

Southeast Alaska Cluster Initiative Briefing

The Juneau Economic Development Council (JEDC) believes that a new economic paradigm is needed in Southeast Alaska, a regional vision in which key private-public partnerships are created and serve as a catalyst for job creation and business growth. In October 2010, JEDC was provided the opportunity to bring this planning approach to the region in partnership with Southeast Conference Sheinberg Associates through funding provided by the U.S. Department of Agriculture (USDA) Forest Service. The result is the Southeast Alaska Cluster Initiative, an economic development strategy for Southeast Alaska that puts a focus on initiatives to strengthen select industry sectors in the region. JEDC chose this Cluster Working Group (CWG) approach to regional economic development because it brings together the private sector with federal, state and local agencies, university faculty, trade association representatives and other stakeholders committed to addressing industry needs, concerns opportunities on a partnership basis.

For the work, JEDC led a team that brought together regional, national and world-renowned expertise. The *Southeast Alaska Economic Asset Map* was this team's first product, issued in December 2010. It identifies the human, financial, institutional, and

Skagway Population 2009 10.001 - 30.000 5.001-10.000 1.001-5.000 501-1.000 Juneau Hoonah Tenakee Springs Wrangell Coffman Port Alexander Bay Point Baker Meyers Port Protection Hyder Ketchikan Saxman Hydaburg Kasaan Metlakatla

natural assets of Southeast Alaska, as well as strategic relationships among assets. A second report, *Southeast Alaska: Action Initiatives for Key Economic Clusters,* was issued in May 2011. This report details the Cluster Working Group approach to regional economic development implemented by JEDC and the action initiatives developed for three established economic drivers of our region: Forest Products, Visitor Products and Ocean Products; and one emerging industry sector: Renewable Energy.

Between January and May 2011, JEDC assembled and facilitated the work of these four Cluster Working Groups, for a total of 15 meetings held in communities throughout the region. Over 130 individuals to date have participated in the effort. A total of 34 Action Initiatives were developed: ten by the Oceans Products CWG, five from the Visitor Products CWG, nine by the Forest Products CWG, and ten from the Renewable Energy CWG. Between June and December, the CWG focus of activity changed from initiative development to initiative implementation, leading to the creation of action initiative implementation teams. Several successes to date include: a Visitor Products initiative team worked to increase guided access to Forest Service lands resulting in 15,400 additional temporary use service days at the Mendenhall Glacier Visitor Center area; another Visitor Products team worked to strengthen accountability for Tongass recreation fees and secured \$79,000 for needed trail maintenance; a Forest

Products initiative team prepared an industry and government collaborative analysis of young growth supply on Tongass National Forest lands. Portions of the findings were recently presented to a national audience at the annual meeting of the National Society of American Foresters; a Forest Products team has partnered with the Craig Ranger District to showcase the use of young growth milled wood in construction of three recreational structures.

In December 2011, JEDC brought all four Cluster Working Groups together for the first time to advance the work of the clusters, the initiatives, and by extension, the Southeast Alaska economy. This summit included working sessions and progress reports by the individual Cluster Work Groups, sessions on common issues impacting regional economic foundations, a question and answer session with Alaska's US Senators, and an industry/government policy panel discussion. Results of cluster development processes from outside of our region were also presented by guest speaker Dave Klick, Cluster Outreach Executive, Northwest Food Processors Association. In addition to private industry, the summit included participation by the USDA Forest Service, the University of Alaska, State agencies, US Senators, Legislators, Sealaska Corporation, Southeast's Native Village Corporations, municipal governments, and more. There were over 200 attendees at the Summit and each industry cluster meeting had at approximately 40 members participating. Some of the outcomes of the Economic Summit were:

- First instance of private sector economic development planning in Southeast Alaska among four unique industries Visitor, Ocean, and Forest Products, & Renewable Energy.
- First time all the Cluster Working Groups came together to discuss cross cutting issues.
- Federal and State government officials answered questions and heard issues from across the different Cluster Working Groups.
- People throughout the region and state who were not able to attend could still watch the summit live through web-streaming and rebroadcasting on 360 North.
- Cluster initiatives were evaluated, some were updated and some were re-worked depending on progress to date. Cluster Working Groups left with a renewed energy and enthusiasm for the process.

For 2012, JEDC has been awarded funding from the USDA Forest Service to provide ongoing support to the Southeast Cluster Initiative. Leadership of the four established CWGs has transitioned to private industry Co-chairs, with JEDC stepping into a supporting role. Visitor Products group leader is Kirby Day, director of shore operations for Princess Cruises. Forest Products group leaders are Wade Zammit, President and CEO of Sealaska Timber Corporation, and Bill Thomason, a small mill operator in Thorne Bay. Leading the Ocean Products cluster is seafood industry veteran Julie Decker and John Sund, project manager for the Ketchikan nonprofit group OceansAlaska. The renewable energy group is led by Brandon Smith, Alaskan Brewing Company operations and engineering manager. In 2012, JEDC will also begin the process of collaborative discussion and initiative development for one or two new industry Cluster Working Groups.

For more information on the Southeast Cluster Initiative coordinated by JEDC, please visit the following websites:

- Juneau Economic Development Council: <u>www.jedc.org</u>
- JEDC's cluster webpage: http://jedc.org/seclusterinitiative.php
- USDA Investment Strategy, 2011-2013:
 - www.fs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb5339075.pdf

Southeast Alaska Ocean Products Action Initiatives

10 Action Initiatives:

1. Develop a Sea Otter Management Program in Southeast Alaska

Southeast organizations have begun to form a Task Force to look at realistic management approaches to protect important shellfish species and to allow a less restrictive harvest of sea otters by Alaskan natives. Southeast organizations are requesting that Federal and State agencies examine the impact of sea otters with the ultimate goal of an ecosystem-based sea otter management plan. This plan should benefit all users of shellfish resources, protect shellfish resources from depletion, and allow effective subsistence harvest of sea otters by the Alaska Native people.

2. Establish a Marine Industry Technology and Workforce Improvement Consortium

The maritime industries sector, so far an unrecognized industry sector in Alaska, cuts across nearly all of Southeast Alaska's industry sectors. Enhancements to the efficiency and capacity of the maritime industry sector can result in net positive economic gains that are shared by the wide array of industries reliant upon marine transportation, suggesting opportunities for value adding growth in existing enterprises and for attracting new marine industry businesses to locate in the region. This initiative will map the businesses and physical assets that comprise the Southeast Alaska Maritime Industry Cluster as a basis for preparing an economic development plan for the sector.

3. Ensure Southeast's Fishing Future through Targeted Education and Training

The issue is known as the "graying of the fleet". As boat/permit owners (fish business owners) age and seek retirement, we see these businesses purchased by non-locals and leave the community. This initiative will provide residents with the necessary skills to acquire and operate successful businesses in the region. The objective is to develop the awareness and capability of the local population to capitalize on economic opportunities within their communities. The next generation of business owners needs a new skill set to compete. They need to be innovative in structuring business deals, and proficient in financing to purchase these businesses. If this initiative is successful, local ownership of the businesses associated with the Ocean Products CWG will at a minimum be stable and hopefully increase.

4. Increase Wild Salmon Production through Habitat Restoration

By performing restoration activities, wild salmon production can be improved. Increased salmon production results in increased opportunity for commercial, sport, and subsistence harvest. Increasing the economic output of wild salmon harvests for all sectors of the fishing industry will increase the number of jobs directly and indirectly, while raising the overall value of the resource for all users.

5. Include the Seafood Industry in USDA Programs (Regulatory Review)

The objective is to change the regulatory definitions of fish, farm, farmer, rancher, livestock, agricultural operation, and co-producers (and any other regulations identified in the process) in order to include (rather than exclude) the seafood industry in USDA programs. The benefits would be felt in Southeast Alaska and across the nation primarily in coastal areas. Access to these programs would:

- help stabilize some of the natural volatility of the industry
- help the industry compete on a level playing field with other U.S. food producers
- help the industry invest in improvements which will yield tangible economic benefits
- help stabilize coastal communities

6. Enhance Salmon Production

The initiative will lay the groundwork for additional permitted chum, pink, or sockeye salmon production on the order of 200 million eggs/fry, using existing facilities where feasible and/or constructing new



facilities where necessary. The benefits would begin with construction of a \$10 to \$15 million facility or perhaps two.

7. Study the Conversion of Fish Byproduct to Biogas and Fertilizer via Anaerobic Digestion

This initiative will allow the Ocean Products industry cluster to determine if and how this method of fish byproduct utilization can meet the individual needs of a single processor, cluster of processors or entire community. Such a study will also include the identification of the specific bacteria (psychrophiles) that currently break down fish waste in, and are uniquely adapted to, the conditions of Southeast Alaska waterways.

8. Further Develop Renewable Energy Production

The development of significant additional renewable energy resources will be a major boon to the ocean products as well as other energy intensive industries in SE Alaska. This initiative will educate the public, and especially municipal and state leadership, on the advantages of planning ahead to create energy independence for Southeast Alaska based on developing our renewable energy resources; work to improve federal regulations to make them more appropriate to specific conditions in Alaska; and collaborate with electrical utilities to refocus their strategic planning on the development of renewable energy resources.

9. Protect Long Term Assured Access to Fishery Resources for Both Current and Developing Fisheries

It is important to maintain access to fishery resources for viable and vibrant commercial fisheries throughout Southeast Alaska, particularly in smaller rural communities where commercial fisheries are/were the backbone of the community. Let science be the driving force for decisions made in our management agencies based on the abundance of the resource. Commercial fishermen do not object to declining harvest limits when decisions are science based rather than a response to uncontrolled growth of sportfishing.

10. Institue Region-Wide Mariculture Zoning

The goal of this initiative is to create a strong and sustainable mariculture industry that supports vibrant coastal communities. It will reduce red tape, cost, time and energy associated with permitting new aquatic farm sites. The identification of an area for specific farm sites needs to include access to reliable seed supply, cluster development of farm sites, access to training and education and good transportation systems. These actions will help attract the new farmers and investment of private capital to build successful farms and create year round, sustainable jobs for the region.

Southeast Alaska Visitor Products Action Initiatives

5 Action Initiatives:

1. Develop Land and Water Trails and Support Facilities

The overarching goal of this initiative is to develop and maintain a safe, accessible and diverse land and water trail system for non-motorized and motorized vehicles that allows for optimum outdoor recreational use of the region by residents and visitors, promotes increased visitation to local communities and promotes wellness through physical activity, while protecting the region's natural and cultural resources.

2. Increase Guided Access to Land

Demand exceeds permitted access levels. Agency permitting processes are limiting economic opportunity in the tourism industry in the Tongass National Forest and other public lands. This initiative



addresses the lack of permitting flexibility to make quick changes in response to market conditions (more adaptive management and a more micro managed approach). The outcome will be more access to public lands and to existing areas to increase capacity.

3. Promote Multi-Community and Regional Visitor Packages

There needs to be a one-stop place for information for the independent tourist to figure out how to design a multi-community itinerary for the region. This initiative will seek continued opportunities for collaboration to create and market new multi-community itineraries for the independent traveler. This initiative also will promote more multi-community, regional visitor itineraries through better marketing and promotion of these opportunities.

4. Strengthen Accountability for Tongass Recreation Fees

This initiative addresses the development of a mechanism for more private sector input to decide where fees are allocated. The industry will work with Forest Service to establish more affordable access and /or local control of fee structure and more accountability. More revenues from users will be reflected locally on user benefits as a portion of the revenue collected will be secured to improve local infrastructure and enterprise support.

5. Integrate Tourism Courses with University of Alaska Southeast Existing Degree Programs

This initiative has the dual role to create more employment and educational opportunities for Alaskans and to provide an opportunity for UAS to attract and retain quality four year students. The benefit will be more prepared managers and guides to showcase the Tongass and other Southeast Alaska attractions while providing a world-class educational opportunity at UAS. The initiative will produce a more qualified and larger group of local applicants for entry level as well as management level positions in tourism.

Southeast Alaska Forest Products Action Initiatives

6 Action Initiatives (Redefined from original 9):

1. USFS Young Growth Analysis

Investigate and recommend the addition of young growth acres to the timber production land base of the USFS in the Tongass National Forest. Starting with the current base generated from Phase I of the cluster initiatives of 270,000 acres, move to a target of between 450,000 and 600,000 acres. The Team should also include the process required to implement that change in acreage.

2. USFS Old Growth Analysis

Determine and define the old growth land base and associated timber supply for producing the 30 years of timber supply for the industry in Southeast Alaska.

3. Integrate all land ownership into the Young Growth Forest Analysis

This initiative will integrate all land ownership into the Young Growth Forest analysis for future supply base and volume potential, to include State lands inclusive of Mental Health Trust and University of Alaska, Village Corporations, Native Corporations, other (e.g. pending Sealaska legislation).

4. Establish the "Tongass National Forest – Congressionally Designated Timberlands"

Define and design a process to move the product of initiatives one and two into a Congressionally-designated timber producing land base.



5. Restore an Integrated Timber Industry in Southeast Alaska

This initiative will define and refine the potential scope and scale of an integrated forest industry for Southeast Alaska with a potential formulation timeline.

6. Establish a Process Improvement Taskforce

The goal of this initiative is to develop a Process Improvement Task Force to work with the USFS at the District, Forest Supervisor and Regional levels to create, refine and implement the recommendations of the process improvement initiative within Region 10.

Southeast Alaska Renewable Energy Action Initiatives

10 Action Initiatives (5 Final and 5 Draft):

1. Review Current Net Metering, Cogeneration and Small Power Production Regulation and Promote Modifications to Enhance Renewable Energy Applications

The requirement for utilities to allow for "net metering," "fee tariff" and independent power production is quite limited by regulation. As a result, the utilities have not incorporated many renewable energy sources or combined heat and power (CHP) facilities into their systems. The incorporation of small power plants on the utility grid brings technical challenges to the utilities, challenges they have not experienced in the past. The purpose of this initiative is to get feedback from those that are attempting to do net metering to see what they are up against since the regulations are new and untested. The goal is also to understand the technical and economical restrictions faced by utilities and then propose "ideal" legislation.

2. Establish a Renewable Energy Revolving Loan Fund for Residences and Small Businesses to Promote Local Installation and Fueling Industries

One of the fundamental steps in moving Southeast Alaska to a renewable energy economy is for residences and small businesses to convert from fossil fuels to renewable energy sources such as heat pumps and pellet stoves. However, the initial equipment installation costs can be high and create a significant impediment to adoption for most potential users. This initiative is aimed at providing a lending source for home owners and small businesses who wish to convert heating systems to renewable energy sources.

3. Conduct Market-driven Renewable Energy Economic Modeling for Southeast Alaska, including Multiple Transmission and Energy Storage Strategies

The purpose of this initiative is to develop credible business case(s) to encourage firms to consider investing in a nascent Southeast Alaska Renewable Energy industry, credibly promote Southeast Alaska as an R+D+Demo Site, and raise funds for the modeling consulting study (IFS) necessary to accomplish the above.

4. Support Biomass Energy Demand Development in Southeast Alaska

Biomass energy has tremendous potential to meet the region's energy needs with a local renewable energy source. The objective of this initiative is to identify a transition strategy to biomass energy to complement our hydroelectric energy supply, with the ultimate goal to wean the region off of oil to the maximum extent possible. The approach is to ramp up the demand side for biomass by converting new or existing heating systems from petroleum to biomass.



5. Develop Renewable Energy Education for SE Alaska Residents, Students and Businesses

There is a need to increase the awareness of the public—including the business community and municipal and State leadership—of renewable energy through fact-driven informational campaigns. This education will increase public support for renewable energy issues and projects, which is especially important when public policy changes will be required for the successful development of a renewable energy industry in Southeast Alaska.

6. Market Southeast Alaska for Sustainable Energy R&D as an Economic Development Strategy (Draft)

We would like to provide motivation and incentive for entrepreneurs to bring their technologies to southeast Alaska for trials and prototyping. The focus of this initiative is to bring renewable energy R&D&D facilities and projects to Southeast Alaska.

7. Explore Opportunities to Connect the Southeast Alaska Intertie to North American Grid (Draft) The purpose of this initiative is to promote the Alaska-Canada electrical intertie.

8. Determine Best Practices for Renewable Energy Industry in Southeast Alaska (Draft)

The goal of this initiative is to make renewable energy technologies (and energy efficiency technologies) cheaper and locally available. The first step is to identify products and technologies that exist around the world today that could help, and identify why those products and technologies are not present in Alaska. A more aggressive objective would be for products to be manufactured locally.

9. Improve Government Authority, Regulations and Permitting (Draft)

A central authority must be established to consolidate all decision making, permitting and licensing associated with small and large scale renewable energy projects. At one point in Alaska's history, an organization like this existed and was recognized as a valuable asset. Identified as the Division of Governmental Coordination (DGC), the agency operated out of the office of the Governor and had a broad authority over all complex and multi-level governmental projects. Considering the interest in utilizing the abundant water and wind resources in Alaska to meet the state's energy needs, formation of a similar office is in the best interest of Alaska.

10. Thermal Energy Storage and District Heating with Heat Pumps (Draft)

The major hydropower facilities in Southeast Alaska are utilized at or near capacity, and conversions to electric resistance heat will cause future capacity shortfalls which must be made up with diesel generation or rolling blackouts. In the region's rural communities that have insufficient hydropower or expensive electric power generated by other means, options are limited for heating building or operating cold storages. Proven and available technologies that could significantly contribute to alleviating those problems are not being employed. This initiative intends to foster a variety of pilot projects to showcase, in various combinations and for Southeast Alaska circumstances, the several kinds of application of heat pump, thermal storage and district heating technologies.



Who Participated

Ocean Products CWG

Anthony Lindoff, Ha'ani/Sealaksa Bart Watson, Armstrong-Keta, Inc.

Bruce Wallace, Seiner, UFA, Silver Bay, ASMI

Casey Campbell, Wells Fargo Casey Havens, Yak Tat Kwaan

Chris Knight, United Southeast Alaska

Gillnetter's Assn

Deborah Hayden, Grow Ketchikan

Don Martin, Forest Service

Doug Ward, Alaska Ship & Drydock

Eric Norman, Taku Smokeries

Galen Tromble, National Marine Fisheries

Service

Garry White, Sitka Economic Development Assn Geron Bruce, Alaska Department of Fish and

Game

Heather Hardcastle, Trout Unlimited

Ian Fisk, Primo Prawns Jev Shelton, fisherman

Jim Seeland, University of Alaska Southeast

John Sund, self Jon Martin, USFS

Julianne Curry, Petersburg Vessel Owner Assn

Julie Decker, UFA: National Seafood Marketing

Coalition

Kathy Hansen, Southeast Alaska Fishermen's

Alliance

Keith Criddle, University of Alaksa Fairbanks

Kris Norosz, Icicle Seafoods Len Peterson, Taku River Reds Mike Forbush, Ocean Beauty

Mike Goldstein, Alaska Coastal Rainforest

Center

Mike Round, Oceans Alaska & SSRAA Patricia Phillips, Pacific Fishing Inc.

Phil Doherty, SARDFA (Dive Fisheries Assn)

Randy Lantiegne, Icicle Seafoods

Ray Ralonde, Sea Grant Marine Advisory

Program

Ray Riutta, Alaska Seafood Marketing Institute

Rick Focht, DIPAC Rick Harris, Sealaska Ron Medel, Forest Service Russell Dick, Ha'ani/Sealaksa Shannon Stevens, Alaska Airlines Shelly Wright, Southeast Conference Steve Reifenstuhl, NSRAA

Steve Stromme, Elfin Cove

Tim Blust, Armstrong-Keta, Inc.

Tom Gemmell, fisherman

Visitor Products CWG

Bill Hagevig, HAP Alaska-Yukon Bob Janes, Gastineau Guiding

Brent Fischer, City and Borough of Juneau Carol Rushmore, City and Borough of Wrangell

Derek Duncan, Goldbelt Corporation

Drew Green, Cruise Line Agencies of Alaska

Erica Simpson, Alaska Canopy Adventures Ernestine Hayes, UAS, School of Arts and

Sciences

Forest Wagner, UAS, Outdoor Studies

Greg Brown, Weather Permitting Alaska

Jodi Wise, Huna Totem Corporation

Johan Dybdahl, Icy Strait Point

John McConnochie, Cycle Alaska

Jon Martin, USFS

Katherine Eldemar, Sealaska Corporation

Kathy DiLorenzo, UAS, School of Professional &

Technical Studies

Kelli Dindinger, Alaska Travel Adventures, Inc

Larry Gaffaney, Huna Totem Corporation

Linda Kadrlik, Adventures Afloat

Linda Kruger, USFS PNW Research Station

Louis Juergens, Alaska Galore Tours

Marc Matsil, City and Borough of Juneau

Marsha Sousa, University of Alaska Southeast

Marti Marshall, USFS, Juneau District Ranger

Melanie Lesh, Gustavus City Council

Michael Goldstein, AK Coastal Rainforest

Center, UAS

Michael Neussl, Alaska DOT&PF

Odin Brudie, Alaska DCCED

Rick Wolk, UAS, School of Management

S. Kirby Day, III, Princess Cruises

Sean Smith, Glacier Gardens

Sharon Gaiptman, Gaiptman Communications

Steve Krause, UAS

Tim McDonnell, TEMSCO

Tory Korn, Alaska Rainforest Sanctuary/Alaska

Canopy Adventures



Forest Products CWG

Allen Brackley, Research Forester, USFS Andrew Thoms, Sitka Conservation Society Bill Thomason, Wood Cuts

Bob Deering, USCG - Civil Engineering Unit Juneau

Bruce Abel, Don Abel Building Supplies
Bryce Dahlstrom, Viking Lumber Company

Carol Rushmore, City and Borough of Wrangell

Carolyn Thomason, Wood Cuts

Chris Maisch, Alaska DNR

Clarence Clark, Alaska DNR Dan Parrent, USFS Dave Harris, USFS

Ernie Eads, Thuja Plicata Lumber Co George Woodbury, Alaska Forest Assn Greg Erickson, Erickson Economics/SEACC Jackie Durette, Durette Construction John Sisk, The Nature Conservancy

Jon Martin, USFS

Karen Petersen, UAF Cooperative Extension Service

Keith Landers, Prince of Wales Biofuels Keith Rush, The Nature Conservancy

Kent Nicholson, USFS

Larry Jackson, Tongass Forest Enterprises

Lindsey Ketchel, SEACC

Marie Messing, USDA Forest Service Merrill Sanford, Southeast Conference Bd Michael Kampnich, The Nature Conservancy Mike Goldstein, Alaska Coastal Rainforest Center, UAS

Owen Graham, Alaska Forest Assn Paul Slenkamp, The Trust Land Office Richard Stubbe, Alaska Wood Products Shelly Wright, Southeast Conference Wade Zammit, Sealaska Timber Corporation

Wes Tyler, Icy Strait Lumber

Renewable Energy CWG

Alida Bus, Juneau Commission on Sustainability

Angel Drobnica, SEACC Barbara Stanley, USFS

Bart Watson, Armstrong-Keta, Inc Ben Haight, Haight & Associates

Bill Leighty, The Leighty Foundation/Alaska Applied

Sciences, Inc

Bob Deering, US Coast Guard Brandon Smith, Alaska Brewing

Brian Hirsch, NREL Carrie Sykes, CCTHITA Dan Lesh, SEACC

Devany Plentovich, Alaska Energy Authority

Donovan Jackson, Blue Sky Power Duff Mitchell, Juneau Hydropower, Inc. Harold Frank, Kootznoowoo Corporation

Heather Hardcastle, Fisherman's Daughter Biofuels

Jackie Stewart, Business Works John Hickey, US Coast Guard

John Sandor, self Jon Martin, USFS

Julie Estey, Alaska Center for Energy & Power Karen Hardigg, The Wilderness Society/TNC Karen Petersen, UAF Cooperative Extension Service Kirk Hardcastle, Alaska Center for Energy & Power

Larry Edwards, Greenpeace

Larry Miles, Wind Turbine Company

Lew Madden, Ma-Su owners representative Nathan Soboleff, Ha'ani/Sealaska Corporation Paul Southland, Alaska Canada Energy Coalition

Peter Naoroz, Kootznoowoo Corporation

Rob Holman, Self

Robert Venables, Southeast Conference

Ross Good, Elcon Corp

Sally Smith, Office of U.S. Senator Mark Begich

Zach Wilkinson, SpringBoard

