

Joint Legislative Salmon Industry Task Force

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The 22nd Alaska State Legislature recognizing the steady decline in the viability of a salmon industry in Alaska, its affect on coastal communities, and the state's economy, has established the Joint Legislative Salmon Industry Task Force. The Task Force's membership includes key legislators and public members from all sectors of the salmon industry.

The Task Force is exploring possible changes to existing state statutes or creating new statutes, which will enable the salmon industry to react to the changing market dynamics in all aspects of the industry. To facilitate the process, the Task force has established five subcommittees to examine possible solutions to various sectors of Alaska's salmon industry. The five committees are quality, finance, production, marketing, and governance. Each subcommittee has been formed and has met several times to date. The subcommittees have been asked to develop questions for industry participants to comment on regarding existing state statutes, or recommended statutes that govern the state's policies towards the salmon industry.

This publication is a report on the work of the Task Force's efforts. We invite comments from all sectors of the industry on the issues being addressed, and on other issues not mentioned. Opportunity to testify in public to a panel of Task force members will be possible in several communities throughout the state on October 11th and again on November 1st. Written comments can be sent to the Task Force directly at the address above or through the United Fisherman of Alaska. Written comments will be accepted until the end of November.

It is important to consider that the Joint Salmon Industry Legislative Task Force is looking to improve the statutes and state policy in which the salmon industry operates.

Thank you for your participation in this process. Your frontline experience and knowledge is vital to the success of the Task Force and ultimately the salmon industry in Alaska.

A handwritten signature in black ink that reads "Ben Stevens".

Senator Ben Stevens, Chair
Joint Legislative Salmon Industry Task Force

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Finance Subcommittee Report

The Finance Subcommittee of the Alaska Salmon Industry Task Force has been charged with evaluating the State's financial structure that supports its salmon fisheries and to make recommendations for positive change. In order to frame questions for the public, the subcommittee received presentations from several state agencies regarding the current tax regime for the industry; the status of the state loan program for commercial fishermen and hatcheries; and, past legislative finance measures designed to assist the salmon industry. In reviewing the history of fisheries tax and loan structures, the Subcommittee is examining what might be done legislatively to offer programs better geared to the salmon industry of today. Involved in these discussions was the concept of permit retirement and "repatriation" (access to and utilization of permits by Alaska residents) through loan retirement. The subcommittee categorized the information and discussion into three major areas: Taxes, Loans/Financing, and Permit Retirement. The Salmon Industry Task Force developed three key questions based on our work.

1. Are there better ways in which the state can use existing fishing industry taxes to assist the salmon industry?

Taxes: This discussion included streamlining security requirements for processors; incentives for processors capitalizing value-added processing equipment and new product development; raw fish taxes; and, the seafood marketing and enhancement assessments.

2. Do current State of Alaska loan practices address the needs of the salmon industry? If not, what changes would you suggest?

Loans/Financing: This discussion included forgiveness of state loans for commercial fishermen; refinancing/restructuring of state loans for commercial fishermen; permit "repatriation" through financing structure; value-added incentive loans; and, permit consolidation.

3. Should the State of Alaska provide for the permanent retirement of limited entry permits in your fishery? If salmon limited entry permits were retired in your fishery, what incentives would you suggest for retirement? If funding is needed, who should pay?

Permit Retirement: This discussion involved incentives for permit retirement that may or may not be tied to state loans.

The Finance Subcommittee of the Alaska Salmon Industry Task Force appreciates your taking the time to share your thoughts on these topics.

Governance Subcommittee Report

The Governance Subcommittee of the Alaska Salmon Industry Task Force has been directed to review several industry issues that cross two or more of the other subcommittees focus areas - hatcheries, education and agency regulatory oversight. The governance subcommittee will consider whether or not to recommend the creation of an Alaska Seafood Commission and will seek to address community economic development and social concerns. Public comments may result in additional items being considered by the Governance subcommittee. In addition, the Governance subcommittee has formed three focus groups to address the hatchery, education and regulatory oversight issues. After hearing a report from the subcommittee, the Task Force framed the following questions for public consideration and comment:

Hatcheries

Use and management of salmon hatcheries will play an important role in the future of Alaska's wild salmon industry. Public comment regarding Alaska's hatcheries should be directed toward the mission of the Salmon Industry Task Force - to evaluate statutory framework for hatcheries and to review current industry practices. The task force's question regarding hatcheries seeks input on suggested changes to the statutory framework, current industry practices, and addresses the overarching concern about Alaska's lack of a hatchery development/management policy.

- 1. Would you support legislative development of a State of Alaska hatchery policy and/or performance standards for hatcheries, and/or changes to the state's relationship with all hatchery owners?**

Education

There are several distinct educational issues that arise when considering the future of Alaska's salmon industry. The Task Force understands the importance of encouraging Alaskans to participate in the salmon industry and to inform Alaskans, especially young residents, about the importance of the salmon industry to the State's economy. In addition, as the industry changes, there will be re-education needs. A changing salmon industry will have current and ongoing research needs and the retention of post-graduate expertise in the operations and management of the industry. The Task Force's questions regarding education solicit comment on both the role of education for the industry as well as whether or not our university system is meeting industry needs.

- 1. What role should the State play in providing fisheries education (K-12, post-secondary, and voc/tech) in order to promote Alaskans in the fishing and seafood industry?**
- 2. Does Alaska's university system adequately meet the research and post secondary educational needs of the Alaska salmon industry? If not, what changes would you suggest?**
- 3. If you are displaced by changes in the salmon industry, what could the state do to provide retraining and/or alternative employment?**

Agency Oversight

Numerous state statutes and regulations directly or indirectly impact Alaska's salmon industry. The Task Force is interested in information regarding statutes and regulations that, if changed or modified, would benefit the salmon fishery. Most salmon industry stakeholders have experience with the Alaska Board of Fisheries; however, Board of Fish decisions are outside the scope of the Alaska Salmon Industry Task Force. Nevertheless, the Task Force is interested in stakeholder support for our current Board of Fish process; changes that might be implemented and whether or not stakeholder concerns about the Board of Fisheries merit an issue specific task force to review our Board of Fisheries system. Again, responses to these Board of Fisheries question should be focused on Board process and not Board decisions.

- 1. Apart from the Board of Fish decisions, are there other state agency regulations that could be changed to benefit Alaska's salmon industry?**
- 2. Do you support Alaska's board of fish process? If changes are necessary, what would you suggest?**
- 3. Do you support a task force created by the legislature to review the Alaska Board of Fish?**

Seafood Commission

Two final questions from the Governance Sub-Committee seek both opinion and information. In 1986 the Alaska Legislature developed the Alaska Minerals Commission. The minerals commission is composed of industry representatives and provides annual recommendations to the legislature. A parallel Alaska Seafood Commission may be able to continue the work of the Alaska Salmon Industry Task Force and annually advise the Legislature.

- 1. Should the State of Alaska develop an Alaska Seafood Commission to annually advise the legislature on the needs of the seafood industry?**

Economic Development

Ongoing changes in the salmon industry will impact coastal communities. The Task Force is interested in impacts that stakeholders can anticipate and identify with the goal of trying to address community needs.

- 1. As Alaska's salmon industry changes, what are the economic development issues, community and individual concerns that should be addressed by the State Legislature?**

Marketing Subcommittee Report

The Marketing Subcommittee of the Alaska Salmon Industry Task Force has been charged with addressing the opportunities and impediments to making wild Alaska salmon more competitive in domestic and global markets. In order for Alaska salmon to compete in the world market, regain lost position, and have a better economic return for the industry and state, an examination of what factors have contributed to our present situation were examined by the subcommittee.

Presentations were given by Laura Fleming, Alaska Seafood Marketing Institute (ASMI); Greg Wolf, Division of International Trade and Market Development (ITMD); and, Pat Shanahan and Dale Kelley on the Troll King Program. An overview of ASMI's history, funding sources, promotions and public relation activities put the state's marketing/promotion efforts in perspective for the subcommittee. The ITMD representative stated half of all Alaska's exports are seafood and that they are largely involved with fresh and frozen product. Additionally, the Marketing Subcommittee received presentations from Chris McDowell, ASMI Salmon Market Information Service; Terry Gardiner, NorQuest Seafoods; and, Mark Hermann, UAF Department of Economics, on the history of the salmon industry, its present market status worldwide, and its future view. The dramatic expansion of farmed salmon has reduced seafood prices and redesigned the market place with new products and attributes. The strong US dollar has allowed lower cost seafood to enter the US market and compete while our seafood export prices have been decreased by the weak buying power of overseas customers. Market experts consistently hold the belief that competition from farmed salmon is perhaps our biggest difficulty and that the Alaska salmon industry is overcapitalized. As a result of all the hours of discussion and information presentation, the following questions were developed for public consideration and comment.

- 1. Do we use existing state salmon promotional entities or do we change the entities? If changed, what changes should be made?** (e.g. ASMI; Division of International Trade & Market Development, other)

Promotion: The broad question of who should be marketing Alaska's salmon was widely discussed. This discussion entailed a description of ASMI's statutory structure and the limitations imposed upon ASMI through its enabling legislation.

ASMI was established twenty-one years ago as a partnership of the public and private sectors. Its purpose is to further the goal of fostering a stable seafood industry in Alaska through promotion of Alaska seafood products, education, and research. Its structure and duties are detailed in Alaska Statute 16.51. The governor appoints the 25-member board of directors: 12 seafood harvesters, 12 processors (including 4 small processors) and one layperson.

ASMI promotes all species of Alaska seafood, with salmon as the lead, under the "Alaska" brand. The brand is widely used in retail and foodservice sectors in the U.S. and overseas. (Alaska-branded fish and seafood rank 3rd on menus of the nation's top 500 restaurant chains.) ASMI also conducts market research in the U.S. and overseas, and operates a quality assurance program with training and materials available for every link in the chain from harvest to plate, including harvesters, processing workers, shippers, retailers, and foodservice operators.

AS 16.51.110, relating to prohibited promotions, reads, "ASMI may not promote or make a contract that promotes seafood by (1) geographic origin other than from the state generally; (2) geographic region of the state; or (3) specified brand name." However ASMI may provide literature, research, and information resources to regional branding efforts and private companies that are available to all industry members.

2. Who or what entity or entities should be paying for the promotion and/or marketing of Alaska's wild salmon? (e.g. salmon harvesters, processors, federal government/USDA; state general fund; other federal funds; other sources)

Funding: ASMI is funded through taxes on the seafood industry: a seafood marketing assessment paid by Alaska seafood processors (.3% of the value of the seafood they purchase) and a 1% salmon marketing assessment paid by Alaska commercial salmon harvesters. The 22nd Legislature changed the rule to allow ASMI to use the 1% harvester's assessment in either the foreign or domestic market. The last general fund contribution from the state was in FY 97. The USDA Market Access Program federally funds the export marketing activities of ASMI, with a 22% match from the processor portion of ASMI revenue. The USDA funds are spent in specific export markets according to federal guidelines. Salmon fishermen and Alaska seafood processors fund domestic marketing activities for salmon. The downturn in salmon revenue the last couple of years has been partially offset during the last couple of years by a grant from the Economic Development Administration, matched equally by the salmon marketing tax. In the current fiscal year, FY 03, ASMI is having difficulty coming up with the matching dollars, and grant funds are in jeopardy. ASMI anticipates a 40% drop in its funding between FY 00 and FY 04, based on current projections. The 1% salmon tax and .3% processor tax contributed about equally to the ASMI budget in FY 00, however the value of the 1% salmon marketing tax revenue is expected to decline 69% by FY 04, when the total budget for all ASMI operations is expected to decline to \$6.4 million (includes \$2.4 million federal funds that must go to export marketing).

3. Should the state help individual fishermen promote and market their wild salmon? If so, how?

The subcommittee also discussed how closely quality is tied to promotion and marketing success. The Quality Subcommittee developed the questions for quality but the Marketing Subcommittee did not believe it could have a successful discussion on marketing and production apart from addressing the quality issue. It concluded that the quality of our salmon must be improved.

The Marketing Subcommittee of the Alaska Salmon Industry Task Force appreciates your taking time to share your thoughts on these topics.

Production Subcommittee Report

The Production Subcommittee of the Alaska Salmon Industry Task Force has been charged with looking into ways to help the harvesting and processing sectors of the salmon industry. In order to examine how the salmon industry might operate more cost effectively, the subcommittee gathered information for review from fishermen, processors and the state/federal government. The subcommittee considered the needs of fishermen and processors separately and covered topics affecting both sectors. After hearing a report from the subcommittee, the Task Force framed the following questions for public consideration and comment:

1. How can we remove or reduce costs from the harvesting sector in a way that allows regional self-determination?

Harvesting/Fleet Reduction: The subcommittee discussed fleet reduction with the goal of giving fishermen tools they can use in their fishery to help them remain/become economically viable into the future. To the greatest extent possible, the subcommittee felt that fishermen should have regional self-determination in shaping the future of their fishery. The subcommittee developed two specific proposals: permit stacking incentives and fractional entry permits as a way to start the public discussion on fleet reduction. The subcommittee did not intend to limit public comment to these two proposals, but wanted to highlight them for public discussion. The subcommittee also discussed fishermen cooperatives as a way to restore economic health in fisheries. One example of how a cooperative for fishermen might be organized would be to gather a certain number of vessels together that would pool their harvests for either direct marketing or for custom processing. The subcommittee did not have extensive discussion of a 'Chignik' style cooperative, as the jury is still literally out as to whether or not that style of cooperative is legal. The Task Force asked the subcommittee to look into a 'white paper' addressing the question of whether or not fish farming would be economically viable in Alaska. The subcommittee is not addressing whether or not to allow fish farms in Alaska, but looking into whether or not it would even be economically viable in our state considering we are 20 years behind the rest of the world in this area.

2. How can we remove or reduce costs and aid the processing sector?

Processor: The subcommittee also discussed ways to reduce costs at the processing level. The topics discussed included escalating insurance costs; state raw fish taxes as they apply to all industry segments; deductibility of worker food and housing costs; EPA/DEC and seafood waste water discharge; reduction of fresh seafood air freight costs; employment tax credits; and, hatcheries.

3. In addition to the removal or reduction of costs, are there statutory/regulatory changes that can help the harvesters and/or the processors?

Harvesters/Processors: During the discussions of the subcommittee particular statutory and regulatory issues were raised.

The Production Subcommittee of the Alaska Salmon Industry Task Force appreciates your taking time to share your thoughts on these topics.

Quality Subcommittee Report

The Quality Subcommittee of the Alaska Salmon Industry Task Force has been charged with looking into ways to improve the quality of Alaska's wild salmon. In order for Alaska to be competitive in this global market, we must improve the quality of our salmon. Survey after survey has shown that the quality of the product is one of the most important, if not the most, important factor consumer's use when choosing which product to buy. Although, there were many items that the subcommittee discussed in relation to quality, they felt the three major areas were best practices, education, and cost/benefit. The Salmon Industry Task Force developed four key questions based on our work.

1. What does the Alaska salmon industry need to achieve a higher quality product?

Quality of Product: The subcommittee discussed items such as; chilling, handling practices, infrastructure improvements, time lines for delivery and processing, bag limits, vessel inspections, and processor/tender requirements. In addition, the subcommittee discussed the possibility of making these standards region specific. They recognized the fact that what may work for region, may not necessarily work for another.

2. Should the state be involved in creating a quality standard, state quality seal, and a state quality commission?

Best Practices: The subcommittee discussed the value of state involvement in creating quality standards, and the state providing some sort of "quality" seal that would be similar to the "Good Housekeeping Seal of Approval", for those individuals who do comply. In addition, the subcommittee discussed the establishment of a State Quality Commission to implement the standards.

3. Should the state have a quality education program for industry participants?

Education: Another issue that the subcommittee felt was very important is education. If the state is going to move towards implementing "best practices", should the state have a quality education program for industry participants? The subcommittee discussed the importance of providing education to the fishermen, processors, distributors, and retailers to ensure quality product all the way to the end user.

4. What incentives do you need to improve the quality of your harvested and/or processed salmon?

Cost/Benefit: The subcommittee realizes that there needs to be some sort of incentive or benefit for complying. The subcommittee discussed incentives such as creating an "A" list for those that comply and giving their fish preference over other fish, and/or paying more for higher quality fish, and less for lower quality fish.

The Quality Subcommittee of the Alaska Salmon Industry Task Force appreciates you taking the time to share your thoughts on these topics.