

The Economic Importance of the Cook Inlet Drift and Set Net Commercial Salmon Fisheries

The Core of the Southcentral Alaska \$350 Million
Commercial Fishing Industry

A Presentation to the Resource Development Council for Alaska
May 15, 2014

By

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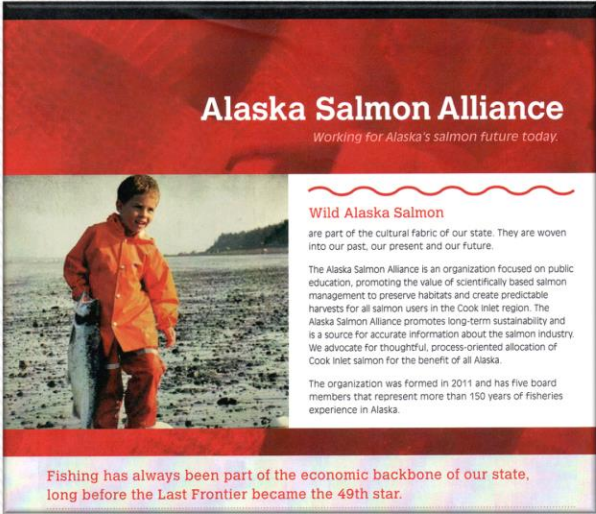


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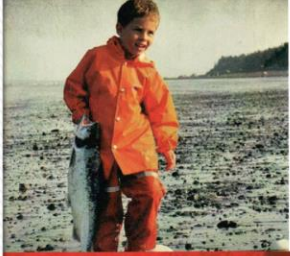
Salmon have been commercially harvested in Cook Inlet since 1882.



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Alaska Salmon Alliance
Working for Alaska's salmon future today.



Wild Alaska Salmon
are part of the cultural fabric of our state. They are woven into our past, our present and our future.

The Alaska Salmon Alliance is an organization focused on public education, promoting the value of scientifically based salmon management to preserve habitats and create predictable harvests for all salmon users in the Cook Inlet region. The Alaska Salmon Alliance promotes long-term sustainability and is a source for accurate information about the salmon industry. We advocate for thoughtful, process-oriented allocation of Cook Inlet salmon for the benefit of all Alaska.

The organization was formed in 2011 and has five board members that represent more than 150 years of fisheries experience in Alaska.

Fishing has always been part of the economic backbone of our state, long before the Last Frontier became the 49th star.

The Alaska Salmon Alliance (ASA) was created to help ensure the sustainability of this renewable-resource based industry.

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One of ASA's critical objectives is to provide a conduit for the seafood industry to work in cooperation with other resource-based businesses.

The salmon industry has been co-existing with the oil and gas industry in Cook Inlet for fifty years.

RESOURCE *review*
 alaska.org
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Guest Opinion - Arni Thompson

Fish and Oil
Collaboration in the Port of Valdez and Cook Inlet
 By Arni Thompson, Executive Director, Alaska Salmon Alliance

At the 14th Annual Alaska Resources Conference, BNC board member Don Barrett, President of Alutka Pipeline Service Company, and Mayor David Cobb of Valdez, announced their combined over 40 years of experience with the development of working relationships between commercial and sport fishermen and oil terminal operators in Valdez. It was a great point and I'd like to expand on the unique Alaska phenomenon that has taken their not only to Valdez but Cook Inlet as well.

A neighbor of collaboration is easy to imagine. Against a backdrop of the three-lane Ketchikan, adjacent to the Solomon Falls salmon hatchery which is a salmon to the Valdez Terminal, on the opening day there will be 100 salmon vessels in the inner harbor making way for pink salmon. Scheduled openings occur west and east. Again, when the same fleet is replaced with an even larger number of open boats fishing for salmon on the other side of the harbor, and down the coast. The only commercial vessels visible are those that are out to the Bering Sea for halibut.

A gentlemen's agreement has been in place for many years that is embodied in the management strategy of the Valdez Fisheries Development Association, which operates under the Alaska Department of Fish and Game's (ADF&G) approved management plan, that governs sport and commercial harvests of coho. It simply states: "ADF&G manages the port of Valdez to reduce conflicts between commercial and sport user groups by excluding commercial fishing within the Port of Valdez and the Valdez Narrows from August 15 to Labor Day."

Collaboration between oil and gas industries and fisheries in Alaska began as early as 1964 near Kenai in Cook Inlet, with the beginning of oil and gas production from the first offshore platform. There then, over 12 billion barrels of oil has crisscrossed through TAPS and for Cook Inlet, 1.2 billion barrels of oil and trillions of cubic feet of gas have been produced. Tens of billions of dollars of oil and gas companies over this period of time comprise over 90 percent of State revenue and Alaska has become the most oil-rich state in the Union.

At the same time, salmon resources utilized by Alaskan residents, both sport, commercial and subsistence harvesters, continue to yield healthy surpluses that provide both personal enjoyment and economic sustenance to coastal communities throughout Northwestern Alaska.

In Cook Inlet, over 500 salmon drift gill net and 600 set net salmon fishermen still work hard to harvest world quality salmon in the shadow of their oil and gas industry neighbors. In fact, it is now uncommon to see an oil tanker tug net drift gillnetters as they prepare to call at the Kenai Pipeline dock in Nikilau. Another interesting note is the occasional LNG ship calling at the Coonco Phillips LNG export dock as it sets out drift gill netting fishboats back to the beach after picking nearby salmon at sea.

In 1977 in Prince William Sound and the Port of Valdez, with

the opening of the Trans-Alaska Pipeline and the Valdez Terminal, lifestyles forever changed with increased vessel traffic and fears of conflict among industries. Despite the single-lane Valdez oil and gas terminal and the challenges of lingering effects, this year the commercial pink salmon harvest was a record 27 million fish. In addition, 600,000 coho salmon are also being increased and released by the hatchery for Alaskan sport fishermen.

On the seafood industry side of the balance sheet in the Cook Inlet and Prince William Sound region shows a 2013 Alaska Seafood Marketing Institute report shows \$490 million worth of seafood was harvested in 2013 (on the first week-end, export value alone). The seafood industry directly employs in the region an estimated 16,500 individuals and generates an estimated \$1 billion in labor income. When indirect and induced impacts are taken into account, the total number of median decisions by an additional 1,600 and the payroll is an estimated \$104 million.

Over the years, the oil and gas and transportation industry and shippers have successfully utilized the knowledge of local fishermen in developing strategies and systems to create marine oil spills. In addition, local knowledge of commercial and subsistence are channeled through industry sponsored Regional Citizens Advisory Councils in both Cook Inlet and Prince William Sound as response plans are developed and resources are allocated in both prevent and respond to potential oil spills in the waters fishermen rely upon for their livelihood.

Today state fish managers are challenged with managing increased demand for salmon by Alaskans and visitors. Imports to balance and quality of fishing experience require difficult decisions that impact individual opportunities. These decisions, as difficult as they may be, are necessarily required as necessary for the long-term health of our salmon resources. The Prince William Sound and Cook Inlet fisheries have established paths of cooperation to not only cope with the challenges of working in shared waters, with an eye on their own but enhance resource based businesses. This approach demonstrates how today's challenges can be met in a way that allows all of Alaska's natural resource users and industries to realize great benefits to their communities for many generations to come.

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ASA has been actively engaged in developing relationships to facilitate mutual understanding and collaboration.

We intend to manage the challenges of working in shared waters to allow all of Alaska's natural resource users to continue to return great benefits to our communities for generations to come.

ASA represents seafood processors



...and harvesters



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ASA indirectly represents



Support industries

- Transportation
- Goods & materials suppliers
- Local boat builders

Consumers

- More than 90% of the Cook Inlet salmon harvest is sold in the U.S.
- Cook Inlet provides 5% of the world's supply of sockeye salmon



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Most of the boats you can see in this photo of the Ninilchik harbor were built on the Kenai Peninsula.

Cook Inlet

Scale 30 miles

Susitna River

Anchorage

Northern District

Kenai River

Kasilof River

Central District

Southern Boundary

Homer

N ↑

Upper Cook Inlet Salmon Fisheries

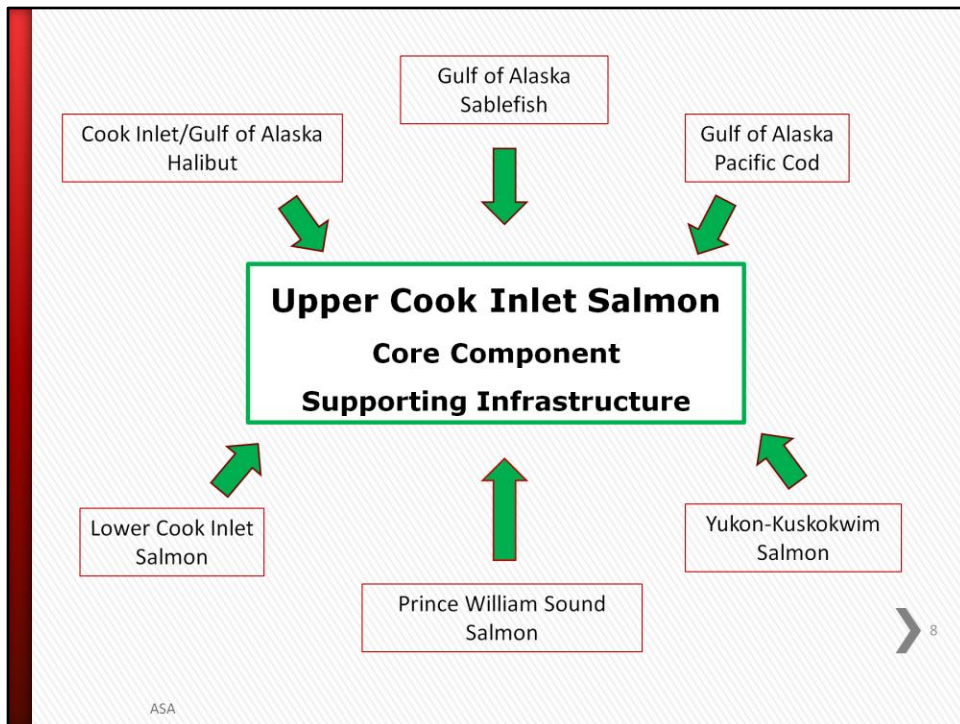
- 1,300 commercial permit holders – small businesses
- 80% Alaskan owned (2013 Alaska CFEC data)
- 99% of commercial fishing occurs in the Central District

Salmon of all species return to drainages all around Cook Inlet. The sockeye runs of the Kenai and Kasilof Rivers provide more than half of the total commercial harvest (64% in 2012).

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The core of our industry is the Upper Cook Inlet salmon fisheries.

The 64% of the 2012 commercial harvest from the Kenai and Kasilof Rivers amounted to over 80 thousand tons of sockeye salmon.



This Upper Cook Inlet salmon fishery is the core component that supports the infrastructure that allows seafood companies in the region to handle other local fisheries such as halibut, sablefish and cod, and import raw salmon from other parts of the state for value-added processing. This diversification strengthens the industry and, of course, increases its productivity and worth.

The Numbers

Northern Economics, June 2013

- 3,600 fishing jobs, with overall Alaskan residency of 80%
- \$78 million income to fishermen
- \$212 million first wholesale export product value
- 1,600 processing jobs; total labor payroll \$108 million
- In 2011, Cook Inlet was the 4th largest salmon fishery in Alaska
- Combining the ports of Anchorage, Kenai, Homer and Seward - the region would rank as the sixth largest port in the US in landed value of all species
- \$350 million per year economic footprint for the region



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Recently ASA contracted with Northern Economics in Anchorage to conduct an analysis of the fisheries. This report was completed one year ago; catch and value figures are current through 2011 and they are based on official reports from the Alaska Departments of Fish and Game, Labor, and Commercial Fisheries Entry Commission as well as National Marine Fisheries Service landing data.

The \$350 million per year does not include

- Local goods and services purchased by processors and fishing businesses
- Revenue generated by the transportation of fresh, frozen and processed seafood products by truck and air freight, mostly to the lower 48
- The reduction of transportation costs for all northbound industrial and consumer products that come into Alaska through Anchorage port facilities and Whittier as a result of the backhaul of southcentral seafood products



Setnetter Ban Initiative

Not Conservation

"I don't believe the department is assuming commercial harvest pressure as the causal factor in Chinook declines for any of the runs we have statewide."

ADF&G Commissioner Campbell to the joint House and Senate subcommittees for the Department of Fish and Game on February 18, 2014

Commercial fishing has been closed during the early-run of Kenai king salmon since 1958. This run is in serious trouble. The late-run of Kenai king salmon coincides with the commercial fishing season and has met its escapement goal every year for the past 27 years.

Just Allocation

"...were this type of initiative permissible, voters could continue to reallocate stocks to any fishery simply by eliminating specific gear or particular means and methods of catching fish..."

Alaska Department of Law

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The setnetter ban initiative is a threat to this well-established industry and opens a pandora box of threats to other fisheries around the state, both commercial and sport. This attempt to allocate resources and eliminate industry by initiative should be of concern to all Alaskans.

Setnetter Ban Initiative...

- **Undermine the economy**
- **Jeopardize the Kenai River salmon runs**

"It would be very difficult to manage the Cook Inlet sockeye salmon run to achieve established escapement goals without the set gillnet fishery. ... Large overescapements above the escapement goal for a stream system can raise concerns about the continued stability and health of that salmon population..."

ADF&G Director Jeff Regnart

- **Another effort to eliminate Cook Inlet commercial fishing**



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The initiative is a job killer, it's anti-small business and it would undermine the economic benefit we all get from the seafood industry here. It would also put sockeye salmon stocks in the Kenai River at great risk because setnetting is a critical component of the state's management of these salmon.

It is obvious to many of us that this initiative is the latest salvo in a longstanding, deliberate effort to eliminate commercial fishing in Cook Inlet.

The reality is that there is plenty of salmon in Cook Inlet for all user groups. In fact, it would be impossible to harvest the surplus numbers of salmon here utilizing just sport and personal use fisheries.

Salmon Management in Cook Inlet

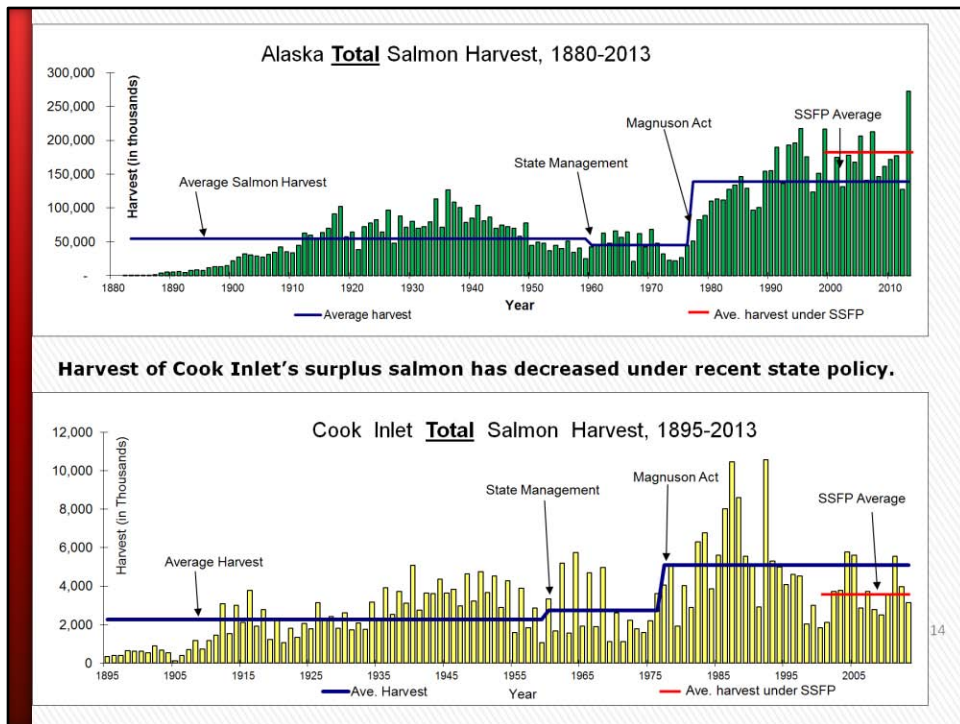
- As an anadromous specie, salmon fall under federal regulation.
- 1976 through mid-1990s: UCI managed in compliance with the Magnuson-Stevens Act (MSA)
- Mid-1990s: Board of Fisheries began deviating from MSA
- In 2000 Board wrote a new plan: Policy for the Management of Sustainable Salmon Fisheries (SSFP)



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But the anti-commercial fishing influence has been gradually undermining salmon management in Cook Inlet. Salmon are an anadromous specie and as such fall under federal regulation. Federal oversight is a sensitive subject for many of us but for salmon it has been very positive thanks to the Magnuson-Stevens Act, one of Senator Ted Stevens' early accomplishments. After the initial passage of the Magnuson-Stevens Act in 1976, the State of Alaska agreed, in a Memorandum of Understanding with the National Marine Fisheries Service, that it would manage fisheries in Cook Inlet in a manner consistent with the management standards defined by Magnuson.

In the mid to late 1990s the Board of Fisheries began deviating from Magnuson. In 2000 the Board wrote a new plan: Policy for the Management of Sustainable Salmon Fisheries. Unfortunately, the Board and ADF&G routinely ignore the standards written into the state's plan.



The result has been the loss of hundreds of millions of dollars by the Cook Inlet commercial fishing industry. The upper graph shows state-wide historic salmon harvests. The bottom graph shows Cook Inlet historic salmon harvests. When the Magnuson-Stevens Act (MSA) became federal law in 1976 it had immediate and dramatic results on salmon resources across the state. Within a few years the overall commercial harvest of salmon on a statewide basis increased over 200%. Cook Inlet harvests increased over 100%. This was the result of federal management standards carried out, for the most part, by state managers.

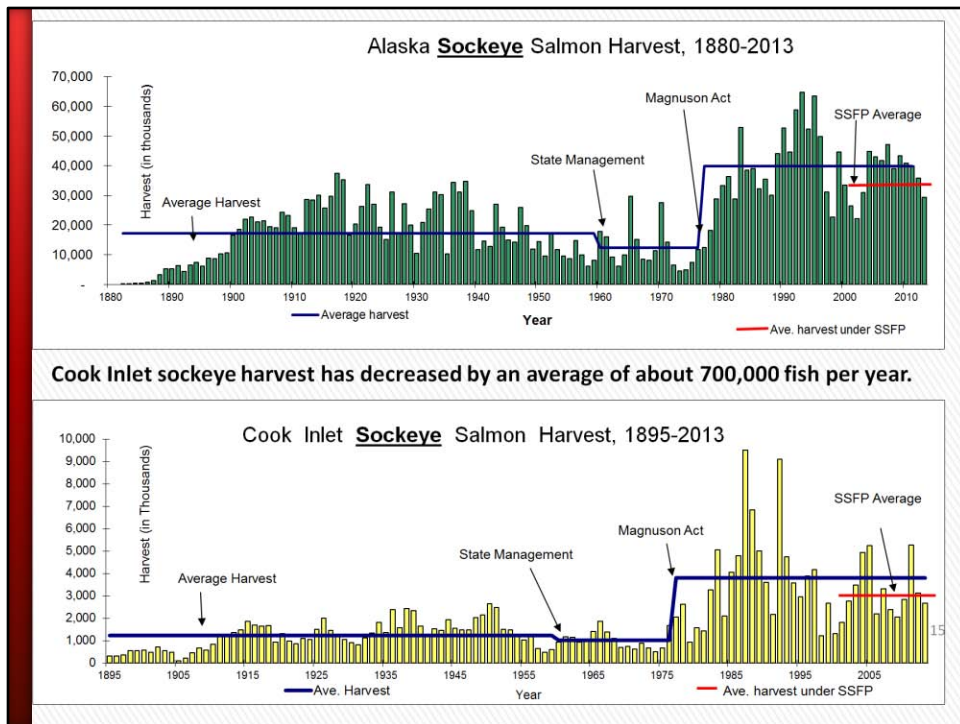
In 2000, the State adopted their Sustainable Salmon Fisheries Policy, or “SSFP”. In the graphs, beginning in 2000, the blue line continues across at the Magnuson average, while the red line shows the actual average harvest from 2000 through 2013.

In the upper graph you can see a modest benefit gained in the statewide salmon harvest numbers (although those gains are due to hatchery production of pinks and chums). In Cook Inlet, under the state’s new plan, the average harvests of all species of salmon have declined.

Please note that the scale on the left axis changes between the statewide and Cook Inlet graphs.

On the Cook Inlet chart, the difference between the average harvests under Magnuson and the SSFP, the red and blue lines, on the right end of the chart is a rough measure of unharvested surplus salmon, or “foregone harvest”.

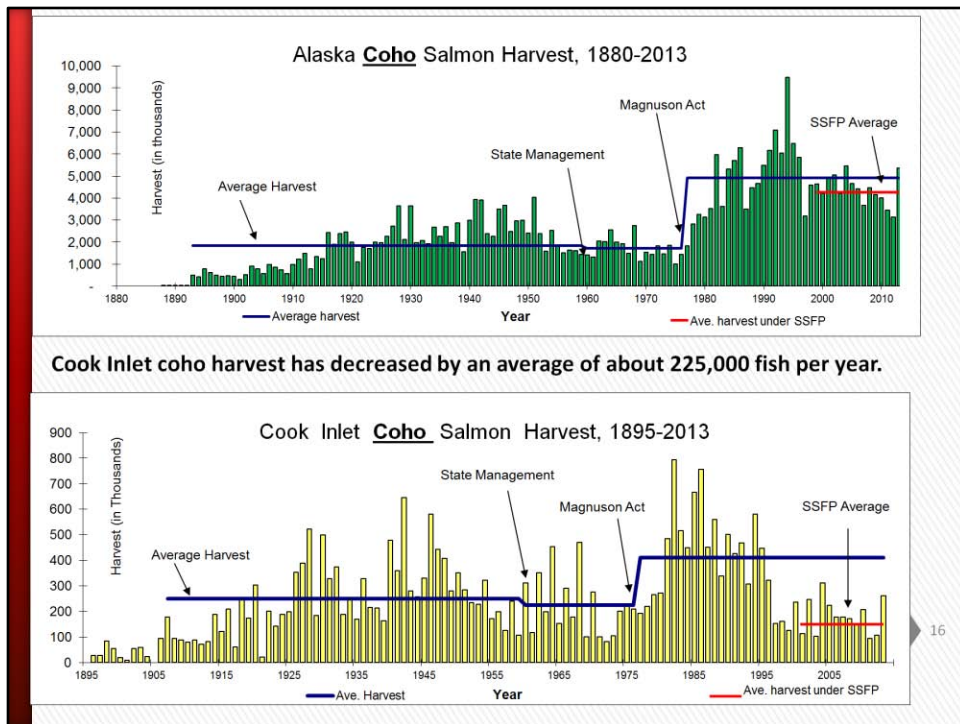
The causative change in Cook Inlet was a series of management restrictions and closures imposed on commercial fisheries in an effort to increase sportfishing harvests of coho. There was a perception, not based on science, that commercial harvesters caught too many coho. When an ADF&G study published in 2003 indicated that commercial harvesters caught 10% or less of the Upper Cook Inlet coho it was ignored by the Board of Fish (Willette, 2003, ADF&G Regional Information Report No. 2A03-20). This perception that commercial fisheries catch too much salmon here is carefully nurtured by certain groups but it is far from the reality.



Cook Inlet sockeye harvest has decreased by an average of about 700,000 fish per year.

Sockeye is our premium product. Here you can see that when the Board of Fisheries and ADF&G started deviating from their agreement with the National Marine Fisheries Service to manage fisheries in Cook Inlet in a manner consistent with Magnuson, the Cook Inlet harvest decreased by an average of about 700,000 sockeye per year. This foregone harvest had an ex-vessel value of between 4 and 10 million dollars per year.

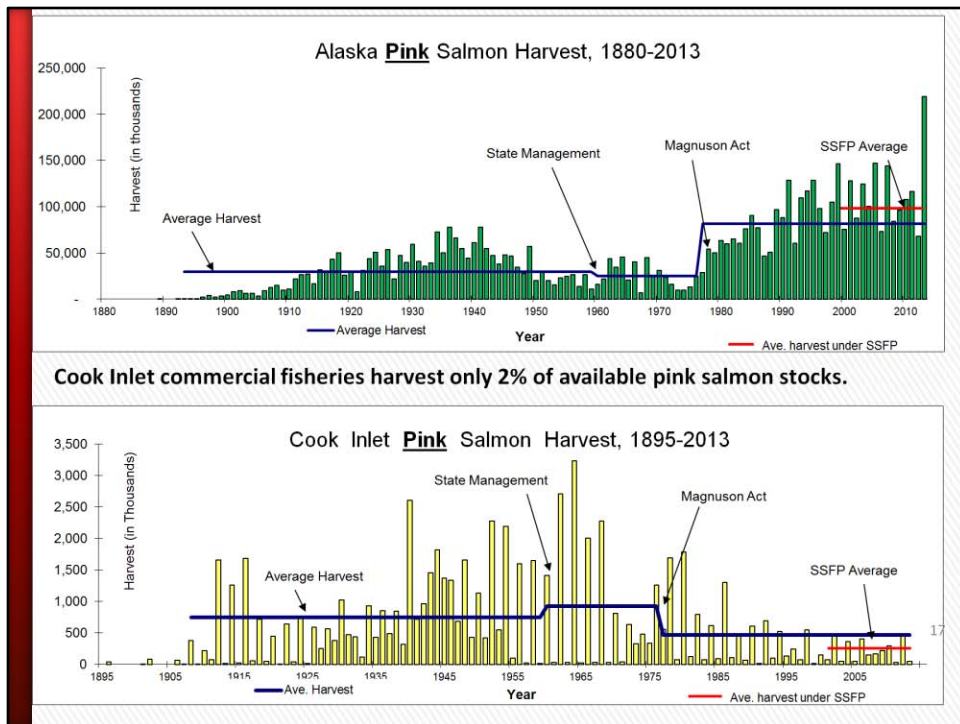
Harvestable surpluses of sockeye escape into the Kenai, Kasilof and other rivers causing adverse effects to future runs.



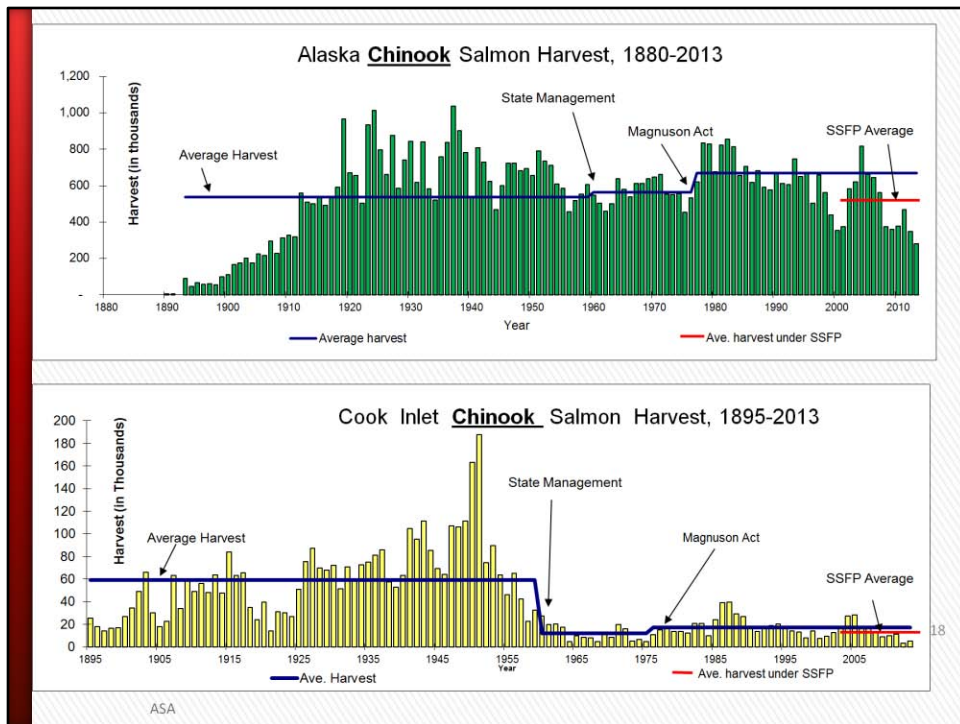
Cook Inlet coho harvest has decreased by an average of about 225,000 fish per year.

Commercial harvests of coho salmon in Cook inlet have been cut in half. The 2003 ADF&G study indicated that commercial fisheries harvest, at the most, 10% of the coho. (Willette, 2003, ADF&G Regional Information Report No. 2A03-20). ADF&G surveys indicate that sportfishing harvests another 10%.

Large harvestable surpluses of coho return to remote rivers not heavily exploited by sport fisheries. A fundamental problem with coho management is ADF&G's very poor choice of stream systems for measuring coho escapements in the northern district that creates a false perception of low coho returns. (Jeff Fox, retired ADF&G Cook Inlet Area Management Biologist, Personal Communication).

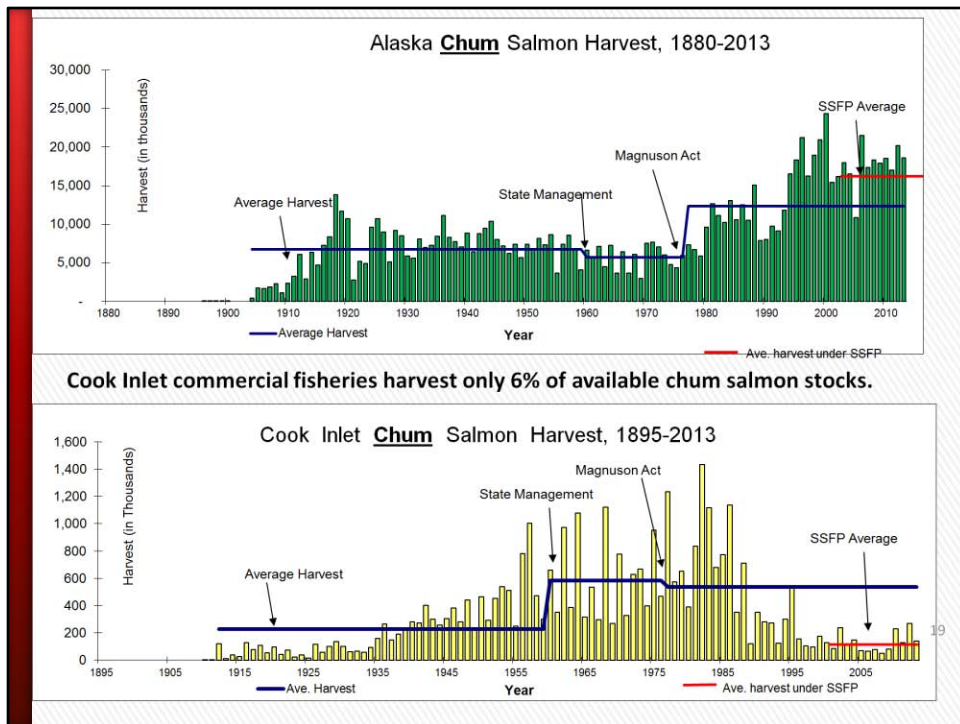


Commercial harvests of pink salmon in Cook inlet have been tremendously reduced. The most recent ADF&G study indicated that the commercial fisheries harvest only 2% of available stocks, leaving an immense harvestable surplus. (Willette, 2003, ADF&G Regional Information Report No. 2A03-20) On even years, this surplus is in the tens of millions of pounds.



The low commercial harvest rates of Cook Inlet king salmon reflect how they have largely been allocated away from the commercial fisheries in Cook Inlet after the stocks started to recover in the mid-1980s.

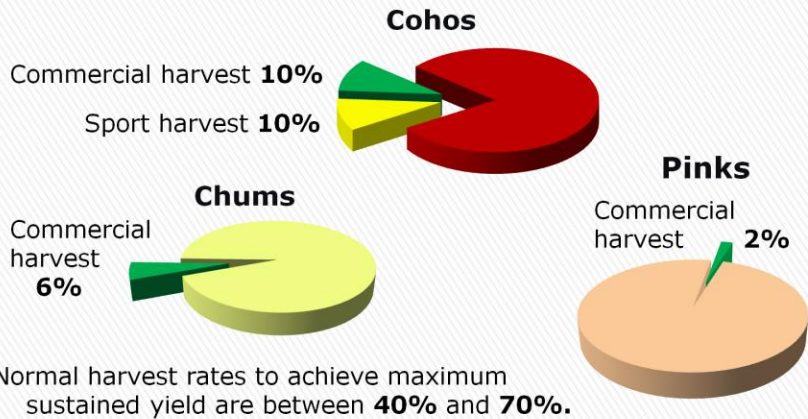
Again, ADF&G Commissioner Campbell has said on the record that she doesn't *"believe the department is assuming commercial harvest pressure as the causal factor in Chinook declines for any of the runs we have statewide."*



The commercial harvests of chum salmon in Cook inlet have also been tremendously reduced. Commercial fisheries harvest only 6% of available stocks, leaving an immense foregone harvest. (Willette, 2003, ADF&G Regional Information Report No. 2A03-20) Hundreds of thousands of fish and millions of pounds of product go unharvested. This deprives the region and the state of Alaska of the economic benefit of this surplus natural resource.

Upper Cook Inlet Harvest Rates

Willette, 2003, ADF&G Regional Information Report No. 2A03-20



Unlike other natural resources, when surplus salmon resources are not harvested (foregone harvest), the opportunity is gone forever.



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The Cook Inlet commercial fishery is under-fishing, not overfishing, salmon stocks. This does not meet the state mandate for sustained yield (5 AAC 39.222) .

**The Board of Fisheries is comparable to
the Board of Directors of a
multi-billion-dollar company.**

**As a shareholder looking at the previous charts,
what would you say about the performance of
the company's Cook Inlet Region?**



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State fish managers are challenged with managing increased demand for salmon by Alaskans and visitors. Impacts to habitat and quality of fishing experience have to be considered as well as overall costs and benefits. Balance and scientifically-based decisions are essential to avoiding significant economic losses and damage to the production capacity of the salmon resource in Cook Inlet.

Regulatory uncertainty...

- Three-year Board cycles
- Harvest Compression
- Ballot initiatives

...discourages investment in the industry.



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This is a tough business whether you are a seafood processor or harvester. Regulatory uncertainty adds an additional layer of difficulty.

The Board of Fisheries meets on Cook Inlet issues every three years and creates new regulations or changes existing regulations. The rapid potential pace of change makes long-term business decisions difficult. The three year cycle also makes it difficult for decisions to be based on science because the full life cycle of sockeye salmon is 4-6 years, so the Board makes changes to regulations before they can evaluate the effects of changes they made 3 years earlier.

Politically motivated fishery policy has also resulted in commercial harvest compression due to arbitrary restrictions and closures that prevent fishery managers from reacting to in-season events. In recent years the Cook Inlet seafood processors had to purchase 25-30 percent of their entire season's pack in one day. This creates enormous logistical problems, reduces product quality and product value.

When you add in a looming threat of ballot initiatives banning this or that gear type or fishing group then you have a very unstable climate for business.

ASA's goal - focus on:

- **Taking care of the resource to ensure its sustainability**
- **Managing with the best available science**
- **Fostering cooperation**

The result will be increased abundance of salmon stocks for the benefit of all user groups and sustained economic benefit to our communities.



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