

**HB**

**286**





# ALASKA STATE LEGISLATURE

REPRESENTATIVE DREW SCALZI  
State Capitol, Juneau  
Alaska 99801-1182

OFFICIAL BUSINESS

(907) 465-2689; (800) 665-2689

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Email: Representative\_Drew\_Scalzi@legis.state.ak.us

April 24, 2002

To: Senator Robin Taylor  
Chair, Senate Judiciary Committee

From: Rep. Drew Scalzi *DS*

Re: HB286 – Ownership of two permits; fleet consolidation

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Senator Taylor, please schedule HB286 before your committee at your earliest convenience, pending referral from Senate Judiciary. There is a Senate Resources version forthcoming.

Thank you for your consideration.

*(included)*

DS:ph

REQUEST FOR  
HEARING



Official Business

# Alaska State Legislature

REPRESENTATIVE DREW SCALZI  
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Juneau, Alaska 99801-1182

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*Representative\_Drew\_Scalzi@legis.state.ak.us*

## Sponsor Statement

**HB286: "An Act allowing a person to hold two commercial fishing entry permits for a salmon fishery for the purpose of consolidating the fishing fleet for a salmon fishery; relation to salmon fishery associations and to salmon fishery assessments; and providing for an effective date."**

The health of the salmon industry should be of the utmost importance to the state of Alaska as it directly impacts the economic health of the state. While nearly 175 million salmon were landed last summer, the fishermen's take was only \$216 million -- less than half of what they got 15 years ago. The upside is that global demand for salmon is exploding with the world consumption at almost 4 billion pounds last year, three times the amount of 20 years earlier. With a refocusing of fisheries management, the state should be able to regain its strong foothold in the worldwide market.

The goal of this bill is to voluntarily reduce the fleet size where desired and deemed necessary to promote greater economic incentives in a manner that would leave sufficient harvest capacity for large fish returns. With HB286, salmon limited entry and interim use permit holders will be allowed to hold no more than two permits; the provision applies exclusively to salmon fisheries.

Holder of two permits will not be granted any special fishing privileges over the holder of one permit; the Board of Fish would be prohibited from enacting regulations that would grant these privileges. This measure will facilitate removing a vessel and gear from a fishery; however, permits are not permanently removed from the system. If conditions improve, permits can be added back into fisheries, allowing each administrative area to address its particular difficulties by gear type.

HB286 provides the means for fishermen to tax (assess) themselves to assist fleet consolidation, thereby improving the fisheries for all participants. Fishermen are not asking the legislature to appropriate money for permit buybacks; they are seeking solutions from within the industry. This bill would provide the vehicle for collection of the self-assessment and the appropriation back to the association formed by the holders who wish to consolidate. Two-thirds of gear-type in an administrative area must approve the assessment; thus this measure ensures voluntary participation and approval from the majority of the permit holders. The assessment can be no greater than 5% of the ex-vessel value of the salmon landed by the permit holder; hence the value and assessment would vary from year to year. Some fisheries may feel they can only afford ¼%, while others may feel secure in voting for 5%; allowing the individual needs of each fishery to be met.

The bill clearly delineates the assessment process with all checks and balances adequately addressed to ensure the intent of the measure is correctly administered.

2/4/02

**Sponsor Statement**

## Sectional Analysis

### CS for HB 286(FSH)

“An Act allowing a person to hold two commercial fishing entry permits for a salmon fishery for the purpose of consolidating the fishing fleet for a salmon fishery; relating to salmon fishery association and to salmon fishery assessments; and providing for an effective date.”

#### Section 1. Salmon Fishery Associations

- The commissioner of the Alaska Department of Fish and Game shall assist and encourage the formation of salmon fishery associations if a fishery desires to form such an association
- Allows for the voluntary formation of salmon fishery associations for the purpose of fleet consolidation
- The associations would be comprised of entry permit holders by fishery (gear type) within administrative areas
- The association must be incorporated as a nonprofit corporation under Alaska law (AS 10.20); represent the salmon interim-use and entry permit holders within the designated fishery; and, have a board of directors representative of these individuals
- The association must develop by-laws and articles of incorporation

#### Section 2.

- Adds a new section to existing law (AS 16.43.140©) to allow an individual to hold two entry permits, but a person who holds two entry permits for a salmon fishery is not afforded additional fishing privileges for the second permit
- Upon passage of this bill, a salmon interim-use or entry permit holder may purchase a second permit in the same fishery
- The creation of an association or a vote on an assessment is not required before an individual may purchase a second permit in the same fishery

#### Section 3.

- Provides the assessment receipts flow for the budget process

**SECTIONAL ANALYSIS**

**Sectional Analysis**

## Section 4.

### Salmon Fishery Assessment

- Provides the mechanism and legal process for salmon fishermen to levy an assessment on themselves
- To proceed with a proposed assessment in a fishery it is a voluntary action of the salmon fishermen within a particular fishery (gear type)
- They must first create a qualified salmon fishery association meeting the qualifications outlined in Section 1
- The value voted upon cannot exceed 5% of the ex-vessel (first wholesale) value
- Salmon fishermen choosing to proceed with an assessment vote will by fishery (gear type) determine through an election of all the interim-use and entry permit holders in the fishery if they want to assess themselves
- They also determine the rate of the assessment "not to exceed five percent" of the ex-vessel value
- Passage requires a 2/3 majority vote of all interim-use and entry permit holders in the fishery (gear type)

### Amendment or Termination of a Salmon Fishery Assessment

- If salmon fishermen vote to approve an assessment, there is a process for them to amend the rate of the assessment or to terminate the assessment
- A petition for amending the rate or for terminating the assessment requires 25% of the interim-use or entry permit holders in the fishery that is the subject of the petition to propose either an amended assessment or termination of the assessment
- To pass it still requires a 2/3 majority of the eligible interim-use or entry permit holders and utilizes the public notice process and time line utilized for adopting an assessment

### Collection of Assessment

- The collection of an approved assessment follows the same process as all other fishery taxes recorded, reported and collected by the Department of Revenue at the first point of sale

#### Funding for Qualified Salmon Fishery Associations

- All approved assessments collected by the Department of Revenue are appropriated to the Department of Fish and Game for funding the qualified salmon fishery association for the fishery in which the assessment was collected
- The assessment is appropriated to the salmon fishery association for the purposes outlined in its annual operating plan
- These purposes include consolidation of the fishing fleet in the salmon fishery, financial assistance to permit holders in the fishery to promote consolidation of the fishing fleet for the fishery, and for the administrative activities of the association
- An association receiving funding under this section is required to submit an annual report to both the Department of Fish and Game and its members (the entire gear type) describing their activities and how they are consistent with their articles of incorporation and bylaws

#### Definitions

- The definitions contained in this section are consistent with those for the Department of Revenue and the Department of Fish and Game already contained in law

#### Effective Date

- There is an immediate effective date under AS 01.10.070©

# HOUSE BILL 286

## What It does:

1. Allows a person to hold two salmon permits in the same fishery.
2. Allows fishermen to establish non-profit associations for the purpose of consolidating the salmon fleets.
3. Allows fishermen to tax themselves to help pay for needed consolidation.

## Why it will help:

1. Lower salmon prices and run sizes will require a smaller salmon fleet in some areas of the state for fishermen to earn a fair wage for their efforts and investment.
2. Fishermen will be responsible for setting up the associations and convincing 2/3 of their fellow fishermen to tax their salmon catch to consolidate their fishery. Fishermen must find their own solution.
3. Consolidation would be voluntary within each of the state's 27 commercial salmon fisheries. Gillnetters in Cook Inlet will have no voice in what Bristol Bay gillnetters decide.
4. Consolidation programs will be guided by administrative procedures to ensure accountability to the fishermen and the public.

Testimony of David Beatford on House Bill 286

Executive Director of Southeast Alaska Seiners Association  
Board of Directors of United Fishermen of Alaska.  
Attorney

Mr. Chairman, members of the House Resources Committee, I appreciate this opportunity to speak to the Committee on HB 286, a bill that I believe is of great importance to the commercial fishermen of Alaska.

I would like to thank Representative Scalzi for introducing this legislation

HB 286 is offered at UFA's request

These are hard times in the salmon industry.

- >> In Bristol Bay, permits sell for one tenth what they commanded ten years ago. That permit value is a bench mark of the expectations fishermen have for that for that fishery and those expectations have dropped to ten cents on the dollar in ten year's time.
- >> In Southeast Alaska dozens of purse seine boats, each of which employ five fishermen, will be tied to the docks this summer because there is no market for their fish.
- >> Fishermen across the state see the value of their fish dropping to the point that many can no longer make a living fishing salmon. For example, sockeye salmon that brought fishermen well over a dollar a pound ten years ago fetched as little as 40 cts per pound last summer.

While this underscores the concerns of commercial fishermen, the difficulties the industry confronts should be of concern to all Alaskans.

- >> the commercial fishing industry is the largest private sector employer in our state and salmon fishing is the heart of the commercial fisheries.
- >> In most coastal communities, commercial fisheries provide 50% or more of basic private sector employment.
- >> As the salmon fisheries go, whether up or down, so goes coastal Alaska.

HB 286, the fleet consolidation bill that you have before you, is part of Alaskan fishermen's effort to help themselves in the face of some tough times.

The solution is conceptually simple. With reduced numbers of fish in some areas of the state, and reduced prices for salmon statewide, it will be helpful in some areas to reduce the size of the salmon fleet so that each fishermen can catch more fish and get a reasonable wage for their efforts and investment.

In developing this bill we held a number of principles in mind

- >> First, that fishermen should shoulder the primary responsibility for the program
- >> Second, that the consolidation program should be voluntary and regional, and
- >> finally that the programs put in place should be accountable to the fishermen who will pay for the program and to the people of the state

INFORMATION  
STATEMENT

SUPPORT

Overview: The program is conceptually simple. It

- >> allows individual fishermen to hold two permits for the purpose of fleet consolidation. NO increased fishing privileges could go with a second permit.
- >> allows fishermen to set up a non profit association to help with the consolidation program.
- >> allows fishermen to vote on whether to tax themselves to pay for consolidation with a 2/3 majority required to levy a tax; and
- >> establishes administrative procedures to protect the interests of the fishermen and the people of the state.

Responsibility:

- >> If fishmen wanted to set up a consolidation program the fishermen would pay up front costs to get the program running -- setting up the association, notifying permit holders, polling the permit holders
- >> fishermen could choose to assess themselves up to 5% to implement the program hence fishermen would contribute funds to help consolidate their fishery. Fishermen could also seek out other sources of funding.
- >> fishermen would be responsible for administering the program through the association they created and controlled.

Voluntary: UFA purposefully set the bar high.

- >> 2/3 "yes" vote of all permit holders within a fishery is required to approve a tax on the ex-vessel value of salmon harvested in the fishery..
- >> But the program is voluntary not only at the outset but all along the way. The bill includes procedures to repeal the tax. If 25% of permit holders petition the association then a new election must be held to determine whether fishermen wish to change or repeal the tax.

Regional:

- >> Each gear group in each region controls the program for its fishery. Thus seiners in Southeast decide only for seiners in Southeast. Gillnetters in Prince William Sound have no voice in what gillnetters in Cook Inlet decide.

Accountable:

- >> If fishermen choose to set up an association to pursue fleet consolidation the association must develop an annual business plan
- >> The association will be required to report annually to fishermen and to state.
- >> At any time that fishermen become dissatisfied with the program they can vote the program out of existence.

These are hard times in the salmon industry. I appreciate the efforts of you who serve in the legislature to lend a hand. This bill will help commercial salmon fishermen to make strides toward solving our problems.

Thank you. I urge you to support this bill and thereby help us to help ourselves



# UNITED FISHERMEN OF ALASKA

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Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-lish.org](mailto:ufa@ufa-lish.org)  
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February 20, 2002

Representative Drew Scalzi  
Representative Beverly Masek  
Co-Chairs  
House Resources Committee  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Re: HB 286 Ownership Of More Than One Fishery Permit

Dear Co-Chairs:

United Fishermen of Alaska supports passage of this bill to allow fishery permit stacking for the purpose of fleet reduction. Specifically, we support allowing:

- A natural person to own up to two permits in a salmon fishery
- Formation of regional non-profit associations to facilitate funding.
- A 2/3 majority vote by permit holders to authorize a self assessment of up to 5% of ex-vessel value

As you are aware, the Alaska salmon industry is facing challenges due to imports of farmed fish, the value of the Japanese yen, the lagging Japanese economy, and inefficiencies in the present harvesting structure. It is important that fishermen have a self-directed means of removing excess capacity without the use of state funds and in a manner that is constitutionally viable.

We discussed expanding this permit-stacking program to fisheries other than salmon, but do not feel there has been adequate discussion with other non-salmon fisheries of this option at the present time.

#### MEMBER ORGANIZATIONS

Alaska Longline Fisherman's Association • Alaska Trollers Association • Alsea Processors Association • Bristol Bay Reserve  
Chignik Regional Aquaculture Association • Concerned Area "M" Fisherman • Cook Inlet Aquaculture Association  
Copper River Salmon Producers Association • Cordova District Fishermen United • Douglas Island Pink and Chum  
Kanal Peninsula Fisherman's Association • Kodiak Regional Aquaculture Association • Kodiak Sainers Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Old Harbor Fisherman's Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Puro Sano Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Sainers Association • Southern Southeast Regional Aquaculture Association  
United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters

The twenty-nine member groups of UFA would appreciate your support in passing this bill.

If you have any questions about our position or if you need additional information, please feel free to contact me.

Sincerely,

*Thomas M. Gemmell*

Thomas M. Gemmell  
Executive Director

# Petersburg Vessel Owners Association

P.O. Box 232

Petersburg, Alaska 99833

March 14, 2002 Phone (907) 772-9323 Fax (907) 772-4495

Representative Drew Scalzi  
Alaska State Legislature  
Capitol (MS 3100)  
Juneau, AK 99801-1182

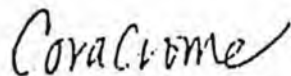
RE: Support HB 286 Own More Than One Limited Entry Permit

Petersburg Vessel Owners Association is a group of commercial fishermen who participate in a variety of fisheries statewide. Income from commercial fishing is very important to our community and to the Alaskan economy. In recent years, salmon fishermen have faced falling prices and weak markets for their products. This is due to a variety of factors including competition from cheap farmed salmon, a weak yen, and reduced market opportunities.

Fleet reduction is one way for our industry to reinvent itself to survive and prosper in the future. By creating mechanisms to reduce the number of active permits, we will enable fisheries to provide compensation for those who can no longer profit in the fishery and ensure that those who remain are able to survive. HB 286 is an innovative solution that would allow fleets around the state to design a program to reduce the number of permits in their fishery. Each fishery and region could customize the program to fit the special set of circumstances they are facing. Any assessment under this legislation would be voluntary, requiring a two-thirds majority vote.

This legislation is a valuable tool to help the industry face our challenges and move into the future. We appreciate your consideration of these comments and hope you will support this bill. If we can assist you in any way, please feel free to contact us.

Respectfully,



Cora Crome  
Director

# Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska  
P.O. Box 939 Cordova, Alaska 99574 / phone (907) 424-3447 / fax (907) 424-3430 /  
e-mail [cdfu@ptialaska.net](mailto:cdfu@ptialaska.net)

February 9, 2002

House Resources Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3472

RE: CS for HB 286 - Permit Stacking for Fleet Reduction Purposes

Dear Members,

Cordova District Fishermen United, representing the fishing fleets of Area E-- Prince William Sound and the Copper River--supports the CS for HB 286. The salmon industry in Alaska is reeling from the impacts of low-cost farmed fish and a weakened Japanese economy, and must utilize a variety of mechanisms aimed at decreasing costs and increasing efficiencies. Harvesters in our industry need the ability to remove excess capacity, where desirable, so that their investments in efficiencies and decreased costs are not mooted by reactivation of present latent licenses once industry viability increases.

Additionally, we are in full support of the assessment mechanism that provides fleets, regionally and voluntarily, to assess themselves to accomplish their fleet reduction goals. The 2/3<sup>rd</sup> majority of the permit holders of any gear group that is required prior to any assessment provides an important safeguard.

This is thoughtful, responsible legislation that provides an extremely significant tool for salmon fishermen to utilize as they attempt to find viability in today's volatile salmon industry. We urge your full support of CS for HB 286.

Sincerely,

*Sue Aspelund*

Sue Aspelund  
Executive Director



P.O. Box 762 • Kodiak • AK • 99615  
Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: [kodiak@unitedsalmon.org](mailto:kodiak@unitedsalmon.org)

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February 21, 2002

Representative Drew Scalzi  
State Capitol  
Juneau, AK 99801-1182

Dear Drew;

The United Salmon Association would like to express its support for HB 286.

As fishermen work to strengthen the salmon industry in Alaska, tools such as those provided in HB 286 will allow them to address their own regional needs and move forward in their efforts to revitalize fisheries in their own areas.

Thank you for all of your efforts on behalf of Alaskan fishermen.

Sincerely,

A handwritten signature in cursive script that reads "Thom Wischer".

Thom Wischer  
Chairman  
USA/Kodiak

## Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway  
Juneau, AK 99801



Phone 907-586-6652

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E-mail: [seafa@gci.net](mailto:seafa@gci.net)

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February 22, 2002

Rep. Drew Scalzi, Co-Chair  
Rep. Beverly Masek, Co-Chair  
House Resources  
Alaska State Legislature  
State Capitol, Room 124  
Juneau, AK 99801

RE: Support for HB 286

The Southeast Alaska Fishermen's Alliance is a multi-gear group representing the interests of salmon, crab, shrimp and longline fishermen of Southeast Alaska. We support HB 286 but would like HB 286 to be amended for all state fisheries and not confined to salmon only for the following reasons:

- The original bill was for statewide fisheries, I sent the information to my members as a bill for statewide fisheries and did not receive any opposition from them on the aspect of the bill being statewide and since the bill has been changed to salmon only my members have been contacting me to see if we could change it back to statewide fisheries.
- The bill is written so that the individual, regional fishery has to choose the options provided under this bill. It cannot be forced on the majority of the fleet, they have to agree, and therefore what is the harm in allowing all the fisheries the same options as the salmon industry.
- We believe that the statewide option in this bill is necessary, as other fleets besides salmon have struggled over the past several years with trying to deal with excess effort in their fishery. This legislation would provide these fleets with an option that could possibly work for them.
- As the salmon fleet might take advantage of the options this bill provides them, there is the possibility as permits are sold, and stacked that the fishermen selling out of the salmon fishery but still owns their boat may look at alternative fisheries to get into. These fisheries need the same tools as the salmon industry at the same time to prevent possible harm to their fishery by permits being fished.
  - As an example, lets look at the SE AK pot shrimp fishery. Since the shrimp fishery went limited entry, this fleet has tried to find ways to reduce the number of permits that were issued. While HB 288 which deals with CFEC buy back statutes is a very worthy bill, it will not work in the shrimp fishery because the problem there is ½ the permits issued are non-transferable. HB 288 does not allow the purchase of non-transferable permits. Under HB 286, it might be possible to put together an association to assess the fishermen, and contract with the willing non-transferable permit owners to not renew their permits for two years so the

permit disappears. To purchase transferable permits in this fleet would almost guarantee some time in the future when the non-transferable permits have phased away that it would have become too exclusive and new permits would need to be issued.

It has been suggested that we allow this bill to go through the legislature with just Salmon included at this time and try to amend the statute next year, instead we suggest that since the bill has the safe guards built in and that a program can not be forced onto a fleet that the bill be for all fisheries at this time.

Southeast Alaska Fishermen's Alliance supports this legislation whether it is for salmon only or amended to provide a tool for all fisheries in the State. We thank you for considering our arguments to amend the legislation for all fisheries and hope that the resource committee can support and pass this bill on to the next committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathy Hansen", followed by a horizontal line extending to the right.

Kathy Hansen  
Executive Director

Gig & Julie Decker  
Box 2138, Wrangell, AK 99929  
907-874-3110  
gigjulle@aptalaska.net

Representative Beverly Masek  
Representative Drew Scalzi  
Co-Chairs, House Resources Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

February 21, 2002

**Re: HB 286 Ownership of More Than One Fishery Permit**

Dear Representatives Masek and Scalzi:

Julie and I support passage of this bill to allow fishery permit stacking for the purpose of fleet reduction. Specifically, we support allowing:

- 1) A natural person to own up to two permits in a salmon fishery
- 2) Formation of regional non-profit associations to facilitate funding
- 3) 2/3 majority vote by permit holders to authorize a self assessment of up to 5% of ex-vessel value

I have been a commercial salmon fisherman in Alaska for 30 years, and I have also participated in over 60 different fisheries in Alaska. I am on the Board of Directors for the United Fishermen of Alaska. My wife has fished with me for several years before becoming the executive director of the Southeast Alaska Regional Dive Fisheries Association.

The overwhelming thing that we recognize is that the fishing industry needs to change. This bill would create a mechanism to begin to change the industry.

Thank you for your consideration.

Sincerely,

Gig & Julie Decker

United Southeast Alaska Gillnetters (USAG)  
PO Box 22427  
Juneau, AK 99802  
March 1, 2002

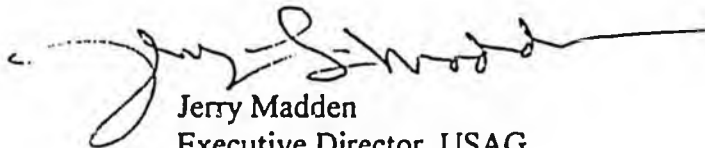
Dear Representative Drew Schalzi:

We support House Bill 286. We are working closely with UFA lobbyist Jerry McCune on this Bill and feel that Jerry speaks for us as well as for other member groups.

We feel that HB 286 is a tool individuals in any particular fishery can use to reduce the size of their fleet to a more economically viable unit. This legislation lays out the mechanism for carrying out fleet reduction. A lot more needs to be done to save the salmon industry from its current crisis, but this is a good start.

Thank you for your support and continued leadership on fishery issues.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jerry Madden", with a long horizontal flourish extending to the right.

Jerry Madden  
Executive Director, USAG  
(907) 586-5860