

# STATE OF ALASKA • COMMERCIAL FISHERIES ENTRY COMMISSION

## 1998 ANNUAL REPORT

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Dear Governor, Legislators, and Fellow Alaskans:

Pursuant to AS 16.43.980, we are pleased to submit the Commercial Fisheries Entry Commission's 1998 Annual Report.

1998 was the 25th anniversary of the passage of the Limited Entry Act by the Alaska Legislature, following a constitutional amendment by Alaska voters which authorized entry limitation. The Limited Entry Act created a system for limiting the number of participants in Alaska's commercial fisheries and established the Commercial Fisheries Entry Commission to implement and administer the program.

During 1998, the Commission proposed and adopted point systems for three recently limited fisheries, issued nearly 42,000 licenses, reviewed 1,877 transfer requests, and issued 311 adjudicatory decisions. At various stages of adjudication, 590 cases were before the Commission as of the end of 1998. As in the past, the Commission generated approximately twice the cost of its operating budget from revenues it collected and paid into the state General Fund. Fishers have petitioned the Commission to limit more than 20 additional fisheries. The Commission is reviewing these petitions and will develop proposals for public comment as required by the Limited Entry Act.

These are difficult economic times for many fishers, and the Commission continues to help fishers meet their economic challenges and protect their fishing privileges. We work closely with the Alaska Departments of Fish and Game and Commerce and Economic Development, the Commercial Fishing and Agriculture Bank, Alaska Business Development Center, Child Support Enforcement Division, Division of Emergency Services, Small Business Administration, and Internal Revenue Service.

The Commission continues to work with the Legislature and Administration on various fisheries issues including legislation to provide the Commission with the moratorium and limitation tools needed to fulfill the purposes of the Limited Entry Act for Alaska's evolving fisheries.

We remain dedicated to our role in promoting conservation and sustained yield management of Alaska's fish resources and economic stability among fishers and those dependent upon them for a livelihood.

Sincerely,

COMMERCIAL FISHERIES ENTRY COMMISSION

Marlene Johnson, Commissioner

Mary McDowell, Commissioner

Bruce Twomley, Chairman

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# Commercial Fisheries Entry Commission

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Mary McDowell, Commissioner  
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1998 Annual Report

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# Introduction

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The commercial fishing industry is a major component of Alaska's state-wide economy and the economic backbone of Alaska's fishing communities. Alaska's seafood industry is the state's largest source of private sector jobs. The Commercial Fisheries Entry Commission plays an essential management role in developing and sustaining Alaska's billion dollar fishing industry.

In 1972 Alaskans voted to amend Article 8, Section 15, of Alaska's constitution to allow limited entry into commercial fisheries. With this new authority, the Alaska Legislature approved the Limited Entry Act in 1973. The Act created the limited entry program and established the Alaska Commercial Fisheries Entry Commission (Commission) as an exempt, independent, quasi-judicial agency to carry out the mandate of the people and Legislature.

The Commission was given the statutory responsibility to promote the conservation and sustained yield management of Alaska's fishery resources and the economic health and stability of the fishing industry by regulating entry into the state's commercial fisheries.

To meet these responsibilities, the Commission is organized into four sections: Adjudications, Research, Licensing and Data Processing (see the chart: Organization by Agency Function, page 4).

The Commission engages in the following activities mandated by law (AS 16.43):

- Establishes maximum numbers of entry permits for fisheries to be limited and implements application processes and point systems to rank eligible applicants;
- Processes entry permit applications and adjudicates claims not resolved in initial classification;
- Issues permits in limited and unlimited fisheries, and issues licenses for all vessels as required to legally participate in the State's fisheries;
- Processes requests for emergency and permanent transfers of entry and interim-use permits and compiles data of all such transfers;

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- Enforces provisions of the Limited Entry Act by regulating permit transfer activities;
  - Participates in the Research and development of comprehensive fisheries economic data; and
  - Works with other state and federal management agencies to develop and coordinate fisheries policies.

Since 1973, the Commission has granted more than 14,000 limited entry permits as the result of limiting entry in 60 different fisheries. The Commission has received petitions for the limitation of more than 20 additional fisheries.

The percentage of permits held by Alaska residents has remained relatively stable. Twenty-five years after enactment of Alaska's Limited Entry Act, approximately 77% (10,904 at the end of 1998) of all permits are held by Alaskans and more than half of that number are held by rural Alaskans.

The Commission issues nearly 42,000 permanent permits, interim-use permits, and vessel licenses each year, reviews more than 1,800 permit transfers per year and collects and deposits approximately five million dollars in revenue annually to the state's General Fund. The Commission's operating budget is about half of the revenues collected.

The drastic declines in salmon prices over the past several years as well as disastrously low 1997 and 1998 salmon returns in Bristol Bay, Kuskokwim River basin, and Upper Yukon have imposed hardships on many fishing families. The economic downturn in the salmon industry has generated discussion about potential cost efficiencies in the fisheries, including consideration of options for reducing fleet size. The Commission continues to participate in this ongoing discussion with the public and to provide data to assist and inform the exploration of ideas.

The Commission remains concerned about the desire of the Internal Revenue Service (IRS) to force the sale of entry permits of local fishers. Together with the state Division of Investments, the Commission has assisted and encouraged fishers to settle their federal tax obligations and



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protect their fishing privileges. The Commission and others including state and federal agencies have been meeting with the IRS to help fishers achieve tax compliance and protect their fishing privileges.

In addition to responding to these current and pressing issues, the Commission has continued to perform its primary functions of licensing fishers, adjudicating claims, performing critical research and providing data to people and agencies as needed to make policy decisions. Major decisions and activities affecting the Commission's operations in 1998 are outlined in this report. Prior years' activities, events, and decisions that affected the Commission's operations are highlighted in the appendices.

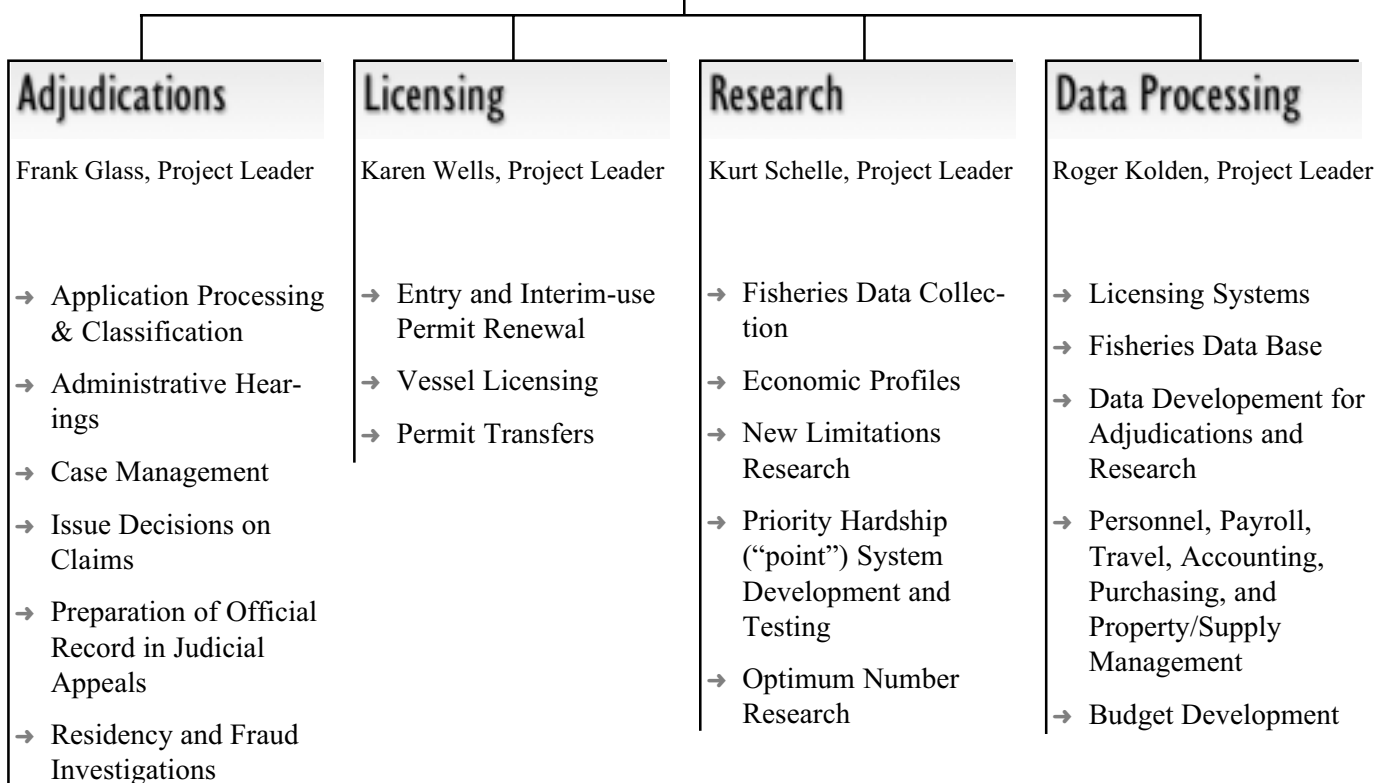
Alaska's fishing industry is vital to the state's economy and provides an important food source to the world. Alaskans must ensure our fisheries are sustained through sound management and wise commercial development. We at the Commission continue our commitment to fulfill our statutory role in achieving that goal.

# Organization by Agency Function

## Commercial Fisheries Entry Commission

### Commissioners

Marlene Johnson, Commissioner  
 Mary McDowell, Commissioner  
 Bruce Twomley, Chairman



# Decisions and Activities

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## **POINT SYSTEM PROPOSALS AND APPLICATION PERIODS**

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Under AS 16.43, the Commission must develop a hardship ranking system or point system to determine which applicants will receive a limited entry permit in a newly limited fishery. A point system is necessary because the number of eligible applicants typically exceeds the maximum number established at the time of limitation.

Under the law, a point system is to be based upon the two broad concepts of past participation in the fishery and economic dependence on the fishery. The statute asks the Commission to consider a number of different criteria when developing a point system for a fishery.

During 1998, the Commission proposed and adopted point systems and application period regulations in the following recently limited fisheries.

### **SOUTHEAST SHRIMP BEAM AND OTTER TRAWL FISHERIES**

The Commission proposed point system regulations for the newly limited Southeast shrimp beam and otter trawl fisheries on February 17, 1998. The public comment period on these two proposals ended on March 31, 1998. The Commission held public meetings in Wrangell, Ketchikan, Petersburg, and Juneau and took other public testimony during the public comment period.

The Commission went ahead with limitation and point system regulations for the Southeast shrimp otter trawl fishery despite the fact that the Alaska Board of Fisheries (BOF) had changed their regulations and removed otter trawls as legal gear for shrimp in Southeast Alaska.

During the original public comment period on limitation, the Commission learned that ADF&G and beam trawl fishers had concerns about the potential growth of an open access otter trawl fishery should the BOF reinstate otter trawls as legal gear.

For these reasons, the Commission went ahead with a limitation for the fishery. Should the BOF reinstate otter trawl gear at some later date, the fishery will be under limitation.

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The Commission adopted final point system regulations for both the Southeast shrimp beam trawl and otter trawl fisheries on April 16, 1998. The regulations became effective on July 17, 1998. The Commission then started an application period for entry permits in these fisheries that will run from October 15, 1998 through March 1, 1999. The Commission will begin to classify these applications during 1999 and issue permits to qualified applicants. (More information on these fisheries can be found in the Licensing section of this report).

### **GOODNEWS BAY HERRING POINT SYSTEM**

The Commission proposed point system regulations for the newly limited Goodnews Bay herring fishery on August 28, 1998. The public comment period ran through September 29, 1998. The Commission held public meetings in Togiak, Goodnews Bay, Tuntutuliak, and Bethel and took other testimony during the public comment period.

The Commission adopted point system regulations for the Goodnews Bay herring fishery on October 1, 1998 and those regulations became effective on December 31, 1998. An application period for entry permits for the Goodnews Bay fishery is scheduled to run from January 15, 1999 through June 30, 1999. (More information on this fishery can be found in the Licensing section of this report.)

### **DRAFT VESSEL PERMIT LEGISLATION**

In 1996, the Alaska Legislature established a temporary vessel moratorium on entry into the Bering Sea Korean hair crab fishery under AS 16.43.901. The statute directed the Department of Law to work with the Commission to draft legislation establishing a vessel permit limited entry program that may be used for fisheries in which the current limited entry program under AS 16.43 will not effectively achieve the purposes of the chapter.

During 1998, the Department of Law and the Commission worked together to develop the requested draft legislation. As directed by AS 16.43.901, the draft vessel permit law will be submitted to the Resource Committees of the Alaska Senate and the Alaska House of Representatives on or before the 10th legislative day in 1999.

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The Bering Sea Korean hair crab fishery moratorium is due to expire on June 30, 2000. Unless some form of restricted access is implemented, the fishery will return to open access. The draft vessel permit legislation would provide the authority to develop a permanent restricted access solution for the Bering Sea Korean hair crab fishery and would provide the state with the needed flexibility to design vessel permit programs in other fisheries where they would be beneficial.

## **SOUTHEAST DIVE FISHERIES MORATORIUM MEETINGS**

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In 1996, the legislature passed a temporary four year moratorium on entry into the Southeast Alaska dive fisheries for sea urchins, sea cucumbers, geoducks, and abalone. The legislation, HB 547, was incorporated into statute as AS 16.43.228. The legislation became effective on July 1, 1996 and will expire automatically on a July 1, 2000. These dive fisheries will return to open access unless a permanent access restriction program is adopted prior to the expiration of the moratorium. The legislation mandates that the Commission consult with participants and the Department of Fish and Game during the moratorium to determine whether a permanent limited entry program under the existing law is needed and to determine whether an alternative form of nontransferable limited entry program or other management program would be more appropriate for these fisheries.

During 1998, the Commission's Research staff held a series of meetings in Southeast Alaska communities to discuss the status of the moratorium and future limited entry and other alternatives for these four Southeast dive fisheries. These meetings occurred over the May 12th through May 14th time period in the communities of Craig, Ketchikan, Wrangell, Petersburg, and Sitka. The Commission also held a meeting in Metlakatla on June 1, 1998 to discuss the Southeast dive fishery and related issues. These meetings were attended by fishery participants and other interested parties. Representatives from the Department of Fish and Game attended most of the meetings to listen to the discussion and provide expertise on the fisheries and management-related questions.

The Commission is continuing to monitor the Southeast dive fisheries, conduct analyses, discuss options, and provide time for divers to try to develop a consensus proposal. If new legislation is not introduced in

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1999, the Commission will proceed to make a decision about limiting these fisheries under the existing law or returning to open access when the moratorium expires.

## **HELP FOR FISHERS IN FINANCIAL CRISIS**

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During 1998, continued low salmon prices coupled with some salmon run failures hurt many Alaska fishers. The Commission continued to provide technical support to the state's disaster relief efforts and to work closely with the Division of Investments of the Alaska Department of Commerce, the Commercial Fishing and Agriculture Bank, the Alaska Business Development Center, the Bristol Bay Native Association, and the Bristol Bay Economic Development Corporation as sources of referral for fishers with financial problems.

The Commission also continued to cooperate with the federal IRS on several projects to provide fishers with helpful information concerning their federal tax obligations. The IRS has reported substantial improvement in voluntary federal tax compliance among Alaska fishers.

Additionally, the Alaska Congressional Delegation helped achieve passage of the 1998 IRS Restructuring and Reform Act, which (among other things) improves procedural and due process protections for taxpayers. While IRS has been engaged in implementing the new law, IRS has not attempted to force the sale of an entry permit, nor has IRS levied upon any Alaska permanent fund dividends.

## **OTHER ACTIONS**

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A bill enacting AS 16.43.850 - 16.43.895 was passed by the legislature during the 1998 session and signed into law. Under the bill, the Commission is responsible for assessing demerit points against salmon permit holders and transferees for convictions of commercial fishing violations. This legislation is discussed in more detail in the Licensing section of this report.

The Commission continued to work with the Department of Law to defend the state's non-resident permit fee differential in the *Carlson* case.

# Adjudications

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## OVERVIEW

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The primary function of the Commission's Adjudications Section is to evaluate, classify and adjudicate applications for limited entry permits. Entry permit applicants are classified (ranked) in a system that measures each applicant's past participation and economic dependence on the fishery. Entry permits are then issued at successively lower classification levels until the established maximum number of permits has been issued for that fishery.

The Adjudications Section is staffed by two paralegals and five hearing officers. The paralegals evaluate entry permit applications and make the initial determinations on accepting, denying and classifying them. Applicants may challenge denials or classifications by requesting a hearing. Commission hearing officers conduct administrative hearings and issue decisions based on the record.

Hearings may be requested also if the Commission's Licensing Section denies requests for the emergency transfer or the permanent transfer of entry permits. Emergency transfer hearings are held and decided by paralegals. Permanent transfer hearings are held and decided by hearing officers. The Commissioners review each paralegal and hearing officer decision and may order further review on their own motion or upon the request of an affected party, and may subsequently modify or affirm the decisions.

Commission hearing officers also preside over hearings arising from enforcement (notice to show cause) proceedings, where the Commission may impose fines, or revoke or suspend the permits of those who attempt to mislead the Commission with false information. These hearings are held in the presence of the Commissioners.

## ADMINISTRATIVE PROCEEDINGS AND DECISIONS

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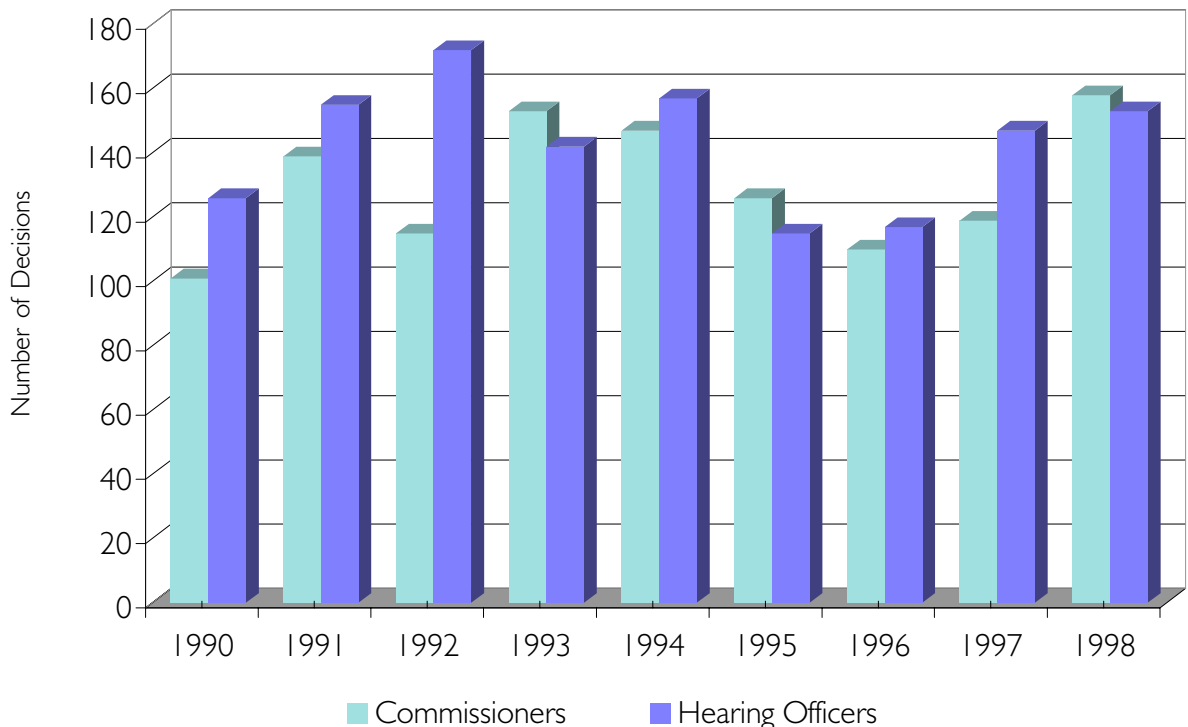
The Adjudications staff issued 153 decisions in 1998: 108 on permit applications, 38 on permit transfers, one on a notice to show cause pro-

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ceeding and six on miscellaneous actions. (The miscellaneous actions were primarily on qualifications for interim-use permits in fisheries subject to moratoria.) At the end of the year, 363 cases were pending before hearing officers.

The Commissioners adjudicated a total of 158 cases during 1998: 105 permit applications, 42 permit transfers, one notice to show cause action and 10 miscellaneous actions. At the end of the year, 227 cases were pending before the Commissioners.

## DECISIONS COMPLETED





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## JUDICIAL RULINGS AND APPEALS

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The Alaska Supreme Court's only limited entry decision in 1998 was *Suydam v. State, CFEC, 957 P.2d 318 (Alaska 1998)*. The court upheld the Commission's determination that Suydam was not domiciled in Kodiak on the qualification date for his Prince William Sound herring purse seine permit application, but reversed the Commission's denial of participation credit for a year when Suydam did not fish.



Courtesy of the Alaska Division of Tourism



Courtesy of the Alaska Division of Tourism

# Licensing

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## OVERVIEW

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The Licensing section of the Commission is responsible for issuance of annual permits and vessel licenses required for participation in Alaska's commercial fisheries. The section handles replacement of lost licenses, documentation of vessel ownership changes, salmon net area registrations, and issuance of emergency and permanent permit transfers as well.

The work of the Licensing section varies somewhat from year to year based upon changes in law, the development of new fisheries and changes to existing fisheries. Some of these changes include actions by the Commission and the Legislature to bring additional fisheries under limitation or moratoria; implementation of new types of licensing mechanisms; adoption of regulatory changes by the Board of Fisheries; and actions by federal agencies to create moratoria, license limitation programs, Individual Fishing Quota (IFQ) programs and Community Development Quota (CDQ) programs for Alaska fisheries. In addition to keeping up with additional licensing responsibilities associated with new developments, the staff must respond to thousands of information requests annually with current, accurate information. To meet ever increasing demands, the Licensing section is continually streamlining procedures and automating processing wherever possible.

The total number of permits and vessel licenses issued for 1998 decreased by more than 2000 from 1997 and remains somewhat lower than in the early 1990's. The drop in the number of annual licenses reflects a decreasing number of fishers participating in Alaska's fisheries. (See tables on pages 18-20) The decline in numbers of permits is most evident in the Western Alaska herring fisheries and the miscellaneous finfish fisheries.

## NEW DEVELOPMENTS

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### REVISED APPLICATION FOR CHARTER/GUIDED SPORT FISHING VESSEL LICENSES

In a cooperative effort with the ADF&G, the Licensing section developed a revised application form for sport charter vessel licenses. Gathering the

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needed additional information on the vessel license applications avoids the need for ADF&G to require charter operators to submit separate applications or reports to that agency. 1998 was the first season the new applications were used. A supplemental notice explaining the new questions on the charter vessel application form was sent to owners of vessels licensed for charter activity in the past. Additional information requested includes hull identification numbers, charter business names and business license numbers, as well as specific areas where the charter activity will take place. ADF&G reports that this new information is helpful in its management of Alaska's sport fisheries. In addition, the data should assist ADF&G, the Board of Fisheries, and the Legislature in making informed decisions providing for the orderly development of this growing industry.

### **COMMUNITY DEVELOPMENT QUOTA (CDQ) - CRAB PERMITS**

The Bering Sea/Aleutian Island crab fisheries are managed under a North Pacific Fishery Management Council (NPFMC), fishery management plan (FMP) which delegates management to the ADF&G. Recently CDQ allocations for western Alaska were added to the FMP. In 1997, ADF&G asked the Commission to issue separate permit cards to CDQ participants so that the department could accurately account for the harvest of each CDQ group's fish tickets. The Commission's Licensing and Data Processing sections worked with ADF&G to develop a permit that identified both the gear operator and the CDQ group. Permits were first issued in 1998. The six Community Development Quota Groups are Aleutian Pribilof Island Community Development Association, Bristol Bay Economic Development Corporation, Central Bering Sea Fisherman's Association, Coastal Villages Fishermens Co-op, Norton Sound Economic Development Corporation and Yukon Delta Fisheries Association. CDQ king crab fisheries occur in the Bering Sea, Bristol Bay and Norton Sound and a CDQ Tanner crab fishery occurs in the Bering Sea.



Courtesy of Alaska Seafood Marketing Institute

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### **GOODNEWS BAY HERRING**

In the first year since limitation of the Goodnews Bay fishery, the Commission mailed applications to all eligible applicants based upon their history of participation in the fishery between January 1, 1993 and December 31, 1996. Of the 228 eligible applicants, 156 received interim-use permits for the 1998 season. Additional information on this fishery is in the Decisions and Activities section of this report.

### **SOUTHEAST SHRIMP BEAM AND OTTER TRAWL LIMITATION**

In the first year since limitation of the Southeast shrimp beam and otter trawl fisheries, the Commission issued three otter trawl interim-use permits and 48 interim-use permits for the Beam trawl fishery. Additional information on this fishery is in the Decisions and Activities section of this report

### **CFEC PERMIT REQUIRED FOR ALL IFQ HOLDERS**

In 1998, all persons on a vessel who recorded landings of halibut or sablefish in the IFQ fisheries were required to hold the appropriate CFEC interim-use permits. This clarification of CFEC regulations was adopted at the request of the Department of Fish and Game and on the advice of the Department of Law to assure that the regulations are consistent with state statutes.

## **DEMERIT POINTS**

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During 1998, the legislature passed HB 285, now codified as AS 16.43.850 - 16.43.895, which established a demerit point system for suspending commercial fishing privileges based on convictions of fishing law violations in the salmon fisheries. Under the law, the Commission must suspend a permit holder's commercial fishing privileges for a period of one to three years if certain threshold levels of demerit points are accumulated in a three year period. If points are assessed against a fisher who holds a permit by emergency transfer, the points are also assessed against the transferor. The Commission began assessing points in accordance with records of conviction supplied by the court system. Those

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assessed demerit points were sent letters of notification from the Commission. In 1998, no fisherman was assessed sufficient points to trigger suspension of a permit.

## **NEW PERMIT CARDS**

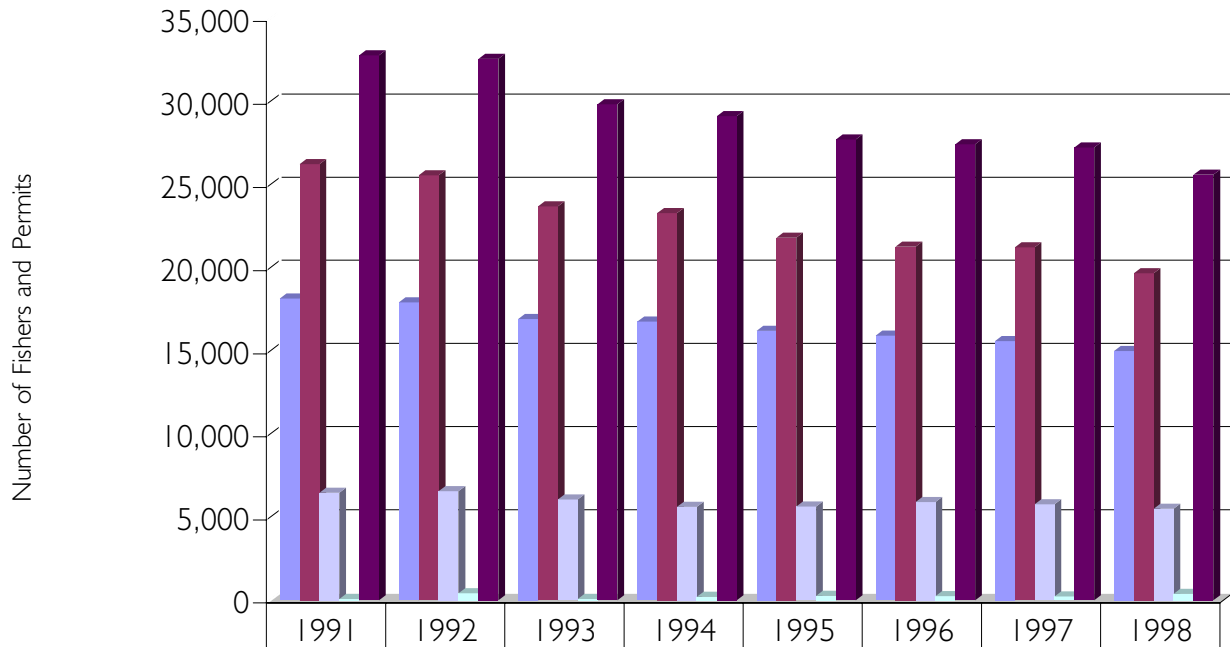
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In 1998, the Commission changed the plastic cards issued to commercial fishers to a larger, standard-sized card. The Commission needed to make this change because the former cards and the machines which embossed them were becoming obsolete. In the future, the new cards would allow the use of magnetic stripping for electronic catch reporting if such a system is developed and implemented.



Courtesy of Alaska Seafood Marketing Institute

## PERMITS ISSUED BY YEAR



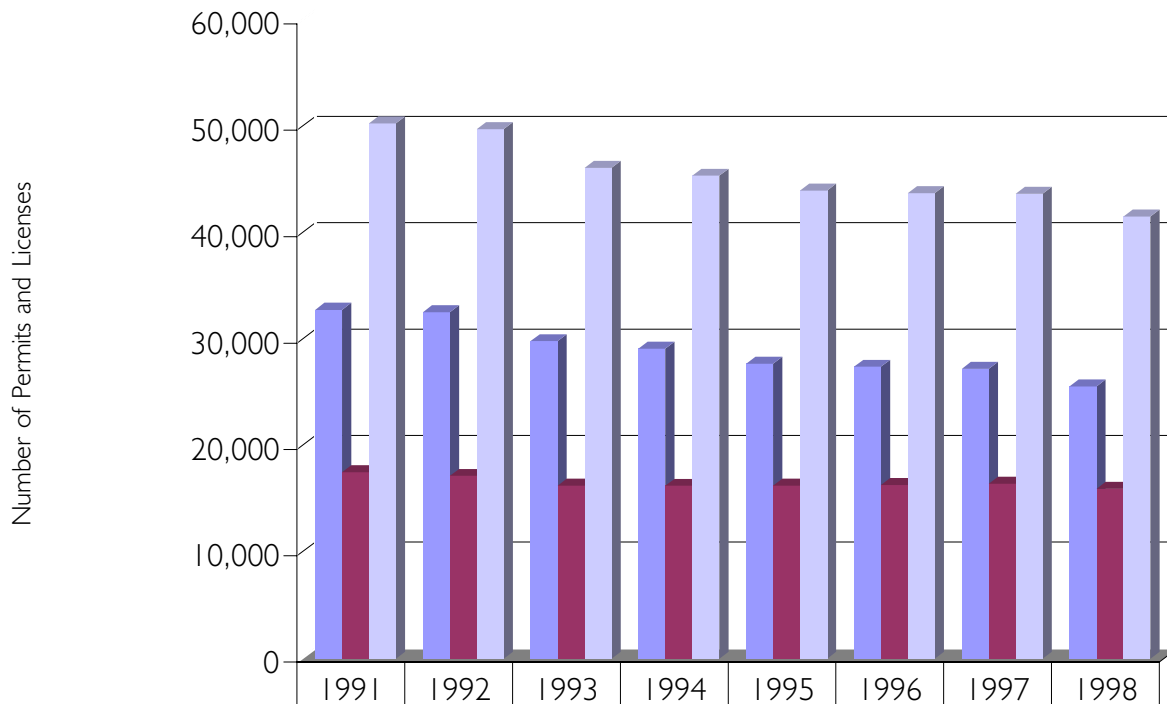
	1991	1992	1993	1994	1995	1996	1997	1998
Total Fishers	18,164	17,929	16,937	16,780	16,224	15,935	15,610	15,008
Resident Permits	26,246	25,585	23,713	23,300	21,812	21,278	21,250	19,687
Non-Resident Permits	6,473	6,580	6,065	5,636	5,640	5,924	5,778	5,521
Fees Refunded*	79	423	82	209	278	246	232	398
Total Permits	32,798	32,588	29,860	29,145	27,730	27,448	27,260	25,606

Note: Number of permits is higher than number of fishers as some individuals hold more than one permit.  
 Breakdown between resident/non-resident is determined by fees paid.  
 All figures include permits issued in both open access fisheries and limited fisheries.

\* Permits issued, but fees later refunded due to fishery not opening.



## FISHING PERMITS AND VESSEL LICENSES ISSUED BY YEAR

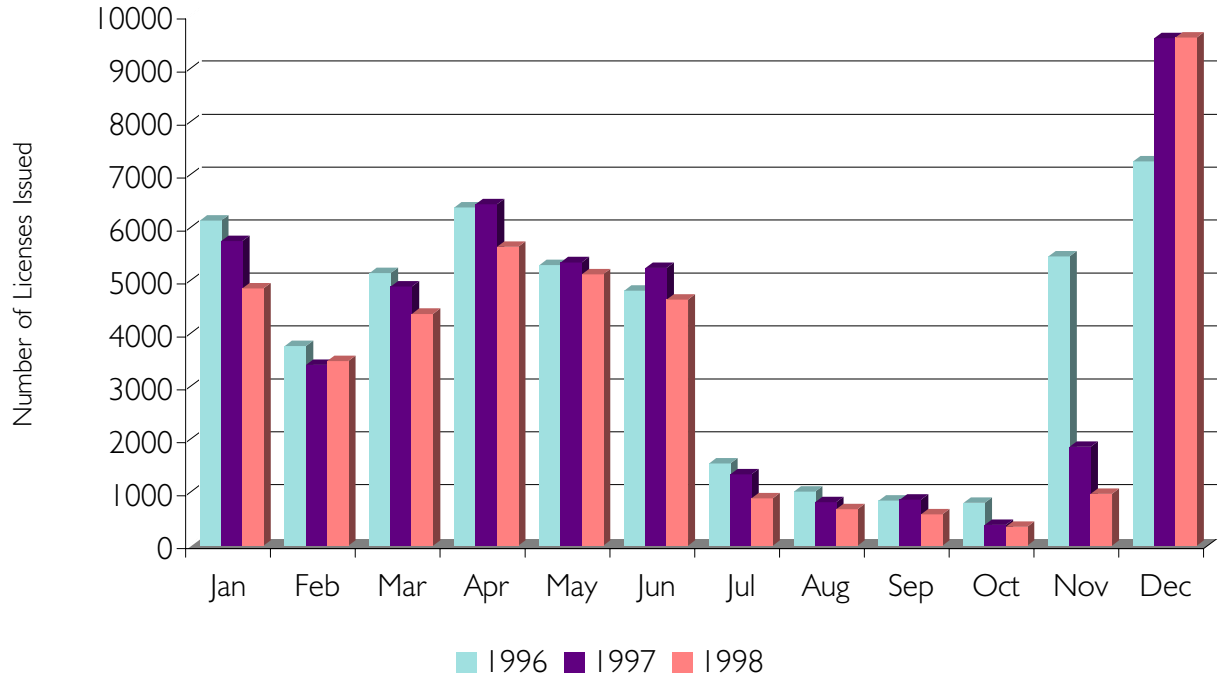


■ Total Fishing Permits	32,798	32,588	29,860	29,145	27,730	27,448	27,260	25,606
■ Total Vessels Licenses	17,534	17,188	16,276	16,257	16,276	16,324	16,442	15,961
■ Total Permits and Licenses	50,332	49,776	46,136	45,402	44,006	43,772	43,702	41,567

Figures include permits issued in both open access fisheries and limited fisheries.

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## PERMIT AND VESSEL LICENSES ISSUED BY MONTH



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## PERMIT TRANSFERS

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During 1998, the Commission reviewed 1877 requests for permanent and emergency transfers of permits. These included 975 emergency transfer requests, down slightly from 984 in 1997, and 902 permanent transfer requests, also lower than the 1020 requests in 1997.

A breakdown of transfer requests by type of transfer is shown below:

### PERMANENT TRANSFERS IN 1998

STANDARD TRANSFERS .....	820
SURVIVORSHIP TRANSFERS TO SPOUSE .....	33
FORECLOSURE TRANSFERS BY LOAN AGENCIES .....	7
TOTAL APPROVED .....	860
DENIED TRANSFERS .....	31
WITHDRAWN TRANSFER REQUESTS .....	11
TOTAL REVIEWED .....	902

### EMERGENCY TRANSFERS IN 1998

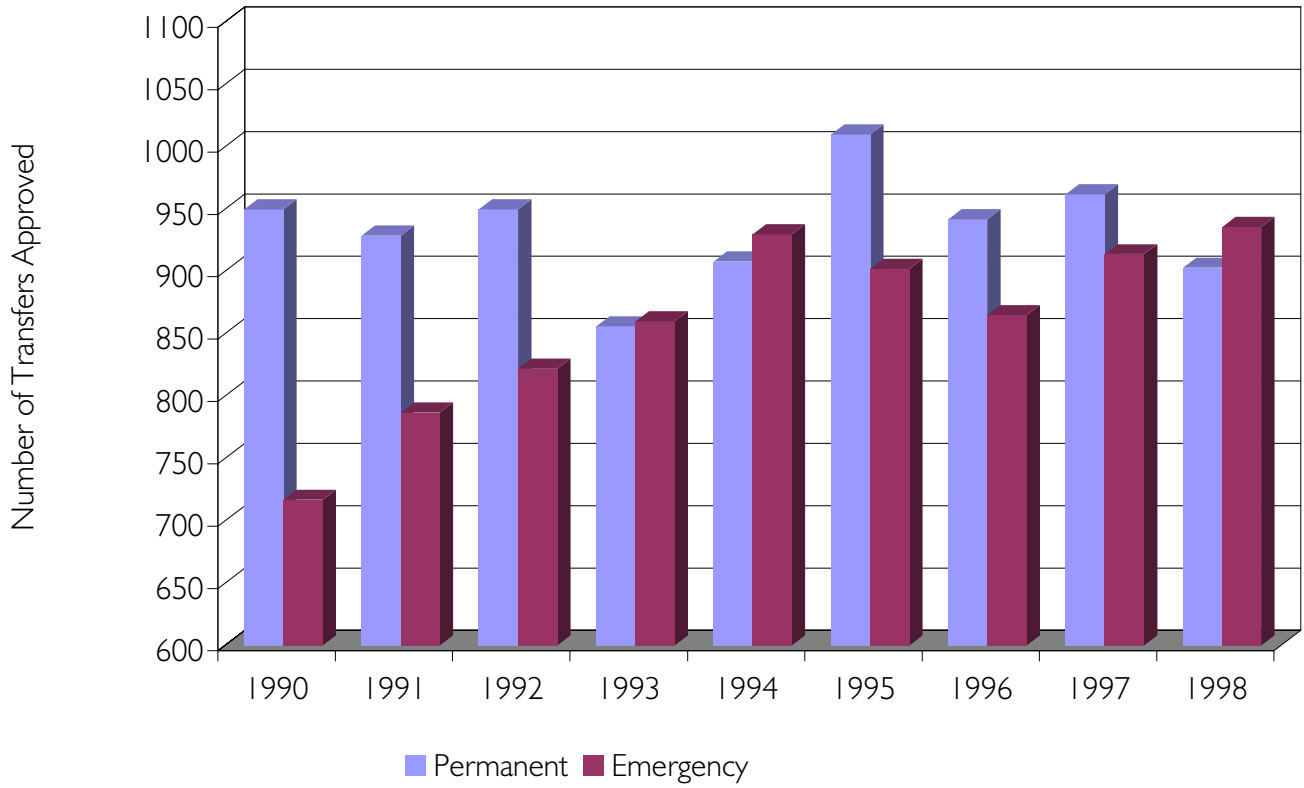
EMERGENCY TRANSFER REQUESTS REVIEWED IN 1998 .....	975
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### ALL TRANSFERS REVIEWED IN 1998

ALL TRANSFER REQUESTS REVIEWED IN 1998 .....	1877
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## PERMANENT AND EMERGENCY PERMIT TRANSFERS



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## VESSEL LICENSE FEE CATEGORIES

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Below is a chart showing the number of vessel licenses issued for each fee category during the 1998 calendar year and the revenue generated from each of those vessel length categories.

<b>Category Based on Overall Length of Vessel</b>	<b>Fee Based on Overall Length of Vessel</b>	<b>Number of Vessels Licensed in Category</b>	<b>Revenue Generated from License Fees For Calendar Year 1998</b>
A - 25' and under	\$20	7,036	\$140,720
B - over 25' - 50'	\$50	7,511	\$375,550
C - over 50' - 75'	\$100	945	\$94,500
D - over 75' - 150'	\$250	540	\$135,000
E - over 150' - 250'	\$500	106	\$53,000
F - over 250'	\$750	24	\$18,000
<b>TOTAL</b>		<b>16,162</b>	<b>\$816,770</b>

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## LICENSING ACTIVITY

Limited Entry Permits <i>Not</i> Renewed .....	747
Limited Entry Permits with Fees Waived* .....	398
Limited Entry Permits Revoked or Lapsed (since 1975) .....	896
Limited Entry Permits Renewed .....	12,937
Interim-use Permits in Fisheries Under Limitation or Moratoria .....	1,622
Interim-use Permits in Open-to-Entry Fisheries .....	10,633
Special Harvest Area (Hatchery) permits .....	21
Educational Entry Permits .....	1
Vessel Permits** .....	20

\*Fees for limited entry permits may be waived in the event of season-long closures including unrenewed permits.

\*\*Vessel permits were issued in the Bering Sea Korean hair crab fishery and the statewide and Cook Inlet scallop fisheries.

## FIELD OFFICE OPERATIONS

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Licensing section staff again provided in-season licensing and transfer assistance in Dillingham and King Salmon during 1998. The Dillingham office was staffed prior to the herring season from April 19-24 and for salmon from June 8-13. The King Salmon office operated from June 15 - July 15. The field offices generated \$10,990 in “user fees” which were deposited into the state’s General Fund. Staff assisted with 36 emergency transfer requests and issued 1187 permits and vessel licenses. The Commission’s staff also assisted with ADF&G’s area registration for Bristol Bay salmon fisheries.

In 1998 the Licensing staff issued 258 permits and 170 vessel licenses in Dillingham, and 501 permits and 258 vessel licenses in King Salmon.

# Research

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## OVERVIEW

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The Research section provides the background analyses and studies needed by the Commission. The Research section, coupled with the Commission's Data Processing section, also produces basic economic data on Alaska's fisheries. The Research section produces both standard and specialized reports. The Commission reports have been used to help address a wide range of policy questions.

In 1998, the Commission's Research staff was involved in many projects. These projects included efforts to monitor trends in Alaska's fisheries, to evaluate the need for access controls in particular fisheries, to develop hardship ranking systems in newly limited fisheries, and to provide other agencies and users with needed data and analyses.

The staff produced analyses on issues for the Legislature, the Office of the Governor, the ADF&G, and the Alaska Board of Fisheries (BOF). In addition, the staff answered numerous information and data requests from the general public. The following paragraphs provide brief highlights of major 1998 events for which the Research section provided analyses and data support.

## OPTIMUM NUMBERS AND FLEET REDUCTIONS

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The dramatic growth in farmed salmon production and other factors in recent years have led to a substantial decline in ex-vessel prices for Alaska's wild salmon. The livelihoods of Alaska salmon fishers and their families have been hurt severely by these price declines. As a result, there is a renewed and growing public interest in finding ways to reduce harvesting costs so that Alaska's commercial salmon fishers can better compete under these new world market conditions. Many persons are talking about finding ways to reduce the size of Alaska's salmon harvesting fleets.

Development of a viable fisherman-funded permit buyback program could depend upon a satisfactory resolution of some of the issues raised by the

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Alaska Supreme Court in *Johns v. State, CFEC*, 758 P.2d 1256 (Alaska 1989). During 1998, the Commission maintained its dialogue with individuals and gear groups interested in gear reductions.

The Commission participated in the Salmon Forum II held in Anchorage on February 27-28, 1998. The purpose of the forum was to discuss and find ways for the industry and government to work together to improve the economic health of Alaska's commercial salmon industry under the dramatically altered market environment.

The Department of Commerce and Economic Development published a Salmon Forum II Report in May of 1998. Among the proposed action items for the State listed in the report was a request that the Commission undertake an analysis of options for fleet reductions.

In response to this request, the Commission developed a succinct outline of options that was released to the public in December 1998. The Commission outline explores buyback options as well as other fleet reduction alternatives that would not require a government-run buyback program. Many of the ideas incorporated in the the Commission outline were provided by fishers and could lead to development of BOF proposals or statutory proposals. Fleet reduction options are expected to be a major topic of the third Governor's Salmon Forum scheduled for 1999. The options paper is available on the internet at [www.cfec.state.ak.us/research/mnures.htm](http://www.cfec.state.ak.us/research/mnures.htm).

## **RESEARCH ON INDIVIDUAL FISHING QUOTA PROGRAMS**

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The federal government, in 1995, implemented new individual fishing quota (IFQ) programs for Alaska's halibut and sablefish fisheries. These programs were developed by the North Pacific Fishery Management Council (NPFMC) and are administered by the National Marine Fisheries Service's Restricted Access Management Program (NMFS-RAM). These IFQ programs represent a dramatic change from an open access fishery and a considerable change from a license-type limited entry program.



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In Alaska, the IFQ programs have been controversial. While the NPFMC built many constraints into these programs to retain the pre-IFQ character of the fishing fleets, some Alaskans fear that there will be dramatic changes in these fisheries under IFQs and that some fishing communities may suffer losses in their economic base.

Because of these concerns, Governor Knowles asked that the effects of these programs be studied and closely monitored. In 1995, NMFS-RAM and the state formed a study team and developed several projects to examine changes under the IFQ programs.

In 1998, this work to monitor changes under these programs continued. The Commission was funded by a National Oceanic and Atmospheric Administration (NOAA) award to revise and update two of the previous Commission reports. The reports and executive summaries for these two new studies are titled:

1. **Changes Under Alaska's Halibut IFQ Program, 1995-1997** by E. Dinneford, K. Iverson, B. Muse, and K. Schelle.
2. **Changes Under Alaska's Sablefish IFQ Program, 1995-1997** by E. Dinneford, K. Iverson, B. Muse, and K. Schelle.

These reports are available from the NPFMC in Anchorage. The reports are also available via the internet on the Commission's home page.

## **REPORTS ON GULF OF ALASKA COASTAL COMMUNITIES**

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In early 1998, the Gulf of Alaska Coastal Communities Coalition (Coalition) made presentations to two committees of the Ocean Studies Board of the National Academy of Science and the National Research Council regarding restricted access programs of the NPFMC. The Coalition also made presentations to the BOF and the NPFMC.

The Coalition indicated that Gulf of Alaska coastal communities were dependent upon continued access to commercial fishing and the concerns

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of these communities needed to be considered in the future when the NPFMC develops new restricted access programs or modifies existing programs. They also indicated their belief that some Gulf of Alaska coastal communities had not fared well under the NPFMC's sablefish and halibut IFQ programs and under the State of Alaska's limited entry program.

The National Marine Fisheries Service's Restricted Access Management Program (NMFS-RAM) has committed to monitoring changes under the existing restricted access programs in Alaska so that they can provide the Council and the public with accurate data and information on changes occurring under the restricted access programs. This monitoring effort is intended to help inform policy discussions for new programs or proposals to alter existing programs.

As part of that effort, NMFS-RAM contracted with the Commission to produce a series of reports on Gulf of Alaska coastal communities and groups of these communities. The purpose of the series of reports was to provide basic data on how these communities have fared with respect to the initial allocation and retention of entry permits for Alaska's limited fisheries and with respect to the initial allocation and retention of quota shares under the sablefish and IFQ programs.

The Commission's Research staff produced a series of reports on these communities. The reports are titled similarly for each community as follows:

**Community Name: Holdings of Limited Entry Permits, Sablefish Quota Shares, and Halibut Quota Shares Through 1997 and Data On Fishery Gross Earnings** by S. Shirley, E. Dinneford, K. Courtesy of the Alaska Division of Tourism Schelle, K. Iverson, and A. Tingley.

Copies of these reports are available from the NPFMC in Anchorage. The reports are also available via the internet on the Commission's home page.

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## OTHER PROJECTS AND REPORTS

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The Research staff produced monthly permit value estimates for the Department of Commerce and Economic Development and other users and produced basic information tables on many of Alaska's commercial fisheries. The Commission's Research and Data Processing sections also produced reports on Alaska's fisheries which were used in the NMFS publication *Fisheries of The United States, 1997*.

During the year the Commission's Research staff produced other reports for the Commission and other analyses requested by the Office of the Governor, the Department of Fish and Game, the Board of Fisheries and the Alaska Legislature. The following is a listing of other non-confidential reports that the Commission staff members prepared during 1998.

1. **Management of the British Columbia Abalone Fishery (98-1N)** by B. Muse.
2. **Management of the British Columbia Sea Urchin Fishery (98-2N)** by B. Muse.
3. **Management of the British Columbia Geoduck Fishery (98-3N)** by B. Muse.
4. **Management of the British Columbia Sea Cucumber Fishery (98-4N)** by B. Muse.
5. **Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-1997 (98-5N)** by A. Tingley, E. Dinneford, and K. Iverson.
6. **Executive Summary - Changes in the Distribution of Alaska's Commercial Fisheries Entry permits, 1975-1997 (98-5N-EXEC)** by K. Iverson, A. Tingley, and E. Dinneford.
7. **Bristol Bay Drift and Set Gill Net Harvest and Estimated Gross Earnings by District and Residency, 1986-1997 (98-6N)** by A. Tingley, and E. Dinneford.

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8. **Regression Analysis of Alaska Halibut and Sablefish QS Prices, 1995-1997 (98-9N)** by B. Muse.
  9. **Arctic/Yukon/Kuskokwim Salmon Fisheries: Permits Issued, Permits Fished, Pounds Landed, and Estimated Gross Earnings - 1987-1997 (98-9N)** by K. Iverson.



Courtesy of the Alaska Division of Tourism

# Revenue

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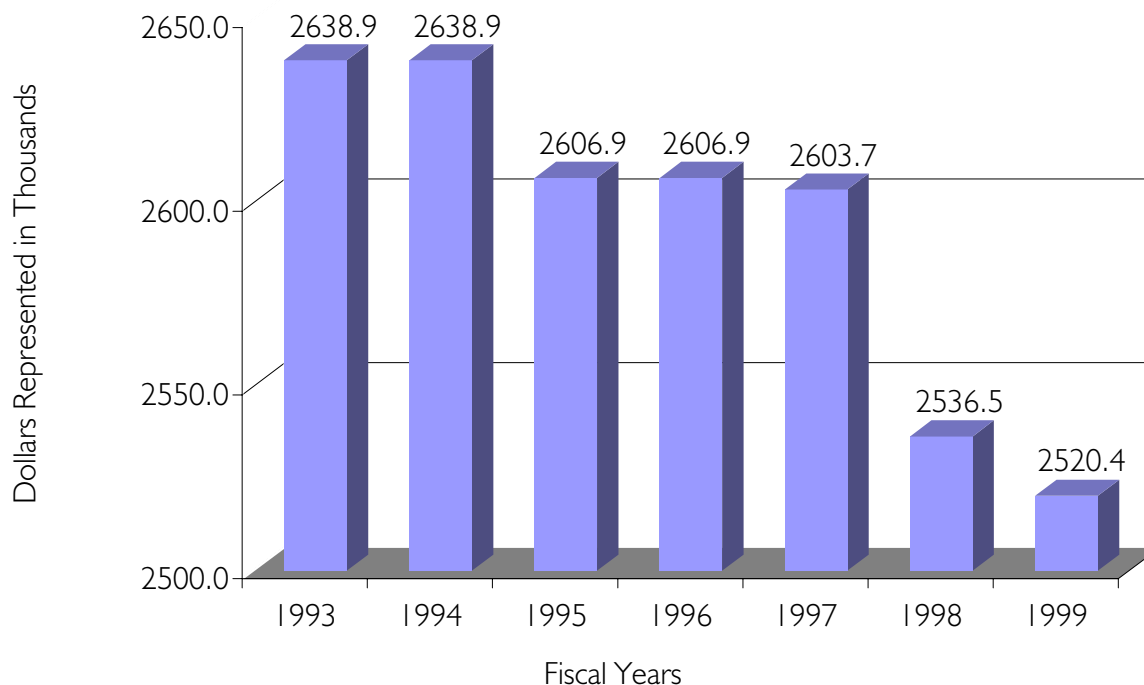
## OVERVIEW

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Revenues generated by the Commission come primarily from two sources: the issuance of commercial fishing permits and vessel licenses. Additional revenues come primarily from Research and Data Processing services and reports requested by the public, fishing organizations and fisheries research groups. Total revenue for Fiscal Year 1998 (FY98) (July 1, 1997 - June 30, 1998) was about \$5.0 million. This was a slight decrease from FY97.

The General Fund revenues generated by the Commission continue to be approximately twice the amount of General Fund monies appropriated by the legislature to run the Commission. Despite an ever increasing workload and increased costs, the Commission has experienced reduction in budget and staff, through budget cuts over the years. The Commission's full-time staff has been cut from 41 to 31, which is a 24% loss.

## CFEC BUDGET - GENERAL FUND



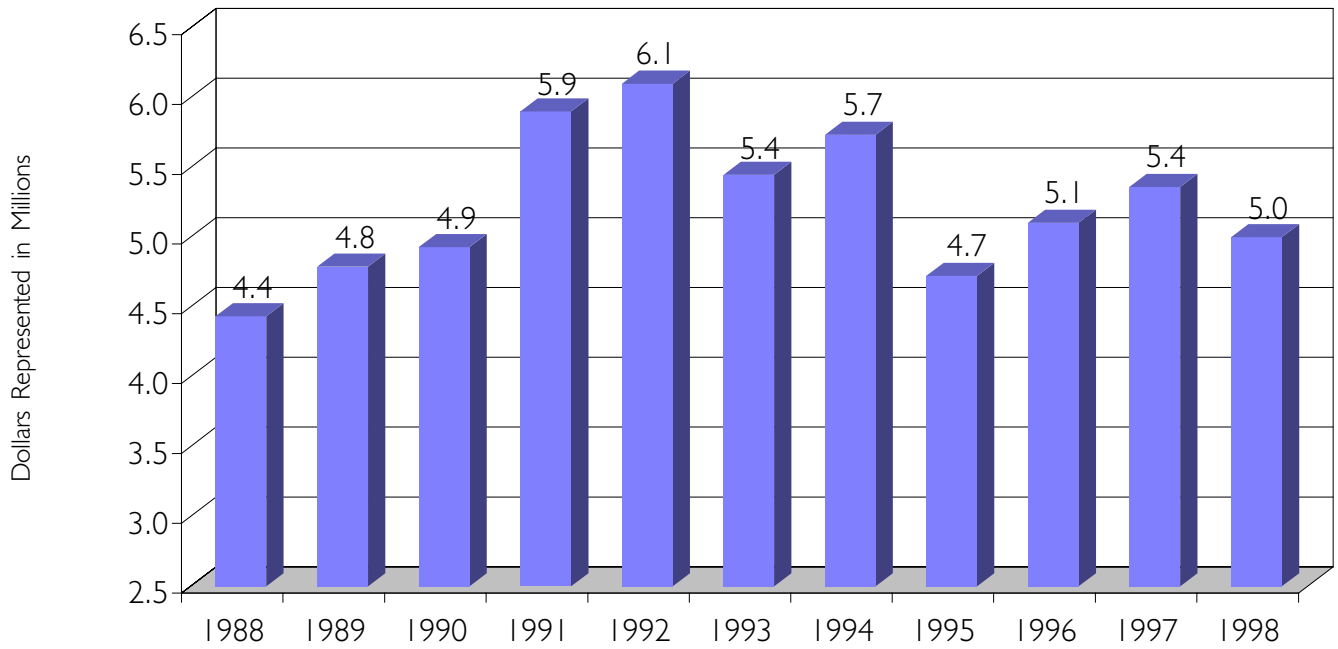
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## REVENUE GENERATED BY CFEC IN FISCAL YEAR 1998

<u>REVENUE SOURCE</u>	<u>FISCAL YEAR 1998</u>
PERMIT FEES .....	\$4,102,200
VESSEL LICENSE FEES .....	\$830,186
LIMITED ENTRY APPLICATION FEES .....	\$48,620
FIELD OFFICE USER FEES .....	\$11,080
NSF CHECK PENALTIES .....	\$400
REFUNDS PAID .....	(\$101,857)
MISC. REVENUE (SPECIAL REQUESTS, REPORTS, AND MISC.) .....	\$80,051
TOTAL REVENUE .....	\$4,970,680

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## REVENUE GENERATED BY CFEC BY FISCAL YEAR





Courtesy of the Alaska Division of Tourism



# Appendices

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Courtesy of Alaska Seafood Marketing Institute

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\*This list includes full-time, seasonal and part-time employees

# Decisions and Activities in Prior Years

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## CALENDAR YEAR 1997

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- Conducted research, held public hearings and adopted regulations limiting entry into the Southeast Alaska shrimp beam trawl and shrimp otter trawl fisheries and the Goodnews Bay herring gillnet fishery.
- Conducted research, held public hearings and adopted regulations establishing point systems for the Prince William Sound sablefish fisheries and the Northern and Southern Southeast herring spawn-on-kelp pound fisheries.
- Held application periods for the Southeast Alaska pot shrimp fishery and the Prince William Sound sablefish fisheries, and began the application period for the Northern and Southern Southeast herring spawn-on-kelp pound fisheries.
- Received 406 entry permit applications for the Southeast Alaska pot shrimp fishery and 98 entry permit applications for the Prince William Sound sablefish fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Members of the Commission and staff participated in the Governor's Salmon Forum.
- The legislature adopted HB 141 which established a four year moratorium on vessels participating in the statewide and Cook Inlet weathervane scallop fisheries.
- Representatives from the Commission, other state agencies, and Senator Stevens's office met with the IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate forced sales of limited entry permits.
- Continued to defend state against elimination of non-resident fee differential in the *Carlson* case.

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## CALENDAR YEAR 1996

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- Conducted research, held public hearings and adopted regulations limiting the Southeastern Alaska shrimp pot fishery.
- Conducted research, held public hearings and adopted regulations establishing point systems and an application period for the Southeastern Alaska dungeness crab, the Cook Inlet dungeness crab fisheries, and the Southeastern Alaska shrimp pot fishery.
- Held application period for the Southeastern Alaska dungeness crab and Cook Inlet dungeness crab fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Participated in the Koliganek Economic Development Council meetings.
- Served on the Child Support Enforcement Division's Rural Task Force, concerning child support and Alaska fishers.
- The legislature adopted HB 297 which raised the annual vessel license fee based on overall length.
- The legislature adopted HB 547 which established a four year moratorium on entry into Southeast Alaska dive fisheries.
- The legislature adopted HB 538 which established a four year moratorium on vessels participating in the Bering Sea Korean hair crab fishery and directed the Commission to draft legislation for a vessel permit limited entry program.
- The legislature adopted SB 42 giving the Commission the authority to propose permit stacking (an individual could hold more than one permit up to limits set by the Board of Fisheries), where the Commission has applied fishing capacity restrictions on individual entry permits.
- The IRS conducted a pre-Christmas sale of a Cook Inlet salmon set net permit and sold the permit, valued at \$30,000, for only \$5,005.

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- The Commission issued the *Carle* decision denying a request by the IRS to transfer a Southeast Alaska salmon purse seine entry permit to the highest bidder in a forced permit auction held in December of 1995.
  - Representatives from the Commission, other state agencies and Senator Steven's office met with the IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate forced sales of limited entry permits.
  - Commission statutes, regulations, public notices, transfer survey, and staff's e-mail addresses became available to users of the Commission's internet site.
  - Continued to defend state against elimination of non-resident fee differential in the *Carlson* case.

## CALENDAR YEAR 1995

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- Conducted research, held public meetings and adopted regulations limiting the Northern and Southern Southeast herring spawn-on-kelp pound fisheries, the Prince William sound sablefish fisheries, and the Southeastern Alaska dungeness crab fisheries.
- Held public meetings in Southeast Alaska to discuss the future of the moratorium in the Southeastern dungeness crab fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Served on an Alaska Federation of Natives (AFN) Task Force concerning the IRS and Alaska fishers.
- Served on a Bristol Bay Native Association Commission to address issues concerning limited entry.
- Participated in the Governor's Salmon Strategy Task Force.
- The Commission, together with the Division of Investments, the IRS, and AFN, developed and began outreach to implement the new Commercial Fishing Tax Obligation Loan Program.

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- The Commission, together with the Division of Investments and the AFN, persuaded the IRS not to implement its new electronic levy program against those fishers eligible for the new loan program.
  - The Commission's Bulletin Board System became available to Internet.
  - Continued to defend state against elimination of non-resident fee differential in the *Carlson* case.

## CALENDAR YEAR 1994

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- Commission and the Attorney General successfully defended against a lawsuit (based on the *Johns* case) seeking to eliminate limited entry in the Bristol Bay drift gill net fishery.
- Adopted optimum number regulation for the Southeastern Alaska roe herring purse seine fishery. (*Johns v. State*, CFEC)
- Conducted research, held public hearings, and adopted regulations limiting the Cook Inlet dungeness crab fishery.
- Conducted research and prepared a report on the Southeastern Alaska dungeness crab fishery to assist in determining if some form of limited entry is warranted for the fishery following the moratorium.
- Participated in the AFN Task Force concerning the IRS and Alaska commercial fishers.
- The legislature adopted SB 251 (Ch 62, SLA 1994), which authorized the existing Commercial Fishing Loan Program to make loans of up to \$30,000 to fishers in danger of IRS seizure and forced sale of their entry permits.
- Developed new Licensing system to run on the Commission's local area network (LAN) rather than the state mainframe computer.
- Continued to defend state against elimination of non-resident fee differential in the *Carlson* case.

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## **YEARS PRIOR TO 1994**

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Information on prior years can be found in previous annual reports or on the internet at the Commission web site.



Courtesy of Alaska Seafood Marketing Institute