

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.

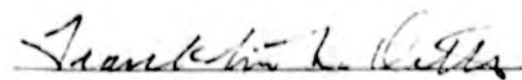
In conjunction with the ownership investigation we are assessing the data gathering situation in the Division of Corporations. The division's files, while still inadequate, are somewhat more helpful this year than they have been in the past. For the first time this year the division required corporations 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	Frank <sup>1</sup>	Peter <sup>2</sup>	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					



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

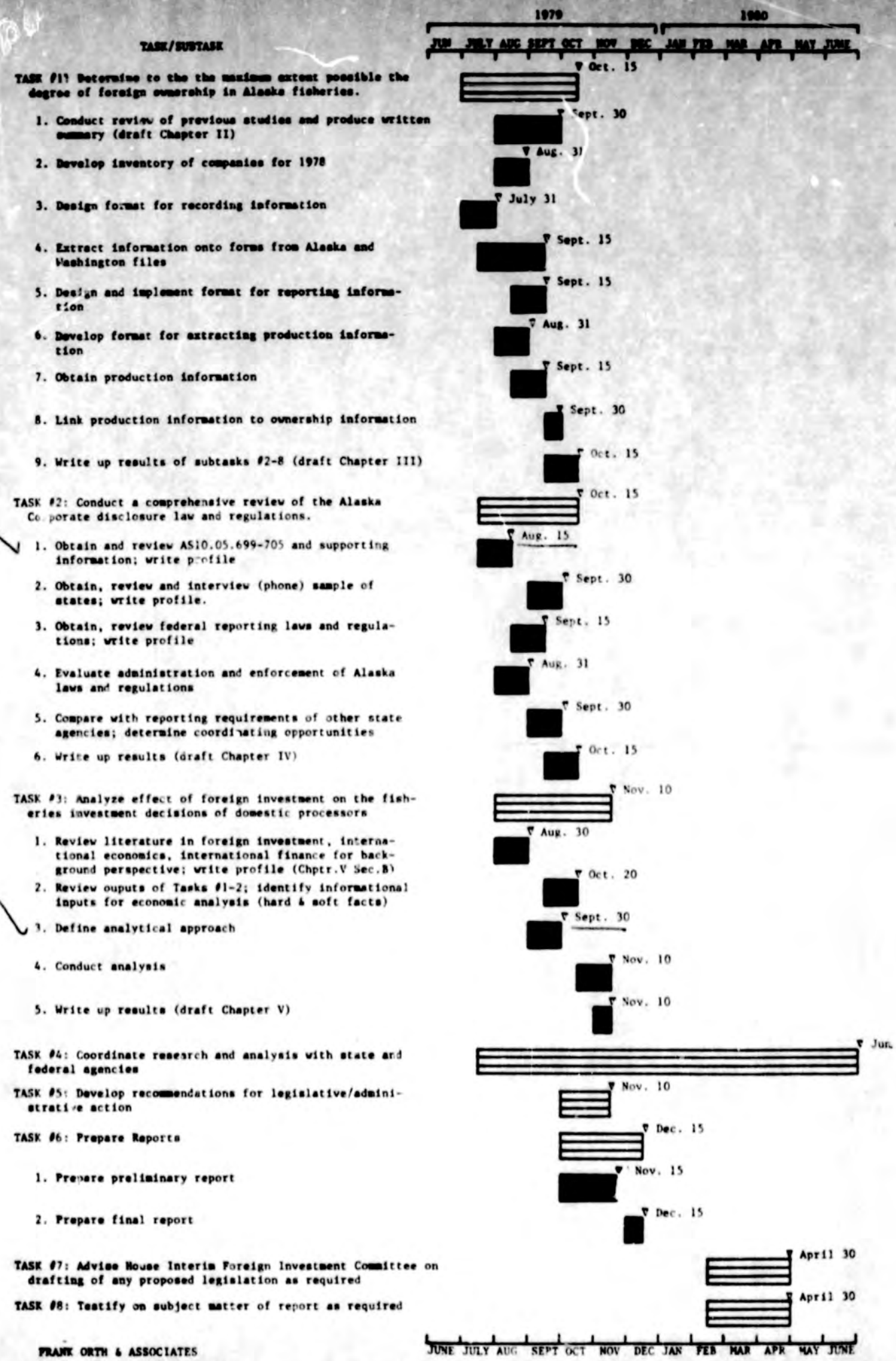
3,830

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 Intersties
  - 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

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

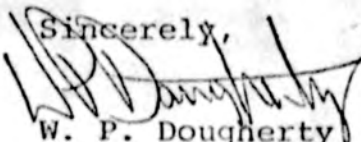
Eventually I would like to meet with you to cover this ground in some detail.

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,

A handwritten signature in dark ink, appearing to read "W. P. Dougherty", written over the typed name.

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 the legislature doesn't want it. He said, "I don't believe in a 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 COUNTY 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

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. (AS10.05.177)
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~~ *Resources*  
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.

*B*

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 Legisla-  
tive 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)

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  
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7 tent of foreign investment in  
8 Alaska's fisheries.

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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

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.

27  
28  
29

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,<sup>1</sup> 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)

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<sup>1</sup>There 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.<sup>2</sup> 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.<sup>3</sup> 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

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<sup>2</sup>Federal Reserve Bulletin August, 1977, P.A54.

<sup>3</sup>A 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.<sup>4</sup> 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.<sup>5</sup>

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

<sup>5</sup>Ibid.

#### 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.<sup>6</sup> 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

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<sup>6</sup>See 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 cost 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 pyrimiding 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 pyrimiding 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.<sup>7</sup> 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,

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<sup>7</sup>See 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 firms<sup>8</sup>) 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)

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<sup>8</sup>A 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, bobwhite hunting will be permitted every day from official sunrise to official sunset. *Zone 3.* No bobwhite hunting will 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. 79-20158 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.**

(c) \* \* \*

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) \* \* \*  
(1) \* \* \*

Table I—Gulf of Alaska Groundfish Fishery: Tally and Reserve by Species and Regulatory Area for 1978/1979

Species	[Metric Tons]			Total
	Western	Central	Eastern	
<b>Pollock:</b>				
TALFF	56,925	84,420	15,855	157,200
Reserve	50	5,400	50	5,500
<b>Pacific Cod:</b>				
TALFF	8,860	15,070	5,370	29,300
Reserve	500	850	150	1,500
<b>Flounders:</b>				
TALFF	10,250	14,300	7,475	32,025
Reserve	50	100	25	175
<b>Pacific Ocean Perch (POP):</b>				
TALFF	2,475	4,355	13,920	22,750
Reserve	200	1,250	400	1,850
<b>Other Rockfishes:</b>				
TALFF	230	500	8,945	6,675
Reserve	25	100	100	225
<b>Sablefish:</b>				
TALFF	1,965	3,570	3,270	8,805
Reserve	35	130	30	195
<b>Atka Mackerel:</b>				
TALFF	4,395	19,390	2,990	26,775
Reserve	5	10	10	25
<b>Squid:</b>				
TALFF	975	1,990	1,990	4,975
Reserve	5	10	10	25
<b>Rattails:</b>				
TALFF	3,267	7,067	1,534	11,868
Reserve	0	0	0	0
<b>Other Species:</b>				
TALFF	4,280	8,380	3,090	15,750
Reserve	20	120	10	150

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

\* The category "Pacific ocean perch" includes *Sebastes* species *S. alutus* (Pacific ocean perch), *S. polycipus* (northern rockfish), *S. aleuticus* (rougeye rockfish), *S. borealis* (shorttraker rockfish), and *S. zacentrus* (sharpchin rockfish).

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

\* 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, payroll 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,

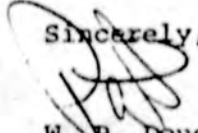
with the work to be performed cooperatively by Frank Orth and myself.

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