

HB

590

(9)

COMMITTEE REPORT

HOUSE

1/22/30

FURTHER:

Date: _____

Mr. Speaker:

The Committee on RESOURCES has had HB 590

"An Act relating to the removal of herring from the state."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

CHAIRMAN

AGO 125392

what?

8

Hearing 1/31/80 — Tabled

Hearing 2/12/80

Hearing 2/25/80 - Reported out at CS
(second CS - see
correct version stapled to
this folder)



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

FISH & GAME ISSUES

Alvin Osterback, Chairman

Pouch V, State Ca
Juneau, Alaska 9
(907) 465-3715

HEARING NOTIFICATIONS

BILL	DATE INFORMED	LETTER/PHONE	INFORMED	H
HB590	1/24	586-6336	Rick Lauber, Pacific Seafood Processors Assoc.	1
	1/24	3720	Rep. Gardiner, Sponsor	1
	1/25	586-2820	United Fishermen of Alaska Sharon Macklin, Exec. Dir. to testify	1/
	1/25	283-7000	Salamantof Seafood (Kenai) Tom Waterer, Pres. to testify	1/
	1/25	772-4294 and 206-282-0988	Icicle Seafoods	1/
	1/25	4100	Dept. of Fish & Game	1/
	1/25	2020	Dept. of Commerce Div. of Economic Enterprise Dir. Dick Eatins	1/
	2/1	4100	Dept. of Fish & Game	2
	2/1	3720	Rep. Gardiner	2
			Rep. Gardiner, Fish & Game	2

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCHY STATE CAPITOL
JUNEAU ALASKA 99801
207 261 1100

MEMORANDUM

February 21, 1980

SUBJECT: Herring (CSHB 590)

TO: Representative Terry Gardiner
Attn: Sharon Stoops, A.A.

FROM: Kenneth E. Vassar
Legislative Counsel *KV*

Enclosed is the committee substitute you requested for House Bill 590. Section 1 of the bill amends AS 16.10.172 by providing that stripping of herring, while generally wasteful and to be discouraged, is acceptable in some parts of the state because of the lack of local industries and abundance of herring in those parts of the state. Section 1 further declares that the areas described in AS 16.10.173(f) (added by Section 2 of the bill) are such areas where herring stripping is acceptable.

The guidelines established in the amendments to AS 16.10.172 in Section 1 of the bill are not exactly the same as those in Greg Cook's memo which you provided with your request. Greg had suggested that biological, social and economic factors combine in certain areas of the state to make stripping acceptable. I have some concerns about the local or special legislation questions this bill raises (which I will discuss later in this memo), and one of those questions relates to the fair and substantial relationship between the classification created in Section 2 of the bill - setting apart certain areas of the state for special treatment - and a matter of statewide concern. A legislative finding that biological, social and economic factors in certain areas of the state justify special treatment for those areas seems vague and not likely to assist a court in determining how the classification fairly and substantially relates to a problem you are seeking to resolve. Therefore, I talked with Greg to see if some more specific guidelines could be devised. The result is the two-pronged approach incorporated in Section 1 relying on (1) the lack of a local industry and (2) an abundance of herring.

The more specific guidelines will go far toward establishing the fair and substantial relationship between the classification and the problem to be solved; however, it does not end the inquiry. Article II, sec. 19, Constitution of the State of Alaska provides in part:

"The legislature shall pass no local or special act if a general act can be made applicable."

Essentially, an act challenged as local or special is analyzed in the same manner as an act challenged as violative of equal protection. Abrams v. State, 534 P.2d 91 (1975); State v. Lewis, 559 P.2d 630 (1977). However, there is one significant difference between the two analyses. Under equal protection analysis, the act must fairly and substantially relate to a legitimate state interest or concern. Under local or special legislation analysis, the interest or concern is, at least in part, determined to be "legitimate" only if it is statewide in nature. That is, even though the act may treat certain areas of the state or certain groups of people differently from other areas or groups, it is not local or special if it fairly and substantially relates to a matter of statewide concern or interest. Thus, in Abrams, the court found the incorporation of the Eagle River-Chugiak Borough to be a matter which is not of statewide interest or concern and found the legislation authorizing the formation of that borough to be local legislation. On the other hand, in Lewis, the court found the capital move to be a matter of statewide concern, and legislation which fairly and substantially related to the capital move was not found to be local or special.

The question in this bill, then, is whether stripping of herring is a matter of statewide concern. Presumably, the argument in favor of the bill would be to the effect that the distinct and unique circumstances in this area of the state justify treating it differently from others. However, a similar type of argument was made to justify the incorporation of Eagle River-Chugiak as a borough. The court stated:

"We do not find this justification persuasive. Numerous other localities within organized boroughs can also claim to be unique in certain respects." 534 P.2d at 95.

Representative Terry Gardiner
Page 3
February 21, 1980

I think stripping of herring is probably not a matter of statewide concern; therefore, I would anticipate that this bill would be considered local legislation. Even though an act is found to be local legislation, it is nevertheless permissible if no general act can be made applicable. However, I think a general act can be made applicable in this case. Using the same or similar guidelines established in Section 1 of the bill, the Board of Fisheries could be instructed to discover the areas of the state where those circumstances exist and to allow stripping in those areas by regulation.

Finally, if stripping of herring is found to be of statewide interest, the fair and substantial relationship between the classification and the interest rests upon the guidelines established in Section 1 of the bill. One of those guidelines is a finding that herring exists in abundance in the area. Aside from the policy considerations, it seems that linking such a finding to an area of the state by a legislative enactment is risky business. These kinds of circumstances change from time to time. How quickly they are likely to change, I do not know. However, it is possible that, by making this finding, the legislation may fairly and substantially relate to the area at the time the legislation is enacted while losing, either gradually or suddenly depending upon the state of the herring population, its fair and substantial relationship over time. This would require the legislature to either act as a board of fisheries to keep track of the herring population and make amendments to the law as needed or to allow the law to lose its fair and substantial relationship to the area over time. If the former occurs, it would seem that the legislature will have stepped over into an executive function; if the latter occurs, new questions of equal protection would arise.

KEV:ljb

Enclosure

(HB590) - Question of Constitutionality of prohibiting the taking of herring out of state before processing.

According to both Ken Vassar (legislative lawyer) and Greg Cook (Fish & Game) this is probably unconstitutional

→ 1930's supreme court case about shrimp in North Carolina or Louisiana - Same situation except that a "shrimp war" was going on. Court ruled it was illegal to require processing in one state.

→ This bill would interfere with federal inter-state commerce laws & regs.

Alaska Administrative Code - Register 70, July 1979
AAC 39.198 states that foreigners (not legally admitted to U.S.) cannot take ~~fish~~ ^{herring} from Alaska before it has been processed

Also is state statute regarding live King Crab
AS 16.10.240 says no live crab can be shipped or sent out of Alaska. But, it says that crab may be shipped live via air freight after pre-packaging.

(See also 16.05.685 (1). Unlawful to process crab on a commercial crab fishing vessel unless vessel remains within one registration area from time crab is caught to time of dock delivery).

AS 16.10.172 concerns utilization of herring (may not harvest ice & waste the rest)

~~AS 16.10.161~~
AS 16.05.920 prohibits any making, transporting, selling or furnishing of fish not permitted to be distributed

Carl Rosier noted these statutes and says that other than these Alaska has no primary processing laws

Balamatof Seafoods, Inc.



P. O. Drawer 4220

Kenai, Alaska 99611

Phone: (907) 283-7000

February 22, 1980

Chairman Alvin Osterback
House Resource Committee
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Chairman:

This letter is for the purpose of conveying my appreciation for the opportunity to appear before your Committee on the matter of HB 590. It is also for the purpose of relating my impression of testimony made during that meeting of February 21, 1980.

Before addressing the issue specifically, I must extend to you my apology for any impression you may have had that my testimony was more aggressive than necessary. I feel, however, that the matter of HB 590 is of extreme importance economically to the State and industry, and further, I am not used to being put in a position of when once recognized by the Chair of having to defend myself against somewhat pointed arguments from the floor, regardless of their legitimacy.

As President of an Alaskan corporation which has rightfully earned a ranking position in the industry, I must stick to my testimony that regardless of all else, the portion of the Bill titled, Section 16.10.175 Removal of Herring From The State, must pass. Amendments should clarify, however, as follows:

1. Icing should not be qualified as a processing technique;
2. Salting should only be allowed in the case of food herring with roe content under 5%, and in such case should be packaged as food in cartons containing less than 200 lbs. This will additionally allow easier enforcement of the 5% rule.

It is my sincere belief that given the proper economic incentive the industry can indeed handle the upcoming harvest to a processed state within the State's jurisdiction. If there is any question regarding frozen capacity, when coupled with stripping capacity, there is little doubt that the industry can process the 1980 Berring Sea catch within the State's jurisdiction.

Opponents of this bill show little care about the economics of the consideration or the impact to the State and existing State processors. They rather are arguing towards self-serving goals with the

Chairman Alvin Osterback
House Resource Committee
February 22, 1980
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defense that "no one can prove to us that the product can be handled and, therefore, we who are serving foreign interests or non-resident fishermen must be recognized in our right to the product. Further, we say that salted Bering Sea herring tendered to in-State processors is not economically feasible and, therefore, will not be accomplished".

To the first argument I say that before it happened, no one could have conceived such a massive and effectual air lift of Bristol Bay sockeyes in 1979, nor could anyone guarantee that such a massive flotilla of floating processors could have frozen so much salmon in the NakNek-Kvichak areas.

Additionally, it was inconceivable until this past season that a majority of 1979 Bristol Bay sockeyes would be frozen rather than canned. The quality and spoilage considerations for salmon are much greater than for herring. Regardless, the industry successfully processed to the frozen state much more Bristol Bay salmon in 1979 than is necessary to completely process by all means the 1980 Togiak herring catches.

It follows that whenever economic incentive exists, industry can and will develop accordingly sufficient processing capacity. In the case of herring processing, it will only require employment of existing capacities. It is up to the State to set the guidelines now in February of 1980 towards the goal of how the State wishes to develop its valuable herring resource. Arguments at this date will only be reinforced by the supposition that processing goals can not be met.

If this Bill is effective in the future, however, it will then be the case that arguments are reinforced by claims of economic displacement, jeopardy of established business, and a multitude of other arguments as to why the State should not require in-State processing. Referring to the "illogical" argument that Togiak herring can not be successfully tendered or air lifted to other processing areas of the State, either fresh or salted, it should be considered that, that is exactly what is being done now by foreign interests over much greater distances; and, yet, salted or lightly salted herring are transported as distant as Korea, Vancouver, or Seattle destinations for processing.

It should be quite apparent that in-State tendering would be easier than out of State tendering since the product would not be moved as far, it is probably more economically feasible. It certainly is of much, much greater importance by way of economic return to the State.

Chairman Alvin Osterback
House Resource Committee
February 22, 1980
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The last item I wish to emphasize is that if there is any question about the capacity to process the 1980 herring harvest to the frozen state, those questions are of a lesser magnitude than what will happen to the State's processors without some protection. However, if the ultimate goal is to give the maximum guarantee towards maximum processing capacity in the State, then questions will be removed if stripping of herring is allowed and carcasses allowed to be discarded in all processing areas beyond a 50-mile radius of a fish meal rendering plant.

The discharge of unused carcasses is not really an economic waste, nor is it a biological waste, it is only an aesthetic problem.

Herring are by number the most prodigious fish species in the world. We are harvesting roe herring (greater than 5%) strictly for the roe which is of much higher economic value than the entire carcass. Even then, our harvests are strictly monitored. If a two-year adjustment period is granted to the industry towards full utilization of the herring carcass by product of the vast Bering Sea harvest, then any further question can be removed about processing capacity. This is true only, however, if the privilege is extended to processing areas outside of the Togiak district where a large number of large-capacity shore facilities exist.

In the case of our company's situation, we operate an approximate 30,000 sq. ft. plant on the Kenai River; we have large freezing and stripping capacities, and are preparing both production lines. We wish to freeze as much herring as is possible, however, any carcasses which are unusable, we would propose to run through our plant's offal grinding system, which would be discharged in deep water as is permitted to us by State and EPA authorities for salmon and related wastes.

The final point I would like to stress to you, Mr. Chairman, is that you must consider very carefully not only the testimony you are hearing on HB 590, but you must also consider very seriously who is giving the testimony, what is their purpose, and is the purpose consistent with the best possible goals of the State. I believe seriously "that you and the Resource Committee are charged with the obligation to effect for the State and its residents the absolute maximum in-State benefit wherever possible; very little else should be considered".

As one significant resident employer, I would like to offer the suggestion, as President, that our company's interests are the same as those best suited to meet that goal. We wish to continue our business totally in State. We ask only for the benefit that we will have fair access to our State's resources, and to a much favored status in comparison to foreign or non-resident processing interests. If the State and its Resource Committee does not do its utmost to help in-State processors now when in-State processors desperately need the help,

Chairman Alvin Osterback
House Resource Committee
February 22, 1980
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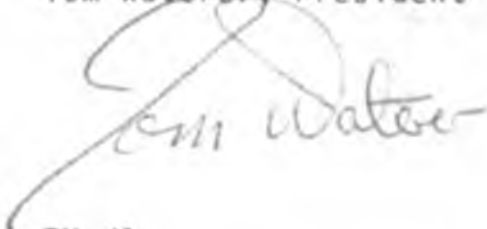
then I would suggest that ultimately there would be none left;
and if the industry suffers further setbacks, you will be left
with nothing but foreign processing ships and probably very spor-
adic markets for the State's resident fishermen.

Mr. Chairman and honorable Committee members, I hope you will con-
sider seriously the balances and impact of your decision.

Sincerely,

SALAMATOF SEAFOODS, INC.

Tom Waterer, President



TW:dle

cc: House Resource Committee Members: Patrick J. Carney
C. V. Chatterton
Samuel R. Cotten
Richard I. Eliason
John G. Fuller
Richard W. Halford
Bill Miles
Fred S. Zharoff

House of Representatives Speaker, Terry Gardiner

Encs: Testimony Outline - House Resource Committee
Revised HB 590 (with alterations)
February 18, 1980 letter to City of Kenai
Kenai Peninsula Borough letters of endorsement (6)

I. INTRODUCTION

A. Company - 100% Alaskan owned; incorporated in the State in 1973:

Size, volume, position in industry, particularly in herring, employment, 1979 raw fish tax discussions.

B. Personal -

Time in industry, 18 years fisherman - processor.
Formal education in Biological Sciences.

II. ORIENTATION

Alaska should review its entire philosophies regarding management of its fishing industry. In light of the fact that its 1979 ex-vessel values alone were on the order of 700 Million Dollars, this thought should surely bear some consideration.

However, true impact of fisheries is fact that in addition to this 700 Million is added substantial payrolls of the state's processors and the notable multiplier effect this has on Alaskan economy, especially in light of the fact that generally these are imported - dollars injected directly into the private sector.

Noting that the socio-economic impact is so great it stands that some consideration be given to how best to manage the economics of a fishing as to the best benefit of Alaska and its citizens.

In my opinion HB 590 is one of first examples of such legislation.

The unfortunate reality - usually fisheries are managed only on premise that when a biological surplus exists it should be harvested by whatever means available w/o due consideration of the particular socio economics involved. This, of course, is as much a fallacy as is conservation for the sake of conservation. I say, what purpose is there for Alaska to allow harvest if there is not maximum benefit to the State and its citizens to do such? It is time that biological management be coupled with economic management and by economic management I mean maximizing economic benefit to State, its resident fishermen, its processors.

DEFINE
PROCESSING
IN CASE
OF HERRING

I strongly advocate Alaska proceed stepwise toward maximizing value added within the State. Since processing in the fishing industry is very labor intensive, Alaska can only benefit by such direction. Benefit to labor, transport, taxes, etc.

In the case of HB 590, we strongly support it and suggest that since Alaska herring industry is just now experiencing a rapid growth, now is the time to set the guidelines by which to create the most value to the State via in-State processing, and at the same time insure the quality reputation.

Without protection of bills such as HB 590, in-State processing will not only not develop, but will likely decline once the alternate modes of handling are developed. This is especially true for herring, since roe in fish can be easily preserved in unprocessed state long enough to allow cheap bulk transport to outside and generally foreign processing facilities where plants already exist, and labor is tremendously cheaper.

What's at stake -- herring -- a probably 1980 1st whole value to processors at up to 100 Million Dollars, depending upon actual volume harvested, quality and current market development. If fully realized, and if properly regulated, the large bulk of those dollars can enter the economy; and being new dollars to the State, would be magnified greatly in impact due to the related multiplier of the particular economies.

What is the worst case if HB 590 doesn't pass?

- *Multitude of Canadian processing plants waiting idle, even greater Japanese trampers carrying lightly salted fish to Korea and Japan. These are being prepared now.

- *1979 Togiak example

 - Trampers, 300-400 ft. tanker barges

- *Once proven, these could transport from SE, CI, PWS, anywhere.

Since out-of-state operators have a greater tendency to attract non-resident fishermen and since this is a developing non-limited fishery, there are a multitude of fishermen from Bellingham, Seattle, Astoria, San Francisco, and S _____ wishing to join these operations.

In a worse case analysis, an out-of-state fisherman, tenderman, barge, or trampler operator, travel to Bristol Bay to harvest and transport the fish out. In 1979 the Bristol Bay case was about \$600/ton. Alaska gets 3% or \$18 return.

Extending the worst case to 40-50,000 State-wide harvest, Alaska gets \$720,000-\$900,000 in raw fish tax--nothing else.

Obviously this won't result, for all herring close to 50% value is likely lost.

We are required to capitalize in Alaska labor, identify each carton by packer origin, and our Alaska health number, where is this, and Alaska quality control, in tanker operations hauling product to Canada or Korea?

* Processing does exist in Alaska. Bering Sea must apply.
Canadian herring restrictions.

Rep. Cottor (Sam) Rules House Committee

Steven Noyer Dir. Commercial Fisheries

Similar
Unprocessed fish is now required
Classifying processing

*Foreign not acceptable any
cooking, canning, salting - 20%, freezing.

*Salting not acceptable - in every case the purpose is to get roe.

**Processing required 2 man days/ton for roe

16.10.162

It is policy of legislature process shall be eliminated
Ref. to item 3.

*No reason to utilize carcass.

1979 take	(52,000,000	(9,000,000 is bait)
	(900,000	kelp
	(43,000,000	roe

Bristol Bay 70% salted

Herring is most numerous species in world.

**Salting accomplishes nothing.

Salamatof Seafoods, Inc.



P O Drawer 4220

Kenai, Alaska 99611

Phone (907) 283-7000

February 18, 1980

City of Kenai
P.O. Box 580
Kenai, Alaska 99611

Attn: Mayor Vincent O'Reilly

Gentlemen:

This letter will serve to advise you of a very important bill currently in the House which we believe has the potential to provide tremendous economic impact upon the City of Kenai and the entire Borough. Enclosed you will find a copy of HB 590, relating to a requirement to effect processing of herring within the State's jurisdiction. As President of Salamatof Seafoods, Inc., a substantial employer in the City of Kenai and the Kenai Peninsula Borough, I solicit your support for this most important bill.

It has the impact of not only creating employment, but also of plant utilization and in-State quality control. Stepwise this bill may create a vehicle for further guidelines requiring the maximum value added to be realized within the State for all species of our seafood resources. This I strongly advocate.

Referring specifically to herring, I have included an outline from my testimony before the House Resource Committee on Thursday, February 7th. The notes are not fully descriptive since it was my outline, however, the points are basically:

1. If Alaska wishes to receive the maximum benefit from a seafood harvest, it must so direct the processing industry by legislative action, otherwise, overhead and labor will be utilized elsewhere wherever possible.
2. The adverse market reputation for quality of Alaskan seafood can only be overcome by greater quality control measures. This, in turn, can only be scrutinized as processing occurs within the State's jurisdiction.
3. The current economic depression of the Alaskan seafood industry and especially of the Kenai Peninsula processors can be in part lessened by proper utilization of the vast herring resource just recently proved economically so important.
4. In a worst case analysis and in an industry based out of State, there would be left to the State only \$18 per ton or less by way of taxes for the herring harvested. This correlates to a State-wide return of \$720,000-\$900,000. If a best case analysis is a stake, a first wholesale value by in-State processors of up to \$100 Million Dollars of new dollars in 1980 can be realized. These new dollars, in turn, have even greater

City of Kenai
Attn: Mayor Vincent O'Reilly
February 18, 1980

impact when the particular multipliers are realized via the economics involved.

5. Our industry rule of thumb is that each ton of herring processed to the roe finished product requires about two man days of labor. If the projected Bristol Bay harvest were all processed to the roe state, it would create about 60,000 man days of employment for process workers. This is in addition to the employment of the fishermen and tendermen levels. Processing to a frozen state would require comparable labor plus capital investment only of a slighter consequence. Salting or brining of herring requires an inconsequential labor impact and, hence, a tremendous economic loss to the State and Borough.
6. Of the 1980 Bristol Bay harvest, we estimate it is probable that a minimal 20% will be processed by Kenai Peninsula processors if the product is not taken from them via foreign bulk transport means. If this is the case, at stake is a minimum 12,000 man days of labor plus the sales dollars generated into the economy by the particular Borough seafood processors involved. This will have impact upon the transportation industry and related supply industry and numerous other segments of our local economy.
7. In both the Canadian province of British Columbia and the state of California, the tremendous impact of requiring in-province or in-state processing has been realized. In each of those areas, legislation for the purpose of limiting the exports of unprocessed seafood, and especially herring, has been effected much more strictly than is proposed by HR 590. In both of those areas it has been realized that if the resource is to be harvested, it should be for the maximum economic benefit, which can only be realized by the export of the finished product.

I thank you for your consideration of this hastily prepared message. The time factor involved is that currently the matter will be brought before House Committee again on Thursday, February 22nd. I solicit a strong and immediate support of this bill to our Representatives as you deem appropriate.

Sincerely,

SALAMATOF SEAFOODS, INC.

Tom Waterer, President

TW:dle

Enc: HB 590

Testimony Outline - House Resource Committee

cc: House Speaker Terry Gardiner
Senator Clem Tillion
Representative Hugh Malone

Mayor Tom Bearup - Soldotna
Mayor Jn Gilman - Kenai Pen. Bor.
Mr. Frank McIlhargey, Econ. Dev. Coun.
Mr. George Ford, Kenai Chamb. Commerc.



CITY OF KENAI
"Oil Capital of Alaska"

P. O. BOX 580 KENAI, ALASKA 99611
TELEPHONE 283 - 7535

February 19, 1980

9:40 a.m.
Night Letter to:

Honorable Clem Tillion, Senator
Honorable Patrick O'Connell, Rep.
Honorable Hugh Malone, Rep.

Dear Sir:

Please accept my full and strongest support for HB 590 concerning herring processing.

Successful passage would be meaningful to the industry and the interests of this city.

Sincerely,

Mayor Vince O'Reilly

cc: Tom Waterer, Salamatof Seafoods, Inc.

VOR:kh

Kenai Chamber of Commerce

P. O. Box 497
Kenai, Alaska 99611
(907) 283-7989



February 20, 1980

House Resource Committee
Alaska State House of Representatives
Pouch "V" State Capitol Building
Juneau, Alaska 99811

Dear Committee Members:

The Greater Kenai Chamber of Commerce has passed a motion in support of HB 590.

Since the fish processing industry is a substantial segment of our economy we have a local interest in this bill. Many summer jobs are provided by the local processors. Herring processing is advantageous because it extends the season for these employees. The additional dollars also circulate in our community to the benefit of the local businesses and, therefore, all of our citizens.

We also feel that in-state manufacturing, refinement, or processing of Alaska's natural resources is a goal that should be pursued within practical limitations. There is no question about the practicality of herring processing.

We urge passage of HB 590.

Respectfully submitted,

Richard I. Morgan
Chairman--Legislative Committee

City of Soldotna

BOX 409

PHONE 262-9107

SOLDOTNA, ALASKA 99669



CITY OF OPPORTUNITY

February 20, 1980

Mr. Tom Waterer, President
Salamatof Seafoods, Inc.
Post Office Drawer 4220
Kenai, Alaska 99611

Dear Tom:

I would like to lend my support to the passage of
HB 590.

I support any effort to enhance the economic devel-
opment of the area and the State of Alaska.

Knowing of your expertise in the area of fish pro-
cessing I take a position of support toward the goals
of Alaskan Processors to process herring to the
fullest degree within the State prior to marketing
outside.

If I can be of further assistance, please feel free
to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Thomas R. Bearup".

Thomas R. Bearup
Mayor

TRB/sf



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

DON GILMAN
MAYOR

February 20, 1980

Resources Committee
House of Representatives
Alaska State Legislature
Pouch V
Juneau, AK 99811

Subject: House Bill 590

Dear Sirs:

This requests your favorable consideration and passage of House Bill 590, proposing a requirement to effect minimum processing for herring in-state.

Where there is an industrial capability in-state to accomodate processing which will inject add-on value from fisheries resources into the State's economy and create additional employment for local residents, it would be in the best interests of Alaska that implementing legislation be effected.

House Bill 590 is a means toward this end and I ask that you support this bill.

Sincerely,

Frank McIlhargey
Economic Development Director

FMCI:lm



CITY OF KENAI
"Oil Capital of Alaska"

P. O. BOX 580 KENAI, ALASKA 99611
TELEPHONE 283 - 7535

February 19, 1980

9:40 a.m.
Night Letter to:

Honorable Clem Tillion, Senator
Honorable Patrick O'Connell, Rep.
Honorable Hugh Malone, Rep.

Dear Sir:

Please accept my full and strongest support for HB 590 concerning herring processing.

Successful passage would be meaningful to the industry and the interests of this city.

Sincerely,

Mayor Vince O'Reilly

cc: Tom Waterer, Salamatof Seafoods, Inc.

VOR:kh



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA ALASKA 99669
PHONE 262-4441

February 20, 1980

DON GILMAN
MAYOR

Tom Waterer, President
Salamatof Seafoods, Inc.
P. O. Drawer 4220
Kenai, Alaska 99611

Dear Tom:

This is to acknowledge receipt of your letter of Feb. 18, 1980, concerning House Bill 590.

After reviewing your letter and the testimony that you gave to the House Resources Committee on Thursday, Feb. 7th, I have determined that I personally am in full accord with your points.

This letter is written to endorse House Bill 590 and if I can be of personal assistance to you in your efforts to secure passage of this bill, please notify me immediately.

Sincerely,

Donald E. Gilman, Mayor
Kenai Peninsula Borough

DEG:mw

PROPOSED CHANGES

HB 590

Original sponsors: Gardiner and Moss

IN THE HOUSE

BY THE RESOURCES COMMITTEE

CS FOR HOUSE BILL NO. 590

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to herring; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. LEGISLATIVE FINDINGS AND POLICY ON HERRING STRIPPING.

(a) Notwithstanding AS 16.10.172, the legislature finds that in certain circumstances the processing technique described in AS 16.10.172(3), commonly referred to as "stripping", provides benefits of such importance to the state economy that the benefits outweigh the waste even if discard of the carcass is involved in the process.

(b) It is the policy of the legislature that the stripping process wherein the carcass is discarded is acceptable only if the herring is taken from waters in which the herring population is large enough to support a stripping industry ~~without substantially reducing the availability of the herring for other uses,~~ and only if the stripping discarding process is conducted in an area of the state where in which adequate meal or local industry either does reduction facilities do not exist within a 50-mile radius or, if it does exist, is insufficient to provide reasonable economic support to the people who live in the area.

WE PREFER SECTION 2 TO BE DELETED, HOWEVER, IF INCLUDED SHOULD READ AS FOLLOWS:

* Section 2. HERRING STRIPPING.

(a) The legislature finds that the area of purchase described in (b) of this section is an area where the stripping purchase of herring for roe is acceptable under the criteria established in sec. 1 of this Act.

(b) Notwithstanding AS 16.10.173 and until July 1, 1981, or 1982 or 1983, *(options) the stripping of commercially taken herring for the purpose of removing and selling the roe product discard is authorized if herring is taken from, and the stripping process occurs within, an area north of 58 degrees latitude; south of 60 degrees latitude; east of 162 degrees 10 minutes 30 seconds longitude; and west of 158 degrees 53 minutes 30 seconds longitude.

* Section 3. AS 16.10 is amended by adding a new section to article 3 to read:

Section 16.10.175. REMOVAL OF HERRING FROM STATE.

(a) It is unlawful for a person to remove herring from the state before the herring has been frozen or otherwise processed for shipment.

(b) In this section, "processed for shipment" includes, but is not limited to, being no stripping or salting of the herring; however, it does not include salting of the herring if five percent or more of the body weight of the herring consists of roe. Such salted herring should be packed in cartons no larger than 200 lbs. net, as is consistent with packaging requirements for food products.

* Section 4. This Act allow easier enforcement and takes effect immediately in accordance with . 01.10.070(c).

evasion of other applicable state and federal laws and regulations.

(f) The provisions of this section apply to foreign vessels and aliens in the internal waters and the territorial sea of the state.

(g) As used in this section

(1) "aliens" means aliens not admitted to the United States with immigrant or other resident alien status under the immigration and naturalization laws of the United States.

(2) "existing ports" means those Alaskan marine ports designated in 19 C.F.R. sec. 12.;

(3) the phrase "foreign vessels and aliens" includes foreign vessels staffed with aliens, foreign vessels staffed with U.S. citizens, and U.S. vessels staffed with aliens, and

(4) "foreign vessels" means vessels not documented under the laws of the United States or documented under the laws of a state.

Authority: AS 16.05.251 AS 16.05.910
AS 16.05.475 AS 16.05.920
AS 16.05.905 AS 16.05.940

ARTICLE 2 SALMON FISHERY

Section

230. Gear
240. General gear specifications and operation
250. Gill net specifications and operation
260. Seine specifications and operation
270. Troll specifications and operation
280. Identification of stationary fishing gear
290. Closed waters

5 AAC 39.230. GEAR. Only those gill nets, seines, troll lines, fishwheels, spears or other appliances as provided for in chs. 03-39 of this title may be used to take salmon.

Authority: AS 16.05.250(3)

5 AAC 39.240. GENERAL GEAR SPECIFICATIONS AND OPERATION. (a) A salmon fishing vessel shall operate, assist in operating, or have aboard it or any boat towed by it, only one legal limit of salmon fishing gear in the aggregate except as otherwise provided in this title.

(b) Unhung gear sufficient for mending purposes may be carried aboard fishing vessels.

(c) A purse seine, hand purse seine or beach seine may not be fished simultaneously with gill net gear by any individual or vessel.

(d) Salmon fishing nets shall be measured, either wet or dry, by determining the maximum or minimum length of the cork line when the net is fully extended with traction applied at one end only.

(e) The interim-use or entry permit card holder is responsible for the operation of the net.

Authority: AS 16.05.251(4)

5 AAC 39.250. GILL NET SPECIFICATIONS AND OPERATION. (a) The trailing of gill net web is prohibited at any time or place where fishing is not permitted.

(b) Set gill nets shall be removed from the water during any closed period.

(c) Gill net web must contain no less than 25 filaments until December 31, 1978. After December 31, 1978, gill net web must contain no less than 30 filaments.

Authority: AS 16.05.251(4)

5 AAC 39.260. SEINE SPECIFICATIONS AND OPERATION. (a) In the use of purse seines and hand purse seines, not more than one anchor may be used to hold the seine, lead and seine boat during a set.

(b) Repealed 3/26/76.

(c) A purse seine is considered to have ceased fishing when all the rings are out of the water.

(d) A hand purse seine is considered to have ceased fishing when both ends of the seine are fast to the vessel.

(e) A beach seine is considered to have ceased fishing when all of the lead line is above the water on the beach.

(f) Where the use of leads is permitted, a purse seine vessel may not have or use more than one lead of legal length and depth, without purse

(3) press releases and announcements in local newspapers and commercial radio stations;

(4) telegrams and commercial radio facilities.
Authority: AS 16.05.060

5 AAC 39.197. UNLAWFUL POSSESSION OF FISH. No person may possess, purchase, sell, barter or transport fish within the state or within waters subject to the jurisdiction of the state if that person knows or has reason to know that the fish were taken or possessed in contravention of chs. 01-39 of this title.

Authority: AS 16.05.251(a)(1) and (b)

5 AAC 39.198. COMMERCIAL FISHING AND RELATED OPERATIONS BY ALIENS NOT LAWFULLY ADMITTED TO THE UNITED STATES. (a) Foreign vessels or aliens or both are prohibited from

(1) the catching, taking, or harvesting of fish resources;

(2) the tendering, offloading, or other movement or handling of fish resources until processing has been completed;

(3) the processing of fish resources; or

(4) any attempt at, preparation for, or assistance of the foregoing, with the intent of disposing of the fish resources for profit, or by sale, barter, trade, or in commercial channels.

(b) As used in this section, "processing" means completion of

(1) cooking;

(2) canning;

(3) smoking;

(4) salting, which means uniformly mixing at a minimum salting level of at least 20 percent of the weight of the fish resources;

(5) drying; or

(6) freezing.

(c) Aliens and foreign vessels are not prohibited from transporting fish resources

outside the state, or engaging in other business activities respecting fish resources, after processing has been completed. Any vessel used pursuant to this authorization, whether domestic or foreign

(1) must not be equipped for the harvesting of fish resources; and

(2) must be in compliance with applicable state and federal laws.

(d) The commissioner, after consultation with the Board of Fisheries, may, under conditions and limitations determined by him, grant a limited exception to this section with respect to a particular fishery and permit foreign vessels to process fish resources at an existing or constructive port, or to transport fish resources outside the state from an existing or constructive port that processing takes place, if he determines after investigation that

(1) the volume of fish resources expected to be taken in the fishery under current regulations exceeds the anticipated processing capability of facilities operated by United States processors;

(2) there is no practical opportunity for United States processors to make emergency arrangements to handle the excess volume;

(3) there is a likelihood of substantial wastage of fish resources taken in the fishery if foreign processing or transportation capacity is not utilized; and

(4) there is no significant likelihood of clandestine foreign fishing operations if the exception is granted.

(e) With respect to paragraph (d) of this section the commissioner may recognize and designate constructive ports, provided

(1) the ports are within the internal waters of the state;

(2) there is no existing port within reasonable running time from fishing grounds which are the subject of a substantial fishery; and

(3) there is no significant opportunity for clandestine violations of (a) of this section or

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 590

Title An Act relating to herring process

Requested by House Resources Committee Date 1-30-80

II. FISCAL DETAIL

Agency Affected Department of Fish and Game

Program Category Affected Natural Resource Management

BRU, Program, or Subprogram(s) Affected Commercial Fisheries

(Note: If more than one budget component* is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This act has no fiscal impact on the Department of Fish and Game.

IV. DATE 1-30-80

PREPARED BY Russell H. Clark

AGENCY Department of Fish and Game

PHONE 465-4120

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

1979
Henry

3500 ^{lbs} SALTED ON FOREIGN Bottoms
(order of Japan)
1000 ^{lbs} SALTED + cut to sound + tickets

9000 Tons Foreign

20,000 - 40,000 lbs

5,000 - 12,000
2,000 - 3,000
15,000
freight
handling

1978

1/2 % SALTED on YAKON Bottoms

SB 391--Penalties for fish buyers who purchase fish from non-permit holders, and for fishermen who catch fish without permits (same as HB 630)

SB 392--Requires specific identification and a picture on limited entry permits issued.

RICHARD B LAUBER

To: Rep Osterback

I came across this
article and thought it
might be of interest
to you and your Committee
when considering HB 590

Rich

Japan's Roe Market In Shambles—NW Concerned

By Bruce Ramsey
Marine Writer

The largest bankruptcy in the history of the Japanese fishing industry has sent waves of concern through the Northwest seafood industry.

The victim, according to the Japan Times, was Hoku-sho Co., one of the largest Japanese wholesalers of imported herring roe (eggs) from the U.S. and Canada. Hoku-sho left behind debts of 31 billion yen, or about \$129 million, owed to 130 creditors. It is not known how many of those creditors are Americans.

According to the English-language Japan Times, the Japanese government has offered low-interest loans to prevent further bankruptcies among fish wholesalers.

Herring roe has been a lucrative part of the Northwest and Alaska seafood industry. The fishery only lasts a few days as it moves northward, from San Francisco Bay to northern Puget Sound to Vancouver Island to Southeastern Alaska to Togiak, Alaska, on the Bering Sea. "It is probably the most rewarding fishery in terms of dollars per hour."

Industry sources say the collapse of Hoku-sho has left the Japanese roe market — the world's only roe herring market — in shambles. They relate a tale of avarice and miscalculation stretching across the North Pacific.

Roe is made into "kazunoko," a delicacy eaten only by Japanese, and only during Shogatsu, the three-day New Year's celebration. This Oriental caviar is traditionally believed to promote virility in men.

In 1972, the Japanese government abolished a government monopoly in roe imports, throwing open the business to the powerful Japanese trading companies. What followed, according to the Japanese newspaper Asahi Shimbun (as quoted in the Alaska Fishermen's Journal) was a frenzied struggle for market share among

the top trading companies, including Marubeni, Taiyo and Mitsubishi.

The height of the competition came during last spring's herring roe fishery off the west coast of Vancouver Island. The year before, the season had ended with roe herring at \$250 a ton at Togiak. Last spring, the fishery companies sent boats stuffed with cash to the herring grounds.

The market price was bid to the \$2,000 to \$3,000 level, and briefly hit \$5,000 (Canadian dollars) a ton. At this price, a lucky fisherman could pay for his boat in one well-placed seine.

Gary Spitz, president of the B.C. Fisheries Association, said last May that one fisherman hauled in \$12 million (Canadian). This was by no means an average catch, but it stirred up a kind of 1929-like fever among many fishermen.

When the wholesale markets for herring roe opened last fall in Osaka, the prices were double the 1978 prices. There was little traded, but prices refused to fall.

The newspapers picked up the story, charging a conspiracy to corner the market and demanding an investigation. "Who's to Blame for the Kazunoko Insanity?" screamed a headline in the Dec. 15 Asahi Shimbun.

Prices stayed high as the Shogatsu holiday approached. "Everybody believed that the market is way up there," said a source in a Japanese seafood company. "Our sources in Tokyo kept telling us the market is fake, that if you look at the volume traded, you'll see it is very low."

He said the high price was mainly achieved by allied companies buying and selling to each other. "This product was never going anywhere," the source said. "It was never leaving the cold storage."

But the Japanese housewife, who was assumed to be willing to pay almost any price for the kazunoko, broke with tradition during the New Year's celebration in January. She boycotted it. Industry sources say only half the kazunoko was sold, and the wholesale price plunged from about \$25 a pound to about \$5.

The price collapse broke Hoku-sho and reportedly caused a substantial loss to Mitsubishi.

"This obviously has caused a great shock at Mitsubishi," said Reid Rogers, chairman of Seattle's New England Fish Co. (Nefco). "We anticipate they will continue in the seafood business once they sort themselves out."

"The bankruptcy had no direct impact on Nefco. We had no direct credits with the company that went bankrupt."

A Mitsubishi spokesman said the Seattle office didn't know anything more than what they read in the Japanese newspapers.

The crash has cast a pall over the upcoming roe herring fisheries off Vancouver Island, Southeastern Alaska and Togiak. At 1979 prices, these fisheries had been regarded as a kind of Irish Sweepstakes, with many small losers but a few huge winners for those who found the herring.

"I can't find a buyer in roe herring," says Lyle Johnson, president of Alaska Canada Fisheries Inc., Seattle. "They smile a lot and say, 'Very risky, very risky.' Canada radically cut the quota (from 11,000 metric tons to 4,000) but even that didn't get them excited."

"I think there'll be a market by the time the season starts in Togiak in May," said Johnson. "But there's nothing happening in roe herring now between the Japanese buyer and the independent U.S. processor."

NEW
CS

Original sponsors: Gardiner and Moss

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 590

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to herring."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 16.10.172 is amended to read:

9 Sec. 16.10.172. LEGISLATIVE POLICY ON UTILIZATION OF HERRING. (a)

10 The legislature finds the following: (1) extensive and valuable herring
11 populations are available for harvest in waters subject to the jurisdic-
12 tion of the state; (2) commercial markets are available for herring
13 processed in several forms; (3) one processing technique presently
14 employed involves deliberately permitting decomposition of the herring
15 carcass to allow for removal and subsequent sale of the roe product,
16 with the consequence that the flesh is unusable and discarded. The
17 legislature finds that in certain circumstances the processing technique
18 described in (3) of this section, commonly referred to as "stripping",
19 provides benefits of such importance to the state economy that the bene-
20 fits outweigh the waste involved in the process. [DECLARES THAT THE
21 PROCESS REFERRED TO IN (3) OF THIS SECTION IS WASTEFUL AND DOES NOT CON-
22 STITUTE UTILIZATION OF THIS RESOURCE FOR THE MAXIMUM BENEFIT OF THE
23 PEOPLE.]

24 (b) It [THEREFORE, IT] is the policy of the legislature that the
25 stripping [THIS] process is acceptable (1) only if the herring is taken
26 from waters in which the herring population is large enough to support
27 a stripping industry described in (2) of this subsection without sub-
28 stantially reducing the availability of the herring for other uses; and
29 (2) the stripping process is conducted in an area of the state where

1 local industry either does not exist or, if it does exist, it is in-
2 sufficient to provide reasonable economic support to the people who
3 live in the area. The legislature finds that the areas described in
4 AS 16.10.173(f) are areas where the stripping of herring roe is accept-
5 able [SHOULD BE ELIMINATED TO THE FULLEST EXTENT POSSIBLE].

6 * Sec. 2. AS 16.10.173(a) is amended to read:

7 (a) Unless otherwise authorized by this chapter it [IT] is un-
8 lawful for a person, as defined in AS 0..10.060 and including a joint
9 venture, to waste or to cause to be wasted any commercially taken
10 herring.

11 * Sec. 3. AS 16.10 is amended by adding new sections to article 3 to
12 read:

13 Sec. 16.10.174. HERRING STRIPPING. The stripping of commercially
14 taken herring for the purpose of removing and selling the roe product is
15 authorized if the herring is taken from, and the stripping process
16 occurs within, an area north of 58 degrees latitude; south of 60 degrees
17 latitude; east of 162 degrees 10 minutes 30 seconds longitude; and west
18 of 158 degrees 53 minutes 30 seconds longitude. *This sec. appears*
in 3 subsec.

19 Sec. 16.10.175. REMOVAL OF HERRING FROM STATE. (a) It is unlaw-
20 ful for a person to remove herring from the state before the herring has
21 been frozen or otherwise processed for shipment.

22 (b) In this section, "processed for shipment" includes, but is not
23 limited to, icing, stripping or salting of the herring; however, it does
24 not include salting of the herring if five percent or more of the body
25 weight of the herring consists of roe.

26
27 *and : relative time.*
28
29



CITY OF KENAI
"Oil Capital of Alaska"

P. O. BOX 580 KENAI, ALASKA 99611
TELEPHONE 283 - 7535

February 19, 1980

9:40 a.m.
Night Letter to:

Honorable Clem Tillion, Senator
Honorable Patrick O'Connell, Rep.
Honorable Hugh Malone, Rep.

Dear Sir:

Please accept my full and strongest support for HB 590 concerning herring processing.

Successful passage would be meaningful to the industry and the interests of this city.

Sincerely,

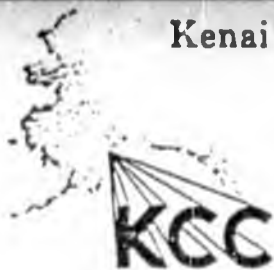
Mayor Vince O'Reilly

cc: Tom Waterer, Salamatof Seafoods, Inc.

VOR:kh

Kenai Chamber of Commerce

P. O. Box 497
Kenai, Alaska 99611
(907) 283-7989



February 20, 1980

House Resource Committee
Alaska State House of Representatives
Pouch "V" State Capitol Building
Juneau, Alaska 99811

Dear Committee Members:

The Greater Kenai Chamber of Commerce has passed a motion in support of HB 590.

Since the fish processing industry is a substantial segment of our economy we have a local interest in this bill. Many summer jobs are provided by the local processors. Herring processing is advantageous because it extends the season for these employees. The additional dollars also circulate in our community to the benefit of the local businesses and, therefore, all of our citizens.

We also feel that in-state manufacturing, refinement, or processing of Alaska's natural resources is a goal that should be pursued within practical limitations. There is no question about the practicality of herring processing.

We urge passage of HB 590.

Respectfully submitted,

Richard I. Morgan
Chairman--Legislative Committee



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

DON GILMAN
MAYOR

February 20, 1980

Resources Committee
House of Representatives
Alaska State Legislature
Pouch V
Juneau, AK 99811

Subject: House Bill 590

Dear Sirs:

This requests your favorable consideration and passage of House Bill 590, proposing a requirement to effect minimum processing for herring in-state.

Where there is an industrial capability in-state to accomodate processing which will inject add-on value from fisheries resources into the State's economy and create additional employment for local residents, it would be in the best interests of Alaska that implementing legislation be effected.

House Bill 590 is a means toward this end and I ask that you support this bill.

Sincerely,

Frank McIlhargey
Economic Development Director

FMcl:tm

City of Soldotna

BOX 409

PHONE 262-9107

SOLDOTNA ALASKA 99669



CITY OF OPPORTUNITY

February 20, 1980

Mr. Tom Waterer, President
Salamatof Seafoods, Inc.
Post Office Drawer 4220
Kenai, Alaska 99611

Dear Tom:

I would like to lend my support to the passage of
HB 590.

I support any effort to enhance the economic devel-
opment of the area and the State of Alaska.

Knowing of your expertise in the area of fish pro-
cessing I take a position of support toward the goals
of Alaskan Processors to process herring to the
fullest degree within the State prior to marketing
outside.

If I can be of further assistance, please feel free
to contact me.

Sincerely,

Thomas R. Bearup . . .
Mayor

TRB/ef



KENAI PENINSULA BOROUGH

BOX 850 • SOLDOTNA, ALASKA 99669
PHONE 262-4441

February 20, 1980

DON GILMAN
MAYOR

Tom Waterer, President
Salamatof Seafoods, Inc.
P. O. Drawer 4220
Kenai, Alaska 99611

Dear Tom:

This is to acknowledge receipt of your letter of Feb. 18, 1980, concerning House Bill 590.

After reviewing your letter and the testimony that you gave to the House Resources Committee on Thursday, Feb. 7th, I have determined that I personally am in full accord with your points.

This letter is written to endorse House Bill 590 and if I can be of personal assistance to you in your efforts to secure passage of this bill, please notify me immediately.

Sincerely,

A handwritten signature in cursive script that reads "Donald E. Gilman".

Donald E. Gilman, Mayor
Kenai Peninsula Borough

DEG:mw

Salamatof Seafoods, Inc.



P. O. Drawer 4226

Kenai, Alaska 99611

Phone: (907) 283-7000

February 18, 1980

City of Kenai
P.O. Box 580
Kenai, Alaska 99611

Attn: Mayor Vincent O'Reilly

Gentlemen:

This letter will serve to advise you of a very important bill currently in the House which we believe has the potential to provide tremendous economic impact upon the City of Kenai and the entire Borough. Enclosed you will find a copy of HB 590, relating to a requirement to effect processing of herring within the State's jurisdiction. As President of Salamatof Seafoods, Inc., a substantial employer in the City of Kenai and the Kenai Peninsula Borough, I solicit your support for this most important bill.

It has the impact of not only creating employment, but also of plant utilization and in-State quality control. Stepwise this bill may create a vehicle for further guidelines requiring the maximum value added to be realized within the State for all species of our seafood resources. This I strongly advocate.

Referring specifically to herring, I have included an outline from my testimony before the House Resource Committee on Thursday, February 7th. The notes are not fully descriptive since it was my outline, however, the points are basically:

1. If Alaska wishes to receive the maximum benefit from a seafood harvest, it must so direct the processing industry by legislative action, otherwise, overhead and labor will be utilized elsewhere wherever possible.
2. The adverse market reputation for quality of Alaskan seafood can only be overcome by greater quality control measures. This, in turn, can only be scrutinized as processing occurs within the State's jurisdiction.
3. The current economic depression of the Alaskan seafood industry and especially of the Kenai Peninsula processors can be in part lessened by proper utilization of the vast herring resource just recently proven economically so important.
4. In a worst case analysis and in an industry based out of State, there would be left to the State only \$18 per ton or less by way of taxes for the herring harvested. This correlates to a State-wide return of \$720,000-\$900,000. If a best case analysis is a stake, a first wholesale value by in-State processors of up to \$100 Million Dollars of new dollars in 1980 can be realized. These new dollars, in turn, have even greater

City of Kenai
Attn: Mayor Vincent O'Reilly
February 18, 1980

impact when the particular multipliers are realized via the economics involved.

5. Our industry rule of thumb is that each ton of herring processed to the roe finished product requires about two man days of labor. If the projected Bristol Bay harvest were all processed to the roe state, it would create about 60,000 man days of employment for process workers. This is in addition to the employment of the fishermen and tendermen levels. Processing to a frozen state would require comparable labor plus capital investment only of a slighter consequence. Salting or brining of herring requires an inconsequential labor impact and, hence, a tremendous economic loss to the State and Borough.
6. Of the 1980 Bristol Bay harvest, we estimate it is probable that a minimal 20% will be processed by Kenai Peninsula processors if the product is not taken from them via foreign bulk transport means. If this is the case, at stake is a minimum 12,000 man days of labor plus the sales dollars generated into the economy by the particular Borough seafood processors involved. This will have impact upon the transportation industry and related supply industry and numerous other segments of our local economy.
7. In both the Canadian province of British Columbia and the state of California, the tremendous impact of requiring in-province or in-state processing has been realized. In each of those areas, legislation for the purpose of limiting the exports of unprocessed seafood, and especially herring, has been effected much more strictly than is proposed by HB 590. In both of those areas it has been realized that if the resource is to be harvested, it should be for the maximum economic benefit, which can only be realized by the export of the finished product.

I thank you for your consideration of this hastily prepared message. The time factor involved is that currently the matter will be brought before House Committee again on Thursday, February 22nd. I solicit a strong and immediate support of this bill to our Representatives as you deem appropriate.

Sincerely,

SALAMATOF SEAFOODS, INC.

Tom Waterer, President

TW:dle

Enc: HB 590

Testimony Outline - House Resource Committee

cc: House Speaker Terry Gardiner
Senator Clem Tillion
Representative Hugh Malone

Mayor Tom Bearup - Soldotna
Mayor Don Gilman - Kenai Pen. Bor.
Mr. Frank McIlhargey, Econ. Dev. Coun.
Mr. George Ford, Kenai Chamb. Commerce

I. INTRODUCTION

A Company - 100% Alaskan owned; incorporated in the State in 1973:

Size, volume, position in industry, particularly in herring, employment, 1979 raw fish tax discussions.

B. Personal -

Time in industry, 18 years fisherman - processor.
Formal education in Biological Sciences.

II. ORIENTATION

Alaska should review its entire philosophies regarding management of its fishing industry. In light of the fact that its 1979 ex-vessel values alone were on the order of 700 Million Dollars, this thought should surely bear some consideration.

However, true impact of fisheries is fact that in addition to this 700 Million is added substantial payrolls of the State's processors and the notable multiplier effect this has on Alaskan economy, especially in light of the fact that generally these are imparted dollars injected directly into the private sector.

Noting that the socio-economic impact is so great it stands that some consideration be given to how best to manage the economics of a fishing as to the best benefit of Alaska and its citizens.

In my opinion HB 590 is one of first examples of such legislation.

The unfortunate reality - usually fisheries are managed only on premise that when a biological surplus exists it should be harvested by whatever means available w/o due consideration of the particular socio-economics involved. This, of course, is as much a fallacy as is conservation for the sake of conservation. I say, what purpose is there for Alaska to allow harvest if there is not maximum benefit to the State and its citizens to do such? It is time that biological management be coupled with economic management and by economic management I mean maximizing economic benefit to State, its resident fishermen, its processors.

I strongly advocate Alaska proceed stepwise toward maximizing value added within the State. Since processing in the fishing industry is very labor intensive, Alaska can only benefit by such direction. Benefit to labor, transport, taxes, etc.

In the case of HB 590, we strongly support it and suggest that since Alaska herring industry is just now experiencing a rapid growth, now is the time to set the guidelines by which to create the most value to the State via in-State processing, and at the same time insure the quality reputation.

DEFINE
PROCESSING
IN CASE
OF HERRING

Without protection of bills such as HB 590, in-State processing will not only not develop, but will likely decline once the alternate modes of handling are developed. This is especially true for herring, since roe in fish can be easily preserved in unprocessed state long enough to allow cheap bulk transport to outside and generally foreign processing facilities where plants already exist, and labor is tremendously cheaper.

What's at stake -- herring -- a probably 1980 1st whole value to processors at up to 100 Million Dollars, depending upon actual volume harvested, quality and current market development. If fully realized, and if properly regulated, the large bulk of those dollars can enter the economy; and being new dollars to the State, would be magnified greatly in impact due to the related multiplier of the particular economies.

What is the worst case if HB 590 doesn't pass?

- *Multitude of Canadian processing plants waiting idle, even greater Japanese trampers carrying lightly salted fish to Korea and Japan. These are being prepared now.

- *1979 Togiak example

 - Trampers, 300-400 ft. tanker barges

- *Once proven, these could transport from SE, CI, PWS, anywhere.

Since out-of-state operators have a greater tendency to attract non-resident fishermen and since this is a developing non-limited fishery, there are a multitude of fishermen from Bellingham, Seattle, Astoria, San Francisco, and S_____ wishing to join these operations.

In a worse case analysis, an out-of-state fisherman, tenderman, barge, or tramper operator, travel to Bristol Bay to harvest and transport the fish out. In 1979 the Bristol Bay case was about \$600/ton. Alaska gets 3% or \$18 return.

Extending the worst case to 40-50,000 state-wide harvest, Alaska gets \$720,000-\$900,000 in raw fish tax--nothing else.

Obviously this won't result, for all herring close to 50% value is likely lost.

We are required to capitalize in Alaska labor, identify each carton by packer origin, and our Alaska health number, where is this, and Alaska quality control on tanker operations hauling product to Canada or Korea?

* Processing does exist in Alaska.
Canadian herring restrictions.

Bering Sea st apply.

Rep. Cotter (Sam) Rules House Committee

Steven Noyer Dir. Commercial Fisheries

Similar
Unprocessed fish is now required
Classifying processing

*Foreign not acceptable any
cooking, canning, salting - 20%, freezing.

*Salting not acceptable - in every case the purpose is to get roe.

**Processing required 2 man days/ton for roe

16.10.162

It is policy of legislature process shall be eliminated
Ref. to item 3.

*No reason to utilize carcasse.

1979 take	(52,000,000	(9,000,000 is bait)
	(900,000	kelp
	(43,000,000	roe

Bristol Bay 70% salted

Herring is most numerous species in world.

**Salting accomplishes nothing.

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§ 16.10.130

FISH AND GAME

§ 16.10.172

(4) better manage the fishery by providing a visible means of determining how much gear is actually being fished."

Sec. 16.10.130. Penalties for violation of § 120 of this chapter. A person who violates § 120 of this chapter is guilty of a misdemeanor, and upon conviction is punishable by imprisonment for not more than six months, or by a fine of not more than \$1,000 or by both. (§ 2 ch 26 SLA 1959)

Editor's note. -- Section 4, ch. 103, SLA 1977, effective August 1, 1978, amended this section to read as follows: "Sec. 16.10.130. Penalties for violation of §§ 120 — 125 of this chapter. A person who violates §§ 120 — 125 of this chapter is guilty of a misdemeanor and upon conviction is punishable by imprisonment for not more than six months, or by a fine of not more than \$1,000, or by both.

Section 1, ch 103, SLA 1977, provides: "INTENT It is the intent of this Act to require positive identification of shellfish

pots or buoys, or both, used in the taking of king crab within areas in which the Board of Fisheries has regulations limiting the total amount of gear allowed per vessel in order to

- (1) more adequately enforce shellfish pot limits for king crab
- (2) assist in preventing the theft of gear;
- (3) prevent the transfer of gear to prohibited areas; and
- (4) better manage the fishery by providing a visible means of determining how much gear is actually being fished."

Article 3. Herring Spawn.

Section
140 — 170. [Repealed]
172 Legislative policy on utilization of herring

Section
173 Utilization of commercially taken herring

Secs. 16.10.140 — 16.10.170.
Repealed by § 2 ch 91 SLA 1970.

Sec. 16.10.172. Legislative policy on utilization of herring. The legislature finds the following: (1) extensive and valuable herring populations are available for harvest in waters subject to the jurisdiction of the state; (2) commercial markets are available for herring processed in several forms; (3) one processing technique presently employed involves deliberately permitting decomposition of the herring carcass to allow for removal and subsequent sale of the roe product, with the consequence that the flesh is unusable and discarded. The legislature declares that the process referred to in (3) of this section is wasteful and does not constitute utilization of this resource for the maximum benefit of the people. Therefore, it is the policy of the legislature that this process should be eliminated to the fullest extent possible. (§ 1 ch 9 SLA 1977)

Effective date. — Section 2 ch 9, SLA 1977, provides "This Act takes effect January 1, 1978"

Sec. 16.10.173. Utilization of commercially taken herring. (a) It is unlawful for a person, as defined in AS 01.10.060 and including a joint venture, to waste or to cause to be wasted any commercially taken herring.

(b) As used in this section, "waste" means the failure to use the flesh of commercially taken herring for reduction to meal, production of fish food, human consumption, food for domestic animals, scientific or educational purposes, or round herring bait. Normal, inadvertent loss of flesh associated with the uses described in this subsection which cannot be prevented by practical means does not constitute waste. The commissioner may authorize other uses of commercially taken herring not inconsistent with the intent of this section and § 172 of this chapter at his discretion upon receipt of a request accompanied by a detailed justification.

(c) For purposes of this section, "flesh" means all muscular body tissue surrounding the bony skeleton of the herring.

(d) The Board of Fisheries may adopt regulations under the Administrative Procedure Act (AS 44.62) it considers necessary for implementation of this section. The board may delegate its authority under this section to the commissioner.

(e) The provisions of this section do not apply to herring taken commercially in the Bering Sea (including appurtenant bays, sounds, estuaries, and water of the state) north of 56° North Latitude, until January 1, 1979. (§ 1 ch 9 SLA 1977)

Effective date. — Section 2, ch 9, SLA 1977, provides "This Act takes effect January 1, 1978."

Article 4. Migratory Fish and Shellfish.

Section	Section
180 Legislative findings	220 Penalties for violation of §§ 200 and 210 of this chapter
190 Regulations	230 Exemptions
200 Unlawful taking prohibited	
210 Unlawful sale or offer prohibited	

Sec. 16.10.180. Legislative findings. The legislature finds and recognizes these facts.

(1) Migratory fish and migratory shellfish are present in commercial quantities inside and outside the territorial waters of the state.

(2) Migratory fish and migratory shellfish taken from the waters of the state are indistinguishable, in most cases, from those taken from the adjacent high seas.

(3) Substantial quantities of migratory fish and migratory shellfish move inshore and offshore intermittently and at various times during a given year and in so doing often enter and leave territorial waters of the state.

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Effect of amendment. — The 1975 amendment deleted "rule or" preceding "regulation" near the middle of the section and substituted "Board of Fisheries" for "board" near the middle and near the end.

Cited in *Hjelle v. Brooks*, 424 F. Supp. 595 (D. Alas. 1976).

Sec. 16.10.220. Penalties for violation of §§ 200 and 210 of this chapter. A person who violates §§ 200 and 210 of this chapter is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$5,000 or by imprisonment for not more than one year, or by both. (§ 5 ch 121 SLA 1960)

Sec. 16.10.230. Exemptions. Sections 180 — 220 of this chapter do not apply to

(1) those species of salmon in international waters of the Pacific Ocean which are regulated by the International Pacific Salmon Fisheries Commission or by laws of the United States or rules or regulations promulgated under those laws;

(2) the use of nets for fishing for or taking salmon for the purposes of scientific investigation authorized by state law; and

(3) existing laws and regulations prohibiting the taking of salmon by means of nets on the high seas. (§ 6 ch 121 SLA 1960)

Article 5. Transportation of Fish and Shellfish.

Section

240 Transportation of King, Dungeness or Tanner crab

250 Penalty

Sec. 16.10.240. Transportation of King, Dungeness or Tanner crab. No person may take out of, ship, transport, or send from this state any live King crab, species *Paralithodes camtschatica*, live Dungeness crab, species *Cancer magister*, or live Tanner crab, species *Chionoecetes bairdi*, except that all of these species may be shipped live via air freight after pre-packaging. (§ 1 ch 33 SLA 1962, am § 2 ch 5 SLA 1966, am § 1 ch 14 SLA 1969)

Legislative committee reports. — For 14 SLA 1968 (CH 172 am SL see 1969 report on ch. 5, SLA 1966 (SB 182) see 1966 House Journal, p. 216 House Journal, pp. 30, 51. For report on ch.

Sec. 16.10.250. Penalty. A person, association, or corporation violating § 240 of this chapter or contributing to or cooperating in the violation of § 240 of this chapter is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$5,000, or by imprisonment for not more than one year, or by both. Each unlawful removal of live crab is a separate offense. Vessels and equipment used in or in aid of a violation of § 240 of this chapter may be seized and disposed of as provided in AS 16.05.190. Conviction under § 240 of this

Article 7. General Provisions.

Section	Section
905 Alien activities prohibited	930 Exempted activities
910. Penalty	940 Definitions
920. Certain acts made unlawful	950. Title of the chapter

Sec. 16.05.905. Alien activities prohibited. Alien persons not lawfully admitted to the United States are prohibited from engaging in commercial fishing activities or taking marine mammals in the territorial waters of the State of Alaska as they presently exist or may be extended in the future. (§ 1 ch 85 SLA 1964)

Sec. 16.05.910. Penalty. Any alien person who violates § 905 of this chapter is guilty of a misdemeanor, and upon conviction is punishable by a confiscation and forfeiture of the fishing vessel used in such violation, or by imprisonment of any such person for not more than one year, or by fine of not more than \$10,000, or by all or any two of the foregoing punishments. (§ 2 ch 85 SLA 1964)

Sec. 16.05.920. Certain acts made unlawful. (a) Unless permitted by this chapter or by regulation made under this chapter, it is unlawful for a person to take, possess, transport, sell, offer to sell, purchase or offer to purchase fish, game or marine aquatic plants, or any part of fish, game or aquatic plants, or a nest or egg of fish or game

(b) No person may knowingly disturb, injure or destroy a notice, signboard, seal, tag, aircraft, boat, vessel, automobile, paraphernalia, equipment, building or other improvement or property of the department used in the administration or enforcement of this chapter, or a poster or notice to the public concerning the provisions of this chapter, or regulation adopted under this chapter, or a marker indicating the boundary of an area closed to hunting, trapping, fishing or other special use under this chapter. No person may knowingly destroy, remove, tamper with, or imitate a seal or tag issued or used by the department or attached under its authority to a skin, portion, or specimen of fish or game, or other article for the purpose of identification or authentication in accordance with this chapter or a regulation adopted under this chapter. (§ 28 art 1 ch 94 SLA 1959, am. § 3 ch 110 SLA 1970)

State may regulate extraterritorial fishing — Paramount rights in the seabed and subsoil beyond the three-mile limit were vested in the federal government. However, that principle of federal exclusivity does not preclude state regulation of fishery resources in the waters over the seabed State v. Seminski.

Sup Ct Op No 1339 (file No 2544) 36 P 2d 929 (1956)

Enforcement of the state's regulatory scheme in a case involving crab-fishing activities in extraterritorial waters was within the sphere of the state's prerogative to regulate extraterritorial fishing. State v.

Criterion in determining cost of license. residence of the operator of the gear. 1959
— In determining the amount to be paid for Op Att'y Gen., No. 38
fishing gear licenses, the criterion is the

Sec. 16.05.680. Unlawful purchases. It is unlawful for a person, his agent, or his representative

(1) to have in his employ a fisherman who is not licensed under § 480 of this chapter,

(2) to purchase fish from a fisherman who is not so licensed, if the fisherman is not exempt under § 660 of this chapter from the license requirement of § 480 of this chapter without regard to the employment or purchase, or

(3) to purchase fish from an association which is not exempt under § 662 of this chapter. (§ 10 art III ch 94 SLA 1959; am § 2 ch 96 SLA 1963; am § 2 ch 73 SLA 1970)

Editor's note. — Section 11, ch. 105, SLA 1977, effective January 1, 1978, amended this section to read as follows "It is unlawful for a person, his agent, or his representative

"(1) to have in his employ, in the harvesting, transporting or purchasing of fish, a fisherman who neither is licensed under § 480 of this chapter nor is the

holder of a permit issued under ch. 43 of this title.

"(2) to purchase fish from a fisherman who neither is the holder of a permit issued under ch. 43 of this title, nor is exempt under § 660 of this chapter, or

"(3) to purchase fish from an association other than one to which a permit has been issued under § 662 of this chapter."

Sec. 16.05.685. Processing on commercial crab fishing vessels. (a) It is unlawful to process any species of crab on a commercial crab fishing vessel unless

(1) the vessel remains within one registration area from the time the crab is caught to the time of dock delivery;

(2) the operator of the vessel notifies the department of proposed changes in location before moving to another registration area, and

(3) the operator of the vessel provides quarters for inspectors of the department who may inspect the crab catch on the vessel at any time.

(b) The restrictions set out in (a) of this section do not apply to processing aboard the fishing vessel for and as donations to charity, for consumption aboard the vessel, or for dockside retail sales from the vessel.

(c) In this section,

(1) "process" means to butcher, cook, chill, or freeze crab for commercial use,

(2) "registration area" means a specific king crab registration area as designated by regulation of the Board of Fisheries and includes the Bering Sea shellfish area and the western Aleutian Islands king crab area (4 2 ch 70 SLA 1974, am § 12 ch 206 SLA 1975)

Effect of amendment. — The 1975 Fisheries for "Board of Fish and Game" amendment substituted "Board of Fisheries" in paragraph (2) of subsection (c)