

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 yearend 1998, permanent limited entry permits had been issued in 56 commercial fisheries : 26 salmon fisheries, 16 herring fisheries, 8 crab fisheries, 5 sablefish fisheries, and 1 shrimp fishery.

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 issues”).¹ 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 eliminates 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).

¹ 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 Act² and again in 1980.³

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 informed of the facts.

This edition covers the 56 limited fisheries for which permanent permits have been issued in the period 1975 through 1998. 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 yearend 1998 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.

² 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.

³ 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 1975-1998, 14,974 permanent limited entry permits were issued in 56 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 an initial permit allocation. Permanent permits issued to persons classified at minor economic hardship levels were to be nontransferable. By the end of 1998 there were 13,174 transferable permits and 904 nontransferable permits.⁴

During this same time span there were 24,383 permanent transfers. Original permit holders transferred 9,684 permits, indicating approximately 73.6% of all transferable permits had changed hands at least once (9,684 out of 13,164 permits) by the end of 1998. Over the entire time period, the average annual number of transfers per number of transferable permits was 9.1% (24,383 total transfers / 267,253 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 issuees) 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 issuees left to transfer. This transfer ratio has declined from 0.08 to 0.01 over the 1975-1998 time period. The average annual ratio of transfers from initial issuees to transferable permit-years is 0.04 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 1975-1998 time period, and averaged over 0.09 for

⁴ 13,164 transferable permits were initially issued (Table 3), the actual number of transferable permits at the end of 1998 was 13,174 (Tables 1 and 4). These totals differ because 119 transferable permits were revoked and 129 nontransferable permits were reclassified as transferable after receiving additional point awards through adjudication.

all years combined.⁵ As can be seen in Table 1, this transfer ratio dropped below the all-years average in 1989 and has remained relatively low through 1998. The 0.07 ratio in 1993, 1994, and 1998 are the lowest turnover rates recorded over the time period.

Turnover Ratios by Fishery 1975-1998

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 for which permanent permits were first issued in 1976, and the third group includes the four herring fisheries for which permanent permits were first issued in 1977-1978. A fourth group includes the hand troll fishery, the Prince William Sound (PWS) and Kodiak roe herring fisheries, and the Southeast king and tanner crab and Southeast sablefish fisheries for which permanent permits were first issued during the 1980-1987 time period. The fifth group consists of six westward herring fisheries for which permanent permits were first issued in 1988-1991. The sixth group consists of the Southeast and Cook Inlet Dungeness crab fisheries for which permanent permits were first issued in 1997. The final group consists of the PWS sablefish fisheries and the Southeast herring pound and shrimp fisheries for which permanent permits were first issued in 1998.

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 1975-1998 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.

⁵ Because some permits may be transferred more than once during a year, the ratio of permits transferred to available transferable

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 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 - 1998.

Year	Number of Permanent Permits *	Number of Transferable Permits *	Yearly # of Transfers From Initial Issues	Ratio of Transfers From Initial Issues to Transferable Permits	Yearly Number of Transfers **	Ratio of Transfers to Transferable Permits
1975	6762	6762	568	0.08	590	0.09
1976	9173	9160	650	0.07	776	0.08
1977	9772	9710	780	0.08	1108	0.11
1978	9975	9895	777	0.08	1314	0.13
1979	10104	10016	557	0.06	1209	0.12
1980	10132	10040	522	0.05	1060	0.11
1981	10204	10112	505	0.05	1092	0.11
1982	11030	10936	553	0.05	1144	0.10
1983	12488	10965	566	0.05	1211	0.11
1984	12531	11009	414	0.04	1053	0.10
1985	12507	11173	387	0.03	1111	0.10
1986	12509	11226	402	0.04	1191	0.11
1987	12486	11253	305	0.03	1120	0.10
1988	12579	11409	345	0.03	1125	0.10
1989	12654	11495	276	0.02	914	0.08
1990	13020	11911	270	0.02	950	0.08
1991	13061	12000	260	0.02	929	0.08
1992	13419	12366	206	0.02	950	0.08
1993	13423	12429	216	0.02	856	0.07
1994	13404	12460	217	0.02	908	0.07
1995	13357	12461	232	0.02	1010	0.08
1996	13347	12492	228	0.02	941	0.08
1997	13639	12799	262	0.02	961	0.08
1998	14078	13174	186	0.01	860	0.07

Years	Number of Transferable Permit-Years	Total Transfers From Initial Issues	Ratio	Total Number of Transfers	Ratio
75 - 98	267253	9684	0.04	24383	0.09

* 933 permits have been revoked. Except for 37 that were re-instated, these have been excluded from the year of revoke forward.

** The number of transfers includes 139 loan foreclosures by the Department of Commerce and Economic Development or by the Commercial Fishing and Agriculture Bank, and 123 subsequent transfers from these entities.

TABLE 2. Transfer Ratios by Fishery, 1975-1998, All Years Combined.

Permits First Issued in:	Permit-Years* 1975-1998		Cumulative # of Transfers from Initial Issues	Ratio of Transfers from Initial Issues to Transferable Permit-Years	Cumulative Number of Transfers**	Ratio of Transfers to Transferable Permit-Years
	Total Permanent	Total Transferable				
1975						
Southeast Seine	9947	9947	345	0.03	841	0.08
Southeast Drift	11158	11158	409	0.04	1343	0.12
Power Troll	22528	22528	821	0.04	2046	0.09
Yakutat Setnet	3939	3939	127	0.03	403	0.10
PWS Seine	6221	6221	222	0.04	625	0.10
PWS Drift	12762	12762	424	0.03	1252	0.10
PWS Setnet	705	688	28	0.04	77	0.11
Cook Inlet Seine	1869	1869	73	0.04	193	0.10
Cook Inlet Drift	13255	13255	494	0.04	1393	0.11
Cook Inlet Setnet	17718	17718	614	0.03	1963	0.11
Kodiak Seine	9033	9033	322	0.04	922	0.10
Kodiak Beach Seine	782	738	30	0.04	123	0.17
Kodiak Setnet	4424	4424	161	0.04	573	0.13
Chignik Seine	2155	2155	66	0.03	114	0.05
Pen/Aleutian Seine	2825	2825	89	0.03	213	0.08
Pen/Aleutian Drift	3770	3770	148	0.04	392	0.10
Pen/Aleutian Setnet	2633	2633	100	0.04	327	0.12
Bristol Bay Drift	41787	41787	1474	0.04	3468	0.08
Bristol Bay Setnet	<u>22573</u>	<u>20454</u>	<u>731</u>	<u>0.04</u>	<u>2213</u>	<u>0.11</u>
	190084	187904	6678	0.04	18481	0.10
1976						
U. Yukon Gillnet	1496	1496	45	0.03	99	0.07
U. Yukon Fish Wheel	3104	3104	118	0.04	234	0.08
Kuskokwim Gillnet	18660	18660	591	0.03	1026	0.05
Kotzebue Gillnet	4731	4731	159	0.03	313	0.07
Lower Yukon Gillnet	16134	16134	461	0.03	829	0.05
Norton Sd Gillnet	<u>4457</u>	<u>4457</u>	<u>152</u>	<u>0.03</u>	<u>294</u>	<u>0.07</u>
	48582	48582	1526	0.03	2795	0.06
1977-78						
SE Her Seine	951	951	29	0.03	53	0.06
SE Her Gillnet	1740	1740	77	0.04	192	0.11
PWS Her Seine	2182	2182	72	0.03	169	0.08
Cook Inlet Her Seine	<u>1569</u>	<u>1569</u>	<u>54</u>	<u>0.03</u>	<u>135</u>	<u>0.09</u>
	6442	6442	232	0.04	549	0.09
1980-87						
Hand Troll	28740	12975	595	0.05	1534	0.12
NSEI Sablefish Longline	343	343	22	0.06	32	0.09
SSEI Sablefish Longline	36	36	4	0.11	8	0.22
SSEI Sablefish Pots	11	11	1	0.09	1	0.09
SE R/B King Crab Pot	10	10	1	0.10	1	0.10
SE R/B/Brn King Crab Pot	7	7	0	0.00	0	0.00
SE Brn King Crab Pot	15	15	1	0.07	1	0.07
SE R/B King/Tanner Pot	73	73	5	0.07	5	0.07
SE All King/Tanner Pot	131	131	7	0.05	11	0.08
SE Tanner Crab only Pot	34	34	3	0.09	5	0.15
PWS Her Gillnet	408	408	20	0.05	38	0.09
PWS Her Pound	1408	1408	81	0.06	128	0.09
Kodiak Her Seine	797	659	37	0.06	89	0.14
Kodiak Her Gillnet	1136	998	69	0.07	158	0.16
Kodiak Her Seine/Gill	<u>19</u>	<u>12</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
	33168	17120	846	0.05	2011	0.12
1988-91						
BBay Her Spawn on Kelp	1936	1936	62	0.03	69	0.04
Nelson Is Her Gillnet	1105	1105	30	0.03	35	0.03
Nunivak Her Gillnet	404	400	7	0.02	9	0.02
L Yukon Her Gillnet	652	652	26	0.04	31	0.05
Norton Sd Her Gillnet	2125	2125	131	0.06	237	0.11

TABLE 2. Transfer Ratios by Fishery, 1975-1998, All Years Combined.

Permits First Issued in:	Permit-Years* 1975-1998		Cumulative # of Transfers from Initial Issues	Ratio of Transfers from Initial Issues to Transferable Permit-Years	Cumulative Number of Transfers**	Ratio of Transfers to Transferable Permit-Years
	Total Permanent	Total Transferable				
Norton Sd Her B Seine	<u>24</u>	<u>24</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
	6246	6242	256	0.04	381	0.06
1997						
SE Dungeness Ring Net***	16	0	0	0.00	0	0.00
SE Dungeness Dive***	5	0	0	0.00	0	0.00
SE Dungeness 300 Pot	101	101	19	0.19	22	0.22
SE Dungeness 225 Pot	89	89	19	0.21	20	0.22
SE Dungeness 150 Pot	160	159	46	0.29	54	0.34
SE Dungeness 75 Pot	158	129	43	0.33	50	0.39
CI Dungeness Ring Net	2	0	0	0.00	0	0.00
CI Dungeness Pot	<u>139</u>	<u>118</u>	<u>3</u>	<u>0.03</u>	<u>4</u>	<u>0.03</u>
	670	596	130	0.22	150	0.25
1998						
PWS Net Gear	1	1	0	0.00	0	0.00
PWS Sablefish Fixed 90ft	1	1	0	0.00	0	0.00
PWS Sablefish Fixed 50ft	23	23	1	0.04	1	0.04
PWS Sablefish Fixed 35ft	7	7	0	0.00	0	0.00
SE Her Pound Northern	67	67	3	0.04	3	0.04
SE Her Pound Southern	182	140	0	0.00	0	0.00
SE Shrimp Pot	<u>181</u>	<u>128</u>	<u>12</u>	<u>0.09</u>	<u>12</u>	<u>0.09</u>
	462	367	16	0.04	16	0.04

* 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 139 permit foreclosures and 123 subsequent transfers of these permits.

*** Fisheries have no transferable permits, the number of transfers and ratios will always be 0.