

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
820 SCOM129: HOUSE INTERIM COMM. FOREIGN INVESTMENTS 1979

LIST OF FILES (PAGE 1)

REPRESENTATIVES FRED ZHAROFF, BILL MILES, AND DICK ELIASON

REPRESENTATIVE FRED ZHAROFF DEPOSITED THE FOLLOWING MATERIAL WITH THE LIBRARY DURING JANUARY 1984. THE FILE INCLUDES MISCELLANEOUS 1979 MATERIALS AS WELL AS A SMALL AMOUNT OF INFORMATION ON FOREIGN INVESTMENT AND INTERVENTION, ESPECIALLY IN REGARD TO THE FISHING INDUSTRY, FROM 1980 AND 1981.

1. GENERAL INFORMATION
2. FOREIGN INVESTMENT IN ALASKA FISHERY 1979 -
BACKGROUND FOR FRANK ORTH REPORT
3. ALIEN AFFILIATES / FISHING INDUSTRY 1979-1981
4. MISCELLANEOUS PUBLICATIONS, BACKGROUND
INFORMATION (FILE 1 OF 2)
5. MISCELLANEOUS PUBLICATIONS, BACKGROUND
INFORMATION (FILE 2 OF 2)
6. FOREIGN INTERVENTION - LETTERS / 1981

SCOMM

#29:1

SCOMM 29

House Interim Committee on Foreign Investment 1979
(House Resources Subcommittee)

Rep. Fred Zharoff, Rep. Bill Miles, Rep. Dick Eliason

Representative Fred Zharoff deposited the following materials with the Library during January 1984. The file includes miscellaneous 1979 committee materials as well as a small amount of information on foreign investment and intervention, especially in regard to the fishing industry, from 1980 and 1981.

Six (6) folders total:

- #1 General information
- #2 Foreign investment in Alaska Fishery 1979 - background for Frank Orth report
- #3 Alien Affiliates/Fishing Industry 1979-1981
- #4 Misc. publications, background information (1 of 2)
- #5 Misc. publications, background information (2 of 2)
- #6 Foreign intervention - letters/1981

processed: KHS 3/84

SCOMM

#29:2

W. PATRICK DOUGHERTY

writing, editing, research

718 Fifth St.
Juneau, Alaska 99801
(907) 586-1702

FRANK ORTH & ASSOCIATES

Economic and Business Consultants • 225 108th Ave. N.E., Suite 311, Bellevue WA 98004 • (206) 455-3507

MEMO

Aug. 8, 1979

To: House Interim Committee
on Foreign Investment

From: Frank Orth & Associates
and W. Patrick Dougherty

Subject: Update on foreign
investment study

Dear Reps. Fred Zharoff, Bill Miles, Dick Eliason:

This letter, along with attachments, is a progress report on our contract with the House Interim Foreign Investment Committee to conduct research and analysis on foreign investment in Alaska. First, in the area of project management, a detailed work plan has been completed. Attached for your review is a detailed Task/Subtask breakdown, a personnel budget, an overall project budget and a work schedule. These materials allow you to determine the scope of the effort, the approach we will use to obtain major output items (tasks), and the sequence and the estimated time period required for particular tasks. We will have a preliminary report of all tasks completed by Nov. 15. An outline is attached. A meeting of the committee on or shortly after that date would be helpful. In specific tasks, Pat Dougherty has made significant progress on Tasks 1 and 2, which are primarily Pat's responsibility. A summary of his work is provided immediately below. This is followed by a discussion of progress on Tasks 3 and 4, which are primarily the responsibility of Frank Orth & Associates.

Initially we set out to determine the ownership of processing companies that operated during 1978. However we discovered presently that the Department of Fish & Game has only recently generated production figures for 1977, and the same data for 1978 will not be available for another six to nine months. We decided, as a result, to change the subject year of our study to 1977. Since the primary purpose of Task 1 was to use this ownership information to determine the percentage of overall production originating with Japanese-owned companies, we saw little benefit in using a more current year for study if we would then have to wait six months or more for production figures for that year to become available. So, using the Department of Fish & Game's roll of producers for 1977, we compiled a list of nearly 180 companies and individuals to be checked for ties to foreign (non-U.S.) corporations. We have so far determined that 27 of these are owned, in degrees ranging from 9-100%, by Japanese corporations or the American subsidiaries of Japanese corporations. One company is Canadian-owned. About 95 appear to be clearly U.S.-owned. The ownership of the remaining 55 companies is not yet determined. In some cases we are involved in tracing the ownership of owner companies, most of which are out of state.

As soon as we pin down the ownership of all the 1977 operators, we will draft a letter on behalf of this committee asking the Department of Fish & Game to break out production of Japanese-owned companies and then to compare that with the overall production of the industry that year. We will forward that letter to you to sign off on as soon as we complete the ownership investigation.

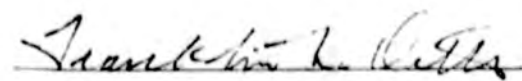
In conjunction with the ownership investigation we are assessing the data gathering situation in the Division of Corporations. The division's files, while still inadequate, are somewhat more helpful this year than they have been in the past. For the first time this year the division required corporations to answer the alien affiliate and percent of ownership questions that appear on corporate annual reports. With a total roll of more than 10,000 corporations, the division found itself returning about 70 percent of the annual reports submitted. This was primarily attributable to failure by corporations to answer the ownership and affiliate questions. The result is that our task is made somewhat less difficult. We have established a cooperative relationship with the division, and it seems to be exerting special effort to pursue missing data significant to the work of this committee.

In an interesting turn of events, the administration recently made public its intention to eliminate or somehow diminish the annual report requirements now in statute. It appears that this committee, upon completion of its work, will be equipped to advocate a legislative position on any proposed revisions in the annual reporting requirements.

Most of the work on Task 3, an evaluation of the effect of foreign investment on domestic processors' investment decisions, is logically sequenced after Task 1. At the present time research is under way to develop a background perspective that will be the basis for the analysis of the information collected under Task 1. This background perspective is being derived from the literature in international economics, international finance and foreign investment in real and financial assets.

Task 4, the coordination of our work with other agencies, is a continuing process. Coordination is developing more slowly than anticipated because of delays in initiating the U.S. Department of Commerce's foreign investment investigations. We are in touch with this situation and are poised to become involved at the appropriate time. In the meantime we are keeping Dick Eakins of the Alaska Department of Commerce and Economic Development informed about the scope and progress of this committee's work.


W. Patrick Dougherty


Franklin L. Orth

HOUSE INTERIM FOREIGN INVESTMENT COMMITTEE
ALASKA FOREIGN INVESTMENT STUDY
TASK/SUBTASK BREAKDOWN

TASK #1: Determine to the maximum extent possible the degree of foreign ownership in Alaska fisheries.

- Subtask #1 Conduct review of previous studies and produce written summary (draft Chapter II)
- Subtask #2 Develop inventory of companies for 1978.
- Subtask #3 Design format for recording information.
- Subtask #4 Extract information onto forms from Alaska and Washington files.
- Subtask #5 Design and implement format for reporting information.
- Subtask #6 Develop format for extracting production information.
- Subtask #7 Obtain production information.
- Subtask #8 Link production information to ownership information.
- Subtask #9 Write up results of subtasks #2-8 (draft Chapter III)

TASK #2: Conduct a comprehensive review of the Alaska Corporate disclosure law and regulations.

- Subtask #1 Obtain and review AS10.05.699-705 and supporting information; write profile.
- Subtask #2 Obtain, review and interview (phone) sample of states; write profile.
- Subtask #3 Obtain, review federal reporting laws and regulations; write profile.
- Subtask #4 Evaluate administration and enforcement of Alaska laws and regulations.
- Subtask #5 Compare with reporting requirements of other state agencies; determine coordinating opportunities.
- Subtask #6 Write up results (draft Chapter IV)

TASK #3: Analyze effect of foreign investment on the fisheries investment decisions of domestic processors.

Subtask #1 Review literature in foreign investment, international economics, international finance for background perspective; write profile (Chapter V, Section B).

Subtask #2 Review outputs of Tasks #1-2; identify informational inputs for economic analysis (hard facts and soft facts).

Subtask #3 Define analytical approach.

Subtask #4 Conduct analysis.

Subtask #5 Write up results (draft Chapter V).

TASK #4 Coordinate research and analysis with state and federal agencies.

Subtask #1 Coordinate with Alaska Department of Commerce and Economic Development.

Subtask #2 Coordinate with U.S. Department of Commerce

Subtask #3 Coordinate with Alaska Congressional delegation.

TASK #5 Develop recommendations for legislative/administrative action.

Subtask #1 Derive from draft Chapters II, III, IV, V.

Subtask #2 Write up for draft Executive Summary (Chapter I)

TASK #6 Prepare Reports

Subtask #1 Prepare preliminary report.

Subtask #2 Prepare final report.

TASK #7 Advise House Interim Foreign Investment Committee on drafting of any proposed legislation as required.

TASK #8 Testify on subject matter of report as required.

FOREIGN INVESTMENT STUDY

JOB

PERSONNEL BUDGET

8-1-79
DATE

TASK / SUBTASK

Frank¹ Peter² Wendy Linda Sub-Contractor
BID

I. Project Management

88 30 20 78

a. Management

40 20 20 20

b. Client Briefings

20 24

c. Testimony

20 24

d. Coordinate with State/Federal Agencies

8 10 10

II. Determine Foreign Ownership

3 13 5 20 360

a. Search AK. Reports-Record

1 3 200

b. Search WA. Reports-Record

1 3 40

c. Review Literature-Summarize

1 4 50

d. Write Draft

2 3 14 50

e. Revise to Final

1 2 6 20

III. Evaluate Alaska Reporting Law/Regulations

3 12 5 20 270

a. Review/Evaluate AS10, CS. 699-705

1 3 120

b. Determine/Evaluate Reporting Regs of Other States

1 3 40

c. Determine/Evaluate Federal Reporting Regs.

1 3 40

d. Write Draft

2 3 14 50

e. Revise to Final

1 2 6 20

JOB

PERSONNEL BUDGET

8/1/79
DATE

TASK / SUBTASK	Frank	Peter	Wendy	Linda	Subcom. Pat D.
IV. Analyze Effect of Foreign Investment on Domestic Processors' Invest. Decisions	14	110	5	20	20
a. Review Literature/Results of Task II-III	2	24			10
b. Develop Methodology	4	16			
c. Apply Methodology / Analysis	4	40			
d. Write Draft	3	20	3	14	6
e. Revise to Final	1	10	2	6	4
V. Develop Legislative Recommendations	4	10	0	5	20
a. Derive from Previous Tasks	2	4			10
b. Write Draft	1	4		3	5
c. Revise to Final	1	2		2	5
VI. Prepare Reports	16	40	35	80	70
a. Prepare Draft Report	8	20	20	40	40
b. Prepare Final Report	8	20	15	40	30
TOTAL HOURS	128	215	50	165	814
TOTAL \$	5120	5375	750	2475	17,996

FOREIGN INVESTMENT STUDY
PROJECT BUDGET

PROFESSIONAL SERVICES

\$13,720

Project Management (128 hrs. @ \$40/hr.)	\$5,120
Analysts (215 hrs. @ \$25/hr.)	5,375
Technical (50 hrs. @ \$15/hr)	750
Clerical (165 hrs. @ \$15/hr)	<u>2,475</u>

DIRECT EXPENSES

\$24,950

Subcontract*	\$18,000
Communications	1,200
Copying	500
Postage	250
Travel	<u>5,000</u>

Total Professional Services and Direct Expenses

\$38,670

Management Fee

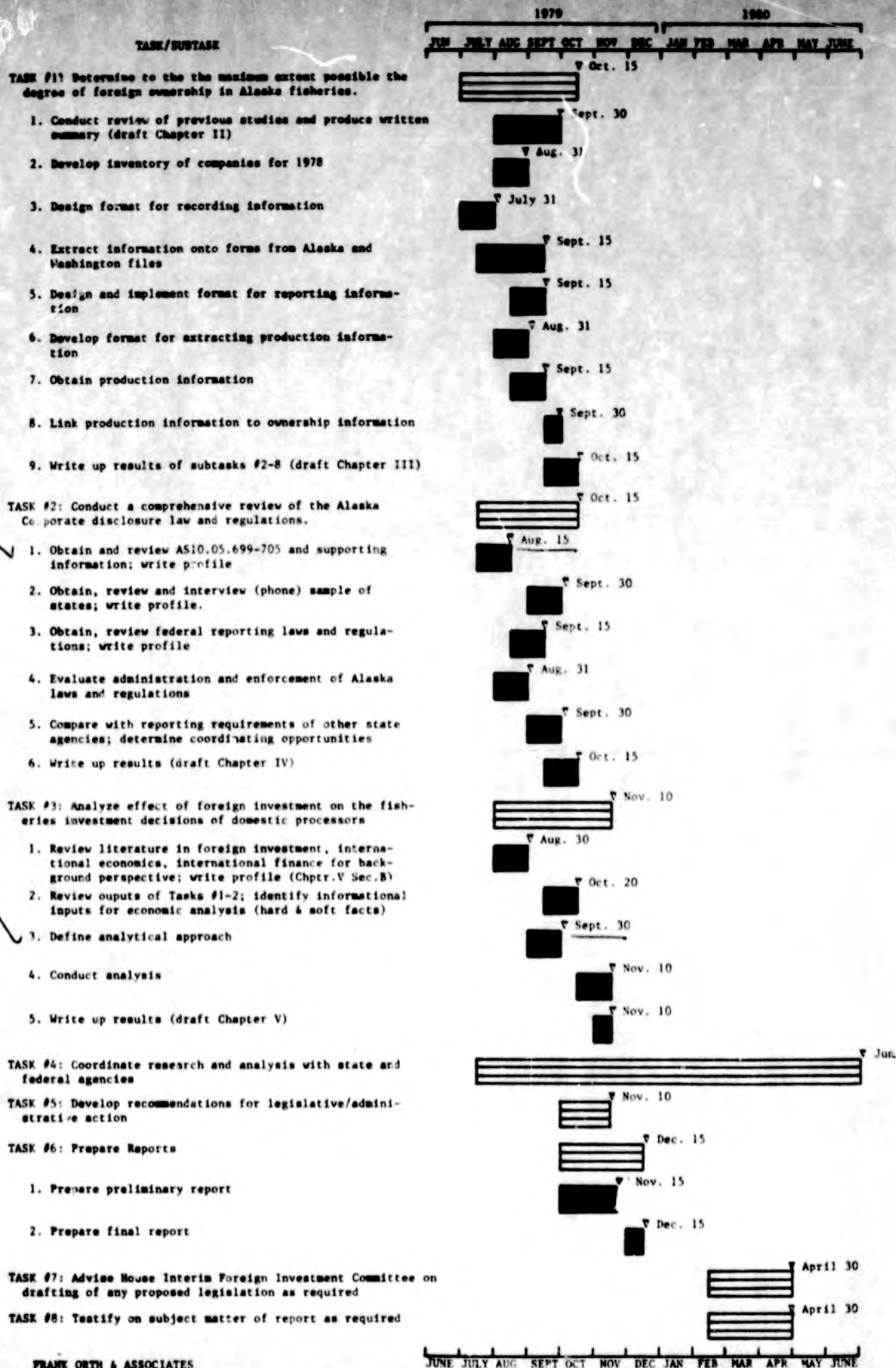
3,830

TOTAL PROJECT COSTS

\$42,500

* Pat Dougherty (818 hrs. @ \$22/hr.)

FRANK ORTH & ASSOCIATES



**HOUSE INTERIM FOREIGN INVESTMENT COMMITTEE
ALASKA FOREIGN INVESTMENT STUDY
PRELIMINARY OUTLINE OF PROJECT REPORT**

Chapter I INTRODUCTION

- A. Define Problem
- B. Sources of Information
- C. Organization of Report
- D. Executive Summary
- E. Legislative and Administrative Recommendations

Chapter II REVIEW OF PREVIOUS STUDIES

Chapter III EXTENT OF FOREIGN OWNERSHIP AND CONTROL OF ALASKA FISHERIES

- A. Introduction and Executive Summary
- B. As Measured by Percent of Equity
- C. As Measured by Percent of Production
- D. As Measured by Ownership/Management Interests
- E. Other Means of Control

Chapter IV THE ALASKA CORPORATE DISCLOSURE SYSTEM

- A. Introduction and Executive Summary
- B. Alaska Statutes, Regulations, and Enforcement
- C. Comparison with Other States
- D. Federal Reporting Requirements
- E. Alaska System Evaluated
- F. Recommendations for Change

**Chapter V ANALYSIS OF EFFECTS OF FOREIGN INVESTMENT ON FISHERY
INVESTMENT DECISIONS OF DOMESTIC PROCESSORS**

- A. Introduction and Executive Summary
- B. Determinants of Foreign and Domestic Investment
- C. Economic Analysis of Role of Foreign Investment
in Domestic Investment Decisions
- D. Policy Issues and Options

Chapter VI RECOMMENDATIONS FOR ADDITIONAL WORK

Appendixes

FRANK ORTH & ASSOCIATES

Mr. Julius J. Brecht
Director, Div. of Banking,
Securities, Corporations
Dept. of Commerce & Economic
Development
Pouch D
Juneau, AK. 99811

July 27, 1979

Dear Mr. Brecht,

As you probably are aware, the Alaska House of Representatives last session created an interim committee to study foreign investment in the state, with particular emphasis on the fish processing industry. I have been hired to perform much of the research that the committee desires.

Since this project will require substantial use of the corporation section's annual reports, I wanted to apprise you of its direction and substance.

Initially, I will attempt to identify those fish processing companies with direct or indirect foreign ownership. It is anticipated that this information in turn will be used by the Department of Fish and Game to estimate the percentage of total seafood production controlled by foreign interests. This will be the best indicator to date of the actual extent of foreign control of the fish processing industry.

Other specific objectives include the following:

- Review of administrative regulations and procedures that affect corporate report accuracy, currency and usefulness.
- Assessment of the adequacy of corporate reporting forms as far as fulfilling the relevant statutory mandates.
- Present and potential uses of computerization with regard to compiling and generating data related to foreign investment.
- Evaluation of the cooperation between departments (primarily Commerce, Labor, Revenue and Natural Resources) in monitoring corporations involved in fish processing.

(more)

July 27, 1979

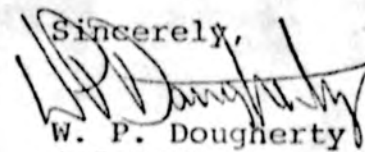
Eventually I would like to meet with you to cover this ground in some detail.

I am eager to work with you and the division to upgrade, streamline and simplify, to whatever extent possible, the state's corporate data collection system.

I will keep you as well informed of my progress as you care to be. If I may be of special assistance to you from time to time, please don't hesitate to call me.

Once my work has progressed a bit farther, I will check with you to see when we may want to meet.

Sincerely,



W. P. Dougherty

465-3789

Anch. Daily News
July 31, 1979

Sackett: state salary question wide open

By ROSEMARY SHINOHARA
Daily News reporter

The state Senate finance chief believes the upcoming special session of the legislature will last two, four or 30 days, depending on whether the members do nothing, simply pass the legislation as introduced, or address other pay issues as well.

Sen. John Sackett, R-Galena, Senate Finance Committee chairman, told the Anchorage Chamber of Commerce Monday that he's already packed 10 suitcases to take to Juneau, and he's prepared to stay for however long it takes.

He shared the podium with Bill McConkey, a member of the governor's staff, who responded to an address here by Washington Gov. Dixy Lee Ray last week on how government regulations stifle industry.

McConkey spoke about Alaska Gov. Jay S. Hammond's program to eliminate unnecessary government regulations, saying the state is embarking on an effort unparalleled by any other state to ease the interference of government in the private sector.

He said one of his first major recommendations will be to eliminate the annual reports required to be filed by corporations in Alaska. The information in the reports is already available in various state offices, McConkey said.

Sackett also talked about the effectiveness of state government. He said Alaska has reached the point where "state government is just very unresponsive, primarily due to its size."

Legislators are restricted by their role as to how much they can do, although they are probably closest to the people since they stand for elections, Sackett said.

He urged chamber members to remember the difference between the administrative and legislative branches of government.

As a lobbying group, the chamber of commerce is doing very well, Sackett said.

"This is perhaps the ultimate compliment — the companies should learn a lot from your lobbyists," he said.

Asked why the pro-capital move faction couldn't raise \$100,000 from the legislature this year to reinvigorate proposed capital move, Sackett said the majority of legislature doesn't want it. He said, "I don't believe in capital move."

If pro-movers staged an effort to keep the legislature in session until it acted on capital move funding, Sackett indicated he would wait them out.

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Sec. 10.05.693. Transacting business without certificate of authority not affecting contracts and right to defend action. The failure of a foreign corporation to obtain a certificate of authority to transact business in the state does not impair the validity of a contract or act of it, and does not prevent the corporation from defending an action, suit or proceeding in a court of the state. (§ 117 ch 126 SLA 1957)

Sec. 10.05.696. Liability to state for transacting business without certificate of authority. A foreign corporation which transacts business in the state without a certificate of authority is liable to the state, for the years or portions of years during which it transacted business in the state without a certificate of authority, in an amount equal to all fees and franchise taxes which would have been imposed by this chapter on the corporation if it had applied for and received a certificate of authority to transact business in the state as required by this chapter and filed all reports required by this chapter, plus all penalties imposed by this chapter for failure to pay the fees and franchise taxes. The attorney general shall bring proceedings to recover amounts due the state under this section. (§ 117 ch 126 SLA 1957)

Article 8. Annual Reports.

Section	Section
699. Annual report of domestic and foreign corporations	705. Filing of annual report of domestic and foreign corporations
702. Contents of annual report	

Sec. 10.05.699. Annual report of domestic and foreign corporations. Each domestic corporation and each foreign corporation authorized to transact business in the state shall file an annual report within the time prescribed by this chapter. (§ 118 ch 126 SLA 1957)

Am. Jur. and C.J.S. references.— 19 C.J.S. Corporations § 987.
13 Am. Jur., Corporations, §§ 70 to 85, 838, 1316, 1335 to 1339.

Sec. 10.05.702. Contents of annual report. The annual report shall set out

- (1) the name of the corporation and the state or country where it is incorporated;
- (2) the address of the registered office of the corporation in the state, and the name of its registered agent in the state at that address, and, in the case of a foreign corporation, the address of its principal office in the state or country where it is incorporated;
- (3) a brief statement of the character of the business in which the corporation is engaged in the state;

(4) the names and addresses of the directors and officers of the corporation;

(5) a statement of the aggregate number of shares which the corporation has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class;

(6) a statement of the aggregate number of issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class;

(7) a statement, expressed in dollars, of the amount of stated capital of the corporation. (§ 118 ch 126 SLA 1957)

Sec. 10.05.705. Filing of annual report of domestic and foreign corporations. (a) The annual report of a domestic or foreign corporation shall be delivered to the commissioner between January 1 and March 1 of each year. However, the first annual report of a domestic or foreign corporation shall be filed between January 1 and March 1 of the year succeeding the calendar year in which its certificate of incorporation or its certificate of authority, as the case may be, was issued by the commissioner.

(b) A corporation organized under this chapter whose fiscal year ends at a time other than at the end of the calendar year shall be allowed 60 days from the date on which its fiscal year ends within which to file the annual report.

(c) Proof to the satisfaction of the commissioner that before March 1 the report was deposited in the United States mail in a sealed envelope, properly addressed, with postage prepaid, is compliance with (a) of this section.

(d) If the commissioner finds that the report conforms to the requirements of this chapter, he shall file it. If he finds that it does not conform to the requirements of this chapter, he shall promptly return it to the corporation for necessary corrections. If the report is corrected to conform to the requirements of this chapter and returned to the commissioner in sufficient time to be filed prior to April 1 of the year in which it is due, the penalties for failure to file the report within the time provided in § 771 of this chapter do not apply. (§ 119 ch 126 SLA 1957)

Article 9. Fees and Charges.

Section	Section
708. Incorporation or filing fees	720. Failure to pay tax or make report as precluding suit by corporation and certificate of payment or filing as evidence
711. Fees on filing amendatory articles or certificates changing capital stock	723. Attorney general to institute suits to compel payment
714. Fees on appointment or revocation of appointment of process agent	726. Failure to pay tax as evidence of insolvency
717. Penalty for nonpayment of annual corporation tax	729-744. [Repealed]

Effect of amendment. — The 1976 amendment, effective January 1, 1977, substituted "the time set" for "the time prescribed" in the first sentence, deleted "assessed against it for the period beginning July 1 of the year in which the

report should have been filed" from the end of that sentence, and deleted the former second sentence which read "The commissioner shall assess the penalty at the time of the assessment of the franchise tax."

Article 11. General Provisions.

Section

825. Definitions

Sec. 10.05.825. Definitions. In this chapter, unless the context otherwise requires,

(1) "commissioner" means the commissioner of commerce and economic development;

(3) "department" means the Department of Commerce and Economic Development;

(18) "affiliate" means a person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, a corporation subject to this chapter;

(19) "controls" (including "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract, or otherwise;

(20) "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust where the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government;

(21) "reorganization" means a "reorganization" as that word is defined by § 368(a)(1)(A)–(D) of the Internal Revenue Code of 1954 as it exists on the effective date of this Act.

(am § 6 ch 145 SLA 1975; am § 62 ch 218 SLA 1976)

Effect of amendment.

The 1975 amendment added paragraphs (18) through (21).

The 1976 amendment substituted "commissioner of commerce and economic development" for "commissioner of commerce" in paragraph (1) and "Department of Commerce and Economic Development" for "Department of Commerce" in paragraph (3).

As the rest of the section was not affected by the amendments, it is not set out.

Editor's note. — Section 7, ch. 145, SLA 1975, provides: "It is the intent of the legislature to adopt the definitions for 'affiliate' and 'control' as those terms are in use and have been interpreted by the United States Securities Exchange Commission on the effective date of this Act."

Legislative committee report. — For report on ch. 145, SLA 1975 (CSSB 376 am H), see 1975 Senate Journal, p. 1028.

CORPORATIONS SECTION

POUCH D - JUNEAU, ALASKA 99811

AUTHORITY: A.S. 10.05.699

ANNUAL REPORT

(Type or print legibly)

NO. **X** 00130

FOR YEAR ENDING DECEMBER 31, 19 _____

NAME OF

CORPORATION _____

File No. _____

1. CORPORATION IS ORGANIZED UNDER THE LAWS OF THE STATE OR COUNTRY OF _____

2. ADDRESS OF PRINCIPAL CORPORATION OFFICE _____

3. REGISTERED AGENT _____

(FILE CHANGE ON FORM 08-184)

4. REGISTERED OFFICE IN ALASKA _____

(FILE CHANGE ON FORM 08-184)

5. CHARACTER OF BUSINESS IN WHICH CORPORATION IS ACTUALLY ENGAGED IN ALASKA _____

6. AGGREGATE NUMBER OF SHARES WHICH CORPORATION HAS AUTHORITY TO ISSUE, ITEMIZED BY CLASSES, PAR VALUE OF SHARES, SHARES WITHOUT PAR VALUE, AND SERIES, IF ANY, WITHIN A CLASS:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE
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7. AGGREGATE NUMBER OF ISSUED SHARES, ITEMIZED BY CLASSES, PAR VALUE OF SHARES, SHARES WITHOUT PAR VALUE AND SERIES, IF ANY WITHIN A CLASS:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE
------------------	-------	--------	---------------------

8. THE AMOUNT OF STATED CAPITAL AS OF THE CLOSE OF BUSINESS ON DECEMBER 31. \$ _____

9. YOU MUST FURNISH THE NAMES AND ADDRESSES OF BOTH DIRECTORS AND OFFICERS. IF DIRECTORS AND OFFICERS ARE THE SAME PEOPLE WRITE IN "SAME" IN THE DIRECTORS AREA.

	NAME	COMPLETE ADDRESS
DIRECTORS	1.	
	2.	
	3.	
OFFICERS	1.	
	2.	
	3.	

10. ATTACH AS EXHIBIT "A" THE NAME AND ADDRESS OF EACH NONRESIDENT ALIEN AFFILIATE, IF YOU HAVE NONE, INDICATE IN THE SPACE PROVIDED. (SEE REVERSE FOR EXPLANATION)

11. ATTACH AS EXHIBIT "B" A NAME AND ADDRESS OF EACH PERSON HAVING A DIRECT OWNERSHIP OR CONTROL OF AT LEAST 5 PERCENT OF THE SHARES OR 5 PERCENT OF ANY CLASS OF SHARES AND THE PERCENTAGE OF SHARES OWNED BY THAT PERSON. EXHIBIT "B" SHALL COVER THE OWNERSHIP AS OF SEPTEMBER 30 OF THE REPORTING PERIOD. IF YOU HAVE NONE, INDICATE IN THE SPACE PROVIDED.

DATED _____ 19 _____

CORPORATE SEAL

BY _____

TITLE _____

ATTESTED BY _____

MERCE AND ECONOMIC DEVELOPMENT. The reports and payments are made within the prescribed time if postmarked on or before the due date.

MAIL THE COMPLETED FORM TO THE CORPORATIONS SECTION

INSTRUCTIONS FOR FILING ANNUAL REPORTS

(Numbers correspond with report)

All items are required by law. **THE REPORT MUST BE COMPLETE IN FULL OR IT WILL BE RETURNED UNFILED FOR COMPLETION.** Annual Reports returned for completion must be postmarked April 1 or \$7.50 late filing fee is assessed. AS 10.05.771

This form has been revised for use with the computer-based Corporation Data Systems. The pre-printed data (Item 1, 2, 3, 4, & 6) are as they appear on the corporate file. Please verify these data. Note any changes or corrections on the form or as an attachment. Do not erase the pre-printed data. Some changes require filing additional forms or amendments.

2. Domestic corporations must report the principal office address.
3. & 4. **VERIFY THE AGENT AND OFFICE AS SHOWN. ALL CORPORATIONS MUST MAINTAIN A REGISTERED AGENT AND OFFICE IN THE STATE OF ALASKA. THE AGENT AND OFFICE ARE ORIGINALLY DESIGNATED IN THE ARTICLES OF INCORPORATION. ANY CHANGE MUST BE REPORTED TO THIS DEPARTMENT BY FILING A CHANGE OF REGISTERED AGENT AND/OR OFFICE. FORM 08-184 IS AVAILABLE FROM THIS OFFICE FOR THIS PURPOSE AND MUST BE SUBMITTED WITH THE APPROPRIATE FILING FEE.**
5. Be descriptive as to type of business, if inactive please note also.
6. **VERIFY NUMBER OF AUTHORIZED SHARES BY CLASS (COMMON PREFERRED). THIS NUMBER IS THE SAME AS THE AMOUNT AUTHORIZED IN THE ARTICLES OF INCORPORATION OR AMENDED ARTICLES. CHANGES MUST BE SUBMITTED BY AMENDMENT.**
7. **THIS ITEM requires the report of all shares of authorized capital stock which have been issued to date.**
8. Stated Capital as defined by AS 10.05.825 (12) (A), (B) & (C).
9. List all officers and directors giving their complete mailing addresses. (The same individual cannot be President and Secretary.) A corporation having less than three shareholders may have the same number of directors as shareholders. (AS 10.05.177)
10. AS 10.05.702 requires that the name and address of each affiliate which is a nonresident alien or a corporation whose place of incorporation is outside the United States and the percentage of outstanding shares controlled by each affiliate be listed in the annual report.
11. AS 10.05.702(9) requires the report of names and addresses as described if shares are issued (see Item 7).

This report should be signed by two officers of the corporation or is signed by one officer and the corporate seal applied.

- REMEMBER:**
1. TYPE OR PRINT LEGIBLY.
 2. BE SURE REPORT IS SIGNED AND TAX ATTACHED
 3. BE SURE REPORT ARRIVES IN THIS OFFICE WITHIN PRESCRIBED FILING PERIOD.
 4. NO COPIES OF ANNUAL REPORT ARE PROVIDED, PHOTOCOPY FOR YOUR FILE COPY.

It is mandatory that these requirements be met each year in the specified time for a corporation to be considered in good standing and avoid the department's initiating an action to involuntarily dissolve the corporation after six months delinquency.

HOUSE INTERIM FOREIGN INVESTMENT COMMITTEE
ALASKA FOREIGN INVESTMENT STUDY
PRELIMINARY OUTLINE OF PROJECT REPORT

- Chapter I INTRODUCTION
- A. Define Problem
 - B. Sources of Information
 - C. Organization of Report
 - D. Executive Summary
 - E. Legislative and Administrative Recommendations
- Chapter II REVIEW OF PREVIOUS STUDIES
- Chapter III EXTENT OF FOREIGN OWNERSHIP AND CONTROL OF ALASKA FISHERIES
- A. Introduction and Executive Summary
 - B. As Measured by Percent of Equity
 - C. As Measured by Percent of Production
 - D. As Measured by Ownership/Management Interests
 - E. Other Means of Control
- Chapter IV THE ALASKA CORPORATE DISCLOSURE SYSTEM
- A. Introduction and Executive Summary
 - B. Alaska Statutes, Regulations, and Enforcement
 - C. Comparison with Other States
 - D. Federal Reporting Requirements
 - E. Alaska System Evaluated
 - F. Recommendations for Change
- Chapter V ANALYSIS OF EFFECTS OF FOREIGN INVESTMENT ON FISHERY
INVESTMENT DECISIONS OF DOMESTIC PROCESSORS
- A. Introduction and Executive Summary
 - B. Determinants of Foreign and Domestic Investment
 - C. Economic Analysis of Role of Foreign Investment
in Domestic Investment Decisions
 - D. Policy Issues and Options
- Chapter VI RECOMMENDATIONS FOR ADDITIONAL WORK
- Appendixes



Alaska State Legislature 40

House of Representatives

Office of the Speaker

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

MEMO: Feb. 27, 1979
TO: Rep. Fred Zharoff
FROM: Bob Speed, A.A. *B*
to Rep. Gardiner, Speaker
RE: Foreign investment in Alaska Fishery

Fred, here are some materials I thought you might want to have regarding foreign investment in Alaska.

Here is a listing of current status of each bill and resolution in this packet:

HCR 1	in House Finance
HCR 9	in House ~~Finance~~ <i>Resources</i>
HB 87	in House Finance

As I mentioned to you, I believe that Rep. Osterback and his aide, Dianne Nelson may be thinking about an interim committee or study on this issue. You may want to talk to Dianne or Rep. Osterback about this.

Also, Jim Edenso, the bottomfish coordinator in the Governor's Office, is interested in a study of foreign investment. He may not follow through with it if the Legislature does its own study, though. Edenso is out of town until Thursday, so I couldn't get any additional information from his office about his current thinking on this.

Pat Dougherty, a reporter for the Alaska Advocate, did an extensive investigation on the issue this past summer which resulted in an article which appeared in the United Fishermen of Alaska's newspaper the Alaska Fisherman. As a result of that article and the investigation leading up to it (about three months' work) Pat probably knows more about foreign investment than anybody else.

13

Introduced: 1/29/79
Referred: Resources

Funding Information
General Fund \$43,000
Other Funds -0-
\$43,000

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Bottomfish)

IN THE HOUSE

HOUSE BILL NO. 87

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Legislative Council for the purpose of conducting a study relating to the extent of foreign investment in Alaska's fisheries; and providing for an effective date."

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

* Section 1. The sum of \$43,000 is appropriated from the general fund to the Legislative Council for the purpose of conducting a study relating to the extent of foreign investment in Alaska's fisheries.

* Sec. 2. The unexpended and unobligated portion of this appropriation lapses into the general fund June 30, 1980.

* Sec. 3. This Act takes effect July 1, 1979.

Introduced: 1/29/79
Referred: Resources

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Bottomfish)

1 IN THE HOUSE

2 HOUSE CONCURRENT RESOLUTION NO. 1

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Directing the Legislative Council to
6 conduct a study relating to the ex-
7 tent of foreign investment in
8 Alaska's fisheries.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS the fishing industry is one of Alaska's principal businesses;
11 and

12 WHEREAS the extent of foreign control over Alaska's fisheries has not
13 been accurately determined; and

14 WHEREAS extensive foreign investment in Alaska's fisheries could have a
15 strong impact on issues which are important to the state, including local
16 employment, tax revenue, bottomfish development and marketing, and others;

17 BE IT RESOLVED by the Alaska State Legislature that under provisions of
18 AS 24.20.090 and Uniform Rule 48(c) the Legislative Council is directed to
19 conduct a study for the purpose of determining:

20 (1) the percentage of total annual seafood harvests within the
21 200-mile fishery conservation zone off the coast of Alaska harvested by
22 fishermen wholly or partly financed by foreign investors;

23 (2) the percentage of total annual seafood production in the state
24 produced by processors which are wholly or partly owned by foreign investors;

25 (3) the percentage of total ownership of seafood processors in the
26 state owned by foreign investors.

27 For the purposes of the study, "foreign investors" includes any alien
28 individual, corporation, partnership, association, joint stock company,
29 trust, unincorporated organization, government subdivision or government that

Introduced: 1/29/79
Referred: Resources

BY THE RULES COMMITTEE BY
REQUEST OF THE LEGISLATIVE
COUNCIL (for the Interim
Committee on Bottomfish)

IN THE HOUSE

HOUSE CONCURRENT RESOLUTION NO. 1

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

Directing the Legislative Council to
conduct a study relating to the ex-
tent of foreign investment in
Alaska's fisheries.

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and

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fishermen wholly or partly financed by foreign investors;

(2) the percentage of total annual seafood production in the state
produced by processors which are wholly or partly owned by foreign investors;

(3) the percentage of total ownership of seafood processors in the
state owned by foreign investors.

For the purposes of the study, "foreign investors" includes any alien
individual, corporation, partnership, association, joint stock company,
trust, unincorporated organization, government subdivision or government that

1 directly, or indirectly through one or more intermediaries, invests in, lends
2 money to, controls or is under common control with a seafood processor or
3 fisherman doing business in the state.
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Introduced: 2/21/79
Referred: Resources

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE CONCURRENT RESOLUTION NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Requesting the Department of Commerce
6 and Economic Development to enforce
7 the law regarding corporate foreign
8 affiliation.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS AS 10.05.702 directs all corporations authorized to do business
11 in the state to declare affiliations with foreign businesses in the annual
12 report filed with the Department of Commerce and Economic Development, divi-
13 sion of banking, securities, and corporations; and

14 WHEREAS in derogation of its responsibilities under the law the division
15 does not uniformly enforce the reporting requirements and additionally has
16 adopted a definition of "affiliate" which differs from the definition imposed
17 by statute and which compromises the effect of the statutes; and

18 WHEREAS the definition of "affiliate" being used by the division of
19 banking, securities, and corporations is "nonresident alien or a corporation
20 whose place of incorporation is outside the United States" while AS 10.05.-
21 825(18) defines "affiliate" as "a person that directly or indirectly through
22 one or more intermediaries controls, or is controlled by, or is under common
23 control with, a corporation subject to this chapter";

24 BE IT RESOLVED by the Alaska State Legislature that the Governor is
25 respectfully requested to require the commissioner of the Department of
26 Commerce and Economic Development to enforce the law.

FRANK ORTH & ASSOCIATES
225-108th Ave. N.E., Suite 311
Bellevue, WA 98004

FRED F. ZHAROFF ☒
BILL MILES ☐
DICK ELIASON ☐

IMPLICATIONS OF FOREIGN INVESTMENT FOR
ALASKA POLICY TOWARD BOTTOMFISH DEVELOPMENT

by:
Franklin L. Orth
Alaska Sea Grant Program/School of Management
University of Alaska

for:
Legislative Affairs Agency
State of Alaska

October 14, 1977

I. INTRODUCTION

The principles of international economic relationships, even in a pure world where there are no private-market imperfections or governmental interventions, are sufficiently complex to have challenged economic thinkers for three centuries. Added to these fundamental relationships are real-world market imperfections, governmental regulations, domestic and international politics, and complex legal questions relating to the ownership of and access to the world's common resource heritage. This is the world of fisheries management as it relates to the question of foreign investment.

In addition to inherent complexity policy questions relative to foreign investment in fisheries, and relatedly to foreign direct access to fish stocks, are difficult to reduce to straightforward policy guidelines, because they turn on multiple and contradictory positions of economic vested interests within, as well as between, nations. Indeed, such highly complex and controversial equity tradeoffs exist within nations that it is seldom, if ever, possible to reduce an international-economic question (one relating to trade or investment) to a "we versus they" basis. The internal conflict surrounding trade relations can result in decisions being made on the basis of which domestic interest group has the greatest access to political and bureaucratic processes. This method of resolving conflict is not often likely to be consistent with solutions that are based on the applications of accepted economic principles and that would be optimal from the point of view of the whole society.

This report shall include a discussion of several principles of International Economics which are judged by the author to be relevant to the implications of foreign investment for Alaska. Next, a discussion of the types of, and motivations for, foreign investment will be presented. Finally, the information in the preceding sections will be drawn upon to evaluate the implications of foreign investment in Alaska's fisheries.

II. Applicable Economic Principles

The concept of comparative advantage states that each nation of the world and the world in total will be economically better off if each nation specializes in the production of those goods and services in which it has a comparative advantage. Comparative advantage exists because the unique combinations of human and nonhuman resources available to each nation provides a basis for increased production by specialization. For example, if Japan's resources make her the most efficient producer of steel and U.S. resources render the U.S. the most efficient producer of aluminum, then both Japan and the U. S. will benefit from specialization and trade; Japan trading steel for aluminum, and vice versa. Note that for the benefits of specialization to be realized foreign trade must take place - Japan trades the steel that is surplus to her own needs to the U.S. for the latter's surplus aluminum.

The terms of trade, the rate at which steel and aluminum are exchanged for each other, are determined within limits by the relative economic bargaining strength of the two nations. The limits within which the terms of trade are established for each nation are determined by what production of both steel and aluminum would exist in the absence of specialization and trade, that is, by the internal rates of exchange between steel and aluminum within each country. Clearly, the U.S. is not willing to trade its aluminum for Japanese steel if she can obtain steel in the U.S. with a lower sacrifice of aluminum. The limit to Japan's willingness to trade with the U.S. is similarly determined by the rate she can exchange steel for aluminum domestically.

The observed international trade of goods and services exists because the consumers within each of the trading partner's boundaries are better off economically with trade than without, because specialization has created a surplus of production that would not otherwise exist. The process of specialization, upon which the benefits from trade depends, requires that within each trading nation resources are transferred away from industries in which a comparative disadvantage exists into those industries where there is a comparative advantage. In the short-run, labor resources in the declining industry are worse off and those in the expanding industry are better off - this is the process by which the market encourages the shift of resources from one industry to another. Because

industries often have a geographic basis - based on access to natural resources, labor resources, or markets - and because nations have political subdivisions, there is a tendency for different areas of a country and different levels of government to view the resource transfers associated with the process of specialization differently - the gainers favoring and the losers opposing. In short, even though specialization and trade create net economic benefits to the world as a whole and, at the national level, to the partners that engage in trade, there are within trading countries losers as well as gainers, each associated with particular industries and geographic regions that are impacted favorably or unfavorably by the process of specialization. Thus it is that we observe national governments favoring trade to the degree possible within the constraints imposed by the operation of political forces for and against trade. Further, we observe that because consumers are not as well organized politically as producers and that gaining producers are generally not as politically effective as losing producers,¹ there is a political bias against free trade. Consequently the "average man on the street" can much more readily cite the reasons why trade should not take place than why it should. Trade is viewed more by individuals as a threat to employment security (and, therefore, the maintenance of the individual's standard of living)

¹There are numerous reasons for the differences in political effectiveness; they are, however, beyond the scope of this report.

than it is as a requisite to the national standard of living. The fact that the loss of employment is temporary - as the expansion of industries in which the U.S. specializes and the increased standard of living associated with trade generates new domestic employment opportunities - is not widely understood.

An example of the benefits from specialization and trade lies close at hand. The American Constitution denied state governments the power to erect trade barriers. Had each state been allowed to erect the barriers petitioned for by constituents, the American standard of living would be considerable less, as judged by the present dependence on interstate trade and regional economic specialization.

The principles which support an open trade policy are equally supportive of free international capital movements. In the absence of artificial barriers, capital will flow to the area of highest return consistent with the desired level of risk of their owner. Thus, economies with plentiful natural resources and insufficient capital to develop them will receive capital inflows to finance resource extraction, transportation and perhaps manufacturing. It is common for the country supplying the capital to also be a demander of the production thus created, for its own use or for export. The multinational corporation is usually responsible for organizing the injection of capital and, where applicable, the resulting international trade.

To summarize, the following are important principles of international trade:

1. Trade is economically beneficial and a preference for unhampered trade is rationale economic policy.

2. Trade requires economic specialization.

3. The process of specialization requires the transfer of resources within trading countries; these transfers are especially painful for human resources because of short-run dislocations in employment security.

4. Political influence with respect to trade issues is unequally distributed, with the losing regions and industries being more vocal and aggressive than consumers and the gaining industries and regions.

5. Individuals view trade with fear for their own employment security without being aware of their own dependence on trade for maintaining their standard of living.

6. The principles which support an open trade policy are equally supportive of free international capital movements, of which direct foreign investments is a part.

III. WHAT IS FOREIGN INVESTMENT?

Foreign investment consists of either or both of the following investment activities:

1. The purchase (or construction) of plant and equipment abroad. In 1976, the U.S. direct investment abroad was \$4.6 billion and that made by foreign businesses in the U.S. was \$2.2

billion.² There are varied motivations for this type of investment and there are varied means by which it can be accomplished. First, a foreign firm could establish a U.S. subsidiary which purchases all or part of the assets of an established firm. Second, a foreign firm or its American affiliate could purchase the stock of an American firm, thus obtaining an ownership interest in the assets of the acquired firm.³ Third, the foreign firm or its affiliate could acquire the bonds and notes of American firms, thus acquiring a claim against the assets of the domestic company. This type of investment actually belongs to the second category to be discussed below, but it is included here for ease of comparability with data which will be presented shortly.

The motivations for the acquisition of interest in domestic companies include:

- a) To enter American markets - a market-extension conglomeration by a multinational firm.
- b) To provide domestic plants with an input that is the output of its U.S. affiliate, e.g., raw material extraction and shipment; or to assure a source of supply for domestic final consumption and/or export, of the products produced by the U.S. affiliate.
- c) Although seldom a factor unto themselves, regulatory

²Federal Reserve Bulletin August, 1977, P.A54.

³A purchase of 10 percent or more of the equity of a U.S. firm is counted as direct foreign investment as opposed to security investment.

conditions or world economic-financial considerations can induce direct investment. Japan's investments in U.S. fisheries in recent years, for example, has probably been stimulated by both dollar devaluation and the threat to traditional sources of supply posed by extended jurisdiction.

2. The second broad category of foreign investment consists of purchases of securities in U.S. companies. These are typically viewed as pure investment-account transaction and consist of three types.

a) The purchase of equity in American companies in amounts less than 10 percent of total equity. Amounts equal to or greater than 10 percent are treated as direct investment as discussed above.

b) The purchase of debt securities (bonds and notes) of American firms. This type of investment is usually considered to be purely financial investment, but there may be implicit or explicit conditions before such credit is extended, e.g., the first right of refusal on product offered for sale. The latter circumstance appears to typify foreign security investments in fisheries, making them more analogous to foreign direct investment. For this reason, they are included above as part of foreign direct investment.

c) The acquisition of short-term financial claims including bank deposits, commercial paper, banker's acceptances, and other private short-term notes. This form of foreign investment is a purely financial investment and will not be discussed

further in this report. The primary inducement to such investments are differences in short-term interest rates among nations.

A recent N.M.F.S. study based on data through 1974 indicated that foreign investment in U.S. fisheries was \$129 million in 1974, an increase of 30 percent over the preceding year.⁴ Of this amount, \$44 million was in the form of equity items and \$8.5 million in debt. This debt constitutes claims on 66 percent of the assets of the issuing firms. This study showed that American affiliates of some foreign companies (particularly those of Canada, Iceland, Mexico, and Norway) were primarily used to obtain or enhance access to U.S. markets, as these companies were substantial net importers of fisheries products into the United States. Most fishery exports were made by Japan and British affiliates indicating that obtaining access to sources of supply was an important motivation to direct foreign investment for these companies. However, the affiliate companies of Britain were the only ones that as a group were net exporters.⁵

⁴Siegel, Robert A. "Foreign Direct Investment in the U.S. Commercial Fisheries Industry. Marine Fisheries Review, December, 1976.

⁵Ibid.

IV. IMPLICATIONS OF DIRECT FOREIGN INVESTMENT FOR ALASKA'S FISHERIES

It is not the purpose of this report to conduct a primary survey of the amounts, types, motivations, or origins of foreign investments in Alaska fisheries. Actual amounts of Japanese investment are unknown due to incomplete reporting, poor enforcement of reporting requirements and methods of escaping reporting requirements.⁶ Two studies of foreign investment in fisheries are underway. Per Heggelund, of the Marine Advisory Program, University of Alaska, is completing a masters thesis on the subject from the Department of Business, University of Washington. The Alaska Sea Grant Program is attempting to develop a foreign-investment profile of shellfish processing industries to relate to other market structure characteristics of shellfish markets and marketing.

Suffice to say that Japanese investment is substantial, with well-known cases of majority, and in several cases nearly universal, ownership. In addition, it is well known that numerous joint ventures are being proposed or negotiated for which management approval is being sought. The form of a joint venture will determine whether or not it constitutes foreign investment, as judged by the definition of foreign investment given in the preceding section. The buying joint

⁶See memorandum from John Williams, Legislative Affairs Agency, to Representative Keith Specking (dated March 18, 1977).

venture does not constitute foreign investment but it does (may) represent an alternative means for a foreign company to access U.S. controlled resources.

Two management agencies, or more properly, levels of management, are called upon to respond to questions relating to foreign access. They are, of course, the N.P.F.M.C. and the State of Alaska. The decisions made by these agencies with respect to foreign access will to some extent be affected by the present degree of foreign investment, and the present forms of access; and these decisions will, in turn, affect the investment policies of foreign companies. An added complexity is that so little is known about the economics of, and marketing practices within, individual fish and shellfish markets (including market structure) that it is usually impossible to predict what the response of foreign or domestic firms to management decisions will be. Thus, decisions by management agencies in response to one form of foreign access may induce other forms.

As a result of the present absence of knowledge, it is proper that the State of Alaska adopt, within certain limits, a laissez-faire policy with respect to foreign investment and joint ventures. Such a position would allow market forces to operate and is tenable to the degree that the state can influence events independent of the N.P.F.M.C. and the extent that it can do so without major disruption to policies established by the Council; otherwise, its policies should

be consistent with those of the Council.

Foreign Investments in Alaska Fish-Processing Plants

What are the motivations and economic effects of foreign investment in Alaska shore-based and floating processing facilities? One must speculate on the motivations but they likely include one or more of the following:

1. To maintain access to supplies of fish and shellfish for domestic (Japanese) consumption markets, and for export markets, due to uncertainty about traditional methods of access. Both the placement (geographic and species) and timing of Japanese investment suggest that this has been a primary motivation.
2. To obtain greater control over both the buying and selling side of the markets in which a foreign company competes in order to, a) extract better terms from the fishermen from whom they buy raw fish and buyers to whom they sell processed fish; and b) to extract better terms from U.S. processors from whom they also buy, by obtaining information on the costs of processing and delivering, and by having an alternative source of supply which could be expanded if prices are not closely related to the costs of the U.S. affiliates of foreign firms.
3. To obtain or expand access to U.S. markets (and perhaps other export markets) and in particular to reach such markets from lower costs contiguous sources of supply. This is likely to be a long-run objective realized through

substantial capital improvements in acquired Alaska plants.

There are two ways that foreign investment in Alaska processing firms can produce economic benefits. First, such investment can broaden the markets to which the harvesters of Alaska fisheries have access. This has the effect of enhancing competition for Alaska caught fish and shellfish, a process which should both elevate and stabilize prices to fishermen (in comparison to prices without expanded markets). Investments pursued under the first motivation would have this effect as institutional changes (i.e., extended jurisdiction) cause foreigner's traditional sources of supply to be channeled through Alaska harvesters (Tanner crab is the outstanding example). The third motivation would tend to have similar price effects due to an improved ability of U.S. affiliates of foreign companies to compete for product.

The second economic benefit from foreign investment results from the influx of capital associated with the expansion of facilities that often accompanies a takeover. The increments in employment, income, and tax revenues are examples of the benefits that ensue. Both the price effects and the employment-income effects of foreign investment induce higher tax revenues to local and state governments.

Foreign investment can also have negative impacts contrary to those discussed above if it leads to the domination of markets and barriers to entry of new firms. It is frequently alleged, for example, that the Japanese have obtained market dominance in Tanner crab through their combined ownership and control of substantial portions of the processing and marketing capacity of both primary producers, U.S. and Japan. There is insufficient information, at present, about Japanese industrial relationships to properly evaluate the net impact of Japanese foreign investment on U.S. ex-vessel prices or final market prices. It is clear, however, that to the extent that concentration is already very high among domestic firms, a Japanese company's investments in two or more of those firms will have probable significant anticompetitive effects. It is this pyramiding of ownership interties which, it is hoped, will be assessed by the survey results of the Alaska Sea Grant Program study and evaluated as to their significance and probable effects in light of the other structural characteristics of the industry.

It is important to recognize that questions of market dominance in Alaska by foreign or domestic companies or by both in concert, are as much questions of domestic antitrust policy as they are of policy toward foreign investment. To the extent that antitrust policy (Alaska or U.S.) can be applied to weed out existing dominant market positions based on ownership pyramiding by foreign firms and those foreign investments which reflect the market-dominance objective,

as opposed to those which represent the market-extension and market-expansion objectives, foreign investments can be expected to result in healthy new competitive forces in domestic markets.

Joint Ventures for High-Seas Processing

Although they are not strictly defined as direct foreign investment, a related set of questions surround the proposed joint ventures between foreign firms with floating processing vessels and groups of Alaska fishermen. The benefits of such arrangements to Alaska fishermen are already widely appreciated and they have been subjected to some economic evaluation.⁷ Basically these benefits are long-run commitments to provide Alaska fishermen with access to the markets for a new resource, long-run commitments on the minimum price to fishermen including a bonus for maintaining patronage for a minimum period (e.g., five years), higher incomes and income-tax revenues than would exist without the joint ventures, an opportunity to imitate fishing techniques of foreign rivals, and an opportunity to learn while having an assumed market.

The alleged disadvantages are more controversial. They are the lost income, employment and tax base from foregone shore-based facilities that would be built, it is contended,

⁷See memorandum from Michael Scott, ISER, University of Alaska to Charles Metchum, Office of the Governor (dated July, 1977) and the paper by Sig Jeager, Manager, North Pacific Fishing Vessel Owners Association, to the North Pacific Fisheries Management Council. August, 1977.

were it not for the foreign competition. While there is some logic to these arguments, they have limited relevance if shore-based facilities have a comparative cost disadvantage with floating processing vessels. That there is such a disadvantage is suggested by Sig Jeager's comparative analysis of vessels delivering to shore-based and floating processors.

Jeager's analysis shows that the comparative advantage of floaters is not sufficient to overcome the present opportunity income in the crab fishery. This fact should present no serious long-run impediment to the entry of vessels from other fisheries. It is the opportunity to earn an income above opportunity costs that has attracted vessels into the crab fishery, a like opportunity in the bottom-fishery can be expected to induce the same type of response, but certainly at a slower rate than otherwise due to the high present return in the crab fishery. The feasibility of alternative modes of processing bottomfish becomes a function of which form can pay the higher opportunity income above the minimum required to attract entry into the harvesting sector.

To pursue a state policy which gives preferential treatment to shore-based processors, contains two real dangers. First, Alaska fishermen are denied income by foreclosing foreign buyers (under an absolute exclusion) either in the form of no market being developed by shore-based processors or in the form of a decreased net price by having to harvest and

transport the catch in a manner that is less efficient than alternative means. Second, to the extent that the shore-based alternative is seriously deficient, a preferential policy to encourage their development will likely make all parties worse-off in the long-run (i.e., the amount of time it will take for American firms to enter with competitive floating processors). If shore-based facilities are neither encouraged or discouraged in state policy they may or may not become successfully established depending upon the relative efficiency of alternative techniques. But even if they are artificially encouraged in the short-run by barriers that cannot be maintained (because the prohibition on floaters would only apply to foreign firms⁸) they will not survive in the long-run, if the shore-based method is fundamentally less efficient. In the meantime, by unknowingly having encouraged the "wrong" form of investment we have, by absorbing scarce capital, also discouraged the "right" form of investment.

These considerations - the absence of knowledge about markets, methods of production, and ownership distribution among shore-based firms (from which to determine who benefits in the short-run from a preference policy)- all suggest that a policy of neutrality would be at least as likely to maximize benefits as one of preference. To establish a policy of preference for shore-based processors (or any other form)

⁸A potentially interesting question of discrimination may exist if foreign-owned, shore-based "American" firms desire to enter the bottomfish market with floating processing vessels while "foreign" firms with such vessels are excluded. This is another factor which would seem to warrant a neutral management policy with respect to foreign investment.

is to trade off fishermen welfare for processor welfare in the short-run (expressed quantitatively as the difference in price or net price received by fishermen), without being able to identify long-run benefits that have a high probability of being realized. In short, if shore-based processors are economically preferable they will be selected by market forces without state policy preferences, and if they are economically inferior, they will be eliminated by market forces irrespective of state preferences. It would seem to follow that a policy of leaving investment decisions and private contractual arrangements over terms of sale to work themselves out through market forces would maximize the potential for benefits to Alaskans of bottomfish development.

Bottom Fish Task Force

October 1, 1979

Jim Edenso
Bottom Fish Coordinator

Foreign Investment in
Fisheries in Alaska

I met with Mr. Richard Meier, Deputy Director, Office of Foreign Investment in the United States, U.S. Department of Commerce on September 27, 1979, to discuss an ongoing study which the office of Foreign Investment is undertaking concerning the foreign ownership of the fishing industry in Alaska. The study is just initiated and Mr. Meier was making a trip through Alaska on a fact-finding mission only. He has assured me that as the study progresses he will work closely with myself and the members of the Bottom Fish Task Force. As his schedule is made known to me, I will forward it to those of you who are interested in following the study effort.

JE:bap

§ 32.22 Special regulations; upland game; for individual wildlife refuge area.

Oklahoma

Sequoyah National Wildlife Refuge, P.O. Box 695, Vian, Oklahoma 74962, telephone 918-773-5251. Upland Game.

Special conditions: Hunting seasons are as follows: squirrel, September 1, 1979 through January 1, 1980; quail, November 20, 1979 through the last day of the regular 1979-80 waterfowl season; rabbits, October 1, 1979 through the last day of the regular 1979-80 waterfowl season. Hunting shall be in accordance with all applicable State regulations covering the hunting of quail, squirrel, and rabbits, subject to the following special conditions:

1. Only shotguns without slug ammunition or longbow and arrow are permitted.
2. Firearms and/or archery equipment are prohibited in areas not posted as open to public hunting, except the Kerr-McClellan Navigation Channel where they must be cased or broken down.
3. Dogs may be used for hunting quail or rabbit, but must be under immediate control or supervision and restrained from pursuit of protected species.
4. Camping or possession of firearms on the refuge from sunset to sunrise is prohibited.
5. All vehicles must be parked in designated parking areas as shown on maps available at refuge headquarters and at leaflet boxes throughout the public hunting area.

Tishomingo National Wildlife Refuge, P.O. Box 248, Tishomingo, Oklahoma 3460, telephone number 405-371-2402. Upland Game.

Special conditions: (1) Bobwhite quail, cottontail, and swamp rabbit hunting shall be in accordance with all applicable State regulations covering the hunting of these species. (2) Open season for hunting bobwhite or the refuge (Wildlife Management Unit) will vary according to the Zones within the management Unit in order to limit conflicts with waterfowl hunting in the area, and are as follows: **Zones 1 & 2.** Bobwhite hunting is permitted from official sunrise to 11:45 a.m. on Tuesday, Thursdays, Saturdays, Sundays, and all national holidays except Christmas, beginning on the first day of the second half of duck season and ending at 12:00 o'clock noon on the last day of the duck season. Beginning at 12:00 o'clock noon on the last day of duck season and continuing through February 1, 1980, white hunting will be permitted every day from official sunrise to official sunset. **Zone 3.** No bobwhite hunting be permitted until after the close of 1979-80 goose season on the

Management Unit. Starting at 12:00 o'clock noon on the last day of goose season on the Management Unit and continuing through February 1, 1980, bobwhite hunting will be permitted every day from official sunrise to official sunset. (3) Open season for hunting cottontails and swamp rabbits on the refuge (Wildlife Management Unit) will be the same as the regulations for bobwhite hunting except that cottontail and swamp rabbit hunting will continue through February 15, 1980. (4) Vehicular access for hunting upland game in Zone 1 & 2 during the period of half day quail and rabbit hunting is restricted to existing roads and trails. No vehicular access will be allowed after the close of waterfowl season in any of the three zones (Zones 1, 2, or 3); access will be by walk-in only. (5) Up to two (2) dogs per hunter may be used for the purpose of hunting and retrieving game. (6) Hunters, upon entering and leaving the hunting area, shall report at designated checking stations as may be established for the regulation of the hunt and shall furnish upon request information pertaining to their hunting activities.

Texas

Aransas National Wildlife Refuge (Matagorda Unit), P.O. Box 100, Austwell, Texas 77950, telephone number 512-286-3559. Upland Game.

Special Conditions: (1) Unless otherwise specified, all laws and regulations published by the Texas Parks and Wildlife Department concerning bobwhite quail hunting will be applicable. (2) Shot guns only will be allowed for quail hunting. (3) Hunting hours will be from 8:00 a.m. until 4:00 p.m. throughout the designated season. (4) All hunters must report to the island docks for briefing on endangered species and hunter conduct. Once hunters have arrived on the island they will be transported to or from the hunting area at 8:00 a.m., 12:00 p.m. and 4:00 p.m. only. (5) In the event whooping cranes begin using habitat within the hunt area, all or portions of that area will be closed to hunting.

The provisions of this special regulation supplement the regulations which govern public hunting on wildlife refuge areas generally which are set forth in Title 50, Code of Federal Regulations, Part 32. The public is invited to offer suggestions and comments at any time.

Note.—The U.S. Fish and Wildlife Service has determined that this document does not contain a major proposal requiring preparation of an Economic Impact

Statement under Executive Order 11949 and OMB Circular A-107.

Joseph R. Higham,
Area Manager, Austin, Tex 38.

(FR Doc. 79-20156 Filed 9-25-79; 9:45 am)
BILLING CODE 4310-26-M

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

50 CFR Part 611

**Groundfish of the Gulf of Alaska
Fishery Management Plan Amendment
#6; Final Implementing Regulations**

AGENCY: National Oceanic and Atmospheric Administration (NOAA/Commerce).

ACTION: Final Regulations.

SUMMARY: Final regulations are promulgated to implement amendment number 6 to the Groundfish of the Gulf of Alaska Fishery Management Plan. These regulations lower the estimates of domestic annual harvest (DAH) and commensurately increase the total allowable level of foreign fishing (TALFF).

EFFECTIVE DATE: September 24, 1979.

FOR FURTHER INFORMATION CONTACT: Harry L. Rietze, Director, Alaska Region, National Marine Fisheries Service, P.O. Box 1668, Juneau, Alaska 99802, Telephone (907) 586-7221.

SUPPLEMENTARY INFORMATION: At its June 28-29 meeting, the North Pacific Fishery Management Council (Council) submitted amendment 6 to the FMP for the Gulf of Alaska Groundfish fishery. The amendment lowers the estimates of DAH and commensurately increases the TALFF by 27,700 m.t. for all species of groundfish combined. (For specifications by species, see revised Table 61 which may be found in sec. 5.2.2.2 of the FMP.) The Assistant Administrator for Fisheries approved the amendment on July 26, 1979. Proposed regulations were published August 2, 1979 (44 FR 46904).

The lowering of DAH, by species and individual regulatory areas in the Gulf of Alaska, is based upon data gathered by the National Marine Fisheries Service and reviewed by the Council on (1) total domestic harvest through April 1979, and (2) processors' intentions to process during the remainder of the fishing year. The purpose of the amendment is to make available for foreign fishing, fish which will not be harvested by domestic vessels. No comments were received on the proposed regulation. A final reserve release was effective on August 31, 1979 (44 FR 52214). The amounts of fish made

available to TALFF as a result of this release are incorporated in the final regulations implementing this amendment.

The Assistant Administrator for Fisheries, under a delegation of authority from the Secretary, has determined that this amendment to the FMP (1) is necessary and appropriate to the conservation and management of Gulf of Alaska Groundfish resources; (2) is consistent with the National Standards and other provisions of the Fishery Conservation and Management Act of 1976; (3) does not constitute a major Federal action requiring the preparation of an environmental impact statement; and (4) does not constitute a significant action requiring the preparation of a regulatory analysis under Executive Order 12044.

The Assistant Administrator also finds that the 30-day cooling-off period required under the Administrative Procedure Act is unnecessary, impractical, and contrary to the public interest because it is desirable that foreign fishermen have the best opportunity possible to harvest their respective allocations.

Signed in Washington, D.C., this the 24th day of September 1979.

Winfred H. Meibohm,
Executive Director, National Marine
Fisheries Service.

(16 U.S.C. 1801 *et seq.*)

PART 611—FOREIGN FISHING

50 CFR Part 611 is amended as follows:

1. Section 611.20(c) Table 1, change the TALFF for species in the Gulf of Alaska fishery to the following:

§ 611.20 Total allowable level of foreign fishing.

Fishery	Species	Species Code	TALFF (Metric Tons)
Gulf of Alaska Groundfish	Cod, Pacific	702	**29,300
Do	Flounders, including yellowfin sole	129	**32,025
Do	Mackerel, Atka	207	**26,775
Do	Perch, Pacific Ocean (POP)	780	**22,750
Do	Pollock	701	**157,200
Do	Rockfishes, other than POP	849	**6,675
Do	Rattails	315	**11,868
Do	Sablefish	703	**8,805
Do	Squid	509	**4,975
Do	Other species	499	**15,570

2. Section 611.92(b)(1), remove Table I and replace it with the following Table I.

§ 611.92 Gulf of Alaska trawl fishery.

(b) * * *

Table I—Gulf of Alaska Groundfish Fishery: Tally and Reserve by Species and Regulatory Area for 1979/1979

Species	(Metric Tons)			
	Regulatory Area ¹			
	Western	Central	Eastern	Total
Pollock:				
TALFF	56,925	84,420	15,855	157,200
Reserve	50	5,400	50	5,500
Pacific Cod:				
TALFF	8,860	15,070	5,370	29,300
Reserve	500	850	150	1,500
Flounders:				
TALFF	10,250	14,300	7,475	32,025
Reserve	50	100	25	175
Pacific Ocean ² Perch (POP):				
TALFF	2,475	6,355	13,920	22,750
Reserve	200	1,250	400	1,850
Other Rockfishes: ³				
TALFF	2,30	500	8,845	8,875
Reserve	25	100	100	225
Sablefish:				
TALFF	1,965	3,570	3,270	8,805
Reserve	35	130	30	195
Atka Mackerel:				
TALFF	4,395	19,390	2,990	26,775
Reserve	5	10	10	25
Squid:				
TALFF	975	1,990	1,990	4,975
Reserve	5	10	10	25
Rattails:				
TALFF	3,267	7,067	1,534	11,868
Reserve	0	0	0	0
Other Species: ⁴				
TALFF	4,280	8,380	3,090	15,750
Reserve	20	120	10	150

¹ See figure 1 of this Section 611.92(b) for description of regulatory areas.

² The category "Pacific ocean perch" includes *Sebastes alutus* (Pacific ocean perch), *S. polycarpus* (northern rockfish), *S. aleuticus* (rougheye rockfish), *S. borealis* (shortfin rockfish), and *S. zacentrus* (sharpchin rockfish).

³ The category "other rockfish" includes all fish of the genus *Sebastes* except the category "Pacific ocean perch" as defined above.

⁴ The category "other species" includes all species of fish except (A) the other fish listed in the table, and (B) shrimp, scallops, steelhead trout, Pacific halibut, herring, and (FR Doc. 79-30066 Filed 9-26-79; 8:45 am)

BILLING CODE 3510-22-M

50 CFR Part 652

Atlantic Surf Clam and Ocean Quahog Fisheries Amendments to Final Regulations

AGENCY: National Oceanic and Atmospheric Administration (NOAA)/Commerce.

ACTION: Amendments to final regulations.

SUMMARY: These amendments to the final regulations for the Atlantic surf clam and ocean quahog Fisheries implement the amendment to the Fishery Management Plan for the Atlantic Surf Clam and Ocean Quahog Fisheries (FMP), approved by the Assistant Administrator for Fisheries, to regulate fishing during the period beginning October 1, 1979, and ending on December 31, 1979. These regulations basically extend regulations already in

effect. They modify the record-keeping and data reporting requirements for surf clam and ocean quahog processors. They also modify the procedure for setting allowable times for fishing for surf clams.

EFFECTIVE DATE: October 1, 1979.

FOR FURTHER INFORMATION CONTACT: Allen E. Peterson, Jr., Regional Director, National Marine Fisheries Service, 14 Elm Street, Gloucester, Massachusetts 01930. Telephone (617) 281-3800.

SUPPLEMENTARY INFORMATION: The FMP was amended by the Mid-Atlantic Fishery Management Council (the Council) to extend the management program established in the FMP for three months until December 31, 1979. This was accomplished by establishing optimum yields and quotas for both surf clams and ocean quahogs identical to those established for the corresponding three-month period in 1978, and extending the moratorium on the entry of new vessels into the surf clam fishery. The amendment also requires additional record-keeping and data reporting by surf clam and ocean quahog processors to provide information necessary for the determination of U.S. capacity to process these species, and contains language bringing the FMP into conformity with the Fishery Conservation and Management Act of 1976, as amended (16 U.S.C. 1801 *et seq.* the Act). Finally, the amendment establishes a new procedure for determination and adjustment of allowable times for fishing for surf clams. The amendment to the FMP and these amendments to the regulations are intended to provide for interim preparing a more comprehensive amendment to the FMP.

Public Comments

These regulations were proposed on August 1, 1979 (44 FR 45227) and public comment was invited until September 16, 1979. No comments have been received from the general public concerning the proposed regulations. The only significant public comment received during the course of this amendment process concerned the additional reporting requirements which are to be imposed on processors of the regulated species. Additional information about the capacity, payoff and employment of those operations will facilitate analysis of U.S. capacity to harvest and process regulated species, which is necessary under P.L. 95-354, an amendment to the Act. Information will also greatly enhance the understanding of the fishery and facilitate the analysis of future

7. Invest
April 9

MEMO

To: Rep. Fred Zharoff

From: W. P. Dougherty

Subject: The foreign investment study

As we discussed Saturday, a study of this nature is long overdue. Japan's influence over the fisheries of Alaska is well known but almost totally unexamined. In the instance of the Alaska fishing industry, the state has a critical need to understand the role of the Japanese in the processing industry before embarking upon a grand program to foster an American bottomfishery. In addition, recent revelations concerning the use and non-use of the state's progressive corporate disclosure laws underscore the helplessness of the state in trying to determine trends in its own economy when such business data are either not available, or not available in a usable form.

In accordance with the guidance you gave me, I will outline here my suggestion for a three-part study costing between \$45,000 and \$50,000.

PART I Who owns what?

As a starting place, I suggest that we locate and identify all those processing and fishery-related companies that are owned or controlled, directly or indirectly, by the Japanese. This would involve a search of Alaska corporate records, SEC filings and other documents, as well as interviewing processors and

other contacts. I would need to travel to Seattle-Olympia for review of Washington state records and interviews since so much of the Alaska processing industry ultimately resides in Washington. This investigation would provide the state with the only current, specific picture of the way the industry is structured, including the relationships between companies. The cost for Part I would be about \$10,000. I would do almost all of the work, with assistance and review by Dr. Frank Orth of Seattle.

PART II. Alaska's corporate disclosure law. How are data compiled, and how are they used?

This is the heart of the study. It is the foundation for the future understanding of industry in the state of Alaska. If the state is ever to put itself on a solid footing from which it can scrutinize and guide development in Alaska, an accurate, timely compilation of relevant corporate data is absolutely essential. As you know, at present, the state's disclosure statutes are enforced laxly, if at all. Data are compiled in unusable forms, and often so tardily that they are virtually worthless. This portion of the study would examine what is being done now, what could be done and at what cost, and what would be optimally desirable from the state's point of view. We would want to study the degree to which information is related and yet held separately by, for example, the Department of Fish & Game, the Department of Revenue, the Department of Commerce and the Department of Labor. The aim would be to reduce the number of instances in which the left hand doesn't know what the right is doing. We would subcontract for a legal analysis of the disclosure statutes and privacy restrictions to determine the degree to which the state handicaps itself in trying to understand current trends in an industry such as fishing. The cost for this portion of the study would be roughly \$25,000,

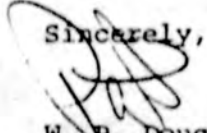
with the work to be performed cooperatively by Frank Orth and myself.

PART III. Analysis of the role of foreign investment on bottomfish investment decisions of domestic processors.

This long-overdue study would attempt to determine whether the investment decisions of Japanese-invested processors are calculated to retard or in any way hamper development of a domestic bottomfish industry. It is clear that the Japanese have a vested interest in protecting their industry by opposing, or at the least not helping, an American bottomfishery. So far no one has looked at their use of capital to determine if they are actually engaged in some form of economic subterfuge. Arthur D. Little Co., for example, completely ignored this question in its recent study for the administration. Obviously, since the companies are unwilling to discuss this matter forthrightly with the state or its representatives, it will be necessary to review their recent economic decisions in an effort to note a pattern of investment contrary to the goal of a growing bottomfish industry. Frank Orth would design a research methodology and use it to complete this analysis. The cost would be about \$10,000. I would lend my assistance where needed, as well as reviewing this part of the study.

I hope this overview is helpful to you in envisioning the scope and value of such a study. If additional details would be helpful, please don't hesitate to contact me.

Sincerely,


W. P. Dougherty

SCOMM

29:3



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

September 25, 1979

The Honorable Fred Zharoff
Representative
Box 405
Kodiak, Alaska 99615

Dear Representative Zharoff:

I am pleased to inform you of your appointment to the Bottom Fish Task Force. I appreciate your willingness to serve your state.

You are now accepting important responsibilities on behalf of Alaska. Alaska will be a better place in which to live because of the willingness of citizens such as yourself to devote time and talent in serve to our state.

Finally, it is my strong belief that serving on the Bottom Fish Task Force is both a privilege and a responsibility. Therefore, I expect each appointee to attend at least 75 percent of the meetings. Should circumstances arise preventing that, I ask you to request replacement so the Task Force will be able to continue to function efficiently.

Again, I am pleased to be able to appoint you and thank you for your willingness to serve your state.

Sincerely,

A large, stylized cursive signature of Jay S. Hammond, written in dark ink, overlapping the text "Jay S. Hammond Governor".

Jay S. Hammond
Governor

cc: The Honorable Terry Gardiner

Suggested substitute

WHEREAS the extent of nonresident alien investment in the Alaska seafood industry should be available to the citizens of Alaska; and

WHEREAS some corporations involved in Alaska's seafood industry have not disclosed their nonresident alien affiliates as required by AS 10.05; and

WHEREAS AS 43.75.015 provides that a person engaging or attempting to engage in a fisheries business shall first apply for and obtain a license from the Department of Revenue;

THEREFOR BE IT RESOLVED that the Alaska State Legislature respectfully requests that the Governor direct the Department of Revenue to decline to issue a license under AS 43.75.015 to any corporation unless that corporation has met the requirements of AS 10.05 and is a corporation in good standing as determined by the Department of Commerce and Economic Development.

Note

AS 43.75.020(b) provides that:

(b) Upon receipt of the application in proper form and accompanied by the initial fee, the department shall issue the license as of the date the application is filed or mailed, and the applicant may carry on the business from the date the application was actually made.

The effectiveness of the suggested resolution would hinge on whether an application could be considered as not in "proper form" if the applicant had not disclosed alien affiliation as required under AS 10.05. If this is

perceived as a problem, AS 43.75.020(b) could be amended to read:

(b) Upon receipt of the application in proper form and accompanied by the initial fee, and upon certification by the Commissioner of the Department of Commerce and Economic Development that the applicant has fulfilled the requirements of AS 10.05, the department shall issue the license as of the date the application is filed or mailed, and the applicant may carry on the business from the date the application was actually made.

HOUSE RESEARCH AGENCY
Pouch Y - State Capitol
Juneau, Alaska 99811
465-3991

MEMORANDUM

March 20, 1980

TO: Representative Fred Zharoff

FROM: Peter B. Froehlich *PBF*

RE: Comparison of HB 767 (Alien Affiliates in Alaska Business)
and SB 112 (Corporate Dissolution Reinvestment and Fees)
Research Request No. 96

You requested a comparison of HB 767 and SB 112 in addition to the sectional analysis of HB 767 which was provided to you on March 12, 1980. This memorandum briefly compares the two bills as requested, and summarizes my conversation with you and your aide on March 12.

As discussed in my earlier memorandum, HB 767 would make various amendments to the Alaska Business Corporation Act (AS 10.05). It includes 7 sections related to alien affiliates in Alaska business and 9 sections related to all corporations in Alaska business, regardless of any alien affiliation. For that reason, the scope of the title of HB 767 could be broadened to more clearly comply with the constitutional requirement that 9 bills be confined to one subject described in its title (Article III, Section 13 of the Alaska Constitution).

SB 112 would make various amendments not only to the Alaska Business Corporation Act (AS 10.05), but also to the Alaska Cooperative Association Act (AS 10.15), the Non-Profit Corporations chapter (AS 10.20), the Electric and Telephone Cooperative Act (AS 10.25), the Businesses chapter (AS 10.35), and the Religious Corporations chapter (AS 10.40). The bill includes 13 sections amending AS 10.05, 5 sections amending AS 10.15, 4 sections amending AS 10.20, 1 section amending AS 10.25, 2 sections amending AS 10.35, and one section amending AS 10.40.

Of the 26 substantive sections of SB 112, 24 involve changing the fees charged to corporations and businesses by the Department of Commerce and Economic Development under the various chapters of Title 10, Corporations and Associations. Most of these 24 fee provisions would change current

Representative Fred Zharoff
March 20, 1980
Page 2

statutorily specified fees to fees established by regulation. Only 2 sections of SB 112 involve corporate dissolution (Section 4 amending AS 10.05.594 and Section 19 amending AS 10.20.450). These sections would add provisions that both profit and non-profit corporations would survive for 5 years after dissolution for the purpose of conveying and otherwise dealing with property and for the purpose of service of process.

It appears that at least the 13 sections of SB 112 which would amend AS 10.05 could be incorporated into HB 767, all the sections of which would amend the same chapter. Of course, as mentioned above, a combined bill would need a sufficiently broad title describing a single subject. It may also be feasible to combine the sections of SB 112 amending other chapters of Title 9 if an even broader descriptive title were used. The Legal Affairs division of Legislative Affairs could assist with a new descriptive title in compliance with both the descriptive title and the single subject requirements of Article II, Section 13 of the Alaska Constitution.

Please contact this agency if we can provide any further information on this matter.

PBF/dp

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

JAY E. HARRISON, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811

February 27, 1980

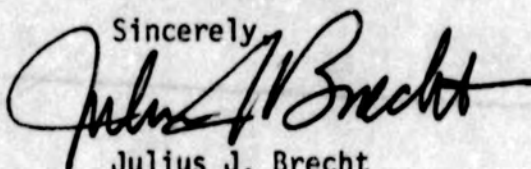
Honorable Fred F. Zharoff
Chairman, Foreign Investment Committee
House of Representatives
Mail Stop: 3100
Juneau, Alaska 99811

Dear Mr. Zharoff:

Please find attached a signed copy of my memorandum giving a section-by-section analysis along with the fiscal note on HB 767.

As you know, we discussed the bill this past week in your office. I would be happy to discuss HB 767 and the amendments to SB 112 with you at your convenience.

Sincerely,



Julius J. Brecht
Director

JJB:aw
Enclosure

TO: Members of the Committee

DATE: February 22, 1980

FILE NO:

TELEPHONE NO:

FROM: Julius J. Brecht, Director
Division of Banking & Securities
Department of Commerce & Economic
Development

SUBJECT: Section-by-Section
Analysis of HB 767

This bill, at least in part, evolved out of discussions between Pat Dougherty (on contract for the Resources Committee to conduct a study of foreign investment in the Alaska seafood industry), the division staff, and myself. However, I have not had the opportunity to review and comment on the bill until now.

Much of the discussion of the intent of the bill centers on what constitutes "control" of a corporation sufficient to require reporting by an alien affiliate. Furthermore, there are jurisdictional questions as to whether the department can, as a practical matter, get corporation A doing business in Alaska to report on its affiliation with corporation B, located in some other state which is, in turn, affiliated with corporation C located in some other country. I have requested two opinions from the Department of Law in this regard, but have not as yet received them. Much of the analysis of whether or not the department can accomplish what the committee wants, i.e., disclosure of corporations C's involvement in A, using the example above, depends on those opinions. The opinions should be out within the next week or so.

Nevertheless, I do have the following specific comments regarding the provisions of the bill with the qualifications just discussed. The "Sec." number refers to the sections of the bill:

Sec. 1 (AS 10.05.250). This section makes a number of drafting style changes regarding the reorganization of a corporation, and, in addition, it requires a specific description of the nature of the affiliation between a surviving or controlling corporation and its alien affiliate. A similar requirement is imposed on domestic corporations at the time of incorporation (See, Sec. 3), foreign corporations in applying for a certificate of authority under AS 10.05 (See, Sec. 7), and on both domestic and foreign corporations at the time of submission of their corporate annual reports (See, Sec. 9). Presumably, one is to read the nature of the affiliation in the context of the definition of "affiliate" found at Sec. 14, however, there may be some difficulty in interpretation of this requirement on the part of the filer. See, Sec. 14 for further discussion.

Sec. 2 (AS 10.05.255(a)(3)). This provision requires that the articles of incorporation of a domestic corporation incorporating after the effective date of the bill must include reference to a code number identifying the nature of its business activity. A similar requirement is imposed by the bill on domestic and foreign corporations filing their annual corporate reports with the department (See, Sec. 8) and for applications for certificate of authority for foreign corporations wishing to do business in the State (See, Sec. 6). The proposed amendments submitted by the division to SB 112, include requiring that corporations furnish information on the "primary business activities" of the corporation in their biennial corporate reports. The division would very likely use the SIC code presently used by the Department of Revenue in issuing business licenses. However, I suggest that the provision on business activity not be specifically tied to a "code," i.e., I recommend that the approach taken in the amendments to SB 112 be used.

Sec. 3 (AS 10.05.255(a)(13)). This section requires that the articles of incorporation of a domestic corporation include a specific description of the nature of the affiliation between the corporation and its alien affiliates. See, Sec. 1.

Sec. 4 (AS 10.05.519(a)(1)). This section reduces the delinquency period from six to three months for purposes of the department to involuntarily dissolve a corporation. The amendments to SB 112 provide for a two-month period. That amendment is preferred.

Sec. 5 (AS 10.05.519(a)(6)). This section adds a new ground for the department to involuntarily dissolve a corporation and that being a misrepresentation of a material matter in an application, report, affidavit, or other document submitted under the chapter. It should be noted that similar language already applies to foreign corporations under AS 10.05.675(5). The provision of Sec. 519(a)(6) ties into AS 10.05.777 providing for interrogatories by the commissioner, and also will complement AS 10.05.783, providing that it is a misdemeanor to fail to answer truthfully such interrogatories. It should be noted that the amendments to SB 112 provide, in addition, that a domestic corporation may be involuntarily dissolved, if it is 30 days delinquent in filing a notice of change of an office, director, alien affiliate, or five percent shareholder.

Sec. 6 (AS 10.05.615(5)). This section requires that a foreign corporation, in applying for a certificate of authority to do business in Alaska, must give a code indicating the primary business activity of the corporation. See, Sec. 2 discussion. It should be noted that more than one code might apply to the operations of a corporation.

Sec. 7 (AS 10.05.615(12)). See, Sec. 1 and 6 for discussion.

Sec. 8 (AS 10.05.702(3)). See, Sec. 2 for discussion.

Sec. 9 (AS 10.05.702(8)). See, Sec. 1.

Sec. 10 (AS 10.05.700 & 703). Section 700 requires a corporation which publishes a report to its stockholder to submit a copy of the most recent issue with its annual report. This provision is unnecessary in that the information is readily available through the SEC for corporations with more than 500 shareholders and \$1 million in assets. Furthermore, such a requirement would greatly increase the volume of paper which the division must maintain. Sec. 703 requires that the department and the Department of Revenue establish, adopt and publish a numerically-coded list of business activities and make the list available to the public. I do not believe the section is necessary in that it is the department's intention to use the SIC code, presently used by the Department of Revenue in gathering information on the business activities of corporations on file under AS 10.05. See, Amendment 10 to SB 112, as submitted to the Senate Finance Committee several weeks ago. Furthermore, I do not believe that the department should be required to "publish" such a list. It is sufficient that the list be made available to the public.

Sec. 11 (AS 10.05.771). This section provides for a penalty for failure to file an annual report of 10% of the corporation tax for each month that the corporation is delinquent in that filing. While this penalty is a substantial increase over the present provision of a flat 10% penalty, it is open-ended and may actually defeat the purpose for its being. That is, it may be cheaper for a corporation to allow itself to be involuntarily dissolved and then reincorporate rather than pay the penalty. I believe the Department of Revenue has a similar penalty for income tax filings, however, there is a statutory maximum of six months penalty, i.e., 60%.

Sec. 12 (AS 10.05.783). See, Sec. 5 discussion. In addition, the class of misdemeanor is not specified. I believe, under these conditions, it may be classified as the next lower offense, i.e., a "violation."

Sec. 13 (AS 10.05.786). See, Sec. 12.

Sec. 14 (AS 10.05.825(18)). This section redefines "affiliate." The definition is very broad and may prove difficult to enforce. For example, in Sec. 825 (18)(C), the term "control" is used, but what constitutes control of a corporation? I have asked the Department of Law to provide clarification on this point. It may be advisable to have a representative of that department available to answer questions at the hearing on this bill.

Sec. 15 (AS 10.05.825(20)). The definition of "person" is expanded to include joint ventures, companies (i.e., unincorporated businesses), firms, societies, and estates. There may be some difficulty in applying this definition on a case-by-case basis. See, Sec. 14 for further discussion.

Sec. 16 (AS 10.05.825(22)). A new definition is provided for "alien" in an attempt to clean up the language of AS 10.05.702(8) and 825 (18). In addition, a definition of "state" is provided although I am not sure that it is needed.

Sec. 17. This section establishes the effective date of the bill as January 1, 1981. However, if the division is to be ready to process the additional corporate report data coming in at that time, additional personnel should be in place and familiar with the operation. I recommend that the effective date of the bill should be July 1, 1981.

In addition to the above comments, I would recommend that the definition of the "commissioner" be amended to mean "the commissioner of commerce and economic development or his designee." In this way the investigative responsibilities required by the bill can be handled directly by the division similar to the investigations conducted by the division in administering the Alaska Securities Act and the Alaska Uniform Lands Sales Practices Act.

Furthermore, at present, AS 10.05 does not prohibit an entity from holding itself out as a corporation when, in fact, it is not a domestic corporation or registered as a foreign corporation doing business in the state. The division has been made aware of at least one example where the term "Inc." is used by a business in Anchorage when, in fact, it is not registered under AS 10.05. This misrepresentation is not in the best interest of the Alaskan public. I recommend that appropriate language be added to make it unlawful for one to hold themselves out as incorporated when, in fact, they are not.

My comments on this bill have been necessarily brief. Several similar provisions are also found in the amendments to SB 112. It is my hope that the provisions of the two bills can be made compatible. I stand ready to discuss the bill at the convenience of the committee.

JJB/sa5/2

THE LEGISLATURE OF THE STATE OF CALIFORNIA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 767

Title Act Relating to Disclosing Alien Affiliates

Requested by Resources Committee

Date _____

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Consumer Protection

BRU, Program, or Subprogram(s) Affected Banking, Securities, Corporations

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81 *	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		37.0	74.0	75.0	75.0	76.0
200 TRAVEL		5.0	10.0	10.0	10.0	10.0
300 CONTRACTUAL		15.0	8.0	9.0	10.0	11.0
400 COMMODITIES		2.0	2.0	2.0	2.0	2.0
500 EQUIPMENT		5.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		64.0	94.0	96.0	97.0	99.0

FUNDING (Thousands of Dollars)

GENERAL FUND		64.0	94.0	96.0	97.0	99.0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		3	3	3	3	3
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above figures are based on a number of assumptions: 1) that approximately 10% of the business corporations or 1000 corporations have foreign affiliates (the division is aware of approximately 500 that have filed alien affiliate information, however, because of the confusion raised by the language of AS 10.05.702(8) and 10.05.825(18) there may be at least another 500 corporations that should file); 2) that the division could send out letters of inquiry to corporations on file that have not filed alien affiliate information either on a selective basis or to all of them asking specific questions about alien affiliation; 3) that the division could in addition review the filings of upwards of 100 to 200 corporations with some amount of detail; 4) that in addition the division could investigate in more detail and pursue upwards of 20 corporations that either resist or otherwise require comprehensive investigative effort to gain the information required by the bill; 5) that a clear definition of "control" can be devised in the best interest of the reporting corporations and the division in conducting investigations;

IV. DATE 2/22/80

PREPARED BY Julius J. Brecht, Director

AGENCY Division of Banking & Securities

PHONE 465-2521

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

6) that the Department of Law can provide the legal support necessary to pursue discovery of corporate records located outside of the state and can demonstrate in actions brought in courts in other states that ~~exists~~ sufficient control between the corporation doing business in Alaska and an affiliate once, twice, or more removed doing business in another country; 7) that the Department of Law would be responsible for its own expenses in supporting the Division on the investigations.

The implementation of the program under the above assumptions would require a trained investigator, and two administrative/clerical people to process the filings and aid in investigations. The travel budget would be primarily for the investigator but also include allowances for witness travel for enforcement actions. The contractual budget includes provision for redesign and printing of forms and data processing revisions, maintenance, and operation of the on line data system with alien affiliate and other information required by the bill. The commodities/equipment budget would include necessities for the three new employees including a micro fiche reader.

- * It should be pointed out that the division recommends that the bill become effective on July 1, 1980 rather than January 1, 1981. See, bill analysis. However, this fiscal note has been prepared using the January effective date.

Japanese Firms Control Alaskan Fish Processing

ANCHORAGE (AP) — A handful of Japanese corporations financially control Alaska's seafood processing industry, according to a foreign investment report prepared for the state Legislature.

The report, written by Franklin Orth and Associates of Seattle, says 29 firms operating in Alaska in 1977 had known Japanese investors.

Of these 29 firms, 18 were tied back in the report to two Japanese corporations, Marubeni and Nippon.

However, the study says, the exact amount of control exerted by the Japanese firms can only be estimated.

The state has had little or no information on foreign investment or its influence on the industry.

U.S. Rep. John Breaux, D-Louisiana, currently is investigating Japanese influence in the American fishing industry, but he says he has found nothing to indicate Japanese influence is bad for U.S. interests.

"Lack of capital is a problem," he said. "It's being met in many areas by the influx of foreign money. It can be good and it can be bad. It's unhealthy when it becomes a dominant force."

The report says Japanese money has been poured into the Alaska fishing industry to the following extent:

- The Marubeni Corp. has total ownership of Marubeni America Corp. and its Bristol Bay plant, St. Elias Ocean Products with a plant in Cordova, Togiak Fisheries with plants in Togiak and Quinhagak and Alaska Pacific Seafoods with a plant in Kodiak.

- Marubeni America Corp. owns 50 percent interest in North Pacific Processors with plants in Kodiak and Cordova. North Pacific Processors owns 100 percent of Alaska Pacific Processors.

- Marubeni also owns 50 percent interest in Kodiak King Crab which has plants in Kodiak and Port Williams.

- Kodiak King Crab owns 100 percent of Cordova Bay Fisheries and Juneau Cold Storage.

- Marubeni also holds a nine percent equity interest in Ward's Cove Packing which has 50 to 100 percent interest in Red Salmon Co., Craig Fisheries Inc., Excursion Inlet Packing and E.C. Phillips & Son.

- Kyokuyo owns 99 percent of Whitney Fidalgo which owns all of Mokuhana Fisheries.

- Mitsubishi International is tied directly to Orca-Pacific Packing and Sitka Sound Seafoods which are tied to Icicle Seafoods, Seward Seafoods and Seward Fisheries, Viking Seafoods, The New England Fish Co., Egegik Packing, the Canadian Fishing Co., Sooke Harbour Fishing, British Columbia Packers, Rupert's Certi-Fresh and Nelbro Packing.

- Nippon and Mitsui have a controlling interest in Mopac Inc., a Cordova packer, and have ties to Dutch Harbor Seafoods, Universal Seafoods and Vita Foods.

- Alaska Pulp of Tokyo has total ownership of Harbor Seafoods in Homer.

- Sanaya Shoten and Marusan Sholai Co. own S.A. Packers.

Tribes Oppose Power Bill

PORTLAND, Ore. (AP) — Indian tribes with treaty rights to Columbia River salmon announced yesterday that they will oppose the Pacific Northwest regional power bill.

The Columbia River Inter-Tribal Fish Commission said the bill is unacceptable

because it does not adequately provide for "restoration, protection and enhancement of Columbia River fish runs."

The regional power bill, which already has been approved by the Senate, would establish the Bonne-

as broker for all electricity generated in the region.

The bill would allow customers of privately owned utilities to have access to the less expensive hydroelectric power generated in the Columbia River

Port of Po

PORTLAND, Ore. — After a decade brought the sophistication of shipping technology, increasing competitive challenges, the 88-year-old Port of Portland reached the top in 1977.

Port spokeswoman Corb Kanner described it as a year in which doors were reopened to world markets — mainland China — and former Neill Goldschmidt took his river city people to Washington, D.C., as secretary of transportation.

For the Marine Department of the Port, a year was a period of significant change. A decade of growth. Figures released by the Association of Port Authorities said Portland's highest growth rate of any U.S. port in 1977. Tonnage was up 34.7 percent and dollar value had risen 44.8 percent, placing Portland 18th respectively among American seaports.

Portland has long been known as the export port on the U.S. Pacific Coast. And 1979 showed a growth rate for nearly every port handled.

A Tax Break

New York Times
BALTIMORE — The man in the gray flannel suit can be clothed largely at the expense of the United States Treasury when his suits are designed to improve the corporate image.

The arrangement involves two tax breaks — "wardrobe analysis" and "suit leasing" — marketed by the Haas Tailoring Co. of Baltimore and its affiliate, the Guilford Leasing Co.

The result: Corporations now can lease suits for their executives just as they lease cars for salesmen and railroad freight cars to transport their goods. Part of the cost is a tax-deductible business expense, while part of it is considered income to the executive.

"We weren't sell tax loopholes five years ago; it worked out that way," Irving Neuman, president of both Guilford. "We set up Guilford Leasing to more business for leasing."

At first, he said, suits were not too long.

"Our people were going into the suit business," Neuman said. "Companies wanted to tax status of suits. We kept telling them we don't sell suits; they should ask lawyers."

When it became clear that Guilford was not going to ground until the question was resolved, the company lawyers to raise the question. "That's found the tax suit," he said. "Since whole thing is crazy."

Word of the lease of suit less through the world. Some Guil-

RICHARD B. LAUBER

Fred:

I know that you are
very interested in the
foreign investment in the
seafood industry -

This federal survey
should give a good and
accurate indication of
the extent.

Rick

DEPARTMENT OF COMMERCE

Bureau of Economic Analysis

15 CFR Part 806

Survey of Foreign Direct Investment in U.S. Fish and Seafood Processing Industries

AGENCY: Bureau of Economic Analysis, Commerce.

ACTION: Final rule.

SUMMARY: This action amends 15 CFR Part 806 to provide for the BE-21—Survey of Foreign Direct Investment in U.S. Business Enterprises Engaged in the Processing, Packaging, or Wholesale Distribution of Fish or Seafoods. The purpose of the survey is to secure information on foreign direct investment in U.S. fish and seafood processing firms in order to analyze the market shares and impact of their operations on the domestic fish and seafood processing and wholesaling industries, and ultimately, the U.S. fishing industry.

There has been a continuing Congressional interest in foreign involvement in the U.S. fishing industry and the Magnuson Fishery Conservation and Management Act (Pub. L. 94-265) requires a phaseout of foreign involvement within our territorial seas as U.S. capacity develops. Barriers in the processing and marketing area may impede development of U.S. fishing capacity.

EFFECTIVE DATE: This rule is effective December 9, 1981.

FOR FURTHER INFORMATION CONTACT: George R. Kruer, Chief, International Investment Division, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, D.C. 20230, (202) 523-0657.

SUPPLEMENTARY INFORMATION: In the July 6, 1981 Federal Register, Volume 46, No. 128, (46 FR 34812) BEA published a notice of proposed rulemaking to amend 15 CFR Part 806 to provide for this survey. In the July 15, 1981 Federal Register, Volume 46, No. 135, (46 FR 3715) the due date for comments was extended to August 6, 1981. Comments received in response to the notice of proposed rulemaking were considered in making this final rule, but did not result in any changes in the planned rules and survey form. No substantive changes have been made; some clarifying wording has been added.

The survey will consist of three forms: (1) Form BE-21P, "Identification Questionnaire," which is to be completed in advance of the other two forms and will be used to prepare a mailing list for the two statistical reports, Forms BE-21A and BE-21B.

(2) Form BE-21A, "Report for a U.S. Business Enterprise that is a U.S. Affiliate of a Foreign Person," which is to be completed by the U.S. affiliate, i.e., the U.S. business enterprise that is owned to the extent of 10 percent or more, directly or indirectly, by one foreign person, and that engaged in the processing, packaging, or wholesale distribution of fish or seafoods. The form is to cover the fully consolidated U.S. business enterprise, including all subsidiaries that are more than 50-percent owned.

(3) Form BE-21B, "Report for each Establishment of a U.S. Business Enterprise that is a U.S. Affiliate of a Foreign Person," which is to be completed for each establishment, of the U.S. affiliate, that engaged in the processing, packaging, or wholesale distribution of fish or seafoods.

Form BE-21P has been cleared by OMB. Forms BE-21A and B will not be prepared for comment until after the information reported on the BE-21P has been processed.

OMB publishes a notice in the FR of report forms received for clearance, which includes information on securing copies of the submission and to whom comments on the forms should be submitted. When Forms BE-21A and BE-21B have been prepared, they will be submitted to OMB for approval and the public may comment on them during OMB's regular clearance process. BEA itself will not issue any further notices as concerns Forms BE-21A and BE-21B. Forms BE-21A and BE-21B will not become effective until they have been approved by OMB under 44 U.S.C., Chapter 35, as amended.

All legal authorities, provisions, definitions, and requirements contained in 15 CFR 806.1 through 806.13 and 806.15 (a), (b), (c), (e), and (f) are also applicable to this survey.

The Bureau of Economic Analysis has determined that this rule is not "major" under Executive Order 12291. The public use burden will be undertaken within the Department of Commerce allocated FY 1982 Information Collection Budget ceiling.

Regulatory Flexibility Act—The provisions of the Regulatory Flexibility Act relating to a final rule are not applicable to this final rule, because it will not have a significant economic impact on a substantial number of small entities. As indicated in the material submitted to OMB requesting clearance of the form and the proposed rule, only 4,000 entities are expected to be subject to the reporting requirements of the Identification questionnaire, Form BE-21P. Not all of these are small entities and the average completion time will not exceed one-half hour. For those who

have to complete the full questionnaire, the burden should not exceed one hour. The number of enterprises estimated to be required to complete the statistical reports—Forms BE-21A and B—is only 60. Most of these will be large firms.

Copies of these forms may be obtained from the Bureau of Economic Analysis.

Accordingly, it is hereby certified under provisions of the Regulatory Flexibility Act (5 U.S.C. 606(b)), that this rule will not have a significant economic impact on the substantial number of small entities.

Part 806 is therefore modified as set forth below.

Sherman E. Unger,
General Counsel

PART 806—DIRECT INVESTMENT SURVEYS

The following subparagraph (j)(5) is added to § 806.15(j):

§ 806.15 Foreign direct investment in the United States.

(j) Other report forms

(5) BE-21—Survey of Foreign Direct Investment in U.S. Business Enterprises Engaged in the Processing, Packaging, or Wholesale Distribution of Fish or Seafoods. Reporting consists of:

(i) Form BE-21P—Identification Questionnaire. A completed questionnaire is required from (a) each U.S. business enterprise that is a U.S. affiliate of a foreign person and that engaged in the processing, packaging, or wholesale distribution of fish or seafoods, and (b) any person to whom a questionnaire is sent by BEA.

(ii) Form BE-21A—Report for a U.S. Business Enterprise that is a U.S. Affiliate of a Foreign Person. A completed report is required from each U.S. business enterprise that is a U.S. affiliate of a foreign person and that engaged in the processing, packaging, or wholesale distribution of fish or seafoods.

(iii) Form BE-21B—Report for each Establishment of a U.S. Business Enterprise that is a U.S. Affiliate of a Foreign Person. A completed report is required for each establishment, of the U.S. affiliate, that engaged in the processing, packaging, or wholesale distribution of fish or seafoods.

[FR Doc. 81-35291 Filed 12-9-81; 9:45 am]

BILLING CODE 2510-05-M

BY THE U.S. GENERAL ACCOUNTING OFFICE
**Report To The
Honorable Les AuCoin
House Of Representatives**

Foreign Investment In U.S. Seafood Processing Industry Difficult To Assess

Foreign investment in the U.S. seafood processing industry has increased in recent years, but its extent and impact are uncertain.

Some industry and public officials are concerned that dependency on foreign sources of capital is causing U.S. processors to lose control of the industry.

Complete and actual disclosure of investment data is lacking, making analyses difficult. GAO raises significant questions concerning the effect of this investment.



CED-81-65
MARCH 30, 1981

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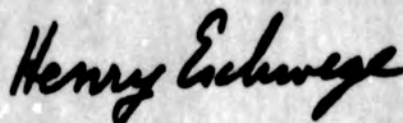
The Honorable Les AuCoin
U.S. House of Representatives

Dear Mr. AuCoin:

In response to your October 3, 1979, request and discussions with your office, this report discusses foreign investment in the U.S. seafood processing industry. It deals with the extent and nature of foreign investment and the impact of such investment.

As agreed with your office, we are sending copies of this report to congressional committees and the heads of departments and agencies whose programs we discuss. Copies are also being sent to appropriate interested parties and will be available to others upon request.

Sincerely yours,



Henry Eschwege
Director

**GENERAL ACCOUNTING OFFICE
REPORT TO THE
HONORABLE LES AUCOIN
HOUSE OF REPRESENTATIVES**

**FOREIGN INVESTMENT IN
U.S. SEAFOOD PROCESSING
INDUSTRY DIFFICULT TO ASSESS**

D I G E S T

Recent increases in foreign investment in the U.S. seafood processing industry have caused concern among industry and public officials that U.S. owners and managers are losing control of the industry. They fear that foreign investors may unduly influence U.S. production, marketing, pricing, and fisheries development.

In response to a congressional request, GAO studied the extent and nature of foreign investment and its impact on the seafood processing industry.

EXTENT OF FOREIGN INVESTMENT

GAO identified 61 U.S. seafood processing firms with foreign ownership. The majority were in Washington, Oregon, and Alaska, and the remaining firms were in six east coast States. (See pp. 4 to 13.)

GAO also identified 27 U.S. seafood processing firms located in Washington, Alaska, and on the east coast which had loans from foreign sources. Sixteen of the firms also had foreign ownership. (See pp. 4 to 11.)

**DATA ON FOREIGN INVESTMENT
IS INCOMPLETE**

Federal and State Government information on the extent of foreign investment in seafood processors is incomplete. The Commerce Department's Bureau of Economic Analysis is the principal Federal source for foreign ownership data. However, the Bureau's data classification procedures, consolidated reporting practices, and

filing exemptions prevent a complete and accurate disclosure of foreign ownership in a specific industry such as seafood processing. (See p. 14.)

Another Commerce Department agency, the Office of Foreign Investment in the United States, has primary responsibility for analyzing the effects of foreign investment. Until recently, however, the Office had not studied the seafood processing industry because the Office considers it to be a minor industry. In response to two congressional requests in 1979, the Office agreed to assess the extent and impact of foreign investment on seafood processors. The Office plans to issue this report in late 1981. (See pp. 15 to 16.)

Most of the States covered by GAO's review did not require firms doing business in their States to disclose foreign investment. Alaska requires disclosure of foreign ownership but not foreign loans. Enforcement of this requirement, however, has been lax. In 1980 Alaska enacted changes to strengthen its foreign ownership disclosure requirement. (See pp. 17 to 18.)

VARYING AND INCONCLUSIVE EFFECTS OF FOREIGN INVESTMENT

GAO found no consensus on the effects of foreign investment on seafood processors. While some industry and public officials believed that foreign investment affected seafood processors, others could discern little or no effect. Some believed that foreign investors may manipulate the industry while others believed that foreign investment supplies necessary and beneficial funds to U.S. seafood processors. (See pp. 20 to 31.)

The uncertainty and lack of consensus among seafood processors was highlighted by the results of GAO's industry questionnaire. Many respondents were reluctant

to answer certain questions or said they had no basis to judge the impact of foreign investment. (See apps. I to VI.)

ISSUES AND OBSERVATIONS

While a complete understanding of foreign investment is hindered by the absence of data and the lack of agreement among knowledgeable officials, GAO noted several potentially important observations and related questions.

1. A high percentage of foreign investment originates from relatively few companies within one country (Japan). Does such concentration potentially lessen competition and impede free operation of the marketplace?
2. Foreign investors may use a variety of indirect investment methods to gain control of seafood processors. To what degree does such indirect investment hinder the identification of the full extent, nature, and effects of foreign investment?
3. The percentage of the industry's total output that is produced by processors with foreign investment is unknown, as is the relationship between foreign ownership and production in individual processors. Can and should this information be gathered, considering that it would require access to confidential processor information?
4. Foreign representatives are sometimes placed on the board of directors or as executive officers of U.S. seafood processors. Does such action result in processors operating in a manner contrary to U.S. economic policies?
5. Foreign investors may specify certain provisions, such as the right to acquire a portion of a processor's production, in loan agreements with U.S. processors. To what extent do such actions adversely affect the industry's natural market fluctuations?

In deciding whether to explore these questions, consideration needs to be given to the

- expense further study would entail,
- burden further reporting requirements would place on seafood processors,
- possible discouragement of needed investment capital from foreign sources if Federal reporting requirements are increased, and
- results of the Office of Foreign Investment's 1981 study of the extent and impact of foreign investment in seafood processors.

Other economic and social concerns, such as how other industries may be affected by changes in the seafood processing industry, also need to be considered.

AGENCY COMMENTS AND GAO's EVALUATION

GAO furnished a draft of this report to the Department of Commerce and portions of the draft to the State of Alaska for comment. The Commerce Department generally agreed with GAO's observations and conclusions. The agency and the State of Alaska suggested that certain changes be made to add to or clarify information in the report. GAO considered each of the suggestions and made changes where appropriate.

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ABBREVIATIONS

BEA	Bureau of Economic Analysis
GAO	General Accounting Office
NMFS	National Marine Fisheries Service
OFIUS	Office of Foreign Investment in the United States

CHAPTER 1
INTRODUCTION

On October 3, 1979, the Chairman, Ad Hoc Select Subcommittee on Maritime Education and Training, House Committee on Merchant Marine and Fisheries, asked us to gather data on the extent and nature of foreign investment and its impact on the U.S. seafood processing industry. The chairman expressed concern about the apparent marked increase in foreign ownership in the seafood processing industry, especially in the Pacific Northwest and Alaska, since implementation of the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.). The chairman was also concerned about the apparent inadequate information on the extent of foreign investment and its influence on the U.S. fishing industry's development. 1/

PROFILE OF THE SEAFOOD PROCESSING INDUSTRY

The seafood processing industry has many relatively small, privately held firms. Many seafood processors also have few employees. For example, the Economic Development Council of Puget Sound, a nonprofit organization, reported that in Washington State, 48 firms employed fewer than 10 persons in 1979 and only 43 firms employed more than 50 persons; only 2 of these firms employed more than 1,000 persons.

The National Marine Fisheries Service (NMFS) reported that in 1978 there were about 1,500 seafood processing firms in the United States, excluding Alaska. The State of Alaska reported that in 1979 there were 174 seafood processing firms in the State. Some of these firms, however, operate more than one plant. For example, one firm in Alaska had 11 processing plants and another firm had 9 plants.

Many processors had relatively low gross dollar sales. The following table summarizes the 1979 gross revenues of the 260 seafood processors we surveyed (see app. I).

<u>1979 gross operating revenues</u>	<u>Percent</u>
Less than \$250,000	24
\$250,000 to \$499,999	7
\$500,000 to \$999,999	13
\$1,000,000 to \$4,999,999	27
\$5,000,000 to \$9,999,999	12
Over \$10,000,000	<u>17</u>
Total	<u><u>100</u></u>

1/The subcommittee was not continued for the 97th Congress.

Also, the large majority of these processors were privately owned firms.

PRIOR GAO REPORTS ON FISHERY
AND FOREIGN INVESTMENT MATTERS

We have issued several reports in recent years that cover various fishery and foreign investment issues. These reports include:

- "Developing Markets For Fish Not Traditionally Harvested By The United States: The Problems And The Federal Role" (CED-80-73, May 7, 1980). This report discussed the U.S. fishing industry's opportunities to make greater use of fish species that have not been traditionally harvested. We reported that the Federal Government could help the industry to develop nontraditional species by providing financing, consumer education, and quality control programs and by helping to ease trade barriers. We also reported that even though foreign investment is a financing source for U.S. fisheries, concern has been expressed that increased foreign investment may inhibit the United States from developing nontraditional species.
- "Foreign Direct Investment In The United States--The Federal Role" (ID-80-24, June 3, 1980). This report stated that the United States has become increasingly attractive to foreign investors. We recommended that greater emphasis be placed on analyzing and publishing studies concerning the economic impact of foreign direct investment.
- "Should Canada's Screening Practices For Foreign Investment Be Used By The United States?" (ID-79-45, Sept. 6, 1979). This report concluded that a foreign investment screening agency in the United States was not needed at that time.

OBJECTIVES, SCOPE, AND METHODOLOGY

In response to the subcommittee's request, we gathered and reviewed data on the extent and nature of foreign investment in the seafood processing industry in Washington, Oregon, and Alaska. Because seafood is also an important industry in certain east coast areas, we collected foreign investment data in six other States--Connecticut, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island. We examined two types of foreign investment--ownership or equity interest and loans to seafood processors