

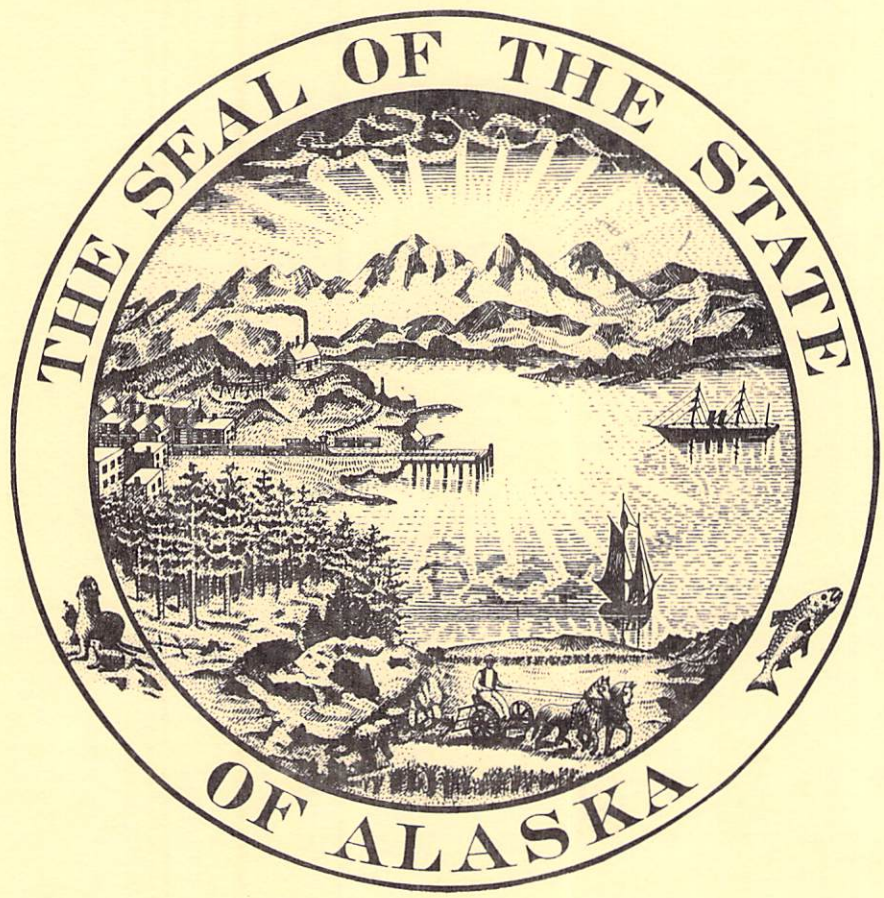
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Annual Report

Commercial Fisheries

Entry Commission



1975 ANNUAL REPORT

COMMERCIAL FISHERIES ENTRY COMMISSION

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INTRODUCTION

For 19 commercial salmon fisheries in Alaska, 1975 was the year entry limitation began. The preceding year and a half of activity by the Commercial Fisheries Entry Commission, including research, public hearings, proposed regulations, and more public hearings, was the prelude to the actual regulating of access to some of the State's commercial fisheries.

In earlier years, all commercial fisheries were open to anyone. This open access stood in contrast to other publicly held resources, which have had access regulated for years (for instance, the competitive leasing of State oil lands, AS 38.05.180, or the allocation of water, AS 46.15.050). Regulated access has developed because of the recognition that too much exploitation can endanger and ultimately destroy a resource. It took effect in a large complex of commercial fisheries in the United States for the first time in 1975.

Access to the 19 salmon fisheries put under limited entry is regulated through the issuance of entry permits, each of which enables a person to operate a unit of gear in a particular fishery. Permits are issued on the basis of an applicant's past participation and economic dependence in the fishery for which he is applying. Permits are freely transferable so that access to a fishery is not blocked. The level of effort remains the same, since one person must leave the fishery for every person who enters. Because permits may be transferred for a price, the Commission has examined permit prices. It has also examined issuance and transfer patterns in relation to residents and non-residents.

The transition from an open access fishery to one with regulated access has generally been smooth, although it has been met with opposition from some quarters. A lawsuit has been filed challenging the constitutionality of the State law regulating entry into commercial fisheries. Toward the end of the year an initiative petition drive succeeded in gaining enough signatures to put the question of repealing that State statute onto the ballot.

In creating the Commercial Fisheries Entry Commission the Legislature said its purpose was "to promote the conservation and sustained yield management of Alaska's fishery resource and the economic health and stability of commercial fishing in Alaska." This is to be done by "regulating and controlling entry into the commercial fisheries in the public interest and without unjust discrimination." This fusion of economics and conservation represents a new view, but one that is supported by many, providing a more realistic picture of the inseparable forces that operate in a fishery.

The Legislature also found that commercial fishing "had reached levels of participation, on both a statewide and an area basis, that have impaired or threatened to impair the economic welfare of the fisheries of the State, the overall efficiency of the harvest, and the sustained yield management of the fishery resources." Since the Commission must look at fisheries that are "threatened, " in 1975 it also turned its attention to the six commercial salmon fisheries of the Arctic-Yukon-Kuskokwim area, which it subsequently found to need entry regulation. In addition, it continued to investigate the need for entry regulation in the State's other commercial fisheries, with particular emphasis on the shellfish fisheries.

The following report touches only on highlights of Commission activity in calendar 1975, including progress in reducing gear to optimal levels. The Commission will be happy to provide additional information upon request.

LIMITED ENTRY IMPLEMENTED

In calendar year 1975, the Commercial Fisheries Entry Commission regulated entry into 18 commercial salmon net fisheries and the power troll fishery. They comprise all of the salmon fisheries in the State except those in the Arctic-Yukon-Kuskokwim area, and the hand troll fishery. As of December 31, 1975, a total of 6,770 permits were issued out of an expected total of approximately 7,500 permits to be issued for those fisheries.

Of the 6,770 permits issued, 73.1 percent were issued to residents of Alaska, and 26.9 percent to non-residents. Table A compares those percentages to gear licenses issued to residents and to non-residents who fished prior to the passage of the limited entry law in 1973.

TABLE A

Residency Comparison of Permits and Gear Licenses

	<u>Resident</u>	<u>Non-Resident</u>
1975 Permits*	73.1%	26.9%
1972 gear licenses**	70.8%	29.2%
1971 gear licenses**	70.9%	29.1%
1970 gear licenses	70.5%	29.5%
1969 gear licenses	71.3%	28.7%

*Determined by Commercial License File information on resident and non-resident licensing, only those issued as of December 31, 1975, excludes transfers.

**Excludes licenses issued in fisheries closed during the full calendar year.

The qualifications claimed by a number of applicants required individual treatment by the Commission. During 1975, Commission hearing officers conducted more than 300 administrative hearings. These hearings and subsequent Commission adjudications generally involved applicants with special or unavoidable circumstances that called for an individual evaluation of the applicant's situation in relation to the regulations and the law. Most of the questions and other matters contained in the bulk of the 9,400 applications received were resolved without the need for an applicant to go through the hearing process.

While this time-consuming process sometimes meant delays in permit issuance, these various application procedures were the only fair way to treat applicants who through no fault of their own had exceptional circumstances during the years that counted toward their qualifications for an entry permit.

Only two entry permit applicants have sought judicial appeals from Commission determinations. In both instances the Commission could not accept the person's application because the eligibility requirement of the law precluded such acceptance. The Commission could not accept an application if the applicant did not fish as a gear license holder at some time between 1960 and 1972. No judicial appeals have been sought by eligible applicants.

Approximately 13.75 percent of the applications from eligible people will not qualify for entry permits. The actual number of people who will not qualify for a permit is less, since many people applied for more than one permit.

PERMIT TRANSFERS AND PRICES

A total of 553 permits were permanently transferred in 1975. The transfer process has resulted in a net increase of permits in the hands of Alaska residents. Transfers, on the basis of residence, were as follows:

Resident to resident	285 (52%)
Non-resident to non-resident	166 (30%)
Non-resident to resident	79 (14%)
Resident to non-resident	23 (4%)

The transfer of a permit indicates someone new entering a fishery as a gear operator, and of course someone else dropping out.

A permit price survey conducted by the Commission indicates that in approximately 40 percent of the cases permits were transferred for free. Generally these transfers occurred between family members, although more distant relations were occasionally involved, as were skippers and crewmen. In a significant number of other cases, the permit was transferred for nothing along with the sale of a vessel or set net site.

While specific prices covered a somewhat wider range, the average price paid for an entry permit varied from \$750 to \$11,035, depending on the type of permit. The average prices, where sufficient sales of entry permits occurred to prevent disclosure of information on an individual transaction, are set out for each fishery in Table B.

TABLE B

Permit Sales and Prices Paid Through August 1975

<u>FISHERY</u>	<u>TOTAL NUMBER OF SALES</u>	<u>AVERAGE PRICE OF PERMIT ALONE</u>
Southeast Purse Seine	16	\$11,035
Southeast Drift Gill Net	26	\$ 9,100
Yakutat Set Gill Net	2	\$ 750
Prince William Sound Purse Seine	6	\$ 7,600
Prince William Sound Drift Gill Net	9	\$ 3,412
Cook Inlet Drift Gill Net	10	\$ 2,190
Kodiak Purse Seine	7	\$ 4,571
Bristol Bay Drift Gill Net	19	\$ 1,004
Statewide Power Troll	53	\$ 5,598

Average prices shown are for transactions of permits not sold with vessels, gear, or set net sites. Separate questionnaires were sent to each party in a transaction; the most reliable data is set forth above.

There are two reasons that price information on all 19 fisheries is not listed. Either the number of responses from a fishery was too small to avoid the disclosure of

information on individuals, or there were no transactions of permits alone.

In some fisheries the average prices at this writing may be somewhat higher, since the prices cited include all sales from the inception of the program, and healthy harvest projections for some fisheries in 1976 tend to increase permit prices in those fisheries. In other fisheries, particularly where 1976 projections are below average, the prices may tend to be lower than the average prices given.

The survey also determined that in the majority of cases where financing is necessary, permit sales are financed by the transferor of the permit, or a bank. Of the respondents 7.5 percent indicated that a processor had financed the purchase.

EFFECTS OF REDUCED GEAR LEVELS

The effect of reduced gear levels in 1975 compared to 1974 was varied. In most cases it resulted in additional fishing periods for the fishermen, although the amount of additional fishing time varied according to the strength of the salmon runs. The greatest effect was probably in the Southeast Alaska salmon fisheries, where the majority of Washington State fishermen affected by the Boldt decision would otherwise have fished.

LEGAL CHALLENGE AND INITIATIVE

The constitutionality of that portion of the limited entry law restricting the applicant pool to those individuals who participated as gear license holders at some time from 1960 to 1972 is presently being tested in the Alaska Supreme Court in Isakson, et al., v. Rickey, et. al. In the Superior Court, Judge Thomas Stewart ruled that the limited entry law was constitutional in all respects, placing considerable emphasis on the unrestricted transferability of entry permits in his decision. It is expected that the Alaska Supreme Court will rule on the case prior to the 1976 fishing seasons.

Initiative petitions to repeal the limited entry law were first circulated in the late spring of 1975. By the end of the year at least 10,000 valid signatures had been obtained, a number more than sufficient to put the question on the November general election ballot.

OPTIMUM NUMBERS AND BUYBACK

During 1975 the Commission began determining the "optimum" number of entry permits for each of the 19 salmon fisheries operating under the entry regulation system that year. Establishing an "optimum number" is necessary in order to identify those fisheries that will require a "buyback" program.

The optimum number is defined in the law as a reasonable balance of the following general factors:

1. The number of entry permits sufficient to maintain an economically healthy fishery that will result in a reasonable average rate of economic return to the fishermen participating in that fishery, considering time fished and necessary investments in vessels and gear.
2. The number of entry permits necessary to harvest the allowable commercial take of the fishery resource during all years in an orderly, efficient manner, and consistent with sound fishery management techniques.
3. The number of entry permits sufficient to avoid serious economic hardship to those currently engaged in the fishery, considering other economic opportunities reasonably available to them.

The law provides that in any fishery where the optimum number of entry permits is less than the number of entry permits in the fishery, a voluntary buyback program for the fishery will be instituted by the Commission. Under the program the Commission would enter the market for permits, and vessels and gear where necessary, as another buyer. If a fisherman chooses to sell his permit to the Commission, it would be withdrawn from the fishery permanently.

Separate programs are to be set up for each fishery requiring buyback and each program is to be funded by the permit holders in the fishery for which it is established. Funding is to come from an annual assessment of up to seven percent on the gross catch of the individual permit holders. Preliminary research indicates that an assessment rate considerably less than seven percent would be required to retire the necessary number of entry permits.

Initial research in 1975 indicates that the following fisheries may require a buyback program: The salmon drift gill net fisheries of Southeast Alaska, Prince William

Sound, Cook Inlet and Bristol Bay; and the salmon set net fisheries of Cook Inlet and Bristol Bay. It is important to note that these designations are by no means certain since necessary research has not been completed. Determinations of the optimum number of entry permits require a considerable amount of economic research by the Commission and input from Alaska Department of Fish and Game personnel. It is expected that optimum number research, using status quo assumptions as to the nature of the fisheries, will be finished by the end of calendar 1976.

Proposals currently before the Legislature concerning bonding and loans to establish hatcheries could, if implemented, significantly alter the assumptions used in determining optimum numbers. One of the unknown factors that will affect such determinations for any fishery is the time required for hatcheries to yield significant results. The law specifies that any long range changes in the economic condition or biological condition of a fishery may result in changes in the optimum number of entry permits.

AYK SALMON FISHERIES

During 1975 the Commission investigated the need for entry regulation in the six commercial salmon fisheries of the Arctic-Yukon-Kuskokwim area. The investigation was prompted by significant growth trends over the last five or more years in the amount of gear in those fisheries, and by recommendations for entry regulation advanced by fisheries management biologists and fishermen.

In addition to its research, the Commission conducted a series of hearings in nine villages before proposing regulations. Administrative hearings on the proposed regulations were later conducted in nine villages. The groundwork was also laid for providing application completion assistance to those in the area who may need it. Regulations to limit entry were adopted in early 1976, after some changes as a result of public comments and Commission research.

INTERIM-USE PERMITS

Interim-use permits are issued to gear operators in those fisheries in which a regulated entry program has not been established. Their use on fish tickets allows fisheries conditions to be monitored, as well as establishing key parts of a data base that would have to be drawn upon should changed conditions indicate a need for entry regulation in the future.

The Commission issued approximately 10,000 interim-use permits in those fisheries not under entry regulation in 1975. Some interim-use permits were also issued in the 1975 fishing season in the 19 salmon fisheries under the regulation system in cases where the Commission was unable to determine if an applicant would qualify for an entry permit.

SHELLFISH STUDY GROUPS

The entry regulation law as originally introduced was designed to alleviate pressing problems in the commercial salmon fisheries of the State. During legislative consideration of the bill, all other commercial fisheries were brought under the jurisdiction of the Commercial Fisheries Entry Commission, although the law retained many features designed primarily for the salmon fisheries.

The Commission began an investigation of the need for entry regulation in the shellfish fisheries in 1975, prompted by several indications. These include: 1. the compression of fishing seasons; 2. increases in gear or in the efficiency of gear; 3. wide fluctuations in prices over the years, each price peak generally bringing with it an increase in gear; 4. the impact of season compression and price fluctuations on processing industry employment patterns; and 5. over-fishing in some fisheries.

Much research needs to be completed before decisions are made concerning entry regulation for the shellfish fisheries. Since the Commission desires extensive public input, from fishermen, processors, and the general public on the question, it promoted the concept of formal study groups. These groups have a two-fold charge. They are to examine the shellfish fisheries of which they are knowledgeable to determine the need for entry regulation; and, recognizing the salmon fishery orientation of the present law, they are to make recommendations for the best form of entry regulation for any shellfish fishery that may need it.

An initial study group was formed by the Fish and Game Advisory Board in Kodiak to examine the shellfish fisheries of that area and to make recommendations to the Commission. Similar groups are in the process of formation in other areas.

These groups are in the position to play a critical role in determining the need for entry regulation in the shellfish fisheries of the State, and the manner in which it

should be done. The Commission has provided considerable research support and will continue to do so. Extensive public involvement and necessary research are two keys to making the best decisions concerning the shellfish fisheries of Alaska.

LEGISLATIVE RECOMMENDATIONS

The Commission has no legislative recommendations for the current session of the Legislature, although it is available to provide comment on any matter the Legislature wishes. Depending on the outcome of shellfish study group work, research, and fisheries developments, legislative recommendations concerning the shellfish fisheries and perhaps other fisheries may be offered next year.

ACKNOWLEDGEMENTS

The Commission could not operate effectively without the cooperation and assistance of a number of departments, agencies, and individuals, all of whose services in gaining information and insight are appreciated.

Most important, the Commission appreciates the general high level of cooperation and understanding from the thousands of commercial fishermen who have provided information and borne with us during the transition to regulated entry in some of Alaska's most important commercial fisheries.