



The Future of the Bristol Bay Salmon Fishery

The Bristol Bay Economic Development Corporation (BBEDC) has finished a year-long study to examine ways to revitalize Bristol Bay's salmon fishery. This brochure summarizes some of the study's findings and invites you to take a look at what has been done and share your ideas and concerns. BBEDC wants to give you as many opportunities as possible to learn more about the work and voice your opinions.

The economic viability of our fishery is at stake. The fishery and many communities in the region are on the verge of financial collapse. If nothing is done, income from the fishery will remain low, and the economic hardship in the region will expand.

Fortunately, options are available to significantly improve the fishery. The project report describes the options and issues surrounding them in much greater detail than provided here.

A key conclusion from the report is that *any plan must be designed by the people involved in the fishery*. Any restructuring effort will only work if it is designed and supported by you and your fellow stakeholders in the industry. That is why your input and help are needed.

Why should I care? How can this affect me?

You should care because restructuring may affect you in many important ways. Restructuring might:

- Increase annual incomes to those remaining in the fishery.
- Change the value of your permit.
- Decrease the number of permits and people in the fishery.
- Significantly change local participation in the fishery, thereby having a long-term effect on communities.
- Impact your community tax base

and affect services such as schools and roads.

What's the problem?

The problem is that salmon returns have declined from the unusually high years of the 1980s and 1990s, and salmon prices have been steadily declining since the late 1980s. Lower returns are due in large part to a natural cycle. The increasingly large output from salmon farms has driven Bristol Bay prices down to levels not seen in 30 years.

Take a look at the two graphs on the next page: The first shows how Bristol Bay sockeye runs have varied over the last 120 years and are now down to levels similar to the first half of the 20th century. The second shows that the value of the catch has settled back to levels seen in the 1960s and 1970s (adjusted to today's dollars).

Making the situation worse, overall harvesting costs in the fishery have increased over the last 25 years.



Fishing the north Egegik line, Bristol Bay.

What will happen if we leave the fishery alone?

Leaving the structure of the fishery alone is clearly an option. If nothing is done, the fishery will continue to change or restructure on its own. High-cost harvesters and processors will continue to sell out, but this will do little to improve income for remaining participants. Annual harvests and prices are expected to remain at levels seen in the last few years. The study found that in 2001, fishermen took home an average of only about 5 cents per pound from their catch. High-volume fishermen made more than this, while others made less or even lost money.

Is there anything that can be done?

Yes. Things could be done to improve peoples' income from the fishery.

Economists use the term "wealth" to describe the take-home pay from the fishery after all expenses have been paid, including fuel, crew shares, permit payments, insurance, etc. A goal of restructuring the fishery is to increase the wealth from the fishery or more specifically, increase everyone's take-home pay. To increase the wealth from the fishery, participants can either work to increase the price of fish or reduce the cost of getting fish from the water to the market. There are clearly times and places in the current fishery where more than necessary is spent to catch and process the fish and where higher prices are possible.

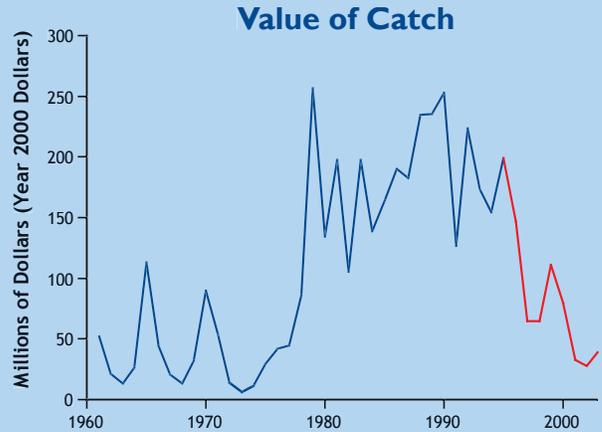
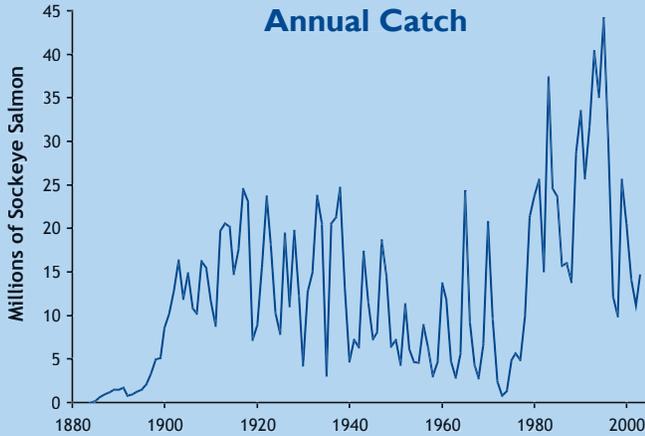
With input from those in the industry, the study identified six significant sources of additional wealth that could be created in the Bristol Bay salmon fishery:

- Reduce the fishing fleet.
- Spread out harvesting over time.
- Use different fishing methods.



Bristol Bay Salmon Fishery

The average annual catch is declining and approaching 15 million fish – a level similar to the first half of the 20th century. The value of the catch has declined to levels last seen in the 1970s.



- Improve product quality.
- Market the harvest better.
- Eliminate the “race for fish” (see sidebar on next page).

Restructuring options to capture new wealth

Take-home pay for fishermen and processors can be increased by *reducing costs and/or raising revenues*. To reduce costs, we must find where it costs more than necessary to harvest and process fish in Bristol Bay. To raise revenues, we must find ways to sell the fish for a higher price. These two categories of locked-up income encompass the six sources of wealth mentioned above. Addressing the six areas could potentially add \$2.6 million to \$42 million annually to the take-home pay from the fishery – compared to the estimated \$3.8 million net income in 2001. On a harvest of 14 million fish, these improvements range from about 3 to 47 cents per pound.

These are substantial improvements to the net income from the fishery, especially if most of the savings are passed on to fishermen. Given that fishermen currently take home about 5 cents per pound on average, restructuring the fishery has the potential to almost double take-home pay and possibly increase it as much as 10 times. The trick is

to identify specific actions to unlock these potential profits from the fishery. The study identified three options which may be implemented alone or in combination.

1. Reduce fleet size by permit reduction and/or consolidation

Reducing the size of the fishing fleet can be accomplished in several different ways. Permit buybacks and permit stacking are two common ways; licensing fishermen to fish alternating periods or days is another way. In Bristol Bay, the setnet and driftnet fleets could be reduced by as much as 50% and still be able to catch the

annual harvest. Significantly reducing the fishing capacity below the current levels would clearly raise net incomes for those still in the fishery. A smaller fleet would reduce the money spent on boats, fuel, and supplies. Fewer people would share the catch and the harvest would be spread over time.

2. Increase the role of fishery managers

State fishery managers currently focus on managing the fishery to conserve stocks while trying to maximize the size of the catch. Managers do not have a mandate to maximize the *market value* of the catch. New income could be generated if managers took economic and market factors into account when regulating the fishery. Managers might limit the amount each boat can catch per day, further limit the number of vessels to fish a particular day or week in a district, authorize different harvesting methods, and/or implement handling and quality standards. These actions could:

- Improve quality,
- Provide better marketing opportunities, and
- Slow the race for fish.

3. Assign harvest shares to participants

It may be possible to assign a share or percentage of the annual harvest to participants in the fishery. Individuals with

Estimates of Potential Improvements to Net Income from the Bristol Bay Salmon Fishery



The “Race for Fish” and Its Impact on the Fishery

Why are so many boats in the Bristol Bay fishing fleet so powerful and expensive to operate? After all, only 1,200 sailboats were once able to catch the same numbers of fish as today! Over the years, individual fishermen have faced strong incentives to build bigger, faster, larger-capacity boats to beat other fishermen to the catch (i.e., compete in a “race for fish”). After two decades in Bristol Bay, we are left with a fleet of fishing boats that is much larger and more expensive to operate than is necessary to harvest the annual catch (despite a 32-foot limit on length of boats).

Restructuring options that do not eliminate or at least reduce the race for fish will only increase the payoff for individuals to invest more in their boats and fishing operations. As long as there is money to be made by beating the competition to the fish in the short run, fishermen will continue to invest in equipment to improve their chances of winning the race. Restructuring options like permit buybacks and permit stacking do nothing to eliminate the race for fish. Ten to 15 years after implementing a buyback alone in Bristol Bay, we would expect even more of the fleet to look like the larger of the two 32-foot boats in the photo.



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Two 32-foot driftnet boats in Bristol Bay.

shares would be permitted to form harvesting cooperatives. Managers would treat the cooperatives operating in each district similar to the way the set and driftnet fleets are currently treated, and would open the fisheries so as to guarantee the cooperatives their share of the catch. Like a recent experiment in the nearby Chignik salmon fishery, such a harvest share system could dramatically decrease costs and produce a higher-quality, higher-priced product. A system of harvest shares could achieve several goals at once:

- Reduce the fishing fleet.
- Spread out harvesting over time.
- Use lower-cost fishing methods.
- Improve product quality.
- Provide better marketing opportunities.
- Eliminate the race for fish.

Risks of a buyback

Buying back permits is often thought of as a quick fix: reduce the fleet and make more money. Unfortunately, it’s not that simple. Risks of a buyback include the following:

Return to pre-buyback economic conditions but with fewer boats: Without removing the incentives created by the race for fish, the remaining fleet will continue to build fishing capacity. Ten years after a buyback, we may well see a much smaller fleet spending as much to harvest the fish as today’s fleet.

Take resources away from other investment opportunities: It would take a lot of money to buy back permits, and that money leaves the fishery. The money might be better invested in the fishery to reduce harvesting costs and improve quality or marketing.

Permits may be put back in the fishery in the future: The biggest risk associated with a buyback is that if good economic times ever return to the fishery, individuals outside of the fishery can legally challenge the limited access to the fishery as “too exclusive.” They could be granted permits to reenter the fishery, thereby erasing any benefits of the buyback.

In summary

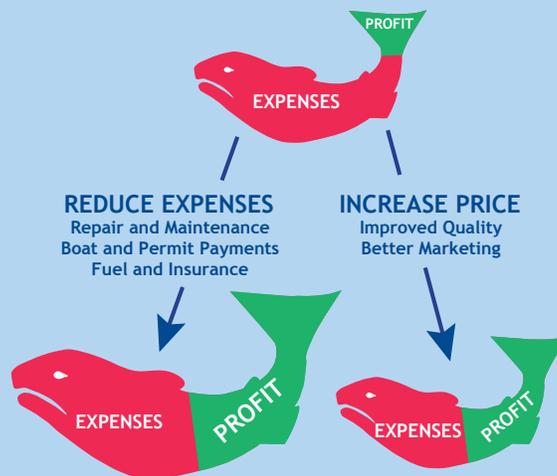
So, although conditions in the fishery are tough, there are several things that could be done to improve participants’ income. The report identified several sources of new income from the fishery. The restructuring options mentioned above are practical approaches to access this untapped income. However, the details of designing and implementing the options are complex. The report concludes that those in the fishery must work out these details if any option is to succeed.

What happens next?

That depends on the input we receive from stakeholders like you. Please tell us what you would like to see happen by contacting us or attending meetings (see back page). For example, do you think the fishery should be left alone, or is restructuring needed? What restructuring options do you like or don’t like?

After public input, it should be clear if there is support for restructuring. If those in the fishery favor leaving it alone, nothing more may happen. If stakeholders want to see changes, the next step might be to form a regional task force with representatives from different sectors in the fishery. Their mandate could be to design a plan to restructure the fishery.

Restructuring: Reduce Expenses and Improve Fish Price





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AN ANALYSIS OF OPTIONS TO
RESTRUCTURE THE BRISTOL BAY
SALMON FISHERY



A Study Commissioned by the Bristol Bay Economic
Development Corporation

March 2003

A Study of the Bristol Bay Salmon Fishery is Complete and Your Input is Needed!

The Bristol Bay Economic Development Corporation (BBEDC) and the Joint Legislative Salmon Industry Task Force funded this study of options for restructuring the Bristol Bay salmon fishery. The project started in February 2002, and the final report was completed in March 2003. BBEDC took a lead role because no single issue is more critical to the future of the region's economy. A research team made up of economists, fisheries experts, and an historian conducted the research over 12 months. The team received input from industry, the public, and an 11-member Advisory Panel composed of seven fishermen, a manager of a salmon processing facility, a fishery manager, an economist, and the Chairman of the State's Commercial Fisheries Entry Commission.

Brochures explaining the study and soliciting input were distributed to stakeholders, and public meetings were held in three Bristol Bay communities. A project website (www.bbsalmon.com) was established, and many meetings were held between the study team and stakeholders.

Ways to Learn More and Provide Input:

- Read this brochure
- Read the final report (from website www.bbsalmon.com or write to us at Box 1464, Dillingham, AK 99576)
- Attend the upcoming workshops and meetings
- Email us at: bbsalmon@lgl.com
- Visit the website and post your comments.

Workshops are Currently Scheduled for:

- **King Salmon:** 1 pm, September 16, 2003, King Salmon Village Council
- **Dillingham:** 1 pm, September 18, 2003, Curyung Tribal Council
- **Pacific Northwest:** To be announced (check website for updates)

