

Setnet Permit Stacking--Villain or Saint?

Submitted by Eric M Beeman

Disclaimer: I like setnet permit stacking. Recently I have heard that some are less than satisfied. Since I authored one of the original stacking proposals, I thought I'd share my thoughts about why it's a good idea, discuss a few potential problems and why they haven't occurred.

First of all, what good is setnet permit stacking? Lets use my family as an example. My father, mother, wife, son, and myself are involved. Prior to stacking, my wife and I each had a BB permit in our name. My father has a Cook Inlet setnet permit, and my son holds the other CI permit that my mom used to have. We fish these Cook Inlet permits prior to and after our BB season, and my parents get a share. **This is how setnet families operate.** My dad is now 81 and is retiring--but his need for income continues. Permit stacking has allowed us to place both of our BB permits in my wife's name, and now I have Dads CI in mine. We get to extend our season, and more importantly my parents get to continue their income. If stacking were disallowed, we would most likely transfer a BB permit back to me, leaving us with the choice of putting Dad's permit (and Shore Fishery leases) into a non-family member, or we could put my 81 year old father stiffly back into the boat.

What about consolidation? Setnet permits are cheap and provide an affordable entry into the commercial fishing world. I too wrestled with this as I would hate to see the consolidation that has happened with the crab and ground fisheries--but there's a big difference between the two fisheries. Much of the big boat fleet is owned by corporations, often with multiple vessels owned by the same entity. Who ever heard of a corporate setnetter? Our fishery mainly consists of multi-generation family units. In our case permits moved laterally between family members, more of a transfer than a consolidation. I would be very surprised if this wasn't the case with most stacked permits.

Will permit stacking make it more difficult for potential new entrants? Could it dry up the supply of permits for sale? The Board of Fish felt this was an issue in Kodiak, and allowed stacking to sunset. But Bristol Bay with 886 permits, and Cook Inlet with 692 provide a lot more chances to purchase than do Kodiak's 187. A quick look--tonight-- on the first permit brokerage site I Googled, had both a BB and a CI setnet permit for sale, along with a couple of setnet packages. This search took me a grand total of about 3 minutes. Regardless of stacking, setnet permits are still for sale and still affordable.

Does stacking put more gear in the water? It will to the extent that unused permits are bought and added to the fishery. However setnetting comes with an additional limiting factor: the sites. Unlike Kodiak, Bristol Bay is pretty crowded on the setnet beaches. Much of the territory has no room for additional sites, and the areas that are unfished have good reasons for remaining that way. The area I fish, Ugashik, is one of the least crowded areas in the Bay. In the years since stacking was implemented, I have noticed no setnet gear increase. Additionally, with a fixed setnet allocation in place (which I wholeheartedly favor), my once brethren neighbors have now become my competition and any new setnet gear in the water reaches directly into my pocketbook. As president of the setnet association, I would have heard complaints if this were happening in my district. I have heard nothing.

Do all BB setnetters favor stacking? (OK, when was the last time all setnetters agreed on anything!) No, stacking is not liked by all. I have heard some discontent in the Dillingham/Nushagak area. Stacking is strongly supported in both the Egegik and Ugashik areas. Ugashik Setnet Association represents almost all of the setnetters in our district. Last spring we took a poll and 80% supported stacking. This is not unanimous, but 8 out of every 10 is a strong statement. The Lower BB AC recently did express support for repealing the sunset clause--unanimously. In the 2012 proposal booklet there are eleven proposals to repeal the sunset clause. Obviously we in Ugashik and Egegik are not alone. What if one district wants the sunset, and others strongly support stacking? Well, perhaps we could remove stacking from the one district but keep it in the others. This probably wouldn't be too hard to enforce, after all, BB setnetters don't move around much. (This is not my idea but I think its has merit). And the Bay does have rules that don't pertain to all districts--an example is that Togiak has area registration rather than the allocation system in place in the rest of the Bay. Of course, if the Board does consider this division, it really needs to give some sort of response time to those fishermen in the affected districts, IMHO.

Just how many permits have transferred? According to 2011 statistics, 95 BB setnetters hold two permits, just under 11% of the fleet. Anecdotally I have heard this number has increased to 105 in 2002. So we have 95 transfers in the first two years, and only 10 in the last. Some would argue that the slowdown of transfers is a result of less permits available on the market. However, since there are presently still permits for sale, I feel what we are seeing is stacking equilibrium, i.e.: most permits that will be stacked have already done so.

When I proposed setnet stacking, my main purpose was to keep family fishing operations intact. I believe it has helped do that. The idea of permit stacking has been not only endorsed by the Egegik and Ugashik Setnet Associations, it was passed by the Board of Fish in Kodiak, Bristol Bay, and in the case of Cook Inlet, unanimously.

Note: just prior to submitting this RC, a CFEC economist made a presentation to the board about the effects of permit stacking. I feel many of his conclusions were reached in error. I will briefly explain within the short timeframe I have.

The authors conclusions are in bold, my replies are not.

- 1. Non-locals and Non-residents have a higher rate of participation in permit stacking.** I my family has been fishing since the mid-1950s. I was born in Alaska and have actively fished since 1969. Two of my three children salmon fish. I moved my operation to Ugashik in 1997. As a lifelong Alaskan, who just finished his 44th salmon season, and who has been setnetting in Ugashik for 16 summers, why is there a perceived stigma when I transfer my permit to my wife?
- 2. Permit stacking brings permits out of latency.** Undoubtedly it does, but not many. Also please consider this: the authors definition of a latent permit is one who is registered but did not sell fish. This definition does not take into account those families who deliver catches from multiple permits on a single permit to take advantage of production (poundage) bonuses offered by many processors.
- 3. Fewer new entrants into the S04T fishery due to permit stacking.** Prior to stacking, any time a permit holder exited the fishery and his permit was needed by the operation in which he had been involved, a new transfer would have to occur. This scenario would happen due to a number of circumstances: young adult family member exploring a new career, military service, a crewman who held a permit (this is a common practice in the setnetting world, at least prior to stacking) leaving for other opportunities, older family member retiring. With permit stacking much of what would have been labeled as new transfers went away, not because new fishermen were ceasing to enter the fishery, but because all the permits which needed to be transferred within existing operations were transferred mostly within the first two years. To really track this, we need to view how many transfers were of a non-\$\$ nature, i.e.: where the transferrer received no compensation. This should separate the in-site transfers from the real new entrants.
- 4. S04T permit prices increased do to permit stacking.** Compared with drift permits, setnet permit values had already been lagging before stacking was introduced. I don't have the absolute figures, but a few years ago drift permits rose substantially while setnet permit values stagnated. I am absolutely convinced that the rise of setnet permit values had much more to do with greater earning potential (higher base price, icing bonuses, more robust salmon runs) than due to any fallout from permit stacking.

I have a 44 year degree in setnetting. Most of my facts were gathered on the fishing grounds. I am not sure that all my ideas are 100% correct, but I am 100% convinced that much of the data can be used to reach different conclusions.