

**Speech to the Southeast Conference  
Ketchikan, Alaska**

**By George J. Canelos  
Federal Co-Chair, Denali Commission  
Tuesday, September 19, 2006**

***The Denali Commission and the Southeast Conference – A Powerful Partnership***

Lt. Governor Leman, thank you for your kind introduction. I want to thank you for your service to the Denali Commission and to the people of this state. I know you have only two months to go, but you've been a great Lt. Governor.

And as the former Commander of the Alaska Air National Guard, I want to thank the SE Conference for opening with a formal posting of the colors. Too many organizations forget we are blessed to be living in a free country. Thank you, also, in advance for honoring the members of the 3<sup>rd</sup> Battalion, Alaska Army National Guard, who recently returned from combat duty in Iraq. Our freedom isn't free, and these citizen soldiers and their families deserve our highest praise.

Last evening Linda Snow and I compared notes about our respective family heritages. While I can't compete with her extensive SE pedigree, I can tell you my Father-in-law, Don Wilcox, arrived here 70 years ago in 1936 as a young teenager of 15 sleeping in the ship's brig!

Sailing from Seattle with his family on the steamship *Zapora*, the poor ship only made it as far north as Alert Bay when it threw a tail shaft. After several days, all passengers were transferred to the Canadian National's *Prince George* to continue the voyage. All berthing rooms were occupied, so young Don arrived in Ketchikan in the brig! And the poor *Zapora* later foundered on the rocks somewhere near here and was a total loss.

Don spent his first summer here in Ketchikan on a mine tender, the "Man B", while his Dad, Howard Glen Wilcox, worked the Flagstaff Mine. Don then graduated from Juneau High School, the University of Alaska Fairbanks, fought across the Pacific in WWII, and enjoyed a successful career as a miner, FAA executive and mining safety instructor.

My Mother-in-Law, Dorothy Donahue, arrived in Alaska in 1948 aboard a DC-3 that took her to Fairbanks, where a young and ambitious Chuck West hired her to work in early tourism in Kotzebue. She and Don met there, were married in Fairbanks, and raised eight children, including their eldest daughter, Mary Lu, whom I boldly approached in the checkout line at Costco, and successfully married some three years later.

In contrast, I arrived, like many transplants, via Alaska Airlines, landing in Juneau in 1975. My first business meeting, working for the Department of Community & Regional Affairs, was with Mayor Rod Pegues, in Tenakee Springs. Instead of meeting in City

Hall, we stripped and took a soothing hot bath in the bathhouse. I thought what a great state this is!

I'm giving you family details, because for the Wilcoxes, and for me, Alaska was a true place of enterprise and opportunity. Don's motto about Alaska, in fact, is "The sky is high, and Czar is far!" And despite some of the somber economic data presented by the McDowell Group this morning, I'm absolutely convinced it still is!

And this brings me to my theme -- I do have one. I think every speaker needs to give you some simple themes you can take away, and I'm about to give you mine. First, a quick story, however, to illustrate the point. How many of you have stayed in Hilton hotels? The Hilton empire was built by the late Conrad Hilton. Late in life, he was a rather quiet guest on The Tonight Show with Johnny Carson (you do know who Johnny Carson is, don't you?). During the interview, Carson said, "Mr. Hilton, you are a giant of American attainment, a legend in your time, you've built hotels all over the world, turn to that camera right over there, look your fellow countrymen in the eye and tell them the one thing, based on your life's work that you would like your fellow countrymen to know." Like a great trooper, Hilton turned to the camera, looked America in the eye and said, "Please put the curtain inside the tub."

So my theme today as you enjoy your lunch – is that although I don't have all the answers, I do believe our future is bright, is largely in our hands to win or lose, and that the Denali Commission can play a vital part with SE Conference in our journey ahead! Let me talk about the commission's origins, some accomplishments (good and bad), some challenges ahead, and my vision of where I hope we can go together.

I'm told that Senator Ted Stevens was traveling on the middle Kuskokwim about a decade ago with several Native leaders. He lamented that the challenges of rural Alaska were so overwhelming that he could never secure enough federal funding to make a difference. He was also frustrated with the number of well-meaning agencies who received federal dollars who both took their administrative cut off the top, and who didn't coordinate with each other. Someone asked him, well, how does the Appalachian Regional Commission do it? And the concept for the Denali Commission was born.

Sen. Stevens passed the Denali Commission Act of 1998, creating something new in government - a small, agile, independent federal agency that could move quickly to provide essential government coordination, basic community infrastructure, job and career training and other economic development services across our state. He saw a group that could convene, could debate, could innovate, could partner, and could focus limited funding to solve challenges. He actually envisioned a hybrid federal-state entity where half the funding would be dedicated from federal sources and half from state sources....but more about this idea later.

He reasoned, just like SE Conference, that our rural and remote communities wouldn't have much of a chance at long-term viability without having a basic suite of facilities and

infrastructure as a foundation. He also knew that Alaska was a young state, and needed the support of federal resources to catch up with the rest of the country.

The act mandated partnerships with federal, state, tribal, local, nonprofit organizations, foundations, companies and agencies. To break down barriers, the act formed an unusual board of statewide leaders by position: a Federal Co-Chair, the Governor as State Co-Chair, and the Presidents of the Alaska Federation of Natives, Association of General Contractors, University of Alaska, the AFL-CIO, and the Alaska Municipal League.

This inclusive process is absolutely necessary if we are to innovate and seize the opportunities that lie before us. I appreciate the saying that “If government was in charge of conquering polio, we’d have the world’s best iron lung!”

And speaking of AML, I’d like to congratulate Kevin Ritchie for his recent retirement as one of the original Denali Commissioners, and welcome Kathy Wasserman, who, once she’s blessed by the Secretary of Commerce, will take Kevin’s place on the commission. Welcome, Kathy!

The commission adopted a unique business model with a core staff of 15 people, a few professionals detailed from other organizations and a strong reliance on program partners.

I’d like to introduce Paul McIntosh, a career Forest Service professional, who is not only detailed to the commission, but Paul leads our programs in Economic Development, including community digital mapping, multiuse facilities, mini grants, and oversees loan programs through Alaska Growth Capital. The Forest Service is a strong supporter of the commission over the years.

I also want to highlight a local success story – Ms. Tessa Rinner. Tessa was born and raised on a homestead 15 miles off the road system north of Ketchikan. She traveled by open skiff to and from town, and spent most of her childhood without running water or electricity. After graduating from the local school system, she earned her B.A. in Political Science from UAA, a Masters of Public Administration from UAA, and will complete a Masters of Public Health from UAA next spring. For the past five years, she has administered the Denali Commission’s Health Facilities Program, and was recently promoted to be our Director of Programs! While Tessa is an extraordinary professional, it illustrates again that Alaska is a true place of opportunity, and that rural origins can provide a marvelous foundation for success.

Since 1998, the commission's federal budget has risen steadily from \$20 million to about \$140 million. The commission has invested more than \$700 million in less than eight years, (almost \$80 million directly into SE Alaska) and we have a long way to go. We’ve administered over 1,100 grants to help fund projects, including bulk fuel storage tank systems, primary care health clinics, energy-saving upgrades to power plant systems, teacher housing, renewable energy projects and training in a variety of career fields.

More than 30 agencies and organizations have committed to partner with the commission, including the Alaska Energy Authority, Alaska Village Electrical Cooperative, Alaska Department of Transportation and Public Facilities, Alaska Federation of Natives, University of Alaska, USDA Rural Development, Economic Development Administration, Alaska Housing Finance Corp., AFL-CIO, Alaska Works Partnership, Alaska Native Tribal Health Consortium, USDA Rural Development, the Economic Development Administration and the Rasmuson Foundation.

We care a lot about sustainability, and won't invest unless a proposed project is requested by a community, passes muster in a business plan and doesn't compete with private enterprise. The business plan is important, since we need a level of assurance on who will own the facility, who will operate it, where the funding stream will come from, and how it will be ultimately repaired and replaced. We also give preference to projects that bring other funding dollars to the party.

But here are the real questions on the table today:

- How effective have the Denali Commission's programs been to improve life for rural Alaskans?
- What have we contributed to SE Alaska, and how effective have our efforts been?
- How aligned (or not) are our processes, programs and initiatives with those of the SE Conference, Tlingit Haida Central Council (THCC), the cities and boroughs of SE Alaska, and other entities in the region?

At this point in speeches, I've seen bureaucrats pat themselves on the back and say "oh my, aren't we doing a great job!" I'm not going to do that. I firmly believe all agencies are accountable to the public, and that we should engage in continuous and genuine feedback, listening and learning from our customers.

To be candid, for example, both the Alaska Federation of Natives and the THCC have been critical of some of the Denali Commission's process and programs. Their points include that our application process can be mysterious and inconsistent, that our approval process is too difficult for small communities, and that we're sometimes not respectful or responsive to rural needs.

One of the best ways to measure performance is through objective, third-party program evaluations. In that spirit, we are embarking on our first-ever formal program evaluation. I need to know whether we're adding value, if our projects are making a difference, whether our application processes are understood and transparent, and how level the playing field is for awarding our funding, and what mid-course corrections we should make.

We have just completed a national solicitation for the most credible third party expert to spend the next seven months giving us an objective report card. We evaluated four finalists (three Alaskan firms and one outsider), and I'm very pleased to announce that

we have selected the McDowell Group to be our 3<sup>rd</sup> party evaluator. Congratulations to them, and I want to get started next week. It's nice to have a high zip code be selected.

So what have we been doing in SE Alaska, and how closely are we aligned with the goals and dreams of the SE Conference?

I read your June 2006 *Comprehensive Economic Development Strategy (CEDS)* that you prepared with Tlingit-Haida, and submitted to the Economic Development Administration.

Your number one goal is Community Development – working to improve the region as a good place to live and work. That means Quality of Life Improvements such as health care and needed community facilities and services. It also means Capacity Building, providing your communities with the training and skills necessary to serve local residents. Your second goal is Economic Development, with an emphasis on Infrastructure Development, energy and transportation. You state, “Support the development, maintenance and improvement of public infrastructure necessary for economic development and enhancing the quality of life in the region.”

We're very closely aligned. So let me spend a few minutes talking about energy, health facilities and transportation.

Energy

Your CEDS report states, “In all of the region's communities, affordable energy is a critical component of any economic diversification plan as well as necessary to meet the basic needs of daily life.” No rocket science here.

We've invested about \$47 million to date in energy facilities in SE Alaska, including bulk fuel storage systems, rural power plant upgrades, hydro projects and power interties. Pelican and Tenakee Springs are examples of bulk fuel storage system replacement projects.

We partnered with the Alaska Energy Authority and the Alaska Power Company for the 2 MW South Fork Hydro project serving Craig, Hollis, Hydaberg, Kasaan, Klawock and Thorne Bay. This project replaces over 275,000 gallons annually of diesel fuel.

We joined USDA, AEA and Gustavus Electric Company on the new Falls Creek hydro project.

We helped the City & Borough of Ketchikan, the State of Alaska, US Dept of Energy, and USFS on portions of the Swan Lake-Lake Tyee Intertie.

And we invested \$14.7 million matched by another \$2.5 million with Alaska Electric Light & Power, and Kwan Electrical Cooperative, to permit, design and construct the first half of the Juneau, Greens Creek, Hoonah Intertie. Finishing the Hoonah Intertie,

however, will take all our combined creativity. Hoonah Mayor Dennis Gray approached the commission last year with a \$28 million request to complete the project, \$18 million alone to purchase the undersea cable. We declined the request.

\$28 million would have taken more than half our base funding used primarily for energy projects on a single community. The commission reasoned that \$28 million would provide significant upgrades for more than a dozen other communities across the state. They also concluded that funding part of the project could be wasted, since no one was stepping forward to commit the remainder of funding the following year. No one. And most importantly, they asked, if this project was so important, where was the State of Alaska's checkbook?

As you already know, the challenge to completing the SE Intertie – a great project, by the way - is the high price tag in an era of declining federal resources. Senator Stevens has been consistent in his message that Congress is growing more skeptical of any state, not just Alaska, which asks for federal funding, and can't demonstrate the state is also there with its checkbook.

Even your CEDS report says: "Implementation of the Intertie System Plan is dependent on successful regional and Congressional efforts to secure federal appropriations to fund significant portions of the project." I respectfully would ask you to amend your strategy to recognize the reality that federal funding in significant amounts will come only when the State of Alaska, with \$34 billion in the bank, meaningfully joins in this effort.

By the way, these are great issues for our gubernatorial candidates. But I'm in an awkward spot. Remember, I'm a federal official, subject to the Hatch Act, and my ethics advisors have cautioned me not to insert myself in the political campaigns. I can certainly respond to questions, but I can't approach the candidates directly about their positions affecting the Denali Commission, even though the winner will be the next State Co-Chair.

Achieving affordable, reliable energy supplies requires innovative solutions, and I want the Denali Commission to lead in advancing both renewable and alternative energy. In that spirit, we are a co-funder of the biomass boiler project in Craig, which will heat two municipal buildings and the pool when completed next year. We're pleased to be a member of the Alaska Wood Energy Development Task Force, which is conducting feasibility studies for wood/biomass systems across the state.

In western Alaska we are funding a number of wind-diesel combinations. The technology is ready and the economics are right to capitalize on wind power. We are a co-funder of the proposed wind farm on Fire Island in Anchorage. I've had preliminary discussions with Alaska Power & Telephone about a demonstration project for a true in-river hydro project on the Yukon River. And we co-funded the world's first geothermal power plant generating power with water at only 165 degrees in Chena Hot Springs. We also support ongoing research by Mr. Earle Ausman of Polarkonsult into long-distance

direct current transmission lines, which might make the difference in achieving a full SE power intertie.

In short, we need to partner with creative Alaskans to move us away from dependence on diesel fuel and oil to take full advantage of regional strengths in hydropower, and our in-state strengths in renewable energy.

#### Health Facilities and Training

Providing health care at the local level is another essential basic service for the viability of our communities. The Commission works closely with Southeast Alaska Regional Health Consortium (SEARHC) to ensure SE Alaska communities have access to the highest quality, most innovative health care available. This means using local planning, labor, and design to the greatest extent possible. It also means employing new models of primary care, including dental and behavior health at the local level. A good example is the Frontier Extended Stay Clinic in Klawock.

A powerful good news story is our provider training and prevention programs, where certified local people are providing primary care services in their home communities. Together, we've planned, designed, constructed and equipped village and sub-regional clinics across SE Alaska, including Metlakatla, Haines and Angoon.

But at the end of the day, are we making a difference? Are people healthier? These are the questions the McDowell Group will be asking you.

#### Transportation

Transportation is also one of the mainstays of a viable economy. Often small rural communities are last in the priorities of state and federal funding. To address this, AFN sought a new transportation program for rural Alaska, which, Congress gave to the Denali Commission. We are receiving about \$100 million over four years from the Federal Highway bill.

In addition to Senator Stevens, credit for this new program goes to Senator Lisa Murkowski (and Bob Walsh is here today on her behalf), and Congressman Young, who has been a champion of rural transportation in Alaska. My good friend Bill Sharrow is here representing the Congressman. He's retiring later this year, and I encourage you to offer him congratulations for his many years of great service.

The legislation required the Governor to select a rural advisory committee to advise the commission on the criteria and the projects to be selected. I commend Governor Murkowski and Commissioner Mike Barton for selecting a great committee. I see engineer Chuck Poole in the audience. I want to thank him for his service. Not only has he educated the committee on the needs of SE Alaska, but he's been a voice of reason from a statewide perspective.

I believe this is a model process, and I've challenged my program managers to restructure their programs in a similar fashion.

We've had a great working relationship with the Federal Highways Administration, (once we explained to them why we needed to fund boardwalks – they had visions of Atlantic City) and the State DOTPF, and within a year of passage, we have an actual program underway.

In SE Alaska, we're investing about \$8.5 million this first year. We're funding (or co-funding):

- Dock construction for Coffman Cove
- Dock reconstruction for Gustavus
- Dock reconstruction design for the Sitka Sawmill dock
- A small vessel float for Point Baker
- Replacement of the Sitka Old Thomsen Harbor
- Reconfiguration of the Ketchikan Waterfront
- A commercial landing facility for Juneau / Auke Bay
- Road paving for Coffman Cove
- Boardwalks in Elfin Cove
- Boardwalk reconstruction in Pelican
- Boardwalks in Port Alexander
- Paving of a portion of the Petersburg Mitkof Highway
- Reconstruction of the Craig Port Saint Nicholas road
- And \$1 million towards the completion of the Metlaktla Walden Point road, which moves up completion by a year

Now a critic might ask, why are you spending “rural” dollars to assist projects in relatively urban areas like Ketchikan, Sitka, and Juneau? Three easy reasons – first, the projects are desired by the surrounding small communities, two, we are a gap funder and all three boroughs are making substantial investments of their own into the projects, and three, the projects will help both large and small towns in SE Alaska. And as Senator Steven reminds me, there is no hard boundary in our state between urban and rural. The Denali commission is free to invest anywhere in Alaska as long as there is a nexus to rural Alaska.

We are now soliciting requests for FY 07 projects, and communities have until November 30th to apply. I understand Chuck is speaking tomorrow on your transportation panel and can give you more details.

And if Commissioner Mike Barton were here, I would thank him for all his outstanding service to this region, to the Denali Commission and to Alaska. I hope he continues to serve for a long time to come. And by the way, Mike is there with his general fund match checkbook on our projects, as well.

I should briefly touch on our job training programs. We receive about \$6.5 million annually from the US Department of Labor. One of our intriguing local projects is a

high-tech training center in Saxman, designed to train local residents to take advantage of employment opportunities in Alaska Native high tech 8(a) firms. This resulted from a partnership of the Saxman tribal organization, the EDA and the Denali Commission.

So what about the future? NPR did a story on a time capsule prepared by the City of Detroit in 1900 that was opened in 2000. Local leaders had forecast the future, including large vessels on the Great Lakes, textiles, etc. None of them foresaw the automobile, which revolutionized Detroit, and then the country, just five years later. The point is to be flexible and to be open to new opportunities.

I would call the Denali Commission a noble experiment in good government. I say experiment because we are not institutionalized like the Appalachian Regional Commission. Our funding is dependent, year by year, on a very powerful senior senator, a supportive delegation and a generous congress. We have no war chest. If we agree this is a good business model, we need to expand the financial support base, to bring the state in as a full partner, and even to find an endowment for the commission.

I do have good news for this coming year. Although the appropriations cycle isn't done, early indications are that our funding looks reasonably good at about \$140 million, which is extraordinary, considering the war on terror, huge budget deficits and bad press for Alaska. Secondly, I expect our funding to arrive without any hard earmarks. This is significant because it places the burden and opportunity to make funding decisions here in Alaska, with us, not in the halls of Washington DC.

I've challenged each of my program managers to rethink their funding decision process so that the public has a real opportunity to comment and shape the deliberations. Our next commission meeting is in Anchorage, in conjunction with AFN, on October 25<sup>th</sup>. Everything is open to the public, and I invite you to join us.

And we're looking for synergy, and your ideas on how to do things smarter. For example, in Emmonak, we're able to fund asphaltting the streets because the commission, state DOT&PF and the Corps of Engineers have all coordinated road paving, a seawall and airport improvement to justify the expense of an asphalt plant. Everybody wins.

As we undertake the program evaluation, we'll also be doing some serious strategic planning, and we invite you to participate. The Appalachian Regional Commission, by the way, did something very smart we should consider. Their adopted goal is to achieve parity for the people of Appalachia in a number of socio-economic indicators. Their revised goal is to have the people of the region competitive in a global economy. They have raised the bar very high, and we should too.

There are many elephants in the room, such as global climate change, the rise of China and India, and our own lack of vision and imagination.

I've been to China three times, and I come away amazed each time. They are smart, aggressive and very entrepreneurial. And I'm very concerned about the economic

marginalization of Alaska and our rural communities if we're not careful. For example, Chinese artisans have displaced traditional, high-quality arts and crafts, by importing imitation products into southern Mexico, and into Egypt. I recently was in a store at the Phoenix Sky Harbor Airport, and picked up what I thought was a beautiful Navajo basket. The price – only \$27! I turned it over...and it was made in Pakistan! It will happen here soon if we don't have a strategy to promote Alaska's special indigenous arts.

Global climate change is another elephant in the room. This has profound impacts on the commission's programs to site, design, and construct community infrastructure. We also need to face the compelling need to resolve how to relocate several communities in Western Alaska facing ruin from flooding, erosion and seasonal storms. No one knows how to do this yet in an affordable and equitable manner.

You may have read about the failure of Kivalina's new emergency seawall system a couple days ago. This is actually a good news story about teamwork, courage and risk-taking. Last spring, the Northwest Arctic Borough approached both the commission and the state for emergency funding to protect key infrastructure along Kivalina's exposed shoreline – the tank farm and the school. At some risk and precedent, we agreed and funded the borough \$1.3 million. The State partnered with another \$1.6 million.

Tom Bolen and borough officials moved quickly over the summer. Last week, the borough and the community planned to celebrate the last "shovel full" in Kivalina. Unfortunately, an early fall storm with nine foot waves caught the project at 95% completion. 160 feet of the 1,800 feet failed. But the school, the tank farm, and all the people of Kivalina were unharmed. Engineers are now on site to assess what happened, and the borough is moving ahead to finish the project.

I would much rather tell you that less than 10% of a new seawall collapsed, than to be facing you trying to explain the loss of key infrastructure, or worse, loss of life, while we stood around and did nothing for fear of setting precedent or trying out new technology. I'm proud we responded to their immediate need for protection.

And so it comes to this: We need to dig deep, think creatively and boldly together, to achieve our fullest potential across SE Alaska, and our entire amazing state. I pledge to you the Denali Commission's support in this journey.

By the way, I was dismayed to see that the Denali Commission is not a member of the SE Conference. Murray, let's get together and remedy this. We need to join you.

To close, since Mayor Joe Williams graced us this morning with a traditional Chief's welcome song, I'd like to reciprocate by reciting portions of the poem, *Ulysses*, by Alfred Lord Tennyson. If you ever think about giving up or slowing down your efforts to help Alaska achieve it's full potential, this should give you renewed inspiration. It's never too late to seek a newer world. Here goes,

"The light begins to twinkle from the rocks

The long day wanes, the slow moon climbs,  
The deep moans round with many voices.  
Come my friends – tis not too late to seek a newer world.  
Push off – and sitting well in order smite  
The sounding furrows, for my purpose holds to  
Sail beyond the sunset, and the baths of all the  
Western stars, until I die.  
It may be that the gulfs will wash us down,  
It may be we shall touch the Happy Isles,  
And see again the great Achilles, whom we know.  
Tho much is taken, much abides, and tho  
We are not now that strength which in olden times  
Moved earth and heaven, that which we are, we are,  
One equal temper of heroic hearts,  
Made weak by time and fate, but strong in will  
To strive, to seek, to find, and not to yield.”

Thank you very much.