

PRINCE WILLIAM SOUND ECONOMIC DEVELOPMENT DISTRICT COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

Executive Summary 2006

Although commonalties exist among the towns and villages of Prince William Sound, each one has unique facets distinguishing one from the other. For instance, all share in oil spill response and readiness training with funding provided by the oil industry, although the actual pipeline terminal is located in Valdez. North Slope oil flows 800 miles through the trans-Alaska pipeline to the Valdez terminal. The Alaska Division of Oil and Gas report that 340 million barrels of oil and 19.5 million barrels of natural gas liquids flowed through the pipeline in 2001. The other shared economic factors would be the fishing industry and tourism.

Valdez is the most populated city in the region. It is served by a highway system, scheduled airline service by regional carrier – ERA Aviation, the Alaska Marine Highway System, and a port system. Cordova lacks a highway, but is served by Alaska Airlines, Era Aviation and the Alaska Marine Highway System. Whittier has ferry service and a road link through a two and a half mile tunnel shared by the Alaska Railroad. Chenega Bay and Tatitlek have ferry service and small charter aircraft that serve their villages as the only means of transportation, other than privately owned local vessels and aircraft.

All residents of Prince William Sound share the opportunity of participating in the Alaska Permanent Fund Corporation dividend program. Alaskans created the fund by a public vote on November 2, 1976. Over the years, it has grown as a major portion of the state's oil revenues have been saved in the fund. The plan provides inflation proofing of the fund, legislative appropriation and long range investment planning. This program has grown to become one of the world's largest investment funds over the last twenty-five years. In October and November, 2001, the fund paid its second highest dividend of \$1,850.28 to some 590,000 Alaskans. The fund paid approximately \$1,450 in 2002 and it's estimated that the dividend for 2006 will be approximately \$1,000.

Oil & Gas

A liquid natural gas line is being pursued by a Valdez led group called the Alaska Gasline Port Authority representing Valdez, North Slope Borough and Fairbanks North Star Borough. Economic analysis was done by Bechtel Corporation and the international financial group of Taylor Delongh, Merrill Lynch, and the law firm of O'Melveny & Myers. These Alaska communities have invested over \$2,000,000 for this economic model. Major oil companies are studying other feasible routes including one that follows the Alaska Highway to Canada, and another that is an undersea pipeline to Northern Canada. It is estimated that the North Slope has an estimated 35 trillion cubic feet of natural gas, enough to service 8,3 million homes for 50 years.

A major effort is being made by the State of Alaska to build a pipeline from Prudhoe Bay through Canada to the Midwest United States. Negotiations are being made by the present administration to further this goal.

ANGDA, Alaska Natural Gas Development Authority is planning to bring North Slope gas to Southcentral Alaska through a smaller "spur" line, according to the Alaska Journal of Commerce.

Environmental Protection

Prince William Sound Regional Citizens' Advisory Council located in Valdez, has a contract with Alyeska Pipeline Service Company to review, monitor and comment on the various aspects of the company's operations. This includes oil spill prevention and response plans; environmental protection capabilities; actual and potential environmental impacts of terminal and tanker operations. The Oil Pollution Act of 1990 requires that citizen oversight councils be created for Prince William Sound and Cook Inlet.

A new radar system has been installed on Reef Island to detect ice in the shipping lanes, stated to be a key issue in safe transport of oil in Prince William Sound. In 1994, the *Overseas Ohio*, inbound and empty, collided with ice in Prince William Sound, damaging its hull. Ice was a factor in the *Exxon Valdez* oil spill, as well. The *Exxon Valdez* had changed course and hit Bligh Reef when attempting to avoid ice in the shipping lane. This new system will be monitored by Prince William Sound Regional Citizens'

Advisory Council. It will provide more accurate information to the Coast Guard's vessel traffic office, which monitors the shipping lanes.

ConocoPhillips' *Polar Endeavor* is the first double-hull oil tanker ever built for the North Slope oil trade under the Oil Pollution Act of 1990. The 895' tanker made its first voyage to Valdez in July, 2001. In 2002, the *Polar Resolution* was added to the fleet of double-hull tankers, with the addition of *Discovery* in 2003, *Adventure* in 2004 and *Enterprise* in 2005. BP's entire tanker fleet serving Alaska is double hulled.

Tourism

Discussions continue with the Alaska Marine Highway System on the operating plans for the new fast ferry *Chenega* that had been originally scheduled to begin operation in Prince William Sound, May, 2005. M/V *Chenega* and her crew were to have a home port in Cordova. The fast ferry will cut in half time needed to cross the Sound from Valdez to Whittier, estimated to be about 3 hours instead of six hours.

Chenega will operate in Prince William Sound during September, 2005, moving to Southeast Alaska for the winter, returning to Prince William Sound in May, 2006, according to Robin Taylor, then Deputy Commissioner, Director of Marine Operations, State of Alaska.

Tourism is second only to oil in Alaska's economy. In Prince William Sound, Valdez, Cordova and Whittier benefit from an increasing tourism market. Travelers arrive by cruise ships, recreational vehicles, airlines filling area hotels and bed and breakfast establishments from late May until September. The magnificent scenery offers visitors hiking, kayaking, rafting, fishing, scenic flights by helicopter or small plane, and even surfing amid icebergs – everything for the adventure traveler. In winter, world extreme conditions exist for heli-skiing, snowmobiling, skiing, snowboarding and ice-climbing.

Ways to improve cruise ship interest in the major ports of the sound are being studied, and efforts are being made to offer more shore excursions and amenities for passengers. In April, 2003, the City of Whittier voted to repeal a three dollar a person head tax and discourage similar taxes in the future, in an effort to lure the return of major cruise lines. Princess Cruises and

Holland America are the two largest lines serving Alaska. Princess Cruises returned to Whittier in 2004.

Unfortunately, cruise ship traffic in Valdez has fallen dramatically in the past few years. Holland America, Princess Cruises and Carnival Cruise Lines once visited Valdez, but have left for other Alaska ports. CIRI, a Native corporation, has closed its Valdez office for Prince William Sound Cruises & Tours and will now be operating from Whittier and Seward. Local tourism groups are working hard to regain recent losses. Popular tours of the Alyeska Pipeline Terminal stopped immediately after the terrorist attacks of September 11, 2001.

Cultural tourism is becoming a vital economic factor in Prince William Sound. Alaska Native groups share traditional dances, art, hand crafts with visitors and are opening museums and cultural centers in the sound. A major funding source for these centers is being provided by the *Exxon Valdez* Oil Spill Trustee Council, to house archeological artifacts disturbed during the oil spill clean-up of 1989-1990.

Prince William Sound Community College in Valdez sponsors a very popular theatre conference every June. 2006 marks the fifteenth anniversary of this event called the Last Frontier Theatre Conference.

Famous playwrights, actors, and theatre groups present plays for one week every summer. Aspiring playwrights have an opportunity to have his or her play read by professional actors before an audience of theatre experts.

The Last Frontier Theatre Conference provides a festive atmosphere in Valdez attracting visitors from across the United States, Canada, Europe and Asia. Funding for scholarships, workshops, and receptions is provided by Alaska's major corporations and local donors.

April 28, 29, 30, 2006, marked the third Valdez May Day Fly-In, an aviation event that attracted over 2,000. Aerobatics, sky divers, competitions for short take off and landings, classic aircraft displays, all took place at Valdez' Pioneer Field. This event is popular with all age groups and has grown substantially every year.

August, 2006, will be the first Harley Owners Group Rally in Prince William Sound. Over fifty participants have committed to attend this event. They will ride from Anchorage, Palmer, and Fairbanks to Valdez for the

evening, and then board M/V *Chenega* to Whittier the following morning. In Whittier a reception will be held at the Prince William Sound Museum. The group will continue by riding through the Anton Anderson Tunnel to Anchorage.

The City of Whittier is very interested in developing Shotgun Cove and an area referenced as “Uplands”. For Whittier to flourish, additional residential areas are needed, as well as land for commercial use.

In 2005, Prince William Sound Economic Development District received a grant of \$40,000 to create a tourism marketing strategy for the region. Tourism professionals and marketing experts met with travel industry members across the sound and are in the final phase of writing this comprehensive plan, available later this summer.

Other Industries

In Valdez, construction has been completed on a new \$21,000,000 hospital that opened in September, 2004. Providence Valdez Medical Center is affiliated with Providence Alaska Medical Center in Anchorage.

Fishing

Fishing has been a strong economic factor in Prince William Sound. Commercial and sport fishing continues to be very important, but circumstances continually change. Scientific studies are being done to aid this industry and many questions are being asked. How is the world market and fish farming affecting Alaska’s fisheries? There are fears that farmed salmon will enter Alaskan waters and genetically change Alaska wild salmon. The downturn in Asian economies affects Alaskan fisheries. Are areas being over-fished by commercial or sport fishing? These and many other questions are being discussed by industry leaders, State fishery biologists, Alaska Department of Fish and Game, University of Alaska, NOAA and others. Climatic changes and global warming theories are being studied as possible reasons for some species decline.

A conference in January, 2003, in Anchorage, organized by the *Exxon Valdez* Oil Spill Trustees Council staff with sponsorship from the U. S. Global Change Research Program, National Marines Fisheries Service, North Pacific Research Board, North Pacific Marine Research Institute and

Pollock Conservation Cooperative Studies discussed the various theories and results of about 100 scientific studies with about 160 talks and presentations. The state Department of Fish and Game reported that the 2002 statewide catch of about 130 million fish was the lowest since the late 1980s. In contrast, king salmon swarmed into the Columbia River last year, producing the largest run of fish seen since 1938.

Valdez Fisheries Development Association

Aggressive new investments have been made for Prince William Sound fishermen. Funding of \$432,000 to install equipment for a small business incubator fish processing plant was approved in 2002 by the Economic Development Administration. This state-of-the-art processing plant is a project of Valdez Fisheries Development Association of Valdez. The facility has provided training in Prince William Sound and many other coastal fishing communities in Alaska.

Training for safe equipment use, marketing and business practices is taught at Prince William Sound Community College. The latest methods of flash freezing, icing, quick transport are now available for a nominal fee. Training funds were provided, in part, by the state Mini-grant program, Department of Community and Economic Development. Many varieties of seafood are being processed at the plant throughout the year. Previously, this could only be done in the commercial processing plant open from May through August or early September. This system pioneered by Valdez Fisheries Development Association has been integrated into the University of Alaska curriculum and is available for communities throughout Alaska.

Valdez Fisheries Development Association is leading an important effort to build a cold storage and processing plant for the region's fishermen. In the past, a significant portion of the Alaska seafood harvest was exported to other destinations for value-added processing. VFDA's cold storage facility will give fishermen the opportunity to keep this value adding process in Alaska, creating and sustaining many jobs.

The plan is further enhanced by designing the facility to utilize the waste heat generated by PetroStar Valdez Refinery, making the entire process even more profitable and energy efficient.

Prince William Sound Science Center

Scientists of the non-profit Prince William Sound Science Center in Cordova have recently documented previously unknown behavior of the Pacific herring once abundant in the region. This research was done with part of a 3 million dollar fund created by Congress in 1990 to study the long range effects of the *Exxon Valdez* oil spill in 1989. Although not conclusive, the study may explain the drastic reduction of herring in the area since 1993. Pacific herring once accounted for one third of the fisheries industry in Prince William Sound.

Cordova's Copper River Red and King salmon are reaching an international market as the gourmet's fish of choice. Highly prized and sought after, the season for this fish is short for the allotted 500 boat fleet. Alaska Airlines hauled 384,000 pounds of this seafood from Cordova in 2002. Demand is high and these shipments are increasing each year.

(This information will be up-dated as returns for the 2006 season are available.) The latest information reports a per pound price of \$29.95 per pound for Copper River king fillets, \$22.95 for Copper River Red fillets in the marketplace.

Oysters from Prince William Sound are being harvested in Tatitlek, Chenega Bay, Windy Bay and Simpson Bay (near Cordova). Although not native to the region, oysters are spawned in warmer waters, then the spat can be raised in the more frigid waters of Prince William Sound. They are currently marketed in Anchorage and San Diego.

Homeland Security

A new Coast Guard cutter is now stationed in Valdez, as of September, 2004. The *Long Island* increases security and safety for the Port of Valdez and Prince William Sound. Its primary missions are search and rescue, homeland security, counter-drug enforcement, migrant interdiction and fisheries enforcement, according to the Coast Guard. Island class cutters are equipped with the latest technology available for navigation and electronics.

In addition, two 27' safeboats have been assigned to the U. S. Coast Guard to patrol Port Valdez. Waterside and portside patrol operations are part of MSO Maritime Homeland Security.

A federal grant of \$764,000 for the installation of a new infrared surveillance system to monitor vessel traffic in the Port of Valdez has recently been received by the city. The funds from the U. S. Department of Transportation will provide additional security for the port. The surveillance system will be monitored by the U. S. Coast Guard vessel traffic office, Alyeska Marine Terminal, SERVS and the Valdez police department.

In 2003, Northern Edge military exercises provided the Valdez economy with about \$750,000 and the military ship, *Mt. Vernon*, another \$500,000. They are scheduled to return to Valdez in 2005.

The **City of Valdez** received a federal Economic Development Administration grant for \$3,000,000 in 2004 for dock improvements. These improvements include new metal pilings, and a new fendering system for cruise ships and larger vessels.

Strategic Plans, Funding

Chugachmiut, a corporation representing the Native people of Eyak/Cordova, Valdez, Tatitlek and Chenega Bay, held a joint funding summit in Cordova in February, 2003, with Prince William Sound Economic Development District. This was the first time an economic development district and regional tribal organization have developed a program of this magnitude. Each community was invited to present two projects for potential funding. Government agencies include Alaska Department of Community and Economic Development (DCED), U. S. Department of Agriculture (USDA) Rural Development, and the Denali Commission. Private non-profit agencies also participated. This two day symposium included representation from 15 agencies, seven tribes and three communities.

A direct result of this funding summit, was a Denali Commission grant to build a museum of history in Whittier. The Prince William Sound Museum opened in May, 2005, in Whittier. Prince William Sound Economic Development District provided project management for the museum, that exhibits WWII and Cold War history in Alaska. Matching funds for this 501©3 entity were provided by corporate and private contributions.

Another project from the Funding Summit, include a man-made pond for salmon smolt in Valdez. 160,000 King salmon smolt were released into the

pond early in June, 2005 from a state fish hatchery. After this location is “imprinted” on the salmon, they will be released to the wild North Pacific. In three to five years, these mature salmon will return to this same spot. This is a non-commercial fishery for shore-side fishers, mainly tourists and children.

Majestic scenery, a culturally diverse population, a vital and energetic workforce, enthusiasm for quality of life issues . . . all predict a bright future for Prince William Sound.

PRINCE WILLIAM SOUND REGION

Prince William Sound Economic Development District represents the communities of Chenega Bay, Cordova, Tatitlek, Valdez and Whittier. Valdez and Cordova are home rule cities. Whittier is a second class city, while Tatitlek and Chenega Bay are unincorporated.

Prince William Sound region is located in southcentral Alaska at the north end of the Gulf of Alaska, approximately 1,000 miles northwest of Seattle. This extremely mountainous area covers about 20,000 square miles of water, ice and land, extending from 250 miles east/west from each of Icy Bay, to the eastern boundaries of the Anchorage Municipality and Kenai Peninsula Borough on the west. On the south, the area is bounded by the Gulf of Alaska, the southerly extreme being located at the southwestern corner of Montague Island. On the north, the area is traversed by section, township and range lines that cross the Richardson Highway near Mile 45.

Geographically, the Chugach Mountains on the east and north, the highest rising to 13,000 feet, and the Kenai Mountains on the west, provide boundaries for Prince William Sound. The islands of Hawkins, Hinchbrook, Montague, Latouche, Elrington and Bainbridge, separate the sound from the Gulf of Alaska. High coastal mountain ranges, over one hundred fifty glaciers and numerous rivers, make Prince William Sound wild and inaccessible.

The Good Friday earthquake of 1964, registering 9.2 on the Richter scale, followed by tsunamis, devastated Chenega, Cordova, Valdez and Whittier. The area remains seismically active. On November 3, 2002, a 7.2 quake heavily damaged parts of the Richardson Highway, leaving six foot gaps in the asphalt. Mt. Wrangell, approximately eighty miles away, last erupted in 1930.

The Chugach National Forest covers 5.8 million acres extending south and east of Anchorage along the south-central Alaskan coast. It encompasses the northeastern Kenai Peninsula, the arc of Prince William Sound and the Copper River Delta/Bering River area east of Cordova. President Theodore Roosevelt created this national forest in 1907 by executive order. It is the second largest in the nation and the most northern. It lies just 500 miles south of the Arctic Circle. Rocks and moving ice comprise one third of this park. Chugach National Forest is managed by the U. S. Forest Service in the Department of Agriculture. A vast array of plants and animals inhabit the fjords, lakes, rivers and forests. (Please see Appendices.)

The Chugach National Forest, similar in size to New Hampshire, is charged with managing the 2.1 million acre Nellie Juan-College Fjord Wilderness Study Area, for possible future inclusion in the National Wilderness

Preservation system. Some small forest areas are harvested for timber. Commercial timber species include Sitka spruce, western hemlock and white spruce. Almost 3,000 gold mining claims and a few dozen gravel/stone permits comprise mining operations in the park.

Historically, Prince William Sound was originally settled by the Chugach Eskimo and became a cultural melting pot. Athabascan Indians of the Interior, Alutiiqs of the Alaska Peninsula, and Tlingits of southeast Alaska all crossed paths here to trade, celebrate, and fight. Danish explorer Vitus Bering “discovered” Alaska at Kayak Island in 1741, claiming the land for the Czar of Russia. Captain James Cook sailed HMS *Discovery* into Prince William Sound in 1778, naming the area Sandwich Sound. Soon after, this was changed to Prince William Sound, named for England’s William IV. While many countries explored Alaska’s coast, notably the French, Spanish and Portuguese, Russia administered the territory until 1867 when Alaska was purchased by the United States for \$7,200,000. Artifacts from these early voyages are preserved in the national museums of Britain, Spain and France.

The economy in each Prince William Sound community is unique, but share some similarities. Fishing is a common factor in each area. There are five salmon hatcheries operating in the Sound – Valdez, Ester Island, Main Bay, Sawmill Bay and Cannery Creek. Logging is an economic factor in some communities. Tourism is an important aspect in Valdez, Cordova and Whittier, with more potential for growth. The villages of Chenega and Tatitlek may opt for more tourism opportunities. The petroleum industry is of major importance to Valdez, and has a far reaching economic impact on the rest of Prince William Sound. All communities are alert and prepared to respond to oil spill emergencies. Oil spill response teams in the area set standards world-wide for this preparation. Mining activities in Prince William Sound have been sporadic in the past one hundred years, but evidence can still be seen in various remote locations.

Alyeska Pipeline Service Company is the major employer in Valdez and employs about three hundred persons. Super tankers are relieved of ballast water and then filled with crude oil that has been piped eight hundred miles from the North Slope to the Valdez Marine Terminal. Technical staff, environmental advisors, and support staff are responsible for shipping approximately one million barrels a day through the Valdez port.

Ship Escort/Response Vessel System (SERVS) was created in 1989 in response to the *Exxon Valdez* oil spill. SERVS is the largest oil spill organization in the Western Hemisphere. SERVS annual budget is approximately \$60,000,000. Over 300 people are directly assigned to the organization, including staff, response specialists, vessel crews, material handlers and mechanics.

Each laden tanker is escorted by two vessels as it transits Prince William Sound; a tug boat tethered to the stern of the tanker and a specially equipped Escort Response Vessel, or ERV which stays within one-quarter mile of the tanker.

There are approximately 325 fishing vessels currently on contract with Alyeska to provide oil spill response assistance. Fifty vessels make up the core fleet to provide immediate and year-round response support. These vessels participate in several drills during the year. Alyeska provides a maintenance fee to keep the vessels in the water and ready to respond during all seasons.

The State of Alaska Department of Transportation is planning a substantially increased ferry service within the next five years as a part of the Alaska Marine Highway System, offering more destinations, arrivals, departures aboard faster and more modern ferries. The Alaska Marine Highway System has been named a National Scenic Byway in 2002. This status will offer funding to improve visitor services for the region. One of these new ferries is named M/V *Chenega*, after Chenega Glacier.

Current Population

Population in Prince Williams Sound in 2000 was estimated by the state to be approximately 7,165. Of the five distinct communities in Prince William Sound, the Eyak, Chugach Alaska and Chenega Native Corporations are represented. Chugachmiut represents all native tribes in the region.

Languages spoken in Prince William Sound are English, Spanish, Alutiiq, Tagalog, French, Russian, Chinese, Korean and Polynesian.

Community profiles of Chenega Bay, Cordova, Valdez, Tatitlek and Whittier are available on the Alaska Department of Community and Economic Development website.

Chenega Bay Masterplan (CEDS, Comprehensive Economic Development Strategy) and the Tatitlek IRA Council's Community Strategic Plan are provided in this document.

Planning and Economic Development Projects

Chenega Bay

- Build and improve housing and roads.
- Build and improve infrastructure.
- Create new job and job-based opportunities.
- Strengthen the management of traditional resources.
- Develop and build harbor facilities and floating breakwater
- Upgrade technology capabilities and resources
- Increase the educational, social and recreational opportunities.
- Develop resources at Iktua Bay, Johnson Cove and Armin F. Koenig Fish Hatchery
- Airport Improvements
- Chenega Bay Village improvements
- Senior/Teen center.
- Street Lights
- Health Clinic

Cordova

- Shepard Point road and deep water port: creating docking facility for Cruise ships.
- Cordova Project – Visitor Center/museum/office complex
- Regional Marketing Plan for salmon
- Boat haul out facility
- Eyak Tribe Oil Spill Training Center

Tatitlek

- Small Boat Harbor
- Docking facilities for oil response teams
- School repairs

Assisted Living Community
Expand mariculture/oyster facility

Valdez

Reduction in energy costs/electricity
Liquid Natural Gas pipeline from North Slope
Oil Spill Training Center
Fisheries Business Incubator (Funded in 2001 by EDA)
Valdez Regional Health Care Facility
Valdez City Dock Upgrades
Airport Industrial Park
Chinook Enhancement Project
New Visitors Center
Small Boat Harbor Expansion
Cold Storage Facility

Whittier

Two Cruise Ship Dock
Ferry Dock
Small Boat Harbor
Boat ramp/day use parking area
Road access to proposed new boat ramp/trails
Commercial fishing fleet dock and support area.
Repair of Public Works Building
Museum/visitor center
Boat maintenance/repair pads

All communities desire lower energy rates.

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