

Public Testimony Sign Up Sheet


Agenda Item C-3 Rocky 60A

	NAME (PLEASE PRINT)	AFFILIATION
1 ✓	Tina Blott	OBS
2 ✓	Bob Krueger	Traverse - Koonce
3 ✓	Bob Sergei Morozov	Green
4 ✓	John Bonney	ADBF
5 ✓	Lori Sumner	GFF
6 ✓	Susan Rosner	D. Sumner's Fisher
7 ✓	Matthew Moir / ^{at} Burch	AFS
8 ✓	Heather McCarty	Fisheries Services
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

NOTE to persons providing oral or written testimony to the Council: Section 307(1)(I) of the Magnuson-Stevens Fishery Conservation and Management Act prohibits any person "to knowingly and willfully submit to a Council, the Secretary, or the Governor of a State false information (including, but not limited to, false information regarding the capacity and extent to which a United State fish processor, on an annual basis, will process a portion of the optimum yield of a fishery that will be harvested by fishing vessels of the United States) regarding any matter that the Council, Secretary, or Governor is considering in the course of carrying out this Act.

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver 
Executive Director

DATE: April 1, 2005

SUBJECT: Central Gulf of Alaska Rockfish Demonstration Program

ESTIMATED TIME 6 HOURS

ACTION REQUIRED

Initial review of the analysis

BACKGROUND

Section 802 of Title VIII of the Consolidated Appropriations Act of 2004 directed the Secretary of Commerce to develop a rockfish demonstration program for the Central Gulf of Alaska rockfish fisheries in consultation with the Council. At its April and June 2004 meetings, the Council responded to the directive of the legislation, public testimony, and an industry stakeholder proposal, by adopting for analysis a set of alternatives and elements that could be used to select an alternative to establish the demonstration program. At its October 2004, December 2004, and February 2005 meetings, the Council further defined the alternatives including options for sideboards of pilot program participants. A copy of the current motion is attached as Item C-3(a).

Staff has prepared a draft RIR/EA/IRFA for this meeting, which was included in a Council mailing the week of March 21. The executive summary is attached as Item C-3(b). In addition, staff has prepared a discussion paper for consideration by the Council at this meeting attached as Item C-3(c). The discussion paper provides analyses of options within the alternatives for the main demonstration program that the Council has yet to decide. These include the allocation of halibut PSC, shortraker and rougheye allocations to catcher vessels, and processor license eligibility provisions. Depending on whether the Council elects to decide these issues at this meeting, staff is prepared to modify the analyses accordingly.

DRAFT
Central Gulf of Alaska Rockfish Pilot Program
Updated to February 12, 2005

PROBLEM STATEMENT

The present management structure of the CGOA rockfish fishery continues to exacerbate the race for fish with:

- Increased catching and processing capacity entering the fishery,
- Reduced economic viability of the historical harvesters (both catcher vessels and catcher processors) and processors,
- Decreased safety,
- Economic instability of the residential processor labor force,
- Reduced product value and utilization,
- Jeopardy to historical groundfish community stability,
- Limited ability to adapt to Magnuson-Stevens Act (MSA) requirements to minimize bycatch and protect habitat.

While the Council is formulating GOA comprehensive rationalization to address similar problems in other fisheries, a short-term solution is needed to stabilize the community of Kodiak. Kodiak has experienced multiple processing plant closures, its residential work force is at risk due to shorter and shorter processing seasons and the community fish tax revenues continue to decrease as fish prices and port landings decrease. Congress recognized these problems and directed the Secretary in consultation with the Council, to implement a pilot rockfish program with the following legislation:

SEC. 802. GULF OF ALASKA ROCKFISH DEMONSTRATION PROGRAM. The Secretary of Commerce, in consultation with the North Pacific Fishery Management Council, shall establish a pilot program that recognizes the historic participation of fishing vessels (1996 to 2002, best 5 of 7 years) and historic participation of fish processors (1996 to 2000, best 4 of 5 years) for pacific ocean perch, northern rockfish, and pelagic shelf rockfish harvested in Central Gulf of Alaska. Such a pilot program shall (1) provide for a set-aside of up to 5% for the total allowable catch of such fisheries for catcher vessels not eligible to participate in the pilot program, which shall be delivered to shore-based fish processors not eligible to participate in the pilot program; (2) establish catch limits for non-rockfish species and non-target rockfish species currently harvested with pacific ocean perch, northern rockfish, and pelagic shelf rockfish, which shall be based on historical harvesting of such bycatch species. The pilot program will sunset when a Gulf of Alaska Groundfish comprehensive rationalization plan is authorized by the Council and implemented by the Secretary, or 2 years from date of implementation, whichever is earlier.

The fishing fleets have had little experience with cooperative fishery management and needs to begin the educational process. For the fishery to be rationalized all aspects of the economic portfolio of the fishery needs to be recognized. To stabilize the fishery economy all the historical players—harvesters (both catcher vessels and catcher processors) and processors—need to be recognized in a meaningful way. The demonstration program is designed as a short-term program for immediate economic relief until comprehensive GOA rationalization can be implemented.

Alternatives, Elements and Options

The Council recommends the following elements and options for the CGOA Rockfish Pilot program be included for analysis:

Catcher Vessel Alternatives

- 1) Status Quo
- 2) Cooperative program with license limitation program for processors
- 3) Cooperative program with cooperative/processor associations

Catcher Processor Alternatives

- 1) Status Quo
- 2) Cooperative Program
- 3) Sector Allocation

Alternatives 2 and 3 are defined by the following elements and options. Differences in the elements and options between the two alternatives and across the two sectors are noted.

1 Set-asides

Prior to allocation of catch history to the sectors, NMFS shall set aside:

- 1.1 ICA: An Incidental Catch Allocation (ICA) of POP, Northern rockfish and pelagic shelf rockfish to meet the incidental catch needs of fisheries not included in the pilot program
- 1.2 Entry Level Fishery: A percentage of POP, Northern rockfish and pelagic shelf rockfish for catcher vessels not eligible to participate in the program, as mandated in the Congressional language. For the duration of this program, the annual set aside will be 5% of each of these target rockfish species.
 - o Allocations shall be apportioned between trawl and non-trawl gear:
50/50
The trawl sector's 50% allocation by weight (based on the aggregate TAC for Pacific Ocean perch, Northern and pelagic shelf rockfish) shall first be Pacific Ocean perch.
 - o Unharvested allocations to either sector shall be available to both sectors at the end of the third quarter.
 - o Prosecution of the entry level fishery will be supported by general allocations of PSC to the gear type not allocated under 3.3.1.3 and the general allocations of secondary species not allocated under 3.3.1.2

2 Entry-Level Fishery

2.1 Catcher Vessel Participation:

Vessels that can participate in the Entry Level fishery are those vessels that did not qualify for the CGOA rockfish pilot program.

2.2 Processor Participation:

Processors who purchase and process the entry level rockfish quota must be non-qualified processors.

2.3 Fishery participation:

Before the beginning of each fishing year an application must be filed with NMFS by the interested vessel that includes a statement from a non-qualified processor confirming an available market.

2.4 NMFS will determine:

- NMFS will provide for an entry level fishery.
 - Equal shares distributions to the vessel applicants in the trawl sector
 - Limited access competitive fishery in the non-trawl sector

- Entry permits are non-transferable and must be fished by the named vessel

3 Sector Allocations

3.1 Sector Definitions

Trawl catcher vessel

Trawl catcher processor

A trawl catcher-processor is a trawl vessel that has a CP LLP license and that processes its catch on board.

3.2 Rationalized Areas

- History is allocated for the CGOA only (NMFS statistical areas 620 and 630)

3.3 Sector Allocations

- Catch history is determined by the sector qualified catch in pounds as a proportion of the total qualified catch in pounds.
- Sector allocation is based on individual qualified vessel histories with the drop-2 provision at the vessel level.
- The eligibility for entry into the program is one targeted landing of POP, Northern rockfish or PSR caught in CGOA during the qualifying period.
- The CP catch history will be based on WPR data.

3.3.1 Each sector is allocated catch history based on:

The sum of all catch history of vessels in that sector for which it earned a valid, permanent, fully transferable CGOA LLP endorsement, for the years 1996-2002 drop two.

Suboption: include history of vessels which hold a valid interim endorsement on implementation of the program

3.3.1.1 Target species:

- Qualified target species history is allocated based on retained catch (excluding meal)
- History will be allocated to each sector for POP, Northern rockfish and PSR caught in CGOA based on retained catch during the open season
- Different years may be used for determining the history of each of the three rockfish species.
- Full retention of the target rockfish species required

3.3.1.2 Secondary species:

- Secondary species history is allocated based on retained catch over retained catch while targeting the primary rockfish species listed above.
- History will be allocated to each sector for sablefish, shortraker/rougheye rockfish, thornyheads and Pacific cod.
Participants must retain all allocated secondary species and stop fishing when cap is reached.
- All non-allocated secondary species will be managed by MRA, as in the current regime. This includes Arrowtooth flounder, deep water flatfish, shallow water flatfish, flathead sole, rex sole, pollock, other species, Atka mackerel and other rockfish.

- Except as otherwise provided below, secondary species allocations will be based on:

Percentage of catch by sector of the secondary species within the rockfish target fisheries divided by the total number of years in the qualifying period. The calculated percentage is multiplied by the secondary species quota for that fishery year and allocated to each sector in the pilot program. (retained catch over retained catch)

Allocations of Pacific cod as a secondary species will be at the following rate of harvest history:

100%

For the offshore sector, Pacific cod history will be managed by MRA of 4%.

Option: The shortraker/rougeye allocation for the catcher vessel sector will be based on the total catch of the sector during the target rockfish fishery over total catch of all sectors which yields the highest annual percentage during the qualifying years.

3.3.1.3 Prohibited species (halibut mortality):

- Allocation to the pilot program will be based on historic average usage, calculated by dividing the total number of metric tons of halibut mortality in the CGOA rockfish target fisheries during the years '96-'02 by the number of years (7). This allocation will be divided between sectors based on:
 - Option 1) The actual usage of each sector
 - Option 2) The relative amount of target rockfish species allocated to each sector.

4 Allocation from Sector to Vessel

- 4.1 Within each sector, history will be assigned to LLP holders with CGOA endorsement that qualify for a sector under the 'sector allocations' above. The allocations will be to the current owner of the LLP of the vessel which earned the history.
- 4.2 Basis for the distribution to the LLP license holder is: the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per license. In cases where the fishing privileges (i.e., moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of harvest shares to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. (Only one catch history per LLP license.)
- 4.3 Target species:
 - Each LLP holder will receive an allocation of history equivalent to their proportion of the total of the sector qualifying history.
- 4.4 Secondary species:
 - Each LLP holder will receive an allocation of sector history proportional to their allocation of target rockfish history
- 4.5 PSC (halibut mortality)
 - Each LLP holder will receive an allocation of halibut mortality equivalent to their proportion of the sector rockfish history

4.6 Allocations of secondary species:

May be fished independently of the primary species allocations.

5 Co-op provisions

5.1 Duration of cooperative agreements is 2 years.

5.2 For all sectors

- The co-op membership agreement and the Contract will be filed with the RAM Division. The Contract must contain a fishing plan for the harvest of all co-op fish.
- Co-op members shall internally allocate and manage the co-op's allocation per the Contract.
- Subject to any harvesting caps that may be adopted, allocated history may be transferred and consolidated within the co-op to the extent permitted under the Contract.
- The Contract must have a monitoring program. Co-op members are jointly and severally responsible for co-op vessels harvesting in the aggregate no more than their co-op's allocation of rockfish species, secondary species and PSC mortality, as may be adjusted by inter-co-op transfers.
- Co-ops may adopt and enforce fishing practice codes of conduct as part of their membership agreement.
- Co-op membership agreements shall allow for the entry of other eligible harvesters into the co-op under the same terms and conditions as agreed to by the original agreement.
- Co-ops will report annually to the Council as per AFA.
- The cooperatives formed under this program are harvest associations that are intended only to conduct and coordinate harvest activities of their members and are not FCMA cooperatives. Processor affiliated vessels will be permitted to join harvest cooperatives.

5.3 CP sector:

For Alternative 2:

History is allocated to the current owner of the LLP of the vessel that earned the history.

- Owners may fish their allocation independently if the LLP has a CGOA endorsement, or may enter into a cooperative arrangement with other owners.
- More than one co-op may form within the sector
- Any number of eligible LLPs may form a co-op
- Allocations may be transferred between co-ops of at least:
two LLPs

For Alternative 3:

History is allocated to the current owner of the LLP of the vessel that earned the history.

- More than one co-op may form within the sector
- Allocations may be transferred between co-ops of at least:
two LLPs
- Harvesters may elect not to join a co-op, and continue to fish in an LLP/Open Access fishery. The LLP's historic share will be fished in a competitive fishery open to rockfish qualified vessels who are not members of a cooperative.

5.4 CV sector:

For Alternative 2:

- Voluntary co-ops may form between eligible harvesters.
- All cooperative harvests under this program must be delivered to eligible processors.
- Harvesters may elect not to join a co-op, and continue to fish in an LLP/Open Access fishery. Those LLPs that opt out of the cooperative portion of the pilot program will be penalized ~~0~~ to 20% of their historical share (annual allocation). The penalty share will be left with the CV cooperative portion of the rockfish fishery and will be prorated among CV cooperatives based on cooperative share holdings. The LLP's remaining share will be fished in a competitive fishery open to rockfish qualified vessels who are not members of a cooperative and must be delivered to one of the qualified processors.
- An eligible processor is a processing facility that has purchased 250 MT of aggregate Pacific Ocean Perch, Northern Rockfish, and Pelagic Shelf rockfish harvest per year, for 4 years, from 1996 to 2000. Eligible processors will be issued a license under this program. Licenses are not transferable.

Suboption: An eligible processor is a processing facility with a substantial investment of

Option A) \$1,000,000 or more

Option B) \$5,000,000 or more, and

that has purchased 250 MT of aggregate Pacific Ocean Perch, Northern Rockfish, and Pelagic Shelf rockfish in any of the qualifying years.

- If a processing facility has closed down and another processing facility has acquired that processing history through purchase, for the purpose of determining processor eligibility the history belongs to the facility that purchased that history. That history can only be credited to another facility in the community that it was generated in for purposes of establishing eligibility under this program.
- The harvesters that enter into a co-op membership agreement shall be the members of the co-op.
- A pre-season Contract between eligible, willing harvesters is a pre-requisite to a cooperative receiving an annual allocation.
- Co-op membership agreements will specify that processor affiliated harvesters cannot participate in price setting negotiations except as permitted by general antitrust law.
- Catcher vessel cooperatives are required to have at least 4 eligible LLPs
- Co-ops may engage in inter-cooperative transfers of annual allocations to other cooperatives.
- No processor associations required by co-ops.

For Alternative 3:

- Voluntary co-ops may form between eligible harvesters in association with processors.
- Catcher vessel co-ops must be associated with an eligible processor.
- An eligible processor is a processing facility that has purchased 250 MT of aggregate Pacific Ocean Perch, Northern Rockfish, and Pelagic Shelf rockfish harvest per year, for 4 years, from 1996 to 2000.
- A harvester is eligible to join a cooperative in association with the processing facility to which the harvester delivered the most pounds of the three rockfish species combined during the year's 1996 – 2000 drop 1 year (processor chooses the year to drop, same year for all LLPs). If an LLP holder has no deliveries to a qualified processor, the LLP holder may join a coop with any one of the qualified processors, but their membership would not be considered in determining whether the threshold is met for co-op formation.
- Harvesters may elect not to join a co-op, and continue to fish in an LLP/Open Access fishery. Those LLPs that opt out of the cooperative portion of the pilot program will be penalized ~~0~~ to 20% of their historical share (annual allocation). The penalty share will be left with the LLP's associated cooperative. The LLP's remaining share will be fished in a competitive fishery open

to rockfish qualified vessels who are not members of a cooperative and must be delivered to one of the qualified processors.

- If a processing facility has closed down and another processing facility has acquired that processing history through purchase, the history belongs to the facility that purchased that history. That history must remain in the community that it was generated in.
- The harvesters that enter into a co-op membership agreement shall be the members of the co-op. The processor will be an associate of the cooperative but will not be a cooperative member.
- A pre-season Contract between eligible, willing harvesters in association with a processor is a pre-requisite to a cooperative receiving an annual allocation.
- Co-op membership agreements will specify that processor affiliated harvesters cannot participate in price setting negotiations except as permitted by general antitrust law.
- Processors are limited to 1 co-op per plant.
- Catcher vessel cooperatives are required to have at least:
75% of the eligible historical shares for each co-op associated with its processor.
- Co-ops may engage in inter-cooperative transfers of annual allocations to other cooperatives with agreement of the associated qualified processor.

5.5 Sector Transfer provisions

CP annual allocations may be transferred to CV cooperatives. CV annual allocations may not be transferred to CP cooperatives.

All transfers of annual allocations would be temporary and history would revert to the original LLP at the beginning of the next year.

A person holding an LLP that is eligible for this program may transfer that LLP. That transfer will effectively transfer all history associated with the LLP and any privilege to participate in this program that might be derived from the LLP.

6 Co-op harvest use caps

6.1 CVs:

No person may hold or use more than 5% of the CV historic shares, using the individual and collective rule (with grandfather provision).

Control of harvest share by a CV co-op shall be capped at:
30% of aggregate POP, Northern Rockfish and PSR for the CV sector

6.2 CPs:

No person may hold or use more than 20% of the CP historic shares, using the individual and collective rule (with grandfather provision).

Control of harvest share by a CP shall be capped at:
60% of aggregate POP, Northern Rockfish and PSR for the CP sector
Eligible CPs will be grandfathered at the current level

7 Shoreside processor use caps

Shoreside processors shall be capped at the entity level.

No processor shall process more than:
30% of aggregate POP, Northern Rockfish and PSR for the CV sector
Eligible Processors will be grandfathered.

The year 2002 will be used as a base (or index) year for applying the aggregate caps.

8 Program Review

Program review the first and second year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters, processors and communities. Conservation benefits of the program would also be assessed.

9 Sideboards

9.1 General Provisions

There are no exemptions from sideboards, except for a partial exemption for CP vessels which opt out of the pilot program or join cooperatives.

a. For fisheries that close on TAC in the GOA, the qualified vessels in each sector (trawl CV and trawl CP) would be limited, in aggregate, in the month of July to the historic average total catch of those vessels in the month of July during the qualification years 1996 to 2002. Fisheries that this sideboard provision would apply to include West Yakutat rockfish and WGOA rockfish.

b. For flatfish fisheries in the GOA that close because of halibut bycatch, the qualified vessels in each sector (trawl CV and trawl CP) would be limited, in the aggregate, in the month of July to the historic average halibut mortality taken by those vessels in the target flatfish fisheries in the month of July by deep and shallow complex.

c. In the event that one or more target rockfish fisheries are not open, sideboard restrictions will not apply for those target allocations.

- IFQ halibut and sablefish are exempt from sideboard provisions

9.2 CP Specific Sideboard Provisions

CP vessels may decide to opt out of the CGOA pilot program on an annual basis. These CP vessels may not target POP, Northern rockfish or Pelagic Shelf rockfish in the CGOA in the years they choose to opt out. They may retain these species up to the MRA amount in other fisheries. They will be sideboarded at the sector level in the GOA as described in 9.1.

The history of CP vessels which opt out will remain with the sector.

CPs that opt out of the rockfish pilot program will be prohibited, for two weeks following the start of the traditional July rockfish fishery, from entering other GOA fisheries in which they have not previously participated. Participation shall be defined as having been in the target fishery during the first week of July in at least two of the qualifying years. For purposes of qualifying under this provision, history from area 650 (SEO) will be considered the same as history from area 640 (WY).

Opting out is an annual decision. CP vessels which choose to opt out must so notify NMFS. The decision to opt out should not in any way alter the status of their catch history for future rationalization programs.

As part of its annual review, the Council should consider the effects of "opting-out" of the CP rockfish program. Specifically, if the Council finds that the opt-out provision is used to consolidate rockfish catch while avoiding rockfish program sideboards, then the Council should take immediate action to provide a disincentive for future abuses by allocating "opt-out" fish to the fishery not the sector.

For the CP sector, the pilot program fishery participants must either:

- 1) start fishing in the target rockfish fisheries at the same time as the opening of the CGOA rockfish limited access fisheries (in July) and harvest 90% of their CGOA rockfish allocation prior to entering any other BSAI or GOA non-pollock groundfish fishery, or
- 2) standdown for two weeks from the opening of the CGOA rockfish limited access fishery prior to participating in any other BSAI or GOA non-pollock groundfish fishery.

A vessel which has met either standdown requirement can then move into the BSAI or GOA open access fisheries subject to the sector level limitations in the GOA in 9.1.

To the extent permitted by the motion, history may be leased between vessels. Each person that transfers its history to another CP or CV must still refrain from operating in any other BSAI or GOA non-pollock groundfish fishery until the earlier of:

- 1) 90% of all of the CGOA rockfish allocation on the stacked vessel is harvested in the CGOA, provided fishing of the allocation began on or after the opening of the CGOA rockfish limited access fishery
- 2) two weeks from the opening of the CGOA rockfish limited access fishery prior to participating in any other BSAI or GOA non-pollock groundfish fishery.

Members of a cooperative will be subject to all limitations and restrictions described in 9.1 and 9.2 except that cooperative members shall not be subject to any standdown in the GOA groundfish fisheries. The standdown provision in the BSAI groundfish fisheries will apply to cooperative members.

In addition to the other limitations and restrictions described above, each cooperative will be limited in the aggregate:

- a. for fisheries that close on TAC in the GOA in the month of July, to the historic average total catch of the cooperative members in the month of July during the qualification years 1996 to 2002. Fisheries that this sideboard provision would apply to include West Yakutat rockfish and WGOA rockfish, and
- b. for flatfish fisheries in the GOA that close because of halibut bycatch in the month of July, to the historic average halibut mortality taken by cooperative members in the target flatfish fisheries in the month of July by deep and shallow complex.

For Alternative 3:

The limited access fishery starts at the same time as the traditional rockfish target fishery (early July). For vessels that account for less than 5% of the allocated CP history in the Pacific Ocean perch fishery that participate in the limited access rockfish fishery, there are no additional intra-sector sideboards. For vessels that account for greater than or equal to 5% of the allocated CP history in the Pacific Ocean fishery that participate in the limited access rockfish fishery, GOA and BSAI standdowns are in place until 90% of the limited access Pacific Ocean perch quota is achieved.

9.3 CV Specific Sideboard Provisions

- The qualifying vessels in the trawl CV sector cannot participate in the directed yellowfin sole, other flatfish (flathead, etc) or Pacific Ocean perch fisheries in the BSAI in the month of July.
- Qualifying vessels in the trawl CV sector would be limited, in aggregate, in the month of July, to the historic average total catch of those vessels in the BSAI Pacific cod fishery in July during the qualification years 1996 to 2002.
- AFA CVs qualified under this program are subject to the restraints of AFA sideboards and their coop agreement, and not subject to additional sideboards under this program.

In the event this program has a duration of more than 2 years, the Council will reconsider the issue of use/ownership caps for companies and vessels.

Central Gulf of Alaska Rockfish Demonstration Program

Executive Summary

Section 802 of the Consolidated Appropriations Act of 2004, the U.S. Congress included a directive to the Secretary of Commerce to establish, in consultation with the North Pacific Fishery Management Council (the Council), a pilot program for management of three rockfish fisheries in the Central Gulf of Alaska (the Central Gulf rockfish fisheries). At the February 2004 Council meeting, National Marine Fisheries Service (NOAA Fisheries) presented a brief discussion paper requesting Council input in the development of the pilot program. Based on this request and public testimony, the Council requested industry stakeholders to prepare and submit proposed alternatives for establishing the program to the Council at its April 2004 meeting. Industry representatives presented a proposal at that meeting that defined an alternative for management of the fisheries under the pilot program. Using the industry proposal and public input and staff discussion papers, the Council developed alternatives for the pilot program management of the rockfish fisheries at its June 2004, October 2004, December 2004, and February 2005 meetings. Because of the different characteristics of the catcher vessel fleet and the catcher processor fleets, the Council has developed different, but closely related alternatives for these two sectors.

The Alternatives

To address its problem statement the Council has adopted two pilot program alternatives for the catcher vessel sector and two pilot program alternatives for the catcher processor sector for analysis, in addition to the status quo. Options would create separate sectors for trawl catcher processors, trawl catcher vessels, and non-trawl catcher vessels. Under this construction, the different gear types in the catcher vessel sector would be governed by the same management program, but they would be managed as separate sectors.

For the catcher processor sector, one pilot program alternative would allow harvesters to form cooperatives, which would receive annual harvest share allocations based on the qualified harvest histories of their members. Alternatively, a catcher processor license holder would receive an annual allocation based on the history associated with the license that could be fished independently. The second catcher processor pilot program alternative would simply make an allocation to the sector based on the histories of catcher processors in the CGOA rockfish fisheries.

For the catcher vessel sector, one pilot program alternative would allow each harvester to join a cooperative in association with the processor to which it delivered the most pounds of CGOA rockfish during the processor qualifying period. Cooperatives would receive an annual harvest share allocation based on the qualified harvest history of its members. Although no specific processor delivery requirement is created by this cooperative/processor relationship, since cooperative formation depends on the processor association, some delivery arrangement is likely to be incorporated into that relationship. The second catcher vessel pilot program alternative would allow harvesters to form cooperatives, which again would receive allocations based on members' qualified harvest histories. These cooperatives would be required to deliver their landings to processors that met threshold landing requirements during the processing qualifying years. Under both of these alternatives, harvesters that choose not to join a cooperative would be permitted to fish in a competitive fishery that receives an allocation based on the harvest histories of non-members of cooperatives.

Under all of the pilot program alternatives, set asides of CGOA rockfish would be made for an entry level fishery and to support incidental harvests in other directed fisheries.

The pilot program alternatives are derived from a common set of elements with differences that reflect the different operations of the two fleets. The specific elements and options that define the alternatives follow the brief description of the alternatives (including status quo) below.

Management of the Fisheries

Under its current management, the rockfish fisheries are conducted as a limited access race for fish. Managers must first manage the LLP, under which license holders must declare their intention to use a license on a vessel with the NOAA Fisheries. Non-trawl fishing in the rockfish fisheries begins on January 1st. The trawl season typically opens in early July and ongoing catch is monitored by managers with the closing timed to coincide with harvest of the TAC. Observer coverage varies with vessel size. In general, vessels that are 125 feet or longer LOA are required to have 100% observer coverage. Vessels under 125 feet and 60 feet or greater in length are required to have 30% observer coverage. Vessels under 60 feet have no observer requirement.

Under the catcher processor alternatives, management of the fisheries would change substantially. Under all of the pilot program alternatives, cooperatives would be permitted to fish their allocations during an extended (but limited) season. Currently, NOAA Fisheries believes that an appropriate season length to balance these interests would begin on April 15th and end on August 31st. This season extension and the exclusive allocations could require substantial monitoring increases on vessels that fish cooperative allocations. Management of allocations will require that all catch under the program be monitored. To meet this end, a protocol will need to be developed for the participants in the program to notify NOAA Fisheries when fishing will be conducted under pilot program. For catcher processors, notices will be required prior to initiating a trip to ensure adequate observer deployment. All fishing during the trip would be presumed to be under the program, but fishing outside of the program could take place given prior notice to allow observers onboard to make adjustments in coverage to suit the fishing activity. The specific notification requirements will be developed to accommodate operational flexibility needs of participants and management, monitoring, and enforcement needs of NOAA Fisheries. NOAA Fisheries would establish minimum standards for the catcher processor fleet, specifically two observers (with each haul observed), flow scales, a sampling station with a motion-compensated platform scale (to verify accuracy of the flow scale), and an individual catch monitoring plan that would be consistent with existing standards in other fisheries. Information gathered onboard vessels would be used to validate catch accounting by inseason management. Management of the limited access fishery would differ substantially from the management of cooperatives. This fishery would continue to be prosecuted early in July, with managers monitoring harvests and timing the closing of the fishery to coincide with harvest of the sector TAC. Observer coverage would continue to be maintained at its current level for this fleet to ensure adequate information for managing harvests and monitoring the fleet. In addition to managing aspects of the rockfish target fishery, NOAA Fisheries would need to approve and monitor and manage sideboards. Any participant who intends to, or does, participate in any of these fisheries prior to commencing fishing in July must have adequate observer coverage on board the vessel so that all catch harvested during a sideboarded fishery will be assessed against the overall sector harvest limit. NOAA Fisheries must monitor any applicable standdowns in the BSAI and Gulf of Alaska non-pollock groundfish fisheries. NOAA Fisheries also must manage and monitor cooperative sideboards, which could be used to limit each cooperative to its historic catch in each of the July Gulf of Alaska groundfish fisheries other than target rockfish, in place of the standdowns. To use a cooperative sideboard, in lieu of standdowns, members of a cooperative will be required to submit to NOAA Fisheries a cooperative management plan that demonstrates that the cooperative will actively and adequately monitor harvests of members to ensure compliance with the harvest limitations of the cooperative sideboard.

Under the catcher vessel cooperative with limited processor entry program, catcher vessels would have the option of joining a cooperative (which would fish an allocation based on the history of its members)

or fishing in a limited access fishery (which would receive an allocation based on the history of all non-members). The two types of allocations would require two different management approaches.

As under the catcher processor alternatives, implementation of the program will require that NOAA Fisheries determine the pool of eligible persons for the catcher vessel sector, the sector allocation and the individual histories of eligible persons. In addition, processor eligibility would be determined, based on processing histories. Cooperative agreements will be filed with NOAA Fisheries every two years, which must be reviewed for adequacy (including monitoring plan). NOAA Fisheries will be required to make annual catch allocations to cooperatives (based on member histories) and to the limited access fishery.

As under the catcher processor alternatives, cooperative allocations under the catcher vessel alternatives would be fished during the extended season. Fishing of exclusive allocations during an extended season will require a substantial increase in monitoring above the current levels, but because catch is processed on-shore management changes would differ from those for catcher processors. Management of allocations will require that all catch under the program be monitored. As a precursor to this monitoring, participants will need to make announced rockfish pilot program trips, to distinguish rockfish pilot program fishing from participation in other fisheries and allow deployment of adequate observer coverage. All fishing in a trip under the program would be exclusively under the program. Using this system of exclusive trips would also facilitate shoreside monitoring of offloads and account of catch against allocations. Beyond these requirements, NOAA Fisheries intends to develop monitoring programs to ensure adequate but efficient monitoring. NOAA Fisheries intends to develop monitoring appropriate to the fishing activities of the participants. While NMFS expects that most catcher vessel catch accounting will take place shoreside, monitoring for compliance with discard and retention requirements, and sampling to determine the quantity and composition of discards will be necessary components of this program. Monitoring allocations of halibut PSC will be problematic because NMFS would not be able to use a vessel specific rate for unobserved trips or for unobserved hauls on observed trips. It is possible that some form of fleetwide rate would have to be developed. Because of the paucity of data early in the season, NOAA Fisheries would probably be required to use an aggregate rate based on data from the prior year.

To manage and monitor catcher vessels sideboards, the NOAA Fisheries would require that vessels that are subject to the sideboard to make a declaration prior to fishing in any sideboarded fishery during July. Any participant who intends to, or does, participate in any of these fisheries prior to commencing fishing in July must have adequate observer coverage on board the vessel so that all catch harvested during a sideboarded fishery will be assessed against the overall sector harvest limit. NOAA Fisheries would not provide an individual allocation of sideboard fisheries, but will establish a sector allocation.

Limited access fisheries for new entrants and persons that choose not to participate in cooperatives would be managed in a manner similar to current management.

Participation and Fishing Practices

Maintaining current management is likely to result in the continuation of existing fishing practices and patterns. In the current fishery, the non-trawl fishermen take very little of the TAC between the opening on the non-trawl fishery in January and the opening of the trawl fishery in July. Trawl fishermen race for catch of rockfish when the trawl season opens in July. Typically, Pacific Ocean perch are caught first, followed by northern rockfish and pelagic shelf rockfish. In the past, catcher processors have caught more rockfish than catcher vessels. In recent years, however, the portion of the TACs caught by catcher vessels has increased and surpassed the catch of catcher processors. The quality of fish harvested likely suffers from the race for fish. Rockfish are considered relatively difficult to handle because of their spines and scales. These characteristics are said to make it more difficult to maintain quality when racing to maximize catch.

Trawl catcher processors must not only harvest fish rapidly, but also must process that fish rapidly, to maintain quality and accommodate additional catch. Discards can occur if the fish is not processed quickly enough to maintain its quality. Rockfish are generally considered more difficult to handle and process than species such as pollock and Pacific cod because of their spines and scales. With the current short seasons, most LLP holders not already participating in the rockfish fisheries are unlikely to perceive substantial gain from entering the fisheries. As a result, modest (if any) increase in participation should be expected if current management is maintained.

Historic harvests of CGOA rockfish are used to make allocations, under the pilot program alternatives so distribution of CGOA rockfish allocations both to and within the different sectors will be similar to the historic distribution of harvests during the qualifying years. The number of persons receiving allocations is approximately twice the average annual participation in the fisheries, showing that some participants have moved in and out of the fisheries over time. Within each cooperative, it may be anticipated that each member would receive revenues based on the allocation that the person brings to the cooperative, with participants that fish shares of others receiving compensation for their fishing expenses. Fishing within a cooperative, however, could be far more concentrated than the underlying allocations. Although the program is intended to rationalize the rockfish fishery, it is important to recognize the value of secondary species harvests. Historically, all of the secondary species have generated more revenues per pound for participants than the target rockfish. All of the pilot program alternatives permit persons to harvest secondary species allocations independent of the harvest of rockfish allocations. Given the value of the secondary species allocations and the harvest flexibility, participants can be expected to harvest their entire allocations of secondary species. Depending on incidental catch rates, it is likely that some cooperatives will choose to reserve a portion of the allocation of each secondary species until all of the target rockfish is harvested, after which all remaining secondary species allocations are harvested.

Under the catcher processor alternatives, members of the sectors could decide to consolidate their rockfish allocations to realize efficiencies in the rockfish fisheries and other fisheries. A cooperative that uses relatively few members to harvest its annual allocation could potentially minimize observer and monitoring equipment costs. Cooperatives that are able to manage their own sideboards would be permitted to harvest its allocation over the longer season, freeing its members to enter other fisheries in the beginning of July (without a standdown). This ability to enter other fisheries should lead to cooperatives harvesting their allocations either earlier or later than the traditional July opening, to free their members to compete in other fisheries that open early in July. The cooperative, however, would only be permitted to harvest its historic share from those other fisheries, limiting any potential impact on others. Although cooperatives that manage their own sideboards can be expected to harvest their allocations outside of the traditional early July season, the exact timing of their CGOA rockfish fishing will likely depend on the operational needs of cooperative members and their fishing success. Low catch rates of rockfish or high rates of incidental catch of secondary species or halibut could also lead a cooperative to change its timing of rockfish targeting. Some longtime participants in the fishery suggest that rockfish aggregations are at their greatest in the summer months. If participants observe relatively high aggregations (and catch rates) in summer months, it is likely that their harvests will be concentrated in the summer regardless of whether the season is extended into the spring and fall. Catcher processors may have less incentive to fish outside of the summer months than catcher vessels, as most produce only frozen head and gut and whole products and are less likely to attempt to serve fresh fish markets that may be more accessible to the shore-based fleet.

Participation and fishing practices of the catcher vessel sector are likely to change substantially from the status quo. Annual participation records show that between 30 and 35 catcher vessels participated in the fisheries each of the qualifying years. The number of persons receiving allocations is estimated at 47, more than 10 persons greater than average annual participation. The number of persons fishing under either catcher vessel alternative is likely to be fewer than the number of allocations and could be fewer

than the participation levels of recent years. Consolidation within cooperatives will be the greatest contributor to the reduction in participation. Since cooperative formation requirements are relatively minimal under the processor limited entry alternative (four qualified participants), it is likely that most persons eligible for the catcher vessel sector will join cooperatives. To save on observer coverage and operational costs, it is likely that most cooperatives will consolidate harvests to some extent. Cooperatives are likely to distribute revenues based on the allocation that the person brings to the cooperative, with fishing vessels compensated for their expenses. Under an extended season, cooperative fishing is likely to take place outside of the traditional early July season. As with the catcher processor cooperatives, timing of fishing CGOA rockfish allocations will depend on the particular operational needs of members, market opportunities, and fishing success. While success in the fishery cannot be predicted, rockfish targeting should be expected to be concentrated during periods of the year when high catch rates of rockfish and low catch rates of secondary species and halibut occur. Fishing outside the season could provide an opportunity for some participants to try to serve markets (including a possible fresh market) that have been historically impossible to access because of the timing of the season. In addition, slowing of the race for fish will allow harvesters to focus more on improving quality of their landings. If higher quality production generates higher revenues, participants can be expected to adopt fishing techniques that improve quality, such as reducing total catch in each tow and improved icing of catch. Fishing costs could rise, but only for a more than commensurate rise in revenues.

Under the processor license limitation alternative, fishermen will have the flexibility to make deliveries to any qualified processor. Since six processors qualify (see below), cooperatives are likely to solicit competition for landings during the extended season. Patterns of deliveries cannot be predicted, but it is likely that cooperatives could deliver to more than one processor to take advantage of different market opportunities.

The catcher vessel limited access fishery will be managed in the same manner as the catcher processor limited access fishery described above. Participants can be expected to race for catch during the short season, with managers closing the fishery when they estimate that the limited access TAC has been caught. Secondary species MRAs will be reduced from current levels to limit total catch of the secondary species to the allocated amount. These reduced MRAs for valuable secondary species are likely to act as a substantial deterrent to participation in the limited access fishery. A further deterrent will arise from the 20% reduction of all allocations to the limited access fishery. Since cooperative formation simply requires four members and since all cooperatives are required to accept membership of any person eligible for the cooperative subject to the same terms and conditions governing other members, it is unlikely that anyone will choose to fish in the limited access fishery.

Fishing participation and patterns are likely to be similar under the catcher vessel alternative with processor associations. Cooperatives, however, will be associated with a single processor. Given the processor involvement, it is likely that each cooperative will have limited latitude to pursue markets for their landings beyond the single associated processor. The implications of these rules for the temporal distribution of fishing (and landings) cannot be predicted. Planning of fishing activity, however, will likely be more coordinated with the associated processor, which could limit the ability of harvesters to pursue the best market opportunities by changing timing of fishing. Each cooperative is likely to pattern its fishing to serve the markets pursued by its associated processor. The cooperative formation rule, together with the limitations on cooperative eligibility and the requirement of a processor association, could have some impact on whether some participants choose to join a cooperative. Specifically, since each participant will be eligible for a single cooperative that must associate with a particular processor and cooperative formation requires 75% of the history eligible for a cooperative, the holders of that supermajority of history and the processor are likely to control the terms of the cooperative agreement. While both the cooperative and the processor will realize some benefit from more inclusive membership, it is possible that a cooperative agreement that suits the supermajority and the processor may not be

agreeable to some minority participants. Cooperative membership, however, is likely to be favored by most participants in the program because of the reduced MRAs and 20% reduction in allocations to the limited entry fishery.

Effects on Processing Practices

Processing participation and practices are likely to be similar to current participation and practices, if the status quo is maintained. Catcher processors in the rockfish fisheries current produce mostly whole and head and gut products. Shore-based processors race to process landings in an attempt maintain market share and to maintain a minimum quality for products. Quality, however, suffers because of the rapid rate of harvest and processing, which leads to the production of relatively lower value and lower quality products.

Processing by catcher processors under the catcher processor pilot program alternatives is likely to remain similar the current processing by this sector. Most vessels in the sector are equipped for producing a few simple products (frozen whole and head and gut fish). Because of size limitations, it is unlikely that any of these vessels will change plant configurations to process higher-valued, more processed products.

Under this alternative, only processors that have processed at least 250 metric tons of aggregate CGOA rockfish per year for four years between 1996 and 2000 will be permitted receive deliveries of rockfish harvested under the main program.¹ Six processors meet this qualification criteria, all of which are based in Kodiak.

Processing of shore-based plants under the pilot program alternatives can be expected to change from the status quo. Share allocations to cooperatives should provide cooperatives with the ability to improve quality of landings. These quality improvements should provide processors with the ability to pursue higher revenue products. Under the processor license limitation alternative, the structure of the market for landings should be competitive, inducing some processors to aggressively pursue product improvements to attract additional landings. Although competition should exist in the market for landings, harvesters are likely to time landings to accommodate processing schedules, which processors should reward in turn with higher ex vessel prices. This timing of landings could be critical to processors meeting some market demands, particularly if a fresh market were to develop. Under the alternative with processor associations, it is possible that some processing differences could arise. Harvesters have no choice of cooperatives to join, but will be eligible for a single cooperative associated with a specific processor. As a consequence, processors are unlikely to compete for landings on a regular basis, but only in developing the terms of the cooperative agreement, which is subject to the processor's approval. This limit on the competition for landings from the fishery could reduce competition among processors for markets for their outputs. While some processors may aggressively pursue any available markets, it is possible that others will show less interest in extracting maximum revenues from rockfish landings, particularly if their processing of those landings could interfere with their operations in other fisheries. So, processing under this alternative should resemble that of the previous alternative, however, fewer products could be produced for challenging high revenue markets, as some processors may not perceive the need to compete as aggressively for landings due to the limited markets available to harvesters.

¹ A suboption in the current motion would qualify any processor that processed in excess of 250 metric tons in any one year between 1996 and 2002 provided that the owner also invested in excess of a minimum threshold amount in the plant. Confidentiality limitations prevent the disclosure of whether any processor meets this qualification.

Catcher Processor Efficiency

Production efficiency² of the catcher processor sector under the status quo is limited to some degree by the race for fish under the current LLP fishery. Catcher processors are compelled to race for rockfish harvests with other catcher processors, as well as catcher vessels participating in the fisheries during the few weeks they are open each year. Although catcher processors process their catch quickly, relative to catcher vessels, quality of harvests likely suffer to some extent, as participants adopt fishing techniques to maximize catch rates, which may lead to diminished quality and dissipation of a portion of the resource rents.

Under the pilot program alternatives, the catcher processor sector is likely to realize some gains in production efficiency capturing greater rents from the fishery. The primary efficiency gains in the catcher processor sector under this alternative will result from participants slowing the pace of fishing and processing. In the slower fishery, participants are likely to be able to reduce expenditures on inputs to some degree (possibly scaling down crews slightly) and increasing outputs slightly (with less loss due to diminished quality).

Catcher Vessel Efficiency

Production efficiency of catcher vessels under the status quo is also limited by the short, race for fish that has arisen under LLP management. Catcher vessel efficiency is particularly vulnerable under the current management because catcher vessel efforts that maximize the share of the TAC also substantially diminish quality of landings. Returns to catcher vessels under the existing management have been limited both by the quality of their landings and the compressed time period in which those landings must be made. During the current seasons, most processors have needed to process landings quickly to keep pace with the landings. These conditions have dampened competition for landings among the participating processors to some extent. The extent to which resource rents are captured and division of those rents under this alternative is not known. In a fishery that is prosecuted over a very short season (as the rockfish fisheries are) a substantial portion of the rents are likely to be dissipated.

The catcher vessel pilot program alternatives are likely to improve catcher vessel efficiency over status quo management. Since participants will be able to gain exclusive share allocations by joining cooperatives, a harvester's share of the fishery will generally be unaffected by catch rates. Participants, instead, will refocus their efforts toward harvesting allocations in a manner that improves technical efficiency – reducing inputs and increasing the quality of rockfish deliveries. Most participants may be expected to choose to sacrifice some cost efficiencies (i.e., use more inputs such as fuel) to improve quality of deliveries and receive a greater price for landings. This trade off may increase costs, but should result in improvements in technical efficiency and overall efficiency of catcher vessels because of the higher price that would be paid for these landings.

Under the alternative with processor limited entry, harvesters should be able to generate additional competition for landings among the licensed processors under this alternative. Since qualified processors have processed in excess of 90% of all historic landings during the two to three week season, processors that have been unable to compete for additional landings because of capacity constraints during the brief season are likely to have the ability to process substantially greater quantities of rockfish, if landings can be timed to take advantage of available processing capacity. Catcher vessel participants are likely to have

² In the simplest terms, production efficiency is the difference between production revenues and production costs. Production efficiency is a measure of the effectiveness of a producer in using inputs to produce one or more outputs, focusing on the relationship between the quantity and quality of outputs produced and the quantity and quality of the various inputs (e.g., fuel, vessels, and labor) used for that production.

the greatest negotiating leverage in the ex vessel market under this alternative, because of the extended season and the limited restriction on the processing market relative to the alternative with processor associations. Overall, the ability to coordinate harvest activity and remove vessels from the fleet without loss of harvest share, together with a relative improvement in bargain strength arising from the relatively weak processor protection of the limit on processor entry should result in substantial improvements in harvest sector efficiency over the status quo.

Under the alternative with processor associations, operations of the catcher vessel sector should be similar to those under the processor limited entry alternative. Catcher vessel efficiencies, however, are likely to be less under this alternative because of the shift of negotiating leverage to processors from the rigid cooperative/processor associations.

Shore-based Processing Efficiency

Under the current management, fishermen race for catch, landing that catch with processors shortly after it is harvested. Because of the race for fish, take less care in handling their catch and extended the length of trips slightly, decreasing the quality of landings. Processors also race to process the glut of landings from fishermen that are trying to maximize their shares of the total catch. Efficiency in the processing sector suffers, as lower valued products of poorer quality are produced and as crews must be scaled up for a short period of time to accommodate the rapid pace of landings during the brief season.

Under the pilot program alternatives, fishing will be slowed as cooperative receive exclusive allocations. Technical efficiency in processing should improve as processors are better able to schedule crews to process landings. Efficiency should also improve as processors improve product quality and produce higher quality products that cannot be produced under the current management because of the relatively low quality of landings and the need to process those landings rapidly. Catcher vessel participants are likely to use cooperatives to coordinate landings contributing to efficiency gains in the processing sector.

Processors may experience little improvement in their overall efficiency under the processor limited entry alternative because of their weak negotiating position in the market for landings. Although entry is limited under this alternative, the capacity of qualified processors far exceeds that necessary to process landings in a slowed fishery with an extended season. Processors, however, should obtain normal profits from their processing, but any less efficient processors unable to realize normal profits may be expected to drop out of the rockfish fishery.

The alternative with processor associations provides processors with a substantial advantage in the market for landings through its processor/cooperative associations. Since each qualified catcher vessel participant will have to join a cooperative in association with a specific processor, fishermen will have little negotiating leverage with respect to their landings. Any potential negotiating leverage for the fishermen arise from their activities in other fisheries. The outcome should be that processor efficiency improves substantially with the reduction in processing costs and product improvements (some arising from improved quality of landings). Processors are likely to capture most of the increase in rents under this alternative, improving overall processing efficiency.

Overall Production Efficiency

Overall production efficiency in the CGOA rockfish fisheries is likely to remain at its current level, if the status quo management is continued. For catcher processors, quality of products is relatively high as catch is processed quickly onboard. These vessels are likely to continue producing exclusively whole and head and gut products, as is the current practice. For the shore-based sector, quality of landings and processed

products are likely to suffer under a race for fish. In addition, the race for fish is likely to limit the ability of shore-based processors to produce higher valued products.

Overall production efficiency is likely to increase slightly under the catcher processor pilot program alternatives as catcher processors are able to make some quality improvements with the ending of the race for fish under the current management. Product form (whole and head and gut) are likely to remain the same under this alternative due to operational limitations. Some efficiencies could be realized through the consolidation of catch on fewer vessels, but vessels will not be retired because rockfish is a minor part of each vessel's annual activity.

Overall production efficiency should improve substantially under the catcher vessel pilot program alternatives. Quality of rockfish landings should improve as the race for fish is ended. Processors should also be able to better handle landings producing higher quality and higher valued products. Both sectors should realize some gains in efficiency through better scheduling of their activities. Costs should be reduced as participants in both sectors are able to determine inputs to reduce costs of production without concern over losing their share in the fishery, if production is slowed. Efficiency gains under the alternative with processor associations, however, could be less than under the other catcher vessel alternative as the strict cooperative/processor association could reduce the incentive for some processors to aggressively pursue markets for rockfish landings.

Effects on Consumers

Under the status quo, consumers are likely to be supplied with products from the rockfish fisheries that resemble those currently produced under status quo management. Catcher processors are likely to continue to produce high quality frozen head and gut and whole fish, most of which is sold into Asian markets. Production from catcher vessel catch is likely to suffer from poor handling. Landings are likely to be made into primarily head and gut and whole fish. Most of the catcher vessel production is sent to Asia, much of which returns after reprocessing. Some catch is made into fillets at the primary processing plant, but the ability to make quality fillets is limited because of the quality of the landings and the time pressures arising from the race for fish.

Production of the catcher processor sector is likely to be similar to current production under the pilot program alternatives. Some quality improvement could occur, but these vessels already produce high quality products because their catch is processed onboard soon after it is harvested. Any improvements in consumer benefits arising from improved quality are likely to be realized by Asian consumers, as most of the production from this sector is sold into that market.

Substantial changes are likely to occur in the production of catcher vessel harvests to the benefit of consumers. Catcher vessel landings are likely to be of higher quality under both of the catcher vessel pilot program alternatives. Processors are also likely to slow lines allowing them to produce fillets, instead of the less processed whole and head and gut products currently produced. This should limit the amount of reprocessing of products abroad for importation to U.S. markets. Some processors are likely to attempt to serve domestic fresh markets, which would also benefit U.S. consumers. Most of the benefits of production improvements in the fisheries are likely to be realized by U.S. consumers.

Management Costs

Under the status quo management, costs of management should remain at their current level. Under the pilot program alternatives, NOAA Fisheries will incur additional costs of determining eligibility and making allocations of history to participants under the program. Cooperative agreements will be reviewed by the agency. Annual allocations must be made to cooperatives (and to either a limited access fishery or

individuals, if any persons eligible for the program choose not to join a cooperative). NOAA Fisheries will be required to conduct catch accounting for the different allocations and monitor the allocations using observer data. The costs to NOAA Fisheries are likely to exceed the current costs of managing the rockfish fisheries under the LLP, which are in large part coordinated with management costs of several fisheries (and therefore are dispersed across several fisheries). Enforcement costs are also likely to rise under the pilot program, as enforcement personnel will be required to oversee activities over a longer period. In addition, individual accountability for catch of cooperative allocations requires additional enforcement resources. In addition to costs that will be borne by NOAA Fisheries, participants in the fishery are likely to have some additional costs. To date, NOAA Fisheries has maintained that to fully monitor total catch on a catcher processor requires the use of flow scales and sampling stations with every haul observed. Added costs of observers are difficult to predict under the program. A requirement that all catch under the program be observed is likely to result in some added observer coverage for vessels harvesting fish under the program. The extent of the additional coverage, however, is difficult to predict because participants may coordinate fishing under the program to focus observer coverage to reduce costs. Observer costs for catcher vessels, which are borne by the fleet, are likely to increase for the catcher vessel sector to provide adequate information concerning fishing activity under the program. The extent of these additional costs is not known, and depends on the specific monitoring program developed by NOAA Fisheries and the fishing practices of participants. To reduce observer costs (and operational costs), it is likely that some rockfish harvesting will be consolidated within (and possibly across) cooperatives.

Environmental Benefits

Improvements in environmental conditions are valued by the public at large. For example, preservation of endangered species is often considered to have significant value to the public. In the current fisheries, catch of all species of interest are limited either by TAC or by PSC limits. Managers monitor harvests inseason, closing the fisheries when the total allowable catch is estimated to be taken. Managers have become quite adept in their estimates, and have generally succeeded in maintaining catch below TAC. Occasionally, TACs are exceeded, but overages have not exceeded overfishing limits or threatened stocks. Public non-use benefits derived from the management of health stocks of these species are likely to be maintained, if the current management is perpetuated. Under the pilot program alternatives, catch of all species of interest will continue to be limited by TAC or PSC limits. These limits should be effectively maintained through the monitoring and management program, perpetuating the current non-use public benefit derived from maintenance of healthy stocks.

Net Benefits to the Nation

If the current management of the rockfish fisheries is continued, net benefits to the Nation are likely to remain at their current level. For catcher processors, quality of the whole and head and gut production is relatively high. Few consumer benefits from this production are realized in the U.S., as most fish is sold into foreign markets. For the shore-based sector, quality of landings and value of processed products suffer decreasing production efficiency. Consumer benefits of these harvests are diminished by the quality and product value. In addition, a substantial portion of any consumer benefits is not realized by U.S. consumers, as much of the production is sold into foreign markets. Costs of monitoring and management are relatively low, as catch is monitored at the fleet level. Non-use benefits to the public are decreased to some extent by waste and bycatch.

Net benefits to the Nation will be affected by a few different factors under the catcher processor pilot program alternatives. Production efficiency should increase slightly, as some participants realize moderate improvements in quality of production. Few, if any, benefits of production improvements will be realized by U.S. consumers, as this fleet is likely to continue to serve international markets. Costs of

management, monitoring, and enforcement will increase to administer and oversee the cooperative allocations. Some vessels may be required to purchase additional monitoring equipment.

A few different factors will affect net benefits to the Nation under the catcher vessel pilot program alternatives. Slowing the rate for fishing and extending the season should lead to substantial increases in production efficiency, as participants in both sectors improve quality and higher value products are produced. These production improvements should lead to benefits for U.S. consumers, as this fleet is likely maintain or increase production for domestic markets. In addition, greater production is likely to occur domestically, as fewer primary products are shipped abroad for reprocessing. Increased administration and oversight necessary for cooperative allocations and an extended season will result in an increase in costs of management, monitoring, and enforcement. Participants may also require additional observer coverage. Some additional benefits to the Nation could arise through reduction in bycatch, since the program requires full retention of several species. Since discard rates of these species are relatively low in the current fishery, these benefits are likely not substantial. Overall gains in net benefits to the Nation, however, could be lower under the alternative with processor associations that under the alternative without those associations, if processors perceive less need to compete in product markets because of the relatively tight linkage of the processor associations under this alternative. Whether competition in product markets is dampened depends on the specific situation of the processors and fishermen that deliver to the processor (including factors such as the markets the processor serves, the extent of involvement of the processor and fishermen in other fisheries, and the cost of developing participation in new and challenging markets).

Target Rockfish Stocks

Current management of the fisheries and fishing patterns should continue under the status quo. Rockfish are conservatively managed under in the current fishery, with from the limited access fishery harvests limited by TAC. Under this management a TAC can be exceeded, if managers have difficulty projecting when the fleet will have completed harvest of the TAC. Allowable biological catch limits are rarely, if ever exceeded, and it can be expected that overfishing limits will not be exceeded.

The pilot program alternatives should have no negative impact on stocks of target rockfish populations. These species will continue to be managed by conservatively set TACs. Cooperative allocations in the fisheries should effectively limit catch to the TACs. More precise management of the TACs should be possible under the change in management, as individuals within a cooperative will be responsible for any overage. Some potential benefit could arise, if participants distribute catch over larger areas or time periods, reducing any potential local depletion that could occur under the current management, in which effort is concentrated as a result of participants attempting to maximize their catch. Any beneficial effect from greater distribution of catch spatially is likely to be limited, if participants perceive a benefit to concentrating catch to reduce costs or increase revenues. For catcher vessels, concentration of catch in close proximity to processors could improve quality of landings, as needed to serve some high valued markets. For catcher processors, concentration of catch spatially and temporally could reduce costs, if consistent high catch rates are observed at particular times and locations. In conclusion, no negative impacts to rockfish stocks are expected from any of the pilot program alternatives.

Allocated Secondary Species and Prohibited Species Catch

Under the status quo management, catch of secondary species (Pacific cod, sablefish, shortraker, rougheye, and thornyheads) in the target rockfish fishery will continue to be limited by MRA and by TACs that limit overall catch from all fisheries. Although catch of these species is substantial, each of these species is managed under conservative TACs. In addition, separate TACs for shortraker and rougheye will be established in 2005 to ensure the integrity of their independent stocks. Halibut is

managed as PSC in the CGOA rockfish fisheries. Catch of halibut is required to be discarded and is accounted for against the deep-water complex PSC allocation. Although halibut PSC has occasionally required the closure of the target rockfish fisheries, the fishery does not have negative effects on halibut stocks.

Similar to the target rockfish stocks, no negative effects on secondary species stocks are expected to occur under the pilot program alternatives. Catch of these species will be limited by cooperative allocations, which are more restrictive than the current MRAs. In addition, discards are not permitted for these species under the pilot program. Management of these allocations should contribute to more precise management of stocks under the program. Overall harvests will continue to be limited by TACs that apply to total catch from all fisheries. The pilot program alternatives will be prosecuted with cooperative allocations of halibut mortality. These allocations will constrain halibut bycatch and will prohibit participants in the program from fishing in excess of their halibut allocations. Although some fishing could take place out of the traditional July season (when halibut bycatch has been observed to be low), mortality will be constrained by the allocations of halibut mortality. The allocations of halibut are based on historic halibut mortality usage in the fisheries and will not allow overall halibut mortality in Central Gulf of Alaska fisheries to exceed historic levels. As a result, the pilot program alternatives should have no negative impact on halibut stocks.

Unallocated Prohibited Species Catch

In the current rockfish fishery, prohibited species harvests are not at levels that raise concern. Fishing patterns are not expected to differ under any of the alternatives (including the status quo and the pilot program alternatives) in a manner that will affect prohibited species catch. Consequently, no adverse effects on prohibited species catch are expected under any of the alternatives.

Other Unallocated Species

Fishing patterns are not expected to differ under any of the alternatives (including the status quo and the pilot program alternatives) in a manner that will affect catch of unallocated species. Consequently, no adverse effects on prohibited species catch are expected under any of the alternatives.

Benthic Habitat and Essential Fish Habitat

Maintaining the current management will perpetuate current fishing practices and concentrate fishing for rockfish temporally and spatially. Current fishing, however, has minimal and temporary effects on benthic habitat and essential fish habitat. These effects are likely to continue, if current management is maintained. Under the pilot program alternatives rockfish fishing could be distributed over a longer season and may disperse spatially, as a result of the removal of time constraints by the cooperative allocations. Overall, the rockfish fisheries are likely to continue to have minimal and temporary effects on habitat. No negative impacts to habitat are likely under the pilot program alternatives.

Endangered or Threatened Species

None of the alternatives are expected to have negative impacts on endangered or threatened species beyond those identified in previous consultations under section 7 of the Endangered Species Act. Some spatial and temporal dispersion of rockfish catch could occur under the pilot program alternatives. This change in the distribution of catch is expected to be minor and is not expected to have any effect on any endangered or threatened species.

Forage Fish

Catch of forage fish is expected to be unaffected by any of the alternatives. Consequently, no impacts on forage fish are expected under any of the alternatives.

Marine Mammals and Seabirds

Direct and indirect interactions between marine mammals or seabirds and harvests from the rockfish fisheries are not expected to differ under any of the alternatives, as total catch is expected to be the same under all of the alternatives and the distribution of catch is not expected to differ in a way that will affect interactions.

The Ecosystem

Although some temporal and spatial dispersion of catch in the rockfish fisheries could occur under the pilot program alternatives, none of the alternatives are expected to have a negative effect on the Gulf of Alaska marine ecosystem.

Environmental Justice

Under the pilot program alternatives, some consolidation of fishing activity could occur in the rockfish fisheries. This consolidation could affect income for participants on vessels that no longer participate in the rockfish fishery. This consolidation is unlikely to result in the removal of vessels from all fisheries and could lead to some of the vessels that leave the rockfish fisheries increasing their activities in other fisheries (to the extent permitted by sideboard limitations and cooperative agreements). As a result, the impacts to vessel owners and crewmembers are may not be negative, even if rockfish fishing activity decreases. In addition, the degree to which any impacts will affect minority or low-income vessel owners or crewmembers cannot be determined because demographics of vessel owners and crewmembers are not available.

Shore-based processing crews could be affected under the pilot program alternatives, although most effects are likely to benefit these workers. The pilot program alternatives are likely to result in the distribution of landings over a longer period of time, particularly when shore plants are not processing catch from other fisheries. This distribution of landings could result in a loss of some seasonal positions, but will also result in greater stability for crews that are year round processing workers. Both seasonal and fulltime positions are disproportionately held by persons with low incomes and minorities.

Discussion of Three Open Issues

Issue 1: Section 3.3.1.3 – Prohibited Species (halibut) Allocations

Section 3.3.1.3 of the Council motion relates to making a prohibited species allowance allocations to the CP and CV sectors for halibut caught while targeting rockfish in the CGOA. Currently, halibut is a prohibited species and halibut caught while trawling for rockfish are immediately returned to the sea.

The Council motion addresses halibut prohibited species harvest with two options. Allocation of halibut to the CP and CV sectors under the pilot program is based upon historic average usage. The historic average usage is calculating by summing the total metric tons of halibut mortality in the CGOA rockfish target fisheries during the years 1996 through 2002 and then dividing that total by seven (the number of years between 1996 and 2002).

The calculation described above provides an estimated average annual mortality, shown in Table 1 below. As noted in the citation for Table 1, the data used in the calculations come from NMFS. The CP sector halibut mortality is based upon estimates of halibut bycatch from observer data. NMFS estimates the total halibut caught by the CP trawl fleet and then calculates halibut mortality, using a halibut mortality factor. The estimate for halibut mortality is shown in the center column of Table 1. The average annual halibut mortality for the CP sector is 111.29 mt. over the period from 1996-2002.

The total average annual halibut mortality for the CV sector is 113.06 mt., as noted at the bottom of Table 1. For the CV sector, the processor's weekly production reports are utilized to calculate the retained groundfish harvests. The amount of halibut discarded by the CV fleet is estimated by NMFS using projections from observer data.

The two estimates of halibut mortality for the CP and CV sectors presented above provide the estimated halibut mortality by sector for Option 1 as defined in the Council motion. The motion directs the allocation between sectors to be based upon "*the actual use of each sector*". The average annual halibut mortality for the CP sector is 111.29 mt. and the average annual halibut mortality for the CV sector is 113.06 mt.

Option 2 from the Council motion directs the prohibited species halibut allocation to be based upon "*the relative amount of target rockfish species allocated to each sector*". There are two methods to make this calculation as described below.

The first calculation for Option 2 halibut mortality allocation is shown in Table 2. To make this calculation, the total average annual mortality of halibut for the CP sector and CV sectors, 224.35 mt., is allocated between the two sectors based on their relative share of targeted rockfish harvests during the period 1996-2002.

Table 19 in the main report shows the respective harvests by permanent LLP license holders for Pacific Ocean perch, northern rockfish and pelagic shelf rockfish over the period 1996-2002. Table 2 below shows the respective totals for the CP sector and CV sectors, and also the respective total proportional share represented to those totals. The CP sector accounted for 48.34% of the CGOA targeted rockfish during the 1996-2002 period. Applying this proportion to the total halibut mortality (224.35 mt.) results in an allocation of 108.46 mt. to the CP sector. Similarly, the CV sector accounted for 51.66% of the targeted rockfish harvest in the CGOA during the 1996-2002 period. Applying this proportion to the total halibut mortality (224.35 mt.) results in an allocation of 115.89 mt. to the CV sector.

Table 1: Option 1 Halibut Mortality for the CGOA Trawl Rockfish Fishery 1996-2002

Year	vessel type	estimated halibut harvest (mt.)	estimated halibut mortality (mt.)	targeted rockfish harvest (mt.)
1996	CP	88.75	50.61	7,111.95
1997	CP	221.24	143.81	8,718.47
1998	CP	215.22	146.35	9,049.53
1999	CP	263.54	168.64	9,322.94
2000	CP	72.67	47.96	6,202.18
2001	CP	160.37	110.64	7,881.36
2002	CP	160.86	110.99	6,114.43
totals (mt.)	CP	1,182.66	779.00	54,400.86
average annual halibut mortality (mt.)			111.29	

Year	vessel type	estimated halibut harvest mt.	estimated halibut mortality (mt.)	targeted rockfish harvest mt.
1996	CV	163.11	92.98	7,340.23
1997	CV	76.21	49.54	4,669.52
1998	CV	127.72	86.84	5,680.23
1999	CV	194.26	124.33	8,797.19
2000	CV	206.62	136.36	10,574.27
2001	CV	298.91	206.27	8,786.00
2002	CV	137.82	95.10	10,143.63
totals (mt.)	CV	1,204.65	791.42	55,991.07
average annual halibut mortality (mt.)			113.06	

data source: Summarized from NMFS GOAHALX 1996-02.
Program data, 1996-2002.

Table 2: Option 2A Method for Halibut PSC Quota Allocation

Estimate the total halibut mortality 1996-2002 in aggregate for both CP & CV
Allocate halibut according to relative share of targeted rockfish

Total CP targeted rockfish 1996-2002 (permanent LLPs)	34,074.10	mt.
Total CV targeted rockfish 1996-2002 (permanent LLPs)	<u>36,409.80</u>	mt.
total trawl CGOA rockfish harvest ⁽¹⁾	70,483.90	mt.
proportional share of targeted CGOA rockfish by CPs	48.34%	
proportional share of targeted CGOA rockfish by CVs	51.66%	
average annual halibut mortality for CPs & CVs 1996-2002	224.35	mt.
halibut share to CP sector	108.46	mt.
annual halibut share to CV sector	115.89	mt.

⁽¹⁾ source for the relative rockfish allocations for the CP and CV sectors is Table XX.

Another interpretation of the application of Option 2 is presented in the following discussion, using 2002 as the base year for allocations. The data for initial rockfish species allocation by sector and species (Table 19 in the main report) are shown in Table 3. The respective catch by species for the CP and CV

sectors are calculated by species, for the target species POP, northern rockfish and pelagic shelf rockfish. Using the TACs for 2002, the 2002 allocation is calculated using the proportions from the 1996-2002 qualifying catch by species. The resulting 2002 projected allocation is in turn used as a relative proportion of the total 2002 CGOA rockfish harvest. The respective proportions are utilized to allocate the 224.35 annual halibut mortality to each of the sectors, by species. The result of these calculations is shown at the bottom of Table 3. Using the 2002 TACs as the base year, the halibut mortality allocation to the CP sector totals 116.71 mt. The equivalent halibut mortality allocation to the CV sector totals 107.64 mt.

Table 3: Option 2B - Alternate Method for Halibut PCS Quota Allocation

species	sector	qualified tons	allocation %	2002 TAC (mt.)	2002 allocation	2002 halibut allocation (mt.)
Pacific Ocean Perch	CP allocation	19,773	49.97%	8,220	4,107.6	58.07
	CV allocation	19,796	50.03%	8,220	4,112.4	58.14
Northern Rockfish	CP allocation	9,782	61.07%	4,170	2,546.7	36.00
	CV allocation	6,235	38.93%	4,170	1,623.3	22.95
Pelagic Shelf Rockfish	CP allocation	6,855	46.01%	3,480	1,601.2	22.64
	CV allocation	8,043	53.99%	3,480	1,878.8	26.56
total rockfish allocations indexed to 2002 TACs (mt.)					15,870.0	
annual average halibut mortality (1996-2002) (mt.)					224.35	
halibut share to CP ^{CV} sector *			116.71	* corrected by staff		
annual halibut share to CV ^{CP} sector			107.64			

*CV #5
are
switched!*

The selection of the method for making the sector allocations for halibut mortality quota is one of choice by the Council. There is not a methodological reason for selection of one method over another. Option 1 offers the simplest and most direct method, but all three methods offer generally similar results.

Issue 2: 3.3.1.2 – Secondary Species Allocation for Shortraker/Rougheye

At the February, 2005 meeting, the North Pacific Fishery Management Council added an additional option for consideration of the secondary species shortraker/rougheye allocation to the catcher vessel (CV) fleet. The new language is:

“The shortraker/rougheye allocation for the catcher vessel sector will be based on the total catch of the sector during the target rockfish fishery over total catch of all sectors which yields the highest annual percentage during the qualifying years.”

The calculation of this new option is presented in the tables and discussion below. The calculation for the relative percentage for the CV shortraker/rougheye harvest of the total CGOA harvest for all fisheries is shown in Table 4. The overall total for all years results in shortraker/rougheye harvests in the targeted CGOA trawl rockfish fishery as 4.73% of the entire CGOA harvest for all fisheries. However, as the table shows, the respective percentages for the individual years vary from a low of 1.87% in 1997 to a high of 9.36 in 1996. Since the Council language for the new option specifies the highest individual year over the qualifying period, the highest figure for the CV sector of 9.36% of the total CGOA harvest would be the appropriate allocation factor under this option.

As noted elsewhere in this report, the Council took action in December 2004 to separate future management and allocations of shortraker rockfish and rougheye rockfish. However, it is not possible to retroactively go back and divide the harvest records since the fish tickets for the appropriate years recorded catches for the aggregate shortraker/rougheye group instead of separate species.

Table 4: CGOA Harvest of Shortraker/Rougheye Rockfish for the CV Sector 1996-2000

Species	Year	Sector	Sector Sum (mt.)	Total CGOA Harvest (mt.)	Percent sector/total
shortraker/rougheye	1996	CV	88.08	941.27	9.36%
shortraker/rougheye	1997	CV	17.48	932.66	1.87%
shortraker/rougheye	1998	CV	42.08	869.85	4.84%
shortraker/rougheye	1999	CV	45.99	579.89	7.93%
shortraker/rougheye	2000	CV	41.06	883.70	4.65%
shortraker/rougheye	2001	CV	18.38	998.16	1.84%
shortraker/rougheye	2002	CV	22.94	631.61	3.63%
total 1996-2002			276.00	5,837.13	4.73%

Source: 1996-2002 NMFS blend data

To apply the secondary allocation under the new shortraker/rougheye, it may be necessary to split the allocation based on the respective proportion of TAC for the two species. For 2005, for example, the TAC for shortraker rockfish is 324 mt. and the TAC for rougheye rockfish is 557 mt. Applying the 9.36% allocation factor to the 2005 TACs results in an allocation for the CV sector of 30.32 mt. of shortraker rockfish (9.36% times 324 mt.) and 52.14 mt. of rougheye rockfish (9.36% times 557 mt.).

For purposes of comparison, the following tables (Tables 5, 6 and 7) are presented showing the allocation of shortraker/rougheye that would result using the combined harvest totals for the entire period 1996-2002 on the basis of: (1) retained harvest over total harvest; (2) retained harvest over retained harvest; and (3) total harvest over total harvest.

Using the harvests over the entire harvest period, the shortraker/rougheye allocations would be as follows for the CV fleet:

retained harvest over total harvest	3.87% of the CGOA TAC
retained harvest over retained harvest	5.91% of the CGOA TAC
total harvest over total harvest	4.87% of the CGOA TAC

Table 5 - Rockfish Pilot Program: Secondary Species Allocation by Sector - Retained over Total retained harvest by species in targeted rockfish fishery divided by total CGOA harvest

Secondary Species/Sector (1)	2005 TAC (mt)	Option 1 Allocation Proportion	Option 1 Allocation (mt)	Option 2 Allocation Proportion	Option 2 Allocation (mt)	Average Harvest 1996- 2002
Pacific cod CV	25,086	1.64%	411.7	2.00%	500.8	613.4
Pacific cod CP	25,086	0.19%	48.9	0.20%	49.3	72.9
Sablefish CV	7,250	5.77%	418.4	5.74%	416.2	350.8
Sablefish CP	7,250	3.95%	286.1	3.94%	285.6	239.9
Shortraker/Rougheye CV ⁽²⁾	881	3.97%	35.0	3.87%	34.1	33.1
Shortraker/Rougheye CP ⁽²⁾	881	39.32%	346.4	39.42%	347.3	327.9
Thornyhead CV ⁽³⁾	1,010	7.21%	72.8	7.26%	73.3	41.5
Thornyhead CP ⁽³⁾	1,010	14.50%	146.5	14.86%	150.1	83.6

Source: The numerator is based upon the NPFMC Rockfish Database 2004, Version 1 and includes retained harvest only. The denominator is based upon 1996-2002 NMFS blend data and includes total catch, including discards.

Table 6 - Rockfish Pilot Program: Secondary Species Allocation by Sector - Retained over Retained retained harvest by species in targeted rockfish fishery divided by retained CGOA harvest

Secondary Species/Sector (1)	2005 TAC (mt)	Option 1 Allocation Proportion	Option 1 Allocation (mt)	Option 2 Allocation Proportion	Option 2 Allocation (mt)	Average Harvest 1996- 2002
Pacific cod CV	25,086	1.70%	426.2	2.09%	525.2	613.4
Pacific cod CP	25,086	0.20%	50.6	0.20%	50.9	72.9
Sablefish CV	7,250	6.30%	456.9	6.31%	457.5	350.8
Sablefish CP	7,250	4.31%	312.4	4.30%	311.9	239.9
Shortraker/Rougheye CV ⁽²⁾	881	6.11%	53.8	5.91%	52.1	33.1
Shortraker/Rougheye CP ⁽²⁾	881	60.47%	532.8	59.87%	527.4	327.9
Thornyhead CV	1,010	11.00%	111.1	10.85%	109.6	41.5
Thornyhead CP	1,010	22.14%	223.6	22.94%	231.7	83.6

Source: 1996-2002 NMFS WPR data for CP vessel harvests. 1996-2002 ADF&G Fish Tickets for CV vessel harvests.

Table 2C - Rockfish Pilot Program: Secondary Species Allocation by Sector - Total over Total total harvest (retained plus discards) by species in targeted rockfish fishery divided by total CGOA harvest

Secondary Species/Sector ⁽¹⁾	2005 TAC (mt)	Option 1 Allocation Proportion	Option 1 Allocation (mt)	Option 2 Allocation Proportion	Option 2 Allocation (mt)	Average Harvest 1996-2002
Pacific cod CV	25,086	2.13%	534.7	2.54%	636.1	613.4
Pacific cod CP	25,086	0.40%	99.8	0.38%	95.1	72.9
Sablefish CV	7,250	7.71%	558.9	7.70%	558.4	350.8
Sablefish CP	7,250	7.19%	521.6	7.15%	518.6	239.9
Shortraker/Rougheye CV ⁽²⁾	881	4.73%	41.7	4.87%	42.9	33.1
Shortraker/Rougheye CP ⁽²⁾	881	57.25%	504.4	56.47%	497.5	327.9
Thornyhead CV	1,010	11.49%	116.1	11.65%	117.7	41.5
Thornyhead CP	1,010	23.73%	239.7	24.04%	242.8	83.6

Source: 1996-2002 NMFS blend data.

The new Council option, selecting the shortraker/rougheye allocation based on the highest individual year would result in an allocation higher than the other options presented above.

Issue 3: Section 5.4 – Processor Eligibility

Section 5.4 for Alternative 2 describes qualifying criteria for an eligible processor to be: “a processor with a substantial investment of (a) \$1,000,000 or more, or (b) \$5,000,000 or more, and one that has purchased 250 mt. or aggregate Pacific Ocean Perch, northern rockfish and pelagic shelf rockfish in any of the qualifying years.

Analysis of the qualifying criterion of 250 mt. in any year is relatively straightforward. Due to confidentiality issues, however, no further information on that issue can be disclosed. In addition, investment in facilities is not one that can be analyzed due to the lack of availability of information. In public comments on this issue at the December 2004 and February 2005 NPFMC meeting, a representative of one processing company expressed concern with the higher proposed threshold level, however, there has been no way to apply this threshold to the analyses. **The Council should consider further defining this requirement, if the suboption is selected. Specifically, the Council should specify the types of spending that would qualify as “investment”. The Council could allow any spending to count toward the threshold or limit it to certain types of spending, such as investment in plant capital, fixtures, or some other specific expenditure. Absent more specificity concerning the types of spending that would count as “investment,” this provision cannot be administered.**

Supplemental Table - Shortraker/Rougheye CGOA Harvest by Sector, 1996-2002

Species	Year	Sector	Sector Sum (mt.)	Sector	Sector Sum (mt.)	Other (mt.)	Total CGOA (mt.)	TAC (mt.)
shortraker/rougheye	1996	CP	581.29	CV	88.08	271.90	941.27	1,210
shortraker/rougheye	1997	CP	540.66	CV	17.48	374.52	932.66	970
shortraker/rougheye	1998	CP	522.00	CV	42.08	305.77	869.85	970
shortraker/rougheye	1999	CP	239.10	CV	45.99	294.80	579.89	970
shortraker/rougheye	2000	CP	615.00	CV	41.06	227.64	883.70	930
shortraker/rougheye	2001	CP	496.36	CV	18.38	483.42	998.16	930
shortraker/rougheye	2002	CP	347.55	CV	22.94	261.13	631.61	840
total 1996-2002			3,341.95		276.00	2,219.18	5,837.13	6,820

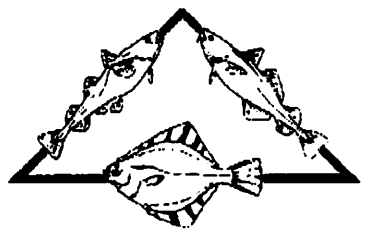
Source: 1996-2002 NMFS Blend Data for harvest levels; NMFS Annual Harvest Summaries for TAC's.

2003 CGOA TAC for shortraker/rougheye	840 mt.
2004 CGOA TAC for shortraker/rougheye	656 mt.
2005 CGOA TAC for shortraker	324 mt.
2005 CGOA TAC for rougheye	557 mt.

Council staff
hand-out
C-3

Groundfish Data Bank

Alaska



P.O. BOX 788 - KODIAK, AK. 99615

PH: 907-486-3033

FAX: 907-486-3461

Julie Bonney, Director

Shortraker - Allocation

Allocation method	Percentage	05 TAC - MT	Allocation	
			MT	pounds
retain/retain	5.91%	324	19	42,215
retain/total	3.97%	324	13	28,358
total/total	4.87%	324	16	34,786
highest tot/total	9.36%	324	30	66,858

Rougheye - Allocation

Allocation method	Percentage	05 TAC - MT	Allocation	
			MT	pounds
retain/retain	5.91%	557	33	72,573
retain/total	3.97%	557	22	48,751
total/total	4.87%	557	27	59,802
highest tot/total	9.36%	557	52	114,938

Target Rockfish allocation 2002 base yr
 CV share of rockfish 8,198 MT
 CV share of rockfish 18,074,449 pounds

Table 22. Incidental catch of secondary species in observed trawl hauls targeting CGOA rockfish

CGOA rockfish	44,973,482
Shortraker	450,182
Percent occurrence	1.00%

Assume similar occurrence for allocation

CGOA rockfish	18,074,449
Shortraker	180,924
Percent occurrence	1.00%

Global Seafoods Kodiak, L.L.C.



NPFMC Meetings April, 2005

Rockfish Pilot Program- Council Meeting

Good morning/afternoon. My name is Sergey Morozov and I am the General Manager of the Global Seafoods plant in Kodiak.

With a one-year absence, Global Seafoods has been processing groundfish, salmon and rockfish in Kodiak since 2000. During our relatively short period of operation we have been at the forefront of the development of the skate and arrowtooth fisheries and were the one of the few, if only, facility not to put its salmon fleet on delivery limits in 2003 and 2004. Global is an innovator and industry leader.

At this time Global is not eligible for a rockfish processor license under the Rockfish Pilot Program due to the fact that the history "look-back" period and number of processing years do not cover our period of operation. Simply put, we are too new in Kodiak. That is why last December we advocated for an exemption that would allow us to receive a license. If Global does not receive a license it will be impossible to earn a return on our sizable investment in the industry. To give you an idea of what is at stake, in the years 2000- 2004 the Company's aggregate purchase of equipment and cost for modifications to the plant exceeded 8 million dollars. Repair and maintenance costs over that same period exceeded 800 thousand dollars. This is very serious.

Rockfish are a vital and growing component of the Company's processing operation. Last year Global processed over 1.5 million pounds. This volume allowed the plant to stay open during the spring and summer months, providing employment and tax revenues for the community of Kodiak. If Global is cut off from this resource not only will we lose those specific rockfish markets recently developed over the past few years, but we will also lose groundfish markets provided by those same buyers who demand a broad portfolio of product offerings. As a side note, the 5% set-aside for processors not eligible to participate is simply not economically feasible and does not recognize the magnitude of our investment. Finally, you cannot view rockfish rationalization in isolation. Many have cited the Rockfish Pilot Program as a precursor to broader Gulf rationalization. If Global is denied a license for rockfish, it will be the beginning of the end of a Company that currently processes between 12 and 17% of all fish landed in Kodiak.

One of the open issues before the Council is an exemption in Section 5.4, alternative 2 relating to processor eligibility. If adopted it would allow Global to continue operating, providing new markets for fishermen, jobs for residents, taxes for the state and borough, and lastly, an opportunity for the owner to earn a return on his investment. This exemption recognizes the value of more recent investment in the community of Kodiak. To not do so would clearly violate the spirit and intent of the legislation and would irreparably harm a company that is a proven innovator in the industry. As such, I urge you to adopt the motion. Thank you for your time and attention.

Sergey Y. Morozov