ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES
January 22, 2007
8:14 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Kyle Johansen
Representative Gabrielle LeDoux
Representative Peggy Wilson
Representative Bryce Edgmon
Representative Lindsey Holmes

MEMBERS ABSENT

Representative John Harris

COMMITTEE CALENDAR

OVERVIEW(S):

ALASKA HATCHERY ISSUES AND OPERATIONS

- HEARD

NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION (NSRAA)

- HEARD

DOUGLAS ISLAND PINK AND CHUM (DIPAC)

- HEARD

COOK INLET AQUACULTURE ASSOCIATION (CIAA)

- HEARD

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION (PWSAC)

- HEARD

SOUTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION (NSRAA)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

ERIC PRESTEGARD, Executive Director
Douglas Island Pink and Chum (DIPAC)
Juneau, Alaska
POSITION STATEMENT: Provided an introduction to the regional enhancement associations and the private non-profit (PNP) hatcheries throughout Alaska, presented an overview of the DIPAC hatcheries, and responded to questions.

PETE ESQUIRO, General Manager
Northern Southeast Regional Aquaculture Association (NSRAA)
Sitka, Alaska
POSITION STATEMENT: Presented an overview of NSRAA hatcheries, and responded to questions.

GARY FANDREI, Executive Director
Cook Inlet Aquaculture Association (CIAA)
Anchorage, Alaska
POSITION STATEMENT: Presented an overview of CIAA hatcheries, and responded to questions.

DAVID REGGIANI, General Manager
Prince William Sound Aquaculture Corporation (PWSAC)
Cordova, Alaska
POSITION STATEMENT: Presented an overview of PWSAC hatcheries, and responded to questions.

JOHN BURKE, General Manager
Southern Southeast Regional Aquaculture Association (SSRAA)
Ketchikan, Alaska
POSITION STATEMENT: Presented an overview of SSRAA hatcheries, and responded to questions.

ACTION NARRATIVE

CHAIR PAUL SEATON called the House Special Committee on Fisheries meeting to order at 8:14:12 AM. Representatives Wilson, LeDoux, Holmes, and Edgmon were present at the call to order. Representative Johansen arrived as the meeting was in progress.

OVERVIEW: ALASKA HATCHERY ISSUES AND OPERATIONS

8:14:22 AM

CHAIR SEATON announced that the first order of business would be to hear an overview of the regional aquaculture associations and non-profit hatcheries located throughout the Gulf of Alaska.

8:14:46 AM

ERIC PRESTEGARD, Executive Director, Douglas Island Pink and Chum (DIPAC) provided an introduction to the private non-profit (PNP) hatcheries located throughout the state. He named the various regions and the association representatives from each region who would be addressing the committee.

8:17:07 AM

MR. PRESTEGARD explained how the state was divided into regions for the purpose of fishery enhancement, and projected a slide to illustrate the regional boundaries. He followed with a series of graphs beginning with Start of the Hatchery Program in Alaska – Commercial Salmon Harvest, which illustrated the commercial fisheries catch from 1884-2004, and the effect of hatchery enhancement on the catch. A downturn of wild stocks occurred, in the late 1960's, creating the catalyst for stock enhancement that began in 1971. The graph indicated the contrast of the enhanced vs. wild production, since that time.

MR. PRESTEGARD presented the next graph illustrating hatchery development, and indicating the peak of that development in the 1980's. He said that some state built facilities are now operated by the private non-profit sector or the aquaculture associations.

8:18:18 AM

MR. PRESTEGARD provided the next graph in the series entitled Alaska Hatchery Production, to indicate egg takes and fish releases from 1975 to current. He pointed out that these numbers have been consistent and stable since 1990 at approximately 1.5 (million) fish released. A graph, entitled Total Hatchery Returns illustrated the stabilization of the fish returns at the 50,000 fish level, with slight variation. The subsequent slide, Harvest of Alaskan Wild and Enhanced Salmon, provided a breakout indicating the enhanced vs. wild stocks to be approximately 20-25 percent of the total. The slide Contributions to the Commercial Common Property Harvest – Composition of Commercial Salmon Harvest, represented an

analysis of the same data to indicate the hatcheries cost recovery on the reported catch returns. He reminded the committee that all cost recovery funds are used to pay for the enhancement programs. He introduced the next slide, Value of Alaska's Hatcheries, again utilizing the same data to highlight the economic value that the hatcheries have contributed to the common property commercial harvest, $874 million, contrasted with the cost recovery harvest, $292 million, over the span of years 1984-2005. He underscored that this $292 million pays for the loans and other costs related to building the enhancement programs.

8:20:06 AM

MR. PRESTEGARD responding to a question from Representative Wilson, stated that, as the original loans are paid off, the amount of cost recovery fish taken by the hatcheries is decreased, and additional fish are allowed to be taken in the common property catch. He also clarified that the cost recovery harvest benefits the hatchery, and the common property harvest benefits all other user groups. He pointed out that a hatchery return does not occur for a number of years following release, depending on the species. During these years, on-going operational costs are incurred by the hatchery; making cost recovery an important aspect of the fish return harvest.

MR. PRESTEGARD responding to a follow-up question, he confirmed that user tax fees exist, and explained that the individual regions establish this tax as a percentage of the catch. In the Southeast region a 3 percent tax exists on the common property catch, to benefit enhancement activities of the Northern and Southern Southeast Regional Aquaculture Associations (NSRAA and SSRAA).

8:22:53 AM

CHAIR SEATON underscored that the common property fishery refers to the returned fish which are in excess of what is needed for hatchery cost recovery.

MR. PRESTEGARD directed the committee's attention to the slide entitled Contributions to the Commercial Common Property Harvest – Composition of Commercial Salmon Harvest, and pointed out the cost recovery average indication of 33 percent. The remaining 67 percent of the returning fish caught were common property. For clarity, he stated that this figure represents a count of fish caught, not the commercial value of the fish.

8:23:50 AM

REPRESENTATIVE JOHANSEN inquired what the level of debt for the existing enhancement organizations would approximate.

MR. PRESTEGARD estimated that $124 million in loans have been provided over the last 25 years and suggested that the Division of Investments could best approximate the current outstanding debt.

8:24:37AM

REPRESENTATIVE HOLMES asked if the common property tax varies between regions.

MR. PRESTEGARD responded that in the Southeast it is 3 percent, but in Prince William Sound and Cook Inlet it is 2 percent.

CHAIR SEATON interjected that these assessment rates were established by vote in each region, in conjunction with the establishment of the aquaculture associations. This fund and the cost recovery catch support the enhancement facilities.

OVERVIEW: NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION (NSRAA)

8:25:04 AM

CHAIR SEATON announced that the next order of business would be an overview of the Northern Southeast Regional Aquaculture Association (NSRAA).

8:25:18 AM

PETE ESQUIRO, General Manager, Northern Southeast Regional Aquaculture Association (NSRAA), described the area which his district encompasses: the inside and outside waters of District 16 ranging from the south end of Baranof Island to Skagway. He proclaimed that he is a pioneer in the private sector of fisheries enhancement in Alaska, having entered his 25th year of service, and being an elder to others in the field.

8:26:49 AM

MR. ESQUIRO stated that NSRAA operates two primary hatcheries: one at Hidden Falls, and one at Medvejie Creek. Hidden Falls

began as a state hatchery, operated by the Fisheries Rehabilitation and Enhancement Division (FRED), Alaska Department of Fish & Game (ADF&G). When FRED was being scaled back, NSRAA obtained a twenty year contract to operate this facility. At the time of the change over from state to private hatchery, the capacity for the hatchery was 20 million fed chum fry, and 20 million unfed chum fry. Today, he reported, Hidden Falls is producing over 100 million fry. He described this as being a successful hatchery producing cohos, kings, and chum. The Sitka, Medvejie Creek hatchery was built in 1984 by NSRAA, and is half the size of the Hidden Falls facility. Medvejie hatchery provides fish for the Deep Inlet fishery. This fishery is a productive rotational fishery, involving seiners, gillnetters, and trollers. Further, he stated that this hatchery is the largest king salmon hatchery project operated by NSRAA, collecting between 3-4 million king salmon eggs for rearing and release. Marine survival varies but this has been a consistent fishery over the years. Experimental programs are conducted out of NSRAA hatcheries in attempts to be more efficient with feed, and other steps which may prove helpful to the industry as a whole.

8:30:14 AM

MR. ESQUIRO described the Deer Lake, coho salmon hatchery, operated on Southeast Baranof Island. He explained that eggs are collected from natural run coho, at the base of a 300 foot waterfall out flowing from the lake. The waterfall prohibits fish from entering Deer Lake, making it essentially a fishless lake, although the limnology of the lake easily supports the rearing of coho fry to smolt age. The collected eggs are spawned at Medveje Creek hatchery, then transported back to Deer Lake via plan, and are reared in the lake under natural conditions, with no food enhancements. Through a bypass system they are recollected and “pipelined” back to sea level, saltwater net pens where they imprint for 24 hours prior to release into the wild. This has proven to be a workable operation, involving 15 years of research and support in cooperation with FRED. Despite its success and benefits to the fishery, without the support of FRED, this operation has had to be scaled back.

8:32:21 AM

MR. ESQUIRO stated that NSRAA maintains a field office in Haines, manned by a biologist, temporary, and seasonal staff. Primarily, he said, incubation boxes are the focus of the

operation. Chum salmon eggs are collected and incubated in the boxes, keeping them safe from adverse winter conditions. The eggs are then hatched and released in the spring. This provides protection for 5-6 million eggs in the Haines area. Spawning channels are also utilized in the Haines area. These projects are possible due to the favorable ground water sources unique to Haines. Through excavation, high quality spawning channels are created for chum salmon. Responding to Representative Wilson, he explained that this spawning channel technology is not possible in all areas due to the ground water quality and sources. Haines is the only area in Northern Southeast which is capable of sustaining this type of enhanced habitat. With appropriations obtained by Representative Thomas, of Haines, an expanded spawning channel system is being funded this year.

8:35:04 AM

MR. ESQUIRO reported that NSRAA works cooperatively with state and federal agencies to build fish ladders, supply fry for enhancement projects, and other improvements to "jump start" fisheries. The Division of Sport Fish (SF), ADF&G, projects are also recipients of fish stocks for the division's projects.

MR. ESQUIRO pointed out that the goal of NSRAA has been to provide a contribution of 70 percent of the return catch for the common property fishery, and take 30 percent for hatchery cost recovery and brood stock needs. Until recently, NSRAA has actually averaged a credible 80:20 ratio. Although the goal has not changed, during the last couple of years NSRAA has not been able to maintain the higher contribution to the common property fishery.

MR. ESQUIRO informed the committee that the original debt carried by NSRAA has been repaid. Currently, however, a new debt of 2.8 million was incurred for operational purposes to establish a new hatchery for coho salmon, in the Sitka area. The physical structure will be funded by a federal grant, he reported.

8:39:14 AM

REPRESENTATIVE JOHANSEN requested an explanation of the enhancement tax, imposed on the commercial fleet, and whether a hatcheries indebtedness effects the tax rate.

MR. ESQUIRO responded that the enhancement tax remains the same; 3 percent for NSRAA. He further explained that three quarters

of the association's operating budget is supported by a cost recovery fishery, with the remaining one quarter being supplied by the enhancement tax. To a follow-up question, he responded that coming out of debt allows the hatchery to reduce the number of fish taken for cost recovery and increase the number of fish available for the common property fishery. He pointed out that since 1980, the enhancement tax received by NSRAA has been approximately $28 million, and the common property harvest catch has been approximately $148 million; a cost effective ratio.

8:41:30 AM

CHAIR SEATON asked if the hatcheries cost recovery sales influence the ground price received by the fishermen for their catch.

MR. ESQUIRO opined that the cost recovery sales provide a positive influence on the price which the fishermen are paid for their catch. He further described the cost recovery bid system that NSRAA uses to maintain a diversified portfolio for fund receipts. This encompasses all of the species which NSRAA enhances and the various hatchery and freshwater/saltwater enhancement projects that the association undertakes. He noted that not every program will be cost effective every year, however, barring a total project failure, the diversification has allowed NSRAA to maintained a workable budget. Bids for the cost recovery catch are established early in the season and are awarded to the highest bidder; overall commanding respectable prices. He described the positive relationship which NSRAA has maintained with the fish processors over the years. Further, he offered an example of how the price for cost recovery fish can increase the price paid for the common property catch.

8:46:01 AM

CHAIR SEATON referred to the permit buy back program and asked if NSRAA anticipates any repercussions due to this program.

MR. ESQUIRO responded that there should not be any effects. To a follow-up question he responded that chum salmon are the primary focus of NSRAA.

8:47:19 AM

REPRESENTATIVE WILSON asked if the other regional associations have been able to maintain similarly successful operations.

MR. ESQUIRO refrained from responding for the other associations.

8:48:10 AM

CHAIR SEATON inquired which agency sets the Deep Inlet fishery allocations.

MR. ESQUIRO answered that NSRAA operates under the Southeast Enhanced Allocation Permit, a plan approved by the Alaska Board of Fisheries. Allocation permits are based on historical catch formulas and effects all of the Southeast fisheries; although the Deep Inlet fishery was begun before this scheme was in place.

8:49:37 AM

CHAIR SEATON requested further information on the egg box operation taking place in Haines, and how successful the program is for enhancement to the area.

MR. ESQUIRO responded that approximately 65-75 percent of the return catch is possibly from these egg box releases. However, he said it is not easy to accurately enumerate releases from out of these boxes, and stated this project is "just ... helping Mother Nature along." He clarified that this program utilizes the same egg collection and spawning techniques as are used at the hatchery operations. In further response, he pointed out that a wild spawn return averages only 22 percent.

8:52:15 AM

REPRESENTATIVE LEDOUX asked for clarification on the difference between what NSRAA does by rearing fish vs. salmon farming.

MR. ESQUIRO responded that a comparison could be drawn between this type of enhancement and a free range rancher. These salmon are considered wild reared fish.

CHAIR SEATON pointed out that the brood stocks are all wild salmon and not continuous pen-reared fish.

8:53:24 AM

MR. ESQUIRO closed by stating that it would be helpful to NSRAA for the committee to consider providing a means of support similar to that which was being provided by FRED. The research

and development expertise was essential, and a knowledge/resource vacuum has been left in the wake of this division's closure. He stated, that this lack of support has stifled the scope and level of enhancement projects conducted by NSRAA. Having been in the field of enhancement in Alaska since its inception, he underscored that this credible program has proven its value to the coastal communities, which it serves. He stressed the need for further fisheries enhancement support from ADF&G.

CHAIR SEATON requested that written recommendations be submitted to the committee specifying the areas of support that would be helpful for NSRAA.

OVERVIEW: DOUGLAS ISLAND PINK AND CHUM (DIPAC)

8:58:30 AM

CHAIR SEATON announced that the next order of business would be a presentation of the Douglas Island Pink and Chum (DIPAC) private non-profit (PNP) hatchery.

ERIC PRESTEGARD, Executive Director, Douglas Island Pink and Chum (DIPAC) echoed Mr. Esquiro's request for departmental support to benefit all of the PNP hatcheries and the aquaculture associations. He then provided a brief history of the DIPAC organization from it's inception in 1976 as a pilot hatchery at Kowee Creek, Douglas Island, and expanding to the Sheep Creek Hatchery, Thane, the Macaulay Hatchery, three mile Glacier Highway, Juneau, and finally the assumption of operations at the state built hatchery in Snettisham, Stephens Passage.

9:00:12 AM

MR. PRESTEGARD reported that DIPAC has a 32 member board of directors, providing a diverse representation from the community. The Macaulay hatchery produces approximately 116 million chum salmon, 800,000 king salmon, and 600,000 coho salmon annually. The coho are targeted for the troll and sport fishing fleets, and the king salmon are released in a number of locations throughout the Juneau area to enhance the roadside fishery. In a joint project with the City of Skagway and the Alaska Department of Fish & Game (ADF&G), 200,000 king salmon are also released in Skagway. The chum salmon are released in Gastineau Channel, in Stephens Passage at Limestone Inlet, and in Lynn Canal at Amalga Harbor and Boat Harbor.

9:01:15 AM

REPRESENTATIVE WILSON asked for further information regarding the release of king salmon by DIPAC in the Skagway area.

MR. PRESTEGARD responded that this is a ten year project which involves a brood stock exchange, and does not conflict with Northern Southeast Regional Aquaculture Association (NSRAA) operations.

9:02:34 AM

MR. PRESTEGARD responding to Chair Seaton, stated that, as a PNP, DIPAC does not receive a portion of the 3 percent enhancement tax available to the regional associations. He explained that DIPAC cost recovery rates fluctuate, from taking 40-60 percent of the returned catch, and added that the wild stock returns influence this figure.

MR. PRESTEGARD provided a slide showing a contribution of 1.5 million chum, in 2006, to the gillnet harvest. An overall contribution of 43 percent, or $3 million, of the gillnet catch throughout the region was realized due to DIPAC returns.

9:04:42 AM

MR. PRESTEGARD presented a slide of the Snettisham Hatchery annual release statistics, which illustrated that 9 million sockeye smolts are released directly from the hatchery, and 12 million fry are distributed in lakes. The distribution program is in conjunction with the Pacific Salmon Treaty; working cooperatively with the Canadian government to stock lakes in the Taku and Stikine River systems. For the benefit of the committee he defined fry as an egg that is incubated and hatched at the facility then transported to a lake where they rear for one year prior to migrating out to sea. Smolt are reared and fed for the first year of maturity in the hatchery, and are released directly from the facility to the sea.

9:06:29 AM

MR. PRESTEGARD projected a graph to illustrate the hatchery contributions to the various fisheries at the goal level of 60 percent. Chum salmon make up the heart of the DIPAC program with king, coho, and sockeye as supplemental species. Since operations began, DIPAC has contributed $42 million to the common property fishery. Finally, he invited the committee

members to visit the Macaulay Hatchery. He pointed out that being located in the city, this facility maintains a high profile visitor center with a strong educational component.

OVERVIEW: COOK INLET AQUACULTURE ASSOCIATION (CIAA)

9:09:51 AM

CHAIR SEATON announced that the next order of business would be a presentation by the Cook Inlet Aquaculture Association CIAA.

9:10:19 AM

GARY FANDREI, Executive Director, Cook Inlet Aquaculture Association (CIAA) introduced this association as having been created through state legislation. At the time of inception, the Cook Inlet fishermen voted to provide a 2 percent tax, on their catch, to support CIAA fishery enhancement.

REPRESENTATIVE LEDOUX asked if this tax is voted on yearly.

GARY FANDREI explained that this tax is initially established by a one time vote, however, there is a procedure for making a change.

REPRESENTATIVE WILSON interjected that an effect on the cost recovery harvest, along with other ramifications, will occur, if a harvest tax undergoes change.

CHAIR SEATON stated that the 2006 Legislature passed a bill which allowed for abolishment of a cost recovery harvest by an association, but allowed for incremental increases of the tax on the common property catch to be paid for enhancement support. This opportunity has not been acted upon to date, but it represents an option to the cost recovery mechanism for enhancement facilities. Apparently, he stated, some fishermen believed that it would be advantageous to have sole harvest access to the returning stocks and pay a higher percentage of their total catch to the association.

9:15:26 AM

MR. FANDREI stated the mission of CIAA as being: "To protect self perpetuating salmon stocks and the habitats upon which they depend." Rehabilitation of salmon stocks to be self perpetuating populations is also an emphasis. The key issue for CIAA is to maximize the value of the Cook Inlet common property

resource through the application of science and technology. For CIAA the Anchorage bowl area fishery is the focus. Due to the concentration of Alaska's population being in this area, many of the statewide habitat issues which arise tend to stem from this region.

9:17:19 AM

MR. FANDREI named Kenai as home of the association's regional headquarters. The Eklutna hatchery was built and is owned by CIAA as a primary facility. This hatchery is currently operated on a part-time basis as a back-up to the Trail Lakes hatchery. Trail Lakes is located at Moose Pass, in central Kenai Peninsula. Trail Lakes is a state owned hatchery leased to CIAA for twenty years; currently in the seventeenth year. In the lower part of the Kenai Peninsula is the Tutka Bay hatchery. He said that this pink salmon facility is no longer in operation, having released fish for the last time in 2004. The 5-6 cent per pound market price of pink salmon forced the closure of this hatchery. The area is, however, being used as a remote release site for a CIAA sockeye program.

9:18:43 AM

REPRESENTATIVE WILSON inquired what debt CIAA is carrying.

MR. FANDREI responded that loans originally totaled approximately $4.5 million, with the current debt at $2 million. He reported that the repayment has not been an undue burden.

9:19:04 AM

MR. FANDREI drew attention to a slide illustrating secondary, non-hatchery facilities operated by CIAA. In the Seward area a weir site provides a small raceway complex, and on the lower west side of Cook Inlet is the Paint River fish ladder. This ladder was built by CIAA but to date has not been put into operation due to funding priorities being directed to other projects. Also present in the Cook Inlet area are two state operated hatcheries, as well as a facility at Port Graham. Additionally, the state hatcheries at Crooked Creek and Big Lake were closed and have subsequently been utilized by CIAA.

9:20:31 AM

MR. FANDREI said CIAA operates stocking projects for sockeye and coho salmon. Annually, 18-20 million sockeye and 1.5 million

coho, smolts and fry, are released. Additional coho releases have been made in the communities of Seward, Homer, and Seldovia, where the municipalities have provided funding to CIAA for enhancement.

9:21:18 AM

MR. FANDREI stated that CIAA also operates a number of flow control structures that assist wild fish to achieve their spawning grounds in low water years. Responding to Representative Wilson, he clarified that this is accomplished on small creeks by creating dams to increase water levels. Additionally, CIAA uses helicopters for access to remote locations to breach beaver dams and provide water flow for the returning salmon. In the last couple of years this has been critical and many fish have died during low water conditions despite efforts, he said.

9:23:18 AM

MR. FANDREI presented a slide which indicated the sites for fish monitoring activities. This is a joint effort with Alaska Department of Fish & Game (ADF&G) to collect information for fisheries management. He provided examples of how the monitoring projects can provide critical assessment data to the department, assisting the process of making in-season management decisions. The CIAA habitat projects include: correcting low dams, replacing culverts, and installing temporary fish ladders. These habitat projects are primarily accomplished in cooperation with local community groups.

9:25:33 AM

MR. FANDREI reported that CIAA initiated an intern program in 2005. Universities and students throughout the continental Unites States responded to a web site posting, which resulted in 5 interns participated from 3 states. This program provides needed manpower for projects, and is also a means to cultivate potential employees. The program was expanded to receive 26 students from six states, in 2006. The expectation for 2007 is that 40 interns will be arriving from the lower states, Canada, and Australia. It is also valuable a bonus to have access to the professors who are attached to the interns. In response to a question from Representative Wilson, he reported that interest from the University of Alaska has not been present via the current website announcement, however, plans call for direct

contact efforts at in-state campuses to encourage local participation.

9:28:33 AM

MR. FANDREI presented the current major needs and issues of CIAA. This includes improving the public perception/outreach. The CIAA has experienced the presence of misconceptions in the Anchorage bowl area, of the role which the aquaculture association plays in the community. He opined that this is a statewide issue, and expressed hope that a facet of the internship program will address this somewhat. Additionally, the loss of the Fisheries Rehabilitation and Enhancement Division (FRED), ADF&G, has had a critical impact on CIAA, as with the other regional associations. To offset this loss, CIAA has entered into cooperative agreements with private companies, such as the Sea Life Center, located in Seward, as well as an East Coast company with an expertise in smolt production. He underscored the loss of FRED, as having been a valuable support from ADF&G.

9:29:58 AM

MR. FANDREI finished by describing the association's base funding issue. The need for consistency in a budget is important, he stressed, and the enhancement tax has fluctuated from a $1.5 million floating average to the current average of $190 thousand. This change is a especially difficult for CIAA, as production is targeted at sockeye salmon. The long life cycle of the sockeye salmon, 5-6 years, means that CIAA must make budget adjustments six years out; not an easy task in a volatile market. In response to Representative LeDoux, he explained that not all of the association's projects allow for cost recovery activities. When enhancing wild stocks, cost recovery is difficult as the stocks can not be separated at harvest. However, certain projects provide a more segregated return making cost recovery possible. The CIAA has managed a 60 percent recovery some years, but the fluctuation and availability of the harvest has proven inconsistent. A diverse funding portfolio is being developed.

9:33:01 AM

REPRESENTATIVE EDGMON asked that, given the amount of industry located in the Cook Inlet watershed area, and the need to emphasize habitat protection, if CIAA has discussed, or possibly advocated for, the relocation of the Office of Habitat

Management & Permitting (OHM&P) from the Department of Natural Resources (DNR) and back to ADF&G.

MR. FANDREI answered that the association has not taken a position on this issue.

9:33:45 AM

CHAIR SEATON further inquired whether having OHM&P within DNR effects the permitting process for CIAA enhancement projects.

MR. FANDREI clarified that, because of the joint projects, CIAA is not necessarily involved in permitting issues. However, he expressed a preference for working with ADF&G over DNR due to the user fee system attached to each permit request submitted to DNR. To a follow-up question, he responded that specific services which FRED provided to CIAA included limnological studies and sample analysis. He explained that the imminent closure of the states limnology lab, in Soldotna, will pose a serious problem. For the benefit of the committee he defined limnology as the study of lakes including: nutrient levels for the food chain, physical measurements of temperature fluctuation, and food sources needed for aquatic life support.

9:36:31 AM

REPRESENTATIVE WILSON referred to the natural rearing situation described in the Northern Southeast Aquaculture Association (NSRAA) presentation, and asked whether CIAA is able to take advantage of similar conditions.

MR. FANDREI explained that because CIAA does a significant amount of natural rearing in lakes, such as Hidden Lake, the association's ability to do cost recovery is effected. Natural rearing in Tustumena Lake has been suspended, after 30 years of operation, due to the enactment of federal regulations prohibiting this activity, despite the resource benefits which this project provided to the central Cook Inlet fisheries.

9:37:59 AM

CHAIR SEATON asked for an overview of the problems currently effecting CIAA projects, such as the Paint River.

MR. FANDREI described that the Paint River project is a fish ladder to accommodate salmon making their way over a 35 foot falls into a lake that will support their natural

spawning/rearing cycle. Although CIAA managed the $2.9 million construction cost it has been unable to fund the operation other than on an ad hoc basis. He clarified that permitting has not been the issue, but the $900,000 needed to operate has not been available to start this system. A federal request has been submitted for this purpose. He assured the committee that having this type of facility in that area will make a significant impact by providing a fishery in an area currently experiencing low fish levels, as well as providing a potential cost recovery fishery for CIAA. He will provide further information on this project to the committee.

9:41:16 AM

CHAIR SEATON referred to the halted Tustumena and Kasilof Lake projects and asked what percentage of the fishery was supplied by these projects.

MR. FANDREI stated that the stocking ended in 2004, at Kasilof Lake. The returns for the last couple of years have been 30-40 percent enhanced, prior to the that it was 10 percent. Returns to Tustumena Lake have been strong and, he speculated, probably made up a significant percent of the central Cook Inlet harvest, possibly as much as one third.

9:42:22 AM

CHAIR SEATON requested further clarity on the federal regulation prohibiting the use of Tustumena Lake.

MR. FANDREI answered that the lake is in a refuge and a designated federal wilderness area. The waters are also designated wilderness, however boats, planes, and snow machines are allowed. Environmental groups objected to the hatchery operations, the objection was upheld by the courts, and the permit held by CIAA was suspended. Following-up, he said, that an exception to the wilderness designation would allow the operation to go forward. Clarifying his earlier statement, he noted that Tustumena Lake returns provide approximately one third of the central Cook Inlet salmon catch, and one third of the catch are enhanced stocks.

9:44:15 AM

REPRESENTATIVE LEDOUX asked if all of the regional associations are allowed to perform cost recovery activities on mixed stock returns, or does a unique by-law provide CIAA the opportunity.

MR. FANDREI responded that generally the returns to the Cook Inlet area are 10 percent enhanced. When the enhanced percent of the return is that low a cost recovery harvest takes advantage of wild stocks. This is what often creates a conflict issue that results in CIAA having cost recovery permits denied.

OVERVIEW: PRINCE WILLIAM SOUND AQUACULTURE CORPORATION (PWSAC)

9:45:54 AM

CHAIR SEATON announced that the next order of business would be a teleconference presentation by the Prince William Sound Aquaculture Association (PWSAC).

9:46:26 AM

DAVID REGGIANI, General Manager, Prince William Sound Aquaculture Corporation (PWSAC), outlined the history and scope of PWSAC. Founded in 1974, the first facility built was the Armin F. Koernig hatchery, Southwest Prince William Sound, followed by the Wally M. Norenberg hatchery, Esther Island. Additionally, PWSAC contracted with the state to operate three hatcheries in the area, those being Main Bay, Cannery Creek, and the Gulkana facility at Paxson. The Solomon Gulch Hatchery is a private non-profit (PNP) facility. Continuing, he said, that together these five hatcheries release approximately 578 million fry and smolt annually. Of these, 400 million are pink salmon fry, 148 million are chum salmon fry, 32 million are sockeye fry and smolts, and 1 million are coho smolts. He reported that, from 1990 to 2004, the economic impact to the commercial harvest has been $189 million. During this time, the commercial fleet has paid an approximate total of $10 million to PWSAC in enhancement taxes. He stated that the value of PWSAC salmon contributions to the seafood processing industry, to date, has been $736 million, with an annual average of $49 million. Additionally, the sport fishing, subsistence, and personal use fisheries each benefit from the coho salmon enhancement program. Approximately 100,000 coho smolts are released into Cordova and Whittier, with an additional 50,000 released into Chenega. Two sport fisheries have also been developing in recent years: one at the Main Bay hatchery with the sockeye salmon return; and one at the Wally M. Norenberg hatchery, focused on the chum salmon return.

9:50:47 AM

MR. REGGIANI underscored the economic impacts that PWSAC salmon returns contributed to the 2006 harvest. He reported that 5.1 million PWSAC pink salmon contributed to the commercial catch. This represents 43 percent of all pink salmon taken in that fishery. When combined with the local PNP contributions, the total enhanced catch jumps to 10 million, or 83 percent of the contribution. The chum contribution was 1.2 million, 88 percent; the sockeye contribution was 832 thousand, 38 percent when including the Gulkana returns, or 74 percent when considering only the returns of hatcheries in Prince William Sound; and enhancement fish represent nearly 100 percent of the coho salmon catch. Addressing the operations of the facilities, he stated that, similar to the other regions, PWSAC is evolving to become more cost effective, and has developed cooperative agreements with Alaska Department of Fish & Game (ADF&G) for project monitoring and evaluation.

9:54:09 AM

CHAIR SEATON asked if there has been discussion with PWSAC to offset cost recovery funds by receiving a gross of the fishermen's return vs. having a dedicated cost recovery system conducted by the association.

MR. REGGIANI responded that it may come up at a cost recovery committee meeting, but no discussion has occurred at the board level to date.

9:54:54 AM

CHAIR SEATON inquired whether there has been resolution between PWSAC and ADF&G regarding the management of combined wild and enhanced stock.

MR. REGGIANI stated that an action plan is being developed with ADF&G to outline this concern and address the issue. He will forward material to apprise the committee of the progress being made on this front.

OVERVIEW: SOUTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION (SSRAA)

9:56:42 AM

CHAIR SEATON announced final order of business would be a teleconference presentation by the Southern Southeast Regional Aquaculture Association (SSRAA).

9:57:03 AM

JOHN BURKE, General Manager, Southern Southeast Aquaculture Association (SSRAA) described the 21 member board of SSRAA with 13 being seats dedicated for fishermen: 4 seiners, 4 gillnetters, 4 power trollers, and 1 hand troller. These positions are held by members who were selected from their respective fishing fleets. The board then makes the policy, budget, and philosophical decisions for SSRAA, as do the other regional boards for their associations.

9:58:33 AM

MR. BURKE explained the route which the fish follow when returning to the SSRAA enhancement sites. The path circuits through several common property fisheries in Northern Southeast, prior to arriving at the SSRAA waters. Because of this route, the SSRAA enhancement projects are designed to provide catch for these traditional fisheries vs. terminal special harvest area fisheries. Four hatcheries are operated by SSRAA, with the primary two being Whitman Lake and Neets Bay, which provide the eggs and fry for the other facilities. The primary release sites are: Nakat Inlet, 16 million chum salmon; Kendrick Bay, 20 million chum salmon; and Anita Bay, 22 million chum salmon. Additionally, 2 million coho salmon are released at Neck Lake. He pointed out that these areas all represent remote release sites. All of the brood stock and cost recovery catch activities are performed at Neets Bay, and the cost recovery catch is processed by the hatchery. This is to minimize the pressure on the Ketchikan market.

10:01:08 AM

MR. BURKE referred to the debt repayment accomplishments of SSRAA and explained that the original loan of $22 million principal has been retired, but the association is still paying down the accrued interest of approximately $8.5 million.

10:01:35 AM

MR. BURKE continued, describing the chinook project operated in conjunction with the Division of Sport Fish, Alaska Department of Fish & Game (ADF&G). The Crystal Lake hatchery is owned by ADF&G, which provides funds for SSRAA to operate that facility. The final hatchery is at Burnett Inlet, a “summer” coho salmon facility. He described this fish as “a little coho that thinks

it's a sockeye." It represents a valuable early return fishery, during June and July. The fall coho project releases 6 million fish per year, providing a fishery for the trollers, with catch rates of 90-95 percent.

10:02:32 AM

MR. BURKE reported that for cost recovery purposes 30 percent of the chum salmon returns were taken at Neets Bay. Only 5 percent of the coho can be expected to return, and no king salmon. Thus, the primary cost recovery is made through the chum harvest, and the king salmon project costs are covered via contracts with ADF&G.

10:03:23 AM

CHAIR SEATON asked if there has been discussion with SSRAA to offset cost recovery funds by receiving a gross of the fishermen's return vs. having a dedicated cost recovery system conducted by the association.

MR. BURKE responded that the discussion has not occurred. Primarily, he stated, given the circumstances of the local harvest as previously outlined, such a program would be difficult to implement.

10:04:28 AM

CHAIR SEATON inquired whether straying wild stocks have been an issue at any of the SSRAA remote release sites.

MR. BURKE answered that nothing of significance has occurred, and that the chum returns do not represent a direct conflict with the local runs. He added that the sockeye, coho, and king salmon do not tend to stray when they return.

10:06:16 AM

MR. BURKE suggested that the committee look for the forthcoming ADF&G report to provide further details and data on the SSRAA enhancement projects.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:07 a.m.