

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

March 16, 2005

8:33 a.m.

**MEMBERS PRESENT**

Representative Gabrielle LeDoux, Co-Chair  
Representative Bill Thomas, Co-Chair  
Representative Jim Elkins  
Representative Peggy Wilson  
Representative Mary Kapsner

**MEMBERS ABSENT**

Representative Woodie Salmon  
Representative John Harris

**COMMITTEE CALENDAR**

SENATE BILL NO. 25

"An Act relating to labeling and identification of genetically modified fish and fish products."

- MOVED SB 25 OUT OF COMMITTEE

HOUSE BILL NO. 218

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

- HEARD AND HELD

HOUSE BILL NO. 192

"An Act relating to requirements to obtain and maintain a fisheries business license; relating to security required of fish processors and primary fish buyers; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 25

SHORT TITLE: GENETICALLY MODIFIED FISH

SPONSOR(S): SENATOR(S) ELTON, STEVENS G

01/11/05 (S) PREFILE RELEASED 12/30/04

01/11/05 (S) READ THE FIRST TIME - REFERRALS  
 01/11/05 (S) L&C, RES  
 02/01/05 (S) L&C AT 1:30 PM BELTZ 211  
 02/01/05 (S) -- Meeting Rescheduled to 02/08/05 --  
 02/08/05 (S) L&C AT 1:30 PM BELTZ 211  
 02/08/05 (S) Moved SB 25 Out of Committee  
 02/08/05 (S) MINUTE(L&C)  
 02/09/05 (S) L&C RPT 4DP 1NR  
 02/09/05 (S) NR: BUNDE  
 02/09/05 (S) DP: ELLIS, DAVIS, SEEKINS, STEVENS B  
 02/23/05 (S) RES AT 3:30 PM BUTROVICH 205  
 02/23/05 (S) Moved SB 25 Out of Committee  
 02/23/05 (S) MINUTE(RES)  
 02/24/05 (S) RES RPT 4DP  
 02/24/05 (S) DP: WAGONER, DYSON, STEDMAN, ELTON  
 03/07/05 (S) TRANSMITTED TO (H)  
 03/07/05 (S) VERSION: SB 25  
 03/09/05 (H) READ THE FIRST TIME - REFERRALS  
 03/09/05 (H) FSH, L&C, RES  
 03/16/05 (H) FSH AT 8:30 AM CAPITOL 124

BILL: HB 218

SHORT TITLE: PRIVATE HATCHERY COST RECOVERY FISHERIES  
 SPONSOR(S): REPRESENTATIVE(S) THOMAS

03/15/05 (H) READ THE FIRST TIME - REFERRALS  
 03/15/05 (H) FSH, RES  
 03/16/05 (H) FSH AT 8:30 AM CAPITOL 124

BILL: HB 192

SHORT TITLE: FISHERIES BUSINESS LICENSE; BOND  
 SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/02/05 (H) READ THE FIRST TIME - REFERRALS  
 03/02/05 (H) FSH, L&C, FIN  
 03/09/05 (H) FSH AT 8:30 AM CAPITOL 124  
 03/09/05 (H) Heard & Held  
 03/09/05 (H) MINUTE(FSH)  
 03/16/05 (H) FSH AT 8:30 AM CAPITOL 124

**WITNESS REGISTER**

SENATOR KIM ELTON  
 Alaska State Legislature  
 Juneau, Alaska

POSITION STATEMENT: Presented SB 25 as bill sponsor.

DENNIS KELSO, Ph.D., Assistant Professor  
Environmental Studies Department  
University of California, Santa Cruz  
Santa Cruz, California  
POSITION STATEMENT: Testified in support of SB 25.

IAN FISK, Staff  
to Representative Bill Thomas  
Alaska State Legislature  
Juneau, Alaska  
POSITION STATEMENT: Presented HB 218 on behalf of Representative  
Thomas, sponsor.

GARY FANDREI  
Soldotna, Alaska  
POSITION STATEMENT: Expressed concerns regarding HB 218.

JASON WELLS, Executive Director  
Valdez Fisheries Development Association (VFDA)  
Valdez, Alaska  
POSITION STATEMENT: Expressed concerns regarding HB 218.

MIKE ROUND, Assistant General Manager  
Southern Southeast Regional Aquaculture Association, Inc (SSRAA)  
Ketchikan, Alaska  
POSITION STATEMENT: Expressed concerns regarding HB 218.

DEBORAH LYONS, Secretary/Treasurer  
Northern Southeast Regional Aquaculture Association (NSRAA)  
Sitka, Alaska  
POSITION STATEMENT: Expressed concerns regarding HB 218.

ROB ZUANICH, Executive Director  
Alaska Seine Boat Owners Association  
Juneau, Alaska  
POSITION STATEMENT: Testified in support of HB 218.

BOB THORSTENSON, Executive Director  
Southeast Alaska Seiners Association  
Juneau, Alaska  
POSITION STATEMENT: Testified in support of HB 218.

#### **ACTION NARRATIVE**

**CO-CHAIR GABRIELLE LEDOUX** called the House Special Committee on Fisheries meeting to order at [8:33:36 AM](#). Representatives LeDoux, Thomas, Wilson, and Elkins were present at the call to

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

SB 25-GENETICALLY MODIFIED FISH

8:34:25 AM

CO-CHAIR LEDOUX announced that the first order of business would be SENATE BILL NO. 25, "An Act relating to labeling and identification of genetically modified fish and fish products."

8:34:49 AM

SENATOR KIM ELTON, Alaska State Legislature, presented SB 25 to the committee on behalf of himself and Senator Gary Stevens, bill cosponsors. He explained that the bill was a work product of the [Joint Legislative Salmon Industry Task Force], and it was introduced at the end of last session, but didn't pass out of committee. He noted that this session's version of the bill is in the exact same form as last year's version. He said:

What it does is it provides that genetically modified [GM] fish that are sold in the State of Alaska at the retail level will have to be [labeled] that it is a GM fish. ... The other name for them is Frankenfish because it involves a modification at the genetic level that can't occur naturally. At present there is only one GM ... fish that is allowed in the marketplace, and that's a glow in the dark aquarium fish, but there is an application pending in front of the [U.S. Food and Drug Association (FDA)] for GM ... Atlantic salmon. There is a U.S./Canadian company that right now is working to establish some salmon farms in Nova Scotia [carrying GM Atlantic salmon]. They would put the Atlantic salmon not only to the marketplace but they would distribute the eggs worldwide to other ... industrial salmon farms. There isn't an awful lot that Alaska can do when it comes to regulating the global trade in [GM] fish, but what this bill does is provide if those GM ... finfish or shellfish are sold in Alaska, the Alaska consumers will know what they're buying. It also has an ancillary benefit that it provides a very bright line between Alaska's wild salmon and industrially produced Atlantic salmon.

SENATOR ELTON noted that Aqua Bounty was quoted recently as saying that they expect to get a permit for GM Atlantic salmon within the next year.

[8:37:46 AM](#)

REPRESENTATIVE WILSON read from the sponsor statement which stated that the European Union, Japan, New Zealand, and Australia already require labeling on food containing GM products. She commented that it was really important for the [Alaska legislature] to pass this bill.

SENATOR ELTON noted that those countries make the distinction between GM and non-GM on vegetable products, but not on fish products yet. He said, "At its heart this is a consumer-notification bill."

[8:38:48 AM](#)

CO-CHAIR THOMAS pointed out that both finfish and shellfish are named on page 4, line 4, but the title only says "fish." He asked if both should be included in the title.

SENATOR ELTON responded, "I think in statute elsewhere 'fish' is ... a kind of umbrella term."

[8:39:44 AM](#)

DENNIS KELSO, Ph.D., Assistant Professor, Environmental Studies Department, University of California, Santa Cruz, stated that his research is on the impacts of salmon farming on the wild salmon sector, particularly in Alaska, and on the implications of genetically engineered fish in commercial aquaculture. He said

I believe this is an important consumer choice opportunity. Fish are subject to a great deal of research right now with respect to making genetically engineered versions. And the reason is that they're relatively easy to work with; they have a short generation time, the eggs are easy to manipulate, and so there are a number of species that are being worked with. ... The one that's currently proposed for [FDA] approval ... is Atlantic salmon that's basically constructed from genetic material taken from Atlantic salmon, from the ocean pout ... and king salmon, which supplies growth hormone DNA. The claim of the owners

of the patent on this fish is that it will reduce the production time for Atlantic salmon in commercial salmon farms by roughly half, the idea being that it would reduce the producers cost and allow them to put more Atlantic fish on the market faster. So the bill before you actually provides consumers a choice by informing them so that they know what kind of production methods they're actually supporting through their purchases.

REPRESENTATIVE WILSON asked Dr. Kelso to leave his address so that her office could contact him later.

[8:43:02 AM](#)

CO-CHAIR LEDOUX closed public testimony.

REPRESENTATIVE WILSON moved to report SB 25 out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, SB 25 was reported from House Special Committee on Fisheries.

#### HB 218-PRIVATE HATCHERY COST RECOVERY FISHERIES

[8:43:27 AM](#)

CO-CHAIR LEDOUX announced that the next order of business would be HOUSE BILL NO. 218, "An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

IAN FISK, Staff to Representative Thomas, Alaska State Legislature presented HB 218 on behalf of Representative Thomas, bill sponsor. He explained that there are 29 private, nonprofit [PNP] hatcheries statewide which produced over 50 million fish that were harvested in 2003. This accounts for about a third of the statewide harvest by volume and about a quarter of the state harvest by value. Sport fishermen caught 481,000 hatchery fish in 2003. "It's truly been a very successful program," he opined.

What we're here to discuss today is the method by which hatcheries recover their costs. ... Cost recovery is currently done by a system whereby hatcheries contract with certain processors and the processor, through a bid process, is selected. ... Typically very few fishing vessels actually

participate in the harvest. Now there's different hatcheries that have different circumstances by which they actually recover their costs, and what this bill will do is it will provide permissive language that will allow them to ... make more fish available to common property harvest. In Section 2 of the bill, you'll see that there's permissive language, and this is one of the keys to HB 218. [On page 1, lines 11-14] it specifies that a hatchery permit holder may harvest salmon for a facility in a special harvest area through agents, contractees, or employees of the permit holder as provided under regulations of the Board of Fisheries or through common property fisheries. The remainder of the bill sets out the process by which rates will be set for the common property cost recovery fishery. It specifies that as the bill currently reads, ... [Alaska Department of Revenue] will annually, in conjunction with ... hatchery permit holders and affected fishermen ... set the rate for the cost recovery harvest, and they'll collect and distribute the funds.

MR. FISK continued:

In Section 2 ... the regulations to govern this cost recovery fishery will be set out by both the [Alaska Department of Fish and Game] and in certain circumstances by the [Board of Fisheries]. [The Board of Fisheries] will be involved if there is anything that will alter allocation plans that allocate fish between different user groups. In subsection (c) there's language that sets out that a fisherman who participates in the fishery agrees to the payment of the assessment and so that there'll be a method by which ... the assessment will be determined annually. And that's to give some flexibility because of changing market circumstances.

[8:47:32 AM](#)

MR. FISK reviewed the findings in Section 1, which reads:

The Alaska State Legislature finds that the economic interests of the commercial salmon fishery are best served by the harvest of salmon returning to private nonprofit hatcheries in common property fisheries and the reduction or elimination of the direct sale of

salmon by hatchery permit holders, especially when all fisheries enhancement loan obligations incurred for a hatchery facility have been repaid.

[8:48:14 AM](#)

REPRESENTATIVE ELKINS asked, "If a fisherman ... exports his own fish, how do you know you're going to get your money?"

MR. FISK replied, "The enforcement details of this bill are something that still need to be worked out." He noted that there is a provision near the end of the bill that states that violations of this law would be a class A misdemeanor, which is similar to other fishing violations.

[8:49:37 AM](#)

GARY FANDREI noted that he is the Executive Director of Cook Inlet Aquaculture Association (CIAA), but because the CIAA has not reviewed the bill, he was speaking for himself only. He stated that he wanted to make three major points on HB 218.

First of all, I applaud the concept. I think this is something that some members of the fleet have expressed an interest in. It is also something that we have looked at a number of times but we haven't quite been able to figure out how to make it work. Having said that, I'm not sure that this bill does it either. Another point I'd like to make is the bill seems to encourage loans in that it does not allow for the development of any type of a reserve associated with the facility. In other words, if you come up short on your cost recovery one year, and you don't have money some place else, you're going to have to go out and get a loan to make the project work for that year. The last thing I'd like to say on the major points is that the option to use this type of cost recovery strategy, I feel, must be at the initiative or the option of the hatchery operator. I'd hate to get into a position where we're forced into doing something like this, because it may not work in all situations.

[8:51:22 AM](#)

MR. FANDREI continued:

For this to work for the hatcheries, I think in some instances we may need to redefine our cost recovery harvest areas, and so that should be something that people should be aware of. ... I also have a question on how buyers will keep up with the assessment program; it seems a little bit cumbersome to be dealing with an assessment program that's going to vary area-by-area and year-to-year. ... The last comment I would make is that the 40 percent assessment rate probably is a fairly reasonable rate to be dealing with. We have looked at our programs and that 40 percent rate represents a 1:2.5 cost benefit ratio and that it's pretty reasonable for many of the programs that we do; we're usually in that 1:3 to 1:6 cost benefit ratio with most of the programs that we run.

[8:52:20 AM](#)

CO-CHAIR THOMAS asked Mr. Fandrei to describe the make up of the CIAA board.

MR. FANDREI replied, "We are a regional association and we have a number of commercial fishermen on the board. And we also have representatives from the local communities, the borough, and a number of other groups in the area such as ... [Cook Inlet Region, Incorporated (CIRI)]."

CO-CHAIR THOMAS asked, "When you have put your cost recovery out to bid, do you get more for your bid for your fish than the common property fishermen get, or so they get more?"

MR. FANDREI responded that on the average, [CIAA] usually gets less because:

In Cook Inlet, our cost recovery programs are set up where we are the last ones in line. In other words, the commercial fishery goes first and if there's anything left ..., we're allowed to cost recover those fish and we don't really have predefined set of goals for some of them. So on the average we probably do a little bit less than the fleet because our fish tend to be a little bit more mature."

[8:53:36 AM](#)

CO-CHAIR THOMAS asked what fish [CIAA] produces.

MR. FANDREI replied that they produce sockeye for commercial harvest and coho for sport harvest.

REPRESENTATIVE WILSON pointed out that Section 2 of the bill relating to the cost recoveries, and stated, "It definitely is permissive. I think I see the word more than five times."

[8:54:23 AM](#)

CO-CHAIR THOMAS asked who formed CIAA.

MR. FANDREI answered that it was formed by the commercial fishing industry. He stated, "Our goal is to produce fish for the common property fishermen. We don't necessarily recognize any particular user group in establishing that goal. But the reality of it is [that] our income comes from the commercial fishing industry."

CO-CHAIR THOMAS asked why [CIAA] would have problems with giving more fish to the common property fishery if [CIAA] was the originally started by fishermen.

MR. FANDREI replied, "That is our goal whenever we're trying to do a common property fishery; ... to try to get the best price we can for our fish so that we can get the greatest number of fish back into the common property hands."

[8:55:44 AM](#)

JASON WELLS, Executive Director, Valdez Fisheries Development Association (VFDA), stated that he was representing Valdez Hatchery. Regarding the findings in Section 1 of the bill, he said:

I feel that these findings are inaccurate and set a bad precedent for the PNP hatchery system. Valdez Fisheries Development conducted preseason sales agreements with two strong buyers with whom we have developed strong track records. In the past 11 years, despite the bad pricing, we've managed to save \$10 million or 86 million pounds of pink salmon by selling our cost recovery above the grounds price. The aforementioned savings have been returned to the common property fishery via their catch. As you can see there is a significant economic interest in the hatchery conducting its own cost recovery and

conducting direct sales. The hatchery preseason sales contracts are the last vestige of competition between processors to purchase Alaska salmon. The fishermen no longer have viable organizations to put upward pressure on grounds price. My major problem with this legislation is the issue of whether it is voluntary on the part of hatchery operators or whether it will morph into a mandatory program. Our corporation, through the Board of Directors, is obligated to the State of Alaska for loan repayment. We're obligated to our personnel, properties, and to several small businesses. These obligations have been made under a set of assumptions, ... that we remain in control of our revenue stream. If this legislation hinders our ability to perform our fiduciary responsibility, it needs to have a fiscal note attached. The Board of Directors of a private, nonprofit hatchery corporation must be allowed to choose ... to use this legislation or not. Further, if a PNP elects to investigate a common property fishery for cost recovery and it cannot negotiate agreement suitable to the corporation's financial responsibilities, there must be a back-out mechanism.

[8:58:45 AM](#)

MR. WELLS continued:

If the bill remains voluntary to PNP hatchery permit holders, there are still several problems with HB 218. The first is that the [Alaska Department of Public Safety] must be committed to fish hold inspections and to show up for each and every common property fishery in the special harvest area. Our experience is that fisheries [indisc.] are not high on the [department's] priority list. Secondly, [regarding] page 2, lines 16-18: not all buyers or processors pay for the fish upon which they write fish tickets. How will the state ensure that the hatchery gets paid for its fish, and in what time frame will those payments be made? Third, this legislation requires the [Alaska Department of Revenue] to set a rate of harvest prior to the season. ... Our experience is that there are too many variables such as: fish size, grounds price, exploitation rates of the common property fishery, and ocean survivals to make accurate preseason estimates of harvest. The problem has resulted in VFDA managing

cost recovery towards a dollar goal, not a poundage goal or an exploitation rate. We have been doing this since 1988 with good success. I doubt the Department of Revenue will be better at predicting salmon returns than [the Alaska Department of Fish & Game (ADF&G)], who've thrown their hands up and no longer make run predictions on hatchery stocks. Finally, this legislation limits the assessment rate to 40 percent of the run. What mechanism is in place to ensure that the hatchery continues to operate should we have a run failure and all of the return is needed to cover hatchery operations expenses?

[9:01:02 AM](#)

MR. WELLS continued:

House Bill 218 is a piece of legislation with many possible unintended consequences. This legislation requires consultation with PNP operators before it is rushed through. I think the intent of HB 218 would be better handled in the private nonprofit boardroom by the fishermen.

CO-CHAIR LEDOUX recommended that Mr. Wells submit his testimony in written form as well.

[9:01:33 AM](#)

MIKE ROUND, Assistant General Manager, Southern Southeast Regional Aquaculture Association, Inc. (SSRAA), commented that SSRAA is not opposed to the bill but instead views it as one of many options that the hatchery operators could use. He stated:

We do not at this time [wish], and are not likely in the future, to change the way we do business and cost recovery, and we found ... that we can minimize our cost recovery by maximizing the value of our fish. One of the things [SSRAA] does is ... make sure that those fish do not compete with the fishermen's fish at the dock. We retain those fish and sell them into the market well beyond the local processor point so that it does not compete with the commercial fishermen's catch at the dock, as it has very little effect, if any, on the fluctuation of the price to the fishermen. We see this as ... another option that the hatcheries ... not only may elect to choose but should also be

able to choose to drop it at any point where it does not any longer make sense. ... Some of the aspects of the bill seem to make it sound as if any time you have a special harvest area open to the common property fishery, that all gear holders may attend that fishery.

[9:03:56 AM](#)

CO-CHAIR THOMAS asked who formed SSRAA.

MR. ROUND replied that the commercial fishing industry formed SSRAA, and 13 of the 21 board members are commercial fishermen.

CO-CHAIR asked if the goal of SSRAA is to provide more fish for the common property fishermen.

MR. ROUND responded affirmatively. He stated that the ultimate goal is that 75 percent of production would go to common property fishery and 25 percent would be for cost recovery operations. He noted, "However, that also assumes that all things being equal, our debts are paid down, [and] we have our reserves fully funded. There are a lot of other considerations, but that is our ultimate goal."

CO-CHAIR THOMAS asked what the actual percentages are.

MR. ROUND answered that the number fluctuates each year, but right now it is about 60 percent to common property fishery and 40 percent to the hatchery.

CO-CHAIR THOMAS asked, "I understood ... Ketchikan was doing all cost recovery in the area where you could have had rotation of fishery, and that wasn't occurring because of your debt. Was that correct?"

MR. ROUND replied that SSRAA has debts that it has paid down. He remarked:

Paying the bills is certainly ... the major factor in cost recovery operations. ... When we did get a loan from the sustainable salmon fund, we used that money ... to buy time in the common property fishery in the special harvest area to do gear rotation. We do try to get the benefits of hatchery production back to the fishermen as we are able, depending upon our economic circumstances.

[9:06:47 AM](#)

CO-CHAIR THOMAS commented:

When you went into ... major cost recovery there, you shifted the gill net fleet from Ketchikan to Taku and to Haines and to Sitka, and actually took my earnings while you filled your coffers ... to pay off your debt, and left me hanging out here with an extra 100-150 boats or more because they were displaced....

MR. ROUND replied:

In the past we have received as much as \$1.5 million to \$2 million on the enhancement tax, and ... even though the enhancement tax we receive is considerably reduced, I think this year's was around [\$300,000]. The benefit to the fishermen is still about three to one: three times the amount of fish [that] have been caught [compared with] the value of what he pays in enhancement tax. We would like to do better, certainly, but it still is providing a good benefit to the commercial fishermen.

[9:08:23 AM](#)

CO-CHAIR THOMAS asked why processors pay SSRAA more for fish than they pay [fishermen].

MR. ROUND replied:

We do not sell our fish to the local processors, period. We retain our cost recovery fish and sell them into the world market at a point beyond the ... processors at the local docks. ... We go through the processing of the fish, freeze the fish, retain the fish, and sell them through a broker. We do not sell our fish locally to the processors unless we have a run above and beyond our means to deal with at the cost recovery site, in which case it goes out for a second place processing, and they would bid on the fish at that point, but that hasn't occurred in a few years.... We usually do not receive a higher price in that case. There might be exceptions to that, but for the most part, our operations and cost recovery are done in-house and processed and sold into the market

well above the point of the local processors and the dockside price.

[9:10:31 AM](#)

DEBORAH LYONS, Secretary/Treasurer, Northern Southeast Regional Aquaculture Association (NSRAA) commented that the NSRAA board had just looked at HB 218 yesterday and hadn't yet completely evaluated it. She stated that she concurred with many of the statements made by the representatives of other aquaculture and PNP hatcheries. The bill is so complicated that she really wasn't sure what it meant, she opined. She stated that she was concerned by the findings in Section 1 of the bill, and explained:

Our aquaculture association is sort of like the state in that, if we could run everything off of taxes off of a resources, like the state runs off of taxes off of oil, if we could just exist solely on the enhancement tax that fishermen make, it would be great; we wouldn't have to do any cost recovery. But you know that tax values fluctuate with the value of your commodity resource, and we couldn't build an operations budget and maintain it solely on those tax revenues, so there arose the need for the cost recovery fisheries. ... I think this legislation grew out of some dissatisfaction out of a certain fishery, and that's the Hidden Falls seine fishery. And I think fishermen should be maybe a little more patient.

MS. LYONS continued:

Chum salmon aren't very valuable compared to chinook and coho, and ... we have to take a large number of chum salmon to meet the cost recovery needs to balance the budget. But this year a great development is seeing our coho and chinook programs come on line, and the value of those fish as they enter into cost recovery. This year the total cost recovery, 25 percent of that value, came from the coho and chinook programs. And as those mature there will be less chum salmon that need to be taken. And Hidden Falls seine fishermen have been before our board with three different proposals to change the way cost recovery is done in that particular fishery. I believe this legislation is directed towards NSRAA because of the language about the debt. And I think you're wading

into a little bit of a fish fight. And I've seen a few of them, having served on the Board of Fisheries and the Pacific Salmon Commission.

9:14:01 AM

CO-CHAIR THOMAS asked Ms. Lyons if she is a fisherman.

MS. LYONS replied that she fished for many years with her husband, and currently she works as a crewmember on a troller/longliner.

CO-CHAIR THOMAS remarked that to him, chum fish is money fish even when the price is low; it's really matter of the volume of chums that one catches. He asked if NSRAA has a reserve account, and if so, how much it is.

MS. LYONS replied that the NSRAA board set a goal of reserving \$4 million for operational reserve to cover all costs of operation if there was a catastrophic failure. She said, "In establishing reserve accounts, we feel like we are protecting the organization and the interests of the commercial fishermen by being fiscally responsible in that way." She noted that currently NSRAA has about \$3.2 million in the operational reserve. She added that a financial advisor advised NSRAA to also save for capital projects; there is \$1 million in a capital replacement fund, but it was advised that the fund be much larger. She noted that NSRAA also has a scholarship account of about \$100,000.

MS. LYONS noted that she didn't mean to devalue any fishery; she meant to demonstrate the comparative values of the fish, and "as we are able to sell more of these coho and chinook that are coming on line, more of the chums will be available in the common property for the fishermen."

9:17:30 AM

CO-CHAIR THOMAS requested that all of the hatcheries send to him a list of their cost recovery receipts. He remarked, "I want to see if you're really there for the fishermen or [what] you're there for." He reiterated his concern that cost recovery fish prices are higher than prices for other fisheries.

9:18:26 AM

ROB ZUANICH, Executive Director, Alaska Seine Boat Owners Association, commented:

In essence what this bill does is that when a hatchery permit holder deems it appropriate ..., revenue heretofore generated in cost recovery fisheries could be substituted by an assessment on salmon landed in specified regions set by the hatchery operator. ... There may be wordsmithing that needs to get everyone on the same page. But at the end of the day, this legislation as it sits has the appropriate checks and balances for the hatcheries to satisfy their fiduciary obligations and chart a better course for Alaska's commercial fishermen.

MR. ZUANICH, in response to Co-Chair Thomas, commented that Alaska Seine Boat Owners is about 70 percent seine fleet, about 10-15 percent longliners, and the rest are "miscellaneous."

CO-CHAIR THOMAS noted that there is no cost recovery fishery for longliners.

[9:21:01 AM](#)

BOB THORSTENSON, Executive Director, Southeast Alaska Seiners Association, testified that his association strongly supports HB 218. He noted that it is not the intent of the bill to force hatcheries to do anything. He commented, "I think this is going to be a very progressive piece of legislation. ... The enforcement concerns that I've heard, I believe, are going to be very easily addressed."

[9:23:47 AM](#)

CO-CHAIR THOMAS requested that anyone interested in helping to refine HB 218 call his staff.

REPRESENTATIVE WILSON asked for further clarification on language in the bill regarding debt.

CO-CHAIR THOMAS pointed out that this was listed in the findings section on page 1, lines 8-9:

when all fisheries enhancement loan obligations incurred for a hatchery facility have been repaid.

CO-CHAIR THOMAS continued:

It is my understanding that NSRAA is one of the few hatcheries that have probably zero-debt, and so that's why I'm wondering why they're concerned about enhancement debt, unless they're looking to obligate the fishermen to build another hatchery or something. But right now, as far as I know, they are pretty much debt-free.

REPRESENTATIVE WILSON asked what happens after the debt is paid.

CO-CHAIR THOMAS replied, "Typically I think when they have cost recovery fishery, it's to build the reserves for the next year or to pay for the debt for that year. ... Several other hatcheries I know, their debt is so huge that they need to take every fish they can." He remarked that when hatcheries were first built in the 1980s, fish prices were high, and so once the prices dropped, it was difficult to pay back debt.

CO-CHAIR LEDOUX commented that she was curious why some of the hatcheries were selling their fish above the market price. She said, "And then you had that problem in Bristol Bay where the cost recovery system was really driving the prices down."

CO-CHAIR THOMAS remarked that the only reason he could think of for why hatcheries [were able to sell their fish at a higher cost] than the gillnetters and the seiners was the tender fleet costs. He explained, "[The hatcheries] only have to send one big tender to a cost recovery area and haul out a million pounds, whereas when you serve a gillnet fishery you'll have as many as four tenders to pack maybe 100,000 pounds a day or something, and they're rotating back and forth.

[9:28:21 AM](#)

CO-CHAIR LEDOUX announced that HB 218 would be held over.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at [9:28:29 AM](#).