



March 4, 2020

Senator Gary Stevens

Email: Senator.Gary.Stevens@akleg.gov

Dear Senator Stevens,

The Pacific Seafood Processors Association (PSPA) supports SB 130, which would extend and augment the seafood product development tax credit. Providing Alaska's seafood processors with the ability to receive some capital cost recovery in exchange for investing in new equipment that produces value-added products within Alaska incentivizes getting more value out of each fish, which, in turn, provides greater benefit to the State of Alaska, coastal communities, fishermen, and processors. Our understanding is that SB 130 would extend the current program through 2025 and would expand the list of tax credit eligible species to include Alaska pollock and Pacific cod. The latter is important, as Alaska pollock and Pacific cod comprise about 69% of Alaska's statewide harvest by volume (2018), and getting more value long-term from these high-volume species is of benefit to all fishery participants and the State of Alaska. Thank you for sponsoring this bill, and we look forward to a Senate committee hearing.

PSPA is comprised of eight major seafood processing companies that purchase fish from harvesters and provide markets from Ketchikan to Unalaska to St. Paul. These companies operate 25 facilities in 15 coastal communities across Alaska and three floating processors to serve remote locations. The health of commercial fisheries and the seafood industry is critical to Alaska, as it generates \$5 - \$6 billion in economic value in Alaska annually and creates more direct jobs (58,700) than any other private industry in the state. We compete in a global market place, where our competitive advantage is our diversity, volume, and sustainable management systems. Nonetheless, we are not likely to see notable increases in wild fisheries volume over time, and therefore our primary opportunity for growth is in increasing the value of Alaska's seafood, not only through new markets for our existing products, but by creating new products from portions of the fish that are not being used currently.

SB 130 increases the value of Alaska seafood by incentivizing new product development, and it allows seafood processors to be able to respond more effectively to changes in markets and consumer demand. Seafood processors have used the existing salmon tax credit to make critical investments in processing technologies for salmon that would otherwise be cost prohibitive for some, and it has changed the face of salmon processing to an increase in fillet and other value-added salmon products that have a strong U.S. market. A higher value product means a higher return on investment for the state, coastal communities, and all participants, as fish taxes are based on fish value. Value added products also require more labor than simply freezing or heading and gutting.

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Part of our sustainability effort in Alaska is to increase and improve the utilization of each fish, which in turn generates more value out of the state's resources. The ability to recover some portion of capital costs for new equipment to create marketable products out of the portions of the fish that would otherwise be wasted is a significant factor in meeting this mandate. There is no better way to increase the value of Alaska's resources than to increase the utilization of a fish that has already been harvested. Great gains have been made in using milt, roe, stomachs, bellies, fish oil, bones, and skins to generate new products and new consumers of Alaska seafood. Reauthorizing the value added tax credit will help Alaska producers continue this progress and expand it more fully to other species.

While Alaska's shoreside processors rely on a diverse portfolio of species, high volume fisheries like Alaska pollock, salmon and Pacific cod are the foundation for the sector's economic impacts. SB 130 improves the ability of Alaska seafood to compete in highly competitive markets, both domestically and abroad, while providing a higher value product that in turn benefits harvesters, processors, coastal communities and the state of Alaska, which assess fish taxes based on value. Thank you for your efforts on this bill and the opportunity to comment, and please let me know if I can provide additional information.

Sincerely,

A handwritten signature in dark ink, appearing to read "C. Barrows", with a stylized flourish at the end.

Chris Barrows
President, PSPA
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