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108:1

House Special Committee on International Trade & Tourism
House Special Committee on World State & Trade Federal Relations
House Fisheries Committee
House Resources Committee

April 21, 1998
12:00 PM - 1:00 PM

Call To Order: ✓

Representative Barnes, Chairman House Special Committee on World ^{Trade} ~~State~~ & ^{State} ~~Trade~~ Federal Relations called the meeting to order at 12:05 PM.

Present:

Representative Barnes, Cowdery, Phillips, Ryan, Nicholia, Rokeberg were present when meeting called to order. Representative Hodgins and Leman arrived at 12:10 PM. Representative Austerman arrived at 12:15 PM. Representative Ogan arrived at 12:20 PM. Representative Ivan and Senator Ellis arrived at 12:25 PM. Senator Leman arrived at 12:30 PM. Representative Joule arrived at 12:35 PM. Representative Kott arrived at 12:45 PM.

Summary Of Information:

Howard Benedict of Alaska Seafood Center, now known as Alaska Seafood International (ASI), gave a presentation of the center with visual aids. He emphasized the "value-added", product that they will be processing. He explained their products, business philosophy, marketing approach, economic growth projections, and Alaskan commitment.

Keld Anderson explained some of the logistics of the project, and the importance of consistent quality in their product.

Eric Tang, Comptroller for Central Investment Holdings (CIH) explained the company's position on this project as the 1st major project in North America.

Committee members asked the presenters some questions about the project. All questions were answered at that time.

Committee Action:

Speaker Phillips presented CIH company, with a Certificate of Appreciation from the Legislature. No other action was taken by the committee(s).

Adjournment:

Representative Barnes adjourned the meeting at 1:00 PM.

Note:

The meeting was recorded and handwritten log notes were taken. A copy of the tape and log notes may be obtained by contacting House Records at 130 Seward Street, Suite 211, Juneau, AK 99801, (907) 465-2214. After adjournment of the second session of the Twentieth Legislature these records will be available in the Legislative Reference Library.



Official Business

MEMBER
Natural Resources
Committee

Alaska State Legislature

**Chair, Legislative Council
Chair, World Trade
And
State/Federal Relations**

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

Alaska Seafood International BRIEFING ATTENDANCE April 21, 1998

Chair: Representative Ramona L. Barnes
716 W. 4th Avenue, Suite 600
Anchorage, AK 99501-2133

House Speaker Gail Phillips
126 W. Pioneer Avenue, Suite 3
Homer, AK 99603

Representative Alan Austerman
112 Mill Bay Road
Kodiak, AK 99615

Representative John Cowdery
716 W. 4th Avenue, Suite 320
Anchorage, AK 99501-2133

Representative Mark Hodgins
145 Main St. Loop, Suite 221
Kenai, AK 99611

Representative Ivan Ivan
P.O. Box 520147
Akiak, AK 99552

Representative Reggie Joule
P.O. Box 673
Kotzebue, AK 99752

Representative Peter Kott
10928 Eagle River Road
Eagle River, AK 99577

Representative Eldon Mulder
716 W. 4th Avenue, Suite 310
Anchorage, AK 99501-2133

Representative Irene Nicholia
Room 409
State Capitol
Juneau, AK 99801-1182

Representative Norman Rokeberg
716 W. 4th Avenue, Suite 640
Anchorage, AK 99501-2133

Representative Joe Ryan
716 W. 4th Avenue, Suite 330
Anchorage, AK 99501-2133

Senator Johnny Ellis
716 W. 4th Avenue, Suite 440
Anchorage, AK 99501-2133

Senator Loren Leman
716 W. 4th Avenue, Suite 520
Anchorage, AK 99501-2133



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MEMORANDUM

TO: Senator Halford, Senate Resources Committee
Representative Ogan, House Resources Committee
Representative Austerman, Committee on Fisheries
Representative Cowdery, Committee on International Trade & Tourism

FROM: Representative Ramona L. Barnes, Chair *Ramona L. Barnes*
Committee on World Trade & State/Federal Relations

DATE: April 7, 1998

SUBJECT: Special Briefing/Update on the Alaska Seafood Center

A special legislative briefing has been scheduled for Tuesday, April 21st at 12 p.m. noon, in the House Finance Committee chambers.

The briefing will provide an update on construction and other progress of the \$125 million seafood center, located in Anchorage.

The briefing will be offered by Howard Benedict and others from Alaska Seafood International, in addition to Eric Tang of Central Investment Holding Company, of Taiwan.

For additional information, please contact Mark Riehle of my staff at 6585.

*Greg Gayleck - Audlund Marketing - 561-2009
FAX: 562-8647*



Advisory - ALASKA SEAFOOD INTERNATIONAL

Delegation visit to the State Of Alaska Legislature - Juneau, Alaska - April 21st, 98

WHO

Howard Benedict, Founder & Chairman
Keld Andersen (and wife Hannah) - Chief Operating Officer
Eric Teng, Senior Financial Analyst - Central Investment Holding, Ltd -
Taipei, Taiwan - Rep of China
Gregory Galik, AADLAND Marketing: Communications & External Affairs

DOING WHAT

1. Brief key committees of House & Senate on vision and future of Alaska's Seafood Industry.
2. Update members on progress with construction of \$125MM facility in Anchorage. Set for completion June of 1999.
3. Receive special Legislative Citation to Central Investment Holdings (CIH) in appreciation and recognition of \$28MM investment in the ASI project and Alaska. Project marks the first investment by CIH on North American soil.

WHY

1. Alaska's current seafood industry and worldwide marketing of seafood is in need of new markets and products that can boost Alaska's declining worldwide market share.
2. ASI will be the first major producer of value-added (sauced & coated portion-controlled) fresh and frozen seafood products.
3. The plant being constructed is the largest facility of its type on North American continent.
4. Central Investment Holding, Ltd of Taiwan came forward in May of 1996 with a \$28MM investment to complete financing requirements of \$125MM for the project.
5. The project is currently in final stages of AIDEA approval of \$50MM in financing.
6. Construction site preparation and steel procurement for construction has been completed. The project is out to bid with the contracting community.



*Alaska
Seafood
International*

FOR IMMEDIATE RELEASE

Contact: Howard Benedict
(907) 562-8833
Gregory Galik
(907) 561-2009

**ONE OF NORTH AMERICA'S LARGEST VALUE-ADDED SEAFOOD
MANUFACTURING FACILITIES BEING BUILT IN ANCHORAGE, ALASKA**

(Anchorage, Alaska) Construction is now underway on a modern value-added seafood manufacturing facility to be located on a 45-acre site near Anchorage International Airport. The \$125 million operation is a joint venture of Anchorage-based Alaska Seafood International (ASI) and Central Investment Holding Company of Taiwan.

Howard Benedict, founder and Chairman of the Board, reports that 95% of the design phase of the project is complete and site work is underway in preparation for construction. The multi-million dollar facility, which has been in development for eight years, is scheduled for completion in June 1999, with the first product shipping during the third quarter of the year.

The ASI concept is to provide a consistent supply of value-added seafood through the addition of coatings of herbs, sauces, marinades and other ingredients resulting in table-ready items needing only heating and serving. When completed and on line in 1999, the 200,000 square foot plant will ship more than 100 million pounds of high quality, fresh and frozen seafood each year to waiting markets worldwide.

The plant will meet the rapidly growing worldwide ISO 9000 Quality Management Standard. This will enable ASI to enter overseas markets inaccessible to companies with uncertified, older facilities. The importance of the ASI concept is that it allows Alaska's seafood industry to move beyond primary processing, developing new markets for one of the State's most important industries. As a result, ASI will be a major customer of the primary processors and fishermen operating in Alaska.

-More-

Add 1
Alaska Seafood

Financing for the project is provided by the joint venture partners with additional assistance from the State of Alaska. The Legislature voted \$50 million for ASI to be administered through the Alaska Industrial Development and Export Authority. ASI is now finalizing financing requirements with AIDEA. These funds will help ensure timely start up of the operations by financing construction, leases and equipment.

The operation will have a major economic impact on Anchorage as well as rural communities throughout Alaska. Some 450 year-round manufacturing jobs will be created at the facility, with another 750 indirect jobs created in support of the operations. The majority of these positions (94%) will be local hire.

-End-

The Alaska Seafood Center is being capitalized as follows:

Central Investment Holding Co. (CIH) equity	\$16 million
CIH - contingent commitment (if needed)	\$10 million
AIDEA - equity investment	\$ 2 million
AIDEA - Buildings, facilities, to be leased	\$48 million
Equipment leasing, financing	\$35 million
National Bank of Alaska - operating credit	\$ 5 million

Guarantees, in addition to capitalization

CIH Letter of Credit	\$17 million
Howard Benedict, guarantee to AIDEA	\$500,000

According to a Memorandum of Understanding signed in July, 1996, Alaska Seafood International, Inc., the company formed to operate the seafood plant, will be a joint venture between Alaska Seafood Center, 52.42 percent, and Central Investment Holding Co., 47.58 percent. CIH's equity investment in the company is a contingent commitment of \$10 million, to be required.

Source: Alaska Seafood International, Inc., 1100 E. 11th Avenue, Anchorage, Alaska 99501. Prepared by AIDEA, May 1997.



Artist's concept of the new \$125 million Alaska Seafood Center slated for construction this summer.

By Tim Bradner
Journal Reporter

At Minnesota Drive and Raspberry Road, near Anchorage's International Airport, there's a building site prepared and waiting for steel.

The steel, ordered in January, arrives in May, and if an ambitious plan by entrepreneur Howard Benedict stays on track, the buildings for a new \$125 million seafood manufacturing plant will be under construction in June.

In operation, the plant will sell 100 million pounds of frozen and 25 million pounds of fresh seafood products a year in prepared, ready-to-heat meals, under private label contracts with major food retailers.

It would be a big employer in Anchorage, creating more than 400 full-time jobs.

Benedict has spent 10 years promoting and planning his idea, and has met with a lot of skepticism from the Alaska Fisheries industry.

That's partly because his idea of ready-to-heat seafood meals hasn't been done before, at least on the scale he proposes. It's also because the industry sees the plant as a competitor for supply, and possibly because some established Alaska processors are moving into various kinds of value-added seafood products themselves.

Another reason for industry skepticism may be that Benedict will be a big,

new player in the fish business. He isn't part of the club, the tightly connected group of long-established firms, mostly Seattle-based, that runs the fish business in Alaska.

Alaska Seafoods International Inc.'s product line won't compete with processors because it does not include any of the value-added products now manufactured in Alaska, said Greg Galik of Aaland Marketing of Anchorage, who is helping ASI with its marketing.

Whenever possible, Galik said, the company intends to work with smaller Alaska processors to help them market

their value-added products through ASI's market outlets.

"We're not here to take business away from anybody," Benedict told a group of processors and fishermen in Kodiak in February.

"Think of us as your customers. Your finished product (processed blocks of fish) is our raw material" for making prepared, packaged meals, he said.

The key to ASI's business plan is the trend toward pre-prepared meals among U.S. consumers who increasingly want meals that are quick to cook as well as nutritious.

Despite the skepticism of the Alaska fish processors, Benedict found a group of Taiwanese investors willing to take a gamble on his idea. He also is being helped by the Alaska Industrial Development and Export Authority, the state development

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PROCESSI

corporation whose business is helping get new industries off the ground to create new jobs in the state.

Central Investment Holdings, Inc. of Taiwan has pledged \$43 million so far toward the project. AIDEA has put in \$10 million of what will eventually be a \$50 million commitment.

CIH's investment in ASI will buy it about 50 percent of the new company. The state authority will invest \$48 million in the 200,000 square foot building being built to house the plant, which will be leased to ASI, and another \$2 million in equity.

The project has not been easy going. A key part is a 65,000 square foot cold storage plant to be built alongside the seafood plant, to be financed and owned separately. Benedict originally courted Americold, a major owner and operator of cold storage plants in many states.

Americold expressed interest, but then backed out. Benedict then found another company to build the freezer plant, which would serve his seafood plant as well as other customers.

The construction plan hasn't been easy to put together, either. Originally, Kiewit Pacific was hired to complete the project on a guaranteed-bid basis. Then Kiewit backed out, and Benedict decided to put the project out for competitive bid.

The design of the plant is now complete, and a solicitation for bids will be issued shortly.

Despite the changes in the business plan caused by withdrawals of Americold and Kiewit, AIDEA's board kept faith in the project and went ahead last fall with its initial \$10 million investment to allow acquisition of the property, site preparation and the ordering of steel, a long lead-time item.

That was crucial to the project stay.

Management hand-picked

By the Journal Staff

The senior managers who will run the Alaska Seafood Center are:

• Howard Benedict, board chairman, is interim CEO until a permanent CEO is selected.

• James Daniels, vice president of manufacturing. He was formerly director of purchasing for Tyson Seafood Group, director of Research and Development and purchasing, Mrs. Paul's Division of Campbell Soup Co., VP Frozen Seafoods, Richardson International.

• Gail Marshall, vice president R&D. She previously was with ConAgra, Brown-Ferman and North Pacific Seafoods. Most recently with Clear Springs Foods, a startup company developing rainbow trout products for high volume food service and retail grocery chains.

• Art Hummell, vice president of sales. He was formerly vice president of merchandising and marketing at Robert Orr-SYSCO.

• Eric Tang, controller. Formerly senior financial analyst with Central Investment Holding Co., Taipei; former auditor with KPMG Peat Marwick.



Benedict

PLASH

6 YEARS, LAYER IS D BID FOR SEAFOOD MARKET

ing on schedule. If construction isn't under way by summer, the project will not meet its planned June 1999 opening. Being in business for the 1999 salmon season is a key part of the company's business plan.

The project still needs final approval of AIDEA's board, said Bob Poe, the authority's manager for new development projects. ASI still needs to complete several steps to secure that approval, including a signed agreement with a cold storage firm to build a separate freezer plant, a plan for equipment leasing and having construction financing in place.

ASI's plan is to buy blocks of fresh and frozen salmon, pollock, cod, halibut and surimi from processors, as well as crab, to make packaged, ready-to-heat meals.

For the first two years the company will process raw fish itself to ensure quality specifications are met, but the plan is to extend ISO 9000 quality specifications as quickly as possible down through the supply chain.

ISO 9000 certification is a key part of the company's plan because it will help ASI sell its products to major buyers.

ISO certifications are granted by the International Standards Organization, a body formed after World War II to establish uniformity in manufacture of goods in international trade.

In recent years the ISO certifications have been expanded from products to management systems, and Anderson expects ISO 9000, the standard for seafood processing, to be virtually worldwide in the next six to 10 years.

"It's a guarantee to customers that when they buy from a plant with an ISO 9000 certification, they are buying a product produced at a high level of quality," said Keld Anderson, Benedict's pro-

ject manager.

"We believe in quality, and we decided to be out in front on this and invest in securing an ISO 9000 certification at the outset," he said.

The goal is to have the certification, which requires an audit by an outside firm for verification, by 2000, and then to extend ISO 9000 certification down through the company's supply chain to processors, transportation firms and others.

ASI would be the first U.S. seafood plant to seek ISO 9000 certification, Anderson said.

The ISO certification worries some processors who might be suppliers to ASI because of the added costs. Benedict, in a talk to fishermen and processors in Kodiak, said it would be in the best interests of the industry to get processing plants, and even fishing boats, certified.

"If we want a higher standard, we're going to have to pay for it," Benedict said.

Anderson is particularly sensitive about quality standards for the fresh fish part of the company's business. ASI must be able to guarantee its customers

shelf-life of the product, he said.

Poe, of AIDEA, said Anderson gives the project a lot of credibility because he managed the development of a similar plant in northern Denmark, which is now selling prepackaged seafood meals in Europe. It is somewhat smaller than ASI but the concept, even the types of fish, are essentially the same.

Poe also credits ASI for very substantial market research. "They consulted very knowledgeable people," he said. ASI's also has recruited good people for its board and key management positions.

"They have no contracts to sell their products yet, but they seem confident they will get them," Poe said.

Galik, of Andland Marketing, said the company has spent five years in market research and sees its plan as being "market-led" rather than "industry-driven," which is why some previous efforts at value-added Alaska seafood products have been less than stellar successes.

Salmon nuggets, for example, was a product sold through the national school lunch program to help proces-

sors shed excess inventory, but was shunned by school children.

ASI's marketing plan also has a heavy emphasis on Asia, and having Central Investment Holdings as a partner will be a key advantage in gaining access to markets like Taiwan and Hong Kong.

The plant's Anchorage location has prompted some of the skepticism from the industry, but being close to the source of raw material and the air, sea and highway transportation links from Anchorage are important.

Also, the cost of developing a plant like this in Anchorage is now about the same as in the Seattle area. Land costs are the same or less, and labor costs are no longer a big factor.

Benedict said the plant has to be of sufficient size to achieve economies of scale, and in Alaska only Anchorage has a large enough labor and supplier network to support the plant.

Change doesn't come easy in any industry, AIDEA's Poe said. "Twenty years ago people were just as skeptical that fish could be offloaded in Dutch Harbor, processed there or shipped to Seattle for processing, then shipped to Japan," he said.

AIDEA's investment is secured by an irrevocable Letter of Credit from Central Investment Holdings and the value of the building in an alternate use, as a warehouse, if the seafood plant fails.

But the authority wants the project to succeed, for two reasons, Poe said.

"If this flops, Seattle will say 'we told you so,' that it couldn't be done in Alaska; second, the Taiwanese are big investors in this and we want to make sure their experience here is positive. It could lead to a lot of other investments," he said.

Taiwanese investors boast profitable past

By the Journal Staff

According to a report to AIDEA by financial advisers, Public Finance Management, Inc. and Clancy, Gardiner & Pierce, LLP, Central Investment Holdings Co. was founded in 1971 as an investment firm to promote investment in Taiwanese petrochemical and financial sectors.

As of December 1995, Dun & Bradstreet reported CIH has seven stockholders, with a controlling interest held by the Nationalist Party, the KMT, the ruling political party of Taiwan.

In January 1996, CIH and another private firm were the lead investors in a \$57.7 million private preferred stock offering by International Wireless Communications.

CIH reported \$1.485 billion in total assets as of Dec. 31, 1995, up 19 percent from 1994. In its fiscal year 1995, CIH produced a \$160 million net profit, compared with a \$160 million net profit in the previous year. This was a return in equity of 16 percent and a return on assets of 11 percent.

CIH has investments in various industries with the largest concentrations in banking and finance with 32 percent of total holdings, and 26 percent of holdings in petrochemicals. In November 1994, CIH entered a joint venture with the government of Singapore and other private partners to build a 100 megawatt coal plant in Singapore.

Major employer in the making

In operation, the Alaska Seafood Center will provide 451 new jobs in Anchorage. Here's the breakdown:

✓ Managers and employees	115
✓ Labor on processing lines	315
✓ Storage rooms, transportation, maintenance	115
✓ Senior executives	8
Total	451

In addition to permanent jobs in operations, about \$100 million will be spent in construction. Over the long term, it is anticipated that Alaska Seafood International will pay over \$9 million annually in state fish taxes, and \$1.9 million yearly in local property taxes.

Source: Alaska Seafood International, Inc.



Presenting the ALASKA SEAFOOD CENTER

FACTS & FIGURES

The Alaska Seafood Center (ASC) is a state-of-the-art value-added seafood manufacturing facility to be built in Anchorage, Alaska. ASC is designed to meet the growing worldwide demand for a reliable and consistent supply of quality fresh and frozen seafood.

- ASC is a 200,000 square foot state-of-the-art facility to be located near the Anchorage International Airport.
- ASC will be a low cost high tech manufacturer of value-added, table ready seafood.
- ASC will not compete with existing Alaska processors. ASC will be their customer and their products will be ASC's raw materials.
- ASC will use Alaskan caught salmon, halibut, pollock and other ground fish.
- Value will be added to fresh and frozen seafood by portioning, shaping and adding sauces or other coatings.
- ASC will provide custom designed, private label products to a small number of high volume customers under advance contracts.
- ASC will offer customers research and development services for new products.
- ASC will build a forty million pound cold storage production warehouse adjacent to the ASC facility comprising 65,000 sq feet.
- A portion of this cold storage will be available to Alaska's processors and fishermen.
- The facility will be certified to the worldwide ISO 9000 Quality Management Standard, which will enable ASC to enter overseas markets inaccessible to companies with uncertified, older plants.
- Since value added manufacturing and ISO 9000 standards are new to Alaska, ASC will provide intensive training programs for its raw material suppliers to upgrade existing skills and teach new skills.

WHY BUILD ASC IN ANCHORAGE?

- ASC's location provides competitive access to the clear, cold, unpolluted waters of Alaska, one of the largest and best managed fishing grounds in the world.
- Anchorage is the air crossroads of the world . Their International Airport is the largest cargo airport in the US with less than six days of downtime for weather per year.
- ASC will ship fresh, value-added products to any market in the US, Asia and Europe within 8 hours...at competitive pricing.

ECONOMIC ADVANTAGES FOR ANCHORAGE AND ALASKA

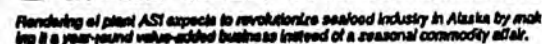
- ASC will employ 450 people in full time year round manufacturing jobs.
- Additional jobs will be created in Alaska's rural fishing communities
- An additional 750 jobs will be created in transportation by rail, truck, barge and air, and in the infrastructure required to service the plant.
- ASC's annual payroll will be in excess of \$18 million which will add \$129 million to the local economy each year.
- The Port of Anchorage will benefit from increased shipment of raw product.
- ASC will make it's low cost transportation available to other Alaska processors.
- ASC will help develop a broadened economic base in Alaska as ASC's raw material suppliers participate in ASC's substantial domestic and international markets.
- To benefit the seafood industry as a whole, ASC will assist smaller processors in locating additional niche markets within ASC's customer base.

Previous marketing efforts by the Alaska seafood industry have failed, Galik says, because they have been industry-driven rather than market-driven. Processors would come up with the products, then try to get people to use them. A notable failure in the salmon industry (see salmon story beginning on page 108) was



Renewing of plant ASI expects to revitalize it in a year-round value-added business.

ASI's plant will be really huge



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Besides the featured speakers, there will be a panel of high-level buyers from the retail and foodservice industries to analyze the consumer

Southbound Bavaria Express trains reach Munich the second day after leaving Rotterdam, while northbound trains reach Rotterdam the day after leaving Munich. ICP offers not only attractive rates, but active monitoring through its own IT system, fast loading and unloading, and switching in BCL's.

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