

LEG. FINANCE - BILLS 1977 - 1978 800

HB 763 cont.

1 controlled by residents of the state;

2 (2) make and alter bylaws necessary or desirable to carry out
3 its corporate functions;

4 (3) establish amortization plans for repayment of loans,
5 which may include extensions for poor fishing or farming seasons;

6 (4) enter into agreements with regional institutions of the
7 federal farm credit system, private lending institutions, and other
8 state agencies or agencies of the federal government, to carry out the
9 purposes of this chapter;

10 (5) adopt, alter, and use a corporate seal;

11 (6) sue and be sued in the name of the bank;

12 (7) issue bonds to carry out any of its corporate purposes
13 and powers;

14 (8) sell, lease as lessor or lessee, exchange, donate, convey
15 or encumber in any manner by mortgage or by creation of any other se-
16 curity interest, real or personal property owned by it, or in which it
17 has an interest, when, in the judgment of the board of directors, the
18 action is in furtherance of its corporate purposes;

19 (9) incur secondary liability by guaranty or endorsement of
20 the obligations of another corporation or legal entity when, in the
21 judgment of the board of directors, the action is in furtherance of its
22 corporate purposes;

23 (10) make loans as provided in (1) of this section in partici-
24 pation with financial institutions, and establish and regulate the terms
25 of the loans;

26 (11) make contracts and execute instruments necessary or con-
27 venient in the exercise of its corporate powers;

28 (12) acquire by purchase, lease, bequest, devise, gift, the
29 satisfaction of debts, or the foreclosure of mortgages, and hold, main-

1 tain, use, operate, and convey real or personal property;

2 (13) borrow money and issue secured and unsecured evidence of
3 indebtedness for a corporate purpose or to fund, refund, pay, or dis-
4 charge outstanding obligations, and enter agreements and contracts
5 concerning these obligations;

6 (14) secure the payment of its obligations by pledge or mort-
7 gage or other lien on its contracts, revenues, income, or property;

8 (15) appoint officers, employees, trustees for certificate
9 holders, and agents, and prescribe their powers and duties;

10 (16) provide technical services to shareholders; for the pur-
11 poses of this paragraph, "technical services" includes services that
12 will enhance the ability of the shareholder to obtain financial assis-
13 tance from the bank;

14 (17) make loans, as provided in (1) of this section, secured
15 by liens subordinate to valid first liens and security agreements
16 granted to a private lending institution;

17 (18) participate with state departments and agencies in for-
18 mulating policy and in planning for the development of commercial
19 fishing and agriculture in the state;

20 (19) do what is necessary or desirable to carry out the cor-
21 porate purposes and powers expressed or implied in this chapter.

22 Sec. 41.45.220. TRANSITION. Upon the repurchase of all the non-
23 voting, preferred shares initially issued by the bank and purchased by
24 agencies of the state, the provisions of this chapter lapse and the bank
25 may proceed to operate as a private cooperative corporation under the
26 terms of its bylaws and subject to the provisions of AS 10.15.005 -
27 10.15.600.

28
29

Original sponsor: Osterback and
Gardiner

Offered: 3/29/78
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 763

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to commercial fishing and agricul-
7 ture."

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

9 * Section 1. FINDINGS. The legislature finds that

10 (1) certain fish species which thrive in the seas off the coast of
11 Alaska have long provided an abundant food source for foreign nations but
12 have been underutilized by Alaskan fishermen;

13 (2) there is a potential for these species to provide a new source
14 of revenue for Alaskan fishermen and for the state;

15 (3) Alaskan fishermen have not utilized these species to the
16 fullest extent possible because of adverse economic and marketing conditions
17 and the high cost of gear and equipment for harvesting;

18 (4) the 200-mile limit established by the Fisheries Management and
19 Conservation Act of 1976 offers an opportunity for Alaskan fishermen to
20 harvest these species free of the competition of foreign fishermen;

21 (5) the creation of sources of credit will enable Alaskan fisher-
22 men to avail themselves of the opportunities offered by the Fisheries Mana_g_e
23 ment and Conservation Act of 1976 to the ultimate benefit of all Alaskans;

24 (6) access to regional institutions of the federal farm credit
25 system in conjunction with appropriate state agencies will provide the finan-
26 cial resources and specialized knowledge necessary for underutilized
27 fisheries development.

28 * Sec. 2. PURPOSES. The purposes of this Act are to

29 (1) provide sources of credit for Alaskan commercial fishermen and

1 farmers;

2 (2) encourage utilization of the fisheries off the coast of Alaska
3 that have been underutilized in the past by local fishermen;

4 (3) encourage harvesting, processing and marketing of under-
5 utilized fish species;

6 (4) encourage technological development in the harvesting and
7 processing of underutilized fish species;

8 (5) promote the more rapid development of agriculture.

9 * Sec. 3. AS 41 is amended by adding a new chapter to read:

10 CHAPTER 45. COMMERCIAL FISHING AND AGRICULTURE

11 COOPERATIVE DEVELOPMENT BANK.

12 Sec. 41.45.010. COMMERCIAL FISHING AND AGRICULTURE COOPERATIVE
13 DEVELOPMENT BANK. (a) There is established the Commercial Fishing and
14 Agriculture Cooperative Development Bank. The bank is a public corpora-
15 tion and government instrumentality in the Department of Commerce and
16 Economic Development but has a legal existence independent of and sepa-
17 rate from the state. The exercise by the bank of the powers conferred
18 by this chapter is considered an essential governmental function of the
19 state. Except as otherwise provided in this chapter, the bank is sub-
20 ject to the provisions of AS 10.15.005 - 10.15.600.

21 (b) For the purpose of the initial funding of the bank's opera-
22 tions, the board of directors shall issue nonvoting, preferred shares of
23 stock in the bank and shall determine the value of each share. The
24 State of Alaska, through appropriate agencies, shall purchase not less
25 than 60 per cent nor more than 80 per cent of the nonvoting, preferred
26 shares initially issued by the bank. Shares purchased by the state
27 shall be repurchased by the bank within 20 years after their purchase.
28 If the bank fails to repurchase the shares within 20 years, the commis-
29 sioner of commerce and economic development may dissolve the bank.

1 Sec. 41.45.020. BOARD OF DIRECTORS. The bank shall be managed by
2 a board of directors consisting of five members. Initial appointments
3 to the board shall be made by the governor. Thereafter, board members
4 shall be elected by the shareholders. The board members shall annually
5 elect a chairman from among themselves. The purpose of the board is to
6 manage the assets of the bank.

7 Sec. 41.45.030. ARTICLES OF INCORPORATION. Not later than
8 November 1, 1978, the board of directors shall file with the commis-
9 sioner of commerce and economic development articles of incorporation as
10 provided in AS 10.15.340 - 10.15.355 except that any filing fees shall
11 be waived.

12 Sec. 41.45.040. BYLAWS. The board of directors shall adopt the
13 initial bylaws of the bank. The power to alter, amend or repeal the by-
14 laws is vested in the board of directors. The bylaws may contain provi-
15 sions for the regulation and management of the affairs of the bank not
16 inconsistent with this chapter or other provisions of law.

17 Sec. 41.45.050. MEMBERSHIP MEETINGS. Upon filing the articles of
18 incorporation, the board of directors, with the assistance of the com-
19 missioner of commerce and economic development or his designee, may hold
20 public meetings throughout the state for the purpose of explaining to
21 members of the commercial fishing and farming industries the functions
2 of the bank and to encourage membership in the bank.

23 Sec. 41.45.060. MEMBERSHIP STOCK. (a) The board of directors
24 shall issue shares of membership stock in the bank in the amounts and
25 with the value determined by the board and stated in the articles of
26 incorporation.

27 (b) Loans made to shareholders of the bank under the provisions of
28 this chapter shall be in accordance with a schedule of maximum amounts
29 adopted by the board of directors based upon proportional ownership of

1 shares.

2 Sec. 41.45.070. EXECUTIVE DIRECTOR; STAFF. (a) The board of
3 directors may hire and determine the salary of an executive director.
4 The executive director shall be responsible for the ordinary business of
5 the bank.

6 (b) The executive director, with the approval of the board of
7 directors, may hire and determine the salary of staff reasonably neces-
8 sary for the efficient performance of the duties of the bank.

9 Sec. 41.45.080. EXEMPT STATUS. Employees of the bank are in the
10 exempt service under AS 39.25.

11 Sec. 41.45.090. TERM OF OFFICE. The members of the board shall be
12 appointed for terms of three years, and they may be reappointed. Terms
13 shall be staggered. Initial terms shall be two members serving for one
14 year, two members serving for two years, and one member serving for
15 three years.

16 Sec. 41.45.100. QUORUM. A majority of the members of the board
17 constitutes a quorum for the transaction of business and the exercise of
18 the powers and duties of the board.

19 Sec. 41.45.110. COMPENSATION OF BOARD MEMBERS. Members receive
20 \$250 per meeting day if they attend the meeting and are entitled to per
21 diem and travel allowances as provided by law for members of state
22 boards and commissions.

23 Sec. 41.45.120. BONDS OF THE BANK. (a) The bank may borrow money
24 and may issue bonds for that purpose, including but not limited to bonds
25 on which the principal and interest are payable,

26 (1) exclusively from the income and receipts or other money
27 derived from the project financed with the proceeds of the bonds;

28 (2) exclusively from the income and receipts or other money
29 derived from designated projects whether or not they are financed in

1 whole or in part with the proceeds of the bonds; or

2 (3) from its income and receipts or other assets generally,
3 or a designated part or parts of them.

4 (b) Bonds shall be authorized by resolution of the board of direc-
5 tors, and be dated and shall mature as the resolution may provide,
6 except that no bond may mature more than 30 years from the date of its
7 issue. Bonds shall bear interest at the rate or rates, be in the de-
8 nominations, be in the form, either coupon or registered, carry the
9 registration privileges, be executed in the manner, be payable in the
10 medium of payment, at the place or places, and be subject to the terms
11 of redemption which the resolution or a subsequent resolution may pro-
12 vide.

13 (c) All bonds, regardless of form or character, shall be nego-
14 tiable instruments for all the purposes of the Uniform Commercial Code.

15 (d) All bonds may be sold at public or private sale in the manner,
16 for the price or prices, and at the time or times which the board of
17 directors may determine.

18 (e) The superior court shall have jurisdiction to hear and deter-
19 mine suits, actions or proceedings relating to the bank, including
20 suits, actions or proceedings brought to foreclose or otherwise enforce
21 a mortgage, pledge, assignment or security of a holder of its bonds or
22 by a trustee for or other representative of the holders.

23 Sec. 41.45.130. TRUST INDENTURES AND TRUST AGREEMENTS. In the
24 discretion of the board of directors an issue of bonds may be secured by
25 a trust indenture or trust agreement between the bank and a corporate
26 trustee (which may be a trust company, bank, or national banking asso-
27 ciation, with corporate trust powers, located inside or outside the
28 state) or by a secured loan agreement or other instrument or under a
29 resolution giving powers to a corporate trustee by means of which the

1 bank may

2 (1) make and enter into any and all the covenants and agree-
3 ments with the trustee or the holders of the bonds which the board of
4 directors may determine to be necessary or desirable, including, without
5 limitation, covenants, provisions, limitations and agreements as to

6 (A) the application, investment, deposit, use and dis-
7 position of the proceeds of bonds of the bank or of money or other
8 property of the bank or in which it has an interest;

9 (B) the terms and conditions upon which additional bonds
10 of the bank may be issued;

11 (2) pledge, mortgage or assign money, leases, agreements,
12 property or other assets of the bank either presently in hand or to be
13 received in the future, or both; and

14 (3) provide for any other matters of like or different char-
15 acter which in any way affect the security or protection of the bonds.

16 Sec. 41.45.140. VALIDITY OF PLEDGE. It is the intention of the
17 legislature that a pledge made in respect of bonds shall be valid and
18 binding from the time the pledge is made; that the money or property so
19 pledged and thereafter received by the bank shall immediately be subject
20 to the lien of the pledge without physical delivery or further act; and
21 that the lien of the pledge shall be valid and binding as against all
22 parties having claims of any kind in tort, contract or otherwise against
23 the bank irrespective of whether the parties have notice. Neither the
24 resolution, trust agreement nor any other instrument by which a pledge
25 is created need be recorded or filed under the provisions of the Uniform
26 Commercial Code to be valid, binding or effective against the parties.

27 Sec. 41.45.150. NONLIABILITY ON BONDS. (a) Neither the members
28 of the board of directors, the executive director, staff, nor a person
29 executing the bonds is liable personally on the bonds or subject to

1 personal liability or accountability by reason of the issuance of the
2 bonds.

3 (b) The bonds issued by the bank may not constitute an indebted-
4 ness or other liability of the state or of a political subdivision of
5 the state, except the bank but shall be payable solely from the income
6 and receipts or other funds or property of the bank. The bank may not
7 pledge the faith or credit of the state or of a political subdivision of
8 the state, except the bank, to the payment of a bond, and the issuance
9 of a bond by the bank shall not directly or indirectly or contingently
10 obligate the state or a political subdivision of the state to apply
11 money from, or levy or pledge any form of taxation whatever to the
12 payment of the bond.

13 Sec. 41.45.160. PLEDGE OF THE STATE. The state pledges to and
14 agrees with the holders of the bonds issued under this chapter and with
15 the federal agency or regional institution of the federal farm credit
16 system which loans or contributes funds in respect of a project, that
17 the state will not limit or alter the rights and powers vested in the
18 bank by this chapter to fulfill the terms of any contract made by the
19 bank with the holders or federal agency or regional institution of the
20 federal farm credit system, or in any way impair the rights and remedies
21 of the holders until the bonds, together with interest on them, with
22 interest on unpaid installments of interest, and all costs and expenses
23 in connection with any action or proceeding by or on behalf of the
24 holders, are fully met and discharged. The bank is authorized to in-
25 clude this pledge and agreement of the state, insofar as it refers to
26 holders of bonds of the bank in a contract with the holders, and insofar
27 as it relates to a federal agency or regional institution of the federal
28 farm credit system, in a contract with a federal agency or regional
29 institution of the federal farm credit system.

1 Sec. 41.45.170. EXEMPTION FROM TAXATION. The real and personal
2 property of the bank and its assets, income and receipts are declared to
3 be property of a political subdivision of the state and shall be exempt
4 from all taxes and special assessments of the state or a political
5 subdivision of the state, including, without limitation, all boroughs,
6 cities, municipalities, school districts, public utility districts, and
7 other taxing units. All bonds of the bank are declared to be issued by
8 a political subdivision of the state, to be for an essential public and
9 governmental purpose, and to be a public instrumentality, and the bonds,
10 and the interest on them, the income from them, the transfer of the
11 bonds, and all assets, income and receipts pledged to pay or secure the
12 payment of the bonds, or interest on them, shall at all times be exempt
13 from taxation by or under the authority of the state, except for inheri-
14 tance and estate taxes and taxes on transfers by or in contemplation of
15 death.

16 Sec. 41.45.180. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
17 bonds of the bank are securities in which all public officers and bodies
18 of the state and all municipalities and municipal subdivisions, all
19 insurance companies and associations and other persons carrying on an
20 insurance business, all banks, bankers, trust companies, savings banks,
21 savings associations, including savings and loan associations and build-
22 ing and loan associations, investment companies and other persons carry-
23 ing on a banking business, all administrators, guardians, executors,
24 trustees and other fiduciaries, and all other persons who are now or may
25 hereafter be authorized to invest in bonds or other obligations of the
26 state, may properly and legally invest funds including capital in their
27 control or belonging to them. Notwithstanding any other provisions of
28 law, the bonds of the bank are also securities which may be deposited
29 with and may be received by all public officers and bodies of this state

1 and all municipalities and municipal subdivisions for any purpose for
2 which the deposit of bonds or other obligations of the state is now or
3 may hereafter be authorized.

4 Sec. 41.45.190. CONFLICTS OF INTEREST. No member of the board of
5 directors may vote on a transaction of the bank under this chapter if he
6 is a party to the transaction.

7 Sec. 41.45.200. REPORTS AND PUBLICATIONS. The board of directors
8 shall publish an annual report to the bank's shareholders. The report
9 shall be made available to the public and shall include financial state-
10 ments audited by independent outside auditors, a statement of the amount
11 of money received by the bank from each source during the period
12 covered, a statement of the bank's investments, a description of the
13 bank's investment activity during the period covered by the report, an
14 analysis of economic and other effects of investment decisions on the
15 state's commercial fishing and agriculture industries, and any other
16 information the board believes would be of interest to the governor, the
17 legislature and the public. The board may also publish such other
18 reports as it considers desirable to carry out its purposes.

19 Sec. 41.45.210. POWERS OF THE BANK. The bank may

20 (1) make variable rate or fixed rate loans to resident com-
21 mercial fishermen and farmers or to corporations, partnerships, or joint
22 ventures 51 per cent of which are owned by commercial fishermen or
23 farmers who are state residents if the recipient of the loan is a share-
24 holder of the bank;

25 (2) make and alter bylaws necessary or desirable to carry out
26 its corporate functions;

27 (3) establish amortization plans for repayment of loans,
28 which may include extensions for poor fishing or farming seasons;

29 (4) enter into agreements with regional institutions of the

1 federal farm credit system, private lending institutions, and other
2 state agencies or agencies of the federal government, to carry out the
3 purposes of this chapter;

4 (5) adopt, alter, and use a corporate seal;

5 (6) sue and be sued in the name of the bank;

6 (7) issue bonds to carry out any of its corporate purposes
7 and powers;

8 (8) sell, lease as lessor or lessee, exchange, donate, convey
9 or encumber in any manner by mortgage or by creation of any other se-
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11 has an interest, when, in the judgment of the board of directors, the
12 action is in furtherance of its corporate purposes;

13 (9) incur secondary liability by guaranty or endorsement of
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15 judgment of the board of directors, the action is in furtherance of its
16 corporate purposes;

17 (10) make loans as provided in (1) of this section in partici-
18 pation with financial institutions, and establish and regulate the terms
19 of the loans;

20 (11) make contracts and execute instruments necessary or con-
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23 satisfaction of debts, or the foreclosure of mortgages, and hold, main-
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25 (13) borrow money and issue secured and unsecured evidence of
26 indebtedness for a corporate purpose or to fund, refund, pay, or dis-
27 charge outstanding obligations, and enter agreements and contracts
28 concerning these obligations;

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3 holders, and agents, and prescribe their powers and duties;

4 (16) provide technical services to shareholders; for the pur-
5 poses of this paragraph, "technical services" includes services that
6 will enhance the ability of the shareholder to obtain financial assis-
7 tance from the bank;

8 (17) make loans, as provided in (1) of this section, secured
9 by liens subordinate to valid first liens and security agreements
10 granted to a private lending institution;

11 (18) participate with state departments and agencies in for-
12 mulating policy and in planning for the development of commercial
13 fishing and agriculture in the state;

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15 porate purposes and powers expressed or implied in this chapter.

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17 voting, preferred shares initially issued by the bank and purchased by
18 agencies of the state, the provisions of this chapter lapse and the bank
19 may proceed to operate as a private cooperative corporation under the
20 terms of its bylaws and subject to the provisions of AS 10.15.005 -
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Introduced: 2/8/78
Referred: Resources and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 763

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

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11 Alaska have long provided an abundant food source for foreign nations but
12 have been underutilized by Alaskan fishermen;

13 (2) there is a potential for these species to provide a new source
14 of revenue for Alaskan fishermen and for the state;

15 (3) Alaskan fishermen have not utilized these species to the
16 fullest extent possible because of adverse economic and marketing conditions
17 and the high cost of gear and equipment for harvesting;

18 (4) the 200-mile limit established by the Fisheries Management and
19 Conservation Act of 1976 offers an opportunity for Alaskan fishermen to
20 harvest these species free of the competition of foreign fishermen;

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22 tance will enable Alaskan fishermen to avail themselves of the opportunities
23 offered by the Fisheries Management and Conservation Act of 1976 to the
24 ultimate benefit of all Alaskans;

25 (6) access to the Federal Farm Credit System in conjunction with
26 the Alaska permanent fund and the renewable resources development fund will
27 provide the financial resources and specialized knowledge necessary for
28 underutilized fisheries development.

29 * Sec. 2. PURPOSES. The purposes of this Act are to

1 (1) provide a self-sustaining source of economic assistance for
2 Alaskan commercial fishermen and farmers;

3 (2) encourage utilization of the fisheries off the coast of Alaska
4 that have been underutilized in the past by local fishermen;

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6 utilized fish species;

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8 processing of underutilized fish species;

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10 try throughout the state.

11 * Sec. 3. AS 41 is amended by adding a new chapter to read:

12 CHAPTER 45. COMMERCIAL FISHING AND AGRICULTURE
13 COOPERATIVE DEVELOPMENT BANK.

14 Sec. 41.45.010. COMMERCIAL FISHING AND AGRICULTURE COOPERATIVE
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18 Economic Development but has a legal existence independent of and
19 separate from the state. The exercise by the bank of the powers con-
20 ferred by this chapter is considered an essential governmental function
21 of the state. Except as otherwise provided in this chapter, the bank is
22 subject to the provisions of AS 10.15.005 - 10.15.600.

23 (b) For the purpose of the initial funding of the bank's opera-
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25 stock in the bank and shall determine the value of each share. The
26 board of trustees or other governing body of the Alaska permanent fund
27 shall purchase from income of the permanent fund 50 per cent of the
28 nonvoting, preferred shares initially issued by the bank. The board of
29 trustees or other governing body of the renewable resources development

1 fund shall purchase 50 per cent of the nonvoting, preferred shares
2 initially issued by the bank. Shares purchased by the permanent fund
3 and the renewable resources development fund shall be repurchased by the
4 bank within 20 years after their purchase. If the bank fails to repur-
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8 a board of directors consisting of three members. Initial appointments
9 to the board shall be made by the governor in consultation with the
10 Federal Farm Credit Board and shall include one member of the agricul-
11 ture industry in the state, one member of the commercial fishing indus-
12 try in the state, and one member knowledgeable and experienced in
13 finance, investments, or other business management-related field.
14 Thereafter, board members shall be elected by the shareholders. The
15 board members shall annually elect a chairman from among themselves.
16 The purpose of the board is to manage and invest the assets of the bank.

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19 tiable instruments for all the purposes of the Uniform Commercial Code.

20 (d) All bonds may be sold at public or private sale in the manner,
21 for the price or prices, and at the time or times which the board of
22 directors may determine.

23 (e) The superior court shall have jurisdiction to hear and deter-
24 mine suits, actions or proceedings relating to the bank, including
25 suits, actions or proceedings brought to foreclose or otherwise enforce
26 a mortgage, pledge, assignment or security of a holder of its bonds or
27 by a trustee for or other representative of the holders.

28 Sec. 41.45.130. TRUST INDENTURES AND TRUST AGREEMENTS. In the
29 discretion of the board of directors an issue of bonds may be secured by

1 a trust indenture or trust agreement between the bank and a corporate
2 trustee (which may be a trust company, bank, or national banking asso-
3 ciation, with corporate trust powers, located inside or outside the
4 state) or by a secured loan agreement or other instrument or under a
5 resolution giving powers to a corporate trustee by means of which the
6 bank may

7 (1) make and enter into any and all the covenants and agree-
8 ments with the trustee or the holders of the bonds which the board of
9 directors may determine to be necessary or desirable, including, without
10 limitation, covenants, provisions, limitations and agreements as to

11 (A) the application, investment, deposit, use and dis-
12 position of the proceeds of bonds of the bank or of money or other
13 property of the bank or in which it has an interest;

14 (B) the terms and conditions upon which additional bonds
15 of the bank may be issued;

16 (2) pledge, mortgage or assign money, leases, agreements,
17 property or other assets of the bank either presently in hand or to be
18 received in the future, or both; and

19 (3) provide for any other matters of like or different char-
20 acter which in any way affect the security or protection of the bonds.

21 Sec. 41.45.140. VALIDITY OF PLEDGE. It is the intention of the
22 legislature that a pledge made in respect of bonds shall be valid and
23 binding from the time the pledge is made; that the money or property so
24 pledged and thereafter received by the bank shall immediately be subject
25 to the lien of the pledge without physical delivery or further act; and
26 that the lien of the pledge shall be valid and binding as against all
27 parties having claims of any kind in tort, contract or otherwise against
28 the bank irrespective of whether the parties have notice. Neither the
29 resolution, trust agreement nor any other instrument by which a pledge

1 is created need be recorded or filed under the provisions of the Uniform
2 Commercial Code to be valid, binding or effective against the parties.

3 Sec. 41.45.150. NONLIABILITY ON BONDS. (a) Neither the members
4 of the board of directors, their staff, nor a person executing the bonds
5 is liable personally on the bonds or subject to personal liability or
6 accountability by reason of the issuance of the bonds.

7 (b) The bonds issued by the bank may not constitute an indebted-
8 ness or other liability of the state or of a political subdivision of
9 the state, except the bank but shall be payable solely from the income
10 and receipts or other funds or property of the bank. The bank may not
11 pledge the faith or credit of the state or of a political subdivision of
12 the state, except the bank, to the payment of a bond, and the issuance
13 of a bond by the bank shall not directly or indirectly or contingently
14 obligate the state or a political subdivision of the state to apply
15 money from, or levy or pledge any form of taxation whatever to the
16 payment of the bond.

17 Sec. 41.45.160. PLEDGE OF THE STATE. The state pledges to and
18 agrees with the holders of the bonds issued under this chapter and with
19 the federal agency which loans or contributes funds in respect of a
20 project, that the state will not limit or alter the rights and powers
21 vested in the bank by this chapter to fulfill the terms of any contract
22 made by the bank with the holders or federal agency, or in any way
23 impair the rights and remedies of the holders until the bonds, together
24 with interest on them, with interest on unpaid installments of interest,
25 and all costs and expenses in connection with any action or proceeding
26 by or on behalf of the holders, are fully met and discharged. The bank
27 is authorized to include this pledge and agreement of the state, insofar
28 as it refers to holders of bonds of the bank in a contract with the
29 holders, and insofar as it relates to a federal agency, in a contract

1 with a federal agency.

2 Sec. 41.45.170. EXEMPTION FROM TAXATION. The real and personal
3 property of the bank and its assets, income and receipts are declared to
4 be property of a political subdivision of the state and shall be exempt
5 from all taxes and special assessments of the state or a political
6 subdivision of the state, including, without limitation, all boroughs,
7 cities, municipalities, school districts, public utility districts, and
8 other taxing units. All bonds of the bank are declared to be issued by
9 a political subdivision of the state, to be for an essential public and
10 governmental purpose, and to be a public instrumentality, and the bonds,
11 and the interest on them, the income from them, the transfer of the
12 bonds, and all assets, income and receipts pledged to pay or secure the
13 payment of the bonds, or interest on them, shall at all times be exempt
14 from taxation by or under the authority of the state, except for inheri-
15 tance and estate taxes and taxes on transfers by or in contemplation of
16 death.

17 Sec. 41.45.180. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
18 bonds of the bank are securities in which all public officers and bodies
19 of the state and all municipalities and municipal subdivisions, all
20 insurance companies and associations and other persons carrying on an
21 insurance business, all banks, bankers, trust companies, savings banks,
22 savings associations, including savings and loan associations and build-
23 ing and loan associations, investment companies and other persons carry-
24 ing on a banking business, all administrators, guardians, executors,
25 trustees and other fiduciaries, and all other persons who are now or may
26 hereafter be authorized to invest in bonds or other obligations of the
27 state, may properly and legally invest funds including capital in their
28 control or belonging to them. Notwithstanding any other provisions of
29 law, the bonds of the bank are also securities which may be deposited

1 with and may be received by all public officers and bodies of this state
2 and all municipalities and municipal subdivisions for any purpose for
3 which the deposit of bonds or other obligations of the state is now or
4 may hereafter be authorized.

5 Sec. 41.45.190. CONFLICTS OF INTEREST. No member of the board of
6 directors may vote on a resolution of the bank relating to a contract to
7 be entered into or an investment to be made by the bank under this
8 chapter if he is a party to the contract or has a direct ownership or
9 equity interest in a firm, partnership, corporation or association which
10 may be a party to the contract or if he has a financial interest in the
11 investment proposal.

12 Sec. 41.45.200. REPORTS AND PUBLICATIONS. The board of directors
13 shall publish an annual report to the bank's shareholders. The report
14 shall be made available to the public and shall include financial state-
15 ments audited by independent outside auditors, a statement of the amount
16 of money received by the bank from each source during the period
17 covered, a statement of the bank's investments, a description of the
18 bank's investment activity during the period covered by the report, an
19 analysis of economic and other effects of investment decisions on the
20 state's commercial fishing and agriculture industries, and any other
21 information the board believes would be of interest to the governor, the
22 legislature and the public. The board may also publish such other
23 reports as it considers desirable to carry out its purposes.

24 Sec. 41.45.210. POWERS OF THE BANK. The bank may

25 (1) make variable rate or fixed rate loans to resident com-
26 mercial fishermen and farmers or to corporations, partnerships, or joint
27 ventures 51 per cent of which are owned by commercial fishermen or
28 farmers who are state residents if the recipient of the loan is a share-
29 holder of the bank;

1 (2) make and alter bylaws necessary or desirable to carry out
2 its corporate functions;

3 (3) establish amortization plans for repayment of loans,
4 which may include extensions for poor fishing or farming seasons;

5 (4) enter into agreements with the Spokane Bank for Coopera-
6 tives and other institutions of the Federal Farm Credit System, private
7 lending institutions, and other state agencies or agencies of the
8 federal government, to carry out the purposes of this chapter;

9 (5) adopt, alter, and use a corporate seal;

10 (6) sue and be sued in the name of the bank;

11 (7) invest in projects conducted by shareholders of the bank
12 relating to the purchase, construction, repair, or upgrading of fishing
13 vessels or gear capable of harvesting underutilized fishery resources by
14 purchase of the capital stock of corporations involved in such projects,
15 except that no investment in capital stock may exceed 49 per cent of the
16 capital stock of a corporation;

17 (8) invest in projects conducted by shareholders of the bank
18 relating to the development of farms, storage and processing of farm
19 produce, livestock and machinery by purchase of the capital stock of
20 corporations involved in such projects, except that no investment in
21 capital stock may exceed 49 per cent of the capital stock of a corpora-
22 tion;

23 (9) issue bonds to carry out any of its corporate purposes
24 and powers, including the acquisition or construction of a project to be
25 owned or leased as lessor or lessee, by the bank, or the acquisition of
26 any interest in it or any right to capacity of it, the establishment or
27 increase of reserves to secure or to pay the bonds or interest on them,
28 and the payment of all other costs or expenses of the bank incident to
29 and necessary or convenient to carry out its corporate purposes and

1 powers;

2 (10) sell, lease as lessor or lessee, exchange, donate, convey
3 or encumber in any manner by mortgage or by creation of any other se-
4 curity interest, real or personal property owned by it, or in which it
5 has an interest, when, in the judgment of the board of directors, the
6 action is in furtherance of its corporate purposes;

7 (11) incur secondary liability by guaranty or endorsement of
8 the obligations of another corporation or legal entity when, in the
9 judgment of the board of directors, the action is in furtherance of its
10 corporate purposes;

11 (12) make loans as provided in (1) of this section in partici-
12 pation with financial institutions, and establish and regulate the terms
13 of the loans;

14 (13) make contracts and execute instruments necessary or con-
15 venient in the exercise of its corporate powers;

16 (14) acquire by purchase, lease, bequest, devise, gift, the
17 satisfaction of debts, or the foreclosure of mortgages, and hold, main-
18 tain, use, operate, and convey real or personal property;

19 (15) borrow money and issue secured and unsecured evidence of
20 indebtedness for a corporate purpose or to fund, refund, pay, or dis-
21 charge outstanding obligations, and enter agreements and contracts
22 concerning these obligations;

23 (16) secure the payment of its obligations by pledge or mort-
24 gage or other lien on its contracts, revenues, income, or property;

25 (17) appoint officers, employees, trustees for certificate
26 holders, and agents, and prescribe their powers and duties;

27 (18) provide technical services to shareholders; for the pur-
28 poses of this paragraph, "technical services" includes services that
29 will enhance the ability of the shareholder to obtain financial assis-

1 tance from the bank;

2 (19) make loans, as provided in (1) of this section, secured
3 by liens subordinate to valid first liens and security agreements
4 granted to a private lending institution;

5 (20) do what is necessary or desirable to carry out the cor-
6 porate purpose and powers expressed or implied in this chapter.

7 Sec. 41.45.220. TRANSITION. Upon the repurchase of all the non-
8 voting, preferred shares initially issued by the bank and purchased by
9 the permanent fund and the renewable resources development fund, the
10 provisions of this chapter lapse and the bank may proceed to operate as
11 a private cooperative corporation under the terms of its bylaws and sub-
12 ject to the provisions of AS 10.15.005 - 10.15.600.

13 * Sec. 4. AS 16.10.300 - 16.10.370 is repealed.
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THE POTENTIAL FOR EXPANDING INTO
AN ALASKAN BOTTOMFISH INDUSTRY

A REPORT TO THE 10TH ALASKA STATE LEGISLATURE, SECOND SESSION

BY THE
INTERIM COMMITTEE ON RESOURCE MATTERS
-Alaska Legislative Council-

CHAIRMAN
ALVIN OSTERBACK

Juneau, Alaska
January 7, 1978

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PREFACE

The Interim Committee on Resource Matters was created by the Legislative Council at the request of Representative Alvin Osterback, Chairman of the House Resources Committee to study the feasibility of an Alaskan bottomfish fishery. The chairman of the Interim Committee was Representative Osterback. Other members were Representative Terry Gardiner, Representative William Akers, Representative Ernie Haugen, Senator Kay Poland, Senator Bill Ray, and Diann Nelson, Project Director.

The initial Interim Resources work plan outline presented to the Legislative Council consisted of:

1. The economic feasibility aspects of an emerging Alaskan bottomfish fishery which was broken down into financial analysis, capital requirements and tax incentives.
2. Management of the 200-Mile Limit Law.
3. State policy which would affect the development of this emerging industry.

Within the broad outline of the work plan, the Committee contracted four areas of individual research with consultants. These areas included an investigation of the implications of foreign investment and the potential benefit of protection credit associations, which was researched by Dr. Frank Orth of the Alaska Sea Grant Program; a study by Dr. George Rogers of the Institute of Social and Economic Research designed to supply the

Committee with an economic investigation of the State's fishery taxation policy and reasonable and effective ways in which taxation policy could induce bottomfish development; an investigation of current State programs designed to assist the Alaskan fishing industry and an investigation of federal subsidy and loan programs to the fishing industry, which was done by Frank Glass; and an investigation into the infrastructural needs of an expanding bottomfish fishery and the present existing infrastructure in several Alaskan coastal communities, done by Kathy Hathaway. In addition to the work of these four consultants, research was conducted by the Legislative Research Division which surveyed financial institutions identified as primary Alaskan and Pacific Northwest sources of capital. Besides investigating programs which were established in other states and other nations to encourage expansion into underutilized fisheries, Legislative Research also queried the processing sector of the Alaskan fishing industry to obtain some knowledge of their development plans and perceived problems. The Committee staff did an investigation of the marketing aspects of bottomfish development, including a localized marketing survey of grocery stores and restaurants in the Juneau area to find out the proportion of fish consumption, as opposed to red meat and the proportion of bottomfish as opposed to all other species of fish. This survey, with the summary of responses received, is in Appendix B . It was through these areas of research that the intent of the original Interim Resources work plan was carried out. The original work plan is in Appendix A .

The Committee has carried on several activities to insure input from Alaskan fishermen and residents of the communities which are impacted by the fishing and fish processing industry.

In attempting to get maximum input from fishermen, the Committee sent out over 400 questionnaires to fishermen concerning their feelings for bottomfish. This questionnaire is included in Appendix B with the summary of the responses we received. The Committee also held bottomfish symposiums in Sand Point, Kodiak, Cordova, Juneau, Old Harbor, and Petersburg during which testimony was taken from fishermen and processors. A questionnaire was also sent to the 12 regional native corporations. That questionnaire and summary of responses is in the Appendix B .

CHAPTER I

INTRODUCTION

At the present time, more than 90% of the 650,000,000 pounds of bottomfish consumed by Americans yearly is imported. Yet historically, the bottomfish resources in Alaskan waters have been predominantly harvested by foreign fleets. The percentage of bottomfish harvested in Alaskan waters by U.S. fishermen has declined since 1970. In 1970, 1,837,000 metric tons of bottomfish, including halibut, was harvested in Alaskan waters, .8% of which was harvested by United States fishermen. In 1971, this figure rose to 2,355,000 metric tons harvested by U.S. fishermen while the percentage fell to .6%. In 1972, a high 2,541,000 metric tons of bottomfish, including halibut, was harvested in Alaska, but again the percentage fell, this time to .5% harvested by U.S. fishermen. In 1973, this figure was 2,306,000 metric tons with .5% harvested by U.S. fishermen. In 1974, 2,233,000 metric tons was harvested in U.S. waters, .4% was harvested by U.S. fishermen. It is estimated that in 1975 1,883,000 metric tons of bottomfish, including halibut, was harvested in Alaskan waters, and it was also estimated that .5% of this was harvested by U.S. fishermen. The Fisheries Conservation and Management Act of 1976, which has become known as the 200-mile limit law, gives U.S. and Alaskan fishermen an

opportunity to utilize the bottomfish resources available in Alaskan waters.

The Fisheries Conservation and Management Act
and Limitations of State Authority

The following subsection has been taken from Frank Glass' report to this Committee.

The Fishery Conservation and Management Act of 1976, P.L. 94-265, 16 U.S.C. 1801 et seq., extended United States fishery jurisdiction to a fishery conservation zone 200 nautical miles from Alaska's coast. In addition to this extended jurisdiction over fish, the United States assumed jurisdiction over various organisms of the appurtenant continental shelf such as corals, crabs, mollusks and sponges, even if the shelf extends beyond the 200 mile fishery conservation zone. A significant stated purpose of the Act is to "encourage the development of fisheries which are currently underutilized or not utilized by United States fishermen, including bottomfish off Alaska."

The Act established eight regional fishery management councils. The North Pacific Fishery Management Council has authority over that portion of the fishery conservation zone seaward from Alaska. The North Pacific Council has 11 voting members, six of whom will always be Alaskans. The "principal State official with marine fishery management responsibility and expertise in each constituent state" is an ex officio voting member, plus five Alaskans chosen by the Secretary of Commerce from a list of qualified individuals submitted by the Governor of Alaska.

The regional council established a scientific and statistical committee and an advisory panel to assist it in the preparation of its fishery management plans.

The regional council prepares a fishery management plan for each fishery in its geographic area. If approved by the Secretary of Commerce, the fishery management plan is published in the Federal Register and may be, after compliance with promulgation procedure, be implemented by regulation.

It should be noted that although Alaskans represent a majority on the North Pacific Fishery Management Council, the Act does not extend (nor diminish) the fishery jurisdiction of the State of Alaska. The state's territorial jurisdiction extends three miles seaward from the coast. However, the Act does empower the Secretary of Commerce to preempt any state action which would impair the implementation of a fishery management plan. In terms of jurisdictional authority, the management of most of the stocks of bottomfish resources would occur in any beyond three miles from the coast and, therefore, be outside the jurisdiction of the state.

Conclusion

Although one of the prime motives for the institution of the 200-mile limit was the domestic utilization of the bottomfish resources in Alaskan waters, New England Fish Co., a processor which has been expanding into bottomfish in Alaska, estimates that with a projected total allowable catch of Alaska bottomfish in 1978 of 1,708,700 metric tons, the U.S. harvest will be only 598,045 metric tons. This leaves more

than a million metric tons to be harvested by foreign fleets, two years after the 200-mile limit became law.

The Alaska State Legislature's Interim Committee on Resource Matters has been investigating ways in which the State can encourage maximum benefits to all parties impacted by the fishing industry in Alaska, including individual Alaskan fishermen, coastal communities, businesses dependent on fishing, and the state and federal governments. With this in mind, the Committee has considered how current fisheries development fits into the historical nature of the Alaskan fishing industry and how inefficient historical patterns can be broken. This Committee has also considered how the potential of the bottomfish resource in Alaska fits in with past and present harvesting and processing activities, with sources of financing available to fishermen, and with the community infrastructure available in locations apt to be impacted by a developing bottomfish industry. Therefore, the central question considered by the Committee was what are the development requirements for an Alaskan bottomfish industry. These investigations have brought forth some conclusions on what the State role should be in providing incentives and restrictions for bottomfish development. The final chapter of this report is a straightforward presentation of this Committee's proposals and legislation for Alaskan bottomfish development.

CHAPTER II

HISTORY

Historical Nature of the Alaskan Fishing Industry

The following subsection has been taken from Kathy Hathaway's report to this Committee

Virtually all Alaskan coastal communities have a history of fishing activity. In western Alaska, the activity historically centered around fur seals. St. Paul is an example of a community which existed for 180 years to man the fur seal industry. In Southeast, original Tlingit and Haida fish camps became locations for cold storage and processing facilities in the early twentieth century, of which Craig is an example. Even in coastal towns like Cordova, founded as a result of mining activity, fishing and fish processing have been constant.

Fishing and preserving fish have been major activities in Alaska by both the indigenous peoples and by those who came later, especially the Americans and the Canadians. However, even though fishing activity has been constant in Alaska since ancient times, the industry itself has had a history of instability. Since the 1870's, when the first salmon canneries began operating in Alaska, whole towns moved their sites to be closer to the canneries. As recently as 1970, when the cannery operators in Yakutat went bankrupt, welfare was the main source of income for many area fishermen until the

community-operated cold storage plant and associated dock were completed in April, 1971.

Bottomfish have been commercially harvested in Alaska since the 1860's by United States longliners, and since the early 1900's by trawlers. There was steady growth in the domestic Pacific trawl fishery, especially from Northern California to the Hecate Straits, until the end of World War II, when the demand for bottomfish decreased.

Except for some Japanese fishing activity in the Eastern Bering Sea since the 1920's, American fishermen caught almost all the bottomfish harvested in Alaska (except for halibut) until the early 1960's, when the Japanese and Soviet fleets moved in.

While the initial exclusion of the foreign fleets from Alaskan waters offers the opportunity of expansion into underutilized fisheries, one question facing this Committee is whether the State's expansion into bottomfish can be more orderly and stable than fisheries growth in Alaska has been in the past. It appears that the obvious way to ensure this would be to incorporate community planning for fisheries development into community planning for other industrial development, especially OCS-related development. Thus, orderly development of both Alaska's fishing and oil industries will be encouraged. This should maximize benefits to the State, Alaskan communities, and the Alaskan fisherman.

Alaskan towns have been born and have died with the vagaries of the fishing industry. Planning is necessary to ensure that Alaskan communities are able to break the pattern of over-dependence on what has been an undependable industry.

Recent History

Harvesting

This subsection has been drawn from Dr. Rogers' report to this Committee.

For purposes of management planning, the North Pacific Fishery Management Council (NPFMC) has divided the waters off Alaska into two major regions: the eastern Bering Sea and Aleutian Islands (the "fishery conservation zone") (FCZ) established by the Fisheries Conservation and Management Act of 1976 seaward 200 miles from the Bering Sea coasts of Alaska and the Aleutian Islands west of 170 degrees west and the continental shelf up to the line between Alaska and the USSR) and the Gulf of Alaska (the FCZ between the eastern Aleutian Islands at 170 degrees west and the Dixon Entrance at 132 degrees west). The Gulf of Alaska is further subdivided into five areas following the International North Pacific Fisheries Commission (INPFC) statistical units (Figure 1):

Bering Sea/Aleutian Islands: Sea mammals (whales, sea otters, fur seals) were the first major commercial developments in the Bering Sea/Aleutian region. Some commercial harvesting of cod occurred in the last half of the 19th and first decade of the 20th centuries and the North American (U.S. and Canada) halibut fishery commenced in 1928. Present domestic and Canadian fisheries are confined to a small longline fishery for halibut and subsistence herring fisheries by Alaskan Natives. Between World Wars I and II, Japan operated cod and trawl bottomfisheries in the region. Japan resumed operations in 1954, and catches increased to about one and three quarters million

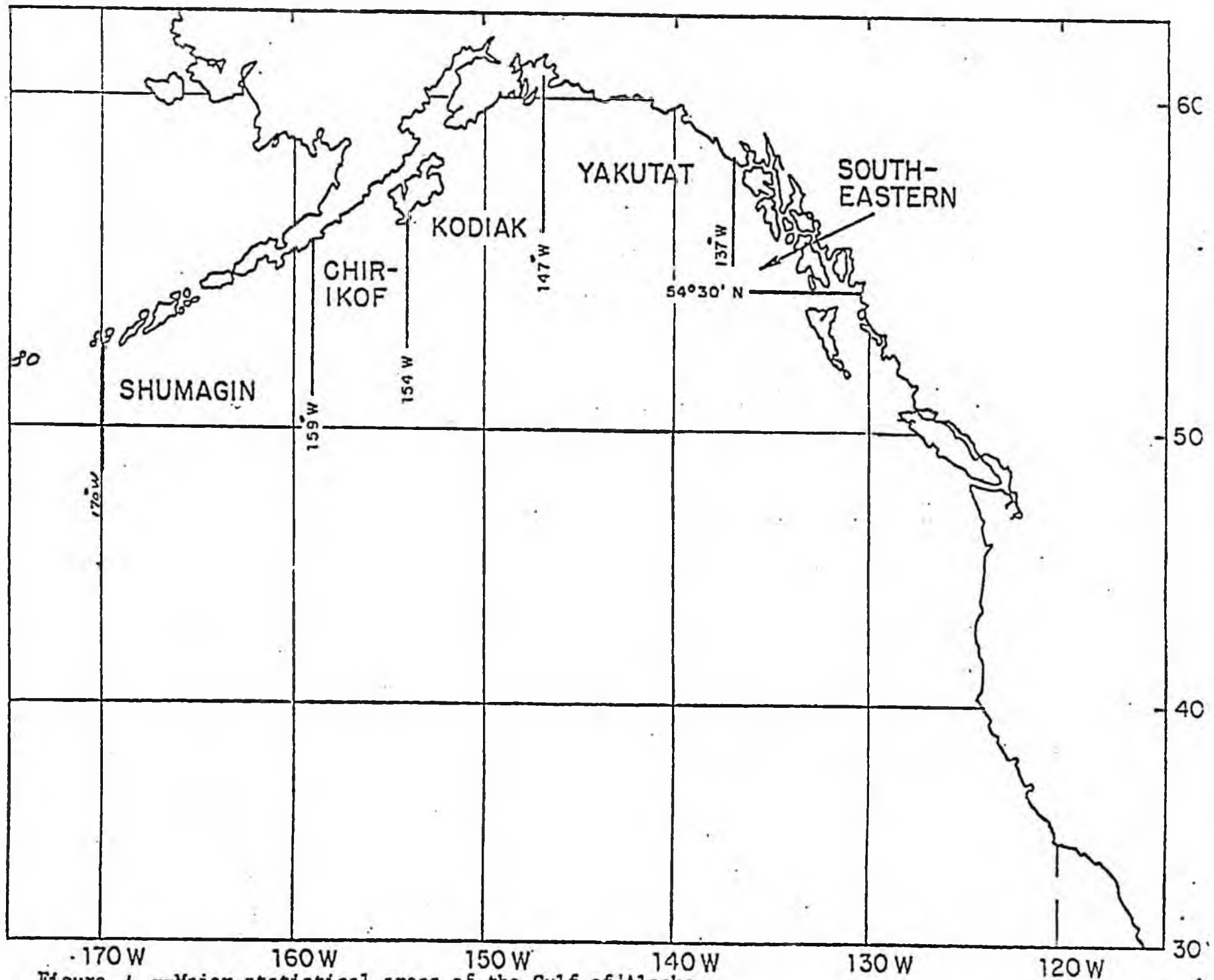


Figure 1 --Major statistical areas of the Gulf of Alaska.

metric tons annually for 1971 through 1973. The USSR initiated flatfish and herring fisheries off Alaska in 1959, South Korea commenced operations in 1967, and Poland and Taiwan began in 1973 and 1974 respectively.

The catch of the contemporary domestic and foreign fisheries in the region (1970-77) are summarized in Tables 1 and 2. Japan dominates the region with annual catches ranging from slightly more than one million metric tons in 1976 and 1977 to almost two million metric tons in 1972, most of this being accounted for by the harvest of Pacific pollock. USSR annual catches have ranged from 232 thousand metric tons in 1970 to 436 thousand metric tons in 1974, approximately half the 1970 harvest being flounder but shifting to pollock as the dominant species in the following years. The harvests of South Korea have increased steadily from 5 thousand metric tons in 1970 to 117 thousand metric tons in 1974. Catches of Poland and Taiwan have been insignificant, although their 1977 allotments were 13 and 10 thousand metric tons respectively. The catches of the United States and Canada generally did not exceed 500 metric tons per year.

The United States and Canada fisheries consist of small longline vessels which deliver their catches to ports in Alaska, British Columbia and Washington for on-shore processing. In contrast, the other nations utilize large catcher vessels which either process their catch at sea on board or transfer them to factory ships (mother ships) for processing. The flotillas from Japan and the USSR include a variety of support vessels and are self-sufficient and supporting. In all cases

TABLE 1--CATCHES (APPROXIMATE) OF BOTTOMFISH OFF ALASKA BY COUNTRY AND INPFC AREAS--1970-77

	United States	Canada	USSR	Japan	South Korea	Poland	Taiwan	Total	Area Distribution Percent	U.S. as Percent Total
(1,000 metric tons, round weight)										
<u>1970</u>										
Bering Sea, Aleutian	*	1	232	1,480	5	-----	-----	1,718	93.5	*
Shumagin	1	1	2	8	-----	-----	-----	12	0.7	8.3
Chirikof	2	4	2	9	-----	-----	-----	17	0.9	11.8
Kodiak	6	2	5	20	-----	-----	-----	33	1.8	18.2
Yakutat	1	2	*	21	-----	-----	-----	24	1.3	4.2
Southeastern	5	1	-----	27	-----	-----	-----	33	1.8	15.2
<u>TOTAL</u>	<u>15</u>	<u>11</u>	<u>241^a</u>	<u>1,565</u>	<u>5</u>	-----	-----	<u>1,837</u>	<u>100.0</u>	<u>0.8</u>
<u>PERCENT</u>	<u>0.8</u>	<u>0.6</u>	<u>13.1</u>	<u>85.2</u>	<u>0.3</u>	-----	-----	<u>100.0</u>		
<u>1971</u>										
Bering Sea, Aleutian	*	*	397	1,806	10	-----	-----	2,213	94.1	*
Shumagin	1	1	8	10	-----	-----	-----	20	0.8	5.0
Chirikof	2	3	5	8	-----	-----	-----	18	0.8	11.1
Kodiak	5	3	17	23	-----	-----	-----	48	2.0	10.4
Yakutat	1	2	1	23	-----	-----	-----	27	1.1	3.7
Southeastern	4	1	-----	24	-----	-----	-----	29	1.2	13.8
<u>TOTAL</u>	<u>13</u>	<u>10</u>	<u>428^a</u>	<u>1,894</u>	<u>10</u>	-----	-----	<u>2,355</u>	<u>100.0</u>	<u>0.6</u>
<u>PERCENT</u>	<u>0.6</u>	<u>0.4</u>	<u>18.2</u>	<u>80.4</u>	<u>0.4</u>	-----	-----	<u>100.0</u>		
<u>1972</u>										
Bering Sea, Aleutian	*	*	412	1,917	9	-----	-----	2,338	92.0	*
Shumagin	1	1	17	16	1	-----	-----	36	1.4	2.8
Chirikof	1	3	12	7	-----	-----	-----	23	0.9	4.3
Kodiak	5	2	37	26	-----	-----	-----	70	2.8	7.1
Yakutat	1	2	3	30	-----	-----	-----	36	1.4	2.6
Southeastern	4	1	-----	33	-----	-----	-----	38	1.5	10.5
<u>TOTAL</u>	<u>12</u>	<u>9</u>	<u>481^a</u>	<u>2,029</u>	<u>10^b</u>	-----	-----	<u>2,541</u>	<u>100.0</u>	<u>0.5</u>
<u>PERCENT</u>	<u>0.5</u>	<u>0.4</u>	<u>18.9</u>	<u>79.8</u>	<u>0.4</u>	-----	-----	<u>100.0</u>		

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	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Poland</u>	<u>Taiwan</u>	<u>Total</u>	<u>Area Distribution Percent</u>	<u>U.S. as Percent Total</u>
(1.000 metric tons round weight)										
<u>1973</u>										
Bering Sea, Aleutian	*	*	348	1.755	7	*	-----	2.110	91.5	*
Shumagin	1	*	14	10	3	-----	-----	28	1.2	3.6
Chirikof	1	1	16	15	-----	-----	-----	33	1.4	3.0
Kodiak	4	2	28	25	-----	*	-----	59	2.6	6.8
Yakutat	1	1	4	35	-----	-----	-----	41	1.8	2.4
Southeastern	4	1	-----	29	1	-----	-----	35	1.5	11.4
<u>TOTAL</u>	<u>11</u>	<u>5</u>	<u>410</u>	<u>1.869</u>	<u>11^b</u>	<u>*</u>	<u>-----</u>	<u>2.306</u>	<u>100.0</u>	<u>0.5</u>
<u>PERCENT</u>	<u>0.5</u>	<u>0.2</u>	<u>17.8</u>	<u>81.0</u>	<u>0.5</u>	<u>*</u>	<u>-----</u>	<u>100.0</u>		
<u>1974</u>										
Bering Sea, Aleutian	1	*	436	1.574	34	-----	*	2.045	91.5	*
Shumagin	*	*	20	12	3	-----	*	35	1.6	*
Chirikof	1	*	8	15	-----	-----	-----	24	1.1	2.9
Kodiak	2	*	46	31	-----	*	-----	79	3.5	2.5
Yakutat	1	1	3	19	-----	-----	-----	24	1.1	4.2
Southeastern	3	1	-----	19	3	-----	-----	26	1.2	11.5
<u>TOTAL</u>	<u>8</u>	<u>2</u>	<u>513</u>	<u>1.670^c</u>	<u>40^b</u>	<u>*</u>	<u>*</u>	<u>2.233</u>	<u>100.0</u>	<u>0.4</u>
<u>PERCENT</u>	<u>0.4</u>	<u>0.1</u>	<u>23.0</u>	<u>74.8</u>	<u>1.8</u>	<u>*</u>	<u>*</u>	<u>100.0</u>		
<u>1975 (preliminary)</u>										
Bering Sea, Aleutian	*	*	334	1.254	8	-----	3	1.599	84.9	*
Gulf of Alaska	10	2	134	124	10	4	-----	284	15.1	3.5
<u>TOTAL</u>	<u>10</u>	<u>2</u>	<u>468</u>	<u>1.378</u>	<u>18</u>	<u>4</u>	<u>3</u>	<u>1.883</u>	<u>100.0</u>	<u>0.5</u>
<u>PERCENT</u>	<u>0.5</u>	<u>0.1</u>	<u>24.9</u>	<u>73.2</u>	<u>1.0</u>	<u>0.2</u>	<u>0.1</u>	<u>100.0</u>		

TABLE 1--Page 3

	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Poland</u>	<u>Taiwan</u>	<u>Total</u>	<u>Area Distribution Percent</u>	<u>U.S. as Percent Total</u>
	(1,000 metric tons round weight)									
<u>1976 (preliminary and incomplete)</u>										
Bering Sea, Aleutian	*	*	320	1.199	94	-----	2	1.615	86.8	*
Gulf of Alaska	<u>8</u>	<u>2</u>	<u>107</u>	<u>105</u>	<u>23</u>	<u>-----</u>	<u>-----</u>	<u>245</u>	<u>13.2</u>	<u>3.3</u>
TOTAL	8	2	427	1.304	117	-----	2	1.860	100.0	0.4
PERCENT	0.4	0.1	23.0	70.2	6.3	-----	0.1	100.0		
<u>1977 (total allowable catch - NPFMC)</u>										
Bering Sea, Aleutian	*	*	251	1.032	43	5	10	1.341	82.9	*
Gulf of Alaska	<u>17</u>	<u>2</u>	<u>108</u>	<u>105</u>	<u>38</u>	<u>7</u>	<u>-----</u>	<u>277</u>	<u>17.1</u>	<u>6.1</u>
TOTAL	17	2	359	1.137	81	13	10	1.618	100.0	1.1
PERCENT	1.1	0.1	22.2	70.2	5.0	0.8	0.6	100.0		1.1

* Less than 500 tons or 0.05%

a) Sources give USSR catch for "Gulf of Alaska" only. Allocation to INPF areas calculated on basis of 1973 and 1974 distributions.

b) Sources give South Korea catch for "Gulf of Alaska" only. Allocation to INPF areas calculated on basis of fleet movements reported by NMFS Law Enforcement Branch.

c) "Gulf of Alaska" catch by Japan by INPF areas 96 thousand metric tons as compared with 112 thousand metric tons as reported by species.

SOURCES: See next page.

TABLE 2--CATCHES (APPROXIMATE) OF BOTTOMFISH EASTERN BERING SEA AND ALEUTIAN ISLANDS AREAS,
BY PRINCIPAL SPECIES AND COUNTRY, 1970-77

	<u>United</u> <u>States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South</u> <u>Korea</u>	<u>Taiwan</u>	<u>Total</u>
	(1,000 metric tons, round weight)						
<u>1970</u>							
Sablefish (black cod)	-	-	3	10	-	-	13
Flatfish (other than halibut)	-	-	115	124	-	-	239
Halibut	*	1	*	2	-	-	3
Pacific Cod	-	-	-	75	-	-	75
Pacific Ocean Perch	-	-	53	23	-	-	76
Other Rockfish	-	-	-	2	-	-	2
Pacific Pollock	-	-	45	1,232	5	-	1,282
Other	-	-	16	12	-	-	28
Total	*	1	232	1,480	5	-	1,718
%	*	0.1	13.5	86.1	0.3	-	100.0
<u>1971</u>							
Sablefish	-	-	3	16	-	-	19
Flatfish (other than halibut)	-	-	143	184	-	-	327
Halibut	*	1	*	5	-	-	6
Pacific Cod	-	-	4	46	-	-	50
Pacific Ocean Perch	-	-	7	25	-	-	32
Pacific Pollock	-	-	236	1,515	10	-	1,761
Other	-	-	4	15	-	-	19
Total	*	1	397	1,806	10	-	2,214
%	*	*	17.9	81.6	0.5	-	100.0
<u>1972</u>							
Sablefish	-	-	2	14	a	-	16
Flatfish (other than halibut)	-	-	61	177	-	-	238
Halibut	*	*	*	1	-	-	1
Pacific Cod	-	-	7	40	-	-	47
Pacific Ocean Perch	-	-	25	14	a	-	39
Other Rockfish	-	-	-	1	a	-	1
Pacific Pollock	-	-	215	1,617	9	-	1,841
Other	-	-	102	53	-	-	155
Total	*	*	412	1,917	9	-	2,338
%	*	*	17.6	82.0	0.4	-	100.0

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	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Taiwan</u>	<u>Total</u>
<u>1973</u>							
Sablefish	-	-	1	9	*	-	10
Flatfish (other than halibut)	-	-	21	180	-	-	201
Halibut	*	*	*	1	-	-	1
Pacific Cod	-	-	13	41	-	-	54
Pacific Ocean Perch	-	-	4	13	-	-	17
Pacific Pollock	-	-	290	1,483	7	-	1,780
Other	-	-	19	28	-	-	47
Total	*	*	348	1,755	7	-	2,110 ^b
%	*	*	16.5	83.2	0.3	-	100.0
<u>1974</u>							
Sablefish	-	-	*	7	a	*	7
Flatfish (other than halibut)	-	-	39	226	a	*	265
Halibut	*	*	*	*	-	-	*
Pacific Cod	-	-	17	48	a	-	65
Pacific Ocean Perch	-	-	33	30	a	-	63
Pacific Pollock	-	-	331	1,253	26	*	1,610
Other	-	-	16	10	8	-	34
Total	*	*	436	1,574	34	*	2,044 ^b
%	*	*	21.3	77.0	1.7	*	100.0
<u>1975</u>							
Sablefish	-	-	*	6	a	*	6
Flatfish (other than halibut)	-	-	50	138	-	*	188
Halibut	*	*	*	*	-	-	*
Pacific Cod	-	-	21	35	-	-	56
Pacific Ocean Perch	-	-	39	12	a	-	51
Pacific Pollock	-	-	220	1,053	6	3	1,282
Other	-	-	25	10	2	-	37
Total	*	*	355	1,254	8	3	1,620 ^b
%	*	*	21.9	77.4	0.5	0.2	100.0

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	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Taiwan</u>	<u>Total</u>	
<u>1976 (preliminary and incomplete)</u>								
Sablefish	-	-	*	5	-	*	5	
Flatfish (other than halibut)	-	-	50	152	-	*	202	
Halibut	*	*	-	-	-	-	*	
Pacific Cod	-	-	21	35	-	-	56	
Pacific Ocean Perch	-	-	19	13	-	-	32	
Pacific Pollock	-	-	210	984	94	2	1,290	
Other	-	-	20	10	-	-	30	
Total	*	*	320	1,199	94	2	1,615	
%	*	*	19.8	74.3	5.8	0.1	100.0	
<u>1977 (Total Allowable Catch 0 NPFMC)</u>								
Sablefish	-	-	0.8	5.6	0.6	-	7.2	Unassigned Foreign Catch 0.2
Flatfish (other than halibut)	-	-	81.2	123.6	-	-	211.0	6.2
Halibut	*	*	-	-	-	-	*	-
Pacific Cod	-	-	17.2	38.1	-	-	58.0	2.7
Pacific Ocean Perch	-	-	11.6	9.3	-	-	21.5	0.6
Pacific Pollock	-	-	112.7	792.3	40.0	5.0	920.0	-
Other	-	-	27.3	63.5	2.5	0.3	93.6	-
Total	*	*	250.8	1,032.4	43.1	5.3	1,341.3	9.7
%	*	*	18.7	77.0	3.2	0.4	100.0	0.7

*Catch less than 500 tons or 0.05%.

^aCatch included in "Other."

^bTotal includes minor catches by Poland in 1973 and 1974.

Sources: Same as Table 1.

there has been a major upgrading of the Japanese and Soviet fleets in recent years in terms of vessel size, power, efficiency of fishing gear, navigational equipment and fish finding devices. The differences in intensity and efficiency of fishing effort are reflected in the relative distribution of total catch among participating nations. For the 1970's, Japan has accounted for three-quarters or more of the total Bering Sea/Aleutian catch (86.1% in 1970 to a low of 74.3% in 1976), followed by the USSR (13.5% in 1970 to 19.8% in 1976) and South Korea in a very distant third place (less than 1% until 1976 when the relative catch rose to 5.8%). Taiwan is a recent entry, only registering on the relative comparison scale since 1973, and the catches of the United States and Canada fall below .1% of the total catch (Table 2).

Gulf of Alaska: The principal bottomfish species in the Gulf of Alaska fishery include Alaska pollock, true cod, sablefish, Pacific Ocean perch, halibut, turbot, flathead sole, rock sole and Atka mackerel. Aside from Native subsistence fisheries, the oldest commercial fishery by U.S. fishermen was for cod in 1867 with later development of halibut and sablefish. Since 1930 halibut has been managed by the International Pacific Halibut Commission. The Asian trawl fisheries began in 1962 with the appearance of a Soviet fleet targeting on Pacific Ocean perch, followed the next year by a Japanese fleet fishing for perch and sablefish. The combined efforts of these fleets expanded rapidly, resulting in excessive annual catches reaching peaks of 380,000 metric tons in the mid-1960's. South Korea entered the fishery in 1972 longlining for sablefish

but also engaging in some trawl operations. Small fisheries efforts were conducted by Poland and Taiwan starting in 1974.

The United States currently participates in the North American halibut fishery, a sablefish setline and trap fishery, a bait fishery, and small fisheries for pollock, flounder and rockfish. The mainstay of the U.S. halibut fleet are schooners and seine vessels in the 20-39 net ton category that can be used for trawling and seining in other fisheries. A larger number of small gillnet boats participate in the halibut fishery briefly before salmon seasons. The U.S. sablefish fishery centers in the inside waters of Southeast Alaska as an off-season activity of halibut fisheries and some crab and salmon fishermen. The bait fishery is an adjunct of the crab fishery, and other groundfish are primarily incidental catch of halibut and sablefish fisheries. In 1976, a new fishery for founder and pollock started based at Petersburg. The United States Gulf of Alaska bottomfish fishery has been heaviest within the Kodiak and Southeast areas where the United States catch has also registered significant portions of the total foreign-domestic catch, 10% or more in most years in each area (Table 1). This catch has almost been entirely based upon halibut, other species of bottomfish amounting to less than 500 metric tons in most years (Table 3). Canada has been almost exclusively engaged in the North American halibut fishery, and its operations have been similar to those of the United States and, in fact, are generally combined with the United States in analysis by Japan of these fisheries.

As in the case of the Bering Sea, the foreign fisheries

present a marked contrast to the United States and Canadian fisheries. In the Gulf of Alaska, Japan operates a trawl fishery carried out by factory stern trawlers (average size about 2,500 gross tons), offloading their processed catches to refrigerator transports or delivering the catches to Japan themselves. The principal species taken has been ocean perch from the Kodiak, Yakutat and Southeastern areas. Japan's sablefish fishery uses longlines and traps and vessels of about 500 gross tons. The catch is almost entirely from the Southeastern area, the primary site of the U.S. sablefish fishery (Tables 1 and 3). In recent years, the USSR has been phasing out the use of side trawlers and placed increased reliance upon large factory stern trawlers. The new "super-trawler" classes now scheduled for production will be from 4,000 to 5,500 gross tons with 7,000 horsepower and double the daily fish production and freezing capacity of those in use. Despite efforts by the Soviets to maintain their catches in the Gulf through investment in larger and more efficient vessels and equipment and diversification of species catch, catches in the 1970's remain far below the peaks of the mid-1960's (e.g., 340,000 metric tons in 1965). Improvements have been made, however, both in absolute and relative terms since 1974 (Table 3). South Korean vessels use longline gear similar to the Japanese. Data on their catches has been sketchy until they began providing reports on their catches during 1975. As the major builder of vessels for the USSR, Poland has applied the experience gained to develop their own factory stern trawlers for use off Alaska. Their operations

TABLE 3--CATCHES (APPROXIMATE) OF BOTTOMFISH, GULF OF ALASKA BY
PRINCIPAL SPECIES AND COUNTRY, 1970-77

	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Poland</u>	<u>Total</u>
	(1,000 Metric Tons, Round Weight)						
<u>1970</u>							
Sablefish (Black Cod)	*	-----	b	24	-----	-----	24
Flatfish (other than halibut) ^a	*	*	b	4	-----	-----	4
Halibut	15	11	-----	-----	-----	-----	26
Pacific Ocean Perch	-----	-----	b	44	-----	-----	44
Other Rockfish	-----	-----	b	1	-----	-----	1
Pacific Pollock	-----	-----	b	9	-----	-----	9
Other	-----	*	9	3	-----	-----	12
Total	15	11	9	85	-----	-----	120
%	12.5	9.2	7.5	70.8	-----	-----	100.0
<u>1971</u>							
Sablefish	1	-----	*	25	-----	-----	26
Flatfish (other than halibut)	*	*	*	2	-----	-----	4
Halibut	11	9	-----	-----	-----	-----	20
Pacific Ocean Perch	*	-----	30	46	-----	-----	76
Other Rockfish	*	-----	-----	2	-----	-----	2
Pacific Pollock	-----	-----	1	10	*	-----	11
Other	*	*	1	3	-----	-----	4
Total	13	10	32	88	*	-----	143
%	9.1	7.0	22.4	61.5	*	-----	100.0
<u>1972</u>							
Sablefish	1	-----	1	36	-----	-----	38
Flatfish (other than halibut)	*	*	2	8	-----	-----	10
Halibut	10	9	-----	-----	-----	-----	19
Pacific Ocean Perch	*	-----	24	52	-----	-----	76
Other Rockfish	*	-----	-----	2	-----	-----	2
Pacific Pollock	-----	-----	20	14	1	-----	35
Other	*	*	22	2	-----	-----	25
Total	12	10	69	113	1	-----	205
%	5.9	4.9	33.7	55.0	0.5	-----	

TABLE 3 - page 2

	<u>United States</u>	<u>Canada</u>	<u>USSR</u>	<u>Japan</u>	<u>South Korea</u>	<u>Poland</u>	<u>Total</u>
<u>1973</u>							
Sablefish	1	-----	1	27	1	*	30
Flatfish (other than halibut)	*	*	1	19	-----	*	20
Halibut	9	5	*	-----	-----	-----	14
Pacific Cod	-----	-----	3	3	-----	-----	6
Pacific Ocean Perch	*	-----	4	50	b	*	55
Other Rockfish	*	-----	-----	4	b	*	4
Atka Mackerel	-----	-----	9	-----	-----	*	9
Pacific Pollock	-----	-----	30	7	1	*	38
Other	-----	-----	5	4	2	-----	11
Total	<u>11</u>	<u>5</u>	<u>53</u>	<u>114</u>	<u>4</u>	<u>*</u>	<u>187</u>
%	5.9	2.7	28.3	61.0	2.1	*	100.0
<u>1974</u>							
Sablefish	1	-----	*	24	3	*	28
Flatfish (other than halibut)	*	*	2	7	*	*	9
Halibut	6	3	*	-----	-----	*	9
Pacific Cod	-----	-----	2	3	-----	*	5
Pacific Ocean Perch	*	-----	11	36	b	*	47
Other Rockfish	*	-----	6	5	b	*	11
Atka Mackerel	-----	-----	18	-----	-----	*	18
Pacific Pollock	*	-----	31	30	*	*	61
Other	*	*	8	7	3	*	18
Total	<u>7</u>	<u>3</u>	<u>78</u>	<u>112c</u>	<u>6</u>	<u>*</u>	<u>206</u>
%	3.4	1.5	37.9	54.3	2.9	*	100.0
<u>1975 (preliminary)</u>							
Sablefish	1	-----	*	22	2	b	25
Flatfish (other than halibut)	*	*	2	2	*	*	4
Halibut	9	2	*	-----	*	b	11
Pacific Cod	-----	-----	2	4	*	b	6
Pacific Ocean Perch	*	-----	10	32	b	b	42
Other Rockfish	*	-----	2	9	b	b	11
Atka Mackerel	-----	-----	20	-----	-----	1	21
Pacific Pollock	*	-----	40	13	b	b	53
Other	*	*	7	5	7	3	23
Total	<u>10</u>	<u>2</u>	<u>83</u>	<u>67</u>	<u>10</u>	<u>3</u>	<u>173</u>

TABLE 3 - page 3

	United States	Canada	USSR	Japan	South Korea	Poland	Total
<u>1976 (preliminary and incomplete)</u>							
Sablefish	1	-----	*	23	3	-----	27
Flatfish (other than halibut)	*	-----	*	5	-----	-----	5
Halibut	7	2	*	*	*	-----	9
Pacific Cod	*	-----	2	3	-----	-----	5
Pacific Ocean Perch	*	-----	10	51	-----	-----	61
Other Rockfish	*	-----	-----	-----	-----	-----	-----
Atka Mackerel	-----	-----	50	-----	-----	-----	50
Pacific Pollock	*	-----	40	13	20	-----	73
Other	*	-----	5	10	-----	-----	15
Total	8	2	107	105	23	-----	245
%	3.2	0.8	43.7	42.9	9.4	-----	100.0
<u>1977 (total allowable catch - NPFMC)</u>							
Sablefish	2.5	-----	-----	14.0	1.6	-----	18.1
Flatfish (other than halibut)	3.0	-----	1.8	18.7	*	-----	23.5
Halibut	4.0	2.0	*	*	*	-----	6.0
Pacific Cod	4.0	-----	0.6	1.6	-----	0.1	6.3
Pacific Ocean Perch	1.0	-----	8.7	19.8	0.5	-----	30.0
Other Rockfish	1.0	-----	1.2	2.7	0.1	-----	5.0
Atka Mackerel	-----	-----	21.0	-----	-----	1.0	22.0
Pacific Pollock	1.0	-----	63.1	44.1	35.8	6.0	150.0
Other	-----	-----	11.8	4.2	0.1	0.1	16.2
Total	16.5	2.0	108.2	105.1	38.1	7.2	277.1
%	6.0	0.7	39.1	37.9	13.7	2.6	100.0

*Catch less than 500 tons or 0.01%.

^aYellow sole, other flounders.

^bCatch included in "Other."

^cCatch reported by areas in Table 1, totals 96 thousand tons.

Source: Same as Table 1.

TABLE 3 - page 3

	United States	Canada	USSR	Japan	South Korea	Poland	Total
<u>1976 (preliminary and incomplete)</u>							
Sablefish	1	-----	*	23	3	-----	27
Flatfish (other than halibut)	*	-----	*	5	-----	-----	5
Halibut	7	2	*	*	*	-----	9
Pacific Cod	*	-----	2	3	-----	-----	5
Pacific Ocean Perch	*	-----	10	51	-----	-----	61
Other Rockfish	*	-----	-----	-----	-----	-----	-----
Atka Mackerel	-----	-----	50	-----	-----	-----	50
Pacific Pollock	*	-----	40	13	20	-----	73
Other	*	-----	5	10	-----	-----	15
Total	8	2	107	105	23	-----	245
%	3.2	0.8	43.7	42.9	9.4	-----	100.0
<u>1977 (total allowable catch - NPFMC)</u>							
Sablefish	2.5	-----	-----	14.0	1.6	-----	18.1
Flatfish (other than halibut)	3.0	-----	1.8	18.7	*	-----	23.5
Halibut	4.0	2.0	*	*	*	-----	6.0
Pacific Cod	4.0	-----	0.6	1.6	-----	0.1	6.3
Pacific Ocean Perch	1.0	-----	8.7	19.8	0.5	-----	30.0
Other Rockfish	1.0	-----	1.2	2.7	0.1	-----	5.0
Atka Mackerel	-----	-----	21.0	-----	-----	1.0	22.0
Pacific Pollock	1.0	-----	63.1	44.1	35.8	6.0	150.0
Other	-----	-----	11.8	4.2	0.1	0.1	16.2
Total	16.5	2.0	108.2	105.1	38.1	7.2	277.1
%	6.0	0.7	39.1	37.9	13.7	2.6	100.0

*Catch less than 500 tons or 0.01%.

^aYellow sole, other flounders.

^bCatch included in "Other."

^cCatch reported by areas in Table 1, totals 96 thousand tons.

Source: Same as Table 1.

in the Alaska fishing industry is that there are implicit or explicit conditions before credit is extended, e.g., the first right of refusal on the product offered for sale.

The Japanese trading companies and fishing firms have been dominant in foreign investment in Alaska's fisheries. Their strategy has been to band together in consortiums and to concentrate their investments in purchasing equity. The strategy has been characterized by a growing interest in fish and shellfish presently underutilized in Alaskan waters. In the early 1970's, the Japanese became interested in Tanner Crab. Between 1971 and 1973 the industry in Alaska expanded from 13 million pounds to 61 million pounds.

Since the early 1970's, the Japanese government has been instrumental in encouraging foreign investment by Japanese companies. The Japanese removed most overseas investment restriction and formed the Overseas Fisheries Cooperation Foundation to provide credit for companies involved in overseas fisheries. Since 1965, Japanese investment in the Northeast Pacific fisheries has increased threefold.

According to Dr. Orth, there are three possible motivations for foreign investment in Alaska shore-based and floating processing facilities. The first, to maintain access to the supplies of fish and shellfish, seems to have been the primary motivation for Japanese investment in the Alaskan fishing industry. An obvious consideration here is that Japan has had a dietary dependence on the sea for centuries, and with few natural resources of her own, Japan imports 90% of her food. A second possible motivation for foreign investment in the

Alaska fishing industry is to keep tight control on the buying and selling side of the markets in which a foreign company competes in order to both extract better terms from the fishermen, and from buyers to whom they sell processed fish, and to extract better terms from U.S. processors from whom they also buy by having accurate information on the true costs of processing and delivering fish. The third possible motivation cited by Dr. Orth is that foreign companies wish to obtain or expand access to U.S. and possibly other export markets. This motivation is a possible long-term cause for substantial capital improvements in Alaska plants.

Table No. 4 is a rundown of foreign investment in the Alaska fish processing industry.

Conclusions

Alaska's fishing industry has two dominant characteristics. First, like most economic activity in Alaska, the fishing industry has had a history of boom-and-bust cycles. Bottomfish appear to offer the opportunity of alleviating this pattern by having the potential for a year-round fishery. The second characteristic of Alaska's fishing industry is that of heavy foreign involvement. The exact implications of this characteristic are more uncertain than the first. This Committee believes that the extent of foreign involvement in the Alaska fish processing industry needs to be closely examined and evaluated, and that this is an urgent prerequisite to any State planning involvement in further fisheries development in the State.

FOREIGN INVESTMENT IN THE ALASKA FISHING INDUSTRY

(Note: Information gathered in March, 1977)

Table 4, page 1

Foreign Corporation

Chain of subsidiaries with percentage of interest

KYOKUYO (Japanese Corp.)	Whitney - Fidalgo (99%)	-----	Mokuhana Fisheries (75%)	
KYOKUYO (Japanese Corp.)	Whitney - Fidalgo (99%)	-----	NEFCO - Fidalgo (50%)	
MARUBENI (Japanese Corp.)	Marubeni America (100%)	-----	Bering Sea Fisheries (25%)	
MARUBENI (Japanese Corp.)	Marubeni America (100%)	-----	North Pacific Processors (50%)	
MARUBENI (Japanese Corp.)	Marubeni America (100%)	-----	North Pacific Proc. (50%)	----- Alaska Pac. Seafoods (100%)
MARUBENI (Japanese Corp.)	Marubeni America (100%)	-----	Wards Cove Packing (9%)	----- E.C.Phillips (55%)
MARUBENI (Japanese Corp.)	Marubeni America (100%)	-----	Bering Sea Fisheries (25%)	
MARUBENI (Japanese Corp.)	Kodiak King Crab (50%)	-----	Cordova Bay Fisheries (100%)	
MARUBENI (Japanese Corp.)	Togiak Fisheries (89.6%)			
MARUBENI (Japanese Corp.)	Marubeni Alaska (100%)	-----	New England/Marubeni (50%)	----- New England/Marubeni Export (100%)
MARUBENI (Japanese Corp.)	Marubeni Alaska (100%)	-----	New England/Marubeni (50%)	----- Egegik Packing (50%)

Foreign CorporationChain of Subsidiaries with percentage of interest

MARUBENI (Japanese Corp.)	Marubeni Seafoods ----- Egegik Packing (100%) (50%)
TAIYO (Japanese Corporation)	Taiyo America, Inc. ----- Western AK. Enterprises (100%) (9.09%)
TAIYO (Japanese Corporation)	Western AK. Enterprises ----- B & B Fisheries (90.91%) (100%)
MITSUBISHI (Japanese Corp.)	Orca - Pacific Packing (14.7%)
MITSUBISHI (Japanese Corp.)	Mitsubishi International ----- Orca - Pacific Packing (100%) (5.3%)
NICHIRO (Japanese Corp.)	Nichiro Pacific, Ltd. ----- Orca - Pacific Packing (100%) (8%)
KANAI (Japanese Corp.)	R.L. Seafoods (20%)
C. ITHO & CO. (Japanese Corp.)	New Northern Processing (30%)
HOKUYO-SUISAN CO. (Japanese Corp.)	New Northern Processing (20%)
NIPPON-SUISAN KAISHA (Japanese Corp.)	Universal Seafoods (49.998%)
NIPPON-SUISAN KAISHA (Japanese Corp.)	Dutch Harbor Seafoods (25%)
NIPPON-SUISAN KAISHA (Japanese Corp.)	Morpac (27%)

Foreign Corporation

Chain of subsidiaries with percentage of interest

mitsui & CO (Japanese Corp.)

Morpac
(27%)

ALASKA PULP CO., LTD. (Japanese Corp.)

Alaska Pulp America ----- Harbor Seafoods
(100%) (100%)

BROWN & WILLIAMS TOBACCO (U.K. Corp)

Vita Foods
(100%)

Table 4, page 3

American Corporations wholly owned by Japanese Interests with subsidiaries

MITSUI & CO., U.S.A, Ltd. ----- Morpac
(19%)

NIPPON-SUISAN, U.S.A. ----- Morpac
(19%)

CHAPTER III

DEVELOPMENT REQUIREMENTS FOR AN ALASKAN BOTTOMFISH INDUSTRY

Resource Potential

This subsection was taken from Dr. George Rogers' report to this Committee.

The first obvious requirement for expansion of a domestic fishery is the availability of unexploited stocks (difference between actual stocks and maximum sustainable yield or the optimum yield of the stock), or legal or economic means of reducing the catch of foreign fisheries based on the same resource. In the eastern Bering Sea Aleutian Islands, the North Pacific Fisheries Management plans for 1977-78 describe only "other flounders" as being "slightly underfished as a complex," adding however, "some species of stocks may now be over-exploited." Halibut is described as "commercially extinct", pollock "overfished...recruitment looks poor", yellowfin sole "greatly over-exploited", Pacific Ocean perch "greatly over-exploited...remains depressed", Pacific cod "fully utilized", sablefish "overfishing for 15 years has caused gradual decline", Atka mackerel "unknown but appears weak." Despite this evaluation, the 1978 management proposals provide for some expansion of domestic harvests of pollock, Pacific cod and yellowfin sole (Table No. 5).

Because of stock limitations in the Bering Sea, Aleutian

TABLE 5--PROPOSED ALLOWABLE CATCH ALLOCATIONS OFF ALASKA - 1978 (As of October 15, 1977)

Species	Harvest Allocation	Gulf of Alaska Areas					Total	%	Bering Sea and Aleutian Is.	%
		Shumagin	Chirikof	Kodiak	Yakutat	Southeast				
(1,000 metric tons, round weight)										
<u>Pollock</u>	OY	57.1	54.4	40.8	12.5	4.0	168.8	100.0	850.0	100.0
	Reserve	17.1	16.3	12.2	3.8	1.2	50.6	30.0	-	-
	DAH	4.8	4.6	3.4	1.1	0.3	14.2	8.4	8.0	0.9
	FAC	35.2	33.5	25.2	7.6	2.5	104.0	61.6	842.0	99.1
<u>Cod</u>	OY	9.6	4.1	15.3	4.3	1.5	34.8	100.0	58.0	100.0
	Reserve	2.9	1.2	4.6	1.3	0.4	10.4	29.9	-	-
	DAH	4.3	1.8	6.8	1.9	0.7	15.5	44.5	1.0	1.7
	FAC	2.4	1.1	3.9	1.1	0.4	8.9	25.6	57.0	98.3
<u>Flounders</u>	OY	10.4	2.8	11.9	6.3	2.1	33.5	100.0	245.0 ^b	100.0
	Reserve	3.1	0.8	3.6	1.9	0.6	10.0	29.9	-	-
	DAH	2.2	0.6	2.6	1.4	0.4	7.2	21.5	1.0	0.4
	FAC	5.1	1.4	5.7	3.0	1.1	16.3	48.6	244.0	99.6
<u>Pacific Ocean Perch</u>	OY	2.7	2.7	5.2	8.0	6.5	25.0	100.0	21.5	100.0
	Reserve	0.8	0.8	1.6	2.4	2.0	7.6	30.4	-	-
	DAH	0.1	0.1	0.2	0.4	0.3	1.1	4.4	-	-
	FAC	1.8	1.8	3.4	5.2	4.2	16.3	65.2	21.5	100.0
<u>Other Rockfish</u>	OY	0.3	0.2	0.6	3.4	3.1	7.6	100.0	-	-
	Reserve	0.1	0.1	0.2	1.0	0.9	2.3	30.3	-	-
	DAH	0.1	*	0.2	0.9	0.8	2.0	26.3	-	-
	FAC	0.1	0.1	0.2	1.5	1.4	3.3	43.4	-	-
<u>Sablefish</u>	OY	1.6	1.1	1.8	2.7	2.8	10.0	100.0	6.5	100.0
	Reserve	0.5	0.3	0.6	0.8	-	2.2	22.0 ^c	-	-
	DAH	0.1	*	0.1	1.0	2.8	4.0	40.0	-	-
	FAC	1.0	0.8	1.1	0.9	-	3.8	38.0	6.5	100.0

Table 5--page 2

Species	Harvest Allocation	Gulf of Alaska Areas						Total	%	Bering Sea and Aleutian Is.	%
		Shumagin	Chirikof	Kodiak	Yakutat	Southeast					
<u>Atka</u>											
<u>Mackerel</u>	OY	4.4	3.6	15.8	1.0	-	24.8	100.0	24.8	100.0	
	Reserve	1.3	1.1	4.7	0.3	-	7.4	29.8	-	-	
	DAH	-	-	-	-	-	-	-	-	-	
	FAC	3.1	2.5	11.1	0.7	-	17.4	70.2	24.8	100.0	
<u>Other Species</u>	OY	3.9	3.2	4.5	1.4	1.0	14.5	100.0	82.8	100.0	
	Reserve	1.2	1.0	1.4	0.6	0.3	4.5	31.0	-	-	
	DAH	0.1	0.1	0.2	0.1	"	0.5	3.4	-	-	
	FAC	2.6	2.1	2.9	1.2	0.7	9.5	65.6	82.8	100.0	
<u>Halibut^a</u>	OY	0.1	0.4	1.5	0.8	2.2	5.0	100.0	- ^d	100.0	
	United States	0.1	0.2	1.3	0.4	1.8	3.8	76.0	-	100.0	
	Canada	"	0.2	0.2	0.4	0.4	1.2	24.0	-	-	
<u>Total</u>	OY	90.1	72.5	97.4	40.9	23.2	324.0	100.0	1288.6	100.0	
	Reserve	27.0	21.6	28.9	12.1	5.4	95.0	29.3	-	-	
	DAH	11.8	7.4	14.8	7.2	7.1	48.3	14.9	10.0	0.8	
	FAC	51.3	43.5	53.7	21.6	10.7	180.7	55.8	1278.6	99.2	

OY = Optimum yield (total allowable catch for the year)

Reserve = Thirty percent reserve of OY to allow in-season adjustments between domestic and foreign fisheries.

DAH = Expected domestic annual harvest based on available domestic fleet, processing and holding capacities and markets.

FAC = Foreign allowable catch (OY-DAH).

"Less than 50 tons or 0.005 percent.

^a1977 allowable catch. 1978 management plan not available at date of writing. Area and United States-Canada allocation on basis of 1975 catch.

^bIncludes yellowfin sole (OY = 106 thousand tons, FAC = 105 thousand tons).

^cTotal Gulf less than 30 percent because no reserve made in Southeast area where proposed and recent DAH exceeds OY for area.

^dStatus of Bering Sea halibut described by IPHC as "commercially extinct" because of adverse impact of trawling upon juvenile stocks.

Table 5 --page 3

Sources:

Fishery Management Plan and Environmental Impact Statement for the Gulf of Alaska Groundfish Fishery During 1978, North Pacific Fishery Management Council, Anchorage, September 23, 1977, Table 64.

Supplement to the Environmental Impact Statement/Preliminary Management Plan, Trawl Fisheries and Herring Gillnet Fishery of the Bering Sea and Aleutian Islands, NMFS Juneau, September 1977. (Contains revisions and adjustments to be made to the 1977 plan report to reflect 1978 proposals.)

Report of the Halibut Working Group to the North Pacific Fishery Management Council, August 16, 1977.

Islands and indications that the domestic interests are not looking to these areas for significant expansion, this discussion will be limited to the Gulf only. Pacific capacity already exists here for some immediate expansion and interest in future investment for further expansion centers in these areas. The Pacific halibut stock has suffered the effects of heavy past fishing by the U.S. and Canadian and intensive fishing has caused high incidental mortality of juveniles. Heavy foreign fishing during the 1960's has reduced the catch rates of other species, most particularly perch and sablefish, but the short term outlook over all stock conditions is rated as "good".

Very little is known on causes of long term changes in population sizes (e.g., decrease in perch and corresponding increase in pollock over the past 10 to 15 years).

Although room appears to exist in some stocks for domestic expansion, any significant future expansion of the magnitude justifying the investment required will have to be by allocations of allowable harvests between foreign and domestic fisheries under the Fisheries Conservation and Management Act of 1976. This provides that the total foreign allowable catch (FAC) is computed each season by deducting from optimum yield of the stock (OY), the anticipated domestic harvest for the year (DAH). This last is a measure of existing physical capacity to harvest and process a species, modified by other factors which will determine what the domestic fishermen and industry are willing and planning to harvest. A review of the process by which the 1978 DAH was estimated

will provide an estimate of the short run potential for domestic fishery expansion and insights into the factors determining the longer run potentials.

The first step taken by the Groundfish Management Team of the North Pacific Fisheries Management Council was to estimate the existing physical capacity which could be made available to harvest, process, freeze and hold additional quantities of groundfish from the Gulf without the necessity of further capital investment and without diversion from present primary uses. In estimating harvesting capacity, it was assumed that the most likely available source of expansion would be from vessels in the Alaska shellfish fishery in the combination crabber-trawler group. Data was drawn from the 1976 University of Washington Sea Grant Study (MORFISH, NR26, Technical Report 61, August 5, 1976), updated and augmented by initial results of a similar study currently in progress by the Alaska Commercial Fisheries Entry Commission under contract to NMFS. Making allowance for use of these vessels in their regular shellfish harvest, run time and weather conditions in the periods they could target on groundfish, it was estimated that the current groundfish catches could be increased by 396 thousand metric tons during the 1978 season. No increase was assumed as being available from the present longline fisheries.

Estimates of capacity of shore facilities were based on information from interviews with officials of 16 companies operating processing plants at 27 locations on the Gulf of Alaska. The firms in the sample provided information on the

amount of raw product that could be processed during the off season (when other species such as crab, halibut and salmon were not being delivered) and concurrently with other species during the peak of their seasons. Making allowances for shut-downs due to weather and other conditions, it was estimated that the physical capacity existed to process 203,250 metric tons of additional groundfish during 1978. On a similar basis, annual freezing capacity was estimated as 300 thousand metric tons. Additional plant holding capacity was quite small (11,386 metric tons) compared with processing capacity, but given industry schedules for moving product steadily to markets was adequate to accommodate the estimated production increases.

These estimates suggest that the domestic fishing industry currently has the capacity to take and process something in excess of 200 thousand metric tons of groundfish annually as compared with the 8 to 16 thousand metric tons taken annually for the period of the 1970's (Table 3). This suggests also that the existance of physical capacity in itself has little relationship to actual or expected domestic harvest. This is because these harvesting capacity estimates make no assumptions as to the willingness of vessel owners and crew to work on a year round basis, thereby foregoing present off-season employment and activities. No analysis is made of the costs of using converted equipment under less than optimum conditions (e.g., when available rather than when harvest yields might be maximized). When the processing industry representatives who provided the basis for the plant capacity

estimates were asked to make projections for actually moving into groundfish fisheries during 1978, market conditions and their lack of experience cut total expected maximum harvest to 44,500 metric tons for Gulf groundfish other than halibut, a significant increase over any past domestic harvests but far below the substantial portion of the total allowable catch the estimated capacity could physically harvest.

Half the firms in the sample were planning to develop new groundfish processing capacity and techniques in 1978, but capacity and schedules were not given. Although delivery of United States caught groundfish to foreign processing vessels will not be permitted during at least the first six months of 1978, the lifting of this ban could increase domestic harvest later in the year. Because these factors made forecasting the next year's domestic ground fishery difficult, the recommended management plan sets aside 30% of the optimum yield (OY) in a special reserve to be apportioned between the foreign and domestic fisheries as the season progresses on the basis of continuing reappraisals of the actual domestic harvest (Table 5).

In summary, for the immediate future (1978) the potential increase in the Alaska groundfish fishery probably will range from 44,500 metric tons (the amount the industry anticipates harvesting and processing) to a high of 139,500 metric tons (initial 1978 DAH plus the full amount of the NPFMC reserve). Development of a domestic fishery beyond these initial ranges is a long-range proposition and faces a number of serious handicaps. Foreign imports of fish products from these resources

dominate present domestic markets, and any drastic curtailment of foreign harvest to make room for domestic fishery development could result in a period of diminished supply and higher prices to American consumers. The 1976 law requires that management of the fisheries "provide the greatest overall benefit to the Nation, with particular reference to food production and recreational opportunities," which almost mandates that replacement of foreign by domestic fisheries be carried out without cost to the consumer. This would appear to rule out legally any attempt at an "infant industry" protective tariff as a means of promoting domestic development.

In competition for markets, the foreign fishery has several important advantages. They have had a decade or more of experience on the grounds and established specialized and efficient operations which result in economies beyond those of lower labor costs. They have strong United States and international marketing connections and organizations, none of which are presently possessed by Alaskan developers. Foreign exploitation of virgin stocks (excepting Pacific Halibut) in the Bering Sea and Gulf of Alaska during the 1960's resulted in extremely high catch rates which helped offset much of the development costs. Alaskan fishermen seeking to enter the bottomfish fishery at its present state of depressed catch rates will not enjoy this "natural subsidy," and will have to absorb or pass on to the consumer their full development costs.

Alaskan fishermen may, on the other hand, have some cost advantages in that they might be able to learn from the foreign

experience and experiments and avoid some of the costs of the innovator. Operating from shore bases could provide further economies as compared with the use of factory ships and distant water fleets. This advantage becomes increasingly important in terms of comparative energy consumption by foreign off-shore and domestic on-shore processors.

Industry Interest

This subsection was taken from Dr. George Rogers' report to this Committee.

The previous section has dealt with the availability of an adequate resource base for the development of an Alaskan bottomfish fishery. Although knowledge of stock conditions and population dynamics is fragmentary, for most species it appears from evaluations in NPFMC groundfish management plans that stocks are presently fully utilized or in some cases overutilized. Development of an Alaskan bottomfish fishery, therefore, would require that management plans make re-allocations of total allowable catch (OY) for each species from allowable foreign catch to domestic catch. Under provisions of the 1976 extended jurisdiction act this requires a demonstration not only of existence of the physical means to harvest and process an expanded domestic catch (estimated for 1978 at about 200 thousand metric tons in the Gulf of Alaska), but a firm estimate of the intent of fishermen and processors to utilize the expanded allowance (for 1978 this was set at 27,500 metric tons above the 1977 allowable domestic catch with a reserve of an additional 95,000 metric tons from which in-season allocations could be made). This

section will review the strategic factors which would influence development investment decisions in harvesting and processing.

Domestic processors have demonstrated real interest in getting into the handling of bottomfish. According to the NPFMC 1978 Gulf of Alaska groundfish management plan (September 23, 1977), eight processing companies have plans to develop in the 1977 and 1978 seasons additional processing capacity and techniques for bottomfish at 16 plants in the region and a similar report has been made by John Williams to the Chairman of the Interim Resources Subcommittee (September 12, 1977). Most of these plans involve use of or expansion of existing facilities. The development officer for NEFCO, furthermore, predicted that within the next two years five new plans for processing bottomfish would be operating in the Gulf and that in a longer run view plants would be processing Bering Sea bottomfish catches at Dutch Harbor or on St. Paul Island (John B. Harris, October 26, 1977). These and other sources consulted indicate that capital availability for processing is not a critical factor. The development of an assured and adequate supply of fish is the strategic factor in investment. This also applies to various joint ventures with foreign processors which have received some attention.

To date, response from the harvesting sector has been limited, in spite of various incentives offered by processors in the form of higher than market prices and willingness to accept small quantities. The reasons for lack of response are fairly obvious. Very few domestic vessels are equipped

for trawling, and these are mainly in the shrimp fishery and are somewhat undersized for the type of bottomfish fisheries contemplated. The most suitable source for conversions today are from the crab fleet, most of which are of the appropriate size (between 100-200 gross tons and 85-120 feet in overall length), power (800 or more horse power) and design. Some of these vessels have been designed to permit conversion to dragger operations in the future. Most of the fleet, however, is fully committed to crabbing operations and time for changing gear, etc., would not leave enough for a reasonable groundfish season. Also, the cost of trawling conversions are high. Depending upon the type of navigational and fish-finding equipment, horsepower and hull design included in the existing crabbing vessel, the costs could range from \$150,000 to over \$500,000.

Most importantly, owners of vessels engaged in crabbing have been experiencing very favorable financial returns and new capital is still flowing into the constructing and equipping of additional vessels. One source indicated that 32 new crab vessels are currently under construction. An NMFS study of a sample of king and tanner crab vessels for the 1974 season reported rates of return on investment (after deducting opportunity costs for operator's management and labor from the net revenue) of 11% for vessels in a class averaging 51 gross tons, 15% in a class averaging 140 gross tons (Bruno G. Noetzel, "Revenues, Cost, and Returns from Vessel Operations in Major U.S. Fisheries," NMFS, 1976, page 21). Williams notes that from 1970 to 1975 the quantity

of king crab harvested increased 87% while ex-vessel value increased 190%, tanner crab harvest increased 223% and value 400%, and shrimp harvest increased 33% and value of catch 163% (Williams, September 17, 1977, page 4). Coupled with this record of highly attractive and apparently increasing returns on investment, this is a fishery in which Alaskan fishermen have developed considerable experience and for which there is a growing body of basic knowledge. The reverse is true in bottomfish fisheries.

Current Development Activities

This subsection was taken from John Williams' memorandum of September 17, 1977 to Rep. Osterback.

To our knowledge at least nine companies have expressed enough interest in the bottomfish industry to at least initiate some small scale purchases of groundfish species or are in the development planning stage. Seven of these are shore-based; two involve floating processors (one is a combined catcher/processor). Some of these companies are hoping to institute initial processing of at least cod species on board fishing boats. Others in the industry suggest that any on board processing is unreasonable for reasons of space, weather, fishermen distaste for such an operation, and economics. At least two processors are experimenting with pot fishing (as opposed to dragging).

We learned of four companies (three in Kodiak, one in Dutch Harbor) which are now buying small quantities of bottomfish for experimental processing and marketing, including occasional purchases of pot caught cod species with deliveries

or have purchased gutting machinery which they intend to place on board fishing boats. Two extra men (total of six) would then be carried on board to do the initial processing of cod species. Pot fishing and on-board gutting are techniques being looked at in order to guarantee product quality, a factor to which price is highly sensitive.

These four companies are presently offering prices for small quantities of unprocessed fish (some less than 10,000 pounds) which are significantly above those that would be expected to prevail assuming some minimum level of enterprise profitability and current prices in final product markets. In our view, this reflects an effort by the processors to encourage some prospecting by the fishing captains who may be interested. For example, the Dutch Harbor operation has guaranteed a specific fisherman a minimum income to encourage him to pot fish for cod and sablefish. Thus far, he has had a difficult time in locating the target species in any concentration. In fact, all the companies we spoke with stated that they were receiving disappointing quantities of product.

New England Fish Company (NEFCO) and Icicle Seafoods, Inc. (dba PFI, Petersburg) have both signed contracts with the Alaska Department of Commerce and Economic Development for groundfish processing activities. The contracts guarantee against loss for up to three cents per pound, with a \$145,000 ceiling on the total potential payment. In return, the companies are to supply the state with access to the information generated by the pilot projects. NEFCO has yet

to initiate processing activities; PFI did some exploratory work this spring. NEFCO hopes to begin full scale processing activities in Kodiak in October or November of this year. PFI will again begin groundfish processing in Petersburg in October.

NEFCO has announced nationally their intent to enter groundfish processing in a big way. NEFCO has had some financially difficult years recently, and it is undoubtedly their hope to recover some financial footing in groundfish - a decision which could be interpreted as an extraordinary effort to regain a profit margin.

NEFCO's development plans call for targeting on pollock, cod and sole. They need three vessels, each committed to making 200,000 pound deliveries, to make possible a minimum of 220 processing days per year. They have invested \$580,000 in machinery, with total investment in their Kodiak bottomfish operation expected to be about \$1 million. Pollock will be processed into 18.5 pound finished blocks. Cod is to be filleted, individually quick frozen, and marketed domestically. Minced flesh from both species would be ~~reprocessed in Seattle into fish cake products.~~ Flatfish (sole) would be bulk frozen and processed in Seattle.

Another company with which we talked is in the process of completing its development plans for a \$6 million operation in the westward region, to be targeted on cod species and pollock. They initially hope to process 150,000 pounds of product per day, and anticipate a labor need for 35 people. The company hopes to be in operation in 1978.

We additionally learned of a Seattle consortium of fishermen, led by Mr. Maggie Ness, which has obtained financing and has begun the reconstruction of a vessel to serve as a catcher/processor for several species, including bottomfish. Their investment is \$2.5 million, which includes \$600,000 in machinery (including bottomfish processing machinery). They hope to process (for all target species) ten months each year.

Although we have not talked with them directly, it is also known that All Alaska Seafoods, Inc., a corporation started in 1975 by a group of Kodiak fishermen, intended to enter the bottomfishery when they equipped the floating processor, All Alaska. This vessel has been processing crab and herring during the past year, and it is not known what the firm's future plans call for.

In general, our conversations with processors and potential processors have revealed widely ranging intentions with respect to the degree of processing which will occur at Alaskan locations. One company has a market for a large quantity of headed and gutted pollock which would be further processed by the buyer. Several of the firms which are "testing the winds" are freezing either whole or gutted cod and sending the product to Seattle plants for further processing. Still others intend to do the bulk of processing in Alaska with by-product reprocessing and breaching and battering operations to occur in Seattle. One company is specifically looking to internationally market their pack via Anchorage International Airport. It is also known that Flying Tiger Airlines, which

presently flies fish from Alaska to the Orient during the summer months, has been actively investigating the potential marketing of bottomfish from Alaska in the Orient.

Most industry and banking sources seem to agree that the ability to substitute capital for "high cost" domestic labor (along with an assured raw product supply - discussed below) will be the key to deciding the competitiveness of domestically processed bottomfish products in the international and national market. (We are seeking more information about the labor component of existing bottomfish processing operations on the West Coast.)

The ability to finance, acquire and install modern, automated or semi-automated processing machinery, the majority of which is manufactured in Europe, will clearly be critical to full scale, profitable operations, in an industry where the major foreign competitors pay wage rates in the neighborhood of 30 cents per hour.

In fact, the fisheries loan officer of the bank which is by far the most active in the fisheries loan area, told us that his decision to finance the Maggie Ness operation hinged upon his being convinced that the processing machinery technology was well enough advanced to supplant a major portion of the labor requirement.

Financing

This subsection was taken from
Dr. Frank Orth's report entitled
"Financing Alaska Commercial
Businesses: Problems and Alternative Solutions."

Introduction

This subsection outlines the present role and discusses the potential future role of the Spokane Bank for Cooperatives and Production Credit Associations in financing Alaskan fishing businesses. It provides an assessment of past credit availability to fishing businesses through the existing Farm Credit System and the potential availability of such credit. The subsection will, in addition, address the broader concerns of state policymakers concerning the general availability of funding for fisheries development and the potential for Permanent Fund and/or Renewable Resources Fund participation.

The first step in determining the potential for greater access by Alaska fishing businesses to the Farm Credit System, is to obtain information on the structure and functions of the System. An overview of this information is provided in the next section. The following two sections discuss the lending programs of the Bank for Cooperatives and Production Credit Associations respectively, with particular emphasis on problems that Alaskans have had in accessing credit from the system. Another section provides information on other fisheries financial assistance programs. The final section includes a discussion of alternative policy roles for the State and the further research that would be beneficial for evaluating these alternatives.

The Federal Farm Credit System

The Federal Farm Credit System originated in 1916 with the passage of the Federal Farm Loan Act. This law provided for the establishment of twelve Federal Land Banks (FLBs) and for their local agencies, the Federal Land Bank Associations (FLBAs). The Farm Credit System was expanded by the Agriculture Credit Act of 1923, which provided for 12 Federal Intermediate Credit Banks (FICBs) and by the Farm Credit Act of 1933, which authorized Production Credit Associations (PCAs) to serve as local agencies for the FICBs. This same act created 13 Banks for Cooperatives (BCs), one for each Farm Credit District and a Central Bank for Cooperatives, located in Denver. The Farm Credit Administration (FCA), created by executive order of the president in 1933, is an independent federal agency, that is privately owned and financed by the member institutions of the system. Table 10 sets out the prominent points in the legislative history of the Farm Credit System.

The names of the institutions which make up the Farm Credit System are descriptive of their function. The FLBs, through their FLBAs, are the long-term lenders in the system, providing five to forty year secured real estate loans to farmers. The FICBs through their PCAs provide shore and intermediate agriculture production credit of up to seven years. The BC make term and seasonal loans, usually secured, directly to eligible agriculture cooperatives. The BC and the FICB/PCA components of the system were authorized to make aquatic as well as agriculture loans by the passage of the Farm Credit Act of 1971. The Farm Credit Administration has supervision,

Table 10

HISTORICAL DEVELOPMENT OF FARM CREDIT SYSTEM

- 1916 Federal Farm Loan Act of 1916 - Created Federal Land Banks and Federal Land Bank Associations.
- 1923 Agriculture Credit Act of 1923 - Created Federal Intermediate Credit Banks.
- 1933 Executive Order of the President established independent Farm Credit Administration.
- 1933 Farm Credit Act of 1933 - Authorized local Production Credit Associations. Created 13 Banks for Cooperatives.
- 1939 Farm Credit Administration was made a part of the U.S. Department of Agriculture.
- 1947 Total Private ownership of Federal Land Bank System achieved.
- 1953 Farm Credit Act of 1953 - Returned FCA to status as independent agency; created Federal Farm Credit Board.
- 1955 Farm Credit Act of 1955 - Provided for private capitalization of Banks for Cooperatives.
- 1956 Farm Credit Act of 1956 - Authorized private capitalization of FICB's.
- 1968 Total private ownership of FICB/PCA System, and of Banks for Cooperatives achieved.
- 1971 Farm Credit Act of 1971 - Supersedes all previous Acts and Resolutions governing the system; provided for aquatic loans by FICB/PCA Systems and Banks for Cooperatives.

examination, and coordination responsibilities over all units in the system.

Alaska falls within the Spokane District of the Farm Credit System. Washington, Oregon, Montana, and Idaho also belong to this district. The Federal Land Bank Associations and Production Credit Associations are the local lending agencies representing the Spokane Federal Land Bank and Federal Intermediate Credit Bank respectively. There are no FLBAs or PCAs in Alaska. However, the Mt. Vernon, Washington FLBA and the Northwest Livestock PCA include Alaska in their respective subdistricts. Both of these units have a (the same) part time agent in Alaska. The Spokane Bank for Cooperatives make loans directly with agriculture and aquatic cooperatives in its district, including Alaska.

The Farm Credit System enjoys an excellent credit rating; this has been achieved by the application of conservative business principles and highly specialized knowledge to the lending practices of its component institutions. The system is financed by membership capital (it is a cooperative system), and by the sale of the consolidated securities (primarily short-term) of the FLB, FICB, and BC groups in the money market. 1977 marks the first year in which consolidated systemwide securities will be issued.

As mentioned, the Farm Credit System is a cooperative system that in the lending institutions which comprise the system are owned and controlled by its borrowers. The cooperative principal has worked exceedingly well, presumably because users of the system have their funds invested in the equity of the

institutions from which they borrow as well as in their own businesses. This dual level of participation, ownership/control and patronage, has meant in practice that the lending policies of the system's institutions reflect the same sound business practices (based on self interest) that users attempt to apply to their own businesses. It also has meant that the quality of the loan portfolios of the system's institutions have benefitted from a specialized knowledge of the business of its members.

Because of its organization and history, the Farm Credit System cannot be thought of as a source of high risk funds; it does not make low margin loans, and these lending institutions are not suitable for subsidized financing. It is important to recognize this fact because, to the extent that pressure from Alaskans to obtain greater access to the Farm Credit System is based on past denials of credit to non-creditworthy borrowers, the placement of Farm Credit institutions in Alaska in response to such pressure will do little to assist this category of borrowers. The characteristics of the System further imply that those institutions which are organizationally capable of becoming available in-state to Alaskan borrowers (FLBA and PCA) will do so only if there is sufficient demand for their services to make in-state operation economical. This problem is somewhat circular in that local availability would generate some additional demand, but availability depends in part on demonstrated demand.

The institutions which comprise the Farm Credit System are large, they are naturally dominated by the agriculture interests

which own and control them, and historically they have employed personnel with highly specialized knowledge of agriculture production and marketing. It has only been since the passage of the Farm Credit Act of 1971 that the Banks for Cooperatives and the Federal Intermediate Credit Banks/Production Credit Associations have been authorized to make "aquatic" loans. These institutions are only beginning to realize their potential in the aquatic lending area. For the potential to be realized, aquatic memberships must become a significant part of these cooperative institutions' total membership, and specialized knowledge about aquatic businesses must be obtained. Clearly these are circular problems that will require time, effort, and some risk taking to overcome.

Figure 2 depicts the organizational structure of the Cooperative Farm Credit System. At the first level of organization, Cooperatives, PCAs, and FLBAs, the membership elects the Board of Directors. These Boards, in turn, elect the District Farm Credit Board which serves as the Board for all three of the district banks (BC, FICB, and FLB) and which, along with its counterparts from other districts, nominates persons to serve on the system's policy making body, the Federal Farm Credit Board. The president makes the final selection of members for this Board, but historically he has chosen from the nominees submitted by the District Farm Credit Boards. Thus, from the bottom of the system to the top, the principal of democratic participation through elected representatives is maintained, along with cooperative ownership based on patronage.

Figure 3 shows the mechanism through which the Farm Credit

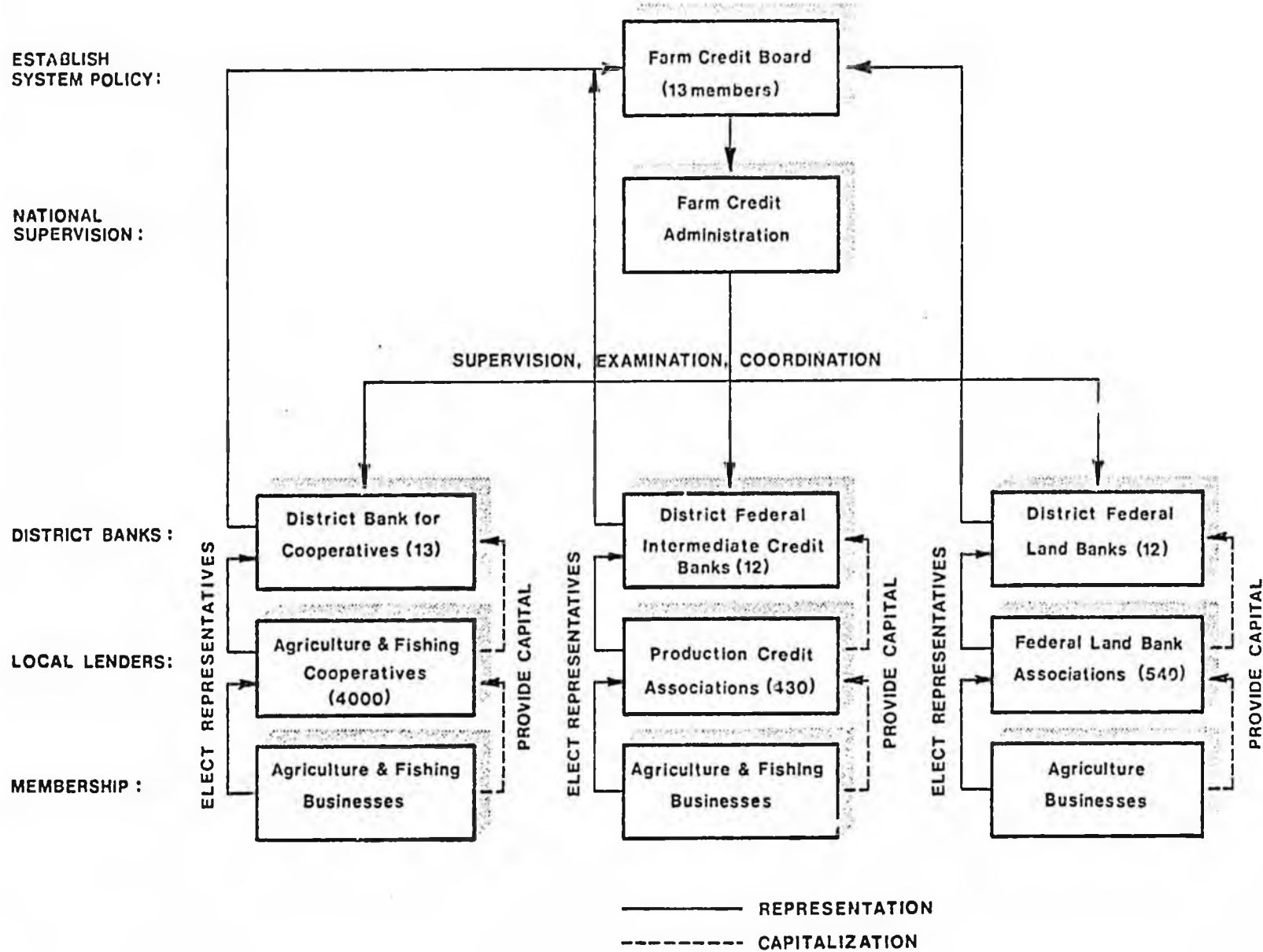


Figure 2: THE ORGANIZATION OF THE COOPERATIVE FARM CREDIT SYSTEM

THE MONEY MARKET

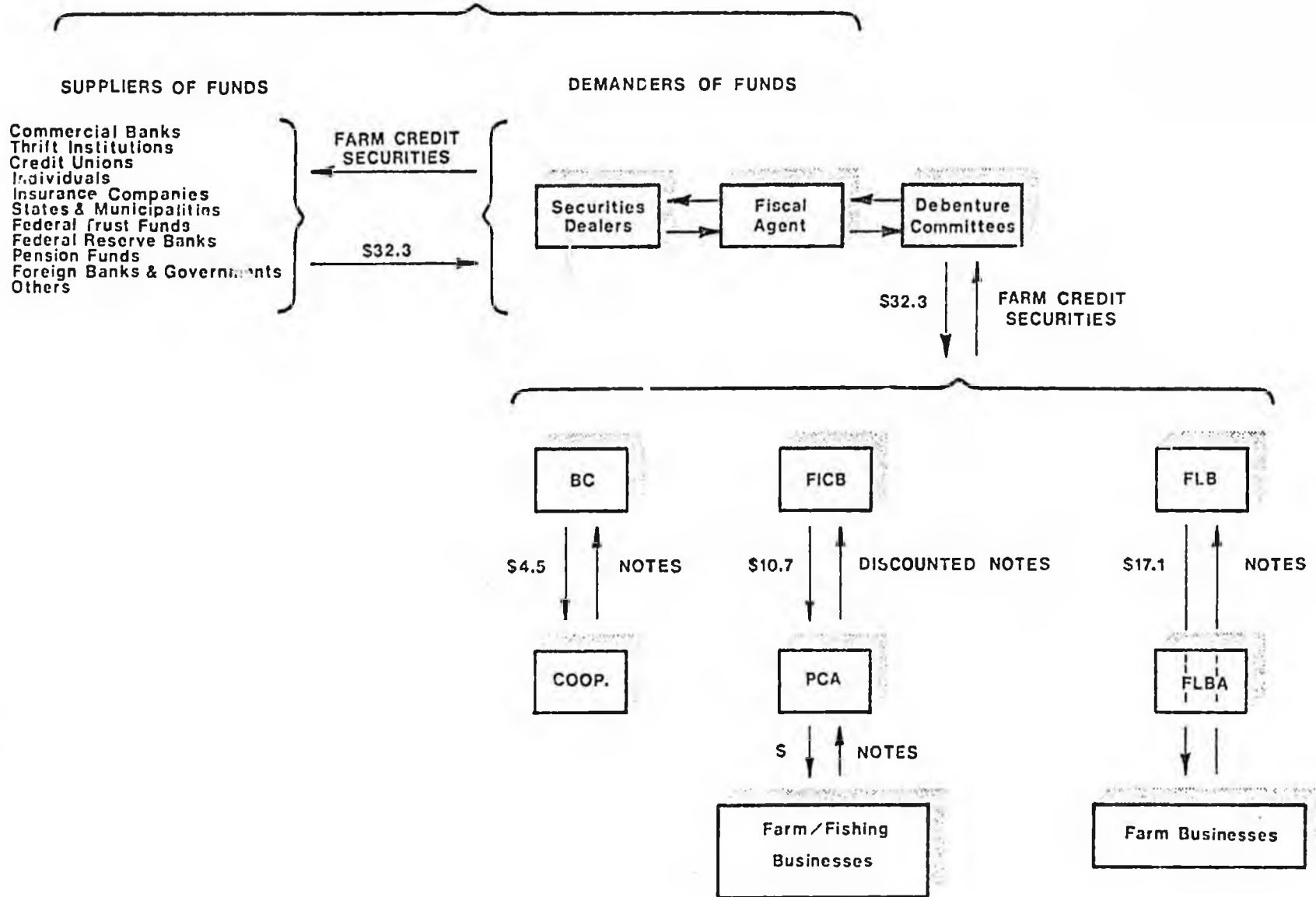


Figure 3: Flow of funds through Farm Credit System (Amounts in billions of dollars outstanding as of December 31, 1976)