

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5453 SRES SB 26 - SB 53

1025

Table 11: Annual Cash and Non-Cash Capital Associated Costs for the 100-Cow, Free-Stall Dairy^a

	Depreciation (years)	Depreciation (\$)	Investment Cost (\$)	Insurance (\$)	Taxes (\$)	Repairs & Maintenance (\$)	Total Cost (\$)
DAIRY							
Barn & Iron	30	4,680	4,121	983	1,825	2,808	14,508
Ventilation	10	950	315	70	130	200	1,665
Milk Parlor	30	1,692	1,523	355	660	1,015	5,245
Milking Equipment	10	7,600	2,520	560	1,040	1,600	13,320
Silos	20	13,313	7,988	1,864	3,462	5,326	31,953
Manure Handling	20	2,993	1,796	419	778	1,197	7,183
Concentrate Storage	20	810	486	113	211	324	1,944
Hay & Bedding Storage	20	497	298	70	129	199	1,193
Machine Storage	20	1,950	1,170	273	507	780	4,680
Workshop	20	1,334	880	187	347	534	3,202
Calf & Dry-Cow Housing	20	1,100	660	154	286	440	2,640
Well	10	350	105	25	46	70	596
Feed-Handling Equipment	10	1,520	504	112	208	320	2,664
ANNUAL TOTAL		38,789	22,377	5,185	9,629	14,813	90,793
REPLACEMENT HEIFERS							
Silos	20	2,536	1,522	355	659	1,014	6,086
Concentrate Storage	20	190	114	27	49	76	456
Hay & Bedding Storage	20	2,428	1,457	340	632	971	5,828
Calf & Dry-Cow Housing	20	3,900	2,340	546	1,014	1,560	9,360
ANNUAL TOTAL		9,054	5,433	1,268	2,354	3,621	21,730

^aFootnotes as in Table 9.

Table 12: Annual Cash and Non-Cash Capital Associated Costs for the 150-Cow, Free-Stall Dairy^a

	Depreciation (years)	Depreciation (\$)	Investment Cost (\$)	Insurance (\$)	Taxes (\$)	Repairs & Maintenance (\$)	Total Cost (\$)
DAIRY							
Barn & Iron	30	7,020	6,318	1,474	2,738	4,121	21,762
Ventilation	10	1,425	473	105	195	300	2,498
Milk Parlor	30	1,728	1,555	363	674	1,037	5,357
Milking Equipment	10	7,600	2,520	560	1,040	1,600	13,320
Silos	20	19,406	11,644	2,717	5,046	7,762	46,575
Manure Handling	20	3,072	1,843	430	799	1,229	7,373
Concentrate Storage	20	1,215	729	170	316	486	2,916
Hay & Bedding Storage	20	751	451	105	195	301	1,803
Machine Storage	20	1,950	1,170	273	507	780	4,680
Workshop	20	1,334	800	187	347	534	3,202
Calf & Dry-Cow Housing	20	1,685	1,011	236	438	674	4,044
Well	10	350	105	25	46	70	596
Feed-Handling Equipment	10	1,900	630	140	260	400	3,330
ANNUAL TOTAL		49,436	29,249	6,785	12,601	19,385	117,456
REPLACEMENT HEIFERS							
Silos	20	3,696	2,218	517	961	1,470	8,871
Concentrate Storage	20	285	171	40	74	114	684
Hay & Bedding Storage	20	3,669	2,201	514	954	1,467	8,805
Calf & Dry-Cow Housing	20	5,975	3,585	836	1,554	2,390	14,340
ANNUAL TOTAL		13,625	8,175	1,907	3,543	5,450	32,700

^aFootnotes as in Table 9.

Table 14. Total Costs for Dairy Herds of 50, 75, 100, and 150 Cows in Third Year of Operation

	Cost per Unit	50 COWS		75 COWS		100 COWS		150 COWS	
		Amount	Total Cost	Amount	Total Cost	Amount	Total Cost	Amount	Total Cost
FEED:									
1. Silage ^a	\$18.20-\$22.87/ton	1,028.84T	\$ 23,529.57	1,539.39T	\$ 31,295.80	2,057.69T	\$ 38,540.53	3,086.53T	\$ 56,174.85
2. Concentrate	\$220/ton	187.98T	41,355.60	281.78T	61,991.60	375.95T	82,709.00	563.93T	124,064.60
3. Hay	\$120/ton	6.84T	820.80	10.04T	1,204.80	13.69T	1,642.80	20.53T	2,463.60
4. Salt	\$14/cwt	104.94 cwt	1,469.16	156.95 cwt	2,197.30	209.88 cwt	2,938.32	314.81 cwt	4,407.34
Total Feed Cash Costs			\$ 67,175.13		\$ 96,689.50		\$125,830.65		\$187,110.39
NON-FEED COSTS:									
1. Replacement Heifers ^b			\$ 27,296.15		\$ 39,719.14		\$ 52,510.33		\$ 78,585.96
2. Hired Labor		0	0	0	0	1	12,000.00	3	44,000.00
3. Property Tax ^c	\$13/\$1000		5,899.80		8,144.70		11,072.60		14,766.40
4. Dairy R&M			7,962.00		10,863.00		14,813.00		19,385.00
5. Electricity			6,000.00		6,000.00		8,000.00		8,000.00
6. Breeding Fees	\$10/head	60 cows	600.00	90 cows	900.00	120 cows	1,200.00	180 cows	1,800.00
7. Semen (1.75 ampul/head)	\$12/ampul		1,260.00		1,890.00		2,520.00		3,780.00
8. D.H.L.A.	\$.25/head/mo.		180.00		270.00		360.00		540.00
9. Fuel & Oil			800.00		900.00		1,000.00		1,100.00
10. Insurance ^d	\$7/\$1000		3,177.20		4,384.30		5,961.40		7,949.60
11. Vet & Drugs	\$20/head		1,200.00		1,800.00		2,400.00		3,200.00
12. Bedding	\$2/65 lbs.	2,700.00 lb.	83.08	4,050.00 lb.	124.62	5,400.00 lb.	166.15	8,100.00 lb.	249.23
13. Dairy Supplies & Misc.	\$25/milking head		1,250.00		1,875.00		2,500.00		3,750.00
Total Non-Feed Cash Costs			\$ 55,708.23		\$ 76,870.76		\$114,503.48		\$187,106.19
NON-CASH COSTS:									
1. Operator Labor			\$ 15,000.00		\$ 15,000.00		\$ 15,000.00		\$ 15,000.00
2. Interest on Investment:									
Cows ^e			3,690.00		5,535.00		7,380.00		11,070.00
Facilities (includes equipment)			12,027.00		16,428.00		22,377.00		29,249.00
Feed ^f			1,577.54		2,184.65		2,771.78		4,084.04
Operating Capital ^g			1,688.40		217.55		381.19		703.15
3. Depr. on Capital Investment			21,284.00		28,922.00		38,789.00		49,436.00
Total Non-Cash Costs			\$ 53,747.38		\$ 68,287.20		\$ 86,699.68		\$109,542.19
TOTAL COST			\$176,630.79		\$241,843.30		\$327,033.81		\$483,758.77

^aThe silage budgets were slightly revised so that the working paper described on page 17 shows slightly different figures.

^bSee Table 17 for replacement heifer cost summary.

^cIncludes an annual property tax of \$12.03/cow.

^dIncludes an annual insurance cost of \$6.47/cow.

^e(6%) (1600 + 450)(milkers + dry cows)

^fInterest calculated as follows:

$$\frac{\text{silage cost} + \text{hay cost} + \text{concentrate cost} + \text{salt cost}}{2} (.09)$$

^gInterest calculated as follows: 1/12 of operating costs less feed, replacement heifer cost, and property taxes times 9%.

Table 15: Break-Even Analysis for 50, 75, 100, and 150-Cow Dairy Farms

Herd Size	Cull Cows		Cull Heifers		Cull Calves		Required Annual Milk Production ^a
	Number	Revenue	Number	Revenue	Number	Revenue	
50	15	\$ 6,750	1.5	\$1,200	40.5	\$ 486	16,646 lbs./cow
75	22.5	10,125	2.25	1,800	60.75	729	15,122 lbs./cow
100	30	13,500	3.0	2,400	81	972	15,348 lbs./cow
150	45	20,250	4.5	3,600	121.5	1,458	15,124 lbs./cow

^aCalculated Using:

$$[(\text{Total cost} - \$ \text{ rec'd fr. cull cattle}) / \$ \text{ rec'd per lb. milk}] / \text{Total no. cows} = \text{lb. milk per cow}$$

Table 16: Replacement Heifer Cost Summary for Four Facility Sizes

	50-Cow	75-Cow	100-Cow	150-Cow
Overhead Costs:				
Repair & maintenance	\$ 1,888	\$ 2,708	\$ 3,621	\$ 5,450
Interest on investment	2,832	4,067	5,433	8,175
Depreciation	4,722	6,763	9,054	13,625
Property tax	1,227	1,760	2,354	3,543
Insurance	660	947	1,268	1,907
Total Overhead Cost	\$11,239	\$16,245	\$21,730	\$32,700
Feed Costs:				
Silage	\$ 3,634.27	\$ 4,845.96	\$ 5,927.77	\$ 8,676.49
Concentrate	4,870.80	7,306.20	9,741.60	14,612.40
Hay	3,223.80	4,835.70	6,447.60	9,671.40
Salt	632.10	948.15	1,264.20	1,896.30
Interest on feed ^a	390.05	557.83	720.89	1,069.97
Milk Replacer	1,182.17	1,773.25	2,364.33	3,546.50
Calf Starter	554.04	831.07	1,108.09	1,662.13
Bedding	1,269.92	1,925.98	2,580.85	3,850.77
Calf Supplies	300.00	450.00	600.00	900.00
TOTAL	\$27,296.15	\$39,719.14	\$52,510.33	\$78,585.96
PER COW^b	\$ 1,707.34	\$ 1,652.90	\$ 1,637.94	\$ 1,633.95

$$^a \text{Interest on feed} = \left(\frac{\text{Silage}}{2} + \frac{\text{Hay}}{2} + \frac{\text{Concentrate}}{8} + \frac{\text{Salt}}{8} + \frac{\text{Milk Replacer}}{8} + \frac{\text{Starter}}{8} \right) \times (.09)$$

$$^b \text{Cost per heifer} = \frac{\text{Total cost} - \text{cull and cull heifer receipts}}{\text{Number of replacement heifers required annually}}$$

required to cover all remaining costs are provided. Farmers receive 30 cents per pound for cull cows, \$800 per animal for cull heifers, \$12 per head for calves, and \$16.84 per cwt for milk.

The milk production required to cover all costs generally decreases as herd size increases. The 50-cow dairy farm requires an annual, average, per-cow production of 16,646 pounds of milk. This decreases to 15,124 pounds for a herd of 150 cows. Although it has been assumed that dairy herd sizes up to 75 cows need only family labor, it has been suggested that a 75-cow dairy farm may well require one hired laborer. If this is the case, then required milk production would have to increase from an average of 15,122 pounds per cow for 75 cows to an average production of 15,963 pounds per cow because of the additional labor cost.

Can Alaskan dairymen expect to obtain these per-cow, milk-production averages? With good management this should be possible. The current average production per cow for the six Alaskan herds belonging to the Dairy Herd Improvement Association (DHIA) is 16,844 pounds. This compares favorably with the California, Wisconsin, and New York averages of 18,674 pounds, 15,558 pounds, and 15,768 pounds, respectively.

It has been assumed throughout this report that each dairy enterprise would raise its own replacement heifers. However, as the Alaskan dairy industry enlarges, it is quite possible that replacement heifers would be available from other sources. Table 16 summarizes the cost of production for dairy heifers on a dairy farm.

Herd Development and Projection of Revenues and Expenses

The farm budgets presented above are for dairy farms that are fully developed. This will not occur, however, until the third year of operation. How farms reach the developed stage and the revenue and expense picture for the first two years of operation must now be addressed.

Herd Development

One of the first problems in starting a dairy farm is stocking the new farm so that full production can be reached as quickly as possible and milk production can be constant from month to month. One possible plan for accomplishing these goals is presented here in which cows are assumed to be milked ten months and dry two (See Tables 17, 18, 19, and 20, pgs. 14-17). Dairy farms are also assumed to cull 25 percent of the milking herd annually with cows culled when dry.

Initially, herds are stocked with purchased bred heifers. Animals arrive by contract air carrier before their last trimester of pregnancy, in two lots spaced six months apart. One-third of the heifers calve three months after arrival with the remaining two thirds calving two and four months later. By the end of the ninth month of the first year, dairy farms have reached full capacity in milking cows. However, purchases of replacement heifers are required in month eleven of year one and year two. Starting with the third year, dairy farms are able to provide all their own replacements.

For a herd of 100 milking cows (Table 16), for example, the development plan works as follows: 60 bred heifers are purchased initially, with one-third scheduled to start milking in months one, three, and five of year one. These cows are then dry in month eleven of the first year and in months one and three of the second year. As they become dry, 15 of the 60 are culled. A second lot of 60 heifers is delivered in month four of the first year and calve in months seven, nine, and eleven. As these cows become dry, 15 are again culled. An additional 30 heifers are purchased and brought on line in the second year. No more livestock purchases are required thereafter, since all replacements can be provided by the dairy farms beginning in the third year. It should be noted that these development plans are based on exact schedules that may be highly idealized. It may be that a producer would want a larger number of animals in the first purchase to increase immediate cash flow and compensate for possible delays in future calving schedules.

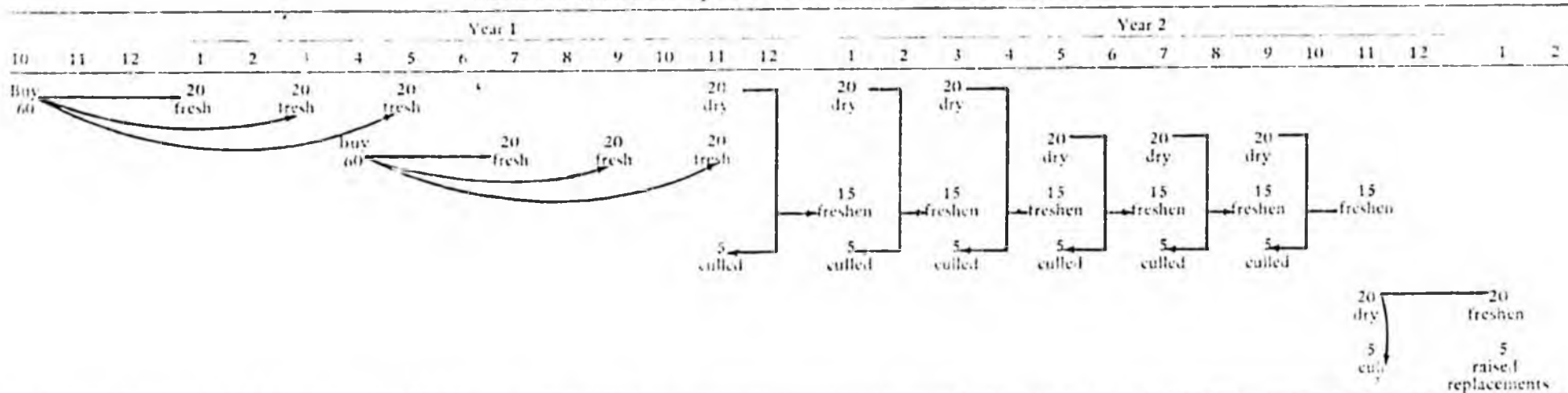
Projected Revenues and Expenses

Table 21 (pg. 18) provides a revenue and expense projection for a 150-cow farm during the first three years of operation. The figures in this table can be adjusted for smaller sized farms—for example, .33 for a 50-cow-dairy farm or .5 for a 75-cow-dairy farm. This will yield a rough approximation of revenues and expenses for these smaller enterprises. Assumptions under which these projections are prepared are as follows:

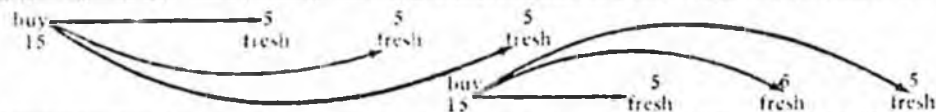
1. All costs of feed for the first three months before the first lot of cows freshen are included in first quarter costs.
2. Cows produce only 85% of expected mature equivalent milk production during first lactation.
3. Property taxes are paid in January.
4. Labor is first hired in months five, seven, and nine of year one.
5. Repairs, maintenance, and electric costs are equally distributed through the year.
6. Fuel is purchased twice yearly in April and October.
7. Insurance is paid semiannually in April and October.
8. An initial purchase of \$1,000 of dairy supplies and \$600 of calf supplies is assumed. Thereafter, replacement of these supplies is proportionate to the number of cows milked in each quarter.
9. All bedding is purchased October 1.
10. Seventy-five per cent of silage costs are incurred in April through May. The remaining 25 per cent is encountered in July through September. Hay is purchased October 1.
11. All other costs are distributed equally over yearly quarters.
12. Repayment of debt on capital begins in the third year.

Assuming that production begins in October of 1981, a cumulative operating deficit results through December of 1982. Beginning in January through March of 1983, all losses have been recovered. A cumulative net profit continues for the remainder of the projection, even after the repayment of debt on the capital investment begins in the last quarter of 1983. Further, the dairy farm has cumulative silage assets of \$55,000 at the end of the 1983-1984 production year.

Table 19: Herd Development Plan for the 100 Cow Dairy Farm



Replacement Stock Purchased



Cows Milked			20	20	40	40	60	60	80	80	100	100	100	100	100	100	100	100	100	100	100	100	100	100					
	60	60	60	40	40	20	80	60	60	40	40	20	35	30	30	25	25	20	35	30	30	25	25	20	20	15	15	15	15
													Dry Cows																
Culls Sold													5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	

Table 21: Quarterly Projection of Revenues and Expenses for the 150-Cow-Dairy Farm^a

	1981-1982				1982-1983				1983-1984			
	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.
Cash Receipts												
Calves	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
Cull Cows	0	0	0	3,375	5,062	5,062	5,062	5,062	5,062	5,062	5,062	5,062
Cull Heifers	0	0	0	0	0	0	0	0	900	900	900	900
Milk	26,360	51,575	84,811	97,419	102,003	106,587	112,318	114,610	114,610	114,610	114,610	114,610
Total	\$26,724	\$51,939	\$85,175	\$101,158	\$107,429	\$112,013	\$117,744	\$120,936	\$120,936	\$120,936	\$120,936	\$120,936
Cash Expenses												
Feed ^b	\$66,625	\$23,052	\$ 81,549	\$63,391	\$36,711	\$37,458	\$ 86,235	\$65,895	\$37,574	\$37,536	\$ 86,197	\$65,868
Hired Labor	0	2,000	9,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Property Taxes	0	18,309	0	0	0	18,309	0	0	0	18,309	0	0
Repairs & Maintenance	6,208	6,208	6,208	6,208	6,208	6,208	6,208	6,208	6,208	6,208	6,208	6,208
Electricity	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Breeding Fees	0	300	300	300	300	450	450	450	450	450	450	450
Semen	0	630	630	630	630	945	945	945	945	945	945	945
D.H.L.A.	540	0	0	0	540	0	0	0	540	0	0	0
Fuel & Oil	550	0	550	0	550	0	550	0	550	0	550	0
Insurance	4,928	0	4,928	0	4,928	0	4,928	0	4,928	0	4,928	0
Vet. & Drugs	800	800	800	800	800	800	800	800	800	800	800	800
Dairy Supplies	1,000	235	470	700	937	937	937	937	937	937	937	937
Call Supplies	600	100	200	225	225	225	225	225	225	225	225	225
Bedding	3,750	0	0	0	4,100	0	0	0	4,100	0	0	0
Total	\$87,001	\$53,634	\$106,635	\$85,254	\$68,929	\$78,332	\$114,278	\$88,460	\$70,257	\$78,410	\$114,240	\$88,433
Net Profit (Loss)	(\$60,277)	(\$1,695)	(\$21,460)	\$15,904	\$38,500	\$33,681	\$ 3,466	\$31,576	\$50,679	\$42,526	\$ 6,696	\$32,503
Payment to Debt									\$38,854	\$38,854	\$38,854	\$38,854
Cumulative Operating Deficit or Net Profit	(\$60,277)	(\$61,972)	(\$83,432)	(\$67,528)	(\$29,028)	\$4,653	\$8,119	\$39,695	\$51,520	\$55,192	\$23,034	\$16,683
Livestock Purchases	\$144,000	\$144,000		\$36,800		\$36,800						

^aAll costs incurred in period prior to freshening of first cows are charged to first quarter of first year.

^bIn revenue and expense projection, feed cost includes feed fed to replacement stock.

CHAPTER 3

MARKETING AND COMPETITIVE POSITION

Marketing

Milk is one of the few agricultural products having a well-organized marketing system in Alaska. Matanuska Maid, a dairy farmer cooperative, has identified the fresh milk market in Alaska, excluding the southeast portion of the state, at approximately 6,500,000 pounds per month. About 19 per cent is milk produced in Alaska, with the remaining 81 per cent shipped in by bulk and processed here or processed and packaged for retail sales outside the state before shipment to Alaska.

There are currently two major milk processors in Alaska—Matanuska Maid and Arden Farms—both located in Anchorage. Matanuska Maid processes all the milk produced in Alaska. The problem for these two processors lies in retaining a market share sufficient to maintain a volume of milk for efficient processing while competing with falling prices for imported milk. In-state milk production has declined from 22.1 million pounds in 1961 to 14.4 million pounds in 1978 with imported milk replacing the loss.

Fresh-milk producers in Alaska are being pressured by high land values in the Matanuska Valley. Dairymen are now able to realize significant gains by selling their land to speculators and subdividers, gains much higher than would be realized by continuing to farm or by selling to another farmer. As a result, since the 1960s dairy farms have been declining rapidly. The industry, thus weakened, has had a difficult time meeting increased competition from "outside" dairymen. Increased milk production from Point MacKenzie farms may help increase the competitiveness of the industry.

An important question is whether or not new milk producers at Point MacKenzie can reasonably expect to have a market for their milk. Some consumers may not choose Alaska-produced milk, even if it is price competitive, while others would probably be willing to pay a premium for local milk. Some retail firms may prefer, due to economic pressure, not to handle local milk unless it is competitive with out-

side milk. It is probable that considerably less than 100 per cent of the market will be supplied by local milk even with the additional production from Point MacKenzie.

Competitive Position of Alaskan-Produced Milk

The current competitive position of Alaskan-produced milk compared with alternative sources is analyzed below. Such analysis is important in considering the future of the Alaskan dairy industry. While disagreement is possible for any figure given, cost data in the analysis are as accurate as possible at this time. The magnitude of any inaccuracies would not be great enough to alter the conclusions.

Milk produced in Alaska must compete for a reasonable share of the market with milk shipped in from outside the state. As shown in Table 22 (pg. 20) Alaska farmers were receiving \$16.84 per hundred weight in November, 1979. Farm-to-processor transportation cost by regulated carrier was \$1.36 per cwt. Therefore, the total cost for Alaska-produced milk to an Anchorage processor was \$18.20 per cwt. Local processing cost adds another \$13.61 per cwt and brings the total cost, when delivered to the retail store dock, to \$31.81 per cwt. Milk shipped in by bulk and processed locally had a slightly higher wholesale cost of \$33.04 per cwt. This is primarily because regulations require that bulk milk shipped into Alaska must be pasteurized a second time, adding a cost of \$2.00 per cwt. Prepackaged milk shipped in from the Puget Sound had a significantly lower wholesale cost. Table 22 presents the cost of prepackaged milk using a Class 1 price (regulated handler) and blend price (non-regulated producer/distributor). These total \$27.66 and \$26.66 per cwt which is \$4.15 and \$5.15 less than Alaskan produced and processed milk, respectively. Recombined milk (dry skim milk and butterfat shipped in from out of state and recombined with water in Alaska) was competitive with the prepackaged milk even with the higher Alaska processing costs.

Table 22: Estimated Costs Per Hundred Weight and Per 1/2 Gallon for Alternative Sources of Milk Delivered to Anchorage Retail Stores, November 1979

	Fresh Milk from Seattle				
	Local Farmers	Bulk	Class I	Prepackaged Processor-Distributor	Ingredients to Recombine
Farm Value	\$16.84 ^d	\$12.85 ^h	\$12.85 ^h	\$11.85 ^h	
Delivered to Plant	18.20 ^e	13.10 ^d	13.10 ^d	12.10 ^e	\$11.34 ^f
Haul to Washington Pier		.65 ^g			
Transportation to Alaska		3.68 ^g	8.83 ^h	8.83 ^h	.70 ⁱ
Service charges		2.00 ^j			
Processing Cost	13.61 ^k	13.61 ^k	5.73	5.73	13.61
Butter and Powder					1.00 ^l
Recombining Cost					.10 ^l
Cost at Wholesale					
Per 100 Pounds	<u>\$31.81</u>	<u>\$33.04</u>	<u>\$27.66</u>	<u>\$26.66</u>	<u>\$26.75</u>
Cost Per 1/2 Gal. Wholesale	\$1.37	\$1.42	\$1.17	\$1.15	\$1.15
Cost Per 1/2 Gal. Retail ^m	\$1.58	\$1.63	\$1.37	\$1.32	\$1.32

^a FOB price at farm for milk produced in the Mt. Rainier Valley.

^b Transportation cost of \$.25 from farm to processor in Puget Sound area is an estimate.

^c Cost of local milk at an Anchorage processing plant.

^d Estimated Puget Sound Class I price, November 1979.

^e Estimated Puget Sound Blend price, November 1979.

^f Estimated manufacturing milk price in all federal order marketing areas.

^g Source: An Anchorage milk processing firm.

^h \$.38 per half gallon transportation cost between Seattle and Anchorage.

ⁱ \$.50 transportation cost per 100 pounds of non-fat dry milk or 100 pounds of butter.

^j Primarily the cost of pasteurization before transporting bulk milk to Alaska. This milk is pasteurized a second time in Alaska. Source: An Anchorage milk processing firm.

^k Includes fluid bottling and distribution to retail. Source: An Anchorage milk processing plant.

^l Source: Hammond, Buxton and Thoren, 1979.

^m Assumes 15% markup.

Table 23: Estimated Cost Per Hundred Weight of Milk Through a Typical Anchorage Milk Processing Plant and Delivered to Retail Stores

	VOLUME PER MONTH		
	2 Million Pounds No Change in Technology	No Change in Technology	5 Million Pounds Improved Technology
Mill, and Carton	\$19.64	\$19.64	\$19.18 ^a
Plant Labor	1.80	1.17	.99
Plant Overhead	1.77	1.15	.98
Distribution to Retail	6.28	4.08	4.08
Administration and Profit	2.32	1.50	1.50
TOTAL	<u>\$31.81</u>	<u>\$27.54</u>	<u>\$26.73</u>

^a Reduction in bulk transportation cost from Mt. Rainier Valley/Point MacKenzie to Anchorage due to deregulation of intrastate bulk milk movement. SOURCE: An Anchorage milk processing firm.

This is a large difference in processing cost between local and outside processors. Further consideration is required to understand this large difference. Anchorage milk-processing plants have substantially lower volume than do their Seattle competitors, therefore incurring a higher cost per processed unit. Additional sources of higher costs for Anchorage plants arise from outdated plant equipment and higher labor costs. Can these economic disadvantages be overcome? Table 23 represents the costs associated with a typical processing plant in Anchorage. Assuming a monthly volume of 2 million pounds, the total cost per cwt

was determined to be \$31.81. The typical plant capacity is 5 million pounds per month. This production level, therefore, implies that such a plant is substantially underutilized. If volume were to increase to 5 million pounds per month (production from existing dairy herds and 3,000 additional cows in Point MacKenzie), plant costs per unit of production would drop substantially. Cost per cwt at this volume would be approximately the same as prepackaged Class I milk shipped in from Seattle. Further, if improved technology were incorporated into this plant and intrastate bulk milk shipment was deregulated, then

local milk could be produced and processed at a cost approaching processor-distributor milk from Puget Sound. In other words, with changes in the industry, Alaska milk can again become competitive.

Is this scenario a real possibility? First, 5 million pounds is 76 per cent of the current market for fresh milk in Alaska excluding southeast. State population is expected to grow to 496,000 in five years (Kruse, 1979). This means that the milk market, assuming no change in consumption patterns, would increase to 8 million pounds. The 5 million pounds of locally produced milk would then account for only 62 per cent of total consumption compared to 20 per cent currently. Because Alaska milk would be merely competitive in production and processing costs with outside milk, not lower priced, it is difficult to determine whether consumers would prefer comparatively priced Alaskan or outside milk. Nevertheless, for 5 million pounds of Alaska-produced milk to be sold annually, assuming the above population growth, 62 per cent of the market would have to be captured.

It is clear that, without greater volume and plant modernization, dairy farmers in Alaska must bear a greater portion of the cost differential that currently exists between prepackaged outside milk and local milk to be fully competitive. The existing small-dairy industry may be able to survive with its premium-priced product. However, the only way to lower the price of Alaska milk to the consumer, assuming no relative cost changes, is through expansion of local

milk production, subsequent increases in processing volume and additions in processing technology.

An additional marketing question for which no analysis has been undertaken is the response of sellers of prepackaged outside milk to competitively priced Alaskan milk. If Alaskan milk begins to capture a larger share of the market, what will be the response of these outer sellers. Will they be in the position to reduce prices? If they do, can Alaskan producers compete? If Alaskan producers cannot compete, should the state of Alaska attempt to interfere in the market to protect the Alaskan producers?

Economists generally hold that competition brings about the most desirable balance between production and consumption and leads to maximum welfare for all citizens. The major force that brings about this ideal pattern is price. Prices provide signals to producers and consumers which lead to the most desirable level of production and consumption. Interference in the market by the state would probably distort these signals. Thus, any interference by the state in the market through either marketing orders, fair trade legislation, or producer subsidies should be undertaken only after careful and thorough consideration of the welfare implications resulting from any such action. However, such involvement may be necessary if outside producers should sell their milk in Alaska below production cost in an effort to maintain their market share.

CHAPTER 4

FINAL THOUGHTS

Dairying at Point MacKenzie appears economically feasible if the price paid to dairymen remains at \$16.84 per cwt. The largest herd size considered, 150 cows, was the most economically viable. A positive revenue and expense flow could be generated for this dairy enterprise by the middle of the second year of operation. Table 2-4 indicates the number of pounds of milk per cow required annually to cover all costs at \$16.84 per cwt.

A critical aspect of an expanded milk industry in Alaska is processing. The dairy farmers, both old and new, must press for greater efficiency in processing. A major concern is high labor costs relative to "outside" competitors. For an efficient, competitive milk-processing capability in Alaska, careful attention must be given to the cost and productivity of each unit of labor and capital. The optimum combination of these two factors of production in terms of costs and returns is essential for efficient processing.

Although it is possible that private financial institutions would finance a modernization program, it is more likely that milk processors will depend on the state for capitalization through several existing low-cost loan programs. In this event, the state may exercise some degree of control over the management of milk-processing firms. This could ensure reaching and maintaining a high level of efficiency in order to make certain that Alaskan milk could capture and hold the necessary 62 per cent of the market.

There is an advantage to the Alaskan processor if state loan programs are used. State loan-program managers can exercise a degree of flexibility in pay-back periods. If outside milk processors consider maintaining their share of the Alaskan market to be

important enough, prices could be lowered below those of Alaskan milk over the short run. The state could delay payments on capital loans to allow Alaskan processors to engage in price competition and attempt to maintain their market share.

Future transportation rates to Alaska may reflect a greater-than-relative change in comparison to other costs due in large measure to the higher cost of petroleum. If so, the transportation advantage currently available to imported prepackaged milk may be reduced. If this situation develops, the competitive position of Alaskan dairy farms and milk processors vis-a-vis outside competitors will improve.

In conclusion, several points should be made. The analysis presented is a reasonable approximation of present conditions in the Alaskan dairying industry. Although some of the data are estimates, they are based on relevant components of the dairy industry in other states.

There is risk associated with any action. However, if two conditions are met, it is quite reasonable to believe that the dairy industry in the state can grow. First, individual farms must utilize best management practices. Second, the processing sector must become more efficient. If the first is realized, milk production will increase. This will partially affect the second condition with no action required by the processing sector. Full realization of potential plant efficiency will come if processors take advantage of cost reduction available through installation of equipment utilizing new technology. With the prospect of a continuing industry and possible low-cost state loans, milk processors should be able to realize a high efficiency for the present size of plant.

Table 2-4: Production Rates and Returns for 50-, 75-, 100-, and 150-Cow Dairy Farms

	50 Cows	75 Cows	100 Cows	150 Cows
lbs per cow to cover all costs at \$16.84 per cwt	16,646	15,122	15,348	15,124
Net return per cwt (17,000 lbs per cow ^a)	\$.35	\$1.75	\$1.63	\$1.85
Net return per cwt (16,000 lbs per cow ^a)	(\$.68) ^b	\$.92	\$.68	\$.92
Net return per cwt (15,000 lbs per cow ^a)	(\$1.85)	(\$.14)	(\$.39)	(\$.14)

^a Calculated using: $[(\text{lbs. production per cow})(\$ \text{ per lb.})] - (\text{Total production cost} - \text{Revenue from cattle}) / \text{total no. cows}$
 $\text{lbs. production per cow} / 100$

^b Implies negative returns

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CONSULTANTS

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- Steve Hamilton, Dairyman, Palmer, Alaska.
- Arthur L. Brundage, Professor of Dairy Science (Manager of University of Alaska Dairy Herd), Agricultural Experiment Station, University of Alaska, Fairbanks.
- Raynard Zunker, Dairyman, Wausau, Wisconsin.
- G. H. Tennpas, Professor and Superintendent of the Marshfield Experiment Station, University of Wisconsin.
- Jack Flint, General Manager, Matanuska Maid, Inc., Anchorage, Alaska.

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Sturgulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-1907

March 4, 1987

MEMORANDUM

To: Members of the Senate Committee on Resources

From: Committee Staff

Re: CSSB 26 (L&C), "Sale of Milk Products"

Rep. Martin has introduced a bill which would ensure that purchasers of milk products know when the product was processed.

Currently, the date on milk and cottage cheese cartons is there to tell grocers when to take it off the shelf. It does not indicate how long ago the milk has been processed. Consumers are left in the dark on the age and freshness of the milk product.

This bill is supported by DEC and DNR.

Included in your packet are:

Sponsor's memorandum relating to the committee substitute
Sponsor's statement
DEC position paper
Zero fiscal note on the committee substitute
Original fiscal note
DNR position paper

REP. TERRY MARTIN

ELECTIVE DISTRICT 13
MOUNTAIN VIEW
RUSSIAN JACK SPRINGS
NUNAKA VALLEY
ELMENDORF A.F.B.
CREEKSIDE
EAST ANCHORAGE



HOME
3960 REKA DRIVE-B6
ANCHORAGE, AK 99500
PHONE 333-6990

DURING SESSION
P. O. BOX V
STATE CAPITOL BUILDING
JUNEAU, AK 99811
PHONE 465-3783

Alaska House of Representatives

M E M O R A N D U M

To: Senate Resources Committee Members
From: Rep. Martin
Date: March 3, 1987
Re: HB 26 - Sale of certain milk products

I would like to thank you for your consideration of HB 26, and hope you will act favorably on it. Attached to this memorandum are back-up materials for the bill including:

- Sponsor's statement
- DEC position paper and fiscal notes
- DNR position paper

Most of the differences between the original bill and the committee substitute are explained by the DEC position paper in which the department suggested changes to the original bill. However, an additional change made in the L&C substitute, and not covered by the DEC paper, is the removal of the requirement to imprint the date on which the milk product could be expected to go sour. It was this provision that caused DEC to attach its \$9000 fiscal note, and by deleting it, the bill has no fiscal impact. Deleting this requirement should not, however, diminish the intent of the legislation.

Finally, the bill was amended on the House floor to make a necessary technical change in the definitions section. The first CS included a definition for the phrase "date of processing", but did not use the phrase in the substantive portion of the bill. The definition was changed to apply to the word "processed", which is used in the bill.



SPONSOR'S STATEMENT

HB 26

"An Act relating to the sale of certain milk products."

This consumer protection bill has only one section, which would add new language to AS 17.05 (Standards of Sale for Food and Drink, in the Food and Drug Title) which would make it illegal to sell milk and cottage cheese unless its container is clearly marked showing the date the product was processed.

This requirement would not apply to canned milk, cheeses, ice cream or dehydrated milk. The requirement would be enforced by DEC.

This bill came about simply because, as milk products are now marketed, cartons display only the date on which the grocer should remove the container from the dairy case. This can be ambiguous to the buyer, particularly when producers advertise that the product is good for some time after the date stamped. There is a federal requirement that milk producers must encode the container to indicate the date of processing, but since every milk producer uses a different code, they provide no information for consumers.

The change proposed by HB 26 would give the consumer the information necessary to make a more informed purchase, by showing exactly what day the product was put into the container. Knowing as much as possible about the product's freshness at the time a purchase is considered, and being able to estimate how long it will stay fresh, should alleviate complaints among consumers.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

Telephone: (907) 465-2696

Address:

January 26, 1987
Contact: Douglas Donegan

POSITION PAPER HB 26

Title:

An Act relating to the sale of certain milk products

Effect of the Bill

This bill requires that all milk products sold in Alaska contain a date of "processing" and a date upon which the product becomes "unfit for human consumption."

Department Position

The Department supports the intent of HB 26. The labeling requirements will provide consumers with pertinent information necessary to make informed decisions regarding the relative freshness and shelf-life of their milk product purchases.

If the bill becomes law, DEC would analyze approximately 6 samples per week to confirm by laboratory analysis the accuracy of the "use-before" date. DEC would monitor the accuracy of "processing" date of in-state processors at milk processing facilities. Accuracy of "processing" date for milk products produced outside of Alaska will be confirmed by monitoring shipment dates of incoming milk products and date of "processing" on the containers.

Suggested Revisions

While DEC supports the overall approach, some modification is needed to make it workable. The term "date of processing" needs to be defined. The Department recommends that date of processing be defined as "the earliest date upon which the milk product has been heat treated in any manner such as pasteurization." This definition is suggested because there are several steps in the production of milk products which could be considered "processing" and this definition will eliminate potential ambiguities.

The term "unfit for human consumption" also needs a definition. The Department suggests that this term be defined as "when the milk product exhibits organoleptic or microbiological evidence of spoilage rendering it unacceptable for human consumption as determined by the Department's Environmental Health laboratory."

The definition of "milk product" should also exclude all "cultured" milk products including sour cream and yogurt.

DEC POSITION PAPER

THIS WAS NEGATED BY L&C COMMITTEE SUBSTITUTE

Fiscal Effect

The Department would monitor milk products to determine compliance with the labeling requirements. This would include evaluating the accuracy of the "unfit for human consumption" date. During routine inspections grocery and dairy inspections, DEC sanitarians would collect milk samples and send them to the Division's environmental health laboratory for analysis. The sample collection and analyses could be performed with existing staff. Consequently, the only additional monies necessary would be for sample containers, sample shipment, gel ice, laboratory supplies and equipment including glassware and media, and a refrigerator with a temperature recording device. The Department anticipates that increased costs would be \$9,500 the first year and \$7,000 per year thereafter.


Dennis D. Kelso
Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST:
 Revision Date: 1/29/87
 Title: An Act Relating to the sale of certain milk products
 Sponsor: Terry Martin
 Requestor: _____

Bill Version C5HB 26 (L&C)
 Publish Date: HOUSE 2/2/87
 Agency Affected: DEC
 BRU: Environmental Health
 Components: Environmental Sanitation
Palmer Lab., Dairy Industry

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This Bill as revised will have no fiscal impact on the Department of Environmental Conservation

Prepared by: Doug Donegan Phone: 465-2695
 Division: Environmental Health Date: 1/28/87

Approved by Commissioner: [Signature] Date: 1/24/87
 Agency: Environmental Conservation

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____ Bill Version: Labor & Commerce
 _____ Publish Date: 1/19/87
 Revision Date: _____ Agency Affected: DEC
 Title: An Act Relating to the sale BRU: Environmental Health
of certain milk products
 Sponsor: Terry Martin Components: Environmental Sanitation
 Requestor: John Manley for Terry Martin Palmer Lab., Dairy Industry

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	4.0	4.0	4.0	4.0	4.0
SUPPLIES	0	3.0	3.0	3.0	3.0	3.0
EQUIPMENT	0	2.5	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		9.5	7.0	7.0	7.0	7.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	9.5	7.0	7.0	7.0	7.0
FEDERAL FUNDS					
OTHER					
TOTAL	9.5	7.0	7.0	7.0	7.0

POSITIONS:

FULL-TIME					-
PART-TIME					-
TEMPORARY					

ANALYSIS : (Attach a separate page if necessary)

Contractual monies will purchase six sample shipments/week to Palmer Laboratory, Supplies will purchase laboratory glassware, media and sample shipping containers and gel ice; Equipment will be a one-time purchase of laboratory refrigerator with external temperature recording device.

Prepared by: Doug Donegan Phone: 465-2696
 Division: Environmental Health Date: 1/26/87

Approved by Commissioner: _____ Date: 1/21/87
 Agency: Department of Environmental Conservation

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801
PHONE: (907) 465-2400

February 17, 1987

The Honorable Adelheid Herrmann, Co-Chair
The Honorable Sam Cotten, Co-Chair
House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representatives Herrmann and Cotten:

Subject: The Committee Substitute (Labor and Commerce) for House Bill 26, relating to the sale of milk products.

Position: The Department of Natural Resources supports this bill which would require the date of processing to be displayed on milk products sold in Alaska.

Background: Since 1985, the State of Alaska has owned and operated the Matanuska-Maid Dairy. This bill would require the dairy to display on containers the date that milk and milk products are processed. Currently, the "pull-date" is the only date displayed on milk products sold in the state. This is the date identified by the processor as the last date the milk should be offered for sale.

Consumers would benefit from this bill because it would provide an additional guideline for consumers to use when selecting milk or milk products.

Some consumers prefer buying milk that will last for a long period of time after it is purchased. The "pull-date" is the guideline that is probably most important to this type of consumer.

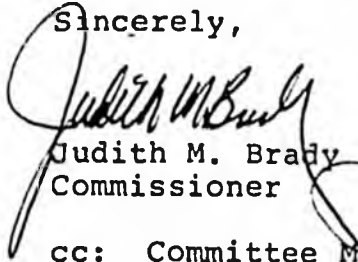
Other consumers use milk products quickly and are more interested in the freshness of the product than in the length of time it will keep. Displaying the milk product's processing date on the container will assist this type of consumer in selecting the freshest product.

House Resources Committee -2-

February 17, 1987

Please let me know if you would like additional information about this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judith M. Brady". The signature is written in dark ink and is positioned to the left of the typed name and title.

Judith M. Brady
Commissioner

cc: Committee Members
Sponsor
Governor's Legislative Liaison

Handwritten letter 'F' in a cursive style, featuring a horizontal base and two vertical stems that curve slightly at the top.

Handwritten horizontal line, likely a separator or a decorative stroke.

Handwritten letter 'S' in a cursive style, characterized by a continuous, flowing curve that starts high and ends lower.

Handwritten letter 'B' in a cursive style, showing a horizontal top bar and two rounded, bowl-like shapes below it.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of _____ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
(see below)

DATE TURNED INTO OFFICE 2/20/87

Mr. President:

RESOURCES Committee considered SB 41

relating to cabins on state land; efd.

and recommended:

replace with CS SB 41 (Res.) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
Adrian Stupulewski
[Signature]
[Signature]
Paul Grish

[Signature]
Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

Senate Resources Committee



Box V
Juneau, Alaska 99811
(907) 465-1007

Sen. John B. (Jack) Coqhill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Miss Szymulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Hansen

Letter of Intent

CS SB 41 (Res)

It is the intent of the legislature that the Department of Natural Resources use best efforts to get the associated costs of surveying of the one-acre cabin sites within reasonable levels. It is further the intent of the legislature that this may include using the metes and bounds surveying process when the cost of a cadastral survey is prohibitive.

one-acre

A large, stylized handwritten signature in black ink, which appears to be "John B. Coqhill".

*4/3
Halgad moved and, asp
we, & then moved Resource
Letter of Intent as amended
be adopted as a Senate
Letter of Intent. asp we.*

*Technical correction
to ... to ...*

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SB 41
Publish Date: _____

Revision Date: February 3, 1987

Title: CABINS ON STATE LAND

Agency Affected: NATURAL RESOURCES
BRU: LAND & WATER MANAGEMENT

Sponsor: BENNETT

Requestor: Senate Resources Committee

Components: LAND CONVEYANCE

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		232.0*	232.0*	232.0*	232.0*	
TRAVEL		40.0	40.0	40.0	40.0	
CONTRACTUAL		85.0**	85.0**	85.0**	85.0**	
SUPPLIES		6.0	6.0	6.0	6.0	
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		363.0	363.0	363.0	363.0	

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		125.0	125.0	125.0	125.0	
---------	--	-------	-------	-------	-------	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		363.0	363.0	363.0	363.0	
FEDERAL FUNDS						
OTHER						
TOTAL		363.0	363.0	363.0	363.0	

POSITIONS:

FULL-TIME		4*	4*	4*	4*	
PART-TIME		2*	2*	2*	2*	
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*If the proposed amendments are adopted these figures may be cut in half. **If the proposed amendments are adopted these figures may be reduced by \$35.0. SEE ATTACHED

Prepared by: Tom Hawkins *Tom Hawkins*
Division: Land and Water Management

Phone: 465-2400
Date: February 3, 1987

Approved by Commissioner: Mrs. D. Arnold, Deputy
Agency: Natural Resources

Date: 2/4/87

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 41

With the passage of SB 41, the Department of Natural Resources would encounter a large number of applications which could not be processed using existing personnel. If the bill is not amended to incorporate a relatively short anniversary date, it is really impossible to determine when the impact to the state will actually occur, or whether anyone will be available to do the work when it is required. Without the anniversary date it would have to be assumed, for example, that all 2,000 applications would be submitted and have to be advertised separately. This could cost the state \$140,000 in advertising alone unless this cost is passed on to the applicant.

Five positions at a range 16 would be needed to process the applications statewide (two in Southcentral, two in Northern and one in the Southeast Regions). If the proposed amendments to make notice and appraisal costs the responsibility of the applicant is approved and a relatively short anniversary date is incorporated in the legislation the number of necessary positions required could be cut in half, and the contractual services money reduced by \$140,000.

Because the estimates range as high as 2,000 eligible cabins, the program would have to continue for a number of years. This fiscal note projects that number to four. The number of applications processed the first year of the program would necessarily be low due to the organization of and preparation for processing. Regulations may also be necessary to define historical use and occupancy and what qualifies as an investment. Also, it is necessary to delineate what happens to the cabin should the application be denied.

Line Item Explanation

100- Five positions, range 16 (NRO II), 232.0*

200- Travel to field check cabins/appraisals/surveys, review area resources for possible conflicts, 40.0

300- Advertising, hearings, legal assistance for adjudicating applications and administrative appeals, preparation and issuance of some title documents, 190.0**

400- Supplies and commodities for staff, 6.0

*This annual figure may be cut in half if the proposed amendment to make notice and appraisal costs the responsibility of the applicant is approved.

**This figure may be reduced by \$140,000 (\$35,000 per year) if the same amendment is passed.

The addition to the bill of a relatively short anniversary date to submit applications will decrease its impact on the state.

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE SENATE

BILL VERSION: CSSB 41(Fin)

PUBLISH DATE: 3/24/87

REQUEST: _____

Revision Date: _____

Title: Cabins on state land

Sponsor: Senator Bennett

Requestor: Senate Finance

Agency Affected: Dept. of Natural

BRU: Resources

Land and water management

Components: Land Conveyances

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

Prepared by:  Phone: 465-3714

Division: Senator Don Bennett, Co-chairman Date: March 18, 1987

Senate Finance Committee

Approved by Commissioner: _____ Date: _____

Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CS SB 41 (Resources)
Publish Date: 2-23-87 *Senella*

Revision Date: 2/23/87
Title: Cabins on State Land

Agency Affected: Natural Resources
BRU: Land & Water Management

Sponsor: Senator Bennett
Requestor: Senate Resources

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		232.0 *	232.0*	232.0*	232.0*	
TRAVEL		40.0	40.0	40.0	40.0	
CONTRACTUAL		85.0**	85.0**	85.0**	85.0**	
SUPPLIES		6.0	6.0	6.0	6.0	
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		363.0	363.0	363.0	363.0	

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		125.0	125.0	125.0	125.0	
---------	--	-------	-------	-------	-------	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		363.0	363.0	363.0	363.0	
FEDERAL FUNDS						
OTHER						
TOTAL		363.0	363.0	363.0	363.0	

POSITIONS:

FULL-TIME		2*	2*	2*	2*	
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*If proposed amendments are adopted these figures could be cut in half.
**If proposed amendments are adopted these figures may be reduced by \$35.0.

Prepared by: Tom Hawkins Phone: 465-2400
Division: Land & Water Management Date: 2/23/87

Approved by Commissioner: Wm D Arnold, Deputy Date: 2/23/87
Agency: Natural Resources

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CS SB 41

With the passage of SB 41, the Department of Natural Resources would encounter a large number of applications which could not be processed using existing personnel. If the bill is not amended to incorporate a relatively short anniversary date, it is really impossible to determine when the impact to the state will actually occur, or whether anyone will be available to do the work when it is required. Without the anniversary date it would have to be assumed, for example, that all 2,000 applications would be submitted and have to be advertised separately. This could cost the state \$140,000 in advertising alone unless this cost is passed on to the applicant.

Five positions at a range 16 would be needed to process the applications statewide (two in Southcentral, two in Northern and one in the Southeast Regions). If the proposed amendments to make notice and appraisal costs the responsibility of the applicant is approved and a relatively short anniversary date is incorporated in the legislation the number of necessary positions required could be cut in half, and the contractual services money reduced by \$140,000.

Because the estimates range as high as 2,000 eligible cabins, the program would have to continue for a number of years. This fiscal note projects that number to four. The number of applications processed the first year of the program would necessarily be low due to the organization of and preparation for processing. Regulations may also be necessary to define historical use and occupancy and what qualifies as an investment. Also, it is necessary to delineate what happens to the cabin should the application be denied.

Line Item Explanation

100- Five positions, range 16 (NRO II), 232.0*

200- Travel to field check cabins/appraisals/surveys, review area resources for possible conflicts, 40.0

300- Advertising, hearings, legal assistance for adjudicating applications and administrative appeals, preparation and issuance of some title documents, 190.0**

400- Supplies and commodities for staff, 6.0

*This annual figure may be cut in half if the proposed amendment to make notice and appraisal costs the responsibility of the applicant is approved.

**This figure may be reduced by \$140,000 (\$35,000 per year) if the same amendment is passed.

The addition to the bill of a relatively short anniversary date to submit applications will decrease its impact on the state.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801
PHONE: (907) 465-2400

February 18, 1987

The Honorable Jack Coghill
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill:

On February 6 when the Resources Committee discussed SB 41 you asked how many cabins were located in legislatively designated areas. The purpose of this letter is to report the number of those cabins we estimate are located in state parks and forests. The Alaska Department of Fish and Game has furnished you with similar information for special areas which they manage.

The Division of Parks and Outdoor Recreation estimates that there are 20 "SB 41 eligible" cabins in the park system. There are an additional 100 Native allotments, many with "SB 41 eligible" improvements, which would qualify if they are not declared valid by the BLM adjudicative process.

The Division of Forestry reports five SB 41 cabin in the Tanana Forest and an additional six cabins in the Haines Forest. The Division of Land and Water Management found 5 cabins in the Matanuska Moose Range and estimates that the Nelchina Public Use area contains at least 15 SB 41 eligible units.

It is difficult to be precise about exactly when these cabins were constructed and which would be disqualified by moving the threshold date to 1969. Our records, which are admittedly skanty, suggest that 75 percent of the cabins were constructed prior to 1969. If you require additional information about the effect of the bill on special areas created by the Legislature, please contact use.

Sincerely,

Tom Hawkins

Tom Hawkins
Director
Division of Land and Water Management

cc: Neil Johannsen
George Hollett
Margaret Hayes

P.O. Box 55698
North Pole, Ak 99705
February 2, 1987

FEB -4 1987

Senator Jack Coghill, Chairman
Senate Resources Committee
Pouch V
Juneau, Ak 99811

Dear Senator Coghill;

I understand that the cabin bill will be coming up for hearing in the Senate Resources Committee very soon.

I have a very dear friend that has been involved in trying to obtain title to a cabin for a number of years. Unfortunately, she is away on vacation at the present time, so is unable to relate her story to you. In her absence, I shall briefly explain the problem she has encountered.

Bob and Delores Tarnowski constructed a cabin near a small lake close to the area known as Twin Lakees. I believe this cabin was begun in 1958. All the material had to be flown into the site. This cabin was used by the Tarnowski's as a summer residence, and once in a while during the winter.

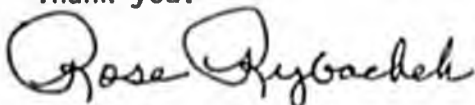
Approximately 5 years ago, Bob Tarnowski died. He had never taken the steps necessary to obtain a federal homesite on the cabin. The State of Alaska has now obtained title to the land.

Delores has been trying to obtain some sort of title to the cabin ever since the State of Alaska notified her that the cabin was on their land. She has filled out a multitude of paperwork, has had to obtain affidavits from friends (and many of her friends that knew the circumstances have since passed away). She has been engaged in a terrific paperwork battle, but to no avail at this time.

It seems only fair to me that Alaskans that have had the initiative to construct cabins in remote areas, maintained their upkeep and used these cabins for a number of years, should have some legal mechanism to obtain title to those cabins. I therefore urge you to pass the cabin bill.

I would like to suggest that you consider moving the effective date of building a cabin back a few years. I would suggest that you consider 1970 as a date that any cabin constructed after that date would not fall within the cabin bill. I believe that would eliminate the cabins that were constructed for questionable reasons.

Thank you.



Rose Rybachek

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801
PHONE: (907) 465-2400

February 4, 1987

The Honorable Jack Coghill, Chair
Senator Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill:

Subject: SB 41 which provides for the sale of state land underlying cabins used and occupied before 1981 and continuing in use.

Response: Because it would grant a preference right not justified by unique or extenuating circumstances to unauthorized users of state land the department does not support this bill.

Analysis: Although the department is generally required to make land available by providing Alaskans the same opportunity to obtain land openly and competitively, fifteen statutes provide for preference rights to persons or groups, giving them priority or exclusive rights to purchase or lease lands. These special preference rights are based on the historical difficulties faced by Alaskans to acquire interests in land and are due in great part to the confused nature of land ownership patterns in Alaska. Of those preference rights, the ones that may be similar in purpose to SB 41 are:

AS 38.05.035(b)(2): allows a diligent applicant, who failed to obtain title because of state or federal error or omission and who has suffered an "inequitable detriment" to purchase or lease land without competitive bid.

AS 38.05.035(b)(3): allows an applicant who has made improvements and good faith efforts to obtain title to purchase a land without competition if the efforts to obtain title were prejudiced by another party.

AS 38.05.035(b)(5): allows an applicant (or his heirs) who made improvements to land before 1959 and who would suffer an injustice otherwise to purchase up to five acres of land without competitive bid.

AS 38.05.035(f): allows an applicant legally using federal lands for business purposes for five or more years before state selection to purchase or use lands without competitive bid.

AS 38.05.068: allows a U.S. Forest Service permittee to obtain title to land once the land is transferred to the state before such land could be offered to others.

Unlike the preference rights described above, SB 41 would not require that the applicant be an innocent victim of actions of others, or be a pre-statehood unauthorized user who would suffer injustice, or be a permittee whose legal use rights were jeopardized by a change in the ownership of the land. SB 41 would simply allow the commissioner to sell land to persons who had used and invested in cabins before 1981 and since.

One other preference right opportunity exists in departmental regulations. Owing to the existence of a very large number of unauthorized cabins on the state's land, regulations were adopted to allow their users to obtain lifetime permits as long as they were not located in state parks. About 300 such permits have been issued. Even though the unauthorized users are rewarded, in a sense, the state can assume ownership of their cabins in the future and renewal of permits is based on consistency with public purpose findings.

If SB 41 were enacted, persons holding such personal use cabin permits would be among the likely applicants. In addition, persons who have built in state parks and refuges who are ineligible for such permits would be likely applicants for fee ownership.

Recommendations:

In the event the Legislature desires to enact a bill similar to SB 41, we recommend that criteria be added so that whatever discretion is afforded the commissioner it may be measured against tests of injustices suffered. In addition, we recommend that the department be given

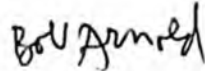
Senator Coghili

-3-

February 4, 1987

discretion as to the width of easements to be reserved along waterways and that purchasers be required to pay the costs of appraisal as well as survey.

Sincerely,



Robert D. Arnold
Deputy Commissioner

cc: Committee Members

February 2, 1987

Honorable Senator Coghill
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Coghill:

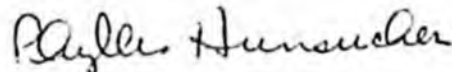
I understand the Senate Resources Committee will be discussing SB41: Cabins on State Land. During the last legislative session as a volunteer for the Alaska Resource Policy Coalition I gave testimony in support of this bill.

Please hear my voice again in favor of the intent and some form of legislation. I support the broader interpretation of dates so that the "grandfathering clause" which usually accompanies a change in the law is realized. I question the easement footage and would urge the committee to use judgment based upon "uniformity" of state and local easement ordinance thus avoiding confusion.

Any great state is built upon the people living within the state and not just the land mass. This particular piece of legislation supports that philosophy and gives justice to those people who have invested time, money and a lifestyle in building Alaska.

Please instruct your staff that they do not have to reply to this letter. This will save time and money. Thank you.

Sincerely,



Phyllis Hunsucker
1618 Scenic Loop
Fairbanks, Alaska
99709

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE: (907) 465-4100

February 17, 1987

The Honorable Jack Coghill
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Senator Coghill:

During the February 6 Senate Resources Committee hearing on SB 41 (An Act relating to cabins on state land), you requested this department to provide you certain information regarding cabins on refuges. The record of information concerning cabins is very sketchy; there are no precise records that indicate when many of these cabins were constructed. Also, since many of the cabins were constructed without state authorization, they probably would not appear on legal status plats, even if we had a complete set of plats from which to work. Therefore, the following information is only a "best guess."

While we have provided the following data for only three areas, we believe that a number of the other game refuges and critical habitat areas may have similar problems with cabins albeit it to a lesser degree. We know, for example, that several of the five critical habitat areas in Bristol Bay have cabins which are of unverified status.

	# Cabins built before 1968	# Cabins built between ANCSA and refuge designation	# Cabins built since 1981
Susitna Flats State Game Refuge	46	37	14
Trading Bay State Game Refuge	7	5	6
Palmer Hay Flats State Game Refuge	3	1	1

The three state game refuges identified above were established in large part for wildlife protection and public recreation. Thousands of Alaskans use these refuges every year for waterfowl hunting and other forms of recreation. Unauthorized cabins in these three state game refuges were constructed in the heart of prime waterfowl habitat.

Senator Jack Coghill

-2-

February 17, 1987

Disposal of these lands to private interests would violate the integrity of these areas, significantly restrict or deny public access and use, and would make protection of these productive waterfowl habitats very difficult.

In order to more precisely answer your questions regarding cabins on refuges and critical habitat areas, it would be necessary to develop complete land status maps and a history of land status for each of the 23 areas, field check each of the areas for unregistered cabins, and contact each of the cabin owners for information on dates of construction (if known). We estimate that such an analysis would take several months of effort.

The requested maps showing the approximate locations of cabins in these refuges are enclosed. If you have further questions, please call me.

Sincerely,



Don W. Collinsworth
Commissioner

Enclosures

cc: Paul Fischer
Lloyd Jones
Arliss Sturgulewski
Jim Duncan
Fred Zharoff
Dick Eliason

SUSITNA FLATS

State Game Refuge

year established 1976

purpose to protect fish and wildlife habitat and populations; waterfowl nesting, feeding, and migration; moose calving areas; spring and fall bear feeding areas; salmon spawning and rearing habitats; public use of fish and wildlife habitat (waterfowl, moose, and bear hunting); viewing; photography; and general public recreation

lands involved state lands, tide lands, and submerged lands

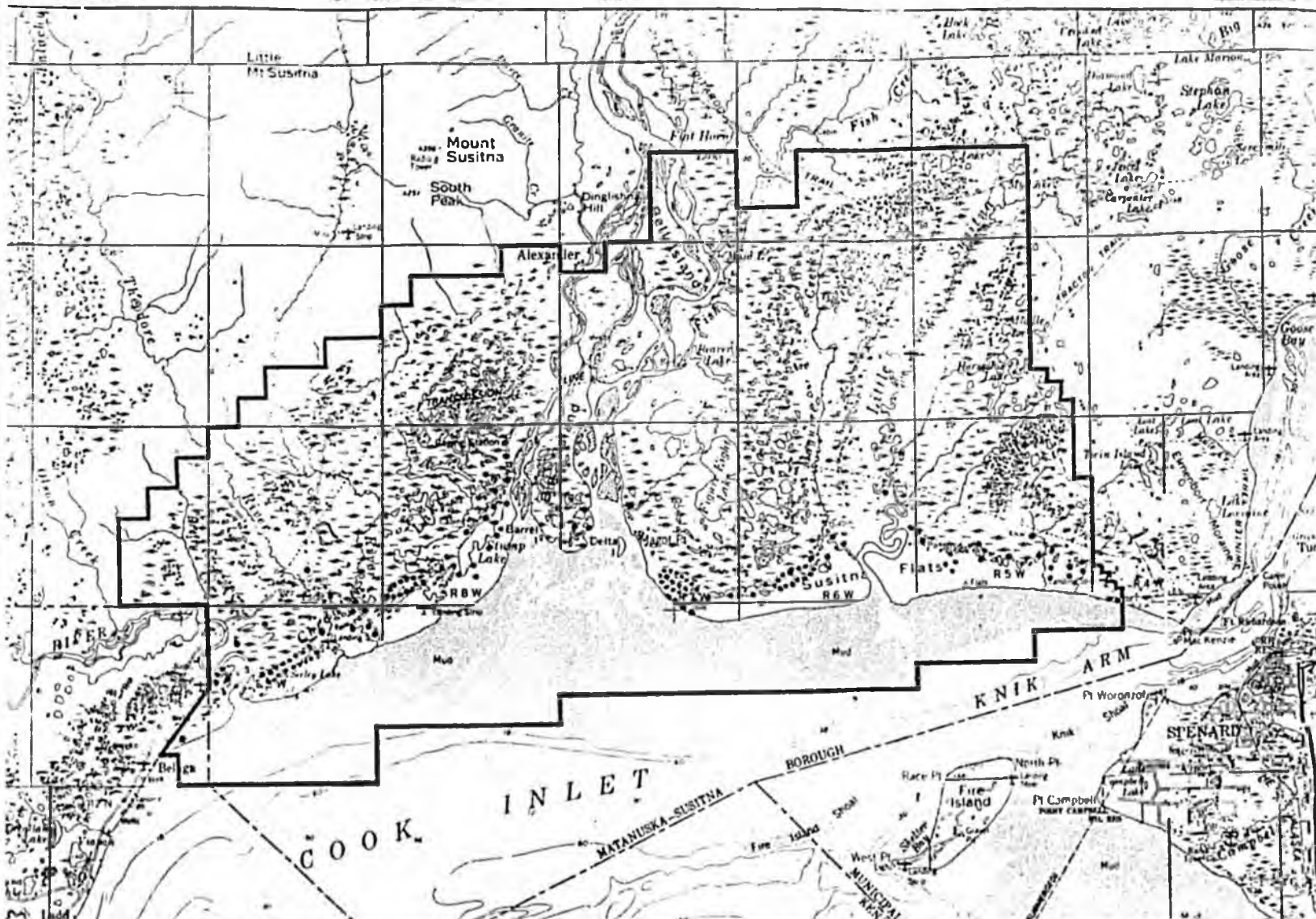
● cabins

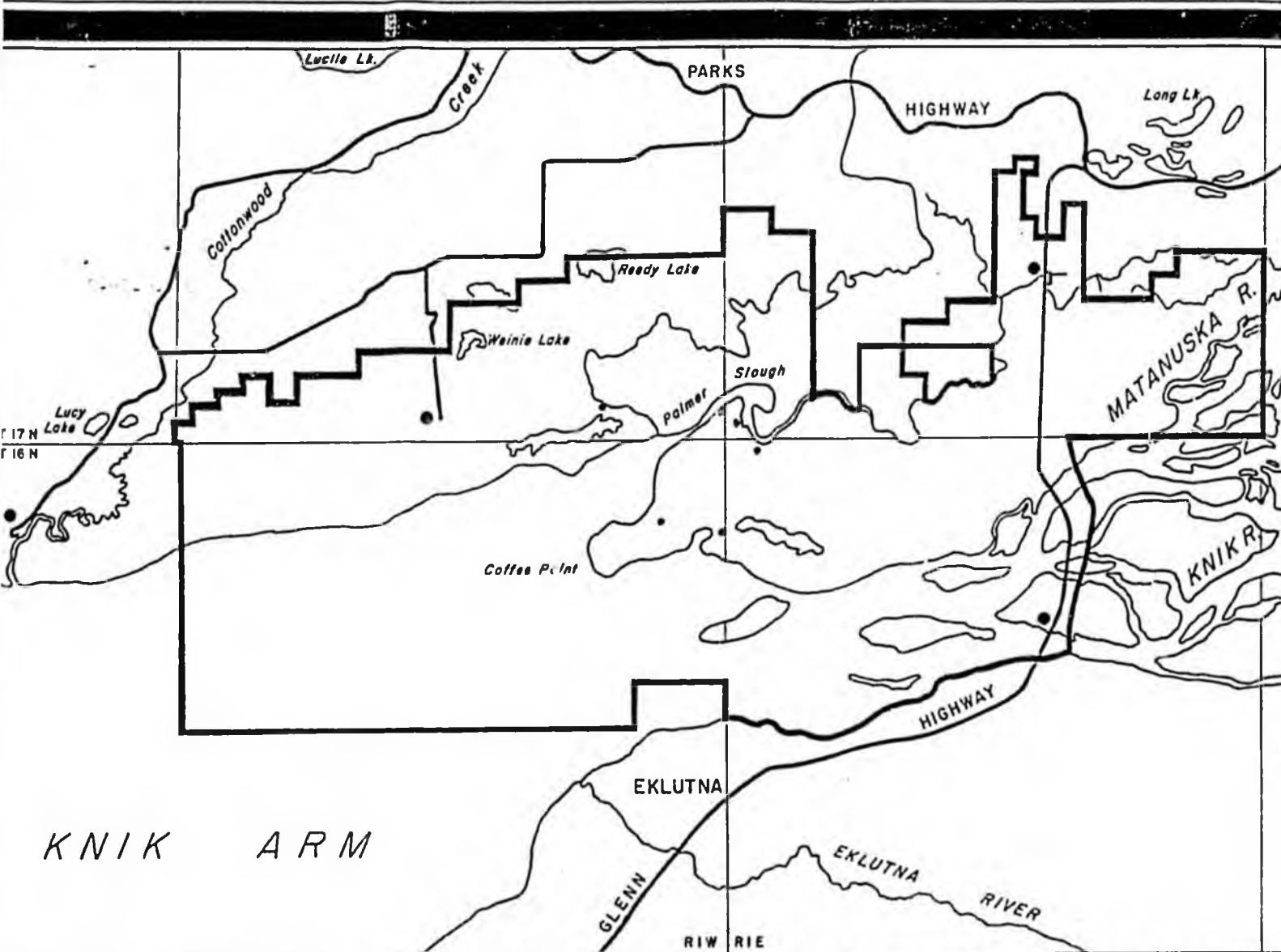


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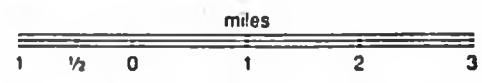




PALMER HAY FLATS State Game Refuge

- year established 1975
(expanded 1985)
- purpose to protect natural
habitat and game
populations (espe-
cially waterfowl)
- lands involved State lands, tide-
lands, and sub-
merged lands
- major access
locations shown with a ●

● cabins



scale 1:79,200

KNIK ARM

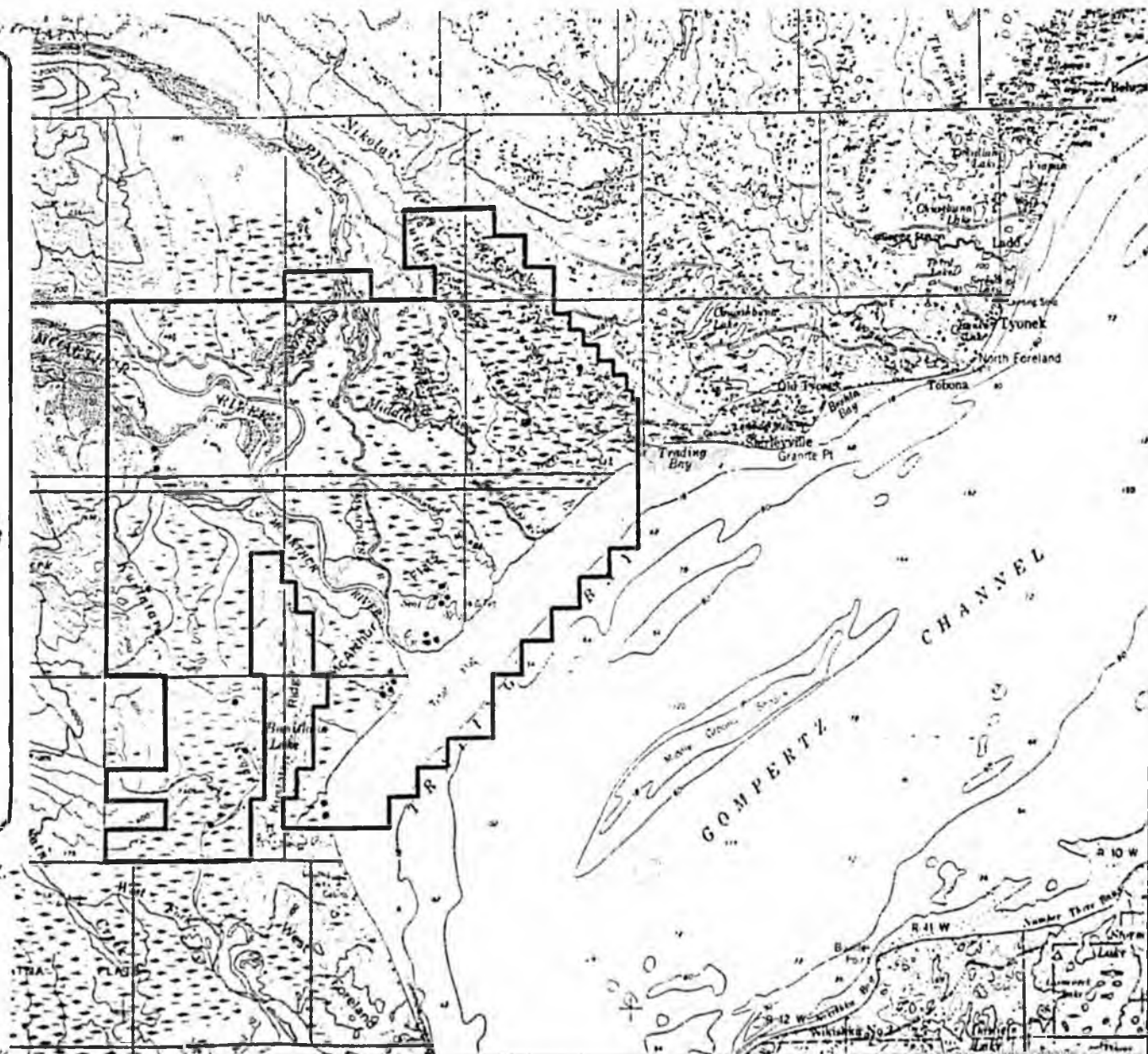
TRADING BAY
State Game Refuge
LOCATION MAP



Year Established 1976
Purpose protect fish and wildlife habitat and populations; waterfowl nesting, feeding, and migration; moose calving areas; spring and fall bear feeding areas; salmon spawning and rearing habitats; public use of fish and wildlife habitat (waterfowl, moose, and bear hunting); viewing; photography; and general public recreation
Lands Involved State lands, tidelands, and submerged lands

● cabins

SCALE 1:250,000





Tanana Valley Sportsmen's Association

INCORPORATED

P.O. Box 669

Fairbanks, Alaska 99707

Phone 479-3367

February 3, 1987

FEB - 9 1987

State of Alaska
Box V
Juneau, Alaska 99811
Attention - Senator Coghill

Dear Senator Coghill:

The Tanana Valley Sportsmen's Association is solidly in support of Senate Bill No. 41. The Association unanimously supported similar legislation last session. Our association favored December 31, 1968 as the cut-off date for historic use and occupancy. We will bring SB 41 before the club at the next meeting February 10th or refer the bill to the legislative committee for action.

In addition we will make note of SB 41 in our monthly newsletter and encourage our members to make their feelings known to the Senate.

Sincerely,

Oliver E. Burris
Vice President

cc - Senator Don Bennett

S B

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5-0156B ✓
Hein
3/5/87

Original sponsor: Binkley

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 53 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Board of Fisheries."

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

8 * Section 1. AS 16.05.221(a) is amended to read:

9 (a) For purposes of the conservation and development of the
10 fishery resources of the state, and for the purposes of enhancing and
11 protecting the ability of people to take and use the fishery resources
12 of the state, there is created the Board of Fisheries composed of
13 seven members appointed by the governor, subject to confirmation by a
14 majority of the members of the legislature in joint session. The
15 appointed members shall be residents of the state and shall be ap-
16 pointed without regard to political affiliation or geographical lo-
17 cation of residence. The commissioner is not a member of the Board of
18 Fisheries, but shall be ex officio secretary.

19 * Sec. 2. AS 16.05.251(e) is amended to read:

20 (e) The Board of Fisheries shall establish criteria for the
21 allocation of fishery resources among personal use, sport, and commer-
22 cial fishing, and among groups of commercial fishermen within a fish-
23 ery. The criteria may, as appropriate to particular allocation de-
24 cisions, include factors such as

25 (1) the history of each personal use, sport, and commercial
26 fishery;

27 (2) the number of residents and nonresidents who have
28 participated in each fishery in the past and the number of residents
29 and nonresidents who can reasonably be expected to participate in the

Board
Authority

16.05.221
Sec 12

1 future;

2 (3) the importance of each fishery for providing residents
3 the opportunity to obtain fish for personal and family consumption;

4 (4) the availability of alternative fisheries resources;

5 (5) the importance of each fishery to the economy of the
6 state;

7 (6) the importance of each fishery to the economy of the
8 region and local area in which the fishery is located;

9 (7) the importance of each fishery in providing recrea-
10 tional opportunities for residents and nonresidents.

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SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/19/87 DATE TURNED INTO OFFICE _____
Mr. President:

RESOURCES _____ Committee considered _____ SB 53

relating to the Board of Fisheries.

and recommended:

replace with CS SB 53 (res) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

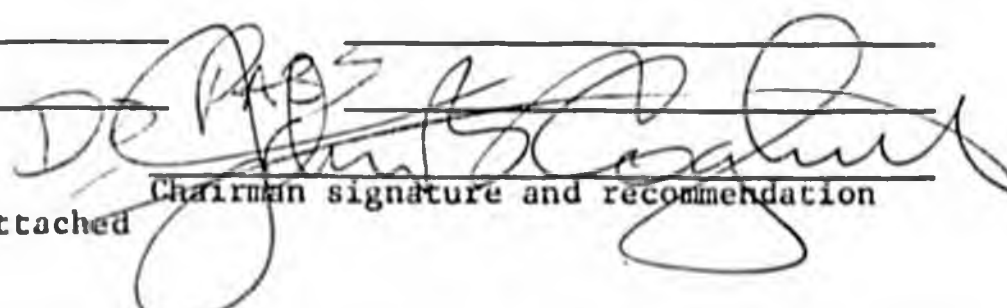
letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tommy (No Rec)
Bill (no rec)
Bob (No Rec)
Jim (no rec)



Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

MAR 10 1987

Bill Version : CSSB 53 (Resources)
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: "An Act relating to the Board of Fisheries"

Agency Affected: Department of Law
BRU: Legal Services

Sponsor: Senate Resources Committee
Requestor: Senator Eliason

Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Please see attached analysis.

Richard I. Pegues

Prepared by: Richard I. Pegues, Director

Phone: 465-3672

Division: Administrative Services

Date: MARCH 6, 1987

Approved by Commissioner: Richard I. Pegues / FOR 1

Date: March 6, 1987

Approved by Commissioner: Grace Berg Schaible, Atty. Gen

Agency: Department of Law

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 53

CSSB 53

This bill amends AS 16.05 by clarifying the Board of Fisheries' authority to allocate fishery resources among and within user groups. This clarification will not have a fiscal impact on the Department of Law, and it should help to diminish recurring disputes over the board's authority.

Harold Sparck
Box 267, Bethel, AK 99559
March 2, 1987

Senator Jack Coghill
Chairman, Senate Resources Committee
Alaskan State Senate
Pouch V
Juneau, AK 99811

Dear Senator Coghill,

I am writing in support of SB 53 as introduced by Senator Binkley. I am a commercial halibut and cod fisherman, and subsistence fish on salmon and herring. My winter residence is Bethel, and my summer residence is Chevak for the past 19 years.

A substantial "grey" area exists in the State's current management and allocative system for wildlife resources. The State Board of Fisheries is currently delegated authority by the Legislature to make conservation decisions and to allocate fisheries resources among competing uses. The Alaskan lower Courts have ruled that the Board does not have the authority to make allocative decisions between gear users. The lower Courts determined that the Legislature did not delegate that specific authority to the Board of Fisheries.

At issue before the Courts was whether the Board's use of an allocative mechanism "Super-exclusive Registration," put in place to conserve damaged, and slowly recovering discrete Eastern Bering Sea herring stocks north of Cape Newenham, was authorized by State law.

The lower Court decision resulted from non-local State and out of State herring fishermen contesting their prosecution for violation of the Board of Fisheries Super-exclusive Use regulation. These individuals participated in other limited entry herring fisheries in the State before entering these small Western Alaskan herring fisheries.

On equity issues, these non-local fishermen have closed their herring fisheries to new entrants, denying Western Alaskan herring fishermen the chance to participate in those fisheries, yet claim as a right their opportunity to double-dip into another region's herring resource. At no time did the lower Court review the damaged state of this herring resource that led the Board to put in place this form of restriction.

Little biological information on a long term nature exists in this fishery, first pioneered in 1978. The State Board and ADFG have wisely chosen to conserve these stocks during their recovery by putting in place harvest limits, and attempting to spread that harvest throughout the year classes.

The Super-exclusive Use Registration was to prevent intense gear

efforts at the start of the fishery from taking the target stock before managers could survey all year classes to determine stock abundance, and spread effort to prevent over harvest of any other year class. Both the Board and ADFG feared that an over-harvest of one year class could lead to stock collapse in the event that one dominant year class's strength masked failed year classes in this recovery fishery.

Small, low technology local fleets are incapable of massing capital and taking the harvest guideline in one period. Their effort would by necessity be spread throughout the herring runs, preventing stock collapse. Throughout the history of this fishery, high technology fleets have demanded immediate and unfettered access to the resource, a move resisted by both the Board and ADFG for conservation purposes.

Under the State's governing legislation on allocation, the recently modified subsistence law, there is no right to a resource. The State Legislature delegates authority to its Boards of Fisheries and Game to make the opportunity available to harvest a chosen resource. Senator Binkley's legislation would extend the "opportunity" provision of the State Subsistence law of the Legislature's delegation of authority to the Board of Fisheries.

By statute, the Commercial Fisheries Entry Commission can only enter a fishery when it is fully-developed, and distressed by the amount of gear in operation. The controversial herring fishery in question, like many other fisheries in the State, does not meet the statutory requirement for CFEC involvement. These fisheries must be managed by regulations crafted by the Alaskan Board of Fisheries. The "grey" area continues to exist, Senator Binkley's legislation addresses this issue also.

Throughout its history, the Board of Fisheries has weighed conservation and allocation, and has made allocative decisions between competing gear types. The Board has done this for its entire history. When a particular gear group feels aggrieved by the allocative actions of the Board, that group has an alternate forum for its equity claim through the courts. This system has worked well.

But the crisis in conservation brought on by the Western Alaskan herring situation exposes this "grey" area clearly. A legislative solution is required to make official a practice that the State has had operating since Statehood.

I request that the Committee support Senator Binkley's legislation. If the Committee determines that further review of S.B. 53 is required, I request that the Committee make its next meeting on S.B. 53 available for Legislative teleconferencing.

In peace,

Harold Sparck
Harold Sparck

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 10, 1987

The Honorable Lyman Hoffman
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Re: Herring area legislation

Dear Representative Hoffman:

You have asked for a description of the herring superexclusive use area litigation, and of its possible ramifications. As I understand it, you are inquiring about this case because it relates to HB 63, which you introduced. (That bill is virtually identical to SB 53, introduced by Senator Binkley.)

The Alaska Board of Fisheries has adopted superexclusive use areas in managing the herring commercial fisheries in the state. The regulations require that participants in the commercial herring fisheries either fish in one of several small areas, or anywhere else in the state. See, for example, 5 AAC 27.987. This mandate was violated by a Mr. Hebert, who, in a criminal prosecution before a state district court, moved to dismiss the charge, alleging that the regulation exceeded the authority of the Board of Fisheries. State v. Hebert, No. 2NO-S86-069 Cr. (Alaska Dist. Ct., Feb. 6, 1986). The Board of Fisheries in general has the authority to adopt regulations for the "conservation and development" of fishery resources. AS 16.05.221(a).

The judge in that case ruled that he could find no evidence supporting a conservation rationale. He found that the regulation had been adopted in order to benefit the less efficient, less well-financed fishermen from particularly cash poor areas of Alaska, and that while the socioeconomic goals were laudable, they did not fall within the board's current authorities.

That case is currently on appeal to the Alaska Court of Appeals. State v. Hebert, Court of Appeals No. A-1743. Briefing is completed, and eventually a decision will be issued. In the meanwhile, the regulations are technically enforceable; a district court decision dismissing a criminal prosecution is not equivalent to a superior court decision in a civil case enjoining the enforcement of a regulation. The decision is not binding on

other courts; the result of the judge's order is simply that that particular criminal prosecution is dismissed.

The superexclusive use area regulatory mechanism as applied to vessels has been common for years in the state's salmon fisheries, and has also been employed in other fisheries, such as king crab and tanner crab. 5 AAC 39.120; 5 AAC 34.020; 5 AAC 35.020. Assuming for the moment that the district court was correct in determining in the Hebert case that the Board of Fisheries may not regulate for only socioeconomic reasons within a particular commercial fishery under the current statutes, the other instances in which superexclusive use area had been employed are not necessarily invalid. The analysis in each situation would depend upon what the board record discloses about the conservation basis for the regulation. Clearly, even under the Hebert case, a conservation related justification which was supported by the facts would provide adequate legal support for superexclusive use areas.

The district court decision in the Hebert case hinges solely upon statutory construction, and any decision from the court of appeals will be similarly limited in scope, since those are the only issues presented in the appeal. Thus, whatever the court determines the statutes to currently mean, the legislature has the authority to modify the statutes to reflect some other intention, consistent, of course, with relevant constitutional principles.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
s/r Larri Irene Spengler
Assistant Attorney General

LIS:cck

cc: Senator Binkley
Alaska State Legislature

Don Collinsworth, Commissioner
Steve Penoyer
Norman Cohen
Roland Shanks
ADFG

The Honorable Lyman Hoffman
Alaska State Legislature

February 10, 1987
Page 3

Ed Hine
LAA/Legal Services Office

Liza McCracken
Deborah Vogt
Pete Froehlich
B.J. Jordan
DOL

HB63 file
SB53 file

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 17, 1987

Representative Lyman Hoffman
House of Representatives
P.O. Box V
Juneau, Ak 99811

Dear Representative Hoffman:

Re: State v. Hebert
(herring use areas)

Lee Goodman of your staff has requested our office to expand upon Larri Spengler's February 10, 1987, analysis of State v. Hebert, to explain the wider ramifications that the district court's decision may have for fisheries board allocation regulations, if the decision is affirmed on appeal.

As explained in Larri Spengler's letter, the trial court in Hebert held that as of the date the board of fisheries adopted the Norton Sound superexclusive herring area regulation, 5 AAC 27.987, the board's statutory authority to conserve and develop the state's fisheries (AS 16.05.251) did not allow the board to make allocations within one user group (i.e., among commercial users) in order to provide an economic advantage to one segment of the user group. The court, in dicta, also opined that the 1986 amendment to the board's authority, AS 16.05.251(e) (Ch. 52, SLA 1986), which expressly allows "allocation of fishery resources among personal use, sport, and commercial fishing ..." also does not allow the board to make allocations within one use group. The Hebert court also found that there was insufficient evidence to support a finding that the superexclusive herring area regulation was intended in part as a conservation measure, to require less efficient harvesting means.

The Hebert decision is presently on appeal before the Alaska Court of Appeals. If the Court of Appeals (and any higher appellate court) simply affirms the trial court decision without modification, this decision might provide a basis for challenges to other fisheries board regulations that, to a greater or lesser extent, provide an economic advantage to, or otherwise allocate a certain portion of the harvest to a particular segment of a commercial, sports or personal use fishery. Each case would have to be analyzed on its own facts, but it is possible that the Hebert decision, if affirmed could be a basis for challenging such fisheries allocation regulations as the Cook Inlet management plan

~~MAIL STOP FIELD, GOVERNOR~~
Steve Cowper, Governor
REPLY TO:

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JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

Representative Lyman Hoffman
House of Representatives

February 17, 1987
Page 2

(which allocates among various segments of a commercial fishery) the False Pass fishery (which allocates to an existing local fishery), the Stepovak fishery plan (which also allocates among commercial uses), and several other regulatory provisions that make similar allocations. You may wish to consult the Department of Fish and Game for additional examples.

It would be difficult to predict the outcome of a challenge to fish board allocation regulations that might be brought under the Hebert rationale, because any decision would turn upon the particular board record and facts in each situation. If the Hebert decision were to be affirmed, however, it would place new constraints upon the fisheries board regarding its ability to make harvest allocations within a particular use group.

As mentioned in Larri Spengler's letter, the Hebert case turns upon statutory construction; the legislature has the authority to modify the statutes to reflect a different intent, so long as it is consistent with relevant constitutional principles.

If we can be of further assistance to you, please let us know.

Yours sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: *Sarah E. McCracken*
Sarah E. McCracken
Assistant Attorney General

SEM/jmo

cc: Don W. Collinsworth, Comm'r ADF&G
Steven Pennoyer, Deputy Comm'r ADF&G
Roland Shanks, ADF&G
Larri I. Spengler, AGO Jnu
-Pete Froelich, AGO Jnu
B. J. Jordan, AGO Jnu

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 27, 1987

Honorable Dick Eliason
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Re: SB 53/HB 63 on the Board
of Fisheries

Dear Senator Eliason:

Your staff has asked us to comment briefly on SB 53 which would amend two provisions in AS 16.05, subsec. 221(a), concerning the purpose of the Board of Fisheries, and subsec. 251(e), concerning the board's mandate to establish criteria for the allocation of fishery resources.

We have previously provided copies to your staff of two letters from this department to Representative Hoffman, sponsor in the House of an identical bill -- HB 63. Those letters discuss the State v. Hebert case in which we have appealed dismissal by the district court in Nome of the criminal prosecution of a fisherman for violating the Norton Sound superexclusive herring area regulation, 5 AAC 27.987. Additional copies of those two letters are attached to this one for your convenience.

Our primary comment on SB 53 and HB 63, which are apparently responses to the district court decision in Hebert, is that such legislation is not now necessary to preserve the superexclusive use area regulatory mechanism. Some sort of similar legislation may become necessary after a final appellate resolution of the Hebert case. However, at this point any responsive legislation seems premature. If such legislation is ultimately necessary or appropriate, it can be better fashioned after we have the benefit of the appellate court analysis and a final resolution of the issues involved. Although briefing has recently been completed before the Court of Appeals, oral argument has not yet been scheduled and we do not anticipate a Court of Appeals decision before this fall. The case could then go to the Alaska Supreme Court.

If these bills are to be pursued now, it is important that great care be taken to ensure that the language of the bills is neither unnecessarily broad in its effect nor violative of constitutional equal protection, commerce clause, and exclusive right of fishery principles. We have discussed our concerns with the legislative counsel who drafted the bill and have agreed in

Hon. Dick Eliason
Alaska State Legislature

February 27, 1987
Page 2

concept on language to narrow the effect of sec. 2 of the bill. That section currently amends the first sentence of AS 16.05.-251(e) as follows:

(e) The Board of Fisheries shall establish criteria for the allocation of fishery resources among personal use, sport, and commercial fishing users and groups of users....

We believe that a better, more narrow approach to more directly address the possible effects of an eventual adverse decision in the Hebert case would be similar to the following:

(e) The Board of Fisheries shall establish criteria for the allocation of fishery resources among personal use, sport, and commercial fishing and among groups of commercial fishermen within a fishery....

Please let us know if we can provide additional assistance if these bills are pursued further. Thank you for the opportunity to comment.

Sincerely,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By: 
Peter B. Froehlich
Assistant Attorney General

PBF:md

Enclosures

cc w/o enc.: Hon. John Binkley
Alaska State Senate

Hon. Lyman Hoffman
Alaska State House of Representatives

Hon. Don Collinsworth, Commissioner
Dept. of Fish and Game

Steven Pennoyer, Deputy Commissioner
Dept. of Fish and Game

Hon. Dick Eliason
Alaska State Legislature

February 27, 1987
Page 3

Roland Shanks, Special Assistant
Dept. of Fish and Game

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Assistant Attorney General
Juneau

Sarah E. McCracken
Assistant Attorney General
Anchorage

B.J. Jordan
Legal Text Editor
Juneau

SB 53

March 16, 1987

MAR 18 1987

Senator Arliss Sturgulewski
Senate
P. O. Box V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

In light of recent legislation, Senate Bill 53, an act relating to the allocation of fishery resources by the Board of Fisheries, I would like to point out some aspects of this legislation which may have not yet occurred to you and your fellow lawmakers.

First, there must be distinctions between the Board's authority in matters of commercial fisheries allocations and allocations between user groups. If legislators reword Title 16, to extend the Board's authority of regulation in commercial fisheries so to allow them to allocate between groups of commercial users, they better identify criteria altogether different than current criteria set out in Section 2 of A.S. 16.05.251(1-7). Much of this existing criteria is impertinent to commercial fisheries. Also criteria 2, 5 and 6 relating to residents and non-residents are potentially unconstitutional with regard to commercial fisheries. With limited entry there is the possible occurrence of discrimination against Alaska and out-of-state fishermen who have vested interests in a fishery which has many out-of-state permit holders.

Second, the Legislature must not forget that the Board of Fisheries is not the only regulatory authority over inshore commercial fisheries of Alaska. The C.F.L.E.C. also has the authority to pass regulations and exercise control over commercial fisheries.

Third, the Entry Commission has the authority to regulate numbers of permits in each fishery to preserve the social and economic well-being of commercial fisheries. The Board, on the other hand, has only the authority to conserve and develop fisheries for commercial use. The Board has no clear responsibility to social or economic condition among commercial group of users other than to conserve and develop the fisheries resources from which they draw. If the Board is to exclude or reallocate commercially used resources for the purpose of social or economic well-being, then there is clearly a conflict of regulatory authority between the Board and Entry Commission.

I am a commercial fisherman of 16 years in the State of Alaska and have fished across the State in many different salmon and herring fisheries. My family and I derive our income exclusively from my efforts as a fisherman. I also have considerable experience in matters of the Board of Fisheries and am at

March 16, 1987
Page Two

this point sorry to see the Board process at this impasse and unable to deal effectively with commercial fisheries issues. I am seriously concerned as I am sure you are over the state of turmoil which has surrounded the Board of Fisheries in recent years and would like to see the system stay intact and working again.

The events that led to total meltdown of the Board process last November, and to which you address Senate Bill 53, have stemmed from conflicting commercial gear groups quibbling over harvest of shared resources and one or the other groups need for an increased share to compensate social or economic hardships. Also, commercial gear groups in developing fisheries not yet economically impaired by over participation have lobbied the Board for exclusive area schemes designed to inhibit growth in their areas. This has caused considerable conflict between gear groups and has raised serious legal questions as to the Board's authority to make such allocation decisions.

This is not just a Board problem but also reflects inadequacies in other parts of the system, particularly the Limited Entry Commission. The Board of Fisheries and the Entry Commission are the two bodies which, through regulation, govern our in-shore commercial fisheries in Alaska. They are separate bodies but necessary to each other and the industry. Ultimately, these two bodies should provide a balance for regulation. The Board of Fisheries on one hand to regulate allocations between user groups (commercial, sport, subsistence, personal use), set seasons and determine means and methods by which users will harvest fisheries resources consistent to good conservation and sustained yield management. The Entry Commission on the other hand has the authority to monitor and regulate participation levels among commercial gear groups consistent to good conservation and sustained yield management and according to sound social and economic principles conducive to a healthy commercial fishing industry.

I would like to suggest that it is because of the inability of the Entry Commission to function to its fullest potential within its authority that the Board of Fisheries is unable to come to terms with adverse growth and economic conditions among commercial gear groups. Fishermen have no other recourse other than the Board process to which they can address growth and economic problems. Distressed gear groups consequently ask the Board to deliberate allocation adjustments and exclusive area schemes designed to perform functions the Entry Commission has the authority to perform.

March 16, 1987
Page Three

Title 16.43 gives the Entry Commission authority, but not the rules, to deal substantively with growth and distress among commercial groups. Present statute provides the Entry Commission with rules that limit only fully developed fisheries with levels of participation that impair or threaten the economic welfare of those fisheries. Statute stops short of providing the Entry Commission with programs that would provide gear reduction for economically distressed gear groups. Statute also fails to deal effectively with new and developing fisheries that require paced growth to protect the resource and economically dependent participants.

Possible solutions have been discussed and the Entry Commission has gone so far as to draft preliminary legislation for a legal and workable buy-back program (copy enclosed). I, personally, agree with the principles and mechanics of this proposal and support it or similar legislation. Commissioner Twomley has also expressed interest in exploring methods of providing developing fisheries such as A.Y.K. herring gillnet, in-shore longline and in-shore crab, fisheries with other controlled means of permitting. Discussions have included various methods of participation control by establishing moratorium fisheries which would pace growth conducive to protecting the resource and fishermen without the negative spinoffs of permanent limited entry as we know it under the current maximum number rules.

With such programs in place, the Entry Commission would have viable alternatives for commercial fishermen and many problems which they now look to the Board for solution. Unfortunately, the only alternatives the Board can offer are those of exclusion or relocation of resource. Short term, these solutions are as damaging to the excluded parties as they are beneficial to the included parties. Long term, it is this type of regulation that often socially and economically retard gear groups into one fishery dependency. Hopefully, once in place, sensitive issues of commercial allocation based on social and economic motivations would be dealt with in a more meaningful way outside the Board process. Our Board of Fisheries would then be more effective in deliberating regulation for conservation and development rather than shaky legal deliberations concerning social or economic well-being of commercial gear groups.

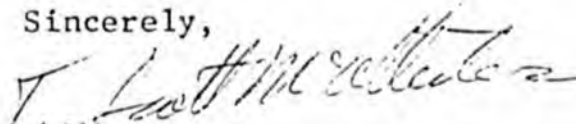
These concepts need investigation and much discussion to be understood before any clear direction for proper legislation can be taken. I would like to promote these ideas with you and your fellow lawmakers and caution that wholesale legislation granting the Board carte blanche authority in matters of commercial allocation will only serve to further confuse issues in the Board

March 16, 1987
Page Four

process and further inhibit the Board's ability to operate effectively within the scope of their present authority.

Thank you for your consideration in this matter. Hopefully we can get the process of fisheries regulation working again to provide the guidance for a healthy fishing industry for all Alaska.

Sincerely,



Thomas Scott McAllister
9156 North Douglas Highway
Juneau, Alaska 99801

TSM:pas



PO BOX 021186

(907) 586-8125

Juneau, Alaska 99802

"DEDICATED TO THE PROFESSIONAL FISHERMAN"

April 2, 1987

Honorable Lloyd Jones
Alaska Senate
Room 11
Juneau, Alaska 99801

Dear Senator Jones:

United Southeast Alaska Gillnetters (USAG) a regional association of 1000 members supports Senate bill 57 as a necessary clarification of the powers of the Board of Fisheries. The bill makes clear that the Board of Fisheries has the statutory power to allocate for beneficial purposes among different users within a single user group. For example, the Board has established different allocations of brook salmon among Southeastern trollers, gillnetters and seiners who are all members of the commercial user group. In practice, the Board has traditionally been making these kind of decisions in a great number of cases, but now as a result of a legal challenge, a judge in Nome has ruled that such a decision is beyond the Board's authority.

Some people are reading other notices into the purposed of this bill but they are missing the point. This is really only a house-keeping measure which defines the authority for the Board of Fisheries to do what it has always done that is, to allocate, as it has traditionally been making, the fishery resource within a user group. The Board of Fisheries is not a court and it is not a legislature but merely to ensure that the Board has the necessary authority to conduct its business. This is not the kind of bill that the western user groups are now arguing but every instance of a court or legislature that has ever made a resource allocation decision is subject to a legal challenge. The Board of Fisheries is not a court and it is not a legislature and it is not a court and it is not a legislature.

Thank you for considering our concerns

Sincerely,

Gerard Bruce

Gerard Bruce

Executive Director

cc: Senator Cognill, Chair
Senate Resources Committee

P. O. Box 924
Petersburg, AK 99833
April 1, 1987

Senator Lloyd Jones
P. O. Box V
Juneau, AK 99811

Dear Lloyd,


I am strongly opposed to HB53. This bill would give an appointed board the authority to allocate fish to or from certain groups with no accountability.

I am especially against the provision in this bill that would allow the Board of Fisheries to allocate fish based on area residency. Mr. Binkley's purpose with this bill is to give his constituents exclusive use of the herring near their villages. This exclusive-use system is not necessary for the biological management of the herring stocks.

If the area residency form of allocation in westward Alaska is allowed to stand, it could snowball throughout the state. Each village or town could plead dependancy on local stocks of fish and be granted exclusive use of local stocks by the Board of Fisheries.

The fisheries resources in the state belong to all the people of the state of Alaska and should be managed accordingly.

Sincerely,


Robert L. Swanson

I am strongly opposed to HB 53. this bill would give an appointed board the authority to allocate commercial fisheries resource to certain groups with no accountability.

I am particularly opposed to the provisions which would allow the Board of Fisheries to allocate commercial fish stocks based on area residency. It is quite obvious that Mr. Binkley's intent is to provide his constituents the exclusive right to commercially harvest the herring stocks which pass by their villages.

The successful management of Alaska's fisheries resource has been based on biological data and should continue to be managed solely in this manner. These commercial fishery resources belong to all the people of the State of Alaska, and not to certain special interest groups.

I have been a resident of Alaska all my life and I still believe that the area residency form of allocation of commercial fishery resources would be a dangerous and unfair way to interfere with the livelihoods of Alaskans. I feel the lobbying pressure would be far too great on the Board of Fisheries members and would result in a loss of integrity on their part.

In summary, I strongly feel Alaska's commercial fisheries resource should continue to be managed strictly by biological methods and that the fisheries resource in the State of Alaska belong to all the people of the State of Alaska and not just a select chosen few.

Thank you



John R. Swanson
P o Box 1546
Petersburg, Alaska 99833

P. O. Box 1363
Petersburg, AK 99833
March 31, 1987

Senator Lloyd Jones
P. O. Box V
Juneau, AK 99811

Dear Lloyd

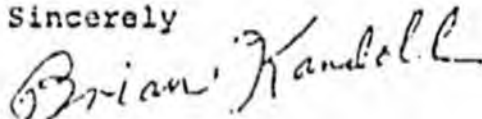
I am opposed to S.B. 53. This bill, as I see it, would give the Board of ~~Resources~~ powers that they were never intended to have. In effect, the board would be asked to manage a fisheries resource on the basis of where a person lives in relation to that resource.

We already have limited entry. It's not a perfect system, but it seems to be working reasonably well as far as managing the fishery stocks.

With this bill, the Board would have the power to manage people and would be able to say, "Since you live in this town or village, you are entitled to the fishery resources within so many miles of where you live."

It may seem like I'm reading a lot into this bill, but I believe that super-exclusive areas per village is where this bill will lead. I don't think that this would be a healthy fisheries policy-- it is close to welfare.

Sincerely



Brian W. Kandoll

cc Senate Resources



Official Business

Alaska State Legislature

House of Representatives

Special Committee on Fisheries

Pouch V
Juneau, Alaska 99811

Phone:
(907) 465-4924

DATE: March 12, 1986
TO: Members of the Fisheries sub Committee
FROM: Lee Goodman
SUBJECT: 1983 Fisheries Policy Task Force Report to Governor
Bill Sheffield

I have summarized and outlined the report that was done for Governor Sheffield by his Fisheries Policy Task Force. The report was a comprehensive look at the status of fisheries policy - or lack thereof - in the State four years ago. Some of the issues addressed in the report are dated, but many are as important, or more important than they were four years ago.

The new administration has expressed its desire and intention to form a comprehensive fisheries policy for the state. Several members have suggested that the subcommittee should be involved in that process, and should convene in working sessions to identify, discuss and perhaps make proposals towards formation of a comprehensive policy.

The attached document may be a useful guide in this process. If you are interested in being involved in this working group, please contact either Representative Hoffman or myself, and we will get started as soon as possible.

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BILL SHEFFIELD. June, 1983

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Outline of the FISHERIES POLICY TASK FORCE REPORT TO GOVERNOR
BILL SHEFFIELD. June, 1983

Part I, Statement of Findings.

- A. ECONOMIC SIGNIFICANCE OF COMMERCIAL SEAFOOD INDUSTRY. 7
WE CAN'T ASSUME A DIRECT CONNECTION BETWEEN THE ECONOMIC
MAGNITUDE OF THE INDUSTRY AND THE BENEFITS THAT IT
PRODUCES FOR THE CITIZENS OF THE STATE. MUST MEASURE
VALUE OF BENEFITS THAT LEAVE THE STATE TO SEE HOW MUCH
BENEFIT STAYS IN THE STATE.
- B. ECONOMIC AND RECREATIONAL SIGNIFICANCE OF SPORT FISHING 13
ACTIVITIES.
SPORT FISHING HAS GROWN INTO AN INDUSTRY OF INCREASING
ECONOMIC IMPORTANCE
- GOVERNMENT OFFICIALS RESPONSIBLE FOR REGULATING SPORT
FISHING HAVE NOT PRODUCED A PROGRAM THAT IS CAPABLE OF
MATCHING THE SUPPLY OF FISH TO THE DEMAND.
- ACCESS TO SPORT RESOURCES HAS NOT BEEN ADEQUATELY
DEVELOPED
- THERE HAS BEEN INADEQUATE EFFORT TO SUPPLEMENT NATURAL
STOCKS
- IT IS IMPORTANT TO IDENTIFY ACTIVITIES OF STATE 14
GOVERNMENT THAT ARE NECESSARY TO FULFILLMENT OF SPORT
FISH POLICY OBJECTIVES
- ADVERSARIAL ATTITUDES BETWEEN SPORT AND COMMERCIAL
FISHING ARE DETRIMENTAL TO BOTH CONCERNS
- C. EXAMINATION OF STATE'S HISTORICAL ROLE IN FISHERIES. 15
- RESPONSIBILITIES FIRST STATED IN STATE CONSTITUTION,
ARTICLE VIII, SECTIONS 1, 2, 3, 4, 15:
- LAYMANS INTERPRETATION:
- 1) STATE MUST INSURE MAINTENANCE AND PRESERVATION OF THE
FISHERY RESOURCES, THIS IS BIOLOGICAL FUNCTION,
- 2) STATE MUST INSURE THAT FISHERY RESOURCES ARE UTILIZED
TO PROVIDE MAXIMUM BENEFITS TO MAXIMUM PUBLIC INTEREST,
THIS IS ECONOMIC FUNCTION
- BECAUSE OF BIOLOGICAL AND ECONOMIC FUNCTION, THE TWO
DEPARTMENTS MOST INVOLVED IN FISHERIES ARE, FISH AND
GAME, AND COMMERCE AND ECONOMIC DEVELOPMENT. IN PUBLIC
PERCEPTION AT LEAST, FISH AND GAME SEEMS TO BE MAJOR
FISHERIES DEPARTMENT
- CONCERN FOR FISHERIES CONSERVATION WAS PARAMOUNT IN EARLY
YEARS. WITH ADVENT OF LIMITED ENTRY AND THE LOAN
PROGRAM, THE STATE BEGAN TO DEFINE A NEW ROLE FOR ITSELF

IN FISHERIES, THIS WAS AN ECONOMIC ROLE, AND ADDRESSED PROBLEMS OF DEVELOPING FISHERIES FOR UNDERUTILIZED SPECIES AND OF MARKETING.

THE FOLLOWING PROGRAMS RESULTED FROM THE INCREASE IN ECONOMIC EMPHASIS; 19

- LIMITED ENTRY, 1973
- HATCHERY ACT RESULTING IN P.N.P. HATCHERIES, 1974
- FISHERIES ENHANCEMENT LOAN PROGRAM, 1976
- C.F.A.B., 1978
- ALASKA RENEWABLE RESOURCES CORPORATION (NOW DEFUNCT), 1978
- FISHERIES INDUSTRIAL TECHNOLOGY CENTER, 1981
- A.S.M.I., 1981
- FISHERY PRODUCT REVOLVING LOAN GUARANTEE FUND, 1982.

THIS SHIFT IN EMPHASIS FROM CONSERVATION TO ECONOMIC PROGRAMS DID NOT OCCUR AS THE RESULT OF A COMPREHENSIVE ANALYSIS AND EVALUATION OF STATE FISHERIES ACTIVITIES.

WITH THE AMOUNT OF TIME AND MONEY BEING INVESTED IN FINANCING, MARKETING AND QUALITY CONTROL, IT IS IMPERATIVE THAT STATE FISHERIES PROGRAMS AND POLICY BE DEFINED AND STATED AND THAT THEY INCORPORATE SOCIAL AND ECONOMIC GOALS AND OBJECTIVES AS WELL AS BIOLOGICAL ONES. WHERE RESOURCES ARE BIOLOGICALLY SOUND, THIS IS THE PRIMARY PROBLEM. WHERE RESOURCE IS NOT BIOLOGICALLY SOUND, ECONOMIC PROBLEMS STILL EXIST. 20

"WHAT THEN IS THE PROPER FISHERY RESOURCE ROLE OF STATE GOVERNMENT IN TH 1980s? IT WOULD APPEAR FROM THE FOREGOING THAT IF THE STATE IS TO FULFILL ITS CONSTITUTIONAL RESPONSIBILITIES OF MANAGING ITS FISHERIES RESOURCES TO SERVE THE MAXIMUM PUBLIC INTEREST AND TO PROVIDE THE MAXIMUM BENEFIT TO THE PEOPLE, THEN IT MUST ADOPT A STATE FISHERIES POLICY THAT INCORPORATES BIOLOGICAL,S SOCIAL AND ECONOMIC GOALS, AND IT MUST REORGANIZE THE STRUCTURE OF STATE FISHERIES PROGRAMS SO AS TO FACILITATE THE EFFICIENT REALIZATION OF THOSE GOALS."

Part II, Organizational and Policy Recommendations

24

A. GENERAL STATEMENT.

1. A STATE FISHERIES POLICY MUST BE DEVELOPED AND IMPLEMENTED, INCLUDING A STATEMENT OF GOALS WITH BENEFITS DEFINED. POLICY MUST CONTAIN MEASURABLE OBJECTIVES.
2. A PLAN OF IMPLEMENTATION MUST BE DEVELOPED THAT DESCRIBES GOALS AND OBJECTIVES AND IDENTIFIES NEEDED MODIFICATIONS IN GOVERNMENTAL STRUCTURE.
3. AN INDIVIDUAL MUST BE GIVEN A POSITION OF AUTHORITY TO

ENSURE SUCCESSFUL IMPLEMENTATION OF STATE FISHERIES POLICY.

B. FISHERIES POLICY STATEMENT

26

PURPOSE OF FISHERIES POLICY IS TWOFOLD. FIRST, OBJECTIVE ARTICULATION IS NEEDED TO PREVENT THE VALUES OF PUBLIC OFFICIALS AND INDUSTRY LEADERS FROM EXPRESSING THEMSELVES IN THE FORM OF PROGRAMS THAT DO NOT PRODUCE THE DESIRED EFFECT. SECOND, FISH POLICY WILL BE A MANAGEMENT TOOL FOR CONTROLLING, EVALUATING AND DIRECTING ACTIVITIES OF STATE GOVERNMENT. FISHERIES POLICY MUST BE A WORKING DOCUMENT.

Goal Statement

"IT IS THE POLICY OF THE STATE OF ALASKA THAT THE GOAL OF ALL GOVERNMENT ACTIVITIES INVOLVED WITH OR RELATED TO THE FISHERY RESOURCES OF THE STATE SHALL BE TO PERPETUALLY PRODUCT THE MAXIMUM ECONOMIC AND SOCIAL BENEFITS FOR THE PEOPLE OF THE STATE."

27

THE PROPER ROLE OF GOVERNMENT IS TO FACILITATE THE PERPETUAL PRODUCTION OF BENEFITS FOR PEOPLE. FISHERY ACTIVITIES OF STATE GOVERNMENT MUST THEREFORE CONTRIBUTE TO THE PRODUCTION OF THOSE BENEFITS.

Example Statement of Objectives and Activities

"IT IS THE INTENT AND PURPOSE OF THE STATE OF ALASKA TO:"

29

1. INCREASE THE NUMBER OF ALASKANS WHO PARTICIPATE IN HARVEST OF STATE'S FISHERY RESOURCE FROM ___ TO ___ THROUGH:

- a. A commercial fishing loan program.
- b. Others?

2. INCREASE INVESTMENT IN THE PROCESSING AND MARKETING SECTORS OF THE INDUSTRY FROM ___ TO ___ TO MAXIMIZE BENEFITS AND INVOLVEMENT TO ALASKANS THROUGH:

- a. Program for long term financing.
- b. A tax incentive program to encourage investment Alaskan owned facilities.

3. INCREASE HARVESTING AND PROCESSING BY ALASKANS OF THE RESOURCES IN FCZ FROM ___ TO ___ THROUGH

- a. loan programs for vessel conversions
- b. programs to provide markets for Alaskans
- c. phase-out of foreign fishing and processing
- d. Others?

4. INCREASE ANNUAL INVESTMENT IN MODERNIZATION OF PROCESSING FACILITIES FROM ___ TO ___ THROUGH:

- a. loan programs
- b. tax incentive
- c. others?

5. INCREASE INVESTMENT IN QUALITY IMPROVEMENT FROM ___ TO ___ THROUGH:

- a. Program of minimum quality standards for seafoods.
- b. Voluntary premium quality label program.
- c. Tax incentive program
- d. Loan program
- e. Others.

6. INCREASE EMPLOYMENT OF ALASKANS IN THE INDUSTRY FROM ___ TO ___ THROUGH:

- A. Educational programs to train Alaskans in food technology., business, marketing.

7. INCREASE THE QUANTITY OF FISHERY RESOURCES AVAILABLE FOR HARVEST BY ALASKANS FROM ___ TO ___ THROUGH:

- a. educational programs to skills of resource managers
- b. stock assessment programs to create a data base
- c. aquaculture programs to increase the harvestable number of salmon
- d. shellfish research programs to increase knowledge available to biologists
- e. others?

8. INCREASE CONSUMPTION OF ALASKAN SEAFOOD THROUGHOUT THE WORLD FROM ___ TO ___ THROUGH:

- a. expansion of ASMI
- b. adoption of a quality control program.
- c. others?

9. INCREASE THE QUANTITY OF FISHERY RESOURCES AVAILABLE TO SPORT FISHERMEN FROM ___ TO ___ THROUGH:

- A. Aquaculture of king and coho salmon.
- b. access to fishery resources through public acquisition of waterfront lands and construction of ramps etc.
- c. others

THE FOREGOING IS AN EXAMPLE OF THE STRUCTURE AND CONTENT OF OF THE DOCUMENT NEEDED FOR A COMPREHENSIVE REVIEW OF PROGRAMS PRIOR TO THE NEXT STATE BUDGET. AS WITH BUDGETING, POLICY REVIEW SHOULD BE AN ON-GOING ACTIVITY.

33

AGAIN, A FISHERIES POLICY COUNCIL IS NEEDED TO PROVIDE GOVERNMENT WITH INFORMATION OF SUCCESS AND FAILURE OF EXISTING PROGRAMS AND THE NEED FOR NEW PROGRAMS.

C. SPECIFIC ORGANIZATIONAL RECOMMENDATIONS

34

EXISTING PROGRAMS HAVE BEEN FOUND TO BE SUFFERING FROM A LACK OF COORDINATION, DEPARTMENTAL COOPERATION AND OVERALL MANAGEMENT.

IT IS THEREFORE RECOMMENDED THAT THE PRESENT STRUCTURE OF STATE PROGRAMS BE MODIFIED TO INCLUDE:

1. A FISHERIES POLICY ADVISORY COUNCIL
2. A SPECIAL STAFF ASSISTANT FOR FISHERIES IN THE GOVERNORS OFFICE

FISHERIES POLICY COUNCIL

IT IS IMPORTANT THAT RELATIONSHIP BETWEEN PUBLIC AND PRIVATE SECTORS BE ONE OF MUTUAL COOPERATION, COUNCIL WOULD PROVIDE A FORUM FOR GOVERNMENT-INDUSTRY INTERACTION.

ACTIVITIES OF THE COUNCIL WOULD COMPLEMENT, NOT DUPLICATE THE ACTIVITIES OF THE BOARD OF FISH.

THE COUNCIL WOULD ASSIST THE BOARD AND THE DEPARTMENT BY IDENTIFYING PROBLEMS WITH LONG TERM RAMIFICATIONS AND SUGGESTING POLICIES FOR SOLUTIONS

COUNCIL WOULD BE ADVISORY TO THE GOVERNOR. IT IS ESSENTIAL PART OF STATE'S FISHERIES MANAGEMENT SYSTEM.

SPECIAL STAFF ASSISTANT FOR FISHERIES

WILL SERVE AS LINK BETWEEN INDUSTRY INTERESTS, COMMISSIONERS, AND GOVERNOR.

35

MUST HAVE AUTHORITY TO INSURE INTERAGENCY COORDINATION AS PART OF THE GOVERNMENTAL PROCESS

Part III. Committee Reports

38

COMMITTEE FOR DEVELOPING AND STABILIZING ALASKA'S FISHING INDUSTRY.

GOAL

OPTIMUM DOMESTIC UTILIZATION OF ALL HARVESTABLE FISHERY RESOURCES WITHIN ALASKAN WATERS AND ADJACENT FCZ.

GOAL ENCOMPASSES NOT ONLY THE DOMESTIC DEVELOPMENT OF UNDERUTILIZED SPECIES, BUT ALSO DIVERSIFICATION OF EXISTING FULLY UTILIZES SPECIES INTO VALUE-ADDED PRODUCTS.

40

OVERVIEW OF THE INDUSTRY

41

LARGEST PRIVATE EMPLOYER. INDUSTRY IMPACT EXTENDS BEYOND COMMUNITIES AND PEOPLE DIRECTLY INVOLVED IN THE INDUSTRY.

THIS IS A VERY VOLATILE ECONOMIC BASE. IT IS BOOM AND BUST. FLUCTUATIONS IN RESOURCE, EXCHANGE RATE, AND MARKETS CAUSE FLUCTUATIONS IN EMPLOYMENT AND INCOME. THE RESULT IS ECONOMIC INSTABILITY SO LONG TERM PLANNING IS HINDERED.

INDUSTRY SUFFERS FROM LACK OF A SOUND FINANCIAL BASE, AND SO IS LESS ABLE TO WEATHER DIFFICULT ECONOMIC TIMES. PROCESSING SECTOR IS HEAVILY DEBT FINANCED, CAUSING INSTABILITY IN THE ENTIRE INDUSTRY.

FINANCIAL STABILITY DEPENDS UPON DIVERSIFICATION. DIVERSIFICATION IS NEEDED TO OVERCOME BOOM AND BUST HISTORY.

STABILITY AND DIVERSIFICATION ARE THUS LINKED AND BECOME THE PRIMARY FOCUS OF THE TASK FORCE.

ROLE OF GOVERNMENT

ROLE OF GOVERNMENT SHOULD BE TO COMPLEMENT AND SUPPORT THE NEEDS AND ACTIONS OF INDUSTRY AS THEY RELATE TO SPECIFIC DEVELOPMENT GOALS AND NEEDS. 44

GOVERNMENT HAS NOT ACTED TO SMOOTH THE COURSE OF PRIVATE INDUSTRY, NOR DOES IT UNDERSTAND THE NEEDS OF PRIVATE INDUSTRY. FOR GOVERNMENT TO ASSIST THE FISHING INDUSTRY IT MUST UNDERSTAND THE PROBLEMS IN THE INDUSTRY.

COMMERCE AND ECONOMIC DEVELOPMENT

THE PROGRAMS UNDER DCED HAVE BEEN REMARKABLE IN THEIR LACK OF DIRECTION, IMAGINATION, COMMITMENT AND ACCOMPLISHMENTS. 46

APPOINTMENTS TO DCED TRADITIONALLY HAVE LITTLE INDUSTRY EXPERIENCE IN FISHERIES.

SEAFOOD INDUSTRY OCCUPIES AN INSIGNIFICANT ROLE IN DCED AFFAIRS.

OFFICE OF COMMERCIAL FISHERIES DEVELOPMENT

OFFICE HAS NOT PRODUCED TO ITS EXPECTATIONS AND NEEDS OF THE INDUSTRY. THIS IS LARGELY BECAUSE OF ITS BEING USED AS A POLITICAL FOOTBALL, BY THE LACK OF COORDINATION AND BY LACK OF APPROPRIATE GOALS AND ERRATIC FUNDING. 47

IT IS RECOMMENDED THAT A DIVISION RATHER THAN AN OFFICE CONDUCT BUSINESS OF FISHERIES DEVELOPMENT.

ASMI

ASMI DESERVES ACCOLADES. ASMI FUNDING SHOULD BE INCREASED. ASMI NEEDS TO EMPHASIZE WHITE FISH MARKETING. 48

ADF&G

ADF&G MANAGES ON BIOLOGICAL CONSIDERATIONS. IT IS RECOMMENDED THAT THERE BE A FISHERIES DATA AND RESEARCH BANK FOR USE BY ALL GOVERNMENT AGENCIES. THIS WOULD BIO-ECONOMIC MANAGEMENT. LABOR AND COMMERCE, ECONOMIC DEVELOPMENT AND ENTRY COMMISSION WOULD ALSO CONTRIBUTE AND BENEFIT BY SUCH A SOURCE. 49

LACK OF ADF&G FUNDING MEANS LITTLE MONEY IS AVAILABLE FOR RESEARCH ON DUS (DOMESTIC UNDERUTILIZED SPECIES). RESULT IS LITTLE ENTRY INTO THESE FISHERIES.

ADF&G MUST INCREASE FORECAST ACURACY TO STABILIZE INDUSTRY.

ADF&G SHOULD TAKE AN "ECOSYSTEM" APPROACH TO BIOLOGICAL MANAGEMENT.

MAXIMIZING ALASKAN INVOLVEMENT IN AND BENEFITS FROM DEVELOPMENT OF UNDERUTILIZED RESOURCES.

52

U.U. SPECIES ARE HARVESTED IN THE FCZ BY FOREIGN AND JOINT VENTURE FLEETS.

POTENTIAL IMPACT INCLUDES THOUSANDS OF JOBS.

ECONOMIC STABILITY FOR ALASKAN COMMUNITIES WOULD RESULT FROM DOMESTIC UTILIZATION OF THE RESOURCES.

MAIN IMPEDIMENTS ARE A LACK OF PROCESSING CAPACITY AND DOMESTIC MARKETS, INADEQUATE INFRASTRUCTURE, LACK OF DATA, LACK OF TECHNICAL EXPERTISE AND OF COST OF LABOR OVERHEAD.

NORWEGIANS PLACED PRIMARY EMPHASIS ON PORT AND HARBOR DEVELOPMENT WHEN DEVELOPING BOTTOMFISH INDUSTRY. THEY ASSUMED THAT DEVELOPMENT OF A FISHING INDUSTRY WOULD FOLLOW DEVELOPMENT OF FACILITIES.

PORTS AND HARBORS ARE NEEDED AS WELL AS FUEL STORAGE, TRANSPORTATION NETWORK WAREHOUSES, ETC.

COMMITMENT OF SHEFFIELD ADMINISTRATION TO MAXIMIZE BENEFITS TO THE STATE FROM FISHING ACTIVITY IN THE WATERS OFF ALASKA.

56

NEW ADMINISTRATION SHOULD MAKE A STRONG PLEDGE TO WORK TO ENSURE THE STABILITY OF FISHING INDUSTRY. A REORGANIZATION AND UPGRADING OF THE VARIOUS FISHERIES PROGRAMS THAT ARE SCATTERED THROUGH NUMEROUS DEPARTMENTS WOULD CONFIRM THIS COMMITMENT.

DEVELOPMENT OF FISH AND CHIPS POLICY

57

IT IS CRITICAL TO THE INDUSTRY DEVELOPMENT THAT EXPLOITATION OF THE RESOURCE BE USED AS A TOOL FOR THE DOMESTIC DEVELOPMENT OF THE INDUSTRY ITSELF, BUT NOT IN EXCHANGE FOR OTHER TRADE CONCESSIONS.

A SIMILAR POLICY SHOULD BE DEVELOPED ON BEHALF OF THE STATE. THE STATE SHOULD DEMAND A QUID PRO QUO FOR INVOLVEMENT BY VARIOUS "SER GROUPS.

A TEAM OF STATE PERSONNEL SHOULD DEVELOP A LONG-TERM FISH AND CHIPS POLICY POSITION FOR THE STATE.

JOINT VENTURE AND FOREIGN PROCESSING

NPFMC MANAGEMENT AND ALLOCATION DECISIONS HAVE A LARGE EFFECT UPON THE DEVELOPMENT OF THE DOMESTIC INDUSTRY. NPFMC HAS THE AUTHORITY TO MAKE ALLOCATION DECISIONS THAT WOULD POSITIVELY IMPACT DOMESTIC DEVELOPMENT.

59

THE UNCONTROLLED GROWTH OF JOINT VENTURES MAY SERVE AS AN IMPEDIMENT TO THE DEVELOPMENT OF A DOMESTIC INDUSTRY. THE DOMESTIC INDUSTRY SHOULD INCLUDE REQUIREMENTS THAT THE FOREIGN PARTICIPANTS: ENGAGE IN, COOPERATIVE MARKETING ARRANGEMENTS, PURCHASE A POUNDAGE OF WHITEFISH FROM DOMESTIC OPERATIONS, UTILIZE AMERICAN LABOR. A JOINT VENTURE POLICY THAT DELINEATES THE RANGE OF J.V. OPERATIONS IN ORDER OF PREFERENCE SHOULD BE ESTABLISHED BY THE NPFMC.

RECOMMENDATION

A TEAM OF STATE PERSONNEL AND INDUSTRY REPRESENTATIVES NEEDS TO DEVELOP AND INTERIM POLICY POSITION OF THESE TWO IMPORTANT QUESTIONS WITHIN THE IMMEDIATE FUTURE. ALSO, AN ON-GOING EFFORT MUST CONTINUE IN ORDER TO DEVELOP A LONG-RANGE POSITION FOR THE STATE. THE POLICY POSITION FOR THE STATE MUST BE COORDINATED WITH THE NPFMC AS WELL AS WITH THE U.S. DPT. OF COMMERCE AND STATE AND OUR CONGRESSIONAL DELEGATION. SUCH A POSITION MIGHT WELL MIRROR THAT TAKEN BY THE NEW ENGLAND AND MID-ATLANTIC MANAGEMENT COUNCILS. (see appendix C.)

FOREIGN FISHING IN FCZ

THE PHASE OUT OF FOREIGN FISHING WITHIN THE EEZ OVER THE NEXT FIVE YEARS IS ENCOURAGED. SENATOR STEVEN'S CONCEPT OF THE EXCLUSIVE ECONOMIC ZONE IS SUPPORTED.

63

COMPREHENSIVE FISHERIES RELATED DATA BANK

DATA IS NEEDED FORM BIOLOGICAL INFORMATION, ECONOMIC AND SOCIAL IMPACT INFORMATION. DATA SHOULD BE CENTRALLY ACCESSIBLE.

64

A COMPREHENSIVE DATA BANK SHOULD BE DESIGNED USING FISHERIES DEVELOPMENT MONIES. THIS PROGRAM COULD BE DEVELOPED WITH KNOWLEDGE AND EXPERTISE OF ADF&G, CFEC, ASMI, NMFS AND U.OF AK.

STATEMENT OF NEED FOR DOMESTIC AT SEA PROCESSING

IT IS NEITHER ECONOMICALLY REALISTIC NOR ADVISABLE FOR BOTTOMFISH DEVELOPMENT TO BE EXCLUSIVELY SHOREBASED. A SIGNIFICANT OFFSHORE PROCESSING FLEET IS DESIRABLE. IT IS IN THE BEST INTEREST OF THE STATE TO RECOGNIZE THE VALUE OF A FLOATING PROCESSING FLEET.

65

RECOMMENDATION

STATE, FEDERAL GOVERNMENT AND INDUSTRY SHOULD PLACE SIGNIFICANT EMPHASIS ON INFRASTRUCTURE DEVELOPMENT,

INCLUDING DOCKS, HARBORS, REDUCTION FACILITIES,
WAREHOUSES, FUEL STORAGE, ETC.

ENCOURAGE SECONDARY PROCESSING VALUE-ADDED PRODUCTS

66

SECONDARY PROCESSING IS TRADITIONALLY PERFORMED IN THE LOWER 48. SECONDARY PROCESSING REPRESENTS AN ADDITIONAL OPPORTUNITY TO STABILIZE THE INDUSTRY AND MAXIMIZE THE BENEFIT OF THE INDUSTRY TO ALASKA.

RECOMMENDATIONS

- THE RAW FISH TAX BE REDESIGNED TO GIVE INCENTIVES TO PRIVATE INDUSTRY TO DIVERSIFY AND DEVELOP NEW PRODUCTS.
- LONG-TERM LOW-INTEREST LOANS AND TAX INCENTIVES BE ALLOWED FOR ALASKAN SEAFOOD PROCESSING AND MARKETING MODERNIZATION.
- TAX INCENTIVES FROM MARINE FUEL TAX CREDITS, AND LOW-INTEREST LOANS BE PROVIDED TO HARVESTERS OF UNDERUTILIZED SPECIES.
- TAX ON FOREIGN FISH HARVESTS IN FCZ WATERS SHOULD BE INCREASED.

EXPANDED FISHERIES EXPORT EFFORT

69

A SEAFOOD EXPERT SHOULD BE PLACED IN THE ALASKA ASIAN OFFICE WITH SIGNIFICANT TRAVEL BUDGET.

THE STATE MUST RENEW ITS EFFORT AND PRESENCE IN EUROPE.

STATE SHOULD CONTINUE TO WORK TO ACCOMPLISH THE JOINT INTERNATIONAL TRADE PROGRAM WITH U.S. INTERNATIONAL TRADE ADMINISTRATIONS.

TRAINING AND RESEARCH AND DEVELOPMENT PROGRAMS

71

THESE PROGRAMS ARE ESSENTIAL TO MINIMIZE THE ECONOMIC RISKS. ENGLAND, NORWAY, ICELAND AND JAPAN HAVE EDUCATION AND RESEARCH AND DEVELOPMENT PROGRAMS OF INDUSTRY MEMBERS. THE MAJORITY OF SEA GRANT MONIES ARE COMMITTED TO THE U. OF WASHINGTON. MORE OF THIS MONEY SHOULD BE DIRECTED TO DEVELOPING THE FISHERIES OF THE NORTH PACIFIC.

PROGRAMS SHOULD BE COORDINATED WITH AFDF, NMFS, AND THE (PROPOSED) FTC IN KODIAK.

UNIVERSITY SHOULD MAKE AN EFFORT TO WIN A LARGER SHARE OF THE SEA GRANT MONEY.

SUMMATION

72

THE HEALTH OF ALASKA'S FISHING INDUSTRY HINGES ON STABILITY, DIVERSIFICATION AND DEVELOPMENT. IT IS TIME TO BRING OUR RESOURCE HOME FOR OUR OWN BENEFIT.

I. ALASKA RESOURCES CORPORATION

84

RECOMMENDATION

ARC SHOULD CEASE TAKING OVER FAILING COMPANIES AND THEIR SELECTION PROCESS SHOULD BE TIGHTENED. ARC'S ROLE SHOULD BE REDEFINED, AND ARC SHOULD PHASE OUT OWNERSHIP ONCE THE VIABILITY OF THE COMPANY HAS BEEN ESTABLISHED.

II. INTERNATIONAL TREATIES

85

TREATY AGREEMENTS HAVE NOT BEEN FAVORABLE TO ALASKA'S INTERESTS. THERE IS NO APPARENT STATE POLICY IN ANY EXISTING OR FUTURE TREATY NEGOTIATIONS.

RECOMMENDATIONS

- THE STATE SHOULD FORM A FIRM NEGOTIATING POSITION IN TREATY SITUATIONS;
- FISHING INDUSTRY MEMBERS SHOULD BE INVOLVED IN DEVELOPING ALASKA'S POSITIONS AND MONITORING NEGOTIATIONS,
- A FISHERY PRESENCE SHOULD BE CREATED IN D.C. BY ADDING A FISHERIES POSITION UNDER JOHN KATZ.
- TREATY POSITION SHOULD BE TO MAXIMIZE THE BENEFITS TO THE ALASKA SEAFOOD INDUSTRY.
- ALASKA POSITION ON TREATIES BE COMMUNICATED TO COUNCILS, COMMISSIONS, BOARDS, AND OTHER ENTITIES.
- CONGRESSIONAL DELEGATION AND INDUSTRY OFFICIALS SHOULD AGREE ON AND SUPPORT ALASKA POSITION.
- TREATIES SHOULD BE PROCESSED THROUGH A CENTRAL POSITION SUCH AS GOVERNORS FISH ADVISOR.
- BENEFITS FROM COMPLIANCE FROM TREATIES SHOULD BE DEFINED FOR ALASKANS.
- TREATIES SHOULD INCLUDE A RENEGOTIATION CLAUSE FOR ALASKANS TO ADJUST TO UNANTICIPATED EVENTS.

III. INTERNATIONAL NORTH PACIFIC FISHERIES COMMISSION

87

INPFC DOES NOT COORDINATE WELL WITH STATE AND OTHER REGULATORY AGENCIES. APPOINTMENTS ARE MADE BY FEDERAL GOVERNMENT, WITH ALASKA HAVING NO FORMAL CONTROL OVER THE ACTIVITIES OF THE INPFC.

RECOMMENDATIONS

- THE STATE SHOULD HAVE A WORKING RELATIONSHIP WITH THE INPFC.
- THE STATE SHOULD MAKE INFORMAL RECOMMENDATIONS FOR APPOINTMENTS TO THIS BODY.
- GOVERNORS FISH ADVISOR SHOULD DISCUSS THE ALASKAN POSITIONS WITH MEMBERS OF THE INPFC BEFORE MEETINGS.
- INPFC SHOULD BE REQUESTED TO FORMULATE REGULATIONS TO ELIMINATE THE INTERCEPTION OF ALASKA STOCKS BY JAPANESE HIGH SEAS FLEETS.
- ALASKA SHOULD ASK STATE DPT. TO RENEGOTIATE INPFC CONVENTION FOR A BAN ON FOREIGN HIGH SEAS SALMON FISHERIES.
- THE STATE SHOULD ALLOCATE A LARGER PORTION OF CAPITAL AND OPERATIONAL BUDGETS TO FISHERIES PROGRAMS.

89

IV. BUDGET

THERE IS A LACK OF COORDINATION AMONG PROGRAMS AND LACK OF RESOURCE INVESTMENT IN THE FUTURE ECONOMIC DEVELOPMENT OF FISHERIES. THE BUDGET PROCESS IS INSULATED FROM PUBLIC INPUT.

RECOMMENDATIONS

- INDUSTRY REPRESENTATIVES SHOULD PARTICIPATE IN POLICY FORMULATION, INCLUDING OBJECTIVES AND ACTIVITIES FOR DETERMINING BUDGET PRIORITIES.
- MORE EFFORT AND FUNDING BE EXPENDED FOR RESEARCH THAT EXPANDS THE RESOURCE KNOWLEDGE OF FISHERIES MANAGERS.
- BUDGETS FOR FISHERIES AGENCIES SHOULD HAVE GOALS AND OBJECTIVES STATED.
- FISH PROGRAMS SHOULD REALLOCATE RESOURCES TOWARDS ACTIVITIES WHICH MOST BENEFIT ALASKAN FISHERIES.

V. COMMERCIAL FISHERIES DIVISION MANAGEMENT

91

MANAGEMENT METHOD OF COMMERCIAL FISHERIES DIVISION HAS AGGRAVATED FLUCTUATION OF FISHERY STOCKS. THERE ARE THREE CAUSES OF THIS.

- 1) LACK OF KNOWLEDGE OF THE RESOURCES
- 2) A PURELY BIOLOGICAL APPROACH TO FISHERIES MANAGEMENT, NEGLECTING SOCIAL AND ECONOMIC FACTORS.
- 3 THE DEPARTMENT AND DIVISION EMPHASIZES MANAGEMENT OVER ALL OTHER CONSIDERATIONS, AT THE COST OF BIOLOGICAL KNOWLEDGE.

RECOMMENDATIONS

A THOROUGH REVIEW OF MANAGEMENT PRACTICES AND PERSONNEL OF ADF&G IS NEEDED.

VI TAXATION

REVENUES ARE GENERATED BY THE ASMI TAX, NON-PROFIT AQUACULTURE TAX, AND RAW FISH TAX. MANY LOCAL GOVERNMENTS ARE IMPOSING A TAX ON RAW FISH SALES. THE CURRENT TAXING STRUCTURE DOES NOT ENCOURAGE ALASKA-BASED OPERATIONS NOR DEVELOPING FISHERIES.

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RECOMMENDATIONS

- THE STATE SHOULD EVALUATE THE EXISTING FISHERIES RELATED TAXING PROGRAMS, AND DISTRIBUTION OF THE TAXES.
- THE STATE SHOULD CONSIDER A TAX INCENTIVE PROGRAM. ALASKA TAXING PROGRAM SHOULD ENCOURAGE INCREASES IN SHORE-BASED OPERATIONS OF ALL KINDS.

VII. OFFICE OF COMMERCIAL FISHERIES DEVELOPMENT

95

A LARGE NUMBER OF SMALL PROGRAMS IN EXISTENCE ARE NOT ADDRESSING THE NEEDS OF THE INDUSTRY. SPECIFIC DIRECTION IS NEEDED.

RECOMMENDATIONS

"SUNSETTING" THE PROGRAM WAS CONSIDERED, BUT RATHER IT IS RECOMMENDED TO REORIENT THE PROGRAMS INTO A FEW THAT DIRECTLY ADDRESS THE NEEDS OF THE INDUSTRY.

VIII. ALASKA SEAFOOD MARKETING INSTITUTE

96

ASMI HAS MADE A CONTRIBUTION TO SALES AND PUBLIC AWARENESS OF ALASKA SEAFOOD.

RECOMMENDATIONS

- THE STATE SHOULD DEVOTE MORE DOLLARS TO GENERIC PROMOTION THROUGH ASMI
- THE INDUSTRY COMPOSITION OF ASMI MUST BE MAINTAINED
- THE DOLLAR ALLOCATION BY SPECIES SHOULD BE CONDUCTED WITH THE INTENTION OF PROMOTING DEVELOPING FISHERIES PRODUCTION.
- ASMI SHOULD CONTINUE PROMOTING QUALITY IMAGE.

IX. EDUCATION

97

THE UNIVERSITY IS NOT ADEQUATELY ADDRESSING THE STATES FISHERIES.

RECOMMENDATIONS

- THE UNIVERSITY SHOULD OFFER A GREATER VARIETY OF PROGRAMS ON VARIOUS FACETS OF FISHERIES. THERE SHOULD BE MORE ECONOMIC ANALYSIS, MORE SCIENCE AND TECH., AND MORE INDUSTRY MANAGEMENT EMPHASIS.
- UNIVERSITY ADMINISTRATORS SHOULD WORK WITH THE FISHERIES POLICY COUNCIL IN PLANNING RESEARCH PROGRAMS.

X. RESEARCH

99

RESEARCH IS CENTRAL TO MAXIMIZING BENEFITS TO ALASKANS AND IN GIVING ALASKAN FISHERIES A LEVEL OF STABILITY.

RECOMMENDATIONS

- THE ADMINISTRATION SHOULD INSTRUCT ADF TO REORIENT BUDGETS TO INCLUDE MORE HARD SCIENTIFIC RESEARCH. TRADITIONALLY RESEARCH HAS ONLY BEEN GIVEN PRIORITY IN CRISIS SITUATIONS.
- MORE RESEARCH IS NEEDED IN THE FOLLOWING AREAS
 - 1) Migratory research
 - 2) Ocean condition research
 - 3) Habitat research
 - 4) Stock origin research
 - 5) Reproduction and life cycle research
 - 6) Ecosystem research. This is needed to bring management by ADF&G the beyond single species approach.
 - 7) University - based research
 - 8) The state should allocate research funds for the purpose of improving forecasting accuracy.

XI. DOMESTIC AND INTERNATIONAL FISHERIES ADVISOR

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