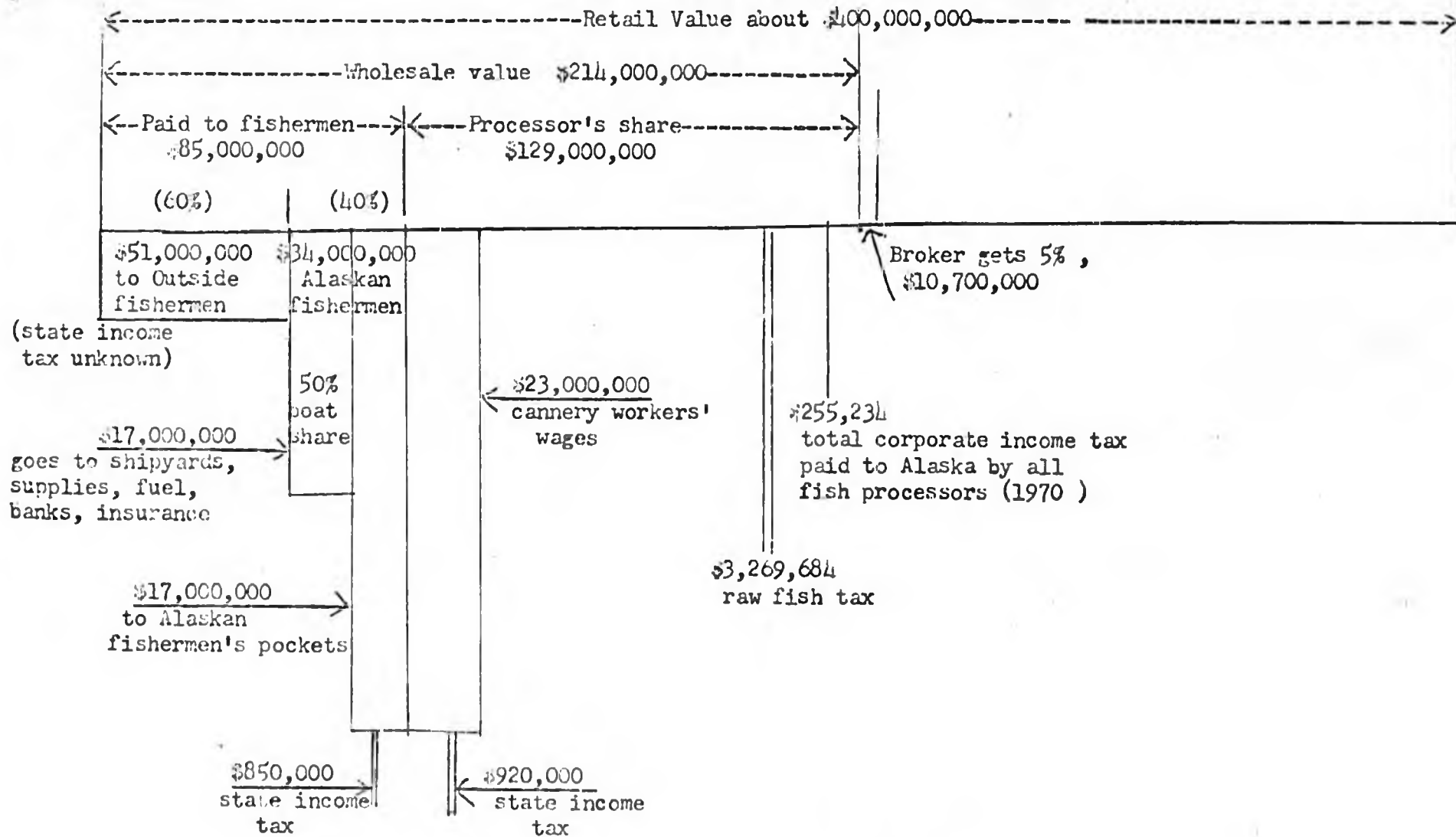


HB 294



FLOW OF FUNDS IN ALASKA SEAFOOD INDUSTRY 1971

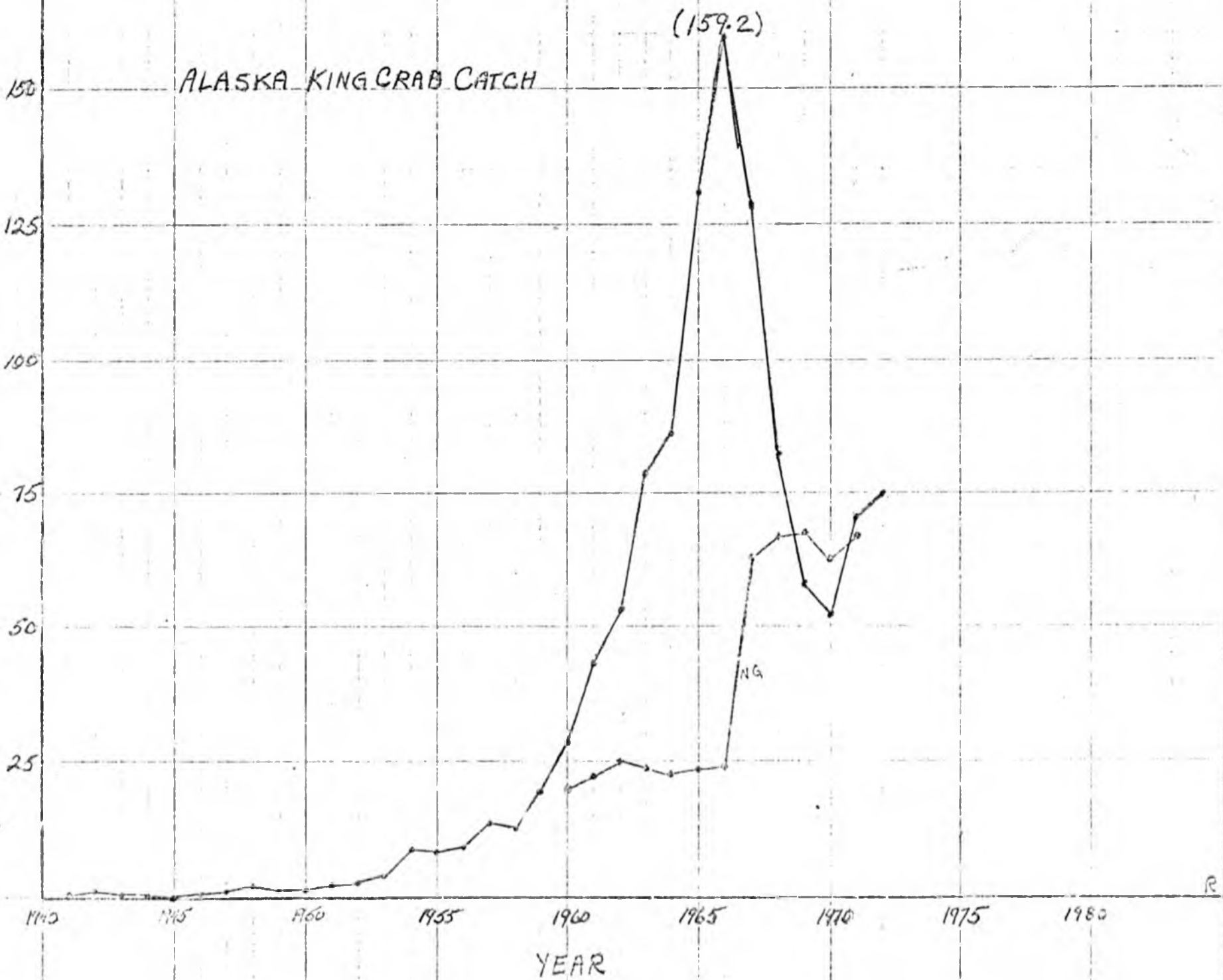
Note: The wholesale value may be greater than indicated. Much of the industry is vertically integrated, with many processors having substantial interests at the fishing level as well as in brokering, labeling, and further distribution.

Compiled by Dave Herrnsteen

MILLIONS OF POUNDS OF CRAB

ALASKA KING CRAB CATCH

AVE. PRICE PER POUND TO FISHERMEN

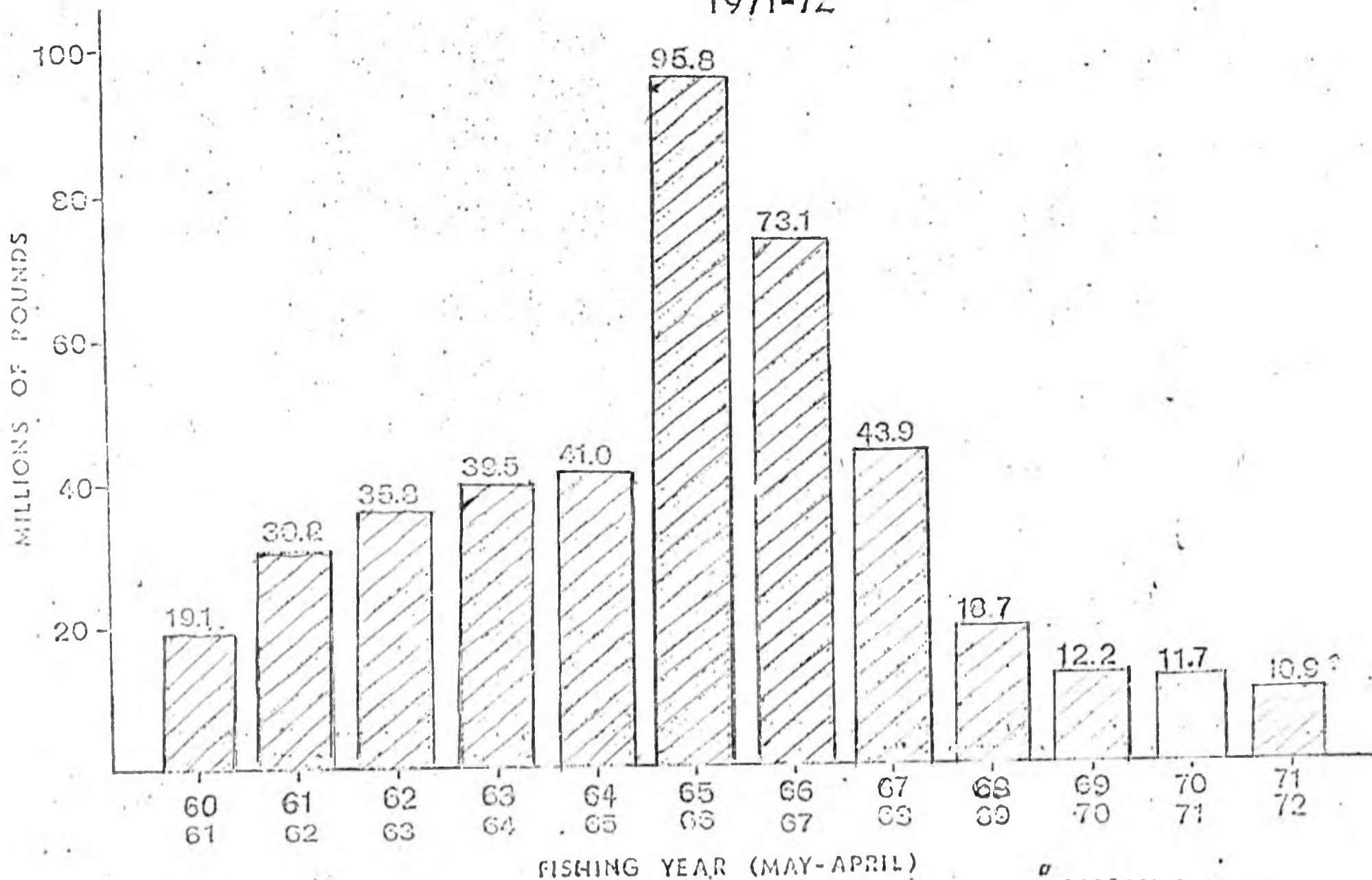


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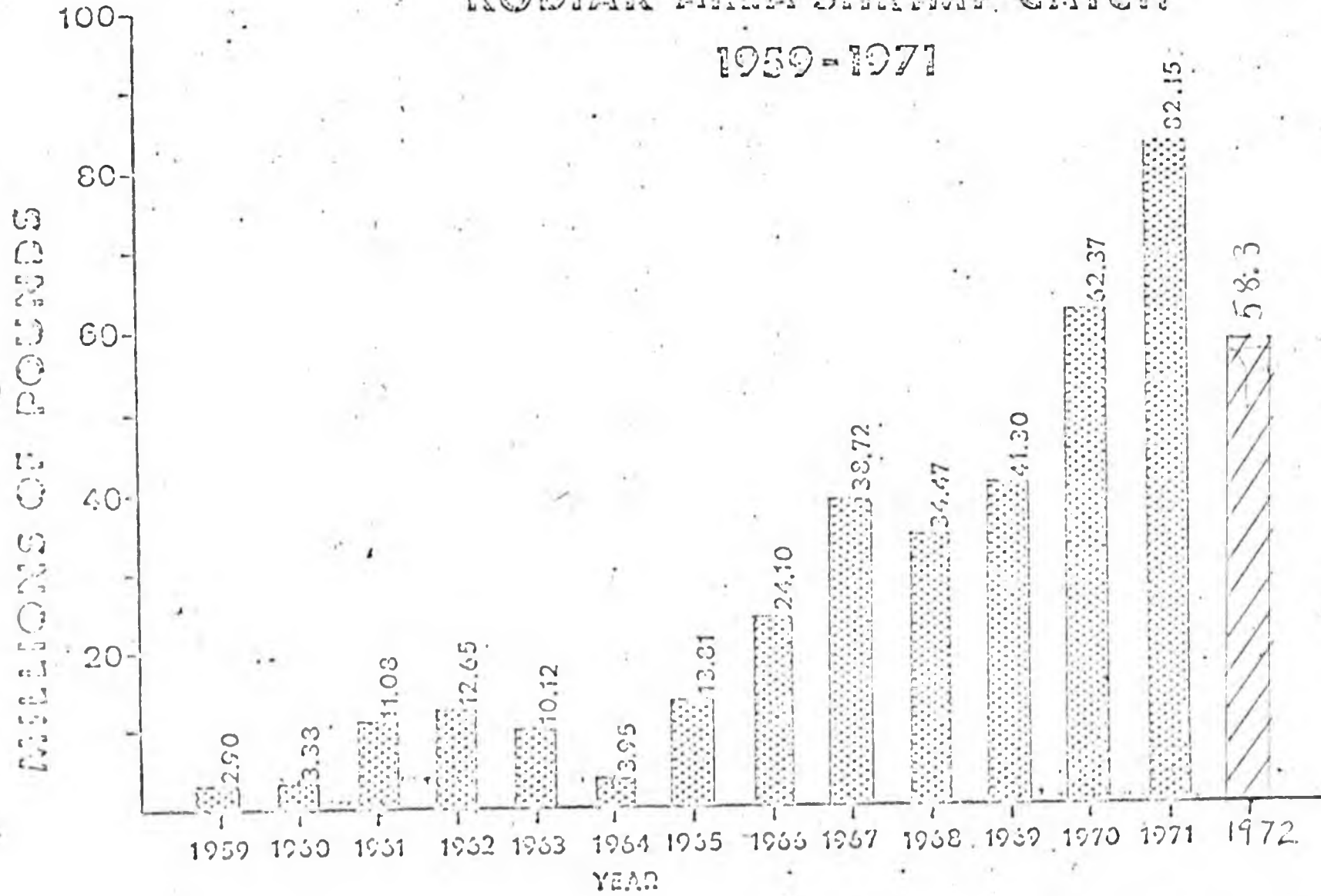
R

KODIAK AREA KING CRAB CATCH 1960-61 TO 1971-72



SEASON QUOTA
HARVESTED BY
OCT. 29, 1971

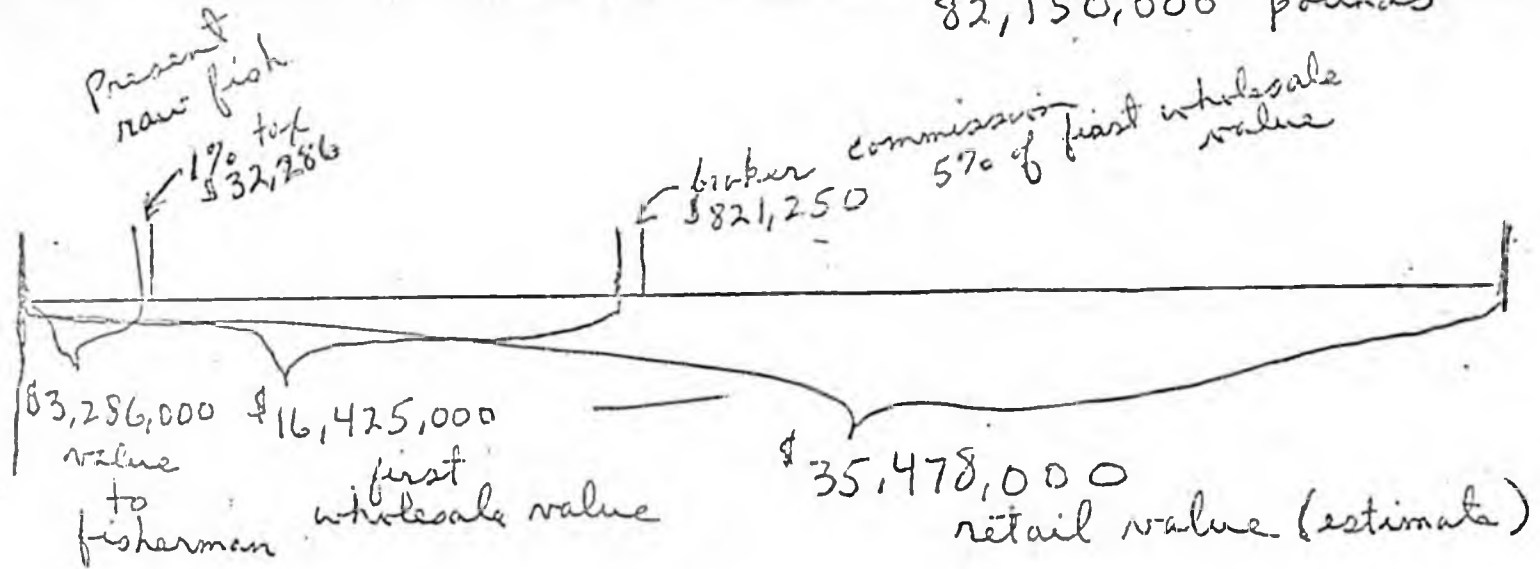
KODIAK AREA SHRIMP CATCH 1959 - 1971



1971

KODIAK SHRIMP HARVEST

82,150,000 pounds



82,150,000 pounds at price to fisherman of \$0.04 per pound produces

\$3,286,000 value to fisherman

82,150,000 pounds of raw shrimp at recovery rate of 16% produces

13,140,000 pounds of processed shrimp valued at \$1.25 per pound at first wholesale level

\$16,425,000 first wholesale value

\$35,478,000 estimated retail value

The State of Alaska allowed serious overfishing of our king crab stocks during the past decade. Predictions based on guess-timates proved too rosy, and management techniques and quota systems have improved, and the king crab catch is on the upswing again. It was an expensive lesson, for if we hadn't seriously depleted some of the stocks back in the sixties, we would likely have a higher sustained yield harvest level today.

One would hope that Alaska had learned, but apparently we haven't, for the same pattern of overfishing and undermanagement of our shrimp and tanner crab stocks is taking place today. The shellfish program of Fish and Game is underfunded, while at the same time the lucrative resource is undertaxed.

Alaska produces about 25% of our nation's shrimp harvest. Kodiak's 1971 shrimp harvest produced 82,000,000 pounds of shrimp with a value of \$16,000,000 when leaving town, yet the state spent only \$90,000 'managing' the resource, and collected only \$32,000 in fish tax revenues. This year's production dropped thirty per cent to 58,000,000 pounds, and some of the grounds have already been seriously overfished. Fish and Game has developed the basic management techniques, but it doesn't have the funds to implement them.

Now some of the fishing pressure is moving westward to the Chignik-Sand Point area where the expected harvest this year will be 30,000,000 pounds, about a third of the entire American Pacific Coast catch. Yet due to lack of funding there is no management program at all, and the valuable stocks are being subjected to the familiar free-for-all.

And the same destructive development pattern is taking place with the booming tanner crab fishery, except that with the greatly increased fishing capacity it's happening at an accelerated rate. Fish and Game has no tanner crab program. At the request of the Cordova fishermen a quota was guessed at for the Prince William Sound area, but the Kodiak area has no quota, and along with the entire state, no size or mesh limits. No attempt is being made to inventory the tanner crab stocks or to derive the needed basic management data.

The management of our fisheries is the responsibility of the State. No one else can do this with our competitive, unlimited entry, free enterprise system, unless the federal government should step in and take over fisheries management, and I'm sure then we would squeal. It is the task of the legislature to provide the funds for adequate management of our fisheries, deriving the funds through realistic taxation of the resource if necessary. Crab and shrimp fishermen are making a good living. I feel a major concern is that our resources are being so under-managed that we won't be able to make a living in the future.

Fishermen have a saying that goes, 'you can't make a season on the grub bill'. It sort of tells the cook not to be too penny-pinching on the food, because the payday is going to be determined primarily by the amount of fish caught, and good food can be particularly desirable when the fishing is heavy. The same type of concept holds true with management--if the fishing industry isn't willing to spend the few dollars necessary to properly take care of our fish, then we very likely won't have enough fish to catch in the future.

Dave Herrnsteen

1971 ALASKA SEAFOOD VALUES AND TAX REVENUES

	<u>VALUE TO FISHERMEN</u>	<u>FIRST WHOLESALE VALUE</u>	<u>PROCESSOR TAX</u>
Canned salmon	} \$51,411,428 total	\$107,981,152	\$2,670,560
Frozen salmon		11,966,575	} 99,568
Fresh salmon		921,415	
Salmon roe		27,000,000	
<hr/> Salmon Total	\$51,411,428	\$147,869,142	\$2,770,128
King Crab	\$19,077,253	\$32,351,952	\$349,393
Dungeness Crab	609,924	1,478,775	6,099
Tanner Crab	1,363,544	2,893,827	13,685
Shrimp	3,909,045	15,780,163	39,090
Clams	70,152	107,487	701
Scallops (shucked)	990,385	1,206,593	9,903
<hr/> Shellfish Total	\$26,025,303	\$53,818,797	\$418,871
Halibut	\$7,236,812	\$10,178,125	\$72,368
Misc. Fish	831,777	2,169,255	8,317
<hr/> TOTAL SEAFOOD	\$85,505,320	\$214,035,319	\$3,269,684

Compiled from ADF&G and NMFS statistics

SECTION II
DETAIL OF STATE REVENUES
FISCAL YEARS 1972-78

CODE	REVENUE SOURCES	ACTUAL			ESTIMATED			F.Y. 1977 Revised Estimate	F.Y. 1978 Estimate
		F.Y. 1972	F.Y. 1973 Budget Estimate	F.Y. 1973 Revised Estimate	F.Y. 1974 Revised Estimate	F.Y. 1975 Revised Estimate	F.Y. 1976 Revised Estimate		
GENERAL FUND - UNRESTRICTED REVENUE									
<u>INCOME, EXCISE AND OCCUPATION TAXES</u>									
101	Alcoholic Beverage Excise Tax	\$ 4,837.8	\$ 6,301.1	\$ 5,124.2	\$ 5,636.7	\$ 5,862.2	\$ 6,069.6	\$ 5,994.7	\$ 6,234.5
102	Cigarette Tax (3¢ General)	1,209.2	1,357.0	1,224.8	1,447.3	1,592.1	1,751.3	1,821.3	1,894.2
104	Insurance Premium Tax	3,475.9	4,364.3	3,927.8	4,438.4	5,015.4	5,667.4	6,404.2	7,236.8
105	Alaska Business License Tax	6,069.1	6,321.0	6,433.2	7,015.1	8,062.7	8,794.2	9,124.0	8,920.2
<u>Income Taxes</u>									
106	Individual Income Tax	39,076.3	42,962.7	41,039.4	49,822.4	57,142.8	59,735.3	55,398.3	55,508.2
107	Fiduciary Income Tax	47.6	40.0	50.0	50.0	55.0	55.0	55.0	60.0
108	Corporation Income Tax	6,458.0	6,906.9	6,886.8	7,594.7	8,007.1	8,643.2	10,673.1	21,160.7
	Total Income Taxes	<u>\$45,581.9</u>	<u>\$49,909.6</u>	<u>\$47,976.2</u>	<u>\$57,467.1</u>	<u>\$65,204.9</u>	<u>\$68,433.5</u>	<u>\$66,126.4</u>	<u>\$76,728.9</u>
109	Mines and Mining Taxes	30.7	17.0	32.0	40.0	40.0	60.0	80.0	80.0
110	Inheritance Tax	59.2	20.0	17.2	10.0	4.0	-0-	-0-	-0-
111	Estate Tax	39.3	8.0	42.0	50.0	55.0	60.0	65.0	70.0
<u>Commercial Fish Taxes</u>									
112	Raw Fish Tax	2,714.4	2,816.8	1,570.4	1,647.3	2,342.0	2,633.8	3,162.5	2,791.9
113	Fish Tax - Cold Storage	339.8	305.0	340.0	340.0	350.0	360.0	370.0	380.0
114	Fish Tax - Freezer Ship	228.5	140.0	230.0	230.0	230.0	230.0	230.0	230.0
	Total Commercial Fish Taxes	<u>\$3,282.7</u>	<u>\$3,261.8</u>	<u>\$2,140.4</u>	<u>\$2,217.3</u>	<u>\$2,922.0</u>	<u>\$3,223.8</u>	<u>\$3,762.5</u>	<u>\$3,401.9</u>
117	Disaster Relief Tax	1.8	-0-	-0-	-0-	-0-	-0-	-0-	-0-
118	School Tax	1,491.5	1,455.3	1,533.9	1,654.3	1,718.1	1,772.5	1,742.8	1,760.2
120	Electric & Telephone Coop Tax	469.0	455.0	500.0	520.0	540.0	570.0	590.0	610.0
<u>Fuel Taxes</u>									
131	Highway Fuel Tax	8,898.8	9,928.9	9,431.3	10,621.2	11,429.0	11,570.8	12,010.8	12,621.2
132	Aviation Fuel Tax	1,476.6	1,840.0	1,386.8	1,577.3	1,665.0	1,740.0	1,591.2	1,673.0
133	Watercraft Fuel Tax	1,026.5	1,100.6	1,041.3	1,083.0	1,126.3	1,171.3	1,218.2	1,216.9
	Total Fuel Taxes	<u>\$11,401.9</u>	<u>\$11,869.5</u>	<u>\$11,859.4</u>	<u>\$13,281.5</u>	<u>\$14,220.3</u>	<u>\$14,482.1</u>	<u>\$14,820.2</u>	<u>\$14,511.1</u>
	Total Income, Excise and Occupation Taxes	<u>\$77,950.0</u>	<u>\$86,339.6</u>	<u>\$80,811.1</u>	<u>\$93,777.7</u>	<u>\$105,236.7</u>	<u>\$110,886.6</u>	<u>\$110,531.1</u>	<u>\$122,447.8</u>
<u>OIL & GAS PRODUCTION TAX</u>									
115	Oil & Gas Production Tax	11,400.8	9,535.0	10,947.0	8,826.0	7,989.0	7,269.0	87,593.0	147,934.0

1973 ALASKA SEAFOOD VALUES AND TAX REVENUE PROJECTIONS

	<u>Value to fishermen</u>	<u>First wholesale</u>	<u>Existing tax</u>	<u>Proposed tax</u>
Canned salmon	} \$32,000,000	\$66,000,000	\$1,570,400	\$1,570,400
Frozen salmon		8,000,000	60,000	60,000
Fresh salmon		700,000		
Salmon roe		12,000,000		1,000,000
<u>Sub total</u>	<u>\$32,000,000</u>	<u>86,700,000</u>	<u>1,630,400</u>	<u>2,630,400</u>
King crab				
shore-based	13,600,000	26,000,000	136,000	680,000
floater	9,700,000	23,000,000	388,000	1,940,000
<u>Sub total</u>	<u>23,300,000</u>	<u>49,000,000</u>	<u>524,000</u>	<u>2,620,000</u>
Shrimp				
shore-based	4,300,000	20,000,000	43,000	215,000
floater	900,000		36,000	180,000
<u>Sub total</u>	<u>5,200,000</u>	<u>20,000,000</u>	<u>79,000</u>	<u>395,000</u>
Tanner crab	6,000,000	16,000,000	60,000	300,000
Dungeness crab	2,000,000	4,500,000	20,000	100,000
Scallops	1,400,000	1,700,000	14,000	70,000
Halibut	14,000,000	18,000,000	140,000	420,000
Herring	270,000	} 2,000,000	2,700	13,500
Herring roe			200,000	
<u>Total Seafood</u>	<u>\$81,170,000</u>	<u>\$197,900,000</u>	<u>\$2,470,100</u>	<u>\$6,748,900</u>

1973 PROJECTED FISH PROCESSOR TAX REVENUES

Revised Budget Estimate		\$2,200,000
20% Revenue Sharing (actually 13%)		<u>286,000</u>
Net to state		1,914,000
<u>Proposed Increases</u>		
King Crab	2,096,000	
Shrimp	316,000	
Halibut	280,000	
Others	387,000	
Roe	<u>1,200,000</u>	
Total Increases		<u>4,279,000</u>
Total Proposed Revenues		6,193,000
40% Revenue Sharing (actual 25%)		<u>1,518,000</u>
Net to State		4,675,000
Net Increase to State		2,731,000

In 1971 under 20% revenue sharing only 13% was actually shared with the communities. Less than 40% of proposed revenues would be actually shared. The \$1,000,000 collected at Adak, for instance, would go solely to the state.

SALMON

The present tax on canned salmon is 3% of the value of the pack, with the value determined as the average wholesale price over the preceding five years. This is roughly equivalent to 6% of the value to the fishermen. Shore-based processors purchasing salmon for purposes other than canning, such as fresh or frozen production, pay a tax of 1% of the value to the fishermen. Freezerships and other floating cold storages pay a tax of 4% of the value to the fishermen, except that if they remain in the same location for more than one year, they pay at the shore-based rate of 1%. SB169 does not change these rates.

CRAB

Crab canneries, both shore-based and floating, presently pay a tax of 2% of the value of the raw crab. Crab purchased for fresh or frozen production, as most crab are, is taxed at the rate of 1% for shore-based and 4% for floaters. SB169 proposes taxing all crab at the rate of 5% for shore-based processors and 20% for floating processors.

There are several reasons for taxing the floating processors at the considerably higher rate. Unlike the past, when floaters were needed, the crab processing industry today has more than adequate capitalization. A shore-based plant makes significant contributions to the local economy through property taxes, construction and maintenance costs, providing more steady jobs, etc. A floater has the competitive advantage of being able to locate closer to the grounds than a shore-based plant, and so is able to purchase crab at a considerably lower price during a quick season. For instance, the town of Kodiak is on the north end of the island while the heavy king crab fishing the last few seasons has been at the south end. Last year crab was selling for as little as 32 cents at the south end while at the same time it was as high as 40 cents in town. The 15% differential, about 4½ cents, would tend to diminish these advantages.

But probably the most important reason for the higher tax on floaters is that they traditionally move into the new or more distant grounds first and get the 'cream of the crop'. It is at these times, before the stocks are fully- or over-harvested, that an impact of management dollars is needed to inventory the stocks and find the right sustained yield harvest levels. This is presently lacking. Protection is also needed in these areas, where it is particularly expensive.

King crab is Alaska's one monopoly and our most lucrative fishery, and it makes sense to use a small part of this wealth for better management of our present and developing fisheries.

SHRIMP

Shore-based shrimp processors presently pay a tax of one per cent of the value to the fishermen, while a floating processor pays 4%. SB169 proposes raising this to 5% for shore-based and 20% for floaters.

New floaters have recently been moving into the Chignik-Sand Point area, yet the state has no management or protection program.

The proposed tax on shrimp is actually quite low since the value to the fishermen is such a relatively low percentage of the first wholesale value. An amount equal to all the additional tax revenues from shrimp is very badly needed for the neglected resource.

HALIBUT

The present tax on halibut purchases by cold storages is 1% of the value to the fishermen. SB169 proposes raising the rate to 3%.

In the past there were good arguments for a low tax on halibut, but these are no longer valid with today's high prices. The large halibut boat will fish steadily until he has a load or up to three weeks before selling his fish. Roundtrip running time from the Kodiak area, which is in the midst of the major grounds, to Seattle is 10 to 12 days. Back in 1967 when the price was 18 cents in Kodiak and 25 cents in Seattle, a boat running to Seattle would receive 40% more money for his catch. Last year, with a price of say 70 cents in Kodiak and 77 cents in Seattle, he would receive only 10% more for his catch, while the increased running time would lengthen the time of his trip by maybe 50%. Seattle, formerly the major American buyer, has had a sharp decrease in landings the past several years, and in 1972, when the halibut price was 100% above 1971 prices, Seattle's already small landings decreased 300%.

Many halibut fishermen had very lucrative seasons this year. Additionally, halibut fishermen, unlike all other fishermen, do not have to pay Alaska income tax on any earnings from fish caught outside three miles, as most halibut reportedly are.

ROE PROCESSOR TAX

SB169 proposes that the roe processor pay a tax of 25 cents per pound of roe processed. The value of the salmon presently taxed as determined by the canned salmon tax does not include the value of the roe. Salmon roe processors reported to Fish and Game that they received \$1.25/lb from the 1971 roe pack. Japanese market reports show that when the roe reached the Tokyo wholesale market in the fall of 1971, it was worth about \$3.25/lb. Freight and market fees are only about \$.25/lb, so I reckon that the roe was worth about \$3.00/lb when leaving Alaska.

People's opinions differ as to where the burden of this tax will fall. Twenty-five cents per pound on roe would produce revenues equal to about 1% of the first wholesale value of the entire salmon production. This burden would be on all processors equally--cold storages and canners alike. The next question is how much of the tax will be passed back onto the fishermen. The vast majority of salmon are sold by the fishermen in the round. When the roe became extremely valuable instead of a waste product, fishermen did not see a corresponding raise in prices. I see no reason why when these extra profits are taxed that the burden should fall completely back onto the fishermen. I feel it will probably be shared by all segments of the industry.

Many salmon fishermen are interested in rehabilitation of the runs, improved management, and hatcheries of some type. With the lack of oil money, I feel the industry should be willing to pay for the investment in the resource. It seems reasonable to 'tax eggs to hatch eggs'. It should all pay off many times over in the long run.

REVENUE SHARING

Under the existing law, 20% of the fish tax revenues are shared with the local governments in which they are collected. In 1971 only 13% of gross revenues were shared, because considerable amounts are collected in unorganized areas. SB169 proposes sharing 40% with the local governments. This would work out to actually sharing only about 25%. For instance, the million dollars collected from the Adak king crab catch with the increased floater tax would go only to the state.

Fishing communities have special tax problems. Our industry produces much wealth, but usually so little of it stays in the local community. Fishing boats and floating processors are difficult to tax. Sales and property taxes are paid largely by the resident, while the transient makes his money and heads South. Ninety-five percent of Alaska's fish are processed by Outside-owned corporations, so their profits don't stay in the community. It is difficult to tax a salmon boat, for only the local boat can be taxed, and the tax could be the last straw on a bad year.

Seafood money flows into the local economy mainly through the local fishermen and canneryworkers, and these two groups have a difficult time passing on direct taxes. It is more fair to get the same number of dollars by taxing the fish, for then the local tax burden is shared by the whole industry, including the Outsiders.

Other areas of the state have industries that provide buildings, heavy equipment, pipelines, oil platforms, steadier payrolls, etc, that can be more easily taxed with local taxes. Fishing communities spend money trying to provide the services for an industry which is ~~it~~ difficult to tax locally. The help of the state through revenue ~~x~~ sharing of the fish tax is needed in order for our fishing communities to tax the wealth of our industry.

Foster and Marshall recently did a tax study for Kodiak to determine how the town can raise the money needed to pay for the new high school addition and swimming pool. It recommended raising the sales tax from 3% to 5% and taxing the fishing boats full value. The increased shared revenues under SK169 would provide about the same amount of dollars. It's an 'either-or' situation for Kodiak.

SUMMARY

'Tax' is too often considered a dirty word---everybody wants to avoid it, particularly politicians. But taxes are a necessary part of democracy and capitalism. They are the way of appropriating part of the wealth to serve those needs of industry and society that cannot be served by free enterprise alone. It's easy under socialism or communism, for then all the revenues from production go directly to the government, but I don't think we are interested in that.

Completely unrestricted free competition in the harvesting of fish doesn't work. Even though to a few fishermen at times management may seem to be an evil, management is absolutely necessary, and we should work to make sure that it's as effective as possible.

In eight years time in Kodiak I have lived through inadequate management of two major fish stocks, king crab and shrimp, and have twice experienced the results of overfishing, and now it's happening all over again with tanner crab. For several years I fished tremendously rich shrimp and king crab grounds--the prices were low, but the volume was great, and we did well. But now some of those grounds are seriously depleted or practically barren. The prices went up to help compensate for the lower volumes, but think how much richer we would all be if we had had adequate management.

I don't put all the blame on Fish and Game. Some of their managers probably made some mistakes, but they can't work without tools. The king crab and shrimp budgets have been terribly small. It costs money to gather the research data and inventory the stocks.

The blame lies with all of us--processors, fishermen and the state--we've neglected management until the resource gets in trouble. Our fisheries have fantastic potentials if we only pay them the necessary attention. The responsibility of management rests with the state. I love fishing--it's my way of life--but I enjoy it much more when I feel I'm harvesting, rather than raping, the resource.

Table 1. Commercial Fisheries Values and Budgets (Thousands of \$)

Year	Fishermen	Value			Budget			Total	% of Wholesale
		Wholesale	Management	Research	88-309	89-304	Misc.		
1960	40,934	96,674	511	200			711	0.74	
1961	46,470	128,687	914	264			1,178	0.92	
1962	58,436	131,938	900	284			1,184	0.90	
1963	46,859	109,038	913	327			1,240	1.14	
1964	56,843	140,921	1,147	498	20		1,665	1.18	
1965	70,083	166,572	1,037	257	290		1,634	0.98	
1966	81,902	197,299	1,073	361	328		1,782	0.90	
1967	48,777	126,696	1,165	384	333	166	2,048	1.62	
1968	79,900	191,686	1,275	375	328	425	2,403	1.25	
1969	71,024	144,200	1,317	692	328	425	2,762	1.92	
1970	98,390	213,932	1,502	746	304	425	2,977	1.39	
1971	85,505	198,658	1,989	980	304	388	3,661	1.84	
1972			2,095	1,052	304	388	4,222		
Avg.								1.18	

Table III - Pacific Coast Halibut Landings (dmsd., hds-off, weights) 1971 and 1972*

	Total 1971		Total 1972	
	U. S. Vessels 1,000 lbs	Canadian Vessels 1,000 lbs	U. S. Vessels 1,000 lbs	Canadian Vessels 1,000 lbs
Alaska:				
Juneau	1,220.0	13.0	1,017.0	-
Ketchikan 1/	2,742.0	23.0	1,242.0	-
Kodiak	4,425.0	4,792.0	5,167.0	3,246.0
Pelican	865.0	581.0	683.0	459.0
Petersburg	2,528.0	61.0	2,504.0	48.0
Sand Point	276.0	408.0	654.0	314.0
Seward 2/	2,442.0	1,169.0	3,401.0	1,577.0
Sitka	1,139.0	124.0	1,159.0	70.0
Wrangell	417.0	-	342.0	-
Other Central Alaska	648.0	38.0	920.0	-
Total Alaska	16,702.0	7,209.0	17,083.0	5,714.0
Prince Rupert	1,568.0	11,514.0	1,300.0	10,042.0
Vancouver 4/	-	4,719.0	-	4,181.0
Seattle	1,875.4	120.6	631.0	-
Bellingham	724.0	1,940.4	510.0	1,320.0
Other Washington Ports	219.6	-	233.3	-
Oregon	69.0	3.0	45.0	-
Total	21,158.0	25,496.0	19,808.3	21,657.0
GRAND TOTAL		46,654.0		41,465.3

1/ Includes Craig, Tokoon and Kotzebava.

2/ Includes Seldovia and Coriova.

3/ Includes Euteleia.

4/ Includes Vancouver Island and Haku.

Table 2.--Japan's wholesale price for imported chum and pink salmon roe, September 1971-72.

Grade	Price per pound	
	September 1971	September 1972
First:		
Chum salmon roe	3.41 to 3.79	3.99 to 4.60
Pink salmon roe	3.15 to 3.41	3.99 to 4.28
Second:		
Chum salmon roe	3.16 to 3.41	3.69 to 4.36
Pink salmon roe	2.90 to 3.03	3.69 to 3.84
Third:		
Chum salmon roe	2.91 to 3.03	3.39 to 3.92
Pink salmon roe	2.65 to 2.65	3.39 to 3.40

("Suisan Jushin," September 25, 1972).

