

SCOMM

102:14

Handwritten: Hatchery file

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Alaska Hatcheries Grope For New Role

By Steve Shapiro

Reviled for dumping carcasses and accused of stealing markets, the state's salmon factories are at a crossroads. Industry and state officials are striving to chart a new course.

Steve Kozlowski

For most Southeast Alaska seiners and gillnetters, last summer's painful memories of nets sinking beneath the weight of fish that processors paid little for (and in some instances rejected outright) are fading into the winter doldrums; but the anxiety remains for four Southeast fishermen cited with stripping roe from chum salmon and discarding the carcasses in violation of the state's "wanton waste" statute. When these fishermen plead their cases in court, they will likely talk about the pressure they felt to recover some financial benefit from the fish whose flesh had little or no value. They may further point out the apparent inequity of a law which allowed hatcheries to recoup losses by stripping roe, while fishermen could not.

Over the past two decades, significant runs of hatchery-bred pinks and chums have been developed, primarily in Prince William Sound and Southeast, to stabilize runs and create fish to be used as "common property." The huge worldwide inventory of salmon has since pushed down prices for these lower-valued species. At the same time, Alaska's production of these fish has swollen, further depressing prices.

Since 1990, hatchery pink salmon have

provided 12% to 25% of the total annual harvest. The hatcheries' contribution to chum production has escalated from about 13% of the commercial catch in 1991 to 41% in 1995. (Final figures for 1996 are not yet available, though the trend is similar.) Meanwhile, fishermen have faced abysmal ex-vessel prices, processors have taken losses, and both fishermen and processors operating in areas that have little or no hatchery production have seen their fish crowded out of the marketplace.

It is under these vexing circumstances that representatives of the salmon industry met with state officials and hatchery representatives in Juneau on November 21 and 22 to discuss the future course of the state's hatchery policy. Actually, this was the second meeting on the subject; the first occurred last January long before the swarm of returning chums swamped the market last summer. At that time, industry members had asked Governor Tony Knowles to have his Salmon Industry Response Cabinet examine the changing role of hatcheries with respect to financing, production levels, appropriateness of processing activ-

ity, and the effect on regions that have little or no hatchery production.

Responding to the industry's initiative, the salmon cabinet appointed a hatchery policy team. Members include Martin Richard, director of the Alaska Department of Investments; Bob Clasby, director of the commercial fisheries section of the Alaska Department of Fish and Game (ADFG); and Jim McMillan of the Alaska Industrial Development Authority. These officials initiated the November hatchery forum with both industry and hatchery representatives. The aim was to offer specific suggestions on the future course of Alaska's hatchery policy to the salmon cabinet.

The general feeling among those at the meeting is that hatcheries have swerved away from their intended purpose and onto a collision course with the commercial industry, owing to a prolonged downturn in the market. As pinks and chums have become more plentiful and less valuable, processors have become more selective about the fish they buy. They have often shunned the lower-quality hatchery salmon taken in terminal areas. To recover their costs, the only recourse for some hatcheries has been to try to market their own fish, often at low-ball prices. And since the state of Alaska is their primary creditor, it's easy to understand how hatcheries end up with subsidies and regulatory dispensations that aren't available to processors and fishermen.

When last summer's heavy returns of chum left hatchery operators staring at piles of bills and a flood of fish, the state permitted nine of them—and the processors they contracted with—to strip the valuable roe from over 2.5 million salmon (mostly chum) and dispose of 22 million pounds of flesh. During the previous two seasons, processors and fishermen had been able to obtain permits to do this, but mounting public criticism of the policy motivated the state to restrict this privilege to hatcheries last year. At the time, ADFG commissioner Frank Rue noted, "The purpose of the [waste] statute is to discourage salmon waste and to promote conservation of the

resource." Nevertheless, hatcheries have already been given a variance to strip roe again next summer to help them over the financial hump if necessary. (Beginning in 1998, roe stripping of salmon will be illegal for everyone.)

But the debate about the hatcheries predates the roe-stripping controversy. Many in the industry have complained in recent years that hatchery operators are overstepping their immediate mandate to create fish by moving into product development and marketing. In some instances, hatcheries have developed new products like Prince William Sound Aquaculture Corporation's salmon chowder and Douglas Island Pink and Chum's salmon hams. But a lot of hatchery fish have also entered the established markets where processors sell most of their fish.

These have not necessarily been money-making ventures; but with a current combined debt obligation of \$102 million, many state hatchery operators feel they have no alternative. Martin Richard notes that the state takes in \$4 to \$5 million in annual payments from hatcheries, but this money is promptly loaned back in operating funds through the Fisheries Enhancement Revolving Loan Fund. Hard times have affected these loans, Richard acknowledges. "Since the oil spill and price crashes in salmon markets, we have had to restructure loans due to poor repayment."

Like many processors, Don Giles, president of Icicle Seafoods, is not convinced that the hatcheries' debt-relief strategies are in the industry's best interest. "I understand why [hatcheries] expanded into creating new products and marketing them," says Giles. "The rub comes when they just do the same old thing everyone else is doing and saturate traditional markets in the process." He adds that state subsidies to the hatcheries "also put us in a situation that makes it hard to compete."

John Sund, vice president in charge of administration at Norquest Seafoods, echoes this concern. Noting that some hatcheries have moved beyond selling cost-recovery fish, he says, "Somewhere a series of decisions got made allowing the hatcheries to get into processing and marketing their own fish. For some, this has been a very difficult mission;

but the other side of this question is whether the low-cost loans from the state are being used to subsidize their marketing and processing functions as well as egg incubation."

No one at the hatchery forum suggested eliminating the hatchery program. In fact, participants agreed strongly that there is a place for hatch-

Deciding to keep the hatcheries was the easy part; deciding how they should function in the future proved a lot more difficult.

eries in the future of Alaska salmon. However, the words "meaningful contribution" and "level playing field" arose often, suggesting that the mission of the hatcheries needs to be clarified to meet the salmon industry's contemporary challenges.

After a two-day discussion, the group presented a list of recommendations to the three-member hatchery policy team. Among the suggestions that met with full consensus in the group was a statement recognizing that, though changes in hatchery policy may be necessary, they should not be "precipitous." In other words, the group acknowledged that, while current market conditions make hatchery contributions seem like overproduction, salmon runs are very cyclical in nature and in a few years downturns in natural production may once again make enhancement seem like a positive investment.

Deciding to keep the hatcheries was the easy part; deciding how they should function in the future proved a lot more difficult. Many of the recommendations tossed out at the forum received no consensus. For example, according to a draft report of the group's recommendations, there was a strong suggestion to "get the hatcheries out of marketing and processing." At the same time, however, there was recognition that "hatcheries should be allowed to market and sell their fish in order to evolve and survive," and that they shouldn't be restricted from "opti-

mizing their revenues through processing and marketing if they are meeting financial obligations and contributing 50% to the common-property fishery."

One sensitive issue that generated intense debate is bound to require the state's attention in the future: the loss of market for salmon from some regions, especially Western Alaska, due to a glut of hatchery-produced fish elsewhere in the state. Art Nelson of the Bering Sea Fishermen's Association contends that this "state-funded and subsidized production . . . is having a serious impact on the AYK [Alaska-Yukon-Kuskokwim] which was never intended." He noted that the average chum harvest in Southeast since 1980 has been about 3 million. Last year, however, that region produced over 14 million chums, of which about two-thirds came from hatcheries.

Nelson proposed several remedies for AYK fishermen including a cap on hatchery chum production and the diversion of some money from the Fisheries Enhancement Revolving Loan Fund to develop markets for AYK chums. The group didn't embrace these suggestions, however. Nelson concludes, "I don't think we came away with anything that will help AYK markets."

The contradictions and diverse interests represented at the forum will make it tough for the policy group to come up with strong and meaningful recommendations for the salmon cabinet; but one thing they are unlikely to suggest is any change in the state's policy regarding roe stripping. Only a week prior to the hatchery forum, Michael O'Callaghan of the Anchorage-based group Earth filed suit in Alaska Superior Court to prevent hatcheries from stripping roe and dumping the fish carcasses next year.

That O'Callaghan announced the suit at a meeting of ADFG officials, hatchery operators and food banks sponsored by the governor's office suggests that he is well aware of the state's efforts to find better uses for low-value salmon than grinding up the flesh and dumping it in the ocean. Governor Knowles's press secretary, Bob King, noted that the governor sees full utilization of the fish as an ethical problem, adding that, if hatcheries are allowed to continue stripping roe and dumping the carcasses, "you are removing any incentive to find ways to use the flesh."

Last year's surprise barrage of chums

HATCHERY FRACAS

allowed no time to arrange for distribution of the fish to charities and food banks. If the fish return in force again next year, the governor hopes that plans being laid now will alleviate the need for roe stripping even though hatcheries can do it for another year. In any event, it is unlikely that food banks will be able to utilize all excess hatchery fish. Some of the fish may be unsuitable for human consumption, and the cost to deliver it all to the needy may be too high for industry to bear. This leaves the state searching for more comprehensive solutions to the problem.

One approach discussed at the hatchery forum was to find better ways for hatcheries and processors to cooperate on product development and marketing. The state itself actively pursues new markets through the efforts of the Alaska Seafood Marketing Institute and the Alaska Department of Commerce and Economic Development, but such activities tend to be slow to develop; they won't give the governor a quick route to full utilization.

Another potential solution under investigation is to develop a fishmeal plant in Southeast. Donna Parker, fisheries development specialist with the Alaska Department of Commerce, notes that such a facility "would have greatly reduced the number of fish stripped last year."

The price tag for such an operation is around \$10 million, but cost may not be the only impediment. As one state official noted wryly, "There is a nice ironic twist to looking at solutions to excess hatchery production by making fishmeal that goes into making the pellets that feed farmed salmon."

Crafting solutions which are politically viable and affordable won't be easy, given the wobbly condition of the salmon industry and the competing interests of the parties seeking help. Nevertheless, Martin Richard maintains that the policy group is up to the challenge.

"Where it is appropriate, we are ready to make the hard decisions," he says. "We've talked about making detailed recommendations which many people may find are a lot more specific than generally come out of a task force process like this." The policy group's report to the salmon cabinet is expected in January.

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AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE IVAN

TO: Language 318

1 Page 1, Line 3:

2 Insert a new bill section to read:

3 "Section 1. INTENT. It is the intent of this legislation that
4 the stripping of salmon roe for cost recovery purposes by
5 hatcheries is prohibited. The only exception is the selling of
6 roe from broodstock, commonly referred to as excessive
7 broodstock, which has returned in numbers larger than
8 anticipated by the hatchery and the Department of Fish and
9 Game and is not fit for human consumption. The roe of that
10 excessive broodstock may be stripped and sold after the
11 hatchery has obtained a permit from the department for that
12 exclusive purpose."

13 Renumber the following sections accordingly.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE IVAN

TO: HB 318

ADOPTED

1 Page 1, line 14, following "fish,":

2 Insert "bait,"

3 Page 2, following line 1:

4 Insert a new bill section to read:

5 "* Sec. 2. AS 16.10.450 is amended by adding new subsections to read:

6 (c) Except as provided by (d) and (e) of this section, a hatchery operator is
7 subject to AS 16.05.831.

8 (d) Notwithstanding AS 16.05.831, a hatchery operator who takes eggs or
9 sperm for use in a hatchery or a related salmon culture facility from adult salmon
10 returning to the locations designated by the department under AS 16.10.420 shall
11 provide for the utilization of the flesh of the salmon from which eggs or sperm are
12 taken unless the hatchery operator determines that the flesh is not fit for human
13 consumption and that it is not economical to provide for utilization of the flesh.

14 (e) Notwithstanding AS 16.05.831, if the commissioner issues a permit
15 authorizing the stripping and commercial sale of eggs from adult salmon taken at
16 locations designated by the department under AS 16.10.420, a hatchery operator may
17 strip eggs from the salmon for commercial sale and dispose of the flesh of the salmon
18 in accordance with procedures prescribed by the commissioner in the permit. The
19 commissioner may issue a permit authorizing the stripping of eggs from salmon and
20 disposal of the salmon carcasses by a hatchery operator if the commissioner
21 determines that sufficient salmon eggs will be recovered to continue operation of the
22 hatchery and related salmon culture facilities and to provide salmon eggs to other
23 hatcheries, that the flesh of the salmon carcasses is not fit for human consumption,
24 and that it is not economically feasible to use the flesh of the salmon in a manner

1 consistent with AS 16.05:831. The fee for a permit issued under this subsection is
2 equal to 50 percent of the net proceeds earned from the sale of the salmon eggs to a
3 seafood processor or other purchaser. The commissioner shall adopt regulations as
4 necessary to implement this subsection and shall seek to promote the maximum
5 practical use of the flesh of salmon harvested by hatchery operators. Permit fees
6 collected under this subsection shall be deposited into the general fund. The
7 legislature may appropriate money collected under this subsection to the Department
8 of Fish and Game, division of commercial fisheries management and development."

Alaska State House of Representatives

House District 39



Session

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Interim

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Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

SPONSOR STATEMENT-HOUSE BILL 318

House Bill 318 was introduced in response to the Division of Legislative Audit report, dated August 22, 1997, entitled "Department of Commerce and Economic Development, Department of Fish and Game Review of Funding and Operation of Private Nonprofit Hatcheries." The audit suggested that exemptions should be granted to permit the hatchery operator to extract the roe from excessive broodstock and deep water dispose of the carcasses. The roe would then be sold to enable hatcheries to cost recover, providing an economic benefit to the hatcheries.

This legislation would prohibit the stripping of roe by hatcheries for the purpose of selling the roe while discarding the remainder of the fish. This gives a hatchery that conducts this practice a distinct advantage over a commercial fishery since roe is extremely valued in Far East markets. Sale of the commercial catch may be limited with little or no market price despite part of the catch having roe content. This legislation would not affect a hatchery's ability to collect roe for brood stock.

House Bill 318 eliminates the provisions of current law that have caused much confusion in the past and that have permitted the commissioner of the Department of Fish and Game to allow hatcheries to strip roe.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 2, 1998

SUBJECT: Sale of salmon eggs and waste of salmon by hatcheries (HB 318)

TO: Representative Ivan Ivan
Attn: Tom Wright

FROM: George Utermohle *GU*
Legislative Counsel

Enclosed is an amendment addressing the sale of salmon eggs and the waste of salmon carcasses by hatcheries.

The hatchery issues associated with waste of salmon can be addressed in the hatchery statutes (AS 16.10.375 - 16.10.380). This amendment is my first pass at the issue. Check to see how the amendment conforms to your intended goals.

Also, are you still comfortable with the current provisions of the bill which rewrite AS 16.05.831?

At some point the Department of Fish and Game will have to look at this, because the whole process of hatchery management and regulation is more complicated than the statutes suggest. I suspect that the hatcheries have outgrown the current statutes and are operating largely under regulations and permit conditions adopted by the department.

If I may be of further assistance, please advise.

GU:jdr
98-122.jdr

Enclosure

INSIDE: State begins counting signatures on slot machine petitions. **B3**

■ Weather **B4**

■ Business **B5**

■ Funerals **B4**

SEATTLE & THE NORTHWEST

SECTION

B

Months of life in limbo end for a family



Susan Paynter

Emotional exhaustion etched the face of Jannette Massa in December after 90 days spent searching for answers to the mysterious middle-of-the night disappearance of her husband. Yesterday, the day after hearing that Emilio Massa's remains had been found and he was, indeed, dead, tiredness still weighed down her soft voice.

Fresh grief came sharply late Monday with identification of his remains. And finality brought an edge to the phone calls Jannette Massa made to the couple's three children to tell them Dad had finally been found. Incredibly, he was found by Kent police about 40 feet below the lawn of his in-laws' East Kent home where the couple had stayed after returning from Italy.

Finality also brought probable answers and an end to life in limbo. Last winter, Jannette Massa moved back into the couple's Lakewood home. This spring, she set to work again in its large yard and garden. She went back to teaching high school — subbing in chemistry, French, history and special education in Tacoma's Clover Park School District. But much of her life — bank accounts, decisions regard-

New fish director takes on hatcheries

By **ROB TAYLOR**
FI REPORTER

Tackling the state's huge, entrenched hatchery program, the new director of the state Department of Fish and Wildlife said yesterday that Washington should reform its fish hatchery system to avoid harming wild salmon and trout.

Bern Shanks, who took office Monday as the first director chosen by the state Fish and Wildlife Commission, lost no time taking on one of the most controversial subjects before his agency.

Washington state operates the biggest state

Old program may be hurting wild salmon

hatchery system in the nation. It provides thousands of jobs and is backed by vocal fishing interests whose boats it helps fill.

The National Academy of Sciences and a host of fisheries biologists have warned in recent years that hatcheries often have hastened the decline of wild fish toward extinction.

Noting those reports, Shanks said yesterday that the state should move aggressively toward correcting that.

"We want to make sure that the hatcheries are supporting the wild stock, not creating problems," Shanks said in an interview yesterday.

Cautioning that he would not shut down the hatchery system, he talked of shifting it from a focus on mass production toward a "supplementation" model that would produce fewer, healthier fish to conflict less with their wild cousins.

He also said hatcheries must justify their

cost. Some, he said, are producing fish as expensive as "sushi in Tokyo."

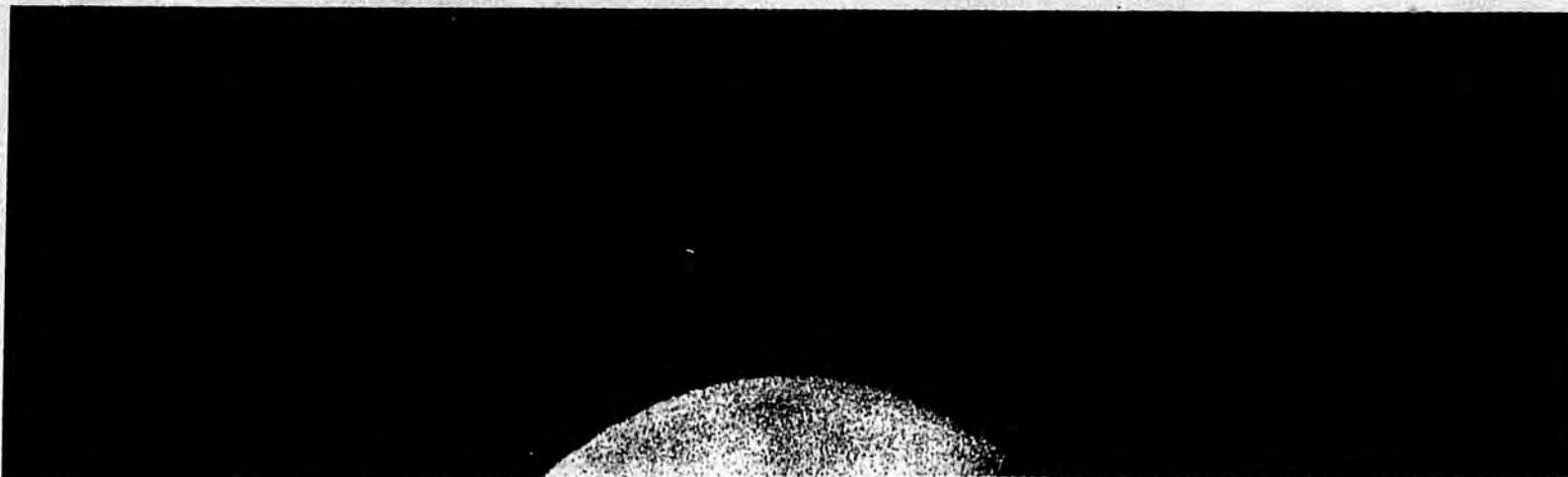
"We're going to look for more efficiencies," he added.

Changes in the hatchery program, Shanks said, are part of a package of "bold steps" that the state must make to avoid a federal takeover of its salmon management.

Shanks, 56, comes to the job with a varied background. A former Marine and veteran wildland firefighter, he holds a Ph.D. in natural resource development and has extensive experience in environmental policy-making.

See FISH, Page B4

Fly me to the moon



Clinic to offer natural cures

Bastyr selected for pilot project

RTHWEST ACCU WEATHER® FORECAST TODAY

THE ACCU WEATHER® FIVE-DAY FORECAST

THURSDAY	FRIDAY	SATURDAY	SUNDAY
Cloudy, breezy and cool. High 67, low 54.	Becoming partly sunny. High 75, low 54.	Mostly sunny and warmer. High 80, low 56.	Sunny and hot. High 85, low 60.

SEATTLE TODAY

clouds with a stray shower today. High 70. Mostly cloudy with a shower tonight. Low 58. Cloudy, breezy and cool with a shower or two around and perhaps some afternoon sun. High only 67.



STATE FORECAST

ASHINGTON - Cloudy with a especially north and near the highs 67-74. Mostly cloudy with a shower or two tonight. Lows 53-58. Cloudy tonight.

ASHINGTON - Mostly sunny today. Highs 85 north to 93 south. Partly cloudy west tonight, elsewhere. Lows 55-65. Partly sunny.

CASCADES/OLYMPICS - Mostly cloudy. Olympics and west slopes of the Cascades with a shower north. Freezing level 9,000 feet. Afternoon pass temperatures 55-60. Showers likely tomorrow.

PACIFIC COAST - Cloudy and cool with a shower or two, especially north coast. Highs 60-65. Cloudy with showers tonight. Lows 45-50. Breezy and cool tomorrow with a few showers.

Fish: Wild salmon restoration is Shanks' top priority

From Page B4

ing for state and local governments and universities. His previous job was as director of regional environmental management for the metro regional government that oversees Portland, three counties and 25 other Oregon cities.

The new director put salmon restoration at the top of his agenda. Aside from calling for revising hatcheries, he took a hard line on the other three "H's" that are widely blamed for salmon declines: harvest, hydro and habitat.

Harvest rates authorized by his agency, he said, often have climbed too high, leaving too few fish to spawn naturally. And habitat destruction and hydroelectric dam construction have been allowed to harm runs.

Officials said hatcheries could make up the difference, he said, but "clearly that's not possible." He talked of mounting a major habitat restoration effort.

Such talk has caused Shanks to be

enthusiastically hailed by environmental groups, including some that want to curb state hatcheries.

"He looks very promising," said Tryg Sletteland, a Sierra Club Legal Defense Fund salmon expert who has fought to block construction of the planned Grandy Creek hatchery on the banks of the Skagit River. The department "needs somebody like Bern Shanks who's got some courage," Sletteland said.

So far, at least, he has avoided alienating some leading hatchery proponents. "We were pretty impressed with him," Kelly Hawley, president of the Skagit River's Wildcat Steelheaders Club, said after Shanks spoke with a group of club members last May.

Hawley's group wants to build the Grandy Creek hatchery.

Diplomatically, Shanks said yesterday that he would deal with Grandy Creek later.

A move to curtail the role of hatcheries began under Shanks's predecessor, Robert Turner. But Shanks

said yesterday that it had moved too slowly and cautiously.

The state's draft wild salmonid policy - aimed at helping wild fish recover - remains unfinished and was "watered down," Shanks said. He said he has ordered his agency to develop in 30 days a more aggressive program to restore wild salmon runs and protect them from hatchery conflicts.

He said he hoped to bring in two or three top officials to help manage

the agency.

His thinking on hatcheries has been "very influenced" by James Lichatowich, former assistant chief of the Oregon Department of Fisheries, he noted. Lichatowich has been a leading critic of hatchery practices.

Scientists have established that mass production hatcheries can harm wild fish through interbreeding, competition for food, and justifying habitat loss and aggressive harvesting that allows few spawners to survive.

Deaths

ANDERSON: Dorothy B., 84, of Seattle, June 23.
 ASTRUP: Chester A., 86, of Seattle, June 27.
 BALMER: Susan, 83, of Seattle, June 27.
 BANKS: Lois E., 74, of Ocean Shores, June 21.
 BURKHOLDER: Andrea K., 43, of Seattle, June 26.
 CHRISTOPHERSON: Betty, 73, of Everett, June 25.
 DALTON: Jacqueline B., 63, of Seattle, June 8.
 ECHON: Felomina E., 84, of Renton, June 25.
 ELLIS: Elsie L., 78, of Tacoma, June 24.
 GIUSTINA: Salisue, 50, of Woodinville, June 28.
 HALL: Niles J., infant, of Renton, June 22.
 HAWKINS: Robert B., 73, of Seattle, June 26.
 HENNAGIR: Loren N., 61, of Kirkland, June 27.
 JAMES: Russell, 67, of Auburn, June 25.
 LOFTUS: Owen R., 95, of Bremerton, June 24.

MAR: Yuet Y.C., 96, of Seattle, June 26.
 MASON: Howard F., 94, of Seattle, June 26.
 MOODY: Sheila A., 38, of Kent, June 23.
 MUSIC: Robert C., 39, of Seattle, June 20.
 NESBITT: Mark N., 40, of Seattle, June 22.
 PRATT: Frederick, 79, of Enumclaw, June 26.
 ROFFERS: James L., 80, of Seattle, June 11.
 ROMIUS: Gregory T., 33, of Seattle, June 23.
 SANTACRUZ: Norma L., 56, of Federal Way, June 19.
 SMITH: Charles E., 79, of Snoqualmie, June 25.
 STRIEBICH: John W., 95, of Seattle, June 24.
 TRIPLETT: Cecil A., 81, of Renton, June 25.
 WEED: Wilfred W., 62, of Snohomish, June 26.
 WILBORN: Bennett M., 76, of Seattle, June 27.
 YU: Andres E. Sr., 63, of Seattle, June 30.

Funerals and Deaths

Paid Notices

Julia Ann CUMMINGS

Born June 21, 1919, died July 1, 1996. Visitation Thursday, July 4, 9 a.m. to 5 p.m. at BONNEY-WATSON Washington Memorial, 16445 Pacific Highway South. Funeral Mass 9:30 a.m. Friday, July 5 at St. Thomas Church, 4415 S. 140th St.

Timothy DECKER

42, died June 29, 1996. Survived by his wife, Kelli Jaynes-Decker of Federal Way; and his son, Justin Decker of Seattle; family and friends. Service TODAY, Wednesday, 7 p.m., at Kingdom Hall of Jehovah's Witnesses, 27233 16th Ave. S., Kent.

John DEMATTEA

Age 82. Beloved father of Beverly; and many nieces and nephews. Member of Order of Sons of Italy #1994, Westside Italian Civic Club, Retired Police Officers Association, Loyal Order of Moose, Fraternal Order of Eagles, Aerie #1, Catholic Seamen's Club. Funeral Mass Saturday 12:30 p.m. St. Peter's Church. Entombment, Calvary Mausoleum. Memorials to Medic One. Viewing Wednesday 1 to 7 p.m. and Friday 10 a.m. to 7 p.m. COLUMBIA FUNERAL HOME.

Janie J. QUAN-EDWARDS

Died June 30, 1996 after a courageous battle with cancer. She is survived by her sons, Janie and

Audrey E. HORNBECK-YOUNG

Age 13, of Bothell, died June 30, 1996. She is survived by her parents, Linda and Douglas Young; four sisters, Annette (David) Shurlock of Everett, Angela Hornbeck of Seattle, Sara and Danielle Young of Bothell; grandmothers, Alemda Young and Imogene Overman; and her grandfather, Boyd Overman. Graveside service will be Friday, July 5, 1996 at 3 p.m. at Floral Hills Cemetery. Memorials may be made to a trust fund at Evergreen Bank, Arrangements, Purdy and Walters of Floral Hills, Lynnwood.

Gudrin A. LAURITZEN

86, of Seattle, died June 24, 1996. Gudrin was born in Copenhagen, Denmark, came to America with her two sons, and joined her husband in 1950. She was proud to be an American citizen. She worked as a dental assistant to her husband, Gudrin is survived by her husband, Arne G. Lauritzen, Seattle; sons, Arne (Helen) Lauritzen, Enumclaw, Gorm (Chris) Lauritzen, Seattle; daughter, Annette (Helen) Andersen; three grandchildren, Nina, Arne and Kirsten Lauritzen; nephews, Hans (Doreen) Jensen, Jens (Toni) Bach; great nieces, Karen (Eric) Wechselsberger and Ina Bach; and great great nephew, Luke Wechselsberger. Services Tuesday, July 9, 1996, 1 p.m. Trinity Lutheran Church, 4215 16th S.W. Lynnwood. Memorials to Bob Hope Heart Institute, c/o Providence Hospital, Seattle. EVERGREEN-WASHELLI FUNERAL HOME

Eugene Louis SCOTT

Age 87, passed away June 28, 1996. He was born in Sherman, Tx, Nov. 3, 1908. Survived by his wife, Freddie, of Seattle; son, Jim and daughter-in-law, Bobbie, of Bothell; granddaughter, Lori Buswell; grandsons, David Scott and Bill Otto; and three great grandsons. Mr. Scott worked many years at the U. of W. in the Dept. of Oceanography and retired at Metro. He was a member of the Nile Temple of the Shrine Scottish Rite and also Heller Lake Masonic Lodge. There will be a private memorial service at his home in celebration of his life by family and friends. In lieu of flowers please send donations to Children's Hospital or American Heart Association.

Carl L. SEPANEN

Beloved husband, father, grandfather, great grandfather and friend. At his request, no services.

June A. STROM

Beloved mother of Wendy (Chad) Clopp of Duval, Kristy (Mark) Cornwall of Bothell; grandmother of Karl, Haley, Steven, Kirsten, Matthew; sister of Rose Zindel of Bothell, Mae Fowler of Quincy, and Frances Johansen of Bothell. She was preceded in death by her parents; two brothers; one sister; and her son, Steven. Funeral Services Friday, July 5, at 12 Noon, at ACACIA FUNERAL HOME, Seattle, Wa. Family suggests memorials to the Northwest Cancer Center.

THE MARI

DOW

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Yukon fishermen say hatcheries clog the works

KODIAK — Western Alaska fishermen believe that putting limits on salmon production at state hatcheries would help remove pressure from a plugged world market.

Alaska's hatchery program began in 1974, during a period of low statewide salmon returns, especially for pinks. Since then, the numbers of juvenile salmon released into state waters by about 35 hatcheries have increased every year.

Now, Yukon River fishermen claim that hatcheries are starting to put them out of business.

"Hatchery production has increased in Southeast and in Prince William Sound, to some extent, and those fish hit the market earlier and in larger volumes. Our fish simply can't compete," said Dan Albrecht, director of the Yukon River Drainage Fishermen's Association. Western Alaska fishermen have also lost out on their most lucrative market, chum roe, he added.

Yukon fishermen believe state subsidies to hatcheries are unfair because it gives them an advantage over other fisheries. The association wants the state to set production goals for hatcheries, which currently set their own levels. "We can't control farmed salmon production, or the Japanese going into Russia or buying fish from Chile or Norway. But we can control what goes on in our own state. So we're looking at things that Fish and Game (Department) and the governor's office can actually effect, and the hatchery program is one of them," said Albrecht, adding his group is formulating a five-year plan to reduce the number of fish.

Others argue that the world's numerous salmon



**LAIN
WELCH**

and support businesses. It's never been attempted to bring them all together as one, so we can have a bigger voice in the Legislature. We need to protect ourselves from some of the things we see happening to our industry, because we're so fractured and speaking from so many different areas," McCune said.

Monitoring the tanner crab catch. Crabbers in Southeast Alaska are gearing up for the tanner crab season, which kicks off on Thursday. A hundred pot boats and 100 ringnetters have nine days to compete for the 2 million pound catch quota.

Southeast crabbers have topped the 2 million pound maximum for the past five years, and fishery managers have been pushing for stricter pot limits. As a compromise, for the first time managers and crabbers will try to monitor the Tanner fishery electronically. Crabbers will call in catch stats or fax their logbooks to Fish and Game Department offices every day. "It could be an alternative to reducing gear. We'll see how it goes, and then report back to the Board of Fish later this year," said shellfish manager Tim Koeneman at Pe-

WEEKLY

LENDING INSTITUTION	Money Market \$2,500
BANKS	
Bank of America	4.05
First Interstate	3.43
First National of Anch.	2.75
Key Bank of Alaska	2.68
National Bank of Alaska	3.72
Northrim	3.3
CREDIT UNIONS	
Alaska Air Employees	N/A
Alaska Dist. Engrs.	N/A
Alaska State Employees	N/A
Alaska USA Federal	3.38
Alaskan Federal	N/A
Atlantic Federal	N/A
Denali Federal	4.08
Credit Union 1	3.75
Matanuska Valley	3.56
Northern Skies	N/A

Interest rate figures are as of date Feb. 10.

HEAVY C

Continued from Page C-1

Oil producers say they have tried unsuccessfully for years to pump heavy oil profitably in Alaska where cold and long distances make it a money loser.

"It's sort of a pin movement," said Heath Rowland, managing director of the Global Group, a consultant in New York City. "In Alaska you've got higher production and transportation costs to move oil that's of lowish value."

Heavy oil production worldwide averaged 1 million barrels a day in 1995, accounting for about 6.7 percent of the petroleum market. Production largely centered in warm climates such as California and Venezuela, where oil pours more easily.

Samples of the oil, encased in tiny transparent tubes that developers show to lawmakers at the state Capitol, coats the glass more thickly and settles more slowly than light

and the governor's office can actually effect, and the hatchery program is one of them," said Albrecht, adding his group is formulating a five-year plan to reduce the number of fish.

Others argue that the world's numerous salmon producing countries would easily fill any void left by fewer Alaska fish, and that boosting consumption of salmon is the best long-term solution to the oversupply problem.

Uniting against sport-fishing initiative. More communities are uniting behind Alaska's commercial fishing industry.

Prompting the push is the controversial FISH Initiative, which would give a harvest priority to sport users by guaranteeing them 5 percent of each year's projected statewide salmon catch. Supporters of the measure have gathered enough signatures to get the question before the voters in November.

So far, the cities of Petersburg, Craig, Cordova, Pelican, Edna Bay, Port Alexander and the city and borough of Kodiak have passed resolutions opposing the fish initiative. The Kenai Peninsula Borough also threw its support behind the commercial fishing industry, although the FISH initiative is driven by sportfishing interests from that region.

The city and borough of Kodiak also donated \$10,000 to support a lobbyist in Juneau. Jerry McCune, a lifelong Cordova fisherman and president of United Fishermen of Alaska, has been the industry's main lobbyist in Juneau for three years.

"I'm trying to bring the industry together as a whole, and that includes processors, municipalities

and states or tax their logbooks to Fish and Game Department offices every day. "It could be an alternative to reducing gear. We'll see how it goes, and then report back to the Board of Fish later this year," said shellfish manager Tim Koeneman at Petersburg.

The Tanner season was worth nearly \$9 million last year to Southeast crabbers. But as with other crab species, prices this season are expected to be well below last year's \$2.50 a pound. A handful of crabbers at Yakutat were getting \$1.50 a pound from local processors, while others selling into niche markets were getting up to \$4 a pound for their bairdi tanner crab.

IFQ survey. Watch the mail this month for an individual fishing quota survey from the state Department of Commerce. It's just one segment of a nine-part study that's tracking the pros and cons the new IFQ program, which limits who can fish commercially for halibut and black cod. Surveys are being mailed to all registered fish buyers and a large cross section of IFQ shareholders.

Another section of the study called the Gap Report will use the data to determine the affects the program has had on those who didn't receive any IFQs, or who got so few quota shares it wasn't practical to fish them. The IFQ study will be presented to the North Pacific Fishery Management Council in April.

Laine Welch produces Alaska public radio's fish reports and provides fisheries information to media outlets. Her information column appears every other Sunday.

largely centered in warm climates such as California and Venezuela, where oil pours more easily.

Samples of the oil, cased in tiny transparent tubes that developers sell to lawmakers at the Capitol, coats the glass more thickly and settles more slowly than light crude.

"It is just like a Hefty ketchup thing," said Behm, heavy-oil team leader for Texas-based OXY USA Inc., a division of Occidental Oil and Gas Corp., which has a small stake in the North Slope Milne Point oil field with British Petroleum.

The two companies say they are poised to invest \$550 million over the next nine years drilling 23 wells to tap a heavy oil just west of the vast Prudhoe Bay oil field that has been the mainstay of Alaska's economy for 18 years. A pilot project at Milne Point produces some heavy oil, but BP and OXY say they lose money on it.

The Milne Point expansion could begin this year if the state waives the royalty, Behm said.

The five-year break on royalties would have three main effects, according to OXY:

- Oil companies require an investment of their money to achieve a certain rate of return. The royalty holiday would make it likely that OXY and BP

RAMSEY: RO

Continued from Page C-1

rent home can be included in a refinance under the 203K.

Of course, there are a few guidelines to follow. The guidelines are almost the same for buying and remodeling. Here are a few of them: The cost of improvements must be at least \$5,000. The maximum loan limit varies with location, but is \$203,700 for single-family houses in Anchorage. The program also covers rental properties up to a fourplex.

The first step is to visit your local lender to deter-

SHIPPING SCHEDULE

The following vessels will dock at the Port of Anchorage this week:

Sea Land's Anchorage arrives today with general cargo from Tacoma and departs the same day for Kodiak.

Sea Land's Tacoma arrives Tuesday with general cargo from Tacoma and departs the same day for Kodiak.

Tote's Westward Venture arrives Tuesday with general cargo from Tacoma.

Hatcheries spawn small-size salmon

Biologist says ocean is overgrazed

THE ASSOCIATED PRESS

SEATTLE - With dwindling salmon runs, hatchery fish were seen as a way to save the industry. But Washington state fisheries officials now are worried the trend to hatchery fish may have created another problem - smaller salmon.

Bob Turner, director of the Washington Department of Fish and Wildlife, said the state already is reassessing its hatchery production and major changes will be forthcoming.

The state has begun assuring a wider genetic diversity in hatchery fish. And officials say it will consider cutting hatchery production, changing gillnet mesh size and letting more wild fish spawn to compensate for their smaller size.

"We've got to look at ways to try to stop the decline and move the size back up," said Rich Lincoln, manager of ecological ser-

vices for the state agency.

In the past decade or so, the average size of salmon returning to five Washington hatcheries shrank by 11 percent to 27 percent. In the run with the sharpest declines, average fish weight dropped from more than 6 pounds to less than 4½.

There is strong evidence that salmon sizes have been decreasing for decades across the rim of the North Pacific Ocean - from waters off California, Oregon, Washington and British Columbia through the Gulf of Alaska to seas off Russia and Japan.

The newest evidence comes from unpublished research by state Department of Fish and Wildlife biologist Steve Phelps, who found shrinkage in all of the six Washington hatchery coho runs he studied.

The average salmon from
Please see Salmon, back page

Salmon...

Continued from Page 1.

Washington's Puyallup Hatchery weighed 27 percent less in 1991 than in 1980, Phelps said. Fish size in other hatchery runs dropped by 25 percent, 24 percent, 19 percent, 11 percent and 1 percent.

The number of eggs per female salmon also declined because smaller fish carry fewer eggs. Over a 30-year period, the mean egg production per female dropped from roughly 2,500 to 1,500 at the state's Puyallup and George Adams hatcheries, Phelps said.

Another recent study found shrinkage in 45 out of 47 salmon runs harvested in commercial fisheries from California to Japan. That study was released late last year by Brian Bigler, biologist for Seattle-based Wards Cove Packing

Co., and biologist John Helle of the National Marine Fisheries Service's Juneau laboratory.

The study found weight declines varying from 40 percent in British Columbia pink salmon to barely detectable losses in some sockeye.

Bigler called it "very compelling, comprehensive evidence" that booming hatchery and wild production is straining the capacity of the North Pacific.

He contends the ocean is being overgrazed.

"The amount of salmon-sustaining resource in the North Pacific Ocean is being strained," Bigler said in an interview with the Seattle Post-Intelligencer.

Though causes are debated, biologists tend to blame human action, mainly fishing techniques that skim off the big fish and overgrazing of the ocean by billions of hatchery fish.

"It's going to be a real controversial issue," said Katherine Myers, a biologist at the University of Washington's Fisheries Research Institute.

Perhaps the gravest long-term concern about salmon shrinkage is that it appears to reduce both survival to adulthood and production of offspring.

"Smaller salmon have lower survival on upstream migration, and smaller females produce fewer and smaller eggs, choose poorer quality nest sites, dig shallower nests, and defend their nests for shorter durations," wrote Murdoch McAllister and Randall Peterman of British Columbia's Simon Fraser University in a 1992 paper.

The offspring of such salmon are also smaller and have lower survival rates, observed McAllister and Peterman.

"If you can't start with..."

MEDRED COLUMN: Roe-stripping should be halted

Continued from Page G-1

toilet this year. Some commercial fishermen could make a lot more money if they weren't required to mess with the flesh of salmon.

And, as the Alaska Department of Fish and Game has tried to tell us over and over again in a restructuring of the realities of biology, commercial fishermen have to kill these salmon to avoid the dreaded overescapement that will threaten future salmon runs.

So why not let those commercial fishermen rip out the roe and dump the rest?

And if this sort of thing is OK for commercial fishermen, why not for the big game guides out in the Iliamna country, where the mushrooming Mulchatna caribou herd is threatening its range?

Why, you could argue that we should just let hunters shoot any old caribou — so long as it has profitably large antlers — and leave the carcass to rot for the good of the herd.

After all, wildlife biolo-

gists agree the herd is growing too fast. Better to check this growth before the population becomes so large animals begin to starve to death.

The state Board of Game discussed this in a public forum and decided that same-day-airborne hunting of Mulchatna caribou, a very unsporting activity, should be allowed for just this reason.

The state Board of Fisheries should have discussed and decided the roe-stripping issue in a public forum, too, but it didn't.

What happened might have been different if it had. I don't think the public would have approved.

But the public didn't get a say. Instead, the commissioner, down there in his warren in Juneau, took it upon himself to make this decision, which primarily benefits some Juneau hatcheries.

I wanted to talk to Rue about all of this, but he was either too busy or simply considers the matter unimportant. He was on the proverbial "other line" when I called.

He did, however, get spe-

cial assistant Geron Bruce to call me back. Bruce is a intelligent guy and a gifted political player who adroitly presented the arguments for this wasteful business.

The roe-stripping is a last resort measure, he said. The salmon are going to die anyway. Better to have their carcasses hauled to the dump than left to pollute the water around the hatcheries, he said.

"We would not look approvingly on this if it was a (financial) windfall," he added. "It is not a windfall. It does cost money to dispose of these fish."

Unfortunately, Bruce does not know how much money hatcheries are going to make on this deal, because Fish and Game isn't in the business of overseeing their budgets. And all that is beside the point anyway.

The hatcheries knew what the rules were when they got into the hatchery game. Now, in the name of money, they've managed to get the rules changed so they can waste fish. If this is the way the system works, then the state ought to solve the prob-

lem once and for all by banning private hatcheries, non-profit or otherwise.

Ban them just like the state banned salmon farming — a similar but far less wasteful practice — at the behest of commercial fishermen who thought Alaska farmed salmon would drive down the price for Alaska's commercial salmon, even though farmed salmon are coming out of Norway, Scotland, Chile, Canada and who knows where else.

Those salmon remain marketable because they die young and silvery and go to market fresh and shiny year-round.

The ranches salmon from Alaska's private hatcheries are not marketable because they come back old and, to put it politely, something less than silvery, and they get to market in a tasteless-looking can of bones and skin.

And this is what the commissioner of Fish and Game wants to encourage?

□ Craig Medred is the Daily News outdoors editor. His opinion column runs Sunday.

THE FINAL BIG TOP



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IF YOU DON'T WANT IT BACK: We'll give it to Alpine Alternative (an IRS recognized charity). You get a receipt for the taxman on Sept. 6

Gary King

202 E. Northern Lights Blvd • 272-5401 **Sporting Goods**

□ Next week: An encounter with a brown bear

□ Shawn Lyons, the eight-time winner of the Iditarod snowshoe race, teaches music at the University of Alaska Anchorage and writes an opinion column on hiking and climbing.

steep ridge up Thunderbird Peak. The rocks were loose and sliding out from underfoot as I clambered up the corner of this last ridge. A dirty hanging glacier was on the left and a rock fall was to my right. Pulling myself over the head of Rumble's shear, dark face clouds bend around the snow-locked columns of Mount Still, I wasn't in a hurry. I sat for a moment to watch the low and for the first time all-blasts sounded from far beneath. Suddenly, two shotgun derfoot like a loose pile rug over the rocks beneath. A vicious day's rain, it seemed, felt lonely. Now after my first contact with fellow beings — since I felt lonely. I could see at least half of my uphill route. Standing at the lower forest up the embankment on side trail winding through the late morning, I spotted a little Creek Trail about 9:30 that I started hiking up Peters nally thought. Clearly, this was going to take much longer than origi- rises and descents. break the steady climb with mits of 4,000 to 6,000 feet that, more than a dozen sum-

one sharp turn to the left and climbing steeply to Thunderbird Peak. The end was in sight, but I still had a long way to go. Still, I wasn't in a hurry. I sat for a moment to watch the low and for the first time all-blasts sounded from far beneath. Suddenly, two shotgun derfoot like a loose pile rug over the rocks beneath. A vicious day's rain, it seemed, felt lonely. Now after my first contact with fellow beings — since I felt lonely. I could see at least half of my uphill route. Standing at the lower forest up the embankment on side trail winding through the late morning, I spotted a little Creek Trail about 9:30 that I started hiking up Peters nally thought. Clearly, this was going to take much longer than origi- rises and descents. break the steady climb with mits of 4,000 to 6,000 feet that, more than a dozen sum-

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with a Hawaiian friend, I found 60 miles of crystal clear water, unbelievable fishing, abundant wildlife and stunning scenery. On that trip, it seemed that truly memorable wilderness experiences occurred several times a day.

At one point, we came around a bend in the river to find a young, blond grizzly bear fishing. As we paddled by, I whispered to my friend that he shouldn't assume that every trip in the Alaska Bush would be like this.

I knew then I had to return with the family when the boys were old enough. Beth and I have made a priority of continuing our travels on extended wilderness canoe trips

INTO THE WEATHER

The journey began on the edge of the vast tundra at the western end of 7-mile-long Nishlik Lake in the northern limits of the park at least 20 miles from timberline.

Pilot Mike Harder flew us there from Dillingham in his workhorse twin-engine Widgeon flying boat. The flight took about an hour to a beautiful, crescent cove on the narrow lake. There was a freshwater fiord and a campsite dominated by rocky spires thrusting toward the sky.

Please see Page G-4, TIKCHIK LAKE



family set up camp at Nishlik Lake, the headwaters of the Tikchik River in the 1.6 million acre Wood-Tikchik State Park, northwest of Dillingham.

At right: Nine-year-old Charley Pope shows off the grayling he caught on the upper Tikchik River, while Doug Pope holds up the dorsal fin.

What goes for roe-strippers should go for head-hunters

What would you think if Alaska Commissioner of Fish and Game Frank Rue suddenly announced that Alaska big game guides could allow the meat of their clients' caribou to rot in the field this year because, well, there's lots of caribou and head-hunting is profitable?



CRAIG MEDRED

Sound far-fetched?

Then consider the precedent that Rue has

set by allowing private salmon hatcheries in the state to engage in roe-stripping, the fisheries equivalent of head-hunting.

Why?

Because, well, there are a lot of salmon, and roe-stripping is profitable.

The hatcheries say they wouldn't make enough money if they had to salvage the flesh of all the salmon that have come back this year. The argument of not making enough money is the same argument some big game guides could make for being required to abide by the state wanton-waste law requiring them to salvage the meat of the big-game animals their clients shoot.

And who decides how much money is enough money, anyway? The hatcheries in question are what Alaska considers "nonprofit businesses," but that is a loopy-goosey classification if ever there was one.

Any businessman can tell you how easy it is to become unprofitable. All you have to do is spend enough money to make expenditures match income. Pay yourself a big salary; buy the best equipment whether you need it or not; put a bunch of your relatives on a board of directors and pay them for their services.

There's a million ways to be unprofitable. Anchorage gadfly Michael O'Callaghan of Earth, an honestly nonprofit business that

distributes free salmon to Alaskans, doesn't like what is going on here and has filed suit to stop roe-stripping. He thinks that instead of allowing the waste of the carcasses of tens of thousands of hatchery salmon, the state should force the hatcheries to use the salmon to feed the poor.

I think it would be nice if the poor got the fish, too, but what really concerns me is the precedent Rue has set here.

If it's OK for the hatcheries to strip roe, why not individual fishermen?

We all know that salmon prices went in the

Please see Page G-2, MEDRED COLUMN

FORUM / LETTERS

Commissioner says Medred column off mark

By FRANK RUE

Craig Medred's opinion column Aug. 11 prompts me to set the record straight. Apparently, he was trying to criticize state regulations allowing the disposal of hatchery-produced pink and chum salmon carcasses that cannot be given away or sold.

But instead, Mr. Medred oversimplified the issue, misrepresented the facts and further blurred the issue by making an apples-to-oranges comparison to big-game hunting and taking unfair swipes at Alaska's commercial fishermen.

It is true that the department issued new regulations this summer that clarify Alaska's salmon waste statute. But there were two factual errors in Mr. Medred's column. The new regulations are more restrictive than past state salmon waste policies, not less, and the public did have a say in the regulations that were adopted.

The facts are that the state's salmon waste law seemed to be working fine until about two years ago, when it became apparent that some fishermen and processors were disposing of unmarketable salmon. They believed the law allowed them to discard unmar-

ketable salmon after it had been sold to a processor. Although the amount of salmon being discarded appeared to be small, these practices were inconsistent with the goal of full utilization of Alaska's seafood resources. There was also concern that given the poor market conditions, this practice would expand.

The department went through a very open, inclusive public debate over the past nine months to arrive at a set of regulations that shut off the loophole being used to do roe-stripping. During January and February, we convened a stake holders group made up of fishermen, food banks, processors, hatchery operators and others to work on the issue.

We discussed our efforts in front of the House Resources Committee. On April 29, we held public hearings on the draft regulations, with video conference sites in Anchorage, Juneau and Fairbanks and audio links to Ketchikan, Petersburg, Sitka, Cordova, Kodiak and Bethel. We also received numerous written comments on the draft regulations before the May 16 comment deadline.

The regulations do allow the disposal for the next two years, under specific circumstances for pink and chum salmon returning to nonprofit hatcheries. Nonprofit hatcheries are allowed to dispose of these salmon because, unlike fishermen and processors, they cannot participate in common property fisheries. They must fish in designated terminal harvest areas only, where the quality of fish

has deteriorated. And nonprofit hatcheries can only harvest the number of fish necessary to recover the cost of producing the fish in the first place.

The fish returning to hatcheries in Alaska are going to die soon after their arrival. The flesh quality of these fish has deteriorated to the point that the cost to harvest and process them exceeds their commercial value. If they are not harvested they will die in the terminal areas to which they have returned or they will rot nearby with salmon streams. The department has a responsibility to protect Alaska's natural salmon runs and to prevent hatchery fish from becoming a public nuisance or an environmental problem. As part of this responsibility, we will be implementing measures to reduce waste and improve efficiency.

Among other measures, we decided to limit discards. Hatcheries must now make salmon available to the public in a terminal area for a food system. For example, if a hatchery has a load of salmon, it must make a plan to dispose of any surplus. Before we allow any salmon, each hatchery must make a plan that it could not put these fish to use without incurring a financial loss. Each hatchery is required to report to the department annually the number of fish it harvests and the amount of revenue it takes in from fish and its sources.

In addition, the new regulations require hatchery operators to supply records of all carcass disposals and fish-giveaway programs. I have been gratified to learn that this

regulatory incentive has already encouraged entrepreneurial efforts involving composting, pet food development and fish-bone processing, to name a few. Hundreds of thousands of pounds of salmon have been made available for distribution to people in Alaska as a result of the department's regulations. The regulations adopted by the department require hatchery operators to work with anyone who has a viable plan to distribute surplus hatchery salmon.

The salmon industry has entered a period of momentous change. Responding to a problem like the temporary surplus of hatchery fish and chum has been difficult. The department has taken an approach that promotes use of hatchery salmon to the maximum extent possible, protects Alaska's environment and wild salmon stocks, prevents massive die-offs of hatchery salmon from becoming a public nuisance and begins the review of hatchery production.

The irony is that Mr. Medred seems to think we have taken a step in the opposite direction. Perhaps a more thorough examination of the issue would be in line before he writes the next column on salmon waste. He might find out we agree.

□ Frank Rue is the commissioner of the Alaska Department of Fish and Game.

Hatcheries feel squeezed by new roe-stripping rules

By DIRK MILLER
The Associated Press

JUNEAU — New state rules restricting the stripping of roe from salmon carcasses have some hatchery operators concerned about trying to find uses for the low-value remains.

Geron Bruce, a state Fish and Game special assistant, said the new rules would allow hatcheries to take eggs from pink and chum salmon for use as breeding stock and to discard those carcasses. If

the eggs are sold as roe, the hatcheries would need special permission from the state to dispose of those carcasses. That exemption only lasts two years.

"These fish, they've lost a lot of their value in terms of the quality aspects of salmon — color, texture and oil content — but they still have considerable protein value," Bruce said.

Last year, Bruce said, there was some confusion over whether the state's salmon waste law

applied to processors. The state said some fishermen with processor licenses stripped hatchery chum salmon of their roe and dumped the empty carcasses. The state Law Department has since determined that processors are not allowed to do that.

Bruce said the state wants to work with the hatcheries, but discourage any salmon waste. He said there has been public concern over roe stripping.

The new rules are expected to

take effect next month in time for the chum and pink season.

Hatchery operators said that the rules are going to require them to try to find a use for low-value fish carcasses. By the time hatcheries start taking eggs from salmon, the fish are mature, dark and difficult to market, operators said, especially since salmon prices have dropped in recent years.

"I don't think anyone's figured out an economic way of

dealing with the carcasses," said Bruce Bachen of the Northern Southeast Regional Aquaculture Association in Sitka. "There's no question, it will drive up the cost of operations."

Bachen said there is not a lot of roe sold by the hatcheries and that any money made helps the nonprofit organization recover its costs.

Under the new regulations, spoiled or contaminated salmon can be disposed of.

SAKHALIN: Alaskans aim to get in on oil, gas deals in Russian Far East

Continued from Page F-1

catering to construction. Emphasizing their experience and identifying Alaska as a geographic and climatic cousin of the Russian Far East, the companies hope to prove themselves the natural choice to share in the wealth of the new development.

"Everyone's been waiting for this moment," said Dennis Mitchell, international manager of Lynden Air Freight for Alaska, which hopes to secure business transporting oil production equipment. "The whole driving force that we have for being in the Russian Far East is the oil exploration in Sakhalin."

Years of planned oil development off Sakhalin Island fueled decisions to set up shop for a number of companies and offices, including the Alaska World Trade

Center, which established an office in Sakhalin last year, said Kathy Beeck who heads the center's Russia program.

The center is organizing a week-long trade mission with representatives of about 20 companies to visit the area in July, she said. They will meet with administration officials and oil companies as well as those businesses stationed there, she said.

"Alaska companies have the overwhelming expertise in this area," Beeck said. "We know how to do this kind of work."

Sakhalin Island is hugely important to the state and represents some of the best trade opportunities in all of Russia for Alaska companies, said Donna Logan, a trade specialist with the Alaska Department of Commerce and Economic Development. She noted that the state and

Sakhalin Island citizens have been working together to discuss issues such as transportation and business ventures.

The geography and climate of the Russian Far East is similar to Alaska, giving Alaska companies the edge in experience of preparing and building for cold temperatures and remote locations, said Russell Howell with the American Russian Center at the University of Alaska Anchorage.

The Sakhalin Island community is interested in Alaska as a model not only for the technical expertise of oil production, Howell said. It also wants the state's expertise in managing royalty money and reinvesting that money to preserve and invest for when the oil is gone.

Location is a big factor for freight-forwarding companies like Lynden, said Mitchell. Anchorage is strategically located so that many international cargo ship-

ments would need to go through Anchorage.

Several companies have been contracting with oil companies in Sakhalin Island already and hope to expand their business there. Anchorage-based Fairweather Inc., which provides medical services and operates remote air strips, and Universal Ogden, a catering and camp management company, both have been there for years, they said.

Bob Tallent, vice president of Universal Ogden, said his company has formed a new international joint venture called Allied Support to help it continue and expand on its work there, he said.

"This Exxon situation is an exciting opportunity for many companies," he said. "It's going to be a very large project."

HOME: Summer distractions

Continued from Page F-1

Carey works at home in Northridge, Calif., for Primetime Publicity and Media. She is on the telephone much of the day with clients and the press.

to your home office as your office, not your home.

• Let people know you have hours. Bruce Gore, a graphic artist, has been working at home in Nashville for eight years. During the summer, he says,

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Cook Inlet Housing Authority's Home Partnership Program has closed its 100th home loan, Cook Inlet Housing said. The program is designed to enable Alaska Natives and American Indians of moderate or low income to own a home. With a grant from Housing and Urban Development, Cook Inlet Housing provides loans to the participants.

"I feel your pain – but I'll have to charge you for it!"

CIRI and other Native corporations were created to handle the nearly \$1 billion and 40 million acres Alaska's Natives received under a

Please see Page E-4. CIRI

Anchorage Daily News Wed Nov 13, 1996

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sell. \$700. OBO. 444-5565
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P.B. runs good. real good
interior. \$600. OBO. 333-9007
'88 Nissan Pulsar. FWD. 550.
Must. 258-7742

1982 Jeep Wagoneer
4x4, offered to sell, \$14,950
\$6,749.00 over \$5,950.
\$51,750 DLR.
79. LAMARCOVER SD DISCOV.
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\$31,000 firm. Coll: 727-7041.
1991 Mazda B3500
4x4, Ext cab, mint cond, Low
miles. We finance. \$13,429
\$17,500 \$11,749 DLR.
90 MAZDA 4x4
5 speed, 72K, and owner.
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\$51,350 in msrp.
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SALMON: Hatcheries expect no dumping

Continued from Page E-1

exemption from state law sunsets at the end of next year. No dumping occurred of red, king or silver salmon.

Alaska's salmon industry has taken a beating in the past decade by the emergence of foreign salmon farms and the growth of wild runs from other countries. A worldwide glut last summer pushed prices for some salmon to their lowest levels ever.

Despite the poor markets, other hatcheries found buyers beyond the traditional processing plants, such as fish-meal plants. The Valdez Fisheries Development Association gave away about 1 million pounds of salmon, by giving it to food-giveaway groups like Earth, and by trucking it to various cities, the hatchery said.

But the mass dumping of huge amounts of edible fish prompted outcry by some, including Michael O'Callaghan,

who runs Earth's fish giveaway. O'Callaghan fasted for several weeks this fall to protest the waste of fish.

The Fish and Game Department organized the forum to help hatchery operators and food banks develop a plan should huge salmon runs and poor markets occur again next summer, said Geron Bruce, special assistant to the Fish and Game commissioner.

"One person's problem is the other person's opportunity," he said.

Some hatcheries said they were expecting fewer fish to return next year, unlike this year's record chum run. For example, hatchery operator Northern Southeast Regional Aquaculture Association, which dumped 390,000 chum salmon this year, is expecting 2 million fewer fish to come back to its terminals next year, said general manager Pete Esquiro. Others said they anticipate stronger demand for their fish.

Food banks and others should be careful not to hurt the for-profit salmon industry with fish giveaways, said Greg Favretto of Favco Inc., an Anchorage-based seafood wholesaler. He said he was concerned that free fish could depress the price consumers pay in grocery stores. Also, any improperly maintained fish that sickened someone could tarnish the entire industry's image, he said.

One of the biggest problems remains the cost of transporting fish from remote hatcheries to population centers, said O'Callaghan, who participated in the forum.

Jed Whittaker, who ran on the Green Party ticket in the recent U.S. Senate election, proposed securing federal money to transport salmon to the Lower 48.

"Nobody wants to throw away any fish," O'Callaghan said. "Here's the bottom line. ... Who's going to pay for it?"

Oil-spill barge may be axed

The Associated Press

KENAI — The state plans to mothball its Seldovia oil spill response barge, unless an oil industry group pays to maintain it.

Ed Collazzi, preparedness manager for the state Department of Environmental Conservation, said the \$200,000 required to maintain response vessels in Seldovia, Juneau and Ketchikan was cut from the budget that began July 1. Juneau and Ketchikan have agreed to pay maintenance for barges there, he said, but no one has stepped up to fund the Seldovia barge.

Collazzi said the state doesn't have the money.

But Seldovia Mayor Tim Volstad said DEC has money from per-barrel taxes to fund spill prevention and response. DEC changed the way it spends the money, he said, and did so without public input.

DEC is negotiating with Cook Inlet Spill Response and Prevention Inc., an industry group, to maintain the barge. But Doug Lentsch, CISPRI general manager, said member companies are unlikely to pay the annual \$7,000 cost of insuring the barge.

Volstad said the barge was funded by taxes on the oil industry. He argues that turning it over to CISPRI amounts to subsidizing the in-

dustry with money intended for a state response.

Cutting state funding eliminates the geographic advantage of keeping a barge in Seldovia, he said, and eliminates training for locals who would deploy it.

The Prince William Sound Regional Citizens Advisory Council wrote DEC to criticize the lack of funding.

"This decision effectively reverses a commitment made by the state of Alaska, following the 1989 oil spill, to arm coastal communities with the resources to keep spilled oil from their shorelines," wrote Louis Edwards, the council's president.

ValuJet loses \$21.9 million in quarter

Daily News wire services

ATLANTA — After flying for only one day in the July-September quarter, ValuJet Airlines Inc. lost \$21.9 million, slightly more than Wall Street analysts had expected.

ValuJet's stock gained as much as 5 percent during Tuesday's trading on the NASDAQ Stock Market and finished up 31 cents at \$11 per share.

ValuJet was grounded by the Federal Aviation Administration for 15 weeks starting June 17 because of safety concerns following the crash, which left 110 dead.

EARNINGS

NORDSTROM: The Seattle-based retailer said its third-quarter profit rose to \$34 million, or 42 cents a share, up 15.6 percent from \$29.4 million, or 36 cents a share, during the same time last year.

The results pushed Nordstrom stock up \$2.25 to \$45.62½ on the NASDAQ Stock Market.

WAL-MART STORES INC.: The company reported net income of \$684 million, or 30 cents a share, on sales of \$25.6 billion, up from \$612

million, or 27 cents a share, on sales of \$22.9 billion last year.

The company's stock fell \$1.37½ to close at \$25.12½ a share on the New York Stock Exchange.

J.C. PENNEY CO.: The retailer reported net income of \$236 million, or 95 cents per share, on sales of \$5.54 billion, compared to \$240 million, or 95 cents per share, on sales of \$5.13 billion in the third quarter last year.

Penney's results were below analyst forecasts. The company's stock was off 50 cents to close at \$52 on the NYSE.

TEXACO: Talk of boycott hurts stocks

Continued from Page E-1

executives at Texaco.

After a meeting at the company's headquarters in White Plains, N.Y., between Bijur and a coalition of civil rights leaders, the Rev. Jesse Jackson called for a national boycott, saying picketing of Texaco stations would begin by Saturday.

"The boycott begins today," Jackson said Tuesday. "They have the power to stop

back a boycott and he called for consumers to stop using Texaco products and cut up their Texaco credit cards.

"This incident has generated a fury unlike anything I have seen since the 1960s," Cleaver said. "This incident has made a very eloquent statement that African-Americans are not paranoid, particularly when it comes to employment issues."

A number of other civil rights advocates joined Jackson at the meeting Tuesday.

boycott. For example, Dennis Walcott, president of the New York Urban League, said the national organization would not act until after representatives met with Bijur today.

Texaco still has an opening for discussions with the civil rights groups, through the national offices of the NAACP. Bijur began his day by meeting in Baltimore with Kweisi Mfume, president and chief executive of the organization.

BUSINESS NEWS

USAir changes name to US Airways

NEW YORK — Saying it was guilty of doing just about

CIRI: Native corporation

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January 11, 1996

Ms. Kris Norasz
Executive Director
S.E. Alaska Seiners
P.O. Box 805
Peterburg, Alaska 99833

Dear Kris,

As you have probably heard, the Governor is going to have a meeting in Juneau to discuss the present State regulations concerning roe stripping. He is also scheduled to have other meetings to discuss fisheries in general, and one of the issues I am sure will come up is the impact of hatcheries on the Alaska salmon situation. While there is no doubt they have provided more fish for the fishing fleet, it has come with a tremendous cost, most of which is presently hidden from public view. If you have had an opportunity to see the recent business plan published by PSWAC, you will see that they are seriously in debt. I think some of the other hatcheries may have the same problem. While the debt may be with the State, it will nonetheless have to be dealt with. PSWAC has proposed getting into the processing business in an attempt to become financially viable, despite the fact that their prior attempts have been unsuccessful.

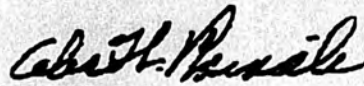
At this point in time you might be asking yourself "what has this got to do with the Southeast Alaska Seiners organization." In Southeast Alaska we have hatcheries which have started marketing their own fish. The fish went cheap and added to the collapse of prices for frozen chums. In addition, the hatcheries now want the ability to roe strip in an attempt to improve their financial picture. If they are allowed to continue processing fish and eggs, I see several things happening: The hatcheries will require more fish in order to increase their egg take for salmon caviar, and they will need more fish so they can market salmon products. This means there will be less fish available for your fishermen, less fish available for processors, and a serious market problem for the processors as we try to compete against what has become a State supported "fishtrap". The hatchery program in Alaska has gone way beyond what was originally intended by the legislature. They are no longer just in the business of providing fish to the fishermen, they are now becoming competitors for fish from the fishermen, and competition to processors in the market place - all with tax payers support. If this situation continues, we will all be in a very difficult situation, and I think both fishermen and processors need to impress upon the legislature the need for corrective legislation.

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SEATTLE • PORT BAILEY • NADLER TRADING • RED SALMON • WARDS COVE • ICY CAPE INTERNATIONAL SALES
SOUTH HAKHEK • SEWARD

Page 2
Kris Norosz
1/11/96

After you have had a chance to consider my comments, I would welcome the opportunity to get together with you and discuss this issue further. I am sending each of our permit holders a copy of this letter so they will be aware of my concerns. I trust we will be able to find a common approach to this growing problem.

Sincerely,



Alec W. Brindle
President

AWB/cp
cc: Rick Lauber
Vince Curry
Southeastern Superintendents

25 HURT PRIDE: Greece angry at airport safety suspensions. A-6

Long Island coast and killed all 230 people on board.

"Look, something happened out here," said James Kallstrom, assistant director of the FBI in New York. "We don't know what it is yet."

"But it's not a normal thing for an aircraft to do this, honestly," Kallstrom added. "It's a terrible tragedy, and if it was an act perpetrated by terrorists or deranged criminals, then I call them cowards, and they are cowards. We will definitely run them to ground."

While the National Transportation Safety Board continued to head the probe as if the Boeing 747 crash were an accident, other federal agencies spread their search for

Please see Back Page,
TWA CRASH



Muhammad Ali watches the Olympic flame Friday night in Atlanta. Ali, former champion and an Olympic gold medalist, lit the flame that will burn for the duration of the games.

Huge chum runs lead to dumping in ocean

By HELEN JUNG
Daily News reporter

Faced with huge runs of chum salmon that no one wants to buy, at least one Southeast hatchery operator is resorting to stripping the roe and dumping hundreds of thousands of fish carcasses in ocean waters in a last-ditch attempt to deal with an overwhelming mass of fish and still raise money.

Another hatchery operator — the largest chum producer in North America — is poised to similarly dump carcasses, and another two operators are seeking state permission.

The market for chums this year has all but collapsed, aggravated by a run so strong that it may double the state's forecast.

Many commercial fishermen are letting chums, which are fetching their lowest prices ever, swim by.

The emerging crisis in the Southeast chum-salmon fishery further stresses a troubled Alaska salmon industry. A worldwide glut of salmon, produced by foreign salmon farms, Japan's hatcheries, and Alaska's own large wild runs, have depressed prices.

Chums comprise about 10 percent of Alaska's commercial salmon catch, which also includes pink, red, silver and king salmon. But the size of this year's return of both hatchery-raised and wild chums has startled salmon biologists.

Please see Back Page, TWA CRASH

SATURDAY PARTLY CLOUDY

High near 70
Low near 50
Details, Page A-2

Weather update, 936-2525

SECTIONS

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BUSINESS	Section C	IMPULSE	Section G
METRO	Section D	CLASSIFIED	Section H

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Handyman	E-1				
Healed	E-5				
Horoscope	E-5				
House plan	E-3				

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only so much fish that people in the area can take, he said.

In the meantime, the fish are continuing to pour in. Prices for chums have fallen to as low as 5 cents a pound, and processors have put limits on how many chums they'll buy, according to Fish and Game.

The state allows hatcheries to harvest fish for their eggs, or roe, and discard the rest of the fish. However, they also must make every reasonable effort to market the whole fish or give it away, using the income from roe sales to pay for such disposal, said Geron Bruce, special assistant to the state commissioner of fish and game.

The state wants to avoid having masses of dead fish pooling around towns, Bruce said. Unlike wild salmon, which after years at sea return to Alaska

really fit for human consumption by the time they're caught, he said.

Northern Southeast Regional Aquaculture Association, whose Hidden Falls hatchery is the largest chum producer on the continent, was not prepared for the large returns it's seeing. Although NSRAA has been able to handle about 50,000 extra chum so far, the hatchery network will probably end up dumping some salmon, said Pete Esquiro, NSRAA's general manager.

Two other hatchery operators, Southern Southeast Regional Aquaculture Association and the Kake Nonprofit Fisheries Corp., have applied to the state for dumping privileges. Dumping carcasses would be a last resort, said Don Amend, general manager of SSRAA.

jet with a bomb, then flew to New York and left it on board to explode after the plane took off from John F. Kennedy Airport bound for Paris.

Other federal agents canvassed Long Island near the crash site for people who might know anything significant. The FBI established a toll-free number (888) 245-4636 as well as a

tremely unlikely.

At a news conference in East Moriches, 5 miles from where it exploded Wednesday and plunged in the ocean, Kalish reporters that most of the aircraft wreckage was lifted from the site and scrutinized by experts.

He refused to

ABORTION PILL: Panel rec

Continued from Page A-1

Anti-abortion activists, however, complained that the FDA was steamrolling the approval in time for the November election because President Clinton has openly supported the drug.

The FDA approval pro-

cess is moving a head-of-pace to this deadly drug, ing many women's safety unresolved. Wanda Frenz, president of the National Right to Life Committee.

If it is approved, it will promise to redraw the

September 1997

RECEIVED
OCT 20 1997

Dear Rep. Joe Green,

In the past, you and /or your organization have been supportive of the salmon give aways. We thought that you would be interested in what is happening since there have been no give aways this year.

Since the "humpy dump" in Prince William Sound in 1991, we at EARTH have been distributing salmon carcasses to people around the state and in the lower 48. These salmon have been brood stock from hatcheries and salmon from which the eggs were taken and sold. We have found that Alaskans can use about one million pounds annually.

Last year, the hatcheries dumped their usual seventeen million pounds of hatchery brood stock salmon. In addition, the Commissioner of Fish and Game issued special permits allowing the hatcheries to take eggs, sell them and dump the salmon. This procedure is called roe stripping and is against State law. The hatcheries dumped an additional twenty five million pounds of salmon in cost recovery roe stripping.

This year, DEC came out with guidelines that say these salmon are unsuitable for human consumption. The hatcheries are no longer giving EARTH salmon due to these guidelines. DEC's jurisdiction is over food fit for human consumption. EARTH has had these salmon repeatedly tested and inspected. These salmon are fit for human consumption.

All of this is presently before the Alaskan Supreme Court.

In the meantime, hatcheries are taking brood stock and cost recovery eggs and wasting the salmon. In the meantime, valuable food is being wasted when Alaskans and other Americans could be eating it.

It would only take a small percentage of the profits earned on the roe to move the salmon to the people and stop the waste of the common property resource.

If you are interested in eating this salmon instead of having it dumped call Governor Knowles 269-7450 ask that the hatcheries be required to get this salmon to the people, and Janice Adair at DEC 269-7645 ask that DEC's guidelines be dropped.

We can fax or mail you a copies of the guidelines and/or a list of the hatcheries around the state if you are interested.

Lydia Darby

Michael O'Callaghan

project coordinators for EARTH, 277-8889

Ray Gillespie
Gillespie & Associates



Lobbying & Governmental Affairs
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INFORMATION FROM AQUACULTURE ASSOCIATION MEMBERS

RE: HB 318

February 11, 1998

**Gary Fandrei, Cook Inlet Aquaculture Asso.
Pete Esquiro, Northern Southeast Reg. Aquaculture Asso.
Don Amend, Southern Southeast Reg. Aquaculture Asso. Inc.**

*Address to House Fisheries Committee
HB 318*

Don Amend
Southern Southeast
Regional Aquaculture
Assn.

The Alaska State not-for-profit hatcheries do not want salmon wasted and we do not want unlimited roe stripping. However, we have concerns regarding HB 318. The State of Alaska has invested over \$109 million in the private not-for-profit hatcheries, and this investment may be jeopardized by passage of this bill. There have been several public meetings in the last two years sponsored by the Governor's Salmon Industry Response Cabinet on hatchery operators selling roe from mature salmon. There has also been a lawsuit filed and ruled on. There have been many facts brought to the public attention. In addition, similar concerns were expressed by some legislators and a legislative audit was ordered. The legislative auditors reviewed all the facts, made conclusions, and submitted recommendations.

A conclusion from the legislative audit was that hatcheries are achieving their goal of enhancing fish, but financially many are unstable. This makes the state loans unstable. The legislative audit also recommended legislative changes which would allow hatchery operators to obtain economic value from hatchery fish that cannot be economically harvested under the current statutes. What the legislative audit concluded and recommended were logical and should be adopted. There is no question that the hatcheries are having a significant economic impact on the fisheries and communities in which they operate. Legislative action should be focused on stabilizing the financial foundation of the hatcheries rather than attempting to destabilize them.

HB 318 should not be passed in its present form because it would make the hatcheries uneconomical and would result in many hatchery closures. The primary problem is there is no exemption for broodstock. Broodstock carcasses have no commercial value and in many cases they cannot even be given away without substantial costs to the hatchery operator. Unless there is a way to discard broodstock carcasses, many hatchery operations would not be financially viable. The committee should address the problem of broodstock carcasses.

One of the stated reasons that HB 318 was introduced was because the practice of selling roe and discarding carcasses gave the hatcheries a distinct advantage over a commercial fishery. This statement is not supported by any of the facts. There are several reports that conclude that this practice has no impact. Alaska salmon and roe compete on a world market which is controlled by forces outside Alaska. There are no studies which have shown that hatchery sale of salmon or roe have any impact on markets. Certainly broodstock carcasses do not compete against commercial fishermen or in any other market. They are unfit for human consumption and cannot even be rendered into fish meal economically.

There has also been much public concern about the intent of much of the legislative history. These concerns should be addressed. Certainly, there is the potential for abuse and this should be clarified. I am willing to offer suggestions and help.

5/14N

Definitions: For Chum and Pink Salmon

1. **"Broodstock:** Salmon that are held and used to provide the sperm and eggs for fertilization to assure future generations of salmon."

Explanation: These fish are in an advanced stage of sexual maturity whereby sperm freely flows from males and eggs are loose in the body cavity of females. All Pacific salmon die shortly following spawning, and mature salmon are, therefore, near the end of their life cycle. All biological functions center on the reproductive process and the fish change morphologically, physically, and physiologically. All become dark in color, males develop a hooked nose, and the flesh becomes white, devoid of fat. Because of this advanced stage of maturation, the tissues degenerate and then becomes soft. The muscle tissues are in an advanced state of degeneration and are unsuitable for human consumption.

2. **"Excess Broodstock:** Salmon held for broodstock, but the sperm and eggs are not used for fertilization. Excess broodstock shall not exceed 5% of the total salmon returning to a special harvest area. Economically viable products may be sold, including eggs, but non-economically viable products may be disposed of into marine waters 20 fathoms or greater in depth."

Explanation: Salmon are held as broodstock, but they may not be used for spawning to assure future generations. The condition of the fish are exactly the same as the fish used for spawning. In hatchery operations, typically one male is used to fertilize three females. However, the sex ratio is usually 50-50; therefore, the males not used to fertilize eggs are "excess broodstock." Also, salmon selected for broodstock are taken from fish returning to Hatchery Special Harvest Areas. The returning fish are used for both cost recovery and broodstock. The broodstock are captured and placed in enclosures to protect them from the cost recovery harvest activities. The broodstock fish may be held for several weeks before they mature for spawning. During this holding period some salmon die due to predation (bears, seals, etc.) or from the stress of capture and being held in crowded conditions. Therefore, the hatchery operator must be conservative and hold more fish than actually needed to meet production goals. The mortality is not predictable and, therefore, enough must be held to assure the production goal is met. In most years, when the production goal is met, there are still some salmon that remain and, therefore, are "excess broodstock." Although the condition of these fish are exactly the same as those used for spawning, the eggs are still valuable. They can be sold for bait to roe processing companies. When hatcheries use about 100,000 salmon for broodstock, even a few thousand "excess broodstock" can result in several thousand pounds of eggs. This incidental income can be significant in offsetting operational costs. If not allowed to sell the eggs from "excess broodstock," the valuable roe would be wasted and the hatchery operating costs would increase. This would require more cost recovery which is the major source of revenue for hatcheries.

Information from Don Amend, SSRAA

1997 - SSRAA

<u>Breeding Stock collected</u>	<u>breeding stock goal</u>	<u>excess brood</u>	<u>% excess</u>
185,227	170,000	15,227	9.0 %

TOTAL Return to hatchery : 2,321,881
 No. used for broodstock : 185,227
 % of return used for brood : 8.0 %

Gary Fandrei

February 10, 1998

Eklutna Hatchery - Eklutna

No. of Sockeye Projects:	4	
No. of Sockeye Broodstocks Used:	2	
No. of Sockeye Broodstock Collected:	9,500	
No. of Broodstock Mortalities:	Few if any	
No. of Coho Projects:	1	
No. of Coho Broodstocks Used:	1	
No. of Coho Broodstock Collected:	120	(We don't need this many, but are required to capture and spawn 60 pairs of fish for genetic reasons. Resulting fry that are surplus to stocking goals are culled.)
No. of Surplus Coho Broodstock:	0	(Surplus broodstock are released)
No. of Broodstock Mortalities:	Few if any	

Comments: All fish that return to this facility must first pass through the commercial and sports fisheries of Cook Inlet. These fish are harvested by CIAA and sold for cost recovery. No sockeye broodstock are collected at Eklutna Hatchery. Sockeye broodstock carcasses are returned to the rearing lakes for nutrient enhancement. Coho broodstock carcasses are donated to charity.

February 10, 1998

Trail Lakes Hatchery - Moose Pass

No. of Sockeye Projects:	5
No. of Sockeye Broodstocks Used:	4
No. of Sockeye Broodstock Collected:	10,500
No. of Surplus Sockeye Broodstock:	0 (Surplus broodstock are released)
No. of Broodstock Mortalities:	Few if any
No. of Coho Projects:	1
No. of Coho Broodstocks Used:	1
No. of Coho Broodstock Collected:	800 (This number includes broodstock collected for ADF&G's Elmendorf Hatchery)
No. of Surplus Coho Broodstock:	0 (Surplus broodstock are released)
No. of Broodstock Mortalities:	Few if any

Comments: No fish return to Trail Lakes Hatchery. All releases and broodstock collections are completed at remote locations. Broodstock carcasses are returned to the freshwater rearing lakes for nutrient enhancement.

February 10, 1998

Tutka Hatchery - Keohemak Bay

No. of Sockeye Projects:	1
No. of Sockeye Broodstocks Used:	1
No. of Sockeye Broodstock Collected:	500
No. of Surplus Sockeye Broodstock:	0 (Surplus broodstock are released)
No. of Broodstock Mortalities:	Few if any
No. of Pink Salmon Projects:	1
No. of Pink Broodstocks Used:	1
No. of Pink Broodstock Collected:	215,000
No. of Surplus Pink Broodstock:	40,000 (Surplus broodstock are sold to a processor)
No. of Broodstock Mortalities:	Variable - Weather dependent

Comments: All fish return to Tutka Hatchery. Sockeye broodstock collection does not occur at Tutka Hatchery. Sockeye gametes are collected in conjunction with a Trail Lakes Hatchery sockeye program. Sockeye broodstock carcasses are returned to the freshwater rearing lake for nutrient enhancement. Pink salmon broodstock are collected at Tutka Hatchery. Broodstock carcasses and mortalities are returned to saltwater.

INFORMATION FROM PETE ESQUIRO
NORTHERN SOUTHEAST REGIONAL
AQUACULTURE ASSO, INC.

FEBRUARY 10, 1998

Actual that are used for brood stock (chum):

Hidden Falls

90,000

Medvejie Hatchery

30,000

If you are trying to identify a range of surplus, one year can be as low as 1,400, and one year can be as high as 100,000.

He also stated that their goal is to keep the numbers low, because it cost them to place the surplus chum.

BSFA

Bering Sea Fishermen's Association

725 Christensen Drive
Anchorage, Alaska 99501
(800) 770-6519 (Within Alaska)
(907) 279-6519
FAX (907) 258-6688

Serving western Alaska small boat fisheries since 1960

Written Testimony of Art Nelson
Bering Sea Fishermen's Association
On HB 318, "An Act relating to the waste of salmon"
To the House Special Committee on Fisheries
February 11, 1998

I strongly support House Bill #318, which would redefine the salmon waste law, AS 16.05.831. The new definitions within HB 318 strengthen the law substantially. Most importantly, the new law removes the authority of the Commissioner of the Alaska Department of Fish and Game to grant exemptions to this law. An exemption to the current law was granted by the Commissioner in 1996 to hatcheries in Southeast and in Prince William Sound. Over 2.3 million chum salmon were dumped by the hatcheries that year, and the roe from the females was sold on the open market. The effects from that are still being felt. Not only had the chum overproduction by the hatcheries glutted the flesh market, but the exemption to the waste law flooded the roe market, as well.

The Division of Legislative Audit prepared a report on the DCED and ADFG funding and operation of private nonprofit hatcheries, dated August 22, 1997 (audit control number 08-4551-97). Many of the conclusions and recommendations of the audit review were very accurate, such as on page 17 where it states, "The private nonprofit hatchery program is becoming biologically viable. *Economic viability, on the other hand, is uncertain.*" (Emphasis added) However, the report recommends that the legislature consider amending the salmon waste law to permit private nonprofit hatcheries exemptions to the law. But this recommendation was made based upon a benefit-only analysis (not a cost-benefit analysis). The objectives of the audit are outlined on page 1 of the report, and the last bullet point of the objectives was, "Determine which gear groups are benefiting from hatchery produced fish..." How can an accurate review of anything be done when you only look at the benefits? There was no consideration given to the associated drop in prices and the income lost by fishermen elsewhere.

The glutting of the chum salmon flesh and roe markets, as I said above, is still affecting the markets today. This is not only punishing the fishermen of Western Alaska, but fishermen across the State, especially anyone harvesting chum salmon.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

December 19, 1997

SUBJECT: Roe stripping of salmon by hatcheries (Work Order No. 20-LS1303\A)

TO: Representative Ivan Ivan
Attn: Tom Wright

FROM: George Utermohle *GU*
Legislative Counsel

Enclosed is a draft bill relating to use of salmon. As per your request the bill would prohibit the stripping of roe from salmon by hatcheries.

The bill substantially rewrites the current law governing wanton waste of salmon. The bill eliminates the provisions of the current law that have caused much confusion in the past and that have permitted the commissioner of fish and game to allow hatcheries to strip roe from salmon.

The bill eliminates the power of the commissioner of fish and game to specify additional uses of salmon that would be permitted without committing wanton waste of salmon. The bill provides that the use, sale, barter, or gift of salmon flesh for human food, for meal or fertilizer, for domestic animal food and fish food, or for scientific, display, or educational purposes are the only legitimate uses of salmon flesh. You may wish to consider whether to add to the list of permitted uses of salmon flesh or to allow the commissioner of fish and game to identify additional uses of salmon flesh.

If I may be of further assistance, please advise.

GU:jdr
97-379.jdr

Enclosure

Sec. 16.05.831. Waste of salmon.

(a) A person may not waste salmon intentionally, knowingly, or with reckless disregard for the consequences. In this section, "waste" means the failure to utilize the majority of the carcass, excluding viscera and sex parts, of a salmon intended for

- (1) sale to a commercial buyer or processor;
- (2) consumption by humans or domesticated animals; or
- (3) scientific, educational, or display purposes.

(b) The commissioner, upon request, may authorize other uses of salmon that would be consistent with maximum and wise use of the resource.

(c) A person who violates this section or a regulation adopted under it is punishable by a fine of not more than \$10,000, or by imprisonment for not more than six months, or by both. In addition, a person who violates this section is subject to a civil action by the state for the cost of replacing the salmon wasted.

History -

(Sec. 3 ch 99 SLA 1975; am Sec. 18 ch 132 SLA 1984)

Revisors Notes -

This section was enacted in section 3 of both ch. 89 and ch. 99, SLA 1975. Chapter 99 had an immediate effective date (May 30, 1975), so the section was already in effect when ch. 89, enacting identical language, took effect on August 20, 1975.

Collateral Refs -

35 Am. Jur. 2d, Fish and Game, Sec. 51.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The legislature should consider amending the full utilization requirements set out in AS 16.05.831 to permit private nonprofit hatcheries to obtain economic value from hatchery fish that cannot be economically harvested under the "full utilization" concepts.

Our review of the Fishing Enhancement Revolving Loan Fund (FERLF) raised serious questions regarding the ability of borrowers (private nonprofit hatcheries) to service their debt and repay the State. Currently, private nonprofit hatcheries owe the State of Alaska over \$100 million for loans made to construct and operate the nonprofit hatcheries.

As of March 31, 1997, the FERLF had 191 active loans to 12 borrowers. A majority of these 191 loans have been modified for a variety of reasons, most notably to defer principal and interest payments primarily because of the inability of many hatcheries to make their annual debt service payments. Of additional concern is the trend for "up and running" hatcheries to borrow operating funds to cover annual operating expenses. Of the 191 active loans, 110 were made for operating purposes. As of March 31, 1997 the FERLF had recorded nearly \$15.5 million in deferred interest. By deferring principal and interest payments, many hatcheries are moving out payments to the maximum period of 30 years allowed by law. By deferring repayments out to the 30 year mark, many hatchery organizations are facing extraordinarily large balloon payments in future years.

We have serious concerns over the prospective financial health of the FERLF. The recent bankruptcy of Alaska Aquaculture Inc., which had 42 loans totaling over \$10.1 million (including \$1 million in deferred interest), only exacerbates our concern about the prospective sustainability of the FERLF without further appropriation of general funds or related loan program funds.

To ensure a viable FERLF, steps must be taken to preserve the financial health of the private nonprofit hatcheries. As suggested in the Hatchery Policy Group report to the Governor's Salmon Industry Response Cabinet, state agencies should undertake a review of salmon hatchery-related statutes and regulations to determine relevance and need as well as find new or enhance existing sources of revenue. These revenue sources can include value added product processing by the hatcheries or through joint venture activities with processors. We understand that some hatcheries are currently involved in, or are in the planning stages for, this type of valued added or joint venture activity.

Under current law, hatcheries are prevented from maximizing their potential harvest and thereby the associated revenues. Towards the goal of expanding revenue sources, we identified one particular operational area where state law and its regulatory application has served to unduly restrict potential revenues for hatchery operators. The statutes requiring full utilization of fish has served to close off participation by some hatcheries in the fish egg market.

Hatcheries generally have two (or more) sources of enhanced fish return. One source of fish return is the hatchery itself. Fish returning directly to the hatchery are used for brood stock. Brood stock fish are harvested for eggs and sperm, which are then incubated and eventually released as fry. The egg take from brood stock is regulated by the Department of Fish and Game (DFG). Hatcheries are allowed egg takes only up to permitted levels, and are allowed to discard fish carcasses that were harvested for "brood stock eggs." However, hatcheries are faced with the difficult task of balancing cost recovery harvests with that of escapement for brood stock requirements. Because of the uncertainties surrounding marine survivability and to ensure the adequacy of future returns, hatcheries conservatively manage cost recovery activities so that sufficient brood stock is obtained for egg taking purposes.

As a result of this conservative management, excess fish beyond brood stock requirements return to the hatcheries. Since DFG restricts how many eggs may be harvested by a hatchery, once the permitted level has been achieved additional eggs cannot be harvested unless fish are "fully utilized." Typically, returning fish taken for brood stock purposes are not of commercial quality. The flesh has no economic value nor is it fit for human consumption. Returning fish taken above that needed for brood stock requirements whose flesh has no economic value must then be allowed to die naturally, thereby wasting any potential economic value beyond the flesh.

The second source of hatchery fish return is at the remote site cost recovery areas. Fry are released at these remote sites which are apart from natural wildstock habitats. When the fish return to these remote sites, hatchery operators harvest the fish for commercial sale to processors. The sale of cost recovery fish theoretically should generate sufficient revenues for hatchery operations as well as debt service. However, it generally does not generate the revenues needed for a self-sustaining operation.

During the harvest of the cost recovery fish, there eventually comes a time when a majority of the run has been harvested and the remainder of the fish, much like the hatchery brood stock, are not of commercial value nor fit for marketing for human consumption. Again, much like the hatchery brood stock, these remaining non-marketable fish (referred to as "rags") must die naturally, again wasting any potential economic value.

In both instances of the hatchery brood stock fish and remote release site "rags," there is economic value that can be extracted from those unmarketable fish. That value lies in the eggs (roe). Currently, there is a healthy roe market in which hatcheries could participate and obtain economic value, if they did not have to fully utilize an otherwise wasted, useless carcass. In the two situations described above, we believe it to be economically wasteful as well as less than the maximum use of resources by not permitting hatcheries to extract roe from the fish and discarding of the carcasses.

Alaska Statute 16.05.831, which addresses the wanton waste of salmon states, in part:

Waste of salmon. (a) A person may not waste salmon intentionally, knowingly, or with reckless disregard for the consequences. In this section, "waste" means the failure to utilize the majority of the carcass, excluding viscera and sex parts, of a salmon intended for

- (1) sale to a commercial buyer or processor;*
- (2) consumption by humans or domesticated animals; or*
- (3) scientific, educational, or display purposes.*

This section of statute establishes the "full utilization" concept. Hatcheries are unable to harvest roe and fully utilize the flesh because of the deteriorated condition of the flesh as discussed above. Therein lies the operational contradiction. Current statute attempts to avoid the waste of fish by requiring that fish, whose flesh has no commercial value, in effect cannot be put to any use at all.

Some have argued that full utilization can be achieved when roe is extracted by converting the carcass into fish meal. As the value of the flesh deteriorates, some hatcheries rely upon fish meal plants in order to comply with full utilization. There comes a point when the flesh is so deteriorated that it is not even suitable for fish meal. There are very few fish meal plants in Alaska. Most hatchery operators have to rely on mobile fish meal plants or tender the carcasses to land based or mobile plants in another area. At some point it becomes uneconomical for the operators to transport carcasses to these plants because the value realized from the roe is less than the expense of transporting the fish to the plant. Once again the operational contradiction arises where an attempt is made to fully utilize, but the cost outweighs potential benefits.

In an effort to protect the State's investment in private nonprofit hatcheries and to achieve the maximum and wisest use of salmon resources, we believe statute and regulation should be modified to address the following issues:

- In recognition of a hatchery's necessity to conservatively manage cost recovery to protect brood stock requirements, the definition of brood stock should be amended to accommodate a reasonable amount of fish remaining and/or returning to the hatchery after brood stock requirements have been met. This would permit the hatcheries to extract roe for sale and to discard the carcasses in the same manner as brood stock.
- As discussed above, when the run tapers off it eventually becomes uneconomical to continue cost recovery at the remote release sites. The quantity of the fish and/or quality of the flesh makes the combination of flesh utilization and roe extraction uneconomical and improbable. Because fish resources are wasted by allowing the "rags" to die without any utilization, we recommend that upon demonstration by the hatchery operator that it is uneconomical to harvest and fully utilize the last remaining fish, an exemption should be granted to permit the hatchery operator to extract the roe and deep water dispose of the carcasses.

We believe that addressing the two issues above would help minimize the economic waste of salmon resources while at the same time providing an economic benefit to the hatcheries. This would in turn prove beneficial to the FERLF as it wrestles with recouping over \$100 million in loans, which in turn would enhance the sustainability of the fund.

Recommendation No. 2

The Department of Commerce and Economic Development, Division of Investments should adopt a policy of restructuring troubled hatchery loans on an as needed, case-by-case basis.

Nearly 75% of all hatchery loans have been modified in one form or another. The most typical approach to restructuring involves deferring interest and/or rescheduling principal payments. The volume of modified loans in and of itself is indicative of the extent of the hatchery operators' inability to service their debt to the State. Another prime indicator of the financial straits of hatchery operators is reflected in the FERLF's deferred interest of nearly \$15.5 million.

Interest rate and loan terms are established by law. Alaska Statute 16.10.510 sets interest rates and loan amortization periods at a maximum of 9.5% and 30 years, respectively. In recent years, most new loans (whether operating or capital) have been issued with interest rates at the maximum of 9.5%.

We believe the Division of Investments (DOI) should establish work-outs with troubled borrowers on a case-by-case basis. If DOI doesn't have the this authority, it should seek it. Having work-out powers to deal with troubled loans is a common and frequently used tool in the financing industry to protect the lender's investment. The same should be equally applicable to state lending programs, particularly the FERLF whose loans, in our opinion, are considerably more at risk than other state loan programs.

The current "restructuring" mechanism employed by DOI appears to be predicated upon (a) fish prices in the future will rebound sufficiently to cover current and rescheduled/postponed interest and loan payments, (b) in the future the hatchery will be able to pay its mounting balloon payments arising from the current "restructuring" practice, (c) if balloon payments cannot be made and those balloon payments are pushed up against the maximum 30 year term permitted by law, statutory changes may be necessary to further extend loan repayment terms, and (d) if funds are available another operating loan will be made to the hatchery.

Future fish prices may change — in what direction or how far is anyone's guess. However, hoping sufficient increases in market prices will occur and permit hatcheries to resume payments is not the best troubled loan restructuring tool. In our opinion, it is better to restructure a hatchery loan by work-out on a case-by-case basis rather than merely postponing and rescheduling an interest and/or principal payment.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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October 29, 1997

Mr. Randy S. Welker, CPA
Legislative Auditor
Division of Legislative Audit
P. O. Box 113300
Juneau, AK 99811-3300

RECEIVED
NOV 01 1997

LEGISLATIVE AUDIT

Dear Mr. Welker:

Re: Preliminary Audit Report - A Special Report on the Department of Commerce and Economic Development, Department of Fish and Game, Review of Funding and Operation of Private Nonprofit Hatcheries, August 22, 1997.

We appreciate the opportunity to comment on your recommendations for the Division of Investments.

The audit report is a good presentation of the Fisheries Enhancement program. The narrative portions, as well as, the charts and graphs depict the history and the current situation.

Our one concern is that the chart on page 13 shows the current loan balance of many loans being more than the original amount lent. This is a result of the hatcheries weathering the changes in the world salmon markets. What the chart does not reflect is the more than \$30.0 million repaid to the Fisheries Enhancement Revolving Loan Fund (FERLF) and the loans that have been retired by these payments.

Recommendation No.1

The legislature should consider amending the full utilization requirements set out in AS 16.05.831 to permit private nonprofit hatcheries to obtain economic value from hatchery fish that cannot be economically harvested under the "full utilization" concepts.

We generally concur with this recommendation. Hatchery associations need the ability to maximize their cost recovery. However, we also believe that "full utilization" is a worthwhile

goal and must be encouraged. The non-marketable fish identified in your recommendation are a clear exception to the full utilization rule. Beyond that, we must always balance the economic interests against the overall benefits to Alaska of maximizing the use of its resources.

Recommendation No.2

The Department of Commerce and Economic Development, Division of Investments should adopt a policy of restructuring troubled hatchery loans on an as needed, case-by-case basis.

We concur with this recommendation. Without maximum flexibility the FERLF will not be financially stable.

We also share your concern for the financial health of the FERLF. Ever since the Alaska Legislature created the FERLF, there has been a series of concerns by many, sometimes including DOI, about the long-term success of the FERLF. The initial concern was that the hatchery associations could not do the biology successfully to incubate and release salmon fry. Later there was a concern that the fry would not survive because hatchery salmon were thought, by some, to be inferior to wild salmon. There was also a concern that the hatchery salmon quality was not high enough to be successfully marketed. Now there is concern that hatchery associations cannot get an adequate price to meet their operating expenses, capital replacement costs and debt service.

The operators of the private nonprofit hatchery system have worked their way through the major concerns over time. The hatchery associations also need to have time to work their way through the marketing and price per pound issue. If DOI can be flexible enough to give the hatchery associations time to adjust to the changing world salmon market, we believe they can also work their way through this issue. By doing so, they will stabilize their cash flow, make their loan payments and secure the financial future of the FERLF.

When prices dropped out of the salmon market, hatchery associations were unable to meet their operating expenses, capital replacement costs and debt service using grounds price. Worse yet, many hatchery associations lost a significant part of their market and could not sell salmon in the round at all.

The hatchery associations need time to sort through the dramatic changes in the world salmon market. DOI cannot develop a reasonable long-term solution for a hatchery association's debt service until the world salmon market has stabilized.

Most hatchery associations have received at least some modification of loan repayment schedules. Many have also received additional operating loans that were not originally scheduled. They can repay these modified loans and new operating loans using their original long-term pro forma prices.

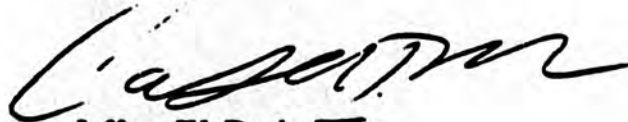
When we have structured balloon payments on loans, we have assumed that we will have the flexibility in the future to exceed the current 30 year maximum loan term. Earlier this year, the Hatchery Policy Group recommended to the Governor's Salmon Industry Response Cabinet that the FERLF statutes be reviewed. One change targeted by this process was to allow FERLF loan terms to extend past 30 years. The Commercial Fishing Revolving Loan Fund (CFRLF) statutes have already been modified to allow that type of flexibility. Just as for limited entry permits and IFQ's in the CFRLF, the value of the salmon at sea in the FERLF is not an asset that depreciates over time like a vessel or buildings.

These modifications and new loans cannot continue indefinitely. When the Alaska portion of the world salmon market has stabilized, permanent restructuring of loan payments may be necessary.

We agree that salmon prices probably will never return to anywhere close to their highest levels. However, the hatchery associations' pro formas do not use those high prices as their long-term pro forma assumptions. The hatchery associations have reclaimed old or secured new markets for all hatchery produced salmon. Better yet, this year, they are selling most hatchery association salmon at or above pro forma assumption prices. Best yet, although it is early, it looks like next year may bring even better prices. Perhaps the stabilization that we are looking for is coming soon. When we see stabilization in the salmon market, we can consider long-term loan restructuring on a case-by-case basis. That is the best chance of getting restructuring that serves both the borrower and the lender. The borrower gets a stable plan for its financial planning; the lender reduces the chance of giving away State assets needlessly.

Many inequities have existed in the fisheries enhancement system. Using a fixed interest rate over the loan term is fair and equitable to all users of the FERLF. The fixed rate of interest is set at one point above prime rate at origination. Reducing the interest rate accrual on some loans would create inequity across regions of the State. Debt service payments are adjusted, when necessary, through the modification process. It may be necessary to modify the interest rate accrual in the future when the market stabilizes, but to start that practice now would be premature.

Sincerely,



Jeffrey W. Bush
Deputy Commissioner

cc: Martin J. Richard, Director
Division of Investments

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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November 5, 1997

Mr. Randy Welker
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
NOV 6 1997
LEGISLATIVE AUDIT

Dear Mr. Welker:

I received your October 9 letter and the preliminary audit report entitled Review of Funding and Operation of Private Nonprofit Hatcheries. Thank you for relaying to me the report, which includes the recommendations from the audit. Recommendations No. 1 and No. 3 deal with issues that directly involve the Department of Fish and Game.

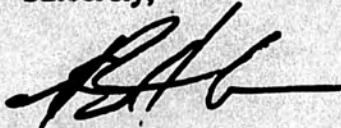
The Department of Fish and Game could support revisions to the salmon waste law described in audit Recommendation No. 1, if such revisions are carefully and tightly constructed. We support full utilization of all our fisheries resources, including hatchery-harvested salmon, but there are limitations on uses for salmon that have been held for broodstock purposes. We could support legislation or development of regulations that would define broodstock to include all those fish held for broodstock purposes, provided adequate safeguards were included to prevent abuse.

As long as proper incentives exist for hatcheries to harvest and sell their fish in the highest possible quality, the department would not object to allowing disposal of small quantities of broodstock-quality fish that remain following egg-takes, even if roe from females is first extracted for sale. Hatcheries are already allowed to dispose of carcasses from salmon they actually use for eggs and milt for reproductive purposes, and the suggested revision would simply remove the requirement to utilize the otherwise indistinguishable fish that are leftover when egg-takes are completed.

Allowing the removal of roe and subsequent disposal of salmon from remote release sites is more problematic. Salmon released at these sites are intended solely for harvest, either for cost recovery purposes or common property fisheries. There is no reason for hatchery operators to maintain broodstock at these locations. With sufficient advanced preparation and aggressive fishing strategies, there should be very few fish remaining in the terminal harvest area after harvests have been completed.

We also agree that the discrepancies in salmon enhancement tax data described in audit Recommendation No.3 should be resolved and we will do what we can, within the limits of staff time and funding, to address the issue. However, please be aware that our ability to resolve these discrepancies will be limited by the confidentiality of the Department of Revenue's data.

Sincerely,


fr Frank Rue
Commissioner

cc: Geron Bruce

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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November 10, 1997

Members of the Legislative Budget and Audit Committee:

We have reviewed the responses from the Department of Commerce and Economic Development and the Department of Fish and Game (DFG), and have the following comments relative to DFG's response.

As emphasized in the audit report our review of fish hatchery operators and their ability to service their debt to the Fishing Enhancement Revolving Loan Fund (FERLF) was from a strictly financial perspective. We did not consider in our analysis concerns related to the social/political aspects of fisheries management. While those issues do exist and are real, we centered our review on the economic sustainability of the hatchery operators and FERLF.

Recommendation No. 1 addresses the issue of economic waste of enhanced fishery resources, particularly fish returning to the hatchery beyond broodstock needs as well as fish at remote release sites that remain after an otherwise aggressive cost recovery operation. In those instances we discuss the possibility of hatcheries increasing their revenues through egg takes.

DFG generally concurs with the concept of roe stripping excess broodstock fish returning to the hatchery with subsequent disposal of the carcass. However, the department does not concur with the recommendation that fish remaining at remote release sites that survived a normal, aggressive harvest should similarly be stripped for roe. As pointed out in the report, the fish to which we refer are generally not suitable for marketing and would otherwise die naturally.

However, in subsequent discussions with DFG the department indicated their concerns would be alleviated if in conjunction with a remote site egg take program (strictly from remaining fish subsequent to an active harvest) that the carcass would in some fashion be fully utilized, such as for fish meal.

The cost of full utilization of the carcass in this instance may outweigh the economic benefits of any egg takes. Therefore, the remaining fish (or "rags") would be wasted without maximum economic utilization. It is our belief that hatchery operators strongly feel their role is to raise a common property fishery and harvest cost recovery fish. With this as the operators main goal, we feel any abuse in the egg take arena would be very limited, if at all. We continue to believe that full economic utilization of fish should be explored, including the potential for harvesting eggs from otherwise unmarketable fish.

Pat Davidson

Pat Davidson, CPA
Acting Legislative Auditor