

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 2, 2007
8:36 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):

OCEAN BEAUTY SEAFOODS, INCORPORATED, PRODUCTS AND MARKETING

- HEARD

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT - FISHERMAN'S FUND

- HEARD

HOUSE BILL NO. 26

"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 26

SHORT TITLE: GEODUCK AQUATIC FARMING EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) SEATON

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS
01/16/07	(H)	FSH, RES
02/02/07	(H)	FSH AT 8:30 AM CAPITOL 124

WITNESS REGISTER

MARK PALMER, President
Ocean Beauty Seafoods, Incorporated
Seattle, Washington
POSITION STATEMENT: Provided an overview of Ocean Beauty Seafoods, Incorporated.

TOM SUNDERLAND, Director
of Marketing
Ocean Beauty Seafoods, Incorporated
Seattle, Washington
POSITION STATEMENT: Provided an overview of Ocean Beauty Seafoods, Incorporated.

PAUL LISANKIE, Director
Division of Workers' Compensation
Department of Labor & Workforce Development
Juneau, Alaska
POSITION STATEMENT: Provided an overview of the Fisherman's Fund.

MIKE MONAGLE, Administrator
Fishermen's Fund Advisory & Appeals Council
Division of Workers' Compensation
Department of Labor & Workforce Development
Juneau, Alaska
POSITION STATEMENT: Answered questions during the overview of the Fishermen's Fund.

ACTION NARRATIVE

CHAIR PAUL SEATON called the House Special Committee on Fisheries meeting to order at [8:36:50 AM](#). Representatives Johansen and Edgmon were present at the call to order. Representatives LeDoux, Holmes, and Wilson arrived as the meeting was in progress.

OVERVIEW: OCEAN BEAUTY SEAFOODS, INCORPORATED, PRODUCTS AND MARKETING

[8:37:06 AM](#)

CHAIR SEATON announced that the first order of business would be a presentation regarding Alaska seafood from Ocean Beauty Seafoods, Incorporated.

[8:37:51 AM](#)

MARK PALMER, President, Ocean Beauty Seafoods, Incorporated (Ocean Beauty), informed the committee that Ocean Beauty has seven shore-based processing facilities located throughout Alaska. Over the last five years, Ocean Beauty has focused on modernizing those shore-based facilities. Mr. Palmer recalled the passage of Senate Bill 164, a value-added salmon tax credit, that has been in place for four years. That tax credit was a catalyst for starting more value-added processing in the state. Ocean Beauty has utilized that tax credit every year it has been in existence. In fact, last year Ocean Beauty added another \$2 million worth of value-added capacity to the facilities in Southeast and Kodiak. The aforementioned has resulted in additional jobs. He relayed that last year 60 new processing jobs directly related to the value-added processing were created. Furthermore, Ocean Beauty had approximately \$900,000 in additional payroll and purchased about 3 million more pounds of salmon.

[8:41:07 AM](#)

MR. PALMER related that several years ago the state offered low interest loans to fishermen for the purpose of adding refrigerated sea water (RSW) onboard the vessels. However, the amount of response exhausted those funds within two days, he recalled. The aforementioned, he suggested, illustrates that if the opportunity is available, fishermen are interested in modernizing their fleet. Mr. Palmer encouraged the state to support any program that offers incentives to upgrade the vessels because many vessels within the state still don't have the ability to chill their catch after harvest. Mr. Palmer also encouraged the state to make the aforementioned available to all permit holders. He then related that this summer Ocean Beauty will begin a pilot program out of Bristol Bay for the handling of sockeye. One of the most limiting factors in that area of the state is the availability of ice, he noted. He suggested that the state consider additional ice barges in areas of the more remote fisheries where there isn't the ability to service the fleet. Mr. Palmer explained that once the fish is taken out of the water, the marketing effort has to increase the amount of high quality raw material in order to support product development.

MR. PALMER turned attention to manufacturing efficiencies. He explained that there are a variety of customers who are pushing

initiatives for more efficiency in the use of energy, packaging, and transportation. He mentioned Wal-Mart's initiatives and characterized it as good business. He opined that what was once referred to as infrastructure will in the future be referred to as marketing. He then turned over the presentation to Mr. Sunderland.

[8:44:58 AM](#)

TOM SUNDERLAND, Director of Marketing, Ocean Beauty Seafoods, Incorporated, began by discussing the market-driven environmental initiatives such as the one being promoted by Wal-Mart. He explained that formal score cards are published in regard to how [companies] are to behave [with regard to efficiencies]. [Wal-Mart's packaging scorecard] went into effect yesterday and companies will have one year to [implement policies and procedures to address efficiencies]. The first grade will be published February 1, 2008, at which time the managers purchasing the product within Wal-Mart will have incentives to [purchase] the product of those with good scores. He noted that other stores, such as Safeway are using similar score card methods. Mr. Sunderland highlighted that 15 percent of Wal-Mart's score card is based on comparative green house gas CO₂ production. The aforementioned isn't something over which Ocean Beauty, as a manufacturer, has control. Furthermore, the score card indicates environmental responsibility that will represent 20 percent of the score in which Alaska seafood manufacturers will be compared to each other as well as to food manufacturers. Businesses in Alaska will have to compete with businesses that are much more streamlined and have a much easier manufacturing environment. Mr. Sunderland opined that [businesses in Alaska] are facing a large change in regard to how the world views Alaska's manufacturing processes. He further opined that individual business owners will have a very difficult time succeeding without assistance.

[8:48:45 AM](#)

MR. PALMER informed the committee that the amount of waste that the seafood system puts back in the sea could be recaptured for use in fuels and other possibilities. When economically viable, such as with the Kodiak fish meal plant, the waste is recaptured and marketable products are produced. In that situation, the value for the fishermen in the region is increased. However, those plants don't exist elsewhere primarily because such plants aren't economically viable. For instance, in Cordova there isn't any pollock production because there isn't the ability to

deal with the waste. Mr. Palmer opined that industry isn't going to come forward and do things that aren't economically viable but rather will wait for regulatory pressures. Moreover, some parts of the state are aligned well to address [environmental initiatives], such as those areas that utilize hydropower energy, while other areas aren't. Mr. Palmer said he didn't want the situation to become one in which sections of the state are seen as producing good Alaska fish and others not.

[8:51:26 AM](#)

MR. PALMER related that traditionally marketing has included brands, advertising, trade promotion, and new product development. The state, he opined, has done an outstanding job supporting such efforts via the Alaska Seafood Marketing Institute (ASMI) and various grant programs. A fair amount of new products have been created, which has resulted in a fair amount of modernization in the facilities creating those products. The largest concern at this point is having the ability to acquire enough high quality raw material to support the growth [of these new products] because there is a finite amount of top quality fish from the state. He mentioned the need to concentrate efforts on the under utilized species. He then related his belief that it's important to place initiatives before the vessels. However, the [environmental initiatives with respect to marketing] are new pressures.

[8:52:40 AM](#)

MR. PALMER then turned to transportation and pointed out that fuel and air costs have limited access to some areas of the state. One such area is Cordova. He highlighted the success of the Copper River story and the value of its fish, which is largely dependent upon the fish being fresh. The value drops by half when the fish is frozen. If limited transportation limits moving the product, the value of the fishery is placed at risk. He said that he would like to coordinate more with transportation issues because there are few transportation options out of Cordova. By having the ferry arrive earlier in the season and stay later Cordova is provided a huge opportunity to utilize ground transportation where air transportation is lacking.

[8:55:01 AM](#)

REPRESENTATIVE LEDOUX asked if any of the boats deliver to Valdez rather than Cordova.

MR. PALMER acknowledged that Cordova and Valdez are close in proximity. Although Valdez has access to ground transportation through trucking, it doesn't service the fleet and processors in Cordova. The largest percentage of the fish are landed in Cordova.

[8:55:49 AM](#)

MR. PALMER continued his presentation by reiterating that Ocean Beauty has focused its efforts on under utilized species such as pink, chum, and Bristol Bay sockeye. Those species represent 85 percent of the production in pounds last year and the lowest value in each species. Therefore, Ocean Beauty has focused its efforts to raise the bar in that arena in order to make a difference to shore-side communities, the fishermen, and the value of the state's fisheries overall. Mr. Palmer thanked the state for the support it has provided in the form of marketing grants, but suggested that the state needs to address some of the basic infrastructure, production, and manufacturing issues that exist.

[8:57:01 AM](#)

MR. SUNDERLAND explained that with marketing, there are a few things to keep in mind during product development. First, the byproduct is addressed. The remaining matters to address are the product itself and how to increase its value while addressing new forms of the product. As Ocean Beauty has succeeded with some products, the biggest issue has become obtaining enough high quality raw material to raise the value of the product. Ocean Beauty feels that basic product quality, how the fish comes out of the water, is where Ocean Beauty could use some assistance from the state.

[8:59:40 AM](#)

REPRESENTATIVE JOHANSEN opined that the traditional battle between processors and fishermen must cause difficulties. Therefore, he asked if Ocean Beauty feels it's making progress.

MR. PALMER pointed out that the harvester would like to see the prices of raw materials increase each year. The consumer would like to know why the price has increased. He explained that Ocean Beauty would like to know what improvements were made to justify a higher price for the product. He acknowledged increased fuel and insurance prices. To make real incremental

improvement, something different has to occur at the boat level. In fact, this last year Ocean Beauty invited two fishermen from different gear types from each part of the state to educate them through financial transparency. He opined that many fishermen understand that in order to "raise the bar" they will have to coordinate their efforts with the processors.

[9:03:25 AM](#)

CHAIR SEATON, speaking as a fisherman, opined that financial transparency makes a lot of difference. Chair Seaton then recalled that the state could assist by providing ice barges in Bristol Bay.

MR. PALMER acknowledged that not every fishery needs the same assistance and thus it would require some research to determine which areas of the state could utilize ice bled handling programs.

[9:05:22 AM](#)

CHAIR SEATON indicated interest in Mr. Palmer forwarding the committee any information he acquires regarding the specific items needed in specific regions. He then asked if the score card is proprietary. He also recalled Mr. Palmer expressing interest in the Cordova to Whittier ferry runs.

MR. PALMER said that a score card is included in the committee packet. Mr. Palmer noted that another way in which the state could provide support for the environmental initiatives is through low interest loans for harvesters to modernize their vessels. He also mentioned that there should be review of private and public partnerships for community fish meal facilities to address waste and ways in which to reincorporate the proteins and pharmaceutical and nutraceutical products. Mr. Palmer said that he would provide the committee with more detail with regard to the specifics of the energy audits and score card process.

[9:08:01 AM](#)

REPRESENTATIVE EDGMON mentioned that a chef in Seattle, Washington, is opening a restaurant in New York with the name, "Wild Salmon." He inquired as to Ocean Beauty's perspective in terms of market penetration and potential opportunity with such an effort.

MR. SUNDERLAND related his understanding that the "Wild Salmon" restaurant will operate under the concept of regional cuisine of Alaska and the remainder of the Pacific Northwest. This restaurant is an opportunity to build the Alaska brand and the idea of what Alaska seafood really is. Mr. Sunderland highlighted the power of the New York press, which presents a much larger opportunity than merely how much fish is sold to the restaurant. The restaurateurs backing this restaurant, he related, are also restaurateurs in Europe.

[9:11:31 AM](#)

REPRESENTATIVE LEDOUX inquired as to how the score card program works.

MR. SUNDERLAND explained that all suppliers will be scored and it will be a public score published within Wal-Mart. This score along with price will be the primary measure [for deciding from whom to buy products]. He reiterated earlier testimony that Wal-Mart views this score card as a way in which it can provide low prices in the future. Wal-Mart views this score card program as an opportunity to become more efficient. Furthermore, Wal-Mart sees itself as better at efficiency than others and thus it will be better at this than others. He emphasized that this score card program is enormous.

[9:14:15 AM](#)

REPRESENTATIVE LEDOUX asked whether it's Wal-Mart's intent to get ahead of the eventual regulations because she didn't view it as really helping Wal-Mart's efficiency.

MR. SUNDERLAND noted his agreement with Representative LeDoux regarding that Wal-Mart sees this score card program as providing a public relations component and getting ahead of potential laws. However, all that Wal-Mart has stated is that if it can reduce the amount of fuel used, packaging being disposed of, and minimize carbon emission, it will all provide a more efficient product that will reduce the price to the consumer.

[9:16:10 AM](#)

REPRESENTATIVE LEDOUX inquired as to who has access to these scores from the Wal-Mart score card.

MR. SUNDERLAND said that he didn't know, although he said he would be surprised if the score card was transparent through to the public.

[9:16:43 AM](#)

REPRESENTATIVE WILSON inquired as to the percentage of the market Ocean Beauty has in Alaska.

MR. PALMER specified that in 2006 Ocean Beauty processed 17 percent of all the salmon in the state. In further response to Representative Wilson, Mr. Palmer related his understanding that the aforementioned was the largest single percentage of salmon by a single processor. He reminded the committee that Ocean Beauty is primarily a shore-based salmon processing facility, which employs nearly 2,000 people in the state to run those salmon operations. During the last nine years the salmon market has been a difficult market, although it's now beginning to turn around. Ocean Beauty has found a balance between its position in the market, product development, and variety of products which has resulted in the company being a survivor in the salmon industry.

OVERVIEW: DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT - FISHERMAN'S FUND

[9:20:22 AM](#)

CHAIR SEATON then announced that the next order of business would be the overview from the Department of Labor & Workforce Development regarding the Alaska Commercial Fishermen's Fund.

[9:21:01 AM](#)

PAUL LISANKIE, Director, Division of Workers' Compensation, Department of Labor & Workforce Development (DLWD), explained that the Alaska Commercial Fishermen's Fund ("Fishermen's Fund") was established in 1951. The Fishermen's Fund was established as a dedicated fund and was grandfathered in after statehood in Article IX of the Alaska State Constitution. The revenue stream of the fund comes from 39 percent of all money paid to the state for commercial fishing licenses and limited entry permits. The cap is \$50 per individual. In 2006 the revenue stream paid in was just under \$982,000. Over the last four years, the revenue stream for the Fishermen's Fund has amounted to about \$1 million per year. Mr. Lisankie explained that although the fund is administered within DLWD, the Department of Revenue is the

custodian of the funds. Through very careful stewardship over many years, the Fishermen's Fund has been able to develop a balance that is carried forward each year and invested by the Division of Treasury. Up to 50 percent of the interest earned on that balance can be appropriated for statewide marine safety training and education programs. Mr. Lisankie informed the committee that beyond the legislature and the House Special Committee on Fisheries, the Fishermen's Fund is also overseen by the Fishermen's Fund Advisory & Appeals Council. Members of the council are appointed by the governor and serve five-year staggered terms. The members are from one of the five fishing districts of the state, he noted.

[9:25:09 AM](#)

MR. LISANKIE turned to the daily activities of the staff administering the fund. The staff consists of two full-time technicians and an administrator. The administrator manages both the Fishermen's Fund and the Second Injury Fund, and therefore the Fishermen's Fund pays a pro-rated amount of his salary. The division's administrative manager and director also provide assistance to the fund. Mr. Lisankie then turned to the benefits and procedures for payment. He explained that the benefit is the health care costs that are reimbursed to providers for health care that is given to licensed commercial fishermen for injuries and certain occupational diseases, which are listed in statute. The aforementioned must be directly connected with commercial fishing activities either on-shore or in Alaska waters. In terms of this statute, Alaska waters are defined broadly to include the entire 200-mile limit for payment of this fund. The cap on what can be paid out under this statute is \$2,500, with a one-year duration of benefits. However, the statute provides for an individual to request an extension of the duration of benefits or an extension of the amount of benefits. The statute specifies that the extension may be granted for "compelling reasons," which is fairly broad language. Mr. Lisankie noted that there are no payments for any costs covered by any other insurance. The Fishermen's Fund is essentially a "payer of last resort" and is designed to provide commercial fishermen some limited amount of support when there is no other source of payment for health care. He offered to provide the committee with a booklet that summarizes the requirements and procedures as well as a claim form.

[9:28:57 AM](#)

REPRESENTATIVE WILSON inquired as to the diseases covered by the Fishermen's Fund. She pointed out that the language specifies that the [fund] covers arthritis, heart disease, and diabetes. However, she questioned whether those directly result from fishing.

MR. LISANKIE commented that those diseases are the most difficult conditions for the council to address. He indicated that [the council] provides the individual [fisherman] the opportunity to describe how the aforementioned conditions have accelerated, been aggravated, or made worse. The council is left to determine whether the conditions truly fit within the statutory prescription.

[9:29:56 AM](#)

REPRESENTATIVE LEDOUX began by relating her belief that the Fishermen's Fund is a great program. However, she expressed concern with the crew members being charged, through the license, for the program because under maritime law a vessel owner is held responsible for any injury incurred or manifested during the course of a crew member's employment on the vessel. Therefore, charging the crew member seems to shift the responsibility.

MR. LISANKIE acknowledged Representative LeDoux's concern.

REPRESENTATIVE LEDOUX pointed out that maritime law goes back to Roman times. She characterized the maritime law as a salt water variety of workers' compensation since she said she understood that the crew members [aren't covered] under the Workers' Compensation Act.

MR. LISANKIE noted his agreement that commercial fishermen aren't covered under the Workers' Compensation Act.

[9:31:47 AM](#)

MIKE MONAGLE, Administrator, Fishermen's Fund Advisory & Appeals Council, Division of Workers' Compensation, Department of Labor & Workforce Development, related that most of the vessel owners carry insurance, although they aren't required to do so by law. Furthermore, most policies for protection and indemnity have high deductibles and don't cover the permit holder or the skipper. The Fishermen's Fund, he opined, takes the crew member out of the position of trying to collect the cost for medical treatment from the skipper when the skipper is paying out of pocket. Upon

a review last year, it was discovered that about 90 percent of the claims were less than \$2,500 and thus very few claims are for severe [injuries] in excess of \$2,500. He acknowledged that there are private means of coverage. He then pointed out that many of the claims are from the skippers who aren't covered by a protection and indemnity policy.

[9:33:13 AM](#)

MR. LISANKIE continued his presentation by noting that most of the materials [related to the Fishermen's Fund] are available on the website. The Internet is also being used for consultations with the Fishermen's Fund Advisory & Appeals Council in order to avoid the expense of transportation and the logistics of getting all parties in one location at the same time. Mr. Lisankie explained that a claimant who is unhappy with his/her complaint to the Fishermen's Fund Advisory & Appeals Council can appeal to the commissioner of DLWD. He said he suspected that an individual wishing to take it further could go to court.

[9:35:09 AM](#)

MR. LISANKIE then turned to the fiscal environment of the Fishermen's Fund. He explained that over the last few years the revenue stream of the Fishermen's Fund has been on a downward arc. From fiscal year 1987-1996, the revenue of the Fishermen's Fund was about \$1.5 million per year while from 1997-2006 the fund's revenue decreased to about \$1.1 million. Mr. Lisankie opined that the aforementioned trend reflects that fewer licenses were being sold. During the last 10 years, the Fishermen's Fund has made payments on 795 claims, totaling about \$591,000 year. After the cost of administration [has been deducted], the Fishermen's Fund has on average been left with a surplus each year of \$280,000. This last year was the first year in perhaps 15 years in which the Fishermen's Fund operated with a deficit of about \$250,000 due to a large spike in the benefits paid out and administrative costs related to computers. Mr. Lisankie relayed that he and Mr. Monagle discussed the aforementioned with members of the Fishermen's Fund Advisory & Appeals Council and assured them that the intention is to return the expenses to their prior level as the computer expenses were a one-time cost.

[9:38:31 AM](#)

MR. LISANKIE addressed the short-term crew member licenses. He informed the committee that in 2006 about 512 short-term crew

member licenses were sold. Part of the aforementioned computer change was to monitor claims activity by the short-term crew member license. The holders of those short-term crew members' licenses didn't submit any claims. Therefore, in 2006 there was no negative effect to the health of the Fishermen's Fund and thus the revenues from the short-term crew member licenses were utilized to support full-time license holders. He noted that the aforementioned license and its impact on the fund will continue to be monitored.

[9:39:40 AM](#)

CHAIR SEATON recalled that part of the concern with short-term crew member licenses is the possibility of purchasing multiple licenses rather than a full out-of-state commercial fishing license. Chair Seaton expressed interest in whether there is a downward trend in full price nonresident commercial fishing licenses.

HB 26-GEODUCK AQUATIC FARMING EXEMPTION

[9:40:28 AM](#)

CHAIR SEATON announced that the final order of business would be HOUSE BILL NO. 26, "An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

[9:40:54 AM](#)

CHAIR SEATON passed the gavel to Representative Johansen.

[9:41:22 AM](#)

REPRESENTATIVE SEATON, speaking as the prime sponsor of HB 26, explained that HB 26 says that an aquatic farm permit or transfer permit can't be denied merely because geoducks aren't in the area or aren't wild in the area a farm or transfer permit is requested. Representative Seaton informed the committee that no one has approached him requesting such legislation nor has he ever applied for a mariculture permit and doesn't intend to do so. He further informed the committee of his various educational degrees and 30 years as a commercial fisherman. Representative Seaton opined that he knows what is happening in the state's fisheries and the volatility of the industry, and therefore as a representative of the state he is looking at alternative economic opportunities for the state's coastal

communities. Mariculture, if it can be done well, seems to be a logical choice for [coastal areas in Alaska]. Representative Seaton noted that he fought salmon farming in Alaska because it has many negatives, such as genetic problems and escapees. However, geoduck clams are a unique animal and in fact, once geoducks are out of the larval stage they sit in one spot [and aren't located] in high energy beach areas. Furthermore, there are no known infectious diseases with geoducks, which have been intensively studied in Puget Sound. Geoduck farming is taking place in Washington and British Columbia, he related.

[9:47:17 AM](#)

REPRESENTATIVE SEATON, in response to Representative LeDoux, explained that a high energy beach is a beach that would have a fairly large amount of wave action or strong tidal currents that move the sediment. The geoduck, he further explained, doesn't dig down out of the way as a razor clam would. Geoducks aren't mobile and sit in one spot for their entire life.

[9:48:05 AM](#)

REPRESENTATIVE WILSON asked whether geoducks could be seeded and thrive in areas that have never had this species.

REPRESENTATIVE SEATON informed the committee that in Seward, the location of the single mariculture hatchery, geoducks are placed in the water without heating it. The geoducks seem to do fine. In fact, the temperature is raised to encourage the geoducks to spawn. There is no knowledge as to whether geoducks would ever spawn in the wild in areas such as Kodiak. He reminded the committee that geoducks are filter feeders and won't require any food. Furthermore, nothing has been identified as a competitor of geoducks. Thus far, he said he has only heard that geoducks might displace some polykete worms. However, Puget Sound studies have shown that after harvesting the geoducks there was a slightly higher number of polykete worms. Representative Seaton related that in Puget Sound geoducks are intertidal, which wouldn't occur in Alaska because of Alaska's winters. Geoducks in Alaska would be located in 20-30 feet of water and a jet hose is utilized to loosen the substrate and harvest the geoduck. With regard to the issue of contamination, he said, "We don't have to worry about that, we're already taking the geoducks here from Southeastern up there; there are no geoducks up there and so we don't have to worry about contamination between wild stock and the other."

REPRESENTATIVE SEATON then addressed the geoduck controversies, which revolved around having a wild stock that commercial fishermen gathered versus farmers who wanted to farm in the same area. The farming was desired in those areas because there would be standing stock that could support the farm. The other dispute was if [a farmer] takes the area where geoducks are growing, that area is taken from the commercial harvester. The aforementioned isn't a problem if the geoduck farming takes place in Kodiak, Sand Point, or the outer Kenai Peninsula. He highlighted that the state has established the Seward mariculture hatchery and its business plan calls for supplying stock. However, oysters, which are cheap, can be imported and thus it won't support the hatchery operations. Therefore, the business plan relies on geoducks, for which the first purchase has materialized. Representative Seaton opined that [the legislature] needs to determine whether to subsidize the hatchery forever, provide a diversity of buyers or abandon the industry. He further opined that HB 26 provides a good alternative. However, the current policy prohibits the farming of geoducks outside Southeast Alaska because that's the only wild location of geoducks.

[9:55:04 AM](#)

REPRESENTATIVE WILSON recalled that those interested in geoduck farming in Southeast had to wait for the department to identify sites available for farming. However, one individual who isn't an Alaskan applied for a number of the sites. Therefore, she asked if the sponsor would be amenable to limiting the number of farming sites he/she could lease at one time.

REPRESENTATIVE SEATON characterized those as regulatory issues with which he didn't have a problem. He related his presumption that local people would apply for the farms because one would need to be in the area to work the farms. Therefore, he suggested that there could be a point system for having a work force. He pointed out that the permit requires identification of the workforce. The aforementioned may prove difficult for someone from New York applying for a geoduck farm. Representative Seaton said that he didn't have a problem with some such mechanism, but he pointed out that it isn't necessary in HB 26.

[9:58:09 AM](#)

REPRESENTATIVE SEATON, in response to Representative Wilson, related his understanding that without a jet wand to loosen the

substrate, it would be difficult to harvest the geoducks. He noted that marine mammals will eat geoducks. He also commented that geoducks must lead a fairly good life as some live to be up to 140-168 years.

[9:59:14 AM](#)

REPRESENTATIVE LEDOUX asked if the geoduck farms are similar to set net sites in which the permit holder must be on the site, or can a permit holder hire others to run the site.

REPRESENTATIVE SEATON related his understanding that geoduck [permit holders], unlike commercial fishing permit [holders], don't have to be present to operate a site. He suggested that the committee receive clarification from the department.

[10:01:03 AM](#)

REPRESENTATIVE HOLMES recalled the sponsor saying that under current law, geoducks cannot be farmed in areas where they aren't currently found in the wild.

REPRESENTATIVE SEATON explained that statute specifies that "aquatic farming sites for on bottom culture of shellfish must be located in areas where ... an indigenous population of shellfish species to be cultivated is not present" The second portion of the statute goes on to refer to those areas where there are indigenous shellfish, wild stock. The regulations that have been adopted are a policy call saying there is no desire to have any shellfish where they aren't naturally present within the larval drift zone.

[10:03:21 AM](#)

REPRESENTATIVE SEATON, in response to Representative Holmes, confirmed that the committee packet should include the policies and procedures. He expressed the need for members to read the policies and procedures carefully because it says that the policy is present to prevent genetic contamination or interaction with wild stocks. Therefore, the rationale for the policy decision doesn't follow the reality of the sites.

[10:04:14 AM](#)

REPRESENTATIVE JOHANSEN announced that HB 26 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:04 a.m.