

SCOMM

#36:10

IDENTIFICATION	BILL NAME An Act amending the Limited Entry Act; and providing for an effective date.		BILL NUMBER HB 357 376
			DATE INTRODUCED 4/21/83
			RELATED BILLS PENDING
SPONSOR(S) By the Rules Committee By request of the Governor.		REFERRALS Resources	
INITIAL RESEARCH	INITIAL SUMMARY COMPLETED		LEGAL DIVISION SUMMARY
	SPONSOR CONTACTED FOR BACKUP MATERIALS		DEPT OF LAW SUMMARY
	AGENCY RESPONSE		FISCAL NOTE Dept. of Fish & Game
			OTHER INTERESTED LEGISLATORS NOTIFIED
BACKGROUND RESEARCH	SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES		OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, ETC
	RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS		
HEARING PREPARATION	CHAIRMAN BRIEFED		DATE & PLACE SET
	STAFF MEMO TO COMMITTEE		TELECONFERENCE
	BACKGROUND MATERIAL DISTRIBUTED		PSA/PRESS RELEASE
	LIST OF WITNESSES		SUGGESTED AMENDMENTS/CS DRAFTED

Introduced: 4/21/83
Referred: House Special Committee
on Fisheries and Resources

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 376

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Limited Entry Act; and providing
7 for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 16.43.040 is amended by adding a new subsection to
10 read:

11 (b) The commission shall adopt regulations to provide for break-
12 ing tie votes in the event that only two commissioners are participat-
13 ing in an adjudication.

14 * Sec. 2. AS 16.43.100(a) is amended by adding a new paragraph to read:

15 (16) establish reasonable user fees for services.

16 * Sec. 3. AS 16.43.110 is amended to add a new subsection to read:

17 (e) The commission shall adopt regulations to provide for the
18 correction of administrative error.

19 * Sec. 4. AS 16.43.150(a) is amended to read:

20 (a) Each entry permit authorizes the permittee to operate a unit
21 of gear within a specified fishery [ADMINISTRATIVE AREA].

22 * Sec. 5. AS 16.43.150(f) is amended to read:

23 (f) Except for permits which are not transferable under AS 16.-
24 43.170(c) or (e), an [AN] entry permit survives the death of the
25 holder.

26 * Sec. 6. AS 16.43.150(h) is amended to read:

27 (h) Upon the death of an entry permit holder, the permanent
28 permit shall be transferred by the commission directly to the surviv-
29 ing spouse by right of survivorship unless the deceased holder has

1 expressed a contrary intent in a will which is probated [A CONTRARY
2 INTENT IS MANIFESTED]. When no spouse survives, the rights of the
3 decedent pass as part of his estate.

4 * Sec. 7. AS 16.43.170(b) is amended to read:

5 (b) Except as provided in (c) and (e) of this section, the
6 holder of an entry permit may transfer his permit to another person or
7 to the commission upon 60 days notice of intent to transfer under
8 regulations adopted by the commission. No sooner than 60 days nor
9 later than 12 months from the date of notice to the commission, the
10 holder of an entry permit may transfer his permit. A proposed trans-
11 ferree must demonstrate present ability to actively participate in the
12 fishery. [IF THE PROPOSED TRANSFEREE, OTHER THAN THE COMMISSION, CAN
13 ESTABLISH PRESENT ABILITY TO PARTICIPATE ACTIVELY IN THE FISHERY, THE
14 COMMISSION SHALL APPROVE THE TRANSFER AND REISSUE THE ENTRY PERMIT TO
15 THE TRANSFEREE.]

16 * Sec. 8. AS 16.43.260(a) is amended to read:

17 (a) The commission shall accept applications for entry permits
18 only from applicants who have harvested fishery resources commercially
19 while participating in the fishery as holders of gear licenses issued
20 under AS 16.05.536 -- 16.05.670 and interim-use permits under AS
21 16.43.210(a) before the qualification date established in (d) or (e)
22 of this section. The commission may specify by regulation the calen-
23 dar years of participation that will be considered for eligibility
24 purposes.

25 * Sec. 9. This Act takes effect immediately in accordance with AS
26 01.10.070(c).
27

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: HB 376
 Title: An Act amending the Limited Entry Act.
 Sponsor: Governor
 Requestor: Resource Committee

II. FISCAL DETAIL

Agency Affected: Dept. of Fish & Game
 Program Category Affected: Fish, Res. Conserv.
 BRU, Program of Subprogram(s) Affected: Commercial Fisheries Entry Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL: There will be no negative fiscal impact. The bill streamlines existing language in Title 16 of the statutes enabling the commission to operate more effectively.

IV. ANALYSIS: Attach a separate page for any Analysis (see attachment)

Prepared By: Derrill L. Johnson Phone: 465-4081
 Division: CFEC Date: 04/11/83
 Approved by Commissioner: John Williams Date: 04/11/83
 Department: Commercial Fisheries Entry Commission (ADF&G)

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

Section 1 instructs the commission to adopt regulations providing for measures to be taken in instances where a tie vote occurs in the adjudication of a permit application.

Section 2 grants the commission the power to charge reasonable fees to defray the costs of service it renders to members of the public.

Section 3 instructs the commission to issue regulations governing the correction of its administrative error, as, for example, where an applicant has been mistakenly credited with points for vessel ownership when the applicant did not own a vessel.

Section 4 is a technical change reflecting the fact that AS 16.43.380(3), which defines the term "fishery", was amended in 1981 to provide that a fishery may cover more than one administrative area.

Section 5 is intended to clarify in AS 16.43.150(f) what is already apparent elsewhere in the Limited Entry Act, namely that the permit of "minor economic hardship" applicant under AS 16.43.250(c), which permits are expressly non-transferable does not survive the death of the holder, and cannot be transferred in any way after his death.

Section 6 tightens up the "contrary intent" language in the existing law such that a permit will go directly to the deceased permit holder's surviving spouse unless the permit holder made other provision for its disposition in a valid will.

Section 7 is intended to end the possible ambiguity in the current language of AS 16.43.170(b) and make clear that the commission is not obligated to approve a permit transfer whenever the proposed transferee can show the present ability to actively participate. Under the proposed language of Section 7, the commission will plainly be able to disapprove a transfer when it would be improper, as, for instance, if the transfer is a lease forbidden by AS 16.43.150(g).

Section 8 is intended to give the commission discretion in determining what years are to be considered in setting eligibility to apply in a newly limited fishery. Under the law as currently interpreted, anyone who has ever held an Alaska gear license (first issued in 1960) in a given fishery is eligible to apply if that fishery is limited. As 1960 becomes increasingly distant, and the character of the State's fisheries changes, it is increasingly inappropriate to allow eligibility based on participation that may be twenty-five years in the past. The proposed amendment to AS 16.43.260(a) will give the commission the necessary flexibility.

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 21, 1983

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill proposing technical amendments to the Limited Entry Act, AS 16.43. These amendments are necessary to assure the continued smooth functioning of the limited entry program.

Section 1 of the bill deals with the potential problem of deadlocks when only two members of the Commercial Fisheries Entry Commission are participating in an adjudication. It instructs the commission to adopt regulations providing for measures to be taken in this situation.

Section 2 of the bill grants the commission the power to charge reasonable fees to defray the costs of services it renders to members of the public, such as processing permit transfer applications.

Section 3 of the bill instructs the commission to adopt regulations governing the correction of its administrative errors, as, for example, where an applicant has been mistakenly credited with points for vessel ownership when the applicant did not own a vessel. This section will not allow the commission to undo discretionary determinations made by previous members of the commission. Nor will it require the commission to reopen closed applications when a court determines that the commission has misinterpreted a statute or regulation.

Section 4 of the bill is a technical change reflecting the fact that AS 16.43.380(3), which defines the term "fishery", was amended in 1981 to provide that a fishery may cover more than one administrative area.

Section 5 of the bill slightly modifies existing AS 16.43.150(f), which states flatly that an entry permit survives the death of its holder. Revised section 150(f) would provide that permits held by persons who qualified as "minor economic hardship" applicants under AS 16.43.250(c) -- persons with minimal ties to the fishery in which they hold permits -- cease to exist when their holders die. These permits are currently non-transferable under AS 16.43.170(e) before the commission sets an optimum number under AS 16.43.290 in a fishery (unless the commission estimates that the number of permits outstanding in that fishery does not exceed the optimum number); they are transferable after the optimum number is set, but only to the commission under AS 16.43.170(c).

Section 6 of the bill modifies the "contrary intent" language in the existing law to make clear that, if there is a surviving spouse, the permit of the deceased permit holder will go directly to that surviving spouse unless the holder has made other provision for the permit's disposition in a valid will that has been probated. This modification should assure that the Limited Entry Act is construed consistently with Alaska's probate code, and that questions of probate law are left to the courts rather than to the Commission.

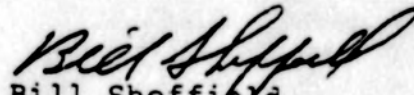
Section 7 of the bill is intended to end the possible ambiguity in the current language of AS 16.43.170(b) and make clear that the commission is not obligated to approve a permit transfer solely because the proposed transferee can show the present ability to actively participate. Under the amendments in sec. 7, even if a transferee demonstrates the ability to participate, the commission will plainly be able to disapprove the transfer if it would be improper, as, for instance, if the transfer is a lease forbidden by AS 16.43.150(g).

Section 8 of the bill is intended to give the commission discretion in determining what years are to be considered in setting eligibility to apply for an entry permit in a newly-limited fishery. Under the law as currently interpreted, anyone who has ever held an Alaska gear license (first issued in 1960) in a given fishery is eligible to apply if that fishery is then limited. This has not been a problem to date. But as 1960 becomes increasingly distant, and the character of the state's fisheries changes, it will be increasingly inappropriate to allow eligibility based on participation that may be 25

years in the past. The proposed amendment to AS 16.43.260(a) will give the commission necessary flexibility.

I urge your prompt action on this bill.

Sincerely,


Bill Sheffield
Governor

HOUSE SPECIAL COMMITTEE
ON FISHERIES
May 3, 1983
4:10 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Bussell
Rep. Goll
Rep. Grussendorf
Rep. McBride
Rep. Zharoff

Members Absent: Rep. Fuller, Vice-Chair

COMMITTEE CALENDAR

SSHB 381: "An Act relating to wholesale prices for salmon; and providing for an effective date."
HB 382: "An Act relating to fees for salmon limited entry and interim-use permits; and providing for an effective date."
HB 376: "An Act amending the Limited Entry Act; and providing for an effective date."

WITNESS REGISTER

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Cass Parsons
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United Fishermen of Alaska
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Alan Stein
Fisherman
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PREVIOUS ACTION

HB 376: 4/21/83 - First Reading.

Committee referrals - Fisheries, Resources
and Rules Committees.

Governor's transmittal letters appears on
page 973 of the House Journal.

Fiscal note with analysis appears in House
Supplement No. 44.

No previous action in Fisheries Committee.

HB 381: 4/28/83 - First Reading.

Committee referrals - Fisheries, Resources
and Rules Committees.

No previous action in Fisheries Committee.

HB 382: 4/26/83 - First Reading.

Committee referrals - Fisheries, Resources
and Rules Committees.

No previous action in Fisheries Committee.

ACTION NARRATIVE

TAPE#35
Recording

Number 0001

Chairman Herrmann called the Special Committee on Fisheries meeting to order at 4:10 p.m. She announced the first order of business; SSHB 381 and informed the committee that the bill had been discussed in a work session in the past.

Chairman Herrmann said with certain contracts between fishermen and processors, there needs to be a process by which the wholesale prices for salmon are determined and gathered, benefitting both parties involved. She called upon Rick Lauber to begin his testimony.

Number 0030

Rick Lauber representing the Pacific Seafood Processors Association (PSPA) began his testimony by stating that the Chair was correct in stating that interest was sparked in this type of legislation because of agreements that have recently been made that have involved a sliding scale. However, in the discussion with parties involved with this piece of legislation, it appears that this reason is a rather almost insignificant portion of the intent behind the effort to obtain wholesale price information. It seems there is a feeling that by obtaining information on the price that product has been sold for in the past will somehow enable one to determine what would be the price that should be paid for in the future.

Mr. Lauber addressed the "contracts" that have or will be signed that involve the reporting of wholesale prices. In the first place, those contract while they make reference to a state report, they also have provisions in them for the obtaining of that information by other means. He stated that he would like to consider that as an alternative that would be more advantageous to all concerned.

Mr. Lauber said that there had been a lot of discussion in the past about quality control and quality products in the seafood industry. If a fisherman is going to be paid based on a statewide average, it would seem that he would have little interest in presenting the product to his buyer in prime condition. Whereas, if the price that the fisherman was going to be paid on the sliding scale was related directly to the

sale price that that buyer would get for the product when they sell it, the fisherman would take more interest in the product than they would if it was going to be lumped together with hundreds of other buyers into a statewide average.

Mr. Lauber stated that he didn't want to minimize the importance of these "contracts", the processors are in favor of any type of a contract that would make for an early settlement and do away with price disputes.

Some areas of the state do have these types of agreements, but there is a lack of agreement with some fishermen, certain processors and other areas of the state. Some have no interest or inclination to go into this type of agreement. Until these parties do go into these agreements, it is imposing the will of a few upon the many. This bill is requiring that fishermen and processors that have no interest in this type of agreement, comply with a state law that will be imposed upon them. He then stated that he was in favor of fishermen and processors bargaining collectively and coming up with a settlement agreement that they feel comfortable with, but the majority of the fishermen have not signed such contracts.

Under the existing law, it is required that canned pink salmon prices be reported because Prince William Sound has a contract of this type and has had for a number of years. There was a dispute and a controversy over a piece of legislation a number of years ago which would require something similar to SSHB 381, but a compromise was reached that fishermen and processors would report if there was a request for such a report. At that time, there was a statewide forecast of catch of 105,000,000 and 5,000,000 of that was forecasted for Prince William Sound. That meant that Prince William Sound wished to impose on the rest of the state what they all should do which is something that the rest of the fishermen don't necessarily care to do. Since the time that bill passed, and all processors in the State of Alaska are now having to report all of their wholesale

prices for canned pink salmon.

Prince William Sound does not like those statewide figures, so they have made an agreement with their processors to get a second report. So now there is a situation existing today where all processors are having to report pink salmon wholesale prices for canned salmon and the organization that asked for it is using another method of obtaining the information that they want for purpose of payment by means of a sliding scale.

Mr. Lauber further stated that he felt that this same situation is going to happen again. There is a provision in these contracts that allows the fishermen can request an audit be done on the processor, and its very likely that is what they will do. If the fishermen want those figures and the processors want them to have them and the contract provides for this, they should make provisions to obtain this information. Not based upon what one processor in some district pays, but what the processor in that fisherman's district pays.

The other reason for obtaining these prices is that somehow by having the past year's prices, this is going to assist in the next year's negotiations. The most recent prices are of some value, but to have average prices of the previous years would be of no value. This information has been available in the past and if the processors thought it would be of some value to compile this information, they would have. There are many other significant factors; such as the inventory on hand, the volume on the market, labor costs, taxes, cost of cans, cost of freight, cost of warehousing the product, and the incidental costs imposed by other government mandates, that affect the prices.

Mr. Lauber said this legislation is something that some people think is going to help them but in actuality, it will just be imposing another layer of government on an industry without any benefit. With the money that it will take to compile the information it will not be cost effective. He spoke on the proposed amendment concerning the promotional discounts and

explained how the promotional discounts work with the retailers that they sell to. He said this allowance is needed for the processors to be able to give these discounts in order to sell the salmon to the consumers through the retailer's promotional efforts.

He spoke on the section of SBHB 381 that is a statutory letter of intent calling for a study to be made on whether it would be feasible to require reporting on other product forms. He did not feel that it would be feasible to have this type of reporting.

Number 0364

Chairman Herrmann thanked Rick Lauber for his testimony and opened it up for questions from the committee members.

Number 0365

Rep. McBride commented on Mr. Lauber's statement regarding the past information not being of value for future prices and said he may agree with him, but part of the reason for collecting this information was to be of value in having some kind of information credible to both parties to decide what the final price should be in order for the fishermen to get their sliding sale payment. He said this part of the collecting of information would be valid.

Number 0377

Rick Lauber stated that he did not believe it would be valid, and explained that the individuals who have the "contacts" and are financially interested in obtaining correct information as to what the product was sold for, should be interested in knowing what the product that they fished for and sold to the processor was sold for on the market. This information can and is being obtained from the processor by the fishermen, rather than lumping that in to the statewide average. The fishermen would be encouraged to deliver a quality product if he knew he would benefit from it.

Number 0416

Rep. Bussell asked Mr. Lauber what percent of the fishermen of the state would benefit from this data.

Number 0419

Rick Lauber stated that he wasn't ready to admit that they would benefit at all and that he wasn't sure exactly how many would

be affected by this data.

Number 0436

Rep. Bussell asked Mr. Lauber what other method was available to obtain information to satisfy the requirement of these contracts or people wanting it.

Number 0440

Rick Lauber stated that the only way other than what SSHB 381 would require, would be to obtain it from the individual processor company. These contracts have provisions for doing this. There are a number of different ways of obtaining this information but they aren't all accurate. There are alternatives that give close figures.

Number 0471

Rep. Bussell then asked what benefit to the state this information would be?

Number 0473

Mr. Lauber stated that he didn't see any benefit himself but it has been sold to the state as a way to do away with the striking by fishermen. All of the contracts have the provision of permitting an audit for the fishermen who want it. Settlements have been reached in certain areas of the state, he didn't feel that SSHB 381 is necessary.

Number 0488

Rep. Bussell than commented that he resisted setting up another area of bureaucracy without any benefit to the state. He did not see any assurances that there won't be any striking if SSHB 381 is passed.

Number 0507

Chairman Herrmann thanked Rick Lauber for his testimony and announced the next witness to testify, Cass Parsons.

Number 0519

Cass Parsons, Executive Director of United Fishermen of Alaska began her testimony. HB 381 serves two purposes; it authorizes the Department of Revenue to collect wholesale price information on all species of canned salmon, and secondly; it authorizes a study to determine the costs and benefits, methodology, and appropriate state agencies for collecting wholesale information on fresh, frozen, and cured salmon products, as well as canned. This is important for two reasons; first, the wholesale price determined by this method assists fishermen and processors in settling prices which more accurately reflects the true worth of the product, thus avoiding strikes.

Historically, wholesale price information collected by the Department of Revenue has been used by fishermen in Bristol Bay, Price William Sound, Kodiak, and Sand Point. This average price has a wide reaching impact.

The wholesale average price is used in two ways; in addition to market conditions such as inventories, expected levels of supply, and estimates of demand, the wholesale value of the product establishes a base price for the raw salmon. Some fishermen are payed just a base price, others negotiate a base price plus a formula adjustment which reflect the actual average wholesale value of products sold during a certain time period of the coming year. The other primary purpose of compiling this information is to provide data which serves as a basis for any seafood market analysis. This data also allows the state to determine the value of the resource and eventually to determine the cost to its citizens by subsidies to the industry and the actual costs to consumers. In addition it determines the benefits received from employment by the industry.

The study authorized by this legislation is vital to our goals to provide fishermen with an accurate wholesale value alternative on which to base prices, and of providing the necessary data for a market analysis. Fresh, frozen and cured salmon products now comprise over 50% of the total salmon production and thus should be included in determining the wholesale value of salmon. But a system for collecting and compiling the information needs to be devised.

Ms. Parsons then commented on the statement made by Rep. Bussell regarding another layer of bureaucracy. She said that the information is presently being collected by the Department of Revenue for canned pink salmon prices. It would just expand the collection to the rest of the canned species.

Number 0575

Chairman Herrmann thanked Cass Parsons for her testimony and introduced Bob Kessel and Norm Staton, Department of Revenue.

Number 0577

Norman Staton, Special Assistant to the

Commissioner, Department of Revenue said the Department wouldn't have problems complying with whatever is decided on this issue. The concerns of the department are the availability of that information and how well they can compile it to make it something worthwhile. Another concern is Section 3 of SSHB 381 which says that the Department of Commerce and Economic Development in conjunction with the Commercial Fisheries Entry Commission shall submit to the legislature a report. He asked that the Department of Revenue who is compiling that information, be included in making this report to the legislature on the study. We may have some insight to give since we are doing the collecting and compiling. In regard to the section that would call for elimination of duplication of reports on fish processors and commercial fishermen, Mr. Staton stated that the Department of Revenue is already collecting information on this.

Number 0613

Bob Kessel, Director, Division of Audit, addressed Section 1 of the bill which requires that no later than April 30 of each year a processor shall submit a report. He said that the department could not report to the legislature by the 60th day and suggested that it be changed to something more reasonable. The second item of concern was the packaging and marketing section of the bill. He suggested that item 2 (48 lb. case of one-half pound cans - 96 cans) be changed to 24 lb. case of one-half pound cans - 48 cans; and item 3 "48 lb. case of one-quarter pound cans - 192 cans" be changed to 12 lb. case of one-quarter pound cans -48 cans.

The third item that he addressed was the comment relating to the fiscal note. This bill expands the reporting from canned pink salmon to all canned salmon and provides for a semi-annual report on a monthly basis.

Tape 36
Recording
Number 0001

Rep. McBride asked Mr. Kessel if he felt there was a need of more manpower or a change in the legislation to give him the ability to make some audits.

- Number 0012 Bob Kessel said he didn't think they needed to change the legislation to give the ability to do audits the Department can already do that. The manpower that is currently dedicated to the wholesale average price reporting is taken from the fisheries business tax and so it's just diversion of current staffing into another area that we rally don't have staffing for.
- Number 0023 Rep. McBride asked if it would dilute the information if the department didn't have the ability to audit.
- Number 0027 Bob Kessel replied by saying it's consistency and uniformity are needed to come up with correct pricing mechanisms.
- Number 0036 Chairman Herrmann thanked the witnesses for their testimonies and introduced Dick Reynolds as the next witness.
- Number 0046 Dick Reynolds of the Department of Commerce and Economic Development began his testimony by explaining their fiscal note on SSHB 381. He stated that he estimated the level of time and energy that would be reasonable for data collection and recording and that its simply an estimate of the kind of size of study that he judged would be necessary to do that work which is being required. There is an interest in the Department for these figures.
- Number 0083 Rep. McBride stated that there have been studies made in the past on the problems and therefore, each year what may develop into being the market. Do you see this kind of thing being a help to the process you've gone through so far in past studies or are there other things that should be asked for, instead of or in addition to?
- Number 0097 Dick Reynolds said the more information the people in Alaska have about the full range of the fish business, the better off we're going to be.
- Number 0110 Rep. Bussell asked Mr. Reynolds if he knew how the magazine "Pacific Fishermen" got it's data? (Rick Lauber had stated in his testimony the magazine's information was accurate).

- Number 0113 Dick Reynolds answered by saying that the magazine calls up the processor and asks them.
- Number 0115 Rep. Bussell then asked if he thought it was accurate information.
- Number 0117 Dick Reynolds guessed that it was fairly accurate but doesn't have a sequence that can be followed over a period of time. It is just a range of the product overall. It's just used by the magazine to give an impression to it's readers of what is happening in the market. This particular statistic would not be valuable to the fishermen for negotiations.
- Number 0149 Rep. Bussell stated that under the scheme in the bill, they're not going to know anything about it either because the wholesale prices are going to be put together and an average taken.
- Number 0151 Dick Reynolds stated that he agreed with him and said that the average would be used as a gauge by the fishermen for their contracts, negotiations, or arrangements. As far as validity, this will be covered in the study.
- Number 0166 Rep. Goll asked if any of these types of studies have been made in the past or any international marketing studies have been conducted.
- Number 0175 Dick Reynolds explained some of the ways of selling in Europe and Asia. Actions are also considered actual sales.
- Number 0192 Rep. McBride commented that information in a magazine may be accurate information on what something sold for today but it may not have any relation to the total price. Other factors are considered in determining the wholesale average.
- Number 0210 Chairman Herrmann thanked Mr. Reynolds and announced the witness; Alan Stein.
- Number 0214 Alan Stein, fisherman and broker, said the difficulties of this bill are because of an absence of a central market. He addressed Section 3 as difficult regarding the collection of wholesale prices for fresh, frozen, and cured. Laundering of money

needs to be addressed. Another area of problem is the question of when these figures will be available to be used in price negotiations; this should be addressed in the bill. Last year 80% was frozen and fresh, 20% was canned. This may be a trend that is going to continue. He stated that he didn't want to condemn the bill outright but he felt there were a few problems with it.

- Number 0289 Rep. Goll asked Mr. Stein if he could rephrase some of these points and express some recommendations.
- Number 0296 Mr. Stein said that in Section 3 it should be stated when the information will be available for negotiations.
- Number 0316 Chairman Herrmann stated the date for reporting is stated on the first page, not later than October 31 of each year a processor shall submit a report for the period April 1 - September 30.
- Number 0325 Alan Stein said that not enough of the pack would be sold by then to make the prices useful for areas throughout the state.
- Number 0330 There was discussion on the reporting date.
- Number 0335 Rep. Goll asked if Mr. Stein had any ideas as to handling the laundering of money.
- Number 0339 Alan Stein didn't feel there was any way of dealing with this unless there is an examination of the processors scale contract or invoice. How can you take into account when a processor is payed by other means than money?
- Number 0349 Rep. McBride pointed out that "wholesale price" is defined in the bill to include all receipts, whether in the form of money, credits, or other considerations.
- Number 0353 Alan Stein asked how the other considerations would be reported.
- Number 0365 Chairman Herrmann thanked Mr. Stein for his testimony and said at the next meeting, the questions will be answered; after we have time to work on them.

- Number 0369 Rep. Grussendorf inquired about the fiscal note of Department of Commerce and Economic Development. He asked Mr. Reynolds why there was only a fiscal note for FY '84.
- Number 0374 Dick Reynolds stated that he was just complying with Section 3 which requires a report be made during the Second Session of the 13th Alaska State Legislature.
- Number 0379 Rep. McBride asked if the information would be available to the public previous to the deadline in the bill for reporting to the legislature.
- Number 0398 Chairman Herrmann said the committee staff would have answers to the question that were unanswered at the next meeting and also stated that HB 382 and HB 376 will be taken up at the next meeting.
- Number 0403 There being no further business to come before the committee, Chairman Herrmann adjourned the meeting at 5:20 p.m.

HOUSE SPECIAL COMMITTEE
ON FISHERIES

May 5, 1983
4:06 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Fuller, Vice-Chair
Rep. Grussendorf
Rep. McBride
Rep. Goll

Members Absent: Rep. Bussell
Rep. Zharoff

COMMITTEE CALENDAR

SSHB 381: "An Act relating to wholesale prices for
salmon; and providing for an effective
date."

HB 376: "An Act amending the Limited Entry Act; and
providing for an effective date."

WITNESS REGISTER

Rep. Clocksin
State Capitol Building
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465-3704
Position Statement: In favor of SSHB 381.

John Williams
Chairman/Commissioner
Commercial Fisheries Entry Commission
Department of Fish & Game
Pouch KB
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465-4081

Rick Lauber
Alaska Manager
Pacific Seafood Processors Association
120 W. 1st Street
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586-6366

John Gaguine
Assistant Attorney General
Department of Law
Pouch K
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465-3600

PREVIOUS ACTION

SSHB 381: 4/25/83 - First Reading.

Committee Referrals - Fisheries and Resources.

See Fisheries minutes of May 3, 1983.

HB 376: 4/21/83 - First Reading.

Committee Referrals - Fisheries and Resources.

Governor's Transmittal Letter appears on Page 973 of the House Journal.

Fiscal Note with Analysis appears in House Journal Supplement No. 44.

See Fisheries minutes of May 3, 1983.

ACTION NARRATIVE

TAPE#37
Recording
Number 0001

Chairman Herrmann called the meeting to order at 4:06 p.m., and announced the first order of business; SSHB 381. She explained a few areas of concern and further explained the intent of the bill. The following amendments were presented for consideration:

Page 2, Line 6 is amended to read:

(2) 24-pound case of one-half-pound cans (48 cans);

Page 2, Line 7 is amended to read:

(3) 12-pound case of one-quarter-pound cans (48 cans);

Page 2, Line 19 is amended to read:

Sec. 43.80.060. REPORT TO LEGISLATURE. Not later than the 15th.

Page 4, Line 4 is amended to read:

Commission and the Department of Revenue shall submit to the legislature a report on the possible

Page 4, Line 11 is amended to read:

(2) the appropriate methodology and procedures that could be used for

Chairman Herrmann announced Rep. Clocksin to testify.

Number 0102

Rep. Clocksin stated that he would be speaking in favor of SSHB 381. He explained that his testimony was based on his past experiences, working in fish camps and working for a law firm in Anchorage as an Attorney. This law firm represented Alaska Independent Fishermen's Marketing Association (AIFMA). He said his testimony was on behalf of himself and not any other individual or group. He explained the price settlements of AIFMA with the processors and stated that SSHB 381 makes wholesale information available to aid all parties in negotiations in order to eliminate the strikes. SSHB 381 is a very positive step that the legislature can take to help the fishermen of the State.

Number 0185

Rep. McBride commented that the information that will be gathered won't necessarily be from the fish that will be caught this year. There is still some of the 1981 pack remaining to be sold, which will defuse the information.

Number 0193

There was discussion on the stipulations in the bill and contracts between the fishermen and processors, that took into account the inventory of past year's canned salmon.

Number 0210

Discussion continues between committee members regarding the proposed amendments.

Number 0222

Rep. Grussendorf made a motion to adopt the amendments as submitted for purposes of discussion. All members were in favor.

Number 0227

Rep. McBride questioned Rick Lauber, who was present in the audience, regarding the case size proposed amendments as to whether it would be right to change.

Number 0237

Rick Lauber stated that he was in opposition to this particular section being amended. Historically the pack has been computed based upon a 48 pound case. After an explanation and discussion, it was decided that the two amendments regarding case size would be left out for the present time.

Number 0297

Rep. Grussendorf removed his motion to accept the proposed amendments and replaced the motion to accept the last three following proposed amendments:

Page 2, Line 19 is amended to read:

Sec. 43.80.060. REPORT TO LEGISLATURE. Not later than the 15th.

Page 4, Line 4 is amended to read:

Commission and the Department of Revenue shall submit to the legislature a report on the possible

Page 4, Line 11 is amended to read:

(2) the appropriate methodology and procedures that could be used for

There were no objections, motion carried.

Number 0308

Rep. McBride moved and asked unanimous consent that SSHB 381 with amendments be passed out of committee. No objections, motion carried.

Number 0313

Chairman Herrmann announced the next order of business; HB 376 and introduced John Williams to testify.

Number 0318

John Williams, Chairman of the Commercial Fisheries Limited Entry Commission said that the amendments to the Limited Entry Act, being proposed in HB 376 are described as solving problems that would otherwise come up at some point during the year. He then went on to explain each section of the bill.

Section 1 would allow the Commission to adopt regulations to provide for breaking tie votes when the Commission is adjudicating a claim.

Section 2 would be a means of covering some

of the costs of administering the Limited Entry Act to be born by the users of the services. One of the possible fees for the future would be a transfer fee to possibly encourage proper filling out applications for transfers.

Number 0356

Rep. Fuller asked how much of a fee there would be?

Number 0359

Mr. Williams stated that it would be in terms of about \$10.00. It would not be considered as a revenue maker, but would cover the costs for all the work involved with transfers. There are approximately 1200 transfers a year.

Number 0375

Rep. McBride commented that the reason for some of the applications not being filled out properly is because of a possible lack of education in the different areas of the state.

Number 0384

John Williams explained that the commission is working toward informing the fishermen of the rights, duties, responsibilities and risks involved in the transferring of permits.

Number 0395

Chairman Herrmann asked if the Commission's Togiak office handled transfers. Mr. Williams answered no and explained that Togiak was only a pilot project.

Number 0400

Section 3 is a correction to the statutes which the Department of Law has suggested. It would allow correction of administrative errors to be done legally.

Number 0415

Rep. Fuller asked how many administrative errors there were per year.

Number 0417

Mr. Williams said that there were about two dozen requests for reviews a year and about 4 - 5 errors are found by just looking over files. There was discussion on a few of the different errors.

Number 0448

Section 4 is a change in wording. From "Administrative Area" to "fishery", in order to make this section consistent with the new definition of "fishery".

Section 5 is also a technical correction.

It clarifies the intent for non-transferrable permits which do not survive the death of the holder.

Section 6 deals with probating estates. It originally stated that after the death of a permit holder, the permit went directly to the surviving spouse unless, "a contrary intent is manifested". This was changed to read, "the deceased holder has expressed a contrary intent in a will which is probated."

- Number 0497 Rep. McBride questioned the wording of this section, regarding whether it would be legal and fully expresses the intent.
- Number 0506 Mr. Williams stated that the language has been reviewed by the Department of Law; and then directed the question to John Gaguine, the Assistant Attorney General who was present in the audience.
- Number 0510 John Gaguine answered by explaining that the will would say who the permit is to go to, and then stated he didn't feel there was a problem with the wording of this section.
- Number 0522 John Williams continued with an explanation of Section 7 which presently says that if the proposed transferee can demonstrate present ability to participate actively in the fishery and doesn't presently hold a permit in that fishery, then the Commission must transfer that permit to him. This amendment removes the language that suggests that it is mandatory upon the Commission to approve a transfer if the person can show ability to fish. By this removal, the Commission may review every request for transfer according to the restrictions that are placed on legal transferability of permits.
- Number 0537 Chairman Herrmann asked how long the review process would take for a transfer and would it be done on all transfers?
- Number 0538 Mr. Williams stated that in most instances it would not take long at all. There are particular things that key the Commission's interests to review a certain transfer, like permits going back and forth between unrelated parties, or gift transfers between

unrelated parties. The Commission has adopted regulations which will become effective in October which will ask the parties involved in the transfer to submit to the Commission on paper what the agreement is to the transfer. Based upon on this written document, the Commission will decide whether it is consistent with the law.

Section 8 expands the power of the Commission to adopt the regulations for purposes of declaring an eligibility period. Mr. Williams went on to explain the purpose of this amendment.

Number 0598

Rep. Goll questioned Mr. Williams about the eligibility of people who missed a year or two, but had fished for years before and were denied the permit because of those years he missed.

Number 0607

Mr. Williams said that there will be a sufficient amount of points to still be entitled a permit, even if he misses a year of fishing. He explained that there is always a sufficient number of years involved in the requirements for a limited entry permit and that missing a year or two wouldn't make a difference. There is also the factor of whether that person would suffer a great deal of hardship because of his dependence on that fishery in which he did not acquire enough points.

Tape #38
Recording
Number 0001

Rep. Goll asked about serving in the military and missing the essential years.

Number 0002

Mr. Williams stated that the Commission recognizes the years spent in the military during a conflict or time of war, but does not qualify those years if it was military service during peace time. At this time it would be considered as a voluntary change of occupation.

Number 0019

Chairman Herrmann asked Mr. Williams if the Commission holds public hearings before they decide to limit a fishery.

Number 0022

Mr. Williams said that yes they do. The Commission would propose to the public a

maximum number to be established for that fishery an eligibility period, and a ranking system.

Number 0035

Chairman Herrmann asked if there were any further questions and said the intent of the Chair was to hold the bill over until May 10.

Number 0051

No further business to come before the committee, Chairman Herrmann adjourned the meeting at 5:01 p.m.

HOUSE SPECIAL COMMITTEE
ON FISHERIES
May 10, 1983
4:04 p.m.

Members Present: Rep. Herrmann, Chairman
Rep. Fuller, Vice-Chair
Rep. Grussendorf
Rep. Goll

Members Absent: Rep. Bussell
Rep. McBride
Rep. Zharoff

COMMITTEE CALENDAR

HB 376: "An Act amending the Limited Entry Act; and
providing for an effective date."
HB 393: "An Act relating to the operation of state-
owned salmon hatcheries."

WITNESS REGISTER

Thomas E. Mears
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Cook Inlet Aquaculture Association
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Curt Kerns
Aquaculture Specialist
University of Alaska
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789-4409

Stan Moberly
Director
Division of Fisheries Rehabilitation Enhancement
and Development (FRED)
Department of Fish & Game
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465-4163

Rep. Wendte
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465-4944

Dennis Kelso
Department of Fish & Game
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465-4100

PREVIOUS ACTION

HB 376: 4/21/83 - First Reading.

Committee Referrals - Fisheries and Resources.

Governor's Transmittal Letter appears on Page 973 of the House Journal.

Fiscal Note with Analysis appears in House Journal Supplement No. 44.

See Fisheries minutes of May 3 and 5, 1983.

HB 393: 5/2/83 - First Reading.

Committee Referrals - Fisheries, Resources, Finance and Rules Committees.

No previous action in Fisheries.

ACTION NARRATIVE

TAPE#39
Recording
Number 0001

Chairman Herrmann called the meeting to order at 4:04 p.m., and announced the first order of business; HB 393. She announced Thomas Mears to testify on the bill.

Number 0015

Thomas Mears, Executive Director of the Cook Inlet Aquaculture Association, stated that HB 393 directs the Commissioner of Fish & Game to lease state hatcheries but the bill does not specify whether it means specific hatcheries, any hatcheries, or all hatcheries. The bill directs transfer of state hatcheries if an application by a non-profit organization is submitted and if such hatcheries can be accomplished by the Department of Fish & Game. This bill as written is not comprehensive enough to accomplish the task of transferring any of the hatcheries in the state.

Mr. Mears explained the problems that happened last year with the appropriation bill which addressed the transferring of hatcheries by the Commissioner of the Department of Fish & Game.

In order for hatchery transfers to be accomplished, there needs to be a task force or working committee established to include the legislators, the Governor's Office, and the various commissioners and division directors. First of all, establish what the roles are going to be in the state's salmon enhancement program; for the FRED division of the Department of Fish & Game. The regional aquaculture associations, and the individual private non-profit operators. Once that broad framework is established, the committee should further research and search out a mechanism whereby a transfer of facilities can be accomplished.

Number 0137

Rep. Fuller asked if leasing was the answer or if surplusizing the property would be a better idea.

Number 0148

Thomas Mears agreed that handing over total control would be a better idea. The leasing arrangements have grave difficulties associated with them. There are a number of drawbacks such as; most facilities are unfinished, or require substantial upgrading or additions. Who is going to be responsible for the improvements? Under current regulations, a private non-profit operator cannot get a loan to prove a hatchery that he doesn't own.

Number 0184

Rep. Fuller asked Mr. Mears if some of the hatcheries were marginal or in question as to whether they were in a good position.

Number 0186

Mr. Mears said that of the hatcheries that the state has built, there are a limited number of them that fall within the guidelines as established for private non-profit hatcheries. Most important of the guidelines is, the hatchery has to be located in an area where a terminal harvest of those fish can be conducted just upon hatchery fish and not upon any wild fish in the area.

Number 0210

Rep. Fuller asked about the Cook Inlet

Aquaculture Association and the feeling of other associations regarding the concept of HB 393. Mr. Mears stated that they seemed to be agreeable with it.

Number 0240

Chairman Herrmann introduced Curt Kerns to testify.

Number 0241

Curt Kerns introduced himself as the Aquaculture Specialist for the University of Alaska. He began his testimony by explaining a recent project; a computer modeling of the Pacific Ocean. Indications are that the carrying capacity of the Pacific is only 10 fold greater than the current salmon output. The longterm average is about 300 million salmon a year, with Alaska having 100 million.

He explained what happened with the departments that eventually resulted in HB 393. Selectively transferring was the solution to the funding problems. The Regional Associations felt last year that only if there was a threat that the facilities would be closed, would they be willing to consider the transfer.

Number 0296

Chairman Herrmann asked Mr. Kerns if he was familiar with the state loan programs for hatcheries and asked if HB 393 would provide any money under the current loan programs for people who wanted to take over these hatcheries, or should it be specified in the bill.

Number 0301

Mr. Kerns said that he was familiar with the loan program for hatcheries. It specifies that as long as the interested party is a private non-profit corporation under the laws of the state, and has a permit to operate that facility, and establish financial feasibility, then it would be allowable to borrow the money.

Number 0320

Chairman Herrmann thanked Mr. Kerns and introduced Rep. Wendte as the next witness.

Number 0324

Rep. Wendte said he had read over HB 393 by request of the sponsor and would like to recommend two amendments. He recommended that Section 1. FINDINGS., read as follows:

The legislature finds that declining state

revenues and the newly imposed constitutional spending limit require a reduction in expenditures. (for state-operated salmon hatcheries). This reduction may (is likely to) result in the closure of (many, if not all,) state hatcheries. State hatcheries play...

Number 0363

Rep. Goll inquired whether the word "may" should be used in place of "shall" on Page 1, Line 20, to empower the Commissioner to transfer a hatchery and also allow for some discretion.

Number 0370

Rep. Wendte stated that there was also a bill relating to HB 393 which has been introduced in the Senate which does what Rep. Goll had suggested.

Number 0377

Dennis Kelso, Acting Deputy Commissioner of the Department of Fish & Game stated that the administration has not yet formulated a position on the role of hatcheries in the overall management of state fisheries resources. The Administration is not necessarily opposed to a private sector role through transfer or through other arrangement, but the policy questions involved in this are complex enough that we'd like to remain with no position until a broader look can be taken at the implications for managements as well as some of the use competition questions involved.

Mr. Kelso commented on Section 1 of HB 393 which is the FINDINGS section. He stated that the Governor has made it clear that fisheries are a high priority and the hatcheries program has done very well in the budget process in the Governor's Office. He stated that he didn't feel there would be difficulty in funding state hatcheries according to the Governor's statements and past funding in the budget cycle.

Other specific things that need to be addressed are:

1. hatcheries are not a single isolated tool in themselves, they're part of an overall management approach.

2. the current mix of production targets reflect the interests of several different

user groups; commercial, recreational, and etc...

3. different groups within the fishing communities have different views on the proper role of state hatcheries and the proper role of the private sector.

Mr. Kelso stated that the department suggests a forum be formed to address the full range of the complex issues.

He stated that with the present wording of Section 2, the Commissioner is compelled to make the transfer to any applicant who meets the standards identified in the bill. It does not provide for evaluation of capability for handling the hatchery facility at the level of current operation or with the particular species mix which may be deemed most appropriate. Other factors that are not addressed are; financial stability or long-term upkeep of the facility.

Mr. Kelso also stated that the department suggests that the committee consider the possibility of building a legislative role whenever there is a contemplated transfer.

Number 0505

Rep. Grussendorf was concerned about some of Mr. Kelso's statements. He said that there were contemplated changes to the FINDINGS section to say "therefore, it is in the public interest that those hatcheries identified by the legislature as not being cost efficient may be leased to non-profit aquaculture associations". There is also a letter of intent that was placed in the operational budget. This letter of intent would give the Department of Fish & Game a little more flexibility, that it was funded up to 50% until the end of this year for these transfers to take place. Allowing the department to come back to the legislature for a supplemental appropriation if a transferee is not found.

Number 0545

Mr. Kelso said that it would be a good idea for the legislature to take a look on a case by case basis at facilities that might be transferred and would be an ideal opportunity to get public input to give an idea of what kind of balance to strike

regarding species mix.

Number 0561

Rep. Grussendorf stated that as the bill is written it appears that all the hatcheries are up for grab. That certainly is not the intent of the legislature. He explained the situation with the hatcheries.

Number 0576

Rep. Goll asked what the reason was for including the Klawock hatchery in HB 393.

Number 0579

Rep. Grussendorf stated that there was some discussion on faulty construction design and also the the level of productivity. If there is no interest for take over by an aquaculture association, there will be a supplemental appropriation made in January 1984. The hatchery is doing quite well with coho salmon at the present time.

Number 0588

Rep. Goll agreed that the hatchery was doing well with coho salmon and questioned whether Klawock hatchery would be appropriate for inclusion in the bill.

Number 0592

Rep. Grussendorf stated that the reason for inclusion of this hatchery was the low level of productivity as well as the ultimate cost that it would take to finish the facility.

Number 0597

Mr. Kelso explained that when the Department makes a decision about how to fund a particular hatchery, we look at a number of factors related to productivity of that hatchery. We look at what the design capacity is; what some of the operating experiences have been; and what kind of investment in operating dollars and potential CIP money that would be required to make that hatchery operate at it's most cost effective level. Although Klawock hatchery has had some difficulties in terms of moving to its design capacity, it nevertheless has been productive with a mixture of species that have been in high demand.

Number 0607

Rep. Goll asked if the capital construction issue applies to the Klawock hatchery.

Number 0610

Stan Moberly said that all of the facilities that have been built have been built in a phase construction stage. The idea was that the broad stock development schedule was

going to take a period of time before reaching full production. It was not in the state's best interest to build complete adult capture facilities initially that wouldn't be used for 6-8 years down the line. Klawock hatchery falls into that categorie. It's actually a very good hatchery and has great potential as do the other three listed in HB 393. They are new hatcheries that will be the most cost effective when they are through their start up stages. He explained the past history of Klawock hatchery and what the present situation is there.

Tape #40
Recording
Number 0001

Rep. Goll asked how long it would take before Klawock hatchery would be self-sustaining in terms of its eggs.

Number 0003

Mr. Moberly explained that the smaller egg takes that preceded this last fall coupled with the natural escapement in the river we hole will suffice that facility for the next three years to give it 15 million eggs. The return from these eggs in three year will given the facility 60-70 million eggs. Therefore, reaching the design capacity, the long-term best interest for this hatchery is to persist with the use of the Klawock River chum salmon.

Number 0024

Rep. Goll said that he was told there was an issue with the Klawock hatchery involving the ownership of the land on which the facility sits. There may then be a problem with leasing. The owner would also have to agree in the lease. Is that correct?

Number 0030

Mr. Moberly said yes, the owner of the land would have to agree and further stated that this is true with several of the facilities. Either with a federal landlord or a Native Corporation landlord, and in one instance, a private landlord. He explained the lease situation with the Klawock hatchery.

Number 0050

Rep. Goll asked if that requires any modification on how its being addressed so far.

Number 0053

Mr. Moberly said, probably not, and went on to explain that the third party should be

addressed in the negotiations.

Number 0056

Rep. Grussendorf explained that the reason why Klawock hatchery was targeted was that during the budget negotiations, the Department of Fish & Game and the FRED Division were prepared to moth ball that operation because there were no funds for the operation except funding for maintenance.

Number 0075

Mr. Moberly explained what had brought about the offering up of Russell Creek and Klawock hatcheries.

Number 0103

Chairman Herrmann thanked Stan Moberly for his testimony and stated that the committee would be looking into the possibility of holding a teleconference on this topic. There was discussion on the teleconference.

Number 0123

Chairman Herrmann stated that it was the Chair's intent to pass HB 376 out of committee, which is next on the agenda.

Number 0127

Rep. Goll moved and asked unanimous consent to pass HB 376 out of committee with individual recommendations. No objection, so ordered.

Number 0133

No further business to come before the committee, Chairman Herrmann adjourned the meeting at 4:56 p.m.