

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 9, 2012

5:03 p.m.

MEMBERS PRESENT

Representative Steve Thompson, Chair
Representative Craig Johnson, Vice Chair
Representative Alan Austerman
Representative Bob Herron
Representative Scott Kawasaki
Representative Bob Miller

MEMBERS ABSENT

Representative Lance Pruitt

OTHER MEMBERS PRESENT

Representative Bryce Edgmon

COMMITTEE CALENDAR

HOUSE CONCURRENT RESOLUTION NO. 18

Relating to an examination of fisheries-related programs and resources in the state to determine how those programs and resources may best be strengthened and focused to facilitate the entry of young Alaskans into gainful, lifelong commercial fisheries careers and to the development of a systematic, aggressive, and sustained program to turn the tide on the graying of the fleet and to increase ownership of successful commercial fisheries operations by young Alaskans.

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HCR 18

SHORT TITLE: COMMERCIAL FISHERIES PROGRAMS

SPONSOR(S): FISHERIES

04/17/11	(H)	READ THE FIRST TIME - REFERRALS
04/17/11	(H)	FSH
02/09/12	(H)	FSH AT 5:00 PM CAPITOL 120

WITNESS REGISTER

TIM CLARK, Staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HCR 18 on behalf of the House Special Committee on Fisheries, by request.

FRED VILLA, Associate Vice President
Academic Affairs for Workforce Programs
University of Alaska Fairbanks (UAF)

POSITION STATEMENT: Testified, during the hearing on HCR 18, and responded to questions.

DR. MICHAEL CASTELLINI, Dean
School of Fisheries and Ocean Sciences
University of Alaska Fairbanks (UAF)

POSITION STATEMENT: Testified, during the hearing on HCR 18, and responded to questions.

WANETTA AYERS, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)

POSITION STATEMENT: Testified, during the hearing on HCR 18, and responded to questions.

AGGIE BLANDFORD, Executive Director
Western Alaska Community Development Association (WACDA)
Anchorage, Alaska

POSITION STATEMENT: Testified, during the hearing on HCR 18, and presented an overview of the active CDQ [Community Development Quota] programs throughout the state.

ACTION NARRATIVE

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CHAIR STEVE THOMPSON called the House Special Committee on Fisheries meeting to order at 5:03 p.m. Representatives Thompson, Miller, Austerman, Johnson, and Herron were present at the call to order. Representative Kawasaki arrived as the meeting was in progress.

HCR 18-COMMERCIAL FISHERIES PROGRAMS

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CHAIR THOMPSON announced that the only order of business would be HOUSE CONCURRENT RESOLUTION NO. 18, Relating to an examination of fisheries-related programs and resources in the state to determine how those programs and resources may best be strengthened and focused to facilitate the entry of young Alaskans into gainful, lifelong commercial fisheries careers and to the development of a systematic, aggressive, and sustained program to turn the tide on the graying of the fleet and to increase ownership of successful commercial fisheries operations by young Alaskans.

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TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, introduced HCR 18, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

HCR 18 calls on the Legislature to strengthen and support programs and resources in the state that assist the efforts of younger resident Alaskans to launch ownership-level careers in commercial fisheries.

The seafood industry is Alaska's largest private-sector employer and has been the economic mainstay in dozens of our communities for more than a century. Yet only a fraction of seafood harvesting businesses are Alaska owned.

Nearly half of the Individual Fishing Quota [IFQ] shares issued for Alaska fisheries are held by non-Alaskans, and nearly one quarter of the limited entry permits issued for Alaskan salmon fisheries are Outside owned.

The financial and societal contributions resident fishers make to their home ports and hometowns are considerable; Alaska should do all it can to increase resident ownership of businesses harvesting fish in its waters.

In recent decades, the mean age of commercial fishing entry permit owners in Alaska has increased from just more than 40 years to nearly 50 years.

This "graying of the fleet" is happening in part because younger Alaskans confront ever more daunting obstacles to acquiring fish harvesting operations.

Nowadays, the cost of entry into commercial fisheries on a diversified level sufficient to provide a satisfactory income for a skipper and crew is often more than \$350,000.

Such amounts are beyond the reach of most young Alaskans, who usually lack the considerable credit histories and collateral assets necessary to secure large bank loans.

Also, with the increase in limited-entry and rationalized fisheries in recent decades—running a successful fishing operation requires sharp business skills and the savvy to navigate complex state and federal regulatory systems.

There is simply not as much margin for error as there was in the past.

HCR 18 recognizes there are many fine programs and agencies in the state whose goals include promoting strong resident commercial fisheries and aiding younger Alaskans' success in them.

The resolution urges the Legislature to examine these efforts in order to determine how best they can be strengthened and focused to further the aspirations of young Alaskan fisheries entrepreneurs.

Doing so will fortify one of the state's most important industries and the many communities, rural and urban alike, that benefit from it.

FINANCING & EDUCATION

Many people agree that government efforts to spur economic development are most effective in two particular areas:

Financing and Education/Training

The Education and Training needs of commercial fishermen in Alaska differ from those typical of other occupations.

A strong, naturally occurring apprenticeship program is available to nearly any able-bodied person who pounds the docks in a fishing harbor and talks their way into a deckhand's job. Training happens on the job, usually pretty quickly and pretty thoroughly.

But HCR 18 is concerned with training needs that have to do with the business side of fishing: training in financial literacy; business management; and regulatory structures and processes.

As the business of fishing has grown ever more challenging and complex in recent decades, this kind of education has become all but indispensable.

To address creating opportunities in Education and Training, the agenda includes:

Mike Castellini, University of Alaska's Dean of the School of Fisheries and Ocean Sciences, and Fred Villa, Associate Vice President of the University's Workforce Programs.

They will talk about the University's Allied Fisheries Working Group.

From what I have learned about this initiative, it appears to be very well aligned with the goals of HCR 18.

On the Financing side, we have Wanetta Ayers, director of the Division of Economic Development, who will describe, among other things, the state of Alaska's financing programs for commercial fishing enterprises.

It's fair to say that the Fisheries Committee has been doing its part where financing programs are concerned. The committee has heard and moved several loan fund bills whose objectives are in keeping with the goals of HCR 18.

They include:

The governor's HB 121, which includes programs for Charter fishing entry permits, shellfish farming, and micro loans; Representative Austerman's HB 141, which addresses a financing program for Community Quota Entities; and most recently Rep. Edgmon's HB 261, on low-interest loans for commercial fishing entry permits.

From the Western Alaska Community Development Association [WACDA], we have Executive Director Aggie Blandford, who will speak on Alaska's Community Development Quota groups' work that relates to HCR 18's goals.

I think you'll learn from Ms. Blandford that the CDQ groups have very comprehensive programs to help younger Alaskans into rewarding fisheries careers.

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REPRESENTATIVE HERRON referred to the committee handout titled "Executive Summary, Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2010," labeled CFEC (Commercial Fisheries Entry Commission) Report Number 11-3N-EXEC, to state that it contains a table indicating that fishing permits leaving the state due to the out migration of the permit holder, and asked about the fishing activities of those permits; are they fished more or less than locally held permits.

MR. CLARK deferred to the Department of Natural Resources and the CFEC.

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FRED VILLA, Associate Vice President, Academic Affairs for Workforce Programs, University of Alaska (UA), said that the UA system addresses degrees and certificates for occupational endorsements in high demand (HD) areas. The workforce investment system across the state is comprehensive and significant. The Workforce Investment Board is an advisory to the Department of Labor & Workforce Development (DOLWD). The Department of Education and Early Development (EED) is a critical partner, as well as the university Board of Regents. The university maintains regional campuses and supports community efforts, through a combination of state appropriations and private funding. He said a number of educational options exist in Alaska, including apprenticeship programs, many of

which can be nationally certifiable through UA assistance. Other options include for-profit occupational training institutes, private college a university offerings, and the employers who play a critical role with on-the-job training opportunities. He stressed the need to identify interest early in order to best guide an individual toward a successful career. The continuum for understanding how children can be guided towards interests and an educational goal is fascinating and important. By the third grade, they may not know what they want to be, but they often know what they don't want to do, he said, and offered a personal anecdote. The Workforce Development Plans are continually in use and have proven to be successful and important. The graying of the fleet has been identified in a number of different industry sectors including: construction, oil and gas, the health coalition, and the Alaska energy sector partnership. He stressed that industry has driven the effort for producing qualified workers to fill the ranks. Emerging on this front is the Seafood Maritime Industry, as well as mining and tourism. He said it is important to understand that the fishing industry is not unique, and is at a critical point for considering ways for identifying, and encouraging the next generation of the workforce.

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DR. MICHAEL CASTELLINI, Dean, School of Fisheries and Ocean Sciences, University of Alaska, said the need for integrated seafood industry, fisheries, and maritime training has been identified for some time, but the last 24 months have seen a surge of growth in the endeavor. He reported that funding through the Rasmuson Foundation has allowed the UAF to enhance the fisheries program; now expanded to accommodate 75-80 students per year and offering master and doctorate studies. The project funding ends in two years, but it has stimulated the planning process. He reported that a result of the stimulus was the alignment of UA course offerings with the graying of the fleet. Meetings with CEQ's, other interested organizations, and individuals have helped to identify the areas to be addressed. Allied Fish was developed as a cross-campus UA collaborative, integrated initiative to assess and enhance the development and delivery of programs, courses, research and information that meet the employment needs of the fisheries, seafood and maritime industries. A model was created based on type and area of need, as well as the type of educational certificate would serve the purpose. Industry has helped by providing instructors. The Rasmuson Foundation, the governor and others held a summit meeting, and plans were laid for the steps that will be taken in

the next six months to bring this effort to fruition. He said expectations are that the program will be fully developed within the next three years. The full title of the effort is UA Fisheries, Seafood, and Maritime Initiative, and a web site has recently been launched.

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REPRESENTATIVE AUSTERMAN inquired how the high school students and off-campus college sites will be integrated.

MR. CASTELLINI said work is occurring on all of the rural campuses, tied into the regional hub campus with which they are associated; UAF, UAA, or UAS. Further, recent private funding has been awarded that will place fisheries curriculum in the K-12 schools.

MR. VILLA added that state resources are levered through various approaches to provide training options away from the main campuses. One example is the refrigeration training course, where equipment was purchased and housed in a mobile unit, making it portable and available to regional training centers.

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MR. VILLA summarized what the initiative is expected to provide and directed attention to the handout in the committee packet titled "Summary Inventory of University of Alaska Educational and Training Offerings related to Fisheries, Seafood, and Maritime Industries December 2011." The 50 programs offered are still being developed, and staff is working on the initiative. The web site began this week, and the next major event is to host an industry forum, March 4, 2012, Anchorage, Alaska, to gain further input and interest. A survey will be conducted throughout the industry to identify actual occupational need, in analyzing the training gap versus the occupations. Industry will also help establish the order of priorities as a basis for the workforce development plan.

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WANETTA AYERS, Director, Division of Economic Development (DED), Department of Commerce, Community & Economic Development (DCCED), said that the resolution speaks to the core of economic development, which tailors a set of coordinated, policies, programs, and actions, to create specific outcomes for an industry. There are underlying population dynamics, which

affect aspect of many major Alaskan industries. Any economic development effort needs to consider potential labor shortages, and that is the intent of this initiative for the fishing industry, she opined. Allied Fish has identified skill gaps in the seafood harvesting and processing sector and effort is progressing in a positive way with an anticipated outcome that will create options/opportunities for future workers. World demand for Alaskan seafood has been created, which requires that the health of the fleet and industry support be addressed. The DED has a financing section, she reminded, which has provided the Commercial Fishing Revolving Loan Fund since 1972. As of the last fiscal year the loan fund value was just over \$83 million, with over 2,000 active accounts. Last year the demand for loans ranked high, and 258 new loans originated for a total value of nearly \$20.6 million. The activity has been robust in the lending program, and it is anticipated to continue, she opined. Additionally, the Fisheries Enhancement Revolving Loan Program helps to contribute to the common property fishery through aquaculture activities. Regarding technical assistance, she said the office of fisheries development has on staff a development specialist who responds to calls for assistance on a variety of issues including: permitting, regulations, business support and counseling, product and pricing issues, as well as developing underutilized fisheries where opportunities could be cultivated such as shellfish mariculture. Other activities include initiating incentivize changes in seafood processing for marketing new product forms and can sizes. Research regarding availability of seafood related jobs and investment opportunities is an area that needs expanded, she finished, and said it is a wise time to be taking a full accounting of the industry.

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AGGIE BLANDFORD, Executive Director, Western Alaska Community Development Association (WACDA), provided an overview of the CDQ (Community Development Quota) program, beginning with a brief history. She paraphrased from a prepared statement, which read as follow [original punctuation provided]:

Each of the CDQ entities offers financial assistance to local fishermen in a variety of ways. With generous terms, CDQ entities offer low or no interest loan programs to local fishermen. Some examples of which include:

APICDA [Aleutian Pribilof Island Community Development] Association offers interest free loans to qualifying residents for purchasing gear, small vessels, and acquiring IFQ [Individual Fishery Quota] halibut shares. The loan program offered to residents of Akutan assists fishermen in purchasing 4A halibut quota shares. The loan program offered to Atka fishermen helps purchase 4B halibut quota shares. In St. George, the revolving loan program assists locals in purchasing fishing gear and/or small vessels. Loans are paid back over a series of years based upon a percentage of the fishermen's ex-vessel earnings.

BBEDC [Bristol Bay Economic Development Corporation] offers an interest rate assistance program, which provides fishermen the opportunity to reinvest in their commercial fishing operations by providing relief from a portion of the interest on existing loan payments for vessels, permits, or gear. BBEDC also offers a permit loan program that provides financial guarantees, down payment grants, interest assistance, principal reduction assistance, technical assistance and/or training to successful applicants.

CBSFA's [Central Bering Sea Fishermen's Association's] vessel, gear, and IFQ Loan Program provides local fishermen with low interest loans that in recent years has allowed new entry into the CDQ halibut fishery. Fishermen use this program to update onboard electronics and lengthen and repower vessels for added safety and improved efficiency. Locally held IFQs on St. Paul Island have also increased as a result of CBSFA's loan program.

NSEDC [Norton Sound Economic Development Corporation] offers a revolving loan program that gives resident fishermen access to capital for permits, outboard motors, skiffs, and gear. These loans have largely been applied toward the salmon and herring fisheries in the Norton Sound region. NSEDC's large vessel loan program assists fishermen in acquiring and/or repowering larger vessels to prosecute the region's red king crab and halibut fisheries.

YDFDA [Yukon Delta Fisheries Development Association] offers in-house loan programs to help finance Yukon River salmon permits, outboard motors, and fishing

gear. Approximately 450 commercial fishermen have taken advantage of YDFDA's loan programs.

Grants and Fishermen's Advance Programs

APICDA offers fishermen association grants of \$20,000 per year to each of the associations in its communities (and Unalaska). The individual associations determine how the funds will be spent, i.e. for attending NPFMC [North Pacific Fishery Management Council], IPHC [International Pacific Halibut Commission], and/or Board of Fish meetings, or to establish association-run gear or vessel loan programs.

CVRF offers a fishermen's advance program, which assists its residents with purchasing gear, supplies, and renewing fishing permits at the beginning of the fishing season.

Vessel build/buy/upgrade

YDFDA offers financing to fishermen to purchase locally built aluminum skiffs.

CBSFA, to increase the local fleet's ability to catch the amount of halibut quota available in the area of St. Paul Island, built the FV [Fishing Vessel] Saint Paul and the FV Saint Peter. In addition to catching CDQ halibut, the vessels are also available to harvest locally held IFQ. This allows for full maximization of locally held quota and provides local fishermen incentive to purchase additional quota. The Saints Boats also provide locals an opportunity to serve as crewmembers and eventually as skippers.

Access/Permit Brokerage

BBEDC strives to retain ownership of permits by residents of the region. Through the Bristol Bay Permit Brokerage program, as a free public service BBEDC provides listings for sales/purchases of permits, permit holders, and vessels, helps recruit crew and/or captains, assists with documentation for sales and transfers, vessel licenses and permit renewals, and other Coast Guard required forms. These financial assistance programs only benefit fishermen

if they are able to translate their new gear, permit, or upgraded vessel into income. To help do that, the CDQs entities continue development of regional fisheries by seeking out markets for local products - to give fishermen the best price possible for their catch. Higher dock prices are the result of the CDQ entities' efforts to develop and identify better markets for the region's products and the efforts to bring back dormant fisheries, such as the herring fishery in the Norton Sound. YDFDA, through its subsidiary Kwik'pak Fisheries, is the only buyer in the first two sub districts of the Yukon River from the mouth of the Yukon River at Nunam Iqua and Kotlik all the way to Marshall. Without YDFDA's presence, there would be no viable commercial fishery in the region. Unique opportunities also open the door to commercial fishing to CDQ community residents who may not have otherwise participated. NSEDC's seafood plant in Nome, for example, will purchase red king crab and assorted finfish caught through the ice during the winter months, which not only offers additional income but also increases the potential for introducing new entrants to commercial fishing.

In addition to Bering Sea/Aleutian Island fisheries investments, the CDQ entities make direct investments in local and regional fisheries-related development projects, such as: Boat purchases or fabrication.

YDFDA's Yukon Marine Manufacturing company that operates in Emmonak builds aluminum skiffs for the local fleet. Approximately 200 locals have taken part in this program over the last 10 years. CDQ entities also build and operate processing plants & buying stations in CDQ member communities.

APICDA, through its subsidiary APICDA Joint Ventures [AJV], and in partnership with the Atka Fishermen's Association, operates a plant in Atka that processes halibut and sablefish. AJV also owns and operates Bering Pacific Seafoods, a processing facility in False Pass.

BBEDC, through its ownership interest in Ocean Beauty Seafoods, operates a plant in Naknek that processes salmon and herring.

CBSFA partners with Trident Seafoods to process locally caught halibut at the plant on St. Paul Island.

Coastal Villages built and operates a \$40 million processing facility in Platinum capable of 150,000 lbs/day of finished product. During the peak of the salmon season, it takes more than 245 people to operate the plant and its support vessels. Coastal also operates 6 halibut plants (Chefornak, Hooper Bay, Kipnuk, Mekoryuk, Toksook Bay, and Tununak) and a salmon buying station in Bethel.

NSEDC operates 3 facilities, a salmon plant in Unalakleet, a halibut plant in Savoonga, and a plant in Nome that processes both halibut and crab.

YDFDA operates a salmon processing plant in Emmonak and buying stations along the lower Yukon River.

In addition to processing facilities, the CDQ entities invest in other infrastructure and equipment, such as:

Cranes for offloading product and pulling vessels out of the water

Harbor improvements

Ramp and dock installation

Safe and secure moorage space for vessels

Loaders and hydraulic boat trailers

Fleets of Tenders vessels assist regional processing operations and help fishermen with deliveries.

APICDA owns and operates a fleet of 8 tender/fishery support vessels.

In the Kuskokwim region, CVRF [Coastal Villages Region Fund] owns and operates a fleet of 7 tender/fishery support vessels in addition to contracting with 3 additional vessels to round out the buying service that it provides to regional fishermen.

NSEDC owns and operates a fleet of 5 tender/fishery support vessels that assist buying and processing operations in Norton Sound area fisheries.

YDFDA, through its subsidiary Yukon River Towing, operates a fleet of 7 LCMs [Landing Craft Mechanized] and one lightering/gravel barge that assist the local fisheries during the fishing season. CDQ ice machines and ice barges help fishermen keep their catch cold - and improve the quality of the fish product, helping resident fishers earn the best price for their catch.

BBEDC, through its Chilling Products Program, offers slush ice bags and insulated totes to fishermen and gives grants for vessel upgrades such as RSW systems and hold insulation upgrades that improve fish quality. They also operate two ice barges in the region during the salmon season.

In total, NSEDC has purchased 15 large ice machines and 12 smaller single-phase ice machines to assist its regional processing and fish buying operations in the Norton Sound region. Ensuring safety is also paramount to the CDQ organizations.

CDQ entities offer safety training and provide safety gear (or gear at cost) to resident fishermen in CDQ communities.

In partnership with other local entities, NSEDC financed a portion of the construction of a fire prevention/search and rescue vessel that operates out of the Port of Nome.

CBSFA also partnered with the local tribal government to construct a state-of the-art quick response vessel that provides search and rescue services to the local fleet on St. Paul Island. CDQs offer storage, facilities, welding and other equipment for vessel repair and maintenance.

In Nelson Lagoon, APICDA's subsidiary AJV and the Nelson Lagoon Tribal Council operate a gear and vessel storage company to support the local salmon fishery.

CBSFA helps subsidize some of the costs of renting adequate space to perform vessel maintenance on St.

Paul Island by bringing in engine technicians, aluminum fabricators and welders to help fishermen ensure long-term operation of their vessels.

In 19 of its member communities, CVRF built and operates Community Service Centers, multi-purpose buildings that are equipped with space to maintain, repair, service and modify boats, motors, and fishing gear. The workspace is also available for repair and maintenance of snow machines, ATVs [all-terrain vehicle(s)], sleds, trailers, and other equipment critical to village life. Coastal also provides aluminum boat repair, boat customization services, and small engine maintenance and repair services at its Community Service Centers.

NSEDC invested in portable welding machines and provided training for the equipment for several of their member communities to assist fishermen's ability to conduct maintenance on their vessels.

Each of the six CDQ entities also offers robust education and training programs for residents of their respective member communities, some fisheries specific examples:

Scholarships for post-secondary education

Vocational training opportunities and scholarships

Student loan forgiveness programs

Nautical training for new and aspiring boat captains

GPS [global positioning system] and safety training

Net mending and hanging classes (NSEDC)

Welding training for portable welders - so local fishermen can pre-form vessel repair in their home communities, extending the life of vessels currently in operation (NSEDC).

Recognizing the importance of understanding the fisheries management and regulation process some CDQ entities also sponsor fishermen's attendance at NPFMC, Board of Fish, and IPHC meetings (CBSFA).

The CDQ Program provides a wide range of employment opportunities. Specific to promoting regional commercial fishing activity, CDQ entities offer employment:

On board CDQ vessels - both in-region and in the BSAI fisheries

As processors in CDQ processing facilities

As skippers and crew on CDQ tender and support vessels

And CDQs also employ scientists - fisheries biologists and technicians who work to understand and help ensure healthy fish populations in the region. In 2010, more than 1500 regional commercial fishery permit holders were paid exvessel payments in CDQ regions. Those fishermen in turn supported an estimated 1,700 crewmember jobs. A more recent example of fisheries-related employment opportunities provided by the CDQ program, Coastal Villages Seafoods, employed 335 people from the Kuskokwim region at its processing facility in 2011 and 30 region residents crewed on tenders/fishery support vessels - in addition to the local fishermen and their associated crews.

The CDQ program, through its investments in people, community and fisheries, represents a substantial opportunity and an important asset in responding to many challenges faced by Western Alaska. The program has come a long way over the course of the last 20 years, but there's still a lot of work to do. Giving CDQ community residents the incentive to fish and the ability to earn a living doing so is one of the most important and effective economic development activities available in remote Western Alaska. The CDQ entities welcome any support the State of Alaska can provide in making commercial fishing more attractive and accessible option for the next generation.

[Chair Thompson passed the gavel to Vice Chair Johnson during the presentation.]

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VICE CHAIR JOHNSON announced that the bill would be held for further discussion.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 6:02 p.m.