

**C F E C**



Commercial Fisheries  
Entry Commission  
2004  
Annual Report



# STATE OF ALASKA • COMMERCIAL FISHERIES ENTRY COMMISSION

## 2004 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 2004 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 2004, the Commission adopted regulations to limit one fishery; conducted application periods for that fishery and two other recently limited fisheries; proposed a regulation establishing an optimum number for one fishery; issued over 34,000 annual fishing permits and vessel licenses; reviewed more than 1,700 transfer requests, and issued 166 adjudicatory decisions. At various stages of adjudication, 280 cases were before the Commission as of the end of 2004. Fishers have petitioned the Commission to limit 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. Working with the Legislature, Administration, and the fishing industry in 2004, the Commission continued to commit considerable time and resources to providing fisheries data as well as information concerning options, statutory tools, and protections needed to meet the challenges facing Alaska's evolving fisheries.

Additionally, the commission continues to work closely with fishermen, 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

Frank Homan, Commissioner  
Mary McDowell, Commissioner  
Bruce Twomley, Chairman

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# Commercial Fisheries Entry Commission

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Governor**

Frank H. Murkowski

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Frank Homan, Commissioner

Mary McDowell, Commissioner

Bruce Twomley, Chairman

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2004 Annual Report  
Design and Layout

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# Introduction

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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 one of the state's largest sources 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 Information Technology (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 (until the 2005 licensing year) 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  
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IN DEVELOPING  
AND SUSTAINING  
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DOLLAR FISHING  
INDUSTRY.**

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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;
  - 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-based limitations.

Between 1973 and the end of 2004, the Commission limited entry in 68 fisheries. The Commission has received petitions for the limitation of 20 additional fisheries.

The percentage of limited entry permits held by Alaska residents has remained relatively stable. Thirty-one years after enactment of Alaska's Limited Entry Act, Alaskans hold 77% of all limited entry permits. At the end of 2004, Alaskans held 11,159 limited entry permits, with rural Alaskans holding more than half of that number.

In 31 years of limited entry, Alaskan residents have gained a total of 67 permits from nonresidents as a net result of permit transfers.

The Commission issued over 34,000 permanent permits, interim-use permits, and vessel licenses for the 2004 license year and reviewed more than 1,700 permit transfer requests. In fiscal year (FY) 2004, the Commission collected approximately 3.7 million dollars in revenues for the state.

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, page 5.)

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By working with other state and federal agencies throughout 2004, 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 limiting fisheries, licensing fishers and vessels, adjudicating claims, performing critical research and providing data to the public and agencies.

Major decisions and activities of the Commission in 2004 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.

**ALASKANS  
MUST ENSURE  
OUR FISHERIES  
ARE DEVELOPED  
WISELY AND  
SUSTAINED  
THROUGH SOUND  
MANAGEMENT.**



Courtesy of Alaska Seafood Marketing Institute

Troll Vessel

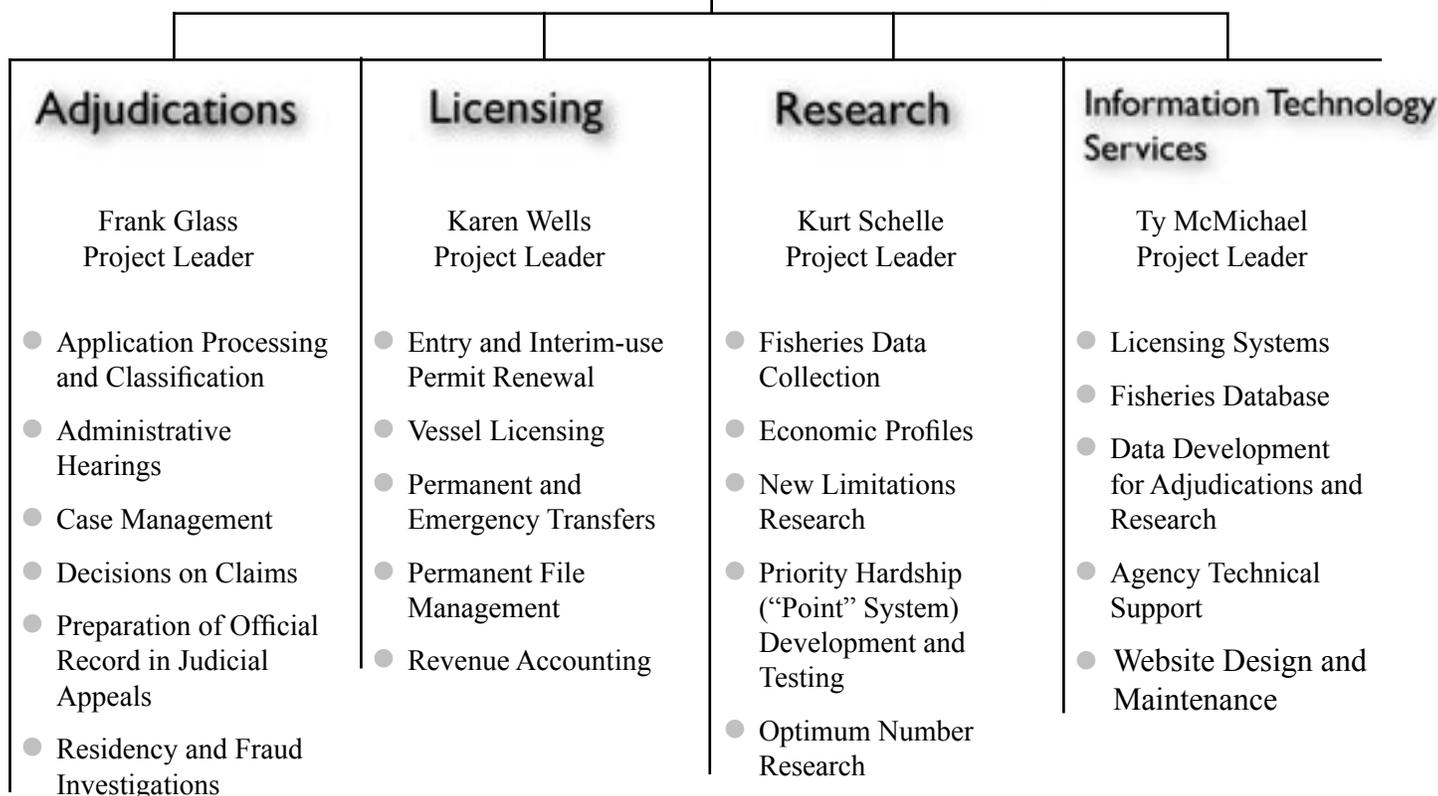
# Organization by Agency Function

## Commercial Fisheries Entry Commission

### Commissioners

Frank Homan, Commissioner  
 Mary McDowell, Commissioner  
 Bruce Twomley, Chairman

Personnel, Payroll, Travel,  
 Accounting, Purchasing, and  
 Property/Supply Management,  
 Budget Development



# Decisions and Activities

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## LIMITATION OF THE STATEWIDE WEATHERVANE SCALLOP FISHERY

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 During 2004, the Commission limited entry into the statewide weathervane scallop fishery under a vessel-based limited entry program. The decision followed several years of temporary moratoria on the entry of new vessels into the fishery.

The Alaska weathervane scallop fishery occurs in both state waters and the federal Exclusive Economic Zone (EEZ). The fishery in the EEZ is managed under a federal fisheries management plan (FMP) that delegates management measures other than limited entry to the Alaska Department of Fish and Game. The federal government implemented a vessel moratorium for the fishery in the EEZ in 1997 and then implemented a permanent limited license program (LLP) for vessels in the EEZ in 2000. These limited entry programs in the EEZ have been administered by National Marine Fisheries Services's Restricted Access Management program.

The fishery in state waters had been under a legislatively enacted state vessel moratorium since 1997 (see AS 16.43.906). The moratorium had been extended once and was due to expire on July 1, 2004 if nothing was done. In 2002, the Alaska legislature passed a new vessel permit law that could be applied to the weathervane scallop fishery in state waters under certain conditions (Chapter 137 SLA 2002).

In 2003, the research staff prepared a briefing report on the fishery as background for development of a regulatory proposal for state waters. (The report contains confidential catch data and is, therefore, not available for public distribution.) The report reviewed the history of the fishery, the development of the federal FMP, the federal vessel moratorium in the EEZ, the state vessel moratorium in Alaska waters, and the permanent federal LLP program in the EEZ. The report provides participation histories both before and during the period of restricted access programs.

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Data in the report were used to help develop a regulatory proposal for a new limited entry program in state waters. After carefully considering both the traditional person-based limited entry system and the vessel-based system authorized by the legislature in 2002, the Commission, on January 23, 2004, proposed to limit entry into the statewide weathervane scallop fishery under a vessel-based limited entry program. The Commission determined the vessel-based program would better contain effort and would help achieve more compatible state and federal management and enforcement.

The proposed regulations included criteria establishing qualifications for vessel permits, concentration of ownership of vessel permits, transfer and substitution procedures, annual fees, annual renewal process, and fishing capacity restrictions.

The Commission held two public hearings by teleconference from Juneau. The public comment period for written and oral comments was open until February 23, 2004.

On February 26, 2004 the Commission adopted regulations to limit entry into the statewide weathervane scallop fishery under a proposed vessel-based permit system. The regulations became effective on May 6, 2004.

The new law is scheduled to sunset on December 30, 2008, unless the legislature acts to extend the deadline.

## **APPLICATION PERIOD FOR THE BERING SEA HAIR CRAB FISHERY**

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 On June 5, 2003, the Commission adopted regulations to limit entry into the Bering Sea hair crab fishery under a vessel-based permit system. At the same time, the Commission adopted an application period to run from January 2, 2004 through April 15, 2004. The Commission received 20 applications during the application period. At the end of 2004, the Commission had completed final adjudication of 14 applications and issued 12 permanent vessel entry permits.

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## APPLICATION PERIOD FOR THE KODIAK *BAIRDI* TANNER CRAB POT FISHERY

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 On October 22, 2002, the Commission adopted regulations limiting entry into the Kodiak *bairdi* Tanner crab pot 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. The “point system” is necessary because the number of eligible applicants typically exceeds the maximum number established at the time of limitation.

On November 6, 2003, the Commission adopted final point system and application period regulations. The Commission then conducted an application period for the Kodiak *bairdi* Tanner crab pot fishery beginning on March 1, 2004 and ending on September 1, 2004. The Commission received 233 applications during the application period. The maximum number of permits that will be issued for the Kodiak *bairdi* Tanner crab pot fishery is 180. At the end of 2004, the Commission had completed final adjudication of 205 applications and issued 136 permanent entry permits.

## OPTIMUM NUMBER PROPOSED FOR THE BRISTOL BAY SALMON DRIFT GILLNET FISHERY

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 The Commission’s Research staff completed *The Bristol Bay Salmon Drift Gillnet Optimum Number Report* in October 2004. On October 22, 2004, the Commission proposed a regulation establishing an optimum number of entry permits for the Bristol Bay drift gillnet fishery based on this report. The Commission proposed an optimum number of 800 to 1200 entry permits. The initial comment period on the proposed regulation is scheduled to end on February 15, 2005. In addition to inviting written comments, the Commission will conduct public hearings in early 2005 to take public comment on the proposal. (In February 2005, the Commission extended the public comment period until June 22, 2005 and scheduled additional hearings.)

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## OTHER ISSUES AND DECISIONS

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 During the 2004 legislative session, the Joint Legislative Salmon Industry Task Force proposed the formation of a new Board of Fisheries work group to examine options for the Board and the Legislature to consider in restructuring Alaska's commercial salmon industry. In September 2004, the Board announced the formation of the Salmon Industry Restructuring Panel. The Commission participated in the meeting of the legislative task force and Board's work group during the year.

In 2004, the legislature passed House Bill 478 (Chapter 20 SLA 2004) which clarified the Commission has authority to issue interim-use permits in fisheries that are not subject to a maximum number. This clarification in law is consistent with the intent of the original statute (AS 16.43.210(a)). The State has historically required a permit to promote enforcement, provide resource data collection, and to generate revenue to the state. The clarification was necessary, however, because the Court of Appeals had recently held the Commission did not have the authority to issue interim-use permits in fisheries that it cannot limit under our statute. The State of Alaska has appealed the Court of Appeals' decision to the Alaska Supreme Court.

In 2004, the legislature also passed Senate Bill 315 (Chapter 51 SLA 2004) which provided the State the ability to repay any up-front money it might receive for a buyback. The language in this legislation makes it clear that if funding in the form of a loan becomes available for a permit buyback program, the Commission may use the funds to conduct an immediate buyback, and then continue charging an assessment on earnings in the fishery until the loan is repaid.

On November 1, 2004, Commissioner McDowell addressed the Kenai River Working Group on the limited entry program and issues that would need to be considered and addressed if an effort were to be undertaken to limit access in guided sport fisheries.

On November 13, 2004, by invitation, Commissioners Homan and Twomley appeared before a meeting of the Alaska Independent Fishermen's Marketing Association at Fish Expo in Seattle to discuss the Commission's optimum number proposal for the Bristol Bay drift gill net fishery.

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On November 17, 2004, Commissioner McDowell addressed the South east Inter-Tribal Fish and Wildlife Commission Conference on Commercial and Subsistence Fisheries on the history of limited entry and the status of limited entry permits in rural Southeast Alaska communities.

Additionally, in November of 2004, the Commission provided data to and participated in a Petersburg discussion group on ways to help keep fishing operations within the community as local permit holders age and retire.

On December 7, 2004, Commissioner Twomley addressed the Bristol Bay Native Corporation's Leadership Conference in Anchorage attended by leaders of all Bristol Bay region villages. Commissioner Twomley discussed the Commission's proposed optimum number for the Bristol Bay drift gill net fishery.

Appointed by the U.S. Treasury Secretary, Commissioner Twomley continued to serve on the National Taxpayer Advocacy Panel where he chairs the Multilingual Initiative Committee, which addresses issues relevant to Rural Alaska permit holders. The National Taxpayer Advocacy Panel monitors the IRS and makes recommendations for the benefit of U.S. taxpayers. While serving on the panel, Twomley has focused on issues designed to ensure that taxpayers are afforded their rights under the 1998 IRS Reform Act, including a taxpayer's right to request the Taxpayer Advocate Service to order the release of an IRS levy to prevent significant hardship to the taxpayer.

During 2004, the Commission continued to participate in the Gulf of Alaska (GOA) Groundfish Rationalization Committee formed by the Board of Fisheries (Board) in 2003. As a result of committee meetings, the Board, ADF&G, and the Commission worked to develop legislation establishing moratoria in state waters groundfish fisheries. Senate Bill 347 was introduced during the 2004 legislative session. Senate Bill 347 would have established moratoria on state waters groundfish fisheries and also included language giving the Commission general authority to establish a vessel or person based moratorium in other appropriate fisheries. The bill passed the Senate but failed in the House. In the fall of 2004, the Board decided to pursue legislation enabling the Board and the

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Commission to develop and adopt a new type of limited entry system, dedicated access privileges (DAPS) assigning individual shares based on past participation, for the GOA groundfish fisheries. The Commission began working with ADF&G and the Board to develop such enabling legislation. Proposed legislation will be introduced during the 2005 legislative session.



Courtesy of Alaska Department of Fish and Game

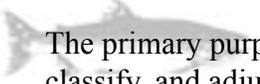
Set Net Skiff

# Adjudications

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## OVERVIEW

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

Adjudication 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 also be requested 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 initially decided by paralegals. Permanent transfer hearings are held and initially 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, 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.

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## ADMINISTRATIVE PROCEEDINGS AND DECISIONS

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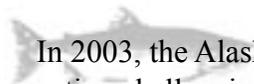
The Adjudications staff issued 76 decision in 2004: 41 on permit applications, 11 on permit transfers, and 24 on notices to show cause, fines, and miscellaneous matters. At the end of the year, 134 entry permit application cases were pending before hearing officers.

The Commissioners adjudicated a total of 90 cases during 2004: 58 on permit applications, 9 on permit transfers, and 23 on notices to show cause, fines, and miscellaneous matters. At the end of the year, 146 entry permit application cases were pending before the Commissioners.

By the end of 2004, Commissioners and hearing officers made substantial progress through the Commission's adjudication caseload. Looking back to 1990, as the result of the *Wassillie* settlement (authorizing hundreds of new applications in the salmon fisheries) and a series of Alaska Supreme Court cases during the 1980's, the Commission's caseload had risen to nearly 900 cases. Additionally, since 1990, the Commission has been required by statute to limit 26 additional fisheries generating thousands of new applications for entry permits. From 1990 through 2004, the Commission issued over 1,700 final Commission decisions, thereby deciding cases at a rate faster than applicants filed new appeals and reducing its caseload to 280.

## JUDICIAL RULINGS AND APPEALS

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In 2003, the Alaska Supreme Court remanded the *Carlson* case, the class action challenging the permit renewal fees charged to nonresidents, to the Superior Court for further determinations. *State, CFEC v. Carlson (Carlson III)*, 65 P.3d 851 (Alaska 2003). In 2004, Superior Court Judge Peter Michalski issued an order implementing *Carlson*, including a directive for the State to calculate the refunds due to class members. (The State appealed Judge Michalski's order to the Alaska Supreme Court in 2005 and the Supreme Court stayed the order to calculate refund amounts.)

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In *Simpson v. State, CFEC*, 101 P.3d 606 (Alaska 2004), the Alaska Supreme Court clarified the maximum number for a limited fishery must be no less than the highest number of units of gear fished in any one of the four years prior to limitation. The court also upheld CFEC's adoption of an optimum number of permits for the Northern Southeast Inside sablefish longline fishery. The court also affirmed the Commission's denial of skipper participation points during a year when the applicant did not hold an interim-use permit.

In a Memorandum Order and Judgment, *Kuzmin v. State, CFEC*, M.O.J. No. 1165 (Alaska 2004), the Alaska Supreme Court affirmed the CFEC's denial of Kuzmin's point claims for 1972 unavoidable circumstances, 1971 income dependence and investment in vessel and gear in the Prince William Sound salmon drift gillnet fishery.



Courtesy of Alaska Seafood Marketing Institute

Salmon Purse Seiner



Plugged hold on a salmon purse seiner

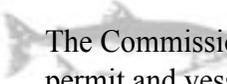
Courtesy of Randal and Dina Gregg

# Licensing

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## OVERVIEW

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The Commission's Licensing Section is responsible for issuance of annual permit and vessel licenses required for participation in Alaska's commercial and (until the 2005 licensing year) 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 restricted access programs, such as License Limitation, Individual Fishing Quota (IFQ), and Community Development Quota (CDQ) programs.

While keeping up with additional 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 Information Technology Services Section, the Licensing Section is continually streamlining procedures, automating processing wherever possible and looking for innovative ways to efficiently meet the ever-increasing demands.

As of the end of 2004, the total number of permits and vessel licenses issued decreased slightly from the 2003 season. The decrease may be partially

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

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attributed to fisheries in which the annual licensing requirements have been waived due to season-long closures and nontransferable permits lapsing due to nonpayment of renewal fees 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.

## FEE STRUCTURE

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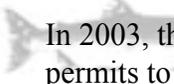
 During the 2001 legislative session, the Alaska Legislature passed a bill revising the fee structure for annual renewal of commercial fishing limited entry and interim-use permits, effective for the 2002 season. The new fee structure was necessitated by a recent court decision in the *Carlson v. State* a class action by nonresident fishermen challenging Alaska's former law requiring annual nonresident commercial fishing fees to be three times the resident fees.

In 2002 and 2003, each permit in a given fee class was assessed an annual base fee. Nonresident permits were assessed an additional amount calculated according to the court ruling. For 2004 permits, that amount was \$115.

The new law also amended CFEC's reduced fee for qualified low-income fishermen. In the past, the reduced fee has been a flat \$15 for resident and \$45 for nonresident permits. In 2004, the reduced fee became one-half (50%) of the standard total fee the holder, resident or nonresident, would otherwise pay for a permit.

## PERMIT TRANSFERS FOR FLEET CONSOLIDATION

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 In 2003, the legislature passed House Bill 286 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 to implement this

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provision. At the end of 2004, 38 fishers held two permits in 10 salmon fisheries: Southeastern Alaska purse seine and drift gillnet, Cook Inlet drift gillnet, Peninsula Aleutian purse seine and drift gillnet, Bristol Bay drift gillnet, Yakutat set gillnet, Prince William Sound purse seine and Kodiak purse seine and set gillnet.

## DEMERIT POINTS

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 In 1998, the Alaska Legislature enacted AS 16.43.850-16.43.895, which established a demerit point system for suspending commercial fishing privileges based on convictions for 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 six years, the Commission has issued demerit points to 382 fishers and suspended two salmon permits in Bristol Bay. Most of the demerit points assessed have been for violations occurring in the Bristol Bay salmon drift gillnet fishery.

## VESSEL ENTRY PERMITS

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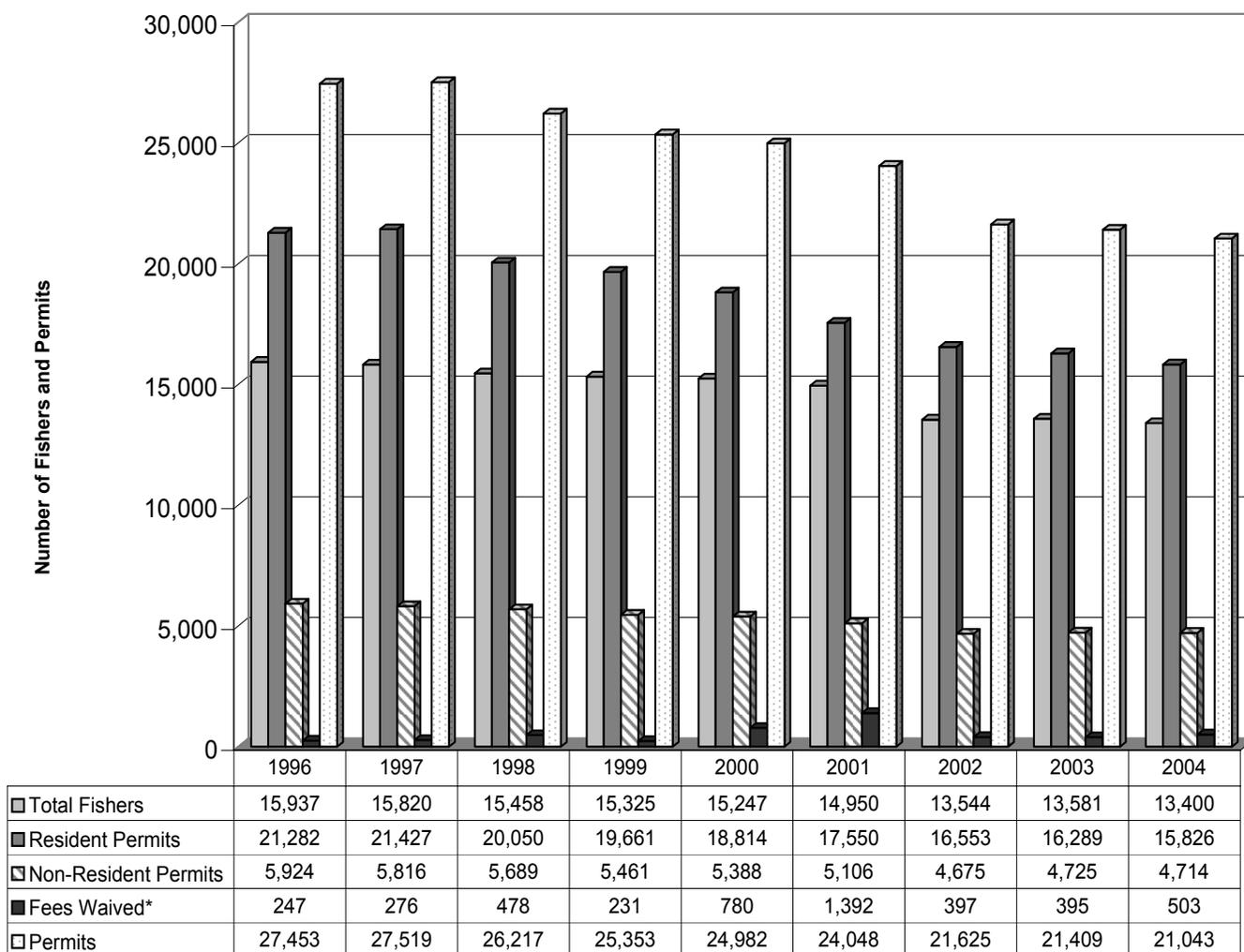
 In 2004, Licensing staff issued the first vessel entry permits in the Bering Sea hair crab and weathervane scallop fisheries. As a result of this new system for issuing and tracking vessel entry permits, new forms were created for transfer and substitution of these permits. By the end of 2004, we had transferred one permit in the Bering Sea hair crab fishery.

## PERMITS AND LICENSES ISSUED

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 The following graphs show permits and vessel licenses issued by month and by year:

## Permits Issued by License Year



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

Licensing year refers to the fishing year for which the license or permit is issued, regardless of when fees were paid. Number of permits is higher than number of fishers as some individuals hold permits in more than one fishery.

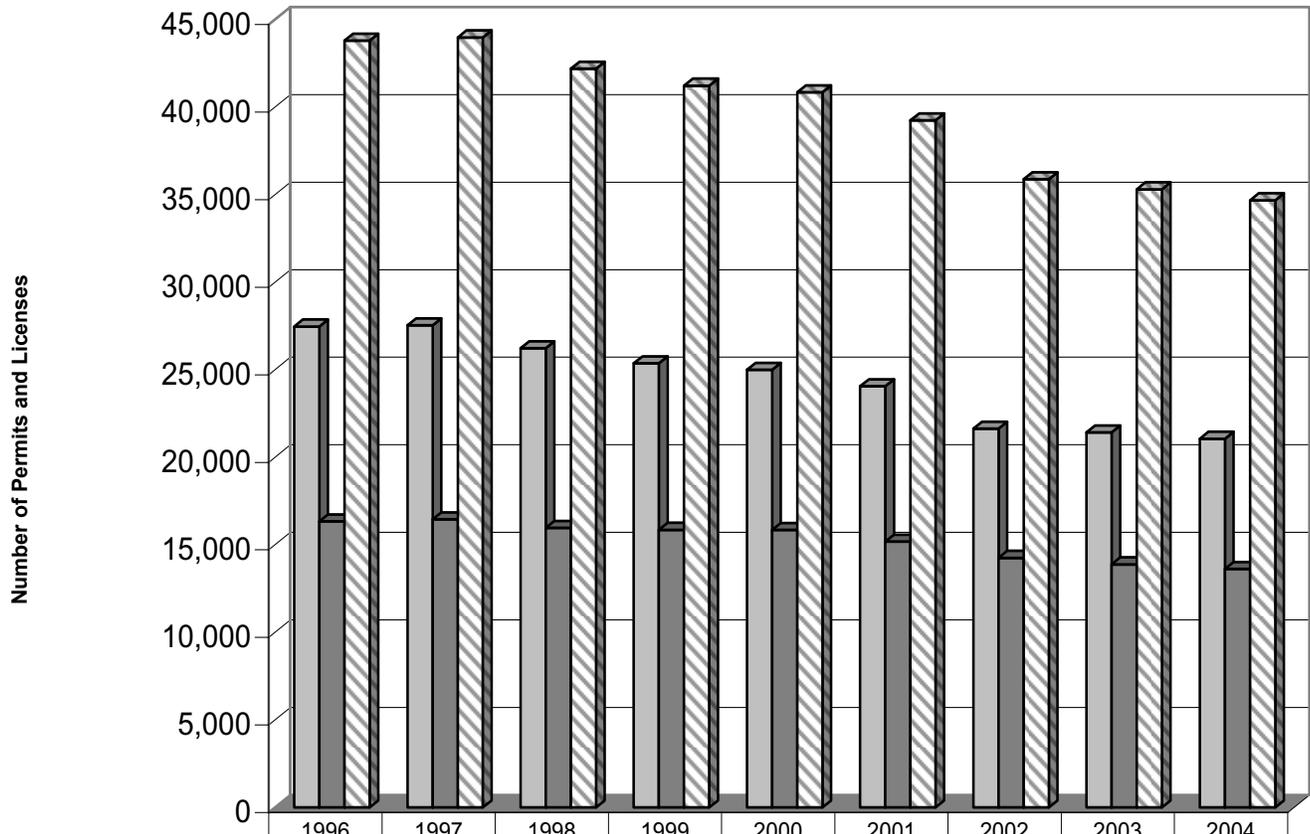
Breakdown between resident/nonresident determined by resident category of fees paid.

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

Includes only permits with fees paid by 12/31/2004 or fees waived.

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

## Fishing Permits and Vessel Licenses Issued by License Year



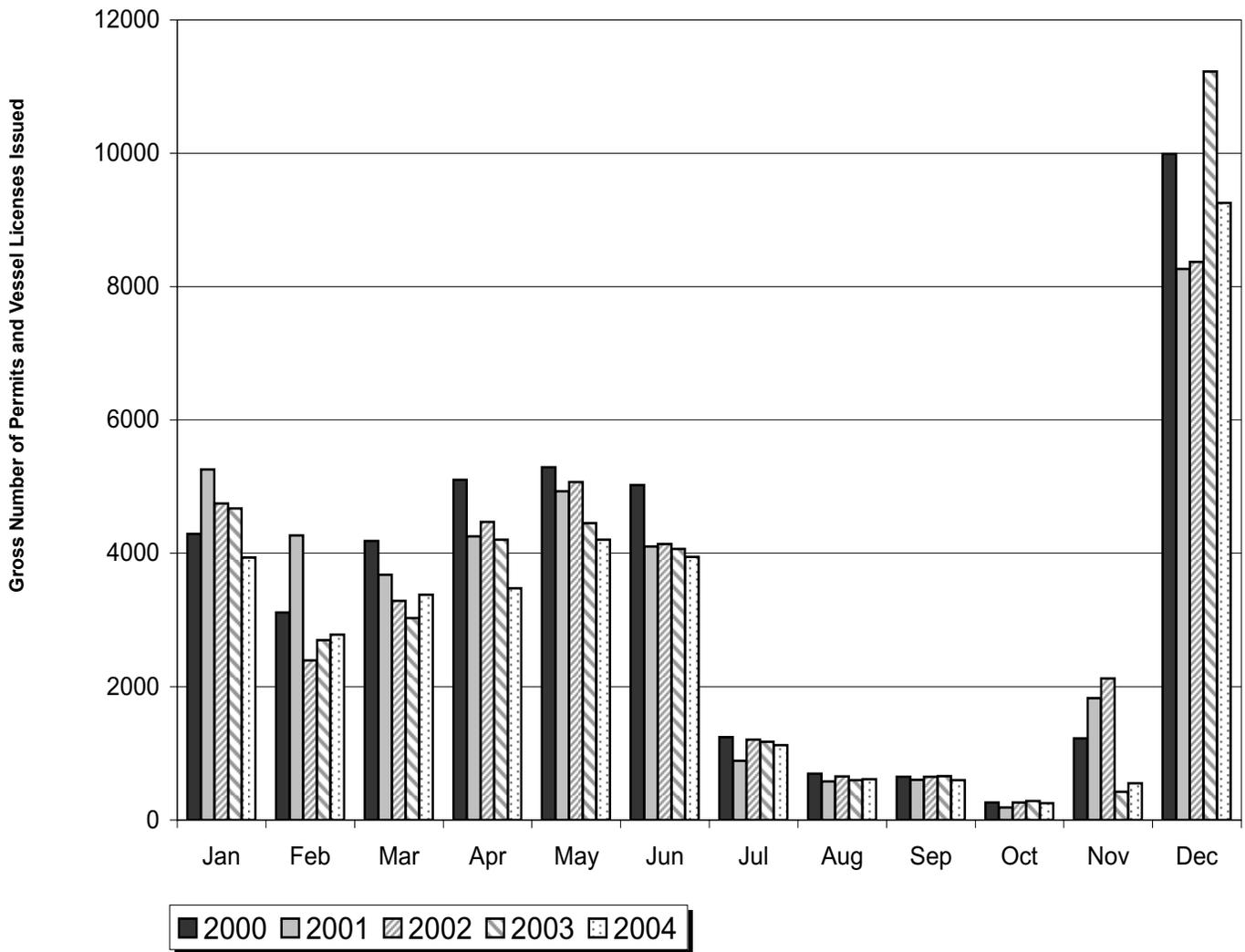
	1996	1997	1998	1999	2000	2001	2002	2003	2004
□ Total Fishing Permits	27,453	27,519	26,217	25,353	24,982	24,048	21,625	21,409	21,043
■ Total Vessel Licenses	16,325	16,442	15,958	15,849	15,843	15,177	14,243	13,880	13,617
▨ Total Permits and Licenses	43,778	43,961	42,175	41,202	40,825	39,225	35,868	35,289	34,660

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

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 the fee was paid.

Includes only permits with fees paid by 12/31/2004 or fees waived.

## Permit and Vessel Licenses Issued by Month



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## Summary of Permitting Activity - 2004 Licensing Year

Limited Entry Permits Renewed.....	12,751
Limited Entry Permits <i>Not</i> Renewed by end of 2004.....	1,246
Limited Entry Permits with Fees Waived* .....	503
Limited Entry Permits Revoked or Lapsed (since 1975).....	1,616
Interim-use Permits Issued in Fisheries Under Limitation .....	369
Interim-use Permits Issued in Open-to-Entry Fisheries.....	7,398
Special Harvest Area (Hatchery) permits Issued .....	19
Educational Entry Permits Issued.....	0
Vessel Permits Issued.....	3

(From CFEC reports B1440P-A and B)

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



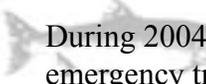
Troll Vessel

Courtesy of Alaska Seafood and Marketing Institute

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## PERMIT TRANSFERS REQUESTS

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 During 2004, the Commission reviewed 1,792 requests for permanent and emergency transfers of permits. These included 750 emergency transfer requests and 1,042 permanent transfer requests. A breakdown of transfer requests by type of transfer is shown below:

### Permanent Transfer Requests in 2004

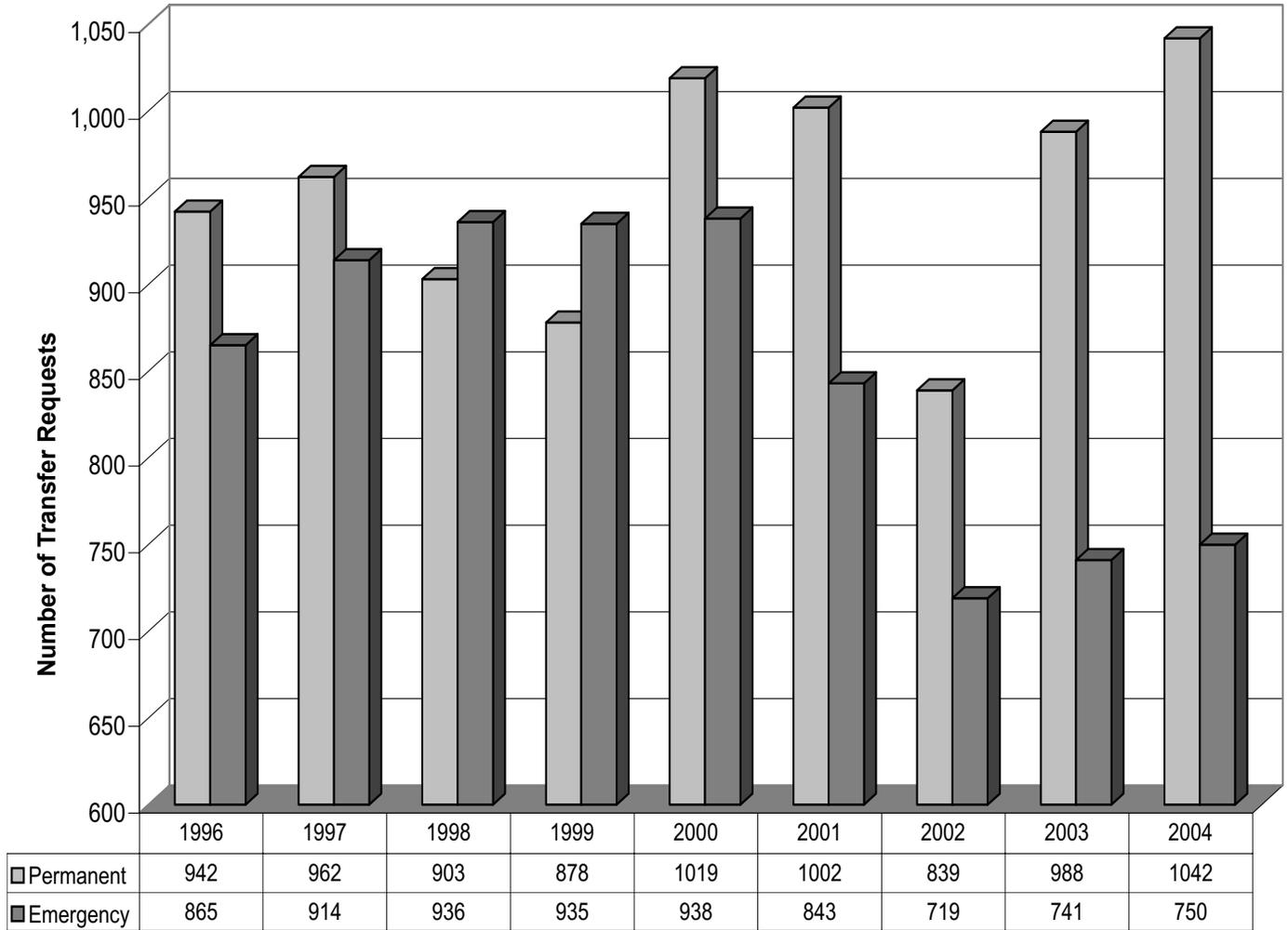
Standard transfers approved.....	942
Survivorship transfers to spouse approved .....	17
Foreclosure transfers by loan agencies approved .....	27
<b>Total Approved</b> .....	<b>986</b>
Denied transfers .....	26
Withdrawn transfer requests .....	30
<b>Total Reviewed</b> .....	<b>1,042</b>

### Emergency Transfer Requests in 2004

Emergency transfer requests reviewed in 2004 .....	750
Emergency transfer requests approved in 2004 .....	714

**Total Transfer Requests Reviewed in 2004.....1,792**

## 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 vessel-length category during the 2004 calendar year and the revenue generated from each of those vessel length categories.

Category Based on Overall Length of Vessel	Fee Based on Overall Length of Vessel	Number of Vessels Licensed in Category	Revenue Generated from License Fees for Calendar Year 2004
A - 25' and under	\$20	4,973	\$99,460
B - over 25' - 50'	\$50	6,078	\$303,900
C - over 50' - 75'	\$100	771	\$77,100
D - over 75' - 150'	\$250	447	\$111,750
E - over 150' - 250'	\$500	89	\$44,500
F - over 250'	\$750	27	\$20,250
<b>TOTAL</b>		<b>*12,385</b>	<b>\$656,960</b>

(From CFEC report B0110P-A)

\* Includes all vessel licenses issued in calendar year 2004 without regard to license year. Thus, these numbers will differ from the numbers reported by license year. For example, some 2005 vessel licenses are issued in 2004.

# Research

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## OVERVIEW

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

In 2004, the Commission's Research Section 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.

## LIMITATION OF THE WEATHERVANE SCALLOP FISHERY

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During 2004, the Commission limited entry into the statewide weathervane scallop fishery under a vessel-based limited entry program. The Research Section had prepared a briefing report on the fishery as background information for the Commission in 2003 and continued to provide additional information and assistance to the Commission and the public throughout the limitation process in 2003 and 2004. (For more information on the limitation of the scallop fishery, see page 5 of this report.)



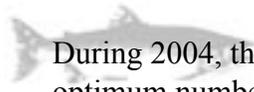
Courtesy of Alaska Department of Fish and Game

Scallop Dredge

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## BRISTOL BAY SALMON DRIFT GILL NET FISHERY OPTIMUM NUMBER REPORT

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 During 2004, the Commission's Research Section completed work on an optimum number study for the Bristol Bay salmon drift gill net fishery. The final report recommends an optimum number of 800 to 1,200 permits which is considerably below the 1,857 entry permits outstanding in the fishery.

The report was released on October 22, 2004, and the Commission simultaneously proposed a regulation to establish an optimum number as a range of 800 to 1,200 permits. Alaska's limited entry law allows for the optimum number to be a range. The public comment period on the proposal extends into 2005, and public hearings are scheduled for Anchorage, Dillingham and Juneau. The Commission could modify the proposal after thoroughly considering all public comments. The Commission expects to adopt an optimum number regulation for the fishery during 2005.

The optimum number report and the executive summary of the optimum number report are available on the Commission's website ([www.cfec.state.ak.us](http://www.cfec.state.ak.us)) and are titled as follows:

***Bristol Bay Salmon Drift Gillnet Fishery: Optimum Number Report*** (CFEC 04-3N) by Kurt Schelle, Kurt Iverson, Nancy Free-Sloan, and Stefanie Carlson.

***Executive Summary-Bristol Bay Salmon Drift Gillnet Fishery: Optimum Number Report*** (CFEC 04-3N-EXEC) by Kurt Schelle, Kurt Iverson, Nancy Free-Sloan, and Stefanie Carlson.

As part of the optimum number study, the Commission contracted with Dr. Gunnar Knapp to develop a forecasting methodology for future ex-vessel prices for the Bristol Bay salmon fishery. Dr. Knapp is a Professor of Economics at the University of Alaska Anchorage, Institute of Social and Economic Research (ISER). Dr. Knapp is a recognized expert on world salmon markets. Since 1990, Dr. Knapp has studied world salmon markets and the effects of changing market conditions on Alaska's salmon industry.

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Dr. Knapp's report to the Commission, titled *Projections of Future Bristol Bay Salmon Prices*, was released in October of 2004. The report is posted on the Commission's website ([www.cfec.state.ak.us](http://www.cfec.state.ak.us)) and is also posted on ISER's website ([www.iser.uaa.alaska.edu/iser/people/knapp](http://www.iser.uaa.alaska.edu/iser/people/knapp)). The report provides extensive background information and data on world salmon markets and a thorough explanation of the rationale for the recommended forecasting methodology for sockeye ex-vessel prices.

## **PARTICIPATION IN BOARD OF FISHERIES SALMON INDUSTRY RESTRUCTURING PANEL**

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In 2004, the Alaska Board of Fisheries (Board) formed a Salmon Industry Restructuring Panel to advise the Board on policy issues associated with options for restructuring the salmon industry. This panel is an extension of the efforts by the Joint Legislative Salmon Industry Task Force, a group formed in 2002 to evaluate the state's statutory framework for the wild salmon industry and to make recommendations for statutory, regulatory, and structural changes to improve the industry. The Joint Legislative Salmon Industry Task Force concluded its work in 2004 but asked the Board of Fisheries to continue to explore regulatory and statutory changes that may be needed to benefit the industry.

The Board wants to develop a plan and a set of procedures to be used when considering proposals to restructure the salmon industry. The panel began its work in October 2004. Kurt Schelle, the head of the Commission's Research Section, is representing the Commission and providing staff support at the panel meetings. The work of this panel will continue in 2005.

The Commission is committed to help fishing groups, the public, the Alaska Board of Fisheries, and other policy makers explore fleet consolidation options and issues. The Commission is open to proposals that would lead to improvements over the current situation. Nevertheless, the viability of different alternatives for industry restructuring may ultimately depend upon a satisfactory resolution of some of the issues raised by the Alaska Supreme Court in *Johns v. State*, CFEC, 758 P.2d 1256 (1988).

**THE COMMISSION  
IS COMMITTED  
TO HELP FISHING  
GROUPS, THE  
PUBLIC, THE  
ALASKA BOARD  
OF FISHERIES,  
AND OTHER POLICY  
MAKERS.....**

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## GULF OF ALASKA GROUND FISH RATIONALIZATION COMMITTEE

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 In 2003, the Alaska Board of Fisheries (Board) formed a Gulf of Alaska (GOA) Groundfish Rationalization Committee. The committee continued its work during 2004.

The purpose of the committee was to explore options for managing groundfish fisheries in state waters contiguous to the Gulf of Alaska. The North Pacific Fishery Management Council (NPFMC) is developing a fishery rationalization plan for GOA groundfish in the Exclusive Economic Zone (EEZ). A major concern is that a rationalized fishery in the EEZ could lead to large spillover effects, further pressure on state waters fisheries, and deleterious changes in the nature of the state water fisheries if the State fails to act.

During 2004, the head of the Commission's Research Section provided staff support at the GOA groundfish rationalization committee meetings. In early 2004, the Board, ADF&G, and the Commission worked to develop legislation that would allow temporary moratoria on new entrants into GOA groundfish fisheries in state waters. Senate Bill 347 was introduced during the 2004 legislative session. Senate Bill 347 would have established moratoria in state waters, GOA groundfish fisheries, and also included language giving the Commission general authority to establish a vessel or person based moratorium in appropriate fisheries. The Commission's research staff provided summary data reports for committee meetings on the bill. The bill passed the Senate but failed in the House.

In the fall of 2004, following additional input through the GOA groundfish rationalization committee process, the Board decided to ask for new legislation that would enable the Board and the Commission to develop a new type of restricted access program that might better fit the needs of the GOA groundfish fisheries. Legislation will be introduced during the 2005 legislative session.

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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, Community and Economic Development, and other users. The following is a listing of other non-confidential reports that CFEC staff members prepared during 2004.

***Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2003*** (04-1N) by Cathy Tide, Nancy Free-Sloan, and Kurt Iverson.

***Executive Summary-Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2003*** (04-1N-EXEC) by Cathy Tide, Nancy Free-Sloan, and Kurt Iverson.

***Age Patterns among Holders of Limited Entry Permits Residing in Petersburg, Alaska: 1975-2003*** (04-2N) by Nancy Free-Sloan.

***Changes in Limited Entry Permit Holdings in Southeast Alaska Communities, 1975-2003*** (04-4N) by Nancy Free-Sloan and Cathy Tide.



Courtesy of Alaska Department of Fish and Game  
Trawler with a full net



Crab Vessel

Courtesy of Alaska Seafood Marketing Institute



Hauling in a crab pot

# Revenue

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## OVERVIEW

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The Commission budget is almost entirely funded by revenue generated by the agency. Revenues generated by the Commission come primarily from issuance of commercial fishing permits and vessel licenses. Additional revenues originate from research and data processing services and reports requested by the public, fishing organizations, fisheries research groups, and other agencies. Total revenue for fiscal year 2004 (July 1, 2003 – June 30, 2004) was about \$3.7 million, continuing the general decline in revenue since 1997.

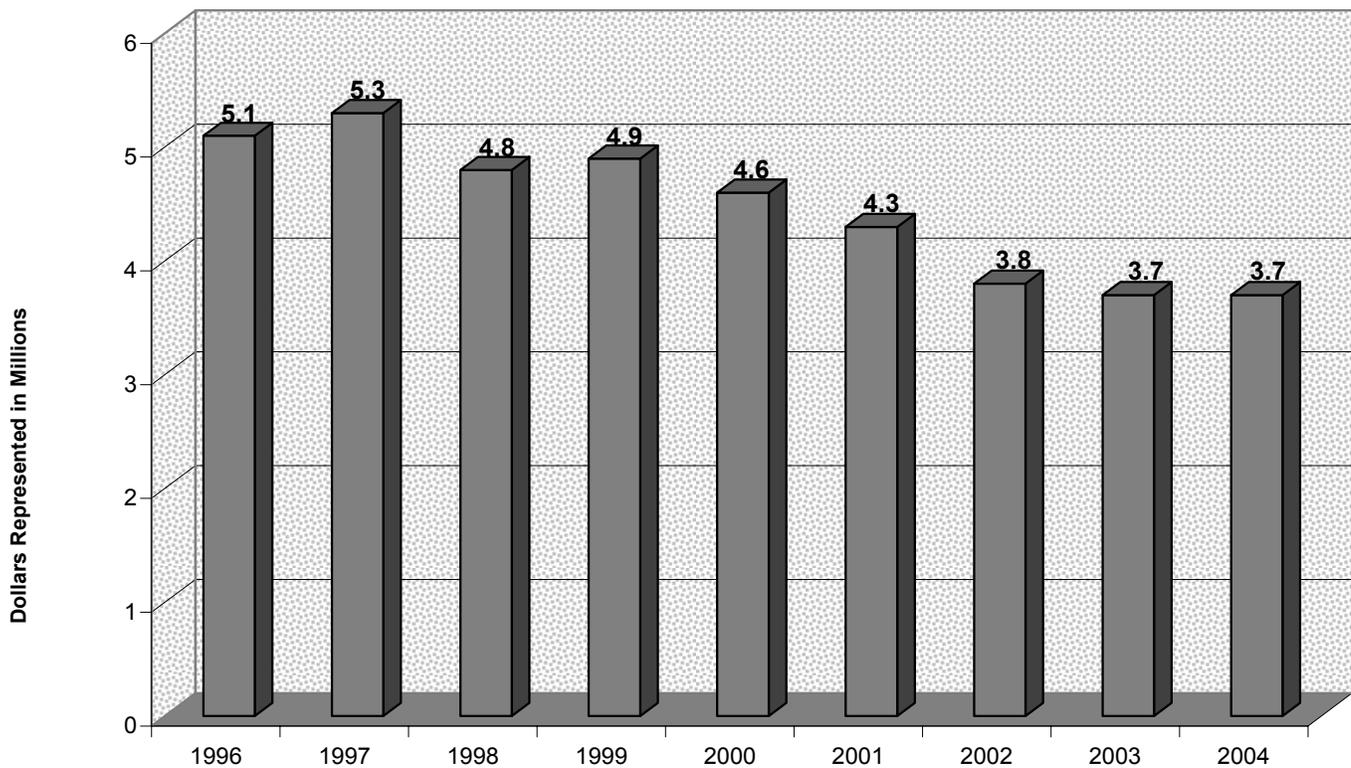
Several factors beyond the control of the Commission have converged to decrease revenues to the point where it is becoming impossible to provide sufficient revenue to cover budgeted and statutorily mandated obligations. In addition to reductions in non-resident fee revenues due to the *Carlson* case, other factors include: consolidation in federal fisheries has resulted in the purchase of fewer state-issued halibut and sablefish permits; reduced permit prices in the salmon fisheries have resulted in lower fees collected since fees are based on permit prices or gross revenues, and as they have declined so have fees; poor fishing seasons in recent years, and fishery limitations have caused fewer permits to be purchased.

Despite an ever increasing workload and increased costs, the Commission has experienced reductions in funding and staff through budget cuts over the years. Since 1986, the Commission's full-time staff has been cut from 41 to 29. This represents a loss of nearly 30% of CFEC's full-time positions.

The Commission projects a deficit position in the FY 06 or FY 07 budget if the rate of decline in revenues continues. Given the current revenue projection, the Commission will need to propose a fee increase in the next legislative session

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## 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.

\*Revised from earlier Annual Reports

# Appendices

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Brail net off loading salmon

Courtesy of Alaska Seafood Marketing Institute

# Employee Names and Internet Addresses

\*

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	Jane McMillan Ginter	Research Analyst III	**
	Cathy Tide	Research Analyst II	Cathy_Tide@cfec.state.ak.us

\* This list includes calendar year 2004 full-time, seasonal and part-time employees.

\*\* These people are no longer employed at the Commission.



# Decisions and Activities in Prior Years

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## CALENDAR YEAR 2003

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- Conducted research, held public hearings, and adopted regulations limiting entry into the Bering Sea hair crab fishery under a vessel-based system.
- Conducted research, held public hearings, and adopted regulations establishing a point system for the Kodiak *bairdi* Tanner crab pot fishery.
- Continued work on optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in discussions of and as a resource to the Joint Legislative Salmon Industry Task Force, and participating on the advisory panel for an Analysis of Options to Restructure the Bristol Bay Salmon Fishery, an independent study funded and published by the Bristol Bay Economic Development Corporation.
- Addressed the International Association for the Study of Common Property on *License Limitation in Alaska's Commercial Fisheries*.
- Participated in a meeting of the Salmon for Success Summit in Juneau on the status of limited entry permits in Southeast communities.
- Participated in discussions of and a resource to the Gulf of Alaska groundfish rationalization committee formed by the Board of Fisheries to explore options for managing statewaters groundfish fisheries.
- Continued to maintain a professional relationship with the IRS to help Alaska fishers protect their fishing privileges.
- With the Alaska Attorney General, the Commission continued to defend the state against the *Carlson* case, a class action challenging the fee differential charged to nonresidents for annual renewal of Alaska commercial fishing permits.

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## CALENDAR YEAR 2002

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- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak *bairdi* Tanner crab pot fishery.
- Received seven applications for the Kodiak food and bait herring gillnet and seine combined fishery and four applications for the Kodiak food and bait herring trawl fishery. Completed final adjudication of all of the applications for both fisheries and issued five limited 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.
- Adopted regulations implementing the new law (Chapter 134 SLA 2002) that allowed a person to hold up to two salmon permits for purposes of fleet consolidation.
- Continued work on optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in the Governor's 2002 Salmon Summit in Kodiak, Alaska, by participating in discussions of and as a resource to the Joint Legislative Salmon Industry Task Force, participating in a meeting of the Yukon River Drainage Fishermen's Association to discuss options for improving their salmon fishery, participating in a Workshop on Options for Restructuring Alaska's Salmon Fisheries at the University of Alaska in Anchorage, and participating in workshops at the Seattle Fish Expo dealing with the restructuring of Alaska salmon's 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.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

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## CALENDAR YEAR 2001

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- 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, throughout the year, by participating in a meeting of the Bristol Bay Fisheries Committee (sponsored by the Bristol Bay Native Association); on panels at 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.
- 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 jointly produced brochure entitled, *Resources for Alaska Commercial Fishers*.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

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## CALENDAR YEAR 2000

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- 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 House Bill 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, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

## YEARS PRIOR TO 2000

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Information on prior years can be found in previous annual reports or on the Internet at the Commission website: <http://www.cfec.state.ak.us>.



Cover Art Courtesy of  
Juneau Artist  
Ed Mills