Bristol Bay
SALMON FISHERY
Restructuring Study

A chance to participate
in shaping your future...

...the future of the Bristol Bay
salmon fishery.

Providing Opportunities
"Accept the Challenge"
BBEDC

To All Concerned about Bristol Bay

The Bristol Bay Economic Development Corporation (BBEDC) is sponsoring a project to identify and carefully evaluate options available to restructure the Bristol Bay salmon fishery. BBEDC has taken a lead role in this study because no single issue is more critical to the future of the region's economy.

Everyone involved agrees that our salmon fishery — Alaska's largest — is at a crossroads. Dramatic changes in the fundamental economics of the fishery have occurred over the last several years and its economic viability is now in question. Many options, ranging from subtle regulation changes to large scale restructuring of both the harvesting and processing sectors, are being discussed to improve profitability. **All options — including doing nothing — will have profound economic and social impacts that will influence the lives of the people of Bristol Bay for years to come.**

Until now little effort has been made to independently analyze the potential impact of any of these possible options. Without such evaluation, no one can confidently predict their effect on Alaska's most valuable salmon fishery or, most importantly, on the people of the region.

BBEDC's study will provide the missing analysis. Several potentially workable options will be objectively evaluated from a regional perspective to define the benefits, costs, implications, and impacts of each. **It is highly unlikely that any one option will solve all problems, and it is not the intent of this study to recommend or support a single "best" option.** The research results will be available to individuals and policy makers to take and promote the alternative they feel best meets their needs.

As an early component of the study, this leaflet will outline the workings of the study and describe how you can contribute to our effort. Your participation is essential to the validity of the study. **You are also invited to attend public meetings to be held soon in Naknek and Dillingham, Alaska. Check the insert for dates and times.**

However you may choose to participate, we welcome your input and look forward to hearing from you.

Michael Link
Study Project Manager
Bristol Bay Salmon Fishery Restructuring Study

P.O. Box 1464 • Dillingham, AK 99576 • bbsalmon@lgl.com

The Problem and Why This Study

Alaska salmon fisheries are experiencing difficult times. The Bristol Bay region has been particularly hard hit.

In the Bay, the uneconomical nature of the fishery has come into stark focus in the last few years. State and federal governments have declared a disaster in the fishery in three of the last five years. Average annual income from the fishery for residents of the area has fallen by more than 50% in the last five years. Given the probable harvest and price for the upcoming fishing season, income from the 2002 harvest is expected to be below even the recent poor years. **Under these conditions, the fishery's future is cloudy at best. Something must change.**

Alaska's current salmon regulatory and industry structure is based on substantially different underlying economics than now exist. Salmon boats, fishing practices, processing methods and fishery regulations were developed and refined during a three-decade period when the average value of a salmon was double and triple what it is today. In today's market, much of Alaska's salmon harvest is at a cost disadvantage to the competition and very few participants in Alaska's salmon industry make much money.

Even though virtually everyone agrees there are problems, little work has been done so far to identify potential solutions or to forecast the economic impacts of those proposed solutions. Several recent workshops addressing the crisis in Alaska's salmon fishery have agreed on one point: there is no statewide solution to the problems facing the salmon fishery. **Solutions need to be designed region by region and, in some cases, fishery by fishery.** It is also generally agreed that solutions should only be implemented after thorough discussion among those most directly involved in a particular fishery.

How much of the existing system should be changed? What are the probable impacts of the wide array of changes being discussed on the docks? These are some of the questions addressed by the this study.

Project Goal

…to provide a comprehensive analysis of several options designed to restructure the Bristol Bay salmon fishery and thereby improve its long term economic viability.

Study Objectives

…to gather input to define a wide array of alternative management solutions. The most likely of these options will then be analyzed to define the economic, biological and legal impacts.

Specifically, the study will:

- Gather relevant economic information and develop a model of the regional economy to quantify the importance of the salmon fishery in its current form as well as in several possible alternative forms.
- Solicit and assemble an exhaustive list of the many ideas being discussed to modify the structure of the fishery to improve its economic viability.
- Review the list of ideas and distill it to a workable core group of restructuring options, including an option of leaving unchanged the existing structure (the status quo option).
- Use the economic model to quantify and characterize the economic effects of each selected restructuring option.
- Evaluate and define the legal, constitutional, political, sociological and biological implications and/or impacts of each option.
- For each option, quantify or characterize the costs, potential benefits, potential impediments, "do-ability," and implications to stakeholders.

The Advisory Panel (AP)

A panel has been named to guide and review the study's progress and final report. It consists of 11 individuals with experience in all facets of the region's fishery, communities, and economy. Panel members were selected with the goal of achieving respected interdisciplinary and regional oversight of the study. The AP serves five functions:

- Provide transparency to the process – AP members may vouch for the study's objectivity and completeness.
- Provide wisdom, feedback and input to the design of the study.
- With the help of the study team, critically review and distill an extensive list of possible restructuring options down to a core group that will then be thoroughly analyzed.
- Provide a critical review of preliminary project results and report.
- Review the final report prior to release to the public.

Panel Members

Hattie Albecker – Fisher, Ugashik

Ted Angasan – Fisher, Naknek

Robert Heyano – Fisher, Ekuk

Gunnar Knapp – Fisheries Economist, University of Alaska Anchorage

Moses Kritz – Fisher, Togiak

Hazel Nelson – Fisher, Egegik

Jeff Regnart – Fishery Manager, Alaska Dept. Fish and Game, Anchorage

Robin Samuelsen, Jr. – Chairman of AP, Dillingham

Moses Toyukak – Fisher, Manakotak

Bruce Twomley – Chairman, Commercial Fisheries Entry Commission, Juneau

Norman Van Vactor – Bristol Bay Manager, Peter Pan Seafoods, Inc.

The Study Team

The bulk of the work for the study will be conducted by an interdisciplinary group of experts. **Michael Link** is the project manager, overseeing all aspects of the study and serving as the primary conduit of information between the study team and the AP. Other members include: **Bob Waldrop** (economics, salmon marketing, seafood processing), **Marcus Hartley** (fisheries economist) and **Jim Barnett** (legal and constitutional aspects to restructuring).

Study Schedule

This study will require approximately 11 months to complete (March 2002 - January 2003)

TASK 1 – Public Input and Assemble Options	**May 1 – July 31**
TASK 2 – Collate, Distill and Define Options	**Aug. 1-31**
TASK 3 – Economic Model Development and Analysis	**July 1 - Sept. 30**
TASK 4 – Interdisciplinary Analysis of Options	**Sept. 15 - Oct. 30**
TASK 5 – Draft Report	**Nov. 1 - 30**
TASK 6 – AP Review	**Dec. 1 - 31**
TASK 7 – Peer Review	**Dec. 1 - 31**
TASK 8 – Final Report	**Jan. 31, 2003**

Examples of Restructuring Options

Following are just a few examples of alternatives being discussed around the state. **They are listed to stimulate thinking and to solicit ideas, thoughts and concerns from participants in the Bristol Bay salmon fishery.** None are being proposed by the Study. The Study will analyze restructuring options but will not recommend a specific alternative.

Introduction

Evaluating options requires measuring their impacts from several viewpoints: social, economic, biological, legal and environmental. Concern must be given to fairly balancing different views and values. Any changes in the existing management system should aim to improve things over the current situation.

Restructuring options must respond to several basic goals:

- Maintaining the biological health of the Bay's salmon runs
- Providing a stable and dependable business climate for private and public investment in the region's fisheries
- Reducing costs and improving prices for all participants (fishers, processors and supply services)
- Creating a system able to adapt to changing harvest volumes

Groups of Options to Examine

Many possible options are being talked about that may respond to these or other valid goals. These options fall into four broad groups:

Status Quo = Continue Using Existing System

However uneconomic current conditions may be, the no-change option is important to consider as a comparison to other options. Even with the current Limited Entry management system, external events (ocean conditions, fish farming, Asian recession, etc.) will continue to affect the fishery. Even without making any basic changes to the Limited Entry system, certain activities are currently permitted that might reduce costs.

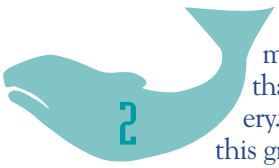
Non-Regulated Harvesting and Purchasing Cooperatives

Under this concept, any group of current permit holders can agree to cooperate for their mutual benefit. Activities might include group buying of product or services (food, fuel, insurance, gear). In a harvesting co-op, costs can be reduced if only some members of a co-op harvest the fish. Costs and profits of the collective effort are shared among all co-op members.

Non-Governmental Buy-Out Programs

Privately funded permit buy-out programs are allowed under State law. An existing permit holder or group of permit holders may contract with another holder not to renew or reinstate the permit. Federal loans to buy and retire permits may be available under the Magnuson-Stevens Act with the remaining fishers being taxed to repay the loan.

Regulatory Changes to Existing Limited Entry System



Harvesting and/or processing costs may be reduced by modifying current regulations within the existing system that arguably hinder the economic efficiency of the fishery. The fishery under any one of the following options in this group would look somewhat similar to the status quo.

Exclusive Group Registration

Existing regulations might be changed to require that permit holders register into exclusive groups. One group might be given the right to fish odd-numbered openings and the other the right to fish even-numbered openings. The effect would be a reduction in the amount of effort at any single time, but probably not the total number of permit holders fishing each season.

Vessel Sharing

Two or more permit holders may combine to operate a single boat and be allowed to fish more gear than currently allowed on a single vessel. A variation would allow periodic adjustments to the amount of gear allowed (sliding gear scale). This will reduce the total amount of gear being fished. The sliding gear variation could allow for effort adjustments as run size changed.

Statutory Changes to Existing Limited Entry System

These examples would require statute changes to allow other forms of licensing, gear or participation. These options could result in fundamentally different management and organizational structures than now guide management of the fishery.

Regulated Buy-Back Programs

Under this option, Limited Entry Permits could be purchased and retired, directly reducing fleet size. Fewer permits could mean lower overall harvesting costs and larger catches for the remaining fishers. Funding for Permit purchases might come from several possible sources; individuals, groups of the state of federal government. Numerous variations of this option are possible.

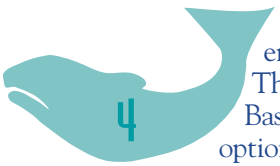
Permit Stacking Programs

This option would require fishers to hold more than one permit. Each Permit (or permit fraction) would be assigned a certain amount of gear. The number of permits (or fractions) required per boat could be set periodically to establish an optimal number of fishers for a given run size. This option offers a mechanism for adjusting fishing effort to match run size.

Individual Fishing Quota (IFQ) or Rights-Based Management

Rights among individuals or entities would be allocated to harvest a percentage (or quota) of Bristol Bay catch. Management would focus on assuring optimum escapement and monitoring quota attainment levels. This could allow fishers to harvest their share of salmon using virtually any gear they choose – as long as the resource is protected. Quotas might be combined into cooperatives and could even involve the use of fish traps as a harvest method. The possible variations on this option are virtually endless.

Improve Economics with/without Changing Fishery Structure



Changes in salmon management may not be the entire answer to the fishery's economic problems. The fishery also suffers from a lack of infrastructure. Basically, these items are investments, not management options. For example, investments in improving ice capacity or transportation might boost the effectiveness of any of the management options by further reducing costs and/or improving value.

Marketing

Create special marketing programs to promote Bristol Bay salmon. This might have the added benefit of building markets for salmon species other than sockeye, allowing fishers and processors to improve gross sales and spread their fixed costs over a longer season.

Intra-Regional Transportation Improvements
Develop bridges or ferries across major rivers or road links between communities. Better intra-regional transportation may permit more economical consolidation of services and reduce the costs of doing business.

Fuel Pipeline to a Deepwater Port
Build a pipeline to service the region's communities. Lower costs are realized when fuel storage and water depth allow for less expensive fuel tankers rather than fuel barges. The cost of fuel in Bristol Bay is significantly greater than the cost of fuel in deepwater ports such as Dutch Harbor/Unalaska.

Road System to Deepwater Port
A system linking Bristol Bay to a deepwater port such as Chignik or Williamsport might result in significantly lower costs of supplies, fuel and would also permit year-round shipping of value-added salmon products.

For more information...

Go to our website at **www.bbsalmon.com** or email us at **bbsalmon@lgl.com.**