

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON FISHERIES**

February 25, 2002

3:52 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**

HOUSE BILL NO. 368

"An Act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan."

- MOVED CSHB 368(FSH) OUT OF COMMITTEE

HOUSE BILL NO. 390

"An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date."

- MOVED HB 390 OUT OF COMMITTEE

HOUSE BILL NO. 283

"An Act relating to appointments to the Board of Fisheries and to the ex officio secretary of the Board of Fisheries."

- MOVED CSHB 283(FSH) OUT OF COMMITTEE

HOUSE BILL NO. 284

"An Act relating to participation in matters before the Board of Fisheries by members of the board; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS ACTION**

BILL: HB 368

SHORT TITLE:FISHERY ENHANCEMENT LOANS

SPONSOR(S): REPRESENTATIVE(S)HARRIS

Jrn-Date	Jrn-Page		Action
02/01/02	2116	(H)	READ THE FIRST TIME - REFERRALS
02/01/02	2116	(H)	FSH, RES
02/01/02	2116	(H)	REFERRED TO FISHERIES
02/08/02	2192	(H)	COSPONSOR(S): WILSON
02/13/02	2257	(H)	COSPONSOR(S): MCGUIRE
02/15/02	2292	(H)	COSPONSOR(S): KERTTULA
02/25/02		(H)	FSH AT 3:30 PM CAPITOL 124

BILL: HB 390

SHORT TITLE:ASMI SALMON MARKETING

SPONSOR(S): REPRESENTATIVE(S)MCGUIRE

Jrn-Date	Jrn-Page		Action
02/08/02	2181	(H)	READ THE FIRST TIME - REFERRALS
02/08/02	2181	(H)	FSH, RES
02/08/02	2181	(H)	REFERRED TO FISHERIES
02/25/02		(H)	FSH AT 3:30 PM CAPITOL 124

BILL: HB 283

SHORT TITLE:APPOINTMENTS TO BOARD OF FISHERIES

SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
01/14/02	1949	(H)	PREFILE RELEASED 1/4/02
01/14/02	1949	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1949	(H)	FSH, RES
01/14/02	1949	(H)	REFERRED TO FISHERIES
01/16/02	1991	(H)	COSPONSOR(S): STEVENS
01/30/02	2100	(H)	COSPONSOR(S): FATE
02/08/02	2191	(H)	COSPONSOR(S): WILSON
02/11/02		(H)	FSH AT 3:30 PM CAPITOL 124

02/11/02	(H)	Heard & Held MINUTE(FSH)
02/11/02	(H)	MINUTE(FSH)
02/25/02	(H)	FSH AT 3:30 PM CAPITOL 124

BILL: HB 284

SHORT TITLE:BOARD OF FISHERIES CONFLICTS OF INTEREST  
SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
01/14/02	1949	(H)	PREFILE RELEASED 1/4/02
01/14/02	1949	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1949	(H)	FSH, RES
01/14/02	1949	(H)	REFERRED TO FISHERIES
01/16/02	1991	(H)	COSPONSOR(S): STEVENS
01/18/02	2014	(H)	COSPONSOR(S): HUDSON
01/30/02	2100	(H)	COSPONSOR(S): FATE
02/01/02	2127	(H)	COSPONSOR(S): LANCASTER
02/08/02	2191	(H)	COSPONSOR(S): WILSON
02/11/02		(H)	FSH AT 3:30 PM CAPITOL 124
02/11/02		(H)	Heard & Held MINUTE(FSH)
02/25/02		(H)	FSH AT 3:30 PM CAPITOL 124

**WITNESS REGISTER**

PETER FELLMAN, Staff  
to Representative John Harris  
Alaska State Legislature  
Capitol Building, Room 513  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of Representative Harris, sponsor of HB 368.

GREG WINEGAR, Director  
Division of Investments  
Department of Community & Economic Development  
P.O. Box 34159  
Juneau, Alaska 99803-4159

POSITION STATEMENT: Testified on behalf of the department on HB 368.

GERALD (JERRY) McCUNE, Lobbyist  
for United Fishermen of Alaska (UFA)  
211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1143

POSITION STATEMENT: Testified on behalf of the UFA in favor of HB 368 and HB 390; also testified on HB 283.

JOHN CARTER, Director  
Douglas Island Pink & Chum, Incorporated (DIPAC)  
3835 Killewich Drive  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of DIPAC in favor of HB 368.

DAVE COBB, Business Manager  
Valdez Fisheries Development Association  
P.O. Box 125  
Valdez, Alaska 99686

POSITION STATEMENT: Testified on behalf of the Valdez Fisheries Development Association in favor of HB 368.

CHERYL SUTTON  
P.O. Box 39214  
Ninilchik, Alaska 99369

POSITION STATEMENT: Testified on behalf of herself in support of HB 368 and HB 390.

ROBERT HEYANO  
Bristol Bay Economic Development Corporation (BBEDC)  
P.O. Box 1409  
Dillingham Alaska 99576

POSITION STATEMENT: Testified on behalf of BBEDC on HB 368; testified in support of HB 390 and HB 283.

PAUL SHADURA  
Kenai Peninsula Fisherman's Association  
P.O. Box 1632  
Kenai, Alaska 99611

POSITION STATEMENT: Testified on behalf of the Kenai Peninsula Fisherman's Association in support of HB 368 and HB 390; also testified on HB 283 in support of the original bill but not Version L.

SUE ASPELUND, Executive Director  
Cordova District Fisherman United (CDFU)  
P.O. Box 939  
Cordova, Alaska 99574

POSITION STATEMENT: Testified on behalf of CDFU in support of HB 368 and HB 390.

KATE TESAR, Lobbyist

for Prince William Sound Aquaculture Corporation (PWSAC)  
Alaska Service Group  
P.O. Box 22754  
Juneau, Alaska 99802  
POSITION STATEMENT: Testified on behalf of PWSAC on HB 368.

CHRIS BERNS  
Kodiak Regional Aquaculture Association  
P.O. Box 3407  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified on behalf of the Kodiak Regional  
Aquaculture Association on HB 390 and gave support to HB 368.

VIRGINIA ADAMS  
United Salmon Association  
P.O. Box 762  
Kodiak, Alaska 99615  
POSITION STATEMENT: Testified on behalf of the United Salmon  
Association on HB 368.

REPRESENTATIVE LESIL MCGUIRE  
Alaska State Legislature  
Capitol Building, Room 418  
Juneau, Alaska 99801  
POSITION STATEMENT: Sponsor of HB 390.

BARBARA BELKNAP, Executive Director  
Alaska Seafood Marketing Institute (ASMI)  
Department of Community & Economic Development  
311 North Franklin, Suite 200  
Juneau Alaska 99801-1147  
POSITION STATEMENT: Testified on behalf of ASMI in favor of HB  
390.

JIM KALLANDER, Vice Chairman  
Alaska Seafood Marketing Institute (ASMI)  
P.O. Box 2272  
Cordova, Alaska 99574  
POSITION STATEMENT: Testified in favor of HB 390.

DON JOHNSON  
P.O. Box 876  
Soldotna, Alaska 99669  
POSITION STATEMENT: Testified against HB 390 and HB 283.

FRANK LIBAL  
P.O. Box 1071

Homer, Alaska 99635

POSITION STATEMENT: Testified in favor of HB 283.

LANCE NELSON, Assistant Attorney General

Natural Resources Section

Civil Division (Anchorage)

Department of Law

1031 West 4th Avenue, Suite 200

Anchorage, Alaska 99501-1994

POSITION STATEMENT: Testified on HB 283 on behalf of the department.

NANCY HILLSTRAND

P.O. Box 170

Homer, Alaska 99635

POSITION STATEMENT: Testified on HB 283.

#### **ACTION NARRATIVE**

TAPE 02-4, SIDE A

Number 0001

CO-CHAIR PEGGY WILSON called the House Special Committee on Fisheries meeting to order at 3:52 p.m. Members present at the call to order were Representatives Scalzi, Coghill, Kapsner, Kerttula, Stevens, and Wilson. Representative Dyson arrived as the meeting was in progress.

#### HB 368-FISHERY ENHANCEMENT LOANS

CO-CHAIR WILSON said the first matter before the committee would be HOUSE BILL NO. 368, "An Act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan." She asked for a motion to adopt the proposed committee substitute (CS) for the bill.

Number 0158

CO-CHAIR STEVENS moved to adopt the proposed CS, 22-LS1311\F, Utermohle, 2/22/02, as the working document. There being no objection, Version F was before the committee.

Number 0185

PETER FELLMAN, Staff to Representative Harris, Alaska State Legislature, testified before the committee on behalf of Representative Harris, sponsor. He said the bill was designed

to allow the commissioner of the Department of Community & Economic Development to restructure loans for hatcheries. He said the Fisheries Enhancement Revolving Loan Fund has the ability to reduce interest rates on its loans, but it is not able to restructure its loans. He said the bill would affect many communities in the state with small hatcheries. They currently have loans at 9.5 percent interest. He said with the ability to restructure, they could possibly get their loans down to 6 percent interest and enhance their ability to do business, increase efficiency, and help the overall economies of coastal Alaska.

MR. FELLMAN told the committee that over 40 percent of the fish caught in the state are the product of the hatchery system. He said this fact makes it important to support them by allowing them to restructure their loans and enjoy lower interest rates.

Number 0400

REPRESENTATIVE KAPSNER asked if the bill had a zero fiscal note.

MR. FELLMAN said the fund takes its operating monies from the fund itself. He said that it should not have a fiscal impact.

Number 0476

GREG WINEGAR, Director, Division of Investments, Department of Community & Economic Development, testified before the committee. He said that his agency administers the Fisheries Enhancement Revolving Loan Fund that would be affected by the bill. He said the bill would allow the aquaculture associations to take advantage of lower interest rates available now. He said rates were higher when the loans were made, but now they have dropped significantly. He said the Commercial Fishing Revolving Loan Fund had a similar provision passed in 1993.

MR. WINEGAR said there would be an impact on the fund because less interest would be collected, but he said it would have no impact on the general fund. He said the enhancement fund would not be adversely affected; it does very well and is self-sufficient. He said it has not received general fund monies since 1994. Mr. Winegar characterized the process as very streamlined and said the fund will not be impacted from an operations standpoint. He added that no new staff would be needed.

Number 0612

REPRESENTATIVE SCALZI asked if the savings would be directly attributed to the common-property fishery.

MR. WINEGAR said that it would probably turn out that way. He said that each individual aquaculture association would decide how the savings would be utilized. He said there would be smaller interest expenses and hatcheries would need less cost recovery to support the debt.

REPRESENTATIVE SCALZI surmised that there would be more revenue available for the harvesters.

MR. WINAGER said that Representative Scalzi's statement was correct.

REPRESENTATIVE SCALZI asked for a figure on the total amount paid back by aquaculture associations throughout the state.

MR. WINEGAR said the department had loaned out about \$114 million and received about \$51 million in repayments from the program.

Number 0704

CO-CHAIR STEVENS asked how many aquaculture associations would be looking at refinancing their loans and how long it would take to process those loan packages.

MR. WINEGAR told the committee that there are approximately 12 different borrowers. He said the refinancing could happen quickly, as long as the loan is in good standing.

Number 0760

REPRESENTATIVE COGHILL referred to paragraph 11 of Version F. He asked what the criteria would be for a commissioner to extend the term of the loan.

MR. WINEGAR said that there were no criteria at present. He said that regulations are an option. He used the commercial fishing program as an example. Under that program, each individual case is examined and the term is extended only when a situation arises in which it is necessary to provide a level of debt that can be supported by the particular fishery.

Number 0844

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), testified before the committee. He told the committee that the UFA supports the bill and said it was important to commercial fishermen as well as other users of fish resources. He said hatcheries are economic generators.

Number 0900

JOHN CARTER, Director, Douglas Island Pink & Chum, Incorporated (DIPAC), testified before the committee. He said he was speaking on behalf of DIPAC and that he was also "trying to speak for the other hatcheries" that were not represented at the meeting. He urged the committee to pass the bill. Mr. Carter said the private nonprofit hatchery program was created by the legislature to replace the Fisheries Rehabilitation, Enhancement and Development Division (FRED). This division operated through annual appropriations to the Alaska Department of Fish & Game. He said the idea of the private nonprofit (PNP) was created as a "user-pay entity." To get the program started, the state gifted some existing hatcheries to regional corporations, but primarily it created the Fishery Enhancement Revolving Loan Fund. He said this fund, along with a tax on commercial fishermen, was to provide for construction and operational funds as the enhancement program developed.

MR. CARTER said that 25 years and a billion dollars' worth of fish later, PNP hatchery programs are described as some of the best in North America. He described the concept of a PNP as a "public trust." He said that the facilities are run much like a public utility. He said that DIPAC is asking that it be able to refinance its debt, and he said it is going on in other businesses across the country. Refinancing will strengthen the hatcheries' financial position, make them better able to pay their debt, and make them more able to continue their job of providing fish to the commercial and sport fishers across the state, said Mr. Carter. He said that this will result in a slower payment of principal and interest to the state, but he added that loan demand has slowed dramatically, so the fund will still be financially sound.

Number 1102

REPRESENTATIVE COGHILL said that he did not have a problem with the refinancing, but he added that he was still hung up on the criteria. He asked Mr. Carter how he might describe "financial hardship." He said insolvency can be the result of bad

management or a poor fishing year. He asked "how it might look going to the revolving fund" from Mr. Carter's perspective.

MR. CARTER said getting the loan is a very involved process in which a hatchery must show how many fish are being produced, how much it costs to produce the fish, and what the market is. He said the department reviews the types of job the hatcheries are doing. He said that he imagined the state would look out for its interest in the total picture.

REPRESENTATIVE COGHILL said he agreed with Mr. Carter, and he added that perhaps the language in the bill is poor because it does not address any of what Mr. Carter had just described.

Number 1255

REPRESENTATIVE KERTTULA posited that if a hatchery were asking for an extension, it would have to be in good standing with the department or the loan could be pulled. She said all of the other rules would apply.

MR. WINAGER said Representative Kerttula was correct. He said the department would look at many factors; the hatchery would have to be in good standing, and in a case where the department did not believe in a hatchery's success, the department would most likely deny an extension.

REPRESENTATIVE KERTTULA asked if, in a case where a hatchery was not in good standing, it would receive an extension.

MR. WINAGER said that a hatchery in poor standing would receive neither the extension nor the interest-rate reduction.

CO-CHAIR STEVENS asked what the difference was between the proposed CS and the original bill.

Number 1370

MR. WINAGER said there are some reporting requirements in the proposed CS whereby the department would report on changes made to loan terms. He said it also ties the language together and clarifies the extension provision.

Number 1420

DAVE COBB, Business Manager, Valdez Fisheries Development Association, testified via teleconference. He said the bill is

needed by the commercial fishing industry and the hatchery system to remain competitive in today's global fishing environment. Refinancing at the prevailing interest rate will allow most hatcheries to reduce their annual loan payment, as well as their operating costs. He said a reduction of the cost to the Valdez Fisheries Development Association will result in more fish for commercial fishermen of the area because cost recovery needs will go down.

MR. COBB said that while the bill is very important to the state hatchery system, it is only one of many changes that must occur if commercial fishing in Alaska is to survive. He said he believes the hatchery system developed by the legislature in 1974 has met or exceeded the expectations placed on the program, however, the competitive playing field has changed from one where Alaska has had a strong market presence, to one of massive global competition, with the dumping of products at less than the cost of production. He said the state and industry must change to survive in the competitive marketplace. He said that this bill begins the process of change.

Number 1545

CHERYL SUTTON testified before the committee. She said she strongly supports the bill. She characterized it as "one more tool in that box of tools we need to try to get a grip on what is going on in our industry." She said that these are secured loans and that the division would be prohibited from refinancing loans to those who are not in good standing.

MS. SUTTON said this bill allows businesses to refinance and that she does not know why that should be prohibited. She strongly urged support of the bill. She said, "This is common property. It helps everyone from subsistence, personal use, sport fisheries, charter operators, to commercial fishermen."

Number 1649

ROBERT HEYANO, Bristol Bay Economic Development Corporation (BBEDC), - a Community Development Quota (CDQ) group representing 17 communities in Bristol Bay - testified via teleconference. He said the BBEDC supports the bill in general. He said that his group would like to see some added language that would require hatcheries to carry out a socioeconomic study of the impact of their operation on communities and the resource before they are allowed to expand production from their current rate.

Number 1731

PAUL SHADURA, Kenai Peninsula Fisherman's Association, testified via teleconference. He said that he was also a board member of the Cook Inlet Aquaculture Association, a group that helps the largest population base of communities in Alaska. He said the groups he represents support the bill. He said it is important to maintain an aquaculture association that gives opportunities to all users within the area.

MR. SHADURA told the committee that the ability to restructure is another tool that can help, and characterized the bill as a way to look toward the future. He said that the Cook Inlet Aquaculture Association has worked hard to secure funding at the national level, but said it does not seem enough to continue in the future. He said this bill is not a re-appropriation, but rather a way to revitalize the aquaculture industry.

Number 1845

SUE ASPELUND, Executive Director, Cordova District Fisherman United (CDFU), testified via teleconference. She gave many examples of how the Prince William Sound Aquaculture Corporation (PWSAC) has positively affected the economy of the Prince William Sound area. One of the examples given was \$109 million in total output and 1,280 jobs. She said that most of the benefit goes to commercial fishermen. She said that from 1990 to 2000, PWSAC salmon were worth over half a billion dollars to commercial processors. She said the value of the sport fish harvest in 2000 was \$2 million and it supported 54 jobs in the area. She also said that PWSAC contributed over 140,000 sockeye salmon to Copper River subsistence and personal users.

MS. ASPELUND said:

These facts provide a graphic demonstration of PWSAC's importance as a regional and statewide economic engine. However, the changing global marketplace and a faltering Japanese economy have resulted in lower ex-vessel values, which require Alaska's hatcheries to take greater percentages of production in cost recovery in order to operate and make their loan payments. We need the ability to refinance hatchery debt to take advantage of decreased interest rates as provided for in this bill. This will result in the immediate ability of hatcheries to provide more fish

into the common-property harvest, getting more fish into the nets of commercial fishermen, as well as to sport, commercial-sport, personal use, and subsistence users of the resource. This legislation makes good business sense for Alaska.

Number 2045

REPRESENTATIVE KAPSNER said she wanted to follow up on Robert Heyano's question on the matter of a socioeconomic study on the impact of hatchery expansion. She called on Kate Tesar.

Number 2068

KATE TESAR, Lobbyist for Prince William Sound Aquaculture Corporation (PWSAC), testified before the committee. She told the committee that most nonprofit associations have produced, or are in the process of producing, reports regarding the economic impacts of the hatcheries. She said the new reports could include some of the information talked about by Mr. Heyano.

REPRESENTATIVE KERTTULA asked Ms. Tesar if she felt confident that the economic impact studies would happen.

MS. TESAR said the economic impacts are constantly talked about and "it is something that is being looked at right now."

REPRESENTATIVE KAPSNER asked if the studies were made available to the public. She asked if the BBEDC could get a copy.

MS. TESAR said that she assumed so. She said it would be up to the corporations to release them, but said she saw no problem in sending a copy to BBEDC.

REPRESENTATIVE COGHILL asked if a 30-year loan from other sources outside of the revolving loan fund is that far out of reach for hatcheries.

MS. TESAR said that she was not able to address that issue. She said the idea behind the bill was to allow the associations to take advantage of the low interest rates happening worldwide. She said that she could not speak to what other lending institutions are doing. She added that the whole reason behind the revolving loan fund was because the associations had nowhere else to go for funds.

Number 2331

CHRIS BERNS, Kodiak Regional Aquaculture Association, testified via teleconference. He said the association supports debt restructuring for hatcheries. He said his group has never taken a loan out. His group has been financed by a one-time cost recovery in 1989 when the Kodiak fishery was shut down as a result of the Exxon Valdez oil spill. He said that his group thinks it would be fair to restructure for the same reasons that other testifiers had already mentioned.

Number 2379

VIRGINIA ADAMS, United Salmon Association, testified via teleconference. She said her association represents a significant percentage of salmon harvesters in Kodiak and many other areas around the state. She said the association supports the bill. She said the bill makes good economic "common sense" in difficult financial times when many in the legislature are striving for such common sense.

REPRESENTATIVE KAPSNER asked Robert Heyano if the earlier discussion was a satisfactory answer to his question about a study on the socioeconomic impacts of hatcheries. She asked if he would like the Department of Environmental Conservation and the Alaska Department of Fish & Game as well as the industry to look into them.

Number 2461

ROBERT HEYANO said that he would like to see a study on the impact of hatchery fish to "other fisheries." He said there is a feeling among Western Alaska fishermen that they have lost their chum salmon market to hatchery fish, and that hatchery fry are somewhat superior to wild fry as they compete in the ocean for survival. He said that he would like to see those concerns addressed in a socioeconomic impact study.

Number 2515

MS. TESAR said that Mr. Heyano's question was regarding the socioeconomic impacts of what is happening in the ocean. She said that the issue is much greater than one that could be answered at a local hatchery level. Ms. Tesar said that these questions are being taken up in studies at the federal level. She said that this issue should not be put on small, nonprofit hatcheries that are "struggling as everyone is in these times of lower fish prices."

Number 2567

REPRESENTATIVE KERTTULA said that she felt the need for hatcheries but said she also felt concern for those in Western Alaska. She asked Ms. Tesar to work with Representative Kapsner's office so that the Representative could be a conduit of information to her constituents in Western Alaska with concerns on the matter.

Number 2606

REPRESENTATIVE KAPSNER said she would like to know what the bill's sponsor would think of an amendment to allow a study.

Number 2629

MR. FELLMAN said that Representative Harris is very concerned about the industry and its survival. He said he thought Representative Harris's position would be that "anything that would slow the bill down would be unacceptable."

REPRESENTATIVE SCALZI said he could identify with Mr. Heyano's concern about the carrying capacity of the ocean. He said that the discussion belongs in the [House Resources Standing Committee], but said that he would not include that amendment with this bill since it is an "economic" bill. He said that the bill is to take advantage of low loan prices, and that to mix it up with what is happening in the oceans would be a "disconnect."

Number 2698

REPRESENTATIVE COGHILL agreed with Representative Scalzi's comments.

REPRESENTATIVE COGHILL made a motion to move CSHB 368, version 22-LS1311\F, Utermohle, 2/22/02, out of committee.

REPRESENTATIVE KAPSNER said that she appreciated the discussion that had taken place on the matter of a study amendment. She said she did not think the bill should be burdened with such an amendment but said she would be looking at a stand-alone bill in the next session.

Number 2763

CO-CHAIR WILSON said that the issue of a study was a legitimate concern. She asked if there was objection to moving the bill out of committee.

There being no objection, CSHB 368(FSH) was moved out of the House Special Committee on Fisheries.

HB 390-ASMI SALMON MARKETING

CO-CHAIR WILSON said that the next matter before the committee would be HOUSE BILL NO. 390, "An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date." [There was an unnecessary motion to put the bill before the committee.]

Number 2795

REPRESENTATIVE LESIL McGUIRE, Alaska State Legislature, sponsor of HB 390, testified before the committee. She characterized HB 390 as relatively simple and said it was a technical bill more than anything. She said it contains one substantive policy decision but, primarily it extends the termination date for certain activities of salmon marketing. It extends the ability of the Alaska Seafood Marketing Institute (ASMI) to collect a 1 percent tax and use that money to market seafood.

REPRESENTATIVE McGUIRE said that the substantive change in the bill was the removal of the word "domestic" from page 2, line 23, [paragraph] (9).

TAPE 02-4, SIDE B

REPRESENTATIVE McGUIRE made reference to her trip to Chile. [This trip was made in November 2001. Representatives McGuire, Coghill, and Scalzi as well as Mr. Paul Shadura were a few of the industry members and policymakers who attended.] She said that if the legislature was going to give power to a board, "We ought to give them as many tools as we can in their tool belt, and not try to micromanage their activities." She said the legislature has a great deal of issues to work on and micromanaging ASMI's marketing practices is not one of them. She said that HB 390 is a technical bill that would extend, for

five years, the ability to collect a 1 percent tax and use it for marketing purposes.

Number 2763

BARBARA BELKNAP, Executive Director, Alaska Seafood Marketing Institute, Department of Community & Economic Development, testified before the committee. She said she supported HB 390 and thanked Representative McGuire for bringing it forward.

REPRESENTATIVE COGHILL asked Ms. Belknap if she envisioned a "shared marketing that could be a possible limitation if we don't take 'domestic' out." He clarified by asking if she thought of the "'domestic' language as being some degree of hindrance."

MS. BELKNAP said that when the tax was instituted in 1993, the domestic market was restricted in order to develop the domestic market for Alaska salmon. She characterized it as a "developing market." She said taking the domestic restriction out would give ASMI more latitude. She said that it would allow ASMI to gain federal money for oversea marketing and also would facilitate ASMI's ability to decide where best to market. Ms. Belknap said she did not believe the board would allow the U.S. market to be "slighted in the least."

Number 2693

REPRESENTATIVE COGHILL said that when he went to Chile to view its farmed salmon operations, he was told that the United States' market was second only to Japan's. He said that it is important to market in Japan but it is important not to ignore the American market.

Number 2676

REPRESENTATIVE DYSON said there was no "ignore" in the bill.

REPRESENTATIVE COGHILL agreed but added that he "just wanted to have that discussion of getting beyond that to make sure we don't ignore it."

Number 2653

REPRESENTATIVE DYSON made a motion to move HB 390 out of committee with individual recommendations.

CHERYL SUTTON testified before the committee. She said that she'd authored "the bill" when she worked in the legislature in 1993. She said that at the time there was a domestic marketing crisis. Ms. Sutton said there was a lot of federal money at the time, and that the legislature "had not totally whacked us at that point at ASMI." She added that she had been on the ASMI board for seven or eight years herself. She said she believes that micromanaging the ASMI marketing program is wrong. She said that if this provides the latitude ASMI needs to determine where best to market, "go for it." Ms. Sutton pointed out that the "tax theme" seems to be something that commercial fishermen are stepping forward with. She said they are not asking for a lot of money from the state. She encouraged passage of the bill to let ASMI decide how to spend the money.

Number 2575

CHRIS BERNS, Kodiak Regional Aquaculture Association, testified via teleconference. He said he is a commercial fisherman who has paid the 1 percent ASMI tax since 1993, as has his wife, who also owns a salmon fishing business. He said that the tax was marketed to Alaskan fishermen to be used in the domestic market. Mr. Berns said the U.S. is probably a healthier market than Japan for a lot of Alaskan seafood products. He stated his total opposition to removing "domestic" from the language of the law. Mr. Berns said that the 1 percent tax had a "sunset on it and this bill is going to extend the sunset one more time." He said "nothing sunsets," and that he is starting to realize that fact. He said 1 percent of gross receipts is a substantial amount of money to his family because he and his wife own separate businesses. He said he does not want to see the money spent overseas because he feels the market is in the United States. He said he was upset about the "carte blanche" approach and misapplication of the 1 percent tax. Mr. Berns told the committee that there are many people upset with ASMI in general. He expressed his support of ASMI but said he would like to see it produce some quantifiable results.

Number 2429

SUE ASPELUND, Cordova District Fishermen United (CDFU), testified via teleconference. She said that CDFU has been involved in the successful promotion of Copper River salmon, and therefore they feel qualified to comment on the "absolute importance of seafood marketing in Alaska." She said the CDFU is in full support of the 1 percent salmon assessment reauthorization as well as the lifting of the domestic salmon

marketing restriction. She said this would allow ASMI to adapt to changing market conditions.

Number 2398

ROBERT HEYANO, Bristol Bay Economic Development Corporation (BBEDC), testified via teleconference. He said the BBEDC fully supports the bill because farmed salmon has taken over its traditional market. He said that ASMI has been "the first and only line of defense in this invasion" and that his group believes ASMI has been doing an excellent job in marketing Alaska's salmon resources. He said the BBEDC supports the removal of the domestic restriction.

Number 2340

JIM KALLANDER, Vice Chairman, Alaska Seafood Marketing Institute (ASMI), testified via teleconference. He gave his wholehearted support to the renewal of the 1 percent tax. He agreed with Mr. Heyano's assertion that "it is the only defense we have." He spoke to Mr. Berns' claim that his prices were going down. Mr. Kallander said his own prices were going down as well and that he would not want to see where they would be without ASMI. He expressed his feeling that the decline in prices had been slowed [by ASMI].

MR. KALLANDER said some people like Mr. Berns were overly concerned about the ASMI board taking a "carte blanche" approach and spending money inappropriately with regard to the "domestic only clause." He expressed his position that people should not be concerned that ASMI will take a significant amount of money out of the domestic program. Rather, ASMI will put monies into the best prospects, and it will assist in meeting grant requirements in terms of matching funds.

Number 2254

PAUL SHADURA, Kenai Peninsula Fisherman's Association, testified via teleconference. He said his organization supports the bill, but added it wishes that there were more fishermen on the board. He said the bill was important for the functions of ASMI. He told the committee that as a businessman, he does not have the resources or abilities to find markets and be able to utilize them in the way that ASMI allows him to do. He said that ASMI facilitates marketing on an individual basis, and he noted the importance of that.

MR. SHADURA made note that ASMI's domestic programs went hand-in-hand with the grants offered by the Department of Community & Economic Development for marketing in individual areas, and he said he hoped those programs would continue. He said 1 percent is a small portion to pay, but added that it was a huge amount to a commercial fisherman at this time.

MR. SHADURA made reference to the fact-finding trip he and several legislators took. He said he found the amount of money spent by the countries that farm salmon was in the tens of millions, unlike the single-digit millions spent by Alaska.

Number 2133

DON JOHNSON testified via teleconference. He stated his opposition to changing from a domestic marketing direction to an international one. He said the intent of the previous law had a domestic focus, and changing to an international focus would be a new direction. He compared it to "funneling money down a rat hole." He said he did not believe that the State of Alaska could slow the meteoric rise of the international farmed salmon industry and should therefore concentrate on new techniques and services. He gave the example of "gas guzzlers" in the 1970s and the efforts to block more gas-efficient imports. He said he did not support the bill.

Number 2052

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), testified before the committee. He said the UFA supports the bill as written. He said he is for keeping the domestic market but added that there are markets opening up in Asia. He said France and Germany are buying a great amount of frozen coho salmon fillets. He said the state has to look at it as a global economy. There are markets opening up in Europe, but it does not mean that ASMI would have to spend all of its marketing money there. He said, "Go where the fish are being sold." He said the industry must expand markets as far as possible and also take advantage of markets for natural foods in Europe. He said it is important not to give up on the domestic market.

Number 1984

MS. BELKNAP told the committee that Rodrigo Infante, General Manager of Chile's Association of Salmon & Trout Harvesters, had recently stated that his group was slowing production because of

heavy losses in overproducing. She said that this could lead to a slight rise in global salmon market prices.

Number 1930

VIRGINIA ADAMS, United Salmon Association, testified via teleconference. She said her association has gone through extensive work on the bill in conjunction with the UFA. She said the United Salmon Association supports the bill, but it is wholly disappointed - not blaming ASMI - with the marketing efforts that have been made to promote Alaskan salmon worldwide. She said there is a tremendous amount of salmon being eaten in the rest of the United States, but "it is not ours." She said Alaska is not spending nearly the amount of funds that its competitors are to market its salmon. She characterized it as a systemic problem and said that this bill would be a small attempt to remedy it. She said she would like to see a much greater effort, as would ASMI, but "hands are all tied by funding."

Number 1823

REPRESENTATIVE DYSON restated his motion to move the HB 390 out of committee with individual recommendations and attached fiscal note. There being no objections, HB 390 was moved out of the House Special Committee on Fisheries.

#### HB 283-APPOINTMENTS TO BOARD OF FISHERIES

CO-CHAIR WILSON said that the next matter before the committee would be HOUSE BILL NO. 283, "An Act relating to appointments to the Board of Fisheries and to the ex officio secretary of the Board of Fisheries."

Number 1761

REPRESENTATIVE SCALZI moved to adopt CSHB 283, version 22-LS1083\L. There being no objection, Version L was before the committee.

REPRESENTATIVE SCALZI said that the purpose of the bill was to have designated seats, similar to other resource boards. He said that potential board members would "have to pass the red-face test" in front of the legislature to prove their qualifications to serve. Representative Scalzi said that the changes in the proposed CS were a result of discussions from the

previous meeting. He mentioned the discussion on a stronger subsistence representation.

REPRESENTATIVE SCALZI gave a breakdown of the new makeup for the board in Version L. There would be two members with at least five years of commercial fishing throughout the state, engaged in the profession of commercial fishing in the state, and they would hold commercial fishery entry permits or interim use permits issued by the Commercial Fisheries Entry Commission (CFEC). Two members would have at least five year's experience in sport fishing, personal use fishing, or a commercial-sport operation, or combined experience in those activities, and would hold a sport or personal fishing licenses or permits. Two members would have to be recognized as representative of subsistence users with at least five years of active participation in subsistence fishing in the state. He said one member would be at-large, giving the governor some latitude for placing a designee on the board.

Number 1595

REPRESENTATIVE SCALZI went through the makeup of five other boards in the state that deal with resources and gave some examples. He said that they shared a broad approach, with designated seats. He said he would like to see more discussion on the bill but urged it be moved to the House Resources Standing Committee.

Number 1451

CO-CHAIR STEVENS asked what the thinking was in deleting the portion that designates the commissioner as the "ex officio secretary".

REPRESENTATIVE SCALZI said that the deletion would be changed and apologized for not catching the mistake. He said that one public member was added and it was not his intent to take the commissioner out.

Number 1256

PAUL SHADURA, Kenai Peninsula Fisherman's Association, testified via teleconference. He said his association has come before the committee "many times" to express its discontent with the Board of Fisheries process. He said that the board's convoluted process has destroyed the faith of Alaskan residents. Mr. Shadura said that the commercial fishing industry has no

advocates, understanding, or justice on the Board of Fisheries. He told of a "two-week ordeal" with the Board of Fisheries concerning Cook Inlet issues. He read from his testimony at that meeting:

I'm here before you now to tell you that the fishermen in Cook Inlet would like to be able to discuss solutions instead of being here debating who gets what and when. That is the reason that we cannot move forward. We have no regulatory stability. How can we as a business community plan and develop for the future if we are constantly re-regulated every year? What kind of game plan can we design when the rules are changed constantly? So let us just be honest, straightforward men and women. Why doesn't your body, the legislative hand of the state - and as administrative directors because you're all appointed by the governor - just say to us, "The State of Alaska does not want a commercial fishing industry in Cook Inlet, Alaska" or "The State of Alaska does not want to allow the commercial fishing industry in Cook Inlet a viable opportunity to harvest salmon."

MR. SHADURA said that the board answered with actions that "destabilized and collapsed any hopes for the future." He said habitat concerns were disregarded, and the local users were relegated to the "backseat." He asked the committee to support the fisheries community, residents, and the heritage and lifestyle that make Alaska and Alaskans unique by supporting HB 283 in its original form. He said that he did not agree with the proposed CS and that it was not in line with the original intent.

Number 1107

DON JOHNSON testified via teleconference. He said he did not support HB 283 because the "quota comparisons" "[smell] like an apples and oranges case." He said that fisheries are public trusts, unlike the examples given earlier by Representative Scalzi. He said it should be handled differently because it is a public issue. Mr. Johnson said that as far as the knowledge of board members, he did not have a problem with the current members' level of knowledge. Mr. Johnson told the committee that he did not think the process of the board was perfect, but he said that he had "reasonable faith" in it. He said that the current statute requires the governor to "select people with a diversity of interests and difference in points of views." He

said that the bill takes the same consideration into its wording but also adds a "quota system" that defeats the goal of diversity. He said that the allocated seats only allow "basically three" viewpoints. He said he believes AS 16.05.221 is adequate and that the bill is not needed.

Number 0836

FRANK LIBAL testified via teleconference. He said that he supports HB 283, and that he believes some of the problems that emanate from the board's decisions could be corrected. He said that he sees a problem in the current selection process for members of the Board of Fisheries. It is currently weighted strongly in favor of terminal fisheries advocates. He said as a saltwater sport troller and guide, his interests would be better served by board members with unprejudiced attitudes towards mixed-stock fisheries. He said this bill would provide a better representation of his interests.

MR. LIBAL said that in his opinion, as board members continue to serve repeated terms on the board, the opportunity arises for individuals to promote their own personal agendas. Mr. Libal said that the reduction of resident king salmon limits to five per year was contrary to the wishes of the advisory board for the Cook Inlet area. These committees are elected representatives of the residents of Alaska. He said that when the advisory committees are disregarded, the citizens of Alaska are disenfranchised. He said that in effect, the Board of Fisheries stole a portion of the culture from coastal communities. Enacting term limits would prevent similar actions in the future.

Number 0703

LANCE NELSON, Assistant Attorney General, Natural Resources Section Civil Division (Anchorage), Department of Law, testified via teleconference. He said that he was assigned to advise the Board of Fisheries in their meetings. He said the administration's concerns were largely addressed by Don Johnson's remarks. He said that the current board could easily be appointed by the system outlined in the proposed CS. He said that he was not sure if this bill would address concerns of those who are unhappy with the makeup of the current board. He also said that there could be seven commercial fishermen, five of which could also be sport fishermen, subsistence fishermen, or public members at large. He said that seat designations are not effective in building the best possible board. Designations

are always in dispute because there are myriad types of commercial, sport, and subsistence fishing. He said board members should represent the entire public, not just certain constituencies. He said seven seats are not enough to represent all of the constituencies in the state.

Number 0532

REPRESENTATIVE SCALZI asked, since the Board of Fisheries is set up by the legislature, and if it is the legislature's intent to have designated seats, would it not be consistent with the legislative process.

MR. NELSON said it would be. He added that he was not taking issue with the legal issues of the bill. He said that he was addressing the policy issues.

REPRESENTATIVE SCALZI said that it is very difficult to confirm a board member who does not "pass the red-face test" of meeting criteria to hold a seat. He gave the example of two sport-fishing seats. He said that he did not think the legislature would look at a commercial fisherman who holds a sport license as passing the red-face test to sit as a sport fish member.

Number 0303

ROBERT HEYANO, Bristol Bay Economic Development Corporation (BBEDC), testified via teleconference. He said that BBEDC does not support HB 283. He said that the past and existing members of the board are knowledgeable in all fishery issues and that they support the current system of governor appointment and legislative approval of board members.

Number 0188

NANCY HILLSTRAND testified via teleconference. She told the committee that she has witnessed the board process as a fisherman and processor in the state. She said that she has seen the demise of viable fisheries because of a past board's focus on allocation instead of biological complexity. Ms. Hillstrand said designated seats may be a good idea, but the fisheries are not simply an allocative process. The board needs to have a balance between conservation and development along with the expertise in working with joint boards, agencies, and others within the state. She said she has never seen a board work as hard as the present one at trying to balance the goals of development, utilization, and conservation. It has created a

sustainable salmon policy, management plans for shellfish protection, and nearshore fisheries for local residents. She said that she is speaking from a statewide perspective. Ms. Hillstrand said she does not get everything she wants, but she said with such a complex issue, people cannot always get what they want. She called the process of managing the fisheries "complex." She listed many agencies and interests that must interact in order for fisheries to be managed properly.

TAPE 02-5, SIDE A  
Number 0050

GERALD (JERRY) McCUNE, United Fishermen of Alaska (UFA), testified before the committee. He said that the UFA is not questioning the members of the board or their work ethic. He said that commercial fishermen are committed to be responsible to the resource, as is the board. He said that the UFA's frustration comes from its having put names forward for appointment on the board for the past eight years. In eight years there has only been one strong representative of the industry appointed. He said that commercial fishing is a "big use" and the UFA would like a strong voice on the board. He said sport fishing is a big use in some areas, but commercial fishing touches the state from Nome to Sitka. He said there is nobody on the board who has fished all over the state or has a sense of all the fisheries in the state.

Number 0268

REPRESENTATIVE KERTTULA asked Mr. McCune what he thought about the possibility of having all seven members of the board being commercial fishermen. She asked if he thought it important to see the board "broadened out," not knowing who or what the policies of the next administration may be.

MR. McCUNE said he was not sure what Lance Nelson was talking about in his statement that all seven members could be commercial fishermen.

REPRESENTATIVE KERTTULA said that to her understanding, the concern was about sport fishers who are also holding limited entry permits. She said that it is a problem that is not specified, so all the members could be commercial fishermen as well as in the other categories. She asked if that was in the intent.

Number 0415

MR. McCUNE said that the UFA was not happy "paring it down" to "two, two, two, one." He said that subsistence is already protected by regional federal subsistence boards. He said that the UFA would be open to limiting the sport fish seats to those who do not hold a limited entry permit.

Number 0520

CO-CHAIR STEVENS asked about the issue of term limits. He said that to his understanding, one could be appointed, serve, leave the board, and then return and serve again later.

MR. McCUNE said that six years would provide diversity to the board and give enough time for a member to "get their feet wet." He said that it would not preclude a person from coming back to the board after a period of being off of the board.

REPRESENTATIVE KERTTULA asked about the average length of a term on the board and what the longest term was.

MR. McCUNE said that the longest was a 20-year term. He said that the average term depends on the governor.

Number 0726

REPRESENTATIVE SCALZI said that he would like to move the bill out of committee because it is a work in progress. He said he would like to move the [Version L] to the House Resources Standing Committee and take more public comment. He said that he would not have a problem with adding language assuring that commercial fishermen were not appointed to the board for a sport fish seat. He went back to his assertion that the legislature would not appoint members who did not pass the red-face test.

Number 0886

REPRESENTATIVE KERTTULA said that her other concern was whether the bill would preclude people who had been active fishermen but just recently quit.

REPRESENTATIVE SCALZI said that it was not his original intent, but after the UFA met, they specified that they wanted current fishermen. He said that it was unfortunate to lose the pool of knowledge that members who no longer fished could bring to the table, but he added that he went with what the UFA asked for.

REPRESENTATIVE KERTTULA proposed perhaps including those who had fished within the past ten years for consideration.

Number 0963

CO-CHAIR STEVENS made a motion to move CSHB 283, version 22-LS1083\L, out of committee with individual recommendations and a zero fiscal note.

Number 0975

REPRESENTATIVE COGHILL objected to make sure there was a vote. He said he had some concerns about the language on the makeup of the board.

A roll call vote was taken. Representatives Scalzi, Dyson, Kerttula, Stevens, and Wilson voted to move Version L out of committee. Representative Coghill voted against moving it. Therefore, CSHB 283 (FSH) was reported out of the House Special Committee on Fisheries by a vote of 5 - 1.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 5:40 p.m.