



Factors affecting local permit ownership in Bristol Bay



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ABSTRACT

Since the first limited entry Bristol Bay drift and set gillnet permits were issued in 1975, many local residents have sold their permits to non-resident fishermen. Declining local permit ownership destabilizes the main economic base of the region. Previous studies have documented the decline of locally owned permits and have proposed social and economic hypotheses that could explain why local permit ownership is declining in limited entry fisheries in Alaska. To stem the outward flow of permits, the Bristol Bay Economic Development Corporation operates a Permit Loan Program to assist Bristol Bay watershed residents in buying permits. Despite its generous benefits, it has reversed the decline in local permit ownership. This paper examines why residents enter or exit the fishery. Hypotheses on permit retention were tested through interviews with Bristol Bay fishery participants. Interviewees indicate stronger cultural and familial ties than economic factors to fishing. As local permit ownership has declined, these ties are being lost, leading to declining interest in the fishery. Commercial fishing is a competitive and costly enterprise. Successful participants in the fisheries, especially the drift gillnet fishery, are financially savvy with supplemental non-fishing income that outcompete residents by catching most of the fish. The Bristol Bay Economic Development Corporation Permit Loan Program appears unable to stop the local loss of permits. There are no obvious ways to expand local permit ownership and retaining local permits remains a major challenge for the region. However, it is important for local residents to participate in the fishery because it keeps communities economically and socially healthy, gives residents access to their local resources and strengthens their voice in managing their local resources.

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1. Introduction

This paper examines the decline of local permit ownership in the Bristol Bay drift and gillnet fisheries. The term “local” refers to residents of communities in Bristol Bay and “non-local” to refer to all other individuals, including other Alaska residents. The loss of local permit ownership has long been a concern in Bristol Bay whose economy. While the region supports the world’s largest sockeye commercial fisheries, many residents do not have access to this local resource and depend largely on a cashless, subsistence lifestyle [1]. The primary goal of this paper is to provide explanations for residents’ ability to retain and buy permits.

2. Bristol Bay permit system

Following an increase in participation and decline in run sizes, the State of Alaska reorganized many of their open access fisheries

into limited access fisheries. In 1973, the Alaska State Legislature passed the Limited Entry Act. The three main objectives of the Act are: 1. to increase the economic earnings of the Alaskan fishing industry; 2. to enhance biological management of the fishery; and 3. to assure resident fishermen of participation in their local fishery [2]. In 1975, permits were issued to participants who could demonstrate historic participation and economic dependence on the fishery.

In 1980, Langdon [3] evaluated permit transfer trends in these newly reorganized fisheries, finding that rural permit ownership² had noticeably declined in many fisheries, just 5 years after the first permits were issued. 3.5% of permit holders who lived in rural areas local to their fishery had transferred their permit to non-residents. Permit transfers to non-residents included sales, gifts and permit holders who had moved out of the region.

The decline of locally owned permits has been acutely felt in Bristol Bay fisheries, especially the drift gillnet fishery. The total number of permits in the drift gillnet fishery has fluctuated over

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² For simplicity, this paper refers to people owning Alaska limited entry permits. Alaska limited entry permits can not be owned but give the permit holder access to the fishery.

time as permit application appeals have been adjudicated, but the number of locally owned permits has declined over time. In 1975, local residents were issued 684 of 1778 permits. By 2014, the number of locally owned permits had declined to 373 of 1875 permits (Fig. 1).

The number of locally owned set gillnet permits has fluctuated as permit application appeals have been adjudicated but has declined over time too. The number of locally owned permits increased in two different time periods because a large number of permit application appeals were successful and more permits were issued in the fishery. In 1975, local residents were issued 518 of 928 permits. By 2014, the number of locally owned permits had declined to 379 of 1041 permits (Fig. 2).

Permit prices and ex-vessel values have fluctuated widely over time, based on harvest volume and salmon prices. In general, permit prices closely track ex-vessel values. The drift gillnet fishery is much more lucrative and experiences greater price swings than the set gillnet fishery. The largest decline in local permit ownership has occurred when permit prices are the high. The biggest decline in the number of locally owned permits was in the late 1980s when the average permit price topped \$248,000, a record price that has not been matched. Many local residents sold their permit and cashed out of the fishery (Fig. 3).

About the same time as the Limited Entry Act was passed, the State of Alaska created a commercial fishery loan program, designed to assist all state residents in buying permits. By 1980, 86% of loan participants were urban Alaskan residents. Participants were required to provide collateral and meet the debt service from their fishing income alone. During this period, no Bristol Bay residents participated in this program [3].

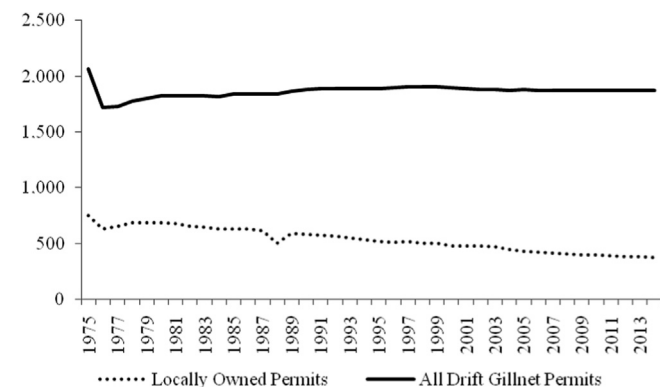


Fig. 1. The total number and number of locally owned drift gillnet permits in Bristol Bay from 1975–2014 [4].

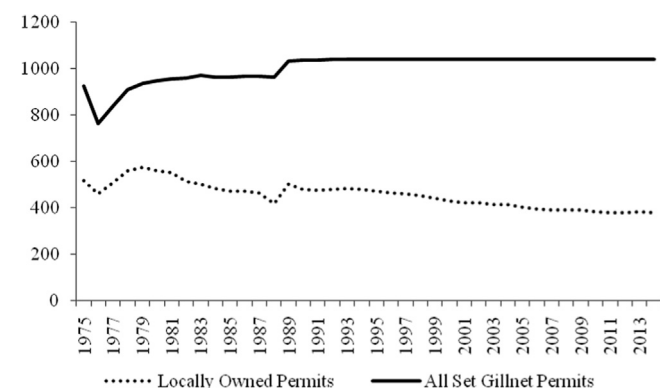


Fig. 2. The total number and number of locally owned set gillnet permits in Bristol Bay from 1975–2014 [4].

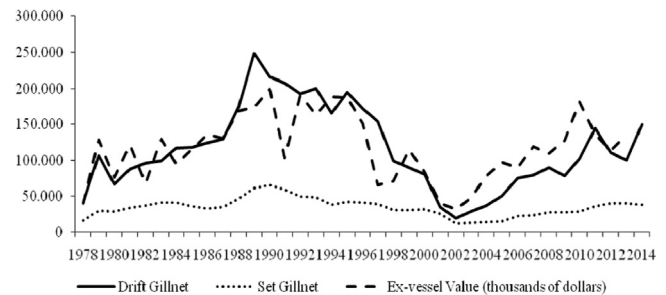


Fig. 3. Ex-vessel value, drift and set gillnet permit prices in Bristol Bay, 1978–2014. 1975–1978 permit price records are not available. These values have not been adjusted for inflation [5–7].

The State commercial fishery loan program likely accelerated the decline in local permit ownership in Bristol Bay. Urban residents used this program to buy Bristol Bay permits from local residents. Langdon predicted that without significant improvements in capital access for rural residents, permit outflow would continue in the future [3]. Indeed, the number of drift gillnet and set gillnet permits held by local Bristol Bay residents has declined from 42% in 1975 to 26% in 2014 [4].

Selling a permit to a non-resident has negative social and economic impacts on the community. Each permit creates 2–3 crewmember jobs. Traditionally, children fish with their mother at their set net site until the boys are old enough to drift gillnet with their fathers. Once a permit is sold, families no longer have access to the fishery and fishing knowledge is lost in that family. Future generations have a harder time participating in these fisheries.

Knapp [9] hypothesizes that statewide rural residents may have higher borrowing costs than urban residents, live in remote communities far from capital markets and have a paucity of credit histories that may be factors to capital cost differentials. Rural people may have worse credit, lack knowledge about government loan programs, live far from loan centers, have language and cultural barriers and lower personal wealth than non-residents [9]. A combination of these factors prevents many Bristol Bay residents from buying a permit.

The Bristol Bay Economic Development Corporation (BBEDC) is a Community Development Quota (CDQ) organization. Its mission is to promote fisheries economic development for member villages (those located within 50 miles of the Bering Sea coast). It receives annual harvest quotas of several Bering Sea fisheries. BBEDC invests its fishing revenues in the region to create economic opportunities. BBEDC started a Permit Loan Program [8]. This is the first loan program in the State to target a specific demographic.

The program helps experienced crewmembers buy a permit by offering generous subsidies. It tries to address some of the potential reasons why local residents do not participate in the statewide loan program. BBEDC requires a lower down payment, offers lower interest rates than other loan programs and pays for a portion of the permit. However, participation rates in this program have not reversed the decline in locally owned permits [8].

Langdon and Knapp suggest hypotheses on barriers to entry to explain why local permit ownership continues declining despite BBEDC's permit loan program. They suggest that there are still gaps in knowledge about why local residents have been unable to buy permits or retain their permit. These gaps of knowledge are likely language and cultural barriers, financial barriers, and geographic barriers. This paper addresses these gaps in knowledge by interviewing residents on local permit ownership and factors limiting their participation. Until these factors are addressed, it is likely that the number of locally owned permits will decline further.

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