

HJR

34

Alaska State Legislature

Representative Carl E. Moses

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HOUSE RULES COMMITTEE

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SPONSOR STATEMENT FOR HJR 34

Requesting the Department of Commerce to give a high priority to fisheries development project grants for the Alaska salmon industry

A decade ago, the United States was a dominant force in the worldwide salmon market, with Alaska producing 40% of the world's salmon. That share is now 30%, and dropping. New salmon producers from all over the world are entering the market, especially with the advent of farmed salmon. The United States' worldwide competitiveness is being seriously threatened. To remain competitive, the U. S. industry must improve its processing technology, investigate new value-added uses for salmon, develop new quality assurance specifications, and open up new opportunities with the domestic food processing industry.

Although Alaska's salmon production comprises a major share of the U.S. seafood industry, salmon has not received any government assistance for technology development. The Saltonstall-Kennedy (S-K) Industry Grants Program is intended to assist the seafood industry with such development. In the past however, the S-K program in Alaska has focused primarily on groundfish development. Salmon was perceived to be fully utilized, and not in need of such assistance. Global conditions have changed so much recently that the salmon industry is now in dire need of additional financial and technical resources in order to regain its position in the world market.

HJR 34 expresses the wishes of the Alaska Legislature to have the federal Department of Commerce give a high priority to S-K grants that will enhance the Alaska salmon industry. Such governmental assistance will benefit the industry, the state of Alaska, as well as help reduce our nation's foreign trade deficit.

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELLEVILLE • BRANSON • CENOSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE
COLD BAY • DUTCH HARBOR • EGECHIK • EKWOK • FALSE PASS • FERRIS • FRANKS • KING COVE • KING SALMON • KOLIGANEK • LEVELOCK • NAKNEK
NELSON LAGOON • NEW STUYAHOK • NIKILSKI • PEDRO BAY • PELLICER • PILOT POINT • PORT HEIDEN • PORT MOLLER • SAND POINT
SHEMYA • SQUAW HARBOR • TONGUE POINT • UNGA

**THE ECONOMIC IMPACT OF THE
SHORESIDE PROCESSING INDUSTRY
UPON ALASKA DURING 1992**

prepared for the

Pacific Seafood Processors Association

by

Pacific Associates

in conjunction with

Capitol Associates

March, 1994

Executive Summary

The purpose of this report is to quantify the economic impact of the shoreside seafood industry during 1992 upon Alaska, its communities and regions. The report is organized into several chapters that address purchases of fish and shellfish (in pounds and ex-vessel value) on a statewide and regional basis, purchases of goods and services within regions, the generation of revenues to the state, local municipalities and boroughs through taxation, the economic impact of employment, and a review of the regional economic impacts of the shoreside industry.

The seafood industry is Alaska's largest private sector employer; more than 35,000 people are employed in the harvesting and processing sectors of the industry. In some coastal regions of Alaska, the seafood industry generates nearly all economic activity. The shoreside processing sector of the industry is composed of over 550 facilities. Although the bulk of the industry consists of approximately 100 plants, the huge impact of the industry in Alaska is reflected by the large number of small processing facilities; many families throughout Alaska derive a substantial portion of their livelihood from small scale, shoreside seafood processing.

This report identifies the economic impact of the direct and indirect expenditures by the shoreside seafood processing industry upon various regions within Alaska. The indirect expenditures constitute a multiplier. Since there is no commonly accepted multiplier for the seafood industry, we have used a factor of 2.5 to determine the total direct and indirect expenditures (for every \$1 spent in directed expenditures, an additional \$1.50 is generated). This seems reasonable given the conservative estimates of direct expenditures and the very substantial impact the industry has on coastal Alaska.¹

The expenditures identified in this report were generated from a number of sources, including detailed, confidential information from members of the Pacific Seafood Processors Association, who identified in-state and local spending by plant location in Alaska. Municipal and borough governments, and various state and federal agencies, also provided information.

The information received from state and federal agencies on harvests and landings in Alaska conflicted at times. This was due to confidentiality provisions that restrict the type of information available to the general public. In some instances, the data generated by this report (with regard to landings) will vary from the total harvest levels of a species. In part this is due to the data, and in part it is due to the transfer of fish and shellfish outside of Alaska for processing.

¹ A 1987 report by Matthew Berman and Teresa Hull for the Institute of Social and Economic Research, University of Alaska, Anchorage, entitled The Commercial Fishing Industry in Alaska's Economy, identified a statewide multiplier of 1.73 (for every \$1 spent, an additional 73¢ is generated) for the seafood industry. The authors cautioned that this could easily be a conservative estimate based upon several variables; additionally, they reasoned that changes in the industry during the near future could generate an increase in the multiplier.

Executive Summary

The regions used in this report consist of the following:

Alaska Peninsula: Chignik and the Aleutians East Borough (minus Akutan).

Bristol Bay: The Bristol Bay region.

Bering Sea/Aleutian Islands: Unalaska/Dutch Harbor, Akutan, villages in the Aleutians west of Unalaska, and the Pribilof Islands.

Kenai/Cook Inlet/Anchorage: The Kenai Peninsula, including Seward, and Anchorage.

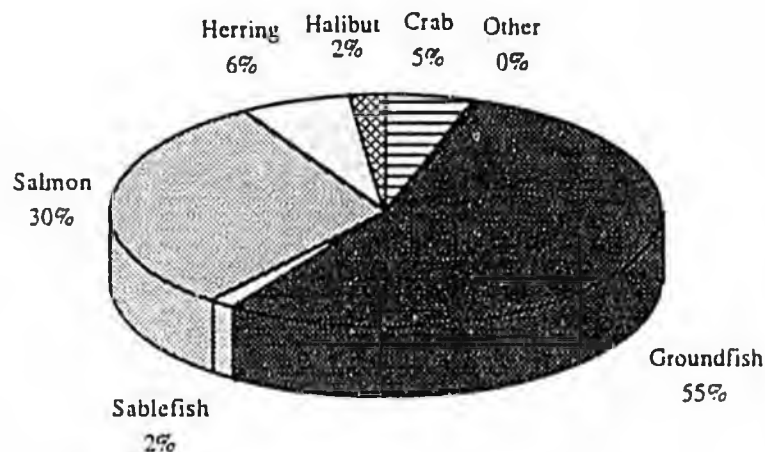
Kodiak: All communities in the Kodiak Island Borough.

Prince William Sound: Cordova, Whittier, and Valdez.

Southeast: All communities south of, and including, Yakutat.

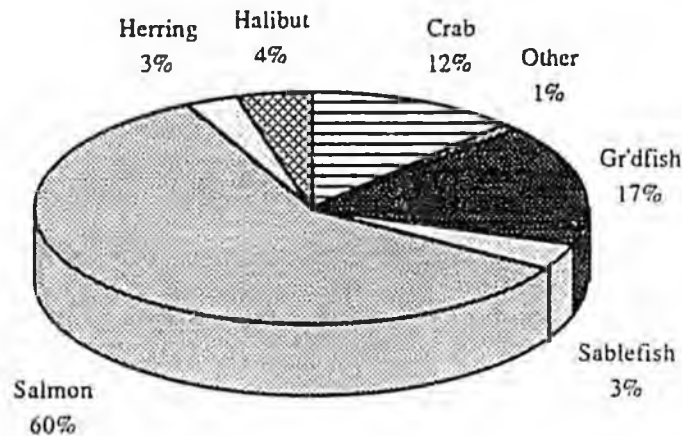
In 1992, the shoreside seafood industry processed 2.26 billion pounds of fish and shellfish in Alaska communities — an average of 6.2 million pounds per day. Each day's production by Alaska's shoreside processing sector produced enough food to feed 774,000 people.

Figure 1
Distribution of Fish & Shellfish by Major Species Category Purchased by the Shoreside Processing Industry in Alaska during 1992 (in percent of total pounds)



The ex-vessel value of the species harvested was over \$1 billion. On a quarterly basis, 15% of the value occurred during the first quarter, 34% in the second quarter, 44% in the third quarter, and 7% in the fourth quarter.

Figure 2
Distribution of Fish & Shellfish by Major Species Category Purchased by the Shoreside Processing Industry in Alaska during 1992 (in percent of total value)



The Bering Sea/Aleutians region accounted for \$215.5 million of total fish and shellfish purchases, followed by Bristol Bay with \$220.5 million, Southeast Alaska with \$165 million, the Alaska Peninsula with \$124 million, Kodiak with \$110 million, and Prince William Sound with \$56 million. (See Figure 3.)

An average of 11,233 individuals per month were directly employed by the shoreside sector in Alaska during 1992; at peak employment, over 16,000 individuals were employed in processing facilities. The total direct payroll during 1992 was \$271 million; an additional \$101 million was spent on employee fringe benefits and other related costs, bringing the total directly expended for shoreside processing employees to \$371.5 million. (See Figure 4.)

The seafood industry is the economic engine for many communities and regions within coastal Alaska. The purchase of fish and shellfish by shoreside processors sets in motion an entire economic structure that affects all ways of life in each community. In preparation for the fishing season, harvesters employ crew members and purchase goods and supplies; following the delivery of the harvest and production, the products must be transshipped to the market. Each individual employed and each dollar expended in the community, contributes to another job in the community — which, in turn, generates additional employment and expenditures within the community.

Executive Summary

Figure 3
Distribution of Fish & Shellfish Purchased by the Shoreside Processing Industry in Alaska during 1992 by Region (in percent of total value)

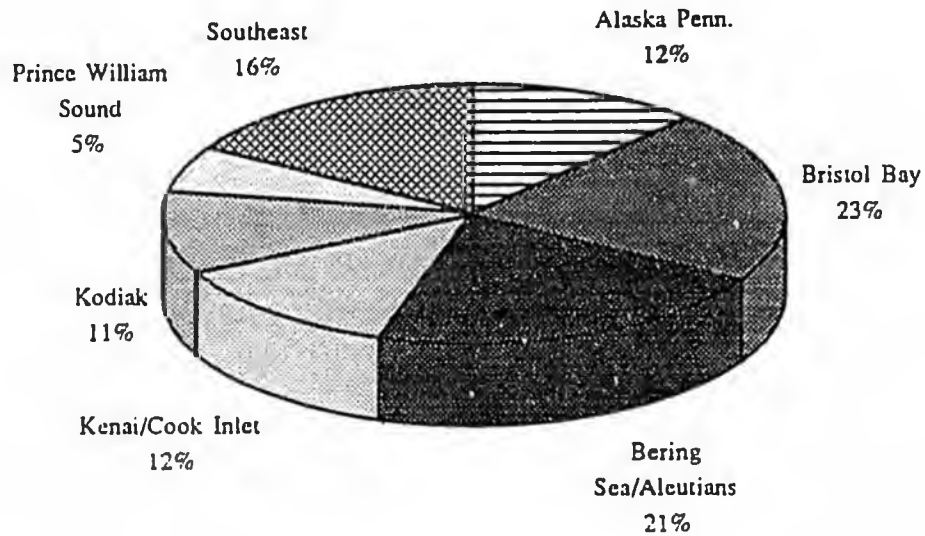
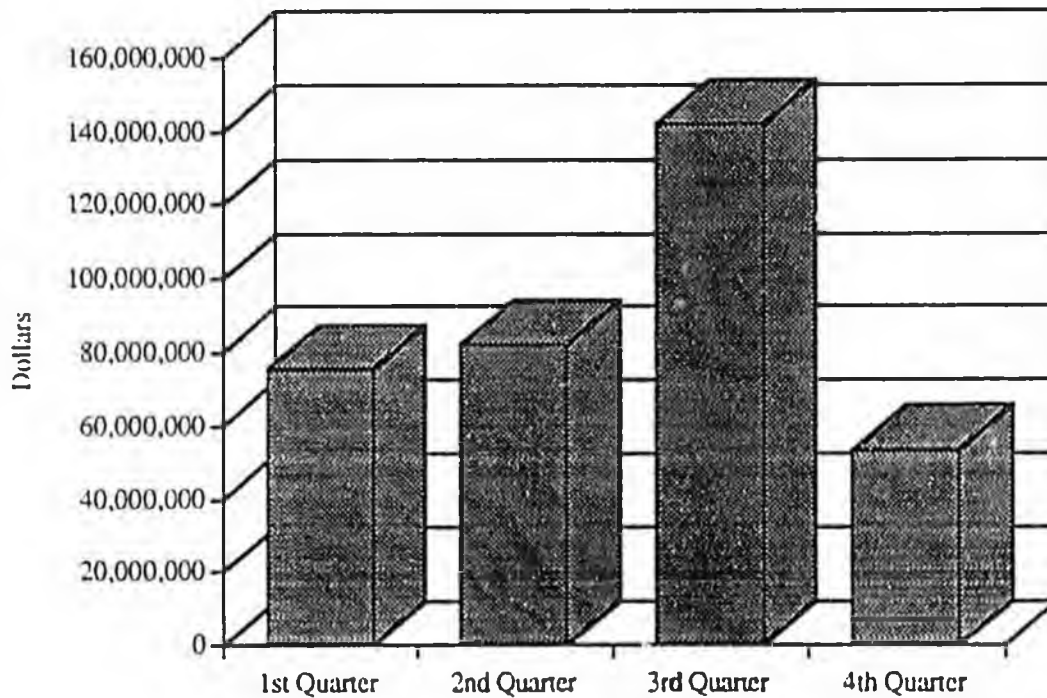
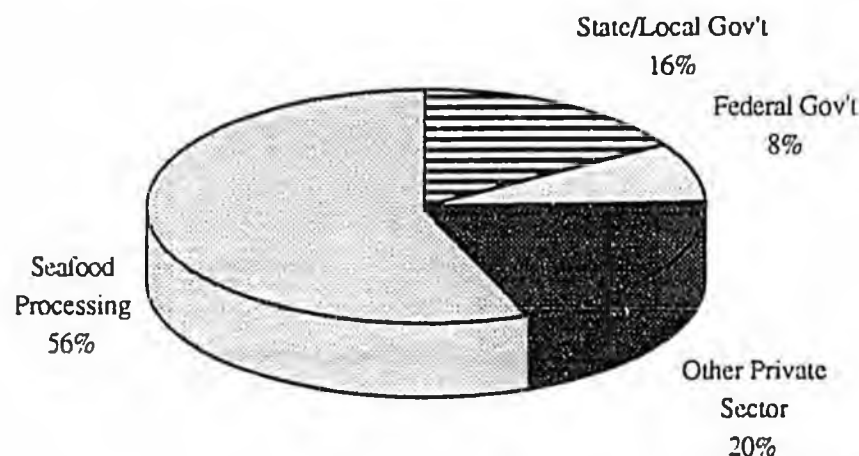


Figure 4: Distribution of Shoreside Processing Employee Wages & Benefits during 1992 (all regions combined)



For example, in the region encompassing Kodiak, Bristol Bay, the Alaska Peninsula, and the Aleutian Islands during 1992, 56% of total employment opportunity during 1991 consisted of seafood processing — the remainder was split between other private sector employment (20%), and government (24%). (See Figure 5.) Bear in mind the 56% seafood processing figure does not include crew jobs or captain positions on fishing vessels. Most of the other private sector jobs are in industries that directly provide services to the shoreside seafood processing industry; as processing employment increases, so does employment opportunity elsewhere in the private sector.

Figure 5
Percentage of Available Jobs in the Region Encompassing Kodiak, Bristol Bay, the Alaska Peninsula, and the Aleutian Islands during 1992



Over \$64 million in goods and services were purchased directly by the shoreside processing sector in Alaska communities from local vendors and municipalities. This includes \$32 million for consumables, \$22 million for services, and \$10 million for water, sewer, and utilities. (See Figure 6.)

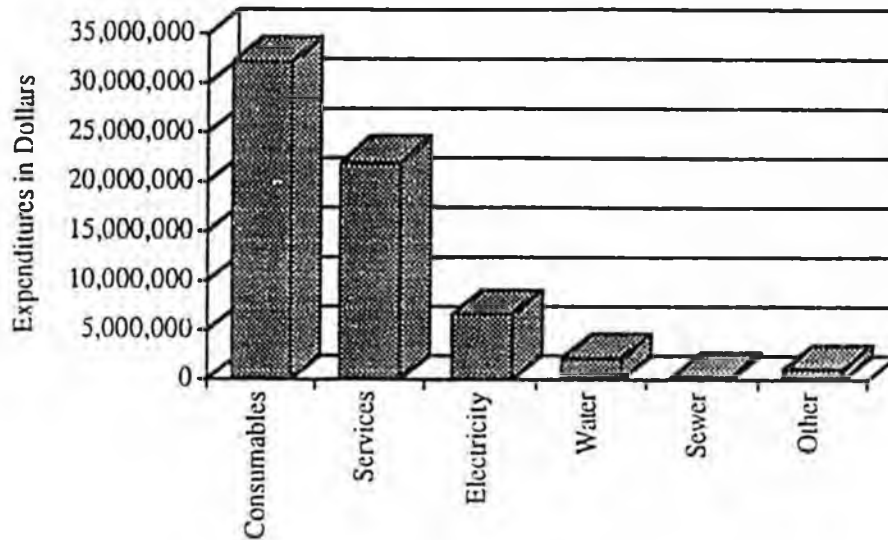
The shoreside processing sector also paid over \$57 million in state and local raw taxes for their purchases of fish and shellfish. Of this amount, approximately \$36.5 million was paid directly to the communities and region served by the shoreside processing sector; one-half of the state fish tax (\$21 million) and all of the local raw fish tax (\$15.5 million).

Payments of taxes and other fees made by the shoreside seafood processing industry constitute significant contributions to the overall revenues available to most municipalities and boroughs in coastal Alaska. In the Aleutians East Borough, for example, 80% of total revenues during 1992 were composed of fish taxes paid by the shoreside processing industry. (See Figure 7.)

Executive Summary

Additionally, the shoreside processing industry contributed over \$1 million to local charity, scholarship, and other programs.

Figure 6
Distribution of Expenditures of Goods & Services Made by the Shoreside Processing Industry in Alaska during 1992 (in dollars)



The total economic impact of the industry upon Alaska communities during 1992 was nearly \$4 billion. On a regional basis, the total economic impact consisted of the following:

Alaska Peninsula	\$ 526,127,727
Bristol Bay	\$ 708,301,858
Aleutians/Bering Sea	\$ 959,740,898
Kenai/Cook Inlet/Anchorage	\$ 418,255,167
Kodiak	\$ 424,491,064
Prince William Sound	\$ 182,081,210
Southeast	\$ 546,556,690
Other Alaska	\$ 120,762,976

Total \$ 3,886,317,589

Figure 7
Comparison of Revenue Sources for Aleutians East Borough 1992 Revenues
(in percent of total dollars)

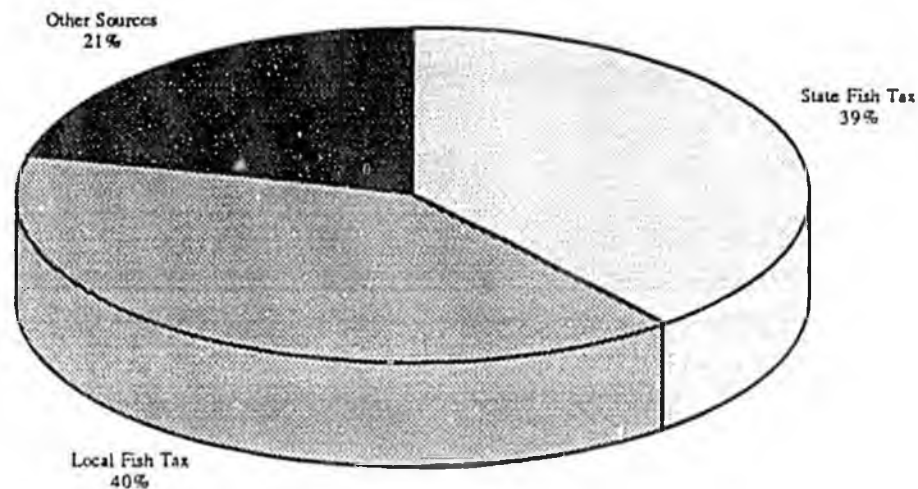
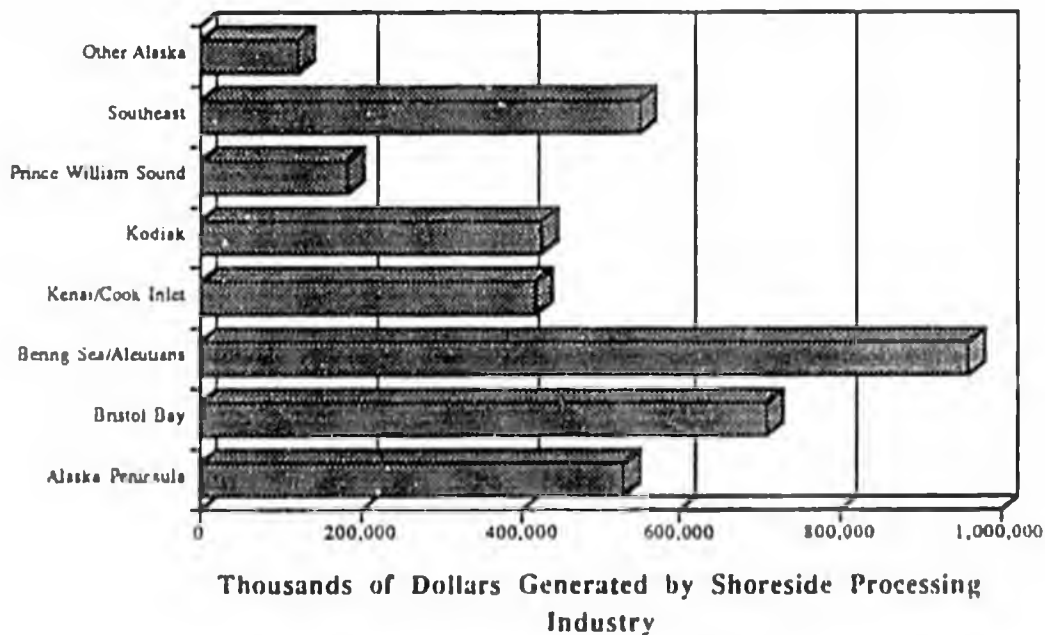


Figure 8
Economic Impact of the Shoreside Processing Industry in Alaska during 1992
(by region, in thousands of dollars)



FISCAL NOTE

No. 1
 Bill Version: HJR 34
 Publish Date: 3/12/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: _____
 Title: Fisheries development project grants
 for the Alaska salmon industry
 Sponsor: Representative Moses
 Requestor: House Fisheries

Department Affected: Fish and Game
 BRU: Commercial Fisheries
 Component: Commercial Fisheries
 COMPONENT SERIAL NO. 459

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ 0

REMARKS: (Attach a separate page if necessary.)

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 Approved by Commissioner: [Signature]
 Agency: Department of Fish and Game Date: 3/9/93

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