



MEMORANDUM

To: Glenn Haight, Executive Director
Alaska Board of Fisheries
Alaska Department of Fish & Game

Date: November 20, 2018

From: Commercial Fisheries Entry Commission
Fate Putman, Chairman *Fate Putman*
Dale Kelley, Commissioner *Dale Kelley*

Subject: CFEC on 2018 Bristol Bay
Proposals 23 – 27, and 30.

The Commercial Fisheries Entry Commission (Commission) supports efforts by the Alaska Board of Fisheries (BOF) and commercial fishing industry to craft regulatory packages that improve the economics of a fishery, while helping to sustain fishery resources. We appreciate the opportunity to offer the following background and perspectives on several proposals involving permit stacking that you will consider at the upcoming Bristol Bay BOF meeting.

Background

The Commission's statutory purpose is to control entry into the commercial fisheries in order to promote 1) the conservation and sustained yield management of Alaska's fishery resources, and 2) the economic health and stability of commercial fishing. The Bristol Bay drift gillnet fishery was limited in 1974 as one of the original 19 fisheries deemed 'distressed' under the Limited Entry Act; CFEC thought it likely that the level of participation at that time exceeded the optimum number. A total of 2,915 limited entry permits were issued; 1,875 drift gillnet (S03T) and 1,040 set gillnet (S04T). There were zero non-transferrable drift gillnet permits and 158 non-transferrable set gillnet permits.

Currently there are 2,835 set and drift gillnet permits in Bristol Bay. From 1998-2017, there were 988 set gillnet permits with 890 (90%) fished each year on average. During the same time period, there were 1,869 drift gillnet permits with 1,666 (89%) fished each year on average.

In 2005, CFEC adopted an optimum number range of 900-1,400 permits for the drift gillnet fishery, based on a set of statutory standards. Since that time, market conditions have changed, mostly for the better, and the Alaska Legislature and Board of Fisheries implemented measures to effectively reduce gear levels without a costly buyback program, which is proving beneficial for many fishermen.

In 1974, under the new Limited Entry Act fishermen were only allowed to own one permit in a fishery.

In 2002, the Alaska Legislature enacted 16.43.140(c)(5), which allowed individuals to concurrently hold two salmon limited entry permits in the same fishery. Because the purpose of the legislation was fleet consolidation, the permit holder was originally prevented from fishing the second permit.

In 2006, the Alaska Legislature passed AS 16.05.251(i), which granted the BOF authority to provide additional fishing opportunity for dual permit holders under specific circumstances.

Legal gear for Bristol Bay's commercial salmon fishery includes both drift (150 fathoms) and set (50 fathoms) gillnets. However, the Alaska Board of Fisheries (BOF) passed a regulation in 2003 that allows two drift permit holders to concurrently fish from the same vessel and jointly operate up to 200 fathoms of drift gillnet gear.¹ This is referred to as a 'D' configuration in 5 AAC 06.333 and is also known as a dual permit operation. Data for 2017 shows that 27% of vessels were fished at least once during the Bristol Bay drift season utilizing a 'D' configuration².

In 2009, the BOF passed 5 AAC 06.331(u), allowing an individual holding two permits in the setnet fishery to fish two complements of gear and is commonly known as permit stacking. This rule was implemented from 2010 to 2012 but was subject to a sunset provision and subsequently repealed on April 4, 2013.

Permit stacking proposals for both the drift gillnet and set gillnet fisheries have been debated at each Bristol Bay regulatory meeting since 2006. ADF&G submitted information on these proposals, but officially took a neutral stance. Individual fishermen and fishing groups have commented both for and against permit stacking; those in support expressed the belief that this would be economically advantageous for individual fishermen. Those in opposition have communicated concerns about driving up permit prices, reducing permit availability, and making it difficult for young fishermen to buy into the fishery, and impacts on other gear types. Nearly all commenters expressed some level of concern about permits migrating out of local communities, in part because they perceive that locals have less financial wherewithal to secure permits.

Several Commission reports provide statistics and detail the seasonal consolidation that has occurred as a result of permit stacking.^{3, 4}

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Proposal 23 would amend 5 AAC 06.333 to clarify that an individual who owns two Bristol Bay drift gillnet permits is limited to no more than 150 fathoms of gear. This is in line with 5 AAC 06.331, which states that *a person may not operate or assist in the operation of a drift gillnet exceeding 150 fathoms in length*. 5 AAC 06.333 is the exception that allows two permit holders to concurrently fish from the same vessel and jointly operate up to 200 fathoms of gear ('D' configuration).

Limiting dual permit operations to less than two full complements of gear provides economic advantages for the permit holders involved, while at the same time controlling overall fishing effort. This type of arrangement comports with the intent of the Limited Entry Act and has long been supported by the Commission as a simple, cost-effective tool for fleets seeking voluntary consolidation programs.

Proposals 24 through 27 involve various methods of 'permit stacking' in the set net and/or drift gillnet fisheries. Each proposal has the potential to increase individual or fleet harvest capacity, which is contrary to the original purpose of allowance of dual permits to reduce fishing effort. For instance, Proposal 27 could consolidate the set gillnet fleet, and increase harvest capacity for some individual permit holders, yet realize no net reduction in gear.

Proposal 30 would increase the maximum length for a Bristol Bay drift gillnet vessel boats to 42 feet length overall. Increasing vessel length could significantly increase harvest capacity and efficiency for the entire fleet.

¹ 2017 Bristol Bay Management Report, ADFG, 2018

² CFEC Permit Holdings and Estimates of Gross Earnings in the Bristol Bay Commercial Salmon Fisheries, 1975-2017, pp.10, CFEC 18-7N, November 2018.

³ CFEC Permit Holdings and Estimates of Gross Earnings in the Bristol Bay Commercial Salmon Fisheries, 1975-2017, pp.32 and Appendix A, CFEC 18-7N, November 2018.

⁴ Bristol Bay Set Gillnet Permit Stacking, CFEC Report No 18-07N, November 2012.

Alaska's limited entry system is an 'input control' program; a limited number of licenses are issued to individual participants in each fishery. If permit holders are allowed to gain fishing capacity after the fishery is limited the intent of program is undermined and it can become ineffective. The Legislature and the BOF have made strides in allowing Bristol Bay fishermen to combine efforts to reduce both their operating costs and overall fishing effort. Proposals 24-27 and 30 could increase inputs and make those measures less effective.

Use of permit stacking must be carefully done as this fishing strategy appears to create new markets for limited entry permits, with a subsequent increase in demand and price. There is also data indicating a drop in the number of new entrants (persons who participate for the first time as a permit holder) during the previously allowed permit stacking in the set gillnet fishery.³ Moreover, obtaining a second permit for a stacked operation tends to favor individuals who have easier access to financial capital, which might make it more difficult for young fishermen to enter the fishery or could result in additional permit migration away from Bristol Bay communities.

Proposals 24, 25, 26, 27, and 30 could increase harvest capacity for both select individuals and the Bristol Bay fleet overall, which could add unanticipated complexity to fisheries management and impinge on the integrity of existing efforts to limit effort. Therefore, the Commission cannot support these proposals as written.

If there is anything we can provide to assist in your analysis, please let us know. Commission staff will be available during the meeting, to participate as needed to address any questions that might arise during deliberations.