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UNIDENTIFIED SENATOR: I have a couple of other commitments this afternoon, so I'm going to be coming in and out. I wanted to say that at the start, because I didn't want anybody to think that I was uninterested or walking out in the middle of their testimony, so if I walk in or out, why don't take it as a personal affront. I'm not trying to comment on it or insult it. I just have some other things I have to do.

CHAIRMAN: If some of you fellows that are in the back would rather take some of these chairs here along the wall, feel welcome to do so. I apologize for having this expansive table between us. I'd much prefer we had less table here, but we've got to work with what we've got. We're missing...

(Long pause in tape)

CHAIRMAN: ...Senator John Radar from Anchorage. As I indicated Senator Lowell Thomas and John Sackett are the other two members of the committee, and our aide, our administrative assistant, without whom we would have been lost all this time, Mike Whitetail. And Mike, have you--do we have a list of people that would like to talk or should we start that around now?

MR. WHITETAIL: No, I think we'll probably start that.

CHAIRMAN: Alright. We'll just send a list around and if you'd like to talk, why sign up and then I'll--we'll go from there. Now...

UNIDENTIFIED SPEAKER: Could I comment, Rob, on this?

CHAIRMAN: Yeah. The purpose of this meeting is to hear from you today, so--alright, go ahead.

UNIDENTIFIED SPEAKER: I think everybody was--at least the U.F.A.

members, there are people that are not members of the U.F.A. that are here, too, that might want to testify, but I think they wanted me to lead off, mainly, and then, have comments.

CHAIRMAN: We normally take--we normally give an opportunity to people from out of town to talk first, since we can always hear from these guys that are in town, but we'll make an exception for Bill, and...go ahead, Phil.

PHIL DANIELS: Shall I set here?

CHAIRMAN: No, why don't you go ahead and sit up there, and--it's not a round table, but then it's...

MR. DANIELS: Well, I've--you've heard me speak before so I'll try not to dwell on anything for very much of what I've said before, but the delegates of U.F.A. did adopt in concept the bill that's in the House, and they didn't want to, by any means, slight the work that's going on in this committee by doing that, because we are well aware of the fact there's been an enormous amount of work go on here. We did have that bill before us, and of course, by endorsing it in concept we don't want to be locking ourselves absolutely into anything, but we are very concerned that some of the concepts in that bill be entertained in whatever the Senate may come out with, and I think I'd like to start out by saying that I think one of the big problems is faced--at least the people in the Attorney General's who were initially concerned with presenting the Governor's bill with the idea of selling--or convincing, or persuading the fishermen themselves that limited entry was something that they needed and could live with and I think the action by the board of delegates of U.F.A. has indicated now that they are interested in limited entry for

themselves and as it might affect them, and I think that's coming a long, long way from where we were back down the line a couple of months ago. I think there was an awful lot of reaction, and of course, part of our ability to accommodate ourselves to some of the concepts in this bill is based on the fact that it does reflect some of the interests that have been enunciated by the fishermen in these meetings that have been held around the State. It's unfortunate, and we know the reason why, due to the fact that there's a time problem here, that we couldn't--I know that you didn't express the interest in holding committee hearings all over--among the fishermen around the State. We understand why that was not possible, and of course, now, we don't claim to represent fishermen's interests universally, but we are, we hope, a cross-section of fishery interest that is faced across the State, and so we would hope the committee would consider some of the ideas that we are interested in. I think we'd also like to indicate that the fishermen feel that they are, in some ways, imposing limitations on themselves. If--in the fishery that we had in the past, anybody could get into any kind of gear or any kind of fishing area simply by going and buying a license, and of course, we're now voluntarily placing restrictions on ourselves for reasons that we're all well aware of, and we feel that it's something due to the biological nature of the problem that we have, the shortage of fish which are down to a third of historic levels, due to the economic problems we have, it is necessary. I think we're aware--perhaps we agree with Henry David (indisc.) when he said the best government's no government, and we realize that's

not possible, and we also realize a wide open fishery hasn't solved our problems in Alaska. Now, by way of adopting some of the concepts that are in the bill in the House, I'm sure the committee members are familiar with that bill, so I won't labor that, or go through what's in the bill, but we are particularly concerned, of course, about initial cuts, how they will be accomplished, and I believe there've been many fishermen who have even expressed support for the initial bill that the Governor's committee sent out and it called for a lot more drastic cuts than are in the present bill as it's now written. We do support the bill as now written. I think we're aware of the practicalities of the matter, that from a political point of view, this may be best the way to make sure we do get limited entry this session. Now that bill, of course, calls for modified cuts, up to 25 percent in drift and set nets in Bristol Bay, up to 25 percent in Cook Inlet in both of those categories, and up to 25 percent in the drift category in Prince William Sound. We were very interested in seeing a buy-back program used to achieve the additional reductions that are necessary, and again, we're placing something on ourselves as fishermen. According to the way that bill's presently written, we could be assessed as much as seven percent of the value of our catch per year. I have reservations on that seven percent figure. I understand it's rather an arbitrary figure, and it might be reduced. By way of illustrating that, if we use the seven percent figure and took the gross value of salmon in Alaska, you'd come up with about five point five million dollars that could be used for buy-back. Now, we would hope that that would be used to

serve as a loan program, so that you could start out with a bigger buy-back program. If you did use the five point five million dollars to service that loan and you could come up with a buy-back program--as I understand, a million dollars will service a \$12 million loan, so if you multiplied that, you would get a--with a five point five million dollar initial figure you'd come with something like \$60 million for buy-back. That's probably more than is necessary, and we would hope that the buy-back will be based, as we have been informed that it would, that the commission would go to various areas areas in the State and talk to the fishermen, and ask them how fast you want the gear reduced in your area. In some areas it doesn't need to be reduced as quickly as others, and we hope that whatever assessments are made, they'd be made as reflected of the desires of the people that live in those areas. We've been very concerned about transferability. The fishermen are pushed--when we consider the alternatives, we've come up with the idea of free transferability. That's not to say completely unrestricted. We are certainly willing to see as in the bill in the House, it calls for transferability, you have to go through the commission, there's a six months' waiting period for approval before someone can transfer their license. We see this as protecting people from making a spur-of-the-moment decision or selling out in a bar some night, or just making a foolish decision. I think we favor that idea very much. We also are favorable of the idea of two categories of license and that again is built in to protect people in low income situations. On the one hand you'd have the five-dollar license, which is available

to a person in the low income bracket, if he wants it. If a person who wants to have a license that is transferable, it would cost him \$50 to maintain that license. The person taking the \$5 license, of course, would have a non-transferable license for a period of five years. Again the idea being to protect people from making a foolish decision or to discourage them from transferring their license and seeing those license migrate to moneyed interest. We're also extremely concerned, if at all possible, to encourage the State to consider if this license is made freely transferable, to consider the possibility of the State's setting up loan programs to help people in low income brackets and perhaps also crewmen who've had years of experience in some other area in the fishery, to be eligible for these loans so they can be encouraged--we can encourage the license to end up in the hands of these persons. Now we feel like it's in the long-term best interest of the State to see those licenses end up in Alaskans' hands, and it's one of the ways you can legally, as we understand it, actually discriminate in favor of Alaskans by way of requiring Alaskan residency, also by way of putting in economic requirements, before you could qualify for this loan assistance, and optimistically, perhaps naively, we think that over a long period of time you might see an actual increase in the number of Alaskans who are made eligible--or who end up with these licenses. Now we're aware of a lot of the problems involved if the license becomes a transferable property right, but we're also aware of the enormous problems that can occur if the license is not a property right, and if you end up either in a lottery

or an apprenticeship pool. One of the biggest concerns we have is with the fisherman's being able to hand his license back into the ranks of his own family. We think this would be horrendously complicated by way either of an apprenticeship pool, or the lottery-type system, if you had it as a leasing right instead of a property right. We had initially hoped that you could have apprenticeship pools for specific areas around the State. It might be able to favor the Alaskan resident this way. One for Bristol Bay, for example, one for Cook Inlet, one for various other areas. We understand, after Dr. Fletcher's testimony, that the apprenticeship pool would be stronger constitutionally if it were based on something like nautical experience and included fishermen from all over, including fishermen from outside as well as Alaska State residents. We feel that people in areas like Bristol Bay, where they had a short-term fishery, would be put at a grave disadvantage if they had to compete against people from, say, Washington or Oregon, who had an in-depth fishery and were able to fish many months of the year. These are some of our concerns, some of our worries, if the transferability is moved from a freely transferable property right to some other formula. We have also taken up in a very smattering form, the idea of a deferential tax that has been discussed. The fishermen reacted adversely to that. You can get their comment on it. There may be some explanation from--that hasn't been touched in the way I presented it, but the thinking is, that the fisherman who would really achieve a windfall gain is the fisherman who comes into the fishery, let's say ten years from now, after you've

reached your optimum level. He has no assessments to pay, and yet he gets into the fishery for, say, maybe five or ten thousand, and yet--and then he gets that money back when he sells his permit, so he also is for a possible recipient of a windfall gain. Now, we've touched on a lot of these ideas, and I know a lot of this you've already heard and that the fishermen themselves will have, perhaps, some comment to make, and I could go on with quite a few other things that we'd like to see in the bill. I think the biggest things we're after, we want to recognize the validity of the concern of people who say that the license might tend to migrate toward money interests, and by that we'd love to see some kind of loan program established to help get away from that problem. Our thinking there simply is that as long as a fisherman, on a lean winter, may end up borrowing money from a cannery, then the cannery, of course, if going to have his hands on that fisherman, regardless of whether this is a leasing right or a freely transferable property right. So I think by making it a leasing right you will not have solved the problem of getting the fishermen out from under cannery domination, whereas if we are able to make low-interest money available to the fishermen, perhaps we can solve that problem. If we had enough money available from those sources, it might be in order to pass a law forbidding canneries to loan fishermen money, but I think we're a long way from that point.

CHAIRMAN: Thank you. Before we go into questions--why don't you stay there for a minute, Phil. People may have questions of you. Before we go into that, however, I'd like to state something that I should have stated earlier, perhaps. There's been

some concern that this committee was dragging its feet for one reason or another, and that there was a question about the bill coming out, and so on and so forth. I'd like to use the opportunity to assure you that while action, perhaps, did slow down, I think there probably were good reason for it, but that it has nothing to do with not passing the bill this session. As I've told Newt over the phone a few days ago, I feel the chances are at least 95 to 5 that it will be passed this session. Certainly, I'm going to make every effort that I can to make sure that it does and I think the rest of the committee feels the same way about it. I think we need to recognize the fact that in the House this bill was referred to three different committees. In the Senate it only had one committee referral, and part of the procedure here was because we felt, if it looked to the House that their's should pass first, and it had three committees to go through, then it might get hot and act on it a little bit faster. We might not get caught in that last minute crunch. So, that as soon as the House bill comes across to us, and it's in Finance know, as I'm sure you know, that's the last committee, and the speaker has said as early as today that he does expect to have it out yet this week, then in the Senate we expect to be ready for it, and it will be on the calendar, I would say, within a matter of just a very few days, in the Senate from the time it passes the House. So, if you are concerned about the time element as far as the Senate's concerned, why, please let me reassure you there that there is no problem. If we get the bill this week from the House, we'll have it on the calendar, definitely, next week, and so, we are,

I think, all of us, committed to doing everything we can to get this bill out this year. And, now, if I speak incorrectly, why, correct me, or any of the other committee members. Okay. If anybody has any questions on that, why, we'd entertain them at this point. If you want any clarification, if I've not made it clear enough. Okay. Bill, you didn't mention anything about a moratorium on transferability to individuals for a year or two. Is, then, something that you've discussed at all? Do you have any position on that?

MR. DANIELS: We discussed it, and we discussed it, as I recall, Dr. Fletcher's testimony, and I'd understood that without transferability a moratorium is not likely to succeed in the courts. Is that incorrect, or?

CHAIRMAN: I think his position was that we would have no problem with moratorium if we showed what we were going to do when we get--after we get this moratorium, period. Now, Dr. Fletcher-- Dr. Fletcher's point was that to have a moratorium, without showing what we were going to do with the licenses when we got down to--or with the permits when we got down to optimum levels, would appear to the courts to be simply a trick to buy time and that we really didn't intend to do anything about making these available to other people in getting around the closed-class problem. However, he said that if you show in your bill a definite transitional period, and then what you're going to do when you get to the number of licenses that is desirable, then you can do almost anything in this transitional period, and there would be no problem with a moratorium.

MR. DANIELS: Again, I'm recalling, only from having said in that day, and

you may have this off on tape, and trascribed, which I have not had the opportunity to look at, but I was recalling--I believe he was speaking with Mr. Adasiak from the Attorney General's office, and he said he felt, as I recall, that a six-month moratorium would be the lot stronger...

CHAIRMAN: No.

MR. DANIELS: No?

CHAIRMAN: No, you're talking about a separate thing. At one point we saw this transferability thing as so involved and so complex that if there's any way possible we could give it to the commission, charge them with the responsibility of coming back in a year or two with recommendations on how to handle transferability, that's the way that I, personally, would have liked to have gone. And this is when he says, no, you can't do that, you've got to show on the bill what you're going to do as far as transferability is concerned. That's where we asked him--well, okay, it wasn't two years, how about if we had them come back within a year. And he says, you're in better shape. Six months would be better yet, but that's doing nothing with ultimate transferability, but making recommendations to the Legislature. That's the question he was speaking to.

MR. DANIELS: Could I ask then, how long a period of time are you thinking about as far as a moratorium is concerned?

CHAIRMAN: Oh, I'm--I don't have anything in mind. We've discussed the idea of a couple of years, and I don't have any position on it. I was just wondering if you did.

MR. DANIELS: Could we ask the fishermen for their reaction?

CHAIRMAN: Sure.

**MRS. DANIELS:** We didn't bring this up.

**CHAIRMAN:** Well, Jim here wants to talk right behind you.

**JIM:** I really don't want to talk right now, Senator. I just wanted to ask you--I wonder if you could elaborate a little bit. I don't quite understand your position on this moratorium bit. Do you in effect--are you in effect saying that you establish certain people that are eligible and they're frozen into it with the intent...?

**CHAIRMAN:** Yeah. Well, again, please, I don't have any position on it.

**JIM:** No, I don't mean a position. I just mean, if you would tell me what you're referring to.

**CHAIRMAN:** Right. For those that have just--haven't met Senator Thomas before, why, Senator Thomas has just arrived, and Senator Radar, of course, has not. Well, the idea, I think, that was put forth at one time was that it might be desirable, after the initial--after the entry permits had been issued, that it might be of value to have a couple of years moratorium before they could be transferred to another individual. Now, we might want to retain--if we did that, we might want to retain the option of the commission buying them out, transferred to the commission, but not to an individual. There were some advantages that were expressed. I don't know whether there's anything that's very important or not, but I just wondered if you did have a viewpoint on it.

**MR. DANIELS:** There might want to be someone else who'd want to comment on it. I...

**CHAIRMAN:** Well, if your group has not discussed it, maybe it would

be better for you to discuss it...

MR. DANIELS: Well, I would guess that the reaction would be something like this: that if this made the bill more, you know, include the bill and safeguarded some of the abuses that might occur, that some kind of moratorium might be considered. I do think that many of us might have reservations on any lengthy moratorium, because what you're talking about is the pluralities of the fishery by way of anybody switching gear types, or anything of this nature. This is one of the prime items--prime considerations that has moved the fishermen in the direction of free transferability, is because it leaves the fishery somewhat liquid as it has been in the past, but still keeps the lid on the number of units of gear in each area. It allows people to move from one type of gear to another. We're very, very fearful of anything, I think, that would tend to freeze fishermen into their gear types, and especially for any long period of time. That's one of the big considerations we've had when talking about free transferability and one of the reasons people have been favorable to the idea of free transferability.

CHAIRMAN: Any questions of Mr. Daniels, committee members?

UNIDENTIFIED SENATOR: Well, I would like to ask, can you give us some of the advantages of a moratorium of that type?

CHAIRMAN: Not at this time, I wouldn't. I don't know what they might be. It was proposed, and I was simply asking if you people have a position on it. Just a minute, Clancey. You don't have any questions of Phil?

SENATOR THOMAS: No. I'm sorry I missed testimony. I was pretty interested in what I heard.

CHAIRMAN: Alright. Clancy.

CLANCY: I would just like to ask a point here. This moratorium means there would be no licenses issued as such...

CHAIRMAN: No, no.

CLANCY: ...for instance, I'll give a demonstration. I'm going out this Spring and do a thing that I've gear for for several years, but I haven't bought a license for for the last three years. Would this stop me from doing this particular thing?

CHAIRMAN: No. No, no. Maybe I didn't make it plain. The proposal that was put forth, and maybe it's not important enough to spend this much time on, but once the permits had been issued, simply a moratorium on the sale of those from you to somebody else who wants to buy, for a couple of years, to an individual, however, still allowing you to sell to the commission if you want to get out. One advantage might be to, again, to provide a reduction of gear, some incentive for reduction in gear, so the guy that's selling out could sell to the commission which might retire than license, rather than to somebody else. Again, just for a couple of years.

CLANCY: Yes. Thank you.

CHAIRMAN: Alright. Phil?

MR. DANIELS: I just wanted to comment. I think the way we understand it, although we could be in error on it, that it will be--let's say the bill were passed this year. It would probably be two years or so before anyone would be issued a permanent permit, so, in effect, you'd have two years already. Now, if you added two years on to that, I think that might complicate the matter in some people's mind, because you'd be talking about four years

instead of--but you already have two years, probably, in which to consider some of the problems involved in transferability.

CHAIRMAN: Okay. Yes, go ahead. Would you identify yourself for the tape, please.

UNIDENTIFIED SPEAKER: Well, I didn't want to--I just wanted to say something about that, if it's okay. However, I'll be glad to have a question (indisc.).

CHAIRMAN: No, go ahead.

UNIDENTIFIED SPEAKER: One complication might be that there would be some permits available after this two-year period you spoke of. Maybe just right now, while this is taking place, somebody may have invested in a boat, you know, substantially, and would like to buy one of those permits, and it's possible (indisc.) in that respect, if I understand it right.

CHAIRMAN: Yes. Okay.

UNIDENTIFIED SENATOR: It's my feeling that any moratorium that's been presented so far, a moratorium seems to endanger the bill as far as constitutionality--the length of the moratorium. On this grounds I would be hesitant to support anything that would possibly cause this bill to be rejected under constitutionality terms.

CHAIRMAN: I'm glad you brought that up. That is one of the reasons that our progress has not been any faster than it has been. I feel, personally, that it's absolutely essential, that when this bill comes out, that it be constitutionally solid. That we cannot afford to go through what we did in '68, when we passed legislation that went to the courts, was found to be unconstitutional, but as a result of that legislation many

with the first major one. The second is the extent to which alternative livelihoods are realistically available to the applicant either presently, or following a realistically available course of training, and through the applicant's investment in vessel and gear. Then using a meld of those things, the regulations show established five categories of decreasing severity of hardship for grouping similarly situated applicants based upon application of all those standards that we've enumerated. The five categories should be, one, extreme hardship making continuance essential. In other words, if he's pushed out of the fishery then it would cause extreme hardship on him, making his continuance in the fishery essential to him. Number two, hardship making continuance strongly needed. Number three, some hardship making continuance desirable, but not strongly needed, and this generally is your part-time fishermen. Number four, minor or slight hardship, if he's forced out, making continuance mildly desirable, but not needed, and number five, no hardship. So, those are the five categories we're talking about at the present time and the way we arrive at them. And then later we say that statewide we will lock in one, two and three. Now, that's a big difference. Your--in the House bill, why, they're cutting in some of those fisheries to 75 percent. We're saying that the guy that's been a bona fide fisherman, even as a part-time fisherman, recognizing that Bristol Bay to a very large degree is now made up of part-time fishermen. Cook Inlet is to a very large degree, and so on. Those people shall be in in the beginning, and we provide incentive for them to get out--buy them out, and so on. So, that's one area. The

other one is transferability itself, whether it--I think we have no--no, I shouldn't say that either. Some of the committee members may be in favor of something other than free transferability. I know some members desire free transferability, but even after you've said free transfer, then you have to ask the question, what about the property right, to what extent should this windfall go to the individual, and to what extent should the rest of the State share in that windfall. And, so, that question has not been decided here, but as far as I can see, these are the only two differences at the present time. Yeah, Phil.

MR. DANIELS: I was just curious. Does the committee have before them any figures that would give an indication of how many units of gear, if you handled initial entry permits in this way, how many units of gear you might end up with in a particular fishery? How many people would be recognized?

CHAIRMAN: We're not looking at that right now, no.

MR. DANIELS: Our concern--I don't know, now, somebody correct me if fishermen themselves disagree with this statement, but one of our concerns is, I think, one of the reasons we rather liked what was in the House bill is that it does put the lid on it. I believe it's stated in the House at the level not to exceed the high year out of the last four years. In other words, you're not--you're not allowing a lot more people to be qualified for entry permits than what we already have, and I know several approaches that we considered would have allowed a lot more people to become eligible for licenses. I think this would be one of the concerns the fishermen would agree with.

more people got into the fishery than would have, probably, without the legislation, and so, I think that whatever we do this time it has to be right constitutionally, and that's the reason we have Professor Fletcher in and that is the reason that there's been some slow downs, because working with him and the mail going back and forth, telephone phone calls and so on. You know, we've had him up here once and we expect him probably again next week. And...okay. Any other comments or anybody else that would like to have their say before the committee? Today has been reserved to hear what you people have to say, so... Newt.

NEWT: Has the board made any decision on what they think of the House bill?

CHAIRMAN: Has this group?

NEWT: Board of Fisheries. (Indisc.)

CHAIRMAN: Well, now wait a minute. You're talking about our group, or are you talking about the Fish and Game Board?

NEWT. No, I'm talking about your group here as far as the fisheries commission.

CHAIRMAN: And your question, again. Have we made any decision about how we feel about 126?

NEWT: Yes, sir.

CHAIRMAN: No, we have not. What we have done, Newt, is to go through ours, and try to make ours jive wherever we could with 126, and try to narrow down whatever differences we might have. Now, as I see it, there really are only two basic differences at this time. One, and I'm not sure how important that is, is the initial level of entry, and at the present time, we looking--well,

let me read what we have to say. Do you have that page handy? Okay. Is that it right there? (pause) Okay. Well, let me just say, basically, maybe you're already aware of it, but in our bill we are using. Alright, let me say first of all, I guess, that we have operated from the beginning from the concept that we should try to hurt as few people as--of those that have actually been involved in the fishery, as few as necessary in this initial cut here, and then try to achieve maximum or optimum levels of gear by providing for an incentive for them sell out and so reduce numbers that way. And we say the commission shall use the following standards: number one, the extent to which this fishery constitutes an income source to the applicant in decreasing order of importance as follows: consistent participation in this fishery has provided the primary income source during all or substantially all of the three years immediately prior to January 1, 1973, or as an option, two out of the last three years, of those three years prior to January 1, 1973. B, consistent participation in this fishery together with participation in other fisheries has constituted the primary income source for that same period of time. C, participation in this force in this fishery as a gear license holder has provided a substantial income supplement to income sources other than fishing during all, or substantially all, of this same period of time. And, then, D, irregular participation in this fishery during this period of time has provided a variable minor income source. And, then, E, little or no participation. In other words, paper license holders. And then, a second major type of criteria is used in conjunction

CHAIRMAN: Yes.

UNIDENTIFIED SPEAKER: Those criteria there, does that apply only to initial entry, or to new entry when it's...?

CHAIRMAN: No, it's initial entry.

UNIDENTIFIED SPEAKER: I kind--I, from, you know, attending hearings and studying the bill I understand this is in no way (indisc.) part-time fishermen in the Senate bill, and...

CHAIRMAN: You mean the House bill?

UNIDENTIFIED SPEAKER: Yeah.

CHAIRMAN: Yeah, okay, except that under that 25 percent cut in those several fisheries would be a rather large number, I think that would...

UNIDENTIFIED SPEAKER: It already was brought out, too, that there are pretty much optimum levels, or what we could accept as optimum levels in (indisc.) places.

CHAIRMAN: Did I see another hand over here? Yeah, Clancy.

CLANCY: I would like to just to make a statement on this windfall type of thing.

CHAIRMAN: Okay.

CLANCY: ...that's been bandied around some.

CHAIRMAN: Yeah.

CLANCY: I've fished every year in Alaska since 1939. I have no retirement. I have to pay my own bills. I have to buy my own boat and things like this, and I don't see this as a windfall of any kind. I'm gonna have to fish for a living till I get too old to be able to do it, and it's never going to do me, personally, any good, except to be able to fish. I just wanted to bring this out to point that there is a few people in this

State that has to operate under these conditions, so I can't quite see how you can classify it as any windfall in my sake, except that the fact that I'm still going to be able to fish.

CHAIRMAN: Well, the question has been raised, if, when you're ready to retire, the thing has appreciated in value to where maybe it's forty thousand bucks worth in the permit itself, and I don't think that's impossible. Does it then become a windfall?

CLANCY: Well, you put 30 years, or 35 or 40 years of fishing in, ain't you entitled to a little something? You know, on a Federal job or a State job, or any other job--I mean, look at it in this light. This is what I'm trying to say. So, I don't really look at it as that. The same guy that buys one ten years from now and fishes 20 years, he's probably going to be--his so-called investment is going to be worth more than when he paid for it, so he's a windfall at the same time, even though he bought it. Just a point, that's all.

CHAIRMAN: Yeah, fine. Thank you.

UNIDENTIFIED SPEAKER: Speaking along those same lines, don't you feel that through the buy-back program, we will actually have that money invested, then, in the permit, and that it--that way it isn't a windfall?

CHAIRMAN: Well, I don't think that anything that has been considered here would subtract anything from what you have invested as far as the buy-back is concerned, any assessments or anything like. I think there's complete agreement with everybody that anything you do have invested, certainly that--you're entitled to that back when you sell your permit. No question about that.

UNIDENTIFIED SPEAKER: So, you're talking about the moneys that the

permit might be worth, other than the...

CHAIRMAN: The appreciated value over and above anything you put in, yeah. Yeah.

UNIDENTIFIED SPEAKER II: If you're going to take advantage of the fisherman, why don't you--we have a windfall right now in liquor licenses. Why don't you go up to that one?

CHAIRMAN: Yeah, we've talked about that quite a lot, but then the other side turns around and says, well, hey, if you're going to treat fishermen that way, then why don't you open up the forest around here and let the first one in, or divide it up among people without any stumpage, or the same thing with the oil lands, so, there's good arguments to be made on either side of that question. I agree with you a hundred percent.

SENATOR RADAR: Yeah, to add a little further on that. I believe if you look around the State and saw how many fishermen that do have families that they would pass these licenses on down to, there wouldn't be nobody changing hands there.

CHAIRMAN: Yeah. I think Senator Radar has raised a point that's a very good one, though, that we're not--this is not something that we can agree upon ourselves and then just automatically assume that everybody else is going to accept it. You do have a rather Anchorage delegation that feels that this is a State resource and that they've got to have a say so in it, too, to a certain degree, but it is a pie that is being divided up, and it's not the pie that involves some fishermen. The rest of the State does have some say so in it. Now, I don't want to be putting words in your mouth at all. Why don't you go ahead, and...

SENATOR RADAR: Well, you get this problem, too. And that is

if we take a billion dollar resource and divide it up between ten thousand people to harvest it, there's no objection to that, but when they get through using that and there's another generation of fishermen come along, should they have to pay, then, for what was given to the first generation for nothing? You see the difficulty. We're talking about the ones--the next generation of fishermen. Your sons and my sons and the people's sons who aren't here, and so on and so forth. And that's--and, really, what you're talking there is if you get back your assessment that you paid into it then you will have had the privilege of harvesting the resource for your lifetime, as long as useable to you, then you'll get back, I would think with interest, any assessments that had been levied on you, to enhance that. And the difference, then, is what the resource was worth, what you really got by having a one-one-thousandths share, one ten thousandth share in this industry, and unless we were to charge you for it now like we would charge an oil company for harvesting a resource, or a timber company for harvesting a resource, or we charged a man who wanted to graze cattle, we would lease him grazing land and charge him a rental fee, instead of--we could do that with fishermen, too, but it's thought that the fishermen can't afford, and shouldn't have to afford that, but if you don't charge them a use permit or a use fee, so to speak, or make them buy the resource, then when they get through with it, whatever that value is has to be passed on to the next to the next generation of fishermen. If that's to be sold to anyone, then the money should go to the State. If it's to be

used by fishermen, as long as they're able to use it, then they should be able to get the money that they've invested in it, and that would be all they'd be entitled to. That's the problem that we're into, and of course, you have to recognize this, and I recognize that those that use the resource have a prime and first interest in it, but by the same token, you know, we wouldn't think about giving to the oil companies the oil resource, because they wanted to use it. It belongs to all of us, and it belongs to the fellows who are fishermen just as much as it does to the people that live on the North Slope, or some place else. This is a State resource, and the benefit from that resource has to inhere to all the people of the State, and we're not able to divide up for one group of our citizens, one particular resource, and say they get it to the exclude of other groups of citizens, but we can, I think legitimately, try to control and to make sense out of the harvest of that resource by those people who are harvesting it in the past and who will harvest it in the future. That's the nature of the problem. And as I say, it isn't necessarily what you would like, necessary to this committee, but you have a whole lot of people in the State who do consider this to be the most important resource the State has. I'm one of them. I think it's more important than the oil resource. I think it's a greater value than the oil resource, and, for that reason, you have to be real careful about an accusation that it's a giveaway of this resource to anybody, rather than a harvest permit that's useable, and that's--if you get the idea that this is a giveaway of a resource, the biggest and best resource this State has, then this bill will die. It

won't happen, but if we can put it on some other basis, then I think that we could move forward to everybody's benefit.

UNIDENTIFIED SENATOR: I believe the prime concern right now is what is happening to this resource.

SENATOR RADAR: You're absolutely right.

UNIDENTIFIED SENATOR: Cause the way we looked at it, speaking just for our area alone, having the influx of gear that's coming in, you let it go for another five or ten years, we'll be all part-timers, and I can also see that if we have a limited entry program which is successful, you look ahead in the neighborhood of ten years, when build this resource back up, I think it's only fair then the fishermen are going to have to put more into it. We really realize how much money the fisheries is putting into this general fund right now, compared to how much we're taking out, but once this thing is established I think your going to find that the fishermen are going to be willing, also, to put money back into the State to help fisheries.

CHAIRMAN: Alright, Jim, we'll start here and go around the room.

JIM: Yeah, I'd like to make a statement to Senator Radar there. I-- course, my mind probably don't work quite like his does. I seem to have kind of gotten lost there in that mental excercises we was going through. First of all--I mean, it's quite obvious. Newt made the point there that the resources terrific jeopardy, Phil gives elaborate testimony about the fact that it's down to a third and everything. It looks to me like we're sitting here talking when we're literally cutting off our nose to spite face, or something. We're going to sit here and grapple with

the problem, what's just and unjust about it, and forgetting about the fact that it's--to me, it's almost like it is a point of war at this point. Generals do a lot of things that maybe aren't extremely fair, or aren't, you know, a hundred percent the best decision, but they just have to be done, and this is what I feel we're facing right up to now with the fisheries issue. As far as my own license is concerned, I probably would be eligible for a type of gear license, although as Phil has pointed out, I'd simply opt out on most of the other fisheries, which I have a high degree of past experience at, such as crab fishing and every other type of fishing in Alaska, except for scallops. However, I'd certainly be willing to take that in order to save the resources as we've talked about here, but if we don't do something right now and do it fast, why, we're just literally going to completely lose the resource. I certainly wish I was in a position, or all of us were, of willing this landfall, as you guys call it, to the legislative retirement fund or some such thing, to try to help this thing through, because if we don't do it and do it right now in this session, it's--there's no question, I think, in any of our minds that it's all over with, and we're still grappling with these problems about, you know, whether it's fair or just or who's going to get this big landfall. I fail to see, you know, this type of reasoning at this point in time.

UNIDENTIFIED SENATOR: Mr. Chairman. If you'll do it my way we'll have no problem.

(Laughter)

SENATOR RADAR: Well, I don't know what your way is either,

that's why I don't know what your saying, because I'm not against what you're saying, but the difficulty here is just exactly that. It's not that we don't have the same desires here. It a question that we have a lot of people involved, and it's more difficult than just taking care of the guys in this room, or one bunch of people, you know.

JIM: Well, yes, I'm sorry. I should have--I should have--I didn't quite get the--just from your stand there, just what you're-- maybe we came up a day and a half (indisc.) because we don't really know really what your position is or anything is. Well, Phil had elaborated that we could live with this type of a thing as was put out, and House Bill 126, I listened to your dissertation there, and I never did quite get exactly what you were in favor of. Maybe we didn't have a starting point to begin with, and I mean, are you in favor of a lottery, or a free transferability, or a commission to completely controlling it or what. I guess I maybe missed your...

SENATOR RADAR: Well, I haven't made my mind up as to what position I want to go on. The only thing I was talking about, though, in this particular instance, was if you have free transferability and if you do sell the license, then the question is, to what portion of what you sell it for belongs to you, and what portion of what you sell if for belongs to the State, because it is a share of the State's resource, and that's the difficulty here. Certainly, part of yours because you will have put money into it and investment into it. Part of it belongs to the people in the State, though, because it's their resource, and if you're selling an exclusive right to harvest, or a franchise, so to

speaking, the second generation of fishermen really should not have to pay for what you're receiving for free. That's really the basic point.

CHAIRMAN: Let me make this one, too, if I may, before we go on, and that is that, for instance, Jim, we're not--this is not slowing things down at all. I figure that we've got, oh, till probably Monday or Tuesday of next week before the House bill gets over here, and so we've got that amount of time to have this kind of discussion and make our decision on what we're doing, what we're going to do, and it doesn't affect the ultimate timing at all, because we're still going to take that House bill when it gets here and work on it, and so, we're using that time to get ours into shape so--to substitute for theirs when it gets here, and so, this kind of a discussion doesn't slow us down at all. Our bill is close enough to the goal, and as soon as we solve this kind of a problem, and perhaps the other one on initial entry, why, we go right on.

(End of one side of tape)

MR. DANIELS: I'm curious whether there's any possibility of talking about some of the alternatives that might be under consideration on transferability, because I think this is what's got everybody curious, because we don't know, really--many of the fishermen may not know how to react until they understand what you and I have under consideration.

CHAIRMAN: Fine. Okay.

JAY STEVENS: I just wanted to say--comment on Senator Radar's statement there. I think it might have many good merits, but I do know, sitting through many committee meeting with U.F. of A., the delegate from Yakutat, that we have seriously gave

thought to future investment in this fishery ourselves, as farmers, you might say, like buying the seed and the fertilizer and tilling the ground. We do realize that the State hasn't been able to put a lot of money back into this industry to develop it and manage it and possibly it has been so called rape instead of perpetuated by reinvestment, and we didn't want to dwell into it too heavy right now because of limited entry, but I think it's one of the subjects that will come up in the future years, and any fishermen is in disagreement with me that we do feel a responsibilities to our fisheries, then I would like for them to say so here.

SENATOR RADAR: Well, Mr. Chairman, let me make something...

CHAIRMAN: Wait a minute, John. Just for the purpose of the tape and the record again, can we get you name on the...

MR. STEVENS: Jay Stevens from Yakutat, Alaska.

CHAIRMAN: Alright. Thank you.

SENATOR RADAR: Mr. Stevens, I want you to make something real clear to me. I'm not opposed to limited entry.

MR. STEVENS: No, I realize that.

SENATOR RADAR: The problem is how to do this to be fair to everybody, and how to make it an acceptable bill not only to fishermen, but to the other people in this State who have an equal ownership in this resource, see. That's the difficulty.

MR. STEVENS: Well, the point I was bringing out, we kind of feel possibly that we're going to get something for nothing, but in talking from the fishermen from the different organizations, we do hope to perpetuate this industry through our own money in the future, like taxing ourselves, to make this industry a

strong industry again so that we can pull a full living out of it, so actually, we're not going to be gaining anything for nothing if we put money back into it, is what I'm trying to say, sir.

SENATOR RADAR: You understand, also, that I'm saying that under any circumstances it's agreed that whatever you put into the fishery you get back. We're talking about what if you--what you should get back in addition to that if you sell a permit or if it's saleable and has a value in addition to that. If this is a billion resource, and if we divide it between ten thousand people, you see, should you be able to sell that to the next generation of fishermen? That's the question, see. You certainly should be able to get your money back that you put into it. We don't argue about that, but the question is, how-- what should you get in addition to what the money you put into it, should you get back. See, that's the difficulty.

MR. STEVENS: Course, if you're going to have a rise in the dollar all the time, how are you going to determine how much is really-- can come back to the fishermen? What (indisc.) his?

SENATOR RADAR: Take your assessments and interest on it the same way you do any other debt. It's the best you can do, I think.

CHAIRMAN: Okay. Further in the back, and would you indentify-- no, that's right, and would you identify yourself.

RON BALANGER: Ron Balanger, Petersburg.

CHAIRMAN: Balanger?

MR. BALANGER: Balanger.

CHAIRMAN: Balanger.

MR. BALANGER: Petersburg Fishermen's Union.

**CHAIRMAN:** Okay.

**MR. BALANGER:** Now, we're going to add one thing here. What you're talking about, Senator, is going to be completely in my favor. I'm a deck hand. I'm, you know, work on--as a crewman. Now, we've been talking about 10,000, 20,000, 30,000 dollar value of our license. Now, if these boat owners had to sell that license--I mean, had to pay 90 percent back to the State or 75 percent if the State buys the license--I mean, the permit, don't you think it's going to keep the value of that license way down? About a thousand dollars maybe? Because somebody will not like paying, you know, \$9,000 out of \$10,000 or anything on the point. They'll just say, well, heck then, I'll sell it for a thousand dollars and you'll only get 900 or--(indisc.) 50 persons.

**SENATOR RADAR:** I think that you make a real good point, and the point that you also make is that maybe the guy says, well, if you give me for my boat and I'll give you my license. You know, type of thing. It's going to be pretty hard to regulate, because that's been pointed out to us. It's been suggested that what we're suggesting is not feasible. Then you get back to, then how should it be transferred then? That's where you get into the problem of free transferability. The second thing that's wrong with that suggestion that I made, it's been noted by other people, and that is, the second generation of fishermen are still going to have to pay it even if it goes to the State, which means the only people who are going to be able to get in the fishing business, besides this generation, are going to be rich men. They're not going to be a guy that's a deck hand.

It's not going to be a guy who worked his way up, because he's not going to have the 10 or 15 or 20 thousand dollars that it takes to buy his way in, and most of us feel that the fishermen in this industry, most of them are going through their pockets when they went into it, and that doesn't make them bad guys. We're, you know, that's the where most of came to Alaska that way, one way or another. But the problem is, how about the next generation of fishermen? What are we going to do about them? The deck hands, the guys who's in high school now that want to go fishing. How do they get into this fishery? And who do they pay and how much? And that's where you get into the problem of whether or not you should have a lottery or an apprenticeship pool, so that people can get in. The other suggestion is this: that people would use this franchise as long as they could use it. Any human being that's here today and is using the fishing--the fishery can harvest fish, but when they get through using it that that license would go back to the State then, and the State would reissue maybe half of the licenses that came back to it, you know, to cut down the number, but they would reissue them. Then the question is, who gets those new licenses on the second generation of fishermen? How're you going to let a guy get into the industry the same way that you got into it? And then you could say, well, you could either--you could have a lottery or you could sell them if you wanted to, you could bid on them like you would on oil or timber or land, State land or something, or you could have an apprenticeship pool and try to give them back to somebody who had an interest in the fishery somehow, had some experience

with it, or something like that. But that's a very difficult thing to figure out how to do that. So, you have to--what I'm for, I'm very much for limited entry, but I'm convinced we have to solve these problems or else we're all going to be sick of limited entry in three or four years, and it's going to work to benefit or a very few people and to the detriment of a great many.

UNIDENTIFIED SPEAKER: Senator, I've been saying the same thing the whole week.

CHAIRMAN: Well, that's a perfect example. It depends upon whose ox it is being gored. We find that (indisc.) we're going to do.

SENATOR RADAR: That's pretty human. I don't--I'm not mad at anybody for wanting to protect their own situation. I want to protect mine, too, you know. That's perfectly human, but there's-- as senators, we're here, really, to protect the interests of the guys in this room, but also the guys that aren't in this room.

CHAIRMAN: Alright. Next in line, and again, if you'd identify yourself for the tape.

MR. CLAUSON: (Indisc.) Clauson from Pelican. Well, in the first place, I think maybe to answer the first part of Senator Radar's reservation argument would be that this permit is not really selling the resource, it's a permit to fish for it and at the beginning it wouldn't have a great deal of monetary value, nor should it. It may require--it may become valuable. So, if becomes valuable through a man's efforts, then when the man that does buy it, he is buying something of value, where at

the beginning it's--we don't know the value until it's determined by the market. Now, I don't see how that is unfair or that it gives a man a right to a specific part of the resource.

SENATOR RADAR Well, Mr. Chairman, if I have the right to harvest the crops on a piece of land, I don't care who owns it. If I have the right to graze cattle on that land, I don't care who owns it. If I have the right to fish the free fishery, I don't care who owns the fish when they're swimming free. The only valuable thing on the resource is he who harvests it, no matter who owns it, and if you give the exclusive right to harvest it, you have effectively divided up that resource among those people who have the exclusive right to harvest, see. Which is alright. You know, we're not complaining about that, but we're only saying that....

UNIDENTIFIED SPEAKER: ...monetary value to begin with, though.

SENATOR RADAR: Well, now, I'm not sure that's true. If we cut out half the people the moment we go into a fishery this year, if we gave a fishery permit to everybody who wanted one, they'd have no value, but if we cut out 50 percent of the people who have applied for licenses this year--who have taken out licenses, as we've hoped to do, it's going to have a value the day that this thing goes into--the law is enacted. There's going to be an immediate value to that thing. I don't know what it's going to be.

UNIDENTIFIED SPEAKER: Without seeming to argue, I mean, cause this is kind of an argument, this thing, this type testimony, it would be open to speculation on whether it would have a value because in some fisheries you can cite examples, it has become

a thing of no value, because the fishing time this fishery has gone, cause this is why the problem of limited entry comes apart. It comes up. That was really all I meant to comment on it, on that one thing. I'd like to comment on your second point.

SENATOR RADAR: Well, let me comment on that. If you have two thousand people apply in Bristol Bay for licenses and you issue a thousand of them, don't you think that license is going to have a value? There's going to be a thousand guys there that's going to be wanting to buy a license from somebody, and they're going to buy them from the guys that's got them. If they--I don't know what the value's going to be, and it's going to be hard for either the seller or the buyer to know, because the value of that thing is going to depend upon what the State does in the future, whether or not they really limit the resource. If they don't limit entry in the future, it isn't very valuable. But if you cut out half of the guys that are there standing line for a license, half of them get a license, half of them don't, the guy that's got a license can walk to the guy that didn't a license and say, what'll you give me for my license if you want to fish this year? And he's going to get a...

UNIDENTIFIED SPEAKER: The bill that we've approved in concept would neither be that theory or...

SENATOR RADAR: Well, that's what we hoped to do. If we don't do that, why, it won't have a val.

UNIDENTIFIED SPEAKER: But my only comment was on the--you know, we've analyzed it on the hearing, and so on, and so have you, of course, that possibly that monetary value would just amount to later transferring it, the thing that does become valuable.

On the business of--I don't quite remember how you stated it, but--the second part, but it amounted to saying that, well, the fish belong to everyone in the State, which of course, they do, or even everyone in the country. The economists argument, as I understand it, on this is that--now, most people aren't fishermen, especially due to the whole country, and they have a right to this fish, just as we have to an oil resource, and all--you stated this. Now, the argument from the point of the economy, as I see it, is none of this value is accruing to the State simply because the fishermen are putting into equipment and gear just to gouge each other and the devil takes the hindmost, because of this wide open situation, and the thing is designed to alleviate that.

SENATOR RADAR: I agree with that point. You're right.

CHAIRMAN: Mr. Clauson, then it doesn't really make any difference to you whether you get a permit or not?

MR. CLAUSON: Doesn't make any difference to me? Well...

CHAIRMAN: ...has no value. If it has no value, then it doesn't make any difference to you whether you get one or not.

MR. CLAUSON: Well, I didn't...

(Laughter)

CHAIRMAN: Well, how much are you willing to give for one then?

MR. CLAUSON: Okay. You've made this...

CHAIRMAN: How much are you selling yours for today?

MR. CLAUSON: Now, wait a minute...

(Laughter)

MR. CLAUSON: He's playing with words now. Things are wide open now.

CHAIRMAN: No, no, I just...

MR. CLAUSON: No. I said that the permit itself wouldn't have a monetary value that I could sell--it may have, but it wouldn't be--it certainly would increase as it got more valuable to me. In other words, it--presumably if this program worked, and if it didn't you might as well repeal it later on, but if it worked, then unless that permit becomes more valuable to me, and unless other than fishermen benefit slightly from my contribution to the State as a result of it, then it--you know, it's value wouldn't increase. Presumably it would. That's what the program is designed for.

CHAIRMAN: Oh, I have no argument with you at all. I agree with you a hundred percent, that if we succeed at all then the value will increase, but I do think that probably it has some value the first year, too.

MR. CLAUSON: Well, I think your point was apt in humor, but it's distracting, you know...

CHAIRMAN: Well, I don't think it was humorous at all. I think it does have value now and I think that your reaction proved that.

MR. CLAUSON: No, I won't accept that (indisc.). After all, we're serious about this. It isn't a battle of wits, although it is entertaining.

CHAIRMAN: Alright. Then we'll start back again. Phil.

MR. DANIELS: I was curious. I've heard the--heard reference made about giving away the resource several times, and I've always felt a little reservation about that. It seems to me you're regulating a person's ability to enter the fishery and no one's giving away the resource, and again I'd like to refer back to the decision made by--in the Holland versus Missouri case where

it was pointed out that wild game belongs to no one until it's actually in someone's possession, and I think it does maybe prejudice the situation a little bit when you talk in terms of actually giving it away. In this respect, that it seems to me that it's very parallel to what you do in liquor license and also in insurance. When you've issued those your issuing a license that allows a person the right to earn a livelihood and it seems to some of the fishermen, perhaps, that this is parallel to what your doing when your talking in terms of limited entry, and I think what we're curious about, I don't know what type of tax structure you have in mind, what type payment. I know the analogy was used the way was used the way the oil companies operate. I think they pay a 12 percent severance tax. I have heard cost figures on the license that were way in excess of that. I just wondered whether there was any justification, if you are going to draw that parallel between what the oil companies pay and what the fishermen would be doing, whether there's a justification for talking on one term of a 90 percent tax or a 75 percent tax, and then on the other term of a 12 percent tax, say, on the oil companies. Would anybody have a comment?

SENATOR RADAR: Mr. Chairman. First of all, the idea that nobody owns the fish is true in the situation where everybody has an equal right to catch the fish, and you say that all the public has an equal right to go catch the fish. Nobody owns them until their caught.

MR. CLAUSON: You're not quoting me, are you? That isn't what I said.

SENATOR RADAR: No, I was just trying to go with what Phil's saying

here, but the sense that no one owns the fish is presupposed that everybody has an equal access to it. Once you decide that only certain people have the right to that fish, then you're taking the fish that were owned by all the people and you're letting certain people harvest them, and there you are giving something, you are giving a franchise. And again, I'm not objecting to that, but I think that that factually is what it is. And we're not talking about a 90 percent tax. The only thing we're talking about is, after you, as a fisherman who have used this resource for your lifetime, and you get back the money that you've put into it in terms of assessments plus interest on that, that if there is something else left over there, that that is really the resource, and that's the public's right and the public's interest. And you should no more have the right to sell that nor the next generation of fishermen have to buy it from you than we should today. If you're going to do that then we should sell it to you today. If we're going to do that we've got to put up 10,000 fishing licenses and sell them to the highest bidder.

MR. CLAUSON: Well, Senator Radar, everybody can't be fair...

SENATOR RADAR: And then when you get through with that you can sell it to the highest bidder. But if we're going to give it to you...

MR. CLAUSON: Everyone can't be fishermen, though. Everyone can't be fishermen, and if the rest of the people are to benefit then there has to be something in it, so that the fishermen's profit is going to accrue to the State also. Otherwise, we'd all have to take turns being fishermen.

SENATOR RADAR: Well, let me ask you this. What's wrong with my theory that says you get to use the resource and we're going to limit the entry into it and you get back all the money you've put into it? What's wrong with that? Why do you think that you should be able to get, not only all that you put into it and the exclusive right to fish for 20 years, but also the value of the resource when you get ready to sell that to the next guy that's coming along.

CHAIRMAN: Let's wait a minute. Let's go through the chair now, and we've got several people that haven't been heard so we'll let them answer the questions if they'd like to. And we'll start over here.

UNIDENTIFIED SPEAKER: Can I answer that one?

CHAIRMAN: Yes. That's what I'm asking you to do.

UNIDENTIFIED SPEAKER: ...testify later.

CHAIRMAN: Yeah.

UNIDENTIFIED SPEAKER: What's wrong with it is that you do not do this in any other license or franchise that you issue. We feel that we're being discriminated by--against by this proposal, and that's what--the basically is that the animosity generated on this. That--since then you don't do this in other fields of business when you sell a law, then, to transfer their license from one person to another and don't tax such transfer and whatever--money they've made off it, capital gains or whatever else you want to call it. When you don't tax that why should you put a charge on our transfer?

CHAIRMAN: Go ahead.

SENATOR RADAR: Because you're using our resource. It isn't your

resource. It's the public's resource. That's what...

UNIDENTIFIED SPEAKER: ...liquor license people are the resource.

CHAIRMAN: Wait a minute. We're going to go through the chair.

SENATOR RADAR: You're right, and I suspect that that's a mistake, the liquor license, but I want to say this. I'm a lawyer. I don't have any right to sell my license. When I die that license dies. The next guy gets one and he gets it independently of that. Most of the things of your license to do are like that, but when you're going to give someone a resource for property, the use of it, you're into a different ball game. Then you're into grazing land. Why don't we do this grazing land and the rest of our resources, see? We're not talking about harvesting people or lawyers' licenses or doctors' licenses, you're talking about using the greatest natural resource this State's got. The most important one in my view.

CHAIRMAN: Let's answer Phil, too. Phil said, why 90 percent on this versus 12 and a half percent on oil. You've said that you don't do this, or the State doesn't do it, on any other resource. Well, I think that's probably mistaken, because, for instance, where did the 900 million come from? I think the 900 million is a much better, and the oil leases are a much better example of this same type of thing than a liquor license, though we use that so often. In each case, with the oil and the fish, it's the State's resource. In the case of the oil we have said to companies, you bid on the privilege for using that land to drill on. If you strike something, fine. If you don't, that's too bad. So, the bonus bids, when we lease land, I think, is rather a good analogy of--same thing holds true, I think, to

the--for the timber. We've put a certain tract of timber up for lease to a company, and the guy that bids the most is the guy that has the opportunity to use that timber. Now, after that lease bid for the oil has been accepted then they turn around and pay 12 and a half percent use tax for the oil that they take out, 12 and a half percent royalty, and another about eight percent severance tax, or about one-fifth of the total. And that's on top of the original permit to go in and use it. So I think if you want to use a comparison of oil and fish, you'd better take--that's a more accurate comparison.

UNIDENTIFIED SPEAKER: It isn't a renewable resource...

CHAIRMAN: Wait a minute. We're going to go one at a time now.

MIKE GROSS: My name's Mike Gross and I'm from Sitka.

CHAIRMAN: Okay.

MR. GROSS: Personally, I don't think that they can gain on this (indisc.). What I do want to seek is, since more than likely I'll be eligible for one permit only and one (indisc.) in several fisheries, that I will be able to--through my ability, get a hold of one of these other permits some way, and I guess it's going to take a dollar value to do it, and I want to be able to bid competitively, or what have you, to be able to get a hold of one of those permits, and I don't want to get a landfall gain in my pocket.

CHAIRMAN: Mike, I think that we could say that the committee is pretty well in agreement that the advantages of transferability, as far as the kind of thing you're talking about and the other people have talked about are substantial enough that we favor this, too. The question is, whether or not the individual should

or shall have the total value when he is through using it, or whether he should share that value with the rest of the people. I think that's the real question that we're asking primarily. Okay, next.

BOB BISHOP: I'm Bob Bishop from Ketchikan. I think we more or less asked Phil to represent our feelings on limited entry. I'd like to say, as far as my group is concerned in Ketchikan, that we feel that anything that is fair and equitable that can be worked out, would be satisfactory. We'd like to see it as uncomplicated as possible, and especially we want to see it legal. I don't think anybody really wants it, the windfall gain at the end of their fishing time, although if we could realize some gain to pay us back for, especially the expenses of limited entry which are going to be considerable on the fishermen themselves, but what we want to see is limited entry, and we want to see it this session and we'd like to see it as simple and as fair and as workable and as legal as possible.

CHAIRMAN: Alright. Thank you very much. Alright.

UNIDENTIFIED SPEAKER: (Indisc.) from Petersburg. That's one thing I cannot, you know, swallow, I mean--your comparison between oil companies...

CHAIRMAN: Okay.

UNIDENTIFIED SPEAKER: And I mean companies, and us single fishermen. This 20 and a half percent you're talking about--royalty and severance, this--that doesn't bother me. They just turn around and pass it on to the public. That power, you know...

CHAIRMAN: Yeah.

UNIDENTIFIED SPEAKER: ...what we have to (indisc.). We can't pass

it on to nobody.

CHAIRMAN: You're not paying it either.

UNIDENTIFIED SPEAKER: Well, you're talking that you want us to pay it.

CHAIRMAN: No. No, I was--I was trying to make a comparison between what the State sells the privilege, the permit, to oil companies to go and drill, comparing that with the State having some value in this permit for you to go out and fish it. That's the comparison I was trying to draw. Okay. And maybe it's not valid either, and please believe me, we're--there's no decision here. We have not made any decision. We're trying to explore this with you. That's the reason I called this today, to get your viewpoints on these things, and any new ideas that we hadn't already heard. That's what we're here for. Sincerely.

SENATOR RADAR. Jim, let me ask you a question here. If we have free transferability, ten years from now who do you think's going to own the permits? What do you think the fishery will look like ten years from now? You know, things going as they do, and let's assume we keep cutting it back, who are they going to be, where are they going to live, what are they going to do? I'm interested in what you think about that.

CHAIRMAN: Okay, we'll start here again.

UNIDENTIFIED SPEAKER: The answer for that...

CHAIRMAN: Identify yourself...

UNIDENTIFIED SPEAKER: The best answer for that and the only example that we have is what's happening in Canada, and I believe Phil can elaborate on that a lot better than I can. I'd appreciate it if you would tell the group what's happening in the fishery

there.

CHAIRMAN: Well, let's go to Mr. Clauson and then back to...

MR. CLAUSON: You asked what the fishery would look like, and I certainly (indisc.) look better, but I don't think anybody proposes to make a fishery better by limited the entry. I mean, if we could bring it back to anything near what it was, for instance. And, this is going to take money, and it's going to come from everyone in the State you might as well say, and I'm sure you have an orderly way without everything wide open and an oil analogy has been made in that, too, and you know, the leases were so small that they had to harvest-- or drill wastefully, and this (indisc.) renewable resource. Well, certainly we wouldn't be sitting around just cutting down the fishermen every year. Certainly assume that the State would then better be able to manage the fisheries, and I belong to several organizations who have recommended and urged and put money into salmon rehabilitation, so that's just as important a factor, but the two go together.

CHAIRMAN: Well, let me ask you this. Is that any reason to think that many of these permits, or more of these permits, won't be held by Seattle fishermen than by Alaska fishermen ten years from now?

UNIDENTIFIED SPEAKER: Well, I don't know about more of them. Course, there are--we did talk earlier there. There are ways that we feel--for instance, the loan program, that possibly eventually it would end up with more resident fishermen and thus advance the State and so on. Of course, non-resident fishermen that have fished have the same right as everyone. We all belong

to the same country, but either way it was done for the State, and with limited entry and with rehabilitation and enhancement programs it would improve the fisheries, you know, ten years from now.

SENATOR RADAR: Well, to be more specific, we have a great number of fishermen in different parts of the State who fish with a skiff and, you know, maybe only a couple of thousand dollars worth of gear or something other, you know. And do you think that in ten years they'll still have their permits? Do you think those permits will have gone to the hands of guys that live in Anchorage or Petersburg or Juneau or Seattle or some place else?

UNIDENTIFIED SPEAKER: It depends on whether they want to hang on to it, or transfer (indisc.), system used to transfer.

SENATOR RADAR: What do you think would happen if they were freely transferable?

UNIDENTIFIED SPEAKER: Well, I don't know--now, I fished, you know, I'm a troller, too, although I fish with a conventional troller. I don't know why their permit would be any different than mine if they--you know, it would be whether they wanted to keep it or not. Maybe I don't understand your question.

SENATOR RADAR: Well, you're right.

CHAIRMAN: Let's go to Phil and let's just talk about that.

MR. DANIELS: I would say that what the fishery's going to look like depends a lot on how seriously the State of Alaska were to take the idea of trying to make this fishery into an Alaskan fishery, and the only way I've understood so far that that might be done is ocmpletely out from the--from out from under

the context of the limited entry bill by way of providing loans. If the State of Alaska says we recognize that it's in our long term best interest to make these licenses end up in the hands of Alaskans and provided them low interest loans, I think you could see that transition take place. Right now the fishery is in many areas in grave trouble simply because the only possible source of funding has to be the canneries, and you go to the canneries and get that funding and they've got you from the standpoint of price negotiations, they've got you from a number of other points of view, and I haven't understood yet, by way of a lottery or an apprenticeship pool or any of these other alternatives, how that's going to work to benefit the Alaskan resident, so I don't see that free transferability is necessary the--necessarily the evil influence. It's going to end up putting the (indisc.) in the hands of the outside fisherman, but I do say that without the loan program you might have trouble, or (indisc.).

CHAIRMAN: Let's make sure that we consider this. Suppose you're from Anchorage and Fairbanks and you really don't have much interest in fish and you've sure though more about it than you want to hear anyway. Now, assuming we go ahead and limit the entry so that the guy from Anchorage and his constituents can't get into the fishery anyway, not only that, but we give them a property right which he's going to characterize as a windfall, and now we're also going to put money in Finance Committee in a loan program to help somebody buy these things and provide that property right knowing that historically fishing loans have been very high risk loans. Now, my only thought is

that you ought to consider how willing these people may be to do that. We don't have a very good history of fishermen from the fishing areas winding up as chairmen of finance committees. Usually it's an Anchorage or Fairbanks man that winds up as chairman of the Finance Committee, and he's the one that's going to have to approve that loan program and putting the several millions of dollars into it, so you have to ask yourself how reasonable this expectation is, that all three of these things will happen and it's just a thought for you.

MR. DANIELS: Well, may I respond to it?

CHAIRMAN: Yes.

MR. DANIELS: We had--this came up over in the House in the Resources Committee and we talked with several of the people who are in--some of them have been in influential positions in the Finance Committee, they had suggested that we might be able to amend the loan act that was passed last year, the advantage of it being, of course, that you can specify Alaskan residency and also economic qualifications can be built in there. Now, I grant you that we realize the State's problem as far as money's concerned, but we would also want to argue, and I think we can argue legitimately, that people--when those licenses end up in Alaskan fishermen's hands, that money goes back into the State, into the local economy. They pay the income tax, and I think the State's going to benefit tremendously.

CHAIRMAN: Oh, I'm sure they would.

MR. DANIELS: And I grant you that it's not simply saying to convince people of this, but it seems to me a legitimate argument.

CHAIRMAN: I'm sure it is. Very legitimate argument. The question

sometimes is getting legitimate arguments listened to. That's pretty difficult.

MR. DANIELS: Could I comment on that?

CHAIRMAN: You're making an awful lot of comments, but go ahead.

MR. DANIELS: This is one of the things that worries me about what's done with transferability because right now I think we can have the fishermen behind something in context of free transferability. I think if there's anything that could defeat this bill, it could be this problem, because if it's changed enough so that it paralyzes the fisherman, or even let's say we talk about a tax on the permit. Sure, we might be able to touch bases with everybody in this room, but whether we can touch bases with the fishermen all across the State of Alaska in time to get them also in agreement is another question. This really does worry me from the practical point of view.

CHAIRMAN: Okay. Clancy.

CLANCY HINKINS: Clancy Hinkins from Douglas.

CHAIRMAN: Okay. Thank you.

MR. HINKINS: I would like to make a comment. I think that this question that Mr. Radar and I don't think it was that clarified on. This loan thing we're talking about is being pretty broad and what we were talking about was a revolving fund in the already existing loan program to buy permits only for Alaskans, and not sponsor a bunch of vessels or this type of thing. I mean, this is not our intent here in this loan program we're talking about. It's to make money available which is unavailable to canneries, banks or anywheres, to buy permits.

CHAIRMAN: You mean the buy-back program.

**MR. HINKINS:** No.

**CHAIRMAN:** To retire permits?

**MR. HINKINS:** To buy permits for Alaska fishermen, to be able to get money in a revolving fund. It isn't a thing where your going to put up millions of dollars. It's just a revolving fund and I think this is where this loan thing got out of hand here.

**CHAIRMAN:** Well, let me raise a problem, and I do this because, again, I want the benefit of your answers, not that I'm opposed to it at all. In fact, I think this idea of the loan program came up in our committee. But the question has been raised since then, and I don't have an answer to it at this point and I hope that you do. If the loan were to buy the permit what--and we've already said in House Bill 126, and we see it in ours also, that a permit cannot be attached, is not for security, et cetera, et cetera, et cetera, et cetera. This is almost a necessity that we say these things about that permit, then what does the lending agency have if it loans money to buy a permit? What does it have for security? This is true and this is one of the reasons we thought that the State itself might be able to carry and hope to recover it's amount this way, where you would never get it through a cannery or a bank or any other way, and we're not proposing that this same person borrow money from this same thing to buy a boat and all the rest that goes with it, but if he comes to the point of needing a permit and can't produce the money because he doesn't have the collateral and this and that, this is one way to keep Alaskans in there fishing, and as Mr. Radar says, not all to go to somebody's moneyed in the State. This was

our hope anyhow.

JAY STEVENS: Jay Stevens from Yakutat. I'd just like to comment on the point that if a past fisherman haven't paid their loans back very well. One of the main reasons, there hasn't been any fish and through limited entry we hope to see some money back in this game to where we can become businessmen again instead of paupers, and I don't feel any problem in that that we couldn't repay our loans.

CHAIRMAN: I didn't say...

MR. STEVENS: That's all I'd like to say.

CHAIRMAN: Yeah. Okay. I think my statement was that they are high risk loans, and we have a lot of them. I mean, not fishermen, but a lot of others.

MR. STEVENS: Yeah. I've had this problem, but I think that this problem would decrease with limited entry.

UNIDENTIFIED SPEAKER: Mr. Chairman?

CHAIRMAN: Yes

UNIDENTIFIED SPEAKER: If you had a \$10,000 license, I need the money to, you know, to borrow for this license. It's worth \$10,000. It might even be worth more. Maybe I've made a deal of my own where I can get one for \$10,000 without anybody else bidding for it. If the State gets that license they could put it on a big--put a minimum on it.

CHAIRMAN: No, but my point was that both of these bills have said that the license itself and a permit itself cannot be used, cannot be restrained, cannot be used as collateral, and there's some very good reasons for that. That's the way it appears in both bills, and if it's not used for collateral then what security

does a lending agency have? Maybe it can be boats, other equipment, that's put as as security against the loan for the permit. That's a possibility.

UNIDENTIFIED SPEAKER: Well, you of course, answered part of that question yourself there. Say on the--as far as to what to secure that loan with, being that it cannot be attached or anything else it would seem obvious it'd have to be some type of guidelines built in to where a person did at least something on it or pay it back after a given period of time. It would probably fall into delinquency to the point where you'd have to take it and reissue it. Somebody else with the idea of getting money out of it eventually. I mean, like you sold to a person, say, it had a monetary value of \$5,000 or whatever, for a ten-year period of time, they'd obviously have to start making some type of payments on that thing to the State, you know, if it was issued over--through a loan type operation. Hopefully you could recover your money that way. You know, have an incentive to get them to paying you something anyway, or if they just completely ignored you on everything, take it back and reissue it to somebody else who would pay better. But that wasn't the question I was going to bring up anyway. I'll make a brief statement about this flexibility bit to Senator Radar there. I think I understand where he's at now and I just wanted to reiterate where I'm at. As far as flexibility, he's very concerned with the windfall aspect of this or the State literally giving the fishermen something for nothing or however you want to put it, but--and I'm not at all concerned with that because I'm not interested in getting something

for nothing. I really don't care what you do along the lines of assessing me or anything else for my right to enter this fishery in the first place, but the transferability part of it that allows me to be flexible is the thing I'm really vitally concerned with. I have aspirations of changing into different fisheries from time to time and different areas from time to time, and I feel it would be ambitious intent involved here that this is good. If I want to go into crabbing or anything else, I should have an avenue open to me to do that. Now, if you freeze yourself into this category whereby you are reviewed by a commission and whatnot, it becomes very unpalatable to most fishermen who think in those terms that the commission can literally control your life. You could be froze off the mouth of the Taku River literally for the rest of your life, so to speak, and that doesn't smack much of professionalism which I'm vitally interested in in the fishery. So, as far as what you people, this is personally speaking, not through U.F.A or anything, it's my personal position. I really don't care that much about what you do as far as getting this--getting value back. If you want to assess me or charge me a thousand bucks a year or whatever, I don't really care. I just want to be able to be flexible enough to go into other fisheries in other areas and the whole bit and be a professional, which I am.

SENATOR RADAR: Mr. Chairman. I think that from your point of view you're exactly right. The basic thing here is not that little bit that we're quibbling about there, and yet, that's pretty important in developing something that you can sell statewide here. It's--what we're doing there, if you have a right to go

in, if you have that flexibility, if you have a right to use this as long as you want to, you're absolutely assured that when you sell that thing you're going to get back every assessment you put into it, plus interest. Then it seems to me that you've got most of what you want there.

UNIDENTIFIED SPEAKER: But the problem is and the real crunch as I see it, though, is this thing about the flexibility bit. Without a monetary value of it, I don't see how I'm going to be able to do that. That's my switch. I don't care what the State wants to assess and everything. I just want to be flexible and monetary seems to be the only standard we can go by here. That's my whole point of this thing.

CHAIRMAN: Well, suppose you had a program that would do what you want to do as far as being able to buy from somebody else, it would have this flexibility you're talking about, but again, it did have a declining percentage that was shared with the rest of the citizens of the State? And we've talked about ten percent a year, starting at a hundred percent and going down to ten percent. We could even change that. Suppose you had a program that said, alright, if you go to sell out, Jim, to Phil and and if you do it the first year after you receive your permit, you'd get a hundred percent of the value. A hundred percent for two reasons. First of all, you're in in the first place because of hardship. That's the only basis for grandfather rights, is hardship. Secondly, the price is low these first years. It is not appreciated. So the first year if you sell to Phil you get a hundred percent of whatever the price is. The second year the State gets ten percent of

that and you get ninety percent. The third year the State gets 20 and you get 80 and we drop it ten percent a year till we get down to the 40 or 50 percent mark, so that the State and you are sharing about equally with the appreciated value of that permit. On the other hand, if you sell the first year back to the commission, we'll pay you a hundred percent, the second year back to the commission, and the third year, also. You still get a hundred percent. So after the first year there's an incentive to sell to the commission and get you out of the fishery and reduce gear. In the next three years we'll--the commission that you sell to the commission is 75 percent, the next three years after that, 50 percent, always providing some incentive to the commission instead of to an individual, but leaving you the flexibility to sell to an individual if you desire to do so. So now we're down to the point where whatever this windfall gain is, it's shared about equally between the individual fishermen and the rest of the citizens.

JIM: Well, yeah, you--I think I followed you on that as far as-- in other words the State itself would literally get this thing that Senator Radar and I were talking about, back out of--on these terms. I mean, there would be this initial thing in the beginning there where if you want to get out of it, of course, you could sell right back to the State, but I mean, in a sense they would be sharing this resource with you along in terms of what you're talking about there. It--well, you were kind of flashing on me pretty heavy there right in the beginning and I've never really heard this concept in detail like that, so I couldn't give you a real qualified answer. I'd have to

digest it for awhile, but as I stated, flexibility is kind of a 54-40-or-fight. With me that's the one thing that I have to stick with and that's one thing that all the members in my organization and whatnot, can't, you know, lose, and that is the fact that they're negotiable and being flexible.

CHAIRMAN: Well, the only loss in flexibility that you have under this, as I can see it, is that the commission would have to be involved in such a way that they knew that they were getting market price and it wasn't an under the table deal. Now, you might lose a little bit of flexibility there in justifying the figures that were involved in the sale price, so they knew the thing was a fair arms-length transaction and not a sweetheart contract. But except for those complication, and I don't think they have to be that significant, you'd still have all the flexibility you're talking about under the previous thing. I think we're in essential agreement on the need for flexibility and free transferability. Your only question, again, is whether the fisherman gets it all or if he shares part of the windfall with the rest. Phil.

MR. DANIELS: One of the things that concerns me about that formula is that it's going to produce just the opposite of a flexible system for at least ten years, if everybody's honest and if everybody likes money. They're going to sell their boats, or until you reach optimum levels anyway, they're going to sell their boats to the commission. That means there will be no licenses available. I can't imagine a fisherman taking a 15 or 20 or whatever percent loss and selling to an individual when he could sell to the commission and get that much more for

his permit, so you're going to produce a situation, and correct me if I'm wrong. It seems to me you might produce a situation where for a number of years there would be no licenses available for anyone.

CHAIRMAN: Well, except that it would allow you--the guy that is real hung up about being able to transfer this on to his family, his son, he would take advantage of the ten percent differential and keep it in the family.

MR. DANIELS: Could do that, but I'm talking about somebody like Jim who wants to change fisheries and he'd like to go to Kodiak and get a license out there and that license is not going to be available to him as long as he's honest and the other guy's, the guy's going to sell to the commission.

CHAIRMAN: That's right, and you're correct, I suspect, that until you got down to these optimum or maximum levels, yes. But that overall, I think, would be a relatively small price to pay for everything else that is gained.

MR. DANIELS: Could I ask one more question?

CHAIRMAN: Yeah.

MR. DANIELS: How would you hold these people at arms-length from one another, because I think that's one of our big concerns. We don't want to be put into the position where, by way of being enterprising, we might have to be dishonest. You know, some people are worried about that.

CHAIRMAN: Well...

(End of one side of tape)

MR. DANIELS: ...like to get into that fishery. It seems to me it might provide an enormous incentive for someone to go under the

table if it's at all possible, and I really would be concerned about that because what you might end up with is fishermen getting caught as they might or might not get caught, or being dishonest, which I don't is necessarily a virtue, but I do think people when looking at that kind of a price tag, back to the State, would have a tendency, is possible, to abuse it.

CHAIRMAN: Kind of like leaving your keys in the car, isn't it, on certain streets?

SENATOR RADAR: Sir, well, let me ask you another question. Is anybody here not in favor of free transferability? Have we reached a consensus that--I see Mr. Hernstein and some other people that have been testifying on this in the past. Have you changed your views on that or what are you.

MR. HERNSTEIN: I'm not in favor of free transferability.

UNIDENTIFIED SPEAKER: I'm not in favor of free transferability, and (indisc.).

CHAIRMAN: Wait a minute. We've got too much noise out here. Let that be (indisc.) and then repeat. Alright, try it again.

UNIDENTIFIED SPEAKER: I'm not in favor of free transferability or (indisc.), either one.

SENATOR RADAR: Well, then let me ask you this. How would you--how would the next generation of fishermen get the license, then?

UNIDENTIFIED SPEAKER: Well, as far as we're concerned, unions, we turn it to the State and let them beg for it.

CHAIRMAN: Do what?

UNIDENTIFIED SPEAKER: Let us beg for it. Qualify--you know, your qualifications.

CHAIRMAN: Bid to buy the license, in effect. Bid to buy the license.

Do you think we ought to use the same method right now to determine who gets a license?

UNIDENTIFIED SPEAKER: Well, I could answer that but I'd be in trouble.

(Laughter)

CHAIRMAN: I don't think either one of us would get out here. But that's the problem, see. You know, why--what are we doing here? Are we going to make that generation bid to buy in, is that right, too? I don't know. I really don't know. I don't want anybody to misunderstand. I'm pretty flexible on this, although I've argued pretty strongly a particular point of view. I recognize very well that there are a lot of unanswered questions in what I could say.

UNIDENTIFIED SPEAKER: I'm not representing the new generation.

(Laughter)

CHAIRMAN: I'll get back to you. Your name, again, please.

MIKE McNIVEN: Mike McNiven. I'm from Juneau. It seems to me that all points of view expressed so far, that the fishermen that these permits are going to be running out on trade in like Persian rugs or something. I don't quite see it that way. I think we're all interested in the fishery, and without a permit the fishery, of course, is of no value to anyone. Also, I think the second generation and also the third generation, should they be so lucky to have any fish left, are also going to want to eventually sell these permits or retire out of the fishery. I really think that if we're talking investments and being reimbursed for investments, I think this follows on down the line. Unless you're going to presuppose that it's some date in the future this whole thing will come to a screeching

halt. The fishermen who initially get the permit under free transferability is going to sell it, the person that buys it is also conceivable that he will also sell it eventually. I really don't see any value of this permit as far as trading stock. It seems to me that Mr. Radar here takes the opinion that as a fisherman gets this permit he's going to run around and see how much he can get for it. I don't really see this as being a valid argument, because if a person is going to go to the trouble to get one in the first place, why would he turn around and sell it?

SENATOR RADAR: Mr. Chairman. There's one thing I'm absolutely sure of--absolutely sure of, and that is that everybody that ever gets one of these permits is going to want to transfer it sometime. Cause he's going to die, and he's going to get out of the fishery. And without exception, everybody who has a permit is going to want to transfer it sooner or later. Some guys are going to want to do it today and some guy's going to want to do it tomorrow, and that's the problem, though. And it is a problem. If it's not a problem, let's just say it's not transferable and it goes back to the State when you're through with it, if you don't think it's a problem. You know. You see that it's a problem and you know good and well it's a problem, and I do, too.

MR. McNIVEN: I can understand the situation here, but I feel as far as this windfall thing being kicked around, you seem to place the windfall in the arms of the first holder, and I don't necessarily see that as being true.

SENATOR RADAR: The second guy has to buy it and pay full value, see?

MR. McNIVEN: Yeah.

SENATOR RADAR: The only way that would--if we were to apply the same rule on the first group that we apply on the second group, the first group would have to buy them also, see?

MR. McNIVEN: Well, it seems to me that in essence through a seven percent assessment, I'm going to be buying that permit.

SENATOR RADAR: Well, you may view that, but if you think so then why don't we just buy it by putting them up for auction then? Right now, see? If it is. It really isn't that. It's a different thing. The guy who follows you is going to be paying the seven percent, too, perhaps, but in addition to that he's going to have to buy his permit from you or somebody, you see? That's the difficulty.

CHAIRMAN: Alright, let's go on back here with our questions. You know.

UNIDENTIFIED SPEAKER: Part of my question was asked--answered already. What about, then, you say the man that buys it the second generation, he will in turn, when he sells it there'll be money coming back to the State again from him, too. Right? That's what I was wondering.

SENATOR RADAR: Well, he's going to have the--he'd be under the same condition that you're under. He'd get only back what he paid for it or what he put into it in cash, and the rest of it, that overage, would go back to the State as the State's interest in the resource.

UNIDENTIFIED SPEAKER: I, personally, I'm like Mike. I'm not looking for anything extra than what I put into it. I want the flexibility like Jim to be able to move around in a monetary value, but I

do want free transferability.

**CHAIRMAN:** Did you still want to--you know.

**PHIL STORMICK (sp):** Phil Stormick from Douglas. I am for free transferability on licenses. As far as the State, for the people in your area, like Senator Radar's case, getting anything out of this renewable end source, or resource, I just wonder if the raw fish tax, if that is not enough (indisc.) for your constituents, or would you want more for every pound of fish that I catch on this renewable resource.

**SENATOR RADAR:** My difficulty is, and it really isn't just my constituents, but the difficulty is that we have the same problem here as if we turned the oil resource or the timber resource to somebody and only charged them a royalty and didn't charge them to go into it, see? Or if you turned over the land and when you sold the land you didn't charge anybody for it some way or another. It's just--as long as everybody can go into the resource, there isn't any problem with that, but that's what we're trying to prohibit, is everybody going into the resource, and the moment you start stopping people from going into the resource, then it seems to me like that you have this difficulty we're talking about here.

**MR. STORMICK:** I don't think we've stopped anybody from going into it. We've put a limit on who can go into it, and how many can go into it, and then another thing is, by buying these permits and paying an annual fee on these permits, plus up to seven percent of your catch year assessments for buy-back and so forth, I think we are paying adequate amounts for the use of this--or fishing on this resource, plus the fact that everybody in the State gains from this raw fish tax when you catch a fish and take it to market.

CHAIRMAN: You know, the Legislature...

SENATOR RADAR: You've got a good point. You've got a good point, a good argument.

CHAIRMAN: The Legislature did do almost exactly this same thing with a group of people a few years back that were trying to get the value of oil leases for practically no input themselves, and I don't know how many of you remember, I think about 1968 when we went through the dirty oil bill, and here a group of people had put in ten dollars apiece per lease simply on the speculation that they'd be given the lease then, that they could turn around and sell for literally hundreds of millions, the group of them would have had at least that, and that certainly to them would have been a windfall, and the Legislature said no, that is a resource that belongs to all of the people and we're not going to let you have those leases. You're not validly entitled to them. Now, don't get me wrong. I'm not making a flat-out, across-the-board comparison here. I realize it's not a comparison, but in that case there was an opportunity for those people to get a windfall in a State resource, and we said no, we're going to save it for everybody, and there's a little bit of comparison here as far as the ultimate value of the permit itself, and that being shared with the rest of the State.

UNIDENTIFIED SPEAKER: We would not have to drill, have a permit to drill and drill themselves.

CHAIRMAN: Alright. Let's start back over here again.

MIKE GROSS: This is Mike Gross from Sitka again.

CHAIRMAN: Yes, Mike.

MR. GROSS: Mr. Radar, if we took your route and only gave the permit over--back to the value that we had in the permit, be it 500, 10,000, what have you. For example, if Phil had a permit and had \$800 invested in it, and that's all he could realize on the sale, and Jim and I both wanted that permit, how would we bid back and forth for it? How would Phil determine who he was going to give it to?

SENATOR RADAR: Well, I assume that we've--the proposal that Senator Palmer made was that the--you'd be able to keep a certain percentage of that and only a certain percentage of it would go to the State, so you'd have some interest in maximizing that.

MR. GROSS: So Phil could realize a gain on...

SENATOR RADAR: So he could realize some gain on it. He wouldn't realize a hundred percent of what he got on it, though, see? A portion of that would go back for (indisc.). He would still, even under the--what I've been arguing here, he would still recognize some benefit and some gain on it. I have to admit to you that that is--that's not a satisfactory solution to me. It only gets around the one argument that was presented to me by some people, and that is, if you're going to give away the resource you're going to have to charge somebody for it like you do any other resource, or if you're going to give away or whatever you want to call it--the right to harvest it, you see? And it's only trying to handle that argument that we came up with this as being a reasonable way of doing it that would not hurt the fishermen. You know, it wouldn't take a lot of money out of their pocket, and if the thing ever gets to be worth something, why, they get what they get out first and the rest

of it can go back to the State, but I agree with you that it's got real problems in making it work.

MR. GROSS: You'll have to come up with how much it's worth it's now to start with.

CHAIRMAN: Phil.

MR. DANIELS: One of the considerations. It's very likely that I'm going to switch areas, and I have no (indisc.) participation in another fishery, so it would end up that I'll have to buy a permit and I don't mind buying that permit because I think it's the best investment I ever made in the fishery in my life and I figure if that limited entry bill does work, and you do have reduced gear through buy-back and initial reduction in areas, then I'll make that money back in about two years, and I think this is something that a lot of people haven't kept in mind. If you're talking about doing all these things to enhance the fishery, plus the person, of course, as has already been pointed out, is going to get that--the money for their permit back when they do sell it, so I just wanted to throw that in, and I also was curious, are you getting a lot of reaction? I was just curious if anybody is getting a lot of mail on this problem and the idea that we are giving away a resource supposedly here. I--we're having a hard time getting letters from fishermen just supporting limited entry or supporting free transferability, so I was just curious whether much is happening on that level.

CHAIRMAN: John.

SENATOR RADAR: I haven't received a great deal of--because people don't understand what's going on, you know. You're quite right, but I'm certain of this, that once this is done people are

going to understand what happened, and...

(Laughter)

CHAIRMAN: Alright. Dave has been trying to get the floor. Dave.

DAVE: I just wanted to speak very briefly about the point that the seven percent assessment would be in a way paying for the permit because that seven percent assessment is very likely, almost absolutely going to come out of the crewman's pocket as well as the skipper's pockets.

CHAIRMAN: The who's? The consumers?

DAVE: The crewmen.

CHAIRMAN: Oh, the crewman's.

DAVE: The crewman's pocket. In other words, you don't tax seven percent of your gross stock without the crewman paying part of it, even though the law says the permit holders pays that. It's just like when unemployment came down on fishermen in Kodiak this year for the first time. Not only does the crewman pay his share, but the skippers raised the boat share one percent to compensate for what they had to pay. So in other words, you know, even though we would be benefiting from the limited entry insofar as we would have better earnings, we would also be chipping in on inflating the value of these permits that later we're going to have to buy if we want to have them. And so, there is not--I don't want any misconception that this seven percent is totally different and he's paying for his permit that way.

JAY STEVENS: I'd just like to--Jay Stevens from Yakutat. I'd just like comment on that point that the chair made earlier about us and the dirty oil deal. I know you weren't really comparing

us, but I'd like for us--for the Senators to realize that we didn't come into this fishery for a gain. We've been here for quite a while and we've been taking a lot of abuse and some of us even became moonlighters so we could feed our families.

CHAIRMAN: I understand that very well.

MR. STEVENS: I didn't come fishing--I came fishing because I love the ocean and I love that way of life, not so that I can get a gain.

CHAIRMAN: My only point was that at that time the Legislature said no, we're not going to give away that resource, and as far as the permit, there is a similarity. Now, as far as the limited entry, there is no similarity. I understand that. Yes.

UNIDENTIFIED SPEAKER: Well, I would like to say that right now we have the right to fish, so you're not giving us that right now, and the people in the future who are not getting this right to fish are being paid to be bought out of this fishery, so they're receiving a compensation, and you will have some areas where there are people literally being kicked out, but this law that you're passing here is for the whole State, not just these areas where there are people being forced to be eliminated, so in effect you're penalizing everybody throughout the State because of these other areas, and this also creates a hardship on us.

CHAIRMAN: How are we penalizing? I don't understand.

UNIDENTIFIED SPEAKER: Well, in many fisheries right now it's wide open. There aren't enough fishermen...

CHAIRMAN: Okay. There's no need for limited entry?

UNIDENTIFIED SPEAKER: No need for limited entry.

CHAIRMAN: Yeah.

UNIDENTIFIED SPEAKER: And yet when somebody gets into this gear and area he's going to have to pay through the--permit, and it's going to be an inflated price because the original owner is going to jack up his price that much to get what he thinks his speculative value is worth in that permit.

CHAIRMAN: If there's not enough permits yet to reach the optimum level, then he can go to the commission for a permit. He doesn't have to buy from somebody else, and the initial entry permit would be issued at no charge. He's not going to...

UNIDENTIFIED SPEAKER: Well, for \$50.

CHAIRMAN: Well, \$50 for the permit, but it wouldn't be a...

UNIDENTIFIED SPEAKER: Okay, what about the next man down the line, though?

CHAIRMAN: Well, again, you said somebody was being penalized. Who is it that's being penalized? The next man down the line?

UNIDENTIFIED SPEAKER: The way I feel is the people in other, in the depressed areas, are being penalized to pay the right to enter--these few people in Bristol Bay and Cook Inlet and that are--pay to kick them out of the fisheries is what it amounts to. In most circumstances, everybody who now has the right to fish will in the future still have the right to fish, so you're not giving them something new, and only in these depressed areas will you be kicking somebody out of the fishery who is not being compensated for being--no longer have the right to fish.

CHAIRMAN: Okay. Yes, sir.

MIKE McNIVEN: Mike McNiven from Juneau. Mr. Radar, well, arguing against the free transferability on the grounds that it would be giving a windfall to present fishermen hasn't offered any

alternatives as to how these permits are going to be transferred. I would be receptive to some other type of transfer if I understood exactly what it was. I don't really feel that it's going to be easy for me to get into some other fishery, particularly let's say a king crab fishery where we're talking about a good deal of money changing hands, a good deal of investment. Under the free transferability clause right now I can see how I can do it--get a lot of money. Under what Mr. Radar is suggesting I'm not really sure how he's going to allow me to enter this fishery. Is he going to do it by putting my name in a hat? Is he going to do it by requesting that I work on a crab boat? Is he going to use some other criteria for this? I'd be interested to know.

SENATOR RADAR: Mr. Chairman. First of all, I'm not at all certain that we shouldn't have free transferability, but I'm pretty certain, I believe, that if we do have free transferability that the value of that license, over and above what the fishermen put into it, probably would end up a percentage of that going back to the State, so don't have this argument of the windfall, you see? I don't know if you get that or not, but you can have free transferability and still have the portion of the license which exceeds the assessments that you put into it paid back to the State when you sell it, when you get through with it. That'd still be free transferability. It has been suggested, and as I say, I'm not--don't put me in a position of being against free transferability, but I'm only talking about the windfall aspect of that, and we can handle that in the manner we suggested here today. The other suggestions were

that--the other testimony that we've heard is that you should try to limit the fishery when a guy--when a license turns up, when a man gets through with his license because he gets sick, or he dies, or he wants to retire, or he wants to go do something else, or just tired of fishing, and his license goes back to the State, but then the State could issue that, it's been suggested they could issue--try to issue to people on an apprenticeship program, people that have been in the fishery, crewmen or something like that, and try to--but you'd have--that's very difficult, too. Who you going to really give it to, you know? What if you've got a whole lot of crewmen? Suppose you have five licenses and 50 crewman that want them. Well, then I supposed you'd have to draw names or something to see which one of the 50 crewmen got the five licenses and they'd get them free just exactly in the same way that the guys today are getting it free. The disadvantage of that, of course, is that you can't necessarily insure that your son's going to get, for example, if you want to, but a lot of licenses are not connected by blood anyway. You know, that's a medieval guild really, where if your father was a carpenter you can be a carpenter and your son can be a carpenter, but nobody else can be a carpenter. It was inherited so to speak, and you can turn fishing into a guild in this State if you wanted to to where, you know, if you were one of the families that had a license, why, it could be passed from father to son or something like that, but other people couldn't get into it.

MR. McNIVEN: Not by law you couldn't.

SENATOR RADAR: Well, it's very difficult to figure out whether or

not you can do it by law. That's right. I think that the only way that you could--I agree with you. You couldn't do that, and therefore, the argument that we're doing this so that you can pass them onto your son, you can't make a law that'll do that in this country, as where you can't pass it on to anyone else. I don't believe you can. But you could--if there were 50 crewmen that wanted to get the licenses and five licenses, you could draw one out of the hat, or you could bid for it if you wanted to. You could sell it then if you wanted to. I don't know, there's a lot of other things that have been suggested here.

MR. McNIVEN: One thing that bothers me is that when I came into fishing I did it because that's what I wanted to do, and I was able to, through my own initiative, gather about me the equipment that I needed to go into this fishery. I was able to do that unhampered, relatively speaking. A lottery would cause me, if I wanted to move from one type of gear and expand it to another type of gear, possibly a complimentary types of gear, on where seasons wouldn't overlap, something that would get me broader employment, I would be pretty much at the mercy of luck as to whether I would be able to enter into this or not, and the question would arise in my mind whether I had more rights to enter into this particular gear than a person that's working as a crewman in this type of gear. I feel that because I've fished one type of gear doesn't necessarily indicate that I have absolutely no knowledge of any other types of gear.

SENATOR RADAR: I think--I think you make good points. I'm not really--I don't have a satisfactory answer for those--those

points.

CHAIRMAN: Phil, and then this gentlemen, and then we're going to talk a little bit.

MR. DANIELS: I just wanted to say that I think that some of the fishermen have testified that they don't mind so much seeing that they are paying back to the State something by way of acknowledging their use of the permit, or however you want to put this thing, by way of getting the fishermen to put something back into the State coffers. Many of the fishermen, when we were having these meetings all over the State indicated they wouldn't mind seeing themselves taxed somewhat more heavily if they could see that go back by way of improving this very sick industry, but I think one of the things that really concerns me in my mind is the nature of the tax. If the tax is at that very high level, it's the fear that it'll be abused, and if you're asking for a reasonable recompense to go back to the State, then I would say this is something the fishermen might very well adjust to, so it's not so much that we're not willing to pay. It's a matter of that we don't want to be forced to be dishonest.

JAY STEVENS: I'd just like to comment--Jay Stevens from Yakutat. I'd like to comment again on the free transferability. I don't see how--any other way we could have professionalism in the industry if we don't have this right of free transfer, because such as the gentleman here beside me stated, he might be kept out of utilizing a full year or a half of year because he couldn't pick up another type of gear, and I think this is part of what the Governor was looking for, was for a greater

professionalism in the industry to where we could be more competitive with other nations and states.

CHAIRMAN: Okay. Let me try to pose a couple of problems. Alright, I'll take you since you haven't had an opportunity, and then I want to talk--pose a couple of problems and get a response from you.

NICK GREGORY: Well, I'm Nick Gregory. I represent the (indisc.). I'm not much talk here, but I'd like to have the Senators and yourself read what the people up in Bristol Bay, want me to deliver these personally to you.

CHAIRMAN: Alright.

MR. GREGORY: After listening to all these fishermen here, I know several of them, I still take this stand I have here on these papers. Thank you.

CHAIRMAN: Incidentally, you might tell your people in Bristol Bay that just before I came into this meeting I was at a Finance Committee meeting dealing with the budget, and we were dealing with the public protection source--or section of the budget, and we added a footnote to the weights and measures section. I added it, the Committee approved it, saying that the Weights and Measures Division budget included two men being in Bristol Bay from June 23rd to July 23rd to travel around those tenders and the rest--wherever you find a scale with 50-pound weights adding up to two thousand pounds, so they could load a scale up with two thousand pounds of lead and check those scales out. I fished Bristol Bay for a couple of years myself. I know what some of you are going through there, so your drift fishermen out there might be interested in that.

MR. GREGORY: Yeah, thank you. I'll talk to them about it.

CHAIRMAN: Alright, apparently from what everyone has said, that the majority opinion of the U.F.A. is in favor of free transferability with a hundred percent--excuse me, with a hundred percent of whatever windfall--call it whatever you will. I use that word because you all know what I'm talking about that way. With a hundred percent of that going back to the fishermen. Now, is that correct? Is that the majority opinion of... Alright. Now, let me ask a second one. If that is unobtainable, then would you be willing to take a program that did work as we've tried to indicate earlier, and let me run through it again. Say that...

SENATOR RADAR: Mr. Chairman, I have to leave...

CHAIRMAN: Alright, fine.

SENATOR RADAR: I think I know what you're going to say.

CHAIRMAN: Alright. If Jim were going to sell out, and if he sold to Phil the first year, he'd keep a hundred percent of it. If he sold to the commission the first year, he'd keep a hundred percent of whatever the price of his permit was. If he sold the second year to Phil, he'd keep 80 percent--I'm sorry. The second year, let's add another factor in, if he has paid any assessments then he is able to keep 90 percent above whatever assessments he's paid so that he's not being penalized for those assessments. The--if he sells out to an individual the third year he gets to keep 80 percent, and you reduce it ten percent a year, but again, it's what's left after the assessments, so that he doesn't have to take the assessment out of his pocket. On the other hand, if he sells to the commission,

there's an incentive for the first few years, maybe it doesn't have to be five or ten, but an incentive the first few years to reduce gear by being able to keep more of it if he sells to the commission. And again, we'll put a ceiling on this, done at 50 percent, so he'd always be able to keep at least 50 percent of the value of the permit, and the other 50 percent shared with the people of the State. My question is then, under that kind of an arrangement, if you understand it now, if that's the best we can do, is this acceptable to you? And I think what--alright, let's have some talk about it, and then we'll have a show of hands. Jim, go ahead.

JIM: I was like to see if that's the case, that that money went back to the State it would go back into the buy-back program.

CHAIRMAN: Alright, good. I'm glad you brought that. Your buy-back assessments would be reduced by whatever did go back into the State, yes. This is one other advantage of that system. It might tend to keep the values down a little bit, plus it would certainly keep your buy-back assessments down.

UNIDENTIFIED SPEAKER: Personally, if I want to gain another permit within a five-year period and it would severely limit me, in fact I would probably be financially bankrupt, so on that point I would have to argue against it.

CHAIRMAN: You say another one. Does that mean that you would one and you wanted to go get into another fishery?

UNIDENTIFIED SPEAKER: Right.

CHAIRMAN: In addition to or instead of?

UNIDENTIFIED SPEAKER: In addition to.

CHAIRMAN: And staying in the one fishery for that period of time

would bankrupt you?

UNIDENTIFIED SPEAKER: If we had some way to get free transferability there the first year so that I'm not having to--under this program a man would be crazy to sell it to me. It'd be money out of his pocket.

CHAIRMAN: No, the first year is not. It's a hundred percent either way.

UNIDENTIFIED SPEAKER: One year grace.

CHAIRMAN: Yeah. Alright, Mr. Clauson.

MR. CLAUSON: It seems like that any money accrues to the State, if accrues the right word, should come from normal taxation of the industry, and I don't understand why would it maybe necessary to have this other program rather than just free transferability? I mean, who would insist on that?

CHAIRMAN: Well, as Senator Radar, I think, has made very obvious, there's a large number of the people who are not involved at all in the fishery that do see this as a giveaway of a state's resource when they've created that property value.

MR. CLAUSON: He also said that they didn't understand it, and of course, like he's says he's rating these questions to feel out how it would work. And, of course, we've done the same thing fo. weeks now and we always come back to free transferability.

CHAIRMAN: Well, that's what I'm doing. I'm say if that's the only thing you could get or the best you could get, is that better than nothing at all?

MR. CLAUSON: We don't want to see this die because of this.

CHAIRMAN: Well, let's have some other questions, first discussion before we...

**UNIDENTIFIED SPEAKER:** This still doesn't answer a question that bothers me. I don't mind paying--it doesn't bother me to pay a portion or whatever type of assessment the State feels it must have from these permits in order to take away what we've been calling a windfall. That doesn't bother me at all. That's not my primary interest. One of my primary interests is, however, how I am going to diversify, and so far this hasn't been answered. All--it doesn't bother me if I have to--if I'm taxed on my permit, that isn't the point. The point is, how do I--how do I spread out into another area, or how do I change areas, or how, if I'm not a fisherman now, do I enter the fishery? This is what I'm curious about.

**CHAIRMAN:** Well, and again, the first year it would be equal. There would be no incentive to sell to the State because the individual selling out would get the same amount whether he sold to an individual or the State. Now this is not time for you to buy into a another fishery?

**UNIDENTIFIED SPEAKER:** What I'm getting at is this. If I make a deal with Joe Dokes who wants to retire, am I going to be able to make that deal personally, am I going to have to go through a lottery, or a list of priorities?

**CHAIRMAN:** No. No lottery, no priority involved. No. You can make it personally.

**UNIDENTIFIED SPEAKER:** And the amount of money that must exchange hands here, is that governed?

**CHAIRMAN:** The commission would have the authority to determine that it was a true arm-length transaction and not a sweetheart deal. Of course again, the first couple of years they wouldn't have

any concern about it, because it's going to be a hundred percent going to the seller, regardless, of the first year.

MR. McNIVEN: I understand.

CHAIRMAN: So, the only privisos that we we're considering here, or at least I was, would be that of giving the commission the authority to make sure that it was not an under-the-table deal, that it was the true price that was involved in the sale.

MR. McNIVEN: And this you feel can be done and still maintain this freedom of negotiability?

CHAIRMAN: Yes.

UNIDENTIFIED SPEAKER: I'd like to speak again to the fact that I want to be able to diversify, and like Mike, I'm concerned--you say, well, if only one year it'd be a hundred percent, but I don't--probably couldn't come up with that money maybe that first year, so then if I can't come up with it the first year, then I'm going to be jeopardized for the next three or four years until that reaches the optimum level. Financing isn't that easy to come up with right now as a fisherman.

CHAIRMAN: Well...

UNIDENTIFIED SPEAKER: Unless we have a loan program.

CHAIRMAN: Yeah, I agree.

MR. BALENGER: Why don't you simplify the whole thing and make it easy, down to 50 percent and State gets in the bidding themselves?

CHAIRMAN: So the State gets in the bidding? Well, of course, then you're back to the same thing, aren't you?

UNIDENTIFIED SPEAKER: You're bidding against yourself.

MR. BALENGER: Well, I'd be willing to bid more than \$5,000 for a license, and not forget this, if you're buying him out of the

business you'll have to buy the boat, also, so maybe the State will be very reluctant...

CHAIRMAN: Yeah, right. Newt?

NEWT: (Indisc.) interesting (indisc.) of that boat on it, but I don't believe in that game, also, and a decision of this type, I'd like a chance to kick around.

CHAIRMAN: Fine. I have no problem, but I think we would like to...

NEWT: Hypothetically, now, if this--excuse me for my inability to speak, but if this one solution is worth putting other solutions (indisc.), what are you basing this on? Do you think this could possibly happen if we wouldn't get the free transferability any other way, what would cause this?

CHAIRMAN: Well, very often when we get to the floor with bills, we find that they have to be amended before they get up enough votes to get passed. For instance, I'm simply saying if, for instance, this went to the floor and it's free transferability, and there were enough of the type of debate that you've heard here this afternoon so that it became obvious that the bill wasn't going to pass that way, then if we have an amendment prepared to go the other direction, or even if happens in this Committee, that we couldn't get out of this Committee, without that kind of an arrangement, so this...

NEWT: I think we should have a debate and roll this around...

CHAIRMAN: But when you do, why, be sure that you're getting both sides of the ramifications.

NEWT: We have been.

CHAIRMAN: Yeah. Floyd.

FLOYD: I don't know how I could even think of (indisc.) because I

was (indisc.) told me that it definitely happened (indisc.) free transfer, so I couldn't make a decision because this is all up and down the Cook Inlet.

CHAIRMAN: Well, I would...

NEWT: I don't think there's any problem with them wanting to pay something for that, but they'd rather do it some other way than have that item (indisc.) again. Transferred. (Indisc.) get taxed some way or other.

CHAIRMAN: How do you see that this would not be able to be transferred freely?

BEWT: Well, I don't know. I wouldn't want to make a decision for them.

CHAIRMAN: Well, I wouldn't be asking you to make a decision for the rest of your people, only you felt about it personally. Jim.

JIM: I don't know. I certainly don't want to get too deep in this either, because it's awfully hard to make a statement off the top of your head like this, as you well know, but it would appear to me, you know, that it would be in order that who (indisc.) endorse the concept at least, in House Bill 126. Now, if, in fact, we have another type alternative solution to it, I'd certainly like to look at it in depth, think about it awhile and say I endorse one, or I endorse the other, or I endorse a marriage of the two, which I married myself, and tell it to you in that fashion, and then if you don't want to take, you know, either mine or U.F.A or any individual groups or whatever, if you want to say well, I don't get it, we don't think that's in line with what's good for the State and us--and you Senators have decided, why, that's your prerogative. And as far as input

I think that that's--that would be kind of the type of determination that we would make, it would appear to me. Maybe I'm sort of line there, or something, but I mean, we like one or, you know, the other, or a combination of the two, which we would determine, and then if you didn't want to take that as input I guess, why, we'd have to settle with whatever happens. We don't make the laws, we realize that.

CHAIRMAN: I think exactly the same thing has happened to the State employees' pay bill. Their first choice was 14 percent, the pay raise. It became obvious, I guess, that they couldn't get that, so they went down to eight. They didn't get that so now they're willing to take an \$85 across--per month across-the-board raise. And that's all--this is the thing I'm trying to put to you. What are your first, second and third choices, for instance, you see? What are your fall-back positions if the best won't fly, what's next best, and so on and so forth...

UNIDENTIFIED SPEAKER: What is the alternate of the first test. I mean, is it something other than--I don't see anything in writing.

CHAIRMAN: Well, I just tried to lay it out for you here.

JIM: My guys told me, is all I'm saying, they were a hundred percent behind this deal. They were a hundred percent behind the transferability bit. They liked the whole package so to speak and everything, and then, I guess they didn't realize...

CHAIRMAN: Well, as a fisherman I think I would, too, and I am... Well...

JIM: I realize your position. I not trying to begrudge you your share.

**CHAIRMAN:** Well, hey, I didn't mean that the way it might have sounded, as if I had been a fisherman. I think we've probably got about four of these licenses and these permits in our family, and I said eight to Phil the other day, but we got to figuring up a little bit, and I'm not sure some of those people are going to qualify, so that's--that's immaterial.

**JIM:** I just meant that some people might feel that it would weaken their stand. It's obvious that they've all stated they want something. I mean, this is pretty much common knowledge, but, you know, I don't know, it's a question sometimes of weakening your position.

**UNIDENTIFIED SPEAKER:** If you really think something's right, too.

**UNIDENTIFIED SPEAKER II:** Didn't you give us an alternate earlier, that was another one earlier, besides this one that came up here just at the last?

**CHAIRMAN.** I don't think so. I think it was the same thing I was talking about earlier, except that I made it a little bit better this time when I said it would be over and above whatever you'd paid in in assessments. I hadn't considered that the first year the license, or first couple of years, the value of the license might not be any greater than the value of the assessments you'd already paid.

**UNIDENTIFIED SPEAKER II:** I thought I heard--I thought I picked up something completely different from this a little earlier than that.

**CHAIRMAN:** Well, you may have. I'm not aware of it. I don't remember it at this time. Let's go back in the back. We haven't heard from you.

**SIG MCGESSON:** Yes, I'm Sig McGesson from Petersburg.

**CHAIRMAN:** Yes.

**MR. MCGESSON:** And the way I see it, if I want, say, 10,000 for my permit under this second situation that you discussed, well then I'll have to sell it for 20,000, because if I sell it after a certain number of years, because I'll be paying 10,000 in taxes. So the person that's going to want to buy a permit from me is going to have to pay twice as much as they should have in order for me to get my 10,000 out of it, or whatever I want.

**CHAIRMAN:** Well, that's assuming that what you want will set the market price, and I'm not sure that's a valid assumption.

**MR. MCGESSON:** Well, whatever it is. I'm not--I don't--I'm not particularly for the speculative prices anyway, but if that is the case and I want to sell a permit and 30 or 40 people are waiting around wanting to get one, well, I'm certainly going to think about selling it for what I can get for it.

**CHAIRMAN:** Now wait a minute. If there were 30 or 40 people waiting around wanting to buy that thing and you could get 20,000, even though you were going to get all of it and weren't going to pay any in taxes, why would you go ahead and get the 20?

**MR. MCGESSON:** Why wouldn't I?

**CHAIRMAN:** Yeah. Why is it that you would only want ten in the first place if you can get 20?

**MR. MCGESSON:** If I could get 20, well, that'd be a different thing, too, but the--I think that what's going to happen is there will be a set price on what a permit is worth, and it won't be because of one guy wants more and one less. It's going to average out

that a halibut permit is going to be worth so much and a seine permit is going to be worth so much, and if you want the amount of money that you're--you feel that it's worth and the buy--or this tax program is set up so you only get 50 percent, well-- that's what I think.

CHAIRMAN: Yeah. Well, okay, I... Alright, and it's getting--it's almost 5:30. We've been here for a long time so we'll take a few more here and then cut her off for this time.

UNIDENTIFIED SPEAKER: Now, I was going to say one thing there. The value of the permit is more than likely, you know, some ratio, the value of it will correspond directly with the earning value of that permit.

CHAIRMAN: (Indisc.)

UNIDENTIFIED SPEAKER II: We're talking about the...

UNIDENTIFIED SPEAKER I: We don't know, you know. With the limited entry and a good rehabilitation program the price could step higher up, but without that rehabilitation program it might not. But what I wanted to ask you was, it goes here seven years under this last little deal you placed down before us. I could bid competitively against the State, like seven for the first year.

CHAIRMAN: Well, we might even sweeten that up and make it first two years.

UNIDENTIFIED SPEAKER I: First two, huh?

CHAIRMAN: There's lots of arrangements that can be made. It's the concept that we're talking about.

UNIDENTIFIED SPEAKER I: I'm just like Jim. As long as I can bid against Jim and in some (indisc.) way get a hold of that permit

I'll go for it:

CHAIRMAN: Well, you see, you're concerned about being able to transfer into another area, but other guys that are not fishing at all but want to get in, they might be concerned about trying to get in at all, you see?

UNIDENTIFIED SPEAKER I: Right. They have the same problem I would.

CHAIRMAN: Exactly.

UNIDENTIFIED SPEAKER: If you wanted in and want to buy a permit, you have to have some way to convince me to sell to one or the other of you.

CHAIRMAN: Which only gets down to the point that if this thing is to be effective at all, well, I'd be hurt a little bit, probably. And that might be the price that you have to pay. You might have to delay for two or three years or transfer into another area.

(End of one side of tape)

CHAIRMAN: Phil.

MR. DANIELS: I just wanted to say thank you very much for your (indisc.) and patience for being able to testify in front of the Committee and we'll bring up these issues and talk them over and hope to come to some kind of decision on it. Thank you very much on behalf of U.F.A.

CHAIRMAN: You bet. Mr. Clauson.

MR. CLAUSON: I feel the same way, and I'd like to point out I don't feel we're negotiating for something, or as much as we can get, so much as we're trying to participate constructively in something the administration and the Legislature has given a high priority to.

CHAIRMAN: Good. Well, we feel that way, too, I'm sure.

TONY GUGGENBICKLER: I'm Tony Guggenbickler from Wrangell, and I was interested in other of the qualifications that you have set up there. Under this second portion--I understand you have your own set, so...

CHAIRMAN: Yeah.

MR. GUGGENBICKLER: ...criteria.

CHAIRMAN: Yeah.

MR. GUGGENBICKLER: Under the second portion, and I may have understood it wrong, is being an ec--would the fact that you are economically depressed give you a higher priority under your system?

CHAIRMAN: Well, it would be one of the factors added to the whole mix. The availability of other income would be one of the factors added to the whole mix, but remember that we've also said then, later, that regardless of the number of permits optimum for an area, we're going to include in the initial entry all of those is categories one, two and three. The only ones that would be left out were those where not continuing in the fishery would be only a minor hardship on them. In other words, most of the full-time fishermen--I mean, the guys that had been fishing, even as part-time fishermen, that had the--excuse me, consistently, they would be left in at the initial go around. Yes. Okay. Well, alright, thank you very much for your...

(End of tape)