

22 February 2016

Chair Louise Stutes and Members of the Special Committee on Fisheries:

The Pacific Seafood Processors Association is a trade association formed in 1914. Our nine member companies own and operate more than 26 shore side plants throughout Alaska and three motherships that operate in the Bering Sea. Collectively our members participate in all of Alaska's fisheries. As such they will be directly impacted by HB251.

We are reviewing and discussing HB251 and do not support it in its current form at this time.

Deciding how and where to implement increased taxes on the Seafood Industry is a complicated issue. HB251 approach is over-simplified. Some have said it is a 1% tax increase; in fact it increases our taxes on different fisheries from 20% to 33%. For example it raises the costs on value added products (including canned and frozen salmon) when there is significant unsold inventory due to market conditions raises the question of should products with value added in Alaska be taxed at the same rate as products without value added here?

Alaskan seafood processors sell into global markets where our customers have many choices of products and suppliers. As such, we are price takers, with little or no ability to pass on additional costs.

New costs from HB251 are being contemplated while the Alaska seafood industry faces significant production and marketing challenges, including:

- 26% increase in the Alaska minimum wage over the past two years
- 20-30% U.S. currency disadvantage for us selling to our major foreign markets; 20%+ currency advantage to foreign suppliers (e.g., farmed salmon) selling into the U.S.
- Lack of access to Russian and Ukrainian markets, especially for salmon roe.

It has been said the revenue goal for HB251 is to close the gap between the revenue collected from commercial fisheries and the costs of managing those fisheries. However with the proposed new revenue from increased fisheries taxes there is no assurance that continued cuts to ADF&G would not result in diminishment of its fisheries science and management capacity. The resultant precautionary guideline harvests would pose significant opportunity costs (decreased revenue) to harvesters, processors, and coastal communities.

We recognize Alaska's fiscal situation means we all will have to pay more. But new or increased taxes must be balanced and equitable to all of Alaska's industries, and must consider the total contribution they make including taxes paid, total employment, sustainability, and economic opportunity. Moreover they must consider the impacts on the economic viability of the industries being taxed.

We would like to continue to work with you, the Legislature, and the Governor to find a path forward on proposed increases in revenue from the seafood industry. Thank you for the opportunity to comment.

John V. O'Shea Vice President – Alaska
Pacific Seafood Processors Association