

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7077 HOUSE LABOR & COMMERCE

SIC codes affected by House Bill 356 by area:

Plumbing and Heating:

3 Barrow
1 Meade River
2 Prudhoe Bay
1 Nome City
1 Golovin
1 St. Lawrence Island
1 Eielson Air Force Base
27 Fairbanks City
4 Richardson Highway (Fairbanks/ North Star Borough)
2 Bethel City
1 Unalaska
1 Adak
3 Palmer
9 Wasilla
10 Eagle River
66 Anchorage
1 Girdwood
9 Kenai City
4 Soldotna
3 Homer City
1 Seward City
4 Kodiak City
1 Shearwater Bay (Kodiak)
1 Valdez City
3 Cordova City
1 Copper Center
1 Haines
7 Juneau
5 Sitka
1 Wrangell City
1 Thorne Bay (Prince of Wales Island)
8 Ketchikan City
2 Unclassified: Out of State usually with reps in AK

172 urban 13 non-urban

2 Unclassified

93% urban

Total: 156, ^{2.} (according to Chuck Cain) (120 actually operating, 2-3 people per business)

Canned and Cured Seafoods:

1 Prudhoe Bay
1 Galena or nearby (checked with Lincoln's office)
4 Dillingham or nearby (checked with Jacko's office)
1 Alakanuk or nearby (checking with Foster's office)
8 Bristol Bay
1 Port Moller (Aleutians East)
1 Unimak Island (Aleutians East)
4 Unalaska
2 Lake and Peninsula Borough (mostly Jacko's all nearby and accessible to King Salmon, Dillingham, or in the case of the Iliamna Lake area Anchorage.)
3 Anchorage

60% urban

40 urban

27 rural

5 unclass.

2 Kenai City
 2 Soldotna
 1 Homer City
 4 Kodiak City
 1 Afognak (Kodiak Island)
 2 Shearwater Bay (Kodiak Island)
 1 Valdez City
 5 Cordova City
 1 Yakutat (could go to training in Juneau)
 1 Gustavus (could go to training in Juneau)
 2 Hoonah (could go to training in Juneau)
 1 Hawk Inlet (could go to training in Juneau)
 2 Haines
 2 Juneau
 2 Sitka
 1 Petersburg
 3 Wrangell
 1 Metlakatla
 1 Thorne Bay (Prince of Wales Island)
 1 Hollis (Prince of Wales Island)
 4 Ketchikan City
 5 Unclassified - probably out of state with reps in AK

Fresh and Frozen Seafoods:

1 Richardson Highway (Fairbanks Area)
 5 Dillingham and nearby (checked with Jacko's office)
 3 Alakanuk and nearby (checking with Foster's office)
 1 St. Matthew Island (Lower Kuskokwim)
 1 Kalskag (near Aniak/ Bethel) 68 urban 8 Unclass.
 2 Bristol Bay 37 rural
 2 Port Moller (Aleutians East) 65 urban
 2 Unimak Island (Aleutians East)
 7 Unalaska
 2 Pribilof Islands
 6 Lake and Peninsula District (mostly Jacko's all nearby
 and accessible to King Salmon, Dillingham, or in the case
 of the Iliamna Lake area Anchorage.)
 9 Anchorage
 5 Kenai City
 6 Soldotna
 4 Homer City
 4 Seward
 13 Kodiak City
 1 Afognak (on Kodiak Island)
 5 Knight Island Passage (Prince William Sound)
 2 Valdez City
 2 Cordova City
 2 Gustavus (can go to Juneau for training)
 1 Hoonah (can go to Juneau for training)
 1 Juneau
 4 Sitka
 6 Petersburg

- 1 Kake (On same island with Petersburg)
- 1 Wrangell City
- 2 Thorne Bay (Prince of Wales island)
- 4 Ketchikan City
- 8 Unclassified- probably out of state with reps in Alaska

Total: 113, (Chuck Cain said 170 operating with 4 persons per cannery)

Manufactured Ice:

- 1 Anchorage 1 urban
100% urban

Refrigeration and Air-Conditioning Service and Repair:

- 2 Fairbanks City
- 1 Anchorage 6 urban
- 1 Soldotna 100% urban
- 1 Homer City
- 1 Cordova City

Total: 6 (Chuck Cain said 69 with 2-3 people per business)

total urban: 287 + 11 ice mks → 298
 total rural: 77 (4 in Anch. area)
 total % urban: 79%

8

11

8

5

3

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB358

Revision Date: January 29, 1992
Title: An Act relating to Alaska State
Salmon Marketing Association
Sponsor: Rep. Kubina
Requestor: _____

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0.0	0.0	0.0	37.5	74.9	74.9
TRAVEL	0.0	0.0	0.0	7.5	15.0	15.0
CONTRACTUAL	0.0	0.0	0.0	3.0	6.0	6.0
SUPPLIES	0.0	0.0	0.0	1.0	2.0	2.0
EQUIPMENT	0.0	0.0	0.0	5.0	10.0	10.0
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	54.0	107.9	107.9
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE						
FUND SOURCE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	60.0	4,000.0	4,000.0
FEDERAL FUNDS						
OTHER						
FUND SOURCE				GF	GF	GF
TOTAL	0.0	0.0	0.0	60.0	4,000.0	4,000.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0.0

ANALYSIS: Attach a separate page if necessary.

SEE ATTACHED

Prepared By: Paul E. Dick ^{PED} ₁₋₂₉₋₉₂ Phone: (907) 465-2320
Division: Income and Excise Audit Date: January 29, 1992
Approved by Commissioner: Darrel J. Rexwinkel *Darrel Rexwinkel*
Agency: Department of Revenue Date: 1/30/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

CSHB358 ANALYSIS
Prepared by Income and Excise Audit
January 29, 1992

LEN
1-29-92

The assessment imposed under this bill would not become effective until January 1, 1996.

PERSONAL SERVICES **

Tax Examiner, Juneau, Range 12	\$40.4	
Accounting Clerk, Juneau, Range 9	\$34.5	
TOTAL:		\$74.9

TRAVEL

10 Audit Trips	\$10.0	
5 Compliance Trips	\$5.0	
TOTAL:		\$15.0

CONTRACTUAL

Advertising	\$3.0	
Printing	\$2.0	
Mailing	\$1.0	
TOTAL:		\$6.0

SUPPLIES

Office and Computer Supplies	\$2.0	
TOTAL:		\$2.0

EQUIPMENT *

Two Computers, Two Printers, Two calculators, Modular Furniture	\$10.0	
TOTAL:		\$10.0

FISCAL NOTE TOTAL:		<u>\$107.9</u>
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* FY96 Only

** FY96 represents 6 month funding level

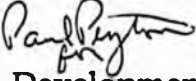
MEMORANDUM

State of Alaska

To: Honorable Gene Kubina
Alaska State House of
Representatives

Date: January 29, 1992

File No.:

From: Diane Mayer, Director 
Division of Economic Development

Subject: CS for HB358

Commissioner Olds asked this Division to do the fiscal note and bill analysis for your bill. We are unable to do the fiscal note due to the lack of a companion appropriation measure.

The CS for HB 358 contains provisions establishing an endowment to fund the Alaska State Salmon Marketing Association (ASSMA). The scale of operation of the ASSMA is dependent on the size and operation of the endowment. Without this information it is impossible to determine the interest income and the appropriate scale for marketing efforts.

Normally endowments are managed to generate interest while protecting the corpus of the fund. At current rates, a conservatively managed fund might yield 8% annually. Appropriations bills funding the endowment and appropriating the interest would be necessary to completely describe the legislature's intent and enable us to do the fiscal analysis.

Please let us know if we can be of further assistance.

Alaska State Legislature



Representative Eugene Kubina

During Session:
State Capitol
P.O. Box V
Juneau, Alaska 99811
(907) 465-4859

During Interim:
P.O. Box 2463
Valdez, Alaska 99686
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Chairman
State Affairs
Committee

Legislative Council

Transportation
Committee

SPONSOR STATEMENT

The current state of the Alaska seafood industry was accurately described in a United States General Accounting Office report on seafood marketing (October 1986). This report included the following comments:

"The U.S. seafood industry is independent and fragmented in nature. [It] . . . consists of many small independent fishermen who often do not share supply, demand, and price information.

"This organizational structure represents a major impediment to effective marketing of seafood products in domestic and export markets."

CS for HB 358, in keeping with the recommendations of the Salmon Strategy Task Force, would expand the program of the University of Alaska Marine Advisory Program to emphasize salmon product and market development. This program expansion would consist of the following:

- A. Add a Seafood Marketing Specialist to the staff of the Marine Advisory Program.
- B. Under the guidance of the Marine Advisory Program, see the development of the Alaska State Salmon Marketing Association.¹ This association would work to assist fishermen and their marketing organizations to
 1. promote the gathering and exchange of market and price information among the members.
 2. provide basic market research on consumer needs, trends and preferences.

¹ The Marine Advisory Program has had experience in forming such associations. For instance, beginning with groundwork started in 1989, the Marine Advisory Program helped form the Alaska Marine Safety Educational Association--which is currently for nonprofit status.

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3. identify educational and information needs necessary to produce superior salmon products.
 4. assist fishermen in their efforts to effectively operate regional marketing associations, including day to day operations, marketing strategies, and cooperation with state and federal agencies.
 5. provide fishermen and their marketing organizations with a unified forum for making recommendations on policy to state government.
- C. With the assistance of the Marine Advisory Program, the fishermen of our various districts would form a Marketing Program Advisory Council to help define program needs for their regions.

CS for HB 358 would also see a change in the Board of Directors of the Alaska State Marketing Institute. The current five positions dedicated to members engaged in fishing would be changed to nine; the current twelve positions dedicated to members engaged in seafood processing would be changed to eight.

Alaska State Legislature



Chairman
State Affairs
Committee

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SPONSOR STATEMENT

Sponsor: Representative Gene Kubina

Subject: CS For House Bill 358;

An Act relating to the Alaska State Salmon Marketing Association and to the membership of the Alaskan Seafood Marketing Institute

Date: 30 January 1992

CS for House Bill 358 recommends the creation of a state salmon marketing association (ASSMA) designed to complement the advertising/marketing efforts currently addressed by the Alaska Seafood Marketing Institute.

Although advertising and other informational uses of the media are a fundamental part of marketing, in order to succeed in an increasingly competitive and complex world economy it is essential that our largest state seafood fishery employ all of the tools possible. A quarter of a billion dollars loss in salmon values last year, and a same or worse case scenario in the coming season, underscores this.

CS for House Bill 358, in recommending the creation of ASSMA, addresses the need for a salmon marketing association that would perform the following, critical roles:

1. Work to negotiate long term contracts between the food industry and various components of Alaska's salmon fisheries. Such negotiations are time consuming and demand extensive linkage development. For instance, with the cost to develop, produce, and promote a particular food product beginning at an estimated 25 million dollars, potential industries must be assured of

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long term resource supplies and other contractual arrangements. It is at the bargaining table, in direct dialogue that much of this process is actualized.

2. Coordinate grass roots production/resource enhancement efforts in the various fishery districts, helping to identify funding sources on a private, state, and federal level.

3. Act as a clearinghouse and information center for the various regional salmon marketing organizations and other relevant associations. Current state wide marketing efforts are sometimes duplicative and working in quasi-competition with each other in instances where cooperation would better serve the common good. Better pooling of information and better linkage between market groups could result in coordinated multi-party contracts and better awareness of resources.

CS for House Bill 358 recommends that an endowment be created to fund the Alaska State Salmon Marketing Association. The rationale is that a further tax on the fishing industry is inappropriate at this time and that another source(s), aside from the general fund, be discovered. One option would be the use of enhancement monies from the Valdez Exxon Oil Spill Settlement Fund.

CS for House Bill 358 recommends that a sunset clause be included in the creation of ASSMA, that at the end of a three year period

- a. ASSMA has fulfilled its goals and phases itself out of existence; or
- b. ASSMA continues to fill an ongoing need in its current or modified form and is funded via a fishery tax on salmon.

CS for House Bill 358 also recommends that the ASMI Board of Directors be changed to give a more equitable voice to Alaska's salmon fishermen. The current, overwhelming proportion of processors on the Board is not indicative of the role fishermen have in the actual funding of ASMI or in their significant role in the production, harvesting, and marketing of Alaska's most valuable seafood.

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 414 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES HUDSON, Jacko, Grussendorf, C.Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a salmon marketing tax and to the Alaska Seafood Marketing
2 Institute."

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

4 * Section 1. AS 16.51.020(a) is amended to read:

5 (a) The governing body of the institute is a board of directors. The board consists of 20
6 [18] voting members appointed by the governor. In making appointments to the board, the
7 governor shall consider, but need not appoint, nominees presented by persons engaged in fish
8 processing, the financing of fish processing, or commercial fishing.

9 * Sec. 2. AS 16.51.020(b) is amended to read:

10 (b) Twelve members of the board shall be seafood processors: eight of the seafood
11 processors must have an annual payroll in the state of \$1,000,000 or more; four of the seafood
12 processors must have an annual payroll in the state of \$50,000 - \$1,000,000. Seven [FIVE]
13 members of the board must be engaged in commercial fishing. One member of the board shall
14 be a lay person selected by the governor.

1 * Sec. 3. AS 16.51.050 is amended to read:

2 Sec. 16.51.050. QUORUM. Twelve [TEN] members of the board appointed under
3 AS 16.51.020 constitute a quorum for the transaction of business and the exercise of the powers
4 and duties of the board.

5 * Sec. 4. AS 16.51.090 is amended to read:

6 Sec. 16.51.090. POWERS OF BOARD. In carrying out the powers of the institute, the
7 board may

- 8 (1) adopt, alter, and use a corporate seal;
- 9 (2) prescribe, adopt, amend, and repeal bylaws;
- 10 (3) sue and be sued in the name of the institute;
- 11 (4) enter into any agreements necessary to the exercise of its powers and
12 functions;
- 13 (5) cooperate with a public or private board, organization, or agency engaged in
14 work or activities similar to the work or activities of the institute, including entering into
15 contracts for joint programs of consumer education, sales promotion, quality control, advertising,
16 and research in the production, processing, or distribution of seafood;
- 17 (6) conduct, or contract for, scientific research to develop and discover health,
18 dietetic, or other uses of seafood harvested and processed in the state;
- 19 (7) receive contributions of money from persons;
- 20 (8) establish offices in the state and otherwise incur expenses incidental to the
21 performance of its duties;
- 22 (9) appear on behalf of the institute before boards, commissions, departments, or
23 other agencies of municipal, state, or federal government;
- 24 (10) acquire, hold, lease, sell, or otherwise dispose of property, but such property
25 is limited to that which is necessary to the administrative functioning of the office of the institute;
- 26 (11) establish and maintain one or more bank accounts for the transaction of the
27 institute's business;
- 28 (12) prepare market research and product development plans for the promotion
29 of any species of seafood and their by-products that may be harvested in the state and processed
30 for sale;
- 31 (13) establish an executive board to assist the board in efficiently exercising

1 the board's powers and duties under this chapter; the executive board shall consist of seven
2 members selected from and by the board and shall include at least two members who are
3 engaged in commercial fishing.

4 * Sec. 5. AS 16.51.100 is amended to read:

5 Sec. 16.51.100. DUTIES OF BOARD. The board shall

6 (1) conduct programs of education, research, advertising, or sales promotion
7 designed to accomplish the purposes of this chapter;

8 (2) promote all species of seafood and their by-products that are harvested in the
9 state and processed for sale;

10 (3) develop market-oriented quality specifications for Alaska seafoods to be used
11 in developing a high quality image for Alaska seafood in domestic and world markets, and adopt
12 and distribute recommendations regarding the handling of seafood from the moment of capture
13 to final distribution;

14 (4) prepare market research and product development plans for the promotion of
15 all species of seafood and their by-products that are harvested in the state and processed for sale;

16 (5) submit an annual report to the governor and the legislature describing the
17 activities of the institute; [AND]

18 (6) develop marketing programs based on the "inspection" and "premium quality"
19 seals designed under AS 03.05.026 [,] and use the seals in advertising and promotion efforts of
20 the institute; and

21 (7) establish a salmon marketing committee to administer the domestic
22 salmon marketing program that is funded through the salmon marketing tax under
23 AS 43.76.110 - 43.76.130; the committee shall consist of seven members appointed from
24 among the membership of the board and shall include four members who are engaged in
25 commercial fishing and three other members of the board; the board may not override an
26 action of the committee except by a vote of a three-quarters majority of the board.

27 * Sec. 6. AS 43.76 is amended by adding new sections to read:

28 ARTICLE 2. SALMON MARKETING TAX.

29 Sec. 43.76.110. SALMON MARKETING TAX. A person holding a limited entry permit
30 or interim-use permit under AS 16.43 shall pay a salmon marketing tax at the rate of one percent
31 of the value, as defined in AS 43.75.290, of salmon that the person removes from the state or

1 transfers to a buyer in the state. The buyer shall collect the salmon marketing tax at the time the
2 salmon is acquired by the buyer.

3 Sec. 43.76.120. COLLECTION OF TAX. (a) A buyer who acquires salmon that is
4 subject to a salmon marketing tax imposed by AS 43.76.110 shall collect the salmon marketing
5 tax at the time of purchase and shall remit the total salmon marketing tax collected during each
6 month to the Department of Revenue by the last day of the next month.

7 (b) A buyer who collects the salmon marketing tax shall

8 (1) maintain records of the value of salmon purchased in the state;

9 (2) report to the Department of Revenue by March 1 of each year the total value,
10 as defined in AS 43.75.290, of the salmon that the buyer has acquired during the preceding year.

11 (c) The owner of salmon removed from the state is liable for payment of a salmon
12 marketing tax imposed by AS 43.76.110 if, at the time the salmon is removed from the state, the
13 tax payable on the salmon has not been collected by a buyer. If the owner of the salmon is liable
14 for payment of the salmon marketing tax under this subsection, the owner shall comply with the
15 requirements under (a) and (b) of this section to remit the tax to the Department of Revenue, to
16 maintain records, and to report to the Department of Revenue.

17 (d) The salmon marketing tax collected under this section shall be deposited in the
18 general fund. The legislature may make appropriations based on this revenue to the Department
19 of Commerce and Economic Development for the purpose of supporting the domestic salmon
20 marketing program of the Alaska Seafood Marketing Institute.

21 Sec. 43.76.130. DEFINITION. In AS 43.76.110 - 43.76.130, "buyer" means a person
22 who acquires possession of salmon from the person who caught the salmon regardless of whether
23 there is an actual sale of the salmon, but does not include a person engaged solely in interstate
24 transportation of goods for hire.

25 * Sec. 7. INITIAL TERMS OF NEW MEMBERS OF THE BOARD OF DIRECTORS OF THE
26 ALASKA SEAFOOD MARKETING INSTITUTE. The persons initially appointed to the new positions
27 added to the board of directors of the Alaska Seafood Marketing Institute by secs. 1 and 2 of this Act
28 shall be appointed to three-year terms.

29 * Sec. 8. AS 43.76.110, 43.76.120, and 43.76.130 are repealed three years after the effective date of
30 this Act.

CS FOR HOUSE BILL NO. 358 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE KUBINA

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the Alaska State Salmon Marketing Association and to the membership
2 of the Alaska Seafood Marketing Institute; and providing for an effective date."

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

4 * Section 1. AS 16.51.020(b) is amended to read:

5 (b) Eight [TWELVE] members of the board shall be seafood processors: five [EIGHT]
6 of the seafood processors must have an annual payroll in the state of \$1,000,000 or more; three
7 [FOUR] of the seafood processors must have an annual payroll in the state of \$50,000 -
8 \$1,000,000. Nine [FIVE] members of the board must be engaged in commercial fishing. One
9 member of the board shall be a lay person selected by the governor.

10 * Sec. 2. AS 16 is amended by adding a new chapter to read:

11 CHAPTER 53. ALASKA STATE SALMON MARKETING ASSOCIATION.

12 Sec. 16.53.010. ALASKA STATE SALMON MARKETING ASSOCIATION
13 ESTABLISHED. The Alaska State Salmon Marketing Association is established as a public
14 corporation in the Department of Commerce and Economic Development, but with a legal

1 existence independent of and separate from the state. Exercise by the association of the powers
2 conferred by this chapter is an essential governmental function of the state.

3 Sec. 16.53.020. BOARD OF DIRECTORS. (a) The governing body of the association
4 is a board of directors. The board consists of 13 voting members appointed by the governor.
5 Two members of the board shall be appointed from each of the six regions established by the
6 department under AS 16.53.160. Each regional salmon marketing committee established under
7 AS 16.53.160 shall nominate persons to be appointed to the board from its region. The governor
8 shall also appoint one member of the board who has experience in the operation and management
9 of private nonprofit salmon hatcheries.

10 (b) The commissioner of fish and game and the commissioner of commerce and
11 economic development, or their designees, shall serve as ex-officio, nonvoting members of the
12 board.

13 (c) The board shall annually elect a chair and other necessary officers from among its
14 voting members.

15 Sec. 16.53.030. TERM OF OFFICE. The voting members of the board serve staggered
16 three-year terms and until a successor is appointed. Members of the board may be reappointed.

17 Sec. 16.53.040. REMOVAL AND VACANCIES. The voting members of the board
18 serve at the governor's pleasure. A vacancy on the board occurring other than by expiration of
19 term shall be filled in the same manner as the original appointment but for the unexpired term
20 only.

21 Sec. 16.53.050. QUORUM. Seven voting members of the board constitute a quorum for
22 the transaction of business and the exercise of the powers and duties of the board.

23 Sec. 16.53.060. COMPENSATION OF BOARD MEMBERS. Board members appointed
24 under AS 16.53.020(a) do not receive compensation, but are entitled to per diem and travel
25 expenses authorized by law for boards and commissions under AS 39.20.180.

26 Sec. 16.53.070. MEETINGS. The board shall meet at least once a year. A meeting of
27 the board shall occur at the call of the chair or upon the written request of two voting members
28 of the board.

29 Sec. 16.53.080. EMPLOYMENT OF PERSONNEL. The board may employ and
30 determine the duties and salary of a marketing director and a regional coordinator. The
31 marketing director may, with the approval of the board, select and employ additional employees

1 as necessary. The marketing director and all other employees of the association are in the
2 exempt service under AS 39.25.110.

3 Sec. 16.53.090. POWERS OF BOARD. The board may

4 (1) adopt, alter, and use a corporate seal;
5 (2) prescribe, adopt, amend, and repeal bylaws;
6 (3) sue and be sued in the name of the association;
7 (4) conduct, or contract for, scientific research to develop and discover health,
8 dietetic, or other uses of salmon harvested and processed in the state;

9 (5) prepare market research and product development plans for the promotion of
10 all species of salmon and their by-products that may be harvested in the state and processed for
11 sale;

12 (6) make grants to a regional salmon marketing committee to develop markets for
13 salmon, to develop new salmon products, or to otherwise promote the goals of the association
14 within that region;

15 (7) cooperate with a public or private board, organization, or agency engaged in
16 work or activities similar to the work or activities of the association, including entering into
17 contracts for joint programs of consumer education, sales promotion, quality control, advertising,
18 and research in the production, processing, or distribution of salmon;

19 (8) enter into agreements necessary to the exercise of its powers and functions;

20 (9) receive contributions of money from persons;

21 (10) establish offices in the state and otherwise incur expenses incidental to the
22 performance of its duties;

23 (11) appear on behalf of the association before boards, commissions, departments,
24 or other agencies of municipal, state, or federal government;

25 (12) acquire, hold, lease, sell, or otherwise dispose of property, but such property
26 is limited to that which is necessary to the administrative functioning of the association;

27 (13) establish and maintain one or more bank accounts for the transaction of the
28 association's business.

29 Sec. 16.53.100. DUTIES OF BOARD. (a) The board shall

30 (1) prepare market research and product development plans for the promotion of
31 all species of salmon and their by-products that are harvested in the state and processed for sale;

1 (2) promote all species of salmon and their by-products that are harvested in the
2 state and processed for sale;

3 (3) conduct programs of education, research, advertising, or sales promotion
4 designed to accomplish the purposes of this chapter;

5 (4) submit an annual report to the governor and the legislature describing the
6 activities of the association.

7 (b) The operating budget of the association shall be prepared and submitted in accordance
8 with the Executive Budget Act (AS 37.07).

9 Sec. 16.53.160. REGIONAL SALMON MARKETING COMMITTEES. (a) The
10 Department of Commerce and Economic Development shall establish regions in the state and
11 organize salmon marketing committees to further the purposes of the association and this chapter
12 within those regions. The department shall establish the following regions, which shall be
13 reasonably similar to the administrative and management regions utilized by the Department of
14 Fish and Game and the Alaska Commercial Fisheries Entry Commission:

15 (1) Southeast Alaska;

16 (2) Prince William Sound;

17 (3) Cook Inlet;

18 (4) Kodiak Island;

19 (5) Bristol Bay;

20 (6) Arctic-Yukon River/Kuskokwim River.

21 (b) A salmon marketing committee shall consist of nine members appointed by the
22 commissioner of commerce and economic development who hold a salmon fishery interim-use
23 permit or entry permit for the region for which the committee is established. The membership
24 on each committee shall be allocated among persons who hold salmon fishery interim-use permits
25 or entry permits for each gear type recognized by the Alaska Commercial Fisheries Entry
26 Commission in the same proportion that the gear type bears to the total number of salmon fishery
27 interim-use permits and entry permits issued for that region. Members shall be appointed to a
28 committee for staggered three-year terms.

29 (c) Each salmon marketing committee shall elect a chair from among its members. Each
30 committee may adopt bylaws as it considers appropriate.

31 (d) The members of a salmon marketing committee do not receive compensation, but are

1 entitled to per diem and travel expenses authorized by law for boards and commissions under
2 AS 39.20.180.

3 Sec. 16.53.990. DEFINITIONS. In this chapter,

4 (1) "association" means the Alaska State Salmon Marketing Association;

5 (2) "board" means the board of directors of the Alaska State Salmon Marketing
6 Association;

7 (3) "buyer" means a person who acquires possession of salmon from the person
8 who caught the salmon regardless of whether there is an actual sale of the salmon but does not
9 include a person engaged solely in interstate transportation of goods for hire;

10 (4) "value" has the meaning given in AS 43.75.290.

11 * Sec. 3. AS 16.53 is amended by adding new sections to read:

12 Sec. 16.53.110. SALMON MARKETING ASSESSMENT. (a) A salmon marketing
13 assessment shall be levied on salmon sold in the state as provided in (b) of this section if a
14 majority of the voting members of the board approves an election for the levying of an
15 assessment under this section and if an election is held under AS 16.53.130 at which the
16 assessment is approved by eligible interim-use permit and entry permit holders.

17 (b) A person holding an interim-use permit or entry permit under AS 16.43 shall pay a
18 salmon marketing assessment at the rate of one percent of the value of salmon that the person
19 removes from the state or transfers to a buyer in the state. The buyer shall collect the salmon
20 marketing assessment at the time the salmon is acquired by the buyer.

21 Sec. 16.53.120. TERMINATION OF SALMON MARKETING ASSESSMENT. The
22 salmon marketing assessment levied under AS 16.53.110 shall be terminated by the commissioner
23 of revenue if

24 (1) a petition is presented to the commissioner of commerce and economic
25 development requesting termination of the salmon marketing assessment that is signed by at least
26 25 percent of the number of persons who voted under AS 16.53.130 in the election approving
27 the salmon marketing assessment;

28 (2) an election is held in accordance with AS 16.53.130; the ballot shall ask the
29 question whether the salmon marketing assessment shall be terminated; the ballot shall be worded
30 so that a "yes" vote is for continuation of the salmon marketing assessment and a "no" vote is
31 for termination of the salmon marketing assessment;

1 (3) a majority of the eligible interim-use permit and entry permit holders who vote
2 in the election cast a ballot for the termination of the salmon marketing assessment; and

3 (4) the commissioner of commerce and economic development certifies the results
4 of the election to the commissioner of revenue.

5 Sec. 16.53.130. ELECTION TO APPROVE OR TERMINATE SALMON MARKETING
6 ASSESSMENT. (a) The board may conduct an election to approve or terminate a salmon
7 marketing assessment after the commissioner of commerce and economic development approves

8 (1) the notice to be published by the board;

9 (2) the ballot to be used in the election; and

10 (3) the registration and voting procedure for the election.

11 (b) The salmon marketing assessment is levied under AS 16.53.110, or is terminated
12 under AS 16.53.120, on the effective date stated on the ballot if

13 (1) the assessment or termination of the assessment is approved by a majority vote
14 of the eligible interim-use permit and entry permit holders voting in an election held under this
15 section; and

16 (2) the election results are certified by the commissioner of commerce and
17 economic development.

18 (c) In conducting an election under this section, the board shall adopt the following
19 procedures:

20 (1) the board shall hold at least one public meeting in each region established
21 under AS 16.53.160 not less than 30 days before the date on which ballots must be postmarked
22 to be counted in the election to explain the reason for levying, terminating, or continuing a
23 salmon marketing assessment and to explain the registration and voting procedure to be used in
24 the election; the board shall provide notice of the meeting by

25 (A) mailing the notice to each eligible interim-use permit and entry permit
26 holder who holds an interim-use permit or entry permit to fish for salmon in the region;

27 (B) posting the notice in at least three public places in the region; and

28 (C) publishing the notice in at least one newspaper of general circulation
29 in the region at least once a week for two consecutive weeks before the meeting;

30 (2) the board shall mail two ballots to each eligible interim-use permit and entry
31 permit holder; the first ballot shall be mailed not more than 45 days before the date ballots must

1 be postmarked to be counted in the election; the second ballot shall be mailed not less than 15
2 days before the date ballots must be postmarked to be counted in the election; the board shall
3 adopt procedures to ensure that only one ballot from each eligible interim-use permit and entry
4 permit holder is counted in the election;

5 (3) the ballot must include an effective date for the levy, or for the termination
6 of the levy, of the salmon marketing assessment and indicate the date on which returned ballots
7 must be postmarked in order to be counted;

8 (4) the ballots shall be returned by mail and shall be counted by the commissioner
9 of commerce and economic development or by a person approved by the commissioner of
10 commerce and economic development.

11 (d) The commissioner of commerce and economic development shall certify the results
12 of an election under this section if the commissioner determines that the requirements of (a) and
13 (c) of this section have been satisfied.

14 (e) In this section, "eligible interim-use permit and entry permit holder" means an
15 individual who, 90 days before the date ballots must be postmarked to be counted in an election
16 under this section, is listed in the records of the Alaska Commercial Fisheries Entry Commission
17 as the legal owner of an interim-use permit or an entry permit that authorizes the individual to
18 fish for salmon in the state.

19 Sec. 16.53.140. COLLECTION OF ASSESSMENT AND DISPOSITION OF
20 PROCEEDS. (a) A buyer who acquires fisheries resources that are subject to a salmon
21 marketing assessment imposed by AS 16.53.110 shall collect the salmon marketing assessment
22 at the time of purchase and shall remit the total salmon marketing assessment collected during
23 each month to the Department of Revenue by the last day of the month following the month in
24 which the assessment was collected.

25 (b) A buyer who collects the salmon marketing assessment shall

26 (1) maintain records reflecting the amount of salmon that was purchased in the
27 state; and

28 (2) report to the Department of Revenue by March 1 of each year the total value
29 of the salmon that the buyer has acquired in the state during the preceding year.

30 (c) The salmon marketing assessment collected under this chapter shall be deposited in
31 the general fund. The legislature may make appropriations based on this revenue to the

1 association for the purpose of implementing this chapter.

2 Sec. 16.53.150. LIABILITY FOR ASSESSMENT ON SALMON SHIPPED FROM
3 STATE. (a) The owner of salmon at the time the salmon is removed from the state is liable for
4 payment of the salmon marketing assessment imposed by AS 16.53.110 if, at the time the salmon
5 is removed from the state, the assessment payable on the salmon has not been collected by a
6 buyer.

7 (b) If the owner of salmon is liable for payment of the salmon marketing assessment
8 under (a) of this section, the owner shall

9 (1) maintain records reflecting the amount of salmon removed from the state
10 before the assessment was collected by a buyer;

11 (2) report to the Department of Revenue by March 1 of each year the total value
12 of the salmon removed from the state before the assessment was collected by a buyer.

13 * Sec. 4. AS 39.25.110 is amended by adding a new paragraph to read:

14 (30) employees of the Alaska State Salmon Marketing Association.

15 * Sec. 5. AS 39.50.200(b) is amended by adding a new paragraph to read:

16 (53) Alaska State Salmon Marketing Association (AS 16.53.010).

17 * Sec. 6. SALMON MARKETING ENDOWMENT. (a) In order to support the Alaskan salmon
18 marketing programs of the Alaska State Salmon Marketing Association there is established as a separate
19 fund in the treasury of the state, the Salmon Marketing Endowment. The principal of the endowment
20 consists of public and private gifts, grants, and other funds contributed to the endowment and of
21 legislative appropriations to the endowment. The Department of Revenue shall manage the endowment.
22 Interest and other income received on the principal of the endowment shall be accounted for separately
23 and may be appropriated annually to the Alaska State Salmon Marketing Association for the support of
24 Alaskan salmon marketing programs.

25 (b) The Salmon Marketing Endowment terminates on January 1, 1996. The principal of the
26 endowment shall be returned to the sources from which it was derived.

27 * Sec. 7. APPOINTMENT OF ADDITIONAL COMMERCIAL FISHERMEN TO BOARD OF
28 DIRECTORS OF THE ALASKA SEAFOOD MARKETING INSTITUTE. Notwithstanding the power
29 of the governor to reappoint members to the board of directors of the Alaska Seafood Marketing Institute
30 under AS 16.51.030, the four additional members of the board of directors who must be engaged in
31 commercial fishing under AS 16.51.020(b), as amended by sec. 1 of this Act, shall be appointed by the

1 governor by filling

2 (1) the first three vacancies that occur in seats currently held by seafood processors who
3 have an annual payroll of \$1,000,000 or more in the state with persons who are engaged in commercial
4 fishing; and

5 (2) the first vacancy that occurs in a seat currently held by a seafood processor who has
6 an annual payroll of \$50,000 - \$1,000,000 in the state with a person who is engaged in commercial
7 fishing.

8 * Sec. 8. In order to provide a source of funding for salmon marketing programs following the
9 termination of the Salmon Marketing Endowment on January 1, 1996, it is the intent of the legislature
10 that the initial election to approve a salmon marketing assessment under AS 16.53.110 - 16.53.150,
11 added by sec. 3 of this Act, be held before January 1, 1996, and provide for the establishment of a
12 salmon marketing assessment to take effect January 1, 1996.

13 * Sec. 9. Sections 3 and 8 of this Act take effect July 1, 1995.

14 * Sec. 10. Except for secs. 3 and 8 of this Act, this Act takes effect immediately under
15 AS 01.10.070(c).

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

240 Main Street, Suite 500
Juneau, Alaska 99801-2101

MEMORANDUM

January 28, 1992

SUBJECT: Sectional Summary: CSHB 358 (); An Act relating to the Alaska State Salmon Marketing Association and to the membership of the Alaska Seafood Marketing Institute; and providing for an effective date

TO: Representative Gene Kubina

FROM: George Utermohle *GU*
Legislative Counsel

This memorandum is a sectional summary of CSHB 358 (); An Act relating to the Alaska State Salmon Marketing Association and to the membership of the Alaska Seafood Marketing Institute; and providing for an effective date.

A sectional summary is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 16.51.020(b) by decreasing the number of seafood processor members of the Alaska Seafood Marketing Institute from twelve to eight and increasing the number of commercial fishermen members from five to nine.

Section 2 of the bill adds a new chapter to AS 16.

CHAPTER 53. ALASKA STATE SALMON MARKETING ASSOCIATION.

Sec. 16.53.010 establishes the Alaska State Salmon Marketing Association as a public corporation in the Department of Commerce and Economic Development.

Sec. 16.53.020 establishes a board of directors as the governing body of the association. The board of directors consists of 13 voting members and the commissioners of fish and game and of commerce and economic development. Two voting members of the board of directors shall be appointed from each of the six regions established under sec. 16.53.160. One voting member shall have experience in the operation and management of nonprofit salmon hatcheries.

Sec. 16.53.030 provides that the voting members of the board are appointed to staggered three year terms and may be reappointed.

Sec. 16.53.040 provides that voting members of the board of directors serve at the pleasure of the governor and that a vacancy in the voting membership of the board of directors shall be filled in the same manner as the original appointment for the remainder of the unexpired term.

Sec. 16.53.050 provides that seven voting members of the board of directors constitute a quorum.

Sec. 16.53.060 provides that the voting members of the board of directors do not receive compensation but are entitled to receive per diem and travel expenses for their services on the board.

Sec. 16.53.070 provides that the board of directors shall meet at least once a year.

Sec. 16.53.080 provides that the board of directors may employ, and determine the duties and salary of, a marketing director and a regional coordinator. The marketing director may, with the approval of the board of directors, employ additional persons. All employees of the association are in the fully exempt state service.

Sec. 16.53.090 sets out the powers of the board of directors.

Sec. 16.53.100 sets out the duties of the board of directors.

Sec. 16.53.160 establishes six regional salmon marketing committees in the state. Each regional salmon marketing committee consists of nine members appointed by the commissioner of commerce and economic development from among commercial fishermen representing the various commercial fishing gear groups in the area. Members of the regional salmon marketing committees do not receive compensation but are entitled to travel expenses and per diem. The regional salmon marketing committees shall promote the purposes of the association in their respective regions.

Sec. 16.53.990 defines the terms "association", "board", "buyer", and "value".

Section 3 of the bill amends AS 16.53 by adding several new sections relating to a salmon marketing assessment. Section 3 of the bill does not take effect until July 1, 1995.

Sec. 16.53.110 provides that a one percent salmon marketing assessment shall be paid on the value of salmon sold in the state or removed from the state by commercial fishermen, if the assessment is approved by the board of directors and commercial fishermen.

Sec. 16.53.120 sets out the procedure for terminating a salmon marketing assessment.

Sec. 16.53.130 sets out the procedure for conducting an election to approve or terminate a salmon marketing assessment.

Sec. 16.53.140 sets out the procedure for collection and payment of the salmon marketing assessment and provides that the revenue generated by the assessment may be used to support the salmon marketing programs of the association.

Sec. 16.53.150 provides that a person who removes salmon from the state is liable for payment of the salmon marketing assessment, if, at the time of removal from the state the salmon marketing assessment has not been paid.

Section 4 of the bill amends AS 39.25.110 by adding the employees of the Alaska State Salmon Marketing Association to the list of state employees who are in the fully exempt service.

Section 5 of the bill amends AS 39.50.200(b) by adding the Alaska State Salmon Marketing Association to the list of boards and commissions whose members are subject to the state conflict of interest law (AS 39.50).

Section 6 of the bill establishes a Salmon Marketing Endowment to support the Alaska salmon marketing programs of the Alaska State Salmon Marketing Association. The endowment is terminated on January 1, 1996.

Section 7 of the bill prescribes the manner in which the four new commercial fishing members of the board of directors of the Alaska Seafood Marketing Institute will be appointed.

Section 8 of the bill states the legislature's intent that the initial vote by commercial fishermen on whether to establish a statewide salmon marketing assessment be held before January 1, 1996, so that the assessment may take effect when the Salmon Marketing Endowment is terminated. The intent of the legislature is to provide for a continuous source of funding for salmon marketing programs.

Section 9 of the bill provides that secs. 3 and 8 of the bill take effect July 1, 1995.

Representative Gene Kubina
January 28, 1992
Page 4

Section 10 of the bill provides that secs. 1, 2, and 4 - 7 take effect immediately under AS 01.10.070(c).

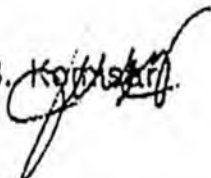
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UNIVERSITY OF ALASKA

February 11, 1992

via fax

TO: Gene Kubina

FROM: Jerome B. Kornstar 

RE: bill re seafood industry

This is the material from the Fisheries Program. You were closer to the mark than I thought. Personally, I would have another faculty line (\$60,000), but I leave it to your good judgment.

JBK:dm
Enclosure

Feb 07, 1992/jb

BUDGET FOR HB 352
Section 1

	(1)	(2)	(3)(A)	(3)(B)	(3)(C)	(3)(D)	(3)(E)	(3)(F)	(3)(G)	(4)	Total
Associate Professor	\$65,500										\$65,500
Administrative Assistant	\$23,600										\$23,600
Travel	\$4,600			\$4,000					\$4,500	\$18,000	\$29,500
Office supplies, postage, communications, misc	\$2,000			\$1,000	\$2,000	\$500	\$500	\$1,000	\$1,000	\$2,000	\$10,000
Office equipment	\$7,000									\$2,000	\$9,000
Conference facilities									\$2,000	\$4,000	\$6,000
Reports preparation	\$1,000		\$1,000	\$1,500	\$2,000	\$500		\$1,000	\$2,000	\$2,000	\$11,000
Total	\$109,100	00	\$1,000	\$4,500	\$4,000	\$1,000	\$500	\$2,000	\$7,500	\$25,000	\$159,500

Notes:

- (2) Does not include direct costs of conducting or contracting research
Require further information on this
- (3)(G) Assume participants cover travel
- (4) Assume annual meeting with 10 attendees, travel paid

Salmon Strategy Task Force Recommendations



MEL MUNSON
ISN'T HERE...
MAY NOT HAVE
ARRIVED...

TELECONF CAN
ONLY RUN
UNTIL 2:45

Walter J. Hickel, Governor
Commissioner Glenn A. Olds, Chair

State of Alaska
Department of Commerce and
Economic Development
Division of Economic Development

JANUARY 24, 1992

INTRODUCTION

Governor Hickel appointed the Salmon Strategy Task Force on August 15, to investigate the reasons for the 1991 salmon crisis and to review options for industry stabilization and recovery.

Alaskans should be proud of the courage of the people and companies that started this industry years ago. The people and lifestyle of the salmon industry are a fundamental part of Alaska's history, culture and way of life.

Alaska has been the world's leading supplier of salmon. The state's salmon industry now faces strong competition from many other sources and its dominant role is threatened. Traditional markets are no longer dependent on Alaska for their needs.

The entire world is producing salmon at a record rate. For many years, Alaska's salmon industry enjoyed a market strategy based on allocating scarce resources among competing customers. In less than a decade the entire system has changed. Now the competition in both traditional and developing markets is intense, and it's likely to stay that way.

In order to compete, and indeed survive in this new environment, it is essential that all participants in the industry recognize and accept the reality of these competitive changes. The industry is facing a crisis of considerable magnitude, requiring decisive short term action and long term action to prevent the crisis from recurring.

The 1991 salmon season has forced us to recognize that the Alaska salmon industry is at a crossroads. As with many other industries in America, we must recognize that traditional business practices are no longer adequate in the face of global competition. Reevaluation and action are required.

The Salmon Strategy Task Force has made several immediate and long-term recommendations which should alleviate the immediate crisis, help stabilize the industry, and plot a course to regain our leadership role in the marketplace.

The effects of the decrease in salmon prices are profound, putting at risk state loan programs, community stability, and tax revenues to all levels of government. The seafood industry is the state's largest private sector employer, with the largest resident private sector payroll. The failure of the state and the industry to take decisive action will result in continued weakness in this economic sector and put increased demands and safety net programs.

These will not necessarily be easy changes to make. It will take a substantial commitment of time, hard work, and money. We ask that the Administration, the entire salmon industry and the Legislature work together to support the implementation of these recommendations.

Charge to the Task Force

Governor Hickel's charge was to develop a strategy to generate maximum economic return to Alaska fishermen, processors, and the state as a whole, consistent with wise use and conservation of the resource. The Task Force is to make specific recommendations to the seafood industry, the Administration and the Legislature.

The group was to focus on methods to maintain existing markets, develop alternative markets and product forms, promote secondary processing, develop necessary infrastructure, coordinate production and marketing strategies, improve salmon quality control, optimize fish tax policies and improve fish harvesting and processing efficiency. The Task Force also delineated existing salmon markets and collected and distributed information to assist fishermen and processing companies in reaching agreement.

Conditions requiring study

The major factors distressing the industry are greatly increased competition, high inventory levels, low prices, and projections of continuing high production levels. The runup in prices 1986-1988 followed by declining prices since have left many fishermen with debt loads they cannot support. The declining markets have hurt processors, exporters, and end users holding product in a declining market as well. These factors led to serious price disputes and charges of price fixing in some quarters as the 1991 season developed.

The market outlook for the 1992 season may improve somewhat for sockeye, but extremely high inventory levels remain for pinks. These species represent the vast majority of Alaska production value and volume. The early, very tentative prognosis from Fish and Game is for another big production year.

Inventory of issues

An initial questionnaire went out to 350 recipients of the Alaska Fish and Game weekly catch reports in mid July. This was followed by a second mailing of 125 in late July that added all Alaskan salmon fishing organizations, processors and legislators. The mailing solicited opinion on the issues the Task Force should address. Some 70 responses (a 15% response rate) were received. Staff collated the responses and summarized them. These responses were then categorized under nine headings for presentation to the Task Force.

Selection of Task Force

The Governor announced the membership of the Task Force on August 15. It includes broad representation from the salmon industry, appropriate state agencies, and the general public. The group provides a good cross section of the industry and policy makers in state government, while main-

taining reasonable geographic balance and a practical size. The members are:

Honorable Richard Eliason of Sitka, President of the Alaska Senate, and a Southeast Alaska fisher;
Honorable Fred Zharoff of Kodiak, Chairman of the Alaska Senate Rules Committee and a Bristol Bay fisher;
Honorable Eugene Kubina* of Valdez, Chairman of the House State Affairs Committee;
Commissioner Glenn Olds, Alaska Department of Commerce and Economic Development;
Commissioner Carl Rosier*, Alaska Department of Fish and Game;
Mr. Ed Crane*, President of the Alaska Commercial Fishing and Agriculture Bank;
Dr. Jerome Komisar, President, University of Alaska;
Mr. Richard Lauber, Vice President, Pacific Seafood Processors Association;
Ms. Hazel Nelson*, President, Becharof Corporation, and Bristol Bay fisher;
Mr. Greg Seider*, Executive Director, United Fishermen of Alaska;
Ms. Sandra Tavanis*, Co-owner, Sea Hawk Seafoods, Valdez;
Mr. Bob Van Brocklin, Prince William Sound Aquaculture Corporation; and
Mr. Robert Waldrop, President of the Board, Alaska Seafood Marketing Institute, and Vice President, Silver Lining Seafoods, Ketchikan.

* Editorial Committee

Calendar of work

The Task Force met four times, August 29, October 7, November 1, and November 22. Agendas and summaries of the meeting minutes are contained in appendices to the full report.

At the first meeting, the Task Force selected which of the issues raised in the extensive mail-out solicitation to pursue. Five of the original nine survived; product and market development, reducing costs of production, getting reliable information, improving quality, and marketing salmon and ASMI's role. It also became clear there were several myths at work clouding the issues. Staff reworked the five issues passed by the Task Force in the first meeting into problem statements before the second meeting.

The second meeting started with presentations on various myths, including "everyone's making money but me," "it's all just a Japanese conspiracy," and "we should stick to business as usual, the customer just thinks they want something different." The Japanese market, salmon prices, margins and costs at various points in the industry, and ASMI's mission were discussed. The Task Force made changes to the problem statements and staff followed up the second meeting with extensive interviews of Task Force members and other experts to lay out the facts and options available to address the problems. A sixth problem was isolated and addressed in this process, the need for strategic planning. The persons interviewed, the questions asked and the options identified are in the full report appendix.

The third meeting started with presentations of the interview results and options gathered. The interview results form the main body of the full report. The Task Force then ranked the options available at that time. Some options were dropped. Staff reworked the options into general, specific, and detailed lists, and prepared a draft outline for the report.

The fourth meeting consisted of preparing some new recommendations for immediate action, and reworking the options that passed muster at the third meeting into the recommendations that follow. Some items were dropped. An editorial committee was appointed to oversee production of the report (see footnote above), and a schedule established for completion of the report.

Recommendations

The Task Force recommendations take into account budget cycles and priorities. In many cases requiring state agency action, existing budgets are not adequate to perform the recommendations. Additional funding will be required, not reprogramming of existing budgets. The Task Force expects the relevant agencies to prepare the necessary budget information, and respectfully requests full and favorable consideration by the Administration and Legislature.

RECOMMENDATIONS FOR DEALING WITH THE IMMEDIATE CRISIS

1. The Alaska Seafood Marketing Institute (ASMI) should develop a budget for immediate funding to deal with the existing inventory surplus before the 1992 season and projected 1992 production. This must be implemented as soon as possible¹.
2. Processors and fishermen should initiate market discussions early. The Task Force recognizes that the market situation will be uncertain at that time, and that the risk involved will lead to low price suggestions from processors, but recommends early discussions to provide maximum information sharing and opportunity to reach agreement. The Department of Labor (DOL) should be prepared to bring in knowledgeable mediators if necessary.
3. The University of Alaska (U of A), Commerce and Economic Development (DCED), and Fish and Game (ADF&G), should initiate and/or support efforts to expose the broadest possible range of Alaska fishermen to credible and detailed information about recent and ongoing changes, including problems and opportunities, in the world markets for salmon.³
4. The DCED Division of Economic Development should review the processing capacity situation in Prince William Sound, taking into account the outcome of the 1991 season, and make preliminary findings available to the Governor (and the industry) as early as is practicable. The Task Force recognizes that the capacity problems that developed in Prince William Sound were the result of the fishery being late and very concentrated, and the fish being relatively dark and small.⁴
5. The DCED Division of Investments and Alaska Commercial Fishing and Agriculture Bank (CFAB) recognize the crisis caused by low prices and the effect this has on loan payments. The Task Force encourages them to actively seek out fishermen having problems and work with them on loan extensions and other measures to minimize foreclosures.⁵

-
1. The immediate ASMI program should be geared to long-term domestic market growth. The Governor could include this amount in his budget request, including a request for exemption from procurement codes for this emergency funding. The Legislature could pass this supplemental funding out as soon as possible in the session. ASMI could reprogram funds to initiate the campaign as soon as possible, prior to release of the funds, consistent with prudent financial management.
 3. Provide reasonably detailed but clearly written information on prices and markets for salmon for wide-spread distribution in the spring of 1992 and thereafter. The information could be updated in season. A goal should be to establish a clearer understanding of the effects of market conditions and dynamics on prices.
 4. DCED could prepare a supplemental budget to cover the costs of doing the necessary surveys for the PWS capacity determination.
 5. Reinstatement of state funding for the ABDC (Alaska Business Development Centers) program of outreach and business assistance in rural areas has been identified as an important component in dealing with financial hardship. This organization provides one-on-one assistance with loan workouts and dealing with the IRS that is not available elsewhere.

MID-RANGE RECOMMENDATIONS

General

1. The DCED, ADF&G, and Department of Labor (DOL) should consider promoting a closer and more trusting relationship among the interests involved in the issues concerning Alaska's salmon industry. This effort should be closely coordinated with other ongoing educational and consensus building efforts.¹

Product and Market Development

2. The Alaska Science and Technology Foundation (in fisheries area), and the U of A's Fisheries Industrial Technology Center, and Marine Advisory Program should be encouraged to expand their efforts in salmon product and market development and to coordinate their efforts in providing technical assistance and research and development in salmon products through the Alaska Fisheries Development Foundation (AFDF).²
3. The DCED's ability to provide international marketing information and sales assistance should be expanded. The Department's Division of Economic Development and Office of International Trade should work closely with ASMI and the Alaska Center for International Business (ACIB) to reduce risk and costs to the private sector.³
4. The DCED, ASMI and the Marine Advisory Program's ability to assist domestic marketing should be expanded. The Department's Division of Economic Development work closely with ASMI to reduce risk and costs to the private sector.⁴

-
1. In the consensus building efforts, the agencies could organize forums and/or participate in existing trade shows and conferences. The issues examined by the Salmon Strategy Task Force could be presented and discussed with the objective of developing a consensus about the direction the state should take in the future regarding the harvesting, management, promotion and marketing of Alaska's salmon.
 2. AFDF has in place a proven industry board and ability to perform, but will require administrative funding to continue operations. Salmon industry representation on their board should be expanded.
 3. Specific projects could include:
 - Work to reduce tariff barriers for Alaska seafood products overseas.
 - Encouragement to foreign reprocessors to purchase or joint venture value-added production in Alaska.
 - Continuing investigation of new markets for salmon overseas where disposable income is high enough, and seafood is commonly eaten.
 4. These entities could reduce risk and costs to the private sector of expanding domestic markets through:
 - Working with food service entities in Alaska and other states to promote sales and distribution of Alaska salmon products.
 - Providing start-up technical assistance to new ventures.

Quality

5. The Department of Fish and Game should reexamine management practices with the goal of obtaining the highest quality pack possible without harming the stocks.⁵
6. The Department of Fish and Game should conduct a comprehensive study in Southeast Alaska and Prince William Sound, with the cooperation of fishermen and processors, to determine the degree of risk managers should take in managing for economic efficiency and fish quality. The goal would be to identify the optimum locations for harvest.⁶
7. Industry and the Department of Fish and Game should cooperate on a program to educate fisheries managers, fishermen and industry operators on the physiological changes that occur in salmon (and hence its marketability) to encourage management that provides for the optimum use of the resource.⁷
8. Hatcheries should conduct research to determine the cause for variations in sexual maturity and other quality factors for stocks returning to hatcheries. Based on the research, hatcheries should modify their stocks and practices to optimize quality.

Marketing and ASMI's Role

9. ASMI, the FITC and the Marine Advisory Program (U of A) should expand educational programs on fish handling, cleaning, chilling, and processing for virtually all parts of the industry. Such efforts should focus on providing hands-on training from the fishing boat to the market, and on meeting the needs of the consumer for quality seafood. The effects of quality handling on the ability to market the end product should be emphasized.

-
5. The reexamination of management practices could include changes in the length of openings and the timing of fisheries to optimize salmon quality. The Task Force recognizes that Fish and Game may need statutory and regulatory changes to incorporate such considerations in management decisions.
 6. A controlled set of experiments to determine the optimum points of harvest for top quality could include:
 - a. testing the condition of fish to determine rates of deterioration in terminal harvest and outer areas, throughout the duration of the run; and
 - b. identifying the optimum location which will provide the highest quality of salmon with an acceptable risk to the wild stocks.
 7. A study to examine the effects of sexual maturity on finished product quality could include the following:
 - a. samples in each of the categories in ASMI's Color Guide and hatchery broodstock would be collected;
 - b. portions of each category would be processed at least as headed and gutted, filleted and canned products; and
 - c. the end products would then be used in a workshop setting to educate managers on the various aspects of salmon quality.

The Task Force recognizes that a similar program budgeted at \$25,000 was considered and set aside by the ASMI board, and that it may be possible to achieve the same ends using commercially-processed products. ADF&G should prepare a budget item if necessary.

10. The Department of Commerce and Economic Development should initiate and/or encourage efforts to expose all salmon fishermen to organized, accurate and credible data concerning the salmon industry and markets in sufficient form and detail to permit fishermen's consideration of a national salmon marketing council chartered by the U. S. Secretary of Commerce under the Federal Fish and Seafood Promotion Act of 1986.¹⁰

LONG-TERM RECOMMENDATIONS

GENERAL GOAL

The state needs to develop a strategic plan for long term development of the salmon (seafood) resource, using recommendations of this task force as a starting point. This should focus on strengthening the support structure and sustainability of the industry. The goal would be a more rational and efficient system which is less vulnerable to market, production, and financial fluctuations. This would ensure an integrated and uniform state approach to the fishing industry.

OBJECTIVES:

- review and evaluate the institutions and relationships developed in the industry with an eye toward improving competitiveness and economic return to Alaska residents.
- bring together agencies and functions to affect a rational, consistent and sustainable program linking production, harvesting, processing, marketing and financing.
- determine the proper roles for the public and private components of the industry, integrating regulatory and developmental activities.

ACTION ITEMS

General

1. The Department of Commerce and Economic Development, in cooperation with other state agencies and the salmon industry, should organize a group with broad experience and understanding, in aggregate, of food and commodities industries, to:

-
10. The Federal Fish and Seafood Promotion Act of 1986 provides that species-specific councils (roughly parallel to the National Beef Council, etc.) may be formed only after a rigorous referendum process which must include all salmon harvesters and all primary processors or harvest purchasers and may include other industry participants. If properly organized and chartered, a "National Salmon Council" would have the power to assess the industry participants for funds to be used for salmon promotion and marketing, product research, consumer education, etc. It would also have the power to develop and offer, for Department of Commerce and Economic Development approval, salmon quality standards.

- a. review the functional and procedural workings of the Alaska seafood industry;
- b. identify areas of inefficiency, counter-productivity and resource waste.
- c. review and evaluate research and development capabilities.
- d. recommend what state resources, including statutes, regulations, prestige, etc., can and should be applied to address those areas.

Fish Production

2. DCED, ADF&G, and ASMI should develop an integrated production and marketing strategy. which would:
 - a. recognize marketability of the fish as an important management goal.
 - b. recognize that price will be set by overall supply and demand, including the production of farmed salmon.
 - c. coordinate production with wider economic goals, including processing, product development, and markets, based on dependable information and planning.
 - d. better coordinate wild and hatchery production, regionally and by species and market.

Harvesting/Processing

3. The Commercial Fisheries Entry Commission, DCED, and DF&G, should develop fishery management and regulatory measures aimed at reducing operating costs, more efficiently utilizing present investments, and promoting a rational sustainable industry. Investigate ways to retain permits in Alaska and rural areas in particular, provide greater stability and enhanced revenues to resident fishermen, and increased shoreside investment consistent with sound financial standards, through:
 - a. reexamination of loan policies and permit use limitations.
 - b. reexamination of Alaska's limited entry system.
4. To widen options for Alaskan fishermen, DCED, in cooperation with other state agencies and the industry should consider promoting Alaskan controlled joint venture processing developments linking present investors and industry participants with new technologies and capital, and Pacific Rim and lower 48 markets. Give special attention to rural communities dependent on the salmon resource, smaller plants, local consumption and market needs, infrastructure needs, and current economic development plans.

Marketing

5. DCED should contract a major marketing research firm with proven credentials in food marketing to develop and analyze the "facts" related to salmon market trends, opportunities and weaknesses in major and potential markets. The group should also evaluate the state and industry's marketing efforts, including consideration of changes in the ASMI statute or operations, to permit, if possible, a more effective approach to marketing Alaska seafood.⁵
6. The Governor and Legislature should consider funding ASMI's \$10 million per year proposal for an intensive 5 year domestic marketing campaign. The goal is to raise domestic consumption of salmon from 1 to 1.5 pounds per person annually.
7. DCED, in cooperation with ASMI and DEC, should conduct a study to find the most cost effective ways to improve consumer confidence in Alaska seafood products. The Task Force recognizes that the entire seafood industry must improve the inherent quality of the salmon it processes, the freshness and workmanship of the product, and the consistency of grading to remain competitive, particularly when competing with farmed salmon.⁷

Finance/Other

8. DCED, in cooperation with other agencies and the industry, should readdress the issue of infrastructure including but not limited to improving quality, providing cold storage capacity, and promoting value added production.
9. OMB, in cooperation with state agencies and the industry, should reexamine the policy and implementation of fisheries taxes, including the corporate income and marine fuels taxes. The State must first decide what it wishes to accomplish by taxation. While this is nominally raising revenues, any tax distorts the market in some way, and a review of the current tax structure and various proposed alternatives is in order. Of particular interest is whether targeted tax credits for research and development expenditures is feasible.

Reducing Costs and Regulatory Burdens

1. The Departments of Fish and Game and Revenue should consider combining the appropriate processor annual report forms to simplify reporting requirements for the industry. This should be done at an agency level with the agencies sharing information from each form or integrating them, and may require statutory changes.
-
5. The efforts should take into account what's already been done (Salmon 2000) and focus on those areas outside ASMI's assigned and traditional role, including new product and market development. The results must be produced in a form which will permit evaluation and initiation of strategies to further enhance and stabilize markets.
 7. A great deal of the input the Task Force received identified the lack of consistency in Alaska salmon products as a major marketing problem. Some Alaska product has been described as "low quality" compared to the competition. As Alaska's products become better identified in the marketplace, the Task Force recognizes that "Alaska brand" seafood must be of "good" quality, and meet the customers' expectations if customer satisfaction is to be achieved and advertising dollars well spent. Exactly how to determine those inherent quality standards, and how to ensure that the customer consistently gets the product they have purchased and expect could not be reconciled. The industry is divided on how large a role the state should play in determining quality, ranging from mandatory grading standards to no standards beyond wholesomeness.

2. The Department of Commerce and Economic Development, in cooperation with other affected agencies and the industry, should investigate ways to assist small operators in meeting the myriad regulatory requirements of various agencies. This might range from exempting processors under a specified size from filing certain forms to providing a central clearinghouse for permitting and filing information, technical advisory services and special loans for equipment such as computers and computer software.
3. The relevant state agencies should, in consultation with the Limited Entry Commission, collect child support payments from permit holders at the time of yearly permit renewal. Permit holders will be motivated to pay this fee and it will not unfairly burden processors.
4. The Departments of Revenue and Labor respectively, should relieve the burden of prepayment of the Fishery Business Tax and provision of Labor bond for companies with proven payment records and sufficient assets.

HB

360

(7)

Date Referred: 1/13/92

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 1/21/92

The LABOR AND COMMERCE Committee considered:

HB 360

HOUSE BILL NO. 360

LIFE OR DISABILITY INS. FOR CHARITIES

"An Act relating to life or disability insurance obtained by charities."

RECOMMENDATIONS:

be replaced with _____ [] the same title

[] have attached amendments(s) [] a new title

do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[] fiscal note(s) _____

zero fiscal note Department of Commerce [] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>W. Deek Ouley</i>	✓	_____			
<i>Lee Nelson</i>	✓	<i>Adrian L. Taylor</i>		X	
<i>Kevin Paul Payall</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

[Signature]
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 360

Revision Date: 1/3/92 Department Affected: Commerce & Economic Dev.
 Title: Life or disability insurance BRU: Insurance
obtained by charities Component: Operations
 Sponsor: Rep. Bover & Rep. B. Davis
 Requestor: _____ COMPONENT SERIAL NO.

0	3	5	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 No fiscal impact on the Division of Insurance.

Prepared By: Joan Brown, Admin. Officer *[Signature]* Phone: 465-2597
 Division: Insurance Date: 1/17/92
 Approved by Commissioner: Glenn A. Olds *[Signature]*
 Agency: Commerce & Economic Development Date: 1.21.92

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

VICE-CHAIRMAN
HOUSE FINANCE COMMITTEE



House of Representatives

FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

To: House Labor and Commerce Committee
From: Representative Mark Boyer, bill sponsor
Date: January 20, 1992

Subject: HB 360 "An Act relating to life or disability insurance obtained by charities."

The problem:

The I.R.S. issued a private letter ruling in 1990 (PLR 9110016) stating that a New York donor may not claim a federal income tax deduction for the donation of a life insurance policy to a charity unless the state specifically allows the charity to have an insurable interest in the donor. Alaska does not specifically allow charities to accept insurance policies as gifts. Consequently, donated policies may not be enforceable, because the donor's heir could challenge the gift and claim the policy. Without the federal tax deduction, there is little incentive for a person to donate an insurance policy to charitable organizations.

How HB 360 solves the problem:

HB 360 amends Alaska Statutes to specifically allow a charitable organization to obtain life or disability insurance on an insured person if the donor consents to the issuance of the insurance to the non-profit agency. The I.R.S. prohibition on deductibility of the premium payments would no longer apply to Alaska because the insurance policy donation would be enforceable.

The United States Code (U.S.C.) 501(c)(3) exempts certain non-profit organizations from federal taxation. Exempt organizations may include certain charitable, educational, religious, and a variety of non-profit organizations.

The benefits:

In a time when public funds are becoming less available for non-profit organizations, every effort should be made to encourage private contributions to fill the funding gap. This bill will provide an opportunity for donors to turn a modest donation into large gifts to their favorite charity.

Background on charitable deductions

According to the IRS (*Statistics of Income Bulletin*), in 1989 over 29 million federal tax returns included itemized deductions for charitable contributions. The total value of those deductions was \$55.3 billion. The average deduction for a charitable contribution was \$1,897. The number of contributions dropped from a high of 36.7 million in 1986 when the tax code changed and only those who itemized their deductions could claim a deduction for charitable contributions.

The IRS ruling

In 1990, the I.R.S. issued a private letter ruling that applied to a New York woman. The service said that she couldn't claim federal tax deductions on income, gift, and estate taxes for a charitable donation of life insurance because the state's law did not recognize charities as having an insurable interest in their donors.

The service said that the charity had effectively obtained the policy on the donor because the donor intended to purchase the policy and immediately give it to charity.

Because New York law did not specifically allow a third party to obtain an insurable interest in a donor, the policy would be invalid and could be taken away from the charity by the donor's heirs after the donor's death. New York has since taken action to remedy this problem as have other states.

STATE OF ALASKA

DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

WALTER J. HICKEL, GOVERNOR

P.O. BOX D

JUNEAU, ALASKA 99811-0800

PHONE: (907) 465-2515

August 16, 1991

Phil A Younker, Jr.
Phil A Younker & Associates Ltd.
P. O. Box 83529
Fairbanks, Alaska 99709

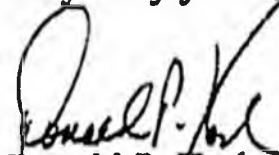
Dear Mr Younker

Re: Insurable Interests of Charities

Director Walsh advised me that you had called concerning the captioned subject and has asked me to respond to your inquiry.

This is a question that has come to this Division with a bit more frequency since the IRS issued its private ruling 9110016 on November 30, 1990 based on New York law. It unfortunately is an area on which we do not issue opinions. We have not been able to locate any Alaska case law on the subject. We believe that this is a grey area and one that should be specifically clarified and structured in statute. This would require specific legislation.

Very truly yours,



Donald P. Koch, CIE
Chief of Market Surveillance

910816 00 PY1



University of Alaska Foundation

University of Alaska
910 Yukon Drive, Suite 208
Fairbanks, Alaska 99775-5240
Office (907) 474-7687
FAX (907) 474-7664 or (907) 474-5140



Office of Development
SYDEV

Representative Mark Boyer
Alaska State House of Representatives
P.O. Box V
Juneau, AK 99811

VIA FAX

January 17, 1992

Dear Representative Boyer:

I understand that HB 360, which deals with changes to Alaska's statutes regarding life insurance policies, will receive its first hearing next Tuesday. The University Foundation strongly supports this bill since it will provide us, and other non-profits in Alaska, with the ability to have an insurable interest in the lives of donors who contribute life insurance policies to us. Through this change, our existing donors and potential contributors will be assured that their gifts of life insurance policies will be deductible as charitable donations under the Internal Revenue Service's rulings.

At the annual meeting of the University of Alaska Foundation on November 6, 1991, the Board of Trustees passed a unanimous motion indicating strong support for this change in Alaska's insurance statutes and directing that a resolution be prepared indicating their support. That resolution has not yet been completed. I shall send it to you when it is. In the interim I hope that this letter and the Board's action I have described will serve to indicate the Foundation's strong support of the statute changes outlined HB 360.

I thank you for all you are doing to help bring Alaska's laws into line with those in almost all other states which now do provide for charities to have an insurable interest in their donors.

Sincerely,

Scott Taylor
Executive Director

cc: Members of the Board of Trustees

1992 LEGISLATIVE PROPOSAL FORM

DEPARTMENT: The University of Alaska

SUBJECT OF PROPOSED BILL: Life Insurance Donated to the University

SUMMARY OF INTENT:

The Problem: A private letter ruling issued this year by the I.R.S. (PLR 9110016) provides that donors may *no longer* claim a federal income tax deduction, for the donation of a life insurance policy on the donor's life to a qualified charity such as an educational institution, if the donation is made in a state which does not allow the institution or charity to have an *insurable interest* in the donor and which allows the heirs or estate of the donor to recover the proceeds of insurance policies that benefit those *without* an insurable interest (the institution or charity). Alaska is one of only six such states in the nation. As a result, the university (as well as all non-profits in Alaska) may no longer accept gifts of life insurance policies - a popular gift technique since it allows donors of limited means to make large gifts.

The Solution: This law would amend AS 21.42.020 to allow the university (and other charities) to qualify as having an "insurable interest" in the insured if the donor consents to the issuance of insurance or the donation of insurance to the university.

How this Law Solves the Problem: The I.R.S. ruling noted above would no longer apply in Alaska. This would then allow donors of insurance policies to take a charitable deduction on their federal income taxes for that donation. The end result will be more donations to the University of Alaska.

How Many Incidents Necessitate this Change: The university currently owns only one insurance policy donated to it which is affected by this ruling. However, the university is currently working with insurance companies in the state to establish a formal program which would allow donors to make moderate gifts of life insurance, without medical examination, as part of an overall effort to increase donations to support the University of Alaska. This program cannot go forward without this change in law

ESTIMATED FISCAL IMPACT:

Operating: None
Capital: None

WHAT OTHER DEPARTMENTS WILL BE AFFECTED BY THIS PROPOSAL: None

WHO WILL SUPPORT THIS BILL: All qualified non-profits in Alaska, Alaska Pacific University
Insurance agencies and brokers

WHO WILL OPPOSE THIS BILL: No one

BRIEFLY OUTLINE ANY PRECEDENTS FOR THIS PROPOSAL IN ALASKA OR OTHER STATES.
See Attached

IF A SUBSTANTIALLY SIMILAR BILL HAS BEEN DRAFTED AND NOT INTRODUCED, OR INTRODUCED AND NOT PASSED, PLEASE GIVE LAWLOG OR BILL NUMBER:

248/20 1991
Date


Jerome Komisar, President
University of Alaska Statewide System

Governor's Office Notes:



United Way
of Anchorage

Post Office Box 102052
Anchorage, Alaska 99510-2052
Phone (907) 562-4483
Fax (907) 563-0020

January 16, 1992

Representative Mark Boyer
State Capitol
Juneau, Alaska 99801

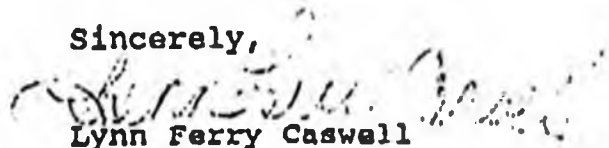
Dear Representative Boyer;

It is with great enthusiasm that I endorse house Bill 360, which essentially enables donors to assign life insurance policies to charitable organizations.

As funds for the provision of health and human services become more scarce from the federal and state governments, it is increasingly important for charitable organizations to seek other sources of funding. The opportunity for an individual to help insure the future viability of critical services will be of great value to those agencies providing the service.

My thanks to you for bringing this bill forward. I will follow its progress with keen interest.

Sincerely,


Lynn Ferry Caswell
Executive Director

HB

369

(7)
Date Referred: March 27, 1992

HOUSE COMMITTEE REPORT
FURTHER REFERRALS:

Finance

Date of Committee Action: 4/28/92

The LABOR AND COMMERCE Committee considered:

HB 369

HOUSE BILL NO. 369

POSTING OF SALMON PRICES

'An Act relating to the price paid to fishermen for salmon.'

RECOMMENDATIONS:

be replaced with CSHB 369 (L+C) [] the same title
[] a new title

[] have attached amendments(s)

[] do pass

[] do not pass

no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact _____

[] fiscal note(s) _____

[] zero fiscal note _____

zero fiscal note(s) ADF+G ; REVENUE

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>David Helstein</i>	X	<i>[Signature]</i>		X	
		<i>[Signature]</i>		X	
		<i>[Signature]</i>			

[Signature]
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 369

Revision Date: March 19, 1992
Title: Price Paid to Fishermen

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

Sponsor: Rep. Jacko
Requestor: _____

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
FUND SOURCE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0.0

ANALYSIS:

This bill requires fish processors and buyers to publish a proposed price for salmon at least 120 days before the start of a salmon fishing season.

Prepared By: Paul E. Dick *pid* *LEM* Phone: (907) 465-2320
Division: Income and Excise Audit Date: March 19, 1992

Approved by Commissioner: Darrel J. Rexwinkel *DJR* *Paul*
Agency: Department of Revenue Date: 3/19/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

House of Representatives

While in Session:
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182
(907)465-4942

P.O. Box 47001
Pedro Bay, Alaska 99647
(907)850-2208

Interim Office: 561-6154



Member
Finance Committee

Finance
Subcommittee Chair:
Courts
Department of Public Safety
Finance
Subcommittee Member:
Department of Fish and Game

Rep. George Jacko, Jr.

TO: Representative David Finkelstein, Chairman
House Labor and Commerce Committee

FROM: Representative George Jacko, Jr.

DATE: April 27, 1992

SUBJ: HB 369 - posting of salmon prices
=====

HB 369 requires fishbuyers to post a price 60 days in advance of a salmon season and to include prices on fish tickets and all premises where salmon is bought and sold. However, I would like to amend HB 369 and delete the preseason pricing requirement.

Although a considerable amount of support for preseason prices exists, as with any fundamental change this is going to take time. I am concerned that not enough time exists to fully debate this issue, therefore, I have decided to eliminate this provision. Attached is a draft committee substitute with the proposed changes. The draft version requires salmon prices on fish tickets and on premises where salmon is bought and sold.

HB 369 will ensure that fishermen be presented a price before they go fishing. It also addresses the increasing practice in Bristol Bay of the "open ticket" concept where fishermen go fishing not knowing the current prices.

We cannot forget the message that fishermen sent last summer. Through virtually every salmon fishery statewide, they said loud and clear, that improving preseason dialogue with fishbuyers was a priority. I believe HB 369 will contribute in this regard.

A careful distinction -- HB 369 does not prohibit any adjustment of prices at any time. This has been a major concern to fishermen.

Thank you for your consideration on this matter.

DRAFT

CS FOR HOUSE BILL NO. 369 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE JACKO

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the price paid to fishermen for salmon."

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

3 * Section 1. AS 16.05.690 is amended by adding a new subsection to read:

4 (c) A fish ticket recording the purchase of salmon must include the current price paid per
5 pound for each species of salmon purchased.

6 * Sec. 2. AS 16.10 is amended by adding a new section to read:

7 Sec. 16.10.277. POSTING OF CURRENT SALMON PRICE. A fish processor, primary
8 fish buyer, or cooperative corporation organized under AS 10.15 shall prominently post the
9 current price being paid for salmon at each location where salmon are purchased.

HOUSE BILL NO. 369

IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE JACKO

Introduced: 1/13/92

Referred: Resources, Labor & Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the price paid to fishermen for salmon."

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

3 * Section 1. AS 16.05.690 is amended by adding a new subsection to read:

4 (c) A fish ticket recording the purchase of salmon must include the price paid per pound
5 for each species of salmon purchased.

6 * Sec. 2. AS 16.10 is amended by adding new sections to read:

7 Sec. 16.10.277. PUBLICATION OF PROPOSED SALMON PRICE. (a) A fish
8 processor, primary fish buyer, or cooperative corporation organized under AS 10.15 shall set and
9 publish a proposed price for salmon at least 120 days before the start of a salmon fishing season
10 in an administrative area in which the fish processor, primary fish buyer, or cooperative
11 corporation intends to purchase salmon from fishermen. At least 110 days before the start of a
12 salmon fishing season, a fish processor, primary fish buyer, or cooperative corporation that has
13 set a proposed price for salmon shall

14 (1) mail a notice of the proposed price to all newspapers and salmon tender

1 operators in the administrative area in which the fish processor, primary fish buyer, or
2 cooperative corporation intends to purchase salmon from fishermen; and

3 (2) prominently post the notice of the proposed price on the premises where the
4 salmon will be purchased.

5 (b) A salmon tender operator who receives a notice of a proposed price for salmon under
6 (a) of this section shall prominently post the notice at the location where salmon are received for
7 tendering.

8 (c) For the purposes of this section, the Department of Fish and Game shall designate
9 the start of the salmon fishing season for each salmon fishery in the state. The start of a salmon
10 fishing season is the earliest date on which a salmon fishing season may reasonably begin under
11 commercial fishing regulations.

12 (d) A fish processor, primary fish buyer, or cooperative corporation who violates (a) of
13 this section is guilty of a misdemeanor and is punishable by a fine of not more than \$1,000.

14 (e) In this section, "administrative area" means an administrative area established by the
15 Alaska Commercial Fisheries Entry Commission under AS 16.43.200.

16 Sec. 16.10.278. POSTING OF CURRENT SALMON PRICE. A fish processor, primary
17 fish buyer, or cooperative corporation organized under AS 10.15 shall prominently post the
18 current price being paid for salmon at each location where salmon are purchased.

DIVISION OF LEGAL SERVICES

**LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA**

*P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029*

*Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101*

MEMORANDUM

September 25, 1991

SUBJECT: Issues Relating to Commercial Fishermen (Work Order No. 7LS-1493)

TO: Representative George Jacko, Jr.

FROM: George Utermohle
Legislative Counsel

IS IT POSSIBLE UNDER ALASKA LAW TO MANDATE THAT FISH PROCESSORS PRESENT COMMERCIAL FISHERMEN WITH A PROJECTED FINAL PRICE FOR THEIR CATCH AT LEAST 120 DAYS BEFORE THE START OF THE FISHING SEASON?

The answer is yes. The authority to mandate the fixing of projected final prices well in advance of the fishing season is a function of the state's authority to regulate trade and commerce in the state. The authority to regulate trade and commerce arises from the state's police power to provide for the public health, safety, and welfare. The legislature may exercise the police powers of the state by virtue of the constitutional grant of the law making power to the legislature. Constitution of the State of Alaska, Article II, sec. 1. The legislature also has the power to regulate trade and commerce in fish caught in the state under article VIII, sec. 2 of the Alaska

Constitution which mandates that the legislature shall provide for the utilization and development of all natural resources, including fish, belonging to the state.

Current state law already authorizes the Department of Labor to mediate price disputes between fishermen and fish buyers, if a price agreement is not reached within 120 days before the fishing season begins. AS 16.10.280.

IS IT LEGAL FOR A FISH BUYER TO PAY A MINIMUM PRICE TO FISHERMEN UPON DELIVERY OF FISH, BUT THEN PAY THE FULL PRICE FOR THE FISH AT SOME LATER TIME AFTER THE FISH BUYER HAS SOLD THE PROCESSED PRODUCT?

Representative George Jacko, Jr.
September 25, 1991
Page 2

The answer is yes. The price received by fishermen for their catch, and the manner in which that price is determined and paid, is a matter of negotiation between the fishermen and the fish buyer. State law does not regulate the transaction between the fishermen and the fish buyer, except to require that fish be sold on the basis of weight. AS 16.10.270 and AS 45.75.240. The practice of delaying or deferring full payment for fish sold to a fish buyer is acknowledged and tacitly sanctioned by statutes relating to the processors' assessment for the support of the Alaska Seafood Marketing Institute (AS 16.51), the fishery business tax (AS 43.75), and the salmon enhancement tax (AS 43.76).

A fisherman is free to negotiate the price of fish that he sells, the manner in which the price is determined, and the manner in which payment is to be made with the fish buyer. If a fisherman does not like the price or other terms of the sale offered by a particular fish buyer, the fisherman may negotiate to sell his catch to another buyer or even process the fish himself. Unless the relative bargaining power of the two parties to the transaction are so disproportionate as to be monopolistic or a restraint of free markets, the state will not interject itself into the transaction.

If I may be of further assistance, please advise.

GJ:gc
91-335.glc

House of Representatives

While in Session:
Box V
Juneau, AK 99811
(907)465-4942

P.O. Box 47001
Pedro Bay, Alaska 99647
(907)850-2208

Interim: (907)561-6154
January 21, 1992



Rep. George Jacko, Jr.

Member:
Finance Committee

Finance
Subcommittee Chair:
Courts
Department of Public Safety

Finance
Subcommittee Member:
Department of Fish and Game

Mr. Fritz Johnson
Editor
Bristol Bay Times
Dillingham, AK 99576

Dear Editor:

Last fall, after numerous conversations with fishermen throughout the summer, and considerable thought about the future of the fishing industry, I decided to introduce House Bill 369 requiring fishbuyers to propose a base price 120 days in advance of a salmon season. I'd like to take a few moments and explain why.

I hope the legislation will accomplish two objectives. First, I want to encourage serious price discussions between processors and fishermen to begin earlier in the year -- before the first fish swim up the river. Secondly, I would like this issue to come before the legislature to give it the consideration it deserves.

To my knowledge, this issue of preseason prices has never been seriously debated outside of the ad hoc fishing meetings during the summer boycotts. After what happened last summer -- in virtually every salmon fishery statewide -- fishermen gave notice that they are tired of being kept in the dark.

Let me emphasize at this point the bill is merely a working document. The 120 day period is flexible, and I anticipate it may change as the bill goes through the legislative process. I based the 120 day period in HB 369 on current state law requiring the Department of Labor to intervene between the negotiators if a price dispute involving a third of the fishermen, exists 120 days prior to a season.

Another important point is that the bill does not prohibit fishbuyers from adjusting the price upwards before or during a season. Some fishermen have voiced their concern with this.

Page Two

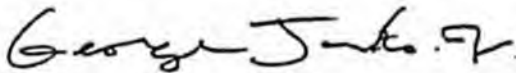
I agree that we need to change the traditional method of disseminating pricing information to fishermen. We cannot allow the "open ticket" pricing policy to continue. With global competition and changing consumer demands, the seafood industry is rapidly changing. To meet the challenges that lie before us, we are going to have to work together to maintain and develop our markets.

This means improving the relationship between harvesters and buyers in the fishing industry. More specifically, a dialogue needs to be established before the beginning of the season.

In order for HB 369 to be approved by the legislature, all sectors of the fishing industry must be involved. As we prepare for committee hearings, I would like cooperation and input from all members of the fishing industry.

This issue of preseason prices has been around since the early days of the salmon industry -- since the sail boats ruled the waters. I think HB 369 will bring attention to a matter that has been long ignored. I would encourage you to contact me if you have any comments or suggestions at 465-4942.

Sincerely,



Representative Georgia Jacko, Jr.

GJ/be

DEPARTMENT OF FISH AND GAME

POSITION PAPER

Bill Number: HB 369

Sponsor: Representative Jacko

Bill Title: An act relating to the price paid to fishermen for salmon.

Department Position: Neutral

Legislative Intent: This legislation would require those who purchase salmon from commercial fishermen to post their anticipated starting salmon prices at least 120 days before the beginning of each commercial salmon fishing season.

Effects of legislation on department programs:

This legislation would require the department to designate the starting date for each commercial salmon fishery in the state. While the starting date for some salmon fisheries is established by regulation, many salmon fisheries commence based on in-season indicators of salmon abundance. Once sufficient numbers of salmon enter a fishing district, the fishery is opened by emergency order. For administrative clarity, the department would like to have the legislation establish the method for designating the start of salmon fisheries which do not have their starting dates set by regulation.

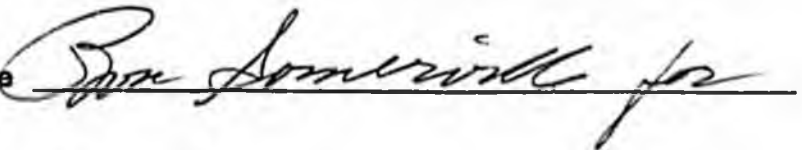
One concern the department would have with this legislation is that some fishermen might view the anticipated starting date as a date certain upon which fishing would commence. If pre-season indicators demonstrated a low abundance of salmon and the department determined it prudent to delay the opening to allow more fish to enter spawning areas, some fishermen might misunderstand the purpose of the designated starting date and criticize the department for not opening the fishery.

This legislation would have no other programmatic effects upon the Department of Fish and Game.

Proposed Amendments:

In order to avoid arguments about how the starting date for a commercial salmon fishery shall be designated, the department recommends that the legislation be amended to specify that for fisheries which open by emergency order, the designated starting date shall be the earliest date that the fishery has opened in the previous ten years.

Commissioner's Signature



Date

3/23/92



MAR 09 1992 B

March 7, 1992

Representative George Jacko Jr.
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

Re: HB 369

Dear Representative Jacko:

Sitka Sound Seafoods is a medium size seafood processing company with plants in Sitka and Yakutat. Besides other products, we handle seine, troll and gillnet caught salmon of all species. Several hundred salmon fishermen sell to our company.

I am a third generation fish-buyer and have lived in Southeast Alaska all of my life. I have fished and tendered fish extensively in the past. Most of my friends are fishermen. It is a rare case when a fisherman will even ask the price of fish before he delivers, because we have a history of fairness. Consequently, your proposed legislation is very hard to understand or appreciate. Obviously Bristol Bay is a different case. From what I read, there is a fundamental lack of trust between the fishermen and processors in that region. In our area, where fish generally come in over a longer period of time in smaller amounts, fishermen have options ranging from running to another port in Southeast to sell, to running to Canada or Washington to sell or joining the Sitka-based fisherman's cooperative.

I can appreciate the fisherman's natural suspicion toward the fish buyer. All too often, prices are set in a vacuum of good solid market information. Many times the wholesale buyer will not even offer a price until it is known what the size of the harvest is going to be. This tends to make fish buyers conservative. Your bill would probably have the affect of making us even more so. If I had to post a price 120 days before our season, I would simply post a very conservative guess and tell our fishermen that we'll raise it if possible if the market warrants it. This practice could possibly have the effect of lowering wholesale market expectations. Another problem I see with this is that the market can and has fallen during a fishing season. What do we do if we have a posted, guaranteed price that is suddenly too high? Do we stop buying and go broke or keep buying and go broke?

Page 1

(907) 747-6662

TELEFAX (907) 747-6265

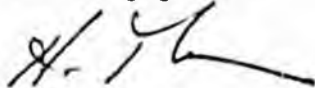
Telex 090-48-391 SSSEAFOOD SIKAK

FRESH AND FROZEN SALMON, COD, BLACK COD, HALIBUT, ROCK FISH, CRAB, HERRING

One of the common misconceptions that fishermen have is that just because fish prices from company to company often end up being the same, that is evidence of collusion. The reason for this is simple - fish buyers are forced to match up in price to the most optimistic of major competitors if they want to keep their fleet. Hundreds of times a year, I'm informed by fishermen that X company is paying more than we are. In almost all cases, we elect to match that price. That's the reason that most fish companies average profits are less than other type companies, and why many go broke. As an example, our company, which has good, consistent volume and a wide variety of products, has averaged less than 1% profit on sales over the past ten years.

I do appreciate the frustration of salmon fishermen facing grave financial problems, due to the current weak markets. We see it with many of our fishermen too, but I think it's a big mistake to think that this approach is part of the solution. We should instead focus our attention on the real problems of the industry which include poor quality in some areas and lack of meaningful funding for marketing. I would be more than happy to discuss this with you further and share any information I have to give you a better appreciation of our side of the situation. Thanks for taking the time to consider this.

Sincerely, yours,



Harold Thompson
President

cc: Senator Eliason
Representative Grussendorf



UCIDA

UNITED COOK INLET DRIFT ASSOCIATION

P.O. Box 4649 • Kenai, Alaska 99611

(907) 283-3600 • FAX (907) 283-3306

February 24, 1992

Sent by telefax - hard copy to follow

Rep. George Jacko, Jr.
State Capital
Juneau, Alaska 99811-1182

Dear Rep. Jacko,

I would like to address HB 369 on behalf of the United Cook Inlet Drift Association (UCIDA). UCIDA represents the 585 salmon drift permit holders in Upper Cook Inlet. Some 350 permit holders are current members of our Association. UCIDA is also active at the state and federal levels as a member of the Executive Committee of United Fishermen of Alaska (UFA).

HB 369 has been discussed by the UCIDA and UFA Board of Directors. These comments are being sent on behalf of UCIDA. There is strong support for the intent behind HB 369 - for the need for better communication between fishermen and their processors and concern over the abuses inherent with "open" fish tickets. On the other hand, there is some concern that it will be difficult to legislate a requirement that prices be agreed upon in advance of the season. Indeed, it is our experience that a base price is established at the start of the season and the price generally rises as run strength and other factors become known. Further, in Cook Inlet many processors make their current sockeye price "retroactive". That is to say that up to a specified date, the "current" price is paid for all sockeye purchased prior to that date - even though the price on the prior fish ticket is lower than the current price.

UCIDA does NOT negotiate prices in Cook Inlet. We have established a system of "cannery representatives", and UCIDA serves as an information clearing house to coordinate information between the various "cannery fleets". Besides general agreement that processors and fishermen need to communicate more prior to the season, the phenomenon of the "open

ticket" is of major concern to fishermen in Cook Inlet and, I believe, fishermen statewide. During the price disputes of the 1991 season, one of the major demands of the cannery fleets in Cook Inlet was that all canneries post their base price for the season PRIOR to the first fishing period. The strength of this concern was clearly seen by the support many "independent or small cannery" fishermen showed by not fishing until the "majors" posted the \$1/pound base price that the small cannery operations had already agreed to.

I'll briefly discuss each section of HB 369 and try and incorporate our concerns expressed above:

Section 1: Amend AS 16.05.690, add new subsection (c).

UCIDA would suggest adding the word "current" before price so that the subsection reads "(c) A fish ticket recording the purchase price of salmon must include the current price paid per pound for each species of salmon purchased".

This language is meant to address our concerns that the price on the fish ticket is a guaranteed minimum. However, the language does not preclude the price going higher with retroactive payments. Further, such language should also assure the state of a minimum price for the purposes of collecting the raw fish tax. Finally, in areas like Bristol Bay where fishermen often sell on the "grounds", at least fishermen will know the minimum they will be paid. If the price doesn't "sound right" fishermen will have the option of shopping around on the grounds. We are aware of many instances, where fishermen return to town with open tickets, only to be told that "their processor" is paying less than the competition.

Section 2: Amend AS 16.10 to add new sections 16.10.277 and 16.10.278.

● **Section 16.10.277:**

As noted, UCIDA concurs with the intent, but does not feel this can be legislated. We also note that the existing Section 16.10.280 is similar and "on the books".

Proposed subsections 16.10.277 (a)(2) and (b) merit and could be tied in with the proposed Section 16.10.278 discussed below.

● **Section 16.10.278:**

We note that the language "current price" is used here and refer you to our comments above on Section 1. In general, everyone is better served if there is a posted "base price" prior to the season and if the "current price" is posted at the time of purchase during the season.

UCIDA appreciates the efforts you have taken to improve conditions for the industry by the introduction of HB 369. We hope our comments are useful and feel that fishermen and processors will benefit from better communication and the elimination of the "open" fish ticket while at the same time not committing processors to a final price either prior to or during the season.

Sincerely,



Theo Matthews
Administrative Assistant

cc: Sen. Fischer
Sen. Kerttula
Rep. Navarre
Rep. Phillips
Rep. Zawacki
House Resources Committee
Senate Resources Committee
UFA



MAR 11 1992 B

2550 Denali Street, Suite 1201
P. O. Box 92070
Anchorage, Alaska 99509-2070
(907) 276-2007

March 9, 1992

Representative George Jacko, Jr.
Alaska State House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Dear George,

Thank you for your February 27 letter concerning HB 369.

I believe I understand, and endorse, your purpose in proposing HB 369 and its concepts. I am skeptical that it would get the desired results, though.

That is not to say I would characterize myself as "opposed" to HB 369 (in the event anyone else cared enough to ask me!). I also recognize that, as a legislator, you must be responsive to constituents' expectations and don't enjoy the privilege of sitting back in a relatively objective and independent mode and popping off the way I can. So my comments, following, are only to express my views to you and to maintain a dialog; they're not intended to persuade you to do something other than push HB 369.

I feel very strongly that, if fishermen are to survive economically in the changing world, new relationships between fishermen and processors must emerge and/or be established. I don't know how that can happen other than as the result of continuing economic pressure on both sides. It will likely happen slowly, beginning with a single processor and a small group of individual fisherman, and will probably be scoffed at initially by other fishermen. I truly believe there is a desperate need for it to happen soon, and I wish we could find the key to awakening and enlightening the "right" handful of fishermen leaders and the "right" couple of processor executives.

George, I believe we're on the brink of potential lasting disaster, such as I've seen several times in other places and in other commodity groups. My fear is especially germane to Bristol Bay and Prince William Sound. It's that before or after this upcoming season, as a result of disruptive and tumultuous relationships with fishermen (and having nothing to do with "right" or "wrong"), one or two major processors might decide "to hell with it -- it's not worth the risk," and simply shut down the plants. History suggests that any plant shut down under those

Alaska Commercial Fishing and Agriculture Bank

Representative George Jacko, Jr.
March 9, 1992
Page 2

circumstances is likely to never operate again -- or, if it operates, it will only be under very special circumstances. Yes, the fish will continue to return; and yes, we can argue that floaters or others will show up to at least partially fill the void; but you can be certain that it would not be at a level which would support the same number of fishermen in an acceptable way.

If I were going to be critical of HB 369, of you, of your colleagues, of other leaders, it would be because no one is taking steps to help fishermen understand that the world has changed and that they must act to change with it. We're just sending them distracting signals of approval, letting them believe that State government or somebody else is going to come up with just the right kind of muscle to beat the "bad guys" into submission and everything will be like it used to be. We provide forums and encouragement for the demagogues -- the Reverend Jim Joneses of Bristol Bay -- to harangue and incite fishermen like labor leaders of the early 1900's, serving up their own special kind of slow-acting Koolaid to unsuspecting followers!

George, Bryce included with your letter a copy of your February 21 press release about HB 369. The final paragraph is a powerful statement, I believe, and so is the second prior paragraph. I wish the Governor's Salmon Strategy Task Force had truly committed itself to the realities you express in those two paragraphs. It didn't. But the need is still there. I hope you realize that, no matter what you do with HB 369, CFAB as an institution and I as an individual are ready and committed to work with you -- or anybody -- in addressing those realities (and others) in some way.

Very truly yours,



Edward E. Crane
President

P.S. Please excuse my apparent tardiness in responding -- I received your letter just shortly before leaving for an "outside" business trip, and didn't have time to put an answer together.

MAR 18 1992 B

SOUTHEAST ALASKA SEINERS ASSOCIATION
P.O. BOX 9579
KETCHIKAN, ALASKA 99901
(907) 225-5156

March 12, 1992

Representative George Jacko
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

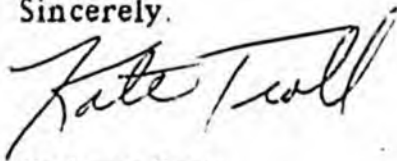
Dear George.

As a follow up to our previous phone conversation, I am writing to elucidate Southeast Alaska Seiners (SEAS) Association's position on HB 369. We agree with the intent of HB 369 as outlined by you. However, SEAS will not be supporting HB 369 nor will we be advocating amendments. There are two primary reasons. The first reason is that HB 369 appears impractical given the market dynamics of the salmon industry. We know that posting a price 120 days or even 30 days before the season would only result in the posting of a low ball guess on price and this may in the end generate more instead of less dissension between fisherman and processor.

Secondly, we would like to see how this season goes before asking the legislature to get involved. All the major processors in Southeast are meeting with their respective fleet of seiners well before the start of the 1992 season. This is a new development which is in step with the intent of HB 369, i.e. fostering timely communication about fish prices. Who knows, maybe the filing of HB 369 helped to spur this current effort of better communication between processors and fishermen.

We appreciate your concern for all salmon fishermen. Your intent is admirable.

Sincerely,



Kathryn Troll
Executive Director

MAR 16 1992 B

Institute of Social and Economic Research
University of Alaska Anchorage
3211 Providence Drive
Anchorage, Alaska 99508
(907) 786-7717

March 16, 1992

Rep. George Jacko, Jr.
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Dear George:

I apologize for responding so belatedly to your request for comments on HB 369.

I don't seem to have a copy of the bill, although I do have your letter of February 20. I really don't think I ever received one in the mail, so my comments are based on my understanding of what the bill contains, rather than the actual language.

Comments

1. I'm not particularly knowledgeable about this subject, since I don't know that much about how and when processors post prices or how fishermen interact with processors (that's the price we academics pay for being locked up here in our ivory towers). Probably lots of other people could give you better comments.
2. In principle, the logic of the bill makes sense to me: requiring a price to be posted in advance of the season should help communication between fishermen and fishbuyers, and should also encourage competition.
3. I am still not clear on what the meaning of the preseason "posted price" and its relationship to the prices that fishermen eventually actually get paid. There are several different possible interpretations:
 - (a) A price for which the buyers expect to buy fish, but without any legal obligation (in other words, solely informational).
 - (b) A price at which buyers are currently offering to make binding contracts for the season. There are a lot of variations on this depending on how and when fishermen or fishbuyers are able to back out of these contracts or demand or offer higher or lower prices.

If it is (a), then it may be quite useful in increasing communication--unless processors don't take it seriously (except that not taking it seriously could lead to hard feelings).

If it is (b), then I think there is a risk that early posted prices might be lower just because there is more risk in posting a price so long in advance of the season. That

wouldn't matter, of course, if prices came up by the time of the season.

I hope that by offering the bill you do get some useful discussion of the idea with people more knowledgeable than me. I especially hope that you can get people to pay attention, what with the budget to distract them.

Sincerely,



Gunnar Knapp
Associate Professor of Economics

BUSINESS

Feb 21, 1992

ANCHORAGE DAILY NEWS

SECTION C

LACE

OSSES



The Associated Press
commodity reports
Treasury's key
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\$1,000 face
91 percent.

50 points
investors
market
percent
also trade

Salmon price fixing found

Investigator cautions that manipulation wasn't sole cause of crash

By **BRUCE MELZER**
and **HAL BERNTON**
Daily News business reporters

The state lawyer investigating allegations of price manipulation in Alaska's salmon market said he found evidence of price fixing but won't say where, when, how or by whom.

Jim Forbes, head of the state's antitrust office, also said the price fixing was far from the only cause of last year's dramatic

plunge in the price of salmon paid to Alaska fishermen.

"At the same time there are indications that there had been market manipulation," Forbes said.

The investigators have demanded records from more than 16 U.S. and foreign-owned fish-processing businesses.

Rick Lauber, from the industry trade group Pacific Seafood Processors Association, said it

was irresponsible for Forbes to comment on a pending investigation.

"Until such time as he's ready to seek indictment or civil action, I think it's inappropriate for him to make such a snippet of a statement that throws suspicion over a broad group of people," Lauber said.

Since last February, Forbes has been leading the state's antitrust investigation of Alaska's

processors and others in the salmon industry. Forbes would not say when it would end.

Last July, Forbes said the state was looking at whether the same people sit on the boards of competing fish companies, alleged attempts to monopolize markets and alleged attempts at price rigging among processors.

Fishermen alleged collusion

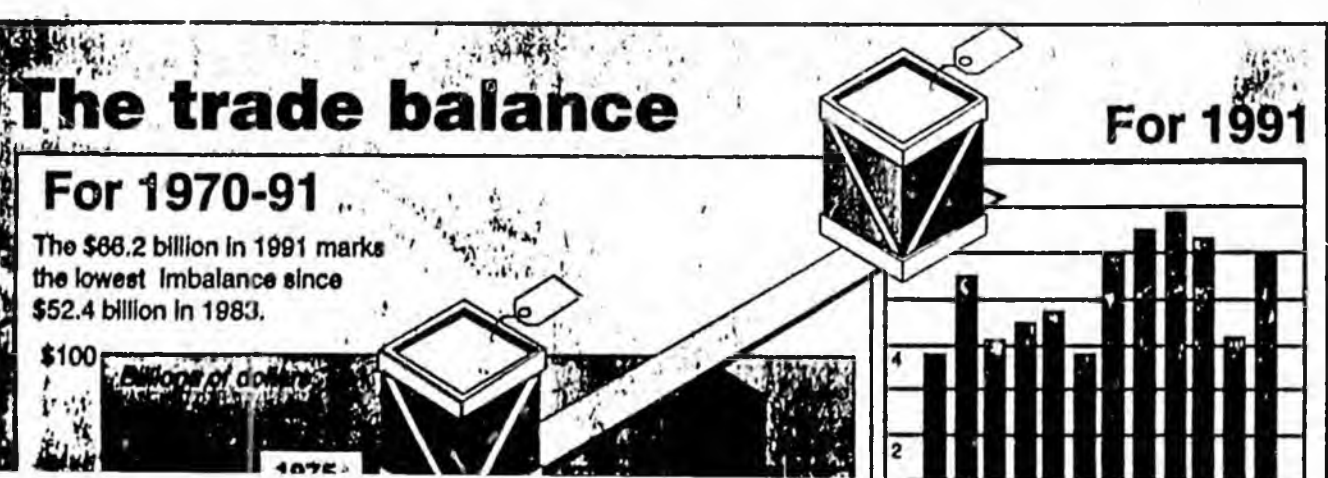
Please see Page C-6, SALMON

The trade balance

For 1970-91

The \$66.2 billion in 1991 marks the lowest imbalance since \$52.4 billion in 1983.

\$100
Billions of dollars



For 1991

Gas line rebates in works

Plans try to lure pipeline investors

By **GEORGE FROST**
Daily News reporter

Alaska's top natural re

because they use the gas to help pump their crude oil.

Neither buyers nor sellers have publicly committed to investing a penny in the \$13 billion project.

A copy of Heinze's handwritten draft, almost a year old, was furnished to the

Hickel, and \$200 million a year from new property tax assessments.

Legislators must approve any deal, Heinze said.

Rep. Kay Brown, the Anchorage Democrat who once ran the state's oil and gas division, says Heinze's plan

project or worse than marginal viability and you are asking people to pay money up front for the right to invest," Tussing said. "I can't conceive of any reason why somebody would pay money up front, even on an option that is refundable,

pipelines. His 12 percent Yukon Pacific stock holding to settle ethics charges.

Yukon Pacific officials did not return telephone messages Wednesday and Thursday to discuss the gas sales proposal.

SALMON: Evidence of price fixing found

Continued from Page C-1

among processors and went on strike last summer at Bristol Bay to protest prices. Processors responded that a glut of fish in Japan, Alaska's biggest salmon buyer, caused prices to plummet.

Forbes' tantalizing glimpse into the investigation came in response to a question at a legislative budget hearing on Tuesday. Lauber, of the processors trade group, said the comment was a way for the agency to seek more funds.

For some fishermen, Forbes' remarks echo their hunches. "We have felt that way for a long time. Everyone (of the processors) is paying the same price, and it doesn't mesh with what the consumers are paying here or in Japan," said Theo Matthews of the United Cook Inlet Drift Association.

Japanese companies that own some of Alaska's largest processors have long maintained they do not discuss price with each other.

But in the early '80s the federal government brought

antitrust cases against a number of Japanese companies in the Alaska crab trade.

In 1982, more than a half-dozen companies signed consent decrees negotiated with the Justice Department. In those documents, the companies did not admit wrongdoing, but they agreed not to exchange certain price information. The list of compa-

nies included Nippon Suisan, Taiyo Fishery and Kyokuyo — all major players in Alaska's salmon industry.

Jay Hastings, a lawyer for the Japan Fisheries Association in Seattle, said the companies learned the crab lesson well and are now wary of any discussions of price with each other.



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MON-FRI

Editorial

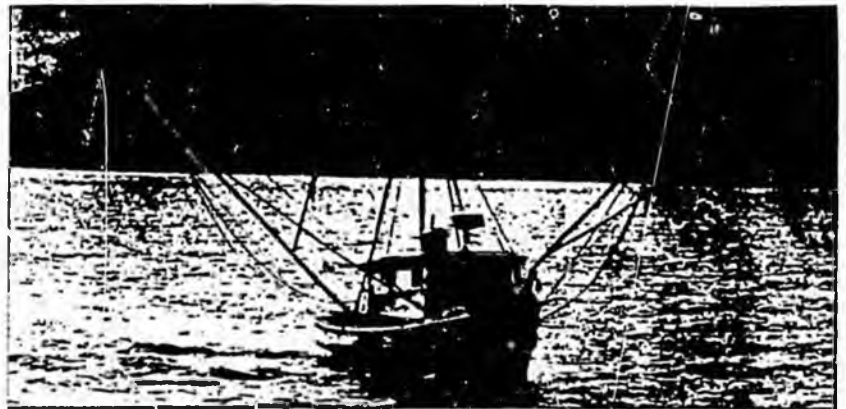
New business legislation

Dave Choquette and Larry Baker are at it again in Juneau, quietly pushing through important new business legislation. Last year, the two freshmen Republicans from Anchorage demonstrated that even members of the minority GOP — and first-term freshmen, at that — can get major legislation through the Democrat-controlled State House. They may be up for an encore performance this year.

This year there are two proposals, one in which the two are co-sponsor that involves a further reworking of commercial and industrial loan programs of the Alaska Industrial Development and Export Authority, the subject of last year's success. The second is a plan by Larry Baker that expands the ability of municipalities to form port authorities.

The AIDEA bill, both this year and last, makes lending programs of the authority more flexible, and more workable for commercial banks to act as loan participants. Last year's change allowed banks to amortize their share of loan participations on a shorter schedule than AIDEA. Previously, both the banks were required to match the longer terms of AIDEA's participation, requirements which made the program unworkable for commercial banks here. Alaska banks have very limited capital available for long-term lending; this change enables them to get their money out quicker, and get it into new projects.

The 1992 change removes a \$10 million limit on the total value of loans in which AIDEA participates, which enables the authority to get involved in bigger commercial projects (although AIDEA's exposure is still limited to \$10 million). Another change enables the authority to guarantee small commercial business loans with floating rates, removing the previous requirement of fixed-rates, which banks didn't like on small business loans.



Fishing vessel on the prow

Photo by Steve McCullum

Commentary

Bill says: state your prices before fishing season opens

By Rep George Jacko Jr.

Following the events of last summer and after considerable thought about the future of the salmon industry, I decided to introduce legislation requiring salmon prices be posted in advance of the season. My intention is to get fishermen and fishbuyers discussing prices before the first fish swims up the river.

To my knowledge, this issue has never been directly addressed by the Legislature. In fact, serious discussion has never gone beyond the makeshift podiums of the summer boycotts and the ad hoc fishermen organizations formed during the heat of the moment, while the fish madly swam up the rivers.

After the organized efforts of last summer, I think it's time that the issue of preseason prices be brought before the Legislature.

Presently, the Department of Labor can intervene 120 days before a season if a third of the fishermen in an area are in a price dispute with fishbuyers. However, this law has never been utilized. Most would agree in the difficulty involved in getting fishermen together and obtaining a formal response from fishbuyers before the start of a season.

If HB 369 becomes law, fishermen will have a base price in advance that they can research and compare. The Department of Labor could then become involved, if necessary. This would alleviate many of the problems faced last summer.

Too often the rumor mill is the only source of pricing information available to fishermen. Walking the docks in the summertime, one learns it is not processors who come forth with meaningful information, rather, it is someone who heard from someone else what processor A or processor B is offering.

Although no one expects fishbuyers to publicly disclose their marketing strategy, the fact that many don't offer any information until the last moment is upsetting and certainly disadvantageous to the industry. This has been the norm in the industry for many years.

From a processor's perspective, if your competitor does not offer any preseason information, then why should you?

However, if Alaska law mandates an exchange, then all processors will have to step up to the plate

with at least some solid marketing information before the season. A careful distinction under my legislation, processors will not be precluded from adjusting prices upward at any time.

Fishermen statewide have expressed interest in improving the dialogue with fishbuyers. I'm sure the first question on everyone's mind is, "Can and should government impose stringent regulations on the fishing industry?"

The Legislature will have to consider this from a philosophical as well as a practical standpoint. From my perspective, this matter, at the very least, deserves formal consideration.

According to the attorney general, a preseason price requirement is within the parameters of the state constitution.

The last time this issue came before the Legislature was during 1973, when the limited entry system was being crafted. A general belief existed then that salmon processors should maintain a significant hold over individual fishermen. Through credit and financing arrangements, they had the power to decide who would fish for a particular company.

Elements of collusion still remain. Although at a preliminary stage, the Department of Law is investigating allegations of price fixing in Bristol Bay and has already indicated that persuasive

evidence exists regarding the setting of prices.

As the salmon industry undergoes fundamental change, it is important that the Legislature thoroughly examine what state government can do to provide direction and support. Policy guidelines will need to be established, so we don't find ourselves frantically trying to institute emergency measures as we are doing now.

Ultimately, I hope my legislation will facilitate discussion between fishermen and processors so that meaningful marketing information can be provided before the first opening of the season. Certainly no one wants the events of last summer to be repeated.

The industry is changing before our eyes—no one knows that better than fishermen and processors, many of whom are facing a long winter. In order to confront future challenges, they will need to work together, along with financiers, marketers and everyone else, to meet the increasing demands of a rapidly changing marketplace.

George Jacko Jr., a Democrat, represents Plover Bay in the state House of Representatives.

