

DRAFT—Salmon Cooperative Issue Paper---DRAFT

JLSITF Governance Sub-Committee

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ISSUE: The 2002 and 2003 salmon cooperative in the Chignik salmon fishery, and ongoing discussions about extending the use of cooperatives to other salmon fisheries, has heightened the need to thoroughly examine the costs and benefits of this structural change. Although there are many issues surrounding salmon cooperatives that do affect Alaska's coastal communities, there are three specific policy issues that the Legislature should consider addressing.

DISCUSSION:

1) Non-participation/ Absentee Ownership. The issue of a salmon permit holder receiving a dividend, or an economic rent, from their ownership of a limited-entry fishing permit while they are not actively involved in the fishery is probably the most important policy issue surrounding salmon cooperatives. This practice is clearly in direct conflict with current statute and the entire structural focus of the salmon industry in Alaska. Rather than utilizing public resources for the benefit of as many Alaskans as possible, through the creation of jobs and the circulation of dollars within coastal communities, cooperatives effectively allow a speculator to buy stock in a salmon fishery and receive dividends without ever having any active involvement in the fishery. Similarly, through current regulatory loopholes, a commercial salmon fisherman could collect a dividend from their cooped salmon permit while they actively fish in another salmon district.

Action: The Legislature should pass statute explicitly prohibiting this practice, and close all regulatory loopholes allowing it. This could be accomplished by mandating that a permit holder must be actively involved in a fishery in order to derive any income from their ownership of a limited entry fishing permit. "Actively involved" could be defined broadly to include all activities associated with salmon cooperatives, including but not limited to catching, tendering, processing, marketing, and administration.

2) Should the Board of Fish be allowed to allocate salmon resources to sub-groups of similarly situated fishermen within the same administrative district? This is a public policy issue that should be formalized in order to mitigate future conflicts among those permit holders that support a cooperative and those that favor the status quo. Following the precedence set in recent legislation regarding permit buy-backs, it seems appropriate that there should be a vote of all permit holders within the same gear group and administrative district to determine if cooperatives should even be considered within that

fishery. If there is a positive two-thirds vote in favor of considering cooperatives, then the Board of Fish could begin considering multiple specific cooperative proposals.

Action: The Legislature should pass statute explicitly mandating a two-thirds vote of all permit holders within the same gear class and administrative district before the Board of Fish may consider specific cooperative proposals.

3) Salmon cooperatives have the benefits of increasing the efficiency and quality of the salmon industry and its products; however, these same efficiencies also represent a decrease in the number of jobs for Alaskans and a decrease in the number of dollars circulating through Alaska's coastal communities. Quantifying these benefits and costs is extremely difficult and hard to separate from the broader market shocks currently affecting the industry. What is clear is that salmon cooperatives represent a consolidation of the number of Alaskan citizens benefiting from the publicly owned salmon resources. This fact should be closely monitored if cooperatives become more widely utilized. Adapting current tax structures to better account for this consolidation and better compensate the public for the harvest of their resource should be considered.

Action: The Task Force, the Legislature and the University of Alaska should continue to study and examine this issue.