

Executive Summary of the Bristol Bay Salmon Fishery Restructuring Study

A substantial increase in the world's supply of farmed salmon over the last decade and a decline in the productivity of Bristol Bay sockeye salmon stocks threaten the economic viability of one of the world's great salmon fisheries and the region that depends on it. These conditions, combined with others, have placed the fishery and many communities within the Bristol Bay region on the verge of financial insolvency. The business-as-usual option, in the eyes of many participants in the fishery, will induce more economic hardship than changing the structure of the fishery. As a result, there has been a ground swell of support for changing the way the fishery operates.

The purpose of this study was to identify and examine options to restructure the Bristol Bay salmon fishery and compare them, in terms of anticipated effects, to the option of not making changes to the fishery. If nothing is done to the structure of the fishery, the net income from the fishery will remain low and the economic hardship in the region will continue to expand. Our analysis identified several sources of wealth that are foregone under the current structure of the fishery and three restructuring options would allow participants to capture this wealth.

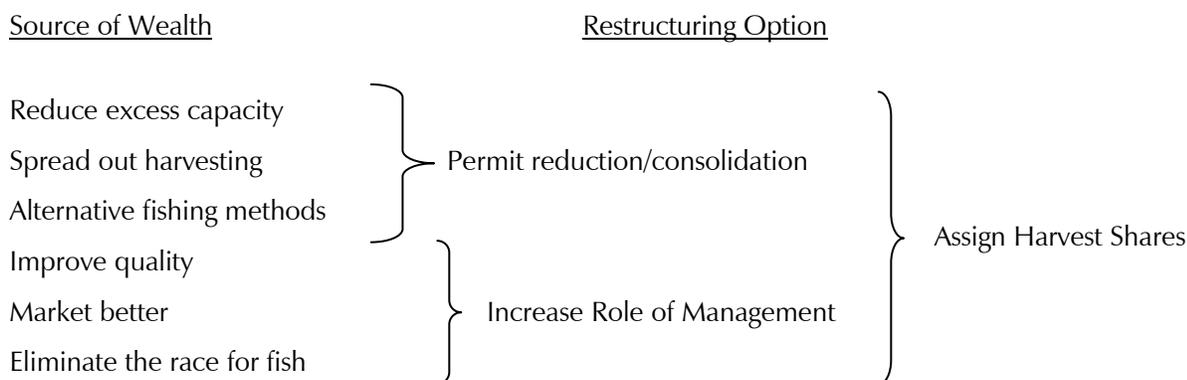
Furthermore, the study team concluded:

- The fishery is nearly financially insolvent. In 2001, permit holders on average earned \$4,000 after operating costs, but before deducting for debt service on vessels and permits.
- There isn't enough wealth available in the fishery to support the number of participants and the average annual incomes that it once did. The outlook for future prices and harvest levels suggests this condition will likely not improve over the next 5 to 10 years.
- The *status quo* option (no active restructuring) will result in continued change and restructuring of the fishery by high-cost harvesters and processors selling out to lower cost participants. However, there is little new wealth to be captured through this process and significant long-term improvements to incomes are not likely.
- Sources of new wealth from the Bristol Bay salmon fishery include:
 - Reducing fishing capacity
 - Spreading harvesting across time
 - Exploring alternative harvesting methods
 - Improving product quality
 - Marketing the harvest better
 - Eliminating the race for fish by assigning shares of the harvest to participants
- These sources of wealth could potentially add \$3 to \$42 million annually to the net income from the fishery compared to the estimated \$3.8 million in net income derived from the fishery in 2001. On a harvest of 14 million fish, these improvements in net income from restructuring would be on the scale of about 3.5 to 47 cents per pound.

Estimated New Wealth Available Annually from Different Sources in the Bristol Bay Salmon Fishery.

Restructuring Action	Expected Increase in Wealth (Millions \$)
Reduce Excess Capacity (1,000 Drift permits remaining)	
Buyback funded by Government	6.0
Buyback 50:50 funding, Government: Fishers	4.3
Fisher financed buyback	2.6
Spread Harvesting Across Time	4.0
Alternative Harvesting with 33% reduction in costs	7.0
Alternative Harvesting with 50% reduction in costs	10.6
Improve Product Quality	4.1
Market the Harvest Better	4.1
Eliminate the Race for Fish	17 to 42

- Some or all these sources of wealth are accessible through three restructuring options:
 1. Reduce fishing capacity by permit reduction and consolidation.
 2. Increase the objectives for managers in the fishery to include cost reduction and improved quality.
 3. Assign harvest shares to participants.



- Significantly reducing the fishing capacity below the current levels through permit buyback and/or stacking options (e.g., 900 to 1,100 driftnet permits) would capture new wealth and raise net incomes for those remaining in the fishery. However, wealth created by consolidating the fleet will largely disappear over time unless the action is soon paired with actions to reduce or eliminate the race for fish. Investments in fleet reduction by fishers and governments will not be secure if the perverse incentive to further capitalize the fleet is not removed or further constrained.
- Adding to the objectives of managers to take economic and market factors into account when setting fishing periods could reduce harvesting and processing costs and improve revenues by improving quality and associated benefits from marketing programs.
- Assigning shares of the harvest to participants may reduce or eliminate the race for fish and permit access to the greatest potential wealth in the fishery of all options considered.
- Alaska case law generally supports the application of these restructuring options if they are crafted in a reasoned way and are supported by compelling justifications.
- Investments in improving regional infrastructure have the potential to significantly improve benefits and wealth generation from the salmon fisheries in Bristol Bay. However, the costs of the proposed developments exceed the benefits that would accrue to the fishery alone. However, such infrastructure

improvements will generate significant benefits outside of the fishing industry and therefore they merit further study.

- Several factors may preclude progress toward improving the fishery through restructuring, including getting bogged down in the analysis of the many details of the infinite number of variations of different restructuring options. To avoid or overcome these impediments to change, participants must first develop consensus on a long-term vision of how they want the fishery to look.

In light of this analysis, we recommend fishery participants engage in a discussion and debate over what, if any, restructuring should be done. If restructuring actions are chosen, we further recommend:

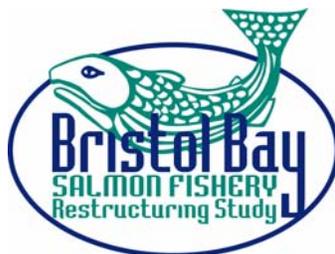
- The task of designing restructuring options should be done by those most familiar with the fishery.
- One or more organizations take the lead in bringing together representatives of all groups in the fishery to design a restructuring action that all parties can support.

Funding for this study was provided by the Bristol Bay Economic Development Corporation (BBEDC) and the Joint Legislative Salmon Industry Task Force. The project was initiated in February 2002 and the final report was completed in March 2003. BBEDC took a lead role in this study because no single issue is more critical to the future of the region's economy. The intended audience for this report is fishery participants, local residents, and decision makers from government agencies. We assumed that the reader is familiar with the Bristol Bay salmon fishery and how it is currently operated. The report is intended to raise the level of discourse on this issue, spur informed discussion, and focus debate on policy choices before the industry. Hopefully, the results from the analysis will shape and provide guidance for future decisions regarding the fishery. The goal of this work was not to design in detail and recommend a single restructuring option.

An interdisciplinary research team made up of academic and consulting economists, fisheries experts, and an historian conducted the research over 12 months with the input from industry, the public, and an 11-member Advisory Panel. The Advisory Panel was comprised of the following:

- Seven fishers, from the set and driftnet fleets, each from a different regional community.
- A manager of a salmon processing facility.
- A fishery manager.
- An academic economist.
- The Chairman of the State's Commercial Fisheries Entry Commission.

The project study team sought and obtained input from a multitude of stakeholders in the fishery. Four thousand brochures explaining the study and soliciting input were distributed to fishery participants, regional organizations, and residents. Almost 3,000 brochures were mailed directly to permit holders (fishers). Public meetings were held in three Bristol Bay communities. A project website was established that provided materials describing the study and its progress, an email address to send comments directly to the entire study team, and a bulletin board where people could post comments for the public to read. Numerous on-on-one meetings were held between study team members and stakeholders in the fishery.



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