

**HB**

**116**

HFIN

FILE

March 7, 1995

The Honorable Mark Hanley  
Co-Chairman, House Finance Committee  
State Capital Room 507  
Juneau, AK 99801

Dear Representative Hanley:

I'm requesting your support in passage of CSHB 116 which is crucial to the Alaska Seafood Marketing Institute's (ASMI) domestic promotional activities.

The seafood industry is Alaska's largest private employer with the equivalent of over 33,000 full time jobs, which represents one-sixth of all employment within the state. Seafood and the related industries represents a multi-billion dollar impact on the Alaska economy and provides more than \$80 million dollars of tax revenue to state and local governments. The health of the industry and the multiple economic benefits to the state are dependent upon the successful marketing of Alaska seafood products throughout the world.

Currently, the industry is experiencing heavy competition from farmed salmon, foreign seafood production and other protein sources. This competition has significantly eroded Alaska's market share and reduced prices for Alaska salmon and other seafood products directly affecting the incomes of all those dependent upon a healthy industry.

The Alaska Seafood Marketing Institute is the state's seafood commodity commission with offices in Juneau and Seattle, Washington. The institute's domestic marketing activities are solely funded through industry tax assessments from salmon fishermen and Alaska shore based processors. ASMI is governed by a 25-member board of directors appointed by the governor, composed of fishermen, processors and a public member who are responsible for managing the finances and marketing services in the best interest of the industry and the state. In meeting these responsibilities, the board has adopted a domestic marketing plan to aggressively promote Alaska salmon and other seafood products. In pursuing this plan, the board has unanimously decided to seek exemption from the restrictive requirements of the state procurement code. This is necessary in order for the institute to obtain tactical flexibility to effectively compete in a private sector economy.

Alaska Seafood Marketing Institute  
1111 West 8th Street, Room 100  
Juneau, Alaska 99801-1895  
Tel: (907) 465-5560  
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The state procurement process is not designed to facilitate market promotion services in the private sector, conduct business in a cost effective manner or readily allow the board to participate in the decision making process. In order to maximize our limited promotional budget, ASMI requires efficient and cost effective purchasing of services and products.

As an example, ASMI currently cannot advertise and procure services valued over \$25,000 outside of Alaska. The domestic marketing plan is based upon contracting with regional marketing representative staff who have unique knowledge of local foodservice and retail distribution systems. The domestic marketing plan requires the addition of three market representatives, two on the East coast and one on the West coast of the United States. Under the state procurement system, ASMI is prohibited from advertising outside of Alaska for such services. This requirement will result in an elaborate, time consuming and costly bid process that will not adequately consider unique knowledge and abilities.

ASMI first contracted two market contract representative were hired in the Midwest in the fall of 1994. Due to the procurement requirements, these staff were solicited in the same manner that a multi-million dollar professional service contract is procured. While the procurement process was adhered to, the delays in accommodating this type of process resulted in late implementation of the fall salmon promotion campaign and reduced marketing effort for our products..

In addition, the procurement requirements place extensive delays and prohibitions on ASMI's ability to act quickly and take advantage of unique promotional opportunities that often arise informally, associated with other marketing activities. As an example, if ASMI purchased a service utilizing a small procurement process (value less than \$25,000) and subsequently requires an expansion of the service above \$25,000, staff are required to resolicit or obtain approval from the Department of Administration. During the time required to adhere to these procedures, the promotional opportunity can be lost or delayed.

ASMI has reorganized to conduct direct marketing and communication services instead of the previous practice of relying on contractors. With this reorganization, ASMI program managers will be providing direct marketing services and managing various small and large contracts. Under the current state system, securing these arrangements is cumbersome and time consuming and has resulted in layering of multiple subcontracts under a single vendor. This subcontracting has resulted in increased management and administrative cost at the expense of direct marketing program services.

As ASMI expands into the domestic market, there is an increased need to procure non-traditional government services such as coupon redemption, consumer sponsorship and sales incentive awards, and direct financial support for promotional campaigns with foodservice operators. While these are traditional private sector marketing techniques, procurement of such services and commodities are not readily accommodated in the government sector. Obtaining Department of Administration approval for such solicitations and conducting the procurement in accordance with state regulations results in significant delays and cost to ASMI and the Department of Administration.

In conducting business in the retail and foodservice sectors, the state procurement procedures are often a direct barrier to ASMI obtaining the most qualified and cost effective vendors.

Representative Hanley

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This is due to the time and cost to proponents in complying with the various bureaucratic procedures and forms. As a result of this cumbersome process, many vendors, including potential contract regional marketing representatives, choose not to conduct business with ASMI. This results in limiting Alaskan access to certain unique skills and market niches in the lower 48 states - Alaska's domestic seafood market.

ASMI participates in major food industry trade shows that are sponsored and managed by a single company. The sponsoring company in turn requires participants (ASMI) to utilize only specified vendors for labor and other services. To participate in these shows, ASMI is required to obtain sole source authorization for all procurements from the Department of Administration, or provide substantial documentation in the procurement files. This documentation requires significant cost in terms of ASMI and Department of Administration staff time without any measurable benefit to the state.

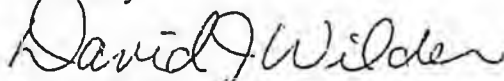
ASMI conducts joint promotions with major retail and foodservice chains. These promotional agreements are obtained in a competitive market where other food producers are also aggressively seeking such arrangements. Obtaining promotional partners is often opportunistic, and accomplished through individual business relationships and promotional incentives. Utilizing a state procurement process to obtain promotional agreements would result in the elimination of ASMI from joint promotional activities due to the bureaucratic barriers of the invitation to bid procedures.

ASMI obtains fresh and frozen seafood products for display at national and international food shows and for use in producing promotional materials. Utilizing the small procurement process, ASMI must consider price as a deciding factor in the purchase of these supplies. This has continually resulted in the procurement of low quality products which significantly detracts from the image of Alaska seafood. As an example, ASMI purchased low bid display fish for poster production in Japan. To produce the poster, the advertising agency had to spray paint the salmon to hide the scale loss and discoloration which significantly detracted from an expensive and highly visible production.

The delays and restrictions required by the state procedures frustrates our marketing efforts and results in increased costs to the industry and the state. Under CSHB 116, the board would develop and manage procurement procedures to assure cost effective and efficient purchasing.

Your favorable consideration of this legislation is greatly appreciated.

Sincerely



David Wilder, Chairman  
Board of Directors

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 1, 1995

FURTHER REFERRALS:

Date of Committee Action: 3/8/95

The FINANCE Committee considered:

HB 116

HOUSE BILL NO. 116

EXEMPT ASMI FROM PROCUREMENT CODE

"An Act exempting the Alaska Seafood Marketing Institute from the State Procurement Code."

recommends it be replaced  
with the following committee substitute

CS HB 116 (L.C)

the same title  
 a new title

additional referral to \_\_\_\_\_ Committee

attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dep)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) DCED 2/15/95

Admin 2/15/95

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Walter Mulder</i>			X	
<i>Terpen Martin</i>			X	
<i>Alan Pannell</i>			X	
<i>Vic Kohring</i>	X			
<i>Ben Grussendorf</i>			X	
<i>Walter Havarre</i>	X			
<i>Tam Brown</i>	X			
<i>Paul Kelly</i>			X	
<i>Gene Thernault</i>			X	
<i>Mark Hahley</i>	X			
<i>Richard Foster</i>	X			

Co-CHAIR'S SIGNATURE

*Mark Pannell* *Richard Foster*

Handwritten initials

Handwritten initials

FISCAL NOTE

No. 1  
 Bill Version: HB 116  
 (H) Publish Date: 2/15/95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act exempting the Alaska Seafood Marketing  
Institute from the State Procurement Code." BRU: General Services  
 Component: Purchasing  
 Sponsor: House Special Committee on Fisheries  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 60

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF / Program Receipts	0	0	0	0	0	0
1006 GF / MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS

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

Estimate of current year (FY95) impact: \$ 0

ANALYSIS: (attach a separate page if necessary.)

None.

Prepared By: Vern Jones, Chief Procurement Officer Phone: 465-2250  
 Division: General Services Date: \_\_\_\_\_

Approved by Commissioner: Mark Boyer *Mark Boyer* Date: 2/5/95  
 Agency: Department of Administration

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# FISCAL NOTE

No. 2  
 Bill Version: HB 116  
 (H) Publish Date: 2/15/95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date:  
 Title: "An act exempting the Alaska Seafood Marketing Institute from the State Procurement Code"  
 Sponsor: House Special Committee on Fisheries  
 Requestor: House Special Committee on Fisheries

Department: Commerce and Economic Development  
 BRU: Alaska Seafood Marketing Institute  
 Component: Alaska Seafood Marketing Institute

COMPONENT SERIAL NO. #393

Expenditures/Revenues	(Thousands of Dollars)					
	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 95) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

This bill does not have a fiscal impact on the Alaska Seafood Marketing Institute.

Prepared by: Art Scheunemann, Executive Director  
 Division: Alaska Seafood Marketing Institute  
 Approved by Commissioner:   
 Agency: Commerce and Economic Development

Phone: 465-5560  
 Date: 2/10/95

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February 1, 1995

The Honorable Alan Austerman  
Chairman, House Special Committee on Fisheries  
State Capital Room 343  
Juneau, AK 99801

Dear Representative Austerman:

I am requesting your assistance in obtaining an exemption from the onerous requirements of the state procurement laws for the Alaska Seafood Marketing Institute. This request is for the purpose of increasing efficiency and reducing the cost of promoting the consumption of our products within the United States.

The seafood industry is Alaska's largest private employer with the equivalent of over 33,000 full time jobs, which represents one-sixth of all employment within the state. Seafood and its related industries represents a multi-billion dollar impact on the Alaska economy and provides more than \$40 million dollars of tax revenue to state and local governments. The health of the industry and its multiple economic benefits to the state are dependent upon the successful marketing of Alaska products throughout the world.

Currently, the industry is experiencing heavy competition from farmed salmon, foreign seafood production and other protein sources. This competition has significantly eroded Alaska's market share and reduced prices for Alaska products directly affecting the incomes of all those dependent upon a healthy industry.

The Alaska Seafood Marketing Institute is the state's seafood commodity commission with offices in Juneau and Seattle, Washington. The institute's domestic marketing activities are solely funded through industry tax assessments from salmon fishermen and Alaska processors. ASMI is governed by a 25 member Board of Directors composed of fishermen and processors who are responsible for managing the finances and marketing services in the best interest of the industry. In meeting these responsibilities, the board has adopted a domestic marketing plan to aggressively promote Alaska products and increase consumption. In pursuing this plan,

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Ans'd.....



Representative Austerman

page 2

the board has unanimously decided to seek exemption from the restrictive requirements of the state procurement code. This is necessary in order for the institute to obtain tactical flexibility to effectively compete in a private sector economy.

The state procurement process is not designed to facilitate market promotion services in the private sector, conduct business in a cost effective manner or readily allow the board to participate in management of its own purchases. As an example, ASMI cannot readily advertise and to procure services valued over \$25,000 outside of Alaska. The current marketing plan is based upon contracting with region based sales representatives who have unique knowledge of local foodservice and retail distribution systems. Under the state procurement system, it is impossible for ASMI to contract directly with such individuals without an elaborate, time consuming and costly bid process that does not adequately consider unique knowledge and abilities.

In addition, the procurement requirements place extensive delays and prohibitions on ASMI's ability to act quickly and take advantage of unique promotional opportunities that often arise informally, and or in association with other marketing activities. As an example, if ASMI purchased a service utilizing a small procurement process (value less than \$25,000) and required an expansion above \$25,000, ASMI would have to resolicit or obtain approval from the Department of Administration. During the time required to adhere to these procedures, the promotion opportunity can often be lost.

The delays, restrictions and selection criteria required by the state procedures cripple ASMI efforts in implementing promotional activities and results in increased costs to the industry. ASMI's unique mission requires purchasing non-governmental associated services which state procedures are not designed to address. Any assistance you can provide in obtaining relief from these requirements is greatly appreciated.

Sincerely



David Wilder, Chairman  
Board of Directors



# REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

## SPONSOR STATEMENT

HB 116 - "EXEMPTING ASMI FROM THE STATE PROCUREMENT CODE"

February 13, 1995

House Bill 116 would exempt the Alaska Seafood Marketing Institute (ASMI) from the state procurement code under AS 36.30.850(b) for all domestic marketing and board-related activities.

ASMI is a state seafood commodity commission which is solely dependent upon fishing industry assessments for supporting domestic marketing. The 1% marketing tax is levied on all commercial salmon fishers -- so only private industry dollars go towards the domestic marketing efforts addressed in this bill.

The institute has four legislative mandates: 1) to promote all species of Alaska seafood worldwide; 2) to maintain and promote quality awareness from point of harvest to final distribution; 3) to disseminate information on prices paid and market conditions for raw salmon and salmon products; and, 4) to investigate new product forms and future markets for Alaska salmon.

The board is seeking to eliminate the restrictive requirements of the state procurement code in marketing Alaska products in the United States. The procurement requirements restrict the

institute's private sector economy. As an example, ASMI cannot advertise and procure services over \$25,000 in the lower 48 states without an elaborate, time consuming and costly bid process that does not adequately consider unique vendor knowledge and abilities.

The delays, restrictions and selection criteria required by the state procedures cripple ASMI efforts in implementing promotional activities and is a barrier to the board in making direct decisions regarding expenditures of industry funds. ASMI's unique mission requires purchasing non-governmental services such as coupon distribution and redemption, advertising, retail store product demonstration, sales representatives, foodservice catering, product sample distribution, market research, consumer education, product development and industry cooperative promotions.

The state procurement procedures are not designed to address these needs and result in significant inefficiencies. The proposed procurement exemption will allow ASMI to purchase marketing services and supplies that meet industry imperatives.