

STATE OF ALASKA

Commercial Fisheries Entry Commission

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MEMORANDUM

To: Jim Marcotte, Executive Director
Alaska Board of Fisheries
Dept. of Fish and Game M/S 1100

Date: February 3, 2009

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From: Frank Homan, Chairman
Peter Froehlich, Commissioner
Bruce Twomley, Commissioner
Commercial Fisheries Entry Commission

Subject: Restructuring Proposals

Thank you for bringing the five restructuring proposals that the Board of Fisheries (Board) is considering during this 2008-2009 cycle to our attention. We have examined the proposals and have concluded that none of the proposals would require separate regulatory action by the Commercial Fisheries Entry Commission (CFEC or commission).

As we have previously stated, CFEC supports restructuring changes that will improve conditions for Alaska salmon fishermen and their families. Since we have not heard all of the arguments for and against these particular proposals, we do not have a position on the proposals at this time. Like the Board, we will be interested in the problems, if any, each of these proposals might cause management and enforcement, the extent to which the proposals might increase fishing capacity and effort, and the extent to which the proposals might improve profitability by reducing total harvesting costs, improving quality, increasing ex-vessel value, or other means.

While we are not taking a position on these restructuring proposals at this time, the following paragraphs provide comments on four of the proposals. We understand that the fifth proposal, proposal 82, has already been tabled to the Board's salmon restructuring committee.

Proposal 86 and 253

Proposal 86 would allow the use of salmon purse seine vessels larger than 58 feet in Southeast Alaska and Prince William Sound. From your "Preliminary Summary of Actions" we see that this proposal failed for Prince William Sound but will be considered again for Southeast Alaska.

Proposal 253 would increase the allowable length of a purse seine vessel in Southeast Alaska from 58 feet overall length to 75 feet hull length.

These proposals do raise some concerns from a limited entry perspective. As you know, Alaska's limited entry program is a "license-type" program that puts a limit on the number of participants in a fishery. Such programs have been classified as "input control" programs. License-type programs have been criticized as being ineffective when each participant can easily increase fishing capacity after the

limitation, thereby dissipating the benefits generated by the limitation. Efforts by individual permit holders to invest in more fishing capacity in order to increase their share of the harvest can increase the total cost of the harvest without increasing the size of the harvest or the total revenue from the harvest.

The fishing capacity in the limited entry salmon purse seine fisheries in Alaska has been constrained by Board regulations on gear and the 58 foot vessel length limit. Even with these constraints, the vessels have become wider and more powerful as permit holders have invested in greater fishing capacity.

Proponents of a regulatory change indicate that the vessels could now become more fuel efficient if the vessels could be lengthened. They also assert that a larger vessel would allow them to do onboard value added processing.

We know that many of these vessels are used in multiple fisheries in “diversified” operations and are not built solely for participation in a single salmon purse seine fishery. That may further complicate the issue for the Board. We’ll be interested in hearing the arguments for and against these proposals.

Proposals 255 and 256

These proposals seek to amend 5 AAC 33.331 in some fashion to allow a person who holds two Southeast Alaska drift gill net permits some additional fishing privileges for the second permit. This would provide additional incentives for fleet consolidation as some persons purchase a second permit.

As we noted in a November 2006 memorandum to the Board, the commission likes the general concept of allowing a person with two permits in a salmon fishery some additional fishing privilege. This type of regulation could be a catalyst for fleet consolidation, as some persons opt to purchase a second permit and the number of potential fishing operations decline. This may improve the economic returns of all operations in the fishery, both those with two permits and those with a single permit.

In effect, the Board would be creating additional incentives for a voluntary “market driven” fleet consolidation program that would not require a fisherman-funded government-run buy-back program. Fleet consolidation could take place without the need for a large “up-front” loan and without the imposition of buy-back taxes on all permit holders to pay back the loan. Those who continue to fish with a single permit would not have to pay anything.

While the commission supports the general concept, we are not necessarily embracing any specific proposal. In particular, we would not support an option that would raise significant concerns among Department of Fish and Game managers or Department of Public Safety enforcement officers. The Board may also want to consider the extent to which a possible reduction in the current number of unfished permits might impact fishing capacity and effort in the fishery.

Summary

Again, thank you for bringing these restructuring proposals to our attention and giving us the opportunity to comment on them. If it would be helpful to the Board, the commission would be happy to send a representative to the upcoming Sitka meeting when these proposals are considered. We also will continue to cooperate with and support the Board’s salmon restructuring committee.