

HJR

10

KODIAK ISLAND BOROUGH

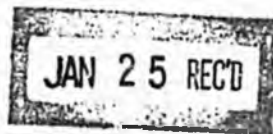
Telephones 486-5736 - 486-5737 — Box 1246

KODIAK, ALASKA 99615

January 21, 1983

HOUSE RESOURCES COMMITTEE

Governor Bill Sheffield
Office of the Governor
Pouch A
Juneau, Alaska 99811



Dear Governor Sheffield:

Re: HJR 10

Enclosed is a copy of my testimony before the North Pacific Fisheries Management Council (NPFMC) in Kodiak on January 18, 1983 in opposition to the proposed moratorium for the Alaska halibut fishery. If the Secretary of Commerce and NPFMC should concur and approve the moratorium it will be a new major policy decision adversely affecting the future of all our fisheries. The public testimony of Kodiak fishermen was unanimous in opposition to the moratorium. It is inconceivable to me that the Reagan administration and the State of Alaska could go along with such a program of bureaucratic, economic regulation of our industry.

The Kodiak Island Borough has gone on record against the shares-quota system with the enclosed Resolution No. 82-38-O of March 1982. We will be considering an updated resolution at our February 3, 1983 meeting in opposition to the moratorium.

I feel this upcoming decision concerning the moratorium will be such a major policy decision by your administration that I hope you are able to give personal direction. It's not just a matter of how many halibut fishermen are for or against it, but rather what will be the future of all of Alaska's fisheries.

I appreciate any attention you might give to this matter. This decision will affect the future of all our open access fisheries.

Sincerely,

R. David Herrnsteen
Mayor
Kodiak Island Borough

RDH:cmk

Enclosures

cc: Senator Bob Mulcahy, Alaska State Senate
Representative Fred Zharoff, Alaska House of Representatives
Senator Jay Kertulla, President of the Senate
Representative Joe Hayes, Speaker of the House
Bettye Fahrehkamp, Senate Resources Chairman
Representatives John Rignstad and Richard Shultz ✓
Co-chairmen, House Resources
Don Collinsworth, Acting Commissioner, ADF&G

KODIAK ISLAND BOROUGH
RESOLUTION NO. 82-38-R

A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY OPPOSING THE SHARE-QUOTA SYSTEM OF ALLOCATION OF FISHERIES RESOURCES.

WHEREAS, the North Pacific Fishery Management Council on March 25, 1982 enacted a moratorium on new entrants to the Alaska halibut fishery, and directed that a shares-quota system of allocation of the fishery be prepared for the 1983 season, and

WHEREAS, the United States Senate recently passed SB 2244 giving the Council the necessary authority to enact such a system, and

WHEREAS, the bill is expected to pass the U. S. House of Representatives without public hearings, and

WHEREAS, the proposed share system will allocate permanent fishing shares consisting of a fixed percentage of the halibut to individual fishermen based on their average harvests of the past three years as a percent of the total harvest, and

WHEREAS, it is intended that these shares may thereafter be bought, sold or leased by the initial shareholders, and that individual shareholders may purchase additional shares from willing sellers up to an aggregate of two percent, or possibly higher, of the total quota per shareholder,

WHEREAS, it appears inevitable that these shares will concentrate to fewer and fewer people, theoretically as few as 50 if two percent is the maximum allowed per person, and

WHEREAS, the annual value of the halibut harvest in Alaska approaches \$50,000,000 to the fishermen, and

WHEREAS, it has been conservatively estimated that the value of halibut shares could be three to five times the value of their annual allowed catch, or about \$250,000,000, creating an undeserved windfall to the initial shareholders, and an even greater burden to future potential shareholders, and

WHEREAS, this halibut share-quota system is being used as a precedent and prototype for other Alaskan fisheries by state and federal fishery managers, and

WHEREAS, under the shares system a fisherman's catch will be dependent solely on the number of shares he owns (his wealth) rather than on his abilities as a fisherman, and

WHEREAS, such a system will concentrate the increasing wealth of our fisheries into fewer and fewer hands, creating great inequities of opportunity in our fishing communities, particularly among the young, and

WHEREAS, the share system greatly hinders fishermen from being able to diversify among various fisheries, thus depriving them of a key element for success, and

WHEREAS, Alaska fishery managers already have an adequate variety of regulatory tools such as harvest levels, sex and size limits, gear restrictions, area closures, et cetera and our fisheries are generally very healthy biologically, and

WHEREAS, the fishing industry is too vital to the people and economy of Kodiak and Alaska to risk all the inherent dangers and inequities of such an irreversible, unnecessary management plan as the shares system, and

WHEREAS, the Kodiak Island Borough considers the rich, abundant fisheries resources in the waters surrounding Kodiak Island and Alaska to be a renewable PUBLIC resource which serves a primary purpose, along with helping feed people around the world, of sustaining the livelihoods and economy of the people and communities of our island and state, and

WHEREAS, the idea of permanently turning over the ownership of our public resource to a few private hands is repugnant to the fishing industry and people of Kodiak.

NOW, THEREFORE, BE IT RESOLVED that the Kodiak Island Borough is opposed to the share-quota system of allocation of any fisheries resources in Alaska, and that this resolution be communicated to the following people:

The President
Ronald Reagan

The Honorable Jay S. Hammond
Governor of Alaska

The Honorable Ted Stevens
United States Senate

The Honorable Frank H. Murkowski
United States Senate

The Honorable Edward M. Kennedy
United States Senate

The Honorable Don Young
The United States House of Representatives

The Honorable John B. Breaux
The United States House of Representatives

The Honorable Gerry E. Studds
The United States House of Representatives

NPFMD, Chairman, Clem Tillion

Alaska Legislature

Messrs. H. A. Boucher, Steve Cowper, Tom Fink, Oral E. Freeman, Bruce J. Lemke, Terry Miller, Rick Reakoff, Bill Sheffield, Edward J. Vincent, Brad Bradley, Mike Colletta, Stephen McAlpine Charles H. Parr, Terry Stimson, David A. Rose

All Alaska Cities

PASSED AND APPROVED this 30th day of April, 1982 by
the Borough Assembly.

KODIAK ISLAND BOROUGH

By R. David Herrnsteen
Borough Mayor R. David Herrnsteen

ATTEST:

By Shirley Miller, c.m.c.
Borough Clerk

Ayes 7 Nays 0

TESTIMONY TO THE NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL
REGARDING
A MORATORIUM ON NEW ENTRIES INTO THE ALASKA HALIBUT FISHERY FOR 1983

R. David Herrnsteen
Mayor
Kodiak Island Borough

The Kodiak Island Borough encompasses the Kodiak Island group extending from the Barren Islands to the Trinity Islands and has a population of over 12,000 people. In 1981, and certain other previous years, the City of Kodiak ranked as the number one fishing port in the United States as measured by dock side value of fish landed. As our economy is dependent almost solely on fishing, we are concerned that our fish are properly managed biologically in our fisheries. In addition, as there is a natural turnover of participants in any fishery - some people get out - while new people get in. I am concerned that all our local residents have equal opportunity for present and future employment in our fisheries.

The Kodiak Island Borough's largest responsibility is education - the Assembly is responsible for building and funding the schools. We have an extensive program of fisheries education in our schools, including on-the-water experience for our high school students. I am concerned that our young people leaving school have a chance to find their niche in the fisheries, if they so desire. Some students try fishing halibut to help fund their college education - this moratorium would not allow new students to have this opportunity.

The Kodiak Island Borough includes six villages, five of which are second-class cities. Employment opportunities other than fishing are particularly few in the villages. There have recently been federal cutbacks in the various social and jobs programs. These villages have gone on record, through the Kodiak Area Native Association, as being opposed to the halibut moratorium. It's hard to have a resource in your front yard, watch others making good money, and not be able to have a crack at it. That's not fair and equitable.

Having lived in Alaska 22 years, and fished in Kodiak 17 years, I've seen where many times if a person gets quite comfortable financially, and particularly can make it in a short period of time, often they will tend to move Outside to a condo in Hawaii, a house in Seattle, or a farm in Missouri or Vermont (for example). That's their privilege, and I have no gripes if they are able to do it because they are good fishermen and can out-compete the others. But when they are able to do this because the government has restricted competition and allowed only a select few to profit from the increasing wealth of our fisheries, at the expense of employment opportunities of our local people, that's not equitable.

The workings of an economy are often very nebulous, it's hard to exactly describe on paper in dollars and cents, but it is still very real. Kodiak's economy over the past 15 years has been a slow, steady growth. After the king crab boom in the mid 60's, and the simultaneous reconstruction of Kodiak after the tidal wave of 1964 subsided, our economy had a pretty healthy growth. As the fisheries went up and down with the natural fluctuations of the fish stocks and fish prices, many fishermen moved back and forth among

fisheries. Those fishermen who stuck with one fishery benefited from the others having the ability to move out and into a more prosperous fishery.

In the late 60's and early 70's many halibut fishermen, particularly from Seattle, left the depressed halibut fishery and moved into the Alaska crab fishery. When the king crab fishery slumped in the early 70's many crabbers became combination boats and switched to the booming shrimp fishery; as shrimp declined in the late 70's many shrimpers switched to crab. And as salmon seasons have gone up and down over the years, many salmon fishermen switch back and forth among crab, shrimp and halibut to make a living.

Some areas of Alaska don't have as much continental shelf and aren't as blessed with the abundance of fisheries we have here, but we are generally an open town - people come here from Oregon, Washington, Southeast Alaska, Cook Inlet, and Westward Alaska to fish - some only seasonally, some move here. Some come only when they have a poor season at home. Usually we don't enjoy seeing the Outsiders who come and go, but it's been our freedom to move around and diversify that's been the secret of our success.

Certainly this system of mostly free entry has its problems. When you have a slump after a boom, it takes time for boats to move out of a fishery and into something else. And there are times when management of the fishery has to be more sophisticated and cautious. And it means the fisherman has to be cautious as a businessman at times. If he expands too heavily during a boom and isn't prepared for increased competition, or for a slump, he can feel a pinch. Or if he gets too high expectations during the "easy money" that occasionally accompanies a boom, he'll feel a shock when the reality of normal times hits. It's important for a fisherman to remember during a boom, or when he's "on a roll", that his earnings aren't normal or likely to continue that high.

If limited entry had been put on all our fisheries 10 or 12 years ago, I feel it would have been a disaster to the town as a whole - socially and economically. If we had locked everybody into their fisheries back when most crabbers fished just crab, and shrimpers just shrimp, etc. we would now probably have just a group of family dynasties harvesting our fish, and with many of them moving Outside. I think the town would have frozen or shrunk in size. You wouldn't have seen, every year, the new homes and steady expansion. It would have been feast or famine for many fishermen.

The price of halibut climbed from \$.18 in 1967 to as high as \$2 a pound, shrimp went from \$.04 to \$.28, king crab went from \$.10 to \$4.30, tanner crab went from \$.10 to \$1.80. Even though the quotas and harvests have fluctuated greatly, the overall seafood harvest values have climbed to a record \$130 million value to fishermen in 1981 in Kodiak. Instead of new people, new jobs, new blood and enthusiasm, you would have had a static or even declining number of men. It's very possible that the capital costs would be just as high because of write-offs, just fewer people dividing the pie. It's very possible that except within the family, crew jobs would have become salaried under some of the limited entry schemes.

Now I'm not eager to see how many people we can bring to Kodiak or Alaska, but we do need jobs for our young people. Many of our businesses and people's dreams are dependent on some growth. What concerns me most is that we have some fairness and equity in the allocation of the wealth of our fisheries.

Drive through our high school parking lot and see how many brand new 4-wheel drive pickups you see. Last summer was a slow season, so the number may be down a little. Some kids are able to afford them because they might fish with their dad who may be an exceptional fisherman. But if limited entry had been put on all fisheries 12 years ago, many kids would have those trucks solely because their dad happened to have received one of those lucky permits 12 years ago. We would have developed a privileged class, an elitest society that was determined by the roll of the dice - who was fishing when limited entry was imposed. I don't think that's healthy for society, or what Alaska and fishing is all about.

My own personal case is typical. In 1967 they closed the Kodiak salmon season for almost the entire summer, so I spent four months on a halibut schooner. For the next four years I continued to make halibut trips along with fishing on crab, shrimp and salmon boats. Halibut prices were down (as low as \$.17/lb.) and stocks were slumping (we fished 26 days on a highline schooner for 30,000 pounds in 1971 - my crew share was \$90 for the month). I crewed for eight years with many highliners in all four fisheries so that when I got my own boat I could be diversified.

In 1974 my wife and I made the big jump and bought our own 42 foot boat. For two years we fished entirely shrimp, then we branched into crab. In 1978 we sold our first boat and bought a slightly larger boat. When shrimp declined we tendered salmon along with crab fishing. Last year because of the salmon price slump we did not tender, so fished just crab - including dungeness.

Even though I haven't fished shrimp since June of 1978, I am still a shrimp fisherman and dependent on the shrimp resource to make my living. Even though I haven't fished halibut since July 1971 and then only as a crewman, I am still a halibut fisherman, and consider myself dependent on the halibut fishery. I've spent more hours at the roller, gaffed more halibut and baited more hooks than a large number of the fishermen who could qualify to fish under the proposed moratorium the next three years. I have a vessel and a reel that are suited for halibut. All of the skills I've developed as a skipper in finding crab and shrimp and running my business are applicable to finding halibut. The halibut, cod and pollock stocks are in an upward cycle, and are also preying heavily on crab and shrimp stocks. I am dependent upon my ability to move my business along with nature's cycles in order to make a living. The guidelines of the proposed moratorium are arbitrary and capricious. To exclude me because I never fished halibut since January 1, 1978 is not fair and equitable.

The Council needs to look at fisheries as a group and over time, taking into consideration dynamic environmental and market conditions. It is natural and healthy economically that as the halibut stocks and markets started booming in the late 70's, that participation increased. The same boats I crewed on in the early 70's, averaging a crew share of maybe \$1500 for a three week trip, by the late 70's were crewsharing \$1000 a day and better - \$60,000 man-shares in much shorter seasons. Instead of working off-season winter jobs, as many men did in the earlier years, many were able to lay back in the winters. There is nothing wrong with making big money- that's the thrill of fishing - that's the

dream that keeps you going. It's only wrong when you feel you deserve big money all the time, and need to exclude others in order to achieve it.

Obviously the Council's own actions have been a very large impetus in the increased fleet. Ever since 1978, the Council has been setting "cut-off dates for eligibility" for halibut limited entry - setting up work groups, funding studies, etc. All of these actions have helped create the often frantic rush to fish halibut, even if at a loss. If this moratorium should be approved, it will be a major government policy and will create a new rush to participate in all fisheries not under a limited entry system. The State of Alaska's enthusiasm for extending limited entry beyond salmon and herring definitely cooled in the late 70's and many Kodiak fishermen once again started making their decisions on when and what to fish, purely on business and personal reasons. A new government policy like a halibut moratorium would have a very major effect on participation in the other fisheries. It would start another frantic rush, would increase our costs by forcing us to participate unprofitably in certain fisheries so we could qualify for future permits. In addition, it would decrease our individual earnings because of the added participation. All these negative reactions would be very real and are not just imaginary. It would be an extremely unwise action for our industry. You cannot act on the halibut fishery without affecting the rest of the industry. The harvesting sections of our industry are just as interrelated as the fish in the ocean.

It is very likely that if future limited entry would be put to rest and the halibut moratorium be turned down, there would be less participation in the halibut fishery than if the moratorium would be enacted. A three year moratorium would bring people out of the woodwork who had already dropped out of the fishery, just so they could increase their qualifications for future permits, and wisely so. The Council has been saying periodically since 1978 that "next year's" participation won't count. So why should the Council be believed now if the Council should say participation during the next three years won't count. More than twice as many people (6,481 individuals) will be eligible to fish under the proposed moratorium than ever fished in any one year (2,800), and it seems certain that a large number of those who dropped out will re-enter the fishery, largely in the hopes of financial gain from ownership of a future share or permit. In addition, many of those who fished the past year or two, but were not financially successful and were considering quitting, will have a renewed incentive to remain active in the fishery during the moratorium.

A moratorium has such a nice allure to it. You kick out the fewest and postpone the disagreements about the various limited entry systems. However, during the enactment of Alaska's limited entry law (and ever since) government lawyers have told us that a moratorium is the most unconstitutional of all limited entry alternatives because it creates such a closed class without a means of entry. The halibut resource is in the best shape its been in decades and I believe there is no way you can justify "protection of the resource" as reason for a moratorium.

Certainly the moratorium will appeal to the fear all fishermen have of competition. It appeals to the greed in us. For the hobby or vacation halibut fisherman who has regular year-round shore-based jobs its real nice. But watch out - how can they be considered dependent on the fishery. For the successful fisherman who has fished mainly or solely halibut and had a taste of the big season, he thinks he'll be eliminating future competition.

The halibut commission has been telling fishermen for over a year that without limited entry they will lose halibut as a fishery. The commission can't justify its own existence if the season is too short, they say. Hogwash! The biologists just need to be used in the other fisheries, also if they have slack time. It seems to me that the halibut commission has a unique bureaucratic position in being separate from both ADF&G and NMFS, a situation which needs review.

Certainly the fishing industry has troubled times. I haven't been so concerned for a long time as to where I'll make it next season. But putting boxes around each fishery and each boat isn't the answer, There are no guarantees in fishing, and if someone wants one he's in the wrong business.

R. David Herrnsteen Jan 21, 1983

R. David Herrnsteen

Mayor

Kodiak Island Borough