

HCR

28

ALASKA STATE LEGISLATURE

Chair
FISHERIES

Vice-Chair
EDUCATION

Member
HEALTH, EDUCATION AND SOCIAL SERVICES

Member
STATE AFFAIRS



REPRESENTATIVE PAUL SEATON
House District 35

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Sponsor Statement

HOUSE CONCURRENT RESOLUTION NO. 28

“Relating to the socioeconomic impacts of salmon harvesting cooperatives.”

The purpose of this resolution is to request the University of Alaska to further study the broader socioeconomic effects of allocative salmon harvesting cooperatives.

In early 2002, the Alaska Board of Fisheries passed regulations that provided a means for the Commercial Fisheries Entry Commission (CFEC) permit holders in the Chignik salmon purse seine fishery to form a harvesting cooperative. 77% of the Chignik permit holders then formed the harvesting cooperative that has operated for the past two years.

The formation of the Chignik harvesting cooperative represents a clear departure from the current structure and management of Alaska's salmon industry. For the first time, limited entry permit holders were allocated a percentage of a fisheries total allowable catch. Everywhere else in the state, limited entry permits only authorize the ability to competitively fish for a part of the total allowable catch.

Chignik is, in many respects, the ideal place to conduct this structural experiment. It is isolated from other fisheries, has only one hundred permit holders with only one gear class, and has relatively simple biological and management conditions. Yet, this isolated coastal community and the salmon cooperative have become the center of a statewide controversy.



FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCR28
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title Relating to the socioeconomic impacts of BRU Legislative Council
salmon harvesting cooperatives. Component: Council and Subcommittees
Sponsor "Representative Seaton by request..." Session Expenses
Requestor House Spec. Comm on Econ Dev, Internat.. Component No. 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has zero fiscal impact on the Legislative Affairs Agency.

Prepared by: Karla Schofield, Deputy Director
Division: Administrative Services
Approved by: Pamela Varni, Executive Director
Agency: Legislative Affairs Agency

Phone: 465-6626
Date/Time: 2/13/04 2:27 PM
Date: 2/13/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HCR28
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: University of Alaska
 Title Studies of Salmon Harvesting Cooper: RDU _____
 Component _____
 Sponsor Representative Seatom
 Requester Salmon Industry Task Forc Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	100.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	100.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	100.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	100.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This is the estimated cost of completing the socioeconomic study of the effects of salmon harvesting cooperatives on commercial fishermen, processors, Alaska fishing communities and the State of Alaska.

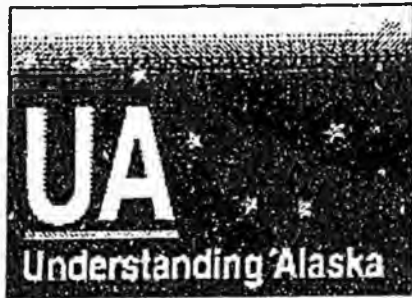
Prepared by: Paul Jenny
 Division: University of Alaska
 Approved by: Paul Jenny
 Agency: University of Alaska

Phone _____
 Date/Time 2/17/04 9:43 AM
 Date 2/17/2004

Proponents of the cooperative point toward the benefits of efficiency, decreased costs, and improved quality. Opponents argue that harvesting cooperatives unfairly disadvantage processors, allow non-participants to benefit from the fishery, decrease the number of jobs in the industry, and decrease the number of dollars circulating through communities.

As the Joint Legislative Salmon Industry Task Force (JLSITF) considered these opposing viewpoints, and considered potential legislation to address policy issues, it became clear that there was very little definitive information on the broader social and economic effects of harvesting cooperatives. The JLSITF did not forward any bills to the Legislature related to harvesting cooperatives, but did form a sub-committee on the issue and also supported this resolution requesting the University of Alaska to research this complicated question.

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ORIGINAL
COPIES



Effects of the Chignik Salmon Cooperative: What the Permit Holders Say

June 2003
 UA Research Summary No 1.
 Institute of Social and Economic Research • University of Alaska Anchorage

By Gunnar Knapp
 and Lexi Hill

Three quarters of the permit holders fishing for salmon in Chignik are in their second season of an experiment: fishing cooperatively. By reducing the number of fishing boats, they hope to cut costs, improve quality, and keep their fishery profitable at a time when much of the Alaska salmon industry is in trouble.

Figure 1 summarizes how the Chignik fishery was structured in 2002. The Alaska Board of Fisheries gave the 100 permit holders the option of joining a co-op or fishing independently; 77 permit holders joined and 23 didn't. The Board allocated 69 percent of the catch to the co-op and 31 percent to independent permit holders, who fished in separate openings. The co-op paid 22 members to catch its allocation, and shared the remaining catch value with all of the co-op members, including those who didn't fish.

ISER is studying the effects of the Chignik co-op as part of our "Understanding Alaska" research on Alaska's salmon industry. As part of that study, in late 2002 we surveyed Chignik permit holders. As shown in Figure 2, most of those who joined the co-op said they were better off financially as a result of the management change, and almost all those who didn't join said they were worse off.

AN IMPORTANT EXPERIMENT

The value to fishermen of the 2002 Alaska salmon harvest was \$141 million—less than one-third of the \$481 million average value of catches in the first half of the 1990s. Many factors contributed to this decline, including not only competition from farmed

salmon, but also lower sockeye salmon harvests, changes in consumer demand, and a worldwide economic slowdown.

These changes have created discussions throughout the salmon industry—among fishermen, processors, fishery managers, and government officials—about how to restore profitability to the salmon industry. Part of the discussion has been about options for "restructuring" the management of salmon fisheries to lower costs, increase value, or steer more of the benefits to Alaskans and their communities.

Several federally-managed fisheries, including halibut and Bering Sea pollock, have seen dramatic restructuring in recent years. But in Alaska's salmon fisheries, the Chignik cooperative is the first significant experiment in restructuring. Within the industry, many people are interested in learning how the co-op has worked, and whether it could be a model for changes in other salmon fisheries.

Figure 1. Chignik Purse Seine Permit Holders in 2002 (100 Permit Holders)

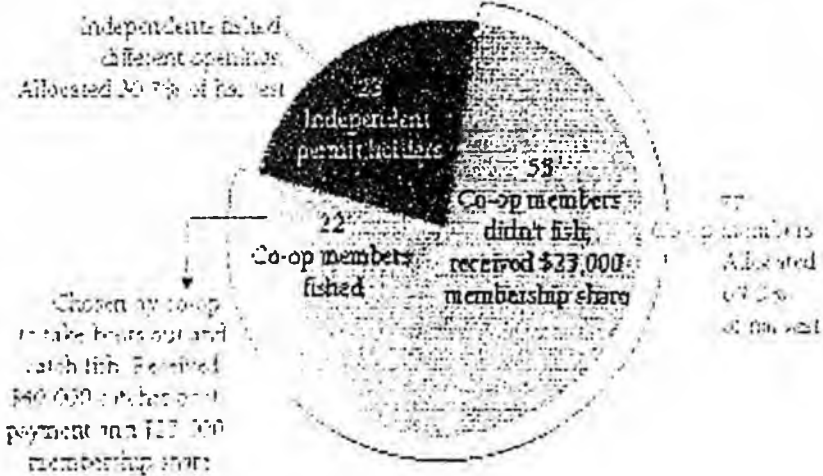
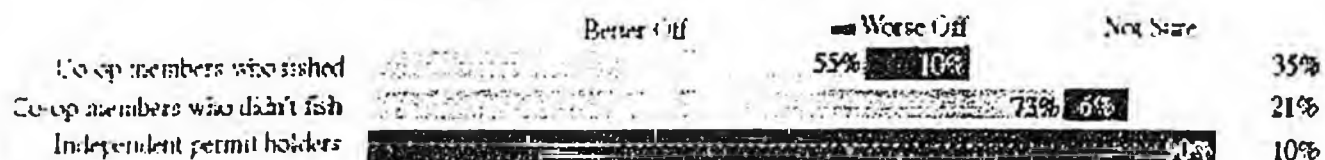


Figure 2. How Did Having a Co-op in 2002 Affect You Financially?



Understanding Alaska (UA) is a special series of ISER research studies examining Alaska economic development issues. The studies are funded by the University of Alaska Foundation. This is the first in a series of summaries reporting UA findings. Full reports and other UA products are on the project Web site—www.alaskanconomy.uaa.alaska.edu

Table 1. Number of Survey Responses

	Independent Permit Holders	Co-op Members Who Fished*	Co-op Members Who Didn't Fish
Number of permit holders	23	22	55
Number of responses received	20	21	48
Response rate (%)	87%	95%	87%

*Based on permit holders' responses about whether they had fished for the co-op.

ESTABLISHMENT OF THE CO-OP

In Chignik, as in many other Alaska salmon fisheries, there are more limited entry permits and boats than are needed to catch the fish. When prices and catch values were high permit holders had little interest in reducing the number of boats. But as sockeye prices and fishing profits declined during the 1990s, many Chignik permit holders argued they should pool their fishing effort to cut costs.

Not all Chignik permit holders wanted a co-op. Because some permit holders regularly catch more fish than others (the 13 highest-earning Chignik permit holders have typically caught three times as much fish per boat as the 40 lowest-earning permit holders), it was difficult to come up with a way of sharing costs and profits that would satisfy everyone. And some permit holders simply preferred to keep fishing the way they had been.

To make a co-op possible, supporters asked the Alaska Board of Fisheries to give separate allocations—to be fished at different times—to those permit holders who wished to form a co-op and to those who wished to fish independently. In January 2002 the board adopted regulations providing for a co-op to receive 0.9% of the total salmon harvest for each permit holder who joined.

The new Chignik regulations represent two significant innovations in Alaska salmon management, both of which have been intensely debated by Chignik permit holders and others in the industry. One innovation is having separate allocations and fishing times for different groups of permit holders who choose to fish in different ways—which has led to debate over whether the allocation between the groups is appropriate and fair.

The other innovation is fishing cooperatively: reducing costs by fishing fewer boats—which has led to debate over how to share costs and profits among those co-op members

who fish and those who don't. A fundamental issue is whether it is appropriate for individuals who don't fish—but who have invested in permits and are foregoing their right to fish those permits—to share in the benefits of Alaska salmon fisheries.

ISER'S SURVEY

To learn more about how permit holders felt about the changes in the Chignik salmon fishery, ISER surveyed Chignik permit holders in late 2002. The high response rate—89 of the 100 permit holders answered our survey questions—gives us confidence that the survey results reflect the views of Chignik permit holders in general. In the figures showing survey results, the percentages are of those who answered the question; some respondents didn't answer some questions. A copy of the full report, including permit holders' detailed comments about the co-op, are on ISER's Understanding Alaska project Web site at www.alaskaneconomy.uaa.alaska.edu.

VIEW OF MANAGEMENT CHANGES

Co-op members and independent fishermen had almost directly opposite views of the management changes that made the co-op possible, as Figure 4 shows.

- Almost all the co-op members—95 percent of those who fished and 86 percent of those who didn't—felt very or somewhat positive about the management changes.
- About 83 percent of independent fishermen felt very or somewhat negative about the management changes
- Only about 5 percent of the co-op members who fished, 14 percent of co-op members who didn't fish, and 17 percent of independents had mixed feelings.

Figure 3. How Do You Feel About The Management Changes in 2002?

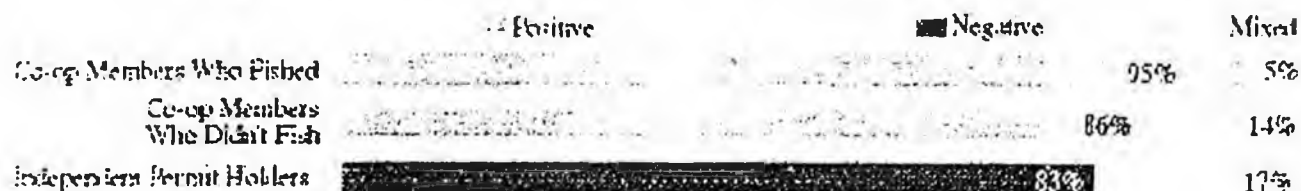


Figure 4. Was The Co-op Managed Well?
(Only Co-op Members)



Figure 5. Were the Boats That Fished For The Co-op Paid Fairly?
(Only Co-op Members)



QUALITY OF CO-OP MANAGEMENT

As Figure 4 shows, most of the co-op members thought the co-op was managed well in its first year. About 76 percent of the co-op members who fished and 85 percent of the members who didn't fish thought the co-op was managed well.

PAYMENT FOR FISHING

An issue for co-op members was the size of the additional payment for those who fished. As Figure 5 shows, permit holders who fished for the co-op were far more likely to say they weren't paid fairly. Several who wrote comments on the survey said that the payment wasn't enough to cover their crew costs or wear and tear on their boats.

ENJOYMENT OF FISHING

Most commercial fishermen say they think of fishing not just as a way to earn a dollar but also as a way of life they enjoy. So we asked Chignik permit holders—both the co-op members and the independents—how the establishment of the cooperative had affected their enjoyment of fishing (Figure 6).

• Half the co-op members who did fish said they enjoyed the more relaxed, less competitive atmosphere with fewer boats in the water. But nearly one quarter said they didn't enjoy it as much, and another one quarter weren't sure.

- Over 60 percent of the co-op members who didn't fish said they missed it. Still, almost 30 percent said they didn't.
- Among independent permit holders, 55 percent said the cooperative had reduced their enjoyment of fishing. But most of the rest said they still enjoyed fishing just as much.

OTHER EFFECTS OF THE CO-OP

Co-op members who fished:

- 100 percent thought the quality of the fish was better because of how the co-op fished.
- 95 percent thought the co-op did a good job marketing the fish.

Co-op members who didn't fish:

- 82 percent said that they would have fished if there hadn't been a co-op.
- 67 percent said that not fishing allowed them to earn money from other work.
- 89 percent thought the co-op did a good job marketing the fish.
- 33 percent said they would have hired Chignik-area residents as crew if there hadn't been a co-op.

Independent permit holders:

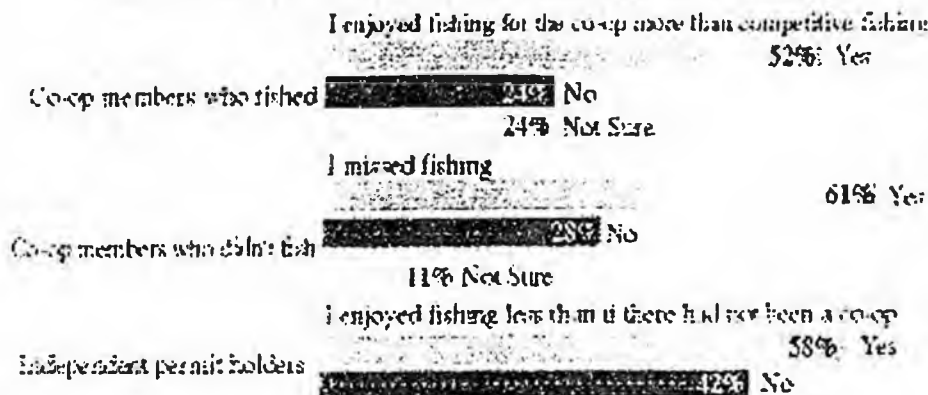
- 80 percent said they caught less fish this year than they would have caught if there had not been a co-op.

• 50 percent thought they had more trouble finding and keeping crew than if there had not been a co-op.

• 32 percent reported missing one or more days of fishing due to breakdowns. (With fewer fishing days, missing a day of fishing mattered more than in earlier years.)

Many permit holders also wrote detailed comments explaining their answers and describing effects of the co-op that they liked or did not like.

Figure 6. How The Co-op Affected Enjoyment of Fishing



SUMMARY

The majority of Chignik permit holders—most of those who joined the co-op—clearly thought it was a success in its first year. They thought they were better off financially because of the co-op. They thought the co-op was managed well, improved fish quality, and did a good job marketing the fish. But a significant minority of Chignik permit holders—including almost all of those who did not join the co-op—had negative feelings about the co-op, and felt they were worse off financially because of the co-op.

The co-op affected not just the permit holders whom we surveyed but everyone involved in the Chignik fishery. The Alaska Department of Fish and Game faced the new task of allocating fish to separate co-op and independent fleets, but could work with the co-op to control daily salmon catches more precisely. Some Chignik salmon processors and tender operators were not able to do business with the co-op (which controlled more than two-thirds of the harvest) and felt very negatively affected.

How relevant is the Chignik co-op to other Alaska salmon fisheries? Organizing a co-op was probably easier in Chignik than it would be in most other areas. All Chignik sockeye salmon return to a single river, making it easier for a smaller fleet to catch the fish, and to allocate fish among different groups. Chignik also has a relatively small number of permit holders, many of whom know each other well. (As shown in Figure 7, more than two-thirds of both co-op members and independent fishermen said they were current or former year-round residents of the Chignik area.)

The experience of the first year of the Chignik co-op suggests that it is possible to restructure Alaska salmon fisheries in ways that reduce costs, improve quality, and make most permit holders better off financially. But restructuring is likely to be difficult and controversial. Change will not come easily.

OTHER "UNDERSTANDING ALASKA" SALMON STUDIES

As world markets change and Alaska's population grows, Alaskans face new challenges in managing our natural resources and balancing between different economic opportunities and the needs and goals of different user groups. We face similar issues and opportunities in managing our salmon resources as we do for many other Alaska resources. To understand these better, ISER is planning several other studies of Alaska salmon management as part of our "Understanding Alaska" project.

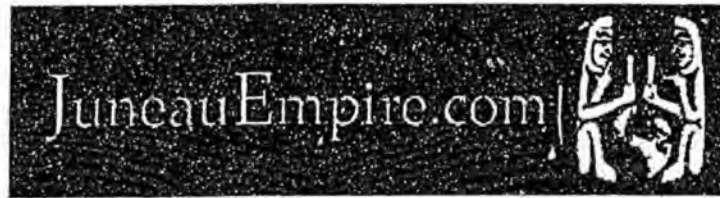
One study will review options for restructuring Alaska's commercial salmon fisheries—not only co-ops but other potential approaches for increasing the economic benefits to Alaskans from our commercial salmon fisheries.

Another study will examine the allocation of Alaska's salmon resources between commercial, sport and subsistence users—including biological, economic, social, political, and legal considerations—and potential new approaches for thinking about allocation and balancing between different resource uses.

For more information about these and other studies visit ISER's Understanding Alaska project Web site—www.alaskanconomy.uaa.alaska.edu.

Figure 7. What Share of Permit Holders are Current or Former Year-Round Chignik Residents?





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Judge finds Chignik salmon co-op legal

Tuesday, October 1, 2002

THE ASSOCIATED PRESS

ANCHORAGE - A Juneau judge on Monday ruled in favor of the Alaska Board of Fisheries in a lawsuit challenging the legality of a commercial salmon fishery cooperative at Chignik.

Dissident independent fishermen who sued earlier this year, claiming the fish board overstepped its authority, may appeal.

Salmon fishermen formed the cooperative over the summer to save expenses and share profits by designating some members to fish in waters off the Alaska Peninsula on behalf of the entire group.

"We're thrilled," said Jamie Ross, a fishermen and co-op organizer. "We're not just happy for us. We're happy for all of Alaska."

The Chignik co-op was viewed by many people in Alaska's beleaguered commercial salmon industry as an important experiment to cut costs and help Alaska's wild salmon compete on price and quality against fierce competition from foreign salmon farms. Observers said such co-ops might be tried in other troubled Alaska salmon fisheries.

Normally, Alaska's salmon fishermen race one another for fish. In Chignik, however, 77 of about 100 Chignik seiners parked most of their boats, catching the fish with a much smaller fleet.

They shared expenses and every co-op member received at least \$20,000, regardless of whether they caught any fish.

Two fishermen who elected not to join the co-op, Dean Anderson and Michael Grunert, sued the board, saying the plan unfairly allocated most of the fish to the co-op. They questioned whether the allocation violated the "common use" and "equal treatment" clauses of the state constitution's natural resources article.

Superior Court Judge Patricia Collins ruled the co-op does not violate the constitution and that each Chignik fishermen has the same chance to either join the co-op or remain independent. She also ruled the board had the authority to pass the co-op regulation in January.

"That's exciting, good news," said Board of Fisheries member John White of Bethel. If the judge had ruled against the board, it would have "stifled our room to move" to help the commercial salmon industry, he said.

"I'm excited that hopefully some innovative thinking to move us as a salmon industry out of this morass is going to find a little clear sailing," he said.

Heather McCarty, who represents the independent fishermen, said she was "really disappointed and surprised" by the ruling. She said no decision on an appeal had been made.

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UNITED FISHERMEN OF ALASKA

February 11, 2004

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Representative Cheryll Heinze, Chair
House Special Committee on Economic Development, International Trade and Tourism
State Capitol (Mail stop 3100)
Juneau, AK 99801

Dear Representative Heinze,

United Fishermen of Alaska supports HCR 28 relating to socio-economic impacts of Salmon harvesting cooperatives. UFA has discussed the matter of salmon harvesting cooperatives in many fisheries in the State of Alaska. Harvesting cooperatives represent a significant policy change and have the potential to change the complex longstanding structure of fisheries and communities.

UFA believes there are few places where cooperatives can be established due to local differences in fisheries and factors such as geography, infrastructure, number of latent and fished permits, and the local economy. The existing harvesting cooperative in Chignik is a unique situation, and the results of a study based on this cooperative may result in findings specific to the local situation. UFA appreciates that HCR 28 calls for a study on cooperatives. We request that the study look beyond the existing Chignik cooperative, and offers that the Legislature may also want to include in the resolution that a study be performed before new salmon harvesting cooperatives are considered in different areas.

United Fishermen of Alaska represents 33 Alaska Commercial fishing organizations and hundreds of individual fishermen and fishing related businesses, altogether representing over 10,000 Alaska fishermen. We support HB 415 and thank you for your attention to this matter.

Sincerely,

Robert Thorstenson, Jr.
President

CC: Representative Paul Seaton

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fisherman's Association • Alaska Trollers Association • Armstrong Keta • At-sea Processors Association
Bristol Bay Reserve • Chignik Regional Aquaculture Association • Chignik Seiners Association • Concerned Area "M" Fishermen • Cordova District Fishermen United
Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Groundfish Forum • Koni Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
Kodiak Seiners Association • North Pacific Fisheries Association • Northern Pacific Scallop Cooperative • Northern Southeast Regional Aquaculture Association
Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association
Seafood Producers Cooperative • Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Catcher Boats • United Salmon Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen