


MEMORANDUM

TO: Council, AP and SSC Members

FROM: Clarence G. Pautzke 
Executive Director

DATE: April 18, 1991

SUBJECT: Inshore-Offshore Allocation

ACTION REQUIRED

Approve Amendments 18/23 for public review.

BACKGROUND

Scheduled for this meeting is approval of the draft Inshore/Offshore Amendment analysis for public review. The document was sent to you on April 17 and formally constitutes Amendments 18 and 23 to the Bering Sea/Aleutian Islands and Gulf of Alaska Groundfish FMPs, respectively.

In September 1989 NMFS advised that this amendment would require preparation of a Supplemental Environmental Impact Statement (SEIS) because of the controversy and the likely socioeconomic effects of the proposed alternatives. As a result, the inshore/offshore analysis presents an expanded discussion of the biological, economic, and social impacts beyond what is routinely presented in our amendment documents.

Since the January meeting, the Fishery Planning Committee has met twice to receive status reports on the analysis, review preliminary results, and provide guidance to the analytical team when necessary. In February, the FPC approved the revision of several of the allocation percentage figures presented under Alternative 3 to correct for unintentional errors caused when historical catch histories were earlier applied to inshore/offshore definitions. In March, the FPC discussed the team's use of "new data" which the industry has recently made available. The FPC instructed the staff not to attempt to incorporate the new data into the draft analysis, but rather to treat it as public comment.

The FPC will meet Tuesday morning, April 23, in a worksession on the draft SEIS. Council member Pereyra has written a letter to Committee Chairman Blum requesting a discussion of ITQs as a method of addressing the inshore/offshore issue and questioning why ITQs do not appear on the list of alternatives being analyzed (see item C-1(a)). A review of the FPC and Council record indicates that in September 1989 the Council was presented with several ITQ proposals, under inshore/offshore, but decided by vote to add these proposals to the limited access alternatives being developed on a separate work schedule.

To remain on the Council's inshore/offshore work schedule and to satisfy National Environmental Policy Act (NEPA) requirements, the Council must approve release of the SEIS for a 45-day public review at this meeting. The review period will begin on May 10 and end June 24, the beginning of the next Council meeting. The SEIS must be received by NMFS-Washington D.C. no later than April 30. This deadline will require certain staff members to return to the Anchorage office on Wednesday, April 24 so that last minute editing of the document can be accomplished by April 29.

To help ensure that the Council receives informed public comment during the review period, the staff has scheduled two inshore/offshore presentations, in Kodiak and Seattle. The staff will provide a review of the issue, alternatives, and the analysis, and be prepared to answer questions for purposes of clarification. A presentation schedule is listed below:

Kodiak: Friday, May 3 at the Fisherman's Hall, 10am - 4pm.

Seattle: Tuesday, May 7 at Anthony's Home Port, 6135 Seaview Way, N.W.
(Shilshole Bay), 9am - 3pm.

ProFish International, Inc.



April 1, 1991

Mr. Joseph Blum
Director
Washington Department of Fisheries
Olympia, Washington

Dear Joe: .

Over the past several months I have become increasingly concerned over the inshore/offshore allocation issue and where it is heading. I have tried to contact you by phone to discuss my concerns with you directly, but our schedules have not cooperated. As a first step let me give you the gist of my thoughts now.

Some of my concerns, of which you are aware, I expressed at the recent FPC meeting. I won't repeat those here. The one concern though, which I have not voiced is the incompleteness of the range of options which we are reviewing to provide a solution to inshore/offshore. Let me be more specific.

If one looks at the Problem Statement which forms the basis for the inshore/offshore issue, a number of problems/concerns are identified (excess capacity, pre-emption by one industry segment over another, waste, shortened seasons, etc.). Unfortunately, in reviewing the five options available to us, I am hard pressed to find any option or combination of options which will come close to addressing the concerns expressed in the Problem Statement. In fact some of the options could exacerbate the situation rather than improve the it.

For example, it is well known that the pollock fishery is already significantly overboated and that some 80 percent of the resource is taken by the factory trawler fleet. Thus, any major shift in pollock allocation to the inshore processors would most likely result in additional capacity coming into the fishery to satisfy their specific harvesting requirements at the expense of the offshore fleet. In my mind we then would be exacerbating the excess capacity situation rather than improving it.

In light of this dilemma, I started searching for other approaches which might solve the identified problems. I wanted to see if there might not be some other solutions which could realistically address the issues on hand and at the same time be consistent with the national standards.

After considerable review, I became impressed with the potential that ITQs offer as a solution to the inshore/offshore issue. When evaluated against the problem statement, ITQs could mitigate most, if not all of the problems/concerns raised. Furthermore, because instituting an ITQ regime would most likely result in increased value from the extracted resources, the impact of splitting up the pie would be less onerous on the effected segments of the industry.

At this point, I would have to ask why ITQs are not listed as one of the management alternatives for solving the inshore/offshore allocation issue? There is no question in my mind that ITQs are a viable alternative and in fact may be the best alternative. Are ITQs not being considered for some factual reason that they will not do the job? Or was the ITQ option dropped from consideration because it is too controversial? Or were ITQs in fact considered at all?

Based on my preliminary analysis, I feel ITQs definitely should be one of the alternatives considered. With this concern in mind I would like to see this issue put on the agenda for our next FPC meeting on April 23rd. I realize this request comes at a difficult time but, considering the enormity of the issue, I feel it is incumbent on us to look at all alternatives so that we can be assured of coming up with the very best solution to the problem.

In an effort to be constructive, I have outlined on the following attachment the problems regarding the inshore/offshore allocation issue as expressed in the problem statement and the reasons why I feel ITQs could go a long way towards addressing these concerns. I would like to discuss this matter with you further when convenient.

Sincerely,

Wally
Walter Pereyra
Chairman

WP/df
enclosure

ITQs AS A SOLUTION TO THE INSHORE/OFFSHORE ISSUE

A. Problems/concerns as expressed in Problem Statement.

1. Excess capacity considering the finite availability of fishery resources.
2. Differing capabilities for the inshore and offshore components of the industry.
3. Concern for the future ecological, social and economic health of the resources and the industry.
4. Specific concerns:
 - a. localized depletion of stocks or other behavioral impacts to stocks
 - b. shortened seasons
 - c. increased waste
 - d. harvests that exceed TAC
 - e. possible pre-emption of one industry component by another

B. How ITQs address problems/concerns.

1. In allocating ITQs, credit can be given to both JVP and DAP harvests over the past several years. This would give ITQs to non-factory trawler catchers, many of which fish for shoreplants. (A.2, A.4e)
2. ITQs will increase total value from the resource by allowing harvesting/processing operations to be coordinated with the highest market demand, fuller utilization, added-value, etc. This increased value will mitigate possible loss in quota to the offshore fleet.
3. More complete processing of catches as a consequence of ITQs will reduce waste in the fisheries. (A.4c)
4. Keeping in mind that ITQ holders can fish at anytime during an open season, shortened seasons and the "race for the fish" will be eliminated. This in turn should eliminate the alleged "pre-emption problem". (A.4b, A.4e)
5. With an ITQ regime harvests should not exceed TAC. (A.4d)
6. If there is a problem with localized depletion of the resource, ITQs could be allocated by area. (A.4a)

7. ITQs will permit and facilitate reduction in fleet size and capacity through consolidation and improved economics. (A.1)
8. ITQs will improve the overall economic and social health of the industry through increased profits and improved long term employment opportunities. (A.3)
9. With improved economics the industry will be more receptive to change in operating areas, seasons, fishing practices, etc. so as to minimize bycatch, harvests of undersized fish or other ecological problems. (A.3)

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MTC's position on onshore/offshore as voted by the membership 4/19/91 is as follows:

THAT MTC supports an allocation of all groundfish species between 1) vessels that catch and process aboard and 2) vessels that catch and deliver either to atsea or shoreside processors. Allocations of all species to be 30% to vessels that catch and process aboard and 70% to vessels that do not process aboard. Within the 70%, 60% to be given top priority to vessels delivering shoreside, surpluses within the 70% to be re-allocated to vessels delivering to at sea processors (memberships) if not used by vessels delivering to shoreside processors. [The moratorium must be implemented and MTC could support the above in conjunction with an ITQ system based on total catch histories.]

On shore/off shore alternative

The allocation of all ground fish species be at the vessel level as follows:

1. vessels that catch & process aboard and
2. vessels that catch & deliver either at sea or to shore side processors, with a reserve set aside with 1st priority for catchers that deliver shoreside.

B S Allocation Amounts:

1. 30% to vessels that catch & process
2. 70% to vessels that catch and do not process of which 60% shall be reserved with 1st priority to vessels delivering shoreside

Gulf Allocation Amounts:

1. 0 to vessels that catch & process
2. 100% to vessels that do not process all ~~catch~~ of which shall be reserved with 1st priority to vessels delivering shoreside.

Inshore/Offshore alternative (MTC)

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1. 30% to vessels that catch and process
2. 70% to vessels that catch and do not process of which 60% shall be reserved with first priority to vessels delivering shoreside.

Gulf Allocation Amounts:

1. 0 to vessels that catch and process.
2. 100% to vessels that do not process all of which shall be reserved with first priority to vessels delivering shoreside.

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I/O

Page 1

Good afternoon members of the council, I am Joanne Demke, President of the Kodiak Chamber of Commerce.

I would like to extend a warm welcome to you and your staff. We sincerely appreciate the efforts put forth to hold these critical meetings here in Kodiak.

The Board of Directors of the Kodiak Chamber of Commerce support the development of a shorebased allocation and request that it be implemented as soon as possible. This must be done to offer some degree of stability to the economies of coastal communities.

The support of the North Pacific Fishery Management Council of this issue is extremely important to the economic vitality of the Kodiak Community and all coastal communities in Alaska.

At-sea processing has the potential, as proven in the 1989 and the fall of 1990 Gulf pollock fishery, to substantially reduce the fish available for the shorebased operations. When stable quotas of fish are not available, investment decisions become impossible to make in any rational manner.

For example, the Kodiak processors are in the process of planning for substantial investments to upgrade the jointly owned fish meal plant. Without some assurance that their operations will be able to take the local pollock quota, it becomes impossible to determine if there will be any return on the investment.

The net result is to hinder or actually stop investment to upgrade shorebased operations and increase the return on fish processed on shore.

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Further, within coastal communities whose economies are dependent on their shorebased processing industry, all other segments such as retail stores, service industries and local governments are adversely effected by uncertain and insecure investment climates.

The result of unmoderated competition between at-sea processors and shorebased processors for the same resource in an area, is to shift any economic benefit from an entire coastal community to the at-sea processor and disperse any economic benefits among many areas, none of which are dependent on that economic benefit.

In coastal communities, alternative economic resources are lacking to provide employment and tax base for essential services.

Last October, the industry got a clear indication of just how bad the situation is. For the first time ever in the Bering Sea fishery, the pollock quota of 1.28 million metric tons, was taken before the end of the year. The amount of fish that once lasted the industry twelve months now only lasts ten.

Driven by huge mortgages, the factory trawler fleet, which has grown explosively in the past three years, continues to request more and more fish to keep floating factories fishing.

(More)

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These multi-million dollar vessels were financed based on 300 days of fishing a year, even though harvesting quotas couldn't possibly allow this volume. Even if the factory trawlers were allowed to harvest every last pollock, the resources could not sustain them. Where just twenty boats were in operation in 1987, more than sixty boats are operating in 1990. These sixty boats alone are capable of harvesting over twice the annual quota of pollock. We believe that many of these over capitalized operations will fail even without additional fishery resources.

However, the economy of Alaskan coastal communities can survive this fall if some form of in-shore/off-shore allocation is system implemented.

The Board of Directors of the Kodiak Chamber of Commerce strongly urge the North Pacific Fishery Management Council to implement a shorebased allocation process as soon as possible. This allocation is necessary to insure the continued economic vitality of not only Kodiak, but all coastal communities in Southwest Alaska.

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209 Thorsheim Avenue
Kodiak, Alaska 99615
(907)486-3030

McDonald's

April 23, 1991

Ak. Groundfish Data Bank

Garry Ervin..operator McDonald's, President Kodiak Kiwanis Club

McD. spent \$750,000. to build here so it didn't cost \$300. for

a ticket to an Anchorage Big Mac anymore

locally, we hire 55-70 people to operate our McD's....\$35-45,000

a month in payroll...to be spent locally, saved locally etc.

we spend \$7000-10,000. a month for electric...for usage and support

of the community elec.facility

we collect \$250,000. in taxes annually, to help run our community

4-6 % of our sales is spent, donated, given, and contributed locally

each year to help; kids, schools, churches, special olympics,

sports, alternatives for our community youth etc. etc, etc.

\$3-5000. a week is spent on freight...yes for goods...however, those

dollars spent also help keep Sea Land servive to our town

\$10,000. is spent for the paved road next to McD's....for paving/

curbs and maint.

...off shore processors don't do any of this...they buy nothing,

contribute nothing, don't send kids to our schools, don't

tithe in our churches, or buy fuel, bait, or Big Macs

...in the end ...without the Kodiak groundfishing...the work force

will go elsewhere, and along with it, growth of our town

...without growth in/for our community...we end up a 'Ma & Pa'

island again...no future, no hope

on behalf of the 32 members of Kiwanis...the plumbers,builders,

pastors, media, Doctors, military, sanitarians, fish & game folks,

on behalf of those 32 members and friends and neighbors...this is

our home, our community, please don't destroy it/us. thanks 4 listening

Good afternoon members of the council I am Wayne Stevens owner of Local Colour, a small framing and matting art gallery here in Kodiak.

I would like to go on record as adding my support for a specific allocation for onshore processors. I have had first hand experience with the impact that no bottom fish quota for local processors has had. In March of 1989 the factory trawler fleet swept through the Gulf of Alaska and in eleven days took what was to be a whole years allocation of fish for the local fleet and local processors.

As a result of the closure, when the salmon processing ended in late September, 2,000 processing plant employees were without work. This loss of employment had a direct impact on my business. Instead of achieving a growth rate of twenty percent for the final quarter of 1989, my business declined some thirty three percent that quarter. The fourth quarter is traditionally the strongest time of the year for retail sales and makes up some thirty five percent of the annual gross sales of my store. All of these numbers mean little to anyone but me, but translated to dollars it means about a thirty thousand dollar loss at a time when it could be least afforded. We had a twelve month expansion plan implemented in January of 1989 that required twenty percent growth for all of 1989. The first nine months of 1989 we averaged twenty-two percent growth. As a result, instead of growing and continuing to show a modest growth, we have struggled while carrying forward with this unplanned loss. A loss I believe was directly caused by the very decisions you are contemplating here this week.

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Without some sort of allocation plan in place, this scenario will be repeated again and again, not only in this community, but in all coastal communities of Southwest Alaska.

While I can appreciate the dilemma faced by the factory trawler fleet, as a business owner in Kodiak, my store cannot move to another location to take advantage of different visitor seasons. My investment is here and I must make the best of circumstances as they happen. However, in this instance, others with no investment in this community are directly impacting my business. They have an ability to move on to other areas as they deplete resources here, leaving no quota for the local fleet and processors.

Your consideration and support for the development of a shorebased allocation system to be implemented as soon as possible is truly appreciated.

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Your consideration and support for the development of a shared allocation system to be implemented as soon as possible is truly appreciated.