



Proceedings of the

Alaska Salmon Strategy Forum

January 27-29, 1997
Juneau, Alaska

Sponsored by
Governor Tony Knowles'
Salmon Industry Response Cabinet

Report Prepared by Strategic Solutions Consulting Group

TONY KNOWLES
GOVERNOR



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 12, 1997

Dear Reader,

Thank you for your interest in the proceedings and conclusions of the Salmon Strategy Forum held by my Salmon Industry Response Cabinet in January. This historic three-day event brought together all sectors of Alaska's salmon industry, key state officials and agency personnel, Lieutenant Governor Fran Ulmer, and myself in an effort to develop a cohesive strategy for the industry's future. The forum resulted in an unprecedented sense of unity and common purpose as well as some concrete strategies for revitalizing Alaska's salmon industry.

I believe both industry and government representatives left the forum with a better understanding of what needs to be done to improve Alaska's position in world salmon markets. Participating state government personnel were educated and energized by the forum. As you will see from the list of agency initiatives included in this report, state agencies have set right to work to implement ideas developed at the forum. In addition, based on recommendations from the forum, I have introduced two pieces of legislation aimed at facilitating the product and market diversification that was identified as key to expanding Alaska's salmon market share. Information about the legislation is also contained in this report.

While the market challenges we face are significant, Alaska is in the enviable position of having the most abundant and well-managed salmon resource in the world. With this rich resource base, and the determination and creativity exhibited at the forum, it is clear Alaska's salmon industry is up to the task of meeting those challenges. If we continue to build upon the spirit of unity, cooperation, and partnership developed at the Salmon Strategy Forum, Alaska's salmon industry, and the families and communities which depend on it, can look forward to a prosperous future.

Sincerely,

A handwritten signature in cursive script that reads "Tony Knowles".

Tony Knowles
Governor

SALMON STRATEGY FORUM OVERVIEW

In response to requests by the Alaska salmon industry, Governor Tony Knowles and his Salmon Industry Response Cabinet (SIRC) sponsored a three day Salmon Strategy Forum (Forum), January 27-29, 1997, at Centennial Hall in Juneau.

SIRC consists of four department commissioners: William Hensley of Commerce and Economic Development (DCED), Frank Rue of Fish and Game (ADF&G), Mike Irwin of Community and Regional Affairs (DCRA), and Michelle Brown of Environmental Conservation (DEC). SIRC was established by Governor Knowles in March 1996, and has taken a variety of steps to mitigate the impacts of the current salmon market situation.

MISSION OF GOVERNOR KNOWLES' SALMON INDUSTRY RESPONSE CABINET

Working in partnership, the salmon industry and the state will develop and implement specific strategies to increase the market value and demand for Alaska salmon. The goals of this strategy are to increase benefits of the salmon resource to Alaskan families, communities, and the statewide economy, and ensure the stability and competitiveness of the Alaska salmon industry in the future.

A complete overview of the mission, goals, and objectives of SIRC, as well as a current work plan, can be found in Appendix 1.

The Forum was set up to foster direct communication between the industry and state agencies, and to develop a long-term strategy and plan of state and industry actions to recover Alaska leadership in the salmon marketplace. SIRC members and other Commissioners, Deputy Commissioners, and Directors including representatives of Departments of Labor (DOL), Law (AGO), and Revenue (DOR), and their staff were present throughout the Forum and were directly involved in facilitating and working with problem solving groups. Both Governor Knowles and Lt. Governor Fran Ulmer were actively involved in the Forum, and participated with working groups throughout the three-day event.

Invitations were sent to over 500 salmon harvesters, processors, hatchery operators, community leaders, salmon marketers, and other interested parties. Over 120 people attended the Forum, including harvesters representing every gear type and region, and large and small processors (see Appendix F). Participants were provided in advance with detailed background information on the industry, including a Salmon Industry Incentive Plan for potential state actions to facilitate industry change, developed under contract by Pacific Associates.

Prior to the Forum, the facilitators (Strategic Solutions Consulting Group) conducted in-depth telephone interviews with a representative sample of 32 industry representatives on issues facing the industry and expectations for the Forum. Fax/mail surveys were also sent to the one hundred plus individuals who had committed to attend the Forum. Twenty-seven completed surveys were received. These surveys

supplemented the interviews and provided detailed quantitative feedback on the alternatives proposed by Pacific Associates. The complete results of these interviews and surveys (Appendices B and C) were used to organize the Forum.

The Forum consisted of presentations by four panel groups followed by breakout group discussions focused on four key areas: new product development, new market development, cost efficiency, and quality improvement. Following each session breakout groups reported back to a general session for discussion of their findings. In addition, a special working group was assigned the task of identifying the "ideal" salmon industry and developing a vision to get there. The "vision panel"— as they came to be called — worked in parallel to other breakout groups.

The first two days of the Forum were dedicated to panel and breakout group discussions on the four key areas. On the third morning the work groups came back together and heard from the vision group. In the discussion that followed the vision was generally accepted, and participants again broke into groups to develop specific strategies for action to move the industry towards that vision. In the afternoon a small working group consisting of members of each of the panels worked on strategies for action and clarification of responsibilities.

A summary of the results of this entire process are presented in the next four sections. The first section presents a vision for the Alaska salmon industry, which was generated from the vision group and received wide approval and general consensus among Forum participants. The second section presents recommended strategies for action that emerged from group discussions on the third day. While these strategies were consensus recommendations of each breakout group, they do not represent consensus of all Forum participants. The third section presents a summary of focus group deliberations during the first two days of the conference. These discussions generated a variety of ideas to address industry problems, but the results do not represent the consensus of all Forum participants.

The fourth section is a summary of the action plan developed by the administration and participating state agencies following the Forum.

Detailed information on the Forum agenda, interview, survey and work group results, and other activities of SIRC can be found in the Appendix. Complete contact information for state agencies and other organizations involved in the Forum, and instructions on how to obtain copies of the Appendix and other relevant reports, can be found on page 18 of this report.

VISION FOR THE ALASKA SALMON INDUSTRY

PREAMBLE

Our goal is to increase market share and consumer preference for Alaska's world-premier salmon to maximize the benefits to the industry and Alaska's residents. The salmon industry and the state should develop a plan with quantifiable steps that take us to our goal. We hope to unify this industry on a common vision and accepted strategies to achieve the vision.

The following strategies were developed by break-out groups and the full Forum on the final day. Forum participants were asked to develop a strategy to implement the vision of a market-driven salmon industry.

VISION STATEMENT

Recapture world leadership in the salmon market with a healthy, sustainable, and expanding Alaskan salmon industry.

STRATEGIES

1. Develop a market driven industry (primarily an industry responsibility)

We will collectively move the salmon industry from a production-driven fish industry to a market-driven food industry, that

Knows its consumer, understands its customer, and develops a marketing and distribution system to meet their needs;

Actively strives to identify the needs of the consumer and actively seeks and engages in actions to fulfill those needs;

Provides diverse and competitively superior food products based on customer desires;

Educates the consumer on the positive attributes of Alaskan salmon;

Seeks and builds long-term relationships with its customers and consumers;

Fully utilizes all the components of the resource for its highest and best use as determined by the market;

Rapidly adapts and takes advantage of changes that occur in the market;

Focuses on marketing success as opposed to mere identification of market problems.

- The salmon industry should examine operations and institute an internal plan that will quantifiably transform current production-oriented operations into market-oriented operations.

Note: A "market-driven industry" is one that focuses first and primarily on what the consumer and customer need or want, and adjusts its product/production to fill those desires.

- Harvesters, processors, retailers, and marketers should work toward forming partnerships to achieve this strategy.
- All future seafood promotion should reflect these strategies.

2. Maximize Intrinsic Value of Salmon Resources (primarily a government responsibility)

Consistent with sustained yield, the state should manage fish resources and regulate the industry to maximize the intrinsic value of the resource to Alaska.

- Regulate harvest methods, timing and place of harvest of each fishery to realize maximum intrinsic quality and maximize market value.
- Review and modify existing regulations which constrain the achievement of maximum intrinsic value of our many fishery resources (no intent to change allocation).
- Ensure that all proposed regulatory changes that affect the industry consider the impact of the proposed changes on the marketability of the resource.

Note: "Intrinsic Value" refers to the innate biological characteristics and physical condition of the fish prior to harvest, including species, size, sex, maturity, skin and meat color, oil content, etc. (per Alaska Seafood Marketing Institute (ASMI) definition)

3. Develop Grading System (a joint responsibility of industry and government)

We must build in predictability and consistency for the buyers of Alaskan Salmon.

- Further develop a quantifiable salmon grading system that is market accepted for use as a tool in marketing Alaska's salmon.

Note: A grading system provides a means to quantify the quality and/or attributes of salmon. This is not to be confused with quality standards that establish a mandated level of quality and handling procedures.

We adopt these strategies as the official policy of this Forum and request that the State of Alaska, ASMI, and the industry adopt these strategies as the platform for future policy decisions.

STRATEGIES FOR ACTION

The following action items were developed by breakout groups of participants on the third day of the Forum. Groups were asked to focus on specific actions that should be undertaken now. The recommended strategies represent the general consensus of each breakout group, not of all participants at the Forum.

NEW PRODUCT DEVELOPMENT

- **Tax Credits**
 - a. They must be creative, specific, and explainable.
 - b. This option is not worth pursuing if it must be revenue-neutral each year.
 - c. Economic disincentives are not effective.
 - d. Tax credits must be targeted and well-researched.
- **Performance-Based Taxes**
 - a. Too complicated - simpler methods are available.
 - b. Give tax credits rather than lower taxes for value-added ventures.
- **Cold Storage and Fish Waste Facilities**
 - a. Cold storage goes hand-in-hand with value-added products.
 - b. Need more analysis for fish waste utilization ideas (energy, logistics, markets)
 - c. Loan and grant programs are required.
 - d. Waste utilization should be a high priority.

NEW MARKET DEVELOPMENT

- Small processor marketing loans are necessary.
- Micro loan programs may be available from commercial banks.
- Use community development banks.
- Loans should be accompanied by technical advice in most cases.
- Develop a venture capital fund.
- Increase efforts to promote Alaska seafood.

QUALITY IMPROVEMENT

- ASMI and industry should develop a consistent, globally acceptable grading system.
- The industry and the State should promote quality in all aspects of fisheries management.
- ADF&G and Board of Fisheries (BOF) should consider and promote quality on a regional and fisheries basis.
- Include quality consideration on BOF proposal form.
- ADF&G Commissioner should require regional managers to include quality in fishery management plans.
- ADF&G should establish harvester task forces to increase quality in each region.
- A funding mechanism is needed to provide ADF&G with tools to manage for quality.
- State should identify existing funding mechanisms and develop new funding mechanisms (e.g. loans, grants) for development of chilling systems.

COST EFFECTIVENESS

FOR HARVESTERS

- Lower operational and capital costs by fishery and gear group.
 - a. Remove gear requirements that reduce efficiencies (statutes/regulations)
 - b. Remove artificial prohibitions (e.g. 58-ft seine limit, drum prohibition)
- Gear reduction by fishery (within constitutional framework)
 - a. Each harvest group proposes and Commercial Fisheries Entry Commission (CFEC) may help to facilitate.
 - b. May be accomplished through a buy-back program, consolidation incentives, and contractual relations.

FOR PROCESSORS

- Utilize existing institutions (e.g. University of Alaska) to develop technologies to increase efficiency. Funding may come from Alaska Industrial Development & Export Authority (AIDEA) or venture capital sources.
- Increase employee education and training. This should be done by industry and facilitated by government (e.g. develop a certification program for quality control, grading, and safety).

FOR PROCESSORS AND HARVESTERS

- Lower costs of transportation/movement of product from the grounds or plant.
 - a. Minimize these costs by fishery (facilitated by harvesters/processors with involvement of ADF&G).
- The State should evaluate ways to simplify paperwork requirements.
 - a. Develop computer software to streamline paperwork submittal.
 - b. Simplify and consolidate reporting forms.

INDUSTRY RELATIONSHIPS/TRADE GROUP

Create a single group which represents all components of the Alaska commercial fishing industry in a fair and equitable manner.

- The purpose would be to educate and lobby on a number of issues.
- All sectors of the industry will need to be represented.
- Begin with ad hoc groups now, and develop something more permanent by the fall of 1997.
- Look to examples such as Alaska Federation of Natives (AFN). The Alaska Seafood Council may be a starting point for this group.

SUMMARY OF FOCUS GROUP DISCUSSIONS

The items that follow capture the ideas generated in small problem-solving group discussions that focused on each of the four issue areas during the first two days of the Forum. These should not be regarded as the consensus of all Forum participants, as there was insufficient time at the Forum to discuss each of these ideas in detail. Complete notes on the breakout group discussions, including related concerns and considerations, can be found in Appendix E.

I. NEW PRODUCT DEVELOPMENT

DEVELOPING TAX CREDITS FOR VALUE ADDED PROCESSING

- Encourage new products, but do not penalize those that do not participate.
- Keep programs simple.
- Incentives should apply to products beyond canned, heading and gutting (H&G) or in the round.
- Program should apply to all salmon processors.
- Tax credits should be initially authorized for a three year investment period and a three year carry forward.
- The Tax Credit program should begin as soon as possible.
- Salmon harvesters need to be "partners" with processors in this program.
- Provide tax credits for up to 50% of total tax bill.

ESTABLISHING COLD STORAGE AND FISH MEAL FACILITIES

- Regionalize facilities in major hub areas.
- Identify community needs and feasibility (e.g. a chill room instead of cold storage).
- Utilize Alaska Regional Development Organizations (ARDORs), the Permanent Fund, or the Commercial Fisheries Revolving Loan Fund (CFRLF) to fund projects. Provide repayment delay to allow facility to develop. Work with Community Development Quota (CDQ) groups when possible.
- Allow tax credits for the construction of cold storage facilities. Allow larger credits to smaller (under 100,000 pounds) facilities.
- Emphasize projects that add value in Alaska.
- Consider mobile fish meal facilities.
- Explore alternative utilization techniques (composting).
- Explore methods of reducing energy costs.
- The industry should be responsible for implementing these ideas.
- Programs should be implemented as soon as possible but phased in according to regional priorities.
- Industry and state need to share information to facilitate implementation.
- Need to establish infrastructure and consistent quality.

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- Utilize existing Seattle facilities and provide freight subsidies to bring products back to Alaska.

ESTABLISHING PERFORMANCE BASED TAXES

- Recommend that tax proposals to Legislature be approached with much caution; neither processors or harvesters can afford tax increases.
- Proposals must result in a win for both the State and the industry.
- It is good to get away from H&G to more consumer friendly products.
- There must be a linkage between the Landing Tax and Raw Fish Tax.
- Link tax benefits for processors and harvesters.
- Link new products with new markets.
- Utilize incentives, not penalties.
- Industry should take the lead on developing proposals for tax changes.

DEVELOPING NEW FUNDING SOURCES

- Encourage use of existing loan and grant programs for new product development. It is unlikely that new funds will be available.

CREATING TAX BENEFITS FOR VALUE-ADDED JOINT VENTURES

- Focus on "profit added" not just "value added".
- Benefits and costs of joint ventures should be shared across the industry.
- Financial information needs to be shared between harvesters and processors.
- Harvesters "buy-in" is needed for any incentive program.
- Processors need to provide incentives (higher price) to harvesters to promote a higher quality product.
- Harvesters and processors need to work together to gain trust.
- We need a clear definition of a tax credit.
- Insure that any tax credit achieves the objectives of all involved.
- Expand the joint venture concept to include joint ventures with communities.

DEVELOPING PIN BONE REMOVAL TECHNOLOGY

- Aggressively pursue pin bone removal technologies.
- Pin Bone removal is also a value added activity.

II. NEW MARKET DEVELOPMENT

CREATING SMALL PROCESSOR MARKETING LOANS

- New market development costs are significant and capital is scarce.
- Small processors need assistance in *brand* name development

EXTENDING ASMI ASSESSMENT TO OTHER SPECIES

- Extend the assessment as an equity consideration, realizing that ASMI already "sells" whitefish and shellfish in their marketing program.
- With statutory changes/authority, ASMI could house a marketing loan program.
- Realization that affected members of the whitefish and shellfish industries are not represented at the Forum.

LOAN PROGRAM FOR DIRECT MARKETING BY HARVESTERS

- Develop a grant program or provide tax incentives during initial period of marketing development.
- Guerrilla marketing (e.g., provide loans for small processors and harvesters).
- Assist business planning efforts through establishment of a Small Business Development Center (ABDC) (e.g., establish high priority in the commercial fisheries revolving fund for direct loans or guarantees).
- Direct loans need to be prioritized within existing loan programs.
- Investigate potential for a cooperative program similar to Scandinavian model.

PRIVATIZATION of ASMI

- Not in favor of privatizing ASMI.
- ASMI needs to modify the way it operates; needs to diversify markets and take on marketing competition.
- Keep the existing tax in place.
- Provide ASMI with the legal capability to do what it needs to do.
- Place more effort towards sockeye marketing.

LIVE FISH SALES/TRANSPORT - no consensus was reached

RENEWAL OF ASMI 1% HARVESTER ASSESSMENT - no consensus

LOWERING TAX RATE FOR FISHERMEN WHO MARKET THEIR OWN FISH
- no consensus

RAISING ASMI PROCESSOR ASSESSMENT

- Processors and harvesters cannot afford an increased assessment at this time.
- Industry needs to educate Alaska public, state, legislature, and municipalities to help promote the industry.
- State should allocate revenues to support marketing for generic, niche, and regional brands of salmon.
- Municipalities (including Arctic-Yukon-Kuskokwim (AYK) region) should share in regional and niche marketing efforts.

IMPROVING PROCESSOR/HARVESTER RELATIONSHIPS

- Find a mechanism to bind fishermen and processors in different areas to accomplish specific objectives including but not limited to: increasing fish value, increased quality, increased efficiency, shared risk, longevity of agreements, and facilitating new product development.
- Continue relationship building through ongoing statewide and regional Forums to build trust and open communications (e.g. international Forum, species or area-specific fisheries), and publish a calendar of existing meetings held throughout the state and hosted by state government.

III. QUALITY IMPROVEMENT

MANDATORY ICE/CHILLING

- Encourage processors to pay for higher quality fish - this is the "carrot".
- Need a lending or tax credit program for quality and chilling upgrades.
- Need incentives for harvesting higher quality fish, but administration can be tricky.
- Need some kind of grant program as seed money for quality upgrades.
- Examine the Icelandic model and governmental standards for quality.

MANAGING ALASKA'S FISHERIES FOR QUALITY

- Conduct regional meetings (preseason planning, during season when necessary; by area or fishery)
 - Encourage increased communication between ADF&G and the industry.
 - If industry consensus on quality cannot be reached, ADF&G should not referee
 - Need to educate management biologists about quality issues
- Make it standard operating procedure for BOF to include quality considerations.
- Industry needs to support fish management tools.

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- We need to define quality.
 - Ensure that fewer low quality fish are caught by the way the fishery is managed.

QUALITY GRADING STANDARDS

- Examine standards currently recognized in world markets.
- Standards should be consumer-driven and product specific.
- ASMI should develop a consistent, globally acceptable grading system.
- We need an ad-hoc committee to help in developing standards and to push the effort along.
- We need an accepted definition of quality.

IV. COST EFFECTIVENESS

REGULATORY REFORM

- We need uniform application of regulations - there is no validity in a small company being treated differently than a large company.
- There should be zero growth in new regulations. No new laws unless an old law is repealed.
- There should be regulatory incentives based on management: a well-managed company should receive fewer inspections.
- Regulatory incentives based on safety performance.
- There should be a regulatory review, as well as a revision of some fishing regulations and penalties. Some requirements are simply frivolous.
- Follow the Marketing Alaska report recommendations.
- There should be general permits for air quality.
- There should not be the same requirements for "zones of deposit" in different size bays.

CENTRALIZED REPORTING TO STATE AND FEDERAL AGENCIES - consensus on the idea, no specific recommendations.

PERMIT BUY-BACK PROGRAM

1. There must be a study of the optimum number of permits in a region or fishery prior to any buy back of permits.

Salmon Strategy Forum State Action Plan

One of the primary purposes of the Forum was to solicit recommendations from the Alaska salmon industry that would help provide the Knowles' administration with clear direction on what actions the state might take that would best help the industry toward recovery.

Publication of the Salmon Strategy Forum Report is part of an effort by the administration to report those recommendations to all interested salmon industry participants. It is hoped this report will encourage further dialogue. However, several of the recommendations won strong support from all sectors of the industry at the Forum. This administration has chosen to act now on those recommendations.

Immediately following the Forum all appropriate state agencies were asked to develop plans to implement those recommendations and to identify which actions might require legislative solutions. Included here are actions the state will take in hopes of assisting recovery of the salmon industry. This administration looks forward to continuing an open dialogue with the industry in working toward this goal.

LEGISLATIVE ACTION

The Governor has introduced two pieces of legislation to assist in the expansion of Alaska salmon markets as well as the diversification of salmon products offered to consumers.

- **Harvester Marketing Loan Program.** (House Bill No. 177 and Senate Bill No. 121). Governor Knowles' bill would authorize lending from the Commercial Fisheries Revolving Loan Fund to Alaska fishermen who choose to market their own fish. Under the proposal, DCED could make marketing loans to qualified resident commercial fishermen similar to loans currently made for limited entry permits, vessels and quota shares.
- **Tax Credit Program for New Salmon Products.** (House Bill No. 176 and senate Bill No. 120). Governor Knowles' bill provides a tax credit against a company's salmon fisheries business tax liability for purchasing of processing equipment to be used in Alaska to produce value-added salmon products (beyond H&G and excluding canned products). The bill also extends the raw fish tax credits to marketing efforts for new Alaska salmon products. Some of the branded marketing efforts eligible for tax credits include consumer and trade advertisements, promotional materials, packaging design, product samples and in-store demonstrations of new salmon products.

THE DEPARTMENT OF FISH AND GAME

ADF&G will undertake steps intended to maximize the quality of the commercial salmon harvest while continuing to manage according to the sustained yield principle and for multiple use as determined by the allocation policies established by the BOF.

- The department will continue to work with all components of the industry to seek ways to change in season management to improve the quality of salmon. These efforts will be at the regional and area level. Implementation will require consensus between affected parties. The department will work through existing institutional structures, and where there are none or those that exist do not provide adequate representation or are cumbersome to work with, the department will seek to establish new structures.
- The department will encourage the BOF to consider quality when addressing and adopting management regulations. The department may also seek a statute change, if necessary, that will clarify the board's authority to adopt regulations for fish quality reasons.
- The BOF proposal form will be changed to provide a section addressing quality issues.
- Department staff will work with the industry to ensure that management biologists understand quality issues.

THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DCED will undertake steps intended to maximize the value of Alaska salmon by supporting efforts designed to enhance markets and product options as well the consistent high quality of Alaska salmon in the marketplace.

- The department will take the lead in support of the Governor's salmon tax credit and harvester marketing loan legislative initiatives.
- The department will work with the ASMI in the development of an Alaska salmon grading standards by the end of the year.
- The department has included in its proposed budget continued state funding for ASMI and the AYK Marketing Council.
- DCED's CFRLF program already makes available financing for vessel upgrades that will improve quality. The department's Division of Investments (DOI), which manages the fund, will take actions to make these funds more accessible by increasing awareness of this program.
- The department has assessed the ability of the state to provide credit assistance in support of cold storage, ice delivery and fish meal facility construction. It has determined that the state's industrial loan program, AIDEA, has sufficient funds and financing options to support this type of capital intensive infrastructure development. AIDEA is developing an outreach program to increase awareness of these financing options to the seafood industry and coastal communities.

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- The Alaska Science and Technology Foundation (ASTF) recently approved a Request for Proposals in support of new salmon products and technology including development of pin bone removal technology. ASTF will expand its outreach efforts to increase awareness of its ability to support these initiatives.

THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEC will undertake steps to streamline and update regulations and inspection procedures to insure the wholesomeness of Alaska seafood without unnecessary cost to the industry.

- The department has reinstated the Alaska Seafood Processors Advisory Council (ASPAC), and is actively working with the seafood processing industry to resolve issues of mutual concern including a dialogue on air and water quality issues.
- The department is currently revising its fish inspection regulations to make them easier to read, understand and follow and to eliminate duplication.
- DEC is currently working with ADF&G and DOR to consolidate and streamline permitting applications and annual reporting requirements.
- The department is developing a regulatory performance-based inspection program that will permit processing facilities with good inspection scores to receive less inspection. DEC is also looking at development of a voluntary compliance program that would allow processors to negotiate plant improvement schedules without being cited for violation.

THE DEPARTMENT OF LABOR

DOL will undertake steps to professionalize the available Alaskan processor workforce and to work with the seafood industry to insure the health and safety of the labor force without unnecessary cost to the industry.

- The department will continue to work with the seafood industry to increase the employment opportunities for Alaskans. The department's Seafood Employment Office will work in partnership with seafood companies to help recruit, train and screen potential employees from all regions of the state.
- The department will continue to work with the Seafood Advisory Committee to discuss regulatory issues of mutual concern
- The department has recently simplified Occupational Health & Safety (OSHA) regulations by repealing duplicative state regulations and adopting federal regulations.
- The department has implemented regulatory incentives based on safety performance including an inspection schedule based on a company's workers' compensation safety data.

Follow Up to the Forum

If you are interested in further information on the Salmon Strategy Forum, the Appendices to this report, the Salmon Industry Incentive Package, or the Marketing Alaska Report, please contact the Salmon Industry Response Cabinet (phone: (907) 465-2023, fax: (907) 465-3767).

CONTACT INFORMATION FOR GOVERNMENT AGENCIES INVOLVED IN THE FORUM:

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Department of Fish and Game

Office of the Commissioner (907) 465-4100

Department of Community and Regional Affairs

Office of the Commissioner (907) 465-4700

Department of Environmental Conservation

Office of the Commissioner (907) 465-5065

Department of Revenue

Office of the Commissioner (907) 465-2300

Department of Labor

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OTHER ORGANIZATIONS INVOLVED IN THE FORUM:

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APPENDICES

- Appendix A** Salmon Industry Response Cabinet - goals, objectives, accomplishments, work plan
- Appendix B** Quantitative survey results
- Appendix C** Summary of interview/survey comments
- Appendix D** Forum agenda and participating panelists
- Appendix E** Complete copy of breakout group results
- Appendix F** List of Forum participants
- Appendix G** Salmon tax credit and harvester marketing loan legislation

Appendix A

Salmon Industry Response Cabinet Goals • Objectives • Work Plan • Accomplishments

MISSION STATEMENT FOR ALASKA'S SALMON INDUSTRY

Working in partnership, the salmon industry and the state will develop and implement specific strategies to:

- Increase the market value and demand for Alaska salmon;
- Increase the short- and long-term benefits of the salmon resource to Alaska families, communities, and the statewide economy; and
- Ensure the stability and competitiveness of the Alaska salmon industry in the future.

GOALS FOR ALASKA'S SALMON INDUSTRY

- Increase ex-vessel prices for all species of salmon;
- Maintain and increase jobs for Alaskans in all sectors of the salmon industry;
- Particularly encourage development and stability of salmon industry jobs for areas of high unemployment in the state;
- Increase and stabilize net earnings of participants in all sectors of salmon industry;
- Maximize market value and demand for Alaska salmon; and
- Increase and stabilize net return to the state from its salmon resources.

OBJECTIVES FOR ALASKA'S SALMON INDUSTRY

- Develop new salmon products manufactured in Alaska;
- Improve quality of salmon at production, harvesting, processing and marketing levels;
- Increase market knowledge of, and demand for, Alaska salmon;
- Improve cost efficiency of the industry;
- Increase percentage of fishing/ seafood industry jobs held by resident Alaskans; and
- Increase career path opportunities for Alaskans in the seafood industry through training and education, jobs at management and technical levels, and opportunities for advancement.

**State of Alaska - Department of
Commerce & Economic Development**

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FOR IMMEDIATE RELEASE: April 15, 1996

**GOVERNOR KNOWLES'
SALMON INDUSTRY RESPONSE CABINET**

Work Plan for a Coordinated State Response to Changing World Salmon Markets

INTRODUCTION

Governor Knowles has formed a Salmon Industry Response Cabinet to focus the state's attention on the serious problems now faced by the Alaska salmon industry. The Cabinet has developed a strategy designed to work in partnership with industry participants and communities affected by declining salmon prices and reduced markets. Many of the tasks described in this work plan have already been launched and some already accomplished. This strategy should be viewed as a living document that will expand and change as issues develop or are identified.

I. PROBLEM STATEMENT

The Alaska salmon industry is at a critical juncture. Increased world salmon production and reduced market share are having an adverse impact on all participants in the industry, as well as state and local economies. Prices have declined sharply in recent years and increased inventories of all species of salmon make the outlook for 1996 the most grim the industry has faced.

The future for the Alaska salmon industry looks very uncertain. Alaska salmon has been losing global market share at an alarming rate. The loss of market share over the past few years has caused serious declines in ex-vessel prices paid to fishermen and wholesale prices to processors. Both these declines are negatively affecting the income and job availability to Alaska residents and have caused fishery taxes and assessments paid to state and local governments to decline substantially.

The problem is one of supply and demand on a worldwide scale. Since 1976, annual worldwide production of salmon has tripled; it has nearly doubled during

the past decade alone. In 1980, the production of farmed salmon was nearly nonexistent; it now comprises roughly 42 percent of the world supply surpassing the combined production of all species of salmon harvested in Alaska.

The restructuring of world salmon markets is having an immediate impact on the Alaska salmon industry and local communities as evidenced by recent announcements of plant closures, greatly reduced prices, and cutbacks in processing capacity. Governor Knowles formed the Salmon Industry Response Cabinet to act as the focal point for a coordinated state response to these conditions.

The Salmon Industry Response Cabinet will address both short-term impacts for the 1996 season, as well as long-term issues facing the Alaska salmon industry and the state economy. Participating agencies include the Department of Commerce and Economic Development, the Department of Fish and Game, the Department of Community and Regional Affairs, and the Alaska Industrial Development and Export Authority. Commerce Commissioner William Hensley has been appointed chairman of the Salmon Industry Response Cabinet. The Cabinet works in close association with other state agencies, as well as the Alaska Seafood Marketing Institute, the Alaska Fisheries Development Foundation, the Alaska Science and Technology Foundation, the Fisheries Industrial Technology Center, the University of Alaska and the Commercial Fishing and Agricultural Bank.

In an effort to better coordinate the issues facing the salmon industry, this cabinet will serve as the umbrella structure to address and coordinate issues raised by salmon processors and fishermen in recent meetings with the Governor, as well as recommendations made by the *Marketing Alaska* Seafood Sector and the AYK Salmon working groups.

II. THE 1996 SEASON (SHORT-TERM ISSUES)

Potential Problems

1. Plant closures and job losses in some areas (Pelican, Bethel, Anchorage, etc.).
2. Prices that will not support current processing and harvesting operations.
3. Loss of cost recovery for hatcheries, jeopardizing state loans.
4. Loss of revenues to local communities and the state.
5. Loss of processing and support service jobs and attendant impacts on social services and programs.

6. Reduced prices and lost markets for fishermen, jeopardizing vessel and permit loans and the livelihoods of Alaskan fishermen and processing workers.

Possible Responses

1. Work with industry to reduce existing inventories.
 - Investigate state and federal purchase programs and work with industry, Governor's office and Congressional delegation to move inventories through identified programs.
2. Support state marketing legislation.
 - Work with industry in the Legislature to win support of the Governor's recommended ASMI budget which will leverage federal matching funds.
 - Support efforts to identify regional niche marketing funds.
3. Examine alternatives for processing fish in areas affected by plant closures.
 - Conduct processing capacity surveys in all regions of the state to determine whether insufficient processing capacity exists.
 - Consider actions that will help attract increased processing capacity to affected regions.
 - Work with appropriate local organizations and seafood industry participants to help facilitate reopening of affected plants.
4. Review fisheries management programs to address (within current regulatory limits) quality and efficiency.
 - Form regional industry/agency management work groups.
 - Incorporate recommendations to the extent possible given Board of Fisheries management plans and conservation mandates for 1996.
5. Review programs to provide financial assistance to fishermen.
 - Prepare for increased requests for loan restructuring and federal tax assistance.
6. Review programs to provide assistance to hatcheries.
 - Work with hatcheries and industry in fishery management efforts to maximize efficiency of cost recovery harvests.
 - Review hatchery loan programs and work with hatchery operators to address potential cost recovery shortfalls.
7. Review programs to provide assistance to processors.
 - Consider feasibility of utilizing AIDEA to guarantee pack loans to processors.

- Consider utilizing other state loan and grant programs to help make more viable buying operations in remote regions hardest hit by declining prices and high air shipment rates.
8. Apply Coordinated Response Partnership (CRP) plan to affected regions including a review of worker compensation programs and other assistance programs to address job loss.
 - Identify other state and federal assistance appropriate to deploy should little or no markets exist in some regions of the state.
 9. Review roe-salvage issues.
 10. Expand increased export market opportunities for 1996 harvest.
 - Facilitate or participate in increased seafood trade missions.

III. LONG-TERM ISSUES

Potential Problems

1. Continued loss of market share (especially in Japan).
2. Continued unstable markets and weak prices.
3. Continued Japanese and U.S. divestment in Alaska salmon processing.
4. Escalating loss of fishing jobs with increased rate of loan defaults by fishermen.
5. Continued erosion of shore-based salmon processing, with attendant loss of local and state revenues.
6. Hatchery loan program at increased risk due to lost cost recovery revenues.

Possible Responses

1. Improve and restructure marketing efforts.
 - Support improved generic marketing efforts.
 - Support niche and regional marketing efforts.
 - Consider feasibility of making available low interest, medium term loans or matching grants to companies marketing new products.
2. Accelerate the development of value-added technology.
 - Identify technological advances that will promote new product development and reduce costs of production (i.e., mechanical pin bone removal).

- Coordinate state support of technological advances through an RFP process or other method that will focus state and industry efforts.
3. Stimulate the development of value-added salmon production in Alaska.
 - Identify and coordinate state support for pilot projects or some other method that will focus state and industry efforts and improve chances for success.
 - Explore the use of loan guarantees for cold storage or value-added processing lines.
 - Coordinate existing grant programs.
 - Consider loan forgiveness or tax incentives that will promote value-added processing efforts that increase resident employment.
 4. Develop Statewide Hatchery Policy.
 - Develop hatchery review process that will examine statewide hatchery production, loan policies, and related issues.
 5. Address appropriate regulatory reform.
 - Work in partnership with industry to explore regulatory reforms that will streamline requirements and reduce costs without reducing public safety or damaging the environment, especially air and quality issues with the Department of Environmental Conservation and housing issues with the Department of Labor.
 6. Improve market intelligence and development.
 - Coordinate and deploy state/industry trade missions and other efforts to improve export opportunities and provide improved competitor intelligence efforts.
 - Coordinate and support efforts to better understand customer needs, better develop new export markets, and better maximize domestic market opportunities.
 7. Address quality issues.
 - Investigate whether voluntary, mandatory, or incentive-based quality and/or grading standards would cost-effectively improve our market position.
 - Explore increased roles ADF&G and the Board of Fisheries might have in improving quality through management actions.
 8. Explore raw fish tax credit program or other incentives to stimulate investment in new product development in Alaska.
 9. Explore potential means of encouraging and supporting funding of a coordinated seafood product development program.
 10. Explore feasibility of industry-funded permit buy-back programs.

11. Explore transportation cost-reduction strategies.
 - Explore federal air transport subsidies or tax incentives that reduce air shipment costs of seafood from remote locations.
 - Consider support of proposed changes in federal shipping laws.

IV. CONTACT

To facilitate a coordinated effort, the Salmon Industry Response Cabinet has identified a single point of contact for information and progress reports on Cabinet activities.

Please contact:

Salmon Industry Response Cabinet
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Alaska Department of Commerce and
Economic Development
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**GOVERNOR KNOWLES'
SALMON INDUSTRY RESPONSE CABINET
WORK PLAN (Short-Term Issues)
JANUARY 6, 1997**

Issue	Action	Participate- ing Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
1. Plant closures. (Bethel, Anchorage, Pelican.)	<p>Work with appropriate local organizations and seafood industry to help facilitate re-opening of the plants or to attract "floaters" or other buying capacity to the affected regions for 1995 season.</p> <p>FINAL PRODUCT: Locate seafood buyers for affected regions.</p>	ADF&G DCED	Bob Clasby Donna Parker	Donna Parker	Whitney Pelican Bethel May 15	Ongoing DONE DONE DONE On Going
2. Reduced processing capacity.	<p>Determine whether sufficient salmon processing exists in regions throughout the state. Help facilitate sufficient processing capacity to affected regions.</p> <p>FINAL PRODUCTS:</p> <p>a) Statewide processing capacity surveys. b) More detailed regional processing capacity surveys for areas determined to have potential insufficient capacity. c) Consider support for delay of Pollock "B" season. d) Consider Internal Water Permit (WIP) applications by regions seeking foreign buyers.</p>	ADF&G DCED	Paul Larsen Donna Parker	Donna Parker	a) 4/10 b) 5/15 c) 4/22 d)	a) DONE b) DONE c) DONE d) DONE
3. Salmon Inventories	<p>Identify state, federal and other purchase programs. Work with industry, ASMI, and the Congressional delegation in support of federal purchase of salmon inventories.</p> <p>FINAL PRODUCTS:</p> <p>a) Announced state purchase of salmon inventories. b) Announced federal purchase of salmon inventories from 1995 season. c) Announced federal purchase of salmon from 1995 season. d) U.N. And other relief agencies. e) facilitate additional purchases of salmon inventories"</p>	ASMI DCED	Art Scheunemann Donna Parker	Donna Parker	a) 3/8 b) 3/8 c) 5/15 d) 6/1	a) DONE b) DONE c) DONE d) Ongoing e) Ongoing

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
4. Reduced availability of seafood buying operations in remote areas, particularly those affected by high air transport costs.	<p>Identify state and federal loan and grant programs that can separately or together help make a processing operation more viable.</p> <p>FINAL PRODUCTS:</p> <p>a) Develop a package for use by the industry and affected regions, which includes a description of appropriate programs. b) Designate a "seafood investment guide" who will greet, guide and advise potential users of the investment programs. c) Determine whether federal "buy back" rural mail subsidy can be extended to include seafood.</p>	DCRA DCED ASTF AIDEA ABDC	Lamar Cotten Karl Ohls Jamie Kenworthy Jim McMillan Gary Selk	Karl Ohls	a) 5/15 b) 4/10 c) 5/10	a) DONE b) DONE c) Ongoing
5. Markets.	<p>Work with industry and ASMI to win legislative support of the Governor's recommended ASMI state budget. Support efforts to identify regional niche marketing funds.</p> <p>FINAL PRODUCTS:</p> <p>a) Passage of ASMI state budget by the legislature. b) Passage of legislation or identification of other funding sources that will enable expanded regional niche marketing efforts.</p>	ASMI DCED DCRA ADF&G	Art Scheunemann Jeff Bush Lamar Cotten Geron Bruce Karl Ohls	Jeff Bush	a) 5/7 b) 5/7	a) DCNE b) DONE
6. Quality	<p>Work with industry to maximize value of salmon through fishery management and harvesting and processing practices that will increase quality and efficiency of harvest.</p> <p>FINAL PRODUCTS:</p> <p>a) Form regional management industry workgroups. b) Develop regional management plans for 1996 that promote increased quality and efficiency. c) Periodic status reports. d) Encourage industry to promote quality.</p>	ADF&G	Bob Clasby	Bob Clasby	a) 4/20 b) c) d)	a) Ongoing b) Preseason & in-season c) Ongoing d) Ongoing
7. Reduced export marketshare.	<p>Identify increased seafood trade missions. (i.e. Japan, Korea, Taiwan, China, etc.)</p> <p>FINAL PRODUCT:</p> <p>Facilitate or participate in seafood trade missions. a) China b) Taiwan c) Japan</p>	DCED ASMI	Bennett Brooks Art Scheunemann	Bennett Brooks	Ongoing	Ongoing a) DONE b) DCNE c) DONE

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
8. Price declines and or lack of markets for fishermen and jobs for processing workers.	<p>Identify existing programs that can be utilized to provide a "safety net" to fishermen and processing workers affected by reduced markets and prices.</p> <p>FINAL PRODUCTS:</p> <p>a) Identify programs to provide financial assistance and prepare for loan restructuring and federal tax assistance.</p> <p>b) Identify state and federal programs utilizing Coordinated Response Partnership team to deploy appropriate assistance should little or no markets exist in a region.</p>	<p>DCRA DCED DOL DHSS ABDC</p>	<p>Mike Irwin Martin Richard Gary Selk</p>	<p>Mike Irwin</p>	<p>a) 5/1 b) 5/1</p>	<p>a) DONE b) DONE</p>
9. Hatchery cost recovery shortfalls.	<p>Work with hatcheries, ADF&G and industry in an effort to maximize efficiency of cost recovery harvests. Review hatchery loan programs and work with hatchery operators to address recovery shortfalls.</p> <p>FINAL PRODUCT:</p> <p>a) Organize meeting with all hatcheries and provide interim report.</p> <p>b) Reduced hatchery cost recovery shortfalls.</p>	<p>DCED ADF&G AIDEA</p>	<p>Martin Richard Bob Clasby Jim McMillan</p>	<p>Bob Clasby</p>	<p>a) 5/15 b) Season's End</p>	<p>a) DONE b) Ongoing</p>
10. Processor financing problems.	<p>Identify ways in which the state can work with the industry to help facilitate adequate financing of seafood buying operations.</p> <p>FINAL PRODUCTS:</p> <p>a) Consider pack loan guarantee proposals.</p>	<p>AIDEA DOR DCED ABDC</p>	<p>Jim McMillan Gary Selk</p>	<p>Jim McMillan</p>	<p>a) 6/1</p>	<p>a) Ongoing</p>
11. Salmon roe salvage.	<p>Identify ways in which existing law can be clarified for 1996 season.</p> <p>FINAL PRODUCTS:</p> <p>a) Develop appropriate regulatory or legislative changes.</p> <p>b) Assist in locating alternative uses of salmon carcasses.</p>	<p>ADF&G DCED</p>	<p>Geron Bruce</p>	<p>Geron Bruce</p>	<p>a) 6/1 b) 5/30</p>	<p>a) DONE b) Ongoing</p>

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
12. Public outreach.	<p>Publicize what this cabinet is doing, and what has already been accomplished.</p> <p>FINAL PRODUCTS:</p> <p>a) Prepare a public document that describes what this administration is doing to respond to the crisis. b) Develop distribution list. c) Send/distribute the public document. d) Personal calls to all Legislators. e) Develop bullets for everyone on the cabinet to use when speaking to the press. f) Meet with Seafood Industry, reinforcing quality message. g) Contact key communities.</p>	DCED ADF&G DCRA	<p>Veronica Slajer Dave Benton Mike Irwin</p> <p>a) Donna Parker b) Donna Parker c) Donna Parker d) Veronica Slajer e) Veronica/Mary f) Frank Rua g) Veronica Slajer</p>	Veronica Slajer	<p>a) 4/25 b) 4/26 c) 4/26 d) 4/26 e) 4/24 f) 5/15 g)</p>	<p>a) DONE b) DONE c) DONE d) Ongoing e) DONE f) Ongoing g) DONE</p>

- ABDC Alaska Business Development Center
- ADF&G Alaska Department of Fish & Game
- AIDEA Alaska Industrial Development & Export Authority
- ASMI Alaska Seafood Marketing Institute
- ASTF Alaska Science & Technology Foundation
- DCED Alaska Department of Commerce & Economic Development
- DCRA Alaska Department of Community & Regional Affairs
- DHSS Alaska Department of Health & Social Services
- DOL Alaska Department of Labor
- DOR Alaska Department of Revenue

**GOVERNOR KNOWLES'
SALMON INDUSTRY RESPONSE CABINET
WORK PLAN (Long-Term Issues)
JANUARY 6, 1997**

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
1) New product development.	<p>Accelerate the development of value-added technology by identifying technological advances that will promote new product development and reduce costs of production (i.e. mechanical pin bone removal).</p> <p>FINAL PRODUCT:</p> <p>a) Produce a Request For Proposals (RFP) that supports technological advances.</p>	ASTF DCED DCRA UA-FTTC MAP		Donna Parker		a) DONE
2) Stimulate the development of value-added salmon production in Alaska.	<p>Coordinate state support for pilot projects or some other method that will focus state and industry efforts and improve chances for success.</p> <p>FINAL PRODUCTS:</p> <p>a) Produce a Request For Proposal (RFP) that supports new product development in Alaska.</p> <p>b) Identify appropriate state loan and grant programs that support development of cold storage or value-added processing lines.</p> <p>c) Identify tax incentives or other methods that will promote value-added processing efforts and increase resident employment.</p>	ASTF AIDEA DCED DCRA DOR UA AFDF		Donna Parker		a) DONE b) DONE c) DONE
3) Increased conflict between hatchery program and wild stock management, production and marketing.	<p>Develop hatchery review process that will examine statewide hatchery production and loan policies.</p> <p>FINAL PRODUCT:</p> <p>a) Establish review process</p> <p>b) Meet with constituents</p> <p>c) Review existing research</p> <p>d) Develop options</p> <p>e) Recommend to governor statewide hatchery production and loan policies.</p> <p>f) Establish statewide hatchery policy.</p>	ADF&G DCED AIDEA	Bob Clasby Martin Richard Jim McMillan	Martin Richard		a) DONE b) DONE c) DONE d) DONE e) Ongoing f) Ongoing

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
4) Improve quality to improve market position.	<p>Investigate whether voluntary, mandatory, or incentive-based quality and or grading standards would cost-effectively improve Alaska's market position. Explore increased roles ADF&G might have in improving quality through management actions.</p> <p>FINAL PRODUCTS:</p> <p>a) Produce RFP that supports development of quality and grading standards.</p> <p>b) Recommend whether appropriate quality and grading standard program should be developed.</p> <p>c) Development of Regional Management Plans or Board of Fish Proposals that increase quality and efficiency.</p>	ASMI DEC ADF&G DCED	Kevin O'Sullivan Manny Soares Bob Clasby Donna Parker			a) DONE b) DONE c) Ongoing
5) Regulatory reform.	<p>Work in partnership with industry to explore regulatory reforms that will streamline requirements and reduce costs without reducing public safety or damaging the environment, especially air and quality issues with DEC and housing issues with DOL.</p> <p>FINAL PRODUCT:</p> <p>a) Establish effective agency/industry working groups.</p>	DEC DOL	Janice Adair Ed Flanagan			a) Ongoing
6) Over-capitalization of the salmon fleet.	<p>Explore feasibility of industry-funded permit buy-back programs and other methods to reduce debt/income ratio to fishermen.</p> <p>FINAL PRODUCT:</p> <p>a) Recommend plan to reduce capitalization of fleet.</p>	CFEC ADF&G DCED				a) Ongoing
7) Reduce transportation costs.	<p>Explore transportation cost-reduction strategies. Explore federal air transport subsidies or tax incentives that reduce air shipment costs of seafood from remote locations, and consider support of proposed changes in federal shipping laws.</p> <p>FINAL PRODUCT:</p> <p>a) Recommend plan to reduce transportation costs.</p>	DOT DOR DCED				a) Ongoing

Issue	Action	Participating Agencies	Lead Contacts	Project Coordinator	Target Completion Date	Status
8) Continued loss of market share.	Coordinate and support efforts to better develop new export markets and better exploit domestic market opportunities, better deploy state/industry trade missions and other efforts to improve market opportunities. FINAL PRODUCT: a) Develop plan for increased industry/state marketing partnerships.	ASMI DCED	Art Scheunemann Debby Sedwick			a) Ongoing
9) Expand marketing efforts.	Improve and restructure marketing efforts by supporting niche and regional marketing efforts. Consider making available low interest loans, matching grants or other methods to companies marketing new products. FINAL PRODUCTS: a) Identify funds and process for making available and providing assistance for regional niche marketing efforts. b) Identify fund mechanisms to provide marketing loan financing to private corporations.	ASMI AFDF DCED DCRA AIDEA	Art Scheunemann Chris Mitchell Martin Richard Karl Otis Lamar Cotten Jim McMillan			a) DONE b) DONE
NOTE: Additions to work plan have been italicized.						

- ADF&G
- AFDF
- AIDEA
- ASMI
- ASTF
- CFEC
- DCED
- DCRA
- DEC
- DOL
- DOR
- DOT
- ISER
- MAP
- UA
- UA-ACIB
- UA-FTC

- Alaska Department Of Fish & Game
- Alaska Fisheries Development Foundation
- Alaska Industrial Development & Export Authority
- Alaska Seafood Marketing Institute
- Alaska Science & Technology Foundation
- Commercial Fisheries Entry Commission
- Alaska Department of Commerce & Economic Development
- Alaska Department of Community & Regional Affairs
- Alaska Department of Environmental Conservation
- Alaska Department of Labor
- Alaska Department of Revenue
- Alaska Department of Transportation
- Institute of Social & Economic Research
- Marine Advisory Program
- University of Alaska
- University of Alaska - Alaska Center For International Business
- University of Alaska - Fisheries Industrial Technology Center

Appendix B

Alaska Salmon Strategy Forum Survey Results

	RANK	SCORE
NEW PRODUCT DEVELOPMENT		
Tax credits for VAP processing	1	4.0
AIDEA priority for cold storage/fish meal facilities	1	4.0
Performance-based taxes - lower for VA processing	3	3.6
Tax benefits for primary/secondary VAP joint ventures	4	3.5
Performance-based taxes - higher for "in the round"	5	3.0
NEW MARKET DEVELOPMENT		
Small processor marketing loan program (DCED)	1	3.8
Loans to assist harvesters in marketing their fish (DCED)	2	3.6
Renew ASMI 1% harvester assessment	3	3.5
Increase ASMI processor assessment	4	3.1
Continue state funding for AYK marketing project	4	3.1
Reduce fish tax for harvesters who market their fish	4	3.1
Privatize ASMI	7	3.0
Extend 1% assessment to other species	8	2.9
QUALITY IMPROVEMENT		
Mandatory chilling, DCED/AIDEA loan support	1	3.9
Quality standards - mandatory or compliance incentives	1	3.9
ADF&G manage for quality	3	3.8
COST EFFICIENCY		
Regulatory reform	1	4.4

Note: 27 completed surveys (equally distributed between harvesters, processors, others)

Appendix C

SUMMARY OF INTERVIEW COMMENTS

Salmon Strategy Forum

January 25, 1997

GREATEST INTERNAL CHALLENGES FACING THE INDUSTRY

- Need to learn to compete more effectively.
- Need more value-added products, more niche markets for volume pink/chum.
- Need to establish high quality of low-volume salmon.
- Need to get costs of catching, tendering, shipping under control
- Need quality control — such as USDA grade or comparable standard.
- Infighting is killing us - need to have united front!
- Continue market for low volume areas, like Norton Sound.
- Large volume at one time — need to help independent sell own catch.
- Need capacity within industry for individuals to become own catcher, processor and seller.
- Need flow of information among industry elements — ASMI, AFDF for example.
- Industry does not have supportive legislation or legislators.
- Unbalanced regulatory process (many federally mandated) eat up capital.
- Industry has been on "artificial high" — passing inefficiencies through to customer or past ten years.
- Industry is severely over-capitalized.
- New ideas develop but forward momentum is stymied by entrenched ideas.
- Industry is too divided by regions and gear types; consensus won't work with this group.
- Industry is unwilling to move past "everyday" activities to ideal. Need to be aware when ideal is being compromised.
- Don't need lawsuits with other major customer.
- We want miracles; we don't want to change!
- We want the world to fit our 100-year old industry; no new product or market can save us.
- Fishing is more cultural than financial — we are not a seafood industry.
- We lack self-confidence and don't think we can change.
- We institutionalized inefficiencies and got away with it for 10 years. Now we are unable to respond to the market.
- We sue our major customer! We have intrastate fights!
- We use 1920s technology!
- We need to develop new markets, not just frozen whole fish.
- We need a paradigm change; need to go back to zero — and this includes both industry and government.

-
- We need to understand how each part of the industry supports or detracts from the perfect system.
 - We need to get over our "cowboy culture" and starting thinking of system-level quality.
 - Our dependence on marketing/promotion doesn't "hold" without changes in the basic product we provide to the market.
 - We need consumer-friendly products — anything beyond H&G; the market is demanding instant, convenient foods, and we are providing fresh/frozen and canned. We don't get it.
 - We have to address quality. In the early 80s we had a monopoly — no more. You can do magic in a can, but not in fresh fish. Farmed fish has set a new standard for quality.
 - The industry has lost it's #1 spot to farmed fish, and the industry response has not been worth a damn.
 - Instead of moving ahead with new programs to maintain our market share and political influence, the industry has conducted business as usual. There is no real political leadership by the industry or by the state.
 - Low price is the issue — farmed fish and political strife in the industry are killing us.
 - Improved cold storage would help deal with glut of fish at one time — perhaps help move fish in bulk to markets, including foreign.
 - Industry needs to accept the new market reality — not try to recreate the old reality.
 - We need reforms to reduce the number of fishers — to further limit entry to the more efficient.
 - Central problem is our inability to control our own supply — this may be our fate and we'll have to find a way to use it as an asset.
 - The industry is populated with lethargic businesses, they haven't kept up investment, and treat the industry like a cash cow. It will evolve, and there will be a lot of bloodletting.
 - Cowboy mentality interferes with business decisions.
 - Access into the industry has been easy.
 - Industry is banging its own head on the wall — it can stop or learn to enjoy it.
 - The industry must get beyond the limited entry system — wash out those who can't compete.
 - Fishers are very slow to change — they really need to be intensely involved in this process.
 - The volume of pinks/chums is overloading the system. The waste is too high.
 - Need to remember fisherman — hatcheries and processors seem to get all the attention.
 - We need to establish how quality is determined, factors such as species, size, marks, scale loss, fresh/frozen, etc. The buying/selling stages within process must recognize these factors.

-
- The industry must hurt before change occurs — there is enough hurt in the AYK and Southwest, but SE is “doing fine” and will see no interest in change.
 - Need to cut out the tendering and lumping of catch — should be delivered as needed directly to the processor.
 - Prices are driven down by the processor in greatest distress.
 - The industry is sick, like an alcoholic — can't stop the habit.
 - Technology - pinbone removal.
 - Management of fisheries - how to increase quality, only government can do this.
 - Reluctance to change, regulatory prohibitions slow down change, fishermen slow to change because of gear investments.
 - Regulatory instability - uncertainty over policy-makers' actions creates a climate where people are unwilling to make needed investments.
 - Defining what about the industry is important to the state - employment, revenues, tax base? We need an acknowledgment by the state of why the industry is important.
 - Industry needs to get past old ways of doing business - we no longer control the market.
 - Industry is not perceived as important in the Legislature - ignorance and lack of PR.
 - We are losing quality in fish management - go for 24 hour openings, avoid terminal fisheries, and stage openings for maximum quality.
 - Greed - limited entry changed ownership of the resource, and processors never got it. There is no fairness in the industry in terms of sharing gains and losses.
 - Roe-stripping issue is dividing the industry, and turning into a battle over control of the resource
 - Lack of available capital to fund improved cold storage, infrastructure across the board - there is a general unwillingness to advance credit to fish companies.
 - The Alaska focus on the Japanese market has caused a mentality which ignores rest of world.
 - Situation for chicken was similar 30 years ago — Need to shift industry focus from fish to food.
 - The fuel for market development is new products. Products must be reliable, predictable.
 - Industry lacks brand names; much more effective promotion with name brands.
 - Salmon producers must take initiative to work together to solve problem — form marketing corporations (cooperatives) to assure fair trickle down profits to fishers.
 - Excessive production of pink and chum by state supported hatcheries.
 - Effects of previous over-capitalization by the catching and processing sectors.
 - Lack of pin-bone pulling technology
 - Distance from markets.
 - Lack of capital to reinvest.

-
- Conflicts between different areas of the state and conflict between processors and fishers.
 - Quality control to the market place.
 - Need to reduce the harvest fleet.
 - Out of control hatchery production — dramatically subsidized two regions at the expense of others.
 - Lack of mandated quality guidelines for processing.
 - Need — to put side the battles over who's fish they are, who should catch them, and who should raise how many where and work together to develop new markets and products.
 - Develop strict salmon quality standards.
 - Develop products that increase salmon consumption.
 - Develop working relationships and partnerships.
 - Challenge will be for the harvest sector to define its role and priorities . . . are harvesters willing to invest in an accountable partnership with processors to develop products and markets.
 - Keeping a strong dialogue going between commercial, sports and subsistence fishing interests and making sure we protect allocations to the commercial fisheries.
 - Getting the attention of the Legislature and much of the rest of Alaska on the importance of the commercial fishing industry in Alaska.
 - Getting more control over value-added product development and supporting an infrastructure and tax incentive program which would increase the opportunities for in-state fishers/businesses.
 - **QUALITY CONTROL:** educating fishermen, processors, buyers, etc., on importance and how we can work together to provide both economic incentives and processes to achieve quality.
 - Educate all harvesters, processors, etc., on the changing the way we do business . . . the "old ways" are running us into the ground.
 - Inefficiencies — harvest: gear limits, vessel limits, etc., versus social need to maintain resident and dispersed industry.
 - Inefficiencies — processing: oligopsony, non-competitive, lack of innovation, lack of investment controlled from outside.
 - Internal: we must maintain state control over management of the salmon resources, and we must never allow salmon farming to enter state waters.
 - Development of value added products and marketing of same.
 - Creation of a processing and market hub in Alaska, probably in Anchorage.
 - Need to recognize that we are in transition and there are no quick, easy solutions many traditional ways we have operated are not serving us well.
 - Need a new level of cooperation and understanding between traditionally adverse segments of our industry . . . any solutions that are not designed to benefit the entire industry are non-solutions.
 - Finding a way to achieve a high level of cooperations between the government/ industry and between processors /harvesters is our biggest challenge.

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- Japanese ownership of many plants, and dependence of non-owned plants on Japanese markets.
 - Lack of modern facilities in many plants.

GREATEST EXTERNAL CHALLENGES FACING THE INDUSTRY

- Japan and Russian production has almost unlimited capacity.
- Farm-raised fish — provides opportunity for niche marketing of low-volume fish.
- The good news is that there is increased consumption of salmon.
- The bad news is Norwegians/Chileans (and now Russians) have discovered Alaska's largess.
- The world is moving ahead with a focus on taste, appetite and price — customers don't care for the old Alaska products.
- Norwegians are setting the quality standard — size, grade, packaging — and providing a reliable product.
- Quality control in other countries is set by industry, not buyer.
- Other forms of protein are competing well.
- Farmed salmon has taken over and will continue to do so.
- Hunted products are increasingly "out".
- Market wants value-added, ready to use products.
- Market wants and expects reliable quality — on time.
- World market doesn't care about Alaska; we gouged them for years.
- Russia is coming on strong.
- "Foreign" isn't the issue; borders don't mean much anymore in business.
- Markets are changing, fish farmers can pump up the volume. Kings, coho and sockeye will persevere, but chums and pinks are in for trouble.
- Changing marketing for salmon — we have not put together and sold a competitive product. Processors don't seem to be able to develop a coherent product line.
- ASMI is not as effective as it could be, as it is captive to big processors and kept from making the tough decisions.
- Competition from other protein sources.
- ASMI generic marketing is not working. Chileans and Norwegians don't do generic marketing. We have a powerful weapon — "Alaska" — but we need to differentiate our products in marketing.
- The problem of markets varied substantially by species.
- Downward pressure on market prices due to oversupply, stagnant economies, and changing habits.
- The problem of markets is basically outside Alaska's control — controlled by farmed salmon.
- Japanese economy, changing food preferences.
- The market - globalization of markets, farmed fish and product form issues
- Transportation - distance to marketplace.

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- Getting consumer-friendly products on the market (e.g. pinbone-out).
 - Product recognition - if there was an easier way to help fishermen market their own fish.
 - Perceived value of Alaska salmon outside the state - different perceptions on price/value.
 - We do not have a healthy clientele - our major market economies (e.g. Japan) are troubled.
 - Perception - we are not getting the message out within the state (political influence) or outside (where fish are wrongly thought to be endangered).
 - Federal takeover — subsistence.
 - Lack of global strategy for promoting products (all species).
 - Other resource users having priority.
 - Habitat and environmental concerns.
 - Resource conservation — ADFG — stock assessment and forecasting management, climate effect on biological production (likely reducing our capacity).
 - Greatest internal challenge is the age of the plants in use, difficulty of streamlining into efficient operations.
 - Greatest internal challenge: developing trust between processors, hatcheries, harvesters and regulators so that these groups work together to minimize costs.
 - Misperception of many Americans of the value of "wild salmon."

APPROPRIATE ROLE OF STATE GOVERNMENT

- Should support research and provide financial incentives (such as loans).
- More activity such as the AFDF group.
- Need to support retooling — low prices prevent investment.
- Commercial fishers loan program could be expanded to processors.
- Lower taxes or roll over into loan program.
- Fish and Game has increasing bureaucracy with too few active biologists in the field.
- Put pressure on F and G to support industry — shift resources from other non-economic concerns.
- State support of AYK Market Council is a good idea.
- Quit subsidizing the hatcheries which produce fish which compete with wild stock.
- Hatcheries with delinquent loans should be shut down.
- Encourage/stabilize profitable businesses that pay taxes, provide jobs.
- Provide information to industry, support a clearinghouse concept which provides information on markets/contacts.
- State should do as little as possible; government boat-loan programs are responsible for over-capitalization, introducing newcomers to fishing. Crisis is more political than financial — state should refrain from letting political influence policy and action.

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- Governor has done well to work out regulatory problems.
 - Fish and Game could help packers more, but regs that help one group hurt others.
 - Is doing the right thing in supporting marketing and research.
 - State could provide fish-tax relief, such as done with surimi.
 - State needs to limit involvement.
 - ASMI is important to providing market information.
 - State needs to recognize that allocation regulations directly affect quality — need a “quality impact statement” for each new (and old) regulation.
 - State could help by doing scientific analysis of quality and inefficiency issues.
 - Provide tax incentives for VAPS, and recognize that salmon at the end of a run are not good protein, but the roe has value, and tax value of eggs instead of fish.
 - Provide help in making capital investments to develop new products, including cold storage. The problem is processing — the capacity has gone down.
 - The Governor needs to build a political wave — it has to start with him. He needs to get to the food industry, sit down with CEOs (like he does with the oil company (CEOs), and push Alaska products. He doesn't do enough of that.
 - We can't compete with pen-reared salmon — we need to find a market niche. We keep falling back on the same old markets (e.g. Japan), and they are dribbling away.
 - We need an industry development agency/board for salmon, with a board of directors from the industry, to create a partnership between the state and industry — like AFDF worked with groundfish.
 - The forums are a good idea — get out problem out in the open.
 - Provide distress loans to help harvesters in need.
 - Tax breaks for R&D and VAPs, give a stick and a carrot. Use policy to affect industry change.
 - For long term benefit of the industry we need to put dollars into the university — to support marine/arctic research. Education draws entrepreneurs.
 - State must ignore calls for a bail out — this is an industry issue.
 - Industry needs to refocus its energy on investments.
 - State (including legislators) could help create more flexibility in use of NMFS funds — to permit use for salmon.
 - Fishers can't be efficient due to limits on boats, gear type and size, number of permits, etc. Need to reform regs to promote efficiency.
 - State has created most of the present problem — creating limited entry. State has made decisions which are romance, not business, based.
 - The rules on fish dumping are not equitable — hatcheries can dump while fishers cannot.
 - State has established limited entry and now needs to reduce the number of participants to create efficiencies. One strategy may be to allow fishes to consolidate permits.
 - Fish and Game needs and set regs to promote quality, particularly of roe which is most sensitive.

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- No more state loans that perpetuate the status quo — no loans to upgrade vessels.
 - The Board of Fish promotes change but doesn't understand the consequences. It needs to operate by criteria which keep it market-driven.
 - Rules set by the state, such as the 58' limit on vessels and limited entry need to be reviewed. We need 1/3 fewer fishers.
 - Support for value added does not necessarily mean product only. Consider how value is added by mixing with tourism. Presently, AIDEA financing permits only single purpose facilities, not permitting adding value through service. Starbucks just doesn't sell raw and canned coffee, they sell service!
 - Manage the resource for quality - lack of funding is hurting fish management
 - Fund generic marketing (ASMI)
 - Create a friendly regulatory climate - takes 75 permits/licenses to send a boat to Alaska. State needs to really consolidate permitting and help industry comply
 - Make capital available for loans
 - Adequately fund ASMI
 - Facilitate entry-level positions in the industry in both harvesting/processing
 - State needs to define what is important about this industry, and prioritize it
 - Level the playing field as much as possible - all processors not equal in their contributions of jobs and revenues to the state
 - State has to get in front of the parade on quality.
 - DOL needs to support industry by educating legislators on importance of the industry; the Governor supports us, but this attitude has not been pushed down to middle managers.
 - Revolving loan program for processing technology - give it to processors.
 - State should not be putting money into marketing and product development.
 - Hatcheries are unfair competition
 - How about a revolving loan fund for processors to do development work.
 - Knowles resents the Seattle influence in the industry, and has been reluctant to step forward.
 - Put in place money-backed programs - there is very little money available.
 - Give some direction to the industry - we need it.
 - State could require value adding in Alaska — and fund the technology so as it benefits Alaska, not salmon.
 - Examine what governmental regulations, policies and past practices helped create the situation and eliminate them.
 - Keep any tax refund schemes to processors simple . . . reduce regulations, i.e. minimum bunkhouse space.
 - Regulate with goals of cost efficiency and quality.
 - Resolve subsistence issues, sovereignty issues.
 - Support technology development, generic marketing .
 - Get BB anti-trust suit resolved, establish the "right " tax climate.
 - Provide market resources, help find niches and develop new products.

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- The government cannot solve the problem, only industry can . . . the government can facilitate the process by implementing most of the proposals at this forum.
 - Bring regulation and statute up to date with the world salmon market.
 - Eliminate statutory and regulatory barriers inhibiting cost effective production, harvest and processing.
 - Develop a broad based loan program; defer loan payments for 5 years.
 - Provide reasonable financing for both fishermen and industry to modernize boats and plants, get into value added products. Provide tax breaks for those who do.
 - Possibly a buy back program to eliminate number of fisherman.
 - Phase out the subsidy of the hatchery system — only the economically viable ones should survive.
 - Impose mandatory grading and quality standards.
 - Put more emphasis on domestic, targeted niche marketing rather than generic advertising.
 - Give tax incentives to fishermen not just processors.
 - Maintain adequate funding for resource management and continue funding of current marketing efforts.
 - Provide financial incentives to those who are development new products, new markets, and improving quality with the industry.
 - Do not impose new taxes on the industry.
 - State needs to look at the communities that are supported by fish related businesses — increasing the number of fish meal plants, processing plants and cold storage facilities are all necessary if the State is to realize increased benefit of resource.
 - Develop strict quality standards . . . harvest fish when bright or require watermarked fish be further processed.
 - Provide research to render unsuitable salmon into other products. Investigate partnerships with pet food or fertilizer companies.
 - First role is stewardship of the salmon resource and industry, second is to facilitate and foster cooperation and fairness in sharing costs/benefits.
 - Provide low interest loans to buy machinery to aid in value added products.
 - Educate state government employees on the importance of commercial fishing and how they can assist, rather than impede, the development of our fisheries.
 - Paying more attention to the in-river and up-river fishermen where possible.
 - Providing forums for getting commercial harvesters, sports and subsistence users to realize that many of our goals are not mutually exclusive.
 - Providing a forum and framework for fishermen, loggers, tourists, etc., to understand how all interests can work together to protect fisheries habitat.
 - Developing a 'limited entry' type plan for sports fishing guide services.
 - Educating our commercial fishing fleet on market opportunities through the continued use of ASMI, ISER, and helping each Alaskan become an ambassador for seafood.

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- Unfortunately the industry cannot regulate itself. Processors can't control fishers - competition interferes with quality-based purchasing.
 - Really need to rethink push for "terminal fisheries" rather than harvesting fish when they are at their highest quality.
 - As a public resource the state has an obligation to harvest the product when it is worth the most.
 - Overcapitalization is a problem and consolidations will happen.
 - Industry should develop new product forms (VAPs) and cold storage - not the state's business.
 - Promote the industry to the state - people who are not involved don't know about the industry.
 - Become market-driven - foreign companies are focused on capturing market share and production.
 - Processors need to recognize their capacity and not exceed it - perhaps we need to permit processors for a particular volume - this will improve quality as overbuying will stop.
 - Continue developing alternative products, including non-food products, fertilizer, fish meal.
 - Quality issues - industry would do it if quality standards were mandatory, but they don't want to penalize their fellow processors.
 - Work together . . . by contract!
 - Continue focus on efficiency while looking for new product opportunities. Depend on free- market forces to assure long term solutions.
 - Marketing specifics, product development, new technology.
 - Do own aggressive marketing, maximize product quality.
 - Help in full carcass utilization; provide financial support for new products.
 - Harvesters need to improve handling — be willing to accept changes to management to improve quality, continue to pay 1% tax.
 - Processors need to put more focus on quality and marketing, less emphasis on maximum production.
 - Hatcheries need to wean yourself off subsidies, stop roe stripping.
 - Cooperation, cooperation, cooperation. This must include an accountable relationship between processors and harvesters.
 - Harvesters to harvest high quality fisheries products for processors to process into high quality products. . . hatcheries products to be produced into protein products not to be representing "Alaska Salmon" products.
 - Investments of profits back into industry.
 - It is the industry's duty to cut cost, streamline operations and explore diversity. To strive for 100% utilization of the fish.
 - Industry should be striving to expand markets . . . developing new products, improving quality.
 - Harvesters must affiliate with processors who prove to have the best interests of Alaska in mind instead of their profit margins and foreign investors.
 - Processors will have to develop better products: boneless skinless canned, frozen fillet vacuum bagged.

APPROPRIATE ROLE OF INDUSTRY

- Need to stop pointing fingers, especially at hatcheries.
- Need to keep volume up to provide supply for new products.
- Problem with wild-only fish is the irregular supply.
- Need standardization of quality across the industry.
- New to focus on new product development.
- Too many pinks/chums — need to reduce.
- Need to work together to develop new products — no more “supersecret” products.
- Must be united effort from top to bottom to produce better product.
- Need to market more in traditionally non-salmon areas of US.
- Need to get more information to consumers so chums are confused, in price, with kings, for example.
- To find new uses for pink/chums as price comes down.
- To reinvent itself, to look at itself without historical baggage/bias.
- Develop a plan and create a new way of doing business.
- Identify and resolve pivotal issues, including: quality standards; timing of fresh, frozen and canned product; packaging and transportation; and, marketing/promotion.
- Identify high quality and stick to it!
- Support AFDF.
- Look to the 21st century.
- Needs to understand the new reality, needs to do more than marketing.
- Need a paradigm shift in attitude — too much fish isn't necessarily bad, it can be an opportunity to develop scale-intensive products.
- Industry needs to view salmon as FOOD, rather than just FISH.
- Place more emphasis on quality.
- Encourage fishers (through prices) to modify fish handling/chilling/fishing practices, particularly in Bristol Bay.
- Communicate more among ourselves, learn from our experiences, work together.
- The industry must be willing to accept some role for government in the industry.
- Get away from the raw material focus on salmon, add value.
- Need for mandatory quality standards; people won't use the ASMI promotional materials because there is no standard behind them. We should require compliance to use the Alaska brand.
- Need to be more creative, such as “fish and chips” proposal.
- Industry needs to develop a recognized brand name, such as “Starkist” for tuna.
- Industry is not doing nearly enough research.
- The state must reset the timing of openings so it fits the market — e.g. sometimes fish arrives on July 5th when everyone is full. Get it out fresh on the 2nd!

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- Offering an incentive program to decrease the number of permit-holders in certain areas.
 - Reduce hatchery concentration on pink salmon and more on either chum or sockeye.
 - Develop a forum for commercial fisherman at the regional level to meet with ADF&G to avoid "rodeos" which harm fish quality.
 - Offer incentives for limited entry permits to be sold to fishermen who live in Alaska.
 - Support, encourage and develop greater scientific research.
 - Communication — information flow — about markets, biological resources — facilitate cooperation, investment in innovative companies.
 - Remove artificial inefficiencies of harvesters.
 - Get out of the hatchery business — let private enterprise do it.
 - Help finance value added production and cost of keeping quality in. Support advertising and marketing of wild salmon. Encourage cooperation with the industry groups.
 - Further develop markets . . . through ASMI or other groups such as AYK.
 - State needs to act as facilitator to develop cooperation between groups . . . must remain flexible in developing/applying regulations that foster improvements in the industry.
 - Must review foreign investments in the industry — evaluate conflicts of interest, determine unfair trade practices.
 - Help new corporations (US owned) enter into the seafood industry.
 - Put cap on the higher costs of management, develop more markets in the US, reinstate the fish tax credit program for processing improvements.
 - Enforce quality standards, provide financial assistance in the development of new value added products and marketing.
 - Provide incentive based funding or production based funding to reclaim fisheries.
 - Do no harm! Avoid financial schemes that look good but finance inefficient or impractical operations. Provide tax and regulatory relief. Consider vessel permit buy-back program.
 - Government should listen and facilitate — not tax and regulate. Don't try to force a specific solution and timetable. Look for positive ways to help, find dollars for ADF&G to maintain level of performance.
 - Tax incentives for processors who vertically integrate and share ideas.
 - Avoid higher taxes that penalize processors and eventually result in lower taxes for fishermen.
 - Tie incentives to processors and fishermen who demonstrate high level of cooperation.
 - Government has no business in the quality area beyond minimum requirements to insure food safety.

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- Raise quality standards for raw product delivered.
 - Work together to develop value added products which can utilize the volume of pink and chum available.
 - New product development, reinvestment in Alaska facilities and processing, quality control on vessels to improve overall Alaska product quality.
 - Find a way to break down traditional relationships within our industry .

HOW CAN STATE AND INDUSTRY WORK TOGETHER MORE EFFECTIVELY

- Hatcheries need to work more with processors to provide supply and quality.
- Need to get over finger-pointing phase of crisis — very counterproductive.
- Governor needs to say, "cooperate or else!"
- Must recognize each company's need for profit.
- Good example is processors providing ice for fishers.
- Industry is too secretive! There is no team effort, nothing like a cooperative where each person owns part of the action.
- Need more trust/sharing.
- Promote program, such as surimi, that allows all interested parties to get involved.
- Need to work together from deck hand to marketer and everyone in between.
- Need a strong, unifying theme for industry.
- The issue is only solvable if all pitch in.
- The Governor can accomplish a lot at the political end.
- Creation of a development agency/entity.
- Provide more at-source processing.
- Have state help out more with infrastructure (e.g. electrical costs in Cordova).
- State needs to recognize the contributions that industry makes; adequately fund ASMI.
- More forums, more communication, legislative sessions.
- We need a "state of the industry" forum, flesh out direction for the industry.
- The two "ends" of the industry don't know each other — its tough to catch the product and tough to sell it, too.
- DO SOMETHING with the recommendations that emerge from this forum - government needs to come out in support of the industry
- There needs to be a permanent group established, like a trade council, with representatives of all the sectors. Alaska Seafood Council may become this kind of group.

WHAT IS THE MOST IMPORTANT GOAL FOR THIS FORUM

- Develop a general consensus on what to do now; agree to work together.
- Develop new programs — state loan programs/incentives.
- Unite! Take a more-generic approach such as done with beef and pork.
- Get the state out of the competition among Alaska fishers (esp. hatcheries).
- Outline a realistic project of the future, Is there light at the end of the tunnel?
- Provide new ideas, such as from AFDF and ASMI.
- Resolve wild versus hatchery salmon issue.
- Put the Alaska salmon industry in perspective in terms of the world market place.
- We are "trapped by history" — need to force the industry out into the light.
- Need to recognize that many new thinkers go broke and that value-added often means cost added.
- Don't need schemes to save the world, just to do basics well.
- Need to support ASMI with dollars.
- Reset the "frame of discussion" to recognize what a perfect industry would be like.
- We need to realize we have to change, or else! We need action, not another conference that sits on the shelf!
- Common understanding of the need to move into the 21st century.
- New understanding of the world, what has happened to other industries which didn't pay attention — such as steel.
- An understanding of the major industry problems. Talk about solutions.
- Analysis of solutions and substantive decisions.
- Setup a leadership group — a committee that is more active and well-informed.
- Communicate and come to consensus on what can be done.
- Decide on a political approach to build support for the industry.
- Creation of some industry development group or agency.
- If conference focuses on how state can help it will be a waste of time.
- Get everyone to understand the industry price structure; get everyone to understand the quality — what it is and how to achieve it.
- A clear identification of the role for the state, consensus and agreement on this.
- A list of positives going on in the industry, recognize and build on best practices.
- Forcing industry to capitalize operations in Alaska won't work - if tax \$ decrease, state loses.
- What incentive is there to further process fish in AK - if it's not there, it won't happen.
- A time frame and platform to resolve the roe stripping issue.
- Acknowledge fishers for their improvements in quality, and that harvest management has a large impact on quality.

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- Revenue-neutral solutions are unrealistic.
 - We need a change in attitude about fishermen among processors.
 - Beginning with the Cotter report, give a clear message to the state about policy changes.
 - An opportunity to force issues to the attention of the state - we know where we need to be.
 - Might be helpful in framing new market opportunities and identifying ways government can help with cost efficiency by reducing regulations.
 - Increase support for ASMI, review tax climate, establish a sufficient means and methods for the state agencies to "manage" the common property resource, identify in clear terms the proper role of government.
 - List of concrete steps to take and identify of who will take them . . . plus firm resource commitment.
 - Improve quality and cost efficiency.
 - Endorse a broad set of tax incentives for all sectors of the industry; endorse improved salmon quality and better marketing as the best strategy rather than the outdated strategy of increasing production.
 - That the state of Alaska would recognize how important the salmon industry is to the economy and to the economies of coastal Alaska.
 - That the state continue to fully fund essential programs such as ASMI and ComFish management.
 - That the state provide incentives through funding or tax breaks to encourage new products, markets, and better quality within the industry.
 - For all players to leave with a clearer understanding of the changing world salmon supply and market, and changes that must be implemented to improve Alaska's share.
 - For the state of Alaska to renew their commitment to the industry and to the health of the communities that are economically dependent on fisheries.
 - A new understanding on the part of industry experts that salmon harvesters are currently price takers who have no bargaining power with the processors.
 - Renewed commitment from Alaska legislature to sustain the industry.
 - The uniting of the industry into a whole . . . facing the crisis together.
 - The education of the industry in general, to understand the current problems and address possible solutions through awareness of the industry and Alaska's situation.
 - Finding ways to improve fish quality before delivering to processor and reducing costs of production, harvest and tendering.
 - A course of action to follow through on — we need to hit the road running.
 - We must bring the legislature up to speed and get them on board.
 - To get people to realize there are no quick and easy answers.
 - Impress legislature with importance of industry and the reality of the problem.
 - Meaningful changes take time and that solutions in quality and cost efficiency may lie in less government regulation, not more.

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- A great accomplishment if everyone involved realizes that good solutions need to be designed in a way that the whole industry benefits, not just one segment.
 - Establishing mandatory quality specifications.

HOW CAN THIS FORUM BEST BE STRUCTURED

- First hatchery forum was OK at identifying issues, building consensus.
- Need to have equal speaking time. Don't let one group dominate!
- Don't recommend have many speaking a little, we've heard it all and there is no need to repeat.
- Focus on big picture with credible speakers.
- Don't let individual/special interests take over.
- Keep work groups small and focused to get something done.
- Ignore being politically correct; less important than the needs of the market.
- Dynamic speaker/keynoter needed to encourage group.
- Second hatchery forum worked well, with the panel discussions.
- You must have policy-level people participating and actively involved.
- Generate drafts from breakout groups that are then discussed in the larger group.
- Identify issues ahead of time, distribute a draft agenda prior to the Forum.
- Well-balanced, no bashing, look towards proactive solutions.
- Hatchery forum was OK but we always just say the same thing!
- We don't need another conference with ideas that don't go anywhere.
- Focus on small changes that matter.
- Be aggressive, be a mediator/marriage counselor.
- Cabinet members have to attend and be involved.
- Need much interaction between participants and commissioners.

Appendix D

Alaska Salmon Industry Response Cabinet Salmon Strategy Forum

January 27-29, 1997
Centennial Hall - Juneau, AK

FORUM AGENDA

DAY ONE (January 27, Monday)

Goals — Wake Up Call! Reality Check. Create motivation for change. Establish urgency and need to work together. Establish importance of forum; outline agenda. Establish new ways for thinking about/analyzing the industry — a shared view.

- 8:00 *Registration* - hand out Forum materials
 Coffee/juice/rolls
- 8:30 *Welcome and Introductions* — DCED Commissioner Hensley
 Introduce Salmon Cabinet and role; Deputy Directors, DCED and Cabinet staff
 Introduce Strategic Solutions and role
 Brief Overview of 3-day program
 Introduce Governor Knowles
- 8:45 *Governor Knowles* — "Why This Forum Matters — a Watershed Event"
- 9:15 *An Evaluation of the Industry — What You Told Us* (Strategic Solutions)
 • responses to the interviews and tabulated mail survey results
- The Structure for this Forum* (Strategic Solutions)
 • review what will happen over next three days
- 10:00 Break
- 10:15 *The Alaska Salmon Industry: the Reality, and the Ideal Vision*
 • a presentation and discussion panel of industry experts (the "vision group")
 • two rounds of questions:
 1) what is the most important problem/issue facing the industry?
 2) what would an ideal salmon industry look like, and what are the most promising solutions to get us there?
 • followed by round of questions/comments from audience, facilitated
 • discussion

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- 11:15 *Major Efforts to Improve the Industry to Date - Where are we?*
Report from ASMI - Art Scheunemann
Report from Fish and Game - Bob Clasby
Report from DCED - Donna Parker
Report from DEC - Michelle Brown
- 12:00 Lunch on your own (Vision Group encouraged to meet together for lunch)
- 1:00 *New Initiatives — Where do we go from here?*
Report from Pacific Associates on their "Salmon Industry Incentive Package"

Focus 1 - New Product Development for Alaska Salmon

- 1:30 Panel Discussion 1
- a panel of representatives from various sectors (5-7 people) selected in advance, moderated by facilitator, carries on a discussion in the front of the room
 - two rounds of questions:
 - 1) Identify and discuss the biggest hurdle to new product development.
 - 2) What is the most promising/effective solution to these problems?
How does this solution push the industry towards the ideal?
 - follow with round of questions, comments, and additional solutions from audience
- 2:45 Break
- 3:00 Breakout Work Session 1
- Panel and audience (except for Vision Group) break into small group discussions on subsets of new product development issues/solutions.
 - Each group selects a spokesperson. Cabinet members and senior staff act as facilitators, other staff members take notes/flip charts.
 - Each group prioritizes the issues and recommended solutions for their set of issues.
 - Vision Group meets to discuss/create a vision for new product development in the ideal industry, select two members to work with Panel in finalizing recommendations.
- 4:15 General Session 1
- Breakout groups report back with specific recommendations for each set of issues.
 - Vision group reacts to the recommendations and critiques them relative to the ideal.
 - Areas of consensus and dispute are worked out during facilitated discussion.

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- Facilitators move discussion towards consensus on a specific, coherent set of recommendations.
 - Recommendations are given back to the Panel, who works with two members of the Vision Group and relevant state agency people to develop a written document for dissemination back to the group the next morning.

5:15 Day 1 Wrap-up and Close

5:30 *Salmon Strategy Forum Reception* (by invitation)
The Hangar, Merchants Wharf

DAY TWO (Tuesday, January 28)

Goals - Continue to work with interplay between the ideal/vision industry and proposals to fix the current reality. Expand to include new ways/solutions to address old problems.

8:00 Coffee/juice/rolls

8:30 Welcome and Summary Overview of Day 1
Final Report from Panel #1
Overview of Day 2 Program

Focus 2 - New Market Development for Alaska Salmon

9:00 Panel Discussion 2 - repeat process from Day 1

10:00 Break

10:15 Breakout Work Session 2 - repeat process from Day 1

11:30 General Session 2 - repeat process from Day 1

12:30 Lunch on your own
(Panel 2 meets over lunch to finalize market development recommendations, or if there is insufficient time, they meet in the evening of Day 2)

Focus 3 - Improving Quality and Cost Efficiency

1:30 Final Report of Panel 2 (if completed)

1:45 Panel Discussion 3 - repeat process from Day 1

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- 2:45 Break
- 3:00 Breakout Work Session 3 - repeat process from Day 1
- divide up issues/solutions by type and by sector (e.g., cost to processors, cost to fishers)
- 4:15 General Session 3 - repeat process from Day 1
- 5:15 Day 2 Wrap-up and Close

DAY THREE (Wednesday, January 29)

Goals — Move to Action! Select agenda items that can be implemented and move toward their execution. Establish support for future change by individuals/companies. Develop strategies for state and industry action. Reconsider action plan against the ideal goal. Develop new relationships/institutions that last over time and support implementation.

- 8:00 Coffee /rolls
- 8:30 Welcome and Summary Overview of Day 2
Final Reports from Panels 2 and 3
Overview of Day 3 Program

Focus 4 - Moving to Action

- 9:00 Panel Presentation - Building Momentum for Change
- presentation panel of knowledgeable political and industry change agents (e.g. agency people, lobbyists, legislators, CEOs) to discuss practical ways of creating legislative and industry momentum to translate the recommendations into action
- 9:45 Break
- 10:00 Report of the Vision Group
- guiding principles for industry restructuring
 - specific actions to undertake now
 - reactions to Focus 1-3 results
- 10:30 General Discussion on Vision Group Report

11:00 Breakout Work Session 4

- Breakout groups of all participants (including vision group) organized around the three sets of focus recommendations. Responsibility for implementation (state/industry/both) should be clearly specified.
- All groups focus on developing pragmatic action plans that specify
 - what has to be done
 - who has to do it, who is involved
 - when it must be done
 - how it will be done
 - where it will be done
 - how we will know whether it succeeded

12:00 General Session 4

- Breakout groups spokesperson report back with specific action plans for subsets of issues/solutions
- Facilitated discussion building towards consensus on top action items and plans.
- Consensus recommendations are forwarded to Implementation Team, which meets after lunch to integrate and elaborate the recommendations and develop an overall outline for implementation.

1:00 Closing Session

- brief summary of Forum accomplishments (Strategic Solutions)
- closing comments by Commissioner Hensley
- adjourn

2:30 Implementation Team Work Session

- Implementation team composed of 2-3 self-selected individuals from each panel (including Vision Group), Salmon Cabinet members, and appropriate agency people.
- Works with Panel reports, Vision Group report, and results of the morning session to develop an outline of overall recommendations and implementation action plan.
- Draft outline and plan is forwarded to Strategic Solutions and Cabinet for further refinement and final report is issued in 2-3 weeks.

Appendix E

SUMMARY OF BREAKOUT GROUP DISCUSSIONS

FOCUS #1 - NEW PRODUCT DEVELOPMENT

TAX CREDITS FOR VALUE ADDED PROCESSING

RECOMMENDATIONS:

1. Encourage new products, but do not penalize those that do not participate.
2. Keep programs simple.
3. Incentives should apply to products beyond canned, H&G or in the round.
4. Program should apply to all salmon processors.
5. Tax credits should be initially authorized for a three year investment period and a two year carry forward.
6. The Tax Credit program should begin as soon as possible.
7. Salmon harvesters need to be partners with processors in this program.
8. Tax credit for up to 50% of total tax bill.

CONCERNS:

1. Changes that legislature might make to the proposal.
2. Processors cannot afford tax increases.
3. Impacts on municipalities.
4. Effect on Harvesters.

CONSIDERATIONS:

1. Credits must go to new technologies that cut labor costs.
2. Must first evaluate previous tax credit programs.
3. Should credits be tiered to assist smaller processors at a higher rate?
4. Must clearly identify targeted accomplishments. State should establish a board to evaluate if proposals meet those accomplishments.
5. Account for benefits to all sectors (harvesters, hatcheries, communities). Will benefits trickle down to fishers?
6. Hard to predict which products should be encouraged.
7. Need to define "value added".

COLD STORAGE AND FISH MEAL FACILITIES

RECOMMENDATIONS:

1. Utilize existing Seattle facilities and provide freight subsidies to bring products back to Alaska.
2. Regionalize facilities in major hub areas.
3. Identify community needs and feasibility. (Chill room instead of cold storage, etc.).
4. Utilize ARDOR's, the Permanent Fund or the CFRLF to fund projects. Provide repayment delay to allow facility to develop. Work with CDQ groups when possible.
5. Allow tax credits for the construction of cold storage facilities. Allow larger credits to smaller (under 100,000 pounds) facilities.
6. Emphasize projects that add value in Alaska.
7. Consider mobile fish meal facilities.
8. Explore alternative utilization techniques (composting).
9. Explore methods of reducing energy costs.
10. The industry should be responsible for implementing.
11. Program should be implemented as soon as possible but phased in according to regional priorities.
12. Share information to facilitate implementation.
13. Need to establish infrastructure and consistent quality.

CONCERNS:

1. May only be feasible for a small percentage of Alaskan product. Must be done in conjunction with value added processing.
2. High risk.

PERFORMANCE BASED TAXES

RECOMMENDATIONS:

1. Proposals need to result in a win for both the State and the industry.
2. It is good to get away from H&G to more consumer friendly products.
3. There must be a link between the Landing Tax and Raw Fish Tax.
4. Link tax benefits for processors and harvesters.
5. Link new products with new markets.
6. Utilize incentives, not penalties.
7. Industry should take the lead on this (instead of government).

FUNDING SOURCES

RECOMMENDATIONS:

1. Encourage existing loan and grant programs for new product development. It is unlikely that new funds will be available.

TAX BENEFITS FOR VALUE ADDED PRODUCT JOINT VENTURES

RECOMMENDATIONS:

1. "Profit added" not just "value added".
2. Benefit costs should be shared across the industry.
3. Financial information needs to be shared between harvesters and processors.
4. Harvesters need to buy into the incentive program.
5. Processors need to provide incentives (higher price) to fleet to promote higher quality product.
6. Harvesters and processors need to work together to gain trust.
7. Need a clear definition of a tax credit.
8. Insure that tax credit achieves the objectives of all involved.
9. Expand Joint Venture concept to include joint ventures with communities.

CONCERNS:

1. Before a tax credit will work profits must be made.
2. If municipalities contribute (via reduced tax revenues) they should benefit from Joint Venture activities.

PIN BONE REMOVAL

RECOMMENDATIONS:

1. Aggressively pursue pin bone removal technologies.
2. Pin Bone removal is a value added activity.

FOCUS #2 - NEW MARKET DEVELOPMENT

Small processor marketing loans

RECOMMENDATIONS

1. Need assistance in brand name development
2. Loans should be based on merit of product, not size of processor (no consensus)
3. Limit loans to Alaska-based companies (no consensus)

CONCERNS

1. New market development costs are significant and capital is scarce.

Extend ASMI assessment to other species

RECOMMENDATIONS

1. Extend assessment as an equity consideration, realizing that ASMI already "sells" whitefish and shellfish in their marketing program.
2. With statutory changes/authority, ASMI could house a marketing loan program.

CONCERNS

1. Realization that affected members of the whitefish and shellfish industries are not represented at the forum.

Marketing cooperative of fishers

RECOMMENDATIONS

1. Develop a processor/harvester cooperative; e.g., an alliance such as almond or orange growers in other state (no consensus)..

CONCERNS

1. Marketing cooperative of fishers would be extremely difficult to create
2. Potential funding sources were not identified.

Loan program for fisher marketing

RECOMMENDATIONS

1. Investigate potential for a cooperative program similar to Scandinavian model.
2. Guerilla marketing (e.g., provide loans for small processors and harvesters).
3. Develop a grant program or provide tax incentives during initial period of marketing development.
4. Assist business planning efforts through establishment of a Small Business Development Center (e.g., establish high priority in the commercial fisheries revolving fund for direct loans or guarantees).
5. Direct loans need to be prioritized with existing systems.

Privatize ASMI

RECOMMENDATIONS

1. Reached consensus on not privatizing ASMI.
2. ASMI needs to modify the way it operates.
3. Keep tax in place.
4. Provide ASMI with legal capability to do what it needs to do.
5. Provide more effort towards sockeye marketing

CONCERNS

1. State's contribution is already minimal.
2. If most state funding is removed, the onus is on the industry to push forward with marketing or deciding not to; however, the state could still mandate industry contributions.
3. The need to face up to marketing competition.
4. The question whether people would ante up for marketing if it were private.
5. The question of who would make the decisions if it were privatized and if so, would uniform representation be lost..
6. State oversight- balance on bd.
7. Modification of the way ASMI operates; e.g., need for it to diversify markets.

Enable Live Fish Sale/Transport

RECOMMENDATIONS

1. No consensus was reached on either enabling or transporting live fish.

CONCERNS

1. It would become an available marketing strategy for the aquaculture industry.
2. Recognizing it is a developing market, but admitting there are inherent logistical problems.
3. Less effort, but more profit.
4. A change of heart in the industry regarding fish farming.
5. Alaska wild fish can only compete if quality is consistent and consistently available.
6. Issues such as disease must be addressed.
7. Fear of taking brood stock out of Alaska and putting them in other places.

CONSIDERATIONS

1. Sales could occur on site.
2. High return for product.
3. Need for it to be carefully monitored.

Renew ASMI 1% fisher assessment

RECOMMENDATION

1. No consensus was reached.

CONCERNS

1. Bristol Bay does not support assessment because sockeye goes to Japan, and therefore ASMI does not market there production.
2. Kodiak setnetters supports assessment program.
3. SE seiner recommend using the 3% enhancement tax for ASMI.

Lower tax rate for fishermen/processors

RECOMMENDATION

1. Use tax credit rather than a change in the tax structure, although no consensus was reached.

CONCERNS

1. Not as high a priority because legislation was required.
2. Municipal impact needs to be assessed (e.g., revenue sharing).

Increase ASMI processor assessment

RECOMMENDATIONS

1. Processors and fishers cannot afford increased ASMI assessment at this time.
2. Processors/fishers need to educate Alaska public, state, legislature, and municipalities to help promote the industry.
3. State should allocate revenues to support marketing for generic, niche, and regional brands of salmon.
4. Municipalities (including AYK market) should share in regional and niche marketing efforts.

CONCERNS

1. Need to make sure the taxes are being utilized properly.
2. Raw fish tax cannot be mixed with the ASMI tax.

Processor/harvester relationships

RECOMMENDATIONS

1. Find a mechanism to bind fishermen and processors in different areas to accomplish specific objectives including, but not limited to: increased fish value; increased quality; increased efficiency; shared risk; longevity of agreements; and facilitation of new product development.
2. To continue relationships through an ongoing statewide and regional forums to build trust and open communications; e.g., international focus, species or area specific fisheries, and publish a calendar of existing meetings held throughout the state and hosted by the state.
3. SB 1475 (1996): senate bill needed to put state anti-trust laws in compliance with federal law (no consensus).

CONCERNS

1. Fishers don't always know how the prices they receive from processors are determined; i.e., communication hurdles in sharing information between both groups.
2. Need for privacy in pursuing market strategies because of the existing competition for markets among processors.

3. Existing legal barriers to negotiating preseason prices.
4. The lack of an ongoing forum.
5. Lack of trust and resulting friction between both groups in terms of accountability to each other for quality of fish delivered in return for a share in increased value, if any..
6. Realization that different interest groups (region, species, gear groups) have different needs and problems.
7. Processors don't feel they get consistent quality from fishers.
8. Processors can't always pay the same price everywhere for the same species of salmon because of quality or other fiscal considerations.
9. The market's response to fishers and processors getting together.

Focus Discussion #3: Improved Quality and Cost Efficiency

Mandatory ice/chilling

RECOMMENDATIONS

1. Pay harvester for higher quality products
2. Use a real carrot- provide much higher prices for high quality throughout the season
3. Need some kind of lending program for upgrades and tax credits
4. Need incentives for harvesting high quality fish; administering these is tricky
5. Need some kind of grant program as seed money for upgrades in quality, i.e. ice machines
6. Examine Icelandic model and governmental standards for quality

CONCERNS

1. Industry will put fishermen out of business by requiring mandatory chilling (for canned pinks), depends on species, region and product
2. Government should not mandate chilling/icing (some dissent here)
3. Processors are not necessarily getting a higher price for chilled fish. The market is not responding (i.e. frozen Bristol Bay drift net fish). However, you get more No. 1's this way.
4. Government mandates could be trouble- needs to come from industry if at all.

CONSIDERATIONS

1. Goal is chilling of fish not boat
2. Chilling does not guarantee quality
3. In some areas for some species, you do realize an additional price for chilling

Manage fisheries for quality

RECOMMENDATIONS

1. Conduct regional meetings (preseason)(meetings may be by area or fishery)
 - a. Encourage increase communication among ADFG and industry
 - b. If industry consensus on what quality is can't be reached, ADFG will not referee
 - c. Need to educate management biologists as to what quality issues are
2. Make it a standard operating procedure for the Board of Fish to include quality considerations
3. Industry needs to support management tools
4. Need to define quality
5. Ensure fewer low quality fish exist by the way the fishery is managed

CONCERNS/CONSIDERATIONS

1. Need management tools (e.g. stock ID, escapement counts, harvest)
2. Need communication between sectors
3. Solutions are specific to regions, by gear type within areas

Quality Standards

RECOMMENDATIONS

1. We should examine standards currently recognized in world markets

2. Standards should be consumer driven and product specific
3. Need Ad-hoc committee to develop standards and push effort along
4. Need a definition of quality

CONCERNS/CONSIDERATIONS

1. The industry needs consistency/truth in advertising. Fish in a box should actually be the quality listed on the outside of the box.
2. Alaska is behind the curve on quality standards compared to our competition
3. Group recognizes complexity of Alaska's fisheries and the difficulty of developing standards
4. How do we develop standards that meet customer's needs, and how do we enforce those standards?
5. Quality for fish going into cans have different standards than those going into fresh frozen market

Regulatory Reform

RECOMMENDATIONS

1. Need uniform applications of regulations- no validity in small company being treated differently than a large company
2. There should be zero growth in new regulations. No new laws unless an old one is repealed
3. There should be regulatory incentives based on management: a well managed company, fewer inspections
4. There should be regulatory incentives based on safety performance
5. There should be a regulatory review, as well as a revision of some fishing regulations and penalties. Some requirements are frivolous
6. Follow Marketing Alaska recommendations
7. There should be general permits for air quality
8. Shouldn't have the same requirements in different size bays for the "zones of deposit"

CONCERNS/CONSIDERATIONS

Regulations and issues are not being enforced

Centralized Reporting

RECOMMENDATIONS

1. Centralized reporting should be looked at

Permit buy-back program

RECOMMENDATIONS

1. Must be optimum number of permit study done prior to buy back.

CONCERNS/CONSIDERATIONS

1. Methods of buy backs:

If permits are being removed from fishery, they must buy be permits being actively used.

- A. Look at methods other than straight buy back.

- a. Consolidate permits- allow fisher to have two permits
 - b. Split fleet in half (i.e. A&B days) reduce competition
 - c. Gear
 - d. Geography (i.e. A&B areas)
- B. Institutional buy back
- a. Federal \$
 - b. State \$
 - c. User taxes

Energy credit for small processors

RECOMMENDATIONS

CONSIDERATIONS/ CONCERNS

1. Benefits
 - a. Facilitates value added processing
 - b. Increases local hire
 - c. Decreases transportation costs- dealing with less volume-VAP
 - d. decrease fiber (packing materials)- dealing with less volume-VAP
2. Costs: ways to pay for credit
 - a. Credit or \$ from local communities
 - b. Look at different energy sources
 - c. Deferred payments

FOCUS #4

NEW PRODUCT DEVELOPMENT

1. Utilize tax credits (creative, specific and explainable).
 - a. This option is not worth pursuing if it needs to be revenue neutral each year.
 - b. Economic disincentives are not effective.
 - c. Need to be targeted and well researched.
2. Performance based taxed.
 - a. Complicated.
 - b. Simpler methods are available.
 - c. Tax credit for value added ventures.
3. Cold storage and fish waste facilities.
 - a. Cold storage goes hand in hand with value added.
 - b. Analysis required for fish waste utilization (energy, logistics, markets).
 - c. Waste utilization should be a higher priority.
 - d. Loan and grant programs will be required.

MARKET DEVELOPMENT

1. Small processor marketing loans are necessary.
2. Micro loan programs may be available from commercial banks.
3. Community development bank.
4. Technical advice may be required in most cases.
5. Venture capital fund.
6. Increase effort to promote Alaska Seafood.

REFRIGERATION/CHILLING

1. State should identify existing and create new funding mechanisms (Loans/Grants) for chilling systems.

QUALITY CONSIDERATIONS

1. Industry and State should promote quality in all aspects of fisheries management.

GRADING SYSTEM

1. ASMI should develop a consistent, globally acceptable grading system.

COST EFFICIENCY

FOR HARVESTERS

1. Operational and capital costs by fishery and gear group.
 - a. Remove gear requirements that reduce efficiencies (statutes & regulations).
 - b. Remove artificial prohibitions (ie. 58 foot seine limit and Drum prohibition on seine vessels).
2. Gear Reduction by fishery (within constitutional framework).
 - a. Each harvest group proposes and CFEC may help facilitate.
 - b. May be accomplished through a buy back program, consolidation incentives and contractual relations.

FOR PROCESSORS

1. Utilize existing structures (University of Alaska, etc.) to develop technologies that increase efficiency. Funding may come from A.I.D.E.A. or venture capital.
2. Employee education and training. Should be done by both industry and government (ie. develop a certification program for quality control, grading and safety)

FOR PROCESSORS AND HARVESTERS

1. Transportation and or movement of product from the grounds or plant.
 - a. Minimize by fishery (facilitated by harvesters, processors with involvement by ADF&G)
2. The State should evaluate ways to simplify paperwork requirements.
 - a. Develop computer software.
 - b. Simplify and consolidate forms.

INDUSTRY GROUP

1. Create a single group which represents all components of the commercial fishing industry in a fair and equitable manner.
 - a. The purpose would be to educate and lobby on a number of issues.
 - b. All sectors of the industry need to be represented.
 - c. Start with ad hoc groups now and develop something more permanent by Fall.
 - d. Look at examples such as AFN. Possibly the Alaska Seafood Council would be a starting point.

VISION

1. Require the ADF&G and Board of Fish to consider quality on a regional/fishery basis.
2. Include quality consideration on Board of Fish proposal form.
3. ADF&G Commissioner should require regional managers to include quality in fishery management plans.
4. Establish a harvest task force for each region.
5. ADF&G needs money for the tools to manage for quality.
6. Recommend Board of Fish appointments with quality and market appreciation.
7. Governor and Salmon Cabinet should ask every seafood company and fishing organization to include market driven considerations in their next board meeting.
8. State loan and grant programs need to refocus from production to market driven programs.
9. State should appoint a committee to determine uniform grading standards. Should include industry representatives, ASMI, distributors and customers.

Appendix F

PARTICIPANTS

PROCESSING SECTOR:

Alaska Choice Seafoods/Dave Choquette
Alaska Food Group /Duff Mitchell
Alaska Seafood Center, Keld Andersen
Baader/Bob Slade (processing equipment)
Cook Inlet Processing/
Melvan E. Morris Jr.
Healthsea, Inc./Duff Mitchell
Icicle Seafoods/Don Giles
Icicle Seafoods/Kris Norosz
Inlet Fish Producers/Stuart Currie
Kake Nonprofit Fisheries Corp, Brock Meredith or Jeff Feldpausch
NorQuest Seafoods, Inc./John Sund
North Pacific Processors/Bruce Eckfeldt
Ocean Beauty /Jon Black
Pacific Seafood Processors Assoc/
Rick Lauber
Rainbow Glacier Seafoods/Brian O'Riley
Sahalee Of Alaska/Hank Lind
SeaBear Specialty Seafoods/
Mike Mondello
Signature Seafoods/Golden Age Fisheries/Heather McCarty
Sitka Sound Seafoods/John Sevier
Sitka Sound Seafoods/Tim Ryan
Taku Smokeries/Sandro Lane
Triad Fisheries/Bruce Gore
Trident Seafoods/Chuck Bundrant
Trident Seafoods /Bart Eaton
Trident Seafoods/Doug Donegan
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Alaska Independent Fishermen's Marketing/Reidar Solberg
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Bristol Bay Driftnetters Assoc./ Dean Paddock
Bristol Bay Longline Gillnet Coop/
Joc McGill
Cordova District Fishermen United/
Cheri Shaw
Kodiak Seiner's Assoc. /Bruce Schactler
Purse Seine Vessel Owners Assoc./ Robert P Zuanich
Southeast Alaska Seiners/
Mark Anderson
Southeastern Alaska Seiners/
Cliff Skillings
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Kathy Hansen
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Bruce Gore	Lori Nottingham
Cliff Skillings	Ray Wadsworth
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DIPAC/Ladd McCauly
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NSRAA/Steve Reifenstuhl
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Prince William Sound Aquaculture Corporation/Bud Perrine
Prince William Sound Aquaculture Corporation/Ray Cesarini
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MUNICIPALITIES OR NATIVE ORGANIZATIONS:

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Bristol Bay Borough/Adelheid Herrman
City Manager of Egegik
Mayor Dennis Egan/Juneau
Mayor Douglas Roberts/Wrangell
Mayor Dennis Watson/Craig
Municipal League/Kevin Ritchie
(or staff member)
Southeast Conference/Berne Miller

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Alaska Seafood Marketing Institute/Art Scheunemann
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Marine Advisory Program/Charles Crapo
Norton Sound Economic Development Corp./John Zuck
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Pacific Associates, Inc./Larry Cotter
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Commissioner David Benton
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Geron Bruce
Department of Fish & Game/Paul Larson
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Representative Gene Kubina
Representative Irene Nicholia/Paula Terrel
Representative J. Allen Kemplen
Representative Kim Elton
Senator Georgianna Lincoln/
Gordy Williams
Senator Jerry Mackie/Dave Grey
Senator Jim Duncan/Sandy Burd
Senator Loren Leman
Senator Lyda Green

MEDIA:

Anchorage Daily News - Helen Jung
Kodiak Daily Mirror/Mark Buckley
Pacific Fishing Magazine/Steve Shapiro

Appendix G

House Bill 177
Senate Bill 121

House Bill 176
Senate Bill 120

The Senate Bills are identical to the House Bills;
therefore, they are not included in this document.

SB 121 Referred: Resources and Finance

HB 177 Referred: Labor and Commerce
House Special Committee on Fisheries
Finance

HB 176 Referred: House Special Committee on Fisheries
Resource and Finance

SB 120 Referred: Resource and Finance

HOUSE BILL NO. 176

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/6/97

Referred: House Special Committee on Fisheries, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a salmon product development and marketing tax credit
2 under the Alaska fisheries business tax and the Alaska fisheries resource landing
3 tax; and providing for an effective date."

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

5 * **Section 1. FINDINGS AND PURPOSE.** (a) Alaska's salmon industry is a vital element
6 in the economy of the state and although Alaska salmon is one of the premiere food
7 commodities in the world, an enormous increase in the world supply of salmon in recent years
8 has caused significant decreases in the market value of Alaska salmon. This situation
9 threatens investments and livelihoods in the salmon industry and related businesses, and
10 negatively affects Alaska's state and local economies. Improving Alaska's competitive
11 position in salmon markets will take more than traditional marketing of traditional salmon
12 products.

13 (b) The purpose of this Act is to encourage industry to invest in the production and
14 marketing of new value-added salmon products to improve the marketability of Alaska salmon

1 through diversification of product forms. This diversification would expand and open markets
2 for Alaska salmon, thus helping to achieve goals of increasing the world market share for
3 Alaska salmon, profits for the processing sector, ex-vessel prices for harvesters, benefits for
4 related economic sectors, and revenue to the state and to local governments.

5 * **Sec. 2.** AS 43.75 is amended by adding a new section to read:

6 **Sec. 43.75.035. Salmon product development and marketing tax credit.**

7 (a) A taxpayer that is a fisheries business may claim a salmon product development
8 and marketing tax credit of 50 percent of

9 (1) qualified investment in new property first placed into service in a
10 shore-based plant or on a vessel in the state in the tax year; and

11 (2) eligible marketing costs expended in the tax year.

12 (b) The tax credit claimed under this section may not

13 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
14 chapter for salmon;

15 (2) be applied for property used in or marketing costs to promote
16 canning operations; or

17 (3) be applied for investment or marketing costs incurred after
18 December 31, 1999.

19 (c) If the property for which a tax credit is claimed is installed on a vessel,
20 the amount of qualified investment under (a) of this section is determined by
21 multiplying the investment cost of qualified investment property by a fraction the
22 numerator of which is the weight of raw salmon processed by the taxpayer in Alaska
23 and the denominator of which is the weight of raw salmon processed by the taxpayer
24 in and outside of Alaska in the tax year.

25 (d) An unused credit under this section may be carried forward and applied
26 against the tax liability incurred on salmon in the following three tax years.

27 (e) Qualified investment or marketing costs upon which a tax credit is claimed
28 under this section may not be considered for any other tax credit in this title.

29 (f) A taxpayer may not claim the tax credit allowed under this section if the
30 taxpayer is in arrears in the payment of contributions under AS 23.20 or a tax under
31 this title. For purposes of this subsection, a taxpayer is not in arrears if the

1 contribution or tax liability is under administrative or judicial appeal.

2 (g) In this section

3 (1) "brand name" means copyrighted intangible property such as a
4 trademark or trade name;

5 (2) "eligible marketing costs" means the following direct costs incurred
6 in the marketing of salmon products by brand name: consumer and trade
7 advertisements, promotional materials, packaging design and materials, product
8 samples, point of sale materials, slotting fees, retail demonstrations, focus group
9 consumer research, trade show booths, coupon redemptions, and promotional discounts;
10 "eligible marketing costs" do not include costs for travel, payroll, general
11 administration, or overhead;

12 (3) "first placed into service" means the moment when property is first
13 used for its intended purpose;

14 (4) "new property" means property whose original use commences with
15 the taxpayer and does not include property first used by any other person;

16 (5) "qualified investment" means an investment cost in the following
17 depreciable tangible personal property with a useful life of three years or more to be
18 used to produce value-added salmon products, excluding canned salmon, after the
19 heading and gutting of the salmon: filleting, skinning, portioning, mincing, forming,
20 extruding, stuffing, injecting, mixing, marinating, preserving, drying, smoking, brining,
21 packaging, blast freezing, and pin bone removal equipment;

22 (6) "state" includes the state and federal waters to 200 miles seaward
23 from Alaska;

24 (7) "tax liability" means the liability for all taxes under this chapter
25 before all credits allowed by this chapter;

26 (8) "useful life" means the useful life of the property that is or would
27 be applicable for purposes of depreciation.

28 * **Sec. 3.** AS 43.77 is amended by adding a new section to read:

29 **Sec. 43.77.037. Salmon product development and marketing tax credit.**

30 (a) A taxpayer under this chapter may claim a salmon product development and
31 marketing tax credit of 50 percent of

1 (1) qualified investment in new property first placed into service on a
2 vessel in the state in the tax year; and

3 (2) eligible marketing costs expended in the tax year.

4 (b) The tax credit claimed under this section may not

5 (1) exceed 50 percent of the taxpayer's tax liability incurred under this
6 chapter for salmon first landed in the state;

7 (2) be applied for property used in or marketing costs to promote
8 canning operations; or

9 (3) be applied for investment or marketing costs incurred after
10 December 31, 1999.

11 (c) The amount of qualified investment under (a) of this section is determined
12 by multiplying the investment cost of qualified investment property by a fraction the
13 numerator of which is the weight of salmon landed by the taxpayer in Alaska and the
14 denominator of which is the weight of salmon landed by the taxpayer in and outside
15 Alaska in the tax year.

16 (d) An unused credit under this section may be carried forward and applied
17 against the tax liability incurred on salmon landed in the following three tax years.

18 (e) Qualified investment or marketing costs upon which a tax credit is claimed
19 under this section may not be considered for any other tax credit in this title.

20 (f) A taxpayer may not claim the tax credit allowed under this section if the
21 taxpayer is in arrears in the payment of contributions under AS 23.20 or a tax under
22 this title. For purposes of this subsection, a taxpayer is not in arrears if the
23 contribution or tax liability is under administrative or judicial appeal.

24 (g) In this section

25 (1) "brand name" means copyrighted intangible property such as a
26 trademark or trade name;

27 (2) "eligible marketing costs" means the following direct costs incurred
28 in the marketing of salmon products by brand name: consumer and trade
29 advertisements, promotional materials, packaging design and materials, product
30 samples, point of sale materials, slotting fees, retail demonstrations, focus group
31 consumer research, trade show booths, coupon redemptions, and promotional discounts;

1 "eligible marketing costs" do not include indirect costs, such as travel, payroll, and
 2 general administrative costs or overhead;

3 (3) "first placed into service" means the moment when property is first
 4 used for its intended purpose:

5 (4) "new property" means property whose original use commences with
 6 the taxpayer and does not include property first used by any other person:

7 (5) "qualified investment" means an investment cost in the following
 8 depreciable tangible personal property with a useful life of three years or more to be
 9 used to produce value-added salmon products, excluding canned salmon, after the
 10 heading and gutting of the salmon: filleting, skinning, portioning, mincing, forming,
 11 extruding, stuffing, injecting, mixing, marinating, preserving, drying, smoking, brining,
 12 packaging, blast freezing, and pin bone removal equipment;

13 (6) "state" includes the state and federal waters to 200 miles seaward
 14 from Alaska;

15 (7) "tax liability" means the liability for all taxes under this chapter
 16 before all credits allowed by this chapter;

17 (8) "useful life" means the useful life of the property that is or would
 18 be applicable for purposes of depreciation.

19 * **Sec. 4.** AS 43.75.035 and AS 43.77.037 are repealed.

20 * **Sec. 5.** Sections 1 - 3 of this Act are retroactive to January 1, 1997.

21 * **Sec. 6.** If the attorney general provides notification under sec. 7(2) of this Act, sec. 4 of
 22 this Act is retroactive to January 1, 1997.

23 * **Sec. 7.** Sections 1 - 3 and 5 of this Act take effect immediately under AS 01.10.070(c).

24 * **Sec. 8.** Section 4 of this Act takes effect the earlier of the following:

25 (1) January 1, 2003; or

26 (2) the attorney general's notification to the lieutenant governor and to the
 27 revisor of statutes that

28 (A) a court has entered final judgment that AS 43.75.035 or
 29 AS 43.77.037, enacted by secs. 2 and 3 of this Act, violate the commerce clause
 30 contained in art. I, sec. 8, of the United States Constitution; and

31 (B) the time for any appeal of that judgment has expired, or, if an

1 appeal was taken, a final order on the appeal has been entered that AS 43.75.035 or
2 AS 43.77.037, as enacted by secs. 2 and 3 of this Act, violate the commerce clause
3 contained in the United States Constitution.

4 * Sec. 9. If sec. 6 of this Act takes effect, it takes effect on the date of the attorney
5 general's notification under sec. 8(2) of this Act.

HOUSE BILL NO. 177

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/6/97

Referred: Labor and Commerce, House Special Committee on Fisheries, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans to commercial fishermen for marketing development
2 purposes; and providing for an effective date."

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

4 * Section 1. AS 16.10.310(a) is amended to read:

5 (a) The department may

6 (1) make loans

7 (A) to individual commercial fishermen who have been state
8 residents for a continuous period of two years immediately preceding the date
9 of application for a loan under AS 16.10.300 - 16.10.370 and have had a
10 crewmember or commercial fishing license under AS 16.05.480 or a permit
11 under AS 16.43 for the year immediately preceding the date of application and
12 any other two of the past five years, and who actively participated in the
13 fishery during those periods,

14 (i) for the purchase of entry permits;

1 (ii) to upgrade existing vessels and gear for the purpose
2 of improving the quality of Alaska seafood products; or

3 (iii) to satisfy past due federal tax obligations that may
4 result in the execution upon and involuntary transfer of the individual
5 commercial fishermen's entry permits, to the extent allowed under (d)
6 of this section;

7 (B) an individual for the repair, restoration, or upgrading of
8 existing vessels and gear, for the purchase of entry permits and gear, for the
9 construction and purchase of vessels, or, to the extent allowed under (d) of this
10 section, to satisfy past due federal tax obligations that may result in the
11 execution upon and involuntary transfer of the individual's entry permits, if the
12 individual has been a state resident for a continuous period of two years
13 immediately preceding the date of application for a loan under AS 16.10.300 -
14 16.10.370, and either

15 (i) because of lack of training or lack of employment
16 opportunities in the area of residence, does not have occupational
17 opportunities available other than commercial fishing; or

18 (ii) is economically dependent on commercial fishing for
19 a livelihood and for whom commercial fishing has been a traditional
20 way of life in Alaska;

21 (C) for the purchase of quota shares for fisheries in or off the
22 state by individual commercial fishermen who

23 (i) have been state residents for a continuous period of
24 two years immediately preceding the date of application for a loan
25 under AS 16.10.300 - 16.10.370;

26 (ii) for any two of the past five years, possessed a
27 crewmember or commercial fishing license under AS 16.05.480 or a
28 permit under AS 16.43 and actively participated in a fishery for which
29 the license or permit was issued;

30 (iii) qualify as a transferee for quota shares under
31 applicable law; and

1 (iv) are not eligible for financing from other recognized
2 commercial lending institutions to purchase quota shares;

3 (D) for market development purposes to an individual
4 commercial fisherman who

5 (i) has been a state resident for a continuous period
6 of two years immediately preceding the date of application for a
7 loan under AS 16.10.300 - 16.10.370;

8 (ii) during any two of the last five years immediately
9 preceding the loan application, was a holder of a commercial fishing
10 license under AS 16.05.480 or of a permit under AS 16.43 and
11 actively participated during that same time period in the fishery for
12 which the license or permit was issued;

13 (iii) presents to the department and receives approval
14 of a harvester marketing plan for fisheries products made from fish
15 commercially taken in this state that specifies how any loan
16 proceeds awarded under AS 16.10.300 - 16.10.370 would be used to
17 market the harvest and that meets other requirements as specified
18 by the department in regulations;

19 (2) designate agents and delegate its powers to them as necessary;

20 (3) adopt regulations necessary to carry out the provisions of
21 AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for
22 services provided;

23 (4) establish amortization plans for repayment of loans, which may
24 include extensions for poor fishing seasons or for adverse market conditions for
25 Alaskan products;

26 (5) enter into agreements with private lending institutions, other state
27 agencies, or agencies of the federal government, to carry out the purposes of
28 AS 16.10.300 - 16.10.370;

29 (6) enter into agreements with other agencies or organizations to create
30 an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of
31 the state;

1 (7) allow an assumption of a loan if

2 (A) the applicant has been a state resident for a continuous
3 period of two years immediately preceding the date of the request for an
4 assumption; and

5 (B) approval of the assumption would be consistent with the
6 purposes of AS 16.10.300; an applicant for a loan assumption may not be
7 disqualified because the applicant does not meet the loan eligibility
8 requirements of (1) of this subsection;

9 (8) prequalify loan applicants for a limited entry permit loan or a quota
10 shares loan and charge a fee not to exceed \$200 for prequalification;

11 (9) charge and collect the fees established under this subsection;

12 (10) refinance a debt obligation incurred by a borrower or borrowers
13 under this section if the borrower or borrowers otherwise qualify for a loan under
14 AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination
15 charge of one-half percent of the amount of the debt obligation that has been
16 refinanced when the first refinancing payment is due;

17 (11) refinance debt obligations, not to exceed \$300,000, incurred by a
18 borrower or borrowers for the purchase of a commercial fishing vessel or gear if the
19 borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370;
20 the department may collect a refinancing loan origination charge as provided by
21 regulation.

22 * Sec. 2. AS 16.10.320(d) is amended to read:

23 (d) The total of balances outstanding on loans made to a borrower under
24 AS 16.10.310(a)(1)(A) may not exceed \$300,000. The total of balances outstanding on
25 loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed \$100,000. The
26 total balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(C)
27 may not exceed \$300,000. The total of balances outstanding on loans made to a
28 borrower under AS 16.10.310(a)(1)(D) may not exceed \$100,000. The total of
29 balances outstanding on all loans, including debt refinancing under AS 16.10.310(a),
30 made to a borrower under AS 16.10.300 - 16.10.370 may not exceed \$300,000.

31 * Sec. 3. AS 16.10.325 is amended to read:

1 **Sec. 16.10.325. Guarantors.** A person may act as guarantor if the borrower
2 has insufficient collateral to secure a loan for the purposes described in
3 AS 16.10.310(a)(1)(B), [OR] (C), or (D). The loan agreement shall specifically
4 describe the property of the guarantor to be used as collateral by the borrower and
5 shall be signed by the guarantor and the borrower. The department shall provide the
6 guarantor with a copy of all notices sent to the borrower by the department. If the loan
7 is for the purchase of an entry permit or quota shares, the guaranty by the guarantor
8 may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit
9 or quota shares.

10 * **Sec. 4.** AS 16.10.338 is amended by adding a new subsection to read:

11 (d) If a limited entry permit is pledged for security for a loan made under
12 AS 16.10.310(a)(1)(D) for the financing of a harvester marketing plan and the
13 borrower thereafter fails to make a payment or defaults, the commissioner shall, in
14 addition to the notice provided under AS 16.10.335(a), notify the borrower that subject
15 to the commissioner's acceptance the borrower may sell any assets that the borrower
16 owns as a result of the plan, apply the sales proceeds to the debt, and renegotiate
17 payment of the balance due on the loan to avoid the immediate loss of the limited
18 entry permit that has been pledged for security for the loan.

19 * **Sec. 5.** AS 16.10.360 is amended by adding a new paragraph to read:

20 (6) "market development purposes" includes efforts to enhance

21 (A) the recognition, consumption, and market penetration of
22 specific fisheries products made from fish taken in this state; and

23 (B) the general salability of fisheries products made from fish
24 taken in this state.

25 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).