



Alaska State Legislature
House

HOUSE RESOURCES COMMITTEE

Alvin Osterback, Chairman

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Juneau, Alaska 99801
(907) 465-3715

19 April 1977

Jim Branson, Executive Director
North Pacific Fisheries Management Council
Box 3136 DT
Anchorage, AK 99510

Dear Jim,

Please find enclosed the Research Proposal for the Interim Resources Committee on the 200-mile limit.

I would like you to return comments to me as soon as possible. We will be hiring a consultant firm to help the Committee with research. Your comments will be helpful to us in refining the Proposal so we can decide just exactly what areas have already had considerable research and what areas still need to be researched.

I would also appreciate receiving any reports, studies, or other publications you have on different areas covered herein.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Alvin Osterback".

Rep. Al Osterback, Chairman
House Resources Committee

Enclosure

AO:jn



R E S O U R C E S

I N T E R I M C O M M I T T E E

200 MILE LIMIT RESEARCH PROPOSAL

Rep. Alvin Osterback, Chairman
House Resources Committee

Table of Contents

I.	Existing Situation & Potential	Page 1
II.	Proposed State Objectives	3
III.	Economic Feasibility Analysis	4
IV.	Problem Areas for Alaska	5
	A. Harvesting	5
	B. Marketing	6
	C. Financing	7
	D. Management	8
V.	Pilot Projects	9
VI.	Public Hearings	10
VII.	Committee Products	11

R E S O U R C E S

I N T E R I M C O M M I T T E E

I. EXISTING SITUATION & POTENTIAL

First, let us look at what bottomfish stocks are in the Alaskan waters and how much is being harvested by Alaskan Fishermen. Page 2 shows a comparison of "Sustainable Yield" and "Present Domestic Harvest."

<u>Import - Export Market</u> ¹	<u>Annual Figures</u>
U.S. net balance of payment for fish products (Imports - exports = net payout)	\$ 1.3 billion
If the U.S. would utilize all resources of the 200 mile zone, this figure would become a net income of . . .	\$ 6.6 billion
(Net gain of \$ 7.9 Billion)	
For comparison, wheat export revenues are	\$ 3.9 billion
The U.S. now pays Korea for imported Pollack caught in Alaskan 200 mi. zone	\$ 27 million
If Alaskan fishermen caught all the Pollack the total revenue would be	\$ 6.64 million
(Net gain of \$33.64 million in Pollack alone)	
U.S. sales of seafood exports:	
Present	\$ 2.7 billion
Utilizing 200 mile limit	\$ 12 billion
(Net gain of \$9.3 billion or 344%)	
Pacific Northwest, including Oregon & Washington (Most of the Coastal miles are Alaska, though)	
Present catch	.25 billion lb.
Utilizing 200 mile limit, by 1985 this catch could be . . .	6.6 billion lb.

¹ Statistics received from New England Fish Co.

FISHERIES ¹

Species	Sustainable Yield	Present Domestic Harvest
Salmon	> 100,000,000 fish ²	33,000,000 fish ³
	(Millions of Pounds) (MM LB.)	
King Crab	114	97.6
Tanner Crab opilio bairdi	333.0 140.0	0 64.0
Dungeness Crab	~5	3
Scallops	~1	1
Shrimp	125	99
Clams	50	0.23
Pollock	3,400.0	near 0
Pacific Ocean Perch	> 517	near 0
Yellowfin Sole	233.2	near 0
Rockfish	16.5	0.2
Flounders	313.5	near 0
Sablefish	83.6	2.4
Cod	200	0.4
Atka Mackerel	48.4	near 0
Halibut	<49.5> being harvested	<18.0>
Squid	22.0	near 0
Herring	<200> being harvested	<35.1>
Others (snails, capelin, etc.)	?	near 0

Eastern Bering Sea only -

BOTTOMFISH

¹ From 1975 Department of Fish and Game statistics and final environmental impact statements of the U.S. Department of Commerce, NOAA, National Marine Fisheries Service, January, 1977.

² 100,000,000 salmon represents the highest five year average domestic catch and is also the present target figure of the Department of Fish and Game

³ 1975 domestic harvest was 26.2 million pounds.

II. PROPOSED STATE OBJECTIVES

Alaska should capture and market the marine resources of the 200 mile limit zone on a sustained yield basis and return the profitability of that resource harvest to the People and the State of Alaska.

- A. The Committee's first task will be a general economic feasibility analysis of the proposed objective to determine the feasibility of achieving the objective.
- B. The Committee's second task will be to analyze alternative goals and strategies to achieve the objective of moving the Alaskan economic sector into the 200 mile zone marine harvest. This will necessarily entail a detailed analysis of the problem areas of harvesting, marketing, financing, and marketing.
- C. The Committee's third task will be to analyze existing industry and develop proposed pilot projects to test out the ideas and alternatives developed by the Committee.
- D. Finally, as an end product the Committee will make recommendations on the following by January 1978:
 - 1. State Role (if any) in developing the marine resources of the 200 mile zone.
 - 2. Federal Role (if any) in developing the marine resources of the 200 mile zone.
 - 3. Specific State and Federal legislation and programs needed to implement the overall objective.
 - 4. Further study areas.

III. ECONOMIC FEASIBILITY ANALYSIS

The Resources Interim Committee will determine if an Alaskan industry utilizing the 200 mile zone can compete economically with the foreign fleets, addressing the following items.

- A. Will the Domestic consumer be able to buy the product at a price competitive with imported products?
- B. How will Alaskan bottomfish products compete on the foreign markets?
- C. The foreign fleets (Koreans, Japanese) pay one-tenth to one-eighth the wages that we will be paying, contributing to their low overhead. Will our overhead be low enough so we can compete?
- D. How will increased production affect market prices?
- E. What will be the overall impact on the Alaskan economic and state revenues?

These questions are of a general nature. The more specific economic analysis will take place in the next phase of "Problem Areas for Alaska."

A. HARVESTING

1. Technology

Foreign Fleets. Foreign processing plants are huge ships. Fleets include icebreakers and hospital ships. Even the foreign catch boats are bigger than our large fishing boats. No comparable American fishing boats exist today, let alone in the North Pacific.

Labor Force. It is evident that the technology involved for fishermen and processors will be totally new. Thus, a labor force will have to be (re)educated.

What Technology? There are places to go to help determine what technology is necessary for both the fishing boats and the processing plants. The Scandinavians have the processing technology. This involves machinery that cleans and filets bottomfish.

2. Committee Objectives

- a. Identify the relationship of necessary technology to existing fleets and processors.
 - i. What are the capabilities of existing fleets?
 - ii. Should we go all new, with gear and processing plants comparable to foreign fleets, or

should we upgrade our existing fleets and processing plants?
EXAMPLE: Could we regear our larger crab & shrimp boats to do a good job?
- b. Identify the technology necessary to develop the fleet and for the processors.
- c. Identify the necessary training for fishermen, processing managers, and processing employees. Identify
 - i. who we can get to do this training,
 - ii. cost of training, and
 - iii. necessary financing of training.

- d. Determine a cost estimate for developing the fleet and processing for
 - i. the entire fleet and operation necessary,
 - ii. each separate fishery, and
 - iii. to the individual fisherman and processor.
- e. Recommend financing, considering
 - i. private sector financing,
 - ii. federal financing, and
 - iii. should the State aid in financing, and if so, in what way? (Direct loan program, guaranteed bank loans, etc.)

B. MARKETING

I would like to paint a picture for you for a moment. Let's suppose that Alaskan Fishermen caught the bottomfish and sold them to the foreign processors. Where we now pay \$.60/lb. for imported fish products (fish & chips, etc.), we would then pay \$.40/lb. Already this coming summer Alaskan Fishermen will be catching Pollack in the Bering Sea and selling it to the Koreans. If a situation evolves where foreigners are buying the catch of American fishermen, this could have a very detrimental effect on Alaska's fisheries industry. WE WOULD HAVE NO CONTROL OF THE MARKET. Since the foreigners would be controlling the processing, wholesale market, etc.; they would be controlling the market and even dictating what the fisherman gets for his catch.

Conversely, if Alaskans were catching, processing, and wholesaling the products of the 200 mile zone, Alaskans would be the market controllers. The oil industry, for example, has an integrated market where they control it from extraction to the retail consumer.

Thus, extensive marketing research will be necessary to develop foreign and domestic markets. The committee will have to determine marketing objectives and goals. Some follow.

Marketing Objectives

1. Outline a procedure and timetable for marketing research: domestic and foreign.

B. MARKETING (cont.)

2. Determine questions to be addressed by this marketing research. Factors to be considered include:
 - a. Identification of markets.
 - b. Necessary negotiations to gain control of these markets.
 - c. Cost of developing markets.
 - d. Financing.
3. Determine an appropriate role for the State to take in market development, negotiations, and financing.

C. FINANCING

Financing Objectives

1. Identify a total program cost estimate and cost estimates for
 - a. the fisherman,
 - b. the processor,
 - c. training due to new technology, and
 - d. cost of marketing including market development.
2. Identify private sector financing possibilities.
3. Identify federal financing programs.
4. Consider joint ventures with foreign concerns. the Danish Consulate is very interested in a joint venture with Alaskans and recently visited Alaska for that purpose.
5. Recommend to the Legislature and the State of Alaska what the State's role should be in financing.
 - a. Should the State help finance market research and development?
 - b. Should the State help finance the private sector's financial burdens in developing this industry?
 - c. What other possibilities exist for the State's role in financing.

D. MANAGEMENT

Management Objectives

The Committee will:

1. Determine what type and control of management will most suit the 200 mile zone.
2. Determine what the State's role will be in management.
3. Determine the relationship and effect of International Agreements and Alaskan development of the 200 mile zone.
4. Confer with and identify the role of the North Pacific Fisheries Council.
5. Identify other management factors and possible problems.

page 8

V. PILOT PROJECTS - The Testing of Goals & Strategies

The Resources Interim Committee will analyze existing pilot projects and develop proposed pilot projects to test out the ideas and alternatives developed by the committee.

Two pilot projects in Alaska are presently being helped financially to cover their losses. They are Petersburg Fisheries Inc. and New England Fish Co. in Kodiak. No statistics are out yet. Mr. Dick Reynolds, the Development Specialist for Fisheries in the Department of Economic Development told me that he will help the Committee out in any way he can.

The Scandinavians, as I stated earlier, have developed processing for bottomfish. I understand that this equipment is being used at Petersburg Fisheries Inc.

Objectives

The Committee will:

- Analyze the existing pilot projects.
- Develop proposed pilot projects.
EXAMPLE: Regearing crab boats for bottom fisheries.

VI. PUBLIC HEARINGS

The Committee will investigate existing Pilot Projects in Petersburg and Kodiak, possibly early in the interim to allow for analysis of them.

After the Committee has finished its initial research and has developed some ideas and alternatives, it will hold Public Hearings in rural areas to get public input from those persons directly affected. The locations for these hearings will be those most likely to be directly involved in the fishing of the 200-mile limit.

A. Investigation of Existing Pilot Projects

Kodiak 1 day

Petersburg 1 day

B. Public Hearings

Petersburg - Hydaburg - Ketchikan 4 days

Cordova 1 day

Sand Point - Unalaska 5 days

Kodiak - Old Harbor 3 days

Seward - Kenai 3 days

TOTAL 18 days

NOTE: I would like to leave it up to the Committee whether they want to investigate the pilot projects early in the interim or if they wish to do it at the same time they go to conduct public hearings.

The travel budget is for 5 persons:

3 Committee members

1 staff person

resident legislator

VII. COMMITTEE PRODUCTS

Finally, as an end product, the Committee will make recommendations on the following by January 1978.

A. State role (if any) in developing the marine resources of the 200 mile zone.

B. Federal Role (if any) in developing the marine resources of the 200 mile zone.

C. Specific State and Federal legislation and programs needed to implement the overall objective.

D. Further study areas

pages 10 + 11

ADDENDUM

INFORMATION RESOURCES

I am at this time trying to get McKenzie & Co. of San Francisco to work on the 200 mile limit issue.

The consultants will come to Juneau to work with the Resources Interim Committee Staff. The consultants will tell the staff what information they want and the staff will know where to get the information.

I have instructed my staff, that as soon as time allows, to go around to the various departments and other information resources to find:

- What information is already available?
- Who in the Department can assist us with technical expertise?
- Ideas that they may have on the issue.
- A suitable way for them to work with the Interim Committee and staff.

These Information Resources shall include, but are not limited to:

- National Marine Fisheries Service
- Department of Fish & Game
- Dick Reynolds, Development Specialist for Fisheries
Department of Economic Development
- North Pacific Fisheries Council
- Legislative Research
- Division of Policy Development & Planning
- University of Alaska
Sea Grant Program
Juneau Campus
- Private Sector, including
Petersburg Fisheries, Inc.
New England Fish Co.