

Commercial Fisheries Entry Commission 2002 Annual Report



Dear Governor, Legislators, and Fellow Alaskans:

Pursuant to Alaska Statute 16.43.980, we are pleased to submit the Commercial Fisheries Entry Commission's 2002 Annual Report.

The Alaska Legislature enacted the Limited Entry Act in 1973, soon after Alaska voters approved a constitutional amendment 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 2002, the Commission adopted regulations limiting one fishery, held application periods for two recently limited fisheries, issued nearly 36,000 annual fishing permits and vessel licenses, reviewed 1,558 transfer requests, and issued 184 adjudicatory decisions. At various stages of adjudication, 362 cases were before the Commission as of the end of 2002. Fishers have petitioned the Commission to limit more than 20 additional fisheries. The Commission is reviewing these fisheries 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. In 2002 the Commission put considerable time and energy into working with the Legislature and Administration on various fisheries issues including legislation to correct flaws in the buyback provisions of the Limited Entry Act, provide the salmon industry with fleet consolidation options, protect limited entry permits from claims of creditors, and provide the Commission with additional tools needed to fulfill the purposes of the Limited Entry Act for Alaska's evolving fisheries.

Additionally, the Commission continues to work closely with fishers, organizations, communities, the Alaska Department of Fish and Game, the Alaska Department of Community 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 on issues of importance to Alaska's commercial fishing industry.

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

PAGE

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Courtesy of Alaska Department of Fish & Game

Commercial Fisheries Entry Commission





Courtesy of Richard Mattson

2002 Annual Report Design and Layout Peggy Mattson, CFEC Publications Specialist

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Courtesy of Alaska Department of Fish & Game

Introduction

The commercial fishing industry is a major component of Alaska's statewide 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 Limited Entry Act directs the Commission 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 organizes its staff 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 annual permits in limited and unlimited fisheries, and issues annual licenses for all vessels as required to legally participate in the State's commercial and guided sport fisheries;
- Processes requests for emergency and permanent transfers of entry and interim-use permits and compiles data of all such transfers;

The Commercial Fisheries Entry Commission plays an essential management role in developing and sustaining Alaska's billiondollar fishing industry.



- Enforces provisions of the Limited Entry Act by regulating permit transfer activities;
- Participates in the research and development of comprehensive fisheries economic data;
- Works with other state and federal management agencies to develop, analyze, and coordinate fisheries policies;
- Assesses demerit points against permit holders for convictions of violations of commercial fishing laws in the salmon fisheries; and
- Issues vessel permits in fisheries under vessel moratoria.

Since 1973, the Commission has limited entry in 66 fisheries. The Commission has received petitions for the limitation of more than 20 additional fisheries.



Courtesy of Richard I. Eliason, Jr.

Since 1973, the Commission has limited entry in

66 FISHERIES.

The percentage of limited entry permits held by Alaska residents has remained relatively stable. Twenty-eight years after enactment of Alaska's Limited Entry Act, Alaskans hold almost 78% of all limited entry permits. At the end of 2002, Alaskans held 11,502 limited entry permits, with rural Alaskans holding more than half of that number.

The Commission issues nearly 36,000 permanent permits, interim-use permits, and vessel licenses each year and reviews more than 1,500 permit transfers. In fiscal year (FY) 2002, the Commission collected and deposited into the state's General Fund approximately 3.8 million dollars in revenues.

The economic challenges facing the salmon industry have 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 policy makers, and to provide data to assist and inform the exploration of ideas. See Decisions and Activities Section for more information.

By working with other state and federal agencies throughout 2002, the Commission continued to help Alaska fishers protect their fishing privileges.

In addition to working with policy makers, agencies, fisheries organizations, and individual fishers on the many current, pressing issues facing the fishing industry, the Commission continues to perform its primary functions of licensing fishers, adjudicating claims, performing critical research and providing data to the public and agencies.

Major decisions and activities of the Commission in 2002 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 developed wisely and sustained through sound management. We at the Commission continue our commitment to fulfill our statutory role in achieving this goal. THE COMMISSION CONTINUES TO PERFORM ITS PRIMARY FUNCTIONS OF LICENSING FISHERS, ADJUDICATING CLAIMS, PERFORMING CRITICAL RESEARCH AND PROVIDING DATA TO THE PUBLIC AND AGENCIES.

Organization by Agency Function



Decisions and Activities

LIMITATION OF KODIAK BAIRDI TANNER CRAB POT FISHERY

The Commission received a petition to limit entry into the Kodiak Tanner crab fishery in June 2001 and a petition in March 2002 to limit entry into the Kodiak Tanner and king crab fisheries. On September 18, 2002, the Commission proposed to limit entry into the Kodiak Tanner and king crab combined fishery. The proposed regulations included a maximum number of 180, a qualification date of January 1, 2003, a qualifying time period of 1993 through 2002, and fishing capacity restrictions based on five vessel size categories.

The Commission held one public hearing in Kodiak and two public hearings by teleconference from Juneau. The public comment period for written and oral comments lasted until October 21, 2002.

On October 22, 2002, the Commission adopted regulations to limit entry into the Kodiak Tanner *bairdi* crab pot fishery only with a maximum number of 180, a qualification date of January 1, 2003, and a qualifying time period of 1993 through 2002. Additionally, in response to public comment, the Commission modified the proposed vessel length categories to include two vessel length categories of less than 60 feet and from 60 feet to 120 feet. An applicant will be restricted to a vessel size category based on the length of the longest vessel from which that person made landings during the qualifying period. The regulations became effective on January 2, 2003.

Application Periods for the Kodiak Food and Bait Herring Fisheries

On July 19, 2001, the Commission adopted regulations limiting entry into the Kodiak food and bait herring gillnet and seine combined fishery and the Kodiak food and bait herring trawl fishery.

Under AS 16.43, the Commission must develop and use a hardship ranking system to determine which of the eligible applicants will receive a limited entry permit in a newly limited fishery. This "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 must be based upon the two broad concepts of past participation in the fishery and economic dependence on the fishery. The statute directs the Commission to consider a number of different criteria when developing a point system for a fishery.

The Commission adopted final point system and application period regulations for the Kodiak food and bait herring gillnet and seine combined fishery and the Kodiak food and bait herring trawl fishery on December 27, 2001. The Commission then conducted an application period for entry permits that ran from April 15, 2002, through June 14, 2002. The Commission received seven applications for the Kodiak food and bait herring gillnet and seine combined fishery during the application period and four applications for the Kodiak food and bait herring trawl fishery. The maximum number of permits that will be issued for the Kodiak food and bait herring gillnet and seine combined fishery is five and the maximum number for the Kodiak food and bait herring trawl fishery is four. At the end of 2002, the Commission had completed final adjudication of all of the applications for both fisheries and issued five permanent entry permits for the Kodiak food and bait herring gillnet and seine combined fishery and four for the Kodiak food and bait herring trawl fishery

OTHER ISSUES AND DECISIONS

Legislation Authorizing a Vessel-based Limited Entry Program For Two Fisheries

In 1996 and 1997, respectively, the legislature established vessel-based moratoria on the Bering Sea hair crab and weathervane scallop fisheries. The moratorium for the Bering Sea hair crab fishery expires on July 1, 2003. The moratoriam for the weathervane scallop fisheries expires on July 1, 2004.

During the 2002 session, the legislature passed Chapter 137 SLA 2002 which

established the Commission's authority to use a vessel-based limited entry program for the Bering Sea hair crab and weathervane scallop fisheries. In passing this bill, the legislature determined that under certain conditions, limiting such fisheries under a modified program where permits are issued to owners of the vessels, rather than to those who have operated the vessels, is warranted. Under the bill as adopted, any vessel entry permits issued under a vessel-based limited entry program expire on December 31, 2008 unless future legislation deletes or extends the expiration date. Because the Bering Sea hair crab moratorium expires first, the Commission will determine first whether conditions in that fishery warrant proposing limited entry and if so, whether the Commission should propose limitation under the traditional individual license limited entry system or under a vessel permit limited entry system as authorized under HB 206.

Commission Efforts to Address Fishing Industry Problems

In an effort to address some of the serious economic issues facing Alaska's fishing industry, a number of bills were introduced in the Alaska Legislature during the 2002 legislative session. The commission worked very closely with legislators and fishing industry representatives throughout the process of drafting and considering the various measures that pertained to the limited entry system. Three of those measures passed and were signed into law.

Chapter 134 SLA 2002 provides a new means for fleet reductions to occur through private initiative. The new law allows a person to hold up to two salmon permits for a fishery for purposes of fleet reduction. However, the person cannot engage in fishing under the second permit. This new provision was used by nine persons during 2002. This new law also provides a means whereby permit holders in a salmon fishery can form a qualified salmon fishery association and vote to assess themselves for the purpose of promoting the consolidation of the fishing fleet. The provisions in the law are similar to provisions in Alaska law providing for the formation of Regional Aquaculture Associations.

Chapter 135 SLA 2002 removed a provision from the existing permit buyback law that would establish unconstitutional dedicated buyback funds and substi-

tuted provisions that detail how buyback assessments would be collected, deposited, and appropriated by the legislature.¹ The new law also allows the optimum number to be a range of numbers rather than a single number, allows a holder of an entry permit or interim-use permit to voluntarily relinquish the permit to the Commission, clarifies that a nontransferable entry permit does not survive the death of the holder, eliminates nontransferable permits from consideration under a buyback program, and specifies that a buyback program will be for permits and not for vessels and gear.

Chapter 138 SLA 2002 makes clear the principle embodied in the original Limited Entry Act that Alaska limited entry permits constitute use privileges and are not generally subject to the claims of creditors.

Passage of these bills provided clarificaton and protection of the legal status of limited entry permits, corrected flaws and made improvements in the buyback and optimum number provisions of the Limited Entry Act, and made new tools available that could be used to reduce overcapitalization and improve the economic viability of Alaska's fisheries.

In April, the three CFEC commissioners attended the Salmon Summit convened in Kodiak by Senator Ted Stevens and Governor Tony Knowles to discuss ideas for addressing the crisis in Alaska's salmon industry.

Before adjourning the 2002 legislative session, the legislature passed Senate Concurrent Resolution 28 establishing the Joint Legislative Salmon Industry Task Force to meet during the interim months to develop recommendations for addressing the serious issues facing Alaska's salmon industry. CFEC was called upon many times throughout the rest of the year to provide information and participate in discussions to assist the task force and its subcommittees with their examination of the issues and their efforts to formulate recommendations. We believe the commission was able to provide useful information and serve as a valuable resource to the work of the task force.

In the fall, the chairman (by teleconference) addressed the Yukon River Drainage Fishermen's Association annual meeting to discuss options for improving their salmon fishery.

¹ A 1985 Attorney General's Opinion said that the dedicated fund provision was unconstitutional and needed to be changed.

Passage of these BILLS PROVIDED CLARIFICATION AND PROTECTION OF THE LEGAL STATUS OF LIMITED ENTRY PERMITS.... In October of 2002, the Commission participated in <u>A Workshop on Options</u> for Restructuring Alaska's Salmon Fisheries at the University of Alaska in Anchorage. The workshop was sponsored by the University of Alaska's Institute for Social and Economic Research, the University of Alaska Marine Advisory Program, and the Washington Sea Grant Program and was part of the University of Alaska and Washington Sea Grant Programs' "Tools for the Salmon Industry Initiative." The Commission's Chairman and Research Project Leader participated on several panels to discuss restructuring options during this workshop and answered questions from workshop participants.

In November, as the result of the University of Alaska workshop, United Fishermen of Alaska requested the chairman and several other presenters to report the results of the workshop to fishers assembled at Fish Expo in Seattle. The chairman summarized the results of the panel of five lawyers who addressed legal issues surrounding the restructuring of Alaska's salmon fisheries.

Having been appointed by U.S. Secretary of the Treasury in October, the chairman began serving on the National Taxpayers Advocacy Panel by attending a training seminar sponsored by the Internal Revenue Service. The chairman will use this opportunity to address IRS enforcement issues important to Alaska limited entry permit holders, particularly at a time of economic distress.

Throughout the year, the chairman served on the advisory panel for the Bristol Bay Economic Development Corporation's Analysis of Option's to Restructure the Bristol Bay Salmon Fishery.

In 2002, the Commission contracted with Wostmann and Associates to assist in the development of a work plan for a complete rewrite and upgrade of CFEC's licensing system. The work plan calls for conversion to an Oracle database and use of Java as the development language. Use of this more current technology will enhance the flexibility and security of the system and facilitate exchange of data with other state and federal agencies. Additionally, switching to more widely-used technology will help to ensure the long-term maintenance and stability of the system by improving the Commission's ability CFEC WAS CALLED UPON TO PARTICIPATE IN DISCUSSIONS TO ASSIST THE TASK FORCE AND ITS SUBCOMMITTEES WITH THEIR EXAMINATION OF THE ISSUES AND THEIR EFFORTS TO FORMULATE RECOMMENDATIONS.



to hire personnel with relevant training and experience to fill future IT position vacancies. During FY2002, the Commission acquired Oracle 9i software and upgraded the server hardware in preparation for the licensing rewrite project. The project plan was completed in October of 2002 and the target date for completion of the project is August of 2005.



Courtesy of Alaska Division of Tourism Credit: Kurt Byers

Adjudications

OVERVIEW

The primary purpose of Commission Adjudications 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 functions are performed by two paralegals, four hearing officers and the commissioners. The paralegals evaluate entry permit applications and make the initial determination on accepting, denying and classifying them. An applicant may challenge the denial or classification of an entry permit application 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 and hearings on their own motion or upon the request of an affected party, and may subsequently modify, reverse 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

During 2002, the paralegals processed applications for the Kodiak food and bait herring gillnet and seine combined fishery and the Kodiak food



and bait herring trawl fishery. Additional information on these fisheries can be found in the "Decisions and Activities" section of this report.

The Adjudications section's staff issued 81 decisions in 2002: 53 on permit applications, 16 on permit transfers, 4 on assessment of fines, 7 on notices to show cause, and 1 on miscellaneous issues. At the end of the year, 204 entry permit application cases were pending before hearing officers.

The commissioners adjudicated a total of 104 cases during 2002: 75 on permit applications, 16 on permit transfers, 3 on assessment of fines, 7 on notices to show cause, and 3 on miscellaneous issues. At the end of the year, 158 cases were pending before the commissioners.

The Commission's web site includes information about the number of limited entry permit applications pending in the adjudication process for each fishery. The web site (www.cfec.state.ak.us) also has synopses of specific Commission decisions on entry permit applications.

JUDICIAL RULINGS AND APPEALS

The Alaska Supreme Court issued two decisions on limited entry permit application cases during 2002.

In <u>*Cleaver v. State, CFEC*</u>, 48 P.3d 464 (Alaska 2002), the court upheld CFEC's denial of Cleaver's claim that extraordinary circumstances prevented him from qualifying for participation credit for 1983. Cleaver's attempt to participate in the fishery failed because he used unsuitable equipment, lacked experience and abandoned his intention to participate after some initial difficulties. The court agreed that Cleaver did not encounter an "extensive mechanical breakdown" as required under CFEC's extraordinary circumstances regulation.

In <u>Crivello v. State, CFEC</u>, 59 P.3d 741 (Alaska 2002), the court upheld CFEC's decision to give Crivello only three of the six points available for owning a vessel and gear because he shared ownership of the vessel and gear with a partner. The court rejected Crivello's claim that his partner should be able to donate the additional points to him. It also rejected his claim

The Commission's web site includes information about the number of limited entry permit applications pending in the adjudication process for each fishery. that he owned some of his own gear separate from the partnership and used this gear when his partner was absent. The court noted that he did not even assert this claim until after CFEC issued a decision in his case and that if he had used the gear when his partner (the license holder) was absent, he would have been fishing illegally. The court rejected Crivello's claim that the Commission should have granted him a new hearing after he raised the separate gear ownership claim for the first time in his petition to the CFEC for reconsideration and submitted new evidence which the Commission evaluated.

The Alaska Superior Court upheld the Commission's optimum number determination for the Northern Southeast Inside Sablefish longline fishery in <u>Simpson v.</u> <u>State, CFEC</u>, Case No. 3HO-99-137 CI, <u>Memorandum Decision and</u> Order (December 10, 2002).



Courtesy of Richard I. Eliason, Jr.





Courtesy of Alaska Division of Tourism Credit: ADF&G



Licensing

OVERVIEW

The Commission's Licensing section is responsible for issuance of annual permit and vessel licenses required for participation in Alaska's commercial and guided sport fisheries. The section strives to provide fishers with renewal forms, permits, and vessel licenses in a timely manner to avoid lost fishing time. Additionally, the Licensing section handles replacement of lost licenses, tracking of vessel ownership changes, salmon net area registrations, and issuance of emergency and permanent transfers.

The Licensing section serves as a source of information and referrals to commercial fishers about laws and regulations affecting the fishing industry. Besides keeping up to date regarding licensing requirements and actions of the Commission itself, Licensing staff maintain contact with ADF&G, Division of Investments, National Marine Fisheries Service and other agencies in order to keep track of changes in relevant laws and regulations. Some of these changes include actions by the Commission and the legislature to bring fisheries under entry 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 or revise moratoria or restricted access programs such as License Limitation Program (LLP), Individual Fishing Quota (IFQ) and Community Development Quota (CDQ) programs.

In addition to keeping up with licensing responsibilities associated with new regulatory developments, Licensing staff must also respond to thousands of information requests annually with current information. In coordination with the Commission's Data Processing section, the Licensing section is continually streamlining procedures, automating processing wherever possible and looking for innovative ways to efficiently meet growing demands.

As of the end of 2002, the total number of permits and vessel licenses issued decreased slightly from the 2001 season. The decrease may be partially attributed to fisheries in which the annual licensing requirements have been waived due to administrative closure for the entire season and lapse of non-transferable permits due to nonpayment for a two year period. The number of permits issued is also impacted each time a new fishery is limited and applications for permanent permits are adjudicated and denied.

THE LICENSING SECTION SERVES AS A SOURCE OF INFORMATION AND REFERRALS TO COMMERCIAL FISHERS ABOUT LAWS AND REGULATIONS AFFECTING THE FISHING INDUSTRY.



New Developments

New Fee Structure

During the 2001 legislative session, the Alaska Legislature passed Chapter 27 SLA 2001 revising the fee structure for annual renewal of commercial fishing limited entry and interim-use permits, effective for the 2002 season. The new fee structure was necessitated by a recent court decision in the *Carlson v. State* lawsuit, a class action by non-resident fishermen challenging Alaska's law that set annual non-resident commercial fishing fees at three times the resident fees.

Beginning with the 2002 licensing year, each permit in a given fee class was assessed an annual base fee. Non-resident permits are assessed an additional amount calculated according to a court established formula. For 2002 permits, that amount was \$120. The new fee structure resulted in a slight increase in resident permit fees in all classes and in the least expensive class of non-resident permits, and a decrease in non-resident fees for the other permit classes for 2002.

The new law also amended a statutory provision that allows qualified lowincome fishers to pay reduced annual fees for their permits. In the past, the reduced fee has been a flat \$15 for resident and \$45 for non-resident permits. As of 2002, the reduced fee is one-half (50%) of the standard total fees the holder, resident or non-resident, would otherwise pay for a permit.

Permit Transfers for Fleet Consolidation

In 2002, the legislature passed a bill, Chapter 134 SLA 2002, allowing holders of salmon permits to hold up to two permits in a given fishery for the purpose of fleet consolidation. The Commission adopted regulations and procedures to implement this new provision. By the end of 2002, nine fishers held two permits in four salmon fisheries: Southeastern Alaska purse seine, Cook Inlet purse seine and drift gillnet and Bristol Bay drift gillnet.

BEGINNING WITH THE 2002 LICENSING YEAR, EACH PERMIT IN A GIVEN FEE CLASS WAS ASSESSED AN ANNUAL BASE FEE.

DEMERIT POINTS

In 1998, the Alaska Legislature enacted a law, AS 16.43.850-16.43.895, which established a demerit point system for suspending commercial fishing privileges based on convictions of fishing violations in the salmon fisheries. Under this law, the Commission must suspend a salmon 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.

At the end of five years, the Commission has issued demerit points to 306 fishers and suspended one salmon permit in Bristol Bay. Most of the demerit points assessed have been for violations occurring in the Bristol Bay salmon drift gillnet fishery.



Courtesy of the Alaska Division of Community and Business Development

PERMITS AND LICENSES ISSUED

Permits Issued by License Year



Licensing year refers to the fishing year for which the license or permit is issued, regardless of when it was issued.

Number of permits is higher than number of fishers as some individuals hold permits in more than one fishery.

Breakdown between resident/non-resident determined by resident category of fees paid.

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

Includes only permits with fees paid by 12/31/2002 or fees waived.

* Number of permits issued for which the Commission waived fees due to fishery not opening.

(From CFEC report B1440P-C Includes interim-use, interim-entry, permanent, moratorium and moratorium vessel permits)



Fishing Permits and Vessel Licenses Issued by License Year

Data include permits issued in both open access fisheries and limited fisheries and vessel licenses issued by license year. License year refers to the fishing year for which the license or permit is issued, regardless of when it was issued. Includes only permits with fees paid by 12/31/2002 or fees waived.

(From CFEC report B1440P-C includes interim-use, interim-entry, permanent moratorium and moratorium vessel permits)



Permit and Vessel Licenses Issued by Month

(From CFEC reports B1430P-A and B2430P-A)

Summary of Permitting Activity - 2002 Licensing Year

Limited Entry Permits Not Renewed	1,785
Limited Entry Permits with Fees Waived*	
Limited Entry Permits Revoked or Lapsed (since 1975)	1,204
Limited Entry Permits Renewed	12,620
Interim-use Permits in Fisheries Under Limitation or Moratoria	
Interim-use Permits in Open-to-Entry Fisheries7	8,219
Special Harvest Area (Hatchery) permits	
Educational Entry Permits	0
Vessel Permits**	3

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

** Vessel permits were issued in the Bering Sea hair crab fishery and the State-wide and Cook Inlet scallop fisheries which were under vessel-based moratoria.

(From CFEC reports B1440P-A and B)



Courtesy of Alaska Division of Tourism

PERMIT TRANSFER REQUESTS

During 2002 the Commission reviewed 1,558 requests for permanent and emergency transfers of permits. These included 719 emergency transfer requests and 839 permanent transfer requests. A breakdown of transfer requests by type of transfer is shown below.

Permanent Transfer Requests in 2002

Standard transfers approved	
Survivorship transfers to spouse approved	
Foreclosure transfers by loan agencies approved	
TOTAL APPROVED	
Denied transfers	
Withdrawn transfer requests	
TOTAL REVIEWED	

Emergency Transfer Requests in 2002

All Transfer Requests Reviewed in 2002 1,5	558
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Permanent and Emergency Permit Transfer Requests

(From CFEC reports B1420P-A and B1425P-C, E, J)

VESSEL LICENSE FEES

Below is a chart showing the number of vessel licenses issued for each fee category during the 2002 calendar year and the revenue generated from each of those vessel length categories.

Category Based	Fee Based on	Number of	Revenue Generated
on Overall	Overall Length	Vessels Licensed	from License Fees
Length of Vessel	of Vessel	in Category	for Calendar Year 2002
A - 25' and under	\$20	6,333	\$126,660
B - over 25' - 50'	\$50	6,638	\$331,900
C - over 50' - 75'	\$100	892	\$89,200
D - over 75' - 150'	\$250	477	\$119,250
E - over 150' - 250'	\$500	99	\$49,500
F - over 250'	\$750	27	\$20,250
TOTAL		*14,466	\$736,760

* Includes all vessel licenses issued in calendar year 2002 without regard to license year. Thus, these numbers will differ from the numbers reported by license year.

(From CFEC report B0110P-A)

Research

Overview

The Research section provides the studies and analyses 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 section produces both standard and specialized reports. CFEC reports have been used to help address a wide range of policy questions.

In 2002, 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, 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 Alaska Department of Fish and Game (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 2002 Research activities.

LIMITATION STUDIES AND NEWLY LIMITED FISHERIES

In 2002, the Commission's Research staff examined fisheries in response to limitation petitions and in response to a new law for a vessel permit program, Chapter 137 SLA 2002. The Commission often receives petitions or other requests when a fishery is facing increasing fishing pressure and conservation concerns.

The Commission conducts research to determine if access restrictions are needed and to evaluate whether limited entry would produce significant management, conservation, and economic benefits. During 2002, the Commission's Research staff produced some in-house reports on fisheries of concern. These reports contain confidential data and are not available for public distribution.

As noted earlier in this report, in September 2002 the Commission proposed limited entry for a Kodiak Tanner and king crab combined pot fishery. Public hearings on the proposal were held in Kodiak and by



teleconference in September and October of 2002. The public comment period ended on October 21, 2002.

The Commission met on October 22, 2002, and adopted regulations limiting a Tanner crab pot fishery with a maximum number of 180 permits, a qualification date of January 1, 2003, and a qualifying period of 1993 through 2002. The regulations also established two vessel size categories for permitting purposes, vessels with an overall length of less than 60 feet, and vessels with an overall length of 60 to 120 feet. The Commission dropped king crab from the entry limitation plan based upon testimony received during the public comment period.

OPTIMUM NUMBERS AND FLEET REDUCTIONS

In recent years, a number of factors, including the growth of farmed salmon production, have had negative impacts on the ex-vessel prices of Alaska salmon. The decline in ex-vessel salmon prices has been very tough on many salmon fishers and their families. During 2002, substantial numbers of permits were not fished because of the poor economic returns. Time series data on permits fished in limited entry fisheries can be found on the CFEC website in the following two reports prepared by N. Free-Sloan:

Permit Statistics for Alaska's Limited Entry Salmon Fisheries: 1993-2002; and

Summary of Permit and Harvest Statistics for Alaska's Limited Entry Salmon Fisheries, 1993-2002.

During the year, the Commission began an optimum number study for the Bristol Bay salmon drift gillnet fishery. Alaska's limited entry law asks the Commission to determine an optimum number based upon a reasonable balance of the general standards established under AS 16.43.290. One of these standards seeks a number of entry permits that is sufficient to maintain an economically healthy fishery that will result in a reasonable average rate of economic return to participants. CFEC mailed a survey to a random sample of 440 entry permit holders in April of 2002. The purpose of the survey was to obtain information and data on operating

DURING 2002, SUBSTANTIAL NUMBERS OF PERMITS WERE NOT FISHED BECAUSE OF THE POOR ECONOMIC RETURNS. costs, investments in the fishery, and economic rates of return. The survey also sought opinions on questions about buyback and other issues surrounding the Bristol Bay fishery.

CFEC's research staff interviewed fishers to help develop the initial draft survey design. The Bristol Bay Native Association, the Bristol Bay Economic Development Corporation, the Alaska Independent Fishermen's Marketing Association, and the Bristol Bay Driftnetters Association all supported the CFEC study. Some key leaders and fishers in these organizations helped review draft survey materials and provided helpful comments and suggestions that improved the final survey design. With this solid industry support, and several survey follow-ups, a 70.5% overall response rate was achieved.

CFEC hopes to complete the optimum number study during 2003. The following two reports on the survey already have been completed and are available on CFEC's web site (www.cfec.state.ak.us):

2002 Survey of Bristol Bay Salmon Drift Gillnet Permit Holders: Preliminary Summary of Responses. (02-4N) by S. Carlson.

2002 Survey of Bristol Bay Salmon Drift Gillnet Permit Holders: A Review of Survey Methodology and Implementation Procedures. (02-5N) by S. Carlson and K. Schelle.

The Commission is committed to help fishing groups, the public, and policy makers explore fleet consolidation options and issues and address the economic problems facing the fishery. The viability of different alternatives for industry restructuring may ultimately depend upon avoiding creation of fisheries that are too exclusive under Alaska Constitutional standards determined by the Alaska Supreme Court in *Johns v. State, CFEC*, 758 P.2d 1256 (1988).

OTHER PROJECTS AND REPORTS

The Research staff produced monthly permit value estimates for the Department of Community and Economic Development and other users. The following is a

THE COMMISSION IS COMMITTED TO HELP FISHING GROUPS, THE PUBLIC, AND POLICY MAKERS EXPOLORE FLEET CONSOLIDATION OPTIONS AND ISSUES...



listing of other non-confidential reports that CFEC staff members prepared during 2002.

Executive Summary - Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2001. (02-2N-EXEC) by K. Iverson, A. Tingley, N. Free-Sloan, and S. Carlson.

Chignik Salmon Purse Seine Fishery: Summary Data on Issues Related to the 2002 Cooperative Fishery. (02-6N) by K. Schelle, S. Carlson, and N. Free-Sloan.

Multiple Area Participation Patterns in Alaska Roe Herring Fisheries: Possible Implications for Alaska Salmon? (02-7N) by S. Carlson.

Note: These reports are available on the CFEC web site (www.cfec.state.ak.us). Hard copies may be obtained from the Commercial Fisheries Entry Commission, Research Section, 8800 Glacier Highway #109, Juneau, AK 99801.



Courtesy of NOAA

Revenue

Overview

Revenues generated by the Commission come primarily from issuance of commercial fishing permits and vessel licenses. Additional revenues come from research and data processing services and reports requested by the public, fishing organizations, fisheries research groups, and agencies. Total revenue for fiscal year 2002 (July 1, 2001- June 30, 2002) was about \$4.0 million, down by \$402,600 from fiscal year 2001.

Despite an ever increasing workload and increased costs, the Commission has experienced reductions in budget and staff through budget cuts over the years. Since 1986, the Commission's full-time staff has been cut from 41 to 31, a 24% loss.



Revenue Generated by the Commission by Fiscal Year

Note: These data reflect permit fees, vessel license fees, limited entry application fees, refunds, and miscellaneous revenue.



Courtesy of the Alaska Department of Fish & Game



Courtesy of the Alaska Department of Fish & Game

Appendices

List of Employee Names and Internet Addresses	.32



Courtesy of the Alaska Division of Tourism



Employee Names and Internet Addresses

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	Kurt Iverson	Fisheries Analyst	Kurt Iverson@cfec.state.ak.us
	Al Tingley	Research Analyst III	**
	Stefanie M. Carlson	Economist II	**

* This list includes full-time, seasonal and part-time employees employed during 2002.

** These people are no longer employed at the Commission as of publication.



Decisions and Activities in Prior Years

- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak food and bait gillnet and seine combined fishery and the Kodiak food and bait herring trawl fishery.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Kodiak food and bait herring fisheries.
- Received 116 applications for the Southeast Alaska geoduck clam dive fishery. Completed final adjudication of 107 of the applications and issued 37 limited entry permits.
- Received 391 applications for the Southeast Alaska sea cucumber dive fishery. Completed final adjudication of 387 of the applications and issued 383 limited entry permits.
- Adopted regulations implementing the new fee structure for the annual renewal of limited entry permits and interim-use permits in preparation for the 2002 licensing year.
- Began preliminary work on an optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, by participating in a meeting of the Bristol Bay Fisheries Committee (sponsored by the Bristol Bay Native Association); on panels at Seattle Fish Expo sponsored by individual fishers and United Fishermen of Alaska (UFA); and in a statewide teleconference to discuss various options identified by the UFA and Representative Drew Scalzi to reduce effort in the salmon fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to maintain a professional relationship with the IRS to help Alaska fishers protect their fishing privileges, including the completion of a joint project a brochure; entitled, *Resources for Alaska Commercial Fishers*.
- With the Alaska Attorney General, we continued to defend the state against elimination of non-resident fee differential in the *Carlson* case.

- Conducted research, held public hearings, and adopted regulations limiting entry into Southeast Alaska sea urchin and sea cucumber dive fisheries.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Southeast Alaska sea urchin, sea cucumber and geoduck clam dive fisheries.
- Received 90 applications for the Southeast Alaska sea urchin dive fishery. Completed final adjudication of 82 of the applications and issued 76 limited entry permits.
- Conducted a public comment period and adopted a regulation establishing an optimum number for the Northern Southeast Inside sablefish longline fishery.
- The legislature adopted HB 429 which extended the vessel moratoria in the Bering Sea Korean hair crab fishery and the Alaska weathervane scallop fishery until July 1, 2003, and July 1, 2004, respectively.
- Completed and published a report discussing the issue of transferability of limited entry permits.
- Participated in a discussion on Bristol Bay fleet reduction hosted by the Bristol Bay Native Association and the Bristol Bay Native Corporation.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- With the Alaska Attorney General, we continued to defend the state against elimination of non-resident fee differential in the *Carlson* case.

- Received 66 applications for the Southeast Alaska shrimp beam trawl fishery and 5 applications for the Southeast Alaska shrimp otter trawl fishery. Completed final adjudication of 48 of the shrimp beam trawl applications and three of the otter trawl applications.
- Received 198 applications for the Goodnews Bay herring gillnet fishery. Completed final adjudication of 158 of the applications.
- Proposed regulations and held public hearings on limiting entry into the Southeast Alaska sea urchin and geoduck clam dive fisheries. Adopted regulations limiting entry into the Southeast Alaska geoduck clam dive fishery.
- Proposed regulations and held public hearings on limiting entry into the Southeast Alaska sea urchin and geoduck clam dive fisheries. Adopted regulations limiting entry into the Southeast Alaska geoduck clam dive fishery.
- Participated in the Governor's 1999 Salmon Forum in Anchorage, Alaska.
- Participated in a discussion on Bristol Bay fleet reduction hosted by the Bristol Bay Native Association and the Bristol Bay Native Corporation.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- With the Alaska Attorney General, we continued to defend the state against elimination of non-resident fee differential in the *Carlson* case.



- Conducted research, held public hearings, and adopted regulations establishing point systems for the Southeastern Alaska shrimp beam trawl and otter trawl fisheries and the Goodnews Bay herring gillnet fishery.
- Began the application period for the Southeastern Alaska shrimp beam trawl and otter trawl fisheries.
- Received 189 entry permit applications for the Northern Southeast herring spawn-on-kelp pound fishery and 221 entry permit applications for the Southern Southeast herring spawn-on-kelp pound fishery.
- Held public meetings in Southeast communities to discuss the status of the moratorium and future limited entry and other alternatives for the Southeast geoduck clam, sea urchin, sea cucumber, and abalone dive fisheries.
- Participated in the Governor's 1998 Salmon Forum.
- Participated in the Bristol Bay Native Association's Blue Ribbon Commission on Limited Entry Issues.
- Completed and published an outline of options for fleet/gear reduction in the salmon fisheries in response to the salmon industry crisis.
- The Commission began assessing demerit points after the legislature adopted HB 285, which established a demerit point system for suspending commercial fishing privileges based on convictions of fishing violations in the salmon fisheries.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- Received petitions to limit additional fisheries and began required analysis.
- With the Alaska Attorney General, we continued to defend the state against elimination of non-resident fee differential in the *Carlson* case.

YEARS PRIOR TO 1998

Information on prior years can be found in previous annual reports or on the internet at the Commission web site, (www.cfec.state.ak.us).



Courtesy of the Alaska Department of Fish & Game





Courtesy of Alaska Seafood Marketing Institute



Courtesy of Richard Mattson