SCOMM

74:16

SENATE SPECIAL COMMITTEE ON DOMESTIC AND
INTERNATIONAL COMMERCIAL FISHERIES
February 24, 1992
1:38 P.M.

MEMBERS PRESENT

Senator Dick Eliason, Chairman
Senator Sam Cotten
Senator Lyman Hoffman
Senator Lloyd Jones
Senator Fred Zharoff

OTHER MEMBERS PRESENT

Representative Loren Lehman

COMMITTEE CALENDAR

Hatchery Review Project Draft Report and Options for Legislative Action

WITNESS REGISTER

John McMullen
P.O. Box 1110
Cordova, Alaska 99579

Don Amend
Southern Southeast Regional Aquaculture Association
2721 N. Tongass
Ketchikan, Alaska 99901

Bart Watson, Executive Director
Armstrong-Keta, Inc.
P.O. Box 21990
Juneau, Alaska 99802

Henry Mitchell
Bearing Sea Fishermen's Association
725 Christensen Dr.
Anchorage, Alaska 99502

Robert Gigler
7447 O'Brien
Anchorage, Alaska 99507

Nancy Hillstrand
P.O. Box 674
Homer, Alaska 99603

Jim Bacon
Southeast Alaska Seiners Association
P.O. Box 9579
Ketchikan, Alaska 99901

Chris Chavasse
P.O. Box 15003
Homer, Alaska 99603

Fred File
P.O. Box 181
Petersburg, Alaska 99833

Dave McFadden
P.O. Box 608
Petersburg, Alaska 99833

Kris Norosz, Director
Petersburg Vessel Owners Association
P.O. Box 232
Petersburg, Alaska 99833

Deborah Lyons
Petersburg, Alaska 99833

Pete Esquiro
1308 Sawmill Creek Rd.
Sitka, Alaska 99835

Larry Malloy
Kodiak Regional Aquaculture Assoc
104 Center Ave.
Kodiak, Alaska 99615

Oliver Holms
Kodiak Regional Aquaculture Association
P.O. Box 3865
Kodiak, Alaska 99615

Bruce Eagle
P.O. Box 305
Wrangell, Alaska 99929

Tom Mears
Cook Inlet Aquaculture Association
HC2, P.O. Box 849
Soldotna, Alaska 99669

Paul McCollum, Executive Director
Valdez Fisheries Development Association

P.O. Box 125
Valdez, Alaska 99686

John Carter, President
DiPac
Juneau, Alaska 99801

Jerry McCutcheon
Anchorage, Alaska

ACTION NARRATIVE

TAPE 92-2, SIDE A
Number 001

SENATOR ELIASON called the Senate Special Committee on Domestic and International Commercial Fisheries meeting to order at 1:38 p.m. and announced they would consider the Hatchery Review Project Draft Report which he wanted people to look at as a beginning.

JOHN MCMULLEN, President, Prince William Sound Aquaculture Corporation, said they agree with the goal of the state hatchery program which is to produce additional salmon to supplement the existing wild salmon stocks. They realize the question still being asked is what the salmon enhancement program was expected to be - replacement, supplemental, or developmental. They see it as economic development within the guidelines of optimum sustained yield of wild and hatchery stock as described in the State Constitution.

Regarding Chapter 3 on Trends he commented they believe new markets for domestic production can be developed based on competitive pricing and new products. He said they are hearing with increasing frequency that fresh frozen salmon is superior to all but the freshest of salmon.

On Chapter 4 regarding management of mixed stock fisheries, he said there are examples statewide of fisheries that harvest large numbers of salmon without regard for individual stocks.

PWSAC has the most extensive tagging program in the state with the cooperation of ADF&G. The user pay concept is one they urge should be decided.

Number 173

On legal issues they believe the legislature never meant to allow the Board of Fish power to limit hatchery production.

They believe the goals of the Regional Salmon Enhancement

Program should be optimum sustained yield of a combination of wild and enhanced stocks with the foremost regard for the maintenance of the wild stocks, Mr. McMullen said.

Composition of the Regional Planning teams should not be changed. He thought the ADF&G should coordinate the statewide planning process. The value of that is the good ideas and procedures arising from individual teams can be shared with other planners.

They disagree with moratoriums on hatchery production which disregard the optimum sustained yield concept.

The carrying capacity of the ocean changes on a continuing basis, Mr. McMullen said. More information is needed for assessment of inshore and offshore growth and survival of salmon.

On funding of private non-profit hatcheries, PWSAC dedicates 70% of returning hatchery fish to the common property fisheries. The remaining 30% is used for brood stocks and cost recovery. Deferment of payment on state loans is necessary to provide for hatchery stock development.

They are concerned that some people seem to believe that hatchery production, not total Alaskan or world production of salmon, is the cause of price declines.

They support the efforts of groups throughout Alaska who use the resources at hand to better their lives and think of enhancement as a tool for economic development.

Mr. McMullen also pointed out enhancement has contributed significantly to king and coho non-commercial fishing.

Number 290

SENATOR COTTEN asked how the Prince William Sound Aquaculture Corporation was doing after a terrible year. MR. MCMULLEN said the Board of Directors authorized him to negotiate contracts for preseason sales of all their fish instead of selling only in season as a way to mitigate bad prices if they happened again in the future.

Number 341

SENATOR JONES asked if he planned on keeping the ratio of pinks to coho, chum, and sockeye the same. MR. MCMULLEN answered the coho and sockeye require a lot more water to rear than pink salmon which are pretty easy. He said their program is at a stable plateau right now.

SENATOR JONES asked how long they figured cost recovery would take. MR. MCMULLEN said it depends on how long it takes to build brood stock which is six years for pink salmon.

Number 400

REPRESENTATIVE LEHMAN asked him to comment on the claim that hatcheries impact the price of other markets. MR. MCMULLEN answered the markets can be developed for use of hatchery fish so their production would be market driven. They are devoting their time and funds to doing this right now.

SENATOR COTTEN brought up "ocean carrying capacity." MR. MCMULLEN said studies show that salmon have not come near to using up their food supply in the Sound. If there are good food supplies young fish can grow faster and thus move through the size at which they are more susceptible to predation quicker.

SENATOR ELIASON asked if they market the fish before they arrive, did that mean they would have a better quality product. MR. MCMULLEN answered yes. He said they have plans to start thermal marking.

Number 504

SENATOR JONES asked if they would expand traditional processing capacity.

DON AMEND, General Manager, Southern Southeast Regional Aquaculture Association, commented that the loans (enhnacement loan program of the Department of Commerce & Economic Development) were deferred for too short a period and for too high an interest rate. Holding to the six year deferment period has created the problem of the hatcheries incurring more debt by having to borrow more money to keep going if it takes their brood stock more time to develop.

92-2, SIDE B
Number 001

BART WATSON, Executive Director of Armstrong-Keta, Inc., (a private non-profit hatchery corporation) pointed out they depend on the revolving loan fund for some of their operational funds. This is not an indication of less efficiency. It's just they haven't had the time to build up reserves, particularly now that there are low prices. He said they don't get any of the 3% enhancement money like the associations do or any of the U.S./Canada Mitigation Treaty money, either.

MR. WATSON did not think payments should be forgiven. He thought if interest rates were lowered, they should be lowered for all hatcheries. He agreed with Don Amend saying they should be lowered, as long as the loan fund stays solvent.

He thought there was tremendous potential for new market development. Hatcheries can encourage this by entering into long term contracts with processors who will do value added kinds of processing. He encouraged funding of the Alaska Fisheries Development Foundation.

Tagging pink salmon was important, MR. WATSON said, along with someone to look at the tags. He believes in the concept of the user pay program and it should be a state program.

SENATOR ELIASON asked what percentage of his return he dedicated to the common fishery. Because they don't have tagging on their pink salmon, they have no way of determining what their common property contribution is, MR. WATSON said. They release around 50 million pinks. Their chinook and coho programs are in the development stage.

SENATOR JONES asked how many years he allowed for cost recovery. MR. WATSON said the pink salmon were the quickest cash flow generator. Coho is a three year return and they also spend two years at the hatchery. Chinook comes back at different ages.

Number 460

HENRY MITCHELL, Bearing Sea Fishermen's Assn., Anchorage, said they would like to see increased funding to the FRED Division to develop small scale technological improvements in enhancement which would be beneficial to small communities.

ROBERT GIGLER, Anchorage, said we should utilize fish to the best of our ability.

NANCY HILLSTRAND, Homer, said we need to protect the wild stocks and do more research to find out what is really going on out in the ocean before hatcheries are allowed to expand. Biological and genetic issues need to be studied. She thought small habitat and stream systems should be enhanced rather than hatcheries. The anacronym "FRED" does not include a P for production, she commented.

Number 490

JIM BACON, Southeast Seiners Association, commented from his perspective managing a mixed stock fishery was very complicated. In Southeast the major component of the fisheries is wild stocks. It needs to be the primary focus of our management. He said he would hate to see a situation occur where he would be unable to access a strong run of wild stock fish because of economic concern over a hatchery. He didn't think the actual cost of running the facilities was envisioned either.

TAPE 92-3, SIDE A
Number 001

MR. BACON questioned the meaning of "...non-profit hatchery needs to make a significant contribution to the common property fishery."

SENATOR COTTEN asked if he thought the authority should exist to manage mixed stock fisheries if they could have it both ways. MR. BACON answered he was skeptical there was an ability to do that.

CHRIS CHAVASSE, Homer, recommended giving the Board of Fish clear statutory authority to protect wild stocks until the full impacts of hatcheries is reviewed by the public. He thought wild stock breeding grounds should be candidates for habitat preservation. He was concerned we have already unalterably affected the genetic viability of certain bird species within the Prince William Sound due to direct acts on the forage base by reducing organic outflows associated with the enhancement of runs through optimum escapement goals.

MR. CHAVASSE recommended restricting hatchery rearing and releases to afford all indigenous species ample forage, to provide statutory protections of wild stock, identify depressed stocks, identify genetic adaptability as it relates to climate change, identify depressed wild salmon stocks and identify those stocks impacted by the hatchery program, and the impact of allocation management in the intercept fisheries. Providing statutory authority for emergency actions regarding hatcheries in general, identify areas for possible sterilization should disease become a problem and identify the methods of control, and identify all sources of pollution were other recommendations.

Number 216

FRED FILE, Petersburg, agreed with Mr. McMullen's testimony regarding the salmon planning being done region by region, rather because the regions are so different. He thought more had to be done to rehabilitate the natural stocks.

Number 250

DAVE MCFADDEN, Petersburg troller, said the mitigation funds are of concern to trollers. He noted ADF&G was going to shut down Crystal Lake Hatchery which has been a very successful enhancement project. He thought the funds might not be being used for the specific purposes intended. Because the hatcheries are not producing the salmon the trollers were told to expect to compensate for their conservation efforts, there seems to be a trend towards supporting stream enhancement projects with the idea of rehabilitating the wild stocks.

SENATOR ELIASON said the Legislative Research Agency is still involved in tracing the expenditures of the treaty funds.

Number 319

KRIS NOROSZ, Director, Petersburg Vessel Owners Association, thanked everyone for making this project possible. They would like to see a clear wild stock priority put in state statute and a clarification as to whether or not the Board of Fish is required to provide for hatchery brood stocks or for cost recovery fish. She concurred with Jim Bacon's comments.

MS. NOROSZ said increased hatchery production should be restricted until the legislative cost benefit studies are complete. New criteria is needed to show a public benefit exists before granting permits and loans. A workable mechanism should be in place for closing hatcheries which aren't making a significant contribution to common property fisheries.

Purse seiners in Southeast Alaska are paying a disproportionate amount of money for the benefits they receive. They want an analysis of the enhancement program to determine whether costs are distributed in proportion to benefit. They also want to know the impacts of a mechanism allowing specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.

SENATOR ELIASON commented that answers to some of those questions are coming in June or July when the University finishes their studies regarding the economics of hatcheries. These will be included in the final report of the review project.

Number 351

DEBORAH LYONS, Petersburg, who is a member of the Alaska Board of Fisheries, stated that the Board of Fisheries is asking for advice from the legislature and urged the committee to take advantage of this and give them clear direction. She thanked them for the work they are doing.

PETE ESQUIRO, Northern Southeast Regional Aquaculture Association, Sitka, thought it important to have a consistent tag recovery program. Marking should be required when a mixed stock occurs. He said there was a general understanding that brood stock would have a priority, but had never heard anything about cost recovery being guaranteed. He thought regionalized planning and permitting was the way to go. FRED should follow the permitting procedures all regional and PNP operators are required to do. Regional planning is important enough to receive some level of state funding. He believed the enhancement taxes should be audited regularly. He was against raising the 3% tax to the fishermen.

Number 432

LARRY MALLOY, Kodiak Regional Aquaculture Association, thought the points needing emphasis are a priority for protection of the wild stocks, traditional fishing patterns be recognized and prioritized as an integral part of determining an area's salmon production, where rehabilitation efforts are taking place a primary consideration should be given to a regulatory harvest strategy which clearly says how the rehabilitated stock will be maintained at a natural production level, and a thorough evaluation of the impacts of associated hatchery production on adjacent wild stocks should be made.

Number 483

OLIVER HOLMS, Kodiak Regional Aquaculture Association, said they wanted a wild stock priority. When permitting a PNP, areas being managed for cost recovery and brood stocks should be specified in the plan.

BRUCE EAGLE, Wrangell, attempted to testify, but the reception was bad.

Number 555

TOM MEARS, Cook Inlet Aquaculture Association, Soldotna, thought many of the options listed at the end of the chapters appeared to be reasonable, but were based on incorrect or unsubstantiated assumptions. They believe wild stocks should be protected and therefore enhancement projects are supplemental.

92-3, SIDE B
Number 001

MR. MEARS also thought the term "significant" should be defined by the legislature as it pertains to contribution to common property fisheries of PNPs. He thought regional planning was preferable to state wide planning.

BRUCE EAGLE, Wrangell, thought it important to protect the wild stocks and also to make sure the hatcheries have brood stock. Planning is extremely important and he thought the regional planning teams should be changed to include gear user groups and the federal government. The planning teams should have the authority to recommend allocations to the Board of Fisheries.

Number 50

PAUL MCCOLLUM, Executive Director, Valdez Fisheries Development Association, supported testimony from the Prince William Sound Aquaculture Corporation. He thought they needed to come up with a program to harvest the hatchery fish aggressively to avoid build up of the fish in the terminal area.

MR. MCCOLLUM said many PNPs can't tag since they don't get economic escapement. He favored amending the PNP policy to make economic escapement absolute upon the granting of a PNP permit. He thought it unproductive to grant the permits if the permittee can't be assured of a chance of survival. He thought there could be a simplified cost benefit model to help determine the real contribution of their time for each project.

They support Representative Kubina's legislation allowing for regional marketing committees although they think it should be on a voluntary assessed tax rather than a direct tax.

Number 120

JOHN CARTER, President, DIPAC Hatchery, Juneau, thought many problems resulted from simple lack of information. He thought they should truly work at getting information on run strength and hatchery contribution. He encouraged funding thermal marking programs. Funding would be needed also to do recovery of the data.

MR. CARTER encouraged work in the area of product development to increase the value of salmon. He didn't object to a moratorium on hatchery production, but didn't want a moratorium on funding of existing programs.

He thought there should be more fishermen on ASMI's Board since what they do affects their product.

Number 192

JERRY MCCUTCHEON, Anchorage, commented too many fish was just a temporary maladjustment between supply and demand. He thought the Japanese would undercut the American price eventually.

He commented that research should be done on rehabilitating crab in Kachemak Bay.

Number 281

SENATOR ELIASON thanked everyone for their testimony and adjourned the meeting at 4:25 p.m.

INSTITUTE OF MARINE SCIENCE

SCHOOL OF FISHERIES & OCEAN SCIENCES

UNIVERSITY OF ALASKA FAIRBANKS
FAIRBANKS, ALASKA 99775-1080

10 March 1992

Senator Dick Eliason, Chairman
Senate Fisheries Committee
State Capitol Bldg., Rm. 111
Juneau, Alaska 99801-1182

Dear Senator Eliason:

Thank you for the opportunity to review the draft legislative review of Alaska's fisheries enhancement program. It seems clear to me that given the startling successes with ocean ranching observed in Alaska over the past two decades and the potential for adverse wild and hatchery stock interactions, it is high time to evaluate the status of the program as a basis for recommending future direction. I have some acquaintance with the issues having contributed to the Cordova conference on "The Biological Basis for Maintaining Strong Co-Existing Stocks of Natural and Enhanced Salmon Populations in Alaska".

I find your report to be a thoughtful and generally accurate portrayal of the history of salmon enhancement in Alaska and the issues arising from the overall successes with salmon ocean ranching. While I could take issue with how some of the "options" for change are articulated, overall the document presents itself as an objective instrument for program evaluation and future direction. Since my expertise is in the area of marine science and early marine salmon ecology, I will limit my comments to that part of the report.

Chapter VII "Biological/Genetic Issues" presents the major topical areas of concern including 1) The genetic effects of hatcheries; 2) Ocean carrying capacity; 3) Disease; and 4) State genetics program and policy. These subjects represent some of the major core issues associated with the biology of mixed stocks in Alaska and elsewhere. As you suggest in your report, more information about these issues will be forthcoming as the result of the Cordova conference. In lieu of that insight I make the following comments relati. to your draft report:

1. Alaska is the enviable position of being able to benefit from the many mistakes characterizing past hatchery practices in the Pacific northwest. This means that Alaska doesn't have to start from scratch, but rather can (and must) exploit the important lessons learned elsewhere.

2. The genetics issues are probably the most straight forward to deal with. The development of a State of Alaska genetics policy is certainly appropriate and steps are being taken to create that posture now. I would think that both the public and private sectors will welcome this move.

3. The issue of carrying capacity is a very critical one that must be addressed. There will be several recommendations about this in the "Cordova report". The near shore and oceanic ecosystem supporting salmon also supports other fishes and shellfishes of commercial importance and many common forage populations as well (zooplankton, micronekton, small fishes and squids). Understanding the impact of increasing salmon production on these other critical elements of the ecosystem is crucial in as much as major system changes could theoretically be forced by upping the food requirements on key forage populations. At the moment there is no evidence that this is occurring, but somewhere down the line it could happen. If ecosystem restructuring does occur, changes in the way that matter and energy cycle could be disadvantageous to commercial species. This kind of problem should be avoided in the first place by trying to determine now what constitutes reasonable limits for salmon production. There are objective ways to approach this matter. Any limitations should be based in science rather than "gut feelings".

4. The major issue facing Alaska in terms of carrying capacity and wild and hatchery interactions is the complete lack of "testable hypotheses" regarding how these interactions might occur. Aside from the matter of differential fishing mortality (a problem apparent in Prince William Sound) on mixed stocks and the genetics issues, nothing has been posed regarding "competition" or other biological interactions that might adversely affect either wild or hatchery stocks (or both). Certainly there are speculations about what might be going on, but in the absence of any hard evidence, this kind of conjecture is more damaging than helpful. I would like you to see if there isn't a way the State can benefit from what has been learned in Prince William Sound under oil spill research that might help formulate the kinds of questions that can be addressed objectively. We understand that all data will soon be released from litigative restriction. A joint state and federally funded workshop on salmon ecology in Prince William Sound, using all the information on hand, would go a long way toward deciding where adverse wild and hatchery interaction might occur. This should be a priority for the near future and something your committee could recommend without the need for a 20-page justification.

5. Newly emerging results of juvenile salmon research being conducted by the University, the State and the private hatcheries suggest that the "black box" of interannual salmon production variability may soon give up some of its secrets. In fact, in Prince William Sound trends in wild stock abundance can now be explained with high accuracy for most years on the basis of growth conditions (fry food and ocean temperature) facing the juveniles during their first 2-4 months of early ocean residence (flyer attached). This consortium study demonstrates that a meaningful cooperative program can produce results on major salmon issues in a very cost effective manner. I am trying to elevate the Prince William Sound pilot study to a statewide level, arguing that a program of long-term low-level surveillance of juvenile salmon growth conditions is crucial to the overall enhancement of fish and shellfish stocks in the state. For years, the University marine science community has been criticized for its lack of attention to state needs. The cooperative study now ongoing demonstrates that oceanographers can provide information that should greatly improve the salmon forecasting procedure and provide information about levels of natural ecosystem variability missing in the past. I recommend that you include this kind of shared programmatic approach as an option for possible consideration under section VII...."Continue to build on cooperative UAF, ADF&G and hatchery studies of environmental factors affecting regional-level production of salmon in southeast, southcentral and western Alaska".

I hope my comments will help strengthen your document. I appreciate the opportunity to input this critical process.

Sincerely,

R. Ted Cooney

R. Ted Cooney
Associate Professor of Marine Science

cc Jerome Komisar; President
University of Alaska

University of Alaska Fairbanks
SFOS Highlights
School of Fisheries and Ocean Sciences RH92-2 Feb 1992

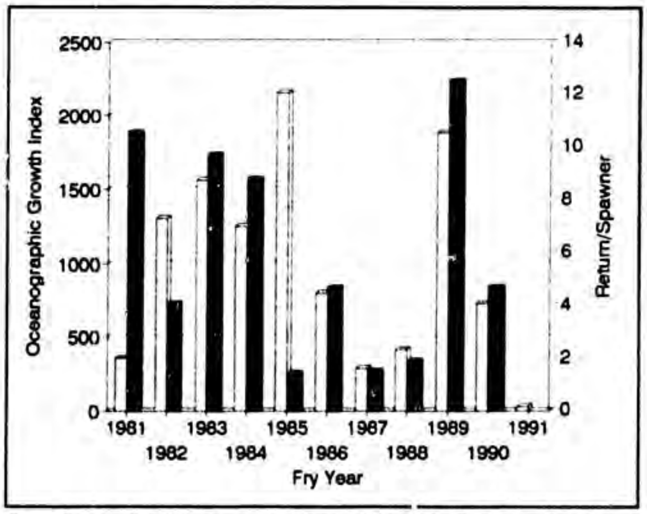
COOPERATIVE FISHERIES AND OCEANOGRAPHIC STUDIES (CFOS): SEEKING NEW ANSWERS TO OLD QUESTIONS ABOUT SALMON PRODUCTION VARIABILITY

Dr. Robert T. Cooney

Oceanographers from the School of Fisheries and Ocean Sciences (SFOS) at the University of Alaska Fairbanks (UAF) and state and private fisheries scientists have joined forces to identify the causes of high- and low-production years for Alaska salmon. Members of this newly formed consortium – the Cooperative Fisheries and Oceanographic Studies (CFOS) program – have begun conducting research in Prince William Sound. Within CFOS, oceanographic monitoring is guided by researchers at the UAF Institute of Marine Science (IMS), and studies of salmon growth, production, management, and enhancement are carried out by the State and by private fisheries scientists.

CFOS research focuses on growth conditions experienced by juvenile salmon (fry) during the first two to four months after they migrate to the ocean. Scientific evidence indicates that most salmon mortality is due to predation during this critical growth period. In years with warm ocean temperatures and high food stocks, the rapid growth of salmon fry reduces losses to birds and fishes and produces a larger return of adults to fisheries and spawning grounds. In years with below-average temperatures and low food stocks, fry growth rates are reduced, the period of early risk is extended, and fewer adults return to spawn.

These salmon survival patterns are emerging from a new analysis of historical and contemporary databases provided by CFOS members. Jointly funded through SFOS by IMS and the Alaska Sea Grant College Program, CFOS scientists link time-series statistical analyses of ocean temperatures, local weather patterns, and plankton population levels over the past decade with production histories of wild and hatchery-released pink and chum salmon in Prince William Sound.



The relationship between growth conditions for fry (open bars) and the survival of adults (solid bars) for wild pink salmon in Prince William Sound. Causes for the 1981 and 1985 deviation from the established trend are currently being studied by Cooperative Fisheries and Oceanographic Studies researchers.

Another consortium member, the Alaska Department of Fish and Game (ADF&G), contributes historical catch and escapement data, wild fry population indices, and measurements of temperature, salinity, and zooplankton populations in the deep central basin of the Sound. ADF&G scientists are also examining factors that influence the annual migration of fry to the ocean and rates of fry growth and survival.

Regional salmon hatcheries (Prince William Sound Aquaculture Corporation and Valdez Fisheries Development Association, Inc.) provide records of spring ocean temperature, salinity, and zooplankton stocks. They also support faculty and graduate student experimental studies through contributions of lodging and small boat services. In addition, the corporations attempt to match hatchery releases with optimal growth conditions for salmon fry.

Research Highlights of the School of Fisheries and Ocean Sciences, 200 O'Neill Building, University of Alaska Fairbanks, Fairbanks, Alaska 99775-1090, Phone (907) 474-7532, FAX (907) 474-7204

A major CFOS goal is the establishment of predictions for pink and chum salmon production based on coastal ocean conditions.

Dr. R. Ted Cooney (IMS File Photo)

Dr. Cooney joined the University of Alaska in 1970 to assist with the development of marine fisheries studies in the College of Biological Sciences. He obtained his Ph.D. from the University of Washington in 1971. In 1973 he became affiliated with the Institute of Marine Science and began studies of zooplankton in the Gulf of Alaska and the Bering Sea. This led to new understanding of the role of oceanic and coastal populations in marine food webs.

His work on juvenile salmon growth and food dependencies began in 1976 when the first non-profit hatchery in Prince William Sound began releasing fry. This effort eventually grew into the regional-level consortium study of juvenile salmon ecology and oceanography described in this issue of SFOS Highlights.

Related reports may be obtained from:

Publications Office
Institute of Marine Science
School of Fisheries and Ocean Sciences
201 O'Neill Building
University of Alaska Fairbanks
Fairbanks, Alaska 99775-1080

UNIVERSITY OF ALASKA FAIRBANKS

IMS researchers are analyzing oceanographic variables including sea-surface temperatures and wind-driven currents. They are also describing food requirements of juvenile salmon, growth ecology and energy composition of fry food stocks, and patterns in satellite-determined sea-surface temperature fields. These activities are made possible in part by funding from the Alaska Science and Technology Foundation, which enabled CFOS to purchase and operate a modern meteorological and oceanographic buoy in Prince William Sound. Designated C-LAB 1, the buoy continuously measures upper-ocean temperatures, plankton stocks, and sea-surface weather. These observations are transmitted hourly to polar-orbiting satellites and retrieved later by phone modem. CFOS is one of the first programs to use this technology in investigations of fisheries enhancement and management.

A major goal of CFOS is to establish predictions for pink and chum salmon production based on coastal ocean conditions experienced by juveniles. This information will help ADF&G develop improved salmon forecasting procedures and assist in the management of important mixed-stock salmon resources in Prince William Sound. Eventually, this information will be applied to other commercially important fish and shellfish populations in Alaska.

A communication-linked automated buoy (C-LAB 1) moored near Smith Island in Prince William Sound continuously monitors weather and oceanographic conditions. Prior to deployment (right), the buoy underwent testing onboard the ADF&G M/V Montague. *(Photos: John Smithhisler and Kevin Engle)*

Over the past two decades, oceanographers at IMS have produced substantial information about temperature conditions, current patterns, and fry food stocks in the northern Gulf of Alaska. By pooling the resources and expertise of academic research, management, and commercial interests, CFOS provides a means to apply many of these fundamental results to questions about fish and shellfish resource production, management, and enhancement. The consortium approach assures that priority fisheries research is undertaken by acknowledged experts, and that study results are immediately distributed and applied. The resulting cooperative program is much more comprehensive and effective than any one of the single participants could manage alone.

MADDEN ASSOCIATES

Professional Consultants

P.O. Box 240616
Douglas, Alaska 99824
(907) 586-3847

February 24, 1992

Senator Dick Eliason, Chairman
Senate Special Committee on Domestic and International Fisheries
Alaska State Legislature
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for providing me the opportunity to review and comment on the Executive Summary of the "Draft Report of the Legislative Review of the Alaska Salmon Enhancement Program."

The Special Committee and others who prepared this Report performed a service not only to those directly involved in the Alaska Salmon Enhancement Program but also to the general public in both Alaska and other states and countries impacted by the program. If the achievements and potential of Alaska salmon ranching are to be realized, a better understanding must exist about the intent of the Alaska Legislature in establishing the program, how it has evolved, its current status and options for the future.

In your attachment letter you particularly requested comment on the lists of options following each chapter. My observations are on options and Report discussion of which I am knowledgeable.

I was employed from 1980-90 by the Alaska Department of Fish and Game (ADF&G) Division of Fisheries, Rehabilitation and Enhancement (FRED) as Salmon Rehabilitation and Enhancement Coordinator. In that position I administered the private non-profit (PNP) aquaculture program, regional planning teams (RPT) salmon production planning, and individual state and private hatchery management planning.

My position in FRED involved extensive policy planning for mixed stock fisheries and allocation of enhanced fish. The options developed for Chapter IV, FISHERIES MANAGEMENT, on pp. 6,7 highlight some of the policy issues I addressed. Options and conclusions about mixed-stock fishery management, and responsibility for funding such management tools as tagging have never been fully agreed-upon by either government or the users. Yet, fish tagging, other stock identification programs and the data they supply hold many of the answers about harvest quality and quantity.

The exchange between attorneys, reported in Chapter V, LEGAL ISSUES RAISED BY THE BOARD OF FISHERIES, on the subject of"...perceived ambiguities in Alaska statutes relating to wild stock and hatchery fish management..." is interesting but too partisan to provide direction, except, maybe, for the August, 1990, letter prepared by Stephen White.

Throughout the development of the PNP hatchery program, protection of the wild stocks has always been the major consideration in permitting hatchery sites. Unfortunately, during the program's early days in the haste to produce fish, both the state and private sectors did not fully grasp the need to plan and control locations and magnitude of releases so that returns would not conflict with wild stock management, conservation and preservation. Until a few year ago when enhancement production from hatcheries or remote release sites took on major fisheries management and economic implications, the PNP and state programs, generally administered by mid-level management except when political considerations dictated higher-level involvement functioned largely without Board of Fisheries or ADF&G top management direct involvement.

Alaska Statute (AS) 16.10.440 was amended in the 1970's to restrain the Board of Fisheries from being involved in the permitting process for PNP hatcheries. However, the Board clearly maintained under statute its authority to regulate hatcheries after they were permitted in order to control those areas about which there is now concern--fish production and harvest.

In my experience, the Board's only made one overt attempt to set policy under its statutory responsibility over the PNP program. During an informal work session, members agreed that PNP hatchery operators could conduct harvest activities in the "special harvest area"(SHA), designated in the PNP hatchery permit, until cost recovery needs were met. This conclusion was never recorded as an official action. So, to this day confusion remains about the aquaculture associations' jurisdiction over the SHA and their ownership of returning fish, even though the Board could have clarified that matter with formal action.

An effort was made in 1984 to address the question of SHA fish ownership and other hatchery-related issues by a joint committee of the ADF&G, the Alaska Department of Commerce and Economic Development, The Alaska Attorney General's Office and the aquaculture associations. This group agreed that the Board could clarify the management, escapement and allocation issues for all hatcheries through the process of setting policy and developing regulations that addressed any ambiguities in the PNP statutes.

Four issues concerning management of returns to PNP hatcheries were identified. They were:

1. Management of common property fisheries for mixed stocks containing hatchery returns;

2. Management of segregated returns to PNP hatcheries;

3. Priority uses of fish in excess to corporate escapement goals at PNP hatcheries;

4. Methods and gear employed during PNP hatchery special harvest to satisfy corporate economic goals.

An issue paper, proposed policy and regulations to clarify the Board's role in the allocation of enhanced fish were prepared for Board consideration at its winter meeting at Sitka on February 1, 1985. Unfortunately, before they could be considered at the meeting at the meeting, at someone's request the materials were removed from the agenda. Almost five years passed before the issues again surfaced, this time in a crisis mode.

Then in 1989 the Board directed the Prince William Sound Aquaculture Corporation (PWSAC) to develop a plan for allocating all enhanced salmon in the Area E management district. Through this act the Board appears to have delegated enhanced fish allocation planning to a user group association with directions to develop management plans for enhanced fish, even though management planning traditionally and statutorily has been the responsibility of the ADF&G and the Board.

I don't agree that the Board of Fisheries needs"...statutory policy ...to make decisions that would favor wild stocks over hatchery fish or vice-versa..." or that "...statutes are unclear about recovery, and about the hatchery's obligation to contribute to the common property fisheries." I believe the Board and ADF&G have ample authority to manage and allocate hatchery returns if the Board, ADF&G and the aquaculture associations, as representatives of the user groups, cooperated in developing the necessary policies and regulations to clarify and implement existing statutes.

Based on the above observations, in my judgement neither the conclusions or options of Chapter V on pp. 10,11 are valid.

Chapter VI, PLANNING AND PERMITTING PROCESS, addresses the areas with which I am most familiar. I believe all the options listed for this chapter on page 16 have merit except for the following:

- Widening the scope of the RPT review, including recommendations for allocation of enhancement production.

- Exempting the alteration, suspension, or revocation of an enhancement permit for violations from the Administrative Procedures Act.

- Clarifying Board of Fisheries authority to regulate hatchery production levels.

My reasons for not supporting the above options, in order of their listing, are:

The user representatives usually control the RPT's. Such has been the case particularly in recent years, as the aquaculture associations have become more financially affluent, and the ADF&G has cut travel funds so that departmental participation in the planning process has been limited. Another reason for spotty ADF&G participation was that the ADF&G administration for some years did not view the RPT as being a key participant in fishery development, production and management.

Depending on what weight the Board would give RPT recommendations on allocation, the general public might view the result of this RPT involvement in allocation decisions as having the "Fox guarding the henhouse," or the users assuming the Board's responsibility for fishery allocation and the ADF&G responsibility for fishery management.

Taking the permit violation review process out of the Administrative Procedures Act could cause an operator to claim lack of due process and open the State to legal action.

Finally, as I said earlier, the Board of Fisheries already has the authority and responsibility to regulate hatchery production levels, at least in matters when they would impact fishery management decisions or endanger conservation or preservation of wild stocks.

I would make one observation on the text in Chapter VI on page 14 under "5. Allocation Issues." The subsection entitled "Problems and Issues" speaks of the allocation plan developed by PWSAC. Actually, what PWSAC produced is an allocation policy which was then translated by the Prince William Sound RPT into a plan to the extent that it "allocates" through management practices portions of the enhanced fish to various user groups.

Such a plan can only peripherally address the problems of management and harvest of hatchery returns that occurred in Prince William Sound in 1991 and to a lesser extent in 1990. Only the Hatchery Basic and Annual Management Plans, developed in cooperation between ADF&G and PWSAC, have the economic and management tools to deal with the difficult issues of terminal harvest, contribution to the common property, and enhanced fish stocks conflicting with wild stocks harvest or conservation.

In fact after thinking about and rereading the Allocation Issues subsection, I find it confusing and in need of clarification and further consideration. When the forthcoming economic analysis is available, it may clarify this and other areas of the Report.

I have no comment on the remaining chapters and their options except that the Report seems to have addressed all major areas of concern with the ALASKA SALMON ENHANCEMENT PROGRAM. To my knowledge this is the first time the program has been brought into perspective in one study. I anticipate participating in the teleconferenced hearings.

Thank you for the opportunity to comment.

Sincerely,

Jerry L. Madden
Principal Planner

SOUTHEAST ALASKA SEINERS ASSOCIATION
P.O. BOX 9579
KETCHIKAN, ALASKA 99901
(907) 225-5156

March 9, 1992

Senator Dick Eliason, Chair
Senate Special Committee on
Domestic and International Fisheries
P.O. Box V
State Capitol
Juneau, Alaska 99811

Dear Dick,

In addition to the oral testimony given by Jim Bacon, President of Southeast Alaska Seiners (SEAS), I am submitting more detailed comments on behalf of SEAS. To assist in your review, I will address my comments to the list of possible options in the Executive Summary.

Wild Stock Priority

The top hatchery priority for SEAS is to seek statutory clarification on giving wild stocks preferential management treatment relative to hatchery raised fish.

Support:

Placing a wild stock priority into state statutes which clarifies Board of Fisheries requirement for hatchery broodstock and cost recovery stocks.

Rationale for Action:

* The lack of statutory direction prevented the Board of Fisheries in 1991 from acting on a wild stock preference proposal for Southeast Alaska.
* Legislative history indicates that legislative intent was to protect wild stocks.
* In some regions of the state there already is serious concern for the negative impact of hatchery production on wild stocks.
* UFA Board of Directors recently passed a motion supporting statutory clarification for a wild stock management priority which clearly identifies that the state has no obligation for assuring a hatchery's cost recovery.

Recommendation:

Add a new section to AS 16. Chapter 10, Article 8 which states:

Obligation for Management of Hatchery Stocks. In managing commercial and sport fisheries that involve hatchery raised fish, the department shall grant a preference to the protection and sustained yield of wild stocks. In managing for a wild stock preference the department recognizes an obligation to manage commercial and sport fisheries to return broodstock to the hatchery site in the same manner as it regulates fisheries to obtain a return to spawners to natural streams. While the department will not institute any irregular restriction on the traditional fisheries, it will strive for an escapement of spawners suffcient for stocking the hatchery. In managing for a wild stock preference, the department does not recognize any obligation to manage commercial and sport fisheries to return cost recovery stocks to the hatchery site. This however, does not prevent the Board of Fisheries from promulgating regulations at the request of regional non-profit associations to alter commercial and sport fisheries for a return of cost recovery stocks.

Hatchery Permitting

Another major concern of SEAS is to tighten up the permitting and funding programs for hatcheries.

Support:

As part of permit review and solicitation of state loans, adding new criteria to show public benefit, including marketability, a detailed cost/benefit analysis instead of a financial analysis, an indication of a 70% contribution to be made to the common property fishery, and ability to mark and recover fish. Institute a 10 year permit renewal requirement that would include the same criteria.

Rationale for Action:

* Regional hatchery associations have over time developed internal policy that reflects the criteria mentioned above. It would be sound state policy to extend this "check" to all hatcheries.

* UFA supports the Regional Planning Teams adopting a guideline of 70% contribution to common property fisheries in their evaluations of hatcheries.

* If all hatcheries had gone through this type of review when initially applying for a permit, much of this hatchery overview might have been unnecessary.

* With the potential risk of impacts on the state's common property fisheries, a mechanism for the timely revocation of a permit is necessary.

Biological Concerns

While legislators can not be expected to evaluate and assess the genetic health and biological diversity of wild stocks that have been co-existing with hatchery stocks, general policy and priority direction can be given to ADF&G and other research institutions. Given the experience in the State of Washington, more effort should be taken in Alaska to protect the biological health of wild stocks. To this end, SEAS supports these options listed in the Executive Summary:

* Evaluation of how well the current hatchery program protects wild salmon from possible negative effects of hatchery salmon.

* Conducting research to define the minimum conditions for imprinting for remote release programs.

* Placing a greater emphasis on management concerns in the permitting process in order to protect wild stocks.

* Increased use of marking and tagging programs to monitor interactions between hatchery and wild populations.

* Review of current and future programs for their compliance with the state genetics policy.

Production Review

Given the results of last summer's pink salmon season, i.e. lack of sound markets, and small weight of pinks across the state, SEAS believes it is fair to surmise that the impacts of major hatchery production are no longer confined to one region of the state. Yet, there is no mechanism for a statewide review and modification when hatchery production crosses the threshold of inter-regional impacts. This matter was the subject of a vigorous debate at UFA's fall 1991 meeting. One of the outcomes of that meeting was a letter to Commissioner Rosier asking for a production overview through the Regional Planning Teams. UFA has yet to recieve a response from Commissioner Rosier. Before commenting further on other possible options, we would like to learn how and when ADF&G will address this critical concern. Perhaps, the Committee could pursue this further with ADF&G.

Fair Funding

Because of the structure within Regional Aquaculture Associations, it may have been assumed that the user groups that pay the lion's share of tax revenues would receive a sizeable share of the returning fish value. This has not been the case for all regions. In fact, in some cases just the opposite is occurring because it is easy to vote to spend someone elses money. As such we support this option:
Support: Analysis of the enhancement tax program to determine the impact of a mechanism to allow specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.

While I recognize that the legislative overview will continue on for some time, SEAS urges the Senate Special Committee on Domestic and International Fisheries, to immediatedly address the outstanding need for wild stock statutory clarification. The Board of Fisheries has requested this direction. More importantly Alaska's wild salmon heritage deserves this critical recognition.

In closing, I must commend the legislative staff that put this concise but comprehensive report together. The Executive Summary did an excellent job of laying out a very complicated issue in a simplified, informed manner. Not only did I enjoy reading the Draft Report, but I learned a lot too. Please extend my appreciation for their efforts.

Thank you for the opportunity to provide input. Please call if you have questions or desire more feedback.

Sincerely,

Kate Troll

Kathryn Troll
Executive Director

c.c. SEAS Board of Directors

March 3, 1992
Senator Dick Eliason
Chairman, Senate Special Committee on Domestic and
International Fisheries
State Capital
Juneau, Alaska 99801-1182

Dear Senator Eliason,

Please find enclosed testimony from my board of directors on the Draft Report on the Alaskan Hatchery Program. I, like my board members, am very concerned by the recent move to allow the Regional Aquaculture Associations to defer loan payments to the ten year limit. If these moneys are the majority of funds in the revolving loan fund, then the independent hatcheries that have much less political power, are going to be left without any operating moneys to get them up to self supporting status.

I would like to have someone assure me that this liberalization would not put us out of business. I and my wife have over the last twelve years had to personally invest over $50,000 to keep our hatchery operating, plus use my home to collateralize a loan for the hatchery. If this action results in us being disallowed any additional loans, then not only does the State have to take over our facility, but I am personally held accountable, which no other hatchery operator has to face. I lose my $50,000 and possibly my families home because the Regional Association wants to maintain a $1.4 million carry over.

We, the independents have been painted as no friend of the fishermen for a decade now and it is getting tiring. Not only do we not participate in the 3% moneys, we are limited on loan amounts, restricted in broodstock development and now faced with possible closure just when we are within a year or two of full production and self sufficiency. We are attempting to do the very thing the Regionals are doing, put fish into the common property fishery! Its time the legislature looked at this with some degree of fairness and equity and not allow the circumstances of low fish prices, which will improve, to destroy a positive and successful program.

I hope your committee can find a solution that will allow the relief for the regional associations while not jeopardizing the independent operators. We would like to be considered citizens too!Please make available to the other members of the committee this letter and the enclosed testimony from my Board, who, as it states are all commercial fishermen. thank you.

Sincerely,

Tod A. Jones, General Manager

Alaska Aquaculture
Incorporated
P.O. BOX 830 WRANGELL, ALASKA 99929
(907) 87 1-2250

SENATE SPECIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL FISHERIES

FEBRUARY 25, 1992

Gentlemen,

Having not been able to testify during your teleconference, we would like to do so in writing at this time. We will address several issues that may or may not be easily categorized in your February 10 Draft Report, but are germane to the Alaskan Hatchery Program. Thank you first for providing this opportunity.

Alaska Aquaculture, Inc. is an independent PNP, (not a "Mom and Pop") operator, with a board of directors of licensed commercial fishermen that represents all the gear groups of Southeast Alaska. To our knowledge we are the only all-fishermen board. In behalf of our organization the following testimony is proffered.

1) The Draft report covered many valid points. However, the proposed ideas for action have not sufficiently recognized that the mission or mandate for the hatcheries is being accomplished, i.e. to successfully produce salmon to insure an adequate supply for common property harvest. They were not charged with suppressing the wild stocks to maintain price levels. Therefore, rather than focus on restricting production, the focus should be on recapturing market share by 1) improving the quality of product produced and 2) broadening the market by innovative product development. The inertia extant in the processing industry that wants more money for advertising Alaskan canned salmon in overseas markets, is what needs to move into the 20th Century before we see the 21st. New products that take advantage of the potential of pinks and chum need developmental moneys that the State could well afford to invest, rather than paying for canned salmon commercials in Japan and Taiwan.

2) As fishermen, we are not interested in micro-managing fish hatcheries, nor are we interested in seeing multi-million dollar facilities closed down prior to their being able to reach full production and make a contribution to the fishery. They should be encouraged to work with processors to develop better products, especially for pinks and chum , so that demand will increase. This may require novel and interesting new methods, and a strong partnership between government and the private sector. This should <u>not</u> be limited to the State and the Regional Associations. The Independents are a valuable part of the program and should not be treated as third class citizens any longer.

3) If the administration of the loan program is liberalized through legislation or administration, the financial support of independent PNPs must be recognized and provided for in that legislation, or its investment and the best interest of the State and user groups will be lost.

Under the present Hatchery Loan Program scenario, the PNPs have not shared in the millions of dollars of 3% moneys which is shared by the regional corporations, nor the millions of dollars of Federal Mitigation Funds. Given "most favored organization" status by the State agencies, the Regional Aquaculture Associations are also able to generate funds through cost recovery harvest of returning fish. The sole source of funding for PNP operations is the cost recovery harvest! When production development is protracted over several life cycles of the fish being released, the disparity between PNPs and ...gional Associations becomes more glaring. Because of this disparity PNP funding before reaching full production depends upon the funds in the revolving loan fund. Legislation providing forgiveness or additional deferment of loan payments by the major borrowers, i.e. the Regional Corporations, without recognizing and compensating for those losses to the revolving loan fund, would effectively eliminate the PNP segment of the State enhancement program.

4) We strongly endorse the idea of developing a Statewide set of goals and objectives for the enhancement programs. All segments of the producers should be allowed to give input, and it should have an aggressive forward looking posture.

5) We are concerned about the suggestion of eliminating the use of remote release sites. The argument against them is at best theoretical while their use is and has been, very effective in placing the right species and run timing in the right place for the benefit of the user groups and the hatchery operator. A central incubation facility can become much more cost effective and beneficial to the user groups by using remote release sites. Concerns about straying and deleterious genetics are based on hypothetical constructs yet to be substantiated.

6) Managing for broodstock and cost recovery seems to have evolved into a hot potato where no one wants to make a decision for fear of upsetting one group or another. Ultimately, one needs to ask if loaning moneys to a hatchery operator, whether PNP or Regional Organization is based on the assumption that debt service would be met by cost recovery harvest, (and this is what the State has done) Then doesn't it follow that the intent of the State is for broodstock and cost recovery to be managed for? No operator can afford to continue operating if it doesn't have broodstock and independents cannot operate without cost recovery as it is their sole source of revenue! This issue must be addressed in an equitable manner that reflects a mutually beneficial relationship between the State and the private sector.

7) Several of the biological/genetics/management issues raised result in the possibilities of monitoring, surveying, identifying, etc. All of these action words come with price tags. Since we've mentioned tags, most of the problems outlined from determining the extent of and consequences of straying, to identifying genetic drift, require some form of hatchery stock identification as opposed to wild stock. Tagging costs money and tag recovery and analysis even more. Will we cease hatchery production until "concerned scientists" have resolved their concerns, or will we proceed and fund mass marking and recovery efforts? The 1985 genetics guidelines already mandates identification of areas where stocks are unique or of special "significance". Regional Comprehensive plans, which the public funded to be created and updated, talks of "sensitive zones". In reality little of this work has been done and little resources have been allocated for them to be done. Perhaps our biggest concern is not that the work isn't being done, but that decisions are being made using a policy that is

admittedly vague and inconsistent with animal genetics upon which it claims to draw reference. Even more disconcerting is that their application is applied unequally between State projects and PNP project proposals.

8) Our final comment is more philosophical than specific, but is of great concern: That there has developed an institutionalized dual class of citizenship between Regional Associations and Independent Hatchery operators, a direct result of poorly conceived legislation and the departmental regulation that political posture spawned. Those who have manipulated the fishing community to gain political advantage, have perpetuated the myth that independent operators are some how the enemy of the fishermen and that the Regional Associations, to which their three per cent moneys go are the only friends of the fleet. This fallacy breeds conflict, contention and disunity. We support any effort the legislature can take to move away from the perpetuation of this condition.

Respectfully Submitted by

Harry Sundberg

Harry Sundberg, Sec/Treasurer
Alaska Aquaculture, Inc.

VALDEZ FISHERIES DEVELOPMENT ASSOCIATION, INC.

P.O. BOX 125
VALDEZ, ALASKA 99686

Admin.	835-4874
Fax	835-4831
Hatchery	835-5947
Fax	835-5951

February 27, 1992

Senator Eliason
Chairmen
Senate Special Committee of
Domestic and International Fisheries
Box V
Juneau, Ak 99811

Dear Senator:

Thank you for the opportunity to testify at the teleconference. I am happy to see what appears to be a kinder, gentler direction of the overall hatchery program review. I would like to throw our support behind the Prince William Sound Aquaculture Corporations comments as presented by John McMullen. The following comments will be relative to your committees executive summary of the review.

Chapter V. Fisheries Management

Mixed stock fisheries - We need to keep the Regional Control that is essential to deal with the unique differences of these areas. The user pays concept must be defined and controlled. We need assurances that our fishermen are not paying for normal Fish and Game programs. If this goes too far, fishermen will be justified in managing the fishery themselves as is the case in Japan.

Quality-
PWS has suffered from a bad reputation. Part of this is from two outlier years 1989 & 1991. Both of these years were disasters. The 1991 quality problem was mostly due to the unprecedented return timing of the PWSAC run being late and coming in over only half the time, virtually doubling the processing requirements. This is not likely to happen again nor with any luck is another Exxon Valdez Spill.

We have proposed a concept to the Salmon Harvest Task Force to harvest all our returning fish through the cost recovery process and paying the participating fleet a catcher fee. This concept will be explored the next two weeks but regardless of the outcome we have to come up with a program that harvests the hatchery fish aggressively to avoid build ups of fish in the terminal areas. This must be done in such a way as to insure the hatchery budgets are met with minimal impact on wild stocks and the maximum contribution to the Common Property Fishery. It should be noted that most of the quality differences between South East Pinks and PWS Pinks are probably due to the difference between the cape fishery in SE and the terminal type fisheries in PWS. Some canneries in PWS high grade the best fish to fresh markets.

Tagging

I believe that this has become a vicious circle for the PNP's. Many cannot tag since they do not get economic escapement. Fishermen are not likely to sign off on the program until they can see the proof of the contribution. In most cases this will come only through CWT or future mass marking programs.

PNP policy should be amended to make economic escapement absolute upon the granting of a PNP permit. Five year review periods could be structured to assess the programs status as compared to their original plans. The permitting process could be made more stringent. The bottom line here is that the state should not give a PNP the go ahead until they are assured the PNP will have a good chance of survival and making their budgets.

We strongly urge that the mass marking technique is put into production ASAP. Please note the enclosed resolution we passed at this years Alaska Hatchery Managers Meeting. The meeting agenda is also enclosed

Chapter VIII Funding
Loans-
We are all struggling for survival and desperately need the legislature to allow for flexibility whether through loan deferment and or emergency loans. It is imperative that we all look past this current market crises and acknowledge the continued need for hatcheries and long term solutions. If a hatchery program fails due to lack of flexibility it this market crises the state will loose much more than its future loan payments.

Marketing.
We support Representative Kubina's legislation allowing for regional marketing committees with a voluntarily assessed 1% tax and restructuring the ASMI board to have more fishermen represented. We are working very aggressively to develop new markets and product forms that are essential to the long term health of Alaskas salmon fisheries.

In summary, hatcheries should not be punished for doing what they were designed to do. We all need to work together to answer many important questions. Historical wild stock performance will fluctuate as always. Politics and economics will impact Fish and Game's ability to adequately manage runs. In years of excessive wild stock runs, it will help us all to remember the low run years. It is also important to view that the 1991 market would have very likely been just as bad statewide without hatchery returns.

A simple cost benefit model should be put together for each permitted program used for determining real contributions. This model must be very straight forward and simple. If a super complex matrix is used that no one can understand no one will benefit. We need an Association model, a non association model and a state model. These should include by species the accumulated number of fry/smolt released and adults back. Costs and benefit should be tracked to each stage for operational costs only and total costs inclusive of capital projects etc. I have attached an old cost/benefit model I put together that I am in the process of updating and will send you the updated version when it is done.

Please let me know if we can be of any further assistance to this process.

Sincerely,

Paul A McCollum

Paul McCollum
Executive Director

6TH ANNUAL ALASKA HATCHERY MANAGERS MEETING

A RESOLUTION BY HATCHERY MANAGERS AND THEIR REPRESENTATIVES INVOLVED IN SALMON ENHANCEMENT IN THE STATE OF ALASKA, SUPPORTING THE IDEA OF THERMAL MARKING AS A MEANS OF MASS IDENTIFICATION OF HATCHERY STOCKS WITHIN THE WATER OF THE STATE:

WHEREAS producing thermal marks laid down on the otoliths of salmon in the embryonic stage has been tested on a mass scale at some Alaskan hatcheries, and

WHEREAS Alaska is a leader in salmon hatchery production and technology and to remain a leader must continue to implement innovative ideas, and

WHEREAS significant hatchery returns to some areas of the state make the recovery of the fish marked by other means labor intensive and expensive, and

WHEREAS mass marking may reduce recovery costs and improve the ability to optimize the harvest of a mixed-stock fishery, and

THEREFORE, BE IT RESOLVED THAT WE AS HATCHERY MANAGERS REQUEST THE STATE OF ALASKA TO DEVELOP THE MEANS TO RECOVER AND IDENTIFY MASS-MARKED FISH FROM UNMARKED FISH FOR BOTH IN-SEASON MANAGEMENT AND CONTRIBUTION ESTIMATES; AND ALSO TO BEGIN EXPERIMENTAL WORK IN PROVIDING THE TECHNOLOGY FOR A DISTINCT MARK FOR EACH HATCHERY.

SIGNED

Paul McCollum

Paul McCollum - Chairman 1992 Meeting

To '92 Hatchery Managers Meeting Attendees

From: Paul McCollum

Subject: Agenda

This is the agenda that we will go to the meeting with. If there are any changes please let me know. If you have something you would like to speak on and are not on the agenda, be sure to call me and I'll put you down.

We also have the option of getting together Sunday evening for a few hours if a lot of last minute speakers come forward. So far we have about 30 confirmed attendees and only 2 confirmed exhibitors. Please let me know if you have any ideas or contacts for exhibitors. We need at least a few more.

I took the liberty of inviting representatives from Russia, Japan and Canada. Chikara Iioka will be coming from Japan and giving a presentation on age versus size and a manager from Canada will be attending. Dr. Klyashtorin from the Research Institute of Marine Fisheries and Oceanography in Moscow could not make it but presented a paper "New Strategy of Sockeye Salmon Ranching" that we can review during the round table discussion on rearing strategies.

Ted Cooney of the University of Alaska will give a presentation and update on the Cooperative Fisheries and Oceanographic Studies. The panel discussion on hatcheries ("Where do we go from here?) should be interesting. We will try to get a representative from each association as well as Fish and Game (Comm. Fish and FRED) and the Dept. of Commerce (Division of Investments).

The meeting looks like it will be a good one. I hope the Superbowl doesn't complicate things. I did not have a clue at first that it was on the 26th. When Eric pointed it out, we thought about taping the game and watching it that evening but the risk was too great that no one would show up until Monday. So we decided it would make for a great social event and I am counting on hearing some great fish culture philosophy debated during commercials and half time.

We will be glad to pick you up at the airport and bring you into town. Anyone that wants to save a few bucks and sleep in sleeping bags, let me know, we could probably accommodate anyone interested.

Dave Cobb our Projects And Purchasing Manager is helping me set things up and is starting to get some nice door prizes. We might even have a real grand prize. Please call Dave if you need any help with reservations or accommodations.

Well I'll look forward to seeing you at the Superbowl Game on Sunday. They will be serving food all day so don't worry about lunch. See you here!!!!!

Sixth Annual Alaska Hatchery Managers Meeting

AGENDA

Sunday January 26, 1992

10:00 am - 11:30 am	Tour of Solomon Gulch Hatchery
11:30 am - 6:00 pm	Group Superbowl Party at the Valdez Elks Lodge. Free food and snacks. Your favorite beverage can be purchased there. Wide screen TV and good atmosphere. Meeting arrangements and details will be taken care of. Tours of Hatchery available throughout the day.
6:00 pm - ???	On your own - A movie will be showing at the Civic Center "Necessary Roughness".

Monday January 27, 1992

7:00 am - 8:00 am		A continental breakfast will be served at the meeting site in the Civic Center.
8:00 - 8:15		Welcoming remarks and agenda review
8:15 - 8:30	Irv Brock	New ADF&G fish culture manual
8:30 - 9:00	Gary Wall	ADF&G - Oxygen Contactors
9:00 - 9:30	Mike Blake	Aquionics - UV Disinfection
9:30 - 10:00	Discussion	Fungal Treatment Alternatives
10:00 - 10:15	**Break**	
10:15 - 10:45	Chris Clevenger	ADF&G - Pillar Creek Hatchery
10:45 - 11:15	Chris Monk	ADF&G - Thermal Induced Mass Marking
11:15 - 11:45	Round Table Discussion - Coded Wire Tagging & $$$???	
11:45 - 12:00	Morning Session Discussion	
12:00 - 1:30	**Group Lunch**	**Civic Center**
1:30 - 2:00	L.G. Fowler	Rangen Inc. - Cold Water Feeding
2:00 - 2:30	Terry Ellison	ADF&G - Waste disposal permits and carcass dumping
2:30 - 3:00	Darrel Keifer	ADF&G - Age 0 coho returns
3:00 - 3:15	**Break**	
3:15 - 4:15	Round Table Discussion - 1992 Fish Sales/Marketing	
4:15 - 4:45	Afternoon Session Discussion	
4:45 - 5:00	**Door Prizes**	
5:00 - 6:00	On you own - Tour of Solomon Gulch Hatchery	
6:00 - 10:00	**Dinner and Mixer**	

Tuesday January 28, 1992

7:00 - 8:00	Continental Breakfast at Civic Center	
8:00 - 8:30	Gary Wall	ADF&G - Fish Transport
8:30 - 9:00	Eric Prestigard	PWSAC - Remote Releases
9:00 - 9:30	Rene Pellissier	VFDA - Remote Release Program
9:30 - 10:00	Chikara Iioka	Japan - Fish Size and Age
10:00 - 10:15	**Break**	
10:15 - 12:00	Round Table Discussion - Rearing and Release Strategies - (Dr. Klyashtorin's paper from Russia will be presented.	
12:00 - 1:15	**Group lunch VFDA/PWSAC at Civic Center**	
1:15 - 2:00	Ted Cooney	U.of A. C.F.O.S. Update
2:00 - 3:30	Panel Discussion PNP's Where do we go from here?	
3:30 - 4:30	Open Discussion Any Topic	
4:30 - 5:00	**Closing Remarks, Next meeting and Prize Drawings.**	

Flight Schedules Coming In (Call us if you want to come in from Cordova, Ketchum has a 10 seat Otter at $100 per seat).

From Anchorage Sat. or Sunday

	Leave Anch.	Arrive Valdez
ERA Aviation (Ak Airlines)	7:30am	8:15am
	5:30pm	6:15pm
Mark Air	Sat. 7:30am	8:30am
	11:45am	12:45pm
	3:00pm	4:00pm
	Sun. 11:45am	12:45pm
	3:00pm	4:00pm
	4:30pm	5:30pm

Flight Schedules Leaving Tuesday January 28th

To Anchorage:

	Leave Valdez	Arrive Anch.
ERA Aviation (Ak Airlines)	1:30pm	2:15pm
	6:30pm	7:15pm
Mark Air	1:00pm	2:00pm
	4:15pm	5:15pm
	6:00pm	7:00pm

To Cordova:

Ketchum Air Amphib. Otter 10 seats $100. each. Let us know.

1992 Managers Meeting

Confirmed attendees

1. Chris Clevenger — Mgr. Pillar Creek
2. Terry Ellison — Regional Fish Culturist
3. Bruce Bakken — NSRRA
4. Tim Joyce — Kodiak Regional Aqua. Assoc.
5. Rob Brower — Fisheries & Oceans Canada
6. Darrell Keifer — Elmendorf Hatchery ADF&G
7. Gary Neil — Ft. Rich ADF&G
8. IRV BROCK — FT. Rich ADF&G
9. CHRIS MONK — ADF&G
10. ERIC PRESTIGARD — PWSAC
11. RENE' PELLISSER — VFDA
12. PAUL McCollum — VFDA
13. DAVE Colob — VFDA
14. KEN MORGAN — VFDA
15. MARTY PEGG — VFDA
16. ROY MARTIN — NMFS
17. RODGER VALLION — NMFS
18. JIM SEELAND — NSRAA
19. ROD NETERER — SSRAA
20. JEFF MILTON — PWSAC
21. TOD JONES — WRANGELL
22. CHIKARA IIOKA — JAPAN
23. TOM HENDERSON — PWSAC

24.	Mike Melielo	Cold Bay ADF&G
25.	Laurie Fowler	Rangen Fish Food Co.
26.	Mike Blake	Aquionics
27.	Dale Hurdlow	Bio-Products
28.	Russ Farmer	Bio-Products
29.	Scott McKnight	Moore-Clark
30.	Cindy Lassiter	Deer Mountain Hatchery ADF&G
31	Dan Moore	Big Lake Hatchery ADF&G
32	Bill Halloran	SSRAA
33	Mark Tollfeldt	SSRAA
34	Sam Rayburn	SSRAA
35	Ted Cooney	U of Alaska Fairbanks
36	Bart Watson	Armstrong Keta
37	Dick Demmars	" "
38	Ted Westall	[illegible]
39	John McNair	[illegible] Hatchery ADF&G
40.	[illegible] Robinette	Main Bay Hatchery

COST/BENEFIT ANALYSIS OF SALMON PRODUCTION AT THE SOLOMON GULCH HATCHERY

The following analysis will utilize three scenarios concerning the degree of financial commitment to each species' specific program.

SCENARIO #1

In this scenario we will deal with the total financial picture (TFI), including capital and operations costs for the entire facility, split by a percentage factor per species, derived by the following formula:

$$TFI \times \frac{ST}{T} = Stfi$$

where TFI = Total Financial Incumbrance for a given brood year.

ST = Species Time in man hours for same brood year.

T = Total time in man hours for all species for that brood year.

Stfi = Species Total Financial Incumbrance for a given species and brood year.

To determine a cost value (C), we then would divide the Total Financial Incumbrance for a given species and brood year (Stfi) by the number of fish released (r), whether it be actual or expected:

$$\frac{Stfi}{r} = C$$

For the benefit value (B), we can use the value (V) in dollars of the expected or realized returning adults, either to the fishery (B1), or to the hatchery (B2).

$$\frac{V}{r} = B$$

Our total cost benefit ratio under this scenario would be expressed as:

$$\frac{\dfrac{TFI \times \frac{ST}{T}}{r}}{\dfrac{V}{r}} = \frac{C}{B}$$

SCENARIO #2

In this scenario, we will not incorporate any capital costs into account, and therefore, will use only operational financial incumbrance (OFI) instead of TFI:

$$\frac{\dfrac{OFI \times \dfrac{ST}{T}}{r}}{\dfrac{V}{r}} = \frac{C}{B}$$

SCENARIO #3

This scenario will only use the actual direct operations costs incurred with a given species and brood year, i.e. those specific costs associated with egg take, incubation, rearing, harvest and tagging. This will be termed Actual Financial Incumbrance (AFI):

$$\frac{\dfrac{AFI}{r}}{\dfrac{V}{r}} = \frac{C}{B}$$

ACTUAL COST BENEFIT COMPUTATIONS

SCENARIO #1

'84 pinks:

TFI = \$2,607,530 capital cost as of '84 ÷ 20 yrs = \$130,377 + \$459,500[1]

TFI = \$589,877

ST = Egg Take (3,470 man hours) + Incubation (1,650 man hrs) + Rearing (378 man hrs) + Harvest (est. 160 man hrs) + Mark Recovery (est.100 man hrs.) + Staff Time (3,536 man hrs.)

ST = 9,294 man hours **TT** = 10,934 man hours **r** = 51,260,000 fed fry released

C = \$ .00978 = Cost factor '84 brood pinks per fish released.

1) For '84 brood year pinks, since we were on calendar years and '84 and '85 operations were involved, I used the average of the two years to attempt an estimated FY'84 operations budget.

V1 = $ .17 x 1,224,666 x 3 lbs = $ 624,580 net worth

r = 51,260,000

B1 = $ .0122 = Benefit factor '84 pinks per fish released.

C/B = $ .802 total Cost/Benefit '84 pinks <u>or</u>

$\frac{\$501,395 \text{ out}}{\$624,580 \text{ in}}$ or a 24% gain ($ .80 spent per $1 gained)

<u>SCENARIO #3</u>

'84 pinks:

AFI = Egg Take (3,470 hrs)+ Incubation (1,650 hrs) + Rearing (378 hrs) + harvest (160 hrs) + Mark Recovery (100 hrs) = 5,758 hours x $11.75/hour = $67,657; + 3,536 Staff hrs. x $18/hr = $63,648; + $25,214 (materials) + $20,740 (feed)

AFI = $177,259

r = 51,260,000

C = $ .00346

B = $ .0122

C/B = .283 or $\frac{\$624,580 \text{ in}}{\$177,259 \text{ out}}$ = 252% gain expenses vs. return

<u>or</u> $.28 spent per dollar gained.

If a normal 5% return would have been realized,

then **B** = $ .0249 and **C/B** + .139 or $\frac{\$1,275,000 \text{ in}}{\$\ 177,259 \text{ out}}$ = 619% gain

<u>or</u> $ .14 spent per dollar gained.

SCENARIO #3

'83 silvers:

AFI = 749 seasonal hrs x \$10/hr = \$7,490 + 416 Staff hrs x \$18/hr = \$7,488 + feed cost \$5,168

AFI = \$20,146

r = \$94,700

C^3 = \$ .2127 = Cost factor '83 silvers per fish released.

V = \$ .90/lb x 4,241 adults x 9 lbs = \$34,355

B^3 = \$ .363 Benefit factor per fish released.

C^3/B^3 = .586 or $\frac{\$34,355 \text{ in}}{\$20,146 \text{ out}}$ = 71% gain expense/return

\$ .59 spent per dollar gained.

ADDENDUM

Notes: Hatchery Staff time est. 85% on pinks; 10% silvers [illegible] FY '83-'85
FY'87 forward, will be 70% pinks, 25% silvers and 5% [illegible]
So for '83, two people x 260 days per year = 4,160 hrs x .85% = 3,536 man hrs.

For figuring Total Time (TT), divide seasonal hours by % Staff time estimate for that species to get a goal approximation of Total seasonal hours, then add to Total Staff hours. For Species Time, add actual seasonal hours to % of total Staff hours for that species.

Northwest Setnetters Association
Box 870, Kodiak, Alaska 99615

February 27, 1992

Mr. Carl Rosier
Commissioner of Fish and Game
P.O.Box 3-2000
Juneau, Alaska 99802-2000

Re: Regulation Creating Moratorium on Salmon Fry and Smolt Release in Alaska Waters

Dear Commissioner Rosier,

During the past few years, Kodiak's Northwest Setnetters Association has become increasingly concerned about two issues. First, it seems that Alaskan Hatcheries have no controls imposed upon their production. And Second, it appears that the rearing or "carrying" capacity of the North Pacific is not unlimited.

The results of the lack of regulation is already apparent. As you are aware, the average weight of the 1991 returning natural salmon in many areas were at an all time low. In particular, returning 1991 Prince William Sound hatchery fish, primarily because of their size, were unwanted by local processors. In addition, there now exists extreme competition between the natural stock and the hatchery stock which threaten the existence of the wild stocks.

Because of the existing adverse effect of the hatchery fish on the wild stocks and our awareness that the ocean carrying capacity of the North Pacific is not known, it seems only prudent to adopt an emergency regulation to stop any increase in hatchery production and release of salmon fry and smolt.

It seems only prudent for the Board of Fisheries to adopt comprehensive state wide regulations to control the release of salmon fry and smolts.

Pursuant to Alaska Statutes 16.05.251 the Board of Fisheries has authority to adopt regulations to control competition among fish in Alaska. In particular, pursuant to Alaska Statutes 16.05.251(a)(7),(8) and (9), the Board of Fisheries has authority to regulate;

> (7) watershed and habitat improvement, and management, conservation, protection, use, disposal, propagation and stocking of fish;

Northwest Setnetters Association
Box 870, Kodiak, Alas/ 99615

(8) investigating and determining the extent and effect of disease, predation, and competition among fish in the state, exercising control measures considered necessary to the resources of the state;

(9) prohibiting and regulating the live capture, possession, transport, or release of native or exotic fish or their eggs.

Further the Board of Fisheries is granted authority to regulate the terms of hatchery permit " relating to the source and number of salmon eggs, the harvest of fish by hatchery operators, and the specific locations designated by the department for harvest." See. AS 16.10.440(b).

Failure to act may decimate the natural runs and, at the same time make hatchery fish unmarketable. We believe that hatchery production regulation is the single most important salmon issue in our state at this time.

We request the Commissioner through the Board of Fisheries adopt an emergency regulation placing a moratorium on any increase in the production and release of salmon fry and salmon smolt in the State of Alaska.

In addition, we request that the Moratorium be in place until such time as the Board of Fisheries adopts comprehensive state wide regulations to control the propagation and release of salmon fry and smolt in the State of Alaska.

While the emergency moratorium is in place, ADF&G, Alaska Board of Fisheries, Aquaculture Associations, ASMI, and fishing industry representatives should work together to develop these comprehensive state wide regulations for hatchery production.

Obviously, the process will not be easy and we recognize conflicting economic and political considerations. Nevertheless, the alternative of failing to act will result in an alteration and/or termination of Alaska salmon as we have known it.

Sincerely,

R. Danforth Ogg
President

CC: Mike Martin, Chairman of Alaska Board of Fisheries
Senator Dick Eliason
Senator Fred Zharoff

NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION, INC.

(907) 747-6850 1308 SAWMILL CREEK ROAD SITKA, ALASKA 99835 FAX (907) 747-1470

March 27, 1992

Senator Dick Eliason
Senate President
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Senator Eliason,

We appreciate the opportunity to comment on the draft report of the legislative review of the Alaska Salmon Enhancement Program. It is obvious that a great deal of work went into developing the report and you and your staff are to be commended for your efforts. We would like to offer the following comments for your consideration.

1) We believe it would be helpful to the reader to offer a little more perspective on the status and impacts of the hatchery program. It would provide a basis for the reader to evaluate the many concerns expressed in the report. Aside from a short reference in Chapter 1 to the "highly successful" hatchery program and a reference in Chapter II to 24% of Alaska's harvest coming from hatcheries, the reader is left wondering how well things have worked out. It might be informative to move the sport fish contribution figures on p. 36 forward to the introduction to provide a more complete picture of the benefits to all user groups. The introduction could address the growth of hatchery production, regional differences in the proportion of fish harvested that are of hatchery origin and to what extent the various species of salmon have been produced through enhancement. No doubt some of the information in the economic report would be helpful here. We have included a presentation by Bruce Bachen to the American Fisheries Society meeting last November that includes information on regional differences. Since aquaculture development has taken very different paths in the state, acknowledging this in the introduction will help the reader understand that some concerns are regional while others are more generally applicable.

   We believe it would be helpful to describe the ongoing trends in aquaculture development. From our perspective we see very limited growth ahead for hatchery programs in southeast

Alaska. Perhaps documenting hatchery releases or permits outstanding would be useful to show that the rapid expansion in the late 70's through the 80's is probably over. Pointing out that interest in enhancement is growing in Western Alaska as evidenced by the formation of new regional associations would add additional perspective to the reader and help them to understand where various concerns might apply.

2) Chapter IV, p.6

<u>Tagging requirement</u> We support coded-wire tagging requirements wherever feasible. Every coho and chinook release that we have ever made has included tagged individuals so we could evaluate survival and fishery contribution. With pink and chum salmon, tagging is much more difficult and costly. Our experience with chum tagging is that the results are often unreliable; tag expansions may only account for half of the terminal area catch indicating a problem with survival of the tagged fish or some other problem. In addition, some projects, such as small-scale egg incubation box projects, would not be cost effective or feasible if tagging and recovery were a strict requirement. We would be concerned about a tagging policy that does not allow some flexibility in determining whether a tagging requirement is feasible for a given project and/or if it is needed. There are some projects that produce readily identifiable returns because of the species or timing involved.

<u>Requirement to pay for tag analysis</u> NSRAA has not been notified by ADFG that new production will require payment of tag analysis costs. Since recovery and analysis operations are conducted by the State and we have no say as to their operation or efficiency, we would have concerns about paying for these costs. Fisheries managers can derive a great deal of information from tagged hatchery stocks that allows them to understand what is going on with both hatchery and wild stocks in various fisheries, particularly mixed stock fisheries. There is no feasible way of tagging the same number of wild stocks as hatchery studies and so hatchery stocks are used as indicators. The cost of producing and tagging the enhanced fish is born by the enhancement agency and it seems fair for the state to pay the recovery and analysis costs.

Chapter VI, p.13 and 14

The Northern southeast RPT has six voting members with equal participation by ADFG and commercial fishermen. To our knowledge all RPTS in the state have the same structure. Where additional members have been added they are ex-officio seats. We have seen no evidence of pressuring ADFG to make decisions that violate sound management or biological principles. Divisions within ADFG have the opportunity to make their own recommendation, independent of the RPT, to the commissioner. The comment suggesting that non-Fish and Game members of the RPT may not be able to grasp complex issues underestimates the ability of RPT members that we have observed, and demonstrates a lack of understanding of the roles that fishermen have on the RPT. This is the only regular forum where user desires and concerns related to enhancement are directly addressed through give-and-take discussions with ADFG staff. This is where the biological concerns need to be reconciled with user group expectations and where ADFG biologists are called on to explain their positions. The RPT meetings are educational for both fishermen and ADFG members and we believe that they have been successful in fulfilling their purpose. The primary change we would like to see is that meetings occur more than 2 times per year, as is now the case. The schedule slows processing of PAR's and when it is necessary for proposals to be modified, delays of one year or more are possible.

If more requirements are placed on RPT's the state needs to plan to re-establish funding for supporting the costs of the meetings.

Item 6. Management Issues p.14

The comprehensive plan goals were established about 10 years ago before there was a great deal of experience dealing with management of hatchery returns. It would be useful to review the overall species and area goals to see if the goals are still valid.

page 16 - Options

We strongly recommend that state-sponsored enhancement projects undergo the same permitting and review process as within the Department and RPT as occurs with PNP projects.

Chapter VII Biological/Genetic Issues

With the diversity of opinion on the significance of genetic concerns and the difficulty in proving impacts of hatcheries on wild stocks, this chapter must have been difficult to write.

p.19 para.3

While we know of no loss of production due to genetic damage by the enhancement program, continued caution is a prudent approach. The genetics policy is flexible because of the broad diversity within the State, not because the policies are based on work with other species. With regard to fish transport, the policy bans out of state and out of region transports, but provides for flexibility within region as long as the justification is there. Arbitrary limits were not set in the policy to allow case-by-case decisions to be made.

One item contained in the 1985 policy revision that has never been acted on by ADFG is the creation of genetic sanctuaries. The policy committee felt that identification of areas that are "enhancement-free" would provide better assurance that certain wild stocks will remain unaffected by enhancement activity. We need sanctuaries because we don't know what impacts enhancement work will really have and they provide an insurance policy against unforeseen consequences. Establishment of sanctuaries does not reduce the importance of good policies for the remaining areas, but recognizes that some impact, however small it might be, will occur with almost any activity. since we don't know a lot about straying and the effects of interbreeding between hatchery and wild stocks, sanctuaries provide greater security for wild stocks than otherwise would be there. We would like ADFG to follow its own policy direction and begin to establish sanctuaries.

We would hope that genetic monitoring of hatcheries would be done on a select few at first. Research needs to determine the value of such work and to evaluate different species and hatchery methodologies. Since hatchery practices can be somewhat standardized, information about genetic effects can be shared among similar facilities without going to great lengths to sample all facilities.

p.20

The permitting process allows management to express their concerns to the Commissioner. These concerns are receiving enough attention in our experience.

Treating all remote release sites as de facto hatcheries would be very disruptive to several programs including ours. The guidelines for the use of a broodstock for hatcheries is fairly restrictive and if this were applied to release sites too, several projects would be terminated. To our knowledge, there is not any data to show negative impacts from current practices and thus, we don't see the need for change.

p.31 Yukon River Treaty

Including a reference to the fact that the American Fisheries Society may consider voting on a resolution concerning enhancement on the Yukon gives the reader the impression that AFS will probably adopt the resolution. Until the resolution is voted on and passed, it has no standing and referring to its consideration is misleading. We suggest that you strike the reference.

E. Importance of hatcheries to Sport Fish p.36 Options

We suggest that you add that a review of spending priorities within Sport Division be conducted to examine the proportion of the budget being spent to support enhancement programs that benefit Sport Anglers. The Division receives considerable funding from license and equipment sales which in southeast is predominantly spent to access salmon. Yet, a relatively small amount of the sport fish budget is spent on enhancement projects.

Finally, we believe that the state should take a good hard look at the Enhancement Loan Program. It is our understanding that there are some programs that are still highly dependent upon the Loan Fund for operational money. Though it may be difficult there must be a method to terminate permits held by operators of facilities which continue to struggle with little chance for success. There is something wrong with a system that makes it a priority to give loans to facilities which would otherwise fail if the operator's loan were not granted. This is especially true when an operator has been on the loan fund in excess of 6 years.

We would also agree that it needs to be decided whether or not economic development and tourism were intended to be valid uses of the enhancement loan fund. There also needs to be a mechanism for reviewing hatchery performance and in validating permits when it is evident that success would be difficult or impossible to achieve, or that harm to the wild resource may result.

We hope that the comments that we have provided will help. Thank you for the opportunity to comment. If you have further questions, please feel free to call us at (907) 747-6850.

Sincerely,

Pete Esquiro
General Manager

Bruce Bachen
Operations Manager

Petersburg Vessel Owners Association

P.O. Box 232
Petersburg, Alaska 99833
Phone (907) 772-9323 Voice and Fax

March 23. 1992

Senator Dick Eliason, Chairman
Senate Special Committee on Domestic &
International Fisheries
P.O. Box V
Juneau, Alaska 99811

Dear Dick,

Now that the King and Tanner crab season has closed, PVOA members have had an opportunity to review the Legislative Hatchery Report. Our sincere thanks to you, your staff, and others who worked hard to make this report possible.

Without a doubt, PVOA's primary concern with regards to the State's hatchery program is the health and viability of our natural wild salmon stocks. Here in Southeast, fishermen have long recognized the importance of our wild salmon runs. It is extremely important to PVOA members that these stocks be given a priority. We suggest that statutory language be adopted which would give wild stocks preferential management treatment relative to hatchery raised fish.

We do not believe the State should have an obligation to guarantee either a return of broodstock nor stocks for cost recovery needs. However, we would recommend that the Department of Fish & Game continue to regulate commercial and sport fisheries to obtain escapement goals of wild stocks to natal streams. These same management techniques would also serve to protect a return of broodstock to hatchery sites. What is good for the wild stocks in their natal streams should also benefit the hatchery stocks at hatchery sites. Efforts should be made to protect broodstock but in no way to guarantee it.

Adopting a clear wild stock priority in State statute which clarifies the Board of Fisheries requirement for hatchery broodstock and cost recovery stocks is action that could easily be undertaken and quickly. The concept of statutory clarification of a wild stock priority which specifically indicates that the State has no obligation to guarantee a return of cost recovery stocks to hatcheries is supported not only by PVOA, but the United Fishermen of Alaska Board of Directors and Southeast Alaska Seiners as well.

Chapter VI of the review deals with the current planning and permitting process. PVOA would support the idea of the development of a statewide planning and production process provided there is regional input. It is important to develop statewide goals and objectives. Each region is ultimately part of the whole picture, the direction a region takes directly and indirectly affects all other regions. State facilities, as well as PNPs, need to comply with a planning and permitting process, with the same requirements for monitoring and review.

Due to our concern for the negative impacts of hatchery production on wild stocks, we support many of the options listed in Chapter VII of the review. PVOA members specifically cited the following options:

*Evaluation of how well the current hatchery program protects wild salmon from the negative effects of hatchery salmon.
*Obtaining consensus about research priorities concerning the interaction of hatchery and wild fish, coordinating future studies, and deciding how and when to apply the results of those studies to current management practices.
*Placing greater emphasis on management concerns in the permitting process in order to protect wild stocks.
*Re-examination of escapement goals in order to maximize wild productivity.
*Increased use of marking and tagging programs to monitor interactions between hatchery and wild populations.
*Policy development to minimize inbreeding and straying, including an evaluation of remote releases.
*Monitoring hatchery stocks to determine extent of straying and intermingling.

We are anxious to examine the recommended management actions resulting from the Cordova workshop. Please send us a copy of the proceedings when they become available.

PVOA members believe it is important for the State to initiate research to learn more about the dynamics of wild salmon stocks. We are troubled to learn about problems developing in Oregon and Washington concerning impacts of hatchery production on wild stocks. We are concerned about the State's lack of knowledge about wild salmon stocks. If sometime in the future, wild stocks are found to be in peril here in Alaska, the value of hatcheries may be very significant if they could be made into central incubation facilities.

We have several concerns with regards to Chapter VIII which deals with funding. PVOA believes it may be appropriate to consider restricting further hatchery development or increased production until the Legislative economic cost-benefit studies are complete and a full assessment of the hatchery program can be made. Members are particularly concerned that any major additional production should be discouraged unless new markets are established to handle the increase.

In addition, criteria is needed to show that a public benefit exists before granting permits and loans. A detailed cost/benefit analysis would be in order and a specific indication of the "significant contribution" to the common property fisheries. For existing hatcheries which are not making a "significant contribution" to the common property fisheries, a mechanism must be developed to close such facilities. Fishermen cannot be expected to continue to fund these facilities if no one but the hatchery operators are receiving benefits.

In addition, we believe the following options have merit:

*An analysis of the enhancement tax program is needed to determine 1)whether costs are distributed in proportion to benefits and 2) the impact of a mechanism to allow specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.

*Development of an auditing mechanism to ensure that annual PNP operating costs, paid by loans, enhancement tax receipts, and cost recovery, are "reasonable".

Basically the Review contains alot of good suggestions for improving our State hatchery program. Of course one of the tantamount problems is that of funding, for research, planning and the RPT process, hatchery operations, tagging and marking studies, etc.

Many of our members have commented that when the idea of a State hatchery program was first introduced they saw it as an opportunity to provide minimal steady production of salmon. A program that could help take the extreme highs and lows out of the annual salmon runs. Instead, we have a situation in which hatchery production has been a financial drain on fishermen in Southeast, we have a new group competing for markets, there are poor quality cost recovery fish being placed on the markets, efforts have been made to restrict traditional fishing opportunities in order to protect hatchery stocks, etc. And then on top of all this, no one foresaw farmed salmon being a factor to reckon with.

PVOA members are disenchanted with the direction of the State's hatchery program. We hope that you will take our suggestions under serious consideration. We are sincerely interested in continuing this important review process and are willing to assist you and your staff in any way possible.

Sincerely,

Kris Norosz

Kris Norosz
Director

PVOA TESTIMONY BEFORE THE SENATE SPECIAL COMMITTEE ON DOMESTIC & INTERNATIONAL FISHERIES REGARDING DRAFT LEGISLATIVE HATCHERY REVIEW--February 24, 1992

My name is Kris Norosz. I am Director of the Petersburg Vessel Owners Association. We would like to thank everyone who made this project possible. It was a major undertaking that fell on the shoulders of a few staff people and we appreciate their perseverance.

I would like to just touch upon a few points at this time. We would like to see an obvious wild stock priority in State statute. We would also like to see a clarification in statute as to whether or not the Board of Fisheries is required to provide for hatchery broodstock or for cost recovery fish. I appreciated Jim Bacon's comments and we heartily concur. In the past few years we have seen numerous proposals submitted by various hatcheries that would seek to guarantee fish returns for broodstock and hatchery cost recovery purposes. They are seeking essentially to extend their cost recovery jurisdiction beyond their terminal harvest area. If passed, these proposals would severely limit fishing opportunities for commercial fishermen which have historically existed for years in areas which are many, many miles from the hatchery sites. We would find such a situation unacceptable.

It may be appropriate to consider restricting further hatchery development or increased production until the Legislative economic cost-benefit studies are complete and a full assessment of the hatchery program can be made.

We need new criteria to show that a public benefit exists before granting permits and loans. A detailed cost/benefit analysis would be in order and a specific indication of the "significant contribution" to be made to the common property fishery.

We need a workable mechanism in place for closing hatcheries which are not making a "significant contribution" to the common property fisheries.

Currently, purse seiners in Southeast are paying a disproportionate amount of money for the benefits we receive. We believe any analysis of the enhancement tax program to determine first, whether costs are distributed in proportion to benefits, and secondly, the impact of a mechanism to allow specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.

Thank you for this opportunity to comment. PVOA would like to submit additional comments at a later date. Most of our members are currently participating in the King and Tanner crab fishery and have not had time to review the report.

Southern Southeast Regional Aquaculture Association, Inc.

2721 Tongass Avenue
Ketchikan, Alaska 99901

Phone: (907) 225-9605
Fax: (907) 225-1348

A regional non-profit organization for the enhancement of salmon

March 4, 1992

Senator Dick Eliason, Chairman
Senate Special Committee on
Domestic and International Fisheries
P.O. Box V
State Capital
Juneau, Alaska 99811

Re: Report of the Legislative Review of the Alaska Salmon Enhancement Program

Dear Senator Eliason:

Thank you for the opportunity to comment on the review of the Alaska salmon enhancement program. This was a timely and monumental task. I will address only a few points for your committee to consider.

Chapter IV -

1. Hatchery fish should be tagged (marked) with a representative number. Serious consideration should be given to mass marking.

2. Hatchery operators should pay for the marking, but the state should be responsible for the recovery and evaluation.

3. Marking will greatly reduce the mix-stock management problems.

4. Wild stock should be a priority for management.

5. The quality issue can be resolved by changing management practices.

Chapter V -

1. There should be management protection of hatchery broodstock in the near terminal area but there should be no consideration for cost recovery.

2. Enhancement should supplement the fisheries not dominate a fishery.

3. Economic development fisheries should be secondary to a wild stock priority or a supplement fishery.

Chapter VI -

1. Permits should be issued only if the enhancement effort provides a minimum of 60% (after broodstock) to the common property fishery.

2. If the permittee does not meet the 60% common property interception within four years after reaching the permitted capacity, the permit should be revoked.

3. Enhancement planning should be on a regional basis, not a state wide basis.

4. The state should increase funding for planning and expand the role of the regional planning teams, such as recommendations for allocating enhanced fish.

5. All permits, including state permits, should be subject to the same RPT review as PNP permits.

6. Regional associations should retain siting preference. By statutes, the regionals represent a broader public interest and represent all user groups. Non-regionals do not. Therefore, the public interest is best served by giving preference to regional PNP's.

7. A moratorium should be declared on increased production until the economic evaluation is completed.

Chapter VII

1. The state should fund research to study straying and genetic concerns. There is no consensus among top scientist on how the genetic policy should be changed.

2. The current genetic policy is the best in the nation. It should be changed only when science documents a change is needed.

3. The state should fund an ocean carrying capacity study.

4. Remote release sites should not be considered the same as a hatchery site. Terminal wipe-up fisheries do not impose genetic problems, if the site is suitably separated from wild stocks and the species are matched to the site according to the policy.

Chapter VIII

1. DOCED should develop written policies or regulations on how low interest rates are to be established, and deferment periods should be based upon the species being reared.

2. DOCED currently applies the maximum interest rate and the minimum initial deferral period. This is creating excessive and unnecessary costs to the program.

3. The loan fund should be capped at its current level and let it revolve as intended.

4. A better distinction should be made between regional and non-regional PNP's. Currently, regionals only have 26.7% of the total debt and only 6.5% of their total revenue in operational loans. Also, regionals have not used the loan fund for operations for many years. The non-regionals have 53.9% of their total debt and 45.5% of their total revenue in operational loan. Also, the non-regionals have existed for as long as the regionals, but yet most of the non-regionals still depend on operational loans. There should be a limit on how long loans can be made for operations. A maximum of four years after reaching full production should be applied.

5. The regionals have the enhancement tax; therefore, it is understandable that the non-regionals would need more operating funds in the start up years. But it is unwise to put regionals on unsound financial basis to assure funds are available to the non-regionals for operative loans.

6. It should not be forgotten that should a non-regional default, the state will be the looser. However, if a regional defaults, the fishermen will continue the enhancement tax until the loan is paid. The state never looses on a regional loan; therefore, as a lending practice, DOCED should treat the non-regionals as a much higher risk and fund them more conservatively. This has not been DOCED's practice as evidenced by how highly leveraged the non-regionals are.

Chapter X

1. Incentives should be given to processors to develop new markets and new product forms to help the marketing issue.

2. The state should continue funding ASMI.

Chapter XI

1. Alaska must be more aggressive in getting the chinook quota increased from the U.S./Canada treaty.

2. Any user group which is impacted by a treaty quota should be assigned a percentage of the quota. Currently, commercial sport charters are not covered by a percentage of the chinook quota and are impacting the commercial trollers.

3. Any change in environmental regulations for fish hatcheries should be consistent with current, cost-effective technology. If more stringent regulations are developed, the state should provide the funds for existing hatcheries to come into compliance.

I hope my comments are helpful.

Sincerely,

Donald F. Amend

Donald F. Amend
General Manager

75/14E

Southern Southeast Regional Aquaculture Association

Ketchikan, Alaska 99901
2721 Tongass Avenue

Phone: (907) 225-9605
Fax: (907) 225-1348

A regional non-profit organization for the enhancement of salmon

February 10, 1992

Pete Esquiro
NSRAA
1308 Sawmill Creek Road
Sitka, Alaska 99835

Dear Pete:

I know that 1991 was not a good year for non-profit salmon aquaculture corporations. Low pricing has caused problems for everyone, and SSRAA is no exception. A few corporations are having difficulty now, but unless something dramatically changes soon, 1993 will create even greater problems for everyone. I am writing to you for your support which can help everyone now.

Alaska statutes allows the commissioner of Commerce and Economic Development (DOCED) to defer loans for six to ten years without accrual of interest or payments on the principal or interest (Sec. 16.10.525). The state policy was to provide <u>low</u> interest loans (Sec. 16.10.500) and the maximum interest that could be levied was *9.5%* (Sec. 16.10.510 (6)). I know of <u>no</u> case that the commissioner has allowed an initial period of over six years for deferral of payments, and, except for a few instances in the early 1980's, the commissioner has imposed the maximum 9.5% interest. SSRAA has been denied extensions of the initial six year deferral period and denied a reduction of the interest rate, despite the fact that fixed long term bank rates are now under 9.5%.

The commissioner of DOCED has never developed regulations to determine when and under what conditions the initial period can be extended beyond six years, or developed regulations that determine how interest rates will be established. <u>His actions have consistently been to allow the minimum initial period and charge the maximum interest rate.</u> Consequently, the denial of extended initial periods or lower interests rates by the commissioner is arbitrary and capricious.

In all cases that I am aware of the solution by the commissioner in regard to cash flow problems has been to issue more operational loans. DOCED is more than eager to loan you more money. I do not know about your situation, but in my opinion more debt is not the solution. Those who exercise this option are only mortgaging their future and setting themselves up for certain failure. You only need to read the daily headlines about bankruptcies of companies who have over leveraged themselves. The loan fund should be used primarily for capital improvements or operational loans for new aquaculture corporations or projects.

It is the opinion of the SSRAA Board of Directors that DOCED must use the existing statutes to allow for longer initial periods and lower interests rates. Because DOCED has not chosen to use the existing statutes, we must apply our maximum influence on them to change their policy. According to Alaska statutes (Sec. 44.62.220) we have the Right to Petition the state to develop regulations to define the criteria for extending the initial period up to ten years and to define how interest rates can be adjusted. Before regulations can be adopted, they must go out to public review and comment, and we have the opportunity to influence the outcome.

I am asking for your support in this effort. SSRAA is going to pursue the Right to Petition, and this will cost us between $15,000 and $25,000 through the initial application. You can help by joining in the petition to adopt regulations, contacting your legislative representatives, writing to the commissioner of DOCED, and helping to influence the development of regulations. Your financial support of our effort would also be appreciated. We have much to gain for all of us, but very little to loose, except to increase our debt. Please call me for details on how you can assist and join in the petition.

I look forward to your support.

Sincerely,

Donald F. Amend

Donald F. Amend
General Manager

66/14E

Southern Southeast Regional Aquaculture Association, Inc.

2721 Tongass Avenue
Ketchikan, Alaska 99901
Phone: (907) 225-9605
Fax: (907) 225-1348

A regional non-profit organization for the enhancement of salmon.

June 26, 1992

Senator Lyman F. Hoffman
P.O. Box 886
Bethel, Alaska 99559

Dear Senator Hoffman:

I was told by Ray Gillespie that you and Senator Eliason will be requesting a legislative audit of the fisheries enhancement loan program this summer. I am writing to offer a few specific areas you may consider to look at and to offer a few personal comments and suggestions on the loan program.

There is a difference between qualified non-profit regional aquaculture associations and local non-profit hatchery corporations (AS 16.10.380). Among other differences, Regional Associations, (1) must have commercial fishermen representatives on their Boards of Directors (AS 16.10.381(a)) and must have other users of the fishery resource on the Board (AS 16.10.381(b)), (2) have regional planning responsibilities (5AAC40.310(a)), and (3) have preference rights for land sites and water use (AS 16.10.400(e), 5AAC40.800), and (4) are qualified to operate state owned hatcheries under contract (AS 16.10.480). Local hatchery corporations have none of the above requirements and, in addition, are more limited by the amount of loans they can obtain (AS 16.10520(a)). It is obvious by the state statutes that Regional Associations were intended to have a higher status and preferences over local hatchery corporations, but this has not been followed by the Division of Investments in administering the Fisheries Enhancement Loan Program.

I have been told by Martin Richard, Director, Division of Investments that they make no distinction between Regional Associations and local hatchery operators when considering loans. However, AS 10. 510(2) states that loans can only be made to qualified Regional Associations or to local non-profit corporations approved by a qualified Regional Association for pre-construction activities in order to obtain permits. To my knowledge, none of the local non-profit corporations received approval by Regional Association for their permits.

The loans can be secured by a variety of collateral instruments including lease hold improvements, sale of surplus fish, or a salmon enhancement tax levied on fishermen (AS 16.10.520(c)), but only Regional Associations are eligible to receive the state Salmon Enhancement Tax (AS 43.76.010) if approved by vote by commercial fishermen. The Salmon Enhancement Tax is a state tax and all fisheries enhancement loans by Regional Associations are secured with the enhancement tax. Therefore, the tax guarantees the loan payment no matter if fish return to the hatchery or not, or no matter the condition of the hatchery. Consequently, loans to local corporations, which are not secured by the enhancement tax, are a much higher risk to the state, yet they get the same terms and interest rates as Regional Associations.

Alaska State Statute (AS 16.10.520) places limits on how much can be loaned to any aquaculture corporations. Regionals can get $10,000,000 and local operators $1,000,000 (AS 16.10.520(a)) on a single loan. The Division of Investments has allowed both regionals and local operators to exceed this limit over time. Is there no limit as long as a single loan is within the guideline? In fact, one local operator (DIPAC) has received over $13.4 million in state loans and is the second largest borrower from the loan fund! Most local operators have exceeded the $1.0 million limit many fold over time.

Alaska State Statute (AS 16.10.520(b)) also states that a borrower from the fund must establish an equity position equal to 10% of a loan within ten years. All the regionals have far exceeded this requirement, but most of the local operators have not. What happens if they do not attain the 10% equity position? Apparently nothing, because the Division of Investments has ignored this requirement and annually grants new operational loans to local operators. There have been no new hatchery operators for over fifteen years. The regionals have not asked for any operational loans for over eight years, but the local operators still require annual operational loans. The legislature recently added $6.0 million to the Fisheries Enhancement Loan Fund and 72% was for operational loans to local operators. The loan funds are being depleted by local operators for annual operations without adequate security and are thus diverting funds that could otherwise be used for facility development. In fact, 3AAC81.010(6) clearly states that any loan to a local operator over $1.0 million must have a letter from a qualified association approving the local operator. It does not appear that these limits are being followed thus further diverting funds for facility development.

The problem with most local operators is that they have not shown they are able to repay their loan and still depend on state loans to operate even though they have existed for over ten years. Their loans are secured by fish sales and property. The property would have poor resale value and actually acts as little security to the loans. Through FY 90 only 26% of their revenues has been fish sales, the remainder (74%) has been state loans. In comparison, the regionals have received 27% of all their revenue from state loans and 73% from cost recovery and enhancement tax. My point here is that the local operators have not shown the ability to repay their loans and their loans are at high risk because there is little security to back the loans. Again, the regional loans are guaranteed by the enhancement tax.

I believe the above shows that the Division of Investments policy of not distinguishing between regionals and local operators is flawed and has put the loan fund and state dollars at high risk. The continual addition of state general fund dollars into the loan fund keeps supporting this flawed policy, because most goes for operating funds for local operators. This policy, therefore, is not following the intent of the enhancement program to "contribute, by artificial means, to rehabilitation of the state's depleted and depressed salmon fishery" (Section 1, Chapter III, SLA 1974). If more and more of the fund is used for operations, the debt service requires a higher and higher part of the resource for cost recovery. The Department of Commerce is already proposing, through regulation, to allow borrowers to use 50% of the resource for cost recovery. This is excessive. Any corporation that cannot operate on a minimum of 33% of the resource should be denied loans. The program is to promote a common property resource, not to use state funds to benefit a few select operators.

A solution to this problem is to divide the Fisheries Enhancement Loan Fund into two parts: one fund for loans secured by an enhancement tax and another fund which is secured only by fish sales and leasehold improvements. The fund secured by the tax could be even further limited to the amount which could be amoritized by annual payments based on the average of the tax collected. Anyone borrowing more then the ability to pay with a ten year tax average would have to use the other fund. The local operators would be limited to the fund not secured by a tax, but this would make the Division of Investments more prudent in their loans and the legislature would have a choice of which fund to continue adding state general fund dollars. The fund secured by the tax is already self sufficient and will adequately satisfy all loans needed if allowed to rotate within itself and not drained by local operators for operational loans.

I believe the separation of the loans would put the entire enhancement program on more solid footing. The fund secured by the enhancement tax should get more favorable rates, just like commercial banks operate. Because of the security, the interest rate should be set at prime rate and allowed to float quarterly with the prime rate up to the maximum 9 1/2% set in AS 16.10.510(6). The fund not secured by the tax should be set at a higher rate, perhaps 2 percentage points above the prime rate. This is justified by the higher risk of these loans.

Another solution is to set different terms for operational loans. Capital loans used for expansion or improved efficiency should get the same deferment period as set in AS 16.10525. However, payment on operational loans not secured by the enhancement tax should not have any deferment. Interest should start to accumulate immediately and payments should start within a year. There are no good reasons to defer principle or interest on unsecured operational loans, except for new corporations who are just starting and this should be a one time exception.

I believe there are many flaws in the way the Division of Investments is operating the Fisheries Enhancement Loan Fund, and they do not appear to be following state statutes and regulations. I believe the above suggestions would greatly improve the fund and help secure it for the future. It would reduce the need for state general fund dollars and would give legislators a choice and a clearer picture of what is happening.

I hope my comments are helpful.

Sincerely,

Donald F. Amend

Donald F. Amend
General Manager

cc: Senator Dick Eliason
Senator Pat Pourchot
Representative Bert Sharp
Senator Robin Taylor
Representaive Carroll Fader
Representative Cheri Davis
Molly McCammon
Mary McDowell
Regional Aquaculture Associations

137/14E

rate listed in the Wall Street Journal during the previous quarter plus one percentage point, not to exceed the maximum interest allowed under AS 16.10.510(6). The interest rate will be established at the nearest 1/2 point.

(f) The interest rate for a loan is the quarterly interest rate in effect at the time the loan commitment is made. The interest rate for a loan will be at a fixed rate for the term of the loan. (Eff. °/11/85, Register 95, am 7/4/91/ Register 119; am / / , Register)

Authority: AS 16.10.510

3 AAC 81 is amended by adding a new section to read:

3 AAC 81.060 INITIAL LOAN PERIOD. (a) At the time a loan is made the department will, in its discretion, consider the following factors in setting the initial loan period:

1. The time needed to build broodstock to a production level;

2. the financial need of the permit holder; and

3. other factors the department considers appropriate to preserve the security of the state and its investment.

(b) The term of the initial loan period may be extended at any time during the first 10 years of the loan only if an extension of the initial loan period is in the best interest of the state.

CHAPTER 80. COMMERCIAL FISHING LOANS

3 AAC 80.055 is amended by adding new subsections to read:

(k) The department will, in its discretion, quarterly set the interest rate for loans. The interest rate established for a quarter remains in effect until the department changes the rate. The interest rate set by the department is based on the bank prime rate listed in the Wall Street Journal during the previous quarter plus two percentage points, not to exceed the maximum interest allowed under AS 16.10.320(2). The interest rate will be established at the nearest 1/2 point.

(l) The interest rate for a loan is the quarterly interest rate in effect at the time the loan commitment is made. The interest rate for a loan will be at a fixed rate for the term of the loan. (Eff. 9/11/85, Register 95; am 5/23/88, Register 106;
am / / , Register)

Authority: AS 16.10.310
AS 16.10.320

CHAPTER 81. FISHERIES ENHANCEMENT LOANS AND GRANTS

3 AAC 81.055 is amended by adding new subsections to read:

(e) The department will, in its discretion, quarterly set the interest rate for loans. The interest rate established for a quarter remains in effect until the department changes the rate. The interest rate set by the department is based on the bank prime

The term of the initial period, as extended, may not exceed 10 years. (Eff. / / , Register)

Authority: AS 16.10.510

3 AAC 81.900 is amended by addition a new definition to read:

(5) "Production level" means a level of broodstock development that will sustain broodstock and cost recovery needs without using more than 50 percent of the forecasted resource. (Eff. 9/11/85, Register 95; am / / , Register)

Authority: AS 16.10.510

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

JUN 1 1992

Notice is given that the Department of Commerce and Economic Development, under authority vested by AS 16.10.310(a)(3) and AS 16.10.510(4), proposes to adopt and amend regulations in Title 03 of the Alaska Administrative Code, dealing with interest rates for the Commercial Fishing and Fisheries Enhancement Loans, the initial period for Fisheries Enhancement Loans, and the definintion of production level, all of which serve to clarify and implement AS 16.10.525, 16.10.500, and 16.10.320 as follows:

1. 3 AAC 80.055, Lending Practices for Commercial Fishing Loans, is a new section that authorizes the department, at its discretion, to quarterly set the interest rate for loans, using a formula based on the bank prime rate plus 2 percent. This rate is fixed for the term of the loan.

2. 3 AAC 81.055, Lending Practices for Fisheries Enhancement Loans, is a new section that authorizes the department, at its discretion, to quarterly set the interest rate for loans, using a formula based on the bank prime rate plus 1 percent. This rate is fixed for the term of the loan.

3. 3 AAC 81.060, Initial Loan Period for Fisheries Enhancement Loans, is a new section setting out the factors to be used by the department in establishing the inital period of the loan. These factors include considerations related to broodstock production level, financial need and other factors the department considers appropriate to preserve the security of the state and its investment.

   This section also provides that the initial loan period may be extended under certain circumstances if an extension is in the best interest of the state.

4. 3 AAC 91.900, Definitions, is proposed to be amended by adding a definition of "production level" in relation to sustaining broodstock, cost recovery, and forecasted revenue.

Copies of the proposed regulations may be obtained by writing to:

Regulations/Administrative Assistant
Division of Investments
Alaska Department of Commerce and Economic Development
P.O. Box 34159
Juneau, AK 99803-4159

Notice is also given that any person interested may present oral or written comments or suggestions concerning these proposals at a hearing to be held in the Department of Commerce and Economic Development's cnference room on the 9th floor of the State Office Building located at 333 Willoughby Ave., Juneau, Alaska, at 1:00 p.m. on June 16, 1992. A second hearing will be held in the conference room inside Suite 778 of the Frontier Building located at 3601 C Street, Anchorage, Alaska, at 1:00 p.m. on June 18, 1992. Both hearings will be held from 1:00 p.m. to 4:00 p.m. and might be extended to accommodate those present before 3:00 p.m. who do not have an opportunity to testify.

In addition, written comments or suggestions may be sent to the Division of Investments, P.O. Box 34159, Juneau, AK 99803-4159, so that they are received no later than June 30, 1992.

This action is not expected to require an increased appropriation.

The Department of Commerce and Economic Development, after the deadline stated above, will either adopt these or other proposals dealing with the same subject, without further notice, or decide to take no action on them.

Com. S. Nesgoda for
Martin J. Richard, Director
Division of Investments
Alaska Department of Commerce and Economic Development

Date: 5-20-92
Juneau, Alaska

0780G

Southern Southeast Regional Aquaculture Association, Inc.

2721 Tongass Avenue
Ketchikan, Alaska 99901
Phone: (907) 225-9605
Fax: (907) 225-1348

SSRAA
A regional non-profit organization for the enhancement of salmon.

August 7, 1992

Senator Lyman F. Hoffman
c/o Molly McCammon
Alaska State Senate
Juneau, AK 99811

Dear Molly,

This letter follows my June 26, 1992 letter to Sen. Hoffman regarding the Salmon Enhancement Loan Fund. The enclosed information was received from the Division of Investments and helps clarify several points made in my June 26 letter. I only asked for information from Alaska Aquaculture, Inc. (AA), Armstrong Keta (AK), Kake Non Profit, and Douglas Island Pink and Chum Aquaculture Corporation (DIPAC).

The enclosed information shows that Kake, DIPAC and AA were incorporated in 1976 and AK in 1980. By comparison, SSRAA was incorporated in 1976. This shows that the local non-profit corporations have existed for at least 12 years and are beyond the 10-year equity limits established by statutes for enhancement loans. This also shows that all have required loans each year since 1979 (AK since 1981). The information does not show which loans are capital and which are operational, but previous data from the Division of Investments showed that over 75 percent were for operational loans. Further breakdown of this information would likely show most were operational loans in recent years.

The total indebtedness of the four local operators through FY92 is as follows:

DIPAC	**$15,630,965**
AA	**$ 4,871,804**
AK	**$ 4,871,804**
Kake	**$ 3,534,623**

In all cases over half the loans were obtained since 1986. DIPAC had a large facility expansion in 1987 which accounts for their large loan. However, DIPAC has the second largest indebtedness of <u>all</u> non-profit corporations. Only Prince William Sound Aquaculture Corporation (a Regional Association) has a larger loan file, yet, DIPAC does not have any of their loan secured by the Enhancement Tax.

This information supports my claim that the local operators have not been able to support

themselves after 12 years or more in existence, and survive only by more state loans. Because these loans are not secured by the enhancement tax, such as Regional Associations, the loan fund is being placed at high risk. In comparison, the Regional Associations have not obtained operational loans since 1984. This supports my recommendation for splitting the loan fund into two parts: One for loans secured by the 3 percent Enhancement Tax, and one that is not secured by the tax. The loan fund now should be for facility expansion and/or improvements and not for operational loans.

The information also shows several inconsistencies by the Division of Investments. Loans 100113 and 100114 to AA were issued at 10.5 percent interest. This violates Sec. 16.10.510 of the statutes which limits loans to 9.5 percent. Also, Loan 100124 to AA and Loan 300115 to DIPAC were issued for a six-year deferment and a term for six years. This, in reality, is just issuing interest-free loans. No Regional Association to my knowledge has received an interest-free loan.

I hope this information is helpful.

Sincerely,

Donald F. Amend

Donald F. Amend
General Manager

DFA:tm
Enclosures

167/14e

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

P.O. BOX 34159
JUNEAU, ALASKA 99803-4159
PHONE: (907) 790-2781
FAX: (907) 790-2781

July 8, 1992

Mr. Donald F. Amend, General Manager
Southern Southeast Regional
Aquaculture Association
2721 Tongass Ave.
Ketchikan, Alaska 99901

Dear Mr. Amend:

In response to your request for information dated June 3, 1992, I've enclosed a summary of all loans made to Alaska Aquauculture, Inc., Armstrong-Keta, Inc., Douglas Island Pink and Chum, Inc., and Kake Non-profit Fisheries Corporation. This summary shows each loan's origination date, original amount, interest rate, term and the term of the initial loan period which defers the start of interest and payments. None of the loans currently carry a personal guarantee. Armstrong-Keta, Inc. was incorporated in 1980. Alaska Aquauculture, Douglas Island Pink and Chum, Inc. and Kake Non-profit Fisheries Corporation were all incorporated in 1976.

Sincerely,

David R. Massey
Loan Examiner

Enclosures

ARMSTRONG KETA **Corporate Summary of Current Lending Activities**

DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	LOAN TERM	TERM OF DEFERREMENT	DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM OF LOAN	TERM OF DEFERRMENT
06-05-81	200028	$474,045.00	9.5	25	6	04-20-87	200131	$273,000.00	9.5	25	6
04-04-83	200067	$200,000.00	9.5	25	6	04-29-88	200145	$261,000.00	9.5	25	6
02-03-84	200077	$30,000.00	9.5	25	6	12-12-88	200159	$100,000.00	9.5	25	6
07-06-84	200087	$421,000.00	9.5	25	6	03-10-89	200164	$296,000.00	9.5	25	6
07-06-84	200088	$200,000.00	9.5	25	6	06-15-89	200169	$346,500.00	9.5	25	6
04-23-85	200098	$193,000.00	9.5	25	6	02-07-90	200175	$268,000.00	9.5	25	6
04-23-85	200099	$182,100.00	9.5	25	6	06-06-90	200179	$135,000.00	9.5	25	6
02-18-86	200111	$252,500.00	9.5	10	6	03-18-91	200188	$369,000.00	9.5	25	6
02-18-86	200112	$75,000.00	9.5	25	6	01-09-92	200195	$214,000.00	9.5	25	6
01-21-87	200130	$42,000.00	9.5	10	6	01-31-92	200196	$513,000.00	9.5	25	6

ALASKA AQUACULTURE INC. **Corporate Summary of Current Lending Activities**

DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERREMENT	DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERREMENT
01-25-79	100002	$145,700.00	8	25	6	05-09-86	100118	$10,000.00	9.5	25	6
12-06-79	100008	$102,600.00	9.5	25	6	07-22-86	100121	$290,000.00	9.5	10	6
07-25-80	100015	$31,130.00	9.5	16	6	09-09-86	100124	$33,750.00	9.5	6	6
12-17-80	100020	$113,125.00	9.5	25	6	06-19-87	100135	$65,933.00	9.5	25	6
07-31-81	100036	$25,100.00	9.5	20	6	07-23-87	100140	$335,000.00	9.5	25	6
01-07-82	100046	$63,700.00	9.5	20	6	06-02-88	100149	$265,000.00	9.5	25	6
07-06-82	100055	$47,500.00	9.5	25	6	01-06-89	100162	$237,000.00	9.5	25	6
11-15-82	100061	$117,700.00	9.5	25	6	07-27-89	100171	$347,000.00	9.5	25	6
03-01-83	100064	$83,700.00	9.5	25	6	05-11-90	100178	$200,000.00	9.5	25	6
12-02-83	100071	$127,270.00	9.5	20	6	05-17-90	1783	$200,000.00	9.5	25	6
06-20-84	100083	$390,000.00	9.5	25	6	04-12-90	100177	$38,700.00	9.5	25	6
12-21-84	100093	$121,630.00	9.5	25	6	02-27-91	100187	$228,346.00	9.5	25	6
01-07-85	100095	$275,270.00	9.5	25	6	08-16-91	100191	$10,035.00	9.5	25	6
08-06-85	100104	$180,000.00	9.5	10	6	10-21-91	100192	$431,230.00	9.5	25	6
03-25-86	100113	$55,650.00	10.5	10	6	03-24-92	100209	$160,000.00	9.5	25	6
03-25-86	100114	$39,735.00	10.5	25	6						

KAKE NON PROFIT **Corporate Summary of Current Lending Activities**

DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERREMENT	DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERRMENT
07-20-81	400032	$346,900.00	9.5	25	6	07-10-87	400139	$262,154.00	9.5	25	6
04-16-82	400050	$104,500.00	9.5	25	6	09-20-88	400154	$17,164.00	9.5	25	6
03-02-83	400063	$184,000.00	9.5	25	6	09-20-88	400155	$345,103.00	9.5	25	6
11-23-84	400091	$66,780.00	9.5	25	6	10-13-88	400158	$121,537.00	9.5	25	6
08-05-85	400106	$196,187.00	9.5	25	6	09-11-89	400173	$385,946.00	9.5	25	6
08-05-85	400107	$195,383.00	9.5	10	6	06-15-90	400180	$141,988.00	9.5	25	6
09-10-86	400127	$272,863.00	9.5	10	6	05-10-91	400189	$213,000.00	9.5	25	6
09-10-86	400128	$188,000.00	9.5	25	6	04-09-92	400198	$188,842.00	9.5	25	6
06-24-87	400136	$304,276.00	9.5	25	6						

DIPAC

Corporate Summary of Current Lending Activities

DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERREMENT
11-07-80	300017	$40,000.00	9.5	20	6
05-01-81	300027	$150,000.00	9.5	25	6
05-26-81	300031	$30,000.00	9.5	25	6
01-[illegible]-82	300048	$162,000.00	9.5	25	6
06-25-82	300053	$118,000.00	9.5	25	6
04-01-83	300065	$195,500.00	9.5	25	6
04-01-83	300068	$44,000.00	9.5	25	6
12-22-83	300072	$198,000.00	9.5	25	6
05-09-84	300079	$37,000.00	9.5	25	6
05-09-84	300080	$50,000.00	9.5	25	6
05-09-84	300081	$42,000.00	9.5	25	6
06-06-85	300101	$15,500.00	9.5	10	6
06-06-85	300102	$51,000.00	9.5	10	6
07-06-85	300103	$75,000.00	9.5	10	6
07-26-85	300105	$263,000.00	9.5	10	6
01-24-86	300110	$67,700.00	9.5	25	6
05-06-86	300115	$55,000.00	9.5	6	6
05-06-86	300116	$95,000.00	9.5	25	6
05-13-86	300117	$57,300.00	9.5	25	6
07-30-86	300122	$196,000.00	9.5	10	6
07-30-86	300123	$50,000.00	9.5	10	6
04-29-87	300132	$23,500.00	9.5	25	6
04-29-87	300133	$94,000.00	9.5	25	6
07-13-87	300137	$30,000.00	9.5	25	6

DATE OF LOAN	LOAN NUMBER	LOAN AMOUNT	INTEREST RATE	TERM	DEFERREMENT
07-13-87	300138	$130,000.00	9.5	25	6
09-10-87	300141	$1,000,000.00	9.5	25	6
09-10-87	300142	$636,000.00	9.5	25	6
08-12-88	300152	$4,400,000.00	9.5	25	6
04-11-89	300166	$425,000.00	9.5	25	6
07-25-89	300170	$480,000.00	9.5	25	6
08-30-89	300172	$695,000.00	9.5	25	6
10-16-89	300174	$625,000.00	9.5	25	6
02-23-90	300176	$567,000.00	9.5	25	6
06-29-90	300181	$50,000.00	9.5	25	6
07-25-90	300182	$919,000.00	9.5	25	6
07-25-90	300183	$447,300.00	9.5	25	6
12-17-90	300184	$119,165.40	9.5	25	6
02-05-91	300186	$905,000.00	9.5	25	6
07-31-91	300190	$930,000.00	9.5	25	6
01-02-92	300194	$300,000.00	9.5	25	6
02-18-92	300197	$700,000.00	9.5	25	6
05-05-80	300010	$163,000.00	9.5	20	6

SENATE SPECIAL COMMITTEE
ON DOMESTIC AND INTERNATIONAL FISHERIES

TESTIMONY OF THE PRINCE WILLIAM SOUND AQUALCULTURE CORPORATION

REGARDING

LEGISLATIVE REVIEW OF ALASKA'S FISHERIES ENHANCEMENT PROGRAM
FEBRUARY 24, 1992

MR. CHAIRMAN:

I AM JOHN MCMULLEN, PRESIDENT OF THE PRINCE WILLIAM SOUND AQUACULTURE CORPORATION. WITH ME TODAY IS DAN HULL, A PRINCE WILLIAM SOUND FISHERMAN AND VICE CHAIRMAN OF OUR BOARD OF DIRECTORS.

THANK YOU FOR THE OPPORTUNITY TO RESPOND TO THE DRAFT REPORT OF THE SENATE SPECIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL FISHERIES ENTITLED LEGISLATIVE REVIEW OF ALASKA'S FISHERIES ENHANCEMENT PROGRAM, DATED FEBRUARY 10, 1992.

ALTHOUGH MEMBERS OF OUR BOARD AND STAFF DEVOTED TWO DAYS TO A REVIEW OF THE DRAFT REPORT, WE HAVE BEEN UNABLE TO ASSEMBLE ALL OUR COMMENTS IN WRITTEN FORM. I HOPE IT IS ACCEPTABLE THAT THOSE COMMENTS BE SUBMITTED IN THE NEAR FUTURE. MEANWHILE, I WISH TO PRESENT AN OVERVIEW OF OUR RESPONSE TO THIS REPORT.

<u>COVER LETTER</u>: NO COMMENT.

<u>CHAPTER I: INTRODUCTION</u>. NO COMMENT.

<u>CHAPTER II: HISTORY AND DEVELOPMENT.</u>

WE AGREE WITH THE STATEMENT THAT THE GOAL OF THE STATE HATCHERY PROGRAM IS TO PRODUCE ADDITIONAL SALMON TO SUPPLEMENT THE EXISTING WILD SALMON STOCKS. HOWEVER, WE RECOGNIZE THAT PEOPLE STILL ASK THE QUESTION OF WHAT THE SALMON ENHANCEMENT PROGRAM WAS EXPECTED TO BE; REPLACEMENT, SUPPLEMENTAL, AND/OR DEVELOPMENT?

WE IN PRINCE WILLIAM SOUND SEE THE SALMON ENHANCEMENT PROGRAM AS ONE OF ECONOMIC DEVELOPMENT, WITHIN THE GUIDELINES OF OPTIMUM SUSTAINED YIELD OF WILD AND HATCHERY STOCKS AS DESCRIBED IN THE STATE CONSTITUTION AND TITLE 16 FISH & GAME STATUTES.

IN 1971, THE LEGISLATURE CREATED THE DIVISION OF FISHERIES REHABILITATION, ENHANCEMENT AND DEVELOPMENT (FRED) TO AMONG OTHER THINGS " ENCOURAGE THE INVESTMENT BY PRIVATE ENTERPRISE IN THE TECHNOLOGICAL DEVELOPMENT AND ECONOMIC UTILIZATION OF THE FISHERIES RESOURCES."

IT IS TRUE THAT THE HATCHERY PROGRAM IN ALASKA HAS EVOLVED OVER TIME, BUT WE BELIEVE IT IS UNTRUE THAT UNSEEN ISSUES HAVE NOT BEEN ADDRESSED AS THEY AROSE. WE BELIEVE THE RECORD SHOWS THAT THE LEGISLATURE HAS REGULARLY ADDRESSED HATCHERY ISSUES THROUGHOUT THE PAST 20 YEARS OF THE

PROGRAM'S EXISTANCE. CLEAR LEGISLATIVE INTENT DOES EXIST REGARDING MANY OF THE CURRENT QUESTIONS AND CONCERNS ABOUT THE ROLE AND FUTURE OF HATCHERIES.

CHAPTER III: TRENDS.

ANNUAL WORLD OUTPUT OF FARMED SALMON NOW EQUALS ALASKA'S PRESENT PRODUCTION OF WILD AND ENHANCED SALMON. OUR PRESENT EXPERIENCE IN MARKETING AND SALES REVEALS THAT THE SO CALLED WORLD MARKET IS DYNAMIC. PWSAC AND ITS CONSTITUENTS BELIEVE THAT NEW MARKETS FOR DOMESTIC PRODUCTION MUST AND CAN BE DEVELOPED BASED ON COMPETITIVE PRICING AND NEW PRODUCTS. IT IS SAID THAT FROZEN ALASKA SALMON CANNOT COMPETE WITH STEADY SUPPLIES OF FRESH, FARMED SALMON. HOWEVER, WE ARE HEARING WITH INCREASED FREQUENCY THAT FRESH, FROZEN ALASKA SALMON IS SUPERIOR TO ALL BUT THE FRESHEST OF FARMED SALMON.

CHAPTER IV: FISHERIES MANAGEMENT.

MIXED STOCK FISHERIES:

THE REPORT STATES THAT THE CONTROL OF FISHING EFFORT IN MIXED STOCK FISHERIES COMPOSED OF BOTH HATCHERY AND WILD STOCKS IS AN ISSUE FACING FISHERIES MANAGERS. HOWEVER, WE BELIEVE THIS STATEMENT ALSO APPLIES TO MIXED STOCK FISHERIES INVOLVING ONLY WILD STOCKS. THERE ARE EXAMPLES, STATEWIDE, OF FISHERIES WHICH HARVEST LARGE NUMBERS OF SALMON WITHOUT REGARD FOR INDIVIDUAL STOCKS.

IN PRINCE WILLIAM SOUND, A SALMON HARVEST TASK FORCE, COMPOSED OF ADF&G STAFF, PROCESSORS, FISHERMEN, AND HATCHERY OPERATORS, WORK TOGETHER YEAR-ROUND TO DEVELOP FISHERY SCENARIOS WHICH ACCOMMODATE WILD STOCK ESCAPEMENTS AND THE MAINTENANCE AND IMPROVEMENT OF FISH QUALITY IN THE CATCHES.

QUALITY:

THIS HAS BECOME AN ISSUE WHICH ACCOMPANIES ALASKA'S INCREASED SUPPLY OF SALMON. THIS ABUNDANCE OF SALMON HAS MADE IT INCREASINGLY DIFFICULT FOR PWSAC TO SELL ITS FISH ON AN IN-SEASON, DAILY BID BASIS. THIS CONDITION LED OUR BOARD OF DIRECTORS TO AUTHORIZE THE PRE-SALE OF OUR COST RECOVERY FISH. FISH WILL AGAIN BE SOLD ON THE DAY THEY ARRIVE IN THE HATCHERY HARVEST AREAS, THUS AVOIDING THE BUILD-UPS OF MATURING FISH WHICH HAVE OCCURRED IN THE PAST TWO YEARS.

MANY LEGISLATORS HAVE RECEIVED COPIES OF PWSAC'S MARKETING PLAN WHICH, IN ADDITION TO DESCRIBING OUR WILLINGNESS TO SHARE RISK IN SELLING FISH, ALSO PROVIDES OPPORTUNITIES FOR PRODUCT DEVELOPMENT.

AS ALL ELEMENTS OF THE INDUSTRY – FISHERMEN, PROCESSORS, ADF&G AND HATCHERY OPERATORS – ARE INTERESTED IN AND RESPONSIBLE FOR MAINTAINING TOP QUALITY, THERE NEEDS TO BE A UNIVERSALLY RECOGNIZED QUALITY STANDARD.

TAGGING NEEDS:

PWSAC HAS THE MOST EXTENSIVE TAGGING PROGRAM IN THE STATE, WHICH IS PERFORMED IN COOPERATION WITH THE ADF&G. WE PLACE MORE THAN ONE MILLION TAGS IN FISH EACH YEAR.

THE CONCEPT OF "USER PAYS" IS ON THE RISE WITHIN ADF&G STAFF. HOWEVER, THAT SEEMS TO BE A POLICY QUESTION WHICH SHOULD BE DECIDED UPON AT THE HIGHEST LEVELS OF GOVERNMENT.

WE DO NOT BELIEVE THAT OUR REGIONAL ECONOMIC DEVELOPMENT PROGRAM WOULD BE SERVED WELL IF THE STATE DEMANDED THAT WE DEVELOP AND FUND FISHERIES EVALUATION PROJECTS WHICH WERE UNAFFORDABLE.

CURRENT TAGGING TECHNOLOGY DOES NOT ALLOW FOR THE USE OF THE DATA FOR IN-SEASON MANAGEMENT OF FISHERIES, ONE OF THE STATED GOALS OF THE PROGRAM. RESEARCH AND DEVELOPMENT OF NEW TAGGING PROCEDURES IS NEEDED.

OPTIONS FOR CONSIDERATION:

POLICIES FOR THE ALLOCATION AND MANAGEMENT OF WILD AND ENHANCED SALMON ARE WRITTEN INTO THE PRINCE WILLIAM SOUND SALMON MANAGEMENT PLAN WHICH WAS DEVELOPED BY THE REGIONAL PLANNING TEAM, SUPPORTED BY ALL LOCAL FISHERMENS GROUPS AND THE PUBLIC, AND ADOPTED BY THE ALASKA BOARD OF FISHERIES IN FEBRUARY, 1991.

THE BOARD OF FISHERIES HAS MORE RECENTLY DIRECTED THE TWO REGIONAL PLANNING TEAMS IN SOUTHEAST ALASKA TO DEVELOP ALLOCATION PLANS FOR COMMON PROPERTY FISHERIS AND HATCHERY HARVESTS, WHICH WILL REQUIRE AGREEMENT AMONG USER GROUPS, AND SHOULD RESOLVE ISSUES REGARDING THE MANAGEMENT OF FISHERIES FOR HATCHERY COST RECOVERY.

CHAPTER V: LEGAL ISSUES RAISED BY BOARD OF FISHERIES.

THE STATE'S MANAGEMENT PLAN FOR PRINCE WILLIAM SOUND SALMON FISHERIES PROVIDES FOR HATCHERY BROOD STOCK AND REVENUE NEEDS. THEREFORE, WE BELIEVE THE CONCERNS OF THE BOARD OF FISHERIES ARE FOCUSED MORE ON REGIONS SUCH AS SOUTHEAST ALASKA.

PWSAC'S VIEWS ON LEGAL ISSUES ARE CONTAINED IN THE LEGAL OPINION WRITTEN AT OUR REQUEST, AND WHICH IS INCLUDED IN THE FULL REPORT OF THE HATCHERY STUDY GROUP. WE BELIEVE WE HAVE THE HISTORICAL PERSPECTIVE TO UNDERSTAND THAT THE LEGISLATURE NEVER INTENDED TO ALLOW THE BOARD OF FISHERIES TO HAVE THE POWER TO LIMIT HATCHERY PRODUCTION. DIFFERENCES IN OPINION ON THAT SUBJECT WOULD BE TESTED.

CHAPTER VI: PLANNING AND PERMITTING PROCESS.

THE PRIVATE, NON-PROFIT HATCHERY PROGRAM IN ALASKA OPERATES UNDER TIGHT CONTROL OF THE STATE. EVERYTHING WE DO IS REGULATED BY LAW, ADMINISTRATIVE PROCEDURES, POLICIES, AND PERMITS--ALL OF WHICH ARE INTENDED TO PROTECT WILD STOCKS OF SALMON. RATHER THAN DISCUSSING THESE POLICIES AND PERMITS, I AM ATTACHING A LISTING TO THIS WRITTEN TESTIMONY, WHICH YOU HAVE OR WILL RECEIVE.

REGIONAL PLANNING TEAMS COMPOSED OF THREE REPRESENTATIVE EACH OF THE ADF&G AND THE APPROPRIATE REGIONAL AQUACULTURE ASSOCIATION, PROVIDE RECOMMENDATIONS TO THE ADF&G COMMISSIONER REGARDING EACH APPLICATION FOR HATCHERY OPERATIONS OR INCREASE IN HATCHERY PRODUCTION WITHIN THEIR REGION. NON-VOTING MEMBERS, REPRESENTING STATE AND FEDERAL RESOURCE MANAGEMENT AGENCIES, AND MOM & POP HATCHERY OPERATORS, ARE EFFECTIVE PARTICIPANTS IN THE DELIBERATIONS OF THE REGIONAL PLANNING TEAM.

THE REGIONAL PLANNING TEAMS ASSESS HATCHERY APPLICATIONS BASED ON THE FOUR CRITERIA CONTAINED IN THE HATCHERY STUDY GROUP'S REPORT. THE PRINCE WILLIAM SOUND REGIONAL PLANNING TEAM MEMBERSHIP HAS DEVELOPED AN EXPANDED LIST OF CRITERIA (WHICH IS ATTACHED TO THIS WRITTEN TESTIMONY) AND INTENDS TO REQUEST THE ADF&G COMMISSIONER TO AUTHORIZE ITS USE IN DEVELOPING THE TEAM'S RECOMMENDATIONS ON HATCHERY APPLICATIONS AND PRODUCTION INCREASES.

PROBLEMS AND ISSUES:

LACK OF STATEWIDE GOALS AND OBJECTIVES:

WE BELIEVE THAT THE GOALS OF THE REGIONAL SALMON ENHANCEMENT PROGRAMS SHOULD BE OPTIMUM SUSTAINED YIELD OF THE COMBINATION OF WILD AND ENHANCED STOCKS, WITH FOREMOST REGARD FOR THE MAINTENANCE OF THE WILD STOCKS.

WE BELIEVE OUR CONCEPT OF ECONOMIC DEVELOPMENT IS COMPATABLE WITH THE OPTIMUM SUSTAINED YIELD PRINCIPLE.

REGIONAL VERSUS STATEWIDE PLANNING:

SALMON FISHERIES IN ALASKA ARE REGULATED ON AN AREA AND REGIONAL BASIS, ACCORDING TO THE LIMITED ENTRY SYSTEM. IT SEEMS REASONABLE THAT PLANNING SHOULD BE CONFINED TO THESE FUNCTIONAL UNITS. PWSAC'S CONSTITUENTS, THE PRINCE WILLIAM SOUND FISHERMEN, HAVE SHOWN NO INDICATION THAT THEY WISH TO PLACE CONTROLS ON THE HARVEST OF SALMON IN OTHER REGIONS OF THE STATE THROUGH THE CONTROLS OF A STATEWIDE PLAN.

FUNDING AND SUPPORT FOR PLANNING:

WE BELIEVE THAT THE REGIONAL PLANNING TEAM IN PRINCE WILLIAM SOUND CARRIES OUT ITS RESPONSIBILITIES IN A HIGHLY CONSCIENTIOUS MANNER. SINCE THE FALL OF 1989, WE HAVE MET ON A MONTHLY BASIS FOR THE PURPOSES OF DEVELOPING A SALMON ALLOCATION AND MANAGEMENT PLAN AND RE-WRITING THE COMPREHENSIVE SALMON PLAN FOR PRINCE WILLIAM SOUND.

THE PWSAC PLANNER ACTS AS A FACILITATOR TO THE REGIONAL PLANNING TEAM. ALL CLERICAL AND REPORT PRODUCTION COSTS ARE CARRIED BY PWSAC. TRAVEL AND PERDIEM FOR TEAM MEMBERS ARE PROVIDED BY THEIR RESPECTIVE ORGANIZATIONS.

COMPOSITION OF REGIONAL PLANNING TEAMS

WE WOULD LIKE TO KNOW WHO THOSE INDIVIDUALS ARE WHO BELIEVE THAT THE ENTIRE STRUCTURE OF THE REGIONAL PLANNING TEAM SHOULD BE CHANGED. THE PRINCE WILLIAM SOUND RPT IS COMPOSED OF REPRESENTATIVES OF THE ADF&G'S COMMERCIAL, SPORT, AND FRED DIVISIONS. THE DEPARTMENT'S SUBSISTENCE DIVISION IS AN EX-OFFICIO MEMBER. THE AQUACULTURE REPRESENTATIVES INCLUDE TWO EX-ADF&G BIOLOGISTS TURNED FISHERMAN AND ADMINISTRATOR, AND ONE PERSON WHO HELPED DEVELOP THE LAWS AND REGULATIONS WHICH AUTHORIZED AND HAVE GUIDED THE STATE'S SALMON ENHANCEMENT PROGRAM. THE ADF&G REPRESENTATIVES ARE BACKED BY TECHNICAL PEOPLE SUCH AS THE ADF&G FISH GENETICIST. WE CERTAINLY DO NOT THINK ADF&G MANAGERS ARE OUTNUMBERED.

ALLOCATION ISSUES:

NEITHER THE REGIONAL PLANNING TEAM OR THE ADF&G HAS SALMON ALLOCATION AUTHORITY. HOWEVER, AS STATED IN THE HATCHERY STUDY GROUP REPORT, THE PRINCE WILLIAM SOUND PLANNING TEAM DID DEVELOP ALLOCATION PROPOSALS WHICH WERE ADOPTED BY THE ALASKA BOARD OF FISHERIES.

THE ADF&G MUST CONDUCT A MANAGEMENT FEASIBILITY ANALYSIS AS PART OF THE HATCHERY ALLOCATION PROCESS. PROPOSED HATCHERIES WHICH WERE NOT COMPATIBLE WITH THE EXISTING SALMON ALLOCATION AND MANAGEMENT PLAN FOR THE REGION OR AREA WOULD NOT BE RECOMMENDED BY ADF&G MANAGERS OR THE REGIONAL PLANNING TEAM.

MANAGEMENT ISSUES:

THE PRINCE WILLIAM SOUND SALMON ALLOCATION AND MANAGEMENT PLAN WAS DEVELOPED AS PART OF THE UPGRADE OF THE REGIONAL COMPREHENSIVE SALMON PLAN. NEW CHAPTERS IN THE PLAN WILL INCLUDE FISHERIES MANAGEMENT AND FISHERIES ECONOMICS.

UNIFORM REVIEW:

STATE HATCHERIES HAVE NOT RECEIVED THE INTENSIVE TECHNICAL AND ADMINISTRATIVE REVIEW THAT HAS BEEN DIRECTED AT PRIVATE HATCHERIES IN ALASKA. THAT IS CHANGING, BASED ON THE ADF&G'S ACKNOWLEDGEMENT THAT IT MUST REGULATE ITS OWN ACTIVITIES.

CRITERIA TO SHOW PUBLIC BENEFIT:

PWSAC, AND THE PRINCE WILLIAM SOUND REGIONAL PLANNING TEAM, AGREE THAT THE LIST OF CRITERIA FOR DETERMINING THE ACCEPTABILITY OF A HATCHERY PERMIT REQUEST SHOULD BE EXPANDED. AS STATED EARLIER IN THIS TESTIMONY, THE PRINCE WILLIAM SOUND RPT'S LIST IS ATTACHED.

OPERATION PERFORMANCE REVIEWS AND PERMIT REVOCATION:

WE BELIEVE THAT THE ADF&G PRESENTLY HAS THE AUTHORITY TO MONITOR HATCHERY PERFORMANCE AND TO BRING WAYWARD HATCHERY OPERATORS INTO COMPLIANCE WITH STATE LAWS, REGULATIONS, AND PERMIT REQUIREMENTS AS AN ALTERNATIVE TO PERMIT REVOCATION. PERHAPS FUNDING IS NOT AVAILABLE TO THE ADF&G TO ACCOMPLISH THIS FUNCTION.

CANADIAN EVALUATION MODEL:

THE CANADIAN SALMON ENHANCEMENT PROGRAM HAS FALLEN FAR SHORT OF ITS ORIGINAL GOALS AND OBJECTIVES. OTHER OF THEIR FISHERIES INITIATIVES HAVE GONE THE SAME WAY. IF THEIR EVALUATION PROGRAM IS TO BE APPLIED TO ALASKAN FISHERIES, WE WOULD SUGGEST WAITING UNTIL IT HAS BEEN FIELD TESTED.

OPTIONS FOR POSSIBLE CONSIDERATION:

RATHER THAN COMMENT EXTENSIVELY ON THIS SECTION OF THE REPORT, WE CHOSE TO COMMENT ON THE INDIVIDUAL SECTIONS WITHIN THIS CHAPTER ON PLANNING AND PERMITTING. HOWEVER, THERE ARE A FEW POINTS WHICH REQUIRE CLARIFICATION.

THE ADF&G COORDINATES THE STATEWIDE PLANNING PROCESS. THE VALUE IN THAT IS THAT GOOD IDEAS AND PROCEDURES ARISING WITHIN INDIVIDUAL PLANNING TEAMS CAN BE SHARED WITH OTHER PLANNERS.

WE DISAGREE WITH MORATORIUMS ON HATCHERY PRODUCTION WHICH DISREGARD THE OPTIMUM SUSTAINED YIELD CONCEPT. GENERAL MORATORIUMS OR SPECIES MORATORIUMS ARE EQUALLY DISTASTEFUL, AT THE SAME TIME, PWSAC HAS NO PLANS FOR EXPANSION OF PINK SALMON PRODUCTION FOR AT LEAST THE NEXT SEVERAL YEARS.

CHAPTER VII: BIOLOGICAL/GENETIC ISSUES:

GENETIC EFFECTS OF HATCHERIES:

THE HATCHERY STUDY GROUP'S REPORT STATES THAT SCIENTISTS DO NOT AGREE ON THE EXTENT TO WHICH HATCHERIES WITH SOUND PRACTICES CAN CO-EXIST WITH SUSTAINED, HEALTHY RUNS OF WILD SALMON.

FOR THIS REASON, GENETICS AND FISH HEALTH MATTERS AT HATCHERIES ARE CLOSELY REGULATED BY THE ADF&G. HATCHERY BROOD STOCKS ARE CHOSEN VERY CAREFULLY FROM AMONG WILD STOCKS TO MINIMIZE THE POTENTIAL FOR STRAYING. ALTHOUGH STRAYING BETWEEN WILD STOCKS OCCURS ON A REGULAR BASIS, WITH POTENTIAL FOR BOTH POSITIVE AND NEGATIVE EFFECTS, LARGE NUMBERS OF HATCHERY STRAYS MIGHT REDUCE THE REPRODUCTIVE POTENTIAL AND SURVIVAL ATTRIBUTES OF WILD STOCKS WITH WHICH THE HATCHERY FISH SPAWNED.

OCEAN CARRYING CAPACITY:

THE CARRYING CAPACITY OF THE OCEAN CHANGES ON A CONTINUING BASIS. IN 1991, RECORD RETURNS OF PINK SALMON TO MOST REGIONS IN ALASKA WERE COMPOSED OF ABNORMALLY SMALL FISH. IF CARRYING CAPACITY HAD BEEN TESTED, IT SEEMS THAT OCEAN SURVIVAL RATES WOULD HAVE BEEN LOWERED AND THAT FISH WOULD NOT HAVE RETURNED IN RECORD NUMBERS..

WE AGREE THAT MORE INFORMATION IS NEEDED FOR THE ASSESSMENT OF INSHORE AND OFFSHORE GROWTH AND SURVIVAL OF SALMON. ONE SUCH STUDY IS BEING CONDUCTED BY THE UNIVERSITY OF ALASKA-FAIRBANKS IN COOPERATION WITH PWSAC AND THE VALDEZ FISHERIES DEVELOPMENT ASSOCIATION, A MOM & POP HATCHERY GROUP.

DISEASE:

THE STATE OF ALASKA'S FISH HEALTH PROGRAM IS THE LEADER AMONG PROGRAMS OF ITS KIND THROUGHOUT THE UNITED STATES AND CANADA. I BELIEVE OUR HATCHERY OPERATIONS ARE FULLY INTEGRATED INTO THIS PROGRAM.

STATE GENETICS PROGRAM AND POLICY:

THE STATE OF ALASKA'S FISH GENETICS POLICY, WHICH IS NOW BEING RIGIDLY INTERPRETED, IS CONSIDERED TO BE THE BEST OF ITS KIND ON THE NORTH AMERICAN WEST COAST AND POSSIBLY THE ENTIRE CONTINENT. STATE GENETICISTS WORK CLOSELY WITH PWSAC AND THE REGIONAL PLANNING TEAM REGARDING HATCHERY PRODUCTION PROPOSALS.

OPTIONS FOR POSSIBLE CONSIDERATION:

PWSAC WAS A SPONSOR OF THE WORKSHOP ON "THE BIOLOGICAL BASIS FOR MAINTAINING STRONG CO-EXISTING STOCKS OF NATURAL AND ENHANCED SALMON POPULATIONS IN ALASKA", WHICH WAS HELD AT CORDOVA LAST NOVEMBER. WE CONTRIBUTED TO THE REPORTS AND RECOMMENDATIONS WHICH WERE PRODUCED AT THE WORKSHOP.

MANY OF THE OPTIONS FOR POSSIBLE CONSIDERATION ARE PRESENTLY BEING CONSIDERED AND STUDIED BY THE ADF&G, THE PRINCE WILLIAM SOUND PLANNING TEAM, AND PWSAC. THE FISH GENETICS LABORATORY IS UNDERFUNDED AND OVERWORKED AT THIS TIME IN HISTORY WHEN STOCK IDENTIFICATION WORK HAS EMERGED AS A TOOL FOR FISHERY MANAGERS.

CHAPTER VIII: FUNDING OF THE ALASKA SALMON ENHANCEMENT PROGRAM.

STATE PROJECT FUNDING: NO COMMENT.

FUNDING FOR PRIVATE NON-PROFIT HATCHERIES:

PWSAC DEDICATES 70% OF RETURNING HATCHERY FISH TO THE COMMON PROPERTY FISHERIES. THE REMAINING 30% ARE UTILIZED FOR BROOD STOCKS AND COST RECOVERY.

DEFERMENT OF PAYMENT ON STATE LOANS IS NECESSARY TO PROVIDE FOR PERIODS OF HATCHERY STOCK DEVELOPMENT PRIOR TO THE TIME THAT COST RECOVERY CAN BEGIN TO MEET THE FUNDING NEEDS OF HATCHERY OPERATIONS. AS AN EXAMPLE, PWSAC, IN ACCEPTING FINANCIAL RESPONSIBILITY FOR THE THREE STATE OWNED HATCHERIES IN THE PRINCE WILLIAM SOUND/COPPER RIVER REGION, HAS FOUND IT NECESSARY TO UPGRADE PRODUCTION AND FACILITIES AT TWO OF THOSE HATCHERIES TO ACHIEVE AN ACCEPTABLE COST RECOVERY PROGRAM.

GIVEN THE SCENARIO JUST DESCRIBED, A MORATORIUM ON LOANS TO UPGRADE HATCHERIES MIGHT RESULT IN FINANCIAL DISTRESS FOR SOME HATCHERY OPERATORS.

CHAPTER IX: ECONOMICS:

OUR CONCERN WITH THE ECONOMIC STUDIES CONTRACTED BY THIS COMMITTEE IS THAT SALMON PRODUCTION IN ALASKA AND THE WORLD WILL BE EVALUATED ON THE BASIS OF ITS IMPACT ON EXISTING, AND NOT POTENTIAL, MARKETS. WE ARE ALSO CONCERNED THAT THE EVALUATION OF HATCHERY PRODUCTION, NOT TOTAL ALASKAN OR WORLD PRODUCTION, OF SALMON IS BEING TESTED AS THE CAUSE OF PRICE DECLINES.

ON A POSITIVE NOTE, THERE IS A SALMON MARKETING INITIATIVE DEVELOPING WITHIN THE STATE AND WITHIN STATE GOVERNMENT. WE ARE SUPPORTIVE OF YOUR LEGISLATIVE EFFORTS WHICH WILL RESULT IN INCREASED OPPORTUNITY FOR THE SALMON INDUSTRY.

PWSAC'S CURRENT ATTEMPTS TO MARKET ITS COST RECOVERY FISH INCLUDES A PROJECT IN PRODUCT DEVELOPMENT FOR DEMONSTRATION BY OUR CONTRACTOR AND PWSAC AT THE BOSTON SEAFOOD SHOW IN MARCH. A MEMO FROM OUR CONTRACTOR (ATTACHED) IS RAISING OUR EXPECTATIONS AS TO THE VALUE OF THIS PROJECT.

CHAPTER X: MARKETING.

WE BELIEVE THAT THE LEGISLATURE IS ADDRESSING MARKETING AS AN ISSUE TO THE EXTENT THAT WE NEED NOT COMMENT ON ASMI'S STATUTORY RESPONSIBILITIES OR ITS ACTIVITIES.

PWSAC HAS, HOWEVER, GONE ON RECORD IN SUPPORT OF THE GENERAL CONCEPT SUGGESTED IN HOUSE BILL 447.

PWSAC PARTICIPATED AS A MEMBER OF THE GOVERNOR'S SALMON STRATEGY TASK FORCE. A QUESTION I ASKED AT THE FIRST TASK FORCE MEETING WAS, " WHAT IS THE TRADITIONAL PROCESSING INDUSTRY'S CAPACITY (BOTH PHYSICAL AND PHILOSOPHICAL) FOR EXPANDING AND DIVERSIFYING THE SALMON INDUSTRY?" TO MY KNOWLEDGE, THAT QUESTION WAS NOT ANSWERED.

CHAPTER XI: OTHER ISSUES.

HATCHERIES AS ENVIRONMENTAL MITIGATION:

WE DO NOT UNDERSTAND THE DISCUSSION OF THE ENDANGERED SPECIES ACT IN THIS REPORT. CONSIDERATION OF ENDANGERED SPECIES MIGHT BE A HOPELESS TASK LACKING IDENTIFICATION OF STOCKS AND STOCK GEOGRAPHICAL BOUNDARIES.

THIS REPORT DESCRIBES WILD SALMON AS BEING PROVIDED FREE AND PERPETUALLY BY NATURE. THIS STATEMENT IS ERRONEOUS IN THAT MANAGED RENEWABLE RESOURCES ARE NEITHER FREE OR GUARANTEED TO BE PERPETUAL.

ROLE OF HATCHERIES IN INTERNATIONAL TREATIES:

WE HAVE NO COMMENT ON THIS SECTION. PWSAC IS NOT INVOLVED IN THIS TYPE OF ACTIVITY.

ENVIRONMENTAL REGULATIONS RELATED TO HATCHERIES:

PWSAC SUPPLIED THE HATCHERY STUDY GROUP WITH DOCUMENTS WHICH DESCRIBE THE MANNER IN WHICH HATCHERIES ARE AUTHORIZED TO DISPOSE OF FISH CARCASSES. WE DEAL WITH THE ENVIRONMENTAL PROTECTION AGENCY AND THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION IN THESE MATTERS.

PWSAC DEALT WITH THE EPA FOR THE DISPOSAL OF UNUTILIZED PINK SALMON IN PRINCE WILLIAM SOUND LAST SUMMER. WE OPERATED UNDER OUR PRESENT AUTHORIZATION TO DISPOSE OF CARCASSES WITH THE EXCEPTION THAT A REPORT OF THOSE SPECIFIC ACTIVITIES WAS REQUIRED. WE ARE HOPEFUL THAT WE WILL NOT BE REQUIRED TO REPEAT THAT PROCESS EVER AGAIN.

USE OF ENHANCEMENT AS A TOOL FOR ECONOMIC DEVELOPMENT:

AS STATED EARLIER IN THIS TESTIMONY, WE BELIEVE THAT HATCHERIES ARE AN ECONOMIC DEVELOPMENT TOOL, AND WE SUPPORT THE EFFORTS OF GROUPS THROUGHOUT ALASKA WHO WOULD USE THE RESOURCES AT HAND TO BETTER THEIR LIVES.

IMPORTANCE OF HATCHERIES TO SPORT AND SUBSISTENCE FISHERIES:

THE IMPORTANCE OF SPORT, SUBSISTENCE, AND PERSONAL USE FISHERIES WILL BE DESCRIBED IN OUR REGIONAL PLANNING TEAM'S UPGRADED COMPREHENSIVE REGIONAL SALMON PLAN. THE PLAN WILL IDENTIFY USES AND OPPORTUNITIES FOR THESE FISHERIES IN THE SOUND AND ALONG THE COPPER RIVER.

OTHER RECOGNITION OF THESE FISHERIES IS INCLUDED IN PWSAC'S PRODUCTION PLAN. KING AND COHO SALMON ARE STOCKED EVERY YEAR AT CORDOVA, VALDEZ, AND WHITTIER FOR NON-COMMERCIAL FISHERIES USERS.

ENHANCEMENT OF OTHER SPECIES:

WE HAVE NO COMMENT OR RECOMMENDATIONS ON THIS SUBJECT.

THIS CONCLUDES OUR TESTIMONY. THANK YOU VERY MUCH.

COOK INLET
AQUACULTURE ASSOCIATION

HC 2, BOX 849
SOLDOTNA, AK 99669-9707
(907) 263-5761

March 30, 1992

Senator Dick Eliason
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Eliason:

I offer the following comments in regards to the Draft of Chapter VIII of the Senate Special Committee's Review of the Salmon Enhancement Program. Specifically, I wish to address the section on Private Non-Profit Hatchery Funding.

(1) Page 4. The paragraph describing the **Salmon Enhancement Tax** contains several significant errors. I suggest deleting the first two sentences and substitute the following:

State law allows limited entry permit holders within a region where there is a qualified regional aquaculture association to establish a **Salmon Enhancement Tax** (AS 43.76.010-.015). The permit holders may establish enhancement tax rates ranging from 1 to 3 percent of the ex-vessel value of the salmon catch within the region.

Errors in existing text include an assertion that permit holders are members of regional aquaculture associations and that regional associations set tax rates. While permit holders are often treated as if they are members, the by-laws of the associations do not list permit holders as corporate members. Associations do not set tax rates, they nominate a rate for approval by permit holders.

(2) Reorganizing your Draft Table 2 gives a more realistic picture. There are, for all practical purposes, two PNP Salmon Enhancement Programs. Enclosed please find a reformatted Table 2 divided into "Regional" and "Non-Regional" segments.

Assuming the data in your Table 2 is correct (it probably is not), some differences between the regionals and non-regionals appear. A major difference is that regional associations are supported by salmon enhancement taxes, fish sales and loans while non-regionals are supported only by fish sales and loans.

Assuming operational loan, organizational grant, fish sale and enhancement tax revenues are all spent in support of operation, only 5.5% of regional association operations are supported by loans. Conversely, 57% of non-regional operating funds are loans.

It must be noted, however, that one non-regional, Valdez Fisheries, has accounted for most of the non-regional fish sales. If the Valdez Fisheries fish sales are eliminated from consideration, State loans have, through FY91, provided about 80% of operating revenue for a typical non-regional.

Through FY91 regional associations and non-regional corporations have, as groups, each borrowed about half of the money lent through the salmon enhancement loan program. Regional associations have used 83% of the monies they borrowed for capital projects which typically have 25 to 30 year repayment schedules. The non-regional corporations have 54% of their debt in operating loans which usually have a 10 year repayment schedule.

Some 95% of the money borrowed by regional associations and 98% of that borrowed by non-regionals is yet to be repaid. These statistics are surprising given that more than half of the non-regional debt is relatively short term and should have been substantially repaid by now.

Loans to both groups are collateralized by corporate assets (hatchery facilities) and by right to harvest and sell returning fish. In addition, repayment of regional association loans is <u>guaranteed</u> because the enhancement tax must remain in place until any debts incurred are eliminated.

The real picture, then, in regards to the PNP salmon enhancement loan program is this:

a) About half the money is loaned to regional associations and has no risk associated with it; it is guaranteed to be repaid.

b) About half of the money is loaned to non-regional corporations and is secured partly by the current value of used hatchery buildings and partly by the value of future fish harvests by hatchery operators. This money is at great risk because, with the exception of Valdez Fisheries, the non-regionals have not sold any significant amount of fish and because, for several of the Southeastern non-regionals, the prospects for future fish sales are very poor. The hatcheries were constructed in unfavorable sites. After all these years of operation there are only two possibilities-

* either these sites do not produce significant numbers of fish or,

* they might produce significant numbers but they are harvested in mixed stock fisheries so far removed from the hatchery site that nobody associates them with a hatchery.

In either event, no significant numbers of fish will be returning to some of the hatchery operators. In the first instance, no fish were produced. In the second instance special fisheries management plans would be required to allow hatchery fish to pass through the mixed stock fishery.

Fishermen will not accept modification of traditional fishery management plans to allow fish to return to a hatchery unless they are convinced that the hatchery provides them substantial benefit. Evidence required to prove benefit is derived from fish marking and mark recovery programs which are not currently being done and, because of their extreme cost are not likely to be done in the future. Therefore, many of the non-regional operators who cannot currently repay their loans will likely never be able to repay their loans.

Accordingly, it makes sense to me to begin to administer this program as if it were two revolving loan programs. Loans repaid by regional corporations would be avialable to make new loans only to regional corporations; to continue to loan the regional repayments to the non-regionals only serves to put an increasing percentage of the loan fund total at great risk. Additionally, loan terms for regional corporations should be more favorable than terms for non-regionals because there is zero risk in a loan to a regional.

(3) Alleged errors in your Table 2 include the following:

* Organizational grants were included as loans. Most regional associations received a $100,000 organizational grant and <u>at least</u> one $100,000 planning grant in the late 1970's. Why would only the organizational grants be included in the table? Why would these grants be listed as loans?

* Many regional associations (and perhaps some non-regionals) have also received substantial State grants to support a wide variety of salmon enhancement projects. Why would these grants not be listed in the table?

* I believe the amount of salmon enhancement tax paid to regional associations was only $45.6M through FY91. Enhancement taxes were preceeded by two funding mechanisms- At least a portion of the "mandatory assessments" collected in 1978, 1979 and 1980 in Cook Inlet and in Northern and Southern Southeast was used to fund operations. A voluntary assessment existed through FY85 in Prince William Sound.

* It would seem logically impossible for the amount of outstanding principal to be greater than the total amount loaned.

Sincerely,
Thomas E. Mears

Thomas E. Mears,
Executive Director

TABLE 2. PRIVATE NONPROFIT SALMON ENHANCEMENT REVENUE SOURCES, FY 76 – FY91
(nominal dollars)

(Data reorganized from Senate Special Committee Review of Salmon Enhancement Program, Chapter VIII, Table 2)

Regional Associations	Operational Loans	Organize Grants	Enhancement Tax	Fish Sales	Total Operations	Capital Loans	Total Loans	Outstanding Principal	Percent Outstanding
BRISTOL BAY	0	100,000	0	0	100,000	0	0	0	0
CHIGNIK	0	65,000	0	0	65,000	0	0	0	0
COOK INLET	683,369	100,000	12,069,415	76,295	12,929,079	1,438,881	2,122,250	328,614	15
KODIAK	0	100,000	3,182,884	11,671,982	14,954,866	0	0	0	
LOWER YUKON	0	100,000	0	0	100,000	0	0	0	
NORTHERN SOUTHEAST	1,638,496	100,000	9,015,989	3,842,420	14,596,905	2,724,265	4,362,761	2,684,209	62
PRINCE WILLIAM SOUND	1,085,500	100,000	6,053,981	37,045,965	44,285,446	18,676,153	19,761,653	19,869,315	101
SOUTHERN SOUTHEAST	2,848,942	100,000	15,882,353	6,884,886	25,716,181	8,093,000	10,941,942	12,393,824	113
Subtotal	6,256,307	765,000	46,204,622	59,521,548	112,747,477	30,932,299	37,188,606	35,275,962	95
Percent of Operations	5.5	0.7	41.0	52.8					
Non–Regional Corporations									
ALASKA AQUACULTURE	2,537,554	0	0	376,463	2,914,017	1,091,985	3,629,539	3,876,043	107
ARMSTRONG KETA	2,015,500	0	0	753,724	2,769,224	2,002,645	4,018,145	3,961,608	99
BURROCREEK FARMS	171,575	0	0	6,079	177,654	119,500	291,075	256,651	88
DOUGLAS IS PINK & CHUM	5,193,000	0	0	990,723	6,183,723	8,124,000	13,317,000	13,445,375	101
KAKE	1,845,060	0	0	253,878	2,098,938	1,500,724	3,345,784	3,324,227	99
SHELDON JACKSON	61,370	0	0	638,797	700,167	362,254	423,624	346,728	82
TLINGT & HAIDA FISHERIES	89,860	0	0	0	89,860	1,464,000	1,553,860	1,200,000	77
VALDEZ FISHERIES	3,250,563	0	0	8,328,064	11,578,627	3,193,830	6,444,393	5,965,383	93
Subtotal	15,164,482	0	0	11,347,728	26,512,210	17,858,938	33,023,420	32,376,015	98
Percent of Operations	57.2	0.0	0.0	42.8					
TOTALS	21,420,789	765,000	46,204,622	70,869,276	139,259,687	48,791,237	70,212,026	67,651,977	

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 3-2000
JUNEAU, ALASKA 99802-2000
PHONE: (907) 465-4100

March 23, 1990

The Honorable Dick Eliason
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason:

Thank you for your February 8 letter making various positive suggestions on reviewing the private nonprofit (PNP) hatchery program and addressing some of the misconceptions which may be arising about the program's intent and activities.

I definitely want to work with you and your staff in clarifying the functions of the PNP program and exploring ways to alleviate your and others' concerns. Your support of the hatchery program in Alaska is well documented, and I realize you understand what contributions both the state and PNP facilities have made to the fisheries during the years since they began production. But as with any activities, there is a need to reassess the roles, goals and objectives of the hatcheries as they enter more into the mainstream of fish production and assume a position of participation with the user groups, including fishermen and processors. I think that there exists confusion of the hatchery role, confounded by economic need of the PNP facilities to have fish escape for broodstock and cost recovery so they may continue operations and repay loans from the Alaska Department of Commerce and Economic Development (DCED).

I and my staff are actively addressing any instances of permit violation or mismanagement of which we are aware. As I told you in another recent letter, the Alaska Department of Fish and Game (ADF&G) has not had to consider such action as permit revocation in the past, so staff is proceeding cautiously to be certain punitive measures are correctly administered. The law and regulations are specific as to what process must be followed if the hatchery is not providing public benefit. If I am going to take such drastic steps as revocation, I want to do so legally and fairly. Generally, I believe the PNP hatcheries are meeting their basic intent of contribution to the common property fishery. But the increased returns of fish to the facilities have complicated both the management and fiscal considerations and have pointed up a need for a PNP policy statement by the department.

To foster more coordination between DCED and ADF&G, I have approved a cooperative agreement that defines methods of inter-departmental relations. Further, in early 1990, the two departments co-sponsored a PNP hatchery forum to discuss some of the issues you identified in your letter. The forum was also attended by representatives of the gear groups.

My office has directed the Divisions of Fisheries Rehabilitation, Enhancement and Development (FRED) and Commercial Fisheries to draft a "PNP Policy" to provide an instrument to open a dialogue between the department, PNP operators, and the user groups on matters of management for brood stock and cost recovery. I am willing to initiate a review of the current program and the tenets under which it operates. The problems with the hatcheries you listed in your letters make us all realize that the PNP program is not the "mom and pop" operation of five years ago, but, rather, has become a multimillion dollar fish production resource.

Understanding that you are offering to support the department in its endeavors to assist the PNP program in meeting its responsibilities in the fishing community, I and my staff will continue with the efforts I have described above and will keep you informed as to our progress and direction. Knowing you are supportive of the department's efforts provides an incentive, if necessary, to seek your assistance if legislative matters arise.

Thank you for taking the time to convey your concerns and interest. It helps to know a person of your past interest in and knowledge of aquaculture is ready to participate if needed.

Sincerely,

Don W. Collinsworth
Commissioner

bcc: Molly McCammon
Warren W. Wiley

UNITED FISHERMEN OF ALASKA

211 4th Street, Suit 112
Juneau, AK 99801
907-586-2820
Fax# 907-463-2545

January 6, 1992

Mr. Carl L. Rosier, Commissioner
Department of Fish and Game
State of Alaska
Post Office Box 3-2000
Juneau, Alaska 99802-2000

Dear Commissioner Rosier:

With the establishment of the Legislative Hatchery Review and with the renewed hatchery interest by the Board of Fisheries, United Fishermen of Alaska (UFA) recently initiated an Aquaculture Committee to provide constructive input into these review processes. This committee met in conjunction with UFA's Board of Directors meeting in Anchorage.

Given the dramatic events of this year's salmon season, the question of overall hatchery production invoked a spirited discussion within the Aquaculture Committee. Nonetheless, two recommendations did emerge from the committee discussion. UFA's Board accepted these recommendations unanimously. One of these recommendations involves action on behalf of your Department.

UFA requests that the FRED Division undertake a statewide hatchery production review process that involves the existing RPT's. Given the current array of management, biological, and marketing issues, UFA believes that it is timely for the RPT's to review the hatchery production program from a statewide perspective. It is our understanding that at one time the FRED Division was given the latitude to review the collective regional production plans for statewide implications, but that this type of overview has never occurred. Since hatchery production is now at a level that the impacts are no longer confined to one region, UFA believes that such a review is warranted now more than ever. Hence, we make this request.

Integral to this request is the involvement of commercial fishermen from across the state. Please be advised that this request does not mean creating an entirely new planning process, but rather expanding the review through the established RPT's. It was suggested that one delegate from each RPT could form a production review committee working through and with your office and the FRED Division.

UFA's Aquaculture Committee will be meeting again in February. At that time, UFA will undoubtedly address other hatchery issues that will be coming before the Legislature or the Board of Fisheries. In the meantime, your timely attention to this request would be most appreciated.

Please feel free to call if you have any questions regarding this request.

Sincerely,

Rich Davis, Chairman
Aquaculture Committee
United Fishermen of Alaska

GS:phl

cc: Senator Dick Eliason
Mike Martin, Board of Fisheries

FISH:HatcheryProductionMotion

February 23, 1992

Carl Rosier, Commissioner
Alaska Department of Fish and Game
Box 3-2000
Juneau, Alaska 99802-0200

Dear Commissioner Rosier,

After talking with several sport fishermen about the increasing numbers of hatchery fish now being caught by sports in Alaska, most agree that somehow sports should be contributing to the enhancement of salmon. I will address specifically chinook in this proposal although I believe that all enhanced fish could be considered.

The five year average of hatchery chinook caught by sport fishermen from 1985-1990 has been 5,077 salmon. In 1991 this figure increased to 26,700, an increase of over 500 % in just 2 years. I believe the majority of the money used to produce these hatchery fish came from two sources. The 3% enhancement that commercial fishermen voluntarily assess themselves and mitigation money from the Pacific Salmon Treaty (PSC) marked to compensate trollers for the loss of chinook. There may be other sources that have contributed and they could be figured in accordingly.

If trollers are not able to access these fish because of the current management system and the harvest restrictions imposed upon them by the PSC, somebody should. But in all fairness, those who harvest these enhanced fish should compensate the gear group that did produce them. Not only did sports catch 26,700 of what I would say is fish reared for commercial harvest, but those fish, if they made it back to the hatcheries, would have been used for cost recovery.

[redacted] The hatchery operators in southeast know how much money it takes to produce one king salmon and I am sure that they have a figure of what they receive for each chinook for cost recovery. If the average price paid to the hatcheries for each chinook for cost recovery was only $20, this still adds up to a loss of revenue to the hatcheries of $534,000.

I make my living commercial fishing and as most commercial fishermen I also hold a sport fishing license. It think it would be fair to me that the license fee be increased and this increase be used to pay back hatcheries for the loss in cost recovery. Possibly a chinook card could be introduced. If a person wants to catch a chinook they would be required to purchase this card and money from this card would then be then used to pay back hatcheries. There may be other plans more acceptable, I don't know.

I would like to hear from you if you have any other ideas on this enhancement pay back plan.

Sincerely,

George Eliason

cc: Governor Walter Hickel
Senator Lloyd Jones, Chairman-Senate Resources
Representative Cliff Davidson, Chairman-House Resources
Southeast Legislators
Alaska Trollers Association
Southeast Seiners Association