

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,
INTERNATIONAL TRADE AND TOURISM**

February 10, 2003

5:04 p.m.

MEMBERS PRESENT

Representative Cheryll Heinze, Chair
Representative Lesil McGuire, Vice Chair
Representative Pete Kott
Representative Carl Morgan
Representative Vic Kohring
Representative Sharon Cissna (via teleconference)
Representative Harry Crawford

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

ORGANIZATIONAL MEETING

- HEARD

TESTIMONY ON PROPOSED COMMITTEE BILL [what became HB 95]

- HEARD BUT NOT SCHEDULED

PREVIOUS ACTION

No previous action to record

WITNESS REGISTER

PAUL FUHS, Lobbyist
for Alaska Trademark Shellfish
Anchorage, Alaska

POSITION STATEMENT: Testified on a proposed committee bill
[later introduced as HB 95] and answered questions.

RONDA THOMPSON, Staff
to Representative Cheryll Heinze
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke briefly during second portion of organizational meeting.

ACTION NARRATIVE

TAPE 03-1, SIDE A

Number 0001

CHAIR CHERYLL HEINZE called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 5:04 p.m. Representatives Heinze, McGuire, Kohring, Morgan, and Crawford were present at the call to order. Representatives Kott and Cissna (via teleconference) joined the meeting as it was in progress.

ORGANIZATIONAL MEETING

Number 0074

CHAIR HEINZE inquired whether members had passports, requested that a photograph be provided to the committee aide in order to obtain visas, and asked members to fill out an information sheet. Drawing attention to a booklet provided to members, she asked members to look at five pages relating to international trade.

Number 0239

CHAIR HEINZE pointed out the "Mission" portion of the printed agenda for the meeting, which listed the following: Assist Alaska companies to sell their goods and services overseas; provide information; advance government-to-government relations; recruit business and investment into Alaska; and promote Alaska as a location for film projects. She asked that members provide any further ideas by the next meeting.

Number 0335

CHAIR HEINZE asked whether members had heard the press conference that morning about BP's \$4-billion investment in Russia; she suggested the need to find out details. Calling attention to a memorandum of cooperation and describing the Duma as the legislative arm in Russia, she indicated Representative Pete Kott, Speaker of the House, has invited members of the Duma to visit, at which time a memorandum of cooperation will be signed. Alluding to a handout titled "With \$25 Billion at stake Ignorance is not bliss," she remarked, "When we find out where

BP is going with their \$4 billion, then we need to set up some protocols there with wherever they're going."

TESTIMONY ON PROPOSED COMMITTEE BILL [what became HB 95]

Number 0463

CHAIR HEINZE turned attention to a proposed committee bill. [In packets was a work draft for an unnumbered bill, labeled 23-LS0407\D, Utermohle, 2/7/03, "An Act relating to permits for aquatic farming of geoducks."] She asked Paul Fuhs, whom she characterized as a big force behind the bill, to talk about it.

Number 0510

PAUL FUHS, Lobbyist for Alaska Trademark Shellfish, highlighted the tremendous potential for geoducks if grown through mariculture, noting that now there is a small commercial fishery. He told members that last year legislation was introduced by Representative McGuire, then chair of this committee; this year's potential bill begins where that prior legislation left off.

MR. FUHS provided some history. He said people wanting to farm [geoducks] had gone through the coastal zone management (CZM) process and the DNR [Department of Natural Resources] best interest finding, and had "followed all the rules" put in front of them by [the Alaska Department of] Fish and Game (ADF&G). However, the department put provisions on the geoduck permits that made it impossible to operate - including a five-year lease, although the time to maturity is five to seven years. A lawsuit was filed, and the court said it was illegal to put those provisions on [the permits]. When the applicants returned to the department following that [decision], however, they were told that technically they'd been turned down [by the department] and therefore had to start from scratch again. That is the reason for the legislation, he said.

Number 0630

MR. FUHS noted that Representative McGuire [who also had chaired the Joint Committee on Administrative Regulation Review during the previous legislature] had reviewed this situation and had written some letters. He offered his opinion that the situation arose in part because of departmental bias, but said there also were real issues with regard to sustained-yield management of the resource and the "common property" clause of the

constitution. He pointed out that there was an amendment to the common property clause [in order to accommodate] limited entry. He alluded to the fact that Article VIII, Section 15, of the state constitution reads as follows:

SECTION 15. No Exclusive Right of Fishery. No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the State to limit entry into any fishery for purposes of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture in the State.

MR. FUHS observed that although legislation has been passed about the meaning and management of limited entry, it has never given meaning to the phrase "promote the efficient development of aquaculture in the State."

Number 0704

MR. FUHS indicated the proposed legislation says that after someone has been through coastal zone management and the DNR best interest findings - if no other conflicts are found and if there is no commercial fishery on the site - the department must issue the permit within 90 days. To preclude harvesting of large amounts of animals where abundant, a person cannot take more than 20 percent a year, and then must replant and reseed 100 percent of what was taken. After the department has certified the replanting, the person may move on to the next 20 percent. At the end of five years there would be mature animals coming on line and the ability to "really operate it as a farm."

MR. FUHS reported, however, that the department had objected [to the previous legislation], saying that harvesting where there are lots of animals violates the common property [clause], and that people can only plant and harvest where there aren't [geoducks] already. Mr. Fuhs remarked, "Well, obviously, that's poor habitat for them; they're going to be where they can grow." He said that is a conflict that this legislation is intended to address. Reiterating that there is "millions of dollars of potential for this industry if we can just get it going," he requested the committee's support in putting this forward as a bill. He asked that Representative McGuire provide any necessary clarification or correction.

Number 0809

REPRESENTATIVE McGUIRE offered her belief that the testimony and letter [a document in packets, "Status of Shellfish Mariculture Development," prepared by Mr. Fuhs on behalf of shellfish growers involved the lawsuit against the ADF&G] are fairly self-explanatory. She suggested that committee members focus on the fact that the purview of the committee is economic development, looking at ways to help Alaskans to develop livelihoods for themselves, particularly in Southeast Alaska because of the declining timber industry, so that people can live in their communities and earn enough to support their families.

REPRESENTATIVE McGUIRE alluded to [Article VIII, Section 15, of the state constitution], emphasizing that it speaks with regard to promoting the efficient development of aquaculture, and that voters had weighed in on that constitutional amendment. In 1984, she noted, the legislature also passed an aquatic farm Act, "further outlining its policy to go forth with some kind of mariculture industry." Pointing out that there is a moratorium on finfish farming, she cautioned that it is a separate issue that shouldn't be confused with this. With regard to aquatic shellfish, she offered her belief that it is a really good idea.

REPRESENTATIVE McGUIRE told members, "Representative Scalzi and I spent some time trying to figure out exactly how you could come at it, because it's a type of farming that is more akin to planting trees than it is anything else, and yet you're ... looking at aquaculture." Calling it an interesting idea, she offered her belief that taking no more than 20 percent of the biomass is consistent with sustained yield. She added:

I think the responsibility is incumbent upon that person who ... gets that permit to then replant 100 percent of what they have taken from the biomass, and I think that's how we do responsible development, as opposed to allowing people to have access to permits and come in and sort of clean out the very, very lucrative geoduck, and market them off ... to Asia, and ... never come back in and replant.

Number 0972

REPRESENTATIVE McGUIRE indicated Mr. Fuhs and Alaska Trademark Shellfish have done a lot of work on this, and that many others have done hard work as well, looking at the constitution and the legislature's previous statements. She offered her belief that

this industry has viability in Alaska, and asked what better committee exists than this to give it a boost and get the discussion going. She also offered comments from a former teacher of hers who runs an oyster farm in Kachemak Bay, who'd indicated her belief that those earning their livelihood from a resource will necessarily be good stewards of that resource. Noting that there is a tremendous market for geoducks, particularly in Asia, she announced support for this.

Number 1091

MR. FUHS, in response to a question from Chair Heinze, explained that geoducks are large, longneck clams that can weigh up to three or four pounds. They dig themselves up to three feet down in sandy substrate and are filter feeders. All that sticks out is the neck. They take in plankton and so forth that floats by and thus are habitat-dependent. If a predator tries to eat a geoduck, the geoduck pulls its neck back in.

Number 1129

MR. FUHS, noting that the lawsuit he'd mentioned is still "outstanding before the Alaska Supreme Court" with regard to constitutional issues, told members, "We've indicated to the Alaska attorney general and we would indicate to you now - that if we can resolve this through legislation and put this management regime in place, ... we will drop those lawsuits, and we can quit wasting our money on lawyers [and] can go to work."

Number 1169

REPRESENTATIVE KOTT pointed out that backup materials say geoducks can weigh up to twenty pounds, whereas Mr. Fuhs had mentioned two to three pounds. He asked about the discrepancy and whether the twenty pounds is huge for a geoduck.

MR. FUHS answered that it depends on the area. Generally, mature animals farmed at five to seven years would weigh two to three pounds. However, they can grow up to three feet long.

Number 1204

CHAIR HEINZE added that a grid is set and the necks are counted, which is how someone can tell the number of pounds of geoducks in a particular bay; only 20 percent of those could be harvested [under the proposed bill], followed by replanting. In response to Representative Crawford, she said it is a dive fishery.

MR. FUHS affirmed that it is exclusively a dive fishery. The geoducks are in 20 to 60 feet [of water], so no nets are seen on the surface, although four buoys with markers on them will [lie outside] the limits of the lease site. In response to a question from Chair Heinze as to whether divers both maintain and harvest the geoducks, Mr. Fuhs answered in the affirmative. Noting that there are some commercial fisheries, he pointed out that under the legislation someone must be in an area that doesn't have a commercial fishery. He continued:

Some of these areas are just too far away for the commercial divers to go. Their fishery lasts about two weeks up here, and they don't really replant anything. So these are fairly long-growing animals, so they basically move from one site to the next, ... pretty much stripping them down. And that's why we thought this was an even higher level of resource management than the commercial dive fishery, because we ... would be replacing 100 percent of them.

Now, we planted something like 40,000 animals last year, just pretty much as a test to see what the survivability would be, and 70 percent survived. So, you took your 20 percent out; you'd go back and you'd plant 130 or 140 percent of the number of animals that you took out, to make sure that after your survival rate you'd replaced 100 percent - although all the farmers say they'll plant even denser than that, because you ... can plant them denser than they'll occur naturally.

Number 1316

REPRESENTATIVE KOHRING suggested looking at changing the name to something more marketable once large numbers are being farmed and harvested. He pointed out that spider crab was far less marketable until the name was changed to snow crab.

Number 1346

REPRESENTATIVE McGUIRE mentioned oyster farmers as well, emphasizing that the market exists and won't go away. The question, she suggested, is whether Alaska wants to participate.

Number 1371

MR. FUHS, in response to Representative Crawford and Chair Heinze, explained that brood stock is taken from sites in Southeast Alaska and sent to a hatchery in Seward. He added:

They're very successful at hatching them. Their main problems are financial. The state spent, I believe, \$2.3 million to build that shellfish hatchery, and since all the permits have been blocked to do it, they're in deep financial trouble and that hatchery needs ... this type of thing to go forward if they're going to economically survive.

CHAIR HEINZE remarked that she'd briefly spoken with the governor, who'd conveyed that this is a wonderful idea and that he would be supportive. She shared her own excitement about the bill. [End of discussion of what became HB 95.]

ORGANIZATIONAL MEETING

Number 1450

CHAIR HEINZE returned the committee's attention to the organizational portion of the meeting and discussed sections of the extensive handout she'd provided. She then asked members to outline their reasons for wanting to be on the committee.

Number 1640

REPRESENTATIVE CRAWFORD discussed his interest in developing hydrogen fuel. He also mentioned alternative energy such as geothermal, tidal, and wind power, but pointed out that with most alternative energy, there is no way to store the energy generated, whereas hydrogen fuel could be transported.

Number 1717

REPRESENTATIVE KOHRING responded that Representative Crawford's were good ideas, but said it is mostly undeveloped technology. He discussed the idea of geothermal energy briefly. He emphasized his desire to look at oil and gas, including liquefied natural gas (LNG).

CHAIR HEINZE brought up Sakhalin Island, where she said 350 Alaskan citizens work.

Number 1790

RONDA THOMPSON, Staff to Representative Cheryll Heinze, Alaska State Legislature, added to the discussion.

Number 1835

REPRESENTATIVE DAHLSTROM referred to Representative Kohring's remarks and expressed her own interest in developing natural gas.

Number 1850

REPRESENTATIVE McGUIRE highlighted her interest in seafood and mariculture, in particular, noting that Korea is an existing market.

Number 2011

REPRESENTATIVE CISSNA discussed her interest in two industries: health and education.

REPRESENTATIVE CRAWFORD followed up by noting that in Louisiana money has gone toward educational facilities and the university, which have been an "economic engine" there.

Number 2253

CHAIR HEINZE briefly discussed filming in Alaska and tourism. She asked members to be thinking of ideas. She mentioned an upcoming fish exposition at the World Trade Center in Anchorage on March 4-5.

TAPE 03-1, SIDE B

Number 2384

CHAIR HEINZE mentioned the PAC COM [Pacific Rim Construction Oil Mining] Expo as well.

MS. THOMPSON highlighted the "Canada Gala" to be held March 8 in Anchorage.

CHAIR HEINZE informed members that a trip would be planned, with the destination to be determined later.

ADJOURNMENT

Number 2284

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 5:53.

NOTE: The meeting was recorded. A copy of the tape(s) may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.