfaces that permit water infiltration and reduce runoff should be considered. Perimeter and interior swales of landscaping should be considered for bio-retention filter areas that cleanse storm water runoff. Vegetation should be selected for their resilience to the effects of road salt, flooding, and sediment deposition. A drop-off loop near the transportation building should permit the unloading of buses, access by mobility impaired individuals, or passengers during inclement weather. It should approach the building without transecting the parking areas to avoid congestion and detracting from the experience of arriving at the center.



To minimize physical and visual impact, parking lots should be buffered with vegetation and incorporate porous parking surfaces, like this one at the River Legacy Living Science Center in Arlington, Texas.

Lighting should be kept to a minimum and directed downward to avoid light pollution. Media should be created that interprets the sustainable design practices used in the landscaping and engineering of the parking area and entrance road.

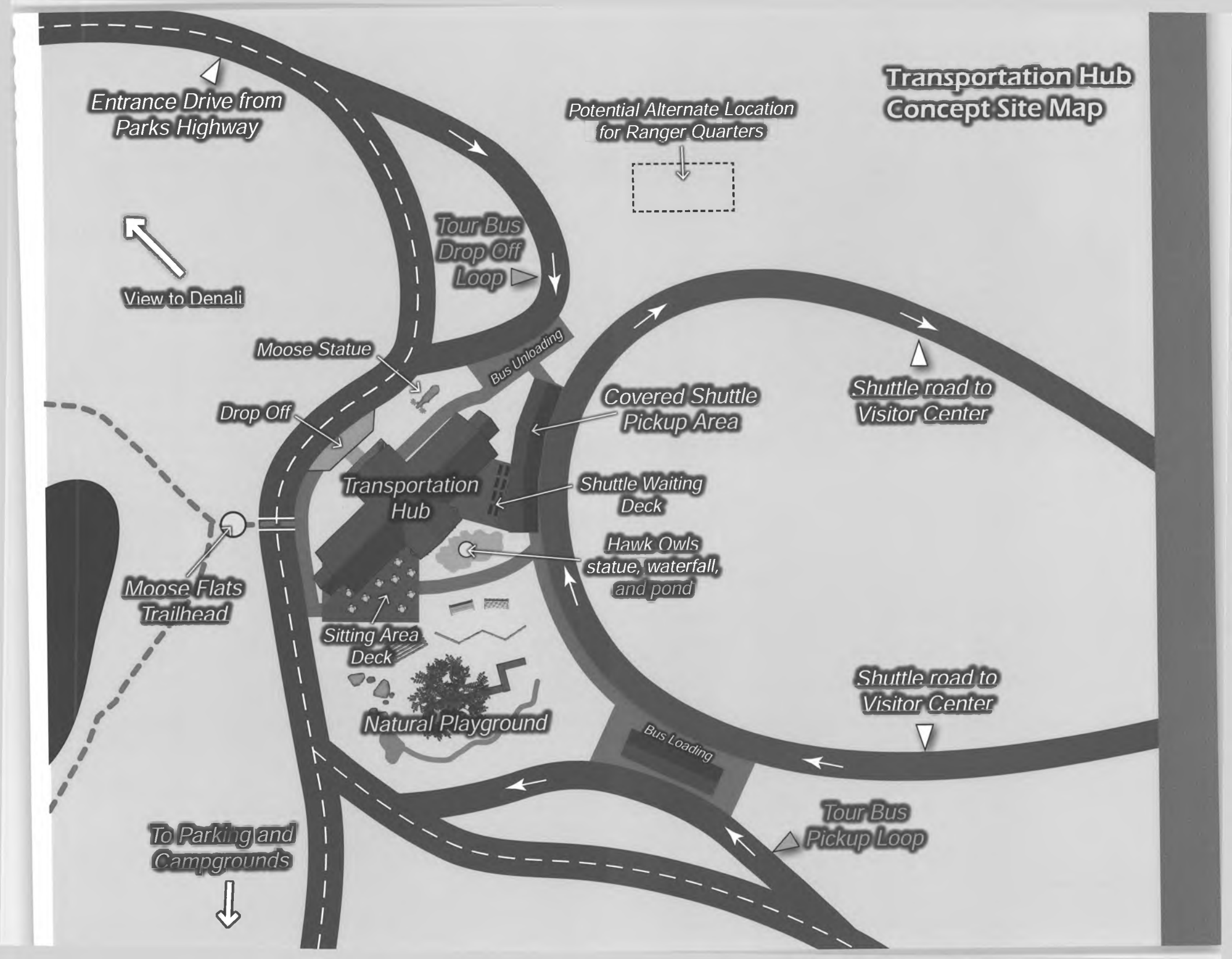
Transportation Hub Building

This facility will serve as a portal that buffers and regulates the concentrated visitation expected at this site. The purpose of the transportation hub is threefold. First, during the summer tourist season, it must function as a welcoming facility for large numbers of travelers who are waiting to take a shuttle tram to the top of Curry Ridge. They are in need of orientation, information, and inspiration to prepare them for their upcoming adventure. Secondly, this building must function as an off-season lodge, visitor center, and meeting facility. It should also contain living quarters for an on-site ranger. Finally, the building must serve "drop in travelers" on the George Parks Highway National Scenic Byway.

The transportation center is a gateway to South Denali. It sets the tone and forges visitors' expectations for their entire experience. For many, a visit to Curry Ridge may be the only contact they have with Alaska State Parks and the National Park Service. This initial welcome must inspire and motivate visitors to take the shuttle up Curry Ridge to the visitor center. Facilities should suggest that this is a world class experience that is well worth their valuable time and expense. The exhibits in this area should accomplish four things: create an atmosphere that engenders a sense of place; interpret the George Parks Scenic Byway; entice people to want to take the shuttle tram to the top of Curry Ridge for more immersive experiences; and inform people about the recreational opportunities in the park.

The image and design of this structure should draw from the rustic heritage of Alaska's buildings while using today's environmentally sensitive knowledge and technology. This building should harmonize with its surroundings, not dominate them. It should be designed in the same style as the visitor center on the top of Curry Ridge. There should be a repetition of design elements and materials that unite the two buildings and the trail structures and media at each site. It should promise visitors a quality experience, while enticing them to invest time and money in taking the shuttle to the top. Visitors should be so favorably impressed that they want to see more.

The nature of the diverse activities and audiences at this site require that this structure be versatile and able to change. It must be able to accommodate peak summer visitation of "drop in" highway travelers and scheduled tour coaches. It must also be a safe and warm winter lodge that is inviting to skiers and people accessing nearby trails with snow machines.


Transportation Hub
Concept Site Map
Entrance Drive from
Parks Highway
Potential Alternate Location
for Ranger Quarters
Tour Bus
Drop Off
Loop
View to Denali
Moose Statue
Bus Unloading
Drop Off
Covered Shuttle
Pickup Area
Shuttle road to
Visitor Center
Transportation
Hub
Shuttle Waiting
Deck
Hawk Owls
statue, waterfall,
and pond
Moose Flats
Trailhead
Sitting Area
Deck
Natural Playground
Shuttle road to
Visitor Center
Bus Loading
Tour Bus
Pickup Loop
To Parking and
Campgrounds



The Denali National Park Visitor Center respects the "spirit of Alaska" in its architecture.

The hub building and media design are based on the following criteria:

- The building will pay homage to traditional Alaska design and a "spirit of Alaska" that will be further developed in the Curry Ridge visitor center. There should be an investment in quality landscape and architectural elements. The expediency that is often seen in seasonal tourism infrastructures should not be in evidence on this year-round site.
- The building will welcome and accommodate large numbers of visitors arriving in tour buses and private vehicles, which then pass through to the ridge-top shuttle trams. Organized tour groups should be segregated and channeled to a separate part of the loading ramp to better serve their needs.
- Shuttle loading and drop off platforms should be separated for optimal traffic flow. Bus and passenger delivery and pickup loops should be designed to facilitate safe and efficient group arrival and departure. Pedestrian crossings of the entry road should be minimized or nonexistent.
- The building will serve as a transition to the ridge-top experiences and have facilities limited to information media and services, bathrooms to accommodate peak visitation, and snack/beverage service. It will provide for visitor comfort and safety and will serve as an invitation to explore the park in greater depth.
- The building will provide staff housing and office space.
- A small kitchen will serve the public as well as luncheon preparation and staging area for the visitor center meeting room on Curry Ridge.
- The rustic interior and outdoor design will be accented with hand carved furnishings (chairs and tables), chainsaw animal sculptures, and authentic Alaska homestead cabin artifacts (e.g.: gold pans, traps and furs, snowshoes, caribou and moose antlers, etc.).
- Space will be dedicated to information services for the George Park Highway Scenic Byway Corridor with supplemental information available from staff at the reception desk.
- This building will be versatile to meet summer and winter uses and changing visitor needs.
- This building site must be designed to accommodate change and expansion (perhaps a campus of buildings) for future visitation.

Interior Design of the Transportation Hub

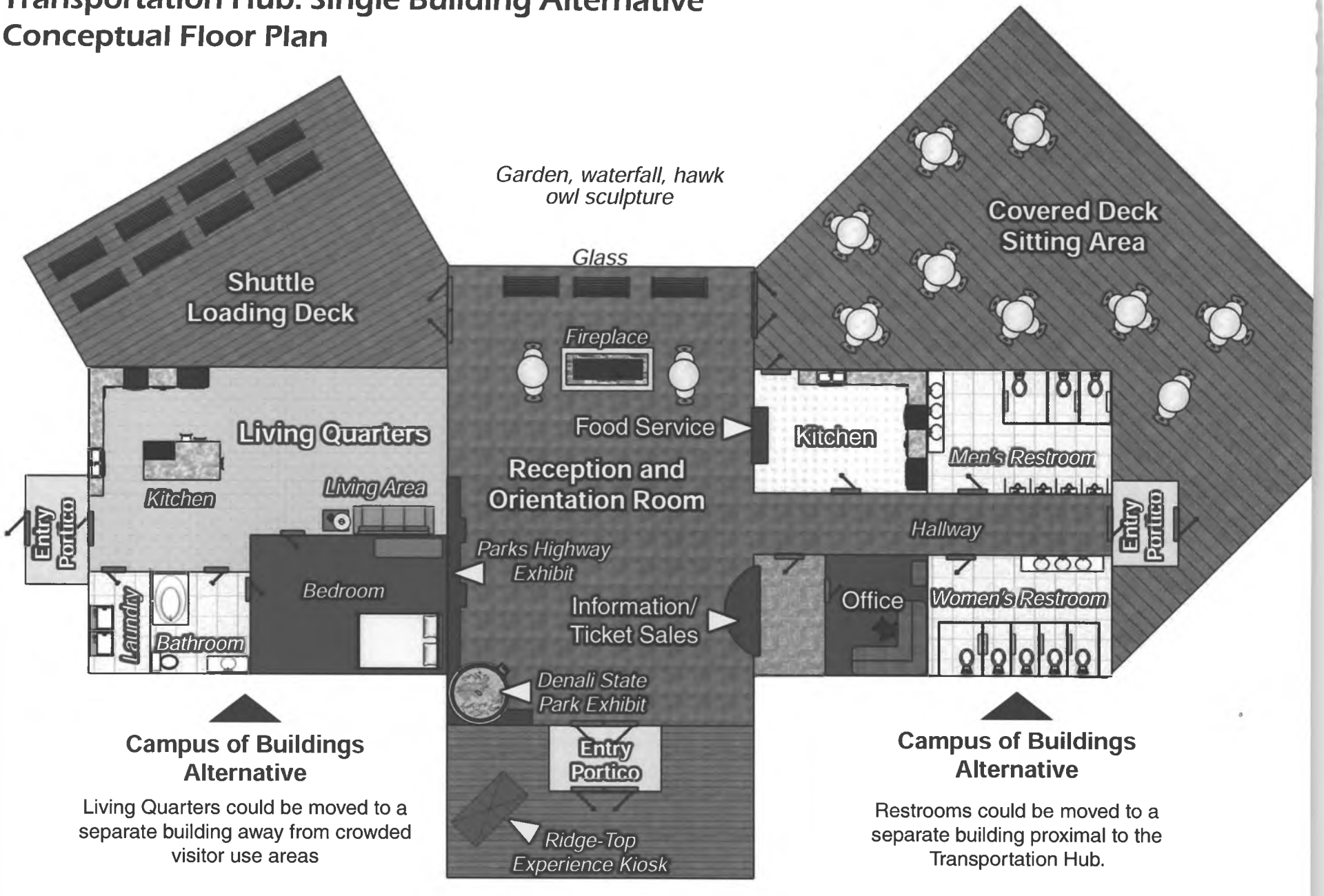
This building must be designed to accommodate peak numbers of visitors arriving in tour buses and private vehicles and be versatile enough to serve as a winter lodge and meeting room during the non-tourist seasons. It must contain very large, open, and multi-purpose space. Visitors must feel welcomed by both the warm architecture and the sense that they know where to go. Wayfinding is paramount to this building functioning successfully. A fluid circulation of visitor traffic is essential throughout this facility if people are to have a satisfying experience here. No matter how crowded the lobby, there should be corridors (interior and decks outside the main lobby) available to permit unrestricted flow to the shuttle tram waiting areas and to restrooms. Roofed decks, porches, and shuttle tram stations should invite visitors to relax in relative comfort while absorbing the overflow of peak visitation crowds.

Restrooms must be easily seen, accessible from multiple entries and exits, and capable of serving coach-sized groups of visitors. People returning from the shuttle tram, waiting outdoors, or coming off trails should have access to restrooms without reentering the main lobby area.



Large, spacious areas, like this lobby at the Everglades National Park Visitor Center, are essential for serving crowds of people at peak visitation times.

Transportation Hub: Single Building Alternative Conceptual Floor Plan



Campus of Buildings Alternative

Living Quarters could be moved to a separate building away from crowded visitor use areas

Campus of Buildings Alternative

Restrooms could be moved to a separate building proximal to the Transportation Hub.

Total approximate size: **3,300 sq. ft.**

Entry Portico

This initial entry to the building must be spacious and be visually inviting to arriving visitors. It should offer a direct line of sight into the grand lobby. This sunny vestibule will serve as an airlock and buffer in cold winter conditions. It should be universally accessible with wheelchair accessible ramps, doors, and a hard surface that provides safe traction even during icy conditions. A floor grid is essential for collecting mud and snow before people traverse the lobby. If possible, direct solar heat should be incorporated to help heat this room. The floor and walls should be designed as an absorbing heat mass.

A covered walkway leading to this portico will permit rapid entry and provide a space for people to shake off umbrellas and other wet raingear. It also assures a dry safe walkway during the lingering seasons of sleet and wet snows. Trail lights, directed down over the walkway, should be designed for winter use.

Restrooms

A restroom visit is a priority for travelers. The most frequently asked question at a visitor center desk is, "where are your restrooms?" Ideally this question should be answered by direct visual wayfinding. A new arrival should see the door immediately and not have to ask an attendant for directions.

Restrooms are excellent demonstration and education sites. Every opportunity for sustainable design should be incorporated here. Waterless urinals, low flow flush toilets, and even a satellite toilet building with composting capabilities should be considered for use at this location. Light meters that dim when there is sufficient daylight should be used. Efficient blower hand dryers should be used for energy efficiency.

There must be multiple entrances and exits to these restrooms to serve the surges of users that are dropped off in groups from travel coaches and shuttles. Restroom capacity must be based on visitation peaks and not averages.



The restroom entrances at Wrangell-St. Elias National Park include a bulletin board, roofed seating, and drinking fountains.



A high ceiling and open floor plan, like the Wrangell-St. Elias National Park Visitor Center, convey a sense of spaciousness even during crowded periods. Rustic architecture reflect the themes of South Denali.

Reception and Orientation Room

This room must be spacious. A high ceiling will help to create a sense of openness even when people crowd the floor surface. Stone pillars, walls, and wood timbers or log beams should accent the interior and be reminiscent of rustic architecture of the 1920s and 30s era of grand park design. A sense of place should be created with photos and objects (described in detail in media section).

If possible, large windows should feature a framed view of Denali. In the least, a large painted mural of the mountain as seen from this perspective should be a focal point in this grand room. Directional signage and wayfinding cues should be designed for maximum crowd conditions and placed high above the heads of people standing in the room. Primary circulatory routes through this room should be anticipated and kept free from exhibits, furniture, and other points of interest that can cause congestion. Doors for restrooms and shuttle tram loading platforms must be clearly identified and easily accessed. The food service counter should be signed in the same manner as the restrooms, shuttle deck and information desk.

A reception desk, with a wheelchair accessible area, should be far enough away from the door to avoid creating a traffic barrier but easily seen by anyone entering the room. It must be well lit and be able to permit multiple staff members to interact with visitors when needed. Signage hanging above it should assure that it is identifiable even when the room is filled with visitors. An office should be proximal to this desk to facilitate daily cash counting and other business that is best done behind a locked door.

Chainsaw art benches and rustic tables should be considered for the lobby and waiting areas. This will add to the "Alaskan sense of place" and the rustic early park style of architecture and the ambiance that is introduced by the entry sign, the winding drive in that hugs the topography, and the organic nature of the building itself. There is timelessness to the wood that is carved for each unique piece of furniture.



If possible, viewing windows in the reception area should frame a view of Denali. Princess McKinley Lodge.

Service Counter and Kitchen

A snack bar and coffee service will be operated by a private concession. The kitchen will be equipped with minimal food preparation equipment beyond a refrigerator, microwave oven, and coffee makers. Bakery and other food products will be prepared off-site and simply warmed or kept refrigerated here.

A serving window to the interior lobby should also be close to exits to permit easy access to the extensive decks and shuttle waiting areas outside. Tables, both inside near the fireplace and on the decks should encourage a relaxed environment for casual food consumption.

The operation of snack bars/coffee service and food catering is a specialized service that is most efficiently managed by private contractors. There are successful local bakeries and restaurants that are capable of expanding their services to meet the needs of this concentrated market of potential customers gathering at the Transportation Hub and Visitor Center. It is expected that many people waiting for the shuttle trams will welcome the opportunity to purchase coffee, tea, and rolls.

Ranger Living Quarters

The two basic theories of building design are to either maintain a campus of buildings including free standing restroom buildings and a separate structure for a ranger residence, or to maintain a smaller but more concentrated footprint with only one heated building, a large structure with select rooms to be unheated unless occupied. The latter is the most efficient in terms of energy use and construction materials and costs. Having the ranger quarters proximal to other plumbing that require heat reduces the off season need for heating large spaces.

In either circumstance, the living quarters should be buffered from the public areas of the facility. It must be accessible to after hour's visitors and should be positioned to permit the resident to visually monitor the site.



Wrangell-St. Elias National Park used a campus concept for their visitor center development, with separate buildings for the information center, exhibits, meeting room, and restrooms. This is an alternative that could be considered for the transportation hub.



An outdoor eating area, like this one at Denali National Park, should be provided adjacent to the base facility snack bar.

Media for Transportation Hub

The transportation hub is a gateway to South Denali; it should serve as a transitional experience that prepares people for a personal and sensory experience in the environment. It must be a portal that excites people about the possible adventures that can be found here, that orients them to the site, and prepares them to be environmentally responsible guests.

This hub is not intended to compete with the more immersive adventure that awaits them at the visitor center on top of Curry Ridge. The landscape and architecture should include visual organizers and subliminal cues that infer that this is a premier Alaska experience. Posters, videos, and other media should "advertise" the Curry Ridge adventure.

The South Denali Visitor Center on Curry Ridge will house major exhibitions, an object theater, and trails that will be a premier attraction for regional visitors.

Interpretive media for the transportation hub will be limited to four purposes:

- To provide information on the George Parks Highway Scenic Byway
- To engender a sense of place for South Denali
- To orient visitors to the ridge-top experiences
- To provide information on Denali State Park



George Parks Highway Scenic Byway Exhibit

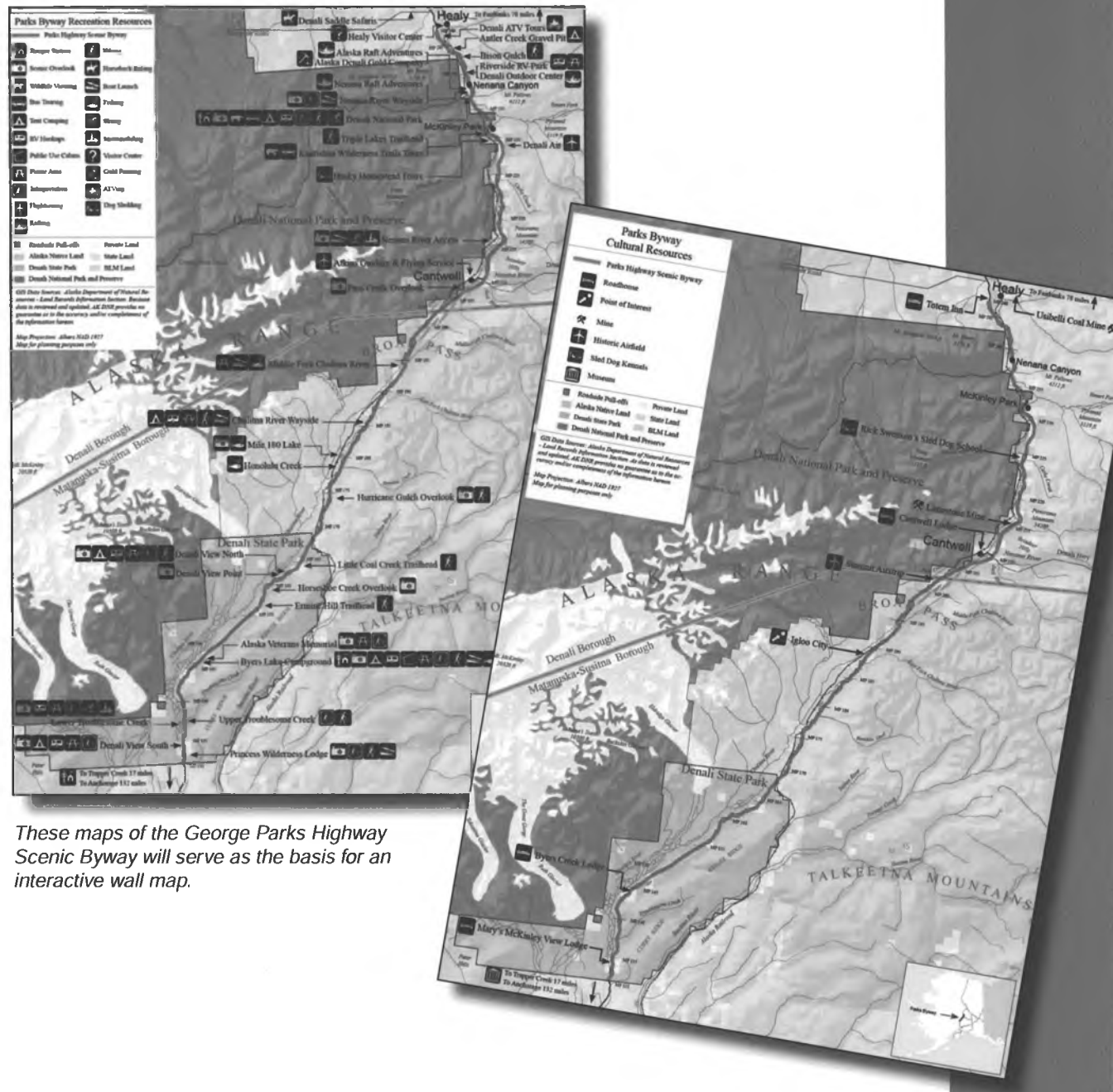
Purpose:
As stated in the Corridor Partnership Plan, "An information system linked to interpretation would accomplish several objectives for the byway: To orient travelers, to provide travelers with information on byway opportunities, and to encourage visitors to frequent local businesses and attractions" (page 54).

Themes and Messages Interpreted:
Sub-Theme 7, Messages 7.5 a-h

Objectives:

- Visitors will use the interactive map, brochures and touch screen computer to learn about the recreational opportunities along the byway.
- Visitors will be introduced to the cultural and physical geography of the byway.

Description:
A large interactive wall map will engage visitors in exploring the opportunities on the scenic byway. This media will include an interactive push-button map of the byway, a rack filled with brochures of attractions along the byway, a photo montage, and a touch-screen information system. This will be supplemented by information services at the front desk.



These maps of the George Parks Highway Scenic Byway will serve as the basis for an interactive wall map.



Artifacts in the Trapper Creek Museum engender a "sense of place" in this region.

A Sense of Place in South Denali

Purpose:
These objects and photos will engender a "sense of place" associated with South Denali and the George Parks Highway Scenic Byway.

Themes and Messages Interpreted:
Sub-Theme 7, Messages 7.4, 7.6

Objectives:

- Visitors will perceive those characteristics that make South Denali special or unique.
- Visitors will feel like they are visiting the "real Alaska" that drew them here as tourists.

Description:
Large wildlife photos and mounted specimens along with artifacts such as snowshoes, moose and caribou antlers, a beaver pelt on a willow frame stretcher, hand tools, gold pans, traps and furs, and photos of homestead cabins will festoon the wall opposite the restrooms, information desk, and snack concession. A large photo mural or painting of Mt. McKinley as seen from Curry Ridge with Lake 1787 will be mounted on the fireplace as a focal point and as an incentive to see that view for one's self.

The "theater posters" recommended for the entrance to the "Spirit of Alaska" theater could be replicated here. These interpretive panels are illustrated with dramatic headlines, concise text, photos and graphics that encapsulate the human stories of the South Denali Region: "Shem Pete's World: The Dena'ina of the Alaska Range"; "Gold Fever: Sourdoughs of Denali rivers;" "Tough as Nails: The Sourdough Expedition"; "Railroad Town: Alaska Nellie's Curry Roadhouse"; "Bush Pilots of Talkeetna: Tales of Don Sheldon and Cliff Hudson"; "The 59er's: Staking a Claim in the Wilderness"; "The Parks Highway: Corridor to Adventure."



Touchable objects at the Denali State Park Information Desk in the Mt. McKinley Princess Lodge provide participatory activities for visitors.

Preparation for Ridge-Top Experience

Purpose:
These media components will provide advance organizers for the visitor experience on Curry Ridge. They introduce the site, list planning considerations, and provide justification for the investment of time and money.

Themes and Messages Interpreted:
Primary Theme Statement

Objectives:

- Visitors will be oriented to the recreational opportunities on Curry Ridge.
- Visitors will feel a trip to the top is a worthwhile investment of time and money.

Description:
A kiosk on the front deck will greet visitors as they enter the building. This kiosk will provide photos and information that show the opportunities and experiences on Curry Ridge. The structure will be a standard upright panel with a small roof.

Two large flat screen monitors on the right and left of the fireplace will provide captioned (no sound) views of the ridge-top experience. As visitors enjoy a beverage and snack, they will see dramatic scenes of the shuttle ride up, trails, scenery, wildlife, and the services and media in the visitor center. The video monitors will show a continuously looping program limited to 8 minutes or less.

A series of panels should be developed for the shuttle tram waiting area that prepare people for their ridge-top experience. One panel should focus on the trails with photos of scenic views, encounters with wildlife, and beautiful flora. It should inform people what they will need to bring with them for a trail adventure (this is their last chance to grab something from their vehicle).

Another panel should inform people about the "can't miss" experiences in the visitor center, such as the exciting object theater, building the mountains of the Alaska Range, and flying over the Chulitna River.

A final panel should positively focus on safety, alerting visitors to potentially dangerous encounters with wildlife (black bears, grizzly bears, moose) and how to avoid them, as well as preparing for weather conditions that can change quickly.



Waiting areas, such as the train platform at Denali National Park, are excellent places for interpretive media.



3-D Topographic Projection Map of Denali State Park

Purpose:
To provide a fun, easily understood, interactive map experience that encourages visitors to plan their visits in a holistic manner. Options will be presented based on visitors' planned length of visit, preferred activities, physical ability, etc.

Themes and Messages Interpreted:
Sub-Theme 8, Messages 8.1-8.11

Objectives:

- Visitors will learn about the range of recreation opportunities and special features of the park as they push buttons that project images such as trails, roads, boundaries, interpretive features, and access points.
- Visitors will plan their visit to the park based on the information provided.

Description:
This map and its projection system will be conveniently placed in an exhibit alcove near the visitor information desk. A menu of projection options will allow visitors to choose various overlays such as fishing and hunting opportunities, camping, trails, etc. It will provide appropriate options based on length of visit and interests.

Amenities Near Transportation Hub

Wildlife Sculptures

Visitors to this site are seeking ways to document their visit through photographs. A picture of themselves with Mount McKinley as a background is probably the most sought after souvenir. Photos of charismatic mega fauna like bears, wolves, and moose are highly valuable but difficult to obtain. The simulated bronze wildlife sculptures at the Mt. McKinley Princess Lodge (Mile 130, Parks Highway) are extremely popular photographic subjects for visitors to pose with.

Large bronze sculptures express a sense of elegant importance attributed to the chosen subject. Moose are resident wildlife common to Denali State Park and symbolic of wild Alaska. A graceful sculpture of a moose in front of this transportation center could provide an iconic focal point to welcome arriving visitors. It would also be a photo documentation station for visitors waiting for the shuttle.

The view from the Transportation Hub out to the shuttle loading area is softened by a tranquil natural garden of native shrubs and wildflowers, bird feeders, a small pool of recycling water, and a graceful bronze statue of a pair of hawk owls. An interpretive panel gives suggestions for attracting wildlife to backyard plantings and feeders and addresses the unique species, like hawk owls, that are found on Curry Ridge. Visitors waiting for the shuttle tram while enjoying a cup of coffee can learn about the special creatures adapted to living on the Ridge. Species like hawk owls are an uncommon northern species that will excite birdwatchers. They are also an animal that can be rendered gracefully in the tops of sculptural trees. Sandhill cranes are yet another Curry Ridge bird suitable as a sculptural subject. These sculptures are an appropriate blend of artistry and science that makes a statement about the quality of this site and experience.



A traveler to Cody, Wyoming poses for a picture with a bronze moose sculpture. Wildlife sculptures reinforce the themes of South Denali, while providing photo opportunities for visitors.



Examples of natural playground elements

Natural Playgrounds

There is a growing trend to incorporate nature, rather than manufactured equipment, into children's playgrounds. This park setting offers an excellent opportunity to create a nature based playground that reinforces the ecological theme of this special place and that will instill in children fond memories of playing in a beautiful natural setting in the shadow of the Alaska Range while they wait for a shuttle or camp on site.

A body of research that shows a direct link between exposure to nature and the physical, mental, and emotional well being of children. Some recent surveys show that kids prefer to play in open ended natural environments rather than in structured playgrounds with equipment. When given a choice between playing on a playground jungle gym or climbing around a boulder amphitheater on a woodland hillside, kids invariably choose the stone circle. The amphitheater has more possible uses for varied play and it contains countless little things that can be touched, climbed, slid down, or hidden in. And it changes all the time!

Something as basic as a large, unrestricted pile of sand offers children unlimited creative possibilities. When given the freedom to play in a big pile of sand, not a tiny contained table, kids can build a mountain range, a road system into Denali, run water and watch a river develop, or create a canyon. They can learn about slumping, about the solar heating of sand and the coolness of digging down into it. They will see the uniqueness of tiny granules, their colors, textures, and shapes. Sand can be a physically involving sensual experience where kids learn to control their bodies when they're kneeling, crawling, or sitting in the sand.

Play areas can contain other imaginative building materials like logs and sticks to build houses and forts, they can include "caves," or have walkways that span slopes to tree houses.

Nature playgrounds are safe, sustainable, and cost less than traditional equipment laden play areas. These natural play areas have a smaller carbon footprint than traditional ones because the total carbon dioxide and other greenhouse gases emitted during manufacture, transportation and eventually the disposal of equipment is many times less with a natural play area. There are a number of compelling reasons to consider the creation of a nature playground here.

Moose Flats Trail

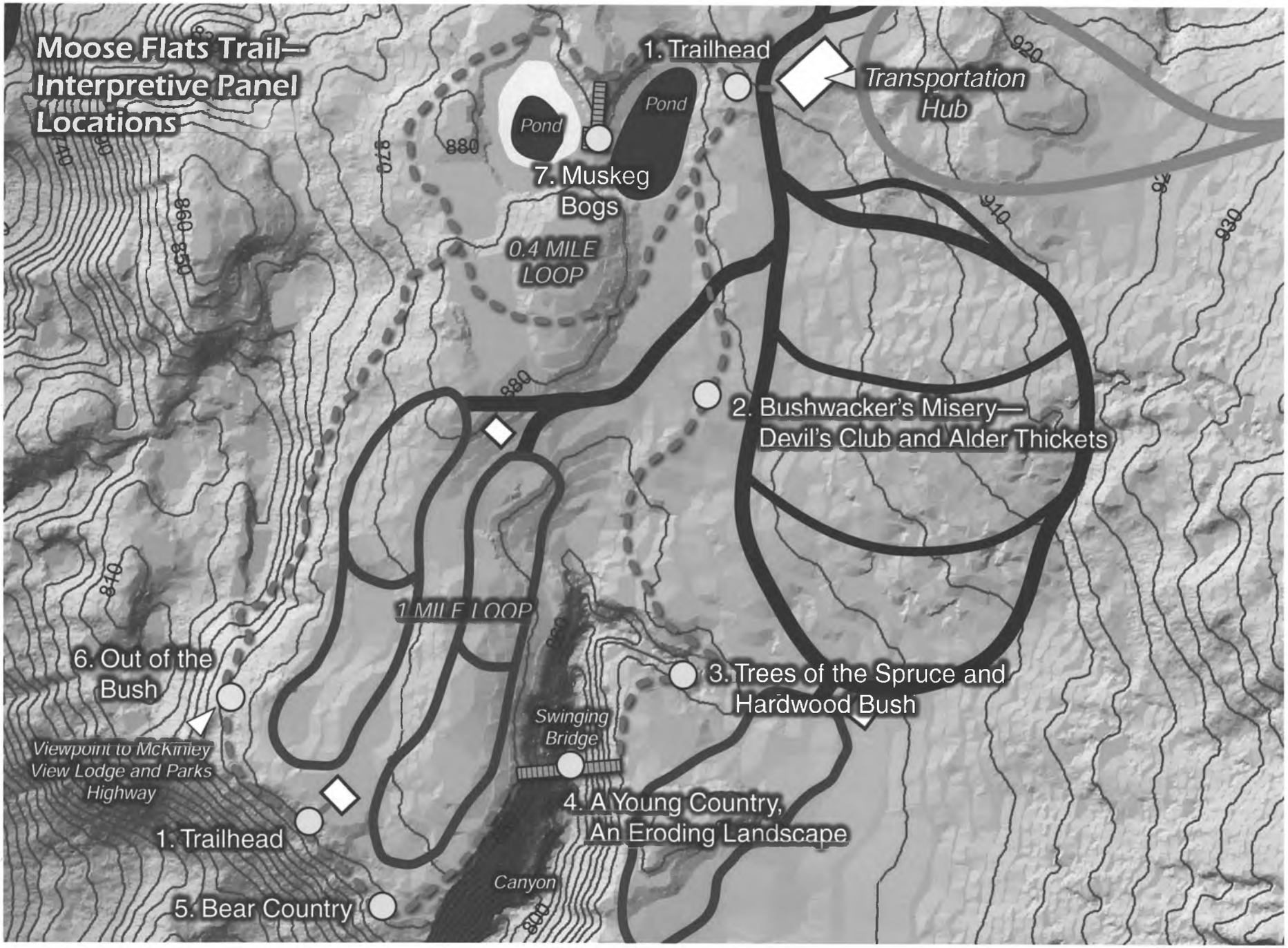
The "Moose Flats Trail" will begin at a transportation hub kiosk and encircle the campground, then return to the hub. The figure eight layout of the trail system permits both long (a 1 mile loop) and shortened (a 0.4 mile loop) walks depending on the weather, available time, and physical ability and stamina of the users. It will offer a forest trail alternative to the timberline Curry Ridge trails above. This trail is intended to be a serendipitous exploration with surprising views of Mount McKinley and the Alaska Range. It should be designed to maximize visitor opportunities to experience the mystery, variety, and beauty found on this mountain slope by wandering through clearings, out onto the brink of the slope, over a deep ravine, and on boardwalk trails that traverse muskeg and sedge meadows.

Campers and visitors waiting for their shuttle tram to the top of Curry Ridge will be the primary users in summer. Travelers on the George Parks Scenic Byway will be dropping in seeking information about the Byway and may take the opportunity to stretch their legs and experience this rich environment in greater detail.

In the winter it will be a snowshoe trail for Alaska residents. This universally accessible interpretive trail will focus on the "Alaska Bush," a term that represents wild Alaska outside the urban areas. The trail traverses on boardwalks through alder thickets, wetland meadows and muskeg bogs, over a forested ravine on a swinging bridge, and through upland spruce-hardwood forest.



The Moose Flats Trail traverses beautiful forested landscapes that offer a contrast to the habitats surrounding the visitor center site.


Moose Flats Trail—
Interpretive Panel
Locations
1. Trailhead
Transportation
Hub
Pond
Pond
7. Muskeg
Bogs
0.4 MILE
LOOP
2. Bushwacker's Misery—
Devil's Club and Alder Thickets
1 MILE LOOP
6. Out of the
Bush
3. Trees of the Spruce and
Hardwood Bush
Swinging
Bridge
Viewpoint to McKinley
View Lodge and Parks
Highway
4. A Young Country,
An Eroding Landscape
1. Trailhead
Canyon
5. Bear Country

1. Moose Flats Trailhead Panel

Location: Transportation Hub and Moose Flats Main Campground

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.4 a-b; 1.9 a

Description:
The trailhead panel will use the same vertical design as the Curry Ridge trailhead panels. It will have a trail map and an introduction that states "You are embarking on a walk through the Alaska bush…" Moose Signs—Be Alert! is a sub-message that describes moose signs to be seen here, the dangers of moose encounters, and what to do to minimize them.



2. Bushwacker's Misery—Devil's Club and Alder Thickets

Location: Alder thicket

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.2 a;
Sub-Theme 4, 4.2

Description:
A boardwalk will take visitors from the trailhead through alder thickets and across a wetland area. This panel will interpret the infamous, almost impenetrable alder thickets that grow horizontally and vertically with spiny devil's club interspersed. Devil's club has been described as "festering leaves of horror" reflected in its scientific name *Oplopanax horridus*. These thickets are the bane of hunters and hikers in the Alaska bush. On the other hand, they have redeeming qualities that need to be pointed out.





3. Trees of the Spruce and Hardwood Bush

Location: Upland near "canyon"

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.4 a-c

Description:
Spruce and hardwood forest is one of three major habitat zones in Alaska. Much of the interior of Alaska has this habitat type comprised of white spruce and hardwood trees such as birch, aspen and poplar. Mature spruce and birch line the rim of this canyon and very large aspen and poplar can be seen in the canyon.

4. A Young Country, An Eroding Landscape

Location: Suspension bridge over "canyon"

Themes and Messages Interpreted:
Sub-Theme 2, 2.4

Description:
This canyon is evidence of water erosion in a landscape recently freed from glacial ice. This geologic story is the subject of this panel.



5. Bear Country

Location: Back of campground area

Themes and Messages Interpreted:
Sub-Theme 8, 8.3

Description:
This panel will inform visitors about the presence of bears, their habits and how to avoid conflicts with them. Black and grizzly bears inhabit all of Denali State Park above and below timberline. Wildlife, particularly bears, can be dangerous. Never approach wild animals closely, especially those with young. To avoid surprises, warn animals of your presence by making noise, singing, or carrying bells when in the bush.





6. Out of the Bush—Mary Carey's McKinley View Lodge and the Parks Highway

Location: Overlook platform with trees cut to open the view

Themes and Messages Interpreted:
Sub-Theme 7, 7.4, 7.5

Description:
This panel will tell the story of the development of the highway connecting Anchorage and Fairbanks. It will tell of the 59'ers and Mary's McKinley View Lodge and how she and others fought for the completion of the road to bring them "out of the bush."

7. Muskeg Bogs

Location: Boardwalk between two bog ponds

Themes and Messages Interpreted:
Sub-Theme 1, Messages 1.5 b

Description:
This panel should relate to the message from "Boggy Soggy Muskeg" on the Denali Vistas Trail: "Muskeg is the name given to bogs throughout the Boreal north. Muskeg is found where poor drainage, cool summers and acidic water restrict plant decomposition. Eventually a buildup of dead plants in the water becomes overgrown with sphagnum moss, small shrubs or even stunted trees. Hiking across muskeg is like walking on a giant waterbed with the added danger of suddenly disappearing into the water below!"

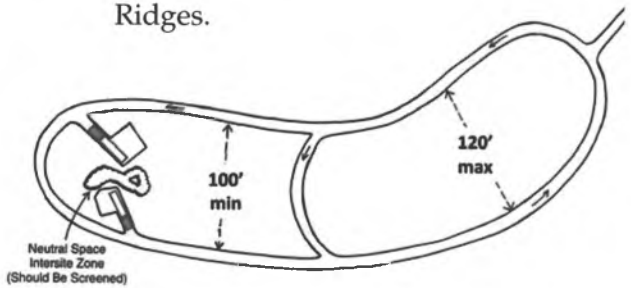


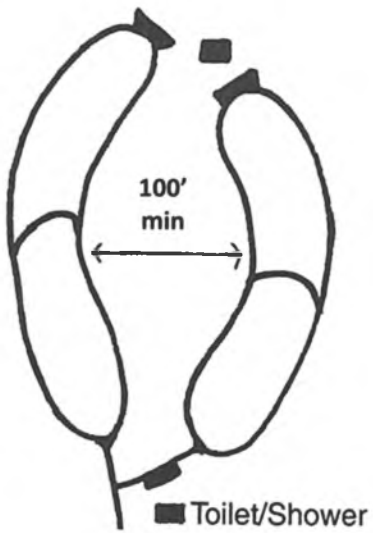
Moose Flats Campgrounds

Two campgrounds are planned for the South Denali base facility. The main campground west of the ravine will serve both RV and tent campers. A smaller campground east of the ravine will be for tent campers only.

The following criteria should be applied to the development of these campgrounds:

- They should be sited on dry uplands adjacent to the "canyon" ravine.
- They should be served by a series of loop roads.
- For the best use of limited space, campground loops should be narrow and shaped to fit the topography. Separate entrances to each loop provides options for closing an area during the shoulder seasons.
- The campgrounds should be served by bath/toilet/refuse storage facilities near the entrance to the loop roads. A campground host station should be provided near this facility.
- Avoid placing amenities (restrooms, shower building, shelter building) inside of campground loops—this leads to unwanted trails and site cutting. Amenities should be located at each end of a loop, naturally directing pedestrians along the road.
- Privacy should be maintained by separating sites and shielding them with natural cover.
- A vegetative buffer should separate campsites and the interpretive trail. A trailhead hub at the south end of the campground loops provides access for campers.
- The minimum space for each RV campsite should be 20 feet in width and 40 feet in length. The drive-through spaces should be 15 feet in width and 60 feet in length.
- Where possible, campsites should be designed for universal access with low slopes, no barriers between parking spur and living space, hardened surfaces, and extended picnic tables. These sites are beneficial for all campers—not just people in wheelchairs.
- The majority of campsites should be designed as "back in" sites, which surveys indicate most visitors prefer. However, at least 1/3 of the main campground sites should be "pull-through," which are easier for campers with large RV rigs to navigate.
- Moose Flats Campground should be maintained as a rustic campground with no hook-ups. Generators will be permitted only during specified hours.
- The "tents only" campground should include some secluded walk-in campsites for backpackers who may be starting or ending their journey on Curry and K'esugi Ridges.





Recommended measurements for campground loops to maximize space, while still providing sufficient buffer between sites.

Source: Planning Parks for People *by Richard Hultsman, 1998*


Moose Flats Campground—
Concept Site Plan
Showers/restrooms
building
Moose Flats
Trail
Main Campground
RV and Tent Camping
Restrooms
Secondary
Campground
Tents Only
Restrooms
Swinging
Bridge
Moose Flats
Trailhead
840
880
880
880
760
800
770

Connecting the Base Facility to the Visitor Center



Shuttle tram photo courtesy of Northwest Trek.

The Shuttle Tram

An efficient transportation system is needed to keep tour coaches on schedule and prevent long waiting times at the transportation hub or visitor center. During the peak visitation months of June, July and August, an estimated 2,000 daily visitors will need to be accommodated (data in Chapter 3). A separate loading zone will be required for cruise package and independent tourists (about 1,000 per day for each target group). This allows speedy processing of pre-ticketed groups and keeps them on their tour schedules. It also limits congestion at the loading area.

Northwest Trek, a wildlife park in Washington, uses an 85 passenger three-car propane shuttle tram. Each has a "naturalist driver" who interprets the experience. This is a potential model for Denali State Park. Interpretive training for drivers could be provided by the park staff. The shuttle will traverse through various life zones with chance wildlife encounters that could be interpreted by the driver.

This facility will project a philosophy of sustainability and respect for the environment. Therefore, every effort must be made to communicate that message to visitors. An energy-efficient shuttle tram system is a silent reminder to users of our commitment to "living lightly" on the landscape. It also minimizes the impact of noise and fumes on the site and visitors. A quiet and efficient shuttle will greatly enhance the aesthetic quality of the visitor experience.

Trams International™ of Bell Gardens, California is a major manufacturer of shuttle trams including those used at the Princess lodges in Alaska. They offer propane, electric and diesel drive train options. Engineers for the firm were consulted regarding the best option for Curry Ridge at an average 6% slope. After deliberation, they concluded that neither propane nor electric would have enough power for this application, but recommend the diesel engine they use as a quiet and emission free option. Bio-diesel fuel should be considered as an environmentally friendly action that also makes a statement.

Waiting for the Shuttle Tram

Visitors have a variety of choices available to them as they wait for their shuttle tram to the top of Curry Ridge. For some a cup of coffee and a roll while sitting on the deck may serve their needs. These spacious decks, some with partial roofs, invite casual dining, social interaction, and begin to prepare people for a leisurely pace as they explore Curry Ridge. The decks are surrounded by shrubs and native flowers, a pool with a small, whispering waterfall, and bird feeders. Car traffic and parking areas are screened and buffered with native vegetation.

The nature playground is adjacent to one deck, allowing parents to watch children as they explore the caves, boulders, and tree house. Interpretive panels and posters alert visitors to a menu of Curry Ridge.

For those that seek some exercise, the Moose Flats interpretive trail promises some memorable experiences with overlooks of the Chulitna River Valley, a suspension bridge, and a boardwalk between muskeg ponds and sedge meadows.

When rain or cold drives the crowds inside, there is an interactive map to help you plan your trip in Denali State Park. There is a series of exhibits on points of interest on the George Parks Scenic Byway, and streaming video footage of what you'll experience on the Ridge.

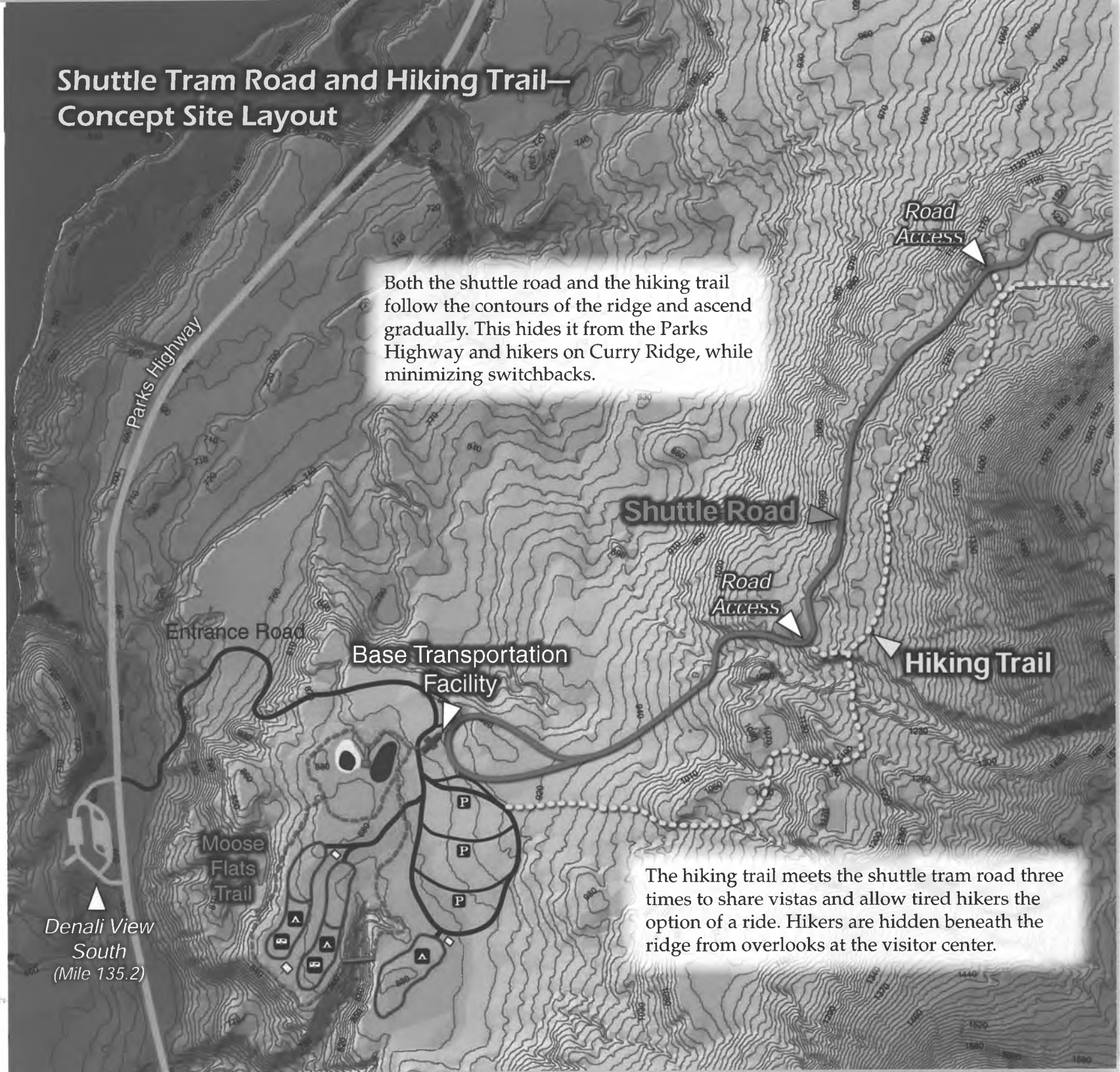
The Shuttle Tram Experience

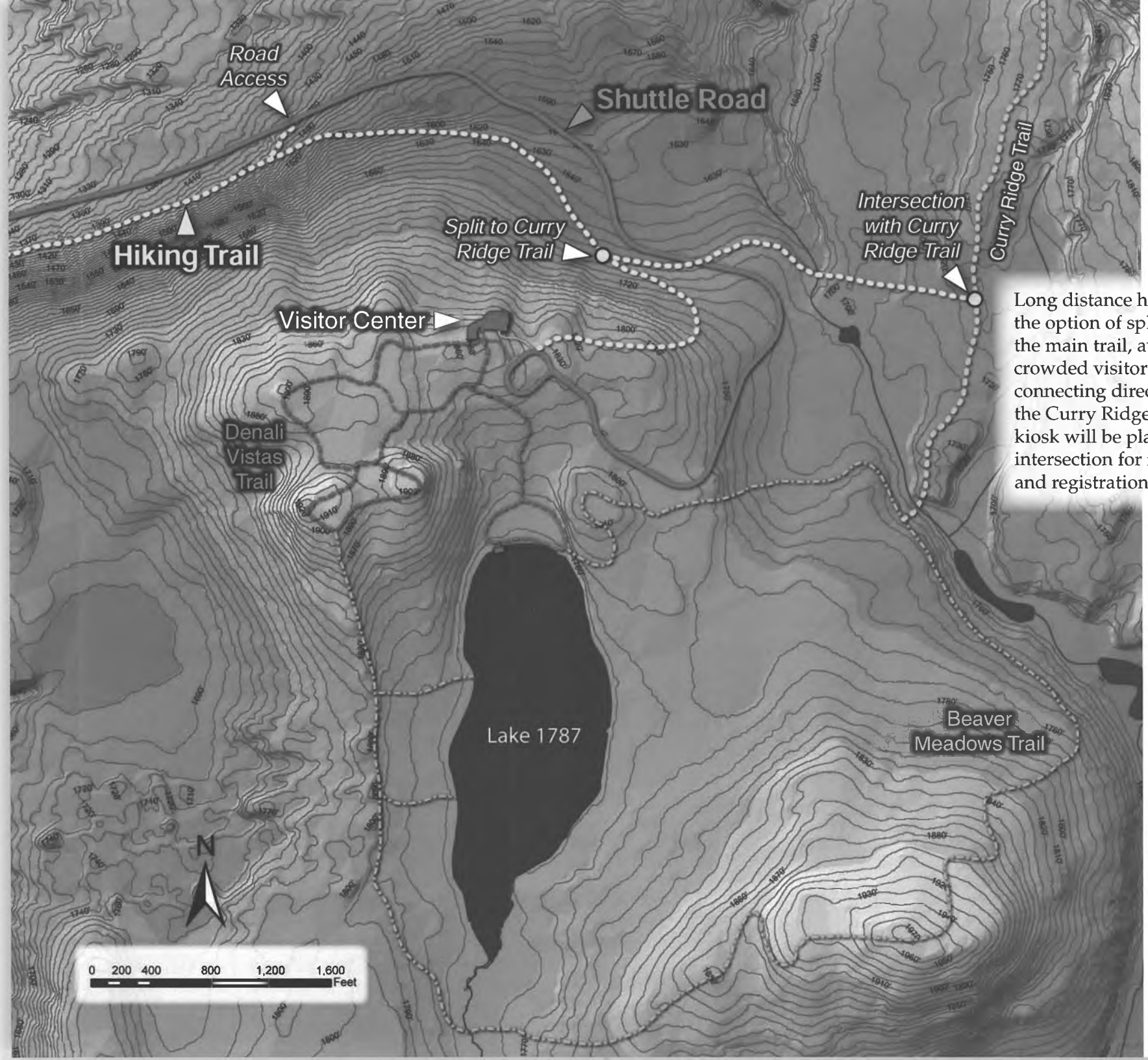
The shuttle ride to the crest of Curry Ridge is not just another "bus ride." It is an exhilarating outdoor excursion to a mountaintop. Along the way a passenger may be treated to the fragrance of the alpine forest, the fleeting sight of a moose or bear, and unsurpassed views of the sunlit snowy peaks of the Alaska Range.

The 20 minute, open air ride gives travelers a chance to decompress from the fast pace of the Parks Highway and an opportunity to prepare for a quiet, natural experience. The shuttle tram road hugs the contours of the bluff as it meanders through shaded forests and into sunny meadows with distant vistas out over the valleys to the north. There are a few select pullouts where the shuttle stops on clear days for opportunities to photograph Mount McKinley. The quiet ride accentuates the silence of the vast surrounding wilderness and creates a sense of humility in many. Because the hillside hides the destination, there is a sense of mystery and anticipation.



The shuttle tram experience would include scenic pullouts with views of Mt. McKinley on clear days. Shuttle tram photo courtesy of Northwest Trek.


Shuttle Tram Road and Hiking Trail—
Concept Site Layout
Both the shuttle road and the hiking trail follow the contours of the ridge and ascend gradually. This hides it from the Parks Highway and hikers on Curry Ridge, while minimizing switchbacks.
Road Access
Parks Highway
Shuttle Road
Road Access
Entrance Road
Base Transportation Facility
Hiking Trail
Moose Flats Trail
Denali View South
(Mile 135.2)
The hiking trail meets the shuttle tram road three times to share vistas and allow tired hikers the option of a ride. Hikers are hidden beneath the ridge from overlooks at the visitor center.



Long distance hikers have the option of splitting from the main trail, avoiding the crowded visitor center, and connecting directly with the Curry Ridge Trail. A kiosk will be placed at the intersection for information and registration.

Pedestrian and Biking Trails to Visitor Center

The shuttle tram will be the primary means of getting to the visitor center for most people but alternative modes of traveling up or back will also be available to hikers and bicyclists. For those who are seeking a more personal and physical adventure in getting to the site, a trail will be available.

Visitors have an option to hike up and/ or down Curry Ridge when accessing the visitor center and trails on the ridge. The trailhead, located near the shuttle drop off, is visible from the base transportation facility. It is a rustic kiosk which is thematically designed to resemble other structures in the compound.

It will contain large scale colored maps which correspond to folding publications with safety and orientation information that can be carried by hikers. This location permits easy access to the parking areas, water, and bathrooms. It can be seen from the waiting areas.

The trail is wide enough to permit two hikers to walk side by side or for groups to pass by as they meet each other. It parallels the shuttle tram roadway but only crosses it when topography demands it. There are numerous opportunities to look out over the Chulitna River Valley and to view the Alaska Range. The trail should alternate alluringly through mountain meadows and through the forest to maximize diversity of habitats. Trail structures like bridges and benches are thematically rustic log and stone structures. Only hikers are permitted to use this trail so it meanders to a walkers speed, with inviting surprise views down into ravines and out across the no name creek watershed. At several strategic places, it intercepts scenic vistas where the shuttle tram stops. These places permit reluctant hikers the assurance that they have an option of riding the shuttle or of seeking assistance if needed.

Biking Alternative

The 3.5 mile climb averages a challenging 6% incline. Maximum road grades for the shuttle will be 9% or less. While this is a moderately challenging climb for hikers, it is a challenging workout for bikers. It is a fair assumption that most people will prefer to coast down the grade on bicycles rather than laboriously peddling up the long, steep slope. Provisions and policies should be made that address transporting bicycles to the top of the ridge on the shuttles and that facilitate their safe storage in racks on site at the visitor center. There are precedents for similar cycling adventures at other park locations such as in Hawaii Volcanoes National Park. There, commercial companies transport visitors to the top of the roadway where they mount their rented bicycles and coast down the long mountain highway. There is potential for creating a similar, if shorter, biking experience on Curry Ridge if it is deemed an appropriate recreational experience.

Conflicts between bicyclists and hikers are a major controversy on multiple use trails. The more natural and narrow the trail, the greater the potential conflict and the frustration of the users. While most encounters between hikers and bicyclists do not result in injuries, the steep topography, dense understory, and narrow trails on Curry Ridge are problematic. Wherever possible, these uses should be separated. The safest and most economical bike route up and down the ridge is the shuttle roadway that can also serve as a bike corridor. Bicycles will be speeding down the steep slope and need clear lines of sight, room to maneuver, and a good braking surface that this asphalt roadway provides. This improves both the biking and hiking experience if a less expensive foot trail is developed parallel to the roadway to accommodate hikers. Hikers seek a more intimate and quietly reflective experience than they can find on the roadway. Eliminating the fast moving bikes adds to the pedestrian's sense of seclusion and safety.

If bike trails are developed on the lower slopes of Curry Ridge, they should be segregated from hiking trails. The main loop system from the visitor center should be maintained as discreet walking trails in order to allow quiet reflection and passive encounters with wildlife. Bike trails in alpine habitats will invite harmful incursions into the fragile environment. It would be desirable to develop the vast majority of bike trails in the lower terraces of the site, nearer the transportation hub.

The planners have some safety concerns about cyclists as they careen down trails along the ridge. The area is home to a significant population of both black and brown bears. The instinctive behavior of these omnivores is to chase fleeing prey. There have been attacks on bicyclists on Anchorage trails in less brushy and enclosed areas than Curry Ridge. The potential of inciting encounters should be investigated by surveying similar Alaskan sites and calculating the potential risks.

If a series of cycling trails are developed, local cycling clubs should be invited to join the planning process. This will facilitate communications and support with the user group, result in better trails, and will set the groundwork for self regulation and long-term trust and cooperation with agencies.



Meandering front-country hiking trail in Denali National Park.

Appendices



South Denali Visitor Center Complex: Interpretive Master Plan

Appendix 1

South Denali Visitor Center Complex Visioning Meeting: Results

To establish a clear direction for the visitor center project, a visioning workshop was held on August 16, 2007 with project stakeholders. The purpose of the workshop was to determine:

- Specific goals of the project
- Target and potential audiences
- Important stories to be told
- Development and activities that should and should not be planned for the facilities

Workshop participants included representatives from the Alaska Department of Natural Resources, National Park Service, Denali Concessions, and a private business.

The following are the results of the visioning meeting. Answers for each question were ranked by participants through a nominal group technique. The number in parenthesis after each response indicates the number of points that participants gave to it. The higher the point value, the greater the perceived importance by participants.

Participants

- Monica Alvarez, DNR-DMLW planner
- Penny Bauder, Alaska State Parks
- Wayne Biessel, Alaska State Parks
- Jane Burks, Doyon/Aramark Joint Venture, Denali Concessions
- Jenni Burr, NPS-Talkeetna
- Chris Degernes, Alaska State Parks
- Carol Harding, NPS-Interpretive Planner
- Bill Kiger, Alaska State Parks
- Eileen McGurk, Owner, Cantwell RV Park
- Missy Smothers, NPS-Talkeetna
- Miriam Valentine, NPS-Talkeetna

Visioning

The written Vision Statement of the South Denali Visitor Complex is:

The South Denali Visitor Center will be a sustainable learning and recreation gateway, providing a welcoming and accessible interpretive transition for people of all ages, abilities, and backgrounds. The visitor center, trails, and viewing areas will be unimposing and harmoniously nestled within the surrounding landscape, furnishing venues for education, study, and wildlife and scenic viewing.... This year-round gathering place will enable visitors to experience migrating and resident wildlife, breath-taking view of Denali and the Alaska Range, and Alaskan nights painted with sheets of dancing aurora. Visitors will come to experience and stay to enjoy.

In your opinion, what specific goals will the South Denali Visitor Complex help to achieve?

- Demonstrate commitment to stewardship (LEED, Green architecture and development, alternative fuels, view shed preservation) (17)
- Very active use-outdoor recreational activities-indoor hands-on, multi-generational and abilities (14)
- Incorporate a wide variety of viewpoints of the resource and facilitate understanding between user groups (10)
- Exploit multi-modal opportunities (9)
- Education connection with local youth (7)
- South Denali should release pressure from Denali NP-economic growth of communities-enhance scenic byways experience (6)
- Connect cultural and recreational resources with the natural resources-celebrate community heritage (6)
- Connect the people of Anchorage and communities north of year-round recreation and enjoyment (5)
- Access and facilitate responsible use of resources- promote resource

protection (5)
- This will be a destination facility (5)
- Promote casual enjoyment-common-must be affordable (4)
- Celebrate the stunning natural setting (4)
- Interpret stories that other centers have not addressed (mountains) (4)
- Come for the view of Denali and landscape (4)
- Appreciation for the South Denali region and its unique natural resources (3)
- Central axis point to multiple agency lands-cooperation (2)
- Connect local communities to the area-get communities involved along with tourists (2)
- Strong connection to the environment and environmental changes in the area (2)
- Provide information/infrastructure for recreational activities (1)
- Expand access to the park (0)

Audience

Who are the target audiences and potential audiences of the South Denali Visitor Complex?

- Local residents-nearby (Trapper Creek, Sunshine, Talkeetna) (9)
- Winter recreationists (9)
- Alaska residents (especially off-season) (9)
- Ethnic groups-diverse (8)
- Motorized and non-motorized visitors (9)
- Schools and education (7)
- Special interest groups-photographers, birders (6)
- Virtual arm-chair visitors (4)
- Group meetings and retreats (4)
- Package tourists (3)
- Families (3)
- Independent travelers (3)
- Visitors of all ages (3)
- Eco-tourists (3)
- Multigenerational family units (3)
- People of economic walks of life (3)
- Alaskans hosting visiting friends and relatives (2)
- Convention groups (2)
- Native Alaskan population (2)
- Denali in a day tourists (1)
- Anchorage residents
- Seasonal employees (1)
- People of all abilities (1)
- Boy Scouts (1)
- International travelers (1)
- Return visitors (1)
- Mat-Su residents/Denali residents (1)
- "Drop in" visitors (1)
- Hikers (0)
- Active adventure tour groups (0)
- Bus stops-transportation (0)
- Local businesses (0)
- Artists (0)
- Politicians (0)
- Retirees (0)
- Elder hostels (0)
- Scientists (0)
- RV Drivers (0)

Stories

What are the important stories to be told at the South Denali Visitor Complex?

- Interpretation of Alaska recreation (8)
- Future trends should be planned for-changeable exhibits-current issues (8)
- Global connections (migration, tourism, global warming, pollution) (8)
- Stories of ecosystems-interconnections and vulnerability-connection to the Greater Denali ecosystem (7)
- Mountaineering (Cook, etc.) (6)
- Expedition history of the Region (6)
- History of the railroad, Curry, hotel, skiing (6)
- Pioneering the Parks Highway-Alaska' frontier culture both past and present (6)
- Alaska native perspective (6)
- Uncloaking the Great One-

interpreting Mt. McKinley when it is hidden (5)
- Gold discovery-1905 (4)
- Multi-modal history (human transportation) (4)
- Wilderness values (3)
- River systems (highway to interior) (3)
- Homesteading the area (3)
- WWII Bomber crashed on the ridge-Rupert Pratt (3)
- Alaska perspective on hunting and fishing (game management units) (3)
- Differences and partnerships between state and federal agencies (3)
- Mount McKinley-what can you see? Spotting scopes (3)
- Historic and prehistoric use of South Denali region (2)
- Susitna Station-supply hub during gold mining (2)
- Story of Transition-weather, vegetation, transportation (2)
- Wildlife story (2)
- Adaptations of plants and animals in alpine tundra (2)
- The Alaska Range-backbone of south central Alaska that has a place in its history, both natural and cultural (1)
- "Gateway" to the interior (1)
- Alpine sensitivity-vegetation (1)
- Story of salmon (1)
- Story of geology-plate tectonics, etc. (1)
- Sustainability (1)
- Environmental Change (glaciers, etc.) (0)
- Story of glaciers-sculpted by ice (0)
- Story of bears and safety (0)

Facilities

What developments and activities should be planned for the visitor center? What should not be?

- Earth sheltered facility (8)
- Low energy footprint, but practical for the site (6)
- No plastic wildlife (5)
- Tundra garden (ID plants) (5)
- Program/meeting space (4)
- Complements National Park (doesn't duplicate) (4)
- Comfort area-fireplace, seating, area rug (4)
- Activities that don't rely on weather (3)
- Year-round technology opportunities (Wi-Fi, Geo caching, cell phones, outlets, charging) (3)
- Feature universal design throughout (3)
- Caretaker facility (3)
- Trails should be designed to encourage discover and protect fragile environment (3)
- Overnight EE Center/room with cooking facilities (3)
- Unobstructed view (no roads, buildings, etc.) (3)
- Four-season trails, multi-use trails (motorized and non-motorized) (3)
- No noise or air polluting energy generation (3)
- No large mounted animals (3)
- Easily changed exhibits (3)
- Allow for guided activities (ski touring, nature guiding, etc.) (2)
- "Hands on" trail (2)
- Thematic commercial businesses (coffee shops) (2)
- Opportunities for independent travelers to experience site away from tour groups (2)
- Kid's corner/Junior Ranger area (2)
- Adequate storage space (possibly heated) (2)
- Computer kiosk linking to other recreational opportunities (2)
- Interpretive trails (1)
- Backcountry trip planning area (1)
- Interactive exhibits (1)
- Space to show a movie (theater with sloped floor or multi-purpose room with flat floor?). Consider numbers (could be 50+ people) (1)
- Mountain web cam (1)
- Reading room-reference library (1)
- Adequate office space for interpreters, rangers, and staff (1)

- Covered deck areas (1)
- Self-guided trail tours (1)
- No depot-like shuttle drop-off area (1)
- Coffee shop, hot snacks-cozy area (0)
- Related sales outlet (0)
- Ability to reserve Denali National Park buses from this facility (0)
- Allow tour buses to drive up (0)
- Bathrooms (0)
- Space for "Ranger Chats," out of the rain (0)
- Sanctioned berry picking areas (0)
- Mounted animals (0)
- Staff parking (0)
- Need for handouts? (0)
- No horses near facility (0)
- No large private car parking lots (0)
- Minimize equipment maintenance (0)

What developments and activities should be planned for the transportation hub? What should not be?

- Rental for skis, snowshoes, etc. (5)
- Screened from highway (5)
- Year-round restrooms and drinking water (5)
- Bike and ski trails (4)
- Ranger contact station (4)
- Off-peak season Alaska resident access without shuttles (4)
- Volunteer employee housing (3)
- Commuter trails (3)
- Warming hut for winter users (3)
- Information kiosks to catching shuttle, etc. (2)
- Shuttles need to be quiet (2)
- Winter RV-area (2)
- Backcountry information station (2)
- Campground
- Need interpreters on shuttles (1)
- Information/activities accessible for through/highway travelers (1)
- Limited interpretation/activities here… save for visitor center (1)
- Bus shelter and luggage storage (1)
- Commercial parking visually segregated from private (1)
- Include interpretation on the trail up to the facility (1)
- Local business information (1)
- Amphitheater/campfire ring associated with campground (1)
- Power generation facility and fuel storage (0)
- Have loop shuttle to visitor center for different activities (backpacking, boats, trains)

What other developments should be planned for the South Denali Visitor Complex?

- Shuttle system between state park trailheads (including rafting, riverboats, railroad, etc.) (9)
- Strategic view planning-road alignments, trail development, etc. (5)
- Accessible trails near visitor center (3)
- Consider concessionaires where appropriate (3)
- Public use cabins (2)
- Easy river access (2)
- Winter transportation to visitor center (2)
- Employee housing (2)
- Bookstore restaurant (1)
- Other trails to Lake 1787, Curry Lookout, Curry (1)
- Campers store (1)
- Maintenance facility- operational and buses-consider what is needed for winter (1)
- Showers, laundry, lockers (1)

Appendix 2

South Denali Visitor Center Complex Community Meetings: Results

From November 27-29, 2007, Schmeeckle Reserve facilitated three community meetings in Trapper Creek, Wasilla, and Anchorage.

The purpose of the meetings was to gather input about local and regional stories, benefits and concerns of development, and resources for further research.

The following are the results of the community meetings.

Trapper Creek November 27, 2007

What stories would you share with an out-of-town visitor? About your community… About Curry Ridge and this region…

- Pre-settlement days… Native Alaskans… First people stories
- Shem Pete's Alaska… travel along the Chulitna River… trading… hunting… tie to the view. James Kari and James Fall
- Trapper Creek archaeological site. Mat-Su historian
- Place names
- Mining History… Dunkel coal mine… Golden Zone Mine (west fork of Chulitna)
- Swinging bridges across the Chulitna river that accessed mines
- Early history of exploration… USGS expeditions… attempt to climb Denali…. Visible from site
- 59ers. Homesteading… Mike Carpenter (Wal-Mikes)
- Curt Wagner… Talkeetna (history, artist)
- Natural history… moose, caribou (migrations in past), medicinal and useful plants
- Railroad history… building, surveying
- Curry Lookout, town of Curry, building of bridges, expeditions… looking for a route to the interior… bridge across river to Curry Lookout
- Ken Marsh… historian in Trapper Creek… Curry
- Swans (trumpeter recovery program)
- Sandhill cranes stop to feed on berries
- Bears… brown and black… prime feeding areas nearby… salmon, alpine, forest regions… tremendous amount of denning… Troublesome Creek and Byers heavily used
- Building of the Parks Highway… Scenic Byway study currently… bridges across Chulitna… historical route through the area… overgrown tractor trail… talk with Scenic Byway people… homesteads and native allotments…
- Aviation… military plane on Kesugi Ridge
- Climbing stories… Dave Johnston, Roger Robinson (NPS), Brian Okonek, Daryl Miller (NPS)
- Mining history… Chuck Hawley-excellent for geology (former USGS), business in Anchorage; Earl Foster
- Focus in on the smaller animals and plants
- Glaciers… shaped by glaciers… what it looked like at one time during glaciation… timeline… glacial erratics…
- Multiple seasons… what's it like in the winter… flagging trees

What effects do you foresee the South Denali facility having on the region, your community, or Curry Ridge? Potential benefits… Concerns…

- Negative impact on natural resources: habitat, bear denning areas, ease of use to high country
- Increased snow machine use could have impacts. Could also be a

benefit… good way to get people up there to see the area

- Concern about "glitter gulch" at entrance of NP. Avoid concentration of businesses… need limits.
- Concern about airport at mile 131. Entire area needs to be planned… this would be the first step to development.
- Protect the integrity of the entire region. Denali has a great draw. Planning for the whole region, not just around the visitor facility. Variety of activities, private in-holdings. Won't have the same attraction if not protected. Ensure long-term income.
- Flight traffic (climbers on Denali)
- This area is special because it is undeveloped and unspoiled. More than just staying inside a visitor center looking at exhibits. Need to experience the site.
- Previous selected site is tucked into the Ridge… difficult to see the building from other places on Curry Ridge. Create the facility so it cannot be seen from the lake or other places higher on the Ridge. Don't want to see the parking lot either. Can tuck different facilities into the spruce trees.
- Tour busses should not be allowed to drop off visitors at the visitor facility site. How many shuttle busses needed to transport visitors. Don't need a large parking lot. Shuttles can be continuous route.
- New site… more buildings would be more exposed.
- What's the point of having an elaborate building if it is just a gateway to the site? Size, purpose.
- Any structure needs to blend in the landscape and use the resources on the site. Endemic materials. Wind and solar power to make self-sustaining.
- Three things to maintain natural opportunities
  - Avoid glitter gulch… purchase in-holdings along Parks Highway… land use controls south of the park
  - Need a comprehensive biological inventory of this area… identify important wildlife areas… protect or mitigate impacts
  - Budget related… operating and maintenance costs… burden on state parks… need a budget for maintenance. Long term sustainability and visitor experience quality.
- Avoid piecemeal development… secure the entire package… when developing the road, know that the visitor center will have funding.
- Address RVs. Camping areas.
- Connect to the South Denali Viewpoint, Troublesome Creek trailhead, trails, bike path. Number one thing at Princess Lodge people want is to hike. Make the entire area a destination. DOT should work on the highway for biking and pedestrian use. Bike Trail the entire length of the state park… bike between this visitor center and the Denali NP visitor center.

How can the South Denali facility be developed to benefit Alaska residents? Specific features of the visitor center... Specific features of the site...

- Make it comfortable for people who cannot be outside. Linger and watch the view from comfort of inside the building. Expansive view of the Alaska range. Don't have people be in front of the windows
- Outside deck
- Change seasonally. Room that changes for lingering. Different uses in different seasons.
- Development of many trails will benefit Alaska residents. Not many trails in the state for just hiking… most are multi-use.
- Educational groups… use in shoulder

seasons to bring in students from Mat-Su area.

What/who are some resources that we can investigate or interview to learn more about this area?

- NPS Staff… Phil Breese (geologist), Jane Bryant (cultural resources, historian),
- Local authors: Ken Marsh (Trapper Creek), Roberta Sheldon (Talkeetna author)… Don Sheldon's wife
- University of Alaska-Fairbanks: Museum, archives
- Fran Seeger-Boss (historian for Mat-Su)

Wasilla
November 28, 2007

What stories would you share with an out-of-town visitor? About your community… About Curry Ridge and this region…

- Ecology: Plant identification, each habitat area
- Rescue from plane crash
- Mountaineering: complement story on north side, early explorations… by river boat following drainages… winter ascents (see signage at South Denali Viewpoint)… Dave Johnston story (living historical treasure)
- Mining story
- Indigenous use of the area. Connect with the elders for stories
- Interpretive trail systems… chance for people to explore sites and use all of their senses
- Alaskan artists… how the region inspires their work
- Curry hotel on the railroad… how advanced it was… tie into the Alaska railroad
- Dioramas, sculptures of the range, Sheldon Amphitheater, Ruth Glacier…
- Different viewpoints… not just linear… show depth of the mountains
- Glacial recession over time
- Geological history of the mountain range
- Bush pilots, Don Sheldon, Hudson
- History of the Parks Highway… development of the area… transportation corridor along the Chulitna River
- Wildlife story of the area… hunting and trapping
- Talk about a land ethic… how the visitor center is developed… philosophy of having a wilderness park… preserving the wilderness integrity
- Holding onto the value of what Curry Ridge is… tourism comes second.

What effects do you foresee the South Denali facility having on the region, your community, or Curry Ridge? Potential benefits… Concerns…

- Avoid "glitter gulch"… concern about the private property in-holdings within the park…
  - Emphasis on acquiring the in-holdings before development (access road) occurs
  - Develop land use controls
- Funding operations and maintenance
- Perform updated and current biological inventory of landscape and identifying important habitat
- Road is a significant impact on the site… it is a difficult area to access. Access will improve. Will degrade the qualities of Curry Ridge… the reason the visitor center is located at the site.
- Transitional area is important to black bears… spring and fall for berries… important post rut recovery area for bull moose… important travel area for moose... snow machine access will drive wildlife to other places

- It will also become a summer time hub for foot travel… increase access to the ridge
- Will this provide an advantage for multi-day hiking… where will the trail go in? Connection point to existing trail. Have the ability to develop trails correctly and minimize impact.
- Large number of people crawling over the alpine ridge top areas… difficult to anticipate the impact… prediction of 400,000 visitors during summer… some dispute over the numbers…
- Advantage of this road… park road instead of DOT road… management controls and access
- Restrict hunting in the area.
- Concern about snow machines having access to the road… no reason for people to walk up to the Ridge… one of the few places in Alaska that is quiet… management opportunity to restrict snow machines… management must be in place before the road is constructed… could move snowmobiles to Kesugi Ridge
- Many other opportunities are being offered along the Parks Highway and Petersville Road for motorized use. Might be a balance between this visitor facility.

How can the South Denali facility be developed to benefit Alaska residents? Specific features of the visitor center... Specific features of the site...

- Build physical shelter where a person can get warmed up… warm drink... concessions that are tasteful without impacting the environment
- Like the idea of condensing the campus of buildings to one
- Concern about the size of the building
- Some of the same educational opportunities should be available indoors
- Have it open more than 4 months of the year… year-round. Most of the winter, the mountain is visible. Denali National Park is closed.
- Facility that would encourage people to recreate… snowshoeing, cross-country skiing, non-motorized.
- Retreats, educational workshops that center around core values of the landscape (like Murie Center in Denali NP). "Wilderness" meeting space to work on issues of preservation…
- Open space area for classrooms or public meetings. Fireplace.
- Education for school children, training for teachers, graduate work… address Alaskan issues
- Key: Shoulder season and winter use. Function in the summer is different than in the shoulder/winter seasons.
- Access Blair Lake to the south of Lake 1787. Some concern about the Boy Scouts camp. Protect public's right to use the state park lake.

What/who are some resources that we can investigate or interview to learn more about this area?

- Dan Elliot… on the ground experience
- Brown bear habitat north of the site
- Dave Johnston: mountaineering, one of the first state park rangers, knows the area… lives in Talkeetna
- Pete Robinson… maintenance person in state park… mountaineer
- Dave Porter… Trapper Creek… ranger
- Mountaineering rangers in Talkeetna… Roger Robinson, Brian O.
- Alaska Natural History Association, Mat-Su, (indigenous, mining history)
- Johnny Baker… early miner and trapper… Talkeetna
- Cliff Hudson video… Talkeetna… put out this last year… history of the area and personalities.
- Alaska Railroad… Curry and Curry Lookout

- Trapper Creek Museum… Mr. Marsh
- Roberta Sheldon… Talkeetna
- Joe Richardson…
- Dennis Heikes… former superintendent of Mat-Su
- Dale Bingham… Eagle River, precedes Dennis
- Trapper Creek Planning Committee

Do you have other questions or comments concerning the interpretive plan for the South Denali Visitor Facility?

- Plans for security in the winter if the building isn't open? Staff would still be available in the Transportation Hub.
- Want as little impact as possible… small footprint, low profile

Anchorage
November 29, 2007

What stories would you share with an out-of-town visitor? About your community… About Curry Ridge and this region…

- Sydney Lawrence, artist… boat that would take tourists to cabin
- Parks Highway people built a trail along the Ridge to Byers Lake… 8 mile trail… develop a trail system (could be more bear activity at this location)
- One of the few native groups that were not nomadic… caribou access… try museum in Talkeetna
- Climbing/Mountaineering… Denali… adventures… Sourdough expedition… Cook
- History of town of Curry
- Rebuild the town and put a suspension bridge across the river… hike to the top of the Curry Ridge… testimony from people… railroad is mining behind Curry… stabilize the original lookout (grants are being secured to stabilize historic structure)
- Consider an alternative to "shuttle bus" designation that would be more usable for Alaskan residents… environmentally friendly and quiet (electric, propone, single-track tram, gondola)
- Traditionally, the area has always been used by snow machiners. All types of recreation should be allowed.
- History of mining
- Homesteading
- Mary Kerry… applied for 5 acres on top of the Ridge… quite a character

What effects do you foresee the South Denali facility having on the region, your community, or Curry Ridge? Potential benefits… Concerns…

- Airport has been proposed for the area… concern… airport already exists in Talkeetna… would affect the quiet atmosphere and the quality of life for residents
- Powering the site (generators near the Parks Highway). Bury lines. Wind turbines would provide alternative energy
- Changing an environment that will provide more access to non-motorized use… inviting conflict between two user groups… proper planning now will help to avoid conflict in the future
- Concern about noise from snow machines
- Center should be something for all Alaskans, not just specific user groups
- Concern about further developments along the highway… "Glitter Gulch"…
- Concern about allowing private vehicles up to the site during shoulder seasons. Would impact experience especially during fall.
- Trapper Creek would benefit greatly

from the increased traffic and commerce
- Concern about damage to tundra vegetation on the top of the ridge... will be a challenge to keep visitors on the trail system... route the trails correctly... education of visitors about sensitivity of tundra travel
- Concern about the increased number of people accessing the ridge.
- Historic numbers of people accessing the ridge during the Curry days?
- Concern about litter problem of increased visitors and impact on wildlife. Standard litter patrol will be needed.
- Boy Scouts trails into the state park area (state parks would be building the trails, other sites away from public use areas)
- Concern about state park funding (will be a variety of funding sources: state, federal, private... operations plan will be developed after interpretation plan)

How can the South Denali facility be developed to benefit Alaska residents? Specific features of the visitor center... Specific features of the site...

- Could convert the visitor center to a "lodge-type" facility as a warming area for visitors
- Use Alaskan contractors to build the visitor center
- Keep the facility open year-round... let the Alaskans use the center as well
- Discount for Alaskans for user fees

What/who are some resources that we can investigate or interview to learn more about this area?

- Talkeetna museum... information about railroads, native tries
- Alaska railroad
- Locals in Talkeetna... Hudsons, Roberta Sheldon, Carol Young (served on implementation committee),
- Randy Crosby, Trapper Creek
- Ken Marsh, Trapper Creek Museum
- Wal-Mike
- National Archives and Records Administration, Anchorage
- Natural History Museum, Anchorage, library
- Alaska Lost Ski Area, Curry, Lookout, names, website
- Ken Marsh's book on Curry
- Retired state parks people: Dave Johnston, Dan Elliot, Mary's family

Do you have other questions or comments concerning the interpretive plan for the South Denali Visitor Facility?

- Should read through the Implementation Plan for South Denali
- May be some confusion with the conceptual drawings... need to emphasize that they are only conceptual

Appendix 3

South Denali Economic Impacts Assessment: Key Findings

Employment Increases

- Visitor Center construction and related construction activities will provide employment for 116-213 people over a period of 2-3 years.
- Ongoing employment created by the Visitor Center and related activities, including additional hotel rooms, would be 221-549 jobs.

Increase in Employment and Business Owner Income

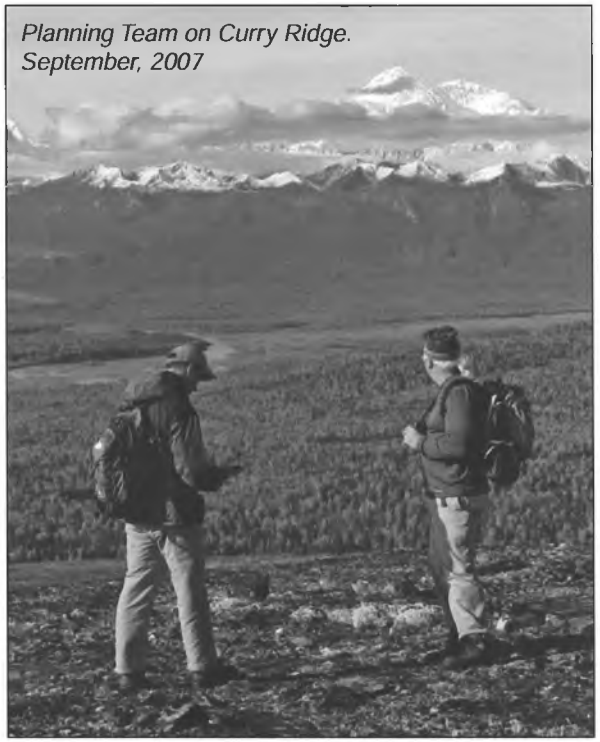
- Over a 2-3 year period, Visitor Center construction related income will range from $6.8 million to $12.4 million.
- Ongoing Visitor Center related employment income, including additional hotel facilities, etc., will range from $7.6 million to $18.6 million per year.

Additional Tourism Expenditures

- Tourism expenditures stimulated by the existence of the Visitor Center will range from $17.8 million to $44.8 million per year

Non-Resident Visitor Increase

- The increase in non-resident visitors stimulated by the new Visitor Center will range from a 10% increase in visitors staying an additional half day to a 20% increase of visitors staying an additional day.
- It will also result in a likely 10%-20% increase in 3-day, 2-night land tours provided by the major tour companies.



Planning Team on Curry Ridge. September, 2007

Colt, Steve, Fay, Ginny, Szymoniak, Nick. February 2008. Economic Impact of the South Denali Implementation Plan. *Prepared for the National Park Service, Denali National Park and Preserve and the Matanuska-Susitna Borough Planning and Land Use Department. Anchorage: University of Alaska Anchorage Institute of Social and Economic Research.*



Plan developed and submitted by:

Schmeeckle Reserve Interpreters
University of Wisconsin-Stevens Point
August 11, 2009








- Provide a **quality visitor experience** while protecting **resource values** in the South Denali Region;
- Enhance **recreational** and **access opportunities** throughout the South Denali Region for the benefit of a wide variety of visitors including Alaskans, independent travelers, and package tour operators; and
- Develop **interpretive components** that offer **interactive programs**, and enhance visitor appreciation of, and connection to the **cultural and natural history** of the South Denali Region.

Goal

State Park

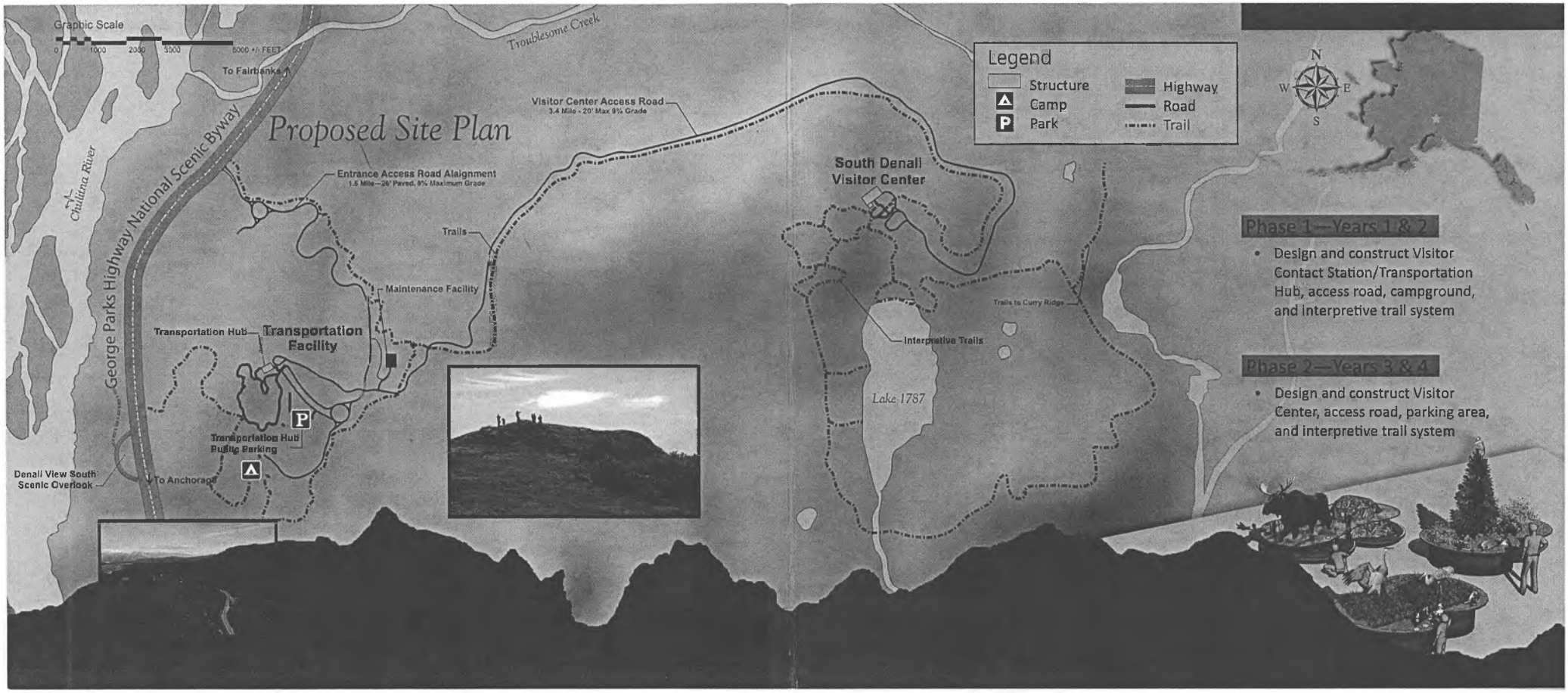
January 2012

South Denali

Visitor Center Complex

A Visitor Center on the Horizon

Denali State Park


Graphic Scale
0 1000 2000 3000 5000 +/- FEET
To Fairbanks
Troublesome Creek
Visitor Center Access Road
3.4 Mile - 20' Max 9% Grade
Proposed Site Plan
Chulitna River
George Parks Highway National Scenic Byway
Entrance Access Road Alaignment
1.5 Mile—26' Paved, 8% Maximum Grade
Trails
Maintenance Facility
Transportation Hub
Transportation Facility
Transportation Hub Public Parking
Denali View South Scenic Overlook
To Anchorage
South Denali Visitor Center
Trails to Curry Ridge
Interpretive Trails
Lake 1787
Legend
Structure
Camp
Park
Highway
Road
Trail
N
W
E
S
Phase 1—Years 1 & 2
• Design and construct Visitor Contact Station/Transportation Hub, access road, campground, and interpretive trail system
Phase 2—Years 3 & 4
• Design and construct Visitor Center, access road, parking area, and interpretive trail system

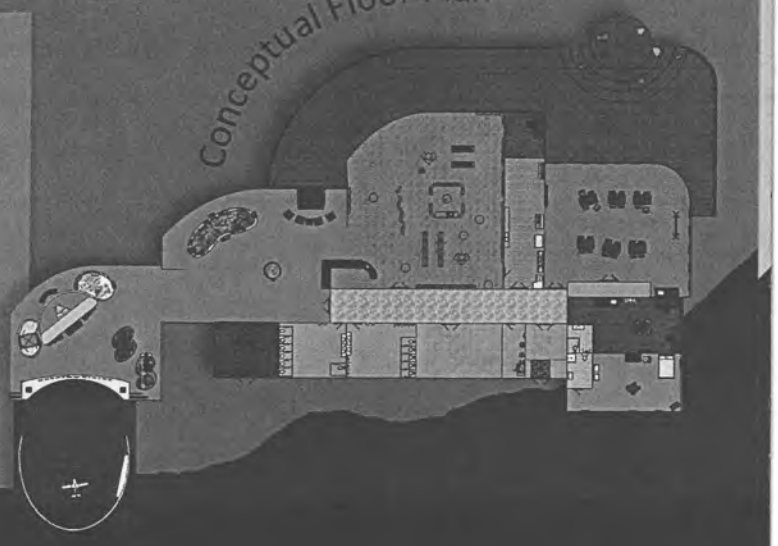
The proposed South Denali Visitor Complex will…

Purpose



- Showcase the **natural beauty** of the South Denali Region
- Provide **access** to Denali State Park
- Enhance **outdoor recreation** opportunities
- Educate visitors and residents on the **natural history** and **ecology** of the area
- Highlight **partnerships** that support the mission of the facility
- Inform visitors of **opportunities** along the Scenic Byway

Conceptual Floor Plan









Nestled atop the rolling foothills of Curry Ridge, the proposed South Denali Visitor Center will provide an unparalleled visitor experience that offers dramatic views of Mt. McKinley and the Alaska Range, while highlighting the wilderness values of the South Denali Region.

Denali

For more information www.southdenali.alaska.gov

Alaska Adventure Center Proposal

<TARGET><BILL></BILL><SUBJECT>Alaska Adventure Center Proposal</SUBJECT><COMM>HEDT27</COMM></TARGET>

Alaska Adventure Center, Inc.

Brief description of the project: The project is to build a 37,000 SF (approx.) Alaska tourism center, promoting statewide Alaska tourism, in the heart of Las Vegas "strip". This location will capitalize on the existing strong Las Vegas tourism market and be both a self-sustaining income-producing attraction and an Alaska tourism point of sale for every sector of Alaska's tourism market.

Funding Plan: Total Project Cost $35,650,000 /Funding Already Secured: $150,000 / FY2012 State Funding Request $2,500,000

Provide detail of funding history (year, funding source, etc.): Past $150,000 concept development and planning. Current FY 2012 request to the State of Alaska is $2.5M for Feasibility Phase (market forecasting, planning, economic analysis, design and site control). Subsequent fundraising (2011-2013) is $33M for the Implementation Phase (site development, building construction, exhibit/experience, equipment, commissioning) sources are State, Federal, Private Individuals, Foundations and Corporations.

Detailed project description and project justification:
This "think outside the box" solution to supplement existing Alaska tourism marketing efforts has the realistic potential to generate 100,000 additional visitors to Alaska annually. Alaska's $2.1B tourism economy has decreased steadily in recent years. Since 2008, visitor numbers have declined over 200,000 (11%), resulting in a decline of approximately $560M (15%) to the Alaskan economy. Result: Municipal and State revenues have declined approximately $35M; thousands of jobs have been lost; unemployment has increased; many businesses have closed or are struggling to remain operational.

Traditional marketing techniques currently in place require urgent, innovative action to bolster the tourism market. The Alaska Adventures Center (AAC) can reverse the decline with a new visitor growth strategy. The AAC can greatly assist in reducing our per-visitor marketing expenditure while increasing revenue stream into Alaska. The new facility will offer an Expo-type experience to visitors similar to those at Disney's Epcot Center. This model has proven effective and successful at Epcot Center.

The AAC's potential sponsors and participants incude all segments of the Alaska tourism industry: from airlines; cruise ship companies; Alaskan outfitters and excursion companies; visitor industry organizations; the hospitality and restaurant industries, Native tourism enterprises; Alaskan retail and seafood industry; Alaskan oil and mining industry; and land, park and resource management entities. Attractive, high-end point of sale kiosks for various participating entities will be located within AAC. An Alaskan-themed restaurant will offer Alaskan foods and beverages. All promotional efforts will be upscale and high-end, but with a range of prices and travel options to fit a wide cross-section of tourist budgets and demographics. Year-round travel opportunities will be promoted. Above all, the presentations-both in vendor kiosks and within the exhibit-experience parts of the facility, will be exciting and bold, colorful and/or interactive, generating enthusiasm and "buzz" about visiting Alaska.

A potential site on the Las Vegas strip has been identified. It is adjacent to some of Las Vegas' best hotel casinos, with a powerful street corner presence. Due to the existing depressed real estate market in Las Vegas, the timing is optimal to procure this property at greatly reduced cost.

Organization: Several professional tourism consultants have been identified to conduct market studies and analysis. As the project progresses, project leadership could be shared with existing Alaskan travel industry agencies.

Project Goals: Leveraged use of Las Vegas tourism market, continuous increased source of visitors to Alaska impacting all sectors of Alaskan tourism industry, and marketing the "Alaska Brand" message.

Feasibility Phase ($2.5M): Pending Legislative funding, Summer/Fall 2011. Phase includes market forecasting, planning, economic analysis, design and securing site control.

Implementation Phase ($33M): Mid 2012 through late 2013. Phase includes site development, building construction, exhibits/attractions fabrication and installation, equipment, marketing and promotion, vendor and sponsor organization and commissioning.

Project open to the public: Fall 2013.



Royce Weller

Ashley Reed & Associates
Government Relations/Public Affairs

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Anchorage, Alaska 99501

907-562-2560
907-723-1048 cell
roycewelller@earthlink.net

Georgeson Botanical Garden, Letters Seeking Support

<TARGET><BILL></BILL><SUBJECT>Georgeson Botanical Garden, Letters Seeking Support</SUBJECT><COMM>HEDT27</COMM></TARGET>

Kevin Harun

From: mbaldwin@gci.net
Sent: Thursday, March 10, 2011 11:37 AM
To: Kevin Harun
Cc: Rep. Berta Gardner
Subject: RE: Agricultural education grant of $50,000

Pat is at UAF
(907) 474-1944

Hi Kevin,

I think she would be good -- Pat Holloway was involved in the viability/feasibility research behind the Peony work (which is why the Georgeson is so valuable!).

As a result of that work showing the viability of the market -- an Alaskan Peony Growers Association has formed. I don't believe I personally know any of the people involved in the Peony Growers Association, but I'm sure someone from the organization would be also be glad to help present (and probably have lots of great photos!). Their website (with contact information) is http://alaskapeonies.org/

Between the two, I think you would have some great information on an emerging industry!

If I can help track something down, or try to help make connections, please let me know.

Mike
907-250-7736

On Thu, Mar 10, 2011 at 7:23 AM , Kevin Harun wrote:

> Thanks, Mike. I'll keep you posted on whether we get a presentation
> before the committee. It is going to be up to the Committee Chair,
> Bob Herron, to see if it will work. We are now in the last five weeks
> of session, so I'm not sure on the timing -- but I've checked in with
> the committee staff and we are looking into it. Would Pat Holloway be
> the best person to present?
>
> Kevin
>
> -----Original Message-----
> From: mbaldwin@gci.net [mailto:mbaldwin@gci.net] Sent: Thursday, March
> 10, 2011 7:15 AM
> To: Kevin Harun
> Cc: Rep. Berta Gardner
> Subject: RE: Agricultural education grant of $50,000
>
> Hi Kevin,
> Thank you very much for the update on the work with Rep Guttenberg and
> the contact with Chancellor Rogers. I know the budget is a challenging
> process, from what I've been able to follow. It's also very exciting
> to hear about the possible testimony on peony cultivation! If you're
> able to get a presentation set up on peony cultivation, and it's
> teleconferenced, I'd be interested in listening.
>
> I (and I'm certain many others!) really appreciate Berta's efforts to
> help Georgeson BG! I will pass on your update to folks.
>
>

> Mike
> 907-250-7736
>
>
> On Wed, Mar 9, 2011 at 3:06 PM , Kevin Harun wrote:
>
>> Hello Michael,
>>
>> I work for Rep. Berta Gardner who asked me to look into the Georgeson
>> BG issue. I wanted to let you know we are working with Fairbanks
>> Rep. Guttenberg (who sits on the House Finance Committee) to see that
>> both the $50,000 in operations and capital funding are included in
>> the upcoming budget. Also, UAF Chancellor Brian Rogers was down here
>> recently and pledged to keep Georgeson up and running, saying he
>> would never let it deteriorate under his watch.
>> I will also contact Rep. Herron who chairs the Economic Development,
>> Trade and Tourism Committee on which Rep. Gardner sits, to see if we
>> can have someone from UAF testify before the committee on the
>> economic opportunities presented by peony cultivation.
>>
>> Thank you for bringing this issue to our attention. Horticuture has
>> a valuable role to play in diversifying our economy.
>>
>> Kevin
>>
>> -----Original Message-----
>> From: mbaldwin@gci.net [mailto:mbaldwin@gci.net] Sent: Saturday,
>> February 19, 2011 7:41 AM
>> To: Rep. Berta Gardner
>> Cc: psholloway@alaska.edu; Kevin Harun
>> Subject: RE: Agricultural education grant of $50,000
>>
>> Hi Berta - thank you for the suggestion that GBG supporters connect
>> with Rep Herron; I will pass that on to folks.
>>
>> I know Pat will be able to bring you up to speed on the Peonie
>> market. I don't want to steal Pat's thunder, but if for some reason
>> you can't connect with her, the Georgeson BG website has a number of
>> their documents/reports on the Alaskan economic Peonie research.
>> http://georgesonbg.org/research/peonies/index.html
>>
>> Again, thank you for your time and consideration on this issue.
>>
>> Michael
>>
>> Michael Baldwin
>> 907-250-7736
>>
>>
>> On Fri, Feb 18, 2011 at 10:21 AM , Rep. Berta Gardner wrote:
>>
>>> Thanks, Michael, for your follow up and information sharing. I sit
>>> on Resources, Community & Regional Affairs, and also Economic
>>> Development Trade & Tourism so I'm intrigued by the peonie reference
>>> and will call Pat about. I think also that supporters of the
>>> Georgeson Botanical Garden should try to work with Representative
>>> Bob Herron. He is very focused on economic development and might be

>>> in a position to take up the mantle on this one.
>>>
>>> Berta
>>>
>>>
>>> Representative.Berta.Gardner@legis.state.ak.us
>>> Alaska State House, District 24 Midtown Anchorage House Democratic
>>> Whip
>>> (907) 465-4930
>>> (800) 331-4930
>>>
>>> -----Original Message-----
>>> From: mbaldwin@gci.net [mailto:mbaldwin@gci.net] Sent: Tuesday,
>>> February 15, 2011 10:36 PM
>>> To: Rep. Berta Gardner
>>> Cc: Noah Hanson; Sen. Johnny Ellis; psholloway@alaska.edu
>>> Subject: RE: Agricultural education grant of $50,000
>>>
>>> Hi Berta -- thank you for your interest, and response.
>>>
>>> After your email I did a little follow-up checking with Pat
>>> Holloway, the director of the Georgeson Botanical Garden.
>>> Apparently, unfortunately there is not an increment in Universities
>>> budget. It would be a shame for Alaska to lose this key resource in
>>> northern latitude plant science and horticulture as a result of
>>> short-sightedness. Not only is the GBG a key resource in the state
>>> for addressing issues related to Alaskan grown food, but it has been
>>> a key figure in identifying the feasibility and development of a new
>>> internationally marketable horticulture based economic resource for
>>> Alaska (ie., Peonie farming). I've copied Pat Holloway on this
>>> email, should you want to contact her with any specific questions.
>>>
>>> I know it will be tough, but I and others, greatly appreciate any
>>> assistance you and Senator Ellis can provide in protecting this
>>> valuable Alaskan resource.
>>>
>>> I appreciate your support of the Anchorage Botanical Garden also...
>>>
>>> If I may help answer any other questions, please let me know.
>>>
>>> Michael
>>>
>>> 5340 Tudor Top Circle
>>> Anchorage, AK 99507
>>> 907-250-7736
>>>
>>>
>>> On Mon, Feb 14, 2011 at 9:14 AM , Rep. Berta Gardner wrote:
>>>
>>>> Hi Michael,
>>>>
>>>> Thank you for your letter supporting the Georgeson Botanical
>>>> Garden. Do you know if the University budget request includes this
>>>> increment? Without such a request and support, it is difficult for
>>>> legislators to add projects to the budget.
>>>>
>>>> In the meantime, I've been working with folks from the Anchorage

>>>> Botanical Garden who are looking for funding to maintain and expand
>>>> their education and research work.
>>>> I appreciate your advocacy.
>>>>
>>>> Berta
>>>>
>>>> Representative.Berta.Gardner@legis.state.ak.us
>>>> Alaska State House, District 24 Midtown Anchorage House Democratic
>>>> Whip
>>>> (907) 465-4930
>>>> (800) 331-4930
>>>>
>>>>
>>>> -----Original Message-----
>>>> From: Michael Baldwin [mailto:mbaldwin@gci.net] Sent: Sunday,
>>>> February 13, 2011 8:06 PM
>>>> To: Rep. Berta Gardner
>>>> Subject: Agricultural education grant of $50,000
>>>>
>>>> Rep. Berta Gardner
>>>> State Capitol, Room 424
>>>> 120 4th Street
>>>> Juneau AK 99801-1182
>>>>
>>>> Dear Legislator,
>>>>
>>>> For the past 3 years state funding has remained flat, costs have
>>>> escalated and the Georgeson Botanical Garden now faces a shortfall
>>>> that threatens it's existence.
>>>> The director has been forced to take 2 summer months off without
>>>> pay. Another staff member has been forced to take one summer month
>>>> without pay, leaving only one staff employee to maintain the garden
>>>> and do desperately needed research in support of Alaska's largest
>>>> agriculture research station.
>>>> Because of the budget cuts, the vegetable and flower trials will be
>>>> discontinued, the annual flower garden will not be planted and
>>>> there will be no research carried on in the garden this summer.
>>>>
>>>> The garden is a valuable resource to the community for its beauty
>>>> (much enjoyed by tourists), for weddings and community events, and
>>>> for the necessary research for home gardeners and the horticultural
>>>> industry.
>>>> The Georgeson Botanical Garden Society was formed to enhance and
>>>> supplement the Georgeson Botanical Garden research facility on UAF
>>>> Campus. Our membership has fundraising events to purchase specific
>>>> items as needed but does not have the funds to cover the salaries
>>>> for the summer. This grant would give us the time to restructure
>>>> and plan for the future of the garden.
>>>> Many community groups support the garden including volunteers from
>>>> the Georgeson Botanical Garden membership, the Boy Scouts, local
>>>> schools, The Herb Bunch, Tanana Valley Master Gardeners, and 4-H.
>>>> These volunteers spend thousands of hours helping maintain the
>>>> garden.
>>>>
>>>>
>>>>
>>>>

>>>> Note: this email was sent as part of a petition started on
>>>> Change.org, viewable at
>>>> www.change.org/petitions/georgeson-botanical-garden-research. To
>>>> respond, email responses@change.org and include a link to this
>>>> petition.
>>>>
>>>> Michael Baldwin
>>>> 5340 Tudor Top Circle
>>>> Anchorage, AK 99507

HB

67

<TARGET><BILL>HB 67</BILL><SUBJECT>HB
67</SUBJECT><COMM>HEDT27</COMM></TARGET>

[redacted]HOUSE COMMITTEE REPO[redacted]

9)

Date Referred to Committee: January 26, 2011

FURTHER REFERRALS: Labor and Commerce
Finance

Date of Committee Action: 2.17.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered: HB 67

HOUSE BILL NO. 67
"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

HB 67-FILM PRODUCTION TAX CREDIT

Recommends it be replaced with [ ] HCS *or* [ ] CS for HB 67 (EDT)
For Senate Bills with new title: [ ] Technical Title [X] New Title: HCR_____ [ ] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	REV			X
	CED			X

***PREVIOUS* FISCAL NOTES**

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Berta Gardner	Gardner	X			
Lora M Thompson	Thompson	X			
Catherine Muñoz	Muñoz	X			
[redacted]	OLSON			X	
[redacted]	Keller			X	
[redacted]	Tuck	X			
[redacted]	Foster	X			
Chair:					
Chair: [redacted]	HERRON	X			

27-LS0356\I

CS FOR HOUSE BILL NO. 67(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered:
Referred:

Sponsor(s): REPRESENTATIVES TUCK AND HERRON, Millett, Petersen

A BILL

FOR AN ACT ENTITLED

"An Act relating to film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

E IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

Section 1. AS 43.98.030(f) is amended to read:

(f) The **amount** [NUMBER] of tax credits provided [IN THE AGGREGATE] under this section may not exceed

(1) $100,000,000 **before July 1, 2018; and**

(2) $200,000,000 in the aggregate.

*** Sec. 2.** AS 44.33.233(a) is amended to read:

(a) A film production is eligible for a tax credit under AS 43.98.030, if the

(1) producer has $100,000 or more in qualified expenditures in a consecutive **36-month** [24-MONTH] period under AS 44.33.236;

(2) film office determines that the production is not contrary to the best interests of the state; and

New Text Under

(3) production is approved by the film office.

* **Sec. 3.** AS 44.33.234 is amended by adding a new subsection to read:

(c) Information submitted in an application under (a) of this section is confidential and is not subject to inspection or copying under AS 40.25.110 - 40.25.125.

* **Sec. 4.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

(1) an additional 10 percent of qualified expenditures that are wages paid to Alaska residents;

(2) an additional **four** [TWO] percent of qualified expenditures made in a rural area; and

(3) an additional two percent of qualified expenditures made in the state between October 1 and March 30.

* **Sec. 5.** AS 44.33.236(a) is amended to read:

(a) Expenditures made by a production company in connection with a film production approved by the film office that shall be considered qualified expenditures must be directly related to the production and be incurred in the state. Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services, or state or municipal taxes shall be considered. Expenditures may include

(1) costs of set construction and operation;

(2) costs of wardrobes, make-up, accessories, and related services;

(3) costs associated with photography and sound synchronization;

(4) costs of lighting and related services and materials;

(5) costs of editing and related services;

(6) rental of facilities and equipment;

(7) leasing of vehicles;

(8) costs of food and lodging;

(9) costs of digital or tape editing, film processing, transfer of film to tape or digital format, **transfer of digital media to film or tape,** sound mixing, and

special and visual effects;

(10) the total aggregate payroll for services performed in Alaska, including all salaries, wages, compensation, and related benefits provided to producers, directors, writers, actors, and other personnel that are directly attributable to services performed in Alaska;

(11) the costs of the use of an Alaska business for processing qualified payroll and related expenditures;

(12) costs of music, if performed, composed, or recorded by an Alaska musician, or released or published by an Alaska business;

(13) costs of intrastate travel, if provided by an Alaska business;

(14) costs relating to the design, construction, improvement, or repair of a film, video, television, or digital production or postproduction facility or related property, infrastructure, or equipment, except commercial exhibition facilities, as determined by the film office;

(15) costs of state or municipal taxes levied in Alaska on the lease or rental of passenger or recreational vehicles or the rental of rooms or other lodging; or

(16) other similar production expenditures as determined by the film office in cooperation with the Department of Revenue.

* **Sec. 6.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of **6,500** [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks.

* **Sec. 7.** The uncodified law of the state of Alaska enacted in sec. 5(a), ch. 63, SLA 2008, is amended to read:

(a) Subject to AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], secs. 3 and 7**, ch. 63, SLA 2008,** [OF THIS ACT] do not prevent the film office from determining a film production's qualified expenditures, awarding a tax credit, or reviewing a tax credit under the provisions repealed by secs. 3 and 4**, ch. 63, SLA 2008,** [OF THIS ACT] to a film production that has received a notice of qualification under AS 44.33.234(b), enacted by sec. 2**, ch. 63, SLA 2008** [OF THIS ACT], before **July 1, 2023** [JULY 1, 2013].

* **Sec. 8.** The uncodified law of the state of Alaska enacted in sec. 6, ch. 63, SLA 2008, is amended to read:

Sec. 6. NOTIFICATION. When the **amount** [NUMBER] of tax credits provided under AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], in the aggregate and the estimated amount of tax credits that could be claimed based on notices of qualification issued by the film office under AS 44.33.234(b), together equal **$200,000,000** [$100,000,000], the commissioner shall notify the presiding officers of each house of the legislature and the revisor of statutes in writing.

* **Sec. 9.** Section 7, ch. 63, SLA 2008, is amended to read:

Sec. 7. Section 3**, ch. 63, SLA 2008,** [OF THIS ACT] takes effect on the earlier of the following:

(1) July 1, **2023** [2013]; or

(2) the date of the commissioner of revenue's notification to the presiding officers of each house of the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

* **Sec. 10.** Section 8, ch. 63, SLA 2008, is amended to read:

Sec. 8. Section 4 of this Act takes effect on the earlier of the following:

(1) July 1, **2024** [2014]; or

(2) one year after the date of the commissioner of revenue's notification to the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

ALASKA STATE LEGISLATURE

Rep. Chris Tuck

State Capitol Building, Room 426
Juneau, Alaska 99801-1182
Phone (907) 465-2095
Fax (907) 465-3810
Rep_Chris_Tuck@legis.state.ak.us

Rep. Bob Herron

State Capitol Building, Room 411
Juneau, Alaska 99801
Phone: (907) 465-4942
Fax: (907) 465-4589
Rep_Bob_Herron@legis.state.ak.us

Sponsor Statement
HB 67: Alaska Film Incentive Program Extension

House Bill 67 ensures Alaska's competitiveness with other states and countries by continuing the successful Alaska Film Incentive Program. Since their inception, the film incentives have brought millions of production dollars to Alaska. They have also created jobs and business opportunities, small and large, for hundreds of Alaskans. These projects also bring millions of dollars worth of marketing and promotion for Alaskan businesses, products, and tourism. The continuation of these incentives will create the certainty required for the private sector to plan and invest in Alaska's new and growing multi-million dollar film industry.

In Alaska, we have seen the enormous benefits of a major motion picture project, "Everybody Loves Whales", an estimated $30 million production. On any given day of production there were more than 200 Alaskans working in front and behind the camera. Nearly 1,500 Alaskans appeared in front of the camera as extras representing towns and villages across the state. Alaska businesses enjoyed a boost from over 12,100 hotel nights, 8,800 car rental days and 7,900 security man hours.

Businesses which benefit from film production include construction companies, towing companies, aerial charters, hardware stores, lumber yards, communication companies, landscaping, restoration companies, dumpster services and rentals, plumbing, heating, rental equipment companies, truck leasing, crane companies, paving companies, catering, cleaning, boat charters, diving companies, survey companies, engineering firms, printing, office supplies, motor-home rentals, shipping companies, airlines, hotels and restaurants.

The Film Incentive Program that passed in 2008 included a sunset after five years or after $100 million in credits have been issued. The Program currently offers a transferable tax credit of 30% of qualified spending, an additional 10% for Alaska hire, 2% for shooting in rural Alaska and 2% for working in the winter months. Eligible productions can sell the credit to any company with a corporate income tax liability, offering tax relief to industries as varied as commercial fishing, mining and oil. Tax credits are issued only after the production has completed filming and an independent Alaskan-owned CPA has verified Alaska expenditures.

House Bill 67 will extend the film incentive program for 10 years. It will provide an additional $100 million in tax credits for the first five years of the extension and $100 million for the final five years. House Bill 67 will continue the jobs and small business opportunities created by the film incentives, as well as bring our state positive attention, substantial investment and help develop a strong and diversified economy.

HOUSE BILL NO. 67

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES TUCK AND HERRON, Millett, Petersen

Introduced: 1/18/11
Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 43.98.030(f) is amended to read:

(f) The **amount** [NUMBER] of tax credits provided [IN THE AGGREGATE] under this section may not exceed

(1) $100,000,000 **before July 1, 2018; and**

(2) $200,000,000 in the aggregate.

*** Sec. 2.** AS 44.33.233(a) is amended to read:

(a) A film production is eligible for a tax credit under AS 43.98.030, if the

(1) producer has $100,000 or more in qualified expenditures in a consecutive **36-month** [24-MONTH] period under AS 44.33.236;

(2) film office determines that the production is not contrary to the best interests of the state; and

(3) production is approved by the film office.

*** Sec. 3.** AS 44.33.234 is amended by adding a new subsection to read:

(c) Information submitted in an application under (a) of this section is confidential and is not subject to inspection or copying under AS 40.25.110 - 40.25.125.

*** Sec. 4.** AS 44.33.236(a) is amended to read:

(a) Expenditures made by a production company in connection with a film production approved by the film office that shall be considered qualified expenditures must be directly related to the production and be incurred in the state. Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services, or state or municipal taxes shall be considered. Expenditures may include

(1) costs of set construction and operation;

(2) costs of wardrobes, make-up, accessories, and related services;

(3) costs associated with photography and sound synchronization;

(4) costs of lighting and related services and materials;

(5) costs of editing and related services;

(6) rental of facilities and equipment;

(7) leasing of vehicles;

(8) costs of food and lodging;

(9) costs of digital or tape editing, film processing, transfer of film to tape or digital format, **transfer of digital media to film or tape,** sound mixing, and special and visual effects;

(10) the total aggregate payroll for services performed in Alaska, including all salaries, wages, compensation, and related benefits provided to producers, directors, writers, actors, and other personnel that are directly attributable to services performed in Alaska;

(11) the costs of the use of an Alaska business for processing qualified payroll and related expenditures;

(12) costs of music, if performed, composed, or recorded by an Alaska musician, or released or published by an Alaska business;

(13) costs of intrastate travel, if provided by an Alaska business;

(14) costs relating to the design, construction, improvement, or repair of a film, video, television, or digital production or postproduction facility or related property, infrastructure, or equipment, except commercial exhibition facilities, as determined by the film office;

(15) costs of state or municipal taxes levied in Alaska on the lease or rental of passenger or recreational vehicles or the rental of rooms or other lodging; or

(16) other similar production expenditures as determined by the film office in cooperation with the Department of Revenue.

*** Sec. 5.** The uncodified law of the state of Alaska enacted in sec. 5(a), ch. 63, SLA 2008, is amended to read:

(a) Subject to AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], secs. 3 and 7**, ch. 63, SLA 2008,** [OF THIS ACT] do not prevent the film office from determining a film production's qualified expenditures, awarding a tax credit, or reviewing a tax credit under the provisions repealed by secs. 3 and 4**, ch. 63, SLA 2008,** [OF THIS ACT] to a film production that has received a notice of qualification under AS 44.33.234(b), enacted by sec. 2**, ch. 63, SLA 2008** [OF THIS ACT], before **July 1, 2023** [JULY 1, 2013].

*** Sec. 6.** The uncodified law of the state of Alaska enacted in sec. 6, ch. 63, SLA 2008, is amended to read:

Sec. 6. NOTIFICATION. When the **amount** [NUMBER] of tax credits provided under AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], in the aggregate and the estimated amount of tax credits that could be claimed based on notices of qualification issued by the film office under AS 44.33.234(b), together equal **$200,000,000** [$100,000,000], the commissioner shall notify the presiding officers of each house of the legislature and the revisor of statutes in writing.

*** Sec. 7.** Section 7, ch. 63, SLA 2008, is amended to read:

Sec. 7. Section 3**, ch. 63, SLA 2008,** [OF THIS ACT] takes effect on the earlier of the following:

(1) July 1, **2023** [2013]; or

(2) the date of the commissioner of revenue's notification to the

presiding officers of each house of the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

* **Sec. 8.** Section 8, ch. 63, SLA 2008, is amended to read:

Sec. 8. Section 4 of this Act takes effect on the earlier of the following:

(1) July 1, **2024** [2014]; or

(2) one year after the date of the commissioner of revenue's notification to the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 8, 2011

SUBJECT: Sectional summary (HB 67 (Work Order No. 27-LS0356\A))

TO: Representative Chris Tuck
Attn: Aurah Landau

FROM: Alpheus Bullard
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Doubles the amount of transferable film production tax credits that the Department of Revenue, in cooperation with the film office in the Department of Commerce, Community, and Economic Development, may provide a producer for certain qualified production expenditures. Limits the amount of credits that the Department of Revenue may provide before July 1, 2018, to $100,000,000.

Section 2. Permits a film production to be eligible for a tax credit if the producer has $100,000 or more in qualified expenditures in a consecutive 36-month period. At present, a producer must have $100,000 or more in qualified expenditures in a consecutive 24-month period.

Section 3. Makes certain information submitted to the film office by a producer confidential.

Section 4. Adds the cost of transferring digital media to film or tape to the list of expenditures that may qualify as a "qualified expenditure" in calculating a tax credit.

Section 5. Permits the film office to determine a film production's qualified expenditures, award a tax credit, or review a tax credit that has been provided to a film production that has received a notice of qualification under AS 44.33.234(b) before July 1, 2023.

Section 6. Requires the commissioner of revenue to notify the presiding officers of each house of the legislature and the revisor of statutes in writing when the amount of tax credits provided under AS 43.98.030(f) and the estimated amount of tax credits that can be claimed, based on notices of qualification issued under AS 44.33.234(b), together equal $200,000,000.

Section 7. Extends the sunset date for the transferable film tax credit program to July 1, 2023, if the amount of tax credits awarded under the program has not reached $200,000,000 before that time.

Section 8. Extends the period that the film office, in cooperation with the Department of Revenue, may review, audit, and bring legal proceedings to recover any amount of a tax credit issued under AS 44.33.235.

TLAB:ljw
11-083.ljw

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version
() Publish Date

Identifier (file name) HB067-CCED-DED-02-07-11
Title: Film Production Tax Credit
Sponsor: Representative Tuck and Herron
Requester: House Economic Development, Trade & Tourism

Dept. Affected: DCCED
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 801

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous (Fund Capitalization)							
TOTAL OPERATING	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**		0	0	0	0	0
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 2/7/11 12:00 PM
Approved by: Susan K. Bell, Commissioner — Date: 2/7/2011
Commerce, Community and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. _____

Analysis

DCCED does not anticipate a fiscal impact as a result of this legislation.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB 67**
() Publish Date

Identifier (file name): HB67-DOR-TAX-02-05-11
Title: Film Production Tax Credit
Sponsor: Representatives Tuck and Herron
Requester: House Economic Development, Trade and Tourism

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES		**0.0**	**0.0**	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

first version of fiscal note

Prepared by: Johanna Bales, Deputy Director
Division: Tax Division
Phone: (907) 269-6628
Date/Time: 02-05-11; 9:04am

Approved by: Ginger Blaisdell, Director Administrative Services Division
Department of Revenue
Date: 02-05-11; 9:58am

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 67

Analysis

Bill Language:
This bill extends the current film production tax credit, which will expire effective July 1, 2013, to June 30, 2023. Under current law, the film production tax credit expires the earlier of July 1, 2013 or when total credits issued by the Film Office exceed $100,000,000 in the aggregate. This bill limits the total amount of credits allowed to be awarded to $100,000,000 before July 1, 2018 and an additional $100,000,000 before July 1, 2023 with total aggregate credits limited to $200,000,000.

Revenues:
This bill increases the total film production tax credit from $100,000,000 to $200,000,000 and extends the current film credit program another 10 years to June 30, 2023. The current program is set to expire July 1, 2013. It is difficult to determine the total affect on state revenues as a result of this bill. However, due to the limitations established in the bill, total decrease in corporate income tax revenue cannot exceed $100,000,000 as a result of this bill.

Expenditures:
The department can implement the provisions of the bill with existing resources.

Economic Impact of the Alaska Film Production Incentive Program

Since the program's inception in 2008, 15 productions have received tax credits. These 15 productions **filmed in Alaska for a total of 910 days and had a total Alaska spend of $14,910,810.**

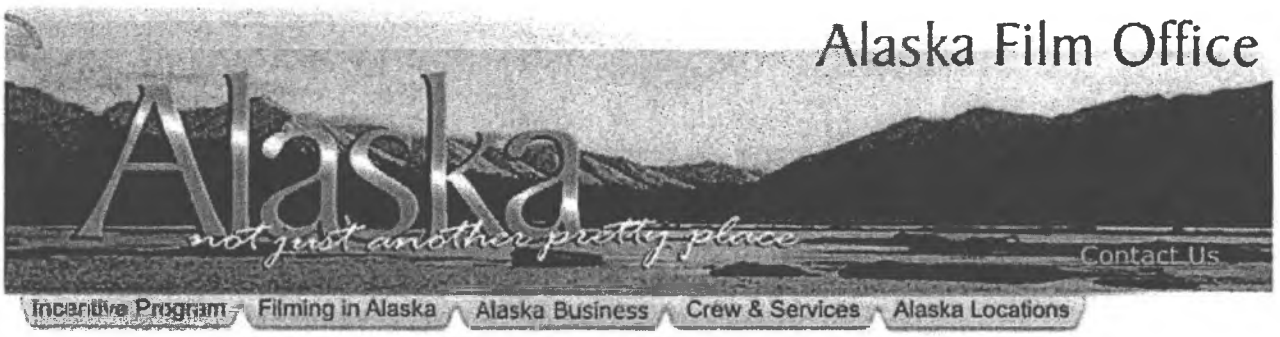
As of January, 2011 there are an additional 28 productions that are pre-qualified for Alaska Film Incentives. If all these productions are completed they have an estimated an additional **projected Alaska spend of $83,805,521.**

Economists estimate that local economies get $1.50 - $3.00 for every $1.00 spent by the film industry.

Highlights from Alaska's First Major Motion Picture: Everybody Loves Whales

- On any given day there were approximately 100 Alaskans working in front of the camera and over 100 Alaskans working behind.
- Nearly 1500 extras appeared in front of camera representing towns and villages across Alaska.
- Alaskan crew filled department positions in grip, lighting, rigging, electric, video, locations, sound, art, set decoration, props, transportation, painters, construction, craft service, casting, production office and AD department. These Alaskan's will now serve as a foundation to future productions looking for crew.
- Cast and crew accounted for over 12,100 hotel room nights.
- Security man hours totaled over 7,900.
- Rental cars totaled over 8,800 rental days.
- Businesses where goods and services were purchased included rental cars, taxis, limousines, restaurants, hotels, construction companies, towing companies, aerial charter to include helicopter and fixed wing, sled dog operations, snowmobiles/4 wheelers, hardware stores, lumber yards, communication companies, landscaping, restoration companies, dumpster services and rentals, port-a-can services and rentals, electric companies, plumbing, heating, rental equipment companies, truck leasing, crane companies, paving companies, police, fire, security, parking, traffic control companies, catering, cleaning, grocery stores, coffee shops, clothing stores, realtors, boat charters, diving companies, survey companies, engineering firms, printing, office supplies, motor-home rentals, shipping companies, airlines, drapery repair and fencing companies.

Production data and Alaska-spend figures are available from the Alaska Film Office. Everybody Loves Whales figures are from the Alaska Film Group.



ALASKA'S FILM PRODUCTION INCENTIVE PROGRAM

Click here to jump to the forms

Program Summary

The Alaska Film Production Incentive Program is an economic development initiative created to encourage growth of the film industry in Alaska. Applicants can qualify for **up to 44% in a transferable tax credit** on qualified production expenditures in Alaska.

What projects are eligible? Eligible projects are broadly defined as film, documentary, commercials, and video projects. We require a minimum of $100,000 of qualified expenditures in Alaska. Unlike some incentive programs, we do not have salary caps or project caps. We do not require your company to be domiciled in Alaska, nor do we have minimum requirements for principle photography days or Alaska hire. However, we provide additional incentives for Alaska hire, off-season production and productions filmed in rural locations. Below is a summary of Alaska's Tax Credits:

Tax Credit	Value	Requirements
Base Credit	30%	Production expenditures must be made in Alaska.
Alaska Hire	+ 10%	Wages paid to Alaska residents receive an additional 10% credit.
Seasonal	+ 2%	Production expenditures made between Oct. 1 and Mar. 30 receive an added 2% credit.
Rural Location	+ 2%	Production expenditures made in a rural area also receive an added 2% credit.
Maximum Possible Credit	**44%**	**Portions of a production with an Alaskan crew, filmed in rural Alaska between October and March.**

Note Alaska has no personal income Tax and no statewide Sales Tax, so our incentive program is just the tip of the iceberg of your possible Alaska savings

How does the program work? The State of Alaska offers a film production incentive in the form of a transferable tax credit for qualifying production expenditures that you make in Alaska during a consecutive 24-month period.

Here are the steps you take to use Alaska's incentives:

1. Contact the Alaska Film Office (AFO) for information and application forms (forms are also available below).
2. Submit the Pre-qualification form to qualify your project for the tax credit. You must include estimated qualifying expenditures during a 24-month period, detailed budget, distribution plan and a script or synopsis of your project. Pre-qualification should occur prior to the beginning of production.
3. Receive pre-qualification letter for your project when AFO determines that it meets program requirements.
4. Arrange for a CPA licensed by the State of Alaska to verify (audit) your Alaska expenditures.
5. Submit the final application form and materials after production is complete. As part of the final Application package, a rough cut (or final edited version) of the production is required. Once the AFO has verified that your project meets the requirements, a tax credit will be approved.
6. The Alaska Department of Revenue (DOR) will issue the actual tax credit. NO ADDITIONAL REVIEW is required by DOR.
7. Sell your tax credit to any company that has a corporate income tax liability to the State of Alaska.

Statutes and Regulations:

The Alaska Film Production Incentive Program is based on legislation passed in 2008.
The enabling legislation is available on the Alaska Legislature's website.

The Alaska Film Production Incentive Program's statutory basis is in 2 titles:
AS 43.98 (Revenue) and AS 44.33 (Commerce, Community and Economic Development).
- View the full text of the applicable Alaska Statutes here (pdf file)

Regulations governing the Alaska Film Production Incentive Program are found in 2 titles of the Alaska Administrative Code (AAC):
Title 3 - Commerce, Community and Economic Development (Approved in June 2009)
Title 15 - Revenue (Approved November 2010)
- View the full text of the regulations here (pdf file)

"Rural" has a specific meaning in this program.
Here is a list of Alaska Communities and their "rural" status (it also has information on local taxes - pdf file)

Forms (Click on the form name to download)

Pre-Qualification Form *(the form was updated in February 2011, please discard older downloads)*:
(We offer 3 versions of the same form - pick the one that best matches your system and computing experience)
1) Basic PDF Pre-qualification Form (print form, fill it out by hand or on typewriter, then send it in)
2) Advanced PDF Pre-qualification Form (fill it out on your computer, print it and send it in)
3) Excel Spreadsheet Pre-qualification Form (each page is on a separate tab - fill it out, print it and send it in)

Final Tax Credit Application Form:
(We offer 3 versions of the same form - pick the one that best matches your system and computing experience)
1) Basic PDF Tax Credit Application Form (print form, fill it out by hand or on typewriter, then send it in)
2) Advanced PDF Pre-qualification Form (fill it out on your computer, print it and send it in)
3) Excel Spreadsheet Tax Credit Application Form (each page is on a separate tab - fill it out, print it and send it in)

Productions must provide a "Sworn Certification of Compliance" with their final application:
(to indicate that the production complied with applicable laws & regulations)
Sworn Certification of Compliance (pdf file)

Department of Revenue Form:
Film Production Tax Credit Transfer Form (pdf file)

Questions?

Other Questions? Check out our FAQ:
(Questions about Alaska's Incentive Program and Questions about Filming in Alaska)

You can also contact the Alaska Film Office:
Call (907) 269-8190 or e-mail AlaskaFilm@alaska.gov



Alaska's Film Production Incentive Program

Tax Credit Approval Information

Credits Approved by the Alaska Film Office (as of 1/14/2011):
(Please note: the "Credit Info" is the publicly available information from the production's Tax Credit Application form.)

FY11 Approved Tax Credits

Project #	Company	Production	Type	Tax Credit $	Approval Date	Alaska Spend	Credit /Spend	Credit Info
11-001	Sun Never Sets Productions	Top Gear (1 episode "Alaska Tough Truck")	NF-TV	$81,003.46	1/13/11 (FY11)	$260,798	31.06%	PDF
10-010	Beyond Indigo Productions	Beyond Indigo (aka Ghost Vision)	FF	$2,140,413.00	12/22/10 (FY11)	$6,602,752	32.42%	PDF
10-009	Original Productions	Ice Road Truckers (season 4)	NF-TV	$898,203.93	12/17/10 (FY11)	$2,692,293	33.36%	PDF
10-008	PSG Motion Pictures	Alaska State Troopers (season 1)	NF-TV	$30,709.30	12/8/10 (FY11)	$100,676	30.50%	PDF
10-007	Original Productions	Deadliest Catch (season 6)	NF-TV	$584,562.74	11/22/10 (FY11)	$1,747,965	33.44%	PDF
10-006	Rainy Pass Productions	R5 Sons (season 1)	NF-TV	$150,442.19	11/12/10 (FY11)	$421,049	35.73%	PDF
10-005	On the Ice	On the Ice	FF	$171,145.61	10/1/10 (FY11)	$524,628	32.62%	PDF
10-004	Diverse Bristol	Man vs. Wild (1 episode "The Last Frontier")	NF-TV	$67,994.04	10/4/10 (FY11)	$223,143	30.47%	PDF
10-003	Original Productions	Ice Road Truckers (season 3)	NF-TV	$393,423.75	9/27/10 (FY11)	$1,187,933	33.12%	PDF
10-002	Affinityfilms	Survive to Thrive	Doc	$39,693.41	8/4/10 (FY11)	$109,217	36.34%	PDF

10-001	Rabbit Content	Prilosec: Fairbanks Project	Comm	$107,277.35	7/9/10 (FY11)	$326,664	32.84%	PDF
		FY11 Tax Credits Approved (to date): **$4,664,868.78**			Spend:	$14,197,119	32.86%	

FY10 Approved Tax Credits

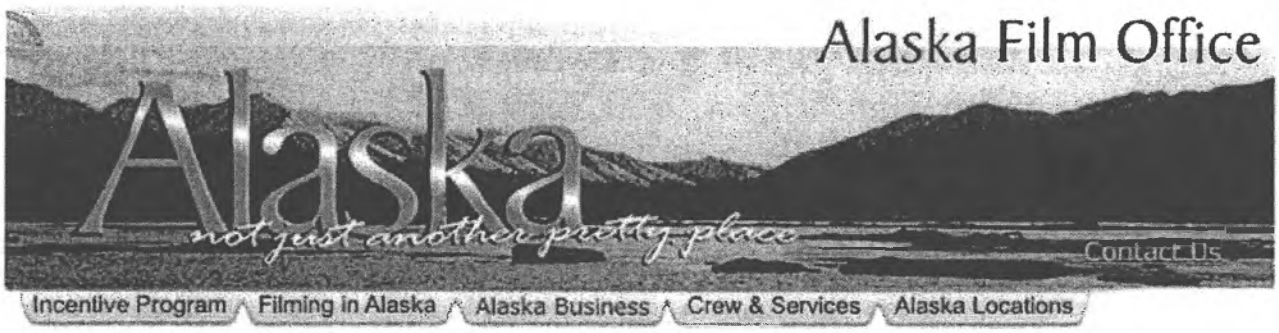
Project #	Company	Production	Type	Tax Credit $	Approval Date	Alaska Spend	Credit /Spend	Credit Info
09-004	Proposal Productions	The Proposal	FF	$64,894.93	11/27/09 (FY10)	$179,407	36.17%	PDF
09-003	The Ascending Path	Disaster on K2	NF-TV	$46,009.45	10/28/09 (FY10)	$122,153	37.67%	PDF
09-002	Kaos Entertainment	Grizzly Land	NF-TV	$54,138.08	10/21/09 (FY10)	$178,394	30.35%	PDF
09-001	Moore Huntley Productions	Alaska: Most Extreme	NF-TV	$79,504.07	9/11/09 (FY10)	$233,737	34.01%	PDF
		FY10 Tax Credits Approved:		**$244,546.53**	Spend:	$713,691	34.27%	

Legend: NF-TV = Non-Fiction Television | FF = Feature Film | Comm = Commercial | Doc = Documentary

Total Tax Credits Approved: $4,909,415.31 Spend: $14,910,810 32.93%

Questions?

Contact the Alaska Film Office: Call (907) 269-8190 or e-mail AlaskaFilm@alaska.gov



ALASKA'S FILM PRODUCTION INCENTIVE PROGRAM
Pre-Qualified Projects

Projects that have pre-qualified for Alaska's Incentive program and their status as of 2/3/2011:
(Please note: the "P-Q Info" is the publicly available information from the production's pre-qualification form.)

FY11 Pre-Qualifications

Type	Company	Pre-Qualified Date	Status	P-Q Info
NF-TV	Original Productions (#6)	2/1/20111 - FY11	Active	PDF
NF-TV	Saint Thomas Productions	1/26/2011 - FY11	Active	PDF
NF-TV	Boutique TV Inc. / Think Factory Media Inc.	12/28/2010 - FY11	Active	PDF
NF-TV	PSG Motion Pictures (#3)	12/16/2010 - FY11	Active	PDF
NF-TV	PSG Motion Pictures (#2)	12/7/2010 - FY11	Active	PDF
NF-TV	Discovery Studios	12/7/2010 - FY11	Active	PDF
NF-TV	Original Productions (#5)	11/19/2010 - FY11	Active	PDF
FF	Arctic Film Group	10/26/2010 - FY11	Active	PDF
NF-TV	Zonk Productions	10/12/2010 - FY11	Active	PDF
FF	1964 Motion Pictures	9/10/2010 - FY11	Active	PDF
NF-TV	Sun Never Sets Productions	8/20/2010 - FY11	Completed	PDF
NF-TV	British Broadcasting Corporation (BBC)	8/20/2010 - FY11	Active	PDF
Comm	Aero Films	8/9/2010 - FY11	Active	PDF
NF-TV	Bongo Productions	8/9/2010 - FY11	Active	PDF
Doc	Wildlife HD Productions	7/26/2010 - FY11	Active	PDF
NF-TV	Jean Worldwide	7/9/2010 - FY11	Active	PDF
Count: 16	Estimated Credits: $4,521,988 (thru 2/3/2011)			

FY10 Pre-Qualifications

Type	Company	Pre-Qualified Date	Status	P-Q Info
NF-TV	Original Productions (#4)	6/23/2010 - FY10	Active	PDF
FF	Teton Gravity Research	6/15/2010 - FY10	Active	PDF
FF	Beyond Indigo Productions	6/15/2010 - FY10	Completed	PDF
FF	Doppelganger Productions	5/26/2010 - FY10	Active	PDF
Doc	Whittier Museum Association	5/4/2010 - FY10	Active	PDF
NF-TV	Brain Farm	5/3/2010 - FY10	Active	PDF
FF	Icebreaker Films	4/28/2010 - FY10	Active	PDF
Comm	Rabbit Content	4/1/2010 - FY10	Completed	PDF
Doc	Great Projects Media	3/11/2010 - FY10	Active	PDF
NF-TV	Rainy Pass Productions	3/1/2010 - FY10	Completed	PDF
TV Drama	Sennet Entertainment	2/17/2010 - FY10	Active	PDF
FF	On The Ice Productions	2/4/2010 - FY10	Completed	PDF
TV Drama	Christmas with a Capital "C" Productions	1/26/2010 - FY10	Active	PDF
Doc	Anker Productions	1/20/2010 - FY10	Active	PDF

NF-TV	Original Productions (#3)	12/30/2009 - FY10	Completed	PDF
NF-TV	Original Productions (#2)	11/30/2009 - FY10	Completed	PDF
FF	Godspeed the Movie	11/20/2009 - FY10	Rejected	PDF
NF-TV	Pentecorvo Productions	11/16/2009 - FY10	Active	PDF
FF	Greenwomb Productions	10/30/2009 - FY10	Active	PDF
FF	KRS Productions	10/15/2009 - FY10	Active	PDF
NF-TV	Freemantle Media	9/3/2009 - FY10	Active	PDF
Doc	Affinityfilms	8/13/2009 - FY10	Completed	PDF
NF-TV	Diverse Bristol	8/7/2009 - FY10	Completed	PDF
NF-TV	Kaos Entertainment	7/30/2009 - FY10	Completed	PDF
FF	Dangerous Passage Productions	7/14/2009 - FY10	Expired	PDF
Count: 25	Estimated Credits:	$29,963,766		

FY09 Pre-Qualifications

Type	Company	Pre-Qualified Date	Status	P-Q Info
NF-TV	PSG Motion Pictures (#1)	5/6/2009 - FY09	Completed	PDF
NF-TV	Tiger Aspect Productions	5/6/2009 - FY09	Active	PDF
NF-TV	Original Productions (#1)	3/2/2009 - FY09	Completed	PDF
NF-TV	Moore Huntley Productions	2/3/2009 - FY09	Completed	PDF
NF-TV	The Ascending Path	11/3/2008 - FY09	Completed	PDF
FF	Proposal Productions	9/15/2008 - FY09	Completed	PDF
Count: 6	Estimated Credits:	$853,321		

Active Pre-Qualifications: **30 (as of 2/3/2011)**
Pre-Qualifications from completed productions: **15 (as of 2/3/2011)**
Rejected Pre-Qualifications: 1 (as of 2/3/2011)
Expired Pre-Qualifications (production did not submit final application): 1 (as of 2/3/2011)

Legend: NF-TV = Non-Fiction Television | FF = Feature Film | Comm = Commercial | Doc = Documentary

Questions?

Contact the Alaska Film Office:
Call (907) 269-8190 or e-mail AlaskaFilm@alaska.gov

State of Alaska > Commerce > Economic Development > Alaska Film Office > Pre-Qualified Projects

Find us on Facebook

twitter

Alaska Film Office - 550 W 7th Avenue, Suite 1770 Anchorage Alaska 99501 | Phone: 907-269-8190 | Fax: 907-269-5666 | Email the Film Office

Municipality of Anchorage

2011 State Legislative Program

(State Fiscal Year 2012)

Dan Sullivan, Mayor

who may have no way to supplement current income or cut costs. Current law provides sufficient fiscal protection without legislative repeal of the program: Cash assistance provided under the Alaska Senior Benefits Payment Program is explicitly subject to appropriation under AS 47.45.302(c). The program should not be made subject to sunset June 30, 2011. The sunset should be extended or repealed.

Energy

- ✓ **Natural Gas:** Support legislation that promotes natural gas development in the Cook Inlet, and modernizes aging Railbelt electrical transmission facilities.

- ✓ **Oil Production:** The MOA strongly supports all efforts to maximize oil production to maintain Trans Alaska Pipeline Service (TAPS) viability; and encourages a competitive analysis be performed to address the existing regulatory and fiscal framework to identify whether Alaska is globally positioned to attract maximum development.

Private Sector Development

- ✓ **Film Credits:** Because of the proven economic benefits that film production is providing Alaskan communities, MOA supports extension of the Alaska Film Production Incentive Program and full funding of the transferable film production tax credits for Alaska corporations.

- ✓ **Little Davis Bacon:** Consistent with the Alaska Municipal League priority, the MOA supports raising the limit from $2,000 to $50,000 on Little Davis Bacon projects.

Public Safety

- ✓ **Drug Legislation:** The MOA has identified the need for strong legislation that criminalizes the use of Tetrahydrocannabinol (THC) mimicking drugs or synthetic marijuana products, to include the incense commonly sold as "Spike", "Spice" or "K2."

- ✓ **Involuntary Commitment:** Amend AS 47.27.190 on Involuntary Commitment, Section (a) by adding language to make the statute more consistent with AS 47.37.180 on Emergency Commitment.

- ✓ **Prosecution Surcharge:** Under the philosophy that cost-causers should be cost-payers, add a surcharge for prosecution similar to that for law enforcement to allow law departments to capture at least a portion of the funds expended in the interest of public safety. Under AS 12.55.039, a surcharge is assessed to defendants in the amount of $75, $50, or $10, depending on the type of offense.

- ✓ **Indigent Defense Fee:** Make the indigent defense fee assessed to defendants post-conviction or plea a mandatory, not discretionary, fee to allow local jurisdictions to capture at least a portion of the funds expended



Maya Salganek
Asst. Professor/Director Film Studies
University of Alaska Fairbanks
PO Box 755700
Fairbanks, AK 99775-5700
(907) 474-5950
maya@alaska.edu

Representative Chris Tuck
State Capitol, 426
Juneau, AK 99801

February 7, 2011

Honorable Representative Tuck,

Thank you for taking the initiative to introduce House Bill 67 to the current legislative session. Extending the film production tax credits for an additional ten years will allow the State to continue developing this industry in a comprehensive fashion. Establishing a workforce, infrastructure, and proving our talents is part of the long-term strategy.

The University of Alaska Fairbanks has actively been working with film industry partners since 2007 to broaden the skills of our students and provide opportunities for on-the-job training. We have supplied talent, crew, logistical support, and even equipment for Discovery channel, Sundance Institute, Universal Pictures, CNN, the History Channel, BBC, and dozens of smaller film production companies from all over the world. Our students have worked with industry from television commercials to feature films.

UAF Film students have been funded by the National Science Foundation for work with the International Polar Year, recognized by the Legislature for their broadcasts from Iraq as embedded journalists, and have been cast in roles as actors from Barrow to Anchorage. We have been proud partners and associates in two films screened at Sundance, and others that have been seen in International Film Festivals the world over. Enrollment in UAF Film Courses has grown 60% in the past four years, and continues to grow.

The Alaska State Film Tax Incentives are the first step in attracting established film companies, producers, directors, and talent to Alaska. In so doing, they are providing local Alaskans opportunities to not only work on the set, but also provide services in direct support of productions. From hotels and restaurants to transportation and equipment, ripples are cast wide when a film comes to town.

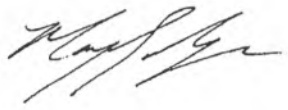
It takes several years to develop a film production from concept to screen. We have really only seen two years to prove what could be done in our state with the incentive program in place. Once the timeline is extended, more filmmakers will commit to developing their projects here and we will see a surge in productivity and revenue as a result.

The film industry is a green, renewable, and lucrative industry to attract to our state. The benefits of tax incentive programs have been proven; New Mexico, North Carolina, New Orleans, and Michigan have seen substantial revenue growth due to the film industry presence.

Fortunately for us, Alaska is ALASKA! Filmmakers want to share its beauty with the world. Let's help them do that, keep the revenue in state, give Alaskans the jobs, and share our stories with the world.

Thank you for your service to this Great State.

Sincerely,



Maya Salganek
Assistant Professor, Theatre & Director, Film Studies
University of Alaska Fairbanks

prince william sound
ECONOMIC
DEVELOPMENT
DISTRICT

Chenega Bay
Cordova
Tatitlek
Valdez
Whittier

February 4, 2011

Representative Bob Herron
State Capitol Building, Room 411
Juneau, Alaska 99801

Dear Representative Herron:

On behalf of Prince William Sound Economic Development District, I would like to offer our support for House Bill 67, the Alaska Film Tax Incentive legislation. Since these incentives were created in 2008, millions of film production dollars have been spent in Alaska, creating many jobs and business opportunities across our beautiful state.

We support the extension of Alaska Film Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million for the following five years. These incentives will establish a positive statement to the film and television industry that Alaska is a welcoming environment for production, marketing and promotion.

Sincerely,

Sue Cogswell
Executive Director

ARDOR
ALASKA REGIONAL DEVELOPMENT ORGANIZATION
2207 Spenard Rd., Suite 207 • Anchorage, Alaska 99503 Phone (907) 222-2440 • FAX (907) 222-2411 • Cell (907) 223-7672 • Email: pwsedd@gci.net



Representative Bob Herron
Chair, House Special Committee on Economic Development, Trade and Tourism
State Capitol, 411
Juneau, AK 99801

Dear Representative Herron,

I am writing to show my support for House Bill 67.

Without this important incentive program it would have been much more difficult to raise funding for our feature film, 'The Doppelganger Principle.' With the exception of our star, Ed Asner, all cast and crew will be pulled from the talent we have here in Alaska. Further, since our investors are local, as well, all revenues from our film go right back into our local economy.

The tax incentive program has kick-started a long undeveloped industry here. Not only are we seeing big-budget feature films coming in with many jobs for Alaskans, but some of our own young film makers are now encouraged to try to ply their craft here, rather than make the usual pilgrimage Outside. I was recently invited to take part in a new web-series, 'Alaska Film Makers,' a continuing web-accessed program reporting on what is happening in our local film community. This is all quite heartening.

As the first-ever elected Alaska representative of the Screen Actors Guild, I have recently been able to help add several new members to our ranks. I fully expect that our membership in Alaska will double before the end of this year. Perhaps even more rewarding, as I now sit on the SAGIndie National Committee, we have been able to show local film makers how to develop their work as a SAG signatory project..

Good things are happening here as a direct result of this program. Extending it should be a no-brainer.

Let's not blow it!

Ron Holmstrom, Director
Doppelganger Productions, LLC
645 G St. Ste 100-616
Anchorage, Alaska 99501
907-748-5729

Aurah Landau

From: leif@gci.net on behalf of leif [leif@denali.net]
Sent: Monday, February 07, 2011 4:50 PM
To: Sen. Johnny Ellis; Rep. Bob Herron; Rep. Chris Tuck
Subject: Alaska Film Tax Incentive

Hello,

I wanted to take time out of my day to write my very first letter to my State legislature.

I am a life-long Alaskan, invested in my community - my great-grandparents immigrated in 1917, landing in Douglas, then relocating to Spenard in 1954; my daughter currently goes to O'Malley elementary, and my wife works for the Anchorage School District.

I have been active in the arts community for over 25 years, and have seen, and felt, the ups and downs of the economy's impact on the arts.

Recently, I have been given the opportunity to take part in two major motion pictures that were filmed here in Anchorage: Everybody Loves Whales, and Ghost Visions (aka Beyond)

While my contribution to the film was small, the economic and social impact to the community was tremendous - and very positive.

I am encouraging you to extend your support for Senate Bill 23 and House Bill 67, which will extend the Alaska Film Tax Incentive program.

Oregon is a wonderful example of how tax incentives can bring the film and TV industry into a community, and help drive the economy by offsetting failing-industry income dollars.

Our state needs to be known for more than just oil, seafood, and gold:
we need an image and income that will last through the ups-and-downs of non-renewable resources.

I believe that the Film Tax Incentive can play a part in Alaska's future, and I ask that you, too, play a part.

Leif Sawyer
6251 East 112th Ave
Anchorage, AK 99516

http://imdb.me/LeifSawyer

Aurah Landau

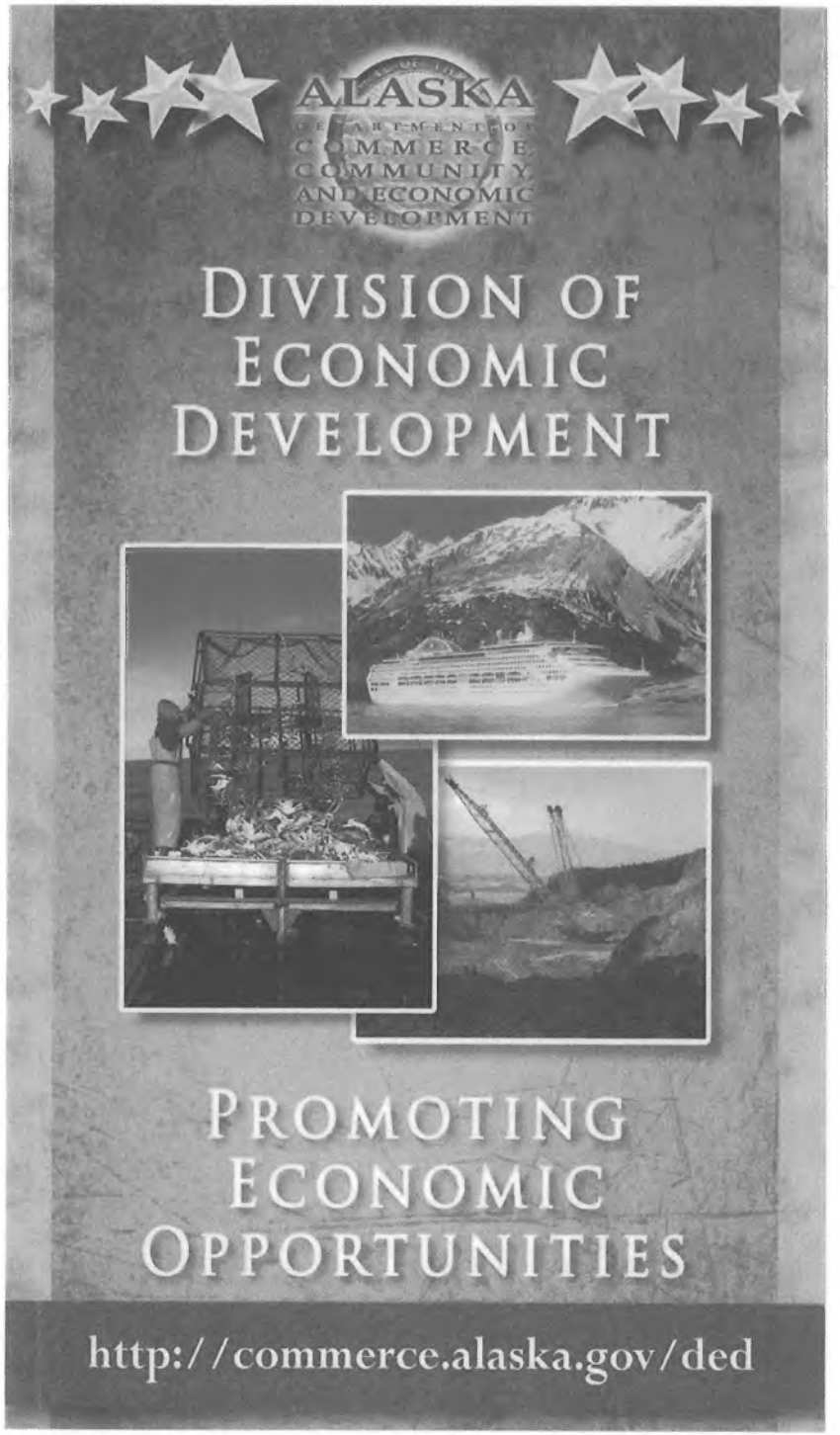
From: Corrie Young [corrieyoung@me.com]
Sent: Tuesday, February 08, 2011 4:00 PM
To: Rep. Chris Tuck
Subject: Support SB 23 (HB 67) - Alaska Film Industry Incentives

Dear Rep. Tuck,

I support Alaska's growing film industry and acknowledge the positive economic impact it has in our state. Therefore, I wholeheartedly support SB 23 and HB 67.

Sincerely,

4th generation Alaskan,
Corrie Young
Anchorage, Alaska



ALASKA

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ALASKA FILM OFFICE

PROGRAM OVERVIEW

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & TOURISM

THURSDAY, FEBRUARY 10, 2011

ALASKA FILM OFFICE

Statutory Authority:

The enabling legislation (AS 44.33.231-AS 44.33.239) instructs the Alaska Film Office to:

1. cooperate with organizations in the private sector for the expansion and development of the film production industries in the state;
2. promote Alaska as an appropriate location for film production;
3. provide production assistance through connecting film directors and makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications;
4. certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and
5. in cooperation with the Department of Revenue, administer the Alaska Film Production Incentive Program.

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ALASKA FILM OFFICE

Private Sector Collaboration:

- www.film.Alaska.gov
  - Incentive program information
  - Filming in Alaska
  - Buying tax credits
  - Crew, support service provider and talent listings
  - Alaska locations

- Engagement with industry organizations, trade associations, and allied groups

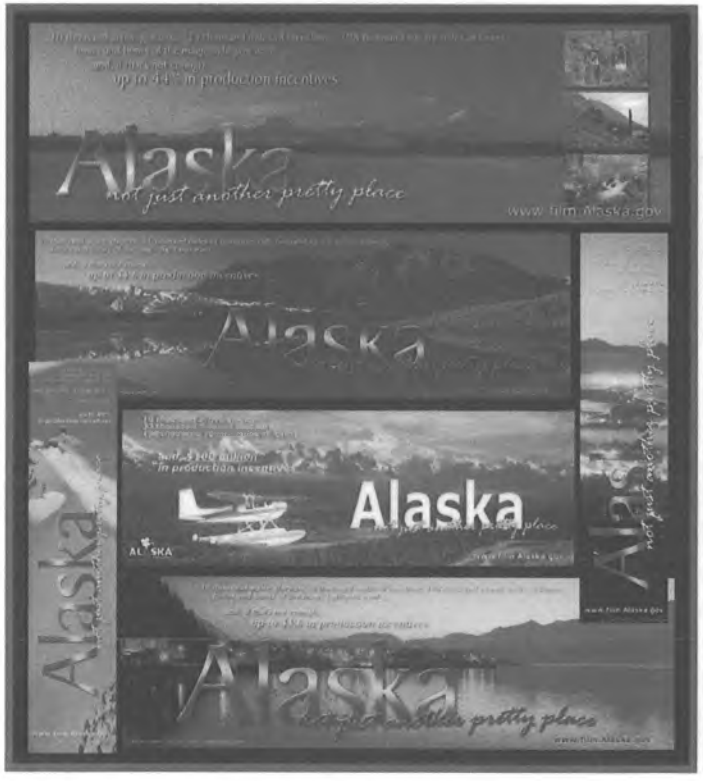
- Outreach through speaking engagements, targeted contacts, and fielding daily inquiries

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ALASKA FILM OFFICE

Promote Alaska:

- Print advertising in industry magazines and directories











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Prepared by the Department of Commerce, Community and Economic Development

ALASKA FILM OFFICE

Promote Alaska:

- www.film.alaska.gov

- Film Industry trade shows and events
  - AFCI Locations Trade Show
  - Incentives Symposium
  - American Film Market
  - Global Media Update

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ALASKA FILM OFFICE

Promote Alaska:

- Program Brochure











Prepared by the Department of Commerce, Community and Economic Development

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ALASKA FILM OFFICE

Promote Alaska:

- Program Brochure

Here is a summary of Alaska's Tax Credits:

TAX CREDIT	VALUE	REQUIREMENTS
Base Credit	30 percent	Production expenditures must be made in Alaska.
Alaska Hire	+ 10 percent	Wages paid to Alaska residents receive an additional 10 percent credit.
Seasonal	+ 2 percent	Production expenditures made between Oct. 1 and Mar. 30 receive an added 2 percent credit.
Rural Location	+ 2 percent	Production expenditures made in a rural area also receive an added 2 percent credit.
Maximum Possible Credit	**44 percent**	**Portions of a production with an Alaskan crew, filmed in rural Alaska between October and March.**

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Alaska Film Office

Provide Assistance:

AFO and DCCED Staff

- Respond to daily inquiries about filming in Alaska
- Conduct follow-up and outreach with contacts developed through advertising, trade show and other promotional activities
- Meet with producers and provide introductions to state and local contacts
- Explain the Incentive Program and assist producers with the application process
- Provide alternatives and creative solutions to production challenges
- Work with Alaskan businesses, community representatives and other stakeholders regarding prospective projects

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ALASKA FILM OFFICE

Workforce Development:

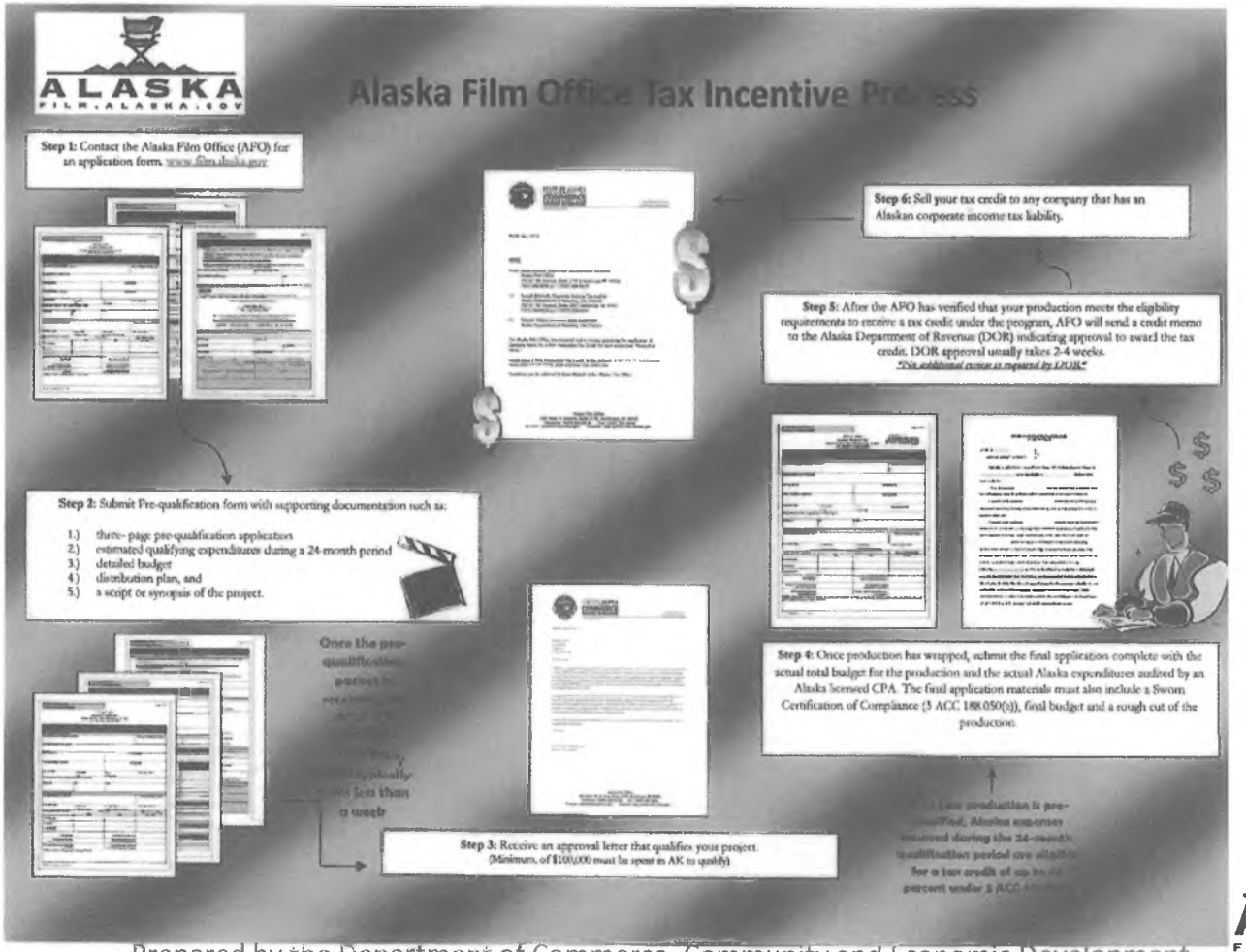
The AFO is working with a variety of organizations to develop a skilled film industry workforce in Alaska:

- Dept of Labor: working to develop apprenticeships that would lead to technical careers in the film industry
- University of Alaska to provide the academic programs leading to certificates and degrees recognized by the film industry
- Private sector efforts to provide the on-the-job training
- Youth training programs
- Rural outreach efforts
- Skilled trades: provide workers with the training necessary to work in set construction, electrical/lighting and other specialized film industry jobs

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ALASKA FILM OFFICE

Co-administer the Alaska Film Production Incentive Program



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Alaska Film Office

Co-administer the Alaska Film Production Incentive Program

	FY09		FY10		FY11	
	#	$	#	$	#	$
Prequalifications Approved	6	$853.3	24	$29,963.8	14	$3,730.7
Tax Credit Applications	0	$0.0	4	$244.5	10	$3,653.8
Tax Credits Approved	0	$0.0	4	244.5	10	$3,653.8

Alaska Film Office

Co-administer the Alaska Film Production Incentive Program

	FY09 – FY11	
	#	$
Prequalifications Approved	44	$34,533,595.45
Tax Credit Applications	14	$4,828,411.85
Tax Credits Approved	14	$4,828,411.85

Alaska Film Office

Staffing and Budget

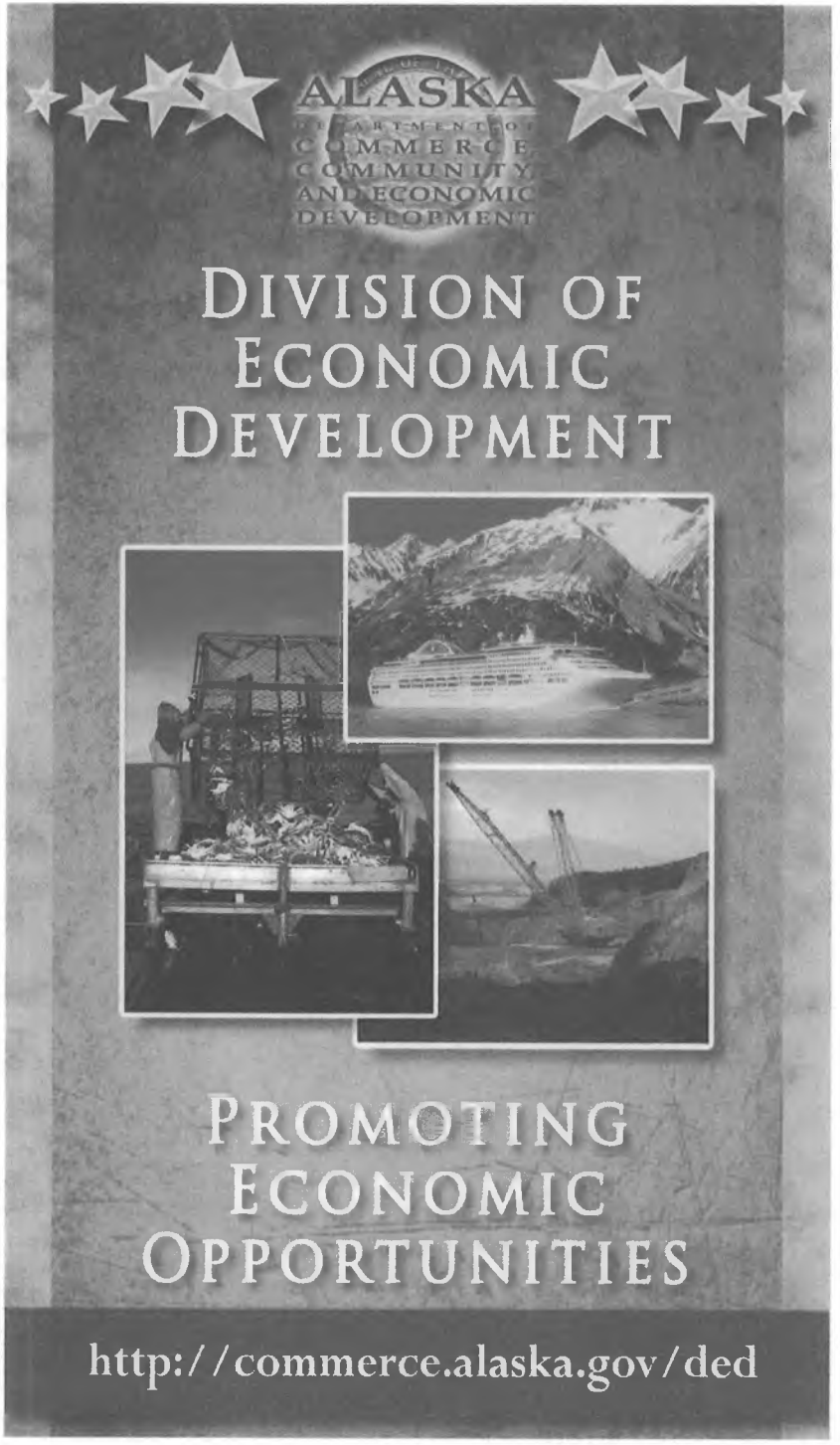
- Alaska Film Office Staff (1.5 FTE)
  - Dave Worrell
    Development Specialist II, Op A
  - Erin Gora
    Adminstrative Assistant II
- Additional Support
  - Curtis Thayer, DCCED Deputy Commissioner
  - Roberta Graham, Special Assistant to Commissioner Bell
  - Mark Kelsey, DCCED Communications Coordinator
  - Wanetta Ayers, DED Director

ALASKA FILM OFFICE

Staffing and Budget

- FY11 Operating Budget

	$
Fiscal Note	$275.0
FY11 AFO Program Budget	$283.0
Additional Support Costs	Undetermined
Unallocated Overhead Costs	$27.8
TOTAL	> $310.8



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ALASKA FILM OFFICE

PROGRAM OVERVIEW

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & TOURISM

THURSDAY, FEBRUARY 10, 2011

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 15, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Today we have a discussion on the pending Kenai LNG Plant closure, which will be ending at 1130, and then a little bill work on HB 67: FILM PRODUCTION TAX CREDIT followed by public testimony.
First up I believe we have a recorded video message from Speaker Chenault who wanted to be here but is on a plane.

[Rest of LNG discussion]

HB 67: FILM PRODUCTION TAX CREDIT

Bring up Amendment 2
Move Amendment 2
Object for purposes of discussion
Discussion
Remove objection
Amendment 2 is adopted.

Amendment 3.

Then Discussion. Questions. Questions of Thayer or Wanetta Ayers? Adopt CS?

And now we have a couple amendments. I'll offer Amendment #1. [object for purposes of discussion]. This amendment raises the maximum population for off-road communities to still be considered rural from 5500 to 6500 (which would have the effect of adding Bethel). Amendment #2 doubles the rural incentive from 2% to 4%. (Foster will offer)

Rob Earl

Subject: FW: HB 67 Blank CS
Attachments: HB 67 Amendments 2.15.11.pdf

From: Rob Earl
Sent: Tuesday, February 15, 2011 8:28 AM
To: Aurah Landau; Bonnie Gruening; 'Crystal Koeneman'; Crystaline Jones; Deborah Tillinghast; Edna DeVries; Ernest Prax; Jackie Schulz; Jane Boer; Jennifer Senette; Jim Pound; Kevin Harun; Kyle Whisenhant; LIO Juneau; Lynette Bergh; Paul Labolle; Rep. Bob Herron; 'Sonia Christensen'; Suzi Lowell; Terry Harvey
Cc: Eugene White
Subject: HB 67 Blank CS

Hello,

The attached amendments were accidently ordered to amend the original bill and not the CS. They shouldn't change much (if at all), but I'll get the updated ones out as soon as received.

Since the CS isn't coming until later either, I wanted everyone to have an idea of what it will look like. Here's the changes that were requested of Legislative Legal:

Here are three changes we are having added to HB 67

1) An end credit requirement
2) Explicitly allowing "pooling" in statute
3) Extending the life of the credit from 3 years to 6 years

1) <u>New Language for end credit / thank you to the State of Alaska:</u>

Amend Sec. 44.33.235 by adding a new subsection (i) to read:

(i) Specific end credit requirements are mandatory; failure to comply with the end credit requirements will result in rejection of the final application for the credit.

There are two ways a production can meet the end credit requirements. EITHER:

1) include in the end credits of each qualified film or television production "Filmed in Alaska with the Support of the State of Alaska and the Alaska Department of Commerce, Community & Economic Development Alaska Film Office" along with the film logo provided by the Film Office; or,
2) include in each qualified film distributed by DVD, or other media for the secondary market, a short Alaska promotional video or ad approved by the Department of Commerce, Community & Economic Development Alaska Film Office.

Prior to the issuance of a final Certificate of Tax Credit, every production will be required to provide proof of compliance with the end credit requirements in the form of a still shot, frame grab, edited DVD, or other materials requested by the Alaska Film Office.

2) **Pooling Language** *The current statutes and regulations allow for tax credits to be transferred in whole or in part and there is nothing suggesting they cannot be pooled. However, to clarify the intent,*

Amending AS 43.98.030

Insert "(c) Brokerages may pool tax credit amounts for the purposes of tax-credit brokering. Brokerages may transfer tax credits in a single certificate that are comprised of tax credits from one or more original tax credit certificates issues by the Department of Revenue."

3) Please change the time in which the credit must be used in AS43.98.030 from "three years" to "six years"

AS 43.98.030 (a) by adding "valid for use within six years from date of issue by the Department of Revenue."

27-LS0356\A.2
Bullock
2/14/11

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE FOSTER

TO: HB 67

Page 2, following line 5:

Insert a new bill section to read:

"* **Sec. 4.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

(1) an additional 10 percent of qualified expenditures that are wages paid to Alaska residents;

(2) an additional **four** [TWO] percent of qualified expenditures made in a rural area; and

(3) an additional two percent of qualified expenditures made in the state between October 1 and March 30."

Renumber the following bill sections accordingly.

27-LS0356\A.3
Bullock
2/14/11

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE OLSON

TO: HB 67

Page 3, following line 9:

Insert a new bill section to read:

"* **Sec. 5.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of **6,500** [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks."

Renumber the following bill sections accordingly.

Rob Earl

From: Lissa Kramer
Sent: Tuesday, February 15, 2011 9:16 AM
To: Rob Earl
Subject: Offnets for HEDT/2-15-2011

Hi Rob,

This is what I have so far:

Offnets for first part of meeting

Janis Wilson, RCA Commissioner (Telecom)
Carri Lockhart, Alaska Asset Production Manager for Marathon Oil (Telecom)
Colleen Starring, President of Enstar
Ted Smith, actor, On The Ice
Greg Kessler, Totem Ocean Trailer Express - in person, needs to leave by a bit before noon
Brice Habeger - in person
Gary Zimmerman, Avis Car Rental
Cindy Draper, ABC Motorhomes
Maya Salganek, Univ of AK FBX (runs a training program)
Dave Purcell, Purcell Security Services (unconfirmed)
Eric Breiman, Producer, Crystal Sky (unconfirmed)

Lissa Kramer
Juneau Legislative Information Office
(907)465-6319

the hotel
Captain Cook

939 West 5th Avenue, Anchorage, Alaska 99501
Phone (907) 276-6000
Sales Fax (907) 343-2207
Catering Fax (907) 343-2211
Reservations Fax (907) 343-2298
Accounting Office Fax (907) 343-2262

February 9, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

Re: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of The Hotel Captain Cook, I would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008 the Film Production Tax incentive program has created jobs for Alaskan and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

The fact is financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have a program of some type, as they understand the economic benefits that this industry can bring to our businesses and communities.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, The Hotel Captain Cook fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Walter J. Hickel Jr.
Chairman and C.E.O.

Distributed by Senator Johnny Ellis

Feb. 12th, 2011

Representative Bob Herron
State Capitol Room 411
Juneau AK, 99801

RE: Companion House Bill 67 Film Production Tax Credit

Dear Representative Bob Herron:

On behalf of Alaska Crew Training Inc., we want to thank you for sponsoring companion House Bill 67, to Senate Bill 23 that will extend the Alaska Film Production Tax Incentive Program and offer our support.

Since its inception in 2008, Alaska's Film Production Tax Incentive program has created jobs and economic opportunities for Alaskans and for Alaskan businesses small and large. Our training program, Alaska Crew Training Inc. exists *because* of these incentives. In addition to building Alaska's labor force, film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing this program offers a clear signal to the multi-billion dollar film and television industry that Alaska understands the value of this industry and welcomes productions into our state.

Those of us who work in this industry today know first hand that financial incentives have changed the way filming decisions are made. Across the U.S. forty-five states have incentive programs in place. This demonstrates an understanding by those states of the economic benefits this industry offers. Internationally Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada and around the globe. To stay competitive in this global marketplace Alaska needs to send a clear message.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. We hope that House Bill 67 will help continue the successful economic diversification and development that our current Incentive Program has already shown while providing Alaska businesses opportunities to properly plan for and capitalize on Alaska's newest multi-million dollar industry. Thank you for promoting and keeping Alaska in the movie business!

For all of these reasons, Alaska Crew Training, Inc. fully supports House Bill 67 and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Deborah Schildt

Deborah Schildt – Program Administrator
Alaska Crew Training, Inc.

P.O. Box 110163
Anchorage, AK 99511
c 907/223-3740
c 907/230-6870
f 907/783-2625
www.alaskacrewtraining.org
akcrewtraining@gmail.com

To
Representative Bob Herron
Chair House special Committee on Economic Development
Trade and Tourism
State Capitol, 426
Juneau, AK 99801

Dear Representative Herron

I am an adjunct instructor of physics live here at Unalakleet and teach online physics class for UAF-NW Campus, Nome. I am writing you because I want to share my thoughts on Alaska's new emerging film industries with you. The film industries should make films about Alaska those shot here in Alaska, not somewhere else. It would promote our Alaskan image around the world. It is good for our local business and tourism industries. As you know many of our jobs depend on the tourism business.

So, I am humbly letting you know I am in favor of **SB63** bill. This bill extent tax incentives for the film industries to make film about Alaska not in BC, Canada or Washington or elsewhere but in Alaska.

Thank you.

Sincerely,

Mosaddeque Reza
(House District 39)
P.O. Box 347
Unalakleet. AK 99684
Phone: (907) 624- 3158

Dated: Unalakleet. AK
02/07/2011

TOTEM OCEAN TRAILER EXPRESS, INC.

2511 Tidewater Road
Anch, Alaska 99501

Tel: 907-276-5868
Fax: 907-278-0461

February 15, 2011

Good Morning, my name is Greg Kessler and I'm the Alaska Commercial Director for Totem Ocean Trailer Express, Inc.

I'm here today to testify in support of the reauthorization of the Alaska Film Incentive Program. From a TOTE perspective just this past year we had the pleasure of shipping cargo for two productions; Icebreaker Films and the Everybody Loves Whales movie and for Ghost Visions Films.

In fact, we moved a combination of 35 separate shipments northbound for the productions and 33 separate shipments southbound once the movies shoots were completed. These were a combination of tractor trailer units and cargo and consisted of a variety of cargo – from animatronics whales to a honey wagon and most everything in between. Today TOTE is involved in the planning and preparation for future shipments related to the industry.

TOTE wasn't just a direct benefactor, several of our customers and vendors, like Avis Rental Cars and ABC Motorhomes, and Weaver Brothers Trucking provided support services to both films.

The reauthorization of the Alaska Film Industry Tax credits will go a long way to make Alaska an attractive place for the film industry and will continue to bring new business opportunities to the emerging Alaska film industry

GENERAL TEAMSTERS LOCAL 959
STATE OF ALASKA

Affiliated with the International Brotherhood of Teamsters
Rick Boyles, Secretary-Treasurer
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503
Phone (907) 565-8122 • Fax (907) 565-8199

February 14, 2011

Representative Bob Herron
Chair, House Special Committee on Economic Development, Trade and Tourism
State Capitol, 411
Juneau, AK 99801

Re: HB 67 Alaska Film Incentive Program Extension

Dear Representative Herron:

On behalf of our approximately 6000 Teamster members, I would like to go on record strongly supporting a proactive piece of legislation that clearly has lead to Alaskan jobs; specifically, HB 67, the Alaska Film Incentive Program extension. Since the passage of SB 230 in 2008, the film industry tax incentive has been a success.

In March 2008, prior to the passage and implementation of HB 67, Paramount Studios-DreamWorks produced some background shots for a Star Trek movie. The shoot lasted approximately one week and employed five of our members, who worked approximately 190 man-hours.

Since the passage of the tax incentive, we have seen a substantional increase in the number of jobs in the film industry. One of the larger productions, "Everybody Loves Whales", employed at peak approximately forty Teamster members who worked approximately 20,000 man-hours. Many of these workers earned nearly $35,000 each for their work over a three to four month period, and other Teamsters continue to pick up work in conjunction with other shoots.

I would also like to note that the film incentive program has not just increased jobs for union members, but non-union workers as well. We have found that some of the smaller productions have not been signatory to a labor agreement, but they also

generate dollars into our economy- Alaskans working in Alaska on Alaskan jobs.

We would note, however, that training workers in this field of industry would assist in assuring that more of the technical jobs are done by Alaskans. For example, in addition to van drivers, cast drivers, steak beds, and generator trucks, there are also set dressers, grips, set electricians, production crews, construction crews, and special effects teams, to name a few. I am currently working with our Training Trust director and industry representatives to focus our program specifically toward some of the film industry needs, and I am sure others are as well. Working together to assure a well-rounded training program will go far in assuring that Alaskan workers with new skills will be working in this new and exciting industry in our state.

In summary, we ask for the support of you and your committee members in passage of HB 67. This legislation is an excellent example of an incentive program that has increased the number of Alaskan jobs and improved our overall economy in a very brief period of time. Your approval of the continuation can only further improve those numbers and the ongoing growth of our state.

Sincerely,

GENERAL TEAMSTERS LOCAL 959

Rick Boyles

Rick Boyles
Secretary-Treasurer

c: Representative Chris Tuck, via facsimile to 907-465-3810
Barbara Huff Tuckness, President, Teamsters Local 959

via facsimile to 907-465-4589

Josh McIntyre
4301 MacAlister Drive
Anchorage, AK 99502
jmcintyre@mcc-cpa.com

February 10, 2011

The Honorable Representative Bob Herron
State Capitol, 411
Juneau, AK 99801

Dear Representative Herron:

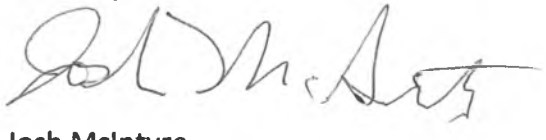
I live in District 28-N, in Anchorage. I am Certified Public Accountant in Alaska, and a graduate of the University of Alaska, Anchorage. I am writing to you in support of House Bill Number 67.

Since its inception in 2008 the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

Financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have programs of some type as they understand the economic benefits that this industry can bring to our businesses and communities.

I support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

Sincerely,



Josh McIntyre

Ghost Vision

February 14, 2011

Dear Committee Members:

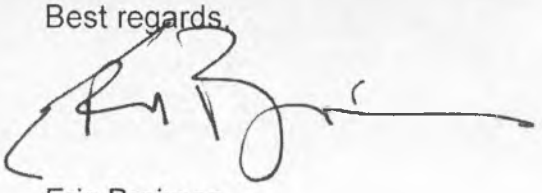
Thank you for allowing me to testify to the merits of the Alaska Film Production Tax Credits.

The main reason we decided to begin producing films in Alaska was for the tax credits. These competitive tax incentives, coupled with the ease of the program, were deciding factors in our decision to finally film in Alaska. This along with the reception and hospitality of Alaskans has encouraged us to return and do more.

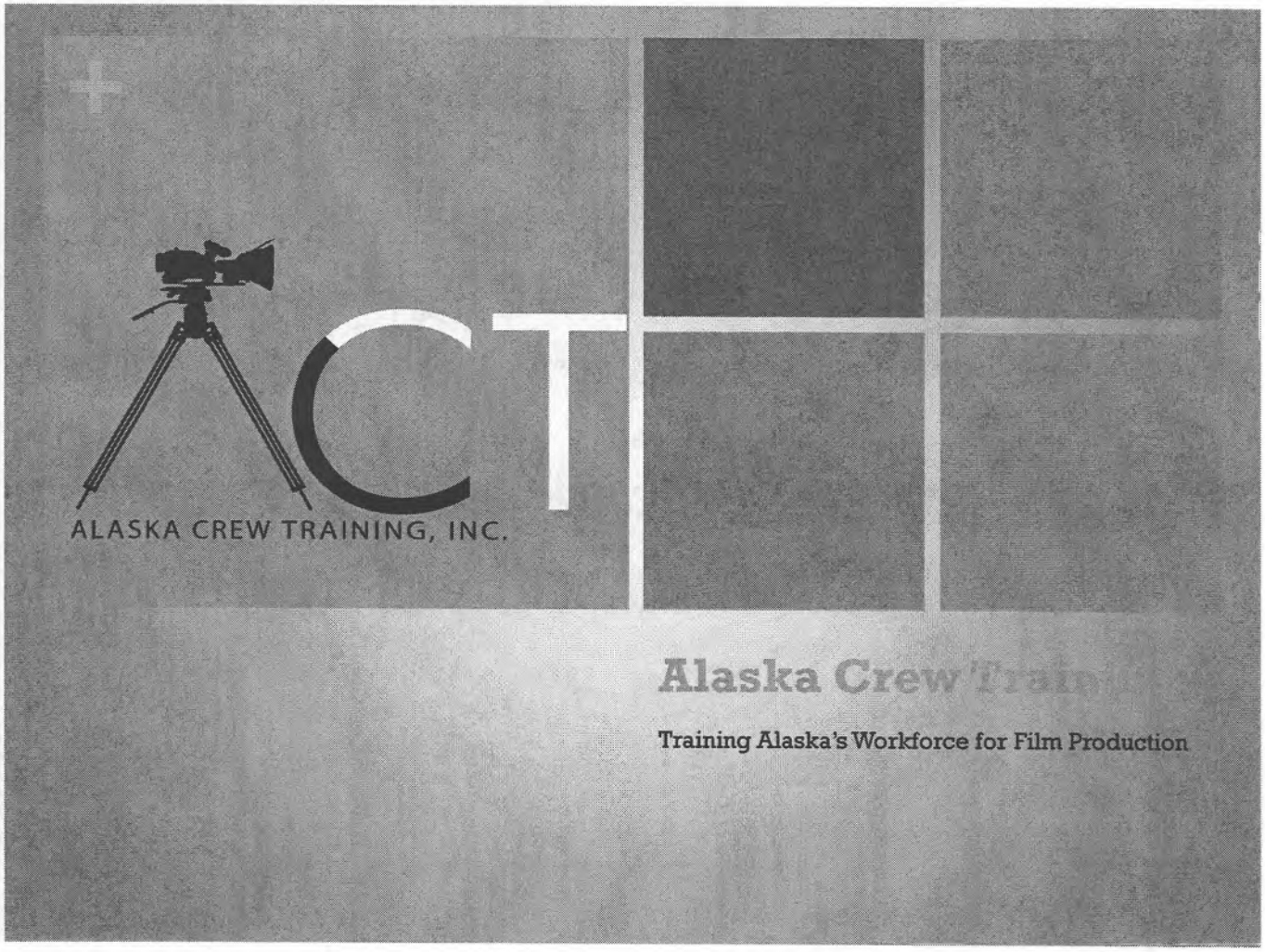
We recently completed our first feature film production titled "Ghost Vision", staring Jon Voight, and have applied to the state film office for another feature film. If all goes as expected, we plan to begin production in Anchorage and surrounding areas within a month.

For Alaska to remain competitive, there has to be certainty provided through extension of the tax credits. With the current deadline ending in 2013, there will be no infrastructure investments, which I feel are necessary to sustain the local film industry. Alaska must set a program in place for the development of a local workforce and break ground on a new sound stage, in order to meet the needs of the industry. Extending the Alaska Film Production Tax Credits will allow the industry to plan future productions, develop necessary infrastructure, expand the local workforce, and diversify Alaska's economy.

Best regards,



Eric Breiman
Producer


ACT
ALASKA CREW TRAINING, INC.
Alaska Crew Train
Training Alaska's Workforce for Film Production

Alaska Crew Training, Inc

...ck story...

ALASKA CREW TRAINING, INC.

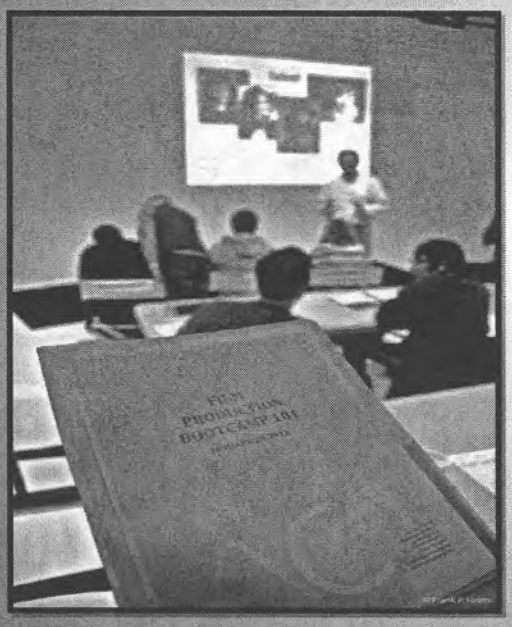
- 5 years Film School
- 8 years film production in Los Angeles & nationwide
- 20 years of film production across Alaska
- Casting Director on "Everybody Loves Whales"



On the set of "Everybody Loves Whales"

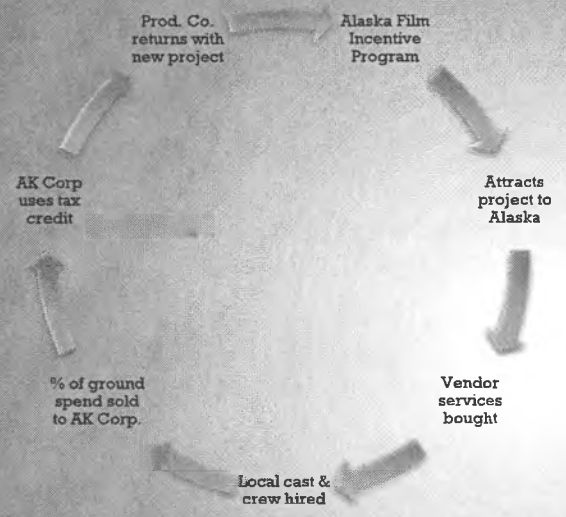
Alaska Crew Training, Inc.

...a quick story...



- Alaska Film Group forms in 1992.
- Alaska's Film Incentives are signed into law.
- Alaska Crew Training – an Educational non-profit forms in 2009.
- ACT I offers job specific training.
- Instructors are nationally experienced and recognized.
- Alaska based, owned and operated.

The Film & TV Production Dynamic







Alaska State Troopers spent 100,676 for Season 1

Deadliest Catch – Ice Road Truckers – Tougher in Alaska - Alaska Wing Men
Flying Wild Alaska – The Toughest Race on Earth - Lock, Stock and Barrow
Sarah Palin's Alaska - Alaska State Troopers - Gold Rush Alaska – Out of the Wild
Ax Men – Top Gear – Everybody Loves Whales – Ghost Vision - Mounted

Source: The Alaska Film Office and ADN 2/13/2011

Deadliest Catch spent1.7 million shooting Season 6 in Alaska.

Ice Road Truckers spent 1,187,933 shooting Season 3 in Alaska and 2.7 million for Season 4.

The feature film "***Ghost Vision***" spent 6.6 million shooting in Alaska.

"Everybody Loves Whales" spent an estimated 30 million shooting in Alaska in 2010.

A whale of an economic impact

Source: The Alaska Film Office and ADN 2/13/2011



Discovery Channels: "Gold Rush Alaska"



History Channels: "Ice Road Truckers"



TLC Channels: "Sarah Palin's Alaska"

Objectives - Filling in the blanks

ALASKA CREW TRAINING, INC.

Provide entry level and advanced workforce training

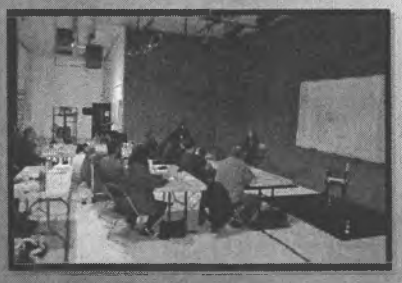
Make training accessible

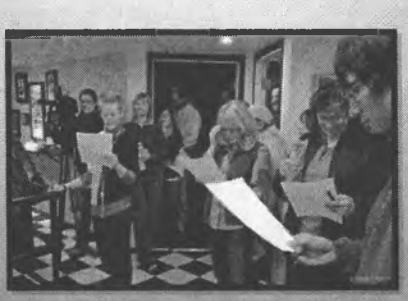
Meet labor demands

Develop a workforce that climbs the production ladder to key positions and higher earnings.

Encourage more training opportunities, entrepreneurship and infrastructure growth.

- A Producer friendly film office website
- A sound stage
- More film rental equipment
- More infrastructure
- A larger trained workforce







Trainees attending Production Bootcamp 101 classes at Studio 76 in Anchorage, AK in 2010 and 2011.



They all need:

- Crew
- Housing
- Equipment
- Addl. Labor
- Food Services
- Talent
- Stages for sets



Paul Schweigert Stand-In

Who hires and how many?

Everybody Loves Whales employed approx. 133 Alaskan's as crew. The Alaskan cast had approx. 2,471 background extras days scheduled on the 55 day shoot.

Source: ELW Call Sheet and ELW Alaska Casting Director Deborah Schildt

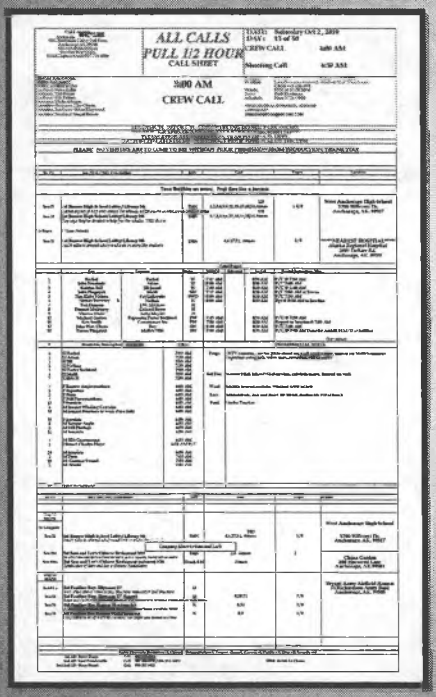


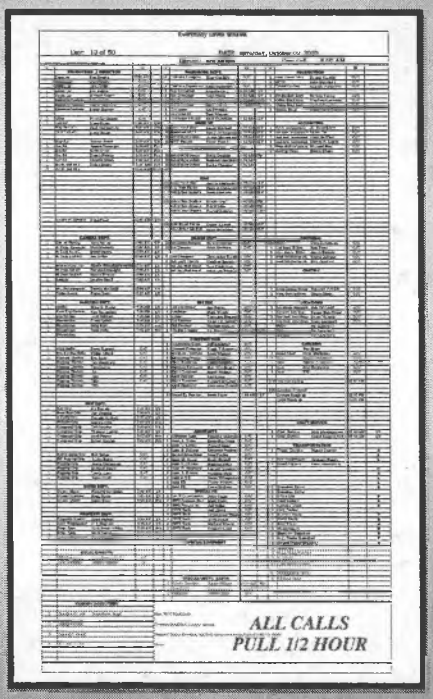
Elmer Bekoalok- Background Extra

Nailing down a call sheet

Call times, Locations, Scenes, Cast, Crew, Special Instructions.

ALASKA CREW TRAINING, INC.


ALL CALLS
PULL 1/2 HOUR
CALL SHEET
3:00 AM
CREW CALL


ALL CALLS
PULL 1/2 HOUR

1 T.V. Series that shot in Alaska in 2010 employed 40 crew - ***9 were Alaskans.***

The feature: "Christmas with a Capital C" shot in 2009 employed 43 crew – ***17 were Alaskans.***

The feature "Ghost Vision", shot in 2010 employed 53 crew – ***28 of them Alaskans.***

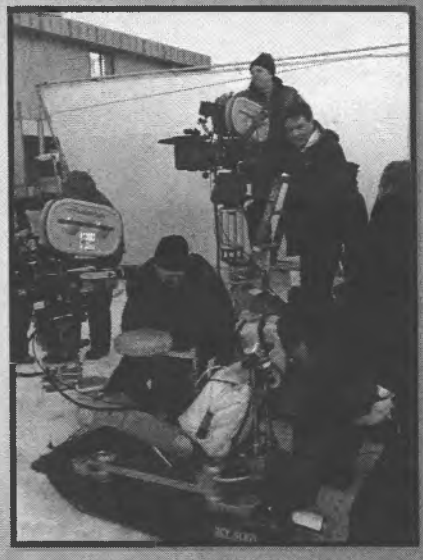
The feature "Everybody Loves Whales" shot in 2010 employed 338 crew - ***133 were Alaskans.***

The Alaskan Crew

Who was hired on "Everybody Loves Whales"

ACT
ALASKA CREW TRAINING, INC.

5 office p.a.'s	4 costumers
1 accounting clerk	4 seamstress'
1 art dept. coordinator	8 electricians
2 art dept. p.a.'s	5 costume assistants
5 set p.a.'s	1 make up artist
1 camera operator	2 prop assistants
5 cast assistants	1 set lead man
2 casting directors	7 set dressers
1 extras wrangler	1set decorating p.a.
1 casting intern	1 special f/x purchaser
2 construction workers	1 studio teacher
11 painters	1 transportation captain
3 plasterers	28 drivers
18 prop makers	1 2nd unit supervisor
4 utility art dept.	1 picture car provider



Steve Rychetnik-2nd Unit Camera Operator on "Everybody Loves Whales"


Look at working models
Create a custom program that fits Alaska's needs
Make it available in many places – many ways
Start with entry level classes and grow programs as work force needs increase
FULL SAIL
Real World Education
PRODUCTION ASSISTANT TRAINING SEMINAR L.L.C.
AFI
Call to action
Lights, Cameras, Classes!
ACT

+ CURRICULUM

Level Training

ACT
ALASKA CREW TRAINING, INC.



Production 101 Bootcamp Class preparing to shoot a scene

+ CURRICULUM

Level One and Level Two Classes

ALASKA CREW TRAINING, INC.

CAMERA

EDITING

GRIP/ELECTRIC

HAIR/MAKE-UP

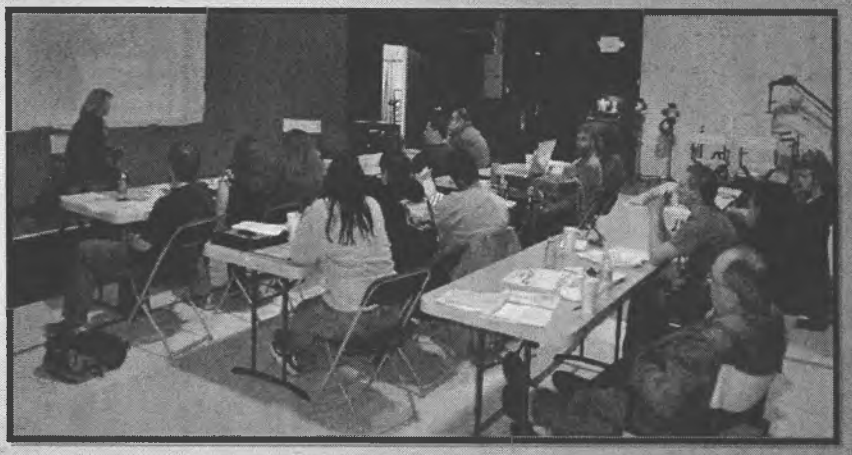
PRODUCING

PRODUCTION DESIGN

SOUND

WARDROBE
STYLIST/COSTUME DESIGN

WRITING



- Level 1 Producing Class scheduled for March 2011
- Instruction from an American Film Institute Alumni

Crew Training

Mission

ALASKA CREW TRAINING, INC.

Alaskans hired in entry level positions

Alaskans excelling at on the job training

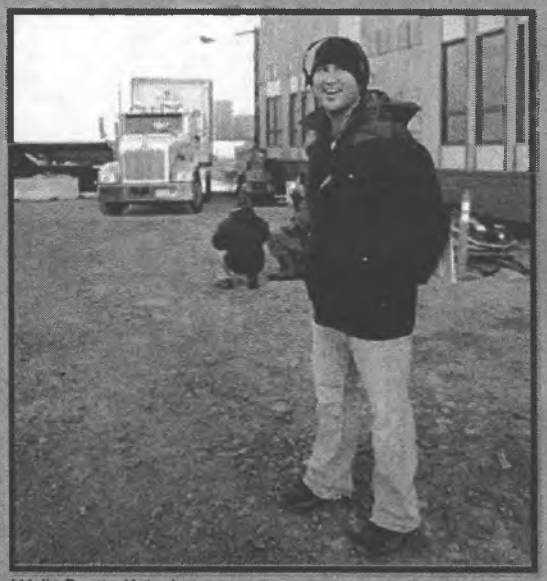
Alaskans moving up the ladder to higher skilled positions.

Alaskan crew earning increased wages.

An ever increasing Alaskan crew base.

Providing individuals, business' and corporations a better understanding of how the movie business works.

Encouraging Alaskan business' build infrastructure that meets the needs of the film industry.



Wally Scott - Kotzebue



Karen Cassanovas-Anchorage



Jesseca Moore-Eagle River



Kyle Hitchcock-Anchorage



Morgan Willis-Anchorage

ON THE JOB TRAINING

I went to college and received a Bachelor's from a nationally recognized institution, but the information in the production boot camp and the insight of the instructors provided me with the logistical knowledge necessary for the role of production assistant.

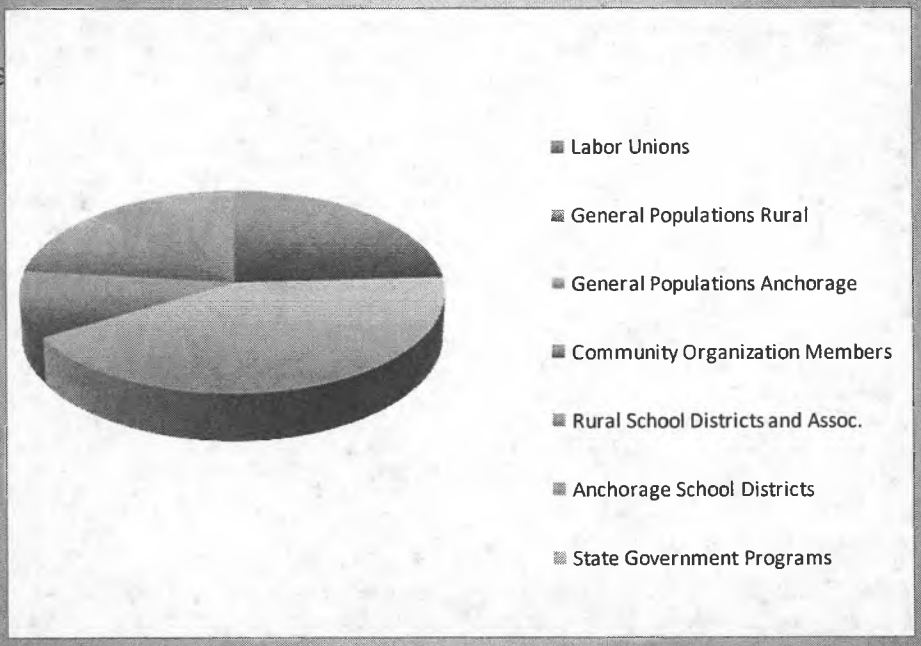
From handling money, to understanding production vocabulary I walked away from the class ready try my hand at "making movies." Bob and Deborah, not only share a passion for making films but also making sure that the next generation of Alaskan filmmakers get the adequate training in the process. I am forever humbled and thankful for their Production Bootcamp and what it has done for my career

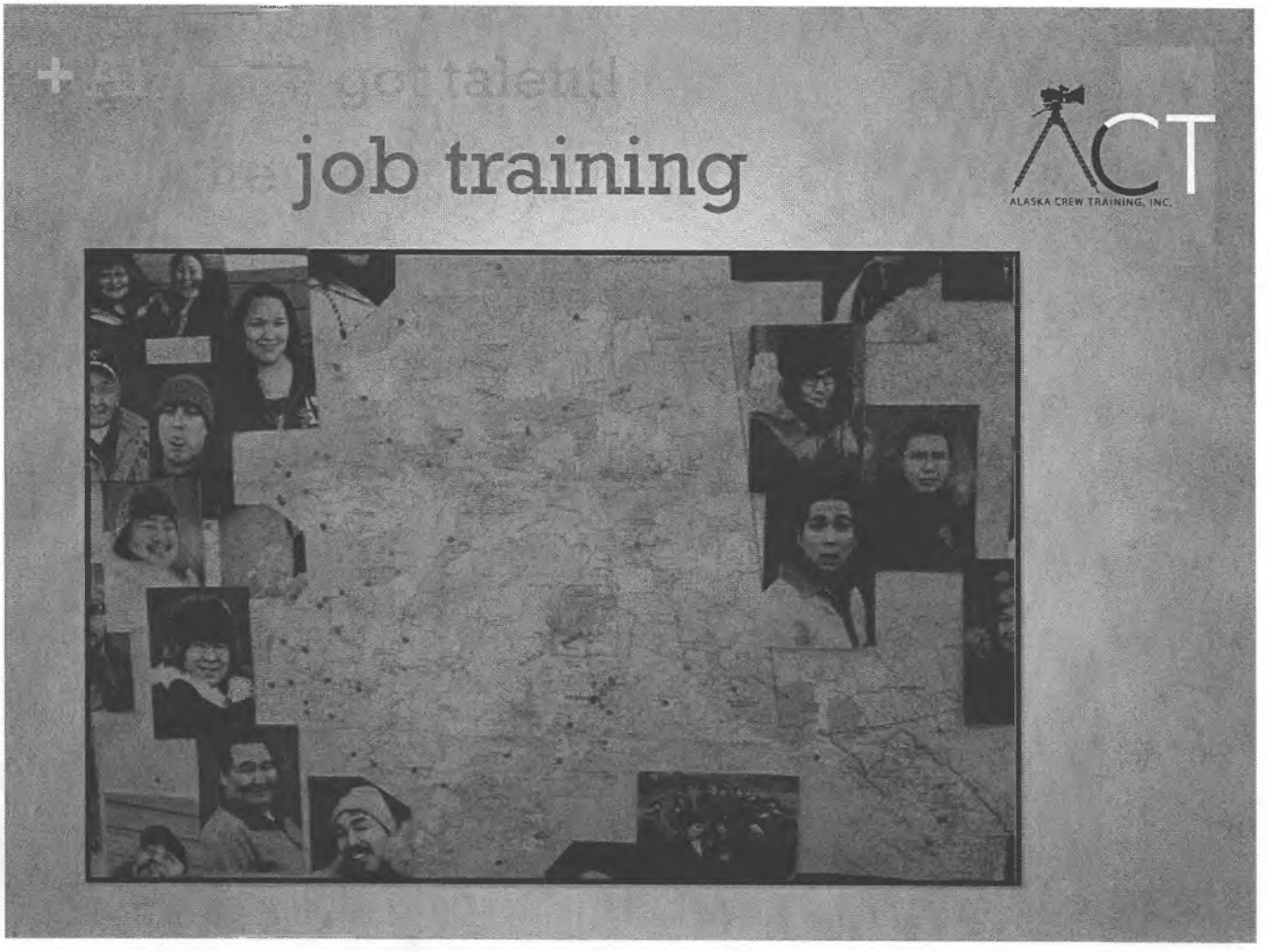
--Wally Scott

...ing a workforce

The film industry knows no boundaries when it comes to gender, education or race.

Ma




got talent
job training
ACT
ALASKA CREW TRAINING, INC.

+ Stories out of state

Dustin Arduser – Wasilla

Andrew Okpeaha MacLean - Barrow

Brett Baker - Anchorage

Andrew Okpeaha MacLean-Barrow

Mark Vance – Girdwood

Greg Norton - Anchorage

Kevin Phillips – Anchorage

Bodie Scott- Orman - Wasilla

Mark Woods – Anchorage

Sean Morris - Anchorage

ACT
ALASKA CREW TRAINING, INC.



Andrew Okpeaha MacLeans feature film "On the Ice" recently premiered at Sundance film festival.

Sean Morris' 2nd feature "Rain Bringer" has screened at film festivals worldwide

Actor Brett Baker recently landed a lead role working opposite Jon Voight in the feature film "Ghost Vision"





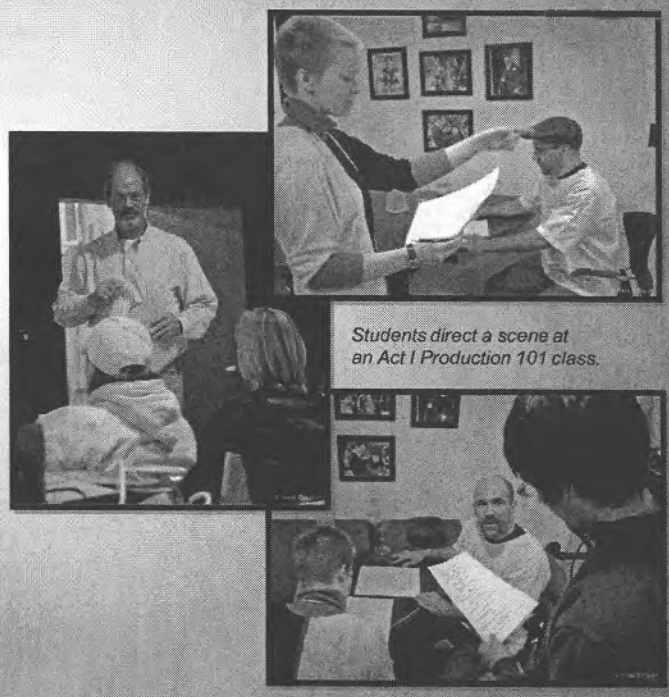
Can a growing industry lure the

vision for the future

2011-2012 and beyond . . .

ACT
ALASKA CREW TRAINING, INC.

- Training for entry level jobs across Alaska in the first two years.
- Creating a production friendly environment.
- Crews are trained, hired and rehired, deepening our crew base.
- Alaska's infrastructure grows.
- Incentives help build a diversified economy for all Alaskans.



Students direct a scene at an Act I Production 101 class.

CALENDAR

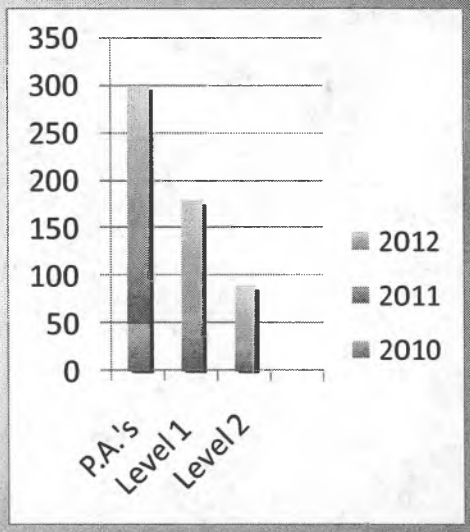
ACT
ALASKA CREW TRAINING, INC.

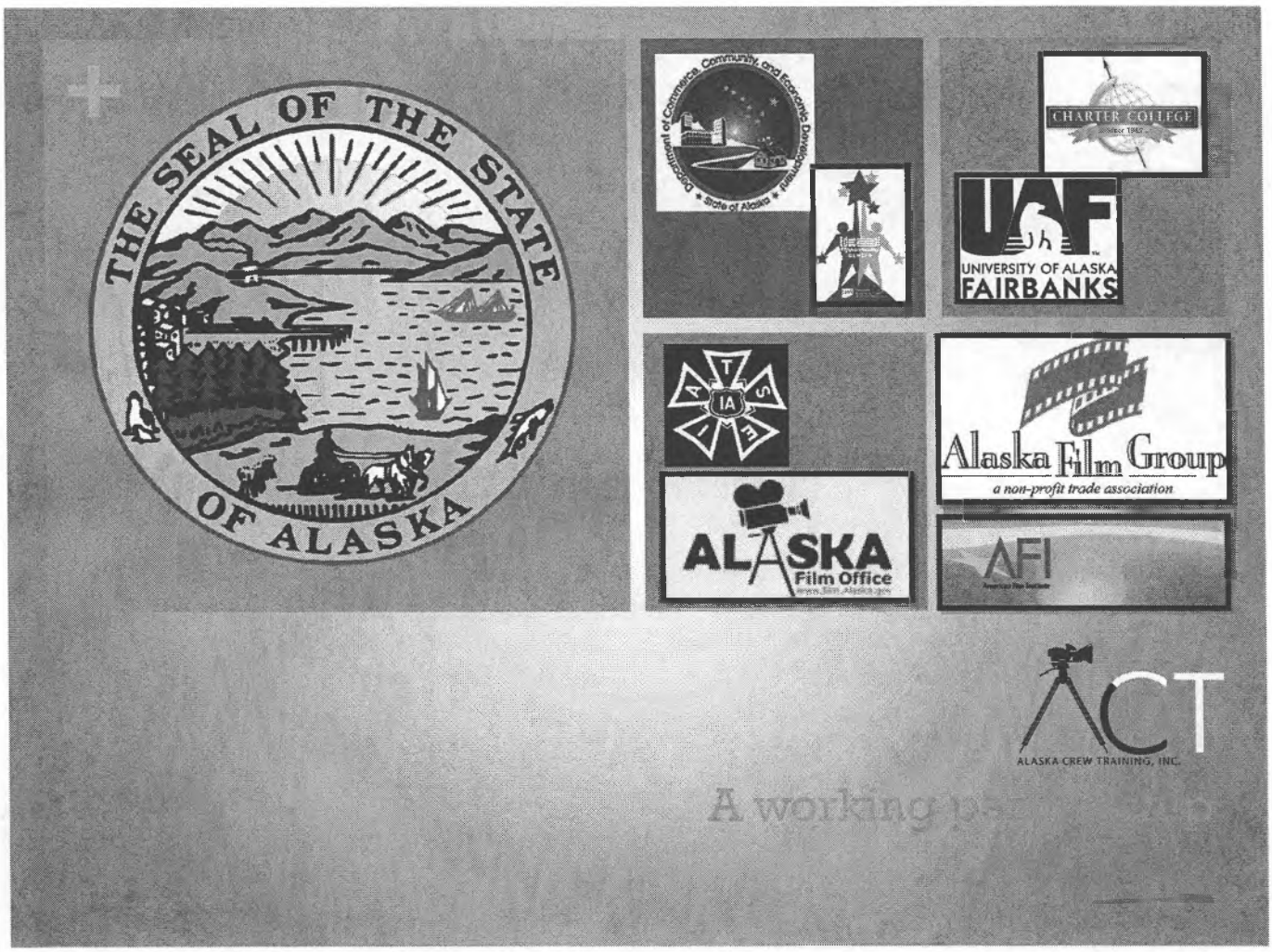
Planning class to match workforce needs.

Design a curriculum that trains for what we lack.

Provide training programs that are accessible to all Alaskans.

Sustain a growing workforce with continued state incentives that fuel future productions.




THE SEAL OF THE STATE OF ALASKA
Department of Commerce, Community, and Economic Development
State of Alaska
CHARTER COLLEGE
UAF
UNIVERSITY OF ALASKA
FAIRBANKS
IATSE
IA
Alaska Film Group
a non-profit trade association
ALASKA
Film Office
AFI
ACT
ALASKA CREW TRAINING, INC.

e need from Alaska

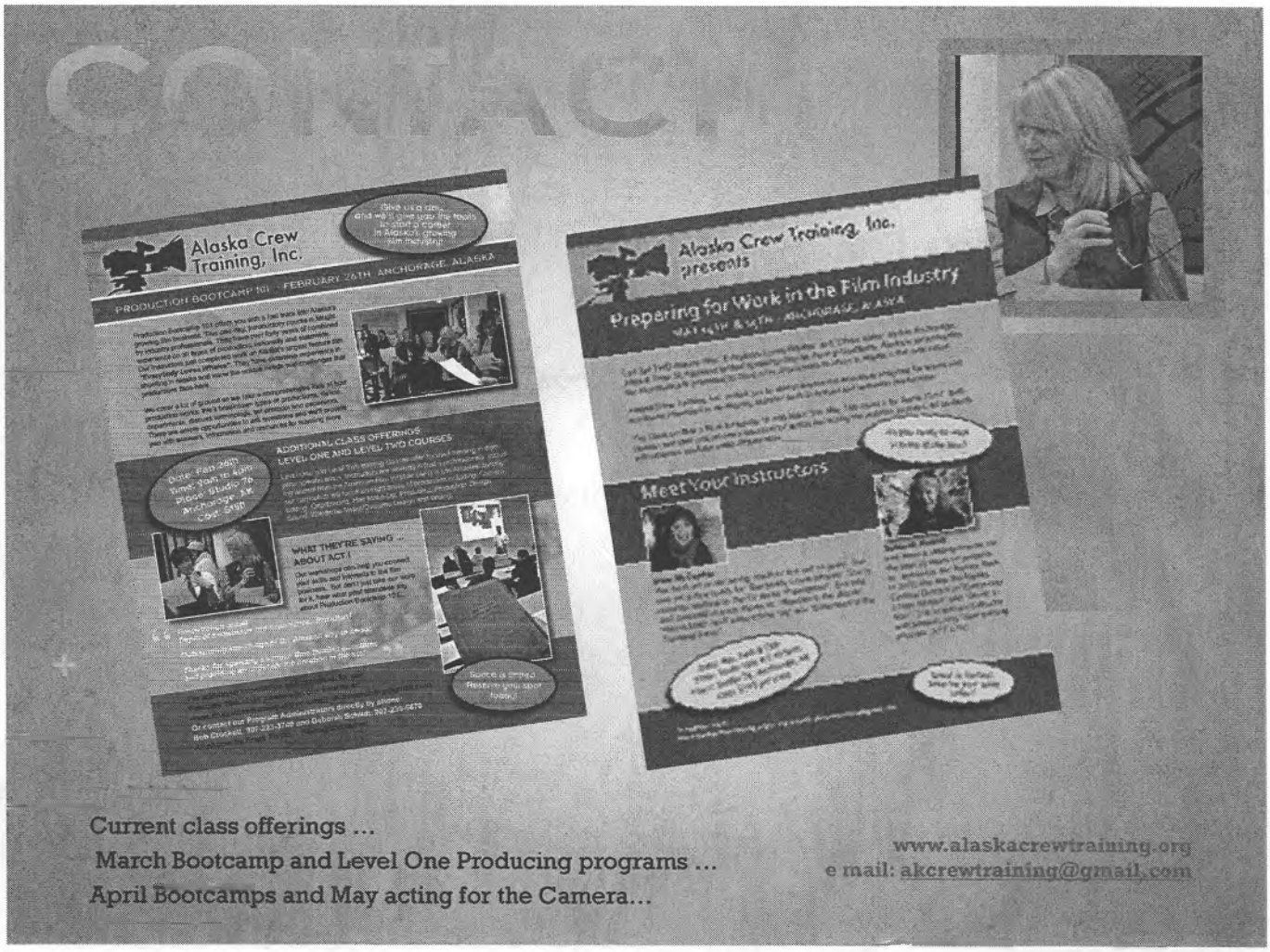


Passage of SB 23 and HB 67 extending the tax credit incentive program.

Help us market to film productions looking to bring their projects to Alaska.

Spread the word to Alaskans about the opportunity to join this new and exciting industry.

Working in partnership with Alaska Crew Training, Inc. and other recognized training programs to continue building Alaska's workforce.



Current class offerings …

March Bootcamp and Level One Producing programs …

April Bootcamps and May acting for the Camera…

www.alaskacrewtraining.org

e mail: akcrewtraining@gmail.com

ACT

ALASKA CREW TRAINING, INC.

Thanks you for listening and supporting a bright future for Alaskans in our next GOLD RUSH



Crew at work on "Everybody Loves Whales"

www.alaskacrewtraining.org



Tax incentive program improves economy

By Heidi Bohi

Shortly after the movie "Everyone Loves Whales" began filming in September, Uptown Blossoms, a popular flower shop in midtown Anchorage, had its own brush with fame when the set decorator called to talk about flower needs for various scenes in the movie.

"When we first met him we were sort of nervous, but really he's just a person like you and me," shop owner Carol Trout says, adding that her business was recommended to the studio coordinators. "Wherever there was a need for flowers, we supplied them."

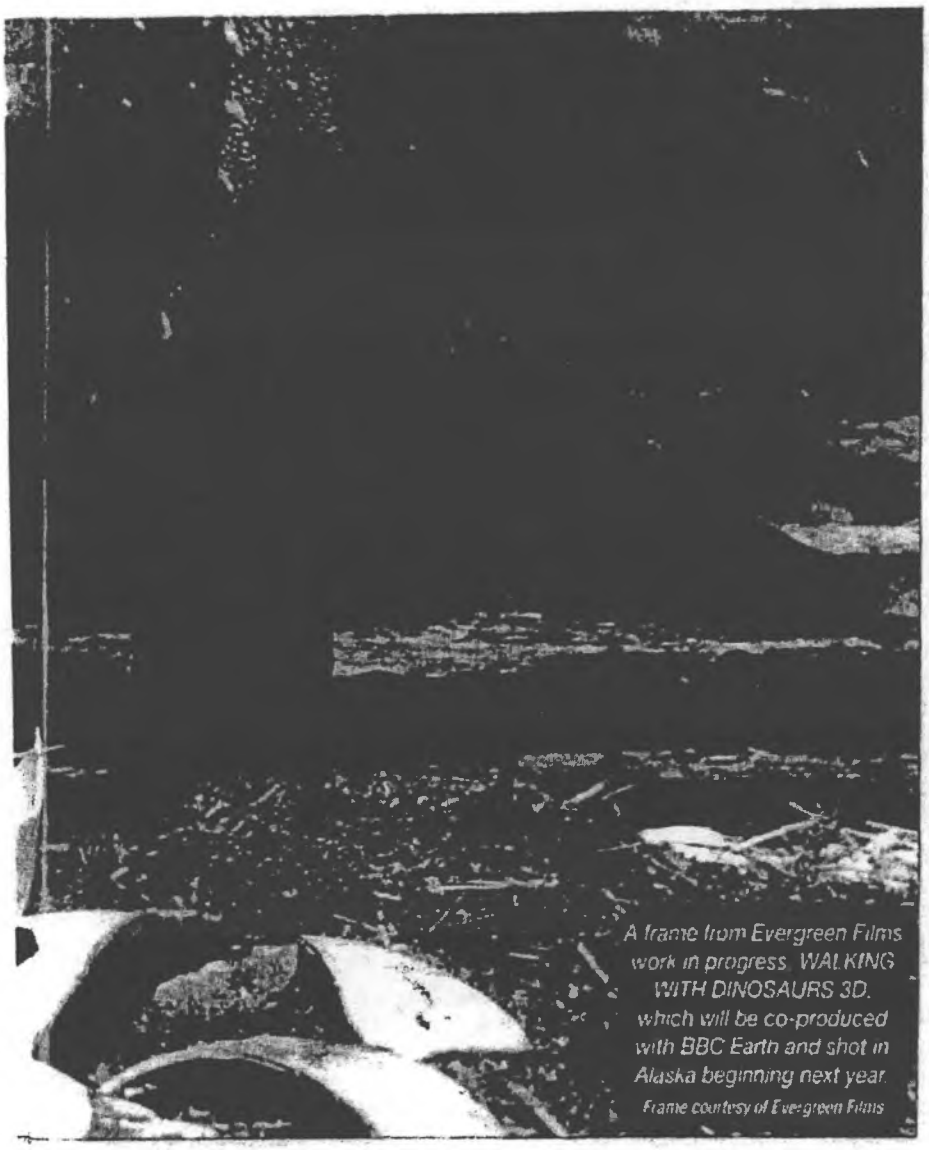
Set in Cold War era 1988, the film tells the true story of a small-town news reporter and a Greenpeace volunteer, played by Drew Barrymore, who enlist the help of rival superpowers to save three gray whales trapped under the ice of the Arctic Circle as they made their way to Mexico for the winter. The national media, environmental activists, and the United States and Soviet Union – then in the middle of the Cold War – quickly descended on Barrow in an effort to escort the whales into open water.

Trout says flower needs all had to be designed to reflect what was in style in the 1980s, and included centerpieces and arrangements for various scenes in the film. Some of the flower orders required working with the production person responsible for props any of the actors or actresses touched.

What it meant for Uptown Blossoms was about $4,000 in orders. Although Trout says her business is fortunate to have a steady stream of customers year-round, it was nice to have the extra bump.

Alaska's Newest Industry

Since beginning to offer financial incentives to studios that decide to film their movies in Alaska, as is the case with "Everybody Loves Whales," the State's resurrected Film Office is optimistically watching what is being dubbed as Alaska's newest industry. The hope is the economic development initiative will attract projects that mean millions of dollars in economic impact resulting from increased receipts for small and large businesses and local hire.



A frame from Evergreen Films work in progress, WALKING WITH DINOSAURS 3D, which will be co-produced with BBC Earth and shot in Alaska beginning next year.
Frame courtesy of Evergreen Films

which in the case of "Everyone Loves Whales," meant hiring 3,000 Alaskans statewide, though most were hired in the Anchorage area. Other businesses that stand to measurably benefit are airlines, hotels, freight handling and air cargo, along with smaller enterprises that include everything from courier businesses to seamstresses.

About 30 productions have been prequalified by the State Film Office, meaning studios have submitted applications, estimated budgets, distribution plans and script treatments for the projects. With $100 million available and a minimum spending requirement of $100,000, most projects qualify, including films, documentaries, commercials and video productions.

According to the legislation behind the Alaska Film Production Incentive Program, up to a 44 percent transferable tax credit is awarded within weeks once a rough-cut of the production is submitted and an Alaska-licensed CPA has audited the project. In addition to the 30 percent base rate, additional percentages are awarded for local hire, off-season production and filming in rural areas.

Although final numbers are still being tabulated to determine how much Alaska benefited from the recent production's use of local crew and services, after 10 weeks of watching those associated with the project frequent local restaurants, shops and hotels, Alaskans are seeing the potential contributions of the industry, especially during the off-season months. "Everybody Loves Whales" filmed for 12 hours a day, five days a week for almost three months. (It takes about one day to shoot two to four minutes of film.)

As the preferred hotel for 200 cast and crew, the Captain Cook cannot discuss its agreement with Universal Pictures, though it has been estimated the property had 12,100 bed nights booked from September to December, which is historically a slow time after the peak visitor season. Add meals and incidental expenses, along with side trips that crew took on their days off, and it is easy to see how a film project can quickly contribute to the state's economic development.

Evergreen Films

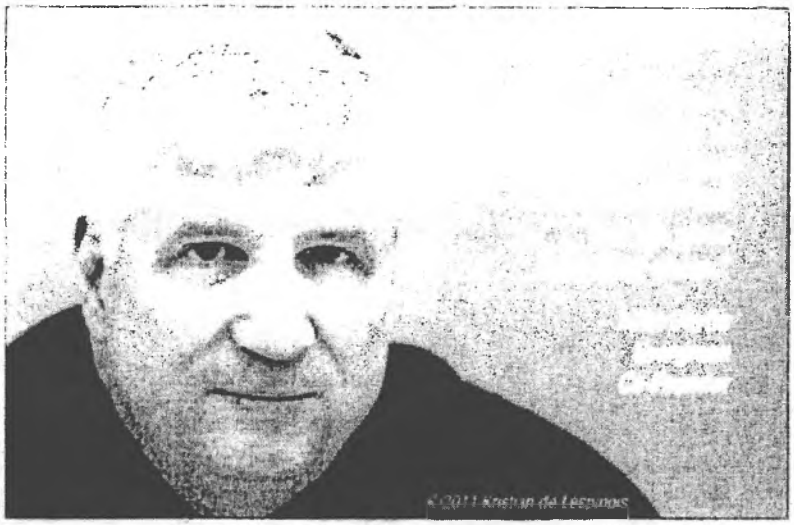
"It's been a long time since there was a new industry in Alaska trying to build from the ground up," said Kate Tesar, business development director for Evergreen Films.

Evergreen, though not associated with "Everyone Loves Whales," is one of the industry's most watched developments. The Anchorage-based production company continues to make substantial investments in Alaska and is positioning itself to take advantage of the growing industry.

It has several productions in the works, one which will likely be the Kate Shugak television series based on Alaska author Dana Stabenow's mystery novels, including "A Cold Day for Murder," which won the Mystery Writers of America's Edgar Award. Other titles that will be made into the series are "Whisper to the Blood," which made the New York Times bestseller list, and "A Night Too Dark," which is the 17th in the series.

Based in Anchorage with offices in Los Angeles, Calif., Evergreen was founded by Mike Devlin and Pierre De Lespinois. Devlin has a computer engineering background and Lespinois is an award-winning television and film director. Devlin fell in love with Alaska and decided to build his Anchorage Hillside film editing studio after selling his software company. The team also has a yacht in Seward with adaptations that can accommodate filming both on and under water.

Another of Evergreen's biggest market advantages is the company's state-of-the-art digital and 3D studios, including 3D camera systems, groundbreaking LIDAR scanning technology, photo-real 3D Computer Generated Imagery (CGI), and an integrated 3D post-production workflow. The technology allows them to create a realistic portrayal of any location. This technology will also be used in "Walking With Dinosaurs," the Alaska-scripted and -produced, live-action dinosaur feature. That production will highlight photo-realistic 3D dinosaurs immersed in real, live-action 3D environments. This will launch in 2013 with 20th Century Fox securing the distribution rights. Evergreen is partnering with BBC Earth to produce the $65 million feature film. Devlin says most of the live action for "Walking with Dinosaurs" will be filmed in Alaska to take advantage of the beautiful exteriors and the State's film incentives. The franchise model of the film means a new movie will be produced every two to three years. Evergreen and BBC are also partnering on the production of the $25 million feature film "Africa 3D."



Mike Devlin co-founder of Evergreen Films, with offices in Anchorage and Los Angeles.

NANA Partnering

Responsible for helping create the incentive legislation, Tesar says Evergreen is committed to developing the industry statewide so that many communities benefit from the economic boost. To that end, it recently partnered with NANA Development Corp., an Alaska Native corporation based in Anchorage, which offers infrastructure and services that will help grow the industry and employ more Alaskans, including NANA shareholders.

"We are thinking it will take 10 to 15 years to build the industry in Alaska and NANA has the same long-term vision," Devlin says. "Together, the two of us are making a mutual investment to build the industry – we focus on film, they focus on building the service industry, and we will involve them in every production we're doing."

By making a financial investment, NANA is about a one-third owner and the company's partner in films that are shot in the Arctic environment, meaning it is the preferred vendor for those services it offers. The partnership is expected to create a lot of opportunity for shareholders – whether they are hired to work on a film project, or they simply benefit from dividends resulting from this newest investment.

When Evergreen approached NANA in 2009, it was looking for corporate involvement in specific high-budget films. NANA was less interested in being involved in specific films and more likely to invest in the company as a whole, says Robin Kornfield, vice president of communication and marketing for NANA Development Corporation. Although being involved in the film industry is not an area NANA has experience in, as it researched the opportunity it quickly became apparent that many of the services it had built up over the past 38 years are the same ones required in film production, including remote camp services, food service, security, transportation and staffing services.

"We already provide many of the back-of-the-house things that make it possible for those in the front to get their work done," Kornfield says. "We realized it was a better fit than we thought when we first went in – with just one phone call the industry can access all the film support services it needs."

Although the idea of partnering with Evergreen may seem like a big stretch to the business community, Kornfield says that, in fact, the board of directors was not completely unfamiliar with the benefits of the film industry. The group travels to Vancouver, British Columbia, Canada, regularly for business associated with Red Dog Mine and is used to seeing film crews shooting in the middle of the street. "The prospect of doing something in Anchorage was not foreign to them at all," Kornfield says.

One big draw for NANA was that the film industry offers more opportunities in areas younger shareholders will be interested in such as computer graphics.

Although acting is an obvious opportunity for shareholders, Kornfield says, the greater opportunity is for them to be involved in the service industries, which is the backbone of the corporation's success. Although the partnership will evolve over time, Kornfield says NANA will do whatever it takes to make film support services available, and at the same time will offer these same services to other film production companies that come to Alaska.

"Every time a shareholder gets a paycheck – that's part of what we do," Kornfield says, adding that part of NANA's plan is to eventually develop a line of services specific to the film industry that shareholders can be trained in.

Partnerships like the NANA-Evergreen one embody the intent of the original incentive legislation, which was designed to develop new business opportunities in Alaska by pairing the supply with the demand. From there, Tesar says, the jobs and on-the-job training for Alaskans will follow.

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We're ready for our close-up, Mr. DeMille

COMPASS: *Other points of view*

By SUSAN BELL

(01/05/11 19:08:04)

Alaska's film industry has received much notice lately thanks to two feature films that have recently finished production here. Alaskans love watching as Hollywood discovers our state. We love the economic impact, too -- including jobs, spending on hotel rooms, rental cars and other goods and services - that comes when hundreds of people become our neighbors, if only for a short time.

Through the leadership of Sen. Johnny Ellis, the concurrence of the Alaska Legislature, and the support of Gov. Parnell, the state's recently implemented film industry tax credit has been instrumental in spurring the growth of this new economic sector. The film industry has the potential to provide diversity and meaningful contributions to the state's economy. When the film tax incentive bill was passed in 2008, the law provided a base credit of 30 percent to companies that film in Alaska and spend at least $100,000 during a 24-month period. Additional credit could be earned for wages paid to Alaskans, as well as for productions made in rural areas or shot between Oct. 1 and March 30.

Tax credits have been a standard part of economic development strategy for years, as they stimulate additional investment and bring new businesses into the marketplace. Alaska offers similar incentives for mineral exploration, certain types of oil and gas production, and value-added salmon product development.

In the case of the film industry, attracting Hollywood north will help the state accomplish several outcomes:

- Encouraging and protecting a new industry in Alaska;
- Enhancing the economic viability of film projects attracted to Alaska;
- Boosting Alaska businesses and creating jobs for Alaskans; and
- Increasing interest in Alaska tourism from Outside audiences who are inspired to visit after watching movies filmed here.

From a competitive standpoint, it is important that we continue to build the physical infrastructure and human capital necessary to host major motion pictures and television programming. Growing this industry to the point that it is self-sustaining may take years to come to full fruition. But look what has already happened in the 30 months since the tax incentive was implemented:

- Two Alaska children are lead actors in two major feature films that will be released in 2012;
- Dozens of other Alaskans have earned speaking roles;
- Hundreds have signed on as extras, crew members, or both;

• Private industry is planning for a soundstage, a fundamental piece of infrastructure that will make Alaska more attractive to production companies;

• Films made by Alaskans are being screened at the prestigious Sundance Film Festival;

• Alaska's own film festival is growing rapidly;

• Film production management companies are starting to develop;

• Alaska cinematographers are working side by side with Hollywood's best directors of photography; and

• Alaska producers are busy working on films large and small.

What's next? We need to work hard to attract more productions and create paths of opportunity for Alaskans. The Department of Commerce, Community and Economic Development, which houses the Alaska Film Office, needs to ensure that a trained workforce is ready for action. We are working to develop job-training programs for as many Alaskans as possible, in conjunction with the private sector, other state agencies and the university system.

These aren't going to be overnight, "just add water" accomplishments. We're nurturing this industry with plans for it to develop and contribute to Gov. Parnell's vision for a legacy economy that provides opportunity for this generation and beyond. It is time. For years we have watched as other locations, pretending to be Alaska, stood in our spotlight and reaped the benefits of jobs, spending and invaluable promotional exposure. No more. Alaska is ready for its close-up.

Susan Bell is the commissioner of the state Department of Commerce, Community and Economic Development. Information about the state's film industry tax credits can be found at www.film.alaska.gov/incentive-program.htm.

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ALASKA
Journal of Commerce
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Web posted Friday, January 28, 2011

Lights, camera, Alaska! Tax credit could draw $100M

By Andrew Jensen
Alaska Journal of Commerce

Reality television struck gold in Alaska long ago, but a package of film tax credits passed in 2008 has the state ready to take its act to the big screen.



The Tweto family (from left), Ayla, Ariel, Jim and Ferno are featured in the reality TV show, "Flying Wild Alaska," a series on the Discovery Channel about Bush pilots. It is one of dozens of productions filmed in Alaska, many of which are taking advantage of the state's tax incentive. *AP Photo/Discovery Channel*

Two Hollywood films — "Beyond" starring Jon Voigt and "Everybody Loves Whales" starring Drew Barrymore — wrapped in 2010. An independent film shot in Barrow — "On the Ice" — by local director Andrew MacLean competed at the prestigious Sundance Film Festival this January.

"Everybody Loves Whales" has not yet submitted its final application for the tax credit, which will reveal how much the production spent in Alaska while shooting in Seward, Anchorage, Barrow and Fort Richardson. The movie had a reported $30 million budget and the production was one of the first to apply for the Alaska film credit in May 2009.

Completed projects ($14.9 million) and pre-approved projects ($88 million) push the potential spending in Alaska to more than $100 million.

"Beyond," which had a reported budget of $10 million, spent $6.6 million filming in Anchorage last fall and received a tax credit of $2.14 million, the largest to date. The tax credits, which have averaged about 32 percent of total Alaska spending, are issued based on how and where companies work.

The base credit is 30 percent of Alaska expenditures, with a total incentive of 44 percent available with a 10 percent Alaska hire credit, 2 percent seasonal credit for shooting between October and March, and another 2 percent for shooting in rural Alaska. The credits are transferrable, which means production companies can sell the credits to Alaska companies for reductions in their state corporate income taxes.

Alaska has no state sales or income tax, so the credits will exceed a company's tax liabilities. According to the state Film Office website, the credits can fetch 80 percent to 90 percent of their value and provide an additional cash stream for production companies.

The largest credit by percentage issued to date was 37.67 percent to the production of "Disaster on K2" completed in 2009. The documentary, which did some shooting in Nepal, took advantage of Alaska's scenery to recreate the 2008 expedition that left 11 of 15 climbers dead.

Since the introduction of the credits, 15 productions have wrapped after spending $14.9 million in Alaska. Tax credits have totaled $4.9 million to date.

There are now 29 active projects pre-approved for the credit, including "Everybody Loves Whales," with total proposed Alaska spending of about $88 million and $29.4 million in potential tax credits.

Alaska Film Office director Dave Worrell cautioned that it is unlikely all $88 million actually will be spent, but it indicates the growing interest in Alaska's film incentive program.

"As we see some productions happening, particularly feature films, it kind of feeds off of that," Worrell said. "People are a little hesitant to be the first on the block. Now we've seen a couple feature films come in and be successful here, I think the word will get out that, yes you can make a movie in Alaska."

Worrell was particularly excited about "On the Ice," which was shot on a budget of $524,628 and earned a credit of $171,145. MacLean is a native of Barrow who attended film school in New York and shot his senior project "short" in his hometown.

The short also qualified for Sundance, and MacLean was encouraged to shoot it as a full-length feature.

"That's exactly what we want to see," Worrell said. "We want to see Alaskans telling Alaskans' story."

With 43 states (including Alaska) and every Canadian province having some kind of film incentives, Worrell said it was "critical" for the Legislature to pass the credits.

"With the global economy the way it is right now, films are having a hard time getting a green light," he said. "It's an indispensible part of the business now. If Alaska is going to be competitive, we have to have some kind of incentive."

Alaska has work do to, though, in having sufficient numbers of qualified crew and movie infrastructure if it wants to attract additional big budget studio films. A variety of tacks are being pursued from the Department of Labor and Workforce Development, to the University of Alaska system, the nonprofit Alaska Crew Training Inc. and the recent partnership between NANA Corp. and Evergreen Films.

Being able to shoot indoors is another need, Worrell said.

"Right now we have to rely on what Alaska has always relied on, our amazing locations," he said. "That right now is the huge draw for us. But filmmakers need something to keep their

crew busy on rainy days. Having sound stages where they can do interiors will be a big help for the industry. We recognize this is something that has to pencil in, so it's a little bit of building slowly. We think there's interest and a market for Alaska, but a business case has to be made to build the infrastructure."

The incentive has benefitted the wide array of reality shows that were already home in Alaska such as "Deadliest Catch" and "Ice Road Truckers."

In its sixth season, "Deadliest Catch" spent $1.75 million in Alaska and received a $584,562 credit. The third and fourth seasons of "Ice Road Truckers" wrapped in 2010 with a total Alaska spend of $3.9 million and a credit of $1.3 million.

A slew of new reality programs also hit the air in 2010 and 2011, including "Alaska State Troopers," "Gold Rush: Alaska," "Flying Alaska Wild" and "Sarah Palin's Alaska." Other shows such as "Ax Men," "Man vs. Wild" and "Top Gear" dropped in to film episodes.

Deadliest Catch, now filming its seventh season, has been a ratings giant for Discovery Channel. It ranked No. 1 in the coveted 25-54 demographic for 14 straight weeks on cable last season, drawing a record average of 5.4 million viewers and 8.5 million for the final episode that recounted the untimely death of Cornelia Marie Capt. Phil Harris.

Ice Road Truckers has steadily drawn more than 3 million viewers; Gold Rush: Alaska attracted 3.7 million viewers for its Jan. 7 premier episode; Alaska State Troopers pulled 6.2 million total viewers for the debut of its second season.

The state tourism office is trying to capitalize on the Alaska fascination with new promos running during the shows, and Worrell noted the boom to New Zealand tourism after the "Lord of the Rings" was filmed there.

"Having Alaska visible on the big screen and small screen, it reminds people, 'that's someplace I've always wanted to go,'" Worrell said. "Maybe the constant presence of Alaska will spur that little extra and 'OK, this is the year I'm going to go.'"

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Promoters see bright future for Alaska in movie business

NEW VANCOUVER? Boosters want to build $1 billion movie industry.

By KYLE HOPKINS
khopkins@adn.com

(09/14/10 15:53:04)

Another major movie is expected to begin filming in Alaska early next year, a local film insider told Anchorage business people on Monday.

The filmmakers are talking to actors Viggo Mortensen ("The Lord of the Rings"), Liam Neeson ("Taken") and Oscar winner Jeff Bridges ("Crazy Heart") about playing the lead role, said Carolyn K. Robinson, executive producer for Spenard-based SprocketHeads LLC.

Preproduction for the film could begin as early as this fall, she said.

Meantime, NANA Development Corp. announced Monday that the company recently bought a 33 percent stake in a local film production studio, Evergreen Films Inc. The company is spending "several million dollars" on the deal, President Helvi Sandvik said.

The announcements came as local film boosters on Monday pitched Anchorage business leaders their goal of turning the city into the new Vancouver by building a $1 billion Alaska film industry over the next decade.

"When you get a major corporation like NANA saying they're going to help participate ... that's a big vote of confidence," said Evergreen Films chief executive Mike Devlin. Among other ventures, his studio has been developing the popular Dana Stabenow mystery novels into a series that's set to be shot in Alaska.

The first modern, major movie to be filmed entirely in the state -- "Everybody Loves Whales," starring Drew Barrymore and now Ted Danson -- begins filming Thursday in Anchorage.

"We're just shooting, I think some interiors that don't involve any of our main actors," said David Linck, a spokesman for the film.

The film crews will be working Thursdays through Mondays this fall, allowing the crews to shoot in local buildings, such as schools, on weekends.

For decades, movies about Alaska have almost always been filmed somewhere else. Moviemakers credit the state's new tax incentive program -- which allows them to recoup as much as 44 percent of their costs -- with luring new productions.

In other words, Alaska essentially subsidizes its fledging film industry by allowing companies that buy the credits to save on taxes that they would otherwise pay to the state.

Productions that hire Alaskans, shoot in remote locations or film during the off-season are eligible to save more money. The idea is to launch a new industry in a state that leans on flagging oil production to create jobs and pay bills.

"It's a renewable resource," said NANA Development's Sandvik.

NANA is the business arm of Kotzebue-based NANA Regional Corp., the Alaska Native regional corporation for Northwest Alaska. A partner in the Red Dog Mine, the company already provides catering, security and other services for the oil industry. Now executives hope it can do the same for filmmakers.

'HOLLYWOOD NORTH'

The model for growth in Anchorage is Vancouver, a city nicknamed "Hollywood North," where production spending generated $1.2 billion in 2008. That included 20,000 production jobs, plus thousands more support workers such as taxi drivers and beauticians, Devlin said.

New Mexico and Louisiana have also succeeded in wooing Hollywood producers in search of tax breaks and refunds. Other states tried and stumbled.

In Iowa, for example, corruption in the state film office sank that government's effort to nurture a film economy, Devlin said. Others failed to stoke enthusiasm for the industry.

What Anchorage needs now are soundstages, large buildings where you can build sets and film regardless of the weather, he said. Enticing scripted television shows, which are more expensive than reality TV and can cost millions per episode to produce, is also key.

Sandvik said the company's executives have seen first-hand the results of other cities' efforts to court the industry.

They've waited on film crews before crossing the street in Vancouver, where NANA meets with the Canadian partners in the Red Dog Mine.

In February, NANA officials visited Louisiana to talk about offshore oil and gas development. "We had to hang out in the rain while Nicolas Cage was filming a movie," she said.

THE BOTTOM LINE

Robinson, the SprocketHeads co-founder, said the director of the newest Alaska-based movie and "his international team" recently toured the state scouting locations and meeting Alaskans. Among the stops: a scouting visit to four-time Iditarod champion Martin Buser's kennel in Big Lake, she said.

"The film executive told me flat out that they did a multi-country, multiple-state comparison, calculating in our film incentive program," Robinson said. "The bottom line said shoot in Alaska."

Robinson -- who urged business honchos at the Anchorage Chamber of Commerce luncheon to picture an industry based on exporting film canisters rather than oil barrels -- said she can't talk much about the movie yet.

More than 30 productions have pre-qualified for the Alaska tax credit, Alaska Film Office manager Dave Worrell told the business crowd. All told, the estimated budget for those projects amounts to more than $99 million in spending in Alaska, he said.

But Worrell cautioned in an e-mail last month that several productions that pre-qualified may not get made -- and, as a result, won't receive tax credits.

"We had a flurry of films in-state for preliminary scouting over the summer, but it's too early to know which ones will receive their greenlight and start on-the-ground production," Worrell wrote in late August.

Not all film and television productions are eligible for tax credits, the film office said. Crews shooting political ads, news stories and pornography have to pay full price.

Read The Village, the ADN's blog about rural Alaska, at adn.com/thevillage. Twitter updates: twitter.com/adnvillage. Call Kyle Hopkins at 257-4334.

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Boosters hope Alaska will be "Hollywood Far North"

Sat Oct 02 19:01 21 UTC 2010
By Yereth Rosen

ANCHORAGE, Alaska (Reuters) - On a crisp autumn day, as office workers went about their business, one of Anchorage's major hotels became the temporary hub of what state leaders consider a promising new Alaska industry.

The lower level of the Hotel Captain Cook was occupied by a Hollywood film crew that converted rooms into movie sets, makeup and dressing areas and equipment-packed work sites.

In progress was filming for Universal Features' "Everybody Loves Whales," a movie starring Drew Barrymore and recounting a 1988 rescue mounted for three gray whales trapped in Arctic ice.

In a departure from past history, this Alaska-based movie is being filmed on location, rather than in a make-believe Alaska set constructed in British Columbia or elsewhere.

Alaska officials hope this and other projects will help diversify the state's economy from its precarious dependence on dwindling oil production.

"We wouldn't be 'Hollywood North.' Vancouver claims that. We'd be 'Hollywood Far North,'" said state Senator Johnny Ellis, an Anchorage Democrat and self-professed movie buff who authored 2008 legislation that established a special tax credit for big film projects and revived a state film office that had been eliminated during a past austerity push.

Ellis' measure entitles film companies spending $100,000 or more in Alaska to transferable credits of 30 percent of those costs, plus 10 percent of money spent hiring Alaskans. Extra credits are given for expenditures in rural areas or outside of the summer tourist season.

Film companies in the past have largely avoided Alaska, citing the state's high costs, remoteness and overall inconvenience.

But the tax incentive has made a difference, said David Linck, unit publicist for "Everybody Loves Whales," a project Ellis refers to as "Northern Exposure Meets Free Willy."

"It's dollars and cents," Linck said.

Filming will run through November, he said. It has been an economic boon to Alaska, with several key roles filled by Alaska Natives selected after casting calls in remote rural sites, he said.

Among those sharing in the bounty is Su Gamble, owner of a hair salon in an Anchorage strip mall the producers selected for three days of filming because of its retro-1980s look. Gamble herself was cast as an extra, an experience that still thrills her.

"It's such a blast that they chose my place, and they chose me," she said.

OSCAR HEADED NORTH?

She recounted the two hours crew members spent creating her 1980s big-hair look, proclaimed the film producer and crew "so sweet" and "so patient," and predicted an Academy Award for the project.

"Drew Barrymore's going to be the best actress for the year 2012," she said.

It will be several years before Alaska is able to develop its own industry support system, with skilled workers and specialized contractors, anywhere on par with what exists in British Columbia, said Mike Devlin, chief executive of Los Angeles-based Evergreen Films.

Still, each new project moves the state incrementally toward that standard, he said.

"Every film means some Alaskans are in on the production," he said.

Evergreen Films is so bullish on Alaska it has located a studio in Anchorage. The studio occupies a vast and elegant house perched in the mountains overlooking the city, glacier-fed Cook Inlet and a panorama of snowy mountains, including active volcanoes and Mount McKinley.

The studio doubles as Devlin's residence.

"I'd rather get up in the morning here than in L.A.," he quipped, taking in the view from a bank of windows.

Evergreen Films has produced nature documentaries, among other projects, and is working on a television series based on mystery novels by Alaska author Dana Stabenow.

Last month, NANA Corp., owned by Inupiat Eskimos from the state's northwestern region, announced it was investing in a joint venture with Evergreen. The project will "create jobs and economic growth," a NANA statement said.

Alaska already is experiencing a boomlet in reality-TV productions such as "The Deadliest Catch," the fishing series produced by the Discovery Channel, and former Gov. Sarah Palin's controversial series being produced by TLC.

"Alaska is the talk of the nation, in many ways, good and bad. But most of it good," Ellis said.

For some Alaskans, the desire to lure film projects goes beyond money.

Hollywood's habit of using non-Alaska sites to film Alaska stories -- even the iconic television series "Northern Exposure," which was filmed in Washington state -- has long been an irritant.

Some on-screen results made Alaskans cringe. Pine forests and wooded hillsides stood in for what was supposed to be open Arctic tundra. Asian actors portrayed Alaska Natives. And there were improbable story lines, like running gags about snake problems in the reptile-free far north.

The final insult, said Ellis, was learning that a major romantic comedy starring Sandra Bullock was being filmed in Massachusetts even though the story was set in Sitka, Alaska.

"That aggravated me, and it aggravated others," the senator said, referring to "the Proposal," released in 2009. "There's a long, sad history of Alaska losing out. But I hope we're starting to change that."

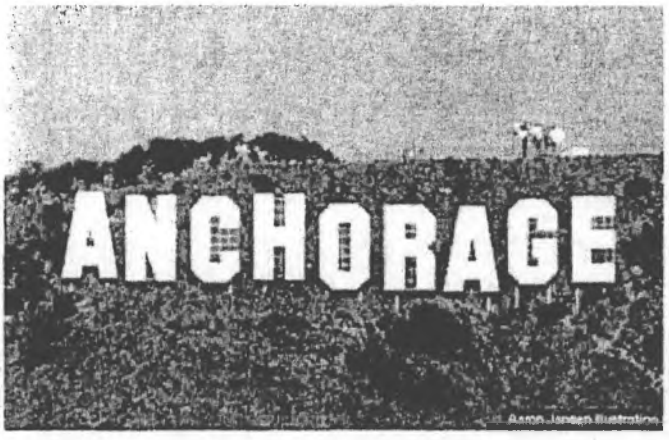
(Editing by Steve Gorman)

Features

Print

Behind the scenes as Hollywood meets Alaska

Joshua Saul | Oct 11, 2010



Early on a Saturday morning in early October, inside an Anchorage middle school dressed up to play Barrow's high school, 140 extras sweated in bunny boots, parkas, and kuspuks. Extras playing Alaska Native villagers sat facing the front of the room, where a half-dozen somber whaling captains sat with two huge Panavision cameras behind them. I stood among the virtually all-white press corps clustered in behind the villagers: an Alaska reporter dressed up to play an out-of-state photographer.

When Drew Barrymore breezed onto the set, the extras burst into applause. Barrymore hid her face in her hands, feigning embarrassment, then told the Alaska Native extras they wouldn't like her after we heard her character arguing against the head whaling captain.

She was right. The scene being filmed -- a pivotal plot twist in "Everybody Loves Whales," a $30 million movie that recreates a real 1988 event -- portrayed a community meeting in Barrow held to decide whether three whales trapped in the ice should be killed and eaten or freed. Barrymore played a Greenpeace activist fighting for the whales' release while the Alaska Native extras professed to like the taste of whale and said they hate being told what to do by white environmentalists from the Lower 48.

When filming began, Barrymore argued with a handsome young whaling captain in a red bandanna and Sorel boots. The press corps pretended to jot notes and take photographs of the confrontation. The extras playing villagers followed the director's instructions to "be a little impolite." When Barrymore's character said it would be wrong to kill the whale and its "babies," the villagers shouted her down. They cheered on the whaling captain as he replied that whales are what he feeds his family, what his whole village feeds its babies.

"What you're saying is ridiculous. You're a white girl. Go back to California. This is Inupiat country," the captain said, drawing the loudest cheers of the scene. But Barrymore's character wasn't finished. You don't need to hunt, she said, not when you all get big stipends from the oil companies and have enough money to buy all the food you need.

"Those stipends last just a few months," the young captain shot back. "We have to hunt. One day that oil's going to run out. And when that happens, who will feed our children? Will you?"

Real Alaska conflict comes to the silver screen

The scene reflected a real conflict between the subsistence lifestyle practiced by some Alaska Natives and the sometimes condescending environmentalism of urban and Outside interests.

Subsistence is a touchy issue in Alaska. Urban sport hunters and rural subsistence hunters clash over hunting quotas, the wanton waste of caribou on the tundra near Point Hope resulted in criminal cases that were covered by the Alaska media, and the decision of an Alaska Native state legislator to overfish his subsistence permit

became a high-profile court case.

Usually that conflict is misunderstood or ignored by the outside media and entertainment industries, so a mainstream Hollywood movie that appreciates the complexities of the conflict is something new. The film's directors did show at least some awareness of the divisions that sometime define Alaska. At one point, the first assistant director walked back to two white extras playing Barrow villagers. You don't have to be as angry as everyone else when Barrymore makes her points, he told them, adding that as white villagers, they wouldn't necessarily be agreeing with the Natives.

At the risk of drawing too broad a conclusion from one scene, "Everybody Loves Whales" does seem to have a clearer take on Alaska issues than most Lower 48 films and news reports. And it nailed the scene right down to the coffee urn and Sailor Boy Pilot Bread set up as props.

The movie's realism is only enhanced by its extras, many of whom brought their own kuspuks and fur-lined parkas instead of waiting to be outfitted by the wardrobe department. One of the extras playing a whaling captain is even part of a real whaling crew way out on Little Diomede, just two miles from Russian soil. Sylvester Ayek, a well-known Alaska Native artist who hunts walrus from his home in Nome, was scheduled to play another of the whaling captains but was "demoted," as he laughingly put it, when he showed up late for the shoot on Saturday.

A day in the life of an extra

Being an extra is harder than it looks; not like digging ditches in permafrost, sure, but tiring and monotonous all the same. During my stint on set the first weekend in October I was assigned, coincidentally, to play a press photographer. I was handed a dated Nikon with a big Speedlight SB-16 flash. To round things out, I was outfitted with black snowpants, black boots, a green pullover and a green down vest. It was easy to look the part, but more difficult to keep from sweating like a polar bear in a sauna. My press pass read "Dean Wilson, U.P.I." Positioned between a Wasilla medical biller playing a news reporter and an Arctic Slope Regional Corp. communications manager playing a cameraman, I had a good view of the room.

Actor John Krasinski, who plays Jim Halpert on the popular television show "The Office," was the tallest man on set, standing about 6 feet 3 inches with an impressive pompadour adding to his height and enormous brown boots on his feet that looked to be about a size 14. Between takes, he checked NFL scores on his iPhone and argued about "the best football movie ever" with co-star Tim Blake Nelson, who in 2000 put on a brilliant performance as the simplest-minded of the crooks in the movie "O Brother Where Art Thou." Actress Kristen Bell -- gorgeous, blonde, and the size of a middle schooler -- fanned herself with a reporter's notebook and laughed with Krasinski even while makeup artists were sponging foundation onto their faces.

There were local notables on hand to play reporters, too. Channel 2 weekend anchor Rebecca Palsha and Channel 13 anchor Natasha Sweatte were in the crowd, along with former Channel 2 reporter Julie Hasquet, now the spokeswoman for U.S. Sen. Mark Begich. Accepting high-fives from Krasinski before almost every take was Ahmaogak Sweeney, the 10-year-old son of Kevin Sweeney, campaign manager for U.S. Sen. Lisa Murkowski. Dressed in a blue track jacket and carrying a tape recorder slung over his shoulder, Sweeney appears to hold the substantial kid role in the movie.

After the morning filming broke for lunch -- which included chicken masala and orange roughy -- but before the

extras returned to the set, two men beat on traditional drums while four women in bright kuspuks danced a Yupik blessing for the people in the middle-school cafeteria. Many of the extras were Yupik or Cupik instead of the northern Inupiat they were playing in the movie, but it makes sense when you consider the realities of geography: Barrow is 725 miles north of Anchorage, while Bethel, the air hub of the Yupik regions, is just 400 miles west.

Elders among the extras treated with respect

The film crew seemed aware of the great respect with which Alaska Natives treat their elders. When the herd of extras was held up in the school's halls, elders were asked multiple times if they would like a chair so they could sit down for the few minutes it would take to get the group moving. And elders were shuttled to the front of every line, whether they were at lunch waiting to serve themselves or in wardrobe waiting to return their parkas and boots.

The elders, like most everyone else, seemed to be enjoying the shoot. As much as the extras shouted down Barrymore's character, it's impossible to stay mad at perky Drew. Sunday morning, on the second day of shooting the scene, an elderly Alaska Native woman sitting in the front row hollered for everyone's attention so she could organize a greeting for Barrymore. When the actress walked onto the set, carrying a copy of Jonathan Safran Foer's non-fiction book "Eating Animals," the crowd of extras boomed out "Good morning, Drew!"

Drew blushed again, then answered "That's the nicest good morning I've ever had in my life."

Then it was back to the filming. The director coached the extras on how he wanted them to react to the arguments made by the young whaling captain and Barrymore's character, telling them "It shouldn't feel choreographed" and "Try not to know where the scene's going."

While the extras playing villagers feign anger and the extras playing press snap their flashbulbs, the rest of Alaska waits to see whether the finished movie turns out to a realistic portrait of a complicated state and the people who live there or a shallow vehicle for a cheesy romance that sidesteps the pressing issues that bubble up in the 49th state.

Contact Joshua Saul at jsaul(at)alaskadispatch.com .

Read more of the Dispatch

- *A tale of two Joes, Miller and Vogler*
- *Canada, U.K. discuss preserving HMS Investigator wreck*
- *After Michigan spill, familiar concerns about pipeline regulators*
- *At Yale Law School, Joe Miller discovers Federalist Society*
- *Deadliest catch now safest catch?*

NANA
DEVELOPMENT CORPORATION

Testimony (as prepared) delivered to House Economic Development, Trade and Tourism Special Committee - Chair, Representative Bob Harron
The 27th Alaska State Legislature, 1st Session

Good Morning Mr. Chairman, committee members. I am Robin Kornfield, Vice President of Communications and Marketing at NANA Development Corporation. NANA Development Corporation is the business arm of NANA Regional Corporation, owned by the 12,500 Iñupiaq people who originated in Northwest Alaska. I am proud to be one of them.

NANA supports House Bill 67 because this legislation is about helping to create a new industry in Alaska, a new industry that is a renewable resource. Making movies.

NANA Development Corporation's board of directors is a group that is learning a great deal about the film industry. They have visited studios and sound stages and have mulled over the risks of investing in the film industry. They led us in our ongoing support of creating a new industry for Alaska. They, along with NANA Development Corporation support expanding the film tax-credit incentive. It is good for Alaska as it will lead to private sector jobs and expand our economy. NANA Development Corporation's investment in Alaska's film industry is a natural. We are an Alaska company focused on creating training opportunities and jobs for our shareholders, most of who live in Alaska. We also have the expertise necessary to support the industry.

NANA is investing in building the infrastructure for a film industry in Alaska and this expanded tax credit is key to its success. Last September, we made a multi-million dollar investment by becoming partners in Evergreen Films.

NANA is creating a new company called Piksik. Piksik is an Iñupiaq word that means to jump up, rebound or spring back. This name was chosen because our new film services company will be extremely quick and responsive to our film industry clients. It is a company that will provide one-stop shopping for companies making movies in Alaska. NANA already has expertise in many fields that are necessary in the film industry, so for us the connection is very natural. Catering, security, construction, mobile surveying, and lodging, all fields that are necessary in the film industry and all fields where NANA has developed business success.

NANA is a conservative company. We spent a very long time researching the film industry before we invested. As you can see by this chart, we discovered that domestic consumer

spending for filmed entertainment has grown year-over-year over the past decade. Though growth slowed during the recession years of 2008 and 2009, spending increased.
NANA also analyzed how this industry might grow. The U.S. accounts for about 6% of the world's population, and approximately 50% of the consumer dollars spent on filmed entertainment worldwide. But international markets are becoming more important and are expected to continue to outpace domestic growth for the near future.

Vancouver, BC, is one example of the impact a tax incentive and investment in the film industry can have. Starting with a little TV show in 1994, The X-Files, this Canadian city has seen movie production values grow. Over the past fifteen years, the Canadian city has experienced movie production monetary growth from $400 million to $1.2 billion and the industry has helped create more than 20,000 jobs.

Because we believe so strongly in the future of Alaska's film industry, NANA, Evergreen and other private sector partners, have begun investigating the possibility of developing a sound stage in Anchorage. These are renderings of how a sound stage might look. Nothing fancy to begin with…just production offices and a very large stage. Additionally, the studio will include a green screen allowing any background scenes to be added to film shot in the space. We feel that investment in sound stage infrastructure, combined with extending the tax credit, will encourage more producers to come to Alaska. Continual productions help provide the on-the-job training that Alaskans need to ensure continued work and growth in this industry.

Developing a film takes time. It is often two years before production begins. So lengthening the timeline for projects to qualify from 24 to 36 months, as is included in the legislation before you, will help in attracting more producers to use Alaska as a location. Expanding the dollars allowable under the tax credit from $100 to $200 million is important as well. It will allow the industry to grow in Alaska as the infrastructure we are creating grows. It will allow for private industry jobs and economic growth.

Our company will work to train and hire NANA shareholders and other talented Alaskans for work on these projects. NANA has a simple overall strategy: invest in companies with potential for growth and look for opportunities that will provide training and jobs for our shareholders. Our mission is to improve the lives of our shareholders and we see a growing film industry as a way to meet our mission.

There is a good foundation to a growing film industry here and it started with the original Alaska Film Production Tax Incentive Program. Future success in the industry is based on movie producers choosing Alaska over several other states and countries to shoot their films. With an extended tax credit and private investment in needed infrastructure, we hope to entice more producers to Alaska. We think this is a successful path to help diversify our economy, foster

private sector investments in business development and create good paying jobs that can help keep college graduates working in Alaska.

Everybody Loves Whales and the economic impact of filming in Alaska this summer is a success Alaska can build on. The numbers are a good story. Alaska resident wages were more than $4 million and goods and services were above $7.5 million. There were Alaskans in front of and behind the camera, 12,000 hotel rooms were used and more than 8,000 days in rental cars were purchased.

NANA supports this legislation because it will help spur what could be a new industry in Alaska that will create private sector investment and private sector jobs. Thank you. I would be happy to answer any questions.

NANA
DEVELOPMENT CORPORATION

Private Sector Investment in the Alaska Film Industry



NANA supports SB 23/HB 67







- Growing a new industry for Alaska – making movies
- Private sector investment to diversify Alaska's economy and create jobs
- A natural for NANA

A new NANA company





PIK SIK





Walking with the Dinosaurs



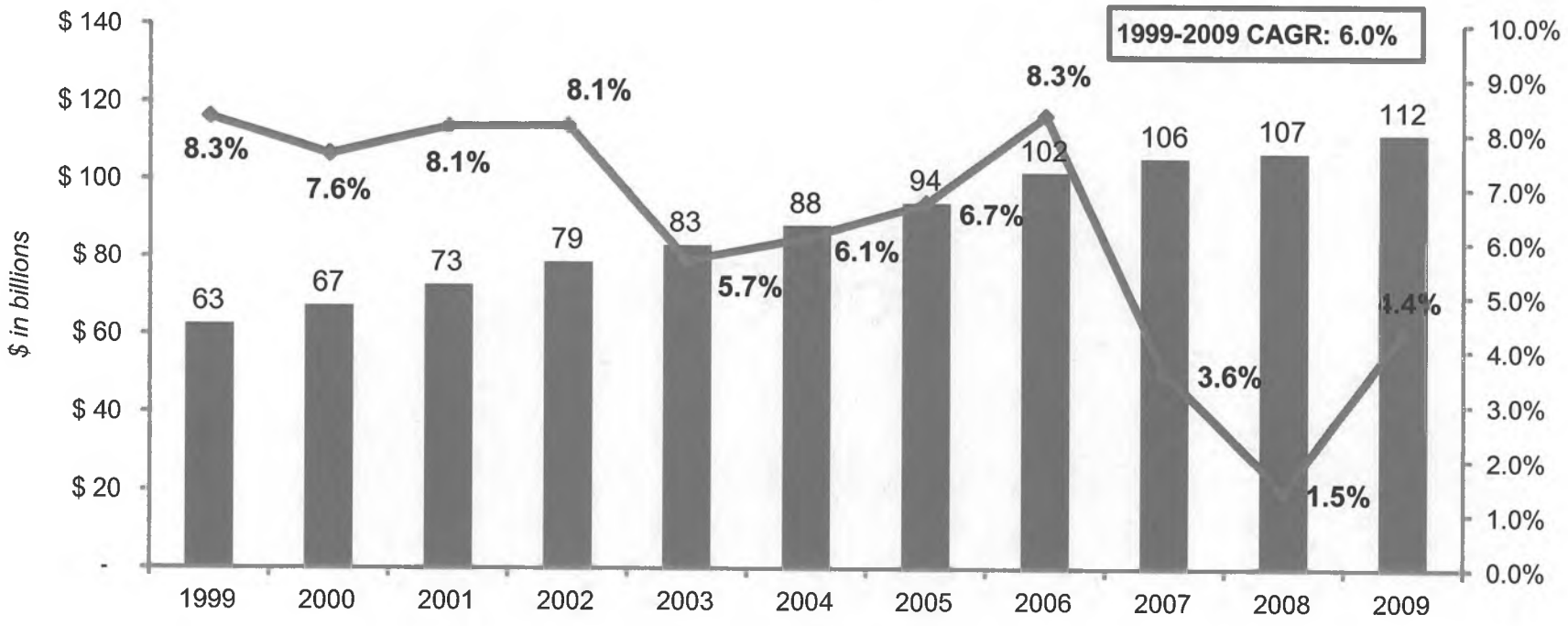





Industry Overview

Consumer Demand for Filmed Entertainment

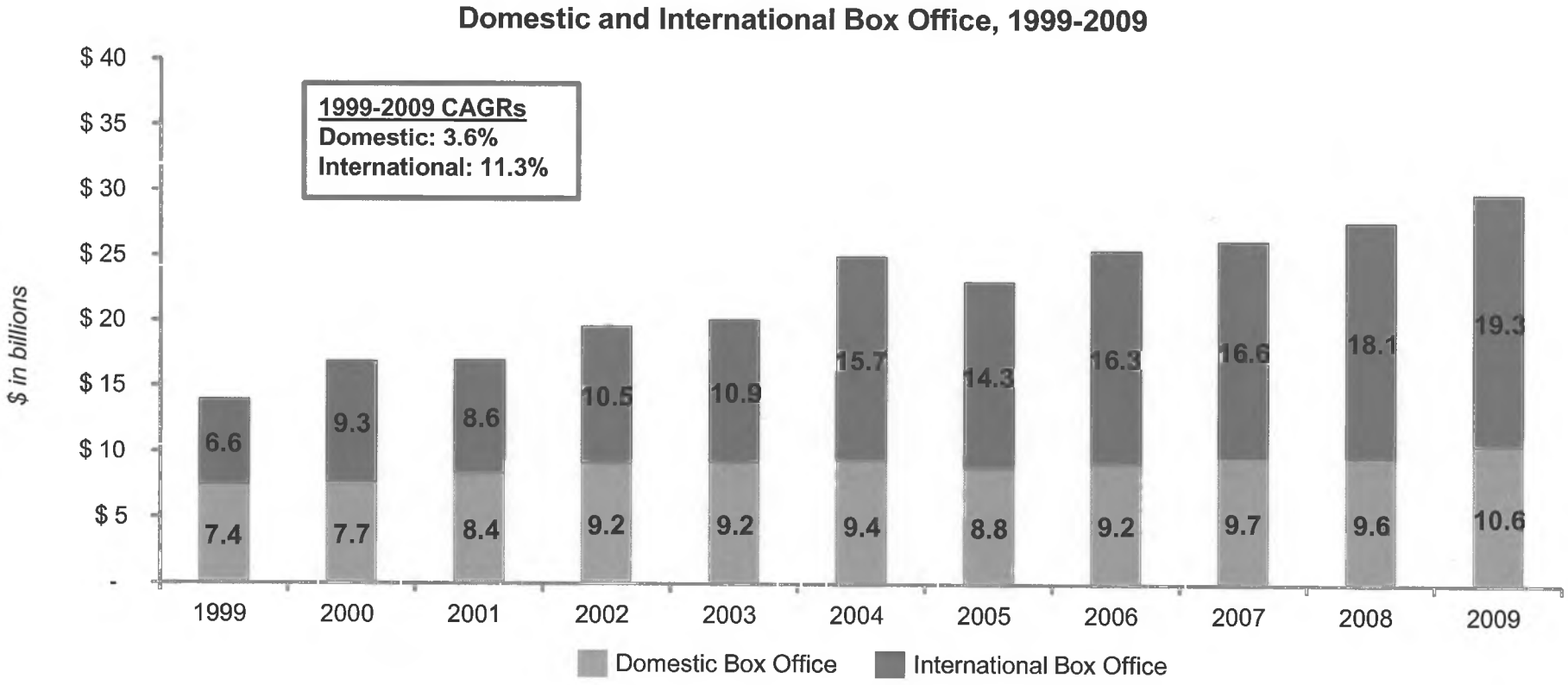
Total Domestic Consumer Filmed Entertainment Spending, 1999-2009



Source: U.S. Department of Commerce, Adams Media Research, NATO, Motion Picture Association of America, Hollywood Reporter, Variety, Cable TV Ad Bureau, TV Bureau of Advertising, AC Nielsen, SNL Kagan, VidScan, and BMO Capital Market estimates, as presented in Perspectives on the Filmed Entertainment Industry 2010 by BMO Capital Markets (April 2010).

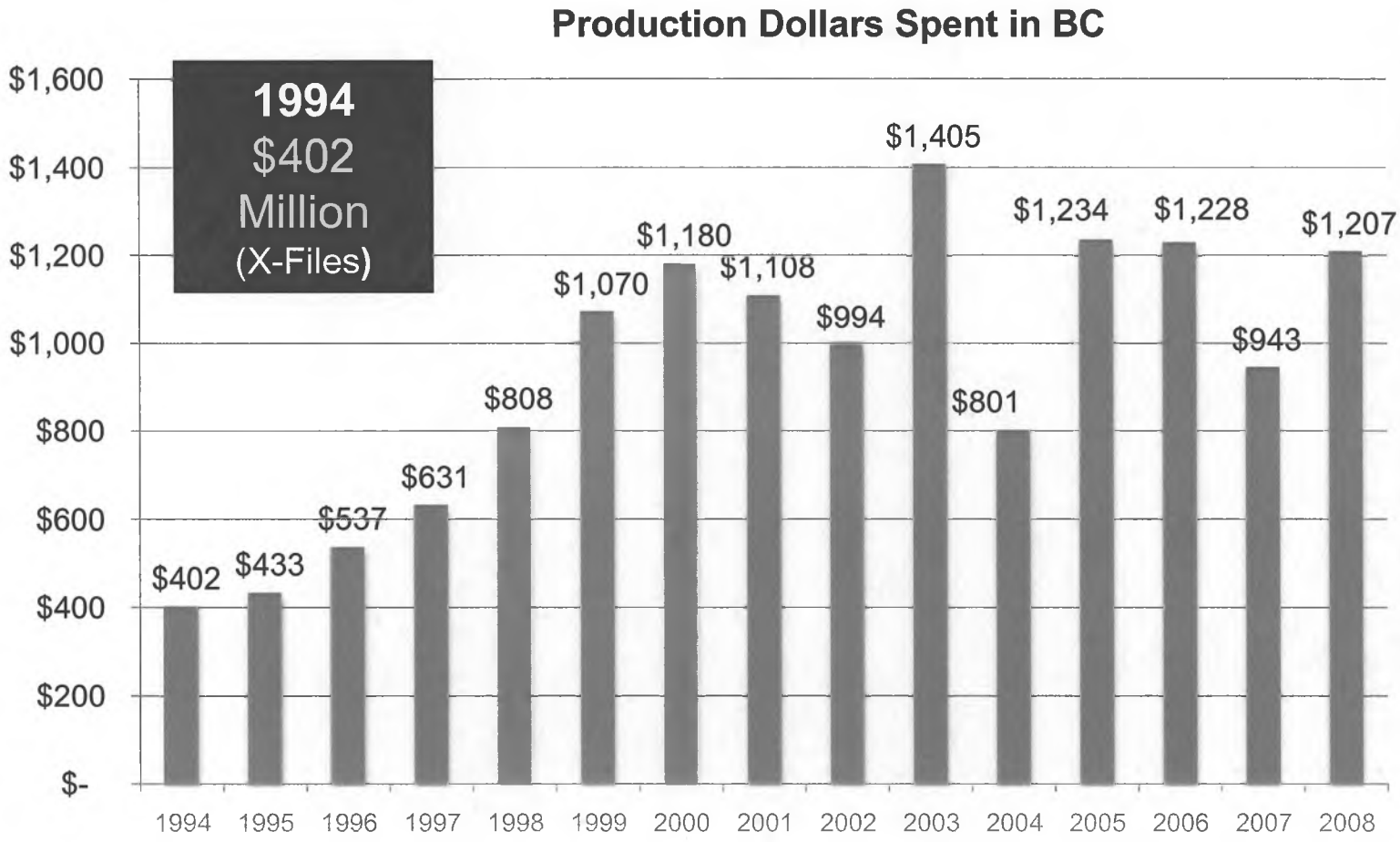
Industry Overview

Future Growth Driver: International Markets



Source: Motion Picture Association of America, NATO, and BMO Capital Markets estimates, as presented in Perspectives on the Filmed Entertainment Industry 2010 by BMO Capital Markets (April 2010).

Vancouver, BC Case Study

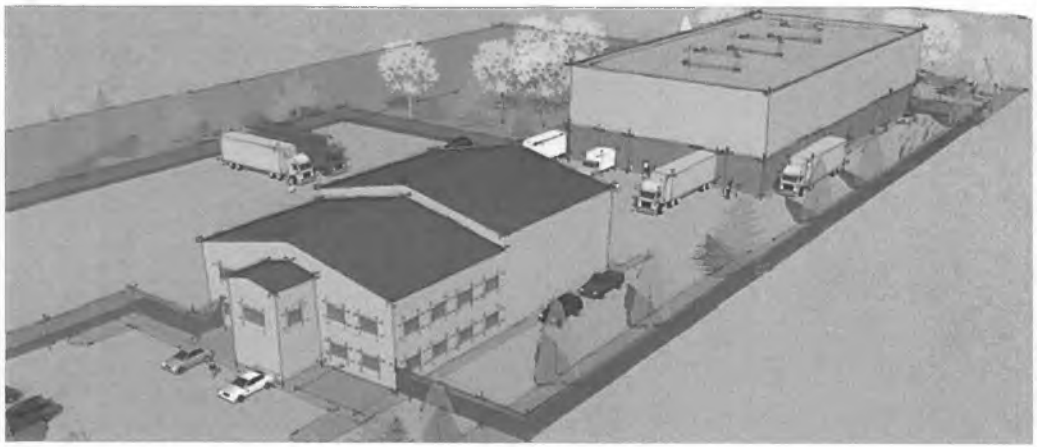


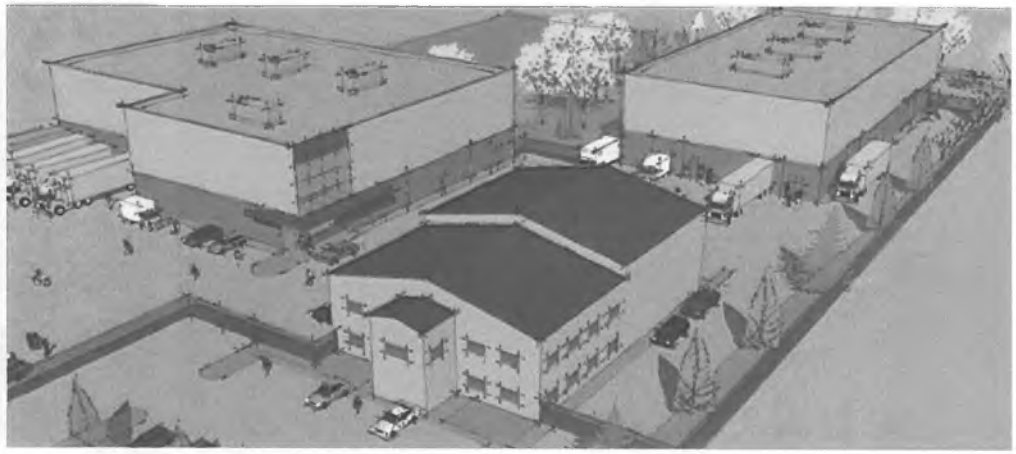
2008
$1.2
Billion

20,000
Direct
Jobs

15,000
Indirect
Jobs

Anchorage soundstage

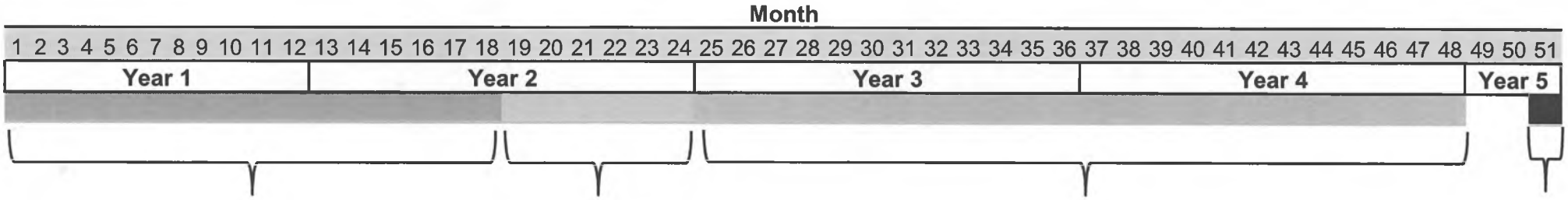




- Interest in building soundstage in Anchorage
- Infrastructure and tax credit will encourage film producers to come to Alaska

Film Timeline

Development through Release



Development

- Option story
- Hire writer
- Write screenplay
- Storyboard
- Previsualization
- Create demo piece

Greenlight

- Finalize talent deals
- Finalize budget
- Secure financing
- Secure presales
- Secure distribution
- Secure completion bond

Production

- Sets built
- Crew hired
- Filming
- Visual effects
- Editing
- Sound

Release

- In movie theaters









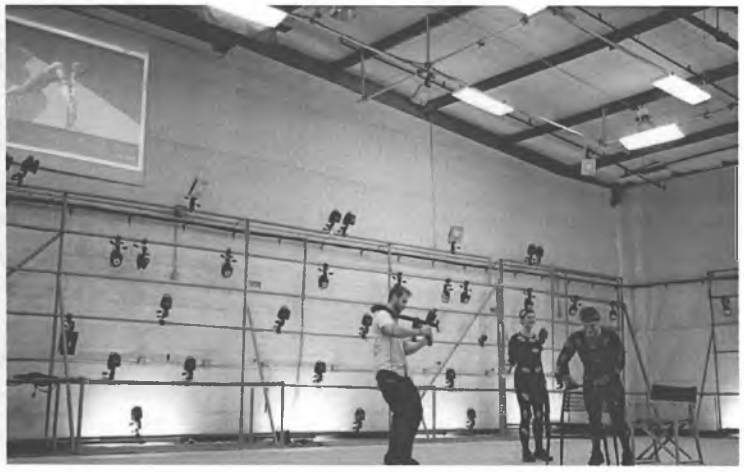
Mission

To improve the quality of life for our people.



Alaska Film Industry





- Growing film industry – people have to **choose** Alaska
- NANA is building necessary infrastructure
- SB 23/HB 67 Tax Credit provides financial incentive

Everybody Loves Whales







- Millions of Dollars in Alaska economic impact
- Hundreds of Alaska jobs
- Publicity for Alaska-millions of movie goers see the beauty of our state

Photo credit: Anchorage Daily News


Taikuu

FAIRBANKS
Economic Development
CORPORATION

301 Cushman St., Suite 301, Fairbanks, AK 99701

February 9, 2011

Re: Support for SB 23/HB 67

Representative Bob Herron
Representative Chris Tuck
Senator Johnny Ellis
State Capitol
Juneau, AK 99801-1182

Re: HB 67/SB 23-Extension of AK Film Production Incentive Program

The Fairbanks Economic Development Corporation supports SB 23/HB67 and your efforts to continue to diversify the economy by extending the AK Film Production Incentive Program. Fairbanks has attracted the interest of producers over the years, with projects ranging from INTO THE WILD to documentaries and commercials. It is our hope that by extending current film incentives, we will have the opportunity to enjoy the positive economic impacts experienced in other areas of the state that secured locations for studio productions.

We understand that this is still a fledgling industry for Alaska. The Dept. of Commerce, Community and Economic Development are currently developing a full-scale marketing plan and strategy in under discussion for possible public-private marketing opportunities at film-related venues in the future.

Our members come from all areas of the business sector in Fairbanks and can provide many of the services needed to support a film production. In addition, the impact on tourism-related businesses as an area serves as a location for a film production is well documented.

We support the economic development brought about by the current film incentive program. By extending and expanding the program, Alaskans can continue to benefit from new jobs and the business opportunities that come with welcoming this multi-million dollar industry to our state.

Sincerely,

Jim Dodson
President & CEO
Fairbanks Economic Development Corporation

Cc: FBX delegation

Phone: (907) 452-2185
1-888-476-FEDC
www.investfairbanks.com
Fax (907) 451-9534

WHPacific

February 10, 2011

Representative Bob Herron
Representative Chris Tuck
State Capitol
Juneau, AK 99801-1182

Re: HB 67-Extension of AK Film Production Incentive Program

Dear Representatives:

WHPacific supports HB 67 and your efforts to continue the film incentive program which helps to create new jobs and diversify the economy by extending the incentives that attract the film industry into Alaska. WHPacific is a multidisciplinary firm specializing in all facets of building engineering, land development, water resources, survey, architecture and transportation.

WHPacific is especially interested in this program, having just worked with Evergreen Films. We have integrated our LIDAR (Light Detection and Ranging) technology with Evergreen Films' automated production workflow for their upcoming Alaska production of WALKING WITH DINOSAURS 3D.

As a subsidiary of NANA Development Corporation, an Evergreen Films partner, we understand firsthand the impacts that the film incentives have already had on Alaska businesses, and in ways that no one could have foreseen. We are now involved in marketing our newfound film services business to other studios and production companies.

We think this program is a win-win situation for everyone involved. In our case, funding for our business expansion was created directly with funds from a film company who is producing a project in Alaska, in part, because of the incentive program. Although no state money was involved, this is just one example of how an established Alaskan business can expand because of a film production in Alaska.

WHPacific wholeheartedly supports HB 67 and thanks you for taking this important step in attracting and keeping this new industry in our state for the long-term.

Sincerely,
WHPacific, Inc.

Lynn J. Bruno Eric Miyashiro P.E.

Lynn Bruno, PLS
President
lbruno@whpacific.com

Eric Miyashiro, PE
Operations Manager – Anchorage
emiyashiro@whpacific.com

Outsource.
Outshine.

February 11, 2011

Representative Bob Herron
Representative Chris Tuck
Senator Johnny Ellis
State Capitol
Juneau, AK 99801-1182

Re: HB 67/SB 23-Extension of Alaska Film Production Tax Incentive Program

Dear Representatives and Senator,

NMS whole-heartedly supports House Bill 67 and Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008, the Film Production Tax Incentive Program has created jobs for Alaskans through economic opportunities for small and large Alaska businesses. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion-dollar film and television industry that Alaska is open for business.

For NMS it means an opportunity to expand our businesses in food service, hotel management and remote camp service. We see a growing film industry in Alaska as beneficial for the state as it will help create diversified business opportunities.

The fact is, financial incentives have changed the way filming decisions are made. Alaska faces aggressive, long-established film incentives from Canada. Forty-five other states currently have a program of some type. Those states understand the economic benefits that this industry can bring to businesses and communities. We need to do the same.

We support the extension of the Alaska Film Production Tax Incentive Program. House Bill 67 and Senate Bill 23 provide a clear signal that Alaska is open and ready for business when it comes to film and television industry.

For all of these reasons, NMS fully supports the Alaska Film Production Incentive Tax Program and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

M. P. Cleri
President

Economic Impact

of the Alaska Film Production Incentive Program

Since the inception of the Alaska Film Production Incentive Program in 2008, **15 productions** have received tax credits. These 15 projects filmed in Alaska for a total of 910 days and had a **total Alaska spend of $14,910,810.**

- As of January, 2011, an additional **28 productions pre-qualified for Alaska Film Production Incentives.** If all of these productions are completed, they will add an estimated **additional spend of $83,805,521** for Alaska.
- Economists estimate that for every $1.00 spent by the film industry, local communities get $1.50 - $3.00 in return.
- **Currently, 45 states currently have film incentives.** As other states are struggling with budget deficits and cutting their film incentives, Alaska is in a uniquely strong position to capitalize on this opportunity.

Impact of Alaska's Most Recent Major Motion Picture

- On any given day there were **approximately 100 Alaskans working in front of the camera and over 100 Alaskans working behind.**
- **Nearly 1,500 extras** appeared on camera representing towns and villages across Alaska.
- Security totaled over 7,900 man-hours.
- Rental car use totaled over 8,800 days.
- Businesses where goods and services were purchased included:

  - rental cars
  - taxis
  - limousines
  - restaurants
  - hotels
  - construction companies
  - towing companies
  - aerial charter to include helicopter and fixed-wing
  - sled dog operations
  - snowmobiles/4 wheelers
  - hardware stores
  - lumber yards
  - communication companies
  - landscaping
  - restoration companies
  - dumpster services and rentals
  - port-a-can services and rentals
  - electric companies
  - plumbing
  - heating
  - rental equipment companies
  - truck leasing
  - crane companies
  - paving companies
  - police
  - fire
  - security
  - parking
  - traffic control companies
  - catering
  - cleaning
  - grocery stores
  - coffee shops
  - clothing stores
  - realtors
  - boat charters
  - diving companies
  - survey companies
  - engineering firms
  - printing
  - office supplies
  - motor-home rentals
  - shipping companies
  - airlines
  - drapery repair
  - fencing companies

KEEP ALASKA OPEN FOR THE FILM AND TELEVISION BUSINESS!

EVERGREEN
FILMS INC

Background on Evergreen Film, Inc
February 2011

Evergreen Films integrates the vision of an artist with the ingenuity of an engineer; bringing great stories to life with the help of breakthrough technology. Evergreen Films, which was formed by software technology designer Mike Devlin, and award-winning director Pierre de Lespinois, is a growing film studio that owns, develops and produces high-quality 3D feature films.

Evergreen is focused on producing content that combines Avatar-quality technological innovation with Pixar-quality storytelling. In addition to filming AND MAN CREATED DOG and ICY KILLERS: SECRETS OF ALASKA'S SALMON SHARKS for the National Geographic Channel, Evergreen is currently co-producing WALKING WITH DINOSAURS 3D with BBC Earth. This project is in pre-production, with shooting of Alaska exteriors scheduled to begin in June 2011. The film is slated for worldwide release in 2013 by Twentieth Century Fox, a global leader in film marketing and distribution.

Evergreen's team of industry pioneers in digital filmmaking, CGI animation, and 3D production is backed by the best digital technology in the business. Evergreen operates innovative 3D production studios in both Anchorage and Los Angeles. These studios allow Evergreen to produce projects from inception through post-production, assuring amazing production quality in an extremely cost efficient manner.

The LA studio is located on property that once housed the MGM film vault right in the heart of the film industry in Culver City, California. Close proximity to the Hollywood community allows Evergreen to develop strong relationships with key players such as talent, distributors and financiers. The Alaska location provides access to filming the states' wonderland of natural beauty. Both are fully equipped with identical screening, editing and post-production technology that allow for the seamless transfer of data between facilities. This setup, with the same equipment in each location, facilitates a high degree of collaboration between the two studios. A fully integrated workflow allows Evergreen to maximize the benefits of operating in dual locations.

Evergreen's founders aspire to build a studio where great stories drive technical innovation, where the boundaries of motion picture and television technology are constantly challenged to deliver compelling entertainment, and where new business models assure stellar production value, breakthrough distribution systems and strong returns for investors.

1120 East Huffman Road, Suite 24
PMB 595
Anchorage, AK 99515
(907) 522-6272

Making Movies

Tax incentive program improves economy



By Heidi Bohi

Shortly after the movie "Everyone Loves Whales" began filming in September, Uptown Blossoms, a popular flower shop in midtown Anchorage, had its own brush with fame when the set decorator called to talk about flower needs for various scenes in the movie.

"When we first met him we were sort of nervous, but really he's just a person like you and me," shop owner Carol Trout says, adding that her business was recommended to the studio coordinators. "Wherever there was a need for flowers, we supplied them."

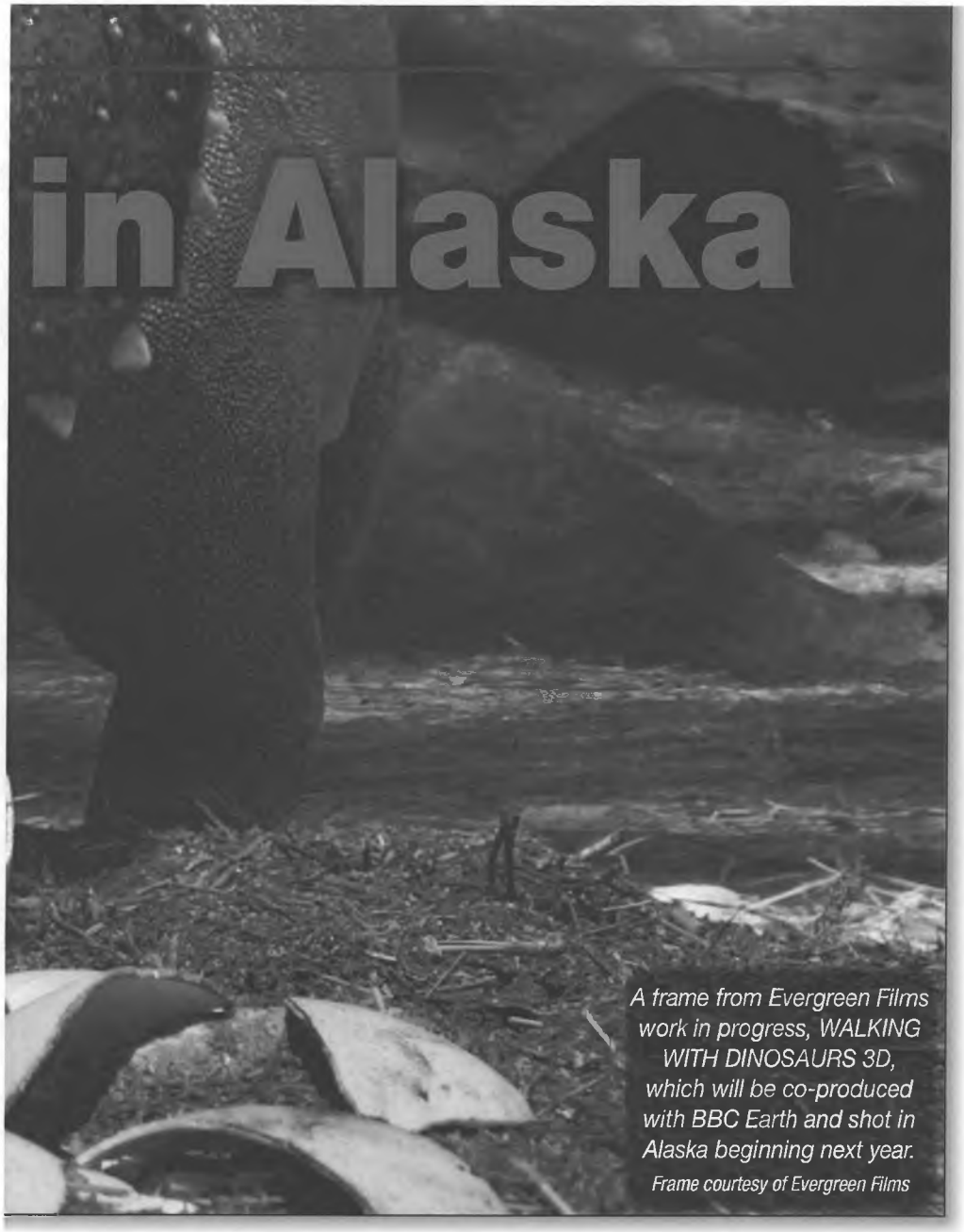
Set in Cold War-era 1988, the film tells the true story of a small-town news reporter and a Greenpeace volunteer, played by Drew Barrymore, who enlist the help of rival superpowers to save three gray whales trapped under the ice of the Arctic Circle as they made their way to Mexico for the winter. The national media, environmental activists, and the United States and Soviet Union – then in the middle of the Cold War – quickly descended on Barrow in an effort to escort the whales into open water.

Trout says flower needs all had to be designed to reflect what was in style in the 1980s, and included centerpieces and arrangements for various scenes in the film. Some of the flower orders required working with the production person responsible for props any of the actors or actresses touched.

What it meant for Uptown Blossoms was about $4,000 in orders. Although Trout says her business is fortunate to have a steady stream of customers year-round, it was nice to have the extra bump.

Alaska's Newest Industry

Since beginning to offer financial incentives to studios that decide to film their movies in Alaska, as is the case with "Everybody Loves Whales," the State's resurrected Film Office is optimistically watching what is being dubbed as Alaska's newest industry. The hope is the economic development initiative will attract projects that mean millions of dollars in economic impact resulting from increased receipts for small and large businesses and local hire,



A frame from Evergreen Films work in progress, WALKING WITH DINOSAURS 3D, which will be co-produced with BBC Earth and shot in Alaska beginning next year.
Frame courtesy of Evergreen Films

which in the case of "Everyone Loves Whales," meant hiring 3,000 Alaskans statewide, though most were hired in the Anchorage area. Other businesses that stand to measurably benefit are airlines, hotels, freight handling and air cargo, along with smaller enterprises that include everything from courier businesses to seamstresses.

About 30 productions have been prequalified by the State Film Office, meaning studios have submitted applications, estimated budgets, distribution plans and script treatments for the projects. With $100 million available and a minimum spending requirement of $100,000, most projects qualify, including films, documentaries, commercials and video productions.

According to the legislation behind the Alaska Film Production Incentive Program, up to a 44 percent transferable tax credit is awarded within weeks once a rough-cut of the production is submitted and an Alaska-licensed CPA has audited the project. In addition to the 30 percent base rate, additional percentages are awarded for local hire, off-season production and filming in rural areas.

Although final numbers are still being tabulated to determine how much Alaska benefited from the recent production's use of local crew and services, after 10 weeks of watching those associated with the project frequent local restaurants, shops and hotels, Alaskans are seeing the potential contributions of the industry, especially during the off-season months. "Everybody Loves Whales" filmed for 12 hours a day, five days a week for almost three months. (It takes about one day to shoot two to four minutes of film.)

As the preferred hotel for 200 cast and crew, the Captain Cook cannot discuss its agreement with Universal Pictures, though it has been estimated the property had 12,100 bed nights booked from September to December, which is historically a slow time after the peak visitor season. Add meals and incidental expenses, along with side trips that crew took on their days off, and it is easy to see how a film project can quickly contribute to the state's economic development.

Evergreen Films

"It's been a long time since there was a new industry in Alaska trying to build from the ground up," said Kate Tesar, business development director for Evergreen Films.

Evergreen, though not associated with "Everyone Loves Whales," is one of the industry's most watched developments. The Anchorage-based production company continues to make substantial investments in Alaska and is positioning itself to take advantage of the growing industry.

It has several productions in the works, one which will likely be the Kate Shugak television series based on Alaska author Dana Stabenow's mystery novels, including "A Cold Day for Murder," which won the Mystery Writers of America's Edgar Award. Other titles that will be made into the series are "Whisper to the Blood," which made the New York Times bestseller list, and "A Night Too Dark," which is the 17th in the series.

Based in Anchorage with offices in Los Angeles, Calif., Evergreen was founded by Mike Devlin and Pierre De Lespinois. Devlin has a computer engineering background and Lespinois is an award-winning television and film director. Devlin fell in love with Alaska and decided to build his Anchorage Hillside film editing studio after selling his software company. The team also has a yacht in Seward with adaptations that can accommodate filming both on and under water.

Another of Evergreen's biggest market advantages is the company's state-of-the-art digital and 3D studios, including 3D camera systems, groundbreaking LIDAR scanning technology, photo-real 3D Computer Generated Imagery (CGI), and an integrated 3D post-production workflow. The technology allows them to create a realistic portrayal of any location. This technology will also be used in "Walking With Dinosaurs," the Alaska-scripted and –produced, live-action dinosaur feature. That production will highlight photo-realistic 3D dinosaurs immersed in real, live-action 3D environments. This will launch in 2013 with 20th Century Fox securing the distribution rights. Evergreen is partnering with BBC Earth to produce the $65 million feature film. Devlin says most of the live action for "Walking with Dinosaurs" will be filmed in Alaska to take advantage of the beautiful exteriors and the State's film incentives. The franchise model of the film means a new movie will be produced every two to three years. Evergreen and BBC are also partnering on the production of the $25 million feature film "Africa 3D."



Mike Devlin co-founder of Evergreen Films, with offices in Anchorage and Los Angeles.

NANA Partnering

Responsible for helping create the incentive legislation, Tesar says Evergreen is committed to developing the industry statewide so that many communities benefit from the economic boost. To that end, it recently partnered with NANA Development Corp., an Alaska Native corporation based in Anchorage, which offers infrastructure and services that will help grow the industry and employ more Alaskans, including NANA shareholders.

"We are thinking it will take 10 to 15 years to build the industry in Alaska and NANA has the same long-term vision," Devlin says. "Together, the two of us are making a mutual investment to build the industry – we focus on film, they focus on building the service industry, and we will involve them in every production we're doing."

By making a financial investment, NANA is about a one-third owner and the company's partner in films that are shot in the Arctic environment, meaning it is the preferred vendor for those services it offers. The partnership is expected to create a lot of opportunity for shareholders – whether they are hired to work on a film project, or they simply benefit from dividends resulting from this newest investment.

When Evergreen approached NANA in 2009, it was looking for corporate involvement in specific high-budget films. NANA was less interested in being involved in specific films and more likely to invest in the company as a whole, says Robin Kornfield, vice president of communication and marketing for NANA Development Corporation. Although being involved in the film industry is not an area NANA has experience in, as it researched the opportunity it quickly became apparent that many of the services it had built up over the past 38 years are the same ones required in film production, including remote camp services, food service, security, transportation and staffing services.

"We already provide many of the back-of-the-house things that make it possible for those in the front to get their work done," Kornfield says. "We realized it was a better fit than we thought when we first went in – with just one phone call the industry can access all the film support services it needs."

Although the idea of partnering with Evergreen may seem like a big stretch to the business community, Kornfield says that, in fact, the board of directors was not completely unfamiliar with the benefits of the film industry. The group travels to Vancouver, British Columbia, Canada, regularly for business associated with Red Dog Mine and is used to seeing film crews shooting in the middle of the street. "The prospect of doing something in Anchorage was not foreign to them at all," Kornfield says.

One big draw for NANA was that the film industry offers more opportunities in areas younger shareholders will be interested in such as computer graphics.

Although acting is an obvious opportunity for shareholders, Kornfield says, the greater opportunity is for them to be involved in the service industries, which is the backbone of the corporation's success. Although the partnership will evolve over time, Kornfield says NANA will do whatever it takes to make film support services available, and at the same time will offer these same services to other film production companies that come to Alaska.

"Every time a shareholder gets a paycheck – that's part of what we do," Kornfield says, adding that part of NANA's plan is to eventually develop a line of services specific to the film industry that shareholders can be trained in.

Partnerships like the NANA-Evergreen one embody the intent of the original incentive legislation, which was designed to develop new business opportunities in Alaska by pairing the supply with the demand. From there, Tesar says, the jobs and on-the-job training for Alaskans will follow. ❑

NANA DEVELOPMENT CORPORATION

EVERGREEN FILMS INC.

NANA DEVELOPMENT CORPORATION AND EVERGREEN FILMS ANNOUNCE STRATEGIC PARTNERSHIP

New business partnership to accelerate growth of Alaska film industry

Anchorage, AK, September 13, 2010 – NANA Development Corporation (NDC) and Evergreen Films announced a strategic partnership agreement today at the Anchorage Chamber of Commerce meeting. The investment positions NANA at the forefront of this emerging economic opportunity in Alaska and allows Evergreen Films to invest further in locally produced film and television projects.

"Our goal is to deliver significant benefits to our shareholders from this investment," said Helvi Sandvik, President of NANA Development Corporation. "We are excited about being involved on the front end of the development of a new industry in Alaska. Alaska's new film production incentive program is already generating interest and attracting new film industry activity to the state. This is good for NANA and Evergreen but will also create jobs and economic growth in Alaska. It is so important for our state's future to strengthen our economy through the creation of new opportunities."

Evergreen Films CEO Mike Devlin agrees. "Our long term goal is to build an industry that is larger than British Columbia's," Devlin said pointing to recent figures that indicate the film and television production industry spent $1.2 billion in British Columbia in 2008 and supported 20,000 jobs. "Now, with NANA's global reach, deep talent pool and Alaska expertise, we believe we can achieve that goal within 10 years," said Devlin.

NANA Development Corporation is the business arm of NANA Regional Corporation, one of Alaska's 13 Regional Native Corporations. NANA represents more than 12,500 Iñupiat shareholders from northwest Alaska. NDC employs more than 9,300 people around the world in industries including mining, oil and gas, engineering and construction, facilities management and logistics.

Evergreen Films is a premiere independent film production studio headquartered in Anchorage. The company has invested more than $10 million in Alaska developing a complete 3D production and post-production studio based on the most advanced

technologies from the film, gaming and IT industries. It also has a production facility in Los Angeles.

The NDC/Evergreen Films partnership is the most recent in a series of developments for Evergreen Films. In June, Evergreen announced a major new partnership with BBC Earth to produce a 3D dinosaur feature film promising to immerse audiences in the prehistoric age. The film is the launching point for an ongoing collaboration between BBC Worldwide and Evergreen Films. Last fall, Evergreen announced a deal with Alaska mystery writer Dana Stabenow to produce a television series based on Kate Shugak, a character from Stabenow's novels. The series is currently in development to be produced in Alaska for a global television audience.

The partnership between NDC and Evergreen Films brings together the strength of deep industry knowledge, a strong business portfolio and deep rooted understanding of Alaska.

For more information on the agreement contact:
NDC: Charles Fedullo at 907-265-4301 or charles.fedullo@nana.com
Evergreen Films: Kate Tesar at 907-317-8197or kate@evergreenfilms.com

For more information on NANA Development Corporation visit www.nana-dev.com.
For more information on Evergreen Films visit www.evergreenfilms.com.



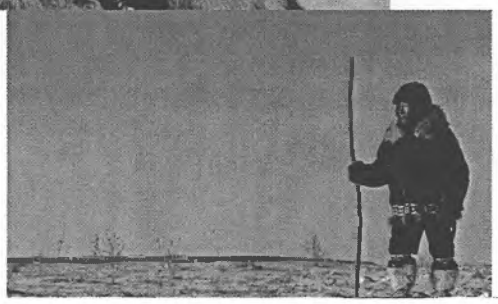




PIKSIK

SERVICES FOR THE FILM INDUSTRY





- Logistics
- Security
- Accommodations
- Catering
- Transportation
- Engineering
- Technical Support











Once you hear the call of the wild, your next call is to Piksik.

Piksik is owned and operated by NANA Development Corporation, an Alaska Native Corporation.

We know Alaska, its people and how to meet your needs quickly, efficiently and economically.

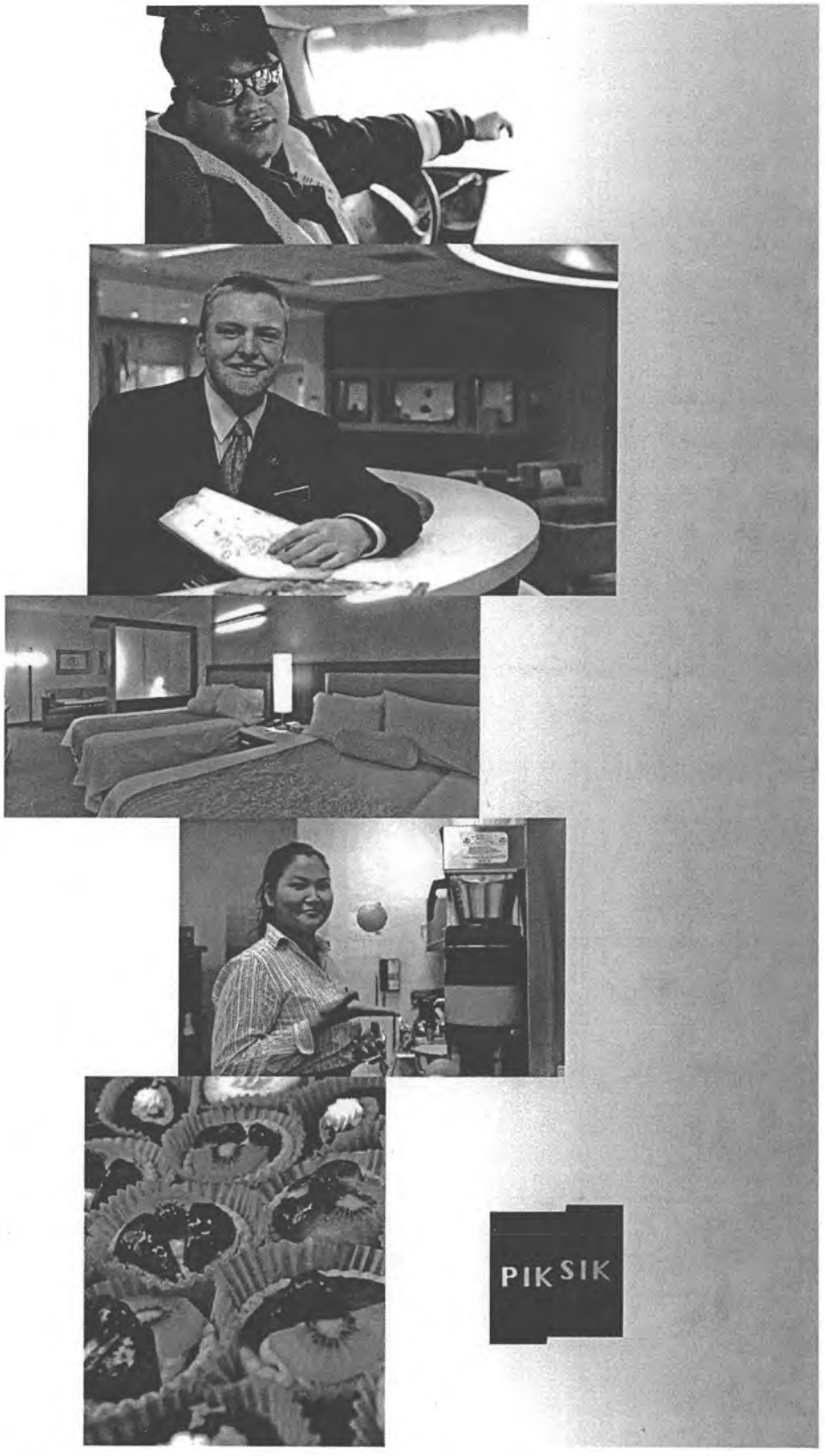
Our businesses have grown consistently over the past three decades and our success is built on safety, quality and customer service.

Let Piksik show you the real Alaska. In comfort and style, with safety first.

With one call, our companies provide:

- **VIP transportation** and security from public safety-trained professionals.
- **Safety training** for Alaskan conditions.
- **Logistical support**–with a state bigger than Texas and California combined we know what it takes to get from point A to point B.
- **Gourmet catering** that will make your cast and crew feel at home whether your shoot is in a city or out in the wilderness.
- **Remote camp experience** to make any location ideal.
- **Crew**–we'll find trained staff in any field you need.
- **Equipment sourcing** and rental.
- **Accommodations**–whether your shoot is in urban Alaska or next to a remote river.

If we don't have a business line to meet your needs, we'll find someone who does.



PIKSIK





ALASKA

Come to the place where the sun stays up late and the scenery makes magic.

Your next film should be made in the Last Frontier.

Our job is to make your experience in Alaska so good you'll come back for more.

Piksik is an Inupiaq word that means to jump up, rebound or spring back. This is a fitting name for a business that requires quick and nimble action.

Piksik, LLC
1001 East Benson Blvd
Anchorage, AK 99508
(907) 265-4100
piksik.com
nana-dev.com

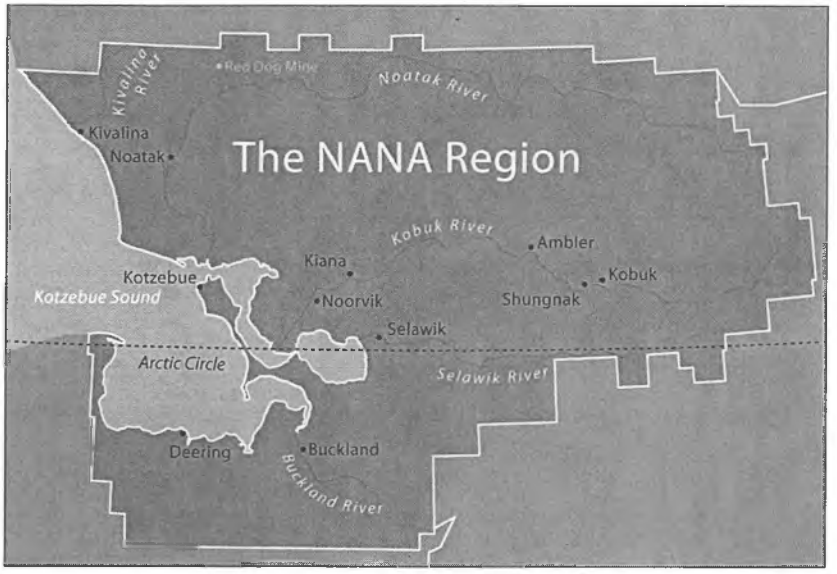
2011

NANA BY THE NUMBERS

This index provides current verified information answering commonly asked questions.

NANA OVERVIEW

Original Land Settlement for NANA: **2.2 million** acres of surface land and subsurface rights
Original Cash Settlement for NANA: **$44 million**
NANA region population: **7,336***



NANA REGION VILLAGES AND THEIR POPULATION (2009*):

Ambler	**261**	Kotzebue	**3,154**
Buckland	**432**	Noatak	**486**
Deering	**118**	Noorvik	**628**
Kiana	**374**	Selawik	**849**
Kivalina	**410**	Shungnak	**270**
Kobuk	**122**		

**Alaska Department of Commerce, Community & Economic Development, 2009*

NANA SHAREHOLDERS

Number of NANA shareholders: **12,500** *(2010)*
Number of original shareholders: **4,900** *(1972)*
More than half of NANA's shareholders live in the NANA region.
86 percent of NANA's shareholders live in Alaska.

Alaska Native Corporations (ANCs) are owned by Alaska Native people through privately held shares of corporate stock. NANA's success has a direct positive impact on the lives of more than 12,500 Iñupiat people, originating in northwest Alaska, who own our company. Original settlement benefits, including shares in the regional corporations, accrued to those with at least one-fourth Alaska Native ancestry. **ANC stock cannot be bought or sold.**

NANA CORPORATE REVENUES

2010: **$1.59 billion**
2009: **$1.26 billion**
2008: **$1.17 billion**
2007: **$975.5 million**
2006: **$821.9 million**

NANA SHAREHOLDER EMPLOYEES

NANA and its affiliates paid **$47.9 million** in wages to NANA shareholders *(2010)*
NANA employed **1,320** shareholders *(2010)*

NANA SHAREHOLDER BENEFITS

In addition to paying dividends to shareholders, NANA uses its profits to fund social and cultural programs, job training, scholarships, internships and other services that benefit shareholders and their descendants.

In 2010, NANA contributed:

$5.3 million	to social and cultural programs
$695,000	to scholarships
$215,000	to language preservation
$147,050	in emergency assistance

NANA SHAREHOLDER DIVIDENDS

2010: **$14**/share
2009: **$12**/share
2008: **$24.75**/share
2007: **$15**/share
2006: **$7**/share

Over the years, NANA has distributed **$153 million** in dividends to its shareholders.

NANA
DEVELOPMENT CORPORATION

2011

NANA BY THE NUMBERS

WE ARE NANA

MISSION

NANA improves the quality of life for our people by maximizing economic growth, protecting and enhancing our lands, and promoting healthy communities with decisions, actions and behaviors inspired by our Iñupiat Ilitquisiat values, consistent with our core principles.

VISION

NANA will be a respected, profitable, multibillion-dollar corporation.

CORE PRINCIPLES

- Honesty and integrity govern our activities.
- Commitments will be fulfilled.
- Everyone will be treated with dignity and respect.

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Those things that make us who we are; values that reflect our way of life.

Iñupiat Ilitquisiat Values

- Avoid Conflict
- Cooperation
- Domestic Skills
- Family Roles
- Hard Work
- Humility
- Humor
- Hunter Success
- Knowledge of Family Tree
- Knowledge of Language*
- Love of Children
- Respect for Elders
- Respect for Nature
- Respect for Others
- Responsibility to Tribe
- Sharing
- Spirituality

***41.9 percent** of residents of the NANA region speak a language other than English at home.

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Anchorage, AK 99503

AQQALUK TRUST

The Aqqaluk Trust is a non-profit organization founded in honor of Robert Aqqaluk Newlin, the first Chairman of NANA Regional Corporation. The goal of the Trust is to empower the Iñupiat people of the NANA region through the preservation of culture, language and educational opportunities. aqqaluktrust.com

- NANA contributed almost **$20 million** to the Trust between 2000 and 2010.
- Of that, **$5.4 million** went directly into an educational endowment.
- NANA contributed more than **$695,000** in scholarships *(2010)*.
- More than **350** Alaska Natives from the NANA region pursued higher education and vocational training *(2010)*.

SYMBOL



Our symbol is an Iñupiaq hunter moving aggressively toward a successful future in a vast, beautiful and sometimes harsh world.

What our symbol means:

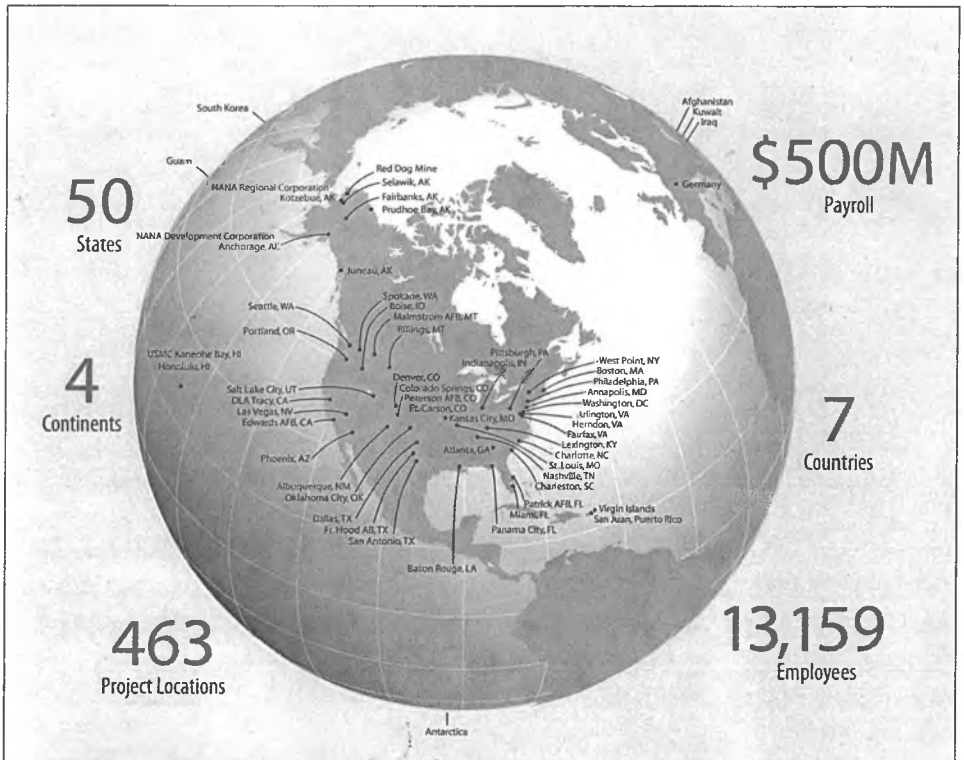
NANA is all of us working together as one hunter, successful if we are of one mind and purpose, hungry if we are split by doubts and mistrust of each other. As one hunter is small and insignificant when compared to our environment, so is NANA when compared to the corporate terrain in which we must navigate. The same qualities – courage, confidence, humility, respect, integrity and sharing – have allowed our people to survive as great hunters and are necessary for NANA to be successful.

2011

NANA BY THE NUMBERS

DOING BUSINESS WITH NANA

Our message to our partners: When you do business with NANA, you're doing more than ensuring the success of your next business venture. You're helping to create training and educational opportunities for NANA shareholders, preserving an important indigenous culture, investing in NANA communities, and ensuring the future of a people.



NANA PROJECT LOCATIONS

NANA operations extend from the Arctic Circle to Antarctica across the continental United States to the Middle East and South Pacific.

As of February 2010, NANA operates in:

463	projects
4	continents
7	countries
50	states and
3	US territories *(Guam, Virgin Islands and Puerto Rico)*

NANA BUSINESS LINES

NANA is a leader in the following service industries:

- Engineering & Construction
- Resource Development
- Facilities Management & Logistics
- Information Technology & Telecommunications
- Real Estate & Hotel Development

NANA EMPLOYEES

As of February 2010:

NANA employees worldwide: **13,159**

NANA payroll: over **$500 million**

NANA employees in Alaska: **5,013**

NANA employees in Anchorage: **1,500**

NANA is a key contributor to Alaska's economy

In 2010, NANA placed **3rd** on Alaska Business Monthly's **Top 49ers** list. The magazine ranks Alaska-owned and operated companies according to their annual gross revenues.

2011

NANA BY THE NUMBERS

FEDERAL CONTRACTING

The Small Business Administration (SBA) **8(a) Program** is designed to give socially disadvantaged minorities an opportunity to improve their economic condition through business development. These individuals and groups include people who have been subjected to racial or ethnic discrimination or cultural bias that adversely affected access to economic opportunity.

8(a) CONTRACTING

The 8(a) program name is from Section 8(a) of the Small Business Act. The Act, as amended by Congress, created the 8(a) program so the U.S. Small Business Administration (SBA) could help small companies owned and operated by socially and economically disadvantaged persons develop their businesses. Through the 8(a) program, eligible firms can be awarded government contracts on a sole-source, non-competitive basis.

Since 1986, Congress has authorized ANC-owned businesses to participate in the 8(a) program. Alaska Native Corporations (ANCs) were created by Alaska Native Claims Settlement Act (ANCSA) as the mechanism for distributing land and monetary benefits to Alaska Natives. A report prepared by the Office of Inspector General U. S. SBA states, "While the playing field is not level for all 8(a) participants, the program has helped ANCs fulfill a mission that is broader than the bottom line of the corporations—namely, to help Alaska Natives achieve economic self-sufficiency." *(Report Number 9-15 issued 7/10/2009)*

Native businesses, including ANCs, tribes and Native Hawaiians, collectively received approximately **1.2 percent** of all federal contracts in 2007.

Contracts awarded to Native enterprises totaled **$5.1 billion** of $439.5 billion in procurement contracts.

Contracts awarded to Native firms under the 8(a) program totaled **$3.2 billion** or just **0.7 percent** of all federal contracting dollars in 2007.

Jobs created as a result of the 8(a) program: **31,000**

Current 8(a) Certified NANA companies:

- Akima Construction Services, LLC
- Akima Infrastructure Services, LLC
- Cazador, LLC
- Five Rivers Services, LLC
- Ikun, LLC
- Kisaq, LLC
- Nakuuruq Solutions, LLC
- NANA Pacific, LLC
- Portico Services, LLC
- Sava, LLC
- Synteras, LLC
- TKC Global Solutions, LLC
- Truestone, LLC
- Wolverine Services, LLC

NANA companies that have graduated or exceeded 8(a) size standards:

- Akima Intra-Data, LLC
- Akima Logistics Services, LLC
- Akima Facilities Management, LLC
- NANA Services
- Sivuniq, Inc.
- TKC Integration Systems

NANA companies with 8(a) status pending:

- Akima Technical Solutions, LLC

WHY IT MATTERS

Native Americans are among the poorest and most under-employed groups in our society, with many still living in substandard housing conditions.

25 percent poverty rate among American Indians and Alaska Natives.

27 percent have no health insurance.

COST OF LIVING IN THE NANA REGION

The high cost of living in the region is directly linked to energy costs. Rural Alaskans spend **over three times** as much of their household income on energy as households in the lower 48 states. Fuel arrives by barge and by air. In Kotzebue, residential heating fuel is **$4.64** per gallon and a gallon of gasoline is **$6.54**. Living costs in Kotzebue are **61 percent** higher than in Anchorage. *(August 2010, Alaska Department of Labor)*

2011

NANA BY THE NUMBERS

RED DOG MINE

For more than two decades, the Red Dog Mine, one of the world's largest zinc mines, has stood as a model of responsible resource development, founded on the principles of consensus, cooperation and mutual respect between a mining company and indigenous people. The mine was developed in 1982 under an innovative operating agreement between NANA Regional Corporation, Inc. and Teck Alaska, Inc. (Teck), a U.S. subsidiary of Teck Resources Limited, a diversified mining and metals company headquartered in Vancouver, British Columbia, Canada. NANA owns the land on which Red Dog Mine is situated. NANA shareholders receive direct and meaningful benefits from development at the mine.

RED DOG MINE LOCATION

82 miles north of Kotzebue
55 miles east of Chukchi Sea
106 miles above the Arctic Circle

NANA COMPANIES provide operational support and a wide range of services to Red Dog Mine.

DOWL HKM: Civil engineering, consulting, site planning and design, surveying and drafting

NANA Construction: Fabrication, construction and installation of modules; maintenance and operations services

NANA Lynden Logistics: Trucking, logistics, marine and air cargo

NANA Oilfield Services, Inc. (NOSI): Bulk and retail fuel products, potable water and lubricants

NANA WorleyParsons: Engineering and design, project and construction management, fire and gas detection

NMS Camp Services: Catering, housekeeping, laundry and facilities maintenance

Paa River Construction: Civil construction, aggregate production and mining support services

ECONOMIC IMPACT

Funds from the mine operations flow directly back to NANA regional residents in the form of employment, dividends and other economic opportunities.

$1.5 billion – benefits to regional economy including wages, payments in lieu of taxes and direct royalty payment *(1990-2009)*

$6.7 million – payment in lieu of taxes to Northwest Arctic Borough *(2009)*

2,800 jobs statewide – Estimates credit Red Dog Mine with creating thousands of Alaska jobs

$166 million – in total compensation at the mine

$146.3 million – in proceeds from Red Dog (2010)

$173 million – in goods and services including work with more than a dozen Alaska mining support companies.

70 permits – Red Dog operates under strict environmental guidelines

RED DOG MINE TIMELINE

1968 Mineral deposits discovered
1968 Red Dog Mine named
1971 ANCSA passes
1980 First exploratory drilling
1980 Under ANCSA, NANA selects 120-square mile block of land surrounding Red Dog deposit
1982 Cominco and NANA sign agreement
1986 Site development begins
1989 Red Dog production begins
2001 Cominco merges with Teck
2007 Teck Cominco recovered its capital investment. NANA now receives 25 percent of mine's net proceeds
2007 Red Dog ships a record 1,180,000 tons of zinc and 289,000 tons of lead
2010 Mining began at Aqqaluk Deposit

RED DOG MINE SHAREHOLDER EMPLOYMENT *(2010)*

Total Employees: **500+**
Shareholders Employed: **58 percent**
Total Wages: **$166 million**
Shareholder Wages: **$28.9 million**

In addition to financial terms, Teck's lease agreement requires Teck to employ and train NANA shareholders.

83 students received **$141,000** in scholarships from Teck *(2010)*.

7(i)

Section 7(i) of ANCSA recognizes that not all the lands owned by the Alaska Native Regional Corporations have significant natural resources 7i and requires the 12 land-based Regional corporations to share 70 percent of their natural resource revenues among all other Alaska Native regional corporations. The 13th corporation does not participate in the 7(i) sharing arrangement.

As a result of Red Dog royalties, in 2010, NANA paid out **$83 million**. to the other regional and village corporations.

Total Red Dog royalties paid to NANA, from 1982 to 2010, **$276 million**.

Since mining began, NANA has received more than **$596 million** in proceeds, of which **$341 million** has been distributed to the other Alaska Native Corporations pursuant to the 7(i) sharing provision of ANCSA.

2011

NANA BY THE NUMBERS

LEADERSHIP

NANA REGIONAL CORPORATION, INC.

NANA Regional Corporation, Inc. (NRC) is one of the 13 Alaska Native corporations created pursuant to the Alaska Native Claims Settlement Act (ANCSA) of 1971. Formed in 1972, NANA's mission is to improve the quality of life for our people, the more than 12,500 Iñupiat of northwest Alaska. We do this by maximizing economic growth, protecting and enhancing our lands, and promoting healthy communities. Our decisions, actions, and behaviors are guided by our Iñupiat Ilitqusiat values consistent with our core principles. The NRC management team, led by Marie Greene, defines our corporate strategy in concert with goals set forth by our board of directors.

NRC Headquarters: Kotzebue, Alaska
NRC President: Marie Greene, NANA shareholder, originally from Deering
NRC Management Team:

- Gladys E. Pungowiyi, Vice President and Chief Operating Officer
- Kevin Thomas, Vice President and Chief Financial Officer
- Jacquelyn Luke, Vice President and General Counsel
- EJ Doll Garoutte, Vice President, Shareholder Relations
- Red Seeberger, Vice President, Administration
- Walter Sampson, Vice President, Lands and Regional Affairs
- Chuck Greene, Vice President, Government Relations
- Lance Miller, Vice President, Resources

THE NANA REGIONAL CORPORATION BOARD

NANA is a shareholder-managed corporation. Our 23 member Board is elected by our shareholders. It is made up of two Iñupiat shareholder board members from each NANA village (with the exception of Kotzebue, which holds one board seat) and an Elder Advisor.

This board composition ensures that every decision and board action benefits the people. They are more than directors of NANA, they are Iñupiat leaders paving the way for the continuation of our subsistence way of life, culture and Iñupiat identity. Their decisions affect future generations of our shareholders.

NRC Board Members:

Ambler	Gladys Jones; Nellie Sheldon
Buckland	Tony Jones, Jr.; Vacant
Deering	Emerson Moto; Ronald Moto, Sr.
Kiana	Charlie Curtis; Janice Westlake-Reich
Kivalina	Millie Hawley; Mary Sage
Kobuk	Pearl Gomez; Henry Horner, Sr.
Kotzebue	Dood Lincoln
Noatak	Frank Adams, Sr.; Joseph Luther
Noorvik	Robert Sampson; Donald G. Sheldon, Chairman
Selawik	Diana Ramoth; Allen Ticket, Sr.
Shungnak	Michael Ticket; Linda Lee
At-large	Luke Sampson; Harvey B. Vestal
Elder Advisor	Levi Cleveland

NANA DEVELOPMENT CORPORATION

Founded in 1974, NANA Development Corporation (NDC) is the business arm of NANA Regional Corporation, Inc. All of NANA's business operations are owned by NANA Development Corporation.

NDC Headquarters: Anchorage, Alaska
NDC President: Helvi K. Sandvik, NANA shareholder, originally from Kiana
NDC Management Team:

- David W. Márquez, Senior Vice President and Chief Operating Officer
- Kevin Thomas, Senior Vice President and Chief Financial Officer
- Jacquelyn Luke, Senior Vice President and Chief Legal Officer
- Stan Fleming, Senior Vice President and Chief Strategy Officer
- Lawrence Mucciarelli, Senior Vice President, Human Resources
- Ngoni Murandu, Senior Vice President and Chief Information Officer
- David Springgate, Senior Vice President and Chief Performance Officer
- John A. L. Rense, Sector Leader, Engineering, Construction & Real Estate
- Chris Birch, Vice President, Business Development
- Clyde Gooden, Vice President, Business Development
- Rich Headrick, Vice President, Finance & Accounting
- Robin Kornfield, Vice President, Communications & Marketing
- Chris Teich, Vice President, Real Estate & Hotel Development

THE NANA DEVELOPMENT CORPORATION BOARD

The NANA Development Corporation board is a subset of the NRC board. The NRC board selects nine of its members to serve as directors of NANA Development Corporation. All NDC directors also serve on NANA subsidiary boards.

NDC Board Members:

- Luke Sampson, Chairman
- Charlie Curtis
- Henry Horner, Sr.
- Dood Lincoln
- Linda Lee
- Joseph Luther
- Mary Sage
- Donald G. Sheldon
- Allen Ticket, Sr.

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- Cooperation
- Domestic Skills
- Family Roles
- Hard Work
- Humility
- Humor
- Hunter Success
- Knowledge of Family Tree
- Knowledge of Language*
- Love of Children
- Respect for Elders
- Respect for Nature
- Respect for Others
- Responsibility to Tribe
- Sharing
- Spirituality

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AQQALUK TRUST

The Aqqaluk Trust is a non-profit organization founded in honor of Robert Aqqaluk Newlin, the first-Chairman of NANA Regional Corporation. The goal of the Trust is to empower the Iñupiat people of the NANA region through the preservation of culture, language and educational opportunities. aqqaluktrust.com

- NANA contributed almost **$20 million** to the Trust between 2000 and 2010.
- Of that, **$5.4 million** went directly into an educational endowment.
- NANA contributed more than **$695,000** in scholarships *(2010)*.
- More than **350** Alaska Natives from the NANA region pursued higher education and vocational training *(2010)*.

SYMBOL



Our symbol is an Iñupiaq hunter moving aggressively toward a successful future in a vast, beautiful and sometimes harsh world.

What our symbol means:

NANA is all of us working together as one hunter, successful if we are of one mind and purpose, hungry if we are split by doubts and mistrust of each other. As one hunter is small and insignificant when compared to our environment, so is NANA when compared to the corporate terrain in which we must navigate. The same qualities – courage, confidence, humility, respect, integrity and sharing – have allowed our people to survive as great hunters and are necessary for NANA to be successful.

NANA

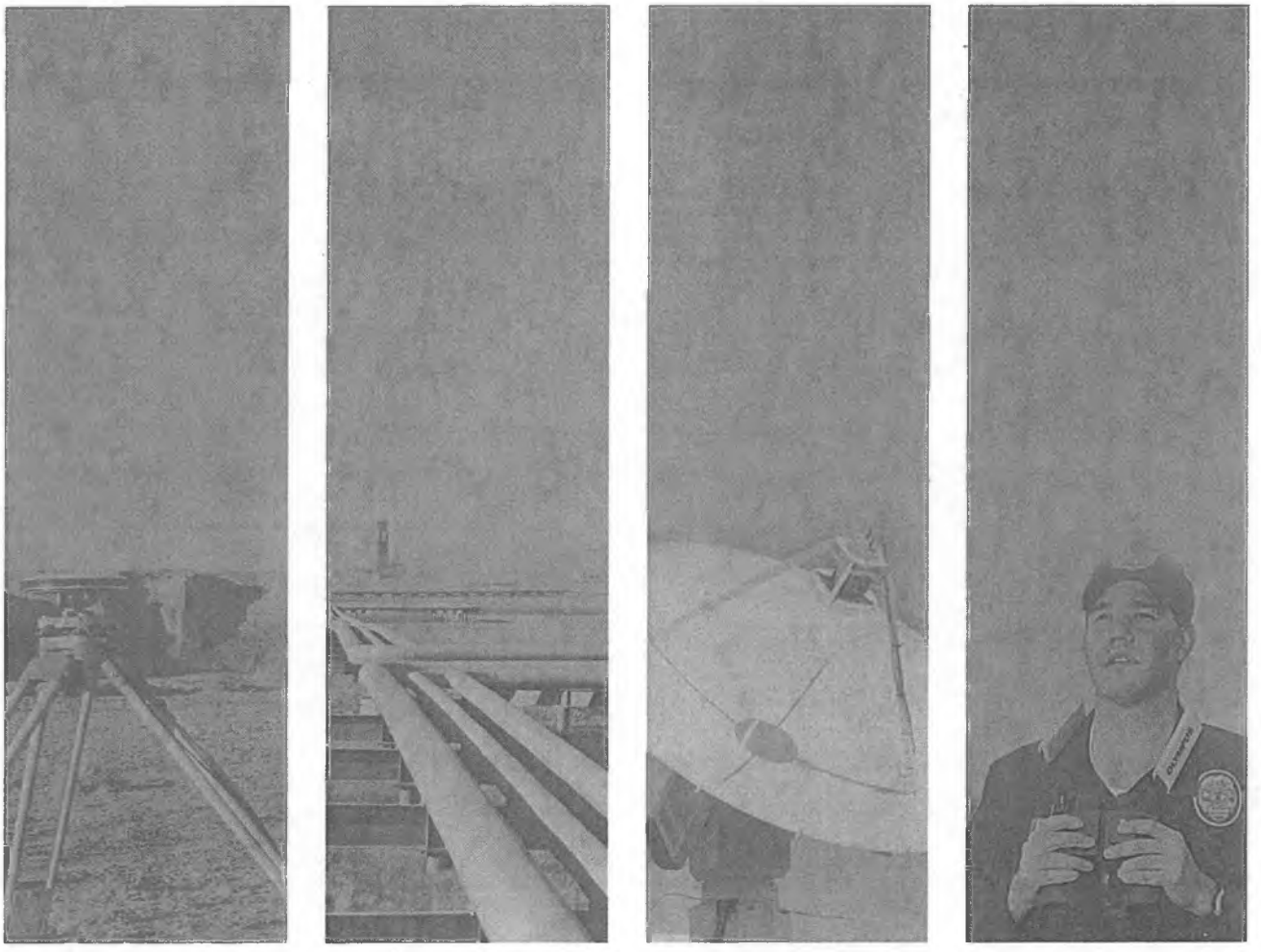
A Vision Made Real

Engineering & Construction
Resource Development
Facility Management & Logistics
Information Technology & Telecommunications

NANA's strength is in the companies we own, our diverse capabilities, dedicated employees, and in the corporate philosophy by which we do business.



If it can be done...



the people of NANA can do it.

NANA Development Corporation, founded in 1974, is a growing business leader in engineering and construction; resource development; facilities management and logistics; and information technology and telecommunications. Headquartered in Anchorage, Alaska, NANA is a billion dollar corporation employing 6500 people throughout the United States and around the globe. NANA operations extend from the Arctic Circle to Antarctica, across the continental United States, to the Middle East and the South Pacific. Our clients and partners are world class professionals—petroleum and mining, private enterprise and government operations.

Where in the world is NANA?



Engineering & Construction

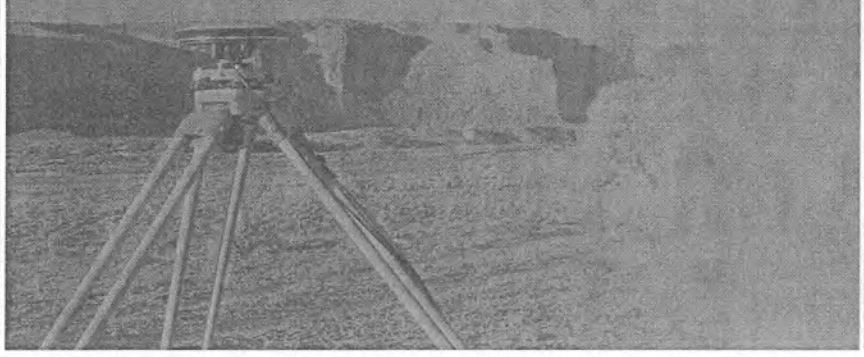
Multi-discipline

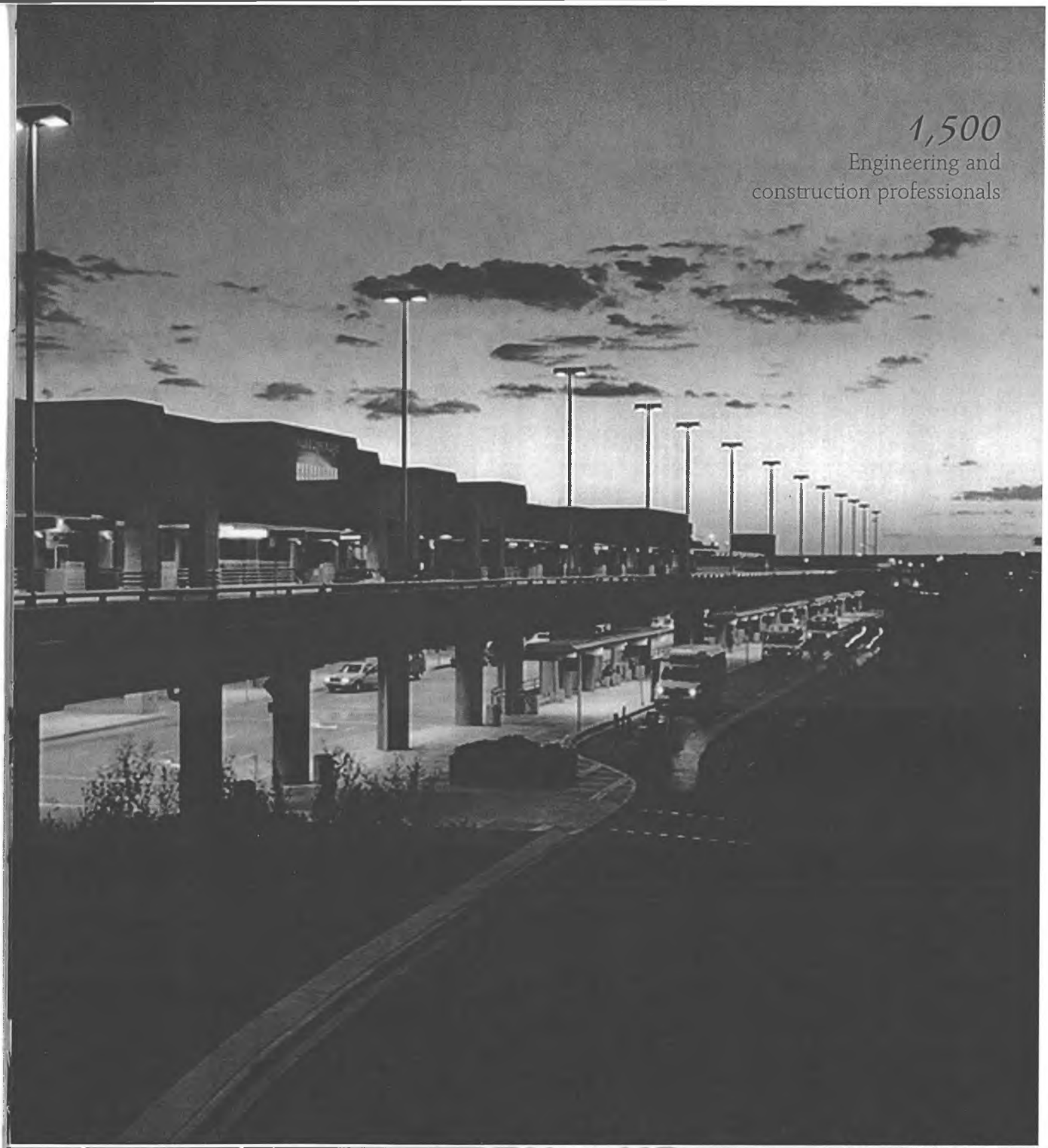
This innovative and responsive professional group includes engineering, surveying, architectural, environmental, geotechnical and planning services, and comprises more than 1,500 employees in eight states, including Alaska, Arizona, Colorado, Idaho, New Mexico, Oregon, Texas and Washington. Public and private sector projects are managed through the complete engineering life cycle, from concept and design, through environmental permitting and construction.

- $250 Million Revenues
- Construction Management
- Surveying
- Architecture
- Civil Engineering
- Mechanical engineering
- Electrical engineering
- Construction



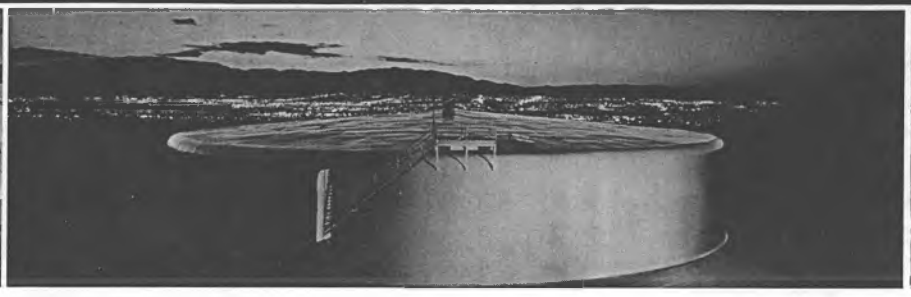





1,500
Engineering and
construction professionals









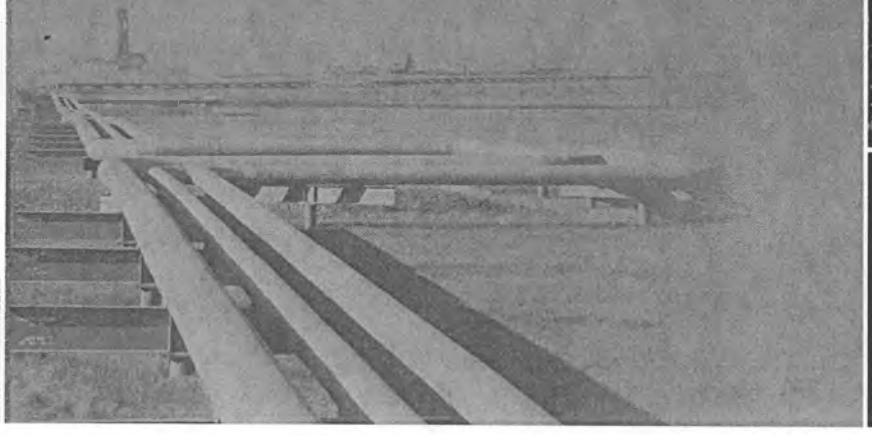
Resource Development

A reputation for safety and performance

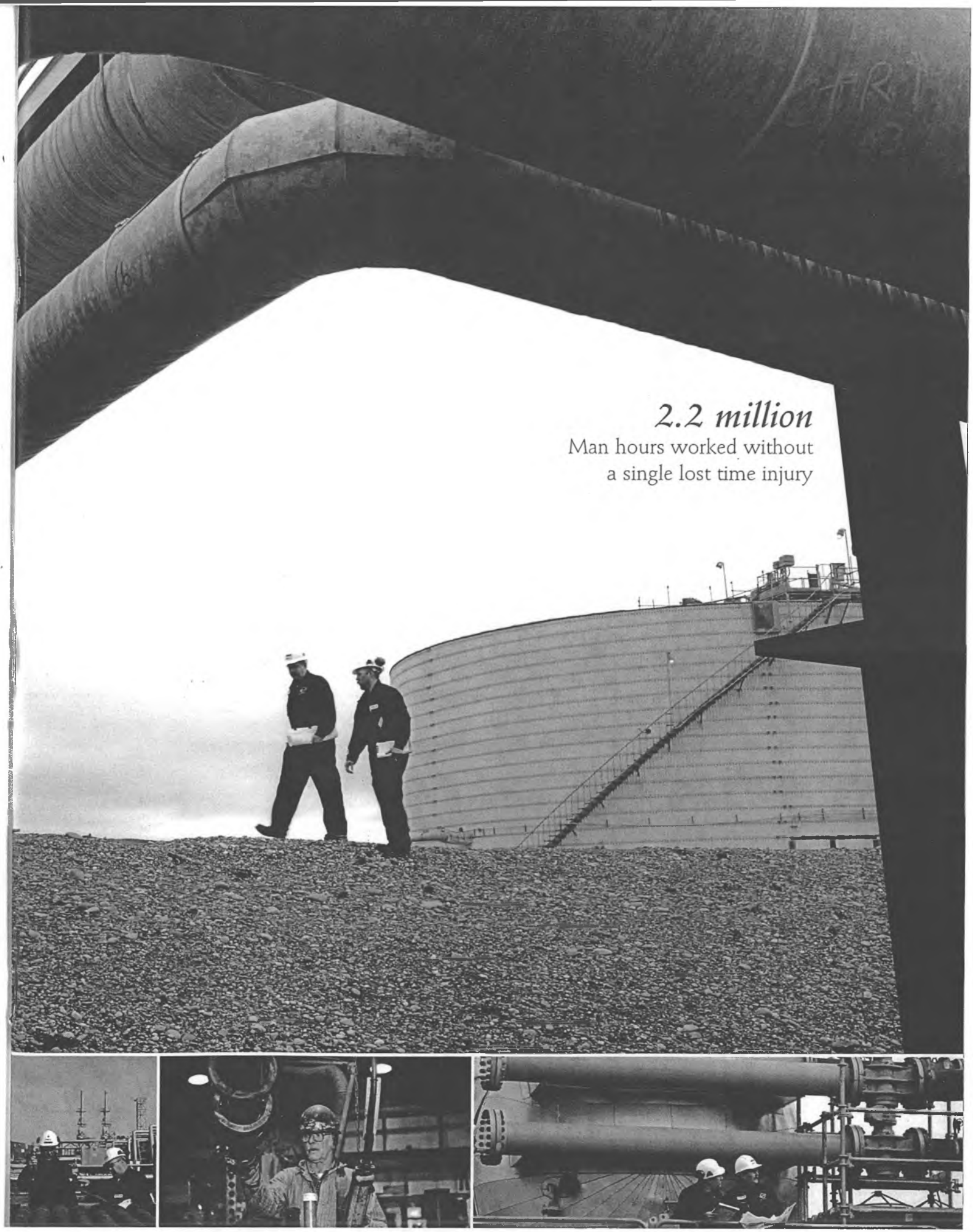
NANA has been meeting the needs of the resource development industry for more than three decades, working in some of the most challenging remote sites in the world. NANA is both a resource owner and a resource industry service provider. We offer comprehensive services for the mining and oil and gas sectors, including technical services, operations and support, workforce development, security, ground transportation, emergency medical services, and telecommunications. NANA is the owner of Red Dog Mine, the world's largest zinc mine, located in Northwest Alaska and known as an environmental model for the industry. NANA also owns an interest in the Endicott Oilfield on Alaska's North Slope and is a natural gas distributor in the lower 48 markets.

- $100 Million Revenues
- Drilling
- Mining
- Energy Reselling
- Mineral Transport
- Security









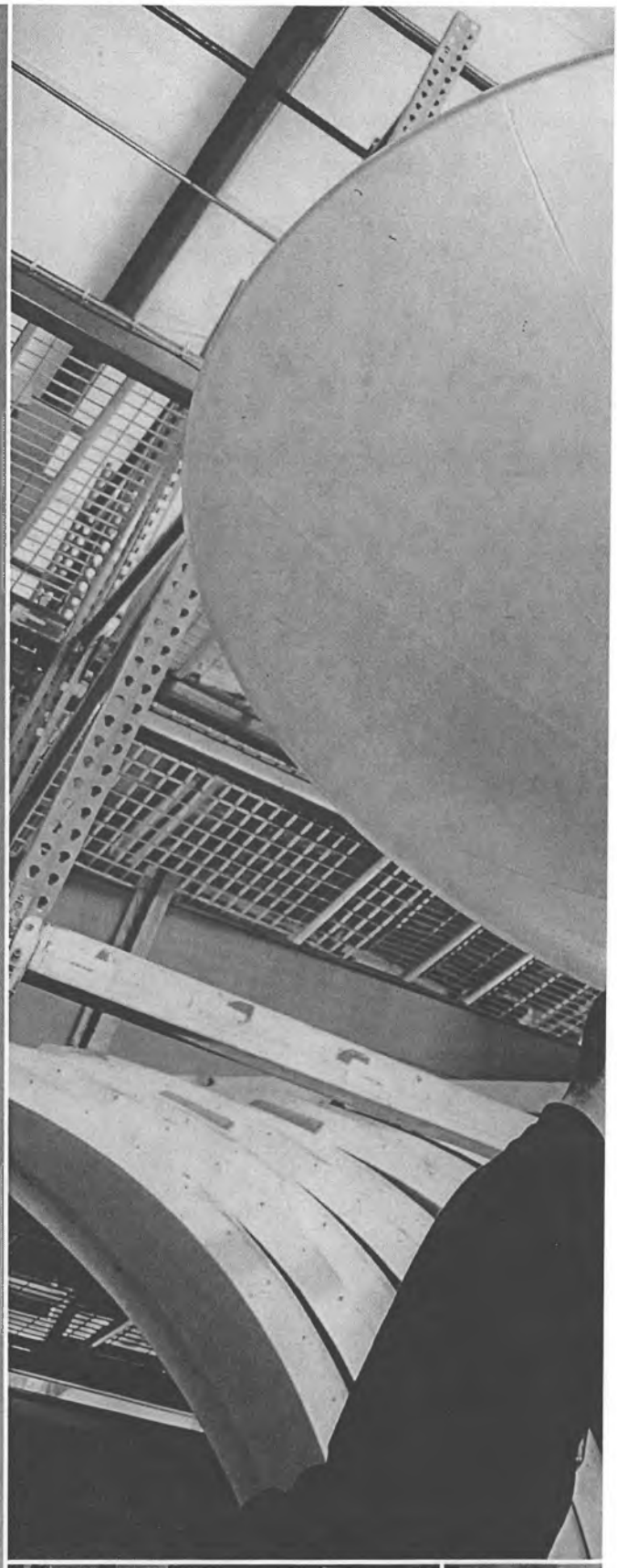
2.2 million
Man hours worked without
a single lost time injury

Information Technology & Telecommunications

Support, solutions, service

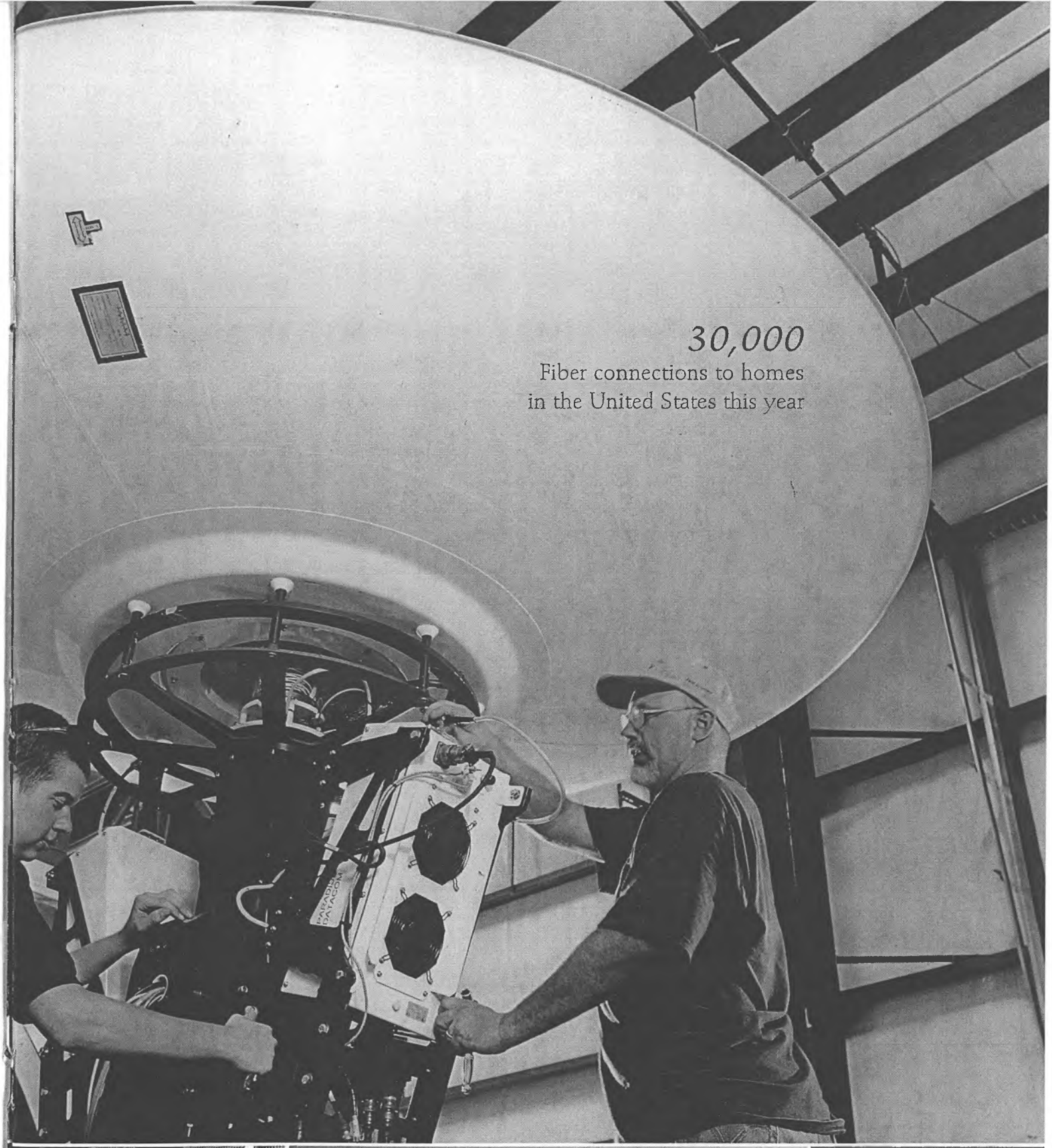
Government, industrial and commercial clients rely on NANA for strategy, design and implementation of secure communications systems. Clients include the most secure and high profile facilities in the United States and worldwide. Innovative solutions and practical systems help maintain mission critical network environments that are capable of meeting future growth and meeting business objectives.

- $250 Million Revenues
- Data Management
- Disaster Response
- Tactical Communications
- Network Operations, Engineering
- Help Desks
- Information Assurance
- Program Management
- Product development





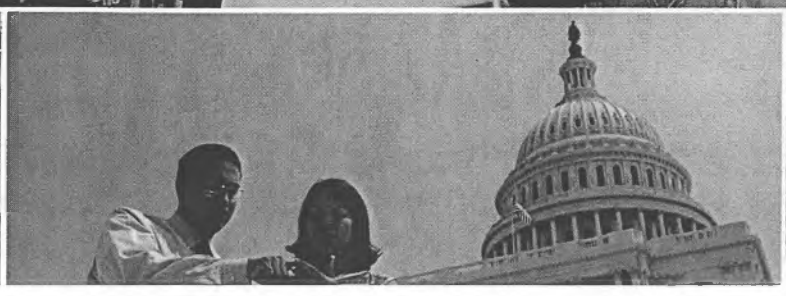




30,000

Fiber connections to homes
in the United States this year







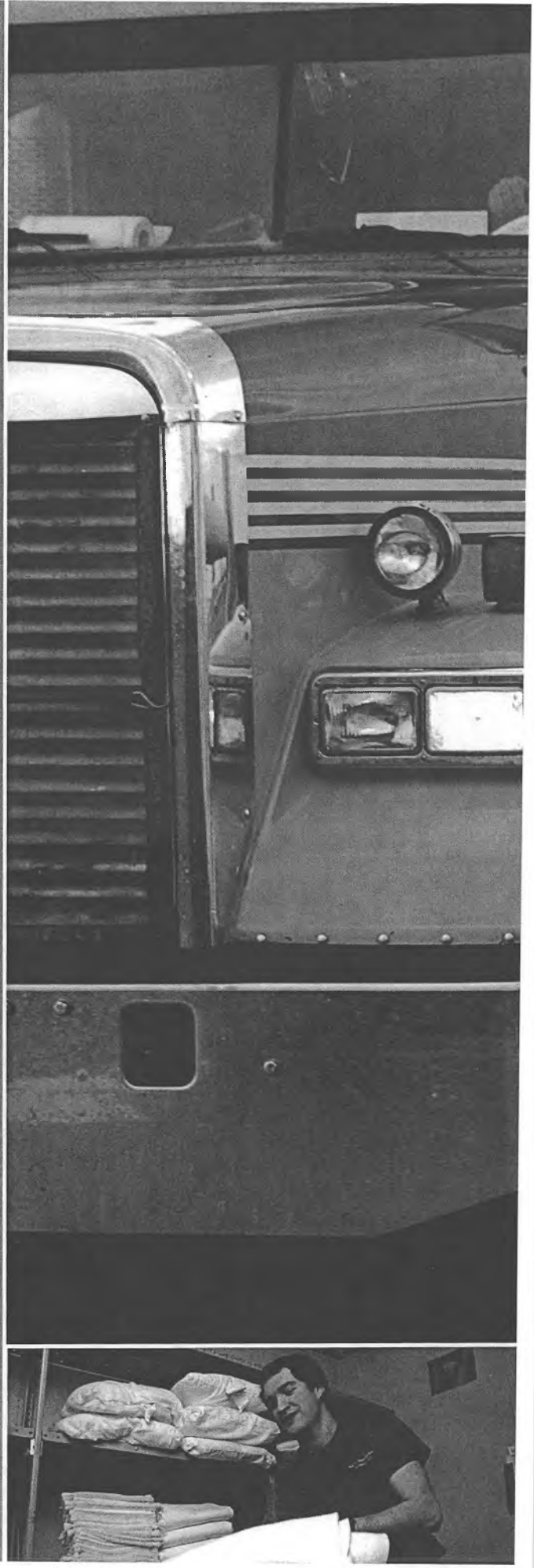
Facilities Management & Logistics

Integrating people, place, process and technology

Service solutions for corporate and military operations worldwide range from sophisticated maintenance of building and heating systems and developing customized support programs, to routine cleaning and maintenance of hospital, school and university grounds and facilities. NANA also owns and operates full-service hotel properties, which includes partnering with a worldwide operator of value and luxury lodging facilities. Diverse operations stretch from the Arctic Circle to Antarctica, and from the continental United States to the South Pacific.

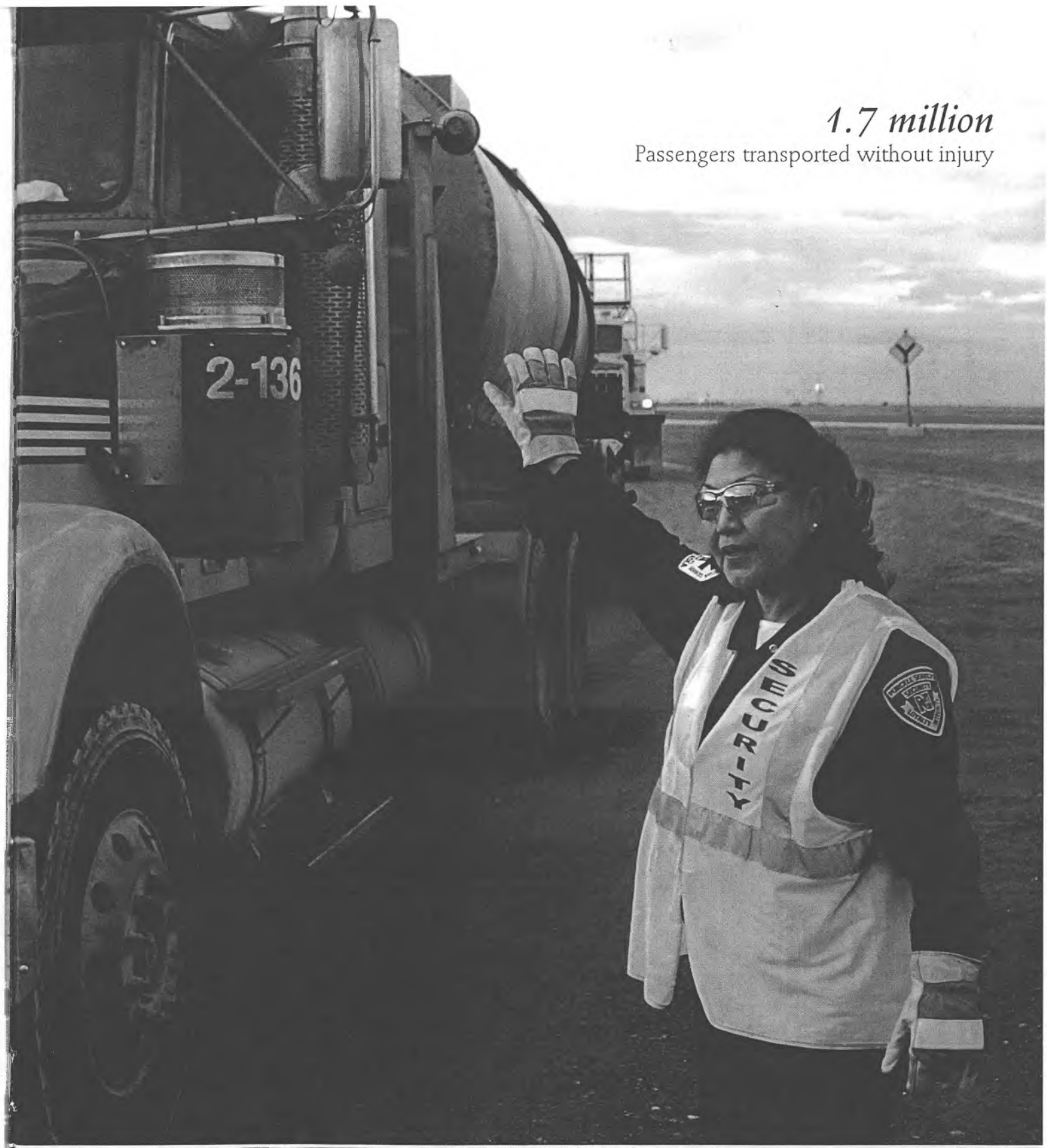
- $250 Million Revenues
- Property Leasing
- Facility Maintenance & Operations
- Warehousing
- Supply
- Procurement
- Food Services
- Housekeeping
- Security
- Transportation
- Hotel Management



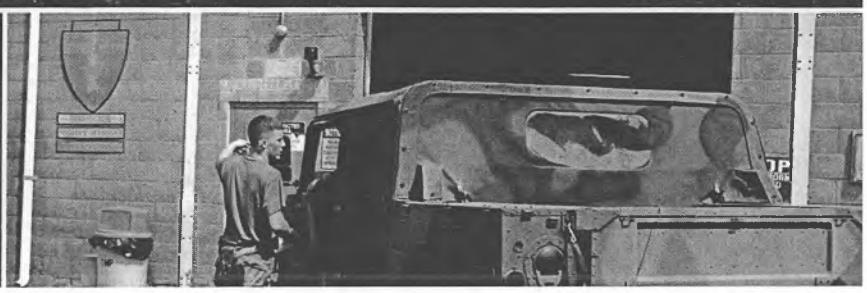


1.7 million

Passengers transported without injury







NANA

Bringing it Home

Our parent company, NANA Regional Corporation, Inc., was created in 1972 following the enactment of the Alaska Native Claims Settlement Act, the largest land claims settlement in United States history that transferred land titles to Alaska's indigenous peoples through the formation of 12 Alaska Native Corporations.

NANA's sole purpose is to provide for the economic and cultural well being of our owners—the Iñupiat Eskimo people who originated in Northwest Alaska. Embodying the values of the traditional Iñupiat hunter, NANA businesses around the globe contribute to the lives of our 11,400 shareholders by bringing back revenues and creating opportunities that enable our people to live productively in traditional and modern worlds.

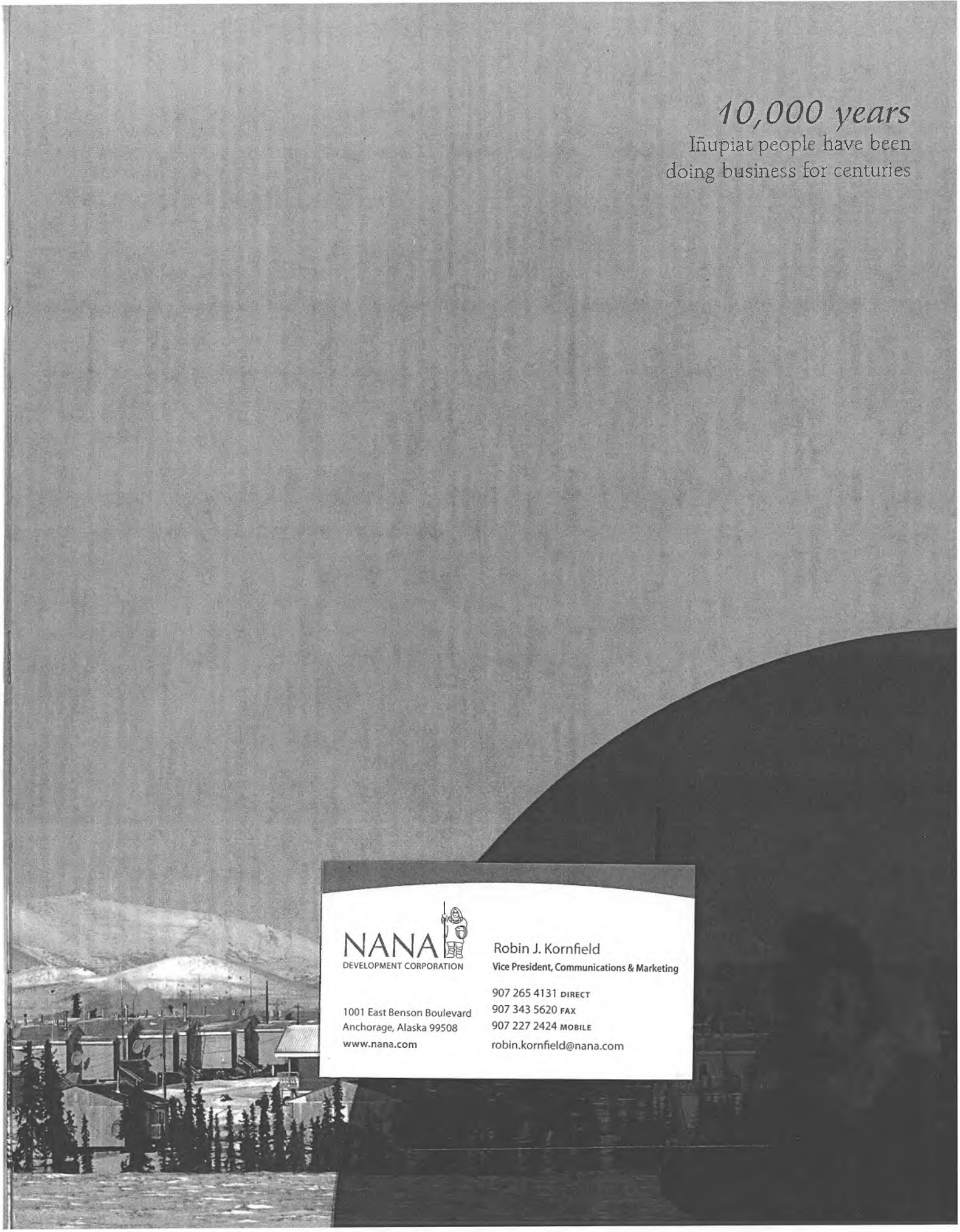
The Hunter

An Iñupiaq hunter moving aggressively toward a successful future in a vast, beautiful, and sometimes-harsh world—this is the symbol that represents NANA and its people, representing the belief that if we are of one mind and purpose we are successful. The hunt is a vision made real—a vision of what can be for the family, and for the village. For 10,000 years, courage, confidence, humility, respect, integrity and sharing have allowed our people to survive as great hunters. Today, these same values determine our success in the business world.



10,000 years

Iñupiat people have been
doing business for centuries



NANA
DEVELOPMENT CORPORATION

1001 East Benson Boulevard
Anchorage, Alaska 99508
www.nana.com

Robin J. Kornfield
Vice President, Communications & Marketing

907 265 4131 DIRECT
907 343 5620 FAX
907 227 2424 MOBILE
robin.kornfield@nana.com

HB 119

<TARGET><BILL>HB 119</BILL><SUBJECT>HB 119</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, February 3, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<

EDT 2.3.11 HB 119 AIDEA: PROCUREMENT; PROJECTS

From The Fiscal Note: "This bill allows AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset. This bill also expands the definition of development projects that AIDEA may own and operate to include projects which "enhance or promote economic development associated with transportation, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research." This bill also enables AIDEA to adopt regulations to establish its own procurement process; similar procurement authority is granted to other state corporations."

1. Is AIDEA not allowed now to invest in a company which has a development project as its sole asset because those investments are seen as being of higher risk? And if so what will AIDEA be doing to minimize this risk?
2. This bill also expands the definition of Development Projects AIDEA may own to include projects which "enhance or promote economic development associated with transportation, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research." Please give me one example for each type of project listed. AIDEA would also be allowed to invest in Federal facilities – please give rationale.
3. So right now does AIDEA have to follow the same procurement rules as DCCED? How will this change help?
4. Last Session we passed a bill to expand AIDEA's board from 5 to 7 and to increase private sector participation on the Board. Has this process been completed? [A: It hasn't: it's taking them a while to find new board members and there has been a lot of turnover lately] Am I right in suspecting that an expanded board may be particularly important to AIDEA if this bill passes and AIDEA gains a broader mandate? OR: In what ways might the expanded Board is even more important if this bill passes?

AIDEA Alaska Industrial Development and Export Authority

ALASKA ENERGY AUTHORITY

January 26, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

RE: HB119, "An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

On January 24, 2011, HB119 (Companion Bill, SB 65) was introduced and referred to the Senate Labor & Commerce Committee. This legislation is intended to provide the Alaska Industrial Development and Export Authority (AIDEA) with more flexibility to encourage greater investment in expanding Alaska's private sector and in developing the state's natural resources.

HB119 will allow AIDEA to own all or a percentage of a corporation or be a member of an LLC for which a development project is the sole asset of the corporation or LLC. This allows AIDEA to establish working relationships with other investors and leverages AIDEA's assets to own a portion of a project rather than the entire project.

HB119 expands the definition of "project" to include projects which enhance or promote economic development. The project must also be associated with transportation, communications, community and public purposes, technical innovations, prototype commercial applications or research. The definition will also be expanded to include federal facilities including military, National Guard or Coast Guard installations.

HB119 also amends the procurement code allowing for the adoption of regulations to govern AIDEA's procurement of supplies, services and construction. AIDEA regulations will be required to reflect competitive bidding principles and AIDEA would be given authority similar to other state corporations such as AHFC and KABATA.

Submitted for the committee's consideration is a proposed amendment to HB119. This amendment further defines AIDEA's authority to create subsidiary corporations for the purpose of financing development projects. This amendment also clarifies AIDEA's ability to transfer assets into the subsidiary corporation but at the same time ensures that the subsidiary corporation's debts, liabilities, and obligations are not those of the Authority, therefore limiting AIDEA's total risk in financing a development project. The Authority would urge the committee to adopt this amendment.

813 West Northern Lights Boulevard • Anchorage, Alaska 99503-2495
www.aidea.org • 907/771-3000 • FAX 907/771-3044 • Toll Free (Alaska Only) 888/300-8534 • www.akenergyauthority.org

We respectfully request you to schedule HB119 for a hearing in your committee and we urge favorable action on this bill. A copy of HB119, the fiscal note, the sectional analysis, and the suggested amendment are attached. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Ted Leonard, CMA, SPHR
Executive Director

Attachments (4)

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 21, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill to provide the Alaska Industrial Development and Export Authority (AIDEA) with more flexibility to encourage greater investment and Alaska resource development. This bill would amend AS 44.88.172(a) to enable AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset. Under its strategic plan, AIDEA works to encourage other investors to join in financing development projects, and to do so, must establish working relationships with those other investors. The proposed legislation will accomplish that goal by providing greater flexibility in how AIDEA and other investors may jointly invest in development projects.

This bill would expand the types of development projects for which AIDEA may own and operate. Under existing law, development projects are basically limited to projects related to making, processing, or transporting goods or products; developing or transporting natural resources; generating or transmitting energy; and infrastructure for tourism destination facilities. This bill would expand the definition of "project" to include projects which enhance or promote economic development. The project must also be associated with transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research. Second, the definition of "project" would expand to include federal facilities, including a United States military, National Guard, or Coast Guard facility, and would also clarify that a component of a project may be a road.

In addition, this bill amends the procurement code (AS 36.30.015(f)) to empower AIDEA to adopt regulations to govern AIDEA's procurement of supplies, services, professional services, and construction.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

CS FOR HOUSE BILL NO. 119(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority creating subsidiaries regarding projects financed under AS 44.88.172; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 36.30.015(f) is amended to read:

(f) The board of directors of the Alaska Housing Finance Corporation, notwithstanding AS 18.56.088, **the membership of the Alaska Industrial Development and Export Authority, notwithstanding AS 44.88.085,** and the board of directors of the Knik Arm Bridge and Toll Authority under AS 19.75.111, shall

adopt regulations under AS 44.62 (Administrative Procedure Act) and the board of trustees of the Alaska Retirement Management Board shall adopt regulations under AS 37.10.240 to govern the procurement of supplies, services, professional services, and construction for the respective public corporation and board. The regulations must reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process and must include procurement methods to meet emergency and extraordinary circumstances. Notwithstanding the other provisions of this subsection, the Alaska Housing Finance Corporation, **the Alaska Industrial Development and Export Authority,** the Knik Arm Bridge and Toll Authority, and the Alaska Retirement Management Board shall comply with AS 36.30.170(b).

*** Sec. 2.** AS 44.88.172(a) is amended to read:

(a) The economic development account is established in the revolving fund. The economic development account consists of money or assets appropriated, loaned, or transferred to the authority for deposit in the account and other money or assets deposited in the account by the authority. While money is on deposit in the economic development account, the money may be used only to finance, acquire, manage, and operate development projects that the authority intends to own and operate. In this subsection,

(1) "operate" includes operation directly by the authority, by an agent of the authority, or by a person as determined under an agreement between the authority and other owners of the development project;

(2) "own" includes ownership by the authority of all or a percentage of a development project**, or all or a percentage of the shares of a corporation or membership in a limited liability company for which the development project is the sole asset of the corporation or limited liability company**.

*** Sec. 3.** AS 44.88 is amended by adding a new section to read:

Sec. 44.88.178. Creation of subsidiaries. The authority may create one or more subsidiary corporations for the purpose of acquiring, constructing, owning, operating, or financing a project financed under AS 44.88.172. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 -

10.20.166. The authority may transfer assets of the authority to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing, and has all the powers of the authority that the authority grants to it. Unless otherwise provided by the authority, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the authority.

* **Sec. 4.** AS 44.88.900(3) is amended to read:

(3) "development project" has the meaning given to "project" in **(9)(A) and (D) - (H)** [(9)(A) AND (D) - (F)] of this section;

* **Sec. 5.** AS 44.88.900(8) is amended to read:

(8) "plant" or "facility" means real property, whether above or below mean high water, or an interest in it, and the buildings, improvements and structures constructed or to be constructed on or in it, and may include **roads,** fixtures, machinery, and equipment on it or in it, and tangible personal property, regardless of whether the tangible personal property is attached to or connected with real property, if the owner has agreed not to remove the tangible personal property permanently from the state for the period the authority sets; "plant" or "facility" does not include work in process or stock in trade;

* **Sec. 6.** AS 44.88.900(9) is amended to read:

(9) "project" means

(A) a plant or facility used or intended for use in connection with making, processing, preparing, transporting, or producing in any manner, goods, products, or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling, or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products, or substances of any kind or nature;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a business enterprise;

(D) a plant or facility demonstrating technological advances of

new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion, and use of energy resources;

(E) infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility; in this subparagraph, "tourism destination facility" does not include a hotel or other overnight lodging facility;

(F) a plant or facility, other than a plant or facility described in (D) of this paragraph, for the generation, transmission, development, transportation, conversion, or use of energy resources;

(G) a plant or facility that enhances, provides for, or promotes economic development with respect to transportation, communications, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research;

(H) a plant or facility used or intended for use as a federal facility, including a United States military, national guard, or coast guard facility;

* **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB119
(H) Publish Date: 1/24/11

Identifier (file name): 1745-CED-AIDEA-01-10-11
Title: AIDEA Project Ownership and Project Definition
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: AIDEA
Allocation: AIDEA Operations
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher-Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Industrial Development & Export Authority
Date/Time: 1/21/11 12:25 PM
Approved by: Susan K. Bell, Commissioner
Commerce, Community & Economic Development
Date: 1/21/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 119

Analysis

The bill allows AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset. This bill also expands the definition of development projects that AIDEA may own and operate to include projects which "enhance or promote economic development associated with transportation, community public purposes, technical innovations, prototype commercial applications of intellectual property, or research." This bill also enables AIDEA to adopt regulations to establish its own procurement process; similar procurement authority is granted to other state corporations.

This legislation has no operational fiscal impact to AIDEA.

HB 119 and SB 65

An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of "own" for the economic development account; relating to the definitions of "development project", "plant", "facility", and "project" for the Alaska Industrial Development and Export Authority; and providing for an effective date.

Sectional Analysis

Section	Analysis
1	Amends AS 36.30.015(f) (the procurement code) to allow AIDEA to adopt regulations to govern AIDEA's procurement of supplies, services and construction. AIDEA regulations will be required to reflect competitive bidding principles; AIDEA would be given authority similar to other state corporations such as AHFC and KABATA
2	Amends AS.44.88.072(a) to allow AIDEA to own all or a percentage of a corporation or be a member of an LLC for which a development project is the sole asset of the corporation or LLC
3	Amends AS 44.88.900(3) to include in the expanded definition of development project in AIDEA's development finance projects under which AIDEA owns and operates projects
4	Amends AS 44.88.900(8) to clarify that "roads" may be a component of a project
5	Amends AS 44.88.900(9) to expand the definition of project to include a plant or facility that enhances, provides for, or promotes economic development with respect to transportation, communications, community public purposes, technical innovations, prototype commercial application of intellectual property, or research; and a plant or facility used or intended for use as a federal facility, including a US military, national guard, or coast guard facility
6	Provides for an immediate effective date

Prepared by AIDEA January 25, 2011

HB 119 Summary

"An Act relating to the procurement of supplies, services, profession services, and construction for the Alaska Industrial Development and Export Authority; relating to the definition of 'own' for the economic development account; relating to the definitions of 'development project', 'plant', 'facility', and 'project' for the Alaska Industrial Development and Export Authority; and providing for an effective date."

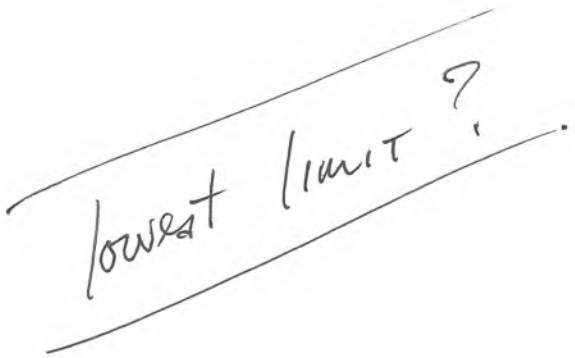
- Gives the Alaska Industrial Development and Export Authority (AIDEA) increased flexibility to encourage greater investment in Alaska Resource Development

- Amends AS44.88.172(a) to enable AIDEA to invest directly in a corporation or limited liability company which holds a development project as its sole asset.

- AIDEA must develop working relationships with investors in order to encourage them to join financing development projects; this bill gives AIDEA greater flexibility in how AIDEA can jointly invest in development projects.

- HB 119 expands the type of projects that AIDEA may own and operate. Currently, develop projects are limited to projects relating to making, processing, or transporting goods or products; developing or transporting natural resources; generating or transmitting energy; and infrastructure for tourism destination facilities

- HB119 expands the definition of project to include projects which enhance or promote economic development; it also expands the definition to include federal facilities, including a United States military, National Guard, or Coast Guard facility; it also clarifies that a component of a project may be a road.



27G-1
(1/24/2011)
(3:44 p.m.)

AMENDMENT

OFFERED IN THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM
TO: HB 119

BY OLSON

Page 1, line 5, following "**Authority;**":

Insert "**relating to the Alaska Industrial Development and Export Authority creating subsidiaries regarding projects financed under AS 44.88.172;**"

Page 2, following line 24;

Insert a new bill section to read:

"* **Sec. 3.** AS 44.88 is amended by adding a new section to read:

Sec. 44.88.178. Creation of subsidiaries. The authority may create one or more subsidiary corporations for the purpose of acquiring, constructing, owning, operating, or financing a project financed under AS 44.88.172. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing, and has all the powers of the authority that the authority grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the authority."

Renumber the following bill sections accordingly.

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 8, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

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All Bills in Committee:

- HB 119, AIDEA: PROCUREMENT; PROJECTS
- HB 120, AIDEA: NEW MARKETS TAX CREDIT PROGRAM
- HB 67, FILM PRODUCTION TAX CREDIT
- HJR 15, SUPPORT ARCTIC CAUCUS

Surprise Guest: Rep. Lindsey Holmes

HB 119, AIDEA: PROCUREMENT; PROJECTS

- Ted Leonard, AIDEA E.D.
- Mark Davis, AIDEA Economic Development Officer

Note: objection to the amendment is carried from last meeting.

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HB 120, AIDEA: NEW MARKETS TAX CREDIT PROGRAM

- Ted Leonard, AIDEA E.D.
- *Mike Catsi*, AIDEA, business development officer

AIDEA's Answers to Questions Posed by the House Committee on Tourism and Economic Development Regarding HB 119: AIDEA Procurement and Projects

Question #1

Is AIDEA not allowed not to invest in a company which has a development project as its sole asset because those investments are seen as being of higher risk? And if so what will AIDEA be doing to minimize this risk?

AIDEA's Response

AIDEA was not allowed to invest in projects through use of a limited liability or corporation because it was set up originally as an Authority which would use its own funds to own and operate projects which supported delineated forms of economic development. It would appear the risk of the investment was not a factor in the use of this sole ownership structure. Rather, the requirement that AIDEA have sole ownership in a project reflected a state policy that the Authority would develop and own projects which would not otherwise be built by the private sector. AIDEA, therefore, was designed to own and operate facilities and projects which supported development of natural resources, tourism and energy (which was added in 1993).

So risk aversion was not a factor in this sole ownership structure. In fact, AIDEA sole ownership of industrial sites and buildings increased the risk for the Authority. Sole ownership meant that AIDEA could not leverage its funds and that AIDEA took all the risk in owning the project. Moreover, sole ownership put all the assets of the Authority on the line should the development project fail or incur some type of liability from an industrial accident.

So AIDEA's statutes were not designed to mitigate risk, but rather to add state capital to the developing Alaska economy. At that time, the prevalent view was that a state could use its own capital to build a facility which would not otherwise be built with private capital. In a newly formed and developing state, this model worked.

Over time, however, this view has changed. The current view of economic development is that state development agencies should be working with the private sector as partner in developing needed infrastructure. Such public – private partnerships are often referred to as PPPs. PPPs permit the state agency to leverage its funds while decreasing both the risk of financial default and risk of liability arising from the operation of the project.

One change AIDEA now seeks through HB 119 is designed to increase use of PPP projects. The change will permit the Authority to own a percentage of a development finance project - though use of a limited liability company or corporation.

For most of its history, AIDEA was authorized to "own" a development project under AS 44.88.172. This reference to owning a project was interpreted to mean that AIDEA had to own 100% of a project and could not partner with other investors. As a result, AIDEA developed projects in which it was the sole owner, such as the FedEx hangar at Anchorage Airport or the Delong Mountain Transportation System, which is an industrial road and port that supports the Red Dog mine.

Last session, AIDEA sought and received legislative approval for a change in AS 44.88.172 to authorize the Authority to own a percentage of a development project. In this way, AIDEA could partner with other investors, leverage its funds, and lessen its risk. This change also reflected the trend, noted above, for state agencies to work with private entities in economic development.

As AIDEA has worked with this new legislative authority, it was asked by several potential private partners to form an LLC or a corporation as a way to own and manage joint ownership of a proposed project or facility. This use of an LLC or corporation is common in development projects because it sets up a methodology to operate the project. For example, in an LLC, the members can elect a managing member to run the day-to-day operations of the entity. The use of an LLC also mitigates risk because in the event of a default, creditors know that for their recourse, they are limited to the assets of the LLC. This mitigation of risk is important because as AIDEA works with junior companies in sectors such as mining and oil and gas, the Authority will be the investing party which has the most assets, and could be viewed as a deep pocket.

In sum, the change in ownership structure sought through HB 119 is designed to minimize risk, permit AIDEA to engage with private capital, and allow ADIEA to leverage its funds so that it can participate in more economic development projects than it could if it has to fund 100% of each project.

Question 2

This bill also expands the definition of Development Projects. AIDEA may want to include projects which "enhance or promote economic development associated with transportation, community public purposes, technological innovations, prototype commercial applications of intellectual property, or research." Please give one example for each type of project listed. AIDEA would also be allowed to invest in Federal facilities- please give rationale.

AIDEA's Response

Transportation Project: An example would be a project such as fuel storage at Anchorage Airport which supports transportation, but is not linked to transporting natural resources, energy, industrial production, or tourism infrastructure.

Community Public Purposes: An example would be a health care clinic.

Technical Innovations: An example would be development of an industrial plant utilizing new technology which was not supporting natural resources, energy or tourism. Currently, for example, the Authority is looking at a development finance project involving innovative technology in the fishing industry, which involves a natural resource. However, at present, AIDEA could not support a plant using innovative technology in textiles, even though it may have that opportunity.

Prototype Commercial Applications of Intellectual Property or Research: An example would be providing financing for the development of a commercial application of a new process, such as the commercialization of a patent. This would be especially the case when the prototype plant to test commercial feasibility of a patent or innovation may not immediately lead to production which is readily saleable.

Federal Facilities: The rationale for this change is that AIDEA wants to be able to support a significant sector of the Alaskan economy: the federal military. AIDEA has been approached by federal agencies that are interested in AIDEA developing facilities which would be leased to a federal agency. This reflects a trend in federal procurement under which federal agencies do not want to own facilities and instead seek to lease them on a long- term basis.

AIDEA would like to offer this service to federal agencies because states and regions that can offer leased premises are attractive to the federal government. This in turn encourages the location of more federal employees to these areas. In the current economy with tightening federal spending, it is reasonable to treat the federal government like any other sector of the economy. This is particularly the case when this spending represents a significant portion of the economy. Therefore, it is appropriate to offer the federal government incentives and programs that will encourage federal agencies to locate in Alaska and which can bring in new jobs and investments. Leasing to a federal agency is the same as AIDEA leasing a hangar to FedEx at the Anchorage Airport, or leasing port facilities at Skagway.

Secondly, executing long term leases with a reliable tenant such as a federal agency offer AIDEA a good investment and return on its capital. Finally, at the end of the lease, these facilities will revert back to AIDEA and can then be sold into the private market. This will create economic opportunities and increase property taxes for local communities in which the facilities are located.

Question 3

So right now does AIDEA have to follow the same procurement rules as DCCED? How does this change help?

AIDEA's Response

AIDEA, like most state agencies such as the Department of Commerce, falls under Alaska's State Procurement Code. See AS 36.30.005 (centralization of procurement) and AS 36.30.990(1)(A) (definition of included entities includes departments). The current procurement code, however, excludes certain public corporations, such as Alaska Housing Finance Corporations (AHFC) and the Alaska Aerospace Development Corporation. See AS 36.30.015(f) and AS 36.30.990(1)(B)(iii) and (vi). AIDEA submits that its need to do development projects and interface with the private sector in development projects means that it should be granted the same exclusion form the Procurement Code as its fellow public corporations.

The procurement change in HB 119 would assist AIDEA in accomplishing its economic development mission in several ways. First, AIDEA is often approached by a developer at a stage when the project is seeking financing. At this stage, the developer will usually have a business plan and a detailed

design for the project, including architectural and engineering drawings. All of these materials will often be at hand because they are needed to budget the cost of the project. This is a critical component in developing a finance package. Developers are used to having this level of detail when they seek conventional bank financing, for example.

However, if AIDEA decides to finance all or part of a project, it must essentially start all over again and develop a whole new set of plans and specifications for the project - based on the Procurement Code. This includes soliciting new bids on each aspect of the project, even if detailed plans already exist. It has been AIDEA's experience that this can be a barrier to working with a potential client who has expended considerable time and money in developing detailed plans for the project.

Moreover, AIDEA is moving toward a development finance model in which it often will own only part of a project, such as 20%. This limited investment is designed to use state capital only to the extent it is needed to move a project to completion, and to minimize AIDEA's risk if the project does not perform as expected. However, under the current law, AIDEA's minority ownership in a project would mean that the entire project is subject to the Procurement Code.

Another advantage to the proposal in HB 119 is that it permits AIDEA, just like AHFC, to set out an open and fair procurement process by adopting new regulations with oversight from the AIDEA Board. In the event that there is a bid protest, the matter can be heard expeditiously by the AIDEA Board and a decision reached. In contrast, under the Procurement Code, an AIDEA protest would be heard by the DOT&PF Commissioner and then by the Commissioner of Administration. This process is time consuming. In contrast, HB 119 would permit the AIDEA Board to determine bid protests. This places the decision making process in front of an entity familiar with economic development financing.

Question 4

Last session we passed a bill to expand AIDEA's board from 5 to 7 and to increase private sector participation on the Board. Has this process been completed? Am I right in suspecting that an expanded board may be particularly important to AIDEA if this bill passes and AIDEA gains a broader mandate? OR: In what ways might the expanded Board be even more important if this bill passes?

AIDEA's Response

While AIDEA did not request the Board change, the Authority welcomes the participation of additional private sector members. AIDEA's Strategic Plan calls for the Authority to expand the effectiveness of its programs, and this includes forming important private-public partnerships to finance needed economic development. The five public members of the board bring their expertise and experience to the decision making process, and the new, larger Board allows for the formation of Board subcommittees to review proposed projects and investment opportunities outside of the formal Board meeting process. Their private sector backgrounds assist AIDEA in reviewing both the benefits and possible pitfalls of proposed partnerships with private sector interests in developing a project.

The change in the Board's composition is consistent with the goals of HB 119 to expand and clarify the scope of the agency's economic development mission. The addition of three additional public members means that the Board's composition reflects broader business and geographic experience. This will assist Management and the Board in carrying out the expanded scope of economic development projects contemplated in HB 119.

Question 5

What sources were used to draft the language in HB 119 regarding the proposed list of the types of projects AIDEA can undertake?

AIDEA's Response

As AIDEA began development of its Strategic Plan, it conducted a review of the programs and statutes used by its sister development agencies in other states. In particular, AIDEA focused on the New Jersey Development Corporation, the Wyoming Business Council, the Vermont Economic Development Authority (VEDA), Mass Development, and the Bank of North Dakota.

One constant that appeared from this review is that most state development authorities have programs tied to the nurturing and development of existing economic sectors, as well as having programs to attract new businesses into the state and diversify the economy.

As part of this process, AIDEA retained Western Financial to do a "Strength-Weakness-Opportunities-Threats (SWOT) analysis" of Alaska's economy, as well

as an outreach program to the business community for an environmental scan of the economy. This SWOT and scan analysis became cornerstones of AIDEA's Strategic Plan.

At page 33 of AIDEA's Strategic Plan, there is a chart that sets out the economic sectors this analysis indicated should be supported by AIDEA. For example, this list included traditionally important areas of the economy such as fisheries and tourism, but also includes newer or less well-defined areas such as the federal government, logistics, aerospace, and health care.

In addition to tracking economic sectors identified in AIDEA's Strategic Plan, the expanded list of projects listed in HB 119 reflects the type of economic development work undertaken by development authorities in other states. In 2008, AIDEA and DCCED jointly began a comprehensive review of what other states were doing to support economic growth and diversification in their respective economies.

DCCED was engaged in looking at the programs being offered by state development authorities in over 40 states. Commerce staff surveyed these authorities' web sites, interviewed officials in some states, and researched the statutory powers of these disparate state development authorities, comparing their approaches to AIDEA's statutes. This research showed that while AIDEA was pursuing some of the same economic goals of other states, on the whole its statutory powers were more limited in scope.

As Ted Leonard noted in his testimony last week, the Authority is essentially aimed at promoting economic development projects in four sectors: (1) natural resources; (2) industrial sites; (3) energy; and (4) tourism infrastructure.

In contrast, most other state development authorities have powers to effectuate a broader range of projects. For example, the various Port Authorities in Ohio (which are that state's development mechanism) are authorized by Ohio Statutes [Ohio Rev. Stat. 4582.0] to support a variety of projects:

> "Authorized purposes" or "purpose" means either of the following:
>
> (1) Activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within the jurisdiction of the port authority..."

Ohio also has its Enterprise bond fund which makes loans of up to $1.5 million for eligible businesses include manufacturing, research and development, and distribution. Retail projects are ineligible.

Another factor this review noted was the support many development authorities offered for new technologies and innovative businesses. For example, one of the best known U.S. development agencies is the New Jersey Economic Development Authority. New Jersey is authorized to finance what it terms Technology and Life Sciences, which encompasses biotechnology. New Jersey also offers financial support for information and communication technologies as well as offering early state investment funding.

Similarly, Mass Development and the Wyoming Business Council are set up to support new technologies and innovative businesses.

Another factor that emerged from the review is that few development agencies own and operate development projects as does AIDEA. One exception is the West Virginia Economic Development Authority. The WVEDA under Chapter 3, Article 15 31-15-16(a) can "acquire, construct... and operate projects within the state...". This is similar to the language found in AS 44.88.172(a) which permits AIDEA to own and operate development finance projects. What differentiates Alaska from West Virginia is that AIDEA can and does own and operate much larger projects than the WVEDA.

The upshot of this joint research effort was AIDEA's Strategic Plan which, in part, called for seeking legislative authority for AIDEA to broaden and expand the type of projects it could support. One factor was simply to modernize AIDEA's list of permissible projects by adding industries and sectors that did not exist when AIDEA's statutes were first drafted; an example would be communications, which now encompasses the internet and cell phones. This was simply not an important economic sector when AIDEA was formed in the late 1960s. Indeed, the last time AIDEA's list of permissible projects was expanded was 18 years ago, in 1993 when energy was added as a project development category.

In sum, HB 119's list of new permissible AIDEA projects is an effort to keep the authority in sync with changes in Alaska's economy and provide a basis for supporting enterprises which could lead to greater diversification of the economy.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 9, 2011

SUBJECT: AIDEA Creation of Subsidiaries (CSHB 119(EDT))
(Work Order No. 27-GH1745\M)

TO: Representative Bob Herron
Chair of the House Special Committee on Economic Development, Trade, and Tourism
Attn: Rob Earl

FROM: Doug Gardner
Director

You requested that we draft a committee substitute for House Bill 119 to incorporate the amendment to section 3 of the bill that was adopted by the House Special Committee on Economic Development, Trade and Tourism on February 8, 2011. In essence, the amendment adding section 3 to CSHB 119(EDT) is virtually identical to AS 18.56.086 (AHFC authority to create subsidiaries). Section 3 allows the Alaska Industrial Development and Export Authority (AIDEA) to create subsidiaries for acquiring, constructing, owning, operating or financing a project under AS 44.88.172:

> * **Sec. 3.** AS 44.88 is amended by adding a new section to read:
>
> **Sec. 44.88.178. Creation of subsidiaries.** The authority may create one or more subsidiary corporations for the purpose of acquiring, constructing, owning, operating, or financing a project financed under AS 44.88.172. A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing, and has all the powers of the authority that the authority grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the authority.

I have several concerns about section 3 set out above. The purpose of this memo is to identify any constitutional issues so that they may be discussed as desired during additional hearings regarding this bill. I would note, that during additional discussion of section 3, representatives of AIDEA testifying about this bill could provide testimony and

context for AIDEA's intended application of section 3 of the bill that might alleviate my concerns. At present, the concerns that I have are set out as follows:

Public Purpose Requirement

The state Supreme Court has avoided defining "public purpose," in article IX, section 6 of the Alaska Constitution, preferring to treat it as a constantly changing concept. The Court generally defers to the legislature's judgment (e.g., as stated in a statute) as to what constitutes a public purpose. *See DeArmond v. Alaska State Dev. Corp.*, 376 P.2d 717 (Alaska 1962); *Comtec, Inc. v. Municipality of Anchorage*, 710 P.2d 1004 (Alaska 1985). Therefore, by extrapolation, if the legislature determines that an appropriation serves a public purpose, the purpose will probably be upheld if the determination is reasonable and there is a reasonable basis in fact for making the determination.

Section 3 of the bill allows AIDEA to create a subsidiary for the purpose of acquiring, constructing, owning, operating, or financing a project financed under AS 44.88.172. While the reference to AS 44.88.172 provides limitations on what an AIDEA-created subsidiary might acquire or construct, etc., the latitude allowed the subsidiary is arguably very broad. My concern is that since the subsidiary might make acquisitions or, by implication, dispose of an acquisition based on the subsidiary's and AIDEA's business judgment, an argument might arise that funds were expended beyond the public purpose restriction in article IX, section 6. Since AIDEA and the subsidiary would be making the ownership/sale of assets decision, there would be no findings by the legislature of a public purpose for the court to defer to as discussed above. Again, this is an issue that guidance from AIDEA might resolve, but based on the broad grant of authority in section 3 of the bill, is an issue that a committee might want to address in considering passage of this bill.

Delegation of Authority

Section 3, as discussed above, allows substantial discretion to AIDEA to capitalize the subsidiary corporation authorized by this section, and the subsidiary is authorized to borrow money and issue bonds. In addition, section 3 authorizes AIDEA to grant the subsidiary all the powers that AIDEA, in its discretion, thinks appropriate. Finally, section 3 provides that debts and obligations of the subsidiary corporation are not the debts of AIDEA unless otherwise provided.

This section grants an arguably very broad grant of authority to AIDEA, and in turn, to the subsidiary. AIDEA has a broad range of power of authority vested in it as set out in AS 44.88.080. It appears, the way section 3 is worded, that AIDEA could grant to the subsidiary some or all of the powers enumerated in AS 44.88.080. Such a broad delegation of authority by AIDEA to the subsidiary might constitute an unconstitutional delegation of authority by the legislative branch to the executive branch to grant the subsidiary powers and authority that require legislative authorization. Again, perhaps AIDEA can clarify how section 3 would be implemented to avoid such an impermissible

grant of legislative authority to the subsidiary corporation. *See State v. Fairbanks North Star Borough*, 736 P.2d 1140 (Alaska 1987). *Fairbanks North Star Borough v. State*, 753 P.2d 1158 (Alaska 1988).

Sale of Bonds

Section 3 allows the subsidiary corporation of AIDEA to borrow money and issue bonds. While section 3 of the bill contemplates that obligations of the subsidiary corporation are not necessarily debts, liabilities, or obligations of AIDEA, section 3 also suggests that the subsidiary could be structured by AIDEA in a way that the subsidiary's debts, liabilities, and obligations are the obligations of AIDEA. Again, perhaps AIDEA can clarify that bonds sold by the subsidiary are not the debts of the state and are not a violation of article IX, section 8, or are authorized by article IX, section 11, where bonds sold by the subsidiary would only have as security for the bondholders, the revenues of the subsidiary or AIDEA. *See Myers vs. AHFC*, 68 P.3d 386 (Alaska 2003)

In closing, it may be that AIDEA has already addressed all of these issues by way of testimony or position paper. If not, a committee may wish to raise these questions in subsequent hearings regarding this bill. If you have further questions, please advise.

DDG:plm
11-070.plm

Enclosure

HB 120

<TARGET><BILL>HB 120</BILL><SUBJECT>HB 120</SUBJECT><COMM>HEDT27</COMM></TARGET>

HB 120

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Governor Sean Parnell
STATE OF ALASKA

January 21, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority (AIDEA).

This legislation will enable AIDEA to foster more economic development in Alaska, especially in areas with great need for new investment. Under this legislation, AIDEA could issue guarantees and make loans to help finance projects funded through a federal new markets tax credit program. This federal program offers a competitive process by which federal new markets tax credits are allocated to support the nationwide financing of projects located in low income areas or otherwise serving low income populations. The federal program arises under Section 45D of the Internal Revenue Code, and provides for the allocation of new markets tax credits equal to 39 percent of total qualifying investments, payable over seven years. The tax credits provide a present value investment return of approximately 30 percent of the amount of the qualifying investment, and can substantially reduce the financing costs for a project.

Investments made under the federal new markets tax credit program generally would fund only a portion of total project costs. The balance of the funding must come from other loans or financing. There is a scarcity of capital available and this legislation would enable AIDEA to issue guarantees and make loans to assist in funding amounts not covered by investments made under the federal program.

The proposed legislation requires AIDEA to evaluate the commercial reasonableness of the underlying loan AIDEA would guarantee to determine that the project will promote economic development and requires the financial institution to service the guaranteed loan.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

AIDEA Alaska Industrial Development and Export Authority

ALASKA ENERGY AUTHORITY

January 26, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

RE: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

On January 24, 2011, HB120 (Companion Bill SB66) was introduced and referred to the House Special Committee on Economic Development, Trade and Tourism. This legislation is intended to allow the Alaska Industrial Development and Export Authority (AIDEA) to foster greater economic development in areas that are underserved and underdeveloped.

HB120 will enable AIDEA to issue guarantees and make loans to help finance projects through the federal New Markets Tax Credit (NMTC) program. This program offers a process by which federal tax credits are allocated to support nationwide financing of projects located in communities with poverty rates above 20 percent; median income less than 80 percent of the state median and with unemployment rates 1.5 times greater than the national average.

The NMTC investments are made up of an equity portion for which federal tax credits worth 39% are paid out over seven years and a leveraged debt portion on which interest only is collected for the seven years of the NMTC project. Since 2008 there has been a scarcity of capital to fund the debt portion of the investment. This legislation would enable AIDEA to issue guarantees and make loans to facilitate funding of the debt portion of the NMTC investments.

We respectfully request you to schedule HB120 for a hearing in your committee and we urge favorable action on this bill. A copy of HB120, the fiscal note, and the sectional analysis are attached, as well as a short whitepaper we commissioned on the New Markets Tax Credit program. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Ted Leonard, CMA, SPHR
Executive Director

Attachments (4)

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HOUSE BILL NO. 120

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/24/11
Referred: House Special Committee on Economic Development, Trade, and Tourism, Finance

A BILL

FOR AN ACT ENTITLED

"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 44.88.155(c) is amended to read:

(c) Money and other assets of the enterprise development account may be used to secure bonds of the authority issued to finance the purchase of loans for projects, [OR MAY BE USED] to purchase participation in the loans for projects, **or to fund a new markets tax credit assistance guarantee or loan under AS 44.88.700 - 44.88.799**.

*** Sec. 2.** AS 44.88 is amended by adding a new article to read:

Article 8. New Markets Tax Credit Assistance Program.

Sec. 44.88.700. New markets tax credit assistance guarantees and loans. (a) Subject to the requirements of AS 44.88.700 - 44.88.799, the authority may

(1) guarantee new markets tax credit assistance leveraged loans; and

(2) make new markets tax credit assistance leveraged loans.

(b) New markets tax credit assistance guarantees and loans are limited to projects within the state for which new markets tax credits are allocated by a qualified community development entity.

(c) The authority shall determine that the project will promote economic development in the state before guaranteeing a leveraged loan or making a leveraged loan under AS 44.88.700 - 44.88.799.

(d) The authority may agree to restrictions and guidelines arising from the federal new markets tax credit program, including for the seven year tax credit period of the new markets tax credit project

(1) interest only payments on the leveraged loan;

(2) substantially all capital to remain invested in the project;

(3) acceptable collateral may be an interest in a qualified community development entity or an investment entity rather than in the project; and

(4) substantive restrictions on foreclosure of collateral.

Sec. 44.88.710. Effect of guarantee. (a) A guarantee under AS 44.88.700 - 44.88.799 does not create a debt or liability of the state.

(b) A guarantee under AS 44.88.700(a)(1) may not be terminated, canceled, or revoked except under its terms. A guarantee held by a participating financial institution is presumed to be valid.

Sec. 44.88.715. Qualifications of applicant for new loan guarantee. (a) A business enterprise which qualifies for new markets tax credits for a project may apply for a loan guarantee under AS 44.88.700(a)(1).

(b) The authority may establish additional applicant qualifications by regulation. These qualifications may vary depending upon the type of business the applicant is engaged in.

Sec. 44.88.720. Application loan guarantee. An applicant for a loan guarantee shall provide information that the authority may require by regulation. The authority may require submission of an economic benefit analysis prepared by a person acceptable to the authority.

Sec. 44.88.730. Conditions of loan guarantee. (a) The authority may guarantee a loan under AS 44.88.700 - 44.88.799 if the

(1) loan

(A) is commercially reasonable;

(B) contains payment provisions satisfactory to the authority; and

(C) is secured by acceptable collateral;

(2) project

(A) is allocated new markets tax credits by a qualified community development entity;

(B) promotes economic development in the state; and

(C) is not a housing project;

(3) borrower demonstrates the ability to repay the loan from either or both of the following:

(A) net cash flow from the borrower;

(B) proceeds from the sale of current assets that are collateral for the loan if the sale, or receipt of proceeds from the sale, is an event that creates a payment obligation; in this subparagraph, "current asset" means property that will be or could be converted into cash in the normal operation of a business within one year;

(4) term of the loan does not exceed 10 years;

(5) loan is originated with and serviced by a financial institution.

(b) The authority may provide a guarantee for up to 100 percent of a loan that qualifies under AS 44.88.700 - 44.88.799.

Sec. 44.88.740. Servicing of guaranteed loans. (a) The financial institution that holds a loan guaranteed by the authority under AS 44.88.700 - 44.88.799 shall

(1) service the loan;

(2) exercise diligence in collecting amounts due under the loan; and

(3) comply with all requirements of the loan guarantee agreement.

(b) Amounts received toward satisfaction of a default on a loan guaranteed under AS 44.88.700 - 44.88.799 shall be allocated between the lender and the fund

according to the guaranteed percentage of the loan until the principal balance and accrued interest have been repaid.

Sec. 44.88.750. New markets tax credit assistance leveraged loan. (a) The authority may make a new markets tax credit assistance leveraged loan under AS 44.88.700(a)(2) only if the authority determines that an applicant for a new markets tax credit assistance guarantee is unable to obtain a leveraged loan from a financial institution under commercially reasonable terms. Before making the determination, the authority shall require the applicant to document that at least two financial institutions have reviewed an application for a leveraged loan for which the authority would issue a new markets tax credit assistance guarantee for the loan, and either rejected the application or approved the application subject to terms the authority determines are commercially unreasonable. The authority may require the applicant to submit applications for a leveraged loan to one or more additional financial institutions.

(b) Subject to (a) of this section, the authority may make a new markets tax credit assistance leveraged loan under AS 44.88.700 - 44.88.799 to the applicant to finance a portion of the project using funds from the enterprise development account (AS 44.88.155).

Sec. 44.88.760. Limitations of guarantees and leveraged loans. The combined outstanding principal balance of loan guarantees and loans under AS 44.88.700 - 44.88.799 may not exceed $50,000,000.

Sec. 44.88.770. Powers of the authority. The authority may

(1) adopt regulations to implement AS 44.88.700 - 44.88.799;

(2) establish terms and conditions for loan guarantees and loans, subject to the requirements of AS 44.88.700 - 44.88.799;

(3) make and execute contracts and other instruments to implement AS 44.88.700 - 44.88.799;

(4) charge reasonable fees and interest rates that the authority may establish by regulation for the service it provides under AS 44.88.700 - 44.88.799;

(5) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect the authority's interest in a

loan or a loan guarantee;

(6) exercise any other power necessary to implement AS 44.88.700 - 44.88.799; and

(7) to the extent the authority considers it to be in its best interest to do so, use money to pay expenses relating to the liquidation of collateral securing loans guaranteed or made by the authority under AS 44.88.700 - 44.88.799.

Sec. 44.88.799. Definitions. In AS 44.88.700 - 44.88.799,

(1) "federal new markets tax credit program" means the program administered by the Community Development Financial Institutions Fund which arises out of Section 45D of the Internal Revenue Code (26 U.S.C. 45D) and related regulations;

(2) "new markets tax credit" means tax credits which arise out of Section 45D of the Internal Revenue Code (26 U.S.C. 45D) and related regulations;

(3) "new markets tax credit assistance leveraged loan" and "leveraged loan" mean a loan made into an investment entity, the proceeds of which, together with other funds including tax credit equity, are invested as a qualified equity investment in a qualified community development entity which will use the funds to finance a project for which the entity allocates new markets tax credits;

(4) "qualified community development entity" has the same meaning mean as the term is defined in Section 45D(c) of the Internal Revenue Code (26 U.S.C. 45D(c)) and related regulations; and

(5) "qualified equity investment" means an equity investment in a qualified community development entity which satisfies the conditions described in Section 45D(b) of the Internal Revenue Code (26 U.S.C. 45D(b)) and related regulations.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 120
(H) Publish Date: 1/24/11

Identifier (file name) 1747-CED-AIDEA-01-10-11
Title: AIDEA New Markets Tax Credit Assistance Guarantee
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: AIDEA
Allocation: AIDEA Operations
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher-Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Industrial Development & Export Authority
Date/Time: 1/21/11 12:30 PM
Approved by: Susan K. Bell, Commissioner
Commerce, Community & Economic Development
Date: 1/21/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 120

Analysis

This bill establishes a new market tax credit assistance program within AIDEA and enables AIDEA to use money in its enterprise development account to fund guarantees and loans AIDEA would make under this program.

This legislation has no operational fiscal impact to AIDEA.

SB 66 and HB 120

An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date.

Sectional Analysis

Section	Analysis
1	Amends AS 44.88.155(c) to allow assets of the enterprise development account to be used to fund a new markets tax credit assistance guarantee or loan
2	Amends AS 44.88 by adding a new article – New Markets Tax Credit Assistance Program. 44.88.700 allows AIDEA to issue guarantees and make loans to help finance projects funded through a federal new markets tax credit program. The assistance is limited to projects within Alaska for which tax credits are allocated by a qualified community development entity; the authority shall determine that the project will promote economic development; the authority may agree to certain restrictions and guidelines arising from the federal program. 44.88.710 provides that a guarantee does not create a debt or liability of the state; a guarantee may not be canceled except under its terms 44.88.715 establishes applicant qualifications 44.88.720 requires an applicant to provide certain information required by AIDEA in regulation including the potential submission of an economic benefit analysis prepared by a person acceptable to the authority. 44.88.730 establishes condition of a loan guarantee 44.88.740 requires financial institution holding a guarantee shall service the loan 44.88.750 allows AIDEA to make leverage loans if AIDEA determines an applicant is not able to obtain a leveraged loan from a financial institution 44.88.760 sets a cumulative $50 million limit under this program 44.88.770 provide AIDEA the authority to adopt regulations, establish terms and conditions, execute contracts, charge fees and interest rates, acquire property through purchase, transfer or foreclosure 44.88.799 defines terms used in the new article
3	Immediate effective date

Prepared by AIDEA January 25, 2011



New Markets
Capital Company

Specialists in the New Markets Tax Credit Program

To: Ted Leonard; Michael Catsi; Mark Davis
From: Vincent Ravaschiere
Date: October 11, 2010
Re: Enhancing the Value of the Federal New Markets Tax Credit Program in Alaska

Introduction

Some weeks ago, you asked me for my thoughts, initially in draft form, on how the Alaska Industrial Development and Export Authority ("AIDEA" or the "Agency") could help stimulate and facilitate New Markets Tax Credit ("NMTC") transactions in the State of Alaska. In this regard, we had preliminary discussions regarding the possibility that AIDEA might act as the leveraged lender in NMTC transactions. You asked me to help determine how such a program might work, consider how AIDEA might protect itself from exposure in acting as a leveraged lender, and suggest other ways in which AIDEA might assist in making the NMTC program work in Alaska. Finally, you asked me to address several specific questions that relate to AIDEA acting as a NMTC leveraged lender.

In response, I submitted a draft memo to AIDEA on October 4, 2010 and attended a meeting to discuss these topics with you at AIDEA's offices on October 6, 2010. As part of that meeting, we met with representatives of Alaska Growth Capital, the only Alaska based NMTC allocatee, to hear and understand their views on how AIDEA could be helpful in promoting NMTC transactions in Alaska. Following that meeting, you asked me to revise my draft memo in light of our discussions and submit this final version to you.

Background

In December 2000, Congress enacted the New Markets Tax Credit Program as part of the Community Renewal Tax Relief Act of that same year. Intended to address the lack of investment capital available for business and other economic development activities in low income communities, the Program operates by providing a federal subsidy to many different project types developed in eligible areas. The Program is codified at Sec. 45D of the Internal Revenue Code and is administered by the Community Development Financial Institutions ("CDFI") Fund in the Department of the Treasury.

Once a year, through a highly competitive process, the credits are awarded to financial institutions that are certified by the CDFI Fund as Community Development Entities ("CDEs"). The CDEs then offer the credits to investors in exchange for equity capital, which is then used to subsidize below market financing for eligible projects. Except for rental housing, NMTCs can be used to subsidize almost any type of business or real estate project, including community facilities and other nonprofit uses such as schools, health clinics and cultural institutions. In addition, and under certain circumstances, even residential rental units can qualify for the subsidy if they are part of a mixed-use development.

Under the NMTC Program, it is possible for a project to obtain a loan at a below market rate of interest, or to obtain the equivalent of an equity subsidy of approximately 15% of total project cost. However, there is no guarantee as to either the type or level of subsidy available to a particular project. Both will depend upon the outcome of negotiations among and between the project developer, the CDE and the tax credit investor.

AIDEA Acting as a NMTC Leveraged Lender

The NMTC subsidy is delivered to specific projects via discrete transactions that generally require the participation of a lender to provide debt as a portion of the financing. (See attached Structure Chart.) Every dollar of debt provided to a NMTC transaction attracts approximately $.35 in federal equity subsidy, though the actual amount will vary from transaction to transaction. Recently, due to the financial crisis and the resulting lack of available credit, it has become increasingly difficult to find commercial lenders to participate in these transactions, thereby diminishing the use of the federal subsidy in Alaska and elsewhere.

The lack of leveraged lenders currently participating in the Program creates a need for AIDEA or some other source to fulfill that role. By creating a loan fund, or otherwise directing loans to NMTC transactions, AIDEA could stimulate the delivery of federal dollars to projects within Alaska, and do so in such a way as to exert its influence over which types of projects receive the subsidy. It is anticipated that this initiative would be at little or no cost to the State because the NMTC Program permits the leveraged lender to be paid a market rate of interest on the loan and then allows the repayment of the principal in full at the end of the seven year NMTC compliance period.

Specific Questions Regarding AIDEA's Possible Role as a NMTC Leveraged Lender

You have asked me to address the following specific questions regarding AIDEA's possible role as a NMTC leveraged lender:

1. What, if any, are the federal requirements for being a leveraged lender?

   There are no federal requirements of which I am aware for acting as a leveraged lender.

2. Are there any exemptions from federal requirements for public entities?

   N/A. See No. 1 above.

3. What are the benefits for AIDEA in being the leveraged lender?

   The benefits of AIDEA in being a NMTC leveraged lender are that AIDEA could stimulate the delivery of federal dollars to projects in Alaska while exercising its

influence on the types of projects that receive the federal subsidy. AIDEA could also earn a reasonable rate of return by making leveraged loans.

4. What are the disadvantages?

   The disadvantages are that such loans would entail credit risk, and that that risk would be compounded by the fact that the loans are nonrecourse over the seven year NMTC compliance period. In addition, as a leveraged lender, AIDEA would have only an indirect security interest in the underlying project asset. Also to be considered are the opportunity costs of utilizing AIDEA funds in NMTC projects rather than for other programs and purposes.

5. How can a leveraged lender minimize its risk when it has no recourse to the assets of the QALICB for seven years?

   Leveraged lenders can attempt to minimize their risk in a number of ways, including: (1) implementing appropriate underwriting standards and procedures; (2) acting as the servicing agent for the CDE loans; (3) obtaining a letter of credit to mitigate construction risk; (4) obtaining a priority interest in cash flow distributions and other proceeds that may be received; (5) obtaining additional collateral and guarantees, so long as they are not derived from the underlying project; (6) establishing the right to assume management control of the investment fund in the event problems arise. It is important to note, however, that most of these rights would have to be negotiated with the other parties to the transaction, including the equity investor and the CDE, who might not agree to them.

6. Are there other state development finance authorities that play the role of leveraged lender? If so, please provide a list.

   I have not done a 50 state review of the practices of state development finance authorities with regard to making leveraged loans. However, I understand that in connection with its own NMTC allocation, the New Jersey Economic Development Authority provides a subordinated leveraged loan product to facilitate its NMTC transactions.

Other Ways in Which AIDEA Might Help
Facilitate the NMTC Program in Alaska

The following are several other ideas about how AIDEA might help facilitate NMTC transactions within the State. First, AIDEA could examine its existing grant and loan programs to determine whether these programs can be modified in some way so as to facilitate their use in conjunction with the NMTC structure. Second, AIDEA could consider being the guarantor of all or a portion of independent leveraged loans, similar to the SBA loan guaranty program. Third, AIDEA might consider being a guarantor on the compliance indemnity, particularly with regard to targeted population transactions. Fourth, AIDEA might consider acting as the tax credit investor and then syndicating the tax credits to corporate taxpayers. Finally, it would be helpful if there were a procedure for the

expeditious designation of State economic incentive zones so as to help certain projects qualify for the Program.

The October 6, 2010 Meeting at AIDEA

We met at AIDEA's offices on October 6, 2010 to review the draft memo and further discuss how AIDEA could help stimulate and facilitate NMTC transactions in the State of Alaska. As part of that meeting, we met with representatives of Alaska Growth Capital to share our ideas with them and to hear their views on how AIDEA could help in promoting NMTC transactions. The meeting concluded with the understanding that AIDEA should stimulate and facilitate NMTC transactions by participating as both a guarantor of NMTC leveraged loans and as a lender of last resort to NMTC transactions if and when the existence of the AIDEA guarantee proves insufficient to cause a private financial institution to make the particular leveraged loan.

This conclusion was reached for two basic reasons. First, due in part to the lack of available credit in general, it is exceedingly difficult at the present time for NMTC projects to obtain leveraged loans from private financial institutions. Guaranteeing or providing leveraged loans should help alleviate a serious bottleneck that has developed and is preventing many eligible NMTC transactions from moving forward.

Second, of the various roles considered for AIDEA, acting as a gurantor or provider of leveraged loans was deemed to be the one most consistent with AIDEA's historic role in promoting economic development. One of AIDEA's three major program initiatives has been its loan participation program, in which the Agency works closely with the private sector to provide loans to economic development projects. Acting as a leveraged loan guarantor or provider, therefore, is closely related to AIDEA's experience in debt financing, and is consistent with the principle that AIDEA's approach should be to assist private financial institutions in providing that financing, stepping in directly only when the private sector does not respond.

In concluding, there was also discussion at the meeting of other ways in which AIDEA might help facilitate NMTC use in Alaska, specifically in the rural hubs. For example, there was some consideration given to AIDEA serving as a guarantor on the tax credit compliance indemnity, particularly with regard to targeted population transactions, where projects not located in NMTC qualified areas are nonetheless eligible for the credits because of the characteristics of the project's customers, employees or owners. Because obtaining the tax credit equity investment in these transactions has been problematic, this is an area in which in the future AIDEA may wish to consider playing a role.

Disclaimer

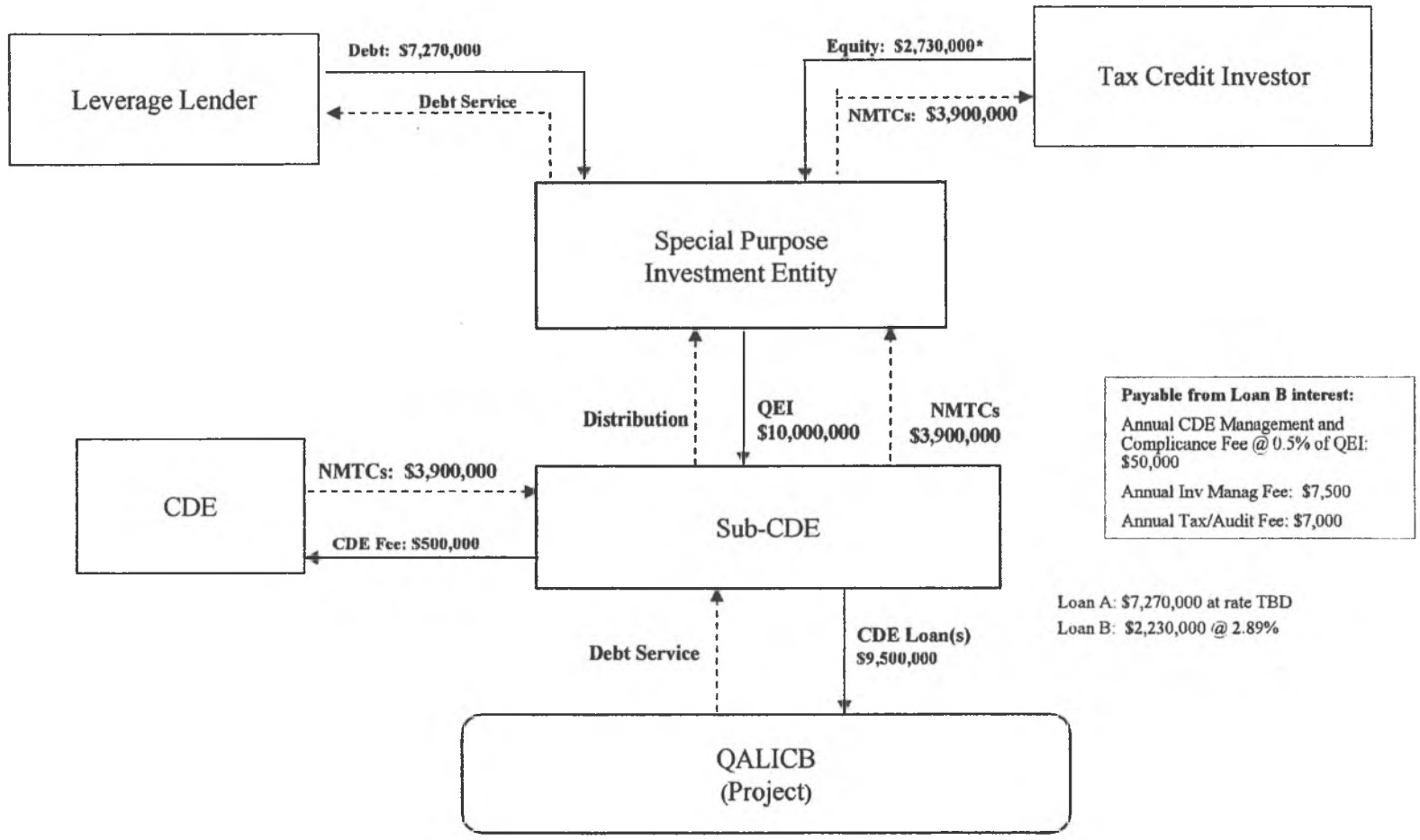
Please note that this memorandum is not intended to constitute legal, accounting or tax advice.

New Markets Capital Company

Specialists in the New Markets Tax Credit Program

Sample NMTC Structure Chart
$10,000,000 QEI

10/11/10



- Transaction costs not reflected.
- Numbers are approximate.

*Credits priced at $.70 for illustrative purposes only.

HB120 SUMMARY

"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

- AS 44.88.155 is amended so that money and other assets of the enterprise development may be used to fund a new markets tax credits assistance guarantee or loan under AS 44.88.700 – 44.88.799 in addition to securing bonds of the authority issued to finance the purchase of loans

- Creates a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority (AIDEA)

- The purpose is to allow AIDEA to foster more economic development in Alaska, specifically in areas with great need

- AIDEA will be enabled to issue guarantees and make loans to help finance projects

- The federal by which the new tax credits are allocated arises under Section 45D of the Internal Revenue Code, and provides for allocation of new markets tax credits equal to 39% of total qualifying investments, payable over seven years

- The tax credits provide a present value investment return of approximately 30% of the amount of the qualifying investment, and can substantially reduce the financing costs of a project

- Investments under the federal new markets tax credit would fund only a portion of total project costs; the balance of funding for the project comes from other sources

- The bill aims to alleviate economic conditions where capital is scarce by allowing AIDEA to issue guarantees and make loans to assist in funding amounts not covered by investments under the federal program

- AIDEA is charges with evaluating the commercial reasonableness of underlying loans on a case by case basis and must find that it will promote economic development and that the financial institution will service the guaranteed loan

EDT 2.8.11 HB 120 – AIDEA: NEW MARKETS TAX CREDIT PROGRAM
Questions for AIDEA

Committee Question #1

HB 120, P.2, lines 29-31 says that AIDEA "may require submission of an economic benefit analysis prepared by a person acceptable to the authority." Please describe the criteria for determining whether or not AIDEA would actually require such an analysis of the applicant.

AIDEA's Response

It is AIDEA's intention to make sure that projects for which it might offer a New Markets Tax Credit loan guarantee or a direct loan support the agency's economic development goals. Therefore, AIDEA does anticipate that, if this bill becomes law, it would, at times, require the submission of a written report documenting the economic development objectives furthered by a project financed with NMTCs. Such goals would include new job creation, diversification of the economy, or the development and application of new technology. AIDEA would also be interested in projects that bring new economic opportunities to rural areas, as well as to areas that are experiencing economic difficulties due to high-energy costs or a lack of needed infrastructure.

This screening of projects is consistent with AIDEA's Strategic Plan, which is aimed at the concept of AIDEA supporting projects that enhance and develop Alaska's economy. Further, a goal of the Plan is to document what AIDEA does and how if arrives at its decisions. Requiring an economic benefit analysis authored by a qualified person would meet this objective.

Committee Question #2

AIDEA's hearing request letter states that The federal tax credits are only eligible to communities "with poverty rates above 20 percent; median income less than 80 percent of the state median and with unemployment rates 1.5 times greater than the national average." Has AIDEA already determined which Alaskan communities would be eligible under these criteria?

AIDEA's Response

AIDEA's Business Development Officer, Mike Catsi, has been researching the location of census tracts in Alaska that could qualify for the NMTC program. As noted in AIDEA's hearing request letter, NMTCs are usually available in census tracts in which poverty rates are significant. However, this federal tax credit program, like many other federal programs, is complex and has a significant number of rules. The IRS Circular that describes the program and gives general guidance is 51 pages long.

In addition to poverty levels in a census tract, the program can also apply, for example, to census tracts that have less than 2000 in population. The program can be used in conjunction with projects that offer economic opportunities to what is termed "targeted populations"; Native Americans can be considered such a "targeted population".

In sum, AIDEA does not have a definitive list of areas that would qualify for NMTCs. It has, however, identified census tracts that have poverty levels that would satisfy the program's qualification requirements. While many of these census tracts are in rural areas, they also are in boroughs, which are more urban or which are close to metropolitan areas.

Committee Question #3

The White Paper dated Oct. 11, 2010 on New Market Tax Credits mentions only New Jersey as a state whose development finance authority is making leveraged loans. Has AIDEA contacted the New Jersey Economic Development Authority to learn how leveraged loans are working out for them? Has AIDEA become aware of any other states with a development finance authority making such loans?

AIDEA's Response

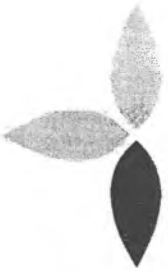
AIDEA has been in contact with the New Jersey Economic Development Authority ("NJEDA"). AIDEA conducted a survey of states in which an economic development agency is involved with NMTCs. To our knowledge, NJEDA is the only state agency that offers loan guarantees on the leveraged lender side of NMTC financing; this is the role proposed for AIDEA in HB 120.

States that have used NMTCs have usually acted as their own Community Development Entities ("CDEs) by becoming certified by the Community Financial Institutions fund in the U.S. Department of Treasury. As explained in the October 11, 2010 memorandum by Vincent Ravaschiere to AIDEA, a qualified CDE annually applies to the Treasury for an allocation of NMTCs. Once a CDE receives a federal tax credit allocation, it then offers the tax credits to investors in exchange for equity capital which is invested in the project. New Mexico's economic development agency, for example, acts as a CDE and this same approach is used in New York. In these states, the state agency is brokering the transaction, but is usually not putting any funds into the project or guaranteeing any funds.

As AIDEA examined the use of NMTCs in Alaska, it noted that a qualified CDE already exists here, Alaska Growth Capital. Further, in researching the use of NMTCs in Alaska, AIDEA determined that there are a number of CDEs willing to offer credits to potential projects in this state. However, due to the national constriction of credit, it has become difficult to find commercial lenders willing to provide the debt portion of the required NMTC financing structure. That is, there are potential NMTC equity investors and CDEs for Alaska projects, but there is a paucity of available loans. As Mr. Ravaschiere noted, "The lack of leveraged lenders currently participating in the Program

creates a need for AIDEA... to fulfill that role". See October 11, 2010 letter at p.2. Alaska Growth Capital made a similar recommendation.

As a result, AIDEA determined that its appropriate role with regard to NMTCs would be to offer loan guarantees as a means to encourage lenders to participate in the program. Additionally, AIDEA could act as a direct lender if no lender was available.



ALASKA GROWTH CAPITAL
An ASRC Company

February 03, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Re: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

I am writing on behalf of Alaska Growth Capital (AGC) to express support for HB120. This bill allows Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans for use with US Treasury's New Markets Tax Credits (NMTC) program. We at Alaska Growth Capital are sure this bill will result in more economic development in Alaska.

Alaska Growth Capital has participated in the New Markets Tax Credit program since 2004. Since then, AGC has been awarded $90 million in NMTC allocation. Our most recent work in the NMTC program has been to leverage equity investments for projects that experience gaps in their financing. One of our major accomplishments has been the financing of Maniilaq Association's Elder Care Facility. This transaction utilized equity from New York Community Bank that allows the Elder Care Facility to offset expected losses during the first years after opening.

Lenders must accept limitations on loans made to NMTC projects, which drives away their desire to participate. To maximize community benefit, loans to an NMTC project must be interest-only for seven (7) years. During that time the lender must also sign a forbearance agreement preventing it from foreclosing on the loan. Finally, during that seven (7) year period, the lender's lien on property is indirect. These provisions benefit the community in which NMTC investments are occur but they are often too arduous for banks to accept without guarantees or additional forms of security.

3900 C Street, Suite 302 * Anchorage, AK 99503-5965 * (907) 339-6760 * (907) 339-6771 Fax

Competition for allocation of New Markets Tax Credits, the equity from investors and loans to make this program possible is intense, particularly for Alaskans. Projects in New York or Chicago have the benefit of being close to the major financial institutions. If a potential investor has questions, they can often "go down the street" to inspect the project and speak with staff. That is often impractical if the project is in rural Alaska and the investor is in New York.

Compounding this problem, NMTC program has seen fewer and fewer banks provide loans to projects. These loans are essential to realizing the economic benefits of New Markets Tax Credits; without them projects must self-leverage with existing cash. As a result, lending is scarce and thus expensive in this program. AIDEA's guarantee will lower the borrowing costs for projects, which can be the difference between projects that get built and projects that stay on the drawing board. Further, loans often provide faster and larger capital sources than fundraising campaigns. Passing HB120 will help to alleviate these problems and make Alaska more competitive for this important program.

I respectfully request you to schedule hearings on this piece of legislation and for your support. I am happy to answer any questions; should you or your committee have any please contact me at your convenience.

Sincerely,

Hugh Short, President/CEO
Alaska Growth Capital

Maniilaq Association

P.O. Box 256
Kotzebue, Alaska 99752
(907) 442-3311

February 4, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Re: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

I am writing on behalf of Maniilaq Association to express support for HB120. This bill allows Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans for use with US Treasury's New Markets Tax Credits (NMTC) program. We at Maniilaq Association believe this bill will result in more economic development in Alaska.

Maniilaq Association has direct experience with NMTC's. With the help of Alaska Growth Capital, Maniilaq Association was able to secure several million dollars in assistance to complete our Elder Care Facility at the end of 2010. This assistance filled the gap between funds we had secured and funds required to complete construction and operate the facility. This has several direct economic benefits. First, temporary jobs are created during construction and permanent jobs are being created to operate the facility. Second, the NMTC program preserves Maniilaq's cash reserves during the first several years of operations when this facility will have operating losses during its start-up, allowing more health-care services to be delivered in Northwest Alaska.

The NMTC program allowed Maniilaq Association to realize its goal of providing culturally appropriate care for our elders, rather than having them in Fairbanks or Anchorage. This mission of providing benefits for the community is part of the entire NMTC program. The program requires investment dollars to go (1) into low-income areas or, (2) to businesses that serve low-income customers or, (3) to businesses that employ low-income workers. This structure leverages additional equity for projects which in many cases is the key to making these projects a reality.

AIDEA's guarantee will lower the borrowing costs for projects, which can make the difference between self-sustainable projects and unsustainable projects. Further, access to loans can be speedier and provide more capital than fundraising. These factors combine to make many more projects, like Maniilaq's Elder Care Facility, more feasible and thus more likely to generate economic benefits.

Alaskan organizations face stiff competition from Lower 48 organizations. Projects in downtown Seattle or San Francisco are often less expensive and serve more people than projects in downtown Kotzebue or even Anchorage. In addition, organizations with the ability to make large equity investments do not understand Alaskan construction issues such as timing or high costs due to remoteness and/or terrain. Finally, when a bank contemplates assisting a project, they can visit it. That is often impractical if the project is in rural Alaska. In short, securing the lending and equity investments is more difficult for Alaskan organizations and would become feasible with passage of HB120.

I respectfully request you to schedule hearings on this piece of legislation. In addition, I respectfully request you support this bill.

Sincerely,

Ian Erlich, President/CEO
Maniilaq Association

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 8, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

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All Bills in Committee:

- HB 119, AIDEA: PROCUREMENT; PROJECTS
- HB 120, AIDEA: NEW MARKETS TAX CREDIT PROGRAM
- HB 67, FILM PRODUCTION TAX CREDIT
- HJR 15, SUPPORT ARCTIC CAUCUS

Surprise Guest: Rep. Lindsey Holmes

HB 119, AIDEA: PROCUREMENT; PROJECTS

- Ted Leonard, AIDEA E.D.
- Mark Davis, AIDEA Economic Development Officer

Note: objection to the amendment is carried from last meeting.

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HB 120, AIDEA: NEW MARKETS TAX CREDIT PROGRAM

- Ted Leonard, AIDEA E.D.
- *Mike Catsi*, AIDEA, business development officer

Mike Coumbe

From: Bustamante, Linda (DOT) [linda.bustamante@alaska.gov]
Sent: Monday, February 07, 2011 11:37 AM
To: Mike Coumbe
Cc: Freer, Peter K (DOT); Hatter, Steve D (DOT); Vanderzanden, Michael J (DOT); Parrott, John E (DOT)
Subject: Air Cargo Transfer Rights in Alaska
Attachments: Air Cargo Transfer Rights.pdf; Cargo Transfer Summary.pdf

Hi Mike,

Attached are two handouts on Alaska's air cargo transfer rights. I'll leave it up to you as to which one best meets your needs.

In addition, here is a brief summary that may be of assistance:

Federal exemptions exist that allow international carriers operating in Alaska (and Hawaii) more opportunities to transfer international cargo among themselves and between airlines than anywhere else in America. These opportunities equal flexibility - flexibility to fly cargo on a partner airline to a city not otherwise served; flexibility to break down cargo and put on different aircraft for different legs of the journey - flexibility that opens markets, opens opportunity, and adds value to Alaska's International Airport System(AIAS) already bustling international gas and go (tech-stop) cargo business. AIAS is aggressively following up on these options via a Cargo Summit – attended by 18 international carriers – in August ,2010, a visit to Asia to meet with these same customers, and another Cargo Summit this August, 2011 to connect parties interested in partnering on these options.

Please let me know if we may provide any additional information.

Thanks,

Linda

Linda Bustamante
Project Assistant
Statewide Aviation - DOT&PF
4111 Aviation Ave.
Anchorage, AK 99502
(907) 269-8654
www.dot.alaska.gov

Expanded Air Cargo Transfer Rights at ANC and FAI Creates New Opportunities

The Alaska International Airports System has the most liberalized air cargo transfer rights in the United States. Air carriers can create new opportunities for global cargo logistics and integrated alliance partner networks by taking advantage of expanded cargo transfer rights at Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI). As of January 2004, a new law permits air cargo to or from a foreign country to be transferred to another airline in Alaska without being considered to have broken its international journey.

Background

In 1996, the USDOT (USDOT Docket OST 96-1600) granted Anchorage International Airport the following expanded air cargo transfer rights:

1. Interline to/from non-US carriers
2. Interline to/from US carriers
3. Transfer on-line between flights
4. Change of gauge/"starburst" service
5. Commingling of US and non-US traffic on the same flight

In 1999 the USDOT, in the matter of Expanded Air Services at Alaska International Airports, expanded transfer rights further by:

Granting all foreign air carriers which currently hold, or which may subsequently receive effective Department authority, to serve any point or points in Alaska, and to coterminalize points in Alaska with other US points for which they hold Department authority (excludes carriers from the UK);
Inviting foreign air carriers to apply for exemption authority to serve additional US points on an extrabilateral basis, where those additional points would be served only on flights also serving Alaska.

New Initiative for Expanded Cargo Transfer Rights

As of January 2004, a new initiative was approved in the U.S. to expand air cargo transfer rights at ANC to their logical conclusion. The new law allows the carriage of international origin or destination cargo on foreign air carrier aircraft between Alaska and other points in the US in the course of continuing international transportation. These expanded air cargo transfer rights will allow air carriers utilizing ANC and FAI to:

• Take advantage of alliance partnerships through true interlining capabilities.

- Lower operating costs by eliminating lower revenue producing legs.
- Increase market penetration while at the same time reducing costs by eliminating beyond ANC or FAI flights.
- Higher aircraft utilization.
- Opportunities for true transfer and transload operations.
- Test market conditions without committing aircraft by utilizing code-share agreements.

Anchorage and Fairbanks Airport offers unmatched access to the world's markets. For air carriers both airports are less than nine hours by air from 90 percent of the industrialized world. Its liberalized air cargo transfer rights and location allow for both cost and operational efficiencies not available elsewhere. Air carriers can achieve efficiencies by locating their aircraft operations centers at this strategic location. For manufacturers and 3PLs there are numerous global logistics efficiencies inherent in an Anchorage location. Anchorage is a suitable location for central customer service and repair hubs; final product assembly, packaging, testing, and distribution operations; and international warehousing and distribution of highvalue, time-sensitive products.

Unique Cargo Transfer Opportunities

- Alaska offers international air carriers unique opportunities to operate a flexible and efficient system of air cargo services
- In 2003 the US Congress passed a law granting a limited exception to the cabotage prohibition for certain cargo operations at Alaska
- Eligible cargo taken on or off in Alaska is not deemed to have broken its international journey allowing interline between non-US carriers (49 U.S.C. § 41701 Navigation of foreign civil aircraft)

- On-Line Transfers: No Restrictions
- Interline To/From US: A foreign flag carrier can carry cargo on domestic US segment (in either direction) if (a) under a US carrier code (e.g., UA) or for a US Indirect air carrier (a freight forwarder) and (b) connection is in Alaska
- Comingling Non-US Cargo with US Cargo
- Transferring Non-US cargo in Alaska: No Restrictions



Reference Resource: Mr. George Wellington,
USDOT Foreign Air Carrier Licensing,
email: george.wellington@dot.gov

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, February 17, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

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a.2 Amendment doubles the rural incentive from 2% to 4%.
a.3 This amendment raises the maximum population for off-road communities to still be considered rural from 5500 to 6500 (which would have the effect of adding Bethel).

HB 67 Presentations/Invited Testimony:

- TENTATIVE: On the Ice - Andrew McClain Director / Cara Marcous Producer – By phone – Alaska rocks, film incentives are reason it works to produce here. 8 min. plus questions (Film clips preceding 3 minutes)

- Alaska Crew Training Inc. – Deborah Schlidt – in person – putting Alaskans to work (8 minutes) POWERPOINT (Some guy named Bryce is clicking the PP for her for some reason. Getting his last name and affiliation at meeting)

- NANA – Robin Kornfeld (VP of Comm. of Marketing) and John Rense (Sr. Ops. Manager) NANA – in person (might have to go before AK Film Group to make timing work out) POWERPOINT (8 minutes) (Kornfield doing powerpoint, Rense answering questions).

- Twetos (on the phone, maybe) – I'll try to show a clip right before they testify (Leg. Legal said there is a very small chance we'll get sued, but the Committee won't be monetarily responsible)

- AK Film Group - Bob Crockett – telephonic – how well the incentives work to bring production to AK (8 minutes)

- Ted Smith, Actor from "On the Ice" in Person (we should let him testify again briefly since he flew down here for this.) (4 minutes)

Available for Q's on HB 67:

- Johanna Bales – Revenue, Director of Tax Division (questions only)
- Don Bullock – Bill Drafter (questions only) In person?
- DCCED (Thayer probably - questions only)

Assuming you want to move the bill:

The chair would entertain a motion to move HB67 from committee.

- version number with individual recommendations and attached fiscal notes

Take a brief at ease for the signing of the committee report

Lunch & Learn Preview: Low Flow Issues for the Trans-Alaska Pipeline
Tom Barrett, Pres./CEO Alyeska Pipeline Services Co.: (15 minutes?)

ENDNOTES: DO NOT READ

The members have a draft CS before them, can I have a motion to adopt?

Object for purposes of discussion

Ask Tuck to explain the changes.

Assuming you want to move the bill:

The chair would entertain a motion to move HB377 from committee.

- version number with individual recommendations and attached fiscal notes *

HOUSE COMMITTEE REPO

(9)

Date Referred to Committee: January 24, 2011 **FURTHER REFERRALS: Finance**

Date of Committee Action: 2.17.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered:

HB 120

HOUSE BILL NO. 120
"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."
HB 120-AIDEA: NEW MARKETS TAX CREDIT PROGRAM

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
CED				X

PREVIOUS FISCAL NOTES

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Beata Gardner	Gardner			X	
Peter M Thompson	Thompson	X			
	Olson			X	
	Tuck			X	
	Foster	X			
Chair: Robert E Herron	Herron	X			
Chair:					

HB 160

<TARGET><BILL>HB 160</BILL><SUBJECT>HB 160</SUBJECT><COMM>HEDT27</COMM></TARGET>

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

Representative Bob Herron, Chair
Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Sponsor Statement
HB 160, Establishing the Alaska Visitor Industry Investment Fund

HB 160 establishes the Alaska Visitor Industry Investment Fund and statutorily identifies a funding mechanism based on revenues from the tourism industry through corporate tourism income taxes and vehicle rental car taxes. Each year, a percentage of the value of these revenues would be transferred to a fund for the implementation of an Alaska tourism marketing campaign through a Qualified Trade Association, i.e. the Alaska Travel Industry Association.

There is no question that the tourism industry is a vital component of our state's economy. The positive benefits reach every corner of our state. In a recent impact study developed through the Department of Commerce, Community and Economic Development, tourism related spending in Alaska was calculated at $3.4 billion a year. In addition, the industry accounts for over 40,000 direct and indirect jobs in our state. Our visitors directly pay over 12 different types of taxes and fees to state and local governments. In recent years, the industry contributed 208.6 million in state and local taxes, of which $138.8 million was directed to the State of Alaska. However, In FY 2012, the industry is projected to contribute 180 million in state and local taxes, of which 111 million will be directed to the State of Alaska. *Declining tax receipts to State and local governments is a direct result of the struggling tourism industry. Clearly, our visitors support Alaska businesses, our economy, and our state and local governments.*

However, this important industry has recently struggled nationwide and in Alaska. The number of visitors has drastically declined resulting in lost revenues to tourist-related businesses of 20% to 40%. An estimated 2000-2500 tourism industry jobs were lost in 2009 alone. The industry struggles to restore these jobs while other states aggressively target new visitors and compete with Alaska. In order to regain market share, Alaska must reinvest a portion of the industry-generated tourism tax dollars into a sustainable marketing program of at least $20 million annually.

Last year, the Legislature funded an increase in the State's marketing program. The results have already proven successful. Statistics show that viewer retention and interest in traveling to Alaska have increased by approximately 4% while the national and international travel trend has increased by only 2%. Nearly all of the measured gains for 2011 will benefit businesses catering to independent visitors, while increased cruise capacity is seen starting in 2012.

To be effective in the long run, we must implement a mechanism to provide a sustainable and long-term investment in our state. This bill proposes to do just that by reinvesting a portion of the taxes & fees collected from the industry into a marketing campaign that will help the industry grow, strengthen our economy, create new jobs for Alaskans and result in increased revenues for both local and state governments.

For more information, please contact Terry Harvey at 465.5392.

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 17, 2011

SUBJECT: Sectional summary of HB 160, a bill relating to the Alaska visitor industry investment fund and to state tourism marketing contracts (Work Order No. 27-LS0509\B)

TO: Representative Cathy Muñoz
Attn: Terry Harvey

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Establishes the Alaska visitor industry investment fund in the general fund. Identifies the money that the Department of Revenue must deposit into the fund. States that the annual estimated balance in the fund may be used to make appropriations for the tourism marketing contract awarded under AS 44.33.125. States that this section does not create a dedicated fund.

Section 2. Changes to $2,700,000 the amount that a qualified trade association must provide as matching funds in order to be awarded a state tourism marketing contract.

Section 3. Makes bill sec. 2 effective July 1, 2011.

If I may be of further assistance, please advise.

TLB:ljw
11-116.ljw

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, March 1, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

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Object for discussion
Remove objection

Available for Q's on HB 67:

- Johanna Bales – Revenue, Director of Tax Division (questions only)(offnet)
- Terry Bannister – Bill Drafter (questions only)(offnet)
- DCCED (Comm. Bell – in-person testimony)

In EDT Last MTG on HB160 3-1.11

27-LS0509\I
Bannister
2/28/11

CS FOR HOUSE BILL NO. 160( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

A BILL

FOR AN ACT ENTITLED

"An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 37.05 is amended by adding a new section to article 6 to read:

Sec. 37.05.610. Alaska visitor industry investment fund. (a) The Alaska visitor industry investment fund is established as a separate fund in the general fund. The fund consists of the amount deposited into the fund by the department under (b) of this section.

(b) Except as provided by (c) of this section, each fiscal year the department shall deposit into the fund 30 percent of the money the department collected from the following sources during each of the three fiscal years that preceded the fiscal year of the deposit and for which the department has determined the actual amount that was collected:

department.

* **Sec. 3.** This Act takes effect July 1, 2011.

27-LS0509\I.1
Bannister
2/28/11

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 160( ), Draft Version "I"

Page 2, line 27:

Delete "**$2,700,000** [AT LEAST"

Insert "at least **$2,700,000** ["

STATE OF ALASKA
DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

Sean Parnell, Governor

Commercial and Fair Business Section
P.O. BOX 110300
123 4TH ST., DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2539

March 8, 2011

Representative Bob Herron
State Capitol, Room 411
Juneau, AK 99801

Re: Legal Question Regarding HB 160

Dear Representative Herron:

It was brought to my attention the House Economic Development, Trade, and Tourism Committee has a question regarding whether the Alaska Visitor Industry Investment Fund proposed in HB 160 would create a "dedicated fund" prohibited by Section 7 of Article IX of the Alaska Constitution. This provision of the Alaska Constitution provides, "[t]he proceeds of any state tax or license shall not be dedicated to any special purpose." Because the fund proposed in HB 160 is a fund within the general fund (in essence a subaccount), and because all of the tax proceeds deposited into the fund are available for appropriation by the Legislature, this fund does not create a constitutionally prohibited "dedicated fund."[1]

The Alaska Supreme Court upheld the constitutionality of a similar fund, the Alaska Marine Highway System Fund, in *Sonneman v. Hickel*, 836 P.2d 936 (Alaska 1992). *Sonneman* involved an account in the general fund into which all ferry system proceeds were deposited and *could be* appropriated by the Legislature to the Alaska Marine Highway System. Because the statute did not require the funds in this account to be appropriated to the agency, the Court found that the fund imposed "no legal restraint on the appropriation power of the legislature," and did not create a constitutionally prohibited dedicated fund. *Id.* at 939.

The fund proposed in HB 160, like the fund in *Sonneman* (1) is an account within the general fund; and (2) makes clear that the Legislature "may," but is not required to, appropriate the funds for tourism marketing under AS 44.33.125. There is, thus, little

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[1] This opinion is based upon the language contained in the current version of HB 160.

Printed on Recycled Paper

risk a court would find the fund proposed in HB 160 creates an impermissible "dedicated fund". If you have any additional questions, please don't hesitate to contact me.

Sincerely,

JOHN J. BURNS
ATTORNEY GENERAL

By:

Chris C. Poag
Assistant Attorney General

CCP/eeh

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 15, 2011

SUBJECT: Question regarding CSHB 160( ) relating to the Alaska visitor industry investment fund and the state tourism marketing contract (Work Order No. 27-LS0509\I)

TO: Representative Bob Herron
Chair of the House Special Committee on Economic Development, Trade, and Tourism
Attn: Rob Earl

FROM: Theresa Bannister
Legislative Counsel

This memo is intended to replace the memo I sent you March 9, 2011, regarding the bill described above. This memo contains another item that I would like to bring to your attention.

You have asked whether the bill described above creates a dedicated fund. Dedicated funds are generally prohibited by art. IX, sec. 7 of the state constitution.[1]

Bill section 1. Proposed sec. 37.05.610 in the first section of the bill directs that certain described money be deposited into a separate fund that is to be located in the general fund. This separate fund is called the Alaska visitor industry investment fund (visitor fund). This placement of the money is an accounting tool within the general fund to hold certain revenues and allows the legislature to make appropriations from the visitor fund to the Department of Commerce, Community, and Economic Development (Department) for a contract with a qualified trade association. Although the exact language is different, a similar type of accounting arrangement (placement of money in a separate fund in the general fund and allowing the legislature to appropriate from it for a particular purpose) was upheld by the Alaska Supreme Court[2] as not violating the dedicated fund prohibition.

Proposed sec. 37.05.610(e) states that nothing in proposed sec. 37.05.610 creates a dedicated fund. Proposed sec. 37.05.610 does not prevent future legislatures from

---

[1] That section states, in part, that the "proceeds of any state tax or license shall not be dedicated to any special purpose . . . ."

[2] See Sonneman v. Hickel, 836 P.2d 936, 939 - 940 (1992).

appropriating the fund money for other purposes. The money in the visitor fund remains available for any purpose for which the legislature wants to appropriate it.

There may be expectations by some persons that future legislatures will treat the fund as if the Department had a right to use the fund money for the tourism marketing contract awarded under AS 44.33.125.[3] However, sec. 37.05.610 appears to be clear about not establishing a dedicated fund, and any legislative history of expectations to the contrary will have to be persuasive to counteract this clear meaning.[4]

Bill section 2. The contract authorized by AS 44.33.125(a) is expressly stated to be "[s]ubject to appropriations for the purpose." The contractual requirements in the rest of the section must be read in this light. The legislature is not required to appropriate money for that contract. However, saying that, the section does raise an issue that needs to be addressed.

The requirement of providing "matching funds equal to $2,700,000" ("matching fund requirement") could raise a question whether it may limit the Department's ability to request an appropriation for the section in a way that would violate the dedicated fund prohibition. A restriction on the ability of a state agency to request an appropriation from certain revenues has been found to violate the dedicated fund prohibition.[5]

A tourism marketing contract appears to be conditioned on the contract being for an amount that is tied in some "matching" way to $2,700,000. The term, "matching," is not defined, so it is not clear whether the state's share must equal $2,700,000 or if the state's share may be more or less than that amount. Whatever relationship the term is interpreted to establish between the state's share and the $2,700,000, or between the contract itself and the $2,700,000, the $2,700,00 sets some bar for the minimum amount of the contract and, therefore, for the amount the Department must request for appropriation in order to enter into the contract.

But this arrangement is distinguishable from the arrangement that was held to violate the dedicated fund prohibition in Sonneman. The statutory arrangement in Sonneman restricted an agency's actual ability to request an appropriation from a particular fund. That is not the case here. The matching fund requirement sets a condition for the contract itself and does not restrict the Department's ability to ask for an appropriation from any fund or other source it chooses.

---

[3] The Sonneman court did not appear to treat expectations as being a determining factor. It stated that "the expectations created by the act are merely a "talking point" because they impose no legal restraint on the appropriation power of the legislature." See Sonneman at 939.

[4] See Sonneman at 940.

[5] See Sonneman at 940.

Conclusion. In my opinion, it does not appear that the bill violates the dedicated fund prohibition.

If I may be of further assistance, please advise.

TLB:plm
11-147.plm

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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM March 23, 2011

SUBJECT: CSHB 160(EDT) relating to tourism marketing contracts and the Alaska Promotion and Marketing Task Force
(Work Order No. 27-LS0509\R)

TO: Representative Bob Herron
Chair of the House Special Committee on Economic Development, Trade, and Tourism
Attn: Rob Earl

FROM: Theresa Bannister
Legislative Counsel

This memo accompanies the bill described above.

1. Conditional effect determination. It may be very difficult to determine whether this legislature passes legislation that is based on the model legislation recommended by the Task Force. If it is not obvious and clear, then it will not be clear which version of AS 44.33.125(a) is law. It also may be contested and require a court to resolve the issue.

2. Conditional effect timing. As you are aware, even if this legislature passes legislation that is based on the recommended model legislation, the legislation could be vetoed by the governor. The phrase "that is enacted and" would be added after "legislation" to cover this possibility. However, this would make the language of the condition more complicated because there would be more possibilities (e.g., passage and veto, passage and enactment) to cover.

3. Terms. Some of the examples of "in-kind contributions" are not very specific as to what they consist of and how they relate to the contract. You may want to define these examples more specifically.

If I may be of further assistance, please advise.

TLB:med
11-029.med

Enclosure

1. Shrink the marketing board overseeing the contract to 9 members

    - 3 members from the cruise lines (appointed by the Governor without legislative confirmation)
    - 4 members, one from each judicial district
    - 2 at large
    - At least 2 members from 'small tourism companies'-under 50 employees
    - At least 1 members from 'medium tourism companies'-between 51 and 250 employees
    - At least 1 members from 'large tourism companies'-over 251 employees

2. No lobbyists employed by the QTA organization, no paid lobbyist can lobby the legislature for increased funding to the QTA

3. Delete Section D.

4. Provide for a maximum of $12 million state funds go towards the QTA, matched at a $2 dollars for every $1 dollar from industry
   (if the industry puts up $6 million, the state will provide $12 million, for a total budget of $18 million)

Pass HB 160 this year with the basic concept outlined above.

Use the fiscal note from HB 160 to modify the appropriation to the QTA (otherwise will remain at $9 million in the operating budget, at a 50/50 match rate)

Introduce legislation before the end of session that fleshes out Rep. Austerman's concept of a marketing fund that entities can compete for

If ATIA wants a marketing effort larger than $18 million that the above legislation can provide, they can get behind Rep. Austerman's legislation and help its passage next session to get more money, ideally at a dollar for dollar match rate.

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, March 24, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]
<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Today we have HB 160, VISITOR INDUSTRY INVESTM'T FUND/MARKETING back before us.

Committee members have CS for HB 160 version "R" before you. (ENTIRELY different than the previous CS, version "I")
[someone moves that we adopt the CS and someone objects for purposes of discussion.]
[Rob goes over the CS]
[objection removed and CS adopted]

Committee discussion on HB 160.

Assuming you want to move the bill:
The chair would entertain a motion to move HB 160 from committee.

- version number with individual recommendations and with attached fiscal notes (with attached revised FN's or with revised FNs forthcoming.)

Ask Members to please hang around and sign the committee report

Rob –

Conceptual CS for HB 160 – Austerman

BACKGROUND

When the Alaska Legislature enacted AS 44.33.125 it adopted specific findings and intent; specifically, the Legislature found that it is "important for the state to continue to work cooperatively with the private sector visitor industry to promote Alaska as a visitor destination for the benefit of the citizens of the state." Alan's changes migrate away from the idea of solely funding tourism marketing, but having a mechanism in place that encourages marketing/promoting Alaska as a whole – expanding the promotion of Alaska as not only a tourism destination but also as a business, fisheries, agriculture destination (broadly covering the industries that contribute to Alaska's primary economy.)

New Chapter under Title 44
Name: The Economy Investment Act

[DELETE QTA PROGRAM]

[PURPOSE SECTION]
To provide a means for state investment in diversification of economy, build value in Alaska's natural resources, create jobs for Alaskans, create a funding mechanism for Alaskas industries that apprise Alaska's primary economy.

[PROGRAM SECTION]
Create a commission to administer a grant program (Possibly Model after current AG board or CFEC Board)

- 1 by Governor, 1 by President of Senate and 1 by Speaker of the House
- 3 year terms
- Appointed without regard to political affiliation or geographical location of residence (To be modeled by Commercial Fisheries Entry Commission appointments)
- Board shall meet at least once a year – board to receive no salary but are entitled to per diem and reimbursement of travel expenses
- Function would be to stimulate, and advance the economic welfare of the state by administrating the grant program
- On or before June 1st of each year, organizations may apply for matching grant funds from a 'promoting Alaska' fund. (this might be best addressed in regulation)

[ESTABLISH GRANT PROGRAM]
Name: Market Promoting Alaska's Industries
Purpose:
Eligibility Language: a 50% match

[SECTION]
Industry Self Assessment – a power of the commission – preponderance of participants in industry or economic sector that seeks to assess itself a tax for the purpose of matching funds (the industry or group would come up with a proposal to present to the commission, the commission would vet , draft legislation and present to legislative body]

There is to be a matching grant program that would offer a 50/50 match to industries that are aligned with the philosophy of promoting Alaska.

27-LS0509\T
Bannister
3/23/11

CS FOR HOUSE BILL NO. 160(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

A BILL

FOR AN ACT ENTITLED

"An Act relating to state tourism marketing contracts with qualified trade associations; creating and relating to the Alaska Promotion and Marketing Task Force; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** AS 44.33.125(a), as amended by sec. 2, ch. 103, SLA 2008, is amended to read:

(a) Subject to appropriations for the purpose, the Department of Commerce, Community, and Economic Development shall, on or before **June 1** [APRIL 1] of each fiscal year, contract with a single qualified trade association for the purpose of planning and executing a destination tourism marketing campaign during the next fiscal year. The **state shall pay two-thirds of the costs of the** contract**, and** [MAY BE AWARDED ONLY IF] the qualified trade association **shall pay one-third** [PROVIDES MATCHING FUNDS EQUAL TO AT LEAST 50 PERCENT] of the costs of the [MARKETING CAMPAIGN DESCRIBED IN THE] contract. **The state**

money used for the contract may not exceed $12,000,000. The marketing campaign may promote distinct segments of tourism, such as highway tourism, seasonal tourism, ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract is executed, the marketing campaign plan must be approved by the department.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TASK FORCE. (a) The Alaska Promotion and Marketing Task Force is created in the legislative branch.

(b) The task force consists of 11 members, as follows:

(1) three members appointed by the Speaker of the House of Representatives;

(2) three members appointed by the President of the Senate; and

(3) five members appointed by the governor who are involved in an industry located in the state.

(c) The members of the task force shall select a chair from the task force's members.

(d) Task force members do not receive compensation but may receive travel and per diem expenses authorized for boards and commissions under AS 39.20.180.

(e) The task force shall meet during and between legislative sessions to accomplish its duties.

(f) The task force shall develop and recommend legislation to market and promote activities to support the state's economy. The proposed legislation must include, to the extent constitutionally permissible,

(1) a board to

(A) evaluate project proposals by entities, including government entities, for activities to promote and market the industries and economy of the state; and

(B) make recommendations annually to the legislature for funding of the recommended proposals;

(2) a fund, including the endowment and contents of the fund, to fund projects for marketing and promoting activities to support the state's economy; the fund may not be a dedicated fund;

(3) a methodology for determining the order for recommending projects to

receive funding;

(4) requirements for monetary matching by entities that receive project funding;

(5) a process for application for funding.

(g) The task force shall provide to the legislature, by January 30, 2012, a final report with the task force's recommendations on legislation, including draft legislation for consideration.

(h) The chair of the task force shall be available for legislative hearings on its recommendations.

(i) The task force shall terminate on the first day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

(j) In this section, "task force" means the Alaska Promotion and Marketing Task Force.

* **Sec. 3.** Section 2 of this Act is repealed on the first day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

* **Sec. 4.** Section 1 of this Act takes effect July 1, 2011.

* **Sec. 5.** Section 2 of this Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE HOUSE: Special Committee on Economic Development, Trade, and Tourism

BY:

TO: CSHB 160(EDT)

Page 2, line 6, following "**contributions**"

Insert "**through its members**"

Page 4, line 3 through line 12:

Delete all material.

Insert new bill sections to read:

"**Section 5.** Section 2 of this Act takes effect on July 1, 2013.

Section 6. Except as provided in sec. 5 of this Act, this Act takes effect on July 1, 2011."

27-LS0509\R
Bannister
3/23/11

CS FOR HOUSE BILL NO. 160(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

A BILL

FOR AN ACT ENTITLED

"An Act relating to state tourism marketing contracts with qualified trade associations; creating and relating to the Alaska Promotion and Marketing Task Force; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 44.33.125(a), as amended by sec. 2, ch. 103, SLA 2008, is amended to read:

(a) Subject to appropriations for the purpose, the Department of Commerce, Community, and Economic Development shall, on or before **June 1** [APRIL 1] of each fiscal year, contract with a single qualified trade association for the purpose of planning and executing a destination tourism marketing campaign during the next fiscal year. The **state shall pay two-thirds of the costs of the** contract**, and** [MAY BE AWARDED ONLY IF] the qualified trade association **shall pay one-third** [PROVIDES MATCHING FUNDS EQUAL TO AT LEAST 50 PERCENT] of the costs of the [MARKETING CAMPAIGN DESCRIBED IN THE] contract. **The state**

money used for the contract may not exceed $12,000,000. The marketing campaign may promote distinct segments of tourism, such as highway tourism, seasonal tourism, ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract is executed, the marketing campaign plan must be approved by the department. **A qualified trade association may satisfy its one-third payment of the costs of the contract by providing in-kind contributions. In this subsection, "in-kind contributions" includes fees for services, partnership contributions, event participation, research, brochure placement, cooperative advertising, loaned employee value, discounted services, free services, radio airtime, television airtime, print space promotions, Alaska-specific travel advertising, and items contributed for use in promotions.**

* **Sec. 2.** AS 44.33.125(a) is repealed and reenacted to read:

(a) Subject to appropriations for the purpose, the Department of Commerce, Community, and Economic Development shall, on or before April 1 of each fiscal year, contract with a single qualified trade association for the purpose of planning and executing a destination tourism marketing campaign during the next fiscal year. The contract may be awarded only if the qualified trade association provides matching funds equal to at least 50 percent of the costs of the marketing campaign described in the contract. The marketing campaign may promote distinct segments of tourism, such as highway tourism, seasonal tourism, ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract is executed, the marketing campaign plan must be approved by the department.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TASK FORCE. (a) The Alaska Promotion and Marketing Task Force is created in the legislative branch.

(b) The task force consists of 11 members, as follows:

(1) three members appointed by the Speaker of the House of Representatives;

(2) three members appointed by the President of the Senate; and

(3) five members appointed by the governor who are involved in an industry located in the state.

(c) The members of the task force shall select a chair from the task force's members.

(d) Task force members do not receive compensation but may receive travel and per diem expenses authorized for boards and commissions under AS 39.20.180.

(e) The task force shall meet during and between legislative sessions to accomplish its duties.

(f) The task force shall develop and recommend model legislation to market and promote activities to support the state's economy. The proposed model legislation must include, to the extent constitutionally permissible,

(1) a board to

(A) evaluate project proposals by entities, including government entities, for activities to promote and market the industries and economy of the state; and

(B) make recommendations annually to the legislature for funding of the recommended proposals;

(2) a fund, including the endowment and contents of the fund, to fund projects for marketing and promoting activities to support the state's economy; the fund may not be a dedicated fund;

(3) a methodology for determining the order for recommending projects to receive funding;

(4) requirements for monetary matching by entities that receive project funding;

(5) a process for application for funding.

(g) The task force shall provide to the legislature, by January 30, 2012, a final report with the task force's recommendations on model legislation, including draft model legislation for consideration.

(h) The chair of the task force shall be available for legislative hearings on its recommendations.

(i) The task force shall terminate on the first day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

(j) In this section, "task force" means the Alaska Promotion and Marketing Task Force.

* **Sec. 4.** Section 3 of this Act is repealed on the first day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. Section 2 of this Act takes effect only if the Twenty-Seventh Alaska State Legislature does not pass legislation that is based on the model legislation recommended to the legislature by the Alaska Promotion and Marketing Task Force created by sec. 3 of this Act.

* **Sec. 6.** Section 1 of this Act takes effect July 1, 2011.

* **Sec. 7.** If, under sec. 5 of this Act, sec. 2 of this Act takes effect, it takes effect on the first day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

* **Sec. 8.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE HOUSE: Special Committee on Economic Development, Trade, and Tourism

BY:

TO: CSHB 160(EDT)(27-LS0509/R)

Page 2, line 6, following "**contributions**"

Insert "**through its members**"

Page 4, line 3 through line 12:

Delete all material.

Insert new bill sections to read:

"**Section 5.** Section 2 of this Act takes effect on July 1, 2013.

Section 6. Except as provided in sec. 5 of this Act, this Act takes effect on July 1, 2011."

Bill adopted

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE HERRON

TO: CSHB 160( ), Draft Version "U"

Page 3, following line 28:

Insert new bill sections to read:

"* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ADDITIONAL PAYMENTS. (a) Notwithstanding AS 44.33.125(a), as amended by sec. 2 of this Act, if a qualified trade association satisfies its obligation to pay one-third of the costs of a tourism marketing contract entered into under AS 44.33.125(a), as amended by sec. 2 of this Act, and if the qualified trade association offers to amend the contract for a larger amount and offers to pay in addition to the one-third it has already paid, $1,500,000 for the costs of the amended contract, the state may amend the contract for an amount that is $6,000,000 greater than the original contract. Under the amended contract, the qualified trade association shall pay $1,500,000 of the $6,000,000 by which the contract has been increased by the amendment and the state shall pay $4,500,000 of the $6,000,000 by which the contract has been increased by the amendment. However, even with the additional payment by the state under this section, the state money used for the contract may not exceed $12,000,000. The provisions of this section may be used only one time. In this section, "qualified trade association" has the meaning given in AS 44.33.125(j).

* **Sec. 8.** Section 7 of this Act is repealed July 1, 2012."

Renumber the following bill sections accordingly.

Page 3, line 30:

Delete "sec. 7"

Insert "sec. 9"

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner

MEMORANDUM

TO: Representative Herron, Chair
House Economic Development Trade and Tourism

DATE: Friday, March 25, 2011

FROM: Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

RE: Response to questions regarding
HB 160 – Tourism Marketing Fund

The question was asked in committee yesterday "How do other states count in-kind contributions for a matching funds requirement?"

Florida and Washington have developed criteria to determine how in-kind contributions from the tourism industry can be counted toward a match requirement to access public funding. At this time, the Corporation for Travel Promotion (CTP) has not yet released criteria for counting in-kind contributions towards the national tourism marketing program established under the U.S. Travel Promotion Act. Within the CTP, a newly created Funding and Development Committee and an In-Kind Policy Subcommittee will focus on a three to five year plan around the cash vs. in-kind match.

The chart below highlights the private sector match contributions for Florida and Washington.

State	Match Requirement	Permissible as Match	In-kind Contributions Criteria
Florida	Dollar-to-dollar match of private to public contributions	1. Direct cash contributions 2. Fees for services 3. Cooperative advertising 4. In-kind contributions	1. Value of strategic alliance services. 2. Value of loaned employees, discounted service fees, items contributed for use in promotions, and radio or television air time or print space for promotions. The value of air time or print space is calculated by taking actual time or space and multiplying by the non-negotiated unit price for that specific time or space which is known as the media equivalency value. To avoid duplication in determining media equivalency value, only the value of the promotion can be included; not the value of the items contributed for the promotion. Documentation must be kept on file for inspection as determined necessary.

State	Match Requirement	Permissible as Match	In-kind Contributions Criteria
Washington	Dollar-to-dollar match required on a variable portion of state funds 1. Match 25% of public funds (FY2009) 2. Match 50% of public funds in FY2010 3. Match 100% of public funds thereafter	1. Direct cash contributions 2. In-kind contributions 3. Cooperative Funds 4. Advertising Equivalency	1. **In-Kind** will be considered any product or service of determinable value contributed to support, assist or promote Washington State Tourism. 2. **Advertising Equivalency** will be the US dollar value (at the time of reporting) of print, digital, television, radio, or other media intended to support, assist or promote Washington State Tourism. Advertising Equivalency is defined as measuring earned media value, and will be calculated using an industry standard multiplier, based on the specific media.

A. ***Florida*** is the most applicable comparison state to answer this question because of the following similarities:

Florida contracts with a direct support organization (similar to our qualified trade organization) which is a private, not-for-profit corporation (a 501(c) (6)) to execute tourism marketing and promotion services and functions. The direct support organization submits a four-year marketing plan to the state which is updated and amended on an annual basis. State funds (rental car tax) are appropriated for the purposes of tourism marketing and an industry match (one-to-one) is required to match state funding.

In-kind contributions may count as matching funds and may include the value of strategic alliance services, loaned employees, discounted service fees, items contributed for use in promotions, and radio or television air time or print space for promotions. The value of air time or print space shall be calculated by taking the actual time or space and multiplying by the non-negotiated unit price for that specific time or space which is known as the media equivalency value. In order to avoid duplication in determining media equivalency value, only the value of the promotion itself shall be included; the value of the items contributed for the promotion shall not be included.

B. ***Washington*** State is another example of a state that required matching funds. However, in recent weeks the Washington governor and legislature have defunded the Washington Tourism Commission entirely of all public funding. From FY2008 through FY2011 the program had a match requirement and allowance of in-kind contributions that is relevant to the question.

In 2007, the Washington legislature created a 19-member Washington Tourism Commission to improve the tourism industry in the state. The commission was tasked to create a strategic plan for tourism development as well as a biennial marketing plan to draw more tourists to Washington. In addition to creating the commission, the legislation more than doubled state funding for tourism promotion through a public-private partnership. The legislation creating the matching requirements was broadly defined and allowed the private sector match in the form of cash contributions (direct cash or fees paid for services rendered) or in-kind contributions.

- The Tourism Commission developed and approved a six-year strategic plan;
- State funds were appropriated for the purposes of tourism marketing;
- An industry match was required at an increasing rate;
- FY2008: No match required;
- FY2009: 25 percent of state funding (maximum of $4 million) required an industry match of 1:1;

- FY2010: 50 percent of state funding (maximum of $4 million) required an industry match of 1:1; and
- FY2011 and beyond: 100 percent of state funding (maximum of $4 million) required an industry match of 1:1.
  - The Tourism Commission was given authority to determine the criteria for the match.
  - In-Kind: any product or service of determinable value contributed to support, assist or promote Washington State Tourism.
  - Advertising Equivalency: considered the US dollar value (at the time of reporting) of print, digital, television, radio, or other media intended to support, assist or promote Washington State Tourism. Advertising equivalency is defined as measuring earned media value and will be calculated using an industry standard multiplier, based on the specific media.

C. The **U.S. Travel Promotion Act** may provide useful guidance for accounting for in-kind contributions for the tourism industry in the future. At this time, those criteria are not available. The Division of Economic Development will follow the activities of the Corporation for Tourism Promotion (CTP) and report on accounting criteria as the information becomes available.

It is not unreasonable to assume that the CTP board will reference the Florida model. The following facts are what we know now:

- Visitors traveling from Visa Waiver Program countries will pay a $10 travel promotion fee (once every two years) when submitting their information via the Electronic System for Travel Authorization (ESTA). Proceeds from this fee will be held in a special account at the Treasury Department.
- Private sector companies and organizations that would benefit from increased international travel will be asked to make in-kind or cash contributions to the Corporation for Travel Promotion (80% can be in-kind, but 20% must be cash).
- In Year One, the government will provide $10 million to the Corporation from funds generated by the new $10 travel promotion fee paid by visa waiver travelers who do not pay $131 to obtain an American visa to visit the U.S.
- In Year Two, for every dollar that the private sector contributes, two dollars will be transferred from the government's travel promotion fund to the Corporation (a 2:1 match). In other words, if the private sector's total in-kind and cash contribution is valued at $20 million, the government fund will match with $40 million, for a total of $60 million.
- In Year Three and beyond, for every dollar that the private sector contributes, one dollar will be added from the government fund (a 1:1 match). So, for contributions valued at $100 million from the private sector, the government will also contribute $100 million, for a total of $200 million.
- The maximum amount that the government can contribute is $100 million, provided that the in-kind and cash contributions of the private sector also equal $100 million (to reach the total of $200 million).

Sources:
Florida Statutes (www.leg.state.fl.us)
Washington State Tourism Office
U.S. Travel Industry Association

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 7, 2011

SUBJECT: Sectional summary of CSHB 160(FIN) relating to state tourism marketing contracts (Work Order No. 27-LS0509\S)

TO: Representative Bob Herron
Attn: Rob Earl

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends AS 44.33.120(d) to remove a reference to AS 44.33.125(d), which is repealed by this bill.

Section 2. Amends AS 44.33.125(a). Changes the date by which a state tourism marketing contract is to be entered into each year. States that the qualified trade association must provide matching funds equal to 50 percent of the state money used for costs of the contract's marketing campaign. Limits the state money used for the costs of the contract's marketing campaign to $12,000,000.

Section 3. Repeals and reenacts AS 44.33.125(e). Requires that a group within the qualified trade association direct the marketing campaign of a tourism marketing contract awarded under AS 44.33.125(a). Requires the group to have nine individuals and indicates how the individuals are to be selected. Sets the terms of the governor's appointees at three years. Allows the association to determine the terms of their appointees.

Section 4. Prohibits a qualified trade association that contracts with the state under AS 44.33.125(a) from paying a person to lobby the legislature regarding the funding of the contract.

Section 5. Repeals AS 44.33.125(d).

Section 6. Requires that the governor's appointments be made within one month after the Act's effective date and be given staggered terms.

Section 7. Makes the Act effective July 1, 2011.

If I may be of further assistance, please advise.

TLB:plm
11-233.plm

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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(907) 465-3867 or 465-2450
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Juneau, Alaska 99801-1182
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MEMORANDUM [redacted]

SUBJECT: CSHB 160( ) relating to state tourism marketing contracts
(Work Order No. [redacted])

TO: [redacted]

CSHB160(FIN)

FROM: Theresa Bannister
Legislative Counsel

This memo accompanies a draft of the bill described above.

Freedom of speech issue. Prohibiting a qualified trade association from paying a person to lobby the legislature about the funding of its tourism marketing contract raises a possible issue under the constitutional right of free speech and the right to petition, First Amendment rights. In general, to pass constitutional muster, "statutes attempting to restrict or burden the exercise of First Amendment rights must be narrowly drawn and represent a considered legislative judgment that a particular mode of expression has to give way to other compelling needs of society." Broadrick v. Oklahoma, 413 U.S. 601, 611 - 612 (1973) (citations omitted). While the application of this bill's prohibition is fairly narrowly drawn and does not impinge on the right of the association to lobby (without using any of the money from the contract -- see AS 44.33.125(h)), it is not evident that there is a compelling interest of the government to limit the association in this way. I do not know whether or not this provision would be considered an unconstitutional restriction of these rights, but I wanted to bring the issue to your attention.

If I may be of further assistance, please advise.

TLB:ljw
11-214.ljw

Enclosure

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSHB 160 (EDT)**
() Publish Date

Identifier (file name) HB160-CCED-DED-03-23-11
Dept. Affected: DCCED
Title: Alaska Visitor Industry Investment Fund
Appropriation: Economic Development
Allocation: Financing
Sponsor: House Special Committee on Economic Development, Trade and Tourism
Requester: House Special Committee on Economic Development, Trade and Tourism
OMB Component Number: 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services	12,000.0						
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**12,000.0**	**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	12,000.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**12,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This version reflects the total cost to the state as reflected in the CS.

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 3/24/11 7:00 AM
Approved by: Susan K. Bell, Commissioner — Date: 3/24/2011
Commerce, Community, and Economic Develoment

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSHB160 (EDT)
2011 LEGISLATIVE SESSION

Analysis

The Division of Economic Development administers the contracting process to implement a destination tourism marketing program with a qualified trade association, ensures contract compliance, monitors program performance, and reviews program reports. HB 160 establishes a new funding source for the destination tourism marketing program; the change has no impact on the division's role in this process.

Subject to appropriation, this fiscal note is based on an estimated industry contribution of $3 million with an additional $3 million generated from in-kind contributions made by the Alaska tourism industry in support of Alaska tourism marketing. The total the cost of the contract to the state would be $12 million.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSHB 160 (FIN)**
() Publish Date

Identifier (file name) HB160-CCED-DED-03-31-11
Dept. Affected: DCCED
Title: Alaska Visitor Industry Investment Fund
Appropriation: ~~Economic Development~~ QTA
Allocation: Qualified Trade Association

Sponsor: House Economic Development, Trade and Tourism
Requester: House Finance
OMB Component Number: 1844

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**3,000.0**	**9,000.0**	**12,000.0**	**12,000.0**	**12,000.0**	**12,000.0**	**12,000.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**3,000.0**	**9,000.0**	**12,000.0**	**12,000.0**	**12,000.0**	**12,000.0**	**12,000.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This version updates the Operating Expenditures to reflect the total cost to the state. For FY12 appropriation this adds an additional $3 million to the Governor's proposed budget of $9 million (FY12) and then $12 million for FY13 on to reflect the cap in the legislation.

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 3/31/11 4:00 PM
Approved by: Susan K. Bell, Commissioner — Date: 4/2/2011
Commerce, Community, and Economic Develoment

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB160 (FIN)

Analysis

HB 160 establishes a new funding source of general funds for the destination tourism marketing program. In FY12, this adds an additional $3 million to the Governor's proposed budget of $9 million for the Qualified Trade Association. FY13 and forward reflect the $12 million cap in the legislation.

The Division of Economic Development administers the contracting process to implement a destination tourism marketing program with a qualified trade association. The change of funding source has no impact on the division's role in this process.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSHB 160 (FIN)AM**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB160-DCCED-DED-12-14-11
Title: TOURISM MARKETING CONTRACTS/CAMPAIGNS
Sponsor: House Economic Development, Trade & Tourism
Requester: Senate Finance Committee

Dept. Affected: DCCED
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services			0.0	0.0	0.0	0.0	0.0
Travel			0.0	0.0	0.0	0.0	0.0
Services	(4,000.0)	16,000.0	0.0	0.0	0.0	0.0	0.0
Commodities			0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**(4,000.0)**	**16,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	(4,000.0)	16,000.0					
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**(4,000.0)**	**16,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note has been updated to reflect the $16 million included in the operating budget for FY13.

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 12/21/11 10:45 AM
Approved by: Susan K. Bell, Commissioner — Date: 1/11/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSHB 160 (FIN)AM
2012 LEGISLATIVE SESSION

Analysis

HB160 redefines and limits the state's contribution to funding a state tourism marketing campaign. The total state contribution is limited to $12,000.0 and establishes a two-tiered matching scenario whereby the first $3,000.0 in private match generates a 1:2 state match and any increment above $3,000.0 in private match generates a 1:3 state match up to the $12,000.0 cap. This match scenario is repealed by Section 8 as of July 1, 2012.

The Division of Economic Development (DED) administers the contracting process to implement a destination tourism marketing program with a qualified trade association, ensures contract compliance, monitors program performance, and reviews program reports. HB 160 establishes a new funding source for the destination tourism marketing program; the change has no impact on DED's role in this process.

The governor has included $16 million in the operating budget for tourism marketing. The impact of this bill would limit the state's contribution to $12,000.0; therefore the appropriation amount requested for FY13 shows a $4,000.0 reduction to the operating expenditures.

(9)

Date Referred to Committee: February 16, 2011 **FURTHER REFERRALS: Finance**

Date of Committee Action: 3.24.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered:
HB 160

HOUSE BILL NO. 160
"An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."
HB 160 VISITOR INDUSTRY INVESTM'T FUND/MARKETING

Recommends it be replaced with [ ] HCS *or* **[X] CS** *for* HB160 (EDT)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [ ] Same Title [X] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES** *FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	CED	X		

***PREVIOUS* FISCAL NOTES**				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Berta Gardner	GARDNER				X
Thompson	THOMPSON	X			
Tuck	TUCK			X	
Muñoz	MUÑOZ	X			
Keller	KELLER			X	
Foster	FOSTER	X			
Chair:					
Chair:	HERRON	X			



Responsible Cruising in Alaska

House Finance Committee

Room 519, Capitol Building

Juneau, Alaska 99801

April 8, 2011

RE: Tourism Marketing Funding

CS HB 160

Finance Members:

Today the Committee will consider CS HB 160, to fund the Alaska Travel Industry Association, (ATIA). I urge you to reject this measure for a number of reasons:

- ATIA has not demonstrated any success or a viable funding plan.
- ATIA has not increased its industry funding ($2.7 m) for three years.
- ATIA has many advertising missions but no measures of impact.
- ATIA is cruise-centric, rather than focus on independent air travelers who rent cars, hotel rooms, buy meals and fly to Bush Alaska.
- ATIA opposes all taxes on the cruise industry, yet want 'sustainable' state funding by tapping tourism tax revenues.
- ATIA should be treated as the state does ASMI seafood marketing, which presently receives 20% state funding.
- HB 222 is far better legislation to address Alaska tourism marketing.

Thank you for your attention to the issue of state tourism funding .

Chip Thoma, RCA President

Box 21884 Juneau, Alaska 99802 (907) 586-2117 chipt@alaska.net

Patti Mackey	ATIA & Ketchikan Visitors Bureau
Paul Landis	Alaska Alliance for Cruise Travel and CIRI Tourism
Shanon Hamrick	Kenai Peninsula Marketing Council
Bruce Bustamante	Alaska Cruise Association and Princess Cruises
John McConnochie	Bike Alaska Juneau
Richard Benneville	Discovery Tours Nome
Dale Fox	CHARR
Fred Reeder	Sitka Resident and Former Mayor of Sitka
Terry Wanzer	Best Western/KTN , [redacted] AK Hotel and Lodging Association (AKHLA)

1.7 mill 2008

142

AkH&LA
Alaska Hotel & Lodging Association

February 28, 2011

Representative Bob Herron, Chair
House Economic Development
Trade & Tourism Committee
Capitol Building
Juneau, Alaska 99801

Subject: HB 160 Establishing the Alaska Visitor Industry Investment Fund

Dear Representative Herron;

The Alaska Hotel & Lodging Association is extremely appreciative of the House EDTT Committee's introduction of legislation establishing a sustainable funding plan for Alaska's tourism marketing campaign and the goal of reaching a minimum of an annual $20 million appropriation.

As you are well aware, the State of Alaska benefits from revenues generated by our industry. In recent years those revenues have been as much as $140 million. It just makes sense to reinvest a percentage of those revenues to sustain a healthy economy for Alaska's tourism industry resulting in jobs for Alaskans and revenues for a variety of state funded programs and services.

Hotel bed tax revenues paid to Alaska's local governments have declined by as much as 22% in recent years. Local governments rely on these funds to keep property taxes low and to delivery other services to local residents. Without these funds, local governments will turn to the state for increased aide.

Alaska has struggled with lost market share in the increasingly competitive global travel marketplace. The additional $7 million appropriation awarded in FY2011, through early research, has already resulted in an expected 4 increase in visitors to Alaska this summer as compared to a 2% increase in National travel trends.

The Alaska Hotel & Lodging Association appreciates the Legislatures recognition of the need for increased marketing funding by increasing the FY11 budget to18.7 million. This action has given the industry an opportunity to vastly improve their ability to build awareness and generate more visitors to the state. It is critically important to build on this moment, and to ensure that Alaska's tourism marketing campaign does not take a step backwards.

We applaud the Committees efforts to create a new Alaska visitor industry investment fund, to replace over 2500 lost jobs, and to build a sustainable economy for Alaska's tourism businesses. On behalf of Alaska's Hotel & Lodging Industry, thank you for your leadership and introduction of HB160. We urge the Legislatures' support and quick passage of this long overdue legislation.

Sincerely,

Craig Pester
Chairman, Alaska Hotel & Lodging Association
District Manager, Lodging, Retail, Food and Beverage ARAMARK Parks and Destinations Alaska

Federation Member American Hotel & Lodging Association

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FAX 907-895-4787

February 21, 2011

Representative Eric Feige
State Capitol, Room 126
Juneau, AK 99801-1182

Dear Representative Feige,

My name is Dick Wenger and I am from Delta Junction. We met a few months back at the Delta LIO where we had the chance to talk a bit. Which, by the way, I am sorry that I missed you last Saturday (Feb 19th) when you were again at the LIO, but I had made previous plans and was out of town. I represent Rika's Roadhouse and as such am requesting your support for HB160. With your long standing affiliation with tourism, I know you can appreciate the value that the industry has for our state. As such, I urge you to consider co-sponsoring the bill to ensure a viable marketing program for the visitor industry. As Co-Chair of the House of Resources Committee, this may be somewhat of a departure from your normal venue. I would like to say, however, that I believe tourism to be one of our most significant resources, and with effective marketing, one that will never be depleted.

I would also like to ask that I be added to your district mailing list.

Thank you for your time and consideration.

Sincerely,

Dick Wenger

DW/bw



From Rika Wellen's personal stationery, 1940

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Our lifestyle, your reward

February 23, 2011

The Honorable Kyle Johansen
Alaska State Legislature
State Capitol Mail Stop #3100
Juneau, AK 99801-1182

Dear Representative Johansen,

HB160 was introduced last week, and I am writing to ask for your support for this bill that will establish a funding mechanism for marketing Alaska as a tourism destination. As you know, the Alaska Travel Industry Association has long worked to find a solution to sustainable funding. This bill, introduced by the House committee on Tourism and Economic Development is intended to replace the existing funding structure which has become outdated.

As you will recall, when the legislature approved the "millennium plan" in 2000, a matching fund component was part of the legislation, due to concerns that the industry didn't significantly contribute to state revenues. Over the past decade, that has changed. In addition to revenue sources already in existence a statewide vehicle rental tax has been enacted and the various elements of Ballot Measure 2 have substantially increased revenue to the State through cruise passenger fees, ocean ranger fees and corporate income and gambling income taxation. Today it's projected that revenues to the state will total over 111 million in FY2012.

ATIA and various other visitor industry organizations including AKHLA, CHARR, and AlaskaACT have made increased tourism marketing funding high on the list, if not the number one priority for this legislative session. Increased marketing of Alaska was one of two requests made of Governor Parnell when he met with cruise industry representatives last spring in Miami. I thank you for your support of the reduction of head taxes, now I am asking you to help pave the way for a return of cruise business to Alaska- a vital part of Ketchikan and other coastal communities' tourism economy.

You have welcomed our association representatives into your office many times these past several years and know that our message hasn't changed. We need more dollars to market Alaska. More marketing will lead to more visitors, more visitors mean more state revenues, healthier local economies and more jobs for Alaskans. I know that you understand this, but we need your help in getting your colleagues in the House to understand as well. I appreciate your consideration, and ask that you do all you can to help us get HB160 approved.

Sincerely,

Patti Mackey

Patti Mackey
President & CEO

KETCHIKAN VISITORS BUREAU • 131 Front Street Ketchikan, Alaska 99901 • 907-225-6166
E-mail: pmackey@visit-ketchikan.com • www.visit-ketchikan.com

INTERNATIONAL
LONGSHORE &
WAREHOUSE
UNION

AFL-CIO

Local 200
Unit 16
PO Box 21352
Juneau, AK 99802

March 3, 2011

To: House Representatives, State of Alaska

Re: HB 160 – Establishing the Alaska Visitor Industry Investment Fund

The ILWU is very supportive of this legislation introduced to establish and sustain a funding plan for Alaska's tourism marketing campaign. The goal of an annual $20 million appropriation is a modest investment in an industry that is of vital importance to the State of Alaska's economy and one that will reap large benefits on behalf of tourism employees and small business' across the State.

We believe that Alaska should be as self-reliant, as possible, in marketing and not rely or beholden to "Outside Interests" that have their own agendas. If we market Alaska to the world than we control our own destiny and set the market whereby business (Airline, Cruise, Hotel, Tours etc.) will have an opportunity to grow with our industry. The adage "If you build it he will come!" is very true regarding Alaska it is the foundation upon which our Great State has grown upon in its short history.

The House EDTT efforts to create a new Alaska Visitor Investment Fund should not be pushed aside or tabled till next year. The time is now to re-invest in a vast renewable industry that is vital to Alaskans! As a voice for labor we see firsthand the benefits of the positive impact tourism has upon tourism employees, small business and local/borough government. We strongly encourage your support in re-establishing the Alaska Visitor Industry Investment Fund and the quick passage of this long overdue legislation.

Sincerely,

Dennis Young
President, Unit 16

"An Injury to One is an Injury to All"



Responsible Cruising in Alaska

February 14, 2011

Governor Sean Parnell

Box 110001

Juneau, Alaska 99811

Re: Funding for Tourism Marketing

Dear Governor,

In March 2010 you traveled to Miami for the Seatrade Cruise Conference and negotiated a conceptual decrease in the state passenger head tax with cruise ship executives. As a result, the Alaska Legislature adopted significant alterations to the existing cruise passenger taxation regime. Approximately one million Alaska cruise passengers will save $28 each on their $950 average ticket price in 2011, and the cruise industry is ecstatic their pleas for tax relief were heard. Now is the time to return to Miami to seek assistance from the cruise industry for Alaska travel marketing. Here's why:

The current state subsidy for tourism marketing is $16 million dollars, or 85% of the entire Alaska Travel Industry Association (ATIA) FY11 budget. ATIA is now attempting to increase the state subsidy to 90% for FY12 through efforts in the Alaska Legislature. ATIA claims an increased appropriation from the legislature is needed, although ATIA have been unable to raise more than $2.7 million match from Alaska travel and cruise businesses. State of Alaska funding for tourism marketing was recently based on a 50/50% split, similar to the current cost-sharing match formula used by seafood processors and the state to market for Alaskan seafood.

You should lead the efforts to restore the industry share of ATIA's marketing back to a 50-50% match-partnership, and also request that the cruise industry fully participate in this partnership. But if the ATIA and the cruise industry fail to become equal partners with Alaska to market this beautiful state, consideration should be given to downsizing ATIA marketing of Alaska directly through the Department of Commerce & Community Development, with a smaller budget and much stricter performance measures than exist for the ATIA. In any event, ATIA and the marketing of Alaska tourism need your attention and assistance.

Box 21884, Juneau Alaska 99802 chipt@alaska.net (907) 586-2117

You can help ATIA raise a sustainable $7-10 million yearly from industry in order to receive a 50-50% state match for ATIA's marketing campaign. It is critical to resolve the yearly ATIA funding deficit, and you are in a perfect position to help ATIA market Alaska while maintaining good relations with the entire travel industry, whether based in Alaska or Miami. Your ability to facilitate substantial industry contributions to ATIA's program is enhanced by the following factors:

- ✓ The recession is over and luxury travel is booming again, worldwide.
- ✓ All cruise companies posted record profits in 2010.
- ✓ Alaska cruise ticket prices have increased 35% in 2010 & 2011, insuring a minimum of $250 million in added industry revenues each year.
- ✓ Decreases in the Alaska cruise passenger fee save cruise lines $25 million.
- ✓ The cruise executives you met with last year in Miami will listen to you about funding ATIA at a higher level, as their own revenues have increased so dramatically. Now is the time to propose an ATIA-industry funding partnership.

Tourism marketing for Alaska is at a pivotal point. ATIA must work harder to solicit and secure sustainable travel industry funding rather than continually seeking dedicated funds from the State of Alaska; essentially ATIA "earmarks" to market tourism from unrestricted funds in the state treasury. Consequently, I urge you to return with the ATIA and the Alaska Cruise Association (ACA) to this year's Seatrade Cruise Conference in Miami on March 14-17, 2011. Back-to-back trips by the Governor to this important industry event sends a clear message that Alaska is serious about the cruise industry, wants their continued business, and needs to partner with them on funding ATIA travel marketing.

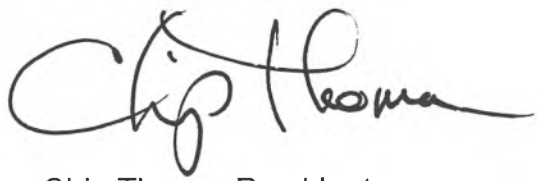
This year the prime address at Seatrade is "*New and Emerging Source Markets and Deployment Strategies*." If Alaska does not maintain a presence in Miami, bolstered by your attendance, the continued drift to Australia, Europe and eastern Canada will continue. It's time to partner up and fight for Alaska's cruise market share!

One caution is the possibility of rejection. Speaking with those in the cruise industry over the years, many are not persuaded that ATIA is a viable marketing group. Since the Alaska cruise industry already spends $70 million per year on marketing ($70 per individual passenger, $140 per couple) and they fill every, single ship that comes to Alaska, (over 440 trips per year), it is obvious the cruise lines are very skilled marketers.

The cruise lines may consider ATIA marketing to be extraneous or sub-standard compared to their own efforts. I hope that's not the case. But if it is, you and your administration should work to downsize ATIA administrative overhead and focus their tourism marketing efforts on independent air travelers flying to the Railbelt and to other air hubs of the state. Although not as glamorous as the "low-hanging fruit" of cruise passengers, these affluent air travelers to Alaska rent the cars and hotel rooms, buy meals, and also fly to rural Alaska, unlike most cruise passengers. ATIA should be

ready and versatile to switch to this lucrative sector of 300,000 independent Alaska air travelers if the cruise lines reject further funding of their marketing efforts.

Thank you for considering how to assist ATIA funding appeals in Miami.



Chip Thoma, President

Responsible Cruising in Alaska

2011 Air Flights To ANC, Alaska – RT, 0 Stops*

SEATTLE	Alaska Air (19x daily, summer), Continental
PORTLAND	" (3x daily in summer)
CHICAGO	" , Continental, American, Delta
SAN FRANCISCO	" , Continental
LAX	" , Delta
DENVER	" , Continental, Frontier
LONG BEACH	Jet Blue
HOUSTON	Continental
DALLAS	American
PHOENIX	US Airways
PHILADELPHIA	US Airways
MINNEAPOLIS	Sun Country
SALT LAKE	Delta
ATLANTA	"
DETROIT	"
FRANKFURT	Condor
ZURICH	Edelweiss

* These airline departure points for direct flights to Alaska are the template for independent tourism in Alaska. Most flights are summer-only, and may be daily or twice a week These independent tourists fly to the Railbelt, rent cars and hotel rooms, eat restaurant meals, drive to Denali and Fairbanks and fly to the Bush.

Hawaii: Visitor Arrivals, Spending Continue Gains

Date: Wednesday, January 26, 2011, 12:04pm HST - Last Modified: Wednesday, January 26, 2011, 12:49pm HST

Related:

Travel, Economic Snapshot

December visitor spending in Hawaii totaled $1.1 billion, up 17.9 percent from the amount spent in the state in 2009, according to statistics released Wednesday by the Hawaii Tourism Authority.

Visitor spending for all of 2010 reached $11.4 billion, a 16.2 percent increase when compared to 2009.

Visitor arrivals in December totaled 633,730, an increase of 9.6 percent when compared to December of last year; total visitor arrivals for 2010 increased 8.7 percent to 7.1 million compared to 2009.

Total arrivals have not been at such high levels since 2008, when 6.8 million people visited the Islands. The state saw highs of 7.6 million visitors in 2006 and in 2007, according to the report.

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Making a splash

Visitor counts from all major markets and spending rose for an 11th straight month

By Allison Schaefers

POSTED: 01:30 a.m. HST, Feb 25, 2011

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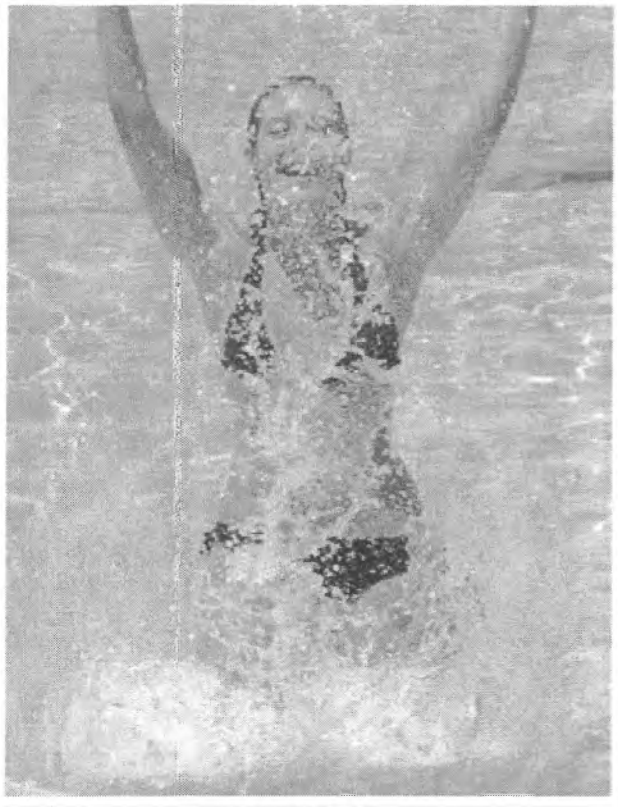
Hawaii achieved its 11th consecutive month of increased visitor spending and arrivals in January, and the outlook for a continued rebound is good as long as rising oil prices do not hurt the airline-dependent market.

Hawaii hosted 597,487 visitors last month, up 12.2 percent from a year ago, as arrivals from all major markets increased, according to preliminary statistics released yesterday by the Hawaii Tourism Authority. Arrivals from Canada grew 18.8 percent, the most of any market. Arrivals from Japan rose 18.7 percent, and they increased 12 percent from the U.S. West and 9.4 percent from the U.S. East. Cruise ship arrivals, which represent a much smaller portion of the market, saw a 22 percent rise.

Likewise, visitor spending rose 19.8 percent to $1.2 billion. January's gain represented the ninth consecutive month of double-digit increases in overall spending.

"The sustained momentum is encouraging, but there continues to be many factors that can disrupt the recovery of Hawaii's tourism economy," said Mike McCartney, HTA president and chief executive officer.

Fuel prices, which have a direct impact on airfares and discretionary spending, are among the most critical issues facing tourism, McCartney said. Some 98 percent of January arrivals came by air, an indicator of the market's dependence on a stable airline industry and oil prices.



More Photos









Hawaii's dependence on air travel was further evidenced by the benefit it realized when Japan Airlines switched to larger aircraft, McCartney said. It drove domestic demand when United Airlines started direct service to Hilo from Los Angeles and San Francisco, and Alaska Airlines announced new daily service from Oakland and San Jose, Calif., to Maui, he said.

Petra and Marc Kirberg, who recently visited Oahu from San Francisco, are proof market momentum is continuing. They said that they'll return even though they have made more than 18 trips here between them and their children, 5-year-old Beck and 3-year-old Vaughn.

"This is a place where all the stars align," Petra Kirberg said. "We love Hawaii. It's safe and clean, and we don't worry about anything happening."

Still, some members of Hawaii's visitor industry have begun to worry that oil prices could dampen even Kirberg-level enthusiasm. There are signs rising oil prices and airfares have begun to change the market, said Jack E. Richards, president and CEO of Pleasant Holidays LLC, Hawaii's largest wholesaler.

The Associated Press reported that oil prices shot as high as $103 a barrel yesterday as chaos in Libya disrupted crude supplies from the OPEC nation, and traders worried instability could spread to other oil-rich countries in the Middle East.

"We are getting to the point where prices will start to impact travel," Richards said. "Fuel surcharges from Asia are in the $200s, and we saw domestic airfares rise by $40 over the weekend."

January's momentum likely will continue into February and March since most of these bookings locked in rates before the oil price volatility started, he said.

"Looking further out, oil prices are the wild card," Richards said.

As a result, Pleasant Holidays has rolled out summer specials with prices more often seen during downturns rather than rebounds. The wholesaler is offering $150 summer airfares for children accompanying adults to Hawaii. Travelers who book with the wholesaler's luxury branded Hawaii World subsidiary will get $500 off airfare and complimentary Avis luxury rental cars in certain suite categories.

"We are greatly concerned of how oil prices will impact travel in May, June and July," Richards said.

When oil prices peaked at $145 a barrel in 2008, Hawaii suffered, he said. Some customers put off booking long-haul trips, Richards said. Others chose to come to Hawaii for shorter stays or booked less expensive properties and fewer activities, he said.

Hoteliers also are concerned about oil's impact on booking pace, said Keith Vieira, senior vice president and director of operations for Starwood Hotels & Resorts in Hawaii and French Polynesia.

"The market is still driven by specials," Vieira said.

"We can't pull the plug on the specials or the market will dry up."

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ALASKA'S NEWSPAPER

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Anchorage hotels rebound in 2010

Published: February 23rd, 2011 08:54 PM
Last Modified: February 23rd, 2011 08:54 PM

Anchorage hotel room sales grew 9 percent last year to total $201 million, a sign of the recovering Lower 48 economy and a rebound in tourism.

More Tourism Industry stories »

Anchorage hotels rebound in 2010

Hotel, air, cruise ship tourism on the rise for Anchorage

New rules may separate tour ships from Alaska seals

Tourism promoters launch new TV ads

Awards to aid groups that promote tourism

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The **new numbers** from the Municipality of Anchorage, which collects a 12 percent tax on hotel rooms, show that last year's hotel room sales hit about the same level the city's lodging industry achieved in 2007.

But the $201 million total was still 7 percent below the record **$217 million reached in 2008**.

As for the actual tax collections, the room tax brought in $19.6 million last year (not all rooms are taxed). That was up from $18.3 million in 2008, but below the $22.3 million peak of 2008.

ADVERTISEMENT



Economic Impact of

Alaska's Visitor Industry

March 2010



Prepared by

McDowell GROUP

Prepared for

State of Alaska
Department of Commerce, Community, & Economic Development
Office of Economic Development

Economic Impact of

Alaska's Visitor Industry

March 2010

Prepared by

McDowell GROUP

Prepared for

State of Alaska
Department of Commerce, Community, & Economic Development

Office of Economic Development

Table of Contents

Executive Summary **1**

Introduction and Methodology **6**

Introduction 6

Methodology 6

Visitor Volume **10**

Visitor Volume, Summer 2009 10

Visitor Volume, Fall/Winter 2008-09 11

Visitor Industry Spending **12**

Visitor Spending, Summer 2009 12

Visitor Spending, Fall/Winter 2008-09 14

Additional Visitor Industry Spending 15

Full Year Visitor Industry Spending 17

Economic Impact Analysis **18**

Direct Employment and Labor Income Effects 18

Importance in Regional and Statewide Economies 20

Employment and Labor Income by Sector 20

Alaska's Visitor Industry: Recent Changes and Future Outlook **22**

Decline in Visitor Industry, 2008 to 2009 22

Industry Outlook 28

Revenues to Municipal and State Governments **30**

Summary 30

Municipal Tax Revenues 31

State of Alaska Revenues 33

Executive Summary

Introduction

The purpose of this study is to measure the economic impacts of Alaska's out-of-state visitors. The visitor industry is a challenging one to measure, reaching into a wide variety of economic sectors, including transportation, lodging, and retail, among others. The nationwide economic crisis of 2008-09 and accompanying drop in visitor traffic and spending added urgency to the need for up-to-date information on this critical component of Alaska's economy. The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to gauge the impacts of Alaska's visitor industry, including direct, indirect, and induced effects.

Visitor Volume and Spending

- An estimated 1.58 million out-of-state visitors traveled to Alaska between May and September 2009. Two-thirds of this total (1,026,600, or 65 percent) were cruise passengers. An additional 242,500 out-of-state visitors traveled to Alaska between October 2008 and April 2009.

- Visitor traffic to Alaska dropped an estimated 7.3 percent between summer 2008 and summer 2009, the largest decline since McDowell Group started tracking visitor traffic in 1985. The decrease occurred primarily in air passenger exits, which dropped an estimated 15 percent. Ferry exits fell 16 percent, and highway exits were down 8 percent.

- Declines in the air, ferry, and highway markets were moderated by flat cruise passenger volume between 2008 and 2009. However, cruise passengers traveled less within the state, more often choosing cruise-only packages (rather than cruise-plus-land tour packages).

Visitor Volume, by Exit Mode, Summers 2008 and 2009

Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship[1]	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	**1,707,400**	**1,583,300**	**-7.3%**

[1] The total number of cruise ship visitors to Alaska in summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

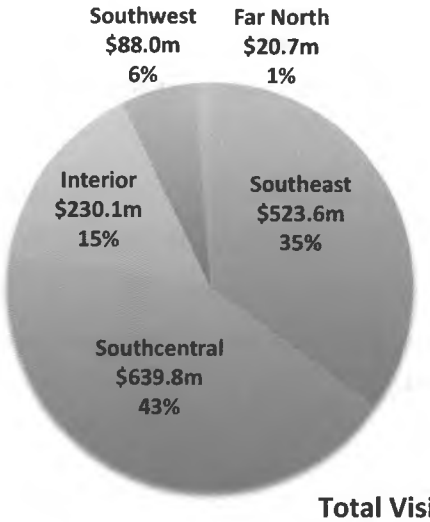
- Another impact felt by businesses throughout the state was lower spending levels. Many businesses were forced to lower their prices to compete for fewer visitors, and visitors themselves tended to spend less on everything from lodging to gifts and tours. A survey of 172 visitor industry businesses found that two-thirds of businesses experienced a decrease in gross sales to out-of-state visitors (11 percent reported an increase, 7 percent reported no change, and 14 percent didn't know). The average estimated change in gross sales among all surveyed businesses was a decline of 16 percent.

- A number of additional indicators reinforce the lower volume and spending estimates in summer 2009:
  - 13 percent decline in cruise passenger land tour volume
  - 16 percent decline in out-of-state visitors on the Alaska Marine Highway
  - Bed tax revenue declines (second and third quarter only) ranging from 10 percent in the Mat-Su, to 22 percent in Anchorage, to 30 percent in Sitka
  - 23 percent decline in Anchorage car rental tax revenues (second and third quarter only)
  - 16 percent decline in non-resident sportfishing license sales (calendar year 2008 to 2009).

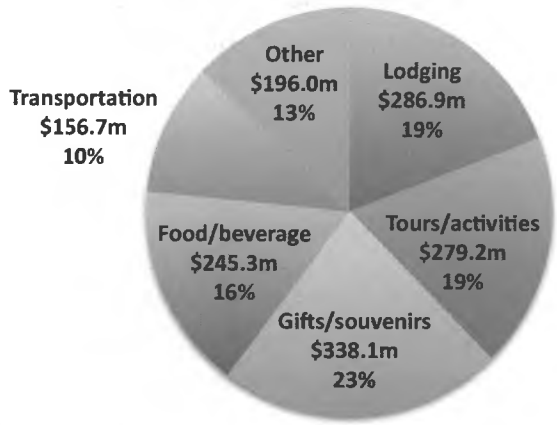
- In contrast, fall/winter visitor volume was down only 2 percent from the previous fall/winter period (2007-08). However, surveyed businesses reported slightly larger declines in gross sales, an average of 8 percent. Some decreases were reported in bed tax revenues over this period, including a 6 percent decrease in Anchorage (first and fourth quarter only).

- Out-of-state visitors spent an estimated $1.5 billion in Alaska during the study period of October 2008 through September 2009. This figure does not include spending on travel to enter and exit Alaska (such as cruise packages, ferry passage, or air tickets). Spending figures are based on visitor survey data from the 2006-07 *Alaska Visitor Statistics Program*, conducted by McDowell Group, adjusted to account for changes in overall visitor volume, volume by region, spending behavior, and inflationary factors. Spending was further adjusted to extract commissions that do not affect the Alaska economy.

Visitor Spending, Oct. 2008-Sept. 2009
By Region



Visitor Spending, Oct. 2008-Sept. 2009
By Sector



Total Visitor Spending: $1.5 Billion

- Additional visitor industry spending that must be taken into account for the purposes of economic impact analysis includes spending by cruise lines, estimated at over $300 million during the 2008-09 study period. The largest components of cruise line spending include employee payroll, payments to local and state government on taxes and fees, payments for transportation services, and payments to accommodations (on behalf of cruise/tour passengers traveling before or after their cruise, whose package price includes lodging).

- Crew members sailing on board cruise ships spent an estimated $16 million while visiting Alaska ports.
- Further, the visitor spending above excludes spending to enter and exit the state. An estimated $282 million in visitor spending on air and ferry tickets to enter and exit the state affects the Alaska economy.
- This additional $610 million in spending by cruise lines, crew members, and visitors purchasing air and ferry tickets brings total *visitor industry* spending in 2008-09 to $2.1 billion.

Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	$1,502.2 million
Cruise line spending, cruise line labor income, and crew spending	$328.4 million
Air and ferry tickets	$282.2 million
Total spending	**$2.1 billion**

Economic Impacts

- Direct visitor industry spending in Alaska of approximately $2.1 billion in the 2008-09 study period directly generated 27,100 jobs in Alaska, and $800 million in labor income.
- Indirect or secondary visitor-related spending totaled approximately $1.3 billion. The statewide employment and income effects of $1.3 billion in secondary spending are estimated at 9,100 jobs and $346 million in labor income.
- In summary, Alaska's visitor industry accounted for a total of 36,200 full and part-time jobs in 2008-09, over $1.1 billion in labor income, and $3.4 billion in total spending, including all direct, indirect and induced effects.
- The visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Therefore, peak employment directly or indirectly connected to the industry is estimated at over 40,000 in 2009.
- Approximately half (49 percent) of visitor industry employment occurred in the Southcentral region, and slightly less than one-third (29 percent) in Southeast. About one in six (17 percent) visitor industry-related jobs were in the Interior region.

Total Visitor Industry Employment, Labor Income and Spending in Alaska, October 2008-September 2009 (including direct, indirect and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	$514 million	$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	**36,200**	**$1.1 billion**	**$3.4 billion**

- Compared to other Alaska regions, visitor industry employment is most important in the Southeast economy. The region's 10,600 visitor-related jobs represented 21 percent of the total 50,000 full and part-time jobs in Southeast. Total visitor industry-related labor income of $373 million was 17 percent of total regional labor income of approximately $2.2 billion.

- In Alaska's Interior region, 6,200 visitor industry-related jobs accounted for about 9 percent of employment (regional total of 65,500 jobs) and 6 percent of all labor income (regional total of $3.4 billion).

- Visitor industry-related employment of 17,600 in Southcentral Alaska represented approximately 7 percent of total employment in the region (263,000 full and part-time jobs) and 4 percent of total labor income (approximately $13.7 billion).

- Statewide visitor industry-related employment of 36,200 accounted for 8 percent of all employment in Alaska. Total statewide visitor industry-related labor income of $1.1 billion represented 5 percent of all labor income in Alaska.

Impacts of Visitor Volume Changes

- The decline in visitor traffic between 2007-08 and 2008-09 was accompanied by an estimated $270 million decline in visitor spending, a 15 percent drop.

- As a result of the decline in visitor spending in 2009, summer season visitor industry-related employment in Alaska was about 2,000 to 2,500 jobs below the 2008 level. Businesses likely addressed the decline in visitor sales with a combination of reductions in personnel and non-personnel costs. As such, the decline in employment in 2009 was less than proportional to the decline in sales.

- Alaska is facing a loss of more than 140,000 passengers in the 2010 cruise season, accompanied by a potential loss of up to $150 million in direct and indirect spending in Alaska.

Revenues to Municipal and State Governments

- Visitor-related tax revenues to municipalities in 2008-09 totaled nearly $70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at $28.9 million, and bed tax revenues are estimated at $23.5 million. In addition, cruise lines paid over $17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.

- Visitor-related revenues to state government during the 2008-09 study period included $139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, revenues to Alaska Marine Highway and Alaska Railroad, and corporate income taxes. Cruise lines alone paid $58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees.

Selected Revenues to Municipal and State Governments
October 2008-September 2009

	Revenues
Municipal Revenues	**$69.8 million**
Sales tax revenues	$28.9 million
Bed tax revenues	$23.5 million
Dockage/moorage revenues	$17.4 million
State of Alaska Revenues	**$138.8 million**
Commercial Passenger Vessel Tax	$46.4 million
Passenger Gambling Tax	$6.3 million
Ocean Ranger Program	$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	$17.1 million
Alaska Marine Highway revenues	$17.6 million
Alaska Railroad revenues	$19.4 million
Vehicle rental tax	$5.6 million
Corporate income tax	$21.4 million
Total Selected Revenues	**$208.6 million**

Introduction and Methodology

Introduction

The most recent comprehensive assessment of the economic impact of Alaska's non-resident visitor industry was conducted in 1999 (by McDowell Group).[1] Since then, visitor volume has increased substantially, as has visitor spending and the number of visitor industry businesses, warranting re-assessment of the economic impact of one of Alaska's most important basic industries. Recent changes in Alaska's visitor industry added urgency to the need for an up-to-date economic impact measurement. The global economic recession in late 2008 and 2009 fundamentally affected Alaska visitor traffic and spending.

The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to measure the regional and statewide economic impact of Alaska's visitor industry in fall 2008 through summer 2009, including direct, indirect and induced effects. In addition to measuring visitor-related spending, employment, payroll and tax payments over a one-year period, the study provides objective, quantitative information on how recent events have affected Alaska's visitor industry.

Methodology

Visitor Volume

The last primary data collection on visitor volume was conducted (by McDowell Group) in 2006-07 as part of the *Alaska Visitor Statistics Program V* (AVSP). Visitor/resident ratios were collected at airports, onboard ferries, and at border stations as visitors exited Alaska. Since 2006-07, McDowell Group has estimated visitor volume by applying 2006-07 visitor/resident ratios, by month and location, to traffic statistics (ferry embarkations, highway exits, and airplane enplanements). Prior to this study being undertaken, this exercise was completed for the study periods (fall/winter 2008-09 and summer 2009). Sources for traffic data included: Cruise Line Agencies of Alaska, Alaska Marine Highway System, Yukon Department of Tourism and Culture, Alaska Airlines, and the Anchorage and Fairbanks airports.

Since the 2009 season was so different from previous years in terms of visitor volume, and because it has been three years since the original ratios were determined, the original summer 2009 visitor volume estimates were adjusted to more accurately reflect the latest visitor season.

In order to gather information on the 2009 season, and how it differed in terms of visitor volume and spending from previous seasons, a survey of visitor industry businesses was conducted in early 2010. A total of 172 businesses were interviewed by the study team. Specific businesses were targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Most businesses

[1] The Office of Economic Development commissioned a Tourism Satellite Account in 2004 that measured the economic impact of all travel and tourism activity in the state; however, the data from that study is not comparable with this study or previous studies.

were selected from the mailing list of the Alaska Travel Industry Association. Other sources included the websites of Convention and Visitors Bureaus and *The Milepost* guidebook.

Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease from 2008 to 2009 in both visitor volume and gross sales, among other questions. Nearly all businesses contacted were willing to participate, and often offered additional perspectives on the 2009 season, and/or described factors affecting their particular business.

Additional sources considered in the volume adjustments included:

- Information provided by Alaska Airlines and Alaska Marine Highway on resident travel.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Fishing and hunting license sales data from the Alaska Department of Fish and Game.
- Previous studies conducted by McDowell Group, including economic impact studies for the Juneau Convention and Visitors Bureau, Ketchikan Visitors Bureau, and the Alaska Cruise Association.
- Employment data from the Alaska Department of Labor and Workforce Development.

Fall/winter visitor volume was not adjusted, reflecting the flat traffic trends and little change reported in the business survey.

Visitor Spending

As with visitor volume, the last primary data collection on visitor spending was conducted for AVSP V in 2006-07. The survey of visitor businesses conducted for this study provided valuable data on how visitor spending changed in 2009 compared to previous seasons. Another important source of information was shore excursion sales data provided by cruise lines, showing changes in cruise passenger spending patterns over the last several years.

All of the sources cited above (bed tax revenues, vehicle rental tax revenues, and previous economic impact studies) were taken into consideration in determining the spending adjustments. Inflation was also accounted for, by economic sector, based on the Anchorage Consumer Price Index.

Additional Visitor Industry Spending

Additional visitor industry spending includes cruise line spending, crew member spending, and spending on air and ferry tickets to enter and exit Alaska.

- Cruise line spending was derived from expenditure and payroll data provided by cruise lines for a study of the 2007 season, prepared for Alaska Cruise Association (ACA granted permission to use this data for the current study). Spending was adjusted to account for inflation as well as the drop in land tour volume between 2007 and 2009. (Overall passenger volume was flat between the two years.)

- Crew member spending was based on previous surveys of crew members conducted by McDowell Group, modified to account for changes in crew member volume by port.

- Spending on air tickets was based on average Seattle-Alaska airfares, estimated volume by location, and an assumption that roughly half of spending on air tickets to enter and exit Alaska actually stays in Alaska.

- Spending on ferry tickets was based on reported spending in AVSP V, adjusted for inflation, and estimated visitor volume entering and exiting Alaska via ferry. All spending on ferry tickets was assumed to stay in Alaska.

Economic Impact Analysis

McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska. Estimates of direct visitor industry employment and payroll are derived from visitor industry spending estimates, and verified using employment and payroll data from the Alaska Department of Labor and Workforce Development and U.S. Bureau of Economic Analysis. The model incorporates IMPLAN multipliers to estimate indirect and induced impacts. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development. Indirect effects include those jobs and income created as a result of visitor industry businesses purchasing goods and services in support of their business operations. Induced effects include jobs and income created as a result of employees of the visitor industry spending their payroll dollars in support of their households. Together, indirect and induced impacts are often termed "multiplier effects."

Visitor Industry Tax Revenues

The report includes estimates of tax revenues to municipalities and state government from out-of-state visitors, to the extent possible.

Regional sales tax revenue estimates were calculated based on visitor industry spending and visitor volume at the community and regional level. Bed tax revenues were based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research. For both bed and sales tax estimates, tax rates and total taxes collected by community (from the *Alaska Taxable* report, 2009) were taken into account in the analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Departments of Revenue and Environmental Conservation. Fishing and hunting licenses and tag revenues were reported by the Department of Fish and

Game. Vehicle rental taxes were reported by the Department of Revenue, adjusted to account for out-of-state visitors (using business survey results). The Department of Revenue also reported corporate income taxes associated with the visitor industry. An Alaska Railroad official reported passenger-related revenues and the percentage attributable to out-of-state visitors.

Visitor Volume, Summer 2009

An estimated 1.58 million out-of-state visitors came to Alaska between May and September, 2009. Over half of these visitors (53 percent) exited the state via cruise ship; 43 percent exited via air; 3 percent exited via highway; and 1 percent exited via ferry.

Because some cruise ship visitors exit the state by air after completing their cruise, it is also useful to consider volume in terms of cruise and non-cruise visitors. As the chart below shows, 65 percent of all summer visitors spent at least one night on a cruise ship while in Alaska.

Chart 1
Alaska Visitor Volume, Summer 2009
By Exit Mode

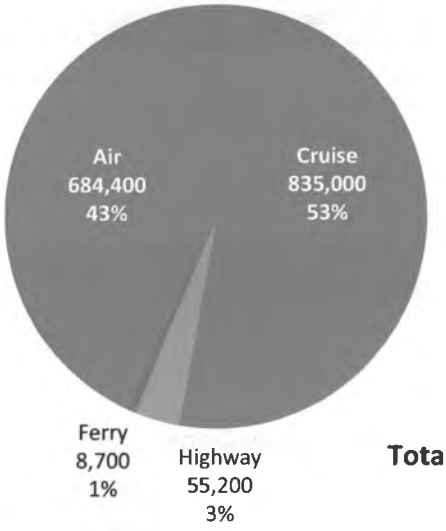
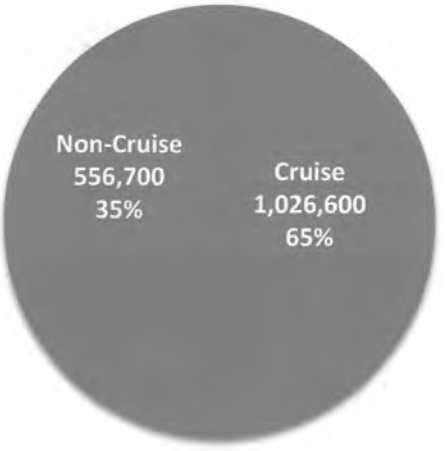


Chart 2
Cruise Market Share, Summer 2009



Total Visitors: 1.58 million

Visitor Volume Decline, 2008 to 2009

Visitation to Alaska dropped an estimated 7.3 percent between summer 2008 and 2009. While cruise passenger volume remained essentially the same, air visitor traffic decreased by 15 percent (from 800,600 to 684,400). Highway exits were down by 8 percent, while ferry exits decreased by 16 percent. (See table, next page.)

The visitor volume figures for air, ferry, and highway are based on visitor/resident ratios collected in summer 2006.[2] Additional information was taken into account to adjust the 2006 ratios, including: a survey of 172 visitor businesses on their 2009 season; reports from air carriers and the Alaska Marine Highway on resident travel; reports from cruise lines on in-state travel; and changes in bed tax revenues reported by municipalities.

[2] Because cruise passengers are assumed to be 100 percent visitors, and cruise passenger data is more measurable, there is less uncertainty in the cruise volume figures.

The overall decline of 7.3 percent may appear low in light of the larger decreases felt by many businesses in the state. It is important to keep several factors in mind when considering the overall decrease:

- Total cruise passenger traffic was flat; because cruise visitors represent two-thirds of overall visitation, this moderated the significant declines in the other modes.
- While total cruise passenger volume to Alaska did not change, there was a significant decrease in the number of passengers who purchased land tours, translating to less in-state travel, particularly to Fairbanks and Denali. These decreases are not reflected in total traffic volume.
- Because visitors were reportedly spending less money while in Alaska, their impact in terms of dollars spent was more dramatic than their decrease in volume.

Please see the chapter in this report on "Recent Changes" for a more detailed discussion on the summer 2009 visitor season, along with survey data and other indicators.

Table 1
Visitor Volume, by Exit Mode, Summers 2008 and 2009

Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship[1]	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	**1,707,400**	**1,583,300**	**-7.3%**

[1] The total number of cruise ship visitors to Alaska in Summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

Visitor Volume, Fall/Winter 2008-09

An estimated 242,500 out-of-state visitors came to Alaska between October 2008 and April 2009. Nearly all of these visitors (95 percent) exited the state via airplane, while 5 percent exited via highway or ferry. Fall/winter 2008-09 saw a slight (2.0 percent) decrease in visitor volume from fall/winter 2007-08. Air visitor exits were down by 1.9 percent, and highway visitor exits were down by 4.0 percent. While ferry volume increased, it had little impact on overall volume, as ferry exits represent less than 1 percent of all fall/winter visitors.

(These estimates are unchanged from the previously published report on fall/winter visitor volume 2008-09. The survey of visitor businesses revealed no significant changes in visitation between 2007-08 and 2008-09. Please see the chapter on "Recent Changes" for more detailed survey results.)

Table 2
Visitor Volume, by Exit Mode, Fall/Winter 2008-09

Exit Mode	Number of Visitors
Air	231,300
Highway	9,700
Ferry	1,500
Total	**242,500**

Visitor Industry Spending

The spending figures presented below are based on survey data from the 2006-07 *Alaska Visitor Statistics Program V*, conducted by McDowell Group for the Alaska Department of Commerce, Community, and Economic Development. To update these spending figures to 2008-09, the study team took into account changes in the visitor market since 2006-07 in terms of visitor volume, visitor type, and spending behavior. Information sources for estimating the effects of these changes included:

- Survey of 172 visitor businesses on changes in their business in terms of both volume and sales from previous seasons. (For detailed survey results, please see the chapter on "Recent Changes.")
- Traffic data including air passenger data from airports and Alaska Airlines; ferry passenger data from the Alaska Marine Highway; cruise passenger data from Cruise Line Agencies of Alaska; and highway border traffic from the Yukon Department of Tourism and Culture and U.S. Customs.
- Data on cruise passenger spending on shore excursions provided by cruise lines.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Inflation factors, by economic sector, based on the Anchorage Consumer Price Index.
- Employment data from the Alaska Department of Labor and Workforce Development.

Visitor Spending, Summer 2009

Out-of-state visitors to Alaska spent an estimated $1.31 billion in Alaska between May and September 2009. This figure includes instate spending only, excluding the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets.

While cruise visitor spending on cruises and cruise/tour packages is excluded in this figure, cruise line spending in Alaska is accounted for in the economic impact analysis, and is addressed further, below. This spending includes payments to hotels, motorcoach companies, the Alaska Railroad, and other components of land tours that are included in the cruise package price.

For the purposes of this study, tour commissions were extracted from passenger spending data because they accrue directly to travel agents, tour operators, and cruise lines at the time of the sale.

Spending by Region

In the 2006 AVSP survey, respondents were asked to estimate how much they spent in each community they visited. This spending was updated to reflect 2009 visitation by region and changes in spending behavior, among other factors. The chart below shows how summer visitor spending is distributed throughout the state. Southeast and Southcentral account for the bulk of visitor spending at 39 percent each, followed by the Interior at 15 percent, Southwest at 6 percent, and Far North at 1 percent.

Spending by Sector

In the 2006 AVSP survey, respondents were asked to estimate how much they spent by spending category (lodging, tours/activities/entertainment, gifts/souvenirs/clothing, food/beverage, cars/fuel/ transportation, and other). Spending estimates were updated to reflect changes in visitor volume and spending behavior in 2009. Total spending by sector is presented in the chart below.

Visitor spending is widely distributed, with no one category accounting for more than one-quarter of spending. The largest sectors were gifts/souvenirs/clothing at 23 percent, tours/activities/entertainment at 21 percent, and lodging at 17 percent. Readers are reminded that all tour commissions have been excluded from the tours/activities category. The "other" category is primarily spending on lodge packages within one community.

Chart 3
Visitor Spending, Summer 2009, by Region

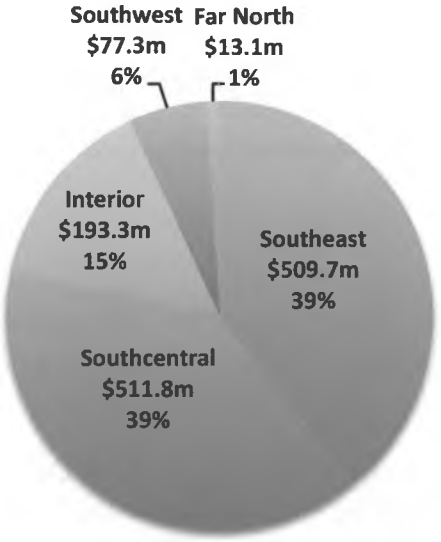
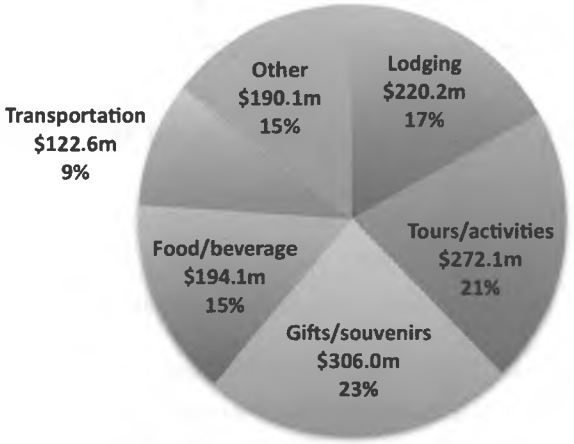


Chart 4
Visitor Spending, Summer 2009, by Sector



Total Summer Visitor Spending: $1.3 Billion

Visitor Spending, Fall/Winter 2008-09

Out-of-state visitors spent an estimated $197 million in Alaska between October 2008 and April 2009. This figure excludes spending on air and ferry travel to enter and exit the state. Like the summer spending figures, the basis for the fall/winter spending estimates is survey results from 2006-07. However, fewer adjustments were necessary to update these figures: volume only dropped by 2 percent between 2007-08 and 2008-09 (3 percent since 2006-07), in contrast to summer traffic. The data was updated to reflect a small decrease reported in the business survey and corroborated in other data such as bed and vehicle tax revenues. It was also adjusted to reflect the effects of inflation, by sector.

Spending by Region

In contrast to summer season spending, fall/winter visitor spending is much more focused in the Southcentral region, which accounts for two-thirds of all fall/winter spending. This reflects the much higher visitor traffic to the Southcentral region, nearly all of it to Anchorage. One-fifth of spending occurs in the Interior region, while Southeast, Southwest, and Far North each account for less than 10 percent of fall/winter spending.

Spending by Sector

Fall/winter visitor spending is more focused in the lodging and food/beverage categories when compared to the summer season, when gifts/souvenirs and tours/activities are the top two spending categories. This different spending pattern reflects the very different make-up of the fall/winter market: few visitors are shopping for vacation/pleasure purposes, and instead are much more likely to be traveling for business or to visit friends or relatives. They are therefore much less likely to participate in tours or purchase souvenirs.

Chart 5
Visitor Spending, Fall/Winter 2008-09
By Region

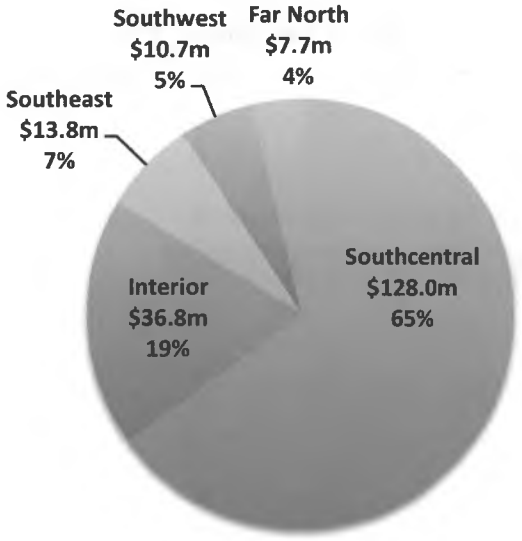
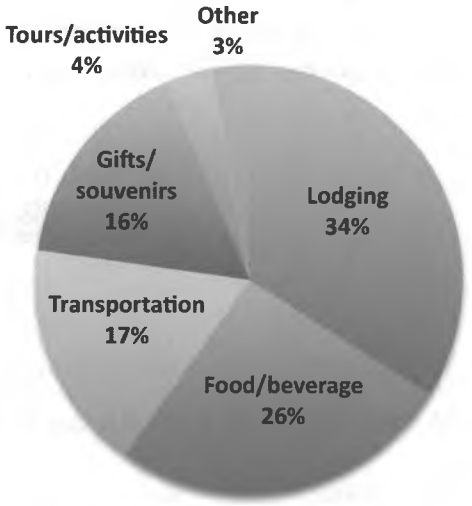


Chart 6
Visitor Spending, Fall/Winter 2008-09
By Sector



Total Fall/Winter Visitor Spending: $197 Million

Additional Visitor Industry Spending

Cruise Line Spending and Payroll

Cruise lines and their subsidiaries spent approximately $250 million on goods and services from Alaska businesses during the 2008-09 study period. This estimate is derived from detailed 2007 purchasing information provided by six major cruise lines for a report conducted by McDowell Group on cruise industry impacts for the Alaska Cruise Association. (Permission was granted by ACA to use the cruise line data for the purposes of this study.) The data was sorted to eliminate spending outside of Alaska, as well as payments to tour vendors accounted for under passenger spending.

To develop an estimate of 2009 cruise line spending, the 2007 spending data was adjusted to account for differences in the cruise market between 2007 and 2009, including a drop in land tour participation. (Total passenger volume was essentially the same between the two years.) The 2007 data was also adjusted to account for the effects of inflation.

One-third of all cruise line spending accrues to government in the form of taxes and fees. Transportation spending accounts for over one-fifth of all cruise line spending, while the accommodations sector receives 17 percent of all spending.

In addition to spending in Alaska on goods and services, cruise lines also paid their Alaska employees a total of approximately $62 million in payroll and benefits. Cruise lines directly employed approximately 1,800 workers in Alaska in 2009, including motorcoach drivers, hotel employees, and other shoreside personnel. This does not include any shipboard personnel.

Crew Spending

Approximately 25,000 crew members visited Alaska in 2009, each crew member generally sailing on 10 to 20 individual voyages, visiting multiple communities on each voyage. Crew members make a wide variety of purchases while in port: they visit restaurants and bars; they purchase communication-related items such as phone cards, Internet, and postage; and they visit retail outlets such as Fred Meyers, Costco, and Wal-Mart. Spending data for crew is primarily based on surveys of crew members previously conducted by McDowell Group, updated to reflect 2009 crew member visitation.

Table 3
Crew Member Spending, By Region, Summer 2009

	Total Spending
Southeast	$16.1 million
Southcentral	$0.3 million
Total	**$16.4 million**

Visitor Spending on Air and Ferry Travel

Air Travel

Although visitors did not report their spending on airplane tickets to enter and exit the state in the 2006-07 AVSP, a rough estimate is necessary to complete the picture of visitor spending in 2008-09. Visitor spending

on air travel impacts the state's economy in the form of landing fees, fuel purchases, airline employee wages, and other purchases in support of airline operations.

To estimate visitor spending on air travel, the estimated number of air visitors was multiplied by average Seattle-Alaska round-trip fares, for both summer ($600) and fall/winter ($500). One-half of the total ticket spending was assumed to stay in-state. Spending was distributed by region based on exiting air traffic. This methodology is inexact: passengers fly to and from various destinations with various pricing, and many passengers fly to or from points other than Seattle. In the absence of more specific data, this provides a reasonable and conservative estimate of impacts from visitor spending on airfare in and out of the state. (See table, below.)

Ferry Travel

Similar to airplane tickets, spending on ferry tickets to enter and exit Alaska are not included in the initial visitor spending estimates because the expenditures are not "out-of-pocket." To estimate this spending, the total number of visitors estimated to have entered or entered Alaska by ferry from fall 2008 through summer 2009 was multiplied by the average spending on ferry tickets reported in AVSP, with adjustments for inflation. This results in a total spending estimate of $11.4 million. This does not include spending on in-state ferry travel by visitors, which is captured elsewhere in the expenditure data. For the purposes of economic impact analysis, all ferry spending is attributed to Southeast because all ferries entering and exiting Alaska sail between Southeast ports and Bellingham or Prince Rupert (though visitors sailing to Southcentral and Southwest ports clearly have economic benefit to those regions).

Table 4
Visitor Spending on Air and Ferry Travel to Enter/Exit Alaska
October 2008-September 2009

	Air Travel	Ferry Travel
Southcentral	$209.0 million	n/a
Southeast	$25.5 million	$11.4 million
Interior	$36.3 million	n/a
Total	**$270.8 million**	**$11.4 million**

Full Year Visitor Industry Spending

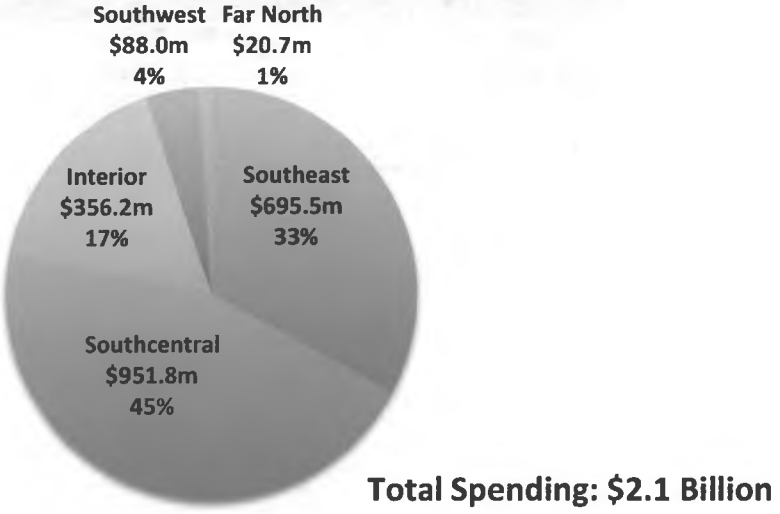
The table below shows full year (October 2008 through September 2009) visitor industry spending, combining the spending by visitors, cruise lines, and crew members, along with spending on air and ferry tickets to enter/exit Alaska. The total figure of $2.1 billion is primarily focused on visitor spending, which accounts for 71 percent of total spending.

Table 5
Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	$1,502.2 million
Cruise line spending	$250.0 million
Cruise line payroll spending	$62.0 million
Crew member spending	$16.4 million
Air tickets	$270.8 million
Ferry tickets	$11.4 million
Total spending	**$2.1 billion**

The chart below shows how visitor industry spending is distributed by region. Regionally, Southcentral captures the largest share at 45 percent, followed by Southeast at 33 percent, Interior at 17 percent, Southwest at 4 percent, and Far North at 1 percent.

Chart 7
Visitor Industry Spending, October 2008-September 2009, By Region



Economic Impact Analysis

Spending in Alaska by visitors and visitor industry businesses creates jobs, income, and business activity throughout the Alaska economy. Visitor spending creates jobs and payroll with tour companies, hotels and lodges, retail establishments, transportation providers, and a range of other business. Visitor industry businesses and their employees in turn re-spend a portion of that money with other Alaska businesses (some is spent outside Alaska).

For most industries in Alaska, it is possible to rely on government agencies to routinely report employment and payroll. However, because visitor activity directly affects a blend of numerous other industries (retail, transportation, services, and others) there are no regularly published data on visitor industry employment and payroll, either in Alaska or elsewhere in the U.S. Tourism "satellite accounts" have been developed for the purpose of isolating and measuring tourism economic activity; however, these efforts still fail to provide a true measure on tourism activity in Alaska because resident travel is included in the analysis. Therefore, for a pure analysis of the economic impact of non-resident visitor travel to Alaska, custom research and modeling is required. McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska.

All impact analysis refers to the October 2008 through September 2009 study period, abbreviated to "2009."

Direct Employment and Labor Income Effects

The visitor industry's direct economic impacts include the jobs and income created by:

- Non-resident visitor spending on all goods and services purchased while in Alaska.
- Half of visitor spending on air travel to Alaska (based on fares for travel from Seattle to Alaska destinations) and all visitor spending on Alaska Marine Highway tickets. None of the expenditures made by cruise passengers on their cruise package is included, though some of that money flows through the state in the form of cruise line purchases of goods and services.
- Spending in Alaska by cruise lines in support of their operations, including payroll for their shoreside employees in Alaska and all taxes and fees paid to state and local governments.
- Spending by cruise ship crew while in Alaska.

As described in the previous chapter, all these components of direct visitor industry spending totaled approximately $2.1 billion in the 12-month study period. This spending directly generated 27,100 full- and part-time jobs in Alaska, and $800 million in labor income, based on McDowell Group's economic impact modeling. Approximately half (46 percent) of direct visitor industry employment is in the Southcentral region, and approximately one-third (31 percent) is in Southeast.

Table 6
Visitor Industry Employment and Labor Income in Alaska, 2009
(direct effects only)

	Employment	Labor Income
Southcentral	12,600	$349 million
Interior	4,900	154 million
Southeast	8,300	256 million
Southwest	1,100	30 million
Far North	200	8 million
Total	**27,100**	**$797 million**

These employment and labor income estimates do not include multiplier effects, i.e., those jobs and income created in Alaska as the visitor dollar is re-spent by visitor industry businesses and their employees. In fact, modeling indicates that this secondary spending totaled approximately $1.3 billion. That amount, added to the initial direct spending of $2.1 billion, indicates total direct, indirect and induced spending of approximately $3.4 billion in 2009. The statewide employment and income effects of $1.3 billion in secondary spending are estimated at 9,100 jobs and $346 million in labor income. Regional direct and indirect employment and labor income totals are presented in the following tables.

Table 7
Direct, Indirect, and Total Visitor Industry Employment in Alaska, 2009

	Direct	Indirect	Total
Southcentral	12,600	5,000	17,600
Interior	4,900	1,300	6,200
Southeast	8,300	2,300	10,600
Southwest	1,100	400	1,500
Far North	200	100	300
Total	**27,100**	**9,100**	**36,200**

Table 8
Direct, Indirect, and Total Visitor Industry Labor Income in Alaska, 2009

	Direct	Indirect	Total
Southcentral	$349 million	$165 million	$514 million
Interior	154 million	51 million	205 million
Southeast	256 million	117 million	373 million
Southwest	30 million	11 million	41 million
Far North	8 million	2 million	10 million
Total	**$797 million**	**$346 million**	**$1,143 million**

In summary, Alaska's visitor industry accounted for a total of 36,200 jobs in 2009, and over $1.1 billion in labor income, including all direct, indirect and induced effects. It should be noted that this estimate of visitor industry-related employment is a tally of the total number of full and part-time jobs linked to non-resident visitor travel to Alaska in 2009. This tally includes annual average wage and salary employment, and total proprietors' employment (the total number of sole proprietorships or partnerships active at any time during the year). Though non-resident travel to Alaska occurs year-round, the visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Because of the seasonal nature of

the industry, estimates of annual average employment understate the total number of people directly employed in the industry during the peak of the travel season. In the accommodations sector, for example, wage and salary employment averaged about 7,700 jobs in 2009. Peak employment that year, in July, totaled 11,000 jobs. Alaska's "scenic & sightseeing transportation" sector is even more seasonal, with annual average employment of about 1,800 and peak employment of about 3,800, according to Alaska Department of Labor and Workforce Development data. Therefore, while this study measured 36,200 full and part-time jobs related to Alaska's visitor industry, the total number of workers whose jobs are directly or indirectly connected to the industry was over 40,000 in 2009.

Table 9
Total Visitor Industry Employment, Labor Income, and Spending in Alaska, 2009
(including direct, indirect, and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	$514 million	$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	**36,200**	**$1.1 billion**	**$3.4 billion**

Importance in Regional and Statewide Economies

Proportionately, visitor industry employment is most important in Southeast Alaska. Visitor industry-related employment of approximately 10,600 represented 21 percent of the region's 50,000 full and part-time jobs. Total visitor industry-related labor income of $373 million was 17 percent of total Southeast region labor income of approximately $2.2 billion.[3] In the Interior region the visitor industry accounted for about 9 percent of employment (out of a regional total of 65,500 jobs) and 6 percent of labor income (out of a regional total of $3.4 billion).

Total Southcentral employment of 17,600, represented approximately 7 percent of total employment in the region (about 263,000 full and part-time jobs) and 4 percent of total labor income (approximately $13.7 billion).

Statewide, visitor industry-related employment of 36,200 accounted for 8 percent of all employment. Total statewide visitor industry-related labor income of $1.1 billion represented 5 percent of all labor income in Alaska.[4]

Employment and Labor Income by Sector

Jobs created as a direct result of visitor spending are concentrated in five sectors of Alaska's economy. Visitor spending directly accounted for 4,200 accommodations jobs in 2009, 3,500 jobs with firms providing tours and other visitor activities, and 4,500 retail jobs. Visitor spending also directly generated 4,400 jobs with

[3] Based on Bureau of Economic Analysis employment and labor income data for the Southeast region in 2007.
[4] Based on BEA employment and labor income data for the Alaska in 2008.

restaurants/bars and 2,700 jobs with transportation providers. Another 2,600 jobs were scattered among a number of other sectors of the Alaska economy, as a direct result of visitor spending.

Spending by cruise lines was also broadly distributed throughout the Alaska economy, creating jobs in the same sectors as those affected by visitor spending, plus jobs in professional and business services, wholesale businesses, and construction, among others, and in the government sector as a result of tax payments to state and local governments.

Indirect and induced jobs linked with the visitor industry are the most broadly distributed throughout the Alaska economy and includes all of the sectors that provide goods and services to Alaska businesses and households – virtually the entire service and support sector.

Table 10
Visitor Industry Employment and Labor Income, with Sector Detail, 2009

	Employment	Labor Income
Direct jobs from visitor spending		
Accommodations	4,200	$101 million
Tours & Activities	3,500	140 million
Retail	4,500	102 million
Food/Drink Services	4,400	91 million
Transportation	2,700	116 million
Other	2,600	70 million
Total	**21,900**	**$620 million**
All other direct jobs	**5,200**	**$177 million**
All indirect and induced jobs	**9,100**	**$346 million**
Total visitor industry-related employment and labor income	**36,200**	**$1.1 billion**

Alaska's Visitor Industry: Recent Changes and Future Outlook

Decline in Visitor Industry, 2008 to 2009

As described in the Visitor Volume chapter of this report, Alaska's out-of-state visitor market declined considerably (by an estimated 7 percent) in summer 2009 when compared to summer 2008. In fact, the visitor market has not seen this significant a decline since McDowell Group began tracking visitor volume in 1985. While the cruise market was basically flat, the air market dropped an estimated 15 percent; the ferry market 16 percent; and the highway market 8 percent. In addition, the cruise passengers that did visit Alaska were less likely to travel within the state, making the declines in the Southcentral and Interior regions more dramatic. Following is a more detailed description of the 2008-09 visitor season, and how it differed from previous years.

Business Survey Results

A major source for this study was a survey of 172 visitor industry businesses, specifically targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease in 2008-09 in both visitor volume and gross sales, among other questions.

Results from the survey should be viewed in light of the fact that responses are not weighted by size or type of business. It should also be noted that the survey sample included only a few Southeast tour operators catering exclusively to cruise ship passengers, because the study team had access to shore excursion sales data provided by cruise lines. This data was taken into consideration along with survey data when making adjustments to passenger spending data.

Table 11
Visitor Business Survey Sample Definition

	% of Total
Location	
Southcentral	39%
Southeast	24
Interior	18
Statewide	8
Southwest	6
Far North	5
Business Type	
Accommodations	32%
Activities and attractions	25
Retail	20
Transportation	10
Dining	6
Package tours	6
Average # of years in business	25 years
Average # of employees	35 employees

Change in Gross Sales and Visitor Volume, Summer 2008 to Summer 2009

Two-thirds of businesses surveyed said their volume and their sales decreased in summer 2009 compared to 2008. One in ten saw an increase, and about the same said there was no change year-to-year.

Businesses that saw an increase, as well as those that saw a less-than-average decrease, often explained their results. They were a growing business, for example, or they anticipated the decline by offering lower rates or special promotions. Respondents also commented that visitors were buying lower-priced tours and lodging – if a business was in the right price range, they may have had a better year than those in the higher price range.

Retail businesses were asked a follow-up question: whether per-visitor spending changed (as opposed to overall gross sales). In response, 6 percent said that per-visitor spending increased, 58 percent said decreased, 26 percent said it stayed the same, and 10 percent didn't know. These results correspond with comments that visitors were buying lower-price retail items (as well as lower-price tours and lodging).

Table 12
Changes in Sales and Visitor Volume, Summer 2008 to Summer 2009

	% of Total
Change in number of visitors served	
Increase	11%
Decrease	67
No change	7
Don't know	14
Average % change	**14% decrease**
Change in gross sales	
Increase	9%
Decrease	65
No change	10
Don't know	16
Average % change	**16% decrease**

Change in Gross Sales and Visitor Volume, Fall/Winter 2007-08 to Fall/Winter 2008-09

Businesses who reported operating in the fall/winter were asked about their last fall/winter season (October 2008-April 2009) compared to the previous season (October 2007-April 2008).

There was much less change reported in the fall/winter season compared to the summer season – not surprising, considering that fall/winter visitors tend to be traveling to visit friends and relatives or for business, and these markets were not as affected by the economic crisis. In addition, traffic data reflected only a 2 percent decrease in visitation between the two periods.

A little less than one-quarter reported an increase in visitors, a little more than one-quarter reported a decrease, but the most popular answer was "no change." There were a few more reports of decreases in terms of sales, probably reflecting lower prices. The reports of lower sales were reinforced by bed tax and vehicle rental tax declines.

Table 13
Changes in Sales and Visitor Volume, Fall/Winter 2007-08 to Fall/Winter 2008-09

	% of Total
Change in number of visitors served	
Increase	23%
Decrease	28
No change	41
Don't know	8
Average % change	**1% decrease**
Change in gross sales	
Increase	20%
Decrease	31
No change	42
Don't know	7
Average % change	**8% decrease**

Summary of Business Survey Comments

Additional comments were offered by respondents on their 2009 season, summarized below.

- Although cruise lines filled their ships, it required heavily discounting prices. According to some contacts, this led to passengers with lower incomes and higher price sensitivity.
- Although a couple of contacts reported a decrease in international visitors, most of those who commented on this market said they held steady or increased. Several noted increases in the European and Japanese markets.
- The group tour and incentive markets were reported to be down.
- The excellent weather experienced statewide in 2009 not only tempted more visitors to purchase outdoor tours, it allowed for fewer flightseeing cancellations.
- Businesses selling all-inclusive package tours that included a cruise component were especially hard hit because they were competing heavily with cruise lines, which were offering unprecedented prices.
- Businesses selling add-on packages to cruise passengers (such as two-day tours to Nome) were also affected. One contact pointed out that with cruise packages priced so low, it became hard for visitors to justify paying as much or more for add-on packages as they had paid for their cruise.
- The sportfishing market reported heavy losses in both the charter and lodge sectors. Owners cited new sportfishing regulations as a factor in the downturn, in addition to the economic recession.
- A few contacts reported more travel by Canadians.
- There were several comments on the in-state market, that Alaskans were traveling in-state as much or more than before. (This report measures impacts from out-of-state visitors only.)

- Retail vendors commented on how sales have fluctuated over the last several years. For many, the trend towards lower-priced items began in 2008 and continued in 2009.

Additional Visitor Industry Indicators

The table below presents additional indicators that help describe the 2009 season. They tend to reinforce what was reported in the survey, and were taken into account in the adjustments made to spending and volume for the 2009 season.

- Domestic air passenger traffic exiting Alaska was down in every market, ranging from 7 percent in Fairbanks to 20 percent in Sitka, for a total decline of 10 percent. While resident travel is included in these figures, resident air travel was reported to have held fairly steady in summer 2009. International air traffic was likewise down, by 8 percent.

- Cruise passenger traffic was down only 1 percent between 2008 and 2009; however, as reported previously, cruise passengers were traveling less within the state. Based on information provided by cruise lines on 2008-to-2009 shifts in the land tour market (passengers that purchase overnight tours, generally to Denali and Fairbanks, in addition to their cruise), it is estimated that land tour volume dropped 13 percent between 2008 and 2009.

- Some of the more striking declines can be seen in bed tax revenues, with declines ranging from 14 percent in Denali to 30 percent in Sitka. The increase in Valdez' bed tax revenues likely reflects their relative dependence on the in-state market. (In viewing these figures, it is important to keep in mind that these declines reflect decreases in prices as well as room nights.)

- Anchorage showed a 23 percent decrease in vehicle rental tax revenues, and a 26 percent in RV rental tax revenues. As with bed tax revenues, these figures likely reflect decreases in prices as well as rentals.

- Department of Fish and Game license sales show a 16 percent decline in non-resident fishing license sales between 2008 and 2009, reinforcing reports from lodge and charter operators. While hunting licenses were down only 2 percent, big game tags were down 18 percent.

- While sales tax revenues are not direct indicators of visitor spending as they reflect both resident and non-resident spending, it is interesting to note that sales tax revenues were down 16 percent in Sitka, 12 percent in Juneau, and 9 percent in Skagway. The Skagway figure is particularly indicative of the visitor market, as visitor spending represents the vast majority of spending on goods and services in Skagway during the 2nd and 3rd quarters.

Table 14
Summer 2009 Visitor Industry Indicators

	Change 2008 to 2009
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	-10%
Fairbanks	-7%
Juneau	-15%
Ketchikan	-12%
Sitka	-20%
Other	-6%
Total	**-10%**
International airplane passengers exiting Alaska, May-September	
Anchorage	-9%
Fairbanks	-8%
Total	**-8%**
Cruise passenger traffic	
Total passenger volume	-1%
Land tour volume	-13%
Out-of-state ferry passenger volume	
Total	-16%
Bed Tax Revenues, April-September	
Anchorage	-22%
Fairbanks	-18%
Denali	-14%
Juneau	-28%
Mat-Su	-10%
Sitka	-30%
Valdez	+7%
Vehicle Rental Tax Revenues, April-September	
Anchorage car rental	-23%
Anchorage RV rental	-26%
Department of Fish and Game License Sales (calendar years 2008 and 2009)	
Nonresident sport fishing licenses	-16%
Nonresident King Salmon tags	-18%
Nonresident hunting licenses	-2%
Nonresident big game tags	-18%
Sales Tax Revenues, April-September	
Juneau	-12%
Skagway	-9%
Sitka	-16%

Sources: Alaska Airlines, Ted Stevens Anchorage International Airport, Fairbanks International Airport, Cruise Line Agencies of Alaska, cruise lines, Alaska Marine Highway, Alaska Department of Fish and Game, and the municipalities/boroughs of Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, Valdez, Skagway, and Sitka.

Economic Impact of 2009 Decline

While within the scope of this project it is not possible to measure precisely the economic impact of the decline in visitor spending in 2009, available data provides an indication of the significance of the decline. Alaska Department of Labor and Workforce Development employment data indicates that statewide annual average employment in the accommodations sector (hotels, lodges and B&Bs) was down by 600 jobs in 2009. Accommodations employment in July 2009, at the peak of the visitor season, was 1,100 jobs below the July 2008 level. Other visitor-affected sectors of the Alaska economy also experienced employment declines in 2009, as illustrated in the following table. Not all of the job loss in these sectors can be attributed to a decline in visitor spending; Alaska residents account for a significant portion of spending in these sectors. Nevertheless, it is clear from the long list of declining visitor industry indicators (reported above) that lower visitor spending was a key contributing factor.

Table 15
Annual Average and Peak Month Employment Declines in Visitor-Affected Sectors, 2009 versus 2008

	Annual Average Change, 2008 to 2009	Change, July 2008 to July 2009
Retail	-600	-500
Air transportation	-300	-500
Accommodations	-600	-1,100
Food and drink	-400	-1,200

Source: Alaska Department of Labor and Workforce Development.

Detailed sector employment data for the third quarter of 2009 further illustrates job losses during the peak of the visitor season. In these selected visitor-affected categories, statewide employment during the third quarter of 2009 was about 2,300 jobs below the third quarter of 2008, a decline of about 7 percent. Payroll was down $14 million for the quarter, a decline of 6 percent. Two sectors that are most heavily affected by non-resident visitor travel, scenic/sightseeing transportation and tour companies, saw employment declines of 9 percent and 25 percent, respectively.

Table 16
Changes in 3rd Quarter Employment in Selected Visitor-Affected Sectors, 2008 to 2009

	3rd Qtr 09 Employment	Change from 3rd Qtr 08	Percent Change	Total Change in Payroll	Percent Change
Jewelry stores	598	-17	-3%	-$507,708	-10%
Gift, novelty, and souvenir stores	1,276	-65	-5%	-566,046	-9%
Nonscheduled air transportation	1,718	-140	-8%	-224,008	-1%
Scenic and sightseeing transportation	3,106	-310	-9%	-3,161,303	-11%
Support activities for transportation	2,848	-243	-8%	-1,386,541	-4%
Passenger car rental	425	-27	-6%	-84,549	-3%
Tour operators	674	-224	-25%	-974,955	-15%
Amusements and recreation	4,333	-112	-3%	-1,084,540	-6%
Traveler accommodation	8,885	-665	-7%	-4,672,572	-8%
Full-service restaurants	8,455	-465	-5%	-1,541,174	-4%
Total All Categories	**32,318**	**-2,268**	**-7%**	**-$14,203,396**	**-6%**

Source: Alaska Department of Labor and Workforce Development.

Based on the modeling conducted for this study, total visitor spending in Alaska declined by approximately $270 million between 2007-08 and 2008-09, a 15 percent drop. A 15 percent drop in visitor spending could translate in to loss of 5,000 direct and indirect jobs if it were to persist for several years. In the near term, however, the direct employment loss during the summer of 2009 was significantly less than that amount.

In 2009, on average, $82,000 in visitor spending created one direct job. At that rate, a spending decline of $270 million would suggest a loss of approximately 3,300 jobs. However, employers are often more inclined (at least initially) to reduce non-personnel costs and/or earn reduced profits before resorting to job cuts. As such it is likely that statewide the decline in visitor spending resulted in the loss of perhaps 2,000 to 2,500 mostly seasonal jobs.

Industry Outlook

One aspect of the 2010 visitor market that is currently measurable is a forecasted decline in cruise passenger capacity. Overall, capacity is expected to be down 14 percent from 2009, based on several changes. The following ships will be re-deployed to other markets: 1,270-passenger Ryndam (Holland America Line), 2,600-passenger Star Princess (Princess Cruises), 2,002-passenger Norwegian Sun (Norwegian Cruise Line), 2,100-passenger Serenade of the Seas (Royal Caribbean International), and 114-passenger Spirit of Oceanus (Cruise West). Holland America's Amsterdam will make 11 Alaska voyages (of 14 nights each) instead of 20 seven-night voyages. There have also been changes from cross-gulf to round trip itineraries for two ships (the 1,950-passenger Coral Princess and the 2,124-passenger Carnival Spirit), which eliminates the option for passengers to travel additionally in-state (either independently or on land tour packages).

Different ports will feel the drop to different degrees, as seen in the following table.

Table 17
Anticipated Changes in Cruise Passenger Volume, 2009 to 2010

	% Change
Juneau	-14%
Ketchikan	-12
Skagway	-12
Sitka	-36
Whittier	-40
Seward	-16
Icy Strait Point	-11
Haines	-26
Statewide	**-14%**

Source: Cruise Line Agencies of Alaska.

A decline in cruise passenger travel to Alaska of approximately 14 percent (140,000 passengers overall) in 2010 could reasonably be expected to result in a 14 percent decline in cruise passenger spending, compared to 2009. If a decline of 140,000 passengers is accompanied by a proportional decline in spending, $90 million in direct spending would be lost, and as much as $150 million in total direct and indirect spending. This spending decline, plus the decline experienced in 2009, could bring the total employment loss from the 2008 peak to near 5,000 jobs, including all the direct and indirect effects.

However, 2009 was an unusual year in the Alaska cruise market. The result of a severe national recession, deep discounting was required to fill berths on cruise ships. The discounting fulfilled its objective; cruise traffic was down only about 1 percent. However, cruise passengers that did travel to Alaska in 2009 proved to be reluctant spenders, purchasing fewer excursions and spending less on gifts and souvenirs. Early indications for the 2010 season suggest that Alaska can expect a return of the more traditional (less frugal) cruise passenger. Anecdotal information indicates discounting is not being required to fill berths, meaning the typical cruiser in 2010 will spend at a higher rate than the typical 2009 cruiser. To the extent that 2010 cruisers do spend more, the spending and employment losses potentially stemming from the decline in cruise traffic will be mitigated.

Looking ahead to 2011, Cruise Line Agencies of Alaska predicts that overall passenger volume will be about the same as in 2010, with additional losses being balanced out by new arrivals.

Further decline in the independent (non-cruise) travel market is not expected in 2010, and the outlook is for a modest rebound from 2009. Several factors point to this outcome.

- The reduction in cruise capacity – and stronger early cruise bookings despite lack of significant discounting – indicate better overall demand for Alaska and increased consumer economic capability. Cruise capacity limitations likely mean some visitors will choose a non-cruise Alaska trip.
- National retail spending and consumer confidence show some modest promise in early 2010. Since Alaska visitors tend to be well above average in income and education, they are less affected by an economic downturn.
- Past research in the Alaska market indicates that potential visitors may postpone their Alaska trip during uncertain times but not cancel their Alaska ambitions altogether. Some pent-up demand from the recent independent visitor downturn is expected.
- Most independent visitors enter and exit by air, and Alaska's dominant carrier – Alaska Airlines – is doing much better financially in 2010 than the aviation industry overall, so is likely to maintain sufficient summer frequency to service independent Alaska demand.
- Independents will be looking for value, as opposed to low price, and travel offerings throughout the state are more modestly priced as a result of the recession. The perceived (and true) value of an independent Alaska experience has improved since 2008.
- While the U.S. dollar may be strengthening somewhat in 2010, Alaska travel is still a good value for overseas visitors, and some additional independent traffic might be expected.

While all of these factors point to modest improvement in Alaska independent visitor volume and spending for 2010, the nation's recent economic troubles are indicators of much more comprehensive and long-term systemic issues with the U.S. economy that will continue to be of concern for all travel markets.

Revenues to Municipal and State Governments

The visitor industry generates significant revenues for state and local governments in Alaska. User fees, sales taxes, bed taxes, property taxes, income taxes and other payments all flow to state and local governments in Alaska directly or indirectly from the visitor industry. This chapter details, to the extent possible, state and local government revenues that can be attributed to out-of-state visitors.

Summary

Visitor-related tax revenues to municipalities in 2008-09 totaled nearly $70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at $28.9 million, and bed tax revenues are estimated at $23.5 million. In addition, cruise lines paid over $17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.

Visitor-related revenues to state government during the 2008-09 study period included $139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, corporate income taxes, and revenues to the Alaska Marine Highway System and the Alaska Railroad. Cruise lines alone paid $58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees. Additional revenues to the State of Alaska from the visitor industry not included in this total are airport fees, State Parks user fees, and State Museum revenues, among others.

Please see the following pages for more details on these revenues.

Table 18
Selected Revenues to Municipal and State Governments
October 2008-September 2009

	Revenues
Municipal Revenues	**$69.8 million**
Sales tax revenues	$28.9 million
Bed tax revenues	$23.5 million
Dockage/moorage revenues	$17.4 million
State of Alaska Revenues	**$138.8 million**
Commercial Passenger Vessel Tax	$46.4 million
Passenger Gambling Tax	$6.3 million
Ocean Ranger Program	$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	$17.1 million
Alaska Marine Highway revenues	$17.6 million
Alaska Railroad revenues	$19.4 million
Vehicle rental tax	$5.6 million
Corporate income tax	$21.4 million
Total Selected Revenues	**$208.6 million**

Municipal Tax Revenues

Sales Tax Revenues

Total sales tax revenues associated with visitor industry spending are estimated at $28.9 million for the October 2008 to September 2009 study period. Visitor-related sales tax revenues are particularly important in communities such as Juneau, Ketchikan, and Skagway, where spending by visitors provides a significant portion of total spending in each community.

Regional sales tax totals were calculated based on visitor industry spending and visitor volume at the community and regional level. Tax rates and total taxes collected by community were taken into account in the analysis (total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009). Taxable spending rates were also considered in the analysis. Not all visitor-related spending is taxable; for example, spending on flights is exempt, and some communities have sales tax caps.

Table 19
Sales Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Sales Tax Revenues
Southeast	$18.3 million
Southcentral	$9.8 million
Other regions combined	$0.8 million
Total	**$28.9 million**

Sources: McDowell Group estimates based on sales tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); and AVSP visitor survey and volume data.

Bed Tax Revenues

Out-of-state visitors paid an estimated $23.5 million in bed tax revenues in the one-year study period. The bulk of the revenues accrue to Southcentral, where Anchorage has the highest bed tax rate in the state (12 percent) *and* attracts the highest number of overnight visitors. The Interior, with Fairbanks at 8 percent and Denali at 7 percent, accounted for about one-fifth of all bed tax revenues. While most Southeast communities charge bed taxes, revenues are not as high as in other regions because they have fewer overnight visitors (cruise ship visitors rarely overnight in Southeast). Both Southwest and Far North regions are estimated to receive less than $1 million each in bed tax revenues from out-of-state visitors.

Over 30 different communities with bed taxes were considered in this analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Each community's tax revenues were assigned a different "percentage out-of-state visitors" rate, based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research.

Table 20
Bed Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Bed Tax Revenues
Southcentral	$15.6 million
Interior	$5.6 million
Southeast	$1.7 million
Southwest	$0.5 million
Far North	$0.1 million
Total	**$23.5 million**

Sources: McDowell Group estimates based on bed tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); AVSP visitor survey and volume data; and business survey data.

Property Tax Revenues

It is beyond the scope of this study to measure property tax revenues in each Alaska community affected by visitor traffic. The analysis would be very complex; most property tax revenues are indirect, that is, paid by businesses that provide goods and services to visitors. Many visitor-affected businesses also provide goods and services to Alaska residents. Therefore, not all of the property taxes paid by these businesses could be attributed to the visitor industry.

A previous study estimated property tax revenues associated with the cruise industry at $3.5 million for 2007. This figure was based on data provided by cruise lines on property tax payments, a review of property tax payments on cruise industry-related businesses in Ketchikan and Juneau, and previous estimates. This is only a relatively small portion of property tax revenues accruing to local governments from visitor industry-related sources. It does not include the lodging, tour operators, and other businesses serving the non-cruise market; nor does it include property taxes paid by businesses less dependent on visitor activity (but still deriving income from visitors) or taxes paid by households of employees of visitor-related businesses.

Cruise Ship Revenues

Some municipal governments in Alaska's cruise port communities receive revenues from cruise lines in the form of moorage and docking fees, primarily Juneau, Ketchikan, Sitka, and Haines. (The docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by the Alaska Railroad.) Juneau has both private and public docks. Sitka does not have a deep-water dock, but charges lightering fees.

Each community has its own system of charging cruise lines for using port facilities. Dock charges are generally assessed on a per foot/per day basis. Additional charges may include tonnage fees, passenger fees, lightering fees, and water fees, depending on the community.

Total revenues for 2009 were $17.4 million, most of it collected in Southeast. Juneau and Ketchikan account for the vast majority of this figure, with $8.6 million and $8.5 million, respectively.

Table 21
Cruise Ship Dockage/Moorage Revenues to Municipalities, Summer 2009

Port	Revenues
Juneau	$8,587,000
Ketchikan	$8,478,000
Sitka	$115,000
Haines	$99,000
All other ports	$75,000
Total	**$17,354,000**

Sources: City and Borough of Juneau; City of Ketchikan; City and Borough of Sitka; City and Borough of Haines.
Note: Docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by Alaska Railroad.

State of Alaska Revenues

Direct Payments from Cruise Lines

The State of Alaska receives several forms of direct payments from cruise lines: the head tax (Departments of Revenue and Environmental Conservation), the gambling tax (Department of Revenue), the Commercial Passenger Vessel Environmental Compliance Program (Department of Environmental Conservation) and state corporate income tax (Department of Revenue).

Head Tax

At the end of December 2006, a new head tax was established for passengers on large vessels. The tax is $50 per passenger, with $46 dedicated to the Department of Revenue for redistribution, and $4 dedicated to the Alaska Department of Environmental Conservation to operate the Ocean Ranger Program.

According to the Alaska Department of Revenue, the State received $46.4 million for the $46 portion of the tax in 2007. These revenues are deposited in a special "commercial vessel passenger tax account" in the General Fund. For each voyage of a commercial passenger vessel providing overnight accommodations, the Commissioner of the Department of Revenue must identify the first five ports of call and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner distributes $5 per passenger of the tax revenue to each port of call. Each port of call must use the funds to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to improve the safety and efficiency of interstate and foreign commerce.

Head tax revenue for Department of Environmental Conservation amounted to $4.0 million in 2009. This revenue is used to operate the Ocean Ranger program, which requires U.S. Coast Guard licensed marine engineers on board vessels to act as independent observers monitoring State environmental and marine discharge requirements, and to ensure that passengers and crew are protected from improper sanitation, health, and safety practices.

The large passenger vessel gambling tax was also introduced in December 2006. This tax applies to the use of playing cards, dice, roulette wheels, and coin-operated instruments or machines designed for gaming or gambling activities aboard cruise ships operating in Alaska waters. The tax is 33 percent of the adjusted gross income from these gambling activities.[5] Gambling taxes are payable to the Department of Revenue and deposited in a special "commercial vessel passenger tax account" in the General Fund. The Department of Revenue reports gambling tax revenues of $6.3 million in 2009.

Commercial Passenger Vessel Environmental Compliance Program

The Commercial Passenger Vessel Environmental Compliance (CPVEC) Program was established in July of 2001. This program requires all large passenger vessels to register and comply with quality control regulations. The program is operated with fees collected from large and small passenger vessels ($1 per berth). In 2009, $1.0 million was collected for the Commercial Passenger Vessel Environmental Compliance Program.

Corporate Income Tax

Alaska's corporate income tax rates are graduated from 1 percent to 9.4 percent in increments of $10,000 of taxable income. The 9.4 percent maximum rate applies to taxable income of $90,000 and over. Multistate corporations apportion income on a water's edge basis using the standard apportionment formula of property, payroll, and sales.

Tax payments by individual corporations are confidential; however, the Department of Revenue reports total corporate income taxes in the "tourism" category, including payments by cruise lines and other visitor industry businesses, of $21.4 million in Fiscal Year 2009.

Vehicle Rental Tax

Alaska levies a 10 percent passenger vehicle tax as well as a 3 percent recreational vehicle tax. In Fiscal Year 2009, the Department of Revenue collected a total of $8.0 million in vehicle tax revenues. Survey results indicate that approximately 70 percent of rental vehicle revenues are attributable to out-of-state visitors. Visitor-related tax revenues from vehicle rental are therefore estimated at $5.6 million.

Revenues to Alaska Marine Highway and Alaska Railroad Corporation

While not in the category of fees or taxes, out-of-state visitors account for significant revenues to two transportation providers operated by the State of Alaska: the Alaska Marine Highway and the Alaska Railroad.

The Alaska Marine Highway reports that in calendar year 2009, out-of-state residents accounted for $17.6 million in revenues to AMHS. For purposes of this report, this figure is assumed to represent the study period of October 2008 through September 2009. (This figure does not resemble the $11.4 million reported in the Visitor Spending section because it is *total* spending, rather than spending only on passage to and from Alaska.)

The Alaska Railroad Corporation reports total passenger-related revenues of $21.5 million in 2009, $19.4 million of which is attributable to out-of-state visitors.

[5] "Adjusted gross income" refers to gross income, minus prizes awarded and federal and municipal taxes paid or owed on the income.

HB 191

<TARGET><BILL>HB 191</BILL><SUBJECT>HB 191</SUBJECT><COMM>HEDT27</COMM></TARGET>

ALASKA STATE LEGISLATURE

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REPRESENTATIVE STEVE THOMPSON
DISTRICT 10

SPONSOR STATEMENT HB 191 – *"An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservations and the Department of Natural Resources; and providing for an effective date."*

HB 191 was introduced at the request of the state-wide Alaska Farm Bureau. HB 191 establishes a new state Department of Agriculture and Food with the intent of using the current Division of Agriculture's budget. Currently, statutes and regulations that govern food, food products, land sales, loans, land development, and animals are spread between the Department of Natural Resources (DNR), and the Department of Environmental Conservation (DEC). HB 191 is an effort to stream-line government by bringing agriculture and agricultural foods products under the purview of one department.

A Department of Agriculture would allow for a singular focus that would enhance agriculture and food security in Alaska. Agricultural policy has been inconsistent and prone to changes with new administrations, retirements, or economic changes. This ever-changing policy has hampered the development of a strong agricultural economy.

In 1974, Governor Hammond stated that "the state needed a renewable resource economic base to sustain Alaska after the oil was depleted." In 1976, Governor Hammond in an effort to develop renewable sources in the state established the following goals:

- Broaden the economic base of the state through agriculture production;
- Stabilize real food cost by increasing local food;
- Provided alternative job opportunities through expanded agriculture;
- Improve rural life by developing an economic base through agriculture.

Today people want to know where their food is coming from, they want to feel the security of having a farmer growing and storing food close by, they want to be at the farmers market on Saturday buying food from their neighbor.

Under a Department of Agriculture farming can expand to meet the needs of Alaska's residents, providing meat, milk, vegetables and grains for the table. Alaska's biomass can be used to heat homes and power cars, and fiber can be used to manufacture goods. Agriculture is a renewable resource that provides independence and industry into the future for the State of Alaska.

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REPRESENTATIVE STEVE THOMPSON
DISTRICT 10

SECTIONAL ANALYSIS (version M)

HB 191 – *"An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservations and the Department of Natural Resources; and providing for an effective date."*

Sec. 1, 2 & 3. Set forth the powers and duties of the Commissioner of the Department of Agriculture and Food and exempts retail food establishments from the department's purview.

Sec. 4. Defines "commissioner" and "department" in AS 03.05.011

Sec. 5. States those powers over fish and fisheries products remain under the auspices of the Department of Environmental Conservation.

Sec. 6. Puts the appointment of the state veterinarian under the purview of the Commissioner of Agriculture and Food.

Sec. 7. Puts the appointment of the state coordinator for noxious weed, invasive plant, and agricultural pest management under the powers of the Commissioner of Agriculture and Food.

Sec. 8. Gives the power of inspection to the Commissioner of Agriculture and Food with exceptions.

Sec. 9. Puts forth that the Commissioner of Agriculture and Food has jurisdiction over agricultural products and animals except for fish and fish products and that the Commissioner of DEC has jurisdiction over retail food establishments, fish or fisheries products and establishments.

Sec. 10. Puts elk farming, licensing and elk farm inspections under the powers of the new Department of Agriculture.

Sec. 11. States that the Commissioner of the Department of Agriculture and Food shall provide the Department of Fish and Game with copies of elk farming applications and licenses.

Sec. 12. Fencing standards for elk shall be established under the Department of Agriculture and Food.

Sec. 13. Puts the power to regulate elk farming in the Department of Agriculture and Food.

Sec. 14. Sets forth criminal penalties for violations of regulations under this chapter made by the Departments of Agriculture and Food and Environmental Conservation.

Sec. 15. Sets forth civil fines for violations of quarantines or embargos made by the Departments of Agriculture and Food and Environmental Conservation.

Sec. 16. States that the Department of Agriculture, the Department of Environmental Conservation or a court may impose civil fines authorized by this chapter.

Sec. 17. Redefines "animal" to exclude fish or fisheries products.

Sec. 18. Adds new definitions to this chapter, to include "commissioner", "department", and "retail food establishment."

Sec. 19. States that the Commissioner of Agriculture and Food shall appoint the director of the Board of Agriculture and Conservation to oversee the daily operations of the agricultural revolving loan fund (ARLF).

Sec. 20. The Commissioner of Agriculture and Food shall set the regulations for disposal of property acquired by the ARLF to ensure that the property is disposed of as so to maximize the return to the state.

Sec. 21 - 23. Amends definitions to conform to the Department of Agriculture

Sec. 24 - 26. Puts the plant materials center under the purview of the Department of Agriculture and Food and the University of Alaska.

Sec. 27. Judicial orders concerning livestock districts must be served upon the Commissioner of the Department of Agriculture and Food.

Sec. 28. Instructs that a brand or mark that identifies ownership of livestock shall be recorded by the commissioner of Agriculture and Food.

Sec. 29. Defines that the commissioner in this chapter is the Commissioner of the Department of Agriculture and Food.

Sec. 30 – 35. Puts beekeeping under the purview of the Department of Agriculture and Food.

Sec. 36. Puts the care of animals and the control of dogs under the powers of the Department of Agriculture and Food.

Sec. 37. Puts organic food and agricultural products under the purview of the Department of Agriculture and Food.

Sec. 38. Sets out the role of the Department of Agriculture and Food in assisting in the development and implementation in the farm-to-school program.

Sec. 39. Sets forth the powers and duties of the Commissioner of Agriculture and Food.

Sec. 40. Sets forth the duties of the Commissioner of the Department of Environmental Conservation to conform to the duties of the Department of Agriculture.

Sec. 41. Puts the power to regulate food standards under the Department of Agriculture and Food.

Sec. 42. Keeps the power to regulate fish and fish products under the Department of Environmental Conservation.

Sec. 43 & 44. Put the duty to regulate hormone labeling in milk under the Department of Agriculture and Food.

Sec. 45. Separates out the responsibilities of the Department of Agriculture and the Department of Conservation when it comes to tolerances for added poisonous ingredients.

Sec. 46. Puts misbranded food under the jurisdiction of the Department of Agriculture and food and fish under the Department of Environmental Conservation.

Sec. 47 & 48. Separates the responsibilities for the sales and labeling of frozen meat, fish, and poultry between the Department of Agriculture Food and the Department of Environmental Conservation.

Sec. 49. Changes the definition of "retail food establishment".

Sec. 50. Separates the responsibility for emergency permit controls between the Department of Agriculture and Food and the Department of Environmental Conservation.

Sec. 51. Defines which department is responsible for suspension and reinstatements of emergency permits.

Sec. 52, 53 & 54. Defines that the Department of Environmental Conservation is responsible for seafood processing permits and plans of operation, seafood product quality standards and seals, and seafood processing research.

Sec. 55 & 56. Separate out inspection and enforcement authority between the Department of Agriculture and Food and the Department of Environmental Conservation.

Sec. 57. Allows the Department of Agriculture and Food to adopt regulations for efficient enforcement of its respective portions of this chapter.

Sec. 58. Allows the Commissioner of Environmental Conservation access to establishments where fish or fisheries products are manufactured.

Sec. 60. Grants the Department of Agriculture and Food the ability to publish reports.

Sec. 61. Grants the Department of Environmental Conservation the ability to publish reports.

Sec. 62. Grants the Commissioner of Agriculture and Food the ability to disseminate information regarding agricultural food.

Sec. 63. Gives the Department of Environmental Conservation the power to detain or embargo fish or fish products that are dangerous or fraudulent.

Sec. 64. Gives the Department of Agriculture and Food the power to detain or embargo agricultural food that is adulterated or misbranded in a manner that is dangerous or fraudulent.

Sec. 65. Adds the Department of Agriculture and Food to the departments that can petition for condemnation of a food.

Sec. 66. Allows the Department of Agriculture and Food to destroy adulterated or misbranded goods under its purview.

Sec. 67. Gives the Department of Agriculture the oversight of relabeling of misbranded food items under the department's purview.

Sec. 68. Gives the Department of Agricultural and Food the oversight of destruction of contaminated food items under the department's purview.

Sec. 69. Gives the Department of Agriculture and Food the ability to apply to the superior court for injunctions against person's violating provisions of this chapter.

Sec. 70. Conforming provision.

Sec. 71. Grants the Department of Agriculture and Food the power to enforce the provisions of this chapter.

Sec. 72. States that the Department of Agriculture and Food has the power to impose civil fines for serious violations of this chapter.

Sec. 73. States that nothing in this chapter requires the Department of Agriculture and Food to report minor violations.

Sec. 74. States that the Attorney General is to prosecute violations reported by the Department of Agriculture and Food.

Sec. 75. Amends definitions to conform to the new Department of Agriculture and Food.

Sec. 76 - 82. Conforming amendments to include the new Department of Agriculture and Food.

Sec. 83. Defines the powers of the Department of Agriculture and Food.

Sec. 84. Conforming amendment

Sec. 85. Adds the Department of Agriculture and Food with reference to the Alaska grain reserve program to the list under the Administrative Procedure Act.

Sec. 86. Repealers

Sec. 87 Gives the Department of Agriculture and Food the ability to adopt, amend, and repeal regulations as necessary.

Sec. 88 & 89. Effective dates.

ALASKA STATE LEGISLATURE

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REPRESENTATIVE STEVE THOMPSON
DISTRICT 10

SECTIONAL ANALYSIS (version M)

HB 191 – *"An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservations and the Department of Natural Resources; and providing for an effective date."*

Sec. 1. Amends AS 03.05.010, which deals with agriculture and food. Changes the responsible commissioner to the commissioner of agriculture and food (see new AS 03.05.100(5) in sec. 18). Adds some responsibilities to the list, including establishing a food security program. Exempts retail food establishments and fish or fisheries product establishments from coverage of (b).

Sec.2. Amends AS 03.05.011(a), which relates to certain powers over animals and animal products. Exempts retail food establishments from its coverage.

Sec. 3. Amends AS 03.05.011(b) which relates to certain powers over animals and animal products. Exempts retail food establishments from its coverage.

Sec. 4. Amends AS 03.05.011(e) to change the commissioner and department responsible for AS 03.05.011 to the commissioner of agriculture and food and the Department of Agriculture and Food (DOAF).

Sec. 5. Adds the new section AS 03.05.012, which provides powers over fish and fisheries products. Establishes the commissioner of environmental conservation and the Department of Environmental Conservation (DEC) as the responsible commissioner and department for this section.

Sec. 6. Amends AS 03.05.013 to change DOAF (based on the new definition in bill sec. 18) the commissioner and department are responsible for appointing or employing the state veterinarian for animal products over which DOAF has jurisdiction.

Sec. 7. Amends AS 03.05.027(a) to change DOAF (based on the definition in bill sec.18) the commissioner responsible for employing or appointing the state coordinator for noxious weed, invasive plant, and agricultural pest management.

Sec. 8. Amends AS 03.05.040(b) gives the power of inspection to the Commissioner of Agriculture and Food to inspect agricultural products and animals, with exceptions for retail food establishments and fish or fisheries products to DEC.

Sec. 9. Amends AS 03.05.050(b). Establishes which commissioners are responsible for carrying out this section dealing with animals, animal products, and agricultural products that violate regulations and are public nuisances. Changes to DOAF the commissioner for agricultural products and animals, except fish and fisheries products. Changes the responsibility of the commissioner of DEC to retail food establishments, fish or fisheries products, and fish or fisheries products establishments.

Sec. 10. Amends AS 03.05.075(a) relating to elk farming, licensing and elk farm inspections under the powers of the new DOAF.

Sec. 11. Amends AS 03.05.075(b) relating to elk farming. Changing the responsible commissioner to the Commissioner of the Department of Agriculture and Food. The Commissioner of DOAF shall provide the Department of Fish and Game with copies of elk farming applications and licenses.

Sec. 12. Amends AS 03.05.075(d). Fencing standards for elk shall be established under the Department of Agriculture and Food.

Sec. 13. Amends AS 03.05.075(e) Putting the power to regulate elk farming in the Department of Agriculture and Food.

Sec. 14. Amends AS 03.05.090(a) for criminal penalties for violations of regulations under this chapter made by the Departments of Agriculture and Food and Department of Natural Resources.

Sec. 15. Amends AS 03.05.090(c) Setting forth civil fines for violations of quarantines or embargos made by the Departments of Agriculture and Food and Environmental Conservation.

Sec. 16. Amends AS 03.05.090(d) States that the Department of Agriculture and Food, the Department of Environmental Conservation or a court may impose civil fines authorized by this chapter.

Sec. 17. Amends AS 03.05.090(d). Redefines "animal" to exclude fish or fisheries products.

Sec. 18. Amends AS 03.05.100. Adds new definitions to this chapter, to include "commissioner" and "department" as DOAF for the chapter. Also adds a definition of "retail food establishment" for the chapter.

Sec. 19. Amends AS 03.09.020(a). To direct the Commissioner of Agriculture and Food to appoint an employee of DOAF as the director of the Board of Agriculture and Conservation to oversee the daily operations of the agricultural revolving loan fund (ARLF).

Sec. 20. Amends AS 03.10.050(g). The Commissioner of Agriculture and Food shall set the regulations for disposal of property acquired by the Board of Agriculture and Conservation to ensure that the property is disposed of as so to maximize the return to the state.

Sec. 21. Amends AS 03.13.050 to make DOAF the department responsible for implementing the chapter relating to federal crop insurance contributions (AS 03.13)

Sec. 22. Amends AS 03.20.080 to define as DOAF the "commissioner" and "department" for the article relating to agriculture and industrial fairs (AS 03.30.010 – 03.20.080).

Sec. 23. Amends AS 03.20.100(e) to designate the DOAF as the lead department in the farm-to school program.

Sec. 24. Amends AS 03.22.010 to change the DOAF as the department responsible for establishing and maintaining the plant materials center.

Sec. 25. Amends AS 03.22.040 to make DOAF one of the agencies that appoints the administrator of the plant materials center.

Sec. 26. Adds sec. 03.22.100 to define "department" for AS 03.22, the plant materials center chapter, as DOAF.

Sec. 27. Amends AS 03.35.030 to identify the commissioner of DOAF as the commissioner to whom a district judge sends a copy of an order related to the establishment, addition, elimination, or dissolution of a controlled livestock district.

Sec. 28. Amends AS 03.40.030(a) to identify the commissioner of DOAF as the commissioner to whom a person applies for a brand mark.

Sec. 29. Amends AS 03.40.270 to define "commissioner" in 03.40 as the Commissioner of the Department of Agriculture and Food.

Sec. 30. Amends AS 03.47.020 to make DOAF responsible for determining whether apiary inspectors are qualified.

Sec. 31- 35 makes DOAF the responsible department for bees and beekeeping.

Sec. 36. Amends AS 03.55.190 to put the care of animals under the DOAF.

Sec. 37. Adds sec. 03.58.090 to put organic food and agricultural products under the purview of the Department of Agriculture and Food.

Sec. 38. Amends AS 14.07.020(a) Setting out the role of the Department of Agriculture and Food in assisting in the development and implementation in the farm-to-school program.

Sec. 39. Repeals and reenacts AS 17.20.005 to give to the commissioner of DOAF the powers to regulate food except for fish and fisheries products.

Sec. 40. Adds sec. AS 17.20.007 Setting forth the duties of the Commissioner of the Department of Environmental Conservation to regulate fish and fisheries products (including seafood raising and processing) and to inspect retail food establishments.

Sec. 41. Amends AS 17.20.010 to direct DOAF to adopt regulations relating to definitions and standards for agricultural food and to establish a mobile canned agricultural food inspection service.

Sec. 42. Adds a new subsection to AS 17.20.010, keeping the power to regulate fish and fish products under the Department of Environmental Conservation and to establish a mobil canned nonagricultural food inspection service.

Sec. 43 & 44. Put the duty to regulate hormone labeling in milk under the Department of Agriculture and Food.

Sec. 45. Amends AS 17.20.030 to make changes to conform the section to the new division of responsibilities between the departments.

Sec. 46. Amends AS 17.20.040(a) to make changes to conform the subsection to the new division of responsibilities between the departments. Also, makes stylistic and clarifying changes.

Sec. 47 & 48. Amends 17.20.044(b) and (C) Separating the responsibilities for the sales and labeling of frozen meat, fish, and poultry between the Department of Agriculture Food and the Department of Environmental Conservation.

Sec. 49. Amends AS 17.20.049(b) to reference the moving of the main part of this definition of "retail food establishment" to the general definition of "retail food establishment" for As 17.20 (in AS 17.20.370).

Sec. 50. Amends AS 17.20.050 makes changes to conforming the responsibility for emergency permit controls between the Department of Agriculture and Food and the Department of Environmental Conservation.

Sec. 51. Amends AS 17.20.060 to make changes to conform the section to the new division of responsibilities between the departments.

Sec. 52 - 56. Amends AS 17.20.065-.072 to make changes to conform the section to the new division of responsibilities between the departments.

Sec. 57. Amends AS 17.20.180 to allow the Department of Agriculture and Food to adopt regulations for efficient enforcement of its respective portions of this chapter.

Sec. 58. Amends AS 17.20.200(a) to limit the food covered in this subsection to fish and fisheries products over which DEC has responsibility.

Sec. 59. Amends AS 17.20.200 to add an inspection equivalent to subsection (a) to cover DOAF's access and inspection authority.

Sec. 60. Amends AS 17.20.220(a), which relates to making reports about court actions, to add DOAF as a department that may issue reports.

Sec. 61. Amends AS 17.20.220(b), which relates to dissemination of information, to limit the food-related subjects to fish, fisheries products, and retail establishments to over which DEC has jurisdiction.

Sec. 62. Amends AS 17.20.220 to add information dissemination equivalent to subsection (a) to cover DOAF's information dissemination authority.

Sec. 63. Amends As 17.20.230(a), which relates to the Department of Environmental Conservation's power to detain or embargo fish or fish products that are dangerous or fraudulent.

Sec. 64. Amends AS 17.20.230 to give the Department of Agriculture and Food the power to detain or embargo agricultural food that is adulterated or misbranded in a manner that is dangerous or fraudulent.

Sec. 65. Amends AS 17.20.240 Adding the Department of Agriculture and Food to the departments that can petition for condemnation of a food.

Sec. 66. Amends AS 17.20.240 to allow the Department of Agriculture and Food to destroy adulterated or misbranded goods under its purview.

Sec. 67. Amends AS 17.20.260 gives the Department of Agriculture the oversight of relabeling of misbranded food items under the department's purview.

Sec. 68. Amends AS 17.20.260 to gives the Department of Agricultural and Food the oversight of destruction of contaminated food items under the department's purview.

Sec. 69. Amends AS 17.20.290(b) Giving the Department of Agriculture and Food the ability to apply to the superior court for injunctions against person's violating provisions of this chapter.

Sec. 70. Amends AS 17.20.290(b) , which relates to enforcement action taken on prohibited acts by DEC, to limit the food-related acts to fish, fisheries products, and retail food establishments.

Sec. 71. Amends AS 17.20.290 to add an enforcement action equivalent to subsection (b) to cover DOAF's enforcement action authority.

Sec. 72. Amends AS 17.20.315(c) gives the Department of Agriculture and Food the power to impose civil fines for serious violations of this chapter.

Sec. 73. Amends AS 17.20.350, to state that nothing in this chapter requires the Department of Agriculture and Food to report minor violations.

Sec. 74. Amends AS 17.20.360 to make a change to conform the section to the new division of responsibilities between the departments.

Sec. 75. Amends AS 17.20.370 to add definitions to AS 17.20 for "agricultural food" and "retail food establishments".

Sec. 76. Amends AS 18.65.340(f) to make a conforming change.

Sec. 77. Amends AS 37.05.146(c)(55) to include DOAF food inspection receipts in a specific category of program receipts and to reflect the change in the division of responsibilities under AS 17.20.

Sec. 78. Amends AS 38.07.030(a), which relates to the clearing and draining of agricultural land, to change the responsibility to DOAF.

Sec. 79. Amends AS 44.17.005 to list the new DOAF as a principal department of the state.

Sec. 80. Amends AS 44.27.020(a) to remove agriculture and soil conservation from DNR's responsibility.

Sec. 81. Amends AS 44.46.020(a), which relates to DEC's duties, to limit the application of certain provisions because DOAF will be performing some activities in the same general categories.

Sec. 82. Amends AS 44.46.025(a), which relates to DEC's powers, to limit the application of certain provisions to reflect DEC's new food and animal related responsibilities under AS 03.05 and AS 17.20.

Sec. 83. Adds a new chapter to establish the new DOAF department.

Section 44.48.010. Establishes the commissioner of DOAF as the principal executive officer of DOAF.

Sec. 44.48.020. Establishes the duties of the DOAF.

Sec. 44.48.030. Authorizes DOAF to establish reasonable fees for its services relating to DOAF's responsibilities under AS 03 and AS 17.20. Prohibits DOAF from charging a fee for a service provided by a municipality under a delegation of authority from the municipality. Prohibits DOAF from charging a fee for a service provided under AS 03.05 to a school.

Sec. 44.48.090. Defines a term for the new chapter.

Sec. 84. Amends AS 44.62.330(a)(16) to add DOAF to the agencies enforcing AS 17.20 and that are subject to the general administrative adjudication provisions of AS 44.62.330 - 44.62.630 (part of the state's Administrative Procedure Act).

Sec. 85. Amends AS 44.62.330(a)(34) to change to DOAF the agency identified as subject to the general administrative adjudication provisions of AS 44.62.330 - 44.52.630 (part of the state's Administrative Procedure Act) concerning the Alaska grain reserve program under former AS 03.12.

Sec. 86. Repeals certain laws.

Sec. 87 Authorizes the DOAF, DEC, and DNR to begin adopting, amending, and repealing regulations as necessary to implement this Act.

Sec. 88. Makes bill sec. 87 effective immediately

Sec. 89. Makes the bill effective July 1, 2014, except as provided in bill sec. 88.

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, March 15, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]
<<

HB 191 Pete Fellman

In the first committee packet there was a budget document titled Agriculture Revolving Loan Fund (ARLF), dated Feb. 28, 2011. Which we were told was not accurate. We received a different set of numbers from the Division titled Agricultural Revolving Loan Fund Cash Flow Projections.

Question: Can you describe the differences in the two sets of numbers?

Question: Who prepared the second cash flow projections document?

Question: What variables are included in the cash flow projections? (Future sale of ARLF Palmer Mat Maid property) (Refinances of bad debts)(Future loan activity)

Question: Why is there a sudden drop in projected loan activity (FY10, 3,285.000 FY11, 2,400.000 FY12 1,500.000?)

Question: Are all the current loans that are approved and in process for this year included in the cash flow projections?

Question: On Page 4 of the ARLF Program Administration Summary I see that the funding sources are the Agricultural loan fund. Why is there such a large increase from FY2010 1,511.8 to FY2011 2,486.0.

(at line 74000 commodities went from 737.0 to 1,495.7)

Question: On page 14 of the ARLF budget detail I see line number 74490 (commodities) listed as meat processing cost. But it also includes things like Agricultural supplies, seed, fertilizer, herbicides, and insecticides. What does that have to do with meat processing?

Question: On the same line 74490, FY2010 costs are listed as 37.0 and for FY2011 the cost is 362.0. Why is there such a large increase? Are we using Insecticides to slaughter cows? Is the Division growing hay?

Note: That the Division's projections for Mt. McKinley Meat Plant expenses are at $1,400.000 and the income from sales is projected at $1,250.000. A difference of about $150,000.

Note: In the Governor's budget, the Personal services expenditures (PCN or jobs) for administration of ARLF are $512.375 FY2012 seems high to make $1.5 million in loans as projected by the Division's projections.

Question: Is the Board of Agriculture and conservation responsible for managing the ARLF and its assist? Did they pass a resolution requesting that the fund be recapitalized?

Agriculture Revolving Loan Program Administration
Component Financial Summary

All dollars shown in thousands

	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	453.6	471.7	504.7
72000 Travel	6.7	24.0	24.0
73000 Services	314.5	494.6	494.6
74000 Commodities	737.0	1,495.7	1,489.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**1,511.8**	**2,486.0**	**2,512.3**
Funding Sources:			
1021 Agricultural Loan Fund	1,511.8	2,486.0	2,512.3
Funding Totals	**1,511.8**	**2,486.0**	**2,512.3**

Estimated Revenue Collections

Description	Master Revenue Account	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	3,339.3	0.0	0.0
Unrestricted Total		**3,339.3**	**0.0**	**0.0**
Restricted Revenues				
None.		0.0	0.0	0.0
Restricted Total		**0.0**	**0.0**	**0.0**
Total Estimated Revenues		**3,339.3**	**0.0**	**0.0**

Component Detail All Funds
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	453.6	463.2	463.2	471.7	504.7	33.0	7.0%
72000 Travel	6.7	24.0	24.0	24.0	24.0	0.0	0.0%
73000 Services	314.5	494.6	494.6	494.6	494.6	0.0	0.0%
74000 Commodities	737.0	1,504.2	1,504.2	1,495.7	1,489.0	-6.7	-0.4%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	**1,511.8**	**2,486.0**	**2,486.0**	**2,486.0**	**2,512.3**	**26.3**	**1.1%**
Fund Sources:							
1021 Agric Loan	1,511.8	2,486.0	2,486.0	2,486.0	2,512.3	26.3	1.1%
Unrestricted General (UGF)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Designated General (DGF)	**1,511.8**	**2,486.0**	**2,486.0**	**2,486.0**	**2,512.3**	**26.3**	**1.1%**
Other Funds	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Federal Funds	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Positions:							
Permanent Full Time	5	5	5	5	5	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Personal Services Expenditure Detail
Department of Natural Resources

Scenario: FY2012 Governor (8665)
Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
10-3052	Office Assistant II	FT	A	GP	Palmer	200	10G	12.0		38,076	0	0	29,027	67,103	0
10-3064	Loan/Collection Off I	FT	A	GP	Palmer	200	16O	12.0		72,084	0	0	41,001	113,085	0
20-6122	Corr Indus Prod Mgr II	FT	A	GP	Palmer	200	18N	12.0		79,404	0	0	43,578	122,982	0
20-6169	Corr Indus Prod Mgr I	FT	A	GP	Palmer	200	16M	12.0		66,972	0	0	39,201	106,173	0
20-6425	Corr Indus Prod Mgr I	FT	A	GP	Palmer	200	16L / M	12.0		64,649	0	0	38,383	103,032	0

	Total Positions	New	Deleted
Full Time Positions:	5	0	0
Part Time Positions:	0	0	0
Non Permanent Positions:	0	0	0
Positions in Component:	5	0	0

Total Component Months: 60.0

Total Salary Costs:	321,185
Total COLA:	0
Total Premium Pay::	0
Total Benefits:	191,190
Total Pre-Vacancy:	512,375
Minus Vacancy Adjustment of 1.50%:	(7,677)
Total Post-Vacancy:	504,698
Plus Lump Sum Premium Pay:	0
Personal Services Line 100:	504,698

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1021 Agricultural Loan Fund	512,375	504,698	100.00%
Total PCN Funding:	**512,375**	**504,698**	**100.00%**

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.
[No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Natural Resources
Commodities

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000	Commodities	737.0	1,495.7	1,489.0

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			74000 Commodities Detail Totals	**737.0**	**1,495.7**	**1,489.0**
74226	Equipment & Furniture		ARLF furniture replacement.	2.2	2.9	1.5
74229	Business Supplies		Office supplies, forms, photo supplies, aerial photos, maps, duplication materials/paper/developer, data processing and computer supplies.	3.7	5.7	5.7
74233	Info Technology Equip		Information technology equipment, PC computer, monitor, cables.	0.0	3.1	3.1
74235	Items For Resale		Mt. McKinley Meats live animal purchase for slaughter and resale.	49.9	249.5	248.6
74236	Subscriptions		Subscriptions	0.0	0.5	0.5
74481	Food Supplies		Meat purchases for resale.	633.8	836.9	836.9
74485	Cleaning		Janitorial supplies	3.2	15.2	15.2
74490	Non-Food Supplies		Meat processing, agricultural supplies, seed, fertilizer, herbicides, insecticides, ARLF asset feed supplies, related material necessary to manage Mt. McKinley meat plant operation.	37.0	362.0	357.6
74691	Building Materials		Structural repair supplies.	0.2	0.5	0.5
74700	Electrical		Electrical.	0.6	1.8	1.8
74701	Plumbing		Plumbing.	3.4	3.4	3.4
74754	Parts And Supplies		Repair and maintenance supplies including vehicle parts and parts for other equipment including field equipment components.	0.7	2.3	2.3
74759	Paint & Preservatives		Paints and preservatives.	0.0	1.6	1.6
74820	Sm Tools/Minor Equip		Hand tools.	1.4	7.9	7.9
74850	Equipment Fuel		Diesel, gasoline and oil.	0.5	0.5	0.5
74854	Vehicle (Commodities-Repair & Maint)		Vehicle repair, parts and maintenance.	0.4	1.9	1.9

Agricultural Revolving Loan Fund Cash Flow Projection
Interest Rate at S-3%, C-4%, F-4.5%
Loan $2,400,000 in FY11, $1,500,000 in FY12-FY15

FSS Projections

	Actual	Estimates				
	FY10	FY11	FY12	FY13	FY14	FY15
Beginning Cash Balance	**5,864,683**	$4,653,390	$5,125,622	$5,555,232	$5,484,725	$5,372,633
Operating						
Cash Inflows						
Principal & interest payments - **Note 1**	2,284,992	2,985,036	2,099,264	2,099,149	2,057,669	2,116,026
Leases	26,326	20,726	3,926	3,926	3,926	3,926
Late payment penalties (ave 0.3% of total pmts)	4,008	7,745	5,419	5,419	5,312	5,462
Settlements on defaulted loans	0	0	0	0	0	0
Fees, services, forfeitures	254,000	1,000	1,000	1,000	1,000	1,000
Cash Outflows						
Loan Disbursements	(3,285,000)	(2,400,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
ARLF Operating expenses	(404,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Return of Deposit	0	(62,275)	0	0	0	0
Fiscal Year End adjustments	(29,619)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Operating Change in Cash	(1,149,293)	22,232	79,609	79,494	37,907	96,415
Non- Operating						
Cash Inflows						
Transfer of Creamery Corp. Assets	0	0	500,000	0	0	0
Creamery Corp. Equipment Lease	0	0	0	0	0	0
Transfer from General Fund	0	600,000	0	0	0	0
Sale of Assets - **Note 3**	125,000	0	0	0	0	0
Mt. McKinley Meat Plant Revenues - **Note 2**	1,068,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Cash Outflows						
Mt. McKinley Meat Expenses Plant - **Note 2**	(1,255,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Non-Operating Change in Cash	(62,000)	450,000	350,000	(150,000)	(150,000)	(150,000)
Net Change in Cash	(1,211,293)	472,232	429,609	(70,506)	(112,093)	(53,585)
Ending Cash Balance	**4,653,390**	**5,125,622**	**5,555,232**	**5,484,725**	**5,372,633**	**5,319,047**

Note 1 - Based on all current loans plus future loans at S-3%, C-4%, F-4.5% for FY11 through FY15.

Note 2 - The loss listed for the Mt. McKinley Meat Plant is an estimate based on the last 5-year average.

Note 3 - All proceeds from prior financed sales are included in Principal and Interest payments.

DNR FSS Anchorage

Loan Activity allocated as follows based on an average of all current loans:

C-loans = 12% of total loans over 7 years
I-loans = 0% of total loans over 12 years
L-loans = 0% of total loans over 20 years
F-loans = 45% of total loans over 30 years
S-loans = 43% of total loans over 1 year
P-loans = 0% of total loans over 20 years

AGRICULTURAL REVOLVING LOAN FUND (ARLF)

Financial Summary as of February 28, 2011 **Fiscal Year July 1 – June 30**

$4,700,000	Cash Balance
(500,000)	FY11 Balance ARLF Operating Expense
(325,000)	FY11 ARLF Approved Loans Undisbursed
(450,000)	FY11 ARLF Loans Pending Approval
$3,425,000	FY11 End ARLF Cash Balance (Assuming no FY11 additional new loans)
(1,500,000)	FY12 ARLF Annual Operating Expenses
(2,500,000)	FY12 ARLF Annual New Loans
600,000	FY12 ARLF Annual Interest Revenue
$ 25,000	FY12 End ARLF Cash Balance

Variables

$ 500,000	Creamery Corp cash assets transfer to ARLF - CAPITAL
$1,000,000	ARLF Asset Disposal Palmer MatMaid real property – CAPITAL, unlikely to be immediate capital as it may not be sold OR sale may be financed by the ARLF
	MMM& S operation loss –EXPENSE
	ARLF Bad Debt - EXPENSE

ARLF Annual Loan Activity – Does not include refinances of ARLF loans

FY11 $1,900,000 (2/28/2011) FY10 $3,500,000 FY09 $2,500,000

Key Provisions of Dept. of Agriculture
from the Alaska Farm Bureau, Inc.

Using the current budget for the Division of Agriculture, we propose forming a Dept. of Agriculture for Alaska to more effectively guide agricultural policy during this critical time. Alaska is far too reliant on importation of food. When a disruption of the transportation occurs, which happens all too regularly, Alaskans suffer. This is especially obvious in the remote rural areas, but the major impacts would be felt in the urban centers, simply because the majority of Alaskans live there.

The state suffers from the lack of attention to agriculture. Let us consider that with agricultural products on the farms, storage barns, and feedlots of Alaskans, we become more able to weather the effects of natural disasters or widespread pandemic. Alaskan farms can produce the variety of food needed to provide a balanced diet.

What we lack is a focused agency that houses the needed services that government can and should provide. Inspection of locally produced food and processing is currently under DEC, as is the state veterinary. We believe moving both these functions back to Agriculture would greatly facilitate the development of agriculture and the attendant processing needs. There is a simple, but powerful difference the attitudes of facilitation and regulation exert on the business climate.

To this end, we suggest the following adjustments:

Creation of a Department of Agriculture – DNR is rightfully absorbed with oil, gas, and mining. There is no time and very little support for agriculture in the shadow of these topics. Yet feeding our citizens healthy, nutritious food and securing its supply for Alaska is important enough to warrant a higher level of support from the administration.

1. Under the Dept. of Agriculture, inspection services of all agricultural products and State Veterinary services would be transferred from DEC along with the budgets for those services.
2. ARLF would remain with the Dept. of Agriculture. This is important because banks will not lend on land subject to ag covenants. Therefore, lending options for ag producers are limited. Not only does the ARLF lend on farm enterprises, because it is housed under agriculture, there is a better understanding for the ag of the risks and opportunities relating to agriculture than other state loan programs have.
3. Plant Material Center (PMC) functions would continue with the new Department of Agriculture to develop and propagate seed for agriculture.
4. Oversight of all land classified for agricultural development will be moved to the Dept. of Agriculture. Alaska has a limited amount of land suitable for agriculture, much of which has been designated as such. When a borough, municipality, or the University receives land, those ag covenants do not transfer with the land. This reduces the amount of land available for growing agriculture. The state land

designated for ag development that currently remains, must be protected from losing those covenants. The Dept. of Agriculture is the logical entity to identify land for disposal to the private sector for development. They need to have funding to survey it, put in pioneer access to it, and dispose of it to people interested in farming and ranching.

5. Budget
    a. Recapitalize ARLF and stop funding operations from the loan fund. The fund was set up to revolve, however some operational cost are drawn from the loan fund, resulting in a gradual decline of money available for lending to farming operations.
    b. Fund all Dept of Agriculture functions from budget, including Mt. McKinley Meats, the loan officer positions, and any other expenditures currently being drawn from the ARLF. This legitimizes the functions performed by the Dept. of Agriculture with a budget, and preserves the corpus of the revolving loan fund.
    c. Include agriculture education in budget. This might be funded from a percentage of the sale agricultural land, but it is important that the next generation be informed about where their food comes from and what they can do to participate in that process or else food production in Alaska will only last for one generation.
    d. Statutory regulations regarding loan policies.
6. Develop a Food Safety plan for Alaska. The Department of Agriculture will develop a plan to address food security in Alaska by providing for the expansion of local production. There is no other method of ensuring our food security because all other sources depend on the same transportation system we currently depend on. Food produced in Alaska and stored in the vegetable barns and cellars, grain bins, feedlots, dairies, and ranges of Alaska are 2500 miles closer to their end user, greatly facilitating access to food in the event of a transportation disruption. Several aspects of this plan need to be put in place while there is time including:
    a. The scheduled sale of ag land. State owned land is not producing land. It must be put into the hands of farmers who are determined to work it and produce on it.
    b. Regulations need to be designed to encourage a cottage industry for food production and processing. Small scale operations will provide the pool from which larger operations will emerge as they see growth in their markets. One model for accomplishing this is in Oregon, which allows a small producer to sell to neighbors.
    c. The Dept. of Agriculture can play an important role in facilitating small scale infrastructure development including mobile processing, inspections, land disposal, village food production projects, and farm financing. It is critical that through it all, the Dept. of Agriculture stay focused on improving our food security by facilitating growth of agriculture.
    d. The Department of Agriculture must proactively renew expiring livestock leases in a timely manner. Livestock leases are integral to the red meat industry, which is vital to our food security. Some producers have been

waiting years to get their leases renewed while the state determines what the wisest and best use of the land is and whether the lease cost need to be raised. Boiled down to the essentials, the Dept. of Agriculture will recognize that:

- Grazing leases are indicative of Agricultural land, therefore it has already been determined that agriculture is the highest and best use for it.
- Improvements made by the leaseholder should be credited toward the lease price, not charged extra for. In other words, when a rancher has put in livestock wells or working facilities, he should not be charged extra for them by the state when the lease comes up for renewal since the state had no part in making the improvements. Instead, the improvements should weigh in favor of the rancher as evidence that he is a good risk.
- Preference rights should be allowed if the current leaseholder continues to raise animals. This encourages the rancher to invest in improvements because the expenses can be amortized over a longer period of time.
- New leases should be for a minimum of 20 years to allow reasonable stability for financing improvements and making management decisions such as increasing his herd.

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION ADDITION	APPROPRIATION WITHDRAWAL	INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
1978	400,000		4,040,000	Irrigation loans @ 6%
1979	200,000		4,240,000	Farm development limit raised to $500,000; chattel limit raised to $300,000; short-term limit raised to $100,000 AS 03-10-030(e) 15-day delinquency; 7% penalty; AS 03.10.035 Use or Dispposal of Mortgaged Farm Land
1980	4,000,000 6,800,000	(1,200,000)	13,840,000	$1.2 million taken for fire fighting AS 03.10.030(f) Product processing loans with $2,500,000 limit; repeal authority to sell loans
1981	6,160,000 8,500,000		28,500,000	
1982	14,000,000		42,500,000	
1983	10,000,000		52,500,000	
1984	10,000,000		62,500,000	Appropriated $1 million for Grain Reserve Loan Program
1985	5,000,000		67,500,000	
1986	2,500,000		70,000,000	
1988		(6,762,000)	63,238,000	AS 03.10.050 Good Borrower Credit program instituted; AS 03.10.033 Restructure of agricultural debt
1989		(1,462,000) (460,314)	61,315,686	$460,314 in GF expenditures paid by ARLF
1990		(1,000,000) (253,888)	60,061,797	Moratorium on loans - Delta Area $253,888 in GF expenditures paid by ARLF
1993		(180,500)	59,881,297	$180,500 in GF expenditures paid by ARLF
1994		(180,900)	59,700,397	$180,900 in GF expenditures paid by ARLF
1995		(203,361)	59,497,036	$203,361 in GF expenditures paid by ARLF
1996		(455,487)	59,041,549	$455,487 in GF expenditures paid by ARLF
1997		(1,110,730)	57,930,818	$1,110,730 in GF expenditures paid by ARLF

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION ADDITION	APPROPRIATION WITHDRAWAL	INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
1998		(951,222)	56,979,596	Moratorium on loans affected by Mt. McKinley Meat Plant fire $951,222 in GF expenditures paid by ARLF
1999		(910,302)	56,069,294	$910,302 in GF expenditures paid by ARLF
2000		(899,501)	55,169,793	$899,501 in GF expenditures paid by ARLF
2001		(1,055,916)	54,113,877	$1,055,916 in GF expenditures paid by ARLF
2002		(1,163,478)	52,950,399	$1,163,478 in GF expenditures paid by ARLF
2003		(1,056,783)	51,893,616	$1,056,783 in GF expenditures paid by ARLF
2004		(1,436,874)	50,456,743	$1,436,874 in GF expenditures paid by ARLF
2005		(649,743)	49,806,999	$649,743 in GF expenditures paid by ARLF
2006		(860,680)	48,946,320	$860,680 in GF expenditures paid by ARLF
2007		(831,615)	48,114,705	$831,615 in GF expenditures paid by ARLF
2008		(1,505)	48,113,201	$1,505 in GF expenditures paid by ARLF (FY07 Appropriation expended in FY08)
2009		0	48,113,201	No GF expenditures paid by ARLF
2010	600,000	0	48,113,201	$600,000 Creamery Corporation appropriation to ARLF. No GF expenditures paid by ARLF
TOTAL	71,800,000	(23,086,799)	48,713,201	

(12,662,799) Total GF Expenditures from 1989

NOTE: If the fiscal year is not shown it means that there were no appropriations for that particular year and there were no GF expenditures paid by ARLF for that year.

AGRICULTURAL REVOLVING LOAN FUND (ARLF)

Financial Summary as of February 28, 2011 **Fiscal Year July 1 – June 30**

$4,700,000	Cash Balance
(500,000)	FY11 Balance ARLF Operating Expense
(325,000)	FY11 ARLF Approved Loans Undisbursed
(450,000)	FY11 ARLF Loans Pending Approval
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(1,500,000)	FY12 ARLF Annual Operating Expenses
(2,500,000)	FY12 ARLF Annual New Loans
600,000	FY12 ARLF Annual Interest Revenue
$ 25,000	FY12 End ARLF Cash Balance

Variables

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	MMM& S operation loss –EXPENSE
	ARLF Bad Debt - EXPENSE

ARLF Annual Loan Activity – Does not include refinances of ARLF loans

FY11 $1,900,000 (2/28/2011) FY10 $3,500,000 FY09 $2,500,000

Summary of Fiscal Notes for HB191 as of 4.6.11

Note #	Dept.	Svc.	Amount 2015	
1	OMB	Lab Service	***	
2	OMB	Ag. Development	2,503.60	
3	OMB	ARLF	2,512.30	
4	OMB	Plant materials	2,266.50	
5	DNR	Admin Svcs.	106.80	
6	DNR	DNR Fac. Rent	(54.00)	
7	DNR	HR	(23.10)	
8	DNR	IT	(29.70)	
9	DNR	Ag. Development	(2,503.60)	
10	DNR	ARLF	(2,512.30)	
11	DNR	Plant materials	(2,266.50)	
12	OMB	Admin Svcs.	1,326.80	13 staff - on going
13	OMB	Office Commisioner	775.00	Commissioner's Office - on going
14	DEC	Lab Svcs.	***	

2015 Costs reflected in FNs 2,101.80

Prepared by Rep. Thompson's office

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB 191**
() Publish Date

Identifier (file name) HB191-GOV-OMB-03-14-11
Title: Department of Agriculture and Food
Sponsor: Thompson by request
Requester: Special Committee on Economic Development, Trade & Tourism

Dept. Affected: Agriculture and Food
Appropriation: Food Safety
Allocation: Laboratory Services
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING					***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL					***	***	***

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					***	***	***
Part-time					***	***	***
Temporary					***	***	***

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John Boucher, Senior Economist — Phone 465-4677
Division: Office of Management and Budget — Date/Time 3/14/2011 11:00am
Approved by: Karen J Rehfeld, Director — Date 3/14/2011
Office of Management and Budget

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 191

Analysis

HB 191 creates a new Department of Agriculture and Food. Although it is clear that a portion of the existing programs and staff will be transferred from the Department of Environmental Conservation to the Department of Agriculture and Food, the Department of Environmental Conservation is currently unclear about what aspects of food safety regulatory responsibilities would be transferred to the Department of Agriculture and Food. This fiscal note is currently indeterminate.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HB191
() Publish Date

Identifier (file name): HB191-GOV-OMB-3-11-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Agriculture and Food
Appropriation: Agriculture Development
Allocation: Agricultural Development
OMB Component Number: 455

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					1,600.8		
Travel					102.2		
Services					630.4		
Commodities					63.2		
Capital Outlay					7.0		
Grants					100.0		
Miscellaneous							
TOTAL OPERATING		**0.0**	**0.0**	**0.0**	**2,503.6**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					753.1		
1003 GF Match							
1004 GF					1,202.8		
1005 GF/Program Receipts					1.5		
1037 GF/Mental Health							
Other:1108, 1153					546.2		
TOTAL		**0.0**	**0.0**	**0.0**	**2,503.6**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					15		
Part-time					1		
Temporary					1		

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version, not applicable.

Prepared by: John Boucher
Division: OMB
Phone: 465-4677
Date/Time: 3/15/11 12:00 AM

Approved by: Karen Rehfeld
OMB
Date: 3/15/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food. This fiscal note is based on FY2012 Governor amended numbers.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HB191
() Publish Date

Identifier (file name) HB191-GOV-OMB-3-15-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Agriculture and Food
Appropriation: Agriculture Development
Allocation: Agricultural Revolving Loan Program
OMB Component Number: 2235

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					504.7		
Travel					24.0		
Services					494.6		
Commodities					1,489.0		
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING		**0.0**	**0.0**	**0.0**	**2,512.3**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other:1021 Agric Loan					2,512.3		
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**2,512.3**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Fulltime					5		
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John Boucher
Division: OMB
Phone: 465-4677
Date/Time: 3/15/11 12:00 AM
Approved by: Karen Rehfeld
OMB
Date: 3/15/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food . This fiscal note is based on FY2012 Governor amended numbers.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HB191
() Publish Date

Identifier (file name) HB191-GOV-OMB-3-15-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Agriculture and Food
Appropriation: Agriculture Development
Allocation: North Latitude Plant Material Center
OMB Component Number: 2204

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					1,667.9		
Travel					31.1		
Services					316.6		
Commodities					56.7		
Capital Outlay					194.2		
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**2,266.5**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					370.0		
1003 GF Match							
1004 GF					1,610.8		
1005 GF/Program Receipts					16.2		
1037 GF/Mental Health							
Other: 1007, 1061, 1108					269.5		
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**2,266.5**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					11		
Part-time					11		
Temporary					2		

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version, not applicable.

Prepared by: John Boucher — Phone: 465-4677
Division: OMB — Date/Time: 3/15/11 12:00 AM
Approved by: Karen Rehfeld — Date: 3/15/2011
OMB

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB191
2011 LEGISLATIVE SESSION

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food . These costs are based on FY2012

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name): HB191-DNR-HRC-3-15-11
Title: Establish Department of Agriculture and Food
Sponsor: Rep. Thompson
Requester: HEDT

Dept. Affected: Agriculture and Food
Appropriation: Administration and Support
Allocation: Administrative Services
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services					106.8		
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**106.8**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					106.8		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**106.8**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John Boucher
Division: OMB
Phone: 465-4677
Date/Time: 3/15/11 12:00 AM

Approved by: Karen Rehfeld
OMB
Date: 3/15/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources (DNR) to a newly created commissioner of the Department of Agriculture and Food.

This fiscal notes shows the allocation of general funds DNR pays to support the Agriculture Division in various Department of Administrating costs.

$23,100 for Division of Personnel costs
$29,660 for ETS Telecommunications EPR charges
$54,000 for the Division of Agriculture lease costs.

This bill will take effect July 1, 2014.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HB191
() Publish Date

Identifier (file name): HB191-DNR-FRC-3-15-11
Title: Establish Department of Agriculture and Food
Sponsor: Rep. Thompson
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: DNR Fac. Rent/Chargeback
OMB Component Number: 2423

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services					(54.0)		
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**(54.0)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					(54.0)		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**(54.0)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Jean Davis, Director
Division: Support Services
Approved by: Daniel S. Sullivan
Department of Natural Resources

Phone: 465-2422
Date/Time: 3/15/11 12:00 AM
Date: 3/15/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources (DNR) to a newly created commissioner of the Department of Agriculture and Food. DNR pays $54,000/year in general fund from the allocation Facilities Rent/Chargeback to support the Division of Agriculture lease costs.

This bill will take effect July 1, 2014.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name): HB191-DNR-HRC-3-15-11
Title: Establish Department of Agriculture and Food
Sponsor: Rep. Thompson
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Human Resources Chargeback
OMB Component Number: 2734

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services					(23.1)		
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**(23.1)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					(23.1)		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**(23.1)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Part-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Jean Davis, Director — Phone 465-2422
Division: Support Services — Date/Time 3/15/11 12:00 AM
Approved by: Daniel S. Sullivan — Date 3/15/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB191
2011 LEGISLATIVE SESSION

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources (DNR) to a newly created commissioner of the Department of Agriculture and Food. DNR pays $23,100 in general funds from the Human Resources Chargeback allocation to support the Department of Administration Division of Personnel costs for the Division of Agriculture.

This bill will take effect July 1, 2014.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name): HB191-ITC-3-15-11
Title: Establish Department of Agriculture and Food
Sponsor: Rep. Thompson
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Interdept. IT Chargeback
OMB Component Number: 1650

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services					(29.7)		
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**(29.7)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					(29.7)		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**(29.7)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Part-time	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Temporary	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Jean Davis, Director — Phone: 465-2422
Division: Support Services — Date/Time: 3/15/11 12:00 AM
Approved by: Daniel S. Sullivan — Date: 3/15/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB191
2011 LEGISLATIVE SESSION

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources (DNR) to a newly created commissioner of the Department of Agriculture and Food. DNR pays $29,660 in general funds from the Interdepartment IT Chargeback allocation to support ETS Telecommunications EPR charges for the Division of Agriculture.

This bill will take effect July 1, 2014.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name): HB191-DNR-AG-3-11-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Agricultural Development
OMB Component Number: 455

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					(1,600.8)		
Travel					(102.2)		
Services					(630.4)		
Commodities					(63.2)		
Capital Outlay					(7.0)		
Grants					(100.0)		
Miscellaneous							
TOTAL OPERATING		**0.0**	**0.0**	**0.0**	**(2,503.6)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					(753.1)		
1003 GF Match							
1004 GF					(1,202.8)		
1005 GF/Program Receipts					(1.5)		
1037 GF/Mental Health							
Other:1108, 1153					(546.2)		
TOTAL		**0.0**	**0.0**	**0.0**	**(2,503.6)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					(15)		
Part-time					(1)		
Temporary					(1)		

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version, not applicable.

Prepared by: Franci Havemeister — Phone: 761-3867
Division: Agriculture — Date/Time: 3/11/11 12:00 AM
Approved by: Daniel S. Sullivan — Date: 3/11/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food. This fiscal note is based on FY2012 Governor amended numbers.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name) HB191-DNR-ARLF-3-11-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resouce Development
Allocation: Agricultural Revolving Loan Program
OMB Component Number: 2235

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					(504.7)		
Travel					(24.0)		
Services					(494.6)		
Commodities					(1,489.0)		
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING		**0.0**	**0.0**	**0.0**	**(2,512.3)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other:1021 Agric Loan					(2,512.3)		
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**(2,512.3)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					(5)		
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Franci Havemeister
Division: Agriculture
Approved by: Daniel S. Sullivan
Department of Natural Resources

Phone: 761-3867
Date/Time: 3/11/11 12:00 AM
Date: 3/11/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food . This fiscal note is based on FY2012 Governor amended numbers.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB191**
() Publish Date

Identifier (file name) HB191-DNR-PMC-3-11-11
Title: State Department of Agriculture and Food
Sponsor: THOMPSON
Requester: HEDT

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: North Latitude Plant Material Center
OMB Component Number: 2204

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					(1,667.9)		
Travel					(31.1)		
Services					(316.6)		
Commodities					(56.7)		
Capital Outlay					(194.2)		
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**(2,266.5)**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					(370.0)		
1003 GF Match							
1004 GF					(1,610.8)		
1005 GF/Program Receipts					(16.2)		
1037 GF/Mental Health							
Other: 1007, 1061, 1108					(269.5)		
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**(2,266.5)**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					(11)		
Part-time					(11)		
Temporary					(2)		

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version, not applicable.

Prepared by: Franci Havemeister — Phone: 761-3867
Division: Agriculture — Date/Time: 3/11/11 12:00 AM
Approved by: Daniel S. Sullivan — Date: 3/11/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB191

Analysis

This legislation moves the powers and duties of the Division of Agriculture (AS 03.05, 03.09, AS03.10, AS 03.22, AS 03.40, AS 03.90, AS 44.3) from the Commissioner of the Department of Natural Resources to a newly created commissioner of the Department of Agriculture and Food. This fiscal note is based on FY2012 Governor amended numbers.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB 191**
() Publish Date

Identifier (file name) HB191-GOV-OMB-03-14-11
Title: Department of Agriculture and Food
Sponsor: Thompson by request
Requester: Special Committee on Econonic Development, Trade & Tourism

Dept. Affected: Agriculture and Food
Appropriation: Administration and Support
Allocation: Administrative Services
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					1,121.8	1,121.8	1,121.8
Travel					15.0	15.0	15.0
Services					175.0	175.0	175.0
Commodities					15.0	15.0	15.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**1,326.8**	**1,326.8**	**1,326.8**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					1,326.8	1,326.8	1,326.8
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**1,326.8**	**1,326.8**	**1,326.8**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					13	13	13
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John Boucher, Senior Economist — Phone 465-4677
Division: Office of Management and Budget — Date/Time 3/14/2011 11:00am
Approved by: Karen J. Rehfeld, Director — Date 3/14/2011
Office of Management and Budget

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 191

Analysis

HB 191 creates a new Department of Agriculture and Food. Although the programs and staff will be transferred from the Departments of Environmental Conservation and Natural Resources, an entirely new Office of the Commissioner and Division of Administrative Services will be created.

Funding and staffing are based on Office of the Commissioner staffs and funding in other departments. These are preliminary estimates only and would need to be refined closer to the actual set-up of the Office. This estimate excludes any initial set-up costs for the new office or the additional lease space required, which would increase the costs on a one-time basis in FY2015.

The 13 positions requested are:	
Division Director (range 27A)	145,544
Budget Analyst III (range 19A)	94,199
Administrative Assistant II (range 14A)	71,062
Procurement Specialist III (rang 18A)	88,958
Supply Technician II (range 12A)	64,442
Accountant IV (range 20A)	101,770
Accounting Tech III (range 16A)	79,272
Accounting Tech II (range 14A)	71,062
Accounting Tech II (range 14A)	71,062
Accounting Tech I (range 12A)	64,442
Micro/Network Spec II (range 20A)	101,772
Micro/Network Spec I (range 18A)	88,958
Micro/Network Tech II (range 16A)	79,272
(vacancy adjustment)	(13)
Estimated Personal Services Costs	1,121,813

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB 191**
() Publish Date

Identifier (file name) HB191-GOV-OMB-03-14-11
Dept. Affected: Agriculture and Food
Title: Department of Agriculture and Food
Appropriation: Administration and Support
Allocation: Office of the Commissioner
Sponsor: Thompson by request
Requester: Special Committee on Econonic Development, Trade & Tourism
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services					630.0	630.0	630.0
Travel					30.0	30.0	30.0
Services					100.0	100.0	100.0
Commodities					15.0	15.0	15.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**775.0**	**775.0**	**775.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF					775.0	775.0	775.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**775.0**	**775.0**	**775.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time					5	5	5
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: John Boucher, Senior Economist — Phone 465-4677
Division: Office of Management and Budget — Date/Time 3/14/2011 11:00am
Approved by: Karen J Rehfeld, Director — Date 3/14/2011
Office of Management and Budget

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 191

Analysis

HB 191 creates a new Department of Agriculture and Food. Although the programs and staff will be transferred from the Departments of Environmental Conservation and Natural Resources, an entirely new Office of the Commissioner and Division of Administrative Services will be created.

Funding and staffing are based on Office of the Commissioner staffs and funding in other departments. These are preliminary estimates only and would need to be refined closer to the actual set-up of the Office. This estimate excludes any initial set-up costs for the new office or the additional lease space required, which would increase the costs on a one-time basis in FY2015.

The five positions requested are:

Commissioner (Range 30A)	205,910
Deputy Commissioner (range 28A)	170,409
Executive Secretary III (range 16A)	81,999
Special Assistant to the Commissioner II (range 21A)	108,175
Administrative Assistant (range 12A)	64,442
Minus Vacancy adjustment of .02%	(135)
Estimated Personal Services Line	630,000

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: **27-LS0458\M**
Bill Version:
() Publish Date:

Identifier (file name) HB191-DEC-LS-03-11-11
Title: Department of Agriculture and Food
Sponsor: Representative Thompson
Requester: (H) Economic Development, Trade & Tourism Spec Comm.

Dept. Affected: Environmental Conserv
Appropriation: Environmental Health
Allocation: Laboratory Services
OMB Component Number: 2065

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	***	***	***	***	***	***	***
Part-time	***	***	***	***	***	***	***
Temporary	***	***	***	***	***	***	***

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Kristin Ryan, Director — Phone: 907-269-7645
Division: Environmental Health — Date/Time: 3/11/11 4:00 PM
Approved by: Dan Easton — Date: 3/11/2011
Deputy Commissioner

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 191

Analysis

The Department of Environmental Conservation is unclear about aspects of the food safety regulatory portions of this bill and which department would be responsible for them. The Department needs clarification before finalizing a fiscal note. For example, there are hundreds of food processors in Alaska (birch syrup, salsa, tortillas, potato chips, jam, candy, etc) that are not agricultural products but don't meet the definition of retail food.

[redacted]OUSE COMMITTEE REPO[redacted]

(9)

Date Referred to Committee: March 11, 2011

FURTHER REFERRALS: Resources
Finance

Date of Committee Action: 4.7.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered: **HB 191**

HOUSE BILL NO. 191
"An Act establishing a state department of agriculture and food and relating to its powers and duties; relating to the powers and duties of the Department of Environmental Conservation and the Department of Natural Resources; and providing for an effective date."

HB 191-DEPARTMENT OF AGRICULTURE AND FOOD

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ ( )
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR _____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
GOV	GOV		X	
GOV	GOV	X		
GOV	GOV	X		
GOV	GOV	X		
GOV	GOV	X		
GOV	GOV	X		
DNR	DNR	X		
DNR	DNR	X		
DNR	DNR	X		
DNR	DNR	X		
DNR	DNR	X		
DNR	DNR	X		
DEC	DNR	X		
DNR	DEC		X	

PREVIOUS FISCAL NOTES

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Catherine Munoz	Muñoz			–	
Ken M. Thompson	Thompson	X			
Bryta Gardner	Gardner		X		
Chris Tuck	Tuck	X			
Doug Foster	Foster	X			
Vice Chair:	Olson			X	
Chair:					

State of Alaska
FY2012 Governor's Operating Budget

Department of Natural Resources
Agriculture Revolving Loan Program Administration
Component Budget Summary

Component: Agriculture Revolving Loan Program Administration

Contribution to Department's Mission

Promote and encourage development of an agriculture industry in Alaska.

Core Services

- The Board of Agriculture and Conservation (BAC) administers the Agricultural Revolving Loan Fund (ARLF) through the Division of Agriculture.

Results at a Glance

(Additional performance information is available on the web at http://omb.alaska.gov/results.)

END RESULT A: Sustained availability of financing for future agricultural development and expansion in Alaska. ARLF celebrated 57 years of service to Alaska in 2010.

- 47.43% loan to equity ratio in 2010 as compared to 44.75% loan to equity ratio in 2009.
- 2.1% delinquency in 2010 as compared to 1.6% delinquency rate in 2009.

Status of Strategies to Achieve End Result

- $5,710,650 was approved in FY10 as compared to $4,393,800 loaned in FY09.
- $234,000 was returned to the ARLF in FY10 from the sale of asset property.

Major Activities to Advance Strategies	
• Process new loan applications	• Recover foreclosed/repossessed collateral
• Process loan modification requests	• Facilitate settlements
• Inspect and evaluate collateral	• Provide protection of ARLF assets
• Close loan/modification requests	• Respond to informational requests
• Service loans, contracts, leases, accounts	• Provide asset management
• Manage default accounts	• Dispose of foreclosed/repossessed assets

Key Component Challenges

Management continues to make efforts to minimize the draw on the fund by keeping delinquency rates low. Conventional financing is not generally available to agriculture in Alaska.

- Reduce Agricultural Revolving Loan Fund (ARLF) expenditures through efficiencies.
- Provide low interest rate loans for agricultural development.
- Sustain growth and expansion of the ARLF program.
- Sell Palmer asset property offered at $975,000.
- Sell Delta Junction asset property offered at $275,000.
- Sell Kenai asset property offered at $19,500.
- Continue to look at ways to minimize losses at Mt. McKinley Meat & Sausage (MMM&S).

Significant Changes in Results to be Delivered in FY2012

- Update the ARLF procedures manual.
- Sell asset property and return $1,269,500 to ARLF

Major Component Accomplishments in 2010

- The ARLF program celebrated 57 years of continued service to Alaska agriculture in August.
- The delinquency rate of the $21.8 million ARLF loan portfolio is 2.1%.
- Promoted industry growth through competitive interest-rate loans to borrowers with viable business plans.

- Updated the ARLF loan application to an online entry format.
- Contributed to industry stability by providing continued financing for existing agricultural enterprises.

Statutory and Regulatory Authority

AS 03.09, AS 03.10

Contact Information

Contact: Franci Havemeister, Director
Phone: (907) 761-3867
Fax: (907) 745-7112
E-mail: Franci.Havemeister@alaska.gov

Agriculture Revolving Loan Program Administration
Component Financial Summary

All dollars shown in thousands

	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	453.6	471.7	504.7
72000 Travel	6.7	24.0	24.0
73000 Services	314.5	494.6	494.6
74000 Commodities	737.0	1,495.7	1,489.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**1,511.8**	**2,486.0**	**2,512.3**
Funding Sources:			
1021 Agricultural Loan Fund	1,511.8	2,486.0	2,512.3
Funding Totals	**1,511.8**	**2,486.0**	**2,512.3**

Estimated Revenue Collections

Description	Master Revenue Account	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	3,339.3	0.0	0.0
Unrestricted Total		**3,339.3**	**0.0**	**0.0**
Restricted Revenues				
None.		0.0	0.0	0.0
Restricted Total		**0.0**	**0.0**	**0.0**
Total Estimated Revenues		**3,339.3**	**0.0**	**0.0**

Summary of Component Budget Changes
From FY2011 Management Plan to FY2012 Governor

All dollars shown in thousands

	Unrestricted Gen (UGF)	Designated Gen (DGF)	Other Funds	Federal Funds	Total Funds
FY2011 Management Plan	**0.0**	**2,486.0**	**0.0**	**0.0**	**2,486.0**
Adjustments which will continue current level of service:					
-FY 2012 Personal Services increases	0.0	18.2	0.0	0.0	18.2
-FY 2011 Over/Understated GGU/SU salary adjustments	0.0	8.1	0.0	0.0	8.1
FY2012 Governor	**0.0**	**2,512.3**	**0.0**	**0.0**	**2,512.3**

Agriculture Revolving Loan Program Administration
Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2011 Management Plan	FY2012 Governor		
Full-time	5	5	Annual Salaries	321,185
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	191,190
			Less 1.50% Vacancy Factor	(7,677)
			Lump Sum Premium Pay	0
Totals	**5**	**5**	**Total Personal Services**	**504,698**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Corr Indus Prod Mgr I	0	0	0	2	2
Corr Indus Prod Mgr II	0	0	0	1	1
Loan/Collection Off I	0	0	0	1	1
Office Assistant II	0	0	0	1	1
Totals	**0**	**0**	**0**	**5**	**5**

Component Detail All Funds
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	453.6	463.2	463.2	471.7	504.7	33.0	7.0%
72000 Travel	6.7	24.0	24.0	24.0	24.0	0.0	0.0%
73000 Services	314.5	494.6	494.6	494.6	494.6	0.0	0.0%
74000 Commodities	737.0	1,504.2	1,504.2	1,495.7	1,489.0	-6.7	-0.4%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	**1,511.8**	**2,486.0**	**2,486.0**	**2,486.0**	**2,512.3**	**26.3**	**1.1%**
Fund Sources:							
1021 Agric Loan	1,511.8	2,486.0	2,486.0	2,486.0	2,512.3	26.3	1.1%
Unrestricted General (UGF)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Designated General (DGF)	**1,511.8**	**2,486.0**	**2,486.0**	**2,486.0**	**2,512.3**	**26.3**	**1.1%**
Other Funds	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Federal Funds	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0%**
Positions:							
Permanent Full Time	5	5	5	5	5	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	Positions PPT	Positions NP
********** Changes From FY2011 Conference Committee (Final) To FY2011 Authorized **********												
FY2011 Conference Committee	ConfCom	2,486.0	463.2	24.0	494.6	1,504.2	0.0	0.0	0.0	5	0	0
1021 Agric Loan 2,486.0												
Subtotal		**2,486.0**	**463.2**	**24.0**	**494.6**	**1,504.2**	**0.0**	**0.0**	**0.0**	**5**	**0**	**0**
********** Changes From FY2011 Authorized To FY2011 Management Plan **********												
ADN 10-1-5023 Transfer from Commodities to Personal Services to Maintain Acceptable Vacancy Factor	LIT	0.0	8.5	0.0	0.0	-8.5	0.0	0.0	0.0	0	0	0

This line item transfer moves authorization from commodities to personal services to reflect anticipated increases personal services expenditures due to step increases and to manage a reasonable vacancy rate.

Economic factors such as weather, the price of feed, fertilizer, the national average paid for animals are all factors causing a natural up and down cycle of expenditures and the availability of meat. Additionally, institutions purchasing meat cycles due to the changing client base.

Subtotal		**2,486.0**	**471.7**	**24.0**	**494.6**	**1,495.7**	**0.0**	**0.0**	**0.0**	**5**	**0**	**0**
********** Changes From FY2011 Management Plan To FY2012 Governor **********												
Realign Line Items to Maintain Vacancy Factor	LIT	0.0	6.7	0.0	0.0	-6.7	0.0	0.0	0.0	0	0	0

This line item transfer from commodities to personal services reflects anticipated increases in personal services expenditures due to step increases and allows for a reasonable vacancy rate.

Economic factors such as weather, the price of feed, fertilizer, the national average paid for animals are all factors causing a natural up and down cycle of expenditures and the availability of meat. Additionally, institutions purchasing meat cycles due to the changing client base. The current downward cycle allows the excess authority in commodities to be transferred from commodities to personal services.

If the transfer is not approved the Agricultural Revolving Loan Program component will be unable to meet its personal services obligations in FY12.

FY 2012 Personal Services increases	SalAdj	18.2	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1021 Agric Loan 18.2												

This change record includes the following personal services increases:
: $18.2

Change Record Detail - Multiple Scenarios With Descriptions
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	Positions PPT	Positions NP
Alaska State Employees Assn (GGU) FY2012 Health Insurance Increased Costs : $9.9												
Alaska State Employees Association (GGU) FY 12 COLA increases : $8.4												
Alaska State Employees Association - ASEA Geographic Differential for GGU : $-0.1												
FY 2011 Over/Understated GGU/SU salary adjustments	SalAdj	8.1	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1021 Agric Loan		8.1										
When the SU and GGU salary adjustments were calculated, errors were made that understated some GGU amounts and overstated some SU amounts. This change record identifies the over and under stated amounts associated with these calculations.: $8.1												
Totals		**2,512.3**	**504.7**	**24.0**	**494.6**	**1,489.0**	**0.0**	**0.0**	**0.0**	**5**	**0**	**0**

Personal Services Expenditure Detail
Department of Natural Resources

Scenario: FY2012 Governor (8665)
Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
10-3052	Office Assistant II	FT	A	GP	Palmer	200	10G	12.0		38,076	0	0	29,027	67,103	0
10-3064	Loan/Collection Off I	FT	A	GP	Palmer	200	16O	12.0		72,084	0	0	41,001	113,085	0
20-6122	Corr Indus Prod Mgr II	FT	A	GP	Palmer	200	18N	12.0		79,404	0	0	43,578	122,982	0
20-6169	Corr Indus Prod Mgr I	FT	A	GP	Palmer	200	16M	12.0		66,972	0	0	39,201	106,173	0
20-6425	Corr Indus Prod Mgr I	FT	A	GP	Palmer	200	16L / M	12.0		64,649	0	0	38,383	103,032	0

	Total Positions	New	Deleted
Full Time Positions:	5	0	0
Part Time Positions:	0	0	0
Non Permanent Positions:	0	0	0
Positions in Component:	5	0	0

Total Component Months: 60.0

Total Salary Costs:	321,185
Total COLA:	0
Total Premium Pay::	0
Total Benefits:	191,190
Total Pre-Vacancy:	512,375
Minus Vacancy Adjustment of 1.50%:	(7,677)
Total Post-Vacancy:	504,698
Plus Lump Sum Premium Pay:	0
Personal Services Line 100:	504,698

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1021 Agricultural Loan Fund	512,375	504,698	100.00%
Total PCN Funding:	**512,375**	**504,698**	**100.00%**

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.
[No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Natural Resources
Travel

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000	Travel	6.7	24.0	24.0

Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
		72000 Travel Detail Totals	**6.7**	**24.0**	**24.0**
72100 Instate Travel		Field travel for inspections will help hold down the delinquency rate and help maintain repossessed properties. Administrative training for management and meetings. Travel including transportation, lodging and perdiem. Board of Agriculture and Conservation has increased meetings held due to agendas that are more complex.	6.7	19.0	19.0
72400 Out Of State Travel		Travel including transportation, lodging and per diem. Includes travel for National (NASDA) and Western Association of State Departments of Agriculture (WASDA) and Western United States Trade Association (WUSATA).	0.0	5.0	5.0

Line Item Detail
Department of Natural Resources
Services

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000	Services	314.5	494.6	494.6

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			73000 Services Detail Totals	**314.5**	**494.6**	**494.6**
73025	Education Services		Alaska Revolving Loan Fund memberships and conferences.	0.0	1.4	1.4
73050	Financial Services		ARLF loan service fees, expense management and consulting.	3.0	6.9	6.9
73156	Telecommunication		Data communications, including phone and data line charges.	4.8	6.3	6.3
73225	Delivery Services		Postage, freight and courier costs. Lending activity and Board of Agriculture and Conservation information to the public. Meat plant postage to ship meat to institutions.	25.7	25.7	25.7
73450	Advertising & Promos		Printing materials, invoices, receipts, ARLF application and brochures, film for ARLF inspections, land sale printed material to the public, copy charges.	3.1	9.0	9.0
73525	Utilities		Utilities, heating oil, gas electric, waste disposal, water and sewer necessary to maintain assets and the Mt. McKinley meat plant.	87.2	108.3	108.3
73650	Struc/Infstruct/Land		Property and facility appraisal to facilitate asset disposals. Mt. McKinley Meat Plant facility repairs and maintenance.	6.3	13.5	13.5
73675	Equipment/Machinery		Minor repair and maintenance of vehicles and office equipment.	2.0	6.3	6.3
73750	Other Services (Non IA Svcs)		Professional services contracts, other professional services and special projects.	2.6	25.8	25.8
73750	Other Services (Non IA Svcs)		Protection of assets. Alaska Revolving Loan Fund is in the process of maintaining properties that are active and intended to be sold.	0.0	30.1	30.1
73804	Economic/Development (IA Svcs)	Correct	Mt. McKinley Meat Plant inmate wages.	23.7	35.0	35.0

Line Item Detail
Department of Natural Resources
Services

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			73000 Services Detail Totals	**314.5**	**494.6**	**494.6**
73804	Economic/Development (IA Svcs)	NatRes	ARLF Public Information Center (PIC) support.	0.6	0.6	0.6
73804	Economic/Development (IA Svcs)	NatRes	ARLF accounting support.	49.3	53.2	53.2
73804	Economic/Development (IA Svcs)	NatRes	ARLF CIC support.	0.1	0.9	0.9
73805	IT-Non-Telecommnctns	Admin	ETS Computer Service RSA.	2.9	2.8	2.8
73805	IT-Non-Telecommnctns	Admin	DOA microsoft contract.	0.8	0.9	0.9
73809	Mail	Admin	Central Mail RSA.	0.2	0.3	0.3
73810	Human Resources	Admin	Division of Personnel/Human Resource RSA.	0.6	0.3	0.3
73812	Legal	Law	Regulations RSA.	0.1	0.1	0.1
73812	Legal	Law	ARLF Legal Services to support the Board of Agriculture and Conservation (BAC) including the loan program.	67.7	110.0	110.0
73813	Auditing	Admin	Statewide Audit RSA.	0.0	0.1	0.1
73814	Insurance	Admin	Risk Management Public Official Bond RSA.	8.2	11.4	11.4
73814	Insurance	Admin	Risk Management Overhead RSA.	0.0	1.0	1.1
73814	Insurance	Admin	Risk Management Non-shared facilities	0.0	10.3	10.3
73815	Financial	Admin	Division of Finance AKSAS/AKPAY RSA	0.3	0.5	0.5
73816	ADA Compliance	Labor	ADA compliance RSA.	0.1	0.1	0.1
73819	Commission Sales (IA Svcs)	Admin	Central office travel fees.	0.1	1.5	1.5
73848	State Equip Fleet	Trans	Charges to state equipment fleet rolling stock. Vehicle and equipment expenses payable to Department of Transportation State Equipment Fleet.	25.1	32.3	32.2

Line Item Detail
Department of Natural Resources
Commodities

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000	Commodities	737.0	1,495.7	1,489.0

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			74000 Commodities Detail Totals	**737.0**	**1,495.7**	**1,489.0**
74226	Equipment & Furniture		ARLF furniture replacement.	2.2	2.9	1.5
74229	Business Supplies		Office supplies, forms, photo supplies, aerial photos, maps, duplication materials/paper/developer, data processing and computer supplies.	3.7	5.7	5.7
74233	Info Technology Equip		Information technology equipment, PC computer, monitor, cables.	0.0	3.1	3.1
74235	Items For Resale		Mt. McKinley Meats live animal purchase for slaughter and resale.	49.9	249.5	248.6
74236	Subscriptions		Subscriptions	0.0	0.5	0.5
74481	Food Supplies		Meat purchases for resale.	633.8	836.9	836.9
74485	Cleaning		Janitorial supplies	3.2	15.2	15.2
74490	Non-Food Supplies		Meat processing, agricultural supplies, seed, fertilizer, herbicides, insecticides, ARLF asset feed supplies, related material necessary to manage Mt. McKinley meat plant operation.	37.0	362.0	357.6
74691	Building Materials		Structural repair supplies.	0.2	0.5	0.5
74700	Electrical		Electrical.	0.6	1.8	1.8
74701	Plumbing		Plumbing.	3.4	3.4	3.4
74754	Parts And Supplies		Repair and maintenance supplies including vehicle parts and parts for other equipment including field equipment components.	0.7	2.3	2.3
74759	Paint & Preservatives		Paints and preservatives.	0.0	1.6	1.6
74820	Sm Tools/Minor Equip		Hand tools.	1.4	7.9	7.9
74850	Equipment Fuel		Diesel, gasoline and oil.	0.5	0.5	0.5
74854	Vehicle (Commodities-Repair & Maint)		Vehicle repair, parts and maintenance.	0.4	1.9	1.9

Unrestricted Revenue Detail
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Master Account	Revenue Description	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
68515	Unrestricted Fund	3,339.3	0.0	0.0

Detail Information

Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
64101	Late Fees		Late Fees	21606		4.0	0.0	0.0
64108	New Loan App Fees		New Loan App Fees	21606		1.2	0.0	0.0
64560	Misc Trans Charges		Misc. Tran Charges	21606		28.0	0.0	0.0
64750	Service Rendered Rec		Service Rendered Rec.	21606		120.3	0.0	0.0
64800	Sale Of Products		Sale of Products	21606	mountme meat	918.6	0.0	0.0
65310	Lease Of St Property		Lease of St. Prop.	21606		26.3	0.0	0.0
65519	Matanuska Maid Dairy		Mat Maid Dairy	21606		1,653.3	0.0	0.0
65756	Short Term Loan Int		Short Term Loan	21606		587.6	0.0	0.0

Inter-Agency Services
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Expenditure Account		Service Description	Service Type	Servicing Agency	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73804	Economic/Development (IA Svcs)	Mt. McKinley Meat Plant inmate wages.	Inter-dept	Correct	23.7	35.0	35.0
73804	Economic/Development (IA Svcs)	ARLF Public Information Center (PIC) support.	Intra-dept	NatRes	0.6	0.6	0.6
73804	Economic/Development (IA Svcs)	ARLF accounting support.	Intra-dept	NatRes	49.3	53.2	53.2
73804	Economic/Development (IA Svcs)	ARLF CIC support.	Intra-dept	NatRes	0.1	0.9	0.9
			73804 Economic/Development (IA Svcs) subtotal:		**73.7**	**89.7**	**89.7**
73805	IT-Non-Telecommnctns	ETS Computer Service RSA.	Inter-dept	Admin	2.9	2.8	2.8
73805	IT-Non-Telecommnctns	DOA microsoft contract.	Inter-dept	Admin	0.8	0.9	0.9
			73805 IT-Non-Telecommnctns subtotal:		**3.7**	**3.7**	**3.7**
73809	Mail	Central Mail RSA.	Inter-dept	Admin	0.2	0.3	0.3
			73809 Mail subtotal:		**0.2**	**0.3**	**0.3**
73810	Human Resources	Division of Personnel/Human Resource RSA.	Inter-dept	Admin	0.6	0.3	0.3
			73810 Human Resources subtotal:		**0.6**	**0.3**	**0.3**
73812	Legal	Regulations RSA.	Inter-dept	Law	0.1	0.1	0.1
73812	Legal	ARLF Legal Services to support the Board of Agriculture and Conservation (BAC) including the loan program.	Inter-dept	Law	67.7	110.0	110.0
			73812 Legal subtotal:		**67.8**	**110.1**	**110.1**
73813	Auditing	Statewide Audit RSA.	Inter-dept	Admin	0.0	0.1	0.1
			73813 Auditing subtotal:		**0.0**	**0.1**	**0.1**
73814	Insurance	Risk Management Public Official Bond RSA.	Inter-dept	Admin	8.2	11.4	11.4
73814	Insurance	Risk Management Overhead RSA.	Inter-dept	Admin	0.0	1.0	1.1
73814	Insurance	Risk Management Non-shared facilities	Inter-dept	Admin	0.0	10.3	10.3
			73814 Insurance subtotal:		**8.2**	**22.7**	**22.8**
73815	Financial	Division of Finance AKSAS/AKPAY RSA	Inter-dept	Admin	0.3	0.5	0.5
			73815 Financial subtotal:		**0.3**	**0.5**	**0.5**
73816	ADA Compliance	ADA compliance RSA.	Inter-dept	Labor	0.1	0.1	0.1
			73816 ADA Compliance subtotal:		**0.1**	**0.1**	**0.1**
73819	Commission Sales (IA Svcs)	Central office travel fees.	Inter-dept	Admin	0.1	1.5	1.5
			73819 Commission Sales (IA Svcs) subtotal:		**0.1**	**1.5**	**1.5**
73848	State Equip Fleet	Charges to state equipment fleet rolling stock. Vehicle and equipment expenses payable to Department of Transportation State Equipment Fleet.	Inter-dept	Trans	25.1	32.3	32.2
			73848 State Equip Fleet subtotal:		**25.1**	**32.3**	**32.2**
74226	Equipment & Furniture	ARLF furniture replacement.	Inter-dept		2.2	2.9	1.5
			74226 Equipment & Furniture subtotal:		**2.2**	**2.9**	**1.5**

Inter-Agency Services
Department of Natural Resources

Component: Agriculture Revolving Loan Program Administration (2235)
RDU: Resource Development (136)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			Agriculture Revolving Loan Program Administration total:	**182.0**	**264.2**	**262.8**
			Grand Total:	**182.0**	**264.2**	**262.8**

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION ADDITION	APPROPRIATION WITHDRAWAL	INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
1953	$200,000		$200,000	Fund created; authorized up to $1,000,000 short-term loans not to exceed $2,000 for 1-year terms at 6%; chattel loans not to exceed $10,000 for 5-year terms at 5%; farm development loans not to exceed $15,000 for up to 20-year terms at 4.5%
1955	150,000		350,000	Farm development limit raised to $20,000 maximum
1957	125,000		475,000	
1959	100,000		575,000	
1960	75,000		650,000	
1961	200,000		850,000	Authorized fund increased to $2,000,000; short-term limit raised to $5,000; chattel limit raised to $25,000; farm development limit raised to $40,000
1962	200,000		1,050,000	
1964				Authorized to utilize TR and PER Funds
1966	45,000		1,095,000	Short-term limit raised to $10,000; chattel limit raised to $40,000 for 7 years at 6%; farm development limit raised to $50,000 for 30 years at 5%
1967	45,000		1,140,000	Short-term limit raised to $15,000; farm development limit raised to $75,000 at 6%
1968	300,000		1,440,000	
1969	100,000		1,540,000	
1970	500,000 800,000		2,840,000	Special irrigation fund established with up to 20 years at 4%; chattel limits raised to $100,000; farm development limit raised to $150,000; authority to sell loans to Dept of Revenue Authorized fund increased to $5,000,000
1971	200,000		3,040,000	Agreement with Commissioner for sale/purchase of loans @ 0.5% service fee
1975	200,000		3,240,000	Short-term limit raised to $25,000; farm development loans @ 6%
1976	200,000		3,440,000	Farm development limit raised to $200,000
1977	200,000		3,640,000	Loan Board re-established

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION ADDITION	APPROPRIATION WITHDRAWAL	INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
1978	400,000		4,040,000	Irrigation loans @ 6%
1979	200,000		4,240,000	Farm development limit raised to $500,000; chattel limit raised to $300,000; short-term limit raised to $100,000 AS 03-10-030(e) 15-day delinquency; 7% penalty; AS 03.10.035 Use or Dispposal of Mortgaged Farm Land
1980	4,000,000 6,800,000	(1,200,000)	13,840,000	$1.2 million taken for fire fighting AS 03.10.030(f) Product processing loans with $2,500,000 limit; repeal authority to sell loans
1981	6,160,000 8,500,000		28,500,000	
1982	14,000,000		42,500,000	
1983	10,000,000		52,500,000	
1984	10,000,000		62,500,000	Appropriated $1 million for Grain Reserve Loan Program
1985	5,000,000		67,500,000	
1986	2,500,000		70,000,000	
1988		(6,762,000)	63,238,000	AS 03.10.050 Good Borrower Credit program instituted; AS 03.10.033 Restructure of agricultural debt
1989		(1,462,000) (460,314)	61,315,686	$460,314 in GF expenditures paid by ARLF
1990		(1,000,000) (253,888)	60,061,797	Moratorium on loans - Delta Area $253,888 in GF expenditures paid by ARLF
1993		(180,500)	59,881,297	$180,500 in GF expenditures paid by ARLF
1994		(180,900)	59,700,397	$180,900 in GF expenditures paid by ARLF
1995		(203,361)	59,497,036	$203,361 in GF expenditures paid by ARLF
1996		(455,487)	59,041,549	$455,487 in GF expenditures paid by ARLF
1997		(1,110,730)	57,930,818	$1,110,730 in GF expenditures paid by ARLF

AGRICULTURAL REVOLVING LOAN FUND
Fiscal Summary

FISCAL YEAR	APPROPRIATION ADDITION	APPROPRIATION WITHDRAWAL	INCEPTION TO DATE TOTAL	STATUTORY AUTHORIZATION AND CHANGES
1998		(951,222)	56,979,596	Moratorium on loans affected by Mt. McKinley Meat Plant fire $951,222 in GF expenditures paid by ARLF
1999		(910,302)	56,069,294	$910,302 in GF expenditures paid by ARLF
2000		(899,501)	55,169,793	$899,501 in GF expenditures paid by ARLF
2001		(1,055,916)	54,113,877	$1,055,916 in GF expenditures paid by ARLF
2002		(1,163,478)	52,950,399	$1,163,478 in GF expenditures paid by ARLF
2003		(1,056,783)	51,893,616	$1,056,783 in GF expenditures paid by ARLF
2004		(1,436,874)	50,456,743	$1,436,874 in GF expenditures paid by ARLF
2005		(649,743)	49,806,999	$649,743 in GF expenditures paid by ARLF
2006		(860,680)	48,946,320	$860,680 in GF expenditures paid by ARLF
2007		(831,615)	48,114,705	$831,615 in GF expenditures paid by ARLF
2008		(1,505)	48,113,201	$1,505 in GF expenditures paid by ARLF (FY07 Appropriation expended in FY08)
2009		0	48,113,201	No GF expenditures paid by ARLF
2010	600,000	0	48,113,201	$600,000 Creamery Corporation appropriation to ARLF. No GF expenditures paid by ARLF
TOTAL	71,800,000	(23,086,799)	48,713,201	

(12,662,799) Total GF Expenditures from 1989

NOTE: If the fiscal year is not shown it means that there were no appropriations for that particular year and there were no GF expenditures paid by ARLF for that year.

Agricultural Revolving Loan Fund Cash Flow Projection
Interest Rate at S-3%, C-4%, F-4.5%
Loan $2,400,000 in FY11, $1,500,000 in FY12-FY15

FSS Projections

	Actual	Estimates				
	FY10	FY11	FY12	FY13	FY14	FY15
Beginning Cash Balance	**5,864,683**	$4,653,390	$5,125,622	$5,555,232	$5,484,725	$5,372,633
Operating						
Cash Inflows						
Principal & interest payments - **Note 1**	2,284,992	2,985,036	2,099,264	2,099,149	2,057,669	2,116,026
Leases	26,326	20,726	3,926	3,926	3,926	3,926
Late payment penalties (ave 0.3% of total pmts)	4,008	7,745	5,419	5,419	5,312	5,462
Settlements on defaulted loans	0	0	0	0	0	0
Fees, services, forfeitures	254,000	1,000	1,000	1,000	1,000	1,000
Cash Outflows						
Loan Disbursements	(3,285,000)	(2,400,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
ARLF Operating expenses	(404,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Return of Deposit	0	(62,275)	0	0	0	0
Fiscal Year End adjustments	(29,619)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Operating Change in Cash	(1,149,293)	22,232	79,609	79,494	37,907	96,415
Non- Operating						
Cash Inflows						
Transfer of Creamery Corp. Assets	0	0	500,000	0	0	0
Creamery Corp. Equipment Lease	0	0	0	0	0	0
Transfer from General Fund	0	600,000	0	0	0	0
Sale of Assets - **Note 3**	125,000	0	0	0	0	0
Mt. McKinley Meat Plant Revenues - **Note 2**	1,068,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Cash Outflows						
Mt. McKinley Meat Expenses Plant - **Note 2**	(1,255,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
Non-Operating Change in Cash	(62,000)	450,000	350,000	(150,000)	(150,000)	(150,000)
Net Change in Cash	(1,211,293)	472,232	429,609	(70,506)	(112,093)	(53,585)
Ending Cash Balance	**4,653,390**	**5,125,622**	**5,555,232**	**5,484,725**	**5,372,633**	**5,319,047**

Note 1 - Based on all current loans plus future loans at S-3%, C-4%, F-4.5% for FY11 through FY15.

Note 2 - The loss listed for the Mt. McKinley Meat Plant is an estimate based on the last 5-year average.

Note 3 - All proceeds from prior financed sales are included in Principal and Interest payments.

Prepared 1/1/2011 by DNR, FSS-Anchorage

Loan Activity allocated as follows based on an average of all current loans:

C-loans = 12% of total loans over 7 years
I-loans = 0% of total loans over 12 years
L-loans = 0% of total loans over 20 years
F-loans = 45% of total loans over 30 years
S-loans = 43% of total loans over 1 year
P-loans = 0% of total loans over 20 years

Re: FW: HB 191 ARLF Document

From: [redacted]
Sent: Sun 4/03/11 6:27 PM
To: Bryce Wrigley (bjwrigley@gmail.com)
Cc: pete fellman (petefellman@hotmail.com)

It's not a surprise but it's a disappointment. I just cannot understand Franci's thinking in manipulating the ARLF cash flow projection this way. She should seize this as an opportunity to show that the ARLF is funding Alaskan Agricultural development so well that it needs more money. And if the Division's charge is to encourage and promote development of Alaskan agriculture, why would she minimize the need for more funding. Even the current BAC knows the ARLF will run out of funds soon as evidenced by their recent resolution requesting GF operating funds for the ARLF.

As I previously told you, Franci and I disagreed on this report FY10 that I was previously assigned as the ARLF Loan Manager. She reassigned the report to Financial Support Services (FSS) who manipulates the numbers to indicate that the Fund will continue to revolve. My FY10 ARLF Cash Flow Projection has already proved more correct and FSS more incorrect.

The biggest manipulation is the projected annual loan disbursement of $1,500,000.

FY09 $2,500,000 FY10 $3,500,000 FY11 $2,400,000 (3/17/2011) These are the last 3 years ARLF approved loans which DO NOT include ARLF refinances. These figures are public information and have appeared on ARLF cash flow projection reports so you may use them with your questions.

For the record, no one talked to me, the ARLF Loan Manager, for input on this ARLF cash flow projection. They don't even know how much $s I have in loans in process. They have not included asset sales such as the Palmer MatMiad property or the Knopp Dairy farm (lease expires 6/2011) which I assume will be ARLF financed.

The report is incomplete and inaccurate in my opinion; however, as Director she has the authority to present it on behalf of the ARLF. You may question it, certainly about the projected loan disbursements; however, everyone should agree the need to recapitalize the ARLF if we want to continue to support existing ag operations and new ag development. My hope is that the ARLF is recapitalized with responsible management and plan.

----- Original Message -----

From: Bryce Wrigley
To: pete fellman
[redacted]
Sent: Sunday, April 03, 2011 4:28 PM
Subject: Re: FW: HB 191 ARLF Document

It looks like this projection is based on ARLF disbursements that are significantly lower than FY2010 and 2011. What is the basis for this reduction? By applying this reduced level of disbursements, the cash flow shows a slight reduction in the beginning balance every year, however if we use figures more in line with 2010, the ARLF gets depleted pretty fast. Were there disbursements in 2010 that are atypical? What is the average of loan disbursements over the past 5 or ten years?

Also, I see that there is no recapitalization of ARLF from the General Fund in 2015, which I had expected to see according to DNR's 10 year budget projection of a few days ago. Is that because by using these lower loan numbers the fund basically revolves and it was decided that a recap was not needed at this time?

Just trying to understand where these figures came from. I have a letter to Commissioner Sullivan and would like to make sure I understand these numbers before I send it. Let me know if I have misread this cash flow.

Bryce

On Sun, Apr 3, 2011 at 1:25 PM, pete fellman <petefellman@hotmail.com> wrote:

From: Jane_Pierson@legis.state.ak.us
To: petefellman@hotmail.com
Date: Sun, 3 Apr 2011 13:16:14 -0800
Subject: FW: HB 191 ARLF Document

Here is the corrected ARLF spread from Trevor.

JWP

From: Fulton, Trevor M (DNR) [mailto:trevor.fulton@alaska.gov]
Sent: Friday, April 01, 2011 1:08 PM
To: Jane Pierson
Cc: Havemeister, Franci A (DNR); Rob Earl
Subject: HB 191 ARLF Document

Jane,

Please replace the prior ARLF document submitted as backup for HB 191 with the attached. Thanks.

Trevor Fulton

Legislative Liaison

Office of the Commissioner

Department of Natural Resources

(907) 465-4730

Re: HB 191 ARLF Document

From: **Bryce Wrigley** (bjwrigley@gmail.com)
Sent: Sun 4/03/11 10:02 PM
To: [redacted]
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From: [redacted]
Sent: Sun 4/03/11 6:27 PM
To: Bryce Wrigley (bjwrigley@gmail.com)
Cc: pete fellman (petefellman@hotmail.com)

It's not a surprise but it's a disappointment. I just cannot understand Franci's thinking in manipulating the ARLF cash flow projection this way. She should seize this as an opportunity to show that the ARLF is funding Alaskan Agricultural development so well that it needs more money. And if the Division's charge is to encourage and promote development of Alaskan agriculture, why would she minimize the need for more funding. Even the current BAC knows the ARLF will run out of funds soon as evidenced by their recent resolution requesting GF operating funds for the ARLF.

As I previously told you, Franci and I disagreed on this report FY10 that I was previously assigned as the ARLF Loan Manager. She reassigned the report to Financial Support Services (FSS) who manipulates the numbers to indicate that the Fund will continue to revolve. My FY10 ARLF Cash Flow Projection has already proved more correct and FSS more incorrect.

The biggest manipulation is the projected annual loan disbursement of $1,500,000.

FY09 $2,500,000 FY10 $3,500,000 FY11 $2,400,000 (3/17/2011) These are the last 3 years ARLF approved loans which DO NOT include ARLF refinances. These figures are public information and have appeared on ARLF cash flow projection reports so you may use them with your questions.

For the record, no one talked to me, the ARLF Loan Manager, for input on this ARLF cash flow projection. They don't even know how much $s I have in loans in process. They have not included asset sales such as the Palmer MatMiad property or the Knopp Dairy farm (lease expires 6/2011) which I assume will be ARLF financed.

The report is incomplete and inaccurate in my opinion; however, as Director she has the authority to present it on behalf of the ARLF. You may question it, certainly about the projected loan disbursements; however, everyone should agree the need to recapitalize the ARLF if we want to continue to support existing ag operations and new ag development. My hope is that the ARLF is recapitalized with responsible management and plan.

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From: Bryce Wrigley
To: pete fellman
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Sent: Sunday, April 03, 2011 4:28 PM
Subject: Re: FW: HB 191 ARLF Document

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AGRICULTURAL REVOLVING LOAN FUND (ARLF)

Financial Summary as of February 28, 2011 **Fiscal Year July 1 – June 30**

$4,700,000	Cash Balance
(500,000)	FY11 Balance ARLF Operating Expense
(325,000)	FY11 ARLF Approved Loans Undisbursed
(450,000)	FY11 ARLF Loans Pending Approval
$3,425,000	FY11 End ARLF Cash Balance (Assuming no FY11 additional new loans)
(1,500,000)	FY12 ARLF Annual Operating Expenses
(2,500,000)	FY12 ARLF Annual New Loans
600,000	FY12 ARLF Annual Interest Revenue
$ 25,000	FY12 End ARLF Cash Balance

Variables

$ 500,000	Creamery Corp cash assets transfer to ARLF - CAPITAL
$1,000,000	ARLF Asset Disposal Palmer MatMaid real property – CAPITAL, unlikely to be immediate capital as it may not be sold OR sale may be financed by the ARLF
	MMM& S operation loss –EXPENSE
	ARLF Bad Debt - EXPENSE

ARLF Annual Loan Activity – Does not include refinances of ARLF loans

FY11 $1,900,000 (2/28/2011) FY10 $3,500,000 FY09 $2,500,000

Division of Agriculture

Alaska Department of Natural Resources

Building a Sustainable Agriculture Industry

*** defining a strategic planning process for the Alaska Division of Agriculture***

January 30, 2009

Alaska GROWN

Division of Agriculture

Alaska Department of Natural Resources

January 30, 2009

Dear Alaskans;

This plan was developed by the Division of Agriculture, in cooperation with the industry, to build a sustainable agriculture industry. This report will be an evolving document, in that each year a committee will review and revise this plan as needed. It is important to note that the listed goals and steps must change over time, if we are to continue to meet the needs of the industry and assist them in providing food, fiber and energy to the people of Alaska.

ADOA has heard the concerns addressed by the aquaculture industry during the public comment period. The farming and growing of shellfish, Mariculture products in Alaska hold promising opportunities to become a viable industry and create new economic security in coastal Alaska. This industry has not been addressed in our long term plan as it does not currently fall under the Division of Agriculture.

I want to thank everyone who participated in drafting and finalizing this plan, and the Alaska State Farm Bureau membership who took the time to review and make comments at their annual meeting.

Please look for the Alaska Grown Label at your local stores – and support the Alaska Agriculture Industry.

Franci Havemeister, Director

Table of Contents

Letter from the Director i
Table of Contents ii
Introduction, Mission and Vision Statement 1
Background 2-3
Purpose of a Strategic Plan 4-6
Table 1: Key Informant Participants 7

Proposed Goals 1 through 9 and Related Objectives and Actions 8-22

1. Agricultural development and marketing 8-9
2. Board of Agriculture & Conservation 10-11
3. Plant Materials Center 11-13
4. Agricultural Revolving Loan Fund 14
5. Sustainable agricultural resources and services 15
6. Outreach, education and recruiting 16-17
7. Planning 18-19
8. Research 20
9. Energy 21
10. Infrastructure 22

Appendices

Appendix A: Alaska Plant Material Center Strategic plan 23-26
Appendix B: Definitions & Acronyms 27

Alaska Division of Agriculture

The Long Term Plan for Agriculture

January 30, 2009

Introduction

The agricultural industry of Alaska contributes to the economy and well-being of the State. To continue to do so, agriculture must be a healthy and sustainable renewable resource industry.

The Alaska Division of Agriculture (ADOA) understands that its mission is not to guide the agriculture industry, but to assist and promote. In this plan, the ADOA has sought direction from industry to address its concerns and ongoing issues.

When considering the contents of this review and proposed planning process, readers should keep in mind that the ADOA believes that through open communication, education, and appropriate funding, producers will prosper and the citizens of Alaska will enjoy the benefits that Alaskan Agriculture offers.

Mission Statement

The mission of the Alaska Division of Agriculture is to promote and encourage the development of an agricultural industry in Alaska that is stable and profitable.

Vision Statement

The vision of the Alaska Division of Agriculture is to promote an economically stable agricultural industry for Alaska that can enhance the quality of life for its people, create sustainability of its communities, and encourage new business development opportunities for all Alaskans.

Background - Agriculture

Agriculture has played a role in Alaska over the past century. Prior to statehood, the people of Alaska realized the value of agriculture. This is noted with the state seal, originally designed in 1910, which portrays a farmer, his horse, and three shocks of wheat. Today, much of the general population does not understand the significance of agriculture, as the majority of the population is two or three generations removed from the farm. It is critical that we educate the citizens of Alaska, most importantly – the young people, of its importance and the value of being self sustainable, if Alaska is to maintain its agriculture industry.

Alaska's current policy reflects the boom-and-bust history of the State and territory that has often sought immediate profit at the expense of long-term stability. This does not fully reflect or recognize Alaska's potential for a diversified agricultural industry, the characteristics or the need for long-term stability. Numerous agricultural development projects, plans, analyses, reports, and studies have been undertaken, and issues and proposals have been debated. The industry and the State must now come together and create a plan that defines the role of the ADOA and in doing so assists the industry.

Alaska must continue to embrace the challenges and look for opportunities for the future. It must continue to incorporate good agriculture principles and good management practices, including food safety and security.

At present, factors that impact the industry are in the midst of change. Some of this dynamic change is positive as evidenced by several factors:

- The emergence of niche markets;
- Need for native plants used for revegetation;
- The increase in demand for "local grown" and community-based agriculture; and
- The desire for healthier lifestyles.

And some are negative:

- The lack of recognition of agriculture as a sustainable industry;
- The need for better linkages with land grant research, education and outreach;
- The need to ensure regulations and implementation allow the producer to continue to fill present markets as well as encourage new markets;
- The need for advocacy from state, university, federal, industry, local interest groups, and municipal and local governments; and
- The need for ongoing partnerships amongst the industry, local, state and federal agencies to move programs and services forward.

The ADOA must work in cooperation with the Board of Agriculture and Conservation (BAC), and improve communication among the University Alaska Fairbanks (UAF), industry representatives, the United States Department of Agriculture (USDA), local governments and communities, and organizations across the State to promote the development of a healthy and sustainable agricultural resource industry in Alaska. Alaska agriculture must be revitalized and become a stable industry that can then realize its potential in contributing to Alaska and maximizing the value of the land and its products for the citizens of Alaska.

Purpose of a Strategic Plan

A comprehensive and strategic understanding of the Alaskan agricultural industry is needed so that the State can direct its efforts and resources to best serve the industry, and in turn the citizens of Alaska. This review and strategic planning process is an attempt to understand the dynamics of the industry and to focus on meeting the needs of the industry both today and in the future. This strategic planning process will provide the Alaska Department of Natural Resources (ADNR) and the ADOA with a path towards identifying goals for the long-term growth and viability of the agricultural industry in Alaska and defines the role of the ADOA in accomplishing objectives for meeting these goals.

The ADNR recognizes that a plan with goals and specific objectives will provide a sense of stability that is needed for the industry to make informed decisions and to clearly understand the mission of the ADOA. Further, this plan will be an evolving effort, implemented by the ADOA. An annual joint review of the plan by ADOA, the BAC and industry will be presented by the ADOA to the Commissioner of the ADNR and will be available to the Governor and the Legislature. Input and involvement from both industry and agency will contribute to the overall success of creating and supporting an economically stable agricultural industry for Alaska.

This strategic plan was created to provide a tool to assist both ADOA and the industry. The document has been developed in thanks to interactive participation of public and private participants - producers, processors, agencies, educators, the general public, and legislators – and builds upon past efforts of the ADOA.

Some specific points need to be kept in mind:

- The agricultural industry must receive assurance that it is recognized and supported in its effort to develop and grow;

- It is critical that the core of Alaska's agricultural industry that is currently in place and/or its successful transition be supported, and be allowed to develop new priority programs/ initiatives;

- ADOA must work with industry and identify and creatively resolve issues that impede the growth of a successful agriculture industry;

- The ADOA will continue to provide services and programs needed to support and promote the agricultural industry;

- Strengths, underutilized abilities, and limited resources must be identified so that they may be enhanced and strengthened by additional investment, either State, Federal, or private; and

- ADOA and the agriculture industry must expand its base to include both non-agriculture sectors and non traditional agriculture regions of the state by creating partnerships; inclusionary programs for cooperative ventures and rural development/education projects.

A major part of this process requires that the ADOA initiate and support an engagement process that involves all aspects of Alaska agriculture. The proposed goals and objectives of this process reflect the following ten areas with which the ADOA has strategic programmatic linkages and where ADOA can assist the agricultural industry.

1. Agricultural development and marketing
2. Board of Agriculture and Conservation
3. Plant Material Center
4. Agricultural Revolving Loan Fund
5. Sustainable agricultural resources and services
6. Outreach, education and recruiting
7. Planning
8. Research
9. Energy
10. Infrastructure

This proposed review and plan provides comprehensive direction to allow both the agricultural industry and the State to forge a solid relationship so the industry can grow and prosper. The plan must be realistic and achievable to be successful. It must be based on a thorough understanding of the industry, thus requiring the industry's direct participation in its review, preparation and overall support.

Table 1 provides a list of individuals who participated in the development of this long term. These participants, in a joint effort with the ADOA, identified the proposed Goals and Objectives that comprehensively address issues relating to the Alaska agricultural industry.

Table 1: Participants

Name	Organization
Dick LeFebvre	ADNR
Jeff Werner	FFA/UAF
Don Lintelman	Northern Lights Dairy
Ben VanderWeele	Agriculture Producer
Allen Mitchell	UAF
Chad Padgett	USDA
Bill Allen	City of Palmer
Bernie Karl	Business Owner
Tony Nakazawa	UAF
Carol Lewis	UAF
Franci Havemeister	ADOA
Rep. Mark Neuman	AK Legislature
Bryce Wrigley	AK Farm Bureau
Ed Arobio	ADOA Northern Region
Charlie Knight	ADOA Northern Region
Ruby Hollembaek	Agricultural Producer
Stoney Wright	ADOA PMC
Douglas Warner	ADOA
Al Poindexter	BAC
Victoria Naegle	Agriculture in the Classroom
Steve Brown	UAF, Cooperative Extension
Lee Hecimovich	UAF, 4-H, Cooperative Ext.
John Schirack	BAC
Tom Paragi	ADF&G
PMC Advisory Board	
Division of Agriculture Staff	
Board of Agriculture & Conservation	

Proposed Goals 1 through 9 and Related Objectives

Proposed Goal 1. Agricultural development and marketing – The ADOA will continue to support and assist the producer in increasing market share and creating a food system.

Situation: The short growing season for traditional Alaskan agriculture has resulted in long-standing production and marketing challenges. The division will continue to work cooperatively with producers and growers to increase their market share in Alaska.

Objective 1.1: The ADOA will support and assist farmers' markets in increasing their market share with the establishment of a year-round market for *Alaska Grown* products.

Objective 1.2: The ADOA will work with farmers and producers to help form cooperatives or other appropriate business structures to support the sale of Alaskan agricultural products.

Objective 1.3: The ADOA will include in its planning process the potential for sustainable production and marketing of red meat in Alaska.

Objective 1.4: The ADOA will improve communication among the industry, ADOA and other federal and state agencies. The ADOA will work with the industry to improve communication with consumers. ADOA recognizes that good communication among all of the above plays a crucial role in the success of agriculture in Alaska. ADOA will explore the opportunity of utilizing alternative communication methods, via other farm cooperatives, etc.

Objective 1.5: The ADOA will build a strong base for Alaskan agriculture through partnerships, promotion, advocacy and communication. It will establish and cultivate champions and advocates of Alaskan agriculture, including individuals, organizations, government entities, and user groups.

Objective 1.6: The ADOA will work with other State of Alaska departments to support *Alaska Grown* by implementing a "buy Alaska policy" where feasible, and to take actions that ensure conformity with existing laws and regulations.

Proposed Goal 2. Board of Agriculture and Conservation – The BAC will work with ADOA in a comprehensive manner to support the growth and development of Alaskan agriculture.

Situation: The ADOA reports to the commissioner of the ADNR. The Governor appoints the members of the Board of Agriculture (BAC). The BAC consists of 7 members – 1 with general business or financial experience; 1 member of a statewide agricultural promotion organization; 1 member of a soil and water conservation district who is also engaged in commercial production agriculture; 4 members engaged in commercial production agriculture, each representing a different agricultural enterprise from the others, such as: livestock production, dairy, vegetable production, grain production, horticultural production, and greenhouse and hydroponic production. The BAC will work within their statutory authority, to promote the growth and development of Alaska Agriculture.

Objective 2.1: The BAC will continue to support the vision for Alaskan agriculture through input and personal expertise.

Objective 2.2: The BAC supports continued funding of ADOA with general funds.

Objective 2.3: The BAC requests that major issues and concerns affecting the agriculture industry and identified by the BAC be addressed by the Commissioner of ADNR.

Objective 2.4: BAC recommendations for policy, statutory, and /or regulatory changes will be considered by ADOA/ADNR.

Objective 2.5: The BAC/ADOA will work with industry to stabilize Mt. McKinley Meat and Sausage (MMM&S) until the private sector is able to assume responsibility.

Objective 2.6: The BAC/ADOA will explore opportunities to promote a Junior Farmer Loan Program, providing low interest loans to high school age children interested in exploring an agriculture endeavor.

Objective 2.7 ADOA/BAC will increase the agricultural land base, through identification of designated agricultural land and increased sales.

Objective 2.8: ADOA/BAC will identify agriculture lands at risk to suburban expansion in organized boroughs.

Proposed Goal 3. The Plant Material Center – ADOA will facilitate the development and sustainability of appropriate plant materials for Alaskan agriculture.

Situation: The Alaska Plant Materials Center (PMC) is the primary source of information in Alaska for seed production, harvest, and cleaning. The PMC is also the primary source of information on revegetation and seeding mixes used by the primary seed purchasers. However, the primary purpose of the PMC is the production of high quality; disease tested seed stocks to be used in production agriculture in Alaska. (See appendix A)

Objective 3.1: The PMC will reflect and anticipate the needs in Alaska to protect, support, enhance and expand Alaskan agriculture in terms of: appropriate plant materials for crop production; soil and water conservation programs and projects; noxious weed and invasive species, and increased activity in demonstration projects and education/outreach. Furthermore, the PMC will work to enhance its ties to the Natural Resources Conservation Service (NRCS) and the Soil and Water Conservation Districts (SWCD).

Objective 3.2: The ADOA, through the PMC will work cooperatively with other agencies, as climate changes occur, to address new crops and conservation issues.

Objective 3.3: The PMC must not lose sight of the fact that it is a crop production facility responsible for the production of high quality, disease tested, low generation crop seed. This material is the base for the production of Alaskan developed varieties. Crop production in Alaska depends on disease free, high quality seed.

Objective 3.4: Nearly all development projects require some form of revegetation following surface disturbance. The primary users of seed in Alaska are the Alaska Department of Transportation and Public Facilities, the Department of Defense, mining companies, and the oil industry. The use of native species in restoration should be encouraged and user's findings shared so all Alaska programs can benefit. The PMC will enhance is abilities to act as the state's land resources conservation laboratory.

Objective 3.5: The PMC must remain ever vigilant to industry/producer needs and changes in technology or policy directions and remain adaptable to the new conditions and economic environment. The PMC is the research and development arm of the ADOA; it is an economic development proponent and a new crop source for Alaska Agricultural producers. This requires stable and appropriate funding.

Proposed Goal 4. The Agricultural Revolving Loan Fund (ARLF) - The Agricultural Revolving Loan Fund is a critical component to the viability of Alaska agriculture, overseen by the Board of Agriculture & Conservation (BAC) and will be supported by ADOA.

Situation: The health of the Agricultural Revolving Loan Fund (ARLF) remains a critical component in Alaskan agriculture. This program offers low interest loans to the Alaskan agricultural industry. The ARLF within the ADOA has played and will continue to play an important role in creating a profitable and growing agricultural industry.

Objective 4.1: It is imperative to protect the health of the ARLF. The ADOA administrative staffing budget should not be drawn from this fund but funded through general funds.

Objective 4.2: The ARLF will work with government agency lenders and guarantors in an effort promote the growth of the agricultural industry. In forming these partnerships ADOA is confident it will further the development of the agricultural industry.

Objective 4.3: The ADOA and the agricultural industry support the recapitalization of the ARLF.

Objective 4.4: The ARLF will increase its marketing presence at agricultural functions and promote the use of its loan programs.

Proposed Goal 5. Sustainable agricultural resources and services – The ADOA will assist the Agricultural industry and continue to provide needed resources and services, which include inspection, regulatory requirements, and food safety and security.

Situation: ADOA inspection responsibilities and regulatory roles are essential for Alaska agriculture to grow and prosper. ADOA will continue to provide the industry with Inspection Services that are required to move product into commerce and work with industry to meet new requirements.

Objective 5.1: ADOA is aware that all laws and regulations related to preserving and/or enhancing farming must be carefully reviewed. ADOA will seek opportunities for input on new regulations affecting the agricultural industry, prior to agency review. ADOA will keep industry informed of possible regulation changes.

Objective 5.2: ADOA will work to expedite state grazing lease renewals, as well as work within regulation to provide terms that encourage continuity and profitable livestock production.

Objective 5.3: ADOA will work with federal and other state agencies to facilitate the import and export of plants and animals under the appropriate protocols that prevent the spread of disease or invasive species.

Proposed Goal 6. Outreach, education and recruiting –The ADOA will improve or establish outreach, education and recruiting initiatives to serve the agricultural industry of Alaska.

Situation: Agriculture is a critical industry in Alaska. A strong Alaska agricultural industry is vital for our state and national security. Alaskan agriculture growth requires ongoing education of agricultural producers and other industry professionals, potential new producers and consumers.

Objective 6.1: The ADOA will help coordinate and focus efforts to raise awareness of the importance of Alaskan agriculture to Alaska consumers, including issues of food security, sustainability, health benefits of locally grown foods, invasive species management and farmland protection.

Objective 6.2: The ADOA, to the extent it can, will provide and support programs, infrastructure and mechanisms that enable current Alaska farmers and processors to operate profitable businesses or organizations, and encourage Alaska's future farmers so the state is prepared for anticipated and needed growth in the industry.

Objective 6.3: The ADOA will focus on educational partnerships to promote Alaskan agriculture, explore internships at working farms, explore workforce training programs and identify and create new educational partnerships to promote Alaskan agriculture.

Objective 6.4: The ADOA will partner with Future Farmers of America (FFA) and 4-H programs to help develop tomorrow's agricultural leaders. ADOA will

partner with the State of Alaska Department of Education, Division of Career and Technical Education and Alaska's Agriculture in the Classroom and Farm to School programs to increase appreciation for agriculture in the general K-12 population, most of which has no connection to agriculture.

Proposed Goal 7. Planning – The ADOA's future plans for a changing Alaskan agriculture will encourage best practices.

Situation: Impediments to the growth of Alaskan agriculture include: insufficient low-cost energy supplies; lack of appropriate transportation for inter- and intra-state movement of products; lack of accessible land that has been identified as agricultural land; and insufficient appropriate protection to maintain or sustain lands in production. Efforts that address each of these issues must consider not only the future growth and development of Alaska agriculture as a whole, but consider their effects on the other issues as well.

Objective 7.1: Sustained yield agriculture has a future and rightful place in land use planning in Alaska. The ADOA will create a plan that incorporates a best management practice approach for the preservation of land having agricultural potential, conservation of soils and surface resources existing on those lands.

Objective 7.2: ADOA will encourage the agricultural community to develop State Farm Conservation Plans and/or Soil & Water Conservation Plans that incorporate a best practice approach, and protect agricultural land under the Right to Farm legislation.

Objective 7.3: ADOA will work with the Division of Mining Land & Water, SWCD and NRCS to review state land for possible agricultural use.

Objective 7.4: ADOA will inform the Agricultural community of area plan reviews that have the potential to affect agriculture and/or agricultural land sales.

Objective 7.5: The ADOA will review existing legislation and regulations to determine applications to agricultural land that allow such land to remain in agricultural production; such rules include taxation and regulations to protect agricultural lands, and regulations regarding waste disposal and application.

Proposed Goal 8. Research – The ADOA will ensure that stakeholders in the Alaska agricultural industry are made aware of existing and emerging technology and research in natural resources and agriculture.

Situation: Changing technology offers new opportunities for Alaskan agriculture to seize opportunities and/or address operational efficiency-related concerns. ADOA will seek opportunities to apply new research and emerging technologies to agriculture in Alaska.

Objective 8.1: The expansion of agriculture in Alaska will require the awareness and ability to implement the latest technology and research applicable to Alaska agriculture. The ADOA will work with the agricultural industry, state and federal agencies, the University and others to ensure this process.

Objective 8.2: The ADOA will look at the potential of a closer affiliation between the PMC, UAF, Agriculture, Forestry, and Experiment Station (AFES), and Agriculture Research Service (ARS) as well other cooperators.

Proposed Goal 9. Energy – The ADOA will seek opportunities to partner with others to establish energy or support initiatives for Alaska and Alaskan agriculture.

Situation: Energy, or the cost of energy, has always been an issue related to agriculture as well as other resource development. Federal and State legislation recognizes the enormity of the issue of rising energy costs. Energy costs are also driving energy demonstrations and innovation initiatives across the State. Wind, biomass, bio-fuel, geothermal sources, hydropower, energy conservation, and other alternative energy resources, can all play a role in the Alaskan agricultural industry.

Objective 9.1: The ADOA will support meaningful discussions on energy issues, technology, and implementation related to enhancing the viability, marketability, and profitability of Alaskan agriculture.

Objective 9.2: ADOA supports the development of an alternative fuel industry, through tax credits, infrastructure, direct grants and low interest loans.

Objective 9.3: ADOA supports the production of our natural resources and by-products, such as urea, which are critical to the expansion of the agricultural industry.

Proposed Goal 10. Infrastructure – Infrastructure needs as determined by Industry. These needs are not listed in preferential order, but have been put forward by the industry.

Situation: Alaska is lacking the infrastructure needed to see substantial agricultural growth.

Objective 10.1 -Infrastructure needs:

- Local meat processing capabilities are needed state wide.
- A stable dairy processing facility must be developed in the Mat-Su Valley.
- Manufacturing plant for urea, this will sell to Alaska farmers as well as an international market.
- Development of a phosphate mine.
- A vegetable processing plant to extend the market season for locally grown produce. (Mat-Su borough has done this study)
- Improved loading and unloading facilities for rail shipments
- Rail spur to Delta to carry fertilizers to farms and grain to markets.
- Formation of marketing cooperatives to insure consistent quality and supply, and develop new markets in the state.
- Access to natural gas for processing Alaskan products
- Production Credits Program for producers meeting certain levels of production targets.
- Increase accessibility of USDA inspections coupled with the ability to sell locally in diverse areas of the state.
- Develop Nenana agricultural area and other agricultural areas

Appendix A: Alaska Plant Materials Center Strategic Plan

Vision: The Alaska Plant Materials Center (PMC) serves Alaska's needs in the production foundation class seed of Alaska native plants and traditional crops. The PMC provides leadership, innovation, and initiative in Alaska for revegetation, erosion control and commercial crop and plant production in Alaska. The PMC has created and continues to modernize a high quality facility for seed production, harvest, and cleaning.

Mission: The broad mission of the Plant Materials Program throughout the United States is to "develop and transfer state-of-the-art plant science technology to meet customer and resource needs." The Alaska Plant Materials Center:

- Focuses on using plants as a natural way to solve conservation issues and re-establish ecosystem function;
- Collects, selects, and releases grasses, legumes, wildflowers, trees, shrubs, and general high latitude germplasm;
- Cooperates with public, private, commercial and tribal partners and land managers to apply new conservation methods using plants;
- Offers plant solutions to battle invasive species, heal lands damaged by natural disasters, reduce the effects of construction and resource development, and promote air and water quality;
- Produces disease-free seed of potatoes;
- Enhances economic opportunities for agriculture producers; and
- Expand programs to include alternative energy crops, forage crops for non-traditional livestock, horticulture crops for the future agricultural needs of Alaska producers.

Objectives: In general and as per legislative intent the objectives of the PMC are to:

- assemble, evaluate, select, and increase plant materials needed in soil and water conservation, agriculture, and industry, and maintain genetic purity of these materials;
- increase promising plant materials for field scale testing;
- test the promising materials in field plantings on sites that represent soil and climatic conditions not found at the center;
- maintain and provide for increase of basic seed stocks of plant materials for agricultural and conservation interests;

- make seed and plant materials available, for a fee if necessary, in such a manner as to avoid monopolistic control of basic stocks of these materials and encourage the development of a seed industry;
- support but not duplicate activities carried on by state or federally funded research programs in the state; and
- prepare, publish, and disseminate a summary report on all studies as they are completed.

Using these underlying charges, the PMC will move into the future with a renewed emphasis on service delivery and progressive program development. These guiding principles will evolve with market demands and Department/Division policy directives.

Objective 1: PMC Agriculture Support: The PMC will anticipate the need to protect, support, enhance and expand Alaska agriculture in terms of: appropriate plant materials for Alaska; soil and water conservation programs and projects; noxious weed and invasive species integration; and increased activity in demonstration projects and education/out reach. Furthermore, the PMC will work to enhance its ties to the Natural Resources Conservation Service and the Alaska Soil and Water Conservation Districts.

Objective 2: A Center for Revegetation Excellence: Nearly all development projects require some form of revegetation following surface disturbance. The use of native species in restoration should be encouraged and user's findings shared to all. The PMC will be the lead agency in the State of Alaska with regard to development, use and commercialization of native species for revegetation, erosion control and other resource development and agriculture activities.

Objective 3: Expanded PMC Services: Erosion control, storm water issues, and a litany of new revegetation topics are creating problems for the natural resource extraction and construction industries. The PMC, with its expertise in these areas, should be the home to the state's Land Use and Conservation Laboratory (LUCL). In full cooperation with industry, union training programs, land management agencies, NRCS and the SWCD's, the PMC will develop and demonstrate land and soil protection measures (best management practices [BMPs]) to preserve the quality of the waters and air of Alaska.

The PMC with the Natural Resource Specialist augmented staff can become the states land laboratory of proactive and progressive stewardship working hand-in-hand with the Conservation Districts and ADNR.

Objective 4: Regional Native Plant Production Centers: Solutions to developing sources of native seed are needed by resource industries. By establishing seed growing/collecting cooperatives in village and rural regions, local native plants and seed can be made available, marketed and thereby create a sustainable industry formed in a few villages close to resource development projects.

Objective 5: Alaska Natural Gas Pipeline Seed Source Development Project: In Canada, some of the first contracts awarded in association with the Mackenzie Gas Line have been for seed production. This is in-part due to the basic problem in seed production that time is required to build up stocks of seed and to develop the production fields needed to supply the anticipated demand. Expect the same to occur in Alaska. The PMC is critical for the seed requirements of large projects like the proposed natural gas line.

Objective 6: Extension Activities and Public Workforce Development: Educational programs from the PMC engender the intrinsic value of green space, agriculture land, and wilderness. These programs empower teachers, adults, and children to appreciate, understand, and become stewards of Alaskan land.

Objective 7: Ethnobotany and Harvest Manual: The Ethnobotany Project impacts not just plants and other forest species, but also people along the spectrum from Native Alaskans who may have the intellectual rights to the uses of traditional plants and depend on them for a subsistence lifestyle to those who wish to harvest those plants for commercial purposes on State land. Sustained yield of these resources is critical.

Through publications, presentations and trainings, as well as experience, the people on the Alaska Ethnobotany Project are in a position to positively impact the effect of commercial harvest of native Alaska plants in a sustainable manner on State land.

Objective 8: The Alaska State Seed Laboratory: The State's only official seed testing laboratory is certified by the national seed testing organization, Association of Official Seed Analysts (AOSA). It has been an official laboratory since 1998 and is the only one in the state of Alaska.

Essential services the laboratory provides are purity and germination tests, noxious weed seed examinations, tetrazolium testing, and grain moisture testing. New services could include: Endophyte Testing, Seed Vigor Testing, Leachate

Conductivity Analysis, Cold Test, Accelerated Aging, Herbarium Development, Dormancy Research, Rare and Endangered Plant Research and Outreach and Education

Objective 9: Alternative Forages for Non-traditional Animals: Acquisition and evaluation of plant material with potential use as forage is in demand by producers of musk ox, elk, yak, bison, reindeer, and other livestock. These animals need a variety of plants in their diets – plants which have not been cultivated yet or evaluated by the PMC. It is time for this activity to start at the PMC.

Objective 10: Potato Disease Control Project: The potato program produces and provides a local source of pathogen-tested seed tubers. It assists the continuing development of the Alaskan potato industry. The project produces and provides disease tested seed primarily to commercial seed growers. The use of clean seed helps reduce losses from disease and helps to prevent disease introduction; critical elements in Alaska's potato industry.

Objective 11: Horticulture Development Project: The ADOA, PMC recognize the fact that the Horticulture Industry is by far the largest and most significant segment of commercial and hobby plant production in Alaska. In the context of this objective primary and secondary users such as the landscape industry and general public grounds beautification will be included as horticulture. With that said the ADOA, PMC will request the ADNR secure funding to re-establish a horticulture development project at the PMC.

Appendix B: Definitions & Acronyms

The definition of agriculture is "The process, business, or science of producing food, feed, fiber, and other desired products by the cultivation of certain plants and the raising of domesticated animals (livestock). There are numerous branches of agriculture including: agronomy, animal husbandry, horticulture, floriculture, dairy production, and many others.

ADF&G – Alaska Department of Fish & Game
ADNR – Alaska Department of Natural Resources
ADOA- Alaska Division of Agriculture
AFES – Agriculture, Forestry, and Experiment Station
AOSA – Association of Official Seed Analysts
ARLF – Agricultural Revolving Loan Fund
ARS – Agriculture Research Service
BAC – Board of Agriculture & Conservation
BMP's – Best Management Practices
FFA – Future Farmers of America
LUCL – Land Use and Conservation Laboratory
MMM&S – Mt. McKinley Meat & Sausage
NRCS – Natural Resources Conservation Service
PMC – Plant Material Center
SWCD – Soil and Water Conservation Districts
UAF – University of Alaska, Fairbanks
USDA – United States Department of Agriculture

print

Securing Alaska's insecure food supply: With some help, Alaska could produce more

by Carol E. Lewis and Fred Schlutt Jr., Community Perspective
03.19.11 - 11:00 pm
Community Perspective

Thought about food lately? Maybe three times a day (or more)?

Thought about what would happen if our food supply was interrupted?

Benjamin Franklin said "When the well is dry, we know the worth of water." We would paraphrase: "When the food is gone, we will know the worth of food."

Alaska's food supply is not secure.

Food security includes not only availability of locally produced foods but also a mix of imported and exported food products. Most states and regions in the U.S. have a reasonable balance of locally produced, imported and exported foods. Alaska imports nearly all its food and is increasingly dependent on imported food. If this trend continues, Alaska's expanding population will require increased food imports during a time when energy plays an ever-increasing role in their cost.

Producing more food in Alaska is possible with help from university research, the Cooperative Extension Service and university-business partnerships. While Alaska currently does not depend on in-state production, there is no reason why it cannot. Lands are productive for crops and livestock, and the growing season can be extended with modern technologies.

State funding for a special project could make a world of difference in the state's dismal food security outlook. This joint project between UAF School of Natural Resources and Agricultural Sciences, the Agricultural and Forestry Experiment Station and UAF Cooperative Extension Service addresses food security by focusing on animal agriculture (reindeer, elk, bison, muskoxen, yaks, cattle, sheep, goats, hogs and poultry) and controlled environment vegetable production (controlling the length of the growing seasons and using local materials to manufacture soil). The proposal, which is before the Alaska Legislature via the University of Alaska budget, includes $300,000 per year during a five-year period for research, education and outreach.

We will focus on community development of local food production, including food science, food technologies, processing and human nutrition as well as production technologies, food preservation, and processing and storage for year-round consumption. Cultural considerations of food self-reliance, nutrition and appropriate crops and livestock for Alaska's diverse climate and geography will also be addressed.

The close linkage of the extension service, the experiment station and the school

will give us the opportunity to look at ways to help our farmers produce high-quality products to take the place of imported fresh, frozen and canned supplies, will potentially provide business opportunities for processing and distribution and will train students who, when they graduate, will be expert in bringing research and technology to users.

Why should you care? This type of important research and outreach affects the very food that will appear on your plate tonight.

While many people proclaim the virtues of local food via T-shirts or bumper stickers, are they willing to truly support a project that will make Alaska-grown food more abundant and accessible? Food insecurity for Alaskans is a grave concern but can only be addressed if we choose to make it a priority.

Alaska needs locally grown food. Are you willing to help by letting your legislators know you support this important project?

Carol E. Lewis is dean of the UAF School of Natural Resources and Agricultural Sciences and director of the Agricultural and Forestry Experiment Station. Fred Schlutt Jr. is director of the UAF Cooperative Extension Service and UAF vice provost for outreach.

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State of Alaska
FY2012 Governor's Operating Budget

Department of Natural Resources
Agricultural Development
Component Budget Summary

Component: Agricultural Development

Contribution to Department's Mission

Promote and encourage development of an agriculture industry in Alaska.

Core Services

- Agricultural land management and sales.
- Marketing services.
- Inspection services.

Results at a Glance

(Additional performance information is available on the web at http://omb.alaska.gov/results.)

END RESULT A: Development and expansion of Agriculture Industry in Alaska by providing marketing and educational information to Alaska producers and consumers.

- Hosted 2 conferences, spoke at 47 events, administered 13 grants and produced 12 newsletters.
- Increased public awareness of Alaska Grown by participating in 232 public marketing outreach activities and managing 3 marketing campaigns.
- Reached 14% of the school districts through class presentations, educational grants and cooperating with Ag in the Classroom (AITC), increasing youth awareness of Alaska Grown.
- In 2009 $31.9 million dollars was achieved as compared to $32.4 million in 2008.

Status of Strategies to Achieve End Result

- Hosted 2 conferences, spoke at 47 events, administered 13 grants and produced 12 newsletters.
- Participated in 232 public marketing outreach activities and managed 3 marketing campaigns.
- Reached 14% of the school districts through class presentations, educational grants and cooperating with Ag in the Classroom (AITC).
- In 2009 $31.9 million dollars was achieved as compared to $32.4 million in 2008.

END RESULT B: Ensure inspection and grading services are provided for agricultural production and sales.

- In 2010, 428 inspections were requested and 100% were completed to meet statutory, federal and international contract requirements related to commercial sales activity. These inspections represent approximately $66.4 million realized primarily from timber exports and Alaska produce. This compares to 401 inspections requested and completed in FY09, representing approximately $43.1 million primarily from timber exports and Alaska produce.
- In 2010, 102 farm and retail inspections were completed, ensuring produce met USDA grade requirements for consumer protection and plant health requirements were met compared to 84 farm and retail inspections in 2009.

Status of Strategies to Achieve End Result

- 428 inspections were requested and 100% requests were completed to meet statutory, federal and international contract requirements in 2010. These inspections represent approximately $66.4 million realized from timber exports and other products.
- In 2010, 102 inspections were completed and 139 brands as compared to, 84 total inspections in 2009.

END RESULT C: Agriculture land is made available in a range of parcel sizes by regional and local demand for land sales.

- 2010 auction sold 481 acres of agricultural land with an additional 202 acres currently available in the Initial Over the Counter Lottery (IOTC).

Status of Strategies to Achieve End Result

- A minimum of 481 acres of agricultural land were sold in 2010.

Major Activities to Advance Strategies

- Help implement National Farm Bill through
- Maintain State Plant Health Programs to deliver pest

Major Activities to Advance Strategies

- participation in the National Association of State Departments of Agriculture (NASDA).
- Help implement National Farm Bill through participation in the Western Association of State Departments of Agriculture (WASDA).
- Farm Bill priorities for Alaska are specialty crop, equip, and Wildlife Habitat Improvement project.
- Set policy and manage the agricultural development program, the Northern Latitude Plant Materials Center, and the Agricultural Revolving Loan Fund.
- Provide administrative support to the Board of Agriculture and Conservation.
- Prepare land sales and work with the Board of Agriculture and Conservation and Soil and Water Districts to accomplish land disposals.
- Adjudicate lease and permit applications.
- Develop new statewide grazing policy and possibly new regulations.
- Provide inspections for elk farming to meet statutory requirements.
- Conduct produce inspections for USDA grade and buyer specifications.
- Cooperate with USDA to provide shell egg surveillance.
- Provide meat grading services as requested.
- exclusion and monitoring programs to support trade.
- Issue phytosanitary certificates for export products.
- Provide for organic product certification.
- Continue Cooperative Marketing Program
- Provide marketing assistance to farmers through information transfer.
- Manage Alaska Grown program.
- Assist farmer markets with promotional efforts.
- Assist seed growers with market development.
- Encourage use of Alaska Grown products by state and federal agencies.
- Monitor compliance with local purchase practice, statutes and regulations.
- Train staff in organic program management.

Key Component Challenges

- Increase public awareness of the importance of local food production through the Alaska Grown Program.
- Enforcing Alaska Grown preference law for state institutions to purchase Alaska Grown produce.
- Support Farmer's Markets which act as education incubators.
- Ensure the Alaska Grown Director's Policy is used for the benefit of the farm community state-wide.
- Increase independence from imported food.
- South Central sale of mid- sized agriculture parcels.
- Northern Region sale of agriculture parcels.
- Increase agriculture land development.
- Northern Region sale of 3840 acres will be offered in FY11/12.
- Monitor potato late blight to mitigate future outbreaks.

Significant Changes in Results to be Delivered in FY2012

Continue to implement the new Farm to School program to increase the use of Alaska grown foods in public schools and make available existing curricula, programs and publications that educate students on the benefits of producing, preparing and consuming locally grown foods.

- Continue marketing to increase consumer awareness of Alaska Grown products.
- Develop rhubarb and specialty crop markets through funding from USDA.

Major Component Accomplishments in 2010

- 100% requests were completed to meet statutory, federal and international inspection requirements.
- Enforced state statute and regulations regarding plant pests and the sale, certification, and labeling of agricultural products.
- Implemented USDA plant protection projects to prevent harm to the agriculture environment, natural resources and economic welfare.
- Sold 408 acres of agricultural land.

- Assisted producers in organic certification in cooperation with USDA.
- Added 27 new farms to the Alaska Grown user list an increase of 6% in one year.
- Helped facilitate the creation of Alaska's Food Policy Council.
- Delivered a monthly agriculture newsletter reporting on activities, division overview and grant availability,
- Assisted in the promotion and development of 29 farmers markets, a 120% increase over 2005 number.

Statutory and Regulatory Authority

AS 03, AS 03.09, AS 03.10, AS 03.22, AS 38.05, AS 41.10, AS 41.17

Contact Information

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Representatives,

Here is my take on this bill:

You may have heard of the National Animal Identification System (NAIS). Here is a link to explain the overview of the program:

http://en.wikipedia.org/wiki/National_Animal_Identification_System

This proposed program met with serious opposition from the agricultural community and in 2010 the USDA decided to drop the program:

http://www.avma.org/onlnews/javma/mar10/x100315a.asp

Our cleaver federal government decided not to let it die quietly and through Executive Order, our president redirected this battle. Through executive order the USDA expanded the powers of one of its departments called Animal and Plant Health Inspection Service (APHIS).

APHIS is aligned in the following "chain of command"

WTO/EU

To

Codex Standards

To

OIE

To

United States

To

Executive Orders

To

Department of

Homeland Security

To

USDA

To

APHIS

To

The States (Alaska)

To

(Proposed Creation) of Department of Agriculture

Here is a link to USDA/APHIS where you can click and view their "Strategic Plan".

http://www.aphis.usda.gov/about_aphis/strategic_plan.shtml

As you can see in their plan, they have been given the authority of "surveillance and rcement" with the full power of Homeland security. What bothers me most are the statements :erning "international exports", "respond to conflicts between humans and wildlife", "APHIS also ives funding through user fees".

APHIS has been directed to respond to a wider range of emergencies in partnership with FEMA. includes identifying available resources during emergency response (Where the food is and how h do they have).

APHIS is expected to lead emergency response efforts related to animal and plant pest and ase outbreaks, as well as animal and plant health aspects of natural disasters and bioterrorism :ks. APHIS is also expected to support a wide range of other (unspecified) emergency response ts.

Proponents of HB191 say that it will consolidate all of Alaska's agricultural statues under one irtment and simplify addressing agriculture issues. This part is true but it works two ways. It also

es it easier for federal directives and policies to be implemented also. This is the main reason that I igainst this bill. When NAIS was being fought by farmers the states that had active Departments of culture were the first ones to start involuntary implementation of USDA directives.

In summary, I see passing HB191 will help facilitate the control over Alaska by the federal ernment.

Thank You Representatives for your time,

Cameron Seddon

Sent via e-mail:

There is no "food security" for Alaska at this time. Well over 90 percent of what we consume is barged up weekly from the L48. Years ago, stores used to manage a large reserve inventory of groceries, mostly due to shipping uncertainties. With the advent of increased competition and the "JIT" inventory management (so successful for WalMart) most stores these days have under a weeks' worth on hand, and less for items which are delivered more frequently. Add in the challenges of slide into a depression (shrinking economy, inflation, etc) most of these stores operate on a razor thin margin and they are all fighting for the consumer dollars still available.

The state has done nothing to address this either. The disasters of the Delta and Pt MacKenzie projects should teach us that government has no business being in business. Yet, the state spends (or makes available loans) millions of dollars in what can only be called subsidies for....well, basically the dairies. It sounded great in theory-grow the barley and oats in Delta, ship down to Southcentral to feed the dairy cows and everyone would benefit. Of course, their terms were beyond stupid-expecting a return in a few short years was impossible. In the L48, family farms were built over decades and sometimes centuries, as each generation cleared land and made improvements. It was set up to fail and I am pretty sure that some folks got what they wanted: 1000s of acres available for Anchorages' future expansion, right across the Inlet. But that's another subject altogether, lol

As our productive lands are gobbled up by developers who then go on to populate the landscape with cookie cutter subdivisions, there is no effort to expand Ag whatever. Yes, there are occasional lease sales, property sales, but most are not suitable for agriculture. And it comes with strings. Lots and lots of strings. A person only has "fee simple" (an equivalent, actually) to about five acres, the rest-only ag rights. In practical terms, the farmer pays only ag taxes on that land, not the "going rate" for residential. Can you imagine a farmer with 600 acres being able to pay the taxes at, say, the $38,000 per acre that is the norm here?

In fact, there is no unified program to provide food security in the state. There are no programs or support for small operations whatever. Someone who wishes to start a small herb farm has no resources, and neither do greenhouses, or truck farms, etc. Only those who have larger farms can get funding (loans).

If the new Ag Dept had a goal, a mission, to improve Alaska's food security and worked with people and farms (large AND small) to make it happen, then I would be behind it. But that is not the case. Most of the people involved in Ag right now at the state level, are folks who have failed at farming here already, and who now control the purse strings.

Brasier Farms

2 ½ Mile Tanana Loop road

Delta Junction, Alaska, 99737

907-895-4961

Honorable Representative Thompson

Honorable Representative Kerttula

Thank you for sponsoring HB 191 establishing a state department of agriculture and food.

We have been an Alaska producer of Potatoes, Livestock , Forage, and Grain for 38 years.

The people of Alaska need a Department of Agriculture in order establish a vital food source for the security of the state. Food security is even more evident in light of the current events in the world today.

The Agriculture industry of the state needs a cabinet level position to keep the Governor and Legislature advised of the needs of the industry with out Multi tiered process which is now in place.

Thank You

Lyall Brasier

Subject: Department of Agriculture Letter
Date:

Kodiak Game Ranch
Box 1608
Kodiak, Alaska 99615

March 14, 2011

Representative Steve Thompson
Representative Beth Kerttula

This letter is in support of developing and reinstating a Department of Agriculture in our state. A Department is needed especially to sustain Alaska's food supply. The fact is that in the event of a catastrophe, the food supply for our citizens would last at the most just a few days!
Whereas the DNR has higher priorities than agricultural programs, a Department of Ag. would concentrate on Alaska's food source.
We need to reinstate a Department of Agriculture as we had in the past. Thank you.

Sincerely,
Bill Burton
Kathy Burton
Buck Burton

Kodiak Game Ranch

Attn: Rep S. Thompson
Beth Kertula

Re: HB191

As a farmer in Point Mackenzie, I would like to go on record in support of HB 191 I believe the attention to agriculture in this state has been sadly lacking. In fairness I attribute this to DNR having so many responsibilities, that by the time agriculture is looked at, there is little leadership and direction from the top. We need to ALL be moving in the same direction.

This lack of attention can be seen from a lack of a true plan for the needs of Alaskans and its farmers. I think there are things in this bill that I do NOT agree with, but the one thing that this bill does, is address the inattention to Agriculture and allows agriculture to have a "seat at the table".

Sincerely,

Lynn Gattis
Gattis Farms
907-373-0300

PS I plan on testifying tomorrow on this bill

To Whom It May Concern:

I have been involved with the agriculture community in Kodiak since 1963 when we purchased a cattle ranch at Kalsin Bay. We took a big hit in the 1964 tidal wave loosing many of our purebred Scottish Highland cattle we had shipped all the way from Colorado. We revived and added a large lease and cattle from the adjoining ranch a few years later that resulted in a cattle ranch encompassing 50,000 acres of lease and we ran nearly 1000 head of cattle. At that time agriculture was at it's peak with seven large cattle operations on the road system on Kodiak.

I remember when the transition was made from the Department of Agriculture to the Division of Agriculture and the great concern the ranchers had about that change. The fear at that time was that the emphasis on support for agriculture in Alaska would be greatly diminished. The timing of this was also coupled with the Native Land Claim Settlement Act that allowed for native selection of lands that encroached on some of the lease hold interests.
Those fears have come to reality in the place agriculture has been able to hold in the state.

I strongly support the switch back to the Department of Agriculture. Agriculture in our state needs renewed emphasis and support if we are to increase the level of production to serve our needs. I recently saw a statistic that said we produce 3% of our food. I have recently taken part in the USDA hoop house project which is very exciting in trying to increase local production of vegetables. Please support the move to the Department of Agriculture.

Sincerely,

Marie Rice
10746 Bells Flats Road
Kodiak, Alaska 99615
(907) 487-2589
mariejrice@gmail.com

Alaska Diversified Livestock, Association
8850 North Siminoo Circle
Palmer, Alaska 99645
Website: www.adlainc.blogspot.com
January 31, 2011

Dear Legislature and Governor's Office,

Please note that I was directed in our last Alaska Diversified Livestock Association meeting to write a letter of support in creating an Alaska Department of Agriculture. From our territorial history, it was apparent that Alaska form a department for agriculture. It was created under the territorial constitution. Things changed along the lines of this department when statehood was developed. This was an unfortunate step and we would like to see us reinstate a Department of Agriculture to supply resources for Alaskans for food, fiber and fuel using the truest renewable resources, farm products. Why is this change important you might ask. In Alaska in 1987 there were 1026732 acres of agriculture land in production. In 2007 there were 881585 acres of land in production, a decrease of 15% or > 145,000 acres. When looking at the agriculture we produce here as compared to the rest of the United States we rank 50th in almost all areas. (http://www.agcensus.usda.gov/) This is not because of lack of producible land, lack of water or acceptable growing season. There needs to be a change in the political outlook for agriculture in Alaska.

The Alaska Diversified Livestock Association has been in creation since 2001 when we felt it was imperative to form such a group to bring unity and a voice from livestock producers such as ourselves. We are encouraged with the public's interest in Alaska in regards to eating locally, alternative energy projects and Alaskan-made fiber. Our businesses are thriving although the prices of fuel have drastically affected our profit. The cost of fertilizer and fuel are challenging aspects of our raising feed for our livestock. However, we have faith and preserver. We continue to be a strong organization and meet twice annually to discuss our livestock business needs.

When asked what the legislature and Governor's Office can do for Alaskan agriculture, our answer is: "The same thing you do for oil, gas, fisheries, and other resources in our land. We want to sit at the table with and conduct business about our product and available food, fiber and fuel for all Alaskans. We simply want a seat. We want a cabinet level seat. We don't want to be a division under a department. Nearly every state in the union has a cabinet level department or agency. With our unique geographical location, it is paramount that we return to the original Department of Agriculture that was in our first State Constitution in 1945."

Should you need further information from us, feel free to contact us anytime. Thank you for supporting Alaskan agriculture.

Regards to all of us who eat Alaskan food, wear Alaskan fiber and fuel with Alaskan products,

Ruby K. Hollembaek

Ruby Hollembaek, President, ADLA, Inc.

Jane Pierson

From: [redacted]
Sent: Monday, March 14, 2011 3:15 PM
To: Jane Pierson

I have been involved in Agriculture all my life and in Alaska for the last fifty years. I was appointed to various Ag Councils and Boards. It became very apparent early on that Agriculture was about the fifth step child of DNR. Food production and the necessary research for the Northern latitude that is required will never happen as it should without a Department attention.

I own Palmer Produce, Inc. which wholesales Alaskan produce. Additionally, my family are involved in commercial production of vegtables and potatoes. HB191 is a very important bill for everyone who eats and works in Alaska.

Palmer Produce, Inc.

Paul A. Huppert

While I am not averse to essentially separating the Div. of Ag into it's own department to improve efficiencies, I do have some concerns. Foremost, in my mind, is who is on the slate to chair this new Department? As it stands right now, there is a razor thin line between government and the commercial producer when it comes to Ag (and all its programs, grants, loans, leases, etc) in the state. The key being: Commercial farms and producers. Nowhere do I see an avenue for a home gardener, hobbyist, small greenhouse, herbalist or any small operation considered or even contacted for input on this bill. And no expectation that the concerns of the "small farm" or home gardener would ever be included.

A defined mission or goal for a new Department would go a long ways toward gaining support for the bill as it stands now.

Regards-

T Heider
Su Valley Farm
Wasilla

March 15, 2011 Testimony on HB 191: Dept of Agriculture & Food before the House Economic Development, Trade and Tourism Comte

I am Gayle Eastwood. My husband and I have been importing different species of trees, to see what species would live here in Southeast. After the trees survive for a number of years, we would sell the trees. In Delta Junction, we have a ranch where we farm Hay, specifically Brome and Timothy, for sale. We can sell Alaskan Grown hay cheaper than we can buy and import that hay which is grown in either Canada or the Lower 48.

Thank you for listening to everyone and also to me.

I am here to testify on behalf of HB 191. In 1945, the Territorial Legislature created a Department of Agriculture. It was headed by a Territorial Commissioner, and was created to promote and develop agriculture here in Alaska. In 1953, they, further, authorized One Million Dollars to create the Agriculture Revolving Loan Fund (ARLF), which continues today, with a maximum cap of one million Dollars per loan. The ARLF was created to assist farmers in controlling animal diseases, plant pests, and other agricultural endeavors.

Alaska is only one of two states, Rhode Island being the other, in which there is not a Cabinet level Department of Agriculture. We DO have agriculture, and not just garden grown vegetables. In the Barley Project of Delta Junction, we have farmers who grow barley, wheat, oats, canola and potatoes. These are grown on a commercial scale. We also have farmers who raise sheep, cattle, yaks, bison, and other animals for commercial sale.

In Southeast Alaska, we also have farmers, on a smaller scale, who raise sheep and cattle, to name a few. We have nurseries where flowers and vegetable starts are started for others to have in their home vegetable gardens. Juneau and Petersburg have Farmers Markets during the summer.

A Department of Agriculture will benefit all these farmers and consumers, by assisting the farmers to improve their products thus providing a locally produced product reducing the freight costs of importing food stuffs from outside and increasing the vitamin content of fresher food.

If the Division of Agriculture remains in the Department of Natural Resources, the above would be greatly reduced. Being the "poor relation",

with oil and gas, coal, and other "natural" resources taking the majority of the time and money, designated by the legislature in the budget, agriculture would be on the "short end of the stick" for allocations.

Please approve the Department of Agriculture.

Gayle Eastwood
P.O. Box 1185
Petersburg, Alaska 99833
907-772-4307 or cell 907-518-4244
gaylewind@juno.com

Or

HC 62 Box 5312
Delta Junction, Alaska 99737
907-723-1132

Jane Pierson

From: Rep. Steve Thompson
Sent: Monday, March 21, 2011 12:33 PM
To: Jane Pierson
Subject: FW: HB 191

Follow Up Flag: Follow up
Flag Status: Flagged

From: Leslie Seddon [mailto:seddon5@mtaonline.net]
Sent: Friday, March 18, 2011 3:49 PM
To: Rep. Steve Thompson
Cc: Rep. Beth Kerttula; Rep. Chris Tuck; Rep. Bob Lynn; Rep. Alan Dick; Representative_Bob-Miller@legis.state.ak.us; Rep. Tammie Wilson
Subject: HB 191

Dear Representative Steve Thompson and other supporting Representatives,

House Bill 191 has recently come to the attention of many small, personal and/or family farmers in Alaska. I have spent three days reading the bill in its entirety and tracing it back to its roots. After much debate and discussion with two farming groups, we have come to the conclusion that this bill is exactly as stated to streamline the existing powers and duties of the DEC and DNR into one Department of Agriculture and Food.

It was pleasing to review the existing duties of educating the public about agriculture since we feel it is imperative that non food producing residents of our state share in the burden of providing for themselves. Even the city dwellers (no longer in the school system) would benefit from revisiting the skills of victory gardening. More emphasis on this education would increase self-reliance and decrease the dependency on government.

Unfortunately, it also adds verbiage that we cannot support as new legislation on page 2, lines 24 through 26 in regard to inventorying and reporting of stored food for the sake of food security. As you must have anticipated, we are against any such infringement of personal rights. The language in which the bill is currently written does not exclude the small, personal or family farm from government scrutiny. (I was not able to locate any definition of 'farm' in Alaska state law.) We would like to see these lines removed from this bill as they are objectionable and are not a part of the efforts to create (recreate) the Department of Agriculture & Food.

Finally, we are questioning the overall purpose of forming this department. Other than opening a final link in the chain of command for Federal intrusion, what benefit will it serve more than a few Alaskans?

I would appreciate any enlightenment on the above in regards to the proposed HB 191. I will be sharing your responses with the farming groups and am looking forward to hearing from you.

Thank you for your time,

Leslie Seddon
Wasilla, AK

Mat-Su/Alaska Farm Bureau

1100 South Colony Way, Palmer, Alaska 99645 746-0044 Fax 907-357-6777

May 9, 2007

Governor Sarah Palin
Office of the Governor
Sent via Fax to 907/465-3532
Juneau, AK 99811

Dear Gov. Palin:

The Mat-Su Chapter of the Alaska Farm Bureau watched with alarm as Alaska agriculture was forced to the brink of irrelevance by the Murkowski Administration's missteps. So far, the overreach and mistakes of that Administration seem to have been stemmed in Alaska's other industries.

Not so, however, with agriculture. Within the secret confines of what I truly hope are the most dysfunctional parts of state government, the Division of Agriculture, the Board of Agriculture and Conservation, and the Creamery Corporation Board continue as if an election hadn't occurred.

We are disappointed that our small industry has not yet experienced a change in leadership and approach. Perhaps after May 16, some small attention can be turned to the problems of an industry that, without a fast course correction, is poised to lose entire sectors.

The State of Alaska's agriculture leadership under the Murkowski Administration went about "helping" farmers by putting them out of business, suing them for trying to help themselves in marketing, presiding over the final failures of publicly owned processors, and dividing a weak industry against itself.

The late Earl Clabo, one of our most stalwart members and one of your most enthusiastic supporters, spearheaded the circulation of a "white paper for change" before the last election. It was signed by representatives not only of this organization, but of all the organizations involved in Alaska farming production. We thought it was a reasoned, thoughtful and restrained call for action. We submitted it to you in October, in a productive discussion with John Bitney. Please take another look at it.

Below, I will briefly outline the broad areas where the Mat-Su Chapter's initiatives and concerns over the past three years have been ignored or attacked.

1. Alaska Grown.

Reams of paper and hundreds of thousands in legal fees have been needlessly expended. Since the Agricultural Revolving Loan Fund pays the state's expenses in suing our chapter over this issue and Alaska Grown is not an ARLF asset, we believe these fees have been illegally expended as well.

To win its anti-farmer point of view, the Division has resorted to two rounds of personal attacks and attempts to instigate changes in leadership within the chapter. It has threatened and misrepresented and unethically called on others within the farming community to lobby against the chapter and marketing self-rule. Now, it is backtracking from a negotiated settlement agreement.

What is this issue that commands so much in state money and state employee ethical lapses?

Simply, the state feels it must own and micro-control every aspect of the Alaska Grown program, down to the tee-shirt sales that our group has slowly built up with our own work for over 21 years.

The state acknowledges that the program and its logo were developed together with the farmers. The state acknowledges that its own function is to certify that the farm products so stamped are of good quality and are grown here in Alaska. So why interfere with our promotional efforts?

Every other industry in this state is given the courtesy of a belief that industry representatives can best run an industrywide marketing program. Only farmers are considered too infantile for this.

A survey of other "Grown" programs across the nation shows that the only ones which can be said to work are the ones where the industry runs the program.

It is the farmers who make such programs work, and is we who have made the tee-shirts work.

Our recommendation: This suit should end immediately, while the state and the farmers begin an industry relationship like that with the Alaska Travel Industry Association.

2. Dairy Concerns.

Here the present Division leadership was not originally to blame; it is only their response to a long-standing problem that gave them ownership over the current debacle.

The mistake that triggered the decline of the dairy industry in Alaska was made in the 1980s. The state refused to sell the creamery back to a farm cooperative. Instead, it chose to retain ownership and control over Matanuska Maid.

Then, Matanuska Maid compounded the mistake by steadfastly holding to an industrial milk sales model, in a state where there is no industrial milk production.

Predictably, this model resulted in a steady decline of local milk production. It is now just a small fraction of the amount it was 20 years ago.

We have monitored and cajoled about this situation for the past several years, with increasing frustration in the last two years.

The current director pledged to us before his selection that he would see that the balance between processor and producer was redressed. He has broken this pledge.

His and the Board of Agriculture's response has ranged from the silly to the sinister. The silly was to advocate the dairy "industry" go back to one- and two-cow "farms" selling raw milk; never mind that that happens to be illegal. More sinister were the successful destruction of the two most recent attempts to dairy at Point MacKenzie, through targeted adverse loan actions and unfair pricing.

Just a week ago we learned that while the farmers have been stonewalled and blamed relentlessly, Matanuska Maid has secretly run up $700,000 in losses over the past two years. Its industrial model of importing milk and starving the locals is at last revealed as a failure.

The state was warned over and over that a policy of favoring a processor while starving the farmer was wrong, and contrary to its fiduciary responsibilities of preserving ARLF farm collateral.

Once again, the farmers were ignored and the concerns of our chapter ridiculed. Once again, the state chose to stick by state control over private production.

Our recommendation: Dairy industry policy in this state must be based on the necessities facing the actual dairy farmers in this state. Matanuska Maid has had over 20 years to try this, and has failed. Solutions to the problem of inadequate farmgate milk prices must be sought in the private sector, where the U.S. Department of Agriculture has recently invested in two innovative approaches.

3. Slaughterhouse.

Here, the current leadership simply decided to abruptly abandon the processing business after more than 20 years of state ownership. This decision was, commendably, modified to take proposals for private ownership of the plant.

Then, the one bidder was rejected. The stated reason for the rejection was that the person could not get non-ARLF operating funds to run the plant, and the plant could not be used as collateral.

Since we are not privy to the details, we cannot say whether this is the real reason or not. However, we note that the U.S. Department of Agriculture has a method of releasing grant assets for use in securing operating loans, without losing its interest in ensuring that projects are completed.

It seems to us that wise management might have adopted this approach.

Instead, the plant is still being operated by the state, but the meat prices to the producer have been lowered even further and the charges to the producer raised.

Once again, the farmer is blamed and penalized, while the industry becomes more miniscule.

Not only were we as a chapter and farmers ignored, but even farmer members of the Board of Agriculture were restrained from speaking freely on the slaughterhouse issue or voting on it.

Our recommendation: The slaughterhouse, just like sustainable dairy processors, must base its pricing policies on the needs of the farmers it serves. The current unstable, farmer-punitive system will never work. Either the privatization of the plant through gradual conversion to cooperative farmer marketing should begin, and/or the Department of Corrections should contribute added training dollars to the operation.

There are other missteps and lapses, and corresponding future opportunities, many of them discussed in the "white paper for change" previously mentioned.

Two of the examples given above heavily impact the Southcentral dairy and meat industries, and the third denies all farmers in the state a share in their own collective marketing symbol.

The rigid, secretive, dictated ways of the present have reached their logical conclusion: Failure.

It is past time for a fresh, farmer-centered approach to the business of farming in this state.

Please help.

Sincerely,

Karen Olson,
Executive Director

Support Documentation for an Alaska Department of Agriculture and Food
From Ruby Hollembaek 04/07/2011

The History of Agriculture in Alaska and Support for a Department of Agriculture and Food (DAF)

In **1945 the Territorial Legislature created the Alaska Department of Agriculture** for the purpose of promotion and development of agriculture. Agriculture is specifically identified in the State constitution. Prior to statehood, there was a Territorial Commissioner of Agriculture (George W. Gasser) who headed the Alaska Department of Agriculture. (http://www.lltsite.org/index.cfm?section=Digital-Archives&page=Industry&cat=Agriculture&viewpost=2&ContentId=2710) **Certain functions in agriculture were established prior to statehood, such as a creation of the Agricultural Revolving Load Fund in 1953 with a $1 million authorization.**

"The funds have dwindled because ARLF was set up to revolve, but it hasn't. **It has not received general funding since 1986 and $12 million total has been siphoned from the coffers to supply the Alaska Division of Agriculture's operating expenses since 2004."**[1] It should also be noted that funds have been siphoned off for other purposes other than funding the Division of Agriculture. There was a sizeable amount taken out for fire fighting. I believe that may have been in the $2 million mark.

"In Alaska in 1987 there were 1,026,732 acres of agriculture land in production, in 2007 there were 881,585 acres of land in production, a decrease of 15%. When looking at the agriculture we produce here as compared to the rest of the United States **we rank 50th in almost all areas.** (http://www.agcensus.usda.gov/). This is not because of lack of producible land, lack of water or acceptable growing season. There needs to be a change in the political outlook for agriculture in Alaska. [2]

It has been reported by a speaker at our **Alaska Farm Bureau** annual meeting held in November of 2010 that Indiana recently created a cabinet level Department of Agriculture and Food. Prior to this, I believe that there were only a few states (one of which is Alaska) who did not have a cabinet level department of agriculture. Vermont was another; they (in the last decade) were also successful in creating an Agency of Agriculture which is at the cabinet level. Upon review of the agricultural agencies in the United States, it appears that Rhode Island and Alaska may share the distinction of not having a cabinet level agency or department. I believe that Rhode Island and the Anchorage area are near the same size.

In a 147 page **Ten-Year Plan for Alaska's Agricultural Development** submitted by a committee in 1983, **Alaska Agricultural Action Council (AAAC)** members (Richard Lyon, Chairman Commissioner of the Department of Commerce and Economic Development; Richard Neve, Commissioner of Department of Environmental Conservation; Peter McDowell, Director Division of Budget and Management; Paul Huppert, Palmer farmer; and Steve Hamilton, Palmer Farmer; James Drew, UAF Dean School of Agriculture and Land Resources Management; and Weymeth E. Long, State Conservationist, USDA) for Governor Bill Sheffield sited that "The responsibilities of the AAAC and the Division of Agriculture either frequently overlap or fail to provide a necessary service. The AAAC was responsible for the Delta Project and for subsequent projects and has taken advocacy positions on behalf of the Alaska agricultural

[1] Alaska Business Monthly, March 2011 "Banking on Agriculture" p.64
[2] http://www.adlainc.blogspot.com

industry. Because the Division of Agriculture is a part of a large department (DNR), it has been unable to devote its complete attention to planning or administering projects."

"Coordination between financing and farm development is a serious problem. The ARLF is responsible for credit programs that are critical to the success or failure of agricultural projects, even though the AAAC has overall project responsibility. The ARLF is administered by the Division of Agriculture, with no coordination or responsibility shared with the AAAC. "

"Several options for administrative reorganization should be considered. These include combining the functions of both groups into one agency or the other, are combining the functions of both groups, along with other functions, into a Department of Agriculture. "

"At the very least, more coordination between the AAAC and the Division of Agriculture will be required as agricultural development continues. This would become easier if both were in a single organization. Ultimately, if the State of Alaska is to have a relatively larger agricultural industry, a Department of Agriculture should be considered. "

"The Resources Committee offered on **05/18/81 HCR 29** in the House for House concurrent resolution No. 29 (Finance) relating to the development of a plan for Alaska agricultural development. Whereas, the legislature determines that the agricultural development goals of the state are to:

1. **Promote self-sufficiency and to decrease dependency on imported foods;**
2. **Provide opportunities for Alaskan to produce their own food individually and collectively;**
3. **Provide employment for Alaska;**
4. **Provide nutritional food products from local sources for Alaska;**
5. **Develop a self-supporting agriculture industry in Alaska;**
6. **Encourage the export of surplus agricultural products; and**
7. **Ensure that agricultural development proceeds with sound environmental practices and energy efficiency;"** [3]

The Alaska Farm Bureau 2010 Resolution Platform was approved by those voting members (delegates) attending the annual meeting where they unanimously supported a cabinet level Department of Agriculture. The Alaska Farm Bureau submits Alaska's Long-Range Plans on a regular basis. These include agricultural entities of transportation, standards, marketing, land sales, tax issues, renewable energy, etc. Testifying for HB 191 in support of a Department of Agriculture and Food was Bryce Wrigley, Alaska Farm Bureau President; Lyall Brazier, Delta Farm Bureau President; Ruby Hollembaek, President Alaska Diversified Livestock Association, Inc.; and several producers from around the state. Testifying was Paul Huppert who was also an AAAC member with the 10 year report submitted in 1983. Another testimony was from a rancher who remembered the transition from a Department of Agriculture to a division under the Department of Natural Resources. I believe she was from Kodiak. Kodiak Game Rancher, Bill Burton, read her testimony if my memory serves me correctly. I believe that

[3] Ten Year Plan for Alaska's Agricultural Development, p.108-114

the transition from Department to Division occurred the early 1960's while changes were made in the state government system to ensure ANSCA and the expedience of the Alyeska Pipeline venture.

"In a **report prepared for President Barack Obama and Secretary of the US Department of Agriculture, Tom Vilsack**, and based on forums conducted by State USDA Alaska Farm Service Agency Danny Consenstein and Alaska State Direction USDA Rural Development Jim Nordlund the following facts were derived from meetings held across Alaska (Fairbanks, Kotzebue, Juneau and Anchorage) to provide input on what works and what does not work when it comes to job creation and retention, especially in rural Alaska. Three areas for potential job growth emerged from all four meetings:

- Food Systems
- Renewable energy/energy efficiency
- Rural Infrastructure"

"Even in Alaska's urban areas, most purchased food has to travel thousands of miles just to reach grocery store shelves. To arrive in Alaska's remote communities, the journey is even farther. Spoilage rates and prices are both high, especially in rural villages. This challenge provides opportunities for innovation in developing methods for growing, processing and transporting food more locally and efficiently. These opportunities tie in directly to energy costs, training and infrastructure. "[4]

In an open letter to all Alaska Farmers, Bryce Wrigley says it best when he states:

"Farmers and ranchers are thwarted by regulations that prohibit the growth and expansion of the industry. Agencies providing inspection services, veterinary services and the oversight of land issues are currently functions of several different agencies. **Locating these basic agricultural services in a single Department of Agriculture will increase efficiency by focusing all the resources on the mission of providing food for Alaska.**"

As the former Department of Natural Resources retired land director, Glen Franklin, walked by my table at the Delta Farm Forum this last February, he asked who was behind the move to create a Department of Agriculture. I explained that I supported such a move. He stated, "It's about time." After dialogue, he said a commissioner would probably be paid half again as much as the division director is paid but he didn't see where the extra cost would be in creating such a move back to the original intentions of our state founding fathers. After all, DNR is housed in Fairbanks so a DAF could be located as is in Palmer.

When asked what the legislature and Governors' office can do for Alaskan agriculture, my answer is: "The same thing you do for oil, gas, fisheries, and other resources in our land. We want to sit at the table with and conduct business about our product and available food, fiber and fuel for all Alaskans. We simply want a seat. **We want a cabinet level seat.** We don't want to be a division under a department. It hasn't worked. Nearly every state in the union has a cabinet level department or

[4] Alaska Forums on Jobs and Economic Development, February 15, 2010 USDA, Rural Development Farm Service Agency, pgs.4-5

Support Documentation for an Alaska Department of Agriculture and Food
From Ruby Hollembaek 04/07/2011

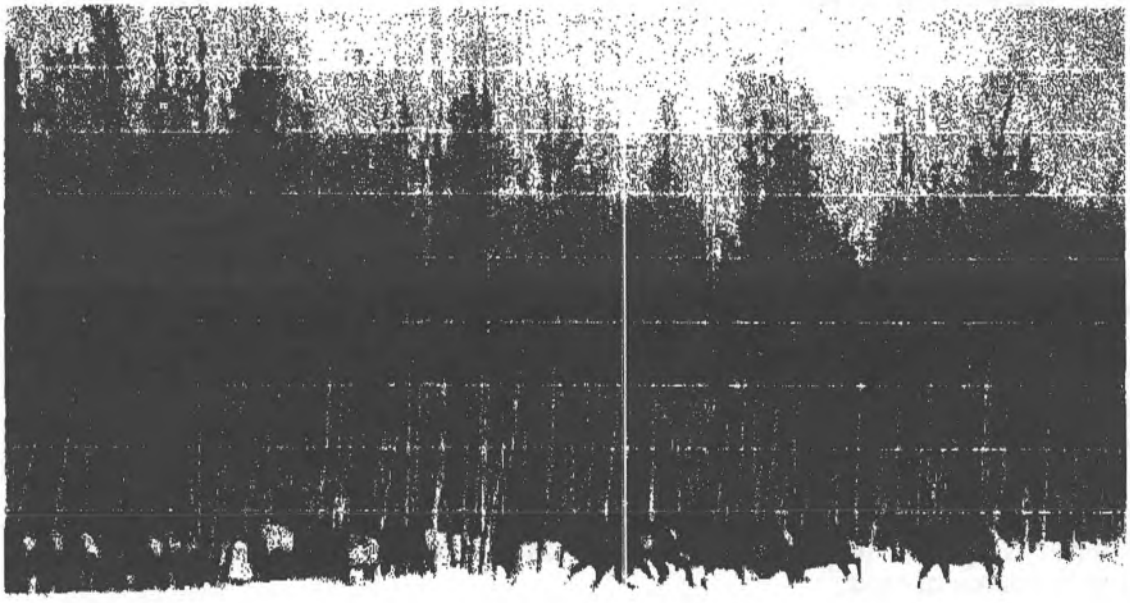
agency. With our unique geographical location, it is paramount that we return to the original Department of Agriculture that was in our first State Constitution in 1945."

Respectfully and with high regards I submit this plea to continue with the movement of HB 191 for a Department of Agriculture and Food. Thank you for supporting Alaskan agriculture and regards to all who care.

Ruby Hollembaek

Alaska Diversified Livestock Association, Inc. President www.adlainc.blogspot.com

Alaska Interior Game Ranch, Owner-Operator www.bisonandelk.com



ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
bjwrigley@gmail.com

Jane Hamilton, Executive Director
janehamilton99737@yahoo.com

March 15, 2011

Representative Steve Thompson
Alaska State Legislature
120 4th Street
State Capitol, Room 3
Juneau, Alaska 99801-1182

Dear Representative Thompson,

We wanted to take this opportunity to thank you for introducing HB 191 that creates a Department of Agriculture and Food. Agriculture has struggled to survive in the shadow of oil and gas for several decades. We understand the attention that oil and gas demand as they drive the economics of our state. This doesn't leave adequate attention to focus on agriculture and the importance of supplying a safe, secure and plentiful food supply to our citizens.

The Alaska Farm Bureau feels that this bill is important to every Alaskan citizen as well as the agricultural community. Since most of our food in imported, we are in a precarious position and vulnerable to the many disruptions to our transportation system that have occurred in the past and will, most likely, occur in the future. It is of the utmost importance that we produce our own safe and abundant source of food.

A Department of Agriculture and Food will give the industry the opportunity that is needed to ensure that locally grown food, - food produced in Alaska will be able to expand and develop to feed the citizens of Alaska.

If you have any questions about how HB 191 will improve and impact Alaska's agricultural industry, or if we can be of any assistance to you, please don't hesitate to contact me.

Sincerely,

Bryce Wrigley, President

PO Box 760 Delta Junction, Alaska 99737 Telephone: (907) 895-4752

ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
bjwrigley@gmail.com

Jane Hamilton, Executive Director
janehamilton99737@yahoo.com

December 22, 2010

Representative Steve Thompson
PO Box 70843
Fairbanks, Alaska 99709

Dear Representative Thompson

The Alaska Farm Bureau respectfully requests your support as we pursue the creation of a Department of Agriculture in the next legislative session.

A Department of Agriculture would replace the Division of Agriculture that is currently in the Department of Natural Resources (DNR) where time and attention are focused on oil and gas.

A Department of Agriculture is not a new concept. In fact, the Alaska Territorial Legislature originally created a Department of Agriculture in 1945 and Governor Ernest Gruening named George Gasser as the first Commissioner of Agriculture. His appointment was readily confirmed by the legislature, praised by Alaska newspapers and widely welcomed by Alaskans.

We envision a streamlined Department that would be funded at about the same level that the Division of Agriculture currently is. The Department should focus on development of agriculture as the best way to achieve food security. We need a department that is focused on, and is supportive of the industry. Alaska's citizens deserve one. Alaska's farmers and ranchers must have one to survive.

Food production and food security should be the number one priority in Alaska. There is approximately a 3-5 day supply of food in the state. The majority of all of our food comes from the Lower 48. We are dependent on a food distribution system that has been disrupted several times due to natural disasters as well as those created by man such as longshoremen's strikes and of course, September 11th.

Farmers and ranchers are thwarted by regulations that prohibit the growth of the industry, preventing us from resolving the food security dilemma. Inspection services for farm products, veterinary services, and farmland issues are currently functions of several different agencies and would be more efficient if located in a single department - a Department of Agriculture.

The phrase "If you eat, you are involved in agriculture" is not just a catchy tagline. It is a truism that all of us need to pay better attention to. We look forward to working together to improve Alaska's food security by increasing food production and ensuring that our citizens have access to an abundant, safe and healthy food supply grown in Alaska.

Over the next few weeks we will be providing you with additional information, which will serve to brief you more fully on this issue. If you have any questions, please don't hesitate to contact us. We look forward to working with you on this very important issue.

Sincerely,

Bryce Wrigley,
President,
Alaska Farm Bureau
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907-687-9924

ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
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Jane Hamilton, Executive Director
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To Whom it May Concern:

The Alaska Farm Bureau represents 350 farm families throughout the state of Alaska. At our Annual Meeting in November, we voted to pursue creation of a Department of Agriculture for Alaska. The motion passed unanimously.

For almost 30 years, agriculture has struggled to survive in the shadow of oil and gas. We do not resent or regret the attention that those natural resources receive, for we agree that at this time they drive the economic engine of the state. Unfortunately, after adequate attention has been focused on those resources, there is simply no more time in the day for DNR managers to address the vital importance of agriculture in Alaska.

We import almost all our food and as a result our food supply is in a precarious state in the event of any number of possible disruptions to transportation. We believe agriculture can do much to increase our food security – not only on the road system, but in remote rural communities as well.

A strong agricultural base is absolutely vital to Alaska for several reasons. Enhancing food security is just one. Improving rural communities by creating jobs and work allows rural residents to remain in their communities. Many secondary jobs are created when there is a strong agriculture industry, including jobs in transportation, processing, and marketing.

Most dollars from the sale of agricultural products stay in the community and state. Economists use a multiplier of 8 for such sales compared with about 2 or 3 for oil and gas. The result of this turnover is a stronger economic engine.

I could continue with the social benefit to remote rural villages, beset with alcohol, drugs, and violence. Millions of dollars are spent for intervention programs that treat the symptoms, but do not address the cause. I believe agriculture establishes a connection with the land and gives people a reason to live and work, and builds pride by providing for themselves.

The end result is that given the importance of agriculture to the social and economic health of Alaskans, there must be a more streamlined method of charting the course and accomplishing the mission of feeding Alaskans, than under the current system. The multiple layers of bureaucracy through wich plans,

budget, and initiatives must pass under the current structure provides too many opportunities to sideline critical functions because while they may meet the needs of the agriculture industry, they do not meet the priorities of DNR. Consequently, valuable resources to the state never make it to the cabinet level where agricultural resources can be coordinated among agencies to meet socio-economic needs.

Many are concerned about the cost of creating a new department. We believe that properly structured, the cost of a Department of Agriculture need not be significantly more than the current division. The discussion we should be having is whether the value of the new department, in efficiency, purpose, and widespread benefits to urban and rural residents alike, will make it a bargain for Alaska.

We believe it can.

Sincerely,

Bryce Wrigley,
President, Alaska Farm Bureau

PO Box 760 Delta Junction, Alaska 99737 Telephone: (907) 895-4752

ALASKA FARM BUREAU, INC.

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January 5, 2011

ALASKA NEEDS A DEPARTMENT OF AGRICULTURE – REASON #1

As explained in our last letter, the Alaska Farm Bureau is pursuing creating a Department of Agriculture. There are many significant reasons for this – benefiting the Alaskan consumer as well as the Alaskan farmer. In the next few weeks we will address some of them.

Agricultural Inspections need to be consistent, reliable and conducted by the same department.

The Division of Agriculture is currently responsible for inspecting crops and shell eggs (poultry), elk fencing and farming licenses and beehive registrations. Seed potato inspections are made in the field during the growing season as well as the crops after harvest. The Division of Agriculture administers seed potato and tomato plant regulations for nurseries and garden centers.

Producers participating in the Alaska Grown program are also subject to inspections to ensure produce meets the Alaska Grown quality requirements.

The Office of the State Veterinarian is responsible for the surveillance and control of animal diseases as well as the inspection of sanitary conditions of dairy farms, milk, cheese and ice cream processing equipment and facilities and the issuance of their permits.

There are specific regulations regarding the export and importation of both pets and domestic livestock. Wild bird flocks as well as domestic poultry are tested for H1N1 (Swine Flu). Domestic livestock are inspected and tested for several diseases such as Brucellosis, Johannes Disease, TB, etc.

The Office of the State Veterinarian is currently under the umbrella of the Department of Environmental Conservation. This separation from agriculture

coupled with the intense regulatory mindset of DEC results in disenfranchisement of the agriculture industry from one of the most important offices that should support development of a healthy local food production industry.

The Office of State Veterinarian used to be located in the Division of Agriculture and was viewed as a resource by the agriculture community. We propose returning the State Veterinarian to the Division of Agriculture because we believe it will serve the industry better by improving the working relationship between the State Veterinarian and agriculture.

We also propose transferring the inspection services of all local agricultural products to the new Department of Agriculture. There is a different mindset in the Division of Agriculture than what exists in the strict regulatory mentality of DEC. The Division of Agriculture has a mission to work with producers to accomplish food production. The Division of Agriculture already performs many inspections of agricultural products and when problems are found, their approach is to work with the producer to correct the problem.

This is not the policy of DEC, whose stance is to rigidly enforce regulations and ignore the calls of legislative oversight committees to modify overly strict rules that obstruct local food production. Regulations that ensure a safe food supply need not be a barrier to local food production systems if there is a willingness for the state and the industry to work together. However, that goal can best be achieved by inspections being housed in a Department of Agriculture with the goal of increasing our food security through increased local production and reasonable inspection standards.

In closing, we need to create a more business-friendly climate for food production and processing. Alaska needs to produce more of our own food to supply in-state needs in times of emergency. The importance of developing our food producing resources cannot be overstated. It will take time to increase our production and processing, so that it is available when it is needed. This process can best be accomplished with a Department of Agriculture that houses all the state services that affect agriculture.

Please contact us if you would like further clarification or additional information regarding this letter. We will be happy to provide documentation and examples of how the state agencies can participate in the development of a more secure food supply.

Sincerely,

Bryce Wrigley
President, Alaska Farm Bureau

PO Box 760 Delta Junction, Alaska 99737 Telephone: (907) 895-4752

Key Provisions of Dept. of Agriculture
from the Alaska Farm Bureau, Inc.

Using the current budget for the Division of Agriculture, we propose forming a Dept. of Agriculture for Alaska to more effectively guide agricultural policy during this critical time. Alaska is far too reliant on importation of food. When a disruption of the transportation occurs, which happens all too regularly, Alaskans suffer. This is especially obvious in the remote rural areas, but the major impacts would be felt in the urban centers, simply because the majority of Alaskans live there.

The state suffers from the lack of attention to agriculture. Let us consider that with agricultural products on the farms, storage barns, and feedlots of Alaskans, we become more able to weather the effects of natural disasters or widespread pandemic. Alaskan farms can produce the variety of food needed to provide a balanced diet.

What we lack is a focused agency that houses the needed services that government can and should provide. Inspection of locally produced food and processing is currently under DEC, as is the state veterinary. We believe moving both these functions back to Agriculture would greatly facilitate the development of agriculture and the attendant processing needs. There is a simple, but powerful difference the attitudes of facilitation and regulation exert on the business climate.

To this end, we suggest the following adjustments:

Creation of a Department of Agriculture – DNR is rightfully absorbed with oil, gas, and mining. There is no time and very little support for agriculture in the shadow of these topics. Yet feeding our citizens healthy, nutritious food and securing its supply for Alaska is important enough to warrant a higher level of support from the administration.

1. Under the Dept. of Agriculture, inspection services of all agricultural products and State Veterinary services would be transferred from DEC along with the budgets for those services.
2. ARLF would remain with the Dept. of Agriculture. This is important because banks will not lend on land subject to ag covenants. Therefore, lending options for ag producers are limited. Not only does the ARLF lend on farm enterprises, because it is housed under agriculture, there is a better understanding for the ag of the risks and opportunities relating to agriculture than other state loan programs have.
3. Plant Material Center (PMC) functions would continue with the new Department of Agriculture to develop and propagate seed for agriculture.
4. Oversight of all land classified for agricultural development will be moved to the Dept. of Agriculture. Alaska has a limited amount of land suitable for agriculture, much of which has been designated as such. When a borough, municipality, or the University receives land, those ag covenants do not transfer with the land. This reduces the amount of land available for growing agriculture. The state land

designated for ag development that currently remains, must be protected from losing those covenants. The Dept. of Agriculture is the logical entity to identify land for disposal to the private sector for development. They need to have funding to survey it, put in pioneer access to it, and dispose of it to people interested in farming and ranching.

5. Budget
    a. Recapitalize ARLF and stop funding operations from the loan fund. The fund was set up to revolve, however some operational cost are drawn from the loan fund, resulting in a gradual decline of money available for lending to farming operations.
    b. Fund all Dept of Agriculture functions from budget, including Mt. McKinley Meats, the loan officer positions, and any other expenditures currently being drawn from the ARLF. This legitimizes the functions performed by the Dept. of Agriculture with a budget, and preserves the corpus of the revolving loan fund.
    c. Include agriculture education in budget. This might be funded from a percentage of the sale agricultural land, but it is important that the next generation be informed about where their food comes from and what they can do to participate in that process or else food production in Alaska will only last for one generation.
    d. Statutory regulations regarding loan policies.
6. Develop a Food Safety plan for Alaska. The Department of Agriculture will develop a plan to address food security in Alaska by providing for the expansion of local production. There is no other method of ensuring our food security because all other sources depend on the same transportation system we currently depend on. Food produced in Alaska and stored in the vegetable barns and cellars, grain bins, feedlots, dairies, and ranges of Alaska are 2500 miles closer to their end user, greatly facilitating access to food in the event of a transportation disruption. Several aspects of this plan need to be put in place while there is time including:
    a. The scheduled sale of ag land. State owned land is not producing land. It must be put into the hands of farmers who are determined to work it and produce on it.
    b. Regulations need to be designed to encourage a cottage industry for food production and processing. Small scale operations will provide the pool from which larger operations will emerge as they see growth in their markets. One model for accomplishing this is in Oregon, which allows a small producer to sell to neighbors.
    c. The Dept. of Agriculture can play an important role in facilitating small scale infrastructure development including mobile processing, inspections, land disposal, village food production projects, and farm financing. It is critical that through it all, the Dept. of Agriculture stay focused on improving our food security by facilitating growth of agriculture.
    d. The Department of Agriculture must proactively renew expiring livestock leases in a timely manner. Livestock leases are integral to the red meat industry, which is vital to our food security. Some producers have been

waiting years to get their leases renewed while the state determines what the wisest and best use of the land is and whether the lease cost need to be raised. Boiled down to the essentials, the Dept. of Agriculture will recognize that:

- Grazing leases are indicative of Agricultural land, therefore it has already been determined that agriculture is the highest and best use for it.
- Improvements made by the leaseholder should be credited toward the lease price, not charged extra for. In other words, when a rancher has put in livestock wells or working facilities, he should not be charged extra for them by the state when the lease comes up for renewal since the state had no part in making the improvements. Instead, the improvements should weigh in favor of the rancher as evidence that he is a good risk.
- Preference rights should be allowed if the current leaseholder continues to raise animals. This encourages the rancher to invest in improvements because the expenses can be amortized over a longer period of time.
- New leases should be for a minimum of 20 years to allow reasonable stability for financing improvements and making management decisions such as increasing his herd.

ALASKA BUSINESS MONTHLY

SHARE

March 2011 Finance

Agricultural Revolving Loan Fund Running Dry

Could Alaska face a land without agriculture?

By Deborah Jeanne Sergeant

If things don't change soon, the State-run Agricultural Revolving Loan Fund (ARLF) will be shuttered. Although other programs and lenders exist, nixing the 58-year-old ARLF will decrease funding available to an already precarious agricultural industry.

Banks generally do not lend to farms because in case of default, the land may be used only for farming, rendering it nearly valueless. Alaska farmers use the three main lending institutions in the state: Agricultural Revolving Loan Fund (ARLF), a State-run program: U.S. Department of Agriculture Farm Services Agency (FSA), a program operated by the federal government; and (AARC), a private, nonprofit lender.

In an industry accustomed to relying upon credit for supplies and equipment upgrades until the harvest or slaughter, cash has been especially tight during the downturn.

"In the last few years, our funds have diminished," said Candy Easley, loan officer with ARLF. "Unless it's recapitalized, there won't be enough funds."

The Missing Link

Losing ARLF is like kicking out one leg from a three-legged stool.

"Each program serves a different need and we cross-participate with each other," Easley explained.

Established in 1953, ARLF, as a revolving loan fund, focuses on development. Many of its loans are larger loans for funding a new farm that's clearing land, operations that add a processing plant for its goods or some other large-scale venture. ARLF caps its loans at $1 million.

FSA is more geared toward beginning farmers. Because they lack collateral, obtaining a

standard bank loan to start their ag business is next to impossible. FSA also serves people with credit issues or other problems that impede their ability to get a traditional loan.

AARC is the most conservative of the three ag lenders because of the amount of funds they possess. Its high-qualifications standards make it tougher for obtaining a loan.

AARC loan officer Steve Gallagher confirmed the agency will continue to lend to farmers despite the credit crunch.

"We're increasing our funds by partnering with Farm Service Agency's funds so we don't run out," he said. "They used to be the 'lender of last resort' and now they're the 'lender of first opportunity' because of the financial crisis in the Lower 48."

Three to Completion

Easley believes because farms rarely need only one kind of loan, it's important to the industry that all three ag lenders are well-funded. For example, a farm may need a FSA loan to buy dairy cattle, an ARLF loan for adding a creamery and milking equipment and an AARC loan for building a farmhouse.

Once a farm has been established, it make operate for decades, depending upon farm credit, to cover operating expenses and to replace and upgrade equipment as it wears out or as the farm expands. They will need to buy seed, feed, fuel and other supplies they cannot afford until the harvest comes in.

"It's a fragile lending scenario," Easley said. "We work together and there's not hundreds and hundreds of farms. It's a big state with a small ag community."

Dwindling Funds

The funds have dwindled because ARLF was set up to revolve, but it hasn't. It has not received general funding since 1986 and $12 million total has been siphoned from the coffers to supply the Alaska Division of Agriculture's operating expenses since 2004.

As for ARFL, it's been living on its hump, selling off its assets. The organization has less than $5 million left and generates only $.5 million in interest based upon its portfolio. Easley said it takes $1 million to operate, so farmers will have only $4 million to borrow in 2011.

"That's not enough money to revolve when you're loaning approximately $2.5 million in new loans," Easley said. "There's not enough money, so depending upon the amount of loans

taken out, that's going to be the factor, and depending upon if no loans going bad. In a year, we won't have that $2.5 million to loan out."

The Alaska Board of Agriculture and Conservation is lobbying for support from the Legislature to recapitalize ARFL.

"Whether it happens or the conditions under which it happens I don't know," Easley said. "We're at risk for not being able to provide development funds or operating funds within the next year."

She estimates with an average farm purchase of $300,000 to $500,000, ARFL will be able to fund about four before the funds dry up.

Slow Death

Twenty years ago, ARFL employed 15; for the past seven years, Easley has worked alone.

"If the State wants to promote the development of agriculture and maintain the existing level of agriculture, then they really need to recapitalize and reaffirm their support to finance ag in this state," Easley said. "I think that before they fund it, they need to decide the goals."

Amy Pettit, Alaska Department of Agriculture development specialist on the Food Policy Council in Palmer, said that the increase in small-scale production indicates a growing opportunity for farmers, fueled by "people becoming more interested and concerned with how it was grown where and how it got to them," she said.

In 2005, the Department of Agriculture recognized 13 farmer's markets. By 2010, the number had risen to 29.

"Endless Opportunities'

"There could be more and more farmers could be utilizing the facilities available and if there were more facilities, we could use more farmers. We could use more farmers in Alaska. There's endless opportunity."

Previously from Kansas, Pettit recalls her former state's number of listed farmers: 44,000. Alaska's 680 farms is very low, especially considering the state's size.

The output of Alaska's farms is low also. Only 320 of Alaska farms are making more than $10,000 per year.

"They're supplementing their income with non-farm work," Pettit said. "It's a budding industry."

But unless the industry can obtain sufficient funding, it will stagnate. Bryce Wrigley, president of Alaska Farm Bureau, operates Wrigley Farms in Delta Junction, where he raises 1,000 acres of barley.

"I think that ARLF, the primary lender of the state, needs to be recapitalized," he said. "Dump $10 million in there. Their policies should change so any operation expenses of the Department of Ag should come out of the general fund not the ARLF loan fund."

Wrigley fears for the future not only of Alaska's farmers, but also the state's food supply.

"We're going to allow our capability to produce our own food slip away from us and that's not going to be recoverable," he said. "It's estimated that the average farmer feeds 153 people apiece. That's good productivity. But when you consider a 300 million population and 2 million farmers, we're barely making enough food for our nation."

He compared America's reliance upon other nations for oil with the possibility of depending upon them for a majority of our food.

"I remember the oil embargo lines in the '70s," he said. "Suppose we have to wait in lines at the grocery stores for food?"

Should the state's food supply lines become interrupted with a major catastrophe, "we would be in a world of hurt," he said. "We're trying to put in place those growth mechanisms to cover ourselves in the case of emergency. We can grow those things that would result in a diet that would preserve life."

Infrastructure to process, market and distribute those goods is also a part of the ag picture in Alaska.

"We don't have a miller in the state and flour is basic," Wrigley said. "Our challenge maybe isn't so much the credit crunch, although that could change. Our challenge is in putting the raw product we can grow into the hands of the consumers with adequate processing and distribution marketing."

Here are the differences and similarities among Alaska's agricultural lenders:

Alaska Rural Rehabilitation Corporation - Variable rate

ARRC offers conservative financing with a focus on moderate operating loans, chattel loans and farm land purchase financing. Current interest rates are varied 5 percent to 9 percent, determined by applicant's credit and collate-ral and no loan fees with terms of up to 20 years. The majority of the loans are closed at the 5 percent. Their rates are adjustable every two years with no cap.

USDA Farm Services Agency - Fixed rate

FSA offers financing if other credit is unavailable with some program loan funds targeted specifically for disasters, beginning farmers and socially disadvantaged farmers.

Farm Credit Services - Variable rate

Farm Credit Services offers conservative financing with FSA guarantees and has only made a few agricultural loans in Alaska over the years. Their interest rates are variable rates with a cap and presently range 3.85 percent to 8.3 percent and loan fees from no fee to 2 percent with a maximum 20-year term. Borrowers may be eligible for 0.5 percent to 0.7 percent annual interest refund. There may be prepayment penalties.

Commercial Fishing & Agriculture Bank - Variable rate

CFAB has had no agricultural loan activity in years. Their loan programs are primarily for the fishing and tourism industries. Their variable rates are not competitive for agricultural loans at 7.25 percent to 8.5 percent and 1 percent loan fee with a maximum 20-year term.

Agricultural Revolving Loan Fund - Fixed rate

The ARLF currently offers 3 percent short-term; one-year, 4 percent intermediate term up to sever years and 4.5 percent long-term up to 30 years.

Alaska's State-Funded Agricultural Projects and Policy— Have They Been a Success?

A Senior Thesis

by Darcy Denton Davies

Presented to the faculty of the School of Natural Resources and Agricultural Sciences, University of Alaska Fairbanks, and the Senior Thesis Committee: J. Greenberg, Chair, H. Geier, S. Sparrow.

In partial fulfillment of the requirements for the degree of Bachelor of Science in Natural Resource Management

Plant, Animal, and Soil Sciences option

Fairbanks, Alaska
May 2007



Delta Junction grain elevator at the modern farm co-op.

—AFES FILE PHOTO

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and

The Hollembaek family,

For sharing their experience with Alaska agriculture

Abstract

In the 1970s and 1980s the state of Alaska invested millions of dollars to develop a large-scale agricultural industry. The Delta Barley Project and the Point MacKenzie Dairy Project were created to show that large-scale agriculture was possible in Alaska. This study looks at the major events and policy decisions that occurred and determines how the outcome of the demonstration projects was affected. An extensive literature review was conducted, focusing on state documents; key persons were also interviewed. The projects did not accomplish their original goals for a number of economic and political reasons. The positive aspects of development are that Alaska now has more land in private ownership, more infrastructure to support the industry, and a thriving agricultural community at Delta Junction.

Preface

The advancement of agriculture in Alaska in the 1970s and 1980s was considered one of the more important times for the Alaska agricultural industry. Numerous policy decisions were made during that period that has shaped the current industry. This thesis charts the history of the large-scale state-funded agricultural projects and identifies major events and management decisions. Through review of past agricultural management decisions, insight can be gained about the current state of agriculture in Alaska and what direction the industry is moving. This thesis will provide a historical overview of that era of development, as well as provide information to managers about past agricultural policy.

INTRODUCTION

In the late 1970s the State of Alaska developed a task force to address the advancement of an agricultural industry in Alaska. During this time the state had large budget surpluses due to incoming revenue from oil development on the North Slope (Lehne nd). The governor at the time established goals to develop renewable resource industries to spend oil revenues responsibly (AAAC 1981). During this time an exploratory soil survey was conducted, which identified over 20 million acres (8 million ha) of land suitable for agriculture. It was decided that Delta Junction was a good place to start a project demonstrating Alaska's capability for large-scale agriculture. The project land was sold through a lottery system and winners were put on a development schedule and given large loans to get their farms operating. Other tracts of land were surveyed for agricultural production, and a few years later the Point MacKenzie dairy demonstration project was auctioned at lottery, as well as the Delta expansion. Support facilities, such as meat processing plants and grain holding bins, were also planned and built.

The state spent millions of dollars to create this industry (Teal 1982), yet events took place that changed the intended outcome of the projects. It is still a controversial topic, as it is considered a blunder by some and a success by others. The objective of this study is to evaluate whether the major state-funded agricultural projects of the late 1970s and early 1980s accomplished their original goals, and to assess how policy decisions affected the outcome of the projects.

Review of Previous Investigations

There have been few complete studies done on the long-term effects of the agriculture projects. Many reports were published in the years directly following completion of the first phases of the projects, but most have failed to take a look at later, related events.. Geier and Lewis wrote in 1998 that farms may have been more successful had the state put smaller parcels up for lottery to "make it easier for initial success," which may have allowed for further expansion of the industry.

In 1987 Engelbrecht and Thomas conducted a study about how policy was implemented during this time. The study indicated that there were conflicting agency goals and poor co-operation between the Division of Natural Resources (DNR) and the Alaska Agricultural Action Council (AAAC), which led to many complications during execution of the projects. Over time these conflicts led to decreased public support of the agricultural projects, and the political standing of the AAAC diminished. They concluded that "the degree of success achieved in implementing new policies is largely dependent on the ability of the power interests to negotiate or force change."

Methods

I conducted an extensive literature review to reveal the history of the projects and state actions. Specifically, I reviewed state papers documenting the policies and actions since the 1970s. Documents from the AAAC were of particular importance. I analyzed statistical data from the Alaskan Agricultural Statistics to ascertain the changes in production since the 1970s. I interviewed key personnel to better understand various agencies' actions and positions on the issues, as well as to obtain information that has not been formally documented. The State of Alaska Division of Natural Resources - Division of Agriculture and the University of Alaska Fairbanks School of Natural Resources and Agricultural Sciences data were particularly significant. I also interviewed various project farmers to understand the state's actions from a producer's point of view. I followed the University of Alaska Fairbanks' Institutional Review Board's guidelines when conducting interviews.

HISTORY OF ALASKA AGRICULTURE

Alaska has historically been a land of subsistence and the 'hunting and gathering' way of life. Agriculture was first introduced during the 1700s, when Europeans first colonized Alaska (Snodgrass et al. 1982). The Russians began many small agricultural colonies in such areas as Yakutat, Ninilchik, and Kasilof. Cattle were introduced to the state at this time also.

When gold was discovered in Alaska there was a revival of agriculture. Homesteads were established and the farmers began producing crops for the many prospectors that had migrated into the state. By the time the gold rush had ended many permanent communities had already become established and were thriving. The Tanana Valley was the center of agricultural production up until the 1930s (Snodgrass et al. 1982).

The Matanuska colony was President Roosevelt's plan to breathe life into agriculture and revitalize people during the depression. In 1934, 202 impoverished families were relocated from the lower 48 states to Alaska (Lehne nd). During this time it was shown that agriculture was, in fact, viable in the state. The Matanuska Valley proved to be very capable of producing vegetable crops and became known for its dairy production.

As the Soil Conservation Service began mapping the soils in Alaska in the mid twentieth century, many areas were identified as having potentially arable soils (Snodgrass et al. 1982). In the end the figure reached over 20 million acres (8 million ha) of land suitable for agriculture. The discovery that the state had so much agricultural soil led to the publication of Alaska's Agricultural Production by the Alaska Rural Development Council and the idea of agricultural development again became an interest.



Plowing wheat in the Matanuska Valley, at the Matanuka Experiment Farm.

—AFES FILE PHOTO

Governor Hammond's Alaska

Governor Jay Hammond entered into office in December of 1974. This was a time of great wealth for the state following the discovery of oil at Prudhoe Bay in the 1960s. Governor Hammond believed the state needed a "renewable resource economic base to sustain [Alaska]" after the oil was depleted (Lehne nd). In 1976 Governor Hammond established the following goals to encourage the development of renewable resources in the state, including agriculture:

- Broaden the economic base of the state through agricultural production.
- Stabilize real food costs by increasing local food.
- Provide alternative job opportunities through expanded agriculture.
- Improve rural life by developing an economic base through agriculture.
- Assist in meeting national goals of increased food production for world needs.

(AAAC 1981)

These goals helped to shape future agricultural development in the state.

In 1975, the Federal-State Land Use Planning Commission for Alaska conducted an in-depth study on the feasibility of agriculture in Alaska . They concluded that agriculture was possible in Alaska and recommended that "a large demonstration area be developed," and that "efforts be made to designate a considerable portion of land for agriculture" (Faris and Hildreth 1975). This prompted Bob Palmer, Special Projects Coordinator for Governor Hammond, to establish an ad hoc committee to address the study (Lehne nd).

The committee investigated agricultural production and decided to focus on Delta Junction as the first project area. On August 5, 1978, 22 names were drawn by lottery for the opportunity to purchase agricultural rights to the demonstration area land, which totaled approximately 60,000 acres (24,281 ha). This marked the beginning of an era of large-scale state funded agricultural projects.

In 1979 the AAAC was created to manage the Delta project and recommend future projects to the legislature (AAAC 1979). It was composed of five members, three people from the state government and two from the private sector. It was chaired by the Office of the Governor's Special Projects Coordinator (AAAC 1979). This council was the influential body that made recommendations to the legislature, many of which were ultimately funded and completed.

The AAAC generated reasons why the state should support agricultural development. The five reasons are paraphrased as follows:

- Nonrenewable resource wealth must be used to develop renewable resource industries.
- Alaska has enough arable acreage to provide satisfying work and an enjoyable lifestyle for many Alaskans.
- Alaska should not import 98% of red meat and depend on a system that maintains only a four-day supply.
- Agriculture is an opportunity for rural people who wish to remain on historic land and participate in the economy of the state.
- The state can demonstrate that oil wealth is being used responsibly.

(AAAC 1981)

The AAAC devised many projects to expand the agriculture industry in Alaska. Additional projects were designed for land disposal, meat processing, grain handling, and transportation. Nearly all of the projects that the AAAC recommended to the legislature were funded, but not all were completed. It was also envisioned that 500,000 acres (202,343 ha) of land would be in cultivation by 1992 (AAAC 1982d).

The legislature was very supportive of agricultural development for a number of years, and from 1978–1982 over $41 million was appropriated to the various projects of the AAAC. In the mid 1980s the political climate changed, following certain setbacks of the projects and tightening fiscal constraints due to dropping oil prices (Lewis and Pearson 1990). Legislators became more reluctant to fund agricultural development, possibly because they were unable to determine how their constituents felt about the projects (Snodgrass et al. 1982). At this time there was also skepticism from the public about the ability of the AAAC and DNR to implement the projects in the public's best interests (Engelbrecht and Thomas 1987). Governor Bill Sheffield took office in 1982, and the administration's support on the previous levels of development was much reduced (Lewis 2007).

In 1984, the effective life of the AAAC concluded and it was not renewed by the legislature. All of its duties reverted back to the Director of the Division of Agriculture (Fowler 1992). Once the AAAC was inactivated no more projects were devised, and it marked the end of large-scale agricultural development in Alaska.

Delta

The Delta project was designed as an agricultural demonstration, and was intended to specialize in the production of small grains—particularly barley. The intent was to produce grains on a large scale to lower the cost of feed grains, which would in turn stimulate the livestock industry in Alaska (AAAC 1982a). Delta was selected as the site for the large-scale demonstration for a number of reasons. Most important, there was a road system, large areas of state land were available for disposal, agriculture was already practiced there, and the community specifically asked for agricultural development in the area (Lewis and Wooding 1978).

Barley was selected because it is a proven crop in Alaska and export markets had been identified to support the industry. It can mature at cool temperatures and has a short growing

season, both of which are required for successful growth in Alaska (Lewis and Wooding 1978). According to studies, Alaska land produced nearly twice as many bushels of barley per acre as the Great Plains area (Faris and Hildreth 1975). In Alaska's Agricultural and Forestry Experiment Station trials, the highest yielding varieties averaged 76 to 80 bushels per acre (Lewis and Wooding 1978). The barley was expected to be purchased by the small in-state market and eventually to a larger Asian export market (AAAC 1981). The consensus at the time was that Alaska could be competitive with other regions for the Asian markets if the quality and price of the grain was comparable (Thomas 1979).

Agricultural rights to the land of the Delta I project were sold by lottery on August 5, 1978. Twenty-two tracts were included in the sale, averaging 2,600 acres (1,052 ha) per tract, for a total project area of 60,000 acres (24,281 ha) (AAAC 1981). Pre-qualified applicants in the lottery were required to be Alaska residents, have capital of their own to spend, and management ability (Lehne nd). After being selected in the lottery, winners were sold the agricultural rights to the land through the Department of Natural Resources Division of Lands (Division of Legislative Audit 1991). Contracts and loans for land clearing and development were established between the lottery winner and the Governor's Office, but contracts were later transferred to the AAAC. Additional loans for tract development were supplied by the Agricultural Revolving Loan Fund (ARLF). Since the landowners only purchased the 'agricultural rights' to the land, as opposed to a fee simple title, it was much harder to receive loans for capital investments (Johnson 1984). Private lenders felt that loaning money for agricultural rights was too risky because the industry was unstable.

An extension of the first Delta demonstration area was conceived in 1979 and approved by the legislature in 1981 (AAAC 1981). This extension, called Delta II, was to follow the same principles as Delta I and with the extension the state would be able to produce enough grain to support the infrastructure surrounding processing, marketing, and transportation (AAAC 1982b). On March 13, 1982, 24,600 acres (9,955 ha) in 15 tracts were sold by outcry auction (AAAC 1982c). There were no pre-qualifications in the Delta II sale because it was determined by the state court to exceed the government's authority (Engelbrecht and Thomas 1987). Originally the state had proposed a sale of 55,000 acres (22,258 ha) in the expansion, but resource conflicts prompted postponement of the western portion, called Delta II West (AAAC 1982a). There were concerns about using the land for timber, as opposed to agriculture, as well as concerns about the damage the buffalo herd could inflict on potential crops (Engelbrecht and Thomas 1987).

Clearing the land proceeded quickly, and planting crops began in 1980 (AAAC 1981). That year there were crop failures due to adverse weather conditions and predation by a local free-ranging buffalo herd, and the acreage planted produced on average 30 bushels per acre. While some farms had losses of 20 to 50 percent (Lehne nd), some averaged over 75 bushels per acre (AAAC 1981). All of the grain produced that year, which was 6,000 tons, was sold in-state as livestock feed (AAAC 1982b). The next year, weather, in the form of an early snow, again caused crop loss. Grasshopper infestations also accounted for crop losses during the formative years (Hollembaek 2007). It is probable that these events contributed to the public's doubt about the capability of the project to succeed.

As grain production increased, so did the demand for in-state livestock feed (Lehne nd). The plan was to begin export of barley once there was a reasonable surplus, but as in-state demand increased, the date for export was delayed. At this time there was still no export grain elevator, and in 1983 the Division of Agriculture (DOAg) suggested that construction of the grain terminal be put on hold until production exceeded in-state markets and Alaska barley could be competitive with the world market (DOAg 1983). In the end the Seward export terminal was never completed and the dream of a large export market was not realized.

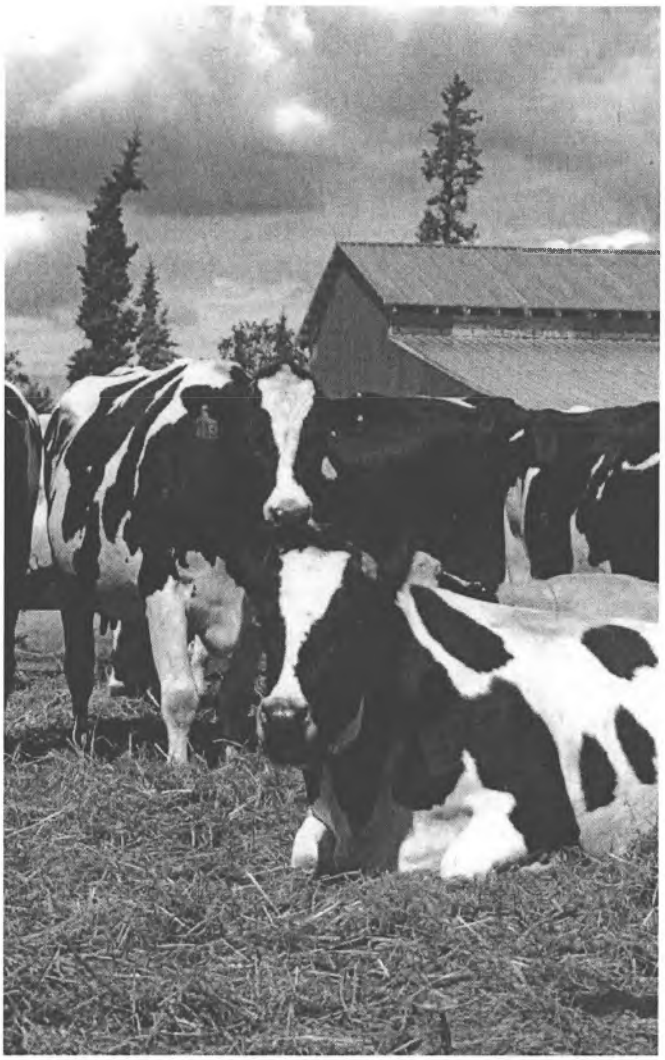
Also during this time the price of barley, and other agricultural crops, began declining internationally (Division of Legislative Audit 1986). The drop in international prices made imported grain cheaper than barley produced in Alaska (Lewis and Pearson 1990). Too little barley was being produced to



Barley harvest in Delta.
—AFES FILE PHOTO

export, and prices were too low for that to be an economical solution. As debt mounted, the number of farmers in Delta began decreasing (Division of Legislative Audit 1986). Farmers looked to in-state markets, but it was hard to compete with low prices from the lower 48 states. Some farmers thought that the state was responsible for the mounting debt because certain infrastructure, such as the export grain terminal, had never been completed and was deemed essential to the success of the farms in the University of Alaska's feasibility study and by the Alaska Agricultural Action Council. An investigation by the Division of Legislative Audit showed that farmers would be unable to have debt relieved by filing a lawsuit because the state had never guaranteed funding for additional infrastructure.

In 1990 the debt owed to the state by Delta project farmers totaled over $53 million, in 1990 dollars (Division of Legislative Audit 1991). The state began to restructure loans with farmers to see some return on its investment. The programs for debt restructuring were generally unavailable to landowners participating in federal assistance programs, such as the Conservation Reserve Program (CRP), that paid to keep land out of production. It was felt by some that the restructuring process was very subjective, and the way it was carried out created distrust of the ARLF.



Dairy cattle in Delta.
—AFES FILE PHOTO

By 1998 only seven of the original 37 landowners from both projects still retained ownership of their parcels (Geier and Lewis 1998). The rest of the parcels had either been sold by the original tract owner or foreclosed upon and resold by the state. Some of the large tracts that reverted back to state ownership were then subdivided and sold, which put farmers on smaller parcels. Original project farmers who had retained ownership of their land were likely involved in the Conservation Reserve Program or had needed less initial capital investment and therefore accumulated lower amounts of debt (Hollembaek 2007). Currently there are 56 Delta farmers on 29,000 acres (11,736 ha) enrolled in the CRP received a combined annual payment of $949,703 (Huelskotter, Pers. Comm. 2007[1]).

Delta Junction currently has a diverse agricultural community, though it is not as was envisioned at inception of the Delta Project. There are still farms that are producing traditional crops and livestock, as well as other farms that are producing alternative livestock and niche market crops, and it is viewed as an agricultural community. The goal of a large export market for small grains was never achieved and the export elevator at Seward was never completed. This, coupled with falling grain prices, led to farmers being unable to survive economically. Original project farmers either sold their land or tried to enter different markets. Those who survived and have remained in Delta are extremely loyal to the community and are supportive of the agricultural development that has occurred there.

Point MacKenzie

Point MacKenzie was designed as a dairy project to supply the Anchorage market, as well as to use the livestock feed being produced in Delta (Snodgrass et al. 1982). The dairy industry depends heavily on infrastructure and other industries, so it was assumed that a revitalized dairy industry would create jobs and boost the local economy. There was once a relatively large dairy industry in Alaska, but during the 1960s many farms either consolidated or went out of business. By expanding the existing industry it was believed that the production of dairy products would become more feasible through an economy of scale (AAAC 1979). Point MacKenzie was designed as a 15,000 acre (6,070 ha) project with 31 tracts, 19 of which were designated as dairies and 12 others that were to be supplemental farms for growing feed and other crops (AAAC 1981).

A feasibility study was conducted in 1980 that estimated the productivity of dairy operations at Point MacKenzie (Lewis et al. 1980). According to the study a farm could achieve a positive cash flow by the second year in operation, assuming that the price paid to the farmers remained at or above $16.84 per cwt (one hundred pounds of milk). The authors also stated the dairy industry could only grow if the farmers used best management

1. E-mail dated 18 April 2007 from Helga Huelskoetter. Program Technician, Farm Service Agency Northern County.

practices and if the processing sector became more efficient.

The project was scheduled for sale March 6, 1981 (Fowler 1992). The lottery took place, but was later thrown out by the court based on the fact that the state had required a farm conservation plan or dairy farming experience to qualify, which was deemed to be exceeding the state's own authority (Englebrecht and Thomas 1987). Two tracts were not included in the lawsuit because they were Matanuska-Susitna Borough land, and remained with the original lottery winner. Another lottery was held in September 1982, and this time no previous dairy farming experience was required to be considered for the lottery. The winners signed contracts that gave them agricultural rights to the land and established deadlines for land clearing, crop production, and production of milk.

Under the contract signed for the loans, farmers were expected to clear land, begin producing crops, and start milking cows in three years (Fowler 1992). At the start of the project milk prices were high, around $22 cwt, and farmers felt confident in their investments. By 1983 one farm had already begun producing milk and the others were clearing property in anticipation of milking cows. Milk was being sold to Matanuska Maid, the oldest milk processor in the state. Matanuska Maid is located in Anchorage and was a major catalyst in beginning the Point MacKenzie project (Lewis et al. 1980). At the end of 1983, Matanuska Maid was unable to repay its debts and filed for bankruptcy and the price paid to producers immediately dropped (Fowler 1992). These events brought public attention to instability in the dairy industry.

The loan limit from the Argicultral Revolving Loan Fund was capped at $1 million, and some farmers were already at or near this limit (Fowler 1992). Many farmers had initially invested in expensive barns, which left little or no money for other expenses, such as cows and equipment. The increased debt load made farms less likely to be successful.

Farmers had trouble staying on schedule, but were told the schedule was inflexible. Around this time the state took ownership of Matanuska Maid, which was deemed necessary to keep the dairy industry operating (Van Treeck 2006). The ARLF previously loaned $4.5 million to Matanuska Maid (Division of Audit and Management Services 1990), but even more compelling was the investment made in the dairies at Point MacKenzie. Without the processor, the state believed the dairy industry it was trying to create would inevitably fail (Alaska Ombudsman 1989). Matanuska Maid, because it was state owned, was required to purchase all the milk produced that met quality standards (Fowler 1992). Though most farmers faced financial challenges, milk was being produced in significant quantities by 1986, so much so that Matanuska Maid stopped importing milk, but at the same time their sales were down.

During this time the Matanuska area was going through a recession (Alaska Ombudsman 1989). Unemployment rates in the area rose to 12 percent, and bankruptcies increased 250 percent through 1984. Businesses in the area had to downsize and cut costs to survive. Local feed suppliers were unable to supply Point MacKenzie farmers because most could not afford to buy feed with cash, and suppliers were not willing to accept their credit. Farmers in the Point MacKenzie project began having problems repaying debt and keeping their dairies operating. As production decreased in 1988, Matanuska Maid began importing milk again. By 1990 over 50 percent of Matanuska Maid's milk was being imported, and coincidentally their sales began rising (Fowler 1992).

As of 1992, only two dairy producers remained at Point MacKenzie (Fowler 1992). This number has fluctuated through the years, but has stayed steady with at least one producer in Point MacKenzie at any time. The Point MacKenzie dairy project did not meet the expectations envisioned by the state. Some of the landowners at Point MacKenzie invested in the land as speculators, waiting to sell when the agricultural zones are lifted and the Knik Bridge is built (Fowler 1992). Instead of creating a sustainable industry, the state instead became owner of the primary milk processor in southcentral Alaska and watched as most of the dairy farms at Point MacKenzie underwent financial trouble and eventually failed. As dairies from Point MacKenzie defaulted on debts and went out of business, Matanuska Maid began importing more milk from out of state. Currently there are only nine grade A dairies in the state, down from sixteen at the height of Point MacKenzie's production in 1986 (Alaska Agricultural Statistics Service 1976–2006).

Nenana-Totchaket

The Nenana-Totchaket area has been considered an area with some of the most prime agricultural soils in the state (AAAC 1981). The proposed project was located west of the city of Nenana in a remote area. The original thought was that the producers would be linked to markets through the adjacent railroad, and agriculture would begin to expand westward. The Natural Resource Conservation Service (NRCS) (at that time the Soil Conservation Service) identified 175,000 acres (70,820 ha) of agricultural soils in the area between the Tanana and Kantishna Rivers. The feasibility study conducted assumed that this project would be much like Delta and be a small grain-producing area (AAAC 1982a).

In 1980 the legislature appropriated $500,000 for design and development of the project. In 1982 the AAAC asked the legislature to fund further development of the project and that a lottery sale for 75,000 acres (30,351 ha) take place as soon as possible (AAAC 1982a). In 1983 the Division of Agriculture suggested that the sale be delayed until analysis of the previous projects had been completed, to help determine if the investments needed to complete the Nenana-Totchaket project would result in sufficient benefits to Alaska (DOAg 1983). It is possible that funding for a bridge and access to the remote location was more than the legislature was willing to do, because no more appropriations were made and the project was never completed (Lewis 2007).

Infrastructure

The infrastructure proposed, which would support the grain, dairy, and red meat industries, was seen as a "vital link between the producer and the consumer" (AAAC 1979). It was viewed as essential to the economic success of the projects that certain facilities were in place. To make the facilities available to the producer quickly, the AAAC knew the facilities would have to be government owned and managed for a period, but felt that "as soon as possible, the ownership and management function should be transferred to the private sector" (AAAC 1979).

A grain elevator at port was considered a necessity to the success of a small grain export industry. Seward was selected as the preferred city for its location because it was connected to the railroad system (Lewis 2007). Under this plan, grain trucked to Fairbanks from Delta would be loaded on rail cars and travel to Seward, stopping along the way to deposit grain for livestock producers in various towns (AAAC 1982a). The AAAC recommended that the legislature spend $6.5 million to construct the terminal elevator.

Construction of the grain terminal began in 1981. The legality of the AAAC hiring contractors and leasing land was questioned, and work was halted later that year (Division of Internal Audit 1981, AAAC 1982a). Once Governor Sheffield took office no additional appropriations were made to fund the construction and the terminal elevator was never realized (Lewis 2007). Despite the $6.5 million invested, the state placed further grain terminal appropriations on hold until there was increased production to support it (AAAC 1983). It is also possible the state thought the terminal being built in Valdez would be suitable, and did not wish to fund a redundant facility (Hammond 1994). That additional investment never materialized and the Seward facility is currently a concrete pad still owned by the state and used for various purposes, none of which are grain exportation (Lewis 2007).

The city of Valdez began construction of a grain terminal concurrently with the Seward project. The city of Valdez thought that it should be the place of grain export since all the oil from the North Slope was being shipped out from the same location. The state did not support a grain terminal at Valdez because it was not a part of the railroad system (Lewis 2007), but Valdez built one regardless. The building site was chosen poorly, and the terminal needed approximately $500,000 in dredging to allow barges close enough to load grain (Alaska Cooperative Extension Service 2006). No grain was ever exported using the Valdez grain terminal.

A livestock processing facility was also deemed necessary to "complete the feed grain-livestock cycle" (AAAC 1981). Livestock numbers were expected to increase as grain production increased, and the existing slaughterhouses at the time would be unable to accommodate for the growth. The legislature appropriated $2.65 million for the development of these facilities (AAAC 1982a), in the form of loans to private builders (Teal 1982). A slaughterhouse was built in Fairbanks, but it was leased and later sold to Interior Alaska Fish Processors without ever being used for livestock slaughter (Knight 2007). Mt. McKinley Meat and Sausage (MMMS) was built in Palmer and began operation in December of 1983 (AAAC 1983).

The Palmer facility was designed to handle 100 hogs per day and 50 cattle. It stayed in operation for two years, but was foreclosed by the Agriculture Revolving Loan Fund in 1985 (Torgerson et al. 2003). The facility remained closed until 1987, when the Department of Corrections reopened it to use for rehabilitation and training of inmates. The MMMS continued to lose money and was unable to cover its operating expenses. In 2002 MMMS was able to cover operating expenses, but it was still unable to cover other expenses, such as wages. This was the closest it had come to being economical since its inception.

In 2002 the Division of Agriculture developed a request for proposals that would allow for a $1 per year lease to operate MMMS in an attempt to get the losing venture out of state control. Although there was a lot of interest in the proposal request, no one submitted a responsive proposal and MMMS remained state operated. MMMS debt is paid out of the ARLF, which is steadily decreasing in funds and entirely pays for the operation of the Division of Agriculture, so the division has continually tried to decrease expenses and transfer the facility to private ownership (Torgerson et al. 2003). It has been suggested in the past that the facility be shut down, but the state recognizes the need that MMMS meets for the community. Currently MMMS remains under state ownership and management, and steps are still being taken to minimize expenses and reduce losses (DeVilbiss 2006).

A grain handling facility was constructed in 1980 in Delta Junction that provided an elevator, drying, and storage for Delta grain producers (AAAC 1981). It cost approximately $1,300,000 in loans to a private business to construct, and had to be expanded almost immediately to deal with all the grain being produced in Delta. In 1985, when grain production dropped dramatically, it was foreclosed upon by the state (Alaska Cooperative Extension Service 2006). Currently it is owned by the ARLF, but is leased for $1 a year by the Alaska Farmers Cooperative, Inc. It is used for grain and fertilizer storage for farmers in the Tanana Valley.

Analysis

Through the years the Alaska state government spent millions of dollars to create a large scale agricultural industry. In appropriations alone, over $76 million, in 2006 dollars, was spent on the projects (Table 1). Even more millions of dollars were spent on the ARLF loans to farmers. It is debatable whether the funds expended were worth the benefits created. It is interesting to note that appropriations made to Delta I spanned a period of a few years, whereas all infrastructure appropriations came in a lump sum in one year.

Table 1. Direct Appropriations made by the Alaska Legislature, 1978–1982 (in 2006 $)

Project	Year*					Total
	1978	1979	1980	1981	1982	
Delta I	$11,296,253	$14,844,849	$3,671,072	$1,595,762	0	$31,407,936
Delta II	0	0	0	$15,136,876	0	$15,136,876
Point MacKenzie	0	0	$9,223,568	0	$392,286	$9,615,854
Nenana-Totchaket	0	0	$917,768	$840,760	0	$1,758,528
Infrastructure†	0	0	0	$18,748,949	0	$18,748,949
						$76,668,143

*PPI (all commodities), not seasonally adjusted, normalized to 2006

† includes processing facilities, export terminal, rail hopper cars, and marketing

Source: Teal, D. 1982. Financing agricultural projects in Alaska. Juneau: State of Alaska, House Research Agency report 81-5

The projects increased overall commodity production in the state for a period of time. Total acres planted in crops rose during the period that the Delta project was created (Fig 1). Represented in the total cropland are many agronomic crops, such as hay, oats, and grass, and acreage dedicated to those commodities was highest during the projects' initial years. Acres in cropland dropped after a few years, in the mid 1980s. This was when farmers at the Delta project were going through financial troubles, and the international price of grains had dropped. The peak in 1984 of 41,000 acres (16,592 ha) has not since been reached. It is important to note that acreage in cropland is presently at higher levels than before the agricultural projects were established. The 100,000 acres (40,469 ha) of project land put into private ownership appears to have made an impact on agricultural production, but not to the extent that was envisioned. The AAAC had a goal that 500,000 acres (202,343 ha) would be in production by 1992, and this obviously did not occur.

Acreage planted in barley increased dramatically in the years following the lottery for Delta I, but started to decline in the mid 1980s (Fig 2). The decline is due to a combination of factors, including dropping grain prices, farmer turnover,

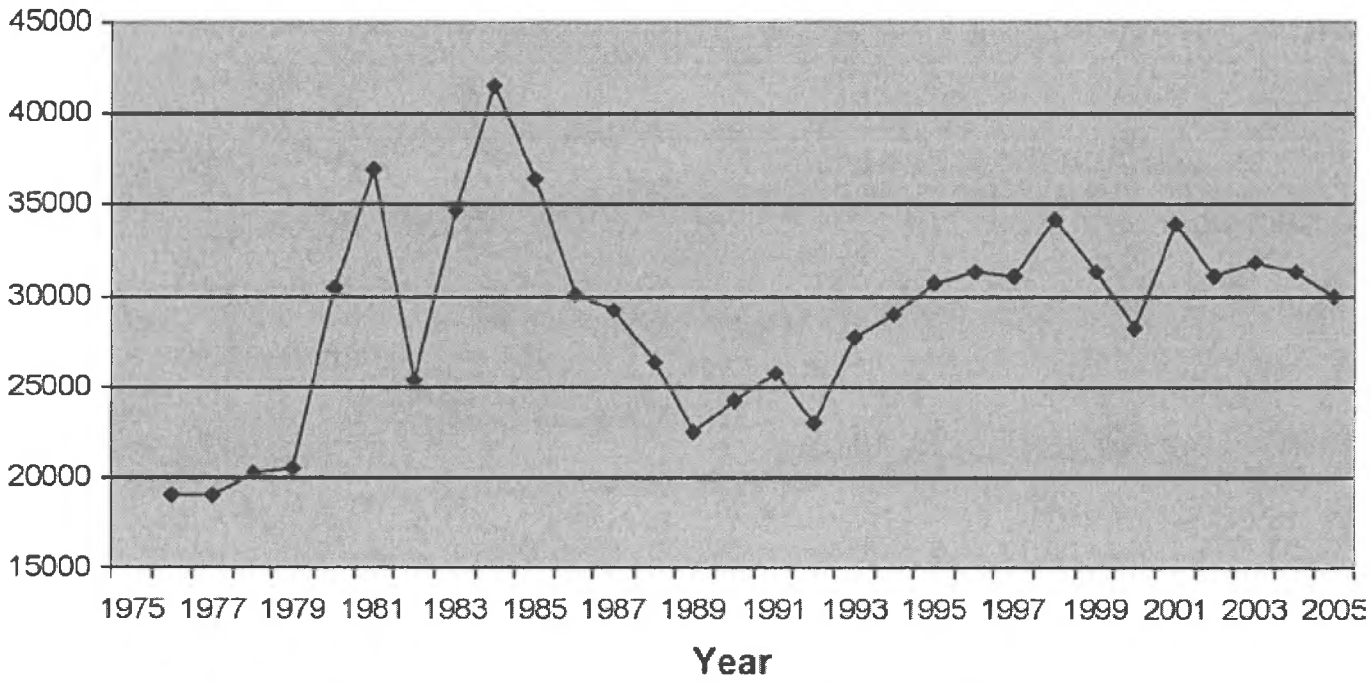


Figure 1. Alaska Cropland Utilization, 1976-2005. Source: Alaska Agricultural Statistics Service 1977–2006.

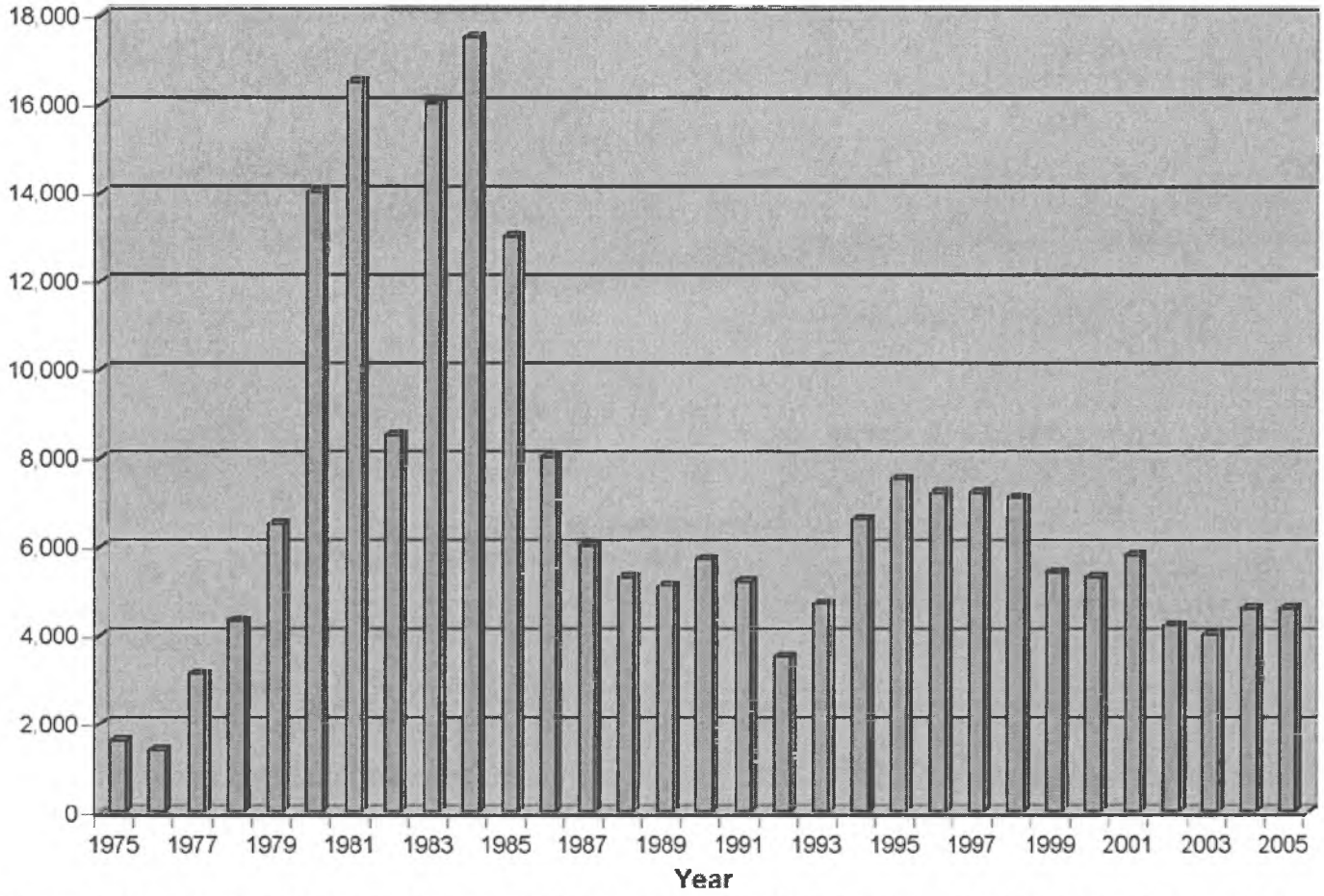


Figure 2. Alaska Acreage Planted in Barley, years 1975-2005. Source: Alaska Agricultural Statistics Service 1976–2006.

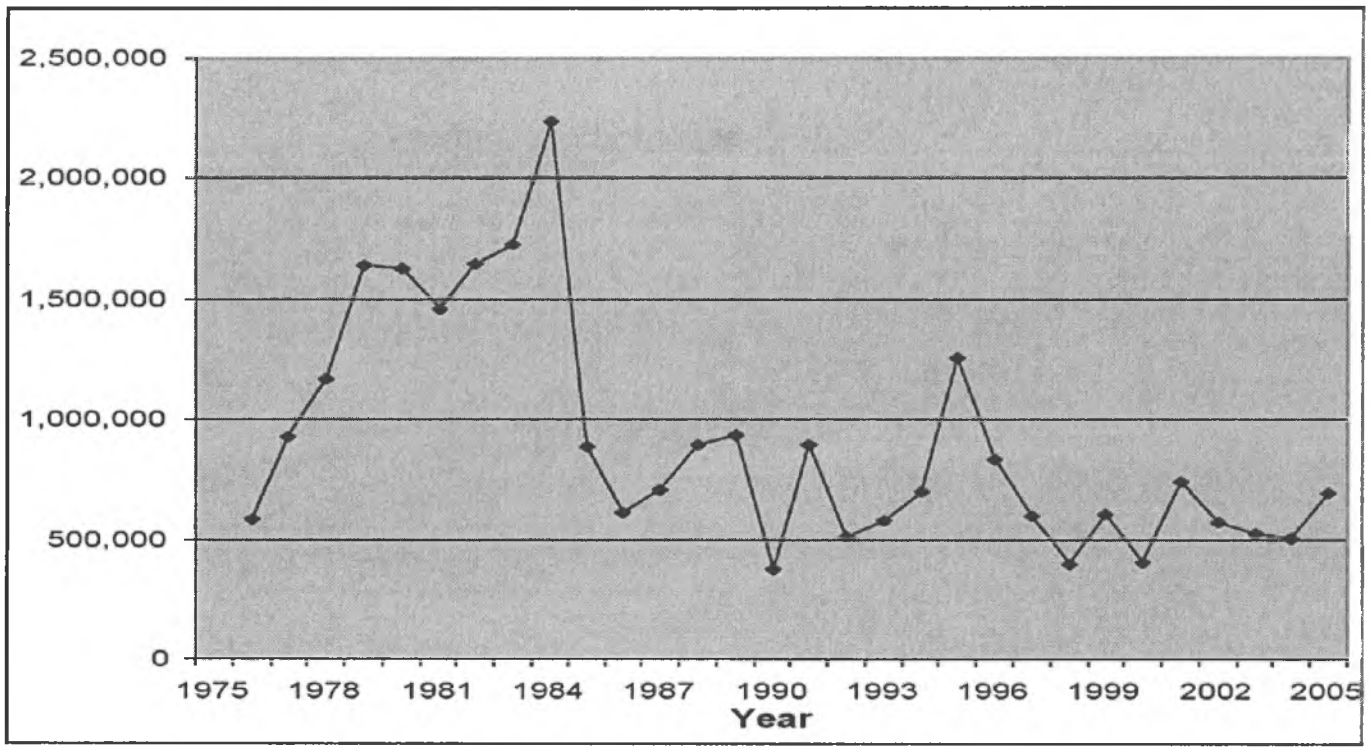


Figure 3. Alaska Cash Receipts for Barley, 1976–2005. PPI (all commodities), not seasonally adjusted, normalized to 2006 dollars. Source: Alaska Agricultural Statistics Service 1978–2006.

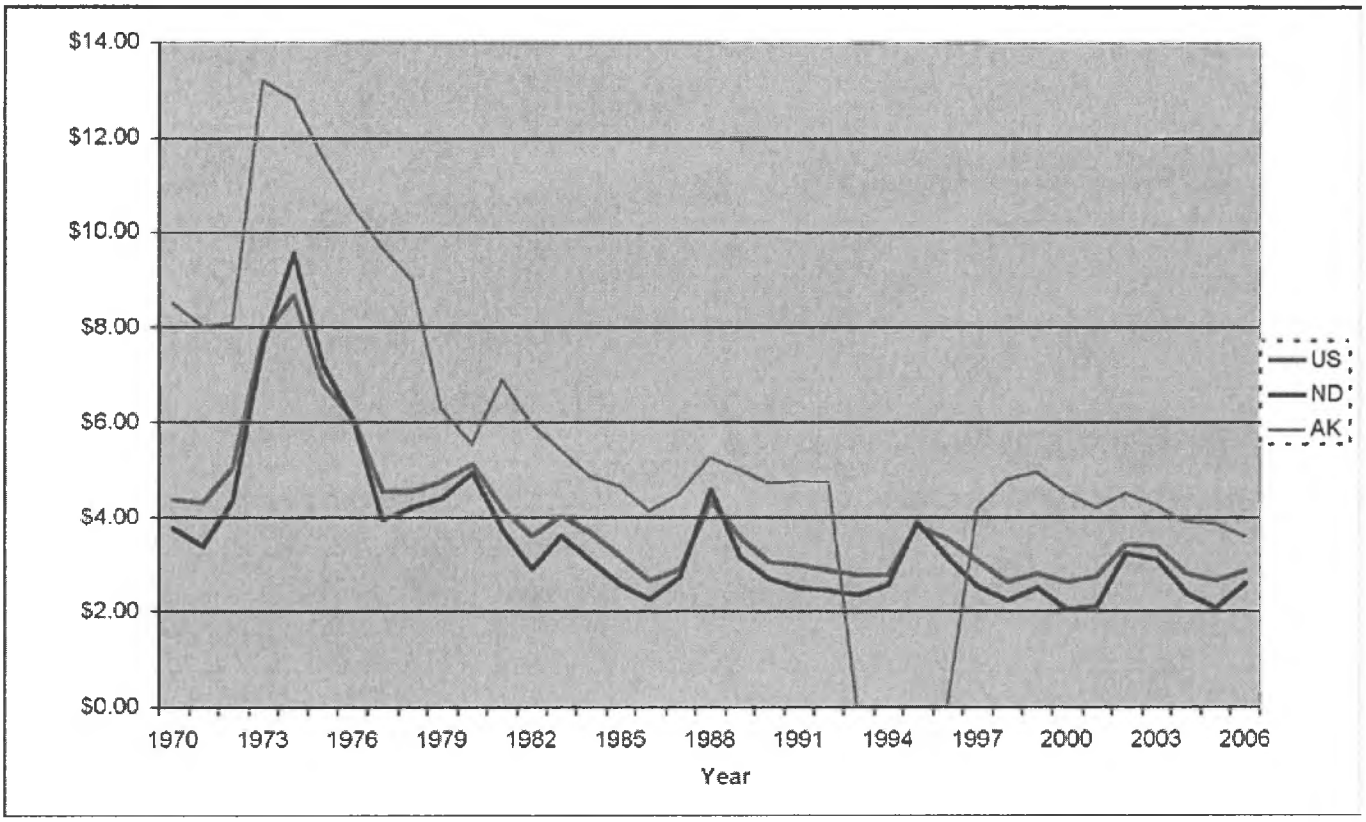


Figure 4. Barley Prices for the United States, North Dakota, and Alaska. Dollars per bushel, 1970–2006. PPI (all commodities), not seasonally adjusted, normalized to 2006 dollars. Source: USDA National Agricultural Statistics Service

and land being devoted to the Conservation Reserve Program. Barley production acreage has not fallen back to the low levels before 1978 and has remained between 4,000 and 8,000 acres (1,619-3,237 ha) over the past ten years. The projects affected barley production, but did not reach the expectations of the planners. The industry was supposed to grow to completely fill the in-state need and the surplus was to be sold on the world market. However, as prices dropped and production decreased the terminal was put on hold.

The cash receipts paid to farmers for barley peaked in 1984, at over $2 million (Fig 3). Considering that each project farmer owed close to or over a million dollars, it is clear why many farmers were unable to pay back their debts. Nationally, barley prices were high during the planning stages of the Delta I project, but have been on a downward trend since 1974 (Fig 4). It is interesting that barley prices had already began dropping when the ad hoc committee designed and created the Delta I project.

The level of milk production rose significantly during the late 1980s (Fig 5, p. 12). This rise can be attributed to the increased production from the Point MacKenzie project. Landowners were receiving large loans to bring farms into production swiftly, and some were quickly reaching the $1 million loan limit. The rapid rise in production began in 1984 and peaked in 1987 at 35,000,000 lbs. of milk produced in the state of Alaska. The increase envisioned by the project's creators in Alaska milk production was short lived, and by 1987 milk production began dropping. The decrease in production can be attributed to the numerous financial troubles that plagued area farmers, which led to foreclosures. Since 1991 production has remained relatively stable and comparable to production before the Point MacKenzie dairy project was established.

Based on the statistical data it is clear that project commodity production increased during the initial years of development, but drastically dropped in the mid to late 1980s. As farms in the Delta area accrued debt and were foreclosed upon, those acres went out of production. Many farms on Delta project land were placed into the Conservation Reserve Program (Knight 2007), which also accounts for the decrease in barley acreage. Milk production increased rapidly as farms were being subsidized and large investments were made to quickly begin milk production. Milk production decreased as debt mounted and farms were abandoned. The 'boom and bust' cycle exhibited by barley and milk production is indicative that the project goals were not achieved and that the projects were not sustainable, which is due to a number of factors.

Discussion

Governor Hammond had grand ideas about the creation of an agricultural industry from oil profits. The goals of his administration were to broaden the economic base of the state

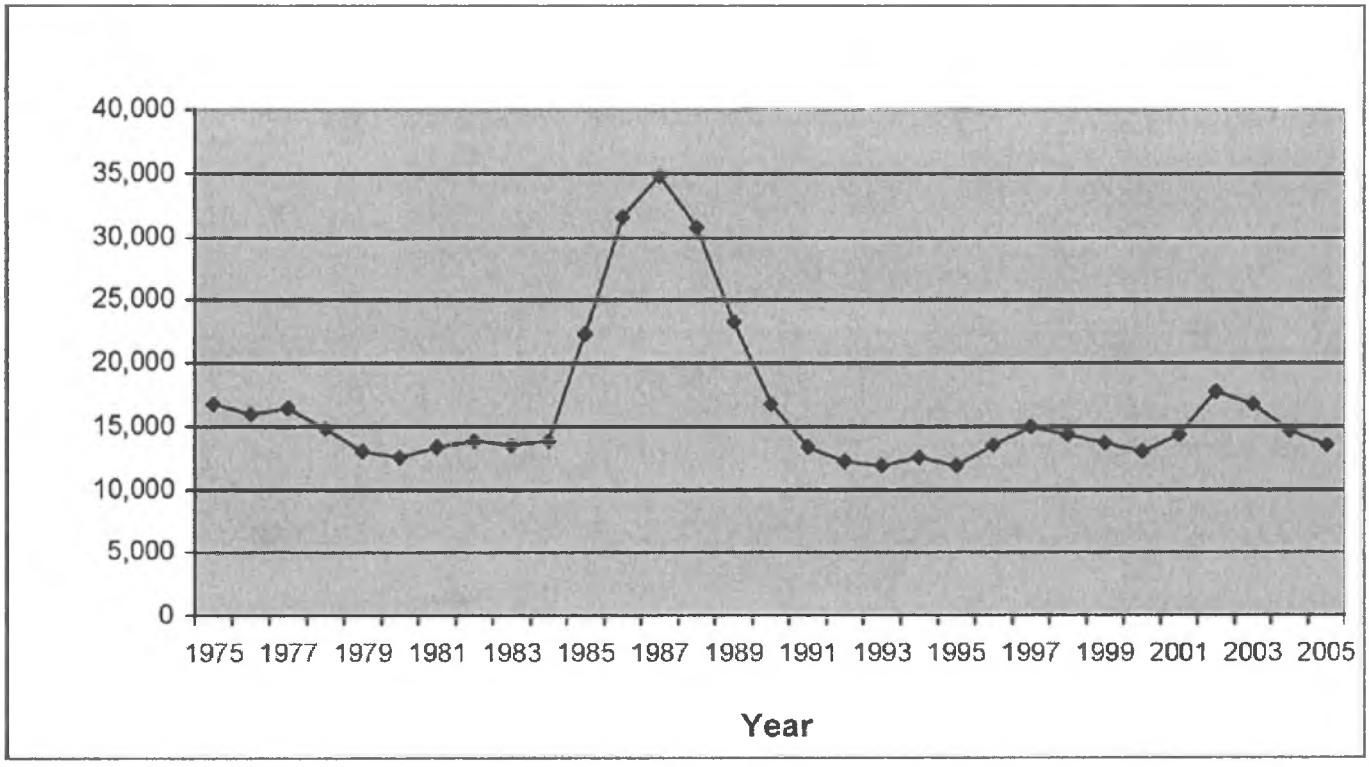


Figure 5. Alaska Milk Production, years 1975–2005. Source: Alaska Agricultural Statistics Service 1976–2006.

through agricultural production, stabilize real food costs by increasing local food, provide alternative job opportunities through expanded agriculture, improve rural life by developing an economic base through agriculture, and assist in meeting national goals of increased food production for world needs. Examination of the outcomes provides little evidence that any of these goals were achieved.

Agriculture is a minor component of Alaska's economy. Governor Hammond once said he believed "it is in fact possible that Alaska will be the prime agricultural state in the not too distant future" (Lehne nd). While Alaska does have dedicated farmers and agriculturalists, the industry is nowhere near the industrial scale that was envisioned in the design of the projects. Agriculture as an industry currently makes up less that one percent of the revenues earned from all resource industries in the state (Alaska Cooperative Extension Service 2006).

An increase in local food production has occurred, but not to the extent that was envisioned. Washington State is still the primary supplier of milk to the state, supplemented by the small amount produced in-state. Currently there are two milk bottlers in the state, Matanuska Maid and Northern Lights Dairy (Van Treeck 2006). [2] Northern Lights Dairy is located in Delta and uses only Alaska milk (Lewis and Pearson 1990). As of 1998, Matanuska Maid processed about 30 percent Alaska milk, with the rest imported (Division of Legislative Audit 1998). Alaska red meat production has increased since the 1970s, but so has the population of Alaska. The state still imports about 95 percent of its food (Alaska Cooperative Extension Service 2006), and increases in commodity production have probably been only enough to counteract population growth and keep food importation at the levels it was in the 1970s.

The development of Alaska agriculture came along as the importation of commodities was becoming more efficient. Currently there are no price incentives for Alaska to become self-sufficient, considering how the markets have changed and how effectively air and land transport have brought food and products to Alaska (Division of Legislative Audit 1998). Though this system is not infallible, as adverse circumstances can slow or stop transportation, it has worked well enough that Alaska has not substantially decreased its dependence on importing food.

As far as improving rural life by developing an economic base through agriculture and assisting in meeting goals of increased food production, this simply did not occur. Although the local economy of Delta has been affected by the agriculture practiced there, based on commodity production it is doubtful the Matanuska Valley's economy is greatly affected by the Point MacKenzie development. Nenana-Totchaket was never completed, so development of a western Alaska agriculture economy was not accomplished. Grain production never reached the levels that had been imagined and the export terminal was never finished, so Alaska does not play a role in meeting world grain needs.

In the late 1970s and early 1980s, the rest of the United States was experiencing a farm crisis (Public Agenda Foundation 1987). A third of the nation's farmers were experiencing

2. Editors' note: now one, since Matanuska Maid was shut down at the end of 2007 and is scheduled for sale.

financial troubles due to falling land values, low commodity prices, and mounting debt. The fiscal policies of the Carter and Reagan administrations escalated farmers' problems because the industry is extremely capital intensive, dependent on interest rates and heavily subsidized (Buttel 1989). Declines in United States commodity prices, including small grains, began in 1984 (Buttel 1989), which happens to be the peak year of Alaska barley production (Alaska Agricultural Statistics Service 1985). Alaska's attempt at creating an agriculture industry happened to coincide with this arduous time in American agriculture, from which it could not have benefited. Alaska farmers were at more of a disadvantage because the project land was bought at a time when agricultural lands had reached peak values, and it still took a few years of clearing and capital investment before the farmer could begin producing crops and making money (DOAg 1985).

There are federal government programs that have the potential to help stabilize commodity prices. The Commodity Credit Corporation (CCC) is managed by the Farm Service Agency (FSA), and its major functions are preservation of farm prices and income, as well as maintenance of supplies and balanced distribution of agricultural commodities.[3] Programs such as this could have helped to stabilize barley prices during the Delta project's formative years, but many farmers did not use the program. Some of the programs require a licensed grain elevator in the state for eligibility, which leaves Alaska's grain industry at a disadvantage (Alaska Cooperative Extension Service 2006).

The Conservation Reserve Program is one government program that helped farmers retain control of their land (Knight 2007). By paying farmers to keep 'conservation covers' on their land the farmers did not have to invest in capital for high-risk crop production that may not be of suitable quality or quantity to make land payments. This land was not under cultivation, and was set aside as wildlife habitat, which allowed some landowners to receive an income without actually farming the land (Geier and Lewis 1998).

The agricultural projects were created using a system that was very governmentally 'hands on' (Lewis and Pearson 1990). The land was made available by the state, the state gave loans to landowners to develop farms, and the state invested millions of dollars to build support facilities that were supposed to boost the industry. Eventually, administration changes coupled with project setbacks and tightening fiscal constraints due to dropping oil prices led to less political and financial support for the government-funded projects. Legislators began asking when "enough is enough" and how much more money should be expended on the agricultural projects (Lehne nd). Lewis and Pearson noted in their 1990 study that a "hands-off model" of agricultural development would probably be most successful in Alaska. This model has been exhibited by the vegetable industry, especially potatoes and carrots. The vegetable industry uses a smaller land base than grains, but received $4.7 million in cash receipts in 2005, compared with $787,000 for barley and oats (Alaska Agricultural Statistics Service 2006).

The trend in Alaska agriculture has shifted from traditional large-scale farms to smaller farms that produce for a niche market (Alaska Cooperative Extension Service 2006). Farmers' markets that supply local products to local consumers are growing statewide. There is room for growth in the alternative livestock industry, which emphasizes animals that are both well suited to Alaska and are a high value commodity. Currently, the most lucrative agricultural businesses in Alaska are greenhouses and aquaculture. The most traditional agronomic crop receiving the highest cash receipts is hay, which is mostly being used by recreational horse owners (Alaska Cooperative Extension Service 2006, Alaska Agricultural Statistics Service 2006).

The Delta project failed at creating a sustainable large-scale grain industry in Alaska. There have been positive outcomes from the Delta development, such as the agricultural community that has grown there. Dr. Lewis, Dean of the University of Alaska Fairbanks School of Natural Resources and Agricultural Sciences and co-author of the Delta and Point MacKenzie feasibility studies, has stated that the Delta project has shown that agriculture in Alaska is possible under certain conditions, and that it can be successful (2007), though the level of success envisioned in the large-scale agricultural projects has obviously not been achieved. The project did put large amounts of state-owned land into private ownership, and most of it is still being used for some type of agricultural enterprise.

The Point MacKenzie project has less success to show for all the money that was invested in it. Only two dairies remained in 1992 out of nineteen that were proposed, one of which was an original lottery winner (Fowler 1992). Point MacKenzie had many problems, such as lawsuits and the bankruptcy of Matanuska Maid, which hindered success. It is troubling that the state did not anticipate Matanuska Maid's impending bankruptcy. The project had been underway for less than a year before the processor declared bankruptcy. Probably the most detrimental factor to the project's success was the development time scale imposed on farmers. The project was designed with a development schedule that was too fast for nearly all of the farmers. They built up large amounts of debt quickly and were either unable to stay on schedule or make payments due to the decrease in milk prices. Lottery winners were not required to have dairy experience, and as such were unprepared for the circumstances that followed.

The Point MacKenzie project was based on numerous assumptions from the University of Alaska's feasibility study that did not materialize after inception. It was assumed that milk prices of $16.84 cwt would be sufficient for farmers to make a profit. However, later studies showed that the Point MacKenzie dairies needed up to $50.90 cwt to support their capital investments (Fowler 1992), which is an alarming difference. It was envisioned that Point MacKenzie farmers would be able to buy grain from the Delta project, but as grain prices dropped and farms pulled out of production, that was never realized. Land

3. Farm Service Agency website. Commodity Credit Corporation. http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc

clearing costs were underestimated, which led to farmers quickly reaching their $1 million loan limit, along with excessive amounts being invested in capital expenses. Parts of the feasibility study were unrealistic, and it led to overoptimism about the potential risks and investments involved.

The Point MacKenzie project was envisioned as a large-scale dairy project, just as Delta was designed as a large-scale grain industry. The successes of the projects are that 100,000 acres (40,469 ha) have been transferred to private ownership and that there are now support facilities available to producers, even though most are state owned. In both cases, experience of the farmers was limited and large capital investments were either required or advocated, before profits could be achieved. Events not predicted by the development councils, such as adverse weather, deceased commodity values, and political decisions were detrimental to the outcome of the projects.

Based on the information and sources available, some lessons can be learned from the state-funded agricultural projects. The way that the projects were planned and carried out was instrumental to the outcome. The ideas proposed were grand and designed on an immense scale. Generally, creating an industry such as this would take generations to accomplish, but the planners tried to create it in a short time. Administration changes proved volatile for the projects in their formative years, and those routine changes of the political climate were not conducive to industry growth. Not only was there a high rate of farmer turnover, but project administrators also came and went, which created a loss of continuity.

There were setbacks in the early years, which were potentially minor events, but administrators saw this as a mark of failure, lessening their support for additional funding. It seemed as though some administrators were willing to cut their losses when the projects did not go exactly as planned. The industry was designed on an intricate scale with many interconnected parts, and each piece depended on the others. As certain parts fell though, such as the Seward Grain Terminal and the Matanuska Maid bankruptcy, the chance of success for the rest of the projects decreased. Government can create a climate to encourage industry growth, but it is inappropriate for government to entirely fund and create an industry.

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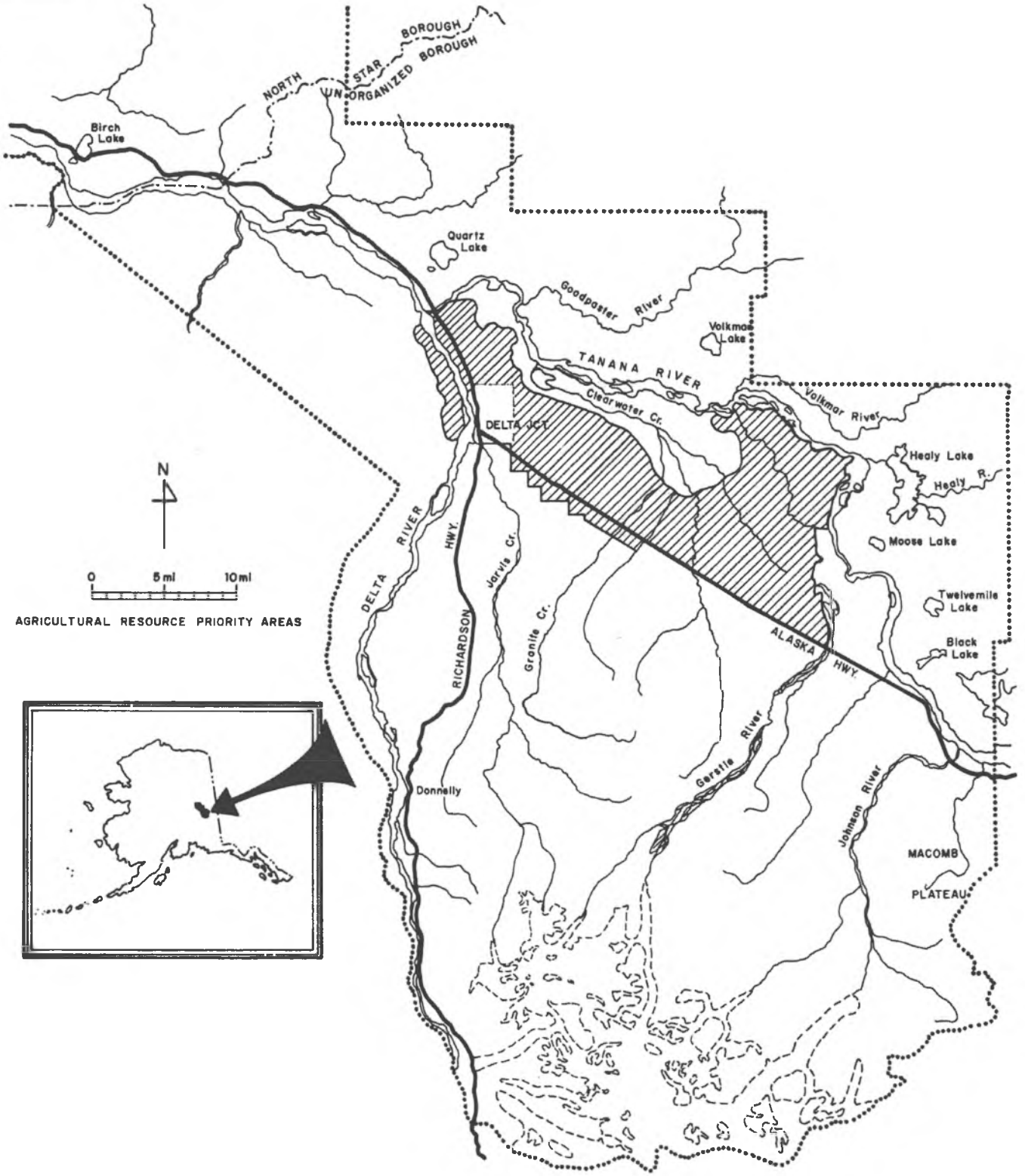
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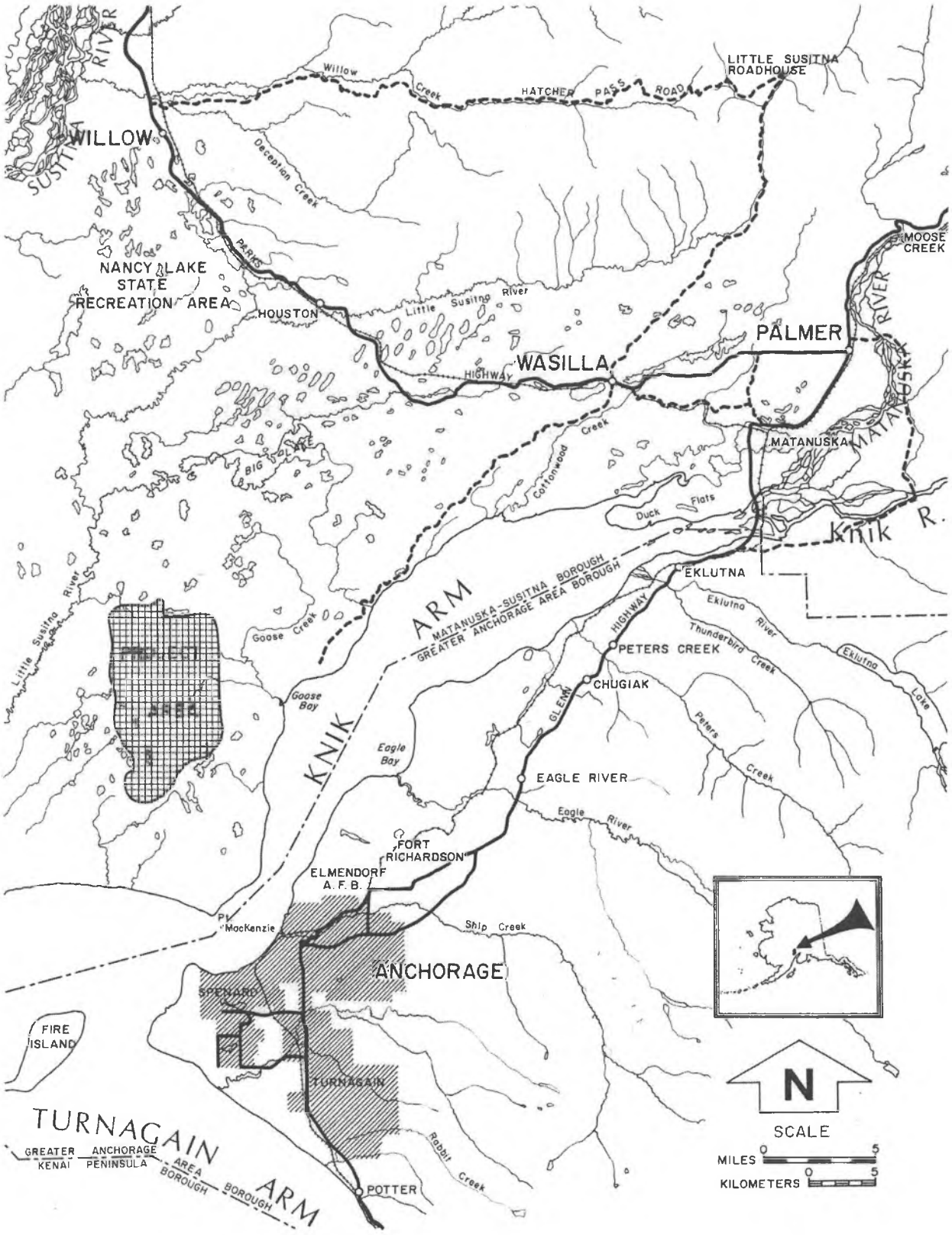
APPENDIX A: MAPS OF PROJECT AREAS

Delta



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Point MacKenzie



Lewis, C.E., J.M. Harker, E.L. Arobio, and W.C. Thomas. 1980. Potential milk production in the Point MacKenzie area of southcentral Alaska. University of Alaska Agricultural Experiment Station Bull. 58.

APPENDIX B: RAW DATA

Table 1. Direct appropriations made by the Alaska Legislature 1978-1982

Project	Year					Total
	1978	1979	1980	1981	1982	
Delta I	4,793,000	7,089,900	2,000,000	949,000	0	14,831,900
Delta II	0	0	0	9,001,900	0	9,001,900
Point MacKenzie	0	0	5,025,000	0	238,000	5,263,000
Nenana-Totchaket	0	0	500,000	500,000	0	1,000,000
Infrastructure*	0	0	0	11,150,000	0	11,150,000
					TOTAL:	**41,246,800**

*includes processing facilities, export terminal, rail hopper cars, and marketing

Source: Teal, D. 1982. Financing agricultural projects in Alaska. Juneau: State of Alaska, House Research Agency report 81-5

Figure 1. Alaska Cropland Utilization, 1976–2005

year	acres
1976	19017
1977	19005
1978	20181
1979	20432
1980	30484
1981	36881
1982	25284
1983	34671
1984	41503
1985	36351
1986	30040
1987	29134
1988	26344
1989	22422
1990	24200
1991	25653
1992	23016
1993	27758
1994	28940
1995	30726
1996	31322
1997	31064
1998	34184
1999	31340
2000	28256
2001	33903
2002	31095
2003	31807
2004	31312
2005	29895

Figure 2. Alaska Acreage Planted in Barley, years 1975–2005

year	acres planted
1975	1,600
1976	1,400
1977	3,100
1978	4,300
1979	6,500
1980	14,000
1981	16,500
1982	8,500
1983	16,000
1984	17,500
1985	13,000
1986	8,000
1987	6,000
1988	5,300
1989	5,100
1990	5,700
1991	5,200
1992	3,500
1993	4,700
1994	6,600
1995	7,500
1996	7,200
1997	7,200
1998	7,100
1999	5,400
2000	5,300
2001	5,800
2002	4,200
2003	4,000
2004	4,600
2005	4,600

Figure 5. Alaska Milk Production, years 1975–2005

year	lbs (1,000)
1975	16,800
1976	16,000
1977	16,400
1978	14,800
1979	13,000
1980	12,500
1981	13,400
1982	13,800
1983	13,500
1984	13,900
1985	22,200
1986	31,500
1987	34,800
1988	30,700
1989	23,300
1990	16,800
1991	13,300
1992	12,200
1993	11,900
1994	12,600
1995	11,900
1996	13,500
1997	15,000
1998	14,300
1999	13,600
2000	13,050
2001	14,360
2002	17,680
2003	16,700
2004	14,600
2005	13,500

Figure 3. Alaska Cash Receipts for Barley, 1977–2005. PPI (all commodities), not seasonally adjusted, normalized to 2006.

year	barley cash receipts	PPI	2006 $
1976	217,000	0.3708	585,221
1977	364,000	0.3935	925,032
1978	496,000	0.4243	1,168,984
1979	783,000	0.4776	1,639,447
1980	886,000	0.5448	1,626,285
1981	869,000	0.5947	1,461,241
1982	997,000	0.6067	1,643,316
1983	1,059,000	0.6142	1,724,194
1984	1,409,000	0.6289	2,240,420
1985	557,000	0.6257	890,203
1986	373,000	0.6077	613,790
1987	442,000	0.6237	708,674
1988	581,000	0.6487	895,637
1989	636,000	0.6809	934,058
1990	264,000	0.7055	374,203
1991	634,000	0.7069	896,874
1992	362,000	0.7109	509,214
1993	419,000	0.7214	580,815
1994	509,000	0.7307	696,592
1995	951,000	0.7569	1,256,441
1996	646,000	0.7746	833,979
1997	465,000	0.7741	600,698
1998	301,000	0.7548	398,781
1999	459,000	0.7612	602,995
2000	325,000	0.8053	403,576
2001	602,000	0.8141	739,467
2002	455,000	0.7954	572,039
2003	437,000	0.838	521,480
2004	450,000	0.8898	505,732
2005	660,000	0.9549	691,172

Figure 4. Barley Prices for the United States, ND, and AK. $/bushel, 1970-2006. PPI (all commodities), not seasonally adjusted, normalized to 2006.

		$/bu	$/bu	$/bu
PPI**	Year	US	ND	AK
0.223874	1970	$4.35	$3.75	$8.49
0.231205	1971	$4.29	$3.37	$8.00
0.241418	1972	$5.01	$4.31	$8.08
0.273169	1973	$7.83	$7.65	$13.18
0.324486	1974	$8.66	$9.55	$12.79
0.354416	1975	$6.83	$7.19	$11.57
0.370898	1976	$6.07	$6.04	$10.52
0.393599	1977	$4.52	$3.91	$9.65
0.424339	1978	$4.52	$4.19	$8.96
0.477628	1979	$4.75	$4.40	$6.28
0.544871	1980	$5.12	$4.92	$5.51
0.594772	1981	$4.17	$3.70	$6.89
0.606805	1982	$3.59	$2.90	$5.93
0.614288	1983	$4.02	$3.58	$5.37
0.629	1984	$3.64	$3.08	$4.85
0.625815	1985	$3.16	$2.56	$4.63
0.607715	1986	$2.65	$2.25	$4.11
0.623742	1987	$2.90	$2.73	$4.49
0.648819	1988	$4.32	$4.58	$5.24
0.680975	1989	$3.55	$3.16	$4.99
0.705546	1990	$3.03	$2.66	$4.68
0.707012	1991	$2.97	$2.50	$4.74
0.711007	1992	$2.87	$2.45	$4.71
0.721422	1993	$2.76	$2.34	$0.00
0.730775	1994	$2.78	$2.56	$0.00
0.756914	1995	$3.82	$3.86	$0.00
0.77466	1996	$3.54	$3.12	$0.00
0.774154	1997	$3.07	$2.53	$4.13
0.754942	1998	$2.62	$2.21	$4.77
0.761262	1999	$2.80	$2.51	$4.93
0.805349	2000	$2.62	$2.02	$4.47
0.814146	2001	$2.73	$2.10	$4.18
0.79549	2002	$3.42	$3.22	$4.46
0.83801	2003	$3.38	$3.09	$4.24
0.889883	2004	$2.79	$2.38	$3.88
0.954952	2005	$2.65	$2.08	$3.82
1	2006	$2.85	$2.60	$3.55

**, PPI (all commodities), not seasonally adjusted, normalized on 2006

ABOUT THE AGRICULTURAL AND FORESTRY EXPERIMENT STATION

The federal Hatch Act of 1887 authorized establishment of agricultural experiment stations in the U.S. and its territories to provide sicence-based research information to farmers. There are agricultural experiment stations in each of the 50 states, Puerto Rico, and Guam. All but one are part of the land-grant college system. The Morrill Act established the land-grant colleges in 1862. While the experiment stations perform agricultural research, the land-grant colleges provide education in the science and economics of agriculture.

The Alaska Agricultural Experiment Station was established in Sitka in 1898, also the site of the first experiment farm in Alaska. Subsequent stations were opened at Kodiak, Kenai, Rampart, Copper Center, Fairbanks, and Matanuska. The latter two remain. The Alaska station was not originally part of the Alaska land-grant college system. The Alaska Agricultural College and School of Mines was established by the Morrill Act in 1922. It became the University of Alaska in 1935. The Fairbanks and Matanuska farms are part the Agricultural and Forestry Experiment Station of the University of Alaska Fairbanks, which also includes the Palmer Research Center.

Early experiment station researchers developed adapted cultivars of grains, grasses, potatoes, and berries, and introduced many vegetable cultivars appropriate to Alaska. Animal and poultry management was also important. This work continues, as does research in soils and revegetation, forest ecology and management, and rural and economic development. Change has been constant as the Agricultural and Forestry Experiment Station continues to bring state-of-the-art research information to its clientele.

Agricultural and Forestry Experiment Station

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Component Detail All Funds
Department of Natural Resources

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	1,448.0	1,566.9	1,566.9	1,547.1	1,667.9	120.8	7.8
72000 Travel	4.0	23.1	23.1	31.1	31.1	0.0	0.0
73000 Services	246.8	308.7	312.7	324.5	316.6	-7.9	-2.4
74000 Commodities	87.2	57.7	57.7	57.7	56.7	-1.0	-1.7
75000 Capital Outlay	15.9	194.2	194.2	194.2	194.2	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	**1,801.9**	**2,150.6**	**2,154.6**	**2,154.6**	**2,266.5**	**111.9**	**5.2%**
Fund Sources:							
1002 Fed Rcpts	89.2	368.1	368.1	368.1	370.0	1.9	0.5%
1004 Gen Fund	1,575.2	1,639.4	1,643.4	1,643.4	1,610.8	-32.6	-2.0%
1005 GF/Prgm	14.8	15.4	15.4	15.4	16.2	0.8	5.2%
1007 I/A Rcpts	29.6	62.6	62.6	62.6	65.2	2.6	4.2
1061 CIP Rcpts	80.9	41.5	41.5	41.5	179.5	138.0	332.5%
1108 Stat Desig	12.2	23.6	23.6	23.6	24.8	1.2	5.1%
Unrestricted General (UGF)	**1,575.2**	**1,639.4**	**1,643.4**	**1,643.4**	**1,610.8**	**-32.6**	**-2.0%**
Designated General (DGF)	**14.8**	**15.4**	**15.4**	**15.4**	**16.2**	**0.8**	**5.2%**
Other Funds	**122.7**	**127.7**	**127.7**	**127.7**	**269.5**	**141.8**	**111.0%**
Federal Funds	**89.2**	**368.1**	**368.1**	**368.1**	**370.0**	**1.9**	**0.5%**
Positions:							
Permanent Full Time	13	13	13	13	11	-2	-15.4%
Permanent Part Time	10	10	10	10	11	1	10.0%
Non Permanent	0	0	0	2	2	0	0.0%

5

Change Record Detail - Multiple Scenarios With Descriptions
Department of Natural Resources

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
********** Changes From FY2011 Conference Committee (Final) To FY2011 Authorized **********												
FY2011 Conference Committee	ConfCom	2,150.6	1,566.9	23.1	308.7	57.7	194.2	0.0	0.0	13	10	0
1002 Fed Rcpts	368.1											
1004 Gen Fund	1,639.4											
1005 GF/Prgm	15.4											
1007 I/A Rcpts	62.6											
1061 CIP Rcpts	41.5											
1108 Stat Desig	23.6											
August FY2011 Fuel/Utility Cost Increase Funding Distribution from the Office of the Governor	Atrin	4.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund	4.0											
Pursuant to Ch41 SLA10 Sec22 P82 L25 through P85 L3, $13.5 million is distributed in August to State agencies from the Office of the Governor to offset the increased costs for fuel and utilities. Per the Department of Revenue (DOR), the fiscal year-to-date average price of Alaska North Slope crude as of August 1, 2010, was $76.53 per barrel, which is $1.12 (1.4%) below DOR's Spring 2010 FY2011 forecast amount of $77.65.												
The amounts transferred to state agencies are as follows: Administration, $20.5; Corrections, $540.0; DEED, $51.5; DEC, $34.1; Fish and Game, $69.9; HSS, $540.0; Labor, $31.8; DMVA, $294.6; DNR, $61.2; DPS, $246.5; Transportation, $10,125.0; University, $1,485.0.												
Subtotal		**2,154.6**	**1,566.9**	**23.1**	**312.7**	**57.7**	**194.2**	**0.0**	**0.0**	**13**	**10**	**0**
********** Changes From FY2011 Authorized To FY2011 Management Plan **********												
ADN 10-1-5022 Transfer from Personal Services to Contractual to Support Increasing Program Expenses	LIT	0.0	-19.8	8.0	11.8	0.0	0.0	0.0	0.0	0	0	0
After adjusting staffing to reflect workload, personal services authorization exceeds the anticipated level needed for the year. The authorization will be transferred to the travel and contractual lines to support increasing program expenses such as utilities, contracts, phones and department approved travel. This transfer will occur in general funds.												
ADN 10-0-5114 Add PCN 10-N10003 Approved 4/28/2010	PosAdj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	1
ADN 10-0-5114 Add PCN 10-N10003 Approved 4/28/2010 Agronomist 1												
ADN 100-5113 PCN 10-N10002 approved4/28/10	PosAdj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	1	1

Change Record Detail - Multiple Scenarios With Descriptions
Department of Natural Resources

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
Subtotal		**2,154.6**	**1,547.1**	**31.1**	**324.5**	**57.7**	**194.2**	**0.0**	**0.0**	**13**	**10**	**2**
********** Changes From FY2011 Management Plan To FY2012 Governor **********												
Reverse August FY2011 Fuel/Utility/Cost Increase Funding Distribution from the Office of the Governor												
	OTI	-4.0	0.0	0.0	-4.0	0.0	0.0	0.0	0.0	0		0
1004 Gen Fund	-4.0											
Pursuant to Ch41 SLA10 Sec22 P82 L25 through P85 L3, $13.5 million is distributed in August to State agencies from the Office of the Governor to offset the increased costs for fuel and utilities. Per the Department of Revenue (DOR), the fiscal year-to-date average price of Alaska North Slope crude as of August 1, 2010, was $76.53 per barrel, which is $1.12 (1.4%) below DOR's Spring 2010 FY2011 forecast amount of $77.65.												
The amounts transferred to state agencies are as follows: Administration, $20.5; Corrections, $540.0; DEED, $51.5; DEC, $34.1; Fish and Game, $69.9; HSS, $540.0; Labor, $31.8; DMVA, $294.6; DNR, $61.2; DPS, $246.5; Transportation, $10,125.0; University, $1,485.0.												
Noxious Weeds and Invasive Plants (HB 330) CH102 SLA08 CH 27 SLA08 p48 l28 (HB 310) Year 3												
	OTI	-80.0	-75.1	0.0	-3.9	-1.0	0.0	0.0	0.0	-1		0
1004 Gen Fund	-80.0											
Program sunsets June 30, 2011												
Continuation of Certified Seed Potato Program												
	OTI	-200.0	-180.2	-8.0	-11.8	0.0	0.0	0.0	0.0	0		0
1004 Gen Fund	-200.0											
Reverse one-time item												
FY 2011 Over/Understated GGU/SU salary adjustments												
	SalAdj	-4.9	-4.9	0.0	0.0	0.0	0.0	0.0	0.0	0		0
1002 Fed Rcpts	0.1											
1004 Gen Fund	-5.0											
When the SU and GGU salary adjustments were calculated, errors were made that understated some GGU amounts and overstated some SU amounts. This change record identifies the over and under stated amounts associated with these calculations.: $-4.9												
FY 2012 Personal Services increases												
	SalAdj	64.8	64.8	0.0	0.0	0.0	0.0	0.0	0.0	0		0
1002 Fed Rcpts	1.8											
1004 Gen Fund	56.4											

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
1005 GF/Prgm		0.8										
1007 I/A Rcpts		2.6										
1061 CIP Rcpts		2.0										
1108 Stat Desig		1.2										

This change record includes the following personal services increases:
: $64.8

Alaska State Employees Assn (GGU) FY2012 Health Insurance Increased Costs : $13.5

Labors, trades and Crafts (LTC) FY2012 Health Insurance Increased Costs : $14.4

Alaska Public Employees Assn (SU) FY2012 Health Insurance Increased Costs : $7.7

Alaska State Employees Association (GGU) FY 12 COLA increases
: $8.6

Labor, Trades and Crafts (LTC) FY 12 COLA increases
: $12.6

Alaska Public Employees Association (SU) FY 12 COLA increases
: $8.0

Continuation of Certified Seed Potato Program

	IncM	200.0	180.2	8.0	11.8	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund	200.0											

The Plant Materials Center (PMC) provides Alaska potato growers with pathogen-tested and certified seed as per 11 AAC 34.075(J). The seed potato project was initiated in 1984 to help stop the significant disease losses occurring to Alaska's potato crops. All seed potato certification programs in the U.S. and Canada require the initial seed stock be derived from pathogen-tested tissue culture produced seed. Alaskan-produced certified seed potatoes meet or exceed these requirements due to the efforts of the PMC potato project. The potato program helps to prevent the introduction of diseases to Alaska by providing certified and tested seed stock.

ADN/RPL 10-0-5054 Develop Rural Village Seed Program

	Inc	136.0	136.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1061 CIP Rcpts	136.0											

The North Latitude Plant Materials Center component has an approved ARRA project ADN/RPL 10-0-5054, Develop a Rural Village Seed Production Program and an RSA 100025 from the Governor's Office for funding authorization. This program is active through September 30, 2012.

PMC currently has two long term non perm positions working on this project. (PCN 10N10002 - Natural Resource Specialist II - R16 and PCN 10N10003 - Agronomist I-R16). Both positions were included in the RPL.

8

Change Record Detail - Multiple Scenarios With Descriptions
Department of Natural Resources

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	Positions PPT	Positions NP
Current FY 12 personal services CIP authority in this component is $43.5. To cover the positions listed below an additional $136.0 CIP personal services authority is needed for a total of $181.3.												
Change PCN 10-3082 from Full-time to Part-time Status	PosAdj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1	1	0
This position is changing from full-time to part-time. It provides technical expertise in propagation, culture, evaluation, and production of virus/disease free seed potatoes. This position work load falls off at the end of September and does not pick up again until January. The primary work is January through May performing tissue culture propagation to produce potato plants for planting in the greenhouse in mid May. During June, July and August the position takes care of the greenhouse and field planting. Harvest is complete mid September.												
	Totals	**2,266.5**	**1,667.9**	**31.1**	**316.6**	**56.7**	**194.2**	**0.0**	**0.0**	**11**	**11**	**2**

Personal Services Expenditure Detail
Department of Natural Resources

Scenario: FY2012 Governor (8665)
Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
10-3025	Natural Resource Spec II	FT	A	GP	Palmer	200	16B / C	12.0		49,915	0	0	33,195	83,110	83,110
10-3026	Maint Spec Bfc Jrny II/Lead	FT	A	LL	Palmer	2B	51K	12.0		63,434	2,144	0	37,335	102,913	102,913
10-3027	Administrative Assistant II	FT	A	GG	Palmer	200	14N	12.0		60,324	0	0	36,860	97,184	97,184
10-3034	Maint Gen Foreman	FT	A	LL	Palmer	2B	52L	12.0		62,225	2,103	0	36,909	101,237	101,237
10-3035	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F	8.0		26,247	887	0	19,242	46,376	45,254
10-3039	Maint Gen Sub - Journey II	PT	A	LL	Palmer	2B	56F / J	8.5		31,685	1,071	0	21,781	54,537	0
10-3040	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F	7.0		22,966	776	0	16,836	40,578	40,578
10-3051	Equip Operator Journey II	FT	A	LL	Palmer	2B	53L	12.0		58,169	1,966	0	35,481	95,616	95,616
10-3054	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F	7.0		22,966	776	0	16,836	40,578	38,143
10-3055	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F	6.5		21,326	721	0	15,634	37,681	20,020
10-3059	Agronomist III	FT	A	SS	Palmer	200	20O / P	12.0		98,108	0	0	49,688	147,796	147,796
10-3061	Agronomist I	FT	A	GP	Palmer	200	16B / C	12.0		49,522	0	0	33,057	82,579	82,579
10-3066	Mech Auto Journey	PT	A	LL	Palmer	2B	54K	6.0		26,354	891	0	13,029	40,274	0
10-3074	Natural Resource Tech III	PT	A	GP	Palmer	200	14B	5.0		17,501	0	0	12,670	30,171	0
10-3076	Agronomist II	FT	A	SS	Palmer	200	18J	12.0		69,012	0	0	39,443	108,455	108,455
10-3078	Natural Resource Tech II	PT	A	GP	Palmer	200	12B / C	8.5		26,352	0	0	20,343	46,695	46,695
10-3079	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F / J	8.0		26,367	891	0	19,284	46,542	46,542
10-3081	Maint Gen Sub - Journey I	PT	A	LL	Palmer	2B	58F	5.5		18,045	610	0	13,229	31,884	0
10-3082	Natural Resource Tech II	PT	A	GP	Palmer	200	12A / B	8.5		25,868	0	0	20,172	46,040	46,040
10-3084	Agronomist II	FT	A	SS	Palmer	200	18M	12.0		77,076	0	0	42,282	119,358	119,358
10-3092	Agronomist II	FT	A	SS	Palmer	200	18C / D	12.0		61,448	0	0	36,780	98,228	98,228
10-3126	Agronomist I	FT	A	GP	Palmer	200	16A / B	12.0		48,191	0	0	32,588	80,779	80,779
10-3127	Natural Resource Spec II	FT	A	GP	Palmer	200	16C / D	12.0		0	0	0	0	0	0
10-N10002	Natural Resource Spec II	NP	A	GG	Palmer	200	16A	12.0		46,668	0	0	21,785	68,453	0
10-N10003	Agronomist I	NP	A	GG	Palmer	200	16A	12.0		46,668	0	0	21,785	68,453	0

	Total Positions	New	Deleted
Full Time Positions:	11	0	3
Part Time Positions:	11	0	0
Non Permanent Positions:	2	0	0
Positions in Component:	24	0	3

Total Component Months: 234.5

Total Salary Costs:	1,056,437
Total COLA:	12,836
Total Premium Pay::	0
Total Benefits:	646,244
Total Pre-Vacancy:	1,715,517
Minus Vacancy Adjustment of 2.78%:	(47,617)
Total Post-Vacancy:	1,667,900
Plus Lump Sum Premium Pay:	0
Personal Services Line 100:	1,667,900

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.
[No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Personal Services Expenditure Detail
Department of Natural Resources

Scenario: FY2012 Governor (8665)
Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1002 Federal Receipts	46,100	44,821	2.69%
1004 General Fund Receipts	1,384,132	1,345,713	80.68%
1005 General Fund/Program Receipts	16,395	15,940	0.96%
1007 Inter-Agency Receipts	63,827	62,055	3.72%
1061 Capital Improvement Project Receipts	180,147	175,147	10.50%
1108 Statutory Designated Program Receipts	24,916	24,224	1.45%
Total PCN Funding:	**1,715,517**	**1,667,900**	**100.00%**

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.
[No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Natural Resources
Travel

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000	Travel	4.0	31.1	31.1

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			72000 Travel Detail Totals	**4.0**	**31.1**	**31.1**
72100	Instate Travel		Training , field travel required by Plant Materials Center staff for field inspections, site identification, site evaluations. Administrative travel to field offices and meetings. All travel is contractually required or authorized, primarily through grants or RSAs.	4.0	19.1	19.1
72400	Out Of State Travel		Out of state travel for meetings, and training including transportation, lodging, and per diem. All travel is contractually required or authorized, primarily through grants or RSAs.	0.0	12.0	12.0

Line Item Detail
Department of Natural Resources
Services

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000	Services	246.8	324.5	316.6

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			73000 Services Detail Totals	**246.8**	**324.5**	**316.6**
73025	Education Services		Training and conference registration fees.	2.0	4.0	4.0
73150	Information Technlgy		Information technology services.	0.0	15.2	15.2
73156	Telecommunication		Long distance and local phone charges, equipment charges, network charges, cell phones and other wireless charges.	15.2	24.0	24.0
73169	Federal Indirect Rate Allocation		Federal approved indirect rate allocation.	3.0	3.0	3.0
73225	Delivery Services		Freight, courier and postage.	0.9	3.0	3.0
73450	Advertising & Promos		Advertising for PMC Advisory Board Meetings and availability of Native Plant Directory.	0.0	1.8	1.8
73525	Utilities		Electricity, waste disposal, natural gas/propane and heating oil. Increased costs support new facilities built at the PMC.	70.4	118.1	118.1
73650	Struc/Infstruct/Land		Snow removal, janitorial/caretaker, pavement maintenance, lawn care maintenance, and other repairs and maintenance. Increase due to new buildings with expanded square footage and replacement of furnaces.	13.8	28.7	28.7
73675	Equipment/Machinery		Repairs/maintenance of office furniture and equipment, vehicles, and other equipment and machinery.	5.3	12.9	12.9
73750	Other Services (Non IA Svcs)		Professional Service contracts.	63.7	36.2	28.3
73804	Economic/Development (IA Svcs)	Trans	PMC maintenance and repair RSA.	10.0	10.0	10.0
73804	Economic/Development (IA Svcs)	NatRes	CIC Support	2.1	2.4	2.4
73805	IT-Non-Telecommnctns	Admin	ETS Computer Service RSA.	12.0	8.0	8.0
73806	IT-Telecommunication	Admin	DOA ETS Telecom RSA	0.1	0.1	0.1
73808	Building Maintenance	Trans	Construction projects at PMC managed by DOT/PF.	2.5	10.0	10.0
73809	Mail	Admin	Central Mail RSA.	0.6	0.8	0.8

Line Item Detail
Department of Natural Resources
Services

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			73000 Services Detail Totals	**246.8**	**324.5**	**316.6**
73810	Human Resources	Admin	Division of Personnel/Human Resources RSA.	1.9	1.0	1.0
73812	Legal	Law	Regulations RSA.	0.1	0.2	0.2
73814	Insurance	Admin	Risk Management Overhead RSA.	14.0	1.1	1.1
73814	Insurance	Admin	Risk Management non-shared facilities.	0.0	13.0	13.0
73815	Financial	Admin	Division of Finance AKSAS/AKPAY RSA.	1.1	1.4	1.4
73816	ADA Compliance	Labor	ADA Compliance RSA.	0.2	0.3	0.3
73819	Commission Sales (IA Svcs)	Admin	State travel office fees.	0.1	0.2	0.2
73827	Safety (IA Svcs)		Fire extinguishers.	1.7	0.0	0.0
73848	State Equip Fleet	Trans	Charges to SEF rolling stock. Vehicle and equipment expenses payable to DOT SEF.	26.1	29.1	29.1

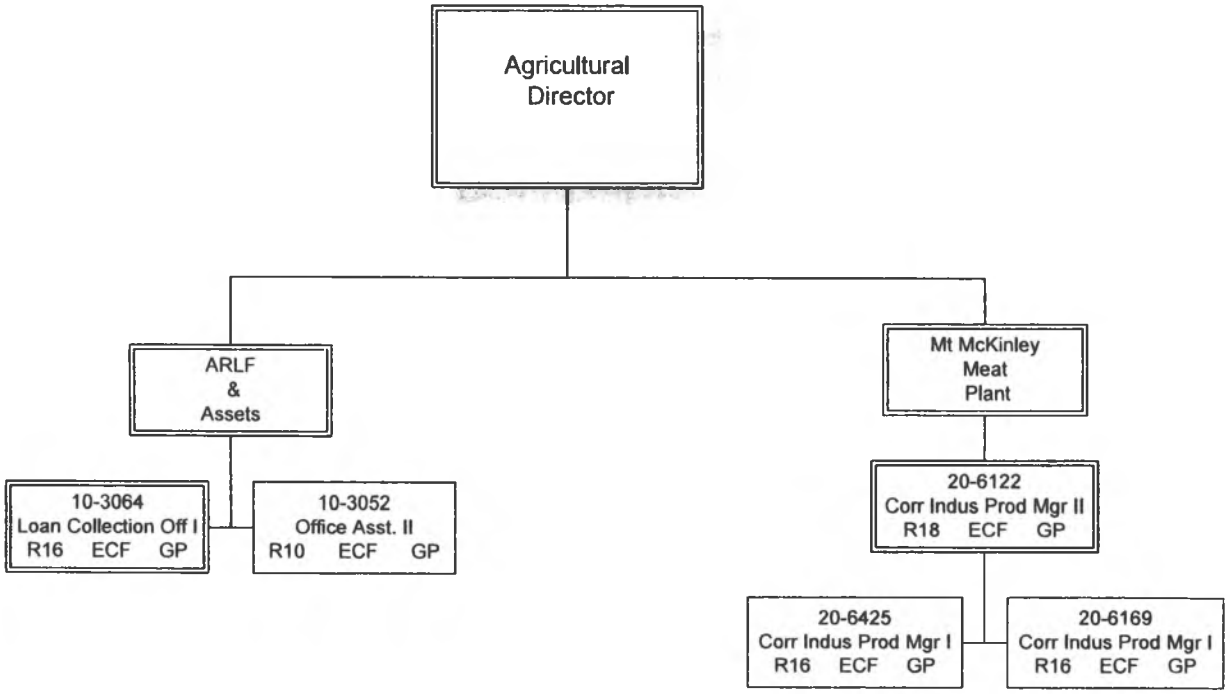
Line Item Detail
Department of Natural Resources
Commodities

Component: North Latitude Plant Material Center (2204)
RDU: Resource Development (136)

Line Number	Line Name	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000	Commodities	87.2	57.7	56.7

Expenditure Account		Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
			74000 Commodities Detail Totals	**87.2**	**57.7**	**56.7**
74222	Books And Educational		Textbooks, student materials and educational supplies.	1.1	1.3	1.3
74226	Equipment & Furniture		Equipment/furniture/tools/vehicles with a value of less than $5,000.00 used in everyday operations of the agency.	6.1	5.2	5.2
74229	Business Supplies		Other business supplies (binders, photographic, duplicating, pens, staples, toner cartridges, pencils, paper, etc.)	8.0	0.2	0.2
74233	Info Technology Equip		Information technology equipment PC computers, monitor, power cables and TV.	6.1	4.9	4.9
74236	Subscriptions		Subscriptions.	2.4	1.0	1.0
74443	Growth Control		Growth control insecticides and pesticides.	1.4	2.9	2.9
74446	Growth Promotion		Growth promotion landscaping supplies, fertilizer, plants and seeds.	10.8	17.1	16.1
74522	Instruments & Apps		PMC seed lab supplies.	0.3	1.1	1.1
74607	Other Safety		Other safety supplies first aid kits and body protection.	0.5	0.4	0.4
74691	Building Materials		PMC building materials for repairs and maintenance.	0.6	0.6	0.6
74700	Electrical		PMC electrical supplies for repairs and maintenance.	2.1	2.1	2.1
74752	Lube Oils/Grease/Solv		Lubes oils, grease and solvents.	2.0	2.0	2.0
74753	Bottled Gas		Bottled gas acetylene, oxygen or other gas used for welding.	2.0	2.0	2.0
74754	Parts And Supplies		Parts & supplies nuts, bolts, fasteners, fittings, metal stock, bench stock and misc hardware.	35.2	12.1	12.1
74820	Sm Tools/Minor Equip		Small tools/minor equipment.	4.1	0.3	0.3
74855	Unleaded		Unleaded fuel. Increase reflects new bulk fuel tank installed at the PMC.	1.4	1.4	1.4

Department of Natural Resources
Agriculture Revolving Loan Program
Administration
FY12 Operating Budget



"FINANCING FOR ALASKA AGRICULTURE"
Agricultural Revolving Loan Fund

Established 1953

AGRICULTURAL REVOLVING LOAN FUND

Attached is the Agricultural Revolving Loan Fund (ARLF) application and supporting documents. The objective of the ARLF is to promote the development of agriculture as an industry throughout the State by means of moderate interest rate loans.

- SHORT TERM - loans to finance annual operating expenses such as seed, feed, fertlizer, harvesting or planting activities.
- CHATTEL - loans to purchase equipment or livestock.
- FARM DEVELOPMENT - loans to purchase real property and construct non-residential improvements for agricultural purposes.
- IRRIGATION - loans to purchase and install irrigation systems.
- PRODUCT PROCESSING - loans to build and equip facilities to process Alaska agricultural products.
- CLEARING - loans to provide for land clearing.

Loan Type	Maximum Loan	Maximum Term	Fixed Rate
Short Term	$200,000	1 year	3.00%
Chattel	$1,000,000	7 years	4.00%
Farm Development	$1,000,000	30 years	4.50%
Irrigation	$1,000,000	30 years	4.50%
Product Processing	$250,000	30 years	4.50%
Clearing	$250,000	20 years	4.50%

Total outstanding balances of ARLF loans for a borrower may not exceed $1,000,000

APPLICATION PROCEDURE

Loan applications must be submitted on ARLF forms. ***Required information provided on forms other than those provided by ARLF are subject to ARLF Loan Officer review.*** Applications are processed and reviewed by the

ARLF staff. Completed applications are submitted to the Board of Agriculture and Conservation (BAC) for consideration monthly.

ELIGIBILITY

Loans may be made to individuals, partnerships, joint ventures, corporations or other business entities. Proof of current Alaska residency must be provided by applicants at loan closing. A statement of Agricultural and other business experience with evidence of necessary related skills and training is required.

CONDITIONS

Loan funds may only be used for agricultural production or processing operations in Alaska. Loans may not exceed 75% of the value of the collateral, less existing liens.

COLLATERAL

Loans must be secured by adequate collateral as appraised by the ARLF or an independent appraiser. Collateral for consideration may include land, improvements, machinery, equipment, crops, or livestock. Property insurance, naming ARLF as loss payee, is required on buildings and all vehicles, machinery, equipment and livestock that are stored in buildings and used as collateral..

PAYMENT TERMS

Loan terms, including payment terms, will be based on applicant's ability to service the loan. Payment terms may be monthly, quarterly, semi-annual, annual or variable.

RATES & FEES

Fixed interest rates are comparable to rates charged by other Alaska agricultural lenders and established by the BAC. A non-refundable $50 application fee is required. If you have any questions, please contact an ARLF Loan Officer.

STATE OF ALASKA
Division of Agriculture
Agricultural Revolving Loan Fund
1800 Glenn Highway, Suite 12
Palmer, Alaska 99645-6736
Phone: (907) 745-7200
Fax: (907) 745-7242

Web: www.dnr.alaska.gov/ag

Payment Fact Sheet

Good Borrower Credit Fact Sheet

AGRICULTURAL REVOLVING LOAN FUND APPLICATION

ARLF Application Checklist

Loan Application

Financial Statement

Collateral List

Annual Income and Expense

Five Year Operating Plan

Child Support Verification

Bank Verification

Operating Budget - MAY BE REQUIRED BY LOAN OFFICER FOR APPLICATIONS SUCH AS NEW OR LARGE PROJECTS

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HB

222

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222</SUBJECT><COMM>HEDT27</COMM></TARGET>

HOUSE BILL NO. 222

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES AUSTERMAN, Chenault, Johnson, Stoltze, Thomas, Peggy Wilson, Herron

Introduced: 4/1/11
Referred: House Special Committee on Economic Development, Trade, and Tourism, Finance

A BILL

FOR AN ACT ENTITLED

"An Act establishing and relating to the Alaska Promotion and Marketing Board and the Alaska promotion and marketing fund; relating to marketing tourism contracts and campaigns; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 39.50.200(b) is amended by adding a new paragraph to read:

(64) the Alaska Promotion and Marketing Board.

* **Sec. 2.** AS 44.33 is amended by adding new sections to read:

Article 15. Alaska Promotion and Marketing.

Sec. 44.33.950. Alaska promotion and marketing fund. The Alaska promotion and marketing fund is created. The department, in consultation with the board, shall administer the fund.

Sec. 44.33.955. Contents of fund. (a) The fund consists of

(1) money appropriated to the fund by the legislature for grants for the fund's purpose;

(2) gifts, bequests, contributions from other sources, and federal money appropriated to the fund for grants for the fund's purpose; and

(3) interest from investments of the money in the fund that is appropriated to the fund by the legislature for grants for the fund's purpose.

(b) The fund is not a dedicated fund.

Sec. 44.33.960. Purpose of fund. The purpose of the fund is to promote and market industries that broaden the economic base of the state and that provide jobs and business opportunities for the residents of the state.

Sec. 44.33.965. Use of fund. Subject to appropriation, the department shall use the money in the fund to

(1) make grants to private entities for projects that promote the fund's purpose; and

(2) pay the costs of administering AS 44.33.950 - 44.33.990.

Sec. 44.33.970. Grant requirements. (a) A grant recipient shall be an entity that operates in or represents an industry that brings money into the state.

(b) A grant made to an entity that operates in an emerging industry must require that the grant recipient provide matching funds of 30 percent of the grant amount for the grant project.

(c) A grant made to an entity that operates in an established industry must require that the grant recipient provide matching funds of 50 percent of the grant amount for the grant project.

(d) Subject to appropriation, the total of the grants made in one fiscal year to entities that operate in established industries may not exceed 75 percent of the appropriations made to the fund for that fiscal year.

Sec. 44.33.975. Alaska Promotion and Marketing Board established. (a) The Alaska Promotion and Marketing Board is established in the department.

(b) The board is composed of three members appointed by the governor. The members of the board shall be appointed for terms of three years.

(c) Members of the board shall be selected without regard to political affiliation or geographical location of residence.

(d) Members of the board shall be residents of the state. Each member shall

have expertise in private sector business or industry, or both, and possess demonstrated leadership skills. However, a member may not, immediately before being appointed or while acting as a board member, hold an executive position in a business or industry entity.

(e) The board shall elect one member of the board to serve as chair of the board.

(f) A vacancy on the board shall be filled by the governor. A member selected to fill a vacancy shall hold office for the balance of the term for which the member's predecessor on the board was appointed.

(g) A vacancy on the board does not impair the authority of a quorum of the members to exercise the powers and perform the duties of the board.

(h) Members of the board do not receive compensation but are entitled to the per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(i) The board shall meet at least once each fiscal year.

Sec. 44.33.980. Board duties. The board shall

(1) develop a methodology for determining the priority for proposed projects to receive grants;

(2) identify the criteria for evaluating the degree to which proposed projects achieve the fund's purpose; the board shall give more value to

(A) projects that add to the state's primary sector economy or reduce reliance on imported goods or services; and

(B) grant applicants who have established a self-assessment to support their projects;

(3) determine the eligibility criteria for grant applicants;

(4) develop a methodology for the department to use in determining which industries are emerging industries and which are established industries;

(5) make recommendations to the department on the selection of projects for grants;

(6) describe how self-assessments by grant applicants will be evaluated when the projects are being reviewed;

(7) define "emerging industry," "established industry," and "industry that brings money into the state"; and

(8) provide a report to the legislature not later than 10 days after the first day of each regular legislative session; the report must provide the recommendations that the board

(A) has made to the department for making grants from the money already appropriated to the fund, including a description, an evaluation, and the priority of the proposed projects for grants; and

(B) is making to the legislature regarding appropriations to the fund, including a description, an evaluation, and the priority of the proposed projects for grants.

Sec. 44.33.985. Regulations. The board shall adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its duties under AS 44.33.950 - 44.33.990. The department shall adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out its duties under AS 44.33.950 - 44.33.990.

Sec. 44.33.990. Definitions. In AS 44.33.950 - 44.33.990,

(1) "board" means the Alaska Promotion and Marketing Board;

(2) "department" means the Department of Commerce, Community, and Economic Development;

(3) "fund" means the Alaska promotion and marketing fund;

(4) "fund's purpose" means the purpose of the fund identified in AS 44.33.960;

(5) "grant" means a grant made from the fund.

* **Sec. 3.** AS 36.30.850(b)(41); AS 44.33.120(b)(4), 44.33.120(b)(7), 44.33.120(d), and 44.33.125 are repealed.

* **Sec. 4.** AS 39.50.200(b)(64); AS 44.33.950, 44.33.955, 44.33.960, 44.33.965, 44.33.970, 44.33.975, 44.33.980, 44.33.985, and 44.33.990 are repealed July 1, 2019.

* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INITIAL BOARD. (a) The governor shall appoint the members of the Alaska Promotion and Marketing Board, established by AS 44.33.975, enacted by sec. 2 of

this Act, within one month following the effective date of this section.

(b) Notwithstanding AS 44.33.975, enacted by sec. 2 of this Act, the governor shall appoint the first three members of the Alaska Promotion and Marketing Board, established by AS 44.33.975, enacted by sec. 2 of this Act, to staggered terms as follows:

(1) one member shall serve a one-year term;

(2) one member shall serve a two-year term; and

(3) one member shall serve a three-year term.

* **Sec. 6.** This Act takes effect January 1, 2012.

Representative Alan Austerman

House Majority Leader

Alaska State Legislature

Sponsor Statement for House Bill 222: Promoting Alaska Marketing Fund and Marketing Board

Economic development is of vital importance to the economy of the state and a top priority of the legislature. Promoting business opportunities that contribute to Alaska's primary economy is a timely matter as oil production in Alaska continues to decline, putting future state revenues at risk. This bill is a high level, long term solution to the challenges of increased demand for matching funds for programs that market and promote Alaska's industries. The program established under House Bill 222 is intended to recognize and promote Alaska's key industries like tourism, seafood, agriculture, mining, and other emerging industries that can form the base for a future economy.

House Bill 222 aims to restructure the state's contributions to public and private marketing efforts by establishing a long-term funding source and an apolitical mechanism to evaluate funding requests and make recommendations for state matching funds. Under this bill, an Alaska Promotion and Marketing Fund would be created, as would a board to provide annual recommendations on award of matching monies to funding applicants. The program would be managed by the Department of Commerce, Community and Economic Development (DCCED), in consultation with the Alaska Promotion and Marketing Board. The purpose of the fund is to promote and market industries that broaden the economic base of the state and that provide jobs and business opportunities for the residents of the state. The fund would require a 50 percent match from a recipient operating in an established industry and 30 percent from a recipient operating in an emerging industry.

The Alaska Promotion and Marketing Board is envisioned as a three member board with broad business experience but without ties to applicant industries. Under House Bill 222, the board would develop a methodology and identify criteria for evaluating and determining the priority for applicants for matching funds. The board would also be responsible for determining the eligibility criteria for the grant applicants.

This bill deletes the Qualified Trade Association program in anticipation that the Alaska Promotion and Marketing Board would create new criteria for trade associations across all industries who want to promote or market Alaska's industries and products. House Bill 222 is intended to be the starting point for discussion and I look forward to interim hearings and testimony from all interested industries that would make necessary adjustments to the legislation.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB 222**
() Publish Date

Identifier (file name) HB222-CCED-DED-04-01-11
Title: Alaska Promotional & Marketing Fund/Board
Sponsor: Representative Austerman
Requester: House Economic Development, Trade, and Tourism

Dept. Affected: DCCED
Appropriation: Economic Development
Allocation: Financing
OMB Component Number: 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	106.9	0.0	106.9	106.9	106.9	106.9	106.9
Travel	12.0	0.0	6.0	6.0	6.0	6.0	6.0
Services	9.4	0.0	9.4	9.4	9.4	9.4	9.4
Commodities	6.5	0.0	0.5	0.5	0.5	0.5	0.5
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**134.8**	**0.0**	**122.8**	**122.8**	**122.8**	**122.8**	**122.8**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	134.8						
1005 GF/Program Receipts							
1037 GF/Mental Health							
1178 Other (APMF)			122.8	122.8	122.8	122.8	122.8
TOTAL	**134.8**	**0.0**	**122.8**	**122.8**	**122.8**	**122.8**	**122.8**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**1**	**0**	**1**	**1**	**1**	**1**	**1**
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note.

Prepared by: Wanetta Ayers, Division Director — Phone 269-4048
Division: Economic Development — Date/Time 4/3/11 12:30 PM
Approved by: Susan K. Bell, Commissioner — Date 4/4/2011
Commerce, Community & Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 222

HB222 Analysis

This bill establishes the Alaska Promotional and Marketing Fund (APMF) to promote and market industries that broaden the economic base of Alaska. The Alaska Promotional and Marketing Board is established to administer the fund in conjunction with the Department of Commerce, Community, and Economic Development (DCCED). HB 222 also calls for the board to develop a grant program; recommend projects for grants; and report to the Legislature on the recommendations made for grants and providing recommendations on appropriations to the fund.

Under the provisions of HB 222, the Division of Economic Development (DED) projects the need for a Development Specialist II, Option A to staff the board, assist in regulation development, administer the grant program, and provide on-going analytical, programmatic and administrative support.

Travel costs are projected to be higher during the first year under the assumption that the board will need to meet three to four times to establish its policies, develop and review grant processes, develop recommendations, and prepare and present its report to the Legislature. Travel in subsequent years is projected to be baseline operating cost for one face-to-face meeting each year.

The cost projections include personal services for the Development Specialist II, Option A, supplies, equipment and a projected per employee annual contractual service cost. Commodity costs in the first year are based on providing the new position with furniture, a computer, software and other necessary equipment – these are one-time costs only.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: HB222
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB222-DCCED-DED-12-14-11
Title: AK PROMOTION & MARKETING FUND/BOARD
Sponsor: Representative Austerman
Requester: House Economic Development, Trade, and Tourism

Dept. Affected: DCCED
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	106.9		106.9	106.9	106.9	106.9	106.9
Travel	12.0		6.0	6.0	6.0	6.0	6.0
Services	10.0		10.0	10.0	10.0	10.0	10.0
Commodities	6.5		0.5	0.5	0.5	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**135.4**	**0.0**	**123.4**	**123.4**	**123.4**	**123.4**	**123.4**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts							
1003 GF Match							
1004 GF	135.4						
1005 GF/Prgm (DGF)							
1037 GF/MH (UGF)							
1178 temp code (UGF)			123.4	123.4	123.4	123.4	123.4
TOTAL	**135.4**	**0.0**	**123.4**	**123.4**	**123.4**	**123.4**	**123.4**
POSITIONS							
Full-time	1		1	1	1	1	1
Part-time							
Temporary							
CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note to HB 222 updated on new form for the 2012 Legislative Session. The expenditure figures have been updated to FY13 costs.

Prepared by: Wanetta Ayers, Director — Phone 269-4048
Division: Economic Development — Date/Time 12/14/11 10:00AM
Approved by: Susan K. Bell, Commissioner — Date 12/28/2011
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB222
2012 LEGISLATIVE SESSION

Analysis

This bill establishes the Alaska Promotional and Marketing Fund (APMF) to promote and market industries that broaden the economic base of Alaska. The Alaska Promotional and Marketing Board is established to administer the fund in conjunction with the Department of Commerce, Community, and Economic Development (DCCED). HB 222 also calls for the board to develop a grant program; recommend projects for grants; and report to the Legislature on the recommendations made for grants and providing recommendations on appropriations to the fund.

Under the provisions of HB 222, the Division of Economic Development (DED) projects the need for a Development Specialist II, Option A to staff the board, assist in regulation development, administer the grant program, and provide on-going analytical, programmatic and administrative support.

Travel costs are projected to be higher during the first year under the assumption that the board will need to meet three to four times to establish its policies, develop and review grant processes, develop recommendations, and prepare and present its report to the Legislature. Travel in subsequent years is projected to be baseline operating cost for one face-to-face meeting each year.

The cost projections include personal services for the Development Specialist II, Option A, supplies, equipment and projected support service costs. Commodity costs in the first year are based on providing the new position with furniture, a computer, software and other necessary equipment – these are one-time costs only.

Austerman bill draft to Terri Bannister

BACKGROUND
Rep. Austerman wants to establish a fund and a board to administer the fund that provides money to market/promote Alaska's primary economic sector, and promotes business opportunities that expand Alaska's economic base. Components of the primary economic sector include extractive industries such as fisheries, timber, mining, petroleum, and other resources, as well tourism and agriculture.

New Chapter under Title 44
Name: The Economic Diversification Act

[PURPOSE SECTION]
The purpose of this act is to provide state support for the marketing and promotion of industries that broaden Alaska's economic base and provide jobs and business opportunities for Alaskans.

[...]

[CREATE BOARD]
Alaska Promotion and Marketing Board

- 3 year terms, staggered appointment in initial round of appointments, service until a successor is appointed
- The board shall elect a member to serve as chair
- The board shall consist of three members with a broad range of professional experience; appointed without regard to political affiliation or geographical location of residence.
- Board shall meet at least once a year – board to receive no salary but are entitled to per diem and reimbursement of travel expenses
- Appointed by Governor

[PROGRAM SECTION]

- An Alaska Promotion and Economic Investment Fund is created to fund certain marketing and promotion activities to support Alaska's economy
- DCCED shall administer the fund as a fund distinct from other funds. The fund consists of
    - money appropriated to the fund by the legislature to provide grants for certain marketing and promotion projects advanced by the Board;
    - gifts, bequests, contributions from other sources, and federal money;
    - interest earned on the fund balance; and

- Investments to be managed by the Department of Revenue, which shall be the fiduciary of the fund under AS 37.10.071.
- The fund is not a dedicated fund.

- Board shall
  - develop a methodology for determining the order of projects that may receive matching grant funds, and adopt regulations identifying criteria to evaluate the benefit of projects for which an applicant applies for support from the legislature, with weight being given to projects that add to Alaska's primary sector economy or reduce reliance on imported goods; and to organizations that have established a self-assessment to support marketing or promotion activities, except where grants are awarded to departments.
    - Determine eligibility criteria
      - Eligible entities restricted to trade organizations that represent a significant sector or subsector of an Alaska industry
      - Or a state agency or public corporation with a role in marketing or promoting an industry that matches criteria outlined above
    - Develop methodology for determining which proposals or industries are to be considered "emerging industries" and those that are "established industries."
      - Emerging industries can receive a match up to 70/30.
      - Established industries receive maximum match of 50/50.
      - Established industries should not exceed 75% of recommended appropriation in a given year
    - Develop process for application
  - make recommendations to the legislature for marketing and promotion matching grants; and
  - not later than 10 days after the first day of each regular legislative session, submit to the legislature a report summarizing and reviewing each grant application submitted under this section and a recommended priority for awarding grants.
  - Review proposals for self-assessments by industry sectors that would provide industry match under the grant program
    - Where proposals are determined to be broad and suitable, prepare recommendations to the legislature
    - Draft legislation implementing such assessments
- A qualified trade association receiving marketing funds under 44.33.125 may not receive any additional state funds except those awarded through this new statute.
- Transition
  - For organizations that have received funding through state government in any of previous three years their highest industry contribution in any of those three previous years will be considered the minimum match for purposes of this program for first two fiscal years

- Subsequently the actuals from two years prior will be considered the match, with up to 30% forward funding based on board's assessment of likely increases in matching funds
- Delayed repealer: Repeals June 30, 2019.

Amend 44.33.120—delete section (d)

Amend 44.33.125—

section (a)—after "purpose of planning and executing" insert "statewide"; after "before the contract is executed, the" insert "statewide"

Section (b) — delete "but only if the terms are not materially....the qualified trade association"

Section (c)—delete all material. Add: "The department may awarded tourism marketing contracts, in addition to the contract awarded in (a), to person or entities other than the qualified trade association for the purpose of promoting distinct tourism segments, geographical areas, or the general purposes described in AS 44.33.119. Persons or entities awarded tourism marketing contracts under this subsections must provide matching funds equal to at least 50 percent of the marketing campaign described in the contract unless waived in whole or in part at the discretion of the department"

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE AUSTERMAN

TO: Work Draft 27-LS0724\B

Page 5, following line 7:

Insert a new bill section to read:

"* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: MATCHING REQUIREMENTS. (a) Notwithstanding AS 44.33.970(b) and (c), enacted by sec. 2 of this Act, if a person received money from the state under an agreement for a purpose similar to a fund's purpose in any of the three years before the effective date of sec. 2 of this Act, if the receipt of the money required a matching amount to be paid by the person, and if the person receives a grant under AS 44.33.950 - 44.33.990 during the first year following the effective date of sec. 2 of this Act, the matching requirement for the

(1) first two years of the grant must equal the person's highest matching contribution for a year during the agreement for the earlier receipt of state money;

(2) third year of the grant must be an amount that equals the matching requirement for the year, if any, that occurred

(A) during the agreement for the earlier receipt of state money; and

(B) two years before the effective date of sec. 2 of this Act.

(b) In this section, "fund's purpose" and "grant" have the meanings given in AS 44.33.990, enacted by sec. 2 of this Act."

Renumber the following bill section accordingly.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 1, 2011

SUBJECT: HB 222 relating to the Alaska Promotion and Marketing Board, to the Alaska promotion and marketing fund, and to marketing tourism contracts and campaigns (Work Order No. 27-LS0724\B)

TO: Representative Alan Austerman
Attn: Astrid Lievano

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends AS 39.50.200(b) to add the new Alaska Promotion and Marketing Board to the list of boards and commissions that are subject to the public official financial disclosure chapter.

Section 2. Adds new sections to create the Alaska Promotion and Marketing Fund (fund) and the Alaska Promotion and Marketing Board (board).

Sec. 44.33.950. Creates the fund and directs the Department of Commerce, Community, and Economic Development (DCCED) to administer the fund in consultation with the board.

Sec. 44.33.955. Identifies the money that is to be in the fund. States that the Fund is not a dedicated fund.

Sec. 44.33.960. States the purpose of the fund.

Sec. 44.33.965. States that the fund money shall be used, subject to appropriation, to make grants to private entities for projects that promote the fund purpose and to pay administration costs for the new sections.

Sec. 44.33.970. Establishes certain requirements for grants from the fund. Addresses the type of entity that may be a grant recipient. Addresses matching requirements. Sets a maximum amount per fiscal year for grants to entities in established industries.

Sec. 44.33.975. Establishes the board, including the number of members, appointment of members, selection of members, qualifications of members, election of a chair, vacancies on the board, compensation of members, and meetings.

Sec. 44.33.990. Lists the board's duties. Includes developing a methodology for prioritizing proposed projects; identifying criteria for evaluating achievement of the fund purpose by proposed projects; determining grant applicant eligibility criteria; making grant selection recommendations to DCCED; and reporting to the legislature.

Sec. 44.33.985. Authorizes the board and DCCED to adopt regulations for the new sections.

Sec. 44.33.990. Defines terms for the new sections.

Section 3. Repeals certain sections relating to marketing tourism contracts and campaigns.

Section 4. Repeals the new sections (the board and the fund) July 1, 2019.

Section 5. Provides for the appointment of the first members of the board within one month of the effective date and with staggered terms.

Section 6. Makes this Act effective January 1, 2012.

If I may be of further assistance, please advise.

TLB:plm
11-208.plm



Responsible Cruising in Alaska

House Finance and Commerce Sub-Committee

Juneau, Alaska 99801

February 23, 2012 **RE: Tourism Marketing Funding**

Finance and Commerce Sub-Committee Members:

The recent upheaval in state tourism funding evidenced by the MOU between the Department of Commerce and the Alaska Travel Industry Association (ATIA) should be a warning to Finance and Commerce sub-committee members that major changes are necessary for tourism promotion. Instead, the 2011 Commerce MOU adopts the ATIA tourism marketing plan in total, without any objective scrutiny of missions, measures, previous monies spent, and the actual return on investment.

Rather than focus on independent air travelers to Alaska, the ATIA and the Commerce MOU are cruise-centric, chasing the same passengers the ship companies spend $70 million a year to entice to Alaska. This cruise obsession by ATIA was misplaced and had no viable measures showing how state tourism monies produce more passengers or ships.

In fact, air travelers to Alaska produce far more revenue for the state and local businesses by renting cars and hotel rooms, shopping and eating locally, while cruise passengers do the opposite. Cruise passengers spend their money on the ships, purchase land excursions on-board without local taxes, and rarely return to Alaska.

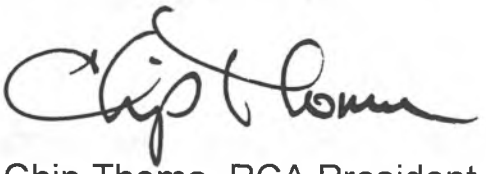
Box 21884 Juneau, Alaska 99802 (907) 586-2117 chipt@alaska.net

In Bermuda this week their Parliament is discussing this exact issue -- the monetary worth of air visitors versus cruise passengers. One MP stated that air travelers spend 12 times more than cruise passengers while visiting Bermuda; $1200 for air visitors, $100 for cruise passengers. This disparity is also true in Alaska. Independent air travelers spend far more on their visit to Alaska than cruise passengers. This is where the real opportunity exists in Alaska tourism; increasing the numbers of affluent air travelers who spend at least 10 times more in Alaska during their week visit.

Many airlines have seasonal, round-trip fares to Alaska. It would be very productive for the Department of Commerce to enter into advertising agreements with the airlines that have chosen to fly seasonally to Alaska. Here are those that fly to Anchorage and Fairbanks:

Airline	**Round Trip From**
Alaska	Seattle, LAX, Denver
Air Canada	Vancouver
American	Chicago, Dallas, Fort Worth, DC, Newark, Atlanta
Continental	Dallas, Houston
Delta	Minneapolis, Salt Lake, Long Beach, LAX
Frontier	Denver
Jet Blue	Long Beach, Sacramento
United	Chicago, Denver, Houston, San Francisco
US Air	Phoenix
Condor	Frankfurt, Germany

Thank you for any changes you can bring to the present tourism marketing in Alaska, which is now misplaced.



Chip Thoma, RCA President

MEMORANDUM OF UNDERSTANDING

This document constitutes an understanding between the State of Alaska Department of Commerce, Community and Economic Development (DCCED) and the Alaska Travel Industry Association (ATIA) to collaborate on a $14.7 million Destination Tourism Marketing Campaign for a one-year period commencing on July 1, 2011 (FY 2012). It is the intent of this Memorandum of Understanding (MOU) to articulate the collaborative approach toward implementing the FY 2012 Destination Tourism Marketing Campaign that will: enhance the economic opportunity for large and small businesses to participate in marketing programs; and create awareness of Alaska as a tourism destination.

Except, and only to the extent provided by applicable law, no creditor or third party shall have any rights under this MOU or any agreement between the parties. This MOU is effective when signed by both parties and expires on June 30, 2012. Nothing in this MOU shall be construed to limit or modify the authority or legal responsibility of any participating agency.

BACKGROUND

In 1999, the Alaska Legislature consolidated tourism marketing functions performed by the Alaska Tourism Marketing Council, the Alaska Visitors Association and the Alaska Division of Tourism with intent that they be performed under contract with a qualified trade association. For 11 years, from FY 2001 through FY 2011, ATIA has functioned as the State of Alaska's qualified trade association and the official tourism marketing organization. The Destination Tourism Marketing Campaigns were funded by appropriations through the DCCED qualified trade association budget component and by named recipient appropriations to ATIA. In addition, private sector tourism businesses matched state funds at varying levels.

For FY 2012, the Alaska Legislature appropriated money to DCCED to carry out a tourism marketing campaign. Under AS 44.33.120(b)(1), (3), (5), (6), and (9), DCCED is authorized to cooperate and coordinate with the private sector to plan, implement and promote the development of tourism into and within Alaska. This MOU represents DCCED's plan to collaborate with ATIA on a Destination Tourism Marketing Campaign to maximize public and private sector investment in tourism marketing and leverage the $12 million appropriation to DCCED into a $14.7 million FY 2012 Destination Tourism Marketing Campaign.

GUIDING PRINCIPLES

Continuity. Prior to the Legislative appropriation to DCCED for FY 2012, significant time and public/private resources were expended on the development of the FY 2012 Destination Tourism Marketing Campaign. It is the intention of DCCED and ATIA to build from this framework and implement a Destination Tourism Marketing Campaign as outlined herein. Each party agrees to work with the other to cooperate in the implementation of this $14.7 million Destination Tourism Marketing Campaign for FY 2012.

Economic Development. Strategic investment of public and private sector resources is essential to further development of Alaska's visitor industry. DCCED and ATIA will endeavor to coordinate activities and resources in order to stimulate economic growth.

Tourism Marketing Revenue. DCCED has been appropriated $12 million towards a Destination Tourism Marketing Campaign. Additionally, it is anticipated that ATIA will generate $2.7 million in funds in the execution of the FY 2012 Destination Tourism Marketing Campaign from: (1) the sale of ad space in the travel planner and consumer websites; (2) the collection of attendance fees for the Alaska Media Road Show and the New York Media Event; and, (3) the Tourism North and

other Destination Tourism Marketing Campaign cooperative marketing and contribution programs. This revenue may be collected by ATIA conditioned upon ATIA's use of these funds to execute the $2.7 million portion of the Destination Tourism Marketing Campaign associated with the program costs for implementation, travel trade and international components as described in Appendix B. Any revenue generated in the execution of the FY 2012 Destination Tourism Marketing Campaign and collected by ATIA that is not used as described in this section shall be returned to DCCED, or with the written approval of DCCED, may be used for another purpose consistent with the Destination Tourism Marketing Campaign. All revenues generated by ATIA from sources, not part of the Destination Tourism Marketing Campaign, include without limitation, from ATIA's: member dues, convention, ATIA's organizational website, and other products/tourism programs/tourism events, shall remain the property of ATIA.

Communication and Consultation. Shared information is important for the successful implementation of the FY 2012 Destination Tourism Marketing Campaign. To the extent allowed by law, the parties agree to share information. The operative management description for implementing the Destination Tourism Marketing Campaign shall be "*advise-consult-direct.*" Under "advise-consult-direct," ATIA and DCCED shall *advise* and *consult* on matters related to implementing the FY 2012 Destination Tourism Marketing Campaign, but each party will retain responsibility and authority for *directing* the program elements and professional services contracts assigned to it through this MOU.

Involving Other Partners. The Alaska tourism industry and community organizations are valuable resources for furthering the goals of tourism marketing. DCCED and ATIA will venture to identify additional partnering opportunities where practicable.

IMPLEMENTATION

ATIA agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- Work with DCCED to implement the FY 2012 Destination Tourism Marketing Campaign including providing support and documents to facilitate timely implementation of the campaign such as marketing program and other materials or documents as mutually agreed to by the parties.
- Direct Destination Tourism Marketing Campaign revenue-generating activities and projected cash flow for implementing a $2.7 million portion of the Destination Tourism Marketing Campaign.
- Provide a seat on the ATIA Marketing Committee and the Marketing Planning Committee for a DCCED representative as assigned by the DCCED Commissioner.
- Direct the international components identified in Appendix B of the MOU including the international marketing contracts with ESTM Tourismus Marketing [German-speaking Europe], AVIAREPS Marketing Garden [Japan], AVIAREPS Oceania [Australia], MGA Communications [United Kingdom] and AVIAREPS Marketing Garden Korea.
- Direct travel trade projects as identified in Appendix B including the contract with Forget-Me-Not Communications.

DCCED agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- To the extent possible, maintain continuity in the Destination Tourism Marketing Campaign as outlined in Appendix A of this MOU, and direct the following marketing contracts:
    - Bradley Reid & Associates / for a national advertising also called a "direct response campaign," a "consumer marketing campaign," or an

"image campaign," including collateral development and other marketing materials. Management includes all work done for the North to Alaska and Joint Alaska-Yukon marketing programs and as well as specific international programs;

- Thompson & Co. / for a national public relations, special event and social media campaign including working with domestic travel writers, broadcasters and social media journalists to produce positive editorial coverage about Alaska, and as well as specific international programs;
- Dawley & Associate / to provide technical assistance, security and consulting regarding changes or improvements to the www.travelalaska.com website, including web strategy and hosting, and with work associated with the North to Alaska program and as well as specific international programs;
- GMA Research / for a conversion study to determine how inquiries generated by the consumer direct response campaign translated into actual visitors and research reports, and for work associated with the North to Alaska campaign;
- AKA Direct / for fulfillment services related to receiving all inquiries generated by the advertising "direct response" campaign and for inputting all source data, mailing the State Vacation Planner and maintaining a warehouse to store the vacation planner and other tourism collateral material including fulfillment of the North to Alaska guide.

- Provide a DCCED appointment to the ATIA Marketing Committee, Marketing Planning Committee and the North to Alaska working group. DCCED will attend and participate in committees and working groups as well as ATIA board meetings.

DCCED and ATIA agree to work together in good faith to accomplish the following:

- Develop a draft Destination Tourism Marketing Campaign and budget for FY 2013.
- Facilitate communications and successful implementation of the FY 2012 campaign and maintain ongoing communication on marketing issues and opportunities under the following framework:
  - The DCCED Commissioner will designate a project director to oversee and direct all marketing tasks done by all contractors assigned to DCCED.
  - The project director will work with each contractor on the implementation of the Destination Tourism Marketing Campaign. Contractors will advise DCCED on all pending tourism marketing issues. DCCED will inform the ATIA President or that officer's designee who shall make recommendations to DCCED about such pending tourism marketing issues.
  - The DCCED Commissioner and project director will be the liaison to the ATIA President or that officer's designee on all issues that arise during FY 2012.
  - As outlined in Appendix B and noted above, ATIA will direct and oversee trade and international projects and manage the international contractors. However, for tasks associated with DCCED contractors for which DCCED assumes budgetary responsibility, ATIA will consult with and provide recommendations to DCCED on marketing plan, contractor billing, and all associated project work including approving project work and media assistance.

- Invoices from contractors managed by DCCED must be sent to both the DCCED project director and the ATIA President or that officer's designee. Within 10 days of the receipt of invoices, the project director and the ATIA President or that officer's designee will meet to review invoices. After joint review and DCCED approval, DCCED will process the invoices for payment and within the required state time frame.
- When budget savings or overruns are identified by contractors managed by DCCED, the amount will be reported to the project director with a recommendation for reallocation. Then, DCCED's project director and ATIA's President or that officer's designee will evaluate marketing program costs and adjustments at least quarterly with the ATIA Marketing Committee who will make recommendations to DCCED.
- ATIA and DCCED will keep an up-to-date budget tracking report for each contractor billing that shows the ongoing budget status of the Destination Tourism Marketing Campaign. These reports must be forwarded to the DCCED Commissioner, the ATIA President or that officer's designee, and the ATIA Marketing Committee on a quarterly basis.

APPENDICES

The following identified Appendices are attached to this MOU and incorporated herein by this reference:

Appendix A – DCCED Campaign Elements
Appendix B – ATIA Campaign Elements

SIGNATORIES

By the signature of their representatives, each party recognizes the intent, the guiding principles and implementation responsibilities outlined in this MOU and will work toward its full and timely implementation.

Susan K. Bell
Commissioner
Department of Commerce, Community & Economic Development

Ron Peck
President & Chief Operating Officer
Alaska Travel Industry Association

HCR 19

<TARGET><BILL>HCR 19</BILL><SUBJECT>HCR 19</SUBJECT><COMM>HEDT27</COMM></TARGET>

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us
State Capitol • Juneau, Alaska 99801-1182
Phone: (907) 465-4942 • Fax: (907) 465-4589

House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

Akiachak
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

HCR 19 – 2011 Norway Policy Tour

Sponsor Statement

The Institute of the North sponsored the 2011 Norway Policy Tour August 27-September 4. 45 Alaskans, including 12 legislators, oil industry representatives, renewable energy advocates, local government representatives, and investors participated. HCR 19 aims to highlight what was learned on the policy tour that may be applied to Alaska's policies regarding our oil industry.

The first part of the resolution lists ways in which Norway and Alaska are similar and ways in which they differ. While it is clear that Alaska can learn from Norway's highly successful oil industry model, it is important to recognize the region's differences before attempting to apply Norwegian policy elements.

It is hoped the resolution will foster further discussion that could lead to legislation based on the Norway model that would improve how Alaska regulates its oil industry.

The resolution's five resolves call for the Alaska Legislature to:

1. Fully consider implementation of the lessons learned on the policy tour;
2. Apply elements of the Norwegian oil and gas model that have potential to improve Alaska's economy;
3. Explore how state investment in resource extraction would benefit revenue generation;
4. Support conferences in Alaska regarding Arctic investment; and
5. Support Alaska involvement in the Arctic Council.

In order to fully maximize the benefits of the 2011 Norway Policy Tour, the Legislature should carefully consider the many facets of the Norway model, and act on the best ideas arising from that consideration.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HCR 19**
Fiscal Note Number:
() Publish Date:

Identifier (file name)	HCR19-Leg-Cou-01-25-2012	Dept. Affected	Legislature
Title	"Acknowledging lessons learned from 2011 Norway Policy Tour-encouraging investment in State's oil & gas."	Appropriation	Legislative Council
		Allocation	Session Expenses
Sponsor	Reps Herron, Edgmon, Seaton, Tuck, & Guttenberg		
Requester	House Spec Comm on Economic Dev, Trade, & Tourism	OMB Component Number	782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by	Jessica Geary, Finance Manager	Phone	465-6626
Division	Legislative Affairs Agency	Date/Time	01/25/12 10:42am
Approved by	Pamela Varni, Executive Director	Date	1/25/2012
	Legislative Affairs Agency		

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HCR 19

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.

27-LS1109\M.1
Nauman
1/26/12

AMENDMENT

OFFERED IN THE HOUSE

TO: HCR 19

NOT ADOPTED

Page 4, line 5:

Delete "revenue generation"

Insert "private sector job expansion, revenue generation,"

ALASKA STATE LEGISLATURE

HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, & TOURISM

Representative Bob Herron, Chair
State Capitol Building, Room 411
Juneau, Alaska 99801-1182
Phone (907) 465-4942
Fax (907) 465-4589
Rep.Bob.Herron@legis.state.ak.us

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Thursday, January 26, 10:15 – 11:45 AM
Capital Rm. 124
HCR 19: 2011 Norway Policy Tour Resolution
Meeting Agenda

Institute of the North: Nils Andreassen E.D. and Ira Perman, Chairman
Bradford G. Keithley | Perkins Coie LLP Environment, Energy & Resources/Oil & Gas

- **Powerpoint on Norway Policy Tour**
- **Mr. Keithley will focus on State Direct Financial Interest**

Rep. Paul Seaton and Rep. Bryce Edgmon

- **Norway Policy Tour Participants**
- **Separate Accounting**

Ole Anders Lindseth, Director General of the Norwegian Ministry of Petroleum & Energy (Recorded Video – does not speak directly to HCR 19)

Mark Myers, UAF Vice Chancellor for Research

- **Alaska Oil Industry Expert – What from Norway might work here?**

Lone Semmingsen of the Norwegian Ministry of Finance, Tax Policy Department (invited)

Available for Questions
William Barron, DNR, Director of Division of Oil and Gas (on-line)

Rob Earl

From: Louie Flora
Sent: Wednesday, January 25, 2012 11:28 AM
To: Rob Earl
Subject: FW: Norway Policy tour attendees

Confirmed attendees for the Institute of the North's Norway Policy Tour

August 28 through September 3

- Megan Alvanna-Stimpfle, Alaska Dispatch; Arctic Imperative
- Nils Andreassen, Managing Director, Institute of the North
- Paul Brown, consultant
- Karen Crain, North Slope Borough
- Harold Curran, North Slope Borough
- Brian Davies, oil and gas consultant
- Representative Bryce Edgmon, House Finance; Northern Waters Task Force
- Senator Johnny Ellis, Rules Chair, Alaska State Legislature
- Representative Neal Foster, House Special Committee on Energy, Co-Chair
- Senator Hollis French, Senate Judiciary, Chair, Alaska State Legislature
- John Handeland, Utilities Manager, Nome; former mayor
- Representative Bob Herron, Northern Waters Task Force; PNWER Arctic Caucus
- Christine Hess, Legislative Aide to Rep. Joule; Northern Waters Task Force
- Senator Lyman Hoffman, Senate Finance, Co-Chair, Alaska State Legislature
- Gwen Holdmann, Alaska Center for Energy and Power, University of Alaska Fairbanks
- Brian Holst, Executive Director, Juneau Economic Development Council
- Mayor Edward Itta, North Slope Borough
- Brad Keithley, Partner, Perkins Coie
- Meera Kohler, President, Alaska Village Electric Cooperative

- Senator Linda Menard, Legislative Council Chair, Alaska State Legislature
- Mayor Denise Michels, City of Nome
- Liz Moore, Director, Government Relations, NANA Corporation
- Senator Donny Olson, Senate Community & Regional Affairs, Chair
- Ira Perman, Institute Vice Chair; President & CEO, Important Work
- Larry Persily, Federal Coordinator for the Alaska Natural Gas Pipeline
- Chris Rose, Executive Director, REAP
- Representative Paul Seaton, Co-Chair, House Resources, Alaska State Legislature
- Hugh Short, President, Board of Directors, AIDEA; President & CEO, Alaska Growth Capital
- Senator Gary Stevens, Senate President, Alaska State Legislature
- Senator Joe Thomas, Senate Education, Co-Chair, Alaska State Legislature
- Senator Tom Wagoner, Senate Resources Chair, Alaska State Legislature
- Bill Walker, Alaska Gasline Port Authority
- James West Jr., Nome City Council

Local Host:

- Yngvil Vatn Guttu

HCR 19 – 2011 Norway Policy Tour

Talking Points

- Thursday, Jan. 26th, Norway Day here in the Capitol:
  - EDT: 10:15-11:45 AM in Rm. 124 (HJR 19)
  - Noon in Rm. 106 House Resources and Institute of the North hosting a "Lessons Learned from Norway" Lunch & Learn

- Institute of the North sponsored -- August 27- September 4, 2011

- 45 Alaskans (12 legislators), oil industry representatives, renewable energy advocates, local government reps, and investors.

- The resolution will help maximize benefits of the 2011 Norway Policy Tour – by highlighting what was learned on the tour that may be applied to Alaska's oil industry policies.

- The tour was labeled by some as a "junket" but I think it was one of the more important legislative trips in recent memory. Shouldn't we be examining what works really well in other parts of the world and see if it might work here? At the very least, that's worth looking into.

- The first part of resolution lists Norway and Alaska similarities and differences. Alaska can learn from Norway but important to recognize differences and find something that will work here.

- The resolution starts a conversation

- I hope something will come out of this, some legislation and maybe changes in executive branch policy, this session or next session. I have no specific legislation in mind - the conversation is just beginning, but there have been rumors of State co-investment (SDFI) legislation in both houses and I'm sure we'll see other ideas.

The resolution's five resolves call for the Alaska Legislature to:

1. Fully consider implementation of the lessons learned on the policy tour;
2. Apply elements of the Norwegian oil and gas model that have potential to improve Alaska's economy;
3. Explore how state investment in resource extraction would benefit revenue generation;
4. Support conferences in Alaska regarding Arctic investment; and
5. Support Alaska involvement in the Arctic Council.

Thank ION, all the nice Norwegians you met and all the Alaskan Tour participants

In a way, a resolution is only a glorified letter, it's true, but it does represent the legislature trying to communicate as clearly as possible to the public, and as forcefully as possible to the federal government, and I think that's important, so I'm proud of this effort and hope legislators and Alaskans can help us figure out ways in which we can emulate Norway, because something sure is working good over there.

While it has been correctly noted just how similar Norway and Alaska are, they are also very different, and you'll see the resolution speak to that. In all the things that Norway is doing and their oil and gas regulations and programs, we need to find at least a few very targeted ideas that we might be able to start talking in more detail about doing here.

- Columnists
  - Extra Innings
  - Financial Focus
  - Fish Factor
  - Spiew

Point of View

Lessons we can learn from Norway

By Paul Seaton

At the end of August, I took the "Institute of the North" sponsored trip to Norway. Forty-three people from Alaska, including 12 legislators, went for an intensive five-day schedule of meetings with public officials. The purpose of the trip was to investigate whether there were elements of the Norwegian oil and gas system of development that would be beneficial to incorporate into our system. A very enlightening portion of the trip was a presentation by the Rector (Chancellor) of the University of Tromsø, who explained what makes up the Norwegian psychology and philosophy.

The Norwegian government establishes policies and expects industry to devise a solution. Identifying the differences between their society and ours allowed us to segregate those elements of policy which would fit within our Alaska cultural philosophy.

There were three policies that I think could benefit Alaska.

Lease Structure and Term:

The Norwegian government looks for promising areas, contracts for seismic work and gives the data to everyone. The "bids" are plans of development and the government selects the operator who offers the "best" plan to rapidly develop the lease. It also selects the other working interest owners (partners) to spread the risk based on their financial strength or unique expertise.

Alaska, on the other hand, relies on the cash bid winner to put together the working interest owners for the lease development. The term of a Norway "lease" is only six-years, and there are two-year work commitments, which, if not met, void the operator's lease so another operator can be selected. The first two-year work commitment is completion of detailed seismic work. A second two-year commitment is drilling the first exploratory well if a target is identified. The last Cook Inlet sale included such terms for drilling the Cosmopolitan field.

The idea of firm, short development timetables could be used to help our Fill-the-Pipe agenda. Norway can issue the "lease" with the environmental and permit conditions for immediate use because the 'lease' is actually the approval of a plan of development. Alaska must generally wait years before a plan of development is submitted by the leaseholder and the permitting process starts. This expeditious development at leasing could benefit Alaska as it has Norway but would require quite a lot of process restructuring.

State Direct Financial Interest

The state acts as a working interest owner like any other partner. Norway had a broad range of percentage participation in the past but has now determined that a 20 percent share is best. As a partner the government has access to all the data and is at the table when decisions are being made. SDFI is operated through a wholly owned corporation similar to the Alaska Railroad or Alaska Housing Finance Corporation. Except for a working capital pool, all the revenue flows through to the state. This was important to avoid the pitfall Norway perceived possible with the previous state-owned oil company or Statoil model. Statoil became very profitable and therefore a powerful economic force that could exert excessive influence on state policy. Statoil was privatized as a

company with shares sold on the stock exchange, though Norway retained 68 percent of the shares. The participating oil companies appear not to mind SDFI because it acts like any other investor, paying its allocated share of expenses and receiving its allocated share of profits.
Alaska could greatly benefit from an SDFI partnership because we would have access to all the data, the lack of which has been a big detriment as we try to understand the industry. An 8 percent to 10 percent SDFI when added to our 12.5 percent royalty would place us in the 20 percent ballpark. The option to allow Alaska SDFI at these kinds of percentages could be set in the lease terms or allowed as a part of the bonus bid process for future leases. I think AHFC could be the entity to handle such an arrangement.

Separate Accounting of Corporate Income Tax. In Norway all the international oil companies, including our major Alaska participants, pay their 28 percent regular corporate income tax and 50 percent special income tax on the basis of the profit they make in Norway alone. Alaska has always been pressured to utilize a proportion of worldwide profit or "Unitary" tax method.
In 1978 Alaska realized that we were losing a lot under the "Unitary" system so passed Separate Accounting – meaning "Alaska profit" would be the basis for the 9.4 percent state corporate income tax. The oil companies sued, lost, and appealed to the State Supreme Court. Four years later the State reverted to the old Unitary System because of the $1.8 billion liability from the 1981 treasury if we lost. In 1985, we won on all points at the Alaska Supreme Court and the U. S. Supreme Court declined the appeal, stating there was no federal issue.
Because of industry pressure or a change in State attitude, separate accounting has never been reinstated. We have always been told the companies could not do separate accounting since they did not track their revenues and costs that way. That may have been true under the old ELF gross tax system but not true under the profit based PPT or ACES.
We also now know they explicitly do "separate accounting" for other oil provinces like Norway. If we take just the $1.8 billion (the difference between the unitary system and separate accounting between the years 1978-1981) and divide by four years it would equal an underpayment of $450 million per year for 30 years, or about $13.5 billion. An estimate from the year 2000 stated we had lost $4.7 billion between 1982 and 1997.
We need a full analysis for a correct accounting. International oil companies pay less under the unitary system because we effectively lower Alaska oil company taxes to compensate them for their less profitable investments around the world. Alaska-only oil companies see no difference in their tax calculation either way. I think that Separate Accounting will definitely be seen as a 'balancing' provision if modification of ACES legislation continues next year.

This article is a condensed version from my newsletter which can be found at housemajority.org/seaton

Contact the writer
Posted by Editor on Nov 2nd, 2011 and filed under Point of View. You can follow any responses to this entry through the RSS 2.0. Both comments and pings are currently closed.

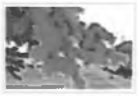
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Commentary

Fueling Alaska's economic engine in the future

Andrew Halcro | Jan 03, 2012


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Alaska oil taxes: The debate behind the debate

According to the Alaska Department of Revenue, the state will depend on oil and gas revenues to fund 92 percent of state spending this coming fiscal year. With increasing government costs and decreasing oil production, Alaska's economic engine needs an overhaul.

In 2007, just weeks after successfully pushing through the largest tax increase on the oil and gas industry in the state's history (ACES), the Palin administration proudly predicted that oil production would be 675,000 barrels per day in 2011. The actual production number turned out to be 603,000 barrels per day.

In fact, according to the optimistic projections after the tax increase was adopted, the Palin administration didn't forecast Alaska's daily oil production would drop to current day levels until 2022.

Looks like we arrived at their projected decline destination ten years early. As Joe Jackson would sing, "If my eyes don't deceive me there's something going wrong around here."

The declining production numbers are increasingly worrisome once you consider the growth in government spending during that same time frame.

In 2002, the state was producing over one million barrels of oil per day and general fund spending (operating) for fiscal year 2002/03 was 2.3 billion. In 2012, the state projects there will be 574,000 barrels per day produced and general fund spending (operating) will be $5.5 billion.

To put this into perspective, consider the change in the cost per person for the state's operating budget over the last decade.

According to census data, in 2002 the population of Alaska was 650,000. When divided by the $2.3-billion operating budget during that same fiscal year, the cost of state government was $3,538 for every man, woman and child.

By 2012, Alaska's population had grown to 710,000 while the proposed operating budget has grown to $5.5 billion. The current cost for operating state government is $7,746 for every man, woman and child.

In short, while oil production has decreased by 40 percent over the last decade, the cost of supporting investments such as education, public safety, courts, employee retirement and all other operating expenses has doubled in the last decade. This of course excludes other state expenses like the annual capital budget and any cost shifts to the state from decreasing federal funds.

Even with record oil prices predicted to stay above $100 per barrel this year, future revenue projections show a steep decline along with production. By 2015, state officials predict revenue will drop by 20 percent.

And while much credit goes to the Parnell administration for adopting a more accurate method of arriving at production estimates by eliminating the historical optimistic bias, their **honesty** is something lawmakers should heed.

Even with a projected decline of 4.7 percent in 2012, this figure is based upon the assumption that new oil either "under development" or "under evaluation" comes to fruition. In fact, by 2020 the DOR predicts that 50 percent of Alaska's oil production is based upon investments that have yet to be made.

While this isn't a real surprise for a state that balances its budget based on the fluctuating commodity price of a non-renewable resource, the question remains: How do we protect Alaska's economic future?

Many have pinned their hopes on the sudden emergence of small independent oil companies on the North Slope.

By nature, smaller companies are more nimble, have lower overhead and can make a go of smaller fields. However, caution is more than warranted.

While the growth of independents has made an exciting splash and given some state lawmakers an argument against modifying the existing ACES tax structure, some policy makers and industry insiders worry the benefits might not be what has been advertised.

Some have questioned the rosy potential expressed to lawmakers by independents. One official stated the project economics used by an independent during a recent presentation to the Legislature were simply not believable.

In addition, a recent report released by oil and gas consultant Pedro Van Meurs concluded that the generous exploration tax credits that have attracted independents, were completely disconnected from the actual transition into production.

Page: 1 | 2 | 3 | 4


Tracking an Alaska fugitive at 40 below zero


Short on fuel, rural Alaska villages turn to zinc mine for help


TransCanada files draft environmental reports for Alaska gasline

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How investigators busted Alaska wildlife manager Corey Rossi



Arctic Ocean may be approaching 'tipping point'



Fuel starts flowing from Russian tanker to Nome

Energy

Statoil's Arctic offshore seismic tests approved

Jill Burke | Aug 05, 2010

Late Thursday afternoon, U.S. District Court Judge Ralph Beistline cleared the way for Statoil USA to proceed with a large-scale seismic study in the Chukchi Sea. The move comes just days after the same judge **granted a similar request to Royal Dutch Shell**. Both companies feared their ongoing or planned scientific activities were at risk in the wake of a **court order halting all activity** on leases the judge had ruled were inadequately reviewed by federal regulators.

Shell and Statoil had argued the ruling would cost them millions and force them to cancel projects, and Statoil had stated that unless everything fell into place for the company by Friday, Aug. 6, its project would be sunk.

"There's an awful lot of lawyers in the room. I think we are going to have to double the security," Beistline joked before starting the brief hearing, despite being visibly annoyed with the rushed process given that the two years leading up to this point had proceeded in a fairly methodical, routine manner.

Levity aside, Beistline was also precise and to the point. Why hadn't Statoil spoken up sooner about the dire situation it would be in if its permits for work this summer weren't approved? And why had the Bureau of Ocean and Energy Management taken such a broad interpretation of the judge's earlier order? "I don't like to get things piecemeal," he scolded lightly.

An attorney for the U.S. Department of Justice confirmed Statoil's claims that two federal agencies, BOEM and the U.S. Fish and Wildlife Service, were withholding final approvals over fears they would be in violation of the court's order.

"Communication between human beings is perhaps one of the toughest challenges in the world," Beistline remarked as he prepared to clarify his order a second time.

The judge made it clear he never intended for his order to suspend scientific studies.

"I personally believe the more scientific studies gained before exploration begins, if it ever begins, is a good thing," he said. "The order is intended to be narrow."

In 2008, environmental groups and the Native Village of Point Hope had sued to block the lease sale. This summer, they effectively won when Beistline ruled that regulators had failed to look at the impacts of natural gas development and to adequately assess the effect of missing information in the environmental reviews.

Statoil is conducting tests in and out of the lease area affected by Beistline's ruling to determine the potential for petroleum resources in the Chukchi.

Erik Grafe, an attorney for the plaintiffs, argued that Statoil's 3-D seismic mapping of the ocean floor, conducted with air guns, was loud and disruptive and threatened migrating bowhead whales. He also argued that the projects at issue are not scientific studies in the sense of gathering more information about the Arctic environment, but rather exploration activity, since they are directly in support of oil and gas exploration.

Beistline was unpersuaded.

"Scientific analysis is helpful in solving the bigger issue here -- whether we are going to poke holes up there," he said. "I am totally neutral. I don't care what happens up there. It's a long way from home. I just want to make sure it's done right."

Walking out of the courtroom, Karin Berentsen, a health, safety and stakeholder advisor for Statoil in Anchorage, said the company is pleased with the decision, but remains under a tight deadline.

"We have to get moving and get started with the job because we have been waiting for this thing a long time," she said, adding that it will take five days to move the company's boats from Dutch Harbor to the Arctic once all of the approvals are in place.

*Contact Jill Burke at **jill(at)alaskadispatch.com**.*


How investigators busted Alaska wildlife manager Corey Rossi


Arctic Ocean may be approaching 'tipping point'


Fuel starts flowing from Russian tanker to Nome

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MINISTRY OF
PETROLEUM AND ENERGY

Speech/article, 20.06.2011
By: Minister of Petroleum and Energy, Mr Ola Borten Moe

Norwegian policy on the development of the High North

Speech by Minister of Petroleum and Energy, Mr Ola Borten Moe, in Moscow 20.06.11.

This is the manuscript for the speech by Minister of Petroleum and Energy, Mr Ola Borten Moe, in Moscow 20.06.11.

Norwegian policy on the development of the High North

• The High North is one of the main focal points of the present Government. Our aim is to work diligently to safeguard a sustainable development in our northernmost regions. This implies expanding economic activities to continuously develop society, employment, growth and welfare, in due consideration of environmental concerns

• The Government will present a White Paper to the Storting on the oil and gas activities in Norway. The White paper will not least discuss geological mapping of new areas, efficient resource ma nagement, sustainable development and ripple effects

• We live in an era of high energy prices and growing concerns about energy security. At the same time, we have advanced offshore technologies and there is optimism about the resource potential of the Arctic and hence also the potential for increased activity and development. This forms the basis for looking more closely into the opportunities that the Arctic may provide in a world that will experience a growing energy demand to increase growth and welfare, and reduce poverty.

• Climate and environmental challenges can not be met without solving the worlds energy needs and poverty issues. Norway will be a part of the solution through our resource management.

• Ten years ago, the U.S. Geological Survey projected that around a quarter of the world's remaining hydrocarbons may be located in the Arctic – with a high potential for such resources on the Norwegian Continental Shelf. Since then Snøhvit, the first LNG field in Europe has been put in production in the Norwegian part of the Barents Sea. And the oil field Goliat is presently being developed, while a large oil discovery on the Skrugard prospect was recently made

• Adding to this the activity and prospectivity of Arctic Russia and Arctic North America, it can clearly be stated that the Arctic represents a promising petroleum province

• In this respect, some say there is a "race for the Arctic". The Arctic coastal states have, however, demonstrated during the past few years that there is no "legal vacuum" in the Arctic. The UN Convention on the Law of the Sea largely regulates what we do in the maritime areas. The Arctic coastal states deal with thier rights and obligations in a legal and responsible manner. This has left the Arctic as a very stable region. There is no race

• Our common target is sustainable management and responsible cooperation between the Arctic states – and the aim is sustainable economic development

Let me continue to say a few words about the relations between Norway and Russia. A vantage point in this respect is the treaty on maritime delimitation in the Barents Sea and the Polar Ocean, which will enter into force on 7 July 2011

• With this treaty, we are setting an example worldwide of how delimitation disputes can be resolved peacefully, in accordance with international law and within the framework of modern international jurisprudence. With this treaty,

Norway and Russia are also making it clear that there is no ongoing race for resources in the Arctic, but that we – as responsible Arctic coastal states – are adhering to international law, including the international law of the sea

• Through our agreement on maritime delimitation in the Barents Sea, we send a signal to all Arctic states and the rest of the world that we deal with differences through negotiations, on the basis of modern principles

• The treaty also covers cooperation in these areas – not least with regard to the exploitation of any transboundary petroleum deposits that are discovered. Such deposits shall be exploited as one unit. I look forward to our further cooperation in this respect

• The treaty creates new opportunities for petroleum activities and cooperation in areas of the Barents Sea that have so far been closed to such activities. This is the start of a new chapter in our cooperation and our energy dialogue

• The geological mapping in this area so far tells us little about the prospectivity. Norway will start geological mapping on its side of the delimitation line when the treaty enters into force. This will be one element in an impact assessment that we will carry out for this part of our continental shelf

• Norway subscribes to the highest possible standards of health, safety, and the environment in our oil and gas activities and has adopted an integrated management plan for our northernmost waters. The plan takes a comprehensive, step-by-step approach to the development of petroleum resources in the high North. Further, our regime has been based on coexistence with other interests at sea, such as fisheries and sea transport

• The Barents Sea is one of the cleanest, richest and most productive marine areas in the world. As petroleum exploration and production expand into the Arctic, we must therefore balance the need to maintain the qualities of the Barents Sea against our work towards continuous and sustainable development

• "We can only ensure sustainable use of resources and sound environmental management in the Barents Sea with Russia's engagement and Norwegian-Russian cooperation." In this respect, this direct quote from our High North Strategy is both a statement of fact and a guide to action

• Norway and Russia share the Barents Sea and many of the challenges of the high North. If we are to maintain the northern seas in their present pristine condition, our two countries must expand their cooperation in this respect. For reasons of geography, geology and ecology, we need to manage our relations in a way that makes us both part of the solution to the sustainability challenges of the High North

• As strategic partners on the petroleum sector in the North, a natural starting point for our energy cooperation will be linked to energy dialogue and industrial cooperation and thereby ensure that the Barents Sea, which we share, becomes a model area for good resource management

• Another issue is to attract the petroleum industry. In this respect, we must for example ensure that investors, both foreign and national have access to licences and petroleum reserves on terms that are favourable enough to compensate for technological, financial and other perceived risks

• The combination of industrial complementarity and geographic proximity is also a good basis for releasing the potential for energy cooperation between Norway and Russia. Both sides stand to gain from cross-utilisation or co-development of skilled labour, specialised offshore technologies, logistical networks and other infrastructure in the North. These possibilites would also be put to good use in case cross-border petroleum deposits if they are discovered in the Barents Sea. The new delimitation agreement provides that all such petroleum deposits shall be unitised and exploited jointly as one unit

• From our side, we will continue to work actively – both in relation to Russia and in relation to the northern areas of Norway to secure long term and sustainable exploitation of the petroleum resources of the high North

• Turning now to another important issue, I would like to make a few reflections on the recent developments in the Arctic Council. The recent Foreign Ministers' meeting signalled the increased importance of the Arctic Council. Norway is proud and honoured to have been vested with the responsibility of creating this Arctic secretariat, which will be located in Tromsø. We hope that it will be manned by people from all the Arctic Council member states

• The Arctic Council itself has also undergone an interesting development. While originally concentrating on protection and environmental concerns in the Arctic, the Council now has its main focus on adaptation to new conditions due to melting of sea ice, in addition to dealing with pollution and climate change. One result of this is the first legally binding agreement under the auspices of the Arctic Council – relating to search and rescue.

In summary, ladies and gentlemen:

- We will continue to work actively – both in relation to Russia and in relation to the northern areas of Norway to secure long term and sustainable exploitation of the petroleum resources of the High North

- I take it for granted that we will be able to make production and consumption of oil and gas ever more environmentally friendly. A main goal is to always reconcile Norway's role as a large energy producer with a pioneering position on environmental and climate issues

- I am a strong believer in good resource management, and I am of the opinion that it is not so much a question of whether oil and gas activities should take place in challenging regions like for instance the Arctic, but on what conditions

- I look forward to exploring and realising the increased potential for cooperation between Norway and Russia rendered by the new delimitation treaty. I strongly believe that there are many, many opportunities that we can pursue jointly and realise in a sustainable manner.

Thank you for your attention!

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MINISTRY OF
PETROLEUM AND ENERGY

The State's direct financial interest (SDFI)

The SDFI arrangement was established in 1985. The arrangement implies that the Norwegian State participates in the Norwegian petroleum sector directly as an investor. The SDFI has a direct financial interest in 137 production licences and in 14 joint ventures for piplines and onshore facilities.

The SDFI was created in 1985 by splitting Statoil's share in licenses it held on the Norwegian Continental Shelf (NCS) in two. Statoil was allowed to keep one half and the SDFI was given the other half.

The arrangement involves the State paying a share of all investments and operating costs in projects on the NCS cooresponding to its direct financial interest in the SDFI portfolio. On the same terms as the other owners, the government then receives a matching share of revenues from the sale of production and other income sources. The Storting (parliament) votes the SDFI's budget and framework on an annual basis. Income, expenses and investments in the SDFI are thereby channelled directly over the central government budget. The net cash flow resulting from the SDFI portfolio constitutes a predictable, long term and secure revenue to the Norwegian State.

Long-term goals and strategies
Achieving the highest possible revenues for the government is the overall long-term goal in managing the SDFI portfolio. Combined with the tax system, the SDFI is a well suited instrument for securing a high proportion of the value creation on the NCS to the government.
The government, through its management company for the SDFI portfolio (Petoro), focuses its management of the portfolio on the large revenue-generating oil and gas fields, as well as on other high-value discoveries which might be approved for development.
When awarding new licenses, the Ministry of Petroleum and Energy acting on behalf of the government decides whether to keep interests in production licences on the basis of the potential profitability and value creation opportunities offered by each licence. The general rule when awarding supplementary awards is that the share of the State's direct interest in a license will reflect its interests in adjacent fields or areas.

The SDFI portfolio today
The value of the SDFI is estimated to approximately NOK 834,8 billion as of 1 January 2008. This is according to a value estimation carried out by Wood Mackenzie.

Interests in the 10 largest fields
The SDFI has a direct financial interest in 137 production licences. The 10 largest fields in the portfolio based on remaining reserves are:

- Troll
- Ormen Lange
- Åsgard
- Heidrun
- Snøhvit
- Oseberg
- Kvitebjørn
- Snorre
- Visund
- Gullfaks

The State also has direct interests in a 14 joint ventures for piplines and lonshore facilities.

Cash flow from the SDFI

The SDFI's accounts are kept on a cash basis in the central government budget and accounts. This means that revenues and expenses are posted in the period when they are paid and that investments are expensed as incurred. The net cash flow from the SDFI is the difference between receipts and outgoings. The net cash flow from the SDFI portfolio is transferred directly to The Government Pension Fund- Global.

In 2009 the net cash flow from the SDFI portfolio was NOK 95.3 billion. Total revenues were NOK 156.2 billion, and costs were NOK 60.8 billion. The estimated net cash flow for 2010 is NOK 81.1 bn.
The net cash flow from the SDFI is expected to account for a substantial proportion of the central government's revenues from the petroleum sector in coming years.

(Updated 10 mars 2010)

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MINISTRY OF
PETROLEUM AND ENERGY

Statoil ASA

Statoil is an international energy company with operations in more than 30 countries. The company operates approximately 80 per cent of Norwegian oil and gas production, and its international production is increasing. Statoil is one of the world's largest sellers of crude oil and a significant vendor of natural gas to the European market.

Some historical notes
When Statoil was established in 1972, a wholly state-owned oil company was regarded as important for ensuring the best possible government control over the development of Norway's petroleum resources.

The company played an important role as an instrument in petroleum policy, in part with regard to the award of new licences and decisions on field developments.
Stock market listing and partial privatisation, June 2001 The Storting (parliament) voted in favour of a partial privatisation and stock market listing for Statoil on 26 April 2001. This decision permitted shares totalling up to one-third of the company's value to be sold to new owners.

Ahead of the privatisation and listing, assets corresponding to 15 per cent of the value of the State's direct financial interest (SDFI) were sold to Statoil. One of the main objectives of this sale was to strengthen the company's competitive position, particularly with regard to gas assets.

Statoil was partially privatised and listed on 18 June 2001, when it was converted from a limited company to a public limited company. Statoil's share is listed on the Oslo and New York stock exchanges.

After the initial offering the government retained 81.7 per cent of the Statoil shares, with private Norwegian and foreign investors holding 18.3 per cent. Statoil's share is listed on the Oslo and New York stock exchanges. The Storting has resolved that state ownership in Statoil can be reduced to two-thirds of the shares. In July 2004, the government implemented a further sale of shares in a secondary offering. 100 million shares were sold to institutional investors in Norway and abroad, and an additional 16 765 800 shares were sold in a retail offering to private individuals in Norway and the European Economic Area (EEA). In February 2005 the government carried out a further sale of 100 million shares to institutional investors, followed by a sale of 17.65 million shares to private individuals.

The boards of directors of Statoil ASA (Statoil) and Norske Hydro ASA (Hydro) announced on 18 December 2006 that they had reached agreement on recommending a merger between Hydro's petroleum business and Statoil ASA to their shareholders. The merger plan was approved by Parliament on 4 June 2007. On 5 June 2007 the two companies' extraordinary general meetings approved the plan. The government held 70.9 per cent of the shares in Statoil prior to the merger with Hydros Petroleum activities on the 1.st October 2007.

As a result of the merger, the Norwegian State equity stake was diluted down to approximately 62,5 % of the shares in the new company. During 2008 and 2009, the state purchased company shares in the market, and on the 5th March 2009, it was announced that the state had reached a 67 per cent majority.

Owner supervision of Statoil by the MPE
Statoil competes on equal terms with other players on the NCS. Nevertheless, state ownership in Statoil continues to have an important function – not least in ensuring that the company retains a firm Norwegian base.

The government's shareholding is also crucial for implementing the sales and marketing arrangement for state-owned oil and gas production.
Statoil markets and sells this petroleum together with its own share of output on the basis of guidelines specified in a sale and marketing instruction from the Ministry of Petroleum and Energy.

INSTITUTE OF THE NORTH

WALTER J. HICKEL, FOUNDER

NORWAY POLICY TOUR: Areas of Inquiry

(v.4.19.11)

ENERGY: FOR EXPORT: Oil is the lifeblood of the Alaska economy. In addition to high paying jobs in the industry, oil provides up to 90% of the revenues of Alaska's state government. Conventional oil production from the North Slope is in decline causing Alaskans to worry about their future. What can Alaska learn from Norway that may help Alaska extend the life of its oil (and gas) industry?

How did Norway come to have its own oil company (Statoil-Hydro)? What is the history? What were the motivating issues? How was it capitalized? How did it become a shareholder-owned corporation?

What is the governance relationship between the State of Norway and Statoil-Hydro? Do the politics and social policies of Statoil's majority owner (the government of Norway) affect Statoil's business decisions?

Reportedly, 70% of Norway's current oil production is produced by Statoil-Hydro. Is this true? Tell us more about the other 30%: Are other oil companies encouraged to explore and produce? What is the collective tax burden upon these companies? Can they effectively compete with Statoil-Hydro?

Oil was struck in Norway's section of the North Sea in December 1969. Less than two years later it was in production. Oil was struck on Alaska's North Slope in March 1968. It was not until June 1977 that it was in production. How does Norway get its oil into production so quickly?

There are published claims that Norway employs 250,000 in its oil and gas sector (direct and indirect employment) while Alaska employs less than a quarter of that number. Given that Alaska and Norway have produced similar volumes of oil since their respective major oil discoveries in the late 1960's, is this true? If so, to what is the number of jobs attributable?

Alaska exports almost all of its oil as crude. To what extent does Norway add value to its oil by its refining and petro-chemical industries?

Discuss Norway's production and export of natural gas. What are the opportunities and challenges?

Norway now exports its oil and gas expertise globally resulting in Norwegians being employed abroad and earned revenues coming to Norway from abroad. How did that come about?

Norway "exports" its model of national ownership of oil and gas. How does this either support or run counter to Norway's growing financial interests as an international competitor to major traditional international energy firms (I.e.: Shell, BP, Exxon)?

Discuss Norway's efforts to improve the safety of hydrocarbon industry. What are Norway's safety management and rescue program regimens? Describe its regulatory framework and response protocols. How are these planned and implemented with the participation of coastal communities?

How is Norway's exploration and production of hydrocarbons affected by fishing industry concerns? How are conflicts between the two industries addressed and resolved?

How is Norway's exploration and production of hydrocarbons affected by environmental concerns such as domestic climate change policy and the international Kyoto Protocol? Discuss Norway's leadership in offshore spill prevention and spill mitigation technology. Discuss CO2 capture technology at the Snohvit natural gas field. Discuss Norway's utilization of what in many countries is waste energy (I.e.: flaring).

Norway and Alaska have a common neighbor: Russia. What has been Norway's approach to working with Russia on oil and gas development?

<u>ENERGY: FOR NORWEGIAN CONSUMPTION:</u> Most of Alaska is dependent upon natural gas, diesel fuel and coal for its heat and electricity. Availability, market pricing and environmental regulation are making these energy resources harder to afford. What can Alaska

learn from Norway that may help Alaska provide its communities with long term, affordable energy?

To what degree does Norway use hydropower for its internal energy use?

What type of electricity generation is used in Norway's small remote communities? Hydro? Transmission lines? Diesel? Natural Gas? LNG via small LNG tanker?

Are power costs subsidized? If so, how and to whom?

How does Norway plan and finance its hydro, wind and other alternative energy **research?**

How does Norway plan and finance its hydro, wind and other alternative energy **installations?**

PUBLIC FINANCE and NORWAY'S ECONOMY: In terms of employment, per capita income and government savings, Norway is the envy of the world. Alaska too is fortunate in these regards. Yet Alaska's economic future feels uncertain. Norway's economic future appears less uncertain. What can Alaska learn from Norway that can strengthen Alaska's economy for the long haul and assure the State of Alaska's ability to deliver public services?

How did Norway's Government Pension Fund (NGPF - Norway's rough equivalent of Alaska's Permanent Fund and previously known as the "Oil Fund") grow to be so large? How is the NGPF managed? By whom? What investment policies are in place? Index vs. active management? Are all of Norway's oil and gas revenues deposited in the fund?

Does Norway use the NGPF to collateralize projects?

What % of the budget of Norway's national government budget is attributable to oil and gas revenues? (In Alaska it is 85- 90%.) Explain "The 4% Rule" (limiting the use of oil and gas revenues for the national operating budget to 4% of the value of the NGPF).

Describe the State's Direct Financial Interest (SDFI). What role does the Petroleum Directorate play in this? What role does Petoro play? Do the oil companies provide oil well drilling log data to the Norwegian government?

To what does Norway credit is ability to run a national budget surplus? (A 10% surplus in 2008 or 2009)

What are Norway's rates of taxation on oil? Does it offer incentives or credits for exploration?

What are the rates of taxation in Norway for individuals/families/businesses?

Norway seems to be moving cautiously away from state ownership of some of its major industries (I.e.: energy and rail) towards a hybrid of private/public shareholder ownership. Is this correct? What is the current discussion about this in Norway?

What is the health of Norway's private sector? In terms of private investment, return on investment and employment, is the sector strong and growing stronger? Or under-performing?

To what extent does Norway's national government financially support the provision of public services via local government?

How have the assets of Norway's private banks been affected by Norway's economic model?

What is the relationship of Norway's private banking system to the state's vast financial holdings?

What policies does Norway employ to encourage entrepreneurship and small business development?

To what does Norway credit its low unemployment rate?

NATIONAL CHARACTER: Sometimes, looking at the character of another people can tell us a lot about ourselves.

Explain how the character of Norway and Norwegians allows sufficient trust between the governed and their government to permit the government's venture into the start-up and ownership of some major business enterprises?

Describe the national government's relationship to the northern Sami in terms of governance, local determination, education, health services, infrastructure development and subsistence.

Norway seems to find ways of working cooperatively and profitably with Russia while others (UK and U.S. companies) do not. Why is this?

And finally: Norway (population only 4.9 million – less than Minnesota) has won more winter Olympic medals than any other country. To what can this be attributed?

INSTITUTE OF THE NORTH

WALTER J. HICKEL, FOUNDER

PUBLIC POLICY REPORT:

HOW NORWAY DEVELOPS ITS OIL AND GAS

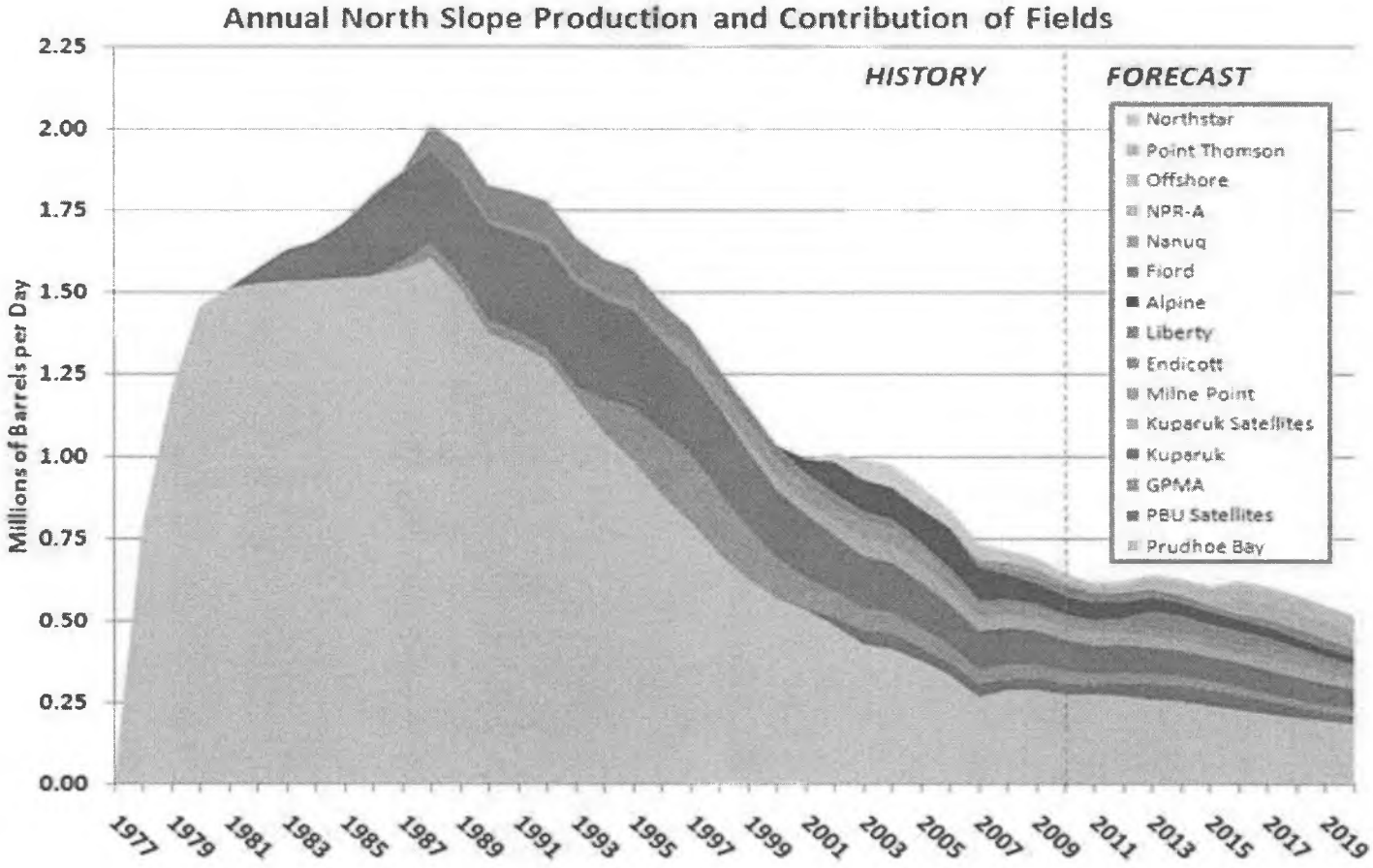
A Presentation to the House Special Committee on Economic Development, Trade and Tourism

January 26, 2012

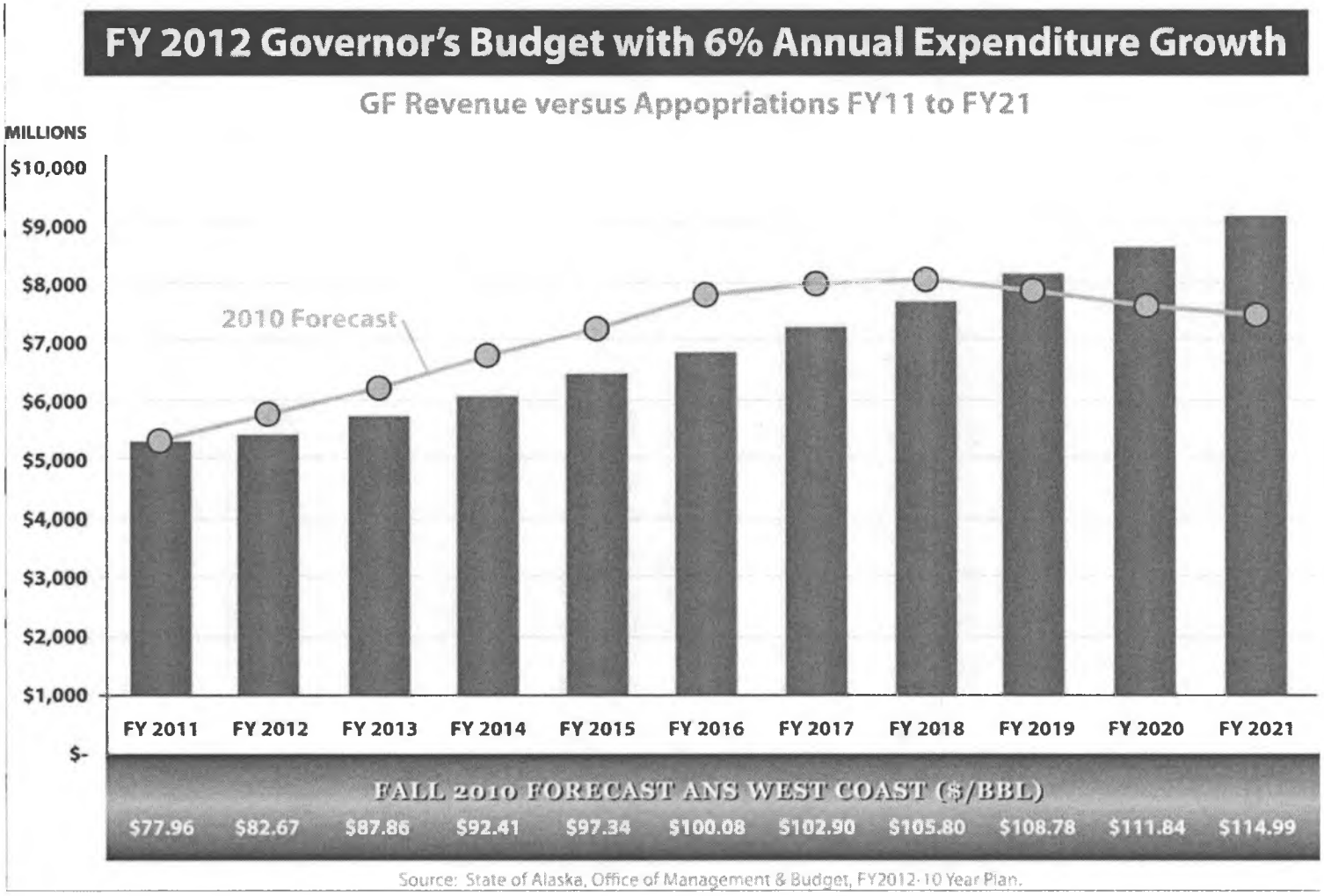
The NORTH


PACIFIC OCEAN
ALASKA (USA)
CANADA
ARCTIC OCEAN
GREENLAND (DENMARK)
ICELAND
ATLANTIC OCEAN
RUSSIAN FEDERATION
SVALBARD (NORWAY)
NORWAY
SWEDEN
FINLAND
Rocky Mountains
Anchorage
Whitehorse
Yellowknife
Edmonton
Calgary
Churchill
Iqaluit
Labrador
Banks Island
Victoria Island
Ellesmere Island
Alert
Resolute
Nunavut
Baffin Island
Baffin Bay
Hudson Bay
Great Bear Lake
Great Slave Lake
Lake Athabasca
Mackenzie Mountains
Mackenzie River
Beaufort Sea
Chukchi Sea
Bering Strait
Bering Sea
East Siberian Sea
New Siberian Islands
Laptev Sea
Lomonosov Ridge
Alpha Ridge
Canada Basin
Makarov Basin
Nansen Basin
Gakkel Ridge
North Land
Franz Josef Land
Kara Sea
Novaya Zemlya
Barents Sea
Greenland Sea
Norwegian Sea
North Sea
Baltic Sea
Aleutian Islands
Gulf of Alaska
Kamchatka
Sea of Okhotsk
Koryak Mts
Anadyr
Magadan
Okhotsk
Yakutsk
Verkhoyansk
Lena River
Central Siberian Upland
Norilsk
Novosibirsk
West Siberian Plain
Ob River
Khanty-Mansiysk
Omsk
Yekaterinburg
Chelyabinsk
Ufa
Kazan
Moscow
St Petersburg
Lake Ladoga
Helsinki
Tallinn
Riga
Minsk
Kiev
Warsaw
Berlin
Amsterdam
Brussels
London
Dublin
Copenhagen
Oslo
Stockholm
Murmansk
Arkhangelsk
Kola Peninsula
Tromsø
Longyearbyen
Nanyan-Nada
Salekhard
Igarka
Faroe Islands (Denmark)
Torshavn
Reykjavik
Nuuk
Narsaq
Ammassalik
Disko Bay
Davis Strait
Hudson Strait
Foxe Basin
Lancaster Sound
James Bay
Ural Mountains
Yenisey River
Lena River
Taymyr Peninsula
Severnaya Zemlya

Why We Went:
Oil Production in Decline
Alaska's Economic Future is Uncertain



7 Years of Surplus Ahead; Then What?



NORWAY

with Alaskan cities at corresponding latitudes

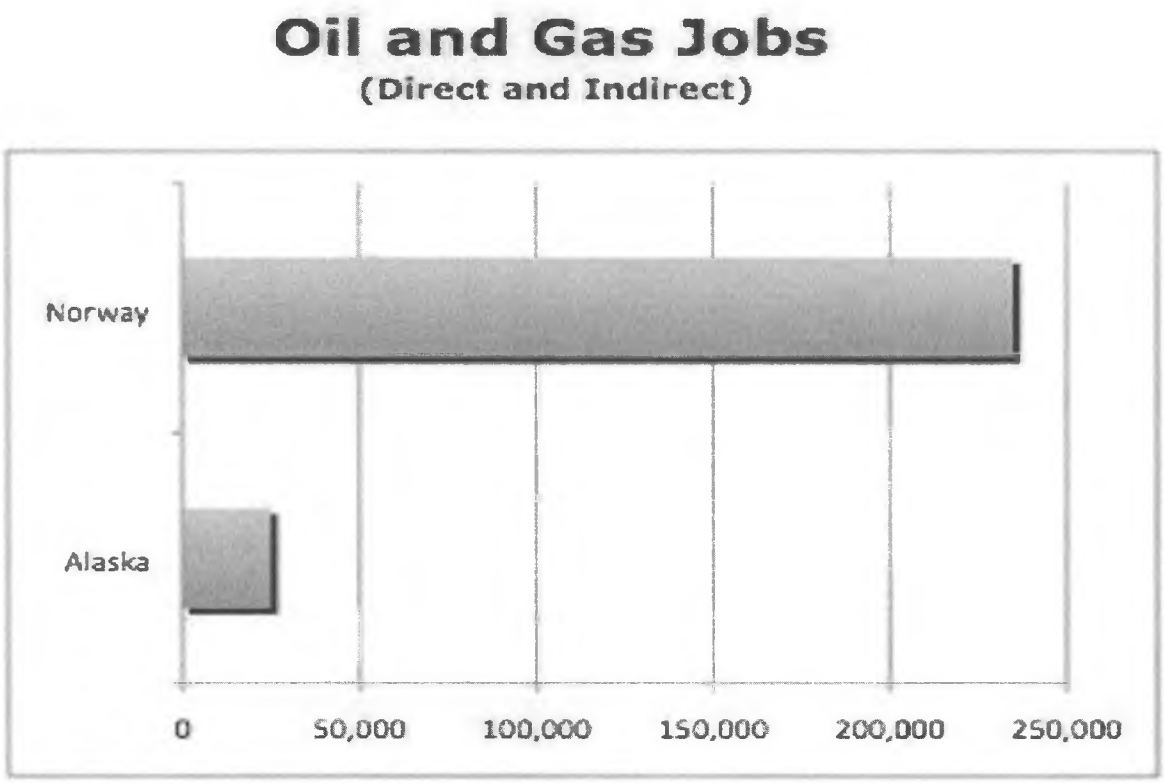


WHAT WE FOUND

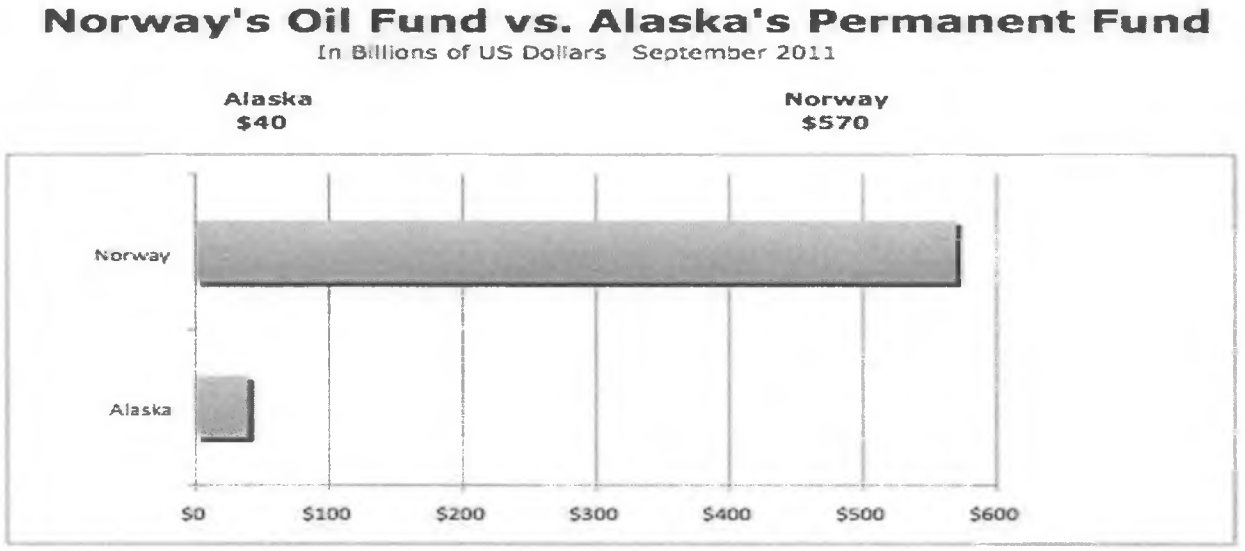
Norway Today: Prosperous



Norway has more jobs in the oil and gas sector than Alaska.



Norway's version of a Permanent Fund is much bigger than ours.



Norway: First deposit in 1996. 12 billion barrels produced since 1996.
Alaska: First deposit in 1977. 19 billion barrels produced since 1977.

$3 Trillion before oil & gas run out.

Snapshot of Norway (2010):

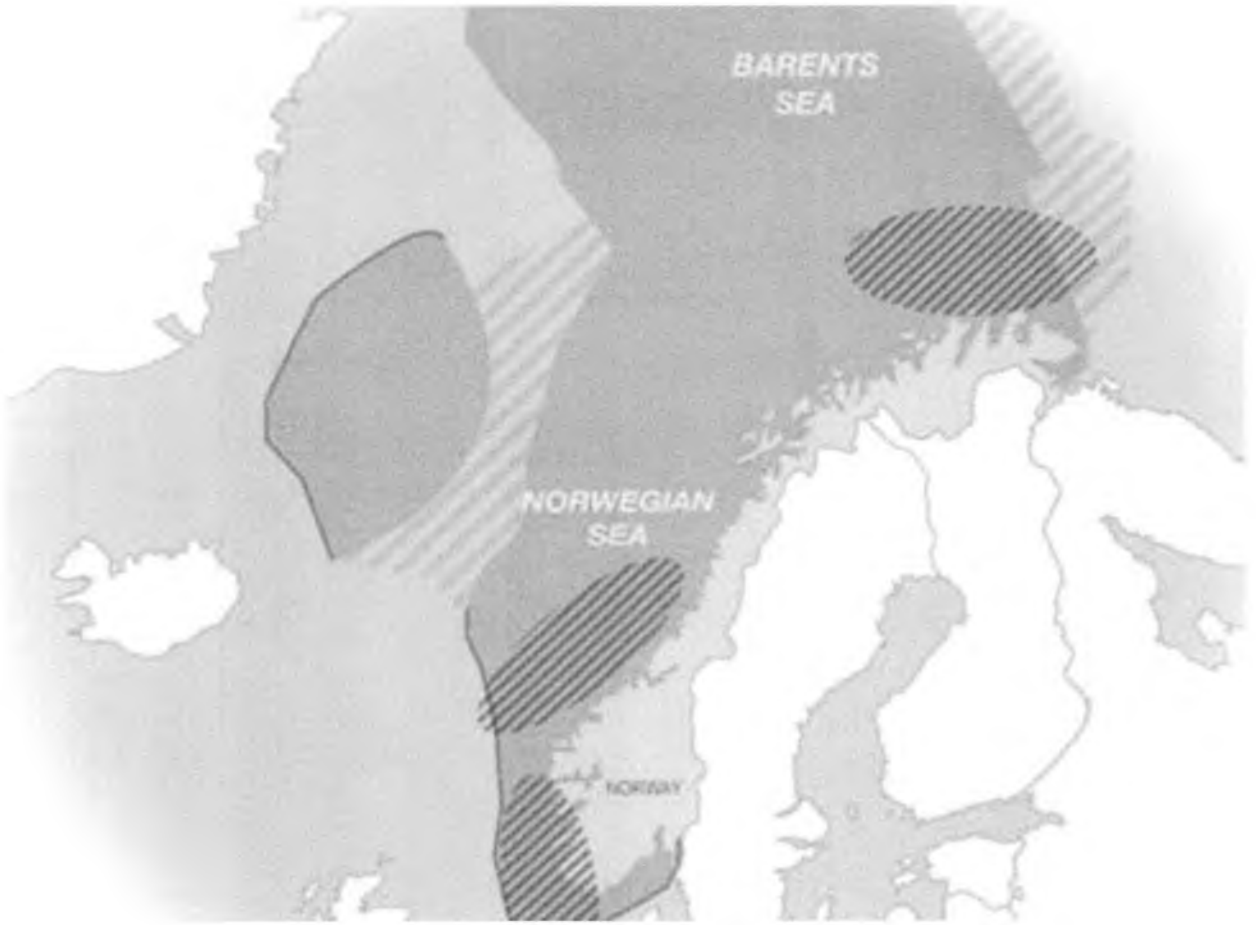
- **Population:** 4,888,000 (7x that of Alaska)
- **Income Per Capita:** $88,400 (vs. $43,209 AK)
- **Income: GDP/PPP:** $59,100 (vs. $47,700 U.S.)
- **Unemployment Rate:** 3%
- **% of Government annual expenditure paid by oil and gas revenues:** 10 - 26% (vs. 80-90% AK)
- **Democratically elected unicameral Parliament. Plus ceremonial monarch.**

Norway's Oil and Gas

- Primarily for export
- World's sixth largest oil exporter
- Europe's second largest gas exporter

Norway's Continental Shelf

100% of Oil and Gas is Offshore/State-owned

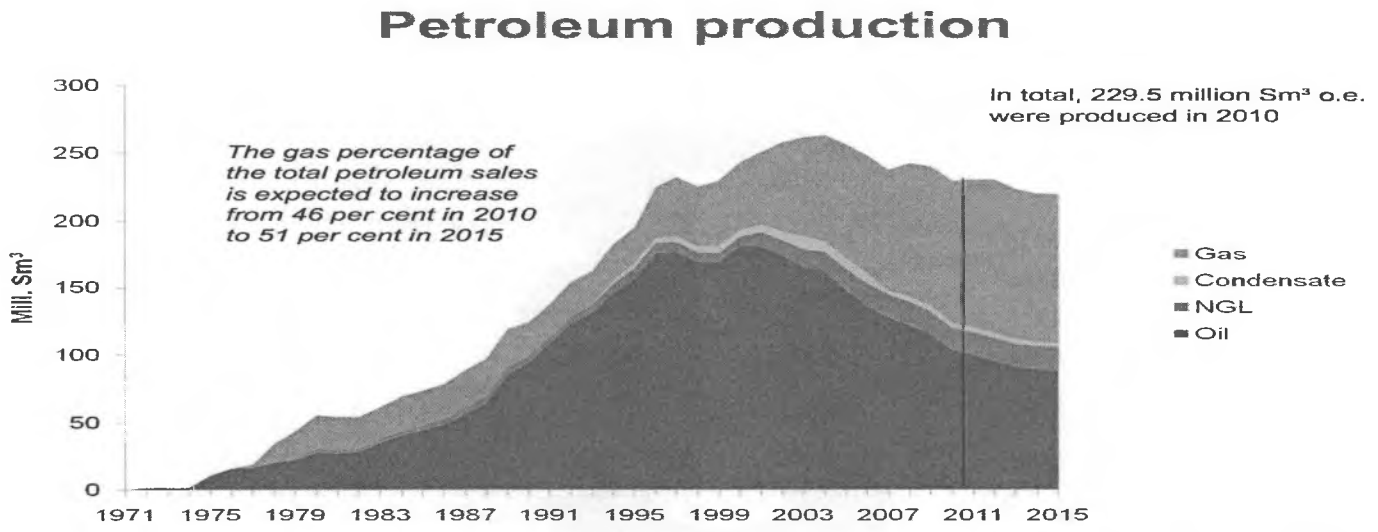


A Summary of What We Learned:

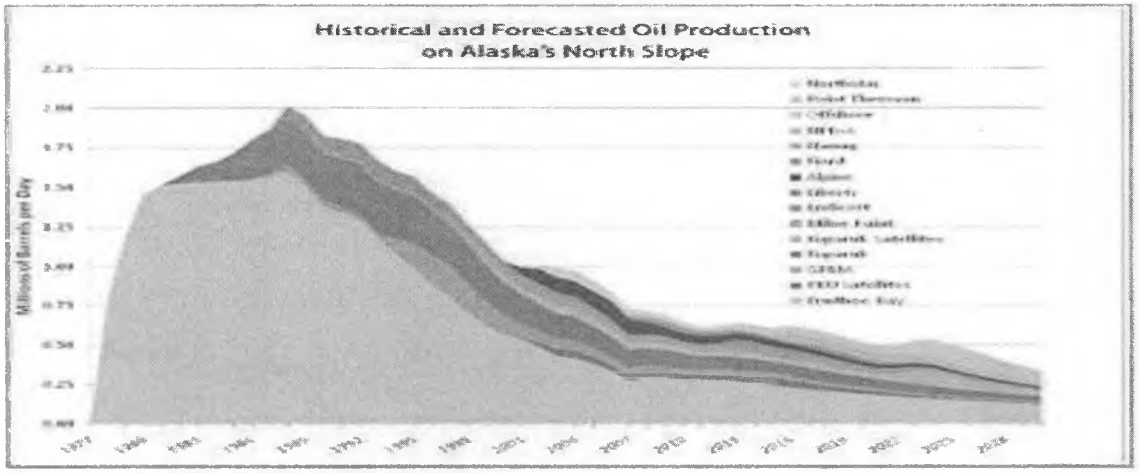
- Norwegians are not worried about their economic future.
- Norway has flattened oil and gas production decline.
- How:
  - By attracting investment capital, and
  - Co-investing in its own oil and gas development.

Norway's Oil and Gas Production:

Production Decline Delayed for 10 – 20 years



* Inkludert gass og kondensat



Source: Alaska Department of Revenue

Lesson Learned

Norway successfully attracts private investment to help develop its oil and gas resources:

- **60+ International oil and gas producers are investing in Norway.**

60+ Oil and Gas Companies Invest in Norway



Norway's Licensing System:

- Norway selects tracts to license (6 year initial term) after consultation with stakeholders
- Norway conducts initial seismic (2D); results are made public
- Industry submits applications consisting of a work plan, financial strength, safety record (no bonus bid, no royalty)
- Licenses are awarded based upon work plan and qualifications; 6 years = "Drill or Drop"

Norway's Licensing System (cont.)

- Environmental and other approvals are included in license
- License may include several partners and specifies state (Petoro) share as part of terms
- Going forward, all partners are part of decision process, share investment, expenses and information

BUT: The #1 investor in Norway's oil and gas development is……

NORWAY

Through State Direct Financial Interest (SDFI)

What is SDFI

- **State invests and participates directly** (the same as a producer) in the development of the resource
- State substitutes …

  … **definitive work and investment commitments**, for upfront lease bonus,

  … **participation in development decisions** and access to information, for passive royalty role
- **State becomes an active participant** rather than a passive, back seat driver

Most significant lesson learned

- SDFI creates **alignment of interests** between the State and producers
  - State gains understanding of investment dynamics
  - State has full access to data and better understands field dynamics and development
  - State participates directly and has the ability to help drive development decisions
  - Increases State understanding, reduces State suspicion
- Norway once used bonus and royalty system, but transitioned away from it because they concluded it impaired investment decisions

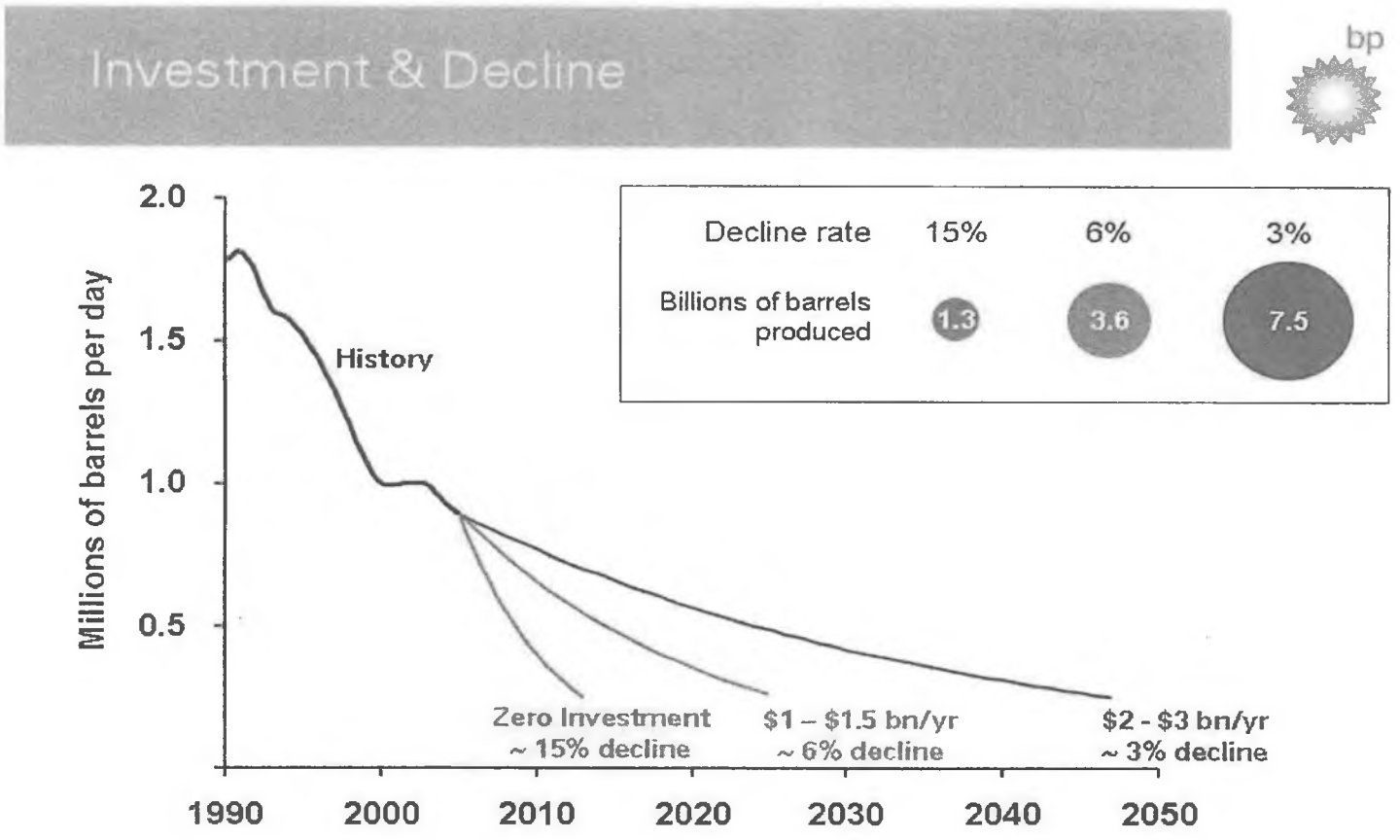
Implementing SDFI in Alaska

- Can be added as an option in new leases
- But, that does not reach "low hanging fruit"
  - Challenge is to make SDFI available as an option to help immediately in developing existing resources
- Important part of Norwegian model: create a professional, non-politicized corporation (similar to Permanent Fund Board) to administer state's interest

A Way Forward

- Create an option for converting to SDFI under existing leases (upon mutual agreement)
  - Focus on undeveloped or underdeveloped horizons
- Potential approach
  - State exchanges royalty for specified ownership percentage, fixes fiscal terms, becomes a participating owner
  - Parties (including State) agree to a specified work commitment for the agreed areas

The Goal: Change the Curve



Source: BP Presentation on Proposed PPT (Alaska State Legislature House & Senate Resources Committees 2006)

RECAP: Private Companies Like: Norway's Investment Incentives:

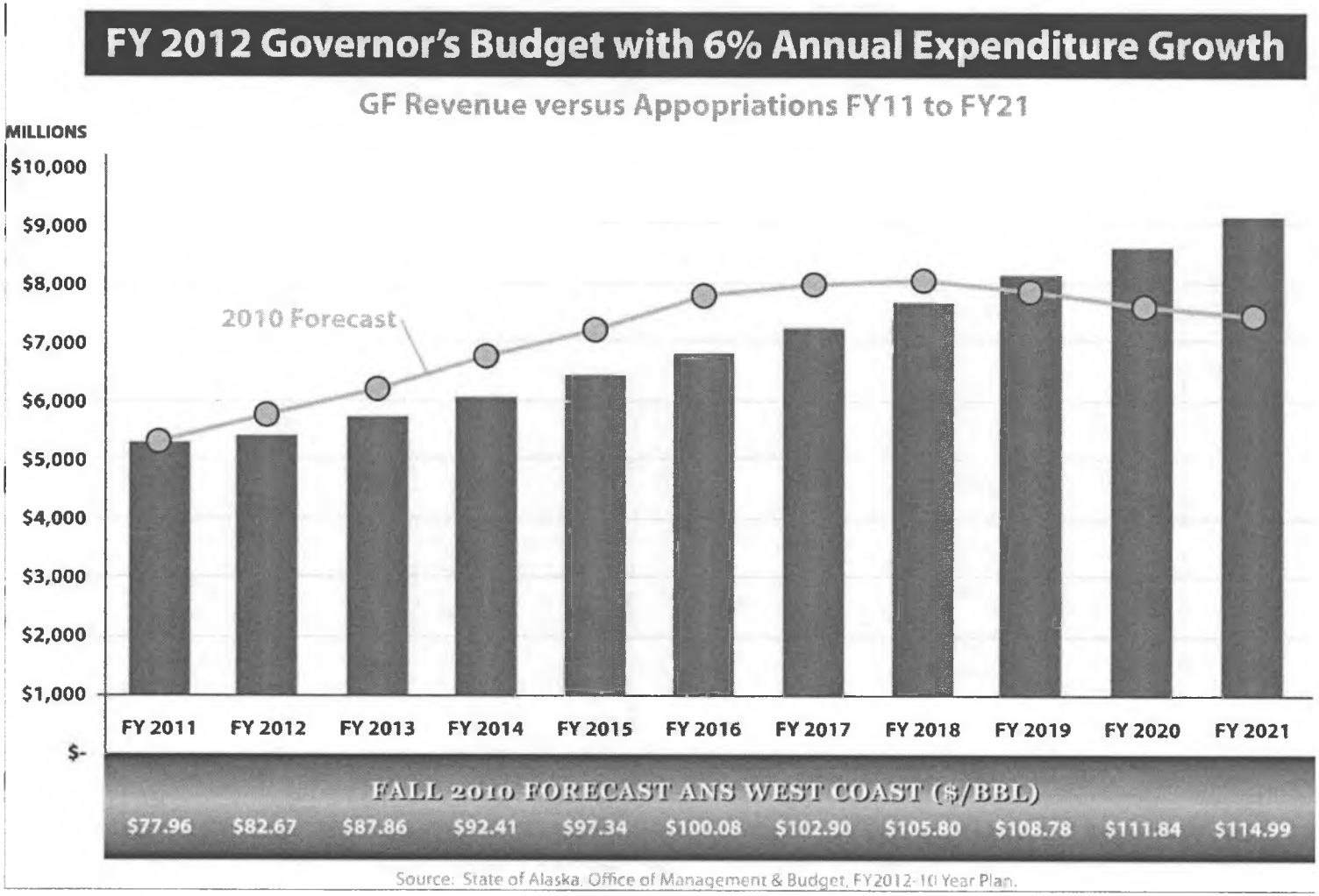
- **Reduced Risk** (2D seismic provided by Norway)
- **Reduced Up-Front Costs** (no $ bids)
- **Shared Risk/CO-INVESTMENT** (SDFI)
- **Alignment** between Norway and industry
- **Predictability:** Quick permitting, consistent environmental and safety rules, limited judicial interference. License to Production in 3 years.
- **Tax Stability:** 78%; non-progressive. Rapid deductibility of development costs

SUMMARY:

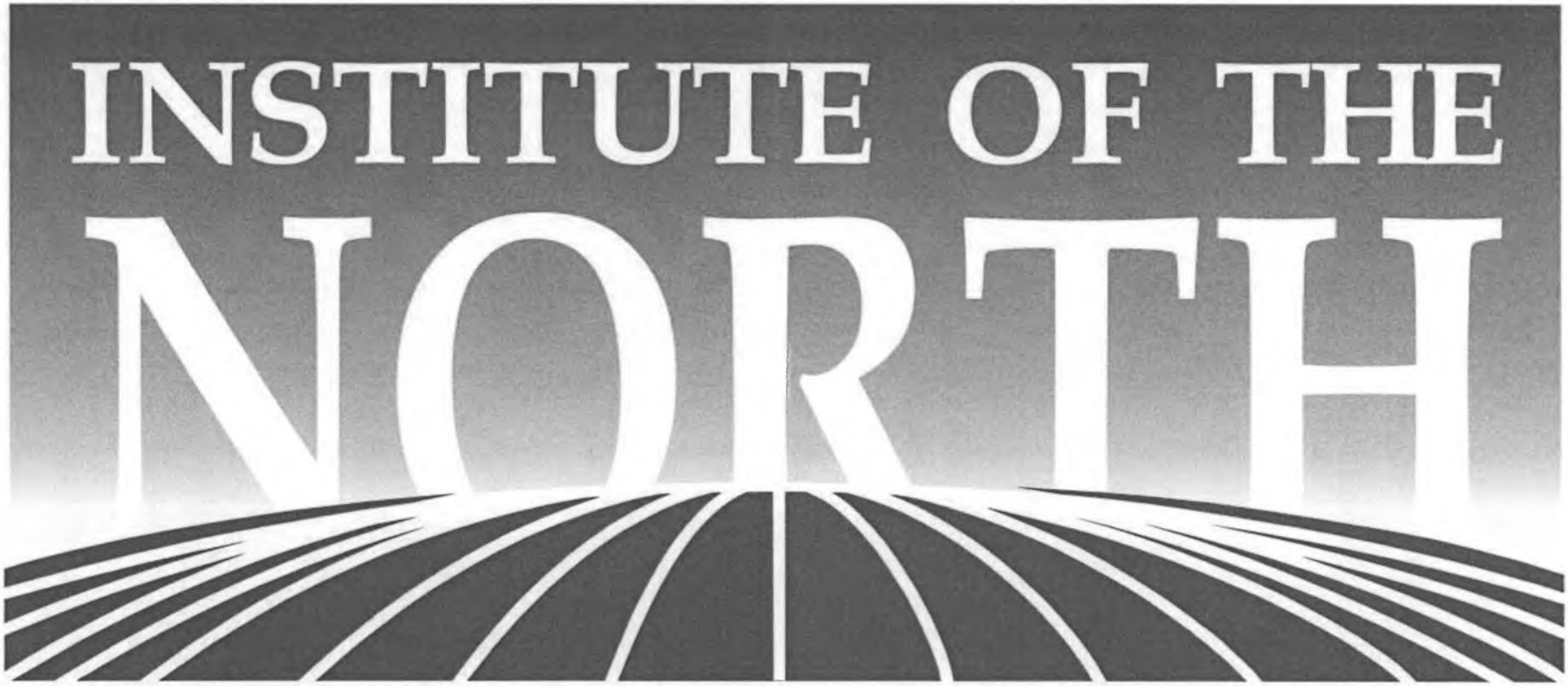
The Norway Model:

1. SAVE
2. CO-INVEST
3. PROSPER

7 Years of Surplus Ahead; What Should We Do?



THANK YOU!



WALTER J. HICKEL, FOUNDER

Notes from Norway – Alaska's Experience
Governor Hickel tasked the Institute of the North with the mission to understand the reality, richness and responsibility of the North. He would have been first in line to join us this year to learn about Norway's model for doing exactly that.

Ultimately, understanding northern issues has to do with building relationships. Presenters in Norway began and ended their talks with the value of relationships. Whether we were talking about Norway's role in the Arctic or government's role with the private sector, the Norwegians we heard from prioritized strong communication and collaboration between parties.

Introduction
The rough notes below describe the information 45 Alaskans gleaned from six intense days filled with meetings, presentations and visits with a multitude of Norwegian agencies, industries, and government leaders. The notes are not a comprehensive technical overview of Norway's model, nor has the Institute of the North taken any position on the ideas herein, but they do serve to illustrate the broad themes addressed during this experience. The reader should see these as participants heard them, from Norwegian experts as tips and insight into how Norway approaches resource extraction, fiscal policy and economic development.



INSTITUTE OF THE NORTH

WALTER J. HICKEL, FOUNDER

Outwardly similarities made Norway a target of our consideration, yet it is important to keep in mind that Norway is different than Alaska. The government is at all sides of the table, but it's a reasonable table with reasonable discussions and decisions. Norwegians look at the world differently – people are content, though with high expectations. To accommodate this different way of looking at things, we have to change our mindsets.

Another early lesson was that we shouldn't begrudge people working together to solve problems; instead, we should promote this approach. A collaborative process includes trips like the Norway Policy Tour – where people from different backgrounds come together and learn new approaches while building strong relationships with one another.

Trivia:

- Norway is a country that is plugged in to media networks – Norwegians typically read three newspapers a day.
- All seven Norwegian political parties would be considered left/progressive in the US.
- Norwegians work to live, rather than living to work. People are productive but also enjoy life.
- Social welfare is an important part of the Norwegian culture – free education (through PhD), healthcare, retirement, maternity leave (women get a year at full pay; men get 12 weeks paternity leave).

- The Norwegian Government is very conservative about how it spends money (they don't plow streets – often or well – for example).
- Until they are 12 years old, kids are not allowed to keep score in football games.
- Oslo is at roughly the same latitude as Juneau; Hammerfest as Barrow.
- The export value of goods and services in the petroleum support sector is second to actual development of those resources.
- Statoil employees working offshore rigs have a schedule of two weeks on/four weeks off (47% higher salary for offshore workers).
- At one point, Statoil could be considered the largest "hotel" in Norway, with more rooms on oil rigs than any hotel chain.
- Snohvit was developed with the US gas market in mind. Because the US market no longer exists due to shale gas, Snohvit gas is now sent to Japan. It is the world's northernmost LNG operation; there is no platform, and it is at a depth of 300 meter.
- 234,000 people work in the oil and gas sector in Norway compared to 5,000 in fishing and 50-60,000 in agriculture. Because people don't see oil and gas, the general perception is that fishing/farming is much more important.
- Norwegian consumption of electricity is 3x that of Europe, which is already high.

Quotables

- We know that oil and gas is in the ground now, and that there is a commercial demand; so develop, but don't spend the money on this generation. (Ministry of Petroleum and Energy)
- We don't spend time looking at other countries to compare ourselves to – if it's working here then there's no need. If you have investment, then don't change things. If you don't... (MPE) [Statoil does work with other tax regimes around the world – dealing with all kinds of different processes – including production agreements, leases and signing bonuses]
- The High North is a natural meeting area for long term cooperation. (Statoil)
- Never underestimate the culture of where you're doing business. (PSA)
- Companies care for themselves; the Norwegian Petroleum Directorate cares for society. (NPD)



Economy/Resource Development

Norway's oil ministry starts with two basic premises -- if you're going to develop make sure you can stand the quality test of international measures. Secondly, it is possible to have sustainable petroleum development. Norway is planning on (and expecting) stable and long-term production.

Norway is a petroleum nation – and it's only half developed. Politicians have done a good job of not using this resource immediately, and limiting themselves. It is the third largest exporter

of oil and second largest exporter of gas in the world. As the global need for energy continues to rise – and fossil fuels remain dominant in the energy mix—Norway is contributing heavily to the security of supply. Norway's Ministry of Petroleum and Energy (MPS) was very clear in that "a renewable world is not just a few easy political decisions away."

We need to have more than one strategy:

- Oil countries should produce and consume fossil fuels in more environmentally friendly ways.

One barrel of oil developed in Norway has half as much pollution as the world average

- Too little emphasis has been placed on energy conservation and efficiency. We should include energy development as corresponding to community development.
- We must increase renewable energy development and renewables must stand test of life-cycle analysis.



Norway's North Sea is well-developed, as is the Barents to some extent. There were early doubts about expanding in the Barents, but continued exploration has led to a substantial new find. While the area between the two may have deposits, it is a major fishing area and is environmentally sensitive. It makes sense to connect north and south via pipeline and to increase oil/natural gas development.

Connecting its oil and gas resources to one another, to refineries and to markets has meant an incredible network of seabed gas pipelines reaching 7000 km – the distance from Oslo to Anchorage. Sub-sea oil pipelines span a shorter distance from the platform to the onshore facility (approximately 50-60 km) compared to gas (which is more like 150-200 km).

The discussion of developing some areas and not others sounded very familiar to Alaskans. Local people are interested in development while people in Oslo and other urban areas are interested in protecting it; fishing interests are open to discussion/mutual benefit while environmentalists are committed to no development. Generally, petroleum activity is not mentioned in the press except in a pejorative context; it is environmentally contentious and there remains an urban sensitivity. Petroleum development is not recognized as a key factor of Norway economic success.

The Norwegian government is on all sides of Norway's resource development – regulator, owner, service, safety and taxation. While people move between these sectors, there is no "leakage". The government invests heavily up front, thereby costing independent explorers very little. The independent explorers are then bought up by larger companies.

The Storting's view of oil and gas issues recognizes that energy and environmental issues are at conflict in Norway and works to find balance. In Norway, it is the national government that is in the driver's seat, which is quite different from Alaska's competing local and state government agendas.

The Norwegian Parliament's energy committee travels to other countries to learn best practices, and has been to Alaska. However, the committee adopts whatever the government (MPE and NPD) recommends, using its agencies' technical expertise. Parties do approach issues differently, though, and there are often fierce debates in Parliament that are open and trans-

parent to the public. It is important for the public to see this dialogue taking place. Parliament's goal is to maximize the utilization/production of its oil and gas resource, recognizing peak oil. Parliament acknowledges the importance of creating good conditions for oil companies in search of resources.

Large oil companies have good relationships with the government and Statoil; they don't have anything bad to say about that process. In this, the government assures their active participation There are some countries where contact between industry and government is forbidden, others where it's more mingled--in Norway, commercial activities respond to policy, legislation and administration and Norwegian politicians understand what makes commercial activities tick.

The overall aim for Norway is sustainable development – which shouldn't be confused with conservation or preservation. Development requires economic activities to address the social dimension, while also taking care of environment. With implied risk, the conversation must also address probability and possible damage. It's a conversation that requires a good cost/benefit analysis that examines both aspects rather than focusing on one.

States should make sure they get the full value from the resource, rather than trying to get it all at once. Many governments don't have the capacity/knowledge to do it all. Industry will always think that taxes are too high; they made a strong push many years ago to reduce Norway's taxes. The government refused but production did not decrease. Steady production may be explained by the fact that exploration is covered by big incentives; 100% of development costs are deductible.

Norway doesn't have lease auctions or signature bonuses. Instead, they have high expectations and want the best management and expertise; companies are there to perform resource management. Each development project is very individualized. Three questions drive the selection process: 1) How good are you? 2) How extensive is your knowledge? and 3) How competitive are you in this area?

Companies have six years to fulfill their scope of work. It's "drill or drop" after two or three years—if a company doesn't perform, its license is automatically relinquished. The government does not allow area "squashing" because it's not in their interest.

In its role as a facilitator resource development the government conducts the initial seismic. The initial broad analysis (2D or regional mapping) is funded by general taxation with a budget of 80million NOK. Companies are then responsible for more detailed seismic to determine where to explore.



The nation's economic development strategy – and Statoil's as well – is to recognize the key realities outside of Norway, including:

- Continued and increased European demand;
- IEA estimates of production decline – supplies will have to come from Russia, Norway or Algeria; and
- The Barents Sea as a gateway to the Arctic

In country, Statoil and Petoro are developing 50% of the resource and big international companies are developing an additional 35%. Statoil is very dominant in currently producing fields;

but the mix will look more diverse in the future. Petoro, Norway's SDFI (State Directed Financial Interest) is owned and operated by the state, which retains 100% of the value. The company doesn't operate anything; it creates value through investment.

Statoil

Statoil is a private company. The state owns 68% of Statoil shares, which it can buy or sell just like any other shareholder. More importantly, Statoil acts like a private sector company. Almost all of the crude produced by Statoil is sold globally, with only very small volumes going to Norwegian refineries. The Board of Directors (who are all Norwegian, except for one) sets corporate strategy. While the Board is more or less selected by the government, corporate strategy is not directed by government – there are strict organizational lines in decision-making.

Statoil is the second largest exporter of gas to Europe, after Russia. There is a general feeling that the European market would prefer Norwegian gas. Norway is almost exclusively powered by hydro and doesn't use much gas internally.



Norway's oil development began on the Norwegian Continental Shelf, beginning with Ekofisk in 1979. There was an original expected 20 year/46% recovery from the field; this has now been upgraded twice with current projections at 75%. They do use gas to increase recovery – but then sell it when they're done – and also use water-flooding (90% water/10% oil). Good reservoir management is their key to high recovery.

Statoil has transitioned over 40 years from shallow to deep water; from oil to oil and gas; from simple to complex reservoirs; from fixed platforms to sub-sea; and from south to north

The company is the largest operator in the world in waters deeper than 100 meters. Their goal is to also be the world leader in CO_2 capture and storage (including at Snohvit, which some in the group visited). Snohvit has a complete sub-sea network including 130 kilometers of sub-sea pipelines with multi-phase flow that take gas from the reservoir to the sea-bed platform, where the CO_2 is removed and sent to a separate reservoir, while the gas is sent to the onshore platform. This type of sub-sea network is a great example of the technology for arctic development.

Offshore production means delivery of oil/gas straight to markets through pipelines (gas)/tankers (oil). The 7,000 km of seabed pipelines are approximately 1 meter in diameter. Oil is taken to underground storage areas where the appropriate quality oil can then be drawn out as demanded by the market.

To work offshore you have to change your mindset and focus on safety. The strategy offshore must be safe and efficient operations in order to maximize the potential. With 34 offshore installations, 18 mobile rigs, plus marine vessels, helicopters and chartered planes it is understandable that Statoil would focus on safety. (See also Regulatory Environment)

For each project, Statoil solicits inquiries and builds partnerships with other companies (such as Shell, BP, ConocoPhillips, etc.). Apart from a small administrative fee, companies don't pay anything for the license; rather, they commit to drilling wells in certain amount of time – and they don't pay taxes until the wells are producing.

Statoil will go where they have better competence than their competitors and where there is a market (Europe or East Asia). They have clearly identified their competencies as being able to operate in very harsh environments, operating in deep water, recovering heavy oil (most easy oil is owned by state-owned companies in other countries with no access for outside companies), and developing gas value chains.

Regulatory Environment

Norway recognizes that its oil and gas industry has a complicated industrial environment – it can't afford to have anything go wrong. Regulatory environments should focus on risk, environment and stakeholder management.

Norway is unlike the US where there is an adverse interest when making regulations. The meaning of compliance is also different. Norway values client understanding of the purpose and importance of the regulator to create an alliance between industry and regulator. This common understanding of the regulator's approach means a cooperative interest in the development of regulations and the production of a framework for the overall regulator environment. A cooperative interest also means upfront work in identifying and managing stakeholder (association, workforce, authority) relations. To have stakeholder involvement, you have to put in place systems for engagement – monthly meetings, working groups, trainings and regular reviews regulations.

In Norway, the stated common purpose is safety. Safety includes personnel, the environment, and the financial value of a company's investment. Safety provides increased income if you are able to create alignment around the issue:

- At the ministerial level – with a national plan, legal basis, and licensing;
- With oil companies – field development, contracting, operations, and marketing; and
- Through the PSA and NPD – detail regulations, guidelines and standards.

Norway didn't come to this common purpose immediately. In the late 1970s Norway had more than 200 people killed in industry accidents. They responded with risk-based thinking, a new system for regulation-making, coordination between agencies, clear lines of reporting to ministries and clarified lines of responsibility. The government shifted from many different regulators to multipurpose regulations/regulators under one agency (NPD). The government bears the burden of cost and communication, but by doing so can stand up to industry as one body.

The Norwegian Petroleum Directorate (NPD) and the Petroleum Safety Authority (PSA) oversee many of the regulation of the oil and gas industry in Norway. The PSA used to be part of the NPD, but the two were split up in 2003 to better separate roles and responsibilities. The government delegated power to both as professional independent bodies – separate from political decision-making – to foster continuity and effectiveness while ensuring that powers aren't overstretched.

The NPD is subordinate to the Ministry of Petroleum and Energy and exercises management authority in specific areas. The NPD's mission is to create the greatest possible value for society from oil and gas activities by means of prudent resource management. They can do this by leveraging their technical expertise, which is very different than that of the policy/political employees at MPE. The NPD also communicates reliable information to build public confidence in oil industry.

Both the NPD and PSA made strong arguments for Norway being the most transparent country in the world because of the amount of information they are willing to sharing – with academics, with community stakeholders and with industry! A great example is their commitment to data management – data comes to the NPD from all sectors, especially industry. The NPD receives all by-logs, core data, and seismic data

and then posts all of it on their website. Companies can also visit NPD to see core samples (2000 NOK covers administrative costs).

A core precondition for sound petroleum management is capacity in the public sector. There must be policy administrators and regulators who understand the risks and the rewards of the industry. Sound petroleum management also requires fully competent companies. For Norway, that also means companies who move their business model to incorporate Norway's model of social welfare.

To operate in Norway, companies must demonstrate their competence. They must apply for formalized PSA approval (a company like Statoil doesn't need to do this as it is already an experienced operator) prior to being considered for operation. Prequalification is conducted by NPD, who audits the company based on its:

- Financial capacity;
- Technical competence; and
- HSE – management system.

Competence also includes the huge technological advances that need to be incorporated into processes. Regulators must also understand the ongoing changes in the business (parts of production moves onshore, integrated onshore/offshore with intelligent fields – ICT, video conferencing)--competent regulators are experts in their fields. The state can't pay talented individuals as much as the private sector, but people move to government for good reasons (back and forth, very often).

At PSA, there are teams of supervisors/experts who manage various groupings of industry (i.e., Statoil is monitored by one group; new explorers managed by another group; big international companies by another; etc.). These teams are able to evaluate competence regularly, including conducting on-site audits of rig operations.

The NPD, on the other hand, is responsible for finding new fields. It works to:

- Gather data and map unopened areas
- Open new areas
- Award exploration licenses (it can grant directly)
- Award production licenses (decision rests with the MPE, with the NPD as an advisor)



The decision regarding which fields are "mature for opening" is political, thus production awards are political. However, which fields are opened first is a technical decision, incorporating elements such as technical knowledge, expectancy of success, and supportive infrastructure.

Norway has developed a predictable licensing system:

- The company covers administration costs (100,000 NOK) of application.
- There are annual licensing rounds depending on which fields are mature for opening; anything that wasn't developed from the last round goes back into the pool for the next round (there is very strict application of develop or drop, though there can be good reasons for an extension of a year being granted).

    - Companies are not allowed to sit on licenses without commitment
    - If dropped, a company can re-bid
- Frontier areas have biannual rounds.



Early in the process companies nominates which blocks they would like to see in the next round. The NPD incorporates these recommendations into its decision. After the MPE announces which are actually open, the companies are allowed to apply. What follows is a negotiation period – the NPD goes through the application and gives a technical expertise ranking (with project-based criteria). The negotiation includes commitment to develop and to work for state interest. Following the negotiation, MPE announces the final award. Companies rarely refuse, and they can't appeal.

Norway's SDFI level of investment is based on a recommendation by industry and the NPD. State involvement reflects the high potential of the prospect and risk involved.

The NPD also works to keep companies from only exporting gas and leaving oil; working with industry to get both out. Increasing CO_2 emissions from petroleum industry has meant increased attention to carbon capture and storage. The NPD has a role in working on this issue as well.

Statoil case study in Alaska
In 2010 Statoil conducted seismic testing of its 2008 acquisition offshore Alaska. This was the first Chukchi lease sale since 1991.

Marine seismic acquisition is conducted by sending a pressure wave generated by compressed gas that bounces off the bottom and hits a hydrophone (generally 10 cables of solid streamer, 6000 meters long, 100 meters apart) where data is collected. Using the time and velocity they calculate depth, thereby mapping the sea floor and reservoir level.

To conduct the seismic acquisition Statoil used a seismic vessel (12,000 tons; 5 MMO), supply vessel (for fuel/crew; 1800 tons; 3 MMO), and monitoring vessel (197 tons; 3 MMO). Each had marine mammal observers (MMO) on board. They surveyed 2600 sq. km using 12 streamers, more than historic streamer usage in Alaska by other companies (eight)..

For the Marine Mammal Observer program, they used visual observation plus towed and fixed passive acoustic monitoring (hydrophones or streamers).They also conducted the first industrial test of IR camera for detection. The IR proved whale and walrus tracking – walrus had avoidance technique (200 counts). Statoil stopped seismic for three days during the walrus migration, with "heads popping up like mushrooms." It is interesting to note that permitting in Alaska is very focused on marine mammals; in Norway it is fisheries.

Permitting was required 12 months before operations. The company felt it had a good dialogue with authorities. The lack of infrastructure in Alaska was challenging, with Statoil having

additional considerations of finding a location for crew change (Nome) and being able to assure response capacity. Challenges in the operations phase included marine mammal observation, shallow water, limited open water season, and harsh weather. Notably, there were no safety incidents, no oil released, and the survey was immediately stopped (halt pressure release) upon observation of marine mammals. The acquisition resulted in excellent data quality.

Compared to Norway, Alaska's permitting process was very "comprehensive." (It might also be referred to as burdensome, though Statoil was too polite to say so.) It was a lot of work, and in several instances more complicated than Norway's process – it takes five weeks and goes through one agency, which involves many other departments in the decision. But rules and regulations are there to be followed – no further discussion.

Many details emerged from the baseline studies going on in the Chukchi Sea, with cooperation and sharing between Conoco, Shell and local communities, including acoustics monitoring, fisheries ecology, benthic and plankton ecology, mammals, seabirds and physical oceanography.

Fiscal Policy

Norway's government commits 100% of it resource development revenue to its Government Pension Fund, which is much like the Alaska Permanent Fund. They withdraw only 4% of its value to support government, feeling that this is the right long-term fiscal policy.

In the early years of the oil industry, the government had a royalty system but grew concerned that this didn't result in investment. They moved to a system that focused on raw income, and developed the State Directed Financial Investment (SDFI). SDFI is an investment fund, which renders larger revenue to the government. The government is a silent partner.

There are no property taxes on oil and gas facilities.



Not everything is owned by the government. The majority shares in pipeline facilities have historically been owned by the oil companies, who are now selling to equity investors as a good long-term rate of return. The state invests 46% in pipeline facilities, with a 7% return. Transportation not supposed to be a high profit enterprise – it is a public utility.

<u>Government Take System for Petroleum</u>

The Minister of Finance answers to Parliament; there are 300 civil servants (economists and lawyers) who work for MOF and are managed by a Director General. There are seven departments within MOF – 1) administrative affairs, 2) economic policy, 3) asset management, 4) financial markets, 5) tax policy, 6) tax law, and 7) budget.

When developing natural resources, oil companies have to recognize that the resource is immobile, finite, and that it belongs to the people (and that this is a good, legitimate and stable tax base for government). At the same time, government has to recognize that a tax regime should attract investment – giving extra weight to stability, simplicity, competence and predictability (Norway's process has stayed the same since 1992).



The petroleum industry accounts for 27% of share of investments, 46% share of exports, 22% share of GDP, and 28% share of state revenues. Government take is only on upstream activity, through direct taxation and indirect taxes (CO_2 tax, area fee, and state-owned enterprises).

Royalties, a gross-based tax, were phased out because they de-incentivize investment. Companies claimed they wouldn't invest during royalty period. Investment is maximized by taxing net profit. Profits are self-assessed – companies report production, what they're selling for, what they make, etc. There is an audit of self-assessment in the second round (30 staff for this in oil tax department). All information gained is publicly available (ITI aggregate report).

Norway's marginal tax rate on direct production is 78%. Out of $1 million profit, the government gets $850,000 and the company gets $150,000. Oil and gas is taxed separately; offshore and onshore is split as well. Norway taxes the super-profit – or the "resource rent," as it should be termed (the extra-ordinary profit achieved by developing a finite natural resource) – at 50%. Corporate income tax is 28% - combined to produce marginal tax rate.

The SDFI took a loss in its four early years – viewed as a capitalization cost – but has seen strong gains since. The SDFI only takes shares in the most promising fields (20% investment most recently). Average SDFI investment is 44%. The only objection by companies is when they re-license, having found a field to be more promising than originally planned and then have the government come in.

The SDFI also plays a role in asking good/hard questions of owner/operator. Government has a seat at the table. The SDFI share is talked about prior to lease decision, but then the government (Prime Minister) decides the amount of share in each license, which isn't negotiable once it's offered.

In determining taxes, capital investment is recovered through depreciation over 6 years

- An additional "uplift" deduction is included in order to compensate the producer for the time value of the delayed recovery of its capital investment. In Norway, the uplift is not intended to provide an additional incentive for capital investment.
- The intended effect of the uplift is to create the same result as if 100% of the capital investment was recovered in one year. In the Norway model, any additional "uplift" would result in the recovery of more than capital costs.

There is a personal income tax – 28% general tax, 7.8% in social security, plus a surtax (the total is roughly 50% for highest income bracket, and the employer takes some too). Municipal funds come from property taxes and a part of the wage tax goes to local government – no company tax revenue goes to communities (national budget covers rest).

<u>Government Pension Fund</u>

The goal of the Government Pension Fund is to separate spending from current revenues – this supports long-term considerations and future liabilities.

All revenues go to the state budget, and petroleum revenues are transferred to the Fund from there. Returns on investments are also trans-

ferred to the Fund. There is an annual transfer from the Fund to finance non-oil deficit (fiscal policy means the Fund should only spend expected real return; est. at 4%). In good times they use less than 4%, in bad time they use more. Roughly 10% of the government budget is covered by that 4% each year (100 NOK).

A big pile of money requires a good governance system. The Government Pension Fund Act directs the Fund to be managed by the MOF. Day-to-day management is done by the central bank of Norway (Norges Bank), which reports to the MOF quarterly, and the MOF reports to Parliament. The MOF spends a significant amount of time educating Parliament and public about its long-term strategy and risk.

MOF's investment strategy derives from investment beliefs and fund characteristics

- There are clear owner and manager roles and responsibilities
- The principal-agent has strong mandates of detailed benchmarks (which are presented to, and discussed in, Parliament)
- MOF exercises its ownership rights through this process

Since the move to equity investments, there has been public debate about which companies to invest in. It is generally felt that investments should produce a return as well as behave ethically (according to guidelines developed by identifying overlapping consensus among Norwegian population). This process has excluded 50 companies out of more than 8,000.
Points to remember:

- The Fund is not invested at all in Norwegian assets.
- The central bank has an inflation target of 2%, managed through currency management.
- The Fund will continue to grow for 20 years – up until 2030 it will have positive inflow.
- Investment allocations are decided by regional markets.



There is also a much smaller Norwegian sister fund. The original allocation was invested in Norwegian assets in the early 1970s. The "how to use this fund" debate went away when oil was discovered – it was decided to use this wealth to improve Norwegian society.

Arctic

The Arctic is a huge area (almost 30 million square kilometers) with only 4 million people and huge natural resources, most of which belong to Russia. When the continental shelves are claimed, 90% of resources will have been claimed by nations. Climate change results in a more accessible Arctic; 80% of the Arctic is accessible this year. There will be significant impacts to consider as access to oil, gas and mineral resources; fishing (though no current stocks exist); shipping; and research increases.



In the Arctic, Norway builds relationships with its northern neighbors through the Arctic Council and facilitates activities that support its agenda in the High North. The High North is an area with a low level of tension – it is not a region of conflict, but of cooperation--"There will be no race to resources." Disputes that do arise can be addressed through existing structures, laws and forums. Science cooperation is a priority, especially in the realm of climate, fisheries and energy.

The Arctic Council is a consensus body that specifically addresses Arctic issues; its members cover much of the world and account for much of the global economy. Traditionally, the Arctic Council has not been a political decision-making body, but rather a decision-shaping organization. It produces recommendations for the eight Arctic nations to act upon. It is important to highlight that the Arctic belongs first and foremost to Arctic states; which are fully capable of handling issues that arise. At the same time, Norway realizes that other countries may/do have legitimate interests.

At the Nuuk Ministerial of the Arctic Council, members established and signed on to search and rescue protocols. Now, we should expect to see the Council moving into disaster preparedness, in particular, disaster preparedness in response to resource development. Of particular concern is any nation's ability to surge resources into a remote area and have the infrastructure in place to respond.

There is a clear effort to avoid militarization of the Arctic Council, but Arctic nations have been cooperating with one another to determine response scenarios and responsibilities (in fact, the Alaska National Guard recently participated in an exercise). There is a need to move beyond military stakeholders to training and responding to changing environment, fisheries, natural resource management, UNCLOS, search and rescue, shipping efforts, and oceanography. Approaches in the Arctic must be multi-disciplinary.

Norway's Storting also highlighted its participation in the Arctic Parliamentarians (Alaska's Parliamentarian is Sen. Murkowski) and noted this forum as a good example of cooperation.

Resource development in the Arctic presents an important part of our future. The region is politically stable and increasingly accessible. The coastal states agree that the area is governed by Law of the Sea with no need for new treaties. The MPE was strong in its assertion that there is absolutely no reason to lock it up as common heritage or protected environment site. 30% of world's undiscovered natural gas and 13% of its oil are in the Arctic – to support Arctic peoples. It's not a question of "can we go ahead with this?" but rather, "on what terms?"

Most people cannot grasp the magnitude of the acreage of the arctic and northern continental shelf, nor do they understand that there is an increasingly good understanding of Arctic sub-sea geography and oil/gas reservoirs. Two challenges remain, of course, in Arctic resource development – ice and distance. There are two solutions to ice – withstand or avoid. With deep water you can have sub-sea development and avoid ice; shallow water is more problematic.

Development in the Arctic will be extremely difficult – there will be delays, there will be disappointment—but with patience and persistence there will be success. Successful development north of Norway – where it's not exposed to ice – is a small step toward developing in ice.

A major area of discussion was US ratification of the U.N. Convention of Law of the Sea (UNCLOS). The US is the only major nation not a member of UNCLOS; even though all defense agencies would like the US to join, we have not yet ratified it. It is difficult to explain to our Norwegian counterparts the reasoning. Alas-

kans shared the view that we are losing out on the benefits of ratification.

It was interesting to learn that Russia has as much icebreaker capacity in the Arctic as the rest of the world combined, even including China's seven new icebreakers in production. Russia will have half the continental shelf and more than half the resources. Critically, they have committed to follow existing treaties and international law, which means that competing claims are settled reasonably through bi-, tri-, multi- lateral negotiations.

Moreover, Russia recently hosted a tour of the Northern Sea Route on Yamal (75,000 hp), the world's largest icebreaker. The route was completely ice-free. Russian mapping of the route was fantastic and their navigation systems (GPS and Glosnost) were top of the line. All vessels traveling the route must have icebreaker assistance, oftentimes tied to back of icebreaker traveling at 20 knots. Russia is strongly promoting use of this route, which has implications for Bering Strait and Alaska coastal zones.

<u>The University of Tromso</u>

Here, you can feel like you're in a special part of the globe, where there is room to grow as a people. "We" think that we are at the very center of the world; the north is content, and happy with what they have. Being at the center of the world is partly a joke, but also increasingly true with climate change, shipping, media, and economic considerations.

In 2006, Norway's High North strategy was presented at the University of Tromso. Prior to the presentation of the strategy, the north was considered rural and remote, provincial, with little geopolitical interest. Some have said no-one cares about High North – it's too secure, and the US hasn't paid enough attention or given it resources to respond (but it is increasingly doing so, which means it's more important).



The High North strategy's overall aim is to increase presence, scope of activities, and knowledge. Key drivers for a renewed focus in High North include:

- Climate
- Russia
- Energy
- Arctic Dimension

With sea ice extent shrinking and increased shipping opportunities (40% reduction in time and cost; no pirates) – one of challenges is mapping and incorrect data/depth of waters. There is a need for search and rescue infrastructure, as well as emergency/medical response. Norway established the Fram Centre as a Center of Knowledge to address these issues.

The development of petroleum resources in the north is a hot topic in Norway right now. There is new optimism, which is a response to global need and new finds. Snohvit is a beautiful example of what high oil prices can do when coupled with new technology (they also used the example of Chinese investment). All indicators point to extreme interest in Arctic resources.

The North needs a research infrastructure to support that interest. UIT has developed five PhD schools with a strong Northern focus. They also run the Centre for Remote Technology, where satellites can send signals down 24 times a day. These signals can sense and spot an oil spill from tanker, as well as monitor changing environments from space.

Energy, Communities and Fisheries
(We've combined a few themes that complement but were outside the stated goals of the Tour.)



Coastal Affairs and Communities

Norway has balanced development and care for the environment for decades – they have coexisted without any significant incidents. Strict safety standards have played a big role in their success. There is no tolerance for oil spills. Years of experience showsNorway that oil development can occur at the same time as successful fisheries (e.g., the North Sea). At the same time, local communities have a well-established process for submitting input into oil development. In the hearing process, local authorities and organizations are asked to submit comments, as well as participate in parliamentary committee meetings.

Interestingly, the Norwegian Petroleum Directorate manages the conflict between seismic testing and fishing by allocating areas that take into account spawning/migration seasons. They are also responsible for mandatory course for fishery experts and oversee a system for reporting and tracking seismic operations.

Until recently, wild fisheries were larger than aquaculture. With increasing volumes/profits from fish farming (there was pressure to create jobs/income for local communities) the balance shifted recently. Aquaculture is still a young industry that depends on a long coastal tradition. It provides 20,000 jobs along the coast, with an export value of $5 million in salmon, rainbow trout and cod. Aquaculture is a partnership between government, research and industry; and the relationship between the environment and competitiveness is one of a) carrying capacity of the sea, b) public interest, and c) long-term economic perspective.

In Norway, many interests use coastal zones. Interests are balanced when compatible and, when not, priorities are decided by Parliament. Seemingly, if a development project were to affect the environment in ways that couldn't be mitigated, the Norwegians don't appear ready to sacrifice their environment.

With only 110 employees, the Ministry of Coastal and Fisheries Affairs is the smallest ministry in Norwegian government. They depend on subordinate agencies and institutions, including the Fishery and Aquaculture Industry Research Fund. The Fishery and Aquaculture Industry Research Fund is industry run and industry financed—it disburses research grants funded by export tax..

The starting point for modern fisheries management was the eye-opening depletion of herring, the largest fish stock in the North Atlantic in the 1960s. It served as a point of departure for national fisheries' policy. Stocks have since come back to old heights, plus some. The modern management of fishery resources is capable of protecting and enhancing species - when one is willing to make the necessary changes. Norway built its management around science, keeping it independent of politics and asking for international input. Norway's fisheries management is focused on research, regulations and control.

Norway cut off its subsidies to the industry in 1990; export values increased and with fewer fishermen, the catch per fisherman increased. A decline in fishermen was intentional – Norway's government prioritized keeping up with the ef-

ficiency taking place in the rest of society. With that in mind, the focus was on earning money, not keeping jobs that don't respond to efficiency. The shift in focus was the only way to maintain competitiveness.



The government used regulatory instruments and strict control measures (sophisticated management) to ensure sustainability; and drew on economic instruments to enhance efficiency. Rather than using subsidy or decommissioning, the government used as "user pays, user gets" model.

Norway has only a small mining industry. However, with demand from East Asia, activity has increased recently. Coal development in Spitzburgen, Svalbard started as private enterprise, but was bought by government and is currently running a small profit. To encourage people to live there, the project was heavily subsidized from the beginning. Svalbard, much like all Norwegian communities, has infrastructure that is paid for by government – roads, energy for local use, schools, universities, hospitals, as well as an Arctic research station that is shared by eight countries.

In terms of research, it is worth noting that there is a research dollar commitment by oil companies as part of their development license – as required by the Norwegian government. The total research budget in Norway is 41.9 billion NOK; of which, 46% is public funding. For marine research, public funding is 64%. Each sector is responsible for research in its own area, but coordination/integration is imperative.

Norway values knowledge-based ocean management and using the best available science. This means that there are:

- Demands on science – with an emphasis on quality and relevance; and
- Demands on authorities – who have to know what to ask for.

The Norwegian government's greatest challenge is how to meet the high expectations of its people. There has been so much success that people don't have a good understanding when they don't see it and demand more from government to ensure the quality of life they are used to. Two other challenges are also worth mentioning: 1) post-oil future and 2) an increasingly multi-cultural society.

Norway has a political national energy strategy. They adhere to the European Union's decision to move to more renewables by 2020, though this is difficult when the country is run primarily on hydropower already. Therefore, they have begun investing in other European countries to help them reduce their emissions and make the shift to renewables.

All communities are connected to the grid, though some farms still use generators. Norway's commitment to equity in energy costs has developed over time ("we are all social democrats"). All communities pay relatively equal energy costs. A provision in law even gives extra weight to rural areas/remote voters. In general, Norway makes sure that pricing is the same all over country – everyone is entitled to electricity, 98% of which is hydropower. It's a part of the social contract – the government/people support the right to live in remote communities and maintains those benefits/rights.

It's important to remember, however, that Norway before oil and gas was a fully developed society/economy (unlike Alaska). Recent trending, though, points toward people moving to

regional centers or Oslo. The government is using money, information and policy to keep people in rural areas.

Renewable Energy

Statkraft is Norway's largest hydropower and renewable energy company, contributing 33% of Norway's power generation. Statkraft is also the largest company in renewables in Europe and is in more than 20 countries worldwide. Statkraft produces 89% renewable energy with 283 power and district heating plants.

Much of Norway's success rests on its energy production. The company began over 100 years ago, with hydro plants in fjords where industry was located. Many hydro plants were funded by the Marshall Fund after WWII. The company didn't become private until 1992, but is still 100% government-owned.

Until 1970 the goal was to build the country; hydro was used to modernize. There was some pushback in the 1980s against large projects and the 1990s brought no new investment. Today we're seeing very small projects, but even small projects have environmental challenges. That said, the company provides a great deal of benefit to municipalities – Statkraft is the biggest property tax payer in Norway, and an important employer in small communities.



A big share of the 98% hydro in Norway is from very large installments, many in remote, unpopulated areas. Large reservoirs are hard to fill up after a couple years of draught, so a lot of time is spent on planning methods for doing this – all of which is impacted by climate variability.

Not surprisingly, the company is focused on competencies – wind, international hydro, district heating, small-scale hydro, flexible European generation and market operations. Moreover, Statkraft realizes that the future depends on its ability to innovate, with a recognized need for investment in research and development (hydro, osmotic, wind). Meeting future energy and climate needs requires high growth and investments in a broad range of renewables.

Global investment in renewables has increased by 100% in the last ten years. In Europe, there is 600 TWh currently, with an EU goal of 1200 by 2020, and by 2050 adding 800 to 3000TWh (which isn't accomplishable with the technologies of today).

Statkraft's core competency is hydro. Many newer stations are being built inside mountains so all you see is lake/river and transmission lines. Storglomvann, for instance, is underneath a glacier that feeds a mountain lake. With snow being the raw material, Statkraft invests heavily in measuring snow and water content using sophisticated methods.

Osmotic power is a new research area for Statkraft, based on EU demand for renewables. They believe that osmotic power should be part of the renewable energy portfolio because of its baseload energy supply with little environmental impact.

What is Osmotic Power? When fresh and salt water meet they have different salt contents – nature requires balance and works to equalize concentrations, therefore releasing energy during that process. Energy companies can capture this by placing a membrane (that blocks salt) in between salt and fresh water, with intent of water still to pass between. Energy capture can

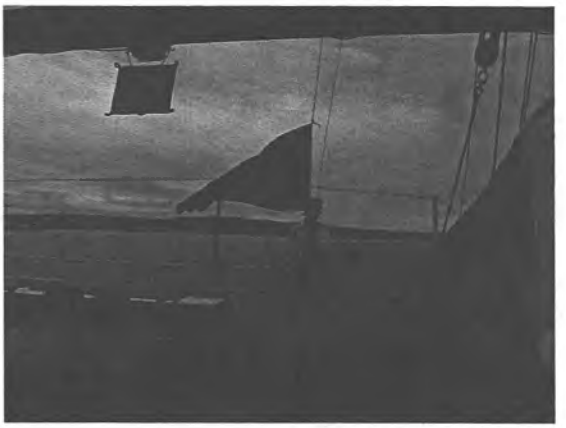
run a turbine that produces electricity, using existing infrastructure.

The technology is well-known for electricity production and transmission – the new element is the membrane and module. The membrane is located in the module/turbine, not in actual river/ocean. Testing in winter environments has been successful but the faster the water flow the better, which may not be the case in the winter as water flows better at higher temperatures.

Osmotic power ensures constant power generation ("baseload") that will run continuously, thereby complementing wind and solar, which are based on weather. There is only a small ecological footprint (used water put back into ocean safely, thus far); it is a decentralized source of energy, excellent for remote areas that don't have access to other resources (though the membrane requires clean water – silt would be problematic); and it is a proven technology, which uses current technology in a new way.

The resource potential is significant – global potential (mapping river location and flow) is 1600-1700TWh (about half of energy need of Europe). Work in the coming years is to scale it up and decrease cost.

Wind power is another resource that is increasing. In Norway, there are 245 MW in operation (with 2500 MW under development). All of this is onshore as there is no support scheme offshore. However, Statkraft is currently building the world's largest offshore wind farm in the UK (9 GW – 5 MW machines, 10 MW under development; and GE just announced a 15 MW turbine).



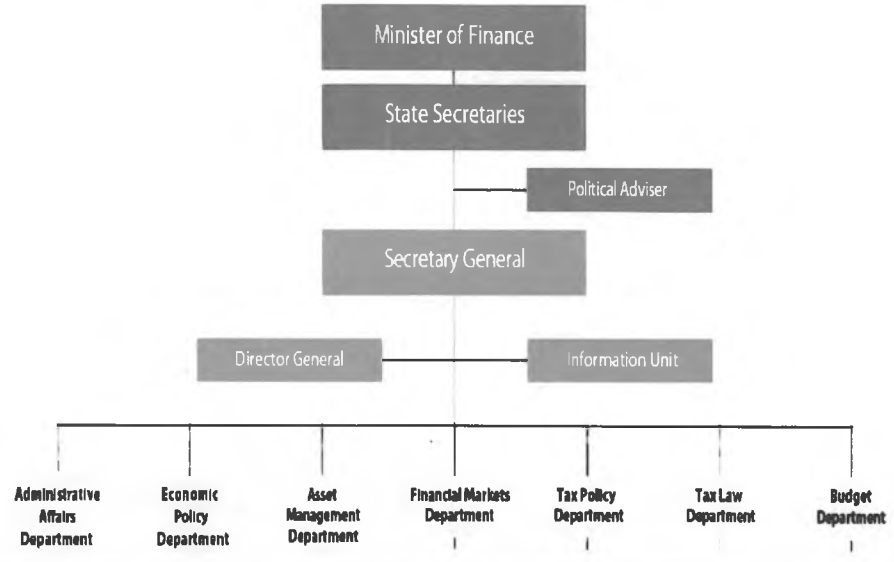
There are still challenges in wind development, including in HSE – wind doesn't have a good history of addressing these issues so a large amount of research, study, and education is needed. There remain conflicts of interests to resolve, and offshore wind adds to the complexity with support vessels, infrastructure, competency, and high costs.

NORWEGIAN MINISTRY OF FINANCE

The Government Take System for Petroleum in Norway

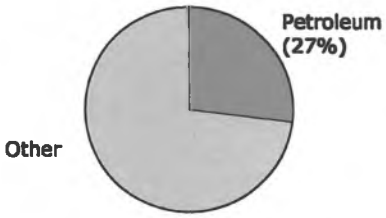
Deputy Director General Ms. Lone Semmingsen,
Tax Policy Department
Norwegian Ministry of Finance
31 August 2011

The Ministry of Finance

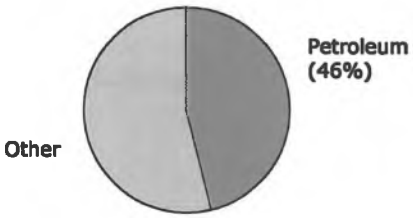


Norwegian Economic Structure 2009

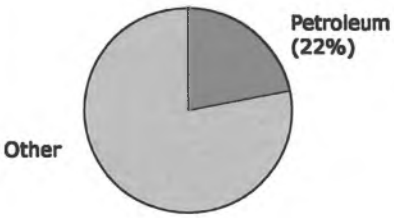
Share of investments



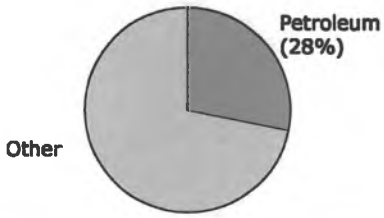
Share of exports



Share of GDP



Share of state revenues



Taxing Natural Resources - Key Aspects

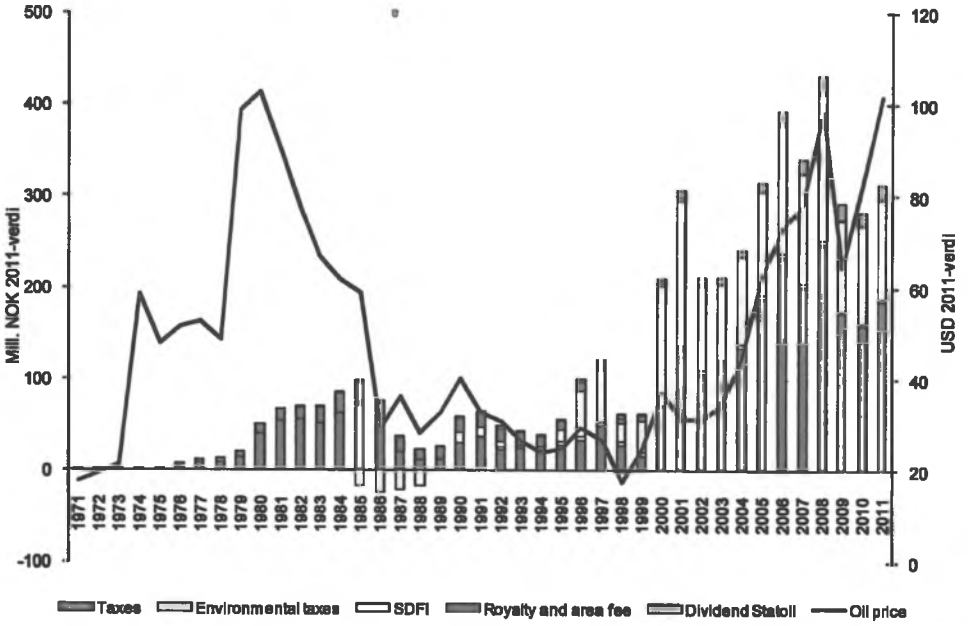
- Extraordinary profits
- Immobile resources
- → A good tax base!

- Profit based tax rules
- Stability
- Predictability
- Simplicity
- Competent tax administration



Ministry of Finance

Government Take Composition



Ministry of Finance

Design of the Norwegian Petroleum Tax

Resource rent:
Potential for increased tax take
Extra allowance for ordinary returns
Should not distort investment incentives

Ordinary profits:
- 28% on net income as in other industries
- Neutrality between industries
- Tax on ordinary returns and super-profit

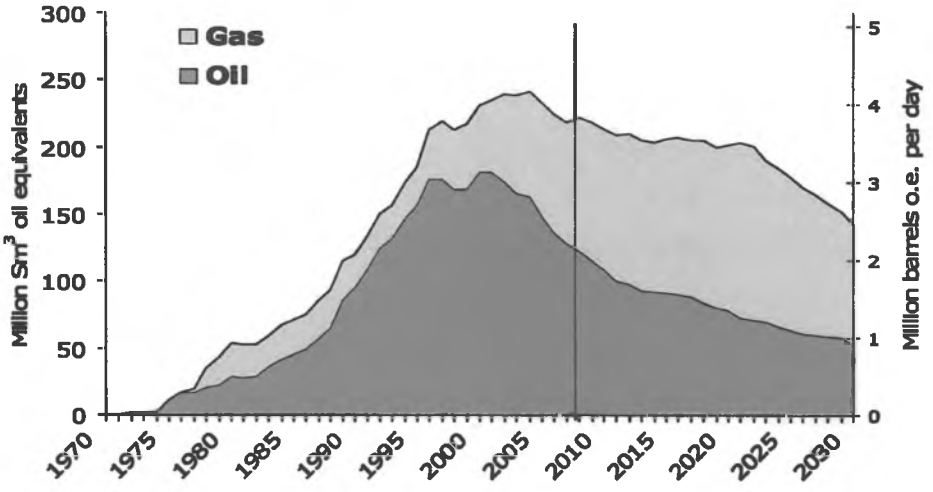
State Direct Financial Interest (SDFI)

- The SDFI is an arrangement where the state keeps an interest in a number of oil and gas fields.
- Each interest is decided when licenses are awarded, and the size of state interest varies between fields.
- The state pays its share of investments and costs and receives a corresponding share of the gross income from the license.
- When Statoil was listed and partially privatised in 2001, the administration of the SDFI portfolio was transferred to a new state-owned trust company, Petoro.
- Petoro is funded over the state budget and does not receive any of the income from the SDFI.

Ministry of Finance

Norwegian Ministry of Finance
Lone Semmingsen
Deputy Director General
Tax Policy Department
lse@fin.dep.no ● www.government.no\fin

Petroleum Production on the NCS



Tax basis - Petroleum

on company basis – ring fenced against mainland

Sales income (norm prices)
- Operating costs
- Capital depreciation (16,7 pct. over 6 years)
- Financial costs
- (Deficits from previous years)

= Ordinary tax base liable to **28 pct. tax**

- Uplift (investment based extra depreciation, 7,5 pct. 4 years)
- (Excess uplift from previous years)

= Tax base liable to **50 pct. tax**

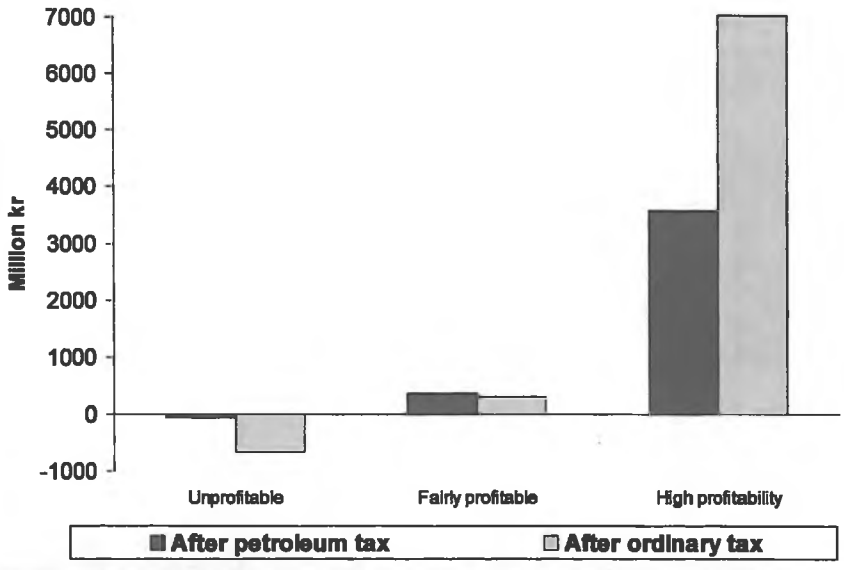
Companies without taxable income
- Carry forward with interest - (risk free + 0,5%)*(1-0,28)
- Tax refund (pay out) of exploration costs
- Final losses can be sold or tax reimbursed from the state

Norwegian tax system - Important considerations

- Transparency and good governance
- Stability and predictability in the tax system over time
- Equal tax treatment of all petroleum companies (incl. (partially) state owned Statoil)
- No negotiations with the companies over tax rules
- Simplicity, both for the tax administration and the tax payers:
  - -the rules must be possible to enforce (without too high costs)
  - -it must be possible for the companies to understand and comply with the rules
- Rely on several instruments to capture a large part of the resource rent
- No subsidies on gasoline for domestic use

Petroleum Tax – Adapting to Profitability

Exploration project – Value for companies after tax



section ⇒ Amendment
check witness sheet
Get Holst test.

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, February 2, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz (Sub-Committee conflicts until 2.28.12)
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Note our meeting today will NOT end later than 11:15 so we can set up for a Northern Waters Task Force Press Conference at 11:30 – members are encouraged to stick around for that if they like.

Today we have HCR 19, Oil & Gas Policy/Norway Policy Tour back before us. First we'll hear two presentations, then discuss and perhaps amend the bill before, if it's the will of the committee, we pass HCR 19 out of EDT.

- Brian Holst, Director of the Juneau Economic Development Council; AND
- Mark Myers, Vice Chancellor for Research, University of Alaska, Fairbanks

HCR 19 Committee Discussion / Bill Action

Ask OLSON to move amendment M.1

- **Object for discussion**
- **Remove objection**

M.1 Inserts "Private sector job expansion" on p.4, line 5

Assuming you want to move the Resolution:

The chair would entertain a motion to move HCR 19 from committee.

- version number (as amended) with individual recommendations and attached zero fiscal note

Please remind members to sign the committee report

[Note for next meeting]:
We'll be meeting again Tuesday, Feb. 7 for updated from DCCED on:

- Broadband Task Force
- Division of Econ. Development
- Tourism Section

There will be no EDT meeting on Thursday, Feb. 9, due to Leg. Council.

Rep. Chris Tuck had these questions regarding HCR 19, Norway Policy Tour:

QUESTIONS:
"When a new area is open for oil drilling in Norway, about How many oil companies on average submit proposals?

And what is the longevity of existing companies and how many new companies are submitting proposals?"

RESPONSE:
Ole Anders Lindseth
Director General of the Norwegian Ministry of Petroleum & Energy

With regard to your questions I send you the following information:

Before announcing numbered licensing rounds on the NCS the oil companies are invited to nominate blocks they want to see included in an upcoming round. The invitations are sent to ail licensees on the NCS and pre-qualified companies. On average over the last 6 years 29 companies have made nominations. These are the numbers for each of the last 6 years:

22. licensing round: 37 companies
21. licensing round: 43 companies
20. licensing round: 46 companies
19. licensing round: 19 companies
18. licensing round: 14 companies
17. licensing round: 16 companies
Average: 29 companies

The number of new companies nominating blocks for the upcoming rounds depends on the defintion of a new company. Inserted is a link to a list over companies nominating blocks for the 22. licensing round.

http://www.regjeringen.no/en/dep/oed/press-center/press-releases/2012/record-interest-in-barents-sea-in-22nd-l.html?id=670318

A new company would typically be a company which is pre-qualified but not yet a licensee on the NCS. Inserted is a link to a list over pre-qualified companies on the NCS.

http://www.npd.no/en/Topics/Production-licences/Theme-articles/Pre-qualification/

As you can see, none of the most recently pre-qualified companies nominated blocks for the 22. licensing round.

Concerning longevity, the majority of the licensees are here for the long haul, so the stability over time is noticeable.

I hope this gives you the factual background you were looking for. I will be more than happy to address any follow-up issues you may want to discuss.

Best regards

adn.com
Anchorage Daily News

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Norway can teach us to control resources

COMPASS: ***Other points of view***

(09/09/11 22:04:13)

Gov. Walter Hickel founded the Institute of the North, which organized last week's Norway Policy Tour. Hickel long advocated that Alaska, as owner of its natural resources, must take control of its resource development for the benefit of all Alaskans.

I was privileged to participate with the legislators and community leaders from Kotzebue, Nome, Bethel, Dillingham, Southeast, Kenai, Kodiak, Wasilla, Fairbanks and Anchorage who met with ambassadors and top-level government and industry officials to learn about the Norway "model" of government-owned and developed oil and gas resources. Having traveled with the late Gov. Hickel to China in 2008, I know he would have been the first to enlist for the Norway trip, keeping with us even on the 18-hour days visiting industry headquarters and facilities across Norway.

Norway directly participates in the development of its resources. Norway and Alaska got into the energy game about the same time with big finds in the 1960s. Norway, however, has maximized its opportunities -- in contrast to the Alaska experience. Major oil companies explored for and developed Norway's first oil and gas fields but the government soon began to play a dominant role.

In 1972, the Norwegian State Oil Co., Statoil, was formed. Today, Statoil is one of the world's largest suppliers of oil and gas, operating in more than 30 countries, and the majority of its shares are owned by the Norwegian government.

Norway also instituted its State's Direct Financial Interest (SDFI) in petroleum operations. Through the SDFI, the government owns an interest in numerous oil and gas fields, pipelines and onshore facilities. As a stakeholder, the government pays its share of investments and costs while also reaping a corresponding share of the profits. This investment gives the government a head seat at the table as a decision maker with full access to all information.

Norway does not give development incentives/tax credits, which are another form of investment but on that return no direct revenue. The government's direct investment in the fields and share in the risk and revenues has not deterred participation, as evidenced by the 60-plus companies holding licenses in its oil and gas fields.

One example of the government's participation is its ownership of 46 percent of the country's nearly 8,000 kilometers of gas pipelines. A separate government entity operates the pipeline system. As we learned from Ole Anders Lindseth, director general of Norway's Petroleum and Energy Department, "Norway doesn't view its gas pipelines as profit centers for its resources." The regulated investment return on the pipelines is limited to 7 percent and therefore, the owners include, in addition to Norway, various pension funds, insurance companies and other entities that are satisfied with a 7 percent return -- which is wholly insufficient for leaseholders such as Exxon Mobil.

By comparison, should the state of Alaska embark on the All-Alaska Gasline/LNG project by taking ownership of the 800-mile gas line as infrastructure, the state would likely receive a federal regulated return of 12 percent -- a solid return for the state but not for the North Slope

leaseholders who must appease stockholders with higher returns.

The Norway model is not a perfect fit for Alaska. But perhaps the most valuable lesson can be learned from Norway's refusal to allow the leaseholders to determine where and when its resources go to market.

Alaska must adopt this same approach. While our gas remains idle on the North Slope, multibillion-dollar long-term contracts in the Asian markets are announced weekly for LNG projects involving the very same leaseholders currently on the North Slope re-injecting our gas. That is wrong. But as long as we remain complacent, Alaska's ability to monetize its gas, deliver low-cost energy to Alaskans and increase oil production will be stifled.

In the same vein as Hickel's famous pronouncement, "You drill or I will," it is time for Alaska to step into its ownership role and proclaim, "We can. And we will."

Bill Walker ran for governor in the 2010 Republican primary. He is the owner of an Anchorage law firm that specializes in oil and gas and municipal law and serves as the general counsel for the Alaska Gasline Port Authority.

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Rob Earl

From: ira.perman@importantwork.net
Sent: Thursday, February 02, 2012 9:59 AM
To: Rob Earl
Subject: Re: Alaska EDT Committee question

Importance: High

Rob -

Answers to the questions you posed per my notes from Norway:

"When a new area is open for oil drilling in Norway, about How many oil companies on average submit proposals?

60 – 90 companies. Not only the majors but companies interested in medium and small sized fields (50 – 100 million barrels) which the majors would not be interested in.

And what is the longevity of existing companies and how many new companies are submitting proposals?"

Some companies have been investing in Norway fields since the beginning of Norway's oil development (1970) i.e.: ConocoPhillips – the #2 producer in Norway after Statoil. New companies, particularly medium and smaller exploration and operating companies, have joined since Norway went to the Co-investment model in the mid-1990's.

Ira

on 2/1/12 1:25 PM, Rob Earl at Rob_Earl@legis.state.ak.us wrote:

I sent this to Ole a couple days ago and have yet to receive a response, which is understandable. But it would be nice to have an answer before HCR 19 comes back before EDT tomorrow at 1015 AM. Do you by chance know the answer to these questions or know someone else who might?

Thanks,

ROB

From: Rob Earl
Sent: Monday, January 30, 2012 6:04 PM
To: ole-anders.lindseth@oed.dep.no
Subject: Alaska EDT Committee question

Mr. Lindseth,

Thanks again for responding last week – sorry you weren't able to participate, but maybe some other time.

I was hoping you could answer what I think will be a couple easy questions for the Committee?

Rep. Chris Tuck asked these during committee last week:

"When a new area is open for oil drilling in Norway, about How many oil companies on average submit proposals?

And what is the longevity of existing companies and how many new companies are submitting proposals?"

Thanks much sir!

Rob E. Earl
Office of Rep. Bob Herron
907.465.5141

Ira Perman
Important Work
1041 West 23rd Avenue
Anchorage, Alaska 99503

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HCR 19 – Oil & Gas Policy / Norway Policy Tour – Speaker Bios

Brian Holst: Executive Director, Juneau Economic Development Council

bholst@jedc.org - (907) 523-2333

Brian Holst joined the Juneau Economic Development Council in February 2008 as Executive Director. Brian has worked in community and economic development for the past twenty years. His experience includes working with diverse groups in challenging economic climates in the developing world, with extensive experience in Latin America and Eastern Europe. He served as a US Peace Corps Volunteer in small business development and has worked as an international consultant, small business owner, and has led large-scale relief and development efforts. Program areas he has managed include micro-finance, small business assistance, community development, environmental initiatives, infrastructure development, housing, and conflict prevention/mitigation. Brian is a graduate of Juneau-Douglas High School.

Mark Myers: Vice Chancellor, Research

mdmyers@alaska.edu
http://www.uaf.edu/research/
Ph: 907.474.6000 Fax: 907.474.5444

Center for Research Services
University of Alaska Fairbanks
212 West Ridge Research Building
P.O. Box 757270
Fairbanks, AK 99775-7270

Mark Myers serves as the Vice Chancellor for Research at the University of Alaska Fairbanks where he oversees administration of the university's $123-million-per-year research enterprise and supervises the university's standalone research institutes.

Prior to serving in this capacity Myers held various senior executive, scientific research and petroleum industry positions including the State of Alaska Natural Gas Pipeline Coordinator and the 14th Director of the United States Geologic Survey where he managed the Nation's largest water, earth and biological science and civilian mapping agency. Before joining the USGS he was employed as State Geologist and Director of the Division of Oil and Gas for the State of Alaska. He has also worked in various exploration and development positions with Chevron, ARCO, and Phillips Petroleum. In 2003 Myers retired as a Lt.Col. from the Air Force Reserve.

Myers is an internationally recognized clastic sedimentologist and expert on North Slope petroleum geology. He holds BS and MS degrees in Geology from the University of Wisconsin-Madison and a Ph.D. in Geology from the University of Alaska-Fairbanks.

27-LS1109\M.1
Nauman
1/26/12

AMENDMENT

OFFERED IN THE HOUSE

TO: HCR 19

Page 4, line 5:

Delete "revenue generation"

Insert "private sector job expansion, revenue generation,"

affordable energy options,
value added options,
competitiveness

Education

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 7, 2012.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz (Sub-Committee conflicts until 2.28.12)
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]
<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

First today we have HCR 19, Oil & Gas Policy/Norway Policy Tour back before us again. (Third time's a charm, I'm hoping.) Then we'll hear from Updates from DCCED on:

- **Broadband Task Force**
- **Division of Econ. Development**
- **Tourism Section**

(Comm. Bell and DC Thayer presenting)

HCR 19 Committee Discussion / Bill Action

(Amendment M.1 was Keller's original amendment, now incorporated into M.2.)

- **Keller amendment M.2**

Ask OLSON? to move amendment M.2

- **Object for discussion**
- **Remove objection**

M.2 Inserts "Private sector job expansion, affordable energy options, value-added options," on p.4, line 5

- **Gardner amendments M.3 and M.4**

Assuming you want to move the Resolution:

The chair would entertain a motion to move HCR 19 from committee.

- version number (as amended) with individual recommendations and attached zero fiscal note

Please remind members to sign the committee report

DCCED: Comm. Bell and DC Thayer presenting together.

[Note for next meeting]:

There will be no EDT meeting on Thursday, Feb. 9, due to Leg. Council. As for next week, stay tuned.

Rep. Berta Gardner's Proposed Amendments M.3 and M.4 to HCR 19

Amendment M.3

On Page 2, after Line 21, INSERT a new sentence:

"(13) Norway has developed a free, comprehensive and rigorous educational system spanning pre-school to graduate school that contributes to a vibrant national economy by providing professional expertise for the oil and gas sector; and"

Amendment M.4

On Page 4, after Line 6, INSERT a new sentence:

"FURTHER RESOLVED that the Alaska State Legislature shall explore measures to support in-state educational systems and training programs necessary to provide world-class, professional expertise in the oil and gas sector to Alaska, and potentially to other states and nations; and be it"

Rep. Berta Gardner's Proposed Amendments M.3 and M.4 to HCR 19

New Amendment M.3
On Page 2, after Line 21, INSERT a new sentence:
"(13) Norway has developed a free, comprehensive and rigorous educational system spanning pre-school to graduate school that provides professional expertise for the oil and gas sector and contributes to a vibrant national economy; and"

Amendment M.4
On Page 2, after Line 21, INSERT a new sentence:
"(13) Norway has developed a free, comprehensive and rigorous educational system spanning pre-school to graduate school that provides professional expertise for the oil and gas sector and contributes to a vibrant national economy; and"

HJR

15

<TARGET><BILL>HJR 15</BILL><SUBJECT>HJR
15</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, February 22, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson (going to be late)
- Representative Gardner
- Representative Keller
- Representative P. Wilson
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<

- Kerre Fisher, Deputy Director of the Division of Public Health, DHSS (Questions only)
- DNR Commissioner Dan Sullivan (invited)
- Dr. Buck Sharpton, USARC (invited)

Now we have a Presentation from David Gottstein, "Getting Alaskans' Gas to Alaskans in the Shortest Amount of Time, while Maximizing an Export Opportunity". Mr. Gottstein, please state your name and affiliation for the record.

(He needs 30 minutes plus time for questions)

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Thursday, March 17, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

<<

Committee discussion on HJR 15.

Assuming you want to move the bill:
The chair would entertain a motion to move HJR 15 from committee.

- version number with individual recommendations and attached zero fiscal notes

Take a brief at ease for the signing of the committee report

We are honored now to be joined by Canadian Consul General Denis Stevens on his first visit to Juneau. You should all have his bio in front of you, so let's take a look at that. "Denis Stevens joined the Department of Foreign Affairs and International Trade in 1996, where he served as policy adviser to the minister of foreign affairs, deputy director in the Human Rights Division and director of policy in the Secretariat on War-Affected Children. Mr. Stevens has, since 2001, served in management positions at the departments of Justice, Indian and Northern Affairs, Public Safety, and at the Privy Council Office. Since 2007, he has been the director general of intergovernmental relations and public outreach at Foreign Affairs and International Trade Canada. He is married to Geneviève Chanteloup, and they have two daughters. Mr. Stevens succeeds Peter Lloyd."

Consul General, welcome to Juneau. Please state your name and affiliation and proceed with your presentation sir.

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

State Capitol • Juneau, Alaska 99801-1182
Phone: (907) 465-4942 • Fax: (907) 465-4589

House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

Akiachak
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

House Joint Resolution 15

"Relating to collaboration with the Yukon and the Northwest Territories through the Pacific NorthWest Economic Region and its Arctic Caucus to address common issues."

The Arctic Caucus was formed in November 2009 as an informal group of legislators, government officials, business leaders, and leaders of nonprofit organizations committed to the responsible development of North America's Arctic regions, including Alaska, Northwest Territories, and the Yukon. The Arctic Caucus is now a working group within the Pacific Northwest Economic Region (PNWER), a statutory public-private partnership which promotes economic development between three Canadian provinces, two territories and five American states, including Alaska. Alaska was a founding member of PNWER in 1991. The Arctic Caucus is designed to facilitate communication and cooperation among the Arctic Caucus member jurisdictions.

The Arctic Caucus held its first Leadership Forum in Barrow, AK Dec. 1-3, 2010. This meeting was attended by six Alaska legislators, key officials from the US and Canada, and leadership from Yukon and the Northwest Territories.

Issues on which the Arctic Caucus has agreed to focus on include:

- Increasing cooperation on scientific research and vessel tracking
- Exploring strategies to reduce tension between local users and industry
- Identifying bi-national economic development opportunities through tourism
- Regional infrastructure and partnership development
- Exploring increased cooperation in emergency and disaster preparedness, and
- Increasing coordination of search and rescue efforts.

This resolution encourages the Alaska Legislature to collaborate with the legislative assemblies of the Yukon and the Northwest Territories through PNWER and its Arctic Caucus to facilitate communication and cooperation among the Arctic Caucus member jurisdictions and, as a result, to more effectively address common problems.

Notably, the Arctic Caucus will also strive to promote a synchronized message detailing the common needs of the Arctic Caucus member regions to their respective federal governments and emphasizing that coordinated United States and Canadian federal policies are vital for the well-being of the region's citizens.

This resolution's final resolve calls on "the governments of the Yukon and the Northwest Territories to join Alaska in an enduring alliance to pursue the common goals of their regions." We feel the time has come for such an alliance and are confident it will be embraced by our closest Canadian neighbors. We further hope and expect that the Alaska Legislature will welcome this spirit of northern camaraderie and support this resolution as a vehicle toward increased cooperation in the Arctic.

HJR 15 encourages the Alaska Legislature to support the Arctic Caucus within the Pacific Northwest Economic Region (PNWER).
First very briefly on PNWER: (we'll hear more from PNWER CEO Matt Morrison later)

- Founded in 1991, PNWER is the only statutory, non-partisan, bi-national, public/private partnership in North America.
- Includes 5 US states, 3 Canadians provinces and 2 Territories
- PNWER Mission:
    - To increase the economic well-being and quality of life for all citizens of the region.
    - To coordinate provincial and state policies throughout the region; to identify and promote "models of success;" and to serve as a conduit to exchange information.

Arctic Caucus
Thru facilitation of 18 working groups PNWER is able to tackle a wide range of issues. The Arctic Caucus is one such working group. First proposed by Sen. McGuire in October 2009, the PNWER Arctic Caucus was formed as an informal group of legislators, government officials, business and non-profit leaders all working to responsibly develop North America's Arctic. The Arctic Caucus's first open meeting was in July of 2010 during the annual PNWER meeting in Calgary. Most recently the group met in Barrow Dec. 1-3. The purpose of the group is to provide a forum within PNWER for Alaska, NWT, and the Yukon to discuss issues of mutual concern, share information, and identifying areas for possible collaboration. You can see on pages 8 and 9 of the PNWER handout the action items the Arctic Caucus agreed to in Barrow.

One of these action items is to "Promote a pan-Northern approach to federal government" and includes this Resolution. In fact, in the Resolution, (p.2, line 28) we can read: "the Arctic Caucus will also strive to promote a synchronized message detailing the common needs of the Arctic Caucus member regions to their respective federal governments and emphasizing that coordinated United States and Canadian federal policies are vital for the well-being of the region's citizens."

And the resolution's final resolve calls on "the governments of the Yukon and the Northwest Territories to join Alaska in an enduring alliance to pursue the common goals of their regions." We feel the time has come for such an alliance and are confident it will be embraced by our northern Canadian neighbors. We further hope and expect that the Alaska Legislature will welcome this spirit of northern camaraderie and support this resolution as a vehicle toward increased cooperation in the Arctic.

Representative Bob Herron

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House District 38
Kuskokwim & Johnson Rivers
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Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

Sponsor Statement
CS HJR 15 (EDT)

"Relating to collaboration with the Yukon and the Northwest Territories through the Pacific NorthWest Economic Region and its Arctic Caucus to address common issues."

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This resolution's final resolve calls on "the governments of the Yukon and the Northwest Territories to join Alaska in an enduring alliance to pursue the common goals of their regions." We feel the time has come for such an alliance and are confident it will be embraced by our closest Canadian neighbors. We further hope and expect that the Alaska Legislature will welcome this spirit of northern camaraderie and support this resolution as a vehicle toward increased cooperation in the Arctic.

HJR 15 (27-LS-0477\M) EDT CS

Conceptual Amendments:

P. 2, line 13 after "including," insert:
"limited educational opportunities, minimal distance-delivery education infrastructure and the need for expanded workforce development programs;"

On page 2, line 26 after "partnerships;" insert:
"supporting Arctic marine safety through appropriate jurisdictional licensing of marine pilots;"

ROB XJ141

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **HJR 15**
() Publish Date

Identifier (file name) HJR15-LEG-COU-3-17-2011
Title "Relating to Collaboration with the Yukon and the Northwest Territories through the Pacific NorthWest Economic Region..."
Sponsor Representative Herron
Requester House Special Committee on Economic Development, Trade...]

Dept. Affected Legislature
Appropriation Legislative Council
Allocation Session Expenses
OMB Component Number 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by Shane Miller, Finance Manager
Division Legislative Affairs Agency
Approved by Pamela Varni, Executive Director
Legislative Affairs Agency

Phone 465-6626
Date/Time 3/17/11 7:53 AM
Date 3/17/2011

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HJR 15

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

Lieutenant Governor Mead Treadwell
STATE OF ALASKA

February 21, 2011

The Honorable Representative Herron
Chairman House Special Committee on Economic Development,
Trade & Tourism
State Capitol Room 411
Juneau, Alaska 99811

Dear Representative Herron,

I appreciate the opportunity to be able to provide comment on HJR 15. For the record, I am Mead Treadwell, Lieutenant Governor, State of Alaska.

First, I would like to underscore the premise of this resolution: The Arctic is strategic to Alaska, the nation and the world. We feed, fuel, and defend America from the Arctic. Our Arctic location makes us a global player in aviation, and increasingly in shipping. Our Arctic scenery and culture inspires the world, and we have a major share of Arctic tourism. Arctic research conducted by Alaskans is central to global discussions on energy, climate change, shipping, health and biodiversity.

The Arctic Caucus of PNWER, and PNWER itself, is a way for us to get the word out about these important things we do, and want to do. It is a way to promote cooperation we need to develop our resources safely, protect our environment, establish safe, secure, reliable shipping, solve the Alaska-Canada border disputes, promote common investment in infrastructure, ranging from aids to navigation, oil spill response, search and rescue capability, energy development, ports and icebreakers.

As a joint resolution is an expression of the sense of the house and senate rather than of the administration, we will not be taking a position on whether or not the resolution should pass. Instead, we would like to express our appreciation for the Legislature's willingness to consider these important issues and pledge our willingness to work together on them.

Sincerely,

Mead Treadwell
Lieutenant Governor

Juneau Office: Post Office Box 110015 • Juneau, Alaska 99811 • 907.465-3520 voice • 907-465-5400 fax
Anchorage Office: 550 West 7th Avenue, Suite 1700 • Anchorage, Alaska 99501 • 907.269.7460 voice • 907-269-0263 fax
lt.governor@alaska.gov • www.ltgov.alaska.gov

Lieutenant Governor Mead Treadwell
Special Committee on Economic Development, Trade and Tourism
Testimony HJR 15
February 22, 2011

As Lt. Governor, I have been asked by Gov. Parnell to take the lead for Alaska on its work with the 8-nation Arctic Council, the regional governments of the Northern Forum. I serve as a liaison to the U.S. Arctic Research Commission, which I used to chair. I co-chair the State Committee on Research. In these responsibilities I work closely with the governor and his cabinet, and groups in Alaska working on Arctic issues, including specific committees of the Legislature and the Northern Waters Task Force.

My point in coming here today is to underscore the premise of this resolution:
The Arctic is strategic to Alaska, the nation and the world. We feed, fuel, and defend America from the Arctic. Our Arctic location makes us a global player in aviation, and increasingly in shipping. Our Arctic scenery and culture inspires the world, and we have a major share of Arctic tourism. Arctic research conducted by Alaskans is central to global discussions on energy, climate change, shipping, health and biodiversity.

The Arctic Caucus of PNWER, and PNWER itself, is a way for us to get the word out about these important things we do, and want to do. It is a way to promote cooperation we need.

Cooperation will help:

a. To develop our resources safely. One example is the potential for common oil and gas standards. There are six Arctic nations exploring for oil offshore.
b. To protect our environment. We need common work on fisheries, contaminants, climate response, biodiversity, subsistence.
c. To establish safe, secure, reliable shipping
d. To fix our borders
e. To promote common investment in infrastructure, ranging from aids to navigation, oil spill response, search and rescue capability, energy development, ports to make mining work in several jurisdictions, icebreakers, etc.

The Executive Branch will not take a position, per se, on this resolution. But as the Legislature works to build stronger ties with our neighbors, we remain committed to work together with you, and to make our partnerships with our neighbors stronger.

HOUSE ECONOMIC DEVELOPMENT, TRADE & TOURISM SPECIAL COMMITTEE MEETING

Conference Call - Thursday, March 16, 10:15 a.m.

Re: Response to House Joint Resolution No. 15 - Alaska State Legislature

Speaking Points for Assistant Deputy Minister for Conference Call

---

House Joint Resolution No. 15 relates to the support of collaboration between the Alaska State Legislature, Yukon Legislature and NWT Legislature through PNWER and through its Arctic Caucus to address common issues.

I would like to thank the committee for the invitation to participate in this conference call, and to extend Assistant Deputy Minister Hayden's regrets for being unable to make this presentation. We see PNWER and its Arctic Council as important mechanisms for collaboration in pursuing common goals and objectives in our respective regions.

The Honourable Jim Kenyon, Yukon government's Minister of Economic Development is very supportive of PNWER and has been very active in PNWER over the past several years.

Yukon government would support the passing of Resolution No. 15 in the Alaska State Legislature. The passing of this resolution would help to advance discussion, networking and collaboration within PNWER's Arctic Caucus and promote a pan-northern approach to our respective federal governments.

Yukon and Alaska have a long history as trade partners. We have an extremely close relationship historically, socially and economically.

Our economies are interlinked, Yukoners and Alaskans cross the border each way for goods, services, work and recreation, and this is an important part of the fabric of life in this area.

Resolution No. 15 would enhance the collaboration between our respective jurisdictions and create a stronger alliance through which to pursue the common goals of our regions.

Yukon forms the corridor between Alaska and the rest of North America, and therefore we share a number of key infrastructure priories including the development of port access, highway systems, alternative energy sources and telecommunications service and PNWER provides a forum for addressing these shared interests.

The Arctic Caucus is a unique approach and has great potential to benefit those of us living and working in the North, dealing with issues surrounding cold climate, remoteness and our needs for a sustainable economy through investment in transportation and communication infrastructure.

Yukon is moving forward with the expansion and diversification of its economy and the development of its vital infrastructure assets.

Our projections indicate that Yukon's population and economy will continue to grow, furthering our need to develop and maintain a strong and competitive infrastructure to meet these projections.

Yukon has an all-weather road system that is connected to Alaska, Alberta, British Columbia, and to the NWT.

Our highway system leads to tidewater access through Alaska, which is a prerequisite to the viability of many resource development projects in the territory.

Yukon government is participating in the development of the Yukon Ports Access Strategy with the Skagway Port Development Committee, and we believe this to be an important step towards meeting Yukon's commitment to secure tide water access in support of Yukon's resource industry.

Resource development is an important foundation of Yukon's economy and access to the Skagway Port is a major strategic advantage for our export to the Asian market.

As more Yukon resource projects advance to the production stage, our highway systems and availability to port access is crucial.

The Alaska Highway is a fine example of transportation infrastructure, a Canada/U.S. collaboration, of critical importance to each of our jurisdictions.

This infrastructure enables year-round tourism and commercial transportation to Alaska, and provides critical logistical support for construction and operation of the proposed Alaska Highway Natural Gas Transmission System to transport Alaska North Slope gas to mainland United States.

Yukon government is also committed to expanding Yukon's energy infrastructure that will provide an energy alternative to Yukoners and also provide mine sites with lower-costing green energy that will reduce the reliance on diesel power.

Sustainable energy is an important infrastructure element in any region and for Yukon it will meet our expanding population and economic growth.

The Alaska Highway Pipeline Project (AHPP) will provide options for gas-fired electrical generation which would remove current constraints to electrical generation.

In the long term, we would like to be connected to the North American grid.

Expanding our energy infrastructure remains a priority for the Yukon government, and will lead to the sustainable development and competitiveness of the PNWER region.

Access to reliable and affordable telecommunication services is another important infrastructure component for those living and working in the Arctic regions.

Yukon has been successful in ensuring that over 98 per cent of Yukon homes and businesses have access to broadband internet.

This access is provided through a 2,000 km fibre optic link between Whitehorse and Edmonton, Alberta completed in August 2009. Unfortunately this fibre is vulnerable to breach or impairment by human activity and natural events.

We are looking at the potential to build a second fibre optic link to the south that would enable an almost immediate switch over of voice and data traffic, with no degradation in service, thus improving the level of availability and reliability to institutions, businesses, and consumers.

Some of the routes being considered for the second fibre optic link would pass through the State of Alaska.

For a fibre build such as this to occur, it is likely that support from government sources would be required.

Telecommunications is an area of interest for PNWER and we continue to move forward on improving this important aspect of infrastructure.

I appreciate the opportunity to be part of the committee's discussion on this resolution.

Promoting and communicating a harmonized message detailing the common needs of the Arctic Caucus is important to the welfare of our respective jurisdictions.

HOUSE COMMITTEE REPO

(9)
Date Referred to Committee: February 2, 2011 **FURTHER REFERRALS:**

Date of Committee Action: 3.17.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered:
HJR 15

HOUSE JOINT RESOLUTION NO. 15
Relating to collaboration with the Yukon and the Northwest Territories through the Pacific NorthWest Economic Region and its Arctic Caucus to address common issues.

HJR 15-SUPPORT ARCTIC CAUCUS

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* HJR 15 (EDT)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR _____ [X] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
1	LEG			X

***PREVIOUS* FISCAL NOTES**

FN#	List by Dept(s):	Fiscal	Indet.	Zero

(Le)

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Berta Gardner	Gardner	X			
Allen M Thompson	Thompson	X			
[illegible]	OLSON	X			
Wes Keller	Keller	X			
Chris Tuck	Tuck	X			
Chair:					
Chair: [signature]	HERRON	X			

The United States Coast Guard & the Consulate of Canada, Anchorage

Invite you to help honour U.S. Canada collaboration in the Arctic

Please join us for a reception at the
United States Coast Guard Buoy Deck Clubhouse
Located in the Downtown USCG Station
345 Egan Drive

6 to 8 p.m. on Thursday, March 17

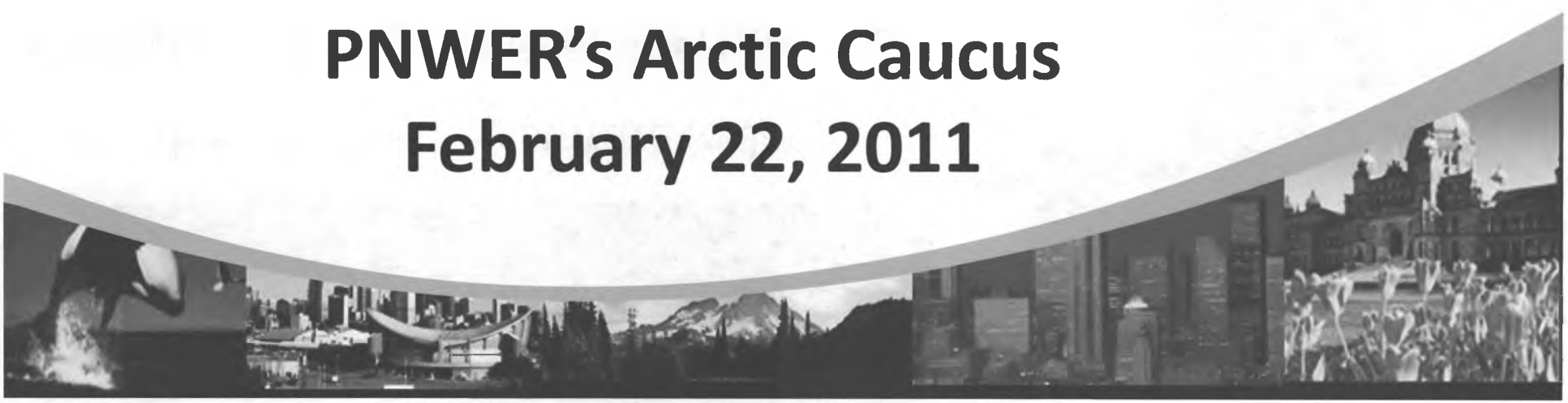
The event will provide an opportunity to meet Canada's Consul General Denis Stevens on his inaugural visit to Juneau.

Hors d'oeuvres, beer and wine will be served

Consulate of Canada / Anchorage
Consulat du Canada / Anchorage

Pacific NorthWest Economic Region

PNWER's Arctic Caucus
February 22, 2011



PNWER Profile



- PNWER – formed by statute in 1991
- PNWER is a Public/Private Partnership
- Alaska, Alberta, British Columbia, Idaho, Oregon, Montana, Saskatchewan, Washington, Yukon & Northwest Territories
- Alaska Delegate Council:
  - Governor Sean Parnell
  - Sen. Fred Dyson
  - Sen. Charlie Huggins
  - Sen. Lesil McGuire
  - Sen. Tom Wagoner
  - Rep. Anna Fairclough
  - Rep. Bryce Edgmon
  - Rep. Lindsey Holmes
  - Rep. Peggy Wilson

Recent Successes

- Facilitation of Enhanced Drivers License
- Legislative Energy Horizon Institute
- 2010 Olympics and Border Symposium
- Arranged visit for AK Legislators to Alberta Oil Sands
- Foundation of the Arctic Caucus
- Support of international rail connection BC-WA

Arctic Caucus

- Founded in 2009 during Presidency of Senator McGuire
- A forum for PNWER Northern Jurisdictions to enhance collaboration amongst themselves and with other members
- Lead by Alaska, Yukon and Northwest Territories
- First Leadership Forum held in Barrow, Dec. 2010

Action Items – (see Arctic Caucus Report for complete list)

- Advocate for cabinet-level (US) participation in the Arctic Council
- Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)





Action Items – (see Arctic Caucus Report for complete list)

- Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/exercises
- Promote federal support of the Alaska/Canada highway and Shakwak funding.



Other Identified Issues :

- Gas Pipeline development
- UN Convention on the Law of the Sea
- Transmission/Local Energy Development
- Joint Tourism/Marketing
- Training/Workforce Development
- Support development of youth exchange programs
- Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure.

Next Steps

- Arctic Caucus will meet at PNWER Summit in Portland Oregon, July 2011
- Second Leadership forum will be held August 18 – 19 in Yellowknife, NWT
- Meetings in Washington, DC and Ottawa to push Action Items to both Federal Governments
- Further development of plan for implementation and support of Arctic Caucus

Contact

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Seattle, WA 98121
206-443-7723
www.pnwer.org
Matt.Morrison@pnwer.org

HJR 15 - Support Arctic Caucus

For House Economic Development, Trade and Tourism Committee – 2.22.11

Representative Bob Herron, Chair

Arctic Caucus Members



•Northwest Territories (NWT): 440,000 sq. mi. – pop. 41,464



•Yukon: 186,272 sq. mi. – population 30,989



•NWT & Yukon Combined: 626,272 sq. mi. – pop. 72,453



•Alaska: 586,412 sq. mi. – population 698,473



Arctic Caucus members of PNWER

Source: DNR

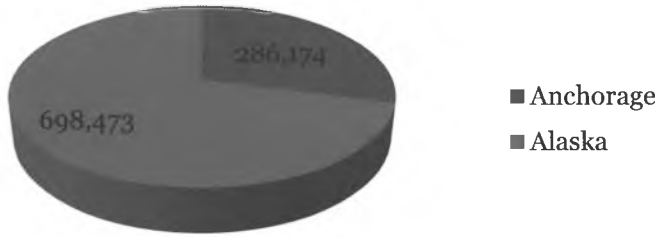
Largest Settlements

❖41% of Alaska's population lives in Anchorage

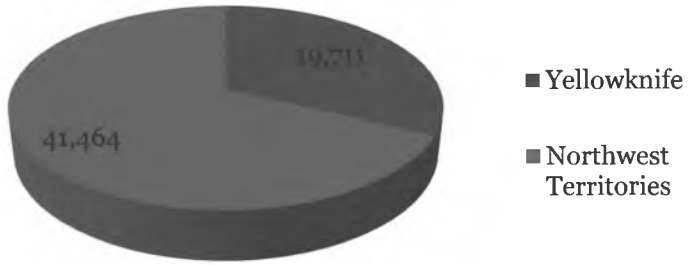
❖48% of the Northwest Territories population lives in Yellowknife

❖66% of the Yukon's population lives in Whitehorse

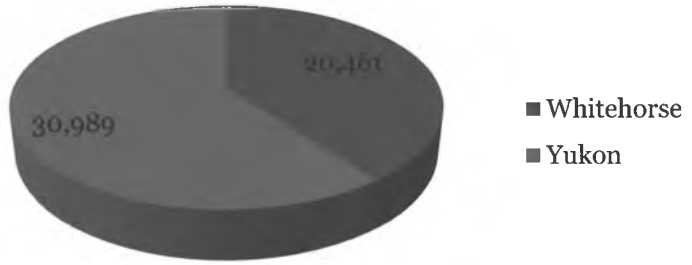
Anchorage



Yellowknife



Whitehorse

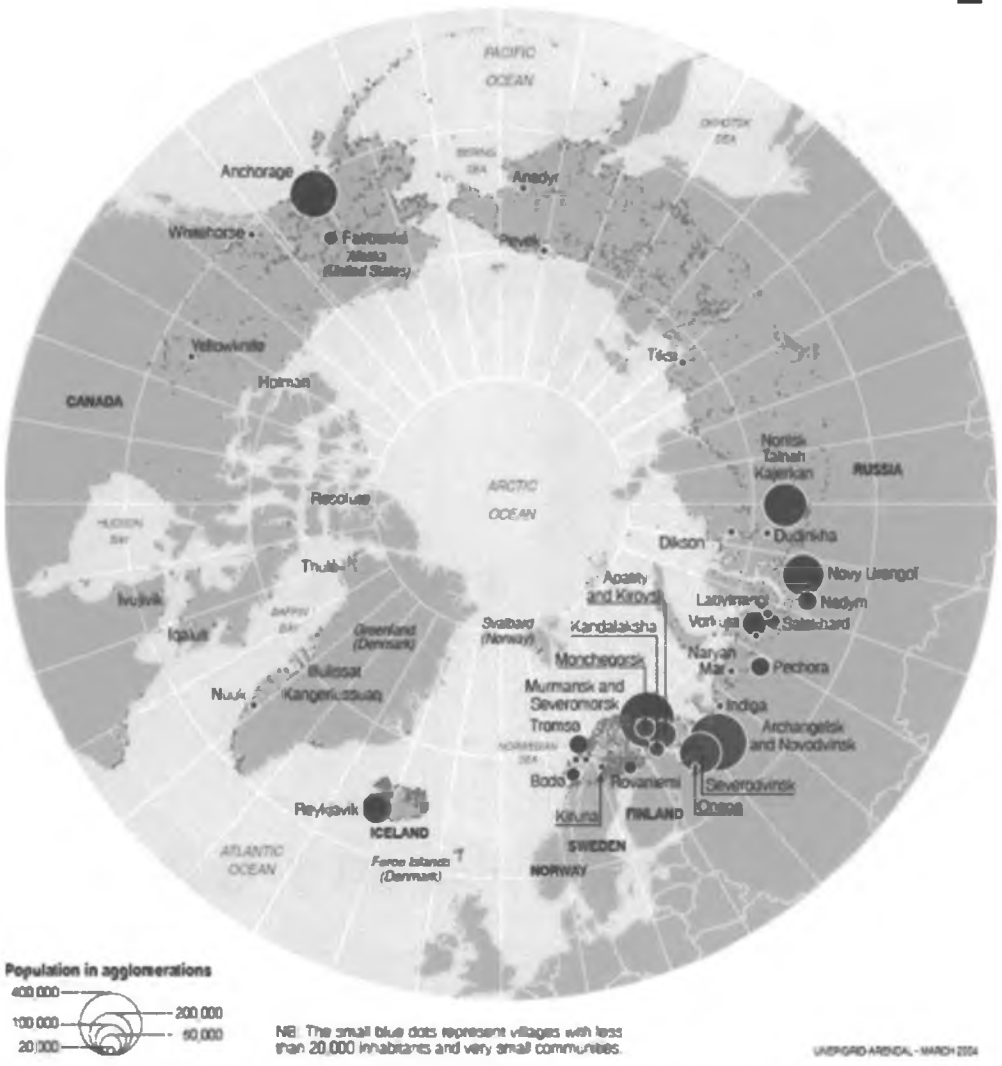


Gross Domestic Product Per Capita

- NWT: $ 116,773
- Yukon: $ 56,474
- Alaska: $ 73,786



Arctic Population

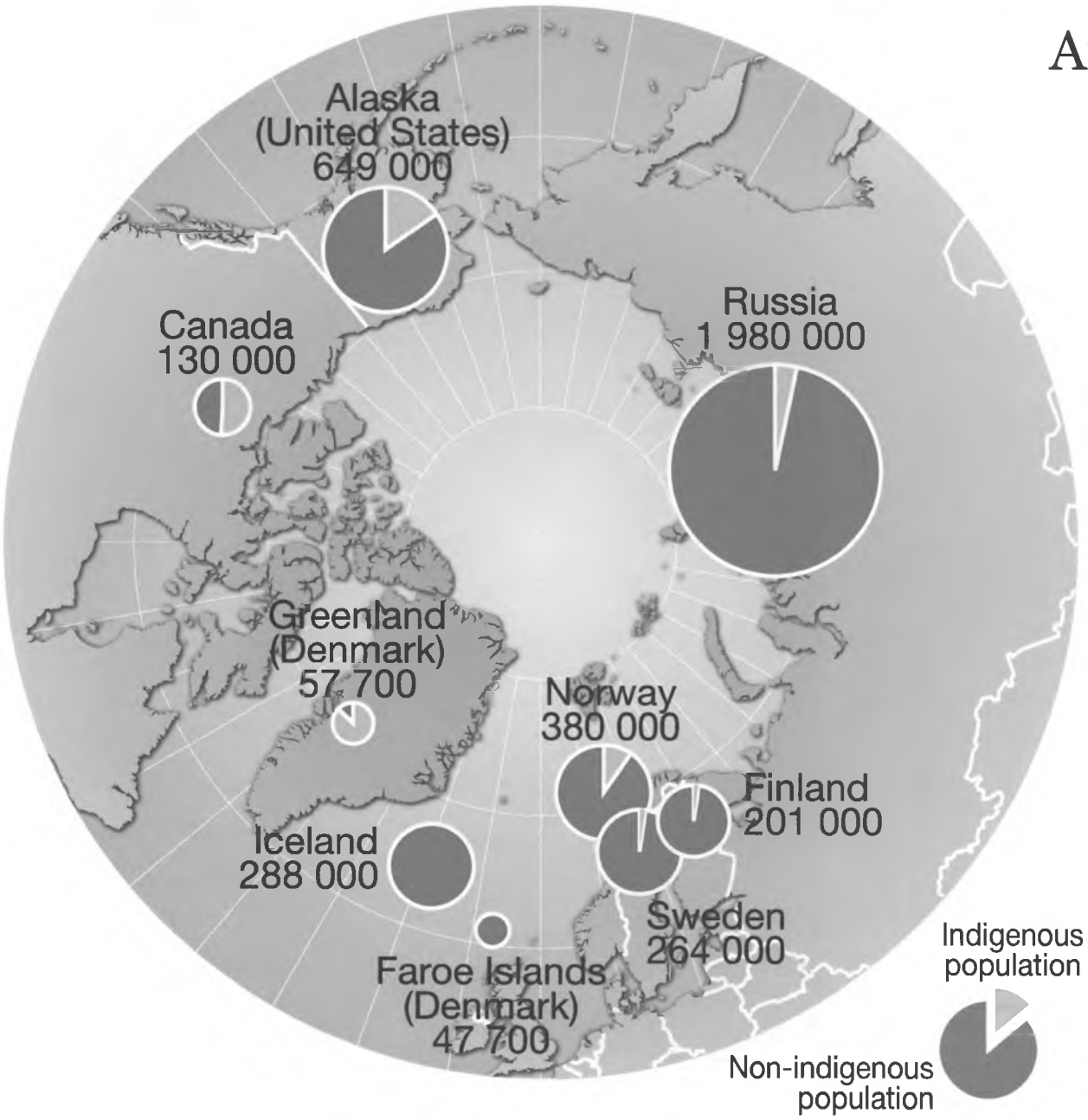


Sources: United States: US Census Bureau, 2002 and United States department of commerce 1993; Canada: Statistics Canada, 1996 and 2002; Greenland: Statistics Greenland, 1994 and 2002; Faroe Islands: Faroe Islands Statistics, 2002; Iceland: Statistics Iceland, 2002; Norway: Statistics Norway, 2002; Sweden: Statistics Sweden, 2002; Finland: Statistics Finland, 2002; Russia: State Committee for Statistics, 2003; Republican information and publication center, 1992; State committee of the Russian Federation for statistics 1992; World Wild Fund (WWF) Norway.

Alaska	649,000	162
Russia	1,980,000	496
Canada	130,000	33
Greenland	57,700	14
Norway	380,000	95
Finland	201,000	50
Sweden	264,000	66
Iceland	288,000	72
Faroe Islands	47,700	12
	3,997,400	1000

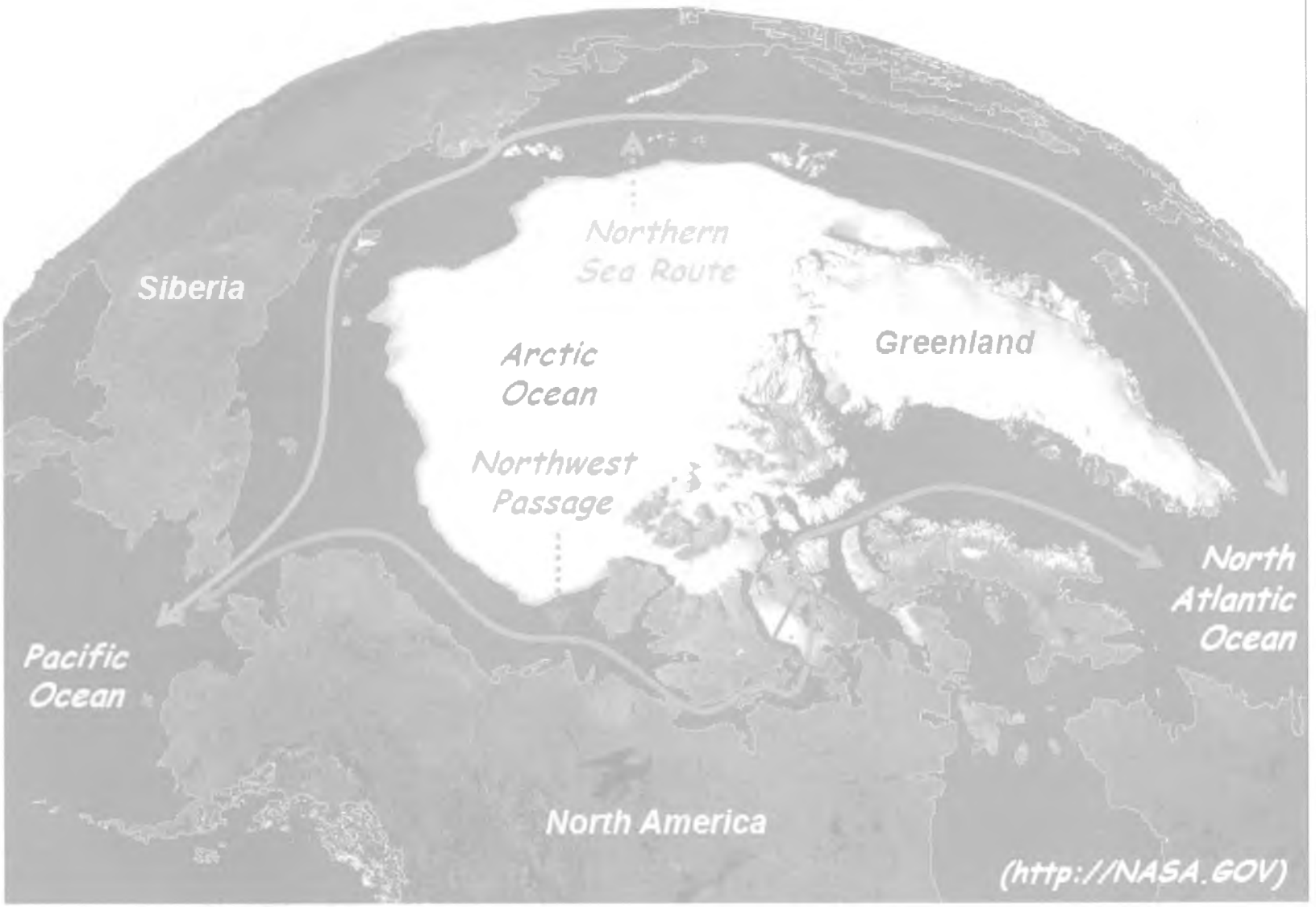
Table Source: GRID-Arendal -- United Nations Environment Programme.

Arctic Population

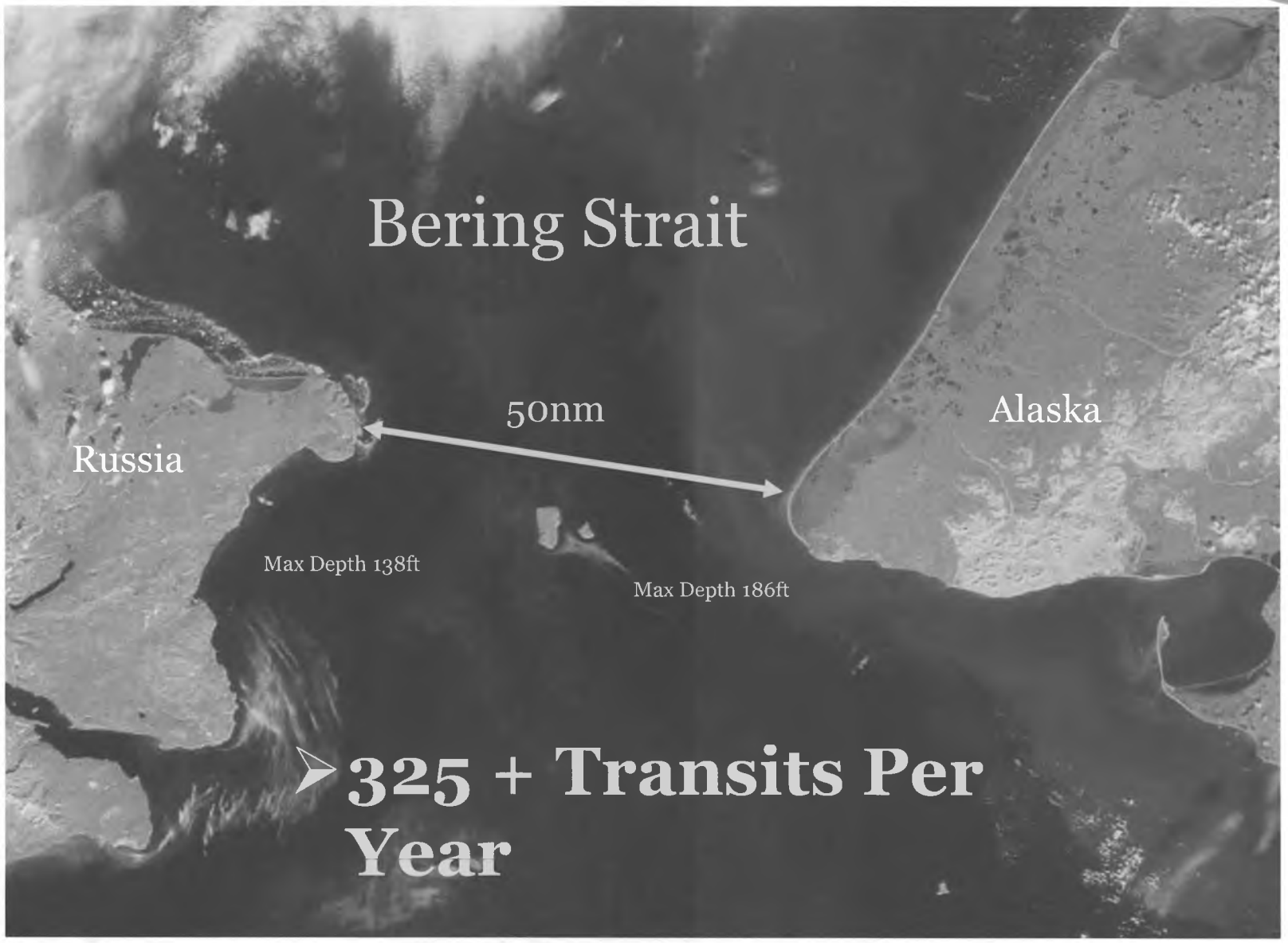


Source: GRID-Arendal -- United Nations Environment Programme.

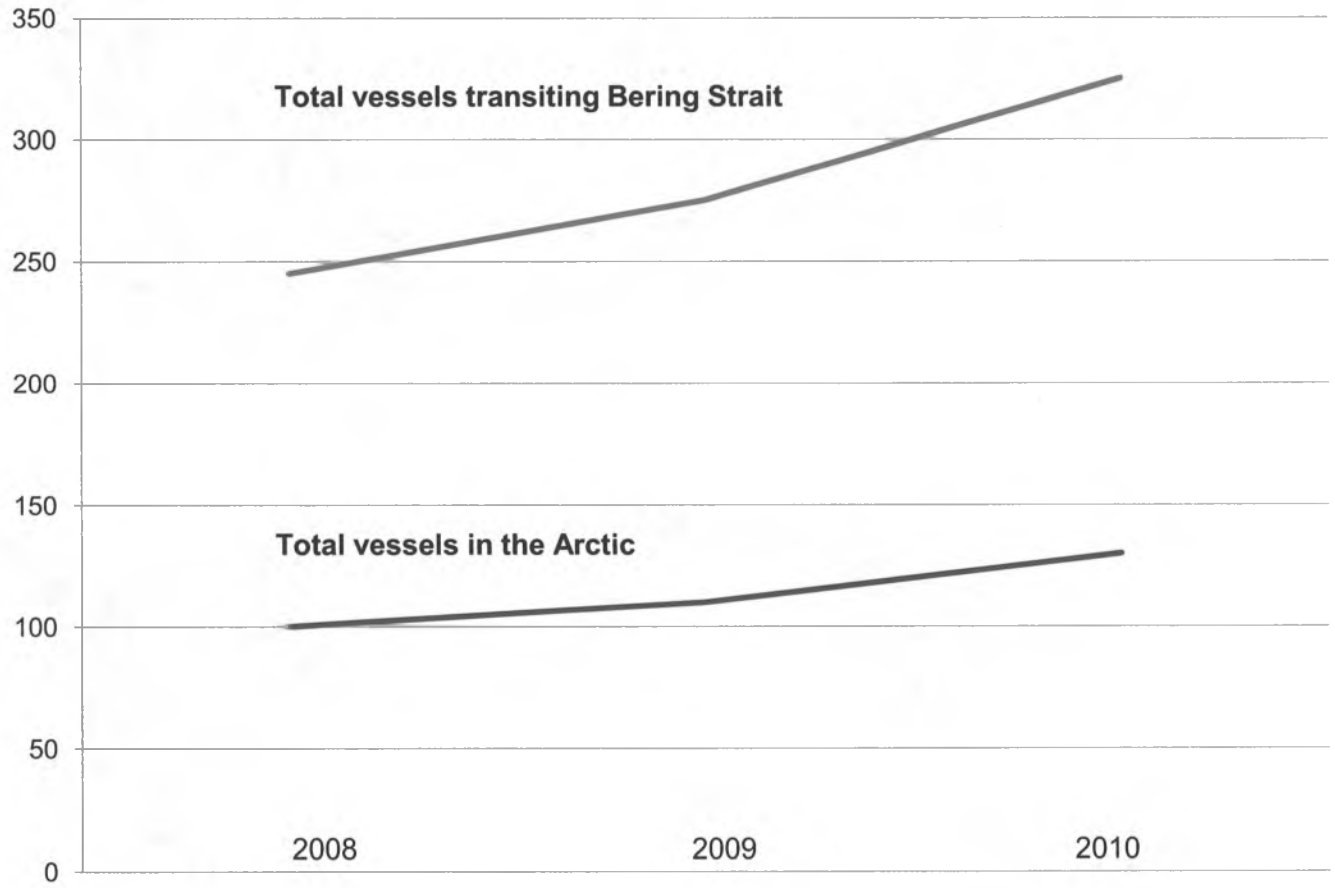
Arctic Sea Ice Extent 2005 Record Minimum



Alaska's Strait of Gibraltar



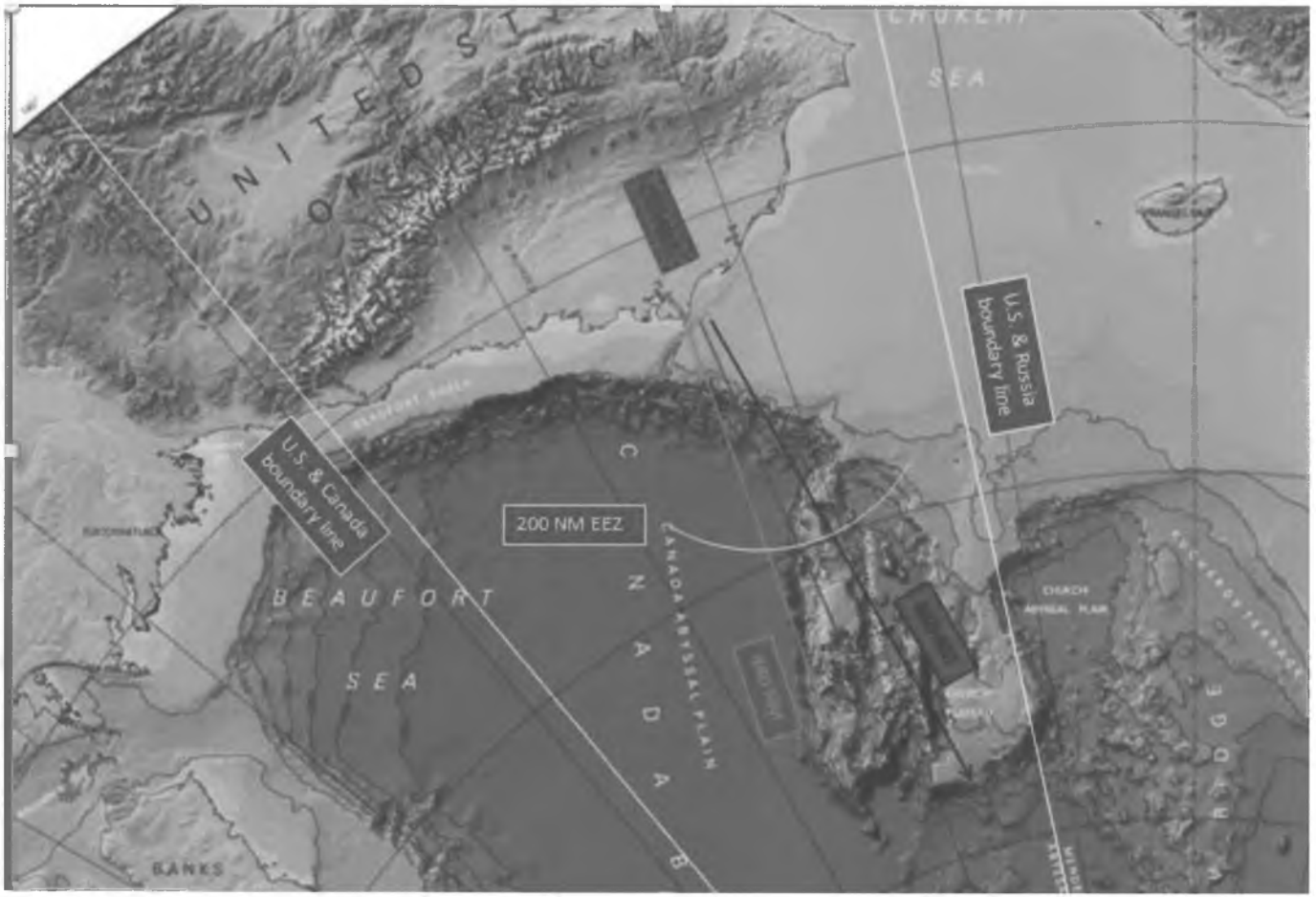
Increased Vessel Activity



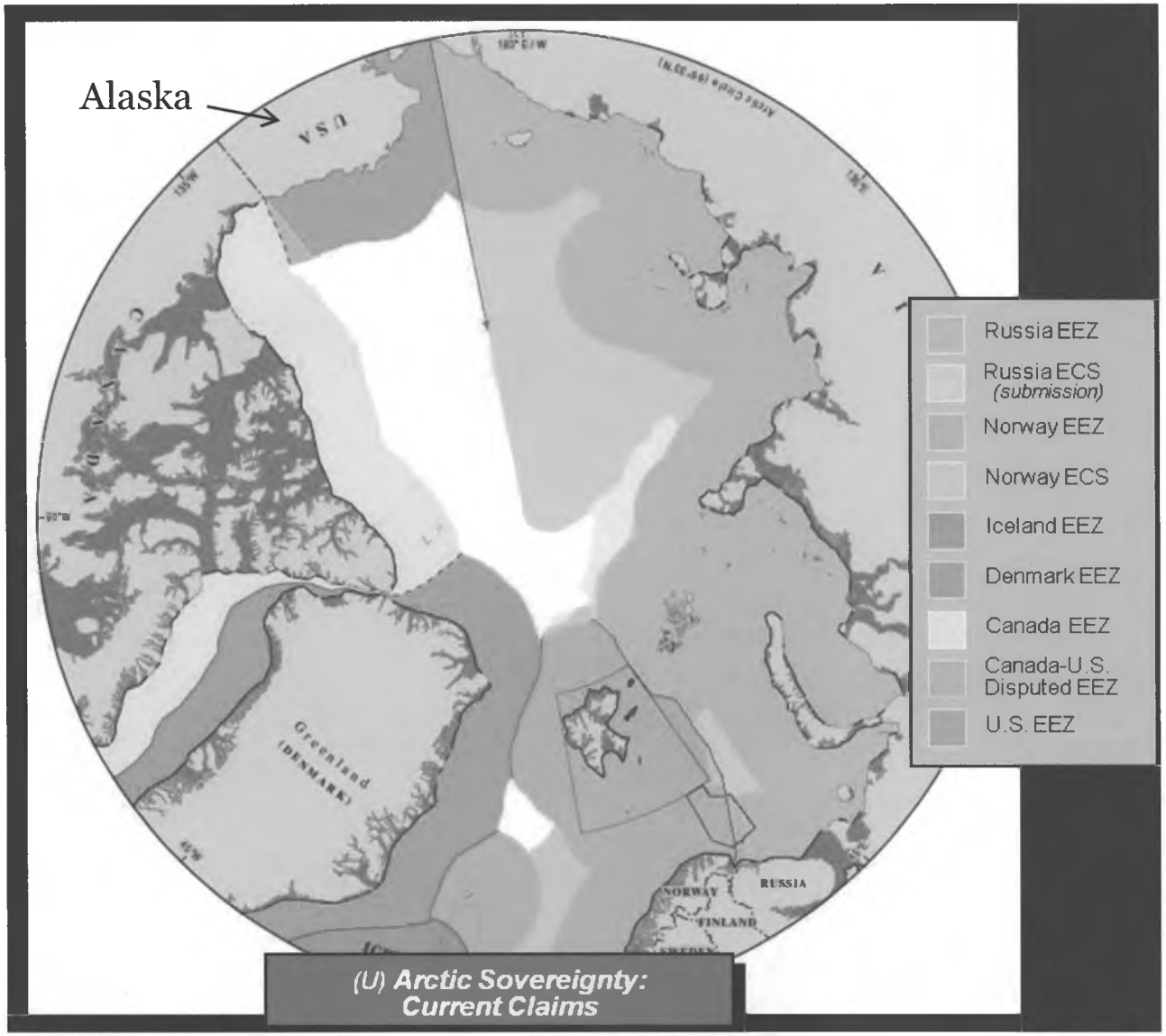
Extended Continental Shelf Claims Under UNCLOS

Under the United Nations Convention on the Law of the Sea (UNCLOS), coastal countries have resource control over an Exclusive Economic Zone (EEZ) from shoreline out to the edge of the continental shelf or 200 miles, whichever is farther.

Potential Extended Continental Shelf Claim

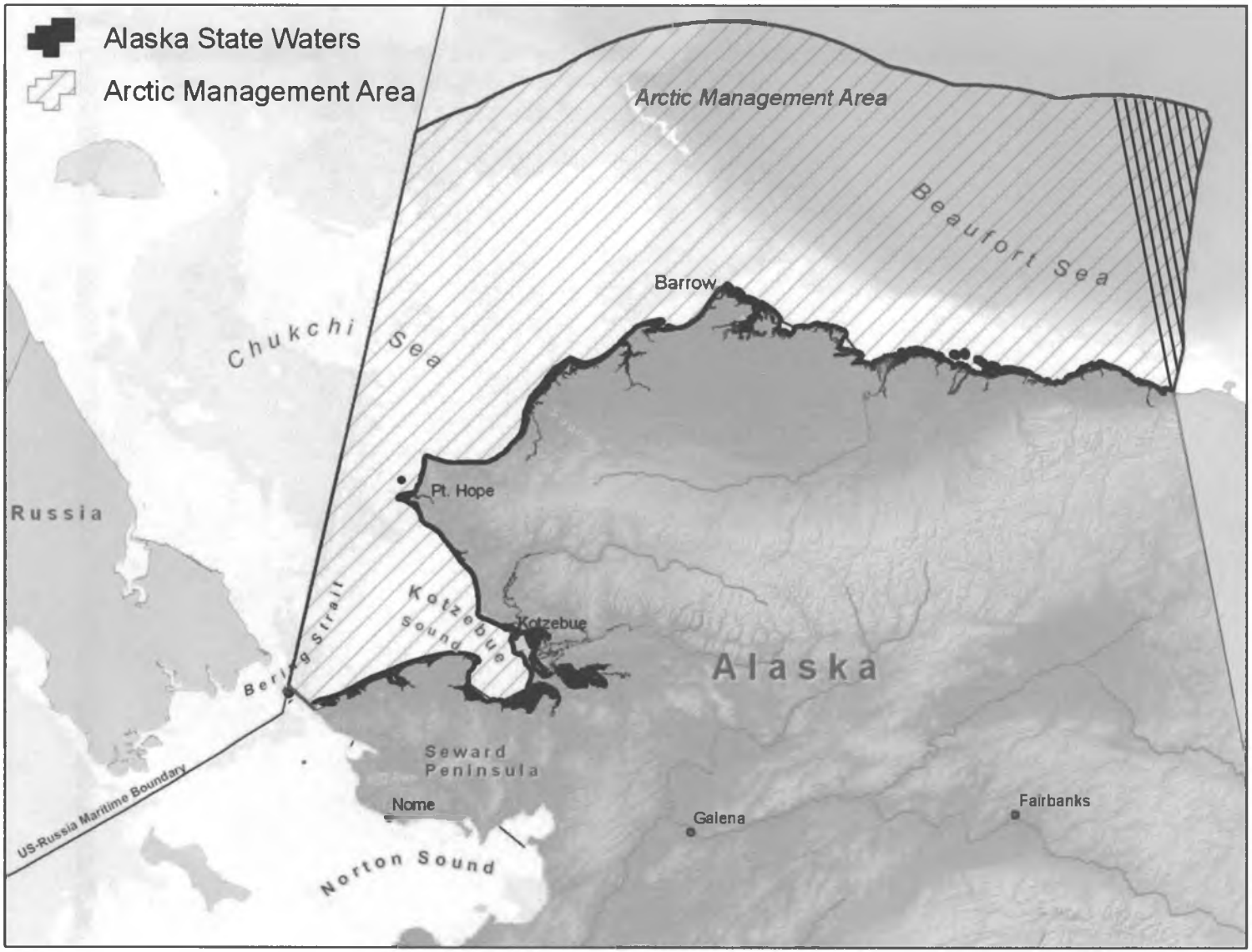


Remaining White Space



(U) ***Arctic Sovereignty: Current Claims***

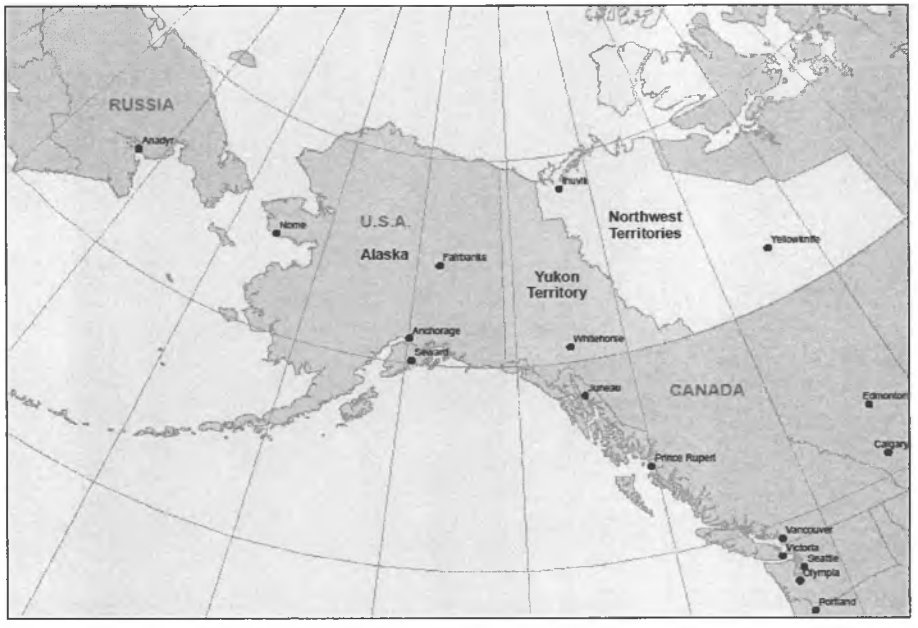
Note: The United States can make an Extended Continental Shelf Claim north of the U.S. EEZ when UNCLOS is ratified by the U.S. Senate.



Cross-hatched regions is claimed by both Canada and the United States.

For House Economic Development, Trade and Tourism Committee – 2.22.11

THANK YOU!



Arctic Caucus members of PNWER

Airfare (Return)

- $1227 for a flight from Anchorage to Whitehorse
- $1239 for a flight from Anchorage to Yellowknife
- (Yet, it is only $1119 from Anchorage to Istanbul)

Driving Distances

- Anchorage to Whitehorse is 706 miles by road
- It's 990 miles from Anchorage to Inuvik
- It's 2227 miles from Anchorage to Yellowknife
- Skagway to Whitehorse: 107 miles

Canada and Alaska:
Partners for Growth

A competitive advantage in a challenging World

Canada

Canadians and Americans share common challenges

- Global financial challenges
- The emergence of powerful economic competitors such as China and India
- The need to stimulate economic growth and promote job creation
- The need to maintain security

Canada

But we also share mechanisms that can help us respond to these challenges…

- Both countries are highly industrialized, well established democracies
- Both are leading members of numerous important economic and political organizations, including the G8, APEC and NATO
- Both are partners in a North American Free Trade Agreement that has nurtured one of the largest and most complex economic partnership in the world

Canada

And we have an established relationship upon which we can build…

- Canada is by far the largest buyer of US goods: over USD $204 Billion in 2009.
- More than 8 million U.S. jobs are supported by trade with Canada (2009)
- More than 16,000 company locations in the U.S. are Canadian owned: they employ 557,000 Americans (2009)
- For every $1 worth of goods China buys from the U.S., Canada buys almost $3 ($2.94).

Canada

Canada's Role in AK's Economy

- **Jobs: 3,500+ across AK in 2008**
  - $255 million in payroll annually
  - Indirect & direct employment
    - 8,500 jobs resulting in $430 million payroll
- **Trade:** $866 million in Canada-related trade in 2009
  - **24,000** Alaska jobs depend on the Canada-Alaska trade relationship

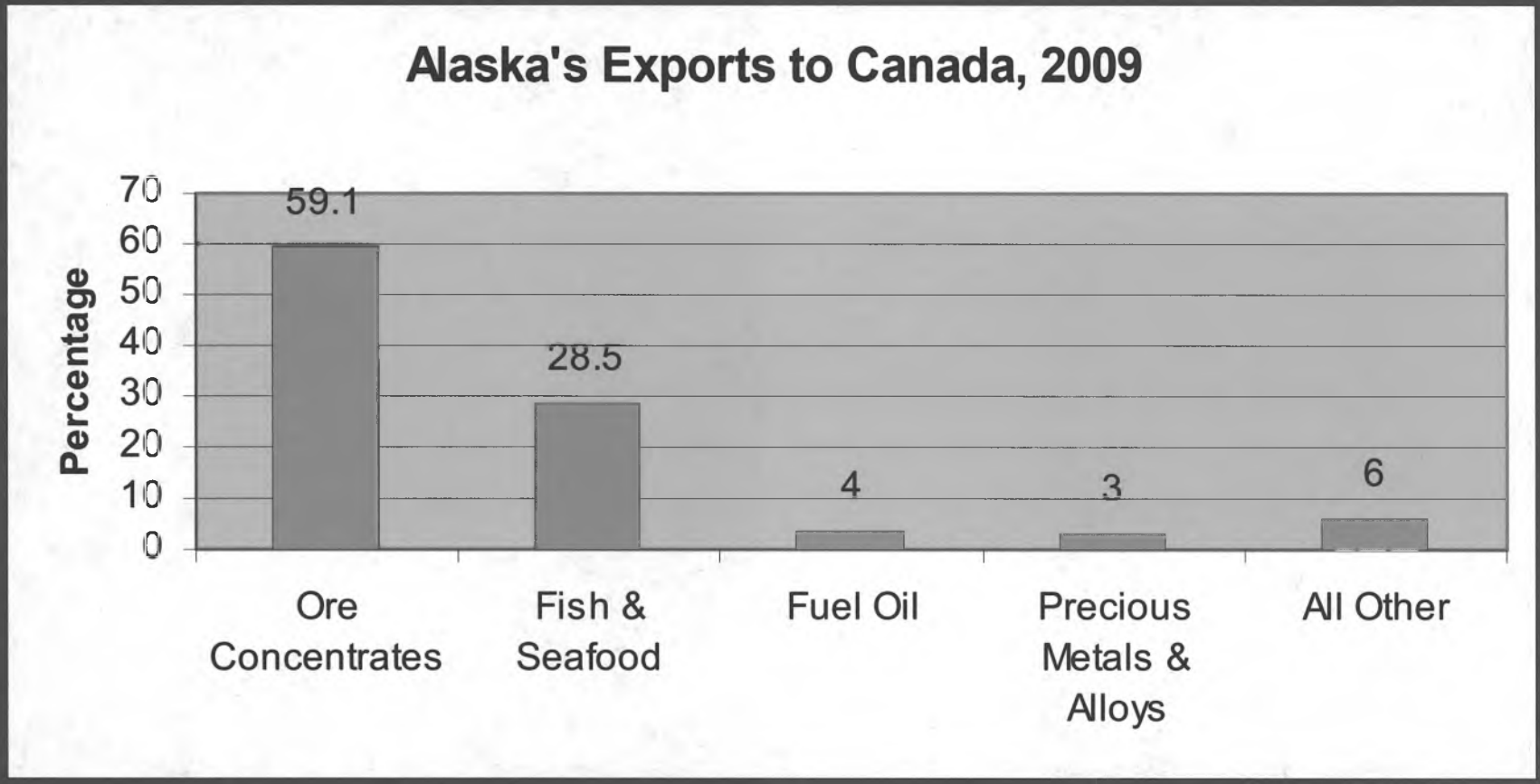
Canada

Canada's Role in AK's Economy

- **Economic Influence:**
  - Oil & gas, mining, retail, transportation & tourism
- **Trade:** Alaska's fourth largest export market
  - Canada imports $314 million in products and resources from Alaska (2009)
  - The overall value of Canada and Alaska's bilateral trade is $866 million (2009 data)

Canada

Trade Between Neighbors



Canada

Keystone of AK's Mining Sector

- **Mining exploration & development**
  - Over $4 Billion invested since 1980
  - 38 Canadian mining companies operated in AK in 2008



Teck Cominco/Red Dog Mine



Teck Cominco/Red Dog Mine

Canada

Keystone of AK's Mining Sector

- **Mining: development & exploration**
  - 2008 - Canadian mining companies directly employed 1,700 Alaskans
  - Average Alaska mining salary is $87,000
  - Environmental responsibility
  - 3 mines in production, continuing exploration

Canada

Keystone of AK's Mining Sector

- **Red Dog Mine – 550 year-round workers**
  - generates $52 million in total wages annually
  - Addition of the *Aqqaluk* area adds another 20 years to the life of the mine
- **Fort Knox – Largest gold mine in AK**
  - average annual employment – More than 500 people
- **Niblack** – Polymetallic deposit on Prince of Wales Island
  - CBR Gold Corp. & Hunter Dickson :$15 million in exploration & development over the next three years
- **Future potential**
  - Donlin Creek- advanced exploration project

Canada

Canada Strengthens AK's Economy

- **Seafood**
  - Over $86 million AK seafood exported to Canada in 2010
- **Manufacturing**
  - Capitol Glass Northerm Windows
- **Retail**
  - Alaska Commercial Company in rural AK
    - An average of 975 employees and an annual payroll of just under $21 million (2010 data)
    - One of the largest private sector employers in rural AK

Canada

Canada Strengthens AK's Economy

- **Visitor Industry**
  - 103,000 Canadian visitors spent over $75 million in summer 2009
  - Of AK's 878 thousand cruise passengers in 2010, virtually all passed through Canada at some point in their journey



Canada

Canada Strengthens AK's Economy

TransAlaska Routes

- ★ Capital
- △ Border Crossing
- Main Line Ferry Routes
- CN AquaTrain
- Road System



Canada



Canada

Northern Development

- Canada's Northern Strategy identifies Northern Economic Development as one of its Four Pillars
- Canada is committed to creating a dynamic and sustainable Northern economy
  - Can nor – Economic Development Agency for the North
  - Oil and Gas and mining

Canada

Arctic Foreign Policy

- The US is Canada's premier partner in the Arctic
- Arctic Foreign Policy: prioritises action to support and advance international trade relationships that favour northern development

Canada

Canada U.S. Relationship

- Canada's and the United States' shared history demonstrates we can do great things which serve our mutual interest, when we work together. That is crucial as we are engaged in emerging from this crisis better, stronger and more prosperous.

- Beyond the Border: Canada US shared vision for perimeter security and economic competitiveness

Canada

Canada Strengthens AK's Economy

For more information, visit us on the web:

www.anchorage.gc.ca

Canada



PNWER's Arctic Caucus Leadership Forum

Barrow, Alaska, U.S. *1-3 December 2010*

Introductions

Sponsored by:

As part of PNWER, the Arctic Caucus formed in 2009 as an informal group of legislators, government officials, business and nonprofit leaders committed to the responsible development of North America's Arctic.

The Caucus provides a forum within PNWER for the Arctic jurisdictions of Alaska, Yukon and the Northwest Territories to share information, discuss issues of mutual concern, identify areas of concern, identify areas for collaboration, which may include working with other jurisdictions, and providing Arctic-relevant input to PNWER working groups.

Welcome to Barrow

Barrow's hospitality and the significant amount of assistance given by the North Slope Borough through three days of the Arctic Caucus Leadership Forum in Barrow should be recognized from the beginning. From the opening night reception, the tour of Barrow and Point Barrow, the community reception that featured traditional dancing and rides to and from the airport, the warmth and receptiveness with which PNWER was received is well-appreciated and deserves to be highlighted in this proceedings.

Setting the stage – Arctic Policy 101

Summary of three presentations:

- *Colonel Todd Balfe, Deputy Commander, Alaska NORAD Region*
- *Giles Norman, Canadian International Centre for the Arctic Region*
- *Consul General, Phil Chicola, US Consulate General, Vancouver, BC*

An important feature of this first Arctic Caucus Leadership Forum was to impart on attendees basic and compelling information about Alaska, the Yukon Territory and the Northwest Territories, as well as their relationship to and with the Arctic as a whole. Important throughout was how integrated Canada and the United States are. That integration provides good guidance to PNWER and provides a model of cooperation for the Arctic Caucus.



Security, of course, is a primary area of interest for the region and between the two countries and the effective integration of processes, polices and communication is important to remember. This has been done through NORAD where business is conducted efficiently to protect and secure.



Of particular importance, and something for the Arctic Caucus to remember, is the Arctic policy of both countries to protect and demonstrate sovereignty, In this, it was interesting to hear a reference to "empowering" sovereignty – cooperation between the two countries has meant empowering mutually dependent and interconnected societies.

Successfully communicating and sharing critical data ensures leveraged security on both sides of the border. When thinking beyond defense, search and rescue becomes a primary focus, which is supported by both the U.S. and Canada Coast Guards. Responding to life threatening situations in the Arctic precludes borders; search and rescue operations are conducted with that in mind. It is a necessary response to saving lives. The Arctic Caucus heard this expressed by members of the community as well.

That said, those attending heard that the region needs to expand cooperation and its ability to respond to crisis in Arctic waters. PNWER could advocate for increasing Arctic SAR exercises and building northern communities' capacity to respond.

This report must stress – given the number of times iterated – the underlying theme of the importance of relationships in accomplishing goals in the Arctic. Developing capacity and demonstrating capability is best illustrated by expanding the existing spheres of cooperation.

In this, cooperative was described in terms of the *practical* (i.e. military) component rather than the *political* (i.e. diplomacy and sovereignty) component. Here the Arctic Caucus can leverage the military relationship to achieve political, environmental and economic development goals. That military relationship extends to search and rescue operations across borders.

One Area of Interest (**AOI**) for PNWER's Arctic Caucus could be increased Arctic surveillance consisting of environmental research and vessel tracking. A current of lack of surveillance infrastructure results in lack of critical date flowing to decision makers.

It is interesting to think of the region's sensitivity to location. In Canada, an established piece of the nation's identity is northern. The same can not be said for much of the United States. The



average American does not identify the U.S. as an Arctic nation. This could be another area to address by the Arctic Caucus – providing responsible education and outreach to those in and outside the region in the interest of better developing an understanding of the challenges and the opportunities facing Alaska, the Yukon and the Northwest Territories.

In the United States, Arctic policy has been developed in a bipartisan manner, and includes the following key points:

- Post cold war security and defense;
- Environmentally sustainable natural resource management;
- Involvement of indigenous peoples;
- Enhancement of science and research capability;
- Strengthening partnerships; and,
- Protecting the environmental.



The U.S. also prioritizes strategic governance, which has meant that the U.N. Convention on the Law of the Sea (UNCLOS) has been endorsed by the presidency but continues to wait to be ratified by Congress. This is a major challenge to Arctic diplomacy though activities continue to proceed under customary policies.

For instance, Arctic nations continue to map their Outer Continental Shelf limits and Exclusive Economic Zones. The establishment of a multi-national Hydrographic Commission continues to move forward. Both promote responsible natural resource management and define boundaries and jurisdictions, which is important to the United States.

The U.S. prioritizes addressing Arctic issues through the Arctic Council and will work to strengthen the Council.

An **AOI** for the Arctic Caucus could be to advocate for Cabinet-level participation by the U.S. in the Arctic Council, providing some guidance at a national level and elevating the work within our region.

Canada's Arctic Policy is very similar to that of the United States, including:

- Exercising sovereignty
- Environmental protection
- Local benefit



As was mentioned, the Arctic is part of Canada's national identity, unlike in the U.S. That has meant a more significant focus on Canada's northern region and priorities, with critical investment in community infrastructure to benefit economic development. Power and transportation infrastructure issues remain key to economic development and are possible arenas for collaboration.

It is important here to highlight the role of First Nations in Canada's Arctic policy and the strong partnership that exists with first Native Alaskan communities. In identifying challenges and opportunities, Canada's indigenous peoples have a crucial seat at the table.

The Beaufort Sea boundary dispute remains a challenge, though the Prime Minister has identified this as one priority to be addressed in the near future.



The group heard that over-the-top passages in the Arctic focused on the Northern Sea Route and less on the Northwest Passage. The Bering Strait will remain a chokepoint and important, at least, for Alaska.

One recurring theme was the need to connect science and policy, and to promote space for that dialogue to take place.

A number of other takeaways include:

- Canada's youth have been involved in a Model Arctic Council; and have also served as ambassadors at Northern-focused conferences.
- The Conference of Arctic Parliamentarians is considered a very important platform for lawmakers to participate in.
- The Alaska State Legislature has previously passed resolutions in support of UNCLOS.
- In regards to cultural heritage and social challenges, the Arctic Council's SDWG focus is on the human dimension and a good platform for addressing these issues.

There is a need for the identification of resources and research to supplement existing knowledge within the PNWER Arctic Caucus. Possible online resources include the International Polar Year (IPY), the Institute of the North, the Northern Forum, the University of the Arctic (UArctic), Arcticnet, and the Northern Waters Task Force.

Two final recommendations came during this session. The first supports addressing and mitigating tension between local users and industry/shipping. An integrated oceans management system (found in Canada and Norway) is an ecosystems-based approach to management. Here, nothing is looked at in isolation and local communities are involved as part of the plan.



Perhaps one of the greatest functions that PNWER's Arctic Caucus could play is in providing a pan-Northern approach to federal government, which has been successful in Canada. By sharing knowledge, interests and best practices, the three jurisdictions are able to articulate a coordinated approach to economic development in the North.

Northern Waters Task Force – Sidebar

The PNWER Arctic Caucus Leadership Forum leveraged its session by coordinating closely with the State of Alaska's Northern Waters Task Force (NWTF), which was able to hold a public hearing during the event.

The Northern Waters Task Force was created in response to increased activity off of Alaska's coast – marine shipping, fisheries, transportation – and works to define Alaska's role relative to these issues.

The community hearing in Barrow brought to light many issues facing the community, northern lands and waters, and challenges shared with neighbors.

The main thrust of many of the comments made during the NWTF hearing was that cultural, social and environmental issues need to be included in decision-making and a balanced approach taken, likened to that of the SDWG and the human dimension. The state has an opportunity to include local decision making and input in its approach to coastal zone management.

One concern highlighted during testimony was that of resource development in the Arctic and the state's ability to respond to oil spills without adequate existing technology nor critical infrastructure.

The region does have an asset in the amount of research conducted from Barrow's NARL facility. Research here has had a significant impact on ecosystem management in the area, including whaling.

Another asset of the region is found in Ilisagvik College, whose mission is to meet the resource needs of local employers while maintaining cultural heritage. Of concern was respect for traditional and local knowledge.

When considering Arctic issues, the NWTF heard that lawmakers should look outside state/federal jurisdictions to the resources they have in the people closest to the land.

For many, it came back to the value systems driving governance decisions. Citizens in Barrow were left wondering what to hold onto?



Afternoon Session – PNWER

- *Larry Hartig, Commissioner, Department of Environmental Conservation (Alaska)*
- *The Honourable Jim Kenyon, Minister of Economic Development (Yukon)*
- *David Ramsay, MLA (Northwest Territories)*
- *Ray Prins, MLA (Alberta)*

PNWER's Arctic Caucus is responding to the increased attention paid to the Arctic and within Alaska. Open water has meant new interest in energy, mineral development, military activity and social/cultural/environmental protection.

While there are multilateral and bilateral agreements in place to protect the environment or secure borders, as well as increasing community input, it is important to provide a regional voice. Adapting to change is a huge component and reverberates throughout the challenges the region faces.

Alaska, the Yukon Territory and the Northwest Territories have similarities in population density, distance between communities, and infrastructure needs that make sense when speaking with one voice. There are common interests and common opportunities in the region – energy costs, climate change, non-renewable resource base, adventure travel, infrastructure, transportation linkages – that allow for synergistic development.

In Canada, devolution has been important for the northern territories and highlights local control and input. First Nations in Canada have mostly settled their lands claims and now act as foreign governments given their sovereignty. The level of consultation goes well beyond that of the south of Canada.



At the same time, Canada has invested in infrastructure that gets minerals out – i.e. a zinc mine ten times larger than Red Dog is being developed in Yukon, with investment in and shipping planned to Asia (a target market).

Currently, NWT is going through the process of devolution with Canada's federal government that includes the transfer of funding and government positions. This process is accomplished while working in concert with aboriginal partners and with federal government with a plan to give a portion of the new revenue to the Territories' First Nations.

We can also think about other PNWER locations as "gateway jurisdictions." Alberta, B.C., and Washington serve to support northern neighbors, with a specific interest in energy and transportation – and transportation of energy – as well as strengthening economic connectivity.



Within northern jurisdictions, one of the priorities is seen to be supporting communities that are off the road by offering business incentives (local labor), resource development (training), community revenue sharing, and increased connectivity. In regards to this PNWER could conduct an infrastructure gap assessment – what's there vs. what could be put there.

Transportation

- *Admiral Thomas Barrett, Deputy Federal Coordinator*
- *Bruce Harland, VP Crowley*
- *Captain Ed Page, Marine Exchange of Alaska*

One challenge that is particularly difficult is convincing federal policy makers of the need for rural infrastructure investment given limited populations. The ability to make a compelling return on investment justification is important in this regard.

A lack of infrastructure inhibits economic development opportunities and the quality of life for communities. For many issues northerners need to focus on prevention rather than response – this is especially true when considering environmental disasters such as an oil spill. One component of prevention is knowledge of what's out there – i.e. marine vehicle tracking system in place off coast of Alaska.

Invest in infrastructure. The bottom line is that there is an incredible amount of research out there supporting the fact that infrastructure investment results in economic growth, energy efficiency, productivity, public health, and emergency response.

A gap analysis of telecommunications networks between Canada and Alaska indicates areas of opportunity for connection and survivability. Collaboration could improve network diversity and opens up other economic opportunities.

We should address objectives – vibrant communities with sustained heritage; healthy and better connected communities; adequate emergency, prevention and response capabilities. In this, there is a need to better anticipate needs and desires of northern peoples and economy (communicating a shared vision). One way to accomplish this is to develop private-public partnerships – that include indigenous participation – so that projects are able to compete nationally.

Connectivity in the North is driven by distance, geography, cost, and population. Data is sent south to population centers where it's redistributed back to consumers. Could we make the Alaska Highway an information superhighway?



Takeaways and final day's discussions

Work must be done to develop the role of the Arctic Caucus in feeding issues into established PNWER working groups and informing the work of the Annual Summit.



Communication is going to be integral to Arctic Caucus success – and time should be given to a private/public sector panel discussion at Summit highlighting interest and sharing.

We have to be careful that jurisdictions involved in Arctic Caucus process don't replace other activities within PNWER. An integrated approach to this will be appropriate.

Proposed Arctic Caucus Action Items (December 2010)

Type= S-Substantive, A-Administrative, C-Communicative (Letter Writing)

Type	Action Item	Team Lead	Initial Team Members
A	Map out sub-national and regional actors so that it is relevant and non-duplicative (identify niches).	Nils Andreassen	Ian, Carl
C	Advocate for cabinet-level (US) participation in the Arctic Council	Senator McGuire	Mike Pawlowski
A	Convene in May/June in Northwest Territories prior to the annual meeting, which will take place in Portland.	David Ramsay	Linda Ecklund
C	Promote a pan-Northern approach to federal governments. (Including Legislative concurrent resolution)	Rep. Herron	David Ramsay, Min. Kenyon
S	Provide a platform for connecting science and policy in order to meet its mission of economic development. Suggest to University Presidents		Ian



	round Table		
S	Explore means to support the expansion of the Marine Exchange of Alaska's AIS System in Alaska as well as Northwest Territories (NWT), Yukon and BC. Support current efforts to increase Search and Rescue response capacity and infrastructure on both sides of the border including joint training/excersises	Capt. Page	Mike Pawlowski, Jackie Jacobson, Carl Burgess
S	Promote federal support of the Alaska/Canada highway and Shakwak funding.	Mike Pawlowski	Min. Kenyon
S	Support Broadband infrastructure development Interconnectivity (Wide Area Network)	Don Pumphrey	Krag Johnsen (GCI), Mike Pawlowski
S	(Support Development of Northern University in Canada) Invite Yukon College, Ilisagvik, Aurora Colleges to University Presidents' Round table	Andrea	PNWER Secretariat, Kevin Cook
C	Communicate proceedings and conclusions of Northern Waters task Force to regional members.	Mike Pawlowski	
A	Have Arctic Caucus keynote panel at the Summit	Mike Pawlowski	
	Suggest content to the Legislative Energy Horizon's Institute and Transportation Institute on issues in the north.	David	
	Identified Issue : • Gas Pipeline development (Reshare Pipeline study) • UNCLOS • Transmission/Local Energy Development • Joint Tourism/Marketing • Training/Workforce Development • Support development of youth exchange programs (Ian) • Conduct an infrastructure gap analysis and provide a justification for investment in cross-border infrastructure.		



Draft #8
Terms of Reference
for the
PNWER Arctic Caucus

November 30, 2010

Background
First proposed in concept by Senator McGuire in October 2009, the PNWER Arctic Caucus was formed in November 2009 as an informal group of legislators, government officials, business and non-profit leaders committed to the responsible development of North America's Arctic. The Arctic Caucus's first open meeting was held at the July 2010 Annual PNWER meeting in Calgary, Alberta. The next meeting of the Arctic Caucus is planned for December 1-3, 2010 in Barrow, Alaska.

Purpose
The purpose of the Arctic Caucus is to provide a forum within PNWER for the arctic jurisdictions of Alaska, Yukon and NWT to share information, discuss issues of mutual concern, identify areas for collaboration, which may include working with other jurisdictions, and providing arctic-relevant input to PNWER working groups.

Expected Outcomes

- Share information, strengthening PNWER's capacity to engage at national level on arctic issues.
- Support each other in achieving mutual goals.
- When appropriate, provide support to other jurisdictions to help them achieve their individual goals.
- Provide a unified arctic voice to direct PNWER's convening and advocacy capacity to advance cooperation on arctic issues.
- Review the work of other PNWER working groups in order to provide and accommodate the arctic perspectives and positions.
- Increase attention to arctic issues within PNWER in general, increased reflection of the arctic position within the work of PNWER working groups, including the provision of Arctic policy/positions and interests for visits to our national capitals.
- Provide input and suggestions into topics and speakers for Summits/Forums.
- Identify areas regarding opportunities for mutual economic development in the Arctic.



Composition

The Arctic Caucus will be made up of PNWER public and private sector members from Alaska, NWT and Yukon. Other PNWER jurisdictions are encouraged to participate and to provide their input according to their interest issues affecting the Arctic.

The Caucus will be chaired on an annual rotation by one of the three core members. Core members will be responsible for setting the agenda and determining the interests and direction of the group.

Process

- The AC should compile an annual summary to be tabled at the Annual PNWER meeting.
- The AC would meet at least once a year as a group within the PNWER context (summer or winter meeting) and conduct most of its work through "virtual" means.
- The AC is free to call additional meetings in one of the member jurisdictions.
- The AC Chair would devote a larger portion of his/her time to meeting organization and project organization, if applicable.
- PNWER will provide Secretariat support to the group.

Timetable

Goals for Year One

- Develop a Terms of Reference for the group
- Identify areas of common interests
- Isolate priorities
- Develop action items
- Table a summary at summer meeting



Processes	Issues
Indigenous and local input	Energy
Partnerships and collaboration	Research
Cross-border infrastructure	Telecommunications
Involvement of youth	Transportation
Pan-Arctic voice	Security

Questions for Consideration by PNWER's Arctic Caucus	
	How does PNWER's Arctic Caucus respond to concerns for local input and sharing? What mechanisms can be put in place to ensure an open "table" and access to it?
	How does timing impact our decisions? What is our urgency index? How can PNWER's Arctic Caucus be proactive and strategic in its approach, while also being responsive?
	What could PNWER contribute to the Canada and U.S. chairmanships of the Arctic Council?
	How do issues highlighted by the Arctic Caucus contribute to the overall mission of economic development in the PNWER?



Denis Stevens

Consul General

Consulate General of Canada, Seattle

Denis Stevens joined the Department of Foreign Affairs and International Trade in 1996, where he served as policy adviser to the minister of foreign affairs, deputy director in the Human Rights Division and director of policy in the Secretariat on War-Affected Children. Mr. Stevens has, since 2001, served in management positions at the departments of Justice, Indian and Northern Affairs, Public Safety, and at the Privy Council Office. Since 2007, he has been the director general of intergovernmental relations and public outreach at Foreign Affairs and International Trade Canada. He is married to Geneviève Chanteloup, and they have two daughters. Mr. Stevens succeeds Peter Lloyd.

ALASKA

- 20,400 jobs in the Last Frontier depend on the Canada–Alaska trade relationship, which is valued at $866 million
- More than 8 million U.S. jobs depend on Canada–U.S. trade
- Total Canada–U.S. merchandise trade: $392 billion
- Canada is the top export destination for 34 states
- 28 Canadian-owned companies employ 2,826 people in 71 locations in Alaska

In 2009, Canada was Alaska's fourth largest export market following Japan, China, and South Korea. Canada purchased 10 percent of the state's worldwide goods, worth $314 million, thanks to significant Canadian investment in the state's mining sector. Overall, bilateral trade between Alaska and Canada was valued at $866 million. Metals remained Alaska's largest export sector to Canada, generating $189 million in 2009, with Canadian companies playing a dominant role in the state's mining industry. Ore exports, notably zinc from the Canadian Red Dog mine, topped the category. Alaska also imported $52 million in machinery, its fourth largest import sector from Canada, keeping its resource sector moving.



Red Dog Mine

Alaska Native businesses continue to reach across the border. The Alaska Native regional corporation NANA chose the Canadian mining company Teck to build and operate **Red Dog**, one of the world's largest zinc mines, located in northwest Alaska. Under the agreement with NANA, the mine has hired more than 1,000 NANA shareholders since 1989, and it employs 550 year-round workers. Red Dog provided $921 million in benefits to the rural regional economy, such as wages, payments in lieu of taxes, and direct royalty payments to NANA from 1989 to 2009. Payroll alone amounted to nearly $52 million in an area with few economic opportunities. In May 2009, Teck announced the development of Red Dog's next mine area (Aqqaluk), which will add another 20 years to the mine's life, with the promise of continued economic opportunities, jobs, and exports beneficial to Alaska and Canada.

Cross-border trade with Alaska has given rise to important and lifesaving innovation. In rural Alaska, where fire damage can reach $70 million annually and where fire-related deaths are still 300 percent higher than the national average, Canadian technology plays a crucial lifesaving role. Since the late 1990s, Alaska Village Initiative's **Project Code Red** has provided micro rural firefighting kits to more than 100 villages. Key pieces in those kits are sourced from Canada, including $1 million in specialized containers from Big Dog Containers Inc., from British Columbia, and $415,000 in portable pumps from Quebec-based C.E.T. Fire Pumps Mfg. The state fire marshal's office has recognized Project Code Red as one of the most effective and efficient programs for reducing the loss of life due to fires in rural Alaska.

November 2010

Alaska–Canada facts

Foreign export markets

% foreign-bound goods sold to Canada 10%

Jobs

20,400 jobs in Alaska depend on trade with Canada

Top Canadian-owned businesses in Alaska

Teck Alaska Inc
Alaska Commerical Co
Kinross Gold Corp
Kanaway Seafood Inc
Atco Frontec Services Inc

Merchandise trade

AK exports to Canada	$314 million
AK imports from Canada	$552 million
Bilateral trade	$866 million

Top exports

Fish & seafood	$86 million
Fuel oil	$12 million
Precious metals & alloys	$9 million
Crude wood materials	$4 million
Drilling machinery & drill bits	$1 million
Aircraft parts, except engines	$1 million
Automobiles	$1 million
Aircraft engines & parts	$1 million
Electric generators & motors	$1 million
Aircraft	$1 million

Top imports

Petroleum & coal products	$125 million
Copper in ores	$111 million
Prefabricated buildings & structures	$20 million
Mining machinery	$20 million
Metal fabricated basic products	$15 million
Steel castings & forgings	$13 million
Engines & turbines	$10 million
Aircraft engines & parts	$10 million
Fertilizers	$10 million
Motor vehicle parts, except engines	$7 million

Tourism account

Canadian visits to Alaska	103,000
$ spent	$75 million
Alaskan visits to Canada	76,000
$ spent	$35 million

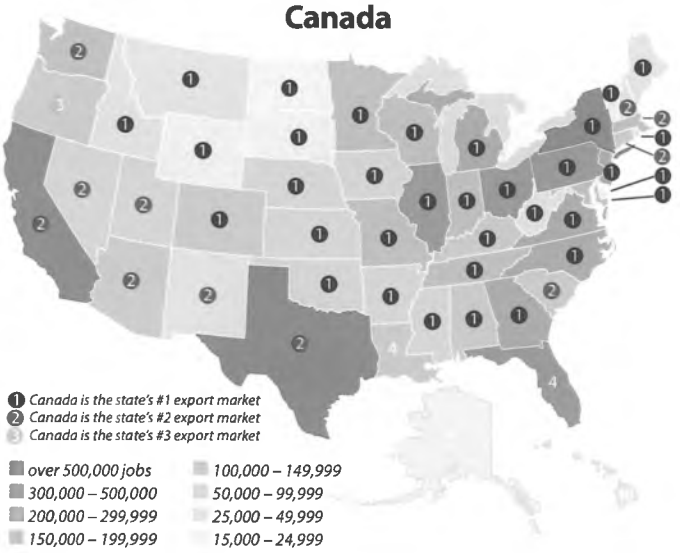
United States–Canada: working together to create jobs

The United States and Canada share a deep and unique relationship, which supports our mutual prosperity and millions of jobs in both countries. Building on our strong economic partnership, we continue to find new and innovative ways to stimulate our highly integrated economies, thereby ensuring the long-term competitiveness of our respective and shared supply chains.

Successful relationships always require constant attention and cooperation. It's crucial our countries work together to secure recovery from the current economic downturn. By successfully negotiating an agreement on government procurement, we will keep doors open for Americans and Canadians alike to create wealth and ensure our joint prosperity and security.

With over $1 million worth of goods and services crossing our border every minute of every day, challenges are bound to emerge. Over the years our two countries have faced — and resolved — challenges of varying degree. Commerce remains critical to both countries, so we must continue to nurture this vital relationship for the benefit of citizens on both sides of our 5,500 mile border. Canadians are committed to working closely with our American neighbors to build on our tremendous record of cooperation — and to doing so as we've always done in the past: as partners, allies, and friends.

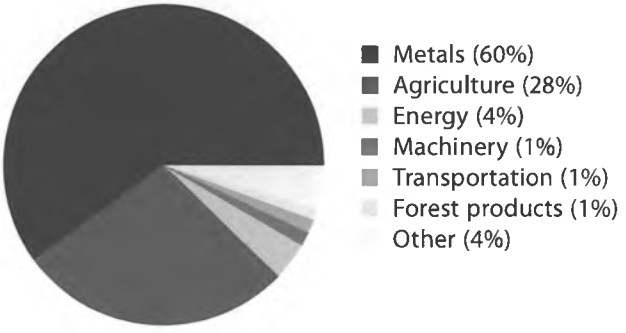
Canada is the biggest customer for 34 states; over 8 million U.S. jobs depend on trade with Canada



Our relationship is about people too

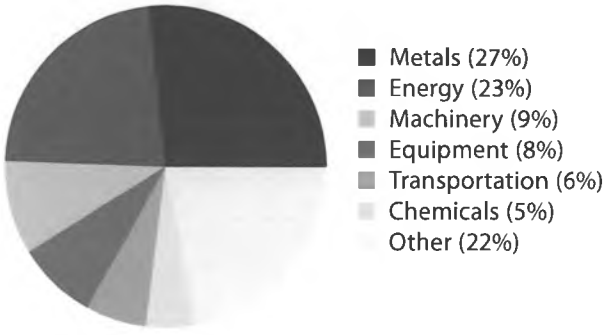
Cross-border travel is not only the key to our prosperity — it links our communities and strengthens our families. In 2009, Canadians made more than 103,000 visits to the Last Frontier, contributing over $75 million in tourism directly to local coffers. Why do they come? To share memories at café tables, ideas at conference tables, and meals around dinner tables.

Alaska's goods exports to Canada, 2009



Total Alaska exports: $314 million

Alaska's goods imports from Canada, 2009



Total Alaska imports: $552 million

For more information on Canada's trade relationship with Alaska, please contact:

Consulate of Canada
310 K Street, Suite 220 • Anchorage, AK 99501
Phone: (907) 264-6734 • Fax: (907) 264-6713
www.anchorage.gc.ca

Job numbers are based on 2008 data from a 2010 study commissioned by the Embassy of Canada. All other figures are based on 2009 data in U.S. dollars.
***World Institute for Strategic Economic Research** (WISER): Canada's export ranking (February 28, 2010). **Statistics Canada**: trade (February 2010 release), tourism (May 2010 release).*
***Dun & Bradstreet**: Canadian-owned companies and employment (August 2010 release). Figures are converted at the rate of US$1.00=C$1.1420. Figures may not add up due to rounding.*
Produced by the Embassy of Canada in Washington, D.C.

About the Northern Forum

The Northern Forum is a non-profit, international organization composed of sub-national or regional governments from eight northern countries.

Northern regions share characteristics that set them apart from other areas of the world. These include:

- economies based upon the extraction of natural resources;
- lack of internal capital resources;
- limited infrastructural development;
- harsh climates and vulnerable ecosystems;
- diverse and relatively strong indigenous cultures; and
- sparse populations.

Such complex factors create unique challenges for regional Governors and other executives. From throughout the North, the Northern Forum brings these leaders together to address common political, environmental and economic issues.

In today's world, where climate change and globalization create new challenges for the Northern regions of the world, the ability of the Northern Forum to bring together these regions and find new partners at the international level, such as the UNDP and the UNEP and networks of regions around the globe, opens new horizons for its members.



The idea of creating an organization of northern regional governments was raised in 1974 by the government of Hokkaido, Japan, during the first of a series of international conferences on northern issues. The Northern Forum developed from a Northern Regions Conference held in 1990 in Anchorage, Alaska, attended by more than 600 delegates from 10 countries. The Forum was formally established in November 1991.

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Memorandum

TO: Representative Bob Herron
FROM: Chuck Burnham, Legislative Analyst
DATE: March 14, 2011
RE: Relationships Between Alaska and the Northwest and Yukon Territories
LRS Report 11.179

You asked for information on the relationship between Alaska and the Northwest and Yukon Territories of Canada. Specifically, you asked for examples of intergovernmental, economic, and social cooperation between this state and the Canadian territories.

The United States Department of State begins its description of the nation's relations with Canada as follows:

> The relationship between the United States and Canada is the closest and most extensive in the world. It is reflected in the staggering volume of bilateral trade—the equivalent of $1.6 billion a day in goods—as well as in people-to-people contact. About 300,000 people cross the border every day.

The uniquely high degree of friendship, cooperation, and interdependence between the two countries extends to the relationship between Alaska and the Northwest and Yukon Territories of Canada. The timeframe in which we compiled this report did not allow for a comprehensive review of the innumerable affiliations these areas share in governmental, economic, and social spheres. Below we discuss a number of these relationships to provide an indication of their importance to the people who share this region of North America.

Bilateral Agreements Between the U.S. and Canada Directly Impacting Alaska

As you might expect, the number and scope of bilateral agreements between the U.S. and Canada is impressive. At least 278 such agreements were in force in 2010. This doesn't even take into consideration the many important multilateral agreements on which the countries cooperate, such as the North American Free Trade Agreement and the North Atlantic Treaty Organization. Obviously, all international agreements entered into by the U.S. federal government are binding on all states; however, our cursory review of bilateral accords between the U.S. and Canada identified some 34 that appear to most directly impact Alaska's relationships with its territorial neighbors, and Canada as a whole. We list those agreements, and the dates on which they were put into force, in the table that immediately follows the text of this report. As you can see, these treaties and agreements date back to 1873, just six years after the Alaska Purchase, and cover a wide array of topics including, for example, boundary issues, cooperation in arctic issues, fisheries management and enforcement, security, transportation, pipeline routes, and trade.[1]

State and Territorial Intergovernmental Relationships

In addition to the bilateral accords entered into by the U.S. and Canadian federal governments, Alaska and the respective governments of the Northwest and Yukon Territories, either directly or through local government, educational institutions, and other public and private organizations, have numerous cooperative agreements and share membership in several policy and development organizations. We briefly enumerate a number of those relationships below. This list is but a sample of such relationships.

[1] We compiled this list by reviewing only the titles of bilateral agreements listed under the Canada section of the document "Treaties in Force: A List of Treaties and Other International Agreements of the United States in Force on January 1, 2010," United States Department of State, Office of the Legal Adviser, Treaty Affairs Staff, pp. 36-46, ***http://www.state.gov/documents/organization/143863.pdf***. We did not review multilateral agreements. Further, there may be additional bilateral agreements that directly apply to Alaska that we did not identify using this methodology, or that went into force after the publication of our source document.

Alaska-Yukon Accord—The government of the Yukon Territory, International Relations Branch, leads its website with the following:

> Relations with the State of Alaska: We share cultures, history, geography and climate. Our residents routinely cross the border to conduct business, to visit family and friends, to shop for goods and services, and for recreation. The Alaska and Yukon governments work in partnership wherever possible to develop our economies, to protect the environment, and to provide efficient public services.

In 2008, Governor Palin signed an accord with Yukon Premier Dennis Fentie expressing the two governments' intention to cooperate in the areas of tourism, transportation, trade and commerce, resource development, climate change, wildlife management, economic development and infrastructure. We include a copy of that accord, which remains in effect through February 2012, as Attachment A.

The Arctic Council—is a high level intergovernmental forum in which Alaska and the western territories of Canada participate that seeks to provide a forum for "promoting cooperation, coordination and interaction among the Arctic States, with the involvement of the Arctic Indigenous communities and other Arctic inhabitants on common Arctic issues, in particular issues of sustainable development and environmental protection in the Arctic." In addition to arctic nations, the Council includes several organizations representing the indigenous peoples of the far north. Working groups of the Council include the following:

- Arctic Contaminants Action Program (ACAP)
- Arctic Monitoring and Assessment Programme (AMAP)
- Conservation of Arctic Flora and Fauna (CAFF)
- Emergency Prevention, Preparedness and Response (EPPR)
- Protection of the Arctic Marine Environment (PAME)
- Sustainable Development Working Group (SDWG)

More information on the Council is available at ***http://arctic-council.org/***.

University of the Arctic—is a cooperative network of over 120 institutes of higher education, including campuses in Alaska and the western Canadian territories. Members share resources, facilities, and expertise to build post-secondary education programs that are relevant and accessible to northern students. According to its website, the University seeks to accomplish the following:

- Empower the residents of the Circumpolar North, by building human capital through higher education;
- Reduce barriers to higher education in the North in order to provide increased opportunities for northerners;
- Develop initiatives in partnership with our community, and particularly with indigenous peoples, that are responsive to their needs and support their aspirations;
- Create shared knowledge and provide for quality discussion on contemporary issues related to the Circumpolar North;
- Build a shared regional identity, while valuing inclusiveness and respect for diversity across the region; and
- Strengthen the Circumpolar North's Role in the World by increasing knowledge about Arctic issues.

More information on the University can be found online at ***http://www.uarctic.org/ThemeFront.aspx?m=6***.

Northern Forum—is a non-profit, composed of sub-national or regional governments from eight northern countries. The forum seeks to address issues common to these members in areas of climate change and other environmental issues, sustainable development, society and culture, and services for area businesses. More information on the Forum can be accessed at ***http://www.northernforum.org/***.

Pacific Northwest Economic Region (PNWER)—members include five states (Alaska, Idaho, Montana, Oregon, and Washington), three provinces (Alberta, British Columbia, and Saskatchewan), and the Northwest and Yukon Territories, in addition to private-sector organization from those areas. The PNWER lists its mission and goals as follows:

- To increase the economic well-being and quality of life for all citizens of the region;
- To coordinate provincial and state policies throughout the region; to identify and promote "models of success;" and to serve as a conduit to exchange information;
- Promote greater regional collaboration;
- Enhance the competitiveness of the region in both domestic and international markets;
- Leverage regional influence in Ottawa and Washington D.C.; and
- Achieve continued economic growth while maintaining the region's natural.

More information on PNWER is available online at *http://www.pnwer.org/Home.aspx*.

Shared Borders: Traffic and Commerce

There are four U.S. Customs stations on highways between Alaska and Canada. We provide data on traffic volumes and applicable modes of transportation for 2009 in Table 1. As you can see, three of these border crossings are actually between Alaska and the province of British Columbia (B.C.); however, much of the traffic on the Haines and Klondike (Skagway) highways simply crosses the narrow western-most portion of B.C. that the highways traverse en route to or from destinations in the Yukon or to their respective junctions with the Alaska, or Alaska-Canada ("AlCan"), highway at the Yukon communities of Haines Junction and Whitehorse. Each of these roads connects with the Canadian highway system from which several communities in the Northwest and Yukon Territories can be accessed.

Table 1: Border Crossings Between Alaska and Canada, 2009

Traffic Mode	Alcan	Haines	Ketchikan (Hyder)	Skagway	Total
Trucks	5,416	892	2	3,174	9,484
Loaded Truck Containers	6,382	451	226	0	7,059
Empty Truck Containers	127	874	43	0	1,044
Trains	0	0	0	318	318
Train Passengers	0	0	0	64,751	64,751
Buses	389	43	12	10,571	11,015
Bus Passengers	8,139	371	300	161,255	170,065
Personal Vehicles	46,945	15,524	3,745	31,618	97,832
Personal Vehicle Passengers	91,555	32,036	7,010	74,903	205,504
Pedestrians	64	596	1,893	283	2,836
Total Vehicles	**158,953**	**50,191**	**11,338**	**346,590**	**567,072**

Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Border Crossing/Entry database, *http://www.bts.gov/programs/international/transborder/TBDR_BC/TBDR_BCQ.html*.

The Canadian Consulate in Anchorage published data for 2008 that succinctly encapsulates the economic importance to Alaska of interaction with its neighbors. Highlights of those data are as follows:

> Canadian firms directly accounting for approximately 3,500 jobs and $255 million in payroll annually. Including direct and indirect impacts, Canadian economic activity resulted in more than 8,500 jobs and $430 million in payroll in Alaska in 2008.

Canada is Alaska's third largest export market. In 2008, products and services worth $370 million were exported to Canada.

Canada's economic influence on Alaska is diverse and far reaching, touching economic sectors from mining, to energy, to the visitor industry.

By the Numbers

- $1.2 billion: Total Canada-related trade value;
- $370 million: Alaska's exports to Canada;
- $441 million: Alaska's imports from Canada;
- $398 million: Alaska's exports by Canadian mining companies, 2008 (excluding their mineral commodity exports to Canada);
- #3: Rank of Canada among Alaska's export markets;
- $3.9 billion: Total investment in mining exploration and development by Canadian companies, 1981-2008;
- 70%: Canada's approximate share of total mining industry exploration and development expenditures, 1981-2008;
- $91 million+: Estimated spending in Alaska by 116,000 Canadian visitors, summer 2008.[2]

We include a document prepared by the Canadian Consulate in Anchorage that provides additional details on Canada's economic impacts in Alaska as Attachment B.

Social and Cultural Ties

The indigenous peoples of the areas that are now Alaska and the western territories of Canada have engaged in trade and cultural exchanges for millennia. As the information above suggests, that interaction continues among the region's residents today. It is difficult to enumerate all of the myriad ways in which these activities take place. The area's schools and sports organizations compete against one another; hunters, fishermen, outdoor enthusiasts cross borders to enjoy the extensive opportunities that the region offer; shoppers and travelers take advantage of the varied options available across the border; indigenous people and others participate in cultural exchanges, music festivals, shared holiday celebrations, and numerous other activities. Put simply, the relationship between Alaska and our territorial neighbors is, overall, the state's closest and most important. To be sure, that relationship is far more extensive than those we share with most of the other U.S. states.

We hope this is helpful. If you have questions or need additional information, please let us know.

[2] This information is published online at ***http://www.canadainternational.gc.ca/anchorage/offices-bureaux/canada_alaska.aspx?lang=eng***.

Treaties and Agreements Between the United States of America and Canada that Most Directly Impact Alaska	
Treaty / Agreement	**Date Entered into Force**
Protocol of a Conference Respecting the Northwest Water Boundary	March 10, 1873
Acceptance of the report of the commissioners to complete the award under the convention of January 24, 1903, respecting the boundary line between Alaska and the British North American possessions	March 25, 1905
Convention providing for the surveying and marking to upon the ground of the 141st degree of west longitude where said meridian forms the boundary line between Alaska and the British possessions in North America.	August 16, 1906
Treaty concerning the Canadian international boundary	April 11, 1908
Treaty relating to the boundary waters and questions arising along the boundary between the U.S. and Canada	May 5, 1910
Treaty in regard to the boundary between the U.S. and Canada	July 17, 1925
Agreement providing for the construction of a military highway to Alaska	March 18, 1942
Agreement relating to the southern terminus of the Alaska Highway	May 9, 1942
Agreement relating to the construction of flight strips along the Alaska Highway	September 10, 1942
Agreement relating to the construction of the Haines-Champagne section of the Alaska highway	December 7, 1942
Agreement relating to access to the Alaska Highway	April 10, 1943
Agreement relating to the designation of the highway from Dawson Creek, British Columbia, to Fairbanks, Alaska, as the "Alaska Highway"	July 19, 1943
Agreement providing for cooperative efforts to be directed toward sanitary control of the shellfish industry	April 30, 1948
Agreement Relating to Cooperation Between the U.S. and Canada in Air Search and Rescue Operations Along the Common Boundary	January 31, 1949
Convention for the extension to halibut fishing vessels of port privileges on the Pacific Coasts of the U.S. and Canada	July 13, 1950
Convention for the preservation of the halibut fishery of the Northern Pacific Ocean and Bering Sea	October 28, 1953
Agreement relating to tariff duty on certain fish and fish products	July 24, 1955
Agreement relating to the winter maintenance of the Haines Road	June 23, 1967
Agreement concerning cooperation in the detection and suppression of forest fires along the boundary between the Yukon Territory and Alaska with memorandum of agreement	June 1, 1971
Search and rescue agreement, with attachment	October 25, 1974

Treaties and Agreements that Most Directly Impact Alaska Between the United States of America and Canada (continued)	
Treaty / Agreement	**Date Entered into Force**
Memorandum of understanding on the monitoring of food, beverage and sanitary services provided on common carriers operating between the U.S. and Canada	September 8, 1975
Agreement relating to cooperation in reconstruction of Canadian portions of the Alaska Highway	February 11, 1977
Agreement concerning transit pipelines	October 1, 1977
Agreement on principles applicable to a northern natural gas pipeline, with annexes	July 24, 1978
Treaty concerning Pacific salmon, with annexes and memorandum of understanding	March 18, 1985
Agreement on cooperation in comprehensive civil emergency planning and management, with annex	April 28, 1986
Agreement concerning the transboundary movement of hazardous waste	November 8, 1986
Agreement on the conservation of the Porcupine Caribou Herd, with annex	July 17, 1987
Agreement on Arctic Cooperation	January 11, 1988
Free-trade agreement, with exchanges of letters	January 1, 1989
Agreement on fisheries enforcement	December 16, 1991
Agreement on the establishment of a mediation procedure regarding the Pacific Salmon Treaty	September 11, 1995
Agreement concerning softwood lumber, with annexes	October 12, 2006
Agreement on Pacific Hake/Whiting	June 25, 2008

Notes and Source: Agreements between the federal governments of the United States of America and Canada are binding on all states. This table shows the bilateral treaties and agreements between those countries, among the approximately 278 such accords currently in force, that appear to most directly impact Alaska. We compiled this list by reviewing only the titles of bilateral agreements listed under the Canada section of the document "Treaties in Force: A List of Treaties and Other International Agreements of the United States in Force on January 1, 2010," United States Department of State, Office of the Legal Adviser, Treaty Affairs Staff, pp. 36-46, *http://www.state.gov/documents/organization/143863.pdf* . We did not review multilateral agreements. Further, there may be additional bilateral agreements that directly apply to Alaska that we did not identify using this methodology, or that went into force after the publication of our source document.

Attachment A

"Alaska-Yukon Intergovernmental Relations Accord" between the government of Yukon as represented by the Premier and the State of Alaska as represented by the Governor, February 29, 2008

ALASKA-YUKON INTERGOVERNMENTAL RELATIONS ACCORD

BETWEEN
THE GOVERNMENT OF YUKON
AS REPRESENTED BY
THE PREMIER

AND

THE STATE OF ALASKA
AS REPRESENTED BY
THE GOVERNOR

WHEREAS, the citizens of Yukon and Alaska share many ties including an extensive common border and aboriginal kinship ties; and

WHEREAS, the citizens of Yukon and Alaska have a long-standing relationship of friendship and trust; and

WHEREAS, the citizens of Yukon and Alaska have mutual concerns and interests about issues around the environment, economic development, and human development; and

WHEREAS, the Yukon government and the state of Alaska have existing valuable cooperative agreements in the areas of tourism, transportation, and resource management; and

WHEREAS, the Yukon Legislative Assembly and the Alaska State Legislature have a tradition of legislative exchanges; and

WHEREAS, the North American Free Trade Agreement provides for enhanced trade relations between Canada and the United States; and

WHEREAS, there are opportunities to be explored to enhance the relationship between the two governments, to resolve issues and to develop opportunities for their respective regions;

THEREFORE, the governments of Yukon and Alaska have agreed to the Alaska-Yukon Intergovernmental Relations Accord as outlined below.

INTENT

The intent of this Accord is to promote cooperation leading to concrete benefits for citizens of both jurisdictions on matters of joint concern and mutual interest, to share information and promote understanding, to enhance the relationship between the two jurisdictions, and to identify areas where there can be enhanced formal and informal cooperation.

Without unnecessarily limiting the areas of cooperation, the governments intend to cooperate in areas such as:

- tourism
- transportation
- trade and commerce
- resource development
- climate change
- wildlife management
- economic development and infrastructure

This Accord is not a legally binding agreement and it does not create a right or cause of action enforceable by third parties. It is only a definite expression and record of the purpose and intention of the Parties, to which each honorably pledge themselves.

COORDINATION AND IMPLEMENTATION

The Premier and the Governor will continue to appoint officials to serve as principal contacts for the expeditious sharing of information about mutual interests and will encourage their respective governments to work together on matters of joint concern, including through working groups designed to address specific issues.

This Accord shall be in effect from its date of signature for a period of four (4) years and may be reviewed and amended by the consent of both governments.

This Accord is signed on this 29th day of February, 2008.

The Honorable Dennis Fentie
Premier
Government of Yukon

The Honorable Sarah Palin
Governor
State of Alaska

Attachment B

"Canada's Impact on Alaska," Consulate of Canada in Anchorage, accessed online on March 14, 2011, *http://www.canadainternational.ac.ca/anchorage/offices-bureaux/canada_alaska.aspx?lang=eng*.

Shared Commerce, Investment, and Partnerships

Canada's Impact on Alaska

Canada plays a significant role in Alaska's economy,

directly accounting for approximately 3,500 jobs and $255 million in payroll annually.

Including direct and indirect impacts, **Canadian economic activity** resulted in more than 8,500 jobs and $430 million in payroll in Alaska in 2008.

Canada is Alaska's third largest export market. In 2008, products and services worth $370 million were exported to Canada.

Canada's economic influence on Alaska is diverse and far reaching, touching economic sectors from mining, to energy, to the visitor industry.

By the Numbers

$1.2 billion: Total Canada-related trade value, 2008

$370 million: Alaska's exports to Canada, 2008

$441 million: Alaska's imports from Canada, 2008

$398 million: Alaska's exports by Canadian mining companies, 2008 (excluding their mineral commodity exports to Canada)

#3: Rank of Canada among Alaska's export markets, 2008

$3.9 billion: Total investment in mining exploration and development by Canadian companies, 1981-2008

70%: Canada's approximate share of total mining industry exploration and development expenditures, 1981-2008

$91 million+: Estimated spending in Alaska by 116,000 Canadian visitors, summer 2008

The Alaska and Canadian mining industries have been linked since the Gold Rush days of 1898. Today, mining represents the most significant economic connection between Alaska and Canada.

Investing in Alaska

Between 1981 and 2008, Canadian companies spent $3.9 billion on mineral exploration and development in Alaska. In 2008 alone, 38 Canadian Companies spent a total of $163 million on exploration in Alaska. An additional $304 million was spent on development. Canadian companies account for approximately 70 percent of exploration and development expenditures in Alaska's mineral industry.

Providing good jobs for Alaskans

In 2008, Canadian mining companies employed approximately 1,700 Alaskans. Mining industry workers in Alaska earned an average of $87,000 per year in 2008, nearly double the statewide average annual wage.

Alaska's largest gold mine, the Fort Knox Mine near Fairbanks, is owned by Toronto-based Kinross Gold. The mine employs more than 450 people, it generates $45 million in wages and benefits annually, and is the second-largest private sector employer in the Fairbanks North Star Borough.

Red Dog Mine, located in Northwest Alaska, is the world's largest producer of zinc concentrates. Owned and operated by Teck Resources, a Canadian company, Red Dog Mine employs 485 year-round workers and generates $49 million in total wages annually. Red Dog is the largest employer in the Northwest Arctic Borough in terms of annual payroll, and second-largest in terms of employment.

Anglo American and Vancouver, B.C.-based Northern Dynasty Minerals have created the Pebble Partnership, which is assessing the potential for developing the Pebble gold and copper project in southwestern Alaska. Between 2001 and 2008, Pebble Partnership invested more than $350 million on engineering, exploration and environmental studies. If developed, the project may create more than 1,000 production jobs.

Alberta-based CBR Gold Corporation and Vancouver-based Hunter Dickinson have recently formed a joint venture to develop the Niblack polymetallic deposit on Prince of Wales Island. They expect to spend at least $15 million on exploration and development over the next three years.

Partnering with Alaska Native corporations

In partnership with Alaska Native Claims Settlement Act (ANCSA) corporations, Canadian exploration and mining companies create employment, income, and business opportunities for thousands of Alaska Natives.

Between 1982 and 2008, Teck Resources paid $412 million in royalties to NANA, of which approximately 70 percent was redistributed to all Alaska Native corporations.

Two Canadian companies, NovaGold and Barrick Gold Corporation, are partners in the Donlin Creek gold project in Western Alaska. The property is under lease from Calista Corporation and Kuskokwim Corporation. In 2008, 86 percent of its 210 jobs were held by Calista shareholders or their descendents.

Supporting local governments and services

Canadian-owned mines are major sources of revenue for local governments in Alaska. Fort Knox paid $2.8 million in property taxes to the Fairbanks North Star Borough in 2008, making Kinross the largest property tax payer in the Borough. Teck Resource's Red Dog Mine is the single largest source of revenue for the Northwest Arctic Borough, with a payment in lieu of taxes of $11 million in 2008.

Canadian-owned mines also help support public services. Because Fort Knox is a very large purchaser of electric power ($39 million in 2008), other consumers of power in the Fairbanks area enjoy lower rates.

Oil and gas

A variety of Canadian companies are operating in Alaska's oil and gas industry, exploring and providing oilfield services.

Exploration

Petro-Canada holds a net land position in the Alaska Foothills of approximately 1.7 million acres. The company also has a net acreage in the NPR-A of nearly 700,000 acres. Total investment in lease sales and exploration activities in Alaska through the end of 2008 is estimated to be $250 million.

FEX L.P. (a subsidiary of Calgary-based Talisman Energy Inc.) leases approximately 1.2 million acres in the NPR-A, which it operates on behalf of partner Petro-Canada. The company estimates capital spending of $100 million for their recent seismic data gathering and drilling activity.

Providing technological expertise

Oilfield service companies like Nordic-Calista Services provide a wide range of services such as engineering, construction management, and fabrication.

Pipeline development

The potential natural gas pipeline from Alaska to Alberta would ship Alaska's gas to the North American market, delivering clean energy while providing jobs and contracting opportunities in both countries.

Transportation

Canadian transportation companies are represented in Alaska from the North Slope to Southeast.

Building connections

Northern Transportation Company Limited (NTCL), a NorTerra Inc. company, provides on-demand shipping up the Mackenzie River to coastal villages and Alaska's North Slope oilfield. NTCL has hauled drilling rigs and oilfield modules north, along with dry cargo and fuel.

To the south, CN AquaTrain provides a marine/rail link from Prince Rupert, B.C. to Whittier, Alaska via ocean tug. The AquaTrain ships materials that support Alaska's mining, oil and gas, and construction industries including lumber, specialty chemicals, machinery, and equipment.

The Skagway Ore Terminal ships mineral concentrates from northern Canada, creating up to ten jobs in Skagway plus trucking jobs. This year-round operation enhances employment in a community otherwise heavily dependent on the summer visitor industry. All Skagway residents benefit from the enhanced road maintenance to Whitehorse.

Canadian-owned White Pass operates three docks in Skagway, the main port for moving products to and from the Yukon.

Manufacturing

Cold-weather know-how

Capitol Glass Northerm Windows, whose parent company is based in Whitehorse, has been manufacturing and distributing window products in Alaska since 1989. The company has a staff of 42 and an annual business volume of nearly $8.5 million.

Seafood

Approximately $85 million worth of Alaska seafood was exported to Canada in 2008. One of the state's larger processing firms, Alaska General Seafoods, is the US affiliate for Canadian Fishing Company. It operates processing plants in Ketchikan and Naknek and support facilities in Egegik. Peak employment is estimated at approximately 600 workers.

Retail

Employing rural Alaskans

The North West Company International (NWCI) owns and operates 34 retail outlets across rural Alaska operating under the banner name Alaska Commercial Company. The stores serve populations of 400 to 9,000 located in communities from the North Slope through the Aleutians, and into the Southeast region. Since 1993, NWCI has spent more than $60 million building and renovating stores throughout the state. The company added two stores in early 2009 and plans to add five additional stores over the next five years. With more than 900 employees and an annual payroll of $21.8 million, NWCI is one of the largest private sector employers in rural Alaska.

Visitor industry

The Alaska and Canada visitor industries are inextricably linked, primarily because of two travel markets: cruise passengers and highway travelers.

Canadians traveling to Alaska also provide a boost to the economy. Regional visitors in the Yukon and B.C. make frequent, short trips for business, recreation, festivals, and events. In total, 116,000 Canadian visitors spent an estimated $91 million in summer 2008.

Cruise ship

Of Alaska's 1,033,000 cruise passengers in 2008, virtually all passed through Canada at some point on their journey. Nearly half of all cruise passengers begin or end their cruise in Vancouver. Many passengers also call in Victoria or Prince Rupert on their way to or from Alaska.

Cruise passengers also visit Canada by taking day tours into the Yukon from Skagway, by taking overnight tours through the Yukon on land tour packages, and by purchasing overnight tour packages to Vancouver, Victoria, and the Canadian Rockies.

In 2007, the Alaska cruise industry accounted for $565 million in total payroll and an annual equivalent of 14,500 Alaskan jobs. Canadian ports and tours facilitate and strengthen this significant industry.

Highway

Nearly all of Alaska's highway visitors pass through Canada. For many visitors, the Yukon and B.C. are essential elements of their trip. Between October 2007 and September 2008, approximately 348,000 people crossed an Alaska/Canada highway border.

Railroad

The White Pass & Yukon Route Railway is the most prominent Canadian-owned company in Alaska's visitor industry. In 2008, the railway carried a record 438,000 passengers from Skagway into Canada. Nearly 800,000 cruise passengers transit its docks in Skagway every year. The company employs 175 seasonal workers and 19 year-round employees.

Trade between neighbors

Canada's trade relationship with Alaska is vital to Alaska's economy. With $370 million in exports in 2008, Canada is ranked as Alaska's third largest export market.

Metal commodities (zinc, lead, and gold) dominate Alaska's exports to Canada, representing 58 percent of total 2008 exports (or $215 million). Other export categories include unprocessed fish (17 percent or $63 million), processed seafood (9% or $33 million), and petroleum (8% or $30 million).

Alaska imported $441 million worth of Canadian products in 2008, for a combined trade impact of $810 million. The largest import was refined petroleum ($83 million), followed by mining/oil/gas field machinery ($19 million).

Want to know more?

For further information, please contact the Consulate of Canada, Anchorage.
Tel: 907.264.6734
E-mail: ancor@international.gc.ca
website: www.anchorage.gc.ca

This handout was prepared for the Consulate of Canada by McDowell Group, Inc. ©2009. Sources for the data in this brochure include the Alaska Department of Labor and Workforce Development, Alaska Department of Commerce, Community & Economic Development, Statistics Canada, US International Trade Administration, Alaska Industrial Development and Export Authority, and private businesses.

Date Modified: 2010-07-19

HJR 19

<TARGET><BILL>HJR 19</BILL><SUBJECT>HJR 19</SUBJECT><COMM>HEDT27</COMM></TARGET>

[redacted]OUSE COMMITTEE REPO[redacted]

(9)

Date Referred to Committee: March 7, 2011 **FURTHER REFERRALS: Resources**

Date of Committee Action: 3.8.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered: **HJR 19**

HOUSE JOINT RESOLUTION NO. 19
Urging the United States Senate to ratify the United Nations Convention on the Law of the Sea.
HJR 19 URGING US TO RATIFY LAW OF THE SEA TREATY

Recommends it be replaced with [ ] HCS *or* [X] CS for HJR 19 (EDT)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ [X] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	LEG			X

PREVIOUS FISCAL NOTES

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Berta Gardner	Gardner	X			
Steve M. Thompson	Thompson	X			
Catherine Muñoz	Muñoz	✓			
R Towle	Towle	✓			
	Olson			X	
Wes Keller	Keller		α		
Mike Ivck	Ivck	X			
Joel Foster	Foster	X			
Chair:					
Chair: Richard E. Herron	Herron	X			

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 10:15 a.m. on Tuesday, March 8, 2011.

Welcome to the House Special Committee on Economic Development, Trade, and Tourism.

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[At this time I would like to remind everyone to turn off their cell phones.]

<<

Next we have HB 160, VISITOR INDUSTRY INVESTMENT FUND

Ask OLSON? to move amendment I.1

Object for discussion

Remove objection

I.1 would insert "at least" before the required industry match of $2.7 million.

Available for Q's on HB 160:

- Johanna Bales – Revenue, Director of Tax Division (questions only)(offnet)
- DCCED (Comm. Bell – in-person)

Representative Bob Herron

Rep.Bob.Herron@legis.state.ak.us

State Capitol • Juneau, Alaska 99801-1182
Phone: (907) 465-4942 • Fax: (907) 465-4589

House District 38
Kuskokwim & Johnson Rivers
Kuskokwim Bay & Nelson Island

Akiachak
Akiak
Atmautluak
Bethel
Chefornak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Upper Kalskag

Sponsor Statement

HJR 19, "Urging the United States Senate to ratify the United Nations Convention on the Law of the Sea."

HJR 19 urges the United States Senate to ratify the United Nations Convention on the Law of the Sea (UNCLOS), also known as the Law of the Sea treaty (LOST). This resolution will help Alaska's Senate delegation bring the Law of the Sea treaty to the Senate floor for a vote on ratification. Ratification of this treaty is important to protect United States interests concerning the use and development of the high seas off Alaska.

The Law of the Sea treaty governs many aspects of oceans, such as mapping, state area control, environmental control, marine scientific research, economic and commercial activities, transfer of technology and the settlement of disputes relating to ocean matters.

161 countries are signatories to the treaty, including all of the Arctic nations with the exception of the United States.

In her annual address to the Alaska State Legislature February 24, 2011, United States Senator Lisa Murkowski called on the Legislature to once again pass a resolution urging United States Senate ratification of UNCLOS. United States participation in the Law of the Sea Treaty was approved in 1994 by President Clinton after work was done on portions of the treaty to address concerns raised by President Reagan. Entities and persons on record supporting ratification are all United States Presidents since Reagan, the United States Coast Guard, the Department of the Navy, the State Department, the Joint Chiefs of Staff, AT&T, The American Petroleum Institute, The International Association of Drilling Contractors, and the National Oceans Industries Association and many others.

Under the treaty, member nations can claim an exclusive economic zone (EEZ) to 200 miles, with sovereign rights to explore, develop, and manage the resources within that zone. A claim can extend beyond the 200 mile limit if the continental shelf can be proven to extend beyond 200 miles. It is estimated that the northern seabed off Alaska and beyond the 200-mile limit could be as large as the state of California.

Key features of the Law of the Sea treaty include the following:

- Coastal States exercise sovereignty over their territorial sea which may not exceed 12 nautical miles; foreign vessels are allowed "innocent passage" through those waters;
- Ships and aircraft of all countries are allowed "transit passage" through straits used for international navigation; States bordering the straits can regulate navigational and other aspects of passage;
- Coastal States have sovereign rights in the 200-nautical mile EEZ with respect to natural resources and certain economic activities, and exercise jurisdiction over marine science research and environmental protection;
- All other States have freedom of navigation and over flight in the EEZ, as well as freedom to lay submarine cables and pipelines;
- All States enjoy the traditional freedoms of navigation, over-flight, scientific research and fishing on the high seas; they are obliged to adopt, or cooperate with other States in adopting, measures to manage and conserve living resources;
- States are bound to prevent and control marine pollution and are liable for damage caused by violation of their international obligations to combat such pollution;
- All marine scientific research in the EEZ and on the continental shelf is subject to the consent of the coastal State, but in most cases they are obliged to grant consent to other States when the research is to be conducted for peaceful purposes and fulfils specified criteria;
- States Parties are obliged to settle by peaceful means their disputes concerning the interpretation or application of the Convention;
- Disputes can be submitted to the International Tribunal for the Law of the Sea established under the Convention, to the International Court of Justice, or to arbitration. Arbitration is also available and, in certain circumstances, submission to it would be compulsory. The Tribunal has exclusive jurisdiction over deep seabed mining disputes.

The State of Alaska has much to gain from international recognition of the United States' 200 mile EEZ and extended continental shelf and much to lose if we are the only Arctic nation not to extend our ocean boundaries.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **HJR 19**
() Publish Date

HJR19-LEG-COU-3-7-2011
Title "Support for United Nations Convention on the Law of the Sea"
Sponsor House Special Committee on Econ Dev, Trade & Tourism
Requester House Special Committee on Econ Dev, Trade & Tourism

Dept. Affected Legislature
Appropriation Legislative Council
Allocation Session Expenses
OMB Component Number 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by Shane Miller, Finance Manager
Division Administrative Services Division
Approved by Pamela Varni, Executive Director
Legislative Affairs Agency

Phone 465-6626
Date/Time 3/7/11 1:04 PM
Date 3/7/2011

(Revised 12/29/2010 OMB)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

Coast Guard commander urges treaty ratification

THE ASSOCIATED PRESS

JUNEAU — The departing commander of the Coast Guard's 17th District, which includes Alaska, said the U.S. must ratify the Law of the Sea treaty to ensure access to and control over a rich oil and mineral bed that is getting attention from China.

Rear Admiral Christopher Colvin said the U.S. would gain exclusive control of the ocean bottom up to 440 miles off the Alaska northern coast, according to KTOO-FM.

"That's important territory on the bottom," Colvin said. "It has oil, gas and minerals that will be very valuable."

The U.S. has exclusive control of 200 miles of ocean bed off the coast, and Colvin said Chinese mineral exploration crews are working in the area that would turn over to U.S. control if it ratified the treaty.

"(The Chinese) have an icebreaker, they're building another icebreaker, the world's largest non-nuclear icebreaker to go along with the previous one," Colvin said. "They're doing scientific research probably for energy exploration because there's lots of energy on the Chuchki Plateau."

Colvin will be transferred in May to the Coast Guard's Pacific Area Command in Alameda, Calif., where he'll be second in command of Pacific operations.

The European Union and 160 nation states have ratified the Law of the Sea treaty. The United States is one of 18 countries that have signed, but not ratified it.

The treaty, first put forward by the United Nations in 1982, would establish a governing system for the use of the ocean for military, transportation and mineral extraction purposes.

U.S. Sen. Lisa Murkowski, who is pushing for ratification of the treaty, said she has faced questions that first surfaced during the administration of President Ronald Reagan concerning the U.S. ceding its sovereignty by ratifying the treaty.

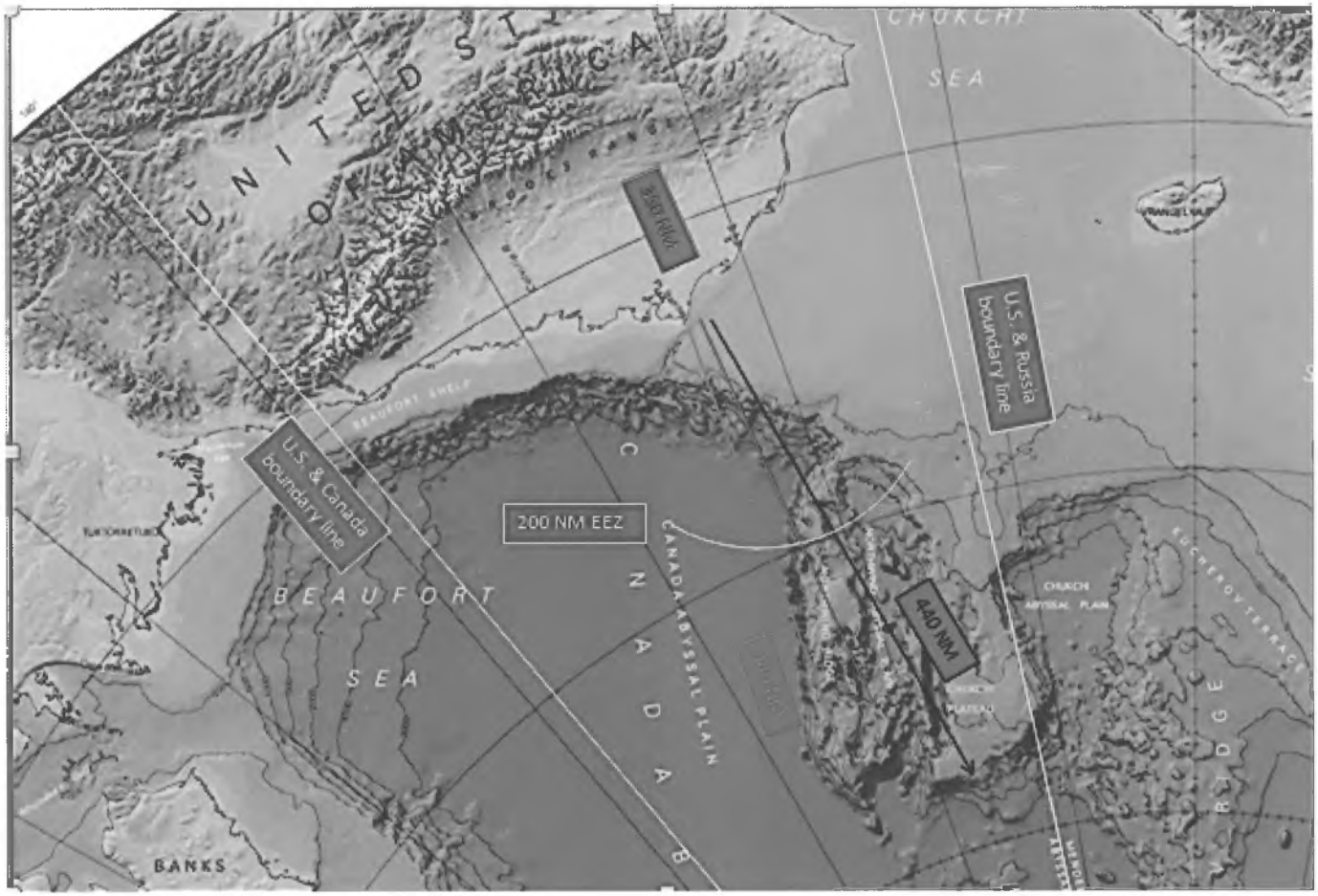
"They ask, what does this do to America's sovereignty?" Murkowski said. "By failing to ratify the treaty, by failing to be at the table, we give up that sovereignty ourselves."

Last week, Murkowski told the state Legislature she'll push for ratification of the Law of the Sea treaty this spring or summer. She said Senate Foreign Relations Committee Chair John Kerry and President Barack Obama are behind the measure, but it faces opposition in Congress.

Murkowski also asked U.S. Department of Homeland Security Secretary Janet Napolitano for an update on the Coast Guard's icebreaker fleet.

Obama's budget proposal calls for decommissioning the icebreaker the Polar Sea, which would leave the U.S. with only one icebreaker for the next two years — the Healy, which can't break heavy ice.

Potential Extended Continental Shelf Claim



PREPARED STATEMENT OF REAR ADMIRAL CHRISTOPHER C. COLVIN, COMMANDER, SEVENTEENTH COAST GUARD DISTRICT, U.S. COAST GUARD, DEPARTMENT OF HOMELAND SECURITY

Good morning, Mr. Chairman and distinguished members of the Committee. I am Rear Admiral Christopher C. Colvin, Commander of the Seventeenth Coast Guard District. It is an honor to appear before you today to provide you information about how accession to the United Nations Convention on the Law of the Sea would benefit the United States Coast Guard in the performance of its missions and in protecting the American people.

In my current position, I am responsible for directing Coast Guard operations, including search and rescue, maritime safety, environmental protection, fisheries law enforcement and military readiness, in Alaska and portions of the North Pacific Ocean, the Arctic Ocean, and the Bering Sea. Units under my command patrol over 3.8 million square miles of ocean and 33,000 miles of coastline. Coast Guard aircraft and vessels monitor more than 950,000 square miles off the Alaskan coast to enforce U.S. fisheries laws. The Coast Guard patrols an even larger area of the North Pacific to stop large scale, high seas drift netting and other illegal fishing practices. I also consider maritime safety and environmental protection to be priority missions. Over 15 percent of the oil that America produces each day transships through the Port of Valdez. Alaska is the world's second most popular cruise destination, bringing nearly one million passengers to its waters every year. The safety of these ships and passengers and protection of the waters in and around Alaska are critical missions.

Due to my time in Service, I have become one of the most experienced mariners in the Coast Guard. I have been assigned to six cutters and have commanded three; the last of which included conducting combat operations in the Middle East in support of Operation Iraqi Freedom. In general, I have spent about half of my afloat career conducting fisheries patrols in Alaska and the other half conducting drug patrols in the Caribbean. I once calculated that I've spent about three years of my life on patrol in the Bering Sea. I have also served as the Chief of Staff and Chief of Operations of the Coast Guard Atlantic Area. Just before my present assignment, I served as the Deputy Director for Operations at the U.S. Northern Command.

The breadth of these assignments—encompassing Coast Guard operations in the Caribbean Sea, the Gulf of Mexico, the Bering Sea, and the Atlantic, Pacific, and Arctic Oceans—provides me with the experience necessary to comment on the many beneficial effects that becoming party to the Law of the Sea Convention would have on U.S. Coast Guard missions.

The Law of the Sea Convention created a comprehensive legal regime that provides the Coast Guard with the legal certainty and stability to exercise its navigational rights and freedoms, to protect fisheries, to control marine pollution, and to maintain a legal order of the oceans against criminals and terrorists. From the Coast Guard perspective, public order of the oceans is best established and maintained by a stable, universally accepted law reflective of U.S. national interest. The navigation provisions of the Law of the Sea Treaty are reflective of customary international law.

One of the core foundations of the Convention was codification of rights and responsibilities of states as port States, flag States, and coastal States. It clarifies and delimits seaward territorial claims by coastal States to ensure navigational freedoms while at the same time recognizing the U.S.'s interest as a coastal State with sovereignty to protect its living and non-living marine resources. The result is an appropriate balance between the exclusive interests of coastal States and the interests of maritime States. It limits the maximum breadth of the territorial sea that a coastal State could claim to 12 nautical miles. Our fishery conservation management interests, as reflected in the Magnuson-Stevens Fishery Conservation Management Act of 1977, were instrumental in the international development of the concept of the 200-nautical mile Exclusive Economic Zone (EEZ). In the EEZ, all nations enjoy freedoms of navigation and overflight as on the high seas, while the coastal State possesses sovereign rights to protect and exploit the living and non-living marine resources. The United States, with the world's largest and richest EEZ, is perhaps the greatest beneficiary of this concept.

The Convention also calls for international cooperation among States in preserving the world's high-seas fisheries. An example of such cooperation is the UN ban on high seas drift net fishing and other illegal fishing practices. Each year, the Coast Guard patrols the North Pacific to conduct boardings and inspections under the Convention on the Conservation and Management

of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean. Over two dozen nations participate in this effort, which is a direct outcome of the Law of the Sea Convention.

The Convention also provides a comprehensive framework for the prevention, reduction, and control of maritime pollution. The Coast Guard conducts a wide-ranging port-state-control program to purge our waters of substandard ships and is assisting other nations in doing the same. The Convention carefully balances the rights of coastal States to adopt certain measures to protect the marine environment adjacent to their shores with the right of a flag State to set and enforce standards and requirements concerning the operation of its vessels. Moreover, it does all this without unduly burdening international maritime navigation and sea-borne trade.

The Coast Guard already relies heavily on the navigational freedoms and overflight rights codified in the Law of the Sea Convention. These protections allow the use of the world's oceans to meet changing national security requirements. In this regard, worldwide mobility requires undisputed access through international straits and archipelagic waters. The Convention ensures that our Coast Guard cutters will have their sovereign immunity protected wherever in the world they may be operating. In addition, the Convention limits a nation's territorial sea to no more than 12 nautical miles, beyond which all nations enjoy a high seas navigation regime that includes the freedom to engage in law enforcement activities. The Convention codifies the right to operate freely beyond a nation's territorial sea and protects this right by limiting excessive maritime claims that can have the effect of creating maritime safe havens for drug traffickers and other criminals. Each year, Coast Guard maritime interdiction operations occurring on international waters result in the seizure of tens of thousands of pounds of cocaine, dozens of vessels, and hundreds of arrests. Most of these seizures take place on distant maritime transit routes far from our shores. However, during bi-lateral negotiations, several nations have, in the past, questioned our authority to contest some of their excessive maritime claims simply because we have yet to become party to the Convention.

The Convention contains effective provisions for dealing with illegal activities at sea. Article 108 of the Convention requires international cooperation in the suppression of the transport of illegal drugs. The United Nations Convention against Illicit Traffic in Narcotic Drugs and

Psychotropic Substances, also known as the 1988 Vienna Convention, is a fine example of this. The United States has been at the forefront of international cooperation in the war against illegal drugs, and the use of ocean space to transport them. We have aggressively pursued bilateral agreements with many nations that border drug transit zones as well as States with large registries to facilitate the effective interdiction of vessels suspected of transporting illegal drugs and the eventual prosecution of the drug traffickers. During discussions with these nations, we emphasize the Convention's call for cooperation and premise each agreement on concepts codified within the Convention. Articles 100-107 detail the international legal principles dealing with acts of piracy at sea. Other provisions prohibit the transport of slaves, the operation of stateless vessels, and other activities in violation of international norms.

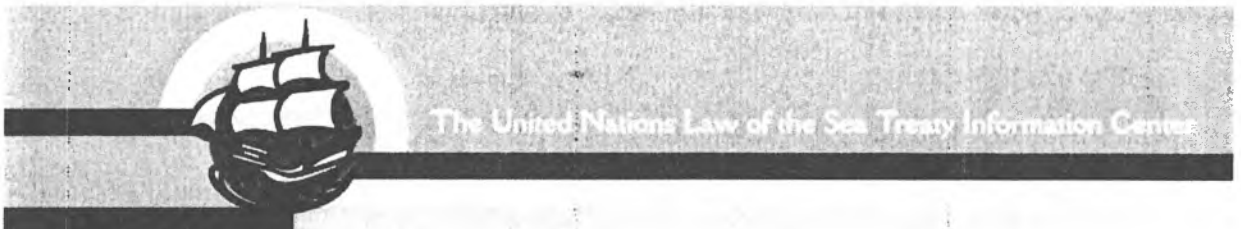
The Convention also contains provisions that enhance our ability to interdict foreign-flagged vessels off our own coasts. The Convention codifies a coastal nation's right to establish a 12-nautical mile contiguous zone just beyond the territorial sea, where it may exercise control to prevent and punish infringements of its customs, immigration, fiscal, and sanitary laws. Adoption by the U.S. of an expanded contiguous zone has doubled the area where we can exercise these increased authorities. The benefits of the contiguous zone against traffickers surreptitiously shipping their illicit products to U.S. shores are clear.

As the lead Federal agency for maritime safety and security, the Coast Guard believes that U.S. accession to the 1982 UN Convention on the Law of the Sea would benefit the Coast Guard in its efforts to improve maritime safety and ensure the security of our maritime borders, thus promoting homeland security. The Convention recognizes that various UN subsidiary bodies may serve as competent international organizations for the further development of certain aspects of the law of the sea. The International Maritime Organization has always been the recognized competent international organization for maritime safety and marine environmental protection. More recently, it has assumed a similar role in port facility and vessel security. The Coast Guard has worked at the IMO to amend the SOLAS Convention for vessel and port facility security, to enhance maritime domain awareness through Long Range Identification and Tracking (LRIT) of vessels bound for U.S. ports and waters, and to increase the operational effectiveness of the Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation

(SUA Convention). The negotiations necessary to support efforts such as these take place in the context of the overwhelming number of nations at IMO being parties to the Law of the Sea Convention. Because of this fact, the Law of the Sea Convention provides the framework for the discussions and agreements. Although we have enjoyed success in the international security agreements so far, those negotiations have not always been easy. Frankly, the fact that the United States is not a party to the Law of the Sea Convention, when the overwhelming number of our international partners are parties, has repeatedly placed us in a difficult negotiating position at IMO and other forums.

In summation, while I am not in a position to express an Administration or Coast Guard position on the specific Resolution that this committee is considering, I am of the opinion that the provisions of the Law of the Sea Convention fairly balance the interests of coastal nations to control activities off their coasts with the freedom of navigation and overflight rights of all nations. The practical effect for the United States is to control economic activities within the world's largest Exclusive Economic Zone, while enabling our forces and merchant vessels to freely operate in every part of the globe. The Convention guarantees our military and transportation industries critical navigation and overflight rights. And U.S. fishermen enjoy exclusive fishing out to 200 nautical miles. In the view of the Coast Guard, the Convention for the Law of the Sea greatly improves our ability to protect the American public as well as our efforts to manage our ocean resources and to protect the marine environment. Becoming a party to the Convention would significantly enhance our global position in maritime affairs.

Thank you for the opportunity to make this informational appearance before you today.



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Read the complete Law of the Sea Treaty here.

The Law of the Sea Treaty, formally known as the Third United Nations Convention on the Law of the Sea, or UNCLOS III, was adopted in 1982. Its purpose is to establish a comprehensive set of rules governing the oceans and to replace previous U.N. Conventions on the Law of the Sea, one in 1958 (UNCLOS I) and another in 1960 (UNCLOS II), that were believed to be inadequate.

Negotiated in the 1970s, the treaty was heavily influenced by the "New International Economic Order," a set of economic principles first formally advanced at the United Nations Conference on Trade and Development (UNCTAD). That agenda called for "fairer" terms of trade and development financing for the so-called under-developed and developing nations.

Another way the New International Economic Order has been described is "redistributionist."

The Law of the Sea Treaty calls for technology transfers and wealth transfers from developed to undeveloped nations. It also requires parties to the treaty to adopt regulations and laws to control pollution of the marine environment. Such provisions were among the reasons President Ronald Reagan rejected the treaty in 1982. As Edwin Meese, U.S. Attorney General under President Reagan, explained recently, "...it was out of step with the concepts of economic liberty and free enterprise that Ronald Reagan was to inspire throughout the world."

In additional to the economic provisions, the treaty also establishes specific jurisdictional limits on the ocean area that countries may claim, including a 12-mile territorial sea limit and a 200-mile exclusive economic zone limit.

Some proponents of the treaty believe that the treaty will establish a system of property rights for mineral extraction in deep sea beds, making the investment in such ventures more attractive.

Notwithstanding concerns raised about the Law of the Sea Treaty - and there have been many - the U.S. Senate Foreign Relations Committee recommended U.S. accession to the treaty in a unanimous vote in March 2004.

Six years later, a vote of the entire U.S. Senate has yet to be scheduled.

This website has been established by the National Center for Public Policy Research to provide news, information and resources on the United Nations Law of the Sea Treaty. Links to external websites are provided for informational purposes only, and no endorsement of their opinions or content by The National Center for Public Policy Research is intended or should be implied.

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Ratification of the Law of the Sea Treaty: A Not-So-Innocent Passage

by David A. Ridenour

The "right of innocent passage" is the right of any nation's ships to traverse continuously and expeditiously through the territorial waters of a coastal nation, subject to certain conditions.*1* Under the Law of the Sea Treaty, such passage is conditioned on passing in a manner that isn't threatening to "sovereignty, territorial integrity or political independence" or the "good order and security" of that nation.

By this definition, if the Law of the Sea Treaty was a ship, it would fail to qualify.

That's because there are serious flaws in the treaty that - if U.S. ratified the treaty - could place U.S. sovereignty, security and political independence in doubt.

This analysis of the Law of the Sea Treaty will focus on the threats to political independence, particularly as they relate to environmental policy, and to threats to security.

Background

The Law of the Sea Treaty, formally known as the Third United Nations Convention on the Law of the Sea, or UNCLOS III, was adopted in 1982. Its purpose is to establish a comprehensive set of rules governing the oceans and to replace previous U.N. Conventions on the Law of the Sea, one in 1958 (UNCLOS I) and another in 1960 (UNCLOS II), that were believed to be inadequate.*2*

Negotiated in the 1970s, the treaty was heavily influenced by the "New International Economic Order," a set of economic principles first formally advanced at the United Nations Conference on Trade and Development (UNCTAD). That agenda called for "fairer" terms of trade and development

financing for the so-called under-developed and developing nations.3

Another way the New International Economic Order has been described is "redistributionist."

The Law of the Sea Treaty calls for technology transfers and wealth transfers from developed to undeveloped nations.4 It also requires parties to the treaty to adopt regulations and laws to control pollution of the marine environment. Such provisions were among the reasons President Ronald Reagan rejected the treaty in 1982. As Edwin Meese, U.S. Attorney General under President Reagan, explained recently, "...it was out of step with the concepts of economic liberty and free enterprise that Ronald Reagan was to inspire throughout the world."5

In additional to the economic provisions, the treaty also establishes specific jurisdictional limits on the ocean area that countries may claim, including a 12-mile territorial sea limit and a 200-mile exclusive economic zone limit.6

Some proponents of the treaty believe that the treaty will establish a system of property rights for mineral extraction in deep sea beds, making the investment in such ventures more attractive.7

Notwithstanding concerns raised about the Law of the Sea Treaty - and there have been many - the U.S. Senate Foreign Relations Committee recommended U.S. accession to the treaty in a unanimous vote in March 2004.

More than two years later, a vote of the entire U.S. Senate has yet to be scheduled.

Defense and Security Concerns

One of the concerns raised by critics of the Law of the Sea Treaty is that it could be used to sharply limit U.S. military operations. Among the examples they cite is Article 20, which stipulates: "In the territorial sea, submarines and other underwater vehicles are required to navigate on the surface and to show their flag."8

Proponents of the treaty counter that this provision merely establishes the conditions for invoking a "right of innocent passage" in the territorial waters of another nation.9 The "right of innocent passage" is the right of any nation's ships to traverse continuously and expeditiously through the territorial waters of a coastal nation, subject to certain conditions.10

Because Article 20 doesn't mention "innocent passage," this provision may provide opponents of U.S. military operations a pretext - albeit a fairly weak one - for claiming that the surfacing requirement applies to all U.S. submarines operating in territorial waters. Such claims would be unlikely to prevail, as it is fairly clear, based on the context, that this provision deals with innocent passage.

Advocates of the treaty also argue that Law of the Sea Treaty merely maintains the status quo for submarines passing through territorial waters because the United States is already a party to the 1958 Convention on the Territorial Sea and the Contiguous Zone which, they contend, contains similar language.*11* U.S. submarines have traversed territorial waters while submerged over the past 48 years, they say, largely unaffected by the Territorial Sea Convention's surfacing requirement.

Where submarines are concerned, they appear to be correct.

But Article 20 also adds something completely new: The requirement that "other underwater vehicles" navigate on the surface.*12* The surfacing requirement would thus presumably apply to Autonomous Underwater Vehicles (AUVs) and Remotely Operated Underwater Vehicles (ROVs), among others (including, presumably, the next generation of such vessels) for the first time.

AUVs, unmanned underwater drones, and ROVs, underwater vehicles controlled by operators at the surface, have numerous military applications, including mine detection and neutralization, surveillance and inspection of underwater installations and topography, among others.*13*

Some of these activities are otherwise consistent with the Law of the Sea Treaty's definition of "innocent passage." An AUV or ROV used to detect mines to protect a ship exercising its right of innocent passage, for example, appears to meet the requirement that it engage only in activities with "direct bearing on passage." But because these vehicles must be submerged to be used effectively they would be considered "prejudicial to the peace, good order and security of the state" by doing so, even though advancing the peace, good order and security is precisely the purpose for which they would be used.

If the U.S. ratifies the Law of the Sea Treaty, the use of AUVs and ROVs for these and other purposes could be reduced.

Opponents of the treaty also contend that it could inhibit the U.S.'s ability to pursue international terrorists and prevent the transportation of weapons of mass destruction on the sea.*14* They appear to be correct.

Article 110 of the Law of the Sea Treaty specifies military ships are "not justified in boarding [a foreign ship] unless there is reasonable grounds for suspecting that: (a) the ship is engaged in piracy; (b) the ship is engaged in the slave trade; (c) the ship is engaged in unauthorized broadcasting...; (d) the ship is without nationality or (e) ...the ship is, in reality, of the same nationality as the warship." Boarding of ships involved in the illicit drug trade is also permitted.*15*

Note that boarding of ships engaged in "unauthorized broadcasts" is considered to be justified, but boarding ships carrying terrorists or weapons of mass destruction is not.

Unauthorized broadcasting, by the way, is not only a justification to board, but for certain countries, a requirement under the treaty.*16* Policymakers

would be wise to remember that the U.S. has itself engaged in "unauthorized broadcasts," using such vessels as the Coastal Messenger, a mobile transmitting station for Voice of America broadcasts behind the Iron Curtain during the 1950s and 1960s.*17*

The treaty does permit states to pursue, apprehend and board ships for violation of other laws and regulations, too, but only if the state is in "hot pursuit" of the ship. To qualify as "hot pursuit," such pursuit must begin in the "internal waters, the archipelagic waters, the territorial sea or the contiguous zone of the pursing State, and may only be continued outside the territorial sea or the contiguous zone" if the pursuit has been uninterrupted.*18*

States that detain ships for reasons or by means other than those prescribed in the Law of the Sea Treaty could find their actions subject to review and judgment by the International Tribunal of the Law of the Sea (ITLOS) in Hamburg, Germany.

The Law of the Sea Treaty normally gives states the option, by mutual consent, of choosing between ITLOS, the International Court of Justice or "arbitral tribunals" to settle their disputes. When agreement between the states involved in the dispute can not be reached, an arbitral tribunal would be given jurisdiction in the case.

When provisional measures are sought, however - as they likely would be when ships are detained - the rules are different. Provisional measures are akin to temporary injunctions - orders requiring one to do something or cease doing something - in the interest of preventing irreparable harm. Article 290, paragraph 5 of the Law of the Sea Treaty specifies that ITLOS would automatically adjudicate such disputes when states can not reach agreement on the method of adjudication or arbitration "within two weeks from the date of the request for provisional measures."*19*

As Jeremy Rabkin, professor of government at Cornell University, has noted: "The only important category of dispute where one party can force another to answer before ITLOS is when a ship has been detained on the high seas and the complaining party seeks immediate release."*20*

The prospects that disputes such as these taken to ITLOS would be ruled in the U.S.'s favor are poor. Many ITLOS judges, certainly a clear majority, are from countries that have either been openly hostile to the United States or are at best unreliable allies. Among the countries represented on ITLOS are South Africa, China, Russia, Tanzania, Lebanon, Brazil, Argentina and France.*21*

ITLOS certainly could complicate the U.S.'s efforts to interdict terrorists and weapons of mass destruction.

For example, if the U.S. chose to act on intelligence information that a foreign-flagged ship (perhaps flying the flag of Syria, Iran or North Korea) was carrying terrorists and boarded the ship, the U.S. could expect to have to answer to ITLOS.

Finally, opponents of the Law of the Sea Treaty contend that Article 88 of the treaty, which stipulates that "the high seas shall be reserved for peaceful purposes" together with Article 301's requirement to refrain from "any threat or use of force against the territorial integrity or political independence of any state" have the potential of unduly constraining U.S. defense operations on the high seas.*22*

Proponents counter that warships of all major powers freely travel through the high seas even though the treaty is already in force for nations that have ratified it,*23* which, as of this writing, stood at 149 nations.*24* But the U.S.'s circumstances are very different than those of the 149 parties to the treaty. As the world's only remaining superpower, the U.S. is the only nation capable of extended, extensive long-range maritime operations.*25* What's more, the U.S. has military obligations that other nations simply do not. Many of the parties to the treaty*26* don't have organized navies. Others don't have significant ones.*27* Consequently, most parties to the treaty have less interest in the military implications of Article 88 than does the United States. The ratification of the treaty by these nations therefore should not be the yardstick by which the risks to U.S. military interests are measured.

Supporters of the treaty also argue that Article 301 would have little impact on U.S. military operations as the provision is the same as Article 2(4) of the U.N. Charter.*28* Although these two provisions are similar, there are some key differences.

For one thing, the bodies responsible for enforcement of the Law of the Sea Treaty's Article 301 and the U.N. Charter's Article 2(4) are different.

Under the U.N. Charter, the Security Council is the principal enforcement body. The United States has a permanent seat on the security council and, as such, has veto powers. Under the Law of the Sea Treaty, enforcement responsibilities fall to such bodies as ITLOS, which, as noted earlier, is unlikely to be favorable to U.S. positions, and the International Seabed Authority (ISA), with a similarly unfavorable composition. The ISA's executive body, the Council, is composed of representatives of 36 countries, the majority of which can not be counted on to support U.S. positions. Its membership includes representatives from the Sudan, Malaysia, China, Indonesia, South Africa, Namibia, Nigeria, Kenya, Guyana, Argentina, Russia and Myanmar (name given to Burma by its military junta), among others.*29*

Article 301 of the Law of the Sea Treaty also has wording slightly different that the U.N. Charter's Article 2(4), replacing the more objective phrase "shall refrain from the threat" with a more subjective "shall refrain from any threat." This opens the possibility that U.S. military operations on the high seas could be inhibited when states merely "feel" threatened by them.

It is in this context that provisions such as Article 88 take on greater significance.

The Senate Foreign Relations Committee determined that the risks to U.S. military activity were sufficient enough to address them in its Committee Report. Among other things, it specified that the Senate's advice and consent for U.S. accession to the Law of the Sea Treaty be subject to the

understanding "that nothing in the Convention referring to 'peaceful purposes' impairs the inherent right of individual or collective self-defense or rights during armed conflict."*30*

Unfortunately, the Committee did not also specify that the Senate's advice and consent to be subject to the understanding that the United States has the inherent right to defend itself during peacetime through pre-emptive action. Pre-emptive action may be required, for example, if the U.S. learns through reliable intelligence that a specific ship is carrying terrorists, weapons of mass destruction or both.

Even with such conditions, the U.S. would likely gain little advantage.

That's because Article 309 of the treaty specifies that no "reservations or exceptions may be made to this Convention unless expressly permitted by other articles of this Convention." While states are permitted to declare exceptions pertaining to military activities when ratifying the treaty under Article 298, such declarations would only free States from the dispute resolution process outlined in Articles 286-296. They would still be obligated to the dispute resolution requirements contained in Articles 279-285.*31*

Environmental Concerns

When the energy industry and environmentalists agree on an issue, one of the two likely doesn't fully comprehend the implications...

...and it's probably not the environmentalists.

Ratification of the Law of the Sea Treaty is supported by much of the energy industry, including "most of its major" trade associations*32* and by leading environmental organizations, including Greenpeace, the Natural Resources Defense Council, Environmental Defense and World Wildlife Fund, among others.*33*

The energy and mining sectors believe the treaty will help move deep sea mining and oil exploration forward by establishing internationally-recognized title to minerals.*34*

So why would so many environmental groups with a history of opposing oil and gas exploration endorse this idea?

Answer: They wouldn't.

Opponents of the Law of the Treaty believe that environmentalists are using the treaty as a vehicle to achieve through international institutions that which they can't achieve through domestic ones - namely, more onerous environmental standards. This is consistent with the statements and actions of environmental groups to-date. Greenpeace, for example, has said, "The benefits of the U.N. Convention on the Law of the Sea are substantial, including its basic duties for states to protect and preserve the marine environment and to conserve marine living species."*35* The Natural

Resource Defense Council (NRDC), for its part, cited the Law of the Sea Treaty's environmental provisions as an argument in its challenge of the Navy's use of so-called "intense active sonar" several years ago. The NRDC said, in part, "The United Nations Law of the Sea Convention... requires States 'to assess the potential effects... on marine environment'... of systems such as high intensity active sonar, and to take all measures 'necessary to prevent, reduce and control pollution of the marine environment from any source'... The danger to marine life from... sonar... is clearly documented." The Navy ultimately agreed to scale back its use of this sonar technology.

Ratification of the Law of the Sea Treaty appears to carry with it the risk that the United States - and other parties to the treaty - may lose control of their environmental laws.

Nations have already attempted to use the Law of the Sea Treaty's environmental provisions to affect the environmental policies of others. In 1999, Australia and New Zealand appealed to the International Tribunal of the Law of the Sea (ITLOS) to shut down Japan's experimental southern blue fin tuna fishing program, citing Articles 64 and 116-119. Although the Tribunal ultimately decided that it lacked jurisdiction in the case, Australia and New Zealand did gain a temporary injunction on the program.*36* More recently, Ireland sought ITLOS's help in forcing the United Kingdom to abandon its planned opening of the Sellafield MOX plant, a nuclear fuel reprocessing plant in northern eastern England, arguing that it would contribute to pollution of the North Sea. Although ITLOS did not rule in Ireland's favor, it ordered both Ireland and the United Kingdom to enter into consultations.*37*

In a great ironic twist, the Law of the Sea Treaty - supported by many in the energy sector - may give environmentalists a blunt instrument to use against the energy industry.

Article 212 of the treaty states, in part, "States shall adopt laws and regulations to prevent, reduce and control pollution of the marine environment from or through the atmosphere... States, acting especially through competent international organizations... shall endeavor to establish global and regional rules, standards and recommended practices and procedures to prevent, reduce and control pollution."*38* This sounds like a directive to impose Kyoto Protocol-style regulations designed to reduce state emissions of greenhouse gases. These gases are emitted through the use of the very products the energy industry sells.

Backdoor implementation of the Kyoto Protocol might be advanced by arguing that U.S.'s anthropogenic greenhouse gas emissions (one-quarter of such emissions world-wide) are warming the planet, causing irreparable harm to coral reefs, home to the world's most biologically-diverse marine ecosystems.

Alternatively, they could argue that sea levels are rising due to U.S.-induced climate change, causing beach erosion in such countries as the Maldives, Comoros or the Seychelles. To bolster their case, they might cite Article 194 (2) of the treaty which states: "States shall take all measures necessary to ensure that activities under their jurisdiction or control are so conducted as

not to cause damage by pollution to other States and their environment."

Some environmental advocates clearly believe the Law of the Sea Treaty can be used for such purposes.

Writing for Our Planet, a publication of the United Nations Environment Programme, Greenpeace International Executive Director Thilo Bode noted in 2000:

> Global warming is likely to have a big impact at sea... Sea levels have risen by an estimated 10-25 centimetres over the last century, and as this continues the waters will cover land and coastal habitats in many countries... Solving the environmental problems facing the oceans... is one of the greatest challenges facing humankind... No single nation or region can do this alone: it will require comprehensive international cooperation as required by the United Nations Convention on the Law of the Sea."*39*

Opponents of the Law of the Sea Treaty also fear that, should the U.S. ratify the treaty, environmentalists will have an additional avenue for pursuing environmental law suits in U.S. courts. As the U.S. Supreme Court has stated, "international law is part of our law, and must be ascertained and administered by the courts of justice of appropriate jurisdiction, as often as questions of right depending on it are duly presented for determination." This seems to leave the door wide open for the use of international law in U.S. courts.*40* Further, as Frederic L. Kirgis, writing for the American Society of International Law, notes, "Provisions in treaties and other international agreements are given effect as law in domestic courts of the United States... if they are 'self-executing'... the primary consideration is intent... that the provision become effective as judicially-enforceable domestic law without implementing legislation."*41*

Whether the Law of the Sea Treaty or specific provisions of the treaty meet this test will undoubtedly be subject of some debate.

Conclusion

Sufficient concerns about the implications for U.S. national security and U.S. environmental policy exist that the United States should be wary of acceding to the Law of the Sea Treaty.

These concerns, in summary, include:

* Article 20 would extend the surfacing requirement to vessels not covered under previous conventions, including those that would otherwise qualify for innocent passage such as unmanned vessels used for mine detection and other purposes.

* The Law of the Sea Treaty would impede the U.S.'s ability to capture international terrorists and confiscate weapons of mass

destruction through detention of ships on the high seas. The treaty specifies that the boarding of ship is not justified except when a ship is believed to be engaged in piracy, unauthorized broadcasting, drug trafficking, is obscuring its nationality or shows no nationality. Detention of ships in a manner other than those prescribed in the treaty would subject such actions to the judgment of the International Tribunal of the Law of the Sea in Hamburg, Germany.

* Article 88's stipulation that "the high seas shall be reserved for peaceful purposes" and Article 301's requirement that parties to the convention refrain from "any threat or use of force against the territorial integrity or political independence of any state" may be used to impede U.S. military operations at sea. The Treaty's opt-out provisions for military activities would only free the U.S. from the requirement to participate in a specific dispute resolution process, not dispute resolution itself.

* The marine conservation provisions of the treaty could be used by activists to achieve through international institutions that which they haven't been able to achieve through domestic legislation.

* The conservation provisions may give environmental organizations a new avenue to pursue environmental lawsuits in U.S. courts.

* The conservation provisions may provide the means for forcing the U.S. to adopt the Kyoto Protocol or similar emissions-control schemes - schemes the U.S. has rejected.

# # #

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Paper Promises vs. Real Costs

by Doug Bandow

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The return of piracy to the high seas demonstrates the limits of international law. The international community might agree that it is wrong to seize ships for ransom, but a few thugs with guns in Somalia beg to differ. Paper guarantees cannot stop seajackings.

Yet Secretary of State Hillary Rodham Clinton wants Congress to ratify the Law of the Sea Treaty, the ultimate in paper guarantees. LOST, which essentially creates a second United Nations, is an artifact of the collectivist New International Economic Order popular in the 1970s, but it is being resold as a guarantor of freedom of the seas.

The convention obviously doesn't do anything to prevent piracy. Moreover, the recent contretemps between the U.S. and Chinese navies demonstrates that LOST's navigational guarantees are no more certain.

The USNS Impeccable, an unarmed spy ship, was operating 75 miles from China's Hainan Island. Chinese vessels harassed the U.S. vessel and ordered it to leave, causing the U.S. Navy to send in a supporting destroyer.

Territorial waters extend just 12 nautical miles, but LOST empowers nations to exercise control over resources in the 200-mile Exclusive Economic Zone. Washington contends that U.S. ships are allowed to conduct activities "in waters beyond the territorial sea of another state without prior notification or consent," according to Defense Department spokesman Stewart Upton. Beijing disagrees.

Washington would seem to have the better argument, though China's contention that peaceful uses of the ocean do not include spying is plausible. Alas, LOST fails to offer the clear, unambiguous protection of navigational freedom as claimed by its proponents.

LOST largely codifies customary international law, which favors free transit. However, the treaty only offers a paper guarantee. Even if LOST recognizes the Impeccable's right to spy, it offers no practical protection of that right.

If China - or Brazil, Malaysia or Pakistan, which also purport to forbid intelligence gathering within their exclusive zones - believes it to be in its interest and ability to prevent foreign passage, it won't spend a lot of time parsing ambiguous LOST provisions before acting. Geopolitical interest and military capability, not juridical technicalities, will triumph.

The problem is likely to grow as Beijing develops a blue-water navy. Last month, Director of National Intelligence Dennis C. Blair told the Senate Armed Services Committee: "In the past several years,

they have become more aggressive in asserting claims for the [exclusive zones] which are excessive under almost any international code." Despite China's adherence to LOST.

Although the treaty's navigational benefits are more theoretical than real, LOST has significant downsides. Most important, the so-called Part XI governing seabed mining was amended in 1994, but the result is only less bad.

LOST was crafted to redistribute wealth from First World democracies to Third World autocracies. The International Seabed Authority would regulate private ocean development, mine the seabed itself through an entity called the Enterprise, and pay off favored nations and groups. Those objectives remain unchanged.

Moreover, treaty proponents talk excitedly about new litigation opportunities created by LOST. Professor William C.G. Burns of the Monterey Institute of International Studies wrote that the convention "may prove to be one of the primary battlegrounds for climate change issues in the future." He dismissed the argument that the document does not authorize such litigation: "While very few of the drafters of [the United Nations Convention on the Law of the Sea] may have contemplated that it would one day become a mechanism to confront climate change, it clearly may play this role in the future."

Environmental activists also look forward to using LOST Article 207, which directs countries to "adopt laws and regulations to prevent, reduce and control pollution of the marine environment from land-based sources." Treaty advocates publicly claim the provision is merely hortatory.

Yet the mandate already has sparked litigation between Ireland and Britain. Moreover, Citizens for Global Solutions and the World Wildlife Federation argue that the convention will stop Russia from polluting the Arctic. They have yet to explain how LOST would bind Russia but not America.

No wonder Bernard H. Oxman of the University of Miami warned LOST backers to shut up about their plans. He explained: "Experienced international lawyers know where many of the sensitive nerve endings of governments are. Where possible, they should try to avoid irritating them."

Finally, the United Nations proclaims that LOST is not "a static instrument, but rather a dynamic and evolving body of law that must be vigorously safeguarded and its implementation aggressively advanced." If you like activist judges at the national level, imagine what you will get at the international level.

Before the Senate approves the Law of the Sea Treaty, members should consider the tradeoff they would be making. The convention offers paper benefits but imposes real costs. It's a deal only a pirate could love.

- Accuracy In Media - http://www.aim.org -

Obama's Ambitious U.N. Treaty Agenda

Posted By Cliff Kincaid On July 8, 2009 @ 1:36 am In AIM Column | Comments Disabled

With Al Franken replacing Norm Coleman, Senate Democrats have another vote for the U.N.'s Law of the Sea Treaty, and there are strong indications that they intend to bring this controversial document up for a vote within days or weeks. Those who favor the U.N. Convention on the Law of the Sea (UNCLOS) believe that U.S. security lies in passing a treaty and hiring more lawyers to defend America before an international tribunal, rather than building more ships for the Navy and Coast Guard.

The anticipated vote on the treaty follows a strong recent push for ratification from the Council on Foreign Relations [1] and newspaper ads [2] in favor of the treaty from the Pew Charitable Trusts, a $5 billion non-profit entity. Plus, the Obama State Department sent a document to the Senate Foreign Relations Committee on May 11 that declared UNCLOS to be a top priority for the administration.

In fact, Obama's submission to the Foreign Relations Committee names 17 treaties that he wants ratified. In addition to UNCLOS, they include the feminist Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the unverifiable Comprehensive Nuclear Test Ban Treaty, and the gun rights-destroying Inter-American Convention Against Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives, and Other Related Materials.

President Reagan, who pursued development of a 600-ship Navy and believed in a policy of peace-through-strength, refused to sign UNCLOS. His Attorney General, Edwin Meese, [3] now with the Heritage Foundation, says Reagan would continue to oppose it.

Senate Democrats may not listen to conservative objections to the pact, but they should pay some attention to the views of people like Newton B. Jones of the International Brotherhood of Boilermakers. "As recently as 1987," he points out [4], "the Navy had 594 ships. At that time, we were not at war. Since then, despite growing threats from around the globe-the Middle East, Korea, China-we have built an average of only six ships a year, while decommissioning 20. The Navy's fleet is now only 281 ships, less than half its size in 1987."

He goes on to note that "...numerous reports recommend a fleet of 55-75 submarines, but the Navy is building only one a year. Our submarine fleet has shrunk from 100 in 1990 to 53 today. The American Shipbuilding Association estimates that at current rates, China will have twice as many submarines as the United States in only five years."

In fact, the American Shipbuilding Association estimates that, if present trends continue, we will be down to a paltry 180 ships by 2024.

Rather than build more ships, which could produce jobs for the Boilermakers union (which endorsed Obama for president) and Americans in general, Obama and Senate liberals would prefer to facilitate the hiring of more international lawyers to handle competing claims for access and resources in the oceans of the world. The treaty comes with a financial price-a global fee or tax payable to a United Nations-sanctioned body.

Not coincidentally, Obama's Supreme Court nominee, Sonia Sotomayor, wrote the foreword for the book, *The International Judge,* a favorable treatment of foreign law and foreign judges. Chapter Two, titled, "International Judges: Who Are They and How Do They Get on the Courts?," examines such topics as "the job market."

Lawyers get on these courts by lobbying for the jobs through the U.N. and getting more treaties passed to create more jobs. This is why groups like the American Society of International Law are in business and draw many top lawyers to their annual conventions.

We may be losing jobs in our domestic economy, but opportunities are endless in the field of international law. Passage of UNCLOS would open up some well-paying jobs in the U.N.'s International Tribunal for the Law of the Sea [5].

However, the largely untold story is that of corruption in the international organizations that implement and monitor these treaties. For example, the International Seabed Authority in Jamaica, another of the Law of the Sea Treaty organizations, has been racked by corruption [6] charges. Yet, the Senate has never held a hearing into these charges.

Interestingly, *The International Judge* book includes a favorable profile of a judge on the International Criminal Court (ICC). Obama may eventually decide to sign and send the ICC treaty to the Senate for ratification. This is a court which can arrest, prosecute and imprison Americans in foreign jails, in violation of our constitutional rights.

Obama is pushing UNCLOS now, but the Law of the Sea is not a partisan issue. The Republican George W. Bush Administration also pushed hard for ratification. Susan Biniaz of the U.S. Department of State explained the rationale during a July 17, 2007, appearance at the American Enterprise Institute. She explained, "I think someone said how few ships there are compared to how many there used to be. We don't have the capacity to be challenging every maritime claim throughout the world solely through the use of naval power. And [we] certainly can't use the Navy to meet all the economic interests."

So rather than build more ships, we will depend on a piece of paper from the U.N. to safeguard U.S. national security. Then we will hire more lawyers to represent our interests. But there has been no coherent explanation as to how a piece of paper will deter America's enemies or the pirates who want to board our vessels or guarantee access to ocean resources.

Governor Sarah Palin of Alaska should have something to say about this. But she was persuaded to endorse the treaty two years ago. She has been asked repeatedly over the last several months to take a fresh look at the evidence against ratifying the treaty. However, she remains silent, oblivious to the concerns of conservatives in her own political party.

UNCLOS is a substitute for a strong Navy and was deliberately designed as such. The people who wrote the treaty were World Federalists such as Louis B. Sohn. [7] who co-authored *World Peace Through World Law*, a blueprint for world government. This international lawyer, who mentored Harold Koh, Obama's State Department Legal Adviser, sincerely believed that lawyers could help run the world as long as the international bureaucrats had sufficient power and resources through a strengthened United Nations. Sohn, who actually believed in a world army with nuclear weapons maintained by the U.N., saw UNCLOS as a stepping stone on the road to world government.

In what could be a preview of the UNCLOS battle, Koh was recently confirmed by a Senate vote [8] of 62-35. If Senate conservatives can line up 35 votes against UNCLOS, they will defeat the pact, because it requires two-thirds, or 67 votes, for approval. However, some of the senators who voted against Koh, such as Lisa Murkowski of Alaska, are solidly in favor of UNCLOS.

One of the major unknowns is Senator John McCain, the 2008 Republican presidential candidate, who was for the treaty before he ran for president. As a candidate, he was critical of the document, saying it was harmful to U.S. sovereignty.

The Navy destroyer, the USS John S. McCain [9], named after the grandfather and father of Senator McCain, stands as evidence of American power on the high seas. But the power is dwindling and passage of UNCLOS could be the final nail in the coffin of U.S. Naval superiority.

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[1] Council on Foreign Relations: **http://www.cfr.org/publication/19156**
[2] newspaper ads: **http://www.pewtrusts.org/news_room_detail.aspx?id=53718**
[3] Edwin Meese,: **http://www.heritage.org/research/internationalorganizations/lost.cfm**
[4] he points out: **http://www.boilermakers.org/resources/commentary/V45N1**
[5] International Tribunal for the Law of the Sea: **http://www.itlos.org/start2_en.html**
[6] racked by corruption: **http://www.aim.org/special-report/scandal-rocks-un-sea-treaty-organization/**
[7] Louis B. Sohn,: **http://www.aim.org/aim-report/the-crackpot-mentor-of-state-department-nominee/**
[8] a Senate vote: **http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=111&session=1&vote=00213**
[9] the USS John S. McCain: **http://www.mccain.navy.mil/default.aspx**

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McCotter, Hoekstra push GOP's 'Sovereignty Caucus' to battle Obama on international treaties

By David Weigel | *07.01.09* | *1:02 pm*

WASHINGTON — Shortly after leaving their offices on June 24, dozens of Hill staffers, foreign policy experts, and old Washington hands made their way to the lower floor of the Capitol Visitor Center, a sprawling complex below the halls of Congress. The occasion was the low-key launch of the new House Sovereignty Caucus, the project of three Republican members — U.S. Reps. Doug Lamborn of Colorado, Scott Garrett of New Jersey, and Michigan's own Thaddeus McCotter of Livonia — who had become more and more worried about Americans ceding their rights to foreign institutions. Retired Lt. Col. Oliver North and former Undersecretary of Defense Douglas J. Feith stopped by to make remarks and pose for photos. Patrick Henry College Chancellor Michael Farris made small talk near a table of fruits, vegetables and soft cheeses.

"I have said for years that we ought to get the U.S. out of the U.N. and the U.N. out of the U.S.," said U.S. Rep. Paul Broun (R-Ga.), addressing the crowd in an impromptu speech. "I'll do everything I can in the Congress to maintain the U.S. as a sovereign nation, subservient to no one but the almighty God."

A series of traffic delays meant that, Frank Gaffney, the president of the Center for Security Policy, was the last supporter of the new caucus to give a speech. He bemoaned the confirmation of Harold Koh as Legal Adviser to the State Department, an "enemy" of sovereignty, shortly after the Senate had agreed to move ahead to a vote on his nomination. But he was optimistic. "We may now have in the House a vehicle for keeping the so-called 'Upper House' more honest on these issues."

While Republicans and conservative activists were disappointed by the confirmation of Koh, the long delay leading up to the vote and its relative closeness — 65 to 31 to end debate on the nomination and 62-35 to confirm him — have boosted their hopes of successfully battling treaties that they characterize as threats to American rights and national interests. Treaties need the votes of 67 senators to be ratified, and can gum up the business of the Senate for weeks if they become flash points for controversy. The Convention on the Rights of the Child, for example, has convinced Michigan's Pete Hoekstra of Holland — a member of the House Sovereignty Caucus — to introduce a Constitutional amendment protecting the right of American parents to discipline their children and send them to religious schools.

Those hopes are likely to be tested at least twice this year. According to staffers for the Senate Foreign Relations Committee, the United Nations Convention on the Law of the Sea, or the Law of the Sea Treaty — a 1982 treaty that governs the right of countries to use the oceans — could be reintroduced next month. And President Obama is in Russia this week in part to move forward the Comprehensive Nuclear-Test-Ban Treaty, the 1996 agreement on weapons testing that was rejected by the Senate in 1999, when the upper chamber contained 55 Republicans and 45 Democrats. Of the 16 treaties that the State Department included on its priority list in a May 11 letter to the committee, both sides agree that these two will be the first to face full votes. And both sides agree that the Koh vote provided a good idea of the support these treaties might command from a very skeptical Senate Republican conference.

"The vote against Harold Koh is probably the minimum vote against both of those treaties," said John Bolton, who served as U.S. ambassador to the United Nations under George W. Bush, and who has been a forceful critic of both treaties. "I think that a lot of Republicans, whether they agreed or disagreed with Koh's views, basically agreed that president had the right to appoint his own team. Whether they would also support these treaties, given their concerns about national sovereignty, is another question."

The power to approve treaties rests entirely with the Senate; on the surface, that would seem to make the House Sovereignty Caucus and its supporters less relevant. But both supporters and opponents of the treaties said that skeptics of international law and international agreements will have an outsized influence in this debate. Senate staffers from both parties, experts from liberal groups, and experts from conservative groups all cited the same handful of people as the ones able to turn opinion on treaties: Bolton, Frank Gaffney of the Center for Security Policy, and fellows at the Heritage Foundation and Competitive Enterprise Institute (CEI). For an example of their influence, one supporter of the treaties pointed out what happens when someone does a basic Google search for "Law of the Sea." The first links include the Heritage Foundation's page on the treaty, CEI's page, and the site UNLawoftheSeaTreaty.org, owned by another think tank that opposes the treaty.

Myron Ebell, director of energy and global warming policy at CEI, said that there was some truth to this characterization. "At the one end, the American people are very suspicious of more United Nations involvement in their lives," said Ebell. "When you're saying that you'll put the UN in charge of the oceans, that's pretty strongly opposed by the American people. But at the other end, most Washington insiders, a lot of experts who work on this, a lot of admirals, say we ought to do that and say that the problems have been fixed since President Reagan opposed it. So we're not a very broad coalition."

Treaty supporters, who had hoped that a Democratic president and heavily Democratic Senate could get past this standoff, are frustrated by the conservatives' success. "The fight over the Law of the Sea has been a textbook example of the politics of intensity trumping the politics of common sense," said Don Kraus, the CEO of Citizens for Global Solutions, a group that supports both treaties. "The treaty's narrow group of opponents have whipped up conspiracy theories to feed political temper tantrums in swing states."

While negotiations that could lead to progress on the CTBT are taking center stage this week, treaty opponents are focusing on the Law of the Sea Treaty because it will come up first, and because its fate in the last Congress provided a roadmap for both sides. A tough campaign against the treaty, which included TV ads from the Competitive Enterprise Institute and pressure on conservative senators like U.S. Sen. Jim DeMint (R-S.C.), whittled down its support. U.S. Sen. John McCain (R-Ariz.), who had long supported the treaty, backed down and said that it needed "changes" shortly before the 2008 New Hampshire presidential primary.

According to Baker Spring, a fellow at the Heritage Foundation, opposition to international law and treaties like these has coalesced in the wake of the campaign against the Law of the Sea Treaty and because of worries about President Barack Obama. "We have a president in office who is potentially serious about this agenda. Nobody held the view that George W. Bush was going to scurry down a road that would undermine our national sovereignty."

Spring suggested that U.S. Sen. Richard Lugar (R-Ind.), the ranking member on the Foreign Relations Committee, slow-walked the treaty last year because he wanted to get a majority of Republicans on board. Lugar spokesman Mark would not confirm that, but he pointed out that so far the Obama administration's support for the treaty is comparable to the Bush administration's — just one of the items on the priority list. "The Obama campaign was fantastic at using social networking to organize

and build up grassroots support," said Hayes. "The administration has chosen to use that skill on some campaigns, like the health care push, but not on other campaigns."

Unless that happens, skeptics of international law suggested that high-visibility coalitions like the House Sovereignty Caucus can win the argument.

"I think it can have a real impact if it raises the volume of the debate," said John Bolton. "The higher the salience of the issue, for conservatives in particular, the greater the likelihood that people will oppose these treaties."

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Categories & Tags: House Sovereignty Caucus | Law of the Sea Treaty | Pete Hoekstra | Thad McCotter |

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The Top Five Reasons Why Conservatives Should Oppose the U.N. Convention on the Law of the Sea

Baker Spring, Steven Groves, and Brett D. Schaefer

The Senate Foreign Relations Committee will hold hearings this week on whether the United States should ratify the U.N. Convention on the Law of the Sea. Twenty-five years ago, President Ronald Reagan rejected the treaty—and rightly so. Today, the convention remains a threat to American interests.

Reason #1: The Treaty Will Undermine U.S. Sovereignty.

President Reagan rejected the Law of the Sea Convention in 1982 and cited several major deficiencies, none of which have been remedied. Reagan was concerned that the U.S., though a major naval power, would have little influence at the International Seabed Authority that the convention created. Although the Authority is supposed to make decisions by consensus, nothing prevents the rest of the "international community" from consistently voting against the United States, as regularly occurs in similar U.N. bodies, such as the General Assembly. In addition, President Reagan was troubled by the fact that the International Seabed Authority has the power to amend the convention without U.S. consent. That concern has also not been remedied in the intervening years.

Another issue is that the convention requires states to transfer information and perhaps technology to mandatory dispute resolution tribunals. Under the convention, parties to a dispute are required to provide a resolution tribunal with "all relevant documents, facilities and information." This amounts to a blanket invitation for unscrupulous foreign competitors to bring the U.S. and American companies before a tribunal for the sole purpose of obtaining sensitive data and technologies that would otherwise be unavailable to them. The safeguards against such practices that President Reagan demanded have never come to pass.

Reason #2: The Treaty Will Become a Back Door for Environmental Activists.

The Executive Director of Greenpeace International, Thilo Bode, has explained how the environmentalist movement plans to leverage the treaty to advance its agenda, which often runs counter to U.S. interests: "Global warming is likely to have a big impact at sea.... Solving the environmental problems facing the oceans...is one of the greatest challenges facing humankind.... No single action or region can do this alone: It will require comprehensive international cooperation as required by the United Nations Convention on the Law of the Sea." President Clinton—a major supporter of the treaty—did not mince his words when he stated that the convention was "the greatest environmental treaty of all time."

Indeed, the treaty states that convention participants must "take...all measures consistent with this Convention that are necessary to prevent, reduce, and control pollution of the marine environment from any source," (Article 194). This provision goes

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www.heritage.org/Research/InternationalOrganizations/wm1638.cfm

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on to require that such measures address "all sources of pollution of the marine environment...including those from land-based sources, from or through the atmosphere, or by dumping...." Signatories are also required to "adopt laws and regulations to prevent, reduce and control pollution of the marine environment from or through the atmosphere..." (Article 212).

The convention's provisions and mandatory dispute resolution mechanisms will create new opportunities for environmental activists and like-minded governments to bring action against the U.S. for violating the Kyoto Protocol, even though America is not a party to that accord. American opponents of the Kyoto Protocol should be under no illusion: U.S. accession to this convention risks embroiling the U.S. in a plethora of legal actions, even if the Senate does not ratify Kyoto.

Reason #3: America Should Not Participate in Yet Another U.N. Bureaucracy.

International institutions created by multilateral treaties spawn unaccountable international bureaucracies, which in turn inevitably infringe upon U.S. sovereignty. The convention creates a bureaucracy known as the International Seabed Authority Secretariat. Like all international bureaucracies, the Secretariat has a strong incentive to enhance its own authority at the expense of state sovereignty. When international bureaucracies are unaccountable, they—like all unaccountable institutions—seek to insulate themselves from scrutiny and thus become prone to corruption. The International Seabed Authority is vulnerable to the same corrupt practices that have riddled the U.N. for years. The United Nations Oil-for-Food scandal, in which the Iraqi government benefited from a system of bribes and kickbacks involving billions of dollars and 2,000 companies in nearly 70 countries, is a prime example. Despite ample evidence of the U.N.'s systemic weaknesses and vulnerability to corruption, the U.N. General Assembly has resisted efforts to adopt serious transparency and accountability reforms.

Reason #4: American Participation Will Undermine U.S. Military and Intelligence Operations.

Under the convention, the United States assumes a number of obligations at odds with its military practices and national security interests, including a commitment not to collect intelligence. The U.S. would sign away its ability to collect intelligence vital for American security within the "territorial waters" of any other country (Article 19). Furthermore, U.S. submarines would be required to travel on the surface and show their flags while sailing within territorial waters (Article 20). This would apply, for example, to U.S. submarines maneuvering in Iranian or North Korean territorial waters; they would be required to sail on the surface with their flags waving.

Reason #5: The U.S. Does Not Need the Convention to Guarantee Navigation Rights.

The U.S. enjoys navigation rights by customary international practice. The fact that the U.S. is not a convention member does not mean that other states will begin to demand notification by U.S. ships entering their waters or airspace. Indeed, the U.S. is not a signatory to the convention today and yet has freedom of the seas because current participants are required to grant the U.S. navigation rights afforded by customary international practice. In addition, these states have reciprocal interests in navigation rights that will discourage them from making such demands on American ships in the future.

Conclusion. For these reasons and many others,[1] conservatives who are concerned about U.S. sovereignty and national security should oppose ratification of the U.N. Convention on the Law of the Sea.

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1. See, e.g., Edwin Meese, III, Baker Spring, and Brett D. Schaefer, "The United Nations Convention on the Law of the Sea: The Risks Outweigh the Benefits," Heritage Foundation *WebMemo* No. 1459, May 16, 2007, at *www.heritage.org/Research/InternationalOrganizations/wm1459.cfm*

HJR 19 URGING U.S. SENATE TO RATIFY LAW OF SEA TREATY

HJR 19 urges the U.S. Senate to ratify the United Nations Convention on the Law of the Sea ("Law of the Sea treaty"). This resolution will help Alaska's Senate delegation bring the Law of the Sea treaty to the Senate floor for a vote on ratification. Ratification of this treaty is important to protect U.S. interests concerning the use and development of the high seas and seabed off Alaska.

Economic Benefit of Treaty Ratification

Treaty allows countries to exercise sovereign rights over their extended continental shelf beyond the 200 mile limit of the Exclusive Economic Zone.

- Laying claim to the extended continental shelf beyond Alaska may result in the largest expansion of the United States since the Alaska Purchase.
- By one estimate, the value of energy and minerals resources in the extended continental shelf **exceeds 1 trillion dollars**.
- Ratification offers the single largest opportunity to expand U.S. oil, gas, and mineral development rights in areas that are not presently subject to any moratoria.
- The U.S. Geological Survey has estimated that the Arctic area may contain a significant portion of the world's remaining undiscovered oil and gas deposits.
- Without the Convention, U.S. companies lack the legal certainty to justify the significant investments needed to explore and identify the resources of the extended continental shelf.

Defense

- According to current and former military service chiefs, secretaries of state, national security advisors and others, the treaty enhances rather than undermines our ability to wage the War on Terror. Maximum maritime naval and air mobility assured by the Convention is essential for our military forces to operate effectively. The Convention provides the necessary stability and framework for our forces, weapons, and material to get to the fight without hindrance. It is essential that key sea and air lanes remain open as a matter of international legal right and not be contingent upon approval from nations along those routes

Customary Law

- The Convention provides clear legal rules in a written treaty, as opposed to reliance on customary international law, which is too easily challenged by unilateral claims of other countries and changed by the practice of countries over time. Customary law is an inadequate basis upon which to protect navigational rights vital to our national security. The U.S. needs additional tools in its arsenal, including the firm legal footing that joining the Convention would provide.

President Reagan

- President Reagan pointed solely to certain deep seabed mining provisions of the Convention as flawed. His 1983 Ocean Policy Statement demonstrates that he accepted the non-deep-seabed

provisions. The 1994 Agreement fixed the flawed deep seabed mining provisions in ways that meet each one of President Reagan's objections.

Sovereignty

- Ratification of the treaty could expand U.S. sovereignty and sovereign rights over extensive maritime territory and natural resources off its coast. It's rare that a treaty actually increases the sovereignty of a country, but this treaty does. The Convention does not harm U.S. sovereignty in any respect. As sought by the United States, the dispute resolution mechanisms provide appropriate flexibility in terms of both the forum and the exclusion of sensitive subject matter. The deep seabed mining provisions do not apply to any areas in which the United States has sovereignty or sovereign rights. Furthermore, these rules will facilitate mining activities by U.S. companies. Also, the navigational provisions ensure that U.S. military and commercial vessels have worldwide maritime mobility.

U.N. Treaty

- The Convention is not the United Nations, it was merely negotiated there. Just because a treaty is drawn up at the U.N. does not mean it doesn't serve the interests of the United States. For example, the US benefits from U.N. treaties such as the Anti-Corruption Convention and the Convention for the Suppression of Terrorist Bombings. The Law of the Sea Convention is another such treaty that serves our interests.

IBRU International Boundaries Research Unit

Durham University

Maritime jurisdiction and boundaries in the Arctic region



- Internal waters
- Canada territorial sea and EEZ
- Potential Canada continental shelf beyond 200 nm
- Denmark territorial sea and EEZ
- Denmark claimed continental shelf beyond 200 nm
- Potential Denmark continental shelf beyond 200 nm)
- Iceland EEZ
- Iceland claimed continental shelf beyond 200 nm
- Norway territorial sea and EEZ / Fishery zone Jan Mayen) / Fishery protection zone (Svalbard)
- Norway claimed continental shelf beyond 200 nm
- Russia territorial sea and EEZ
- Russia claimed continental shelf beyond 200 nm
- Overlapping Norway / Russia EEZ
- Overlapping Norway EEZ / Russia claimed continental shelf beyond 200 nm
- Overlapping Norway / Russia claimed continental shelf beyond 200 nm
- USA territorial sea and EEZ
- Potential USA continental shelf beyond 200 nm
- Overlapping Canada / USA EEZ
- Straight baselines
- Agreed boundary
- Median line
- 350 nm from baselines
- 100 nm from 2500 m isobath (beyond 350 nm from baselines)
- Svalbard treaty area
- Iceland - Norway joint zone
- Norway - Russia 'Grey Area' (agreed fishing regime)
- Canada EEZ boundary claim
- Eastern Special Area

Notes

1. The depicted potential areas of continental shelf beyond 200 nautical miles (nm) for Canada, Denmark and the USA are theoretical maximum claims assuming that none of the states claims continental shelf beyond median lines with neighbouring states where maritime boundaries have not been agreed. **In reality, the claimable areas may fall well short of the theoretical maximums** (see the summary of the definition of the outer limit of the continental shelf below). It is also possible that one or more states will claim areas beyond the median lines.

   Where the continental margin of a coastal state extends beyond 200 nm from the state's territorial sea baseline, the outer limit of the continental shelf is defined with reference to two sets of points: (i) points 60 nm from the foot of the continental slope; (ii) points at which the thickness of sedimentary rocks is at least 1% of the shortest distance from the points in question to the foot of the continental slope. The outer limit of the continental shelf is defined by a series of straight lines (not exceeding 60 nm in length) connecting the seawardmost of the points in the two sets described above. This map does not attempt to depict such lines, which can only be identified with precision through bathymetric and seismic surveys. However, it is possible to depict the 'cut-off' limit beyond which states may not exercise continental shelf jurisdiction regardless of the location of the foot of the continental slope and the thickness of sediment seaward of that point. The cut-off limit is the seawardmost combination of two lines: (i) a line 350 nm from the state's territorial sea baseline; (ii) a line 100 nm seaward of the 2,500 metre isobath. Both the 350 nm line and (where it runs seaward of the 350 nm line) the 2,500 m + 100 nm lines are depicted on the map. The 2,500 m + 100 nm line is derived from the US National Geophysical Data Center's etopo2 bathymetry dataset.

2. The depicted claims of Denmark and Iceland to continental shelf beyond 200 nm in the northeast Atlantic Ocean are defined in the "Agreed Minutes on the Delimitation of the Continental Shelf beyond 200 Nautical Miles between the Faroe Islands, Iceland and Norway in the Southern Part of the Banana Hole of the Northeast Atlantic" of 20 September 2006. The agreed division of the continental shelf in this area is subject to confirmation by the Commission on the Limits of the Continental Shelf (CLCS) that there is a continuous continental shelf in the area covered by the agreement. Neither Denmark nor Iceland has yet made a submission to the CLCS.

3. An executive summary of Norway's submission to the CLCS of 27 November 2006 is available at http://www.un.org/Depts/los/clcs_new/submissions_files/nor06/nor_exec_sum.pdf. The Commission has yet to respond to Norway's submission.

4. Maps and coordinates defining the area covered by Russia's submission to the CLCS of 20 December 2001 are available at http://www.un.org/Depts/los/clcs_new/submissions_files/submission_rus.htm. The Commission asked Russia to revise its submission relating to its continental shelf in the Arctic Ocean.

5. Norway and the Soviet Union agreed a partial maritime boundary in Varangerfjord in 1957 but disagree on the alignment of their maritime boundary in the Barents Sea: Norway claims the boundary should follow the median line, while Russia seeks a 'sector' boundary extending due north (but deviating around the 1920 Svalbard Treaty area). As the Barents Sea is an important fishery for both states, in January 1978 the two governments agreed on a fishing regime in the so-called "Grey Zone", a 19,475 nm² area covering 12,070 nm² of overlapping EEZ claims, 6,588 nm² of undisputed Norwegian EEZ and 817 nm² of undisputed Russian EEZ. Within the Grey Zone Norway and Russia have jurisdiction over their own fishing vessels.

6. Canada argues that the maritime boundary in the Beaufort Sea was delimited in the 1825 treaty between Great Britain and Russia defining the boundary between Alaska and the Yukon as following the 141° W meridian "as far as the frozen ocean". The USA argues that no maritime boundary has yet been defined and that the boundary should follow the median line between the two coastlines. The area of overlap between the two claims is more than 7,000 nm².

7. Under a treaty signed in February 1920, Norway has sovereignty over the Svalbard archipelago and all islands between latitudes 74° and 81° north and longitudes 10° and 35° east. However, citizens and companies from all treaty nations enjoy the same right of access to and residence in Svalbard. Right to fish, hunt or undertake any kind of maritime, industrial, mining or trade activity are granted to them all on equal terms. All activity is subject to the legislation adopted by Norwegian authorities, but there may be no preferential treatment on the basis of nationality. Norway is required to protect Svalbard's natural environment and to ensure that no fortresses or naval bases are established. 39 countries are currently registered as parties to the Svalbard treaty.

8. The Eastern Special Area lies more than 200 nm from the baseline of the USA but less than 200 nm from the baseline of Russia. Under the June 1990 boundary agreement between the two states, the Soviet Union agreed that the USA should exercise EEZ jurisdiction within this area. A second Eastern Special Area and a Western Special Area (in which the opposite arrangement applies) were established adjacent to the boundary south of 60° north. The agreement has yet to be ratified by the Russian parliament but its provisions have been applied since 1990 through an exchange of diplomatic notes.

Agreed maritime boundaries

Canada-Denmark (Greenland): continental shelf boundary agreed 17 December 1973.

Denmark (Greenland)-Iceland: continental shelf and fisheries boundary agreed 11 November 1997.

Denmark (Greenland)-Norway (Jan Mayen): continental shelf and fisheries boundary agreed 18 December 1995 following adjudication by the International Court of Justice.

Denmark (Greenland)-Iceland-Norway (Jan Mayen) tripoint agreed 11 November 1997.

Denmark (Greenland)-Norway (Svalbard): continental shelf and fisheries boundary agreed 20 February 2006.

Iceland-Norway (Jan Mayen): fisheries boundary following the 200 nm limit of Iceland's EEZ agreed 28 May 1980; continental shelf joint zone agreed 22 October 1981 following the report of the Conciliation Commission.

Russia-USA: single maritime boundary agreed 1 June 1990 (see also note 8).

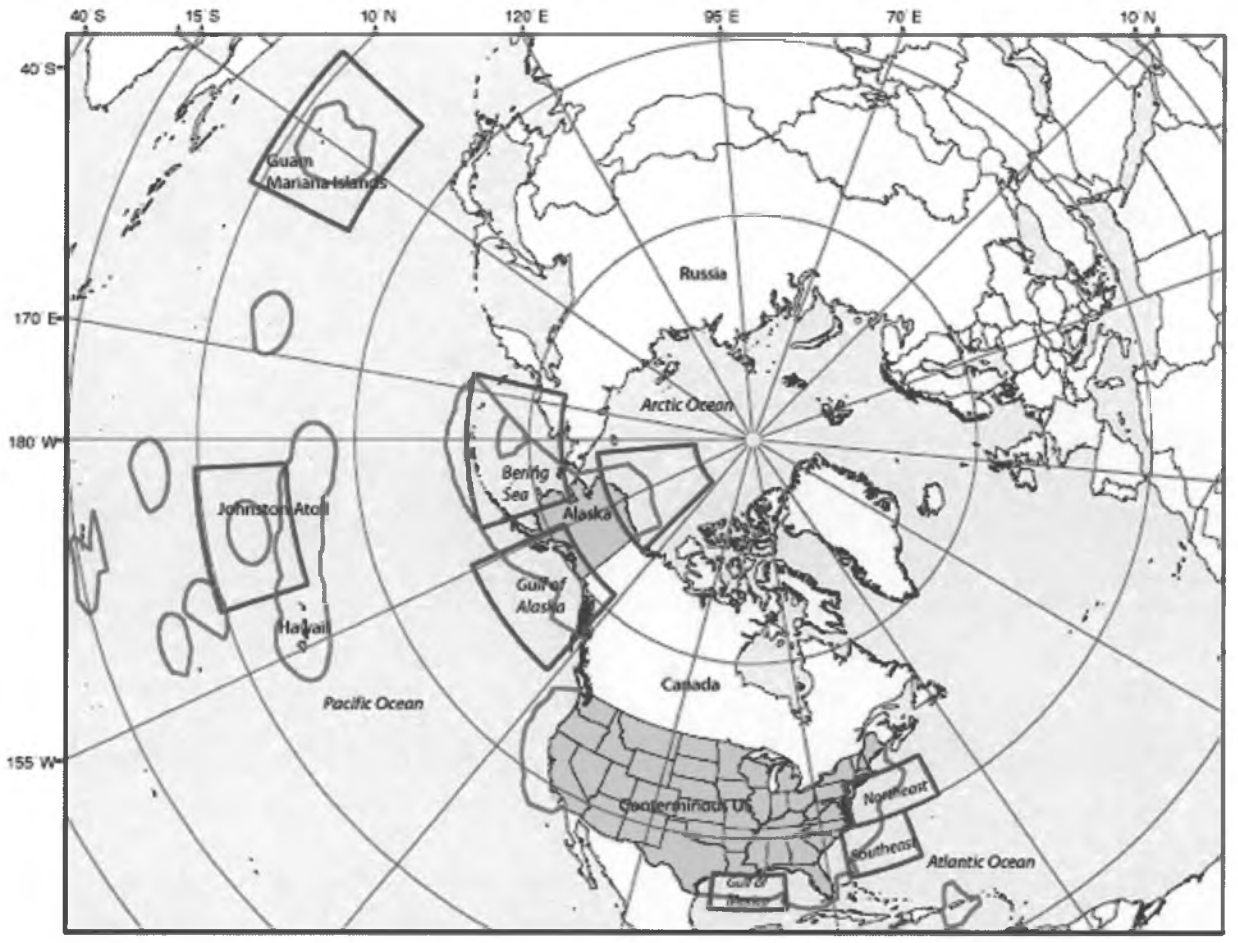


Figure 2: Eight regions (in red) adjacent to the United States and its dependences, where there likely exists extended continental shelf (ECS) beyond 200 nautical miles (in blue) identified by Mayer et al.(2002), The compilation and analysis of data relevant to a U.S. Claim under the United Nations Law of the Sea Article 76: A Preliminary Report. The regions presented in this figure are the result of an academic study, do not represent a formal position of the United States, and are without prejudice to any rights that the United States has with respect to its continental shelf.

US Department of State
Extended Continental Shelf Project

3. Law of the Sea and Governance of Shipping in the Arctic and Antarctic

David L. VanderZwaag

3.1 Introduction

The 1982 UN Law of the Sea Convention (LOSC), which came into force in November 1994, might be described as setting the legal foundations for marine environmental protection and controlling marine resource exploitations in all the world's oceans, including the Polar seas. Having 320 articles and nine Annexes, the Convention sets out a basic requirement for all states to protect and preserve the marine environment (Art. 194) and to cooperate in developing global standards for shipping (Art. 211) and global and regional standards for land-based marine pollution (Art. 207), ocean dumping (Art. 210) and seabed activities (Art. 208). States also have an obligation to subject all activities under their jurisdiction or control which may cause substantial pollution or significant harmful changes to the marine environment to environmental impact assessment procedures (Art. 206).

While LOSC clearly applies to both the Arctic and Antarctic marine areas, two major differences in application stand out in light of the presence of recognised coastal states and port states in the Arctic but not in the Antarctic. Many of the Convention's provisions focus on clarifying the rights and responsibilities of coastal states in the five zones of national jurisdiction, internal waters, the territorial sea, a contiguous zone, the exclusive economic zone (EEZ) and a continental shelf. While five coastal states (Canada, Denmark/Greenland, Norway, the Russian Federation and the United States) surround the Arctic Ocean and thus those states are clearly bestowed powers to pass and enforce national laws in those zones, the Antarctic does not have generally recognised coastal states. Seven states (Argentina, Australia, Chile, France, New Zealand, Norway and the United Kingdom) have historic territorial claims on the continent which have been "frozen" by the Antarctic Treaty (Art. IV). The LOSC also recognises the powers of port states over ships choosing to enter their ports, such as the right to inspect vessels for their seaworthiness and to prevent unseaworthy ships from sailing before being re-

paired. While all five Arctic coastal states are clearly port states with corresponding inspection and enforcement powers, the Antarctic continent does not have generally recognised port states in the actual region.

Shipping is a growing concern in both Polar Regions. Cruise ship visits have been on the increase with corresponding human safety and environmental concerns. The Arctic appears to be on the verge of a new era in commercial shipping with vast hydrocarbon and mineral resources and growing interest in transpolar shipping that may substantially cut transport distances between Europe and Asia. Navigation in the Arctic by military vessels and other ships on governmental service is also expected to rise. For example, the Government of Canada has announced a commitment to build new Arctic patrol vessels and to construct a vessel refuelling facility in Nanisivik, Nunavut. Both Polar Regions are remote, raising special challenges for emergency responses and search and rescue in case of accident. Navigating in ice and freezing temperatures are common challenges although the Arctic may be even more treacherous in light of a greater proportion of thicker multi-year ice.

A key social and political difference between the Polar Regions is the presence of indigenous communities and an overall human population of about 4 million in the Arctic, while the Antarctic hosts scientific stations with temporary teams of scientists. The potential human impacts of shipping which are a special concern in the Arctic include the interference caused to traditional hunting and harvesting activities and the overwhelming of small communities with tourists. Indigenous rights over marine areas and resources have yet to be fully resolved in the Arctic adding another layer of political and legal complexity not present in the Antarctic.

This chapter provides a broad overview of the law of the sea and shipping governance arrangements applicable to the Arctic and the Antarctic. The realities and challenges connected with the LOSC are first described for each region. The similarities and differences in regional approaches to addressing shipping safety and vessel-source pollution, including related environmental threats, are then surveyed. The maritime safety and pollution "main sails" are highlighted, namely, the (1974) International Convention on Safety of Life at Sea (SOLAS) and the (1973) International Convention for the Prevention of Pollution from Ships, as modified by the (1978) Protocol Relating Thereto (MARPOL 73/78) as well as further supportive conventions and guidelines ('jib sails') to the two central agreements governing international shipping. The chapter concludes by summarising the differences and commonalities in law of the sea and shipping governance approaches in the Polar Regions and highlights the many issues still needing to be resolved such as the adoption of a mandatory code for shipping in Polar waters.

This chapter, by attempting to provide a broad overview of Polar law relating to law of the sea and shipping governance, by necessity omits detailed discussion of some legal topics. A review of international agree-

ments relating to liability and compensation in case of marine accidents, such as an oil spill, is therefore beyond the scope of this paper. The effort to address seafarer working and living conditions, such as food, medical care and wages, through a consolidated 2006 Maritime Labour Convention, is not discussed nor are the international customs and contractual practices of ship owners and commercial interests surveyed. For example, marine insurance contracts may be critical for ensuring Polar shipping ventures actually occur and the cost of insurance may be a major constraint. The International Maritime Organization (IMO) has developed over 50 treaty instruments and hundreds of other measures, including codes and guidelines, over the years to control shipping and only some of the most important and relevant documents to Polar shipping can be summarised.

3.2 Law of the Sea Realities and Challenges

3.2.1 Arctic Law of the Sea Realities

The law of the sea reality for the Arctic is at the same time both simple and complex. The LOSC provides as easy to understand division of rights to living and non-living marine resources. Arctic coastal states are given exclusive rights to exploit fisheries, minerals, hydrocarbons and energy resources within their 200–nautical mile (n.m.) EEZs. Where the natural prolongation of continental shelves extends beyond 200–n.m., coastal states have the right to exploit sedentary species, such as shellfish, and mineral resources on the seabed. In the high seas water column beyond national 200–n.m. zones, various freedoms of the sea apply whereby all states may have access to living resources and shipping routes. For the deep seabed beyond national jurisdiction, the International Seabed Authority, a management organisation established pursuant to the LOSC and based in Jamaica, would be responsible for licensing and regulating any mineral exploration or exploitation activity should it arise. The Agreement to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, adopted in 1994, sets out further "rules of the game" in relation to deep seabed mineral policy including provisions on technology transfer and the financial terms of contracts.

The 1982 Convention also clearly bestows substantial coastal state jurisdiction to undertake and control marine scientific research in Arctic waters. Coastal states have the exclusive right to conduct marine scientific research in their territorial seas and such research can only be undertaken with the express consent and under conditions set by the coastal state (Art. 245). Marine scientific research in the EEZ and on the continental shelf is also subject to coastal state consent which should be normally given (Art. 246(2)). Exceptions where consent may be refused

include where a project is of direct significance for the exploration and exploitation of natural resources or where a project involves drilling into the continental shelf, the use of explosives or the introduction of harmful substances into the marine environment (Art. 246(5)).

The LOSC is also straightforward in establishing various state responsibilities both within and beyond national zones of jurisdiction in the Arctic. For example, coastal states are obligated to ensure proper conservation and management measures so living resources in the EEZ are not endangered by over-exploitation and such measures must avoid seriously threatening the reproduction levels of associated or dependent species (Art. 61(2)(4)). States are required to cooperate directly or through sub-regional or regional organisations to ensure the conservation of fish stocks shared across national EEZs (Art. 63(1)) and stocks that straddle an EEZ and the high seas (Art. 63(2)). States must take all measures necessary to prevent, and control pollution of the marine environment from any source (Art. 194(1)) and seek to minimise to the fullest possible extent the release of toxic or noxious substances (Art. 194(3)(a)). States are required to protect and preserve rare or fragile ecosystems and the habitat of threatened or endangered species (Art. 194(5)). The intentional or accidental introduction of alien species to the marine environment which may cause significant harmful changes is to be avoided (Art. 196(1)). States are also required to cooperate in conserving and managing living resources in the high seas and to consider establishing sub-regional or regional fisheries organisations (Art. 118).

With broad acceptance that the Arctic Ocean is a semi-enclosed sea, Article 123 of LOSC urges states bordering such an area to cooperate in managing the conservation of living marine resources, in protecting and preserving the marine environment and in coordinating scientific research activities. Two key criteria must be met for the Arctic Ocean to be considered a semi-enclosed sea as defined in Article 122 of LOSC. First, the Arctic Ocean must be deemed a "sea," a term that is not defined in the Law of the Sea Convention. Second, the Arctic Ocean must consist entirely or primarily of the territorial seas and EEZs of two or more coastal states.

A further overlay of cooperative obligations emanates from the 1995 UN Agreement on Straddling and Highly Migratory Fish Stocks (Agreement for the Implementation of the Provisions of the United Nations Convention on the Law of the Sea of 10 December 1982 Relating to the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks). The Agreement urges the application of precautionary and biodiversity protective approaches to fisheries management (Art. 5). The Agreement also calls for the strengthening of existing regional fisheries management organisations and arrangements with management mandates for straddling or highly migratory fish stocks (Art. 13). Coastal states and states fishing on the high seas are to consider es-

tablishing a new regional fisheries management organisation or arrangement where no such organisation or arrangement exists (Art. 8(5)). This latter obligation might be described as a "prospective" for the Arctic as it remains to be seen whether viable commercial fish stocks exist in the high seas pocket in the central Arctic Ocean and whether states will wish to support the opening up of new fisheries areas.

The LOSC has cast a complex web of jurisdictional entitlements and limitations for the three categories of states concerned with Arctic shipping – coastal states, flag states, and port states. These categories are reviewed in turn.

3.2.1.1 Coastal State Jurisdiction and Control

Canada, Denmark (Greenland), Norway, the Russian Federation and the United States have coastal frontage on the Arctic Ocean and thus are considered as coastal states which can exert legislative and enforcement control over foreign ships in offshore waters. The amount of control varies with the zones of coastal state jurisdiction. The greatest powers exist in internal waters, the waters closest to the coastal state, and the powers become less according to the distance offshore with least control existing over foreign vessels navigating above an extended continental shelf beyond 200–n.m.

In internal waters, a coastal state has total sovereignty. Thus, if it wishes, the state may prohibit entry of certain ships, such as those carrying hazardous cargoes and may impose "zero discharge" limits on specific pollutants. The only limit on this maximum power is the customary duty to allow foreign ships in distress, such as those facing a major storm, to seek refuge in sheltered waters.

Internal water status can be claimed in various ways. LOSC recognises the right of coastal states to draw closing lines across mouths of geographical bays, ports and harbours and the marine areas on the landward side of the lines are considered internal. A coastal state is allowed to draw straight baselines around a deeply indented coastline or where there is a fringe of islands in the immediate vicinity of the coast, and the waters enclosed would be internal. Internal waters might also be claimed based upon their being recognised as such historically.

Within the territorial sea limit which may extend 12–n.m. from the low-water line along the coast or outside enclosed internal waters, the coastal state has full sovereignty but that sovereignty is subject to the right of foreign ships to enjoy innocent passage. Passage is considered innocent so long as it is continuous and expeditious and not prejudicial to the peace, good order, or security of the coastal state. The Convention lists various activities that are considered non-innocent including: carrying out of research or surveys, any fishing activities and any act of wilful or serious pollution in contravention of the Convention.

While the LOSC allows coastal states to adopt pollution control and navigational safety laws applicable to foreign ships transiting through the territorial sea, it places key limits on this authority. Coastal states cannot impose design, construction, crewing or equipment standards on foreign ships unless giving effect to generally accepted international rules or standards. Coastal states are also prohibited from imposing requirements on foreign ships which have the practical effect of denying or impairing the right of innocent passage. Coastal states can require foreign ships to use designated sea lanes or traffic separation schemes, but before doing so the state must consider the recommendations of the IMO and take into account any channels customarily used for international navigation.

Coastal states may also claim a 12 n.m. contiguous zone adjacent to the territorial sea to a seaward limit of 24 n.m. In a contiguous zone a coastal state may exercise necessary control over foreign ships to prevent infringement of its customs, fiscal, immigration or sanitary laws and to punish infringement of such laws committed within its territory or territorial sea. For example, a state might seek to enforce a law prohibiting any garbage disposal in its territorial sea against a foreign ship navigating within the contiguous zone that had previously disposed of garbage in the territorial sea.

In a coastal state's 200–n.m. EEZ, legislative and enforcement jurisdiction over foreign vessels is substantially curtailed. A coastal state cannot impose its own pollution standards on such vessels but is restricted to only imposing international pollution standards. Actual arrests and detention of a foreign ship is only allowed if there is a discharge causing or threatening major damage to the coastline, interests or resources of the coastal state. Monetary penalties may only be imposed for such EEZ pollution infringements.

Where the natural prolongation of a coastal state's continental shelf extends beyond 200–n.m. from the baselines from which the territorial sea is measured, the coastal state has very limited control over foreign shipping activities occurring in waters above the extended continental margin. A coastal state may establish safety zones around artificial islands or structures involved in seabed exploration or exploitation activities, and no such activities may be carried out without the coastal state's consent. A coastal state in exercising its rights over the continental shelf must not cause any unjustifiable interference with navigation or with other freedoms such as fishing.

A coastal state bordering a strait used for international navigation is severely restricted in controlling foreign shipping because of the right of all ships to transit passage. A coastal state may only impose international pollution control standards, not stricter national regulations. Sea lanes and traffic separation schemes may be established but only with IMO approval. A submarine exercising transit passage may remain submerged

whereas an innocent passage through the territorial sea a submarine is required to navigate on the surface and to show its flag.

While the various national zones of jurisdiction are applicable to all the world's oceans including the Arctic, the LOSC has recognised special hazards of navigation in ice-covered waters and has given extra powers for coastal states to pass and enforce laws for control of vessel source pollution for those waters. A coastal state may adopt stricter than international pollution standards normally applicable in the EEZ. Article 234 provides:

> Coastal States have the right to adopt and enforce non-discriminatory laws and regulations for the prevention, reduction and control of marine pollution from vessels in ice-covered areas within the limits of the exclusive economic zone, where particularly severe climatic conditions and the presence of ice covering such areas for most of the year create obstructions or exceptional hazards to navigation, and pollution of the marine environment could cause major harm to or irreversible disturbance of the ecological balance. Such laws and regulations shall have due regard to navigation and the protection and preservation of the marine environment and be based on the best available scientific evidence.

Article 234 leaves open many questions of interpretation. For example, what is the significance of recognising special coastal state powers specific to the EEZ? One interpretation is that coastal states are given no greater powers than those granted for the territorial sea and thus no unilateral right exists to adopt special ship construction, crewing and equipment standards. What extent of ice coverage is required to invoke this article? The application of Article 234 to straits used for national navigation may also be questioned, although the LOSC does not explicitly exempt straits from application.

3.2.1.2 Flag State Jurisdiction and Control

A flag state, referring to the country granting its nationality to a ship and allowing a ship to fly its flag, has extensive jurisdictional control over its vessels. The flag state's national laws including criminal laws, apply to those aboard its ships. The flag state has exclusive jurisdiction over its vessels on the high seas with limited exceptions, for example, if the state consents to boarding and inspection by officials from other states pursuant to a regional fisheries enforcement agreement. A flag state has a duty to ensure that its ships conform to international standards in relation to safety at sea, pollution control and communications.

Two potential "weak links" in the flag state control approach stand out. First is the "flag of convenience" challenge where some states continue to register ships without having adequate capacity and political will to ensure their vessels live up to international standards and commitments. The International Transport Workers' Federation lists over 30 countries, including Antigua and Barbuda, Bahamas, Belize, the Cayman Islands, Liberia and Panama, that are considered flags of convenience

where vessels are registered for the purposes of reducing operating costs and avoiding strict regulations. Second is the sovereign immunity reality. Article 236 of the LOSC exempts warships and government owned or operated ships used for non-commercial service from the marine and environmental protection provisions of the Convention. States are merely required to ensure such vessels act consistent "as far as is reasonable and practicable" with the Convention's provisions.

3.2.1.3 Port State Jurisdiction and Control

When a vessel is voluntarily within a port or off-shore terminal of a state, the state possesses broad powers of inspection and enforcement. Article 218 of the LOSC recognises the right of a port state to investigate and institute proceedings regarding illegal pollution discharges even if outside its own maritime zones, specifically on the high seas or within the jurisdictional zones of other states (if they request institution of proceedings). Article 219 of the LOSC requires port states to prevent unseaworthy ships from sailing and authorises port states to require a vessel to proceed to the nearest repair yard.

Most marine regions around the globe are covered by memorandums of understanding (MOU) on port state control, including the Paris MOU covering Europe and the North Atlantic and the Tokyo MOU applicable to Asia and the Pacific, whereby maritime administrations agree to cooperate in undertaking inspection of ships visiting their ports to ensure compliance with key international conventions relating to maritime safety and pollution. With the projected increase in Arctic commercial shipping the question arises as to whether the maritime authorities of the Arctic states should develop a new MOU specific to port state control in the Arctic.

3.2.2 Arctic Law of the Sea Challenges

At least four main "law of the sea" challenges can be seen to directly concern Arctic waters. First, two ocean boundary disputes continue to fester in the region. Canada and the United States disagree over the maritime boundary in the Beaufort Sea. Canada and Denmark (Greenland) contest a small area of jurisdiction in the Lincoln Sea. Until such disputes are resolved, ship operators may face uncertainty over which national shipping laws are applicable in a contested zone. While Norway and the Russian Federation had a long-standing ocean boundary dispute in the Barents Sea, they reached a preliminary agreement in April 2010 to finally delineate their maritime border.

Second, the five coastal states of the Arctic Ocean have yet to finally determine the outer limits of their continental shelves. The Russian Federation, made its initial submission for an extended continental shelf to the Commission on the Limits of the Continental Shelf in December 2001, but was requested to submit a revised submission as to a possible

Arctic extension and that submission is expected in 2010 or possibly later. Norway, filing its submission to the Commission in November 2006, received recommendations from the Commission in March 2009 and at the time of writing had yet to formally establish the outer limits. Canada, Denmark (Greenland) and the United States are still in the process of collecting scientific and technical data in order to establish their claims. The United States has not yet acceded to the LOSC and there is increasing pressure on it to become a Party in order to legitimise its potential extended continental shelf through the Commission on the Limits of the Continental Shelf.

Resolving disagreements over the jurisdictional status of some marine waters in the Arctic is a third challenge. For example, the United States and other states have objected to Canada's enclosure of its Arctic Archipelago with straight baselines and the status of those waters as internal. The United States considers the Northwest Passage and parts of the Northern Sea Route off the Russian Federation as straits used for international navigation where the right of transit passage would apply, while Canada and the Russian Federation vehemently contest such status.

The status of maritime zones off Svalbard is also open to contention. While the Treaty of Spitsbergen (Svalbard) adopted in 1920, recognises Norwegian sovereignty over the archipelago subject to equal rights of access, fishing and hunting for other parties, the application of the treaty beyond the territorial sea is disputed. Norway maintains the treaty's application ends at the territorial sea limit and, therefore, Norway is entitled to an EEZ and continental shelf off Svalbard. Tensions over the legal status of waters seaward of the territorial sea have been partly quelled by Norway's restraint in only establishing in 1977 a Fisheries Protection Zone out to 200 n.m., and granting fisheries access to contracting parties to the treaty founded on historical fishing patterns.

A fourth challenge is the need to consider possible future directions for strengthening international cooperation in protecting the marine environment in the large pocket of high seas beyond natural jurisdiction in the central Arctic Ocean. With various freedoms of the sea, including fishing and navigation, a looming challenge is to initiate international discussions on future development and conservation objectives and options for providing further protective measures. Various governance options have been proposed by various authors including the establishment of a regional ocean management organisation (ROMO), the creation of a regional fisheries management organisation (RFMO) and the negotiation of a high seas marine protected area.

Future directions for high seas governance for all the world's oceans, including the Arctic, has become an international cauldron of controversy. The UN General Assembly has established an Ad Hoc Open-ended Working Group to study issues relating to the conservation and sustainable use of marine biological diversity beyond areas of national jurisdic-

tion (ABNJ Working Group). The ABNJ Working Group has met three times, most recently in February 2010, and has not been able to resolve deep divisions of opinion over such issues as whether an Implementation Agreement on High Seas Marine Biodiversity should be forged and whether bio-prospecting for genetic resources on the high seas should be subject to a special access and benefit sharing arrangements supportive of developing countries.

3.2.3 Antarctic Law of the Sea Realities and Challenges

With no generally recognised coastal states in the Antarctic region with national zones of jurisdiction and concomitant control over the activities of foreign vessels, the Antarctic law of the sea reality is the primacy of flag state jurisdiction. Each state authorising ships to fly its flag is responsible for ensuring its vessels operating in the Antarctic comply with international treaty and customary law obligations relating to such areas as shipping, fishing, ocean dumping and marine biodiversity conservation. For example, the Basel Convention on the Trans-boundary Management of Hazardous Wastes and Their Disposal requires parties to prohibit the export of hazardous wastes for disposal within the area south of the 60° South latitude, and it is the flag state that bears prime responsibility for ensuring its flagged vessels do not undertake such shipments. While ocean dumping in most regions would be strictly regulated by coastal states, in the Antarctic control measures for potential dumping from outside the region would fall on the shoulders of flag states.

Two main law of the sea challenges continue to hover over Antarctic waters. First is the potentially frayed regulatory nets opened by reliance on flag state jurisdiction as the prime means of controlling human uses. Flag states may not become party to key multilateral environmental or fisheries agreements aimed at protecting Antarctic waters. For example, the Madrid Protocol on Environmental Protection to the Antarctic Treaty, which sets out environmental impact assessment obligations for contracting parties authorising activities in the Antarctic, has only 34 parties. Thus, the danger exists that states not party might allow their flagged vessels to undertake tourism visits to the region without imposing any environmental impact assessment (EIA) requirements.

A second challenge is ensuring territorial claimant states in the Antarctic do not "rock the boat" in relation to contested offshore jurisdiction. For example, while Australia has passed national legislation prohibiting the taking of whales in its 200 EEZ declared off its claimed Antarctic Territory, it has thus far chosen not to enforce the legislation against foreign vessels. Political pressures continue within Australia for the government to take effective action against Japanese whaling allegedly undertaken for scientific research purposes. Potential extended continental shelf claims by territorial claimant states is a further jurisdictional issue.

For example, Australia in making its extended continental shelf claims to the Commission on the Limits of the Continental Shelf gave notice of its potential claim off Antarctica but requested the Commission not to consider the submission relating to the continental shelf appurtenant to Antarctica.

Numerous issues lurk in the background regarding maritime claims in the Antarctic. They include: how to determine baselines for measuring maritime zones where the normal "low-water line along the coast" may not be possible to determine due to ice-cover; whether ice shelves can be equated with land and be used as base points; and how to treat ice for maritime boundary delimitation purposes if claimant states in Antarctica choose to delimit boundaries between themselves.

The legal status of icebergs, which have potential for commercial exploitation, is a further looming issue. Whether coastal claimant states might eventually exert "ownership" rights over icebergs within 200 n.m. zones remains to be seen. A freedom of the high seas approach is also possible where "harvesting" would be open to anyone, but a common heritage of humankind approach whereby exploitation would be subject to equitable sharing of benefits through an international management scheme might also be considered.

3.3 Governance of Polar Shipping: Similarities and Polarities

3.3.1 Similarities

Shipping standards for the two Polar Regions are common on many fronts. Global conventions relating to maritime safety apply to both the Arctic and Antarctic as do some vessel-source pollution and marine environmental protection provisions. Various guidelines, some specifically tailored to address the special challenges of Polar shipping, have also been forged.

3.3.1.1 Maritime Safety Agreements

The "main sail" agreement setting out international safety standards for shipping in all oceans, including Polar seas, is the (1974) Safety of Life at Sea Convention, (SOLAS) as amended. The Convention casts a broad net of rules and standards in such areas as construction, steering gear requirements, fire detection and extinction, life-saving equipment including lifeboats and life jackets, radio communications, carriage of dangerous goods and maritime security. Chapter V of SOLAS addresses safety of navigation in various ways: by imposing navigational equipment requirements like radar and eco-sounding devices (to display available water depth); by requiring vessels to carry adequate and up-to-date nautical

charts; and by providing for the imposition of mandatory ships routeing systems through application to the IMO.

Four other maritime safety "jib sails" are also particularly important. The (1966) International Convention on Load Lines, is aimed at ensuring ships are not overloaded by requiring adequate freeboard, that is, the distance between the ship's deck and the waterline. The (1972) Convention on the International Regulations for Preventing Collisions at Sea, (COLREGS) sets out various speed, lookout and navigational rules to help avoid collisions and also requires various lighting arrays and sound signals. The (1979) International Convention on Maritime Search and Rescue provides the legal umbrella for countries to cooperate in ensuring that adequate search and rescue capabilities are in place in all marine regions. The (1978) International Convention on Standards of Training, Clarification and Watch-keeping for Seafarers, significantly amended in 1995 and again in June 2010, establishes training and competency requirements for ship officers and crew and covers hours of work and rest.

3.3.1.2 Vessel-source Pollution and Marine Environmental Protection Provisions

The International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), the "main sail" for addressing vessel-source pollution, is applicable to both Polar Regions and establishes detailed marine pollution and protection standards through six annexes. Annexes I (oil) and II (noxious liquid substances) are mandatory for all parties to the Convention while the others Annexes III (harmful substances in packaged form), IV (sewage), V (garbage) and VI (air emissions) are optional.

While substantial differences in vessel discharge standards for the Arctic and Antarctic exist in relation to oil, noxious liquid substances, and garbage as discussed below, two major commonalities stand out. First, Annex VI of the MARPOL 77/78 which seeks to control air emissions such as ozone-depleting substances, nitrogen oxides and sulphur oxides, applies uniformly to ships operating in both Polar Regions. One of the key control mechanisms is to generally limit the sulphur content of ship fuels at 4.5 percent, but special Emission Control Areas can be established where the sulphur content would be capped at 1.5 percent. Amendments to Annex VI in 2008 will gradually decrease the general cap from 4.5 percent to 0.5 percent (effective from 1 January 2020) and the Emission Control Areas standard from 1.5 percent to 0.1 percent (effective from 1 January 2015). The revised Annex VI allows an Emission Control Area to be designated not to just control sulphur oxides but also nitrogen oxides. Neither Polar Region has yet been proposed for special emissions status, thus the general sulphur content standards will apply.

While some differences do exist over how the Antarctic and Arctic regions address sewage discharges from ships, such as which ships are subject to controls, the two regions are also subject to quite similar sew-

age discharge standards. Annex IV to the Protocol on Environmental Protection to the Antarctic Treaty in Article 6 allows untreated sewage from a holding tank to be discharged beyond 12 n.m. from land or ice shelves at a moderate rate while the ship is *en route* at a speed of no less than 4 knots. This is consistent with Regulation 11 of MARPOL's Annex IV which sets a global standard from sewage discharges also applicable to the Arctic so long as coastal states do not adopt stricter standards.

Other global "jib sails" aimed at protecting the marine environment are also applicable to both Polar Regions. The (1972) Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, permits ocean dumping if authorised pursuant to a national ocean dumping permit but prohibits disposal of wastes listed on a global prohibited list, such as industrial and radioactive wastes. A 1996 Protocol to the Convention adopts a precautionary approach whereby only wastes listed on a global "safe list'; such as dredged materials and organic wastes of natural origin, may be disposed of subject to a waste assessment review and a national permit.

The International Convention on the Control of Harmful Anti-fouling Systems on Ships, which came into force on September 17, 2008, requires ships to either not use organotin compounds on their hulls by January 1, 2008 or to have a protective coating to prevent leaching of organotin compounds. Organotin compounds, such as tibutylin (TBT), act as biocides to prevent marine life such as algae and molluscs from attaching themselves to ship hulls and TBT has been shown to cause sex changes in whelks and deformities in oysters.

The International Convention for the Control and Management of Ships' Ballast Water and Sediments, adopted in 2004 but not yet in force, seeks to avoid transfer of invasive alien species across marine regions through ballast water exchange obligations (whenever possible conducting exchanges at least 200 n.m. from the nearest land in water at least 200 metres in depth) and ballast water management systems. Shifting from ballast water exchange to treatment systems to control the levels of viable organisms is to occur for all ships by 2016.

Two global agreements seek to ensure adequate preparations for preventing and responding to pollution incidents. The (1990) International Convention on Oil Pollution Preparedness, Response and Co-operation, requires contracting parties to require ships flying their flags to have on board a shipboard oil pollution emergency plan, to provide a minimum level of pre-positioned oil combating equipment, and to cooperate upon the request of any party in responding to an oil pollution incident. The (2000) Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances, extends the obligations to cover carriage and spills of hazardous and noxious substances.

3.3.1.3 Shipping Guidelines

Three key sets of guidelines, adopted under the auspices of the IMO, seek to address the special conditions posed by shipping in Polar waters including remoteness and the dangers posed by ice. First, the Maritime Safety Committee in May 2006 adopted a Circular (MSC. 1/Circ. 1184) on Enhanced Contingency Planning Guidance for Passenger Ships Operating in Areas Remote from SAR Facilities. The guidance document urges companies operating passenger ships in areas remote from search and rescue facilities to develop contingency plans in case of emergencies which should consider, among other things, the possibility of voyage "pairing" where other passenger ships operating in the same area might be used as a search and rescue facility.

Guidelines on Voyage Planning for Passenger Ships Operating in Remote Areas, adopted by the IMO Assembly in November 2007, further urge passenger ships to develop detailed voyage and passage plans. Such plans for ships operating in the Arctic or Antarctic waters should address such factors as safe distance from icebergs, safe speeds in the presence of ice, no entry areas and special preparations necessary before entering waters where ice may be present, such as abandoning ship drills.

A third set of guidelines was adopted by the IMO Assembly in December 2009 which revised Guidelines for Ships Operating in Arctic Ice-Covered Waters (2002) and extended coverage to both the Arctic and Antarctic waters (See Figures 1 and 2). The Guidelines for Ships

Operating in Polar Waters provide a four-part overlay to existing international maritime agreements in order to address the special situation of ships operating in Polar waters. The Guidelines are applicable to ships subject to regulations under the SOLAS Convention which generally covers passenger ships and cargo ships of 500 gross tonnage or more when engaged on international voyages but not warships, pleasure yachts or fishing vessels. Part A of the Guidelines provides construction, stability and other technical requirements for new Polar Class Ships. The Guidelines, adopting the seven Polar classes recognised by the International Association of Classification Societies (IACS), seek to ensure ships can withstand flooding

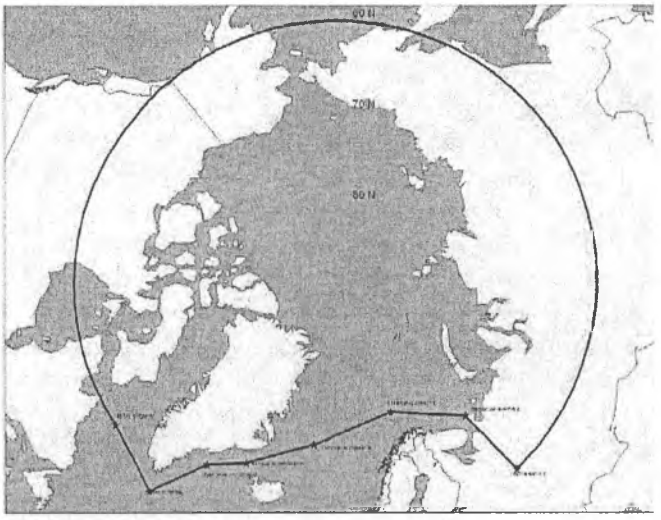


Figure 1: Maximum extent of Arctic waters application

Source: IMO, Guidelines for Ships Operating in Polar Waters, Assembly Res. A. 1024(26) (2009), p. 9

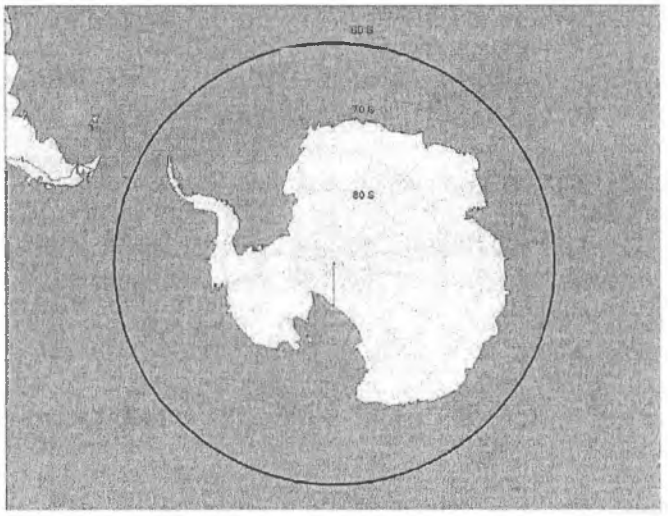


Figure 2: Maximum extent of Antarctic Waters application

Source: IMO, Guidelines for Ships Operating in Polar Waters, Assembly Res. A. 1024(26) (2009), p. 9.

Resulting from hull penetration due to ice impacts, advocate against Polar Class ships carrying any pollutant against the outer shell, urge appropriate anchoring and towing arrangements, and call for all equipment on a ship to not be susceptible to brittle fracture.

Part B, applicable to Polar Class and other ships, sets out various equipment suggestions. These include, among others, the design and location of fire detection and extinguishment systems to avoid freezing temperatures, the provision of personal survival kits capable of protecting against severe weather conditions, the carrying of partially or totally en-

closed lifeboats, and redundancy in key navigational systems such as radar and depth sounding devices.

Part C, also applicable to Polar Class and other ships, sets out various operational suggestions. A checklist of what crew members should consider in an evacuation drill is provided. Carriage of at least one qualified Ice Navigator aboard all ships operating in Polar ice-covered waters is advocated, but with no detail on what would constitute adequate on-the-job training or simulation training. Reserve supplies of fuel and lubricants are urged in light of heavy fuel consumption in heavy ice.

Part D encourages the equipment and preparation for Polar Class and other ships navigating in Polar waters to control damage to the marine environment. Proper equipment and training to ensure minor hull repairs is urged along with the capability to contain and clean up minor deck or over side spills.

A process is currently underway within the IMO to make the voluntary Guidelines for Ships Operating in Polar waters mandatory with 2012 being a target completion date. Various issues are being discussed including the geographic scope of application, appropriate classroom and practical experiences that should be required for ice navigators, possible extension of coverage to barges, fishing vessels and pleasure craft, phase-in requirements for existing ships, and possible expansion to cover ballast water and hull-fouling.

A more general set of IMO guidelines also has potential to be applied to Polar waters. Guidelines for the Identification and Designation of Particularly Sensitive Sea Areas (PSSAs), undergoing substantial revision in 2005, provide for the designation of PSSAs for areas particularly vulnerable from international ship traffic where special associated protective measures may be imposed such as areas to be avoided, traffic routeing, mandatory ship reporting, and discharge restriction. However, to date PSSA designations have not been applied to either Polar Region.

3.3.2 Polarities

With the Antarctic listed as a special area under Annexes I (oil), II (noxious liquid substances) and V (garbage) of MARPOL, stricter than global discharge standards have been established for the marine region south of the 60° South latitude. These stricter standards have been further solidified by inclusion in Annex IV to the Madrid Protocol on Environmental Protection. Article 3 of Annex IV prohibits the discharge into the sea of oil or oily mixtures from ships with limited exceptions such as a discharge relating to accidental damage to the ship or equipment. Article 4 prohibits the discharge of any noxious liquid substance and any other chemical substances in quantities or circumstances harmful to the marine environment. Article 5 prohibits disposal of all plastics into the sea from vessels and most other garbage with the exception of ground up food

wastes if disposed of 12 n.m. or more from the nearest land or ice shelf. The question of whether the Antarctic special area designations should be extended northward from the present area south of the 60° South latitude to the Antarctic convergence is under discussion by Antarctic Treaty Consultative Parties.

The MARPOL Convention provides special reception facility requirements to support Antarctic special area designations in relation to oil and garbage. Parties to MARPOL at whose ports ships depart *en route* to or arrive from the Antarctic area must ensure adequate facilities for the reception of oily residues and garbage from all ships. Each Party to MARPOL is also required to ensure that all ships entitled to fly its flag, before entering the Antarctic area, have sufficient capacity on board for the retention of oily residues and garbage and have concluded arrangements for the discharge of oily residues and garbage at a reception facility after leaving the area.

With no area of the Arctic Ocean having been designated as a special area under MARPOL, the pollutant discharge standards for some areas of the Arctic are less strict than for the Antarctic. Unless coastal states choose to impose stricter than global standards pursuant to the special legislative and enforcement powers granted by Article 234 of the LOSC, global standards will apply. Annex I of MARPOL allows oily ballast water discharges from tankers if they are over 50 n.m. offshore at a rate of 30 litres per nautical mile while *en route*, and the Annex also allows oily bilge waste discharges from oil tankers and other ships with a 15 parts per million (ppm) limitation. Annex II allows some discharge of noxious liquid substance residues based on the level of toxicity. Annex V allows considerable garbage deposits, other than plastics, including packing materials if more than 25 n.m. from the nearest land and glass, metal, paper products, rags and similar refuse if more than 12 n.m. from the nearest land.

Canada and the Russian Federation exemplify how coastal states may choose to impose stricter than global discharge standards. Canada prohibits all oil discharges from ships in Arctic waters with limited exceptions, as well as garbage and other waste deposits. The Russian Federation has prohibited the discharge of oily ballast water from tankers and the deposit of garbage for the Northern Sea Route.

Regional differences have also emerged in relation to the carriage of heavy grade oil and the control of ballast water in Polar Regions. A proposal to prohibit the use of carriage of heavy grade oil in the Antarctic was adopted by the IMO's Marine Environment Protection Committee in March 2010 and the ban on the use and carriage of heavy fuel oil by vessels operating in Antarctic waters will take effect from 1 August 2011 through a regulatory amendment to Annex I of MARPOL. In 2007, non-binding Guidelines for Ballast Water Exchange in the Antarctic Treaty Area were adopted by the IMO with various control measures suggested

including the exchange of ballast water before arrival in Antarctic waters. To date regional approaches to addressing heavy grade oil carriage and ballast water controls have not been developed for the Arctic region.

3.4 Conclusion

As this chapter has sought to highlight the Arctic and Antarctic are in many ways "poles apart" in relation to law of the sea contexts and shipping discharge standards. While the Arctic, being an ocean surrounded by continents, is largely subject to the jurisdiction of five coastal states, the Antarctic, constituting a continent surrounded by an ocean, remains in a law of the sea "twilight zone" with no generally recognised coastal state offshore jurisdiction and thus the primacy of flag state legislative and enforcement controls. While the Antarctic has been designated as a special area under three of MARPOL's annexes where stricter than general international vessel-source discharge standards apply for oil, noxious liquid substances and garbage, the Arctic has not yet been globally designated for special pollution control measures.

However, shared commonalities in the areas of maritime safety, vessel discharge standards and marine environmental protection obligations have emerged. For example, The Guidelines for Ships Operating in Polar Waters (2009) establish a common framework for construction and operational requirements for ships in the Arctic and Antarctic. Consistent air emission and sewage discharge standards for ships have been adopted for the two regions. International agreements relating to ocean dumping, antifouling agents, ballast water management and emergency preparedness are also applicable to both regions.

The quest for effective governance in both Polar regions is thus far from over. The Guidelines for Ships Operating in Polar Waters have yet to be made mandatory and numerous issues remain to be resolved, such as the geographical scope of applications, the types of vessels covered and the strength of regulatory measures. Efforts continue within the IMO to further tighten controls on sewage and garbage from ships. The regulation of greenhouse gas emissions from ships has become a topic of important but unresolved debate. Pressures to better control vessel noise in order to protect marine mammals have also not abated.

Both Polar Regions are currently experiencing increased attention in respect of the inadequacies of existing shipping governance measures and the need to strengthen international and regional rules and standards. The Arctic Council's comprehensive Arctic Marine Shipping Assessment (AMSA), published in April 2009, offered numerous recommendations under three themes. For example, to enhance Arctic marine safety, AMSA urged Arctic states: to work through the IMO to augment global ship safety and pollution prevention conventions with specific mandatory requirements for ship

construction, design, equipment, crewing, training and operations aimed at Arctic shipping safety; to explore harmonisation of national Arctic shipping regulatory regimes; and to develop a multi-national Arctic Search and Rescue (SAR) instrument including aeronautical and maritime SAR. To protect Arctic people and the environment, AMSA recommends that Arctic states: identify areas of heightened ecological and cultural significance and implement protective measures from marine shipping impacts; explore the need for specially designated Arctic marine areas as "special areas" or "particularly sensitive sea areas" through the IMO; enhance cooperation in oil spill prevention; and support reduction of air emissions of greenhouse gases, nitrogen oxides, sulphur oxides and particulate matter. To build Arctic marine infrastructure, the third theme, AMSA urges Arctic states: to improve infrastructure in the areas of ice navigation training, navigational charts, communication systems, port services, reception facilities for ship-generated waste, and icebreaker assistance; develop circumpolar pollution response capabilities; and increase investments in securing adequate hydrographic, meteorological and oceanographic data to support safe navigation. At the Sixth Ministerial Meeting of the Arctic Council in Tromsø, Norway, April 29, 2009, Ministers approved the actual establishment of a task force to negotiate an international SAR instrument for the Arctic by the next Ministerial meeting in 2011.

The Antarctic Treaty Meeting of Experts on Ship-borne Tourism in the Antarctic Treaty Area, hosted by New Zealand in December 2009, also produced a set of recommendations to be forwarded to the next Antarctic Treaty Consultative Meeting. For example, Antarctic Treaty Parties are urged to: consider the development of a specific checklist for inspections of tourist vessels in Antarctica; contribute to hydrographic and charting information in the Antarctic Treaty Area; proactively apply port state control regimes to tourist vessels bound for the Antarctic; exchange information on contingency planning preparedness; and consider mechanisms for enhancing coordination with respect to Antarctic-related matters within the IMO.

The time is ripe for the further strengthening of shipping governance and cooperative arrangements to protect the marine environment in both Polar Regions. However, it remains to be seen how far the vested social and economic interests of states and their constituents will constrain progress. The voyage towards safe and sustainable seas in both regions is thus likely to be a long and arduous.

Further reading:

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Alex G. Oude Elferink and Donald R. Rothwell (eds.), *The Law of the Sea and Polar Maritime Delimitation and Jurisdiction*, Kluwer Law International, The Hague and London, 2001.

Rosemary Rayfuse, "Melting Moments: The Future of Polar Oceans Governance in a Warming World" (2007) 16(2) *RECIEL*:196–216.

Gillian Triggs and Anna Riddell (eds.), *Antarctica: Legal and Environmental Challenges for the Future*, British Institute of International and Comparative Law, London, 2007.

David L. VanderZwaag, et. al., Governance of Arctic Marine Shipping, Marine & Environmental Law Institute, Dalhousie University, October 2008 Available online <http://www.pame.is/amsa/amsa-background-research-documents>.

David L.VanderZwaag, "Climate Change and the Future of Arctic Governance: A Slushy Seascape and Hard Questions" in Timo Koivurova, E. Carina, H. Keskitalo and Nigel Bankes (eds.), *Climate Governance in the Arctic*, Springer, Berlin 2009, pp. 403–427.

Websites:

Antarctic and Southern Ocean Coalition <http://www.asoc.org>.

Division of Ocean Affairs and the Law of the Sea, Office of Legal Affairs, United Nations <http://www.un.org/Depts/los/index.htm>.

International Maritime Organization <http://www.imo.org>.

Protection of the Arctic Marine Environment Working Group (PAME) <http://www.pame.is/>.

Secretariat of the Antarctic Treaty <http://www.ats.aq/index_e.htm>.

Questions:

1. What are the main differences in the Law of the Sea contexts for the Arctic and the Antarctic?
2. What is the main Law of the Sea challenge for each Polar region?
3. Are shipping activities in the Arctic and Antarctic adequately controlled?
4. What governance strengthening, if any, would you recommend for the Arctic? For the Antarctic?

HJR

22

<TARGET><BILL>HJR 22</BILL><SUBJECT>HJR 22</SUBJECT><COMM>HEDT27</COMM></TARGET>

Alaska Legislature
Representative Charisse Millett

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State Capitol Building, Room 13
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MEMORANDUM

Bob

To: Rep. Bob Herron, Chair, House Special Committee on Economic Development, Trade & Tourism
From: Rep. Charisse Millett
Subject: Scheduling request for HJR 22
Date: Thursday, March 17, 2011

I respectfully request a hearing before the House Special Committee on Economic Development, Trade & Tourism for House Joint Resolution 22.

All the necessary documents are included with this request.

Jeff Turner is the staffer assigned to this legislation and he can be reached at (907) 465-6588.

###

Thank you
Charisse

Never
Heard in
EDT

Alaska Legislature
Representative Charisse Millett

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District 30

House Joint Resolution 22 - Sponsor Statement

"Urging the United States Congress to pass legislation imposing a moratorium on the issuance of new air quality regulations by the United States Environmental Protection Agency and legislation prohibiting the United States Environmental Protection Agency from regulating greenhouse gas emissions; and requesting that the federal government prepare a report on the effects of proposed regulatory activity by the United States Environmental Protection Agency relating to air quality."

The U.S. Environmental Protection Agency made the troubling announcement it will take action on climate change by improving air quality as its first strategic goal over the next four years. So far, it has not explained how it plans to achieve that and what it will cost the economy in terms of jobs, wages and reduced tax revenue at the local, state and federal level.

The United States Congress has wisely refused to pass cap and trade legislation because it will kill jobs, curtail energy output and stifle the economic recovery.

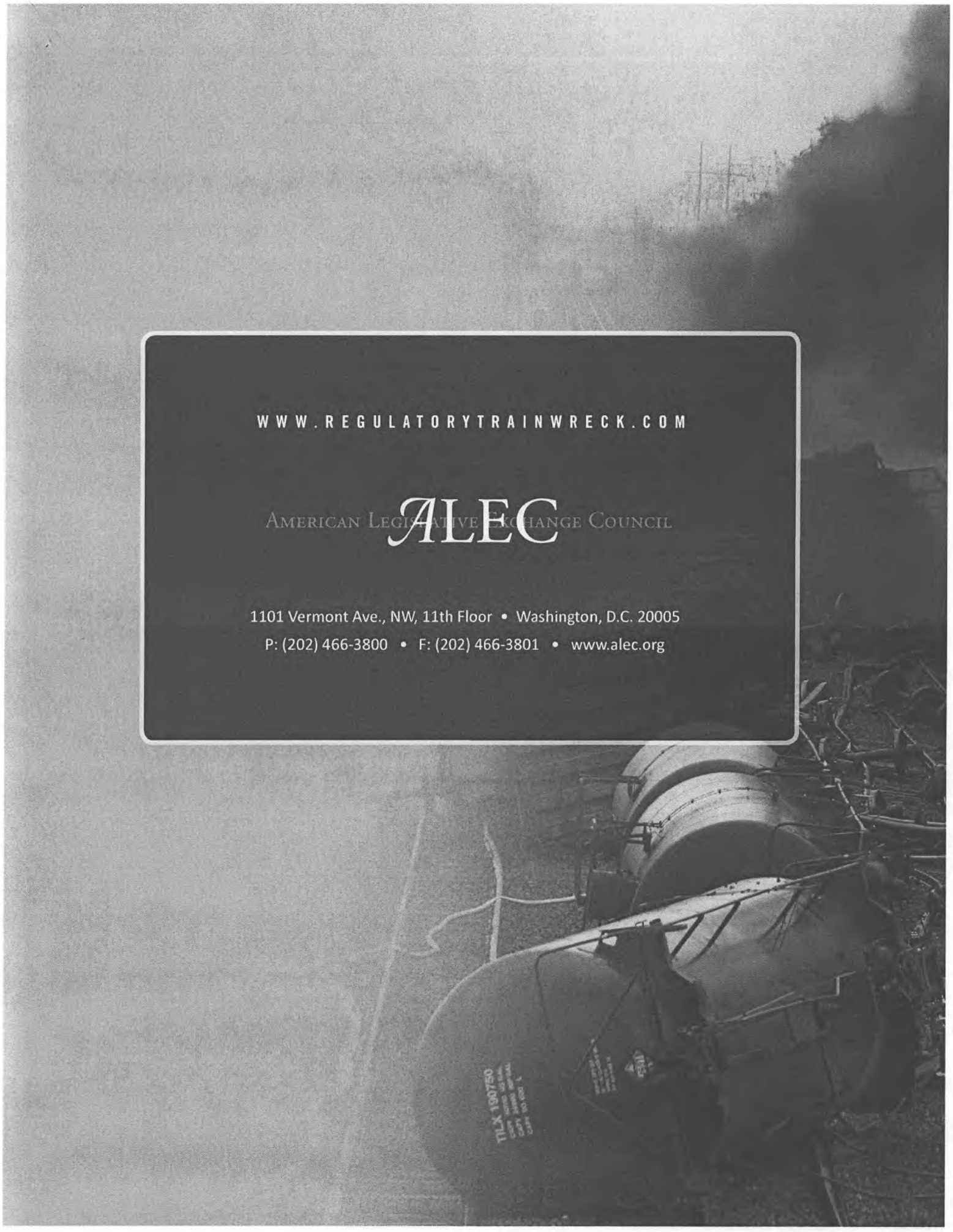
House Joint Resolution 22 urges the United States Congress to pass laws issuing a moratorium on air quality regulations by the EPA and to stop it from regulating greenhouse gas emissions. It also requests a report outlining the economic effects of the agency's regulatory activity relating to air quality.

Domestic energy production equals economic growth. Energy producing states like Alaska can reignite job growth on a national scale if Congress asserts its authority over the EPA before the agency tries to impose new air quality restrictions lawmakers wisely refused to pass.

The federal government's first job must be to reinvigorate the economy and reestablish a stable climate for America's business community.

HJR 22 was referred to the House Economic Trade and Tourism and Resources Committees. For more information, contact Rep. Millett at (907) 465-3879.

Prepared by Jeff Turner, Staff for Rep. Millett on March 17, 2011



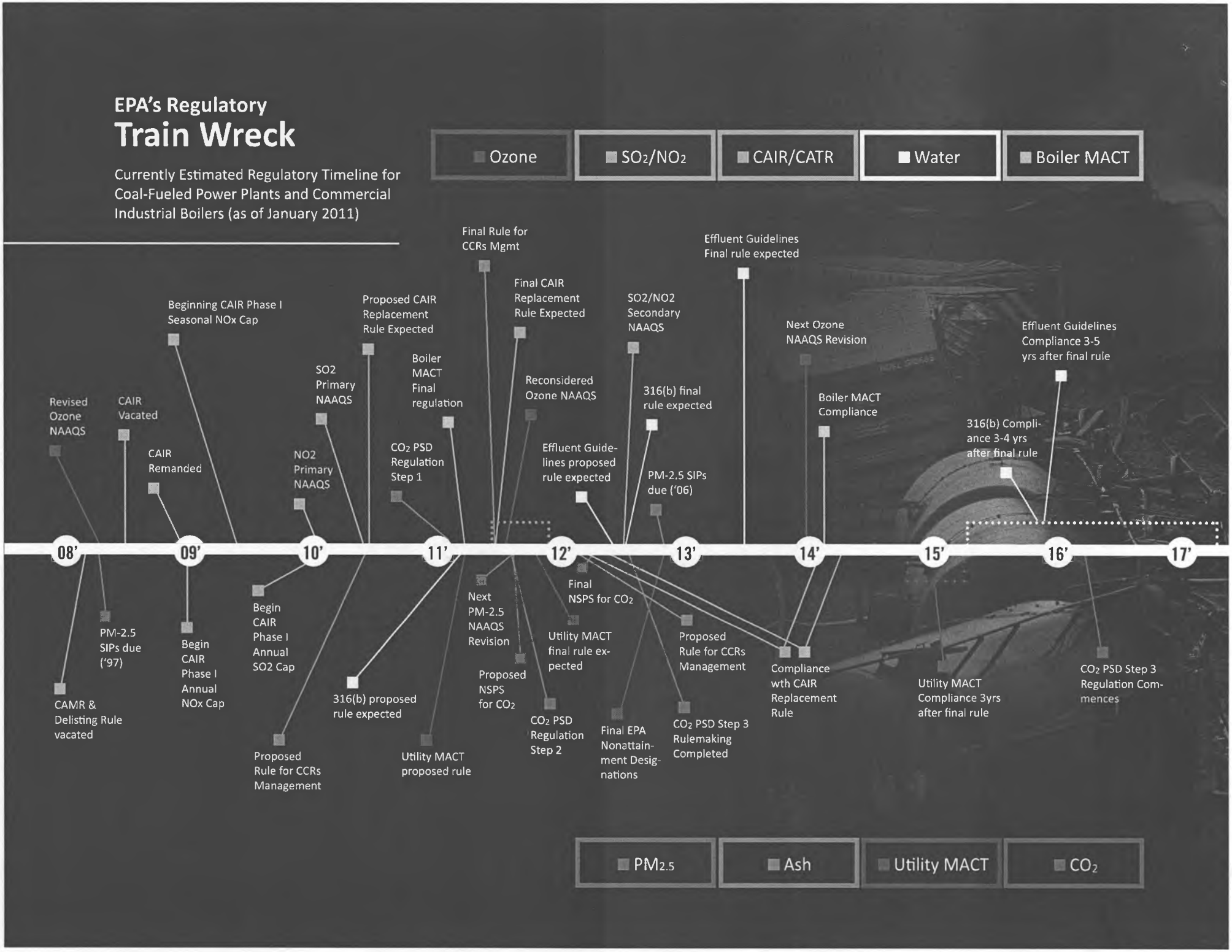
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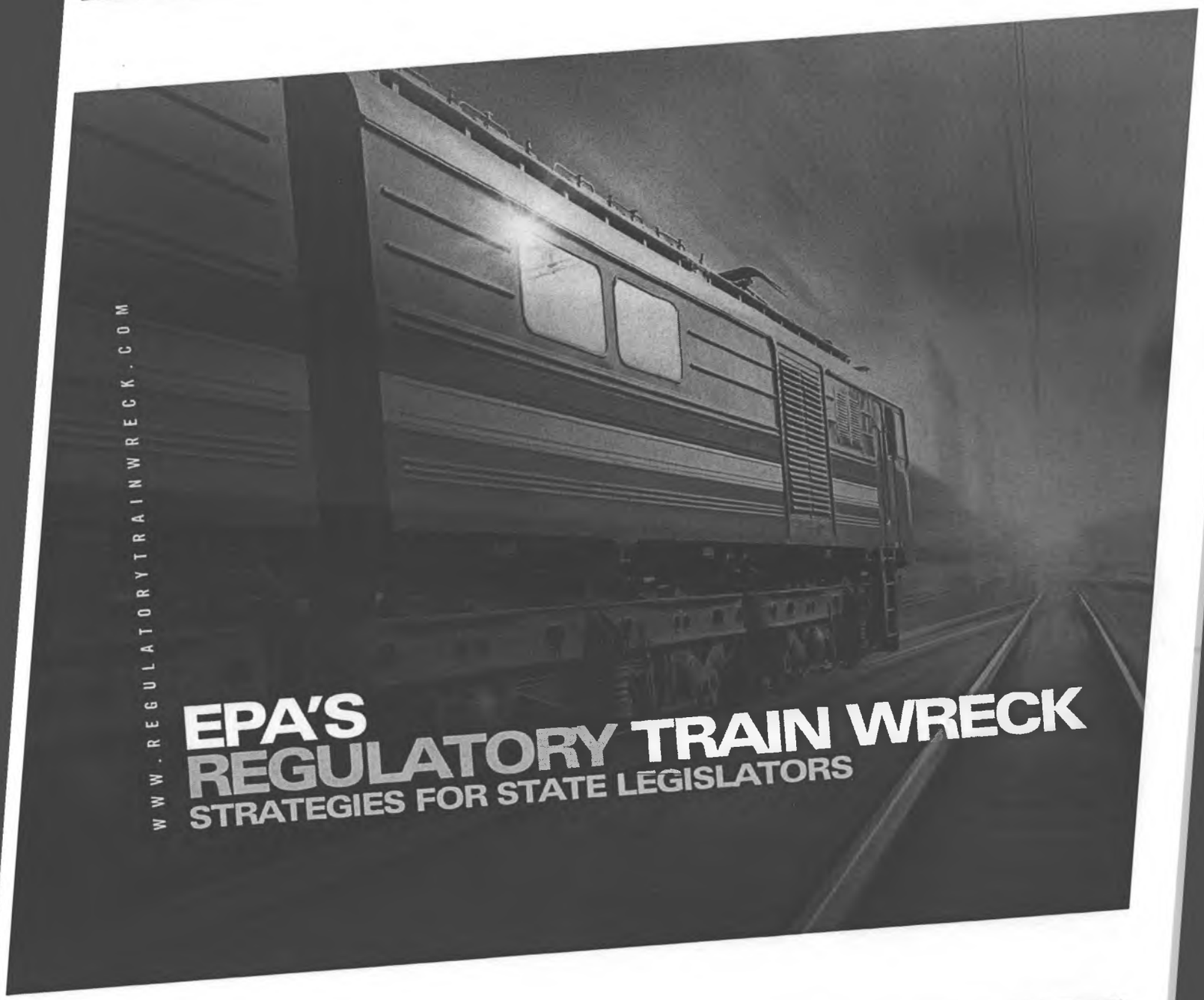
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EPA's Regulatory
Train Wreck
Currently Estimated Regulatory Timeline for Coal-Fueled Power Plants and Commercial Industrial Boilers (as of January 2011)
Ozone
SO2/NO2
CAIR/CATR
Water
Boiler MACT
Revised Ozone NAAQS
CAIR Vacated
CAIR Remanded
Beginning CAIR Phase I Seasonal NOx Cap
NO2 Primary NAAQS
SO2 Primary NAAQS
Proposed CAIR Replacement Rule Expected
CO2 PSD Regulation Step 1
Boiler MACT Final regulation
Final Rule for CCRs Mgmt
Final CAIR Replacement Rule Expected
Reconsidered Ozone NAAQS
Effluent Guide-lines proposed rule expected
SO2/NO2 Secondary NAAQS
316(b) final rule expected
PM-2.5 SIPs due ('06)
Effluent Guidelines Final rule expected
Next Ozone NAAQS Revision
Boiler MACT Compliance
316(b) Compli-ance 3-4 yrs after final rule
Effluent Guidelines Compliance 3-5 yrs after final rule
08'
09'
10'
11'
12'
13'
14'
15'
16'
17'
CAMR & Delisting Rule vacated
PM-2.5 SIPs due ('97)
Begin CAIR Phase I Annual NOx Cap
Begin CAIR Phase I Annual SO2 Cap
Proposed Rule for CCRs Management
316(b) proposed rule expected
Utility MACT proposed rule
Next PM-2.5 NAAQS Revision
Proposed NSPS for CO2
CO2 PSD Regulation Step 2
Final NSPS for CO2
Utility MACT final rule ex-pected
Final EPA Nonattain-ment Desig-nations
Proposed Rule for CCRs Management
CO2 PSD Step 3 Rulemaking Completed
Compliance wth CAIR Replacement Rule
Utility MACT Compliance 3yrs after final rule
CO2 PSD Step 3 Regulation Com-mences
PM2.5
Ash
Utility MACT
CO2

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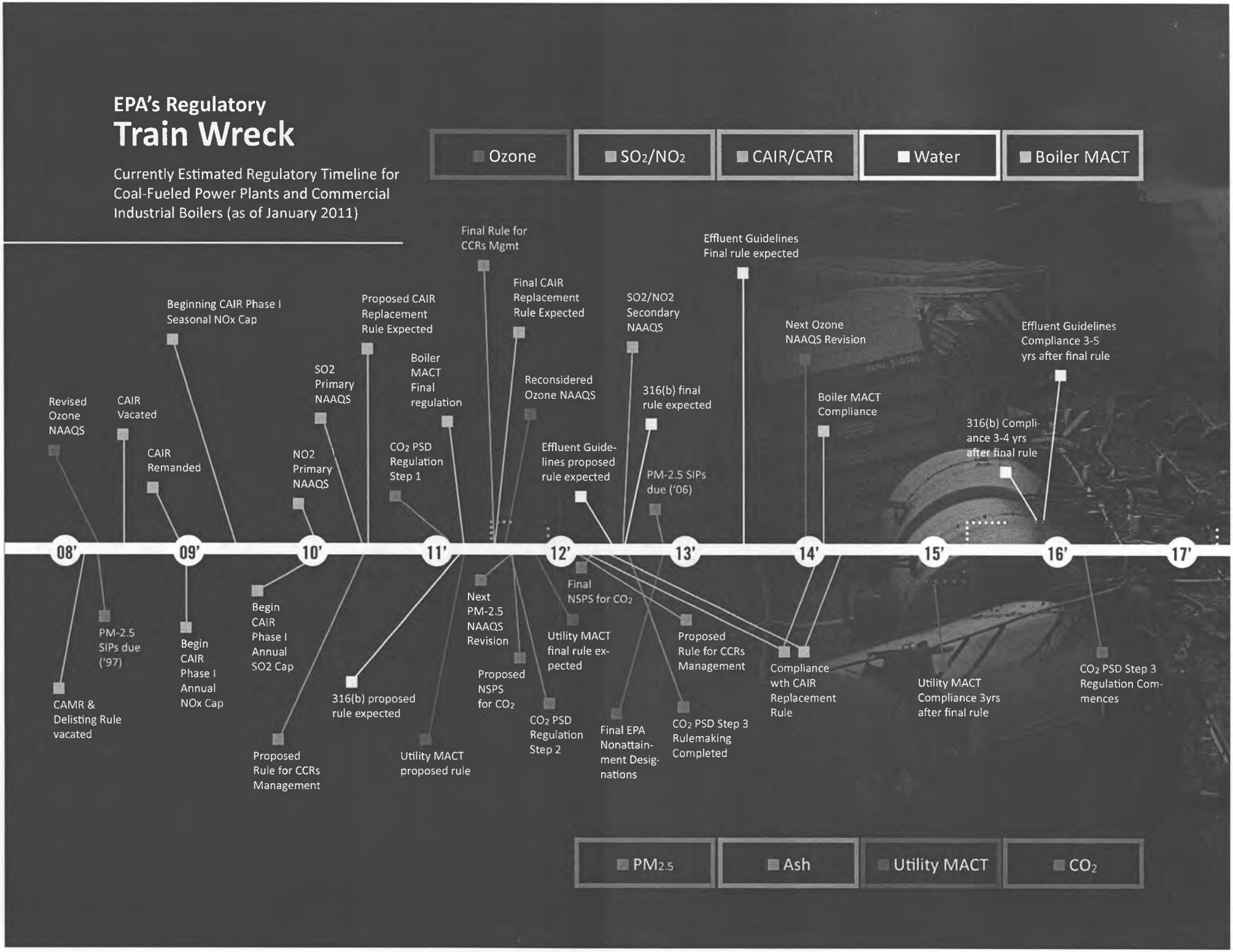
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EPA'S REGULATORY TRAIN WRECK

STRATEGIES FOR STATE LEGISLATORS

EXECUTIVE SUMMARY

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EPA's Regulatory
Train Wreck
Currently Estimated Regulatory Timeline for Coal-Fueled Power Plants and Commercial Industrial Boilers (as of January 2011)
Ozone
SO2/NO2
CAIR/CATR
Water
Boiler MACT
PM2.5
Ash
Utility MACT
CO2
08'
09'
10'
11'
12'
13'
14'
15'
16'
17'
Revised Ozone NAAQS
CAIR Vacated
CAIR Remanded
Beginning CAIR Phase I Seasonal NOx Cap
SO2 Primary NAAQS
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316(b) Compli-ance 3-4 yrs after final rule
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Begin CAIR Phase I Annual SO2 Cap
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Final NSPS for CO2
Utility MACT final rule ex-pected
Final EPA Nonattain-ment Desig-nations
Proposed Rule for CCRs Management
CO2 PSD Step 3 Rulemaking Completed
Compliance wth CAIR Replacement Rule
Utility MACT Compliance 3yrs after final rule
CO2 PSD Step 3 Regulation Com-mences



EXECUTIVE SUMMARY

Introduction

The Environmental Protection Agency turned 40 years old in December 2010. To celebrate the occasion, the Agency undertook one of the most breathtaking and hostile regulatory assaults on energy affordability and electric reliability in our nation's history. While pending regulation of greenhouse gas emissions under the Clean Air Act (despite Congressional rejection of cap-and-trade) has received the lion's share of the attention, EPA has also begun promulgating and will continue promulgating over the next several years a slew of overreaching and inefficient air and water rules that will dramatically increase energy costs, cause enormous negative impacts to jobs and the economy, irreparably damage the competitiveness of American business, and trample on the rights of states in the process.

Despite the resounding expression of disapproval for the Administration's big government market interventions by voters last November, the Agency has pushed ahead in its regulatory onslaught without regard to economic realities or democratic accountability. This report highlights one small subsection of this emerging regime—EPA's assault on the use of fossil fuels, and particularly coal, for electric generation and other commercial and manufacturing processes—to illustrate the broader issues resulting from EPA's regulatory train wreck.

Cap-and-Trade Through the Back Door

EPA's hostility to fossil fuels is a telling example of what the Agency has in mind for the American economy. Eighty-five percent of American energy is produced from fossil fuels; about 50 percent of American electricity comes from coal. America is the Saudi Arabia of coal; it is by far our most abundant domestic source of energy. The fact that the nation uses so much coal reflects its low cost, ready availability, and proven effectiveness as a stable and reliable fuel.

Yet despite the fact that emissions from the use of coal have sharply declined over the last several decades and will continue to decline with the introduction of new clean and green-coal technologies, EPA wants to remove coal completely from the equation. Instead, EPA wants to force the nation into a "green revolution" by implementing the rejected cap-and-trade agenda through regulation. In the words of President Obama in an interview with *Rolling Stone* last Fall following defeat of cap-and-trade in Congress: "One of my top priorities next year is to have an energy policy that begins to address all facets of our over-reliance on fossil fuels. We may end up having to do it in chunks, as opposed to some sort of comprehensive omnibus legislation."

Or as the President reiterated in his first press conference after the 2010 elections: "Cap-and-trade was just one way of skinning the cat; it was not the only way."

But the voters rejected the Administration's revolutionary approach to environmental policy in the November elections. The market will supply the energy innovations the country needs; government's role is to reduce the regulatory burden, encourage innovation, and otherwise get out of the way.

The Regulatory Train Wreck

Reflecting its government-knows-best attitude, EPA is developing and finalizing nearly 30 major regulations and more than 170 major policy rules. By late November of 2010, these changes had already surpassed the Agency's regulatory output in the entire first term of Bill Clinton, which the *Wall Street Journal* notes was a period in which "the EPA had just been handed broad new powers under the 1990 revamp of air pollution laws."

EPA's pipeline in the near term just for the use of coal for electric generation and for commercial and industrial purposes includes:

- Regulation of GHG emissions from industrial, manufacturing and electric generation facilities under the enormously inefficient New Source Review program;
- Regulation of essentially the same emissions from the same facilities under the inflexible, top-down, command-and-control New Source Performance Standards program;
- Regulation of cooling water intake structures at fossil fuel (and nuclear) electric generating stations under the Clean Water Act without adequate justification;
- Regulation of mercury, acid gases, and other hazardous air pollutants from power plants as well as from commercial and industrial boilers (despite the lack of evidence that emissions in these miniscule quantities cause health or welfare impacts) using the inflexible, stringent, command-and-control mechanisms set forth in the National Emissions Standards for Hazardous Air Pollutants section of the Clean Air Act;

- Regulation of sulfur dioxide and nitrogen oxides under the Clean Air Transport Rule, a rule that utilities must comply with starting on January 1, 2012, even though EPA is still formulating the rule and doesn't expect to finalize it until this Summer at best;
- Regulation of coal combustion residuals under the Resource Conservation and Recovery Act, with the potential for designating this material for the first time ever as a hazardous waste, a designation which could seriously damage the use of coal for electric generation;
- Promulgation of stringent ozone and particulate matter standards under the National Ambient Air Quality Standards (NAAQS) program, with EPA revising standards recently adopted during the Bush Administration that environmental groups objected to;
- Restrictions on mining permits in Appalachia in an effort that will gut the coal industry and kill jobs in that region.

The images contained in the EPA Train Wreck chart illustrate that there is nothing orderly or reasonable about this approach; this regulatory assault entails overlapping mandates, unattainable deadlines, and uncertainties that combine to threaten economic recovery, state sovereignty, and the very basis of our market-based affordable energy system. As anyone familiar with the implementation of the Clean Air Act over the last forty years will tell you, the low-hanging environmental fruit have been picked, and these additional pollution rules are likely to exponentially increase costs with minimal clean air and water benefits.

No Cost Too Much

What will all of this regulation cost? EPA doesn't know and evidently doesn't care to find out. Despite pleas from a broad cross-section of business, EPA has refused to undertake a study of the effect of its greenhouse gas regulatory initiatives on jobs, the economy and the business competitiveness. It has similarly failed to conduct a study of the overall, cumulative cost of all of its regulations together. Others have been forced to weigh in on what that cost will be; as discussed in the report, that cost is enormous.

It is not, though, simply a matter of the scope of these regulations that constitutes a train wreck. As Kathleen Hartnett White and Mario Loyola of the Texas Public Policy Foundation (hailing from a state that has felt the brunt of EPA's revised approach to cooperative federalism) note: "The new heavy-handed EPA... operates far more like an activist for whom no standard is too high, no impact too onerous, no risk too low and no science too speculative."

> ***"It makes sense for state and local air pollution agencies to take the lead in carrying out the Clean Air Act. They are able to develop solutions for pollution problems that require special understanding of local industries, geography, housing, and travel patterns, as well as other factors... The states must involve the public and industries through hearings and opportunities to comment on the development of each state plan."***
>
> - United States EPA, "The Plain English Guide to the Clean Air Act," 2007

Cramming Down Greenhouse Gas Regulation

Nowhere is EPA's regulatory overreach more apparent than in its misguided effort to regulate greenhouse gases under the Clean Air Act, a statute that was never intended for that purpose. EPA was determined to have greenhouse gas regulation in place by the beginning of this year in order to create a fait accompli for the incoming Congress. As a result, the end of 2010 saw an unprecedented flurry of last-minute rulemaking. EPA promulgated no less than 11 greenhouse gas regulations in 2010, 7 of them in December, and 6 of them totaling more than 500 pages were issued on the eve of the Christmas holiday and did not get published in the Federal Register until the last two business days of 2010.

And what EPA did to states to get this program implemented by the beginning of 2011 is nothing short of unconscionable. Because states in most cases administer the "PSD" and "Title V" permit programs under which EPA chose to regulate greenhouse gases, the Agency ordered states to change their state laws and regulations under which these programs operate in order to conform to EPA's new greenhouse gas requirements. But the Agency gave states only a few months to make the needed law changes. With time running out in 2010, EPA actually threatened states with a construction ban for large industrial and manufacturing sources if the states did not make the necessary law and regulatory changes on EPA's incredibly expedited schedule. And so the final months of 2010 witnessed a large majority of states galloping through rulemakings, some

of them having to invoke emergency authority to meet EPA's schedule, in order to avoid the construction ban. Some states did not make it; as of January 2, 2011, EPA imposed a federal implementation plan on 8 states that did not act quickly enough.

And then EPA had the nerve to announce in a press release that the Agency and the states had "worked closely" to implement the GHG program. That is simply not the case. Appended to the report is a paper entitled "What States are Really Saying about EPA GHG Regulation." It contains excerpts from a dozen state environmental agencies expressing displeasure with the heavy-handed EPA approach.

EPA's intrustion on states' rights in implementing its greenhouse gas program is only one example of the Agency's disregard for the interests of states. The report details a number of others.

More and More Regulation

While this report focuses on EPA rulemakings that primarily target the use of coal as a particular case study, it is worth noting that this regulatory onslaught is also underfoot in a variety of other fields. For example, having finalized greenhouse gas emission restrictions under the Clean Air Act for 2012 through 2016 model-year passenger vehicles and light trucks in April 2010, the Agency has already proposed the first-ever GHG standards for medium- and heavy-duty vehicles and is also in the process of developing additional light-duty vehicle standards for model-years 2017 to 2025. EPA also has under consideration greenhouse gas rules covering almost every sector of the economy, from cars and trucks to ships, boats and airplanes, to mining and agriculture, to all types of manufacturing and industrial facilities, to movable equipment of every kind (from fork lifts to lawnmowers), and to residential and commercial buildings.

Beyond greenhouse gases, EPA has considered or is in the process of taking up additional regulation of numerous products, emissions, and activities, including: hydraulic fracturing; the widely-used herbicide atrazine; formaldehyde emissions from pressed wood products; lead wheel weights; water nutrients in Florida; lead bullets and tackle; pesticide spray drift; dust; Portland cement; and Bisphenol A.

What Can State Legislators Do?

Given all of this EPA regulatory activity, now is an essential time for concerned state legislators to stand athwart a train wreck, and yell Stop. The first half and indeed the first few months of 2011 could prove decisive, as EPA moves to implement as much of its regulatory agenda as possible before it can be stopped. In the first part of 2011, Congress appears set to consider, both through more extensive EPA oversight and legislative vehicles like the Congressional Review Act, ways to limit EPA authority.

What then can state legislators do to stop the train wreck? The report outlines some of the comprehensive and issue-specific legislative tools at your disposal, including expressing strong opposition to EPA's regulatory train wreck via resolutions, enhanced regulatory review, bills to assert state sovereignty, and tips for getting your state on the right side of the ongoing legal and public relations struggles. As unemployment hovers around nine percent, it is the duty of states to weigh in against the effects of these job-crushing regulations.

In particular, as the highest-priority near-term action item, we urge you to give close consideration to the resolution highlighted in Chapter 5 calling on Congress to stop the train wreck. The resolution has been introduced in a number of states, and has, as of early February, passed out of state houses in Indiana and Wyoming. Our allies in Congress need to hear your support immediately; the Administration needs to understand your determination.

Finally, while the report offers a glimpse into this train wreck as it stands in early 2011, the regulatory environment is obviously dynamic. To provide ongoing updates to this material (including news on additional rulemakings, innovative tools, and links to new studies), an accompanying website is hosted at www.regulatorytrainwreck.com. This website also contains video from an ALEC workshop held at the 2010 States and Nation Policy Summit on "EPA's Regulatory Assault: Higher Prices, Fewer Jobs, and Less Energy," with indispensable analysis from Peter Glaser of Troutman Sanders LLP law firm, and Harry Alford of the National Black Chamber of Commerce. We will keep you up-to-speed on the progress of the Stop the Train Wreck resolution in legislatures across the country. We encourage you to check this site often. If you have any additional questions or requests for model legislation, please contact ALEC's Energy, Environment and Agriculture Task Force Director, Clint Woods, at cwoods@alec.org or 202.742.8542.

WWW.REGULATORYTRAINWRECK.COM

HJR

27

<TARGET><BILL>HJR 27</BILL><SUBJECT>HJR 27</SUBJECT><COMM>HEDT27</COMM></TARGET>

<<GAVEL>>
Let's call the meeting to order.

Let the record reflect that it is 8:00 a.m. on Thursday, April 7, 2011.

Welcome to a joint meeting of the Economic Development, Trade, and Tourism and the Community & Regional Affairs Committees. (Third joint meeting this session)

Present are:

- Vice-Chair Olson
- Representative Foster
- Representative Munoz
- Representative Thompson
- Representative Gardner
- Representative Keller
- Representative Joule
- Representative Tuck
- And myself, Chair Herron

[Turn off cell phones please.]

<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<<

Today we have four items. The order of business will be as follows:

- BIOMASS BOILER HEATING SYSTEMS:
  A Short Presentation by Rep. Steve Thompson
- HJR 27: RELOCATE COASTAL VILLAGES REGION FUND
- HB 222: AK PROMOTION & MARKETING FUND/BOARD
- HB 191: DEPARTMENT OF AGRICULTURE AND FOOD

Rep Seaton
other legislation

Rep. Thompson: Please begin.
<Thompson Gives Presentation>

HJR 27: RELOCATE COASTAL VILLAGES REGION FUND
Rep. Seaton and aide Katie Koester
Phil Oates Seward City Manager; Seward Mayor Willard Dunham (telecom)
Maybe: Dawson Hoover, Program Manager, Coastal Villages Region Fund
Assuming you want to move the bill:

The chair would entertain a motion to move HJR 27 from committee.

- version number with individual recommendations and attached fiscal notes

Take a brief at ease for the signing of the committee report

HB 222: AK PROMOTION & MARKETING FUND/BOARD
I would like for the committee to work on this bill over the interim – we'll probably have 3 or 4 interim meetings to discuss this. So today we just wanted to get the sponsor's overview and take any public testimony and then hold this for an interim project.

Rep. Austerman and his staff Astrid [Lievano], please come forward and give your presentation.

HB 191: DEPARTMENT OF AGRICULTURE AND FOOD
Jane Pierson, staff to Rep. Thompson
Ed Fogels, DNR Dep. Comm.
Franci Havemeister, DNR: Dir. Div of Ag (telecom)

ADOPT Version M

Assuming you want to move the bill:

The chair would entertain a motion to move HB191 from committee.

- version number with individual recommendations and attached fiscal notes

Please remind members to sign the committee report

Alaska State Legislature

State Capitol, Room 102
Juneau, AK 99802
Phone: 465-2689
Fax: 465-3472
Toll Free (800) 665-2689
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
Suite 102B
Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton
District 35

Sponsor Statement HJR 27
"Bring the Fleet Home"

Coastal Villages Region Fund is one of six Community Development Quota (CDQ) groups created under re-authorization of the Magnuson-Stevens Fishery Conservation and Management Act to provide economic development in villages located in Western Alaska from the fisheries resources of the Bearing Sea. There are 65 communities within a fifty-mile radius of the Bering Sea coastline who participate in the program.

Coastal Villages has grown from a small start up company to one of the largest Alaska based and Alaska owned seafood companies. They have a fleet of 18 ships that fish the pollock, cod, ground fish and crab fisheries in addition to providing bulk transportation and tender services. Coastal Villages is projected to bring in $75 million in sales in 2011.

With a company this large there are millions spent in support services where the fleet home ports such as training programs, fuel, processing, office/warehouse space, and maintenance. This is currently spent in Seattle, however it has been a long standing wish of Coastal Villages and Alaskan leaders to bring the CDQ groups back to Alaska. Coastal Villages has identified Seward as a port that meets their needs for a home port: ice free year- round; road, rail and air access; land and harbor development space; dry dock services for maintenance; and maritime licensing and training.

HJR 27 expresses the support of the Alaska State Legislature for re-locating Coastal Villages Region Fund to Seward, Alaska.

HOUSE JOINT RESOLUTION NO. 27

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES SEATON, Herron, Chenault, Johnson, Gardner, Thompson, Foster, Austerman, Peggy Wilson, Costello

Introduced: 4/4/11
Referred: Resources

A RESOLUTION

Supporting the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the State of Alaska worked tirelessly within the framework of the Magnuson-Stevens Fishery Conservation and Management Act to transition from a federal fishery dominated by foreign fishing vessels to a fishery fully utilized by Americans; and

WHEREAS, in the 1990s, the state worked in partnership with the state's Congressional delegation to promote the community development quota (CDQ) initiative in the Bering Sea, which provided residents of the villages located on and around the Bering Sea fisheries a stake in the fishing industry; and

WHEREAS many past leaders of the state have shared a longstanding goal of Alaskanizing ownership of the fishing fleets serving the CDQ groups and home-porting those fleets in the state; and

WHEREAS the Coastal Villages Region Fund, one of six CDQ groups and the largest Alaskan-owned and Alaska-based seafood company in the state's 100-year history of commercial fisheries, holds either 100 percent sole ownership of its fishing fleet or ownership

in partnership with another CDQ group; and

WHEREAS the Coastal Villages Region Fund is projected to make $75,000,000 in seafood sales in 2011; and

WHEREAS the Coastal Villages Region Fund has become so big and successful that it costs $2,000,000 to fill up the fuel tanks of its fishing fleet just one time, spends approximately $20,000,000 annually in Seattle for moorage, vendor support, and maintenance, and spends approximately $2,000,000 each year to fly crews between Alaska and Seattle; and

WHEREAS the money spent by the Coastal Villages Region Fund in Seattle is money that could be spent in the state; and

WHEREAS the legislation establishing the CDQ groups requires that the earnings of those groups be reinvested in the Bering Sea area; and

WHEREAS no locations within the Bering Sea area meet the home-porting requirements of the large fishing and processing vessels owned by the Coastal Villages Region Fund; and

WHEREAS the Coastal Villages Region Fund desires to relocate its home port from Seattle to a port in Alaska that has the following characteristics: (1) a year-round ice-free deep water port; (2) road, rail, and air access; (3) available space on the water and upland for development; (4) major ship repair capabilities; and (5) maritime training and licensing; and

WHEREAS, after a statewide review, the Coastal Villages Region Fund has determined that the City of Seward is the only community in the state that meets all of its requirements; and

WHEREAS the president and board of directors of the Coastal Villages Region Fund have proposed that Seward become the home port for its growing fishing and processing fleet; and

WHEREAS the Coastal Villages Region Fund requires a half-mile of dock space to dock its fishing vessels, 20,000 square feet of warehouse space, 5,000 square feet of office space, and five to 10 acres of fenced yard for equipment and staging; and

WHEREAS the relocation of the Coastal Villages Region Fund to Seward will encourage and facilitate the relocation of the remaining five CDQ groups to the state; and

WHEREAS the home-porting of the largest CDQ group in Seward will begin the

transition of hiring vendors from inside the state to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair diesel engines, supply packaging, provide fuel and groceries, and provide marine safety training; and

WHEREAS, with the relocation of the home port to Seward, the money earned by the Coastal Villages Region Fund in the Bering Sea fisheries will ripple through the state's economy; and

WHEREAS the Alaska District of the United States Army Corps of Engineers has made a preliminary finding that the relocation of the Coastal Villages Region Fund fishing fleet to Seward is economically feasible; and

WHEREAS the infrastructure for home-porting the Coastal Villages Region Fund fishing fleet in Seward will build on the $70,000,000 in existing infrastructure at the Seward Marine Industrial Center that was constructed in the 1980s; and

WHEREAS the City of Seward has paid for the initial engineering analysis to home-port the Coastal Villages Region Fund in Seward; and

WHEREAS construction of the infrastructure to support home-porting the Coastal Villages Region Fund in Seward may be completed by December 15, 2014;

BE IT RESOLVED that the Alaska State Legislature fully supports the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

COPIES of this resolution shall be sent to the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: HJR 27
() Publish Date

Identifier (file name): HJR27-LEG-COU-04-06-2011
Title: "Relocate Coastal Villages Region Fund"
Sponsor: Representative Seaton
Requester: House Spec Comm on Economic Dev, Trade & Tourism

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone 465-6626
Division: Legislative Affairs Agency — Date/Time 4/6/11 1:49 PM
Approved by: Pamela Varni, Executive Director — Date 4/6/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HJR 27

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

Congress of the United States

Washington, DC 20510

March 31, 2011

The Honorable Sean Parnell
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

We recently heard presentations by the Coastal Villages Region Fund (CVRF) and the City of Seward regarding a proposal before the State of Alaska and the Alaska State Legislature to construct homeport facilities for the Community Development Quota (CDQ) fishing fleet.

As you are aware, Alaska has been working since Statehood to fully develop its coastal marine resources. In 1976 the Congress expanded sovereign jurisdiction over the conservation and management of fish stocks to 200 miles. The State of Alaska worked tirelessly within the framework of the Magnuson-Stevens Fishery Conservation and Management Act to transition from a federal fishery dominated by foreign fishing vessels to a fishery fully utilized by Americans. Over the last fifteen years we have seen substantial investments into the Alaskan fishery, and it is now a much more substantial part of the state's economy.

The next logical step, in our opinion, is to promote policies and initiatives that will maximize the value of the federal fisheries to Alaskan communities and businesses. The State of Alaska worked in partnership with the Alaska Congressional Delegation in the 1990s to develop the CDQ program in the Bering Sea. For the first time, residents of Bering Sea villages were provided a direct stake in the fishing industry. The CDQ community participation has taken firm root to include increasing ownership of the fishing and processing fleets. The next phase is bringing more economic value from this participation to Alaska.

The President and Board of Directors of the Coastal Villages Region Fund have proposed Seward become the homeport for its growing fishing and processing fleet. The City of Seward meets all CVRF requirements that include a (1) year-round ice-free deep water port; (2) road, rail, and air access; (3) available space on the water and upland for development; (4) major ship repair capabilities; and (5) maritime training and licensing through AVTEC. These are the assets that will allow successful and profitable re-location of the CVRF fleet from Seattle to Seward.

The relocation of the largest CDQ group to Alaska will begin the transition of hiring Alaskan vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair diesel engines, supply packaging, provide fuel and groceries, and provide marine safety training. The dollars earned by Coastal Villages in the Bering Sea fisheries will ripple through the greater Alaska economy. The hurdles to this initiative are the lack of adequate dock space and uplands in an Alaskan port community, on the road system, to handle the substantial needs of this growing enterprise.

In a preliminary study, the U.S. Army Corps of Engineers has already found the project is economic. We are aware that an economic analysis, engineering design, geotechnical report and preparation of permit documents all need to be submitted to move this project forward. Construction of the project and movement of the home port of CVRF to Seward could be completed by December 15, 2014, if the previously mentioned steps are funded and expeditiously enacted.

We hope that this project may act as the catalyst for the consideration by other CDQ groups to homeport in Alaska. Such a move would result in tens of millions of dollars in new annual income for Alaskan vendors, more revenues for the State of Alaska, and local job creation. We look forward to working with you in the future to help Alaska maximize the value of the federal fisheries for its residents.

Respectfully,

Lisa Murkowski
United States Senator

Mark Begich
United States Senator

Don Young
Congressman for Alaska

Coastal Villages Region Fund

711 H Street, Suite 200 • Anchorage, Alaska 99501 • Phone 907.278.5151 • Fax 907.278.5150

February 7, 2011

The Honorable Willard E. Dunham
P.O. Box 167
Seward, AK 99664

Dear Mayor Dunham,

We have a historic opportunity at hand – moving the home port of the Coastal Villages Region Fund (CVRF) fishing fleet from Seattle to Alaska. This is a longstanding goal of many prominent Alaskans that began with the Magnuson-Stevens Act of 1976 and the Community Development Quota (CDQ) Program that began in December of 1992. The vision of the recent Senator Ted Stevens and others saw the Magnuson-Stevens Act of 1976 and subsequent amendments to the Act as opportunities first to Americanize the fishing fleet in Alaska, secondly to provide fishing quotas to the communities surrounding prime fishing areas, thirdly to reinvest profits to produce jobs and grow the industry, and finally to Alaskanize the Alaska fishing fleet.

It is conceivable that the move of CRVF to Alaska would encourage the other 5 CDQ Groups to relocate their home ports to Alaska as well. Please allow me a moment to introduce you to the CDQ Program. The CDQ program allocates a portion of the Bering Sea and Aleutian Island harvest amounts to CDQ groups, including pollock, halibut, Pacific cod, crab and bycatch species. The CDQ program was granted perpetuity status during the 1996 reauthorization of the Magnuson-Stevens Act.

Our Coastal Villages Region Fund has become the largest of the CDQ groups. We may be the largest Alaskan owned and Alaska based Seafood Company in Alaska's 100+ year history of commercial fisheries. CVRF is owned by 9,400 native Alaskans from the beautiful west coast of our great state. We are projected to generate about $100 million in seafood sales in 2011. In the 1990s when the Federal government allocated most of the Bering Sea to Seattle and Japanese companies it gave Coastal Villages 2% of the fish. Over the last decade we have gone from zero to nearly a quarter of a billion dollar balance sheet. And we have become the largest private-sector employer in the Kuskokwim Region.

CVRF offers fishing and processing jobs for more than 1,000 of our residents each year. We offer scholarships and summer jobs to our youth. We have become the largest Alaska based harvester and processor of seafood in the Bering Sea. Coastal Villages provides hope, fish, and work.

To provide the regional jobs Coastal Villages owns and operates a fleet of large fishing and processing vessels in the Bering Sea. With success our Bering Sea fleet has become quite big – it costs $2 million to fill up the fuel tanks of our fishing fleet one time; we pay the crew more than $10 million each year; we have more than 250 crew members including skippers who make more

than $300 thousand each year and entry level jobs that pay more than $50 thousand each year; we spend between $5 million and $10 million each year on maintenance; we spend approximately $20M annually in Seattle for moorage, vendor support, and maintenance; and we spend approximately $2M per year to fly crews to and from Alaska and Seattle. This is money that should be spent in Alaska, not in Seattle.

There are no harbors on the Alaska road system big enough to moor our entire fleet of vehicles. We need half a mile of dock space to park our vessels; we need 20,000 square feet of warehouse; we need 5,000 square feet of office space; we need 5 to 10 acres of fenced yard each year for equipment and staging; we need vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair the 50 diesel engines aboard our vessels, provide packaging for seafood products, provide fuel, provide Marine safety training, provide groceries and provisions. In other words we need in Alaska all those things that Seattle vendors have been providing for the last 50 years for the fishing industry. We need your help to Alaskanize the Bering Sea fisheries.

Coastal Villages has 100% ownership of 8 deep draft vessels ranging in length from 113 feet to 341 feet and 10 other tenders, longliners, and a tug. In partnership with another CDQ group, the Norton Sound Economic Development Corporation, we acquired another crab vessel and 5 pollock trawlers just last week. We will continue to buy more of the Seattle based Alaska fishing vessels in the future because the Federal CDQ Program requires all 6 CDQ Groups to reinvest in the Bering Sea. It is inevitable that our recently acquired fleet will gravitate north to its owner for the same reason that many of the vessels still go south to their Seattle owners and for the same reason that before the Americanization of our fisheries that began in 1976 the vessels used to go home to cities in Asia.

In considering moving our home port from Seattle to Alaska, our Board of Directors and staff established a set of criteria that are essential to our success. We identified the following requirements:

deep water year-round ice-free port
sufficient space and depth of water to construct a half-mile of dock for mooring, loading, and servicing our deep draft and other vessels
sufficient land upland to construct warehouses and offices
existing ship repair and maritime support facilities
existing maritime training and licensing facilities
road, rail, and air access

In examining ports across Alaska, we concluded that Seward on Resurrection Bay meets all our requirements. It is a deep water year-round ice-free port. It has the space on the water and upland to construct the half-mile of dockage to meet our needs, and room to expand in the future to meet the needs of others that will surely migrate north, including the other 5 CDQ groups. It is the home of AVTEC where our residents receive training, licensing, and recertification of maritime skills. It has a major ship repair facility, Seward Ship's Dry Dock that has the capability of lifting and repairing our largest 341 foot fishing vessel. It has a 250-ton travel lift and upland storage and maintenance space for our smaller vessels at the Seward Marine Industrial Center. It has an

existing maritime and fishing industry. It has road, rail, and air access and close proximity to Anchorage.

By working together we can accelerate this process of Alaskanizing the part of the Alaskan fishing fleet active in the Bering Sea. We look forward to working with you to achieve this historic opportunity.

Quyana,

John O. Mark, President
Coastal Villages Region Fund

Introduced by:	McClure
Date:	03/01/11
Action:	Adopted
Vote:	8 Yes, 0 No, 1 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2011-014

A RESOLUTION SUPPORTING THE CITY OF SEWARD'S STATE FUNDING REQUEST TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FUND'S FISHING FLEET IN SEWARD, ALASKA

WHEREAS, the Coastal Villages Region Fund (CVRF) is one of six Community Development Quota (CDQ) groups; and

WHEREAS, it has been a longstanding goal, beginning with the Magnuson-Stevens Act of 1976, and the CDQ Program in 1982 to return the home port of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

WHEREAS, CVRF offers fishing and processing jobs for more than 1,000 residents each year; and

WHEREAS, Coastal Villages owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

WHEREAS, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet, and is the only port in Alaska to meet all of the requirements; and

WHEREAS, the City of Seward is poised to become the home port for the CVRF fleet;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly supports the relocation of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska.

SECTION 2. That the Kenai Peninsula Borough Assembly supports the efforts of the City of Seward to obtain FY2012 state funding to prepare for this relocation effort.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF MARCH, 2011.

Gary Knopp, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

KENAI PENINSULA BOROUGH 1964

Yes:	Haggerty, Johnson, McClure, Pierce, Smalley, Smith, Tauriainen, Knopp
No:	None
Absent:	Murphy

14896 Kenai Spur Highway, Suite 103-A • Kenai, AK 99611
Phone: (907) 283-3335 • Fax: (907) 283-3913
info@kpedd.org • www.kpedd.org

Leadership to enhance, foster and promote economic development

Introduced: J. Torgerson
Date: 2/24/2011

KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT, INC.

RESOLUTION 2011-12

SUPPORT OF THE CITY OF SEWARD'S REQUEST FOR STATE FUNDING TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FISHING FLEET IN SEWARD ALASKA.

Whereas, the Coastal Villages Region Fund is one of six Community Development Quota Groups in Alaska; and

Whereas, it has been a longstanding goal, beginning with the Magnusun-Stevens Act of 1976 and the CDQ Program in 1982 to return the home port of Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

Whereas Coastal Villages Region Fund offers fishing and processing jobs for more than 1,000 residents each year; and

Whereas, Coastal Villages Region Fund owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

Whereas, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet; and

Whereas the City of Seward is poised to become the home port for the Coastal Village Region Fund's fleet;

NOW THERREFORE BE IT RESOLVED BY THE Board of Directors of the Kenai Peninsula Economic Development District that:

The District supports the relocation of the Coastal Village Regions Fund's fishing fleet from Seattle to Alaska.

The District supports the City of Seward's request for funding from the State of Alaska for this relocation effort.

The District finds that this project meets the Comprehensive Economic Development Strategy produced by the District with support of the Kenai Peninsula Borough, the State of Alaska and the Economic Development Administration.

APPROVED BY THE KPEDD BOARD OF DIRECTORS THIS 24TH DAY OF FEBRUARY, 2011.

Kristine Holdridge
President

2·24·11
Date

President

ATTEST:

John Torgerson
Executive Director

2-28-11
Date

P | N | D

ENGINEERS, INC.

February 9, 2011 111015

Mr. Phillip Oates
City Manager
City of Seward
PO Box 167
Anchorage, Alaska 99664

Subject: SMIC Basin Concept Design and Economics Study

Dear Mr. Oates:

As requested by the City of Seward, PND Engineers, Inc. (PND) has performed a scoping analysis for a proposed boat harbor located at the Seward Marine Industrial Center (SMIC). The proposed boat harbor would be developed as a commercial craft facility with the primary tenant being the CDQ fleet. Vessels would be in the range of 40 feet through 350 feet.

The CDQ fleet is seeking to home port in Alaska, and Seward is ideally situated to support this fleet. Seward's infrastructure can provide the necessary support and the SMIC area provides the necessary real estate for development. By utilizing and improving the existing infrastructure in Seward, the benefits of the project will include:

- Growth of the overall Alaskan economy
- Provision of more Alaskan jobs
- Protecting Alaskan resources
- Providing a means to further enable the development of the private sector in Alaska
- Keep Alaskan owned vessels in Alaska

Attached Figure 1 depicts conceptual layouts of the proposed facility and represents the initial configuration for data collection and design. It is likely that the configuration shown will be modified as the design is developed and the fleet characteristics become better understood. The facility has also been shown in phases to allow development as demand grows. Phase 1 would develop the existing SMIC basin into a calm water harbor and maintenance facility. It is believed that this concept would accommodate 30 vessels or more, depending upon length, with moorage on the unprotected (north) side of the proposed dock for vessels over 300 feet. Phase 2 is shown north of the current SMIC basin and could be built as a protected harbor accommodating approximately 60 vessels, depending upon size. Phase 3 would represent a final phase that could be developed if and when the Phase 2 area became fully utilized. Other potential locations may also serve the needs of Phase 3 and could also be examined, but the location shown is presented for concept level consideration.

In order to progress development of this proposed facility, the first step in the process would involve economic analysis, field data collection and preliminary design. The economic analysis would be performed to identify economic benefits of the proposed project and to identify the optimum project scope based upon the economics. Through the economic analysis, the concept in Figure 1 will be

1506 West 36th Avenue · ANCHORAGE, ALASKA 99503 · Phone 907.561.1011 · Fax 907.563.4220

modified and tailored to best fit the demand and provide optimum benefits. The estimated cost of this economic analysis is $85,000.

Parallel with the economic analysis, a field data collection program will be conducted to advance the engineering design effort. Geotechnical information will be gathered to support cost estimates of project components and to be used throughout project development. Survey information will also be gathered to support the project, consisting of bathymetric and uplands data. For the initial project development, the bathymetric survey is proposed to be performed manually, while uplands data will be gathered using LIDAR. The LIDAR data is believed to be sufficient for initial design and can be supplemented with ground survey where more precision is found to be required as the project advances. LIDAR will provide a more cost effective method of obtaining uplands topographic data over the large area proposed for the project.

PND has researched available data as a portion of this work scope. A good amount of geotechnical data has been developed in the vicinity of SMIC and will greatly reduce the required amount of additional data that would need to be gathered. Survey data, particularly bathymetric data, is limited however and would need to be gathered in whole to support the proposed project. Geotechnical work will be performed primarily to support development of Phase 1 only, while survey data will be gathered over the entire project site to be used throughout development. The estimated cost of the geotechnical program is $135,000, while the survey data gathering is estimated to require $60,000.

Preliminary engineering design will be performed in conjunction with the economic study and in support of project permitting. In order to develop the data necessary for permitting, the design will need to be advanced to a preliminary level. Permitting of the project represents possibly the critical path as related to overall project construction schedule and would need to commence as soon as possible to allow the development. It is recommended that engineering and associated permitting focus only on Phase 1 in order to expedite the initial development. Phase 1 generally lies within the existing SMIC boundary and, as such, should be a much easier and quicker scope to permit. However, it may also be desirable to start the permitting process for Phase 2 soon after receiving the Phase 1 permit in order allow sufficient time for development and receipt of these permits. The estimated cost for preliminary engineering and development of permitting documents is $120,000 for Phase 1 only. The estimated cost for permitting does not include the actual permitting effort and it is anticipated that the permitting documents would be submitted upon full approval of the project.

The total estimated costs for these initial project expenditures are as follows:

Economic Analysis	$85,000
Survey	$60,000
Geotechnical Investigation	$135,000
Phase 1 Preliminary Engineering	$110,000
Phase 1 Permitting	$10.000
TOTAL	**$400,000**

PND has also developed overall Phase 1 project costs in an effort to assist in future planning. The total construction, engineering, permitting and management costs are estimated to be $34 million with detail as provided in the attached estimate. This estimate should be considered relative order of magnitude (ROM) at this time and will be further developed during the initial efforts.

An anticipated schedule for construction of the Phase 1 scope of work would be similar to the following:

Initial Funding Appropriation and Project Kick-Off	July 15, 2011
Survey Layout	September 15, 2011
Geotechnical Report	October 31, 2011
Draft Economic Report	December 1, 2011
Final Economic Report	February 1, 2012
Permit Documents Prepared and Ready for Submission	September 15, 2011
Obtain Project Funding and Begin Final Design	January 1, 2013
Submit Phase 1 Permit Application	April 1, 2013
Complete Engineering Design	September 15, 2013
Receive Project Bids	October 30, 2013
Award Construction Contract	November 30, 2013
Begin Field Construction	February 15, 2014
Complete Phase 1 Construction	December 15, 2014

PND appreciates the opportunity to assist the City of Seward with this exciting project. If you have any questions regarding the attached information, please contact us.

Sincerely,
PND Engineers, Inc. | Anchorage Office

John W. Pickering, P.E.
Senior Vice President

Attachments: Figure 1 – Existing Conditions
Figure 2 – Conceptual Layout
ROM Cost Estimate
Northern Economics Proposal



CONCEPT
2/9/11

PND Engineers, Inc. (PND) is not responsible for safety programs, methods or procedures of operation, or the construction of the design shown on these drawings. Where specifications are general or not called out, the specifications shall conform to standards of industry. Drawings are for use on this project only and are not intended for reuse without written approval from PND. Drawings are also not to be used in any manner that would constitute a detriment directly or indirectly to PND.

REV	DATE	DESCRIPTION

DATE: _____

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Anchorage, Alaska 99503
Phone: 907.561.1011
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www.pndengineers.com

P N D
ENGINEERS, INC.

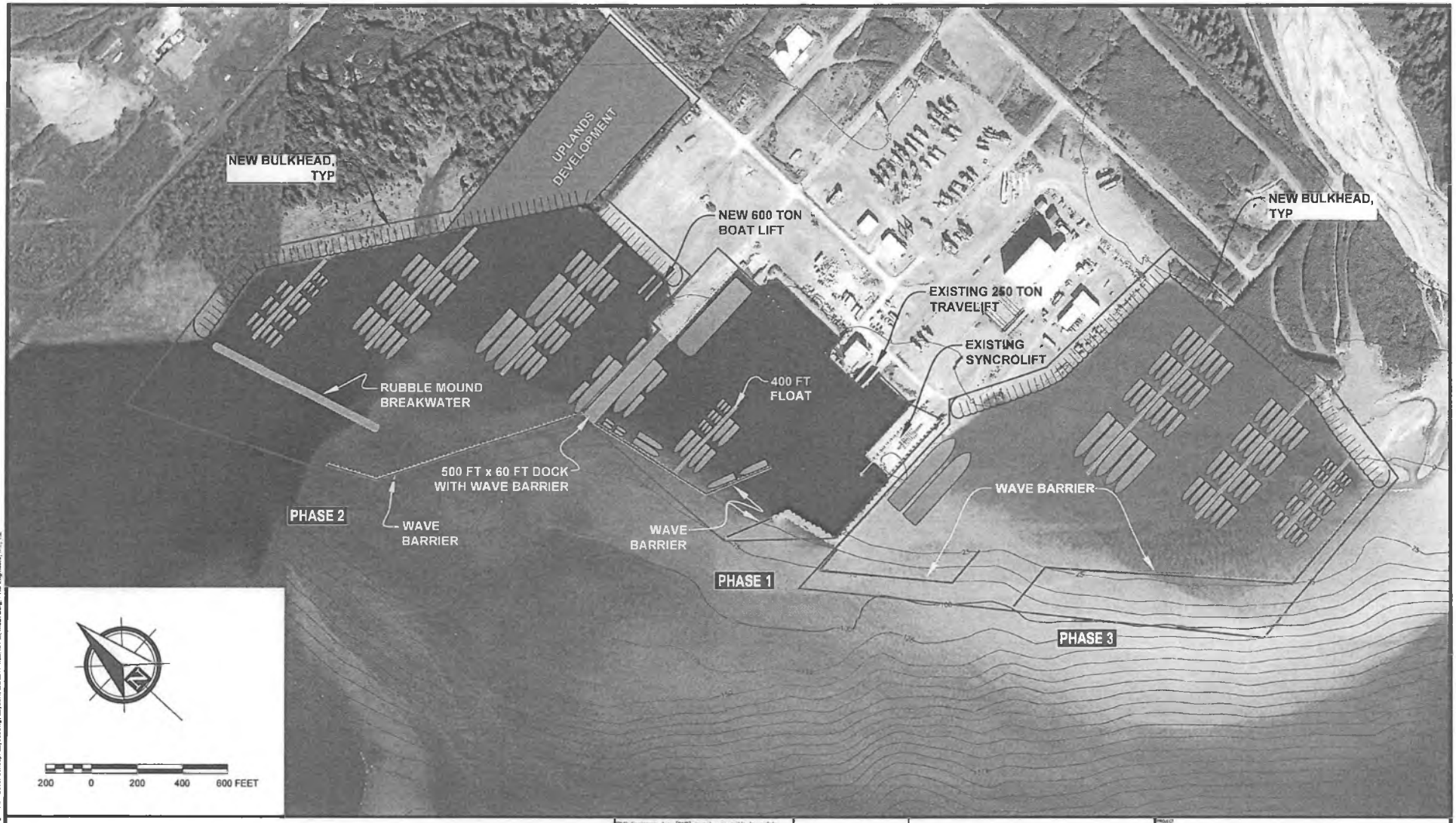
PROJECT: SEWARD SMIC BASIN

TITLE: EXISTING CONDITIONS

DESIGNED BY:	KMB	DATE:	2/9/11
CHECKED BY:	JWP	PROJECT NO:	111015

SHEET NO: Figure 1

J:\2011\111015 Seward SMIC Basin\Drawings\SMIC Basin Existing Conditions.dwg, Layout1, 2/9/2011 1:35:17 PM, Mitch Berg, PND Engineers, Inc., 12



CONCEPT
2/9/11

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P N D ENGINEERS, INC.

PROJECT: SEWARD SMIC BASIN

TITLE: CONCEPTUAL LAYOUT

DESIGNED BY:	KMB	DATE:	2/9/11
CHECKED BY:	JWP	PROJECT NO.	111015

SHEET NO. Figure 2

J:\2011\111015 Seward SMIC Basin\Drawings\SMIC Basin Concept Layout.dwg, Layout1, 2/9/2011 1:38:18 PM, Mitch Berg, PND Engineers, Inc., 1:2

City of Seward
SMIC Expansion Scoping
ROM PROJECT COST ESTIMATES
PHASE I

Item	Description	Cost	Assumptions
1	Mobilization	$ 2,800,000	13% of items 2 thru 7
2	Permeable Wave Barrier	$ 9,400,000	
3	Float System	$ 600,000	
4	Repair North Dock & Barge Ramp	$ 600,000	
5	500' x 60' Dock	$ 8,000,000	
6	Electrical Upgrades	$ 2,000,000	
7	Site Improvements	$ 1,000,000	
8	Engineering and Construction Oversight	$ 2,000,000	8% of items 1 thru 7
9	City Project Management	$ 2,400,000	10% of items 1 thru 7
10	Contingency	$ 4,900,000	20% of items 1 thru 7
	Phase I Total	***$ 33,700,000***	

Notes:
1. Vessel sizes range from 340 ft to 30 ft.
2. Costs presented represent Phase I only. Future phases are not estimated at this time.
3. Costs are ROM and have not been validated with field data.

Northern Economics

Thank you for contacting us about conducting an economics study to look at the feasibility of developing a facility to homeport the CDQ fleet in Alaska. We have developed an approach to quantify the benefits of this movement of vessels from Puget Sound to the state.

Major components of our proposed study include: an evaluation of ports for homeporting the CDQ fleet, economic benefits accruing to the State of Alaska and appropriate local and regional governments, fiscal impacts on the state and local governments, benefits and costs to the CDQ groups, and industries and other infrastructure needed to support a large number of CDQ vessels.

Based on the requirements for a homeport location, we believe Seward is the best candidate for the proposed facility. Seward is an ice free port and has highway and rail system connections. It is relatively close to Anchorage and the Ted Stevens International Airport which has direct connections with major communities in the CDQ region of western Alaska and to Seattle. Three operators provide scheduled barge freight service to Seward. Seward also has sufficient uplands space, skilled maritime maintenance workers, and vocational training (through AVTEC) in the community. AVTEC provides training for all of the licenses that are needed for maritime maintenance and operations.

We anticipate CDQ groups would require a drive-on dock, work areas, warehousing and office space, and living areas. If located in Seward, the CDQ facility could be located adjacent to the existing infrastructure in the Seward Marine Industrial Center (SMIC), resulting in higher utilization of the SMIC facilities and benefiting from existing infrastructure and services located at SMIC. Additional upland space would be needed for companies providing support service to the vessels. The number of vessels is uncertain at present, but is expected to grow over time due to the requirement that CDQ groups invest at least 80 percent of their income into the fishing industry. The potential Alaska ports should have sufficient land and water areas to accommodate more than one hundred vessels in the future.

The economic benefits of homeporting the CDQ fleet in Alaska would primarily be driven by spending on vessel maintenance work and other goods and services in Alaska, rather than in the Puget Sound region, and the large number of jobs available on the vessels and the support industries. It would allow Alaska businesses to compete with providers in Seattle and elsewhere in the Puget Sound region. Annual operations and maintenance expenditures of the larger CDQ vessels can reach hundreds of thousands of dollars and involve a variety of specialty services. We will use 2010 expenditure data from several CDQ groups to evaluate the amount of money spent by these fleets on each type of service. This information will be used to extrapolate the needs of the entire CDQ fleet if it were to homeport in Alaska. Using annual expenditure data, we will evaluate the economic impact on the state and local governments for the port that best fits the homeport criteria identified by the CDQ groups using IMPLAN input-output modeling software.

In addition to the economic benefits to the state and region, the state and local governments could also see increased corporate income taxes, sales taxes, real and personal property taxes, and moorage revenues as a result of the additional economic activity. Some CDQ groups may prefer to lease uplands and dock space for longer periods of time and recommendations for a preferential use agreement will be included as well as potential lease revenues. The cost of providing some public services could also increase, with the biggest cost perhaps being due to an increased presence of port and harbor staff at a facility. Our study will look at the tax systems in place in the local government(s) where the port is located and estimate the fiscal effects of additional revenues and expenses associated with activity at a new facility.

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From the perspective of CDQ groups, homeporting vessels in Alaska could provide substantial cost and time savings from not having to move the vessels to and from their fishing grounds and the Puget Sound region. In addition, CDQ groups could save millions in airfare costs by dramatically reducing travel between Seattle and Alaska for vessel crews and management. Puget Sound's support industry benefits from efficiencies of scale, however, so the cost of goods and services at a new facility in Alaska would likely be higher. The cost premium would shrink as more vessels homeport in Alaska, though some goods and services will likely only be available in Puget Sound. We will conduct a benefit-cost analysis from the perspective of the CDQ groups to evaluate their interest in the facility.

At present, many of the services used by CDQ groups in the Puget Sound region are not available in Alaska or are of insufficient size to serve the number of vessels that could homeport in-state. A fourth major component of our study will be an industry cluster study that looks at the types of services used by the fishing industry. Ballard's waterfront is a good example of the range of services offered in close proximity to haul out and work facilities. An initial challenge in attracting businesses to serve vessels will be the seasonality and operational capacity of a facility, since the work done on the CDQ vessels would occur at limited times during the year, during the off-season. Use of these services by other fishing vessels may help to alleviate the seasonality, since the shipyard does operate year-round. Other types of vessels, such as research, nonprofit, or private vessels, may also have an interest in using or relocating to the facility.

Northern Economics has done a number of studies in Seward that will help to inform its work on this study. Recently, Northern Economics completed a planning study for future investment in SMIC for the City of Seward, and was part of the PND Engineers team in developing a TIGER grant application for SMIC improvements. Northern Economics also conducted some of the original studies for the SMIC and the synchrolift in the 1980s and early 1990s.

The economic analysis for the CDQ Homeporting study will cost $85,000 to complete. Assuming a start date in early July 2011, we can submit a draft report on December 1, 2011.

[redacted]OUSE COMMITTEE REPOR[redacted]

(9)

Date Referred to Committee: April 5, 2011 **FURTHER REFERRALS:**

Date of Committee Action: 4.7.11

The HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND TOURISM considered: **HJR 27**

HOUSE JOINT RESOLUTION NO. 27
Supporting the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

HJR 27-RELOCATE COASTAL VILLAGES REGION FUND

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
DHS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES
*FN# is assigned by Chief Clerk's Office

*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	LEG			X

PREVIOUS FISCAL NOTES

FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Bryta Gardner	Gardner	X			
Peter McPhetres	Thompson	X			
[illegible]	Olson	X			
[illegible]	Tuck	X			
[illegible]	Foster	X			
Chair:					
Chair: [illegible]	Herron	X			