

Public – Private Partnership to Further Alaska Fisheries Infrastructure

AIDEA Board Meeting

Juneau, Alaska

February 20, 2014



Alaska Economic Impact of the Alaskan Fishing Industry

- * Nearly 60,000 people are directly employed in the commercial fishing and seafood processing industry in Alaska
- * This industry creates over 11,000 additional jobs in Alaska
 - * “Jobs created” includes jobs in the fisheries support services and jobs created through the spending of earned wages
 - * 1 additional job is created in Alaska for approximately every 5 direct fishing or processing job

	Jobs Created		Total Jobs in
	Direct Jobs	In Alaska	Alaska
Commerical Fishing	32,000	7,200	39,200
Seafood Processing	27,100	4,300	31,400
Total	59,100	11,500	70,600

* Economic Value of the Alaska Seafood Industry,
7/2013, Alaska Seafood Marketing Institute
[McDowell Group]

Outside Economic Impact of the Alaska Fishing Industry

- * Commercial fishing and Seafood Processing creates over 43,000 jobs outside Alaska
 - * Means there are 4x as many jobs created outside Alaska than inside
- * Almost 80% of the jobs created by the economic impact of fishing and processing are outside Alaska
 - * “Jobs created” are the jobs created in addition to direct employment in the industry

	Direct Jobs	Jobs Created in Alaska	Jobs Created Outside Ak	Total Jobs Created
Commerical Fishing	32,000	7,200	20,900	28,100
Seafood Processing	27,100	4,300	22,200	26,500
Total	59,100	11,500	43,100	54,600

* Economic Value of the Alaska Seafood Industry, 7/2013, Alaska Seafood Marketing Institute [McDowell Group], with additional calculations made by Pt Capital

3

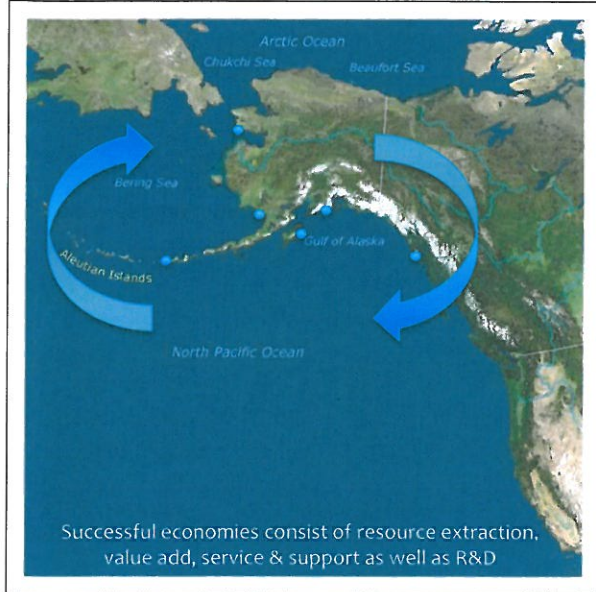
Why is so much of the Economic Impact Leaving Alaska?



- * Ownership and headquarters for Alaska’s large-scale fisheries are in Washington
- * Service & support sector availability
- * Infrastructure has been built-up over the past century
- * Employment segments tend to follow ownership
 - * Management, vessel, indirect service and industry, etc.

4

Maximize Alaska Value through Local Ownership

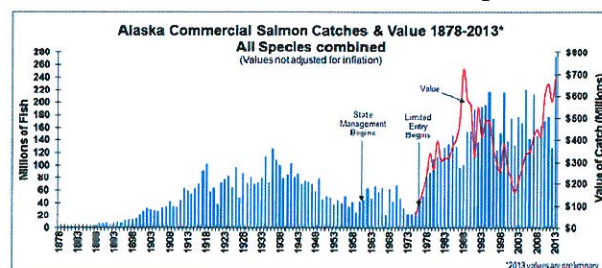
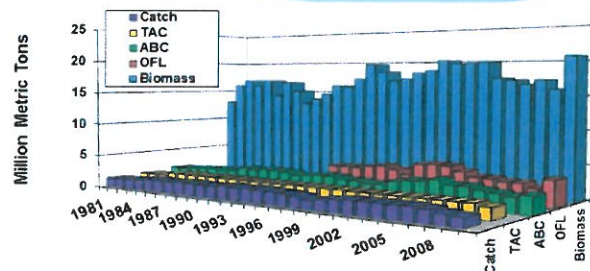


- * Permanent local ownership of fisheries creates permanent wealth for private and public sectors alike
- * Long-term economic development and activity in the state results in direct and indirect jobs available for all Alaska residents
- * Profitable industry that will build expertise and capacity for other sectors, including existing and future maritime-related activities such as industrial activity in the Arctic as well as pay State of Alaska corporate taxes

5

Alaska Fisheries are a Sustainable Investment

- * Alaska's fisheries are the best managed in world
 - * Federal Management – 2 million metric ton catch for over 30 years
 - * State Management – 100+ million annual salmon harvest for over 30 years
- * Cash flows are sustainable
- * Values are stable and trend upwards over time



6

Strategy for Increasing Alaska Ownership: *Buy It!*

- * Alaskans know fish
- * Opportunity to provide economic development and jobs in Alaska by combining:
 - * State of Alaska's strong credit rating
 - * Low cost of capital
- * Would Result in: high leverage combined with low long term rates, making large-scale investment into Alaska fisheries by Alaskans more affordable.

7

Alaska's Competitive Advantage: The Ability to Cut the Cost of Capital

- * Problem: currently the cost of capital for large-scale fisheries investment is too high stifling the growth of Alaska-owned fisheries
- * Solution: Fisheries should be financed at rates similar to other resource asset classes (such as timber and farm land). Currently they aren't because:
 - * Fishing rights are new and have yet to be included in institutionalized investment strategies (20 years fishing rights vs. 100+ years timberland and agricultural land)
 - * Small volume of fishing rights deals and financing held in too few hands (vs. billions in timberland and agricultural land with many liquid participants)

8

Alaska Fisheries: Infrastructure Investment

- * Large investments in Alaska fisheries should be financed as infrastructure because:
 - * Fishery rights are permanent assets
 - * Vessels and on-shore facilities are long term infrastructure
 - * Stable, predictable revenue
- * Alaska fisheries are an important piece of Arctic infrastructure and economy
- * Alaska fisheries are a user of other infrastructure

9

Alaska Fisheries: Legislative Action

- * Currently no public program exists to finance Alaska's largest fisheries.
 - * Use proposed Arctic Infrastructure fund to finance Alaska's fisheries investments through AIDEA
 - * Create a similar structure to AIDEA's existing Sustainable Energy Transmission and Supply development fund
 - * The Arctic Infrastructure development fund is ideal for financing Alaska fishery infrastructure (SB 140, HB 288)
 - * **ASK:** Amendment to SB 140, HB 288 to Authorize AIDEA to finance the Alaska fishing industry

10

Alaska Fisheries: Financing Strategy

- * Not a gift or grant - all funds are repaid in full with interest
- * Program creates economic development, without a subsidy, with the State taking appropriate risk
- * AIDEA provides loans or guarantees
 - * Loans at AIDEA's existing rates
 - * Guarantee bank loans to reduce rates
- * Arbitrage market cost of capital using AIDEA financing tools
 - * Underwritten based on historic sustainable cash flows
 - * Ample debt coverage ratio with higher leverage

11

Program Design: Focused Permanent Alaska Ownership

- * Program eligibility limited
 - * Community-based not-for-profit
 - * Municipalities
 - * Non-CDQ (CQEs are specifically eligible)
 - * CDQ ownership limited to less than 50%
- * Federally managed fisheries (vessels & quotas)
- * State managed fisheries (plant and equipment)
- * ANCs and private business can form alliances with eligible participants

12

Program Design: Tiered Underwriting

- * Preferential financing for the following:
 - * Low income communities/high poverty rate communities
 - * High unemployment communities
 - * Non-CDQ communities
 - * Number of communities served
 - * Proximity of community to resource
- * If capital is available, financing will be available to more entities after a period of time