

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 21, 2003
8:33 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Peggy Wilson, Vice Chair
Representative Cheryll Heinze
Representative Pete Kott
Representative Ethan Berkowitz
Representative David Guttenberg

MEMBERS ABSENT

Representative Ralph Samuels

COMMITTEE CALENDAR

HOUSE BILL NO. 22

"An Act relating to commercial fishing permit brokers; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 89

"An Act relating to standards for chilling and delivery of commercially caught salmon; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 22

SHORT TITLE:COMMERCIAL FISHING PERMIT BROKERS

SPONSOR(S): REPRESENTATIVE(S)WEYHRAUCH

Jrn-Date	Jrn-Page		Action
01/21/03	0037	(H)	PREFILE RELEASED (1/10/03)
01/21/03	0037	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0037	(H)	FSH, RES, FIN
02/21/03		(H)	FSH AT 8:30 AM CAPITOL 124

BILL: HB 89

SHORT TITLE:FISH HANDLING AND DELIVERY STANDARDS
SPONSOR(S): REPRESENTATIVE(S)STEVENS

Jrn-Date	Jrn-Page		Action
02/10/03	0169	(H)	READ THE FIRST TIME - REFERRALS
02/10/03	0169	(H)	FSH, RES
02/10/03	0169	(H)	REFERRED TO FISHERIES
02/12/03	0203	(H)	COSPONSOR(S): WOLF
02/21/03		(H)	FSH AT 8:30 AM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE BRUCE WEYHRAUCH

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided sponsor statement for HB 22.

JOHN MITCHELL, Owner
Alaska Permit Services
Bellingham, Washington

POSITION STATEMENT: Testified on HB 22, expressing concerns regarding bonding and reciprocity issues.

BRUCE TOLLACK, Co-Owner
Tidewater Brokerege, Inc.
Petersburg, Alaska

POSITION STATEMENT: Testified on HB 22, expressing concerns regarding residency and the amount of the bond.

STUART RICKEY, Owner and Operator
Rickey & Associates
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 22.

CHRIS GARCIA
Cook Inlet Fishermen's Fund
Kenai, Alaska

POSITION STATEMENT: Testified on HB 22, suggesting the use of either an escrow or a trust account; testified in strong opposition to HB 89.

MARY McDOWELL, Commissioner
Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish & Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Testified on HB 22, providing information and answering questions.

KAREN (TAFFY) WELLS

Licensing Project Leader
Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish & Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Testified on HB 22 and answered questions pertaining to delays in the permitting process.

RICK URION, Director

Division of Occupational Licensing (DOL)
Department of Community & Economic Development (DCED)
Juneau, Alaska

POSITION STATEMENT: Testified on HB 22, suggesting the use of either an escrow or trust account.

SENATOR GARY STEVENS

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided sponsor statement for HB 89.

CHERYLL SUTTON, Staff

to the Joint Legislative Salmon Industry Task Force
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on HB 89, stating that the bill, in its current form, is not ready to be enacted as legislation.

CHRISTINE RYAN, Acting Director

Division of Environmental Health
Department of Environmental Conservation (DEC)

POSITION STATEMENT: Testified on HB 89 and questioned the implementation of enforcement mechanisms.

JAMES SHULWALTER, Commercial Fisherman

Soldotna, Alaska

POSITION STATEMENT: Testified in strong opposition to HB 89.

LAURA FLEMING

Public Relations Director
Alaska Seafood Marketing Institute (ASMI)
Department of Community and Economic Development (DCED)
Juneau, Alaska

POSITION STATEMENT: Provided information pertaining to HB 89.

GREG FISK, Office of Fisheries Development
Fisheries Development Specialist
Division of Community & Business
Department of Community & Economic Development (DCED)
Juneau, Alaska

POSITION STATEMENT: Testified on HB 89, suggesting the importance of working towards the goal of mandatory chilling.

ACTION NARRATIVE

TAPE 03-9, SIDE A

Number 0001

CHAIR PAUL SEATON called the House Special Committee on Fisheries meeting to order at 8:33 a.m. Representatives Seaton, Wilson, Heinze, Kott, and Guttenberg were present at the call to order. Representative Berkowitz arrived as the meeting was in progress. Also present were Representatives Weyhrauch and Gary Stevens.

HB 22-COMMERCIAL FISHING PERMIT BROKERS

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 22, "An Act relating to commercial fishing permit brokers; and providing for an effective date."

Number 0089

REPRESENTATIVE BRUCE WEYHRAUCH, Alaska State Legislature, sponsor of HB 22, began his testimony by asking that no action be taken on the bill at this time but that today's meeting be used to introduce and bring issues to the committee's attention. He stated that the bill was introduced in order to address a problem that occurred in Homer in which a boat broker had stolen money. He explained the broker's role, saying that fishing quotas are obtained from the National Marine Fisheries Service and that the quota is in the form of a certificate that can be sold to another fisherman. A broker is used to facilitate that transaction.

REPRESENTATIVE WEYHRAUCH told the committee that the broker in the Homer area took money from fishermen, put it into an account, and used it for personal reasons. The fisherman who wanted to sell the quota didn't get the money for his transaction because the broker was using the money for her own purposes. She was caught, found guilty of theft, and sent to prison; however, in the meantime, fishermen were "out their

money." The original intent of the bill was to use some mechanism such as having brokers post a bond, so that if fishermen were wronged by a broker, at least a portion of the money could be recovered through the use of the bond.

Number 0428

REPRESENTATIVE WEYHRAUCH cautioned that the committee should be aware that brokers are used in roughly 40 to 55 percent of federal fish certificate transfers, so it is a fairly important industry. He said he was unsure and didn't have the information as to how often brokers were used to facilitate the transfer of state permits such as limited entry permits. He said it was important for the committee to realize that almost all brokers operate ethically and honestly, and that this bill is not an indictment of the broker industry. Many brokers use trust accounts, in which money from the person buying the share goes into a trust account, and the money is thereby treated properly. He reiterated that this bill is designed to address one severe problem that harmed fishermen in the Homer area.

Number 0548

REPRESENTATIVE WEYHRAUCH continued that when he talked further with brokers in the Juneau area, the Division of Occupational Licensing, and the Commercial Fisheries Entry Commission (CFEC), issues affecting brokers and agencies became apparent, and he said he is interested in simplifying the bill so that it won't be unnecessarily burdensome to those involved in the brokering business. He reiterated that although HB 22 doesn't address an industry-wide problem, the focus on a specific broker may be helpful in shedding light on a weakness within the system, indicating that perhaps this should be addressed as a public policy matter.

Number 0600

JOHN MITCHELL, Owner, Alaska Permit Services, testified that he has been involved with the brokerage business of Alaskan limited entry permits for over 20 years, and said that he fully supports the principal concept of the bill, although he remains concerned that important aspects including bonding and reciprocity issues be addressed properly. He said that this is a very complicated business that takes place in an area with cultural concerns, distribution issues, and language challenges. Events transpire over a calendar year that contains sensitive deadlines and in which the documentation must meet the high standards of various

government agencies of authority, he said. Mr. Mitchell stated that fiduciary duties must be maintained at all times, saying that his role is subject to a demanding standard of performance, as required by law.

CHAIR SEATON asked for an explanation of what was meant by "language issues."

MR. MITCHELL responded that in dealing with permits, one also deals with a varied public, inclusive of Native Alaskans, Italians, and people of different ethnic and cultural origins.

CHAIR SEATON asked if Mr. Mitchell dealt with both federal and state permitting.

MR. MITCHELL replied that he only dealt with state permitting.

Number 0783

REPRESENTATIVE GUTTENBERG asked if brokers were usually involved with both state and federal permitting or if they more often addressed one type of permitting or the other.

MR. MITCHELL responded that the majority of brokers combined state and federal permitting services.

Number 0829

BRUCE TOLLACK, Co-Owner, Tidewater Brokerage, Inc., began his testimony by commenting that the letter by Bill De Vries of Alaska Boats & Permits, Inc., included in the committee packet, was well written. He said that after the incident had occurred in Homer, he had gone to an insurance agent, assuming that there would be a problem of lack of trust in the industry, but did not find that to be a problem. He told the committee that he would have difficulty providing the equity necessary to post a bond, and pointed out that established real estate agents only have a \$10,000 bond. He wondered, if HB 22 became regulation, if it would be applicable to all brokers, resident and non-resident, or if it would only apply to the four brokers who were Alaskan residents. He also mentioned that while this pertained to permit brokers, not to individual fishery quota (IFQ) or vessel brokers, in reality, most brokers "do a little of everything." He reiterated that his two main issues were: fairness in comparison with other industries, and the issue of residency. He said he doesn't really have a solution to the problem of what to do when "somebody goes astray" and added that posting a bond,

as has been suggested, may be prohibitive to some brokers who want to remain in business.

CHAIR SEATON said the committee is looking into the difference between a bond and utilizing a trust account, and asked for feedback.

MR. TOLLACK replied that he had absolutely no problem using a trust account, and considered it to be the only proper method, adding that it would be very unethical to use a personal account. He offered that he has a trust account with Wells Fargo and has had that account since the beginning of his business, which was eight years ago.

Number 1130

STUART RICKEY, Owner and Operator, Rickey & Associates, testified that he had been in business since 1977 and said that his business involves brokering quota shares and permits. He said he supports HB 22 and hopes to work with Representative Weyhrauch to further address the scope of the bill.

Number 1180

REPRESENTATIVE WILSON asked for his input regarding the amount of money involved with bonding.

MR. RICKEY replied that the amount was workable, but was high compared with others in the brokerage industry. He wondered why the bond was 10 times the amount of that for a real estate broker.

CHAIR SEATON asked how Mr. Rickey felt about a requirement for the use of a trust account rather than putting that money in a personal account.

MR. RICKEY replied that he, in fact, had a trust account.

Number 1264

CHRIS GARCIA, Cook Inlet Fishermen's Fund, testified that he had mixed feelings about HB 22. He said that in light of how the cost of bonding can hurt small businesses, the \$50,000 bond doesn't come close to covering the costs of most of the transactions that usually take place. He said that the Senate version of this bill was asking for a \$100,000 bond, and that in his opinion he believed that either an escrow or a trust account

would be the smartest way to handle the situation because of protecting both the buyer and the seller. He explained that the bonds could become very prohibitive and that even if a person went out of business, that bond would need to be maintained for a certain amount of time.

Number 1375

MARY McDOWELL, Commissioner, Commercial Fisheries Entry Commission (CFEC), Alaska Department of Fish & Game (ADF&G), testified that in the 30 years that limited entry has been in effect in Alaska, this was the first incident that they know of in which people had lost such money, and said that "certainly, one time is too many." She wondered whether HB 22 should also cover vessel brokering, since most brokers are involved with vessels as well as with permits and quota shares, with the vessel often being the most valuable piece in the package. She suggested that the \$50,000 bond was a very high amount for smaller brokers, and that it might be wiser to go with demanding that anyone in the brokering business in the state use escrow agents or trust accounts so that the money wasn't available to one's personal account.

Number 1518

MS. McDOWELL told the committee that CFEC has a regulation in place that allows for the conducting of hearings and the suspension of a broker's ability to do business if there is misconduct. She noted that these actions prevent such a person from doing transactions, but does not recoup anyone's money.

CHAIR SEATON asked about delays involved in the permitting process in which the money resides in an interest-bearing, personal account for quite a while. Utilization of a trust account might get rid of this propensity for the delaying of transactions, he said. He asked if there had been many complaints regarding delays.

Number 1639

KAREN (TAFFY) WELLS, Licensing Project Leader, Commercial Fisheries Entry Commission (CFEC), Alaska Department of Fish & Game (ADF&G), said that a broker could submit a transfer and there could be a delay of 60 days while the notice of intent becomes effective. Or, she said, a delay could result if there was a problem with obtaining the necessary information.

MS. McDOWELL suggested that it would be useful to further define the term "broker" to clarify exactly who would be covered by the provisions within the bill. She said it would also be useful for the broker to be required to sign something indicating that he/she understands the statutes and regulations governing the transfer of permits and IFQs.

CHAIR SEATON asked if it was within Ms. McDowell's authority to implement her suggestion.

MS. McDOWELL responded that if it were made mandatory that a person had this "extra layer of requirements," then it would probably be useful to have statutory direction.

Number 1814

REPRESENTATIVE KOTT referred to a testifier's earlier comment regarding fair treatment of in-state versus out-of-state brokers, and asked how this is currently being handled.

MS. McDOWELL responded that business is currently being done with approximately one dozen brokers, some handling just a few transactions a year, and some being major firms. She said she thought that roughly half were in state, although the out-of-state firms tend to be the bigger firms. She said her understanding was that whatever requirements were being considered in this bill would be requirements pertaining to conducting business in Alaska, regardless of the broker's home base. She stated, "We can't discriminate against who is acting as a broker, just like we can't discriminate, under the constitution, against who is buying or selling a permit."

REPRESENTATIVE KOTT asked if there was a requirement for a broker's physical presence to be in Alaska.

MS. McDOWELL responded that this was a paper transaction, requiring a notarized signature. She said that often the transactions were between Alaskans, although they may be handled by a brokerage located in Seattle.

REPRESENTATIVE WILSON asked if any people who do business in Alaska, even if they live in Seattle, would have to "go by our rules."

MS. McDOWELL confirmed that she understood this to be so.

Number 1992

RICK URION, Director, Division of Occupational Licensing (DOL), Department of Community & Economic Development (DCED), suggested that the bill is currently fairly cumbersome and that there is a simpler solution, at least for the buying and selling of limited entry permits, whereas transferring of the federal IFQs might be more difficult. He said he didn't want to "pass off this responsibility to Mary McDowell," but that it would be fairly simple to require that all sales and permits go into either an escrow or trust account. He said the division would work with the sponsor and the Department of Law to come up with a solution that could more readily be adopted.

CHAIR SEATON asked if the bill includes a broad range of permits, including IFQs.

Number 2050

REPRESENTATIVE WEYHRAUCH responded that the bill was intended to be broadly applied; if someone is doing business in the state and is representing people who are fishing in Alaska, and if a substantial amount of that business involves the use of federal fishing, then that person would be subject to the restrictions and provisions contained in the bill. He pointed out that the broker from the Homer area who stole the money was involved with taking money relating to federal fishing permits.

CHAIR SEATON clarified that the bill's intent didn't just pertain to Alaska-issued permits, but covered other permits too.

REPRESENTATIVE WEYHRAUCH agreed, saying this was similar to an out-of-state corporation's needing to register in Alaska. He agreed that it might be worthwhile to explore CFEC's and DOL's comments regarding a required statement to indicate that brokers understand Alaska's laws and regulations.

REPRESENTATIVE WILSON commented that using a trust account might be a "simple thing to do" and that it would be wise to make sure that this gets done.

CHAIR SEATON ascertained that there was no further testimony. He then announced that HB 22 would be held over.

HB 89-FISH HANDLING AND DELIVERY STANDARDS

CHAIR SEATON announced that the next order of business would be HOUSE BILL NO. 89, "An Act relating to standards for chilling

and delivery of commercially caught salmon; and providing for an effective date." [The bill was sponsored by then-Representative Gary Stevens, who'd been appointed as Senator on February 19.]

Number 2215

SENATOR GARY STEVENS, Alaska State Legislature, speaking as the sponsor of HB 89, introduced the bill by acknowledging the problems the salmon industry is facing because of competition from farmed salmon. He said, to that end, last year the legislature established the Joint Legislative Salmon Industry Task Force ("Task Force"), and as the appointed chair of the quality subcommittee, he has listened to people from around the state - experts as well as people involved in the industry - and it has become clear that if there were one single thing to be done that could improve the quality of the salmon, it would be chilling the salmon as soon after they were caught as possible. He said that fish farms chill fish more readily and more conveniently than is currently being done with wild salmon.

Number 2337

SENATOR GARY STEVENS continued that many improvements have been made to the handling of fish but there are still problems that can lead to damaged, bruised, or gaping fish. He explicitly told the committee "not all the answers are here" in HB 89, emphasizing that there are a lot of difficulties involved with mandatory chilling. He referred to the cost and difficulties accompanying the installation of refrigeration equipment. He reiterated that the main problems include the cost of mandatory chilling and the issue of "staging." In addition, he mentioned other problems such as the possibility that perhaps products like canned salmon don't need to be chilled.

SENATOR GARY STEVENS told the committee that fishermen wondered whether going to this great expense of chilling their fish would result in receiving more money for the fish. He acknowledged that HB 89 addresses enormous problems and that it involves adding additional costs to the processing of fish at a time when the industry is in crisis, the markets are in jeopardy, and the prices are low. He concluded by saying that in the final analysis, in order to be competitive with farmed fish, the product must be the highest quality product it can possibly be in order that the markets can be retrieved.

Number 2517

REPRESENTATIVE WILSON asked for a definition of "staging."

SENATOR GARY STEVENS replied that as "we move westward" this process may have to take place over a period of years, or in stages. To mandate that every delivered fish must be chilled, as of today, would cause enormous problems. Although chilling could probably be done in Southeast Alaska and in Kodiak, in Western Alaska there is less equipment, less infrastructure, and less access to ice. Staging means recognizing that it's best to accomplish the goal in stages.

Number 2589

REPRESENTATIVE HEINZE asked if there is currently a standard for mandatory chilling.

SENATOR GARY STEVENS replied that there is not such a mandatory standard; however, many processors require chilling in order to accept the fish. Standards have been established, but there is not a mandatory requirement.

REPRESENTATIVE HEINZE referred to a video that was watched several weeks ago that showed salmon being placed into fresh water and then delivered directly to the processor; this resulted in the grading going up, perhaps by 80 percent. She asked what the link was between the icing of fish and the resultant grading of fish.

Number 2633

SENATOR GARY STEVENS replied that this was the video from the Chignik Cooperative [meeting of 1/31/03], and confirmed that from what he had seen, the quality of the product was higher this year than it has been in years past. He said the Chignik Cooperative was able to deliver the fish more quickly and also to deliver it alive; it would be problematic to implement this procedure throughout Alaska, although it was possible in that particular location.

REPRESENTATIVE HEINZE asked about the correlation between using more ice and having a higher grade of fish.

SENATOR GARY STEVENS confirmed that to a certain extent, there's a direct correlation between chilling and the quality of the end product, although "you wouldn't want to go too far," he added.

CHAIR SEATON informed the committee that there had been an increase in quality in fish, not only from the Chignik Cooperative, but also from the common-property fishery in that area. He suggested that this was related to the short duration of the fishery, resulting in the fish being delivered in smaller batches. He pointed out that there were a number of complicating factors contributing to the equation's end result.

Number 2743

REPRESENTATIVE GUTTENBERG referred to the goal of producing a higher quality product and asked, "Why doesn't the market take care of this?"

SENATOR GARY STEVENS replied that in many places the market has requirements and will not buy fish unless it has been chilled; it's a standard that many processors have established. He referred to a meeting in Seattle with quality control representatives from different processors who expressed the ensuing difficulty that would be involved in saying to fishermen, "If you don't chill your fish, we won't buy it, and you'll have to go elsewhere." The obvious difficulty would be that those fishermen might then take their business to a more available processor.

REPRESENTATIVE GUTTENBERG asked what assurances fishermen might have that increased quality would result in an increase in price.

SENATOR GARY STEVENS replied that this question hit upon a key issue and that there were no assurances. But, he cautioned, if care wasn't taken to ensure that Alaskan fish were of a high quality, there would be no assurance of a market continuing in the future.

Number 2865

CHAIR SEATON commented that one issue was whether the result of making additional efforts would result not in more money, but in less money. He said that if a product form, such as canned fish, was such that the canner could not retrieve any more money for the product that he is selling, then icing, chilling, and special handling would result in just bearing additional costs. He said that in working with product forms such as filleted, fresh, or frozen fish, [people have found that] chilling offers a qualitative difference at the wholesale end.

SENATOR GARY STEVENS said there are both short- and long-term issues to be addressed, that is, looking at this year's fishing season versus looking ahead to years down the road. He noted that the high quality standards are now being set by the farmed fish and asked, "What is going to happen to our industry if we are not competitive with farmed fish?"

REPRESENTATIVE WILSON commented that the Alaskan product won't be bought unless it matches the farmed fish product, saying that although it's not necessarily a win-win situation right now, down the road it will become so.

TAPE 03-9, SIDE B

Number 2956

CHAIR SEATON offered that he was not sure about this idea of competing with farmed salmon because consumers buy Alaskan salmon for reasons such as the flavor or because the fish is wild and not inoculated. He reiterated that farmed fish have changed the market, but this doesn't mean that Alaskan red or silver salmon fillets should necessarily be sold at the same price that Costco is selling farmed fish.

SENATOR GARY STEVENS offered that what he meant by "competing" was not to be interpreted as competing at the same price, but as competing in the marketplace. He said he thought it was important to recapture a share of the market that's been lost. He pointed out that the Alaskan salmon are in the best possible condition and freely arrive on our shores, whereas fish farms have to breed, raise, feed, and contain the fish until they're ready to be processed. He said that there are many positive aspects and qualities to wild Alaskan salmon, such as the high content of omega-3s [omega-3 fatty acids], being environmentally friendly, and not being drugged in order to be disease-free.

REPRESENTATIVE HEINZE agreed that the niche would entail marketing the salmon as wild salmon and also educating the public as to the antibiotics and other aspects involved in the processing of farmed fish. She said that this marketing effort, combined with producing a higher-grade salmon, would be a two-pronged effort that would afford Alaska an even better shot.

Number 2793

SENATOR GARY STEVENS agreed and said that there's a need for awareness of what's occurring in the farmed fish market. He said that today in Juneau, at Costco, there are beautiful farmed

fish fillets, individually frozen in bags, that just need to be thawed and cooked. He said the market has changed in the last 10 years and that, hopefully, people will pay more money for a quality wild fish.

REPRESENTATIVE WILSON said she agreed 100 percent, mentioning that society wants convenient and quick products, but will pay more for a quality product if it's desired; she emphasized that it was important for the quality of the product to remain high.

SENATOR GARY STEVENS said the quality subcommittee of the Task Force thought this issue to be enormously important and wanted to bring it forward to the legislature to discuss and address further.

Number 2627

CHAIR SEATON questioned what enforcement mechanism was being envisioned by the Task Force to ensure that quality standards would be met.

SENATOR GARY STEVENS replied that he didn't have an answer to that question.

CHAIR SEATON said that the two options for mandatory chilling that he could envision would be to either penalize the person by price or by preventing participation; he said he didn't see either of these options as being within the structure of what the legislature would be inclined to do.

SENATOR GARY STEVENS confirmed this as a conundrum, saying that the Task Force hopes that the legislature could provide assistance regarding enforcement, should the decision be made to pass the bill.

Number 2467

CHERYLL SUTTON, Staff to the Joint Legislative Salmon Industry Task Force, Alaska State Legislature, introduced Phelan Straube as the staff person assigned to the Quality Subcommittee of the Task Force. She reiterated that there is clear recognition that the bill, in its current form, should not be adopted because of issues that still need to be solved. She reported that the processing sector had similarly questioned the logistics of enforcement and that at this point in time the subject has not been adequately addressed. She said that there is some confusion relative to mixing [U.S. Food and Drug Administration]

Hazard Analysis and Critical Control Point (HACCP) planning-process standards with chilling standards, explaining that the HACCP program is a safety-based program within the Department of Environmental Conservation (DEC) and is not designed for these issues; it is a marketing tool in that people ask, "Do you have a HACCP program in place?" And, of course, now, everyone does have one in place.

Number 2290

CHRISTINE RYAN, Acting Director, Division of Environmental Health, Department of Environmental Conservation (DEC), said the division oversees seafood processing and food safety inspections for the state. She said the division has similar concerns regarding how enforcement mechanisms would be encouraged. She pointed out that the division's focus was on matters of safety, whereas the issues of quality were more often addressed by the Alaska Seafood Marketing Institute (ASMI). She explained that the division's only mechanism of enforcement would be to issue a ticket or a fine and that at this time, the division doesn't interact with fishing boats in any way, but does work with the processors. She questioned the standard for prompt delivery and wondered how setting this standard for promptness might be measured.

CHAIR SEATON asked if the division interacted with direct market vessels.

MS. RYAN confirmed that this was the case.

Number 2141

JAMES SHULWALTER, Commercial Fisherman, testified that he has been involved with fishing for his entire life and is now semi-retired and draws social security. He strongly expressed his opinion that this issue of getting the best quality of fish - and therefore the best price - should be determined by the processors and the fishermen rather than the Task Force. He testified in opposition to HB 89, repeating that it wasn't the job of the Task Force to make regulations that would interfere with private business.

Number 2047

CHRIS GARCIA, Cook Inlet Fishermen's Fund, testified in strong opposition to HB 89. He said the state doesn't need a new department to enforce a law that doesn't need to be enforced in

the first place, and that it would be very costly to all involved. He said that if this issue were left up to the industry, it would be taken care of, pointing out that some areas in the state already require chilling. He stated that the industry is already "crippled" and doesn't need additional restrictions. He added that even with regard to the offering of loans, the paying back of those loans would add another unnecessary burden for fishermen. He emphasized that this bill would help to kill the industry and that the best thing to do with HB 89 is to "kill this before it becomes a monster" and before a bigger bureaucracy and budget are created. He said to accomplish mandatory chilling, some of the vessels would need to be replaced because necessary modifications would cost more than the worth of the vessel. He said that the farmed-fish industry would die on its own if it wasn't being supported by the government.

CHAIR SEATON repeated that the intent was not to move HB 89 out of committee at this time.

[Elise Hsieh of the Department of Law was available to answer questions.]

Number 1782

LAURA FLEMING, Public Relations Director, Alaska Seafood Marketing Institute (ASMI), Department of Community & Economic Development (DCED), told the committee that last year the board met, looked at the results of quality surveys - surveys that had been conducted every five years for the past fifteen years or so - and acknowledged that voluntary education efforts were not working. She testified that the quality of the product was not improving fast enough to remain competitive with the world market. A Quality Symposium was established, and after this issue was addressed last spring, a list of recommendations was forwarded to the ASMI board that was then reviewed this past September. She said that those quality recommendations were adopted and could be found in the committee packet. She explained that ASMI is a marketing agency, not a regulatory agency, but has recognized that something further must be done and suggests that all of the standards be adopted.

MS. FLEMING continued that the Task Force reviewed the recommendations and then selected one item to move forward, which was "chilling." She encouraged the committee to review ASMI's "Quality Recommendations" in the committee packet, and she distributed pictures of fish that demonstrated gaping - a

separation of the tissue - which is a common occurrence resulting from fish not being properly chilled. In conclusion, Ms. Fleming said that 25 years ago when she moved to Juneau, the produce at the market was not of the same quality as today's produce, and that similarly, today's consumers do not need to buy fish of a lesser quality for a premium price.

Number 1488

REPRESENTATIVE BERKOWITZ said that although this was being considered solely as an Alaskan problem, Alaskan salmon are a large percentage of the entire American salmon production. He said it seems that the federal government should bear some responsibility in assisting Alaska in transitioning to a higher quality product and asked if there were any initiatives through which the federal government might be in a position to help Alaskan fishermen to upgrade the quality of the product, either through loans or otherwise.

MS. FLEMING responded that she believes that the majority of the federal government's focus is on food safety rather than on a quality product. However, she said she believed that there are funds that could potentially be directed to this effort - funds that pertain to the disastrous salmon market conditions.

REPRESENTATIVE BERKOWITZ stated that this wasn't just an Alaskan problem, but was an American problem as well, and that if there was any way to encourage the federal government's involvement, that should be done because this was too big of a problem for "us to fix by ourselves."

Number 1464

REPRESENTATIVE WILSON expressed her concern that the offering of additional loans to fishermen may not be helpful because currently, there are fisherman who are struggling just to stay current on their present loans, and that offering them additional loans might only be contributing to their struggle.

Number 1404

GREG FISK, Fisheries Development Specialist, Office of Fisheries Development, Division of Community and Business Development, Department of Community & Economic Development (DCED), commended Senator Gary Stevens for encapsulating the need for elevating the quality of Alaskan fish as well as for highlighting the problems involved with implementation. In response to

Representative Heinze's previous question as to whether there is a direct link between chilling and quality, he said that there is actually a quantifiable link. He referred to Bristol Bay as the state's largest sockeye fishery and said that without any real changes happening in the handling of fish over the past decade, the grading of "number one" fish has slid from an average of above 70 percent to the mid-30 percentile. He explained that there has not been any actual changes in the fish, but rather, this is a market response, based on world standards. He mentioned John Lowrance, a Bristol Bay processor, who only uses chilled fish and has a grading of "number one" fish that are in the mid-70s.

Number 1257

MR. FISK continued that beyond the scope of enforcement, a chilling mandate could assist with setting a focus and achieving a goal of producing a higher quality fish. He referenced the codfish industry in the eastern United States in which fish used to be unloaded with pews, or sticks, that were inserted into the fish in order to throw them aboard. For years, there were attempts to eliminate this practice by voluntary standards, but that didn't work because "habits are hard to break." He said that now, since it's against the law, nobody pews fish anymore and the quality of the fish has gone up. He said that setting a standard for chilling sets a goal that can be worked towards. He acknowledged that this is a national problem and said that currently, monies are available, principally through agencies like the Economic Development Administration (EDA). He said that identification of this as a major problem could help to provide the necessary clout to be used in working with EDA to focus their funding on solving this problem.

REPRESENTATIVE BERKOWITZ expressed his concern that the overall problem lands disproportionately in different parts of the state and also according to the differing fisheries.

MR. FISK responded that cost is a big issue and that fortunately there is no need to go to RSW [refrigerated sea water]. He said that the cost in areas such as Bristol Bay for small gillnet vessels for a modern system ranges from \$17,000 to \$30,000. He mentioned the slush-bag system, an interesting solution that had been developed in Homer that has been tried in Bristol Bay and seems to work very well, noting that vessels can be converted for as little as \$2,000 per boat. He said the Community Development Quota (CDQ) Program in Bristol Bay is working hard on this and is trying to convert the local boats so that they

won't be left behind if a mandate like this is put into place. He referred to ASMI's survey which relates progress that has been made in chilling, and referenced the Arctic-Yukon-Kuskokwim Region (AYK), saying that progress in this area was due largely to the outfitting of skiffs, small vessels, and even setnet sites with bag systems that allowed for the use of ice - adding that this process could be done relatively inexpensively.

Number 1027

CHAIR SEATON asked whether there were further questions. He then said the bill would be held over and the record would remain open if people wanted to submit anything in writing. [HB 89 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 9:50 a.m.