


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver   
Executive Director

DATE: November 30, 2004

SUBJECT: Central Gulf of Alaska Rockfish Demonstration Program

ESTIMATED TIME  
2 HOURS

**ACTION REQUIRED**

Finalize alternatives and elements for 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 meeting, the Council identified for analysis sideboards that would limit participation of rockfish program participants in other fisheries during the month of July. A copy of the current alternatives, elements, and options are attached hereto Item C-3(a).

To further facilitate the analysis of alternatives, staff has prepared a discussion paper for consideration by the Council at this meeting (Item C-3(b)). The discussion paper provides analyses of options within each alternative from which the Council may wish to choose specific provisions that would apply to the applicable alternative. Selection of specific provisions, instead of leaving open decision points for future resolution, could streamline analysis of alternatives. Any decisions points that Council chooses to leave unresolved could be resolved at a later meeting, including at the time of final action. The analyses provided in the discussion paper should also provide some preliminary information concerning the alternatives developed by the Council.

**NORTH PACIFIC FISHERY MANAGEMENT COUNCIL  
CENTRAL GULF OF ALASKA ROCKFISH PILOT PROGRAM  
Council Motion  
Updated to October 13, 2004**

**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 percent 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:
    - Option 1. 50/50
    - Option 2. proportional to the number of applications received
  - o The Council will develop a method for rolling over an allocation to the other entry level sector, in the event a sector is unable to harvest its allocation.
    - Suboption: The rollover from non-trawl to trawl will occur 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:

- Whether limits need to be imposed on vessel participation
- If limits need to be imposed, determine the appropriate number of vessel that would be allowed to fish in the entry level fishery
  - Suboption: Equal shares distributions to the vessel applicants by sector
  - Suboption: Limited access competitive fishery by sector
- Entry permits are non-transferable and must be fished by the named vessel

### 3 Sector Allocations

### 3.1 Sector Definitions

Option 1. Trawl catcher vessel

Option 2. 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:

Option 1. The sum of all catch history of vessels in that sector for the years 1996-2002, drop two, whether the vessels earned a CGOA LLP endorsement or not.

Option 2. 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
  - a) total catch
  - b) retained catchwhile targeting the primary rockfish species listed above.
- History will be allocated to each sector for sablefish, shortraker/rougeye rockfish, thornyheads and Pacific cod.

Participants must retain all allocated secondary species and stop fishing when cap is reached.

Options for Pacific cod.

Option 1. Allocations of Pacific cod as a secondary species will be at the following rate of harvest history:

- a. 100 percent
- b. 90 percent
- c. 80 percent
- d. 70 percent

Option 2. Pacific cod history will be managed by MRA for vessels that fish on the offshore pcod quota

- 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.
- Secondary species allocations will be based on:
  - Option 1) Catch by sector of the secondary species caught while targeting rockfish divided by the catch of secondary species by all sectors over 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. (analyze total and retained catch)
  - Option 2) 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. (analyze total and retained catch)

#### 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.)
- 4.2.1 Persons who have purchased an LLP, with a CGOA endorsement to remain in the fishery may obtain a distribution of harvest share on the history of either the vessel on which the LLP is based or on which the LLP is used, not both. License transfers for purposes of combining LLPs must have occurred by April 2, 2004.
- 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:

Option 1) Must be fished in conjunction with the primary species allocations.

(Compliance monitored at offload)

Option 2) 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.

#### 5.3 CP sector:

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:
  - Option 1: two LLPs
  - Option 2: three LLPs

#### 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.
- 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.

Option. When owner and operator are not affiliated, the license will be issued to the owner and operator, but the operator will receive the right to vessel coop linkages.

- 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 5-10 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)
- 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.

Option. When owner and operator are not affiliated, the license will be issued to the owner and operator, but the operator will receive the right to vessel coop linkages.

- 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:
  - a) 50-75 percent of the eligible historical shares for each co-op associated with its processor

- b) Any number of eligible harvesters (allows single person co-op)
- Co-ops may engage in inter-cooperative transfers of annual allocations to other cooperatives with agreement of the associated qualified processor.

#### 5.5 CP Transfer provisions

CP annual allocations may be transferred within co-ops and between co-ops with at least:

- Option 1: two LLPs each (with CGOA endorsements)
- Option 2: three LLPs each (with CGOA endorsements)

#### 5.6 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 CV co-ops:

Control of harvest share by a CV co-op shall be capped at:

- Option 1. 30% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 2. 40% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 3. 50% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 4. No cap

#### 6.2 CPs:

Control of harvest share by a CP shall be capped at:

- Option 1: 50% of aggregate POP, Northern Rockfish and PSR for the CP sector
- Option 2: 60% of aggregate POP, Northern Rockfish and PSR for the CP sector
- Option 3: 75% of aggregate POP, Northern Rockfish and PSR for the CP sector
- Option 4: No cap

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:

- Option 1. 30% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 2. 40% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 3. 50% of aggregate POP, Northern Rockfish and PSR for the CV sector
- Option 4. No cap

Eligible Processors will be grandfathered.

### 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 CP vessels which opt out of the pilot program.

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 referenced in a and b above, but will not be subject to other sideboard restrictions within their sector.

Option 1 -The history of CP vessels which opt out will remain with the sector.

Option 2 -The history of CP vessels which opt out will be distributed pro-rata between sectors.

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.

For the CP sector, the pilot program fishery will start at the same time as the open access fisheries (in July). CPs which qualify for the CGOA rockfish pilot program, and which do not choose to opt out, are required to harvest 90% of their CGOA rockfish allocation, or to participate in the target rockfish fishery in the CGOA for two weeks (whichever is shorter) before participating in any other BSAI or GOA groundfish fishery. A vessel which has met this requirement can then move into the BSAI or GOA open access fisheries without limitation or restriction, except at the sector level in the GOA as referenced in the CV/CP inter-sector sideboards.

History may be consolidated between vessels, however each individual vessel that transfers its history to another CP or CV must still refrain from operating in any other BSAI or GOA groundfish fishery until 90% of all of the rockfish allocation on the stacked vessel is harvested in the CGOA, or for two weeks (whichever is shorter).

Option: three week stand-down (in place of two week stand-down)

## 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.

#### Alternative 3 for the CP Sector

As a separate alternative, the CP sector could choose to fish its sector allocation under the current management regime, with the rockfish fishery starting on July 1<sup>st</sup>.

## Discussion/Decision Notes: NPFMC Central Gulf of Alaska Rockfish Pilot Program

This discussion memorandum presents a series of option choices associated with the Central Gulf of Alaska Rockfish Pilot Program to the Council. If the Council chooses to make decisions on any or all of the items presented below, this will help to simplify and focus the ongoing analyses of this amendment currently being addressed by the Council staff. The following section includes nine issues or options related to the CGOA rockfish pilot program. The issues and options identified are included are from the Council motion on the Rockfish Pilot Program, updated to October 13, 2004. Where utilized, the language from the Council motion is placed in italics.

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### 1) *Council Motion - Alternative 3.1 – Sector Definitions*

- Option 1. Trawl catcher vessel*
- Option 2. Trawl catcher processor*

#### **Discussion:**

In the October meeting, the Council removed the earlier consideration of including non-trawl gear in the amendment. Given that change, the staff believes that it may be appropriate to remove 'Option' (as stricken above) from the Council motion, since both the trawl catcher sector and the trawl catcher processor are included in the amendment.

**Action requested:** Delete the word 'Option' in Alternative 3.1 – Sector Definitions

### 2) *Council Motion - Alternative 3.3.1 Sector Catch Allocation Criteria*

- Option 1. Sum of 1996-2002, drop two, whether or not the vessel has earned a CGOA LLP endorsement*
- Option 2. Sum of 1996-2002, drop two, including only those years for which the vessel earned a permanent, fully transferable CGOA LLP endorsement*
  - Sub option. Include vessels which hold a valid interim endorsement on implementation of the program.*

#### **Discussion:**

The Council may select an option for eligibility to receive an allocation under the program, thus simplifying the alternatives carried forward for analysis. The difference between Option 1 and Option 2 in Section 3.3.1 is the inclusion or exclusion, respectively, of histories of vessels that do not have licenses in calculating the sector proportion. A sub-option under Option 2 would include the histories of vessels that hold a valid interim endorsement on implementation of the

program. The selection criteria apply to both the catcher vessel sector and the catcher processor sector.

Table 1 shows the respective allocations that would occur under Options 1 and 2 and also the sub-option for Option 2. It is clear from the data presented in Table 1 that few vessels are excluded under Option 2, the most restrictive of the choices. If the sub-option for Option 2 were to be selected, it would include an additional two vessels in the catcher vessel sector (POP, Northern rockfish and Pelagic shelf rockfish) and either one (Northern rockfish and Pelagic shelf rockfish) or two (POP) additional catcher processor vessels. Given the relatively few interim licenses, it is likely that they may be adjudicated by the date of program implementation.

**Table 1: Sector Allocation of Rockfish under the Pilot Program Assumptions**

Species	Qualified history	Sector	Number of participants	Qualified tons	Sector allocation (percent of qualified tons)
Pacific Ocean perch	Permanent LLP license holders	Trawl catcher vessel	47	19,773.0	50.0
		Trawl catcher processor	13	19,796.0	50.0
		Total	60	39,569.0	
	Permanent and interim LLP license holders	Trawl catcher vessel	49	*	*
		Trawl catcher processor	15	*	*
		Total	64	39,913.2	
	All historic participants	Trawl catcher vessel	50	*	*
		Trawl catcher processor	20	*	*
		Total	70	42,695.1	
Northern rockfish	Permanent LLP license holders	Trawl catcher vessel	46	9,781.8	61.1
		Trawl catcher processor	12	6,234.9	38.9
		Total	58	16,016.6	
	Permanent and interim LLP license holders	Trawl catcher vessel	48	*	*
		Trawl catcher processor	13	*	*
		Total	61	*	
	All historic participants	Trawl catcher vessel	49	*	*
		Trawl catcher processor	18	*	*
		Total	67	17,530.5	
Pelagic shelf rockfish	Permanent LLP license holders	Trawl catcher vessel	46	6,855.0	46.0
		Trawl catcher processor	12	8,043.2	54.0
		Total	58	14,898.1	
	Permanent and interim LLP license holders	Trawl catcher vessel	48	*	*
		Trawl catcher processor	13	*	*
		Total	61	*	
	All historic participants	Trawl catcher vessel	49	*	*
		Trawl catcher processor	18	*	*
		Total	67	16,090.7	

\* Withheld for confidentiality

Source:NPFMC Rockfish Database 2004, Version 1

**Option 1** would include the harvest histories of all vessels, including those without LLP licenses in the sector allocation calculations. The rationale for including catch from vessels that did not qualify for a license might be that the catch of the unlicensed vessels would have been taken by licensed vessels in the same sector had the unlicensed vessels not been present. LLP licenses, however, are typically used to control access to the fishery. Therefore, restricting the catch history included in each sector to those vessels with a valid LLP licenses would be consistent with current regulation of entry. If the Council chooses to follow this pattern, Option 1 could either be eliminated or not selected as the preferred alternative.

**Option 2** would determine sector allocations using the history of only permanent, fully transferable CGOA LLP licenses. The rationale for this option is that including the harvest history of vessels not holding permanent LLPs may be unfair to the sector that had less catch history of qualified members. Since the history is credited to the sector and shared among only qualified members, the inclusion of this history could be argued to reward persons for catch history of others (who are not qualified for the program).

**Option 2/sub-option** would include vessel histories for vessels with permanent and interim CGOA LLP licenses. The rationale for including interim licenses could be that these vessels have been legally fishing in the rockfish fishery. Interim licenses have not been fully adjudicated and may be held by vessel owners that may ultimately be awarded permanent LLP licenses. National Marine Fisheries Service Restricted Access Management is responsible for resolution of the appeals for interim rockfish licenses. With the relatively small number of interim licenses as noted below, the validity of these licenses should be resolved prior to implementation of this plan. If interim license holders are not included in the allocation, inclusion of history from interim permits in the sector allocations could also be argued to reward eligible participants with the catch history of others who are not qualified for the program.

**Action requested:** Consider selecting a preferred option from Alternative 3.3.1 Sector Catch Allocation Criteria.

### 3) Council Motion - Alternative 3.3.1.2 Secondary Species

#### *Options for Pacific cod*

*Option 1. Allocations of Pacific cod as a secondary species will be at the following rate of harvest history.*

- a. 100 percent*
- b. 90 percent*
- c. 80 percent*
- d. 70 percent*

*Option 2. Pacific cod history will be managed by MRA for vessels that fish on the offshore P. cod quota.*

#### **Discussion:**

Options 1 and 2 offer a choice for determining the sector allocations for the Pacific cod in the CGOA directed rockfish fishery. Maximum Retainable Amounts (MRA) have been in place for many years in the groundfish in the Gulf of Alaska rockfish fishery and reflect the status quo for

management of incidental catch in the fishery. Most recently, 50 CRF Part 672 established MRA for groundfish in the Gulf of Alaska was placed into regulation in the August 2, 1995 Federal Register. The rule provides an allowable proportion of 20 percent in the directed fisheries for Pacific Ocean Perch, Northern Rockfish and Pelagic rockfish.

**Option 1** represents a change from the status quo in the allowable level of Pacific cod incidental catch in the CGOA rockfish fishery. Option 1 would utilize the historical incidental catch over the 1996 through 2002 period to establish the allocation of Pacific cod to sectors in the rockfish pilot program. Depending upon the specification chosen under Option 1, the allocation could be decreased from 100 percent of historic incidental catch to as low as 70 percent of the historical incidental catch. Reductions from 100 percent may be favored by other fleets that target Pacific cod that are concerned about potential impacts to their fisheries from the Pacific cod allocation to the rockfish fishery.

Table 2 shows the incidental catch of Pacific cod in the CGOA rockfish fisheries from 1996 to 2002. The table shows that incidental catch during this period of approximately 11.3 percent, less than the 20 percent MRA. Table 3 shows the allocation of Pacific cod to the different sectors under the pilot program, assuming 100 percent of historic incidental catch is allocated. The motion specifies two methods for allocation of secondary species. Under the first, each sector would be allocated its historic percent of the total catch of the species during the qualifying period (i.e., the percent of catch). Under the second method, each sector would be allocated its average annual percentage of the catch during the qualifying period (i.e., the average annual percentage). The table shows that the catcher vessel sector would be allocated 1.6 percent of the CGOA Pacific cod TAC using the percentage of the total catch and 2.2 percent of the TAC using the average annual percentage of the total catch assuming that catch of only holders of permanent LLP licenses is credited in the allocation. Similarly, the catcher processor sector would be allocated 0.2 percent of the TAC, regardless of which allocation method is used.<sup>1</sup>

The Council could elect to reduce these allocations by allocating only a percentage of the historic catch under suboptions b, c, or d. The most direct impact of the reduction in the allocation of Pacific cod to the sectors under this option would be the proportional revenue reduction from the decreased allocation. Additional information on the impacts of the reduction could be provided at a future time.

**Option 2** specifies continuation of MRAs at the current permitted rate for the catcher processor sector. As shown in Table 2, for the period 1996 through 2002, the incidental catch rate for Pacific cod to the catcher processors in the CGOA rockfish fishery was 1.4 percent, substantially less than the 20 percent allowed. Though Option 2 should be considered the status quo, incidental catch of Pacific cod could increase substantially over the historic (1996-2002) average rate for the catcher processor sector, if catch is limited only by the MRA.

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<sup>1</sup> Note discussion concerning under item 4 below concerning the use of retained catch and total catch for determining sector allocations of incidental catch species. In addition, the allocations would be based on percentage of total catch of all sectors, so the "all" line should be used for estimating allocations, instead of the "inshore" or "offshore" lines. For thornyheads, total catch figures were not computed prior to 1997, so the "post 1997" figures should be used for estimating allocations.

**Table 2: Retained Catch by Vessels Targeting CGOA Rockfish 1996-2002**

Sector	LLP license status	Target rockfish			Pacific cod			Sablefish		
		Number of vessels	Metric tons	Percent of total	Number of vessels	Metric tons	Percent of target rockfish	Number of vessels	Metric tons	Percent of target rockfish
Retainable percentage				-			20			7
Trawl catcher vessel	permanent	49	38,148.3	81.7	47	4,293.9	11.3	49	2,455.6	6.4
	interim	2	*	*	2	*	*	2	*	*
	none	1	*	*	1	*	*	1	*	*
Trawl catcher processor	permanent	17	35,501.0	84.8	15	510.2	1.4	17	1,679.2	4.7
	interim	2	*	*	0	0.0	*	2	*	*
	none	5	5,102.9	87.0	5	*	*	5	237.2	4.6
Total		76	79,481.7	83.3	70	5,012.9	6.3	76	4,427.6	5.6

Sector	LLP license status	Shortraker/rougheye			Thornyheads			Other		
		Number of vessels	Metric tons	Percent of target rockfish	Number of vessels	Metric tons	Percent of target rockfish	Number of vessels	Metric tons	Percent of target rockfish
Retainable percentage				15**			15**			-
Trawl catcher vessel	permanent	46	231.9	0.6	49	290.6	0.8	48	1,244.5	3.3
	interim	2	*	*	2	*	*	2	*	*
	none	1	*	*	1	*	*	1	*	*
Trawl catcher processor	permanent	16	2,295.4	6.5	17	584.9	1.6	17	1,288.5	3.6
	interim	1	*	*	2	*	*	2	*	*
	none	5	278.0	5.4	5	53.0	1.0	5	81.5	1.6
Total		71	2,807.4	3.5	76	943.2	1.2	75	2,692.7	3.4

\* Withheld for confidentiality

\*\* Retainable percentage is for combined retention of Shortraker/rougheye and thornyheads.

Source: NPFMC Rockfish Database 2004, Version 1

**Table 3. Allocations of secondary species based on historic harvest in the CGOA rockfish fishery, 1996-2002**

Species	Sector	Allocation	Holders of permanent LLP licenses			Holders of permanent and Interim LLP licenses			All participants		
			Number of participants	Percent of catch	Average of annual percent of catch	Number of participants	Percent of catch	Average of annual percent of catch	Number of participants	Percent of catch	Average of annual percent of catch
Pacific cod	Trawl catcher vessel	All	46	1.6	2.2	48	*	*	49	*	*
		Inshore	46	1.8	4.9	48	*	*	49	*	*
	Trawl catcher processor	All	12	0.2	0.2	12	0.2	0.2	17	0.2	0.3
		Offshore	12	2.7	4.9	12	2.7	4.9	17	3.3	6.2
Sablefish	Trawl catcher vessel	All	47	5.8	6.5	49	*	*	50	*	*
		Trawl	47	25.7	29.3	49	*	*	50	*	*
	Trawl catcher processor	All	13	3.9	4.5	15	*	*	20	4.5	5.2
		Trawl	13	17.6	20.2	15	*	*	20	20.2	23.4
Shortraker/Rougheye	Trawl catcher vessel	All	45	4.0	4.4	47	*	*	48	*	*
	Trawl catcher processor	All	12	39.3	45.0	13	*	*	18	44.1	50.8
Thomyheads	Trawl catcher vessel	post 1997	47	10.1	9.0	49	*	*	50	*	*
	Trawl catcher processor	post 1997	13	20.3	20.1	15	*	*	20	22.5	21.7

Source: NPFMC Rockfish Database 2004, Version 1 and NMFS Catch Reports

Note: The numerator for calculating percentages is the sector's retained catch only. The denominator in each case is total catch of the species, including discards.



As additional background, Table 3 shows the history of Pacific cod harvests by permanent LLP holders targeting CGOA rockfish. For the years 1996 through 2002, the Pacific cod harvest by the rockfish vessels has increased as a percent of total harvest for all gear types. In 1996, the Pacific cod harvest in by permanent CV LLP holders was very small, 2.6 metric tons, which was less than 0.1 percent of the total harvest by all gear types in the CGOA. In 2002, the Pacific cod harvest by permanent CV LLP holders increased to 1,246 metric tons, equal to 5.0 percent of the total harvest by all gear types in the CGOA targeting.

**Table 4: Pacific Cod Harvests by Permanent LLP Holders Targeting CGOA Rockfish (1996-2002).**

Year	Sector	Retained catch (mt)	Percent of total catch
1996	Catcher vessel	2.6	0.0
	Catcher processor	3.6	0.0
1997	Catcher vessel	112.1	0.3
	Catcher processor	41.4	0.1
1998	Catcher vessel	378.2	0.9
	Catcher processor	92.7	0.2
1999	Catcher vessel	684.3	1.5
	Catcher processor	213.5	0.5
2000	Catcher vessel	1,014.0	3.2
	Catcher processor	57.8	0.2
2001	Catcher vessel	856.6	3.1
	Catcher processor	44.9	0.2
2002	Catcher vessel	1,245.9	5.0
	Catcher processor	56.4	0.2
All years	Catcher vessel	4,293.9	1.6
	Catcher processor	510.2	0.2
	Both sectors	5,012.9	1.9

Source: NPFMC Rockfish Database 2004, Version 1 and NMFS Catch Reports

**Action requested:** Consider choosing between Option 1 and Option 2 in Alternative 3.3.1.2 Secondary Species, and if appropriate selecting a preferred choice among the 'ratchet down' incidental catch allocations listed under Option 1.

**4) Council Motion - Alternative 3.3.1.2 Secondary Species (continued)**

*Secondary species allocations will be based on:*

*Option 1) Catch by sector of the secondary species caught while targeting rockfish divided by the catch of secondary species by all sectors over 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 (analyze total and retained catch) .*

*Option 2) 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 (analyze total and retained catch).*

## **Discussion:**

In reviewing these options, the Council should note that the Council must choose not only between options 1 and 2, but also identify whether allocations should be calculated using total or retained harvests. At present (and in the analysis above), the most direct way to analyze the options is to use retained harvest by each sector for determining the sector's historic catch (the numerator) and using total harvests for purposes of determining the total catch of the species (the denominator). Particularly for catcher vessels, any estimation of total catch of a species is likely to be unreliable because fish tickets often contain limited information concerning at sea discards. Total catch (including at sea discards) could be estimated for rockfish targeting catcher vessels based on blend data. In the blend data, targets are identified weekly by processor, so any estimates of total catch (including discards) based on the blend data is likely to be based, in part, on data from vessels that did not target rockfish, but that made deliveries to a rockfish targeting processor. As a result, any estimate of discards for allocation purposes will contain bias of an unknown amount.

In general, the estimate provided by the staff in this analysis would be adequate for making allocations, if participants in the CGOA rockfish fisheries have few discards of the species to be allocated using this method. If rockfish participants have substantial discards of a secondary species, some participants may argue that an allocation using this methodology may be inadequate to support bycatch in the rockfish fishery.

Table 3 shows estimates of the allocations to the different sectors using the two different methods for all secondary species.

### **Option 1 calculation**

The options shown above specify how the sector allocations for secondary species will be made under the program. The following equations define the method used for making those allocations.

$$\text{Option 1 sector allocation} = \left( \frac{\text{sum of secondary species by sector}^1}{\text{CGOA harvest of secondary species}^2} \right)$$

where,

(<sup>1</sup>) the numerator in the equation is the sum the secondary species for each sector (CVs and CPs) during the period from 1996 through 2002 caught while targeting rockfish within the CGOA. The numerator uses retained harvest of the secondary species, calculated using the fish ticket file data for the respective years.

(<sup>2</sup>) the denominator in the equation is the entire harvest of the secondary species from the CGOA during the period 1996-2002 by all sectors. The blend catch data are utilized in the denominator, representing total catch, including discards. It will be possible to make a calculation of the retained harvest for the denominator of this calculation, but that information is not yet available. The use of blend data showing total catch (retained and discarded) follows sideboard conventions followed by the Council in past actions.

This calculation results in a proportional factor, which would be utilized by multiplying the secondary species quota (each secondary species requires a unique calculation each year) to arrive at the specific allocation quota. If there are substantial amounts of discarded catch amounts for any of the secondary species, this would introduce bias by underestimating the proportional factor used in the calculation of annual allocations.

$$\text{Option 2 sector allocation} = \left( \frac{\sum_{1996}^{2002} \text{average annual percent harvest}}{\text{number of years in the 1996 - 2002 period}} \right)$$

where,

(<sup>1</sup>) the numerator in the equation is the sum of the annual average percentage harvest of the secondary species for the period 1996-2002 taken while targeting rockfish within the CGOA. Similar to Option 1, Option 2 utilizes retained harvest of the secondary species in the calculation of annual harvest percentages for each secondary species.

(<sup>2</sup>) the denominator in the equation is the total number of years in the target period (7 years)

This calculation results in an average annual percentage utilization which would be multiplied by the secondary species quota (each secondary species requires a unique calculation each year) to arrive at the allocation quota. If there are substantial amounts of discarded catch amounts for any of the secondary species, this would introduce bias by underestimating the average annual harvest percentage used in the calculation of annual allocations.

Table 3 shows the allocations of the various secondary species using the two different methods. For trawl catcher vessels, the allocations under the different methods range from a high of approximately 10 percent of thornyhead TAC to a low of approximately 1.6 percent of the Pacific cod TAC. For trawl catcher processors the estimated allocations range from a high of approximately 45 percent of the shortraker/rougheye TAC to a low of approximately 0.2 percent of the Pacific cod TAC. For both sectors, the estimated allocations are lower under percent of total catch method (Option 1) than under the average annual percent method (Option 2), except in the case of the thornyhead estimation.

**Actions requested: The Council could consider either of the two following actions:**

- 1) Selecting a preferred method for determining sector allocations of secondary species from Options 1 and 2, Alternative 3.3.1.2 - Secondary Species, if the Council agrees with the uses of total/retained catch method described above.
- 2) Advise staff whether to produce additional estimates of the allocations using different bases (retained or total catch) for the different factors used in the estimations.

## 5) Council Motion - Alternative 5.3 - CP Sector

*Allocations may be transferred between co-ops at of at least:*

*Option 1: two LLP's*

*Option 2: three LLP's*

### **Discussion:**

For the catcher processor sector, annual allocations would be tradable between cooperatives that meet a minimum size threshold. The two options shown above could establish a threshold of 2 or 3 LLP holders. The total number of participants in the CP sector is shown in Table 1 for the different license eligibility options. The numbers of CP participants in the program are shown in Table 5 below. Depending on whether interim license holders receive an allocation, between 13 and 15 catcher processor license holders would receive an allocation.

The distribution of CP share allocations is shown in Figure 1, grouped into groups of four to maintain confidentiality. This figure illustrates the possible range of allocations that would result from a minimum size of 2 or 3 LLPs. Table 4 provides additional information on the respective allocations among the CPs. It provides the percentage allocation by target species, showing the mean and median allocation and average of the highest four allocations.

In choosing between Options 1 and the Council should consider both the benefits of concentration of cooperative activity in the CP sector and the ability of the different participants to use the threshold for their benefit. To assess the different thresholds, the Council should first consider the purpose and potential benefits of cooperatives and the relationship of the threshold to those benefits. The primary benefit of cooperative membership for participants in the fisheries is likely a reduction in transaction costs that arise from the cooperative agreement, which defines both the interaction of the members among themselves and how the cooperative will interact with others in the fisheries. In general larger cooperatives increase these benefits by reducing the transaction costs among more participants. Managers also gain a benefit in that harvest allocations are made to a cooperative reducing, to some extent, the costs of managing the transactions among members. A larger threshold for inter-cooperative trading is likely to encourage the establishment of relatively larger cooperatives to realize the benefits of that trading. The larger cooperatives, in turn, should yield added benefits from reduced cost to both members and management of intra-cooperative transactions. An excessively high threshold, however, could unfairly disadvantage some participants by limiting the benefits of inter-cooperative trading to participants that choose to join relatively larger cooperatives.

This benefit should be balanced against the potential ability of members of a cooperative that exceed the threshold to assert leverage against those participants that have not joined a cooperative and may not be able to form a separate cooperative because of the few participants in the sector. Although the two proposed thresholds are both very low, it is possible that a circumstance could arise in which a cooperative could assert some leverage against participants wishing to join the cooperative because of the threshold. The potential extent of this effect cannot be predicted.

Catcher processor cooperatives could also transfer their annual allocations to catcher vessel cooperatives, but would not be permitted to receive catcher vessel annual allocations. The extent of any transfers from catcher processors to catcher vessels cannot be predicted. Catcher

Catcher processor allocations (includes holders of permanent and interim LLP licenses)

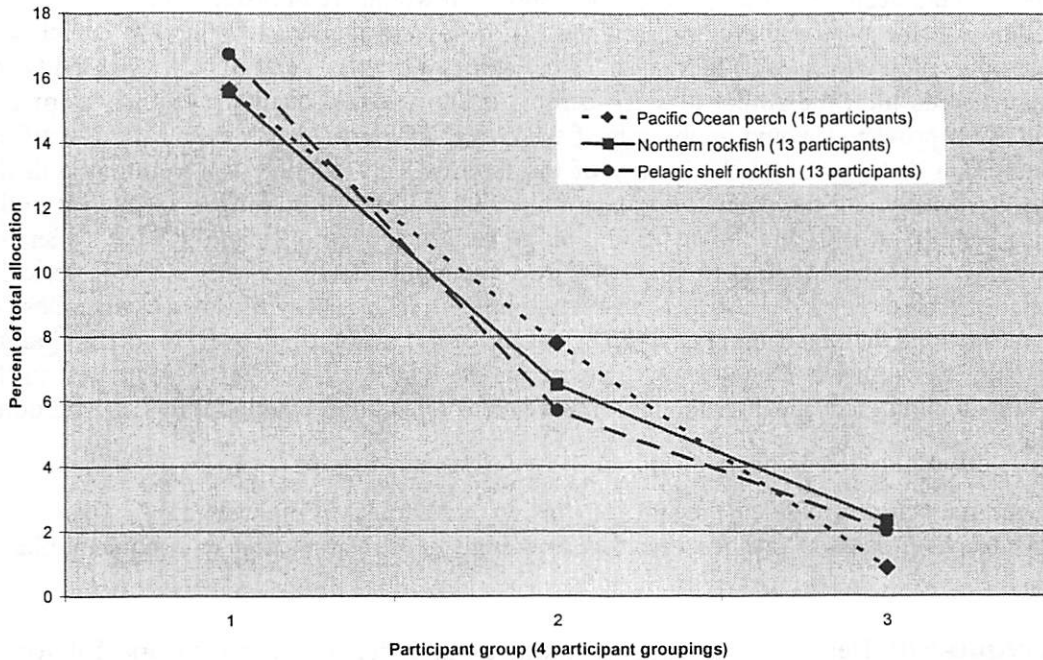


Figure 1

processors, however, currently receive greater revenues for rockfish harvests than catcher vessels. Slowing of fishing should reduce that difference, but may not equalize revenues between the sectors since catcher processors will use onboard processing to process their harvests more quickly. Information on the costs of harvesting and processing for the different sectors are not available, so profits from the two sectors cannot be compared. If catcher processor harvests bring a greater return than catcher vessel shares, transfer of annual allocations from catcher processors to catcher vessels will likely be limited.

**Action requested:** Consider selecting a preferred option from Alternative 5.3 - CP Sector

## 6) Council Motion - Alternative 5.4 CV sector – for Alternative 2

*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.*

Option. When owner and operator are not affiliated, the license will be issued to the owner and operator, ~~but the operator will receive the right to vessel eo-op linkages.~~

**Discussion:**

The Council could decide whether to adopt the option that would credit history to the both owner of a facility and the person that purchased the history of the facility, if a facility has closed. Confidentiality protections, aggregation of data across fisheries, and the unavailability of ownership records limit the ability of staff to provide any detailed quantitative analysis of this provision. This provision would apply only if the owner of a closed processing facility differs from the person that purchased the history of the facility. The rationale for crediting both the owner of the facility and the purchaser of the history would be that both have an interest in the processing history, one through the ownership of the facility and the other through the ownership of the history itself. Some precedent may exist for crediting the facility owner since, historically the Council has credited vessel owners and license holders with history of a vessel regardless of private transactions that exchange history. The owner of the history, however, is likely to argue that allowing the facility owner to receive credit for the history diminishes their interest in the history that it purchased and enhancing competition for landings by qualifying an additional processor.

The Council may choose to delete the stricken portion of Alternative 2 shown above. This alternative has no processor linkages, therefore this language is in applicable and should not be included.

**Action requested:** Delete the stricken portion in the Option for Alternative 2 marked above. Consider selecting a preferred option from Alternative 5.4 CP Sector – for Alternative 2.

**Council Motion - Alternative 5.4 CV sector – for Alternative 2 (continued)**

- *Catcher vessel cooperatives are required to have at least 5-10 eligible LLPs*

**Discussion:**

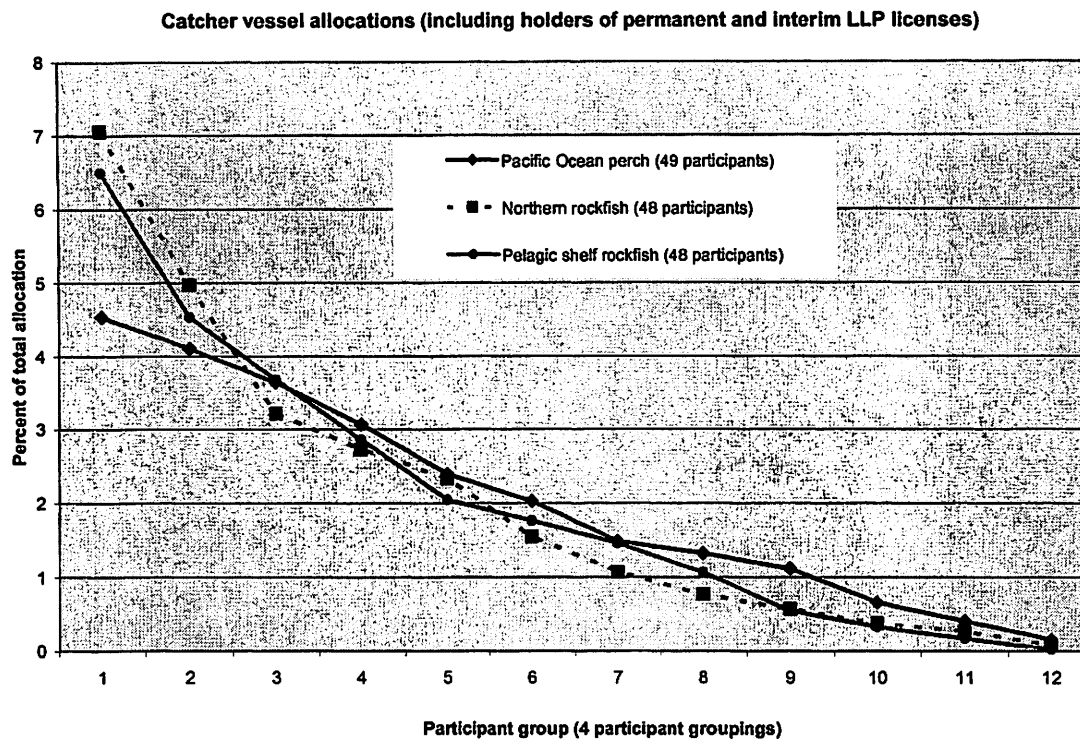
Under alternative 2, cooperatives could form among any eligible catcher vessel license holders (without specific processor associations). Annual allocations would be tradable between cooperatives that meet a minimum size threshold. The two options shown above could establish a threshold of 5 to 10 LLP holders within the CV sector. The total number of participants in the CV sector is shown in Table 5 for the different assumptions of vessels qualifying. The number of CVs qualifying under the program would vary between a low of 46 and a high of 49.

In addition, the distribution of CP share allocations is shown in Figure 2, grouped into groups of four to maintain confidentiality. Table 5 provides additional information on the respective allocations among the CVs, showing the mean and median and average of the highest four allocations for each species. The mean CV allocation for all three species is approximately 2.1 percent. Using this mean allocation, for a cooperative of 5 CVs, the total share allocation would be 10.5 percent of the total sector allocation. If the minimum size were 10 CVs, the total cooperative share would be 21 percent.

The choice on the minimum number of CVs for a cooperative depends upon the Council's perspective of the appropriate level of concentration in the CV sector. In general, the factors weigh similarly to those discussed in Alternative 5.3 - CP Sector. Higher thresholds could encourage larger cooperatives with a potential benefit to participants from more coordinated

**Table 5: Simple Statistics concerning allocations of target rockfish**

Species	Sector	Characteristics of allocations to permanent and interim license holders			Eligible permanent and interim license holders	Eligible permanent license holders
		Mean allocation	Median allocation	Average of four largest allocations		
Northern rockfish	Catcher vessels	2.1	1.4	7.1	48	46
	Catcher processors	7.7	4.5	15.6	13	12
Pacific Ocean perch	Catcher vessels	2.0	1.6	4.5	49	47
	Catcher processors	6.7	4.5	15.6	15	13
Pelagic shelf rockfish	Catcher vessels	2.1	1.5	6.5	48	46
	Catcher processors	7.7	5.6	16.7	13	12



**Figure 2**

harvesting and a potential benefit to the agency from reduced management costs. Higher thresholds, however could provide a strategic advantage to participants that form cooperatives, if non-members are unable to form a cooperative if the terms of the existing agreement are unfavorable to them. The extent of this potential effect cannot be predicted.

**Action requested:** Consider selecting a preferred option from Alternative 5.4 - CV Sector.

**7) Council Motion - Alternative 5.4 CV sector – for Alternative 3**

*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.*

*Option. When owner and operator are not affiliated, the license will be issued to the owner and operator, but the operator will receive the right to vessel co-op linkages.*

**Discussion:**

The Council could decide whether to adopt the option that would credit history to the both owner of a facility and the person that purchased the history of the facility, if a facility has closed. In general, the issue under this alternative is that same as under Alternative 2, described in 5.4 above. Under this alternative, however, harvester/processor associations would be credited only to the holder of the history. The facility owner would receive a license, provided it met the landings qualification criteria, which would allow it to compete for landings from the limited



access fishery prosecuted by non-members of cooperatives. If the history holder has a substantial number of harvester associations, the added competition in the limited access fishery is likely to be less of a threat to the holder of history under this alternative given the more specific processor protections.

**Action requested:** Consider selecting a preferred option from Alternative 5.4 CV Sector for alternative 3.

### **Council Motion - Alternative 5.4 CV sector – for Alternative 3 (continued)**

*Catcher vessel cooperatives are required to have at least:*

- a) *50-75 percent of the eligible historical shares for each co-op associated with its processor*
- b) *Any number of eligible harvesters (allows a single person co-op).*

### **Discussion:**

Alternative 3 creates a cooperative program under which each catcher vessel participant is eligible to join a cooperative in association with the processor to which it delivered the most rockfish to during the qualifying period. The Council has proposed two membership thresholds for cooperative formation. Under Option (a), cooperative formation would require the holders of least 50 to 75 percent of the eligible historical shares associated with the processor.

Option (b) would allow any number of eligible harvesters to form a cooperative, including a single person co-op.

Rules that require a minimum percentage of eligible share holdings for cooperative formation, as in option (a) above, could provide negotiating leverage to either those agreeing to join the cooperative or those that have yet to join, depending on the circumstances. Generally, the power will be with the non-members until the membership threshold is met and will shift to members once that threshold is reached. As should be apparent, the level of the threshold will determine whether the negotiating leverage lies with a majority of those eligible for the cooperative or a minority and the size of that majority or minority, as the case may be. If the limit is set high, for example, one or two minority share holders could scuttle the formation of any cooperative unless their demands are met. These demands could relate to distributions from cooperative harvests, which could redistribute benefits of share holdings under the program. Although the example is the extreme, any provision that severely limits the number of cooperatives a share holder might join by imposing thresholds for cooperative formation could have similar impacts. For example, a provision that requires 50 percent of eligible share holders to form a cooperative would create a system in which a majority of share holders would have the ability to structure a cooperative agreement unfavorable to other share holders. In short, in a system in which a person is eligible to join only one cooperative, setting a threshold for cooperative formation without impacting the distribution benefits from the allocation of shares is likely not possible. Increasing the number of cooperatives that a person can join will reduce this effect.

Allowing any number of share holders (including one) to form a cooperative could reduce the ability of participants to use cooperative rules to assert negotiating leverage over other participants. This more flexible approach, however, could lead to less coordination of fishing, increasing the costs to both participants and managers, if participants form smaller cooperatives.

Whether cost savings are realized under a minimal threshold would be in the control of the participants in the fishery.

As additional background, the processor associations for the three rockfish species are described in Table 6. The Table shows that some processors have few license holders that are associated with them. In addition, at least 6 license holders have made no deliveries to an eligible processor. The Council should consider adding an option that would allow these participants to join a cooperative in association with a processor. One approach could be to allow these participants to join a cooperative with any of the qualified processors.

**Action requested:**

- 1) Consider selecting a preferred option from Alternative 5.4 CV Sector for Alternative 3.
- 2) Add a provision to allow cooperative membership to LLP holders with no deliveries to a qualified processor.

**8) Council Motion - Alternative 5.5 - CP Transfer provisions**

*CP annual allocations may be transferred within co-ops and between co-ops with at least:*

*Option 1: two LLPs each (with CGOA endorsements)*

*Option 2: three LLPs each (with CGOA endorsements)*

**Discussion:**

This provision is substantively identical to the provision discussed under Alternative 5.3 - CP Sector.

**Action requested:**

Consider eliminating one or the other of these transfer provision motions. Alternatively, select a consistent option in each case.

**Table 6: Processor Associations Under Alternative 3**

	Number of qualified processors with				Number of LLPs with no deliveries to a qualified processor	Allocation to LLPs without deliveries to a qualified processor
	no associated LLPs	5 or fewer associated LLPs	more than 5 and fewer than 10 associated LLPs	10 or more associated LLPs		
Pacific Ocean perch	0	3	1	2	6	3.0 percent
Northern rockfish	0	3	1	2	5	1.5 percent
Pelagic shelf rockfish	0	3	1	2	6	2.1 percent

Source: NPFMC Rockfish Database 2004, Version 1

**Table 7: Processor associations under Alternative 3.**

	Number of processors associated with LLPs holding more than		
	30 percent of all catcher vessel history	20 percent of all catcher vessel history	10 percent of all catcher vessel history
Pacific Ocean perch	0	*	4
Northern rockfish	0	*	5
Pelagic shelf rockfish	0	*	5

\* Withheld for confidentiality.

Source: NPFMC Rockfish Database 2004, Version 1

9) **6.1 CV co-ops:**

*Control of harvest share by a CV co-op shall be capped at:*

- Option 1. 30% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 2. 40% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 3. 50% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 4. No cap*

**6.2 CPs:**

*Control of harvest share by a CP shall be capped at:*

- Option 1: 50% of aggregate POP, Northern Rockfish and PSR for the CP sector*
- Option 2: 60% of aggregate POP, Northern Rockfish and PSR for the CP sector*
- Option 3: 75% of aggregate POP, Northern Rockfish and PSR for the CP sector*
- Option 4: No cap*

*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:*

- Option 1. 30% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 2. 40% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 3. 50% of aggregate POP, Northern Rockfish and PSR for the CV sector*
- Option 4. No cap*

*Eligible Processors will be grandfathered.*

**Discussion:**

The above options would identify use caps for catcher vessel cooperatives, catcher processors, and shoreside processors. Any CPs or processors that historically harvested in excess of the chosen cap would be grandfathered at its historic level of harvests.

In all cases, the administration of the caps would be simplified by the Council identifying a baseline for applying the caps because of the multispecies nature of the caps. Changes in the TACs of the three species could result in a participant being pushed over the cap in a given year despite not changing their share holdings or interests in the fishery. The base year could be the last qualifying year of the program or another base selected as appropriate by the Council.

In assessing the caps, the Council should consider the historic catch in the fisheries as shown in Figures 1 and 2 and the characteristics of the allocations under the program in Tables 5, 6, and 7. Typically, the Council has considered the historic level of consolidation in setting caps. In any case, the respective harvest/processor share caps should be set high enough to allow participants to realize potential efficiencies. On the other hand, setting the cap too high could result in overconsolidation, under which a few participants gain control of the fishery and the market.

**Action requested:** Consider selecting a harvest/processing cap as a preferred option for 6.1 CV co-ops, 6.2 CPs, and 7 Shoreside processor use caps.

## Groundfish Forum

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AGENDA C-3  
Supplemental  
DECEMBER 2004

December 1, 2004

Ms. Stephanie Madsen, Chairman  
North Pacific Fishery Management Council  
605 West 4<sup>th</sup> Ave.  
Anchorage, AK 99501  
FAX: 907-271-2817

### Re: Agenda Item C-3: CGOA Rockfish Pilot Program

Dear Madam Chair,

Groundfish Forum is a trade organization representing 19 'head-and-gut' trawl catcher processors which target non-pollock species in the Bering Sea, Aleutian Islands and Gulf of Alaska. We represent 90% of the capacity of the non-AFA trawl catcher-processor sector. Many of the vessels we represent qualify for the CGOA Rockfish Pilot Program, and we have worked closely with the Council and with the shoreside trawl fleet to develop alternatives for implementing this plan.

At the Council's direction, Groundfish Forum worked with the H&G sector and with the Alaska Groundfish Databank to develop sideboards which would protect non-qualified vessels from harm as a result of the Pilot Program. We presented our sideboard proposal at the October Council meeting, and it was largely approved by the Council. Since that meeting, we have worked further with NMFS to refine the sideboards for the CP sector. The attached diagram illustrates how the qualified catcher-processors will be sideboarded within the CP sector, and outlines the choices that each qualified vessel may make. We request that the Council include this outline, and the following written description, in the proposal which is sent forward for analysis.

As we originally proposed, the sideboards assume that both the qualified CPs and CVs are limited to the catch history of these groups during the month of July. This restriction ensures that the qualified vessels cannot expand across the CP/CV division, which protects each sector from the other.

### Catcher-Processor sideboards

As stated above, all qualified catcher-processors are limited to the aggregate history of the CP sector in the Gulf of Alaska during the month of July, regardless of whether they choose to participate in the program or not. As in the original proposal, the sideboards are based on the limiting factor in each fishery: species which close on TAC are sideboarded on TAC, and species which close on PSC are sideboarded on halibut.

Qualified vessels may choose to opt out of the program. In this case, the vessel receives no history allocation, and has no further restrictions beyond the aggregate sideboards outlined above. The vessel may not target rockfish in the CGOA, but may keep rockfish up to the MRB amount in other fisheries.

Alternatively, a qualified vessel may choose to opt into the program. In this case, the vessel receives an allocation of target rockfish, secondary species and PSC as mandated in the Congressional action. In addition to the above GOA sideboards, the vessel is subject to the BSAI 'stand-down' rule, and must either process 90% of its allocation or stand-down for the first two weeks of July before entering any BSAI fishery.

Qualified vessels may choose to coop, combining their allocations so as to fish them more efficiently. If coops form, NMFS will apportion the sideboard species in the GOA (including West Yakutat and the Western Gulf) between the coop vessels and the qualified vessels which opt into the program but do not choose to coop. This protects the qualified CPs which do not coop from being impacted by coop vessels, and vice versa. Coops are subject to the same BSAI stand-down rule outlined above.

Qualified vessels may choose not to coop, in which case they may either fish their individual allocation or lease their allocation to another party. If they fish the allocation, they must start when the rockfish fishery opens on or about July 1<sup>st</sup>, and (as stated above) harvest 90% of the allocation or stand-down for two weeks before moving into any BSAI fishery.

Qualified vessels which lease their allocations must stand-down from any BSAI fishery until 90% of the combined allocation of the lessee and lessor is harvested, or for two weeks (whichever is less).

We request that these sideboards be included in the CGOA pilot program. They represent a great deal of work and compromise within the catcher-processor fleet, and are supported by the vast majority of this sector. The catcher-vessel sector is fully protected. The sideboards are designed to protect both qualified and unqualified CPs, and to allow vessels to participate in the program while still maintaining as much flexibility as possible to respond to the continuing dynamics of the non-rationalized fisheries in the BSAI.

We realize that some industry members would like to use the sideboard provisions as a means of moving catch history shares from the offshore sector to the onshore sector. However, it is completely inappropriate to craft sideboard proposals with this intent. Sideboards are intended to protect members of the industry from harm as a result of rationalization, not to re-allocate harvest privileges. We strongly oppose any modifications of the sideboards which are designed to facilitate history transfer between sectors.

### **Opt-out history**

The motion passed by the Council in October of 2004 allows catcher-processors to opt-out of the program, but at the request of the shoreside representatives it does not include a similar provision for catcher vessels. Further, a sub-option was added at that meeting which would divide the history CPs which opt out between the CP and CV sectors. Not only is this inequitable and unnecessary, it violates the legislative language which specifies that the program shall recognize the fishing history of each participating sector.

Proponents of this suboption expressed concern about the possibility that companies with more than one qualifying vessel being able to benefit disproportionately by opting out one or more vessels and moving them to another fishery. This situation would only occur if a company has more than one vessel in the program.

It is important to recognize that the CP sideboard provisions do not allow a vessel to lease its history if it opts out, so the history left behind would be distributed among all of the vessels which remain in the pilot program. Assuming the company has more than one vessel in the pilot program, its remaining vessel(s) would receive a portion of the opt-out history, but it would be diluted by the relative history of all of the remaining vessels.

The catch in this scheme is that the vessel which opted out would then have to move into another fishery which would compensate for the loss of its CGOA history. The CGOA rockfish fishery is being considered for rationalization precisely because of the high-value combination of primary and secondary species it contains. It would be very difficult for a company to recoup the loss of this history by moving into another fishery in July.

If a vessel were to opt out, given that it has been participating in a rockfish fishery, it would likely move to the Aleutian Islands POP fishery which opens at the same time as the CGOA rockfish fishery. However, AI POP does not include high-value secondary catch, such as sablefish, which is an important part of the CGOA. Fishing in the Aleutians also entails several days' running time to reach the grounds, and to return once the fishery is over. Additionally, some of the companies which qualify in the CGOA have vessels which also fish AI POP, so a company vessel which opted out from the CGOA would be encroaching on other company vessels in the Aleutians.

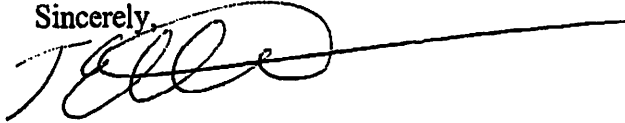
Over time, stock status and market considerations have created a balance in the CP fleet whereby vessels which fish rockfish have chosen to concentrate primarily either in the CGOA or AI. Those same market forces will be the primary factors driving the fleet after rationalization of the CGOA. While a multi-vessel company could gain some marginal portion of the history in the CGOA pilot program by opting-out a vessel, the history of that vessel would be spread out over all of the remaining participants (not just the company vessels). The cost of moving the opted-out vessel to another fishery, likely in the Aleutian Islands, would not justify the loss of the history in the CGOA.

Splitting opt-out history between CP and CV sectors would also have a negative impact on non-qualifying CPs, in opposition to the intent of sideboards. Because less of the history earned by CPs would remain in the sector, CPs in the pilot program would finish rockfish earlier and would move into other fisheries where non-qualified vessels were operating.

In short, splitting the history of catcher-processors which opt out of the program between the CP and CV sectors is an unnecessary provision which violates the legislative language and harms other members of the sector, and is only a consideration because the CP sector chose to allow its members to opt out of the program to begin with. We request that the Council remove this sub-option and return to the original language, which allocates opt-out history to the sector which earned it.

Thank you for the opportunity to comment on the CGOA pilot program. We appreciate the opportunity to work with the Council and with other sectors on this rationalization plan.

Sincerely,



T. Edward Luttrell  
Executive Director

Attachment: Sideboard Proposal for CGOA Rockfish Pilot Program CPs



# Sideboard Proposal for CGOA Rockfish Pilot Program CPs

## Qualified CP

### OPT IN

- Allocated CGOA rockfish, secondary species & PSC
- Must start fishing rockfish July 1 or stand down for 2 weeks from July 1
- Sideboarded in BSAI: standdown rule applies
- Sideboarded in GOA during July to CP history

### OPT OUT

- No allocation
- No BSAI sideboards
- Limited to history of qualified CPs for non-allocated species in the GOA in July

### INDIVIDUAL ALLOCATION

### COOP

- Limited to the coop's sideboard allocation in the GOA in the month of July (AFA style coop)\*
- Sideboarded in BSAI (standdown rule applies)

### DO NOT LEASE

- Fish rockfish under sideboard restrictions shown above

### LEASE

- Lease rockfish allocation
- Must wait until your leased rockfish is harvested, as well as the rockfish quota of the lessee, is harvested before being able to fish in BSAI or on CP aggregate sector history in GOA during July (with the standdown being the earlier of 90% of both vessels rockfish quota or 2 weeks)

*\*NMFS allocates CGOA PSC, WGOA and WYAK history between the coop(s) and the non-coop subsectors of the qualified CPs*

**PUBLIC TESTIMONY SIGN-UP SHEET FOR**

**AGENDA ITEM**

*C-3 Rockfish Pilot Program*

	NAME (PLEASE PRINT)	AFFILIATION
✓ 1	Shaun Kozon	Alaska Jig Assoc
✓ 2	Donna Jones	Global Seafoods
✓ 3	ALEXUS KWACHKA	GGFA
✓ 4	Julie Bonney	AGDB
✓ 5	Jeff Stephan	UFMA
✓ 6	Tim Blott	Ocean Beauty Seafoods
✓ 7	MATTHEW MADIR	ALASKA PACIFIC SEAFOODS
✓ 8	LORI SWANSON/PULENDRE	GROUNDFISH FORUM
PASS ✓ 9	Hutton Mcarty	Island Seafoods
NP ✓ 10	Susan Robinson	Fishermen's Finest
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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.

## Groundfish Forum

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AGENDA C-3  
Supplemental  
DECEMBER 2004

4241 21st Avenue West, Suite 200  
Seattle, WA 98199  
(206) 213-5270 Fax (206) 213-5272  
www.groundfishforum.org

December 1, 2004

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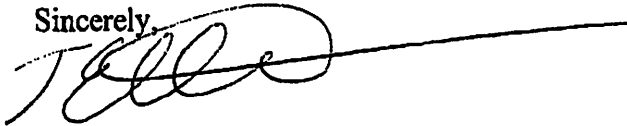
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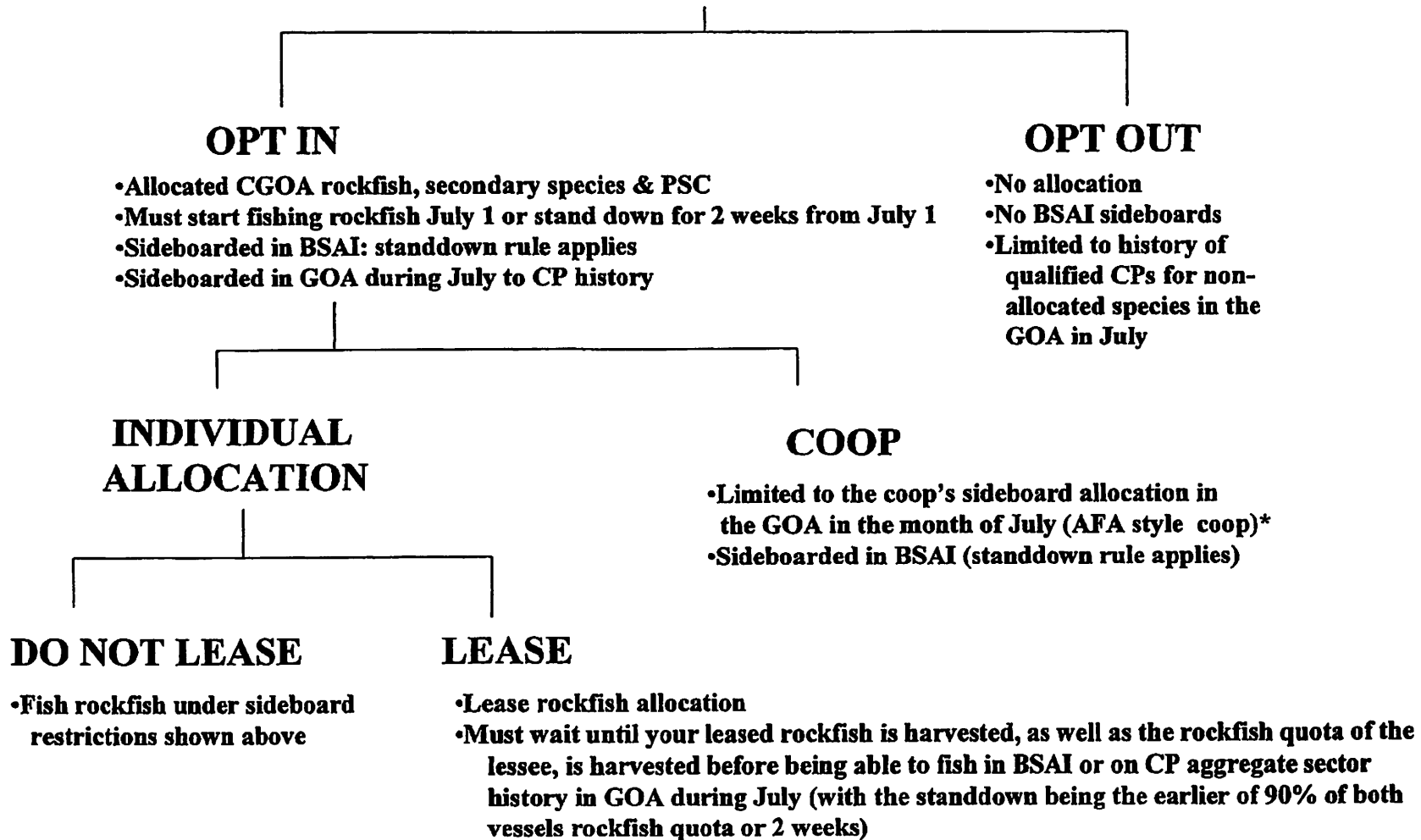


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