

UNITED SOUTHEAST ALASKA GILLNETTERS

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March 15, 2016

Representative Louise Stutes
Chair, House Fisheries Committee
State Capitol Room 416
Juneau, AK 99801-1182
sent via email

Dear Chairwoman Stutes, Representative Kreiss-Tomkins (Sponsor) and Committee Members:

United Southeast Alaska Gillnetters, an Alaska fisherman's organization representing the interests of 473 salmon gillnet permit holders and their families, OPPOSES House Bill 366, Commercial Fisheries Entry Permit Loans and Banks.

House Bill 366 proposes to change the Limited Entry Act. Limited entry has been in effect for over four decades. It has served its purpose well in restricting access to valuable state resources, allowing for regulated management of those resources. Ownership by individuals of those rights has always been seen as the guiding principle of the Act. Allowing access to those harvesting privileges by communities flies in the face of that guiding principle.

The idea that this bill would bring economic vibrancy to communities is false. Adding a handful of limited entry permits, for lease, to locals will not stimulate a local economy. Adding a few seasonal jobs will not have a measurable impact on a local economy. In other words, we will not see an increase of local business opportunity associated with these proposed community permits. The fish will be sold to processors located in other communities, the fishermen who lease these permits will buy their gear and maintenance necessities from established businesses in the region or "down south."

The excited leasers of these permits will be residents. At some point, their ability to lease will be compromised by the time limits established by this bill. Let's say, for example, a young man chooses to lease a permit because he likes the fishery and it has been profitable. There is nothing

in the Bill to keep him in his community. Also, there is no infrastructure to support his work in the communities this Bill targets.

Most new permit holders would probably choose to move to places where their spouse can find a job, where they can service their vessel or where it is less expensive to live. Many of the communities that are the subject of this bill are economically challenged in our present cash economy. It is important to realize that many of these communities are left-overs from an economy based on subsistence and/or bygone economic activity. They call places like that “ghost towns” in the rest of the world. Many individuals holding limited entry permits in these communities have moved away, likely due to economic reasons alone. It makes little sense to recreate and inject a system that has proven to be a failure for those communities. This is social engineering that will not fix the perceived problem. We are not going to see villages growing and thriving with this bill.

We keep hearing about the “graying of the fleet” like it is a bad thing. In reality, it is just a natural progression of limited entry. Remember, limited entry has only been in effect for a little over 40 years. People are making careers of it. Most people in the limited entry fisheries bought in. Nothing has changed from the time I bought into SE gillnetting in 1982. I think I paid \$34K for my permit, which was indicative of the value of the fishery. It is the same way today. I’ve watched the value of my permit go from there to 139K in 1988, down to as low as 18K, back up to over 100k, and I see it slowly dropping again. These price changes are because of the perceived value of the fishery, based on market conditions.

For young people wanting to launch their own fishing business, it is daunting. IT ALWAYS HAS BEEN. Anytime any business is undertaken, there is uncertainty and the very real prospect of failure. The idea that leasing a permit will allow somebody a chance to “get their feet wet”, and make and save money to someday buy their own permit flies in the face of economic realities. They will still have to come up with a vessel. Will they lease these as well? With no ownership of anything, there is no equity gained. Lease payments are based on performance in most cases, such as a percentage of the financial gross. The leaser has nothing to depreciate, leaving them with a tax bill that is exactly like the one they would get from working as crew.

Many people buying into our fisheries are older. Many have crewed their entire working lives and finally would like to call the shots. There are plenty of doctors, lawyers, teachers and government workers. Despite the makeup of the people who buy in, it doesn't affect the price of permits. They have always been worth the perceived value of the fishery. Yet, this bill would also have an impact on permit prices.

In southeast gillnetting our latency rate is about 7%, probably one of the state’s lowest. If CPB's were to buy up 4%, it would leave about 3 percent. Taking permits off the free market such as

this Bill proposes, would actually drive permit prices up, making it even harder for young people to buy. There could be other impacts from this Bill that are untenable. If communities are given access to permits, will they come to the table at the Board of Fisheries demanding exclusive rights to nearby fishing grounds? I could see that playing out, especially by desperate communities trying to keep their populace.

I keep hearing that this bill originated in Bristol Bay. While it is true the Bay has seen a huge swing of permits from resident to nonresident, it appears the dual permit regime accelerated that trend. It hasn't occurred in any other salmon fisheries throughout the state as most report percentages that are similar to adoption of limited entry. Alaskan ownership of our fishing rights is a good and important goal but this Bill is not the manner to achieve that.

Sincerely,

A handwritten signature in black ink, appearing to read 'Max Worhatch', with a stylized, flowing script.

Max Worhatch
President

Cc: Representative Kreiss-Tomkins