

# 1. INTRODUCTION

In 1973, the Alaska State Legislature enacted Alaska's Limited Entry law (AS 16.43) for commercial fisheries. The law established a new agency, the Commercial Fisheries Entry Commission (CFEC), to administer a program regulating entry into commercial fisheries under state jurisdiction. Limited Entry was implemented in most of the salmon fisheries in 1974. By year-end 1997, permanent limited entry permits had been issued in 51 commercial fisheries : 26 salmon fisheries, 14 herring fisheries, 8 crab fisheries, and 3 sablefish fisheries.

A legal prerequisite of the Limited Entry Act was that permits not be locked in the hands of those who were originally issued them (i.e. "initial issuees").<sup>1</sup> After much study and debate, the legislature finally chose free transferability as the method for allowing orderly entry and exit from the fisheries.

Free transferability allows parents to transfer their permits to their children, allows permits to be inherited upon the death of the holder, allows persons to enter and exit fisheries at times opportune to them, and obviates the need for an expensive and time consuming bureaucratic process to handle permit reallocation. Free transferability facilitates permit exchange and promotes overall efficiency. All other transfer options were lacking with respect to these criteria.

In 1983, the Alaska Supreme Court ruled on the State of Alaska v. Ostrosky, 667 P.2d 1184 (1983), which challenged the constitutionality of the Limited Entry Act, particularly the free transferability provisions. The Alaska Supreme Court upheld the constitutionality of both the Act and free transferability and also affirmed the legislative objectives in adopting the transferability option. The decision was subsequently allowed to stand by the United States Supreme Court when it dismissed the Ostrosky appeal in Ostrosky v. State, 104 S. Ct 2379 (1984), rehearing denied 104 S. Ct. 3572 (1984).

---

<sup>1</sup> Note that initial issuance refers to the issuance of a new permit whenever this occurred. As some applicants are difficult to classify under a hardship ranking system, a final determination of their standing may come only after an extensive hearing and adjudicatory process. In other instances permits have been issued as lawsuits brought against the Commission are eventually resolved. Thus, some permits have been issued several years after the main body of permits were issued in a given fishery.

Despite the benefits of free transferability, many persons remain concerned that permit transfers may eventually result in undesirable consequences. There is concern that permits will leave the state, or that permits will disappear from isolated fishing communities which are “local” to a limited fishery, thereby eroding the economic base. The legislature has twice ordered studies of transferability options, first upon initial passage of the Act<sup>2</sup> and again in 1980.<sup>3</sup>

Because of concerns about free transferability, CFEC has produced this report so that the legislature, the administration, and other interested parties will be kept accurately apprised of the facts. CFEC hopes to periodically update this report as the budget allows.

This edition covers the 51 limited fisheries for which permanent permits have been issued in the period 1975 through 1997. It contains detailed information on transfer incidence, the initial geographic distribution of permit holders, changes in the distribution of permits due to permanent transfers of permits and migration of permit holders, and the year-end 1997 geographic distribution of permit holders. Extensive information is also provided on the age distribution of permit holders, age differences between transferors and transferees, rates and characteristics of intra-family and business partner transfers, permit market values, and permit acquisition and financing methods.

---

<sup>2</sup> AS 16.43.370(b): “The commission shall study alternative methods of permit transferability and report its findings and recommendations to the legislature before January 15, 1975.” The resulting report was the “Report to the Legislature on Entry Permit Transfers,” CFEC, January 15, 1975.

<sup>3</sup> Rodgers, G. and J. Kreinheder, “Socioeconomic Analysis For Fishery Areas and Census Divisions.” Prepared for the Limited Entry Study Committee of Alaska State Legislature, January 21, 1980.

## II. TRANSFER INCIDENCE

### Statewide Turnover Rates

During the period 1975-1997, 14,462 permanent limited entry permits were issued in 51 fisheries. However, not all of these permits were available for transfer. AS 16.43.250 required that CFEC develop hardship ranking systems ("point systems") to allocate permits, and to determine at which point levels a person would experience only minor economic hardship if excluded from the fishery. Permanent permits issued to persons classified at minor economic hardship levels were to be nontransferable. By the end of 1997, 12,766 permits had been issued as fully transferable<sup>4</sup> and 1,696 permits issued as nontransferable.

During this same time span there were 23,523 permanent transfers. Original permit holders transferred 9,498 permits, indicating approximately 74.2% of all transferable permits had changed hands at least once (9,498 out of 12,799 permits) by the end of 1997. Over the entire time period, the average annual number of transfers per number of transferable permits was 9.3% (23,523 total transfers / 254,079 transferable permit-years).

Two types of annual transfer rates are shown in Table 1. The first type is the ratio of the permits transferred for the first time (i.e. from initial issues) to the number of transferable permits. This ratio would be expected to decline over time if no new permits were issued because each year there would be fewer permits held by initial issues left to transfer. This transfer ratio has declined from .08 to .02 over the 1975-1997 time period. The average annual ratio of transfers from initial issues to transferable permit-years is .04 for the entire time period.

The second type of annual transfer rate reported in Table 1 is the ratio of transfers to available transferable permits which provides a measure of the annual turnover rate for transferable permits. This ratio varied between 0.07 and 0.13 over the 1975-1997 time period, and averaged over 0.09

---

<sup>4</sup> 12,766 transferable permits were initially issued (Table 3), the actual number of transferable permits at the end of 1997 was 12,799 (Tables 1 and 4). These totals differ because 96 transferable permits were revoked and 129 nontransferable permits were reclassified as transferable after receiving additional point awards through adjudication.

for all years combined.<sup>5</sup> As can be seen in Table 1, this transfer ratio dropped below the all-years average in 1989 and has remained relatively low through 1997. The 1993 and 1994 ratios of 0.07 indicate the lowest turnover rates recorded over the time period.

### **Turnover Ratios by Fishery 1975-1997**

In Table 2 fisheries were divided into groups based upon the year in which they were limited. Summary transfer rates are provided for each group. The first group consists of the original 19 salmon fisheries for which permanent permits were first issued in 1975, the second group consists of the six Arctic-Yukon-Kuskokwim (AYK) salmon fisheries limited in 1976, and the third group includes the four herring fisheries which were limited in 1977-1978. A fourth group includes the hand troll fishery, the Prince William Sound (PWS) and Kodiak roe herring fisheries, and the Southeast crab and sablefish fisheries which were limited during the 1980-1987 time period. The fifth group consists of six westward herring fisheries which were limited in 1988-1991. The final group consists of the Southeast and Cook Inlet Dungeness crab fisheries which were limited in 1996.

Two measures of average annual transfer rates for individual fisheries are shown in Table 2. The first transfer rate is calculated by dividing the cumulative total transfers from initial issues over the 1975-1997 time period by transferable permit-year counts. The fisheries limited in the most recent years have the highest rates of transfers from initial issues but this rate is expected to decline over time because each year there will be fewer initial issues remaining in the fishery.

The second transfer rate is calculated by dividing all permanent transfers over the time period by total transferable permit-year counts. The permit-year count represents a summation over all years of the number of transferable permits existing at the end of each year. These rates are comparable to the all-years statewide summary rates presented in Table 1.

For the second type of turnover rate (ratio of transfers to transferable permit-years), the transfer rates vary considerably by fishery. The transfer rates for about one half of the fisheries are 0.10 or

---

<sup>5</sup> Because some permits may be transferred more than once during a year, the ratio of permits transferred to available transferable permits would be slightly less.

greater when averaged across all years. Some of the fisheries with lower annual average rates are all of the AYK salmon fisheries and westward herring fisheries except for Norton Sound herring gill net, the Chignik salmon purse seine and the Southeast roe herring purse seine fisheries.

The annual transfer rate within a fishery may vary considerably from year to year. This is demonstrated in Appendix B where the number of transferable permits, number of transfers, and the transfer rates for each year are presented for individual fisheries. The yearly number of permanent transfers has been relatively low in many fisheries since 1989.

TABLE 1. Statewide Transfer Data on Permanent Permits, by Year, 1975 - 1997

Year	Number of Permanent Permits*	Number of Transferable Permits *	Yearly # of Transfers From Initial Issuees	Ratio of Transfers From Initial Issuees to Transferable Permits	Yearly Number of Transfers **	Ratio of Transfers to Transferable Permits
1975	6,762	6,762	568	0.08	590	0.09
1976	9,173	9,160	650	0.07	776	0.08
1977	9,772	9,710	780	0.08	1,108	0.11
1978	9,975	9,895	777	0.08	1,314	0.13
1979	10,104	10,016	557	0.06	1,209	0.12
1980	10,132	10,040	522	0.05	1,060	0.11
1981	10,204	10,112	505	0.05	1,092	0.11
1982	11,030	10,936	553	0.05	1,144	0.10
1983	12,488	10,965	566	0.05	1,211	0.11
1984	12,531	11,009	414	0.04	1,053	0.10
1985	12,507	11,173	387	0.03	1,111	0.10
1986	12,509	11,226	402	0.04	1,191	0.11
1987	12,486	11,253	305	0.03	1,120	0.10
1988	12,578	11,409	345	0.03	1,125	0.10
1989	12,654	11,495	276	0.02	914	0.08
1990	13,019	11,911	270	0.02	950	0.08
1991	13,061	12,000	260	0.02	929	0.08
1992	13,419	12,366	206	0.02	950	0.08
1993	13,423	12,429	216	0.02	856	0.07
1994	13,404	12,460	217	0.02	908	0.07
1995	13,357	12,461	232	0.02	1,010	0.08
1996	13,347	12,492	228	0.02	941	0.08
1997	13,639	12,799	262	0.02	961	0.08

Years	Number of Transferable Permit-Years	Total Transfers From Initial Issuees	Ratio	Total Number of Transfers	Ratio
75 - 97	254,079	9,498	0.04	23,523	0.09

\* 858 permits have been revoked. Except for 35 that were re-instated, these have been excluded from the year of revoke forward.

\*\* The number of transfers includes 132 loan foreclosures by the Department of Commerce and Economic Development or by the Commercial Fishing and Agriculture Bank, and 121 subsequent transfers from these entities.

TABLE 2. Transfer Ratios by Fishery, 1975-1997, All Years Combined

Permits First Issued in:	Permit-Years* 1975-1997 Total Permanent	Permit Years* 1975-1997 Total Transferable	Cumulative # of Transfers from Initial Issuees	Ratio of Transfers from Initial Issuees to Transferable Permit-Years	Cumulative Number of Transfers**	Ratio of Transfers to Transferable Permit-Years
1975						
Southeast Seine	9,532	9,532	338	0.04	805	0.08
Southeast Drift	10,687	10,687	403	0.04	1,298	0.12
Power Troll	21,562	21,562	816	0.04	1,988	0.09
Yakutat Setnet	3,771	3,771	127	0.03	393	0.10
PWS Seine	5,956	5,956	219	0.04	605	0.10
PWS Drift	12,225	12,225	420	0.03	1,216	0.10
PWS Setnet	675	659	28	0.04	73	0.11
Cook Inlet Seine	1,787	1,787	72	0.04	190	0.11
Cook Inlet Drift	12,687	12,687	491	0.04	1,351	0.11
Cook Inlet Setnet	16,973	16,973	613	0.04	1,916	0.11
Kodiak Seine	8,650	8,650	320	0.04	906	0.10
Kodiak Beach Seine	748	705	30	0.04	123	0.17
Kodiak Setnet	4,236	4,236	160	0.04	550	0.13
Chignik Seine	2,065	2,065	66	0.03	109	0.05
Pen/Aleutian Seine	2,705	2,705	88	0.03	207	0.08
Pen/Aleutian Drift	3,610	3,610	148	0.04	386	0.11
Pen/Aleutian Setnet	2,520	2,520	100	0.04	320	0.13
Bristol Bay Drift	39,943	39,943	1,445	0.04	3,331	0.08
Bristol Bay Setnet	<u>21,564</u>	<u>19,535</u>	<u>724</u>	<u>0.04</u>	<u>2,142</u>	<u>0.11</u>
	181,896	179,808	6,608	0.04	17,909	0.10
1976						
Upper Yukon Gillnet	1,424	1,424	44	0.03	97	0.07
Upper Yukon Fish Wheel	2,944	2,944	115	0.04	227	0.08
Kuskokwim Gillnet	17,834	17,834	579	0.03	991	0.06
Kotzebue Gillnet	4,528	4,528	157	0.03	307	0.07
Lower Yukon Gillnet	15,434	15,434	448	0.03	791	0.05
Norton Sd Gillnet	<u>4,262</u>	<u>4,262</u>	<u>146</u>	<u>0.03</u>	<u>284</u>	<u>0.07</u>
	46,426	46,426	1,489	0.03	2,697	0.06
1977-78						
SE Herr Seine	906	906	29	0.03	51	0.06
SE Herr Gillnet	1,633	1,633	76	0.05	182	0.11
PWS Herr Seine	2,079	2,079	72	0.03	167	0.08
Cook Inlet Herr Seine	<u>1,495</u>	<u>1,495</u>	<u>54</u>	<u>0.04</u>	<u>134</u>	<u>0.09</u>
	6,113	6,113	231	0.04	534	0.09
1980-87						
Hand Troll	27,330	12,201	591	0.05	1,468	0.12
NSEI Sablefish Longline	305	305	21	0.07	30	0.10
SSEI Sablefish Longline	32	32	4	0.13	7	0.22
SSEI Sablefish Pots	10	10	1	0.10	1	0.10
SE R/B King Crab Pot	9	9	1	0.11	1	0.11
SE R/B/Brn King Crab Pot	6	6	0	.	0	.
SE Brn King Crab Pot	13	13	1	0.08	1	0.08
SE R/B King + Tanner Pot	65	65	5	0.08	5	0.08
SE All King + Tanner Pot	117	117	5	0.04	9	0.08
SE Tanner Crab only Pot	30	30	3	0.10	5	0.17
PWS Herr Gillnet	384	384	20	0.05	38	0.10
PWS Herr Pound	1,280	1,280	81	0.06	126	0.10
Kodiak Herring Seine	727	608	37	0.06	87	0.14
Kodiak Herr Gillnet	1,039	916	69	0.08	156	0.17
Kodiak Herr Seine/Gill	<u>17</u>	<u>11</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>-</u>
	31,364	15,987	839	0.05	1,934	0.12
1988-91						
BBay Herr Spawn on Kelp	1,654	1,654	59	0.04	65	0.04
Nelson Is Herr Gillnet	964	964	28	0.03	33	0.03
Nunivak Herr Gillnet	352	352	7	0.02	8	0.02
L Yukon Herr Gillnet	583	583	24	0.04	29	0.05
Norton Sd Herr Gillnet	1,880	1,880	126	0.07	221	0.12
Norton Sd Herr B Seine	<u>20</u>	<u>20</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>-</u>
	5,453	5,453	244	0.04	356	0.07

TABLE 2. Transfer Ratios by Fishery, 1975-1997, All Years Combined

Permits First Issued in:	Permit-Years* 1975-1997 Total Permanent	Permit Years* 1975-1997 Total Transferable	Cumulative # of Transfers from Initial Issuees	Ratio of Transfers from Initial Issuees to Transferable Permit-Years	Cumulative Number of Transfers**	Ratio of Transfers to Transferable Permit-Years
1996-						
SE Dungeness Ring Net	8	0	0	.	0	.
SE Dungeness Dive	2	0	0	.	0	.
SE Dungeness 300 Pot	50	50	14	0.28	15	0.30
SE Dungeness 225 Pot	43	43	12	0.28	13	0.30
SE Dungeness 150 Pot	78	78	33	0.42	35	0.45
SE Dungeness 75 Pot	70	62	25	0.40	26	0.42
CI Dungeness Ring Net	1	0	0	.	0	.
CI Dungeness Pot	70	59	3	0.05	4	0.07
	<u>322</u>	<u>292</u>	<u>87</u>	<u>0.30</u>	<u>93</u>	<u>0.32</u>

\* Total permit years are the total number of permits at the end of each year, summed over the entire period.

\*\* The number of transfers includes 132 permit foreclosures and 121 subsequent transfers of these permits.