STATEWIDE IN ALASKA

In a recent issue of Alaska Economic Trends we made an attempt to assess the effects of the President's new economic policy on Alaska's economy. In that article we discussed in brief the effects of the policy on Alaska's salmon industry. Since the story appeared in print additional far reaching implications for this sector have come to light. The following article presents a more indepth discussion of the possible impact of the new economic controls on Alaska's salmon industry.

The wage and price freeze and the economic controls that it portends could well have serious ramifications for Alaska's salmon processing industry and for the State's fishermen. The freeze itself came at a time when salmon prices were only beginning to move up after being held back by surpluses left over from 1970's excellent salmon pack. As a result, its net effect was to leave packers holding stocks of canned salmon on which the price was frozen at artificially low levels relative to supply and demand. If processors are not given a sufficient range in which to raise prices for canned salmon during the period of controls following the freeze, a portion of the salmon industry or even the industry itself could experience considerable difficulty. Of course, this statement holds true for most sectors of the private economy since price advances are usually a reaction to increased operating costs which in turn result from inflation. Hence, any set of economic controls will have to be sufficently loose so as not to strangle the economy as a whole. However the rising costs experienced by the salmon canning industry during the past year go far beyond the simple inflation that afflicts other areas of the economy, and hence may require less rigid price restraints than some sectors of industry.

Probably the largest single new cost factor that the industry faces, is the need to pay overtime wages to cannery workers. Prior to the passage of legislation by the 1970 legislature, canneries were exempt from laws requiring the payment of overtime for work exceeding forty hours in a week. It has been estimated by industry sources that the payment of overtime to cannery workers will add roughly 15 percent annually to cannery labor costs.

Adding further to cannery labor costs were the new contracts negotiated between the salmon industry and cannery workers unions prior to the start of the salmon season. In every case, contract negotiations resulted in higher wages and improved fringe benefits for the employees. These contracts became effective, and the employees were being paid at the higher rate prior to the freeze. Also renogiated was the price paid to fisherment for raw fish. As with labor contracts the price paid to fishermen for fish was in every case higher than the previous year. These contracts which were also effective before the imposition of the freeze and the agreements with the cannery workers came in anticipation of the industry's being allowed to raise the price of canned salmon from the 1971 pack.

In addition to higher labor and raw fish prices the industry has experienced increase in costs for such things as: salt, cans, cartons, freight, insurance, food, fuel and other items necessary for the operation facility. These items could be considered to be within the general inflationary trend of the economy, as can some of the labor costs mentioned above. Nevertheless they have exerted an adverse effect upon the industry.

Another factor which should be mentioned is the need for canneries to meet Federal water quality control standards. Costs here are hard to pinpoint because they vary from cannery to cannery according to the size of the facility and its location. Generally speaking, however, installation of waste disposal makes up a greater percentage of the total plant value for a small cannery than for a larger one.

In fact, because their overall operating costs on a per

case basis run higher than those of a larger cannery, the small operators, would be first and hardest hit by overly restrictive limits on the price of processed salmon. Such restrictions could result in some smaller independent operators going out of business. If this occurs it could have severe economic repercussions in rural areas where salmon fishing and processing provide the major livelihood. In many villages canneries or freezing facilities provide the sole source of employment. If these various small operators go under due to an inability to raise prices of processed salmon, both fishermen and cannery workers would be thrown out of work. With no other industries to pick up the slack left by processing facility closures, further aggravation of the high and persistent unemployment already existing in most of these areas would be the inevitable result.

A still more frightening prospect, is the possibility that controls on the price of processed salmon might prove sufficiently rigid to force even the large operators out of business. In this event the effects listed above would be greatly magnified. Salmon processing provides a great deal of seasonal employment for Alaskans. During 1970's banner salmon season roughly 7000 people were employed in salmon processing during the peak month of July. While no actual count of fishermen is available it has been estimated by Research and Analysis at somewhere near 12,000 persons during the peak of the 1967 salmon season. A cessation or substantial reduction of salmon canning would deprive many, if not most of these people of employment.

Worse yet, however, non-utilization or under-utilization of Alaska's salmon fishery by the domestic industry could lead to the ultimate depletion of the resource. Presently, a number of treaties and understandings limit or prevent foreign fishing fleets from taking Alaska salmon on the high seas. These agreements are contingent upon the optimum utilization of Alaska's salmon resource by the domestic industry. Less than optimum utilization of the fishery would abrogate agreements and lead to unrestricted high seas fishing for Alaska salmon by these foreign fleets. Previous experience has shown that such unrestricted fishing of salmon, or for that matter any species, has ultimately depleted the resource to a level where its utilization becomes uneconomical. Hence, even if economic controls were subsequently lifted or relaxed to a degree that salmon processing was again profitable, by the time this occurred there might be no resource left to utilize. If this happens it will indeed be tragic for a state that has historically based so much of its economy upon salmon fishing.

In conclusion it should be noted that the above analysis reflects possible occurrences rather than outright predictions of doom for Alaska's salmon industry under the new economic policy. Indeed the proper imposition of economic controls will benefit the industry by slowing the upward spiral of operating costs resulting from the inflationary trend of the late sixties. Nonetheless it must be hoped that when the controls are formulated for the salmon industry some allowance is made for the increased costs of operation accrued by the industry which relate to factors other than simple inflation.