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TESTIMONY

presented to

JUDICIARY COMMITTEE
&
GOVERNOR'S TASK FORCE

in
Dillingham, Alaska

on
February 28, 1981

TESTIMONY

of

Kay E. Larson
Deputy Director
Bristol Bay Native Association

There are many kinds of people who participate in the Bristol Bay commercial salmon fishery. There are the doctors and lawyers who take a month's vacation from their regular jobs and fish for a "change of pace." These doctors and lawyers are, of course, happy if they can make a profit in the fishery but don't mind too much if they loose money because that gives them a good tax write off.

There are the year-round fishermen who follow the fish from California to Kotzebue. Although these fishermen are looking for a profit in the Bristol Bay fishery, they can stand a loss because they have incomes from the other fisheries in which they participate.

There are the few local fishermen who fish during the summer and then work all winter. These fishermen are also looking for a profit in the fishery but can survive on their winter jobs.

But the majority of our local fishermen have absolutely no other alternatives available to them--their entire year's income is derived from the commercial salmon fishery here in Bristol Bay. They are 100% dependent on the fishery because there is very little employment in the villages. The employment that is available is mostly provided through BBNA's CETA program (and I'll speak about our federal programs later). These fishermen, who are 100% dependent on the fishery, have a very different view of the fishery than that fisherman who comes here for a vacation and a tax write-off. The decisions

you make about the fishery should be based on these 100% dependent fishermen.

In 1977, the price of fish was 59 1/2¢ per pound and the price of gasoline was 60¢ a gallon. During that time, a fisherman could buy a good, new boat for $50,000. In 1980, fish were bringing 57¢ a pound. But gasoline had gone up to $1.25 a gallon and boats were up to $80,000 to $100,000. The price of fish has not kept up with our expenses.

There has been a lot of talk and concern expressed about canneries being able to make a profit. As fishermen, we are also concerned that canneries make a profit. Our future depends on them being healthy and we know it. BUT as fishermen, we, too, must make a profit. We cannot make a profit when our expenses are increasing at a much faster rate than our income. Economic returns to the fishermen must be considered as well as economic returns to the processors.

Last year there was also a lot of talk that fishermen should have been willing to take a low price for their fish and make the difference up in quantity. As fishermen who have worked with the canneries for many years, we knew this possibility would not be open to us. We knew that canneries would not increase their production and this proved true. Canneries have long operated with the "small grocer" attitude--a small amount of turnover in stock and their profit made on a resultingly large mark up. Processors have known for several years that the resource was on the rise. They should have changed their thinking to a "Safeway" attitude--a bigger turnover and profits based on quantity. Even though Fish and Game has predicted these good years, we have not seen a great deal of gearing up by the processors so that they would be ready for them. We have not seen Bristol Bay salmon advertised like "Charley Tuna." We have not seen the import of equipment to increase the lines in local canneries. In fact, we have not seen <u>any</u> gearing up in

preparation for these good years. We knew that processors would not be able to handle all of the fish and we knew that we could not make up the difference in price by selling more fish.

The State's idea of a market campaign to sell more Alaskan seafoods is a good one. It is a responsibility that processors have long avoided. Processors should have been out there a long time ago building up their markets and selling their products. In these days of greater amounts of salmon, processors should change their thinking from the "small grocer" to the "Safeway" attitude and get out there and really push their product.

The economic situation in Bristol Bay may become even more dependent on the salmon fishery than it is now. BBNA has been able to provide CETA jobs in the villages with federal funds. Although the wages under CETA are not comparable with a doctor's or lawyers' wages, the CETA job does provide survival during the winter. BIA General Assistance has also been a means of survival. With the present administration in Washington, D.C., we are anticipating cuts of more than $1 million in federal monies which go to the people in the villages either in CETA wages or General Assistance. With cuts this large, the fishery becomes even more crucial. The number of 100% dependent fishermen will grow and the amount of dependency on the fishery will increase.

Bristol Bay fishermen have made many sacrifices in the fishery through the years. When the resource was down, they sat on the beach and tightened their belts the following winter. In those years, market prices were up and margins of profit to the processors were large. Fishermen accepted a depressed price last year even though their operating expenses had continued to rise. After the settlement, market prices went up steadily which should have been a big help to processors. As fishermen, we are willing to make

some sacrifices but we cannot continue to be the ones making the biggest and longest sacrifices. During planning for the fishery or during price negotiations, the main concern always seems to be the viability and economic return to processors. Fishermen are businessmen, too, and their margin of profit must be taken into consideration.

Perhaps more competition on the processing side would make for a healthier industry. Competition in any industry is always healthy. State funding which would encourage the development of this competition could be a possible solution. Such funding should include new docks and airport improvements which would make it easier for new processors to come into the Bay. State funding should also include loans to newly developing processors. If the State will build new docks and improve our airports and will loan money to new processors, development of the fishery should be greatly encouraged. It appears that the only real answers lie with processors and a change in their attitude.

The decisions you are going to make will have a tremendous impact on the economic viability and returns to fishermen as well as processors. Please remember that fishermen are businessmen, too, and that their margin of profit must be taken into consideration.

Thank you.

A POSITION STATEMENT

BY THE

BRISTOL BAY NATIVE ASSOCIATION

TO THE

JUDICIARY COMMITTEE

AND THE

BRISTOL BAY TASK FORCE

"Violence Related to Bristol Bay Salmon Price Settlement"

My name is Fred T. Angasan. I am Executive Director of Bristol Bay Native Association, and I have also been a commerical fisherman in Bristol Bay for twenty-eight years. Strikes related to salmon price settlement have occurred in Bristol Bay virtually every two or three years. Therefore a strike situation between the fishermen and the processors is not an unusial occurrence.

I have vivid memories of one particular strike that happened in nineteen-sixty-nine. This strike was unusual in the means the fishermen used to form a picket line. A picket line was formed by approximately four-hundred fishing boats, which stopped fishing boats from going out the Naknek River to the fishery. In this situation scows still crossed the picket line without inflicting damage to any of the fishing vessels. Fishermen that did cross the picket line to fish were treated in a hostile manner by the striking fishermen. One particular boat returned from the fishing grounds with a large load of fish. Striking fishermen boarded his boat and painted the word "SCAB" on his boat with black paint. This incident was significant as the next day the striking fishermen came to an agreement with the processors. This fisherman was not physically harmed, nor was his boat damaged. In all the twenty-eight years of my experience fishing in Bristol Bay, no outbreak of violence has ever occurred. Violent situations that have taken place were individual confrontations that usually took place in Naknek bars.

In the 1980 strike which became needlessly long and tense, a number of picket lines were formed on the Naknek

and Nuahagak Rivers by hundreds of fishing boats in front of the Witney-Fidalgo cannery, which lasted several days. The striking fishermen used this means to stop cannery tenders from delivering salmon to the processing facility. This situation was very similar to the nineteen-sixty-nine strike with the exception that in nineteen-eighty, fifteen Alaska State Troopers were dispached to the Naknek, Nushagak area. The Alaska State Troopers threatened the striking fishermen, stating that if violent situations did break out, they would confescate their boats, gear and fishing permits.

Scare tactics by striking fishermen are mistaken by outside law enforcement officers and the press as acts of violence. For example, striking fishermen talking on their radio transmitters, saying things like telling how they would use guns if they had to, or possibly damaging a non-striking fisherman's net. These are not physical acts of violence, but simple scare tactics which is part of a process of expression in the development of an agreement leading up to a price settlement. The most serious problem in a strike are the scabs, not a direct confrontation with the processors.

The Alaska State Troopers and the media create violent situations by over reacting. Therefore in closing I caution the Judiciary Committee, and the Bay Task Force not to over react to the negotiation process or to strike situations. The Judiciary Committee and the Bristol Bay Task Force must stay within it's legal boundaries and confine it's efforts to the legal process and constitutionality.

STATEMENT BY

ANDREW GOLIA
COMMERCIAL SALMON FISHERMAN

Before the Bristol Bay Task Force

Dillingham, Alaska

February 28, 1981

Madame Chairwoman, Legislators, and Task Force and staff members, my name is Andy Golia, and I'm a resident of Dillingham, having been born and raised in this community. I'm a commercial salmon fishermen, and during the winter months, I work as an Economic Planner with the Bristol Bay Native Association, the regional non-profit corporation based here in Dillingham.

Over the last year, I've served as a board member for the Western Alaska Cooperative Marketing Association (WACMA). Currently, WACMA is in the process of their annual election of their board, and I have been nominated for re-election to the board. In any case, because of the current litigation between WACMA and the State of Alaska, my testimony does not reflect my feelings as associated with WACMA. My testimony only reflects my feelings as a commercial salmon fisherman.

Briefly, I'd just like to say that I believe the Task Force and you legislators here should immediately endorse and try to secure funds to complete a market conditions study on Bristol Bay salmon. There has been some discussion locally about this idea, and I believe that fishermen in Bristol Bay would agree to this concept. I feel this study is highly important and could lead to an early price settlement in Bristol Bay.

The study should be conducted by a national or international

marketing firm which is reputable in the area of fisheries. The firm that is selected to complete the study should be reviewed and endorsed by the majority of the Bristol Bay processors and the fishermen associations. Perhaps, at least three (3) or five (5) reputable firms should be recommended, and then a deadline set for one (1) to be selected to conduct the study.

The study should examine the current market conditions for Bristol Bay salmon on the world market, and make projections on the expected market conditions for salmon up to the 1982 commercial season. The study should reveal the market situation for Bristol Bay salmon in Japan, Europe, and the U. S. domestic market. In essence, the study should reveal a fair price that fishermen should get for canned and fresh/frozen salmon, taking into consideration all the different market factors on the world market.

The completion of this independent study should give an idea to the Task Force, the Governor's Office, and the State Legislature on who's being fair and unfair in the price negotiations between processors and fishermen. We have heard that Governor Hammond would work to allow foreign processors into the Bay if the domestic processors don't offer a reasonable price to the fishermen. Likewise, we have also heard that if the fishermen are demanding too high of a price, then he would attempt to get fishermen into the Bay who want to go fishing for a lesser price.

I think the importance of this study is that it will give processors and fishermen a starting point in price negotiations this upcoming season. At least it will give the processors and

fishermen something to work with. Most of all, it would point out who's being fair and unfair in the price negotiations here in Bristol Bay.

In conclusion, because of the time constraints, and if this Task Force and you legislators agree upon the study, to expediate things, I would establish a time frame for the processors and fishermen associations to review and comment upon the selection of a marketing firm. The study should also be accomplished as soon as possible.

That concludes my testimony.

Thank yc

March 1, 1981

Madam Chairperson:

At present there is no control over Foreign Ownership in the fisheries. For all practical purposes the Japanese have a virtual strangle hold on Alaskan Fishermen through market minipulation of all our fisheries products. Our laws are not able at present to regulate Foreign ownership percentages. I suggest the Legislature's both Federal and State seriously attempt to secure laws that would limit the amount of Foreign ownership in the companies that are supposed U.S. Corporations. With this in mind we as citizens would realize more of the true value of our Fisheries Resources.

At present under Foreign treaties they can arbitrally hold down fish prices onshore, say that we are not fully utilizing the fish and ask and most likely obtain an offshore allocation.

The Japanese government is the bank for their corporations involved in the fisheries, at present (I believe for 3%).

At our present 19½% prime interest rate and the exchange rate of yen per dollar, the Japanese Corporations really have our legitimate National Companies between a rock and a hard spot as far as competativeness is concerned.

Our Permanent Fund should be more aggressive in assisting companies that are wholly owned Alaskan or Domestic owned Corporations, that are interested in developing Domestic Markets.

Transportation is also a hinderance for the sake of total fisheries resource realization, special tariffs should be pursued.

Regional Boards should be established to handle Regional situtations as far as Management initatives are concerned.

At present it is unfair to ask a Statewide Board to make prudent decisions for such a large area as Alaska.

In cases such as a bumper or high cycle years especially in Bristol Bay, Foreign processors should be solicited for maximum use of our salmon resources and for the sake of increasing processing capabilities which would ultimately allivate much of our quality control and market problems.

George F. Gottschalk, Jr.
P.O. Box 132
Naknek Alaska 99633

STATEMENT BY JACK MCBRIDE
P.O. BOX 10222
DILLINGHAM, ALASKA 99576

Madam Chairman, Legislators, Members of the Task Force and Staff, my name is Jack McBride. I am the Manager of the Imarpik Regional Aquaculture Corporation.

First of all, we certainly want to thank all of you who have taken the time from your busy schedules to come here to Dillingham to listen to our concerns and suggestions. We know you'll go back to Juneau with a much better idea of our human feelings that would be impossible to express in letters and phone calls. We hope that you are bringing us a better understanding of the problems too, and some of the possible solutions.

We would like to let you know too, that KDLG has done an excellent job of informing the public of these issues, through, not only announcements, but also a number of discussions of the problems throughout this past week.

I'd like to quote from an article on page 19 in the July, 1980 issue of the ALASKA FISHERMAN'S JOURNAL which I have marked Exhibit A.

"The Japanese market has not collapsed nor are 1979 salmon inventories in Japan currently at abnormally high levels nor is the yen/dollar exchange rate the least unfavorable to Japan."

"As we reported last month in "Japan Marketplace," Japan is likely to import more salmon in 1980 than it did last year. The domestic catch in Japan is expected to be down sharply and last year's frozen inventories have been largely sold off."

STATEMENT BY JACK MCBRIDE
P.O. BOX 10222
DILLINGHAM, ALASKA 99576

This article was written by David Keene and Brent Evans who are both fluent in Japanese and have lived, studied, and worked in Japan. David Keene is a marketing consultant in Japan and represents a chain of Japanese seafood retaurants. Brent Evans had recently worked for two years at a Japanese economic research firm in Tokyo.

This issue of the ALASKA FISHERMAN'S JOURNAL would have arrived in most fishermen's mail box during the height of Bristol Bay's price negotiations. Do you think that if this was the information that you had available to you that you'd find it just a little hard to accept the fact that you were going to be paid 40¢ per pound for fish that you had got as high as $1.25 per pound one year earlier?

I think this points out that there were other facts in the "mix" or someone was misinformed or that indeed fishermen were not paid a reasonable price for their fish.

A State funded study by a firm that could supply credible information to both the fishermen and processor would go a long way to establish a price range within which both the fishermen and processor could feel comfortable to negotiate. This study should include information like the relationship of the yen to the dollar, interest rates, transportation costs, etc. This, I believe would be one positive way the State of Alaska could involve itself in a positive way.

Funding of programs such as the Alaska Seafood Marketing Institute is another positive way the State can involve itself. Obviously if the demand for salmon is high, the price will also be good.

STATEMENT BY JACK MCBRIDE
P.O. Box 10222
DILLINGHAM, ALASKA 99576

Finding ways of lowering costs such as transportation is certainly another positive action. Providing easily accessible docks, improved runways and reasonable roads systems would lower the cost of production.

Marketing alternatives could be explored that fishermen could apply in attempting to solve their marketing or market-related problems. These would include organized exchanges, vertical integration and joint ventures, marketing boards, and others.

I also believe that the Governor's Task Force or whatever instrument is established to correct these problems, should not be disbanded as different problems arise each year and each year requires a little different approach to the solution and a Task Force responsive to these needs may very well prevent problems such as occurred in 1980. Bristol Bay, the State, and indeed, the world cannot afford to waste in excess of 100 million pounds of salmon as we did in 1980.

Thank you.

LIMITED ENTRY

A necessary evil?

Prepared for the Legislative Council
Sen. George Hohman, chairman
January 1981

by Rodger Painter
Fish and Fish

The state legislature's 1973 vote limiting the number of fishermen allowed to harvest Alaska's huge salmon runs prompted predictable howls of outrage.

The salmon fisheries always had been open to anyone willing to invest a lot of sweat and brave some of the toughest seas in the world. It seemed a God-given right to be able to go fishing to cover the winter's grubstake.

No one was surprised by the opposition from those locked out of the fisheries by limited entry. Also expected were objections from staunch opponents of government intervention in the free enterprise system.

Recent debate is laden with irony, however, as the most vocal critics have been the very people the system was designed to protect--rural Alaskans who rely heavily on the commercial salmon fisheries. And, the dramatic biological recovery of the salmon runs and economic turnaround of the industry appear to be responsible for most recent criticism of limited entry.

Considering the massive amount of flak directed at the fishing restrictions, many observers were taken aback when these very squeaky wheels got no grease during the legislature's re-examination of limited entry in 1979-80.

What lawmakers found is widespread, though quiet, support of limited entry. Fisheries managers, for instance, prefer the

steady effort and smaller numbers of limited fisheries to the boom-and-bust history of the salmon industry. Then there are the 8,100 permit holders, whose attitudes may have been expressed best by a former director of the commission administering the state program:

"The people who received entry permits and believe limited entry is necessary tend to remain quiet about it and do not crow about the system for fear of offending a neighbor or friend."

With courts recently upholding the program against major legal challenges, it appears limited entry is here to stay. Far less clear is whether the program will remain intact under growing sentiment for change.

Many of the harshest critics of limited entry oppose doing away with the system entirely, but want to give the program a major overhaul. Even the most ardent supporters agree that at least some fine tuning is in order.

But as the legislature discovered, tinkering with limited entry is not easy. Alaska's limited entry program is a highly complicated system of fisheries management based on interwoven social and political considerations, as well as economics and biology. It's difficult to make large changes without risking chaos in one of the state's most important industries.

This pamphlet shows the evolution of the present system of limited entry and points out some of the problems looming on the horizon.

history

ROOTS: Moonlighters and the company store

When Governor William A. Egan proposed in early 1973 to limit entry into the state's commercial salmon fisheries, Alaska's salmon resources were recovering nicely from the rape-and-run management of Territorial days. But the economic lot of those most dependent on the fisheries was not following a similar course.

"Even with substantially improved biological management since Statehood, the salmon fisheries are not as healthy as they can be because a steadily increasing number of fishermen are participating in the harvest," Egan said in his letter to the legislature. "These new entrants into the fishery have driven the profitability of fishing down to marginal levels for those professional fishermen who must depend upon fishing for a major share of their livelihood."

"The character of these new entrants varies. In Bristol Bay it may be the school teacher from Anchorage or the Boeing worker from Seattle; in Southeastern the sport-commercial troller with a well-paid government job; in Cook Inlet the vacationing set-netter from the Lower-48. However, in almost every area these moonlighters are adding substantially to the economic distress of the vocational fishermen who must derive their primary livelihood from fishing."

Although Egan never specified who he was trying to help, it was clear throughout his 300-page proposal that the program was meant to protect Alaskans. The Governor had reason to be careful, as two earlier attempts to restrict the salmon fisheries ran afoul of the equal protection clauses in the state and federal constitutions.

State officials long had been interested in trying to boost the incomes of resident commercial fishermen by restricting non-Alaskans. The now-infamous loathing of Outsiders by Alaskans was particularly strong in the Seattle-dominated commercial fisheries before Alaska became flushed with oil riches.

Consider this statistic offered to lawmakers during the debate over limited entry: in 1970 non-residents had 40 percent of the salmon fishing income with an average gross share of $15,169, compared to $7,283 for each Alaska-based gear operator.

By 1973 the courts made it clear that any system discriminating against non-residents would be slapped down. The emphasis was shifted to pressuring the growing number of part-time fishermen and trying to at least preserve the foothold in the fisheries Alaskans had gained with the abolition of company-owned fish traps and the manpower-short years of World War II.

Supporters argued limited entry would protect Alaskans to the best extent allowed under law by favoring long-time fishermen and rural residents through a complex point system.

Another major goal of lawmakers in limiting the fisheries had been lost in the current debate: to unchain fishermen from the Company Store. In the days before Big Oil, the canned salmon industry was the dominant economic and political force in Alaska.

A 1939 government study reported that of the 2,810 Western Alaska commercial fishermen 96.7 percent were "cannery fishermen," considered company employees; only 94 fishermen were independents.

Alan Adasiak, former chairman of the Alaska Commercial Fisheries Entry Commission, explained in a 1978 paper the control canneries had over the lives of individual fishermen:

"If, for example, a man had made himself unpopular during price negotiations, he might find himself without a vessel or a market for his fish that following year. The ability to 'import' non-resident fishermen was also used in connection with price negotiations. And there was control through the classic arrangement of the 'company store,' which made easy credit available, and employed payment-on-demand notes.

"In 1973, when the Alaskan legislature was considering the current limited entry law, there was a general belief that salmon processors still maintained a significant hold over individual fishermen, both through credit and financing arrangements and through the untrammeled power to decide whether a fisherman would fish for a particular company. The decision to issue permits to individuals was made primarily because people believed that it would strengthen the individual fisherman's bargaining power vis-a-vis fish buyers and processors. With only a fixed number of permits to go around, and with the requirement that a unit of gear may be operated only by a permit holder, the need that the processor had for the individual fisherman was increased."

The debate over limited entry split many fishing communities and caused still-open rifts in the ranks of fishermen. Supporters far outnumbered opponents, however, as attested by the formation of the state's largest fishermen's organization -- The United Fishermen of Alaska -- around the issue of limited entry.

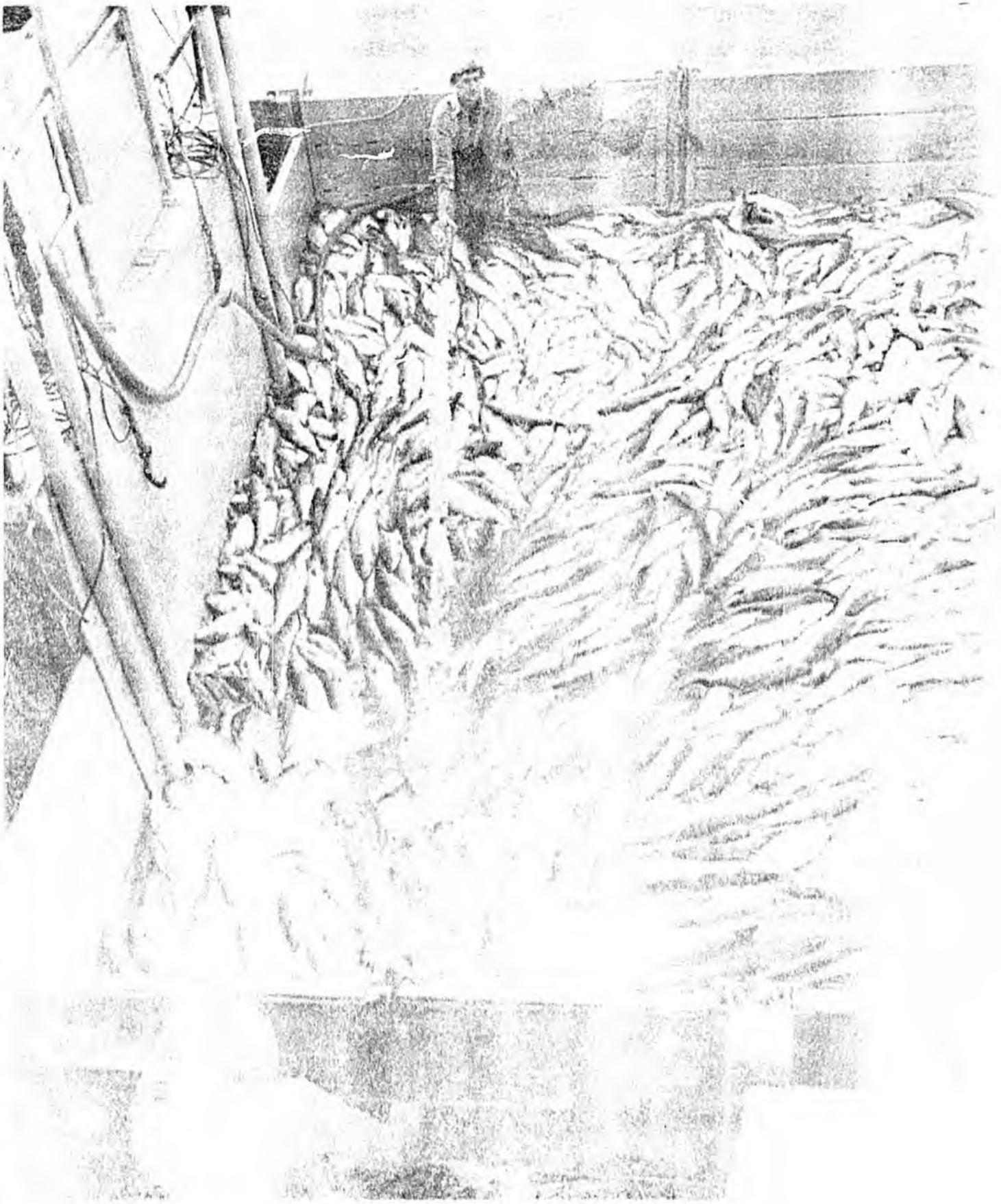
When an initiative to repeal the limited entry act was placed

on the 1976 statewide ballot, the UFA raised $170,000 to wage a campaign to keep the restrictions. Endorsements supporting the program were gathered from the state Boards of Fisheries and Game, Alaska Federation of Natives, Rural Alaska Community Action Program and the Alaska Chapter of the American Fisheries Society.

The initiative was defeated by a resounding vote of 75,125 to 44,304.

The margin of victory can be partially attributed to the extremely depressed condition of the salmon fisheries at the time of the election. Observers speculate a similar vote in the 1980s would be too close to call.

the legal story



THE LEGAL STORY: The constitution and the right to fish

It was no small coincidence that the state Attorney General spearheaded the group putting together Egan's limited entry proposal. The first step in the process, in fact, was to place a proposed constitutional amendment for limited entry: "No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State."

The amendment, which gained strong voter support, added: "This section does not restrict the power of the State to limit entry into any fishery for purposes of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture."

There have been few quarrels over the issues of resource conservation and aquaculture; the battle lines over limited entry always have been drawn around the right to fish. And, despite the care taken in constructing a legally defensible program, limited entry from its beginning has been under constant attack in the courts over who is eligible to harvest the valuable salmon resource.

The Commercial Fisheries Entry Commission, created to oversee the program, was given quasi-judicial powers to hear administrative appeals of decisions on individual applications for a permit. Of the hundreds of appeals filed, scores resulted in lawsuits, creating a huge backlog of contested permits and throwing the entire program into limbo.

The state lost the first major legal challenge to limited entry and that decision became the basis for many following lawsuits. In Isakson vs. Rickey, a group of fishermen who

first held gear licenses in 1973 and 1974 went to court over a provision in the law restricting permit eligibility to those who held gear licenses before January 1, 1973.

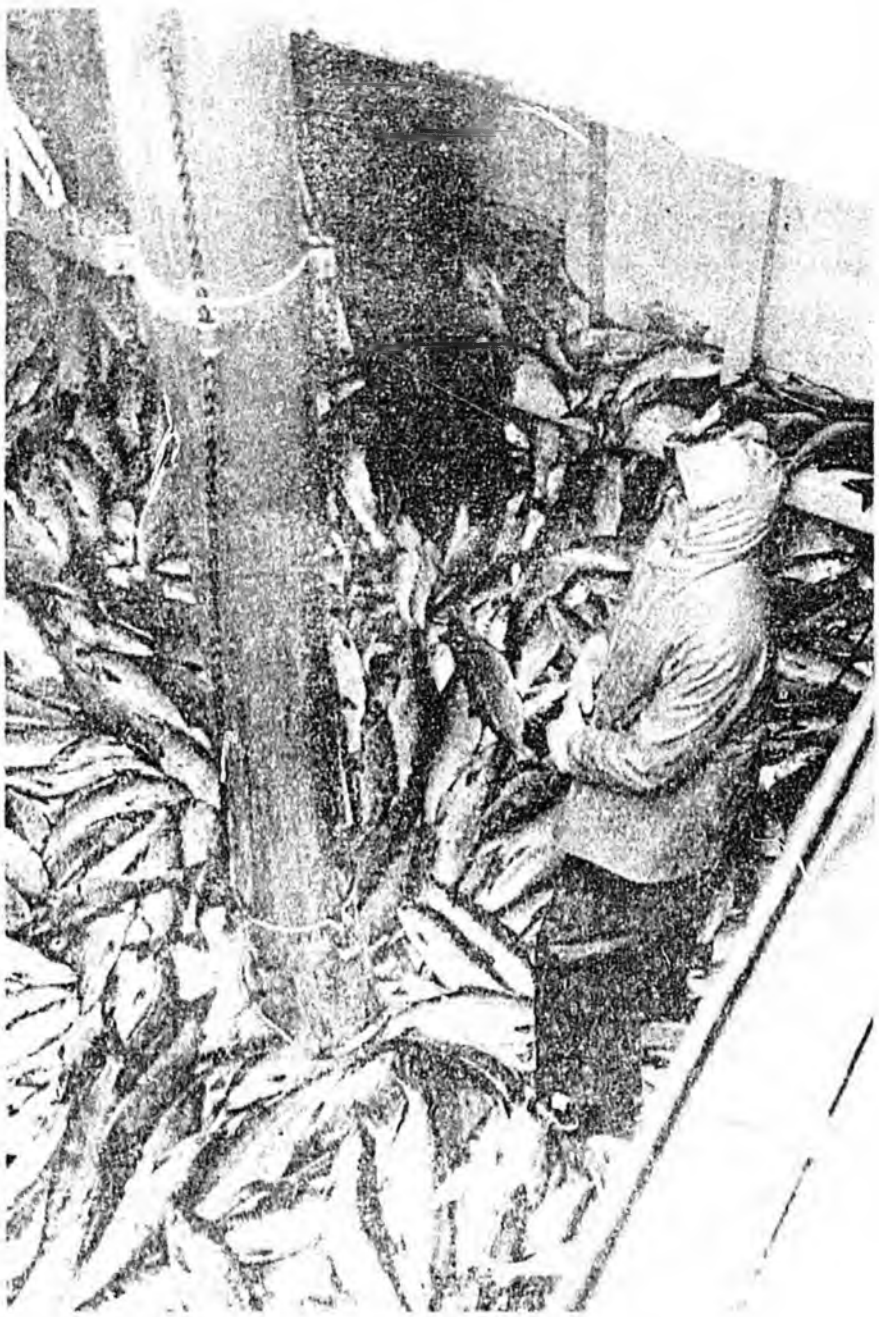
The Alaska Supreme Court eventually agreed with the fishermen and a new application period was ordered. The ruling, however, had much broader impact than the awarding of a few more permits to the later-coming fishermen.

In early 1979, a Superior Court judge used the Isakson decision to strike down a requirement that applicants for permits must have held a gear license. State officials said the ruling would have the effect of invalidating limited entry.

But after a year of deliberation, the Supreme Court backtracked and "superceded" the Isakson language. The gear license requirement does have a "rational connection" to the "legitimate purpose" of the limited entry act, the court said.

"Admittedly, individual cases will arise in which those barred may be able to show extreme hardship," the court said. "The legislature in its wisdom could conceivably have better provided for such instances. But equal protection, even under Alaska's stricter standard, does not demand perfection in classification."

There still were more than 100 court cases pending against the Alaska Commercial Fisheries Entry Commission in late 1980.



ACCESSIBILITY: Rural residents and $130,000 permits

The most emotionally charged debate over restricting access to Alaska's fisheries centers on the skyrocketing cost of entry permits.

Perhaps the most crucial, fundamental decision lawmakers made in 1973 was to treat permits essentially as property. This was done primarily to allow fishing rights to be transferred within families and communities, give fishermen the mobility to change fisheries, and avoid constitutional problems caused by creating a special closed class of fishermen.

No restrictions were put on the market price of permits as it was assumed there would be natural limitations to what someone would pay. In his proposal to the legislature, Governor Egan speculated:

"New people will be able to get into a fishery for whatever the fair market price of permits happens to be. Naturally, this will vary. The quality and size of fish runs, and other things, may cause more people to want to get out, or in, at a particular time. There is likely to be a limit, however, to how high the price of a permit will go since the bill requires that only the holder can fish it.

"One person may not hold a permit and have another person at his net site or in a boat working it for him as his agent. This means that the person buying a permit will have to work it, and he will have to expect to make enough money commercial fishing to cover the cost of the permit, as well as his other expenses and profits. Otherwise, it would not make sense for him to buy in. Consequently, there will be some practical limits on the price of entry permits."

Obviously unforeseen in this analysis was the dramatic rise in fish prices and biological recovery of Alaska's salmon fisheries during the late 1970s. As predicted, the price of permits has risen with the profitability of the particular fishery. Consider, for instance, that Bristol Bay drift gillnet permits shot up from a mere $2,000 in 1976 to as high as $130,000 prior to the 1980 season.

Understandably, these trends have created great concern among officials from rural areas over the ability of future generations to buy their way into the fisheries. Many Native leaders fear the high prices are bringing an exodus of permits from villages heavily dependent upon fishing.

The validity of those fears is open to debate. The Commercial Fisheries Entry Commission says statistics don't show any significant trends of permits flowing out of rural areas. With the exception of a single Southeast village troubled with an unusual set of circumstances, records show the distribution of permits in rural areas has been remarkably stable.

A study of the same statistics by a University of Alaska researcher in 1979, however, concluded there is some cause for concern. While Alaska residents in general have actually gained a handful of permits since they originally were doled out, the analysis by Dr. Steve Langdon showed rural residents have lost a significant number.

Residents of rural Alaska communities lost 145 permits, while urban Alaskans gained 170. Significantly, Alaskans who live in rural communities near the fishing grounds lost 3.5 percent of their initial holding of 3,897 licenses.

Langdon concluded that the "outflow of permits that has occurred and that potentially can occur must be regarded as

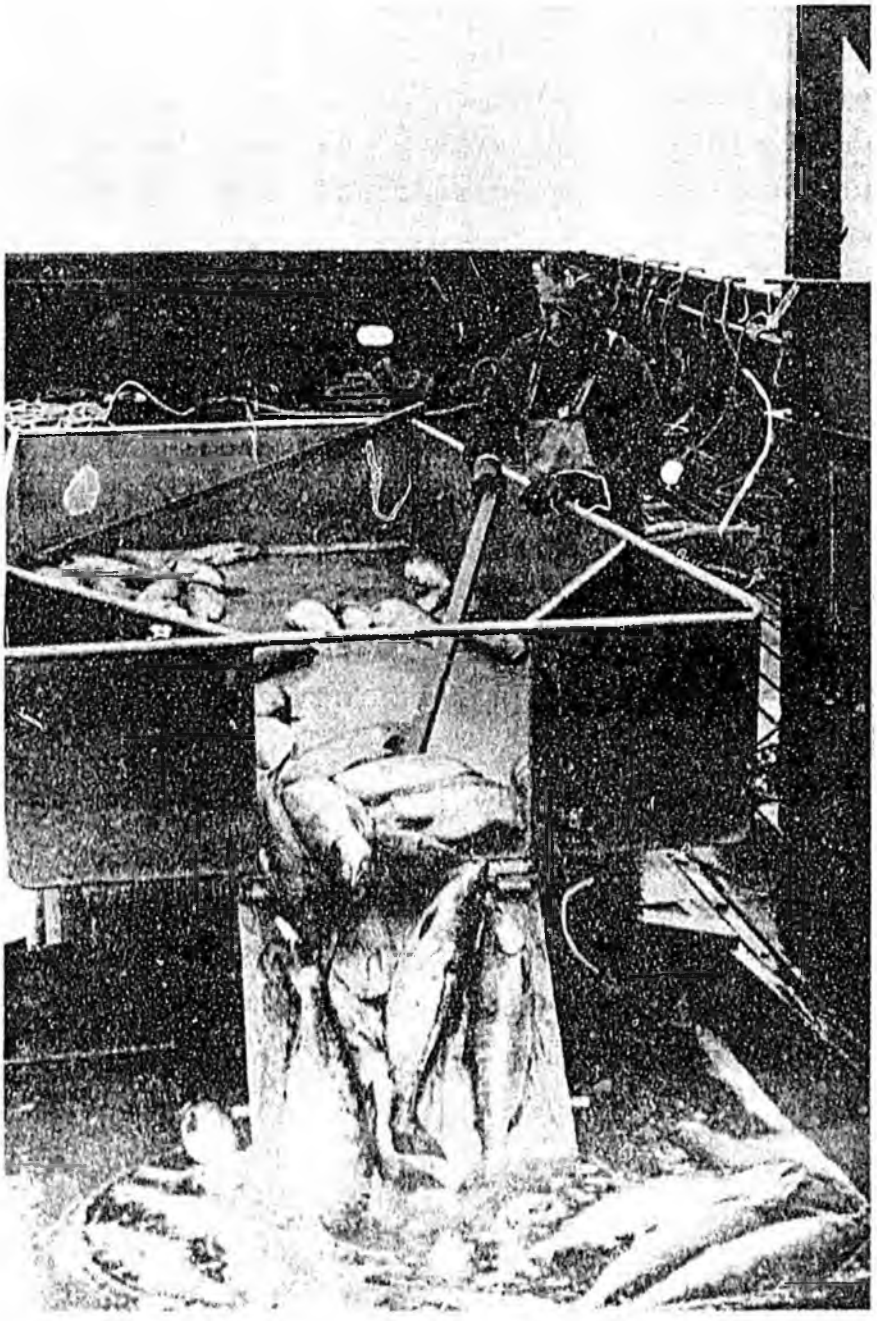
a significant threat to the rural Alaska economic base and the well-being of rural Alaskans."

The high cost of permits alarmed not only rural officials, though, as opposition to limited entry in urban and non-fishing areas seemed to grow in direct proportion to the cost of getting into the fisheries. When the legislature created the Limited Entry Study Group in 1979 the price of permits was the primary motivating force.

The question of how to deal with $130,000 permits presented a tough dilemma to the legislative committee. Every alternative to freely transferable permits investigated by the study group was fraught with legal, financial, administrative or political problems.

In the end, the committee backed away from supporting any major changes in the program, concluding that the medicine was worse than the ailment. The only recommendation of the committee culminated in the 1980 creation of a special loan program designed to help rural residents enter the fisheries. (This so-called "targeted loan program" is described in a later section.)

problems



OTHER PROBLEMS: Efficiency, spinoffs and a ponderous process

When studying Alaska's system of limiting entry into the fisheries, one can reach radically different conclusions about its relative merits and evils. If there is one thing all sides can agree upon, it is that the 1973 act has spawned a tremendously complex system.

The goal of lawmakers creating the system was clear enough, as demonstrated in the straight-forward approach of the first attempt at limited entry in 1962:

"Whenever the Board (of Fish and Game) determines that the year run of salmon in any one registration area will be substantially less than the optimum run, and that under anticipated fishing conditions Alaska residents licensed by the area or district will not catch sufficient fish to sustain them for the year, the Board may, with the consent of the local advisory board or boards, promulgate regulations temporarily closing the area or district to fishing by all non-residents of Alaska."

Before the law was ever used a federal judge declared it unconstitutional.

To get by the constitutional barriers, a program was built around economic and social considerations with a keen eye for protecting residents as much as law would allow. The result is an extremely complicated system that defies easy explanation.

Consider these factors:

-- The "optimum" number of permits issued in a fishery is to be sufficent to provide a "reasonable rate of economic return to the fishermen particiapting in that fishery," land

the allowable catch "in an orderly, efficient manner and consistent with sound fishery management techniques," and "avoid serious economic hardship to those currently engaged in the fishery, considering the other economic opportunities available to them."

Permits then are handed out to applicants ranked by their past participation in the particular fishery and their degree of economic dependence, such as their percentage of income derived from fishing, reliance on alternative occupations, and availability of alternative occupations and investments.

The complex requirements involve careful crafting of regulations and point systems, and extensive public hearings and application periods. The process takes anywhere from one to three years before permits are issued.

Administrative review of appeals of point allocations throw contested permits into limbo for months or even years. Some appealed permit applications for fisheries limited in 1975 still were pending in 1980.

-- The initial number of permits issued in the limited fisheries was equal to the largest number of units of gear fishing in any of the four years preceding 1973. Those maximum permit numbers later were to be whittled down to "optimum" figures through a buy-back program under which the state would buy boats, gear and permits at going market rates.

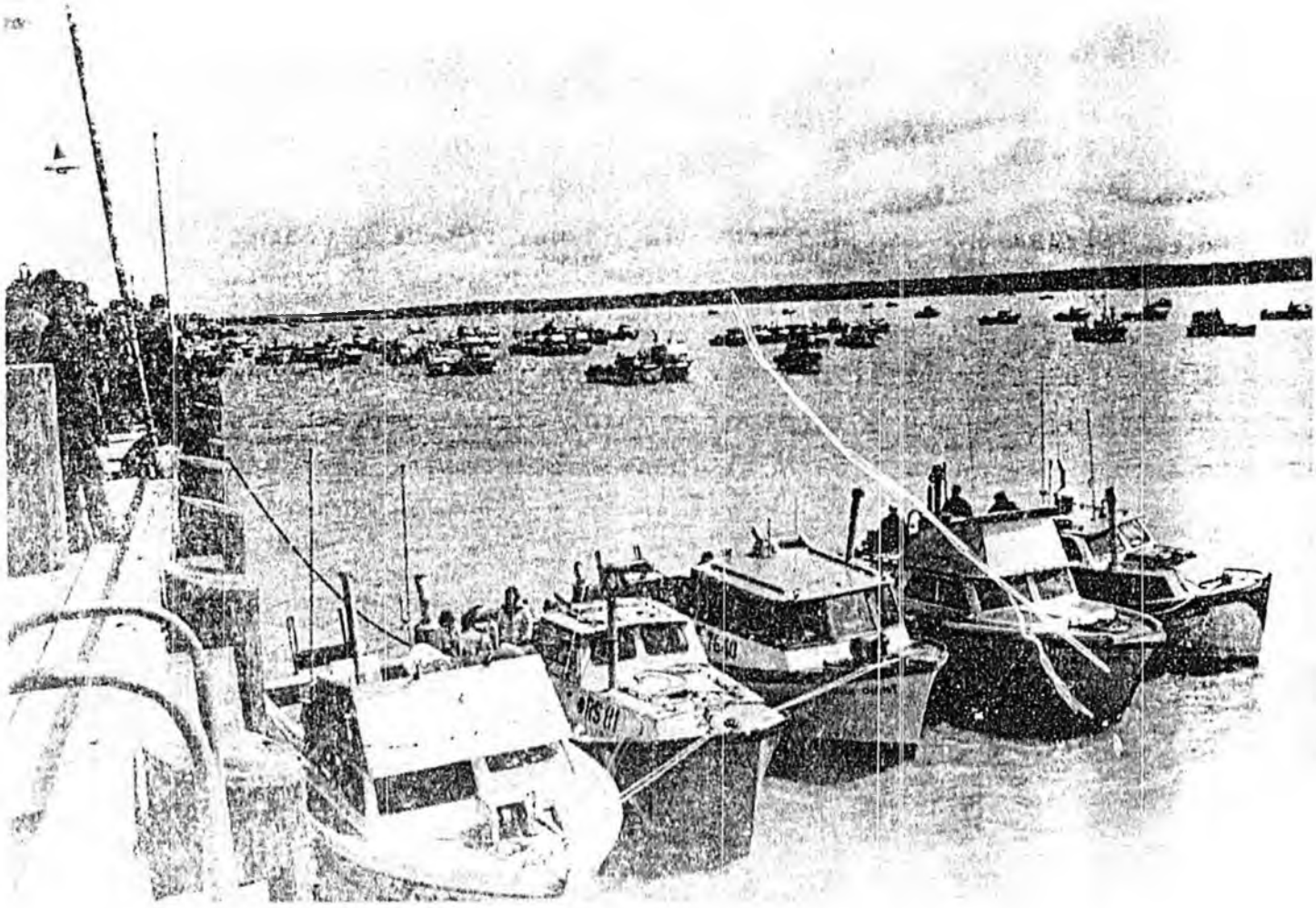
Work on setting optimum numbers was delayed by the more pressing needs of issuing permits, then stalled for years by lack of funding for economists to study long-range trends in the fisheries. The buy-back program eventually was suspended indefinitely. By 1980 the optimum numbers of permits

still hadn't been issued for the 19 salmon fisheries originally brought under limited entry.

-- Whenever there is even a distant possibility of a developing fishery being brought under limted entry, it seems to create a flurry of activity by fishermen trying to put themselves in the position of earning a permit, should they eventually be issued. This phenomenon, in turn, creates pressure to impose the restrictions from fishermen nervously eyeing new competitors on the fishing grounds.

The high cost of permits also has served to increase fishing pressure in the limited fisheries, as fishermen who have to pay $130,000 for a permit can scarcely afford to sit out poor seasons just because income is marginal. Loan payments won't wait for a better salmon run.

If limited entry has met any of the original goals of its creators it has been the evolution of the salmon fisheries into "professional" fisheries. With the lid on numbers fishermen have poured increased earnings into building expensive, highly efficient fleets of fishing vessels. Long-time fishermen say competition in the limited fisheries is much fiercer than it has ever been.



CONCLUSION: A necessary evil?

In considering whether limited entry has worked, it is important to strip the equation of the cumbersome clothing of right or wrong. Does it violate the spirit of the free enterprise system? Did it create an exclusive rich man's club? Is it an unconstitutional allocation of natural resources belonging to all citizens of the state?

Emotions run so strongly on these issues that it is essential to narrow the question to how well the program has met its original goals. To this end, the answer can be a conditional "yes".

Statistics show limited entry has been remarkably successful in stabilizing the balance of fishing effort between Alaskans and non-residents. The only identifiable shift has been the loss of permits by rural Alaskans to urban residents.

Trends before limited entry were toward non-resident gains in the salmon fisheries, but when original permits were handed out Alaskans controlled a few more units of gear than they had before 1973. Since then, residents have gained another handful of permits.

Showing the exact degree of success limited entry has had in accomplishing another major goal of lawmakers in 1973 -- increasing the power of fishermen in dealing with processors -- is impossible. The lot of individual fishermen has increased dramatically since the early 1970s, but it's unclear how much of that was caused by limiting the number of fishermen.

Unquestionably, limited entry has given fishermen a powerful tool in negotiating fish prices, since the system has given permit holders the exclusive right to harvest Alaska's valuable

salmon resources. Processors can no longer simply hire another skipper willing to fish for lower prices.

A case in point is price negotiations in Bristol Bay where fish prices were increased by nearly 50 percent in 1979 after a virtual shutdown of the fisheries by boycotting fishermen. Although fish prices tumbled the next season following collapse of major Japanese markets, fishermen held out during the peak of the largest salmon run in history. About 21 million harvestable sockeye salmon passed by the fishing grounds because of the long price dispute.

By restricting the number of people allowed to fish salmon, lawmakers also hoped to increase the incomes of individual fishermen. While average gross incomes of gear operators have risen dramatically since 1973, the improved economic outlook mostly is due to spectacularly increased fish prices. There can be little doubt, though, that the allowable harvest would be split among a much larger group of fishermen if the salmon fisheries were open to all interested.

When all is said and done, the essential question regarding limited entry probably is:

"What's the alternative?"

Perhaps there wasn't justification to limit entry to Alaska's salmon fisheries. Maybe a better method of protecting residents could have been devised. But it's too late to debate those issues; the important point now is what would happen if the system were abolished.

With the current high level of interest in Alaska's salmon fisheries, the lifting of limited entry would invite a gear rush rivaling the Klondike gold rush. Examples of the interest in the state's fisheries are easy to find, as a glance at the

crowded halibut, crab, cod and open herring fisheries will show. Particularly troublesome is the large fleet of Washington State vessels squeezed out by the "Boldt decision" which allocated half the natural and hatchery salmon runs of that area to treaty Indian tribes.

Despite development of other fisheries and the emergence of the oil industry, salmon continues to be the economic mainstay of most of the communities spread out along Alaska's 34,000-mile coastline. Hundreds of millions of dollars have been invested on the assumption limited entry is here to stay. Abolition of the system would disrupt the economies of much of rural Alaska.

Although the cost of buying a permit adds a big barrier to entering the salmon fisheries for rural Alaskans, state loan programs can given an edge to residents. The programs will cover 90 percent of the market value of permits, and the recent "targeted loans" designed to help rural residents may carry 100 percent of the cost. Permits can be used as collateral only under state loan programs.

The threat of a gear stampede trampling long-time fishermen is responsible for the continuing support of limited entry by many harsh critics. Notably absent from the legislature's 1979-80 evaluation of limited entry was the possibility of removing the restrictions altogether.

Since limited entry is widely seen as an evil made necessary by the lack of alternatives, continuing support of the program by lawmakers appears likely. Equally likely are continuing opposition from a host of critics and pressure to substantially modify the present system.

FINANCING: The state and CFAB

When it comes to finding financing for limited entry permits, Alaska residents have a decided advantage. Under state law, permits can be owned only by individuals. Banks cannot take possession of permits in the event a borrower defaults on a loan. Thus, permits may not be used as collateral, except under the state loan program which is open only to five-year residents. The Alaska Commercial Fishing and Agriculture Bank (CFAB) also is able to hold permits as collateral since the state initially funded the bank and remains a major stockholder. CFAB uses the same requirements as the state for permit loans.

Through the state's Commercial Fishing and Revolving Loan Fund, applications for permit loans are made directly to the Division of Business Loans in the Department of Commerce and Economic Development.

Permit loans require five years state residency immediately preceding the date of application, with one year of commercial fishing experience during that time. The interest rate is 9.5 percent, and the maximum loan term is fifteen years.

The state can lend up to 90 percent of the average resale value or the actual cost of the permit, whichever is less, when the permit itself is used as collateral. The Entry Commission computes this average resale value quarterly, based upon what prices were paid for permits during the preceding quarter. It is important to keep this in mind, as the amount of money you can get varies as permit prices go up or, more rarely, down.

The newly-created Fishermen's Revolving Mortgage and Note Fund, targeted to assist fishermen in rural areas of the state

who are not eligible for regular commercial fishing loans, also may be used for the purchase of limited entry permits.

Under this program, the state will buy mortgages and notes from banks or other financial institutions. The interest rate is 10.5 percent.

The state may buy a mortgage or note for up to 100 percent of the appraised value of the collateral if the loan is for the purchase of an entry permit and if the borrower has at least three years experience as a commercial fisherman under the direction of a permit holder in the fishery for which he is buying the permit.

To be eligible for this program, an applicant must have five years state residency immediately preceding the date of application, but he does not necessarily need to have had commercial fishing experience as long as the lender finds that he is reasonably likely to succeed as a fisherman and be able to repay the loan.

For further information on loans for limited entry permits, contact one of the regional offices of the Division of Business Loans, Department of Commerce and Economic Development:

Juneau	Pouch D Juneau, Alaska 99811 465-2510
Anchorage	201 East Ninth, Suite 103 Anchorage, Alaska 99501 274-6693
Fairbanks	675 Seventh Avenue, Station A Fairbanks, Alaska 99701 452-8182

or

Alaska Commercial Fishing and Agriculture Bank
Gary Anderson, President
P. O. Box 4-2070
2550 Denali Street, Suite 1201
Anchorage, Alaska 99509
278-4553

CFAB also has offices in Homer, Kodiak, Cordova, and Seattle.

MISCELLANEOUS: A checklist

Attempting to deal long distance with the many and complex limited entry regulations is a constant source of frustration to fishermen and the Entry Commission alike. Misunderstandings are often a cause of delay, which can be critical and costly when the fish are going by the fishing grounds.

The following checklist offers important points to keep in mind about limited entry and is offered to help keep the level of red tape frustration at a minimum:

- The permit holder must have his card in his possession and must be present while his gear is being fished;
- A permit cannot be lent to anyone, not even a relative;
- A permit holder and crew must be able to produce identification at the request of an enforcement officer;
- Emergency transfers are to be used in cases of unavoidable hardship; they are not for leasing a permit. Send an emergency transfer form to the Commission, including documentation and your permit card;
- There is a 60-day waiting period between the time an intent to transfer form is filed with the Commission and the permit can actually be transferred;
- Once a permit is transferred permanently, it's gone. The Commisison strongly recommends using an escrow agent to hold the money (contact your local Legal Services Agent);
- If a permit holder dies, the spouse or heir should contact the local superior court clerk for instructions on having an administrator of the estate appointed; and contact the Commission;
- Permit holders should allow at least three weeks for processing renewals, and more if they live in an area where mail is slow;
- Decisions of the Commission are subject to review, and an applicant may reqest a hearing;
- When in doubt, contact the Commission.

Seafood: Alaska's living resource

From Ketchikan to Kotzebue, fishing is Alaska's largest private employer

The dozens of species of fish and shellfish available in commercially harvestable quantities in Alaska are found in radically different environments, ranging from deep ocean waters warmed by southern Pacific currents to the muddy surf of wide, shallow bays that are covered much of the year by pack ice.

The fishing boats and processing plants designed to handle these widely varying conditions are extremely diverse: herring skiffs in Norton Sound, multimillion-dollar crab vessels in the Bering Sea, classic wooden halibut schooners in the Gulf of Alaska, and modern fiberglass salmon seiners in Sitka Sound; huge cold storage plants in Kodiak, converted liberty ships in the Aleutian Islands, fish-buying stations on the Yukon River and salmon canneries in Bristol Bay that can handle as many pounds of fish a day as the entire U.S. tuna industry.

The seafood products shipped from the state include five species of salmon, three species of crab, shrimp, halibut, herring, sablefish, Pacific cod, Alaska pollock, scallops, abalone, clams, rock fish and fish meal. Expansion into the 200-mile waters will mean handling large volumes of many new species.

The major fisheries and products are:

Salmon

The state is the major producer of salmon in the world. About 110 million salmon were caught in 1980, making it the fourth largest harvest in history. Salmon are harvested by seine, gillnet and hook-and-line gear in fisheries scattered from Southeast to Kotzebue Sound. The salmon fisheries are the most important in terms of volume, value and jobs. In 1979, about 150 million pounds of salmon were frozen and 3.1 million cases canned.

Crab

Bering Sea crab vessels comprise one of the world's most efficient and sophisticated fishing fleets: 230 boats harvest about 120 million pounds of king crab in a month. In 1979, 154 million pounds of king crab and 131 million pounds of snow crab were processed in Alaska plants, mostly by modern cold storages in the Aleutian and Kodiak Islands.

Shrimp

Although catches declined from the 1976 peak of 128 million pounds to 51 million pounds in 1979, shrimping remains one of Alaska's most important fisheries. Five species of shrimp are frozen and canned in plants dotting the coastline from Southeast to the Aleutians.

Halibut

One of Alaska's oldest fisheries, halibut are caught by long lines of hooks strung along the bottom of some of the world's stormiest seas. More than 16 million pounds of halibut were frozen in cold storages from Southeast to the Bering Sea during 1979.

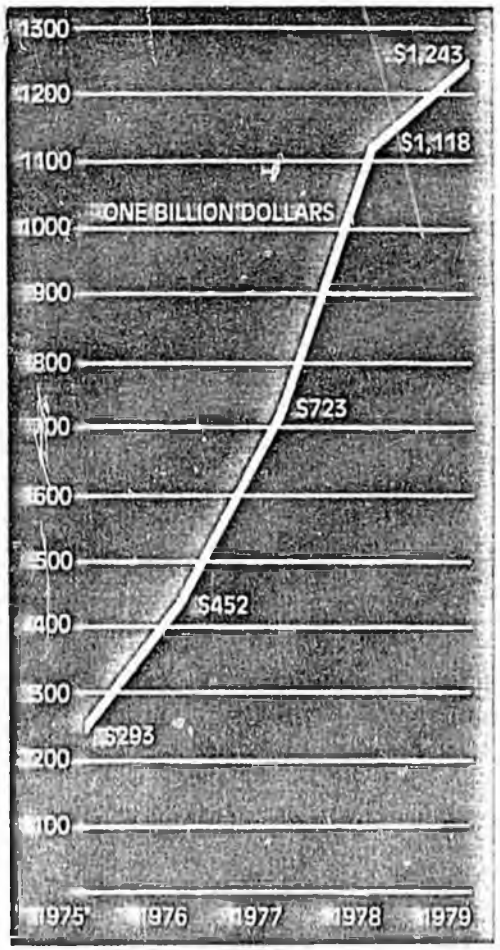
Sablefish

One of the fastest growing fisheries, sablefish catches climbed from 1.8 million pounds in 1977 to 5.3 million pounds two years later. Sablefish, also called black cod are frozen and smoked.

Bottomfish

A growing fleet of U.S. trawlers is beginning to cut into the huge foreign catches of bottomfish in the Bering Sea. The 1980 U.S. harvest of Pacific cod in the Bering Sea was almost five times larger than the previous year's total. Still, there's a long way to go: the 1979 foreign bottomfish catch in Alaska's 200-mile zone of **3.1 billion pounds** was valued at **$1.8 billion.**

Wholesale Value of Alaska Seafood (millions of dollars)



The value of Alaska's seafood products increased by 424 precent in the five-year period ending in 1979.

The seafood industry is much more than succulent crab legs and tender salmon fillets. It is thousands of Alaskans scattered from Ketchikan to Kodiak to Kotzebue, from hundreds of miles up the Yukon River to downtown Anchorage.

The industry includes not only fishermen and processing workers, but air charter pilots, truck drivers, construction workers, longshoremen, grocers and bankers. It is easy to see the seafood industry in a community like Kodiak, with its sprawling processing complexes and busy harbors, but you have to look closely in a city like Anchorage for the 1,500 **direct** jobs generated by the processing and transporting of salmon.

- The wholesale value of Alaska seafoods stood at $1.2 billion in 1979.
- More than 25,000 fishing vessel crew member licenses were issued in 1979. Another 17,609 individuals received permits to operate commercial fishing gear.
- With a range of up to 12,000 jobs during peak months, the annual number of seafood processing jobs was 7,251 for 1980. The payroll for these workers was estimated at $104 million.
- There were about 250 companies and individuals licensed to buy and sell seafood in 1979. More than 15,000 commercial fishing vessels were registered.
- The replacement value of Alaska's processing plants was estimated to be $392 million in 1978, while the replacement value of fishing boats was set at $829 million in 1979.
- The State of Alaska collected $3.1 million in raw fish taxes in 1976, while the figure hit $14.6 million in 1980. That amount was in addition to property, corporate income and payroll taxes.

During the heyday of Alaska's salmon fisheries, the Territory of Alaska's economic backbone was a network of salmon canneries dotting most the coastline from Ketchikan to Bristol Bay. Huge quantities of canned salmon were sold on grocery shelves across the United States and Europe.

A slow decline in salmon catches came during the fifties and sixties. Salmon stocks were knocked down to alltime lows in the 1970s by two successive severe winters that killed millions of vulnerable eggs and fry. Considerable belt-tightening by fishing communities under strict biological management of the salmon fisheries has helped to rebuild the runs to historic strengths.

The resurgence of the salmon harvests has come at a time when the industry already was wrestling with the problem of trying to establish solid sales outlets for large volumes of frozen products. Virtually all of the fisheries developed in the seafood boom of the seventies are based on frozen products. Even in salmon the trend has been toward quick frozen processing: the portion of Alaska's salmon pack ending up in cold storages increased from 29.9 percent in 1976 to 52.2 percent in 1979. Three-fourths of Alaska's seafood pack was frozen that year.

The marketing challenge is much greater as the takeover of fisheries in Alaska's 200-mile zone from foreign fishing fleets becomes a reality. Americans won't be able to catch or process the huge quantities of bottomfish unless the existing seafood industry is financially sound enough to expand. Handling the entire foreign harvest off Alaska's shores would mean finding markets for an additional three billion pounds of seafood a year.

The selling of seafoods in the United States is a highly competitive affair that pits the largely independent Alaska processing companies against well-financed efforts like the tuna industry, North Atlantic Seafood Association (Iceland, Norway, Denmark and Canada), and government-aided industries of the Soviet Union, Korea and Peru. The large supplies of protein also are competing against well-established foods like beef, pork and chicken.

Fishermen and processors accounting for the bulk of the state's seafood production have joined forces with the State of Alaska under a non-profit group called the Alaska Seafood Marketing Institute in a unified effort to promote Alaska's varied line of seafood products. The Institute is attempting to broaden the national and international markets for Alaska seafoods through market research, product development, generic advertising and promotional programs.

Alaska Seafood Marketing Institute

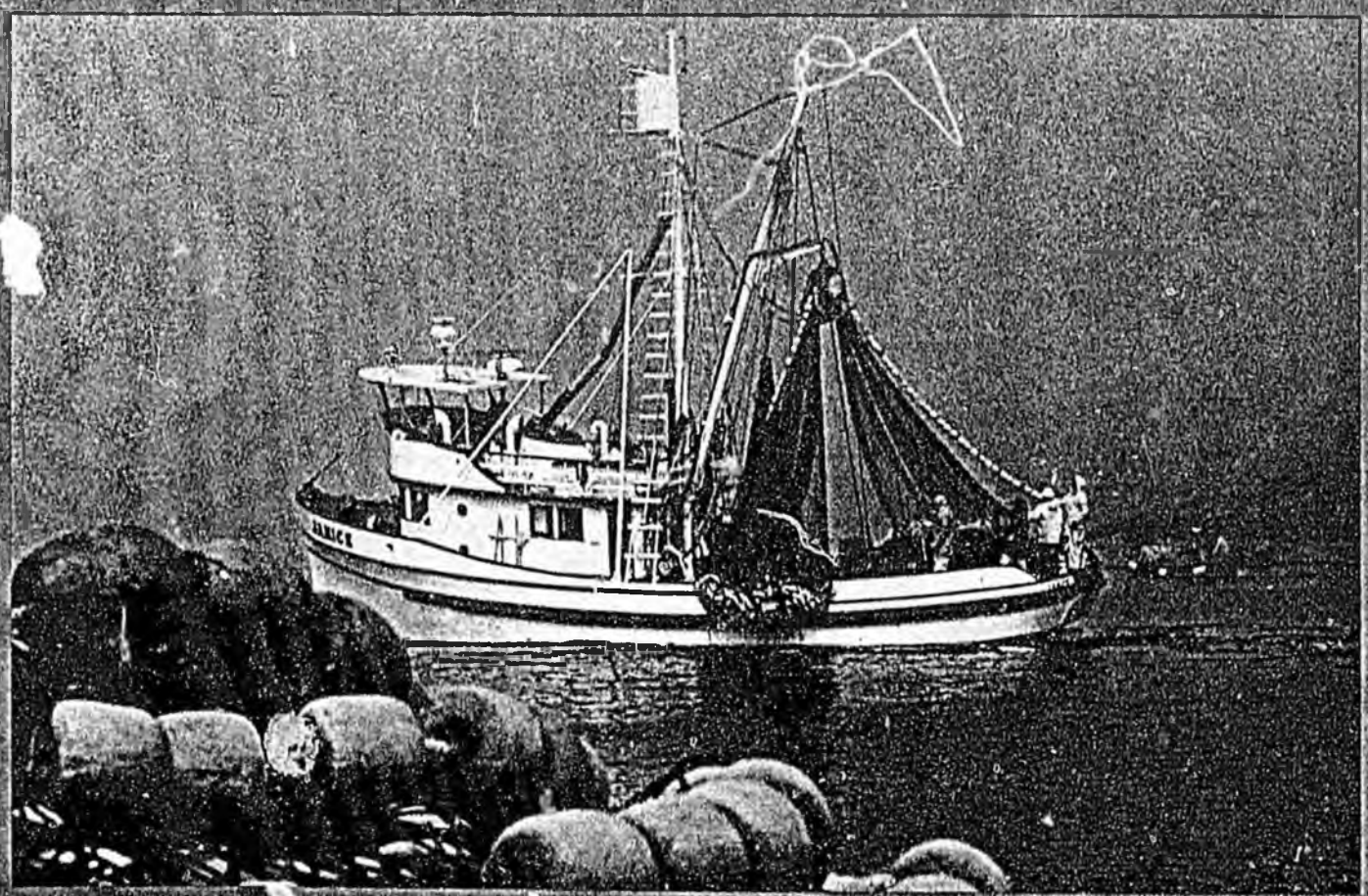
526 Main Stre
Juneau, Alaska 998

(907) 586-29

With 34,000 miles of rugged coastline, Alaska's destiny always has been tied closely to the sea. An abundance of sealife is supported by the nutrient-rich waters of wide continental banks, vast river deltas and countless bays, fjords, lakes and streams. The wholesale value of Alaska seafood is more than double that of any other state. The seafood industry is Alaska's largest private employer; in many rural communities there is no other way to make a living. Of special importance, the seafood industry will continue putting Alaskans to work, contributing to the economy and providing a long-term tax base as long as man needs protein.

ALASKA'S SEAFOOD INDUSTRY

12,000 processing jobs
25,000 fishing crew licenses
17,600 fishing gear permits
$1.2 billion product value (1979)
890 million pounds landed (1979)
$392 million processing plant value
$829 million fishing vessel value



The following topic areas were repeatedly mentioned during the hearings in Bristol Bay as major concerns of local individuals:

Market Study
Processing Shortfalls
Infrastructure Needs
Pricing Concepts
Foreign Control
Public Safety Concerns
Seafood Marketing
Pack Lons, AARC, and CFAB

MARKETING STUDY

The single largest topic of discussion was the State's involvement in financing a comprehensive marketing study to provide information to fishermen and processors prior to price negotiations. Each individual who addressed this point cited the lack of data available to fishermen on world market conditions, although it was generally conceded that processors already had the information at their disposal. Typical comments on this subject included:

Andrew Golia (Dillingham): "I feel this study is highly important and could lead to an early price settlement in Bristol Bay. . I think the importance of this study is that it will give processors and fishermen a starting point in price negotiations this upcoming season."

Jack McBride (Dillingham): "A state-funded study by a firm that could supply credible information to both the fishermen and processors would go a long way to establish a price range within which both the fisherman and processor could feel comfortable to negotiate."

Allen Aspelund (Naknek): "I think if the state would have a similar method (State of Washington market survey) . . .I believe you will create for us fishermen a little trust. . .We don't know what's fair."

Val Angasen (Dillingham): "A study could be conducive for an early settlement, in that the state legislature, the people of Alaska, who the resource belongs to, might have an inkling of an idea whether or not price offers are fair or not fair."

PROCESSING SHORTFALL

Another major point of contention among fishermen is that processors purposefully hold down the number of fish processed, and therefore limit a fisherman's possible income. Bay fishermen firmly believe the state was misinformed on the total capability of processors for the 1980 run.

Mike Hakala (Naknek): "You will also hear the argument that you can get a low price and a lot of volume here in Bristol Bay but. . .they (processors) can't handle the fish. The day it opened they put us on a 6000 lb. limit . . .if that's handling fish, I sure in hell don't know what to say about that."

Kay Larson (Dillingham): "Last year there was also a lot of talk that fishermen should have been willing to take a low price for their fish and make the difference up in quantity. As fishermen who have worked with the canneries for many years, we knew this possibility would not be open to us. We knew that canneries would not increase their production and this proved to be true."

John Eckert (Naknek): "The processors in the Bay here can only process approximately 25 million fish. And on

large run years, they are not going to open up those canneries for any more fish than they can handle.

Mitch Kink (Dillingham): "They (processors) don't want all the fish. I think they said they could handle all the fish. . .if anybody here believes that if we would have went out on the first day of fishing that we would have caught 21 million fish, I think is a little wrong."

INFRASTRUCTURE NEEDS

An expressed concern of residents in the Dillingham area was the infrastructure needs of the community. Most individuals testifying on this topic believed that increased availability of transportation facilities would increase the likelihood of new processors coming into the Bay.

Lyman Smith (Dillingham): "The key thing here that keeps fresh market fisheries from really going is the lack of airport facilities. . .In addition to runways, we also need a parallel taxiway so there can be more than one aircraft operating on that airport at one time.

Laurie Schroeder (Dillingham): "It isn't easy for a new processor to come into Dillingham. . .We don't have lots of docks, we have one public dock that goes dry at low tide. . .We have a 100-boat boat harbor and we have 539 users. . .There are all kinds of things that hamper local fishermen."

Jack McBride (Dillingham): "Finding ways of lowering costs, such as transportation, is certainly another positive

action. Providing easily-accessible docks, improved runways and reasonable road systems would lower the cost of production."

Kay Larson (Dillingham): "Perhaps more competition on the processing side would make for a healthier industry. Competition in any industry is always healthy. State funding which would encourage the development of this competition could be a possible solution. Such funding should include new docks and airport improvements which would make it easier for new processors to come into the Bay."

PRICING CONCEPTS

A considerable amount of time was spent discussing the pricing structure of salmon, the method by which processors paid fishermen for their catches. Many fishermen were interested in establishing a base price for unprocessed fish, with a percentage of the final wholesale price being returned to fishermen.

Mitch Kink (Dillingham): "I think that a fisherman is worth 40% of what he gets as a final price from the wholesalers. . .I think we are worth that much in this industry."

Mike Hakala (Naknek): "I believe there should be a base price for salmon and I believe in a sliding scale."

Jim Bingman (Dillingham): "I think that this would be a good way for the state to help us if we had a base price and the canneries, the processors, could depend on this money (pack loans)."

Individuals testifying were about evenly divided on the question of the state's responsibility in setting a base price for unprocessed fish. Everyone concluded, however, that a comprehensive marketing study could provide the data needed to set a base price.

FOREIGN CONTROL

Considerable resentment towards foreign-owned processors was expressed by local residents, not only in the actual processing business but in marketing as well. Some individuals put it this way:

George Gottschalk, Jr. (Naknek): "At present there is no control over foreign ownership in the fisheries. For all practical purposes, the Japanese have a virtual stranglehold on Alaskan fishermen through market manipulation of all our fisheries products."

Jim Bingman (Dillingham): "I know the Japanese have taken over most of the canneries. . .I've watched them take over Togiak. They financed and got the processor. They got the processor to swallow the hook, then they jerked hard to set it. There's nothing the processor can do but step out and let the Japanese have it."

Thomas Crandell (Dillingham): "The marketing facilities are essentially controlled by the Japanese; there isn't an extensive marketing path for very much salmon into the domestic market."

PUBLIC SAFETY CONCERNS

Overall, the public safety problems encountered in the Bay during the 1980 season were downplayed by residents.

felt that the few violent acts that took place were distorted by the media. Some fishermen, however, did express concern that the Department of Public Safety overreacted to the potential for violence.

Fred T. Angasan (Dillingham): "Scare tactics by striking fishermen are mistaken by outside law enforcement officers and the press as acts of violence. For example, striking fishermen talking on their radio transmitter saying things like telling how they would use guns if they had to, or possibly damaging a non-striking fisherman's net. These are not physical acts of violence, but simple scare tactics which is part of a process of expression in the development of an agreement leading up to a price settlement.

Joe McGill (Dillingham): "It's a sore point with a lot of people here that the Department of Public Safety to act as, I don't know if to call it goon gang for a lot of scab fishermen, that's the word everyone else uses, that did create a lot of hard feelings."

Joe Clark (Dillingham): "I felt threatened; this happened during the 1980 price dispute. Commissioner of Public Safety William Nix sent Trooper Carl Fraser to Clark's Point to inform my son, Kay Clark, and myself that if we harrassed the processors we could be arrested, confiscate our boats, and might even be made to lose our limited entry permits."

Several individuals asked whether the administration planned to introduce legislation that would enable limited

entry permits to be revoked for acts of violence committed on the fishing grounds. Without exception, fishermen believed this to be an unfair and unjustifiable additional penalty.

SEAFOOD MARKETING

The concept of promoting Alaskan seafood in domestic markets was widely endorsed during the hearings as one positive step the state is taking for the fishing industry. Typical remarks included:

Lyman Smith (Dillingham): "I see this segment (fresh fish) as the weakest segment in the market. Where else in the world can you address the numbers of people that you can in the United States that have average incomes to afford this product in such numbers as you can in the United States; and I think that this deal (Alaska Seafood Marketing Institute) that the state has going on to get involved in promotion, the market is going to go a long way toward alleviating these problems."

Jack McBride (Dillingham): "Funding of programs such as the Alaska Seafood Marketing Institute is another positive way the State can involve itself. Obviously if the demand for salmon is high, the price will also be good."

PACK LOANS, AARC, CFAB

Many fishermen resented the State's financial involvement in the processing industry, not only with direct pack loans to companies involved in price disputes, but also through the Alaska Renewable Resource Corporation and the Commercial Fishing and Agricultural Bank loans.

Robin Samuelson (Dillingham): "Ball Brothers borrowed 4 or 3 million dollars from AARC, from the state, my money . . .and paid 40 cents to 35 cents and still haven't paid off their fishermen. . .I think that's criminal."

Joe McGill (Dillingham): "Last year, in my opinion, and I think the whole audience thinks the same way, our worst enemy was the state. In the first place, they financed a bunch of packers that won't pay the price and we couldn't even get them to the negotiating table to talk to them and discuss prices."

George Gottschalk, Sr. (Naknek): "I think the state should quit backing the processors. . .backing the processors up here buying 30-cent scab fish before the price is settled . . .The state backed Icicle Seafoods, and I don't know how many other foreign processors they backed."

Harvey Samuelson (Dillingham): "It (pack loans) should go to real American processors, not their buddies from across the sea . .After they caught 700,000 fish (reference to 1981 High Seas catch), Jay Hammond shouldn't give them one penny."

Prepared by:

Kevin K. Bruce
Committee Aide
Senate Judiciary Committee
March 9, 1981

Written testimony presented to the Bristol Bay Committee is attached.

PLEASE NOTE

THE ORGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA STATE ARCHIVES TO VIEW THE ORIGINAL.

NEWSPAPER
"ALASKA FISHERMAN"
V. 8, No. 8 – April, 1981
Vo. 8, No 7 – March, 1981
No specific article marked

"BERING SEA FISHERMAN"
V. 1, No. 10 FEB-MAR, 1981
No specific article marked

BRISTOL BAY, 1980

A Report to the Legislative Council

By

Rodger A. Painter

January 19, 1981

CONTENTS

INTRODUCTION

Fishermen and processors alike tightened their belts during the years of 1973 and 1974, when runs reached record lows and the Bay was declared a disaster area by President Nixon. A strong commitment to building up the runs through strict biological management increased the economic hardship, but was necessary to guarantee a future fishery.

The improved management, treaties protecting the sockeye salmon stocks from Japanese fishermen on the high seas and favorable environmental conditions led to a remarkable turn around in Bristol Bay within a few seasons. The outlook had changed enough by December, 1979 for the Alaska Department of Fish and Game to issue a 1980 forecast calling for the Bay's salmon runs to hit all time high strengths.

When Governor Jay Hammond met with Bristol Bay fishermen and processors that December it was not to congratulate the salmon industry on its good fortune, but to discuss ways of dealing with a disaster of another sort--too many fish. Despite the early warning signals and months of planning, the salmon industry became embroiled in a bitter strike that nearly erupted into violence. Instead of guaranteeing the largest catches in history, the phenomenal run of 62 million sockeye salmon resulted in record numbers of fish going upstream.

Estimates of the value of the harvestable salmon passing by the fishing grounds range from $46 million to $65 million to fishermen alone. Calculations of the wholesale value of those fish push the lost opportunity figure to as much as $131 million. The large over-escapements also result in sharply reduced rates of reproduction, according to some biologists.

As planning begins for the 1981 salmon season, all signs point to continued problems in Bristol Bay, as the long strike worsened the already tense relationship between fishermen and processors. Another boycott could have serious implications

for the fisheries-dependent economy of Bristol Bay. Voicing concern about the deteriorating situation, Governor Hammond announced the reactivation of a cabinent-level task force to plan for the upcoming salmon season.

In sifting through the aftermath of the 1980 strike, it quickly becomes apparent the issue is very complex and volatile; it must be approached with caution. Some problems are easy to identify: weak international markets for salmon, archiac negotiationg processes between fishermen and processors and a lack of transportation facilities in the Bay. Solutions are more difficult to pinpoint; most remedies are indirect and long-range in nature.

The key to solving the deep-seated problems in Bristol Bay is not in the hands of government, but is held by fishermen and processors themselves. The sudden changes of the late 1970's caught the industry in the midst of a dramatic transition; the evolution of fishermen from employees of the large canning companies to equal partners in the industry was incomplete. Until that process has been carried further and a lasting peace is made, the bitterness shown during 1980 can be expected to spill over into future negotiations.

SECTION I. BACKGROUND

History

The influence of the canned salmon industry in the Territory of Alaska inspired the late Ernest Gruening to observe at the brink of statehood that "salmon and Alaska have been as closely intertwined as cotton and the South."

Nowhere has that power been more apparent than in Bristol Bay. Since the Arctic Pack Co. canned 400 cases of sockeyes at Nushagak in 1885, salmon has been king in the Bay.

By 1908 there were ten canneries at Nushagak alone and others at Naknek, Egegik, Ekuk, Herendeen Bay, Togiak, Nelson Lagoon, and on the Igushik, Kvichak and Ugashik Rivers. Catches in the Bay dipped below 10 million fish only five times between 1901 and 1939.

The canneries were large, self-sufficient industrial complexes located in virtual wilderness thousands of miles from the nearest cities. Equipment, supplies and Filipino, Chinese, Mexican and Japanese immigrant cannery workers were brought in each summer across some of the world's toughest seas. Italians from San Francisco and Scandinavians from Seattle were imported as fishermen. The canners posted fish prices on their office doors and hired skippers willing to operate company boats for those figures.

At the end of the fishing season, the plants were boarded up, company fishing boats stored, sprawling warehouses emptied of tens of thousands of cases of salmon, and the long journey south undertaken on company vessels. Fishermen and cannery workers were paid in home ports, salmon were hauled off to market and planning was started for the next trek north.

A few companies managed to gain control of much of the Bay's production during the heydays of the fishery after the turn of the century. In 1934, the U. S. Fish Commissioner described the

situation like this: "The great red salmon fishery of Bristol Bay is practically controlled by about three large companies and might well be considered by some as on the borderline of monopoly."

The powerful companies clashed repeatedly with Territorial officials over taxes and the low level of local participation in the fisheries. When the canners refused to help fund road construction in Bristol Bay, Territorial Rep. James Wichersham angrily lashed out:

"It exhibits as plainly as the English language can be made to exhibit it, their desire to get everything they can out of Alaska and give nothing in return. They resent the suggestion that Alaska or the people of Alaska have any right or interest in the salmon or the fisheries of that country. They are non-residents themselves, and they resent it when it is suggested that they pay some little portion of the tax for the building of roads or the development of the country."

When the advent of power fishing vessels threatened to loosen the grip of canneries on fishermen, the canners reacted quickly. In 1921, the federal government was persuaded to prohibit power fishing vessels from fishing in Bristol Bay. The sailboat-only restriction wasn't lifted until 1951.

The most bitter battles, though, were fought over management of the fisheries. Congress paid little mind to the pleas by Territorial officials for stricter conservation practices and some stocks were severely over-fished. In 1890, for instance, four canneries built a fish trap across the mouth of the Nushagak River with only a 100-foot gap at the center for salmon to escape upstream.

The collapse of the salmon runs and a drop in market demand in the 1940's combined to close down many of the huge cannery operations scattered throughout the Bay. Under high seas fishing pressure by the Japanese, salmon harvests continued to decline throughout the fifties and dipped to low points during the sixties. The toughest times came during the early seventies when two consecutive severe winters killed hundreds of millions

of vulnerable eggs and fry.

Sockeye harvests hit rock bottom in 1973 when a shortened season produced a paltry 760,000 fish catch. Harvests climbed to about 1.5 million the following year, but the wholesale value of the pack ($6 million) was only one-fifth the average wholesale value during 1961-1972. President Nixon declared Bristol Bay an economic disaster area in 1974.

Circumstances took a dramatic turn within four years: the 1978 sockeye catch rebounded to 9.7 million. More than 22 million sockeye were landed in 1979, intensifying speculation over the rumored salmon bonanza due in 1980.

The phenomenal recovery of the Bristol Bay salmon runs can be attributed to a combination of three factors: favorable environmental conditions, good escapements under tough management, and treaties pulling Japanese gillnetters off North American salmon on the high seas.

Few Shouts of Joy

When catches fell to all-time lows in 1973-74, no one would have believed the state would issue an official catch projection of 37.1 million sockeye for Bristol Bay just a few seasons later. Circumstances had changed to such an extent by December, 1979, however, that the state estimate of a 54 million total sockeye run was scoffed at as being far too low. Japanese researchers projected a sockeye return to Bristol Bay of 80 million fish.

Cannery after cannery had collapsed during the lean years on the Bay. As the closed processing complexes decayed under the harsh elements of Bristol Bay, no new canning plants were added. By the time the rejuvenated runs hit, the canning capacity of the Bay had declined sharply.

The increasing salmon catches of the late seventies attracted a new element to the Bay -- competition to the canners. Suddenly, floating factory ships were buying and freezing salmon right on the grounds; flying operations were moving unprocessed fish to Anchorage, Kenai, Homer, Cordova and points beyond; and refrigerated seawater tenders were carrying salmon to Kodiak, Southeast

and British Columbia to be canned.

Despite a sharp increase in processing capacity during the 1978 season, a surprisingly strong pink salmon run took everyone by surprise. Thousands of fish were dumped after the few canneries remaining open were plugged and millions of harvestable salmon went up the Nushagak River.

The Bay's processing capacity leapt upward again in 1979; but processors, who had geared up according to a preseason harvest forecast of only 13.2 million fish, were caught off guard by a near-record catch of 22 million sockeye. Processors were swamped, widespread dumpings of unsalable fish were reported and escapements were exceeded.

The largest impact of the huge catches was felt in the marketplace, though, as the fledgling frozen sockeye market immediately was plugged. At the same time, sales started dropping because of consumer resistance to high retail prices. Wholesale prices for frozen sockeyes dropped by 50 per cent and many processors were faced with having to sell huge inventories at severe losses.

Little wonder the 1980 forecast of a record sockeye run prompted more worry than shouts of joy from the Bristol Bay salmon industry.

Industry at a Crossroads

Bristol Bay is an anachronism. Setting foot in the richest, most productive salmon fishery in the world is like stepping back in time. The remains of abandoned canning complexes in varying stages of decay lend an almost eerie sense of the past to the salmon fishery.

Only thirty years ago, sailboats were the only fishing vessels on the storm-prone, treacherous waters of the Bay; there still is a large fleet of open skiffs fished by Native fishermen. Knots of swarthy fishermen speak rapid-fire Italian as they follow decrepit wooden walkways running between the barracks-like cannery bunkhouses and mess halls of Naknek.

Large, flat-bottomed wooden scows filled with salmon to the top of shoulder-high binboards unload at cannery docks accessible only at high tide. Ancient, rusty dump trucks lumber along beaches buying salmon from setnetters who pick fish in the mudflats as their nets go dry with the outgoing tide.

Time began to recapture Bristol Bay, though, when the salmon runs staged their remarkable revival beginning with the 1978 season.

Now anchored off the mouth of the Naknek River during the sockeye season is an odd assortment of surplus military vessels and barges converted to factory ships capable of freezing millions of pounds of salmon. Multimillion dollar Bering Sea crab vessels fill in the off-season by carrying loads of unprocessed salmon to points as far away as British Columbia.

At Clarks Point another group of factory ships and crab vessels pack fish. One particularly impressive floating processor uses gigantic vacuum pumps to suck salmon from the holds of tenders; helicopters carry visitors from a company-owned warehouse in Dillingham to a helipad on the upper decks of the vessel.

A Dillingham operation carries fish from a tender to shore by brailers dangling from a helicopter. The fish are cleaned and iced down in large plastic containers before being flown to Cordova for canning.

These new fish buyers came at a time when the relationship between the canners and fishermen was undergoing radical change. With the imposition of limited entry and the demise of company-owned fishing fleets, fishermen gained considerable independence from the processors.

Several lawsuits have been filed in recent years on behalf of fishermen, accusing the canners of conspiring to fix salmon prices. Fishermen strikes have closed down the Bay, and two powerful fishermen's groups have emerged.

The 800-member Alaska Independent Fishermen's Marketing Association (AIFMA) scored a tremendous breakthrough in fish prices in 1979. A major processing company bolted from the ranks

and accepted an AIFMA proposal for a split price based on whether the fish was frozen or canned. Healthy markets and low interest rates convinced other processors to follow suit.

Sockeye salmon ending up in the freezers were to fetch $1.25 per pound, while those destined for a can were worth 80 cents a pound. Most buyers had paid only 68 cents a pound for sockeyes in 1978.

From Euphoria to Gloom and Doom

When the 1979 price was settled, the new processors in Bristol Bay were slightly euphoric from the eagerness of the Japanese to buy frozen sockeye salmon. The value of the yen skyrocketed in 1978 and Japanese trading companies offered top U. S. prices for all the salmon they could buy.

With easy upfront money from Japanese buyers and the State of Alaska's new-found oil wealth, dozens of new processors set up in the Bay to buy as much fish as they could find for the going price of $1.25 a pound.

As for the established canners, the 80 cents a pound settlement didn't seem like too drastic a leap from the 1978 level of 68 cents, particularly since the market showed steady improvement. Besides, many of the long-time packers already had decided to get a chunk of the booming frozen market.

When the runs hit at unexpectedly high levels, the only thing that seemed to matter was how many fish each player could handle. Large quantities of low quality frozen sockeyes went onto the market as a result of the emphasis on maximum production, driving down wholesale prices for all frozen salmon regardless of quality.

At the same time, the Japanese economy was experiencing difficulties of its own, due to OPEC oil prices and mounting domestic problems. The value of the yen dropped drastically and the trading companies were able to offer less in U. S. dollars for seafood imports. Brokers also had seriously overestimated the volume of salmon the Japanese market could handle and the price consumers were willing to pay.

The glutted frozen sockeye market resulted in hugh inventories of products with a short storage life sitting in the cold storages of major processing companies and wholesale distributors. As creditors moved in, huge volumes of other seafood products were moved at low prices to turn over money immediately, which sent shock waves through the entire North Pacific seafood industry.

Most of the processors who invested heavily in frozen sockeyes were in serious trouble by late 1979 due to the errors of the previous season and the worsening domestic economic situation. Interest rates soaring to previously uncharted heights of over 20 per cent, continuing double-digit inflation and climbing fuel costs made the 1980 season look gloomy. Some processing operations, most notably New England Fish Company, staggered and fell under the heavy burden.

Bristol Bay processors came to the bargaining tables in 1980 with a get-tough attitude. Several packers issued warnings to fishermen that there would be no price talks going beyond exploration of the bottom line offers of the companies, while others suggested that top prices of 40 cents a pound would be the best fishermen could expect.

Holding the Line

A sense of history runs particularly strong among the salmon gillnet fishermen of Bristol Bay.

Many fishermen can trace roots in the Bristol Bay sockeye fishery back to the turn of the century when the canners were importing nearly all workers and fishermen from the continental United States. Some Italian-American families from California have three generations of skippers on the fishing grounds each summer.

Numerous other non-resident fishermen have been traveling to the Bay from the Pacific Northwest for the past two or three decades. A second generation of these fishermen also can be found among drift gillnet permit holders.

Natives from the Bristol Bay watershed and other areas of Western Alaska became involved in the commercial salmon fishery

primarily during the labor-short years of World War II. A few Alaskans from other areas of the state have similarly long histories of participation.

These fishermen stayed during the lean fishing years of the fifties, sixties and early seventies. They remember very clearly scratching for catches of 50 salmon a day, then sitting on the beach to let fish go up the streams to build future runs, while the Japanese strung miles of gillnets to intercept millions of immature Bristol Bay sockeyes on the high seas.

For these fishermen, 1980 represented the big payoff for the belt-cinching years. They had gained some degree of independence from the packing companies, and a breakthrough in fish prices had been achieved the previous year. The sword rattling of the processors pulled the fishermen together.

Adding to the determination to hold the line in price negotiations were the huge investments of many fishermen in vessels, gear and permits following the bonus settlement checks of the 1979 season. The errors of processors during the 1979 season were a boon to fishermen who were paid record prices for one of the biggest sockeye catches in history.

To beat the tax collectors to the bonanza incomes, many fishermen promptly reinvested in new fiberglass gillnet vessels in the $80,000 - $130,000 range. Boatyards suddenly had long waiting lists for 32-foot Bristol Bay vessels, and new builders appeared all over the West Coast.

Other successful salmon fishermen noticed the boom, and a rush quickly was on to get a Bristol Bay fishing operation on line by 1980. The price of limited entry permits doubled to as much as $130,000 for drift gillnetting and some fishermen ended up investing a cool quarter-million dollars before catching a single fish in the Bay.

Few fishermen were much impressed with the tales of woe coming from the processors as they had their own money worries. Besides, it was considered good negotiating tactics to plead a good case of poverty before talking prices.

The Political Front

The looming confrontation did not escape the attention of former Bristol Bay commercial salmon fisherman Jay S. Hammond, who used his powers as governor to appoint a cabinet-level task force to deal with the situation.

Since there was considerable uncertainty over the ability of processors to handle the huge runs projected for the Bay, the first order of duty for the task force was to assess production capacity for 1980. A final task force estimate released in late February pegged the Bay's processing capacity at 3.2 million salmon below the preseason catch forecast.

Once it became apparent there would be a shortfall, the task force next directed its effort toward trying to fill the 3.2 million salmon gap. The group suffered defeats on international, national and state fronts. The biggest disappointment was a 6-5 vote by the North Pacific Fishery Management Council against allowing foreign factory ships to handle surplus sockeye in federal waters outside the Bay under joint venture agreements with domestic processors.

More troublesome than the political losses was the inability of the task force to break the stony silence around the negotiating table. Governor Hammond set a March 1 deadline for a price settlement, but negotiations had not begun in earnest when the task force was dismantled in May after a life span of six months.

The panel of state officials came under heavy fire from several quarters for bureaucratic muddling and inaction. The biggest success of the task force was a one-season waiver of federal pollution restrictions threatening to close seafood processing plants in Anchorage, Petersburg and Ketchikan.

The legislature, meanwhile, passed a $75 million loan package to aid resident-owned processing plants with pack financing and capital improvements. The loans later attracted strong criticism as a bail-out of companies best left to collapse under their own weight and aid to price gougers on the fishing grounds.

By the time the loan package cleared the legislative halls in early June, most processors already had located financing for the rapidly approaching salmon season.

When reports of unbelievable salmon runs headed toward the Bay through False Pass in the Aleutian Islands hit Juneau in mid-June, negotiations between processors and fishermen were at a standstill. Talk in the capitol building turned to a subject previously discussed only in hushed tones -- violence on the fishing grounds.

SECTION II. THE BAY 1980

Price Negotiations Bristol Bay Style

State Commissioner of Labor Ed Orbeck was optimistic coming into mediation of 1980 sockeye salmon price negotiations in Bristol Bay. He arrived at the King Salmon airport June 27th with enough cigars to last three days. Orbeck spent hours chewing unlit cigar stubs to make the meager ration stretch to the July 3rd settlement date.

Orbeck had a frustrating week trying to get fishermen and processors talking with each other, since he had no power to bring a reluctant party to the negotiating table, let alone force action with deadlines. Here's how Orbeck described the situation:

"This is not like a collective bargaining agreement. There are no rules on this, no regulations. They can go one day (and agree on a number of specifics in a contract) and the next day come back and throw it all out. What we're really doing is chairing a meeting of two economic groups."

What Orbeck neglected to add was the the no-holds-barred contest was between groups who viewed the negotiating process as a fight to the death; not a method of ironing out the details of how two mutually dependent parts of the same industry could each get a fair share of the economic pie.

There was little common ground for price talks in the poisoned atmosphere of 1980. Although fishermen sympathized with the marketing woes of processors, they thought the packers were manipulating inventories and figures in an attempt to drive down raw fish prices. As one fisherman put it, "I'm afraid the processors are trying to get well in one year at the expense of fishermen." Since the only solid market information was in the hands of the packers and Japanese fish buyers, independent assessments were skimpy and speculative.

Processors retaliated by charging the fishermen's price demands had absolutely no connection with the realities of the marketplace, inflation and lending rates. Fishermen would just have to be willing to accept lower prices because of the large anticipated catch and make up the difference in volume. Processors argued that less money would be lost by sitting out the season than by paying the prices asked by the fishermen's marketing associations.

The situation was much more complicated than a difference of opinion over costs and projections of marketing conditions. The bristol Bay salmon industry was in mid-stride in its evolution from a wilderness industry where fishermen were cannery employees on cannery boats to what the seafood industry has become in most other areas of the state: fleets of independent and nearly self sufficient operations needed by the processors to harvest the raw materials. The sudden changes in the Bay caught the negotiating process at a particularly chaotic stage.

Two powerful fishermen's groups in the Bay, representing less than half the permit holders, bargain with individual processors to set Bay-wide standards. Antitrust laws prohibit fishermen from striking or belonging to unions in the classic sense, but they can tie up their boats and form "marketing associations." Although fishermen can negotiate en masse, the pending price-fixing charges prevent processors from discussing prices with one another.

Of the 2,600 limited entry permit holders in Bristol Bay, 800 belonged to the Alaska Independent Fishermen's Marketing Association (AIFMA) in 1980 and 350 were members of the Western Alaska Cooperative Marketing Association (WACMA). Although both groups are heavily dominated by cannery fishermen a hastily formed group of 40 non-aligned fishermen which negotiated a frozen sockeye price with Icicle Seafoods was widely viewed as a strike-breaking action.

Most of the smaller processing operations generally don't bother to negotiate with fishermen and seem content to accept the

canned and frozen prices set by major operators. In 1980, many of the major processors also declined to join the price talks. Nearly all of the offers made to AIFMA and WACMA came from a handful of companies, primarily canners.

Something finally appeared to break in the long-stalemated price talks at the end of June when the sockeye started appearing in large numbers. AIFMA negotiators recommended one of the first serious offers from a major canner; 60 cents a pound for sockeyes destined for the can and 40 cents for frozen. The AIFMA membership rejected the recommendation by a resounding 430 to 233 ballots on July 1st.

Things nearly fell apart at this point as the two AIFMA negotiators threatened to quit and a canning company let it be known it was ready to close camp and head back to Seattle. Many fishermen still vowed to let the entire run go up the streams before caving in to the companies; one group of fishermen voted to accept nothing less than 81 cents a pound.

By July 3rd it became clear the processors were not willing to budge. AIFMA voted to accept an offer for 57 cents a pound for sockeyes by a 404-304 margin and WACMA endorsed the settlement by a 147 to 87 vote.

The entire escapement goal of 17.5 million salmon had been met when fishing began. Another 11 million salmon would pass by the fishing grounds and escape in the Bay's many spawning systems by the time the run was over.

Boycotts and Blockades

Some contend it is no small coincidence that a slight scrambling of the acronym for the Alaska Independent Fishermen's Marketing Association spells MAFIA. The group has a wide-spread reputation in the fishing industry for strong arm tactics helpful in closing down the Bay during a price dispute.

Leaders in AIFMA decried the use of force or violence during the 1980 boycott and urged members to avoid illegal tactics. The messages had little apparent impact, though, as most of the boats used to illegally block access to the cannery docks in Naknek were skippered by AIFMA fishermen.

While few in the Bay were surprised by the militancy of AIFMA fishermen, many were caught off-guard by an early blocka. of Dillingham's small boat harbor by members of the Native-dominated WACMA.

Support for the boycott wasn't limited only to the organized fishermen. It is safe to say the tie-up was supported strongly by most fishermen during the early days; but the enthusiasm, of course, waned as the runs passed by the fishing grounds. Even many who defied the shutdown and went fishing believed the processors were trying to take advantage of the market situation to shove unreasonably low prices down the throats of fishermen.

In trying to understand the anger in the Bay during the summer of 1980, it is important to view history from the perspective of long-time fishermen. Many feel a strong affinity to the coal miners of the Appalchians who contributed blood, sweat and tears only to end up owing their souls to the company store. Many Bay fishermen believe they have only recently gained independence after nearly a century of indenture to the cannery bosses, and they are not willing to let the processors regain control.

The tactics of Bristol Bay processing power Whitney Fidalgo Seafoods during early negotiations and at the peak of the strike probably provoked more fishermen to action than any other single factor during the 1980 boycott.

Whitney sent letters in March to company fishermen refusing to budge from a sliding scale for sockeyes that would have worked out to 35-40 cents a pound. The company backed up the no-compromise offer by refusing to negotiate with AIFMA. Whitney later unilaterally withdrew the sliding scale in favor of a take-it-or-leave-it price of 40 cents a pound.

To fishermen, Whitney's actions smacked of the days in the not-so-distant past when skippers served at the whim of cannery bosses for prices posted on the office door. Since most other processors wouldn't even offer a price, it appeared t fishermen that Whitney w the industry front man for hammering

down raw fish prices. Whitney enraged the boycotting fishermen in late June by demanding that all fishermen vacate company bunkhouses and find somewhere else to tie their idle boats.

Whitney withdrew the eviction notice when state officials pointed out the action would violate Alaska's Landlord Tenant Act, but mess halls were closed and the heat and water turned off. The tug-of-war prompted a blockade of Whitneys' dock in Naknek by as many as 150 vessels for several days. The blockade nearly erupted into a violent confrontation when a Whitney Fidalgo tender attempted to bring in a load of "scab" fish under the cover of darkness.

Consider these comments over a c.b. radio as an estimated 70 fishing boats harassed the tender in the middle of the Naknek River:

"Keep the guns in the bunks, guys."

"No, desecrate the f-------."

"Open up with the grenades."

"Use the AR15s, they'll stop him."

"Don't let him get to the dock. Throw a net across his bow or something. Don't let him get to the dock."

"Don't use the guns. Don't...use...guns. The fishermen can handle this without guns."

"This is Fish and Game. Be aware there are three troopers on board. We're going to do our job and protect our lives."

Commissioner of Public Safety William Nix announced the following day that 15 additional troopers had been flown to Bristol Bay and no violence would be tolerated. Nix warned anyone engaging in illegal activities (blockades) would find himself arrested and his fishing boat impounded for the entire fishing season.

There were no more blockades. Things quieted down considerably after the announcement by Nix, although fishermen defying the fishing boycott continued reporting threats at gunpoint and other intimidation on the fishing grounds by striking fishermen.

Troopers said there were isolated reports of gunfire and harassment of non-striking fishermen, but no one was shot and

there were no strike-related arrests.

The Numbers

The biggest run in the history of the Bristol Bay commercial salmon fishery -- more than 62 million sockeye -- returned in 1980. The long sit on the beach kept the final harvest figure down to 23.6 million. Although the catch was one of the best in the 96-year history of the great salmon fishery, it was only about half the potential harvest.

By the Fourth of July -- the day after the price settlement -- most processing operations were plugged with fish. A few temporarily quit buying fish and most limited their fishermen to daily catches of 6,000 or 12,000 pounds. Despite the preseason reports of hundreds of fishermen without markets, it appeared everyone found a place to sell. There were only isolated reports of fish being dumped for lack of buyers, although many fishermen had to severely curtail or temporarily suspend fishing operations.

When the Department of Fish and Game totalled catch figures and compared them with preseason projections of daily processing capacity, the figures were remarkably close. If that closeness also supports the seasonal sockeye production capacity of 34.5 million, then processors would have fallen 9.2 million salmon short of handling the total number of fish available for harvest.

The most impressive numbers of the 1980 season were the escapement figures. At the time of the settlement up to 2 million fish a day were entering the rivers of Bristol Bay. The total sockeye escapement estimate reached an incredible 39 million fish; 10 million more than the previous record and 21 million above the desired number of spawners.

SECTION III. THE AFTERMATH

Not Like Fish in the Bank

Alaska Department of Fish and Game biologists monitor the number of fish passing by the fishing fleet with test fishing efforts at the mouths of Bristol Bay's mighty river systems. The major rivers have counting towers where fish are tallied by hand; the muddy Nushagak River has a sonar counter. Aerial surveys on the other systems provide escapement indexes for smaller systems.

Since sockeye salmon obligingly travel within a few feet from shore they are remarkably easy to tally. Bristol Bay escapement estimates may be the most reliable of any major salmon fishery in the state.

By July 1, 1980, more than one million sockeye a day were moving into the Kvichak River, the largest of Bristol Bay's spawning systems. From the air, the edges of the 40-mile passage to Lake Iliamna looked blackened with fish.

Fishing effort normally would have slowed the steady flow of fish by breaking up the huge schools of salmon coming into the rivers, but the 1980 strike gave the returning spawners a straight shot through the Bay and up the streams. One biologist estimated the fish were reaching Lake Iliamna only four days after entering Bristol Bay.

The quickly mounting escapement figures were difficult for many boycotting fishermen to ignore. Seeking to counteract the growing pressure to settle, the more militant fishermen began talking about putting the huge runs in nature's bank account for larger paydays in 1984 and 1985 when the next generation of adult salmon would return.

State biologists say there are holes in the escapement savings account theory, the most gaping being the failure of Mother Nature to insure deposits against natural disasters such as severely cold winters and plankton famines. There also can be problems with over-crowding of spawning areas and competition

among young salmon for limited food supplies during the two years spent in fresh water.

Chief Bristol Bay research biologist Charles Meacham, Jr. said Fish and Game sets escapement goals at the level considered to be the most productive per spawning salmon. Meacham said the productivity per fish is lowered when too many adults are let back into the spawning systems.

The 21 million sockeye over-escapement in Bristol Bay in 1980 was "equival.. to putting fish in the bank at three per cent interest when inflation is running at ten per cent," Meacham said. "Obviously it is not going to be a disaster, but it represents a loss to fishermen, processors and consumers."

Calculating the actual net economic loss from the over-escapement is impossible, but a reasonable estimate can be made of the money lost to fishermen in 1980. The over-escapement figure translates into a potential loss of roughly 115 million pounds of sockeye salmon. At the settlement price of 57 cents a pound, fishermen could have made up to $65.8 million in additional sales. Many fishermen were paid 40 cents a pound, however, so a lower range 1980 lost opportunity figure would be $46.2 million.

A rule of thumb in the salmon industry is that the first wholesale value of the finished products is roughly double the amount paid to fishermen. Using this rule, a very rough estimate of the wholesale value of 21 million salmon over-escapement would be $92.4 million to $131.6 million.

A Blessing in Disguise?

When the Japanese gillent fleets were pulled off the high seas fisheries on North American salmon in the early seventies, a great new frozen salmon market suddenly was opened to U. S. and Canadian fishermen. Japanese trading and fishing companies invested millions of dollars in Alaska and British Columbia to ensure a continuing flow of salmon into Tokyo.

Nearly all of the sockeye salmon frozen in the North Pacific

for the past five years has ended up in Japan. Consequently, the new processors in Bristol Bay found themselves dealing almost exclusively with Japanese buyers.

The collapse of the frozen sockeye salmon market was spectacular: in June, 1979 the wholesale price peaked at $3.30 a pound, then dropped to $2.20 by September and hit a low point of $1.70 a pound in March, 1980. Despite the low prices, inventories of frozen sockeyes were sold before the 1980 season began because of short shelf life and impatient bankers.

The 27.1 million sockeye harvest projected for Bristol Bay promised to swamp the Japanese market even worse than the previous year. Brokers were offering processors an average of $1.25 a pound for Bristol Bay sockeyes.

The prolonged price dispute changed the volume picture considerably. The lower-than-expected number of fish from the Bay caused an immediate leap in wholesale prices in Japan. Here's how an article in the August, 1980 Alaska Fishermen's Journal described the situation:

"Developments over the last month have actually increased aggregate demand for salmon with prices bid at wholesale markets in Japan rising in some cases as much as 54 per cent for sockeye during July. The problem is not one of too many, but too few fish, and those who currently hold frozen salmon inventories could stand to make a good profit."

According to a number of other sources, the immediate leap in salmon prices caused a backlash from Japanese consumers and wholesale prices slumped again. Then wholesale prices began a steady climb. By late October, brokers in Seattle were paying as much as $2.50 a pound for sockeyes.

Pointing to the doubling in wholesale value from preseason estimates, some processors have taken to calling the long strike a blessing in disguise for the seafood industry, as the 44 million Bristol Bay sockeye available for harvest in 1980 would have driven wholesale prices down to a dollar a pound. There were no signs of celebration in the corporate headquarters of the major Bristol Bay freezing operations.