

THE MAINE AQUACULTURE ASSOCIATION

SUSTAINABLE SOLUTIONS FOR MAINES GROWING FUTURE

BOX 148, HALLOWELL, ME. USA 04347

April 5, 2006

The Honorable Senator Ted Stevens
The Honorable Senator John E. Sununu
U.S. Senate Committee on Commerce, Science and Transportation

Senator Stevens, Senator Sununu, Honorable Members of the United States Senate Committee on Commerce, Science and Transportation:

Thank you for providing me the opportunity to speak with you today. My name is Sebastian Belle and I am the Executive Director of the Maine Aquaculture Association (MAA). The MAA is the oldest state aquaculture association in the country. We represent aquatic farmers who grow both shellfish and finfish in salt and freshwater farms. We also represent the many infrastructure companies that provide goods and services to our producers. Based on farm gate sales, Maine has been the number one marine aquaculture state for 10 of the last 15 years. On an average year, our members grow products worth over 80 million dollars at the farm gate.

I stand before you today to testify in support of S. 1195, "The National Offshore Aquaculture Act of 2005". S. 1195 establishes a framework through which the Department of Commerce can oversee the development of aquaculture in Federal waters referred to hereafter as the EEZ.

I would like to begin my testimony with some general comments and then respectfully suggest a few specific modifications that would be constructive from the private sectors perspective. I will start with a disclaimer. MAA has a diverse membership that ranges from mom and pop owner operated farms to larger corporately owned farms. My comments today are my own and are based on my experience of 30 years in commercial fishing and aquaculture. Given our diverse membership, any number of my members may submit comments directly. I would encourage the committee to carefully review those comments as well.

GENERAL COMMENTS:

1. IF WE DON'T DO IT SOMEONE ELSE WILL.

Perhaps the best example of this is in Alaska. Although Alaska moved early to prohibit salmon farming, farmed salmon supplies now exceed wild catches worldwide. Salmon farming has developed rapidly in other countries irrespective of Alaska's prohibition. This has happened because Aquaculture development worldwide is being driven by strong fundamental economic trends. According the Food and Agricultural Organization, wild fisheries landings for direct human consumption have been flat since the late 1980's. Seafood demand is increasing, per capita consumption of seafood in the United States alone has risen 1.8 pounds since 2001. World aquaculture production has increased steadily increasing from 20.8 million metric tons (MMT) in

1994 to over 40 mmt in 2003. Whether the US allows offshore aquaculture development or not, experts expect these trends to continue.

Countries like China, Japan, Norway, Canada, and Ireland have embraced aquaculture development as a way to supply domestic markets, diversify coastal economies, preserve working waterfronts, employ fishermen displaced by conservation measures, secure national food supplies and address trade imbalances through increase exports. The choice we have is not will aquaculture expand but whether we as a nation want to be producers or consumers. For all of the reasons cited above I would argue we need to be producers to protect our countries interests and give working waterfront families another way to continue their maritime heritage.

2. IF SOMEONE ELSE DOES IT, ENVIRONMENTAL RISK WILL BE LARGER.

Like any human activity, aquaculture involves risk and can have environmental impacts. With good science, political will and technical expertise impacts can be prevented and/or mitigated. Achieving a balance between conservation and economic development is possible. In Maine, we currently have some of the strictest aquaculture environmental regulations and monitoring requirements in the world. We also have the most extensive and diverse marine aquaculture sector of any state in the nation. I have worked in 14 different countries growing over 15 species using a number of different production methods. I have seen firsthand both the potential and the risks aquaculture development poses. If aquaculture is only allowed to develop overseas it will develop in jurisdictions that often have no environmental standards or enforcement. The environmental risk and potential damage of those operations will be much larger than operations allowed to develop in the US under the framework proposed in S. 1195. If the environmental community is sincere about its environmental concerns it should support S. 1195 and work to ensure that any environmental regulations promulgated as a result achieve a reasonable balance between environmental protection and sustainable development. If S 1195 fails or environmental restrictions are so severe that no investment occurs, we will all bear the responsibility of increased environmental impacts in jurisdictions with lesser environmental oversight.

3. BUILD IT AND THEY WILL COME IS NOT ENOUGH

S. 1195 authorizes the Secretary of Commerce to establish a policy framework and rules designed to facilitate aquaculture development in the EEZ. It is an important first step. It will not in and of itself ensure investment and aquaculture development. Investment and development will only occur if the business community has confidence that its investments will be safe and will yield a reasonable return.

Investor confidence is impacted by many factors. One of these is the level of commitment demonstrated and resources allocated by government to business development. Our competitors in other producing regions have aggressive regional and national aquaculture development programs that support and promote aquaculture development. Last year, for example, the Canadian province of Nova Scotia spent \$45 million dollars to support and promote the development of marine aquaculture. In Ireland, where aquaculture is viewed as a rural development tool, an entrepreneur starting an aquaculture business can get 30% of their initial capital investment as an outright grant. Not a loan, not a loan guarantee, but a grant. In Japan,

whose coastlines are already highly developed, local prefectures (similar to our states) spend millions of dollars each year to support and assist local aquaculture cooperatives.

NOAA Fisheries is a professional, hard working group of natural resource managers. With limited resources and multiple challenges they do a difficult job under very difficult circumstances. Currently, the Division has over 50% of its staff persons working on protected resources and endangered species. The remaining staff is principally involved in research and management of commercial fisheries. The focus of most of this work is related to stock assessments, reductions in fishing capacity and allocation of resources between various constituencies. NOAA fisheries predecessor NMFS did play an important development role for the decade after the passage of the original Magnuson Act. If the potential of S.1195 is to be realized, the U.S. must invest significant funds in a targeted National Aquaculture Development Program. This program should not focus on research or demonstration projects but on commercial aquaculture development and support. This program should include funds and personnel who are responsible for assisting potential aquaculture entrepreneurs in project development and permitting. The program should have a financing component to assist with startup funds and the development of investment incentive programs. We did it for land based agriculture and commercial fisheries. These sectors are now vital to our rural economies and national security. We need to do the same for domestic aquaculture development so that it too can contribute to our nation's future.

4. BALANCED DEVELOPMENT BETWEEN COMMERCIAL FISHERIES AND AQUACULTURE IS ACHIEVABLE.

A number of groups have regularly asserted that commercial fishing and aquaculture constituencies are inherently in conflict. These assertions generally focus on conflicts over space, market share or potential environmental impacts. Conflicts over space and potential environmental impacts can be addressed through appropriate permitting and monitoring procedures. We have done it for twenty years in Maine. If we can do it in near shore locations in Maine with significant commercial fisheries, diverse and healthy marine ecosystems, extensive recreational use and commercial shipping, it can be done in the EEZ. It takes time, patience, hard work and agency resources, but it can and has been done successfully.

Conflicts over markets are more complicated. Aquaculture and wild fisheries products have at times competed in the market. Seafood markets have changed dramatically in the last twenty years. International and domestic distribution channels are more efficient. Consumers demand a diverse array of product forms that must be high quality, consistently available at a reasonable price. The most effective way to address market conflicts is through product differentiation, market segmentation and market expansion. This is happening very fast in seafood markets and aquaculture companies are leading the way in these trends.

Whether aquaculture products are produced in the U.S. or overseas have little to do with whether these products compete with wild products. As highlighted in Point 1 above, the United States has a choice. We can either allow the development of domestic aquaculture, help it compete with overseas producers and ensure a balance between commercial fishing and aquaculture interests. Conversely, we can prohibit domestic aquaculture and force our domestic commercial fisheries to compete directly with low cost unregulated overseas aquaculture production.

SPECIFIC COMMENTS:

1. Page 5, Line 19.

Strike “belonging to sedentary species”. There are a number of invertebrate species such as scallops, some gastropods, urchins, etc. that would not be classified as strictly sedentary nor would they be cultured in a structure. If only sedentary species are allowed on the seabed or in the subsoil, these species would be precluded for coverage under the statute. A number of these species have significant economic potential and should not be inadvertently excluded.

2. Page 10, Lines 15, 16, and 17.

Site permits are initially issued for 10 years and then upon renewal drop to 5 year periods. Both the initial and the renewal periods are too short. Investment levels required for aquaculture operations in the EEZ will be relatively high and the time required to apply for permits relatively long. Initial investments will likely be over one million dollars with permitting time frames in years, not months. Investors who choose to pursue operations in the EEZ will need permit lengths significantly longer to provide regulatory stability, investment security and adequate payback periods. Permits should be for at least 25 years. Renewals should be automatic unless significant objections are raised and those objections are based on substantive technical grounds. Permits being renewed should be for the same or longer time periods than originally granted because the operator has a track record to examine. If permit holders have been bad operators, the agency has a powerful way to deal with permit violations through a strongly worded revocation for cause clause.

3. Pages 10 and 11.

The current draft establishes the need for two permits; a site permit and an operating permit. These are in addition to a number of already existing federal permits from other agencies. In instances where the site permit holder and the operating entity are the same, two permits are unnecessary. In those instances, one site permit that addresses agency concerns should be enough. Two permits will significantly increase the amount of time and expense required of the aquaculture entrepreneur. As long as the site permit addresses agency concerns and includes language that protects the public trust and the environment, an additional operating permit would be unnecessary.

4. Page 12.

During the permit review process, S.1195 requires the Secretary to consult with other federal agencies. S.1195 further requires (Page 9, Line 1) that the Secretary renders a permit decision within 120 days of the application being deemed complete. S.1195 contains no requirement for a timely reply by other federal agencies to the Secretary’s request for consultation and review. S.1195 should establish a time shorter than 120 days within which other federal agencies must reply to the Secretary. This requirement should include a provision which clarifies that a lack of reply within that time period constitutes agreement by the other federal agency to the permits

issuance. If regional fisheries management councils are consulted, this provision should apply to them as well.

SPECIFIC COMMENTS ON AMENDMENTS:

AMENDMENT SA 769.

State Opt-out. As written, SA 769 would significantly reduce investor confidence and decrease the likelihood of investment due to its impact on investment security. Any aquaculture operation that has gone through all the permitting processes and is being operated responsibly and in good faith could have its license to do business revoked without cause on 30 days notice. No investor is likely to move forward with a project with that level of uncertainty and risk.

If a state wants to opt-out as a matter of policy prior to the initiation of any permit applications, it should have the right to do that. As that opt out will have direct impacts on the economic potential of federal waters that all US citizens have an interest in said state should be required to justify the grounds for the opt-out and document the economic impacts of the opt-out on the national economy.

AMENDMENT SA 1727.

The purpose of this amendment appears to be to delay or preclude the implementation of S.1195. This amendment does not propose any requirement that is substantively more protective than S.1195. This amendment, if included, will result in years of delays and investment will occur overseas. The amendment will not in any way defend its assumed constituents (domestic commercial fishing interests) because they will continue to have to compete with overseas production.

I thank you for your attention and patience.

Sincerely,

Sebastian Belle
Executive Director
Maine Aquaculture Association

SMB/rkc

Cc: Full Senate Committee on Commerce, Science and Transportation
Maine Senator Susan M. Collins