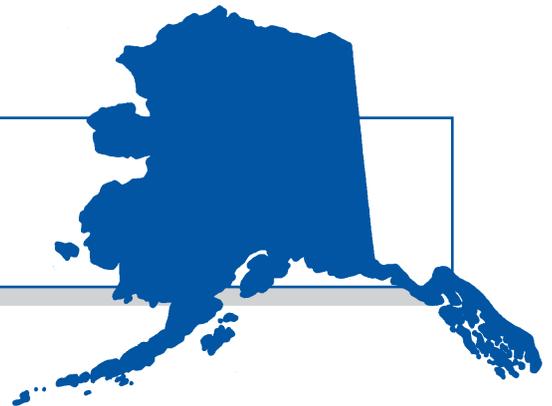




C F E C



Commercial Fisheries
Entry Commission
2003
Annual Report





STATE OF ALASKA • COMMERCIAL FISHERIES ENTRY COMMISSION

2003 ANNUAL REPORT

Dear Governor, Legislators, and Fellow Alaskans:

Pursuant to AS 16.43.980, we are pleased to submit the Commercial Fisheries Entry Commission's 2003 Annual Report.

The Alaska Legislature enacted the Limited Entry Act in 1973, soon after Alaska voters approved a constitutional amendment which authorized entry limitation. The Limited Entry Act created a system for limiting the number of participants in Alaska's commercial fisheries and established the Commercial Fisheries Entry Commission to implement and administer the program.

During 2003, the Commission adopted regulations limiting one fishery and establishing a point system for another recently limited fishery, issued over 35,000 annual fishing permits and vessel licenses, reviewed more than 1,700 transfer requests, and issued 166 adjudicatory decisions. At various stages of adjudication, 314 cases were before the Commission as of the end of 2003. Fishers have petitioned the Commission to limit 20 additional fisheries. The Commission is reviewing these fisheries and will develop proposals for public comment as required by the Limited Entry Act.

These are difficult economic times for many fishers. Working with the Legislature and Administration in 2003, the Commission continued to commit considerable time and resources into providing information concerning options, statutory tools, and protections needed to meet the challenges facing Alaska's evolving fisheries.

Additionally, the commission continues to work closely with fishermen, organizations, communities, the Alaska Department of Fish and Game, the Alaska Department of Community and Economic Development, the Commercial Fishing and Agriculture Bank, Alaska Business Development Center, Child Support Enforcement Division, Division of Emergency Services, Small Business Administration and Internal Revenue Service on issues of importance to Alaska's commercial fishing industry.

We remain dedicated to our role in promoting conservation and sustained yield management of Alaska's fish resources and economic stability among fishers and those dependent upon them for a livelihood.

Sincerely,

COMMERCIAL FISHERIES ENTRY COMMISSION

Frank Homan, Commissioner
Mary McDowell, Commissioner
Bruce Twomley, Chairman



OEO/ADA Compliance Statement

The Commission is administratively attached to the Alaska Department of Fish and Game (ADF&G).

The Alaska Department of Fish and Game administers all programs and activities free from discrimination based on race, color, national origin, age, sex, religion, marital status, pregnancy, parenthood, or disability. The department administers all programs and activities in compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990, the Age Discrimination Act of 1975, and Title IX of the Education Amendments of 1972.

If you believe you have been discriminated against in any program, activity, or facility, or if you desire further information please write to ADF&G, P.O. Box 25526, Juneau, AK 99802-5526; U.S. Fish and Wildlife Service, 4040 N. Fairfield Drive, Suite 300 Webb, Arlington, VA 22203 or O.E.O., U.S. Department of the Interior, Washington DC 20240.

For information on alternative formats for this and other department publications, please contact the department ADA Coordinator at (voice) 907-465-4120, (TDD) 907-465-3646, or (FAX) 907-465-2440.

Commercial Fisheries Entry Commission



**State of Alaska
Governor**

Frank H. Murkowski

Commissioners

Frank Homan, Commissioner
Mary McDowell, Commissioner
Bruce Twomley, Chairman

Adjudications

Frank Glass, Project Leader

**Information Technology
Services**

Ty McMichael, Project Leader

Licensing

Karen Wells, Project Leader

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Introduction

 The commercial fishing industry is a major component of Alaska's state-wide economy and the economic backbone of Alaska's coastal communities. Alaska's seafood industry is the state's largest source of private sector jobs. The Commercial Fisheries Entry Commission plays an essential management role in developing and sustaining Alaska's billion dollar fishing industry.

In 1972, Alaskans voted to amend Article 8, Section 15 of Alaska's constitution to allow limited entry of Alaska's fisheries. With this new authority, the Alaska Legislature approved the Limited Entry Act in 1973. The Act created the limited entry program and established the Alaska Commercial Fisheries Entry Commission (Commission) as an exempt, independent, quasi-judicial agency to carry out the mandate of the people and legislature.

The Limited Entry Act directs the Commission to promote the conservation and sustained yield management of Alaska's fishery resources and the economic health and stability of the fishing industry by regulating entry into the state's commercial fisheries.

To meet these responsibilities, the Commission organizes its staff into four sections: Adjudications, Research, Licensing, and Information Technology (see the chart: Organization by Agency Function, page 4).

The Commission engages in the following activities mandated by law (AS 16.43):

- Establishes maximum numbers of entry permits for fisheries to be limited and implements application processes and point systems to rank eligible applicants;
- Processes entry permit applications and adjudicates claims not resolved in initial classification;
- Issues annual permits in limited and unlimited fisheries, and issues annual licenses for all vessels as required to legally participate in the State's commercial and guided sport fisheries;
- Processes requests for emergency and permanent transfers of entry and interim-use permits and compiles data of all such transfers;

**THE COMMERCIAL
FISHERIES ENTRY
COMMISSION
PLAYS AN
ESSENTIAL
MANAGEMENT ROLE
IN DEVELOPING
AND SUSTAINING
ALASKA'S BILLION-
DOLLAR FISHING
INDUSTRY.**

**ALASKANS MUST
ENSURE OUR
FISHERIES ARE
DEVELOPED WISELY
AND SUSTAINED
THROUGH SOUND
MANAGEMENT.**

- Enforces provisions of the Limited Entry Act by regulating permit transfer activities;
- Participates in the research and development of comprehensive fisheries economic data;
- Works with other state and federal management agencies to develop, analyze, and coordinate fisheries policies;
- Assesses demerit points against permit holders for convictions of violations of commercial fishing laws in the salmon fisheries; and
- Issues vessel permits in fisheries under vessel moratoria.

Between 1973 and the end of 2003, the Commission limited entry in 67 fisheries. The Commission has received petitions for the limitation of 20 additional fisheries.

The percentage of limited entry permits held by Alaska residents has remained relatively stable. Thirty years after enactment of Alaska's Limited Entry Act, Alaskans hold almost 77% of all limited entry permits. At the end of 2003, Alaskans held 11,324 limited entry permits, with rural Alaskans holding more than half of that number.

In 30 years of limited entry, Alaskan residents have gained a total of 31 permits from nonresidents as a net result of permit transfers.

The Commission issued nearly 36,000 permanent permits, interim-use



Courtesy of Alaska Seafood Marketing Institute

permits, and vessel licenses for the 2003 license year and reviewed more than 1,700 permit transfer requests. In fiscal year (FY) 2003, the Commission collected approximately 3.7 million dollars in revenues for the state.

The economic challenges facing the salmon industry have generated discussion about potential cost efficiencies in the fisheries, including consideration of options for reducing fleet size. The Commission continues to participate in this ongoing discussion with the public and policy makers, and to provide data to assist and inform the exploration of ideas. See *Decisions and Activities Section* for more information.

By working with other state and federal agencies throughout 2003, the Commission continued to help Alaska fishers protect their fishing privileges.

In addition to working with policy makers, agencies, fisheries organizations, and individual fishers on the many current, pressing issues facing the fishing industry, the Commission continues to perform its primary functions of limiting fisheries, licensing fishers and vessels, adjudicating claims, performing critical research and providing data to the public and agencies.

In August of 2003, Commissioner Marlene Johnson retired after two terms on the Commission and Governor Frank Murkowski appointed Frank Homan to the Commission. Having served as a Commissioner from 1991–1996, Mr. Homan’s past experience allowed him to step directly into the duties of Commissioner when he returned to the Commission in September.

Major decisions and activities of the Commission in 2003 are outlined in this report. Prior years’ activities, events, and decisions that affected the Commission’s operations are highlighted in the appendices.

Alaska’s fishing industry is vital to the state’s economy and provides an important food source to the world. Alaskans must ensure our fisheries are developed wisely and sustained through sound management. We at the Commission continue our commitment to fulfill our statutory role in achieving this goal.

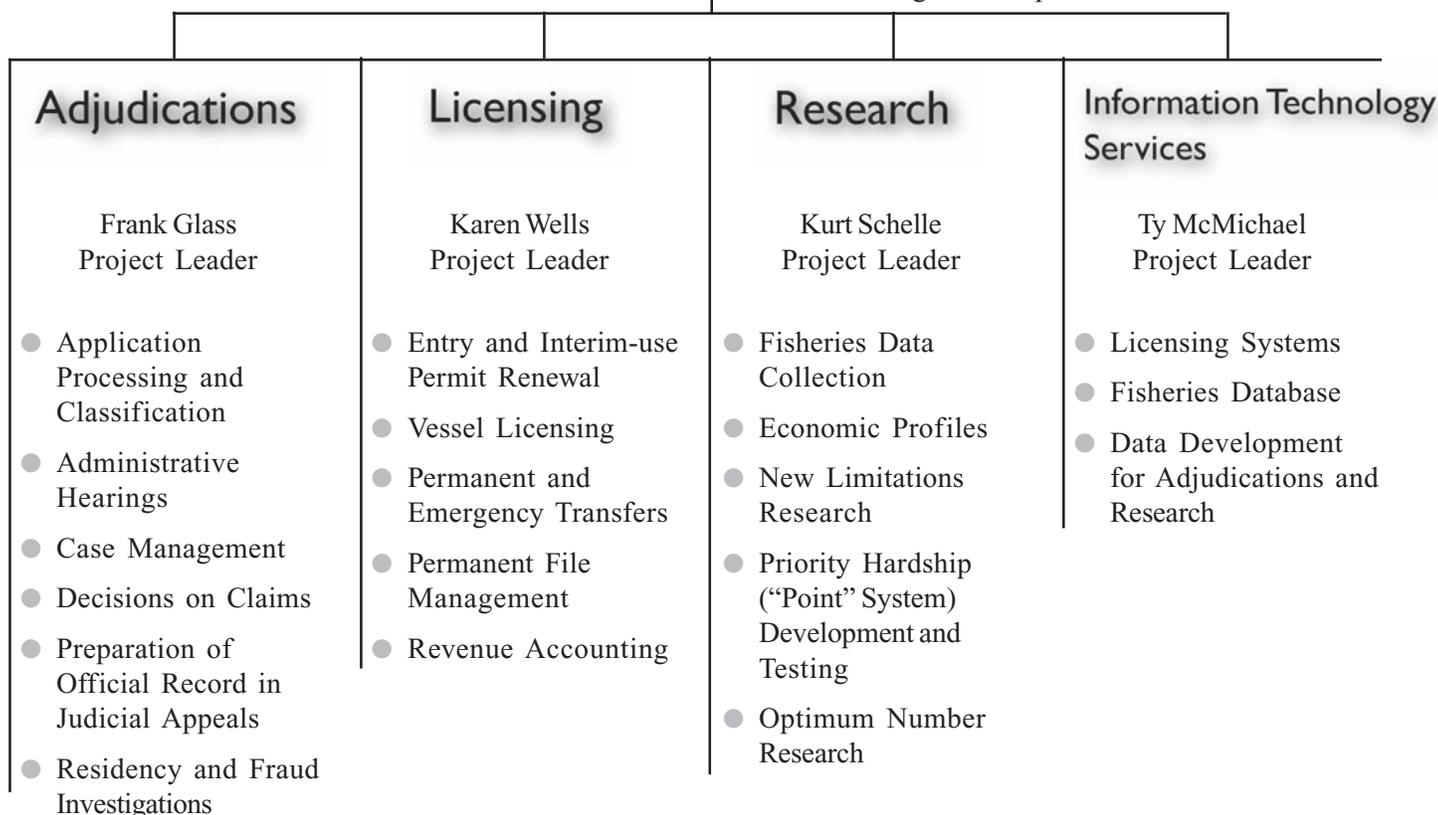
Organization by Agency Function

Commercial Fisheries Entry Commission

Commissioners

Frank Homan, Commissioner
 Mary McDowell, Commissioner
 Bruce Twomley, Chairman

Personnel, Payroll, Travel,
 Accounting, Purchasing, and
 Property/Supply Management,
 Budget Development



Decisions and Activities

LIMITATION OF BERING SEA HAIR CRAB FISHERY

The Commission received petitions to limit entry into the Bering Sea hair crab fishery in December 1995 and January 1996. Research into patterns of participation indicated problems with limiting the fishery under the traditional limited entry program. As a result, in 1996, the legislature passed a bill establishing a temporary vessel-based moratorium on new vessels in the Bering Sea hair crab fishery that would expire on June 30, 2000. In the moratorium bill, the legislature also directed the Commission to draft legislation to submit to the legislature that would give the Commission authority to implement a permanent vessel based limited entry system for fisheries if such a program would fulfill the purposes of the limited entry.

As directed, the Commission drafted vessel permit legislation. A bill to establish a vessel permit program was introduced in 1999 but did not pass. Because legislation had not passed and the moratorium was set to expire, the legislature in 2000 extended the moratorium until July 1, 2003. Legislation to establish a vessel permit program was again introduced in 2002. During the legislative process, the legislation was amended to allow the Commission to use a vessel-based limited entry system only in the Bering Sea hair crab and state scallop fisheries. Additionally, a provision was added that sunsets the law on December 30, 2008.

After considering both the traditional person-based limited entry system and the vessel-based system, on February 15, 2003, the Commission proposed to limit entry into the Bering Sea hair crab fishery under a vessel-based limited entry program. The proposed regulations included provisions to establish qualification for vessel permits, transfer and substitution procedures, annual fees, annual renewal process, fishing capacity restrictions, and to prevent concentration of ownership of vessel permits.. The Commission proposed that qualifying vessels be restricted to the maximum overall length of the qualifying vessel, regardless of any later vessel substitution or transfer of the vessel entry permit.

The Commission held two public hearings by teleconference from Juneau. The public comment period for written and oral comments lasted until April 2, 2003.

On June 5, 2003, the Commission adopted regulations to limit entry into the Bering Sea hair crab fishery under the proposed vessel-based permit system. The regulations became effective on September 21, 2003. An application period will be held from January 2, 2004, to April 15, 2004.

POINT SYSTEM FOR THE KODIAK *BAIRDI* TANNER CRAB POT FISHERY

 On October 22, 2002, the Commission adopted regulations limiting entry into the Kodiak *bairdi* Tanner crab pot fishery.

Under AS 16.43, the Commission must develop and use a hardship ranking system to determine which of the eligible applicants will receive a limited entry permit in a newly limited fishery. This “point system” is necessary because the number of eligible applicants typically exceeds the maximum number established at the time of limitation.



Courtesy of Alaska Seafood Marketing Institute

Under the law, a point system must be based upon the two broad concepts of past participation in the fishery and economic dependence on the fishery. The statute directs the Commission to consider a number of different criteria when developing a point system for a fishery.

The Commission proposed an application period and point system regulations for the Kodiak *bairdi* Tanner crab pot fishery on September 9, 2003.

The Commission held a public hearing in Kodiak, Alaska and a second hearing by teleconference, and the Commission also invited written and oral comments. The public comment period ended on October 27, 2003. On November 6, 2003, the Commission adopted final point system and application period regulations. The regulations will become effective on February 11, 2004. The Commission will conduct an application period for the Kodiak *bairdi* Tanner crab pot fishery to begin on March 1, 2004, and end on September 1, 2004.

OTHER ISSUES AND DECISIONS

 During the 2003 legislative session, the legislature passed House Concurrent Resolution 6 extending the Joint Legislative Salmon Industry Task Force until the end of the 2004 legislative session. The Task Force was instructed to submit a final report of its findings and proposed industry and legislative changes to the legislature by January 31, 2004. CFEC was called upon many times throughout the rest of the year to provide information and to participate in discussions to assist the task force and its subcommittees in formulating recommendations for legislative proposals.

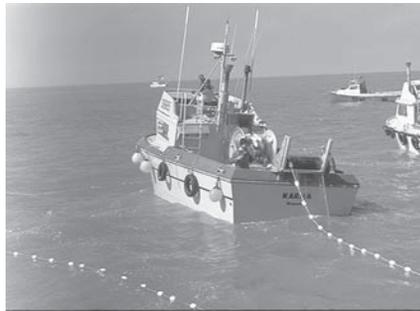
In February of 2003, Chairman Twomley addressed the **Salmon for Success Summit in Juneau** (sponsored by the Central Council of Tlingit and Haida Indians of Alaska) on the status of limited entry permits in Southeast Alaska Native Communities.

Chairman Twomley served on the advisory panel for **An Analysis of Options to Restructure the Bristol Bay Salmon Fishery**, an independent study funded and published by the Bristol Bay Economic Development Corporation in March of 2003.

In August of 2003, at the request of former Governor Walter J. Hickel and the Institute of the North, Chairman Twomley addressed the first Alaska meeting of the International Association for the Study of Common Property (IASCP), and his written account, *License Limitation in Alaska's Commercial Fisheries*, has been published by IASCP.

Chairman Twomley contributed to and helped edit **Charting New Courses for Alaska Salmon Fisheries: The Legal Waters**, published by the University of Alaska Marine Advisory Program in November of 2003.

Chairman Twomley (appointed by the Treasury Secretary) continues to serve on the National Taxpayer Advocacy Panel. In October, the panel adopted Chairman Twomley's proposal to ensure taxpayers have their full statutory protection from seizures and forced sales that would cause significant hardship and recommended the IRS implement the Chairman's proposal. The panel is waiting for IRS' response.



Courtesy of Alaska Seafood Marketing Institute

Adjudications

OVERVIEW

 The primary purpose of Commission Adjudications Section is to evaluate, classify and adjudicate applications for limited entry permits. Entry permit applicants are classified in a system that measures each applicant's past participation and economic dependence on the fishery. Applicants are then ranked in relation to the classifications of all other applicants. Entry permits are then issued at successively lower classification levels until the established maximum number of permits has been issued for that fishery.

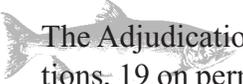
Adjudication functions are performed by two paralegals, four hearing officers and the Commissioners. The paralegals evaluate entry permit applications and make the initial determination on accepting, denying and classifying them. An applicant may challenge the denial or classification of an entry permit application by requesting a hearing. Commission hearing officers conduct administrative hearings and issue decisions based on the record.

Hearings may be requested also if the Commission's Licensing Section denies requests for the emergency transfer or the permanent transfer of entry permits. Emergency transfer hearings are held and decided by paralegals. Permanent transfer hearings are held and decided by hearing officers.

The Commissioners review each paralegal and hearing officer decision and may order further review and hearings on their own motion or upon the request of an affected party, and may subsequently modify, reverse or affirm the decisions.

Commission hearing officers also preside over hearings arising from enforcement (notice to show cause) proceedings, where the Commission may impose fines, or revoke or suspend the permits of those who attempt to mislead the Commission with false information. These hearings are held in the presence of the Commissioners.

ADMINISTRATIVE PROCEEDINGS AND DECISIONS

 The Adjudication staff issued 85 decisions in 2003: 48 on permit applications, 19 on permit transfers, 14 on notices to show cause and 4 on miscellaneous matters. At the end of the year, 147 entry permit application cases were pending before hearing officers.

The Commissioners adjudicated a total of 81 cases during 2003: 43 on permit applications, 18 on emergency transfers, 15 on notices to show cause, 1 on an administrative fine and 4 on miscellaneous matters. At the end of the year, 167 entry permit application cases were pending before the Commissioners.

By the end of 2003, Commissioners and hearing officers made substantial progress through the Commission's adjudication caseload. Looking back to 1990, as the result of the *Wassillie* settlement (authorizing hundreds of new applications in the salmon fisheries) and a series of Alaska Supreme Court cases during the 1980's, the Commission's caseload had risen to nearly 900 cases. Additionally, since 1990, the Commission has been required by statute to limit 26 additional fisheries generating thousands of new applications for entry permits. From 1990 through 2003, the Commission issued almost 1,700 final Commission decisions thereby deciding cases at a rate faster than applicants filed new appeals and reducing its caseload to 314.

JUDICIAL RULINGS AND APPEALS

 In *State, CFEC v. Carlson*, 65 P.3d 851 (Alaska 2003), the Alaska Supreme Court issued its third decision in the class action (originally filed in 1984) challenging Alaska's higher commercial fishing license and permit fees charged to nonresidents. Previously, the court held that nonresidents could be charged higher fees only to recoup the equivalent of the per capita fishery conservation and management costs borne only by residents. In this most recent decision, the court made several determinations about what could and could not be included in the calculation of fishery conservation and management costs. The court accepted the Superior Court's figures for

the direct and indirect costs of fisheries management as derived from the budgets of agencies such as the CFEC, the Commercial Fisheries Division of ADF&G, and the Department of Public Safety. It reversed in part the Superior Court's outright exclusion of all capital costs. The Supreme Court said that capital costs directly supporting the commercial fishing industry are to be counted, but other capital costs are not. The court declined to include the cost of general government expenditures that are tied to increases in population due to commercial fishing. The court allowed inclusion of the state's subsidy of the fish hatchery loan fund. The Supreme Court remanded the case back to the Superior Court for specific determinations on the capital costs and the amount of the fishery loan fund subsidy.

Also during 2003, the United States Supreme Court declined to hear an appeal from the *Carlson* class members arguing that under the Commerce Clause of the U.S. Constitution, they should be refunded the entire differential between resident and nonresident fees.

In *State v. Dupier*, 74 P.3d 922 (Alaska App. 2003), the Alaska Court of Appeals held that the state could not require interim-use permits for the halibut and sablefish fisheries that occurred entirely in the exclusive economic zone (EEZ) and must issue landing permits instead for landing these fishery resources in Alaska. (The Alaska Supreme Court granted the state's Petition for Hearing in this case and will issue the final decision on the matter.)



Courtesy of Alaska Seafood Marketing Institute



Courtesy of Alaska Seafood Marketing Institute

Licensing

OVERVIEW

 The Commission's Licensing Section is responsible for issuance of annual permit and vessel licenses required for participation in Alaska's commercial and guided sport fisheries. The section provides fishers with renewal forms, permits, and vessel licenses in a timely manner to avoid lost fishing time. Additionally, the Licensing Section handles replacement of lost licenses, tracking of vessel ownership changes, monitoring salmon net area registrations, and issuance of emergency and permanent transfers.

The Licensing Section serves as a source of information and referrals to commercial fishers about laws and regulations affecting the fishing industry. In addition to keeping up to date regarding licensing requirements and actions of the Commission itself, licensing staff maintain contact with ADF&G, Division of Investments, National Marine Fisheries Service and other agencies in order to keep track of changes in relevant laws and regulations. Some of these changes include actions by the Commission and the legislature to bring fisheries under entry limitation or moratoria; implementation of new types of licensing mechanisms; adoption of regulatory changes by the Board of Fisheries; and actions by federal agencies to create or revise moratoria or restricted access programs such as License Limitation Program (LLP), Individual Fishing Quota (IFQ) and Community Development Quota (CDQ).

While keeping up with additional licensing responsibilities associated with new regulatory developments, licensing staff must also respond to thousands of information requests annually with current information. In coordination with the Commission's Information Technology Services section, the Licensing Section is continually streamlining procedures, automating processing wherever possible and looking for innovative ways to efficiently improve.

THE LICENSING SECTION SERVES AS A SOURCE OF INFORMATION AND REFERRALS TO COMMERCIAL FISHERS ABOUT LAWS AND REGULATIONS AFFECTING THE FISHING INDUSTRY.

As of the end of 2003, the total number of permits and vessel licenses issued decreased slightly from the 2002 season. This continues the downward trend in recent years. The decrease may be partially attributed to fisheries in which the annual licensing requirements have been waived due to season-long closures and nontransferable permits lapsing due to nonpayment for a two-year period. The number of permits issued is also impacted each time a new fishery is limited and applications for permanent permits are adjudicated and denied.

NEW FEE STRUCTURE

 During the 2001 legislative session, the Alaska Legislature passed a bill revising the fee structure for annual renewal of commercial fishing limited entry and interim-use permits, effective for the 2002 season. The new fee structure was adopted in response to a recent court decision in the *Carlson v. State* lawsuit, a class action by nonresident fishermen challenging Alaska's law that set annual nonresident commercial fishing fees at three times the resident fees.

In 2002 and 2003, each permit in a given fee class was assessed an annual base fee. Nonresident permits were assessed an additional amount calculated according to a formula provided by a court ruling. For 2003 permits, that amount was \$120.

The new law also amended CFEC's reduced fee provision that allows qualified low-income fishermen to pay reduced annual fees for their permits. In the past, the reduced fee has been a flat \$15 for resident and \$45 for nonresident permits. Beginning with the 2002 licensing year, the reduced fee is one-half (50%) of the fee the holder—resident or nonresident—would otherwise pay.

PERMIT TRANSFERS FOR FLEET CONSOLIDATION

 In 2002, the legislature passed a bill (HB286) allowing holders of salmon permits to hold up to two permits in a given fishery for the purpose of fleet consolidation. The Commission adopted regulations and procedures for this new ability to hold two permits in a salmon fishery. By the end of 2003, in seven different salmon fisheries, 37 fishers held two permits: Southeastern Alaska purse seine and drift gillnet, Cook Inlet drift gillnet, Peninsula Aleutian drift and set gillnet, Bristol Bay drift and set gillnet.

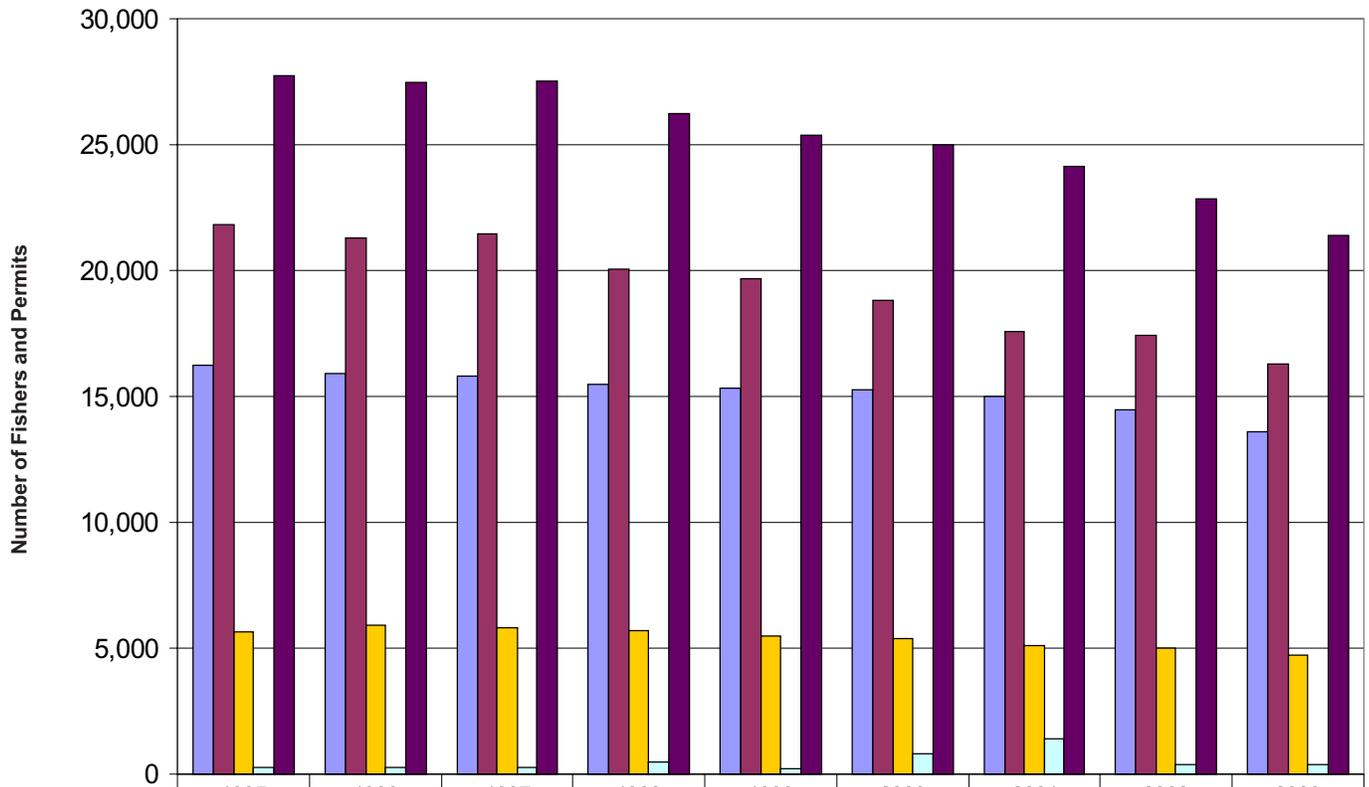
DEMERIT POINTS

 In 1998, the Alaska Legislature enacted AS 16.43.850-16.43.895, which established a demerit point system for suspending commercial fishing privileges based on convictions for fishing violations in the salmon fisheries. Under this law, the Commission must suspend a salmon permit holder's commercial fishing privileges for a period of one to three years if certain threshold levels of demerit points are accumulated in a three-year period.

During the last six years, the Commission has issued demerit points to 382 fishers and suspended two salmon permits in Bristol Bay. Most of the demerit points assessed have been for violations occurring in the Bristol Bay salmon drift gillnet fishery.

PERMITS AND LICENSES ISSUED

Permits Issued by License Year



	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Fishers	16,224	15,937	15,820	15,459	15,328	15,252	15,024	14,479	13,581
Resident Permits	21,812	21,282	21,427	20,051	19,664	18,819	17,602	17,433	16,289
Nonresident Permits	5,640	5,924	5,816	5,689	5,462	5,390	5,132	4,998	4,725
Fees Waived*	279	247	276	478	231	782	1,408	400	395
Total Permits	27,731	27,453	27,519	26,218	25,357	24,991	24,142	22,831	21,409

Licensing year refers to the fishing year for which the license or permit is issued, regardless of when fees were paid. Number of permits is higher than number of fishers as some individuals hold permits in more than one fishery.

Breakdown between resident/nonresident determined by resident category of fees paid.

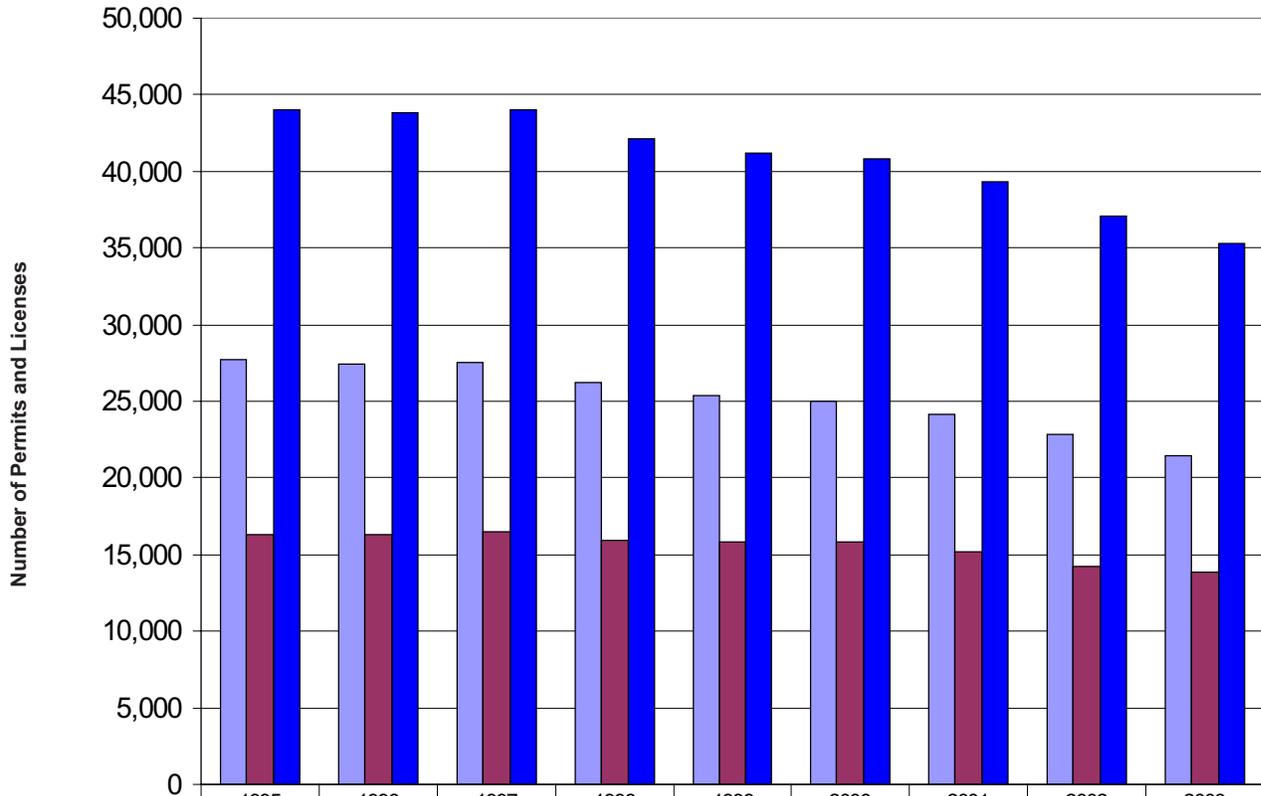
Data include permits issued in both open access fisheries and limited fisheries.

Includes only permits with fees paid by 12/31/2003 or fees waived.

* Number of permits for which the Commission waived fees due to fishery not opening.

(From CFEC report B1440P-C Includes interim-use, interim-entry, permanent, moratorium and moratorium vessel permits)

Fishing Permits and Vessel Licenses Issued by License Year



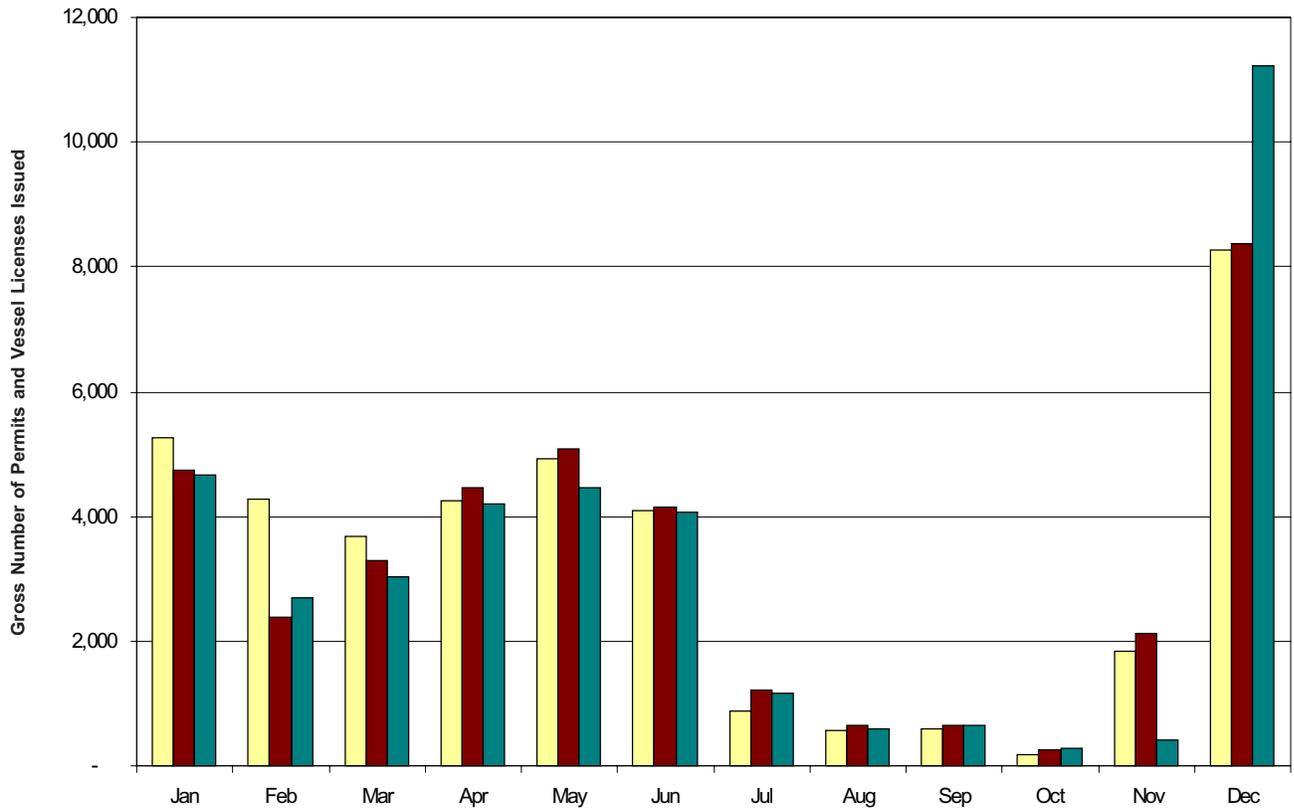
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Fishing Permits	27,731	27,453	27,519	26,218	25,357	24,991	24,142	22,831	21,409
Total Vessel Licenses	16,276	16,325	16,442	15,959	15,849	15,843	15,177	14,243	13,880
Total Permits and Licenses	44,007	43,778	43,961	42,177	41,206	40,834	39,319	37,074	35,289

Data include permits issued in both open access fisheries and limited fisheries and vessel licenses issued by license year. License year refers to the fishing year for which the license or permit is issued, regardless of when the fee was paid.

Includes only permits with fees paid by 12/31/2003 or fees waived.

(From CFEC report B1440P-C includes interim-use, interim-entry, permanent moratorium and moratorium vessel permits)

Permit and Vessel Licenses Issued by Month



(From CFEC reports B1430P-A and B2430P-A)

Summary of Permitting Activity - 2003 Licensing Year

Limited Entry Permits <i>Not</i> Renewed	1,452
Limited Entry Permits with Fees Waived*	395
Limited Entry Permits Revoked or Lapsed (since 1975)	1,384
Limited Entry Permits Renewed	12,810
Interim-use Permits in Fisheries Under Limitation or Moratoria	466
Interim-use Permits in Open-to-Entry Fisheries	7737
Special Harvest Area (Hatchery) permits	21
Educational Entry Permits	0
Vessel Permits**	1

* Fees for limited entry permits may be waived in the event of season-long closures.

** A vessel permit was issued in the Statewide scallop fishery which was under a vessel-based moratorium.

(From CFEC reports B1440P-A and B)



Courtesy of Alaska Seafood Marketing Institute

PERMIT TRANSFER REQUESTS

 During 2003 the Commission reviewed 1,729 requests for permanent and emergency transfers of permits. These included 741 emergency transfer requests and 988 permanent transfer requests. A breakdown of transfer requests by type of transfer is shown below:

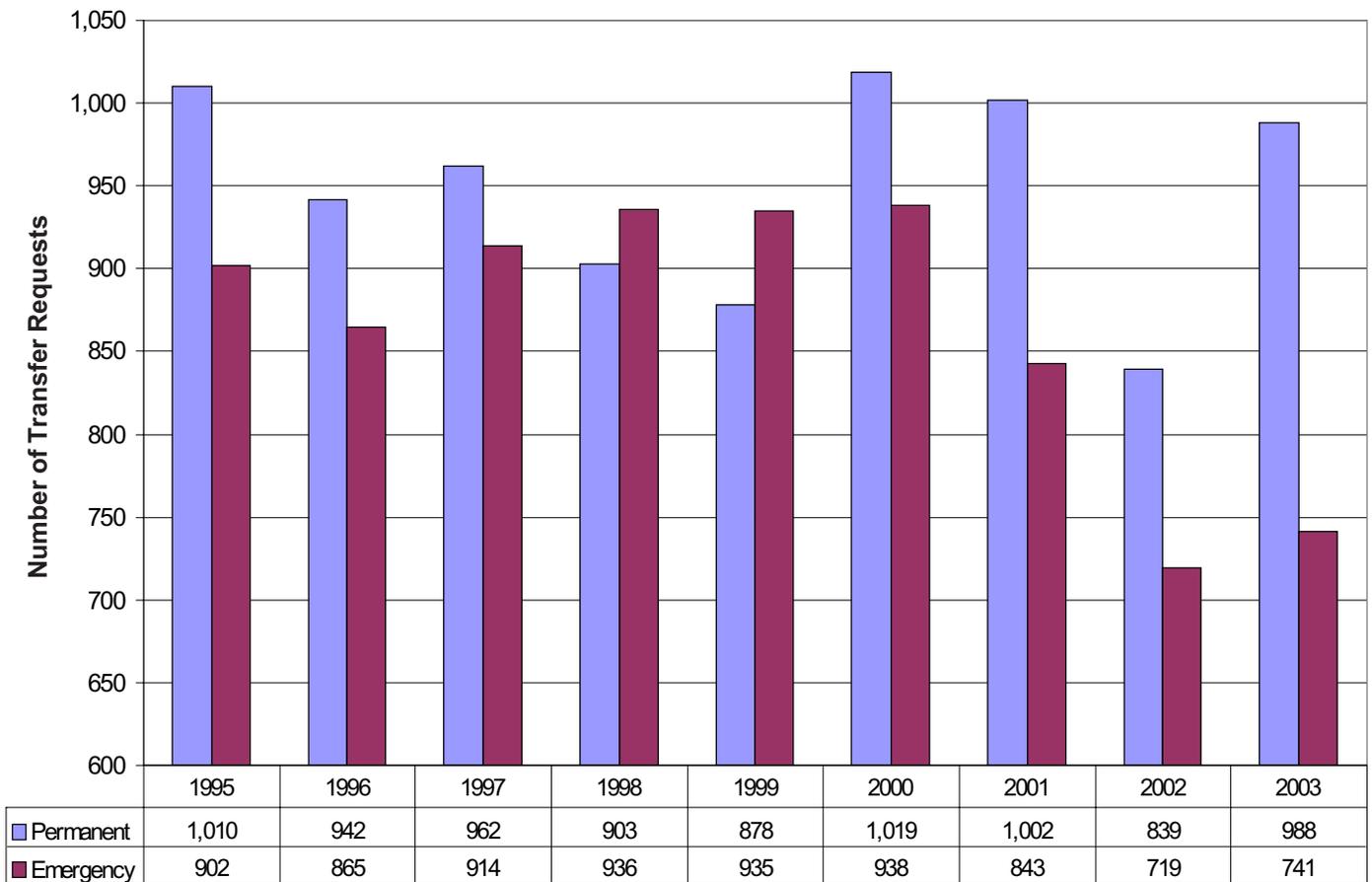
Permanent Transfer Requests in 2003

Standard transfers approved.....	876
Survivorship transfers to spouse approved	29
Foreclosure transfers by loan agencies approved	37
Total Approved	942
Denied transfers	29
Withdrawn transfer requests	17
Total Reviewed	988

Emergency Transfer Requests in 2003

Emergency transfer requests reviewed in 2003	741
Emergency transfer requests approved in 2003	684
Total Transfers Requests Reviewed in 2003	1,729

Permanent and Emergency Permit Transfer Requests



(From CFEC reports B1420P-A and B1425P-C, E, J)

VESSEL LICENSE FEES

 Below is a chart showing the number of vessel licenses issued for each vessel-length category during the 2003 calendar year and the revenue generated from each of those vessel length categories.

Category Based on Overall Length of Vessel	Fee Based on Overall Length of Vessel	Number of Vessels Licensed in Category	Revenue Generated from License Fees for Calendar Year 2003
A - 25' and under	\$20	6,052	\$121,040
B - over 25' - 50'	\$50	6,594	\$329,700
C - over 50' - 75'	\$100	873	\$87,300
D - over 75' - 150'	\$250	468	\$117,000
E - over 150' - 250'	\$500	97	\$48,500
F - over 250'	\$750	24	\$18,000
TOTAL		*14,108	\$721,540

* Includes all vessel licenses issued in calendar year 2003 without regard to license year. Thus, these numbers will differ from the numbers reported by license year. For example, some 2004 vessel licenses are issued in 2003.

(From CFEC report B0110P-A)

Research

OVERVIEW

 The Research section provides the studies and analyses needed by the Commission. The Research section, coupled with the Commission's Information Technology Section, also produces basic economic data on Alaska's fisheries. The section produces both standard and specialized reports. CFEC reports have been used to help address a wide range of policy questions.

In 2003, the Commission's Research staff was involved in many projects. These projects included efforts to monitor trends in Alaska's fisheries, to evaluate the need for access controls in particular fisheries, and to provide other agencies and users with needed data and analyses.

The staff produced analyses on issues for the legislature, the Office of the Governor, the Alaska Department of Fish and Game (ADF&G), and the Alaska Board of Fisheries (BOF). In addition, the staff answered numerous information and data requests from the general public. The following paragraphs provide brief highlights of 2003 Research activities.

LIMITATION STUDIES

 The Bering Sea hair crab fishery had been under a temporary vessel moratorium since July of 1996. The program was due to expire July 1, 2003. The entire fishery is under state jurisdiction even though it occurs mostly in the federal exclusive economic zone (EEZ). The fishery is not covered under a federal fishery management plan.

In 2002, the Alaska legislature passed a new vessel permit law that could be applied to the Bering Sea hair crab fishery under certain conditions (Chapter 137 SLA 2002). The law will sunset on December 30, 2008.

In 2003, the research staff provided the needed data support and analyses for the Commission to develop a regulatory proposal for a vessel entry permit system for the fishery under this new law. The research staff also provided support for the Commission at the public hearings on the proposal. Following the public comment period and amending the proposal in response to public input, the Commission adopted regulations for a vessel entry permit system for the fishery and those regulations became effective on September 21, 2003.

The Alaska weathervane scallop fishery is managed by the Department of Fish and Game. The fishery has been under a legislatively-enacted vessel moratorium in state waters since 1997 (see AS 16.43.906). The moratorium is due to expire on July 1, 2004.

The Alaska weathervane scallop fishery occurs in both state waters and the federal exclusive economic zone (EEZ). The fishery in the EEZ is managed under a federal fisheries management plan that delegates management measures other than limited entry to the Alaska Department of Fish and Game. The federal government also implemented a vessel moratorium for the fishery in the EEZ in 1997 and then implemented a permanent limited license program (LLP) for vessels in the EEZ in 2000. These limited entry programs in the EEZ have been administered by National Marine Fisheries Service's Restricted Access Management program.

In 2002, the Alaska legislature passed a new vessel permit law that can be applied to the weathervane scallop fishery in state waters under certain conditions (Chapter 137 SLA 2002). The law will sunset on December 30, 2008.

In 2003, the research staff prepared a confidential briefing report on the fishery as background for development of a regulatory proposal for state waters. The report contains confidential catch data and is not available for public distribution. The report reviewed the history of the fishery, the development of the federal FMP, the federal vessel moratorium in the EEZ, the state vessel moratorium in Alaska waters, and the permanent federal LLP program in the EEZ. The report provides participation histories both before and during the period of restricted access programs.

Data in the report will be used to help develop a regulatory proposal for limitation of the fishery. If limited entry is not implemented in state waters prior to the expiration of the state vessel moratorium on June 30, 2004, the fishery will return to open access.

POINT SYSTEMS IN NEWLY LIMITED FISHERIES

 When a fishery is limited and a maximum number is adopted under AS 16.43.240, the limited entry law requires that the Commission develop a hardship ranking or “point” system to determine who should receive an initial allocation of a limited entry permit. A point system is needed since the number of eligible applicants typically exceeds the maximum number of permits to be issued. Point systems are based upon an applicant’s past participation in the fishery and economic dependence upon the fishery.

During 2003, the research staff analyzed participation data and developed point system options for the Kodiak Tanner crab pot fishery which has a qualification date of January 1, 2003. From this analysis, the Commission developed a regulatory proposal.

The proposal was released on September 8, 2003, and the public comment period ended on October 27, 2003. A public hearing on the proposed regulations was held in Kodiak on September 25, 2003, and a teleconference hearing was held from Juneau on October 7, 2003. The Commission met on November 6, 2003, and adopted point system regulations for the fishery. The original proposal was modified slightly based upon public comments.

An application period for limited entry permits for this fishery will be held in 2004.

THIS “POINT SYSTEM” IS NECESSARY TO ALLOCATE PERMITS SINCE THE NUMBER OF ELIGIBLE APPLICANTS TYPICALLY EXCEEDS THE MAXIMUM NUMBER ESTABLISHED AT THE TIME OF LIMITATION.

OPTIMUM NUMBERS AND FLEET REDUCTIONS

 During 2003, the Commission's research staff continued to work on an optimum number study for the Bristol Bay salmon drift gillnet fishery. However, the study has not been completed and work will continue in 2004. In late 2003, the Commission contracted with Dr. Gunnar Knapp at the University of Alaska's Institute of Social and Economic Research to provide forecasts of future salmon prices, an essential component of the optimum number study. Dr. Knapp's work should be complete in early 2004.

Two preliminary reports on a survey done to collect data for the optimum number study are available on CFEC's web site (www.cfec.state.ak.us). These reports are the following:

2002 Survey of Bristol Bay Salmon Drift Gillnet Permit Holders: Preliminary Summary of Responses. (02-4N) by S. Carlson.

2002 Survey of Bristol Bay Salmon Drift Gillnet Permit Holders: A Review of Survey Methodology and Implementation Procedures. (02-5N) by S. Carlson and K. Schelle.

During 2003, the work of Alaska's Joint Legislative Salmon Industry Task Force (Task Force) continued. The stated purpose of the Task Force is "to evaluate the State of Alaska's statutory framework for Alaska's wild salmon industry as well as current industry practices and to make recommendations for statutory, regulatory, and structural changes that will improve the industry while recognizing the coastal economy." During the year, the Commissioners and the research staff provided data and background information to help Task Force committees that were considering ideas for legislative proposals. The work of the Task Force may result in some new legislative proposals to facilitate fleet reductions during the 2004 legislative session.

The Commission is committed to help fishing groups, the public, and policy makers explore fleet consolidation options and issues. The Commission is open to any proposal that would lead to improvements over the current situation. Nevertheless, the viability of different alternatives for industry restructuring may ultimately depend upon a satisfactory resolution of some of the issues raised by the Alaska Supreme Court in *Johns v. State, CFEC*, 758 P.2d 1256 (1988).

GULF OF ALASKA GROUND FISH RATIONALIZATION COMMITTEE

 In 2003, the Alaska Board of Fisheries formed a Gulf of Alaska (GOA) groundfish rationalization committee. The purpose of the committee is to explore options for managing groundfish fisheries in state waters when the North Pacific Fishery Management Council (NPFMC) develops a fishery rationalization plan for GOA groundfish in the EEZ. A major concern is that a rationalized fishery in the EEZ could lead to spillover effects and deleterious changes in the nature of the fisheries in state waters if nothing is done.

The committee consists of three Board members and twelve steering committee members from the industry. ADF&G, the Department of Law, and the Commission are working with the committee to help develop options. The work of the committee may result in recommendations for new legislation during the 2004 legislative session.



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OTHER PROJECTS AND REPORTS

 The Research staff produced monthly permit value estimates for the use of the Commission, the Department of Community and Economic Development, and other users. The following is a listing of other non-confidential reports that CFEC staff members prepared during 2003.

Executive Summary - Changes in the Distribution of Alaska's Commercial Fisheries Entry Permits, 1975-2002 (03-2N-EXEC) by Kurt Iverson, Nancy Free-Sloan, and Jane Ginter.

Chignik Salmon Purse Seine Fishery: Permit Transfer Statistics, 1999-2003 (03-1N) by Nancy Free-Sloan.

Permit Statistics For Alaska's Limited Entry Salmon Fisheries, 1993-2002 by Nancy Free-Sloan.

Summary of Permit and Harvest Statistics for Alaska's Limited Entry Salmon Fisheries, 1993-2002 by Nancy Free-Sloan.

Note: These reports are available on the CFEC web site (www.cfec.state.ak.us). Copies of the reports may be obtained from the Commercial Fisheries Entry Commission, Research Section, 8800 Glacier Highway #109, Juneau, AK 99801.



Courtesy of Alaska Seafood Marketing Institute

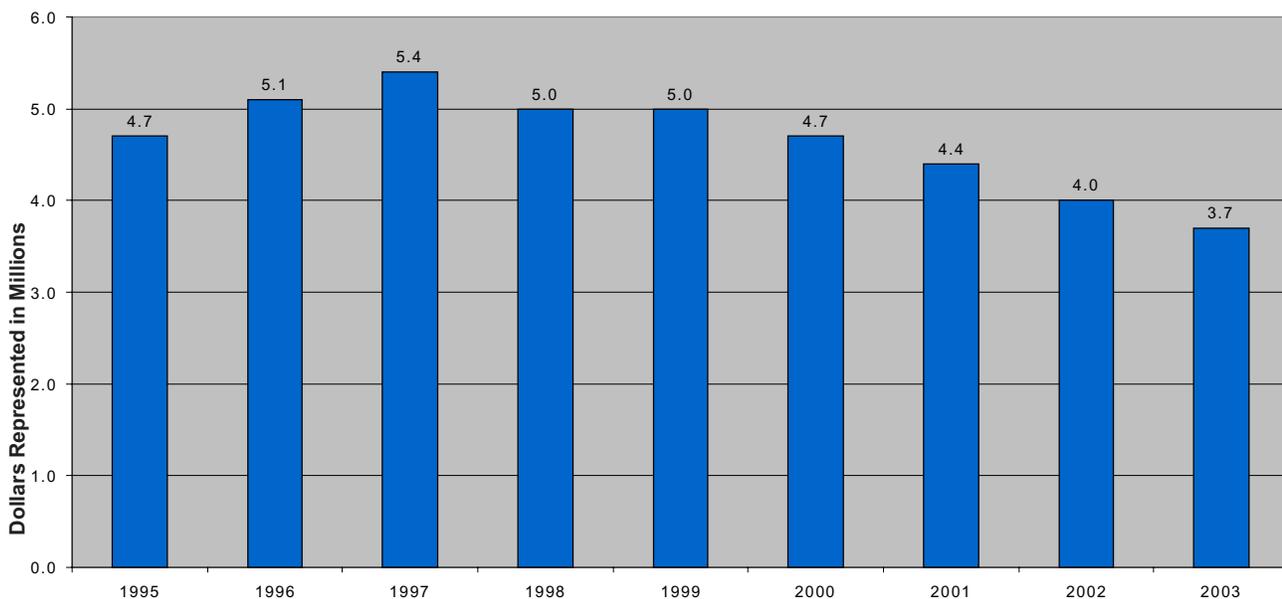
Revenue

OVERVIEW

 Revenues generated by the Commission come primarily from issuance of commercial fishing permits and vessel licenses. Additional revenues come from research and data processing services and reports requested by the public, fishing organizations, fisheries research groups, and agencies. Total revenue for fiscal year 2003 (July 1, 2002 – June 30, 2003) was \$3.7 million, down by \$214,600 dollars from fiscal year 2002.

Despite an ever increasing workload and increased costs, the Commission has experienced reductions in funds and staff through budget cuts over the years. Since 1986, the Commission's fulltime staff has been cut from 41 to 30, more than a 25% loss of positions.

Revenue Generated by the Commission by Fiscal Year



Note: Revenue is generated by permit fees, vessel license fees, limited entry application fees, NSF check penalties, refunds, and miscellaneous revenue.



Courtesy of Alaska Seafood Marketing Institute



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Appendices

LIST OF EMPLOYEE NAMES AND INTERNET ADDRESSES32
DECISIONS AND ACTIVITIES, CALENDAR YEARS 1998-200233



Courtesy of Alaska Seafood Marketing Institute

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*

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* This list includes calendar year 2003 fulltime, seasonal and parttime employees.

** These people are no longer employed at the Commission.



Decisions and Activities in Prior Years

CALENDAR YEAR 2002

- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak *bairdi* Tanner crab pot fishery.
- Received seven applications for the Kodiak food and bait herring gillnet and seine combined fishery and four applications for the Kodiak food and bait herring trawl fishery. Completed final adjudication of all of the applications for both fisheries and issued five limited entry permits for the Kodiak food and bait herring gillnet and seine combined fishery and four for the Kodiak food and bait herring trawl fishery.
- Adopted regulations implementing the new law (Chapter 134 SLA 2002) that allowed a person to hold up to two salmon permits for purposes of fleet consolidation.
- Continued work on optimum number study for the Bristol Bay salmon drift gillnet fishery.
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in the Governor's 2002 Salmon Summit in Kodiak, Alaska, by participating in discussions of and as a resource to the Joint Legislative Salmon Industry Task Force, participating in a meeting of the Yukon River Drainage Fishermen's Association to discuss options for improving their salmon fishery, participating in a Workshop on Options for Restructuring Alaska's Salmon Fisheries at the University of Alaska in Anchorage, and participating in workshops at the Seattle Fish Expo dealing with the restructuring of Alaska salmon's fisheries.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to maintain a professional relationship with the IRS to help Alaska fishers protect their fishing privileges.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the Carlson case.

CALENDAR YEAR 2001

- Conducted research, held public hearings, and adopted regulations limiting entry into the Kodiak food and bait gillnet and seine combined fishery and the Kodiak food and bait herring trawl fishery.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Kodiak food and bait herring fisheries.
- Received 116 applications for the Southeast Alaska geoduck clam dive fishery. Completed final adjudication of 107 of the applications and issued 37 limited entry permits.
- Received 391 applications for the Southeast Alaska sea cucumber dive fishery. Completed final adjudication of 387 of the applications and issued 383 limited entry permits.
- Adopted regulations implementing the new fee structure for the annual renewal of limited entry permits and interim-use permits in preparation for the 2002 licensing year.
- Began preliminary work on an optimum number study for the Bristol Bay salmon drift gillnet fishery
- Continued efforts to examine options for reducing the size of salmon fleets, throughout the year, by participating in a meeting of the Bristol Bay Fisheries Committee (sponsored by the Bristol Bay Native Association); on panels at Fish Expo sponsored by individual fishers and United Fishermen of Alaska (UFA); and in a statewide teleconference to discuss various options identified by the UFA and Representative Drew Scalzi.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to maintain a professional relationship with the IRS to help Alaska fishers protect their fishing privileges, including the completion of a joint project a brochure entitled, *Resources for Alaska Commercial Fishers*.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

CALENDAR YEAR 2000

- Conducted research, held public hearings, and adopted regulations limiting entry into Southeast Alaska sea urchin and sea cucumber dive fisheries.
- Conducted research, held public hearings, and adopted regulations establishing point systems for the Southeast Alaska sea urchin, sea cucumber and geoduck clam dive fisheries.
- Received 90 applications for the Southeast Alaska sea urchin dive fishery. Completed final adjudication of 82 of the applications and issued 76 limited entry permits.
- Conducted a public comment period and adopted a regulation establishing an optimum number for the Northern Southeast Inside sablefish longline fishery.
- The legislature adopted HB 429 which extended the vessel moratoria in the Bering Sea Korean hair crab fishery and the Alaska weathervane scallop fishery until July 1, 2003, and July 1, 2004, respectively.
- Completed and published a report discussing the issue of transferability of limited entry permits.
- Participated in a discussion on Bristol Bay fleet reduction hosted by the Bristol Bay Native Association and the Bristol Bay Native Corporation.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the Carlson case.

CALENDAR YEAR 1999

- Received 66 applications for the Southeast Alaska shrimp beam trawl fishery and 5 applications for the Southeast Alaska shrimp otter trawl fishery. Completed final adjudication of 48 of the shrimp beam trawl applications and three of the otter trawl applications.
- Received 198 applications for the Goodnews Bay herring gillnet fishery. Completed final adjudication of 158 of the applications.
- Proposed regulations and held public hearings on limiting entry into the Southeast Alaska sea urchin and geoduck clam dive fisheries. Adopted regulations limiting entry into the Southeast Alaska geoduck clam dive fishery.
- Proposed regulations and held public hearings on limiting entry into the Southeast Alaska sea urchin and geoduck clam dive fisheries. Adopted regulations limiting entry into the Southeast Alaska geoduck clam dive fishery.
- Participated in the Governor's 1999 Salmon Forum in Anchorage, Alaska.
- Participated in a discussion on Bristol Bay fleet reduction hosted by the Bristol Bay Native Association and the Bristol Bay Native Corporation.
- Received petitions to limit additional fisheries and began required analysis.
- Continued to meet with IRS to explore means to help permit holders achieve voluntary tax compliance and to eliminate attempted forced sales of limited entry permits.
- With the Alaska Attorney General, the Commission continued to defend the state against elimination of nonresident fee differential in the *Carlson* case.

YEARS PRIOR TO 1999

Information on prior years can be found in previous annual reports or on the Internet at the Commission web site: <http://www.cfec.state.ak.us>.



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