

SCOMM

74:3

**SENATE SPECIAL COMMITTEE ON DOMESTIC
AND INTERNATIONAL COMMERCIAL FISHERIES**

March 7, 1991
11:00 A.M.

MEMBERS PRESENT

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

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 13
Relating to the bycatch of Alaska chinook salmon by United States
and foreign trawl fisheries.

PREVIOUS COMMITTEE ACTION

SCR 13 - None

WITNESS REGISTER

Robin Samuelson
Box 412
Dillingham, Alaska 99576
POSITION STATEMENT: Testified in favor of SCR 13.

Molly McCammon, Staff Assistant
Senator Lyman Hoffman
P.O. Box V
Juneau, Alaska 99811
POSITION STATEMENT: Gave information on SCR 13.

Denby Lloyd, Director
Division of Commercial Fisheries
Department of Fish and Game
P.O. Box 3-2000
Juneau, Alaska 99802-2000
POSITION STATEMENT: Gave information on SCR 13.

Dave Carlile, Biometrician
Division of Commercial Fisheries
Department of Fish and Game
P.O. Box 3-2000
Juneau, Alaska 99802-2000
POSITION STATEMENT: Gave information on SCR 13.

Harold Sparck

Box 267

Bethel, Alaska 99559

POSITION STATEMENT: Testified in support of SCR 13.

Larry Cotter, Chair of the Bycatch Committee

North Pacific Fishery Management Council

P.O. Box 103136

Anchorage, Alaska 99510

POSITION STATEMENT: Provided information on SCR 13.

Greg Seider, Executive Director

United Fishermen of Alaska

211 4th Street, Suite 112

Juneau, Alaska 99801

POSITION STATEMENT: Testified in favor of SCR 13.

ACTION NARRATIVE

TAPE ONE, SIDE A

Number 001

CHAIRMAN DICK ELIASON called the Special Committee on Domestic and International Commercial Fisheries to order at 11:00 a.m.

#SCR13

SENATOR ELIASON introduced SCR 13 (BYCATCH OF ALASKA CHINOOK SALMON) and invited the prime sponsor, SENATOR LYMAN HOFFMAN to review his bill. SENATOR HOFFMAN deferred to ROBIN SAMUELSEN for testimony.

MR. SAMUELSEN, not representing the Board of Fish or the Bycatch Committee, gave some history relating to problems of bycatch of Alaska chinook salmon including the onboard observer program, draggers, and joint ventures. He detailed the continued decline with the Americanization of the fisheries.

MR. SAMUELSEN reported there had been no commercial fishing for chinooks in the Nishagak District for five years where once there was bountiful fishing. He discussed the infighting on the Kenai River, among the trollers of Southeast, with the subsistence users, and the ever present sports fishermen. MR. SAMUELSEN predicted a continued decline in the fisheries, notwithstanding conservation practices, that it was too late. He presented some bycatch statistics on wasteful fishing practices and urged passage of SCR 13.

Number 088

SENATOR ELIASON said MR. SAMUELSEN'S testimony sounded like that of the Halibut Commission with the same scenario.

SENATOR COTTEN explained some research done on the factory trawlers

which he offered to MR. SAMUELSEN.

SENATOR HOFFMAN asked MR. SAMUELSEN to address the regions of the state which are affected by the bycatch by the trawl fishery, on a percentage basis.

MR. SAMUELSEN answered about 7% in Southeast, 13% in the Cook Inlet Region, and about 60% in Western Alaska which had the largest runs of chinook salmon in Alaska.

SENATOR HOFFMAN referred to his staff assistant, Molly McCammon, for some background information on SCR 13. She explained that the bill had been introduced as a result of data from the state and federal observer programs, which showed an excessively high chinook bycatch in the United States trawl fleet, as they fished for ground fish in the Bering Sea. She further explained that the bycatch total for one month this year was greater than all of the bycatch totals of all last year combined.

MS MCCAMMON said the studies showed that the bycatches were predominately Alaskan salmon, with the Bristol Bay and Western Alaskan chinook the most at risk. She reviewed the provisions of SCR 13 to protect the chinook salmon.

Number 140

MS MCCAMMON introduced a committee substitute which incorporated some language changes recommended by the Department of Fish and Game in line 8 of page one, expanding the range of the salmon. A second change on line 15 of page one, would be to delete "affects" and replace with "could possibly effect." She detailed the proposed changes in page two, lines 8 and 9 for clarification.

SENATOR JONES said he thought the original language in line 15 of page one was a truer definition. MS MCCAMMON agreed and suggested the Fish and Game be asked about their choice of words.

DENBY LLOYD, Director of the Division of Commercial Fisheries, Alaska Department of Fish and Game, explained the request for the change of language was because of delicate negotiations of the Pacific Salmon Commission. The other changes dealing with conservation was to be less definitive because of the nature of the conservation problem.

SENATOR HOFFMAN, referring to testimony by MR. SAMUELSEN, said he believed that it is a conservation problem from the view of those who fish the affected areas on the Yukon and Kuskokwim River systems. He agreed with SENATOR JONES that the problem should not be ignored.

MR. LLOYD said he didn't disagree in terms of conservation but said the word, conservation, has some strict interpretations within the

fishery management.

MR. LLOYD stressed that the department did not have enough definite data to specifically say the bycatch was causing a conservation problem in any particular area, although they suspect it is contributing to management problems.

Number 227

SENATOR JONES asked to what they attribute the declines.

MR. LLOYD answered that they didn't officially attribute the decline in the Bristol Bay runs to anything. He defended their management as related to escapement goals, allocation of the resource, and harvest opportunities. MR. LLOYD said they were only advising caution.

Number 257

SENATOR JONES said we should send a strong message.

SENATOR ZHAROFF said the escapement goals of the Nishagak District had been reached by limiting the local commercial fishermen, but not considering other user groups.

Number 267

SENATOR ZHAROFF said the other user groups, including sports fishermen, had not been limited. He suggested the department had not checked the impact the sports fishermen made with walking through the spawning beds and churning up the salmon eggs with their boats. SENATOR ZHAROFF asked what the department was doing to verify the locally identified problems for their data bank to provide some solid legal ground, and what was the department doing about the bycatch issue with the chinook salmon.

MR. LLOYD said MR. CARLILE'S position had been recently funded to work on statistical studies, and it was department personnel who provided figures, brought to the public awareness, of increased chinook bycatch. He said the department does not have the funds to accomplish analysis required to identify where the salmon were spawned and what systems were impacted. He said the statistics presented by MR. SAMUELSEN were generated by the literature and data research that MR. CARLILE was able to perform, and that it was the ability of the division, with a very small staff, to go into the data bases.

Number 320

SENATOR ZHAROFF said he thought the department had enough collected data for a forceful message on the chinook salmon.

MR. LLOYD said they did have a report on the 1991 chinook bycatch compared to bycatches from last year and from historical data from the last 15 years. He said they had drafted a letter to the National Marine Fisheries Service to back up the Board of Fisheries request that NMFS take emergency action this year to curtail the chinook bycatch. MR. LLOYD elaborated on their data and offered to share copies of the report and the letter with committee members.

SENATOR HOFFMAN asked if the department was supporting the implementation of emergency regulations to limit the bycatch of chinook salmon this year.

Number 359

MR. LLOYD said the department was supporting the entire resolution, but he wasn't sure that emergency action this year was the way to go. He described the time and areas of the largest bycatch of chinook salmon. He explained that invoking emergency regulations is a one time opportunity and the timing of our one shot will be important. It should be done at the best strategic time.

SENATOR COTTEN questioned the use of emergency regulations now, and SENATOR HOFFMAN said implementation and impact of emergency regulations should be discussed. SENATOR HOFFMAN inquired as to what should be done to protect the stocks. Committee members continued a discussion of SCR 13 and the proposed emergency regulations.

SENATOR ELIASON reviewed a letter from the Deputy Commissioner of Fish and Game who concedes there was a conservation problem, and queried MR. LLOYD again about his position on the letter.

SENATOR COTTEN quizzed MR. LLOYD on his reasons for the language changes in the resolution, and he defended his reasons.

[SENATOR ELIASON opened the meeting to teleconference testimony.]

Number 485

HAROLD SPARCK from Bethel, supported the activity of the Department of Fish and Game under the director of the Division of Commercial Fisheries. He said the impact of bycatch was getting much closer attention and described the over harvest of the fisheries. MR. SPARCK supported SENATOR HOFFMAN'S language rather than MR. LLOYD'S caution and explained his reasons, including the precautionary principal in dealing with environmental issues. He advocated SENATOR HOFFMAN'S position on the emergency regulations this year, and SENATOR COTTEN'S time limits on the regulations.

TAPE ONE, SIDE B

MR. SPARCK supported the use of "affects" in line 15 of the first page of the resolution. SENATOR ZHAROFF suggested deleting the word "conservation" in line 15, and SENATOR COTTEN suggested using "threatens" instead of "affects."

Number 024

LARRY COTTER, Chair of the Bycatch Committee of the North Pacific Fisheries Management Council, said the topic of the Bycatch Committee meeting last week was the salmon bycatch, and the council members agreed, without exception, that salmon bycatch was a priority issue for the committee. The focus would be on dealing with the problem this year.

MR. COTTER explained the two types of action that could be taken by the committee, emergency actions and plan amendments, and the procedures of each. He further explained that the NPFMC council was advisory only and that the Secretary of Commerce can approve or disapprove their actions. MR. COTTER reminded the committee that factory trawler owners and other organizations go to Washington D. C. to lobby and influence members of Congress as well as the Secretary of Commerce.

Number 056

MR. COTTER suggested building a record of fishery data sufficient to pass political and legal challenge. He explained the plan amendment, and he said the committee was carrying forth a bycatch amendment package that included halibut and salmon. MR. COTTER explained the time line for the amendment would be handicapped by insufficient staff. He discussed the use of emergency regulations while waiting for the implementation of the bycatch amendment.

SENATOR COTTEN asked about the best time for the emergency regulations.

Number 093

MR. COTTER generally agreed with MR. SPARTZ'S estimation of a specific time, but he didn't know about next year's fishing season. He wondered how much of a pollack season there was going to be next year. These would be deciding factors in the implementation of emergency bycatch regulations. Since the Secretary of Commerce makes the final decisions, the council has to be in a position where their actions are justifiable for a number of reasons such as conservation. The Bycatch Committee will meet again in two weeks in Seattle with the Alaska Department of Fish and Game taking the lead in doing additional analysis to get to a variety of issues that would be important to the committee in their decision making process. He said they would need to know the exact areas of the bycatch. He discussed the Doughnut Hole, the vessel size, and whether the fishing took place during the day or night.

Number 133

MR. COTTER said the Bycatch Committee was going to sponsor a workshop on salmon bycatch avoidance sometime around April or June in Anchorage. The Japanese will be invited to attend and to participate. He said a policy statement between the North Pacific Management Council, the Board of Fish, and the states of Washington and Oregon would be formulated and dealing with salmon bycatch in the Exclusive Economic Zone and the state territorial waters, all looking for a common perspective. He suggested some changes to add the North Pacific Management Council to the resolve statement on page two, lines 14 and 15 of SCR 13.

Number 155

MR. COTTER also suggested language expanding the emergency action on line 14 of page 2.

SENATOR COTTEN asked for his input on other of the resolves and the management of the Doughnut Hole.

MR. COTTER explained the Magnuson Act gave the authority to manage United States vessels outside of the EEZ for conservation purposes. The Council then assumed the authority to extend U.S. jurisdiction over U.S. vessels in the Doughnut Hole.

SENATOR COTTEN surmised it did not include foreign vessels, and MR. COTTER said that was correct.

SENATOR ZHAROFF asked MR. COTTER if he had received any direction from the Department of Fish and Game with regards to his position on the North Pacific Management Council. MR. COTTER said the department had been helpful in providing analytical focus, work projects, and to put information together to assist in dealing with the bycatch problem.

SENATOR ZHAROFF questioned the department's direction or the state's position on management problems to the Alaskan members to the council as to the state's position and how it should be achieved.

Number 202

MR. COTTER said that he was an independent member of the North Pacific Management Council and had received no direction. He hoped he would not be given direction but would like the state and other entities to tell him where they would like to go and what they would like to accomplish.

SENATOR ZHAROFF expressed annoyance that the state was not concerned enough about anadromous fish to work with the council members to form a consensus and not to yield to outside interests.

SENATOR ZHAROFF asked what kind of sanctions could be imposed on those breaking the rules out on the fishing grounds.

MR. COTTER said he expected they would be taking final action in December, 1991. In terms of sanctions for violations, he mentioned fines and seizure of vessels. When asked by SENATOR ZHAROFF about enforcement, he said that would be done by the Coast Guard.

Number 238

[SENATOR ELIASON turned control of the meeting to SENATOR ZHAROFF and left.]

SENATOR ZHAROFF and MR. COTTER then discussed the impact of endangered species and the migratory patterns of fish.

[SENATOR ZHAROFF opened the teleconference for testimony from GREG SEIDER, the Executive Director of the United Fishermen of Alaska, presently at the meeting in Juneau.]

MR. SEIDER testified in favor of SCR 13. He described an alarming increase in chinook and king salmon bycatch in the Bering Sea, Aleutian Islands recording area in the first few months of this year. He gave a statistical report on the increase in bycatch and the accompanying economic decline to the affected locations in Alaska. MR. SEIDER explained the additional decline of other fish stocks and the additional revenue loss with the closing of fisheries to allow for escapement. He said there was additional loss of tourism and sports fishing business, and the subsistence user had not been considered. MR. SEIDER said there was no absolute data explaining the drop in chinook salmon, but every indication was the growth of the domestic trawl fishery with no significant incentive to avoid chinook bycatch.

SENATOR ZHAROFF requested copies of MR. SEIDER'S report for the committee members to read in entirety. SENATOR ZHAROFF said he was directed by the chairman, SENATOR ELIASON to hold SCR 13 until 3/8/91.

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There being no further business to come before the committee, the meeting was adjourned.

JOINT MEETING
SENATE FINANCE COMMITTEE
AND
SENATE SPECIAL COMMITTEE ON FISHERIES
March 7, 1991
9:00 a.m.

SFC-91, J-1, Side 1 (000-end)
SFC-91, J-1, Side 2 (000-320)

CALL TO ORDER

Co-chairman Pat Pourchot convened the meeting concurrently chaired by himself, Co-chairman Jalmar Kerttula, and Senate President Dick Eliason at approximately 9:00 a.m.

PRESENT

SENATE FINANCE

Senator Adams
Senator Duncan
Senator Hoffman
Senator Kerttula
Senator Pourchot
Senator Uehling

SENATE SPECIAL COMMITTEE
ON FISHERIES

Senator Cotten
Senator Eliason
Senator Hoffman
Senator Jones
Senator Zharoff

ALSO ATTENDING: Representative Cliff Davidson; Carl Rosier, Commissioner, Dept. of Fish and Game; Mike Martin, Chairman, Board of Fisheries; Robin Samuelson, Vice-chairman, Board of Fisheries; Laird Jones, Director, Division of Boards; Mike Greany, Director, Legislative Finance Division; aides to committee members and other members of the legislature; and representatives of the press.

SUMMARY INFORMATION

SB 1 - Act relating to deadlines for action on funding of public education; and providing for an effective date

CSSB 1 (Finance) was REPORTED OUT of committee with a "do pass" recommendation and zero fiscal note from the Dept. of Education.

JOINT MEETING

Senate Finance Committee and Senate Special

Committee on Fisheries discussion with members of
the Board of Fisheries.

SENATE BILL NO. 1

An Act relating to deadlines for action on funding of
public education; and providing for an effective date.

Co-chairman Pourchot directed attention to a draft CSSB 1 (Finance) which he explained limits the legislation to funding for the foundation and related education items as listed in subparagraph (7) on page 2 of the draft. He further noted the March 6, 1991, legal opinion from Mike Ford relating to the binding of future legislatures. Backup also includes correspondence in support from the new board of education for both SB 1 and HB 5 (March 6, 1991, correspondence from Joe Montgomery, President, State Board of Education, is on file in the master file for SB 1).

Senator Adams MOVED for adoption of the draft CSSB 1 (Finance) dated 3/6/91. Senator Uehling clarified that the draft appropriates for the public school foundation program, pupil transportation, student lunch program, cigarette tax distribution, tuition students, boarding home grants, youth in detention, and schools for the handicapped but not for school debt retirement. Co-chairman Kerttula concurred that all items are operational. No objection to adoption of the draft Finance version having been raised, it was ADOPTED.

Senator Uehling then MOVED that CSSB 1 (Finance) pass from committee with individual recommendations. No objection having been raised, CSSB 1 (Finance) was REPORTED OUT of committee with a zero fiscal note from the Dept. of Education. All members present signed the committee report with a "do pass" recommendation.

BOARD OF FISHERIES

Co-chairman Kerttula invited members of the board to join the committee at the table. Senator Eliason directed attention to March 4, 1991, correspondence (copy appended to these minutes as Attachment A) and explained that it lists items for discussion with the board. He referred to a letter of intent passed by the Legislature in May of 1990 (copy appended as Attachment B) and advised that it contained recommendations that could be implemented to streamline board meetings and procedures. He then inquired concerning the status of the recommendations.

Co-chairman Kerttula observed that the finance committee had a number of budget questions for the board. He noted that the

board sustained a substantial reduction in the Governor's budget and inquired concerning how reductions would affect board operations.

MIKE MARTIN, Chairman, Board of Fisheries, came before committee, accompanied by CARL ROSIER, Commissioner, Dept. of Fish and Game, ROBIN SAMUELSEN, Vice Chairman, Board of Fisheries, and LAIRD JONES, Director, Division of Boards, Dept. of Fish and Game.

Mr. Samuelsen referred to the above-noted letter of intent and advised of the board's desire to streamline its procedures and meetings. Referring to board acceptance of "knee-jerk" proposals, Mr. Samuelsen explained that the board has established a cut off date of April 10 for submission of proposals. While that has somewhat restricted flexibility, it has helped, to some degree, to reduce the number of proposals.

The board has moved from a two-year cycle to a three-year cycle. Cost savings have accrued in per diem, airline fares, room rental, and staff time. Mr. Samuelsen cautioned that a savings in one area does not necessarily effect a savings in another. He noted that after the joint boards traveled to Juneau and were ready to meet, the Governor deferred discussion and action on the subsistence proposal. The savings was thus diminished.

Mr. Samuelsen noted the recommendation that proposals be submitted by a local advisory committee, or that they contain twenty-five signatures in support. He explained that while advisory boards play a major role, some of the best proposals come from lone individuals. Limited entry makes permit holders independent businessmen who have a right to submit proposals. The same is true of a sportsman who owns a lodge or a subsistence user whose needs are not being met as well as individuals in rural areas who "wear many hats." Need for advisory committee recommendation or the securing of twenty-five signatures was thus not deemed appropriate.

The final recommendation related to gathering of data to provide better information to board members. Mr. Samuelsen noted that individual agencies within the department (divisions of subsistence, sport fish, commercial fish) do a good job of providing data. One thing that slows the process is the absence of a Dept. of Law representative at board meetings. It would speed the process if a representative could be present at all times. Mr. Samuelsen acknowledged that the Dept. of Law wants to and tries to provide coverage. Limited staff and other demands prohibit attendance. The board currently has twenty-six cases pending against it.

Co-chairman Kerttula requested that the department note the foregoing problem in correspondence to committee. He explained that budget reductions within the Dept. of Law are pending. Mr. Samuelson advised that action on proposals is often deferred when Dept. of Law staff is not present.

Discussion followed between Senator Eliason and Mr. Samuelson regarding the handling of frivolous proposals.

Speaking to the recommendation that proposals to the board contain twenty-five signatures of support, Senator Eliason advised that the thinking was that if the idea was not salable to twenty-five people or the local advisory board, perhaps it was not worthy of board consideration. It was not the intent to limit access to the board.

Senator Jones asked why the board discontinued discussion of subsistence. Mr. Samuelson observed that the legislature initially passed subsistence legislation containing a rural preference. It was clearly designed to protect rural residents from expanding urban centers. The McDowell decision concluded that rural was severable from subsistence law. That was opposite to the intent of subsistence legislation. Last fall the joint boards requested direction. Board meetings in Fairbanks, Cook Inlet, and Southeast proved to be disheartening. The board was not making headway. It had created neither the original law nor the court decision, and it determined that the issue should be referred to the legislature for resolution. Discussion was thus discontinued and will not resume prior to direction from the Legislature or the Governor.

Co-chairman Kerttula noted that the Governor's budget would reduce board services an additional 15% from the required 5% overall reduction. He voiced his understanding that reductions would eliminate Alaskan representation on the IMPFC. The 15% decrement represents a \$126.0 reduction which eliminates a deputy director position and further reduces travel for the board. The advisory committee reduction of \$160.0 was applied to regional councils and eliminated travel at the regional level. Travel for advisory committees was reduced by 10% or \$25.0. Elimination of regional council ability to provide input jeopardizes \$381.0 in federal funds. The federal government has been utilizing regional councils for required local input and has been paying a portion of council costs. If the councils are not functioning, the federal government may set up federal councils and eliminate funding to the state. Reductions seriously impact state ability to comply with ANILCA requirements and reduce local input on fish and game issues. The Co-chairman then asked for comments from both the department and board members.

LAIRD JONES, Director, Division of Boards, Dept. of Fish and Game, acknowledged that if the foregoing cuts occur, regional councils would effectively be null and void. In January the joint boards wrote to the Governor expressing concern. The Commissioner learned, last weekend, that the Governor's Office will allow the department to submit an increment to restore a number of the cuts. The Governor has also requested a priority list from both boards for restoration of funds. Co-chairman Kerttula asked that he be provided correspondence from the Commissioner recommending restoration, including "the fact that the Governor had signed off on that request."

Senator Adams asked if the administration was developing recommendations relating to user groups: subsistence, sport fishing, commercial, etc. Commissioner Rosier explained that after the board had an opportunity to review proposed cuts, he talked with the Governor's office concerning the problem. The Governor has agreed to again review the budget. The department is in the process of preparing a budget amendment for submission later today or tomorrow.

Speaking to the issue of subsistence, Commissioner Rosier explained that the Governor has appointed a subsistence advisory committee. He is hoping for a work product from the committee within 30 to 60 days, with the understanding that he is shooting for a 30-day rather than 60-day deadline. The direction to the boards was that the Governor's advisory committee and the commission established by the Legislature during the special session would be working on subsistence. Direction to the boards was not to get too far ahead in consideration of subsistence regulations since the new entities had commenced their work.

Senator Duncan inquired concerning recent board action to allow a 1991 seine opening for the Hawk Inlet fishery. He noted that the impact of the 1989 opening is unclear at this time although there is reason to believe that it had serious impact on cost recovery for DIPAC. The Senator urged the Commissioner and board members to carefully evaluate the opening. He suggested that the opening itself may not have caused the past problem so much as the timing of the opening. It makes little sense for the department to permit a hatchery to be built with substantial investment of state dollars while managing in such a way that interception could lead to closure of the hatchery. He suggested that when determining the dates for opening the fishery, the board consider the impact on DIPAC operations. Co-chairman Kerttula voiced similar concern regarding the small red salmon run in upper Cook Inlet and attested to need to ensure that escapement allows for maintenance of hatcheries. Hatcheries must eventually be supported by the product.

Senator Cotten advised that while he understood the concerns expressed by Co-chairman Kerttula and Senator Duncan, he would caution the department and board not to "start managing the fish for the hatcheries instead of the fishermen." Senator Eliason noted that in situations involving a choice between natural stocks and hatchery fish, the department and board are charged with responsibility for taking care of natural stocks.

Speaking to the Hawk Inlet opening, Mr. Martin explained that the board based its decision on wild stock and historical perspective. A great deal of consideration was given to intercept fractions. Before the fishery is conducted, biologists will be looking at conservation. The fishery will not take place if there is a conservation problem. If the opening occurs, there is a 15,000 red cap. That addresses allocation concerns.

Mr. Martin suggested that the DIPAC issue is separate since it deals with hatchery fish. That issue is in deliberation and will be coming before the board tomorrow.

Commissioner Rosier acknowledged that both the board and department must learn to manage hatchery stock. He further acknowledged need to accommodate hatchery facilities.

Senator Hoffman noted that a key issue facing the department is the state attempt to regain management of fish and game. When reviewing budget reductions and action by the boards, however, it appears that the state is moving in the opposite direction. He stressed need for local input on fish and game management. Elimination of regional councils appears to encourage federal management.

Senator Hoffman questioned the decision of the board to stop deliberations on subsistence salmon. That appears to attest to lack of direction in making proper decisions on allocation of fishery resources. The department has a responsibility to assist the legislature in addressing the dilemma pointed out by the Board of Fisheries. The Senator concurred that the ultimate responsibility rests with the Legislature. Commissioner Rosier stressed that neither the Governor nor the department was encouraging further federal encroachment upon state management of fish and game resources.

Speaking to the issue of regional councils, Commissioner Rosier observed that the federal government is willing to help finance council operations. The dollars are not at risk. The department can match federal dollars with advisory committee systems. The board and department would henceforth rely more heavily on local advisory committees for support. The Commissioner reiterated that the administration has backed off

of its initial reductions and will re-examine the issue. The department will provide a budget amendment to reinstate some of the dollars.

Speaking to subsistence, Commissioner Rosier advised that the Governor is making every attempt to bring various elements of the issue to agreement. State management is the bottom line. The Governor's committee consists of a cross-section of user groups. The Commissioner voiced confidence in its members. Senator Hoffman attested to the importance of the issue and questioned placing final resolution in the hands of a single, recently formed entity. He noted that last year the federal government allocated \$6.5 million for management of fish and game in Alaska. Recent indications are that management for the coming year may approach \$20 to \$40 million. Co-chairman Kerttula requested that the Commissioner keep the committee informed of needed funding for the issue.

Co-chairman Kerttula noted the number of out-of-state fishermen in Alaskan waters and inquired concerning need to ensure that hatcheries achieve self-sustaining returns. He then inquired regarding the board's position.

End, SFC-91, #J-1, Side 1
Begin, SFC-91, #J-1, Side 2

Mike Martin explained that the board has considered the impact on hatcheries as well as the hatchery impact on wild stocks, historical fisheries, allocations, etc. He suggested that all parties involved should come to agreement before the state starts producing fish. Co-chairman Kerttula acknowledged that that approach would work well for the future. He then inquired regarding problems surrounding cost recovery at current hatcheries. Is there a consistent policy for all hatcheries? Mr. Samuelson advised of "something close to a consistent policy; I think we all agree on brood stock." The gray area is cost recovery. Does cost recovery include expansion of the hatchery? Is bigger better? Should the industry grow to the extent that the domestic market cannot handle it and foreign processors must be called in?

Mr. Samuelson noted that an abundant run in one area, which lowers the price of fish, may adversely impact other areas. He attested to belief that the Board of Fisheries has authority to limit smolt output by hatcheries. It must ensure that one hatchery does not cause problems for other areas of the state. The board must develop criteria and provide a general policy guideline statement. Statutes are already in place. Criteria must be developed. That has become evident from statewide travel. Co-chairman Kerttula acknowledged that

it is difficult to control output with a capital asset already in place.

Senator Zharoff noted that the concept behind hatcheries was to do away with the peaks and valleys in salmon runs. Hatcheries were intended to provide a constant supply of fish for commercial fishermen rather than for hatchery facilities. The concept now appears directed toward support for hatcheries. The Senator spoke to need for direction from the Dept. of Fish and Game which protects all user groups. Co-chairman Kerttula also noted need to protect the industry from fish farming.

Senator Eliason spoke to the impact of hatchery fish upon natural stocks. He further raised questions concerning the nonprofit nature of hatcheries. Have fishing groups in fact established an entity which competes with them? What is a nonprofit hatchery? The Senator questioned increases in administrative costs, and noted definite need for guidelines.

Senator Cotten suggested that the committee and Board of Fisheries meet with representative of the Alaska Seafood Marketing Institute. Co-chairman Kerttula concurred.

ADJOURNMENT

The meeting was adjourned at approximately 10:10 a.m.

**SENATE SPECIAL COMMITTEE ON DOMESTIC
AND INTERNATIONAL COMMERCIAL FISHERIES**

March 8, 1991

1:30 P.M.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Fred Zharoff

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 13

Relating to the bycatch of Alaska chinook salmon by United States
and foreign trawl fisheries.

PREVIOUS COMMITTEE ACTION

SCR 13 - See Special Committee on Domestic and International
Commercial Fisheries minutes dated 3/7/91.

WITNESS REGISTER

Dale Evans
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POSITION STATEMENT: Gave testimony on SCR 13.

Earl E. Krygier
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P.O. Box 3-2000
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POSITION STATEMENT: Gave testimony on SCR 13.

ACTION NARRATIVE

TAPE ONE, SIDE A
Number 001

CHAIRMAN DICK ELIASON called the Special Committee on Domestic and
International Commercial Fisheries to order at 1:40 p.m.

#SCR13

SENATOR ELIASON called on **DALE EVANS** to testify on SCR 13.

MR. EVANS from the National Marine Fisheries Service, discussed the most recent weekly tabulations of the amount of salmon bycatch which is in a report that will be distributed to the committee members. He said in a comparison of bycatch figures from 1990 and 1991 indicated an extraordinary level of bycatch occurring in the first two weeks of 1991 in the Bering Sea. However, the onboard observer program was not established during the first two weeks of 1990, so the comparison is between observed in 1991 and unobserved in 1990. In 1991 the National Marine Fisheries Service established a special district, the Bogosloff District in the Bering Sea, and assigned a special pollack pact to limit the amount of pollack that was going to be taken during the roe bearing season. The trawl fleet elected to stay out of the new Bogosloff District until the roe ripened, so they fished the first two weeks of 1991 in an area not previously fished, but where the chinook bycatch rates were highest. When they moved into the Bogosloff District the chinook bycatch rates went down. Because of a change in pollack management, MR. EVANS said they inadvertently pushed the pollack fleet into an area of high chinook bycatch rates.

Number 030

SENATOR COTTEN asked if the fishing vessels kept records if they have no observer, and MR. EVANS said they were suppose to do so. They continued to discuss the observer program, the length of time observers worked per day, the recruitment of observers, the pay scale of observers, and who pays. MR. EVANS said as the program is expanded a fee collection system based on the delivered harvest will be instituted for participation by everyone. SENATOR COTTEN related rumors of large catches of salmon, and MR. EVANS agreed there were probably high rates of salmon bycatch.

SENATOR ELIASON heard a description from a fisherman on a trawler in the Bering Sea of large numbers of sea lions caught in the drags, and wanted to know how closely marine mammals were monitored. MR. EVANS replied that all of the observers were instructed on the requirements for the marine mammal observation program, but the observer reports OF interaction with sea lions have been very fair year and last.

SENATOR ELIASON and MR. EVANS discussed sea lions as an endangered species, the allowable marine mammal take before the sea lion were listed, and stories of violations. SENATOR ELIASON and MR. EVANS discussed both the reduction and the raising of the qualifications for observers. They discussed the movement of the fishing vessels out of fishing areas for high bycatches.

Number 212

SENATOR COTTEN introduced some statistics on foreign ownership of fish processing facilities in Alaska including factory trawlers, which he offered to MR. EVANS.

Number 241

SENATOR ELIASON introduced EARL KRYGIER from the Department of Fish and Game to speak on the Endangered Species Act.

MR. KRYGIER speaking from a prepared paper on the Endangered Species Act, explained initiating a petition to list a species and taking it through a two year process, where during the first year the National Marine Fisheries Service determines whether the petition is warranted. The second year is spent in research and hearing before there is a final ruling. MR. KRYGIER explained the steps of the recovery team to lay out a plan to rehabilitate the species, looking at other aspects such as range of species and the critical habitat.

SENATOR ELIASON questioned the effect of the "salmon summit" convened by SENATOR MARK HATFIELD. MR. KRYGIER elaborated on the formal review process, and surmised that SENATOR HATFIELD hoped that an agreement could be achieved between the water users and the fish harvesters to come up with a plan to preclude the actual listing of a species.

Number 311

SENATOR ELIASON asked why MR. KRYGIER reached the conclusion that whatever happens in the Columbia River is going to impact the chinook harvest in the State of Alaska. MR. KRYGIER listed a couple of reasons, one of which is part of the criteria in the recovery program when they set out a tunnel range of the species. SENATOR ELIASON suggested he tell the summit members to take us off their quota because we aren't part of that area.

MR. KRYGIER said that of the five species listed, the sockeye is not harvested along our coast, nor do we take any Oregon or Washington coho in the State of Alaska. Of the rest, we catch a minimal amount.

Number 256

MR. KRYGIER, in answer to onboard observer questions, said the State of Alaska has an onboard observer program on crab which used the same qualifications as the National Marine Fisheries Service uses. He urged hiring high quality onboard observers.

In answer to a question by SENATOR COTTEN, MR. KRYGIER reviewed information from one of the bycatch committees which indicated the chinook salmon bycatch were most prevalent during the late winter months and January through May. After May the bycatch changed over to mostly chum salmon.

SENATOR HOFFMAN reviewed the changes in the bill for a committee substitute. On page one, line 15 the word "effect" was changed to

"threatens," and on line 15 of page two, the words "to be prepared to" were added, both on the recommendation of SENATOR COTTEN and discussions at the previous committee meeting.

Number 409

SENATOR JONES moved to adopt CSSCR 13 (FSH). Without objections, so ordered.

SENATOR COTTEN moved CSSCR 13 (FSH) from committee with individual recommendations. Without objections, so ordered.

#

There being no further business to come before the committee, the meeting was adjourned at 2:05.

**SENATE SPECIAL COMMITTEE ON DOMESTIC
AND INTERNATIONAL COMMERCIAL FISHERIES**

April 4, 1991

1:30 P.M.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Lyman Hoffman

OTHER SENATE MEMBERS PRESENT

Senator Curt Menard
Senator Arliss Sturgulewski

HOUSE MEMBERS PRESENT

Representative Cliff Davidson
Representative Georgianna Lincoln

COMMITTEE CALENDAR

ASMI - SALMON 2000

PREVIOUS COMMITTEE ACTION

None

WITNESS REGISTER

Lennie Gorsuch, Executive Director
Alaska Seafood Marketing Institute
P.O. Box DX
Juneau, Alaska 99811

Eric Eckholm, Chairman
ASMI - SALMON 2000 Subcommittee
Alaska Seafood Marketing Institute
P.O. Box DX
Juneau, Alaska 99811

David Osterback, Board Member
Alaska Seafood Marketing Institute
P.O. Box 144
Sand Point, Alaska 99661

ACTION NARRATIVE

TAPE ONE, SIDE A
Number 001

CHAIRMAN DICK ELIASON called the Special Committee on Domestic and International Commercial Fisheries to order at 1:40 p.m.

SENATOR ELIASON introduced the topic, ASMI - SALMON 2000, and invited LENNIE GORSUCH, Executive Director of ASMI, ERIC ECKHOLM, Chairman of the ASMI - 2000 Subcommittee, and DAVID OSTERBACK, a Board Member, to present the program.

MS GORSUCH described the Alaska Seafood Marketing Institute as a joint industry/government marketing network which was organized and created in 1981, by legislative statute creating the marketing institute. She explained that the policies were directed by an 18 member board made up of processors, Alaska fishermen, and one lay person, plus ex officio members, SENATOR FRED ZHAROFF and REPRESENTATIVE CLIFF DAVIDSON.

MS GORSUCH related their mission as twofold, to increase awareness of Alaska Seafood and to promote quality. She said their funding came from three sources: the Alaska Legislature, the federal government, and industry, through a voluntary self-assessment.

Number 027

MS GORSUCH recounted a request from SENATOR ELIASON in March of 1990, asking ASMI to take a look at the salmon market in the United States and in the world, and the effects of farmed fish. She explained the beginning of the effort with MR. ECKHOLM appointed chairman of the Salmon 2000 Subcommittee. MS GORSUCH predicted the committee would find the information, in the form of a film, interesting and alarming, and she turned the meeting over to MR. ECKHOLM to report the findings of the report.

MR. ECKHOLM reviewed the SALMON 2000 project and presented a written report, a stack of backup information, and a video, which he said would give the committee a sobering look at the world salmon markets.

(A power surge near this time wiped out the numbering system on the dictaphone for SIDE A, hence no numbering in these minutes.)

A vidio was shown.

SUMMARY OF CONTENT OF VIDEO: salmon market brought in \$14 million in 1990 - now a glut of pen reared salmon from Norway, Scotland, and Chili - in 1980, farmed fish made up 1% of the world supply, by 1990 that had jumped to 30% - nearly equal to Alaska's share -

tough competition from salmon farmers may seriously erode Alaska's share of the world salmon market - Alaska needs to promote its salmon products to stay competitive - in 1989, an Alaskan economist, Eric McDowell made the first comprehensive study of the commercial fishing impact on the Alaska economy - he found that Alaska seafood is the largest private industry in Alaska - the value of the salmon catch exceeds that of the ground fish catch, and all other species put together - fishermen spend much of this money in their own communities on goods and services - in the domestic United States market, the Alaska share of sales dropped from 78% to 63% between 1985 and 1989 - most of that was taken over by farmed salmon - the trend is downward in several international markets, also - in a large European market, Alaska sold three fish for every farmed fish - by 1989 the ratio was reversed - in the U.S., we still have many good markets, but the increase in salmon consumption has been fueled by the salmon farmed in Norway and Canada - Japan has invested in salmon farming in Chili - the farmed fish are competing successfully with Alaska salmon because the pen reared salmon are grown in a controlled environment - the farmed fish can be harvested any time of the year - or they can be harvested at a specific size - or when there are orders for them - two critical advantages of the salmon farmers: reliable, year around supply of fresh fish, and consistent quality - farmed fish in Norway, Scotland, and Chili are individually killed by shocking them, bled immediately, and brought to market with almost all of their scales in perfect condition - MR. LAUBER reported that a person on the East Coast is better off buying fresh frozen salmon from Alaska, frozen within a few hours of being caught - a pen reared salmon from Europe, put on an airplane, shipped to New York, trucked to Boston, could take 12 days after being killed in Norway - it is fresh only in the sense that it was never frozen - Alaskan fishermen need to increase their capital investment for equipment to increase quality of their salmon, such as chilling, handling, increased freezing capacity, and more education for the fishermen - and the processing workers - and the management - Alaska needs to actively market their salmon - consumers automatically prefer fresh fish to frozen - few consumers in Europe and in the U.S. associate Alaska with salmon - or understand the difference in species of salmon, or how to prepare salmon - the competition for salmon markets is tough - other protein producing industries far out spend what ASMI spends yearly on promoting salmon in the U.S. market - Norway spends twice as much as Alaska to sell its farmed salmon in the United States - Alaska has some strong advantages that can be exploited - people have a favorable impression of salmon caught in the cold, clean water - they think health - no antibiotics or chemicals, such as used in farmed salmon - we need to educate the consumers that fresh frozen is as good as fresh fish - that people should think about Alaska when they think salmon. SENATOR ELIASON concluded the video with some remarks.

MR. ECKHOLM continued with some statistics on projected salmon runs and predicted lower prices. He said the total world supply of

salmon had doubled from 1980 to 1990 to over 2 billion pounds per year, but the Alaskan share is now almost being equal to the farmed share. In ten years the farmed salmon have gone from none to being equal to the Alaskan share. In the United States, the consumption is up, but the gain has been in farmed salmon. The fresh frozen salmon use has actually declined.

MR. ECKHOLM characterized the restaurant habits of families where not all of the members eat fish, so they eat where there is a choice. Alaskan salmon does the best in the super market trade where we can compete very well. He said we don't have an over supply of salmon, and he explained the opportunity of changing the salmon eating habits of the United States consumers.

MR. ECKHOLM reported canned salmon as the mainstay of the industry since the turn of the century, is still a viable product, but it is now declining. He explained how the advertizing blitz by the legislature at the time of the botulism scare revived the market, but when the funding dropped, so did the sales.

MR. ECKHOLM described the push needed to sell fresh frozen salmon, counter the fresh farmed salmon promotion, and build awareness and consumption of salmon. He said ASMI has concentrated on marketing all of the species of fish, but this is the first time ASMI has focused specifically on the salmon market. MR. ECKHOLM centered his attention on the marketing and preparation of canned salmon. In closing he urged the committee members to examine all of the collected materials to demonstrate the problem.

MR. OSTERBACK commended SENATOR ELIASON for writing the letter to ASMI to get the study started to find out how the farmed fish impacted the Alaskan salmon markets. He was glad to see the legislature responding to the crisis of farmed fish, because he was concerned it could be the demise of salmon fishing in Alaska. MR. OSTERBACK explained how his livelihood was affected by the salmon market with his million dollar investment.

MR. OSTERBACK complimented SALMON 2000, and wished it could have been seen earlier by the legislature. He considered it sobering information and urged the legislature to get involved in the solution of the problems. He noted the success of the hatcheries that pumped out an over supply of pink and chum salmon, and he suggested putting some money into ASMI to enhance the wild stocks. MR. OSTERBACK described the Russel Creek hatchery on the Seward Peninsula. He declared the hatchery could pump out 200 million fish per year, but he said they would rather enhance the lakes and streams to encourage the wild salmon stocks.

MR. OSTERBACK addressed the Exxon oil spill as a factor in the quality of seafood, and reminded the committee that the farmed fish won't go away. He closed by urging everyone to read the report and act accordingly.

SENATOR STURGULEWSKI commended the report, and focused in on the pink salmon she knew as a child, saying it had to be a different quality. She wondered about using the Kodiak Institute and the Alaska Science Foundation to develop new products to expand market opportunities.

MR. ECKHOLM assured her the current canned salmon had improved in quality since that time, but he agreed that there needed to be new products. He said that in many parts of the world, canned salmon sells fine, but it takes a significant effort to develop new products and markets.

SENATOR COTTEN praised the report and asked how important market indicators were. MS GORSUCH said they were significant and was concerned that there was more canned salmon in the warehouses today than was taken altogether statewide in 1987. She said it is carry over stock added to record years, and it will reach crisis proportion at this rate. She answered SENATOR STURGULEWSKI'S question by explaining that ASMI tries to identify places in the world where canned salmon is eaten, and she reported that many of the United States export dollars go to the United Kingdom and Ireland. MS GORSUCH said this year they plan to investigate markets in Australia for canned salmon, and they are trying to match markets with fish in the world.

SENATOR MENARD quizzed MR. OSTERBACK about his request for funding and asked if ASMI had come up with a marketing plan. MS GORSUCH said the report just came off the press yesterday, but they have known for a couple of weeks about the situation. She said they were in the process of identifying what can be done. She said the Board of Directors would be meeting on 4/10/91, and she hoped the meeting would bring some direction.

REPRESENTATIVE LINCOLN recalled a meeting in the early 1980's with the Tanana Chiefs where fish farming was discussed, and ASMI was there. She discussed that period as a time of disposing of hundreds of pounds of salmon roe by feeding it to the bears, but trying to find ways to utilize the unused salmon parts. REPRESENTATIVE LINCOLN asked how the salmon could be marketed besides canning.

MR. ECKHOLM said the Science and Technology Center and the Alaska Fisheries Development Foundation had been working on ways to use all of the parts of the salmon with some success. He said the seafood industry has to sell everything they catch in one season, in order to get into the next season, and he described the marketing strategies of seafood companies.

SENATOR STURGULEWSKI thinks people are afraid of salmon, because they don't know how to cook it, and she suggested using the preparation approach in marketing salmon.

MR. ECKHOLM agreed and explained their discussions of increasing the repertoire of recipes in the cookbook to include a larger number of preparation ideas, to increase the number of times people use salmon during the year.

TAPE ONE, SIDE B

REPRESENTATIVE DAVIDSON asked for any good news on expanding consumer consciousness in the American market and how the success has been measured. Secondly, he queried with whom ASMI works to develop new products for salmon.

MR. ECKHOLM said the good news in the United States was that consumption was going up with research showing 45% of the people eating salmon, 45% of the people eating seafood, but not salmon, and 10% of the people being a lost cause. The 45% who eat salmon are not as concerned about price as they are about getting a good piece of fish, and the other 45% perceive salmon as a premium product, but don't buy either because they don't know how to cook it, or because some family members don't like it. In terms of measuring the success of ASMI, tracking studies have been done over the years using ASMI's mission of marketing seafood, with only some emphasis on salmon. The awareness of Alaskan seafood has more than doubled since ASMI started and has been slowly moving up. MR. ECKHOLM reiterated that ASMI does not get involved in new product development, which has been left to other development groups.

REPRESENTATIVE DAVIDSON asked how we become aware of new products made from Alaska seafood. MR. ECKHOLM explained his part in searching for new products, visiting super markets, reading trade journals, and collecting samples wherever possible, and he gave "skinless, boneless salmon," as an example of a product initiated outside the industry.

Number 039

SENATOR COTTEN asked how much salmon there is to be sold. MS GORSUCH said she could give him a copy of a regular newsletter that is written by industry for industry on the status of the pack. SENATOR COTTEN inquired about other markets. MS GORSUCH said some of the processors are licensed by the federal government to provide products to the military service, and this has continued. SENATOR COTTEN requested to see a historical chart on the availability of these markets. MR. ECKHOLM said he didn't know if it would be available, but he would try to get it. He did know that in the last few years, the military sales have been pollack not salmon, and that has dried up as the price of pollack has increased.

SENATOR COTTEN asked if these markets have been pursued, and MS GORSUCH said these markets have been addressed the last few months, but she just returned from a trip to Washington, D.C., where she

spent time with the U.S. State Department and the U.S. Department of Agriculture discussing United States food programs to other countries, even to Russia. She said they were looking at all available markets.

Number 065

SENATOR ELIASON questioned the plans for marketing, and MS GORSUCH answered that she was going to meet with the Board of Directors of ASMI next week, review their information, and ask for advice on programs that would take care of the problems facing us. She said there should be careful review by all involved persons, and she offered videos for legislators to use in showing the problems. SENATOR ELIASON described the gravity of the situation and the need for proper handling. He asked, "How are we going to fix it?"

MS GORSUCH said there might be an answer within ten days. SENATOR ELIASON asked for a summary on the budgeting information on the amount of money from industry, the federal government, and the state.

MS GORSUCH noted that the request from the governor's office was \$2.1 million for state funding, which included \$750,000 cash match to bring in federal dollars. This year, ASMI received \$8.78 million from the U.S. Department of Agriculture for the export marketing efforts, and the estimate for industry contributions was \$3.2 million for this year. She said the industry share has continued to grow over the years, but the state participation has declined significantly over the years. The federal dollars started in 1987 with \$1 million, and now are up to almost \$9 million.

Number 098

SENATOR JONES asked how the price could be insured, and how we could deal with an expanded production from the Soviets.

MR. ECKHOLM said that predicting prices is a futile effort, and the only method for use by ASMI is increasing and creating a diversity of markets, so there is no reliance on a single market. As an example, he said we face a near total reliance on the Japanese market for frozen sockeye and are subject to the vagaries of the yen/dollar ratio or interest rates. He explained the methods used by our democracy is supply and demand, with ASMI trying to build demand. He explained that salmon in Japan is eaten like hamburger, but in the United States people only eat a few ounces of salmon per person per year. Just encouraging people to eat two meals of salmon per year would make a big difference in the market.

MR. ECKHOLM said the U.S. market is really the target, and we could work in the U.S. market for the next five years and solve many of our problems.

Number 133

SENATOR MENARD asked how many of the board members, who are processors, are geared toward canned salmon. MS GORSUCH said they were diversified. SENATOR MENARD thought there needed to be some aggressive venturing into the other markets.

MR. ECKHOLM explained the way ASMI allocated its promotion dollars. Half of the money is budgeted for promoting Alaska seafood, and the other half is broken into the species market, and canned salmon is about 25% to 30% of the total seafood package. Fresh frozen salmon is equal to canned salmon in value, and MR. ECKHOLM said nearly every major processor does both, with small processors doing mostly fresh frozen.

Number 165

SENATOR ZHAROFF described the critical runs of some species such as silvers and king salmon, in his district, but the forecast across the state is for a bumper crop of pink salmon. He explained that the pink salmon regulates the price on nearly all the other species in terms of being able to sell the fish and control the markets. SENATOR ZHAROFF talked about ASMI as being able to see where we've been, where we are, and to give some projections on what will happen tomorrow. He also expressed concern that the state's participation in marketing has declined, even though the fishing industry is the largest employer in the state, and he asked what ASMI is doing to promote the immediate sale of the surplus fish.

MS GORSUCH said ASMI had not yet developed a plan or funding proposal, because the report was not yet final, but SENATOR ZHAROFF took exception to her reason, saying some of the information must have been available previously. MS GORSUCH recounted the canned salmon marketing problem, and she said the industry committees that operate and give policy to ASMI, met recently to shift money from other species' markets to the canned salmon effort. She said marketing had begun in the nation with radio spots, consumer and trade advertisements, to move the excess salmon setting on the shelves.

Number 220

SENATOR ZHAROFF said, that as a strong supporter of ASMI, he was concerned that no one from the organization had discussed the problem with him, when he could have asked for funding in the supplemental budget. He felt the legislators were being brought in after the fact on the canned salmon problem.

MR. ECKHOLM agreed that SENATOR ZHAROFF has a good argument and ASMI didn't, but they have moved quickly to address the emergency by redirecting the budget to market the salmon pack, with it moving

at a 50% greater volume now. He said the industry had cut their prices, selling at a loss, and trying to get rid of the product before the anticipated large run. MR. ECKHOLM apologized, as a board member, for not helping to direct the Board of Directors to the legislators.

Number 248

SENATOR COTTEN questioned their selling techniques, and asked if they tried to sell to the army. MS GORSUCH said they leave the selling to those who actually own the product, but try to open doors and make marketing information available. She does not actually go can in hand to sell.

MR. OSTERBACK explained that he had been on the board since 1981, and he defended his record of speaking to legislators and participating in ASMI.

SENATOR ZHAROFF said he didn't have any problems with the operation of ASMI, but he thinks a critical stage has been reached with a surplus of salmon. He conveyed his frustration at having lost the chance to provide some funding earlier for marketing the canned salmon. SENATOR ZHAROFF said fishermen are going to be dismayed at the price, and possibly strike, with no way to get an increase because of farmed salmon, hatchery fish, and the excess fish on the shelves. He pleaded for backup information from ASMI, so he could fight for the fishing industry.

Number 309

SENATOR MENARD defined the problem as a lack of communication, concurred with SENATOR ZHAROFF'S rational, and offered some recommendations.

MS GORSUCH agreed and assured the legislators that just as soon as ASMI knows what it will take, they will return with a program request.

There being no further business to come before the committee, the meeting was adjourned at 3:00 p.m.

**SENATE DOMESTIC AND INTERNATIONAL
COMMERCIAL FISHERIES
February 10, 1992
9:40 A.M.**

MEMBERS PRESENT

Senator Dick Eliason, Chairman
Senator Sam Cotten
Senator Lloyd Jones

MEMBERS ABSENT

Senator Fred Zharoff
Senator Lyman Hoffman

COMMITTEE CALENDAR

Draft Report of the Alaska Fisheries Enhancement Program
Review Project.

WITNESS REGISTER

Molly McCammon, Aide
Senator Lyman Hoffman
P.O. Box V
Juneau, Alaska 99811

POSITION STATEMENT: Commented on the Executive Summary.

Mary McDowell, Aide
Senator Dick Eliason
P.O. Box V
Juneau, Alaska 99811

POSITION STATEMENT: Commented on the Executive Summary.

Ginny Faye, Aide
Senator Sam Cotten
P.O. Box V
Juneau, Alaska 99811

POSITION STATEMENT: Commented on the Executive Summary.

Jeff Koenings, Director
FRED
Department of Fish and Game
P.O. Box 3-2000
Juneau, Alaska 99802-2000

POSITION STATEMENT: Commented on the Executive Summary.

ACTION NARRATIVE

92-1, SIDE A
Number 001

SENATOR ELIASON called the Domestic and International Commercial Fisheries Committee meeting to order at 9:40 a.m.

MOLLY MCCAMMON, Staff for Senator Hoffman and coordinator of the Enhancement Program Review Project, explained that the group of staff which has been working on the research project has completed a draft report. The Report is a compilation of all the elements of the salmon enhancement program that were reviewed over the interim. The report identifies the major issues and conflicts that were brought up by fishermen, aquaculture associations, agency people, other legislators and their staff. At the end of each chapter is a list of possible options to consider. She said the economic section of the review project was not complete. She noted that in addition to the complete draft report, an executive summary of the report had been prepared for distribution.

Number 122

MS. MCCAMMON described the information covered by the report. The first chapter discusses the history and development of the state's fisheries enhancement program. The original impetus for the enhancement program was to create more fish in answer to the low stocks of the 1960s and '70s.

MS. MCCAMMON said chapter three went into production policies and trends in Alaska and world wide. She said they talked to people in the Division of Commercial Fisheries and major fish groups about what they perceived to be the major problems in fisheries management. Managing mixed stocks and the issue of quality were major concerns.

Another problem is efficiency of tagging salmon, having someone collect and use the information, and deciding who is going to pay for it.

The Board of Fisheries said they needed statutory authority and policy dealing with wild stock priority over hatchery stock and management for cost recovery or brood stock for hatcheries.

Number 277

Many people considered the state planning and permitting process to be a model process, **Ms. McCammon** said. It received

intense review and there are several areas that may need to be fine tuned.

At Senator Eliason's request, she read from page 25 that despite the fact seafood consumption had gone up, Alaska has lost a significant share of both the domestic and international salmon markets as a result of the tremendous growth in world farmed-salmon production. This represents the single greatest threat to the Alaska salmon market. U.S. per capita consumption of canned salmon declined 60 percent from 1980 to 1989, at the same time that harvests of pink salmon--the majority of which is canned--increased approximately 50 percent.

Number 404

SENATOR COTTEN asked if Alaska was clearly the leader in the world for hatchery technical abilities, etc. MS. MCCAMMON said that hatcheries play a big role in Japan where there are very few wild stocks left. She explained that pinks are popular for hatcheries because they have a shorter cycle than cohos and kings. We do, however, have the technology to deal with other species.

Number 496

SENATOR COTTEN asked about ocean carrying capacity and if we are putting too many fish into the ocean. MS. MCCAMMON said that scientists do agree that there is an ocean carrying capacity, but it is difficult to prove what it is, because of all the factors involved.

Number 527

SENATOR COTTEN asked why Alaskans had not been given more of a quota of king salmon. MARY MCDOWELL, Aide for Senator Eliason, explained that Alaska is only one member of the American Delegation to the U.S./Canada Treaty and we negotiate with these other states and tribes before we negotiate with Canada. She said it is also difficult to document the hatchery fish since the trollers don't have a long enough opening to document how many hatchery fish are available. SENATOR ELIASON said that it's indisputable that there are more chinooks now than there were before enhancement. SENATOR COTTEN says it seems like we are trying to help with hatchery efforts, but are not getting credit for it.

92-1, SIDE B
Number 001

SENATOR ELIASON noted that chinook salmon are used for trade

Senate Domestic/Int
Commercial Fisheries

offs in the Frazier River area and there is little that Alaskans can do about it.

SENATOR COTTEN said it was suggested on page 22 that a gear group could opt out of an aquaculture association. MS. MCCAMMON said that they acknowledge there are gear groups out there who do not believe they are seeing benefits from the enhancement taxes they are paying and would like a mechanism to opt out of the program if a majority of participants want that. They would continue to pay their portion of the debt service on things they agreed to in the past, but not commit to anything in the future. SENATOR COTTEN said Legislative Research Agency did a paper addressing that issue.

Number 43

SENATOR COTTEN asked if any aquaculture association were in financial trouble. MS. MCCAMMON replied the actual loan program was probably in the best condition of any of the revolving loan funds in the state for the industry. She didn't know of requests for any new facilities, but there were requests for increased production or new projects at existing facilities.

SENATOR JONES said that six aquaculture associations were looking for a deferment of their six year loans. MS. MCCAMMON explained that each association has different circumstances and will be discussed in a financial report coming out soon. She said that a problem with the transfer of state facilities has been that they weren't designed or built to have cost recovery fisheries to pay for their operating costs.

Number 186

SENATOR COTTEN moved to accept the entire Draft Executive Summary to be released for public comment and asked for unanimous consent. There were no objections and it was so ordered.

GINNY FAYE, Staff for Senator Cotten, explained the economic studies being conducted as part of the review project. One part intends to look at how does the price of hatchery production affect the price of Alaskan salmon. She said that needed to be answered in the context of a whole benefit cost analysis.

MS. FAYE said they set up a research component analysis as follows: a hatchery production cost model that would provide information on an individual hatchery basis; a biological population model that might give the information on ocean carrying capacity; and a salmon demand analysis being done by

Dr. Herman and Dr. Greenburg at UAS. She explained there are impacts to operators' costs when you put more fish in the ocean and harvest them. This would vary depending on whether it's a mixed stock fishery or a terminal fishery. All this information would be correlated on a computer which would project the impact on revenues to fishermen and the state of increasing or decreasing harvest levels of different salmon and/or changing the species mix.

SENATOR ELIASON commented that there has to be a bottom line price in producing salmon. Some day this market will level off and we'll have a share of that market.

Number 347

SENATOR COTTEN asked if there was a problem in requiring hatcheries to do tagging. MS. FAYE explained that all of the hatcheries with current production were planned, permitted, and funded without including tagging costs into their whole process. She thought it would at least be challenged in court. The concern was who would pay for recovery and analysis in light of the fact that the information would benefit everyone, not just the hatcheries.

Number 339

JEFF KOENINGS, Director, FRED, agreed with MS. MCCAMMON and said that the pro forma for a hatchery when it was constructed and permitted didn't take into account the cost of the management aspect.

SENATOR ELISON asked if the Department was using thermal tagging at the time. MR. KOENINGS replied that they were developing the protocol on how to mark fish with a thermal mark. There was discussion on how important marking fish is in helping establish a data base about salmon.

Number 52

SENATOR ELIASON thanked the staff and the people who were involved in compiling this report and said they did a good job. He adjourned the meeting at 10:10 p.m.

**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

Senate Dom/Int
Commercial Fisheries

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

Senate Dom/Int
Commercial Fisheries

P.O. Box 25
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

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Commercial Fisheries

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 (enhancement 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.

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Commercial Fisheries

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 acronym "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

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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

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Commercial Fisheries

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.

SENATE DOMESTIC AND INTERNATIONAL
COMMERCIAL FISHERIES

March 28, 1992

1:50 P.M.

MEMBERS PRESENT

Senator Dick Eliason, Chairman
Senator Sam Cotten
Senator Lyman Hoffman

MEMBERS ABSENT

Senator Lloyd Jones
Senator Fred Zharoff

COMMITTEE CALENDAR

Salmon Enhancement

WITNESS REGISTER

Molly McCammon, Staff Assistant
Senator Lyman Hoffman
P.O. Box V
Juneau, Alaska 99811

Don Amend
Southern Southeast Regional Aquaculture Association

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

Ginny Fay, Staff Assistant
Senator Sam Cotten
P.O. Box V
Juneau, Alaska 99811

Mary McDowell, Staff Assistant
Senator Dick Eliason
P.O. Box V
Juneau, Alaska 99811

Eric Eckholm
119 Seward
Juneau, Alaska 99801

ACTION NARRATIVE

92-4, SIDE A
Number 001

SENATOR ELIASON called the Domestic and International Commercial Fisheries Special Committee meeting to order at 1:50 p.m. and said the purpose of today's meeting was to discuss the hatchery review project and the legislative draft report that was released on February 10 and possible introduction of legislation based on the review. One of the options offered in the draft report was to make a statutory priority for wild stocks and staff had worked on language to that effect.

MOLLY MCCAMMON, Staff Assistant for Senator Hoffman, summarized what the Committee had heard during the public teleconference on the report and received in writing during the public comment period. Many believe that statutory language is needed saying wild stocks have priority in terms of management in the state.

There are differing legal opinions on whether or not the Board of Fisheries is obligated to provide for brood stock. By policy, the Department and Board considers the need for brood stock, but managing the fishery to achieve brood stock is considered discretionary.

Number 250

MS. MCCAMMON suggested that ~~wild~~ cost recovery fisheries could be given a lower priority than providing for brood stock and both should be secondary to protection of wild stocks. She said there is one private legal opinion stating under current statutes, once a hatchery is legally permitted, the Board is required to provide for brood stock. This is why some clarification is needed. The constitutional question might still remain.

SENATOR COTTEN asked what part of the constitution she was referring to. MARY MCDOWELL, Staff Assistant to Senator Eliason, answered that the mandate to provide for sustained yield is not clear as to whether hatcheries should be considered on the same level as a natural stream.

MS. MCDOWELL asked the Committee if it wanted to make the language in Section A more clear that the priority was regarding the status of wild stocks as it compares to hatchery stock.

DON AMEND, Southern Southeast Regional Aquaculture

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Association, pointed out the term anadromous means a fish spawns in fresh water, goes to the ocean, grows up, and spawns back in fresh water. It doesn't necessarily relate to the stream. This applies to their life cycle. So a salmon is anadromous whether it was spawned in a creek or a hatchery.

Number 450

There was some discussion on when an enhanced run becomes natural stock. MR. AMEND explained once a stream is enhanced it is intended to become naturally reproductive and therefore that becomes a wild system. If you use hatchery stock to enhance a stream with no fish, it would also become a naturally sustained run after one life cycle.

Number 460

TOM MEARS, Executive Director, Cook Inlet Aquaculture Association, said it was a mistake to try and solve all the wild stock versus hatchery in this one bill.

He suggested making the wild stock priority a little clearer by inserting into (c) the part in (b) that says to achieve an adequate return for brood stock may not prevent achievement of sustained yield for wild anadromous fish stocks.

MS. MCCAMMON said the Governor's new subsistence bill has a definition of sustained yield that includes escapement goals plus any plans to increase those goals in order to increase opportunity for sport or subsistence opportunities.

MS. MCCAMMON said they have a breakdown of what each hatchery's contribution is to sport fish, commercial fish, and subsistence for each species. FRED has been looking at the possibility of using the federal sport fish money to pay for more of the operating costs for the other hatcheries. Operating costs for the different species are different. They are also doing a breakdown on actual costs.

92-4, SIDE B

Number 001

They discussed changing (c) to read like (b).

MR. AMEND said two statutory issues were involved with his challenge of the Department of Commerce's decision not to extend their loan to SSRAA. One was extending the initial loan period which they identified as 6 - 10 years of deferment. The other was to provide low interest loans up to a maximum of 9 1/2%.

To date, DCED has not issued any loans beyond the 6 year period. Hatchery operators are concerned with that because the intent behind the 10 year deferment was to encourage aquaculture associations to develop the more valuable species that have a longer life cycle.

SSRAA has developed chum, coho, chinook, and sockeye, but their loans were all set up for only 6 years. This year's low prices, their share of the 3% enhancement tax and cost recovery came in well under projection and they didn't reach full production until 1990. They will not see the benefit from that until 1994. They have asked the Department of Commerce to extend their loan from 6 to 8 years to allow them to get into 1994 when their production is expected to get up to maximum. They also asked for adjustable interest rates with a maximum of 9 1/2% Both of their requests were denied.

SSRAA filed for reconsideration and filed a petition to have DCED develop regulations to establish how they are going to implement the 6 to 10 years and how they are going to establish interest rates. Their petition has been accepted and regulations will be out by early May for public review. But since they don't have regulations yet, their request for the 2 year deferment will not be considered. Their reserve accounts have been taken down to an unacceptable level with the way their payments have been restructured. This puts them in a very marginal cash flow situation for the next two years.

Number 195

GINNY FAY, Staff for Senator Cotten, commented the interest rate should be tied to the prime interest rate so it would automatically index and give some guidelines to investors.

MS. MCDOWELL said she talked to the Department of Commerce and found that they are free to do 6 - 10 year loan deferments now, but they are not willing to do it retroactively. MR. AMEND said the only option they were given at the time they got their loan was six years.

TOM MEARS, Cook Inlet Aquaculture Association, said Eklutna Hatchery which is a chum facility required two chum cycles to become self sustaining. That's eight years. At the time they got their loan, they filled out their application and were told at the time they would give loans only for six years and if they needed longer, to come back after the six years, which they did and they were denied the extension.

Mr. Mears said they asked an Attorney General's opinion on this issue and it said there was no reason their file couldn't

be reopened and an extension granted. He also said he has a letter from the Department of Commerce saying they have the legal authority to grant an extension, but it's not their policy.

SENATOR ELIASON asked how many permits were being considered for future facilities. MS. MCCAMMON said a few facilities were applying for expansion and there were two to four new ones. She explained that some hatcheries' viability is dependent on getting increased production.

SENATOR ELIASON commented that maybe a moratorium should be placed on hatcheries. MS. MCCAMMON said the interest for hatcheries is still there, especially in areas that need enhancement. The problem is the funding is not as available as it was.

Number 350

ERIC ECKHOLM, speaking for himself, strongly favored having a long term state wide plan that would tie in a marketing effort with hatchery production levels.

Number 465

SENATOR ELIASON thanked everyone for their participation and adjourned the meeting at 3:10 p.m.

**SENATE DOMESTIC AND INTERNATIONAL
COMMERCIAL FISHERIES**

**April 24, 1992
1:55 P.M.**

MEMBERS PRESENT

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

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 423 (RESOURCES)
"An Act relating to temporary transfers of commercial
fisheries entry permits."

PREVIOUS SENATE ACTION

SB 423 - See Resources minutes dated 4/8/92, 4/10/92, and
4/13/92.

WITNESS REGISTER

Mary McDowell, Staff
c/o Senator Eliason
P.O. Box V
Juneau, Alaska 99811
POSITION STATEMENT: Commented on SB 423.

Richard Listowski, Commissioner
Commercial Fisheries Entry Commission
8800 Glacier Hwy.
Juneau, Alaska 99801
POSITION STATEMENT: Commented on SB 423.

Frank Hohman, Commissioner
Commercial Fisheries Entry Commission
8800 Glacier Hwy.
Juneau, Alaska 99801
POSITION STATEMENT: Commented on SB 423.

ACTION NARRATIVE

92-5, SIDE A
Number 001

SENATOR ELIASON called the Domestic and International
Commercial Fisheries Committee meeting to order at 1:55 p.m.

Senate Dom/Int Fisheries -1-

April 24, 1992

and announced SB 423 to be up for consideration.

SENATOR COTTEN moved to adopt the CS to SB 423 and asked for unanimous consent. There were no objections and it was so ordered.

SENATOR ELIASON explained this legislation was aimed at fishermen who were disabled and still went out on their boats so that their permits could be fished.

SENATOR COTTEN suggested saying the people this bill applies to should have had a permit for 10 previous years.

Number 87

MARY MCDOWELL, staff for Senator Eliason, suggested on page 2, line 19 to delete "has participated in the fishery" and add language saying they have to be 65 years old and have had the permit for at least 10 years and need some type of medical reason to lease it.

Number 195

RICH LISTOWSKI, Commissioner, Commercial Fisheries Entry Commission (CFEC), explained how permit brokers might take advantage of such a "loophole" by taking a percentage of the gross for facilitating a lease.

SENATOR ELIASON asked if the CFEC knows when a broker is involved in a permit transaction. MS. MCDOWELL said they do and that brokers are involved in about 1/3 of the transactions.

MR. LISTOWSKI said 7% of the permits would fall under the 65 years old category. In five years that number could be around 13% and perhaps more later on. Eventually 30% of the permits might be leased. He said the Commission has been very conscientious in working with the elderly.

Number 384

SENATOR COTTEN asked if you did qualify under this provision if a broker could shop around for you and find the most qualified person to use your permit. MR. LISTOWSKI answered yes. He explained how the regulation for emergency transfer currently works.

Number 474

FRANK HOHMAN, CFEC Commissioner, said he didn't have a recommendation regarding SB 423, but that it was a fundamental change from the original intent of limited entry.

SENATOR ELIASON commented they would be increasing the price of permits and there would be fewer to sell and it would be more difficult for people to get in the fisheries at a future date. Instead of encouraging participation, the bill would be making it more difficult for new participants to get in.

Number 550

SENATOR ZHAROFF suggested deleting "has participated in the fishery" and insert "has held an interim use or entry permit for 10 years." on lines 19 and 20 of page 2.

MR. LISTOWSKI said the standards for emergency transfers of interim use permits are less stringent than they are for permanent permits.

92-5, SIDE B
Number 001

There was general discussion on the proposed amendment language.

Number 131

SENATOR ZHAROFF moved to delete "has participated in the fishery as" and insert "has held an interim use of entry permit for 10 years." on lines 19 and 20 of page 2. There were no objections and it was so ordered.

SENATOR ELIASON explained that the letter of intent didn't necessarily mean the Commission had to wait until January 15, 1997 to recommend repeal of this new provision if this program didn't really work. He urged that the Commission report back to the Legislature earlier if it presented problems.

Number 160

SENATOR ZHAROFF moved to pass CSSB 423 am with the letter of intent with individual recommendations. There were no objections and it was so ordered.

Number 177

SENATOR ELIASON adjourned the meeting at 2:50 p.m.

**SENATE DOMESTIC AND INTERNATIONAL
COMMERCIAL FISHERIES**

May 4, 1992

1:16 P.M.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Lyman Hoffman

OTHER MEMBERS PRESENT

Senator Curt Menard
Senator Steve Frank

COMMITTEE CALENDAR

Review of the Salmon Enhancement Program Draft (Economic
Studies Portion)

WITNESS REGISTER

Ginny Fay, Staff
Senator Cotten
P.O. Box V
Juneau, Alaska 99811

POSITION STATEMENT: Reviewed Salmon Enhancement Program
Draft.

Dr. Mark Herrmann, Economist
University of Alaska Fairbanks
Fairbanks, Alaska
POSITION STATEMENT: Reviewed program.

Dr. John Boyce, Economist
University of Alaska Fairbanks
Fairbanks, Alaska
POSITION STATEMENT: Reviewed program.

ACTION NARRATIVE

92-6, SIDE A
Number 001

Senate Domestic &
International Fisheries

SENATOR ELIASON called the Domestic and International Commercial Fisheries Committee meeting to order at 1:16 p.m.

GINNY FAY, Staff for Senator Cotten, said at a Board of Fish meeting in May the Legislature was asked to clarify questions regarding management of salmon enhancement programs. As part of the legislative review a benefit cost analysis was being conducted. Staff had put together a proposal for funding for five different components - a hatchery cost and production model, for one. To date all surveys have been sent to the agencies and have been returned. Another set of surveys has been sent and they are awaiting its return. The purpose was to provide basic data for the biological population model being conducted by Dr. Jeremy Collie with the Juneau Fisheries Center. This has been mostly completed. Dr. Mark Herrmann and Dr. Joshua Greenberg, UAS economists, are going to report on international salmon demand models.

Number 80

MS. FAY said that one aspect that was clearly lacking was the impact of farmed salmon on Alaskan markets for Alaskan salmon. This is being added.

The fishing cost modeling effort is being conducted by Dr. John Boyce, UAS economist.

Number 236

DR. MARK HERRMANN AND DR. GREENBERG, testified via teleconference on the demand modeling. DR. HERRMANN said they looked at world production of wild salmon from Japan, Canada, USA, and Russia and farmed salmon from Chile, Norway, Canada, USA, and the UK.

DR. HERRMANN said the goal of the project was long term forecasting of prices for different species of salmon. He said they don't have a lot of data gathered yet. He expected to have some findings by the end of the summer.

Number 248

SENATOR ZHAROFF asked him to clarify ex-vessel flexibilities. DR. HERRMANN explained this is just a rule of thumb measurement in economics whether increased landings would increase or decrease total revenue. They will assimilate this information into the entire model. It measures, for instance, if quantities increase by 1%, what will be the decrease in price in percentage terms.

SENATOR ZHAROFF asked if he was including bottom fish as well. DR. HERRMANN said he was just talking about the increase in landings of salmon.

SENATOR ZHAROFF asked if domestic marketing was included in his modeling. DR. HERRMANN said his modeling included the major consuming nations.

Number 276

SENATOR COTTEN asked what were his sources for information, specifically with the Russians. DR. HERRMANN explained that Andre Politski was working with them to get the data from Russia. They were also getting information from Japanese data in Seattle.

SENATOR ELIASON asked if he found any indication that the market is not a free market - that there was manipulation of the market. DR. HERRMANN said it was hard to answer that, mostly because he was using limited data - from the year 1991.

Number 384

SENATOR ZHAROFF asked if he had used data available from last year's salmon and from that could he have predicted the decline in prices of salmon throughout the state. DR. HERRMANN said he hadn't used data from previous years and they had done a model on farmed salmon prices and they were working on the 1990 data so they could compare it to the 1991 data.

Number 407

SENATOR ZHAROFF asked him what his prediction was for prices this year. DR. HERRMANN said his model does not look at prices from year to year. It covered the longer term. He said it is possible to make a prediction for next year, but he would have to use different modeling. He said they had not yet established a percentage of error for his modeling.

MS. FAY said they had asked the economists questions about continued investing in hatchery production and which species they should be interested in.

SENATOR ZHAROFF said that people would be looking at this program to see how it could help them get a fair and equitable price somewhere down the road.

SENATOR ELIASON said he would support short term forecasting for fishermen.

Number 533

DR. JOHN BOYCE testified the modeling he worked on looked for the break even point for fishermen in the salmon fishery. This is called a fishing cost model and there are many variables like the kind of gear used and how much time is spent fishing.

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Number 483

DR. BOYCE said once they have predicted participation, they can go to the second stage and predict what the profits would be. With the Cook Inlet Purse Seine Fishery the model seems to be able to predict participation very well - with 90% accuracy whether or not a fisherman will participate in the fishery on a given day. The model seems to affirm the hypothesis that as the gross revenues go up, there is more participation - which is what they expect.

The next stage is to take the model and use it to predict what profits are.

Number 530

SENATOR ELIASON asked since some fisheries had been omitted, would the information be parallel the fisheries that were omitted? DR. BOYCE said they are hypothesizing it would be pretty much the same.

Number 513

SENATOR ELIASON thanked everyone for their participation and adjourned the meeting at 2:13 p.m.