

SCOMM

#36:12

IDENTIFICATION	BILL NAME An Act relating to fees for salmon limited entry and interim-use permits; and providing for an effective date.		BILL NUMBER HB 382
	SPONSOR(S) House Special Committee on Fisheries.		DATE INTRODUCED 4/26/83
INITIAL RESEARCH	INITIAL SUMMARY COMPLETED	LEGAL DIVISION SUMMARY	
	SPONSOR CONTACTED FOR BACKUP MATERIALS	DEPT OF LAW SUMMARY	
	AGENCY RESPONSE	FISCAL NOTE	
		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	

Hein
13-1300

Introduced: 4/26/83
Referred: House Special Committee
on Fisheries and Resources

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON FISHERIES

2 HOUSE BILL NO. 382

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fees for salmon limited entry and
7 interim-use permits; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA;

10 * Section 1. In addition to other fees established by the commission
11 under AS 16.43.160, the commission shall collect a fee of \$5 for a resident
12 and \$15 for a nonresident for each salmon limited entry or interim-use
13 permit issued or renewed for the 1984 licensing year.

14 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
15 10.070(c).

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HB 382

ALASKA STATE LEGISLATURE

13th Legislature FIRST Session

HOUSE ... BILL NO. 382...
 HOUSE SPECIAL COMMITTEE
 ON FISHERIES

"An Act relating to fees for salmon limited entry and interim-use permits; and providing for an effective date."

fees for salmon limited entry permits'

Introduced in the House 4/26, 19... 83

HISTORY IN THE HOUSE

19 83
 Apr 26

Read first time and referred to Committee on House Special Committee on Fisheries and Resources'

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
 Signed by Speaker
 Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
 Signed by President
 Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:
 VOTE

Failed to concur in Senate amendment; asked Senate to recede
 VOTE

Senate receded from amendment
 VOTE

Senate failed to recede from amendment
 VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House
 VOTE

CC adopted by Senate
 VOTE

To enrolling
 Reported correctly enrolled
 Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

BILL ANALYSIS - HB 382

Section 1 adds five dollars to resident and fifteen dollars to nonresident fees collected for salmon permits by the Commercial Fishery Entry Commission for the 1984 license year.

Section 2 sets an immediate effective date.

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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Bob Kessel
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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 SSHB 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 interest 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 really 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.