

# ***Southeast Region Fresh Fish Air Transportation Project***

## ***Sitka Meeting Summary: Sitka Seafood Processors And Alaska Airlines***

***Prepared for:  
Southeast Conference***

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The McDowell Group, Inc., under the direction of Southeast Conference, has been working with Alaska Airlines and seafood processors from Cordova to Ketchikan to find ways to increase the amount of fresh seafood transported by air – be it by system and schedule improvements, or additional lift capacity. A meeting between Alaska Airlines, Sitka processors, and Sitka Economic Development Association representatives was scheduled for May 10 in Sitka. The gathering was similar to a meeting of Alaska Airlines and Juneau processors that took place in Juneau during Southeast Conference’s mid-winter summit.

Representatives from Seafood Producers Cooperative (SPC), Sitka Sound Seafoods (SSS), Hook and Line Seafoods, Sitka Economic Development Association (SEDA), and Alaska Airlines met in two meetings. The brief morning meeting included representatives from SPC, SEDA, and Alaska Airlines. The afternoon meeting included representatives from all groups.

Eric McDowell, Partner in the McDowell Group, Inc., an Alaska consulting and research firm, facilitated the meetings, assisted by McDowell Group Seafood Economist Casey Campbell.

Southeast Conference’s goal for the *Southeast Region Fresh Fish Air Transportation Project* is to significantly increase the volume and value of fresh seafood, using the existing infrastructure if possible, and charter capacity if increases cannot be achieved within the existing system. The purpose of these meetings was to provide an environment for all interested parties to share ideas, express issues, and present possible solutions and plans to improve seafood airfreight service in Southeast Alaska.

Following is a record of the proceedings of the Sitka meetings.

### Morning Meeting

The first meeting was a brief one, involving representatives from SPC, SEDA, Alaska Airlines and the McDowell Group. The morning meeting was necessitated by late arrival of participants and other schedule conflicts. Two main topics were discussed. First, SPC discussed their needs and issues with the current service, and the type of service they would prefer, to maximize fresh fish sales. Second, Alaska Airlines discussed carrier needs for improving service to SPC.

#### **Current Situation (presented at both meetings)**

According to Alaska Airlines, the company is transitioning old aircraft (737-200's) out of service and converting former passenger aircraft into combination aircraft (cargo and passengers). They are also in the midst of updating their cargo booking system to eventually be completely web-based. Currently there is a total of 100,000 pounds of freight capacity out of Southeast Alaska per day. System-wide, there are three Combi's (renovated 737-400's with fixed bulkhead and about 16,000 pounds topside capacity and another potential 5,000 pounds in the belly). One is now operating in Southeast Alaska serving Ketchikan, Wrangell, Petersburg, Juneau and Anchorage on flights 61 and 64.

Currently, the airline operates one 40,000-pound freighter in the region. The company has an option to purchase one more freighter in 2009. Alaska Airlines estimates that 5 to 6 million pounds of capacity goes unused each year. According to the airline, the mail contract allows Alaska Airlines to offer back haul rates for freight leaving Alaska. However, variable mail loads also dictate freighter schedules and available capacity.

World seafood food markets are demanding more fresh seafood, especially premium Wild Alaska fresh seafood. Limitations on seafood processors ability to ship fresh product to market is affecting their ability to fill the new market demand. For example, in the face of escalating demand and price for fresh fish from the region, processors produced nearly one million pounds less fresh product in 2006, at least partly due to air shipping constraints.

#### **SPC's Situation**

SPC faces a situation where capacity is limited and unreliable, and booking space is difficult and time-consuming. In recent years more businesses are trying to ship fresh seafood, with fixed capacity from Alaska Airlines this is squeezing the capacity available to each user. SPC likely produces one of the largest volumes of "air eligible" seafood in the region, but ships only a portion of its potential by air. Air shipment limits have limited SPC's ability to grow as a company and enter new markets.

#### **SPC Requests of Alaska Airlines**

- Direct communication – let us know enough in advance when AA has extra capacity
- More lift
- Tuesday is #1 freighter demand day, followed by Sunday, then Thursday

- Fairly split capacity (honor the airline's most consistent and largest customers with consistent and increased allocations)
- Capacity allocations meeting historical delivery performance
- SPC can coordinate some dock deliveries, but only if transportation capacity commitment was reliable, with weather always the wild card
- Consider another freighter for the 90-day summer salmon season

#### **Alaska Airlines Requests of SPC**

- Reliable deliveries closely matching space booked
- Planning as far in advance as possible – last 2 days are critical
- Would consider long-term contracts for reliable poundage on schedule
- Improvements to TSA screening to allow processors to qualify as Certified and Screened Shipping Company
- Working cooperatively with other processors in community

## **Afternoon Meeting**

The second meeting included representatives from SEDA, SPC, Sitka Sound Seafoods (SSS), Hook and Line Seafoods, Alaska Airlines and the McDowell Group. The preceding section "**Current Situation**" was repeated at the start of this meeting. Discussion covered the full range of issues, included booking system workshops, solutions for 2007 season, and the possibility of chartering a Non-Alaska Airlines freighter.

McDowell Group presented a summary of the results of interviews with 25 regional processors and direct marketers. The results of this series of executive interviews closely paralleled the discussion at both Sitka meetings. The firm also explained the basis for their estimate that approximately 25 to 30 million pounds of regional fish currently qualify as "air eligible", by virtue of being high-value species, handled with high quality standards, and landed at ports with jet airport access.

Following is a summary of the main points in this discussion.

#### **Sitka Processor Requests of Alaska Airlines**

- Improvements/Education in current booking system
- Consistency of capacity
- Commitment to seafood freight program
- Consistent effort on communication
- Tuesday freighter
- Educate Alaska Airline employees on seafood business
- Advanced planning (schedule of fishing season at Alaska Airlines)
- Alaska Airlines schedule and freight capacity alternatives provided to processors in advance
- Consider additional freighter in summer to handle excess salmon demand
- Turn the current freighter more often in Juneau, preserving capacity for the region, instead of sending it all the way to Anchorage each trip

### **Alaska Airlines Requests of Sitka Processors**

- Help manage the seasons (political) for better product flow
- Improved fleet/fish supply management (excluding weather)
- Booking workshop participation
- Long-range load planning information
- Unified community and regional plan
- Political help with mail contract schedule

Regarding another freighter, Alaska Airlines was clear this was not an option, at least until 2009, and only then if they exercise the option to purchase another freighter. Current labor contracts and lack of freight aircraft prevent operating a second freight aircraft. Chartering a non-Alaska Airlines freighter was not an option due to both labor contracts and liability of a non-company aircraft.

### **Sitka and Alaska Airlines Realities**

Sitka participants and Alaska Airlines representatives also addressed the factual realities of the Sitka situation.

#### **Sitka Realities**

- No alternatives for air freight – poor ferry service
- Top port of airfreight eligible seafood, but no improvement in 2007 air capacity
- No Combi aircraft service
- No additional freighter service

#### **Alaska Airlines Realities**

- No Combi serving Sitka
- Second freighter not until 2009
- No capability to charter other aircraft due to pilot contracts

From the discussions on ideas, issues, and realities the group put together an action plan with tasks to be accomplished before the 2007 summer fishing season.

The action plan created at the conclusion of the afternoon meeting provides Alaska Airlines and processors with several identified tasks that can be completed before and during the 2007 summer fishing season. The goal of the action plan is to significantly increase the volume of fresh fish flown out in 2007 – by 2 million pounds over the estimated 16 million pounds flown out in 2006.

In addition to the top priority of booking system improvement, three potential system modifications became evident during the meetings. First, a freighter from Sitka on Tuesday best meets preferred market timing for processors. Second, increased freighter turns in Southeast would increase lift. Third, space management improvements by both the airline and processors would improve space utilization.

The tasks established in the action plan should be accomplished by start of the 2007 summer season, with participation from both parties.

### **Action Plan Summary**

#### **Task #1: Booking System Workshop**

A Lean Workshop will be put together by Alaska Airlines to improve the current booking system, inviting users to participate in the process of designing a more effective and efficient system. The workshop will be attended by Alaska Airlines fish desk employees along with employees from fish processors responsible for air freight. The Lean Workshop will be completed before June 15<sup>th</sup> 2007, and the preferred site, after much discussion, is Seattle, because processors will be learning the airline's system. Later, airline fish desk people can visit Sitka to observe fish operations as an educational exchange. Matt will schedule and plan with logistical assistance from SEDA and McDowell Group.

All attending processors committed to sending their key people to the workshop for education in using the system and to participate in making it more efficient and user-friendly.

McDowell Group will work with Alaska Airlines, Southeast Conference, and processors to insure invitation of the limited number of participants that workshop can accommodate. Those unable to attend due to limited capacity at this initial workshop should have opportunities for system input and education at a later time.

#### **Task #2: Turning the Freighter More Often in Southeast, Especially on Tuesday**

Processors indicate that Tuesday is the most desirable day for Sitka to receive a freighter, followed by Sunday and then Thursday. Product would then enter the market to meet peak demand times each week. Matt would be responsible for meeting with flight schedulers to accommodate this possible change. Processors asked for this change to be implemented as soon as possible. Alaska Airlines did not commit, as their current schedule calls for regional turns on Saturday and Monday, but Matt will discuss internally and report back.

#### **Task #3: Fleet and Delivery Management Improvement**

Season management, weather, and availability of wild stocks affect processors and harvesters. That said, processors agree they can work with harvesters to improve

timing of some deliveries to better coincide with available airfreight capacity. It is critical for readers to understand that harvester safety is the absolute highest priority, and will not be compromised.

#### **Task #4: Political Support**

Two issues that can affect airfreight capacity and scheduling are the mail delivery requirements of each Post Office in the region, and the management of harvest seasons. Alaska Airlines requested processors' (and SEDA's) political assistance with both of these issues, as adjustments to either could open up more timely capacity. SEDA will talk with Alaska Airlines on specifics.

#### **Task #5: Information on all schedule options with available capacity**

Alaska Airlines will work to provide a schedule for all flight options and available capacity to processors. This will allow processors to consider all routing options and plan shipments to better utilize available capacity. It may be possible for shipments to be split among multiple flights, alleviating pressure on some of the more popular individual flights. Schedules will be disbursed soon by the airline. Steve will communicate on this.

#### **Task #6: Anchorage to Seattle over-ride**

A processor was told by Alaska Airlines that they could not ship product from Southeast to Anchorage then on to Seattle. This was identified as a system issue that should be resolved. Steve Carlisle will address this issue so shipments can be routed through Anchorage and on to the lower 48 when space is available.

#### **Task #7: Ship fillets to maximize volume and value**

Processors can tailor shipments to maximize volume and value of airfreight. One suggestion was to use airfreight to ship more fillets, to maximize volume and value in relation to shipping charges. Processors are responsible for implementation.

## **Next Steps**

Implementation of all seven action plan tasks, lead by the Booking System Workshop, are the next steps.

Further coordination and discussion between Alaska Airlines and the region's processors will be facilitated through June 30.

Also included will be a discussion of a charter alternative for the summer season of 2008, to provide more capacity just during the peak salmon season, when Alaska Airlines' system is taxed with maximum demand for passengers, baggage, sport fish shipments, processor fish shipments, and other outgoing freight. A single freight aircraft, such as an Alaska Airlines freighter of 30,000 to 40,000 pounds capacity flying on premium market days of Tuesday, Sunday and Thursday could export about 1.2 to 1.6 million pounds during a 13-week (90-day) summer season.