ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6444 SENATE LABOR & COMMERCE

848

TABLE 3: Changes in Average Employer Contribution Rates
Due to the Proposed Increase in the Benefit Schedule

Year	Mid-Case Scenario: Current Schedule $38-188	Mid-Case Scenario: Proposed Schedule $44-212	Mid Case Increase in Tax Rates	Worst Case Scenario: Current Schedule $38-188	Worst Case Scenario: Proposed Schedule $44-212	Worst Case Increase in Tax Rates
1991	2.50%	2.50%	0.00%	2.50%	2.50%	0.00%
1992	1.94%	2.00%	0.06%	2.01%	2.07%	0.06%
1993	1.53%	1.67%	0.14%	2.02%	2.40%	0.38%
1994	1.47%	1.69%	0.22%	2.94%	3.48%	0.54%
1995	1.54%	2.01%	0.47%	3.61%	4.21%	0.60%
1996	1.97%	2.45%	0.48%	3.14%	3.74%	0.60%
1997	2.39%	2.88%	0.49%	2.66%	3.10%	0.44%
1998	2.78%	3.26%	0.48%	2.68%	3.11%	0.43%
1999	3.05%	3.33%	0.28%	3.10%	3.42%	0.32%
2000	2.89%	3.06%	0.17%	3.35%	3.56%	0.21%
Average	2.21%	2.49%	0.28%	2.80%	3.16%	0.36%

SOURCE: Alaska Department of Labor, Research and Analysis,
UI Trust Fund Model

UI Employer Tax Rates and Maximum Contributions Per Employee, 1985-95

House Bill 404

Average Employer Contribution Rates
(Rate Classes 10 & 11)

1986	1987	1988	1989	1990	1991*	1992*	1993*	1994*	1995*
2.34%	2.88%	3.67%	4.14%	3.51%	2.50%	2.00%	1.67%	1.69%	2.01%

Taxable Wage Base

$21,600	$21,500	$21,100	$20,900	$21,300	$21,800	$22,000	$22,300	$22,700	$23,300

Maximum Yearly Employer Contribution Per Employee
(Rate Classes 10 & 11)

$505	$619	$774	$865	$748	$545	$440	$372	$384	$468

*Forecasts, Including $44-212 Benefit Schedule

February 13, 1990

DATE: 3/14/90

FURTHER: Finance

DATE TURNED INTO OFFICE: 4/24/90

Labor & Commerce Committee considered CSHB 406 (Finance)

"An Act relating to the sale or transfer of consumer electrical products."

and recommended:

[✓] replace with SCS CS HB 406 (L+C) [✓] same title
[ ] or adopt _____ CS _____ [ ] new title
[ ] technical title change (HB only)

[ ] attached amendment(s)
[ ] _____ letter of intent adopted

[ ] do pass

[ ] do not pass

[ ] no recommendation

[✓] individual recommendations

[ ] further referral to _____

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

[ ] fiscal note(s) _____

[✓] zero fiscal note(s) _____
Dept of Law 1/30/90
Dept of Labor 2/23/90 for SCS CSHB 406(L+C)

[ ] appropriation-no fiscal note

APPROVES PREVIOUS: Dept/Date:

[ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____

[ ] Governor's bill w/fiscal note

SIGNING DO PASS:

Patrick Rodney

OTHER RECOMMENDATIONS:

No Rec

Chair: Signature and Recommendation

...er ... consumer electrical p

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CSHB 406(FIN) No. 2
PUBLISH DATE: HOUSE 3/7/90

FISCAL NOTE

REQUEST:
Revision Date:
Agency Affected: Labor
Title: "An Act relating to the sale or transfer of consumer electrical products."
BRU: Labor Standards & Safety
Sponsor: Cotten
Components: Mechanical Inspection
Requestor: House Labor & Commerce

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Note: there is no fiscal impact in FY 90

Tom Stuart by

Prepared by: Tom Stuart, Director
Phone: 465-2712
Division: Labor Standards & Safety
Date: 2/23/90

Approved by Commissioner: Jim Sampson
Date: 2/23/90
Agency: Department of Labor

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Alaska State Legislature

Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

TO: Chairman Eliason and members of the Senate Labor and Commerce Committee.

FROM: Rep. Sam Cotten

DATE: March 20, 1990

RE: CS HB 406 (Finance)

The need for legislation which would restrict the sale of consumer electrical products was first brought to my attention as the result of a tragic incident which occurred in my community. A ten-month old child was electrocuted by a lamp which was not listed by a third-party certifier as being listed for consumer safety. Testimony by Underwriter's Laboratories before the Labor and Commerce Committee indicated that the lamp assembly would not have been approved had it been tested by them or another third-party certifier.

Like many people, I had assumed that electrical appliances sold had to be listed. The tragic incident in Peters Creek demonstrated otherwise. With the passage of HB 406 I hope to give consumers the assurances of product safety many people erroneously believe they already have when purchasing a consumer electrical product.

HB 406 would prohibit the sale of consumer electrical products which are manufactured after the effective date of this Act. Products manufactured prior to the effective date and are not listed must bear a label warning the consumer that it has not been listed. This legislation is not intended to impact commercial electrical products, most of which are already certified, but is focused on consumer electrical products.

The Department of Law's Consumer Protection Section requested that I introduce this legislation in order to prevent the sale of products which have not met minimum safety requirements, and may as a result cause injury or death.

This is an important consumer protection bill which has received broad support. I would appreciate your support as well.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

STEVE COWPER, GOVERNOR

REPLY TO:

☐ *1031 W 4th AVENUE SUITE 200*
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697

☐ *1st NATIONAL CENTER*
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317

☐ *P.O. BOX K—STATE CAPITOL*
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

March 30, 1990

The Honorable Richard I. Eliason
Chairman, Senate Labor
and Commerce Committee
Alaska State Legislature
Post Office Box V
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for the opportunity to testify on the House Finance Committee's Substitute for House Bill No. 406.

My comments are directed at the oral and written testimony of Ronald Cooper and Barry McCormick, the owners and managers of Alaska Pump and Supply, Inc. I apologize for the adversarial tone of these comments, but unfortunately I am somewhat at odds with Alaska Pump and Supply's position.

I will respond one by one to all ten points raised in the March 20 letter.

1. My own survey of Anchorage retail establishments did not bear out the fifteen percent figure; in fact I had a tough time finding any unlisted electrical products. I also checked on Mr. McCormick's claim that Hamilton Beach products sold through Pay 'n Save are not listed. This, too, appears to be inaccurate. All Hamilton Beach products on Pay 'n Save shelves were listed when I checked them on March 29, 1990.

2. Alaska is not alone in this. Washington, Oregon, Texas, North Carolina, and parts of California are protected by this type of law. (Possibly other jurisdictions as well; my time for research is somewhat limited.)

3. This law would apply to mail order companies that distribute their catalogues or sell their wares in Alaska.

4. Representatives of Underwriters Laboratories have testified that they are willing to work at minimum expense with any Alaskan companies that need their services.

5. The exemption spoken to on page 2, lines 1-6 applies in this situation if in fact the original listings no longer apply.

6. The state has a responsibility to act expeditiously on a request for exemption. Obviously a specific response time would be impossible to establish considering the wide range of products or situations that could occur.

7. Again the vast majority of items are listed. I have checked dozens of electric hand tools. All were listed.

8. The concerns raised are already answered in the definition. Any unusual application problems can be cured by the regulations spoken to on page 2, lines 1-6. If your committee wishes to further clarify the definition, add to page 3, line 2: "public for household use . . . and that is. . . ."

9. See response to No. 8.

10. See response to No. 8. Obviously general public in this situation refers to individuals purchasing an appliance for their own household use.

Sincerely Yours,

DOUGLAS B. BAILY
ATTORNEY GENERAL

By: R. M. Scotty Dawkins
R.M. Scotty Dawkins
Investigator

RMD/md

Sheila –

(A) an assembled device that has an electrical circuit that operates at 110 volts AC or higher other than mechanical attachments such as pump heads, pulleys, fan blades, etc; which are used in the application of the device;

cc: ~~Eileen Plate~~

This is the only amendment Sam will buy. Let's go with this and forget the rest.

Thanx –

E

Offered: 3/7/90
Referred: Rules

6-1823H

Original sponsor(s): REP. COTTEN

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 406 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the sale or transfer of consumer electrical products."

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

* Section 1. AS 45.45 is amended by adding a new section to read:

Sec. 45.45.910. SALE OR TRANSFER OF CONSUMER ELECTRICAL PRODUCTS. (a) Unless exempted by the department under (d) of this section, a person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product ~~that is manufactured after the effective date of this Act,~~ unless the product is clearly marked ~~as being listed by an approved third-party certification program~~.

~~(b)~~ A person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product that is manufactured ~~before the effective date of this Act,~~ unless the product ~~is~~ clearly marked

(1) as being listed by an approved third-party certification program; or

(2) with a warning label that complies with (e) of this section.

~~(c)~~ A person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product that has been exempted under (d) of this section, unless the product is clearly marked with a warning label that complies with (e) of this section.

CS FOR HOUSE BILL NO. 406 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

AMENDMENT 3

For an Act entitled: "An Act relating to the sale or transfer of consumer electrical products."

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

*Section 1. AS 45.45 is amended by adding a new section to read:

Sec. 45.45.910. SALE OR TRANSFER OF CONSUMER ELECTRICAL PRODUCTS. (a) Unless exempted by the department under (d) of this section, a person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product [that is manufactured after the effective date of this Act] unless the product is clearly marked, [being listed by an approved third-party certification program.]

DELETE LINES 17 - 20

Provided by Ernie Polley

Suggested amendments submitted by Alaska State Chamber of Commerce, 3/20/89, Senate Labor and Commerce.

Page 3, line 3

(A) an assembled device, other than mechanical attachments such as pumps which are used in the application of the device, that has an electrical circuit that operates at 110 volts AC or higher;

Page 2, line 7

delete all of paragraph (e) and replace with the following:

(e) The warning labels required by this section are of two types and must be brightly colored and contain simple, direct language. One type of label shall warn that the electrical product is not listed by an approved third-party certification program. The second type of label shall note that the product, while initially approved through a third-party certification program, has been repaired and that the new parts meet or exceed the technical requirements of the original parts. The department shall adopt regulations establishing the exact content, color, design and use of the warning labels.

Amendment

ALASKA
PUMP & SUPPLY, INC.
261 EAST 56TH AVENUE
ANCHORAGE, ALASKA 99502
(907) 563-3424
FAX 563-5449

March 19, 1990

HB 406

Please do not pass this bill in its present form. Many good quality items for sale in Alaska today will not be sold to Alaskan consumers, but will be sold to business & trades people for use of industry.

No other state has a law that is this restrictive. Consumers will be able to buy these articles in other states and bring them home to Alaska, also be able to order them from mail order houses.

Local manufactur of any article that has an electrical Componet will be curtailed. It will be illegal to repair or modify a listed unit and then sell to a consumer, as repairing will void the UL listing.

The possibily of exemption from this law for a consumer item will be subject to the whims of the Bureaucratic system.

The cost of this bill would be a total waste of money.

At least put this bill on hold for a year while all of its consequences are considered

Thank you

W. D. Cooper

ALASKA
PUMP & SUPPLY, INC.

261 EAST 56TH AVENUE
ANCHORAGE, ALASKA 99518
(907) 563-3424
FAX. (907) 562-5449

March 20, 1990

Senate Labor & Commerce Committee
C/O Senator Eliason, Chairman
Room 417C, Capitol Building
Juneau, AK 99811

Ladies and Gentlemen:

We are writing you to express our concerns over House Bill 406, which passed unanimously and is to be presented to your committee for discussion on Wednesday, March 21, 1990.

The intent of this bill is for the benefit of the general public, and we agree with the intent. However, we are concerned with the broad language and scope covered by this bill which it seems to address through bureaucratic potentially political regulation rather than sound legislation.

(1) On a radio interview, Representative Cotten stated there would not be any cost for this bill. That is questionable. Does the DOL have the staff to deal with the multitude of exemptions that will be requested? In walking through large chain retail stores, we see as much as 15% of the product on the shelf in various departments doesn't appear to be listed. To properly administrate such a program would seem to require adding staff to the already taxed DOL.

(2) Additionally, many products that do not have an "approved third party listing" will ultimately have to be removed from the market place, as the manufacturers won't be willing to spend the exorbitant sums required to obtain listings for a small market like Alaska offers and the cost of opening each carton to apply a "Warning" label will be prohibitive.

We feel this will create a reduced supply vs demand situation thereby effecting increased prices to the consumers.

(3) Out of state mail order companies will still be able to offer any product, whether it is listed or not. Further erosion of Alaska's customer base can be the ultimate result, driving up the overhead that must be passed along by law abiding Alaskans on each and every sale if they want to stay in business.

(4) The cost of obtaining an "approved third party listing" may have a major impact in deciding whether or not to open a small manufacturing operation for entrepreneurs. The initial costs can run $10,000.00 and more, depending on the product and agency used, and that isn't any guarantee the product will get the listing! By virtue of there being a law on the books, the "approved third party listing" costs can go up as there are only a few companies that meet ANSI Z-34.1 - 1987, to provide the listings.

(5) If a service shop such as ours modifies a listed product by adding a listed component, the original listing no longer would apply as far as the labeling agency is concerned. This would restrict service trades from fulfilling individual application needs without special ordering equipment, which may not be listed, thereby requiring an exemption. In the mean time, the consumer either does without or risks personal injury by buying the pieces and puts it together.

(6) There is no time limit provision for a response to exemption requests. That is scary. A decision that should be made in a timely basis of no more than a couple of weeks could take months or even years if the requestor is not in favor with the administration in control at the time of the request or if the person responsible for granting the exemption could be held liable in any way for the potential consequences. A simple no in this situation would be better than waiting. A response time limit needs to be imposed on the DOL.

(7) A major concern is that non-listed items can be sold to a tradesman for use on the jobsite, but cannot be sold to consumers who may use the very same item around the house. An electric hand drill would be a good example.

(8) We feel many of our concerns could be laid to rest if the definition of a consumer electrical product were more clear. The phrase "commonly purchased by the general public" is vague and could lead an inspector to literally expect every single 110V AC consumer item to have either a listing or a warning label. We feel the following version, with the word "household" inserted and the phrase shown in capitals would resolve many potential problems.

(2) "consumer HOUSEHOLD electrical product" means an electrical product that is marketed for and commonly purchased by the general public FOR USE INSIDE THE HOUSEHOLD STRUCTURE BY ALL MEMBERS, and that is . . .

(9) There needs to be a clear definition of both "commonly purchased" and "the general public." What percentage of the population must buy, own or use an item before it becomes "commonly purchased"? 5%, 15%, 49%, or a majority of 51%? Does it include specialized devices used in some households but not in others such as water and sewer pumps, power hand tools, etc?

(10) What constitutes "the general public"; does it include only individuals representing households or does it also include tradesmen, service shops or manufacturing facilities? Perhaps this is answered in another statute. If so, it should be referenced.

One can argue that almost each and every item discussed here is addressed in HB406, however, if you read each concern and view it with an open mind, you can see that our concerns are valid and have merit. We ask that you consider our points carefully before sending the bill on to the Senate and make the clarifications and slight changes that will allow this bill to better serve the public as originally intended.

Respectfully,

Barry L. McCormack

Barry L. McCormack
General Manager

cc: Rep. Loren Leman, District 9-A

International Association of Electrical Inspectors

The Alaskan Chapter of the International Association of Electrical Inspectors supports House Bill No. 406. This bill follows our associations major objectives in formulating standards for safe installation and use of electrical materials, devices and appliances. Product manufacturers have the responsibility to supply products that are safe and suitable for the purpose. Listing and labeling of an electrical product assures the consumer that the product manufacturer has met basic fire and life safety tests conducted by an unbiased approved testing laboratory.

to Janet, Speaker Cottons office
phone # 465-3711, FAX 465-4565
from Gil Chambers
Building Safety MOA,
Electrical section
phone # 786-8394, FAX 786-8214

Gil Chambers
Sec/Tres AK Chapter IAEI
13811 Savage Drive, Box 110
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B CLY39

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Underwriters Laboratories Inc.®

March 20, 1990

Senator Richard Eliason
Chairman Senate Labor and Commerce Committee
Alaska State Legislature
P.O. Box V (MS3100)
Juneau, Alaska 99811

Subject: HB 406

Dear Senator Eliason:

We understand that an amendment to HB 406 is being proposed by the Alaska State Chamber of Commerce. The first part of the proposed amendment would exempt mechanical attachments of electrical products from being Listed. The second part of the proposed amendment would require that Listed products that have been repaired be provided with a marking. This marking would indicate that the product has been repaired and that the new parts meet or exceed the technical requirements of the original parts.

Underwriters Laboratories (UL) strongly urges the Committee to reject the first part of the proposed amendment.

When UL Lists a product we evaluate the product for all reasonably foreseeable hazards. This includes electrical as well as mechanical and other potential hazards. UL also evaluates hazards associated with attachments to Listed products. For example, an impeller on a motor is evaluated as a Listed pump. Tests on pumps include Temperature, Dielectric, Flooding, Leakage Current, Insulation Resistance, etc. Products with pumps, such as spas, are evaluated to determine that the pump will perform acceptably in combination with the overall product assembly. Furthermore, UL evaluates instruction manuals to determine if any hazards will result from attachments recommended for use with the Listed product.

UL feels that it would be inappropriate to exempt mechanical attachments of electrical products from being Listed.

Referencing the second part of the proposed amendment, when a product bears a Listing Mark it means that at the time of manufacture, the product complied with the applicable product safety standard. When a Listed product is modified or repaired it does not change this fact and therefore does not void the Listing. However, if the product is repaired or modified, neither UL nor any other third-party certifier knows if the product still complies with the applicable product

safety standard. Therefore, the proposed marking would not guarantee that the product complies with the appropriate safety requirements.

Summarizing, UL strongly urges the committee to reject the first part of the proposed amendment allowing products with mechanical attachments to be exempt from being Listing. In regards to the second part of the proposed amendment, we feel that the marking would not serve any purpose.

Bob Pollock

Bob Pollock
Senior Staff Engineer
Electrical Department

Dear Fellow Electrical Inspectors and Members of the International Association of Electrical Inspectors:

You will find enclosed:

1. A paper explaining the need for and uses of third party certification of electrical products.

2. Washington State - Electrical testing laboratory accreditation regulations and a list of the testing labs so accredited.

3. Oregon State - Electrical testing laboratory rules, list of testing labs, and testing lab on site inspection report forms.

With the increasing number of unlisted, unlabeled electrical products being introduced into the Alaskan market, the need to call on the services of a qualified impartial testing laboratory is also increasing. All inspectors enforcing the National Electrical Code require the most positive proof that the equipment installed meet these fire and life safety standards. Equipment introduced into Alaska from foreign sources or products made in the USA installed without first being tested to these basic standards run the risk of not complying with the N.E.C.

To help prevent injury or loss of life, and minimize damage to the electrical installation, the electrical inspectors are calling on the help of qualified testing facilities to make field evaluations as a backup for approval or disapproval of the products being installed.

The enclosed material should help explain the concerns of the electrical inspection agencies and the procedures used to insure that the questionable electrical system is safe.

Those of us who have to enforce N.E.C. 90-4 Enforcement, 90-6 Examination of Equipment for Safety, 110-2 Approval, 110-3 Examination, Identification, Installation, and Use of Equipment, and 110-21 Marking; should find this backup material a great help.

Gil Chambers,
Secretary/Treasurer
Alaska Chapter I.A.E.I.
13811 Savage Drive, Box 110
Eagle River, Alaska 99577
786-8394

1/IAEI8/kjs

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Underwriters Laboratories Inc.®

January 24, 1990

Representative Sam Cotten
Speaker of the House
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Mr. Cotten:

Your letter of January 10 to our Mr. Wes Christensen, together with the copy of House Bill 406, has been referred to me for review.

We note that Section 45.45.910(d)(1) states that an approved testing laboratory means a laboratory that meets the requirements of ASTM E994-84, Standard Guide for Laboratory Accreditation Systems. We believe it inappropriate to reference ASTM E994 in this context since it does not include criteria that a laboratory must meet in order to be accredited.

ASTM E994 identifies the important features that operators of laboratory accreditation systems should adhere to in their accreditation procedures and practices. It provides guidelines for the qualifications and section of assessors, the conduct of on-site assessments, the implementation of proficiency testing and the evaluation of laboratories leading to accreditation. In other words, ASTM E994 applies to the accreditor of a laboratory, and not the laboratory.

The title of E994 is "Standard Guide for Laboratory Accreditation Systems." Further, the introduction concludes with the sentence "Laboratory accreditation systems should not be confused with product certification systems." We are enclosing a copy of ASTM E994 for your reference.

If the bill remains essentially in its present form, then we recommend the following changes:

Sec. 45.45.910(a) - Change "...labeled or listed by an approved testing laboratory..." to "... listed or labeled by an approved third-party product safety certifier..."

Sec. 45.45.910(d)(1) - Delete the reference to ASTM E994 and include in its place "ANSI Z34.1-1987, American National Standard for Certification - Third-Party Certification Program, published by the American National Standards Institute." ANSI Z34.1 is a reasonably complete standard for third-party product safety certifiers and includes most, by not all, of the criteria UL recommends for valid third-party product safety certification programs.

Sec. 45.45.910(d)(2)(B) - Change "for which an approved testing laboratory exists" to "for which listing or labeling by an approved third-party product safety certifier is available."

It is important to recognize the significant difference between "laboratory accreditation" and "product certification."

"Laboratory accreditation" is a formal recognition that a testing laboratory is competent to carry out specific tests or types of tests. Laboratory accreditation is directed toward and limited to assessing testing competence. The adequacy of personnel, laboratory facilities and equipment are determined. At best, testing competence should be considered as only one of several elements of a product safety certification system.

"Product certification" includes testing, but, in addition, involves a number of other elements. An over-simplified visual comparison of the two systems might look as follows:

MAIN ELEMENTS OF SYSTEMS

PRODUCT CERTIFICATION	LABORATORY ACCREDITATION
Product standard	
Product testing	Product testing
Product assurance (Follow-up production inspection)	
Certification Mark	

Laboratory accreditation does not include supervision of the use of a certification mark by which the government authorities and the public can identify products produced in accordance with a certification program.

Laboratory accreditation does not include a product follow-up program to assure that factory production continues to comply with minimum safety requirements.

It does not have provision for recall and removal of certification marks from noncomplying products, response to field problems and a host of other elements essential to a product certification system.

The only element of a product certification system that is addressed by laboratory accreditation is testing competence. Without the other elements of a product certification system, accreditation of testing competence is meaningless to the role of protecting the public from unsafe electrical products and installations.

The term "Testing laboratory accreditation" or the equivalent is commonly used in laws and regulations, probably because the organizations involved often have the word "laboratory" in their names and testing is one element of the process. In reality, "product safety certification system" is the subject.

The prevailing view of product safety certification is that it is an activity involving laboratory testing to determine compliance with a standard. Testing is only one of many essential elements in a product safety certification system, however.

"Product certification" is the action of certifying, generally by a registered mark, that a product is in conformity with specific standards, in this case American National Standards for safety, or equivalent. Since product certification is directed to product conformance vis-a-vis testing competence, it is also concerned with conflict of interests, independence, use of United States codes and standards, a production inspection program, contractual provisions for testing and follow-up, and provisions for removal of the certifier's mark from noncomplying products.

There are relatively few organizations (laboratories) operating product safety certification systems. On the other hand, there are thousands of testing laboratories doing commercial testing.

Commercial testing laboratories perform a variety of tests in fields such as metallurgical, chemical and physical analysis, radiological analysis, air and water quality, concrete, soil and weld analysis, and on and on. The list is almost endless. Often, a laboratory is organized to do only one type of analytical testing, such as concrete.

The testing performed by commercial testing laboratories is usually on a lot-by-lot, project-by-project, one-of-a-kind, or similar basis. That is one time testing, as opposed to continuous product testing of mass produced products upon which the public depends for product safety. Potential customers may be interested in knowing that a laboratory has been judged by an independent organization to be capable of performing specific analytical tests. This would motivate a laboratory to seek accreditation of some form.

Accreditation would involve an evaluation of laboratory personnel, test equipment and facilities with respect to performance of specific tests or groups of tests not necessarily to a specific standard nor to all the requirements of the standard.

Product testing is one of many elements of a product certification program. The operator of a certification program, such as UL, conceivably could contract to have testing performed by an outside laboratory. Laboratory accreditation could provide a useful mechanism in assessing the technical competence of a testing laboratory. This is another illustration of how a testing laboratory and laboratory accreditation might serve a useful purpose as one element in a certification system. Laboratory accreditation could never be a substitute for product certification, however.

Historically, the regulatory authority exercising legal jurisdiction over electrical installations has been charged with the responsibility to assure that the health, safety, and property of the people of a state, county or city are reasonably protected.

Requirements for the safe installation of electrical products have been available in the National Electrical Code since 1897, but this Code does not cover the safety of the

products themselves. Most regulatory authorities have not had a staff with technical expertise to devote to the evaluation of product safety, the laboratory facilities in which to conduct such evaluations, the funds to do so, the ability to conduct factory production inspections nor the other necessities to conduct an adequate product certification system.

As a result, those responsible have looked for assistance to organizations specifically established to conduct product safety certification systems. The National Electrical Code makes such a recommendation in the first paragraph of Section 90-6. Up until recently, a statement appeared in a state regulation to the effect that "electrical equipment shall be listed by Underwriters Laboratories." With the advent of competitive certification programs in recent years, reference to "electrical equipment listed by Underwriters Laboratories or by a testing agency approved by the department" has been substituted.

As concern for public safety has increased, so has the number of laboratories claiming to conduct product safety certification programs. Regulatory authorities in general were ill equipped to evaluate the qualifications of laboratories. There were no guidelines, insufficient funds, no spare time and little expertise. Unfortunately, many regulatory authorities were placed in a position of having to recognize laboratories without adequate evaluation.

The result was that products began to appear which some electrical authorities believed did not comply with minimum safety requirements. Accidents and fires were reported, allegedly involving electrical equipment certified by a laboratory whose product certification system was recognized. Concerned authorities decided that it was time that stringent guidelines be established with which to evaluate product safety certification systems.

The states of Texas, North Carolina, Oregon and Washington adopted completely new regulations. Other jurisdictions upgraded their existing requirements. Today, as a result, product safety certification systems and the laboratories operating them are receiving more scrutiny than ever before.

Underwriters Laboratories supports independent third-party product safety certification systems and we support efforts to

develop more stringent criteria for the evaluation of such certification systems. We believe the certifying organizations seeking recognition should be willing to reimburse the state for the cost involved, so that the program will be essentially self-supporting.

We are enclosing a copy of the ANSI Z34.1-1987 document we referenced in our suggested changes. Also, enclosed is a copy of the Washington State product certification rule that may be of interest to you. It is more complete than ANSI Z34.1-1987.

I understand that our Messrs. Bob Pollock and Wes Christensen expect to meet with you February 2. They will be prepared to discuss this matter. In the meantime, if we can be of help, please let us know.

Gene Bockmier

GENE BOCKMIER
Vice President

6-1823J
Bannister
4/20/90

Original sponsor(s): REP. COTTEN

IN THE HOUSE BY THE LABOR & COMMERCE COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 406 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the sale or transfer of consumer electrical products."

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

* Section 1. AS 45.45 is amended by adding a new section to read:

Sec. 45.45.910. SALE OR TRANSFER OF CONSUMER ELECTRICAL PRODUCTS. (a) Unless exempted by the department under (d) of this section, a person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product that is manufactured after the effective date of this Act, unless the product is clearly marked as being listed by an approved third-party certification program.

(b) A person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product that is manufactured before the effective date of this Act, unless the product is clearly marked

(1) as being listed by an approved third-party certification program; or

(2) with a warning label that complies with (e) of this section.

(c) A person may not sell, offer to sell, or otherwise transfer in the course of the person's business a consumer electrical product that has been exempted under (d) of this section, unless the product is clearly marked with a warning label that complies with (e) of this section.

(d) If a consumer electrical product is a work of art or an item that has an unusual application that makes approval by a third-party certification program not reasonably available, the department shall upon request exempt the item from (a) of this section. The department shall establish by regulation guidelines to identify consumer electrical products that qualify for an exemption under this section.

(e) The warning label required by this section must be a brightly colored label that contains in simple, direct language a warning that the electrical product is not listed by an approved third-party certification program. The department shall adopt regulations establishing the exact content, color, design, and use of the warning label.

(f) Unless a later version has been adopted by the Department of Labor by regulation, a certification program must meet the requirements of ANSI Z-34.1 - 1987, American National Standards for Certification - Third-Party Certification Program, published by the American National Standards Institute, in order to qualify as an approved third-party certification program under this section. The Department of Labor may adopt by regulation later versions of the American National Standards for Certification - Third-Party Certification Program, as the standard for third-party certification programs under this section. If the Department of Labor has adopted a later version, a certification program must meet the requirements of the most recent version adopted by the department in order to qualify as an approved third-party certification program under this section.

(g) In this section,

(1) "approved third-party certification program" means a program that qualifies under (f) of this section;

(2) "consumer electrical product" means an electrical

product that is marketed for and commonly purchased by the general public and that is

(A) an assembled device that has an electrical circuit that operates at 110 volts AC or higher, except for mechanical attachments, including pump heads, pulleys, and fan blades, that are used in the application of the device;

(B) a device that when assembled has an electrical circuit that operates at 110 volts AC or higher; or

(C) an individual component part that is intended to be part of an electrical circuit that operates at 110 volts AC or higher;

(3) "department" means the Department of Labor.

* Sec. 2. AS 45.50.471(b) is amended by adding a new paragraph to read:

(29) violating AS 45.45.910(a), (b), or (c).

ARCO Alaska, Inc.
External Affairs
Mailing Address: 134 Franklin Street
Juneau, Alaska 99801
Telephone 907 586 3680

Beverly A. Ward
Director, Southeast
Government & Community Relations

April 23, 1990

Senator Dick Eliason
Alaska State Senate
Capitol, Room #417
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason:

As I have previously testified in Senate Labor & Commerce, ARCO Alaska still has some concerns about HB 406, sale of electrical products. We recommend that the bill only be applicable to new, not second hand or used merchandise.

A testing laboratory label assures the purchaser of new equipment that minimum standards have been met for that product. The same label has little or no relevance to a used product.

If used electrical products are included in this bill, there will be many groups affected. Any one who sells surplus equipment on an "as is, where is" basis would be affected. This would include the State of Alaska and the federal government, and companies like ARCO. In addition, second hand shops, thrift stores, used TV and ...e shops would be included.

In the case of ARCO Alaska, we donate thousands of dollars worth of used equipment every year to charities, non-profit organizations, and municipal groups, like police and fire departments. A lot of useable merchandise will be taken to the landfill if a testing label is not attached, or we would be required to affix a warning label indicating the merchandise was not tested by a third party. This warning label has the potential for confusion and misinterpretation.

We share the bill sponsor's concern that all equipment being used should be safe. We think it is an appropriate first step to require that all <u>new</u> household electrical products being offered for sale must have a third party testing label.

Sincerely,

Beverly A. Ward
Director Southeast

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External Affairs
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Director, Southeast
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Capitol, Room #417
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We share the bill sponsor's concern that all equipment being used should be safe. We think it is an appropriate first step to require that all <u>new</u> household electrical products being offered for sale must have a third party testing label.

Sincerely,

Beverly A. Ward
Director Southeast

DATE: 4/20/90

FURTHER: Judiciary

DATE TURNED INTO OFFICE: 5/3/90

Labor and Commerce Committee considered CSHB 429 (Judiciary)

"An Act relating to uninsured and underinsured motor vehicle insurance."

and recommended:

[✓] replace with SCS CS HB 429 (L&C) [ ] same title
[ ] or adopt _____ CS _____ [ ] new title
[ ] technical title change (HB only)

[ ] attached amendment(s)
[ ] _____ letter of intent adopted

[✓] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to _____

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

[ ] fiscal note(s) _____

[✓] zero fiscal note(s) Dept of Commerce 1/30/90

[ ] appropriation-no fiscal note

APPROVES PREVIOUS: Dept/Date:

[ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____

[ ] Governor's bill w/fiscal note

SIGNING ~~DO PASS~~:

OTHER RECOMMENDATIONS:

Chair: Signature and Recommendation

Pouch V
Juneau, Alaska 99811

Alaska State Legislature
House of Representatives

Phone:
(907) 465-3892

Labor and Commerce Committee

May 1, 1990

M E M O R A N D U M

To: Senator Dick Eliason, Chair
Senate Labor and Commerce Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: HB 429

The House Labor and Commerce Committee sponsored HB 429 to clarify existing statutes governing under and insured motorist coverage and to give insurance consumers more options in the purchase of such insurance.

The CS HB 429 (Jud) includes numerous technical amendments to clarify existing statutes and makes two significant changes in current law: 1) requiring insurers to offer under and uninsured motorist coverage in excess of the liability limits under their current policy and, 2) establishing the priority in which claims are applied when an accident or injury involves multiple policies.

HB 429 will provide Alaska's insurance consumers with more options to purchase the type of coverage they want and will assist insureds and insurers alike in clearly understanding the policy limits they have purchased.

dd/gbs90
b/hb429-3

FOR FLOOR FOLDER

BILL NUMBER: HB 429
SPONSOR: HOUSE LABOR & COMMERCE COMMITTEE
BILL TITLE: AN ACT RELATING TO UNINSURED AND UNDERINSURED MOTOR VEHICLE INSURANCE

According to Dave Walsh, the new director of the Division of Insurance, this bill is supported by the department, and does the following:

It tightens up subrogation recoveries. Subrogation is when I have an accident and the insurance company pays my losses, but in return I have to give the insurance company the right to sue in my name so the insurance company can recover its losses on my accident.

It also clarifies anti-stacking statutes. Stacking is carrying multiple policies on the same cars (e.g., I buy a policy that covers my car, plus Greg's (imaginary) car; plus Greg buys a policy on his car that also covers my car. Then if I have an accident, I submit a claim on my policy, plus on Greg's policy, and thus get paid twice, thereby getting 200% of what I'm owed. Stacking is illegal in Alaska.

The bill does the following:

1) requires insurance companies to ***offer*** underinsured motorist and uninsured motorist coverage in excess of what the policy offers. In other words, if my insurance policy insures that if I have an accident, the other guy's car is insured for up to $50,000, then I can't buy UI/UN coverage for any more than what I insure the other guy's car for. So if I own a real expensive car, like a Rolls Royce or something, that is very likely to be more expensive than your average Joe's car, I can't buy more insurance on my car unless I buy more insurance on the other guy's car. This bill changes that so you can carry more on your own car.

2) It sets up a priority in which claims are paid, so if Greg and I both have policies on our own cars, the insurance companies can't point fingers at each other and claim the other guy is the one who's supposed to pay first. The statute will tell them.

Senator Eliason will offer two amendments, both of which are supported by the department:

a) He will add a January 1, 1991, effective date.
b) He will address a loophole in the law that allows "stacking" on single-car policies (there's the possibility that somebody could buy multiple policies on a single car and thus make multiple claims). The amendment clarifies that you can't do that, thereby closing the loophole.

Senate Floor Statement

SCS HB 429 (L&C)

By Senator Dick Eliason

HB 429 clarifies existing statutes and make two significant changes in current law:

1. Requires insurers to offer consumers under and uninsured motorist coverage in excess of the liability limits under their current policy.

2. Establishes the priority in which claims are applied when an accident or injury involves multiple policies.

PROPOSED AMENDMENT:

Allows single vehicle motor vehicle insurance policies to be treated the same as multiple vehicle motor vehicle insurance poliecies for the purposes of "stacking" under and uninsured coverages. Multiple policies are already covered in the bill. This amendment simply extends the same provisions for single vehicle policies.

Effective Date: The amendment provides for a January 1, 1991 effective date in order to give all parties time to "gear up".

Signed off by Div of Insurance, industry, & sponsor

HB 429 - Uninsured and Underinsured Motor Vehicle Insurance

House Bill 429 was sponsored by the House Labor and Commerce Committee to clarify existing statutes governing uninsured and underinsured motorist coverage and to give insurance consumers more options in the purchase of such insurance.

This legislation requires insurers to offer uninsured motorist coverage in excess of the liability limits under their current policy and the bill establishes the priority in which claims are applied when an accident or injury involves multiple policies.

HB 429 will provide Alaska's insurance consumers with more options to purchase the type of coverage they want and will assist in clarifying the policy limits purchased.

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 429(L&C)

Page 3, line 14, after "policy.":

Insert "If a person is entitled as a named insured to uninsured or underinsured motorist coverage under more than one motor vehicle policy issued by the same insurer, the maximum amount payable may be limited to the highest limit of any one coverage under the policies."

Page 4, line 21, after "policy.":

Insert "If a person is entitled as a named insured to uninsured or underinsured motorist coverage under more than one motor vehicle policy issued by the same insurer, the maximum amount payable may be limited to the highest limit of any one coverage under the policies."

Page 5, line 24:

Delete "the effective date of this Act"

Insert "January 1, 1991"

CS FOR HOUSE BILL NO. 429 (JUDICIARY)

The current committee substitute amends existing uninsured and underinsured motor vehicle coverage options for Alaskan consumers by requiring insurers to offer initially and at each renewal several coverage limits. The minimum limit an insurer must offer would be the same limit as the named insured selected for their liability coverage. Other limits required to be offered, when in excess of the liability limit, would be $100,000/$300,000; $300,000/$500,000; $500,000/$1,000,000; and $1,000,000/$2,000,000 (any one person/two or more persons). An insurer may also offer additional policy limits to the required options. The named insured would use their own judgement in selecting the amount of coverage that they need or can afford. As a result, the bill would allow Alaskans to cover themselves against uninsured or underinsured motorists in amounts greater than currently available.

The bill provides a priority of policies when more than one is available to an injured person (current law limits the maximum coverage to the highest limit among the policies). This allows Alaskan consumers to protect themselves under their own policy in the event a non-owned vehicle in which they are an operator or passenger has insufficient coverage. The bill retains existing language that makes clear that only one uninsured or underinsured limit applies per policy.

The bill also provides that uninsured and underinsured motorist coverage is excess of but not duplicative to benefits covered by workers' compensation or motor vehicle medical payments coverage.

900430 scg

STATE OF ALASKA
1990 LEGISLATIVE SESSION

BILL VERSION: CSHB 429(L&C)
PUBLISH DATE: HOUSE 2/16/90

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Regarding subrogation rights in insurance policies . . . .
Sponsor: House Labor & Commerce
Requestor: House Labor & Commerce

Agency Affected: Commerce & Economic Dev.
BRU: Insurance

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary) No fiscal impact for FY 90.

Prepared by: James J. Jordan, Acting Director
Division: Insurance
Phone: 465-2515
Date: 1/30/90

Approved by Commissioner: Larry Mercuelieff
Date: 1/30/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

LW/dg1621SD-1/13090a

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OF COUNSEL
JOHN C. HUGHES
RICHARD D. GANTZ

Reply to: JUNEAU

May 2, 1990

Senator Dick Eliason
Senate Labor and
Commerce Committee

Re: CSHB 429

Dear Senator Eliason:

We represent State Farm and Allstate Insurance Companies. The House has just passed a committee substitute for HB 429. This bill has been referred to the Labor and Commerce and Judiciary Committees. For reasons stated below, both State Farm and Allstate are opposed to this legislation.

CSHB 429 requires automobile insurers to offer excess uninsured (UM) and underinsured (UIM) motorist coverage. These coverages compensate an insured for claims arising out of accidents with uninsured and underinsured drivers. CSHB 429 changes both the nature of UM and UIM coverage as it presently exists and requires that these new coverages be offered at limits that are unrealistic. Both State Farm and Allstate allow consumers to purchase additional UM and UIM coverage as it currently exists. There is no need to change the present system.

Both State Farm and Allstate allow a consumer to purchase UM and UIM insurance equal to the limit of liability coverage. Thus, a standard $100,000 per person or a $300,000 per occurrence policy would allow a consumer to purchase UM and UIM coverage at the same levels. In addition, personal umbrella policies are currently offered that could include an endorsement for UM/UIM coverage up to one million dollars. The desired insurance is already available. The law does not need to be changed.

The basic purpose behind UM/UIM insurance is to provide a minimum level of coverage for claims associated with uninsured and underinsured drivers. Using the above-referenced limits for UM and UIM coverage, the driver would be insured for claims related to uninsured and underinsured motorists up to $100,000 per person or $300,000 per occurrence. However, recovery under the UM/UIM coverage is reduced by amounts paid or payable under workers' compensation benefits, valid and collectable automobile medical payments insurance, or bodily injury or death liability insurance, and amounts paid by or on behalf of the uninsured or underinsured motorist. The difference between these amounts and the UM/UIM limits are recoverable under the UM/UIM coverage to the extent of the claimants damage. For example, if an insured was involved in a motor vehicle accident with a driver who had a $50,000 liability policy, and the insured received $10,000.00 in medical payments coverage the underinsured motorist coverage would pay the difference between $60,000.00 (for the two reduction components) and the $100,000 per person policy limit for the underinsured motorist coverage. In sum, under the current system, an insured because of the reduction does not necessarily receive the full amount of UM and UIM benefits from its insurer. Rather, an insured could recover from all sources an amount that will be at least as high as the UM and UIM limits. This provides a minimum level of protection. The affordable premium associated with of this coverage reflects this objective.

CSHB 429 requires automobile insurers to offer UM and UIM coverages that are distinctly different from the present system. This legislation would require an insurer to offer excess UM and UIM coverage that would not be offset against any amount recoverable from a third person. It is questionable whether or not there is a need for this legislation since higher UM and UIM limits can be purchased now.

The coverage limits set forth in CSHB 429 that an insurer must offer are simply unrealistic. Under the proposed legislation, an insurer must offer limits up to $1,000,000 per person and $2,000,000 per occurrence. This limit exceeds the rating system utilized by insurers for fashioning premium rates. No other jurisdiction requires automobile insurers to offer any type of automobile coverage at this level. Mandatory offerings at such high levels are unfeasible and cannot be effectively rated.

Another problem with the legislation arises out of its ambiguity concerning when an insurer's responsibility for offering the coverage is satisfied. As written, the bill does not define when the offer is made and how the obligation is fulfilled. Further, it is unclear if the offer needs to be made to everyone of the named insureds under the policy or that one insured can elect coverage for all named insurers. These ambiguities concerning how the offer is made and satisfied provide little guidance to an insurer attempting to comply with the requirement. The lack of clarity will inevitably result in litigation.

Additionally, the priority section that directs the priority for payment when multiple policies containing UM/UIM coverage apply prejudices insurers such as State Farm and Allstate. Both section 5 and 6 do not allow the priority to become operative unless two or more vehicles are covered on one policy. This is prejudicial to insurers who do not place multiple vehicles on policies. As written to provide for only single vehicle policies, it will increase the limits for claims and ultimately premiums associated with this coverage.

In sum, State Farm and Allstate are opposed to this legislation because it changes the UM and UIM coverages, requires limits to be offered at unrealistic levels, and is vague with respect to when the mandatory offer is satisfied. The present system of UM and UIM coverage works. It is for this reason that we respectfully request that you oppose this legislation.

Please contact us if you have any additional questions on this bill. Thank you for your consideration.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: John G. Frank
John G. Frank

JGF:sb/1108f

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 429(L&C)

Page 3, line 14, after "policy.":

Insert "If a person is entitled as a named insured to uninsured or underinsured motorist coverage under more than one motor vehicle policy issued by the same insurer, the maximum amount payable may be limited to the highest limit of any one coverage under the policies."

Page 4, line 21, after "policy.":

Insert "If a person is entitled as a named insured to uninsured or underinsured motorist coverage under more than one motor vehicle policy issued by the same insurer, the maximum amount payable may be limited to the highest limit of any one coverage under the policies."

Page 5, line 24:

Delete "the effective date of this Act"

Insert "January 1, 1991"

A M E N D M E N T

OFFERED IN THE SENATE

TO: SCS CSHB 429(L&C)

Page 3, line 14, after "olicy.":

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Page 5, line 24:

Delete "the effective date of this Act"

Insert "January 1, 1991"

PROPOSED AMENDMENTS TO
CSHB 429 (JUDICIARY)

Section 1. Delete Subparagraph (E) providing for a $1,000,000/$2,000,000 split limit offering.

Section 2. Amended to read as follows: (h) Such selection, rejection, or exercise of the option not to purchase, by a named insured or an applicant shall be valid for all insureds under the policy.

Sections 5 and 6. Amended to read as follows: (c) If a person is entitled to uninsured or underinsured motorist coverage under more than one coverage, the maximum amount payable may not exceed the highest limit of any one coverage under the policy.

Section 1. Amended to read as follows: (c) An insurance company offering automobile liability insurance in this state for bodily injury or death shall offer at the time the policy is purchased the coverage prescribed in A.S. 28.20.440 and 28.20.445 or A.S. 28.22.

1118f

(B) $300,000 because of bodily injury to or death of one person in one accident, and, subject to the same limit for one person, $500,000 because of bodily injury to or death of two or more persons in one accident;

(C) $500,000 because of bodily injury to or death of one person in one accident, and, subject to the same limit for one person, $500,000 because of bodily injury to or death of two or more persons in one accident;

(D) $500,000 because of bodily injury to or death of one person in one accident, and, subject to the same limit for one person, $1,000,000 because of bodily injury to or death of two or more persons in one accident;

(E) $1,000,000 because of bodily injury to or death of one person in one accident, and, subject to the same limit for one person, $2,000,000 because of bodily injury to or death of two or more persons in one accident;

(3) other policy limits at the option of the insurer.

* Sec. 2. AS 21.89.020 is amended by adding a new subsection to read:

(h) The selection, rejection, or exercise of the option not to purchase, by a named insured or an applicant, shall be valid for all insureds under the policy.

* Sec. 3. AS 28.20.445(a) is repealed and reenacted to read:

(a) The maximum liability of the insurance carrier under the uninsured and underinsured motorists coverage required to be offered under AS 28.20.440 shall be the lesser of

(1) the difference between the amount of the covered person's damages for bodily injury and property damage and the amount paid to the covered person by or for a person who is or may be held legally liable for the damages; and

SENATE COMMITTEE REPORT

DATE: 4/10/90 FURTHER: Resources

DATE TURNED INTO OFFICE: 4/19/90

Labor and Commerce Committee considered CSHB 432 (Resources)

Prohibiting finfish farming; efd.

and recommended:

[ ] replace with _____ CS _____ [ ] same title
[ ] or adopt _____ CS _____ [ ] new title
[ ] technical title change (HB only)

[ ] attached amendment(s)
[ ] _____ letter of intent adopted

[✓] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to _____

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

[ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____

[ ] appropriation-no fiscal note

APPROVES PREVIOUS: Dept/Date:

[ ] fiscal note(s) _____

[✓] zero fiscal note(s) _____
F+G - 2/8/90

[ ] Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Jan Faik No Rec.

Chair: Signature and Recommendation

No. 1

STATE OF ALASKA
19 90 LEGISLATIVE SESSION

BILL VERSION: CSHB 432(Res)
PUBLISH DATE: HOUSE 3/16/90

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Prohibition of finfish farming

Agency Affected: Fish and Game
BRU: FRED

Sponsor: Ellason et. al., Grussendorf, et. al
Requestor: Steve Cowper

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

FY 90
See attachments.

Prepared by: _____ Phone: 465-4160
Division: ADF&G FRED Division Date: 1/30/90

Approved by Commissioner: _____ Date: Feb 8 1989
Agency: ADF&G

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Fiscal Note

Bill Analysis --

Background/Legislative Intent

In 1987, the Alaska State Legislature passed SB 297 placing a one year moratorium on finfish farming. The following year HCS SSSB 514 was passed, authorizing the farming of shellfish and aquatic plants, extending the moratorium on finfish farming until July 1, 1990, and establishing the five-member Alaska Finfish Farming Task Force. The shellfish farming program is currently being implemented. HCSSSSB 514 also contained a provision for inland farms in closed waters. The Board of Fisheries however, denied a proposal to make surplus coho eggs available to an interior-based applicant proposing to operate a recycle hatchery. In doing so, the Board of Fisheries asserted that public policy questions pertaining to brood stock acquisition and the privatization of a public resource were questions that should be addressed by the legislature, rather than set by precedent by the Board.

Although the task force was authorized in 1988, it was not funded until last spring. The members were appointed by Governor Cowper and began work last July. The task force recently issued its report and recommended that prior to the end of the moratorium on July 1, 1990, the legislature take statutory action to expressly allow or prohibit finfish farming. SB 397 would prohibit finfish farming by not allowing a person "to grow or cultivate finfish in captivity or under positive control for commercial purposes." As drafted, the state and PNP hatcheries would remain unaffected.

Amendments Proposed

On Page 2, lines 1-5, the third finding asserts that serious disease and genetic risks are posed to wild stocks. As the FRED Division has stated on the record, in legislative hearings and to the task force, if a properly managed, regulated, and funded pathology and genetics program were in place, similar to that run by the FRED division for current public and private non profit hatcheries, then commercial farming of finfish would not pose a serious risk to the health and genetic integrity of wild stocks.

Sale of finfish under a scientific or educational permit is not allowed currently. Accordingly on Page 3, Section 2, the department recommends deleting item 3.

With regard to Section 2, item 4, the department recommends extending the sentence. After the word "ponds", insert: "provided these fish are not reared or released into waters of the state."

A few examples
of correspondence
Supporting HB432/SB397

Chugiak-Eagle River
Chamber of Commerce
(907) 694-4702

P.O. Box 770353
Eagle River, Alaska 99577

12110 Business Blvd.
Eagle River, Alaska 99577

April 4, 1990

SUBJECT: POSITION ON FIN FISH FARMING IN ALASKA

(PLEASE NOTE: For your convenience, no written response to this correspondence is necessary).

Dear Senator Elias on

At our March 22, 1990 regular Board of Directors meeting for the Chugiak-Eagle River Chamber of Commerce, the Board took a position relative to fin-fish farming in Alaska. Despite the fact that the Chamber generally endorses projects which conform to economic development standards appropriate for an arctic environment, it was decided that fin fish farming had some inherent drawbacks. These include the possibility for contamination of wild salmon stocks as well as the possibility of long-term government subsidies necessary to create a viable investment. Certain aquaculture, however, may be demonstrated, to be in the best interests of the state. As a result, the Board passed the following statement regarding fish farming in Alaska:

We, the Chugiak-Eagle River Chamber of Commerce Board of Directors supports the development of the aquaculture industry not including the development of fin-fish - more specifically salmon farming.

If I can answer questions regarding the above position, please feel free to call the Chamber at 694-4702.

Sincerely,

Greg Strong
Board President

sg

COOK INLET COALITION

C/O Susie Kaiser
P.O. Box 110381
Anchorage, AK 99511

April 2, 1990

The Honorable Steve Cowper
P.O. Box A
Juneau, AK 99811

Dear Governor Cowper:

The Cook Inlet Coalition, an organization consisting of Southcentral Alaskan sport and commercial fishermen, would like to bring to your attention our views regarding the mariculture issue in the State of Alaska. We would also like to make the following recommendations:

The Coalition recommends the support of Senate Bill #397, Senator Eliason's Bill banning finfish farming.

We further recommend that the current policies prohibiting importation of live salmonoids, including gametes, should be placed into statute and rigorously enforced.

After reviewing the "**Finfish Farming Task Force Report to the Alaska Legislature**" we find that we agree with Senator Eliason's assessment and support a total ban on commercial finfish farming.

Some of our concerns, both environmental and economic, are listed below.

A) **ENVIRONMENT**

1) Salt water finfish farming (FFF).

a) POLLUTION

1) Disease introduction and/or transmission.
2) Bacterial (concentrations due to densities of fish, enzyme action of fecal matter, etc.).
3) Fecal build-up on seabed.
4) Chemical (treatments for skin ailments, antibiotics in feed, etc.).

2) UPLAND TANK AND POND FFF

a) POLLUTION

1) Disease transmission to nearby watershed and/or ground water.
2) Fecal matter (tanks could possibly dry and treat, this however, is an expensive process. Ponds tend to concentrate and exasperate problem).
3) Chemical (economically untreatable).
4) Bacterial (again possibly treatable in tands with UV radiation, but build-up in ponds likely due to absence of flushing action).

3) SITING

a) OCEAN SITING

1) Conflicting need for flushing action vs. feed for protection from weather and marine predators).
2) Conflict with sport, subsistence, and commercial use.
3) Conflict with land owners/developers.
4) Need for separation of farms from anadromous streams to prevent intermingling of wild stocks with escaped farmed salmon, thus diluting the wild gene bank and promoting disease transfer (Norway disallows sitting within 20 kilometers of anadromous streams).
5) Disease transmission to stocks migrating near pens.
6) Lack of transportation infrastructure where siting possible.

b) LAND SITING

1) Ponds must have no inlet or outlet and must be far enough removed from streams to protect from streams to protect from seepage of pollutants (and disease) to ground water and then streams.

B) ECONOMICS

1) COSTS TO STATE

a) Cost of setting up regulatory infrastructure.
b) Cost of additional personnel.
1) Scientific people.
2) Veterinarians.
3) Enforcement.
4) Staff for permitting and regulating.
c) Cost of transportation infrastructure.

d) Potential cost to set up, operate, and fund loan programs. (If this is not done, with a start up cost of approximately $500,000/farm, most investment will necessarily come from outside Alaska, with most profits also leaving.)

2) OTHER ECONOMIC FACTORS

a) Few people are actually employed and most of those at minimal wages.

b) There is a glut of farmed salmon on the world market forcing farmers to sell below cost.

c) Although there is occasionally a surplus of eggs available it is rate and unpredictable, virtually all eggs are used for sport and commercial projects. In both Washington State and British Columbia the introduction of finfish farming has created vicious competition for eggs with sometime disastrous results to existing industries.

Alaska has the healthiest wild salmon and other finfish stocks in the world, supporting the sport, subsistence, commercial and tourism interest of this State, we feel finfish farming poses unnecessary risks to all parties. As Senator Eliason states, these risks can only be minimized and only then at a substantial cost.

Thank you for your consideration in this important issue.

Sincerely,

for Coalition Members

The Cook Inlet Coalition
C/O Susie Kaiser

cc: All Members of the 16th Alaska State Legislature
House and Senate Resources Committee
Coalition Members
Don Collinsworth
Brian Allee

ALASKA COUNCIL TROUT UNLIMITED
P.O. BOX 2391, SITKA, ALASKA 99835

March 17, 1990

Senator Dick Eliason
Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Eliason,

The Alaska Council Trout Unlimited (ACTU) would like to express our utmost support for Committee Substitute version of House Bill 432 and Senate Bill 397. We would also like to take this time and thank you personally for your stand on this issue. We feel that any mariculture of finfish poses a disease and allocation problem for the states fishery resources. At this time there has been another bill proposed by the Resources and Finance Committee SB No. 195. We are adamantly opposed to this bill also for the same reasons as stated above. We feel that the resources are too valuable to be used in this manner.

We only have to look at the two out breaks in 1990 of VHS (Viral Hemorrhagic Septicemia) recently in Washington to see the detrimental effects that can be had on our resources. The Lummi Fisheries Program just had to destroy 6.2 million coho eggs and smolts because of this virus. Also, the Washington Department of Fisheries found two cases in the Quillayute River system. One wild coho in the Bogachiel River and one wild coho in the Sol Duc River. This closes down both hatcheries to planting fish anywhere else in the state, causing a major disruption of the hatchery programs for both salmon and steelhead. The Lummi Fisheries Program is in inner Puget Sound near Everett and the Quillayute is on the outer coast of Washington. All three of river systems in the Quillayute drainage produce salmon that come to Alaska. There were also two outbreaks in Washington in 1989, one at the Makah Indian Hatchery on Suez River at the Northwest tip of the Olympic Peninsula and one at a hatchery in the San Juan Islands. So you can see that this disease is not controllable nor stoppable when it gets going.

Can we afford to loose our multimillion dollar fisheries that employs one of the largest segments of the Alaskan population in both the sport and commercial fisheries, for a few?

And would it be Alaskan's or the multinational corporation's taking over wherever there are net pens? As they are in Washington, British Columbia and now are trying to do in Maine. If you want some reading look at the most recent National Fisherman and see what the scientist have to say about the net pens and the pollution they produce.

Also, one of the types of egg takes recommended from the Fishfish Task Force was from wild stocks and this is totally unacceptable to the ACTU.

Senator Dick Eliason March 17, 1990

As a conservation and resource oriented association I would hope you would consider the total resource user population and not just a few who want to make a buck at the expense of the majority.

Sincerely,

Jack Willis by OSW

Jack Willis
President

KODIAK SEINERS ASSOCIATION
P.O. BOX 2399
KODIAK, ALASKA 99615
907/487-4939 907/487-2456

February 14th, 1990

Dick Eliason
Rm. 417, Capitol
P.O. Box V
Juneau, AK 99811

Dear Mr. Eliason:

The Kodiak Seiners Association supports bills HB 432 and SB 397 that would prohibit fish farming in Alaska. Much has been written in the fishing press on this issue. To avoid redundancy, we agree that the reported health and genetic complications arising in fish farms throughout the world, the potential for dangerous health implications for our presently healthy and abundant natural salmon stocks, and the potential for disruption and degradation of wild salmon markets, are reasons enough to justify the ban.

Taxes on Alaska's natural fisheries resources being the second largest source of revenue for the State, it would be irresponsible to place finfish resources at the risk by their possible exposure to disease-prone farm fish. In addition, were the same State monies that would be needed to fund the development and regulation of fish farming devoted instead to the enhancement of existing hatchery and wild salmon runs, the State would realize a certain and almost immediate revenue gain.

Finfish farming would be a counterproductive graft onto the healthy body of Alaska's natural fisheries.

Sincerely,

Kodiak Seiners Association
Board of Directors:

Eric Manzer	Dave Kubiak
Oliver Holm	Jeff Povelite
Dana Reid	Chuck McWethy
Chip Treinen	Armin Reimnitz

cc:

Arliss Sturgulewski	Rick Halford	Gov. Steve Cowper
Steve Frank	Fred Zharoff	Bert Sharp
Bill Hudson	Cliff Davidson	Walt Furnace
Dick Eliason	Jalmar Kerttula	Richard Foster
Bettye Fahrenkamp	Mike Navarre	Curt Menard
Mike Davis	George Jacko	SE Seiners Association
PWS Seiners Association		

2 February, 1989

Re: Fin fish farms

Senator Bettye Fahrenkamp
Chair, Senate Resources Committee
P.O. Box V
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

I am a marine biologist, formerly with the Auke Bay Laboratory (NMFS) as a Fisheries Research Biologist. I am not and never have been a commercial fisherman, and there are times when I am not in complete sympathy with their agenda. However, in the case of finfish farming in Alaska, I am entirely in accord with their position.

I don't oppose finfish farming in Alaska because of markets, but because of biology and my deep concern for subsistence and sport fishing here. The concerns about genetics and about disease are valid--in fact I feel they haven't been strongly enough expressed. However, the issues are extremely complex, and it is very hard to express complex issues to the public, and especially to financial interests that do no wish to give them credence.

The scientific evidence of probable harm is strong. The reassurances that no harm will be done should be examined with the same hard nosed skepticism that should have been evidenced when we were assured that oil spills would do little damage (remember the pipeline controversy?) The risks are just too great, no matter what "plans" and assurances are given.

Please reconsider your position on fin fish farming in Alaska. And please remember that biologists in public positions are prevented from speaking out--I can only speak because I no longer work for NMFS. There is plenty of educated opinion out here that fin fish farming is a bad idea.

Thank you for your consideration.

Sincerely,

Natasha I. Calvin
Box 2966
Sitka, Alaska 99835

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

2 February, 1989

Re: Fin fish farms

Senator Bettye Fahrenkamp
Chair, Senate Resources Committee
P.O. Box V
Juneau, Alaska 99811

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Thank you for your consideration.

Sincerely,

Natasha I. Calvin
Box 2966
Sitka, Alaska 99835

[illegible]

Greetings Honourable Bettye H. Fennemore,

I am a Fisheries biologist/ Culturist for the State of Alaska. I have 12 years of experience in this field.

I am very concerned about Fin fish farming in Alaska, and it's impact on our resitry productive fish populations.

We have a unique situation in Alaska. Alaskan rivers systems contain over 60% of all Salmon stocks in the world. We without a doubt must not jeopardize this unique natural wonder for economic gain of select promoters. Senate Bill # 397 and House Bill #432, would help to assure protection of this valuable resource.

The maintenance, and restoration of the chemical, physical, and biological integrity of our waters is the primary building block of our fisheries. Without this our fisheries resource could be jeopardized.

I've traveled to New Zealand and have witnessed the Salmon Farming operations there. I observed farm fish escaping into the oceans with no enforcement oversight. There were continual problems with ocean bottom contamination, and disease had entered into their operations making antibiotics and chemical medications and vitamins an additive to their feeding program. Such would without a doubt be the case in Alaska, where the enforcement over Natural Resources is feeble at best.

Genetics were geared toward selective breeding for docile fast growing fish. I have some photos of some of these sad looking Salmonids, if you would like to see them. These genetic traits would be deleterious to our strong ocean run Salmon.

Lax regulation and oversight to curtail these massive problems of contamination would most likely occur as we have seen this to be human nature.

Ocean run chemically free fish stand on their own merit. To have a fresh ocean run Fish on the market is a market all of its own. In New Zealand farmers admitted that there is no comparison in taste and quality between ocean run and farmed fish. We have the quality product. This will be a specialty item in a comparative market of farm grown, colour added antibiotic filled fish. We must always protect our image of clean fresh wild status, because it is the rare exception and not the rule on Earth and this trait will be a continuing asset in all future dealings of commerce, tourism, and economic well being in the state of Alaska. We have something the rest of the world has lost or destroyed. This is our future Bettye.

The Seafood industry is Alaska's largest private basic industry providing nearly 70,000 seasonal jobs which translates to 33,000 direct, indirect and induced year-round jobs. This doesn't include revenues from our giant Sport Fisheries industry which could also be at risk.

This industry is the second largest revenue generator in the state. Fishermen paid $27 million in fish taxes during 1987, and were the major contributor to the marine fuel tax.

Expenditures in Alaska on goods and services in support of processing and harvesting are nearly $300 million.

Alaska leads the nation in value of commercial seafood landings. The 1987 Harvest was worth $1.1 BILLION. In 1987 the wholesale value after primary processing was $1.9 BILLION. 1988 exceeded this to $3 BILLION. The Salmon fishery is the most important, bringing in 42% of all harvest income. This fisheries is critically dependent upon protection of stock genetics, disease prevention and wise management. Under no circumstances must we jeopardize this resource.

Fish are a renewable natural resource if managed and protected properly under the Clean Water Act. Prevention of adverse impact will contribute substantially to the health and welfare of this resource and livelihoods directly and indirectly related to and including tourism, Sport, Commercial, and Subsistence fishing for future generations to come.

The future of the quality of our aquatic ecosystem is on the line. Without this quality we question just how long our fisheries and those in harmony with them will continue to last favourably. We have these viable industries which add great revenues to our economic health. Finfish mariculture and these viable industries cannot and should not be allowed to coexist.

With Kind Regards,

Geoffrey J. Halford

cc: Jalmar Kerttula
Mike Navarre
Walt Furnace
Bill Hudson
Bert M. Sharp
Richard I. Eliason
Steve Frank
Rick Halford
Arliss Sturgulewski
George G. Jacko
Mike Davis
Richard Foster

cc: Fred F. Zaroff
Cliff Davidson
Curt Menard
Paul A. Fischer
C.E. Swackhammer

Comments by Rep. Ben Grussendorf April 9, 1990

HOUSE BILL No. 432 (Resources)

WHAT WE KNOW

- Fishing is the second largest industry in terms of dollars, and **the largest** in terms of employment, in Alaska.

- The wild stocks of Alaska salmon are **healthy** - in numerical strength and because they are virtually disease free.

WHY IS THIS SO ?

- **Because many years ago the people of the Alaska made a commitment.** We said to the federal government and to the exploitive outside interests: "let us control our own destiny and we will be responsible stewards of our natural resources". Some could argue that we haven't always lived up to that commitment as it relates to other natural resources, but I think we've done a pretty good job with our fisheries.

- For it's part, the State of Alaska has **invested** millions and millions of dollars in capital investment for docks, harbors, grids, processing sites; not to mention the numerous loans made to capitalize the fleet. We've appropriated millions more in operating budget funds for fisheries management, enhancement, enforcement,inspection, and a variety of other programs all designed to keep this industry healthy and prosperous. As best we could, **we have honored our commitment.**

- In 1972, the people of Alaska passed a constitutional amendment which paved the way for the limited entry system. There was too much gear in the water - our stocks were endangered and the viability of the industry was in question. Limited Entry was enacted not only to protect the stocks but to allow the Alaskan fisherman to continue making a living. This was not a decision made lightly. Everyone knew that limitation meant that some would not be able to freely participate in the industry; but they made the hard choice. **The people of Alaska honored their commitment to keep the industry healthy.**

- Hand in hand with the Limited Entry program was increased attention to fisheries rehabilitation and enhancement. The State invested considerable amounts in hatcheries and other enhancement programs. The Alaskan fishermen formed aquaculture associations

and taxed themselves to help keep the enhancement effort strong. In the past several years, the responsibility of operating a number of state hatcheries has been turned over to the aquaculture associations, thereby easing the need for state funding of those hatcheries. Remember, hatchery fish come to maturity in the wild and are harvested by all user groups - sport, commercial, and subsistence. **The fishermen who tax themselves and try to keep costs down and returns strong at these hatcheries are honoring their commitment to healthy fisheries.**

- Because we all have kept the commitment we made over thirty years ago, we have a strong, healthy fishing industry, and at the pinnacle of that industry is the wild Alaska salmon; in the opinion of many, the finest seafood in the world.

NOW, IF WE KNOW THIS, WHY WOULD WE WANT TO DO ANYTHING THAT MIGHT JEOPARDIZE THE INDUSTRY WE HAVE ALL FOUGHT SO HARD TO KEEP HEALTHY?

- Some risks associated with fish farming:

•<u>The health of the wild stocks</u>. I'm not going to print the laundry list of diseases to which farmed fish are susceptible because they seem to be finding previously undiscovered ones every day. Fish kept in captivity until maturity experience much more stress than do wild fish, and this heightened stress makes them susceptible to disease. If diseased fish should escape into the wild, there is a distinct possibility that the disease they carry could be transmitted to the wild stocks with which they mingle. The migration of disease through the wild stocks could be devastating.

•<u>The reputation for quality that Alaska salmon now possess</u>. In order to control all these diseases, fish farmers must mix large amounts of chemicals into the food pellets given to the captive fish. There is growing concern that these chemicals could make their way into the human food chain. (See "Additives to the Environment of Net-Pen Reared Fish" by zoologist Arther H. Whiteley, included in your bill packet.) Even if these concerns are eventually dealt with through strict regulations, the <u>perception</u> that farmed fish are unhealthy could be detrimental to the marketing of our wild salmon. We all remember the botulism "scare" of the early 1980's and how one or two bad cans of salmon damaged the entire industry.

•<u>Pressure on a budget built with dwindling revenue</u>. No one seems to know how much the State of Alaska will need to spend should we become involved with fish farming. Licensing, monitoring, enforcement, and siting concerns will all have to be addressed through the State

operating budget. (Not to mention the potential need for State loans or other "bail-out" measures that would have be looked at down the road. The economic disaster that British Columbia fish farmers recently faced gives some indication of what could be in store for us.) Given that many of our constituents, and a number of the members of this body, believe that we are presently underfunding the agencies that manage and protect our fisheries, I am not ready to gamble millions of State dollars on fish farming.

•Market control. Fish farming evolved in Norway because of that country's concern about its wild stocks of Atlantic Salmon and its fishermen. Norway then instituted its own "limited entry" system: fishermen became fish farmers and the government was able to control "supply" as the demand for fish in the European markets fluctuated. At first Norway did well, capitalizing on the sudden drop in demand for Alaska salmon following the botulism scare of the early 1980's.

Today, however, Norway is faced with a number of growing problems. The market is glutted with farmed fish and prices have dropped. Their own high government officials have now acknowleged that the spread of disease from farmed fish threatens what's left of their wild stocks with extinction. Last Spring the government of Norway was under siege to fund 100 new fish disease specialists and 150 fish veterinarians. They are now paying the price for what they allowed to happen to their own fisheries.

The light at the end of the tunnel for Norway is the exportation of fish farming technology and as much control as they can exert over the world supply and demand of salmon. We all know where the investment dollars will come from for fish farming in Alaska, and who will pay 10¢ on the dollar when the so-called "Mom & Pop" fish farms can't make it and have to sell out. Take a look at which country's corporations started taking over the British Columbia fish farms that went into receivership this past year. It is interesting to note that a fish farmer in the state of Washington has filed suit in U.S. District Court claiming that foreign national interests have attempted to monopolize the industry in his state; that Norwegian concerns operating through American "fronts" have conspired to destroy competition, remove local control, and violate antitrust laws.

•In conclusion, the Norwegian-type farmed fish may have captured a large share of the world market in the short term, but I am convinced that, in the long term, the wild fish -the quality fish- harvested by the Alaskan fisherman will be the winner. We should not risk our dwindling State dollars, and our reputation for a quality product, on a capital intensive, foreign dominated industry that has brought collapsing prices, environmental problems, and questionable genetic practices in it's wake.

GENERAL CONCERNS WITH "UPLAND" FISH FARMS:

1. Groundwater contamination.

Fish diseases are commonly transmitted through water sources. Contaminated water discharged from an upland farm could seep into the water table or surrounding streams.

2. Broodstock.

Broodstock ownership, genetic mutations and alterations of broodstock by private business could threaten common property ownership of fisheries, The source of broodstock for these farms is a major concern because it would have to come from either: (a) hatcheries within the state (which you cannot presume will have the excess eggs or smolt to sell), or (b) sources from outside the state. Importation of broodstock from outside is extremely hazardous in terms of not knowing exactly what you getting. The Finfish Farming Task Force recommended that the importation of salmon broodstock and the private ownership of broodstock be banned.

3. Water appropriation.

Upland farms will use an enormous amount of water. A 200 ton production capacity farm requires 50 cubic feet of water per second, an amount equal to the amount of water the city of Eugene, Oregon uses. The debate over House Bill 210 demonstrated the controversy which exists relative to the appropriation of water in this state.

4. State budget.

Upland farms will still need to be licensed, inspected and monitored for compliance with state laws and regulations. This will take money away from other programs the resource agencies are having a difficult time administering now. Sonja Corazza, the co-chair of the United Fishermen of Alaska's Mariculture Committee testified in House Resources that Southeast shellfish farmers told her that some lease sites had not been checked in three years. DNR didn't have the personnel or the funds to adequately monitor all the sites.

TWO EXAMPLES OF PROBLEMS WITH "UPLAND" FISH FARMS:

1. The Finfish Farming Task Force toured an upland farm in Washington State that is owned by Dan Swecker and a subsidiary of Sealaska Corporation. The farm grows pan-sized coho salmon.

The majority of the facility consists of above-ground swimming pools where the salmon are raised. The water is supplied from several wells. The farm also has a number of mall, man-made ponds where the adult brood stock is kept.

Members of the task force noticed that a couple of the ponds were dry and abandoned, and asked why. The answer was that the adult fish in those ponds had passed a pathogen down into the water table and that the pathogen had then travelled back into the wells and had been introduced into the swimming pools containing the juvenile fish. This caused an unexpected, but devastating, outbreak of disease among the population.

It took them quite a while to discover the source of the infection, and the solution was to move the earthen ponds as far away as possible and drain them into an adjacent swamp.

2. The deaths of 100,00 cohos in a river in Washington State have been linked to the seepage of water discharged from a nearby landlocked fish farm, as reported in the Seattle P-I, November 1, 1989.

The Fisherman (B.C) Dec '88

Norway sees mounting disease, pollution threat from fish farms

The deadly salmon disease furunculosis, previously unknown in Norwegian waters, is breaking out of fish farms and threatening beleaguered wild stocks, says a top government official.

Svein Aage Mehli, head of the division of Norway's Directorate for Nature Management which is charged with protection of wild salmon, told a Washington State regulatory hearing Nov. 14 that 5,000 farmed salmon infected with the disease escaped this summer into Hjorundfjorden near Molde.

Despite an intensive fishery to catch the fish and a system of net barricades at the mouths of salmon rivers, an infected fish was found in fresh water, he testified.

"If the disease spreads to natural stocks, the situation may be out of control in Norway," Mehli said.

"I feel we are on a sharp edge with diseases. If we have (the parasite) *Gyrodactylus salaris* in more rivers we may just accept our wild salmon is extinct."

(Furunculosis is present in B.C. waters and leads to loss of appetite, fluid retention, ulcers and eventually death in up to 60 percent of affected stocks. It had not been found in Norway until smolt transfers from outside the country were undertaken. Gyrodactylus also has been linked to fish farming and is treated by killing all host fish with rotenone.)

Mehli was qualified as an expert witness at a hearing in Lacey, Wash., of the Shoreline Hearings Board, which is hearing an appeal of a Skagit County decision to reject a fish farm in the mouth of the Skagit.

The fish farm proponents, a tribal group, are appealing the refusal of the Skagit County commissioners to issue permits for the farm on the basis that it threatens Skagit salmon and could pollute the sensitive estuary.

Proponents have denied there is any evidence of a disease threat to wild stocks from farmed salmon.

As a result, the appeal hearing has turned into a deep investigation of the environmental impact of salmon farms on wild stocks. Mehli was flown from Norway to testify on behalf of county commissioners, who backed up their decision by referring to the Suzuki Foundation report on Norway called *Journey to the Future*.

● Svein Aage Mehli, of Norway's environmental agency, testified last month to a Washington State regulatory agency.

Mehli responded angrily to suggestions by fish farm proponents that there is "no conclusive evidence" of disease spreading to wild stocks from farms.

"We are very concerned," he said. "It is not right to ask for conclusive evidence at such an early stage."

Furunculosis imported on smolts destined for salmon farms broke out two years ago and authorities felt they had eradicated it, he said.

This year's outbreak was a shock, as was the continued spread of bacterial kidney disease (BKD), which is very difficult to treat even with antibiotics.

"BKD poses a problem for natural stocks because it was diagnosed for the first time in 1980 and previously did not exist in nature," Mehli said. "It is very easy to see a connection between BKD (in salmon farms) and wild stocks in the river."

"It's reasonable to conclude" BKD spread from farms, he said, and Norwegian scientists "see logic in such a connection." BKD is diagnosed or suspected in 100 netpen operations and hatcheries.

Antibiotic use on Norwegian fish farms climbed to 48 tonnes last year, equal to the requirements for human use and animal husbandry combined.

"If you see the first diagnosis of redmouth disease in Norway just two years ago, it's impossible to ask what happened in such a case," Mehli continued. "Veterinarians underline the seriousness of that situation, that net pen operations have an impact."

Mehli said redmouth now is present in 300 facilities but was unknown until 1985.

"Net pen operations may function as a multiplying station for disease," Mehli said. "They will give greater disease pressure on natural stocks that we didn't see before netpen operations."

Mehli said further studies on the straying of farmed fish into rivers show a sharp increase in the presence of farmed fish. A year ago, 18 percent of the fish found in the rivers studied were of farm origin. In 1988, the figure rose to 40 percent. The origin was confirmed by scale samples and electrophoresis.

Asked if strong regulations could control disease, Mehli agreed they could "minimize problems if they go far enough. Norway has not gone far enough."

Norway is proposing a ban on the transfer of eggs and smolts between regions of the country, he said, and considering a ban on all imports of sexual products like eggs and milt.

Even though existing regulations list diseases which must not be present in imported eggs, the list is limited and "in Norwegian cage culture we know other diseases are knocking at the door."

In theory, he said, fish farmers "want to get rid of disease, but if they see profit in the short term they may react in a different way."

Mehli also confirmed fears of negative genetic effects of farmed fish on wild stocks if they interbreed. "We are very afraid it could affect their ability to migrate."

Netpen salmon have undergone careful selection for size and growth rate, he said, but researchers may have inadvertently selected other characteristics which could have a negative impact if reintroduced into wild stocks.

"First there is a genetic problem and second an environmental problem. If Atlantic salmon (escaping in Pacific waters) have the same requirements as coho or steelhead trout — and we know that salmon escape in great numbers — then you will have competition for space in the rivers."

As to their ability to spawn, "we see them in rivers, they are mature, ready to spawn and we are very worried of what will happen."

New zoning regulations now being implemented in Norway will ban farms within 20 kilometres of salmon rivers and close entire fjords to farming where

Should corporations use public waters for private profit?

By John de Yonge
P-I Columnist

Consider these things about floating fish farms:

■ A typical net-pen fish farming operation on Puget Sound produces pollutants "equivalent to untreated sewage from approximately 10,000 persons." That's what a state report says. The pollution comes from fish feces, urine and food pellets deposited in the water and on the bottom of the Sound.

■ There are 13 commercial pens now operating over 69 acres of aquatic lands leased from the state. These 13 operations daily deposit to the bottom of Puget Sound nearly six times as much oxygen-demanding fecal matter and other wastes than does Metro's Renton Waste Water Treatment Plant, which serves 430,000 people. Materials that deplete oxygen can radically change or kill off the life forms in an unpolluted environment.

■ Siting 27 more fish farms, now delayed by opposition from upland property holders, environmentalists and county officials, would add a pollution load to Puget Sound equal to that from building four new cities the size of Everett.

■ The ". . . proper siting of 100 farms would not have significant impact on the aquatic environment." So says the state's just-issued environmental impact statement on floating net pens.

Those 100 fish farms would produce 55 metric tons of oxygen-demanding waste per day. That's 18 more tons a day than Metro's Renton and West Point treatment plants together produce from the sewage of 1 million people.

Analysis

The environmental impact statement was prepared by three private organizations that supply fish-farm companies with paid expert witnesses.

Under Gov. Booth Gardner, state policy is to hosanna any increase of fish farming in the state's waters and to downplay environmental problems that aquaculture may bring.

The official evangelist is the Department of Agriculture's Dr. John Pitts, veterinarian and former Jefferson County commissioner who appears at meetings and hearings — in one case, as a paid witness for a net-pen applicant — to pooh-pooh environmental objections raised by net-pen opponents.

Opponents are not just those who own shoreline property, who howl against a net pen being erected in their aquatic front yard. They've been fired up by what the state's environmental impact statement confirms: A new, nearby fish farm can give view property a one-time, financial knock.

Opponents include environmentalists like David Ortman of Friends of the Earth, who says: "Why should we be happy about fish farms that dump tons of fish poop every day into Puget Sound?"

They include commercial fishermen like the Puget Sound Gillnetters, who know something that has largely escaped the notice of sport anglers:

Atlantic salmon, not a salmon but a sea-run trout of the Atlantic seaboard, have escaped by the thousands from net pens here and in British Columbia. The B.C. government booms fish farms with a gusto exceeding even the ta-ra-ra-boom-de-ays from Gardner's men and from Brian Boyle, the separately elected head of the Department of Natural Resources, which manages shore bottoms and other public lands.

What's more, hundreds of thousands of Pacific salmon have also escaped from the pens, especially in British Columbia.

So what does that mean?

The state environmental impact statement points out that escaped exotic fish like the Atlantic salmon "could establish self-sustaining populations and compete with indigenous fish," such as steelhead trout.

That may not be far off.

In the North Puget Sound last year, commercial and sports fisherman caught hundreds, probably thousands, of Atlantic salmon weighing up to 10 pounds.

More dangerous by far is that for the first time ever at least three sexually mature Atlantic salmon showed up miles from the sea in the Nooksack River last year, near Bellingham, and one in the Nisqually, near Olympia. Rumor has a fourth Atlantic netted in the Skagit River at Sedro-Woolley.

What's the worry about four fish, though they may be forerunners of thousands to come?

The environmental impact statement warns that accidental importation of "exotic" fish diseases associated with fish farms in Europe could devastate existing salmon and trout runs in state rivers.

Just in the past two weeks the public has learned that such a disease, viral hemorrhagic septicemia or VHS, has shown up at two hatcheries in state waters. It is the first time ever that VHS has been found in North America.

VHS, state fish-disease experts say, has never been found to occur naturally in Atlantic salmon. They say that the chance that Atlantic salmon in pens here are the source of the disease is "virtually zero." The disease was found in chinook and coho salmon, species raised extensively at federal, state and tribal hatcheries and at commercial net-pen operations.

The impact statement does not dwell on what has happened in Norway, where other diseases associated with that country's extensive net-pen industry have ravaged wild Atlantic salmon runs in 32 rivers. The government was forced to poison some streams, set up a salmon sperm bank to preserve wild genes and consider banning any new net pen within 12 miles of a river mouth, an obvious rule not yet under consideration here.

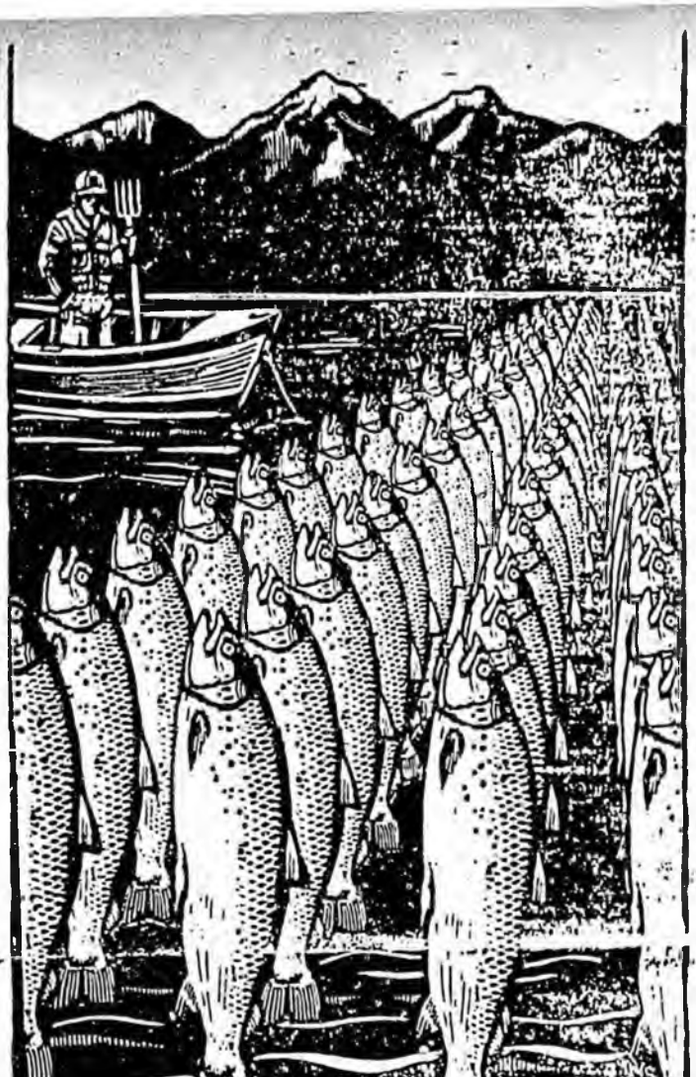
Nor does the statement dwell on the possibility of migrating wild fish catching indigenous fish diseases from net pens here or of net pen escapees spreading such diseases into our river systems.

Fish farmers themselves helped call state attention to feces build-ups beneath pens, a build-up that kills clams, oysters and other bottom dwellers and can create poisonous hydrogen sulfide gas, which can kill all fish in a pen in minutes.

In 1986 Commissioner of Public Lands Boyle limited new net pens to sites where the water is at least 40 feet deep at low tide, a mile away from other pens and with enough current to flush away food and fecal deposits. He also limited the surface area of new pens to two acres or less.

These requirements ended up in "Recommended Interim Guidelines" written for the departments of Agriculture, Ecology, Natural Resources and Fisheries, which share regulation of the fish-farm industry, with Agriculture and Pitts calling most of the shots.

With no force of law and offered to help county commissioners site pens under state law, the guidelines deliberately do not talk about navigation problems, use conflicts and, most important, esthetics.



DUANE HOFFMAN/P-I

> **If the two sides could stop feuding and start talking about necessary standards, we could have a safe, considerable industry.**
>
> —Peter Katz, fish farmer

Commissioners have learned that if they turn down a net-pen proposal, the applicant will seek a full rehearing before the state's Shorelines Hearings Board, with Pitts certain to show up to put the stamp of Gardner's administration on having the permit granted.

Dwain Colby, an Island County commissioner, put the matter thus in a 1987 letter:

"While there may be legitimate reasons for denying a permit to locate a salmon net pen, local government has been placed in the position of being able to say 'yes' to such a proposal but not 'no.' "

Under Gardner, the Department of Ecology has refused to require net pen operators to get pollution-limiting discharge permits under the federal Clean Water Act.

The Sierra Club Legal Defense Fund has announced it will sue the U.S. Environmental Protection Agency if necessary to force EPA to force Ecology to force every net pen operator have such a permit.

The state's draft environmental impact statement declares that the major impacts of net pens can be cured by "proper farm siting to assure dispersion of wastes, flushing of the site and protection of sensitive areas."

It's a view that one can come to easily while talking to such eloquent fish farmers as Peter Katz, a marine architect running the Paradise Bay Co. net farm at Port Townsend and John Forster, a Ph.D. in aquaculture running Joe Farm Washington's similar operations at Port Angeles.

Both pen systems, clean, low in the water, quiet, full of fat, bright Pacific and Atlantic salmon, are barely noticeable in the working harbors that contain them.

But that's quite different than siting a pen in Frenchman's Cove on the west side of Hood Canal, as International Marine Farms Inc. proposes.

Or siting a pen, as Tailfin Inc. proposes, in a main salmon and trout-fishing cove between Fair Point and Bells Beach on the west side of Whidbey Island, where from her home Margaret Johnston looks out across Saratoga Passage to Camano Island. She heads the Marine Environmental Consortium, made up of 20 citizen organizations that oppose fish and other floating farms.

Katz argues for having the state set standards for siting and operating net pens, to ensure that the pens do not harm the environment and to give the net-pen operators a clear but flexible regulatory framework to live with. But Katz feels the industry is getting a bad rap from people like Johnston, who, he says, simply don't want a net pen in their aqueous front yard.

"If the two sides could stop feuding and start talking about necessary standards, we could have a safe, considerable industry . . ." he says. "But we're years away from that."

Forster, president of the Washington Fish Growers Association, dismisses esthetic revulsion as the main drive behind the opposition to what he characterizes as a clean, beneficial industry with great prospects.

"It's more than esthetics. It's an intrusion into a life style that they don't like and they're using environmental problems as a smokescreen. Because of that, the debate is dishonest at the moment, terribly dishonest."

Johnston, at a gathering in her home with other members of the Marine Environmental Consortium, characterizes such comments as unworthy.

"The net pen issue raises a fundamental issue of public policy that involves more than us, though the environmental questions are real and cannot be brushed aside by the industry or the state. The big question is: Should the public waters of Washington State be turned over to a few corporations for private profit?"

That is a proper question for us all to ask. It must be answered by political action. Gardner's administration has already answered "Yes."

To me it seems stupid to site more pens in pristine salt and fresh waters (as an application is pending in Eastern Washington) until we have better, more extensive scientific information about siting than what the draft environmental impact statement supplies.

Until we know if pens can be sited safely anywhere, we would be blind to commit ourselves to putting major sources of pollution in our unpolluted waterways and in waterways we are trying to clean up.

The travesty of Norway's mess demonstrates that

SPECIAL REPORT

West Coast Shake-out

Supply and demand tremors rattle B.C. growers.

by Peter Chettleburgh

THE SHAKE-OUT has begun. Sagging salmon prices, excessive debt, high interest rates and a worldwide glut of salmon have triggered a period of consolidation in the west coast salmon farming industry. On the East Coast where prices are firmer and farmers have been more conservative in their approach there is still a margin of profit, but it too is narrowing as prices continue to slide in the face of skyrocketing worldwide production (220,000 tonnes in '89).

Everyone said it would happen, but no one really wanted to believe it. On the west coast, where prices have been hovering at or below production levels for most of the summer, reality has struck home with a vengeance. The need for cash flow has caused many farmers to sell a lot of small pre-market fish for ridiculously low prices - 90¢ a pound was one figure this writer heard mentioned earlier this summer.

Since May we have heard of at least four west coast farms that have been put into receivership, another two that have been sold at fire sale prices and at least a dozen more which are in desperate need of working capital. Everyone else is holding on, praying for higher prices in the fall.

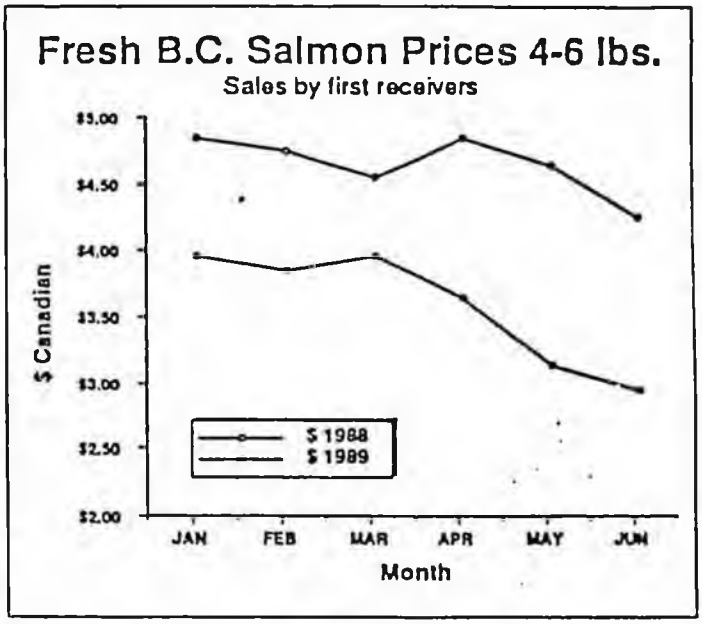
One of the big ones that went into receivership is the Fremstad Group which has four farms, a hatchery and processing plant in the vicinity of Campbell River. It's being handled by the accounting firm of Coopers and Lybrand which was looking for a buyer as we went to press in August.

Triangel Resources near Tofino on the west coast of Vancouver Island found itself in trouble earlier this spring and was taken over by General Sea Harvest, an affiliate of the Finnish conglomerate, Cultor Ltd. (formerly Finnish Sugar Co.), the parent company of Ewos Canada. General Sea and B.C. Packers were also looking at the assets of Ross Passage Salmon Farm, another west coast operation which found itself in trouble earlier this spring.

One other company that is known to be in receivership is Seagrow Industries Inc. (400 tonne capacity) with two sites in Jervis Inlet. The receiver, Coopers and Lybrand, was still looking for a buyer as we went to press.

There were also some amalgamations before the current shake-up began. For instance, within the last year Five Fishes (Sechelt) and Nordic Ventures (Quadra Island) were purchased by B.C. Packers, the large west coast fishing company-cum-processor owned by Westons. Apparently B.C. Packers is on the lookout for other expansion prospects, but doesn't plan to walk into a situation unless all the biological criteria, etc. are just right.

As a general comment, it can be said that the farms with some of the worst financial problems are in the Sechelt area. This is where the goldrush started in 1984 and it is the area that received a lot of the initial debt financing from Norway. Now the Norwegian financing has all but dried up and few investors are prepared to put additional money into the farms because of their current debt structure. Adding to their woes are the growing conditions which many in the industry agree are not as good as those north of Campbell River or on the west coast of Vancouver Island. Indeed, some of the salmon farm sites may end up in the hands of oyster growers who are already lining up for a chance at leases that will probably turn out to be better for shellfish than salmon.



The graph above tells the story. The top line shows prices for B.C. farmed salmon (4-6 lbs.) during the first six months of 1988, while the lower line shows prices for the first six months of 1989. Prices are FOB Vancouver (Source BCSFA).

$250 million investment

A recent estimate puts the total investment in B.C. salmon farms at about $250 million. And this does not include an additional investment of at least $50 million in the supply and services sector (cages, feed, nets, etc). Of this total investment, at least $85 million has come in through Norwegian banks, much of which is now exposed to major losses, according to a recent report in a Norwegian newspaper.

Even for the smaller farms, those with debt in the neighbourhood of $2-3 million, the debt servicing costs of 15-18% will skim off between $300,000 and $400,000 a year. That's a lot of fish, and a lot of debt relative to inventory, assets and equity, particularly in an industry that has yet to establish a solid production base. >>>>

Sechelt

Problems for suppliers

Although the depressed prices are toughest on the farmers, the suppliers behind the scenes are also hit hard. Scantech Resources of Sechelt folded in July after becoming one of B.C.'s major suppliers of fish farm equipment in just four years. President Clark Hamilton says that he lost everything in the failure but is still a strong believer in the future of the industry in British Columbia.

Another supplier which was hard hit was Powell River Net Loft which ceased doing any further work for the fish farming industry in June. The suppliers that are the most exposed are the companies which specialize *solely* in fish farming equipment and services for the B.C market. They don't have the flexibility of companies that serve other industries or those that have national distribution.

What went wrong

It's small consolation that salmon farmers around the world are facing the same problems of overproduction and falling prices. Indeed, both the Scots and Norwegians are taking a serious beating in Europe where production continues to grow at about 50% per year while demand is at about 25%. In Norway the Fish Farmers Sales Organization (FOS) has recommended holding the number of smolts going into the sea at about 50 million this season. This is to reduce production and maintain prices in the years ahead. One of the consequences, however, will be a continued shakeout in the Norwegian smolt producing sector.

In British Columbia the problems seem even worse. Excessive debt financing, high jacking rates and high mortalities from algal blooms and BKD have continued to chip away at profit margins. B.C. growers have also had to cope with a relatively new and untried culture species, chinook. It doesn't have the 20 year track record of the Atlantic species which the Norwegians and Scots have been able to use to their advantage on both the production and marketing sides. It's taken extra time and money for west coast producers who already arrived late in the world growth curve of farmed salmon production.

> "At the end of the day salmon farming will end up like other producing sectors with only the low-cost producers surviving."

Glutted markets

As if this weren't enough, world markets are currently glutted with high inventories of frozen Pacifics, a legacy of an oversupply last year and ample reserves of fresh and frozen farmed Atlantics on world markets this year. Farmed Atlantics now take preference in most European and some North American markets, areas that were once dominated by wild Pacifics. Consequently, the price for both farmed and wild Pacifics has seen a dramatic fall since last December with farm gate prices for farmed chinook (6-9 lb.) dropping more than $1.50 per pound to $2.50 and lower for a while early this summer. (New Brunswick Atlantics (6-9 lb.) were wholesaling for about $1.25 more per

pound than B.C. chinooks of the same size mid-summer, while Norwegian Atlantics were about 50¢/lb less than the New Brunswick product.).

The depressed market conditions came at a particularly awkward time for B.C. growers. The 60 or so companies that started operations within the last four years are at a stage of maximum investment, everything's out on the line, but as yet they haven't had a good chance to make any major earnings and reduce their debt. And now, with salmon prices the way they are, you can be sure that any fish under 4 pounds is being sold below the break-even point.

The worst part is that there aren't any major miracles expected in the near future. Though there should be a modest price rise when the wild-catch season ends this fall, a significant jump in farm gate prices is not likely since the ever-increasing supply of farmed product from Norway, Scotland, Chile and Ireland is flooding markets in Europe and Japan, and making serious inroads into adjacent turf in the United States. It's a classic case of supply and demand theory in action and will only be stabilized by market expansion, strong promotional efforts, more efficient production techniques and well organized selling.

Who will survive?

The farms in the best position are those with the least debt, highest efficiency and deepest pockets, all linked to an efficient means of selling their product. The big integrated national and multinational companies are in a strong position. They can benefit from profits in several segments of the production, processing and distribution chain.

But there is also a future for independent farms if they can maintain a low cost of production. To do so they must run a lean operation, maximizing growth rates, while keeping feed wastage and equipment purchases to the minimum. They will want to have the least expenses possible and get the best prices they can for their product by pursuing niche markets.

Production costs are hard to pin down, but estimates run between $2.50 and $3.50 a pound farm gate depending on the site and

... *Please turn to page 48*

World's shrimp producers face same problems

Shrimp producers in southeast Asia are facing the same slide in prices that hit salmon farmers this year. According to a recent article in *Aquaculture Digest* (July 25, 1989) the pond-side price for giant tiger shrimp fell from $8.50 to $4.40 per kilo in Taiwan last spring and only recovered slightly during the summer. Taiwanese production costs are about $5.00 per kilo.

Once again the main culprit is a hyper-active production sector trying to sell product into already-glutted markets. According to *Aquaculture Digest* the winners in the shrimp game are likely to be the low-cost producers in China and Indonesia while the losers are going to be the high-cost, intensive shrimp farmers of Taiwan, the Philippines, Thailand and the rest of the world. Commercial shrimp fishermen will also have problems remaining competitive in the years ahead, the article adds.

W. C. SHAKE-OUT

Continued from page 23

what costs are included. This means that in mid August, with farm gate prices hovering at about $3.00 per pound, B.C. farmers could make a modest profit if they were operating on the lean side or could be losing up to 50¢ a pound if they were on the high side. Unfortunately, for many of them there was no choice but to sell chinook and coho that were starting to mature. A couple of farmers were seriously looking into the possibility of establishing *U-catch'em* pens catering to wealthy U.S. yachtsmen.

Key to success

One of the most important keys to success in the years ahead will be management. As aquaculture consultant Ted Needham pointed out in a recent issue of UK-based *Fish Farmer* magazine "... every farmer has to find out what his rearing costs really are. ... he can only do this if he works to proper budgets with monthly cash flows projected over two years and updated at least quarterly. All forecasts of fish growth should be based on what has been achieved to date rather than on some hoped-for improvements." Needham's advice is as sound here in Canada as it is in Scotland. The margin for sloppy record keeping slipped away sometime last winter.

What is the outlook?

Is there any light at the end of the tunnel? Depends on who you talk to, but with another 50,000 tonnes projected to come onto world markets next year (275,000 tonnes total) there's not much hope that prices will again reach 1988 levels.

Who are the consumers?

Who's going to eat all this fine, fresh fish? The European market is nearing saturation and what's left will probably go to Scottish and Norwegian producers. The Japanese market is still available but it takes work to penetrate and, once again, the canny Norwegians are already in there, picking up what the Japanese can't produce for themselves (domestic farmed salmon production for Japan is estimated at about 25,000 tonnes of coho this year). The most accessible market left is our big, convenient neighbor to the south and there's still lots of opportunity there if the Canadians will make a serious effort to go after it. Marketing and distribution are pivotal. It will take a concentrated, cooperative effort on the part of all Canadian producers of both wild and farmed fish.

At the end of the day salmon farming will end up like other producing sectors with only the truly low-cost producers surviving. They will sell their fish in a well disciplined market where demand will determine the production that is planned and financed. But at this point not even a prophet could say how long the restructuring will take and who the survivors will be. Ω

FRANK SIMON

Continued from page 42

The intense competition in the salmon business doesn't worry Simon either. "There is always room for a producer who's doing things right," he says. "We want to differentiate ourselves on the basis of quality. We believe that if we do everything right, we'll have a prominent position in the market." Ω

MIX AND MIS-MATCH

Genetic pollution is the most invidious consequence of the escape of farmed salmon, argues Richard Douthwaite, who fears that the mating of farmed with wild fish may eventually eliminate our native stocks

On 9 February 1988 a storm of unusual ferocity hit the west coast of Ireland and swept across the country, leaving a trail of destruction in its wake. In Clew Bay on the Atlantic coast winds were so severe that farmers went down to the beaches the next day with their tractors and collected large quantities of dead fish. It was no surprise that two salmon cages moored in the bay broke up, releasing more than 30,000 fish into the open sea.

It is not always the weather which is to blame for fish farm escapes. One moonless night a few months before the storm, two men in a rowing boat cut the nets of 12 salmon cages moored in Mulroy Bay in Donegal. Almost 10,000 fish, worth £100,000, got away and the farm recaptured less than a quarter of them. The raiders' motive was to catch the escapees in their drift nets and then sell them.

Only recently has concern been expressed about the effects that these escapees might have on wild salmon stocks. Perhaps the matter should have been addressed earlier. The first Scottish attempts to rear salmon in cages were made in the late 1960s and it was as long ago as 1981 that Scotland's output of farmed salmon exceeded its wild catch, with Ireland reaching that position about four years later.

Today the problem is so large it cannot be ignored. Scottish farmed output is expected to be 54,000 tonnes in 1991, about fifty times the size of the wild catch, and Ireland hopes to produce 15,000 tonnes that year. There is so much salmon in cages at sea that if only two or three per cent break free in any year, they will substantially outnumber the native stock.

Escapes would not matter if the freed fish were genetically identical to those born in the rivers up which they swim. However, this is rarely the case. The salmon in each river – even sometimes in the carrier streams – are unique strains which have evolved in the ten thousand years since the ice sheets retreated. In most cases escapees will not be of that strain. There are 400 distinct stocks of wild salmon in Scotland, according to a report produced last year by the Scottish Wildlife and Country Link. It also states that wild salmon transferred from one river to another perform less well and have harmful effects on the native stock.

Farmed fish are increasingly being bred, like pigs and cattle, for characteristics which suit life in captivity rather than in the wild. Consequently, if escapees enter a river and mate with wild fish, they will pass on genes which tend towards placid behaviour, late sexual development and more rapid growth. Cross-bred young are therefore less likely than pure-bred natives to survive in the sea and return to the river as adults.

Even if farmed fish turn up in a river but mate with each other rather than with the wild fish, the effects are still adverse. They will

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Genetic pollution is not the only threat which fish farming poses to the survival of wild salmon. Disease organisms and parasites multiply rapidly in the confined conditions of a salmon cage and from there they can easily migrate to affect other fish. It is for this reason that salmon farmers become wary if another farm establishes cages within a few miles of its own, which is why whole lochs in Scotland are allocated to one farm.

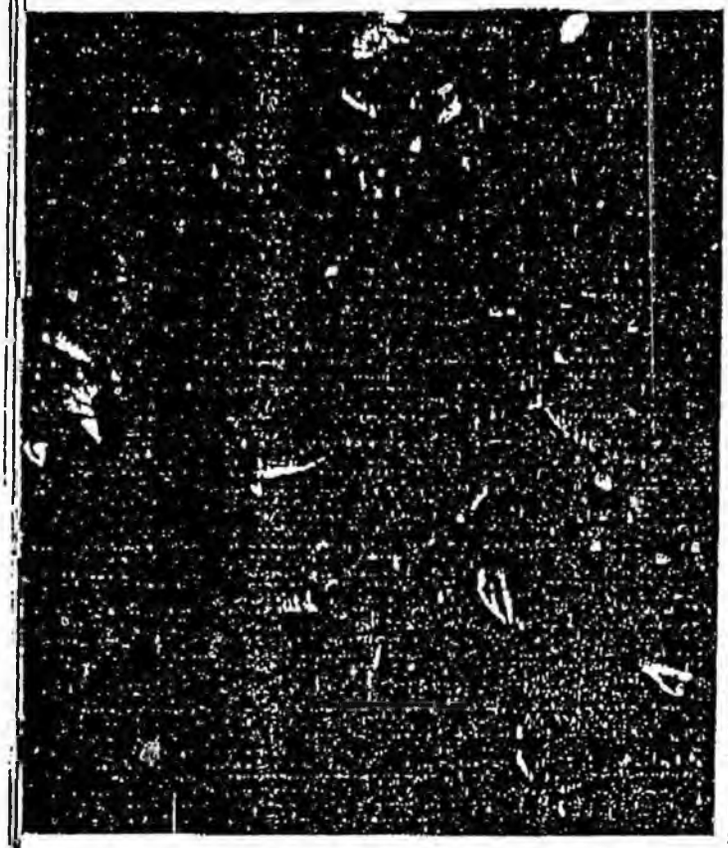
New [illegible] appear in farmed salmon [illegible] every year. Pancreas disease [illegible] in Ireland in 1984 after occurring first in Scotland in 1976. Seventeen of the 21 farms in Ireland now have it and output is consequently down by 25 per cent because of deaths or stunted growth.

The most worrying disease appeared only last year, in Norway: Salmon Anaemia Syndrome kills 80-90 per cent of young fish. Again, its cause is completely unknown.

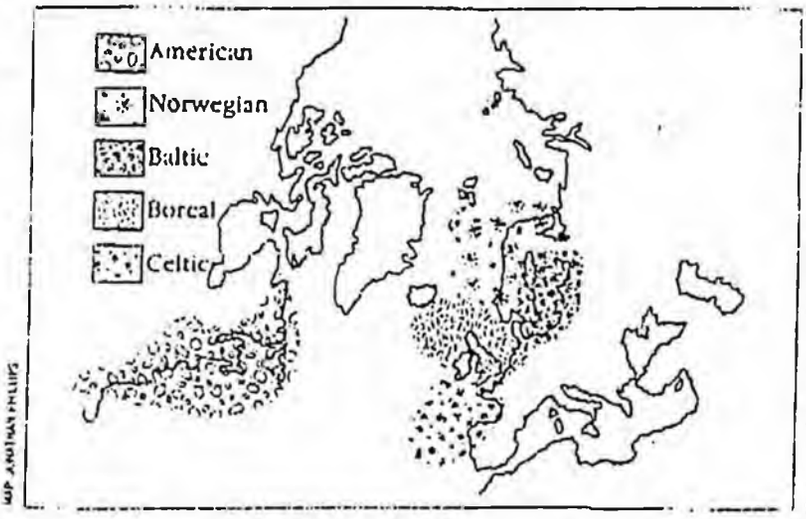
In spite of the threat that diseases present both to their own and to the wild stock, some fish farms are their own worst enemy. In Scotland dead diseased salmon are known to have been dumped at sea rather than incinerated on land, spreading pathogens far and wide.

There are also two dangerous parasites. One is a tape worm which uses the edible mussel as an intermediate host, then moves on to affect wild fish. The worm weakens wild salmon, rather than killing them directly, lessening their ability to return up turbulent rivers to their spawning grounds and also making them more vulnerable to disease.

The second parasite is a flatworm, *Gyrodactylus salaris*, which has completely wiped out stocks of wild salmon in 28 rivers in Norway. It was accidentally introduced when farmed fish were imported from infected hatcheries and put out into freshwater cages. The pest attacks parr – young salmon which have not yet developed the physical features that allow them to live in the sea. 'It is the most serious threat to Atlantic salmon in Norway today,' says Rear Admiral D.J. Mackenzie, director of the Atlantic Salmon Trust, Pitlochry. The only cure so far is a drastic one – to poison any remaining salmon in the river and then restock with uninfected fish.



Previous page: grilse from the Spey. Above: fish jostle for food in the confinement of the cages. Right: distribution of the main races of Atlantic salmon



MAP JONATHAN PHILLIPS

compete with the natives for spawning areas and their young will compete for food. As a result, fewer native fry may survive to set off for the sea as smolts and consequently fewer adult natives will return after a year or more to complete the reproductive cycle. (A young salmon passes through fry, parr, smolt and grilse stages before becoming a mature adult.)

The situation is so serious that regular escapes from farms could eventually wipe out all native salmon. Research in Norway, where salmon have been farmed for much longer than in Scotland or Ireland, shows that in some rivers up to two-thirds of the fish are already of the farmed variety. 'If genetic pollution continues at its present rate, the hereditary variations of some of the river species will be halved within seven years,' says Professor Harald Skjervold whose research findings in this field all point to this alarming conclusion.

Any experienced salmon fisherman will confirm that salmon stocks vary from river to river. 'Some are early rivers where large salmon enter in the spring,' says leading salmon geneticist Professor Noel Wilkins of University College, Galway. 'Other rivers have significant runs only in late summer, when the returning fish are smaller and younger. Some rivers are noted for the fine shape of their fish, others are not.'

Andrew Young, who managed the fisheries of the Duke of Sutherland more than 130 years ago, knew why this was: 'Each river has its own peculiar race of fish,' he wrote. 'We have now shown that salmon undoubtedly return to the river where they have spawned and where they belong to the race of fish that inhabit that particular river.' Professor Wilkins agrees: 'Salmon return to their own river with amazing accuracy and mating occurs predominantly between individuals who were born in the same river system.'

It is this inbreeding which has allowed the different strains to develop. In some rivers a higher proportion of fish come back after two or more winters at sea than after one year as grilse. Thus, if all the smolt are killed by disease or pollution one year, others are left to return to the river the following year to spawn, giving a chance for numbers to recover.

Fish farmers are deliberately trying to eliminate this characteristic: what they want are fish with a low grilsing rate, because it is more profitable to produce bigger fish which spend two winters in the sea than smaller fish which spend one. Norwegian salmon fit this bill and consequently their eggs have been widely used in Scottish and Irish hatcheries instead of the native strains. Farms also want their hatched fish to be ready to go to sea after one year in fresh water – it is obviously uneconomical to keep them in freshwater cages for an extra season. But again, in the wild, a stock in which some fish go to sea after one year and some after two has a better chance of surviving than one which does not.

Then there is the question of homing. Tagging experiments have shown that a higher proportion of wild fish return to their native rivers from the sea than do hatchery-bred fish released as fry into streams other than those from which their parents came. However, if any introduced fish which do return are caught and mated, their young will show a better return rate, which will

Although fishermen have known for hundreds of years that salmon stocks differ from river to river, scientists have only confirmed this belief within the last 20 years. Using a technique called electrophoresis they can analyse the proteins with which each fish is made up with great precision.

The first finding revealed by this technique was that there are five main races of Atlantic salmon, four of which share a common feeding ground off western Greenland. The Baltic salmon is the exception, feeding as an adult in the sea which gives it its name.

The second finding was that salmon vary genetically to a surprising extent from river to river, even within the same race. Dr Tom Cross, now of University College, Cork, examined fish from the Bandon and Munster Blackwater rivers in the south of Ireland and found significant differences in their liver enzymes even though they were both of the Celtic race and the river mouths only 80 miles apart. Dr Cross repeated his tests with Boreal fish from the Moy and Carrowniskey in north-west Ireland and found the Carrowniskey fish very different again.

'The differences that exist between salmon from different rivers,' says Dr Cross, 'are due to the small population sizes and the fact that they have been apart for 5,000 years. How important the differences are to survival, we cannot say. I think we ought at least to keep the the different races apart.'

• Contrary to claims by B.C. salmon farmers that salmon egg transfers pose little threat to wild stocks, an Atlantic salmon advisory body has advised extreme caution to avoid disease and genetic problems.

Report sees genetic threat

"None of the benefits of transfer of young Atlantic salmon and salmon eggs into Canadian waters outweigh the threats to native stocks," says a top body of Canadian fisheries scientists.

Fish farmers, the B.C. government and the federal fisheries department have allowed major imports of Atlantic salmon to Pacific waters, claiming they pose a minimal threat to wild stocks. The imports are scheduled to end in 1989.

But a review of egg imports by the Canadian Atlantic Fisheries Scientific Advisory Committee in 1986 warned that "there are unpredictable genetic risks associated with transferring European salmon stocks to North America and the potential benefits to Canadian aquaculture interests may be low."

CAFSAC is a top scientific advisory group which provides background information for Canadian representatives on international bodies studying conservation of Atlantic salmon.

Its conclusions go a long way to support the call issued by the UFAWU in May demanding a halt on any movement of salmon eggs and smolts, particularly Atlantics, until protection of wild stocks can be assured.

The CAFSAC scientists concluded that most of the benefits of imports accrued to the aquaculture industry because "it could allow the industry to expand as quickly as possible (and) it could be cheaper than purchasing local seedstocks."

In the long run, they said, it would "encourage the multinational nature of the aquaculture industry by allowing surplus seedstock in one country to be moved to another country."

But the imports carry the risk of disease, they warned, pointing to the Norwegian experience with the parasite Gyrodactylus salaris.

"Although the Canadian Fish Health Protection Regulations are considered among the best fish disease control mechanisms in the world," they wrote, "they are not infallible, a fact which, along with the large number of potential pathogenic organisms that are not considered under the Canadian regulations, makes the likelihood of an unwanted pathogen or strain of pathogen entering the country with fish from a certified (disease-free) source a very real possibility."

The CAFSAC report is part of a longer study by the North Atlantic Salmon Conservation Organization, a Scotland-based body supported by Atlantic salmon-producing nations.

B.C. salmon farmers have been enraged by UFAWU calls for controls to avert genetic pollution of wild stocks by farmed fish, claiming such pollution is unknown or unlikely to occur.

But NASCO warns that importation of European Atlantics to Atlantic Canada "provide risks of undesirable impacts on North American Atlantic salmon stocks.

"There are new disease or strains of diseases which may be introduced, also hybridization with North American stocks could result in loss of genetic diversity and reduced productivity."

NASCO concluded there is "an urgent need to develop new techniques to study the effects of hybridization, e.g. potential impacts of genetic impoverishment resulting from 'domesticated' or genetically engineered Atlantic salmon stocks (cultured salmon) spawning with wild stocks and hybridization of different strains of wild stock."

NASCO recommends that until definitive measures are in place to protect the genetic integrity of wild stocks, aquaculture projects should:

- use stocks originating as closely as possible to the project area,
- use sterile fish,
- establish "river preserves where no transfers or hatchery stocks is allowed in order to maintain the genetic integrity of some wild stocks; and
- manage stocks to ensure they are not reduced below a minimum size.

The Fisherman 7-15-88

Government of Canada
Fisheries and Oceans

Gouvernement du Canada
Pêches et Océans

NOTICE

LOST AND

Genetic fears of pen salmon are real

Page 4 February 27, 1989 Peninsula Clarion

Other View

☐ By SONJA CORAZZA

Alaska fishermen's concerns over genetic pollution and disease problems associated with escaped pen-farmed salmon are not unwarranted. Some 13% to 20% of all farmed fish escape, as documented by Norwegian scientists and European countries.

Also, verly large numbers of fish occasionally escape from pens. Their scientific studies show that the escapees do spawn in rivers up to a proven distance of 20 kilometers from their net pens. As a consequence of this research, and with great concern for the genetic integrity and survival of their wild salmon stocks, Norway has just imposed a series of new regulations on the pen-farmed salmon industry.

No salmon farms will be located within 20 kilometers of salmon rivers, and entire fjords will be closed to farming where salmon rivers are present.

This past December in Jarvis Inlet, B.C., 300,000 pen-farmed salmon escaped in winter storms that hit Canada. Floating net pens were found for miles up and down the coast.

Norway, in the salmon farming business for 20 years, has found itself combatting new diseases in net pens every year. Last spring, fish farmers requested that the government hire 100 new fish disease specialists (adding to their 60 disease specialists and nearly 150 fish veterinarians) before allowing any new permits to be issued in their country. A group of farmers who have lost tons of their farmed salmon due to a deadly salmon disease called *furunculosis* and government controls is suing the Norwegian government for $25 million. Last summer 5,000 fish infected with *furunculosis* escaped in Norway. Despite intensive efforts to capture the diseased fish, an infected fish was found in a freshwater stream.

In order to control disease in pens, Norway's use of antibiotics in pen farming has risen 170% in the past two years to reach a level of 48 tons, more than the use in animal husbandry and human use combined. With the present focus on health and nutrition, how does this reliance on antibiotics fit our view of pen-farmed salmon as a healthy addition to our diets?

Norway's most severe threat to their wild salmon stocks is from a parasite called *gyrodactylus salaris* that is responsible for wiping out 30 wild-salmon rivers. The *gyrodactylus salaris* parasite entered Norway via imported salmon eggs from Sweden. Importing eggs was prohibited by regulation, but those regulations were lifted as the result of pressure by farmers with economic concerns. The only control for the fatal parasite is by treating the rivers with a chemical called rotenone; unfortunately, rotenone kills everything in the rivers, not just the parasite, hence the loss of wild salmon by the tons in Norway.

Ownership of the pen-farming industry continues to be an issue. In Washington state, a local fish farmer is suing foreign corporations, primarily Norwegian, for attempting to monopolize the industry. Who would own the farms in Alaska?

The Alaska State Legislature should fund the Mariculture Task Force, a forum where these concerns and others need to be researched.

SONYA CORAZZA of Homer heads the Mariculture Committee of the United Fishermen of Alaska. This article came "signed" by United Fishermen of Alaska, as follows: Alaska Crab Coalition, Alaska Independent Fishermen's Marketing Association, Alaska Longline Fishermen's Association, Alaska Trollers Association, Bering Sea Fishermen's Association, Bristol Bay Drift-netters Association, Concerned Area M Fishermen, Cook Inlet Aquaculture Association, Copper River Fishermen's Cooperative, Cordova District Fisheries United, Kenai Peninsula Fishermen's Association, North Pacific Fisheries Association, Northern Southeast Regional Aquaculture Association, Peninsula Marketing Association, Petersburg Vessel Owners Association, Prince William Sound Aquaculture Corp., Prince William Sound Seiners Association, Seafood Producers Cooperative, Southeast Alaska Seiners, Southern Southeast Regional Aquaculture Association, United Cook Inlet Drift Association, United Southeast Alaska Gillnetters, Western Alaska Cooperative Marketing Association, and at-large delegates, Bill Hall, Ruel Holmberg Sr. and Bob Honkola.

seafood producers have turned to an increasing degree to foreign suppliers. The reason is that the cost of local packaging has risen to 20-40% more than that of imported products.

Spokesmen for Kassagerd Reykjavikur and Plastprent, two of the main manufacturers, said demand was always subject to fluctuation and that no massive change had yet taken place. Eggert Hauksson, Plastprent's managing direc- ... position had never been so tight, with so little tolerance of price increases on the m... et. Bjarni Lúdviksson, managing director at Icelandic Freezing Plants Corporation, said that as yet only a fraction of the corporation's packaging needs had been supplied from abroad. "Obviously we have to hold our own costs down, and while the dollar is so weak we must use the opportunity. If the króna is devalued, everything will change overnight."

NEWSNET

PROCEEDINGS against Mike Ikenze, the former Icelandic Consul in Nigeria who acted as an intermediary in attempts to sell stockfish from a group of Icelandic producers in 1984, have been dropped following his agreement to repay one-quarter of the GBP300,000 which he received for use in landing sales contracts.

SHRIMP CATCHES around Eldey off the southwest of the country are likely to be banned for some time following poor results of trial catches in the area. Only 20kg were caught in a two-hour trial haul recently. Closure of the area could have serious results for local fishermen, who have in many cases filled their quotas for other species.

LUMPFISH CATCHES this season have been very poor, and production of lumpfish caviar is expected to amount to only about 9,000 barrels, against 27,000 last year.

A NEW EXPORTING enterprise has begun in Sandgerdi, a village in the southwest of the country, where two local residents, Thorbjörn Danielsson and Eirikur H. Sigurgeirsson, have been assisted by chef Sigmar B. Hauksson in marketing whelk and crab in Sweden and France. Sales to a Swedish restaurant have already been agreed, and exports to France are to start in the autumn. The Swiss market is also being considered.

JUNE CATCH FIGURES

In tons	June 1988	June (1987)	Jan-June 1988	Jan-June (1987)
Cod	80,624	(89,482)	[illegible]	[illegible]

Hopes high for capelin

The capelin season began on 10 July, with 49 Icelandic vessels sharing a provisional quota of 398,000 tons. With the prices for meal and oil rising because of poor soya harvests in the USA and growing demand in the Far East, hopes are high for a successful season. The quota is to be revised in November.

News from Iceland August 1988

Salmon fishing:

Problems posed by sea-cage escapees

Salmon fishermen trying their luck this season in the Ellidaár rivers, which flow through the eastern part of Reykjavik and are popular with local residents, are complaining that large numbers of the salmon they are landing are "escapees" from aquaculture stations and are consequently smaller and less attractive than the wild types.

According to biologists studying the problem, the fish are fairly easy to recognize. They generally have damaged fins and are shorter and fatter than the true natives of the river. In many cases they weigh only about one pound.

Biologists are concerned about the effects of the presence of the cultivated fish in rivers. A survey made two years ago estimated that 60-70 cultivated salmon had entered Ellidaár, a significant number in terms of the genetic effect on the local stock. Studies from Norway show that up to 10% of the fish in rivers near large aquaculture stations can be "escapees."

Fish farming still draws opposition

Anchorage Daily News 2-20-90

By DAVID FOSTER
The Associated Press

RICH PASSAGE, Wash. — The history of salmon-fishing in the stormy North Pacific is filled with tales of brave fishermen riding the wild seas, but its future is being shaped in calmer waters.

Thousands of salmon in this sheltered arm of Puget Sound are captives in sunken pens the size of basketball courts. Crowded fin to fin, they swim endless laps, gobbling feed pellets and being fattened toward the day they'll be scooped up and whisked to market.

Yet while the crenulated coastline and pristine waters that stretch from Washington's Puget Sound to southeastern Alaska might be ideal for fish farming, the political climate is not so welcoming.

In Alaska, where commercial fishermen are a powerful

Please see Back Page, FISH FARMING

FISH FARMING: Young industry has run into resistance

Continued from Page A-1

lobby, bumper stickers in fishing towns proclaim "Real Fish Don't Eat Pellets," and the legislature is considering a permanent ban on fish farms when a two-year moratorium expires in July.

In Washington state, salmon farmers have the official blessing of the legislature, but that has helped little in the face of challenges from fishermen and environmental groups, which have defeated several proposed farms.

The fish waste produced by a two-acre salmon farm is equivalent to the sewage produced by a town of 5,000 people, claims a Washington citizens group called the Marine Environmental Consortium.

Environmentalists also fear introduced species such as Atlantic salmon — favored because they fetch a higher price and are more docile than Pacific salmon — will corrupt the local gene pool and spread disease. Wealthy owners of shoreside homes, meanwhile, don't want fish farms spoiling their views.

Promoters call fish farming an efficient way to help meet the world's growing appetite for fish. Not only does it provide a year-round supply of fresh salmon to supplement the seasonal wild catch, they say, it also creates jobs free of the hazards of commercial fishing, one of the nation's most dangerous occupations.

They also contend salmon-farming provides an economic incentive to preserve clean water.

"We're the best environmentalists of all, because we're dependent on it," said Jerry Polley, site manager for Global Aqua, the nation's largest salmon farm. "If something's wrong with the water quality, we're going to be the first to complain."

Production of farm-raised salmon, here and abroad, has boomed in five years, flooding markets traditionally held by wild salmon and driving down prices.

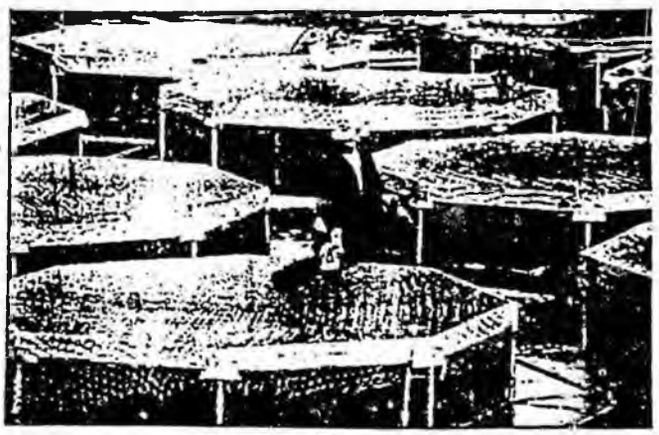
"For the first couple of years, as more salmon was around on a year-round basis, the farmed fish seemed to help the wild market," said commercial fisherman Randy Babich. "Now it's a battle at the retail counter."

Fish farming, or aquaculture, is hardly a new concept. For years, farmers have raised oysters in the Northwest, rainbow trout in Idaho and catfish in the Southeast. But techniques have developed more slowly in domesticating salmon, the mainstay of fisheries off Oregon, Washington, British Columbia and Alaska.

For years, it was practiced only by the Norwegians, forced into salmon farming by their declining wild fish populations. But interest has spread quickly since 1985, after Norway refined methods to raise salmon cheaply enough to compete with the wild catch.

In 1983, world production of farm-raised salmon was 23,500 metric tons, just 3 percent of the 670,000-ton wild salmon catch. By last year, farm-raised salmon production had soared to an estimated 202,000 tons, or 30 percent of the relatively constant wild catch.

Norway still leads the pack, producing about 75 percent of the world's farm-raised salmon, but other places, including Scotland, Chile, Canada and Iceland are catching up.



Daily News file photo

Alaska Department of Fish and Game technician feeds penned salmon at Little Port Walters in southeast Alaska.

The United States, with 50 fish farms in Washington state and Maine, lags far behind, producing 1 percent of the total.

Many of the U.S. salmon farms are run by Norwegian companies, including Global Aqua's four-acre operation in Rich Passage, 10 miles west of Seattle.

Global Aqua's farm is fairly typical: a huge raft anchored offshore holds 40 pens, each lined with a net holding as much as 15 tons of fish, which range from finger-size smolts to fat-bellied salmon 2 feet long.

A half-dozen workers tend the pens from metal walkways, filling automatic feeders and mending nets. At harvest, workers herd fish into one end of the pens, scoop them out with an oversize dipnet and load them onto a boat. The salmon are still kicking when they reach a Seattle processing plant 30 minutes away.

In the three years it takes to raise salmon to harvest, farmers contend with prowling otters, hungry sea lions and diseases that can wipe out whole farms if left unchecked.

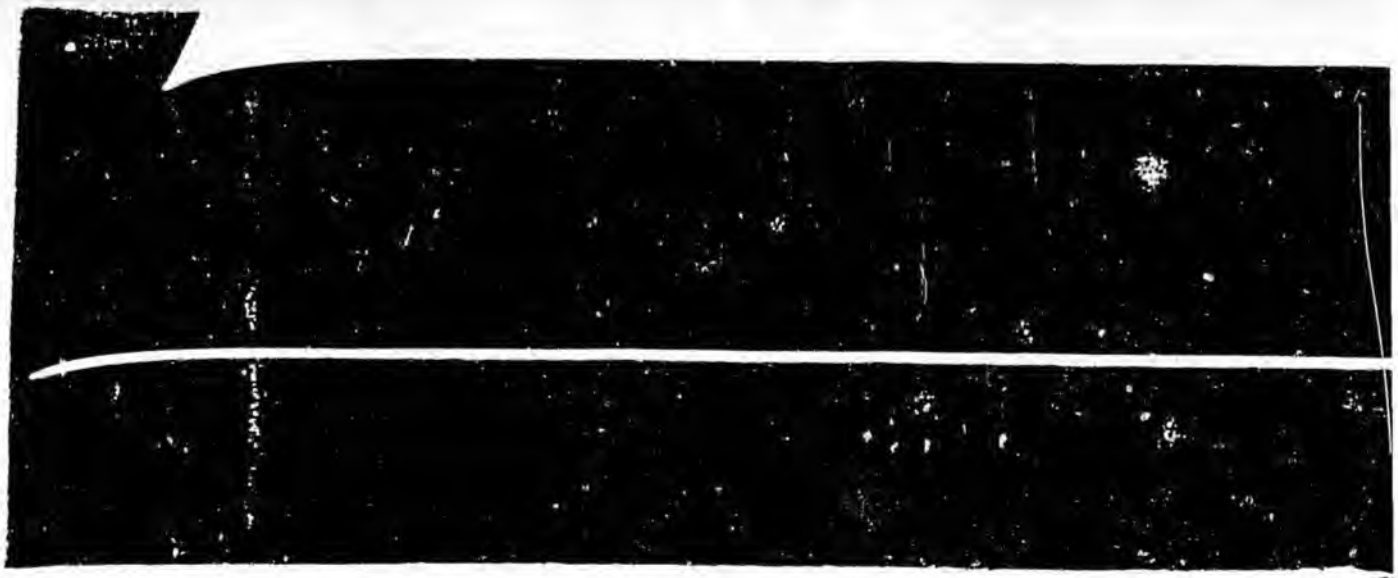
Aquaculturists say their operations will never be a major blot on the coastline.

"It would take just 40 acres of farms to produce all of the salmon that was imported into the United States in 1988," said Chris Gibson of Sea Farm Washington in Port Angeles. "The industry does not need a lot of space."

It may need even less space in coming months. Worldwide growth of salmon farming and recent overproduction in Norway have glutted the market with fish. Prices have plunged, and many farms are selling below cost just to keep cash flowing.

In British Columbia, lax regulation and a surge of Norwegian investment capital helped the number of fish farms soar from five to 135 in the past six years. But now many are in trouble. Nineteen have filed for receivership in the past year, and small businesses are being bought out by large investors better able to outlast the lull in prices.

Aquaculture boosters profess confidence in their



The Fisherman (B.C.) Dec 1988

Fish farm use of antibiotics poses threat

The widespread use of antibiotics in fish culture poses a serious potential threat to public health, says a Washington State zoologist, and should be strictly controlled.

Arthur Whiteley, a zoologist with a long-standing interest in microbiology, told a Washington State Shorelines Hearing Board inquiry Nov. 14 that antibiotic use on fish farms will produce antibiotic resistant bacteria in the human food chain.

If these resistant bacteria occur in humans, "the diseases caused by that organism could not be medically treated.

"It would eliminate from the tools of the physician those he would want to control disease."

Whiteley was qualified as an expert witness in the hearing, which was set up to hear an appeal against a decision by Skagit County to deny permits for a fish farm near the mouth of the Skagit River.

Whitley produced a pile of scientific studies which show that "in almost every case resistant bacteria is selected by the use of antibiotics in fish culture."

In other words, use of antibiotics to treat bacteria causing fish disease kill all but the bacteria which is resistant to the medication.

Studies have proved that this resistance can be transferred from one type of bacteria to another, Whiteley said, and can create resistance to several types of antibiotic.

Whiteley said this type of transference has been documented in the case of a vibrio bacteria which causes disease in fish. In a laboratory, this resistance was transferred to different bacteria which exist in the North Pacific food chain and are pathogenic to humans.

"This has not been observed in the wild," he said, "but there is a probability it could occur. Experiments indicate the genetic mechanism is in place ... and we can predict it will occur in nature under certain conditions."

The Centre for Disease Control in Atlanta has found the same phenomenon in beef and poultry, he said, and blame it for a dramatic increase in salmonella.

The only solution, he said, is to ban the use of antibiotics in fish culture which are used in human treatment.

In B.C., both oxytetracyline and erythromycin are used in fish culture even though they also are used in human medicine. There is no inspection to determine whether or not this transference of resistance is occurring in B.C. or whether fish sold to consumers is free of antibiotics.

UFAWU loses close vote