

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672
2217 SCOMM 87: HOUSE SPECIAL COMMITTEE ON FISHERIES, 1993-94

1 a matter of fact, the legal system is having a very
2 difficult time dealing with this very subject because
3 when you try to enforce regulations or you attempt to
4 operate precise law under product recovery rates which
5 vary widely from one vessel to another, it's going to
6 be extremely difficult to impose standards that can't
7 meet the legal test of being fair standards. And
8 while the National Marine Fisheries may think that
9 they've got the corner on doing it, you'll learn, as
10 you hear more about that, that it's going to be very
11 difficult for these precise standards to be used,
12 particularly when you get into using them for tax
13 purposes or for other things.

14 I don't know of any better -- I don't
15 know of any way how you round upward the round weight,
16 other than direct tonnage records which will be coming
17 down the road. I understand that -- our feeling is,
18 is that in probably two or three years you'll see
19 direct tonnage weights made and then based on that,
20 then you'll have something to deal with, but, in the
21 interim, you can either take the industries' weight
22 reports or you can try to use the product recovery
23 rates, but it does vary from vessel -- actually,
24 almost vessel to vessel, and it's very difficult to
25 do.

1 I will again restrain my comments
2 with regard to 77.050, which is credits for community
3 development quotas. I will trust the information I
4 received this morning that these -- my understanding
5 is that the credits are only for -- can be only for
6 those taxes which are accrued related to the specific
7 community development quota activities, and I don't
8 know how to say that. Am I saying that right?

9 What I'm saying is, is that my
10 understanding is that the tax credit that would be
11 brought about underneath this 050 would only
12 potentially be available for that portion of the tax
13 which is earned during the CDQ activities and not the
14 year-round fishing activities.

15 Is that clear?

16 MR. MEYER: That is correct.

17 MR. SZYMANSKI: I think we've kind of covered
18 the highlights of the regulations.

19 Anything I can help you with at this
20 stage?

21 MR. MEYER: I do have one question regarding
22 the -- just going back to the product recovery rates.

23 From your experience, do you know if
24 the vessels would be capable of actually weighing all
25 the product?

1 MR. SZYMANSKI: Most vessels don't have the
2 capability of weighing a hundred percent of the
3 product on board, but what most vessels do have the
4 capability of doing is calculating product recovery
5 rate with the federal observer on board.

6 So that if you wanted to set it up so
7 that you could calculate a product recovery rate that
8 would either be the standard established by National
9 Marine Fisheries Service or a vessel-by-vessel one
10 that could be done with the observer, federal observer
11 on board, you could do it either way, and that's
12 probably the one that will probably get you down to
13 the least questionable and least challengeable level.

14 But, no, it will be several years,
15 probably, before they get round-weight scales on
16 board.

17 MR. MEYER: You had mentioned that you saw
18 that there was potentially some conflict between 15
19 AAC 77.030 and 15 AAC 77.070 and the intent of the
20 department with (b) where we have the provision that
21 "notwithstanding any contract provision to the
22 contrary, a person in possession of the fishery
23 resource who harvested or processed the fishery
24 resource, or a related person or agent in possession
25 of the fishery resource from the person who harvested

1 or processed the fishery resource, retains legal title
2 and risk of loss until the fishery resource is
3 delivered and actual physical possession is
4 transferred to an unrelated third-party buyer."

5 The intent of that is to avoid what
6 the department has found in the past to be a problem
7 area, and that problem area is that we have a lot of
8 paper transactions between related parties that
9 transfer or appear to transfer or try to transfer the
10 legal title. Whether that actually would occur in a
11 court of law, whether a court would say that you can
12 actually transfer that legal title where you have not
13 transferred the actual possession of the product is
14 hard to say, but in real life when the department has
15 gone out trying to find out who the owner of the
16 resources are, it becomes a finger-pointing exercise
17 by the various entities involved, that they point the
18 finger at the other and say, "They're the owner" and
19 the other one points the finger back saying, "No,
20 they're the owner."

21 It's an untenable situation. We do
22 not want to get into that. We believe that if you
23 harvest the resource and you still have the resource
24 in your possession, that you should be considered to
25 be the buyer, and we're not going to allow a contract

1 provision which is easily manipulated to change that
2 liability.

3 MR. SZYMANSKI: Could I --

4 MR. MEYER: Go ahead.

5 MR. SZYMANSKI: Could I ask you: Do you apply
6 the same rules to oil and gas?

7 MR. MEYER: Well, we're not talking about oil
8 and gas, here.

9 MR. SZYMANSKI: I know you're not talking
10 about oil and gas. You're talking about resources.
11 But I thought underneath your taxing policy of
12 transfer of resources, that you recognized paper
13 transfers under oil and gas purposes. A producer may
14 be X and the actual taxpayer is not necessarily the
15 producer at Prudhoe.

16 MR. MEYER: Well, I don't know precisely with
17 regard to what tax you're talking about, whether
18 you're talking about production tax or whether you're
19 talking about the old income tax, or whether you're
20 talking about modified apportionment tax.

21 I can tell you what the tax is that
22 we deal with now, from 1982 on, under the corporate
23 income tax. Paper transactions like that are of no
24 relevance at all.

25 MR. SZYMANSKI: They don't exist?

1 MR. MEYER: They don't exist.

2 Now, I can't tell you what the oil
3 and gas division out of Anchorage does. I'm not
4 involved with that, but that's just related to another
5 issue, anyway, but for purposes of this particular
6 situation, it's our intent not to allow manipulation
7 of the tax liability by allowing the title to be
8 transferred and the tax to be shifted by merely
9 creating a paper trail.

10 And the difference, I guess, too,
11 between -- the other question you had is you saw a
12 conflict between 30 and 70, and I think that in 70
13 you'll see that the actual physical possession of the
14 resource has transferred outside the three-mile limit.

15 So the difference is that in 070,
16 for -- one difference is you actually have a physical
17 transfer of that resource on the high seas. So that's
18 an important distinction between the two. And all 070
19 is really saying is that if you run into this
20 situation where you do have that physical transfer of
21 possession, that that individual can apply to the
22 department to find out -- or for a determination as to
23 whether that individual would be subject to the tax.

24 This is really just a nexus
25 determination. It's not anything that you wouldn't

1 find in the corporate income tax provisions or
2 anything else, that the state doesn't have nexus over
3 a taxpayer and cannot impose the tax, and this is just
4 a clarification of that basic concept, that unless
5 there is a nexus, that the tax would not apply.

6 MR. SZYMANSKI: That raises, I guess, the next
7 question.

8 The person affected underneath 070
9 who receives their goods outside the three-mile limit
10 but who does not come within the three-mile limit,
11 does or does not the tax apply to them?

12 MR. MEYER: The tax would never apply to
13 someone who received the product outside the state's
14 jurisdiction, never came into the state, never
15 transferred the product. The imposition of the tax is
16 on the transfer of that product within the state, and
17 if that doesn't occur, there is no tax liability.

18 MR. SZYMANSKI: Oh, so there's no reason to
19 even ask you the question.

20 MR. MEYER: Well, no, because this is a
21 situation where the actual -- in 070, this covers a
22 situation where the buyer actually takes physical
23 possession of the resource outside the three-mile
24 limit and then brings it into the state on the
25 transition basis, or for whatever, for shipment to

1 another jurisdiction.

2 Now, on its face it may appear that
3 it would be subject to the tax, but what we're saying
4 is that there may be an instance -- there may be a
5 situation where that individual may not have a
6 specific nexus to support the tax. This person is not
7 the person harvesting the resource and it may be a
8 one-time operation.

9 We're not making a determination up
10 front. We're merely saying that that individual can
11 come in and ask us to determine whether there is a
12 sufficient nexus of that person to the state so that
13 this tax really applies.

14 MR. SZYMANSKI: If the -- and I guess I need
15 clarification of that.

16 If a person brings it in and -- is
17 the primary consideration whether or not a subsequent
18 transfer occurs or not, or if they just pull in, pick
19 up fuel and leave with the tramper -- let's call it a
20 tramper -- if they pick up fuel and leave and head off
21 to the Lower 48, Japan, wherever, what's your -- your
22 feeling, then, it would or would not apply?

23 MR. MEYER: Well, I can't make that
24 determination. Nexus is a very complicated
25 determination and is based on a number of

1 constitutional-type analyses, and it's very factually
2 oriented.

3 It would depend on the facts and
4 circumstances surrounding each case. It would
5 depend --

6 MR. SZYMANSKI: What would be the
7 circumstances by which it wouldn't apply?

8 MR. MEYER: By which it wouldn't apply?

9 MR. SZYMANSKI: Yes.

10 MR. MEYER: I'm not going to hazard a guess as
11 to whether it wouldn't apply or when it would apply.
12 All we're saying here is that if someone fits between
13 this category, they can ask for a determination as to
14 whether the tax applies. We will consider all the
15 facts and circumstances at that time to the actual
16 situation, and if --

17 MR. SZYMANSKI: And that's precisely the point
18 I'm trying to make, and maybe I'm missing trying to
19 make that point.

20 As the public, unless you spell out
21 in the regulations what may or may not be the
22 circumstances by which you can apply them, why even --
23 what is the purpose of the law?

24 I mean, you can't -- we had nothing
25 to judge it against. Do we judge it against -- you

1 couldn't even answer the question. How would you
2 expect the public to answer the question?

3 MR. MEYER: We're not saying we can't answer
4 the question. We're saying we cannot give you a broad
5 answer at this time.

6 MR. SZYMANSKI: It's not broad. Can't you
7 more narrowly define what is or is not --

8 MR. MEYER: What we have, here, is not any
9 different than the situation we run into with every
10 tax type that we have in the State of Alaska.

11 We routinely have people that come to
12 us now and ask us to give them a determination as to
13 whether they have a taxable nexus with the state for
14 purposes of the corporate income tax.

15 And I would point out that the
16 fishing industry, for example, is notorious for
17 claiming that it does not have nexus with the State of
18 Alaska.

19 The Sjong case a number of years ago
20 dealt with Seattle fishermen that were fishing in the
21 EEZ and claimed they didn't have a taxable nexus for
22 purposes of the corporate income tax, and that's the
23 same type of situation that we really have here.

24 In the Sjong case, the court held
25 that there was a taxable nexus, but that case took

1 many years to work its way through the process. It
2 wasn't an easy answer either way, and we can't give
3 you a bright-line test as to what nexus is in a
4 particular situation.

5 MR. SZYMANSKI: I'm not asking for that, but I
6 am asking for clarification of your language which
7 says, "Apply to the department and shall provide such
8 information as may be required for determination on
9 whether a tax imposed under 43.77 is applicable."

10 I have no idea what I should submit
11 to you to determine whether or not it is or is not
12 applicable unless you can tell me what would or would
13 not be applicable. I mean, should I take Christmas
14 cards and present it in there? I mean, that's going
15 to one extreme. Or should you take -- I mean, at some
16 point in time it would seem that the public deserves,
17 in regulation, some definition of what may or may not
18 be applicable, as you have done in your other sections
19 of the law where you certainly inserted your
20 determination of what is or is not applicable with
21 regard to related taxes.

22 MR. MEYER: Well, I can assure you that I
23 could probably go to the law library and pull out any
24 number of cases before the various state supreme
25 courts and the U.S. Supreme Court over what is a

1 taxable nexus.

2 It's a disputed area. It's very
3 factually oriented, and we're just not able to
4 specify, here, any more than we would be able to
5 specify for purposes of any other tax, exactly what
6 all the facts may possibly be. It's just not
7 possible.

8 MR. SZYMANSKI: But you still, then, state to
9 the public that they shall provide such information as
10 may be required for determination on whether or not
11 tax is imposed.

12 So we've got to go, then, hire an
13 attorney to go read the law to try to determine
14 whether or not we should do it? Is that what you're
15 saying?

16 MR. MEYER: No. What we're saying here is
17 that you provide the information to us. If we feel we
18 need more information, we will ask you for that
19 information. You have a requirement at that point to
20 give us that information.

21 MR. SZYMANSKI: I see.

22 MR. MEYER: Most people, I think, understand
23 what this is and that they have to provide all the
24 facts that might be implied.

25 MR. SZYMANSKI: It doesn't give any

1 parameters, I guess. That is what I was looking for,
2 is some type of parameters, similar to what you did in
3 other sections of the regulations.

4 MR. MEYER: We're just not able --

5 MR. SZYMANSKI: You're just not prepared --

6 MR. MEYER: We're not prepared to do that.

7 Susan?

8 MS. BURKE: For the record, I'm Susan Burke.
9 I can't stand this discussion anymore.

10 I tend to agree with Mike. I didn't
11 know what you were getting at in that section, either,
12 and I can understand perfectly why you can't lay out
13 all the rules and give the correct answers for when
14 the taxpayer has nexus and when not, but maybe if you
15 could give a little hint somewhere in the section that
16 talks about -- instead of determine whether the tax is
17 applicable, because that, to me, says does the -- is
18 there an event, here, that looks like the statutory
19 provision covers it.

20 That, to me, is different from
21 determining whether or not the state has
22 constitutional jurisdiction to impose the tax on this
23 particular taxpayer in this situation.

24 And, I mean, if you just want to use
25 the "N" word in the regulation, I think it would

1 provide the kind of notice that Mike is talking about.
2 If you say that, the taxpayers will know what --
3 they'll know not to send you Christmas cards.

4 MR. MEYER: In the original draft that we had,
5 we had this provision listed as nexus. We had it that
6 way. It got changed later. We tried to get,
7 probably, too cute with it, there.

8 MR. SZYMANSKI: I think that's touchy, but
9 typical attorney. They do better than I can. Very
10 good job.

11 MR. MEYER: Thank you.

12 MR. SZYMANSKI: Thank you.

13 MR. MEYER: John, would you like to come up
14 and provide testimony?

15 MR. LETOURNEAU: My name is John Letourneau.
16 I'm a certified public accountant with Coopers &
17 Lybrand in Anchorage.

18 My comments will be very short. I
19 really have but two points.

20 With respect to 15 AAC 77.040(b), the
21 department indicates that it shall provide information
22 to those taxpayers who are required to file the tax
23 return.

24 It goes on to say the department is
25 not required to publish information or to otherwise

1 provide the information to any person who has failed
2 to give notice required by this subsection.

3 I would like to suggest that various
4 people, particularly certified public accountants, may
5 have a great deal of interest in understanding exactly
6 how the tax will be computed as they are commonly
7 called upon by their clients to provide assistance in
8 the computation of the tax.

9 So allowing a certified public
10 accountant who would not be a person paying the tax or
11 even required to file the return to request notice
12 under 77.040(b) I think would be greatly beneficial
13 and hopefully would increase the compliance with your
14 taxing authority.

15 My second comment is with respect to
16 15 AAC 77.050(e). That section says, "A contribution
17 allowed as a credit may not be claimed as a credit or
18 deduction under any other provision of AS 43."

19 I think that this language in (e)
20 substantially broadens the statute. Statute
21 43.77.040(d) included the word "credit" but did not
22 include the word "deduction." I appreciate the
23 department has legislative authority to draft
24 regulations. However, I do not understand that the
25 department has the authority to broaden upon the

1 statute and insert a word that was clearly not
2 included in the statute.

3 In my review of the legislative
4 history, I did not see this point touched on. I
5 obviously could be in error, but I am quite curious,
6 and would submit that the word "deduction" in (e) is
7 an addition that is not covered under the legislative
8 authority granted.

9 Those were my questions, or comments.

10 MR. MEYER: Thank you.

11 MR. LETOURNEAU: Thank you for your time.

12 MR. MEYER: Thank you.

13 That was all that we show, here, as
14 having -- of people that signed up to testify.

15 Is there anybody else that is here
16 that would like to testify?

17 Susan?

18 MS. BURKE: Thank you. For the record, my
19 name is Susan Burke, and I represent the American
20 Factory Trollers Association.

21 I don't have any substantive
22 testimony to give you, other than my spontaneous
23 outbursts earlier.

24 I did want to say for the record what
25 I had mentioned to you earlier, and that is that my

1 clients in Seattle had a computer failure, and their
2 written comments that they expected me to be able to
3 deliver to you promptly at 9 o'clock this morning are
4 still being word processed or perhaps beamed up to
5 Alaska even as we speak.

6 As soon as they arrive and I can get
7 copies made, I will get them over to you, and I would
8 ask that you make those part of the hearing record. I
9 have no reason to believe that they will not be here
10 by the end of today, which I think is your deadline
11 for written comments.

12 MR. MEYER: That's correct.

13 MS. BURKE: Okay.

14 MR. MEYER: If they make it before the end of
15 business today --

16 MS. BURKE: They're in. If not, they're not.
17 Got it. That's only fair.

18 Thank you. I don't have anything
19 else.

20 MR. MEYER: Okay.

21 Thank you for the testimony and for
22 attending, and the department will take the
23 regulations under consideration and take whatever
24 action is deemed necessary at that time.

25 Thank you.

(Hearing concluded at 10:10 a.m.)

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C E R T I F I C A T E

[illegible]

I, REBECCA L. ZIMMERMAN, Registered Professional Reporter and Notary Public duly commissioned and qualified in and for the State of Alaska, do hereby certify that the foregoing proceedings were taken stenographically before me and thereafter reduced to typewriting by me or at my direction.

That the foregoing transcript is a full, true and correct transcript of the proceedings, including questions, answers, objections, statements, motions and exceptions made and taken at the time of the foregoing proceedings.

That all documents and/or things requested to be included with the transcript of the proceedings have been annexed to and included with said proceedings.

That I am not a relative or employee or attorney or counsel of any of the parties in these proceedings, nor a relative or employee of such attorney or counsel, and that I am not financially interested in said proceedings or the outcome thereof.

IN WITNESS WHEREOF, I have set my hand and affixed my Notarial Seal this 19th day of October, 1993.

REBECCA L. ZIMMERMAN, RPR,
Notary Public for Alaska
My commission expires: 2/4/94.

CITY OF UNALASKA

P.O. BOX 89
UNALASKA, ALASKA 99685
(907) 581-1251
FAX (907) 581-1417



October 14, 1993

Larry E. Meyers
Alaska Department of Revenue
Income and Excise Audit Division
P.O. Box 110420
Juneau, Alaska 99811-0420

RE: Comments on Proposed Regulations for AS 43.77

Dear Mr. Meyers:

Thank you for the opportunity to comment on the proposed regulations for the implementation of Chapter 77, Fishery Resource Landing Tax. The City of Unalaska offers the following comments:

Background:

The City of Unalaska supported HB264, creating a state shared landing tax for fish processed at sea and landed or transferred within Alaska state waters. This fisheries business tax program offsets financial impacts incurred by local governments and the State of Alaska from "offshore" fisheries business activities. The offshore fish processing sector has a significant presence in Unalaska and other coastal communities, with activities ranging from transferring processed fish products to changing crews to taking on fuel and supplies to discarding wastes. The offshore sector also has a direct and substantial financial impact on local governments, including increased maintenance requirements of local transportation systems, providing emergency medical and other public safety services, and expanding recreational, educational and other social programs.

Comments:

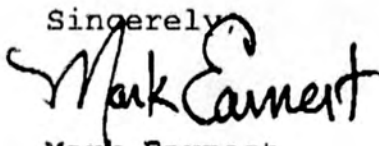
The City of Unalaska recommends that the State of Alaska support and adopt regulations for determining fish tax revenues that are based on actual fish weight as determined by certified scales, rather than relying on vessel product recovery rate ("PRR") methods, consistent with existing state fisheries business tax program regulations.

Mr. Meyers
October 14, 1993
Page 2

Implementing such regulations for the entire offshore fleet may not be practicable at this time; however, we understand that the National Marine Fisheries Service (NMFS) may soon be requiring the use of scales for certain factor trawler processor fisheries. State regulations for determining fisheries business tax assessments should always be based on actual fish weight rather than PRR methods, whenever possible.

Again, thank you for the opportunity to comment on the proposed regulations for the implementation of Chapter 77, Fisheries Resource Landing Tax.

Sincerely,

A handwritten signature in black ink that reads "Mark Earnest". The signature is stylized with a large, looped "M" and a cursive "Earnest".

Mark Earnest
City Manager

cc: Mayor Kelty and Members of the Council

NOTICE OF PROPOSED CHANGE IN THE
REGULATIONS OF THE DEPARTMENT OF REVENUE

Notice is given that the Department of Revenue, under authority vested by AS 43.05.080 and AS 43.77.070, proposes to adopt procedural and legislative regulations in Title 15 of the Alaska Administrative Code to implement, interpret, and make specific AS 43.77 concerning the Fishery Resource Landing Tax. Further, the Department proposes to adopt regulations under AS 16.51 under the authority vested by AS 43.05.080 to administer the Alaska Seafood Marketing Assessment. The proposed changes include the following:

15 AAC is proposed to be amended by adding new provisions in a new AS 15 AAC 77 as follows:

15 AAC 77.005 describes the purpose and intent of the fisheries resource landing tax.

15 AAC 77.010 describes the return, payment, and other information requirements for reporting the tax.

15 AAC 77.015 provides for an automatic extension of time to file the return and pay the tax in the situation where the statewide average price is not available.

15 AAC 77.020 provides for extensions of time to a maximum of 90 days to file the return upon a showing of good cause.

15 AAC 77.030 addresses the persons who are liable for the tax and provides that AS 43.75 takes precedence over AS 43.77.

15 AAC 77.035 addresses the credit for taxes equivalent in nature to the tax under AS 43.75 and AS 43.76 that are paid to other jurisdictions in which the fisheries resources were caught, processed, or sold; provides for a recapture of the credit if the taxes are subsequently refunded or credited; and establishes information requirements for claiming the credit.

15 AAC 77.040 addresses the determination of value for purposes of the tax and establishes a requirement that each taxpayer notify the department by January 31 to request notice of the value for each species landed in the state in the previous year; the value generally is the statewide average price as determined by the

Alaska Department of Fish & Game although the Department may adjust that value; the Department may instead use other information to arrive at a statewide average price if that price is not available from Fish & Game.

15 AAC 77.045 provides that the processed weight of a fishery resource must be converted to an unprocessed weight by use of a recovery rate.

15 AAC 77.050 addresses the credit for Community Development Quota ("CDQ") contributions to nonprofit corporations and provides for the manner in which the credit may be obtained.

15 AAC 77.055 provides that a nonprofit corporation must separately account for CDQ contributions, distribute the contributions for designated purposes and within certain time periods, and agree to allow the department to audit the accounts as a condition to a person obtaining the credit.

15 AAC 77.060 provides for the manner in which a CDQ credit may be claimed and the circumstances under which the credit may be revoked.

15 AAC 77.065 addresses accounting and revenue sharing for the landing tax.

15 AAC 77.070 provides that certain persons may apply to the department for a determination of whether the tax is applicable.

15 AAC 77.905 provides definitions.

15 AAC 116 is proposed to be amended by adding new provisions as follows:

15 AAC 116.600 clarifies that processors engaging in custom processing activities for persons other than licensed fisheries businesses under AS 43.75, and persons removing seafood products outside the taxing jurisdiction of the state, are liable for the seafood marketing assessment on the value of the seafood product.

Notice is also given that interested persons may present oral or written statements relevant to the proposed action at a hearing to be held at 9:00 a.m. at the following

location on the date indicated.

October 14, 1993
Juneau Department of Revenue Office
State Office Building, Eleventh Floor
Commissioner's Conference Room A
Juneau, Alaska

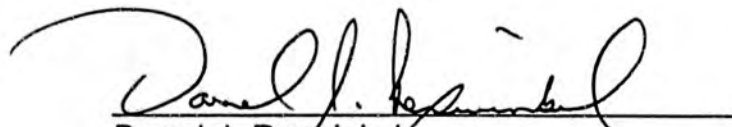
In addition, written statements may be sent to Larry E. Meyers, Department of Revenue, Income and Excise Audit Division, PO Box 110420, Juneau, AK 99811-0420, to be received no later than October 14, 1993.

Copies of the proposed regulations may be obtained by writing to Larry E. Meyers, Department of Revenue, Income and Excise Audit Division, PO Box 110420, Juneau, AK 99811-0420.

If you are a person with a disability who may need a special modification in order to comment on the proposed regulations, please contact Larry E. Meyers at (907) 465-2320 no later than October 7, 1993 to make any necessary arrangements.

The Department of Revenue, upon its own motion or at the instance of any interested person, may, at the hearings or after them adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: September 3, 1993



Darrel J. Rexwinkel
Commissioner
Alaska Department of Revenue

FORM FOR ADDITIONAL REGULATIONS NOTICE INFORMATION

(AS 44.62.190(d))

1. Adopting agency: Revenue
2. General subject of regulation: Fishery Resource
Landing TAX
3. Citation of regulation (may be grouped): 15 AAC 77.005-
15 AAC 77.905
4. Reason for the proposed action:
 - () compliance with federal law
 - (X) compliance with new, ~~or changed~~, state statute
 - () compliance with court order
 - () development of program standards
 - () other: (please list) _____
5. Program category and BRU affected: General Fund -
Income ; Excise Audit Division
6. Cost of implementation to the state agency
and available funding (in thousands of dollars)

	Initial Year FY <u>94</u>	Subsequent Years
Cost	\$ <u>100.0</u>	\$ <u>84.0</u>
General funds	\$ <u>100.0</u>	\$ <u>84.0</u>
Federal funds	\$ _____	\$ _____
Other funds (specify)	\$ _____	\$ _____

7. The name of the contact person for the regulations:

Name Larry E. Myers
Title Director
Address P.O. Box 110420
Juneau AK 99811
Telephone 907 465-2320

8. The origin of the proposed action:

X staff of state agency
_____ federal government
_____ general public
_____ petition for regulation change
_____ other (please list)

9. Date: Sept. 3, 1993

Prepared by: Carl A. Meyer
(signature)
Name (typed) Carl A. Meyer
title (typed) Chief of Appeals
phone: 907 465-2343

FORM FOR ADDITIONAL REGULATIONS NOTICE INFORMATION

(AS 44.62.190(d))

1. Adopting agency: Revenue
2. General subject of regulation: Alaska Seafood
Marketing Assessment
3. Citation of regulation (may be grouped): 15 AAC 116.600
4. Reason for the proposed action:
 - () compliance with federal law
 - () compliance with new, or changed, state statute
 - () compliance with court order
 - () development of program standards
 - (X) other: (please list) clarifying amendment
5. Program category and BRU affected: Income & Excise Audit Division
6. Cost of implementation to the state agency and available funding (in thousands of dollars)

	Initial Year FY <u>94</u>	Subsequent Years
Cost	\$ <u>0</u>	\$ <u>0</u>
General funds	\$ <u>0</u>	\$ <u>0</u>
Federal funds	\$ _____	\$ _____
Other funds (specify)	\$ _____	\$ _____

7. The name of the contact person for the regulations:

Name Larry E. Meyers
Title Director
Address P.O. Box 110420
Juneau AK 99811
Telephone 907 465-2320

8. The origin of the proposed action:

X staff of state agency
_____ federal government
_____ general public
_____ petition for regulation change
_____ other (please list)

9. Date: Sept. 3, 1993

Prepared by: Carl A. Meyer
(signature)
Name (typed) Carl A. Meyer
title (typed) Chief of Appeals
phone: 907 465-2343

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15 AAC 77.005(c)

15 AAC is amended by adding a new chapter to read:

CHAPTER 77. FISHERY RESOURCE LANDING TAX

15 AAC 77.005. PURPOSE AND INTENT. (a) The landing tax is both designed and intended to be a compensatory tax to complement the fisheries business tax under AS 43.75. The landing tax is intended to compensate the state for the burdens that the Exclusive Economic Zone ("EEZ") catcher/processor fleet imposes upon the state and local communities, as well as for the benefits the EEZ catcher/processor fleet receives from the state and local communities.

(b) The state has various research, management and enforcement responsibilities in connection with the offshore fisheries, and the EEZ catcher/processor fleet has a significant presence in the state including transferring the processed product, taking on and disembarking crew, taking on fuel and supplies, obtaining repairs, discharging waste, and seeking sheltered waters. The state and local communities are impacted through the additional burdens placed upon educational systems, road maintenance, public safety, airports, docks, hospitals, and other social programs.

(c) Fisheries businesses in the state pay for these benefits and burdens through the fisheries business tax which applies to fisheries resources harvested or processed in Alaska. The landing tax is a substantially equivalent levy designed to

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15 AAC 77.010(b)

impose a comparable burden on interstate commerce. In a real sense, the EEZ catcher processors are conducting fisheries businesses in the state to no less a degree than in-state operators. The landing tax is not a fee on the fisheries resources simply moving through the state, it is instead a quid pro quo for the services and benefits conferred upon the processed resources whereby they pay their own way. The landing tax thus achieves an equality of treatment between local and interstate commerce conducting fisheries businesses in the state. (Eff. / / , Register)

Authority: AS 43.77.010

AS 43.77.070

15 AAC 77.010. RETURN, PAYMENT, AND REQUIRED INFORMATION. (a)

A person subject to the fishery resource landing tax shall file one return for all taxable landings of fishery resources in the state. The return shall be filed before April 1 after the close of the calendar tax year, using the forms provided by the department, and shall include all locations at which fishery resources were landed in the state. The tax shall also be paid before April 1 after the close of the calendar tax year.

(b) A person must state the following information in the places prescribed on the form:

- (1) name of the person subject to the tax that is filing the return;

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Register , 1993 REVENUE 15 AAC 77.010(b)(11)

(2) the mailing address of the person;

(3) the federal employer identification number or social security number of the person;

(4) the calendar year covered by the return;

(5) the precise locations in the state where fishery resources were landed, including a specification by weight and species for each location;

(6) the precise locations in the state where fishery resources harvested under the provisions of a community development quota were landed, including a specification by weight and species for each location;

(7) an Alaska Fisheries Business License number or the Alaska Business License number of the person;

(8) the value of the fishery resources;

(9) the amount of credits claimed for other taxes paid and for approved contributions;

(10) the amount of tax liability and tax payments; and,

(11) other information required on the tax return form. (Eff. / / ,

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Authority: AS 43.77.020
AS 43.77.070

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15 AAC 77.020(a)

15 AAC 77.015. AUTOMATIC EXTENSION OF TIME TO FILE RETURN AND PAY TAX. (a) A person who has timely filed a request with the department for information on the value of fisheries resources as provided in 15 AAC 77.040(b) shall automatically be granted an extension of the time in which to file the return and pay the tax required by this chapter if the value of the unprocessed fishery resources is not transmitted at least 30 days before the due date of the return.

(b) An automatic extension under this section is effective until the last day of the month following the month in which the information on value is transmitted.

(c) The tax is not considered delinquent during the period the automatic extension of time to file the return and to pay the tax is in effect and interest and penalties do not accrue during this period. (Eff. / / /, Register)

Authority: AS 43.77.020

AS 43.77.070

15 AAC 77.020. REQUEST FOR EXTENSION OF TIME TO FILE RETURN.(a) Upon a showing of good cause, the department in its discretion may grant reasonable extensions of time from the due date, or the automatic extension of time to file due date, for the filing of the return. The extensions, excluding automatic extensions, shall not exceed 90 days in the aggregate.

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15 AAC 77.030(b)

(b) A request for an extension of time to file the return shall be in writing, contain a full statement of the reasons supporting the request, and must be received by the department no earlier than March 1 and no later than 10 calendar days before the date the return is due, including extensions. A facsimile telephone number shall be provided if the applicant requests a response by facsimile transmission.

(c) If an extension of time for filing the return is granted, the return must be filed before the expiration of the period of the extension. A return filed after the period of the extension voids all extensions under this section.

(d) If an extension of time for filing the return is denied, the return must be filed within 10 calendar days after the date the notice of denial is sent by facsimile transmission or mailed by the department, or by the March 31 due date or automatic extension due date, whichever is later. (Eff. / / , Register)

Authority: AS 43.77.020
AS 43.77.070

15 AAC 77.030. LIABILITY FOR TAX. (a) The person owning the fishery resource at the moment it is first landed in Alaska shall file the return and pay the tax imposed by AS 43.77.010.

(b) The person owning the fishery resource is the person with the legal title and the risk of loss at the moment the act of landing begins in the state. For purposes of

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15 AAC 77.030(e)

this section, and notwithstanding any contract provision to the contrary, a person in possession of the fishery resource who harvested or processed the fishery resource, or a related person or agent in possession of the fishery resource from the person who harvested or processed the fishery resource, retains legal title and risk of loss until the fishery resource is delivered and actual physical possession is transferred to an unrelated third-party buyer.

(c) The tax imposed under AS 43.77.010 does not apply to a fishery resource that becomes subject to tax under AS 43.75. The provisions of AS 43.75 control and take precedence if a fishery resource, or the value of the fishery resource, may be subject to both AS 43.77 and AS 43.75.

(d) The tax does not apply if the fishery resource is first landed in the territorial jurisdiction, as recognized by the United States, of another state or foreign country. A first landing outside the jurisdiction of a state or foreign country, such as in United States jurisdictional waters, is not a first landing for purposes of AS 43.77.010 and does not preclude the tax under this chapter.

(e) The tax applies to a fishery resource that is first landed in Alaska without regard to the final destination of the resource.

(Eff. / / /, Register)

Authority: AS 43.77.010
AS 43.77.070

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15 AAC 77.035(e)

15 AAC 77.035. CREDIT FOR OTHER TAXES PAID. (a) A credit is allowed for taxes paid to another jurisdiction in which the fishery resource was caught, processed, or sold. The credit is only available if the taxes paid to another jurisdiction are equivalent in nature to the taxes imposed by AS 43.75 and AS 43.76. Sales taxes, import or export fees or taxes, income taxes, and similar taxes and fees are not considered to be equivalent in nature to AS 43.75 and AS 43.76.

(b) For purposes of this section, jurisdiction includes other states, foreign countries, and the United States.

(c) The amount of the credit for taxes paid to another jurisdiction on the fishery resource shall not exceed the liability of the person for the tax on the same resource under AS 43.77.

(d) If taxes paid to another jurisdiction are subsequently refunded or credited to the person, the amount of the credit previously allowed under this chapter shall be recaptured as additional tax in the year the taxes were refunded or credited.

(e) The credit must be claimed on the return and the person shall attach a statement to the return attesting that the tax has been paid, indicating the date of payment, identifying the jurisdiction to which the payment was made, and describing the nature of the tax and providing citation to the statutory authority in the jurisdiction for imposition of the tax. A copy of the return or report filed in the other jurisdiction

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15 AAC 77.040(b)

shall be submitted with the Alaska return and statement. (Eff. / / , Register)

Authority: AS 43.77.030

AS 43.77.070

15 AAC 77.040. VALUE AND NOTICE OF VALUE. (a) The value of the fishery resource is the statewide average price paid per pound for unprocessed fishery resources of the same species as reported to the Department of Fish and Game under AS 16.05.690. [The department may adjust the statewide average prices paid for fisheries resources to eliminate high and low prices, and to take into account tendering fees, price adjustments, and deferred payments such as bonuses.] In the absence of a Department of Fish and Game statewide average price for a particular species, the department may use information from other governmental agencies or other sources to arrive at a statewide average price for that species.

(b) Each person required to file a return and pay the tax under this chapter shall notify the department in writing by January 31 and request notice of the value for each species of fishery resources landed in the state in the previous calendar year. The notification shall be made on a form provided by the department. The department shall transmit the information by United States mail, telephone or facsimile transmission to the person requesting it as soon as practicable after the information becomes available. The information is considered to be transmitted by the department

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15 AAC 77.045(c)

on the date of the facsimile transmission, telephone contact, or on the date on the letter, whichever is earlier. The department is not required to publish the information or to otherwise provide the information to any person who has failed to give the notice required by this subsection.

(Eff. / / , Register)

Authority: AS 43.77.010

AS 43.77.070

AS 43.77.200

15 AAC 77.045. RECOVERY RATES. (a) For purposes of determining the tax on a fishery resource which was processed prior to landing in the state and that is subject to tax under this chapter, the processed weight of the fishery resource at the time it becomes subject to tax must be converted or "grossed up" to an unprocessed weight.

(b) The person's actual recovery rate experience, or the industry average recovery rate if the person's processing activities are consistent with the activities underlying the industry average recovery rate, may be used in making the conversion if the rates are reliable and verifiable. The department may audit and adjust the recovery rate.

(c) A person shall disclose with the return for each species the nature of the

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15 AAC 77.050(b)(3)

recovery rate used, the percentage of recovery, and shall maintain such records necessary to support the rate utilized. (Eff. / / , Register)

Authority: AS 43.77.010

AS 43.77.070

AS 43.77.200

15 AAC 77.050. CREDIT FOR COMMUNITY DEVELOPMENT QUOTA CONTRIBUTIONS. (a) A person who has made a contribution to a nonprofit corporation incorporated in the state that qualifies for the credit authorized by AS 43.77.040 must apply to the department no later than January 31 of the year following the year of the contribution for authority to take the credit on the tax return. A person that fails to make a timely and complete application as required by this section waives the credit.

(b) The application must be made on the form prescribed by the department and shall contain the following information:

- (1) the applicant's name, federal employer identification number or social security number, telephone number and mailing address;
- (2) the name of the nonprofit corporation receiving the contribution;
- (3) the amount of the contribution, a receipt from the nonprofit corporation for the amount of the contribution, and a statement from the nonprofit

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15 AAC 77.050(e)

corporation specifying how the contribution will be used and agreeing to allow the department to audit its accounts;

(4) documentation regarding the authority of the person to harvest under a community development quota;

(5) the fishery resources, by weight and species, harvested under the community development quota;

(6) a statement that the contribution to the nonprofit was expressly conditioned upon its use by the end of the following calendar year exclusively for one or more purposes authorized by AS 43.77.040; and,

(7) other information required on the application form.

(c) The department shall approve or disapprove an application to take the credit within 30 days of receipt of a timely and complete application. A person may consider the application approved and tentatively take the credit on the tax return if the department does not disapprove the application within the 30 day period and prior to the filing of the tax return.

(d) A contribution that qualifies for the credit is a cash contribution.

Contributions in kind and of services do not qualify for the credit.

(e) A contribution allowed as a credit may not be claimed as a credit or deduction under any other provision of AS 43. (Eff. / / /, Register)

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15 AAC 77.055(c)

Authority: AS 43.77.040

AS 43.77.070

AS 43.77.200

15 AAC 77.055. REQUIREMENTS FOR NONPROFIT CORPORATIONS. (a)

As a condition to a person obtaining a credit under AS 43.77.040, a nonprofit corporation must separately account for the amount of the contribution and agree to allow the department to audit all accounts.

(b) The nonprofit corporation, in order to separately account for the contribution, must establish the following special accounts in its accounting system:

- (1) CDQ fisheries scholarships;
- (2) CDQ fisheries industry training;
- (3) CDQ fisheries transportation grants;
- (4) CDQ fisheries transportation loans;
- (5) CDQ fisheries facilities grants;
- (6) CDQ fisheries facilities loans; and,
- (7) CDQ fisheries research grants.

(c) The use of funds in the special accounts shall be determined on a first in first out (FIFO) basis. All contributions, with the exception of those initially placed in loan accounts, must be distributed from the account and used for a qualified purpose

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15 AAC 77.060(a)

by the end of the calendar year following the calendar year of receipt. Contributions placed in a loan account may be accumulated without the requirement for distribution within any specified time period. A contribution initially accounted for in a loan account that is transferred to another account must be distributed from the account by the end of the calendar year following the calendar year of the transfer. Contributions may not be transferred from a non-loan account to a loan account.

(d) A nonprofit corporation may not make a loan or grant to a person, or to any related party of the person, who has made a contribution to the nonprofit corporation that qualifies for the credit, unless the person first obtains written authorization from the department.

(e) A nonprofit corporation, to accommodate potential contributors, may apply to the department and request a determination that the intended use of contributions for a specifically designated program satisfies one or more of the requirements of AS 43.77.040. (Eff. / / , Register)

Authority: AS 43.77.040

AS 43.77.070

AS 43.77.200

15 AAC 77.060. CLAIMING CREDITS AND REVOCATION OF CREDITS. (a)

A person that is entitled to claim a credit shall take the credit on the tax return for the

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15 AAC 77.065(a)

year of the contribution. The credit is a direct reduction of the tax liability for the tax year.

(b) The department shall, within the limitations period applicable by statute to the tax year, deny or revoke at any time a tax credit, and recover by assessment a tax credit that was claimed on a tax return, if it is later determined by the department that:

(1) the contribution does not qualify or there has been a violation of AS 43.77.040 and 15 AAC 77.050-15 AAC.77.055; or,

(2) the person claiming the credit is in arrears in the payment of any tax levied in AS 43. For purposes of this subpart, tax includes penalties and interest. A tax is not in arrears if the tax has been timely appealed and is not subject to a collection action under AS 43.

(c) A tax credit that properly has been denied or revoked may not be reinstated.
(Eff. / / , Register)

Authority: AS 43.77.040

AS 43.77.070

AS 43.77.200

15 AAC 77.065. ACCOUNTING FOR REVENUE SHARING. (a) The annual balance in the separate account in the general fund that is available for revenue sharing under AS 43.77 is reduced by all tax credits claimed on returns as a reduction of the tax liability. The effect of this reduction for the tax credits is to reduce dollar for

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15 AAC 77.070

dollar the amount that otherwise would have been paid to municipalities.

(b) The department shall attempt to specifically allocate the reduction in the amount of revenue sharing as a result of the tax credits to those municipalities in which the fishery resources harvested under the provisions of a community development quota were landed. In the event information is not available for that purpose, the department shall apportion the reduction to all areas in the state in which fishery resources were landed. (Eff. / / /, Register)

Authority: AS 43.77.050

AS 43.77.060

AS 43.77.070

15 AAC 77.070. DETERMINATION OF APPLICABILITY OF TAX. A person, buying a processed fishery resource from an unrelated person in an arms-length transaction, and who obtains a transfer of the legal title, risk of loss, and the physical possession of the resource outside the jurisdiction of the state, who thereafter merely lands the fishery resource in the state for transshipment to another jurisdiction, may apply to the department and shall provide such information as may be required for a determination on whether the tax imposed by AS 43.77 is applicable. (Eff. / / /, Register)

Authority: AS 43.77.070

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15 AAC 116.600(d)

15 AAC 77.905. DEFINITIONS. In AS 43.77 and 15 AAC 77.005 - - 15 AAC 77.070,

(1) "department" means the Department of Revenue;

(2) "filed" means, unless otherwise indicated, the date of personal delivery or, if mailed, the United States postmark date;

(3) "person" means an individual, a trust, estate, partnership, association, company or corporation;

(4) "related person or party" has the meaning of related person in 26 U.S.C. 267 and 26 U.S.C. 318;

(5) "weight" means the poundage of an unprocessed fishery resource after the application of a recovery rate to a processed fishery resource. (Eff. / / , Register)

Authority: AS 43.77.070

15 AAC 116.600 is amended by adding new subsections to read:

(c) A processor is liable for the tax under AS 16.51 on the value of a seafood product processed for a person not licensed under AS 43.75.

(d) A person taking, purchasing, or otherwise acquiring a seafood product that has not been subject to the tax imposed in AS 16.51, who transports the seafood

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15 AAC 116.600(d)

product to a point outside the taxing jurisdiction of the state for sale or processing, is liable for the tax under AS 16.51 on the value of the seafood product.

STATE OF ALASKA

DEPARTMENT OF REVENUE

WALTER J. HICKEL, GOVERNOR

INCOME AND EXCISE AUDIT
P. O. BOX 110420
JUNEAU, AK 99811-0420
FAX: (907) 465-2375
Telephone (907) 465-2320

September 3, 1993

Dear Recipient:

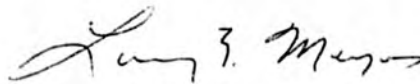
As an interested person, or an Alaska legislator or state agency to whom proposed regulations are required to be sent, you will find enclosed copies of regulation notice information and a copy of the Department of Revenue proposed regulations to implement the Landing Tax statutes that were passed by the Alaska legislature in May of 1993.

In addition, regulations are being proposed to clarify an aspect of the Alaska Seafood Marketing Assessment ("ASMI"). The ASMI provision is found at page 16 of the proposed regulations.

You will note from the notice that a public hearing will be conducted in Juneau on October 14, 1993. If you are not able to attend the hearing you may submit written comment through that date. The Department solicits and appreciates any testimony and written comment you may have regarding the proposed regulations.

Thank you for taking the time and interest in this regulation project.

Sincerely,



Larry E. Meyers
Director
Income & Excise Audit Division

CITY OF UNALASKA

P.O. BOX 89
UNALASKA, ALASKA 99685
(907) 581-1251
FAX (907) 581-1417



October 13, 1993

Larry E. Meyers
Alaska Department of Revenue
Income and Excise Audit Division
P.O. Box 110420
Juneau, Alaska 99811-0420

RE: Comments on Proposed Regulations for AS 43.77

Dear Mr. Meyers:

Thank you for the opportunity to comment on the proposed regulations for the implementation of Chapter 77, Fishery Resource Landing Tax. The City of Unalaska offers the following comments:

Background:

The City of Unalaska supported HB264, creating a state shared landing tax for fish processed at sea and landed or transferred within Alaska state waters. This fish tax program funds offset financial impacts incurred by local governments and the State of Alaska from "offshore" fisheries business activities. The offshore fish processing sector has a significant presence in Unalaska and other coastal communities, with activities ranging from transferring processed fish products to changing crews to taking on fuel and supplies to discarding wastes. The offshore sector also has a direct and substantial financial impact on local governments, including increased maintenance requirements of local transportation systems, providing emergency medical and other public safety services, and expanding recreational, educational and other social programs.

Comments:

The City of Unalaska recommends that the State of Alaska support and adopt regulations for determining fish tax revenues that are based on actual fish weight as determined by certified scales, rather than relying on vessel product recovery rate ("PRR") methods, that are consistent with existing state fisheries business tax program regulations.

Proposed Amendment to 15 AAC 77.045

15 AAC 77.045. RECOVERY RATES. (a) The unprocessed weight of the fishery resource for purposes of the tax under this chapter is determined by actual weight, volumetric measurement, or by a product recovery rate, as proscribed by the United States National Marine Fisheries Service to determine the extent of resources taken in a fisheries.

(b) Except as provided in (a) of this section, for purposes of determining the tax on a fishery resource which was processed prior to landing in the state and that is subject to tax under this chapter, the processed weight of the fishery resource at the time it becomes subject to tax must be converted or "grossed up" to an unprocessed weight. The person's actual recovery rate experience, or the industry average recovery rate if the person's processing activities are consistent with the activities underlying the industry average recovery rate, may be used in making the conversion if the rates are reliable and verifiable. The department may audit and adjust the recovery rate.

(c) A person shall disclose with the return for each species the nature of the recovery rate used, the percentage of recovery, and shall maintain such records necessary to support the rate utilized. (Eff. / / /, Register)

Authority: AS 43.77.010
AS 43.77.070
AS 43.77.200



PACIFIC SEAFOOD PROCESSORS ASSOCIATION
4019 - 21st Ave. West, Suite 201
Seattle, WA 98199
(206) 281-1667
FAX (206) 283-2387

October 13, 1993

SENT BY FAX

Larry E. Meyers
Department of Revenue
Income and Excise Audit Division
P.O. Box 110420
Juneau, Alaska
99811-0420

Comment on proposed regulations for implementation of AS 43.77.

Dear Mr. Meyers,

The Pacific Seafood Processor Association (PSPA) offers the following comment regarding proposed regulations for implementation of Chapter 77, Fishery Resource Landing Tax. PSPA supports imposition of this landing tax and the basic proposed regulatory structure. We believe a reasonable basis exists for Alaska to levy a state landing tax upon the offshore processing sector of the North Pacific fisheries in light of the fact local Alaskan communities are impacted by the presence of offshore processors, and offshore processors experience significant benefits when utilizing Alaskan facilities.

15 AAC 77.045(b) At a minimum, Alaska regulations should require weighing all catch subject to the landing tax, and reject use of vessel product recovery rates (PRRs) in this system. As an example of a preferred system for measuring catch subject to taxation, Alaska's shorebased processors utilize certified scales and actually weigh catch purchased for processing. For years this has proven to be an effective system in shorebased Alaskan fisheries, and should be equally effective for the offshore sector. The requirement to weigh catch is appropriate and currently feasible for offshore processors - some factory trawlers operating in the Bering Sea and calling at Alaskan ports already use scales to weigh their catch. NMFS has accepted the catch records supplied by factory trawlers using scales to measure the amount of their catch. The National Marine Fisheries Service in 1994 will require offshore factory trawler processors to weigh all catch in CDQ fisheries prosecuted in the EEZ. Alaska should insist upon a weighing standard where federal regulators have already agreed to that standard - and should generally require it where possible. The state should explore every possible avenue to ensure the offshore processing fleet weighs its catch.

Comment-Landing Tax Regulations

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In addition to building certainty into its taxing system, Alaska will protect both its environment and citizens if offshore processors are required to weigh all catch processed offshore. We urge the state recognize the bankruptcy of a PRR system and impose a weighing requirement for purposes of determining the tax on a fishery resource owed under AS 43.77, Fishery Resource Landing Tax

Why should the Department of Revenue reject a PRR system? The reasons are numerous: Offshore PRRs are not based upon fishing and processing data adequate for a timely independent audit. Variation and unreliability is the only constant where offshore processing PRRs are concerned. NMFS itself has changed the "default" offshore PRR for factory trawlers numerous times during these past several years, leaving everyone uncertain what offshore recovery rate should apply at any given time. Notably, NMFS and the North Pacific Council are in the process of abandoning the offshore PRR system in favor of a weighing requirement for the factory trawler fleet.

In practice it has been repeatedly demonstrated an offshore processing vessel's PRR is subject to manipulation by events. The reasons for this uncertainty are numerous: the condition and flesh characteristics of fish change throughout the season, effectiveness of processing equipment, fishing conditions, crew efficiency, production strategy, product form, and vessel fishing practices are all subject to change. Individual offshore processor PRRs vary wildly as a consequence, and an effective range of less than 10% to 15% is entirely probable for many vessels. Observer data and the so-called "best blend" system are not sufficient to verify offshore PRR claims.

Unlike a system requiring weighing of catch, the margin for error under a PRR system in both pounds of catch and tax dollars owed will be significant. For example:

	Finished Product Weight (lbs)	PRR	Ex-vessel Price/lb	Tax Owed
I	5,000,000	10%	\$0.065	\$325,000
II	5,000,000	12%	\$0.065	\$270,000
II	5,000,000	15%	\$0.065	\$216,000

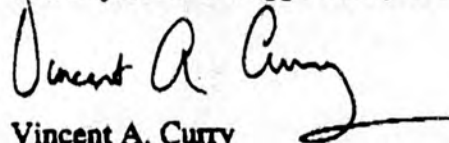
Comment - Landing Tax Regulations
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Page 3

When applied against the whole offshore pollock quota (845,000 MTs or 2,865,200,000 pounds) a 2% error in PRRs is the equivalent to a 10% error in raw fish weight. At \$0.065/lb and 3% tax, the loss to the state and Alaskan coastal communities will be enormous.

The existence of offshore factory trawler impacts on Alaska coastal communities are manifested by an added financial drain and extra resources required to maintain community infrastructure and services. Services typically impacted include public safety, airports, docks, hospitals, educational systems, roads, etc. The legislature made a timely decision to require at least partial compensation via the landing tax for the significant costs imposed by the factory trawler fleet.

In order for the tax to be fair to all concerned, it is essential a sound and reliable basis be used to determine how much tax is owed. The taxing basis should be founded upon a requirement that offshore processors calculate taxes owed on the basis of weighed catch. A tax system relying on PRRs is simply inadequate, and is unnecessary since the reliable alternative of weighing catch is available.

Thank you for the opportunity to comment on this proposed regulation.



Vincent A. Curry
President

SCOMM

87:19

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSIONBILL NO. HB 303

Revision Date: _____
 Title: An Act Relating to the Alaska Commercial Fisheries
Development Endowment
 Sponsor: Representative Moses
 Requestor: Representative Moses

Department Affected: Commerce and Economic Development
 BRU: Alaska Commercial Fisheries Endowment Board
 Component: _____

COMPONENT SERIAL NO. _____

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

The fiscal note assumes no appropriation to the endowment. The attached analysis reflects the department's estimate of operating costs if the annual endowment income were \$3.5 million.

Prepared by: Donna Parker, Development Specialist
 Division: Economic Development

Phone: 465-5464
 Date: _____

Approved by Commissioner: Paul Fuhs
 Agency: Commerce and Economic Development

Date: 2-4-94

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FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 303

ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
Fiscal Note Calculations for
Alaska Commercial Fisheries Development Endowment Board

Personal Services				251.8
	Salary	Benefits	Total	
Executive Director (R26A)	67.8	23.4	91.2	
Development Specialist II (R20A)	46.6	17.6	64.2	
Grants Administrator (R18A)	40.7	15.9	56.6	
Administrative Assistant (R12A/B)	27.5	12.3	39.8	
Travel/Per Diem				32.0
Board Travel				
(2 annual meetings @ \$1.0 per board member)			20.0	
Staff Travel				
(12 trips @ \$1.0)			12.0	
Contractual Services				64.8
Office space rental for staff			12.6	
(12 months x \$1.50 per sq. ft. x 175 sq. ft =				
\$3.2 x 4 positions)				
Miscellaneous contractual costs @ \$6.8 per position			27.2	
Technical Assistance Contract			25.0	
Supplies				4.0
\$1.0 per position			4.0	
Equipment				55.4
\$12.1 per position for office furniture and computer			55.4	
equipment plus \$7.0 for office copier				
Grants				3,092.0
TOTAL				\$3,500.0

Funding Source: AK Commercial Fisheries Development Endowment Income

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. House Bill 303

Revision Date: _____
Title: "An Act relating to Alaska commercial fisheries
development endowment;"
Sponsor: Moses
Requestor: House Special Committee on Fisheries

Department: Commerce and Economic Development
BRU: Alaska Seafood Marketing Institute
Component: Alaska Seafood Marketing Institute

COMPONENT SERIAL NO. 393

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
--------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 94) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Kim Elton, Executive Director
Division: Alaska Seafood Marketing Institute
Approved by Commissioner: [Signature]
Agency: Commerce and Economic Development

Phone: 465-5560
Date: 2/7/94
Date: 2/7/94

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FISCAL NOTE

STATE OF ALASKA 1994 LEGISLATIVE SESSION

BILL NO. HB 303

Revision Date: Title: An Act Relating to the Alaska Commercial Fisheries Development Endowment Fund Sponsor: Representative Moses Requestor: House Fisheries	Dept. Affected: Revenue BRU: Revenue Operations Component: Treasury Management COMPONENT SERIAL NO. #121
---	---

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	5.0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL Note (1)	20.0	21.0	22.0	23.0	24.0	25.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	25.0	26.0	27.0	28.0	29.0	30.0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other State Funds Note (2)	25.0	26.0	27.0	28.0	29.0	30.0
TOTAL	25.0	26.0	27.0	28.0	29.0	30.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)

Note (1) Contractual services will vary depending on the amount and type of investments. Fixed contractual costs for establishment of the fund are \$10,000 annually.

Note (2) All costs incurred for managing the fund will be charged to the income of the fund per AS 37.14.370.

Note (3) No costs will be incurred until the Endowment Fund is funded.

Prepared by:	Laraine L. Derr, Deputy Commissioner <i>Laraine L. Derr</i>	Phone:	465-4880
Division:	Treasury	Date:	1/31/94
Approved by Commissioner:	Darrel J. Rexwinkel <i>Darrel J. Rexwinkel</i>	Date:	1/31/94
Agency:	Department of Revenue		

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HOUSE SPECIAL COMMITTEE ON FISHERIES
April 14, 1993
8:30 a.m.

MEMBERS PRESENT

Representative Carl E. Moses, Chairman
Representative Harley Olberg, Vice-Chairman
Representative Gail Phillips
Representative Cliff Davidson

MEMBERS ABSENT

Representative Irene Nicholia

COMMITTEE CALENDAR

Fisheries Development Foundation Discussion

WITNESS REGISTER

Paul Fuhs, Commissioner
Alaska Department of Commerce and Economic Development
P.O. Box 110800
Juneau, Alaska 99811-0800
Phone: 465-2500
Position Statement: Supports endowment

Carl L. Rosier, Commissioner
Alaska Department of Fish and Game
P.O. Box 25526
Juneau, Alaska 99802-5526
Phone: 465-4100
Position Statement: Supports endowment

Chris Mitchell, Executive Director
Alaska Fisheries Development Foundation
508 W. 2nd, Suite 212
Anchorage, Alaska 99501
Phone: 276-7315
Position Statement: Supports endowment

John French, Director
Fisheries Industrial Technology Center
Kodiak, Alaska 99615
Phone: 486-1500
Position Statement: Supports endowment

Kim Elton, Executive Director
Alaska Seafood Marketing Institute
Alaska Department of Commerce and Economic Development

1111 W. 8th Street, Suite 100
Juneau, Alaska 99801-1895
Phone: 586-2902
Position Statement Supports endowment

Jerry McCune, President
United Fishermen of Alaska
211 Fourth Street, Suite 112
Juneau, Alaska 99801
Phone: 586-2820
Position Statement: Supports endowment

Bart Watson, Executive Director
Armstrong/Keta Corporation
P.O. Box 21990
Juneau, Alaska 99802
Phone: 586-3443
Position Statement: Supports endowment

Dean Paddock, Executive Director
Bristol Bay Driftnetters Association
P.O. Box 21951
Juneau, Alaska 99802
Phone: 463-4975
Position Statement: Supports endowment

ACTION NARRATIVE

Tape 93-22, Side A
Number 000

CHAIRMAN CARL MOSES called the meeting to order at 8:36 a.m., and said the committee would be hearing from a group of people who had been working together on a project to fund salmon development in Alaska.

PAUL FUHS, COMMISSIONER, ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT (DCED), talked of how everyone has seen the reduction in salmon prices and the problems and impacts it has had on fishermen and the local communities that depend on salmon revenue. He said the state also has a significant amount invested (\$130 million) in fishing boats, permits and hatcheries. The DCED and the Alaska Department of Fish and Game were concerned about the situation and came up with a plan that they took to Governor Hickel which he "put his blessing on."

MR. FUHS explained that marketing assessment is a critical piece of this plan. It would assure more money would go into domestic marketing. He stated the way Alaska is trying to sell its fish is very outdated and the seafood industry has not kept up with other industries. He felt the Alaska Seafood

Product Development Fund is probably the most important part. The idea behind this is to set aside a suggested amount of \$50 million dollars for ten years, from which the interest would be used to develop new products and the technology necessary to produce those products. He said the source of funds has not yet been identified.

MR. FUHS further explained that this would generate about \$4 million dollars a year and it would be the responsibility of the departments working with industry to come to the legislature with a budget each year explaining how this money would be spent. It would be totally within the control of the legislature to appropriate, not setting up a constitutional endowment. If at any time the legislature feels it is not worth doing, the \$50 million can be put back into the general fund, or at the end of ten years it would automatically go back into the general fund. He noted that this process really worked with surimi using federal funds that are not available now.

MR. FUHS talked about the last aspect of the plan which is tax credits to promote value added salmon production in Alaska. For a few years, Alaska had a 50% tax credit to anyone who invested onshore in Alaska. It was very successful and led to hundreds of millions of dollars being invested in the shore site industries. There was a proposal to extend that, but the DCFD testified against that because more primary production is not what is needed. What is needed is incentive for value added processing for new product forms and improvements to the quality of the products, he declared.

Number 118

CARL ROSIER, COMMISSIONER, ALASKA DEPARTMENT OF FISH AND GAME, testified that Alaska has not yet peaked as far as salmon production goes. He felt there is a lot of concern amongst the industry, and fishermen are extremely concerned about fish prices this year. There is also concern about people getting out of the salmon business, because of the low economic return. He stated the industry needs our help at the present time, and this foundation is the next logical step in support of the industry.

Number 188

CHRIS MITCHELL, EXECUTIVE DIRECTOR, ALASKA FISHERIES DEVELOPMENT FOUNDATION (AFDF), explained they are an industry membership organization whose project, programs and activities are to try to collectively move the industry forward and solve problems that are generic to the industry, or too big or expensive for a sector or component of the industry to take on by itself. He represents a consortium of people in the

fishing industry who feel that now is the time to collectively come together to make the industry better and bring it out of the crisis that it is in.

MR. MITCHELL said the legislature's joint economic task force's mini summit was the stimulus behind the endowment asking what the legislature can do to help industry problems. He stated that the fishing industry is a very large, important industry that has invested heavily in itself and is a big contributor to the state's economy.

Number 296

MR. MITCHELL spoke of how low fish prices are and how a near record harvest is coming up this year, with declining markets in Japan and a decline in North America for canned consumption. He felt all of these signs indicate the industry is in distress. Mr. Mitchell said the endowment can be the unifying factor to bring all of the pieces together. Alaska must look at the problem in its entirety and interact and attack in a comprehensive way, from ocean to market. He said only in that way can the business effectively move forward and ahead. The concept behind this is where the legislature, through the creation of the endowment would help the industry help itself. Mr. Mitchell felt only the industry can make those changes.

Number 377

CHAIRMAN MOSES said he had run into sentiment that there is considerable duplication between the Alaska Seafood Marketing Institute (ASMI), the Fisheries Industrial Technology Center (FTIC), and the DCED. He asked how to get everyone under one roof, or going in the same direction.

Number 386

MR. MITCHELL said there is a bill being drafted which outlines how the concept might work. A board could be developed to decide what projects are to be undertaken and provide the framework for each of the projects. The board would be industry based and have each of the components of industry, from fishermen to processors, to offshore processors and the DCED, all working together.

Number 432

CHAIRMAN MOSES said legislators and fishermen who are going to contribute to the project are going to want to know that they have an entity that is going in the right direction and under one roof.

Number 435

MR. FUHS responded that one month ago a meeting was called in Anchorage, of all of the groups who, for the first time, sat down together and came up with this proposal. He said the groups are all speaking with one voice now, and there is no division among them.

Number 445

REPRESENTATIVE CLIFF DAVIDSON asked who the other members of the board would be.

Number 450

MR. MITCHELL answered that honestly his wish list would be an industry member appointed by ASMI's board of directors, one appointed by the FITC's board of directors, one appointed by the AFDF, one appointed by Pacific Seafood Processors Association's board of directors, one appointed by United Fishermen of Alaska's board of directors, and one appointed by the DCED; the executive director of ASMI, the executive director of AFDF (Mitchell) and a marketing industry member elected by the preceding nine members. That is the way Mr. Mitchell visualizes it: To make it industry designed, industry directed and industry managed.

MR. MITCHELL felt with that kind of makeup the board would undertake programs that the industry feels are real and needed. He stated he had recently spent some time in Seattle speaking with some of the major Pacific Seafood Processors Association members to get their support for this kind of concept. They ultimately said they could support it.

Number 490

REPRESENTATIVE DAVIDSON told Mr. Mitchell he felt the committee members had heard the negatives and would like to hear some ideas or positive project specifics coming as a result of this coordinated effort. He wanted to know who would be the entity or individual to place the pieces of the puzzle to get the big picture.

Number 502

MR. MITCHELL said the idea behind this was an endowment for ten years that would sunset after that point in time. The income from it would generate \$3-4 million annually. He said the stimulus behind making it happen right now is the salmon situation. He felt there are two distinct salmon industries in the state: Pink salmon, a very large fishery with very low values which has some very interesting food market

opportunities in food categories rather than fish categories; and sockeye, where there is a relatively directed market into Japan where stress is coming and doors are closing and prices are falling.

MR. MITCHELL envisioned the first two projects would target those two immediate needs. What they will do as a consortium, he said, is put together an outline on both projects the way they see a development project taking place.

Number 530

CHAIRMAN MOSES said it cannot be an industry driven program. He envisioned an all encompassing entity to try and solve a problem.

Number 535

JOHN FRENCH, DIRECTOR, FISHERY INDUSTRIAL TECHNOLOGY CENTER (FITC), passed out an informational packet entitled "Turning Research into Reality". (A copy of this packet may be found in the House Special Committee on Fisheries' Room, Capitol Room 204, and after the adjournment of the second session of the 18th Alaska State Legislature, in the Legislative Reference Library.) He said they are talking about being able to effectively introduce new research and development ideas into the industry.

MR. FRENCH agreed with the previous speakers that it is very critical that the industry be a significant part of that process so they can utilize the results. If the end results are not of value to the industry operations, he felt it is not worth spending state money to do it. He spoke in favor of the tax credits on low interest loans as they could be used to increase the industry's cash contribution towards projects that require matching funds for federal monies.

Number 588

KIM ELTON, EXECUTIVE DIRECTOR, ALASKA SEAFOOD MARKETING INSTITUTE (ASMI), said he managed a marketing arm of state government and emphasized that an important component of marketing is being ignored. He felt this endowment would make his job much easier. Generic promotions such as ASMI does are much easier when you have diversified products. He said there had been a lot of cooperative work done by groups that in the past had been divided in coming up with a piece of legislation that establishes a harvester assessment for marketing programs that ASMI does.

MR. ELTON felt they had come up with a piece of legislation that marketers, processors and many major fishing groups could

buy off on. He was encouraged by the fact that these different groups have been able to work together to do this.

Number 628

JERRY MCCUNE, UNITED FISHERMEN OF ALASKA, stated that Alaska used to have a world share market and could force prices on the world market, but that is not so anymore.

TAPE 93-22, SIDE B
Number 000

MR. MCCUNE suggested getting into a domestic market. He felt if all the groups can work together then it is a good proposal.

Number 074

BART WATSON, EXECUTIVE DIRECTOR OF ARMSTRONG/KETA, a salmon hatchery in the Baranof Islands, stated that they only employ 35 people, but bring hundreds of thousands of dollars of value into the fishing industry by mainly seining and trolling. He said facing the challenges of the current low prices is not the problem of too many fish in the world, but that marketing has not caught up with the increased supply. He was really encouraged to see this consortium come together, and noted that the hatchery had donated several thousand pounds of pink salmon this year to the AFDF for processing research.

MR. WATSON felt this consortium really had the ability to create new markets for salmon in Alaska if it were funded properly.

Number 163

DEAN PADDOCK, SEVEN YEAR MEMBER, ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK (CFAB), stated that the CFAB has been very concerned with the changes in the industry. Concerned enough that in 1992 they devoted approximately \$100,000 to a program to educate fishermen that their world was indeed changing. Fishermen feel they are at a crisis point as their collateral is at stake. The CFAB is a longtime supporter of the AFDF and has granted money to the AFDF for some very worthwhile programs with some very worthwhile accomplishments. He thought this plan was brilliant and would urge the committee to support this plan.

MR. PADDOCK said this approach offers hope because it proposes to attack the problem of the changes that are facing those involved with this industry.

Number 219

CHAIRMAN MOSES expressed his feeling that one big problem was in the past they were told by the canned salmon industry that salmon could not be frozen, which turned out not to be the case. They just did not want to change with the times and he felt there was another stalemate in the industry in not wanting to change with the times.

Number 243

MR. ELTON agreed and went on to discuss some changes that have been made. He stated that there is some resistance to product form change, but that is because of investments the industry has made. He was, however, very optimistic.

CHAIRMAN MOSES said one of the big problems is concentrating too much on catching or buying the fish and not determining where or how the market is going to be.

Number 324

MR. FRENCH talked about how originally only a small group believed in the surimi project. The AFDF board went and found some federal money and it proved to be very successful, and as the project went forward it gained more industry support. The industry dollars were far greater than the federal dollars, but the federal dollars helped to ease the risk. He said the monies in this endowment could be used in the same way. They could provide the incentive for industry to take some of those risks.

MR. FRENCH said the industry realizes it has problems. He didn't think industry appreciates what the real solutions probably are, but solutions are being sought. All of the ideas for the projects will not necessarily come from industry, but certainly industry needs to be an active partner. It is not putting a lot of state money forward, except for delaying the monetary return from the money in the endowment.

Number 365

MR. PADDOCK shared with everyone his pleasure in hearing that Governor Hickel approved of the idea of approaching the problem this way.

Number 394

CHAIRMAN MOSES felt the governor was in favor in principle and everyone was in agreement. Everyone just needs to figure out how to do it, he added.

Number 402

MR. MCCUNE mentioned legislation that is being drafted and suggested that the committee request it from drafting and take a look at it.

Number 426

ADJOURNMENT

CHAIRMAN MOSES adjourned the meeting at 9:55 a.m.



Alaska Fisheries Development Foundation, Inc.

ALASKA COMMERCIAL FISHERIES DEVELOPMENT PROGRAM ENDOWMENT

PURPOSE - To undertake comprehensive and "sustained" Fisheries/Seafood development programs of major importance to the health of Alaska's fishing industry; and to discover and demonstrate improved ways in which Alaska's industry can **RESPOND** to the rapidly growing competition in U.S. markets for seafood.

PROJECTS or PROGRAMS? Most development efforts are specific projects rather than comprehensive programs. Projects look at pieces of a puzzle. Programs look at the entire picture and divide the problem or opportunity into "do-able" pieces that interconnect and build upon one another.

INDUSTRY or GOVERNMENT? To be **REAL** and **LASTING**, only industry can make the changes it must to be **REAL** and **LASTING**. Therefore, programs which will be funded via the Endowment **MUST** be **DECIDED** by the industry. In addition, the actual project components need to be designed and the programs **MANAGED BY THE INDUSTRY**, not the State, academicians nor politicians.

PROGRAM PRINCIPLES -

- * Comprehensive Programs, i.e. Programs must look at the entire problem or opportunity - from ocean to oven. Real solutions incorporate the working of all parts of the industry cooperatively.
- * Program Efforts must be **MARKET-DRIVEN**.
- * Major decisions during the project must be Industry Directed.
- * Project Information must flow continually (and in both directions) to all parts of the industry.
- * Projects/programs efforts must be sustained until major questions are answered and the industry implements program discoveries and opportunities.
- * Flexibly planned Project Activities.

DEVELOPMENT "TEAM" - There are three "key" developmental institutions that can work together to achieve program goals; ASMI, UAF Fishery Industrial Technology Center and the Alaska Fisheries Development Foundation.

With Marketing expertise, ASMI can assist/guide in the creation of **NEW** market opportunities. FITC is Alaska's seafood technology entity. AFDF is the private industry membership organization that can and has brought the development pieces together; and, has proven it can manage the diverse components of each project or

program to be undertaken.

ENDOWMENT SIZE - \$50 million. Such an invested amount is needed to generate approximately \$4-5 million needed annually to take on 2 or 3 priority programs (projects) and..... "to make a difference". Each project will look at the "whole" problem or opportunity simultaneously. To do otherwise would be like shooting an elephant with a shotgun. Irritation but no kill!

SOURCE OF FUNDING - The State has just received \$600-800 million in unassigned "oil settlements". If such amounts go into the General Fund they will be spent. If they are spirited away in the Constitutional Reserve Fund they will not be available to Alaska to stimulate changes in the fishing industry that are absolutely necessary to meet the new challenges in our world markets. A portion of these funds would be wisely invested in such a development program.

WHY IT WILL WORK - The Program concept, if adequately funded and sustained, will work because the projects will be designed & directed by the industry. Industry will only undertake projects that have a need. They will not dissipate funds to things that "don't make sense or are not targeted at real immediate problems or opportunities.

More importantly these programs will lead to **REAL SOLUTIONS** As the concept includes all sectors of the industry in each program, and motivates and provides the structure for them to **COOPERATE**. This likely will ease the confrontational posturing now causing difficulty in getting-together on anything.

HOW WILL THE ENDOWMENT/PROGRAM BE MANAGED? The actual Endowment Fund should invest and be managed by the Department of Revenue and administered through the Department of Commerce & Economic Development. Program selection will be determined by a group (to be formed) that would include representatives of ASMI, FITC, AFDF, DCED, Fishermen, Processors... and... Market forces. Alaska's fishing industry, via its private industry development arm (AFDF) is the logical and qualified Program Managers. AFDF's Board of Directors and its membership include fishermen, processors and nearly every other component of "the industry". Control of AFDF's Board rests in its 5 Alaska fishermen/5 Alaska processors, with but 3 from other parts of the industry

FIRST PRIORITY PROGRAM? - A **COMPREHENSIVE SALMON DEVELOPMENT PROGRAM** - Goals - To expand and diversify the domestic market base and to produce increased opportunities for salmon. Achievement of this Goal should result in new value-added opportunities for Alaska's industry.....and ultimately should cause a stabilizing, of prices for fishers. Project Components must include: Market Research & Development, Product and Processing Technology & Development, Product Development, Processing Risk Reduction and Information and Communications Transmittal.

ENDOWMENT SUPPORTERS

UNITED FISHERMEN OF ALASKA
SE ALASKA SEINERS ASSOCIATION
CORDOVA DISTRICT FISHERMEN UNITED
COOK INLET SEINERS ASSOCIATION
AREA K SEINERS
WESTERN ALASKA SALMON ALLIANCE
BRISTOL BAY FISHERIES ECONOMIC DEVELOPMENT COMMISSION
ALASKA INDEPENDENT FISHERMEN'S MARKETING ASSOCIATION
PENINSULA MARKETING ASSOCIATION
BRISTOL BAY NATIVE ASSOCIATION
ALASKA DRAGGERS ASSOCIATION
ALASKA SEAFOOD MARKETING INSTITUTE
FISHERY INDUSTRIAL TECHNOLOGY CENTER, UAF
ALASKA FISHERIES DEVELOPMENT FOUNDATION
UNISEA, INC.
WARDS COVE PACKING, INC.
ALASKA PACIFIC SEAFOODS
ALASKA GOURMET SEAFOODS
ALASKA DEPARTMENT OF FISH & GAME
ALASKA DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
BRISTOL BAY DRIFTNETTER'S ASSOCIATION

Alaska Commercial Fisheries Development Endowment Program Concept Outline

Goal: Diversify market opportunities for salmon as a mainstream food.

Step 1

- Market research
- Market Niche/identification
- Stimulate market interest, market development, and research and development
- To create a production which has a number of end product alternating

Step 2

- Resource Analysis

Define a fish source --- (Aquaculture Corporation) or group (as examples) committed to supplying sufficient volume/quality at a stable price to kick start activity.

Step 3

- Design a product (identified by market interest/capability) that seems to respond to desire of market

Step 4

- Produce small volumes of Step 3 product
- Production will identify raw material variation/specification required
- Production will identify processing constraints/bottlenecks - economics
- Production will identify technical constraints; i.e., equipment, stabilizing of intermediate product forms, trailing processing technologies

Step 5

- Give product to markets identified in Step 1 who have shown interest - distribute widely
- Markets evaluate product --- Design some finished products
- Markets refine specifications for intermediate product

Step 6

- Produce large volumes of re-specified product in Alaska
- Demonstrate new processing technologies designed to resolve technical/economic constraints identified in Step 4

Step 7

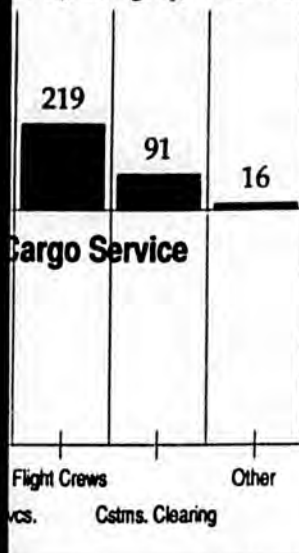
- Sell/distribute (subsidy) product to markets who by now have designed products/conducted market testing --- etc.

Project will have defined or supported:

- Raw material (fish quality specifications) necessary handling/delivery/flesh characteristics, etc.
- Equipment changes required to manufacturer new "volume" intermediate product form.
- Subsidized processing inefficiencies (at early stage).
- Conducted market research for/with potential markets "generic" to food manufacturer interested in salmon.
- Bought product from supplier --- sold to markets; i.e., established new market avenues.
- Created "market pull" for salmon.
- Demonstrated that Alaskan can produce a product(s) that is(are) consistent in quality.

at airport

es by category, 1989-1992.



not continue to grow without new flights to bring non-summer and tourists.

warehousing and distribution, and during will not be established withing and expanding Anchorage's air ns.

continuing to aggressively market both passenger and cargo service is economic development in Anchorage headlines of the future are of the piring kind.

kins is president of the Anchorage Development Corp. and Catherine S. ul programs manager.

AL

ne Aleutians and

Endowment sought for fish products

By Eric Fry
Alaska Journal of Commerce

The Hickel administration is considering a commercial fishing endowment as part of a state package to address problems in the salmon industry, says Donna Parker, fisheries specialist in the state Commerce Department.



FOCUS

Interest from the endowment, which might be as much as \$4 million from a \$50 million principal, would fund seafood-product development until its sunset in per-

haps 10 years, said Chris Mitchell of the Alaska Fisheries Development Foundation.

The foundation is a group of fishers and processors best known for its role in developing Alaska's surimi industry. Parker said the foundation would be the most appropriate choice to administer the endowment's programs. "This needs to be industry-driven," she said. "It's not appropriate for the state to be doing this."

The endowment's principal would come from the tax settlements the state recently received from BP Exploration (Alaska) Inc. and Phillips Petroleum, Mitchell said, based on conversations he had with Commerce Commissioner Paul Fuhs.

In March, Fuhs and Parker met with representatives of the foundation, the Alaska Seafood Marketing Institute and the Fishing Industry Technology Center and said, in effect: You're confusing the industry and

the Legislature and you're competing with each other for funding. Fuhs told the group, If you can be cooperative, there may be some money from oil set-asides, Mitchell said.

"As we compete, we'll all starve to death. We'll nickel-and-dime \$100 needs and opportunities," Mitchell said. "You've got to look at the whole thing collectively and attack simultaneously. If we can come up with programs that are a whole, money will be found."

Commercial fishing is the second largest employer and financial producer in Alaska, he said. The capital investment in boats and permits for salmon exceeds \$1.5 billion. In 1992, the ex-vessel value of salmon—what the fishers were paid—was \$575 million. But prices to fishers have declined drastically in recent years because of a world-wide glut of salmon.

"This is big, this is important, and this is in trouble," Mitchell said. "The biggest reason is the marketplace."

Mitchell said the first two projects might be to turn pink salmon into an intermediate food material—such as frozen blocks made to the specifications of food companies—and to find markets for sockeye salmon other than Japan.

Parker said the foundation would help subsidize the industry's risk in developing new products and markets, and all information gained from the endowment's programs would be public. "There's a lot of research and development work involved just for frozen block specifications," Parker said.

"It's too costly for companies to do because of the big leap to market acceptance. In the meantime, the market is collapsing. We need to get out of the commodity business. It's too vulnerable to market conditions.

Value-added production is much more stable," Parker said.

"Today's marketplace buys food, not fish," Mitchell said at a recent state Chamber of Commerce roundtable in Anchorage.

Mitchell ticked off a series of problems:

- The price for frozen sockeyes to Japan is beginning to drop, and the Japanese are investing in the Russian fisheries. They'll start with low-tech processing such as headed-and-gutted and canned salmon, he said, "and that's where we are."

- The average consumer of canned salmon is 55. "Frankly, they're dying off," Mitchell said, although Europe and Great Britain are still good markets for canned salmon.

- Fresh wild salmon with its sea-

sonal limitations must compete with year-round farmed fish, which sets the market standard for quality, he said. And because of the pulse nature of the fisheries, "we don't have the processing or storage infrastructure to handle that material except in a high-volume, low-tech capacity," Mitchell said.

Parker said the administration plans to raise the endowment issue before the House Fisheries Committee April 14. Mitchell said the endowment awaits a "legislative champion." There is support for a unified program in the industry, he said.

Next year, the administration will look at tax credits and low-interest loans to promote value-added production, such as cooperative cold storage facilities, Parker said.

Salmon fishers face marketing tax

By the Alaska Journal of Commerce

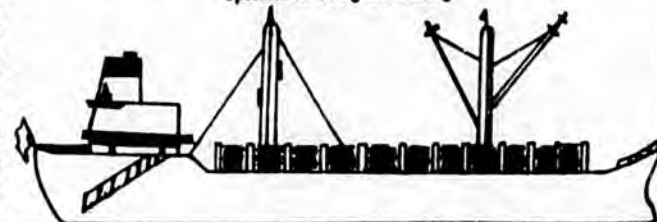
A state Senate bill would levy on salmon permit holders a one percent tax on salmon that are taken in the state or transferred to a buyer here. The buyer would collect the tax from fishers and give it to the government each month, under SB 177.

The salmon marketing tax—which is expected to bring in about \$5.5 million yearly—will be deposited in the general fund, but the money is intended for the Alaska Seafood Marketing Institute.

The private-public entity currently receives tax revenue from processors at the same rate as proposed for fishers under SB 177, as well as about \$1.6 million from the state for U.S. marketing and \$8 million from the federal government for export-related marketing, yearly.

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House bill proposes tax on transshipped fish

By Eric Fry
Alaska Journal of Commerce

Processed fish product that is harvested outside state waters but trans-

ported to Alaska and sold here would be shared with communities in which the resource was landed, as is now the case with the raw-fish tax, with about half going to the state's general fund.

HOUSE BILL 303
ALASKA COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT
SPONSOR STATEMENT

Alaska's Seafood Industry has changed dramatically in the last ten years. The harvest of our vast groundfish resources has now been Americanized. As little as 10 years ago, Alaska salmon dominated the world's markets. Times have changed such that today, he who controls the markets, owns the business!

Alaska's production-based fishing industry must change to a market-oriented seafood industry to stem the market losses now occurring from newly-emerging world competitors; and, to build a future for Alaska's seafood industry as an integral component of America's food industry. Change will come if Alaska's industry components can be brought together to collectively apply their talents, resources, and experiences to facilitate the required revolution.

House Bill 303 is a step toward turning the tide. The whole commercial fishing industry, fishermen and processors, will benefit from the diversification of product forms and increased demand. The endowment will provide funds for large integrated projects going from fish to market. The industry will help focus efforts on a single comprehensive project, or small number of projects, each year.

The ten member endowment board will be comprised of members from the Alaska Fisheries Development Foundation, the Alaska Seafood Marketing Institute, the Fishery Industrial Technology Center, plus seven other members from various entities within the industry; and, will reside within the Department of Commerce and Economic Development. They will assist in providing the most appropriate research, development, technology, and marketing techniques.

The endowment is established in the Department of Revenue as a separate endowment trust fund of the state. The principal of the endowment consists of legislative appropriations to the endowment.

Diversification of salmon markets and product forms will increase total demands, help stabilize the entire market, and should result in stable, and, ultimately, rising prices to the fisherman. Production of new, intermediate product forms will result in the development of diverse and new market niches for seafood products made from salmon. Again, the net result is increased total demand. Increased demands and a more stable supply of a diversified seafood product will result in stable or rising prices to both fishing and processing sectors of the industry.

Increase year-round employment in Alaska.

Stretch our utilization of new/old processing capital.

Increase Alaska tax base from Alaska value adding.

Provide cohesiveness to our harvesting, processing, marketing and product development efforts.



Alaska Fisheries Development Foundation, Inc.

ALASKA COMMERCIAL FISHERIES DEVELOPMENT PROGRAM ENDOWMENT

PURPOSE - To undertake comprehensive and "sustained" Fisheries/Seafood development programs of major importance to the health of Alaska's fishing industry; and to discover and demonstrate improved ways in which Alaska's industry can **RESPOND** to the rapidly growing competition in U.S. markets for seafood.

PROJECTS or PROGRAMS? Most development efforts are specific projects rather than comprehensive programs. Projects look at pieces of a puzzle. Programs look at the entire picture and divide the problem or opportunity into "do-able" pieces that interconnect and build upon one another.

INDUSTRY or GOVERNMENT? Only industry can make the changes it must to be **REAL** and **LASTING**. Therefore, programs which will be funded via the Endowment **MUST** be **DECIDED** by the industry. In addition, the actual program design (project components) need to be designed and the programs **MANAGED BY THE INDUSTRY**, not the State, not academicians and not politicians.

PROGRAM PRINCIPLES -

- * Vertically Integrated Programs, i.e. Programs must look at the entire problem or opportunity - from ocean to oven. Real solutions incorporate the working of all parts of the industry cooperatively.
- * Program Efforts must be **MARKET-DRIVEN**.
- * Major decisions during the project must be Industry Directed.
- * Project Information must flow continually (and in both directions) to all parts of the industry.
- * Projects/programs efforts must be sustained until major questions are answered and the industry itself implements program discoveries and opportunities.
- * Flexibly planned Project Activities.

DEVELOPMENT "TEAM" - The three "key" developmental institutions that can help make the goals work are **ASMI**, **UAF Fishery Industrial Technology Center** and the **Alaska Fisheries Development Foundation**. **ASMI** is market-aware and can assist/guide in the creation of **NEW** market opportunities. **FTTC** is Alaska's seafood technology entity. **AFDF** is however that diverse private industry membership organization that can and has brought the development pieces together; and, has proven it can manage the diverse components of each project or program to be undertaken.

ENDOWMENT SIZE - \$50 million. Such an invested amount is needed to generate approximately \$4-5 million needed annually to take on 2 or 3 programs/projects of "importance" and....."to make a difference". Each project will look at the "whole" problem or opportunity simultaneously. To do otherwise would be like shooting an elephant with a shotgun. Irritation but no kill!

SOURCE OF FUNDING - The State has just received \$600-800 million in unassigned "oil settlements". If such amounts go into the General Fund they will be spent. If they are spirited away in the Constitutional Reserve Fund they will not be available to encourage and stimulate changes in the fishing industry that are absolutely necessary for us to meet the new challenges in our world markets. These funds OUGHT to be invested in such a development program.

WHY IT WILL WORK - The Program concept, if adequately funded and sustained, will work because the projects will be designed & directed by the industry. Industry will only undertake projects that have a need. They will not dissipate funds to things that "don't make sense or are not targeted at real immediate problems or opportunities.

As important, these programs will lead to **REAL SOLUTIONS** because the whole concept includes all parts of the industry in each program and forces them to **COOPERATE**. This likely will ease the confrontational posturing now causing difficulty in getting-together on anything.

HOW WILL THE ENDOWMENT/PROGRAM BE MANAGED? The actual Endowment Fund ought to be managed by the Department of Revenue through the Department of Commerce & Economic Development. Programs to be enacted will be determined by a group (to be formed) that would include representatives of ASMI, FITC, AFDF, DCED, Fishermen, Processors... and...the Marketplace. Alaska's fishing industry, via its private industry development arm (AFDF) is the logical and qualified Program Managers. AFDF's Board of Directors and its membership include fishermen, processors and nearly every other component of "the industry". Control of AFDF's Board rests in its 5 Alaska fishermen/5 Alaska processors, with but 3 from other parts of the industry

FIRST PROGRAM? - A COMPREHENSIVE SALMON DEVELOPMENT PROGRAM - Goals- To expand and diversify the domestic market and product opportunities for salmon as a FOOD, not as a fish! This should result in value-added opportunities for Alaska's industry.....and ultimately should cause a stabilizing, if not an improvement of prices for fishers. Project Components must include: Market Research & Development(not advertising & promotion), Product and Processing Technology & Development, Product Development, Processing Risk Reduction and Information and Communications Transmittal.



Alaska Fisheries Development Foundation, Inc.

HOUSE & SENATE ECONOMIC TASK FORCE MINI-SUMMIT FISHERIES

The days are rapidly fading since Alaska's seafood industry held the "TRUMP" card in many of our fisheries. King crab from South America and the Russian far east now compete for markets that were once ours. Twenty years ago, the world got its salmon almost exclusively from Alaska, in a form and at a price determined by us. Those heady days are gone. The new Russia is aiming at world markets to earn hard currency rather than inwardly to feed its millions. The rest of the world is welcoming farmed salmon at an ever quickening pace. All the while, our once docile markets are demanding things we've not had to concern ourselves with historically such as price and volume stability, new convenient consistent quality products and value. Our industry is under assault from an ever more fickle and demanding market; and there's tough competition staring us down.

In order to stand up to that competition we've got to do at least four things:

- *Stop blaming each other for industry's problems - Look in the mirror to see who is truly responsible.
- *Stop looking out only for ourselves, understanding that if one part of the industry is sick, we'll all eventually come down with the illness.
- *United we stand, divided we fall.
- *WE VOTE FOR BEING UNITED!

We need a place, a forum, a platform or a program which all can support in order to bring collective strength, health and worldwide competitiveness to Alaska's seafood industry. This can only happen through a sustained, focused, vertically integrated fishery development program which uses the collective expertise of Alaska Fisheries Development Foundation, the Alaska Seafood Marketing Institute and the Fisheries Industrial Technology Center. An Alaska Commercial Fisheries Development Program supported by an Endowment can be this unifying, supporting factor. Exactly who and how such a development program will be managed is still not finalized, but suffice it to say, it MUST be predominantly by those who are the Alaska fishing industry.

WHAT IS THE INITIAL DEVELOPMENT EFFORT NEEDED?

Each fishery is made up of a complex but intertwined grouping of participants from fishermen to the marketplace, each one trying to make a living, and each one very much essential to a balanced equation. And, each and every fishery is in a different state of health. Given the importance of the Salmon industry to the State and people of Alaska and given the fact that this industry is under siege by new world competition, immediate and dramatic changes are necessary to ensure a healthy future. Therefore, the first major and focused development undertaking funded via the ENDOWMENT has to be a comprehensive SALMON DEVELOPMENT PROGRAM.

In practical terms the strategy of this focused project is to:

- Capture the interest of food processing companies across the United States in Alaska Salmon in order to foster product and market diversification.
- Prove that Alaska Salmon processors can provide a reliable supply of good quality, value added salmon raw materials.
- Establish ties and communication between users and producers of value added salmon, both existing and potential.
- Provide technical expertise needed to assure product and quality consistency.

The intent of the Salmon Development project is to create a nucleus for a new and revitalized Alaska Salmon industry. More specifically, it is to identify and facilitate access to market and product diversification opportunities for Alaska-produced Salmon. Without this nucleus, there will be inadequate incentive for change. With it, however, industry-directed market and product diversification options abound.

HOW WOULD THE SALMON PROJECT WORK?

1. Flexibly Planned Project Activities must be Vertically Integrated

Many problems, both technical and economic have to be solved all at once. Otherwise one sector will become stalemated by the lack of development in another sector. To be successful the project requires the simultaneous participation of specialists in every sector, and good communication between them.

2. Project Efforts must be Market-Driven

Alaska's Salmon industry and most of its present marketing efforts are production-driven. We try to sell what we produce rather than produce what the market wants to buy. We must find out

from the marketplace what it really wants and then design products which fill those needs.

3. Major Decisions during the Project must be Industry-Directed

The third necessary element of the project's approach must rely on private industry to make the guiding decisions. The process results in practical decision-making that reflects the vested interests (i.e. COMMITMENT) of those who are part of Alaska's Salmon industry. With industry commitment, the project's results automatically get adopted by the private sector.

4. Project information must flow continually to all parts of the industry

Fisheries development requires people to take risks. Information is used to convince them that the rewards are there to balance the risks. A variety of information formats seek to provoke people's curiosity, that which moves them from being barely aware of an opportunity to being seriously interested in pursuing it.

WHAT'S THIS GOING TO COST?

The development of new and diversified products, markets and processing opportunities will not come cheaply nor quickly. No single entity, company or fishing group can, by itself, cause the entire industry to move collectively forward as this project would. Nor would any group be able to finance this multi-disciplinary risk reduction activity. It is expected that this one program will take a minimum of three years of concentrated effort, after which the private sector will carry the ball alone. Based on similar programs for groundfish development, the multi-year effort for Salmon requires \$5 million in programmatic costs spanning

Market Research & Development(not advertising & promotion)
Product & Processing Technology Development
Product Development
Processing Risk Reduction
Communications & Information Transmittal
Administration

An annual programmatic need of \$1.33-\$1.5 million is required on a sustained basis to address the multi-faceted developmental needs of Salmon and ultimately other fisheries displaying similar stress. Therefore, an endowment of adequate size is required to finance comprehensive, industry designed and directed commercial fishery development programs.

We call upon the Alaska State Legislature to create a \$50 million Commercial Fisheries Development Endowment to undertake comprehensive, sustained, collaborative, focused, vertically integrated, market directed, industry designed and managed fishery development programs such as that outlined for Salmon. We ask the Legislature to set aside these funds from recent "settlements" to fund this perpetual endowment.

NMFS Utilization Research Laboratory
Fishery Industrial Technology Center
900 Trident Way
Kodiak, AK 99615-7401

April 12, 1993

TELEFAX TRANSMISSION COVER SHEET

For: Rep. Carl Mose's Joint Fisheries Subcommittee

RE: Alaska Commercial Fisheries Endowment

From: Jerry Babbitt, Ph.D.
Laboratory Director

This transmission consists of 1 pages, including this cover sheet. If there are any problems with this FAX, please call us at 907-486-1518. Thank you.

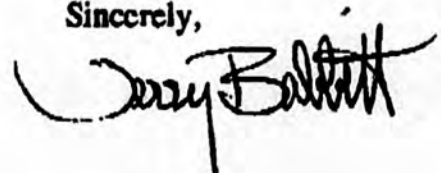
Our telefax number is 907-486-1540.

The Subcommittee must be commended for reviewing the proposed Alaska Commercial Fisheries Endowment and, I hope, the Subcommittee will whole-heartedly support it. Over the last few years, the Alaska seafood harvest has stabilized at record levels of over 5 billion pounds per year. The seafood industry has always been important to the state's economy. The seafood industry has emerged as the state's largest private employer, employing nearly 25 percent of the state's work force.

Alaska will always retain a prominent role in U.S. and world fisheries, but the complexion of the industry will be very different in the year 2000 from what it is today. Thus, we need this type of legislation to ensure that our fisheries are properly utilized and properly managed. These two responsibilities go hand and hand. We cannot properly manage our fisheries without utilizing them and we cannot properly utilize our fisheries without managing them.

PLEASE SUPPORT THIS ENDOWMENT.

Sincerely,



**CORDOVA DISTRICT FISHERMEN UNITED****P.O. Box 939****Cordova, Alaska 99574****(907) 424-3447**

April 12, 1993

Representative Carl Moses
House Special Committee on Fisheries
State Capitol Building
Juneau, Alaska 99801

Dear Representative Moses:

Cordova District Fishermen United endorses the establishment of an endowment to support an Alaska commercial fisheries development program. The endowment, as outlined by the Alaska Fisheries Development Foundation, would utilize \$50 million (between 6% and 8%) of the State's unassigned oil settlements and generate several million dollars annually for fisheries development projects.

It has been generally recognized by the Alaska seafood industry that we need to begin an aggressive program of product development and domestic marketing in order to maintain our market share world-wide. The programs to be funded by the endowment will be initiated by the seafood industry in order to meet specific product development and marketing needs.

CDFU is particularly supportive of the proposed Comprehensive Salmon Development Program which will contribute to the stabilization of the Alaska salmon industry through new product development and marketing initiatives. This project, funded by the endowment, has the potential to revitalize the salmon industry and generate jobs and revenues which will benefit all Alaskans.

CDFU encourages your support for establishing a commercial fisheries development endowment. The endowment would require only a small portion of the unassigned oil settlement monies and become a fisheries "Permanent Fund" to bring the industry into the 21st century.

Sincerely,
CORDOVA DISTRICT FISHERMEN UNITED



Mary L. McBurney,
Executive Director



Cook Inlet Seiners Association

P.O. Box 4311
Homer, Alaska 99603

APR 12 1993

APRIL 8, 1993

Representative Carl Mosses
Alaska State Capitol Bldg.
Juneau, AK 99811-1182

Dear Representative Mosses;

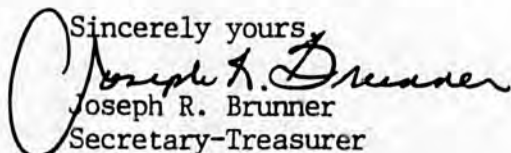
The Alaska Fisheries Development Foundation (AFDF) recently proposed to create an "Alaska Commercial Fisheries Development Program Endowment", a \$50 million perpetual endowment to be appropriated from unassigned "oil settlements" monies recently received by the state. Annual interest income from this endowment would be used to undertake comprehensive fisheries and seafood development programs of major importance to the health and growth of Alaska's fishing industry.

The need and purpose of the program endowment has been defined very accurately in the AFDF proposal. For the salmon industry in particular, the need is immediate and crucial. We are literally watching while our world marketshare slips away and the value of our salmon sinks to unprecedented lows. Unless a coordinated and concerted effort such as this is actually undertaken within a few years, Alaska will be providing such a small percentage of the world's salmon supply that we will be relegated to a minor role in determining market prices. The present trend is clear and sobering. Greater and greater world production, higher quality and consistent supplies resulting in less and less value for wild Alaska salmon. If our industry is to be economically viable into the next century, we must find effective solutions and we must find them quickly

We may speculate about production subsidies by governments of other nations or lament about competition from countries with cheap labor costs but, other than complain, there is very little we can do about it. What we can do, however, is to better manage and coordinate our efforts to improve the quality of Alaska salmon, to develop new and diverse value-added products for domestic and foreign markets and to provide a stable supply of high value raw material for a world starving for protein. But we can't do it well as long as we pull in different directions, duplicate each others efforts and are without overall direction and leadership as we presently are.

The Alaska Fisheries Development Foundation has a proven record and, we trust, is capable of providing the leadership and structured effort our industry needs to meet the challenges we face. Legislation will be introduced this session to create the AFDF Program Endowment. In these times of rapidly dwindling oil revenues it is imperative that we put renewed emphasis on full use and development of our renewable natural resources. The Cook Inlet Seiners Association strongly supports the AFDF Program Endowment and urges you to put your full support behind expeditious enactment of this legislation. Thank you for your time and consideration of this request.

Sincerely yours,


Joseph R. Brunner
Secretary-Treasurer

KODIAK REDUCTION, INC.

211 GIBSON COVE ROAD
KODIAK, AK. 99615
(907) 486-3171

FAX COVER PAGE
FAX NO. (907) 486-2670

Please Deliver the following page(s)

TO:

FROM:

Name: Rep. Carl Moses
Joint Fisheries
Company: Subcommittee

Name: Dan James
Date: 4/9/1993

FAX Number: 465-3445

Number of page(s) including cover page: 1

If not received in the above manner please call Dan
at (907) 486-3171.

Notes:

Dear Representative Moses:

I would like to ask your support for the Alaska Commercial Fisheries Endowment. This endowment would fund cooperative, sustained, comprehensive industry-designed and directed fishery development programs. This endowment means much to me as a citizen in the State of Alaska, and as a member of the Board of Directors of Alaska Fisheries Development Foundation, as well as to Alaska's fishing industry as a whole. If the endowment is created the first project/programs will focus on helping to jumpstart the salmon industry.

Sincerely,


Dan James



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April 9, 1993

Rep. Carl Moses' Joint Fisheries Committee
Fax: 465-3445

NPP would encourage your support of an endowment to support commercial fisheries development programs in our great State.

It occurs to me that possibly the major problem facing our industry is the fact that individual segments of our industry are heading in many different directions on a short-term strategy basis only and haven't even considered the idea that if we are to survive and even prosper we need to set some guidelines to encourage us to at least march in the same general direction while pursuing our own private ideas.

Fisheries development is not really making much progress based on individual effort. The recent past is full of examples of "projects" which have demonstrated the ability to do certain defined things but which have almost always ended with the project being dropped before reasonable market penetration has been achieved.

An endowment of the type that will be outlined by Chris Mitchell of AFDF next Wednesday will accomplish this task much like that which occurred in the bottom fish industry some years back.

We need your help in putting this together. All segments of the industry are currently standing with their backs to the wall. Money is available from unassigned "oil settlements" and I can hardly think of a more appropriate way to put these funds to work.

Sorry I can't be there to help plead this case in general, but I know that Chris and his people will help greatly in this endeavor.

Sincerely,

Ken Roemhildt
Ken Roemhildt, Superintendent

Processors of Quality Alaska Seafoods

APR 12 1993



April 12, 1993

FAX TO: 907/465-3445

The Honorable Carl Moses, Chair
and Members of the House Special
Committee on Fisheries
Alaska State House of Representatives
State Capitol Room 204-C
Juneau, AK 99801

RE: Alaska Commercial Fisheries Endowment

Dear Representative Moses and Committee Members:

The Prince William Sound Aquaculture Corporation (PWSAC) strongly supports the proposed Alaska Commercial Fisheries Development Program Endowment. It is our belief that this program will be successful because it is: 1) designed and directed by industry, and 2) it will promote and motivate cooperation among all industry sectors.

PWSAC believes a strong marketing force is needed to not only promote Alaska's seafood, but create new markets that meet the demands of today's consumer. The power needed to accomplish this task must include adequate funding and the cooperative involvement of the entire industry (producer, harvester, processor, retailer, etc.). The proposed Alaska Commercial Fisheries Development Program Endowment contains the needed ingredients to identify and create new seafood markets.

While our first concern is for the development of new and existing salmon products, we also support the development of all of Alaska's commercial fisheries resources. Please, carefully consider the proposed Alaska Commercial Fisheries Endowment. We respectfully ask for your support.

Sincerely,

John McMullen
President

JCM/pmd

cc: Representative Harley Olberg

Corporate Office • Post Office Box 1110 • Cordova, Alaska 99574-1110
phone: 907/424-7511 * fax: 907/424-7514