

SCOMM

#36:5

HOUSE SPECIAL COMMITTEE
ON FISHERIES
April 5, 1983
4:07 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Fuller, Vice-Chairman
Rep. McBride
Rep. Bussell
Rep. Goll

Members Absent: Rep. Grussendorf
Rep. Zharoff

COMMITTEE CALENDAR

Discussion on Salmon Wholesale Average Price
Reporting

WITNESS REGISTER

Melvin Monsen
Aide
House Special Committee on Fisheries
Pouch V
Juneau, Alaska 99811
465-4924

PREVIOUS ACTION

NONE

ACTION NARRATIVE

TAPE#29
Recording
Number 0001

Chairman Herrmann called the meeting to order at 4:07 p.m., and announced the first order of business to be a discussion on Wholesale Price Average Reports for salmon. She stated that price negotiating in Bristol Bay has in the past not gone very smoothly.

Chairman Herrmann introduced Melvin Monsen, Professional Aide to the Special Committee on Fisheries to give the committee members an update on the current wholesale price draft legislation.

Number 0027

Rep. Fuller stated that apparently the

fishermen do need some legislation help in order to make the negotiating process a little easier on all parties involved.

Number 0034

Chairman Herrmann stated that some of the fishermen in western Alaska have signed contracts with the processors in order to do away with the strikes.

Number 0047

Mel Monsen began his presentation on the background information of the Wholesale Price Average Bill that will probably be coming up in the near future. The reason for this bill is, the Alaska Independent Fishermen's Marketing Association (AIFMA) has signed a new contract that has been tried before but hasn't been successful. This type of settlement has an initial base price payoff and following the sales of the salmon during the winter and spring, a final price payment will be given to the fishermen based on what the processor got for his pack selling at wholesale. The contract that AIFMA has signed with most of the processors in Bristol Bay is a multi-year agreement in that the next year's price is based on the previous year's base price; plus again a portion of the wholesale price during the following winter. It has the ability of solving the problems of having price determination strikes in Bristol Bay and everywhere else in the state if this system is successful.

Number 0075

Rep. Fuller asked if it was a negotiated price for three years with perhaps a bonus connected with it and if it was a contract using the base price of the first year for every year that follows.

Number 0081

Mel Monsen answered yes to Rep. Fuller's first question regarding the bonus and said no to the second question. The way the contract is worded, (the contract with Peter Pan Seafoods) is the fishermen would receive 58¢ a pound for canned red salmon within four weeks of the end of the fishing season and then on May 1, 1984, based on the wholesale price determination they would get a final payment that is basically equivalent to 44% of the wholesale price with certain factors involved. For the 1984 salmon season, the fishermen would receive 75% of the 1983 season's final settlement as their

base price, plus the settlement for their final payment in the following May. The process would continue for the next season using the previous year's prices.

Number 0106

Rep. Fuller stated that the contract before him is very complicated and asked if it was necessary for them to understand it fully.

Number 0112

Chairman Herrmann stated that the legislation that will be introduced by Senator Kerttula did have a lot of problems with the processors. Chairman Herrmann said she attended a meeting with the Department of Revenue, United Fishermen of Alaska, and a number of other people and Rick Lauber the Alaska Manager of Pacific Seafood Processors Association who was not present, and at this meeting they thought they could get approval so the Governor could introduce this bill. There was consensus among the group but the processors didn't agree with the way it was working.

Number 0125

Rep. Fuller asked legislatively where does their responsibility lie and what do they have to know in order to make an intelligent decision.

Number 0133

Mel Monsen continued his testimony and stated that the area that the legislature should take care of to help the fishermen with this contract is the area that used to be under the Department of Revenue called Reporting of Salmon Prices, Section 43.80.035 of the statutes. This Reporting of Salmon Prices was established originally because the state tax on processors was based on the wholesale price. This was changed a few years ago to the Raw Fish Tax and so this section was no longer needed for its original use. A clause was added that would phase this section out anytime it wasn't used for any given year for any given fishery. This section of the statutes is no longer usable to determine wholesale prices for the fishermen's contracts. So, a new one has been worked on and two bills have been drafted. The first bill had some problems, so a second bill was drafted that basically moves everything over to the Department of Commerce and Economic Development, because they have the computer facilities and the technical people to handle it without new

capital costs for equipment.

What happened under the first draft was the Department of Revenue would have to send out a form to the processors requesting them to turn in information. The form was very complex and the processors came back saying, "this form is unworkable and it would cost millions of dollars to report in this way." This caused the second bill to be drafted which still has the Wholesale Price Average being determined. But the way it will be done is; the Department of Commerce and Economic Development will determine it with an individual from the Department that will take a significant random sample of processors rather than having all of the processors turn in the information. There are still problems with the second draft which states that wholesale averages must be determined for canned, fresh, frozen and cured salmon, but in the contracts it is only required for canned. There is a meeting on April 8, 1983, between the processors, fishermen's organizations, Department of Commerce and Economic Development, and Department of Revenue in which they hope to come to a decision on the problem areas. All parties involved seem to be working together well and they hope to get these problem areas worked out before the legislation is introduced in order for it to go through smoothly.

Number 0209

There was discussion between the committee members as to whether the House Special Committee on Fisheries should introduce a bill similar to Senator Kerttula's bill.

Number 0239

Rep. McBride stated that the committee should discuss and have a working knowledge of what is happening. It is a complicated situation and the committee should have knowledge as to why it didn't work before. Fishermen are very willing to think that wholesale is wholesale, and their problem seemed to be that they didn't feel the processors were reporting the wholesale price and that's why they've asked the state to do this job. Rep. McBride continued by stating that he didn't think the fishermen understand what "wholesale" means. As written in the second draft bill, "wholesale

price" is defined as, all receipts whether in the form of money, credits or other considerations. This doesn't answer the problem when some processors own brokerage firms. If this processor sells to his brokerage firm, he's not going to care whether he makes his profit on the processing side or the brokerage firm's side. The fishermen have to be satisfied when this is all done that all the questions are being answered.

Number 0263

Mel Monsen stated that in the AIFMA contract, this particular problem was addressed regarding sales within affiliated companies and that there were problems such as this in past contracts. It does not address this in the draft of the legislation, but Mel Monsen stated he had spoken to Cass Parsons of UFA and she said she would address the definition of 'wholesale' at the April 8th meeting.

Number 0281

Rep. McBride stated that another topic that has discouraged the fishermen was, they didn't feel that the processor should give discounts. But this is one way that the salmon sell and the fishermen don't understand this. We have to answer all of these questions to everyone's satisfaction, said Rep. McBride.

Number 0295

There was discussion on whether the committee should introduce its own bill.

Number 0310

Rep. Goll asked if the primary purpose of this proposed legislation is to provide a bargaining tool for fishermen's organization to use in developing contracts with their local processors.

Number 0316

Mel Monsen said yes, it would give a credible source for a wholesale average that both processors and fishermen would be able to point to for final determination of price contracts. Without this, long term contracts are not going to be possible.

Number 0323

Rep. Goll was concerned that this requirement would discourage new processing ventures.

Number 0350

Chairman Herrmann stated that this requirement is needed to eliminate strikes.

Number 0360

Rep. Goll stated that there is a great diversity of organizations in both the marketing and the selling of fish plus the new individuals who would like to enter into the processing and marketing industry who may not be able to meet these prices set in the contracts for their first year. He stated that he wouldn't want to see a standard set.

Number 0366

Chairman Herrmann stated she felt they are not setting a standard. The contracts vary for different fishermen's organizations and different areas.

Number 0372

Rep. McBride stated that the parties can negotiate any way they want to; all the legislature is doing is providing credible information that both sides can look at and make their own decisions from.

Number 0380

There was further discussion on whether to have a Special Committee on Fisheries' bill. Chairman Herrmann stated that it would be best to wait until after April 8 meeting to decide what to do. The reason this topic of discussion was brought before the committee was to inform the committee members about this piece of legislation that will be introduced in the near future.

Number 0404

Rep. Goll asked Mel Monsen if there were specific points in Senator Kerttula's bill that would require changing.

Number 0406

Mel Monsen went on to explain the certain problem areas. The section that describes the canned, fresh, frozen, and cured reporting requirement was unfavorable for the processors because of the many options of fresh, frozen and cured. They wouldn't be able to be covered adequately with a wholesale average and that maybe a range should be included. Also, the section that requires averages for each administrative area was also unfavorable by some processors.

Number 0418

Chairman Herrmann stated that sometimes it's a benefit for the contracts to pertain to just administrative areas; and asked for clarification from Mel Monsen.

Number 0423

Mel Monsen explained that if the fishermen's

association felt that there was a significant difference in the wholesale average of their area compared to a statewide average, they've always got the option in their contract to appoint an independent auditor to look at the processor's books and take a wholesale average from that. There are certain fishermen's associations who are interested in just administrative area averages.

Number 0435

Rep. McBride stated that problems are going to arise unless the administrative area topic is addressed.

Number 0440

Rep. Bussell questioned regarding joint ventures.

Mel Monsen explained that "no, the reporting wouldn't affect the joint ventures".

Number 0444

Mel Monsen pointed out that the other problem area was the "wholesale price" definition which had already been discussed earlier in the meeting. Mr. Monsen further pointed out to the committee members, certain letters included in the packets from a number of different parties involved: AIFMA supports the legislation along with Peter Pan Seafoods; Nelbro Packing Company expressed concern over the first draft of legislation which included all of the different types of processing; a letter from UFA to Lennie Boston of the Governor's Office concerning the initial draft which has some explanation for rationale behind the legislation; and a piece of testimony from the Cordova District fishermen's Union which is a couple of years old but pertains to the same issue.

Number 0480

It was decided that they would stick with the second draft and would wait until after the April 8th meeting to decide what action the committee would take.

Number 0494

Mel Monsen stated that the processors' basic concern was with the cost of providing the information.

Number 0500

Chairman Herrmann stated that at Thursday's meeting they would discuss the committee members' fisheries priorities. Also a report from Mel Monsen regarding what went

on at the Board of Fisheries meetings in Anchorage.

Number 0510

Chairman Herrmann adjourned the meeting at 4:40 p.m.