

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 80/2

2755 HRES HB 379 - HB 393

SEISMIC, VOLCANIC, AND TSUNAMI HAZARDS MITIGATION IN ALASKA -
AN UNMET NEED

Report from the Seismology Workshop
held in Wasilla, Alaska - February 15-16, 1982

By
J.N. Davies

EXECUTIVE SUMMARY

In mid-February 1982, seismologists from federal and state agencies, universities, and the private sector met in a workshop sponsored by the Alaska Division of Geological and Geophysical Surveys (DGGs) to discuss specific initiatives to improve the availability of critical seismological information in Alaska. The motivation for holding this workshop was a widespread concern for the lack of a statewide program to collect and disseminate seismic data essential to mitigate the hazards from earthquakes, volcanoes, and tsunamis. The workshop also focused on Alaskan seismological programs jeopardized by rapidly declining federal support.

Resolutions from this workshop called for:

- a) Establishing an Alaska Division of Geological and Geophysical Surveys program to ensure and coordinate the statewide collection and dissemination of seismic data for Alaska
- b) Exploring methods to support seismic-hazard-mitigation programs in Alaska through direct and indirect funding from various sources---state and local agencies, subsidized transmission of seismic data, building-permit fees, a levy on property insurance, and the establishment of an endowment fund
- c) The appointment (by the State Geologist) of a working group on Alaskan earthquakes, volcanoes, and tsunamis to annually assess the future needs of seismic research, hazards mitigation, and hazards education in Alaska, and to be available to evaluate earthquake and eruption predictions and monitor ongoing seismic and volcanic crises
- d) Improving the preparedness of coastal communities vulnerable to tsunamis through upgraded communications and better mapping of potential postearthquake water heights
- e) Creating both a national program focused on Alaska for comprehensive studies of explosive volcanism and a Cook Inlet volcanological research consortium
- f) Making a strong statement to the Committee on Seismology of the National Academy of Sciences asserting that Alaska should receive increased priority in the setting of national objectives for earthquake research and monitoring.

BACKGROUND

Alaska is the most tectonically active state in the United States. Most activity---great earthquakes, explosive volcanism, and giant tsunamis---is concentrated in the Aleutian Islands, the Alaska Peninsula, and Prince William Sound. Until recently, the risk posed by these geologic hazards has been minimal because of a sparse population and a limited industrial base. But this situation is changing. The increasing pace of development of Alaska's abundant natural resources (minerals, fish, timber) has brought about a corresponding growth in population and a more sophisticated industrial infrastructure. With this, there is an increasing need to evaluate the vulnerability of Alaska's people and economy to the potentially devastating effects of major earthquakes and volcanic eruptions.

The state of Alaska does not have an adequate program to mitigate the hazards from earthquakes, volcanoes, and tsunamis. Elements of such a program would include:

- a) Geologic studies to understand the tectonic framework of Alaska, to identify active faults, and to determine the recurrence rates of major earthquakes
- b) Seismological studies to document the seismic history of Alaska and to use that history to forecast future seismic activity and its expected effects
- c) Geotechnical studies to characterize the seismic stability of geologic deposits
- d) Using the above studies in land-use planning, zoning, developing building codes, and siting major public buildings and facilities
- e) Seismic engineering investigations to develop earthquake design criteria for specific construction projects.

Critical data are lacking to apply any one of these elements to a specific seismic-risk study almost anywhere in Alaska. However, the most fundamental need is for comprehensive earthquake data, especially strong-motion accelerograph data from southern Alaska.

Seismologists are aware of these problems and until recently were content to rely on various federally funded research and hazard-mitigation programs to address Alaska's needs. Indeed, under the potpourri of programs that have existed in Alaska, including the Outer Continental Shelf Environmental Assessment Program (OCSEAP), about 180 sensitive seismographic stations were established in Alaska. But with the demise of OCSEAP support for seismology and with the stringencies that exist for most nondefense federal programs, about half of the existing stations are expected to close in 1983.

Concern for the deteriorating situation in seismic monitoring and for a state program in seismic-hazards mitigation and its underlying data base prompted this meeting on Alaskan seismology. Participants hope that the state

will, by adopting a coordinating role and providing a modest level of support, make much more effective use of the data that are collected. The consequences of not establishing the required comprehensive earthquake data base will not necessarily mean that unsafe construction and planning will take place (although in some cases it is likely). Rather, the more probable result with respect to critical facilities will be overly conservative designs and delays in licensing caused by uncertainties about actual risks.

The remainder of this report is devoted to resolutions made at the workshop. The first seven resolutions address specific aspects of the overall need to improve seismic- and volcanic-hazards-mitigation efforts in Alaska. The last two resolutions are directed at somewhat different audiences. Resolution 8 is primarily from some Alaskan scientists requesting that the state consider a general funding arrangement for the study of Alaska's natural resources, including natural hazards. Resolution 9 is directed at the national level of scientific funding and calls for an increased emphasis on Alaskan seismology and volcanology.

RESOLUTIONS

Resolution 1. Alaska Division of Geological and Geophysical Surveys program in seismology

WHEREAS, Alaska, the most seismically active state, will continue to be an area of rapid development of natural resources, major construction projects, and population growth during the next few decades; and

WHEREAS, cost-effective planning and safe design for this development require an adequate definition of the seismic hazards; and

WHEREAS, a uniform and continuous base of seismic information (including strong-motion data) collected over a long period of time is lacking but is necessary to mitigate these hazards; and

WHEREAS, the need for these data at a specific site is commonly recognized just prior to individual construction projects, but no one project can be expected to accept responsibility for such long-term data collection; and

WHEREAS, this responsibility is appropriately undertaken by a state or federal agency; and

WHEREAS, DGGs has statutory responsibility to determine potential geologic hazards in the State of Alaska;

THEREFORE BE IT RESOLVED that DGGs establish a seismic program to:

- a) Ensure the operation of a statewide seismographic network, including instrumentation to record strong ground motion in areas of significant earthquake potential

- b) Establish a statewide seismic-data center
- c) Coordinate the collection and dissemination of seismic data for Alaska.

Implementation. An initial step to implement this program is to designate an Alaskan seismic-data center. Criteria for data storage, use, and dissemination would have to be established. Existing earthquake-data sets would be assembled and cataloged as a continuing function of the data center. To provide for uniform and continuous monitoring of Alaskan earthquakes, a statewide standardized seismograph network would be designed.

This network would be initially based on a selected configuration of seismograph stations now operated by a number of organizations and supplemented by additional stations as required. The network would be upgraded in phases to provide high-dynamic-range, broad-band recording of ground motions statewide. Also, an effective and efficient system for data collection and processing would be implemented to incorporate existing facilities in the state. These data would thus update the earthquake-data base now used for ongoing seismic analyses.

Special-purpose networks will probably be operated in the state from time to time; these networks will be coordinated and their data integrated with the statewide network as appropriate.

The seismic-data center will also provide information on earthquake hazards to the public.

Resolution 2. A multi-element program to provide funds for collection and dissemination of earthquake-hazard data

WHEREAS, the evaluation of potential geologic hazards is mandated for DGGs by the State of Alaska; and

WHEREAS, the maintenance of long-term earthquake-data collection is a necessary aspect of the earthquake-hazard-investigation program; and

WHEREAS, the federal government has provided major financial support for seismic data collection and research in Alaska, but this support is diminishing; and

WHEREAS, stability of funding is necessary to maintain the continuity of data collection and the maintenance of related technical expertise; and

WHEREAS, the primary financial support for the collection and dissemination of earthquake-hazard data should be provided by those who have the strongest requirements for these data;

THEREFORE BE IT RESOLVED, that a multi-element program of funding should be established to provide long-term fiscal support, recognizing both the startup and long-term-operations costs of the program. In the funding program:

- a) The State Geologist should actively coordinate and pursue financial support for both a statewide seismic-monitoring network and long-term collection of seismic data, and make these data available for scientific and public use
- b) The Alaska Power Authority and the Alaska Department of Transportation and Public Facilities---two state agencies with primary responsibility for large-scale construction that are major beneficiaries of seismic data used in designing earthquake-resistant structures---should contribute financial support for the long-term collection of seismic data
- c) The feasibility of a permit fee should be investigated to provide support for the collection and dissemination of strong-ground-motion and structural-response data that are of direct benefit to the safe design of engineered facilities. This fee could be equal to a percentage of the costs of construction of new facilities built in seismically active areas
- d) DGGS should establish a matching program with municipalities and boroughs to fund the purchase, maintenance, and operation of strong-ground-motion recorders
- e) The potential for obtaining funding for long-term seismic-data collection from a levy on property insurance should be researched through the appropriate state agency.

Resolution 3. State of Alaska support for seismic-data transmission

WHEREAS, the State of Alaska, through its statewide computer network and teleconferencing systems, has a statewide communications network; and

WHEREAS, seismic networks operated by the state government and university, by the federal government, and by private universities provide data essential for the mitigation of earthquake hazards and safe construction and development of resources; and

WHEREAS, seismic networks in Alaska are faced with large annual operating costs for transmission of earthquake data to centralized recording facilities;

THEREFORE BE IT RESOLVED, that the state should consider subsidizing the costs of transmission of seismic data.

Resolution 4. Working Group on Alaskan Earthquakes, Volcanoes, and Tsunamis

WHEREAS, there exists a significant potential for seismic, volcanic, and tsunami hazards in Alaska that may adversely affect the public safety, future development, and economy of Alaska; and

WHEREAS, there is a large variety of federal, state, academic, and private organizations performing research related to seismic, volcanic, and tsunami hazards in Alaska with a variety of techniques; and

WHEREAS, the State Geologist has statutory responsibility for identification and evaluation of these hazards; and

WHEREAS, there exists a body of expertise in Alaskan seismic, volcanic, and tsunami research that could be drawn on for advice by the State Geologist and various state and federal agencies; and

WHEREAS, there exists a general lack of public awareness of potential seismic, volcanic, and tsunami hazards in Alaska;

THEREFORE BE IT RESOLVED, that a working group on Alaskan earthquakes, volcanoes, and tsunamis meet at least annually to:

- a) Evaluate and document both the state of research and data collection and any additional research necessary on seismic, volcanic, and tsunami hazards in Alaska
- b) Recommend standards for seismic monitoring and data reporting by the organizations operating seismic stations in Alaska
- c) Assist in public education on mitigation of seismic, volcanic, and tsunami hazards in Alaska.

In addition, participants of the Working Group could be called on by the State Geologist to:

- a) Recommend mitigation measures related to seismic, volcanic, and tsunami hazards in Alaska
- b) Evaluate short- and long-term predictions of earthquakes, volcanic eruptions, and tsunamis
- c) Monitor ongoing seismic, volcanic, and tsunami crises and advise duration, severity, areal extent, and effects. ^{government officials as to the}

The Working Group should be composed of seismologists, volcanologists, and others directly involved in research, data acquisition, engineering, or planning applicable to evaluation and mitigation of seismic, volcanic, and tsunami hazards in Alaska. A recommended means of establishing the membership of the Working Group is selection, by the State Geologist, of 10 to 15 voluntary participants.

Resolution 5. Continuous capability for tsunami warning to Alaskan coastal communities

WHEREAS, numerous coastal communities in Alaska are exposed to significant tsunami hazards; and

WHEREAS, some of these communities presently cannot always receive tsunami warnings because of a lack of a continuously functional communications system; and

WHEREAS, through satellite telemetry or other means, most of these communities could receive warnings 24 hours a day,

THEREFORE BE IT RESOLVED, that the Alaska Division of Emergency Services investigate communications options and seek funds to establish round-the-clock warning capability for all vulnerable coastal communities.

Resolution 6. Tsunami-runup determinations for Alaskan coastal communities

WHEREAS, tsunami runups (the maximum height of water expected along a coast following a major earthquake or volcanic eruption) have in general only been subjectively determined in Alaska; and

WHEREAS, the imprecise nature of runup determinations has resulted in delineation of larger hazard zones than may be required if current computation techniques were used; and

WHEREAS, these techniques require both expertise and extensive computer capability unavailable in the National Weather Service Tsunami Warning System or any cognizant state agency;

THEREFORE BE IT RESOLVED, that DGGs seek funding to obtain improved tsunami-runup determinations for those communities with a high tsunami risk, as identified by the Alaska Tsunami Warning Center.

Resolution 7. A national program focused on Alaska for the study of explosive volcanism and a Cook Inlet volcanological-research consortium

WHEREAS, the United States research effort on explosive volcanism has devoted less than 1 percent of its total commitment to Alaska, which contains 90 percent of the explosive volcanoes in the country and hence the greatest research opportunities; and

WHEREAS, of the 40 historically active volcanoes in the Aleutian arc, 28 have advanced to caldera stage, which attests to the great explosivity of the arc volcanoes; and

WHEREAS, other north-Pacific-rim nations such as Japan and the U.S.S.R. have established major programs to study and understand explosive volcanism; and

WHEREAS, the funding for volcanological research in the United States has remained at a very low level compared with that of many other sciences;

THEREFORE BE IT RESOLVED, that a major innovative program on a national scale be created to study explosive volcanism in Alaska. This program should be multidisciplinary and should include universities and the federal and state governments; and further,

WHEREAS, the size and geographical extent of the problem are so overwhelming, efforts must be focused primarily on that region of greatest social and economic importance to Alaska, the Cook Inlet area,

BE IT ALSO THEREFORE RESOLVED, that funds should be sought to establish a Cook Inlet volcanological research consortium to conduct multidisciplinary research on the geologic history, seismotectonic setting, eruptive style, and hazards of the five active volcanoes in the Cook Inlet area. Such an umbrella organization would use the resources and facilities of established federal, state, and university researchers with expertise on explosive volcanism.

Resolution 8. An endowment fund for research on natural resources and hazards

WHEREAS, the primary source of Alaska's wealth comes from renewable and nonrenewable natural resources, but natural phenomena such as frost heaving, avalanches, earthquakes, flood, and volcanic eruptions can destroy Alaskan lives and property. To care for and develop these resources and to mitigate fear and damage from these hazards, it is essential to understand them. This understanding is best gained by basic research on the fundamental physical and biological processes that yield the resources and contribute to the hazards.

THEREFORE BE IT RESOLVED, that an endowment fund be established, the interest from which is to be used for research on natural resources and hazards.

Two options may be considered for implementation:

- a) Establish a fund for research, care, and development of Alaska's natural resources and mitigation of damage from natural hazards. The fund would be invested and administered in a manner similar to that of the Alaska Permanent Fund. It could be disbursed by the Alaska Council on Science and Technology (ACST) as special-project funding, beyond the range of the council's present scope. The present function of ACST would not be altered by assuming this added responsibility
- b) Set aside 5 percent of the earnings from the Permanent Fund for this purpose.

Resolution 9. An increased national emphasis on Alaskan seismology and volcanology

Several critical decisions are coming up regarding a United States national seismic network, the funding of regional networks, and directions for future research in earthquake prediction and hazards.

Alaska is the most seismically active state, has the highest proven reserves of petroleum and several other natural resources, represents a unique tectonic setting, and is likely to play an even more important role in future research in areas of high national priority. Nevertheless, Alaska has consistently received low priority in the setting of national objectives for earthquake research and monitoring. Unique opportunities exist to study subduction processes, active volcanism, seismic gaps in which great earthquakes can occur, transitions in tectonic style from oceans to continents and from interplate motion to intraplate processes, geothermal energy, and the generation of tsunamis.

Members of the workshop recommended establishing a network of digitally recording broad-band seismographs to uniformly monitor earthquakes statewide, a center to process and disseminate the data, an intensified program of broad-based geological and geophysical measurements in seismic gaps, an array of portable instruments and ocean-bottom seismometers for both special Alaska-Aleutian studies and response to major earthquakes, an adequate deployment of strong-motion instrumentation, and advanced data-communication techniques that will help reduce the increasing costs of transmitting data. The group also emphasized the necessity for geodetic, in-situ stress and sea-level measurements in zones of active deformation. To focus attention on Alaskan seismology, the workshop members recommended special Alaskan themes at national meetings, holding future national meetings in Alaska, and conducting seismic-reflection profiles across Alaska of the Consortium for Continental Reflection Profiling (COCORP)-type (such as a north-south transect across the state that would also include the adjacent continental margins). Members also recommended a periodic review of projects in Alaska, particularly a review of the status of major seismic gaps and other areas of special seismic study.

ACKNOWLEDGMENTS

The time and energy contributed by each of the participants are greatly appreciated. Reviews of the manuscript by Bob Page, John Lahr, ~~R.A. Red~~ Combellick, and ~~R.D.~~ Reger are gratefully acknowledged.

Dick

APPENDIX A

GENERALIZED AGENDA

Workshop on Alaskan Seismology

February 15-16, 1982

Wasilla, Alaska

MONDAY MORNING

Open Plenary Session, John Davies, Chair
Welcome by Ross Schaff
Introduction and general discussion of Workshop I, Combellick
Introduction and general discussion of Workshop II, Davies
Introduction and general discussion of Workshop III, Carte
Introduction and general discussion of Workshop IV, Miller
Introduction and general discussion of Workshop V, Page
Introduction and general discussion of Workshop VI, Sykes

MONDAY AFTERNOON

Workshops I, II, and III meet separately

MONDAY EVENING

Workshops IV, V, and VI meet separately

TUESDAY MORNING

Open Plenary Session, Davies, Chair
Discussion of resolutions from Workshop I, Combellick
Discussion of resolutions from Workshop II, Davies
Discussion of resolutions from Workshop III, Carte
Discussion of resolutions from Workshop IV, Miller
Discussion of resolutions from Workshop V, Page
Discussion of resolutions from Workshop VI, Sykes

TUESDAY AFTERNOON

Final rewrite of resolutions
Trip to Palmer Observatory

WORKSHOP TITLES

- I. Alaska Council on Tsunamis, Earthquakes, and Volcanoes
- II. State of Alaska Seismic Observatory
- III. Cook Inlet Volcano Observatory
- IV. New Basis for Funding
- V. New Basis for Funding
- VI. Input to National Dialogue on Seismology

APPENDIX B

LIST OF PARTICIPANTS AND ADDRESSES

Workshop on Alaskan Seismology

February 15-16, 1982

Wasilla, Alaska

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Introduced:
Referred:

BY

IN THE HOUSE

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing a seismic hazard program within the Department of Natural Resources, and providing for an effective date."

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

* Section 1. AS 41.08.017 is amended to read:

Sec. 41.08.017. HYDROLOGICAL AND SEISMIC HAZARD DATA DECLARED TO BE OF PUBLIC INTEREST. (a) Systematic collection, recording, evaluation, and distribution of data on the quantity, location and quality of water of the state in the ground, on the surface of the ground, or along the coasts, are in the public interest and necessary to the orderly domestic and industrial development of the state.

(b) Systematic collecting, recording, evaluation, archiving and distribution of data on seismic events and engineering geology, and identification of potential seismic hazards throughout the state are in the public interest and necessary to orderly, safe and cost-effective development in the state.

* Sec. 2. AS 41.08.020 (b) is amended by adding new subsections to read:

(5) collect, record, evaluate, archive and distribute data on seismic events and engineering geology of Alaska;

(6) identify potential seismic hazards which might affect development of Alaska;

(7) inform public officials and industry about potential seismic hazards which might affect development of Alaska;

* Sec. 3. This Act takes effect July 1, 1983.



AMERICAN INSTITUTE OF PROFESSIONAL GEOLOGISTS

May 6, 1983

The Honorable Joseph Flood
Alaska State House of Representatives
Pouch "V", State Capital Building
Juneau, Alaska 99811

RE: House Bill 379-380

Dear Representative Flood:

The Alaska Section of the American Institute of Professional Geologists would like to voice support for HB 379-380. It is our understanding this bill is to provide funding for the continued service and maintenance of a seismic network in south central Alaska through the State of Alaska, Department of Natural Resources.

As a professional organization of geologists in Alaska, the membership of AIPG feels it is imperative to maintain a seismic monitoring network particularly in south central Alaska where seismic events are common and earthquake records vital to present and future development.

We strongly urge passage of this bill so that irretrievable earthquake information is not lost in the future.

Respectfully submitted,

American Institute of Professional Geologists

Alan J. Krause
Secretary/Treasurer

143 East 9th Avenue, Suite 200
Anchorage, Alaska 99501

I. REQUEST
 Bill/Resolution No.: HB 379
 Title: Establishing seismic hazard program
 Sponsor: Flood & Hayes
 Requestor: House Resources

II. FISCAL DETAIL
 Agency Affected: Natural Resources
 Program Category Affected: NRMEC
 BRU, Program of Subprogram(s) Affected: Geologic Hazards

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		56.9	59.7			
200 TRAVEL		17.2	18.9			
300 CONTRACTUAL		375.0	394.5			
400 COMMODITIES		6.3	8.0			
500 EQUIPMENT		47.2	42.0			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		502.6	524.0			
CAPITAL		-	-			
REVENUE		-	-			

FUNDING: (Thousands of Dollars)

GENERAL FUND		502.6	524.0			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		1	1			
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Unknown (HB 380 would appropriate \$500,000 to implement this legislation)

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Ross Schaff, State Geologist
 Division: Geological & Geophysical Surveys

RS

Phone: 274-9681
 Date: 5/10/83

Approved by Commissioner: Wm D. ...
 Department: Natural Resources

Date: _____

Distribution:

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

PROJECT	FY	100	200	300	400	500	TOTALS
	1. Cook Inlet Kodiak Seismic Network RSA to Support Existing UAGI Stations	84			250		
	85			262.5			262.5
2. Interior Alaska Seismic Network RSA to Support Existing UAGI Stations	84			50			50
	85			52.5			52.5
3. Stations in SE and SW Alaska Install 2 and Maintain 2 DGGS Stations	84		10	12.6	3.2	24.2	50
	85		10.5	13.2	3.4	25.4	52.5
4. Seismic Instrumentation in Anch. Bldg. And other Areas in '85	84		.6	1	0	16	17.6
	85		1.5	2	1.2	10	14.7
5. Cook Inlet Volcano Observatory Cooperate with USGS, UAGI, DES, NOAA	84		.6	2.4	1	1	5
	85		.6	2.5	1.1	1.1	5.3
6. Alaska Seismological Data Center Cooperate with UAGI (Fairbanks)	84	56.9	0	37	1.1	5	100
	85	59.7	0	38.8	1.2	5.3	105
7. Engineering Geological Studies in Various Municipal Areas	84		6	22	1	1	30
	85		6.3	23.0	1.1	1.1	31.5
TOTALS	84	56.9	17.2	375	6.3	47.2	502.6
	85	59.7	18.9	394.5	8.0	42.0	524.0

ATTACHMENT - ANALYSIS FOR FISCAL NOTE FOR IIB 379

TABLE 1

April 15, 1983

TO: J. Aho J. Lambe
D. Bruggers T. Smith
B. Hickel M. Swalling
A. Krause B. Tart

FROM: D. Cole

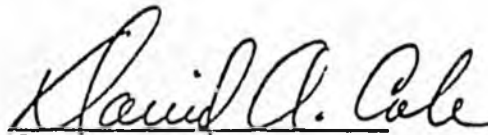
Gentlemen:

The enclosed material was given to me by Dr. John Davies, the State Seismologist. The information is a bill which will be proposed in the House this session by Representative Joe Flood (Anchorage). Technical background material supporting and explaining the proposed bill is also included, along with a copy of Speaker Joe Hayes' speech presented at the Earthquake Engineering Research Institute seminar held in Anchorage last year.

If the measure is not passed this session, funding for the seismic monitoring network in the Cook Inlet area will be lost - along with important and irretrievable earthquake information. I personally believe that it is imperative to keep the seismic networks in the state functioning continuously. Therefore, I propose that as a technical advisory group, the Commission officially support this issue. And further, I suggest that we recommend to the Mayor and to the Assembly that they officially support the proposed legislation also.

The next Assembly meeting is Tuesday, April 19 - before our next scheduled meeting; therefore, I will contact each of you by phone for vote on this matter.

If you have any questions, please call.


David A. Cole, P.E.
Chairman

Attachments

Purpose:

To establish a State of Alaska program in seismic hazards mitigation which will provide, in a timely manner, basic information that is critical to the safe and cost effective development of Alaska's economic, natural and recreational resources.

Background:

- Declining federal support has resulted in the closing of over 25% of the seismic stations in Alaska over the past two years.
- Present distribution of stations is uneven and not adequate for state's needs.
- Present lack of coordination results in information from Alaska seismic stations being scattered among archives in New York, Colorado, California and 4 places in Alaska.
- Future development of Alaska will require information about geologic hazards that must be collected continuously and over the long term - industry cannot and will not collect such information - it is the appropriate function of state government [Hayes].
- Wasilla Workshop on Alaskan Seismology called for DGGs program of the scope proposed.
- Hayes speech at EERI symposium promised support for seismic hazard mitigation research.

Objectives:

Listed in Table 1 are the costs to establish or maintain various seismic monitoring and/or hazard assessment projects. Together this

package would be a reasonable seismic hazard mitigation program for the State of Alaska and would go a long way toward meeting the State's responsibility to assess one of the major geological hazards in Alaska. Below are brief descriptions of each of the projects:

1. Cook Inlet - Kodiak Seismic Network

Of about 25 seismic stations established by UAGI in this area under various federal (DOE, NOAA, NSF) research grants and contracts (circles and triangles, lower left of Figure 1) 6 are now closed and 19 are now maintained under a grant from the Governor's Office (derived from the Federal Budget Impact Fund). These stations are important for monitoring the seismic and volcanic activity of the lower Cook Inlet and Kodiak Island areas. In addition to that in the subduction zone (area of contact between the Pacific and Alaskan plates) these stations monitor possible activity on three major fault systems which are important to seismic hazards assessment in the greater Anchorage area: (1) the Bruin Bay-Castle Mtn. system; (2) the Border Ranges-Eagle River system; (3) the offshore Kodiak-Montegue Island system. This network also provides a means to monitor the activity of the following volcanoes: Katmai group, Mt. Douglas, Augustine, Illiamna and Redoubt.

Useful support can be given at any level of funding between \$80,000 and \$250,000. Costs for various portions of this network are as follows: \$80 K, Cook Inlet; \$75 K, Kodiak Island; \$60 K, Alaska Peninsula. The remaining \$35 K would be used for preparation of a comprehensive seismic hazards assessment of the greater Cook Inlet region.

2. Interior Alaska Seismic Network

This network consists of about 15 stations (5 now closed) generally located along the Glen, Parks and Alaska (between Glennallen and Fairbanks)

Highways (see upper right portion of Figure 1). It monitors seismic activity in the Mat-Su Valleys, the Talkeetna Mountains, the Railbelt and major highway routes into the interior and the Fairbanks-Nenana region. Major fault systems monitored include the northeastern most corner of the Pacific-Alaska plate interface (subduction zone), the Denali and Castle Mountain Fault systems, numerous other smaller faults north of the Alaska Range and the Fairbanks seismic zone.

The Interior Alaska Seismic Network includes some of the original stations established immediately following the 1964 Good Friday Earthquake. It has been supported under grants and contracts from the federal government as well as unrestricted funds allocated to the Geophysical Institute of the University of Alaska. These latter funds now are the sole source of support for the Interior Network. The \$50 K sought would not cover all of the costs of this network but would ease the burden on the Institute overhead.

A more permanent solution to supporting this network would be to fund it through the University of Alaska, Fairbanks as a seismic laboratory for the purpose of graduate and undergraduate student education. The total annual costs of this network are about \$125 K.

3. Stations in SE and SW Alaska

One of the consequences of relying upon federal research grants and contracts for seismic networks to monitor earthquakes in Alaska is that the coverage is uneven and changes depending upon the priorities of the federal programs and not necessarily the needs of Alaska. Two examples of this situation are in SE and SW Alaska.

Until recently DOE and NOAA supported networks operated by Columbia University in the Pribilof Islands and around Dutch Harbor. All of these stations have been closed, save one in Dutch Harbor which is barely

supported by the Alaska Division of Geological and Geophysical Surveys (DGGGS). The second example is the Hyder-Ketchikan area of southeastern-most Alaska. Notwithstanding the fact that this area is adjacent to a major plate boundary fault - the Queen Charlotte-Fairweather system - it has never been adequately instrumented to monitor the local seismic events.

The \$50 K sought here would allow the maintenance of two stations, one each in Dutch Harbor and the Kantishna Mining District and the installation and maintenance of two stations in the Hyder-Ketchikan area. The cost per station is somewhat high because DGGGS does not now operate enough seismic stations to be most efficient.

4. Seismic Instrumentation in Anchorage Buildings

One of the most effective ways to save lives and property in the event of a major earthquake is to have designed large buildings to an appropriate level of seismic resistance and to have carefully chosen the sites for both public buildings and private dwellings so as to avoid those areas that pose special seismic risks. Two essential kinds of data for the seismic engineering of large structures are provided by strong-motion accelerographs. These instruments can measure exactly how hard the ground vibrated at a given location and exactly how severely a given building may have been shaken in response. Ordinary seismic stations are designed to locate as many small earthquakes as possible and so are far too sensitive to measure the strong ground motion and building response during a large earthquake at distances close enough to the epicenter to cause serious damage.

A very serious problem in Alaska is the lack of strong motion accelerograph data. The seismic designs of the Trans Alaska Pipeline

System and of offshore platforms as well as the State Office Building in Anchorage have had to rely upon extrapolations from data collected in California and Japan. The geologic environment of Alaska is different enough from these regions that it is important to have data collected in Alaska to use in the design of Alaskan structures.

The Municipality of Anchorage recently took a big step forward in reinstating the Uniform Building Code requirement that certain large buildings must have strong motion accelerographs installed when they are built. To assure that the data from these instruments are maximally useful, the Division of Geological and Geophysical Surveys has proposed to the Municipality a joint program for the maintenance and processing of data from these instruments. This proposal also calls for the installation of some additional instruments to augment those that will be installed under the new Municipal Building Code.

The \$18 K sought here would support the states share of this joint program: \$16 K is for the purchase of instruments and \$1.6 K is for 1/2 the installation and maintenance costs of the first year of the program. The annual maintenance costs are expected to total about \$5 K to \$6 K with the state share being about half of this figure. The additional FY 85 funds shown would be to initiate similar programs in other municipalities such as Valdez, Kodiak, Seward, Whittier, Juneau, Palmer and Fairbanks, for examples.

Note that a major assumption in this program is that data from the various short period networks are available. These data will be important to pinpoint the specific fault which caused the strong ground motion and building response recorded by the strong motion accelerographs. Without this information much of the utility of these strong motion data will be lost.

5. Cook Inlet Volcano Observatory

Seismic stations are located on or nearby each of the four major volcanoes which line the western shore of Cook Inlet; viz., Augustine, Iliamna, Redoubt and Spurr. Potentially these stations could be used to warn the communities along the Inlet of an impending volcanic eruption - an event that is expected at least every 20 years from one of these four volcanoes. Such eruptions have posed serious hazards in the past, particularly to aviation and to tidewater communities.

These stations, however, are operated by three different agencies, are recorded at three different locations, for three different purposes. Since all of the stations and associated transmission equipment already exist, it is a relatively trivial matter to relocate the recording facility for some of these stations such that they are all recorded at a common place. Once this is done, then it is quite easy to monitor the activity of all of the volcanoes along Cook Inlet.

It has been proposed that the "Cook Inlet Volcano Observatory" be established at the USGS offices in Gould Hall on the Alaska Pacific University campus. A tentative agreement has been reached between all of the agencies involved: USGS, DGGs, ATWC, ADES, NWS and UAGI. Since the USGS already has assigned a person to monitor some of these volcanoes and since most of the facilities and equipment already exist, the incremental operational costs for establishing this "observatory" are minimal. The \$5 K sought here should be reduced in future years to about \$1 K or \$2 K for the DGGs share of the annual maintenance.

6. Alaska Seismological Data Center

Seismic stations are operated in Alaska by 13 different agencies. The data from these stations are archived in 12 different locations

ranging from New York to California and from Colorado to Fairbanks.

There is no agency in Alaska (or otherwise) which can provide ready access to all of this data. Consequently, when a specific project is proposed, as the State Office Building in Anchorage, e.g., one of the first tasks of the consultant hired to assess the seismic risks is to travel to a number of these different archival sites to collect the basic data needed for the study. Indeed, some studies simply have not been done because of the difficulties involved in assembling the data.

The total annual cost of the seismic monitoring effort in Alaska exceeds two million dollars. What we propose is to spend less than five percent of this amount to assure that the data collected is readily available in Alaska for all Alaskans to use. This is the only project in this package which requires the hiring of new personnel. The personnel service funds sought here would support 1 (full-time) geological assistant and 1 (two-thirds time) graduate student intern. The geological assistant would be charged with continuously acquiring new data, maintaining the seismic data archive, and providing routine data products such as bulletins and maps. The student intern would provide special purpose analyses of the data on an as-requested basis. Supervision and facilities for the data center would be provided through existing DGGs and UAGI program support.

7. Engineering Geological Studies in Municipal Areas.

One of the questions most often asked of DGGs is a variation on "Is this site where I plan to build safe from earthquakes?" The answer to this question of course depends upon a detailed knowledge of the seismic history of the area, but it also depends, equally importantly upon an understanding of both the general geology and specific soil properties of the site in question.

This fact was dramatically demonstrated by the damage patterns of the 1964 Good Friday Earthquake in Anchorage. Most of the damage in Anchorage by that earthquake was not done as a direct result of the shaking, but as a result of the failure or liquifaction of sandy soils in the Bootlegger Clay Formation (a soil horizon found under most of the city of Anchorage). The importance of a detailed knowledge of the engineering geology of a given site was vividly illustrated by the contrast of homes which were unscathed by the 1964 earthquake standing next to piles of rubble which previously had been neighboring dwellings.

It is not, in general, the province of DGGs to do site-specific geologic studies. What we propose is a series of area-wide studies in a number of municipalities to map soil horizons, do engineering studies to characterize the general seismic properties of these soils, and to integrate this type of information with other knowledge such as water table height, slope, and expected level of seismic shaking to arrive at area-wide, general maps of the potential for foundation soil failure during future earthquakes.

Priorities

It is difficult to assign priorities to these projects because they are all important for different reasons. Some level of support for the Cook Inlet-Kodiak seismic network is most urgent because without this support it will close this summer. Next, I would place the Alaska Seismological Data Center since it will help to utilize those data which are being collected. Third, I would place the strong motion accelerograph program in Anchorage. Fourth I would place the support for the Interior Network and the installation and maintenance of stations in SE and SW.

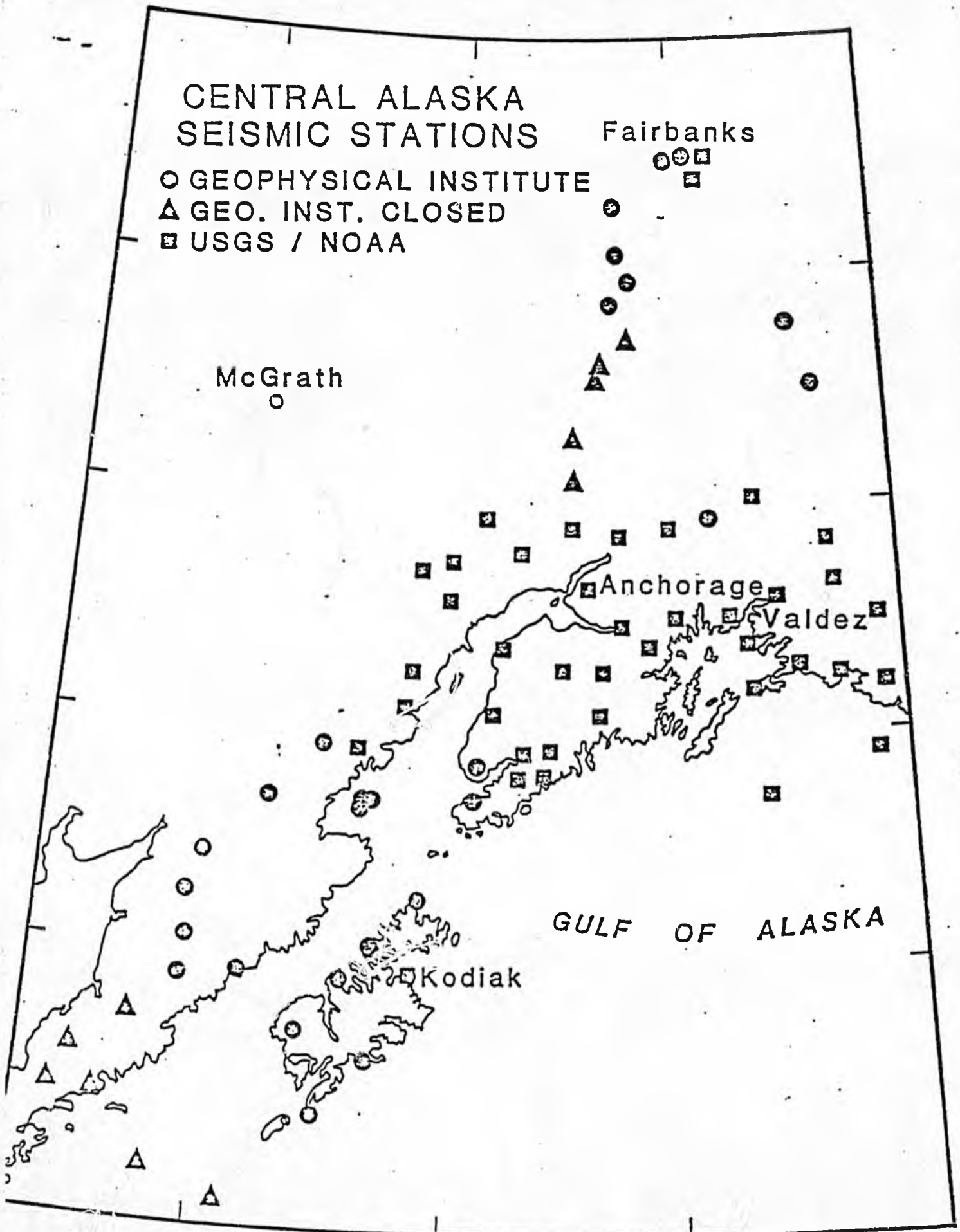
- Last, would be the Cook Inlet Volcano Observatory and the Engineering Geological Studies, only because these are derivative operations which require the existence of data collected and made available through the projects listed above.

PROJECT	FY	100	200	300	400	500	TOTALS
1. Cook Inlet Kodiak Seismic Network RSA to Support Existing UAGI Stations	84			250			250
	85			262.5			262.5
2. Interior Alaska Seismic Network RSA to Support Existing UAGI Stations	84			50			50
	85			52.5			52.5
3. Stations in SE and SW Alaska Install 2 and Maintain 2 DGGs Stations	84		10	12.6	3.2	24.2	50
	85		10.5	13.2	3.4	25.4	52.5
4. Seismic Instrumentation in Anch. Bldg. And other Areas in '85	84		.6	1	0	16	17.6
	85		1.5	2	1.2	10	14.7
5. Cook Inlet Volcano Observatory Cooperate with USGS, UAGI, DES, NOAA	84		.6	2.4	1	1	5
	85		.6	2.5	1.1	1.1	5.3
6. Alaska Seismological Data Center Cooperate with UAGI (Fairbanks)	84	56.9	0	37	1.1	5	100
	85	59.7	0	38.8	1.2	5.3	105
7. Engineering Geological Studies in Various Municipal Areas	84		6	22	1	1	30
	85		6.3	23.0	1.1	1.1	31.5
TOTALS	84	56.9	17.2	375	6.3	47.2	502.6
	85	59.7	18.9	394.5	8.0	42.0	524.0

TABLE 1

CENTRAL ALASKA SEISMIC STATIONS

- GEOPHYSICAL INSTITUTE
- △ GEO. INST. CLOSED
- USGS / NOAA



GULF OF ALASKA

FIGURE 1

HB

381

Sec. 43.76.040. Definition. In AS 43.76.010 — 43.76.040, unless the context otherwise requires, "buyer" means a person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding a transfer to a person engaged solely in interstate transportation of goods for hire. (§ 19 ch 117 SLA 1981)

Chapter 80. General Provisions.

Section

20—30. [Repealed]

35. Reporting of salmon prices

Sec. 43.80.020. Prosecution for failure to secure license.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning carrying on a business without a required license, see AS 43.05.290(h).

Editor's notes. — The repealed section derived from § 35-1-41, ACLA 1949.

Sec. 43.80.030. Production of license.

Repealed by § 45 ch 113 SLA 1980.

Editor's notes. — The section derived from § 35-1-42, ACLA 1949.

Sec. 43.80.035. Reporting of salmon prices. (a) Except when the requirement is suspended under (d) of this section, the commissioner shall compute and report to the legislature not later than the 60th day of each regular session the average wholesale prices obtained for canned salmon by Alaska salmon canneries during the months of August, September, October, November, and December for the previous five years. In computing and reporting prices, the commissioner may require canneries to provide information on wholesale price by species of salmon.

(b) The commissioner may

(1) issue summons under AS 43.05.040 to compel the testimony of witnesses and the production of records and documents necessary to obtain and audit reports and information on wholesale prices of salmon when required under (a) of this section;

(2) levy and collect a civil penalty for failure to report information on wholesale prices of salmon under (a) of this section.

(c) A person who fails to file a report containing information on the wholesale prices of salmon required by the commissioner under this section is liable for a civil penalty of \$5,000. The penalty shall be assessed and collected in the same manner as taxes are assessed and collected under AS 43.05.010 — 43.80.040.

(d) Computation and reporting of the average wholesale price of a species of salmon by the commissioner under (a) of this section is not required during a calendar year in which the commissioner does not receive at least one request jointly presented by a fish processor doing business in Alaska and an organization representing fishermen that they desire the report for a species of salmon under (a) of this section for purposes of price negotiation. If a joint request is not presented to the commissioner for a salmon species for a calendar year, information about the average wholesale price of that salmon species may not be collected by the commissioner for that calendar year, and the last report submitted by the commissioner under (a) of this section for that species is the final report of prices for that species required under this section.

(e) In this section,

(1) "commissioner" means the commissioner of revenue;

(2) "wholesale price" includes all receipts, whether in the form of money, credits or other consideration, received from the sale of the finished product without deduction for the cost of property sold, the cost of the material used, insurance costs, labor or service costs, label and labeling costs, transportation and storage cost, interest paid, taxes, losses, or any other expense except (A) cash discounts allowed on sales not to exceed one and one-half percent;

(B) commissions actually paid to independent brokers not to exceed five percent; and

(C) swell allowance not to exceed one-tenth of one percent. (§ 2 ch 66 SLA 1980; am § 94 ch 59 SLA 1982)

Cross references. — As to confidential nature of certain reports and records concerning the landings of fish, see AS 16.05.815.

Effect of amendments. — The 1982 amendment, effective May 28, 1982, substituted "summons" for "subpoenas" in subsection (b)(1).

I. REQUEST

Bill/Resolution No: CS SS HB 381
 Title: Wholesale Price - Canned Salmon
 Sponsor: House Spec. Comm. on Fisheries
 Requestor: House Spec Comm on Fisheries

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Rev Coll & Mgmt
 BRU, Program of Subprogram(s) Affected:
Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	25.5	28.0	30.8	33.9	37.3
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.9	2.5	2.5	2.6	2.6
400 COMMODITIES	-	.8	1.0	1.0	1.0	1.0
500 EQUIPMENT	-	1.0	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	37.2	31.5	34.3	37.5	40.9
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	37.2	31.5	34.3	37.5	40.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

None

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Robert R. Kessel
 Division: Audit Division

Phone: 465-2320
 Date: May 11, 1983

Approved by Commissioner: Joseph K. Danah
 Department: Revenue

Date: 5/11/83

Distribution:

Original to Legislative Finance
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IV. Analysis

This bill rewrites AS 43.80.035 pertaining to the reporting of average wholesale prices of canned salmon. The impact on the operation of the Division would be to hire a tax examiner to be responsible for the compiling of this information and to obtain a computer terminal on which to keypunch the data for various report forms.

The Department would like to recommend two amendments to the bill. Section 1(d) should be amended to show a reporting size for half-pound cans and quarter-pound cans of a forty-eight can case (as opposed to a forty-eight pound case). In addition, Section 43.80.060 needs to be changed. The report from the processor is not due until April 30. Therefore, it is impossible to submit to the legislature a report by the 15th day of session. The report could not be submitted until June 1.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SSHB 381
 Title: Wholesale Prices for Salmon
 Sponsor: House Special Comm. on Fisheries
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Develo
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		5.01				
300 CONTRACTUAL		55.01				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		60.01				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

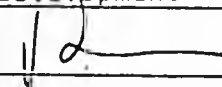
GENERAL FUND		60.01				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard E. Reynolds Phone: 465-2018
 Division: Office of Commercial Fisheries Development Date: _____
 Approved by Commissioner: Richard A. Lyon  Date: 5/3/83
 Department: Commerce & Economic Development

Distribution:

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SSHB 381 - Fiscal Note Analysis

The report requested of the Department of Commerce and Economic Development is an ambitious and complex undertaking. The fiscal note represents an estimate of the value of time and effort necessary to provide a useful level of accuracy and thoroughness. Major expenditures for Contractual Services are indicated, however, as much work as possible will be done in-house by employees of the DCED and CFEC.

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

There are two key sections in HB 381. Section 1 discusses the reporting of wholesale canned salmon prices to the Department of Revenue. Section 3 requires the Department of Commerce & Economic Development, in conjunction with the Commercial Fisheries Entry Commission, to report to the Legislature on a plan for the development of a program to determine wholesale price averages in the State for fresh, frozen, canned, and cured salmon products. Specifically, the Department of Commerce and Economic Development is asked to address the benefits and costs to the State and industry of such a program, to set forth methodologies for reporting and to propose an organization structure. This report is due in February of 1984.

It is our understanding that there is no accurate source of wholesale fish prices either in terms of fish sold by fishermen to processors or by processors to wholesalers. The Department of Fish and Game's "fish ticket" - the receipt of sale between fisherman and processor - does not mandate disclosure of price. The National Marine Fisheries' pink sheets are compilations of wholesale prices but are generally considered "list prices" rather than "actual prices." It is only when one gets to Japan and Europe that fish auction and commodity prices are reported publicly. In fact, only when one gets to the retail shelf can one establish a fish price and by that time the product has incorporated significant value added. All this is not to say that fish tickets, pink sheets, annual reports of processors and the like are not valuable, it is simply to say that verification of wholesale prices is impossible.

Why should there be wholesale price reporting? Certainly good wholesale price averages can assist processors in investment, operating and pricing decisions; it can be used for post season price settlements between fishermen and processors; and where regulation exists with the stated objective of promoting a healthy industry, as is the case with the Commercial Fisheries Entry Commission, wholesale price information can assist in the regulator's efforts to promote an optimal system. In the broadest sense, reduction of price uncertainty carries with it an implicit reduction in costs.

There are, however, costs associated with wholesale data collection, verification, inventorying and dissemination. There are significant costs to both processors and government. In the area of canned salmon, as the bill indicates, there are a discrete number of products, say 20, for which wholesale data can be averaged without excessive administrative costs. But when one gets to fresh and frozen products one must consider method of catch, location, grade and other factors, easily over one hundred variations with all the implicit administrative costs and implications of confidentiality problems. In fact, we are dealing with a continuum of products and not clear differentiations. The challenge is to develop a method of collecting data in a manner that is simple, accurate, and yet in enough detail to be of value to the industry. In studying the issue and preparing a plan it will be critical for us to fully understand these benefits and costs and to address them objectively.

POSITION PAPER

HB 381

Page Two

If enacted, the Department of Commerce and Economic Development will bring together the skills of its Office of Commercial Fisheries and Division of Finance and Economics, working in close concert with the research division of the Commercial Fisheries Entry Commission and in cooperation with the Department of Fish and Game, the Department of Revenue, and the Alaska Seafood Marketing Institute, and certainly in close cooperation with the industry. Rather than one plan, what we would like to do is clarify the issue and present optional approaches with the benefits and costs associated with each approach. We also hope to incorporate the findings of the Comprehensive Alaska Seafood Market Information System study under development within the Office of Commercial Fisheries, the expanded efforts into marketing by the Department of Commerce and Economic Development, and the development of a fisheries strategic development plan by the Office of Commercial Fisheries and the Division of Finance and Economics.

We support this bill and are prepared to provide our part in carrying the requirements of HB 381 in a comprehensive and objective manner. We also welcome your guidance.



Richard A. Lyon, Commissioner
Department of Commerce & Economic Development

DATE: 5/16/83

Cordova Aquatic Marketing Association, Inc.

Producers of Aquatic Products

(907) 424-3447
(907) 424-7473

P. O. Box 359
CORDOVA, ALASKA 99574

May 3, 1983

Representative Richard Shultz, Co-Chairman
House Resources Committee
Pouch V
Juneau, AK 99811

Dear Representative Shultz,

This letter is in support of Sponsor Substitute for House Bill 381 entitled "An Act relating to wholesale prices for salmon".

This proposed legislation is intended to improve the reporting of, quality and usefulness of wholesale canned salmon prices as they are reported now and in existing statutes. Presently by default, if you will, only canned pink salmon prices are reported and are available to only Prince William Sound processors and the Cordova Aquatic Marketing Association. This is because in order to compile the information, the Department of Revenue needed a request from a processor and a fishermen's group on an annual basis. Once a request for a particular species in a particular year was not submitted, the present statutes called for permanent abandonment of that area and species reporting.

Over a period of several years the majority of species and areas have been dropped leaving only Prince William Sound pinks left to qualify for reporting upon annual request.

The compilation of this information has been the basis for settling ex-vessel prices in Prince William Sound for many years and is the accepted source for resolving final contract payments. With the recent past and current market problems, more and more processors and fishermen around the State are looking at the Department of Revenue to compile the Alaska Wholesale Average canned salmon prices to assist them in negotiating contracts and for the final payment resolution.

Since the "raw fish tax" from which the State derives revenue is presently based on a percentage of the "ex-vessel" price rather than the value of the finished product, it is imperative to the State that fishermen's groups have this acceptable and reliable information base to negotiate from as well as to actually determine the final price if a sliding scale or formula agreement is used.

The present reporting system required by existing law does not fit the needs of the industry or the State under today's conditions.

Representative Richard Shultz
May 3, 1983

Page 2

Already there are a number of 1983 "ex-vessel" salmon contracts that call for a utilization of the "Alaska Wholesale Average" in Bristol Bay, and there are "ex-vessel" contracts being negotiated in several other major fishing areas of the State which also call for this information.

Again, we state that it is very important to the fishermen, the processors and the State of Alaska that this proposed legislation be adopted this session. Therefore, we urge its expeditious passage.

Thankyou for your consideration in this matter.

Sincerely,



Bob Blake
President

cc: Cass Parsons, UFA

HOUSE RESOURCES COMMITTEE

STATE OF ALASKA
FISCAL NOTE

JUN 20 REC'D

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: CSSSHB 381 (RES)amS
 Title: Wholesale prices for salmon
 Sponsor: House Special Committee on Fisheries
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Devel.
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected:
Office of Commercial Fisheries Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		5.0				
300 CONTRACTUAL		55.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		60.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	60.0					
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard E. Reynolds
 Division: Office of Commercial Fisheries Development
 Approved by Commissioner: Richard A. Lyon
 Department: Commerce and Economic Development

Phone: 465-2018
 Date: _____
 Date: 6/15/83

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3/8/83

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No: CS SS HB 381
 Title: Wholesale Price - Canned Salmon
 Sponsor: House Spec. Comm. on Fisheries
 Requestor: House Spec Comm on Fisheries

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Rev Coll & Mgmt
 BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	25.5	28.0	30.8	33.9	37.3
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.9	2.5	2.5	2.6	2.6
400 COMMODITIES	-	.8	1.0	1.0	1.0	1.0
500 EQUIPMENT	-	1.0	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	37.2	31.5	34.3	37.5	40.9

CAPITAL	-	-	-	-	-	-
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REVENUE	-	-	-	-	-	-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-	37.2	31.5	34.3	37.5	40.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

None

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Robert R. Kessel
 Division: Audit Division

Phone: 465-2320
 Date: May 11, 1983

Approved by Commissioner: Joseph K. Daulton
 Department: Revenue

Date: 5/12/83

Distribution:

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

IV. Analysis

This bill rewrites AS 43.80.035 pertaining to the reporting of average wholesale prices of canned salmon. The impact on the operation of the Division would be to hire a tax examiner to be responsible for the compiling of this information and to obtain a computer terminal on which to keypunch the data for various report forms.

The Department would like to recommend two amendments to the bill. Section 1(d) should be amended to show a reporting size for half-pound cans and quarter-pound cans of a forty-eight can case (as opposed to a forty-eight pound case). In addition, Section 43.80.060 needs to be changed. The report from the processor is not due until April 30. Therefore, it is impossible to submit to the legislature a report by the 15th day of session. The report could not be submitted until June 1.

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

There are two key sections in HB 381. Section 1 discusses the reporting of wholesale canned salmon prices to the Department of Revenue. Section 3 requires the Department of Commerce & Economic Development, in conjunction with the Commercial Fisheries Entry Commission, to report to the Legislature on a plan for the development of a program to determine wholesale price averages in the State for fresh, frozen, canned, and cured salmon products. Specifically, the Department of Commerce and Economic Development is asked to address the benefits and costs to the State and industry of such a program, to set forth methodologies for reporting and to propose an organization structure. This report is due in February of 1984.

It is our understanding that there is no accurate source of wholesale fish prices either in terms of fish sold by fishermen to processors or by processors to wholesalers. The Department of Fish and Game's "fish ticket" - the receipt of sale between fisherman and processor - does not mandate disclosure of price. The National Marine Fisheries' pink sheets are compilations of wholesale prices but are generally considered "list prices" rather than "actual prices." It is only when one gets to Japan and Europe that fish auction and commodity prices are reported publicly. In fact, only when one gets to the retail shelf can one establish a fish price and by that time the product has incorporated significant value added. All this is not to say that fish tickets, pink sheets, annual reports of processors and the like are not valuable, it is simply to say that verification of wholesale prices is impossible.

Why should there be wholesale price reporting? Certainly good wholesale price averages can assist processors in investment, operating and pricing decisions; it can be used for post season price settlements between fishermen and processors; and where regulation exists with the stated objective of promoting a healthy industry, as is the case with the Commercial Fisheries Entry Commission, wholesale price information can assist in the regulator's efforts to promote an optimal system. In the broadest sense, reduction of price uncertainty carries with it an implicit reduction in costs.

There are, however, costs associated with wholesale data collection, verification, inventorying and dissemination. There are significant costs to both processors and government. In the area of canned salmon, as the bill indicates, there are a discrete number of products, say 20, for which wholesale data can be averaged without excessive administrative costs. But when one gets to fresh and frozen products one must consider method of catch, location, grade and other factors, easily over one hundred variations with all the implicit administrative costs and implications of confidentiality problems. In fact, we are dealing with a continuum of products and not clear differentiations. The challenge is to develop a method of collecting data in a manner that is simple, accurate, and yet in enough detail to be of value to the industry. In studying the issue and preparing a plan it will be critical for us to fully understand these benefits and costs and to address them objectively.


POSITION PAPER

HB 381

Page Two

If enacted, the Department of Commerce and Economic Development will bring together the skills of its Office of Commercial Fisheries and Division of Finance and Economics, working in close concert with the research division of the Commercial Fisheries Entry Commission and in cooperation with the Department of Fish and Game, the Department of Revenue, and the Alaska Seafood Marketing Institute, and certainly in close cooperation with the industry. Rather than one plan, what we would like to do is clarify the issue and present optional approaches with the benefits and costs associated with each approach. We also hope to incorporate the findings of the Comprehensive Alaska Seafood Market Information System study under development within the Office of Commercial Fisheries, the expanded efforts into marketing by the Department of Commerce and Economic Development, and the development of a fisheries strategic development plan by the Office of Commercial Fisheries and the Division of Finance and Economics.

We support this bill and are prepared to provide our part in carrying the requirements of HB 381 in a comprehensive and objective manner. We also welcome your guidance.



Richard A. Lyon, Commissioner
Department of Commerce & Economic Development

DATE: 5/16/83

BILL ANALYSIS - SS HB 381

Section 1 sets up a procedure for reporting of wholesale prices for canned salmon. Processors will report their monthly prices semi-annually and the Department of Revenue will compile the information for release to the public and inclusion in an annual report to the legislature.

Section 2 repeals the old statute on wholesale price reporting (43.80.035).

Section 3 directs the Department of Commerce in conjunction with the Commercial Fishery Entry Commission to complete a study on the feasibility of collection of wholesale information on all product forms of salmon. This report will be submitted to the legislature not later than the 30th day of next session.

Section 4 sets an immediate effective date.

BACKGROUND ON CSSS HB 381: "An Act relating to wholesale prices; and providing for an effective date."

The current form of HB 381 is a compromise between the fishermen's original request and the processor's objections to it. The bill now sets up a procedure for reporting of wholesale prices for canned salmon. Processors will report their monthly prices semi-annually and the Department of Revenue will compile the information for release to the public and inclusion in an annual report to the legislature. The bill also directs the Department of Commerce in conjunction with the Commercial Fisheries Entry Commission and the Department of Revenue to complete a study on the feasibility of collection of wholesale information on all product forms of salmon.

Fishermen intended that the legislation set up a procedure for monthly wholesale price reporting on all product forms of salmon. Among the reasons for this information, fishing groups have cited:

1. Fishermen would like to negotiate fish prices based on a figure which represents the true market value of the product and the current market situation and allows individuals and associations to "share the risk" with processors.

2. Fishermen feel that wholesale prices compiled by the department have proven to be the most credible information available short of an audit.
3. Canned salmon sales now comprise less than 50% of the total; other product form prices need to be considered to reflect the true scope of sales.
4. Fishermen want to develop a more sophisticated and less harmful (i.e., prolonged strikes) method of arriving at price settlements. Along with run forecasts, market projections and estimates of demand, the average wholesale value of fish sold during the previous 12, 6 or 3 months will assist fishermen and processors arriving at a price which truly reflects the market.

Processors have opposed the fishermen's broad ranging bill, citing excessive costs and unclear benefits. Comments were given which indicated that reporting on all product forms of salmon would be impractical considering all the species, gear types, processing stages, and size ranges which are sold on both the fresh and frozen markets.

The compromise included the most important data collection for fishermen and deleted the most objectionable for processors. Fishermen's groups are supporting this legislation while processors are not actively opposing it.

Attached are:

Fiscal Notes and Explanation
Fishermen's Letters
Processor's Letters

For more information contact:

Mel Monsen 465-4924

AMENDMENT TO CS SS HB 381

Page 2, lines 6 & 7, are amended to read:

- (2) 24-pound case of one-half-pound cans (48 cans);
- (3) 12-pound case of one-quarter-pound cans (48 cans); and

Page 2, lines 17 & 18, delete:

[An annual average is for the calendar year.]

Sec. 43.76.040. Definition. In AS 43.76.010 — 43.76.040, unless the context otherwise requires, "buyer" means a person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding a transfer to a person engaged solely in interstate transportation of goods for hire. (§ 19 ch 117 SLA 1981)

Chapter 80. General Provisions.

Section

20—30. [Repealed]

35. Reporting of salmon prices

Sec. 43.80.020. Prosecution for failure to secure license.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning carrying on a business without a required license, see AS 43.05.290(h).

Editor's notes. — The repealed section derived from § 35-1-41, ACLA 1949.

Sec. 43.80.030. Production of license.

Repealed by § 45 ch 113 SLA 1980.

Editor's notes. — The section derived from § 35-1-42, ACLA 1949.

Sec. 43.86.035. Reporting of salmon prices. (a) Except when the requirement is suspended under (d) of this section, the commissioner shall compute and report to the legislature not later than the 60th day of each regular session the average wholesale prices obtained for canned salmon by Alaska salmon canneries during the months of August, September, October, November, and December for the previous five years. In computing and reporting prices, the commissioner may require canneries to provide information on wholesale price by species of salmon.

(b) The commissioner may

(1) issue summons under AS 43.05.040 to compel the testimony of witnesses and the production of records and documents necessary to obtain and audit reports and information on wholesale prices of salmon when required under (a) of this section;

(2) levy and collect a civil penalty for failure to report information on wholesale prices of salmon under (a) of this section.

(c) A person who fails to file a report containing information on the wholesale prices of salmon required by the commissioner under this section is liable for a civil penalty of \$5,000. The penalty shall be assessed and collected in the same manner as taxes are assessed and collected under AS 43.05.010 — 43.80.040.

(d) Computation and reporting of the average wholesale price of a species of salmon by the commissioner under (a) of this section is not required during a calendar year in which the commissioner does not receive at least one request jointly presented by a fish processor doing business in Alaska and an organization representing fishermen that they desire the report for a species of salmon under (a) of this section for purposes of price negotiation. If a joint request is not presented to the commissioner for a salmon species for a calendar year, information about the average wholesale price of that salmon species may not be collected by the commissioner for that calendar year, and the last report submitted by the commissioner under (a) of this section for that species is the final report of prices for that species required under this section.

(e) In this section,

(1) "commissioner" means the commissioner of revenue;

(2) "wholesale price" includes all receipts, whether in the form of money, credits or other consideration, received from the sale of the finished product without deduction for the cost of property sold, the cost of the material used, insurance costs, labor or service costs, label and labeling costs, transportation and storage cost, interest paid, taxes, losses, or any other expense except (A) cash discounts allowed on sales not to exceed one and one-half percent;

(B) commissions actually paid to independent brokers not to exceed five percent; and

(C) swell allowance not to exceed one-tenth of one percent. (§ 2 ch 66 SLA 1980; am § 94 ch 59 SLA 1982)

Cross references. — As to confidential nature of certain reports and records concerning the landings of fish, see AS 16.05.815.

Effect of amendments. — The 1982 amendment, effective May 28, 1982, substituted "summons" for "subpoenas" in subsection (b)(1).

CSSSHB 381 - Fiscal Note Analysis

The report requested of the Department of Commerce and Economic Development is an ambitious and complex undertaking. The fiscal note represents an estimate of the value of time and effort necessary to provide a useful level of accuracy and thoroughness. Major expenditures for Contractual Services are indicated, however, as much work as possible will be done in-house by employees of the DCED and CFEC.

STATE OF ALASKA
FISCAL NOTE

Revision Date , 1983

I. REQUEST

Bill/Resolution No.: SSHB 381
 Title: Wholesale Prices for Salmon
 Sponsor: House Special Comm. on Fisheries
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Develo
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		5.01				
300 CONTRACTUAL		55.01				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		60.01				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

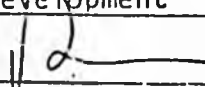
GENERAL FUND		0.01				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard E. Reynolds Phone: 465-2018
 Division: Office of Commercial Fisheries Development Date: _____
 Approved by Commissioner: Richard A. Lyon  Date: 5/3/83
 Department: Commerce & Economic Development

Distribution:

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SSHB 381 - Fiscal Note Analysis

The report requested of the Department of Commerce and Economic Development is an ambitious and complex undertaking. The fiscal note represents an estimate of the value of time and effort necessary to provide a useful level of accuracy and thoroughness. Major expenditures for Contractual Services are indicated, however, as much work as possible will be done in-house by employees of the DCED and CFEC.

I. REQUEST

Bill/Resolution No: CS SS HB 381
 Title: Wholesale Price - Canned Salmon
 Sponsor: House Spec. Comm. on Fisheries
 Requestor: House Spec Comm on Fisheries

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Rev Coll & Mgmt
 BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	25.5	28.0	30.8	33.9	37.3
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.9	2.5	2.5	2.6	2.6
400 COMMODITIES	-	.8	1.0	1.0	1.0	1.0
500 EQUIPMENT	-	1.0	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	37.2	31.5	34.3	37.5	40.9

<u>CAPITAL</u>	-	-	-	-	-	-
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<u>REVENUE</u>	-	-	-	-	-	-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-	37.2	31.5	34.3	37.5	40.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

None

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Robert R. Kessel
 Division: Audit Division

Phone: 465-2320
 Date: May 11, 1983

Approved by Commissioner: Joseph K. Daulton
 Department: Revenue

Date: 5/11/83

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The Department would like to recommend two amendments to the bill. Section 1(d) should be amended to show a reporting size for half-pound cans and quarter-pound cans of a forty-eight can case (as opposed to a forty-eight pound case). In addition, Section 43.80.060 needs to be changed. The report from the processor is not due until April 30. Therefore, it is impossible to submit to the legislature a report by the 15th day of session. The report could not be submitted until June 1.

FISCAL NOTE EXPLANATION - C S S S H B 381

C S S H B 381 had two fiscal notes attached by the House Special Committee on Fisheries. The fiscal notes total \$ 97,200.00.

The first fiscal note, by the Department of Revenue, covers operating costs required by section one of the bill. Section one directs the Department to determine wholesale prices for canned salmon. To do this the Department estimates they will need \$ 37,200.00 in FY 84; this covers a new tax examiner and a computer terminal.

The second fiscal note, by the Department of Commerce and Economic Development, covers costs for compliance with section three of the bill. Section three sets up a feasibility study to address the entire issue of wholesale price collection by the State. The Department projects spending \$ 60,000.00 to complete the study.

Copies of both fiscal notes are attached for your information.



UNITED FISHERMEN OF ALASKA

Cass M. Parsons
Executive Director

319 Seward Street, Suite #208
Juneau, Alaska 99801-1188
(907) 586-2620

April 28, 1983

ALASKA WHOLESAL AVERAGE

House Bill 381 and Senate Bill 279 are identical bills. They will repeal AS 43.80.035 and add a new section 43.80.050. The new section will add to or change the intent of the statute. Specifically, the new section:

- 1) requires average wholesale price reporting from processors for all species of canned salmon (now required only for pink salmon);
- 2) requires average wholesale price reporting ^{semi-}annually for each of the previous six months (now required annually for August through December only);
- 3) omits the necessity for a joint request for the department to require reporting from both a processor and a fishermen's organization;
- 4) changes the civil penalty clause for non-compliance from \$5,000.00 per report to \$50.00 per day;
- 5) adds that sales to affiliate companies will not be included in processor's wholesale price report but wholesale prices obtained by an affiliate shall be reported;
- 6) adds that the Department of Commerce and Economic Development in conjunction with the Commercial Fisheries Entry Commission will investigate developing a program to determine wholesale price averages for all product forms of seafood; investigation will include possible benefits, methodology, and cost estimates. The investigation will further include possible elimination of duplicative reporting requirements to state agencies by providing for information sharing.

Background & Original Intent:

The original intent of revising AS 43.80.035 was to expand the statutory authority of the Department of Revenue to require processors to report monthly wholesale prices for all species of canned, fresh, frozen and cured salmon. The department would, in turn, compile and publish a statewide average wholesale price for each month for all species and all product forms.

Fishing groups, cooperatives and marketing associations have come forward to request this information for several reasons:

1. Fishermen would like to negotiate fish prices based on a figure which represents the true market value of the product and the current market situation and allows individuals and associations to "share the risk" with processors.
2. Fishermen feel that wholesale prices compiled by the department have proven to be the most credible information available short of an audit.
3. Canned salmon sales now comprise less than 50% of the total; other product form prices need to be considered to reflect the true scope of sales.
4. Fishermen want to develop a more sophisticated and less harmful (i.e., prolonged strikes) method of arriving at price settlements. Along with run forecasts, market projections and estimates of demand, the average wholesale value of fish sold during the previous 12, 6 or 3 months will assist fishermen and processors arriving at a price which truly reflects the market.

Present Legislative Intent:

The present legislation is a compromise bill from the above intent in that it doesn't compile an average wholesale price for frozen, fresh or cured salmon products, but this legislation will assist the industry this year for two reasons:

1. Contracts have been signed between fishermen and processors which requires wholesale average prices for sockeye salmon from August through March annually. This bill will fulfill that requirement and any other contract settlements based on wholesale canned salmon prices for any species.
2. Language included in the bill will allow the Department of Commerce and Economic Development and the Commercial Fisheries Entry Commission to investigate developing a program to include compilation of wholesale prices for all product forms of salmon, including fresh, frozen and cured. The two agencies will investigate the benefits and costs to the state of a program such as this and the most appropriate methodology for collecting the information.

A compromise was necessary due to opposition from the processors to the intent of the legislation; that is, to require processors to make available prices paid them for sales of salmon, and specifically, fresh and frozen prices. Major opposition to the bill would have killed its chance of passage this legislative session. The processors have agreed that this bill is the least troublesome for them at the present and have agreed not to mount opposition.

State Involvement:

The state is and should continue to be involved in this effort for several reasons:

1. The citizens of the state have a right to know the value of the fishing industry to the state's economy. Any industry subsidized in full or in part should be accountable to the public. Are state monies benefitting the citizens of the state?
2. The state has spent hundreds of thousands of dollars on market studies which were designed to assist fishermen and processors engaged in pre-season price negotiations and to assist all participants develop a better understanding of the marketplace. However, all of these studies have cited inadequate data as being the major hindrance to a conclusive market analysis.
3. The state acts as mediator in strike situations. Prolonged strikes cost the state money in terms of decreased revenues from ex-vessel based taxes and in direct state participation during strikes.



700 14TH STREET
BELLINGHAM, WASHINGTON 98225
(206) 734-1876

January 28, 1983

POSITION PAPER on legislation requiring the Alaska Department of Revenue to collect wholesale price data from Salmon Processors for canned salmon (and other processed forms of salmon) originating in Alaskan jurisdiction.

From: AIFMA COOP., of Naknek, Alaska.

As AIFMA is a Cooperative Marketing Group of Bristol Bay Gillnetters and comprise the single largest such group in Bristol Bay (probably the state); and that the size of the Bristol Bay Red Salmon Production is equal to or larger than the combined total production of red salmon in the rest of Alaska; the ex-vessel price in Bristol Bay will set the standard for red salmon prices elsewhere. Further, the economic value to the state is of such a magnitude that it is in the interest of the State to promote an orderly harvest of the resource. Additionally, because of the price disputes resulting from last minute bargaining tactics of the processors, Bristol Bay has been plagued, in recent years, by lengthy price disputes which have resulted in a under-harvest of the fish and thus an economic loss to the citizens of the State.

It is therefore, held by AIFMA COOP., that the State of Alaska should, in its' best interest, legislate to accommodate the conditions of the price settlement which AIFMA and Nelbro Packing Company arrived at on December 1, 1983 for the Red Salmon Seasons of 1983, 1984, 1985. This agreement appears to have set the standard for settlement with other processors in Bristol Bay and has generated interest in other Alaska Salmon Fisheries.

The key point is for a law to require the Alaska Fish Processors to report to the state their wholesale prices for canned salmon; for a period from August 1 of each year to March 15 of the following year. The length of time of this period is essential in order to obtain statistically significant data, which can be used to base the ex-vessel price. The reporting period under the old law only covered approximately 20% or so of the actual wholesale transactions and was subject to much speculation concerning manipulation of the price. The longer reporting period should, by historic standards cover approximately 55% of the wholesale sales and thus significantly reduce the possibility of market manipulation.

Assuming that the data generated by this legislation is the key to future price settlements throughout Alaska Salmon Fisheries, this



700 14TH STREET
BELLINGHAM, WASHINGTON 98225
(206) 734-1876

data must be collected for all species of salmon (REDS, CHUMS, PINKS, COHO, KINGS). Further, for the purposes of the present price settlement the data must include one pound talls and one-half pound cans. Looking into the future, it would appear to be prudent to include the one-fourth pound cans as well.

Under the old system the discount allowed for promotion and brokerage (about 6.8%) should not be altered as they have already been accounted for in the completed settlement and changing them could disrupt this agreement.

An area that needs to be considered also is the frozen product. This product has grown rapidly in Bristol Bay and Alaska and now comprises near half of the total production. The market for frozen salmon is very volatile and numerous problems arise; but the State should have available the value of this product in its various forms. Given the inherent mistrust between fishermen and processors the area of the value of the frozen product desperately needs to be addressed.

For the sake of expediency the frozen reporting system should be dealt with in separate legislation.

AIFMA COOPERATIVE

Karl R. Hellberg

KARL R. HELLBERG
PRESIDENT

KH:jk



P.O. BOX 1186

JUNEAU, ALASKA 99802

"DEDICATED TO THE PROFESSIONAL FISHERMAN"

May 6, 1983

Honorable Adelheid Herrmann
Pouch V
Juneau, Alaska 99811-3100

Dear Representative Herrmann:

Our association is in support of SSHB 381. Not only will this provide information for price settlements between processors and fishermen, but it will provide the public, including state officials, with more precise information about the value of the state's salmon resource. This information will be useful in aiding the development of an industry that is more profitable for the private sectors, and also extracting the highest value from the resource, building a broader and larger tax base, in the process.

Wholesale values are also important to consider in land planning, and development, especially where conflicting uses call for judgments about what particular, or mix, of uses is the best overall use.

It seems very important to us to move ahead on the development of a methodology for collecting wholesale values for fresh, frozen, and cured product forms. The trend in the salmon industry is to a higher and higher percentage of the catch to be processed and sold in these forms. According to industry sources, the 1982 pack saw only 32% going to canned product. Further, the greatest potential for growth in sales and increases in value, probably lies in the non-canned market.

Thank you very much for your interest in this important matter.

Sincerely;

Geron Bruce
Geron Bruce
Executive Director



SEAFOODS, INC. DEXTER HORTON BLDG., SEATTLE, WASHINGTON 98104 • (206) 624-4344 • TWX 910-444-1638

February 22, 1983

Ms. Adelheid Herrmann, Chm.
House Fisheries Subcommittee
Pouch V
Juneau, Alaska 99811

Dear Ms. Herrmann:

Peter Pan Seafoods, Inc. has recently signed a three year agreement with the Alaska Independent Fishermen's Marketing Association. This agreement provided for a base price on reds with an additional payment based on the net selling price.

The Alaska Department of Revenue figure would be used if it is available.

It is our understanding that there is no legislation on the books which would permit the Department to do this although such legislation is being considered.

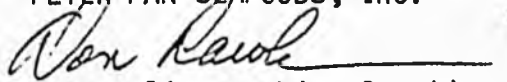
We are currently negotiating with the Western Alaska Cooperative Marketing Association and it is possible we will have a similar type of agreement with them. We would then have approximately 200 boats under such an agreement.

At the present time we know of one other company that has such an agreement but it is likely that more agreements of this type are forthcoming.

We feel it would be a great service to the fishermen and processors in Bristol Bay if the Department of Revenue would compile such information for reds and we urgently request that you introduce and support the necessary legislation.

Very truly yours,

PETER PAN SEAFOODS, INC.


Don Rawlinson, Vice-President
Bristol Bay Operations

NEIBRO PACKING COMPANY

WE'VE MOVED
4242 22nd AVENUE WEST
SEATTLE, WASHINGTON ~~98199~~ 98199



(206) ~~827-XXXX~~
285-3941

March 22nd, 1983

The Honorable Adalheid Herrmann,
Alaska State House of Representatives,
Pouch V,
Juneau, Alaska 99811.

Dear Adalheid:

I understand that legislation may be introduced providing for the accumulation and compilation of wholesale price information on Salmon.

I was alarmed at the scope of the proposed legislation and want to give you my views on it since I believe its genesis was brought about in part by the Bristol Bay Fishing Agreements which we have signed with the Alaska Independent Fishermens Marketing Association and other non-member fishermen.

Our Agreements call for the following information:

"the Industry average wholesale price, net of discounts, for sales of Canned Salmon between the dates of August 1 of the season involved, to March 15 of the year following the season involved."

This information applies to Tails and Halves cans only, and exactly parallels the information which the Department of Revenue compiled in previous years (and is still compiling on canned Pink Salmon) with the exception of the time period of sales, and we would respectfully request that provision be made to accumulate and report this limited amount of data.

My understanding of the proposed legislation is that it would require reporting every month - 12 months a year - for each of the following:

1. Sales by area of production,
2. Sales by species,
3. Sales of canned by four different can sizes,
4. Sales of fresh - in any number of different forms and differing markets,
5. Sales of frozen - in any number of different forms and differing markets,
6. Sales of cured,
7. Sales of any specialty pack...

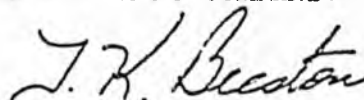
For Industry the cost and time required to accomplish this reporting would be both tremendous and impractical, and for the Department of Revenue it would most certainly involve a significant additional workload and expense to compile and report this vast amount of data.

At a time when this Industry is fighting for its economic survival, while the State also has serious financial concerns, it seems inappropriate to burden either of us with this ill-advised and costly, expanded requirement which doesn't appear to serve any useful purpose.

I thank you for your consideration of my comments.

Respectfully yours,

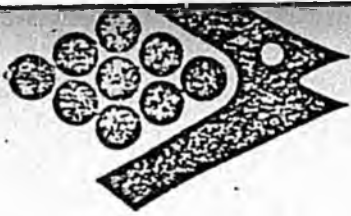
NELERO PACKING COMPANY.



T. K. Beeston.

TKB:bb

c.c. Robert Heath,
Commissioner of Revenue,
Pouch S,
Juneau, AK 99811.



WHITNEY-FIDALGO
SEAFOODS, INC.

2360 WEST COMMODORE WAY
BOX C95308, SEATTLE, WA. 98199
PHONE (206) 285-0300 TELEX 32-8886

APR 22 1983

April 20, 1983

The Honorable Mae Tischer
House of Representatives
State of Alaska
Mail Stop 3100
Pouch Y
Juneau, Alaska 99811

Which Bill to this please

RE: Average Wholesale Prices

Dear Representative Tischer:

The Legislature of the State of Alaska is considering a bill to require salmon processors to provide the State with information as to the wholesale price of salmon sold. The information used to be reported to the Department of Revenue for taxation purposes because that is how the State of Alaska determined the tax it would charge the various seafood processors. This method of taxation was changed to a simpler cents per pound method which is now used for taxation purposes. The sole purpose for obtaining an average wholesale price for salmon is to allow some of the fishermen and some of the processors to utilize that as a basis for determining what price will be paid to fishermen.

I respectfully submit that this is not a valid purpose for requiring all salmon processors to submit reports in significant detail for the amount of money they receive for the salmon they processed and sold. I further submit that it is none of the State of Alaska's business for a capitalistic and competitive company to reveal how much it obtained for the products that were harvested in Alaska. Without a taxing purpose or some other compelling reason to know, the State is not entitled to actual wholesale prices. Whitney-Fidalgo Seafoods not only objects on the basis that it appears to be unconstitutional, we further object upon the basis that it will be extremely expensive to compile

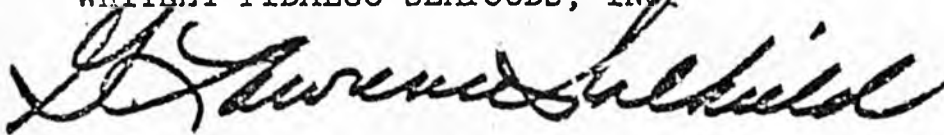
The Honorable Mae Tischer
Page Two
April 20, 1983

reports of the nature required by any of the acts being considered by the Legislature. One of the drafts submitted by the Honorable Jalmer Kerttula indicates that a particular processor should not be identified and the information "may be released only to the Commercial Fisheries Entry Commission for the purpose of carrying out the official business of the Commission." I cannot see anywhere in the Legislative Rules or Regulations indicating it is in the official business of the Commission to establish or assist in establishing fish prices between independent fishermen and processors. Any way you analyze the situation, you keep coming back to the sole issue that its purpose is to establish prices between some fishermen and some processors, which is not the business of the Commission nor the State Legislature, for that matter. The fishermen and processors are capable of establishing fish prices. It is not something for the State to legislate.

We would respectfully request you reconsider supporting this type of legislation and allow free enterprise to handle these problems in its own way.

Sincerely yours,

WHITNEY-FIDALGO SEAFOODS, INC.



G. LAWRENCE SALKIELD
President

GLS:dmo

May 11, 1983

Ms. Adelheid Herrmann
Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Ms. Herrmann:

On behalf of Sealaska Corporation and its subsidiaries, I have had the opportunity to review proposed Senate Bill No. 279, "An Act relating to wholesale prices for canned salmon; and providing for an effective date." Sealaska Corporation agrees with the general intent of such legislation but it recommends the amendment of the following provisions:

Section 43.80.050. REPORTING OF WHOLESALE CANNED SALMON PRICES.

(a) "A fish processor engaged in the business of selling canned salmon products at wholesale shall submit to the department, on a form provided by the department, a semi-annual report of the prices received by the processor or an affiliate of the processor for the sale of canned salmon. Not later than April 30 of each year a processor shall submit a report for the period October 1 - March 31. Not later than October 31 of each year a processor shall submit a report for the period April 1 - September 30."

The aforementioned is recommended to be amended as the following:

(a) "A fish processor engaged in the business of selling canned salmon products at wholesale shall submit to the department, on a form provided by the department, an annual report of the prices received by the processor or an affiliate of the processor for the sale of canned salmon. Not later than April 30 of each year a processor shall submit a report for the period October 1 - march 31."

While as a matter of public policy we believe that this legislation would benefit all parties, the statutory

May 11, 1983

requirement of providing a report twice a year would be burdensome. Moreover, we do not see the necessity of providing such reports on a more than annual basis.

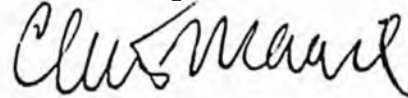
We recommend that Section 43.80.100 section (5) be amended to add a section "c."

(c) Promotional Discounts to Customers.

Promotional discounts are a regularly and ordinary part of sales to customers based upon supply and demand in the market place. These discounts vary from month-to-month and are generally characterized by a temporary reduction in price based upon a particular sales campaign. By accounting for the existence of promotional discounts the wholesale price under this Act would better reflect the actual receipts or other consideration received by fish processor during any given period.

I do hope that you will take these proposed amendments into serious consideration during your deliberations.

Sincerely,



Chris E. McNeil, Jr.
Vice-President Counsel,
Secretary

cc: Byron I. Mallott, Chairman & Chief Executive Officer
John Peterson, President, Ocean Beauty Seafoods, Inc.
Sam Kito, Kito & Associates

Cordova Aquatic Marketing Association, Inc.

Producers of Aquatic Products

(907) 424-3447
(907) 424-7473

P. O. Box 359
CORDOVA, ALASKA 99574

May 3, 1983

Representative Richard Shultz, Co-Chairman
House Resources Committee
Pouch V
Juneau, AK 99811

Dear Representative Shultz,

This letter is in support of Sponsor Substitute for House Bill 381 entitled "An Act relating to wholesale prices for salmon".

This proposed legislation is intended to improve the reporting of, quality and usefulness of wholesale canned salmon prices as they are reported now and in existing statutes. Presently by default, if you will, only canned pink salmon prices are reported and are available to only Prince William Sound processors and the Cordova Aquatic Marketing Association. This is because in order to compile the information, the Department of Revenue needed a request from a processor and a fishermen's group on an annual basis. Once a request for a particular species in a particular year was not submitted, the present statutes called for permanent abandonment of that area and species reporting.

Over a period of several years the majority of species and areas have been dropped leaving only Prince William Sound pinks left to qualify for reporting upon annual request.

The compilation of this information has been the basis for settling ex-vessel prices in Prince William Sound for many years and is the accepted source for resolving final contract payments. With the recent past and current market problems, more and more processors and fishermen around the State are looking at the Department of Revenue to compile the Alaska Wholesale Average canned salmon prices to assist them in negotiating contracts and for the final payment resolution.

Since the "raw fish tax" from which the State derives revenue is presently based on a percentage of the "ex-vessel" price rather than the value of the finished product, it is imperative to the State that fishermen's groups have this acceptable and reliable information base to negotiate from as well as to actually determine the final price if a sliding scale or formula agreement is used.

The present reporting system required by existing law does not fit the needs of the industry or the State under today's conditions.

Representative Richard Shultz
May 3, 1983

Page 2

Already there are a number of 1983 "ex-vessel" salmon contracts that call for a utilization of the "Alaska Wholesale Average" in Bristol Bay, and there are "ex-vessel" contracts being negotiated in several other major fishing areas of the State which also call for this information.

Again, we state that it is very important to the fishermen, the processors and the State of Alaska that this proposed legislation be adopted this session. Therefore, we urge its expeditious passage.

Thankyou for your consideration in this matter.

Sincerely,



Bob Blake
President

cc: Cass Parsons, UFA

H B

386

HOUSE RESOURCES

Summary of Previous Action on HB 386

To Date the resources committee has made the following changes to HB 386:

*Page 1, line 16, deleted directors, and after the words majority of the, added full membership.

*Page 4, line 8, added a new section 6 so as to conform identically with SB 168. All other sections remain the same.

Final discussion was on the topic of the "blackmail clause" and the validity of its retention in statute. At the close of the meeting the chairman indicated further discussion is necessary.

A M E N D M E N T

Offered in the HOUSE

BY:

To: HCS CSSB 168 (Res) .

Page 9, line 22: following the word "with",

insert the

Page 9, line 25: delete all material, and insert

finance power projects in the Energy Program for Alaska.

HOUSE LETTER OF INTENT

House CS for CS for Senate Bill No: 168 (Resources)

The Legislature, in enacting the Energy Program for Alaska, expressed its desire to provide the lowest reasonable power costs to consumers. To further achieve that end, it is the intent of the Legislature to take appropriate action to enhance the Alaska Power Authority's ability to obtain long-term bond financing at the lowest possible cost. It is for this purpose that we have amended the "Susitna equity clause."

Substantial equity has been invested in the Energy Program by the State of Alaska and declining state revenues will have an impact on the development of energy projects for other regions of the state. It is the intent of the Legislature that the balance of the financing needed for those projects under construction in the Program be raised by debt financing - thus reserving future revenues for future energy projects throughout the rest of the state. We support the intent of the Alaska Power Authority to go to the bond market in early 1984 for the necessary funds. However, in order to further facilitate the bonding capability of the Power Authority, it is imperative that utilities who will receive wholesale power from Solomon Gulch, Terror Lake, Tyee Lake and Swan Lake sign power sales contracts as soon as possible and no later than January 1, 1984. By taking this action, the utilities served will ensure long-term benefits to their consumers through stable power rates.

The Governor is requested to prepare a plan for providing the necessary equity for future projects in the Energy Program for Alaska. This plan must be constitutionally sound and provide for the proper administrative and Legislative approval for the various projects. This plan shall be submitted to the Legislature no later than January 15, 1984.

H B

393

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF FISH AND GAME

P.O. BOX 3-2000
JUNEAU, ALASKA 99802
PHONE: (907) 465-4100

OFFICE OF THE COMMISSIONER

June 18, 1983

The Honorable John Ringstad
The Honorable Richard Shultz
Co-Chairmen
House Resources Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representatives Ringstad and Shultz:

Recently the Department provided testimony to the Resources Committee on HB 393, the hatchery transfer bill. During the discussions following the hearing, my staff called to my attention the Committee's desire for more information concerning production of the hatcheries.

Though much of the information is contained in the FRED Division annual reports, I will briefly summarize the information here. In order to lend perspective to the program, I have provided a brief overview of the FRED program and its progress to date.

Almost all the discussion that takes place concerning the rehabilitation and enhancement program centers on the State's 20 hatchery facilities. Of the FRED Division's budget (\$13.2 million FY 83), operation of these 20 facilities account for 59%. The remainder of the program is comprised of rehabilitation, research, and technical services (26%), and management, administration, planning, and permitting (15%).

The FRED Division was created in 1971 and first funded in 1972 at \$465,000. Attachment A gives a table that provides the funding history for the FRED Division. In the mid-1970's, a Fisheries Plan was developed that set the stage for the first major capital monies received. The capital appropriations are given in the table on Attachment A.

The fish plan called for an enhancement and rehabilitation effort to rebuild the State's salmon runs, and it was estimated to cost \$300 million over an 18 year period. The Statewide goal for harvest was set at 100 million salmon. Seven million of these fish were to be provided by enhancement tactics, such as hatcheries, in the short-term (7 years), and 25 million salmon for harvest in the long-term (18 years).

Attachment B labeled as Figure 3 taken from the FRED Division 1982 annual report illustrates the difference between what was originally expected in the way of capital investment versus the actual capital funding for the enhancement and rehabilitation effort. The Fisheries Plan was used by

June 18, 1983

the Legislature as they approved \$28 million to be placed before the voters in November of 1976 and \$25.7 million in November of 1978 as Bond Issues. The combined bond issues (\$53.7 million) represented slightly more than half of the originally planned for \$100 million.

In the mid-1970's, the Department's former "Hatchery Section" (3 hatcheries) was combined with the FRED Division. Utilizing pre-planning monies, the FRED Division was able to design the hatcheries and was ready to go to bid as soon as the Bond Issues were sold in the spring of 1977 and 1979. Generally, two construction seasons were required to complete the hatcheries. In most cases, the Division had beneficial occupancy agreements with the contractors so that brood development work started before construction was completed.

Attachment C gives the status of the hatcheries and the year they were brought on line. As mentioned, the FRED Division inherited the State's three hatcheries in existence prior to 1971. These three facilities have been renovated and rebuilt, thus all of the State's 20 hatcheries have been rebuilt or newly constructed since 1977. In fact, 11 have been brought on line since FY 80, the most recent four being brought on line this past year.

Referring to Attachment D you will note that with the eggs taken this past fall, we expect to produce over 5 million fish. Recalling the short-term goal of 7 million fish in seven years, production of 5 million fish in seven years with half of the funds originally planned for, scores that program's performance relatively high, I believe.

Referring back to Attachment A, in the far right hand column, the FRED Division's operational budget is reflected in 1976 buying power. You will note that while the Division's operational budget remains nearly static, and the CIP dollars greatly reduced, the Division brought on line the 11 new facilities bonded, designed, and built since 1977. This is a key point often overlooked when criticizing FRED's program.

The mid-1970 planning efforts served as a departure point for the more comprehensive planning efforts now under way. Resource managers (the Department) and resource users (the fishermen), representing the resource owners (the public) are writing strategic and operational plans for several regions of the State. As a result of these recent and more formal planning efforts, several of the regional goals have been revised upward for most species. Also, the time frame for goal accomplishment have been revised to reflect more accurately the realities of funding.

The current goal is 146 million salmon for harvest annually statewide. We expect to be able to accomplish this goal around the turn of the century, with the assumption that 51 million salmon will be produced annually through enhancement. In my opinion, the current goals and objectives for the enhancement program are realistic and attainable. However, in view of the high years of natural production that we have experienced the past three years, the urgency for implementation of the enhancement strategies has seen less enthusiasm. Also, present financial conditions have altered funding priorities.

June 18, 1983

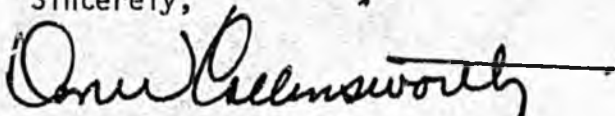
The Department is aware that the unusual marine survival witnessed the past three years cannot and will not be sustained. In future years, lower marine survival will be experienced again, and we will have below average years to "pay back" for the above average years. Even though enthusiasm for the enhancement and rehabilitation program falls during years of good natural production, we believe that we should keep building the program so that it will be in place to serve its intended functions during years of low natural production. Even in years of extremely high natural production, there are still certain segments of the public in certain locations that would like more fish. Current examples of such shortages are trollers in the Southeast region desiring more chinook salmon, and sports fishermen in the Cook Inlet area desiring more sport fish species.

In summary, I believe the present goals and objectives for the enhancement program are realistic and attainable. Reaching of these goals is dependent upon funding. The aquaculture program is long-term, and several years are required to realize the full benefits. But once on line, these hatchery projects will serve the state well into the future.

Aside from the long-term nature of the program, there is only one major difference from the many other State programs: the rehabilitation and enhancement effort is not a public service program, but rather an income producer. Although benefit/cost ratios vary throughout the 20 hatcheries, all of the ratios are positive. The legislative process will decide which programs are to be funded, and you have my assurance that we will utilize those dollars well, following the guidance of the Legislature.

The Department and I stand ready to assist you and the Governor's Task Force in developing the long-term direction and development of Alaska's fisheries resources.

Sincerely,



Don W. Collinsworth
Commissioner

Enclosures

NOTE: ORIGINAL DOCUMENT IS COLOR-CODED. IF NECESSARY
TO PROPER INTERPRETATION, REFER TO ORIGINAL DOCUMENT
IN THE ALASKA STATE ARCHIVES