

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES**

March 17, 2015

10:02 a.m.

MEMBERS PRESENT

Representative Louise Stutes, Chair
Representative Neal Foster
Representative Bob Herron
Representative Charisse Millett
Representative Jonathan Kreiss-Tomkins
Representative Dan Ortiz

MEMBERS ABSENT

Representative Craig Johnson

COMMITTEE CALENDAR

PRESENTATION(S): BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION

- HEARD

CONFIRMATION HEARING(S):

ALASKA DEPARTMENT OF FISH & GAME (ADF&G), COMMISSIONER

Sam Cotten - Juneau

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

NORMAN VAN VACTOR, President and Chief Executive Officer
Bristol Bay Economic Development Corporation (BBEDC)
Dillingham, Alaska

POSITION STATEMENT: Provided a presentation regarding the loss of limited entry fishing licenses from the Bristol Bay region.

ROBIN SAMUELSON, Chairman
Bristol Bay Economic Development Corporation (BBEDC)
Dillingham, Alaska

POSITION STATEMENT: Provided a presentation regarding the loss of limited entry fishing licenses from the Bristol Bay region.

SAM COTTEN

Commissioner Designee

Alaska Department of Fish & Game (ADF&G)

Juneau, Alaska

POSITION STATEMENT: Testified as the Commissioner Designee for the Alaska Department of Fish & Game, discussed his qualifications and answered questions.

ACTION NARRATIVE

[10:02:29 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:02 a.m. Representatives Stutes, Kreiss-Tomkins, and Ortiz were present at the call to order. Representatives Millett, Herron, and Foster arrived as the meeting was in progress.

PRESENTATION(S): BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION

[10:03:11 AM](#)

CHAIR STUTES announced that the first order of business is a presentation from the Bristol Bay Economic Development Corporation.

[10:03:55 AM](#)

NORMAN VAN VACTOR, President and Chief Executive Officer, Bristol Bay Economic Development Corporation (BBEDC), provided a presentation from the Bristol Bay Economic Development Corporation regarding the ongoing loss of limited entry fishing licenses from Bristol Bay communities and region. He paraphrased from a prepared statement, which read as follows [original punctuation provided]:

The ongoing exacerbation of the loss [of] ownership of our Salmon resource is not a problem that is unique to Bristol Bay and our communities but is a pain shared but most of coastal and rural Alaska. That said as Bristol Bay has the largest sockeye salmon fishery in the world we tend to get referenced and cited more than the next. In the context of permit ownership

coastal Alaska has developed a trend that needs to be first stopped in its tracks and reversed. While the facts and statistics I cite are specific to Bristol Bay I know the same trends are playing out in communities such as Kodiak, Cordova, Hoonah, Angoon, and Petersburg just to name a few.

I had the pleasure several months ago of serving on the Governor's Fisheries Transition team and in fact chaired the group of dedicated community and industry participants. One of the 5 major issues that this group asked the new administration to address was the goal of "returning the ownership" of Alaska's Fisheries resources to the communities of coastal Alaska.

What's the Need and why the importance.

-Locally held permits & salmon fishing revenue are vital to the economic health of the region

-Locally held permits continue to decline and sharply.

-Residents lack access to capital and financing that allow entry to our fisheries.

-Existing programs are still not meeting the needs of our residents to compete for permits.

-Bristol Bay as a region depends heavily on fishing as the major revenue contributor.

-As ownership of permits leave the region so does the revenue they generate. I'm sure the multiplier effect needs no explanation. The \$100,000 gross revenue that a permit might generate actually stimulates several hundred thousand dollars of economic activity.

-We have over time started perpetuating a negative feedback loop that further perpetuates the decline of permits & crews.

-Some of these statistics are dated now by a few years but let me share a few.

-Bristol Bay has now lost almost 44% of all the permits originally issued to watershed residents.

Bristol Bay Residents now hold under 25% of all Bristol Bay permits. Originally 28% of all residents held one type of permit or another. Today it's less than 10%.

How do Permits Leave?

Transfers - About 62% of all permits are lost due to transfers. Most of these transfer are made up of Sales.

Migration - Migration constitutes about 25%.

Other - Makes up the difference of about 13%. This is largely made-up of foreclosures, revocations, and forfeits.

Why do Permits Leave?

Permits are randomly distributed based on economic principles amongst potential owners. Most of these potential owners are non-residents who have greater access to capital and credit giving them a competitive acquisition advantage.

Average local permit owners harvest 25% less than non-residents. Higher earning mean non-residents view permits as having a higher intrinsic economic value. Our people are not any less the fisher people than the next, they just approach the fishery from a different social perspective rooted in resource protection and subsistence.

Sales and transfer of permits tend to rise both at the top of the fish price curve and at the bottom. Without a retention program both these price points result in a significant acceleration of loss's.

Prior to joining BBEDC a little over two years ago I had spent close to 30 years working for Seattle based major processor. One of my major accomplishments during that tenure was building what was the largest resident Alaska fleet in the industry. To cite just one community as an example, the community of New Stuyahok, they had over 24 permits that fished for us. I believe today that number is closer to 8.

Some say that turning this trend around is impossible, accept it and move on. This for us is a completely unacceptable response and we do believe that are options.

23 years ago 98% of the Bering Sea's fisheries resource was owned and controlled by Non-Alaskans living in the Pacific Northwest. Today 6 Alaskan Community Development Corporation, 100% owned by resident Alaskan's of all stripes and skin color own over 30% of the resource and growing. We did it offshore with the Federal's governments help and a 10% stake, why can't we do something near shore with the State's help.

The onshore offshore issues are certainly different and our onshore coastal issues will require a very different solution set. I think I'm also smart enough to know that now is also NOT the best time to coming to the State with our hands out and we are NOT. I reiterate. We are not.

Bristol Bay Economic Development Corporation has been trying to help turn the tide. For the last 7 years we have had an active permit retention plan in place. We are making progress but have a long way to go and but we need your help. We estimate that we are currently loosing approximately 15 resident permits a year. In the year 2014 just completed we had 7 saves, our best year yet. That said until that number is 15 or higher we still aren't even breaking even.

The cause of permit losses are complex and so are the solutions. Restoration will require a mix of long term programs. With that however will come the opportunities to restore the ownership of this tremendous economic engine to our communities. Well trained and adequately financed fishermen will succeed and we hope to be part of the solution. We ask that when you our legislature see opportunity's that support the goal of returning the ownership of Alaska's coastal fisheries to Coastal Alaskans we can get your bipartisan and unequivocal support.

Let's "Bring it All Back Home".

[10:12:25 AM](#)

REPRESENTATIVE ORTIZ addressed Mr. Van Vactor's statement that the solutions are complex and will require a variety of options. He asked whether there is one particular area of legislation or legislative focus that is needed to get things back on track.

MR. VAN VACTOR replied there is not one silver bullet, but said many ideas are being floated. It merits an ongoing serious conversation, whether it is a task force or the continuance of some very specific conversations. He said BBEDC is extremely grateful to what the Commercial Fisheries Entry Commission (CFEC) has accomplished over time for the fisheries resource, and urged that the concerns of all parties be heard. Although community permit banking is in its infancy and needs to be pursued, he advised, it is a concept that appears to have merit.

REPRESENTATIVE ORTIZ noted there are existing state loan programs to assist Alaska fishermen in gaining access to permits and boats. He inquired whether these programs are working effectively or need changes that would help meet BBEDC's goals.

MR. VAN VACTOR responded the state and the Alaska Commercial Fishing and Agriculture Bank (CFAB) currently have loan programs that are the backbone of what BBEDC is currently doing, and the seven saves made by BBEDC in 2014 were done by working within that system. Currently, BBEDC is working with qualified residents, assisting them with the process, and assisting them with a significant portion of the down payment required in the form of a gift to the individuals. Then, for a period of time, BBEDC will continue working with them and even assist them with the financial payments, specifically the interest payments every year. It is a huge undertaking for an individual to step into this fishery because permits are currently priced at \$160,000 together with a competitive fishing vessel being a couple hundred thousand dollars. He described it as a significant barrier to entry that BBEDC is trying to help its people overcome, he advised. He pointed out that at the end of the day, there is nothing that precludes BBEDC from assisting an individual, pouring a tremendous amount of money into that individual's specific operation, and then five or six years later still see that permit leave the region.

[10:17:28 AM](#)

ROBIN SAMUELSON, Chairman, Bristol Bay Economic Development Corporation (BBEDC), provided a brief biography, stating that his great, great grandfather started the first cannery in

Bristol Bay and prior to that his relatives were subsisting off Bristol Bay fish. He noted he has served three years on the Board of Fisheries and nine years on the North Pacific Fishery Management Council. He started fishing in a 22 foot skiff when he was 14 years old and recounted that the Japanese high seas driftnet fleet once threatened the region's fishery by corking off the rivers. He pointed out that it was so bad that Governor Egan notified the federal government [and eventually] there was a withdrawal of the high seas driftnet fleet. Limited entry came into play and he got his permit as a young person, plus he helped other people in the bay get a permit. It is a good program, but now at age 64 he is seeing permits exit the bay every year. He has been chairman of BBEDC since its inception and was the president and chief executive officer prior to Mr. Van Vactor. Most of the people he represents are subsistence people, Alaska Natives who live in villages where there is 80 percent unemployment, making every dollar very important and, he said, at 40 cents a pound nobody makes money, not even the topnotch fishermen. The people he represents cannot go borrow money and the only thing they have for sale are their Native allotments and their drift or set net permits; therefore, a lot of the sales in Bristol Bay were in desperation from local residents. He allowed there were speculators who got permits in Bristol Bay and sold them. He said he foresees a future in the state of having a limited entry program in Bristol Bay where probably 90 percent of the permits are going to be non-residents which was never the intent of the limited entry program. Sustainable economies need to be created within the communities of Bristol Bay and elsewhere in the state and one way to accomplish that is to figure out a way to get more permits into the hands of the watershed residents, he explained. He related that [Bristol Bay] is losing hundreds of millions of dollars by folks coming up, fishing the resource, and taking that money back to their respective communities.

MR. SAMUELSON said BBEDC has done everything it can. The first permit sale he made at BBEDC to a watershed resident was to a 20-year-old woman who met the qualifications and she is still fishing today, but what BBEDC is doing is not enough, he said. The current limited entry program needs to be reviewed and different avenues figured out for getting more permits into the hands of watershed residents. As oil prices dwindle there will be budget cuts and Rural Alaska will feel those extra hard. In the last 20-30 years there has been a tidal wave of prosperity in Alaska due to oil, but what is being faced today is scary to Rural Alaskans. He said, this year 54 million sockeye salmon will return to Bristol Bay and no other place on earth has that

kind of resource which is why residents don't like Pebble Mine as they don't want that mine to ruin their waters. Bristol Bay has a fish-first policy that has carried the residents through for thousands of years, and he urged the committee to use extreme caution in dealing with limited entry and give residents ample time to respond to any proposals. He explained there are 1,800 drift permits and 1,000 set net permits in Bristol Bay and what is left is very important. He expressed that ownership of permits by watershed residents must be increased.

CONFIRMATION HEARING(S):
COMMISSIONER ALASKA DEPARTMENT OF FISH & GAME (ADF&G)

[10:24:38 AM](#)

CHAIR STUTES announced that the final order of business is a confirmation hearing for the commissioner of Alaska Department of Fish & Game.

[10:25:29 AM](#)

SAM COTTEN, Commissioner Designee, Alaska Department of Fish & Game (ADF&G), stated he has had extensive hands-on experience with many different types of fisheries and fairly extensive experience working with local governments and advocating on their behalf in front of fishery boards. He said he was a member of the North Pacific Fishery Management Council (NPFMC) for six years, which gave him a lot of hands-on experience with fisheries management issues. He then cited his experience as a representative in the Alaska State Legislature and noted that in addition to serving in the legislature he has worked with the legislature, especially in the fish and game arena.

[10:27:07 AM](#)

CHAIR STUTES, in regard to conflicts between the different fishing sectors, asked whether the commissioner designee believes he has the ability to remain impartial and work for the good of all the sectors.

COMMISSIONER COTTEN replied he has not been involved in any of the fisheries that are addressed by the North Pacific Fishery Management Council, which are federal fisheries. His commercial fishing experience is pretty much restricted to salmon fishing. He was a purse seiner in the Lower Cook Inlet where he had a permit for 25 years, and has fished a few other places as well. He advised that when he worked for the Aleutian East Borough,

the borough was often the center of allocation battles between other areas, and as a result he came to know many of the other areas pretty well, such as Norton Sound, Bristol Bay, the river systems, Kodiak, and Chignik. He related that he became well educated on the concerns of other people, especially in the Area M fishery. He pointed out that for the fishery he participated in, in his kids still fish there. Therefore, he signed off his executive order authority to the deputy commissioner so there won't be any concerns about not being impartial in that area. As far as the rest of the state, he believes he is offering a balanced approach and he doesn't feel he has any pre-conceived biases. He related that the only exception is his voting on the North Pacific Fishery Management Council where he is fairly parochial and votes pro-Alaska because occasionally the state must fight to remove some disadvantages that Alaska fishermen have.

[10:29:54 AM](#)

CHAIR STUTES understood there is a promotion to pursue more observing on the vessels in the state. She further understood that most of the East Coast fisheries are federally funded for their observer coverage, whereas that is not the case in Alaska and that seems inequitable.

COMMISSIONER COTTEN confirmed the aforementioned is true, and comments have been made on that subject as there has been a struggle with the federal agencies on budget issues like that, and this is still ongoing. In the Bering Sea most of the observer coverage is paid for by the vessel owner. In the Gulf of Alaska the new observer program taxes each fisherman participating in the federal fisheries with a 1.25 percent gross tax; the tax goes into a fund that pays for the observer coverage in the gulf. So, yes, the fishermen pay for it, he said.

CHAIR STUTES reiterated that this is inequitable.

COMMISSIONER COTTEN agreed.

[10:31:12 AM](#)

REPRESENTATIVE HERRON expressed his support for the commissioner designee. He asked whether the designee feels confident that he will know what to do with the commissionership now that he has this position and will be able to lead the department.

COMMISSIONER COTTEN answered that close to 1,700 people work for ADF&G and most are accomplished professionals, scientists, and biologists, and he would be crazy not to immediately admit that he has a lot to learn from them. The department is a good professional organization with a well-defined mission in the statutes and the constitution that he understands. He related that he has some ideas about how to improve communications with the public, and would like to diminish some of the polarization taking place in Alaska on allocation issues, and open communication will help that. He said he feels up to the task.

REPRESENTATIVE HERRON commented that he and the commissioner designee have had some private conversations about the challenges on the Kuskokwim and he will continue to work with the commissioner on that.

[10:33:27 AM](#)

REPRESENTATIVE KREISS-TOMKINS requested the commissioner designee speak to the permit losses happening in Bristol Bay and around the state.

COMMISSIONER COTTEN replied that he met with the gentlemen addressing the committee earlier today and understands the issue, adding that it is not just salmon permits. He continued, "We see access to Alaska's fisheries as a threat in a lot of different arenas and the federal fisheries is one of them." He said the department supports efforts to reverse the trend of permit loss and indicated there has been a discussion about legislation possibly introduced that would direct attention to that issue and maybe end up with solutions to it. There are legal and other challenges that should not dissuade [the state] from aggressively pursuing that cause. Opportunity and access to the fishery resources by people who live in Alaska's fishing communities is an extremely important priority for the department, he stressed.

[10:35:33 AM](#)

CHAIR STUTES requested the commissioner designee to address the by-catch issue.

COMMISSIONER COTTEN responded that by-catch is a multi-faceted issue and the primary by-catch species deals with halibut and Chinook salmon. Other salmon species, such as chum salmon, are also by-catch targets in the Bering Sea. Of concern, he pointed out, is that if the fleet is pulled away from the chum salmon it

might direct the fleet toward the Chinook salmon, so choices must be made. The North Pacific Fishery Management Council is doing its best to reduce by-catch to the extent practicable for both species in the Bering Sea. He remarked that the limits for by-catch will be brought up at the council's next meeting for the Bering Sea, April 2015, and the council will address a reduction of the by-catch limits for the pollock fishery, primarily in the Bering Sea. Chinook salmon numbers are low and it has been determined that at times of low abundance like this that the by-catch caps should be lower as well. He said the intention at next month's council meeting is to bring those caps down significantly during these times of low abundance. The halibut by-catch in the Bering Sea has also been a major concern because halibut numbers have been down over the last several years, so the quotas have gone down significantly for directed fishermen and the people who live in St. Paul or other Alaska fishermen who fish in the Bering Sea for halibut. However, the halibut available as by-catch has remained pretty stable to folks who bottom fish for species like yellowfin sole and rock sole. These are federal fisheries, so [the NPFMC] is guided by national standards that suggest [the NPFMC] should allow for optimum yield; in other words, whatever the biologists say can be harvested should try to be achieved while at the same time reducing by-catch to the extent practicable. He noted, that while it is a balance, it is felt that recently it has been out of balance. For example, the St. Paul fishermen are told that there are little or no fish left for them because they were all used for by-catch for the trawl fleets. [The NPFMC] will be addressing that issue at its June [2015] meeting, and is already receiving complaints from the trawl industry that it is money taken away from them and they don't like it.

CHAIR STUTES remarked that neither did the St. Paul fishermen when they were told there was no halibut for them.

COMMISSIONER COTTEN noted that the Chinook salmon in the Bering Sea is with the pollock fishery, and halibut is with the groundfish fisheries and the Gulf of Alaska is generally the same situation. He explained that in the midwater, the pollock fleet catches the most Chinook salmon and limits have finally been set there as a couple of big events within the western Gulf of Alaska caused everyone to realize that there had to be limits, and they are now in place. He explained there are two different sets of limits - one for the pollock fishery, which is 25,000 fish divided about 2/3 east and 1/3 west; and the other is the non-pollock fishery, which is a much smaller number divided amongst gear groups, and this year is concern that those

limits might be reached or dangerously close to being reached. He said a big difference between the Gulf of Alaska and the Bering Sea is that within the Bering Sea, the Chinook salmon harvested as by-catch are primarily Western Alaska fish headed for the Yukon, Kuskokwim, Nushagak, and Unalakleet Rivers that have a very high subsistence dependence. He said for the Gulf of Alaska, the genetic work so far suggests that most of the Chinook salmon harvested there are not Alaska fish, but reducing the by-catch as much as possible is still required. He related that many people want those fish so even though they are not Alaska fish, the issue cannot be ignored. He remarked that the by-catch limits for halibut in the Gulf of Alaska were recently reduced and part of the industry petitioned for a new management plan that would include allowing those fishermen to enter into cooperatives as they would also like to have permanent ownership of the fishing rights. However, he pointed out, [the Walker Administration] isn't convinced those privileges need to be assigned in order to accomplish the by-catch reduction goals.

[10:41:35 AM](#)

REPRESENTATIVE ORTIZ moved to forward the name of Mr. Sam Cotten [to the joint session of the House and Senate for confirmation. A member's signature of the report regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.] There being no objection, Mr. Cotten's confirmation was advanced from the House Special Committee on Fisheries.

[10:42:13 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:42 a.m.