

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 13, 2002

1:00 p.m.

MEMBERS PRESENT

Representative Drew Scalzi, Co-Chair
Representative Hugh Fate, Vice Chair
Representative Joe Green
Representative Mike Chenault
Representative Lesil McGuire
Representative Gary Stevens
Representative Beth Kerttula

MEMBERS ABSENT

Representative Beverly Masek, Co-Chair
Representative Mary Kapsner

COMMITTEE CALENDAR

HOUSE BILL NO. 288

"An Act relating to commercial fisheries limited entry permit buy-back programs."

- MOVED CSHB 288(RES) OUT OF COMMITTEE

HOUSE BILL NO. 286

"An Act allowing a person to hold more than one commercial fishing entry permit for a fishery; relating to the power of the Board of Fisheries to establish fishing periods and areas for subgroups of commercial fishing permits and commercial fishing permit holders and to establish limits on the amount of fishing gear that may be used by certain commercial fishing permit holders; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 288

SHORT TITLE: LIMITED ENTRY BUY-BACK PROGRAM

SPONSOR(S): REPRESENTATIVE(S) SCALZI

Jrn-Date	Jrn-Page	Action
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HOUSE RES COMMITTEE

-1-

February 13, 2002

01/14/02	1950	(H)	PREFILE RELEASED 1/4/02
01/14/02	1950	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1950	(H)	FSH, RES, FIN
01/16/02	1991	(H)	COSPONSOR(S): STEVENS
01/18/02	2015	(H)	COSPONSOR(S): HUDSON
01/30/02	2101	(H)	COSPONSOR(S): FATE
02/01/02	2128	(H)	COSPONSOR(S): DYSON
02/04/02		(H)	FSH AT 3:30 PM CAPITOL 124
02/04/02		(H)	Moved Out of Committee MINUTE(FSH)
02/06/02	2163	(H)	FSH RPT 5DP 1NR
02/06/02	2163	(H)	DP: KERTTULA, SCALZI, DYSON, WILSON,
02/06/02	2163	(H)	STEVENS; NR: KAPSNER
02/06/02	2163	(H)	FN1: ZERO(DFG)
02/06/02	2170	(H)	COSPONSOR(S): WILSON
02/13/02		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 286

SHORT TITLE: OWNERSHIP OF MORE THAN ONE FISHERY PERMIT
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
01/30/02	2100	(H)	COSPONSOR(S): FATE
02/04/02		(H)	FSH AT 3:30 PM CAPITOL 124
02/04/02		(H)	Heard & Held MINUTE(FSH)
02/11/02		(H)	FSH AT 3:30 PM CAPITOL 124
02/11/02		(H)	Moved CSHB 286(FSH) Out of Committee MINUTE(FSH)
02/13/02		(H)	FSH RPT CS(FSH) NT 4DP 3NR
02/13/02		(H)	DP: DYSON, SCALZI, WILSON, STEVENS;
02/13/02		(H)	NR: COGHILL, KERTTULA, KAPSNER
02/13/02		(H)	FN1: ZERO(DFG)
02/13/02		(H)	RES AT 1:00 PM CAPITOL 124

WITNESS REGISTER

MARY McDOWELL, Commissioner

Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish and Game (ADF&G)
8800 Glacier Highway, Suite 109
Juneau, Alaska 99801
POSITION STATEMENT: Testified in support of HB 288.

GERALD (JERRY) McCUNE, Lobbyist
for United Fishermen of Alaska (UFA)
211 4th Street, Suite 110
Juneau, Alaska 99801-1172
POSITION STATEMENT: Testified in support of HB 288 and HB 286.

SUE ASPELUND, Executive Director
Cordova District Fishermen United (CDFU)
P.O. Box 939
Cordova, Alaska 99574
POSITION STATEMENT: Testified in support of HB 288 and HB 286.

BRUCE WALLACE, Commercial Fisherman
P.O. Box 8572
Ketchikan, Alaska 99901
POSITION STATEMENT: Testified in support of HB 286.

RUDY JOHANSEN
P.O. Box 23359
Ketchikan, Alaska 99901
POSITION STATEMENT: Testified in support of HB 286.

BRENNON EAGLE
P.O. Box 576
Wrangell, Alaska 99929
POSITION STATEMENT: Testified on HB 286.

ALAN REEVES
P.O. Box 741
Wrangell, Alaska 99929
POSITION STATEMENT: Testified on HB 286.

DAVID BEDFORD, Executive Director
Southeast Alaska Seiners Association (SASA);
and Member, Board of Directors
United Fishermen of Alaska (UFA)
526 Main Street
Juneau, Alaska 99801
POSITION STATEMENT: Testified in support of HB 286.

GORDY WILLIAMS, Legislative Liaison

Office of the Commissioner
Alaska Department of Fish and Game (ADF&G)
PO Box 25526
Juneau, Alaska 99801-5526
POSITION STATEMENT: Testified in support of HB 286.

ACTION NARRATIVE

TAPE 02-7, SIDE A
Number 0001

CO-CHAIR DREW SCALZI called the House Resources Standing Committee meeting to order at 1:00 p.m. Representatives Scalzi, Fate, Chenault, McGuire, and Stevens were present at the call to order. Representatives Green and Kerttula arrived as the meeting was in progress.

HB 288-LIMITED ENTRY BUY-BACK PROGRAM

[Contains discussion of HB 286]

Number 0010

CO-CHAIR SCALZI announced that the first order of business before the committee would be HOUSE BILL NO. 288, "An Act relating to commercial fisheries limited entry permit buy-back programs."

Number 0094

REPRESENTATIVE SCALZI moved to adopt the proposed committee substitute, version 22-LS1108\L, Utermohle, 02/13/02, as the working document. There being no objection, Version L was before the committee.

Number 0276

MARY McDOWELL, Commissioner, Commercial Fisheries Entry Commission (CFEC), Alaska Department of Fish and Game (ADF&G), informed the committee that the addition of Sections 1, 3, 4, and 7 is to make other sections of the limited entry law consistent with a change that HB 288 makes to [AS 16.43.]320. She explained that under HB 288 only transferable limited entry permits are eligible for a buy-back program under state buy-back. In addition, current law allows nontransferable permits to be bought out.

MS. McDOWELL indicated it was discovered during the drafting of [Version L] that the other references to nontransferability need to be cleaned up. Section 2 adds specific language to clarify that the permit holder may voluntarily relinquish a permit. Currently, the Limited Entry Act specifies that a permit is forfeited to the state if the permit holder fails to make his/her annual renewal fee payment for two consecutive years. She explained that most people who want to relinquish their permits stop making renewal payments, and after two years the permit is relinquished.

Number 0389

MS. McDOWELL said there are occasions when a person may want to relinquish his/her permit immediately, and those requests have always been honored. She indicated since this is likely to be used more frequently, there should be a provision that allows voluntary relinquishment. She suggested this may be a cornerstone for some of the buy-back programs and some of the other fleet-consolidation programs that are anticipated in the future. The final change in [Version L] adds a definition of "optimum number" to the definition section of the Limited Entry Act; current law speaks only to an optimum number and the standards for establishing one.

MS. McDOWELL explained that the implication is that the commission must choose one number, which is deemed the optimum number of permits in a given fishery for all time. However, that standard doesn't seem to recognize the variability in factors that go into making that determination: fish prices, harvest levels, the cost of harvesting, and other overhead expenses that fluctuate from year to year and over time. Since all of those variables affect what constitutes the ability of a fisherman to make a reasonable rate of economic return in a fishery and the number of permits it takes to harvest the allowable commercial take in a fishery, those are the standards that have to be used to set an optimum number. If any variable changes significantly, the optimum number of participants in a fishery would also vary.

MS. McDOWELL suggested it would be much more reasonable to require the commission to determine the optimum-number range and set the parameters - a more reasonable standard. She reiterated that this would add an ability to set a number range, which the commission thinks would make the optimum-number process more meaningful and less subject to challenge. She stated that the commission fully supports [Version L].

Number 0591

REPRESENTATIVE STEVENS suggested the word "optimum" means the best, the ideal; therefore, it's not an optimum specific number, but an ideal range of numbers.

MS. McDOWELL concurred, adding that standards in AS 16.43.290 set forth the determining [factors]. She explained that it is what would create a reasonable return to a fisherman, avoid economic distress, and keep enough fishermen "in the water" to harvest the allowable take and so forth. Currently, the statute allows one number that meets all of those criteria. She said due to the fact that those [criteria] vary, the commission thinks the foregoing would make more sense.

REPRESENTATIVE STEVENS suggested that optimum means the very most; therefore, the very most and the range would be a contradiction of words. He asked Ms. McDowell for clarification.

MS. MCDOWELL said under statute, the word "maximum number" is what is used in setting a limitation. She explained that optimum-number provisions presume that once a fishery is limited, a study is performed on the conditions in the fishery and set at the optimum number - not meaning most, but under this circumstance, meaning the best number for that fishery to meet the standard set out in [AS 16.43.]290. She said then [CFEC] is obligated under that statute; however, without this bill, [CFEC] would be obligated to kick into the state buy-back program if the optimum number were lower than the number already issued - "if the optimum number shows that there are not enough permits in the fishery."

CO-CHAIR SCALZI, speaking as the sponsor of HB 288, suggested it is difficult because when [optimum] is applied to this [provision] it has a different definition than if it were applied to maximum sustained yield. He said they are both subjective, but [ADF&G] doesn't have the authority to [determine the definition] of optimum; it would be up to the courts to decide that, if it were ever challenged.

Number 0774

REPRESENTATIVE McGUIRE suggested that in interpreting law, a judge may refer to the actual definition. She referred to the American Heritage Dictionary of the English Language for the

definition of optimum and read, "Optimum is the best or most favorable condition, degree, or amount for a particular situation; the most favorable or advantageous."

Number 0842

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), informed the committee that UFA supports HB 288, which allows each [individual] fishery to decide whether it wants to use this option. As the bill is written, it allows the [permit holder] to get an optimum number and look at it to see whether it is satisfactory. It creates an option for a fishery to institute a state buy-back; however, it also gives the [fishery] an option to get out anytime.

MR. McCUNE said under the old statute, once the [fishery] orders an optimum number, it is almost locked into a buy-back. Therefore, [HB 288] cleans this up and gives the fleets an option that all of the permit holders can look at to see if they want to use this option for their particular fishery. He stated that UFA supports [legislation] that gives fleets the choice to be more viable and more efficient in their area; this is one option available for people to pick from and consider, whether it will fit their fishery or not.

CO-CHAIR SCALZI said HB 288 and HB 286 are for consolidation purposes. He referred to a picture that he said was a good, graphic example of a fishery in Bristol Bay. He said a 25- to 50-percent reduction in gear and effort there would [maximize] some of the fisheries currently before the committee.

Number 0980

REPRESENTATIVE FATE asked what will prevent this situation from continuing if it is a voluntary option; also, why would a person volunteer to relinquish a permit or sell it back to the commission?

CO-CHAIR SCALZI said statutes allow that to happen now; in a buy-back of permits, also purchased must be the boat, net, and all of the equipment - a cumbersome and expensive process. He said HB 288 would streamline the current process available to the fishing industry. He said there has not been a buy-back program from the inception of limited entry because of some of these [issues]. He said the hope is that fleets want to consolidate and [maximize]; HB 288 may help by [streamlining] the process. He said the language that allowed the program to

buy back the boats, gear, and so forth had been removed from statute; only the permits may be bought back. He explained that because the program is voluntary, it does not stop boats and gear from being sold as a package; the decision is left to the seller. However, HB 288 alleviates the burden if just the permit is sold.

REPRESENTATIVE FATE suggested that HB 288 is directed toward the big fleets and the blue-water fishery. He asked whether it is also going to be applicable to the fisheries along rivers.

CO-CHAIR SCALZI said yes; it is applicable to any limited entry fishery in the state.

Number 1194

SUE ASPELUND, Executive Director, Cordova District Fishermen United (CDFU), testified via teleconference. She told the committee CDFU views this legislation as "clean-up" language. Furthermore, CDFU appreciates the effort to make the buy-back provision more flexible and responsive to the changing needs of the salmon industry. She said she was excited to see that the proposed committee substitute (CS) [Version L] provides for an optimum range rather than a fixed number. The range more accurately reflects the variability that occurs in any seafood harvest. She urged the committee's support in [moving out] the proposed CS.

CO-CHAIR SCALZI noted that Kathy Hansen had presented a letter of support from the Southeast Alaska Fishermen's Alliance to the committee; the Alaska Trollers Association had also presented a letter of support.

Number 1270

REPRESENTATIVE FATE moved to report CSHB 288 [version 22-LS1108\L, Utermohle, 2/13/02] out of committee with individual recommendations and a zero fiscal note.

Number 1321

CO-CHAIR SCALZI said his intent would be to bring HB 288 to the floor at the same time as HB 286. He said he thought consolidation, staffing, and so forth fit into one category and should be heard at the same time.

CO-CHAIR SCALZI asked if there was any objection to the motion. There being no objection, CSHB 288(RES) was moved out of the House Resources Standing Committee.

HB 286-OWNERSHIP OF MORE THAN ONE FISHERY PERMIT

[Contains discussion of HB 288]

Number 1351

CO-CHAIR SCALZI announced that the next order of business before the committee would be HOUSE BILL NO. 286, "An Act allowing a person to hold more than one commercial fishing entry permit for a fishery; relating to the power of the Board of Fisheries to establish fishing periods and areas for subgroups of commercial fishing permits and commercial fishing permit holders and to establish limits on the amount of fishing gear that may be used by certain commercial fishing permit holders; and providing for an effective date."

Number 1355

[There was a motion to adopt CSHB 286(FSH), but that version was already before the committee.]

CO-CHAIR SCALZI, speaking as the sponsor of HB 286, pointed out that the bill has been changed from a "stacking" bill to a "consolidation" bill. He explained that there was concern that giving too much latitude at this early stage of the revitalization of fisheries to the Board of Fisheries may result in some unnecessary harm, although well-intended by the board. He referred to the "Chignik proposal" in which the board was trying help the industry benefit but may have inadvertently caused some downstream problems.

CO-CHAIR SCALZI reported that United Fishermen of Alaska (UFA) didn't wish to move forward with the stacking provision, but felt HB 286 was important for consolidation reasons. He explained that it doesn't require a buy-back permit to take place, which requires optimum numbers and the state's entering into the buy-back program and administering it. He said [CSHB 286(FSH)] would allow an individual in an area to hold more than one permit. Aside from the statutory language, there would be no other cumbersome regulations included. It also would allow fishermen to form associations within their gear group in a limited entry area; therefore, the fishermen can assess themselves a tax. He indicated this would provide the fishing

industry the tools to modify their business practices, be innovative, and be more self-sufficient.

Number 1599

REPRESENTATIVE KERTTULA asked how HB 286 corresponds with HB 288.

CO-CHAIR SCALZI explained that sometimes a buy-back plan would work in one area, whereas it may not work in another; this is the situation with HB 286. He indicated that if a group of people owned permits, they could purchase an additional permit without having to formulate a large buy-back program. He said the incentive for a person to [purchase an additional permit] is questionable because it would require one boat to be taken out of the water. He added that there is a distinction between the two programs.

REPRESENTATIVE KERTTULA asked if the two can be used together; more specifically, can a [person] take a consolidation and then have a buy-back?

CO-CHAIR SCALZI said yes; a buy-back plan is voluntary. He said in the instance that a [person] owned two permits and there was a buy-back plan allowed, that [person] could choose to keep or sell both [permits].

Number 1706

BRUCE WALLACE, Commercial Fisherman, testified via teleconference. He told the committee he appreciates the simplicity [consolidation] allows and would support that. However, if the stacking component isn't there, and the ability to modify the fleet regardless of where it might be located and how the [modification] might be done, it probably diminishes the basic property that he supports, although he does support the CS [CSHB 288(FSH)].

Number 1765

RUDY JOHANSEN testified via teleconference. He told the committee that he supports the testimony given by Mr. Wallace. He said he thought that the stacking program should provide more to gain than just a permit; in addition, he would like to see something that [promotes] the fishery.

Number 1799

BRENNON EAGLE testified via teleconference. He told the committee he would like them to consider adding the Southeast pot shrimp fishery, allowing it some of the same tools that the salmon fishery would be allowed. He said a number of individuals in the [Southeast pod shrimp fishery] have talked about wanting to do some type of consolidation or [maximization] ever since limited entry became available five years ago; however, they didn't have a "vehicle" to do it. He said this would be the exact vehicle needed.

CO-CHAIR SCALZI said initially HB 286 was not discriminatory to other fisheries; however, since the UFA board met, they requested it be modified to just salmon fisheries. He added that he supports the concept of [adding other fisheries]; this is something that the committee would be considering in the next few weeks. He remarked that the committee needs to ensure that there is consolidated support across all group users.

Number 1886

ALAN REEVES testified via teleconference. He told the committee he agreed with Mr. Eagle's testimony. He said he thought any of the tools could be beneficial, although the [permit holder] doesn't have to use them. He commented that he would like to see the Dungeness [crab] fishery be added. He explained that he had been in this fishery for 20 years, and has seen the fishery go from relaxed to really aggressive. He said he'd also heard many discussions on trying to solve some of the overcrowding issues; therefore, he thinks this would be beneficial to have HB 286 as a tool.

MR. REEVES explained that when the fisheries were originally divided up amongst all of the fishermen, the division was according to high abundance, the top amount of pots in the fishery - fishermen actually participating at the time. He said possibly because of a high abundance and a high price, fishermen might have survived during that time; however, now that it has become a high abundance and a low price with the same amount of permits, it is [difficult] to survive; consequently, it is a "starvation" effect. He said he would applaud any tools that can be used to fix the fisheries and get them healthy again.

Number 2014

DAVID BEDFORD, Executive Director, Southeast Alaska Seiners Association (SASA); and Member, Board of Directors, United

Fishermen of Alaska (UFA), informed the committee that he is licensed to practice law in Alaska. He said he believes HB 286 is of great importance to the commercial fishermen in Alaska; in addition, [SASA] had a great deal to do with the current form of HB 286. He told the committee that these are hard times in the commercial salmon fisheries in Alaska; consequently, in Bristol Bay permits are currently selling for one-tenth of the value they sold for ten years ago. The price the permit commands is a benchmark for the value that people think the fishery will produce in the future; over [the past] ten years, the estimate of that value has dropped to 10 cents on the dollar.

MR. BEDFORD said this year in Southeast Alaska dozens of purse-seine vessels won't have markets; they will be tied to the dock, and each vessel employs five people. Hundreds of jobs will be lost in small communities that cannot afford to lose those jobs because there's no market for the fish. Fishermen around the state see the value of the fish that they harvest plummeting. He explained that sockeye salmon in Bristol Bay, which brought over a dollar a pound ten years ago, brought 40 cents a pound in 2002. He said in Southeast Alaska, pink salmon sold for 33 cents a pound in the mid-1980s; this year, the price is expected to be approximately 10 cents a pound or less.

Number 2125

MR. BEDFORD said these sorts of facts underscore the kinds of concerns that commercial fishermen have for the state of their industry. However, the problem is not just for commercial fishermen, but also for coastal communities and Alaska as a whole. The commercial fishing industry is the largest private-sector employer in the state. In many coastal communities, over 50-percent of the basic private-sector employment is in the commercial fisheries. He suggested that as the salmon fisheries go either up or down, so goes the economy in those regions of the state. He said HB 286 is part of commercial fishermen's efforts to structure a program to help themselves in the face of difficult times, not asking for money but offering some simple tools through legislation to allow fishermen to deal with these problems.

MR. BEDFORD suggested the solution is conceptually very simple: if there are fewer fish and a lower price, then one way to deal with this is by having fewer nets in the water - reducing the number of fishermen. He offered Bristol Bay as an example where there was high production in the early 1990s that has dropped off; it is still a substantial, harvestable surplus but not the

huge bounty of prior years. He suggested [reducing the number of fishermen] would assist fishermen in getting a reasonable rate of return on their capital investment.

MR. BEDFORD said in developing HB 286, SASA had a number of concepts in mind. Primarily, SASA felt that fishermen should bear the primary responsibility for dealing with these problems; therefore, SASA believes the proposed consolidation program should be voluntary and regional, and that the programs put in place should be accountable to the fishermen and to Alaska.

Number 2225

MR. BEDFORD offered an overview of [CSHB 286(FSH)]. It allows fishermen to hold two permits for the purpose of fleet consolidation. It makes no other changes to the limited entry laws; the idea is to make this a low-impact program. It also allows fishermen to set up a nonprofit association - an association under existing law, such as a (c)(5) nonprofit corporation - and proceed from there. It allows fishermen to vote on whether to tax themselves to pay for consolidation, with a two-thirds majority required - not of those voting, but of all permit holders - before a levy can be assessed. In addition, it establishes administrative procedures to protect the interests of fishermen and of the state.

MR. BEDFORD said in regard to responsibility, fishermen want to set up a consolidation program in which they would bear the upfront costs. If fishermen establish a nonprofit association, then they will pay to do that; they will bear the burden of communicating to the people of the fishery what they have in mind and trying to persuade them to vote in order to have a two-thirds majority. Subsequently, through a consolidation program, fishermen would have the choice of assessing themselves to pay for it, if the tax is supported by two-thirds of those in the fishery. Fishermen would tax themselves and then use that to accomplish their objectives; they will then monitor and be responsible for administering the program.

MR. BEDFORD explained that the two-thirds-majority requirement for the assessment was put into place because it was felt a high bar was appropriate before assessing people this [type] of tax. The program is voluntary not only at the outset; anytime they feel the program isn't operating to their [advantage], if 25-percent of them petition, then another vote will be held and they can vote to repeal the assessment, should they choose to do so.

Number 2370

MR. BEDFORD said in regard to the program's being regional, it was felt that it was really important that people have autonomy in this; thus they have control over their local interests. In each region of the state, each particular fishery should conduct it's own program. For example, Southeast Alaska has a seine fishery, troll fishery, and gillnet fishery; each would have to speak for itself, and no other fishery could impose anything upon it. Similarly, should the gillnet fishery decide to do something, that bears no implication for the gillnet fishery in Prince William Sound, Cook Inlet, or Kodiak.

MR. BEDFORD said accountability is the bulk of HB 286; the substantive part of that is a couple of paragraphs, but the bulk of it is that a vote will be set up that kind of "sidebars" where they have to be on that. An association will be set up that [allocates] responsibility; in addition, an annual business plan is [required] and an annual report of their activities. He said these things will be provided to the members of the organization and all of the fishermen, and to the state so that it is available to the public. He recommended HB 286 as a really good step forward in trying a solution.

Number 2474

REPRESENTATIVE KERTTULA asked how the permits will flow - in particular, in relationship to the buy-back at the same time.

MR. BEDFORD said it depends on that particular group's decision. He indicated if there are more permits than the fishery can support, then they could collect an assessment from the fishermen and possibly extinguish some permits.

MR. BEDFORD offered another approach: collect an assessment and contract with people who hold a second permit to not fish that permit. He indicated that doing so would pull a certain number of permits out; consequently, if a lot of fish start coming in and a whole bunch of money is made, it's of more value to those people to sell that permit than to retain it. He suggested there would be a free-market control on how many permits would be able to be pulled out; however, if the fisheries really bottomed out, permits could be bought or contracts could be made cheaply. He indicated if the fishery is going better, however, then the permits are going to be sold because they are going to be worth a lot of money.

REPRESENTATIVE KERTTULA asked Mr. Bedford if that puts him at the stead of the Commercial Fisheries Entry Commission (CFEC) in making decisions on how many permits should be issued.

Number 2586

MR. BEDFORD said no. T He said they are going to tax themselves and then use that to accomplish their objectives; they will then monitor and be responsible for administering the program.he ultimate authority for that lies with CFEC. He indicated the supreme court had ruled on a case that there cannot be a fishery that is too exclusive. He said any fishery that is going to put this type of program together is going to have to "bear that in the back of their minds." He suggested that commercial fishermen aren't afraid of being too exclusive right now; a lot of permits aren't being fished because there is no money in the fisheries.

MR. BEDFORD said some of the elements in determining how many permits are out there include economic viability; if it isn't economically viable, then it's not an immediate concern. He remarked that the people he works for would love to see the day when there are not enough permits out there because too much money is being made; however, they don't think that is going to happen soon. He added that there is a constitutional sidebar on this.

REPRESENTATIVE KERTTULA asked if CFEC determines the number of permits issued.

MR. BEDFORD said there is a process by which CFEC can determine the optimum number; however, CFEC doesn't determine any more than "we" would on how many permits to fish. He indicated CFEC does not designate a specific number of permits for fishing, but discloses the number of permits out there. He said that would not change under HB 286. He cited the Kodiak fishery as an example of the current economics: 50 percent of the purse-seine permits are pieces of paper in somebody's filing cabinet. He said that is a response to economic circumstances. He added that [HB 286] is a slightly different way of doing exactly the same thing; it gives people more control instead of just flowing with the immediate market circumstance.

REPRESENTATIVE KERTTULA asked where the money goes in the event that a fisherman "goes in," there's not an optimal [number of permits], there is an association, there is a consolidated

permit, CFEC does a buy-back, and in the interim the association terminates.

MR. BEDFORD said there is a possibility that some associations would collect an assessment and then loan money to people to buy a second permit. He said he doesn't know exactly how they would deal with those kinds of circumstances.

REPRESENTATIVE KERTTULA asked Mr. Bedford if he would leave that to the association.

MR. BEDFORD said he thought [CFEC] would have to deal with that on an individual basis and figure out what sort of program makes sense to them. In terms of the interface between the sort of private program and the CFEC buy-back program, he said first off, the CFEC program is fairly cumbersome and requires an initial assessment of what the optimum number is. There are political steps involved, such as an appropriation to the department. In addition, it requires resources, which is the initial impediment.

MR. BEDFORD explained that there is a lengthy review process followed by setting up a buy-back program; however, there is the problem of how to fund it. He suggested CFEC would come back to the [legislature] at that point. He said if it's a private consolidation program, then what is the motivation for the fishermen to go to CFEC? If [fishermen] are running a program that is at a reasonable level, then why go to CFEC at that point and ask for an optimum-number study in a buy-back? He indicated CFEC may question why those scarce resources should be allocated to [that fisherman] as opposed to somebody else.

Number 2765

REPRESENTATIVE KERTTULA said one of the "sidebars" she would suggest to any association is that if an individual has gotten consolidation and possibly even received money - and in the end that person is going to try to get rid of the second permit - then that money needs to go back to the association. She said this isn't included in [HB 286].

Number 2795

MR. BEDFORD remarked that one thing he finds so fascinating about HB 286 is that it is so infinitely flexible. He indicated that any one possibility opens up all kinds of other ends, and that people's creative efforts result in really excellent ideas.

Number 2814

CO-CHAIR SCALZI said [CSHB 286(FSH)] is radically different from the original draft because of the stacking provisions that were removed. He indicated that in addition to the good, there are downstream effects that can't be foreseen. He referred to earlier testimony about expanding HB 286 to [include] other fisheries. He said UFA's position is to only include salmon this year; however, he would like to hold HB 286 to give people an opportunity to work with UFA and [SASA] to see if there is that much concern about expanding [HB 286] to other fisheries throughout the state. He indicated the importance of completing HB 286 this year. He asked Mr. Bedford for his view.

MR. BEDFORD remarked that it is tremendous flattery to hear people say that they would like to take advantage of [HB 286]. He explained that when UFA reviewed this, members felt this was a workable and advantageous program for the salmon fisheries; however, they didn't feel they were in a position to speak for [other fisheries]. He said he didn't know whether HB 286 could be [amended] to include a single Dungeness [crab] or shrimp fishery, although it might be possible. He said the reason the bill was drawn narrowly was because they thought their expertise was narrow.

CO-CHAIR SCALZI said that is why there were no other fisheries added to this; in addition, he wouldn't support writing the bill for a specific fishery. He indicated the bill should blanket all limited entry permits.

TAPE 02-7, SIDE B
Number 2960

GORDY WILLIAMS, Legislative Liaison, Office of the Commissioner, Alaska Department of Fish and Game (ADF&G), informed the committee that ADF&G supports both industry and government in getting the kinds of tools they may need to address changing circumstances in the salmon fisheries; HB 286 is a step in that direction. He said the bill is permissive in nature, which allows individuals or groups of individuals to make decisions for themselves and for their fishery; that's important because a one-size-fits-all doesn't necessarily work with management or allocation in the state.

MR. WILLIAMS referred to Co-Chair Scalzi's intent to hold HB 286. He said ADF&G would continue to work with the sponsor and

some interested parties on some specific issues that relate to the department and address those in the interim. He indicated he would be available to answer questions the next time HB 286 is heard.

Number 2920

CO-CHAIR SCALZI reflected on Mr. Williams' comment about expanding HB 286 to include all fisheries. He indicated he would like ADF&G to consider expanding the bill.

Number 2903

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), told the committee that owning more than one permit is not going to fit every fishery; however, it would be a viable option for a small setnet fishery. The fishery would have to decide economically whether buying somebody out of that site and holding on to that permit would foster gaining more income. He said [HB 286] would work in fisheries where the permit prices are currently very low, which are fully allocated fisheries where all of the permits are fishing. He suggested [HB 286] would not work very well if there are many dormant permits or where it is dictated by the market how many people fish, but it is an option to use. He said the difference is that the voluntary one goes through the state.

MR. McCUNE suggested that even if CFEC comes up with an optimum number, some individual could challenge the number and take it to court. He indicated he wasn't deterred by the Johns [v. Commercial Fisheries Entry Comm'n] case. He said this is because there are people not fishing; furthermore, the way some of the fisheries are currently structured makes it difficult to make a profit. He added that if that point is reached, then "we" are doing something positive. He explained that UFA is trying to ensure that regional fishermen can choose these options to use as tools in their particular fishery.

MR. McCUNE said taking the net out of the water is a good thing anytime for anybody in any fishery; consequently, this provides more for everybody. He indicated that a fisherman would remove a net for himself as well as the other fishermen in that fishery. The decision has to be made by the fisherman of whether to hold that permit. He said the intent is to make fleets more efficient and more viable, to get the quality up, and to [fulfill] consumer demands. He remarked that it is no

longer a "headed-and-gutted" market, but is either frozen or fresh fillets; farmed fish is dictating the market.

Number 2785

MR. McCUNE said in addition to making fleets efficient, [HB 286] would ensure better quality and possibly cut costs in between the canneries. He indicated UFA's primary intention is to make the harvesters healthy statewide. He remarked that not every fishery is going to be healthy overnight because some are waiting for better returns than they had before. He remarked that it's always a cycle, whether there are good returns or not.

MR. McCUNE said he knows that some people were disappointed in not having incentives and stacking permits; however, UFA didn't want to move into a whole bunch of options and ranges, which would require going to the Board of Fisheries to do that. He remarked that he thinks this needs to be done over so many years. He'd told the UFA board it would be about a five-year [process] to go through all of the options and put the options on the table. He said the next round would be coming this fall, and this is a good option to move forward. He indicated UFA would be talking about other options and including other fishermen in the discussion.

MR. McCUNE encouraged committee members to call him anytime with questions, concerns, or comments. He also encouraged fishermen to contact him to talk about [current activities]. He added that UFA is trying to be responsible to everybody and to make the best options available to the entire state and every fishery.

Number 2700

REPRESENTATIVE McGUIRE applauded UFA's efforts. She said having too many nets in the water has been a problem that has been increasing yearly. She said she thought it was "neat" to see an interested group take initiative and come to the legislature with some solutions and ways to try to "go down that road on your own and experiment."

MR. McCUNE remarked that fishermen are very independent; therefore, they are trying to come up with solutions that don't require state money and that they can institute themselves. He added that fishermen can make those choices as to whether to assess themselves in a particular fishery. He said if it was a small fishery, then it would be an easy talk; however, in some

other fisheries that are fully allocated or where the permits are not fishing, currently half are not fishing; they are going to have to get together and figure out the best course of action. He said he thought [HB 286] would force a lot of people to get together and start discussing their fishery and the best options for each fishery across the state.

CO-CHAIR SCALZI reiterated that he would like to see what dialogue is generated by other members contacting UFA in regard to opening HB 286 up to other fisheries.

MR. McCUNE indicated the dialogue is currently being generated and that he would get back to the committee.

Number 2594

SUE ASPELUND, Executive Director, Cordova District Fishermen United (CDFU), testified via teleconference. She informed the committee that passage of HB 286 would provide fishermen with one of the simplest and most immediate tools to take gear out of the water in distressed fisheries. She remarked that the fishing industry needs "a variety of tools in the box" that provide the ability to pursue structural changes that they believe are necessary for the fishing industry to successfully compete in the global marketplace. However, the legislature's support is needed for those efforts to address the concerns of the fishing industry. She added that [CDFU] would appreciate the legislature's support on [HB 286].

Number 2500

CO-CHAIR SCALZI indicated HB 286 would be held for further consideration.

ADJOURNMENT

Number 2455

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:05 p.m.