

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

April 9, 2001
5:10 p.m.

MEMBERS PRESENT

Representative Gary Stevens, Co-Chair
Representative Peggy Wilson, Co-Chair
Representative Drew Scalzi
Representative Fred Dyson
Representative John Coghill
Representative Mary Kapsner
Representative Beth Kerttula

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE JOINT RESOLUTION NO. 15(RLS)
Relating to imports of salmon from Chile.

- MOVED CSSJR 15(RLS) OUT OF COMMITTEE

PREVIOUS ACTION

SHORT TITLE:CHILEAN FARMED SALMON
SPONSOR(S): SENATOR(S) AUSTERMAN

Jrn-Date	Jrn-Page		Action
02/22/01	0470	(S)	READ THE FIRST TIME - REFERRALS
02/22/01	0470	(S)	RES
03/16/01		(S)	RES AT 3:30 PM BUTROVICH 205
03/16/01		(S)	Moved Out of Committee MINUTE(RES)
03/19/01	0716	(S)	RES RPT 6DP
03/19/01	0716	(S)	DP: TORGERSON, TAYLOR, PEARCE, KELLY,
03/19/01	0716	(S)	ELTON, HALFORD
03/19/01	0716	(S)	FN1: ZERO(S.RES)
03/27/01		(S)	RLS AT 10:45 AM FAHRENKAMP 203
03/29/01	0858	(S)	RULES TO CAL W/CS 2OR 3/29 SAME TITLE

03/29/01	0858	(S)	FN1: ZERO(S.RES)
03/29/01	0864	(S)	READ THE SECOND TIME
03/29/01	0864	(S)	RLS CS ADOPTED UNAN CONSENT
03/29/01	0864	(S)	ADVANCED TO THIRD READING UNAN CONSENT
03/29/01	0864	(S)	READ THE THIRD TIME CSSJR 15(RLS)
03/29/01	0865	(S)	PASSED Y19 N- A1
03/29/01	0867	(S)	TRANSMITTED TO (H)
03/29/01	0867	(S)	VERSION: CSSJR 15(RLS)
03/30/01	0781	(H)	READ THE FIRST TIME - REFERRALS
03/30/01	0781	(H)	FSH
03/30/01	0794	(H)	CROSS SPONSOR(S): WILSON
04/09/01	0912	(H)	CROSS SPONSOR(S): CHENAULT
04/09/01		(H)	FSH AT 5:00 PM CAPITOL 124

BILL: SJR 15

WITNESS REGISTER

IAN FISK, Staff
to Senator Alan Austerman
Alaska State Legislature
Capitol Building, Room 417
Juneau, Alaska 99801
POSITION STATEMENT: Presented sponsor statement for SJR 15.

JERRY MCCUNE
United Fishermen of Alaska (UFA)
211 Fourth Street, Suite 110
Juneau, Alaska 99801
POSITION STATEMENT: Testified in support of SJR 15.

EDWARD FURMAN, Cordova Fisherman
PO Box 2361
Cordova, Alaska 99574
POSITION STATEMENT: Testified during the hearing on SJR 15 on
the price of gas, and protecting the rights of fishermen.

ACTION NARRATIVE

TAPE 01-17, SIDE A
Number 0001

CO-CHAIR PEGGY WILSON called the House Special Committee on
Fisheries meeting to order at 5:10 p.m. Representatives Scalzi,
Dyson, Coghill, Kerttula, Stevens, and Wilson were present at

the call to order. Representative Kapsner arrived as the meeting was in progress.

SJR 15-CHILEAN FARMED SALMON

CO-CHAIR WILSON announced that the first order of business would be CS FOR SENATE JOINT RESOLUTION NO. 15(RLS), "Relating to imports of salmon from Chile."

Number 0087

IAN FISK, Staff to Senator Alan Austerman, Alaska State Legislature, read the following sponsor statement on behalf of Senator Austerman:

The U.S. Government is in the process of negotiating a free trade agreement with Chile. Meanwhile, exponential increases of Chilean farmed fish are flooding markets and driving the price of salmon down to levels that jeopardize Alaska's industry.

This resolution points out that Chilean fish farms are not competing on an even basis with Alaskan fishermen. Our laws requiring sustained yield and ecosystem management mean higher costs of production and a lower volume of harvest than under the Chilean system. These factors are making it increasingly difficult for our fleet to compete in the current market situation. This resolution urges the U.S. government to impose import restrictions and increased import tariffs on Chilean farmed salmon in order to allow Alaskan fishermen to better access the domestic market.

SJR 15 is the first step Alaska must take to the massive influx of cheap imports of farmed fish into the U.S. We in Alaska have made a commitment to our salmon industry and the communities it has built and continues to sustain. In the long run this commitment is going to pay off. But today [we've] got to stand up and help our industry compete against unfair foreign competition.

MR. FISK explained that this resolution is "sticking up for our industry and encouraging the federal government to do what it can to open the domestic market to our fish so that our fishermen can do a better job of marketing our fresh salmon."

Number 0235

MR. FISK said there are several ways this can be done. One way is to apply for relief through an import moratorium under Section 201 of the Trade Act [of 1974]. This would require the industry to issue a recovery plan for the end of any import moratorium. A second way to attack the issue would be to have an investigation through the International Trade Commission under the U.S. Department of Commerce, which could continue to investigate Chilean and Norwegian fish farming industries for "dumping product into our market." [The International Trade Commission] has already found companies guilty of selling products at less than fair value in many other industries. He went on to say, "There's no reason why we shouldn't ask them to go to bat for [the] Alaskan salmon industry."

MR. FISK noted a third way to approach this issue is through the Safeguard Law, which is implemented through the International Trade Commission as well. This law focuses on "surges of imports," which certainly have been present in this industry. He said there has been a 270 percent increase in Chilean [salmon] imports between 1996-1999, from 12.3 metric tons to 33.3 metric tons. Currently, Chile has 90 percent of the domestic market [for salmon].

Number 0408

MR. FISK commented that at this point, the [Alaska State] Legislature's role is to encourage the governor's office and [U.S.] congressional delegation to cooperate with the United States Trade Representative (USTR) as negotiations on free trade agreement continue. He said they are at an early stage in the negotiations, and the next round takes place in May. He pointed out the importance in following up with this issue.

Number 0462

REPRESENTATIVE DYSON remarked that he is enthusiastic about protecting Alaskan's markets, but that "we got to be driven more than just our own self-interest." He asked Mr. Fisk if he had any evidence regarding impacts on ecology for Chile [in relation to salmon imports].

MR. FISK replied that at this time there is no "hard" evidence for this. But there are an estimated four million farmed fish that have been released into the wild in Chile, a significant number that can be used as an arguing point. He said Chile has

also been using antibiotics at a very significant rate, 75 times the amount that Norwegian fish farmers use. This is not healthy since these [antibiotics] are being released into pens in lake environments where fish are being raised. Wild fish are being subjected to this as well, making them more susceptible to disease in the long run.

REPRESENTATIVE DYSON asked if there was any evidence that showed diseases of farmed fish had been transferred to wild stock.

MR. FISK indicated the need to continue to look into this issue. He said the governor's office intends to use environmental arguments against farm salmon as one of its strong points in the negotiations.

Number 0590

REPRESENTATIVE DYSON said he would think so. He referred to interactions with the Minister of Fish and Oceans in British Columbia [BC], who had informed him that BC has biologically inert estuaries in which everything has been killed and all that remains is feces from farmed fish. There is also hard evidence that farm fish released in [these estuaries in] BC are spawning, "which we were told would never happen." He wondered if this was happening in Chile.

MR. FISK stated that he did not know.

REPRESENTATIVE DYSON asked if there was evidence in Chile regarding the detriment of the wild stock.

MR. FISK remarked that he did not have this information, but it is an area that needs to be looked into. He mentioned that he has heard that diseased fish have been used as fishmeal for farmed fish [in Chile]. This information is too anecdotal to be used in negotiations right now, but it needs to be looked into further. He believes this would be a strong arguing point especially since there has been a huge problem in Europe concerning "mad cow disease." He said there has been a lot of indication that the European market is looking for a healthier alternative. If "we" can indicate similar things are happening in the Chilean farmed fish industry, there would be a strong arguing point. He noted that Representative Dyson's questions were valid and that more research is needed in order to obtain specifics on environmental problems in Chile.

REPRESENTATIVE DYSON said, "We don't want to be responsible. I'm not going to spread the rumor that farmed fish caused baldness, pimples and impotency, because I don't know there's any hard evidence to that."

REPRESENTATIVE DYSON stated that he heard that Norwegian and Chilean fish farming were "profoundly and substantially subsidized" by the national government. He asked if there was any evidence of this.

MR. FISK replied that the most profound subsidy comes from the "lack of regulation that our industry works under that amounts to money that they get to keep in their pockets."

REPRESENTATIVE DYSON remarked that he would not call this a subsidy, but that he understands.

MR. FISK commented that he has heard that the state-owned airline [in Chile] is providing cheaper freight rates [for salmon imports]. He indicated that this affects costs significantly in Chile's marketing of fresh boneless filets, which make up 90 percent of Chile's domestic market. And if this is true, then Chile has a significant advantage that "we" do not have.

Number 0833

CO-CHAIR WILSON wondered if Mr. Fisk had heard about problems with Norwegian farmed fish being ill in the last few days.

MR. FISK remarked that he had not heard about this in the last few days.

Number 0867

CO-CHAIR STEVENS referred to an UFA article by Casey Woods and Jonathan Franklin entitled "Against the Tide, Chilean Salmon Producer Growing Too Fast and Too Loose." The article says that Chile will become the world's largest salmon producer by the end of the decade, even bypassing Norway due to the amount they're producing. This is a "real" concern throughout the industry. He indicated that the industry is basing these views on whether subsidies come from the government, such as paying workers illegal low wages. He said there are many specifics in this article about how this happens as well as discussion of [Chileans] overuse of antibiotics to the point of "stuffing antibiotics into the lakes so that they say the healthy fish are

medicated along with the ill ones." He stated this is scary, especially because it "probably gets in ... the food stream."

CO-CHAIR STEVENS stated that the report finds that the Chilean salmon industry uses 75 times more antibiotics per kilo than its counterparts in Norway, which is a substantial overuse of antibiotics. He summarized the other main concerns of the article as there being an issue of illegal payment of wages, the threat of Chile becoming the largest producer, the question of whether Chile is supported by its government, and the dumping of the product. He said, "We need to push ahead on this and [at] least bring up the issue of unfair competition from foreign producers."

MR. FISK commented that this would be part of the negotiating stance that "we" encourage USTR to take. He referred to Co-Chair Stevens' remarks on the cost of labor in Chile and said one estimate says the average monthly salary for working on a Chilean farm is \$250 (in U.S. dollars). This gives Chile a "definite unfair advantage" to cost production in the [United States]. He noted that the article makes valid arguing points for the negotiations regarding the assertion that "environmental damage of their unregulated industry is significant." He said this area needs to be looked into.

Number 1096

EDWARD FURMAN, Cordova Fisherman, gave the following testimony:

We have a serious problem. The reason why our gas is so high is because of administration (indisc.) raise the price of gas so ... Russia and Mexico could pay off their debt. It's the rich getting rich and the poor getting poor. The rich practice the control of these industries, and like this man says, bless his heart, [we've] got to protect ... the state's rights. [We've] got to protect our fishermen. That's why I found fish farms. Thank you very much.

Number 1182

JERRY MCCUNE, United Fishermen of Alaska (UFA), gave the following testimony:

We support the resolution, and we are going to probably file petition 201, which is the same thing that Harley Davidson got against high imports of other

motorcycle scouts, [such as] Haki (ph) and Honda, until they could get on their feet.....

I got a lot of calls from Bristol Bay today and Kodiak. There's many ... fishermen [who] are looking to go to the domestic market for various reasons because Japan's economy is really bad right now, plus there seems to be more money into the domestic market in that you have to keep your quality up. But what's really hurting us with Chile fish is they're producing ... [a] boneless filet [in] which they pick the bones out by hand, which we cannot compete with their labor costs.

So, we're asking for a five-year window to be able to get our products into the domestic market more. Try to have ASMI [Alaska Seafood Marketing Institute] write a domestic marketing plan so that we can continue to supply those markets. ... Farmers ... on the East Coast that raise Atlantic salmon tried this four or five years ago, and they spent a couple million dollars trying to cut down in the imports of Chile farmed salmon, and they were unsuccessful. But what Chile's doing is dragging everybody's price down. They can produce so low, their labor costs and transportation costs. They're even dragging down the other farmers' price. So the price just bottomed out not too long ago. I think it was at ... \$1.75 and it bounced back up to \$2.20. But that's what the problem is, that they can get their price so low and their cost is so high.

So we're hoping to get this five-year window so that we can build our domestic market within that five years bigger than it is already. Copper River has a pretty good hold, but there's lots of other areas that need to get their products and solve their transportation problems or whatever that may be to get to the domestic market.

Number 1330

REPRESENTATIVE COGHILL asked if UFA has been in touch with the congressional delegation in regard to this issue.

MR. MCCUNE replied that the governor along with UFA sent a letter to the trade commission. The USA (United Salmon

Association) sent a letter as well. He said there has been response from American fishermen from across the country, due to e-mail. For example, letters have been sent in from Washington, Oregon, and California. At this time, a decision has not been made at the trade commission level, because a petition needs to be filed.

Number 1387

[There was a motion to adopt CSSJR 15(RLS), but it was already before the committee.]

REPRESENTATIVE DYSON stated that he had some amendments to add. He asked if this would slow the process.

MR. FISK said it would somewhat slow it down, but it would be worth it to discuss the amendments.

REPRESENTATIVE DYSON commented that the bill comes across as saying "we're just looking out for our own self." He mentioned that larger issues have come up in discussion concerning what has been happening in the world market and risks to the Chilean environment and its wild stock. "It's kind of a judgment call," he said. He then asked where this bill goes after moving from the House Special Committee on Fisheries.

CO-CHAIR STEVENS said the bill goes to the floor.

Number 1457

REPRESENTATIVE DYSON brought attention to the following proposed amendments to the bill, which would add the following:

Whereas millions of farmed Chilean salmon have escaped and are competing with the diminishing wild stock

Whereas the Chilean wild stock are endangered by diseased escaped farmed fish (or potentially)

[These amendments were not adopted during the hearing.]

REPRESENTATIVE DYSON asked if this bill needed to be done quickly.

MR. FISK replied that "we" are not aiming for a particular date. However, the next round of the free trade negotiations begins in May, and it would be beneficial to have this resolution done

before then. At the same time, if Representative Dyson believed it was necessary to include the amendments, he thought it would add some strength to the resolution. But these amendments could also be added through congressional delegation or the governor's office as they work with USTR in the process.

The committee took a brief at-ease.

Number 1580

CO-CHAIR STEVENS made a motion to move the CSSJR(RLS) from committee with individual recommendations and the attached zero fiscal note. There being no objection, CSSJR 15(RLS) moved from the House Special Committee on Fisheries.

CO-CHAIR WILSON called for an at-ease in order to hear a presentation on Canadian/British Columbia fisheries policy and salmon farming by U.S. Consul General Hugo Llorens. [The minutes for this presentation are found in the 5:32 p.m. cover sheet for the same date].