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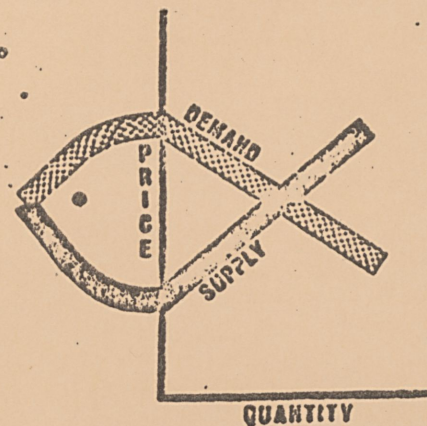
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LIMITED ENTRY PROGRAM IN
THE CANADIAN SALMON FISHERY

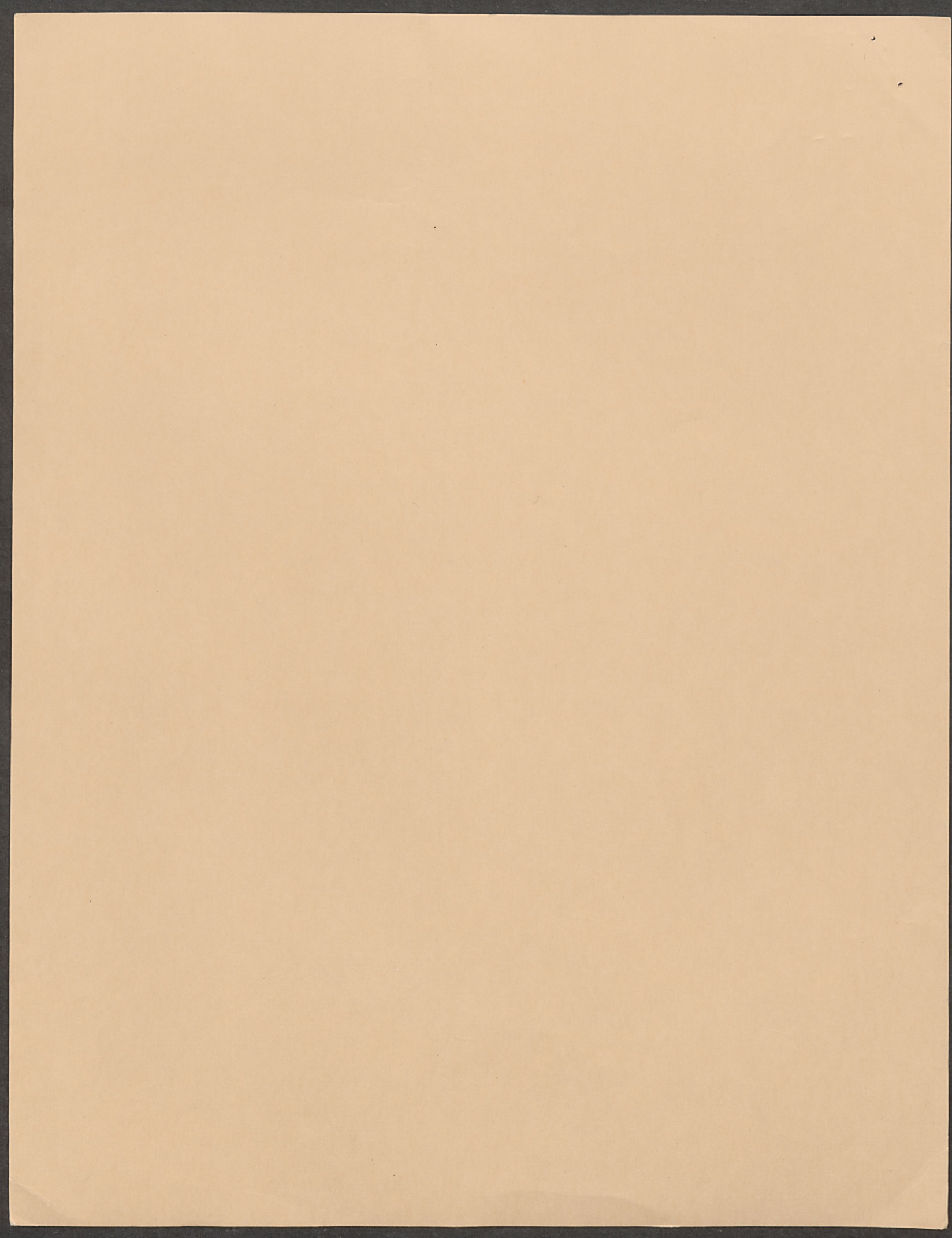
by

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File Manuscript No. 104

June, 1972

U.S. NATIONAL MARINE FISHERIES SERVICE
ECONOMIC RESEARCH LABORATORY



Limited Entry Program in the Canadian Salmon Fishery

Introduction

Measures undertaken by the Canadian Government to increase the earning power of British Columbia salmon fishermen and to permit more effective management of the salmon resource by controlling the entry of fishing vessels into the fishery created a situation which is of great concern to many fishermen in southeast Alaska and to people responsible for an orderly management program of the salmon fishery in this region. Part of the Canadian program is a buy-back scheme, under which certain boats are being purchased by the Canadian Government and retired from the Canadian fishing industry. These boats are then resold at auction to Canadians and non-Canadians, including Alaskans. While these resold boats can never again be utilized as fishing craft on the West Coast of Canada, some of them (boats of less than 5 Net tons) may under the present laws enter the U.S. fisheries, when purchased by Americans. In response to action taken by the Southeast Gillnet Federation of Juneau, Alaska, and by Mike Miller, Representative of the Alaska State Legislature (District 4, Juneau), U.S. Senator Stevens from Alaska introduced on March 15, 1972, a bill (S. 3358) to prohibit the use of certain small vessels in U.S. fisheries. This bill is to amend section 5 of the Act entitled, "An Act to prohibit fishing in the territorial waters of the United States and in certain other areas by vessels other than vessels of the United States and by persons in charge of

such vessels," approved May 20, 1964 (16 U.S.C. 1085), by inserting at the end thereof the following: "(e) As used in this Act, the term 'vessel of the United States' does not include a vessel of less than five tons if such vessel was constructed outside the United States and cannot be used in the fisheries of the country in which it was constructed."

The purpose of this report is to review the Canadian limited entry program which led to the situation described above, and to analyze the impact of the buy-back program on U.S. fisheries.

The Canadian Salmon Vessel License Control Program

On September 6, 1968, the Canadian Minister of Fisheries announced that effective as of that date the Salmon Vessel License Control Program was introduced. This program was to be implemented in four stages or phases.^{1/}

^{1/} This information is taken from the following publications:

- (a) Blake A. Campbell, Limited Entry in the Salmon Fishery: The British Columbia Experience, (Pacific Sea Grant Advisory Program--No. 6) Fisheries Programs, Centre for Continuing Education, University of British Columbia, May 1972.
- (b) Articles in the following issues of Western Fisheries: September 1968, November 1968, January 1969, April 1969, January 1970, June 1970, December 1970, June 1971, October 1971, December 1971, February 1972 and March 1972.
- (c) Articles in the following issues of Fisheries of Canada: October 1968, February 1970 and March 1970.

Phase I

The first step put the brakes on the actual number of fishing units in the salmon fleet by stating:

--that in 1969 no vessel would be licensed for salmon unless

- a) it had fished for salmon in 1967 or by September 6, 1968 or
- b) it was under construction as of September 6, 1968 or
- c) special circumstances existed or
- d) it replaced a vessel with certain standards of production.

For the purpose of licensing, vessels were divided into two categories based on recorded commercial landings of salmon in 1967, or in 1968 up to September 6: 'A' category vessels where those that had landings of salmon in excess of 10,000 pounds in terms of pink or chum units. In terms of landed value of production, this was equal to about \$1,250. 'B' category vessels were those that had some commercial landings of salmon but less than 10,000 pounds in terms of pink or chum units (for conversion of other species, 1 pound of sockeye or coho equaled 3 pounds of pinks or chums, and 1 pound of spring salmon equaled 4 pounds of pink or chums).

Only AA category vessels could be retired and replaced by new vessels. BB category vessels could not be lengthened or improved, and could not be replaced by new vessels. An Appeal Committee was set up to consider the licensing of vessels that did not meet the above qualifications because of special circumstances. In the first year after the program was introduced more than 1,200 appeals were considered.

The license fee to engage in the salmon fishery was increased from \$5 to \$10 in 1969.

As a result of this phase of the new license limitation scheme, the British Columbia's commercial salmon fishing fleet has been reduced by 571 vessels. The total dropped from 7,548 in 1968 to 6,977 in 1969, but its net worth has risen by \$8 million (from \$87,195,000 in 1968 to \$95,558,000 in 1969). Further steps had to be considered to make the program work more efficiently.

Phase II

In the fall of 1969 a series of proposals for Phase II were announced but rejected by the fishing industry. The final form of Phase II as implemented in January 1970 was:

- a) Increase in fees for salmon vessels in 1970 to: \$100 for vessels under 10 tons; \$200 for vessels over 10 tons (when this fee increase was actually implemented the dividing line was raised to 15 tons).
- b) Ten years maximum license for B category vessels.
- c) Vessels owned by fish processing companies frozen to fixed percentage of total fleet.
- d) Money from increased salmon license fees to be used to buy-back category A salmon vessels out of the industry.

In June of 1970 a further significant change was made, when it was announced that salmon vessel replacement was on a ton for ton basis rather than on a boat basis. At that time the fishermen

were also given notice of the salmon license fees schedule for 1971 as follows:

vessels under 30 feet	- \$100 (no change)
vessels 30 feet, but less than 15 tons	- \$200
vessels over 15 tons	- \$400

After extensive discussion with industry groups, the Minister of Fisheries announced in December 1970 that a special committee of industry representatives would be appointed under the chairmanship of a member of the Department of Fisheries to administer the buy-back program. This committee started the buy-back program in the spring of 1971.

In 1971, i.e., the third year of the new licensing program, the number of vessels licensed for salmon dropped to 6,285 (from 7,548 in 1968), with 5,322 category A, and 963 category B vessels.

Phase III

3 The third phase of the program was announced in December 1970, and called for quality standards on salmon vessels. Many vessels failed to comply with these standards when inspected. Because of this high failure rate, coupled with the physical difficulty of inspecting, the enforcement of the regulations on quality standards has been delayed until 1973. At that date a vessel will not be eligible for a salmon license unless it passes inspection.

Phase IV

The final phase of the program will deal with gear and area regulations in the salmon fisheries. An Advisory Committee of ten persons has been appointed to study and make recommendations to the Minister on what action should be taken. The general terms of reference that have been given to the Committee include advising the Minister of:

- a) The development of the salmon resource including the construction of salmon hatcheries and spawning channels.
- b) The size and composition of the salmon fishing fleet required to harvest the resource.
- c) International policy as it affects the fishery including agreements with the United States.

Results of the buy-back program

As of April 4, 1972 the committee appointed for this specific program has bought 176 vessels, appraised at \$2,442,000. About 1,000 vessels have been offered to the buy-back, but this does not represent owners who are prepared to sell. A large number of these vessels have been offered only to allow owners to obtain a free appraisal of their vessels. Rejections on offers are running at about 60 percent.

Vessels bought in this program have been resold at three auctions, the last of which was held on March 4, 1972. The gross receipts from these auction sales amounted to \$1,126,000 (i.e.,

46 percent of the appraised value). Money received from these sales, plus revenue from A category license fees (\$1.54 million in 1970 and 1971) were used for purchasing vessels in this program.

At the first auction (October 1971) 52 vessels were sold for \$317,650. The average length of a vessel in this group was 38 feet, and the average age was 20 years. In this group there were 6 seiners, 13 trollers, 27 gillnetters, and 6 gillnet/trollers. Average price per vessel in the same order: \$11,625, \$7,688, \$4,259, and \$5,491. Prices for the entire group ranged from \$550 to \$24,500.

Forty-nine vessels were resold at the December 1971 auction, for an amount of \$274,000 (estimated).

The third auction was held on March 4, 1972, with 69 vessels sold for \$534,446. Prices ranged from \$450 to \$35,000. No information on gear, size, and age of vessels is available. It can be estimated (based on the average cost per ton^{2/} of vessels sold, being \$805.20) that the average vessel in this group was of 9.6 net tons.

Impact on U.S. Fisheries

Based on communications with our Regional Office in Seattle, Washington, (October and December 1971 auctions) and on published data on the March 1972 auction the following is presented as a fair estimate of U.S. purchases from the three auctions:

^{2/} It is assumed that this refers to net tonnage of a vessel.

Auction:

	<u>October 71</u>	<u>December 71</u>	<u>March 72</u>	<u>Total</u>
Total number of vessels sold	52	49	69	170
U.S. purchasers from:				
Washington	14	18	30	62
Oregon		1	3	4
California		2	1	3
Alaska	1	1	14	16
Texas*	5			5
Total U.S. purchases	20	22	48	90
U.S. % of total	38%	45%	70%	53%

*(These are reported to be planned for use in the Bahama Islands.)

Only boats of less than 5 net (or register) tonnage can be imported as fishing craft by U.S. purchasers. Our Regional Office estimates that about 70 percent of U.S. purchases from these three auctions, will be used in U.S. salmon fisheries.^{3/} Assuming an additional buy-back of 500 vessels by the Canadian Government, it is further estimated that a total of about 240 boats (including boats from the first three auctions) may be added to the U.S. fishing fleet as a result of the buy-back program.

Information from our Regional Office indicates that in addition boats purchased at the auctions by Canadians may be resold to U.S. citizens. Even more important are possible private purchases of

^{3/} The exact figures could probably be obtained through direct communications with the purchasers, or from the Customs Offices in the Northwest Region. Because of time restraints it was not possible to do this for this writing.

boats that are not involved in the buy-back program. These private sales have two possible advantages to the Canadian owner. First, if the boat is sold privately the removed tonnage can be used to bring a replacement vessel into the fishery.^{4/} Second, a financial advantage is possible, because after the Government offers to purchase the vessel through the buy-back program, it can be sold privately for a period of about two weeks if a higher price can be negotiated in a private transaction. However, information received from the U.S. Bureau of Customs indicates that so far only vessels bought on auctions were imported.

It can be expected that these small boats will be used primarily in the U.S. Pacific salmon fisheries. In a recent study by NMFS Task Force on Capitalization in U.S. Fisheries, it was found that the U.S. salmon fisheries both in the Northwest Region and in Alaska are overcapitalized.^{5/} Over the last two decades total³ salmon catch has decreased, while the number of nets and troll lines increased. In addition, restrictions on gear have created inefficient vessel operations, with excessive numbers of vessels and fishermen in these fisheries.^{6/} Any addition to the

^{4/} A vessel sold in the buy-back program cannot be replaced.

^{5/} Bell, Frederick W., William E. Schaaf, Ernest W. Carlson, and George Hirschhorn, "An Analysis of the Extent of Capitalization for Fisheries in the National Marine Fisheries Service Northwest Region and Alaska Region" (Two separate reports - unpublished). National Marine Fisheries Service, NOAA, U.S. Department of Commerce, 1972.

^{6/} Crutchfield, James A. and Giulio Pontecorvo. The Pacific Salmon Fishery: A Study of Irrational Conservation. The Johns Hopkins Press: Baltimore, Md., 1969.

existing fishing power (vessels, nets, fishermen) can only deepen the overcapitalization status in the Northwest salmon fisheries.

Beside being used in the Pacific salmon fisheries, it is possible that these small boats can also be operated in other U.S. fisheries in which this type of craft is in use. Table 1 shows the number of motor boats in U.S. fisheries, by states. For comparison, also the number of vessels of 5 net tonnage and over is presented. As can be seen, vessels that originate from the Canadian buy-back program could be used in many U.S. fisheries (lobster, oyster, blue crab, shrimp, clams, dungeness crab, albacore tuna, and other finfish). However because of distances involved, high transportation costs, and the cost of conversion to other than salmon fishing, it is unlikely that these vessels could in great numbers be used in fisheries on the East Coast of the U.S. or in the Gulf of Mexico. Thus, it can be expected that almost all the vessels under consideration would be used in fisheries of the Pacific states (Alaska, Washington, Oregon, California), i.e., fishing for salmon, dungeness crab, spiny lobster, abalone, albacore tuna, or other finfish. According to the findings of the Task Force on Capitalization the dungeness crab and spiny lobster fisheries are overcapitalized. The finfish fisheries of the West Coast are fully or overcapitalized, the status in the abalone and the albacore tuna fisheries are described as unknown because of insufficient knowledge of the resources.

The Canadian salmon vessel license control program is a unique management scheme that might affect some of the U.S. fisheries. At this point in time it is not known whether other countries will become involved in this type of programs with a potential impact on U.S. fisheries. If Japan or some European country would consider a similar program, distance rules out any thought of using those small boats in any of our fisheries. Mexico or other Central or South American countries are not known to have the type of management problems the Canadians have in their salmon fisheries.

With respect to the proposed bill S. 3358, it should be noted that its wording is inaccurate. The term "tons" can be interpreted either as a weight measure (metric tons, long tons, short tons), or as a measure of internal cubic capacity of space in and on the vessel (gross tonnage, net tonnage). The intention of this legislation is to exclude vessels of less than 5 net tonnage (or register tonnage) and this should then be clearly stated in the bill in order to avoid any misinterpretation. Secondly, there is some doubt as to whether the proposed law could be effective in keeping these small boats out of U.S. fisheries. In a circular which was sent out to every salmon fishing vessel owner the buy-back committee explained among other things that "none of the boats can be put back into commercial fishing on the West Coast of Canada."^{7/} This provision

^{7/} Western Fisheries, June 1971, p. 9.

does not preclude the vessels from being used in other Canadian fisheries, e.g., in the East Coast lobster or scallop fisheries. Thus the fact that a vessel from the buy-back program cannot be used on the West Coast of Canada does not mean necessarily that it "cannot be used in the fisheries of the country in which it was constructed," as stated in the proposed bill. In this respect the proposed law is not precise enough.

It should also be mentioned that any private purchases of small boats would not be affected by the proposed law, since these are not precluded from being used in Canadian fisheries (even in the salmon fisheries).

Table 1.--Vessels and motor boats in U.S. fisheries, by States, 1968

State	Number of vessels *	Gross tonnage ^{es}		Number of motor boats**	Main fisheries in which boats are operated
		total	per vessel		
Maine	157	8,031	51	5,421	lobster
New Hampshire	--	--	--	167	lobster
Massachusetts	438	36,300	83	2,558	lobster, scallop, fish
Rhode Island	125	6,373	51	913	lobster, oyster, fish
Connecticut	40	953	24	372	lobster
New York	235	10,642	45	3,170	clams
New Jersey	344	20,530	60	1,300	clams
Delaware	7	194	28	174	clams
Maryland	546	5,656	10	5,949	oyster, crab, fish
Virginia	843	20,450	24	3,165	oyster, crab, fish
N. Carolina	398	22,395	56	2,516	oyster, scallop, fish
S. Carolina	285	8,679	30	552	oyster, crab, fish
Georgia	391	16,163	41	529	shrimp, crab, oyster
Florida, East Coast	470	19,913	42	1,795	crab, fish
Florida, West Coast	1,394	64,000	46	2,606	fish, oyster, spiny lobster
Alabama	480	24,452	51	561	oyster, shrimp
Mississippi	665	33,282	50	1,249	oyster, shrimp
Louisiana	1,734	101,790	59	4,520	shrimp, crab
Texas	1,903	120,937	64	1,219	shrimp, oyster
Alaska	2,162	62,424	29	9,023	salmon
Washington	1,332	29,563	22	3,432	salmon
Oregon	1,203	30,793	26	1,778	salmon
California	1,875	92,834	49	2,489	salmon, albacore, dungeness crab, abalone, lobster
Total exclusive of duplication	13,271	557,140	42	55,313	

Source: Fishery Statistics of the United States, 1968, Statistical Digest No. 62, National Marine Fisheries Service, National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce, 1968.

* Fishing craft 5 net tonnage or over.

** Fishing craft under 5 net tonnage.



