



THE STATE
of ALASKA
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Commercial Fisheries Entry Commission

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To: Monica Wellard, Executive Director
Karl Johnstone, Chairman
Alaska Board of Fisheries

Date: February 22, 2013

From: Kurt Iverson
Research and Planning
Project Leader Commercial Fisheries Entry
Commission

A handwritten signature in blue ink, appearing to read "Kurt Iverson".

Subject: Board Generated Proposal 250 (permit
stacking) for the 2013 Alaska Peninsula /
Aleutian Islands Finfish Meeting

Commercial Fisheries Entry Commission (CFEC) Chairman Bruce Twomley asked me to provide a brief synopsis on analysis undertaken by the CFEC Research Section in response to Board Generated Proposal 250, which proposes the stacking of Bristol Bay salmon set gillnet (S04T) permits in the Egegik and Ugashik Districts.

This memo can be taken in conjunction with the February 12 CFEC memo to the Board of Fisheries (Board), which provides district-specific data on set gillnet operations in Bristol Bay.

In addition to the analysis provided in the February 12 memo, Economist Marcus Gho and I did further analysis with respect to the S04T permit price model shown in CFEC Report 12-2-N and presented by Marcus at the Naknek Board meeting in December. Our recent work was enhanced by the generous help of former Board member Dr. Bill Brown and Dr. Keith Criddle of the University of Alaska, each of whom we sought out for their expertise and their keen interest in fisheries economics.

We will provide details of our analysis at the February 26-March 4 Board meeting in Anchorage, but to distill some of the most important elements here, much of our recent work on permit prices came out of Dr. Brown's suggestions for an alternate model, called the Box-Jenkins. Dr. Criddle assisted us with advice on how to construct the model. The model provided statistically significant results that suggest a structural change likely occurred during the 2010 to 2012 period which influenced S04T permit prices. Please note the Box-Jenkins is "atheoretical"; that is, it does not point to a specific cause for the change. Rather, it simply suggests that a change occurred in permit prices outside of what one would reasonably expect based upon the "normal" long-term trend.

In our view, the results of the Box-Jenkins add validity to the regression model presented in the 12-2 report and help support Marcus's conclusions.

Related to this subject, we have been asked for our opinion on the effect that potential permit stacking in Egegik and Ugashik Districts could have on S04T permit prices. We don't believe we can provide a meaningful forecast that would help the Board address that question. We simply don't know.

In contrast, the 12-2 permit price model is merely descriptive: it looks at events that occurred in the past (permit sale transactions) and attempts to explain them with three variables: Bristol Bay salmon harvests; worldwide Atlantic salmon production; and area-wide Bristol Bay set gillnet permit stacking. The model is not a forecast of future events, and shouldn't be interpreted in that manner.