

AK FISH
PROCESSING

INFO

SB 140

SB 222

STATE OF ALASKA

OFFICE OF THE GOVERNOR

STATE POLICY DEVELOPMENT AND PLANNING

JAY S. HAMMOND, GOVERNOR

POUCH AD - BUREAU 99011
PHONE 465-3512

ALASKA FISH PROCESSING INDUSTRY INFORMATION PACKET

CONTENTS:

1. Summary of Special Meetings of April 17 and 18, with Attachments
2. Memorandum with List of "Alaska Based Processors"
3. Memorandum on General Fisheries Employment and NEFCC Operations in Alaska
4. Memorandum regarding Proposed Legislation with Attachments and Notice of Legislative Hearings on such Legislation and Other Related Matters


MEMORANDUM

TO: Distribution List

DATE April 21, 1980

FILE NO.

TELEPHONE NO 465-3573

FROM: David L. Allison 
Policy and Program Specialist II
Division of Policy Development
and Planning

SUBJECT: For Your Information:
- Attached Work Draft Copy
of Proposed Legislation
CSSB 140 and CSSB 222
- Legislative Hearings
Information

This legislation was drafted by legislators and legislative staff in response to the financial problems currently affecting the seafood processing industry in Alaska. The drafts were developed during and after consultation with trustees of the Alaska Renewable Resources Corporation and representatives of several other administration agencies, offices and departments.

A legislative hearing on the revised drafts of this legislation is tentatively scheduled to be held at 3:00 p.m. on Monday, April 21, 1980. The hearing is tentatively scheduled to discuss 1) overall 1980 Alaska seafood pack financing problems; 2) impact of financial problems on processing the 1980 Bristol Bay red salmon runs; and 3) the specific problems and opportunities arising from the New England Fish Company's financial difficulties.

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of Commerce and Economic Development
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Legislative Assistant

Original sponsor:
((must be on all CS's))

Funding Information · (((appropriation bills only)))

General Fund	\$		BY _____
Other Funds		_____	_____
	\$		_____
HOUSE			
IN THE			
SENATE			

CS § _____ BILL NO. 140

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to financial assistance by the Alaska Renewable Resources Corporation; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Loans by the Alaska Renewable Resources Corporation to be used exclusively for purchase of the 1980 salmon pack may be made in an amount not to exceed \$60,000,000.00. Such loans may exceed the limitations prescribed in AS 37.12.180 (b)(1) without specific legislative approval and do not require the detailed proposal presented in AS 37.12.080 (a)(1), provided:

- A. The borrower must have offices in Alaska.
- B. The loans must be for a term not exceeding six (6) months.

The authority to make ^{new} loans under this section expires January 1, 1981.

• Section 2. The Alaska Renewable Resources Corporation may use an amount not to exceed \$15,000,000.00 for the purpose of ~~providing financial assistance for~~ ^{investments into loans} purchasers of the 1980 salmon pack. This assistance may be in any manner authorized in AS 37.12.080 but does not require the detailed proposal presented in AS 37.12.080(a) and may exceed the limitation presented in AS 37.12.080 (b)(1) without specific legislative approval.

- * Section 3. The loans authorized by section 1 of this Act may be made only from appropriation made for the purpose and all money appropriated for the purpose shall be repaid to the ^{general fund} ~~state~~. ~~The financial assistance authorized by section 2 of this Act may be made only from appropriations for the purpose but money appropriated for this purpose need not be repaid to the state.~~
- * Section 4. The legislature finds that the Alaska Renewable Resources Corporation has complied with all requirements for an investment of \$3,500,000.00 in Ball Brothers, Inc, an Alaska Corporation, except for the requirement in AS 37.12.080 (b) that no financial assistance of more than \$1,500,000.00 may be provided to a single project or applicant unless the legislature has approved the investment by Concurrent Resolution. The legislature further finds that approval of the investment is in the public interest. Notwithstanding the provisions of AS 37.12.080 (b) requiring approval by Concurrent Resolution the investment in the amount of \$3,500,000.00 is approved and the Corporation is authorized to make the proposed investment in Ball Brothers, Inc, An Alaska Corporation.
- * Section 5. This Act takes effect immediatly in accordance with AS 01.10.070 (c).

Original sponsor:
((must be on all CS's))

Funding Information (((appropriation bills only)))

General Fund \$75,271,400.00

Other Funds

\$75,271,400.00

BY _____

1 IN THE HOUSE
2 SENATE

CS 5 BILL NO. 222

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making supplemental appropriations to the Alaska
Renewable Resources Corporation for providing financial
assistance to aid in purchase of the 1980 salmon pack, for
developing and screening project opportunities; and providing
for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

- * Section 1. The sum of \$60,000,000.00 is appropriated from the general fund to the Alaska Renewable Resources Corporation for loans to be used exclusively for purchase of the 1980 salmon pack as authorized in section 1 of Committee Substitute for Senate Bill 140.
- * Section 2. The sum of \$15,000,000.00 is appropriated from the general fund to the Alaska Renewable Resources Corporation for ~~financial assistance~~ ^{investments into} to purchasers of the 1980 salmon pack as authorized in section 2 of Committee Substitute for Senate Bill 140.
- * Section 3. The sum of \$271,400.00 is appropriated from the general fund to the Alaska Renewable Resources Corporation for the purpose of screening and developing project opportunities for the fiscal year ending June 30, 1980.

- * Section 4. Sections 1 and 2 of this Act take effect on the effective date of a version of Committee Substitute for Senate Bill 140 which authorized the loans for which the appropriation in section 1 of the Bill is to be used and the financial assistance for which the appropriation in section 2 of this bill is to be used.
- * Section 5. Section 3 of this Act takes effect immediatly in accordance with AS 01.10.070 (c).


MEMORANDUM

TO: Distribution List

DATE: April 21, 1980

FILE NO:

TELEPHONE NO: 465-3573

FROM:  David L. Allison
Policy and Program Specialist II
Division of Policy Development
and Planning

SUBJECT: Attached: 1) Memo on
Fisheries Employment and
Residency and 2) Memo on
NEFCO Alaska Employment
and Operations

Pursuant to request, analysts for the Department of Labor, section of Research and Analysis, prepared the attached memorandum of fisheries industry employment and residence based upon data accumulated and computed pursuant to a contract from the Bottomfish Coordinator, Office of the Governor. The complete report of results of the survey of persons fishing in Alaska (The Fishermen's Survey) and the survey of seafood processors operating in Alaska (The Processors Survey) are being printed and will be available, along with 3 additional seafood industry employment-related reports within the next several weeks.

The information contained in the second document attached hereto is approximate and is based upon information supplied to this office by NEFCO officials since 4/16/80. While not absolute, the information should assist in understanding the potential impact on Alaskan resident employment of the closure of NEFCO processing operations in Alaska. More specific and complete information should be available after 4/21/80 when the Chairman of the Board, the Development Officer and Alaska Operations Manager of NEFCO visit Juneau for administration and legislative meetings and hearings.

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of Commerce and Economic Development
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NEFCO Alaska Plant	*Credit Line Required at Peak of Season (July in most areas)	*Number of Boats (and type or size)	*Number of Employees
1. Egegik	<u>\$11 Million</u>	107 boats (most under 40 ft.)	160
2. Sand Point		25 set nets (45 add'l boats	
3. Uganik	(Uganik cans fish for Peter Pan as well as NEFCO)	for Peter Pan and Seward fisheries)	
4. Gibson Cove	<u>\$6 Million</u>	18 crab boats	160
5. Kodiak	(Gibson Cove is NEFCO's white fish or bottomfish processing facility. A \$2.5M Alaska Fishery Development Grant to establish a "model white fish processing plant" at Gibson Cove is tentatively approved and awaiting implementation)	4 shrimp (convertible to white fish) 1 shrimp exclusively 1 white fish exclusively (vessels from 65 ft. to 98 ft.)	(on two shifts) + 12 salaried
6. Ketchikan Cold Storage/ buying station on Noyes Is.	<u>\$6.5 Million</u> (This plant incorporates a joint venture canning operation with Whitney-Fidalgo)	55 boats	70
7. Seward	Existing Plus	Unspecified	150
8. Homer	<u>\$5 Million</u>		
9. Ninilchik	NEFCO has $\frac{1}{2}$ interest, Icicle Sea- foods has other $\frac{1}{2}$ interest. Plants operated as <u>SEWARD FISHERIES</u>		
TOTALS: 9 Processing and Operations Locations	\$27 MILLION <u>± .5</u>	More than 231 vessels 25 set nets	552

*All figures regarding credit line, number of fishing vessels and set nets and number of employees are approximate and subject to change depending on availability of resource, cost and price of fish and other business factors.

MEMORANDUM

State of Alaska

TO: Dave Allison, Division of Policy
Development & Planning
Office of the Governor

DATE: April 18, 1980

FILE NO:

TELEPHONE NO:

FROM: ^{BB} Barbara Baker, Labor Economist
Research & Analysis

SUBJECT: Fisheries Employment &
Residency

The Alaska Department of Labor breaks seafood employment into two major components: fish harvesting and non-agricultural (which includes processing, fish buyers and cold storages). The non-agricultural employment is based upon unemployment insurance contribution reports which are mandatory. Fish buyers are an exception to this and may be understated. Table 1, summarizes the total non-agricultural employment in the seafood industry. Table 2 is specific to the processing sector.

Employment data for the fish harvesting industry was compiled through the Fishermen's Survey. As Attachment A indicates, employment can not be compared to other employment estimates compiled due to methodologies and the marginal attachments many fishermen have to various fisheries. Based upon our survey data 13,353 people are annually engaged in fishing in Alaska.

Resident employment of the seafood industry has a large error factor. Attachment B indicates the possible range of resident employment in the fish harvesting industry, (based upon the various definitions of residency). According to our estimates between 65-82 percent of the fishermen are residents. Defining resident employment in the seafood processing industry is also difficult. Our only data source on residency was collected through the Processors Survey and may be biased by the high response from small independent processors. Attachment C, outlines the results. Over 30 percent of the respondents indicated that over 80 percent of their employees had lived in Alaska for at least 6 months and had intentions to remain. I have asked Doris Simon to call you on Monday - to provide you with her own experience regarding this issue. She has direct contact with many of the processors who are the largest employers of out-of-state workers.

If I can be of any further assistance, please contact me at your convenience.

Attachments

BB/lm

TABLE I
 *FISH PROCESSING EMPLOYMENT FOR CANNED & CURED, FRESH OR FROZEN
 PACKAGED, REFRIGERATED WAREHOUSING, & FISH WHOLESALERS (BUYERS)
 BY LABOR MARKET AREAS
 AND CENSUS DIVISIONS
 1975 - 1978

Labor Market Areas and Census Divisions	1975	1976	1977	1978	Compound Growth Rate (1975-1978)
<u>ANCHORAGE - MATANUSKA - SUSITNA</u>	142	113	185	229	17.27%
Anchorage.....	142	113	185	229	
Mat-Su.....	0	0	0	0	
<u>SOUTHEAST</u>	810	930	1038	1163	12.98%
Angoon, Haines, Juneau.....	82	95	74	64	
Ketchikan, Outer Ketchikan.....	155	229	257	306	
Prince of Wales.....	64	37	41	77	
Sitka, Skagway-Yakutat.....	199	228	206	258	
Wrangell.....	310	341	460	463	
<u>GULF COAST</u>	1975	2547	2630	2721	11.27%
Cordova.....	217	298	277	276	
Kenai.....	409	442	402	477	
Kodiak.....	1116	1562	1575	1562	
Seward, Valdez.....	233	245	376	406	
<u>SOUTHWEST</u>	1235	1434	1583	2202	21.26%
Aleutian Islands.....	783	991	1130	1644	
Bethel.....	100	56	94	62	
Bristol Bay Borough.....	171	169	141	214	
Bristol Bay.....	123	140	131	182	
Kuskokwim, Wade Hampton.....	58	73	87	100	
<u>INTERIOR - NORTHERN</u>	38	4	59	49	8.84%
<u>STATEWIDE - CENSUS DIVISION UNKNOWN</u>					
<u>TOTAL STATEWIDE</u>	4200	5038	5495	6369	14.89%

*Employment data is provided by employers through unemployment insurance contribution reports. Compliance is mandatory except for fish buyers who may elect not to be covered. One hundred seventy-five fish buyers contributed to unemployment insurance in 1978.

TABLE 2

TOTAL FISH PROCESSING EMPLOYMENT AND WAGES
(FOR CANNED, CURED, FRESH, OR FROZEN PRODUCTION)

Employment					Total Quarter Wages					Average Quarterly Earnings				
1st QTR	2nd QTR	3rd QTR	4th QTR	Average Annual Emp.	1st QTR	2nd QTR	3rd QTR	4th QTR	Total Payroll	1st QTR	2nd QTR	3rd QTR	4th QTR	Average Annual Earnings
1979	3328	6841	11736		9916043	22683797	51482630			2980	3316	4387		
1978	3706	5975	9887	5992	11151044	16836440	39586141	15223388	82797013	3009	2818	4004	3460	13818
1977	3036	5108	8278	5150	8432093	14617047	29933814	12640844	65623798	2777	2862	3616	3026	10952
1976	2956	4773	7772	4851	7384618	13459881	25675008	11412203	57931710	2498	2820	3304	2925	11942
1975	1921	3707	6507	3976	4756512	7578216	17186674	9688127	39209529	2476	2044	2641	2570	9862
1974	2738	4052	6061	3930	5118005	9134530	15380760	7829432	37462727	1869	2254	2538	2729	9533
1973	2717	3992	6745	4221	4051401	7433688	14494381	7099860	33079330	1491	1862	2149	2070	7837
1972	1467	3343	6073	3379	2333356	5616707	13307827	4785347	26043237	1591	1680	2191	1818	7707
1971	1676	2980	5963	3251	2474244	5258739	15436065	4498664	27667712	1476	1765	2589	1885	8511
1970	1657	3634	6308	3371	2332861	5807825	16021970	3606331	27768987	1408	1598	2540	1913	8238
1969	1410	2953	5400	2876	1903856	4338051	11272235	3357582	20871724	1350	1469	2087	1926	7257
1968	1521	2513	5975	3003	2042602	3950910	11558596	2892562	20444670	1343	1572	1934	1477	6808
1967	1837	2742	4782	2841	2152483	3925643	8985500	2784028	17847654	1172	1432	1879	1389	6282
1966	1702	2841	5820	3089	2035521	4147986	12160958	2887849	21232314	1196	1460	2090	1447	6874
1965	1219	2795	4932	2669	1566793	4454176	12535192	2460580	21016781	1285	1594	2542	1421	7874

Employment:

Annual growth 1965 - 1978 = 6.42%

Annual growth 1975 - 1978 = 14.65%

Total Payroll:

Annual growth 1965 - 1978 = 11.12%

Annual growth 1975 - 1978 = 28.29%

Average Annual Earnings:

Annual growth 1965 - 1978 = 4.42%

Annual growth 1975 - 1978 = 11.90%

Attachment A

LABORFORCE, SOCIOECONOMIC, AND OTHER CHARACTERISTICS OF THE FISH HARVESTING INDUSTRY

Only limited information on the laborforce and socioeconomic characteristics of fishermen has been available in the past. This section represents one of the most comprehensive sources of voluntary information from fishermen. Information on employment, crew size, occupations, fishing experience, age, sex, race, residency, species and region fished, length of vessels, and income characteristics of fishermen is presented in this section.

FISHING EMPLOYMENT

Employment data compiled through survey results is not comparable to employment estimates for other industries produced by the Department of Labor. Sufficient data is not currently available to compute average employment for fishermen. Survey data is a better indicator of total participation which includes fishermen who may be only marginally attached to various fisheries. Further analysis of employment data will be carried out as more current information is made available.

The most current fishing employment estimates comparable to other industries were developed through 1976 by Dr. George Rogers. These estimates appear in Part IV of the Bottomfish Labor Study, Alaska Fisheries Laborforce Statistics.

Respondents were asked to list their employment by month for 1978 and indicate those months in which they bottomfished. The following analysis will look at these responses in a statewide and regional profile. It should be noted that among the respondents who are actively bottomfishing, most are also attached to other fisheries of higher value, such as salmon, crab, or halibut.

STATEWIDE FISHING EMPLOYMENT

Total fishing employment was strong during the second and third quarters of 1978 (see Tables 1 and 2). Peak employment came in July coinciding with the height of the salmon season. The average size fishing crew is small (2.78). This is due to the large proportion of small sized vessels involved in fishing activities (40.6 percent of those who responded to the survey had vessels smaller than thirty feet). The survey data also shows that average crew size for vessels fishing in Alaska fluctuates from a peak of 3.45 persons per vessel in November to 2.59 in June. This fluctuation is attributed to large crab vessels fishing the winter months and smaller salmon vessels fishing during the summer. Preliminary estimates indicate that an annual average of 13,353 people are engaged in fishing in Alaska with participation peaking in July at 32,494.

SOURCE: FISHERMEN'S SURVEY

TABLE 1
PRELIMINARY ESTIMATES OF TOTAL
MONTHLY FISHING PARTICIPATION FOR 1978

JANUARY.....	4,150
FEBRUARY.....	4,150
MARCH.....	5,305
APRIL.....	9,421
MAY.....	16,739
JUNE.....	28,515
JULY.....	32,494
AUGUST.....	27,909
SEPTEMBER.....	15,572
OCTOBER.....	7,077
NOVEMBER.....	5,020
DECEMBER.....	<u>3,887</u>
	annual average 13,353

*Estimates were derived by expanding survey employment totals to the universe and controlling them to an estimate of total peak fishing employment in July 1977. Peak fishing employment for July was estimated from survey crew size information and the actual number of vessels making landings in July, 1977.

Extrapolated survey data is inconsistent with information found in the Alaska Department of Labor's Statistical Quarterly. Only fishermen and crew who voluntarily elected coverage of unemployment insurance are counted in the Statistical Quarterly.

INDICATORS OF RESIDENCY

It is difficult to discuss resident employment due to the great confusion in definitions of "Alaska resident." Various criteria have been established within departments of state government throughout the years. During the Alaskan Oil Pipeline construction era, the Department of Labor defined a resident as one who lived in the state one year but was later changed to thirty consecutive days with intentions to remain and the maintaining of a permanent residence.

The Department of Revenue, however, presently uses a 12-month criterion as eligibility for a resident crew member's license. This issue becomes even further clouded when considering the unique circumstances of the fisherman. The nomadic nature of fishermen and seasonality of the industry may invalidate these residency tests, while their entire incomes may be tied to the Alaskan economy.

Because of these varying definitions, it is perhaps better to discuss indicators of resident fishing employment in Alaska. The Fishermen's Survey asked respondents to indicate how many crew, including themselves had lived in Alaska for at least six months and had intentions to remain. Respondents indicated that eighty percent met this definition. Although this may be overstated, it is very similar to the rate of residency indicated by mailing addresses of the respondents to the survey and of the total universe of vessel license holders in 1979. On the conservative end of the scale, the Department of Revenue indicated that 65.6 percent of the crew member licenses issued went to residents. When adjusting the survey responses to include only crew members, 77.5 percent residency was indicated. Obviously, there is a large margin of error with most of these figures when taking into account definitional differences, reliability of addresses to reflect residency, and bias in responding to the survey. One can conclude, however, that between 65.6 percent and 80 percent of those who responded to the survey are residents of Alaska.

TABLE 15
INDICATORS OF RESIDENT EMPLOYMENT

	<u>Residency</u>	<u># of EMPLOYEES</u>
Respondents to the survey who indicated they and their crew lived in the state for at least six months with intentions to remain.....	80.0%	10,652
Vessel license holders who responded to the survey with mailing addresses inside the state.....	82.1%	10,963
All ADF&G vessel license holders with mailing addresses inside the state (based on a universe of 15,497).....	80.5%	10,779
Respondents to survey adjusted to include only crew.....	77.5%	10,349
Crew member licenses for 1978 - Department of Revenue (based on total issues of 21,841).....	65.6%	8,760

* Based upon the annual average employment of 13,353

Residency of Employees

Overall, 27.4 percent of the 171 respondents to the survey indicated that up to 50 percent of their employees were residents of Alaska* while 43.1 percent said that over 50 percent were Alaska residents. The largest number of processors (31.5%) said that over 80 percent of their employees were residents.

Firms which are currently processing bottomfish showed proportionately more resident employees than other firms 54 percent indicated that over 50 percent of their employees were Alaska residents.

Table 23
 PERCENT OF EMPLOYEES WHO HAVE LIVED IN ALASKA
 FOR AT LEAST SIX MONTHS WITH INTENTIONS TO REMAIN
 FOR ALL SURVEY RESPONDENTS BY PROCESSING STATUS

Resident Employees by Percent	Percent of Respondents		
	Total Respondents	Currently Processing Bottomfish	Not Currently Processing Bottomfish
None	2.3 %	0. %	2.6 %
1-10%	7.6	2.8	9.6
11-30%	6.4	2.8	7.0
31-50%	11.1	11.4	9.6
51-70%	2.9	5.7	2.6
71-80%	8.7	11.4	7.8
greater than 80%	31.5	37.1	32.4
No response	29.2	28.5	28.0
Total Respondents	171	35	114


*A resident was defined for the purpose of this survey as a person who has lived in Alaska for at least six months with intentions to remain.

TO: See Distribution List

DATE: April 21, 1980

FILE NO:

TELEPHONE NO: 465-3573

FROM:  David L. Allison
Policy and Program Specialist II
Division of Policy Development
and Planning

SUBJECT: "Alaska-Based" Processors

Herewith is a list composed of most of the seafood processors which can, at least arguably, be considered "Alaska-based" processors. This list was compiled by Bob Thorstensen of Iccle Seafoods and Seward Fisheries for Senator Clem Tillion and for Eric Eckholm of legislative staff on very short notice last week. Clarification of the ownership and residence status of these and other processing firms may be achieved through a review of data accumulated in the Department of Commerce and Economic Development and the Department of Revenue.

Mr. Thorstensen emphasized that these are not necessarily all of the Alaska-based processors nor are all of those listed here guaranteed to be Alaska-based under the standards which may be established for receipt of State financial assistance. Not all of the listed firms are necessarily having long- or short-term financial problems nor are all of these firms necessarily credit-worthy loan or investment risks.

The final determination of eligible companies would most likely be made on a case-by-case basis by the lending agency based upon statutory and regulatory guidelines established by the Legislature and the Governor.

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of Commerce and Economic Development
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Director of Communications
Keith Specking, Office of the Governor,
Legislative Assistant

Annette Island Packing Co., Metlakatla
F.C. Phillips & Son, Ketchikan
Harbor Seafoods, Wrangell
Keku Canning Co., Kake (BIA)
Kake Fisheries (C.S.) (BIA Plant)
Alaska Glacier Seafoods (Petersburg)
Engstrom Brothers (Douglas & Dillingham)
Bayview Cold Storage, Cordova
Sitka Sound Seafoods, Sitka
Icicle Seafoods, Inc., Petersburg
Chugach Fisheries, Cordova
Diamond E. Fisheries, Egegik
Osmar Ocean Specialities, Ninilchik
Kodiak Island Seafoods, Kodiak
Ursin Seafoods, Kodiak
All Alaska, Inc., Kodiak
Seward Fisheries, Seward
Royal Pacific, Soldotna
Ocean Fresh Seafoods, Inc., Kodiak
Sea Catch, Soldotna
Salamatof Fisheries, Kenai
Keener, Bud, Soldotna
Mountain Village, Yukon
Bering Sea Fisheries
Ball Brothers, Dillingham
Dagnet Fisheries, Kenai
Kodiak Native Plant at Larson Bay


MEMORANDUM

TO: See Distribution List

DATE: April 21, 1980

FILE NO.

TELEPHONE NO. 465-3573

FROM:  David L. Allison
Policy and Program Specialist II
Division of Policy Development
and Planning

SUBJECT: Summary of Special Meetings Held
Re: Fish Processing Financing
on 4/17 and 4/18

Meetings were held on Thursday and Friday, April 17 and 18, to discuss

1. the implications of the New England Fish Company (NEFCO) closure of Alaska fish processing plants;
2. the increasing number of requests from smaller Alaska-based fish processing companies for financial assistance for seafood purchases during the 1980-81 season; and
3. the extent of the financing problems affecting the Alaska seafood industry, the causes of those problems and the appropriate action, if any, which should be taken by the State of Alaska if the problems prove to be real, extensive and of potential serious implications to the economy of the State.

There was a consensus that:

1. There is a real and present problem, but further inquiry is necessary to determine how pervasive the problems may be within the Alaska-based seafood processing industry.
2. Although the virtual collapse of the Japanese seafood market and the historically high interest rates are generally recognized as the predominant immediate causes of the current seafood industry problems, in consideration of the importance of that industry to the long-term economic health of the Alaska economy, it would be beneficial to determine the origin and longer-term development of the financial problems of NEFCO, other processors in Alaska and the seafood industry as a whole.
3. A number of appropriate responses are available to the State and that those responses include, but are not limited to, the following:
 - a. Take no special action, but allow existing private and public sector facilities to respond in their normal course of business. Allow the marketplace to resolve the economic problems of the industry.

b. Expedite the processing of fishing industry-related loans through the State loan programs and the Commercial Fishing and Agriculture Bank (CFAB) and encourage private sector financial institutions to do the same.

c. Act as guarantor of existing or new loans extended to members of the fishing industry by private sector financial institutions.

d. Assist distressed companies to sell, lease or otherwise transfer some or all of their operation or equity interest to other, preferably Alaskan, business entities.

e. Establish a procedure and allocate new funds to CFAB and/or the Alaska Renewable Resources Corporation (ARRC) for a combination of debt and equity financing for Alaska-based processors and those non-resident controlled companies willing to convert to Alaska resident status.

f. Appropriate a new fund of money for distribution of interim financing loans to the seafood industry, without restrictions as to ownership or residency of applicant firms. Such a fund would be distributed through the private financial sector according to banking industry loan standards.

There was no consensus regarding which, if any, of the foregoing options would be preferable to the State, but that these options do constitute a reasonable range of activities within which a selective decision could be made.

4. Pending further consideration of the situation and further briefing during the week of April 21-April 25, the Division of Policy Development and Planning should continue to coordinate the accumulation and distribution of information regarding these issues among the affected and interested departments and personnel.

It was suggested that further information regarding the issues raised at the two meetings be accumulated and presented to the meeting participants and other appropriate parties at the earliest appropriate time.

At the meeting held on April 18 in the Governor's Conference Room, memoranda were received from Bob Waldrop, Special Assistant for natural resources and Commissioner Charles R. Webber, Department of Commerce and Economic Development in response to requests for comments extended during the 4/17/80 meeting. Copies of those memoranda are attached for your information and consideration.

Participants 4/17/80 Meeting

Senator Clem Tillion, Senate President
Jessie Dodson, Special Assistant,
Transportation and Commerce,
Office of the Governor
Bob Waldrop, Special Assistant,
Natural Resources, Office of
the Governor
Tim Edenso, Bottomfish Coordinator,
Office of the Governor
Reva Lafavour, International Fisheries,
Office of the Governor
Steve Penoyer, Director, Commercial
Fisheries, Department of Fish and Game
Charles Webber, Commissioner, Department
of Commerce and Economic Development
Tony Mecklenburg, Department of Commerce
and Economic Development
John Halterman, Deputy Director,
Division of Policy Development
and Planning, Office of the Governor
David Allison, Division of Policy
Development and Planning, Office
of the Governor

Participants 4/18/80 Meeting

Senator Bob Mulcahy, Kodiak
John Sund, Representative Gardiner's Office
Commissioner Charles Webber, Department of
Commerce and Economic Development
Bob Waldrop, Special Assistant
Jessie Dodson, Special Assistant
Eric Eckholm, Legislative Staff
Steve Penoyer, Department of Fish
and Game
John Halterman, Division of Policy
Development and Planning
Reva Lafavour, International Fisheries
Dick Reynolds, Department of Commerce
and Economic Development
Phil Daniels, United Fishermen of Alaska
Tom Singer, Division of Policy
Development and Planning
David Allison, Division of Policy
Development and Planning

Distribution List:

Charles Webber, Commissioner, Department
of Commerce and Economic Development
Senator Clem Tillion
Senator Bob Mulcahy
Representative Terry Gardiner
Ronald Skoog, Commissioner,
Department of Fish and Game
Steve Penoyer, Division of Commercial
Fisheries, Department of Fish and Game
Carl Rosier, Deputy Commissioner,
Program Management, Department of
Fish and Game
John Sund, Speaker Gardiner's Office
Thomas Williams, Commissioner,
Department of Revenue
Senator George Hohman
Keith Specking, Office of the Governor,
Legislative Assistant
Jessie Dodson, Office of the Governor,
Special Assistant for Commerce
and Transportation
Robert Waldrop, Office of the Governor,
Special Assistant for Natural Resources
Jim Edenso, Office of the Governor,
Bottomfish Coordinator
Charles Meacham, Office of the Governor,
1980 Bristol Bay Planning Group,
Director, International Fisheries
and External Affairs
Frances Ulmer, Office of the Governor,
Director, Division of Policy
Development and Planning
Tom Singer, Office of the Governor,
Analyst, Division of Policy
Development and Planning
Bob Palmer, Office of the Governor,
Special Projects, Alaska Fisheries
Council
John Halterman, Office of the Governor,
Deputy Director, Division of Policy
Development and Planning
Ron Lehr, Office of the Governor,
Director, Budget and Management
Bill Spear, Trustee, ARRC
Dick Reynolds, Commerce and
Economic Development
Tony Mecklenburg, Commerce and
Economic Development
Eric Eckholm, Legislative Staff
Senator Bill Sumner
Representative Nels Anderson
Bob Clarke, Office of the Governor,
Director of Communications
Keith Specking, Office of the Governor,
Legislative Assistant

MEMORANDUM

State of Alaska

TO: Dave Allison
Division of Policy Planning
and Development

DATE: April 17, 1980

FILE NO:

TELEPHONE NO: 465-3500

FROM: Bob Waldron
Special Assistant
to the Governor

SUBJECT: Financial Woes Besetting
Alaska's Fishing Industry

You asked that I respond to your recent memo pertaining to the financial problems facing the fishing industry. The following are a few shallow thoughts addressing the manner in which we might approach the subject.

Is the problem real, how widespread: A general inquiry should be initiated to assess the existence of the problem and the possibility that other processors and segments of the industry might also be facing similar financial difficulties.

What are the causes of the problem: Once it is determined that the situation is real and has the potential for growing, we will need to know as many as possible of the several factors contributing to the difficulty. Again, at this stage, the inquiry should be fast and undetailed.

What responses are available: Based on responses to the above questions, a summary listing might be compiled of all conceivable replies which might be made to alleviate the matter. Thought should be given to making the list broad, comprehensive, and not necessarily limited to only State actions nor only to aid directly to processors.

Who does the work: At this time, it would be my recommendation that first stage inquiries be conducted by a consultant under the direct and constant supervision of someone from the Governor's Office; yourself, Bob Palmer or myself. This person would rely on assistance and advice provided by Meacham, Webber, Edenso, Skoog, and possibly a couple of representatives from the Legislature.

RECEIVED

POLICY DEVELOPMENT
& PLANNING

MEMORANDUM

State of Alaska

TO: Dave Allison
Development Specialist
Division of Policy Development
and Planning
Office of the Governor

DATE: April 17, 1980

FILE NO:

TELEPHONE NO:

FROM: Staff, Division of Economic
Enterprise
Department of Commerce and
Economic Development

SUBJECT:

While the State has a legitimate concern over the fate of a major fish processing company in Alaska, the role the State must play is passive. The State traditionally seeks to create a climate where the renewable resources are protected and managed to insure the resources are perpetuated. The State has also recognized the need to encourage healthy economic activity within the State by establishing several loan programs available to residents of Alaska.

The criteria for these loan programs are explicit. To create viable economic activities within the State, in place loan officers and directors have the responsibility to review the criteria for granting the loan on an orderly basis.

The questions we must ask about NEFCO's needs for State support are based on very explicit criteria. Do they qualify as State residents? They do not.

If NEFCO decides to disband present corporate structure of Alaskan operations with the goal of merging present operations within State concerns or interests, they may qualify for State help.

The past record of NEFCO within the State has been less than spectacular. Since 1975, the company has been plagued with internal problems. The economic reverberations for the 1979 NW fishing season where over-extension on the part of processors and Japanese concerns is being painfully telegraphed throughout the industry and is magnified in NEFCO's fiscal instability. The debt and losses of \$5.6 million from the previous five years and the \$11 million pretax loss in the final months of 1979 suggest a poor fiscal responsibility on part of this company.

Basic to the problem at hand is the State's need to reflect on the consequences of releasing subsidized loans to a failing company. Will this result in strengthening the goals and health of the industry or lead to a further demise of increasing failures. One company cannot be treated preferentially over the next.

The State should not become overly committed to this processing company until the company organizes internally. The State can play an intermediate role and arrange potential new partners becoming aware of NEFCO's assets, potentials and shortcomings. These new partners should be dedicated Alaskan residents and, perhaps, have interests that incorporate the State's view as to the potential for future healthy utilization of the groundfish stocks. This new planning and reorganization will not happen overnight and, perhaps, not in time for the Bristol Bay harvest. The new structural shakeup should be revealing and possess long range viability. A strong package then could be subject to review by existing loan programs (ARRC, CFAB, AIDA).

The State should not shy away from large financial loans to the seafood industry but, while it is difficult to predict the success of the venture in these unstable times, mapping out successful ventures for the seafood industry processing sector will need careful projections and considerations.

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