MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke
Executive Director

DATE: April 14, 1998

SUBJECT: Inshore/Offshore 3

ESTIMATED TIME
12 HOURS

ACTION REQUIRED

Review analysis to release for public review.

BACKGROUND

In February the Council reviewed much of the baseline information that is used in the inshore/offshore 3 analysis. The completed draft document was mailed to you in early April and is scheduled for initial review at this meeting, a public review period, then final action at the June meeting. In addition to the Council staff presentation, we will have Impact Assessment, Inc. report on their analysis of social/community issues (Appendix II to the main document), and representatives from McDowell Group will report on their analysis of CDQ program impacts (Appendix III to the main document).

Since February we have filled in most of the gaps in information which existed at that time. Two sections which remained incomplete as of early April were the employment section (pending information compiled from At-sea Processor's Association), and an assessment of marine mammal impacts, primarily associated with the CVOA alternatives. These are expected to be available at this time and will be incorporated in the document prior to public review.

Item C-1(a) is the Executive Summary from the Council staff analysis, which includes the Problem Statement and a listing of the alternatives under consideration. Item C-1(b) lists some corrections to the McDowell Group report. Item C-1(c) is a memo to the Council regarding review of the price and employment data submitted by At-sea Processors Association. Item C-1(d) contains correspondence received on this issue, including information on 'true mothership' operations submitted by Premier Pacific Seafoods.

EXECUTIVE SUMMARY

Chapter 1

This Chapter of the document describes the management background and contains a summary of historical inshore/offshore issues, including previous Problem Statements and the results from the I/O1 and I/O2 analyses. The current Problem Statement and list of alternatives being considered are also contained in this chapter.

Chapter 2

This Chapter is devoted entirely to the Gulf of Alaska (GOA) allocation alternatives and is essentially the only place in the document that the GOA alternatives are addressed. Background information on the GOA pollock and Pacific cod fisheries is provided, though the analysis is primarily qualitative in nature, reflecting the scope of alternatives (expiration or continuation of the existing allocations) and relatively straightforward decision facing the Council with regard to the GOA. This chapter assesses the GOA alternatives in a threshold manner; i.e., whether it can be shown that one alternative is superior to the other, in the context of the Council's Problem Statement, including the primary issues of industry stability and management considerations.

In terms of industry stability, the analysis illustrates the relatively small quotas of both cod and pollock in the GOA (compared to the BSAI), the ability for these quotas to be harvested and processed by the resident GOA fishing fleet and GOA based processors, and the importance of that fishing and harvesting activity to the fishermen, processors, and communities within which they reside. Allowing the allocations to expire would potentially allow significant amounts of catcher/processor vessel capacity into the GOA fisheries, resulting in potentially dramatic re-apportionment of the harvest and processing activities for both pollock and Pacific cod. With these allocations in place for six years now, the harvest and processing industries have adapted to a relatively stable business planning environment. Alternative 2, extending and maintaining the current allocations, is necessary to maintain this balance in the GOA and is the only alternative which is consistent with the Council's Problem Statement for the GOA.

Pollock fisheries in the GOA are apportioned on a quarterly (now tri-mester) basis, primarily to spread the fishery out temporally to address marine mammal concerns. The small quotas are difficult for NMFS to manage on an in-season basis and frequent quota overruns have occurred within these seasonal apportionments. Allowing additional, high-power fishing capacity in these fisheries would exacerbate management difficulties and defeat the recent progress made by the agency in managing the GOA pollock fisheries. Continuation of the current allocations appears to offer the greatest benefit in terms of management considerations and marine mammal considerations.

Chapter 3

This Chapter, along with information in Appendix 1, contains the baseline information for the BSAI pollock fisheries. Primarily this is 1996 information, the most recent year for which we have 'complete' data. Major findings include the following:

- Current TAC levels for BSAI pollock (1.1 mmt) are expected through at least the year 2000 and are therefore assumed to be at that level for the purposes of this analysis. We have also assumed that 7.5% of the 1.1 mmt TAC will be allocated to CDQ fisheries.

- Season lengths have declined for both sectors under the existing allocations. During the A-season the offshore sector has markedly lower season lengths compared to the onshore sector, while B-season lengths are very similar for both sectors. From 1992 to 1997 the overall season length (A and B seasons combined) has declined from 159 days to 75 days for the onshore sector, and from 103 days to 56 days for the offshore sector, a relatively similar decline for both sectors.

- In terms of catch and production over time, the onshore sector's share of the total increased from 26% to 34% under the existing allocations, while their actual tonnage has remained virtually unchanged. The true mothership share has increased over time from 9% to around 11.5% (in 1997), while the actual tonnage was a slight decrease. The offshore sector share declined from about 67% in 1991 to about 56% in 1997, while the actual tonnage declined significantly, by about 35%. The Table below summarizes the catch and relative shares over time, including a further breakdown of the offshore sector for the true motherships and for that portion of the offshore sector which is from catcher vessel deliveries.

Table E.1. Harvest of Pollock in Pollock Target Fisheries (Includes CDQ)

Industry Sector	1991	1994	1996	1997
C/Ps Own Catch	1,005,803	733,018	582,208	556,272
C/V Deliveries to C/Ps	22,436	35,031	63,386	44,612
C/P Total	1,028,239	768,049	645,594	600,884
True Motherships	144,138	113,077	121,959	123,571
Inshore (Shoreplants)	375,570	375,602	324,846	296,421
Inshore (Motherships&C/Ps)	32,372	48,519	70,696	58,370
Inshore Total	407,942	424,121	395,542	354,791
Grand Total	1,580,319	1,305,247	1,163,095	1,079,246

Table E.1 (Cont.). Harvest of Pollock in Pollock Target Fisheries (Includes CDQ)

Industry Sector	1991	1994	1996	1997
Inshore (Shorebased plants)				
% of Inshore	92.06%	88.56%	82.13%	83.55%
% of Total	23.77%	28.78%	27.93%	27.47%
Inshore (Motherships&C/P)				
% of Inshore	7.94%	11.44%	17.87%	16.45%
% of Total	2.05%	3.72%	6.08%	5.41%
Inshore Total	25.81%	32.49%	34.01%	32.87%
True Motherships				
% Offshore	12.29%	12.83%	15.89%	17.06%
% Total	9.12%	8.66%	10.49%	11.45%
Offshore C/Ps (All Processing)				
% Offshore	87.71%	87.17%	84.11%	82.94%
% Total	65.07%	58.84%	55.51%	55.68%
C/V Deliveries to Offshore C/Ps				
% of CP	2.18%	4.56%	9.82%	7.42%
% of Offshore	1.91%	3.98%	8.26%	6.16%
% of total	1.42%	2.68%	5.45%	4.13%
Offshore Total (C/Ps & True MS)	74.19%	67.51%	65.99%	67.13%

- Regarding the distribution of catch among catcher vessels, relative share for small catcher vessels (<125') overall has declined over time, from about 65% in 1991 to about 42% in 1996 - the number of catcher vessels in this 'small' category has declined from 65 in 1991 to 42 in 1996. Vessels from 125'-155' have increased in numbers over time (from 15 in 1991 to 38 in 1996) and catch share (from 14% in 1991 to 37% in 1996). Numbers (19) and catch share (less than 20%)for the largest category of catcher vessels (>155') have remained fairly constant over this same period.

- For both inshore and offshore sectors, approximately 96% of the total pollock catch is taken in pollock target fisheries. In terms of pelagic vs bottom trawl mode (in target pollock fisheries), the inshore sector takes about 97% in pelagic mode, and the offshore sector takes about 91% in pelagic mode.

- NMFS published product recovery rates (PRRs) are currently utilized as part of the blend data in estimating overall catch for the offshore sector. PRRs were used for catch estimation for the inshore sector prior to 1992 (scale weights are now used). Catch estimation procedures are therefore different for the two sectors, but represent the best available information and are what is used to manage TAC attainment in the fisheries.

- Overall utilization rates, across all product forms, are calculated to indicate the amount of product derived from raw fish input. Utilization rates have changed over time, with improvement in both sectors, though the onshore sector utilization rates have improved more dramatically, from 23% in 1991 to 33% in 1996, while the offshore overall rate has gone from about 17% in 1991 to near 21% in 1996.

- Discard rates of pollock in pollock target fisheries are very low for all sectors - approximately 2.5% for offshore operations and around 1% for inshore and true mothership operations (1996 data). Future economic discards of pollock are assumed to be zero due to provisions of the IR/IU program. Continued regulatory discarding may occur, but is not quantifiable without further experience under the IR/IU program, but is expected to be minimal overall.

- Prices used in the analysis are as follows:

  The ex-vessel price for pollock delivered to inshore processors is $0.085/lb, and was derived from the 1996 COAR data. The offshore price used in this analysis is $0.0744/lb, and is based on 87.5% of the inshore price.

  First wholesale prices for both the inshore and offshore sectors were derived from 1996 COAR data. Because the offshore sector was not well represented in the COAR data, the At-sea Processor's Association provided data on 14 of their vessels to verify the offshore component of the COAR report. The results of that comparison showed that prices were almost identical in both the COAR and APA data. The COAR prices are reported in Table E.2.

Table E.2 First Wholesale Prices Reported by Alaska Processors

	Fillets&Blocks Skinless-Boneless &DeepSkin	Fillets&Blocks Skinless-Boneless	Fillets&Blocks DeepSkin	Roe	Surimi	Meal	Minced[1]
Inshore	$/lb	$/lb	$/lb	$/lb	$/lb	$/lb	$/lb
1991	1.38			3.79	1.26	0.26	
1994		0.71	1.11	3.65	0.91	0.22	
1996		0.96	1.24	4.52	0.82	0.30	0.52
Offshore							
1991	1.38			4.66	1.58	0.25	
1994		0.71	1.11	5.79	0.94	0.22	
1996		0.96	1.24	6.03	0.86	0.29	0.42

Source: 1991, 1994, and 1996 COAR data.

Note: To protect the confidentiality of processors, fillet prices are based on combined inshore and offshore data. Minced prices for 1991 and 1994 were not estimated. The 1996 Offshore Minced price was provided by the At-sea Processors Association (APA) as only one At-sea company reported minced prices to ADF&G. If APA and ADF&G data were combined the 1996 Offshore minced price would be $0.45.

- Product mix is assumed throughout the analysis to remain proportional to the 1996 information. In summary, this is shown below, for major product forms, by sector:

Table E.3. Pollock Products Processed During 1996 (mt)

Inshore/Offshore Class	Surimi	Minced	Fillet/Block and IQF	Deep Skin Fillet	Meal	Oil	Roe
Catcher Processor Total	57,938	7,851	6,035	25,214	12,312	344	7,346
Shoreside Total[1]	71,349	2,626	9,229	7,442	27,864	8,514	4,417
True Mothership Total	21,992	-	-	-	5,016	353	1,075
Grand Total	151,279	10,478	15,263	32,657	45,192	9,211	12,838

- Regarding foreign ownership of pollock harvesting and processing operations, the inshore processing sector and the true mothership processing sectors exhibit a significant degree of non-U.S. ownership (primarily Japanese). Four of the six principle shorebased processors were affiliated with Japanese parent companies. The two other plants operating onshore were owned by the same US company. The two inshore motherships were both US owned. One of the three true motherships was US owned. The offshore catcher/processor fleet exhibits significant degrees of non-U.S. ownership (primarily Norwegian) though that also varies across companies and vessels. Overall, 20 catcher processors appear to have some foreign ownership, while the remaining 17 are fully US owned. The catcher vessel fleet is a mixed bag with 14 catcher vessels delivering inshore having some foreign ownership, and eight catcher vessels delivering to offshore processors having some foreign ownership.

- Employment comparisons are pending, but should be available for the April meeting.

- Overall bycatch of PSC species (by rate and by total volume) is quite low in the pollock fisheries, with the exception of salmon and herring, for all sectors involved. The 1996 fishery information illustrates the trade-offs associated with PSC bycatch when comparing the sectors. The offshore fleet has higher bycatch of halibut and crab species, while the inshore and true mothership sectors show higher bycatch of herring and salmon. Looking at salmon specifically, the offshore fleet takes more 'other' salmon (primarily chum), while the onshore fleet takes more chinook salmon. While these trade-offs are reflected across the alternatives being considered, none of the alternatives is expected to significantly change the overall bycatch (by rate or volume) across PSC species.

- Regarding vessels which participated in BSAI pollock target fisheries anytime between 1992 and 1996, and which also participated (checked in or out) in Russian water fisheries, the information shows that 22 such vessels fished in Russia in 1992, only one did so in 1993 and one again in 1994, three in 1995, and 5 in 1996. All of these vessels were catcher/processors when they fished the BSAI pollock fisheries.

- Regarding state and local fish tax payments, both the onshore and offshore sectors pay such taxes. Some 'leakage' occurs where deliveries are landed outside Alaska, or transhipped overseas, and the tax is not applied. Primarily this leakage has occurred with the offshore catch landings tax (true motherships included in this sector), and has run at about 16 to 18% of the offshore total catch (1996 and 1995 respectively).

Chapter 4

This Chapter contains the projections for the major allocation alternatives, including the expected amounts of each product (assuming proportions realized in the 1996 fisheries) under each primary allocations alternative and the gross revenue changes associated with each primary alternative (recognizing that the Council may choose any percentage within the ranges specifically analyzed).

Table E.4. reports the relationship between a 50,875 mt change in each sector's allocation (5% of the 1,017,500 mt CDQ-adjusted TAC) and the change in total gross revenue (both ex-vessel and first wholesale) and the products produced within the sector. All of the information reported in Table E.4 represents the change from the status quo allocation. Because the calculations are linear, the effects of other allocation amounts may be calculated easily using the information in the table. For example, an allocation that would grant a sector 7.5% more of the TAC would increase their revenues and products by 1.5 times those listed in Table E.4.

Table E.4. Changes resulting from a 5% shift in the BSAI Pollock TAC within each industry sector

	Inshore	True Mothership	Catcher Processor
% Change Within the Sector[1]	14.3 %	50.0 %	9.1 %
Raw Fish (mt)	50,875	50,875	50,875
Gross Revenue (ex-vessel, $ millions)[2]	$ 9.5	$ 8.3	$ 0.8
Gross Revenue (1st Wholesale, $ millions)	$ 30.1	$ 26.8	$ 27.1
Surimi (mt)	9,179	9,910	5,149
Minced (mt)	338	-	698
Fillet/Block and IQF (mt)	1,187	-	536
Deep Skin Fillet (mt)	957	-	2,241
Meal (mt)	3,585	2,260	1,094
Oil (mt)	1,095	159	31
Roe (mt)	568	484	653

1/ The percentage change within a sector is calculated as (((status quo tons + 50,875)/(status quo tons))-1)*100. So, it represents the percentage increase that sector will receive.

2/ Only the catch delivered by catcher vessels is included for catcher processors.

Note: A 5% TAC decrease to a sector will result in numbers of equal magnitude, but with a negative sign

Also included are more qualitative assessments of various sub-options being considered. These include: (1) potential separation of 'true motherships' with their own allocation; (2) sub-allocation of the inshore quota to small (<125') catcher vessels; (3) sub-allocation of the offshore quota to catcher vessels delivering offshore; and, (4) options for the duration of the allocation (sunset alternatives).

In 1996, deliveries to the three true motherships accounted for about 10% of the BSAI pollock catch. The Council is considering allocating 5-15% of the BSAI TAC to this sector. There is still some question regarding who is classified as a true mothership. Under the strictest interpretation only about six vessels could be classified as true motherships, and this raises limited entry questions.

An allocation of 40-65% of the inshore quota is being considered for catcher vessels less than 125'. This roughly covers the range that subsector has taken over time (it has decreased to about 40% currently). This suboption could not be implemented in 1999. NMFS current catch accounting system will need to be modified before this

allocation could be monitored. This does not mean the Council cannot consider this option, but actual implementation would be delayed beyond the January 1, 1999 start of I/O3.

A set aside of nine to 15% of the offshore quota is also being considered by the Council. In 1996, catcher vessels delivered about 10% of the pollock catcher processors processed (down to 7.4% in 1997). So, the low range of the allocation represents the catcher vessels largest historical percentage of pollock processed by offshore catcher processors. This allocation could be monitored in 1999 as long as there were no catcher vessel length restrictions associated with this allocation.

The Council may choose to keep I/O3 in effect until replaced by CRP. However, there is still a question of what is meant by CRP. The Council is also considering two potentially shorter allocations. A sunset date one year after implementation of I/O3 would require the Council to immediately begin analysis of I/O4. One additional year would likely not provide enough time to collect the necessary data and do a formal cost/benefit analysis. It would also create an unstable planning environment for the fleet. The three year sunset would likely resolve most of the problems associated with a one year allocation.

Chapter 5

This Chapter is devoted entirely to the CVOA options and includes historical fishing patterns relative to the CVOA and projections of CVOA fishing patterns under the alternatives. Major findings include:

- Pollock tend to be larger and have less size variation inside the CVOA.
- CPUE tends to be higher outside the CVOA.
- Increased pollock allocations to the offshore sector leads to less pollock catch in the CVOA relative to the status quo;
- During the A-season, excluding the offshore sectors (CVOA alternative 1), and offshore and true mothership sectors (CVOA alternative 2) from the CVOA yields *reductions* in A-season CVOA pollock catches. Total CVOA catch is also reduced in every case except when only catcher processors are excluded under Alternative 3(D). In all the other options, the projections indicate that catch inside the CVOA is reduced 15-57%;
- During the A-season, no combination of allocation alternative or CVOA alternative leads to *increases* in A-season CVOA pollock catch greater than 6%. Therefore, even under the no CVOA option catch is projected to increase only slightly during the A-season;
- Predicting B-season removals from the CVOA under the No CVOA alternative is highly speculative regardless of the allocation alternative, and depend considerably on how the offshore fleet is distributed.
- In the B-season and for CVOA alternatives 1, 2, and status quo, *reductions* in CVOA pollock catches are predicted for those sector allocation alternatives that *increase* the offshore sector's allocation (except for the combination of sector alternative 3(C) and CVOA alternative 2);

Alternatives which require sectors to operate outside the CVOA during the A-season appear to have greater impacts during years when the ice edge is further south. In 1991 and 1994 the ice edge was about 200 nautical miles further south that during 1996. Those years almost all of the catcher processor's and catcher vessel's catch came from inside the CVOA. In 1996 the catch distribution was much closer to a 50/50 spilt inside and outside the CVOA. Forcing vessels to fish closer to the ice edge may also cause safety concerns.

Specific interactions between the CVOA and marine mammals are not included in chapter 5, but are discussed in chapter 6.

Chapter 6

This is the Environmental Assessment (EA) and is primarily focused on marine mammal issues as they relate to the CVOA. Also included is a discussion of EPA considerations as they relate to the issue of air and water quality and processing discharges. As of this writing, the marine mammal implications are incomplete - it is expected that this will be available in time for inclusion and review at the April meeting.

Chapter 7

This Chapter contains a summary of economic implications of the alternatives, including E.O. 12866 considerations, and addresses other issues raised by the Council.

- Net benefit impacts are not quantifiable given the lack of cost data and other information. Gross revenue projections indicate very little change in overall gross revenues from the fisheries, under any of the alternatives. Impacts are expected to be primarily distributional in nature, with impacts to industry sectors being proportional to the allocation changes considered. With such small changes in gross revenues overall, net impacts to the Nation from any of the alternatives will not likely be significant under the provisions of E.O. 12866, which specify a $100 million annual effect on the economy as the trigger for a 'significant' action.

- Utilization rates, as previously summarized, have changed over time, with the onshore sector exhibiting a much higher overall utilization rate (and improvement over time) than the offshore sector. During I/O1, underlying (assumed) PRRs were a significant and contentious factor in the analyses, and were factored into the analyses to arrive at overall net impact projections. The I/O2 analyses did not attempt to quantify net benefits, but did examine several primary parameters of the fisheries, including overall utilization rates (not to be confused with assumed PRRs). Based largely on improved utilization rates by the onshore sector from 1991 to 1994, the analysis for I/O2 found that the original net loss estimates associated with the allocations were likely overstated.

- For the current analysis (I/O3), overall utilization rates are factored into the projections for product and gross revenues for each of the alternatives. The higher utilization rates for the inshore sector equate to a higher gross revenue per ton of raw fish for that sector, when compared to the offshore sector and therefore results in slightly higher overall gross revenues from the fishery for alternatives which allocate more pollock inshore. However, these projections do not take into account relative production costs between the sectors. Higher utilization rates alone do not necessarily equate to 'highest value' from the fisheries. NOAA GC advice on this issue is that, while the Magnuson-Stevens Act does not dictate management measures based on achievement of higher product utilization rates, the Council may well consider this as a criterion in its decision process.

- Regarding excessive shares/capital concentration issues, there is little in the way of analysis directly focused on this issue. Relative share of the harvest and processing of pollock, by individual firms or vessels, cannot be published, though information of this nature is available in industry publications, has been referenced in public testimony before the Council, or is generally known. NOAA GC advice is that, because the inshore/offshore alternatives do not allocate fishing privileges to individual fishermen

(or entities), National Standard 4 does not apply in the context of addressing a particular company's share of the harvest/processing (though standard 4 does apply generally).

- Regarding progress toward overall Comprehensive Rationalization Planning (CRP), the place of I/O3 depends on the ultimate CRP goal - if it is some type of IFQ program then the allocations will likely serve to establish the 'playing field' for those allocations, at least among sectors, regardless of the specific percentages chosen. With an IFQ program at least 4 to 5 years away, due to the Congressional moratorium, continuation of the allocations would appear to constitute a critical 'holding place' for the fisheries. If an IFQ program is not the eventual goal, then the allocations are perhaps even more critical to defining the fishery. Regardless of the ultimate CRP solution, it would appear that continuation of the allocations (without prejudice to the percentages), is critical to orderly prosecution of the fisheries and a stable management environment.

- Regarding potential implications of the American Fisheries Act (currently proposed in Congress), enactment of this Act would result in a significant potential reduction in offshore sector capacity. As many as 15 vessels could be immediately impacted, with those vessels accounting for 32% of the total offshore catch in 1996 (21% of the overall pollock total in 1996).

Chapter 8

Chapter 8 contains discussions of consistency with other applicable laws, including: Magnuson Act, National Standards, and the Regulatory Flexibility Act. These assessments attempt to cover the range of alternatives, though some findings will depend on the alternative (and options) finally selected by the Council, and a more focused assessment may be necessary in certain areas.

- None of the alternatives appears to be inconsistent with the National Standards. Additional assessment relative to National Standard 8 will be contingent upon the community impact study being developed under contract to Impact Assessment, Inc. (not available in time to incorporate in this draft).

- Section 303(a)(9) of the Act requires consideration of potential impacts to participants in the fisheries and to other (adjacent) fisheries. Chapters 4 and 5, and other sections of this document address impacts to participants in the pollock fisheries. Chapter 8 contains information regarding potential impacts to other fisheries ('spillover effects'). While this information does not allow for conclusive statements regarding the likelihood or magnitude of such spillover effects, it is intended to assist the Council and other reviewers by providing background information relative to this issue.

  Included in that Chapter is the following: (1) information on the operational capacity and capability of vessels/processors operating in the pollock fisheries; (2) patterns of entry and exit in the pollock fisheries over time; (3) profiles of vessel/processor activity in alternative fisheries over time; (4) detailed information on the 1997 fishing activities by vessels/processors involved in pollock fisheries; and, (5) value estimates for other species (intended to provide insights on 'replacement' potential of other species for lost pollock opportunities).

- Section 303(b)(6) requires certain specific analysis when considering limited entry programs. The creation of a 'true mothership' category, limited only to those operations which "have processed, but never caught" pollock in the BSAI, would create a limited entry program (the three existing true

motherships and perhaps three others would appear to be the only eligible operations). Clarification of Council intent in this regard may necessitate additional analysis.

- The Regulatory Flexibility Act RFA requires analysis of impacts on small entities, and determination of whether management actions would 'significantly impact a substantial number of small entities'. Significance can be triggered by a reduction in revenues of more than 5%; a substantial number is defined as more than 20% of the affected universe of small entities. It appears that all BSAI pollock harvesters and processors would be classified as small entities for RFA purposes. Some of the alternatives under consideration would be expected to decrease revenues (relative to the status quo) by 5% or more for a substantial number of operators, and therefore would be considered 'significant' actions under the RFA.

McDowell GROUP

MEMO

Date: March 1, 1998

To: Chris Oliver, North Pacific Fishery Management Council
Fax: 271-2817
cc: Donna Parker

Subject: **Corrections to information presented in the draft report "State of Alaska, Analysis of Inshore/Offshore Impacts on the CDQ Program"**

From: **Scott Miller**

The McDowell Group would like to point out several errors in the draft report included in the Council's April meeting packet as "Appendix III – State of Alaska, Analysis of Inshore/Offshore Impacts on the CDQ Program." These are as follows:

Page 12, table entitled "CDQ Groups and Their Partners": the table incorrectly indicates that Oyang has a 50 percent interest in the company, Arctic Storm, Inc. The chart should show that the Oyang has a 50 percent interest in the F/T Arctic Storm. Oyang has no interest in the F/T Arctic Fjord, which is 100 percent US owned.

Page 19, paragraph two, sentence two: the word "likely" should read "unlikely."

Page 19, paragraph two, last sentence: the number "$98,000" should read "$180,000."

Page 18, paragraph one, second sentence: strike "group (unweighted)."

Page 18, there are two misprints in the table: in column 4, "Other fisheries" wages for CBSFA should be $299,148. In column 5, "Group wages" for CVFC/CVRF should be $932,552.

MEMORANDUM

TO: Chairman and members of North Pacific Fishery Management Council

FROM: Rich Marasco, Jack Tagart, Seth Macinko, and Chris Oliver

DATE: March 6, 1998

SUBJECT: Formulation of Agreed-Upon-Procedures for data review by CPA firm

At your February 1998 meeting the Council established a small Committee to come up with Agreed-Upon-Procedures, and provide guidance on selecting a CPA firm, to conduct a review of employment and price data submitted by At-sea Processor's Association (APA) relative to the inshore/offshore 3 analyses. The Committee consisted of one representative each from NMFS (Rich Marasco), WDF (Jack Tagart), ADF&G (Seth Macinko), and the Council (Chris Oliver). This memo is to summarize for the Council the steps taken, and issues identified, in this process.

We met on February 17 in Seattle, with Ed Richardson and Paul MacGregor in attendance to provide the Committee with necessary details on the data being collected from APA member companies. Representatives from the firm Kueckelhan Crutcher and Co. were also in attendance, at the request of Council staff. It was recognized by the Committee that this particular firm was disqualified from actually conducting the review work due to their existing business affiliations with several of the seafood companies involved. However, the Committee needed some accounting expertise to help develop the Agreed-Upon-Procedures for that data review. Bryce Morgan, Suzanne Schiffler, and Jana Brady were very helpful in that regard, enabling us to come up with those procedures (attached). These procedures are intended to verify the accuracy of the information submitted, as well as to verify that all of the relevant data was indeed submitted.

Following that meeting these same persons were helpful in putting Council staff (Chris Oliver) in contact with two alternative accounting firms (Knight Vale and Gregory; and, Rebar and Associates) who both verified that they had no affiliation with the seafood companies involved, and were able and willing to take on this project during the peak of the tax accounting season. A list of seafood companies was provided to these companies and they provided written confirmation that they did not have business ties to any of them (attached). After verifying the 'eligibility' of these firms, we felt the decision of which firm to employ should be left to APA, who would be paying for the data review. After receiving bids from both firms, APA made the decision to employ the firm of Rebar and Associates for this project. It is our understanding that they will conduct this data review in late March and early April.

Following are additional thoughts from the Committee regarding this process and the information to be collected:

1. While information across a range of years (1991-1996) would be ideal, it is likely that the timing of this process will limit the useful data to 1996. APA efforts thus far have been focused on 1996 and 1997, though Council staff will primarily utilize 1996 data for comparibility to other sector information.

2. Price data is focused on first wholesale (prices received by at-sea processors for various products), though some exvessel, over-the-side delivery price information may be collected through this process as well (this is prices paid to fishermen and may be useful for the analysts). While the Committee did discuss exvessel, over-the-side delivery prices, and expressed a desire for such information, we did not formalize procedures for review of exvessel price data by the CPA firm. While it could be subjected to procedures similar to those for first wholesale price data, it is our understanding that any exvessel price information would be provided to Council staff, who would compare this information to previously collected exvessel price information and determine whether and how to incorporate it into the analysis.

3. It appears that employment information, in the form of Social Security #s, will be submitted by APA for Alaskan residents, but maybe not for the remaining work force. The Committee recommended that all SS #s be submitted, so that the information reflects total employment and both the absolute number of Alaskan employees and the relative number.

4. The Committee discussions raised the issue of verifying that all data submitted to the CPA firm were the same data submitted to Council staff for use in the analyses. As such, the Procedures call for the accounting firm to summarize the employment and price data they receive in order to cross-check with the data received by Council staff to make sure the totals agree.

5. Additional procedures were identified by the Committee which could be conducted by Council staff (and Washington Department of Labor), outside of the CPA firm, to help verify that all relevant data was received (as opposed to selected data). First, once SS#s are received, they could be given to the Washington Department of Labor to cross-check any total wage information contained. Secondly, the price data (which includes total fish poundages) can be compared by Council staff against the weekly production report information for those companies for the year(s) involved.

6. Timelines involved are very tight - it is expected that the price information will be submitted to both the CPA firm and Council staff by mid-March, in order to incorporate it in the analyses. Employment information will be used 'as is'; i.e., it will not factor further into the analyses, and so needs to be submitted by late March. In either case, the Council staff will likely have to use the information submitted, while the 'audit' procedure is on-going, in order to get a document drafted and mailed to the Council family for review in early April. Any discrepancies found in the 'audit' procedure (which would be completed in early to mid-

April) would have to be dealt with in a supplemental, or revised, analysis. This is not expected to delay the Council's review and decision process, according to Council staff.

7. Following on the point above, the Committee recognizes that if the information is not submitted to the Council staff in time (mid-March for the price data and late March for the employment data), existing data, though incomplete, will be utilized by the analysts. If the data is submitted and reviewed by mid-April, the analysts would be able to report to the Council (at the April meeting) regarding any changes implied to the analysis based on the 'audited' information.

Agreed-Upon Procedures

Related to employees and wages:

1. Agree each Companies' total 1996 wages provided by APA, to the respective Company's Form W-3.

2. Agreed each Companies' total number of employees for 1996, provided by APA, to the total number of Forms W-2 reported on the respective Company's Forms W-3.

3. If the Companies' data provided by APA does not agree to the Forms W-3 by 5%, then ask the Company to reconcile the data to Form W-3.

4. From the data provided by APA, randomly select 10% of each Companies' employees and for those employees performing the following:

    a. Agree each employee's social security number and their total annual wages for 1996 to Form W-2.

    b. Agree each employee's social security number, job classification and vessel identification number to the information in their personnel file.

5. Summarize differences found in a confidential format.

Related to Revenue information (this will be prices <u>received</u> for first wholesale transactions - information on prices <u>paid</u>, for exvessel, over-the-side deliveries may be collected through this process, but will be handled separately by Council staff)

1. Agree each Companies' 1996 total revenue, provided by APA, to the respective Companies' general ledgers and audited/reviewed financial statements (or tax returns, if no audited or reviewed financial statements). For Companies with fiscal year ends, agree the 1996 revenue to the total of the monthly revenues in the general ledger, and agree the fiscal year end revenue to the audited/reviewed financial statements or tax returns. NOTE that where foreign currencies are used, the conversion to U.S. dollars will be based on prevailing exchange rates as of the date of transaction on the invoice.

2. If the Companies' data provided by APA does not agree to the general ledgers by + or - 5%, then ask the Company to reconcile the data.

3. For each Company, select the largest invoices representing at least 10% of the total revenue for 1996 and then randomly select 10% of the remaining invoices for each year.

4. For each invoice selected in #3 above, agree the species, grade, quantity, price, and shipping terms provided by APA to a copy of the Companies' invoice, and ensure that the fish sold is Alaskan product.

5. Summarize differences found in a confidential format.

Additionally, for both employment and price data, the accounting firm would be required to provide to the Council a summarization of the employment and price totals from the spreadsheet information provided by APA - this is to help reconcile that the Council staff received the same information from APA as did the accounting firm. Finally, it would be expected that the end product of this exercise would be a letter from the accounting firm summarizing the results of the data examination and specifying any discrepancies found.

PREMIER PACIFIC SEAFOODS

333 First Avenue West / Seattle, WA 98119 USA / 206-286-8584 / FAX: 206-286-8810 / TELEX: 49612854 PRMPAC

April 9, 1998

Mr. Rick Lauber, Chairman
Dr. Clarence Pautzke, Executive Director
North Pacific Fishery Management Council
605 W 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

RE: True Mothership Data

Dear Sirs,

Earlier today we sent a letter dated April 8, 1998 with information to be included in the NPFMC Council packet for the upcoming April Council meeting. Subsequent to writing that letter we received the final Status Report document (dated April 3). Some of the data in that document is different than the data in the January 27 report that we used. To avoid confusion I have re drafted the letter using the latest data set.

Please therefore include this letter dated April 9 in the Council packet. Feel free to use the April 8 letter to start a fire with after you go home tonight.

Sorry for the hassle.

Sincerely Yours,

Douglas C. Forsyth
PREMIER PACIFIC SEAFOODS, INC

PREMIER PACIFIC SEAFOODS

333 First Avenue West / Seattle, WA 98119 USA / 206-286-8584 / FAX: 206-286-8810 / TELEX: 49612854 PRMPAC

April 9, 1998

Mr. Rick Lauber, Chairman
Dr. Clarence Pautzke, Executive Director
North Pacific Fishery Management Council
605 W 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

RE: True Mothership Data

Dear Mr. Lauber and Dr. Pautzke,

It was requested at the February Council Meeting that the three True Motherships help the Council in some manner to present data that the Council could then review and analyze in their deliberations. Due to Federal disclosure regulations NMFS has been unable in some instances to provide the requested information. The True motherships have provided data to a third party that in turn has aggregated and summarized that data. I present that data herein together with selected portions of the NMFS database. Where possible I have cited the sources of the information. TMS data is the data provided by the true motherships. I have tried to follow the sequencing format established in the Status Report on Baseline Information for the I/O 3 Analysis for consistency of presentation.

CATCH OF TRUE MOTHERSHIPS

1996 Total Pollock	121,959 mt	10.5%	Council Staff data
1998 A season	51,056 mt	10.9%	tms data

UTILIZATION (Council Staff data base)

Recovery of Total Salable Products 1996

True Motherships	24.90%
Factory Trawlers	20.60%
Shore Plants	33.25%

1997 Discards (NMFS data base)

True Motherships	8,819 mt	5.5%
Factory Trawlers	57,817	11.2%
Shore Plants	24,722	6.8%

1997 Sales Value of Pollock Products per ton of pollock harvested (tms data)

True Mothership product value per ton of harvest: $651.31

Sales value is delivered to port of sale. Includes both open access and CDQ sales and tons.

FISH PURCHASES BY TRUE MOTHERSHIPS (tms data)

1997 Total Pollock	$20,489,000
1997 Total All Fish	$27,483,750

OWNERSHIP ISSUES (tms data)

Processors	Ship A	Ship B	Ship C
US	90%	0%	100%
Japanese	0%	100%	0%
Other	10%	0%	0%
Catcher Fleet			
Independent (17 boats) (U.S. owned)	100%	60%	100%
Company owned (2 boats) (Japanese owned)	0%	40%	0%

EMPLOYMENT (tms data)

Average Wages Paid In 1997

On Processor	$50,479 / person / year
On Catcher Boats	$90,605 / person / year

Total Employed (full time equivalents) 1997

Management	33
On Processors	410
Alaskan	17%
On Catchers	91
Alaskan	16%

CATCHER FLEET CHARACTERISTICS (tms data)

Number of TMS fleet	19
Number of vessels over 125 feet LOA	0

CDQ PARTICIPATION (tms data)

True Motherships have been involved with CDQ groups since the beginning of the program. Primary affiliation has been with the Yukon Delta Group. In 1998 all three true motherships employed members of the Yukon Delta Group.

Dividing CDQ tonnage by open access tonnage gives a reasonable measure of the degree of participation a particular sector has in CDQ fisheries. It measures how much open access fish goes to support CDQ involvement.

1997 CDQ tonnage / open access tonnage

TMS	11.0%
Factory Trawlers	11.8%
Shore Plants	3.0%

The true motherships are full participants in the CDQ efforts.

TAXES (tms data)

In 1997 the three true motherships paid a total from all sources of $1.23 million in Alaskan State taxes. This is double the amount of tax that would have been paid relying on the Fisheries Landing Tax alone. The true motherships do other processing in the State that add value to the tax base beyond participation in offshore fisheries. The statement that motherships do not pay taxes is simply not true.

NOTES ON SOURCES

The data marked Council Staff is taken from the April 3,1998 Draft for Council/Public Review, Inshore/Offshore-3, Report. The NMFS data is information taken from the NMFS bulletin board. The TMS data comes as mentioned above from the three true mothership companies.

Hopefully this information is useful.

Sincerely Yours,

Douglas C. Forsyth
Vice President
General Manager
PREMIER PACIFIC SEAFOODS, INC

Estimating the impacts on H&G fisheries of a large change in the Inshore/Offshore allocation to pollock factory trawlers

Pubic comment on Inshore/Offshore III. April 1998

Submitted By:
Groundfish Forum
4215 21st Ave West
Suite 201
Seattle, WA 98199

Executive Summary

This analysis evaluates the potential effects of a large change in the pollock allocation on two core H&G fisheries: yellowfin sole and Atka mackerel. The gross revenue from a ton of pollock (round weight equivalent) is estimated based on 1997 prices. This is used to estimate the gross revenue forfeited under the reallocation scenarios of Inshore/Offshore III. Historical fishing pattern information is used to evaluate the most likely targets that pollock vessels would pursue to regain revenues lost from changes in the existing pollock allocation. Based on available information on targets and other factors, Groundfish Forum concludes that if a large reduction in the allocation to pollock factory trawlers occurs, pollock factory trawlers pose a large threat to the ability of H&G vessels to continue to depend on yellowfin sole and Atka mackerel for their economic survival. Groundfish Forum proposes a number of factors believed to limit the potential expansion of shoreside catcher vessels into yellowfin sole and Atka mackerel.

The analysis finds that under Alternative 3D (the I/O III alternative that would be the greatest reduction in pollock available to pollock factory trawlers), pollock factory trawlers would forfeit approximately 149, 000 MT of pollock worth over $92 million (gross) per year. The analysis further estimates that pollock factory trawlers would have to garner over 88% of the revenue from the yellowfin sole and Atka mackerel fisheries combined to fully compensate for the pollock revenues forfeited under Alternative 3D. The analysis concludes with a discussion of the feasibility of pollock factory trawlers garnering such a large share of core H&G fisheries.

Introduction

To evaluate the effect of large changes in the pollock allocation on other North Pacific groundfish fisheries, several types of basic data and general information pertaining to groundfish fisheries were compiled by the Groundfish Forum. Product-specific price and recovery rate data were collected from NMFS and industry sources to estimate revenue per ton for the pollock fishery. In addition, data to assess the capabilities of pollock vessels and plants to fish for and process other groundfish species were assembled from NMFS Blend data and from vessel-specific bycatch rate data available on the NMFS Alaska Region website. To generate revenue estimates for other groundfish fisheries, product price and recovery rate information were collected from NMFS and industry sources. All price information used in this analysis are for 1997.

With these data, Groundfish Forum has attempted to compare the revenues forfeited from a change in the pollock allocation to the revenues available in the other groundfish fisheries. We feel this exercise is useful for evaluating the question of the potential for pollock vessels to recoup forfeited pollock revenues in the mainstay H&G fisheries and Pacific cod, and the effects this would have on the "H&G" sector and other sectors that currently depend on non-pollock trawl fisheries.

Outline

Part one attempts to measure the extent of potential revenue losses to offshore or inshore pollock sectors via changes in the Inshore/Offshore allocation. This was done by estimating the revenue derived from a ton of round pollock and evaluating the most extreme I/O III reallocation alternatives in terms of changes in amounts of pollock available to specific sectors and revenues that would be forfeited by affected sectors.

Part two uses fishing target data and qualitative factors to describe the current fishing patterns of different pollock sectors in non-pollock groundfish targets and potential for the operations to expand.

Part three asks the hypothetical question of what fraction of non-pollock groundfish TACs would pollock vessels and plants have to garner in order to make up for revenues lost in extreme reallocations of pollock. This section focuses on pollock factory trawlers because evidence in the second section indicates that pollock factory trawlers are more likely to be able to increase their catches in two core H&G fisheries: yellowfin sole and Atka mackerel.

Part four outlines factors we feel are important for determining the extent to which pollock factory trawlers can actually displace H&G vessels in yellowfin sole and Atka mackerel and the extent to which non-pollock vessels can make up for revenue losses in those fisheries. This section is by necessity inconclusive because of the speculative nature of the evidence. Suggestive evidence nonetheless exists and the final section does, in our opinion, indicate that pollock vessels could make large inroads into core H&G fisheries

Part I: Estimating the catch and revenue forfeited by factory trawlers or shoreside sector under the most extreme Inshore/Offshore III allocation alternatives

Estimation of gross revenue per ton of pollock.

Note: This exercise is only intended to be a rough comparison of revenues from pollock and revenues from other groundfish species. A comparison of revenue per ton between shoreside and at-sea sectors would, of course, require more precise and more representative data. That is not the purpose here.

A ton of pollock has a gross value of $624.32 to offshore pollock (surimi and fillet) factory trawlers based on the following product mix, product recovery rates and product values thought to reflect average performance for offshore factory trawlers in 1997:

The following data and analytical assumptions were used for the estimation of gross revenue per ton for factory trawlers:

1. Factory trawlers caught an average of about 55% of the pollock TAC over the last three years (subtracting CDQ pollock off the top) (source: Tab. 2 NPFMC Profile document, September 1997). Catch percentages used for this section are specific to pollock factory trawlers and assume, for purposes of this exercise, that there is no change in the percentage that motherships take of the at-sea allocation. In reality, alternatives for I/O III group at-sea motherships into the shoreside sector for purposes of future allocations.

2. The greatest decrease in pollock allocation is Alternative 3, Option D where factory trawlers would receive 40% of the pollock TAC.

3. Inshore/Offshore III: *Alternative 3, Option D* would result in a loss of approximately 153,896 MT of pollock per year to the factory trawlers over the duration of the I/O allocation (using the 1998 pollock TAC of 1.11 million metric tons for the comparison). This amount of catch must be reduced by the expected discard by factory trawlers for that quantity of pollock. This reduces to a retained catch of 148,657 MT, based on the discard rate in 1996 (2.6%) as reported in the NPFMC Profile document.

4. Calculation of the average gross revenue per ton of pollock caught by factory trawlers in 1997

   I. Primary Products

      A. Surimi
         a. Seventy-one percent of the pollock harvested by the offshore pollock fleet is used to make surimi.
         b. The average product recovery rate for **surimi in A season and B season is 18%.**
         c. Surimi is valued at **$2,689.61** per metric ton across grades produced by factory trawlers (FOB Dutch Harbor).

      B. Deep-Skinned Fillet Block
         a. Twenty-three percent of the pollock harvested by the offshore pollock fleet is used to produce deep-skinned fillets.
         b. The average product recovery rate for **deep-skinned fillets is 14%.**
         c. Deep-skinned fillet block is valued at **$2,579.38** per metric ton.

      C. Standard Fillet Block (It is not possible to break out IQF production from standard fillet block production)

a. Two percent of the pollock harvested by the offshore pollock fleet is used to produce standard fillet block.
b. The average product recovery rate for standard **fillets is 21%.**
c. Standard fillet block is valued at **$1,543.22** per metric ton

D. Minced Pollock Block

a. Three percent of the pollock harvested by the offshore pollock fleet is used to produce minced block as a primary product.
b. The average product recovery rate for **minced pollock is 22%.**
c. Minced pollock block is valued at **$551.15** per metric ton.

E. Fish Meal

a. One percent of the pollock harvested by the offshore pollock fleet is used to produce fish meal as a primary product.
b. The average product recovery rate for **fish meal is 17%.**
c. Fish meal is valued at **$800** per metric ton.

II. Ancillary Products

A. Pollock Roe

a. The average **roe recovery is 3%** for the 45% of the annual harvest occurring in A Season.
b. Roe is valued at **$12,500** per metric ton.

B. Minced Pollock Block

a. Two percent of the pollock harvested by the offshore pollock fleet is used to produce minced pollock block as an ancillary product.
b. The average product recovery rate for **minced pollock is 22%.**
c. Minced pollock block is valued at **$551.15** per metric ton.

C. Fish Meal

a. Eleven percent of the pollock harvested by the offshore pollock fleet is used to produce fish meal as an ancillary product.
b. The average product recovery rate for **fish meal is 17%.**
c. Fish meal is valued at **$800** per metric ton.

Table 1: Estimation of Gross Revenue Per Ton of Pollock

	% of catch	PRR	$/mt product	$/rnd mt
Primary Products				
Surimi	0.71	0.18	$ 2,689	$ 343.65
DS Fillet	0.23	0.14	$ 2,579	$ 83.06
Stnd. Fillet	0.02	0.21	$ 1,543	$ 6.48
Minced	0.03	0.22	$ 551	$ 3.64
Fish Meal	0.01	0.17	$ 800	$ 1.36
Ancillary Products				
Pollock Roe	0.45	0.03	$ 12,500	$ 168.75
Minced	0.02	0.22	$ 551	$ 2.43
Fish Meal	0.11	0.17	$ 800	$ 14.96
Total				$ 624.32

Given the above assumptions, each round metric ton of retained pollock is worth $624.32, thus 148,652 MT (retained catch) forfeited by pollock factory trawlers is worth approximately $92.8 million per year.

For the shoreside sector, a point estimate of revenue per ton for all primary and secondary pollock products was provided by one large shoreside processing company. This estimate is not broken out by specific primary and secondary products, such as was done for factory trawlers.

Shoreside Sector:

1. Currently, the shoreside sector harvests 35% of the pollock TAC. The greatest decrease in pollock is Inshore/Offshore *Alternative 3, Option A* which would decrease shoreside to 25% of the TAC (CDQ off the top). This assumes, again for analytical purposes, that the share going to motherships is held at its current magnitude, approximately 10%.

2. *Alternative 3, Option A* would mean 102,675 MT of pollock would be removed from the shoreside allocation, based on the 1998 TAC of 1.11 MT. Incorporating the expected discard rate of 1%, based on 1996 data in the Profile, the forfeiture of pollock in terms of retained catch is 101,648 MT.

3. A representative of the shoreside sector has provided a rough estimate of that company's average revenue per ton ($700 / ton). This is considerably higher than the estimated revenue for factory trawlers.

4. Revenue forfeited by shoreside under the scenario of the greatest reallocation from shoreside is $71.2 million per year, if the estimate of revenue per ton for shoreside is reasonably representative of that sector's performance.

Part II: What fisheries are most likely to absorb fishing effort from changes in the pollock allocation?

Assumptions and background information

There are many reasons beyond simple expected catch rates and revenues that affect decisions of what to target. Other considerations are cash flow or liquidity, a target minimum number of working days for crew contracts, operating days needed to justify capital investment, product contracts, and avoidance of the start-up and crew transportation costs associated with tying up vessels or idling plants. Optimism (sometimes irrational) also certainly plays a role. All these factors tend to confound the expectations of economic theory where the decision to operate is expected to be based on relative economic opportunities compared to opportunity costs or the ability to operate above average variable costs.

An important consideration in evaluating potential for effort shifts from changes in the pollock allocation is that fishing companies in the North Pacific may choose to operate their vessels even when they are unable to recover even their average variable costs. In some cases, the decision to fish for yellowfin sole may simply reflect that the losses experienced in yellowfin fishing are smaller than those associated with tying up the vessel or idling the plant. This premise is important to understanding why pollock vessels or plants might operate in fisheries which are not their mainstays and where their margins may be extremely slim or non-existent.

In Groundfish Forum's view, even if pollock vessels or plants are not breaking even in other groundfish fisheries, the cash flow from non-pollock fisheries might be the single most important consideration in the decision to operate. In a highly overcapitalized fishery, such as in the North Pacific, cash flow may be the one factor that keeps some companies in business in the short run. This speaks to the generally economically depressed situation facing the groundfish industry at present under the open access fishery management paradigm.

Groundfish fisheries where pollock vessels are currently directing effort

Pollock Factory Trawlers

One means of predicting which fisheries will absorb fishing effort from changes in Inshore/Offshore is to evaluate the relative participation of pollock vessels in non-pollock groundfish targets in recent years. Figures 1-4 use target assignments from the NMFS/AKR website file entitled "Vessel-Specific Bycatch Rates". In addition to vessel-specific bycatch rates for PSC species, this weekly NMFS data file reports a unique target assignment for each observed vessel based on the predominant species retained (or by the Blend System estimate of catch compared to retained catch).

Figures 1&2 show the participation of pollock factory trawlers in non-pollock groundfish targets in 1996 and 1997. This information was compiled by separating the trawl catcher/processors on the weekly lists into two groups: 1) H&G factory trawler vessels, 2)factory trawlers that primarily target pollock. Vessel names are listed at the bottom of each figure so the reader can

verify the groupings based on vessel length categories in the Council's analysis or other information. A few changes in the overall list of catcher/processor and catcher vessels occurred between 1996 and 1997 as a result of bankruptcies and vessel re-flagging.

Historical and Recent Participation of Pollock Vessels in Non-Pollock Fisheries

Many pollock factory trawlers that make fillets have fished for Pacific cod since the domestic groundfish fishery began in the 1980s and cod continues to a common non-pollock target for these vessels. Over the last three years, many pollock factory trawlers (particularly surimi factory trawlers) have increased fishing effort directed at yellowfin sole and Atka mackerel. In fact, according to NMFS Blend data (see April 1998 draft of I/O III analysis), pollock factory trawlers accounted for more than one-fourth of the yellowfin sole taken by at-sea processors in 1997, and this catch level occurred during just a few weeks (see Figure 2).

According to the Council's I/O Profile document, in 1996 there were 30 factory trawlers that targeted pollock and made either surimi, fillets, or both (Table E.1.1; Tab 1). Using this as the baseline number of vessels to define the current universe of pollock factory trawlers, it is interesting to note that, for instance, in March of 1997, during the weeks following the at-sea pollock A season, there were as many as 15 pollock factory trawlers engaged in flatfish, cod, and Atka mackerel, the principle bottom trawl fisheries of the North Pacific. The vast majority of these vessels show up in flatfish targets (predominantly yellowfin sole). In the months that followed March of 1997, pollock factory trawler effort became more evenly spread with five vessels targeting cod, five targeting flatfish, and three targeting Atka mackerel, for a total of 13 pollock factory trawlers in non-pollock targets.

The pattern that emerges from examining Figures 1& 2 is that pollock factory trawlers are currently reasonably diverse in non-pollock targets, roughly one-half of these large vessels fished in non-pollock targets during many of the weeks in 1997 when pollock was not open to directed fishing. For most of these vessels, however, Groundfish Forum believes participation up until now has been opportunistic and limited to fairly short periods of time following the pollock A season, and the B season to a lesser extent. In addition, participation on a weekly basis in flatfish targets and Atka mackerel has increased from 1996 to 1997.

Catcher Vessels Historical and Recent Participation in Non-Pollock Fisheries

Shoreside delivery vessels and plants have been fishing for Pacific cod for many years, some starting during the joint venture period. Many of these vessels have recently expanded into yellowfin sole. Catcher vessels landed approximately 15,000 MT of yellowfin in 1997 (NMFS bulletin board, week ending 12/31/97) up from virtually none a few years ago.

Figures 3-4 evaluate the frequency that catcher vessels are assigned to non-pollock targets. NMFS's vessel-specific bycatch data file only assigns targets for catcher vessels for the time they have observers aboard, meaning that catcher vessel participation per week for each target is probably understated to some degree through this source of data. Because the vast majority of Bering Sea catcher vessels are large enough to carry at least 30% coverage, it is likely that the number of vessels per target over the course of the year is fairly accurate.

The picture of catcher vessels' current dependence on non-pollock groundfish fisheries is rather different from that of pollock factory trawlers. Pacific cod is clearly their main groundfish target outside of pollock. Compared to pollock factory trawlers, there is far less participation in yellowfin sole relative to the overall number of catcher vessels listed in the vessel-specific bycatch reports. In addition, there is virtually no recent participation in Atka mackerel. In fact, (the week during 1997 with the greatest number of catcher vessels), there are only six vessels listed in flatfish, out of a total of 80 vessels that appear in the report during 1997. An increase in the number of vessels in the flatfish target from 1996 to 1997 is evident, which may indicate an increasing trend, but on a relatively small scale.

General Trends

It is evident that pollock vessels and plants have increased their fishing in other groundfish targets, but this varies by onshore or offshore sector. Increases in non-pollock targets are most likely a reaction to lower pollock revenues from lower pollock TACs and in some years lower prices for pollock products. Flatfish (principally yellowfin sole), Pacific cod, and Atka mackerel have been the areas where pollock vessels increased participation. So it stands to reason that these fisheries would be the most likely to absorb displaced effort from whichever side that ends up with a smaller pollock allocation, if the allocation is modified. Yet an additional incentive for expansion into non-pollock species may be speculation for catch history in case an ITQ system is created in the future.

In the case of Atka mackerel, the pollock factory trawlers that have fished for that species have used it as a substitute for pollock flesh for surimi production. Surimi has not been a product form for Atka mackerel in the U.S. before 1996. In other non-pollock targets, traditional product forms have been made by pollock vessels with an emphasis on the frozen round product form which, in part, allows larger vessels to achieve high volume production.

One cannot, of course, predict with certainty the increase in yellowfin sole, Pacific cod, and Atka mackerel fishing that would occur should one sector be impacted by a large shifts in the current allocation of pollock. Groundfish Forum believes that shifts into the fisheries that H&G vessels currently depend upon for all of their fishing revenues are the inevitable result of any significant departure from the current pollock allocation, or any large decrease in the pollock TAC that is not accompanied by a large increase in the prices of pollock products. Groundfish Forum believes that should a large reallocation occur, pollock vessels would attempt to make up revenues in the trawl fisheries other than pollock and at a pace that far exceeds the current trend that has followed the reduction in the pollock TAC from 1.3 MT to 1.1 MT over the last three years.

Depending on impediments and restrictions on returning to fish in U.S. fisheries after fishing abroad, some pollock vessels, particularly factory trawlers, might divert their fishing to Russian pollock opportunities. Based on the conditions and business practices those vessels have encountered in Russia, we feel it is unlikely that many vessels would go to Russia, or that those vessels would find opportunities that would keep them there on a continuing basis. It should also be noted that, depending on legal or regulatory impediments, pollock vessels could fish in Russia for short seasonal periods (under contracts that do not involve re-flagging) without necessarily impacting their ability to fish in U.S. fisheries.

Effort shifts vary depending on sector impacted

The question of what fisheries are mostly likely to be impacted by effort shifts depends most on the impacted party. If shoreside should lose a portion of its pollock allocation in I/O III, there is no way in the near future that forfeited revenues could be made up in the fully subscribed Pacific cod fishery. This leaves flatfish or non-groundfish fisheries.

Potential for shoreside expansion into yellowfin sole seems limited under current market conditions for yellowfin sole surimi, round product, and fishmeal from yellowfin sole. The recent low levels of participation of catcher vessels in flatfish fisheries and Atka mackerel in recent years further suggests that there is little chance for those vessels to regain large portions of reduced revenues in those fisheries. The distance to the fishing grounds for catcher vessels and the problems with fish bruising associated with RSW holding tanks will not be easily overcome in our opinion.

The potential for expanding into Atka mackerel is even more remote. The distance to the fishing grounds in the Aleutian Islands for Atka mackerel is nearly prohibitive for shoreside trawlers.

Opportunities for pollock factory trawlers to expand into core H&G fisheries are considerably greater. As has already been noted, inroads by pollock factory trawlers have already occurred under the current circumstances. It is certain, from our perspective, that pollock vessels will attempt to increase fishing in non-pollock trawl fisheries when faced with the alternative of bankruptcy from a significant reduction in pollock allocation. Fillet factory trawlers would also attempt to increase their fishing days in the cod fishery or yellowfin sole as some have done in recent years. Surimi factory trawlers would likely increase their fishing in yellowfin sole and Atka mackerel. Given the low relative catch rates in rocksole (in part due to the RKC Savings Area) and current price trends in roe rocksole, we do not see a large expansion there - - but that possibility cannot be ruled out completely.

Part III: Estimating the amount of expansion into core H&G groundfish fisheries needed to make up for forfeited revenues

To understand the potential impacts on the H&G sector of a pollock allocation shift, one has to first estimate the per ton and total revenue from yellowfin sole and Atka mackerel. From this it can be seen that the lion's share of these two fisheries would have to be taken by factory trawlers to have any hope of making up for the revenue loss from the most extreme pollock reallocation (a $92.8 million dollar gross pollock revenue loss, according to our estimate).

Yellowfin Sole:

1. 149,163 MT of retained catch (round weight equivalent) in 1997 (NMFS Bulletin Board, week ending 12/13/97). Catch in 1997 was 93% of TAC, and TAC was set at ABC in 1997.

2. The three product forms for yellowfin sole are round frozen, H&G and "kirimi" (portioned fish). Using the 1996 breakout between product forms, we would expect about 38% of finished product to be round, 43% to be H&G, and 19% to be "kirimi". To estimate the portion of a ton of yellowfin sole that would, on average, be made into the three different product forms, Groundfish Forum assumed average product recovery rates of 55% for H&G product and 40% for kirimi. Applying the assumed recovery rates to the percentage mix of finished products, the percentage of unprocessed yellowfin sole that would be used to produce each of the three product types was back-calculated (Table 2). Under this scenario, 23% of the retained catch of yellowfin sole to go to round production, 48% of the catch to be used for H&G and 29% of the catch to be used for kirimi.

3. Product values of $480 per MT of round yellowfin sole, $873 per ton of H&G yellowfin and $1200 per ton of kirimi were used to reflect the fishery in 1997. Considering the product mix and the recovery rates, this works out to an average of $480 in revenue for every ton of yellowfin sole retained (Table 2).

4. Total retained catch in round weight equivalent is 149,163 MT in 1997. At a value of $480 per ton of retained yellowfin sole, the total revenue from the fishery is estimated to be $71.6 million (FOB Dutch).

Atka mackerel:

1. Atka mackerel: 59,261 MT retained catch in 1997. Revenue in the Atka mackerel fishery can be estimated by applying the recovery rate and price for the dominant product form (H&G). Using this approach, we would expect 35,556 MT of H&G product based on an average recovery rate of 60% across size grades.

2. This means the estimated gross revenue of the Atka mackerel fishery is $34.5 million based on an average 1997 H&G price of $970 / ton across size grades (FOB Dutch).

Table 2: Estimation of Gross Revenue Per Ton of Yellowfin Sole and Atka Mackerel

	% of catch	PRR	$/mt product	$/rnd mt
Yellowfin Sole				
Round	0.23	1.00	$ 480	$ 110
H&G	0.48	0.55	$ 873	$ 231
Kirimi	0.29	0.40	$ 1,200	$ 139
Total				$ 480
Atka Mackerel				
H&G	1.00	0.60	$ 970	$ 582
Total				$ 582

Expansion into yellowfin sole and Atka mackerel that would be needed to recoup forfeited revenue under the most drastic reallocation alternative. Based on the above calculations, Groundfish Forum estimates the combined revenue of the Atka mackerel and yellowfin sole fisheries at approximately $106 million in 1997. Recall that the estimated revenue loss for the pollock factory trawlers under Inshore/Offshore III: *Alternative 3, Option D* was $92.8 million, per year, roughly the equivalent of 88% the total revenue from the Atka mackerel and yellowfin sole combined.

In the case of a reallocation that would take pollock away from the shoreside sector, the largest loss in pollock revenues expected would be a $71 million loss of gross revenue. Based on what we know about the feasibility of shoreside operations, it would be more likely for them to attempt to regain revenue lost from the pollock allocation in the Pacific cod fishery (to the extent possible). Groundfish Forum believes logistical problems would likely inhibit any large catch of yellowfin sole by shoreside vessels due to the distance of the grounds from Unalaska/ Dutch Harbor and bruising and other product quality concerns with deliveries of yellowfin sole kept in refrigerated seawater systems. The ability of the shoreside sector to fish Atka mackerel is even more limited because of distance from Dutch Harbor to the fishing grounds.

Part IV. Factors to consider when predicting how much of core H&G fisheries could be garnered by pollock factory trawlers under the most extreme reallocation alternative:

- **High-volume harvests-** Pollock factory trawlers have proven to be high volume harvesters of yellowfin sole and Atka mackerel.

- **Low recovery rates-** Pollock factory trawlers fishing Atka mackerel make a low recovery rate product (surimi) which means their daily catch capacity is vastly greater (three to five times greater) than H&G vessels.

- **Low opportunity costs-** Pollock seasons are already very short with the high capitalization of the fishery. With a large decrease in the allocation to pollock factory trawlers, their pollock seasons will be even shorter, making available more time for fishing yellowfin sole and Atka mackerel. The Pacific whiting cooperative catch arrangement also allows many pollock factory trawlers to maximize time spent in yellowfin and Atka mackerel because their share of the whiting fishery is not at stake.

- **Minimal production constraints-** Pollock factory trawlers currently make a product from yellowfin sole (round frozen) that is not affected by value-added processing constraints.

- **Crew Contract Obligations-** With less fishing time in pollock resulting from a change in the allocations, crew contracts will require more participation in yellowfin sole and Atka mackerel to meet annual and contract-specific guarantees to crew members. Such guarantees are increasingly necessary to retain skilled crew as pollock fishing opportunities decline.

- **High CPUE yellowfin sole fishery-** The highest CPUEs in yellowfin sole occur in spring. If the pollock A season ends earlier with a reduced allocation, pollock factory trawlers will start yellowfin earlier and spend more time in the fishery during the period of high CPUEs.

- **Substitute raw material for surimi production-** Making surimi from yellowfin sole is feasible. Pollock factory trawlers have already figured out how to make surimi out of Atka mackerel. If pollock becomes less available with a decrease in the allocation of pollock to factory trawlers, yellowfin sole and Atka mackerel may become substitutes to fill the raw fish needs of surimi factory trawlers.

- **IR/IU favors vessels with fish meal plants-** Under the IR/IU retention rules for pollock, cod, yellowfin sole and rock sole, pollock factory trawlers have an advantage because their fish meal plants can be used to process into meal the fish that are too small to be marketed for human consumption. Because H&G vessels do not have fish meal plants, they are forced to use pollock excluders and other means of avoiding small fish. These devices reduce catch of target species as well.

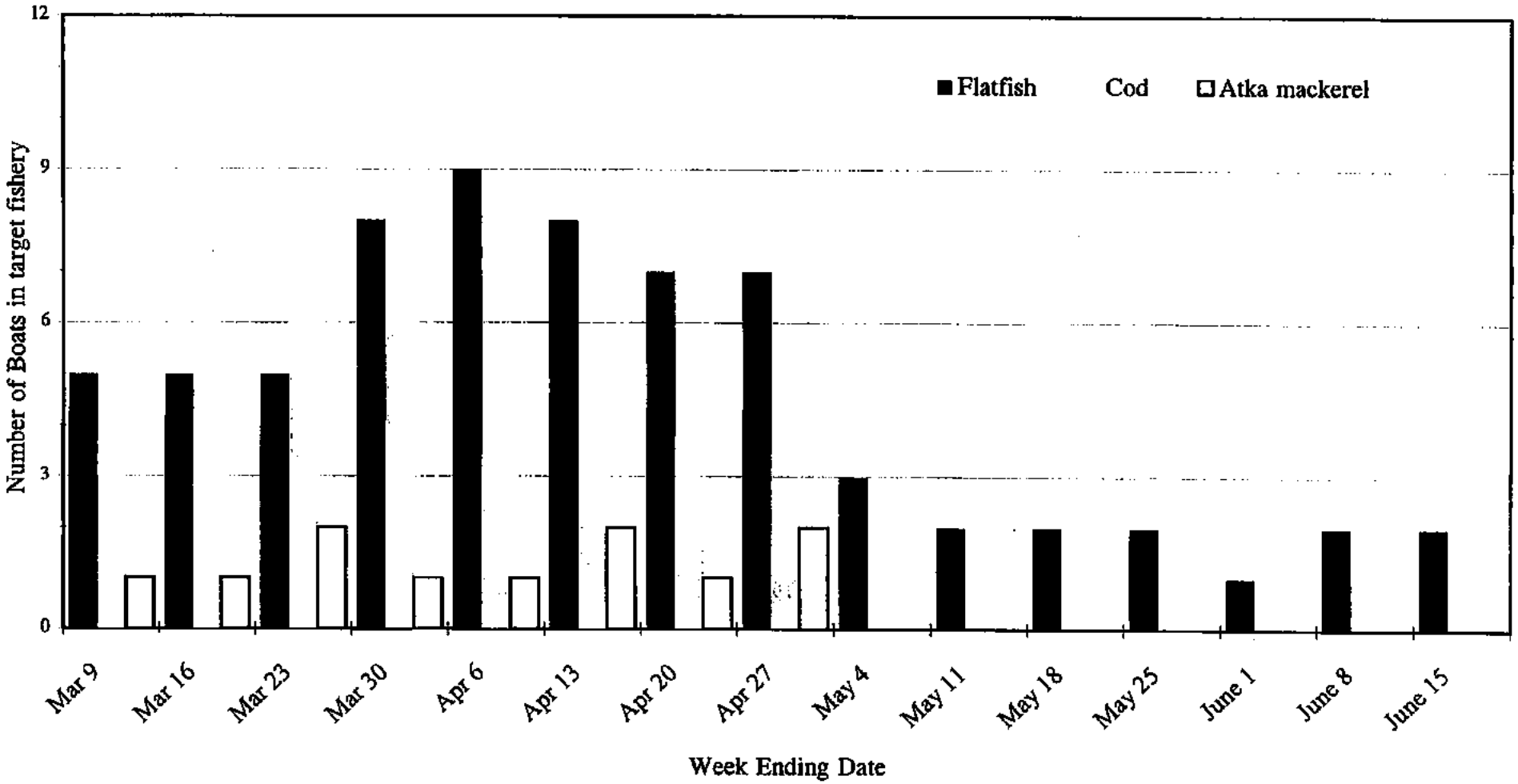
- **Yellowfin sole and Atka mackerel are fully-subscribed fisheries-** In 1997, 93% of the yellowfin sole TAC was caught and TAC was set at ABC. Although PSC avoidance has allowed the fishery to remain open longer in recent years, room to accommodate new fishing effort is now limited by the TAC at this point.

- **Concurrent participation of H&G vessels-** Since traditional H&G effort would occur during the (shortened) pollock season for factory trawlers and while pollock factory trawlers were attempting to regain forfeited revenues fishing yellowfin sole and Atka mackerel, there is no realistic way pollock factory trawlers could take all or even 85% of the yellowfin sole and Atka mackerel fisheries. Whether the increase by pollock factory trawlers would be enough to supplant H&G vessels economically is the question that needs to be answered.

- **Managers could place sideboards on degree of expansion-** Measures could be implemented through amendments to the Council's License Limitation Plan to limit the number of pollock factory trawlers that could enter non-pollock fisheries because many of these vessels do not have substantial historical participation in those fisheries.

Figure 1

Participation of Pollock Factory Trawlers in fisheries other than Pollock 1996

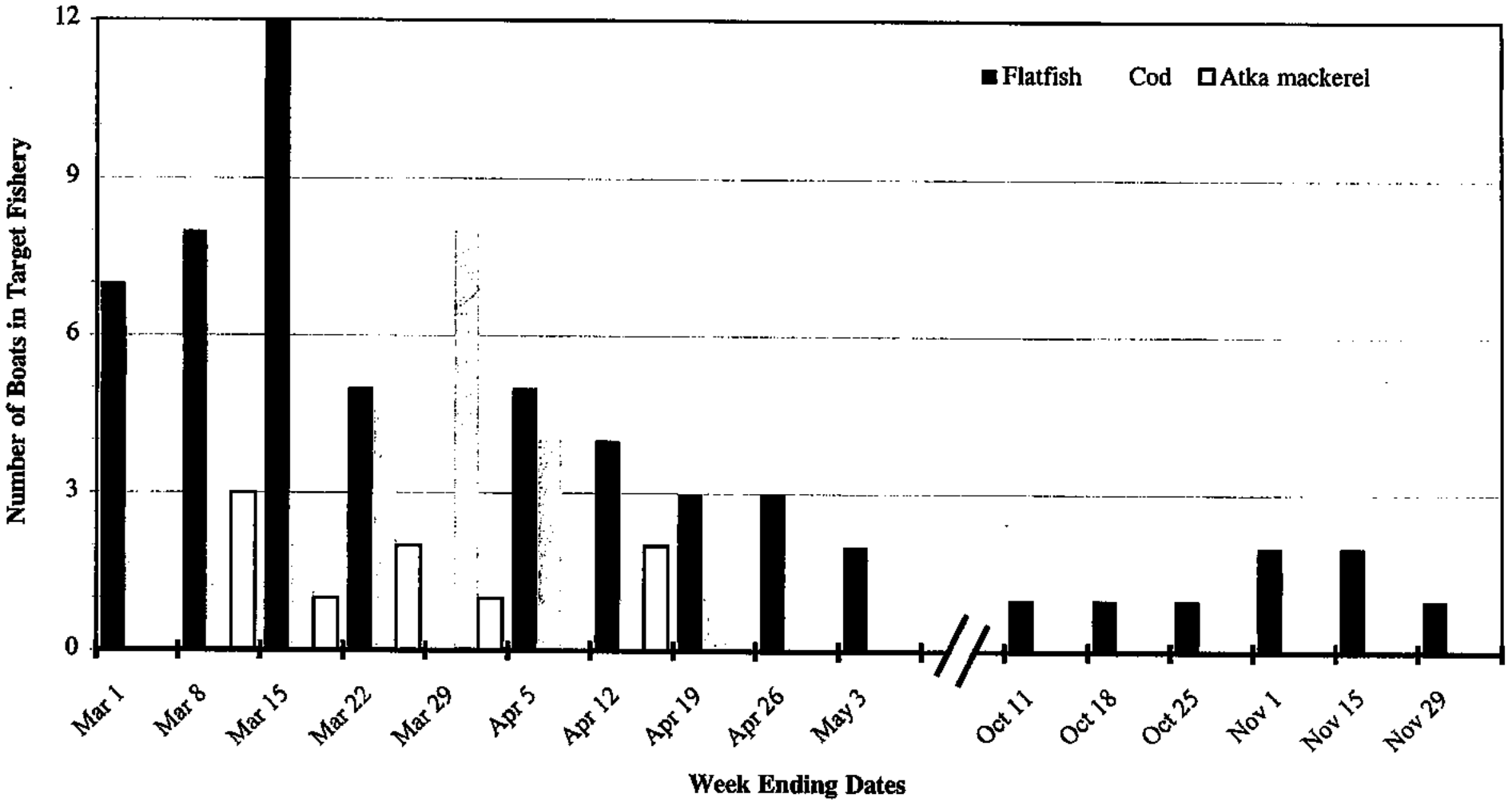


Note: Participation based on NMFS/AKR website target assignments for PSC rates (1997)

Shows target fisheries for the following boats: American Enterprise, American Empress, American Dynasty, Browns Point, Endurance, American Triumph, Northern Glacier, Katie Ann, Elizabeth Ann, Rebecca Ann, Christina Ann, Arctic Storm, Seattle Enterprise, Northern Eagle, Highland Light, Pacific Glacier, Pacific Scout, Arctic Fjord, Starbound, Pacific Explorer, Ocean Rover, Kodiak Enterprise, Alaska Ocean, Island Enterprise, Northern Jaeger, Northern Hawk

Figure 2

Participation of Pollock Factory Trawlers in fisheries other than Pollock 1997

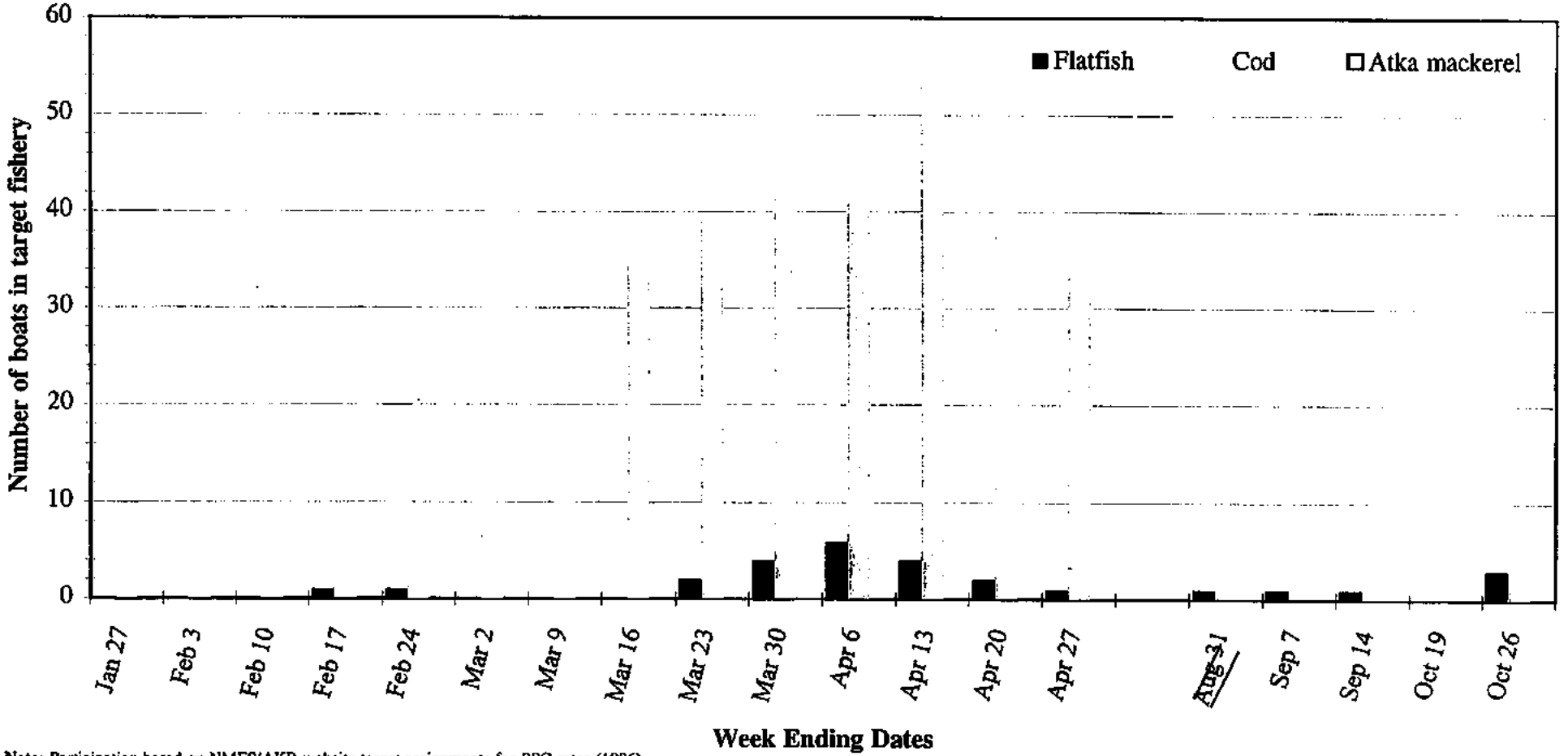


Note: Participation based on NMFS/AKR website target assignments for PSC rates (1997)

Shows target fisheries for the following boats: American Enterprise, American Empress, American Dynasty, Browns Point, Endurance, American Triumph, Northern Glacier, Katie Ann, Elizabeth Ann, Rebecca Ann, Christina Ann, Arctic Storm, Seattle Enterprise, Northern Eagle, Highland Light, Pacific Glacier, Pacific Scout, Arctic Fjord, Starbound, Pacific Explorer, Ocean Rover, Kodiak Enterprise, Alaska Ocean, Island Enterprise, Northern Jaeger, Northern Hawk

Figure 3

Participation of Catcher Boats in Flatfish, Cod and Atka Mackerel Fisheries in 1996

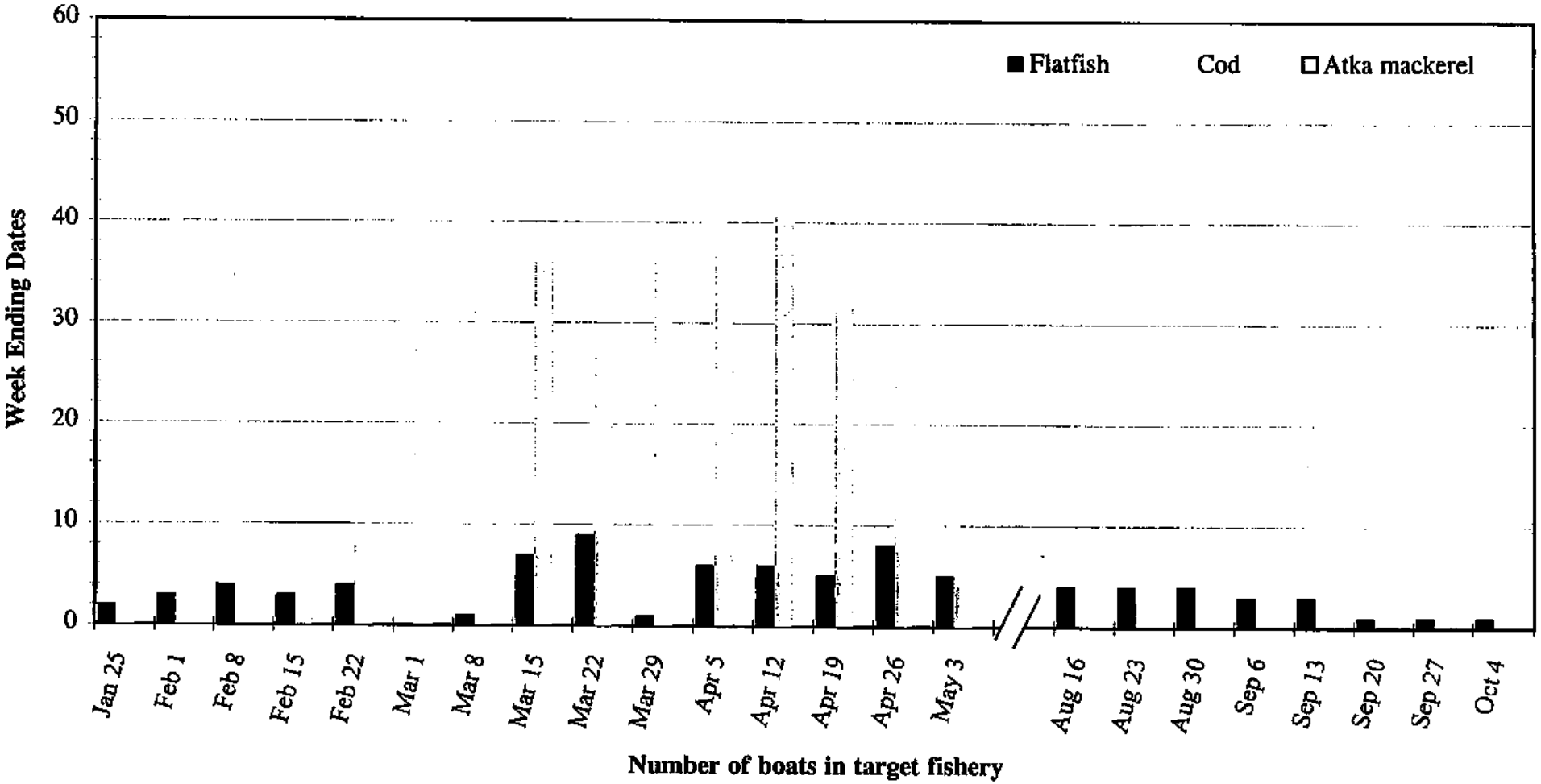


Note: Participation based on NMFS/AKR website target assignments for PSC rates (1996)

Shows target fisheries for the following boats: Aldebaran, Alsea, Alyeska, American Beauty, American Eagle, Anita J, Arctic I, Arctic III, Arctic IV, Arctic IV, Arctic VI, Arctic Wind, Arcturus, Argosy, Auriga, Aurora, Bering Enterprise, California Horizon, Cape Kiwanda, Chelsea K, Claymore Sea, Columbia, Commodore, Destination, Dominator, Dona Liliana, Dona Martita, Dona Paulita, Elizabeth F, Excalibur II, Exodus, Fierce Allegiance, Fierce Sea, Flying Cloud, Gold Rush, Golden Dawn, Great Pacific, Gun-Mar, Haida Spirit, Half Moon Bay, Hazel Lorraine, Hazel Lorraine I, Heather Sea, Hickory Wind, Leslie Lee, Lone Star, Majesty, Margaret Lyn, Mar-Gun, Mark I, Miss Berdie, Miss Leona, Morning Star, Ms. Amy, Nordic Fury, Nordic Star, Ocean Harvester, Ocean Hope 1, Ocean Hope 3, Ocean Phoenix, Oceanic, Pacific Alliance, Pacific Challenger, Pacific Enterprise, Pacific Explorer, Pacific Fury, Pacific Knight, Pacific Monarch, Pacific Navigator, Pacific Prince, Pacific Ram, Pacific Viking, Pegasus, Peggy Jo, Perseverance, Poseidon, Predator, Progress, Raven, Rosella, Royal American, Royal Atlantic, Saga Sea, Sea Storm, Seadawn, Seawolf, Seeker, Sharon Lorraine, Starfish, Starlite, Starward, Starward, Storm Petrel, Sunset Bay, Titan, Tracy Anne, Vesteraalen, Victoria Ann, Viking, Viking Explorer, Walter N, Western Dawn, Westward I, Windjammer

Figure 4

Participation of Catcher Boats in Flatfish, Cod and Atka Mackerel Fisheries in 1997



Note: Participation based on NMFS/AKR website target assignments for PSC rates (1997)

Shows target fisheries for the following boats: Aj, Aldebaran, Alsea, Alyeska, American Beauty, American Eagle, Arctic I, Arctic III, Arctic IV, Arctic VI, Arctic Wind, Arcturus, Argosy, Auriga, Aurora, Bering Enterprise, Bering Rose, Blue Fox, California Horizon, Columbia, Commodore, Destination, Dominator, Dona Liliana, Dona Martita, Elizabeth F, Exodus, Flying Cloud, Golden Dawn, Great Pacific, Gun-Mar, Lone Star, Majesty, Margaret Lyn, Mar-Gun, Mark I, Messiah, Miss Berdie, Miss Leona, Morning Star, Ms. Amy, Nordic Fury, Ocean Enterprise, Ocean Harvester, Ocean Hope 3, Ocean Leader, Oceanic, Pacific Challenger, Pacific Enterprise, Pacific Fury, Pacific Knight, Pacific Monarch, Pacific Navigator, Pacific Prince, Pacific Ram, Pacific Viking, Pegasus, Perseverance, Persistence, Poseidon, Predator, Raven, Rosella, Royal American, Royal Atlantic, Sea Storm, Seadawn, Seawolf, Seeker, Storm Petrel, Traveler, Vesteraalen, Victoria Ann, Viking, Viking Explorer, Western Dawn, L.L.C., Westward I, Windjammer

C-1d

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Fax

To:	MR DARRELL BRANNAN SENIOR ECONOMIST	**From:**	DOUG FORSYTH
Comp.	NPFMC STAFF	**Pages:**	3
Fax No	907 271 2817	**Date:**	16 APRIL, 1998
RE		**CC:**	

Dear Darrell,

In the Draft for Council/Public Review – Inshore/Offshore-3 there is a section devoted to a discussion of the "Impacts of an Allocation to True Motherships". This section raises questions concerning whether or not the proposed definition of a true mothership (vessels that have processed but never caught pollock in a pollock target fishery in the BSIA EEZ) creates a limited access program as defined by the Magnuson-Stevens Act.

I cannot speak to what the Council intended in its definition but I can speak to what the true motherships intended in putting forth the proposal for and definition of a third category.

ACCESS

It was never our intention to limit access of true pure processing vessels. We do not support a definition that would exclude either new built vessels or current processing only vessels from entering the sector. If someone that has never caught pollock wants to come in and process in the true mothership category that is perfectly fine with us. We expect that there will be new entrants to the category over time. It is possible that a former mothership (Frigid Sea, Red Sea) could re-enter the fishery. It is possible that one of the floaters (Northern Victor, Arctic Enterprise) could choose to leave their stationary locale which classifies them as inshore and operate instead as

a true mothership in a more mobile mode. The three current true motherships have never proposed anything to prevent this type of action. We have not asked for either a moratorium or a license limitation program that would isolate and protect our mode of operation.

ROLLING OVER OF CATCHER PROCESSORS

The true motherships have advocated a sector definition that would prevent those vessels that have caught pollock in the BSAI EEZ from qualifying for inclusion in a true mothership category. The reasons for this position are twofold.

First: All of those that catch fish including all of the factory trawlers are moratorium protected vessels. A mothership could not now become a catcher of pollock. Prior to the passing of the moratorium both the Ocean Phoenix and the Golden Alaska could have caught fish and consequently qualified as a moratorium protected vessel. We chose not to. Likewise at that point in time the factory trawlers could have opted to be motherships but chose instead to catch their own fish supply. The two paths were chosen paths, not mandated. Since a mothership can today be only a processor and never a catcher we think that it is equitable for a moratorium protected factory trawler to stay in the defined sector that they have sought out long ago.

Second: If the true mothership sector was to be implemented on an historical participation basis, it would be a small sector. Suppose a factory trawler company that owned multiple vessels was to employ a fleet strategy for a season. That company could send in several vessels to the true mothership sector for the season, destroy the economics of those in the sector and drive the independents out of business, meanwhile supporting their collective company wide economics on the continued participation of the majority of their fleet in the offshore sector. The following season they would then balance their fleet out between the sectors based upon quota and be profitable with a greater overall share. Such fleet tactics were demonstrated this past A season when American Seafoods sent the Northern Hawk out to catch the Aleutian quota while the rest of the industry worked in the Bering Sea. The Aleutian area pollock roe was worth only about half the value of the Bering Sea roe this season so the economics for the Northern Hawk were less favorable utilizing this strategy but the overall economics of the American Seafoods fleet benefited greatly from increased quota share.

It is for these two reasons that we strongly feel that the definition of a true mothership sector should not be opened up to those moratorium protected vessels that have caught fish before.

SUMMARY

In conclusion we have never advocated for a sector definition that would close the sector to new participants. We have advocated that those that have caught fish in the past be blocked from the sector. I am certainly not an expert on 303(b)(6) but it seems that by allowing for the inclusion of new entrants to a true mothership sector the requirements of the act are met by the current level of analysis. The only restriction on new entrants is that they have "never caught a fish in a pollock target fishery in the BSAI EEZ".

Best Regards,

Doug Forsyth

Doug Forsyth
PREMIER PACIFIC SEAFOODS

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

April 16, 1998

RECEIVED
APR 17 1998
N.P.F.M.C

Mr. Richard Lauber, Chairman
North Pacific Fishery Management Council
605 West 4th Ave
Anchorage, AK 99501-2252

Dear Mr. Lauber: Rich

The inshore/offshore harvest of walleye pollock in the Catcher Vessel Operation Area (CVOA) of the Eastern Bering Sea will be discussed during the Council's April meeting. The final allocation scheme could affect on the recovery and conservation of the endangered western population of Steller sea lions.

At present, we can not fully characterize the foraging patterns and preferences of Steller sea lions. Nevertheless, pollock must be considered a major component of their diet. Numerous studies of sea lion stomach contents indicate that in many areas, pollock is their most frequent prey item (NMFS 1995, Status review of the United States Steller Sea Lion [*Eumetopias jubatus*] population). The leading hypothesis for the decline of the Steller sea lion is the lack of available prey. The availability of pollock, therefore, is a matter of considerable management concern.

The removal of pollock from the CVOA is particularly important because the CVOA overlaps considerably with the Eastern Bering Sea foraging area designated as critical habitat for the Steller sea lion. Additional removal of pollock from the CVOA causes NMFS considerable concern regarding 1) the prey available to sea lions in that area, and 2) the value of overlapping critical habitat for foraging. Therefore, NMFS cannot support inshore/offshore allocation alternatives that could lead to a proportional increase in pollock harvest from the CVOA.

Sincerely,

Steven Pennoyer
Administrator, Alaska Region

SOCIAL IMPACT ASSESSEMENT SUMMARY POINTS

Simplifying Assumptions

The issues encompassed by I/O 3 are many and complex. Further, the geographic 'footprint' of potential impacts is very large indeed. In order to make this work practical, a number of simplifying assumptions were made at the time the scope of work was designed by the NPFMC. It is important to note these assumptions early on. While any simplifying assumptions limit the ultimate utility of the product, there is clearly a balance to be struck between what could be done with unlimited time and resources and what can be done given real world constraints. This being the case, the general simplifying assumptions may be stated as follows:

- Focus on the Bering Sea-Aleutian Islands Fishery
- Focus on Sector Participation in the Pollock Fishery and Simplify the Problem of Interactive Fisheries Issues
- Employ a Tiered Approach to Community Linkages Through Focused Updating of Community Profiles
- Rely on DCRA Analysis of CDQ Reallocation Impacts Analysis
- Narrow the Range of Alternatives Analyzed
- Omit Analysis of Foreign Ownership Issue

General SIA Issues

There were a number of general issues or themes that emerged during the study process that will be elaborated in the body of this document. In particular, there are several issues or trends that have emerged since the previous SIA work for the Council. These will be briefly noted here. In addition, we will bullet out potential social impact effects of concern.

- There is a marked difference between participating coastal communities with respect to the role of the pollock fishery in the communities.
    - Unalaska is a major participant in the fishery with a strong presence of both the inshore and offshore sectors. The relative benefits to the community of the two different sectors is a matter of considerable debate, but clearly Unalaska is in a unique position with respect to the degree to which it has benefitted from both sectors. The flip side of this is that Unalaska, while benefitting the most from both sectors, is also the community that is featuring the most divisive debate on the inshore/offshore issue. Unalaska's direct participation is based on its proximity to the fishing grounds.

- Seattle is also a major participant in the fishery with a strong presence of both the inshore and offshore sectors. The relative benefits to the community of the two can be debated, but clearly the offshore presence is more visible than is the onshore participation, which at times seems to be represented by management and administration as much as by physical product. As with Unalaska, Seattle interests are bitterly divided on the inshore/offshore issue. Seattle's participation is based in part on history and ownership, and on a central administrative and financial role. Seattle and the region also have a number of secondary processing plants.

- Unalaska, Akutan, King Cove, and Sand Point all have shore plants that participate in the fishery, but the nature of the participation, and of the articulation of the operations with the communities vary. King Cove and Sand Point are more alike than they are like the other communities. Both have resident fleets, and shore plants in both communities take deliveries of pollock from non-resident vessels. Neither is a CDQ community. Akutan has a large shore plant in the community, but the village of Akutan has retained an identity distinct from the shore plant that is quite different from the plant-community relationships found in nearby Unalaska. Akutan is also a CDQ community, which Unalaska is not, though some Unalaska residents benefit from CDQ programs.

- Western Alaska communities have become involved with the fishery primarily through the CDQ program, as opposed to having shore plants in the communities or direct participation of a resident fleet. This means that the fishery articulates with the community in ways substantially different than in other involved Alaska communities.

- Inshore/Offshore management has served to stabilize the fishery between the overarching inshore and offshore sectors, but internal sector dynamics have not been in equilibrium. I/O, designed in part to be a stop-gap measure to avoid potential sector preemption and to avoid the detrimental social impacts resulting from such preemption, has for the most part achieved that goal. It has not, nor was it anticipated to, maintain stable fishery sectors.

  - Within the offshore sector, there has been a great deal of instability on the individual entity level. That is, there has been a great deal of ownership change of entities within the sector, accompanied by considerable consolidation within the sector. This has created a wide range of variance among sector participants, increasing the likelihood that the effects (positive or negative) of any change in the current system will be differently shared by sector participants. Further changes in the pollock quota allocation may well exacerbate these internal sector dynamics, leading to further consolidation.

- Within the inshore sector, particularly for the shoreplants proper, there has been a degree of stability in terms of ownership of individual enterprises not seen in the offshore sector. This has been at a time of decreasing value of product, of decreased access to the fish resource, and increased internal competition.

- In a sense, trying to make sector social impact assessments is an attempt to talk about the financial and overall vitality of individual corporations, some of whom have adapted better to the current set of conditions that others. This returns to the issue of internal variability within any given sector and subsector, and the potential effects that allocating additional quota toward or away from that sector or subsector would have.

- At some fundamental level, the relationships between industry subsectors have changed while I/O has been in place. One of the more striking differences between sector relations between I/O 1 and I/O 3 is the relationship of the shore processors to their catcher fleets. Although individual operations vary, for the sector as a whole there is much more commonality of ownership or control of catcher vessels by processors than previously. Vertical integration (economic entities owning interests in more than one pollock industry sector or subsector) seems to have increased. A social impact assessment may be of most utility if expressed in terms of whether allocation readjustments would accelerate or counter observed ongoing dynamics within sectors.

- While sectors may be reasonably well-defined and "stable" in terms of each other for Bering Sea pollock, participation in other fisheries cross-cuts these sectors in a number of ways. Aside from vertical integration, several economic entities have interests in more than on sector. Some economic entities that are competitors in the Bering Sea pollock fishery are cooperative in other fisheries, or vice versa (for instance, catcher vessels that deliver pollock to motherships may be contracted to delivery cod to catcher processors). The actual effects of a change in inshore/offshore pollock allocation could potentially be more profound because of these "peripheral" connections than due to the more "direct" changes in the pollock fishery itself. The "simple" tabulation of positive and negative effects becomes very complex, because so much of the information about individual entity participation in other fisheries and the "co-dependence" of fishing participants from different sectors is lacking.

- The creation of a separate mothership sector is not seen, in and of itself, as detrimental to the interests of either the onshore or offshore sector. Although there were exceptions, individual entities in both sectors thought that having motherships a separate category would not negatively impact their operations, so long as a motherships allocation was based on their past pollock processing history, so that other sectors did not experience a quota decrease because of this. The relative stability of the mothership subsector in terms of percentage of TAC processed ans the similarity in mode of operations for individual entities (variation in scale of

operations rather than business or product mix differences) may be one of the reasons this appears to be one of the less contentious aspects of I/O.

On the other hand, it is imperative that if motherships are recategorized as inshore or made into a separate category that it be done in a way which preserves the factors of stability which have apparently existed since I/O-1, or at least the recognition that such factors may be changed by a reclassification of motherships. Those entities most likely to be motivated to attempt to operate as motherships which are not already doing so are catcher processors and floating processors. Floating processors at present operate in fixed locations within protected state waters. As long as catcher processors have fished off the same quota as motherships, they have not been motivated to emulate the mothership mode of operation. If the mothership quota is separated from that of catcher processors, however, less efficient catcher processors may be tempted to compete for a portion of the mothership (or inshore) quota as a mothership rather than a portion of the catcher processor quota as a catcher processor. Multi-vessel operators may be more tempted by this possibility than smaller companies. Mothership operations have exhibited the greatest degree of stability in the offshore sector since I/O-1, and it would be ironic if I/O-3 were to disrupt this pattern.

- There a number of issues associated with the regulatory or decision-making process that may potentially foster, or are currently contributing to, various social impacts in the Bering Sea pollock communities. These cannot be dealt within this work, but include:

  - The inshore/offshore allocation process itself, particularly the reallocation debate, has had negative social impacts. That is, the issue has been a divisive one, requiring the devotion of considerable resources by both inshore and offshore sectors to the issue. Further, the issue has polarized the fishing industry, and the divisiveness has had an impact on support service sector businesses, particularly in Unalaska/Dutch Harbor.

  - Individual enterprises have been making business and strategic decisions based on the inshore/offshore environment (as well as other regulatory regimes that are currently in place and/or hedging their bets in regard to future regulatory regimes that can be reasonably foreseen).

  - Alaska hire issues have come to the forefront as a result of inshore/offshore issues. Under the inshore/offshore reallocation environment, individual entities are making more concerted and targeted efforts to hire more Alaskans than was the case in the past. In some cases this has become confounded with issues concerning the CDQ program and economic and community development in western Alaska.

  - CDQs have become closely associated with the offshore sector. Although inshore/offshore "neutral" at their creation, they are clearly more closely tied at present to the offshore than onshore sector (six offshore CDQ partners, two onshore

CDQ partners), although in some cases inshore and offshore CDQ partners are cooperating.

- Foreign ownership is the subject of much debate among the different sectors. Ownership patterns were not addressed in this document, but it was clear that there has been a consolidation of control in both onshore and offshore sectors, and that cooperative relationships, if not ownership relationships, have developed between foreign and domestic owners to effectively achieve a degree of consolidation of control of the fishery that was not seen at the time of earlier SIA work.

- There is a also a bundle of issues centered around catcher vessels that may or may not be related to I/O. They may be more reflective of the overall dynamics of the fishing industry, and include:
  - Decline in number of independent boats
  - Difficulty in obtaining and keeping markets
  - Increasing vertical integration -- processor ownership, long-term contracts
  - Decreased crew opportunities -- reduced crew size, demise of replacement crew, lack of turnover
  - Catcher vessels becoming integrated with processing sectors

There is a range of allocative alternatives that is being considered -- expiration of the I/O program, a rollover of the current I/O management regime, or a shift of pollock allocation inshore or offshore These considerations are not taking place within the context of a stable fishery. Changes are occurring to the fishery as whole as well as within each of the component sectors. A consideration of social impacts must take into account these current dynamics. In the following section we discuss the alternatives in relationship to the existing structure and some of the identified trends of the fishery

Discussion of Range of Alternatives

Social Impacts of No Action Alternative

- Expiration of I/O
- Preemption Issue
  - Sustained participation of fishing communities at risk
  - Alaskan communities primarily negatively affected
  - Seattle +/- effects

Social Impacts of Status Quo/Rollover of I/O: Existing Sector Trends of Change

- Roll-over alternative (status quo) will not provide a static or stable fishery as characterized by the 1996 (baseline) year information or as it most recently operated in 1997/98. The roll over alternative will provide stability in the sense of the gross allocation between inshore and offshore processors, and maintaining the same general set of conditions for business decision-making that have been in existence since I/O-1. All industry sectors are still overcapitalized, and "internal" sector dynamics will continue to change the structure and operations of these sectors. "External" factors such as market price and demand also will continue to affect the industry structure and operations.

    - Increasing CV ownership/control by shore plants
    - Increasing specialization of pollock CVs, decreased market adaptability or changeability
    - Increasing processing of Bering Sea pollock by GOA shore plants
    - Increasing processing of Bering Sea pollock by floating (inshore) processors
    - Increased consolidation of the catcher processor sector
    - Changing number of participating entities

- Existing trends of change within sectors

    Change relative to absolute 1991 production levels

    - Onshore percentage of 1991 production relatively constant (6% decline in 1996 from 1991)
        - Shore plants decline approximately 16% 1991-1996
        - Floating processors 1996 production is 206% of 1991 production
    - Offshore percentage of 1991 production 31% decline between 1991-1996
        - Motherships decline 14% 1991-1996
        - CPs as a sector declined 34% from 1991 production levels
            - Surimi CPs decline 42% 1991-1996
            - Fillet CPs increase 17% 1991-1996

    Change as a function of percentage of yearly TAC (yearly total production)

    - Onshore percentage of TAC increases from 29% to 36% of TAC, 1991-1996
        - Shore plants increase from 27% to 30% from 1991-1996
        - Floating processors increase from 2% to 6% from 1991-1996
    - Offshore percentage of TAC decreases from 71% to 64% between 1991-1996
        - Motherships fairly stable (9% to 10%)
        - CPs as a sector declined from 62% to 54% of TAC
            - Surimi CPs % of TAC declined 53% to 40% 1991-1996
            - Fillet CPs % of TAC increased from 9% to 14% between 1991-1996

Change as a function of number of entities and ownership/homeport

- Onshore
  - Shoreplants number constant: ownership WA, location AK
  - Floating processors fluctuate but core operators stable in number: ownership WA, location AK

- Offshore
  - Motherships constant in numbers: ownership and homeport WA (one AK in database)
  - CPs
    - Surimi CPs reduced from 24 to 20 entities: ownership and homeport nearly exclusively WA -- some AK CDQ group investment (and production declines about 42% from 1991 levels for essentially the same number of WA-based entities)
    - Fillet CPs reduced from 30 to 19 entities: WA-based from 24 to 15 for 1991-1994, remains 15 in 1996 (production decreased 41% 1991-1994, production increased 61% for 1994-1996)

Catcher Vessels

- Overall as a sector, number of entities increased from 83 to 117 (40%), 1991-1996

When examined by size

- Vessels less than 125 feet increased from 63 to 64 1991-94, then to 89 entities in 1996
- Vessels 125 to 155 feet increased from 15 to 17 to 20 in the years 1991, 1994, 1996 respectively
- Vessels over 155 feet increased from 5 to 11 for 1991-1994, and decreased to 8 in 1996

When examined by delivery patterns

- Vessels delivering onshore ONLY decreased from 64 to 58 1991-1994, then increased to 76 in 1996
- Vessels delivering offshore ONLY remained at 16 for both 1991 and 1994, and increase to 24 for 1996
- Vessels delivering to BOTH onshore and offshore increased from 3 to 18 for 1991-1994, and decreased to 17 for 1996
- BOTH category is an analytical construct and may structure the above data, as the classification does not take into account relative delivery volumes onshore and offshore. 1994 was the first year of the three for which onshore

and offshore seasons were of different lengths and times, so the source of 1991-1994 "changes" are unclear. 1994-1996 changes are more definitive and were collaborated through information obtained through interviews.

When examined by vessel length

- With the exception of two medium-sized vessels in 1996, no medium or large-sized catcher vessels delivered only to offshore processor operations.
- In 1994, 5 medium and 3 large vessels delivered both onshore and offshore. In 1996 these numbers were 4 medium vessels and 1 large vessel.
- Small vessels increased in all delivery mode categories between 1991 and 1996 -- 44 to 55 for onshore only deliveries, 16 to 22 for offshore only deliveries, and 3 to 12 for deliveries to both sectors.

Social Impacts and Industry/Community Links: Rollover and Significant Allocative Shifts Inshore and Offshore

In the following discussions, per the simplifying assumptions guiding this work, "allocative shift" refers to a change in allocative quota of the magnitude of 10 percent of the TAC. It was understood that the discussion of social impacts would be qualitative and directed toward the magnitude and direction of social impacts likely to be associated with a limited range of alternatives.

Alaska Bering Sea Pollock Communities

- Essentially for the purposes of social impact assessment there are five main categories of communities that have links to inshore and offshore sectors of the Bering Sea pollock fishery.
    - Communities with well developed socioeconomic ties to both onshore and offshore sectors. This category is comprised of one community: Unalaska/Dutch Harbor.
    - Communities with large shoreplants that are also CDQ communities. This category is comprised of one community: Akutan.
    - Communities that are not CDQ communities, have shoreplants that process Bering Sea pollock, but that have no ties to the offshore sector. These are the communities of King Cove and Sand Point.
    - Communities that are CDQ communities and thus have a tie to Bering Sea pollock, but that do not have a physical presence of either the onshore or offshore sector within their community. There are a number of western Alaska communities that fall under this category, but the potential effects of I/O-3 on these communities was the focus of a separate project.

- Other Alaska communities with ties to either onshore or offshore sectors. There are a number of other Alaska communities that have some tie to the Bering Sea pollock fishery, but that are peripheral to the fishery in relation to the communities mentioned above. These would include Kodiak, were a very small volume of Bering Sea pollock has been processed, and a scattering of other communities that may have ownership or homeport ties to vessels in various sectors. Given the low level of participation in the Bering Sea pollock fishery, these communities are not directly impacted by ongoing sector dynamics, although individual entities within these communities are likely to be affected.

Unalaska/Dutch Harbor

- Fishery-based economy
  - Relatively small community by U.S. standards
  - Large absolute sized economy for size of community
  - In relative terms, fishery-related activities in general and pollock in particular are centrally important.
- Growing community
- Strong links to both onshore and offshore sectors
- Growth in support service sectors in the community attributable to both offshore and onshore sectors
  - Shipping and transhipment -- local employment and revenues
  - Diverse support services -- more companies than there used to be, more different kinds of companies and services offered

Onshore Links

- Historic presence of shore plants
- Pollock processing since 1986
- Historically NOT homeport for the delivering fleet -- but more vessels staying in community during "off seasons"
- Logistical support for floating processors
- Three large shore plants that incorporate pollock processing -- trend is for decreasing volumes of pollock but stable number of entities
- Employment relatively stable in relation to processing volume change
- Historically important fiscal ties to community (raw fish tax, business tax, property tax, sales tax) -- community has been ranked first of US ports in volume and value of fish landed since 1992 but volume decreased each year 1993-1996 and value declined from $194 million in 1992 to $119 million in 1996 (but tax revenue has not decreased proportionally).

- *Rollover implications* -- if current internal inshore sector trends continue, Unalaska shore plants will continue losing share of TAC to floating processors and other Alaskan communities. I/O rollover will continue to protect Unalaska shore plants from preemption by the offshore sector, but will not address these internal sector dynamics.

Offshore Links

- Relatively recent development
- Unalaska is the primary Alaskan support base for offshore sector in Bering Sea -- some reduction in entity numbers and consolidation of ownership, and reduction in overall volume, but general organization and magnitude of support sector not affected
- Fiscally important through relatively recent resource landing tax as well as taxes on sales in community (especially fuel)
- Relatively few community residents are directly employed by the offshore sector, but since its development the Unalaska indirect or support services economic sector has grown significantly
- *Rollover implications* -- there should not be significant detrimental effects upon Unalaska, although there may be further perturbations in the offshore sector. Demands for support services will continue, and offshore product will continue to be landed.

- *Allocation shift inshore implications*

  - Net positive social impact, but Unalaska would not see the 'full benefit' of an inshore increase due to internal inshore sector dynamics (i.e., community shoreplants' share of sector overall is decreasing in relation to floating processors and shoreplants in other Alaskan communities -- individual plant throughput was widely variable has declined in the range of 10-40% between 1991 and 1996; average decline is 25%, with the 1996 total being 75% of the 1991 total).
  - Unalaska shoreplants in 1996 processed approximately 50% of the Bering Sea pollock processed inshore.
  - Assuming a 10% shift inshore, and assuming the inshore sector distribution pattern remains consistent with that seen in 1996, Unalaska plants would process 28% more pollock than they did in 1996, or approximately 97% of their 1991 aggregate total (a 5% shift would bring the aggregate back to 86% of the 1991 total).
  - There would likely net increase in local tax revenues, but gains resulting from increase inshore would be partially offset by declines in offshore related revenues and taxes.

- Likely increase in local employment duration and compensation levels, particularly at the shoreplants themselves.

- *Allocation shift offshore implications*

  - Net negative social impact, with loss of employment compensation and fiscal revenues from onshore related activities likely to be only marginally offset by potential increases in offshore support activity. It is not likely that the increases would be of a similar magnitude to the losses seen inshore.
  - Assuming a 10% shift offshore, Unalaska shoreplants would process approximately 28% less pollock than they did in 1996, or approximately 53% of their 1991 total (a 5% shift would result in processing 64% of the 1991 total).
  - Shorter seasons for the shoreplants would result in less total local employment in terms of duration and compensation seasonal peaks.

Akutan

- City of Akutan encompasses both a large shoreplant and a "small village"
- Recently achieved CDQ status highlights distinction between shore plant and the balance of the community.
- CDQ involvement with both onshore and offshore sectors
- *Rollover implications* -- No foreseeable detrimental effects on Akutan
- *Allocation shift inshore implications* -- Shift would benefit local inshore plant providing substantial local tax base (community and Borough). More precise effects cannot be discussed due to confidentiality constraints on disclosing information about an individual operation. This plant is operated by a company that is a CDQ partner of the CDQ group to which the community belongs. This CDQ group also partners with an offshore operation so if this operation were adversely affected, the CDQ group may be as well.
- *Allocation shift offshore implications* -- Shift would almost certainly reduce local plant production, with resultant decline in community and Borough tax revenues. Catcher fleet size and employment force is likely to remain at the same levels, but be employed for shorter periods of time.

Sand Point and King Cove

- Not geographically "Bering Sea communities"
- Both are historic fishing communities with resident fishing fleets and onshore processing capacity
- Bering Sea pollock is a relatively new fishery with no processing reported in these communities in 1991
- Both communities have one shore plant that produces pollock and for both plants production has increased between 1994 and 1996
- Deliveries of Bering Sea pollock to both plants are made by vessels primarily homeported elsewhere
- Neither community has direct links to the offshore sector
- *Rollover* will likely continue these trends .
- *Allocation shift inshore implications* -- Such a shift may well accelerate the internal inshore sector dynamic of increased Bering Sea pollock processing in Sand Point and King Cove relative to shoreplants in other communities. Thus, local community and Borough tax receipts could be expected to increase. The catcher fleet size and employment force would not be expected to increase unless further pollock product diversification takes place at these plants. Employment periods and seasons may expand for catcher vessels and workers at these plants. There are no foreseeable negative impacts in these communities resulting from such a shift.
- *Allocation shift offshore implications* – All other things being equal, this shift would be expected to have no positive social impacts in these communities, as the most likely scenario is that less Bering Sea pollock would be processed in local plants. However, because of internal differentiation within the shore plant sector, and the coordination between one of these plants and a large Bering Sea shore plant, it is not clear what the magnitude of negative impacts would be. It is likely that local tax base would be reduced, along with plant operational time and employee and catcher vessel income.

Non-Seattle Communities

- Several communities outside of Seattle are listed as homeports for vessels involved in the Bering Sea pollock fishery. These are involved predominately in the catcher vessel sector, and while the Bering Sea pollock fishery is important to individual entities, potential allocative impacts upon the communities themselves would not be of the nature or magnitude of potential changes likely to occur to Alaskan communities already discussed or to the greater Seattle area.

Seattle

- Seattle is the only community outside of Alaska with well developed socioeconomic ties to both onshore and offshore sectors.
  - Large metropolitan area with diversified economy
  - Geographically distant from fishery
  - Strong links to both onshore and offshore sectors
    - Logistical/organizational nexus for all sectors
    - Ownership concentrated in Seattle/Washington for both harvesting and processing capabilities
    - Employment for all sectors predominately from Seattle/Washington (within the limits of the data)
  - Support service sectors in the community involved with both offshore and onshore sectors
  - Absolute size of fishery involvement larger than any other community
  - Small relative size of fishery-related sectors to the total local economy

Onshore links

- Corporate/ownership location for all entities (shore plant and floating processor physical facilities located in Alaska)
- Center of corporate decision making and administrative employment
- 80% of labor force is non-Alaskan, with a disproportionate amount of these from the WA/Seattle area
- Buy fish from catcher vessel fleet based predominately in Seattle area
  - Crew mainly from Seattle
  - Vessels maintained and supported in Seattle
- Localization
  - "waterfront" activities -- mainly catcher fleet related
  - shipping and secondary processing (Port of Seattle)

- *Rollover implications* -- onshore links appear to have been stable in this period, and rollover should have little or no adverse effects on the Seattle area. Individual onshore entities may be better or worse off than currently, but overall community effects should be negligible.

Offshore links

- All mothership operations owned and managed out of Seattle
- Mothership labor force predominately Seattle based (Alaska employment linked to CDQ programs may be increasing)
- CPs predominately owned/managed from Seattle/Washington state
    - Numbers of entities reduced
    - Ownership consolidation
    - Employment force predominately from Washington state (65% to 70% of employment opportunities/FTEs and 71% to 73% of gross pay and benefits -- 1996-97)
    - Localization of moorage and maintenance in the Puget Sound area, especially Port of Seattle and Seattle private moorage/shipyards
    - Approximately 10% of CP processing volume purchased from catcher vessel fleet, based in Seattle
- *Rollover implications* — continuation of sector dynamic
    - Possible further consolidation
    - Other things being equal, vessel numbers should remain constant even in the face of sector consolidation
    - Net potential effects of rollover are sustained participation in the fishery

- *Allocation shift inshore implications* (assumes motherships NOT offshore)

    - Net negative social effects resulting from significant impacts to catcher processors and related support sectors and, to a lesser degree, affected localities within the greater Seattle area (Port of Seattle, Ballard/BINMIC area).
    - Likely increased instability in the offshore sector. Further bankruptcies likely (strain on local/regional support businesses, vessel likely to remain in the fishery under new ownership).
    - Overall sector employment is likely to remain nearly the same, but the overall sector level of compensation would decrease due to shortened season length due to the decreased quota allocation.
    - Overall social effects offset to a degree by increases in Seattle-based inshore-related entities income, Seattle-based inshore employment, and Seattle-based expenditures and support services.

- Comparing onshore and offshore jobs in terms of compensation, let alone other factors, is difficult. We have received limited information from operations from all sectors, from which we can reach only imprecise conclusions. Until better information is available, there is no way to devise a conversion factor between onshore and offshore jobs. Conventional wisdom is that offshore jobs can pay significantly more than onshore jobs for the same period of time, and interview data would seem to confirm that pattern, but good aggregated information was not available for the inshore sector. As for structural comparisons, onshore jobs have a basic rate of pay per hour, plus overtime, whereas offshore jobs (in general) are paid on a share basis and have no minimum guaranteed wage. Offshore compensation can vary widely depending on fishing conditions, vessel performance, and market conditions. Aggregate information that is available indicates that both labor forces are predominately composed of Washington/PNW residents. For the offshore sector, Washington resident employees have higher average incomes than employees from other states; for the inshore sector Alaska residents have higher average incomes than employees from other states.

- *Allocation shift offshore implications*

  - Net positive effects resulting from significant impacts to catcher processors and related support sectors and, to a lesser degree, affected localities within the greater Seattle area.
  - Likely increased stability in the catcher processor sector, although given the internal variation within the sector further consolidation is possible.
  - Potential reduction of compensation for inshore-related jobs based out of Seattle due to shortened seasons, and reduced support and supply services

Separation of Motherships from Offshore Category

- Creation of separate mothership category, in and of itself, has no apparent negative impacts to other sectors.
  - Mothership allocations divergent from their historical catch increases the likelihood of negative impacts on other industry sectors (and linked communities).
  - The creation of a third category of pollock allocation should not become the impetus for additional capitalization or create opportunities for entities from other sectors to "switch categories."
  - In recognition of the recent stability in the mothership subsector, and to avoid disruption of a newly created mothership pollock allocation category, the definition of mothership should be carefully crafted so that other sector participants cannot move between categories
- Placing motherships in the inshore category could affect inshore sector dynamics such that there could be potential positive or negative impacts to inshore sector participants.
  - Inherent differences in operations between motherships and "true" shore plants
  - Inherent differences between "fixed" floating inshore processors and motherships
- Separating mothership operations from the offshore category would make the residual offshore category a catcher processor category.
  - In the recent past there has been considerable consolidation among catcher processors. The removal of motherships may amplify the effects of the present and potential future consolidation.
  - If consolidation should proceed far enough, some current participants have expressed a concern about the possibility of agreements among catcher processor operators resulting in an IFQ-like pursuit of the offshore Bering Sea pollock fishery.
    - Utilization of catcher vessels would likely decline, with negative effects on individual entities
    - Catcher processor utilization rates would likely increase, along with the economic value of their products.

C-1

Alaska State Legislature

State Capitol
Juneau AK
99801-1182

Official Business

April 20, 1998

FAXED TO:
Anchorage Hilton
Attn: Rick Lauber, Chairman 1222
North Pacific Fishery Management Council

Dear Chairman Lauber,

It is with great pleasure that we present to you a signed letter from the Alaska State Legislature in time for distribution at the North Pacific Fishery Management Council meeting. As you can see, the Alaska State Legislature strongly supports increasing the inshore allocation in the Bering Sea and the status quo allocation in the Gulf of Alaska.

We have obtained the signatures of 29 members of the House and 15 in the Senate. When HJR 55 reaches our respective floors, we will certainly have the votes for passage. However, due to the frenzied nature of the last month of session, and the presence of several crucial issues before us this year, time may run short.

Therefore I have composed this letter which should adequately serve to demonstrate the support of the State of Alaska's Legislature on this issue.

Sincerely,

Alan Austerman
Chair, House Special Committee on Fisheries
Representative District 6

Jerry Mackie
Chair, Senate C & RA Committee
Senator District C

Alaska State Legislature

Official Business

State Capitol
Juneau AK
99801-1182

April 16, 1998

Rick Lauber, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501

Dear Members of the North Pacific Fishery Management Council,

Recent amendments to the Magnuson-Stevens Act require that fishery management measures "take into account the importance of the fishery resources to fishing communities in order to provide for the sustained participation of such communities." Many Alaska communities are dependent upon the pollock fishery for social and economic needs, including providing harvesting opportunities for fishing vessels, resources for local seafood processing, employment within the communities, and tax revenues.

The pollock fishery off the coast of Alaska is greatly overcapitalized. This overcapitalization was caused by foreign owned and foreign-built factory trawler vessels which violated the intent of the Magnuson-Stevens Act to Americanize the harvesting of fishery resources within the United States Exclusive Economic Zone. The season length of the pollock fishery in the Bering Sea has been greatly reduced because of the entry of these heavily subsidized foreign owned vessels. Alaska needs a more sustained fishery to support its residents, its fish harvesters and its processing industry.

Factory trawler vessels have the opportunity to harvest resources from other resources from other regions, including other areas of the world, but fishing communities of Alaska are dependent upon the resources adjacent to their shores.

The current Bering Sea allocation of pollock will have the effect of reducing the actual harvest share of the inshore sector of the industry and thus negatively affect the fishery dependent communities of Alaska because of reduced harvest quotas and the lack of mobility of the inshore fishing vessels.

This important issue is of concern to members of Alaska's Legislature because the allocation by the North Pacific Fishery Management Council of pollock between the inshore and offshore sectors of the industry in both the Gulf of Alaska and the Bering Sea is set to expire after 1998.

The undersigned members of the Twentieth Alaska Legislature urge the North Pacific fishery Management Council to maintain the current allocations of pollock and Pacific cod in the Gulf of Alaska to vessels that deliver to the inshore sector of the industry and allocate a majority of the pollock resource in the Bering Sea Management Area to vessels which deliver to the onshore and mothership processing sectors of the industry.

Alan Austerman

Carl E. Moses

John J. Coudeny

Vic Kohring

Jerry Sanders

Brian D. Porter

Bill Hudson

Joe Ryan

Fred Dyson

Gene Kubina

Gail Phillips

Jeannette James

Tom Brice

Norman Kolehy

Con Bunde

Lyda L. Green

EFFECTS OF THE CVOA ON MARINE MAMMALS*

*Insert into inshore/offshore 3 environmental assessment

National Marine Fisheries Service
Alaska Region
709 W. 9th St.
Juneau, AK 99802-1668

III. Effects of the CVOA on Marine Mammals

Natural histories of marine mammals inhabiting the Bering Sea and neighboring North Pacific Ocean waters were summarized in the analyses for Amendments 18/23 and 38/40; by reference, those entire summaries are incorporated here. Since the 1995 analysis for amendments 38/40, new research information has become available on some marine mammals (Steller sea lions, harbor seals, northern fur seals, and killer whales) that frequent the CVOA. That new information is summarized below. After those updates, the question of fishery impacts within the CVOA is addressed.

A. Steller sea lion

Movements and distribution: Steller sea lions are found predominately from shore to the edge of the continental shelf, but are not uncommon in waters several thousand meters deep. During the breeding season (summer), adult Steller sea lions (ages 4+) are generally located near shore and near rookeries. Juveniles (1-3 year olds) are less tied to the rookeries during summer, but are often found at nearby haulouts. After the breeding season, sea lions may disperse widely, such that rookeries that were populated in the summer may be vacated in winter. In the Bering Sea, sea lions have been most often sighted over shelf waters from Unimak Pass northward and near the Aleutian Islands. On the shelf, sightings are clustered in the southeastern Bering Sea (including the CVOA). The sighting data, however, has not been standardized by effort and cannot by itself be used to determine relative importance of certain areas to Steller sea lions. Nevertheless, population distribution prior to the decline and more recent telemetry data indicate that the southeastern Bering Sea shelf is an important foraging area for sea lions. This information led to the designation of the Eastern Bering Sea foraging area as critical habitat.

Diet and Foraging: In 13 studies summarized by NMFS (1995), walleye pollock ranked first in importance as a prey item for Steller sea lions in 11 studies, and second in the remaining two. Other prey consumed off Alaska were Pacific cod, Atka mackerel, salmon, octopus, squid, Pacific herring, capelin, sand lance, flatfishes, and sculpins. Most of the prey are schooling fish, many of which are commercially exploited. Juvenile sea lions tend to eat smaller fish than adults. Consequently, the overlap in the size distribution of their food with commercial fisheries may be less than that of adults.

Sea lion pups (less than 1 year old) are more restricted than adults in their foraging range, both vertically and horizontally (Merrick and Loughlin 1997). By their sixth month (January), pups were able to range more than 300 km in a trip, but most of their trips offshore were brief (< 1 day), and most of their dives were shallow (<10 m) and short (< 1 min). In summer, adult females with pups foraged close to shore (usually < 20 km) and to shallow depths (most < 30 m), while in winter, they ranged much farther (some > 500 km offshore) and dove to greater depths (often > 250 m).

Evidence obtained from scats (feces) collected on rookeries in the Gulf of Alaska and Aleutian Islands region indicate that pollock and Atka mackerel are important prey items for Steller sea lions, but the evidence also indicates that diet diversity may be as important as particular prey

type. Merrick et al. (1997) examined scats from sites throughout the region, developed indices of prey diversity based on those scats, and then correlated the observed diversity to population trends at those sites. The results indicated that population trends worsened as diet diversity decreased.

Listing status: Steller sea lions were listed as threatened under the Endangered Species Act by emergency rule in April 1990 after a significant (-64%) decline in their population size in Alaska between the mid 1960s (or possibly earlier) through 1989. From 1989 to 1994, the decline continued (another 24%), with most losses in southwest Alaska (western and central Gulf of Alaska, Bering Sea, and Aleutian Islands). The status review completed by NMFS in 1995 was part of the process of considering a reclassification of their listing to endangered. In 1997, the species was split into two populations (to the east and west of 144 W longitude); the status of the eastern stock was left as threatened, while the western stock was reclassified as endangered.

Population viability: Population viability analyses (Merrick and York 1994) predict that the western stock will be reduced to very low levels (< 10 animals) within 100 years if 1985-94 trends persist. Times to extinction were consistent when the population model used aggregate counts on rookeries from the Kenai Peninsula to Kiska Island (63 years to extinction), or individual trends for each of the 26 rookeries in the area (95 years). If trends from 1989-94 were used, neither type model (aggregate versus individual rookery) predicted extinction of the western population, but the decline would continue and could result in as few as 3,000 adult females within 20 years, at which time individual rookeries would disappear. The results of this modeling exercise, combined with continued declines in pups counts, prompted the Recovery Team to recommend a change in listing status for the western population.

Counts were conducted in 1996 from SE Alaska through Attu Island in the western Aleutian Islands. Between 1994 and 1996, the overall count at trend sites decreased by 7.8% (nonpups). In the Aleutian Islands region, these counts were up by 1.1%, and in the eastern Aleutian Islands the count was up by 6.6%. However, the Kenai-to-Kiska trend decreased by 4.6%.

In 1997, counts were conducted from Kenai Peninsula through the eastern Aleutian Islands to determine if trends observed from 1994 to 1996 continued. In the eastern Aleutian Islands, the counts were down by 4.9% at all 40 sites counted, and 13.2% at the ten trend sites. Thus, the most recent counts indicate that the decline is continuing.

Management Actions Taken by NMFS and NPFMC: The record of specific Steller sea lion conservation management actions taken by NMFS and the NPFMC since the 1990 listing includes:

Creation of 3-nautical-mile (nmi) radius no-entry buffer zones around all sea lion rookeries west of 150° W longitude (April 1990);

Prohibition of shooting at or near sea lions and reductions in the number of sea lions that could be killed incidental to commercial fishing (April 1990);

Spatial allocations, and conditions on temporal allocations of pollock TAC in the Gulf of Alaska (June 1991);

Creation of year-round 10-nmi radius trawl fishery exclusion zones around all rookeries west of 150°W longitude, and 20-nmi radius trawl fishery exclusion zones around 6 rookeries in the eastern Aleutian Islands during the BSAI pollock A-season (June 1991, January 1992, and January 1993);

Publication of a final recovery plan for the species written by the recovery team for NMFS (December 1992);

Designation of critical habitat under the ESA in April 1993 (58 FR 17181). Specific areas designated as critical habitat were (1) all rookeries and major haul outs (where greater than 200 sea lions had been counted, but where few pups are present and little breeding takes place), including a) a zone 3,000 feet (914 m) landward and seaward from each site east of 144 W longitude (including those in Alaska, Washington, Oregon and California); and b) a zone 3,000 feet (914 m) landward and 20 nmi (36.5 km) seaward of each site (36 rookeries and 79 haul outs) west of 144 W longitude where the population had declined more precipitously and where the former center of abundance of the species was located; and 2) three aquatic foraging regions within the core of the species' range;

Splitting of the Steller sea lion species into eastern and western populations and changing of the listing status of the western population to endangered (May 1997); and

Protection of forage fish from directed fishing (April 1998).

The rationale behind each management action was outlined in each Federal Register notice announcing the action. The shooting prohibition, reduction in incidental take mortality and creation of no-entry zones around rookeries were enacted to limit potential for direct human-related mortality, and had only minor impact on groundfish fisheries in the BSAI and GOA. Spatial-temporal allocations of pollock TAC in the Gulf of Alaska, and creation of trawl-exclusion zones around rookeries were promulgated as part of the ESA Section 7 consultation for the 1991 GOA pollock TAC specifications. In that document, NMFS reviewed and presented data which showed that 1) pollock is a major component of the sea lion diet; 2) sea lions collected near Kodiak Island in the 1980s were lighter, had smaller girths and thinner blubber layers than sea lions from the same area collected in the 1970s; and 3) the pollock fishery had become increasingly concentrated in time and in areas thought to be important to sea lions. NMFS concluded that the spatial and temporal compression of the pollock fishery in the 1980s in both the GOA and BSAI could have created localized depletions of Steller sea lion prey, which in turn could have contributed to or exacerbated the decline of the sea lion population (5 June 1991). Much of the area in which the pollock fisheries (and other groundfish trawl fisheries; e.g., Atka mackerel and Pacific cod) became spatially compressed is designated as critical habitat for Steller sea lions (Fritz 1993abc). Estimated removals of pollock from Steller sea lion critical habitat in the BSAI region have increased from between 250,000-300,000 mt from 1981-1986 (between 20-30% of total BSAI pollock landings) to between 410,000-870,000 mt in 1987-96

(35-69% of total landings). Much of this increase in pollock landings from critical habitat came from the eastern Bering Sea foraging area, which overlaps considerably with the CVOA. The Steller sea lion was split into two stocks based largely on genetics information (Bickham et al. 1996). Finally, certain forage fish were removed from the "other" category of the BSAI-FMP and protected from directed fisheries, to ensure that these potential prey for marine mammals and other predators were not depleted.

B. Pacific harbor seals

Harbor seals are found in all coastal areas of the GOA and are widely distributed in nearshore habitats of the Bering Sea (Pitcher, 1980a; Calkins, 1986; Frost and Lowry 1986). They are generally thought of as a coastal, non-migratory species, although individuals are occasionally observed as far as 100 km offshore (Pitcher, 1980a).

Only limited information is available on the diet of harbor seals in Alaska. Pitcher (1980a; b) reported that the harbor seal diet in the GOA was composed of at least 27 species of fish, as well as cephalopods (both octopi and squids) and shrimp in 269 stomachs analyzed. The seven principal prey were (in order of frequency of occurrence): pollock (21 percent), octopus (17 percent), capelin (9 percent), herring (6 percent), Pacific cod (6 percent), flatfishes (5 percent), and eulachon (5 percent). There were some significant regional differences in the harbor seal diet throughout the GOA. Octopus, capelin and cod were more important components of the diet in the Kodiak area, while pollock was the principal prey in the Prince William Sound area. Fewer data are available on harbor seal food habits in the Bering Sea (16 stomachs analyzed by Lowry et al., 1986 from animals collected in Bristol Bay). Herring and capelin were the principal components of the diet of harbor seals in Bristol Bay.

Little information is available on the size composition of fish in the diet of harbor seals compared with Steller sea lions and northern fur seals. Pitcher (1981) found that harbor seals collected from the same area and during the same period as Steller sea lions consumed smaller pollock (mean length of pollock ingested by harbor seals = 19.2 cm; for Steller sea lions, 29.8 cm). This suggests a low overlap in body size between pollock harvested by the fishery and those ingested by harbor seals.

Recent trends in abundance vary markedly for different harbor seal populations in Alaska and the North Pacific. The central and western Gulf of Alaska stock may have decreased recently by as much as 90% (Pitcher 1990) since the 1970s. Populations in other portions of the range may be more stable (southeast Alaska) or increasing (British Columbia; Olesiak et al. 1990). The decline in harbor seals in the central and western Gulf of Alaska has not been explained.

The Bering Sea stock of harbor seals was surveyed in 1991 (Bristol Bay and the northern side of the Alaskan Peninsula), 1994 (the Aleutian Islands), and 1995 (northern side of the Alaskan Peninsula and Bristol Bay/Togiak NWR). The total mean count for 1991 survey was 9,324 seals. with 797 from Bristol Bay and 8,527 from the north side of the Alaskan peninsula (Loughlin 1992). The sum of the mean counts from the 1994 Aleutian survey was 2,056 (NMFS unpublished), yielding a total mean count for all three areas of 11,380. The 1995 counts were

7,785 (cv = 0.044) for the northern side of the Alaskan Peninsula, and 955 (cv = 0.071) for Bristol Bay. These numbers indicate a decline of harbor seals in this area of about 40% since the 1970s.

C. Northern fur seals

The northern fur seal is a migratory species, returning to the Bering Sea (both Pribilof Islands and Bogoslof Island) in summer to breed. For the remainder of the year, fur seals are distributed throughout the North Pacific Ocean. From May to December, seals forage in and transit through the CVOA and, during August and September, this region is particularly important for pregnant and lactating females, juveniles and departing adult males. Recent studies of fur seal pup migration indicate that newly weaned migrating pups move through and may reside in the CVOA during the period from November to February (Ragen et al. 1995).

The most recent estimate for the number of northern fur seals in the North Pacific Ocean is approximately 1,000,000, down approximately 20% from the 1.25 million estimated in 1974, and perhaps as much as 60 % from the numbers observed in the early and mid 1950s. Since a short period of apparent increase in the early 1970s, counts declined sharply in the late 1970s and then began to stabilize in the 1980s. Northern fur seals are listed as depleted under the MMPA because the population has declined to less than 50% of the estimated size in the 1950s. The St. George population, which is closest to the CVOA, declined until approximately 1990 and stayed at about the same level until 1996, when it showed a moderate increase. The larger St. Paul Island population has been stable since 1980.

Important known sources of mortality over the past four decades include direct killing and entanglement in marine debris. From 1956 to 1974, over 300,000 adult females were killed in land-based and pelagic harvests. Many of those females had nursing pups, which also must of succumbed from starvation. The killing of these animals accounts for a large portion of the decline observed in northern fur seals after the mid 1950s (York and Hartley 1981). When the harvest was ended, the population appeared to start a recovery in the early and mid 1970s, but then declined further into the 1980s and eventually reached a period of apparent stability at a much reduced level. One possible (partial) explanation for the continued decline in the late 1970s and 1980s is mortality from entanglement in marine debris associated with commercial fishing (Fowler 1985; Fowler et al. 1994). Entanglement monitoring programs conducted on the Pribilof Islands throughout the 1980s and 1990s have found that trawl netting is a significant component of entanglement debris found on northern fur seals (Fowler et al. 1994). While harvests of females and entanglement in fishing gear have contributed to the decline in the size of the population since the 1950s, there is also evidence that the carrying capacity of the North Pacific and Bering Sea for fur seals changed substantially in that period (NMFS 1993). The apparent change in carrying capacity may reflect a natural oceanographic phenomenon, or the impact of intense fishing, or both.

The diet of the northern fur seal in the GOA and the Bering Sea has been studied at least since the mid 1950s and has been summarized by Kajimura (1984) and Perez and Bigg (1986). In 1,800 stomachs from fur seals collected in the Bering Sea from 1960-1974, pollock was a

principle prey species, but it occurred in less than 25% of the samples (Kajimura 1984, Perez and Bigg 1986). In contrast Sinclair et al. (1996) found that juvenile walleye pollock were present in approximately 80% of fecal and gastrointestinal samples obtained from the Bering Sea between 1981 and 1990.

In the GOA, data exist for the months of February-July, and indicate a varied diet composed primarily of herring, Pacific sand lance, capelin, squid and pollock. In the Bering Sea, data exist for the months of June-October, and also reveal a varied diet of small schooling fish and squid. Pollock composed a larger percentage of the diet in the Bering Sea (35% of diet volume) than in the GOA (5%) and Atka mackerel comprised between 10-20 percent of the diet in the Bering Sea during June. Foraging occurs to depths up to 200 m over both shelf and pelagic waters (Kajimura 1984; Loughlin et al. 1987; Gentry et al. 1986; Goebel et al. 1991).

The data for northern fur seals, although obtained primarily from females, suggest that they ingest smaller fish than Steller sea lions. Perez and Bigg (1986) reported that fur seals collected in the North Pacific Ocean ingested primarily 1-2 year-old pollock (total range of 4-40 cm; n = 1,721 pollock from 71 stomachs). Sinclair et al. (1994) reported that juvenile pollock (especially 0- and 1-year-old fish) are the principle prey of lactating fur seals. In addition, the relative strength of pollock year classes is reflected in the fur seal diet, so that pollock from strong year classes show up with markedly higher frequency as the year class ages (Sinclair et al. 1994). The largest fish consumed by northern fur seals in the collections of Perez and Bigg (1986) (n > 3,000 fish) was a 41-cm salmon. Pollock and Atka mackerel fisheries primarily catch fish (target species) larger than 30 and 35 cm, respectively (Hollowed et al. 1991; Lowe 1991; Wespested and Dawson 1991). Consequently, the overlap between fisheries takes and the preferred fish sizes of northern fur seals may be low, a conclusion also reached by Swartzman and Haar (1983).

D. Killer Whales

One of the most common marine mammal/fishery interactions in the Bering Sea is between longline fishing vessels (particularly those targeting on sablefish or Greenland turbot) and killer whales. While this proposal does not deal with longline vessels, it should be noted that the area where interactions are most frequent is a triangular-shaped area from Unimak Pass to the Pribilof Islands to Seguam Pass, much of which also overlaps with the CVOA (Yano and Dahlheim 1995.) The shelf edge from Unimak Pass to the Pribilof Islands also has a preponderance of the killer whale sightings in the platform of opportunity sighting data, particularly in May-December, but the preponderance may simply reflect the distribution of sighting effort. Interactions between killer whales and trawlers have not been as frequent as with longliners in the area. Killer whale populations off Alaska are thought to be stable, and they probably number in the many hundreds of animals, not in the many thousands. This estimate is based on sighting information and surveys conducted in the 1980s, and replicate surveys conducted in 1992 and 1993 by NMFS.

E. Effects of the CVOA and 1998 allocation alternatives on marine mammals

Walleye pollock comprises the largest portion of groundfish occurring in the Bering Sea. Pollock is consumed by marine fishes (including cannibalistic pollock), human fisheries, marine

birds, and marine mammals. The availability of pollock to these consumers depends on the size structure of pollock populations, their areal and temporal distributions, and the areal and temporal distribution of the consumers. The amount of pollock taken by each consumer type must vary annually, but Livingston (1993) estimated that marine fishes consumed the largest portion (principally ages 0-1), followed by human fisheries (age 3+), marine birds (ages 0-1), and marine mammals (ages 1+).

The amount of pollock taken by fisheries is determined by a complex stock assessment and TAC-setting process that uses the best available commercial and scientific information on both the fish stocks and the fishery. TAC-setting is done conservatively, in recognition of the fact that maintenance of a healthy ecosystem requires allowance of unfished biomass sufficient to support other consumers (e.g., marine birds and mammals). In addition to the conservative TAC-setting process, several management strategies are used to disperse the fishery and minimize the possibility of localized depletion of pollock. These strategies are 1) areal and 2) time closures. The aim of such closures is to prevent the fisheries from becoming too condensed in time or space, which could deplete the local abundance of pollock to the detriment of local consumers. The CVOA and associated allocation regimen was originally established as a mechanism for limiting competition between inshore vessels and offshore factory trawlers. By limiting fishing of the offshore sector in the CVOA, management effectively distributed fishery catch over a wider area and therefore benefitted not only the inshore sector, but also marine birds and mammals that forage in the CVOA.

The CVOA encompasses waters known to be important for Steller sea lions and northern fur seals, and likely to be important (at least in part) for harbor seals. The CVOA also overlaps considerably with the eastern Bering Sea foraging area designated as part of Steller sea lion critical habitat in 1993. Given the endangered status of the western population of Steller sea lions, the impact of fishing within the CVOA or within Steller sea lion critical habitat is a matter of considerable management concern. Although the diet and foraging patterns of Steller sea lions cannot yet be fully described (but see Merrick et al. 1997, Merrick and Loughlin 1997), Steller sea lions are known to consume pollock and pollock may be their most important prey item in the CVOA.

Based on conservative measures incorporated into the TAC-setting process and time/area dispersion of the fishery, pollock catch in the CVOA region is not expected to compromise foraging of Steller sea lions or other marine mammals. However, certain allocations schemes under consideration could lead to greater proportional removal of pollock from the CVOA (and from overlapping critical habitat), and such removals could compromise foraging success of local marine mammal populations. Given the current understanding of foraging patterns by these marine mammals, it is not possible to demonstrate, with certainty, that these species compete with fisheries for pollock. Nevertheless, changes in allocation that increase the proportional catch from the CVOA region could only increase the probability of such competition and detrimental impact.

Such impact could be exacerbated given the recent (1994 to 1997) 81% decline in the summer CVOA pollock biomass estimate, and the recent (also 1994 to 1997) tripling in summer pollock

harvest rates by the fishery in the CVOA. Various alternatives could affect pollock availability in the following manner. First, increases in the onshore sector's allocation could lead to greater pollock removals from the CVOA during the A-season and B-season unless otherwise constrained. Second, exclusion or reduction in participation by any of the participants from the CVOA during the A-season would decrease pollock removals from the CVOA. Third, the effect of B-season pollock removals from the CVOA under the No CVOA alternative is difficult to predict and depends on the scenario to distribute offshore distributions during the season. If both the offshore vessels and motherships are excluded, then reductions in CVOA B-season removals of pollock are likely.

Increases in pollock fishery removals from outside of the CVOA would tend to increase catches of small, young pollock (< 40 cm in length). Growth of pollock is slower to the north and west along the outer shelf in the eastern Bering Sea (Wespestad et al. 1997). Therefore, while more smaller pollock may be caught, many of these would be in the same yearclass as those caught to the southeast in the CVOA. Also, age 1-3 pollock tend to be distributed more to the northwest than to the southeast in the Eastern Bering Sea, and actions which would increase effort in these areas would lead to greater removals of juvenile pollock. However, selectivity of age 1 and 2 pollock by the fishery is very low (5% or less; Wespestad et al. 1997). On the average, pollock fisheries in the eastern Bering Sea have caught only about 2% of the 2-year-old pollock each year, and catches increase relative to abundance. So, while increases in effort north and west of the Pribilof Islands would lead to higher catches of young pollock, it is not expected that this would significantly effect yearclass size of pre-recruit pollock. Nor is it expected to affect the availability of pollock to sea lions particularly since catches would be in areas outside of critical habitat.

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Revised Bering Sea Pollock Fishery Community Links: Seattle

for insertion in

APPENDIX II

Inshore/Offshore III
Social Impact Assessment

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BERING SEA POLLOCK COMMUNITY LINKS: SEATTLE

"Seattle" as used in this section refers to the greater Seattle area, and is not confined to the port or municipality of Seattle, except where specifically noted. As is clear from a consideration of the individual sector profiles, Seattle, in one way or another, is engaged in all aspects of the Bering Sea pollock fishery. While Seattle itself is quite distant in geographic terms from the harvest area of the fishery, it is the organizational center of the industrial activity which comprises the human components of this fishery. More accurately, specific industry sectors based in and/or linked to Seattle (or, in some cases, specific geographic subareas within Seattle), are "substantially engaged in" or "substantially dependent upon" the Bering Sea pollock fishery.

Overview: Seattle and Social Impact Assessment Issues

What makes Seattle an analytic challenge, in terms of a socioeconomic description and a social impact assessment directly related to the Bering Sea pollock fishery, is its scale and diversity. Seattle's relationship to the Bering Sea pollock fishery is a paradox. When examined from a number of different perspectives, Seattle is arguably more involved in the Bering Sea pollock fishery than any other community. One example is the large absolute number of "Seattle" jobs within the Bering Sea pollock fishery compared to all other communities, whether counted in terms of current residence, community of origin, or community of original hire -- setting aside, for the moment, where the jobs are actually located. On the other hand, when examined from a comparative and relativistic perspective, it could be argued that the fishery is less important or vital for Seattle than for the other communities considered. Using the same example, the total number of Bering Sea pollock fishery related jobs in greater Seattle compared to the overall number of jobs in Seattle is quite small, in contrast with the same type of comparison for the much smaller Alaska coastal communities. The sheer size of Seattle dilutes the overall impact of the Bering Sea pollock fishery jobs, whereas in Alaskan communities such jobs are a much greater proportion of the total employment in the community – setting aside, for the moment, the consideration of whether those jobs are filled by 'residents.'

As is also clear from the sector descriptions, while all sectors are tied to Seattle in one way or another, the magnitude and nature of these ties varies considerably between sectors. It is through these ties, and how they are manifested in Seattle, that we will examine the role of the community in the Bering Sea pollock fishery. That is to say, the overall size and complexity of Seattle precludes its comprehensive description and analysis in terms of potential social impact effects of the allocative alternatives for inshore/offshore-III. While it was possible, and desirable for analytic purposes, to include some brief community level description for the Alaska coastal communities in this document so show the relative 'engagement' or 'dependence' on the fishery, for Seattle this type of comparison tends to understate the importance of the Bering Sea pollock fishery for particular sectors or subareas. To avoid losing the importance of the fishery in the 'noise' of the greater Seattle area, the

potential reallocation effects will instead be evaluated in terms of Bering Sea pollock fishery industry sectors and their linkages to Seattle.

The precise nature of the relationship between a given sector and the Seattle area varies from sector to sector, and a primary function of this section will be to examine sector specific information in such a way that, in combination with some additional information on the area itself, the potential effects of the allocative alternatives upon Seattle can be estimated. Attention will focus on three main areas for each sector -- employment patterns, expenditure patterns, and concentration or localization in the Seattle area. These discussions will, to a large degree, be qualitative in nature and will vary in terms of detail, as systematic quantitative information was not available at the time of this study. Where quantitative information was provided by individual entities, this information will be incorporated to the extent that confidentiality considerations allow. We will also be able to supplement the discussion of the geographic 'footprint' of the fishery in Seattle through the use of information supplied by the Port of Seattle, as well as information from some earlier planning studies by the City of Seattle relevant to the concentration of fishery related industry within the metropolitan area.

That is, there are (at least) two ways to approach a discussion of the localization of fishing activity in general, and Bering Sea pollock fishery activity in particular, within the Seattle area -- through a focus on port activity and organization, and through a more general historical/geographical (neighborhood or community) focus centered around fishermen, fishing activities, and marine support businesses. The first has the advantage of being well-defined, but is totally industry focused, and fishing-related activities comprise only a small portion of total activity and are not an easily 'isolatable' component using existing information. The second, generally corresponding to the common identification of Ballard and its environs with Seattle's fishing community, would incorporate much more of the overall social organization of fishing activity, but is very difficult to define and characterize within an overall economic and social context as large as Seattle's.

We have compromised in this document by briefly discussing the Port of Seattle in regard to the Bering Sea pollock fishery and a cursory history and characterization of Ballard within the context of greater Seattle. This is followed by a sector-by-sector discussion of linkages to Seattle. This section concludes with a discussion of the issue of providing a perspective from the 'community side' of the links which first overviews the fishery from the community context, and then focuses on fishery related industrial areas.

The Seattle 'Geography' of the Bering Sea Pollock Fishery

In this section, we discuss locational issues with respect to the Seattle area and the Bering Sea pollock fishery. Here we divide the discussion into two components: the Port of Seattle and the community of Ballard. Each provides a different and useful perspective on the Seattle social/socioeconomic ties to the fishery.

The Seattle Geography of the Bering Sea Pollock Fishery: The Port of Seattle

Our use of "Seattle" in a regional way notwithstanding, one of the most obvious possible ways to talk about the localization of the fishing economy in Seattle, and the concentration of potential social impacts of allocative alternatives in the Bering Sera pollock fishery upon Seattle, is in terms of the Port of Seattle. Another would be to attempt to discuss these same topics in terms of the fishing identity of the neighborhood of Ballard. Neither is a straightforward task, but the first is much more possible than the second, given the practical limitations on the availability of data attributable to the Bering Sea pollock fishery specifically. Further, the port is well defined as an institutional entity, whereas Ballard as a community is not. However, it will be possible, because of recent City of Seattle planning efforts for an area called the Ballard Interbay Northend Manufacturing Industrial Center (BINMIC) which essentially combines fisheries-related geographical components of the Port of Seattle and the Ballard neighborhood, to discuss Ballard to some degree.

The Port of Seattle is separate from the Municipality of Seattle, and is an economically self-supporting entity. Besides its direct revenues, it receives 1 percent of the property tax collected in King County, but with a cap on funding not to exceed $33 million a year. In turn, all port revenues are charged a 12.4 percent tax, which is split between the city of Seattle and the state of Washington (in lieu of property tax). The Port's charge is the development of infrastructure that will support local and regional economic activities, especially in cases where the rate of return on investment in that infrastructure may be too low (although still positive) for the private investor. Such development contributes to the overall economy of the region through synergistic and multiplier effects.

The Port of Seattle includes not only marine facilities but the airport as well. The Port publishes various reports on their activities, but most are either too general for our purposes or far too specific. The Marine Division of the port tracks economic activity by general service area -- container terminal, cargo piers and industrial properties, central waterfront piers and property, warehouse and distribution operations, Shishole Bay Marina (recreational moorage), and Fishermen's Terminal Pier and property. None of this information is organized so that expenses and revenues attributable to fishing activity (let alone specific fisheries such as the Bering Sea pollock fishery) can be aggregated and assessed -- although projects now underway will, in the future, provide such information to a greater degree than at present. Given this lack of breakout documentation, most of our information on the nature and magnitude of the importance of the Bering Sea pollock fishery for Port of Seattle came from talks with the Director of Marine Operations for the port.

The port's marine facilities occupy an extensive area, but can generally be characterized as the Ship Canal-Elliott Bay areas. The Director of Marine Operations estimated that Bering Sea related fishing activity generates port revenues of $1,000,000 to $2,000,000 a year. Facilities, and the degree to which they are connected with fishery activities, were identified as follows:

- Fishermen's Terminal (Ship Canal) -- an estimated 10 percent of its revenues (roughly $2,000,000 for all fisheries per year) were judged to result from catcher processor operations, and an additional 10 percent from catcher vessel activity associated with Bering Sea fisheries (not just pollock);

- Pier and Terminal 91 (North Elliott Bay) -- used extensively by catcher processor fleet, and long-term moorage for American Seafoods catcher processor fleet, and provides the bulk of the port's revenue derived from the Bering Sea pollock fishery, through moorage and other fees. This facility also caters to ferries, a tug and barge company, an auto importer, apple exports, and cold storage facilities;

- Central waterfront (mid-Elliott Bay) piers are not so fishery related, although they are sometimes used by larger vessels (Pier 48, Pier 66, Pier 69);

- Pier 25 (East Duwamish Waterway, south Elliott Bay) -- permanent moorage for the Ocean Phoenix mothership, but also used for catcher processor offloading, has cold storage facilities to hold product for transhipping, and a small surimi plant is located there;

- South end in general (Duwamish manufacturing and industrial center) -- has some fisheries related activities (such as cold storage facilities) but is more oriented to cargo operations and other industrial activities.

The summary conclusion is that fishing-related activities take place throughout the port, but are concentrated in the Fishermen's Terminal and Pier 90/91 areas. Of primary importance for fishing activity, and especially for larger vessels, is the availability of suitable moorage. Much of this moorage is supplied by the port (discussed below), in an aggressive response to the demand from the fishing fleet. The initial development of Fishermen's Terminal thirteen years ago was because of the perceived need for more moorage for larger vessels involved in the distant water fisheries. Two years ago an additional $25,000,000 was spent on Fishermen's Terminal work. A substantial portion of Pier 91 has also been rebuilt, with the remainder scheduled to be rebuilt at a cost of an additional $60,000,000.

The Seattle Geography of the Bering Sea Pollock Fishery: The 'Community' of Ballard

Today the term 'Ballard' represents a loosely defined geographical neighborhood of northwest Seattle. There is no geographically standard area for which various sorts of comparable information exists. Nonetheless, the area does have a geographical identity in peoples' minds and, together with

Magnolia and Queen Anne, has its own yellow pages telephone directory (published by the Ballard and Magnolia Chambers of Commerce). The following brief section is based predominately on information from the Ballard Chamber of Commerce (1998), Reinartz (1988a, 1988b, 1988c, 1988d), Hennig and Tripp (1988), and McRae (1988).

Fishermen's Terminal on Salmon Bay is recognized as the home of the Pacific fishing fleet, and has been characterized as the West Coast's 'premier homeport.' Fishermen's Terminal (Salmon Bay Terminal) in turn has often been identified with Ballard -- formerly a separate city (incorporated 1890) annexed by Seattle in 1907. Until the construction of the Chittenden Locks and the Lake Washington Ship Canal, opened in 1917, Salmon Bay Terminal was confined to relatively small vessels, but was the focus of a developing fishing fleet. Once the area was platted and incorporated it quickly attracted settlers and industries desiring or dependent upon access to Puget Sound. The timber industry was the first to develop, due to the need to clear land as well as the value of the timber that was available. By the end of the 1890s Ballard was a well established community with the world's largest shingle manufacturing industry, as well as developing boat building and fishing industries. By 1900 Ballard was the largest area of concentrated employment north of San Francisco.

Ballard effectively blocked the expansion of Seattle to the north, and court decisions had given Seattle control over Ballard's fresh water supply, with the result that Ballard became part of Seattle in 1907. At that time the community had 17 shingle mills, 3 banks, 3 saw mills, 3 iron foundries, 3 shipyards, and approximately 300 wholesale and retail establishments. The Scandinavian identity of Ballard developed at or somewhat before this time. In 1910, first and second generation Scandinavian-Americans accounted for 34 percent of Ballard's population, and almost half of Ballard's population was foreign-born. Currently, less than 12 percent of the population is of Scandinavian descent, but the cultural association remains pervasive.

Ballard's economy continued to develop and diversify, but remained fundamentally dependent on natural resources, and especially timber and fishing. In 1930 the *Seattle Weekly News* reported that 200 of the 300 schooners of the North Pacific halibut fleet were homeported in Ballard, demonstrating not only the centrality of Ballard but the long-term importance of distant water fisheries to Seattle fishermen. In 1936 the Port of Seattle built the need for a new wharf at the Salmon Bay terminal, and in 1937 a large net and gear warehouse was scheduled for construction there. The evolution of North Pacific fisheries, and the role of Seattle vessels in that history, will not be traced here as it should be reasonably familiar to readers of this document.

What is important to recognize with respect to the present analysis is that in some ways Ballard is considered a 'fishing community within' Seattle. While this has historically been the case, when examined with specific respect to the Bering Sea pollock fishery, the area cannot cleanly be considered a 'village within a city.' While there is a concentration of multigeneration fishing families within the area, the 'industrialization' of the Bering Sea pollock fishery, this has tended to disperse the ties of the fishery throughout the area. While support service businesses remain localized to a degree (as discussed in another section below), there would not appear to be a continuity of residential location that is applicable to the Bering Sea pollock fishery that is consistent with, for

example, the historic halibut fishery. It is also important to keep in mind that the Bering Sea pollock fishery is a relatively 'new' fishery (when one thinks in terms of fishing generations) and this has a marked influence on the specific Bering Sea pollock fishery ties to the historic centers of fishing within Seattle. This 'community within the community' issue is not straightforward due to the complex nature of historical ties, continuity of fishing support sector location through time, changes in the technology and methods of fishing, and the industrialization of the fishery, but clearly Seattle represents a different pattern of co-location of residence and industry with respect to the Bering Sea pollock fishery than that seen in the relevant Alaska communities.

Seattle and the Links to Specific Bering Sea Pollock Fishing Sectors

In this section we provide a perspective on the links between Seattle as a community and the relevant individual sectors of the Bering Sea pollock fishery as described in other sections of this report. This type of information is specifically intended to portray the dynamic relationship of Seattle to all of the relevant sectors, and discuss the nature and degree of variation between sectors.

Seattle and the Inshore Processing Sector

Included in this discussion are floating processors and shoreplants. We have only limited information for the former, and because of their limited numbers face confidentiality constraints in any event. Thus, floating processors are discussed only briefly as a separate class, while shoreplants are discussed at greater length.

Floating Processors

All floating processors with a significant participation in the Bering Sea pollock fishery for 1991, 1994, or 1996 were managed and operated out of Seattle. Their relative share of the total amount of Bering Sea pollock processed in those years increased from 2 percent to 6 percent, while the number of operations varied little in terms of absolute number of participants (and the larger operations appear in all three years data). While moveable in theory, Bering Sea pollock floating processors tend to operate in relatively fixed locations in Alaskan state waters, outside of incorporated city and organized Borough boundaries. They thus have minimal interaction with local Alaskan communities and can be characterized as true industrial enclaves. As noted in the inshore sector profile, they employ relatively few Alaska residents, another potential measure of local community or at least state labor force interaction. This, along with the fact that these operations are supported out of the Seattle area (with some logistical support in Unalaska/Dutch Harbor, and marked reliance on air transportation links to the community), would appear to reinforce the overall ties of this subsector to Seattle as opposed to the Alaska communities closer to their areas of operation.

Shore Plants

All shore plants which process Bering Sea pollock are located in Alaska, but all have multi-level ties to Seattle. All are administered from corporate headquarters in Seattle, which is the center for corporate and financial services. Thus, Seattle is the community where business decisions are made, or at least deliberated, for the Alaska shore plants (setting aside, as for other sectors, the complicating issue of degrees foreign ownership that vary by entity). This distinction should not be carried too far, however, as plant managers resident in the communities clearly have a role in corporate decision making, and executives based in Seattle also spend time in the Alaska communities where their plants are located. Nonetheless, the role of 'Seattle' in the decision making process, and the profound influence that process has in the Alaska shoreplant communities, is well recognized in the communities themselves. With the maturing of the fishing industry, the growth of local infrastructure and support services, and the overall changes in Unalaska/Dutch Harbor it is no longer common to hear people express their recognition of the strong industry ties between Unalaska/Dutch Harbor and Seattle by saying that in some respects Unalaska is a 'suburb of Seattle' as was not uncommon in the mid-1980s. The center-periphery relationship is perhaps more complex than ever for this sector. Seattle is the center of corporate operations; Unalaska/Dutch Harbor is the center of processing operations and the interdependencies are many and complex.

In addition to being a decision making and important administrative support community for the shoreplants, Seattle also is the location of some direct employment associated with the shore plant companies. While administrative shore plant sector employment in Seattle consists of relatively few jobs compared with positions at the plants themselves, the Seattle component has a greater proportion of upper compensation range jobs.

Physical plants for secondary processing are located in the Pacific Northwest, other parts of the country, and overseas. Some have direct business operation connections with primary processors (both onshore and offshore). This part of the industry has very wide geographical distribution, however, and was not the object of any research effort.

The day-to-day management of the labor force of shore plants in Unalaska/Dutch Harbor tends to consist of year round community residents (though these individuals were initially recruited from elsewhere). Managers of other shore plants tend to maintain homes outside of Alaska (many in the Seattle area), even though most spend most of their time in Alaska and may well qualify as Alaskan residents.

The bulk of the labor force for shore plants consists of the maintenance/support and the processing crews (although the two may well overlap). The former tends to be employed on a more year-round basis, and thus tends to be more of an Alaska resident labor force. The latter tends to have a higher turnover and, with a significant percentage of the workforce still coming from the PNW and the greater Seattle area in particular, employment ties to Seattle are still important for Bering Sea community based operations. As discussed in the sector profile, for the sector as a whole in 1996, non-Alaskan employees accounted for approximately 80% of the total workforce, but this figure

varies widely by plant, with the range encompassing less than 10% to almost 40% of the workforce being Alaska residents of any one operation. While it is important to recall that there are significant differences between 'residence' and the location of jobs, as discussed in the inshore sector and Alaska communities section, there are impacts derived from the physical location of jobs more or less independent of the formal residency status of the workforce. The following two tables (Tables *SE-1 and *SE-2) provide information on the relative contribution of the shoreplants to the Alaska and non-Alaska employment pools. While specific break-outs are not available, it may be safely assumed that the bulk of the non-Alaska jobs come from the PNW region, and a disproportional number of those from Washington state and the greater Seattle area.

Interviews with processing personnel conducted for the 1994 SIA would indicate that a not insignificant portion of the wages paid to workers in Alaska plants were used to help support extended families outside of the region. While quantitative data do not exist regarding this type of wage flow, it is one more indication (particularly given a general knowledge of the industry) of the ties between the shoreplants and Seattle (and the greater West Coast area).

In terms of support services for the shore plants, Seattle would appear to play a similar role for the shoreplant sector as it does for several of the other sectors, in nature if not in relative magnitude. Shoreplants do purchase goods and services in their 'host communities' but this is highly variable by plant and community. Unalaska/Dutch Harbor has the highest degree of development of local support services, but it is still the case for this community that materials and supplies needed for the

Table *SE-1
Alaska Residents as Percentage of Total Workforce
Bering Sea Shoreplants: 1991, 1994, and 1996
by Individual Entity and Sector Total

Entity	1991		1994		1996	
	Alaska Resident	Non-AK Resident	Alaska Resident	Non-AK Resident	Alaska Resident	Non-AK Resident
A	19%	81%	8%	92%	8%	92%
B	24%	76%	22%	78%	24%	76%
C	22%	78%	18%	72%	17%	83%
D	21%	79%	23%	77%	26%	74%
E	31%	69%	36%	64%	39%	61%
Total Sector	20%	80%	19%	81%	20%	80%

Source: Data derived from NPFMC provided figures for quarterly employment. Quarterly employment figures per year were summed and then percentages derived from summed figures.

Table *SE-2
Employment Summary, One Bering Sea Pollock Shoreplant
Percentage of Alaska Resident Employees
and Percent of Total Wages Paid to Alaska Residents, 1990-1998

Year	% Alaskan Employees	% of Total Wages AK Residents
1990	29.08%	45.73%
1991	24.07%	44.68%
1992	19.40%	42.43%
1993	20.27%	43.07%
1994	22.74%	43.90%
1995	31.40%	45.88%
1996	22.69%	48.27%
1997	16.37%	33.19%
1998*	19.96%*	29.58%*

*1998 Figures are for 01/01/98 through 02/21/98 only.

Source: Constructed from confidential employment figures, specific [unnamed] Unalaska/Dutch Harbor-Akutan shoreplant.

operation of the plants are not manufactured locally, and a great deal of these are shipped out of the Seattle area, given that Seattle is both the headquarters of the individual companies and the nearest major port in the Lower-48.

In terms of expenditure patterns for the shore plant sector in relation to the Seattle area, there are several main areas to consider. First, the shore plants buy fish from the catcher vessel fleet and, as detailed in the sector profile for the CV fleet, the fleet is primarily based in Seattle and the PNW. While there has been a considerable shift in ownership patterns with respect to shore plants as a sector, with processing entities coming to own and/or control a considerable percentage of their delivering fleets, interview data would suggest that there has not been a dramatic shift in employment patterns for crew members. That is, while the locus of ownership may have changed, the patterns of employment have not appeared to do so, with most of the crew members and skippers coming out of the Seattle and PNW area. (How 'home port' has changed is a more complex issue, and is addressed in the CV sector profile.) This being the case, crew compensation as a function of shore plant expenditures for Bering Sea pollock disproportionately accrue to Seattle and the PNW as a region. Second, expenditures for support services would appear to be primarily directed toward the Seattle/Pacific Northwest area. Third, corporate finances would appear to flow through Seattle, so the community would derive economic benefits from these transactions. In short, shoreplant

expenditures could not be seen as having no significant impact on Seattle when examined on a sector basis. The localization of such expenditures within Seattle is less clear.

In terms of fiscal impacts to Seattle, clearly the differences of scale between Seattle and the Alaska shoreplant communities make a great difference in relative significance of the sector. Beyond this, there are different types of fiscal inputs/taxation relationships between the companies and communities based on were the actual 'work' or 'industry' of processing takes place. In the shore plant communities themselves, the plants, as described in the Alaska communities discussion, provide a basic fiscal underpinning for local government in the form various business, property, sales, and fish taxes. Seattle, not being the 'industrial' center of the processing has a different relationship to the industry.

Seattle and the Mothership Sector

Motherships, as a sector, have strong ties to the Seattle area. As noted in the mothership sector description itself, all three Bering Sea pollock mothership operations are headquartered in Seattle, and the motherships themselves are managed and supported principally out of Seattle. Hiring is done from Seattle and, while we have no statistical breakdown of the mothership labor force, most come from the lower-48 and most are reportedly from the Pacific Northwest.

Given that the operations are headquartered in Seattle, the community acts as a corporate center for this industry sector, in terms of corporate and financial services support. There are a few administrative/office positions for each company in Seattle, but these account for less than 10% of the workforce in every case, even at the low end of operational range staffing aboard the vessels.

In terms of fiscal impacts to communities, like catcher processors, motherships are subject to the resource landing tax in Alaska, so they have come to have a different fiscal relationship to Alaska communities in recent years in contrast to earlier years. Individual operations vary in the location and number of offloads, so there is variability between operations in this regard, but motherships in general appear to offload fewer times in Alaskan communities than do catcher processors. At least one is reported to sometimes take product directly to Japan, and all report taking their 'last load' to a non-Alaskan port.

The catcher vessel fleet for motherships tends to have Seattle owners and to be maintained in the Seattle/Pacific northwest region. Some vessels have California or Alaska owners, or may have some connections with Oregon. Regardless of ownership or "homeport" designation, many of these catcher vessels normally remain in Alaskan waters between the pollock "B" and pollock "A" seasons unless there is a compelling reason for them to go to Seattle. Those mothership catcher vessels with Pacific whiting permits have an incentive to go south after the pollock "A" season, and those from that region are those most likely to have such permits, and they will normally schedule maintenance calls in Seattle during this period. Mothership catcher vessels do participate in more fisheries than does the mothership itself, but Bering Sea pollock is their most important fishery.

Many of the mothership catcher vessels, and those now specializing in delivery to catcher processors, participated in the JV fisheries and are generally thought to be less suitable for onshore Bering Sea pollock delivery than most other catcher vessels. Even so, most of these vessels have been modified so that it is at least feasible that they could develop onshore markets should that prove necessary. The stability of the mothership sector, including the catcher vessel fleet, partly reflects the profitability of the arrangement for the catcher vessels, but also reflects in part the lack of competitive alternatives for those vessels.

Mothership labor forces are predominately Seattle-based. Offices are maintained in Seattle, one in conjunction with its pollock CDQ partner and its parent onshore processing company. The actual mothership work forces range from 80 to 140 on the two smaller operations and 190 to 220 on the larger operation. An increasing number of these employees are reported to be from Western Alaska, especially on the CDQ partner vessel, but at present this would appear to represent no more than 20 positions per vessel. The larger operation employs a crew of 40 to 60 people to maintain the vessel and thus work 6 to 7 months a year. Office staff works year round, and the rest of the crew works only while the vessel is actively fishing or in transit (estimated at 90 days or so).

All mothership operations report using Seattle as their primary logistical base. That is, they will leave Seattle with as many of the supplies that they will need for the fishing season as possible. All contrasted this with the pattern of their catcher vessel fleet, which obtains most of its logistical support from Alaskan ports. The mothership reportedly does not carry supplies for its catcher vessel fleet (citing lack of storage capacity aboard their vessels). Motherships have a limited number of opportunities to take on additional supplies in Alaskan ports, since they normally do not have many offloads in Alaskan ports. Linkages to Alaskan communities are thus mostly through the resource landing tax paid on offloaded product and the activities of their catcher vessel fleet. Most mothership community linkages are with Seattle.

Seattle and the Catcher Processor Sector

The catcher-processor sector is the "most" Seattle of Bering Sea pollock fishery sectors, both in terms of ownership as well as localization of corporate and support operations. Employment is predominately from Washington state, although our systematic information in this regard is dated, with the exception of the following two industry provided tables (Tables *SE-3 and *SE-4) which show employment for 1996 and 1997, and the sector has been making efforts to increase its percentage of "Alaska hire." CDQ partnership operations have also likely influenced changes in this area. These points will be briefly discussed within the Seattle context below.

Table *SE-3
Catcher Processor Sector Contribution to Employment, Washington and Other States
1996

State of Residence	Employment Opportunities	Gross Pay & Benefits	FTE Years of Employment	Pay per FTE Year
AK	177	$2,140,853	77.5	$27,623.91
WA	1958	$52,652,553	1296	$40,626.97
OR	109	$2,674,243	69.9	$38,258.13
IA	43	$1,214,044	29.9	$40,603.48
MT	27	$516,623	17.4	$29,690.98
CA	257	$4,340,637	136.9	$31,706.63
other	353	$9,052,872	213.6	$42,382.36
TOTAL	2924	$72,591,825	1841.2	$39,426.37
per vessel (15)	195	$4,839,455	123	
AS PERCENTAGES				
AK	6%	3%	4%	
WA	67%	73%	70%	
OR	4%	4%	4%	
IA	1%	2%	2%	
MT	1%	1%	1%	
CA	9%	6%	7%	
other	12%	12%	12%	
TOTAL	100%	100%	100%	

Source: APA provided information

⊛ Information is only for At-Sea Processors Association member companies - C.O.

Table *SE-4 Catcher Processor Sector Contribution to Employment, Washington and Other States 1997				
State of Residence	Employment Opportunities	Gross Pay & Benefits	FTE Years of Employment	Pay per FTE Year
AK	366	$4,720,743	196	$24,085.42
WA	2663	$76,254,686	2180	$34,979.21
OR	151	$3,292,628	111	$29,663.32
IA	51	$1,658,172	48	$34,545.25
MT	28	$652,514	20	$32,625.70
CA	338	$7,455,701	272	$27,410.67
other	517	$13,979,158	426	$32,814.92
TOTAL	4114	$108,013,602	3253	$33,204.30
per vessel (23)	274	$7,200,907	217	
AS PERCENTAGES				
AK	9%	4%	6%	
WA	65%	71%	67%	
OR	4%	3%	3%	
IA	1%	2%	1%	
MT	1%	1%	1%	
CA	8%	7%	8%	
other	13%	13%	13%	
TOTAL	100%	100%	100%	
Source: APA provided information				

⊛ At-Sea Processor's Association member companies only. C.O.

Corporate management and operations of the catcher-processor fleet is concentrated in the Seattle and Puget Sound area, as is ownership (Tables *3a and *3b). For 1996, all twenty surimi catcher processors and the great majority (15 of 19) of fillet catcher processors report Washington state ownership. Alaskan owners are credited with 3 of the latter type of vessel, and Maine with 1, although even these entities have a Seattle office to manage operations. These vessels are typically not present in Alaska when not working, although there have been a very limited number of recent

exceptions for ship work in Alaskan ports, and a very limited number of vessels (3 FCPs and 3 SCPs) were reported to have Alaskan homeports in 1996. Even these vessels for the most part use Seattle or Pacific Northwest facilities for regular maintenance and support. This pattern has been somewhat modified by the investment of two CDQ groups in the offshore sector, one through purchase of partial ownership in a catcher processor and the other through purchase of a 50 percent interest in a parent company which owns two catcher processors and other assets. A third CDQ group formerly had an interest in a catcher processor, but divested as the result of a failed partnership. These ownership shifts have affected some aspects of the operations of these vessels, but not the centralization of management and support services for them in Seattle.

Catcher processors harvest and process Bering Sea pollock in Alaskan waters and, although Seattle based, have fiscal ties to Alaska through the payment of resource landing tax on the product they offload in taxable jurisdiction areas. For example, as noted in the discussion of Alaska communities, resource landing tax is a significant source of income to the community of Unalaska/Dutch Harbor. Surimi catcher processors will typically land their last load in Seattle, since they must make the trip anyway (but this varies somewhat by operation, and depends on a number of variables such as ultimate market, shipping costs, timing with respect to participation in other fisheries, and so on). Fillet catcher processors may also do so, but most have other possible Alaskan fisheries that they can participate in after pollock, so that they tend to land more of their total pollock production in Alaska.

Catcher processor vessels are moored and maintained in the Seattle/Pacific Northwest area. The Port of Seattle has made a sizeable investment in renovating part of Pier 91, and is in the process of renovating the rest, partly in response to the need of the largest catcher processor company for moorage and other work space for its operations. The ability and desire of this company to sign a long-term lease enabled the Port of Seattle to finance these renovations, so there is a direct link seen between the Bering Sea pollock fishery and port development. The Puget Sound area, and the Port of Seattle within the Puget Sound area, provides the majority of moorage available for the Bering Sea pollock fishery fleet (and especially so for catcher processors).

There were 39 catcher processors in the Bering Sea pollock fishery in 1996, and earlier data suggest that each has 100 to 150 employees and a crew income of $3 to $5 million (Miller et al. 1994). The labor force for catcher processors is predominately from Washington state. Systematic (but partial sector) information from 1993/94 and indicates that 68 percent of all catcher processor employees are residents of Washington state, with 19 percent Alaskan residents, 12 percent from other western states, and 1 percent "other." More recent, but also partial sector, information for 1996 and 1997 shows much the same pattern. For 1996, the percentage of Washington state employees was 67 to 73 percent (depending on whether one looks at job opportunities, FTEs, or gross pay and benefits). The percentages for Alaskan employees ranged from 6 percent of employment opportunities to 3 percent of total gross pay and benefits paid. For 1997 the range for Washington employees was 65 to 71 percent, and for Alaskans 9 percent (job opportunities) to 4 percent (gross pay and benefits). (This is the reverse of the pattern seen in the limited data available for shore processors, and likely results from the differential time depth of Alaska hiring and individual position longevity, among other factors.) Oregon residents were at a level of 3 to 4 percent, Idaho at 1 to 2 percent, California at 6

to 8 percent, and "other" at 12 to 13 percent. This is quite a wide geographical spread, and although there is some indication that Seattle residence may be reasonably common, there are also indications that the labor force can also be highly mobile.

Turnover varies from year-to-year and is highly dependent on level of compensation. Some people make careers of working on catcher processors, while others treat it as a seasonal activity or a "stage of life" activity. The one group of employees that was readily identifiable were those Alaskans hired from western Alaskan villages, primarily by fishing operations with CDQ partnerships. The program has not been in operation long enough to establish definite patterns, and the analysis of the CDQ program is being covered under a separate study effort, but indications are that many are using such employment as a way to earn seasonal wages to support life in the village. At least a limited number of individuals have relocated to Seattle, based on catcher processor employment, although interview data would indicate that they maintain contacts with relatives and return to the village at frequent intervals. Management and the vessel maintenance labor force, to the degree that such work does not require work in a shipyard, is clearly concentrated in Seattle.

Our interview information, derived from contact with five companies with 27 vessels, supported this general picture. Most employees are from Washington or other western states, with Seattle being the major (or only) point of hire. For those operations with CDQ partners, this was generally modified by an effort to incorporate CDQ group residents into the fishing (and other) operations through entry level positions and intern training programs. The companies contacted for the study reported that Alaskans comprised about 14 to 19 percent of their labor forces, and some of the firms had Anchorage or even more regional Alaskan hiring offices. An entry-level employee who works all trips on a fillet-capable vessel could earn $55,000. CDQ partnerships help stabilize and retain the access to fish resources, but do not really increase the access of the operation to capital or management resources, where Seattle has remained the primary source.

Available information on expenditure patterns of the catcher processor fleet is fairly sketchy. The catcher processor sector fleet, on average, purchases 10 percent of its open-access pollock from the catcher vessel sector fleet, which is itself predominately Seattle-based. From our interview information, individual companies varied from buying almost no pollock from catcher vessels up to 33 percent of their total open access pollock. Data from a relatively recent study put other operational expenditures as typically between $10 and $15 million a year (Miller et al. 1994) and are spent primarily in Seattle or the Seattle area. Some drydock work has recently been done in Alaskan ports, specifically in Ketchikan, and in-season work also takes place in Alaska. Seattle is the only locale with a concentration of facilities that can provide these services for a large number of vessels, with the possibility for competitive bidding. Our interviews with most firms resulted largely in more general level information, as individual operations were hesitant to provide this detail, perhaps because of the time required to provide it in a systematic and complete form, not to mention the confidentiality of actual expenditure amounts and patterns. The general pattern, however, was clear: catcher processor operators consistently indicated that most expenditures were made in or through Seattle or the Puget Sound area -- with in-season support from Alaskan sources as required. They were quick to point out that they needed to purchase large amounts of fuel in Unalaska/Dutch

Harbor, paid a great amount of dock fees and resource landing taxes there, and in general provided a good deal of support for that community, both through fees and taxes and direct expenditures. At the same time, like all other businesses, their operations are managed to minimize expenses, and in most cases this entails supplying the vessel as much as possible from Seattle.

One indication of the range of services that an individual vessel requires, and the magnitude of the cost involved, comes from the list of "unsecured" creditors of one of the catcher processors which most recently went bankrupt. The total unsecured debt was $3,589,099, owed to 48 creditors. Of the 48 creditors, 35 (73 percent) had Washington addresses, most in Seattle and all in the greater Seattle area. These represented about 62 percent of the total unsecured debt. Of the other 13 creditors, 10 were domestic (3 Alaska [2 of which were in Unalaska/Dutch Harbor], 3 Maryland, 2 Texas, and 1 each in New York and Ohio) and 3 were foreign (1 each in Japan, Canada, and England). Of the 3 largest single debts, one was to the New York creditor and one was to the Japanese creditor. The goods and services represented by the debts span a wide range of operations -- equipment suppliers, repair and maintenance providers, fuel and other operational good providers, transportation and shipping companies, insurance and other business service providers, cold storage and other operations service providers, local retailers of various sorts -- which serve as one measure of how the economic effects of any capital intensive enterprise ripple throughout an area where it is concentrated. The inclusion of the New York and Japanese creditors serve to remind us of the worldwide nature of the organization of this industry (especially in terms of finance and sales), but the bulk of the operational debts also indicate the degree to which goods and services are obtained in the Seattle area.

The community economic/fiscal links of the catcher processor sector can be summarized by the overall dichotomy or comparison of (Seattle) financial, most maintenance, and initial supply costs as opposed to (Alaskan and especially Unalaska) in-season operational costs. The majority of the labor force is in some way linked to Washington state or the Pacific Northwest. Thus, in terms of absolute value, the sector expends a great deal more, to a much wider economic network, in Seattle than it does in Alaska and Unalaska. The relative scales of the economies in Seattle and Alaska (especially Unalaska) make this comparison in absolute terms questionable, however -- at least in terms of whether the catcher processor sector is 'more important' for Seattle or Unalaska. That is, although the 'value' of the offshore sector to the community of Unalaska/Dutch Harbor, particularly in relation to the onshore sector, is the subject of considerable community debate, it would appear that in relative terms, the offshore sector is a larger percentage of the Unalaska/Dutch Harbor economy than it is of the Seattle economy, despite the fact that the absolute level of expenditures in Seattle is much, much higher than in Unalaska/Dutch Harbor.

Seattle and the Catcher Vessel Sector

Our principal purpose here is to discuss the relationship of the catcher vessel sector to Seattle, so we will not discuss differences within this category at great length (e.g., onshore versus offshore delivery patterns). For such discussions please see the catcher vessel sector description. There are also some

catcher vessel sector dynamics that we noted during the course of field research but did not have the time to examine in detail, such as the increase in the absolute number of catcher vessels in 1996 compared to 1994, or the increase in catcher vessels from Oregon in 1996 compared to 1994. These dynamics may be related to processors stepping up the pace of the race for fish within each sector, and the increasing need for boats participating in Pacific coast fisheries to find alternative or supplemental opportunities to offset declining harvests. We did not examine either of these dynamics, however, so these are only possibilities that will not be examined in this document.

In terms of numbers, the majority of catcher vessels are owned and managed by residents of Washington (about 56 percent) and Oregon (about 19 percent -- Tables *CV3, *CV5b, and *CV5c). However, Washington boats account for about 73 to 77 percent of the reported onshore delivery of Bering Sea pollock, whereas Oregon boats account for only about 9 percent (Tables *CV5e, *CV5f). This is partly a function of size -- larger boats tend to be from Seattle/Washington -- and of Oregon boats not concentrating on Bering Sea pollock to the extent that Washington boats tend to. There has also been a tendency for shore plants to acquire ownership interest in catcher vessels, which in most cases will then tend to be primarily pollock vessels based in, or at least managed from, Seattle.

Catcher vessels, of course, harvest Bering Sea pollock in Alaskan waters, and because of inherent limitations in size must obtain extensive operational support in Alaskan ports. Most catcher vessels will have overhauls and other major work done in Seattle (or an alternate port in Washington, or Portland, Readsport, or Newport in Oregon), but may make the trip only every two years if they do not usually participate in PNW coast fisheries on a regular basis. This is also a tendency which seems to accompany shore plant acquisition of more pollock-specialized catcher vessels. The increasing need to economize and the decreasing fishing opportunities in Pacific coast fisheries are also factors in this trend. Depending on the degree of shelter provided by moorage at the different plant locations, catcher vessels may tend to tie up at Alaskan shore plants after the pollock "B" season. Limited moorage for catcher vessels participating in the Bering Sea pollock fishery exists in other Alaskan ports (Kodiak, Sand Point), but only to a very limited extent. Catcher vessels delivering offshore tend to go to Seattle every year if they participate in the Pacific coast hake fishery. Otherwise, they also tend to stay in Alaskan waters when they do not need major shipyard work, and will look for Alaskan fisheries to 'fill in' their annual harvest cycle. This trend has the effect of increasing the use of air flights to connect crew with vessels, so that an indirect effect is to increase the availability of and support for transportation links for various Alaskan fishery communities (a trend also seen to a much larger degree with the 'transient' components of the shore plant workforces).

The typical catcher vessel crew size seems to be about 5, with an additional person or two to fill in and allow crew members to rotate out for rests in turn. As noted in the sector profile, overall employment per vessel decreased with the shortening of the seasons (as there are no more 'crew rotations' as in earlier years). No systematic information on overall sector employment is available, but our interview information indicates that most crew is from the Washington/Oregon area, with a concentration in Seattle. This was true even though many catcher vessels apparently spent most of their time in Alaskan waters, and may tie up in Alaskan ports more than in Washington or Oregon. This may reflect an historical situation, before Alaskan moorage was available and boats did return

to Seattle every year, combined with continued Washington/Oregon ownership. Much of our interviewing was conducted in Seattle, but a significant portion was also done in Unalaska (and some in Anchorage).

Catcher vessel expenditure patterns are difficult to generalize. In-season operational expenditures are made in Alaskan ports. Catcher vessels tend to tie up in Alaskan waters when possible, but maintenance requiring shipyard work and overhauls tend to take place in or near the owner's physical residence, which in most cases in the Pacific Northwest. Crew tends to reflect the boat's "community of origin" as well, so that the overall revenue flow for most catcher vessels is oriented to the Washington/Oregon area, and for the Bering Sea pollock fishery, more specifically to Washington. These economic effects are distributed more widely, and to a wider range of communities, than for the processing sectors considered above.

The General Seattle Community Context of the Bering Sea Pollock Fishery

This section looks that the community end of the sector/fishery-Seattle community links from the community context perspective. This is done in two ways, from the general community context and from the localization of industry perspective.

General Bering Sea Fishery Seattle Community Context

The contribution of the seafood industry, and the Bering Sea pollock fishery in particular, is significant in absolute and relative terms in the context of the community of Seattle. As already noted, the offshore sectors of the Bering Sea pollock fishery are the most closely linked to the community in terms of uniformity of ties across different aspects of the business structure in general (i.e., a 'larger part' of their total operations are focused in Seattle than is the case of other sectors). This should not be taken to underestimate the overall important of the other sectors, however. According to a 1997 NRC report, in 1996 the Washington inshore seafood industry generated 32,837 FTEs (21,308 in Washington and 11,529 in Alaska) and $791 million of earnings impacts ($532 million in Washington and $259 million in Alaska). In terms of economic output, it contributed $1.9 billion to the Washington state economy and $1.2 billion to the state of Alaska economy. This underscores the interrelatedness of the economies of the two states. Companies based in Washington depend on Alaska fisheries for the great bulk of the raw materials processed in Washington. Alaskan, as well as Washington, fishermen harvest this resource. The corporate offices and sales outlets of the processing companies are located in Washington, as are most of the suppliers and support services for the industry.

The focus of our analysis is this section is the contribution of the Bering Sea pollock fishery to Seattle and the preceding sections looked at sector specific ties. This section will examine the issue from the 'other side of the equation' -- from the community 'side' of the sector-community links. Unfortunately, most of the information available does not enable us to focus on this issue with a fine

resolution. Different sources address different partial aspects of this comprehensive question. Some discuss different scales of detail -- local versus distant fisheries, groundfish versus other fisheries (crab, salmon, and so on), or fishing as a whole versus other maritime activity (shipping, for example). Some discuss different components of commercial fishing activity -- harvest versus production, or one particular type of operation versus all others. Some concentrated on more confined, or more broadly regional, geographical areas. By collecting some of this material together and piecing it together, however, some sort of understanding of the overall contribution of commercial fishing to Seattle should be possible.

We begin this portion of the discussion by summarizing some comprehensive, yet dated information on the structure of the relationship between Seattle and the Alaska distant water fishery. According to recent discussions (NRC 1998: personal communication), these data still represent the overall nature of the ties between Alaska fisheries and the Seattle area. Further, the several studies summarized here are presented in chronological order, so the evolution of ties can, to the extent that data from intermittent points allow, be seen.

Natural Resource Consultants 1986 is a dated, but quite comprehensive, account of commercial fishing activity by the Seattle and Washington state fleet. They provide a brief historical narrative on the development of the various fisheries, and then a more detailed summary of the harvest for 1985. The estimated ex vessel value of the grand total of all seafood taken from local waters by Washington's local fleet was about $93 million, by 5,747 vessels with an estimated crew employment of 11,072 (NRC 1986:18,19). Distant water fisheries, primarily in the Gulf of Alaska and the Bering Sea, yielded an estimated grand total of $290 million for 1,371 vessels with an aggregate crew of 6,088 (NRC 1986:28,33). The joint venture fleet accounted for about $80 million (ex vessel) of this, with about 81 vessels and 405 crew, with an additional 11 catcher processors accounting for another $25 million (ex vessel) and about 330 jobs. In their summary section these points are reemphasized. In terms of weight or volume, 92 percent of the seafood harvested by Washington fishermen came from Alaskan waters, and only 7 percent from local waters. In terms of ex vessel value, Alaskan harvest was worth $283 million and local harvest $110 million (and other harvest $8 million). Most of the Alaskan catch was processed to some extent in Alaska by a processor based in Seattle. NCR states that there were about 130 seafood processing/wholesaling and 33 wholesale/cold storage companies in Washington in 1985, operating 250 primary processing and wholesale plants in Washington and 120 shore-based or at-sea in Alaska. Washington processing employment was 4,000 seasonally, and in Alaska was 8,000, with half coming from Washington (NCR 1986:35-39):

Lastly, table *SE5 reproduces NRC's conclusions as to the total contribution of the Washington state fishing industry to the total economy. Alaskan water activities account for fully half of it, and these activities were centered in Seattle (although that was not a central part of their discussion).

This study was updated in 1988, and again Washington fishermen harvested about 80 percent (ex vessel value) of their catch in distant waters, with 98 percent of that coming from Alaskan waters. About 72 Washington state vessels participated in the joint venture trawl fishery, directly employing about 360 people. There were also 43 catcher processors employing about 2,200 people, and 26

Table *SE5 – Total Economic Contribution of the Washington State Fishing Industry 1985 (Millions of $)			
		Direct	Direct & Indirect
Locally Landed	Landed Value	109.7	170.0
	Value added by processing	94.5	123.8
Subtotal		204.2	293.8
Landed in	AK, CA, OR, HA	242.3	382.7
	Value added by processing	133.3	174.6
Subtotal		375.6	557.3
From Non-State landings: Washington share of value added		195.7	256.4
TOTAL		775.5	1107.5
Source: NRC 1986:41			

Table *SE-6 –Estimated Volume and Value of Washington Distant Water Commercial Fish Harvest, 1985 and 1988						
Fishery	Harvest Volume (000 mt)		Harvest Value (million $)		Wholesale Value (million $)	
	1985	1988	1985	1988	1985	1988
Salmon	80.3	66.8	106.1	240.0	238.0	525.6
King and Tanner Crab	26.4	51.7	42.2	129.4	54.9	191.5
Longline Halibut and Blackcod	12.1	19.8	20.9	40.7	34.8	63.1
JV Trawl	720.8	802.8	78.3	120.4	78.3	120.4
Catcher Processor	111.6	546.0	24.6	103.7	61.6	334.1
Roe Herring	12.6	5.9	8.5	5.9	18.7	10.8
TOTAL	963.8	1493.0	280.6	640.1	486.3	1245.5
Note: Shore-based trawl landings are not included. Dungeness crab landings have been excluded. Volume and value estimates for salmon landings may be as much as 5 percent too high, but are retained for consistency with earlier work. Source: NRC 1988:10						

shore-based trawlers, employing about 130 people. Pollock was an unspecified percentage of the harvest of these operations (see Table *SE-6).

Table *SE7 reproduces NRC's summary of the contribution of commercial fishing to Washington state's economy in 1988. The grand total, including indirect effects, was estimated at $3.1 billion, an increase from the 1985 estimate of $1.876 billion. Local water harvest and processing accounted for about 19 percent of this, distant water fisheries and processing about 57 percent, and other processing activities by Washington companies for about 24 percent. Of the estimated 36,608 FTEs associated with this economic activity, 39 percent were attributed to the distant water fishing fleet and 40 percent to out-of-Washington-state processing. The $1.794 billion of direct and indirect benefits associated with the activities of the distant water fleet was also estimated to generate an additional $795 of induced benefits.

Table *SE7 – Total Economic Contribution to the Washington State Commercial Fishing Industry in 1988 (Millions of $ to Washington Economy)			
locally landed	Landed Value	137	269
	Value added by processing	171	320
Subtotal		308	589
Distant Water	Landed Value	639	1257
	Value added by processing	288	537
Subtotal		927	1794
Non-State Landings: Washington State share of value added		405	756
TOTAL		1640	3139
Source: NRC 1988:16			

Turning to more recent data, Chase and Pascall (1996) focus on the importance of Alaska as a market for Seattle region (Puget Sound) produced goods and services. They do so by identifying particular industrial sectors that generate the bulk of these economic impacts, but they do not locate these industrial sectors in terms of particular geographic locations within the region. Table *SE-8 essentially reproduces their summary of the direct and indirect impacts (jobs and labor earnings) on the Puget Sound economy from regional goods exported to Alaska, and from industries that harvest and/or process Alaska resources.

The indirect impacts they include are of two types -- one from industries that do not export to Alaska, but provide services to those who do, and from the spending of income earned by employees is such exporting or export-serving industries (the ripple effect).

Table *SE-8 – Total Alaska Job, Value of Exports, and Labor Earnings Impacts on Puget Sound Region, 1994			
Sector	Exports ($Million)	Jobs	Earnings ($Millions)
Export-Related Impacts			
Goods & Services, Total	NA	44890	$1,250.5
Manufacturing	$816.8	6696	$235.9
Trade	$296.2	13697	$298.6
Services	$312.1	19199	$503.3
Finance, Ins, & Real Estate	$59.7	3562	$137.3
Agriculture, Forestry, & Mining	$9.8	425	$14.5
Construction	NA	366	$11.0
Utilities & Communication	NA	944	$49.9
Transportation	$894.3	8547	$339.1
Resource Related Impacts			
Fisheries, Total	NA	29788	$1,082.6
Fishing Fleet, Total	$1,864.0	22094	$756.8
Fishing Fleet, direct	$863.0	8726	$386.6
Fishing Fleet, indirect	$1,001.0	13368	$370.2
Seafood Processing, direct	NA	5600	$189.0
Seafood Processing, indirect	NA	1094	$136.8
Petroleum Refining, Total	NA	6873	$251.0
TOTAL (of left justified labeled cells)	$2,388.9	90098	$2,923.2
Source: Chase and Pascall 1996, Tables 3 and 7.			

In their discussion of the fisheries sector, Chase and Pascall indicate that only a fraction of the regional economy is based on fishing and seafood processing industries, but that these industry sectors are concentrated in several communities and rely heavily on North Pacific (Alaskan) resources. The communities that they single out are Bellingham, Anacortes, and the Ballard neighborhood of Seattle. They say that Seattle is the major base for vessels for various fisheries -- groundfish (catcher vessels, catcher processors, motherships), halibut, crab, salmon, and others. There are numerous secondary processing plants in the region, and about 60 percent of the seafood

harvested and shipped south for processing moves through the Port of Tacoma (Chase and Pascall 1996:23).

The relative value of Alaskan groundfish (cod, pollock, sablefish, flounder, and other bottom fish aggregated together) for the Seattle fleet varies from year to year, but in 1994 was about 17 percent of the ex vessel value of the Alaska/North Pacific Commercial Fishing Harvest (Chase and Pascall 1996:26), which represented about 75 percent by harvest value, and 92 percent by weight, of all fish harvested by the Puget Sound fishing fleet (Chase and Pascall 1996:23 -- citing ADF&G, NPFMC, NMFS).

Direct jobs generated by fishing in the Seattle area are 8,726, with an additional 5,600 direct jobs from processing. Indirect jobs generated from the purchase of goods and services by the fishing fleet, and their workers spending money in the area, were calculated at 13,368 (1,094 for processing -- see Table *SE-8).

Other relatively recent work (Martin O'Connell Associates 1994) indicates the wide range of activities that the Port of Seattle supports, and the web of support services which commercial fishing helps support, but provides no measure of the contribution of the Bering Sea pollock fishery to this support. Fishing activities are included in this study only to the extent that they are reflected in activities at Fishermen's Terminal. This may reflect some Bering Sea catcher vessel activity, but would greatly underestimate catcher processor, mothership, and secondary processing activities. By their estimation, fishing activity at Fishermen's Terminal in 1993 generated 4007 direct jobs (the majority of them crew positions), earning an average of $48,690 per direct job (total $195 million). In addition, an additional 2,765 induced and indirect jobs were created. Fishing businesses also expended $145 million on local purchases of goods and services (Martin O'Connell Associates 1994:45-49). Again, this does not indicate the contribution of the Bering Sea pollock fishery so much as it establishes that the local fishing/processing economy is densely developed. Also, if the estimates or models of vessel expenditures developed for operations using Fishermen's Terminal can be extrapolated to other vessels based in Seattle, an estimate of the contribution of the Bering Sea pollock fishery may be possible. The estimate for annual expenditures in Seattle for a factory trawler using Fishermen's Terminal was about $2,000,000 in 1993. Miller et al. 1994 indicate that for a model surimi vessel, 1993 operating expenditures other than for crew had been in the range of $10 million annually. These would have been distributed among all the places where the vessel fished, as well as its Seattle (or Tacoma) home port, but still indicates that there is a large contribution to the regional economy from the presence of these vessels. Each vessel also represents more than 100 direct jobs and a payroll of $3 to $5 million (Mill et al. 1994:1,23).

A summary profile of the Puget Sound maritime industry, which includes commercial fishing, is included in Economic Development Council of Seattle and King County 1995 (Appendix A:39-49). Pertinent information will be abstracted here. The list of included businesses is quite long and is a good indicator of how far indirect benefits can spread:

> ... cargo shipping, tugs and barges, commercial fishing and supply; sip and boat building; cruise ships; vessel design and repair; fueling; moorage; the fabrication and sale of marine gear such as electronics; refrigeration, hydraulics, and propulsion equipment; the operation of marinas, dry docks and boat yards; services provided by customs and insurance brokers and shipping agents; and maritime professional services including admittedly law, marine surveying and naval architecture (Appendix A:39).

It was estimated that in 1992 there were 30,000 jobs in the maritime sector within the four-county region, including 10,000 in commercial fishing; 7,000 in fish processing; 5,000 in marine recreation; and 3,900 in boat building and repair. Average wages were estimated at $24,000 for fish processors; $32,000 for ship and boat building and repair; and $50,000 to $80,000 for commercial fishing. The sector is one noted for providing entry level positions for those with limited education and job skills, so that they can learn a high-wage job. Each job in this sector creates or supports 1 to 2 other jobs in the regional economy, and each dollar of sector output generates about one additional dollar in output from the rest of the economy.

Seattle offers the maritime sector, and the distant water fleet in particular, a "critical mass" of businesses that allows vessel owners and other buyers a competitive choice of goods and services. The same is true to a lesser extent of other regional ports, such as Tacoma. Efficient land transportation systems are also critical, and Seattle has good rail and truck linkages (and the Port of Seattle is working to improve them).

Although the maritime sector is an important one for the region, some of its components are currently experiencing some difficult times. Other regional communities (Anacortes, Bellingham, Port Townsend) as well as non-regions locations in Alaska (closer to the distant fishing waters) are working to develop port facilities to lure vessels so that they may gain the economic benefits of the associated support and supply business. Common sorts of projects are the improvement of shoreside access, building additional moorage, or work and storage capacity. The Port of Seattle is in the process of an aggressive refurbishing of much of its moorage, originally built during World War II. Pier 91, now home to a central part of the catcher processor fleet through a long-term lease from the Port of Seattle, is being extensively rebuilt (Mark Knudsen, personal communication).

Regional shipyards have been in a slump, more-or-less reflective of the economic health (or lack of it) of the fishing industry. Low prices and regulatory uncertainty are cited as major weak points. There also seems to be a reasonable supply of used boats (Economic Development Council of Seattle and King County 1995, Appendix A:46)

Natural Resource Consultants repackaged some of their earlier work, and added additional analysis focused specifically on the contributions of inshore Washington state (but also Alaska) processing plants to the Washington state economy (NRC nd, 1997). The Washington inshore seafood processing industry purchased $859.5 million of raw material in 1991, $720.1 million form Alaska and $139.4 million from Washington waters. Salmon accounted for 46 percent of the total value of these purchases, while groundfish accounted for 19 percent. The total finished product from all this

raw material was worth $2.134 billion ($1.8 billion from the Alaskan raw material). Salmon accounted for $780 million of the final product's value, while groundfish accounted for $482 million. "... inshore processors operating in Alaska and Washington account for more than 50% of the value of U.S. seafood exports" (NRC nd:4).

Expenditure patterns for Washington (and Washington-owned Alaskan) inshore plants were modeled in these NRC documents. Inshore plants expenditures average 46 percent for their raw materials (fish and shellfish), 16 percent for wages and benefits, 9 percent for processing materials, and 7 percent for tendering and other transportation costs. About 55 percent of these expenditures were made in Washington, 43 percent in Alaska, and 2 percent form other states. This is stated to include fish and shellfish purchased in Alaska from fishermen who homeport in Washington (NRC nd:9), and economic benefits were produced from these expenditures in direct proportion to their magnitude.

The estimated total economic output from primary and secondary processing activities for all seafood to the Washington state economy in 1991 was calculated to be $1.865 billion. This was the result of three main factors:

- A substantial portion of expenditures for raw material (fish) in Alaska are made to fishermen whose home ports are in Washington.
- The majority of administrative and sales functions of processing companies are carried out in Washington.
- A major portion of support industries (equipment and packaging manufacturing) are located in Washington.

That is also the order of their significance in terms of contributions to economic benefits.

In addition, a substantial amount of secondary processing takes place in Washington. This produces additional benefits to that of primary processing of about 3,635 FTEs, earnings of $81 million, and indirect benefits of $287 million. The report also points out that the Washington inshore processing sector is the second highest value food product contributor to the Washington state economy, being topped only by the apple.

NRC updated this report in 1997 and reached essentially the same conclusions. In 1996 the Washington inshore seafood industry generated 32,837 FTEs (21,308 in Washington and 11,529 in Alaska) and $791 million of earnings impacts ($532 million in Washington and $259 million in Alaska). In terms of economic output, it contributed $1.9 billion to the Washington state economy and $1.2 billion to the state of Alaska economy (NRC 1997).

As noted earlier, these data underscore the interrelatedness of the economies of Alaska and Washington and, as has been seen through the sector profiles and the ties to particular communities, the ties between Seattle and specific Alaska communities. Companies based in Washington depend on Alaska fisheries for the great bulk of the raw materials processed in Washington, and residents of both states harvest Bering Sea resources. Also as noted earlier, the corporate offices and sales outlets

of the processing companies are located in Washington, as are most of the suppliers and support services for the industry. The following section looks at the localization of the fishing industry within the waterfront area of Seattle.

Seattle Community Context and the Localization of Industry: The Ballard Interbay Northend Manufacturing Industrial Center

With previous discussion as a as regional context, we can now examine an attempt to more closely associate a specific area of Seattle with commercial fishing (and other associated) activities. One of the fundamental purposes for the establishment of the Ballard/ Interbay/ Northend Manufacturing and Industrial Center (BINMIC) Planning Committee was the recognition that this area provided a configuration of goods and services that supported the historical industrial and maritime character. At the same time, developmental regional dynamics are promoting changes within the BINMIC area which may threaten the continued vitality of its maritime orientation. Among other objectives, the BINMIC final plan states:

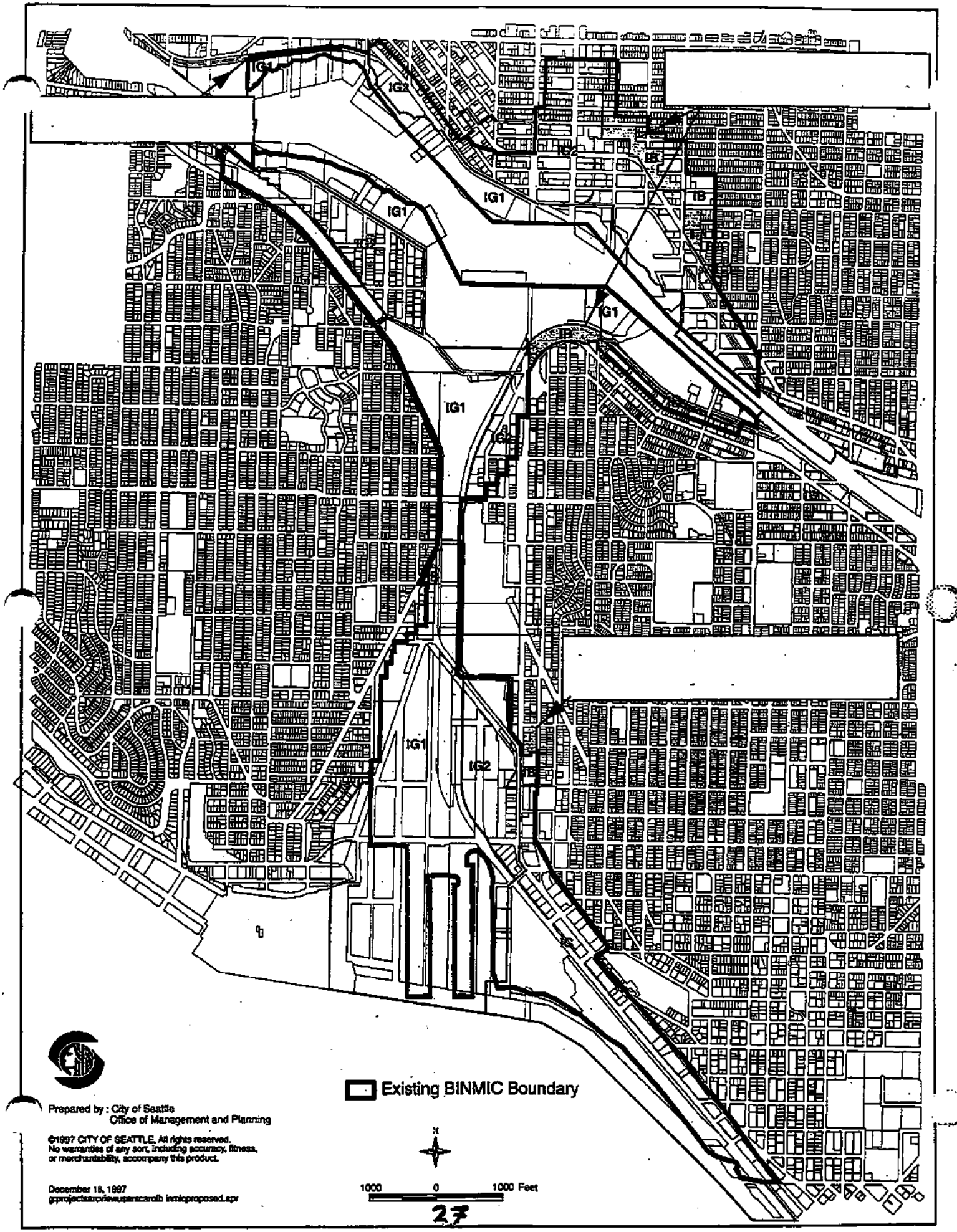
> The fishing and maritime industry depends upon the BINMIC as its primary Seattle home port. To maintain and preserve this vital sector of our economy, scarce waterfront industrial land shale be preserved for water-dependent industrial uses and adequate uplands parcels shall be provided to sufficiently accommodate marine-related services and industries (BINMIC Planning Committee 1998:6).

Ballard, in northwest Seattle, is commonly identified as the center of Seattle's fishing community This may be true in an historical residential sense, but commercial fishing-related suppliers and offices are spread along both sides of Salmon Bay-Lake Washington Ship Canal, around Lake Union, along 15th Avenue West through Queen Anne, and then spread along the shores of Elliot Bay on both sides of Pier 91. Not surprisingly, this is also the rough outlines of the formal BINMIC boundaries, which is bordered by the Ballard, Fremont, Queen Anne, Magnolia, and Interbay neighborhoods (see map, next page). It is defined so as to exclude most residential areas, but to include manufacturing, wholesale trade, and transportation-related businesses. It includes rail transportation, ocean and fresh water freight facilities, fishing and tug terminals, moorage for commercial and recreational boats, warehouses, manufacturing and retail uses, and various Port facilities (Terminal 86, Piers 90 and 91)

The BINMIC "Economic Analysis" document (Economic Consulting Services 1997) uses much of the same information as was reviewed above, in combination with an economic characterization of the BINMIC area, to establish that certain economic activities are especially important for that area One of these activities is commercial fishing -- although again the connection to the Bering Sea pollock fishery in particular is somewhat difficult to establish concretely.

The BINMIC area is a relatively small one, but contributes disproportionately to the city and regional economy (Table *SE-9). Again, those characteristics are part of what determined its borders. The BINMIC resident population is only 1120 (1990 census), but there are 1,048 businesses in the area

BINMIC Boundary



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Office of Management and Planning

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and 16,093 employees. The great majority of business firms are small -- 85 percent had fewer than 26 employees, but accounted for only 30 percent of total BINMIC employment. Self-employed individuals (i.e. fishermen) are probably not included in these numbers. Employment by industry - sector is displayed in Table *SE-10.

Table *SE-9 – Relationship of Estimated BINMIC Population and Employment to Local, Regional, and State Population and Employment
(% of total reflects BINMIC's share of each area's total pop. & emp.)

Area	1990 Population	BINMIC as % of Total	1994 Employment	BINMIC as % of Total
BINMIC	1120	100	16093	100.0
City of Seattle	516259	.22	490632	3.3
King County	1507319	.07	912038	1.8
Puget Sound	2748895	.04	1363226	1.2
Washington State	4866692	.02	2212594	0.7

Source: Economic Consulting Services 1997:14

Table *SE-10 – BINMIC Employment by Industry Sector

Industry Sector	Units	Employees	Percent of Total
Agriculture, Forestry, & Fishing	129	750	5
Mining & Construction	83	1169	7
Manufacturing	216	5322	33
Transportation & Utilities	35	1608	10
Wholesale Trade	178	2239	14
Retail Trade	121	1606	10
Finance, Insurance, & Real Estate	43	306	2
Services	233	2604	16
Government	10	489	3
TOTAL	1048	16093	100

Source: Economic Consulting Services 1997:29

An important indicator of the importance of commercial fishing and other maritime activities is the availability of commercial moorage. As of 1994 more than 50 percent of all commercial moorage available in Puget Sound was located in Seattle, and of that, more than 50 percent was in the BINMIC area (representing 30 percent of all commercial moorage in the Puget Sound area). Thus the BINMIC area is clearly important in terms of being an area where vessels (especially larger commercial vessels) are concentrated. The Port of Seattle has concluded that only the Ports of Olympia and Tacoma at present provide a significant source of moorage in Puget Sound outside of Seattle. Port Angeles may build additional capacity at some point in the future. Olympia's facility was rebuilt in 1988, and Tacoma is serving as the home port for the Tyson fleet of catcher processors. Some older moorage constructed prior to 1950 of timber piling is nearing the end of its useful life, and will need to be replaced. The Port of Seattle is currently in the process of refurbishing Pier 91 in thus way, which has enabled it to sign American Seafoods to a long-term lease for its catcher processor fleet. On the other hand, it is expected that much of the private old timber moorage will not be replaced, so that overall moorage capacity will decline. In the Seattle area, there has also been a dynamic whereby commercial moorage had been converted to recreational moorage. Within the BINMIC area, recreational moorage within the UI Shoreline is prohibited altogether, because of the importance of commercial activity and the danger of interference from recreational moorage. The Port has concluded that it is unlikely that any new private commercial moorage will be developed (because of cost and regulatory regime) and is examining the options open to the Port (Port of Seattle 1994). As previously mentioned, the Port is pursuing a program of repairing its facilities where economically feasible (when it can be fairly well assured of a steady tenant).

The BINMIC area is fairly well "built out." The BINMIC area contains 971 acres, divided into 806 parcels with an average size of 1.043 acres, but a median size of ,207 acres. Thus there are many small parcels. Public entities of one sort or another own 574.8 acres (59 percent). The Port of Seattle is the largest landowner with 166 acres, while the city has 109 acres. Private land holders own 396 acres, of which only 19.45 acres were classified as vacant -- 19.27 acres in 81 parcels as vacant industrial land and .18 acres in 2 parcels as vacant commercial land. An additional 200.76 acres were classified as "underutilized," meaning that it had few buildings or other improvements on it. This classification does not mean that the land may not be in use in a fruitful way (for instance, storage of gear or other use that is not capital intensive).

Economic Consulting Services 1996 lists 85 companies that have a processing presence in Washington State (Appendix C). Of these, over half (47) are located in Seattle, with many in the surrounding communities (Bellevue, Kirkland, Redmond). Of these 47, at least 18 are located within the BINMIC. Another 30 are located very near the boundaries of the BINMIC. Some examples of fairly large fishing entities that are located within BINMIC (as well as elsewhere) are Tyson Seafoods, Trident Seafoods, Icicle Seafoods, Ocean Beauty Seafoods, Peter Pan, Alaska Fresh Seafood, and NorQuest Seafoods. All demonstrate some degree of integration of various fishing industry enterprises. Trident operates shore plants in a number of locations, owns a fleet of catcher vessels, cooperates in a catcher processor operation, and participates in a CDQ group partnership. Tyson operates shore plants, catcher processors, catcher vessels, and a floating processor, as well as operating a broadly based food company.

The BINMIC area of Seattle displays the following characteristics which indicate its important economic roles:

- it is a significant component of, and plays a vital role in, the greater Seattle economy;
- it is integrated into local, regional, national, and multinational markets;
- it is a key port for trade with Alaskan and the West Coast, Pacific, and Alaska fishing industries -- and the Alaskan fishery is especially significant;
- Salmon Bay, Ship Canal, and Ballard function as a small port of its own, but also support fishing and a wide range of other maritime activities -- including recreation and tourist vessels and activities;
- The BINMIC area is and has been an area of concentration of businesses, corporations, organizations, institutions, and agencies that participate in, regulate, supply, service, administer, and finance the fishing industry.

Summary

As noted in the introduction to this section, what Seattle an analytic challenge, in terms of a socioeconomic description and a social impact assessment directly related to the Bering Sea pollock fishery, is its scale and diversity. Seattle is arguably more involved in the Bering Sea pollock fishery than any other community, but from a comparative perspective, Seattle is arguably among the least involved of the communities considered. The sheer size of Seattle dilutes the overall impact of the Bering Sea pollock fishery jobs and general economic contributions when viewed on a community scale, in contrast to Alaskan communities where such jobs and revenues are a much greater proportion of the total economic base of the community. This section has attempted to portray the complexities of the ties of the Bering Sea pollock fishery to Seattle in terms of sectors, specific portions of the economy, and on a geographically localized basis.

All of the Bering Sea pollock fishery sectors are tied to Seattle in one way or another, although the magnitude and nature of these ties varies considerably between sectors. It is clear that Seattle, as a community is, from a number of different perspectives encompassing specific sector structures and geographically attributable industrial areas, engaged in and dependent upon the Bering Sea pollock fishery. To avoid losing the importance of the fishery in the 'noise' of the greater Seattle area, the potential reallocation effects discussed in the SIA summary section of this document will do so in terms of Bering Sea pollock fishery industry sectors and their linkages to Seattle, as described in this section, rather than attempting an overall contextualization of the fishery within the metropolitan area.

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Price, by Product form and Markets (Domestic vs. Non-Domestic)

Replacement for:
Appendix I, Tab 5

OF
INSHORE/OFFSHORE 3
EA/RIR/IRFA

April 17, 1998

Trends In Pollock Fillet, Roe, and Surimi Markets--1991, 1994, and 1996

Fillets: Comparison of prodution estimates for the years 1991, 1994 and 1996 (Table 1) shows that the majority of fillet processors have shifted to producing deep-skin fillet blocks, a higher valued fillet product that is mainly consumed in the U.S. fast-food market where there a two major buyers. A comparison of U.S. export (Table 2) and production statistics show that almost of all of the U.S. production is consumed domestically. The U.S. domestic market also is supplied by fillet products from other countries as U.S. imports of pollock blocks and fillets, especially from China and Russia, have increased significantly and now match U.S. production in terms of quantity (Table 3). Most of this production is believed to be twice-frozen product. Europe is the other major market for pollock fillets and this market is growing, but U.S exports to Europe are now minimal. As in the U.S. market, Russian and Chinese pollock exports to Europe have increased greatly (Table 4). Prices for fillet product have varied greatly greatly between the years as price differences between the years have varied by as much as $0.24/lb in the export market and $0.53/lb in the U.S. import market between the years of 1991 and 1994 (Tables 2&3).

Roe: A comparison of U.S. production and U.S. export statistics indicates that almost all of U.S. production is exported to Japan (Tables 5&6). In comparison to U.S. exports, U.S. imports of roe are minimal indicating that the domestic consumption is very small (Table 7). Japanese import statistics indicate that the Japanese Roe market roe market has grown as a result of Russian production from a 1991 level of 59,000 tons to a 1996 level of 83,000 tons (Tables 8&9) However, during 1991, the U.S. share of the Japanese market was 33 percent, but as a result of the Russian product, the U.S. share of this market fell to 18 percent. U.S. export prices increased over the years 1991, 1994, and 1996 (Table 6). The U.S. export price in 1996 was 35% and 17% higher than the 1991 and 1994 average export prices, respectively.

Surimi: Most of the U.S. production is exported to Japan where the United States is the major supplier of surimi to the Japanese market (Tables 10&11). Other significant markets for U.S. surimi products are Korea and the United States. While Japanese production of surimi has declined, this reduction has been met with increased production of surimi by other countries using species other than pollock so that total world production has been relatively stable--approximately 500,000 tons per year (Figure A). In terms of consumption, Japan is by far the greatest consumer of surimi and over the period, Japanese consumption has been in the neighborhood of 400,000 tons annually (Figure B). U.S. consumption of surimi has decreased slightly since the 1994 peak where approximately 150 million lbs of surimi-based products were produced in the United States--30 to 50 percent of which is comprised of surimi. Industry reports suggest that Chinese market could expand from current levels of about 10,000 tons to 60,000 tons of surimi annually as China is currently expanding its imitation crab manufacturing capability for export and domestic markets while trends in Chinese economy will lead to increased demand for surimi and surimi-based products.U.S. exports to Europe have been stable, with increase growth in the European market being met by South American production (Table 14). At a recent trade show, one industry analyst reports that the European market for surimi was about 7,000 tons in 1996, over 10,000 tons in 1997, and will be over 15,000 mt in 1998.

Japanese market prices have varied greatly, but generally have declined between the years 1991, 1994, and 1996 (Table 13) and the choice of these years masks the potential volatility of surimi prices as indicated by the 1991-1993 trend where surimi prices doubled and then declined by the same amount (Figure C).

Destination Markets and Cost-Benefit Issues: As indicated above, almost all of the surimi and roe production is exported and almost all of the fillet production is used for domestic consumption. These patterns have an implication for cost-benefit analysis because as shown elsewhere, the at-sea sector produces a substantially greater amount of fillets in comparison to the shoreside sector. Cost-Benefit analysis measures the benefits of changed regulations to consumers and to producers. These product-mix patterns indicate that as more fish is harvested by on-shore processors, the greater the share of the consumer benefits from the fishery will accrue to foreign consumers. Therefore, in calculating "net benefits to the nation" which is based on the welfare of U.S. citizens, potential losses from less fillet production would have to taken into account. Similarly, based on estimates of foreign ownership, producer benefit estimates should also be adjusted accordingly.

At-Sea, Shoreside and Market Prices.

Prices: One source of prices are the processor prices reported to NMFS and ADF&G which are were discussed in Section 3 and presented in Table 3.9. (Except for minced prices, these prices are repeated in Table 15). Processor Prices have generally increased for roe products and decreased for surimi products--with inshore processors receiving, on average, lower prices for these products. Because of confidentiality, fillet prices for inshore and offshore have been combined into industry-wide averages. Generally, according to the NMFS and ADF&G process products data for the years 1991, 1994, and 1996, average inshore fillet prices were higher than offshore prices. Current price information, indicates that whole Japanese and U.S. surimi prices are starting to increase relative to fillet prices (Figures C&E). This may be the result of current Japanese inventory trends, where inventories are at their lowest level since 1988 (Figure D).

Quality: Market prices are influenced by many factors, one of which is the quality of the product. With respect to fillets, meal, and minced products, market reports and seldom or discuss differences between on-shore and inshore prices. For roe, these reports do indicate that there are reported differences between at-sea and shoreside prices as indicated in price below. With respect to surimi, one arguement for why off-shoreprices should be higher than on-shore prices is that off-shore producers produce a greater amount of top quality surimi.

Depending on the year and destination market, surimi processors produce various amounts of high and low quality surimi. A gross generalization concerning destination markets is that Korean and U.S. markets reflect the demand for low quality surimi as the surimi-based products that are produced from surimi are either imitation crab or a fried product--where a high quality surimi is not needed. Because Japan produces more sophisticated products where whiteness and gel strength are important factors, Japanese market demands high quality surimi. However, there has been some changes to the Japanese demand for high quality surimi especially as result

of the high prices of the 1991-1993 period. In reaction to these high prices, Japanese surimi buyers developed new recipes where increasingly low quality surimi was mixed with high quality surimi in order to keep costs down.

Prices for surimi by grade level are not collected by either the U.S. of Japanese governments. Available industry reports also do not systematically show prices by grade by at-sea and shoreside prices. Various industry reports (Bill Atkinson's News Reports, Seafood Trend Newsletter, and Seaworld's Fishery Information System Market Reports) were reviewed for price information and are summarized in Table 16. This information does report prices by grade, but their were few instances where at-sea and shoreside prices were reported in a way for direct comparison (same month, market, grade level, etc.) Nor does this information show the amount of production associated with the reported prices.

Current Changes in the Industry and the Markets

Russian and China influence on U.S., European, and Japanese pollock markets has grown significantly, but additional growth on foreign markets will depend on status of Russian pollock stocks, potential increased processing capacity, and government policies that may shift away from exporting to internal domestic consumption. Future APEC international trade negotiations may aid U.S. exports to Japan, Russia, and China through reduction in foreign tariff and non-tariff barriers. Discussion below is based on a review of recent industry publications.

Russia: Russian TAC's for pollock are declining. At the beginning of 1997, Russian quotas, according to FA0 were cut by 300,000 mt against scientific recommendations of 600,000 mt. The 1998 Russian EEZ pollock TAC is reported as 2.27 million tons, down from a reported TAC of 2.73 million tons while the quota in the Sea of Okhotst have been reduced 30 percent. Average fish sizes are reported to be declining.

Korea: Recent trade barrier reductions are affecting the international market place. During 1996, Korea lifted its import restrictions on Russian product and became a signicant market Russian surimi and fillets. Also affecting the Korean market for surimi was the increase in EU import duties on Korean imitation crab products during 1997 as Korea lost its preferential treatment and now faces the same duties as U.S. imitation crab manufacturers.

World Demand: Compared to the 1991-1996, world demand for surimi is changing. At a recent trade show, one industry analyst reports that the European import market for surimi was about 7,000 tons in 1996, over 10,000 tons in 1997, and will be over 15,000 mt in 1998. The same analyst also reported that the European market for surimi -based products is currently 100,000 mt with growth in consumption expected to increase 10 percent annually. As indicated previously, the Chinese market is growing and expanded to grow to be the second most important market for surimi.

U.S. Industry: In recent years there has been a consolidation in the at-sea fleet and in the U.S. imitation crab processing. There has been a reduction in the number of at-sea processors, while the remaining fleet is being consolidated into fewer owners. Several vessels were sold to Russia,

while several other vessels have changed ownership. One major at-sea company has diversified into shorebased surimi processing plants and into U.S. imitation crab plants. This has resulted in the closure in several U.S. imitation crab plants. Another at-sea company has diversified into at-sea processing in South America and Russia. In addition, vertically integrated shore-based processors who make breaded fillets are expanding into fillet markets either by increased production of Alaska pollock fillets or through the use of imported pollock fillets for their breading operations.

Exchange Rates: Companies base prices on knowledge of consumer habits, their competitive position relative to other companies, and distribution channels. Consequently, prices for the same product vary between markets while the product may be modified to suit the particular needs of each market. When there are fluctuations in currency-exchange rates, as recently seen with the Japanese yen and Thai baht, companies revisit their their pricing policies (Figure G).

When the U.S.dollar appreciates relative to the yen, the U.S. product is now less competitive in the Japanese market since without price adjustment it takes more yen to the product. Appreciation is when one currency increases relative to another. An appreciation implies that one currency becomes more valuable relative to another. Appreciation of an exporter's currency increases the importer's cost of foreign exchange, which raises the commodity's price in the import market and decreases the quantity demanded. In the face of a rising U.S. dollar against the Japanese yen, the exporting firm can choose not to adjust the price of the product in dollars and suffer reduced sales and profit margins. (If surimi is being exported at $1.00 per pound with a unit profit level of $.20 and the exchange rate is 100 yen per $1.00, the price of surimi in yen is 100 yen per pound. If the dollar appreciates to 125 yen per dollar, and the firm continues to export surimi at $1.00 per pound, the import price becomes 125 yen.) Alternatively, the firm can keep the price of the product in yen constant but this will result in less profit per unit sold. (A sales price of 100 yen and a exchange rate of 125 yen per dollar results in sales price of U.S.$0.80/lb for surimi--just covering the costs of production, but at this price there is no profit.) Another option is for the company to implement a moderate price increase in yen which will result in less sales but also partially capture lost profits.

However when the corresponding appreciation of the dollar against the yen is the current depreciation of the Thai baht against the yen and dollar making Thai surimi more competitive in the Japanese market compared to U.S. product. According to Bill Atkinson's News Report (2/19/98)--"With the economic troubles in Thailand, surimi and imitation crab packers are aggressively trying to export their production to get foreign exchange." This is an example of exchange rates affecting price. Generally speaking, in setting prices for the Japanese market based on changes in dollar/yen exchange rate, U.S. packers will have to account for changes in exchange rates with other competitors such as Thailand and in Korea and in other consuming markets such as Europe and Korea. This in turn could change product mix decisions as falling surimi prices make the production of fillet production more attractive.

Pollock Fillets

			1991	1994	1996
(1)U.S. Production		Tons			
	Fillet/Block/IQF		N/A	28,985	22,232
	Deep Skin		N/A	24,602	43,234
	Total		65,029	53,587	65,466
(2)U.S. Exports	Fillets and Blocks				
	Germany	Tons	8,602	3,080	*
	Germany	1000$	$20,781	$5,328	*
	Germany	$/Ton	$2,416	$1,730	*
	Germany	$/lb	$1.10	$0.78	
	Canada	Tons	1,304	133	760
	Denmark	Tons	2,692	0	0
	U.K.	Tons	637	2	0
	Japan	Tons	387	1,053	3,563
	R.Korea	Tons	668	170	2,147
	Total	Tons	16,075	5,218	7,352
	Total	1000$	$42,601	$11,091	$16,069
	Total	$/Ton	$2,650	$2,126	$2,186
	Total	$/lb	$1.20	$0.96	$0.99
(3)U.S. Imports					
	Blocks				
	China	Tons	7,804	23,468	34,323
	China	1000$	$17,844	$27,882	$51,640
	China	$/Ton	$2,287	$1,188	$1,505
	China	$/lb	$1.04	$0.54	$0.68
	Russia	Tons	3,014	8,672	29,574
	Russia	1000$	$7,434	$13,446	$55,604
	Russia	$/Ton	$2,466	$1,551	$1,880
	Russia	$/lb	$1.12	$0.70	$0.85
	R.Korea	Tons	9,776	*	*
	Poland	Tons	4,363	483	*
	Thailand	Tons	3,569	*	*
	Total	Tons	31,329	33,700	65,425
	Total	1000$	$77,272	$44,134	$109,985
	Total	$/Ton	$2,466	$1,310	$1,681
	Total	$/lb	$1.12	$0.59	$0.76

Pollock Fillets-2
U.S. Imports

		1991	1994	1996
Fillets				
China	Tons	1,584	9,302	18,954
China	1000$	$3,905	$13,009	$30,751
China	$/Ton	$2,465	$1,399	$1,622
China	$/lb	$1.12	$0.63	$0.74
Russia		0	1,256	*
R.Korea	Tons	1,785	*	*
Poland	Tons	544	0	0
Thailand	Tons	458	*	*
Total	Tons	13,629	19,937	24,298
Total	1000$	$42,471	$38,974	$46,273
Total	$/Ton	$3,071	$1,955	$1,904
Total	$/lb	$1.39	$0.89	$0.86

(4) European imports Alaska Pollock Fillets and Blocks

USA	Tons	17,137	9,557	1,167
China	Tons	5,729	27,694	42,011
S.Korea	Tons	2,522	742	65
Russia	Tons	4,212	23,978	77,742
Poland	Tons	26,648	43,537	18,494
Other	Tons	563	658	852
Total	Tons	56,811	106,166	140,331

* less than 100 tons or less than $1 million

Totals include countries not listed

U.S. Imports include Atlantic pollock.

U.S. Exports and Imports are National Estimates (All Customs Districts)

Pollock Roe

		1991	1994	1996
(5) U.S. Production	Tons	21,326	11,622	14,419
(6) U.S. Exports				
Japan	Tons	16,055	7,975	11,687
Japan	1000$	$129,396	$79,924	$140,050
Japan	$/Ton	$8,595	$10,022	$11,983
Japan	$/lb	$3.90	$4.55	$5.44
Korea	Tons	2,947	937	864
Other	Tons	967	94	732
Total	Tons	18,969	9,006	13,283
Total	1000$	$163,449	$89,817	$154,633
Total	$/Ton	$8,617	$9,973	$11,641
Total	$/lb	$3.91	$4.52	$5.28
(7) U.S. Imports				
Total	Tons	53	55	176
Total	1000$	$600	$451	$2,251
Total	$/Ton	$11,321	$8,200	$12,790
Total	$/lb	$5.14	$3.72	$5.80
(8) Japanese Imports	(pollock, hake, and cod roe frozen)			
Total	Tons	34,167	36,038	44,868
Total	1000$	$336,332	$408,437	$449,568
Total	$/Ton	$9,844	$11,334	$10,020
U.S.	Tons	19,844	11,831	15,653
U.S.	1000$	$200,336	$135,468	$181,953
U.S.	$/Ton	$10,096	$11,451	$11,624
Russia	Tons	9,083	21,875	25,576
Russia	1000$	$82,844	$250,694	$231,141
Russia	$/Ton	$9,121	$11,461	$9,038
China	Tons	253	295	289
China	1000$	$2,043	$2,441	$1,904
China	$/Ton	$8,075	$8,284	$6,577
R. Korea	Tons	3,811	1,305	1,628
R.Korea	1000$	$42,930	$14,399	$18,626
R.Korea	$/Ton	$11,265	$11,036	$11,440

Roe-2

(9)

Japanese Supply	1991	1994	1996
Beginning Inventory	10000	20000	28000
Domestic Production	12120	8000	3700
D o n u t Hole	2200	0	0
Import	34900	37230	51520
Total	59220	65230	83220
Mentai Roe	2540	4870	15700

Source BANR Issue 681-12/18/96

Exports and Import totals may include countries not listed.
Japanese imports include Japanese joint-venture production and U.S. flag production in non-U.S. waters.

Surimi Overview

		1991	1994	1996
(10) U.S. Production				
Pollock	Tons	131,772	178,238	156,851
Whiting*	Tons	21,000	33,000	30,000
Total	Tons	152,772	211,238	186,851
(11) U.S. Exports				
France	Tons	N/A	1,328	2002.4
Italy	Tons	N/A	866	360.4
Spain	Tons	N/A	132	582.2
Malaysia	Tons	N/A	1,026	1174.9
Singapore	Tons	N/A	0	536.8
China	tons	N/A	12,909	840.9
R.Korea	Tons	N/A	12,909	14,734
Hong Kong	Tons	N/A	856	177
Taiwan	Tons	N/A	3,014	3,023
Japan	Tons	N/A	120,506	102,694
Total	Tons	N/A	142,499	128,471
France	1000$	N/A	2,475	3697.9
Italy	1000$	N/A	1,988	855.6
Spain	1000$	N/A	270	1350.7
Malaysia	1000$	N/A	2,044	2512
Singapore	1000$	N/A	0	1100.1
China	1000$	N/A	25,577	1060.9
R.Korea	1000$	N/A	25,577	28,335
Hong Kong	1000$	N/A	1,299	458
Taiwan	1000$	N/A	6,015	6,061
Japan	1000$	N/A	275,484	217,441
Total	1000$	N/A	318,842	268,095

					1994	1996
France	$/Ton	N/A	$1,864	$1,847 $/lb	$0.85	$0.84
Italy	$/Ton	N/A	$2,297	$2,374 $/lb	$1.04	$1.08
Spain	$/Ton	N/A	$2,044	$2,320 $/lb	$0.93	$1.05
Malaysia	$/Ton	N/A	$1,992	$2,138 $/lb	$0.90	$0.97
Singapore	$/Ton	N/A		$2,049 $/lb	$0.00	$0.93
China	$/Ton	N/A	$1,981	$1,262 $/lb	$0.90	$0.57
R.Korea	$/Ton	N/A	$1,981	$1,923 $/lb	$0.90	$0.87
Hong Kong	$/Ton	N/A	$1,517	$2,593 $/lb	$0.69	$1.18
Taiwan	$/Ton	N/A	$1,996	$2,005 $/lb	$0.91	$0.91
Japan	$/Ton	N/A	$2,286	$2,117 $/lb	$1.04	$0.96
Total	$/Ton	N/A	$2,238	$2,087 $/lb	$1.01	$0.95

Surimi

(12) U.S. Imports

		1991	1994	1996		1994	1996
Canada	Tons		2,189	400			
Russia	Tons		0	12,707			
Total	Tons		2,207	13,296			
Canada	$1,000		$3,408	$482			
Russia	$1,000		$0	$15,262			
Total	$1,000		$3,433	$15,956			
Canada	$/Ton		$1,557	$1,206	$/lb	$0.71	$0.55
Russia	$/Ton			$1,201	$/lb		$0.54
Total	$/Ton		$1,556	$1,200	$/lb	$0.71	$0.54

(13) Japanese Imports

Cod, Pollock, & Hake		1991	1994	1996		1991	1994	1996
R. Korea	Tons	1,787	677	211				
China	Tons		2,886	339				
USSR	Tons	12,368	17,306	15,765				
USA	Tons	102,938	142,599	126,887				
Total	Tons	118,971	163,714	143,978				
R. Korea	$1,000	$8,174	$1,544	$459				
China	$1,000	$0	$4,734	$611				
USSR	$1,000	$41,793	$36,639	$35,407				
USA	$1,000	$374,265	$335,926	$259,088				
Total	$1,000	$428,512	$379,257	$297,099				
R. Korea	$/Ton	$4,574	$2,280	$2,175	$/lb	$2.07	$1.03	$0.99
China	$/Ton		$1,641	$1,804	$/lb	$0.00	$0.74	$0.82
USSR	$/Ton	$3,379	$2,117	$2,246	$/lb	$1.53	$0.96	$1.02
USA	$/Ton	$3,636	$2,356	$2,042	$/lb	$1.65	$1.07	$0.93
Total	$/Ton	$3,602	$2,317	$2,064	$/lb	$1.63	$1.05	$0.94
Itoyroi								
Thailand	Tons	29,128	19,779	21,582				
Total	Tons	29,884	22,153	28,507				

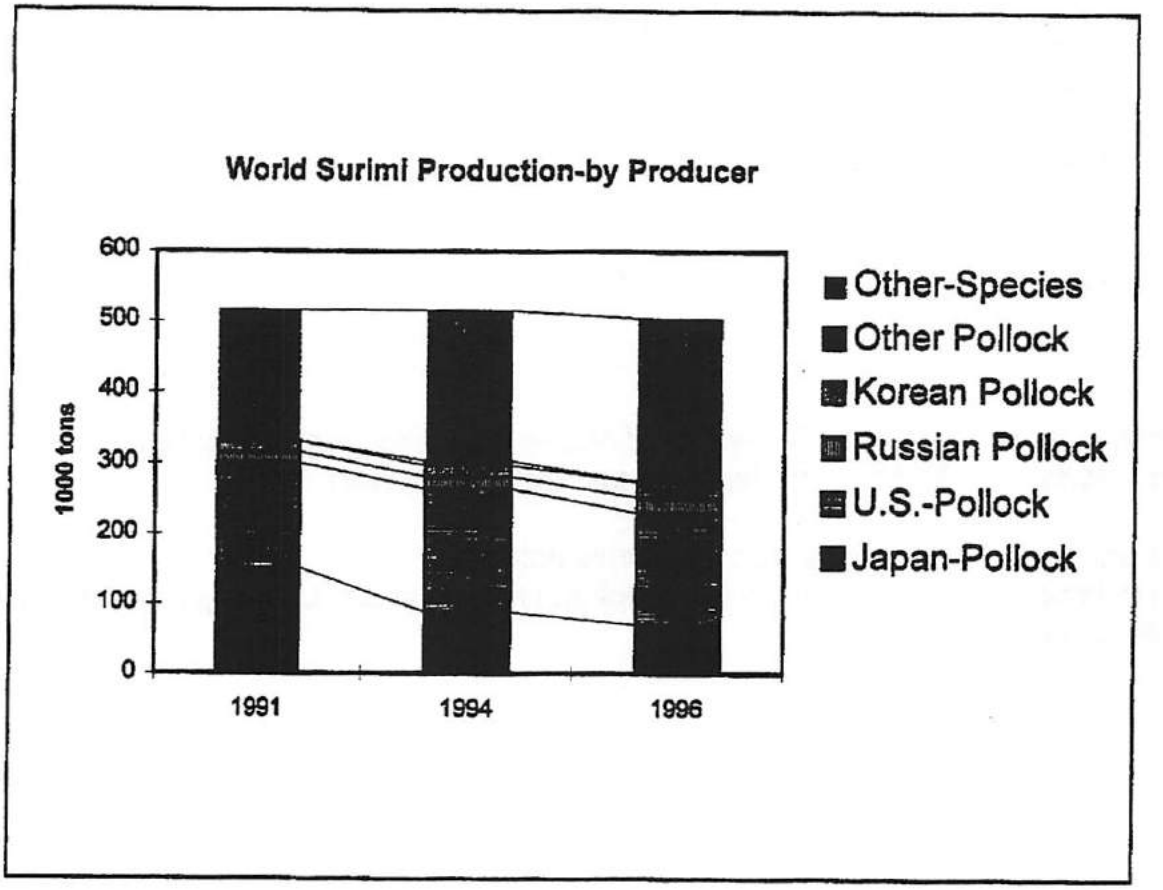
(14) European Imports of Surimi

			1991	1994	1996
U.S.	Tons	N/A		3,957	3,493
Thailand	Tons	N/A		178	25
China	Tons	N/A		0	2
R.Korea	Tons	N/A		81	11
Russia	Tons	N/A		78	0
Argentina	Tons	N/A		16	797
Chile	Tons	N/A		48	1,240
Total	Tons	N/A		4,727	5,746

European Imports Provided by Bill Aberle of Alaska Center for International Business and Eric Fleury, U.S. Embassy to the European Union (Brussels)

Exports and Import totals may include countries not listed.
Japanese imports include Japanese joint-venture production and U.S. flag production in non-U.S. waters.

World Surimi Production and Consumption
Figure A



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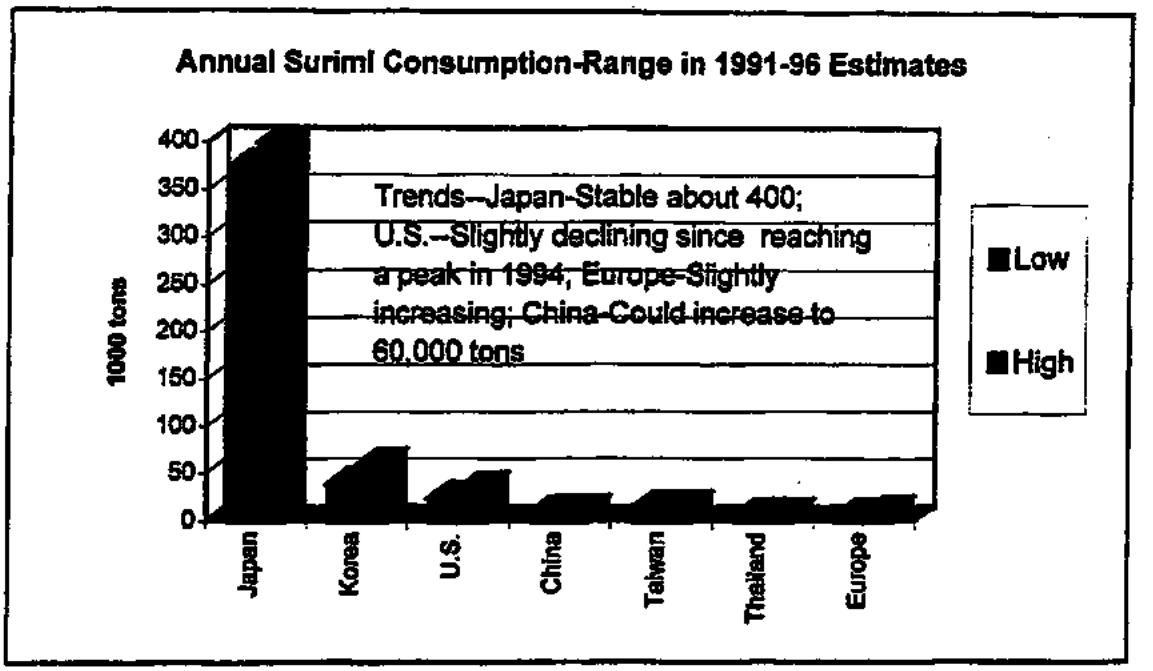
B


Annual Suriml Consumption-Range in 1991-96 Estimates
1000 tons
400
350
300
250
200
150
100
50
0
Trends--Japan-Stable about 400; U.S.--Slightly declining since reaching a peak in 1994; Europe-Slightly increasing; China-Could increase to 60,000 tons
Low
High
Japan
Korea
U.S.
China
Taiwan
Thailand
Europe

(15) Processor Prices--F.O.B. Alaska

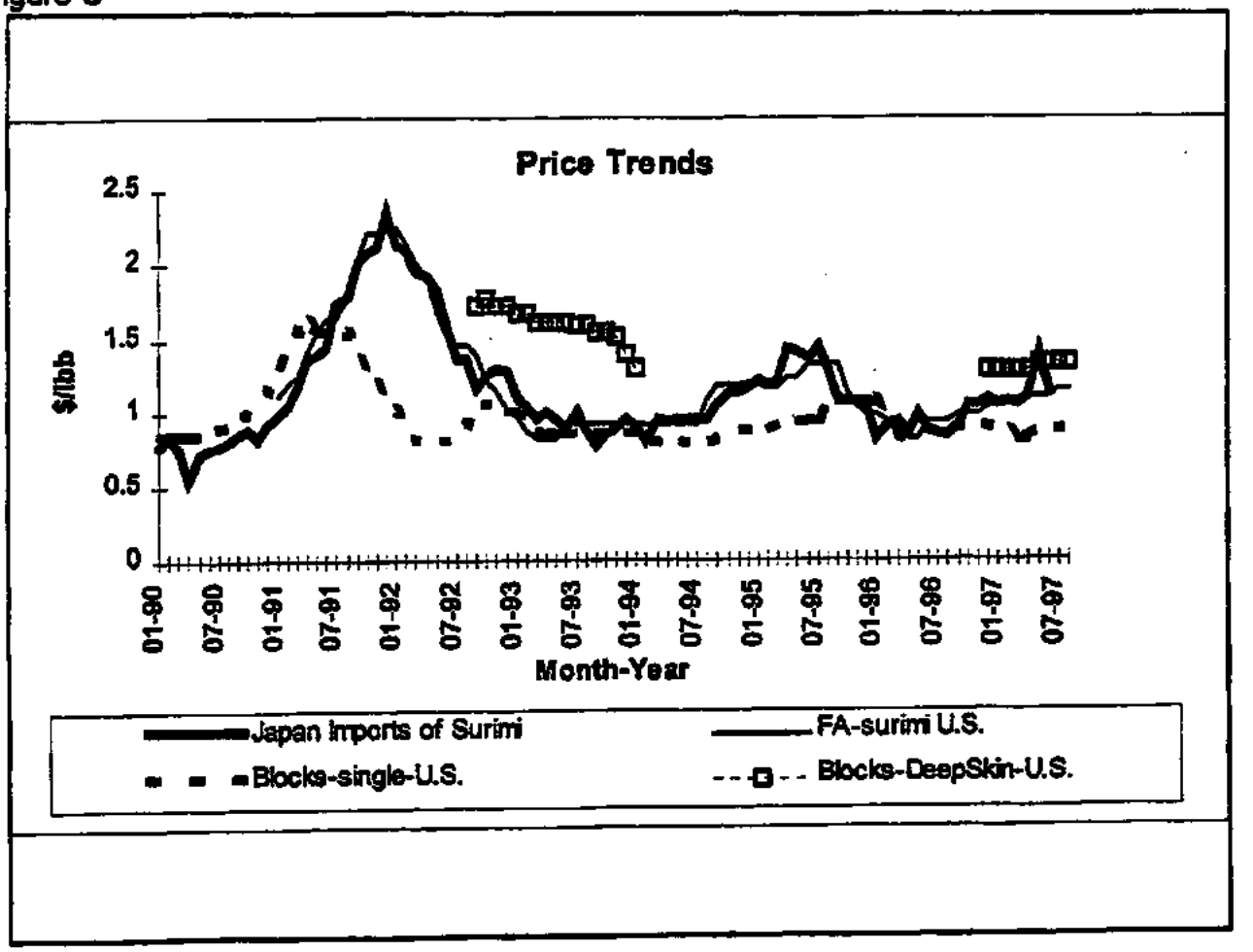
Wholesale Prices Reported by Alaska Processors

		Fillets&Blocks Skinless-Boneless &DeepSkin	Fillets&Blocks Skinless-Boneless	Fillets&Blocks DeepSkin	Roe	Surimi
Inshore		$/lb	$/lb	$/lb	$/lb	$/lb
	1991	$1.38			$3.79	$1.26
	1994		$0.71	$1.11	$3.65	$0.91
	1996		$0.96	$1.24	$4.52	$0.82
Offshore						
	1991	$1.38			$4.66	$1.58
	1994		$0.71	$1.11	$5.79	$0.94
	1996		$0.96	$1.24	$6.03	$0.86

Based on Production and Revenue/Price Data Reported to NMFS (1991, 1994) and ADF&G(1996) Annual Surveys of Processors

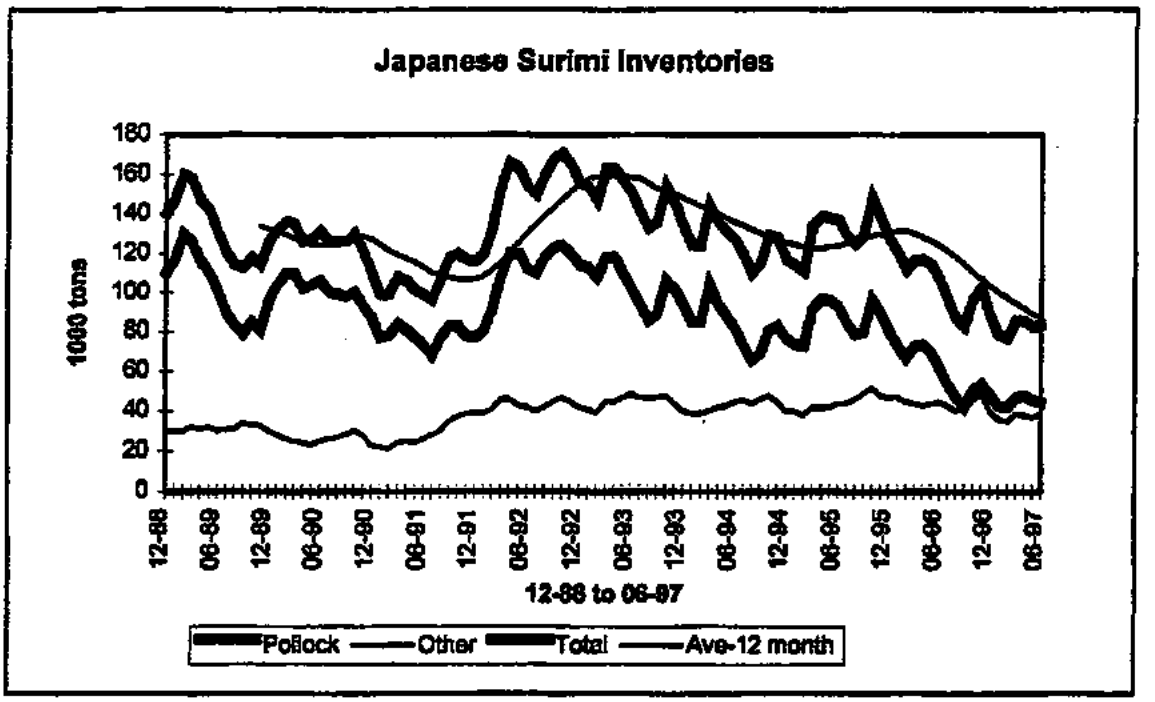
To protect the confidentiality of processors, fillet prices are based on combining inshore and offshore data.

Wholesale Prices--C&F Japan or F.O.B--U.S. Market
Figure C



Source--Urner Barry; Japan Marine Products Importers Association

Figure D



Sources of inventory data include BANR (various issues) and U.S. Embassy of Japan.

Figure E

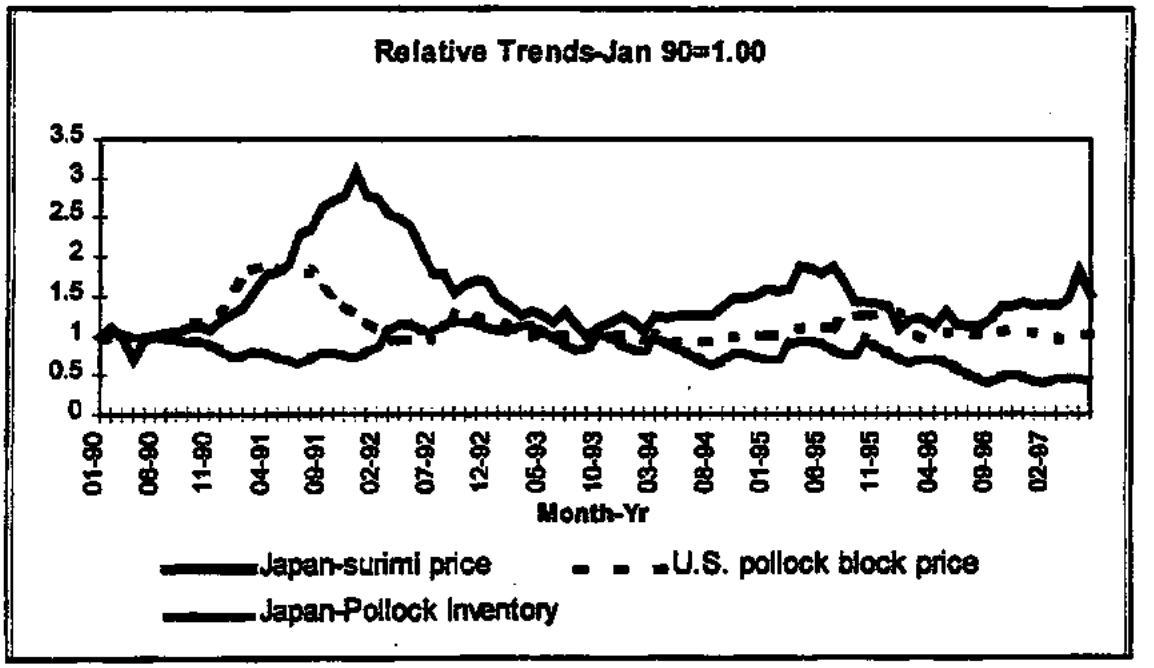

Relative Trends-Jan 90=1.00
3.5
3
2.5
2
1.5
1
0.5
0
01-90
06-90
11-90
04-91
09-91
02-92
07-92
12-92
05-93
10-93
03-94
08-94
01-95
06-95
11-95
04-96
09-96
02-97
Month-Yr
Japan-surimi price
U.S. pollock block price
Japan-Pollock inventory

Figure F

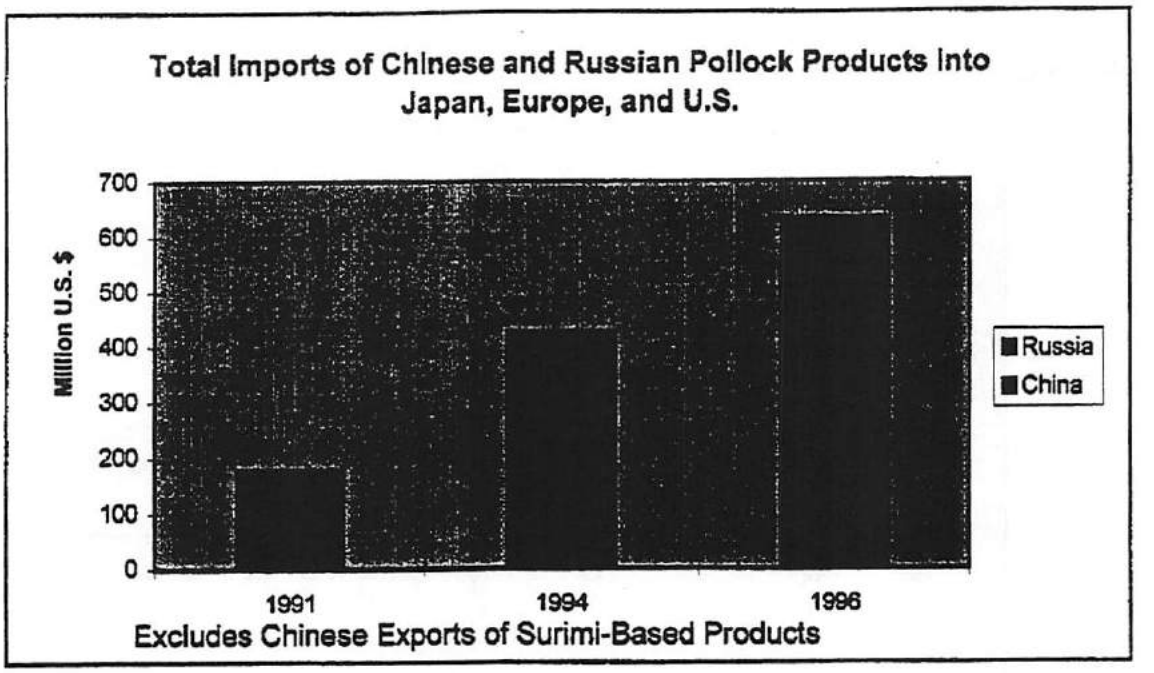
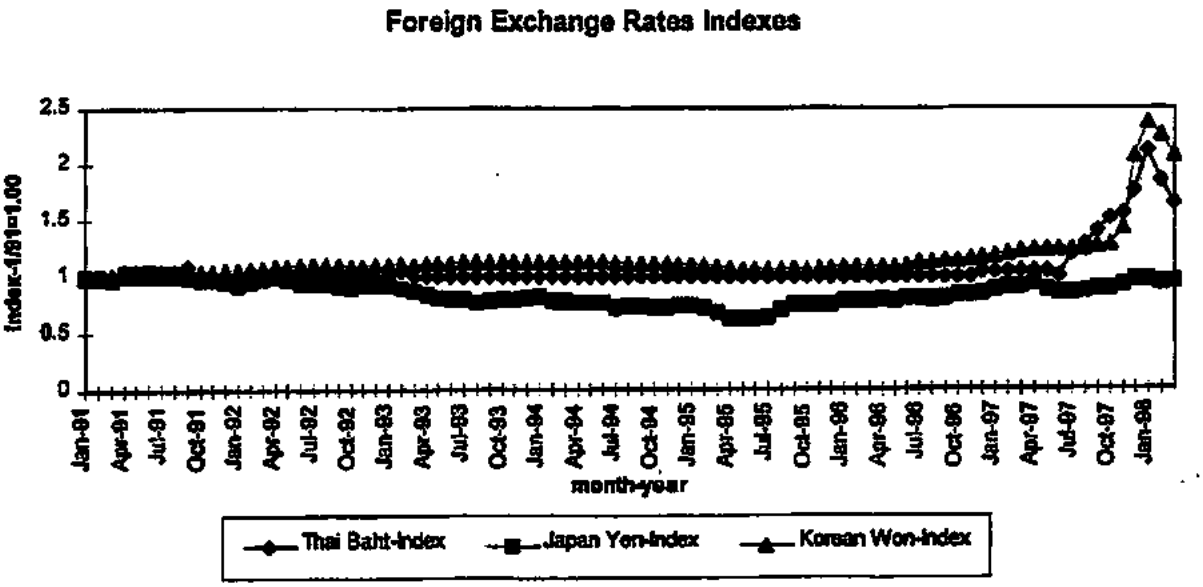

Total Imports of Chinese and Russian Pollock Products into Japan, Europe, and U.S.
Million U.S.$
700
600
500
400
300
200
100
0
1991
1994
1996
Russia
China
Excludes Chinese Exports of Surimi-Based Products

Figure G.


Foreign Exchange Rates Indexes
Index-1/91=1.00
2.5
2
1.5
1
0.5
0
Jan-91
Apr-91
Jul-91
Oct-91
Jan-92
Apr-92
Jul-92
Oct-92
Jan-93
Apr-93
Jul-93
Oct-93
Jan-94
Apr-94
Jul-94
Oct-94
Jan-95
Apr-95
Jul-95
Oct-95
Jan-96
Apr-96
Jul-96
Oct-96
Jan-97
Apr-97
Jul-97
Oct-97
Jan-98
month-year
Thai Baht-Index
Japan Yen-Index
Korean Won-Index

Report Date	Source	Period	Price-Y/kg	Price-$/Kg	Price-$/lb	Level of Sale	Grade	Species	Producer Type		Market
3/23/98	SW	98-A	300			CNF-Japan	FA	Pollock	At-Sea	O	Japan
12/16/97	SW	Nov-97	-35	-0.27			SA	Pollock	At-Sea	A	Japan
12/16/97	SW	Nov-97	-35	-0.27			SA	Blue Whiting		A	Japan
12/16/97	SW	Nov-97	-35	-0.27				Atka Mackerel		A	Japan
12/16/97	SW	Nov-97	-7.5	-0.06				Hake-WOC	At-Sea	A	Japan
12/16/97	SW	Nov-97	-7.5	-0.06				Hake-WOC	Shore	A	Japan
12/16/97	SW	Nov-97	-7.5	-0.06			KA	Horse Mackerel-Chile		A	Japan
12/16/97	SW	Nov-97	-55	-0.42				Pollock	Hokkaido	A	Japan
12/1/97	SW	Oct-97	350	2.73		end-user	SA	golden threadfin		A	Japan
12/1/97	SW	Oct-97	350	2.73		end-user	SA	golden threadfin		A	Japan
12/1/97	SW	Oct-97	300	2.34		end-user	No.2	Pollock	Hokkaido	A	Japan
11/20/97	SW	Oct-97			1.1	Seattle	A	Pollock		A	U.S.
11/20/97	SW	Oct-97			1	Seattle	KA	Pollock		A	U.S.
11/20/97	SW	Oct-97			0.97	Seattle	KB	Pollock		A	U.S.
10/27/97	SW	Jul-97		2.15		FOB-?		Hake-WOC		A	Korea
10/27/97	SW	Jul-96		1.64		FOB-?		Hake-WOC		A	Korea
10/27/97	SW	97-B	460			end-user	SA	Pollock		P	Japan
10/27/97	SW	97-B	440			end-user	FA	Pollock		P	Japan
10/27/97	SW	97-B	420			end-user	A	Pollock		P	Japan
10/27/97	SW	97-B	365			end-user	KA	Pollock		P	Japan
10/10/97	SW	Sep-97	450	3.69			SA	Pollock		A	Japan
10/10/97	SW	Sep-97	440	3.61			SA	Blue Whiting		A	Japan
10/10/97	SW	Sep-97	400	3.28			FA	Pollock	At-Sea	A	Japan
10/10/97	SW	Sep-97	390-400	3.20-3.28			FA	Pollock	Shore	A	Japan
10/10/97	SW	Sep-97	285	2.34				Pollock	Hokkaido	A	Japan
10/10/97	SW	Sep-97	245	2.01				Atka Mackerel		A	Japan
10/10/97	SW	Sep-97	225	1.84				Jurel		A	Japan
10/10/97	SW	Sep-97	320	2.62			AA	Meiruse		A	Japan
10/10/97	SW	Sep-97	295	2.42			A	Meiruse		A	Japan
10/10/97	SW	Oct-97	285	2.34				Pollock	Hokkaido	A	Japan
10/1/97	SW	97-B	348	2.85		CNF-Japan	FA	Pollock		A	Japan
10/1/97	SW	97-B	355	2.91		CNF-Japan	FA	Pollock	CDQ	A	Japan
10/1/97	SW	97-B	420	3.44		ex-warehouse Japan	FA	Pollock	CDQ	A	Japan
10/1/97	SW	ring-97	325	2.66		end-user		Pollock	Hokkaido	A	Japan
10/1/97	SW	Sep-97	265	2.17		end-user		Pollock	Hokkaido	A	Japan

Table 16.

(Table 16)

Report Date	Source	Period	Price-Y/kg	Price-$/Kg	Price-$/lb	Level of Sale	Grade	Species	Producer Type		Market
9/9/97	SW	Jul-97	317	2.6		CNF-Japan		Pollock		A	Japan
9/20/97	SW	Sep-97	325	2.66		ex-plant		Pollock	Hokkaido	A	Japan
8/27/97	SW	97-B	355	2.98			FA	Pollock	At-Sea	O	Japan
8/27/97	SW	97-A	328			CNF-Japan		Pollock		A	Japan
8/27/98	SW	97-B	370	3.11		CNF-Japan	FA	Pollock	CDQ	A	Japan
8/27/98	SW	97-B	385	3.24		CNF-Japan	SA	Pollock			Japan
8/11/97	SW	Aug-97	405	3.43			SA	Pollock	At-Sea	A	Japan
8/11/97	SW	Aug-97	315	2.68			KB	Pollock	At-Sea	A	Japan
8/11/97	SW	Aug-97	395	3.36			High	Pollock	Shore	A	Japan
8/11/97	SW	Aug-97	385	3.09			Low	Pollock	Shore	A	Japan
8/11/97	SW	Aug-97	396	3.35			SA	Argentine		A	Japan
8/11/97	SW	Aug-97	208	1.78			KA	Horse Mackerel-Chile		A	Japan
8/11/97	SW	tract 97	315	2.67		CNF Japan	FA	Hake-WOC	Tysons-shore?	O	Japan
8/11/97	SW	tract 97	300	2.54		CNF-Japan	A	Hake-WOC	Tysons-shore?	O	Japan
8/11/97	SW	tract 97	270	2.29		CNF-Japan	KA	Hake-WOC	Tysons-shore?	O	Japan
8/11/97	SW	Import	300	2.5		CNF-Japan	ALL	Pollock to from U.S. to Japan		A	Japan
8/11/97	SW	Import	288	2.4		CNF-Japan	All	Other Cod to from U.S. to Japan		A	Japan
8/11/97	SW	Import	272	2.3		CNF Japan	All	Threadfin	Japanese Imports	A	Japan
8/19/97	SW	May 97		2.3		CNF-Korea		Pollock	U.S.	A	Korea
8/19/97	SW	May 96		2.04		CNF-Korea		Pollock	U.S.	A	Korea
8/19/97	SW	May 97		1.83		CNF-Korea		Hake-WOC	U.S.	A	Korea
8/19/97	SW	May 98		1.73		CNF-Korea		Hake-WOC	U.S.	A	Korea
8/19/97	SW	Aug-97	345	2.92		CNF Japan	FA	Hake-WOC	Trident	A	Japan
8/19/97	SW	Aug-97	325	2.75		CNF-Japan	A	Hake-WOC	Trident	A	Japan
8/19/97	SW	Aug-97	290	2.46		CNF-Japan	KA	Hake-WOC	Trident	A	Japan
8/19/97	SW	Aug-97	170	1.43				Blue Shark	Japan	A	Japan
8/19/97	SW	Aug-98	136					Blue Shark	Japan	A	Japan
7/22/97	SW	Jul-97	388	3.3		end-user	FA	Hake-WOC	At-Sea	A	Japan
7/22/97	SW	Jul-97	370	3.22		end-user	A	Hake-WOC	At-Sea	A	Japan
7/22/97	SW	Jul-97	340	2.94		end-user	KA	Hake-WOC	At-Sea	A	Japan
7/15/97	SW	Jul-97	320	2.78		dealers-Japan		Pollock		A	Japan
7/15/97	SW	Jul-97	247	1.94		dealers-Japan		Atka-Mackerel		A	Japan
7/15/97	SW	Jul-97	380	3.3		end-user		Hake-WOC		A-high	Japan
6/30/97	ST	Jun-97	305					Hake-WOC	At-Sea	A	Japan

Report Date	Source	Period	Price-Y/kg	Price-$/Kg	Price-$/lb	Level of Sale	Grade	Species	Producer Type		Market
1/13/97	ST	an-97?	353			FOB-Dutch Harbor	SA	Pollock		A	Japan
1/13/97	ST	an-97?	310			FOB-Dutch Harbor	FA	Pollock		A	Japan
3/19/97	BANR	98-B	310	1.15		CNF-Japan	SA	Pollock	American Seafoods?	A	Japan
3/19/97	BANR	98-B	280	1.08		CNF-Japan	FA	Pollock	American Seafoods?	A	Japan
3/19/97	BANR	98-B	270	1.01		CNF-Japan	A	Pollock	American Seafoods?	A	Japan
3/19/97	BANR	97-A	340	1.27		CNF-Japan	SA	Pollock	American Seafoods?	P	Japan
3/19/97	BANR	97-A	320	1.19		CNF-Japan	FA	Pollock	American Seafoods?	P	Japan
3/19/97	BANR	97-A	300	1.12		CNF-Japan	A	Pollock	American Seafoods?	P	Japan
3/19/97	BANR	97-A	430	1.6		end-user	SA	Pollock	American Seafoods?	P	Japan
3/19/97	BANR	97-A	400	1.49		end-user	FA	Pollock	American Seafoods?	P	Japan
3/19/97	BANR	97-A	380	1.42		end-user	A	Pollock	American Seafoods?	P	Japan
5/14/97	BANR	Apr-97	450	1.64		wholesale-Japan	SA	Pollock	U.S.	O	Japan
5/14/97	BANR	Apr-97	430	1.56		wholesale-Japan	FA	Pollock	U.S.	O	Japan
5/14/97	BANR	Apr-97	350	1.27		wholesale-Japan	A&KA	Pollock	U.S.	O	Japan
6/25/97	BANR	son-97	310	1.24		CNF-Japan		Hake-WOC	At-Sea	P	Japan
6/25/97	BANR	son-98	210	0.8		CNF		Hake-WOC	At-Sea	P	Japan
7/2/97	BANR	son-97	315	1.38		CNF	FA	Hake-WOC	Shore	P	Japan
7/2/97	BANR	son-97	300	1.2		CNF-Japan	FA?	Hake-WOC	At-Sea	P	Japan
1/7/98	BANR	Apr-97	450	1.55		end-user				A	Japan
1/7/98	BANR	Apr-98	350	1.21		end-user				A	Japan
2/18/98	BANR	Feb-98	390	1.43		end-user	SA	threadfin bream		A	Japan
10/17/96	SD	Oct-97	360				SA	Pollock		A	Japan
10/17/96	SD	Oct-97		1.14			KA	Pollock		A	U.S.

SW=Seaworld=http://www.sea-world.com
BANR=Bill Atkinson News Reports-newsletter
ST=Seafood Trends-newsletter
SD=Seafood Datasearch=http://www.seafood.com
Type=is the type of price-A-Actual, O=Offer, P=Projected

Table 16

Updated Employment Information

April 17, 1998

OF
INSHORE/OFFSHORE 3
EA/RIR/IRFA

To supplement the employment information in the Sector Profiles (Appendix I, Tab 6) for the I/O3 analysis, the following is attached:

1) Employment by companies represented by At-sea Processors Association (APA) for 1996 and 1997.

2) Summary of annual employment by firm for the Inshore sector.

3) Summary of Inshore and Offshore employees residing in Alaska by zip code.

4) Data submittal letter from APA describing the information and how it was developed.

Verification of Residency of Workers Reported as Alaska Residents by APA

		AK Residents	Non-AK Res.	% Non-AK
1996	**SSNs Supplied by APA**	**182**	**2,742**	**93.8%**
	Employment Opportunities in APA Report	177	2,747	93.9%
	SSN matches with PFD	150	2,774	94.9%
	SSN matches as AK licensed drivers	166	2,758	94.3%
	SSN matches as AK registered voters	109	2,815	96.3%
	SSN matches with PFD & drivers license	174	2,750	94.0%
1997	**SSNs Supplied by APA**	**392**	**3,722**	**90.5%**
	Employment Opportunities in APA Report	366	3,748	91.1%
	SSN matches with PFD	293	3,821	92.9%
	SSN matches as AK licensed drivers	330	3,784	92.0%
	SSN matches as AK registered voters	179	3,935	95.6%
	SSN matches with PFD & drivers license	355	3,759	91.4%

Source: APA supplied SSNs verified using Alaska Department of Labor Residence data bases

Employment Reported by the At-sea Processors Association

APA Reported Information		AK Residents	Non-AK Res.	% Non-AK
Employment	1996	177	2,747	93.9%
Opportunities	1997	366	3,748	91.1%
FTE	1996	78	1,764	95.8%
Employment	1997	196	3,056	94.0%

Source: APA Report to the NPFMC

Note: Only members of APA are included in these offshore employment counts

Table Showing Annual Inshore Resident and Nonresident Employment[1]

	Total Workers	Resident Workers	Nonresident Workers	% Nonresident Workers
1996	5,687	837	4,850	85.3
1997	5,908	809	5,099	86.3

[1]Resident and Nonresident Workers for Selected Seafood Processing Firms and Locations Alyeska Seafoods (Aleutians West), NN Victor Partnership (Aleutians West), Peter Pan Seafoods (Aleutians East), Unisea (Aleutians West), Tyson Seafoods (Aleutians), Unisea (Aleutians West), Westward Seafoods (Aleutians East and Other Locations) in Alaska 1996/1997, using unduplicated SSN's by year

Source: Alaska Department of Labor, Research and Analysis

Table of Resident and Nonresident Workers for Selected Inshore Pollock Processing Firms[1]

Year	Employer Name	Area Name	Total Workers	Resident Workers	Nonresident Workers	% Nonresident Workers
1996	ALYESKA SEAFOODS INC	Aleutians West	409	138	271	66.3
1996	NN VICTOR PARTNERSHIP	Aleutians West	438	2	436	99.5
1996	PETER PAN SEAFOODS INC	Aleutians East	844	190	654	77.5
1996	TRIDENT SEAFOODS CORP	Aleutians East	1,760	116	1,644	93.4
1996	TYSON SEAFOOD GROUP INC	Floater	362	38	324	89.5
1996	UNISEA INC	Aleutians West	1,289	241	1,048	81.3
1996	WESTWARD SEAFOOD INC	Aleutians West	627	117	510	81.3
Total			**6,729**	**842**	**4,887**	**86.3**
1997	ALYESKA SEAFOODS INC	Aleutians West	364	111	253	69.5
1997	NN VICTOR PARTNERSHIP	Aleutians West	445	2	443	99.6
1997	PETER PAN SEAFOODS INC	Aleutians East	907	186	721	79.5
1997	TRIDENT SEAFOODS CORP	Aleutians East	1,778	119	1,659	93.3
1997	TYSON SEAFOOD GROUP INC	Floater	267	39	228	85.4
1997	UNISEA INC	Aleutians West	1,487	229	1,258	84.6
1997	WESTWARD SEAFOOD INC	Aleutians West	705	131	574	81.4
Total			**5,953**	**817**	**5,136**	**86.3**

[1]Resident and Nonresident Workers for Selected Seafood Processing Firms and Locations
and Total Resident and Nonresident Earnings for the Group of Selected Firms by Year-Alaska 1996/1997
Unduplicated Worker Count by Empoyer and Area

Source: Alaska Department of Labor, Research and Analysis

TABLE OF RESIDENCY OF EMPLOYEE'S HIRED BY ONSHORE COMPANIES 1996

EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT
Dutch Harbor	275	Kotlik	3	Scammon Bay	1
Anchorage	193	Mekoryuk	3	Talkeetna	1
Unalaska	121	Soldotna	3	Anderson	1
Sand Point	56	Juneau	2	Tuntutuliak	1
King Cove	54	Skagway	2	Barrow	1
St. Paul Island	28	Chevak	2	Cantwell	1
Akutan	23	Kipnik	2	Haines	1
Kodiak	21	Nikiski	2	Ketchikan	1
False Pass	9	Quinhagak	2	Togiak	1
Bethal	9	Sheldon Point	2	North Pole	1
Fairbanks	9	Iliamna	1	Sutton	1
Cordova	5	Alakanuk	1	Ninilchik	1
Wasilla	5	Dillingham	1	Toksook Bay	1
Palmer	4	Girdwood	1	Petersburg	1
Mountain Village	4	Kasilof	1		
Chefornak	4	Cold Bay	1		
Eagle River	3	Elemendorf AFB	1		
Egegik	3	Hooper Bay	1		
Homer	3	King Salmon	1		
Kenai	3	Napakiak	1		

TABLE OF RESIDENCY OF EMPLOYEE'S HIRED BY ONSHORE COMPANIES 1997

EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT
Dutch Harbor	226	Kenai	3	Elemendorf AFB	1
Anchorage	187	Mountain Village	3	Girdwood	1
Unalaska	116	Palmer	3	Glenallen	1
Sand Point	53	Dillingham	2	Goodnews Bay	1
King Cove	46	Holy Cross	2	Iliamna	1
Kodiak	41	Kipnik	2	Kasilof	1
St. Paul Island	41	Nikiski	2	Kwethluk	1
Akutan	23	New Stuyahok	2	Napakiak	1
Juneau	9	Pilot Station	2	Ninilchik	1
Alakanuk	6	Seward	2	Quinhagak	1
Fairbanks	6	Togiak	2	Shageluk	1
False Pass	6	Toksook Bay	2	Nightmute	1
Ketchikan	5	Tuntutuliak	2	Minto	1
Wasilla	5	Tunanak	2	Haines	1
Petersburg	5	Nulato	2	Sitka	1
Cordova	4	Anderson	1	Skagway	1
Mekoryuk	4	Cold Bay	1	Thorne Bay	1
Soldotna	4	Emmonak	1	Ward Cove	1
Bethal	3	Hughes	1		
Homer	3	Eagle River	1		

TABLE OF RESIDENCY OF EMPLOYEE'S HIRED BY THE A.P.A. FLEET 1996

EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT
Anchorage	30	Alakanuk	2	King Salmon	1
Dillingham	21	Aleknagik	2	Kodiak	1
Togiak	14	Pilot Point	2	Valdez	1
Manokotak	9	Wasilla	2	Two Rivers	1
Shaktoolik	9	Saint Micheal	2	Koyuk	1
Stebbins	9	Unalaska	2	Wales	1
Emmonak	6	Wasilla	2		
Kotlik	4	Dutch Harbor	2		
Spenard	4	Brevig Mission	2		
Bethal	3	Fairbanks	2		
Egegik	3	Akutan	1		
Homer	3	Eagle River	1		
Unalakleet	3	False Pass	1		
Elim	3	Girdwood	1		
Gambell	3	Iliamna	1		
Nome	3	Kenai	1		

TABLE OF RESIDENCY OF EMPLOYEE'S HIRED BY THE A.P.A. FLEET 1997

EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT	EMPLOYEE RESIDENCE	COUNT
Anchorage	66	Wasilla	3	Levelock	1
Dillingham	36	Unalakeet	3	Mekoryuk	1
Emmonak	22	Elim	3	Naknek	1
Togiak	15	Aleknagik	2	Pilot Point	1
Kotlik	12	Clarks Point	2	Pilot Station	1
Alakanuk	10	Hooper Bay	2	South Naknek	1
Manokotak	8	Kwethluk	2	Valdez	1
New Stuyahok	7	Ninilchik	2	Gambell	1
Stebbins	7	Soldotna	2	Nenana	1
Bethal	6	Seward	2	Tok	1
Fairbanks	6	Sheldon Point	2	Douglas	1
Iliamna	5	Unalaska	2	Haines	1
Kodiak	5	Nome	2	Petersburg	1
Unalaska	5	Juneau	1	Sitka	1
Dutch Harbor	5	Atka	1	Ketchikan	1
Koyuk	5	Chevak	1	Ward Cove	1
Homer	4	Eagle River	1		
Moutain Village	4	Eek	1		
Napakiak	4	Egegik	1		
Palmer	4	False Pass	1		
Soldotna	4	Goodnews Bay	1		
Shaktoolik	4	Kenai	1		

AT-SEA PROCESSORS ASSOCIATION
Partners for Healthy Fisheries

April 15, 1998

To: Darrell Brannan, North Pacific Fishery Management Council

SENT VIA FAX

From: Ed Richardson

Re: APA employment impacts for 1996 and 1997

Attached please find summary tables for APA employment impacts for 1996 and 1997. As the table headings indicate, the statistics refer to employment opportunities. That is to say, APA companies, within the course of operating the vessels listed below during 1996 and 1997, provided the tabled numbers of employment opportunities (i.e., jobs). What is important to note is that, for the case where an APA company provided a job for an individual during the pollock A season, and a second APA company provided a job for the same individual, say, during the pollock B season, this individual would have received two employment opportunities (jobs). Because not all APA member companies provided SSNs to identify individual employees, it was not possible to refine the employment estimates to the point where a total number of unique individuals could be counted. However, from what I understand about how plant employment is indicated shoreside, i.e., that is it done by counting the work force at a standard point in time each quarter, it would appear that the shoreside employment estimates also do not measure employment impacts on the basis of unique individuals.

In compiling the tables, residency was based on the address that employees supplied to APA member companies and the job category indicates the task for which the employee was hired. The pay and benefits amounts include direct (gross) wages as well as company matching contributions to retirement plans and the purchase of health insurance coverage for those instances where these benefits are provided. The APA job categories included with the tables include generally the following tasks:

1. Administration
   Shore-based company management, human resource, and accounting services
   some vessel-based processing plant management services

2. Fishing
   Vessel captain and navigation services, fish master, fishing-gear operations crew
   deck winch operation

3. Processing
   Processing plant labor services, product quality control, packaging and storage,
   plant equipment maintenance and repair

4. Engineering
   Repair and maintenance of vessel propulsion and electrical systems and
   systems to support plant and hotel operations (e.g., freshwater production)

5. Hotel and Galley
   Hotel operations services - cooking, cleaning, laundry, provisioning, and storage

Obviously, the size of APA member company operations and labor service requirements changes as business opportunities change. As the tables indicate, the number of employment opportunities provided by APA member companies increased by about a third during 1996-1997, moving to just over 4,100 opportunities during 1997 from just under 3,000 opportunities during 1996. In large part, these increased opportunities resulted because APA member companies operated more vessels in the BSAI pollock fishery during 1997 than during 1996. The lists of vessels that APA member companies operated during 1996 and 1997 are provided below. However, it should be noted here that during 1996 the vessels

SEATTLE 4039 21st Avenue West Suite 400 Seattle, WA 98199 Tel: (206) 285-5139 Fax: (206) 285-1841 www.atsea.org
ALASKA P.O. Box 920021 Dutch Harbor, AK 99692 Tel: (907) 581-5880 Fax: (907) 581-5880

CP Northern Jaeger, CP Northern Hawk, and CP Northern Eagle were operated by member American Seafoods Company only during November and December of 1996, after the vessels had stopped fishing for the year. For this reason, the 1996 APA data includes only a small quantity of labor services to support ship-yard work on these three vessels.

1996	1997
Alaska Ocean	Alaska Ocean
American Empress	American Empress
American Dynasty	American Dynasty
American Triumph	American Triumph
Arctic Storm	Arctic Storm
Arctic Fjord	Arctic Fjord
Endurance	Endurance
Northern Glacier	Northern Glacier
Ocean Rover	Ocean Rover
Pacific Glacier	Pacific Glacier
Highland Light	Highland Light
Starbound	Starbound
Pacific Scout	Pacific Scout
Pacific Explorer	Pacific Explorer
Pacific Navigator	Pacific Navigator
Northern Eagle (late year shipyard only)+	Northern Eagle
Northern Hawk (late year shipyard only)+	Northern Hawk
Northern Jaeger (late year shipyard only)+	Northern Jaeger
	Rebecca Ann
	Victoria Ann
	Christina Ann
	Elizabeth Ann
	Katie Ann

Please call if you have questions or require additional information.

Sincerely,

Edward J. Richardson

cc: Jeff Hadland, Alaska Department of Labor
Mike Downs, Impact Assessment
Mike Galginaitis, Impact Assessment

+ Vessel fished the 1996 A and B-seasons while owned by Ocean Trawl, Inc.

APA Companies — Summary of 1997 Employment Impacts.

Employment Opportunities	Gross Pay and Benefits	FTE Years of Employment [a]
4,114	$108,013,602	3,252

Pay and Benefits by State

	Employment Opportunities	Gross Pay and Benefits ($)	FTE Years of Employment
Alaska	366	4,720,743	196
Washington	2,663	76,254,686	2,180
Oregon	151	3,292,628	111
Idaho	51	1,658,172	48
Montana	28	652,514	20
California	338	7,455,701	272
Other	517	13,979,158	426

Pay and Benefits by Job Category

	Employment Opportunities	Pay and Benefits ($) Total	Pay and Benefits ($) Median	Employment (FTE Years) Total	Employment (FTE Years) Median
Administration	390	17,018,555	32,425	358	0.94
Fishing	290	17,894,068	50,718	314	1.02
Processing	2,919	57,872,709	12,890	2,138	0.59
Engineering	347	11,034,621	15,816	294	0.73
Hotel and Galley	168	4,193,647	19,752	147	0.78

[a] One full-time equivalent (FTE) year of employment is calculated as 240 eight-hour work days.

APA Companies — Summary of 1996 Employment Impacts (Alt).

Employment Opportunities	Gross Pay and Benefits	FTE Years of Employment [a]
2,924	$72,591,825	1,841

Pay and Benefits by State

	Employment Opportunities	Gross Pay and Benefits ($)	FTE Years of Employment
Alaska	177	2,140,853	77.5
Washington	1,958	52,652,553	1,296.0
Oregon	109	2,674,243	69.9
Idaho	43	1,214,044	29.9
Montana	27	516,623	17.4
California	257	4,340,637	136.9
Other	353	9,052,872	213.6

Pay and Benefits by Job Category [b]

	Employment Opportunities	Pay and Benefits ($) Total	Pay and Benefits ($) Median	Employment (FTE Years) Total	Employment (FTE Years) Median
Administration	163	7,487,199	33,324	119.8	1.01
Fishing	206	12,677,129	58,715	157.0	0.95
Processing	2,144	37,556,059	13,858	1,244.3	0.56
Engineering	281	11,132,897	28,767	218.1	0.96
Hotel and Galley	130	3,738,541	27,740	101.7	1.04

[a] One full-time equivalent (FTE) year of employment is calculated as 240 eight-hour work days.

[b] Includes 1,417 employment opportunities with job category unknown allocated in proportion to those opportunities with known job category.

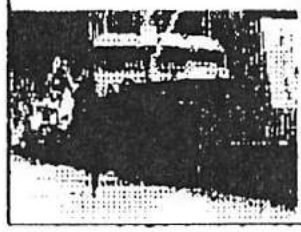
NPSC
Glenn Reed
(1)

Analyst Presentation
American Seafoods Group
Oslo, Jan. 15, 1998

FRIONOR

ASC Group Presentation

- Introduction
- ASC-Group Restructuring
- The ASC - Frionor Integration



- Operational Overview
  - Vessel
  - Land-based
- Political Situation
- Marketing & Sales Overview

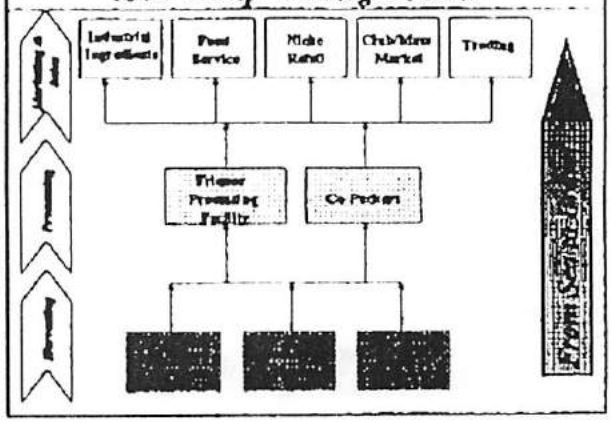
Overall Strategy - ASC Group

Harvesting → Processing → Marketing & Sales

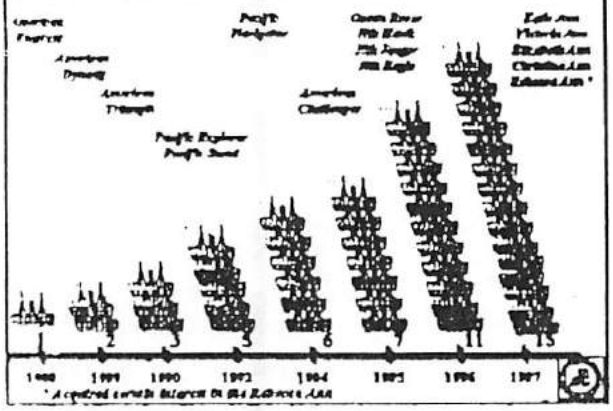
To create a fully integrated seafood company with focus on:

- Operating a fleet with the most efficient harvesting platforms making ASC the lowest cost producer
- Maximizing processing facility capacity to minimize unit cost
- Further developing our strong position in the industrial ingredient market
- Becoming a dominant player in the foodservice market
- Developing a position in the Clubstore and non-traditional retail market

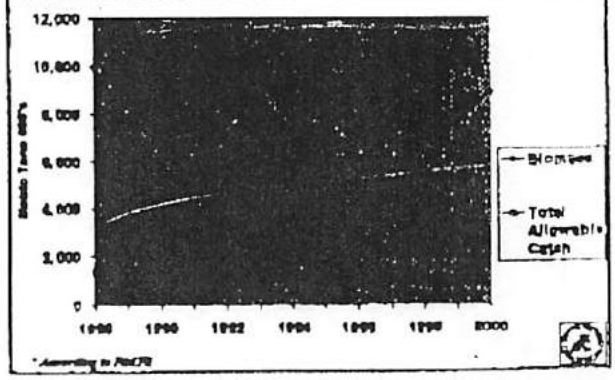
ASC Group - Strategic Focus



ASC Fleet Growth 1988 - 1997



AK Pollock Resource
Roundfish - MT in 000's



Overall Strategy - ASC Group

Harvesting → *Processing* → *Marketing & Sales*

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- Maximizing processing facility capacity to minimize unit cost
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- Becoming a dominant player in the foodservice market
- Developing a position in the Chubsters and non-traditional retail market

Inshore / Offshore III: Key Issues

Current Inshore/Offshore allocation expires end of 1998

Issues being analyzed by the North Pacific Fisheries Management Council (NPFMC):

- *Stability within the industry*
- *Preemption of historical participants*
- *Impacts on fishery dependent communities*
- *Discards*
- *Foreign ownership*
- *Product utilization*
- *Excessive share of harvests and market control*

ASC Corporate Focus 1996-1997

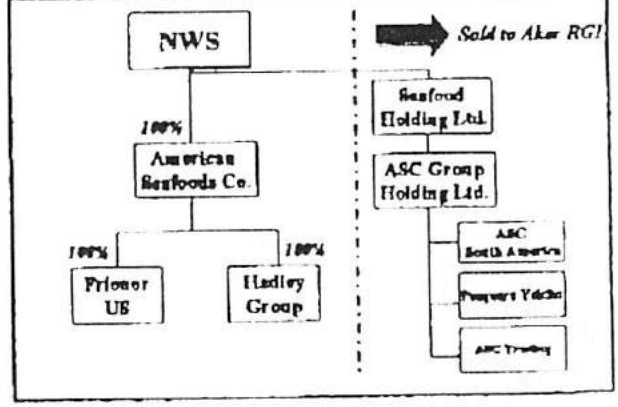
1. Significant fleet growth
2. Coordinate business activities in Russian and South American ventures
3. Realign, strengthen, build a functional organization
4. Complete system restructuring

Factors 1 & 2 slowed progress in 3 & 4

ASC Group Corporate Focus - 1998

Objectives	Focus Areas
To provide a stable source of supply	Refine vessel operations
To reduce sensitivity of earnings through vertical integration structure	Streamline and stabilize organization focusing on cost savings and synergy opportunities
To become the most professional, innovative and profitable company in the seafood industry	Integrate Marketing & Sales organization
To become an attractive company to institutional and industrial investors	Develop market positions across all segments
	Increase processing plant capacity utilization
	Political positioning

ASC Group Legal Structure



ASC GROUP - Legal Structure

Structure Simplified..

- *Oct 97:* Sale of Seafoods Holding to AKFR RGI
- *Jan 98:* Merge Custom Blenders into ASC
- *Jan 98:* Exercise 50% option in Hadley Group and transfer ownership to ASC
- *Feb 98:* Merge Hirting Fisheries into ASC
- *Jun 98:* NWS contributing stock of Frionor US

RGI Seafoods Corporation

The Rationale: Rational

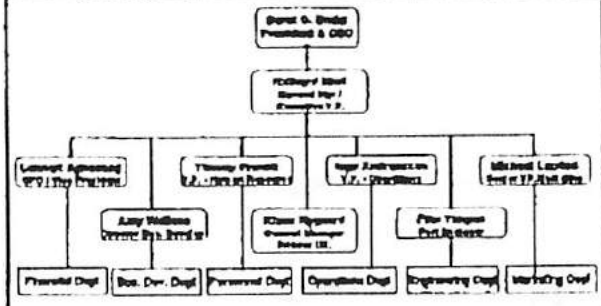
- The risk profile
- Focus on opportunities in Alaska
- Strengthen NWS financial position

RGI Seafoods Corporation

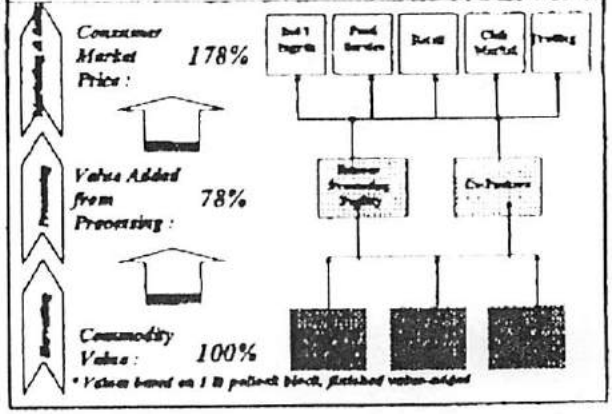
The Relationship:

- *Services Agreement*
  - Initial 2 year term
  - Purchasing (synergies - purchasing power)
  - Key Crew (synergies - rotation and utilization)
  - Technical Services (synergies - cost sharing)
  - IT - Services (synergies - cost sharing)
- *Marketing Agreement*
  - Initial 2 year term
  - Exclusive agreement all products
  - 1.5 % commission
  - Secure raw material needs for Frionor US
  - Strengthen ASC's position in Industrial Ingredient market

ASC Management Team



Current Value Creation



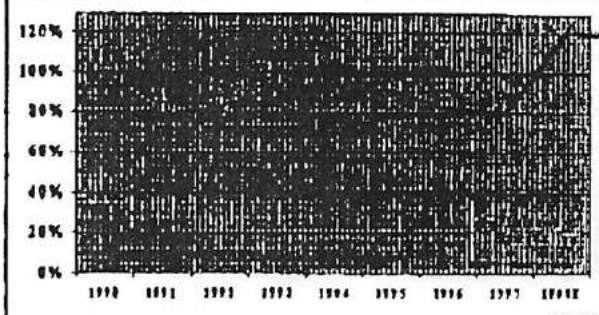
ASC - Frionor Integration

The Synergies

- *Concept well received in the market*
  - % enables volume growth in New Bedford
  - % significant unit cost reduction
- *Purchasing power leverage for goods and services*
- *Streamline administrative activities*
  - % merge Marketing & Sales organization
  - % transfer administrative functions to Seattle
  - % eliminate duplicated efforts

New Bedford Processing Plant

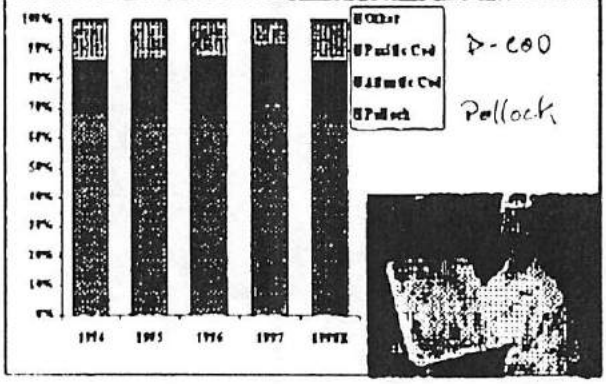
*Finished Production in Metric Tons **



* *Production relative to 1990 base year*

New Bedford Processing Plant

Raw Material Input in Metric Tons

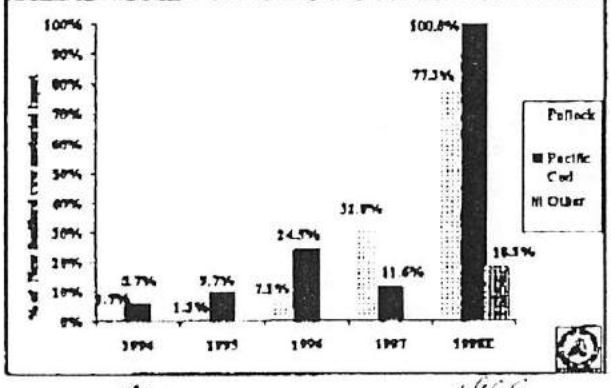


D-600

Pollock

New Bedford Processing Plant

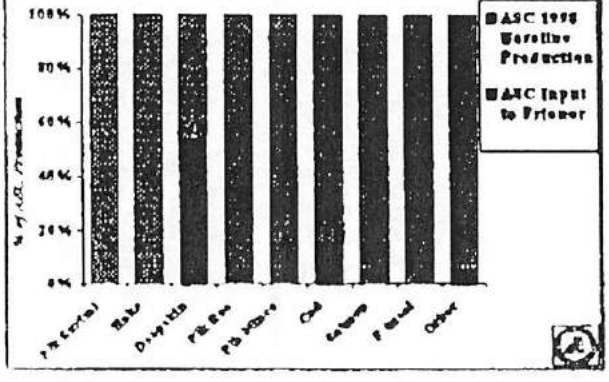
% of ASC supplied Raw Material in Metric Tons



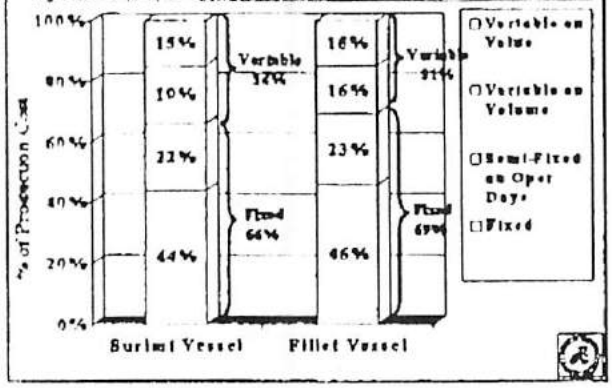
1994 1998

ASC Alaska to New Bedford Plant

Raw Material Input in Metric Tons



ASC Alaskan Vessels
Operational Cost Structure

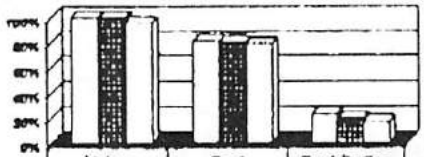


Sensitivity: Cost, Price & Currency

- +/- 10% change in market prices (*)
  - *+/- $15 - 17 mill profit impact*
- +/- 10 points change in Yen exchange rate
  - *+/- $8 - 10 mill profit impact*
- +/- 1% change in vessel operation costs
  - *+/- $1.5 mill profit impact*

* *Based on 1998 baseline volume base*

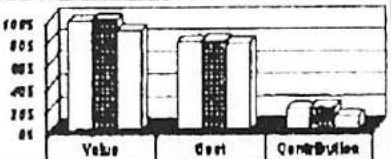
ASC Alaska
Sensitivity Analysis - All Vessels



	Value	Cost	Contribution
+5% volume, pollock	104%	81%	23%
Baseline	100%	80%	20%
-5% volume, pollock	96%	78%	17%

- "Cost" includes all fixed and variable operating costs
- "Contribution" is earnings before G & A, interest and tax
- "Pollock" products include surimi, roe, deepskin, block, and mince

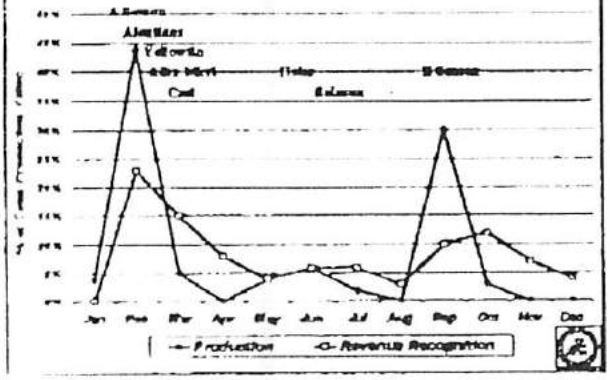
ASC Alaska
Sensitivity Analysis - All Vessels



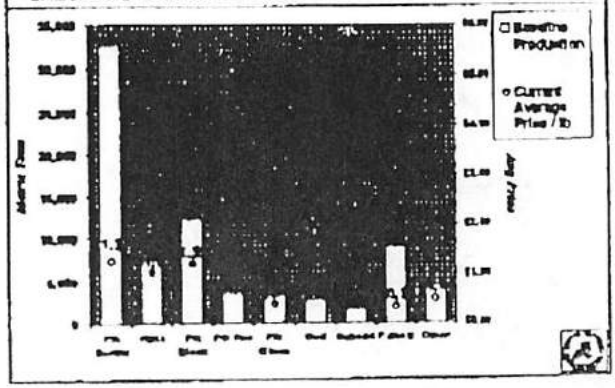
	Value	Cost	Contribution
-10 Yen/$, surimi & roe	88%	79%	9%
Baseline	100%	80%	20%
-10 Yen/$ cur. & roe, -10% fish $/ratio, -10% volume cur. $/s. roe	89%	79%	11%

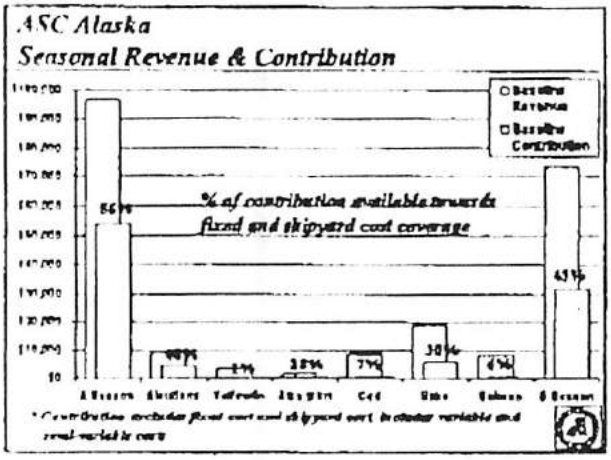
- "Cost" includes all fixed and variable operating costs
- "Contribution" is earnings before G & A, interest and tax
- 114 Yen exchange rate used for all scenarios

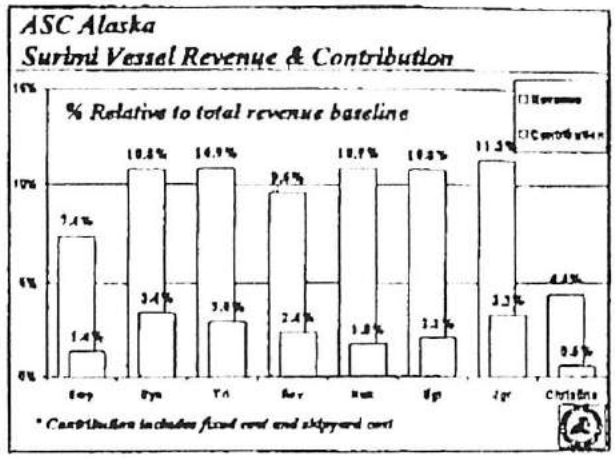
ASC Alaska
Production vs. Revenue Recognition Timing

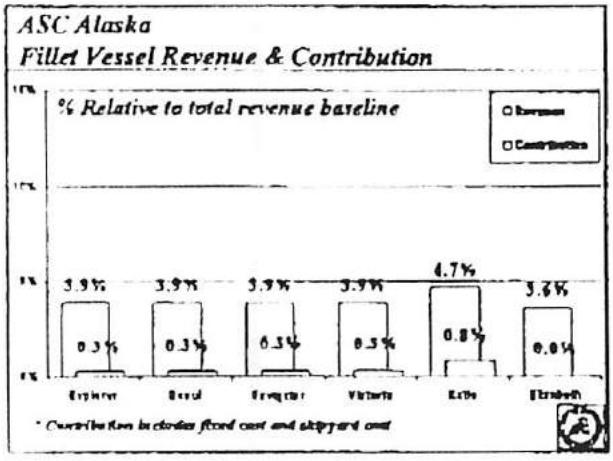


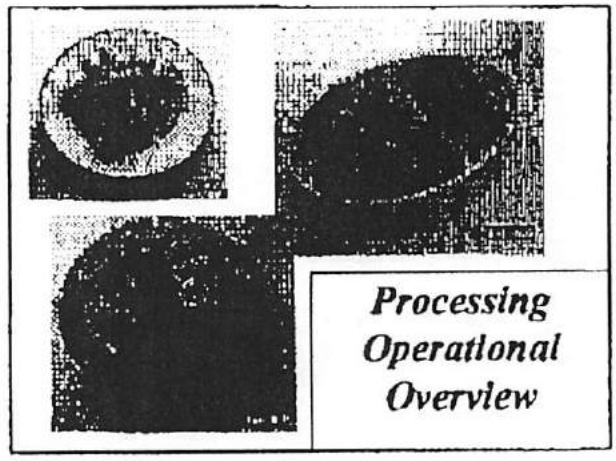
ASC Alaska
Baseline Production Volumes & Prices

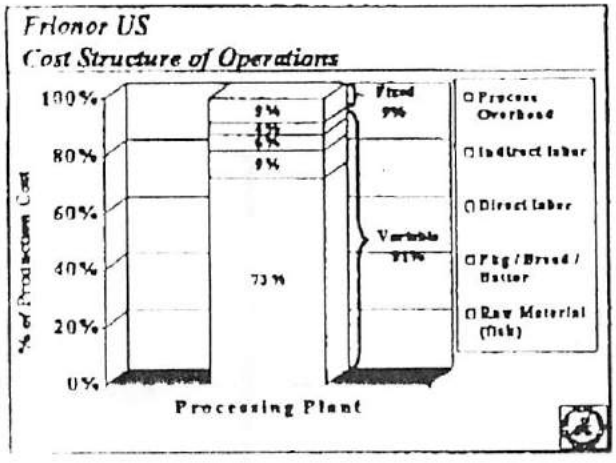


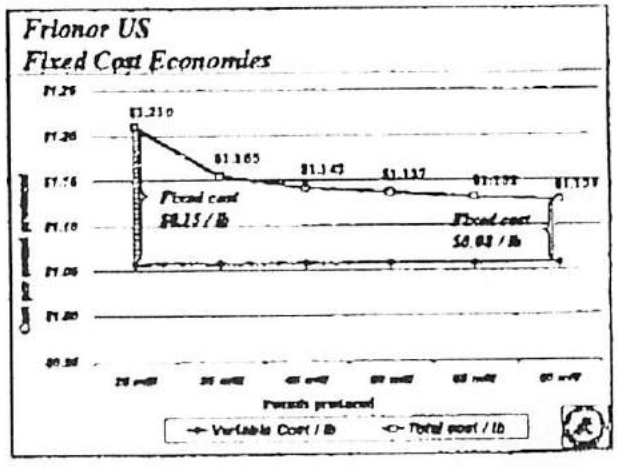

ASC Alaska
Seasonal Revenue & Contribution
% of contribution available towards fixed and shipyard cost coverage


ASC Alaska
Surimi Vessel Revenue & Contribution
% Relative to total revenue baseline


ASC Alaska
Fillet Vessel Revenue & Contribution
% Relative to total revenue baseline

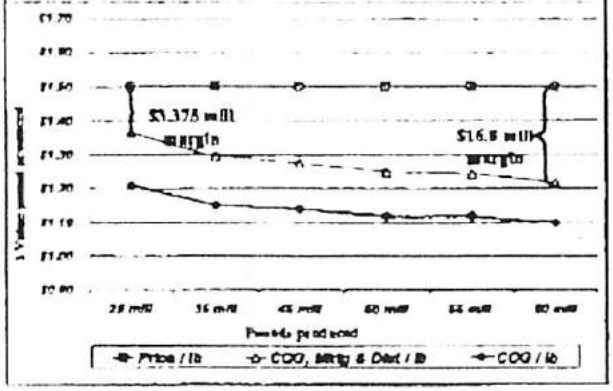

Processing Operational Overview


Frionor US
Cost Structure of Operations
% of Production Cost
Processing Plant


Frionor US
Fixed Cost Economies
Fixed cost
$0.15 / lb
Fixed cost
$0.03 / lb
Variable Cost / lb
Total cost / lb

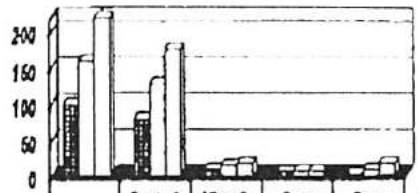
Trionor US

Fixed Cost Economies - Impact on Contribution Margin



Trionor US

Sensitivity Analysis



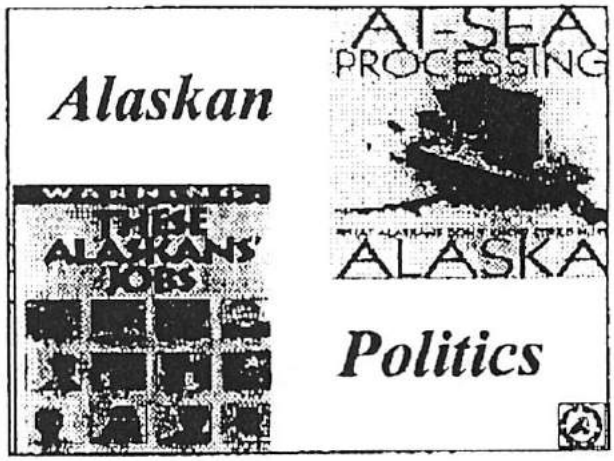
	Value	Cost of Sales	Mktg & Dist	Over Head	Oper Profit	Oper Profit %
28 million lbs, Sensitive	189.0	89.0	16.0	7.0	9.0	3%
40 million lbs	144.0	120.0	15.0	7.0	9.0	5.9%
64 million lbs	228.0	176.0	18.0	9.0	19.0	8.4%

Trionor US

Potential Improvements

- Decrease fish cost through better yield
  - 3% yield improvement
    - + 1.5% profit impact
- Decrease package, brand, better cost by purchasing leverage
  - 6% cost reduction
    - + 6.3% profit impact

Overall potential improvement in operating profit from 3% to 10%



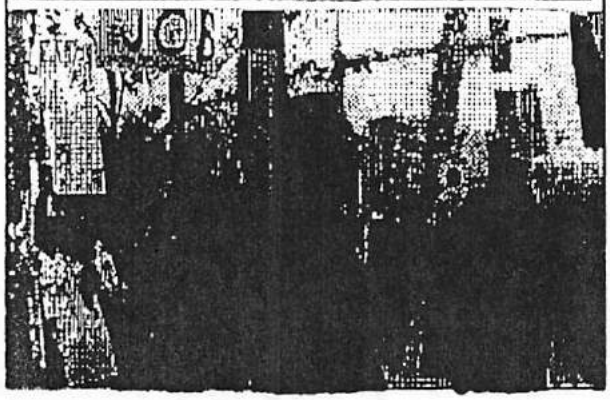
Alaskan Politics - The Problem

- *Different groups with partly different agendas*
  - Environmentalists
  - Industry competitors
  - Politicians
- *Portray Factory Trawlers as being:*
  - Bad for the environment
  - Cause for overfishing
  - Bad for the Alaskan economy

Alaskan Politics - The Issues

- Inshore / Offshore III
- Senate Bill 1221 (Steven's Bill)
- Greenpeace campaign to ban Factory Trawlers

Inshore / Offshore III



Inshore / Offshore III: Timeline

- NPFMC approved inshore/offshore allocations - 35% / 65% split through 1998
- Industry agreement to roll over existing allocations through end of 1999
- NPFMC industry analysis report complete, possible final decision
- Final action needed for new allocation to begin by January 1999

1992 — 1995 — April 1998 — June 1998

Inshore / Offshore III: Key Issues

Current Inshore/Offshore allocation expires end of 1998

Issues being analyzed by the North Pacific Fisheries Management Council (NPFMC):

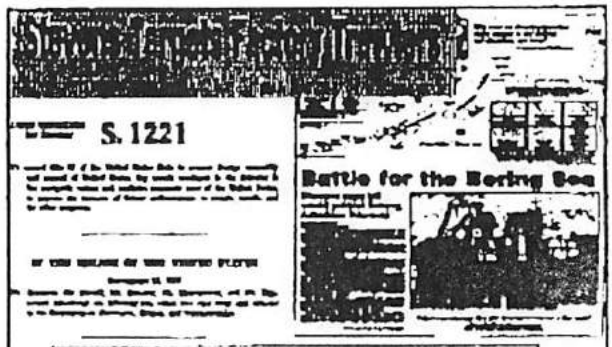
- *Stability within the industry*
- *Preemption of historical participants*
- *Impacts on fishery dependent communities*
- *Divorce*
- *Foreign ownership*
- *Product utilization*
- *Excessive share of harvests and market control*

Inshore / Offshore III: Analysis

- ✓ NPFMC staff to complete qualitative analysis by April 1998
- ✓ If additional analysis proposed, will be a 1-2 year process which would likely extend the 35/65 allocation
- ✓ If no additional analysis is proposed, likely the NPFMC will not be able to justify a reallocation of more than 5%
- ✓ NPFMC has been careful to appear balanced, unbiased. If reallocation, it will likely be a reduction for the offshore sector.

Inshore / Offshore III: Key Actions

- *Create jobs in Alaska*
- *Develop / maintain good industry relationships*
- *Public education through paid and free media*
- *Economic activities and support*
- *Public presentations*
- *Lobbying*
- *Promote healthy environment*



Senate Bill 1221
(Steven's Bill)

Inshore / Offshore III: Key Actions

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- *Develop / maintain good industry relationships*
- *Public education through paid and free media*
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- *Lobbying*
- *Promote healthy environment*

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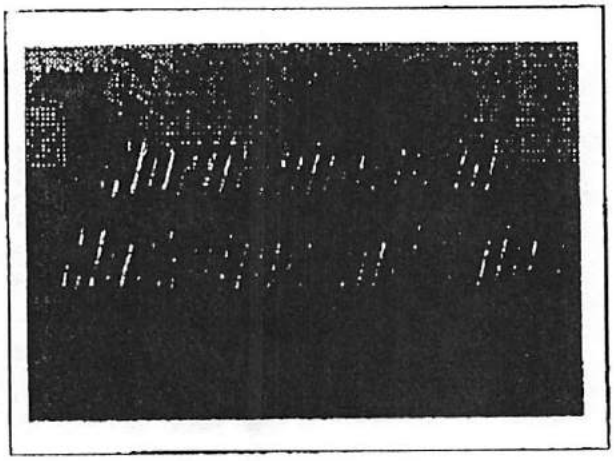
Senate Bill 1221: Key Provisions

- F/T's have been a cause of over fishing in the US, have been by catch fleet, smaller vessels, and are owned by investors less concerned with responsible fishery management.
- To qualify for a fishing endorsement, 75% of controlling interest in vessel must be owned by US citizens.
- No new fishery endorsements granted to vessels more than 165 ft. ; 3,000 shaft horsepower; 750 gross tons. This would phase-out F/T's.
- Vessel owners not meeting the 75% US citizen standard have 10 months to comply with new standard. The grandfather provisions of the Anti-Reflagging Act are repealed.
- Shift enforcement of ownership issues from the Coast Guard to the Maritime Administration.

Senate Bill 1221: Key Actions

- Meet with key legislators, including Stevens - APTA, ASC
- Contract with influential advocates
- Disseminate ASC story to the media and the public
- Encourage support from key Alaskans, community and business leaders



The Mission

To harness the power and breadth of the newly integrated company and service the North American market

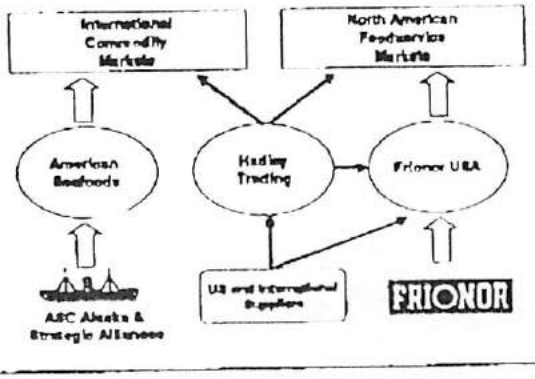
"...from the ocean to the plate...."

North American Marketing & Sales
1997 Key Focus Areas

1. *Consolidate commodity and value-added businesses*
2. *Integrate marketing, selling, and resourcing organizations*
3. *Capture program synergies*
4. *Broaden product mix*
5. *Develop resourcing capabilities*

Providing a solid foundation to build the integrated organization

Previous Business Structure

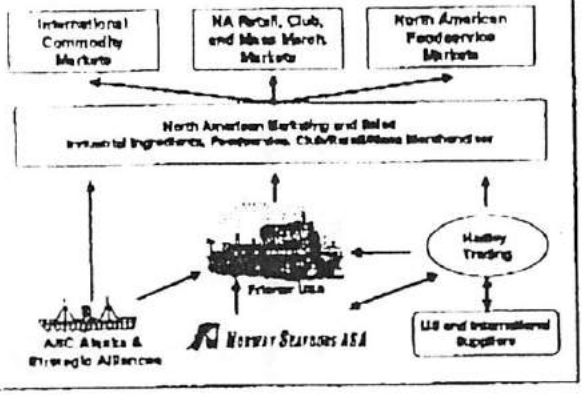


The Mission

To harness the power and breadth of the newly integrated company and service the North American market

"...from the ocean to the plate...."

Newly Integrated Business Structure



Important 1997 Results

- Launches of new products into foodservice national accounts, generating .5 MM lbs. of incremental volume
- Conversion of several foodservice distributors, generating 1 MM lbs. of incremental volume
- Focus on supply to chain restaurants, generating 15-20 MM lbs on annual basis
- New business filled much of underutilized Frionor US capacity
- Growth supported by ASC and NWS supply capabilities

FRIONOR

NA Marketing & Sales - 1998

Objectives	Focus Areas
To become the leading supplier of industrial ingredients market	Develop margin-based reporting system
To become a dominant player in the foodservice market	Complete ASC/Frionor US integration
To establish a niche presence in retail	Optimize product mix
To engage in trading of all seafood and matrix commodity products	Complete sales force effectiveness study
	Develop communications and P/R program
	Formalize Marketing Plan and Forecasting discipline
	Develop performance-based evaluation system

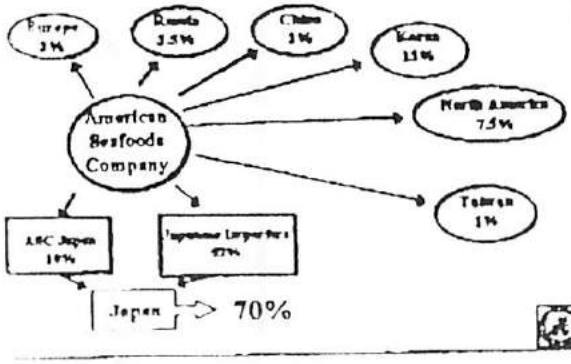
1998

Industrial Ingredients Sales and Marketing

- Supply 100% of Frionor USA's needs for North Pacific resources
- Leverage ASC Japan as a profitable sales service company
- Develop new surimi markets; lessen reliance on Japan

FRIONOR

ASC Surimi Sales



Industrial Ingredients Sales and Marketing

- Develop global alliances
- Support NWS Northern European operations
- Attain customer service sales support
- Develop higher-margin product applications (ie: Chilean Seabass)

FRIONOR

Chilean Seabass
Remember..."Ugly" is Only Skin Deep!!

Foodservice
Sales and Marketing

- Develop tools to support acquisition of businesses, distributors, and national accounts
- Utilize Operator Advisory Board to target new products and trends
- Leverage Broker Advisory Council to increase sales force effectiveness

FRIONOR

Retail, Clubstore, Mass Merchandiser
Sales and Marketing

- Develop non-traditional product applications for traditional retail
- Leverage existing Frionor products (Europe, Thailand, USA) into distribution
- Integrate the sale and marketing of Norlax Smoked Salmon

FRIONOR

Trading and
Resourcing

- Explore strategic alliances with global seafood processors
- Further develop strategic / market driven purchasing programs
- Support broadening of the product mix with new species offerings
- Optimize utilization of resources into highest-revenue-producing channel

FRIONOR

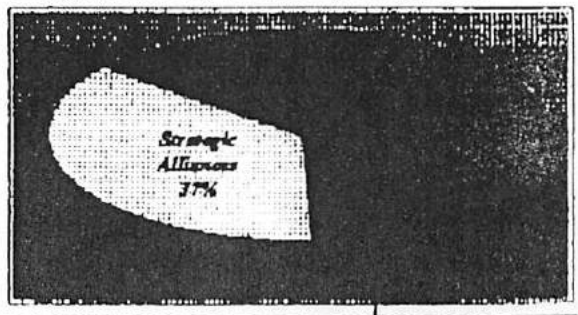
General Marketing Initiatives

- Develop market-driven Internet Web Site
- Consolidate global on-line applications
- Consolidate Marketing Plan and Planning system
- Explore synergies between advertising agencies and suppliers

FRIONOR

North American Marketing & Sales
Baseline Volume Projections

- Approximately 133,000 MT of product



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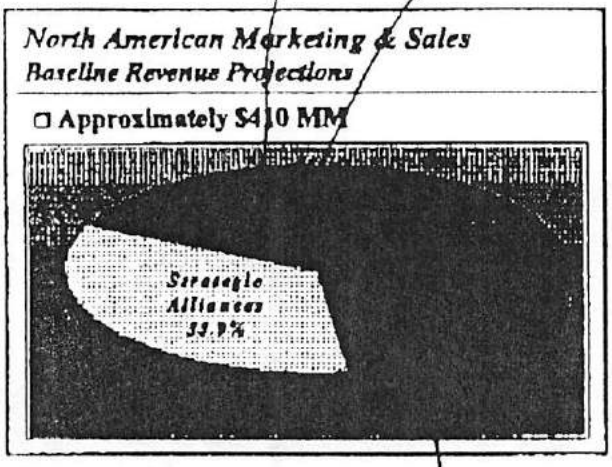
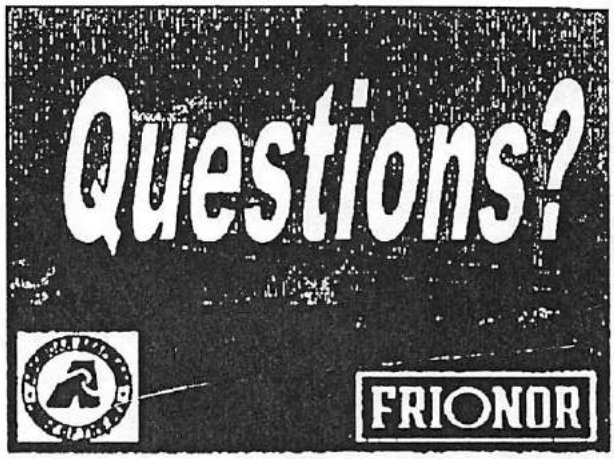

North American Marketing & Sales
Baseline Revenue Projections
Approximately $410 MM
Strategic
Alliances
33.9%


Questions?
FRIONOR

47,16

NPSE
Glenn Rud

NORWAY SEAFOODS ASA

The Group's involvement in the Seafoods sector consists of a 60.7% share in Norway Seafoods.

Norway Seafoods ASA

(mill NOK)	1997	1996
Operating revenues	5339	5009
Ordinary depreciation	163	95
Operating profit	-48	5
Profit after financial items	-138	36
Total investments	401	1775
Total assets at 31.12	2725	3796
Equity ratio %	43.8	30.4
Net interest-bearing debt	782	1365
Number of employees at 31.12	3725	4406

Norway Seafoods was established in December 1994 in order to restructure and further develop the RGI Group's seafood activities into becoming an international seafood enterprise based in Norway. In 1996, the company evolved from being a fishing-fleet company into becoming a major seafood company based on seafood products. The most important event in 1996 was the move into Frionor, which is one of the leading producers of seafood products in the Nordic countries, and one of the few Norwegian brand names known outside of the country. Norway Seafoods was listed on the Oslo Stock Exchange in May 1997.

In August 1996, Norway Seafoods purchased 33.2% of the shares in Frionor AS, and in November the same year the company entered into an agreement with Orkla to take over Orkla's 51.1% share in the company. In all, Norway Seafoods at that point controlled just under 84% of the shares in Frionor. The two companies decided to merge in January 1997.

Norway Seafoods now represents a fully integrated seafood supplier.

Norway Seafoods' long-term strategy:

- to develop a significant global market share through licenses and long-term resource alliances.
- to ensure influence over the product's development from point of origin to consumer, through vertical integration.
- to develop a leading brand name based on seafood products.

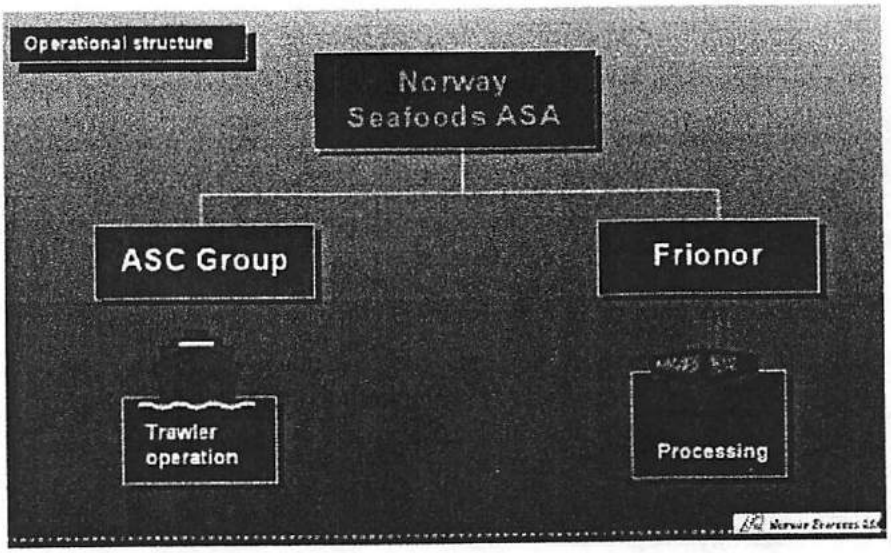
With this strategy, the objective is to establish stable and reliable operations, generate a steady cash flow and be highly attractive for investors. This will in turn generate popular and secure jobs.

Environmental Profile
A very important task has been to establish a sound environmental profile for the company's operations, since it is in Norway Seafood's interest to ensure responsible management of seafood resources. This is an aspect continuously in focus in the company's ongoing operations.

The company's environmental profile is based on the following elements:

- Norway Seafoods shall contribute to sustainable and long-term management of the world's fishing resources.
- Norway Seafoods shall have modern equipment on its boats in order to minimise unwanted catch
- Norway Seafoods' goal is to make the most use of each fish that is either processed or caught.

After a restructuring process in the beginning of 1997, Norway Seafoods now has two divisions. The ASC Group (American Seafoods Company) will be responsible for the fishing and processing sides of the business, and Frionor will be responsible for bringing the finished product to the consumer. The goal is to integrate as much as possible of the company's own catch in the company's own production process.

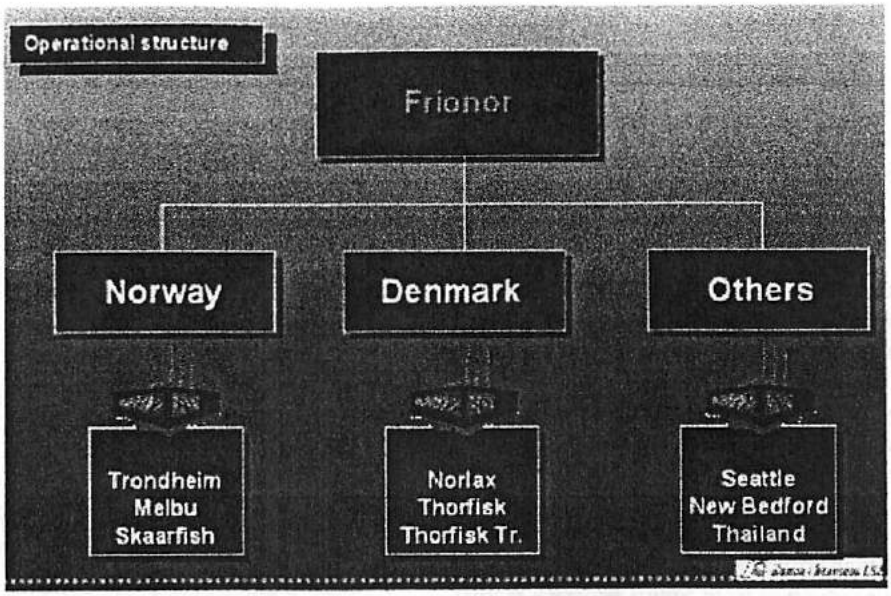


Harvesting Division
The American Seafoods Company in Seattle is one of the leading producers of white fish in the world, and their raw material supply consists mainly of Alaskan pollock. Alaskan pollock is the world's largest white fish resource, and the fish is sold primarily as frozen blocks of fillets or surimi. ASC's production takes place onboard factory trawlers where the fish is cleaned, packaged and frozen in the course of a few hours after it is caught. In addition to the fillet and surimi, high-quality and valuable roe is also taken from the fish in the winter season. The company's large factory trawlers produce fishmeal of the excess fish parts. In Alaska, the ASC now operates 16 boats in all.

The ASC's operations in South America are primarily related to Argentinean fishing activities, which focus on southern blue whiting, hoki and Chilean sea bass. The Southern blue whiting and hoki is used to make surimi and fishmeal, while Chilean sea bass is sold as a very exclusive product in North America and the Far East. In all, five boats are in operation for the ASC in the southern hemisphere.

The ASC Group also has entered into a joint venture with Russian partners, in which ten large Russian factory trawlers are in operation.

The Processing Division
This division will be built up around the Frionor system, with a focus on consumer brand names.



Frionor A/S is an international marketer of frozen food products. The company's main products are frozen fish and seafood. Frionor markets its brand names through retailers and volume buyers. Since 1946, the Frionor brand has developed into one of Norway's few internationally known brand names. Frionor exports its products to around 30 markets, and has an extensive network of subsidiaries, agents and distributors on four continents. The company has its own production facilities in Norway, Thailand and the USA.

Skaarfish Group AS is one of Norway's largest producers and exporters of fish, and was purchased early in 1995. Skaarfish's business is concentrated on pelagic fish, eg. herring and mackerel, as well as salmon. In 1996, the company's processing factory for salmon processed about 1500 tonnes of salmon. In all, the Skaarfish Group produced more than 115 000 tonnes of seafood products in 1996.

Melbu Fiskeindustri AS, in which Norway Seafoods has a 70% share, is active in most parts of the seafood business. They own both land-based production facilities, as well as five trawlers that supply fish to land-based processing facilities. Historically, Melbu has produced considerable amounts of frozen blocks of fish fillets, while in the future they will try to supply fish products with a higher degree of processing. The management and employees own the remaining 30% of the shares in the company.

In Denmark, all activity is organised through Foodmark Holding. Foodmark Holding is made up of Norlax, Thorfisk og Thorfisk Trading. **Norlax** is one of the leading producers of smoked salmon in Europe, and stands for about 40% of the Danish exports of smoked salmon. The company has been in a restructuring phase, in which attention has been focused on quality and efficiency. This has resulted in the launch of the company's products into new markets under the Norlax name. In 1996, the company produced more than 4 000 tonnes of finished fish products.

Thorfisk, located in Grenna in Danmark, is a processing company for the production of frozen fish products, and Thorfisk Trading is one of Europe's largest distributors of fresh seafood products to supermarkets and seafood wholesalers in Europe. Together, these two companies produced more than 54 000 tonnes of seafood products in 1996.

The Market

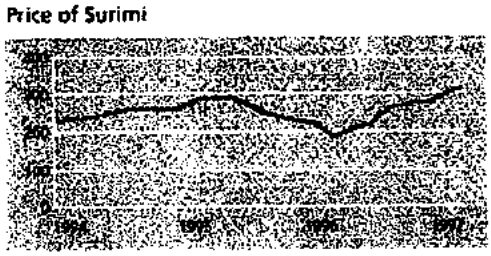
Annually, about 100 million tonnes of fish - including fish from fish-farms - are harvested around the world. About 70% of the total catch is used for food production. The consumption of fish has on a global basis risen from 8.5 kg. per capita in 1950 to approx. 18.3 kg. per capita in 1993. The consumption and fishing of fish has globally increased by more than 3% annually in the period from 1950 to 1993, with a levelling out taking place in recent years. The increase in the production of finished products is partly a result of more effective fishing and processing techniques.

White fish is the most important resource for Norway Seafoods. The catch of Alaskan pollock comprises about 60% of the world's catch of white fish, while the catch of the next most important fish species -- cod - makes up about 20%.

The most important products for Norway Seafoods in Alaska are surimi, fillet and roe (all from pollock). Surimi is sold primarily to Asia. The fillets are sold primarily to markets in North America and Europe.

The business activity in South America is primarily geared for the production of surimi from southern blue whiting, as well as "fillet" and "gut and cleaned" products of Chilean sea bass. The surimi production from South America is also sold to the Asian market. Chilean sea bass is sold primarily as "fillet" and "gut and cleaned" to markets in North America and the Far East.

Both the rate of harvest and stock of Alaskan pollock has been stable.



The most important single market for surimi is Japan. Historically, Japan has produced most of its surimi locally. Beginning in the 1980s and continuing right up to today, however, the Japanese production of surimi has declined dramatically. Today, Japan imports close to 70% of the country's consumption of surimi. About 60% of Norway Seafoods' sales of surimi go to Japan. The increase in demand for surimi in the world market is primarily due to increased consumption in other Asian countries other than Japan, as well as a result of an increasing market in USA and Europe. The remaining part of Norway Seafoods' sales go to these markets.

LANGSTEN

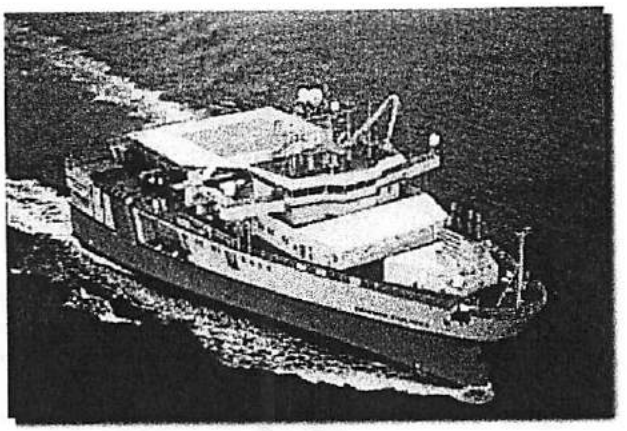
Langsten AS (67.5% holding)

The main company in the Langsten Group, Langsten Slip & Båtbyggeri AS, was set up in 1945. During its 50 year history the Langsten Group has amassed considerable experience of building various types of special purpose vessel, often one-off orders. Over the years it has built factory trawlers, stainless steel chemical carriers, offshore supply ships, car/passenger/rail ferries, reefers, seismic vessels (photo), diving support vessels, LPG carriers, ro-ro vessels and research ships. In total, the Langsten Group has delivered more than 200 vessels including four to the RGI Group: American Triumph (originally bought by another company), American Empress, Antartic I and American Monarch.

Langsten group

(mill NOK)	1997	1996
Operating revenues	1504	1370
Ordinary depreciation	20	17
Operating profit	49	82
Profit after financial items	45	82
Total investments	38	18
Total assets at 31.12	822	793
Equity ratio %	47.2	44.8
Net interest-bearing debt	59	112
Number of employees at 31.12	761	744

The Langsten Group comprises four main operations (yards): Langsten Slip & Båtbyggeri AS in Tomrefjord, Aukra Industrier AS in Aukra, Tangen Verft AS in Kragerø and Midsund Bruk AS in Midsund. Langsten Slip & Båtbyggeri AS, the largest of the operations in the Langsten Group, specialises in outfitting and repair and maintenance work. Tangen Verft AS manufactures hulls, largely for Langsten Slip & Båtbyggeri AS, while Aukra Industrier AS is an integrated shipyard. Midsund Bruk AS focuses mainly on niches in the offshore market. It produces prefabricated sections and steel structures, such as separators, pressure valves, tanks, pipeworks and special components. The business is capable of building vessels of up to 30,000 dwt.



Brattvaag Industrier AS (100% holding)

Brattvaag Skipsverft AS was set up in 1950 and during the course of the company's 46 year history it has amassed considerable experience of building small special purpose vessels, particularly trawlers/fishing vessels and offshore supply ships. The group has built a total of more than 60 ships, including two for the RGI Group in conjunction with external investors (Antartic II and III).

Brattvaag Industrier

(mill NOK)	1997	1996
Operating revenues	801	766
Ordinary depreciation	5	4
Operating profit	24	-9
Profit after financial items	19	-10
Total investments	7	7
Total assets at 31.12	545	326
Equity ratio %	7.1	3.6
Net interest-bearing debt	30	133
Number of employees at 31.12	390	352

Originally set up in 1936, Søviknes Verft AS was acquired from DnB ASA in December 1995. The vessels built by Søviknes Verft AS include a broad range of special purpose vessels including all types of fishing vessel, chemical carriers, oil tankers, ferries, offshore supply ships, research ships and tugs. Both yards are near Ålesund in Western Norway.

01.10.97 08:30

Norway Seafoods keeping to white fleshed fish, but

Frionor will be selling farmed salmon

Even though Norway Seafoods owns over 22 per cent of the new, expansive fish farming company Norway Seafarms in Flora, the fishery concern does not have any plans to invest any heavier in fish farming.

- We have prepared a new strategy plan in Norway Seafoods which describes explicitly that we will be targeting white fleshed fish, but at the same time, it is made obvious that we will be able to contribute to increased sales and exports of salmon products through our brand name Frionor, says Information Manager for Norway Seafoods, Sturle Lyberg to Seafarm Business Review.

Lyberg is of the opinion that the battle will be fought on the sales and export side in the future in regards to fish products, and he believes that Frionor can also be a brand name for salmon, as Frionor gradually gets a stronger footing on the market.

Consolidating

Also Ola Braanaas of GO Fish, who will own over 50 per cent of Norway Seafarms together with Gudmun Strømsnes, sees possible synergy effects from the collaboration with Norway Seafoods. When interviewed by Firda (newspaper), Braanaas said that integration in towards the global marketing apparatus is an important piece in the play for Frionor and Norway Seafoods' processing operations.

After Skaarfish, which is owned by Norway Seafoods, signed an Agreement of Intention with GO Fish on amalgamation, Skaarfish is now almost

obliterated as a company. The only Skaarfish operation left is a small salmon slaughter works at Hjørungavåg, which GO Fish was not interested in taking over. As settlement for Skaarfish, Norway Seafoods receive 22.22 per cent of the shares in the shareholding company Norway Seafarms, which does not mean that Norway Seafoods is now on the move into the fish farming industry.

- We have planned to keep the 22 per cent, but that does not mean that we have planned to invest more in fish farming, says Sturle Lyberg. Managing Director of Skaarfish, Ronald Frantsson will be leaving the company. After the takeover of Skaarfish' salmon division, the picture is somewhat clearer as to the future direction for GO Fish, which has made widespread expansion in recent years. GO Fish now control 26 concessions, and Braanaas said to Firdaposten (newspaper) that the time is right to consolidate the position, as well as develop the organisation and cultivate the different activities.

In the time to come, the following will in all likelihood take place for the new shareholding company Norway Seafarms :

New managing director to be appointed.

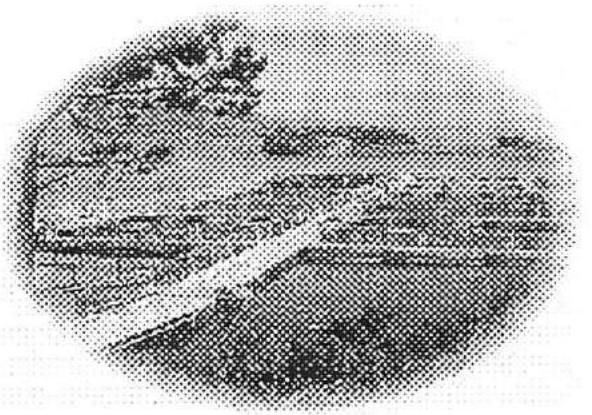
The operation of the edible fish installations will be rationalised by unifying these in groups of three and three, and amalgamating of the companies.

NORWAY SEAFOOD:

More money into Norway Seafarms AS
Norway Seafoods has today invested NOK 25 million in new capital stock in Norway Seafarms AS. By this purchase Norway Seafoods increases it's ownership share in the company from 22,2 per cent to 35 per cent.
National newspaper: Aftenposten, 22 April 1998

Norway -- April 22, 1998

MORE CAPITAL FOR NORWAY SEAFARMS



Fish farming company Norway Seafarms AS has received NOK 39 million in new capital.

One of the largest shareholders in Norway Seafarms, Norway Seafoods, has invested NOK 25 million. The largest shareholder in the fish farming company is Mr Gudmund Strømsnes, who operated two farming licences and one smolt licence for Atlantic salmon until he and a partner established the company Go-Fish As, two years ago.

The new company started buying farming licences in both western and northern Norway. Last year they bought the salmon processing part of fish export company Skaarfish Group.

Norway Seafarms is now one of the largest fish farming companies in Norway.

BACK TO HOT NEWS

NORWAY SEAFOOD:

Quality fish in danger for Norway Seafoods
Norway Seafoods risks losing fish for NOK 90 million a year in a political struggle which is being fought out this week in Anchorage. The Americans still haven't decided who gets the right to fish for pollock outside Alaska. The final decision won't be made until the summer, but much of the basis for this settlement will be laid at this week's meeting. Most participants believe that the outcome will be that the factory trawler companies, including Norway Seafoods through its branch company, American Seafoods Company, will lose up to five percentage points of the quota compared to what they are allowed to fish today.
National newspaper: Dagens Næringsliv, 23. April 1998

Submitted by
Tammy Pound
C - 1

April 20, 1998

To: North Pacific Fisheries Management Council
All Council Members

Re: Inshore / Offshore # 3

I support a roll-over in the current fish allocation. Change to the allocation would affect my family's well being. Both my wife and myself work in jobs in which we depend on the offshore success. If our job security was to be threatened. I would not be able to support my family working in a shore based canary facility.

I can not strongly advise enough how much my family depends on a roll-over of the current inshore / offshore allocation of the Pollock resources.

Sincerely,

George R. Thomas

George Ray Thomas
Unalaska Resident for Four years

April 20. 1998

To: North Pacific Fisheries Management Council
All Council Members

Re: Inshore / Offshore # 3

I support a roll - over of the current inshore / offshore allocations of the Pollock resources. Any and all changes in the allocation would greatly affect my livelihood as well as the community of Unalaska as I know it.

For myself. I would not be able to exist in this community making a minimum wage. Rent. insurance and general bills would not be able to be met on a canary workers paycheck. It is imperative to the long term citizens of Unalaska that the offshore allocations remains as it is. My family and friends depend on the offshore allocation remaining as is.

Sincerely.

Dolores M. Mack

Dolores Mae Mack
Unalaska Resident for Six years
Aleutian Community Resident for twenty four years

April 20, 1998

To: North Pacific Fisheries Management Council
All Council Members

RE: Inshore / Offshore # 3

I support a rollover of the current inshore / offshore allocations of the Pollock resources. Any change in this allocation would adversely impact myself, my family, my employees, my friends and my neighbors.

Jobs, lifestyles and even the privilege of living in Unlaska are at risk. We *cannot* afford to live in this community on five dollar ($5.00) an hour jobs that are available in cannery towns.

Sincerely,

David J. Stanton
Unalaska Resident for twelve (12) years

April 20, 1998

To: **North Pacific Fisheries Management Council**
All Council Members

RE: **Inshore / Offshore # 3**

I support a roll-over in the current fish allocation. If you change the current allocation, I am at risk of losing my job. My wife may also lose her job if there is a change made. My kids, my home, my vehicle's, my livelihood depends on the ***Offshore allocation remaining as it is***. As I see it right now, we all have jobs and are all making ends meet, but if we have a change, some of us will not have jobs.

Sincerely,

Robert Shapsnikoff
Unalaska Resident for twenty-seven (27) years

April 20, 1998

To: **North Pacific Fisheries Management Council**
All Council Members

RE: **Inshore / Offshore # 3**

I support a roll-over in the current fish allocation. If you change the current allocation, I am at risk of losing my job. My husband will also lose his job if there is a change made. My kids, my home, my vehicle's, my livelihood depends on the ***Offshore allocation remaining as it is***. As I see it right now, we all have jobs and are all making ends meet, but if we have a change, some of us will not have jobs.

Sincerely,

Kim Shapsnikoff
Unalaska Resident for nine (9) years

I have one Simple Question for you.
Why do you think the families that work for the on-Shore Plants Are more important than those of the off-shore families?

If you give Part of our to the on-Shore Plants, my family will suffer the loss.
I make my living on the docks Supporting the fleet.
Please don't take food from my family

Thank You
William G. Boswell II

April 20, 1998
Robert "Tiny" Schasteen
PO Box 920427
Dutch Harbor, Alaska
99692

Council Members;

I understand the political goals that motivate many if not most decisions of the Council. Hopefully, as representatives of the American public, you will be able to set aside these pressures and consider the families, life styles, income and jobs of the people you represent in our community our State and Nation. You are all highly respected people of integrity. Please DO NOT CHANGE THE ALLOCATION OF POLLOCK IN THE BERING SEA!!!!!!!!

The offshore fleet is doing OK, the on-shore sector is doing OK, the support sector for both is doing OK. The current quota isn't broken, don't fix it!!!!!! Don't let greed and the goal of total vertical integration and control of OUR fishery motivate your decision. We do not want to be a "company town" with our destiny controlled by 100% foreign owned companies as has happened in Bristol Bay Salmon towns.

The on-shore sector has even gone so far as to try to buy the children in our school with "donations" which require them to listen to propaganda and be "briefed" as to what questions they should ask our representatives prior to a trip to Washington D.C..

Please stop the insanity!

Yours truly,

Robert "Tiny" Schasteen

Saturday, 18 April, 1998

Statewide Services, Inc.

Dear North Pacific Fisheries Management Council:

At a time when you are considering changes in off-shore fishing quotas, I would hope that you would allow considerable weight for the levels of business and the amount of revenues that we generate in this community as a direct result of the existing quotas. However, just as important, and even more so perhaps, on the human level, I would ask that you weigh just as heavily our contributions to this community and our high level of corporate citizenship. For example, in the past we have helped make possible the following in our community:

1) Community sponsored Senior Luncheons
2) High School Graduation Party
3) Lions Club volunteering/contributions
4) Rainbow Day-Care Center food and diaper contributions
5) Aleutian Community Basketball Tournament
6) Holy Assention Church re-dedication
7) Ounalashka Corp. Elders Conference
8) Local Wedding/Funeral catering
9) Catering for the WWII 50th Anniversary commemoration of the bombing of Dutch Harbor
10) Half-price birthday cakes for community members
11) Assistance to Coast Guard in search for missing fishing vessel

Changes in fishing quotas could mean not only that we would be serving fewer companies, but it would also significantly decrease the level of our community-participation and corporate citizenship which help keep the standard of living in Dutch Harbor at it's current high.

Thank you for your time.

Respectfully yours,

Kevin J. Olomon
Project Manager
Statewide Services, Inc.

Statewide Services, Inc.

Saturday April 18, 1998

Subject: Changes in off shore fishing quotas

Dear North Pacific Fisheries Management Council,

I would hope that before you make any changes in the off shore fishing quotas you would consider the following points:

1) We house an average of 7950 off shore fisheries workers a year.
2) We serve an average of 11,526 meals to those workers and others who service those workers per year.
3) We currently cater and provide housekeeping service for 44 companies which fish off shore.
4) Our facilities in Dutch Harbor employ 4 members of the Dutch Harbor community.
5) Changes in the ratio of quotas would adversely effect our business and that of the 44 companies with which we are currently doing business.

Thank you for your time.

Respectfully yours,

Judy E. Phillips

Judy E. Phillips
Project Manager
Statewide Services, Inc.

April 20, 1998

North Pacific Fisheries Council

Dear Sirs;

I want to go on record supporting the current system of quotas. The present system supports a fair distribution within the community of Unalaska. The community needs both the onshore and offshore pollock fleet. Do not let one interest benefit at the cost to the other. Remember jobs are dependent on both the onshore fleet and offshore fleet. The economy of the community is healthy because of the diversity of the fleet. Please vote to maintain the current quota system.

Sincerely,

Eldon L. Bindley

Eldon L. Bindley
P.O. Box 921403
Dutch Harbor, AK 99692

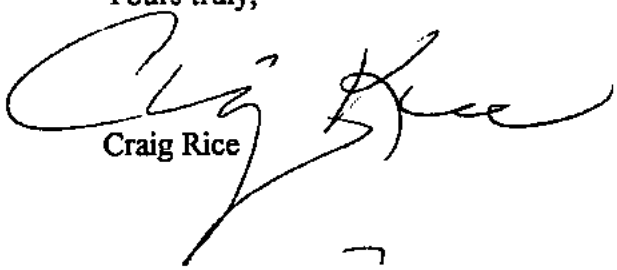
April 20, 1998

To Whom It May Concern:

This letter is a response to the fishing allocation for inshore and offshore fleets.

I am a yard foreman for a company that takes care of largely the offshore fleet. We need both of these fleets, the system that is in place now works for us the rest of the community please do not change something that works because of greed.

Yours truly,



Craig Rice

April 20, 1998

Council Members:

I am writing this letter to urge you to let you know that it takes two--both the onshore and offshore sectors--of the fishing industry to keep it as strong as it is today. Without one or the other all factors will be affected as well as a community that has much to offer.

As a community member and mother of two small children in the Dutch Harbor, Unalaska area let me assure you that it takes both sectors to support my family. I work in the offshore sector and my husband works for the onshore sector. As you may know (I hope) it takes two working parents to support children today. Without either/or my family would not be able to make it.

Please consider all of those involved, including my 18 months old daughter and my 5 year old son. They are the top two priorities in my life and I hope that the children in our community are one of the top priorities in your position as our communities children are actually part of America's most valuable resource--its children.

Thank you for taking your time in considering this matter carefully.

Sincerely,

Shannon Thompson

Shannon Thompson

SATURDAY
APRIL 18TH, 1998

TO: NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL

FROM : RENEE PETERSEN-UNALASKA, AK

REGARDING THE ONSHORE /OFFSHORE QUOTA DEBATE

BEFORE MAKING ANY CHANGES TO THE QUOTA PLEASE TAKE INTO CONSIDERATION OUR COMMUNITY AND THE EFFECTS IT WILL HAVE ON IT AND IT'S PEOPLE.

EVERYONE INVOLVED SEEMS TO BE MAKING ENOUGH MONEY. THE CITY IS BENEFITTING FROM THE TAXES THAT ARE PAID, THE BUSINESSES ARE GROWING, THE COMMUNITY IS BENEFITTING FROM A NEW RECREATION CENTER, NEW CLINIC, NEW LIBRARY AND MUSEUM (COMING SOON) NEW CITY HALL, PAVED STREETS AND MANY OTHER CAPITAL IMPROVEMENTS THAT HAVE BEEN AND WILL BE MADE WITH MONEY GENERATED FROM BOTH ONSHORE AND OFFSHORE SECTORS.

IF THERE ISN'T A PROBLEM WHY DO WE NEED TO CHANGE THE QUOTA ALREADY IN AFFECT. GREED IS THE ONLY ANSWER I CAN SEE.

THERE WILL BE MANY FAMILYS AND BUSINESSES THAT WILL MOVE AND CLOSE DOWN COMPLETELY CHANGING THE STRUCTURE OF THIS COMMUNITY.

PLEASE LEAVE THE QUOTA AS IT IS.

THANK YOU!

SINCERELY,

RENEE J. PETERSEN

April 20, 1998

North Pacific Fisheries Management Council
Anchorage, Alaska

Councilmembers:

I support and urge you to vote to continue the existing offshore/onshore allocation for Bering Sea pollack.

The existing allocation allows for many areas to benefit from the resources available. Do not limit the areas of benefit by changing the allocation when the current one is not causing destruction of the resource and is causing multiple sectors to able gain by it's portions.

The current allocation allows our community to gain by having both sectors in strong positions. Both sectors offer jobs to the people living in our community. The people living in our community and the companies employing them all add to the support of the community at many levels including commercial, medical, religious, etc. These areas and others will lose if the allocations are changed.

Please vote to continue the existing offshore/onshore allocation for Bering Sea pollack.

Sincerely,

Sallie D. Leggate

Sallie D. Leggate
P.O. Box 920824
Dutch Harbor, AK 99692

TO: The Members of the North Pacific Fisheries Management Council

FR: Shirley Marquardt Box 920021 Dutch Harbor, AK. 99692

RE: Inshore/Offshore 3

I am writing as a seventeen-year resident of Dutch Harbor/Unalaska who has had the opportunity to work for shore plants as well as offshore vessels. I am currently employed by the at Sea Processors Association and am also a twice elected Unalaska City Council member. I write to you as a long-term member of my community who has many questions and concerns regarding the possible shift in quota for the Bering Sea Pollack Fishery and the potential consequences for the busiest and most industrious city in the state of Alaska.

I saw a bumper sticker recently that said, "If it ain't broke, fix it 'till it is" and in my opinion I guess that sums it up. I have endeavored to wade through the reams of data -information-analysis and public testimony that has formed the foundation of the Councils decision to consider the different options for allocation, and have found the two sectors to be very different in some area's yet comparable in others. We in Unalaska have known that for years!

I hope that as stewards of not only the resource itself, but of all the different human components involved, you are able to see the forest for the trees and simply roll-over what has been a win/win situation for the industry as a whole. The goal of the NPFMC to identify and formulate a Comprehensive Rationalization Plan while protecting the resource is an enormous task and will be made all the more difficult to accomplish when another layer of unknown are thrown into the pot.

My community can only sustain its hard won stability with two healthy and stable sectors, each benefiting Unalaska and Alaskans' with tax revenue, business opportunities, and enough pay to support a family on. Please support a rollover of the present Bering Sea pollock allocation and let us all get back to business as usual.

Thank you,

Shirley Marquardt

April 20,1998

To: North Pacific Fisheries Management Council
All Council Members

Re: Inshore / Offshore # 3

Being a resident of Dutch Harbor, Unalaska since 1979, I've seen this community go through a lot of changes. Having worked with the shore based plants for eight years and the offshore fleet the remainder, I have made a lot of friends from both sides. Some of these friendships were challenged last September when the mayor of this community submitted a proposal that in effect made people of this community choose "sides".

Your decision is going to effect this community greatly. I see this as a "fish grab" by the Japanese owned plants. Why change the allocation? It was brought on solely by the Japanese plants for more control of the fish. They already dictate the price of surimi! If their inventory is high or the demand low whom pays? Well, fishermen...both sides!

This town needs both inshore and offshore to thrive. I've seen foreign countries (Norway) invest in this fishery when it started and this town grew with that investment. I saw the Japanese recognize this fishery and invest in the shore plants- after the offshore fleet was established. I fail to see how the federal government can penalize the private sector for recognizing and investing in a foreseeable profit-making endeavor.

I strongly urge a roll over of the existing allocation. More data needs to be obtained especially the effects on this town and the few months you've had to prepare facts on this have not been adequate. I have read the environment impact statement and see quite a few areas its lacking in. Already businesses are closing as a result of lost revenue. This will continue. Vessels are already moving out of town for off loads and this town doesn't even know the ramifications of this lost revenue or studied it.

Some of the big players in this community have not spoken on this subject yet. Sealand, Petro Marine (now North Pacific Fuel), Delta Western Fuels, American President Lines. They haven't because they work with both sectors. You can bet they've done extensive studies on lost revenues if this allocation changes and the offshore fleet don't come to town. The jobs lost, the wages lost and tax revenue lost are all concerns we have, as all effect the stability of this community.

Once again I believe before a vote is made on this issue, the council should do some more studies on impact to this town and it's members. I strongly recommend that you at least roll over the existing allocation until this study can be done.

Sincerely,

Robert Marquardt
Unalaska Resident for nineteen years

Dennis ANDREW
C-1

BRISTOL BAY NATIVE ASSOCIATION
P.O. BOX 310
DILLINGHAM, ALASKA 99576
(907) 842-5257

Resolution 97- 09
by
Executive Committee

Onshore / Offshore resolution

WHEREAS: Western Alaskan communities depend on both the employment and economic development made possible through their involvement with both the CDQ and non-CDQ pollock operations of the Bering Sea; and

WHEREAS: by maintaining a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, the current allocation of 65% offshore and 35% onshore enhances and inherent value of the Bering Sea pollock resource and of pollock CDQ's; and

WHEREAS: shifting pollock quota from the offshore sector to the onshore sector would adversely affect the competitive market for and value of Bering Sea pollock and pollock CDQ; and

WHEREAS: offshore sector jobs are aboard vessels that pay a good living wage, maintain a "zero tolerance" drug and alcohol-free environment and permit Alaskans to maintain their participation in traditional subsistence activities, and are therefore highly preferred over onshore jobs by Western Alaskans; and

WHEREAS: the current pollock allocation system provides a stable source of jobs and other economic opportunities for Western Alaskan fishermen and fishery-dependent communities in the Bering Sea pollock fishery; and

WHEREAS: shifting pollock quota from the offshore sector to the onshore sector would result in a substantial loss of pollock fishery employment opportunities preferred by Western Alaskans.

NOW, THEREFORE BE IT RESOLVED THAT: the Bristol Bay Native Association endorses: 1) A continuation of the Bering Sea / Aleutian Islands pollock CDQ program on a permanent basis; and 2) An extension of the current Bering Sea / Aleutian Islands and Gulf of Alaska inshore / offshore pollock allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other ground fish species.

Signed: Donald J. Nelson
President

CERTIFICATION:
I, the undersigned Secretary of the Bristol Bay Native Association, Inc. do hereby certify that the foregoing resolution was duly passed by the Board of Directors of Bristol Bay Native Association on the 6 day of September, 1997, and that a quorum was present.

Signed: Margie Nelson
Secretary

JEFFREY D. CURRIER
BOROUGH MANAGER

P.O. BOX 189
KNEK, ALASKA 99633

TELEPHONE
(907) 246-4224
FAX
(907) 246-6633

Bristol Bay Borough

NAKNEK, SOUTH NAKNEK, AND KING SALMON, ALASKA

Resolution 97-23

A resolution from the Bristol Bay Borough in support of CDQ's and an extension of the current BSAI and Gulf of Alaska Inshore/ Offshore allocation

Whereas, Western Alaskan communities depend on both the employment and economic development made possible through their involvement with both the CDQ and non-CDQ pollock operations of the Bering Sea; and

Whereas, by maintaining a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, the current allocation of 65% offshore and 35% onshore enhances the inherent value of the Bering Sea pollock resources and of pollock CDQ's ; and

Whereas, shifting pollock quota from the offshore sector to the onshore sector would adversely affect the competitive market for and value of Bering Sea pollock and pollock CDQ; and

Whereas, offshore sector jobs are aboard vessels that pay a good living wage, maintain a "zero tolerance" drug and alcohol-free environment and permit Alaskans to maintain their participation in traditional subsistence activities, and are therefore highly preferred over onshore jobs by Western Alaskans; and

Whereas, the current pollock allocation system provides a stable source of jobs and other economic opportunities for Western Alaskan fisherman and fishery-dependent communities in the Bering Sea pollock fishery; and

Whereas, shifting pollock quota from the offshore sector to the onshore sector would result in a substantial loss of pollock fishery employment opportunities preferred by Western Alaskans;

Therefore be it resolved that Bristol Bay Borough endorses:

1. A continuation of the Bering Sea/ Aleutian Islands pollock CDQ program on a permanent basis; and

2. An extension of the current Bering Sea/ Aleutian Islands and Gulf of Alaskan inshore/ offshore pollock allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other groundfish species.

IN WITNESS THERETO:

Assembly President

ATTEST:

Borough Clerk

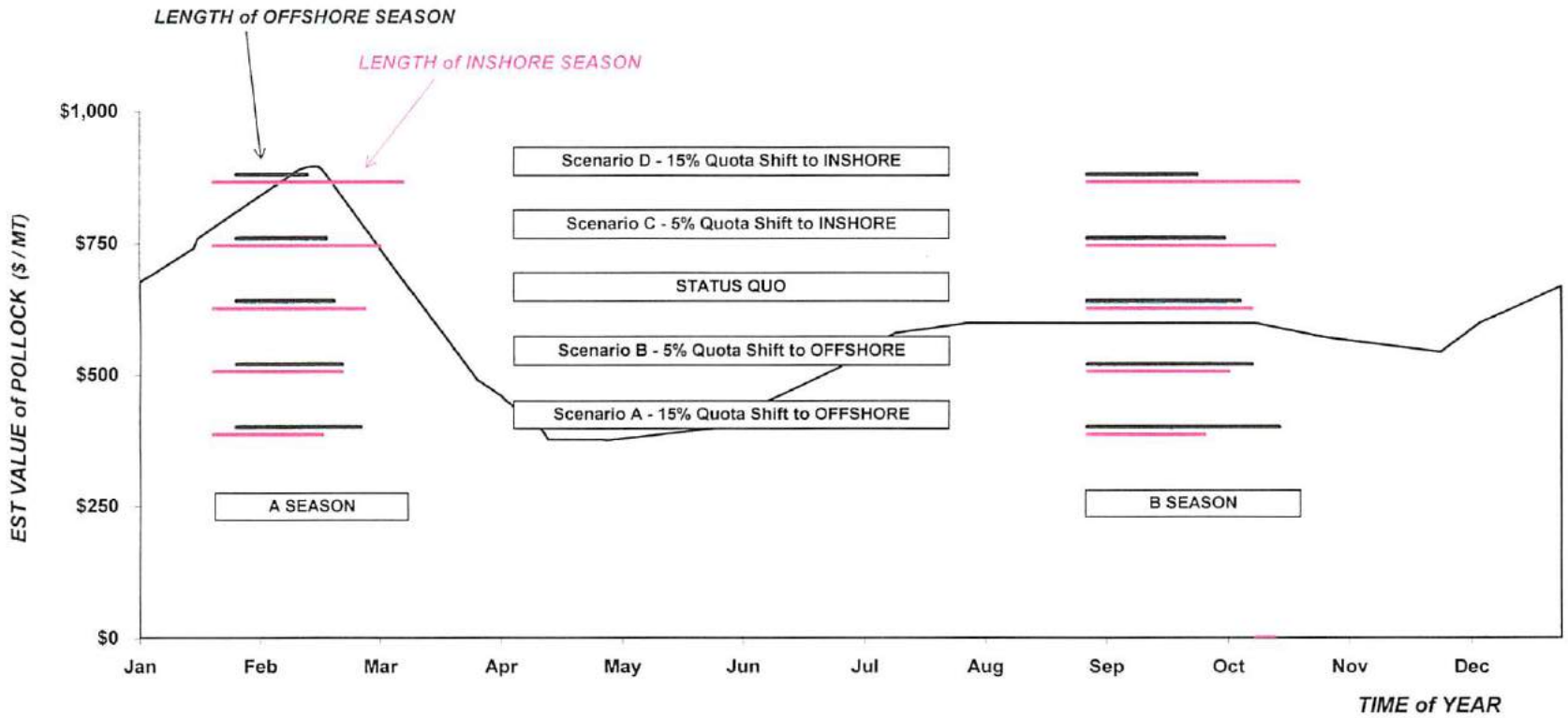
Donna Parker
ARCTIC STORM

ARCTIC STORM, INC.

GLACIER FISH COMPANY

COMPARISON OF POLLOCK VALUE AND LENGTH OF SEASON

For BERING SEA OPEN ACCESS POLLOCK FISHERIES

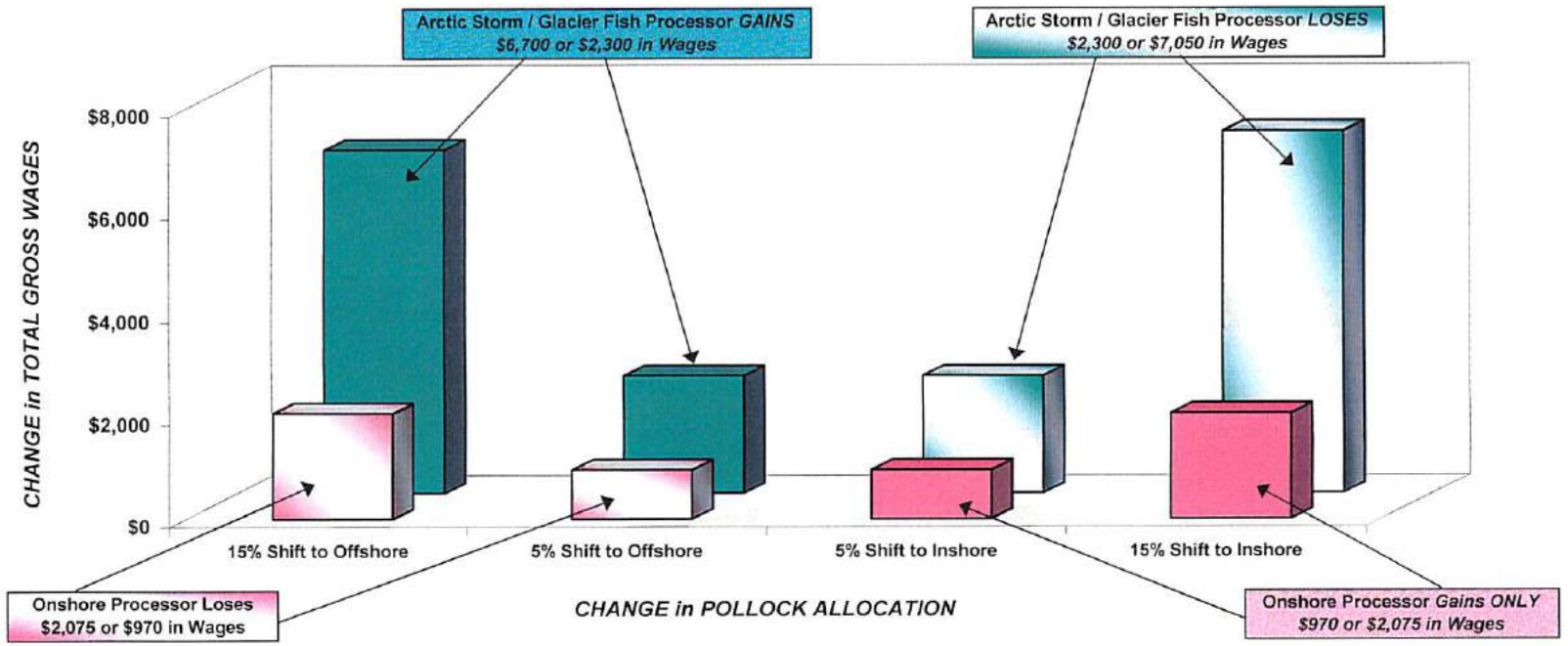


This graph depicts how the Inshore Sector takes longer to harvest their Open Access Quota even at the current allocation level. If the Inshore Open Access allocation were to be increased, CDQ fish would not be taken until March when the roe value falls off quickly. This would reduce the value of the CDQ fish and would negatively impact Royalty Payments.

ASSUMPTIONS: NMFS Catch Data used to calculate the avg daily pollock harvest rates by sector - as the Inshore Sector has historically taken longer to harvest pollock quota, the estimated Pollock Fishing Days are as follows:

	'A' SEASON		*'B' SEASON*	
	Inshore	Offshore	Inshore	Offshore
Scenario A - 15% Shift to Offshore	28 days	32 days	30 days	49 days
Scenario B - 5% Shift to Offshore	33 days	27 days	36 days	42 days
Status Quo - 1994 - 1996 Historical Avg	39 days	25 days	42 days	39 days
Scenario C - 5% Shift to Inshore	44 days	23 days	48 days	35 days
Scenario D - 15% Shift to Inshore	50 days	18 days	44 days	28 days

CHANGE IN GROSS WAGES FOR ENTRY LEVEL PROCESSOR
DUE to a CHANGE in the ALLOCATION of the POLLOCK QUOTA



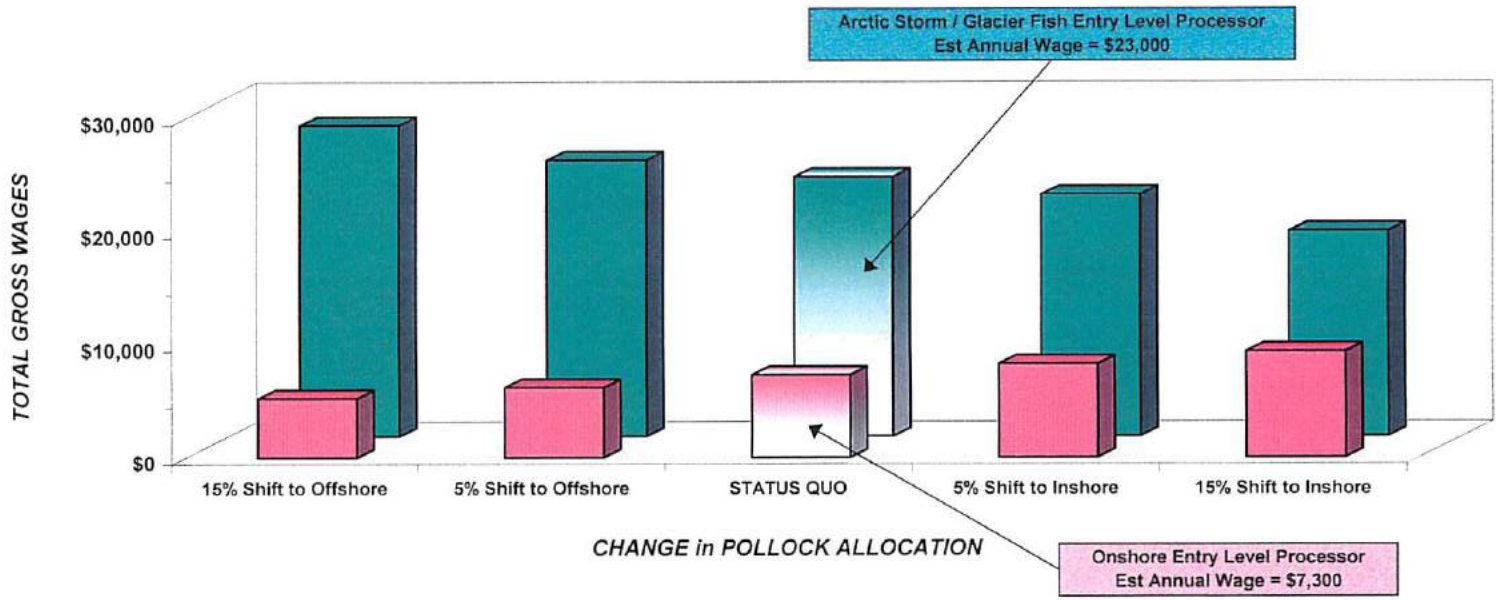
This graph depicts the average wage that will be gained or lost by the average Arctic Storm / Glacier Fish Company Entry Level Processor under the various pollock allocation scenarios and compares it to the average wage that might be gained or lost by an onshore entry level processor under each scenario. Notice that with just a 5% allocation shift from the Offshore to the Inshore Sector, the Arctic Storm / Glacier Fish Company Entry Level Processor would LOSE $2,300 for 6 days of lost work while the shoreplant processor would gain 11 days of work but only $970 in wages. With a 15% allocation shift to the Inshore Sector, the same Arctic Storm / Glacier Fish Company Processor would LOSE $7,050 in wages while his or her shoreside counterpart would gain only $2,075 in wages - in other words, the Arctic Storm / Glacier Fish Processors, while working 22% FEWER DAYS as the onshore processors, stand to LOSE 340% MORE IN WAGES than the onshore counterparts would gain with this shift in pollock allocation.

ASSUMPTIONS: Gross Earnings for Entry Level Processors computed using -

a) Inshore Processor paid $6.00 / hr - wage taken from 1998 classified employment ad.
b) Inshore Processor paid for 12 Hour Shifts, 7 days per week with Overtime Pay for hours worked in excess of 8 hrs / day and 40 hrs / wk.
c) Arctic Storm / Glacier Fish Processor wages based on audited, avg production levels during the last days of 'A' and 'B' Season fishing from 1995-1997. Only Entry Level Processor wages are depicted in this graph. Advanced Level Processor wages would be significantly greater.
d) Assumption made that quality of roe would significantly decline, and therefore gross wages pay would be less, during additional offshore fishing days in Scenario A.
e) NMFS Catch Data used to calculate the avg daily pollock harvest rates by sector - as the Inshore sector has historically taken longer to harvest pollock quota, the estimated change in fishing days is computed as follows:

	Inshore Sector	Offshore Sector
Scenario A - 15% Shift to Offshore	(23 days)	+ 18 days
Scenario B - 5% Shift to Offshore	(11 days)	+ 6 days
Scenario C - 5% Shift to Inshore	+ 11 days	(6 days)
Scenario D - 15% Shift to Inshore	+ 23 days	(18 days)

COMPARISON OF ENTRY LEVEL PROCESSOR WAGES
EARNED DURING POLLOCK OPEN ACCESS 'A' and 'B' SEASONS



This graph compares the estimated average Gross Annual Wage that will be earned during the Pollock Open Access 'A' and 'B' Seasons by the average Arctic Storm / Glacier Fish Company Entry Level Processor and an onshore entry level processor and how these wages will be impacted by the various pollock allocation scenarios. Note that a 5% SHIFT in the pollock allocation to the ONSHORE sector will result in a 15% increase in days worked and an increase in pollock wages to just $8,300 per year for the shoreside processor, while a 5% SHIFT in the pollock allocation to the OFFSHORE sector will result in only an 8% increase in days worked and an increase in pollock wages to more than $24,450 per year for an Entry Level Processor. For a 15% increase in quota to the Inshore Sector, the shoreside processor would work more than twice the number of days to earn $9,400 or nearly one-half of what their Arctic Storm / Glacier Fish Company counterpart would earn under this allocation scenario.

ASSUMPTIONS: Gross Earnings for Entry Level Processors computed using -

a) Each Processor works each day of 'A' and 'B' Season.
b) Inshore Processor paid $6.00 / hr - wage taken from 1998 classified employment ad.
c) Inshore Processor paid for 12 Hour Shifts, 7 days per week with Overtime Pay for hours worked in excess of 8 hrs / day and 40 hrs / wk.
d) Arctic Storm / Glacier Fish Processor wages based on audited, avg production levels during the last days of 'A' and 'B' Season fishing from 1995-1997. Only Entry Level Processor wages are depicted in this graph. Advanced Level Processor wages would be significantly greater.
e) Assumption made that quality of roe would significantly decline, and therefore gross wages pay would be less, during additional offshore fishing days in Scenario A.
f) NMFS Catch Data used to calculate the avg daily pollock harvest rates by sector - as the Inshore sector has historically taken longer to harvest pollock quota, the estimated TOTAL Pollock Fishing Days are as follows:

	Inshore Sector	Offshore Sector
Scenario A - 15% Shift to Offshore	58 days	81 days
Scenario B - 5% Shift to Offshore	69 days	69 days
Status Quo - 1994 - 1996 Historical Avg	81 days	64 days
Scenario C - 5% Shift to Inshore	92 days	58 days
Scenario D - 15% Shift to Inshore	104 days	46 days

benefits package, competitive salaries, and a professional working environment with opportunities for advancement based on performance. Qualified candidates, please send your resume to: SAFECO Corporation, Pacific Northwest Region Office, Attn: Human Resources/PV, 4909 156th Avenue NE, Redmond, WA 98052. FAX 425-881-4974. We are an equal opportunity employer committed to employing a diverse workforce. To learn more about SAFECO, visit our website at http://www.safeco.com

Jobline (206) 545-3233
Toll-Free (800) 753-5330
TDD/TTY (206) 882-8981

SAFECO

FINANCE

Revenue Manager: Planned Parenthood of Western WA--a private, non-profit organization--is seeking a Revenue Manager to lead our billing dept. Will supervise and evaluate staff; oversee all tasks performed by billing dept, create and manage fee schedules, determine sliding fee scales, and perform revenue analyses. Must demonstrate knowledge of insurance plans, insurance coding, and contracts. Requires bachelor's degree, and 3+ yrs exp in comparable position w/ supervisory exp. Must demonstrate knowledge of current insurance practices, financial accounting and forecasting skills, customer service expertise, and ability to lead and direct the work of the patient financial services team. To apply, send resume and cover letter to PPWW/HR, 2211 E Madison, Seattle, WA 98112. EOE

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passed international work-force and
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Sunday, Feb 15, 1998
Seattle Times

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rtified as a CPA, CISA or CFE with
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77210-4530; fax: (713) 432-5663.

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curate and timely com-
in play a huge role in
Ready to make a

Primary responsibilities include providing accurate clerical, administrative and customer/broker/vendor support for lease and loan transaction processing including documentation and booking of new business from origination to closing and the research and servicing of existing Small Ticket transactions. Assist in the design and development of Contract Administration policies and procedures for a new business unit. Qualifications include at least two years of experience processing, closing and/or servicing loans or leases with a solid understanding of financial contracts. High school diploma required, college degree preferred or equivalent work experience. Small ticket experience helpful.

Processing Specialist
#5805T

Primary responsibilities include providing accurate clerical and administrative support for the research and verification of Small Ticket credit applications and contracts. Assist in the design and development of Contract Administration policies and procedures for a new business unit. Qualifications include at least two years of experience processing, closing and/or servicing loans or leases with a solid understanding of property insurance and perfection of security interests helpful. High school diploma required, college degree preferred or equivalent work experience. Small ticket experience helpful.

Successful candidates will be proficient in major Windows based PC software packages including word processing (Microsoft Word) and spreadsheet (Microsoft Excel) programs and will have an interest in automation and an aptitude for computer technology. Working knowledge of the Internet helpful. Other qualifications include strong organizational skills, attention to detail, ability to handle multiple priorities simultaneously, strong analytical and problem solving skills, and excellent writing and interpersonal communication skills.

We offer a competitive salary and excellent benefits, including 401(k), discretionary bonus plan, transportation, educational and athletic club reimbursement, flex hours and much more. If you want to be part of a new, exciting business unit, please send your resume, salary requirements and details of your relevant experience to:

MetLife Capital
Human Resources
PO Box C-9550
Bellevue, WA 98009

EOE/No phone calls please

FINANCIAL CONTROLLER

Small, growing service firm seeks mature professional for development of financial reporting system, upgrade financial software, bank interfacing, project cost analysis, contract management and business planning support. Human Resources, Williamson & Associates, Inc., 4200 23rd Ave W., Suite 200, Seattle, 98199

FINANCIAL MANAGER

Seeking an experienced Financial Manager at the company's corporate office in Butte, MT. for Town Pump, Inc., a business with over 1500 employees that owns/operates convenience stores, casinos, motels and fuel distribution network throughout Montana.

Qualified applicants must possess a solid understanding of financial markets and institutions, and have experience in corporate finance, budgeting and taxes, finance/treasury settings, preparation and analysis of financial statements, and strong spreadsheet modeling skills. Requires a finance degree with accounting background, a Masters in Finance or MBA with a finance concentration preferred and minimum 3 years experience.

Competitive salary based on experience, excellent benefits including health insurance, 401(k), vacation/sick leave, education assistance. Send resume, cover letter and references no later than February 27, 1998 to Director

Positions for our TACOMA site

We are seeking team players with excellent references. Pre-employment physical & drug test are required. Apply in person 2:00 pm Monday 2/16 at 1211 W Nickerson SEATTLE

Tyson

Equal Opportunity Employer

Fishing

$$$-ALASKA-$$$
SEAFOOD PROCESSORS

Want a chance to experience Alaska? UniSea has openings for men and women to process seafood at our Alaska locations. Lots of OVERTIME opportunities!

$6.00/hr Regular
$9.00/hr Overtime

- THREE MONTH agreement
- Free HOUSING, MEALS
- Free TRANSPORTATION
- Advancement Opportunities
- BENEFITS upon eligibility

Apply in person at UniSea, 15400 NE 90th St, in Redmond, Tues-Thurs, 8:30am - 10am ONLY. Drug test req'd. Jobline (425) 861-5330. EOE

Fishing Assistant Engineer - for Alaskan catcher processor, steady year round rotation, percentage with guarantee. Apply at 2601 Elliott Ave #4203, in the Seattle Trade Center.

Fishing Cook - for Alaskan catcher processor, good sized galley crew of 50. Percentage with guarantee. Apply at 2601 Elliott Ave. #4203. In the Seattle Trade Center.

Fishing

ENGINEER/REFRIGERATION

For seafood processing vessel. Ammonia refrigeration & electrical exp. required. General maintenance & mechanical skills required. Supervisory skills helpful. Salary DOE. Good benefits. Contract from Feb-Aug 98. Send letter and resume to: Denny Smith, Plant Mgr, Icicle Seafoods, Inc. PO Box 79003, Seattle, WA 98119 or fax 206-281-0332

Fishing Processor - for Alaskan catcher processor. Percentage with guarantee. Experience preferred. Apply at 2601 Elliott Ave. #4203. In the Seattle Trade Center.

Fishing

ALASKA

Men & women crab processors. Alaska work on ship. May 15th contract. Beg at $5.65/hr - lots of OT potential. Immediate interviews & placement. Apply in person 2200 6th Ave Suite 230 Seven Seas Fishing Company

Fishing

FLOATING PROCESSOR

Hiring Processors NOW. $6/hr RT $9/hr OT PLUS PRODUCTION BONUS. Apply at Spobac Products, 5053 E. Marginal Way S. for immediate consideration. EOE.

FISHING/PROCESSING -

Trident SEAFOODS

Alaska Is Waiting For You!

Immediate openings for seafood processors in remote Alaska. $5.75 per hr - room/board. Airfare from Seattle paid. Bonus on vessels. Must pass co. paid drug test & physical exam. Apply in person daily at Trident Seafoods Corp., 5303 Shilshole Ave NW, Seattle. EOE.

Fishing

TYSON SEAFOOD GROUP, INC

has the following openings

CRAB AND H & G PROCESSORS

Exp preferred. Qualified candidates should possess the attitude and ability to work 16+ hrs, 7 days a week.

We are seeking team players with excellent references. Pre-employment physical & drug test are req'd. Apply in person 10:00 am Monday 2/16 at 1211 W Nickerson, Seattle

Tyson

Tyson Seafood Group, Inc. offers competitive wages, stock/401K participation, med/den benefits after qualifying period. EOE

FITNESS - PRO Sport Club in Bellevue, a world class private membership athletic club, is growing & has various P/T & F/T employment opportuni-

failed to [illegible] phone, so please call our 24 Hour Job Line (206) 526-2230, TTY only (206) 368-4878. For additional employment opportunities please see our display ads in Section 240, 235 & [illegible] or www.chmc.org. Equal Opportunity Employer

Children's
Hospital & Regional Medical Center

Food Service

★★★★★★★★★

Northwest Airlines is seeking individuals in our flight kitchen to prepare meals for service on our flights. Duties include food preparation, dish washing, and tray and carrier set-up. Starting salary is $6.33 per hour with premiums for second and third shifts, some overtime available. Candidates must be at least 18 years of age and lift up to 75 lbs. Seasonal and regular positions available. We offer an excellent benefits package including flight privileges for you and your family. Please apply in person Tuesday or Wednesday, February 17 and 18 from 8:30am-3:00pm at the Northwest Airlines Flight Kitchen, 18363 Air Cargo Road, Seattle or call (206) 433-3651. Northwest Airlines recognizes and values diversity. We are an Equal Opportunity Employer.

Northwest Airlines

★★★★★★★★★

FOOD SERVICE MANAGER

A national food service management co. has immediate opening for a Food Service Manager to corporate dining in Seattle. Qualified individuals must have at least 3 years management experience in cafeteria or restaurant; some culinary background a plus. Candidates must be skilled in customer service, food production, catering and general accounting procedures. Competitive salary, five day work week M-F, medical/dental plan, 401K, paid vacation and holidays.

Send or FAX resume to Human Resources, Southern Foodservice Management, 500 Office Park Drive, Birmingham, Alabama 35223. FAX 205-871-8020. EOE.

FOOD SERVICE DIRECTOR

Full-time. Responsible for all aspects of the Food Service Department. Coordinates ordering of food, staffing department, budgeting funds and supplies. Reviews patient's diet and provides dietetic counseling for patients and staff. Must be a licensed dietitian. Health care experience preferred. GSCH offers competitive salary and benefits. Send resume to: Human Resources, Good Shepherd Community Hospital, 610 NW 11th St, Hermiston, OR 97838. Fax: (541) 567-4384. EOE.

FOOD SERVICE

Ideal PT positions for team oriented people. Work with the Marriott school lunch program in Redmond & Kirkland. Receive Marriott Hotel discounts along with a schedule that doesn't interfere with your family time. We will train you to enter a fast paced, team oriented industry. EOE. AA/M/F/D/V. (425) 882-5130.

FOOD SERVICE POSITIONS - Kent's premier assisted living facility. Kitchen Helpers: P/T & on call. Waitstaff: eves & weekends. Call Thelma at Stafford Suites. (253) 850-0333

FOOD SERVICE ASSIST - Sunny Hills Elem, Issaquah Schl Dist. 2.5 hrs/day. $7.82/hr. No closing date. Pls call (425) 837-7000 info/applic

Forest Check Cruiser 2

The Washington State Dept. of Natural Resource is looking for someone to perform timber cruises and ensure the work of all forest check cruisers, forest cruisers and others maintain high standards of cruising accuracy. The position is located in Olympia, WA and requires travel throughout Washington (50%). Salary is $37,752-$48,300 - DOQ. Relevant qualifications sought include: Five years of experience performing timber cruises, including at least two years as either a check cruiser or a manager of a timber cruise program.

Interested applicants should

• OPEN HOUSE •
Monday, February 16th
between 9am and 3pm
Tuesday February 17th
between 9am-7pm
900 4th Ave Suite 1440
Bank of California Bldg
or
Call for an appointment
(425) 641-0113

Nortel

ada/eoe

General -

ART, MUSIC, MONEY

Fun and fast growing art distributing company looking for Management Trainees. $300-$500 per week. Must like ROCK 'N ROLL ATMOSPHERE. Call (206) 575-7550

General - Customer Service Rep, F/T, no exp nec, will train, call 206-439-0091

General -

MANAGER

Immediate opening for aggressive individual to help w/ co. expansion. Good attitude a must! 206 306-8757

General - Never a Fee! TAD Staffing, 425/861-7671, 206/575-3888 for engrng (425) 226-8333.

General - Tired working in the rain? Labor Connection has 50 inventory positions available today. 10-Key prefered, but training available. Call us today at (253) 926-6383.

General

★★★★★★★★

$12.00 HR TO START

FULL TIME

MEN AND WOMEN

Looking for men and women who are enthusiastic, hard-working, positive-minded and ambitious to start in our setup and display department. No experience necessary. Must be over 18 years of age, neat in appearance and ready to start immediately.

FOR INTERVIEW
Call MON & TUE
(206) 776-1497

★★★★★★★

General

"HIPPIES WITH THE FLOW"

Tired of having spare change after your paycheck is spent on bills? Why work for pennies? Hip art co. Seeks career oriented men and women who enjoy music, money, & casual dress! NO EXP. NEC. $300/$500 wk. call 425-702-2199 x7.

GENERAL LABOR JOB OPENING

Willamette Industries, Inc.

Willamette Industries is a leader in the corrugated box manufacturing industry. We are currently seeking intelligent, enthusiastic, hard working, motivated individuals for our general labor work force. Positions are full-time with a starting wage of $10.18/hr; $11.02 after 90 days; and $11.82/hr min after 6 months. Benefits incl. 13 holidays, paid vacations, comprehensive medical, dental and vision program, & retirement program.

The position requires moderate, repetitive reaching and lifting, occasionally up to 75 lbs. Shift work (not rotating) 5-6 days per week. Successful candidates will be selected through testing, interviews, physical exam and drug screen. Applications will be accepted from 8:00am-5:00pm Tuesday, Feb. 17 through Friday, Feb. 20, 1998. Apply in person at: 1899-120th Ave NE, Bellevue WA

GENERAL LABOR - we have some great opportunities!

TO WWW.GEOSCIENCES [illegible] (425) 774-2714, or email "sale hongwest.com" EOE

GLASS BLOWERS - Wanted in SUNNY COLORADO. Growing production studio. Good pay. Benefits. Call 303 295 9907

Glazier Installer - Carpentry skills pay DOE plus perks. 5 day wk. Estab'd glass co. Contact Doug (206) 523-9601

★★★★★★★★

Golf Course General Manager Join our golf team! Gr[illegible] manager position avail[illegible] of the premier golf cour[illegible] the Seattle area. Send resu[illegible]

Reply to Box J021
Seattle Times Co.
P.O. Box 91019
Seattle, WA 98111

★★★★★★★★

GOLF-UTILITY WORKER I
F/T Position Working 9 Months
CITY OF TUKWILA
SALARY $21,357-$23,553/YR.
Salary and benefits annualized over a 12 mo. period.
UNION POSITION
CLOSES: TUES MAR 3, 1998
24-HOUR JOBLINE 206/433-1828
EEO

Governmental Affairs Director - Local association looking for a local level lobbyist to serve as liaison between elected & appointed officials & the association. Provide administrative support to committees. Ability to write clearly & effectively, familiarity with political campaign tasks & processes. Understanding of local government. Sincere interest & enthusiasm in local & regional politics. Salary range $27-$32K a year. Benefits included. Send resumes to: TPCAR, 3939 S Orchard, Tacoma, WA 98466. Closing date 2/19.

Graphic Designer

Nintendo of America Inc., the world leader in video game entertainment, has an exciting opportunity available at our Redmond, WA headquarters for a Graphic Designer. The qualified individual will design logos and graphics for product packaging; design illustration and layout for manuals; create images and illustrations for graphic panels, game headers and posters; and write copy for manuals and [illegible] literature as required.

Requires undergradu[illegible] gree or equivalent in gr[illegible] design and 1-3 years' relate[illegible] experience in a production environment. Must have Macintosh computer skills including Photoshop, Illustrator and Quark Express as well as the ability to create paste-ups and mechanicals, and specify print information for manufacturing. Strong written, verbal and interpersonal skills are essential.

Nintendo offers a competitive salary and excellent benefits. For prompt and confidential consideration, please forward your resume to Nintendo of America, Inc., PO Box 97035, Redmond, WA 98073, FAX: (425) 883-3585, E-MAIL in text format to: jobdial101@noa.nintendo.com. Equal Opportunity Employer.

Nintendo

GRAPHIC DESIGN - Join exciting team at Emerald Downs Design, produce racing publications which incl. daily programs, collateral materials, newsletters and fliers. Proficiency in multiple software apprograms required: Fax resume & cover to (253) 288-7010

Graphics

BD

WE'RE CRE[illegible]
OPPORTU[illegible]
C[illegible]

BD&A, the award winn[illegible] agency is offering excell[illegible] very talented Art Depart[illegible] candidates who have the [illegible] to service some of the [illegible]

TABLE 1: SELECTED CHARACTERISTICS OF CDQ COMMUNITIES

	1980 Population	1990 Population	1993 Population	% Chng Per Yr 8 90-1993	Pop. > 16 Yrs. old	Persons in Labor Force: # Total	# Male	Female	Unemployment rate: Male	Female	Total # of Households	Median HH Income	Per Capita Income	Households on Public Assistance	% of Total Pop. Below Poverty Level	Subsistence Lbs. Harv per capita
Norton Sound Economic Development Corporation																
Brevig Mission	130	198	245	9.6%	97	66	44	24	50.0%	8.3%	52	$15,000	$5,539	15	24.7%	
Diomede/Ignaluk	139	192	186	-4.2%	111	44	32	12			44	$14,375	$4,635	7	63.0%	579
Elim	211	268	276	1.1%	157	83	55	28	43.8%	21.4%	78	$16,250	$6,808	10	25.2%	
Gambell	445	548	582	0.9%	342	119	68	51	17.6%	15.7%	124	$15,938	$4,080	19	48.4%	
Golovin	87	123	153	7.9%	90	58	27	32	22.2%	9.4%	51	$18,148	$6,772	2	9.3%	605
Koyuk	199	240	261	5.7%	147	83	44	39	40.9%	33.3%	82	$18,750	$5,904	24	30.0%	
Nome	2506	3,500	3,616	1.1%	2,454	1,760	1,038	722	14.1%	6.5%	1,148	$45,817	$18,623	120	10.0%	
St. Michael	230	368	398	1.8%	186	95	47	48	29.8%	16.3%	71	$23,194	$5,410	14	21.0%	
Savoonga	461	614	656	2.7%	358	109	69	40	15.1%	14.3%	125	$11,339	$4,564	23	51.0%	
Shaktoolik	164	178	186	2.8%	103	68	46	28	40.0%	30.7%	43	$16,438	$7,680	8	22.9%	
Stebbins	337	448	463	0.4%	267	158	89	69	41.4%	35.6%	98	$23,333	$5,533	24	32.4%	1007
Teller	212	184	264	23.8%	95	60	40	20		10.0%	48	$20,000	$7,952	18	32.1%	
Unalakleet	623	848	730	4.3%	391	261	162	99	21.6%	15.2%	197	$34,531	$12,027	38	11.6%	
Wales	153	159	147	-2.6%	99	57	41	16	26.8%		48	$15,000	$6,625	17	35.2%	
White Mountain	125	174	180	1.1%	107	55	34	21	44.1%	23.8%	53	$15,893	$6,748	10	38.4%	
Yukon Delta Fisheries Development Association																
Alakanuk	523	590	602	0.8%	314	182	99	83	37.8%	11.1%	121	$17,708	$5,462	24	28.4%	738
Emmonak	567	810	755	7.6%	348	212	123	89	34.5%	30.3%	156	$25,625	$6,220	28	21.0%	613
Kotlik	293	463	514	3.8%	270	148	78	68	41.9%	30.8%	107	$20,417	$6,481	49	17.7%	511
Sheldon Point	103	112	157	7.4%	68	48	25	21		28.6%	27	$18,250	$7,463	6	58.3%	
totals/means	17,046	21,316	22,858	2.6%	13,787	8,012	4,776	3,234	21.1%	11.7%	6,850	$21,772	$8,087	1,061	29.2%	532

1. Source: all data (except 1980 & 1993 population and subsistence data) from Alaska Department of Labor, 1990, CPH-L-92. 1993 population data from Alaska Department of Labor, personal communication
2. Source for 1993 population data is Alaska Department of Labor, Research and Analysis, unpublished computer file, 5/24/95.
3. Source for 1980 population data is Alaska Department of Labor Alaska Population Overview 1990 Census and Estimates..
4. Source for subsistence data is ADF&G, Division of Subsistence, Community Profile Data Base. Subsistence data are for a representative year. Data are not available for all communities
5. Blank cells indicate there was no data for that particular entry.

Dutch Harbor median household $56,215.
unemployment rate 1%

TABLE 1: SELECTED CHARACTERISTICS OF CDQ COMMUNITIES

	1980 Population	1990 Population	1995 Population	% Chng Per Yr II 90-1995	Pop. > 16 yrs old	Persons in Labor Force: # Total	# Male	# Female	Unemployment rate: Male	Female	Total # of Households	Median HH Income	Per Capita Income	Households on Public Assistance	% of Total Pop. Below Poverty Level	Subsistence Lbs. Harv per capita
Aleutian Pribilof Island Community Development Association																
Atka	83	78	93	3.1%	47	35	17	18	35.3%	16.7%	17	$40,625	$8,477	4	16.2%	
False Pass	70	67	70	0.6%	46	23	12	11			22	$21,667	$7,858	3	17.6%	428
Nelson Lagoon	59	80	85	2.1%	73	64	9	5			32	$44,583	$21,218	11		258
Nikolski	80	39	32	-5.5%	30	14	10	4			21	$13,750	$10,690			781
St. George	188	143	157	3.3%	85	47	24	23	25.0%	4.3%	43	$25,250	$9,332	5	42.0%	
Bristol Bay Economic Development Corporation																
Aleknagik	154	184	181	-2.2%	127	58	26	31	12.0%	16.1%	59	$21,875	$9,309	8	26.9%	379
Clark's Point	70	62	59	-4.8%	36	27	15	12	33.3%		23	$17,083	$8,064		18.1%	242
Dillingham	1583	2,017	2,200	3.0%	1,351	801	468	433	7.5%	5.3%	683	$44,083	$18,189	74	9.8%	354
Egegik	76	128	123	0.0%	92	37	25	12	36.0%		51	$20,625	$15,137		34.2%	
Ekuk	7	3	2	-11.1%												
King Salmon/Savon	545	684	805	5.9%	588	501	317	124	5.3%	6.5%	171	$54,072	$20,609	8	3.0%	
Manokotak	264	368	421	1.0%	236	116	65	53	16.9%	15.1%	92	$20,500	$6,484	12	28.6%	384
Naknek	318	680	621	1.6%	388	259	155	104	6.7%		206	$50,907	$19,341	8	1.7%	188
Pilot Point	66	54	72	11.1%	38	17	6	11			17	$38,750	$13,710	2	11.0%	384
Port Heiden	92	111	132	8.5%	69	41	25	16	24.0%	18.8%	32	$35,000	$16,418	8	24.3%	408
South Naknek	145	133	147	3.5%	88	51	27	24	40.7%	12.5%	38	$23,750	$9,809	5	26.3%	268
Togiak	470	805	876	3.0%	577	131	78	54	32.9%	9.3%	154	$15,000	$5,883	33	46.4%	
Twin Hills	70	44	74	22.7%	33	12	8	4	37.5%		16	$11,667	$7,392		50.0%	
Ugashik	13	7	6	-9.5%												814
Central Bering Sea Fishermen's Association																
St. Paul	551	752	834	5.1%	578	428	316	109	11.6%	8.0%	184	$39,922	$15,115	20	7.1%	
Coastal Villages Fishing Cooperative																
Chefornak	230	310	336	2.0%	184	85	36	29	5.6%	6.8%	70	$20,278	$4,699	42	35.5%	
Chevak	488	587	645	2.7%	331	187	87	80	33.7%	1.1%	148	$17,222	$5,742	40	27.1%	
Goodnews Bay	186	232	234	0.9%	152	80	51	29	28.2%	20.7%	72	$21,000	$8,617	30	28.7%	
Hooper Bay	827	946	800	2.1%	489	271	168	103	5.3%		69	$13,523	$4,660	14	41.8%	
Kipnuk	371	462	501	2.8%	288	70	40	30	45.7%	35.9%	102	$18,125	$5,088	71	43.5%	
Kongiganak	239	313	305	-0.9%	175	83	58	25	15.0%	10.0%	64		$2,508		76.6%	
Kwigillingok	354	256	316	7.0%	188	84	50	34	23.6%		61	$33,250	$8,084	10	30.4%	364
Mekoryuk	180	188	196	6.2%	110	54	33	21	4.8%	14.7%	68	$14,500	$5,504	25	43.1%	
Newtok	131	217	262	8.9%	132	56	33	23	15.2%	19.0%	57	$14,792	$5,534	18	31.6%	
Nightmute	119	174	174	0.0%	121	59	36	23	32.3%	17.4%	43	$14,844	$4,460	14	50.2%	
Platinum	85	87	49	-8.0%	50	25	14	11	40.0%	9.1%	25	$17,813	$3,715	8	62.1%	
Quinhagak	412	509	501	-0.5%	335	134	65	71	14.3%		28	$29,068	$9,577	8	35.8%	
Scammon Bay	260	348	422	7.3%	183	84	44	45	8.4%	2.6%	132	$17,500	$5,842	63	37.2%	788
Tokseok Bay	333	405	484	6.5%	259	141	80	48	18.7%	20.0%	81	$15,179	$4,729	27	40.6%	
Tuntutuliak	218	309	317	1.9%	185	86	42	38	18.0%	39.6%	61	$21,615	$4,953	26	39.3%	
Tununak	298	300	335	3.9%	182	111	72	36	12.5%		74	$14,444	$6,284	10	48.0%	1093
									14.7%	12.8%	76	$18,750	$5,666	67	29.3%	

D-FRABER
C-1

American Independent Fishermen

The Incredible Shrinking Under 125' Catcher Vessel Sector

Going...

Going...

Gone..?

Highlighted Excerpts from EA/RIR

1- Catcher Vessel Weeks of fishing groundfish

Table 2.12 Pg. 50
Trawl Pollock BSAI

	Vessel Length					
year	<60	***60-124***	>124	total	% by CVS >125	% by CVs <125 CVs
1992	8	***1245***	385	1638	24%	76%
1996	13	***853***	358	1224	29%	71%

a loss of 31% of their fishing weeks

2- Percent of groundfish by CVs delivering Inshore by Length

Figure A.14

	Vessel Length	
year	<125	>125
1991	65	35
1996	42	58

a loss of 35% of their sector share

3- Catcher Fleet Relationships

SIA pg. 42

"As of 1998, only one of the Unalaska/Dutch Harbor-Akutan shoreplants had not pursued ownership of catcher vessel"

"Today, all plants, with a single exception, own and/or effectively control part of their delivering fleet."

"...at the low end of the range, one processor owns/controls all or part of 45% of the vessels in its delivering fleet."

"At the other end...one of the processors owns/controls all or part of 86% of its delivering fleet."

a loss of their independence

What Still Could Be...Independence for Under 125' Catcher Vessels

Alternative 4 — <125 CVs Free Market Reserve Option

Alternative 4 results in 3 redefined sectors:

1 - **CVs <125**, with abilitilty to sell at their choice to shoreplants, motherships or CPs
This sector's allocation is the sum of the sub-sector CV reserves from Alt. 3 suboptions + true mothership quota.

2 - **CVs >125**, required to sell to shoreplants or inshore floating processors.

3 - **CPs**

Example with Status Quo Start Point

Option "35/65"

"Inshore"	35		reserve %	% of Total		reserve %	% of Total
		<125	40.0%	14.0%	<125	60.0%	21.0%
		<125	**52.5%**	**18.4%**	**<125**	**47.5%**	**16.6%**
		<125	65.0%	22.8%	<125	35.0%	12.3%
"True Mothership"		10					
	11		**11.0%**				
"Offshore"	54		reserve %	% of Total		reserve %	% of Total
		CVs	**9.0%**	**4.9%**	**CPs**	**91.0%**	**49.1%**
		CVs	15.0%	8.1%	CPs	85.0%	45.9%
Maximum for <125 CVs	41.9%		Onshore>125 CVs		10.5%	Min. CPs	49.1%
Midrange for <125 CVs	**34.2%**		**Onshore>125 CVs**		**16.6%**	**Mid CPs**	**49.1%**
Minimum for < 125 CVs	29.9%		Onshore>125 CVs		18.0%	Max CPs	49.1%

Option B

"Inshore"	30		reserve %	% of Total		reserve %	% of Total
		<125	40.0%	12.0%	<125	60.0%	18.0%
		<125	52.5%	15.8%	<125	47.5%	14.3%
		<125	65.0%	19.5%	<125	35.0%	10.5%
"True Mothership"		10					
	100		10.0%				
"Offshore"	60		reserve %	% of Total		reserve %	% of Total
		CVs	9.0%	5.4%	CPs	91.0%	54.6%
		CVs	15.0%	9.0%	CPs	85.0%	51.0%
Maximum for <125 CVs	**38.5%**		**Min. Onshore>125 CVs**		**10.5%**	**Min. CPs**	**51.0%**
Minimum for < 125 CVs	27.4%		Max. Onshore>125 CVs		18.0%	Max CPs	54.6%

Option C

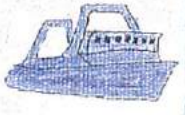
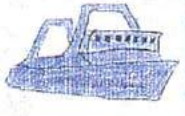
"Inshore"	40		reserve %	% of Total		reserve %	% of Total
		<125	40.0%	16.0%	<125	60.0%	24.0%
		<125	52.5%	21.0%	<125	47.5%	19.0%
		<125	65.0%	26.0%	<125	35.0%	14.0%
"True Mothership"		10					
	100		10.0%				
"Offshore"	50		reserve %	% of Total		reserve %	% of Total
		CVs	9.0%	4.5%	CPs	91.0%	45.5%
		CVs	15.0%	7.5%	CPs	85.0%	42.5%
Maximum for <125 CVs	43.5%		Min. Onshore>125 CVs		14.0%	Min. CPs	42.5%
Minimum for < 125 CVs	**30.6%**		**Max. Onshore>125 CVs**		**24.0%**	**Max CPs**	**45.5%**

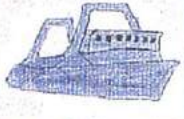
INDEPENDENT BOATS

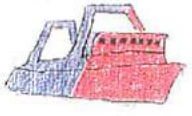
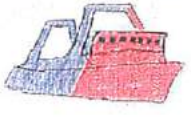
1991

$444 Per Mt



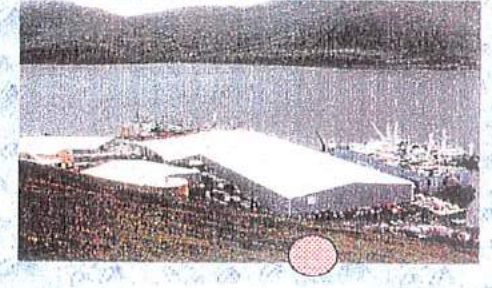


Trident SEAFOODS

ニッスイ

MARUHA



42% or
$187 Per MT

Company Boats

INDEPENDENT BOATS

1994

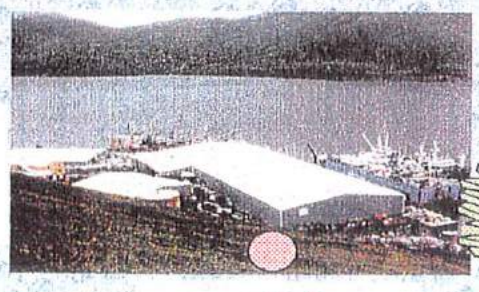
$484 Per Mt

$14 Million Profits Taken by Shoreplants

Trident SEAFOODS

MARUHA

ニッスイ



35% or $170 Per MT

Company Boats

INDEPENDENT BOATS

1996

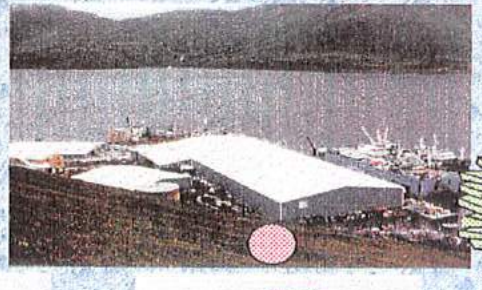
$593 Per Mt

$24.5 Million Profits Taken by Shoreplants

Trident SEAFOODS

MARUHA

ニッスイ



32% or $187 Per MT WORTH $73.8 MILLION

Company Boats

INDEPENDENT BOATS

What Could Have Been

$593 Per Mt

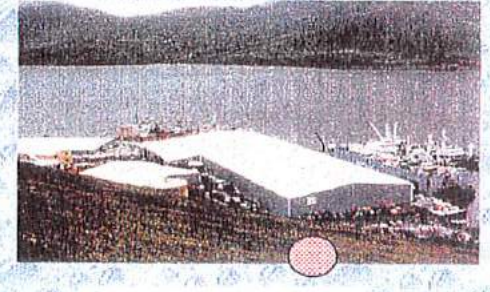
M/S's

F/T's

Trident SEAFOODS

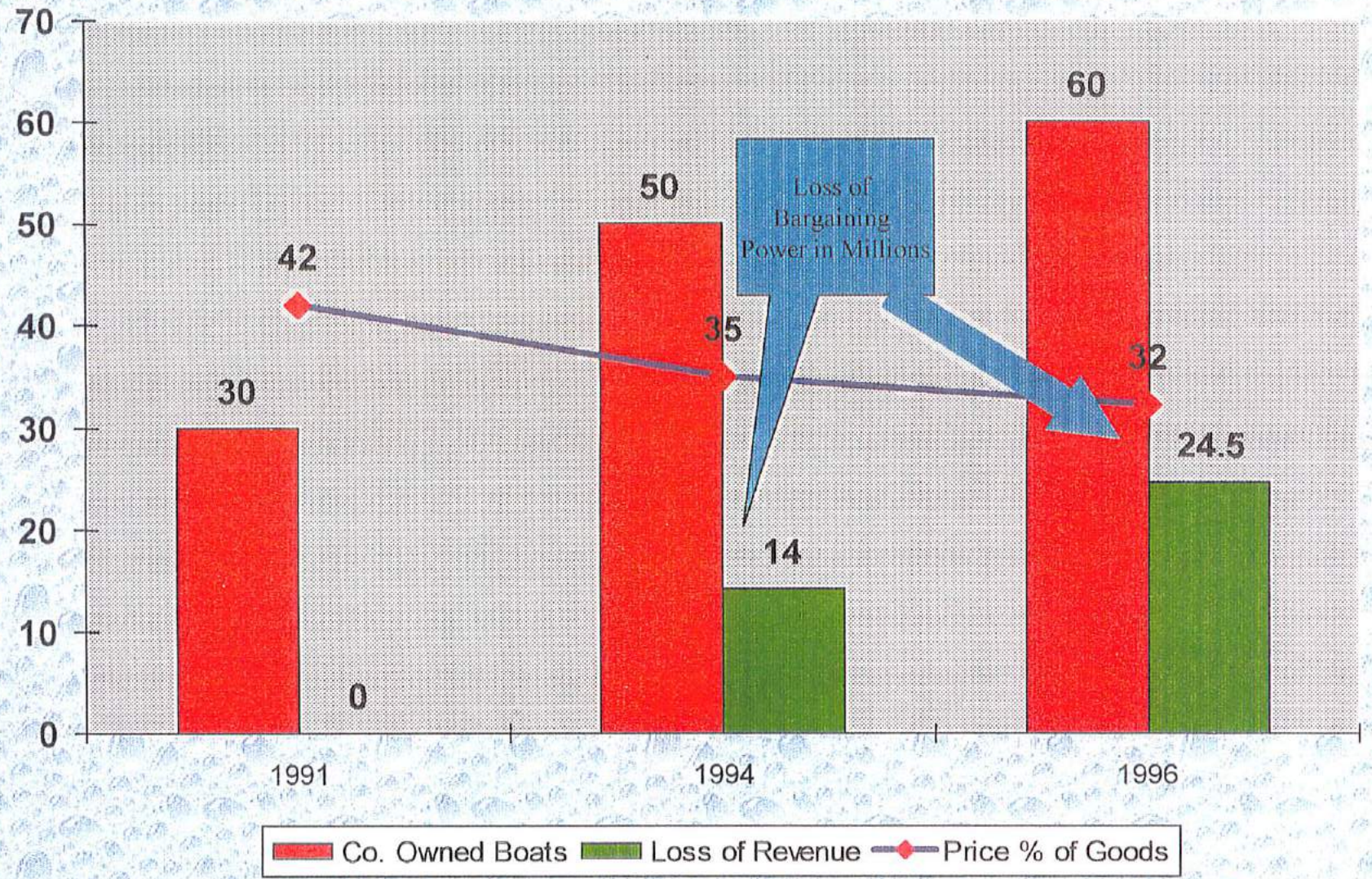
MARUHA

ニッスイ



42% or $249 Per MT WORTH $98.4 MILLION

SHORESIDE MANDATE



	SP	True MS	CP	Total BSAI	Inshore	Offshore
1996					**1996**	
Fillets	9,229	0	9,552	18,781	0.96	0.96
DS Fillets	7,442	0	29,097	36,539	1.24	1.24
Mince	2,626	0	11,081	13,707	0.52	0.42
Subtotal	19,297	0	49,730	69,027		
Roe	4,417	1,075	8,216	13,708	4.52	6.03
Surimi	71,349	23,361	62,141	156,851	0.82	0.86
Meal	27,864	5,294	12,668	45,826	0.30	0.29
Oil	8,514	353	344	9,211		
Subtotal	112,144	30,083	83,369	225,596		
Grand Total	131,441	30,083	133,099	294,623		
Weight Processed	395,339	121,959	646,064	1,163,362		
Utilization	0.332	0.247	0.206	0.253		
1994					**1994**	
Fillets	3,927	0	25,057	25,057	0.71	0.71
DS fillets	330	0	24,272	24,272	1.11	1.11
Mince	119	0	13,680	13,680	0.35	0.35
Subtotal	4,376	0	63,009	63,009		
Roe	2,950	985	7,687	8,672	3.65	5.79
Surimi	79,678	19,501	79,060	98,561	0.91	0.94
Meal	30,054	5,378	19,782	25,160	0.22	0.25
Oil	7,672	191	1,802	1,993		
Subtotal	120,354	26,055	108,331	134,386		
Grand Total	124,730	26,055	171,340	197,395		
Weight Processed	423,900	110,800	768,700	1,303,400		
Utilization	0.294	0.235	0.223	0.151		
1991					**1991**	
Fillets	5,836	5,123	54,070	59,193	1.38	1.38
DS fillets	—	—	—	—		
Mince	211	2,603	6,233	8,836	0.71	0.71
Subtotal	6,047	7,726	60,303	68,029		
Roe	2,686	1,660	16,980	18,640	3.79	4.66
Surimi	45,027	18,252	68,491	86,743	1.26	1.58
Meal	20,389	8,747	25,781	34,528	0.22	0.25
Oil	4,222	0	96	96		
Subtotal	72,324	28,659	111,348	140,007		
Grand Total	78,371	36,385	171,651	208,036		
Weight Processed	395,400	142,960	1,003,300	1,541,660		
Utilization	0.198	0.255	0.171	0.135		

	SP	True MS	CP	Total BSAI
1996				
Fillets	19,532,403	0	20,216,006	39,748,409
DS Fillets	20,344,225	0	79,542,585	99,886,810
Mince	3,010,425	0	10,260,252	13,270,678
Subtotal	42,887,054	0	110,018,843	152,905,897
Roe	44,014,486	14,290,768	109,221,351	167,526,606
Surimi	128,982,724	44,291,428	117,816,602	291,090,754
Meal	18,428,692	3,384,634	8,099,083	29,912,410
Oil	0	0	0	0
Subtotal	191,425,903	61,966,831	235,137,036	488,529,770
Grand Total	234,312,957	61,966,831	345,155,880	641,435,667
Weight Processed	395,339	121,959	646,064	1,163,362
Value per mt processed	593	508	534	551
1994				
Fillets	6,146,800	0	39,220,870	45,367,670
DS fillets	807,545	0	59,396,157	60,203,702
Mince	91,822	0	10,555,625	10,647,446
Subtotal	7,046,166	0	109,172,652	116,218,818
Roe	23,738,031	12,573,164	98,121,742	134,432,937
Surimi	159,848,888	40,412,390	163,837,935	364,099,214
Meal	14,576,551	2,964,085	10,902,849	28,443,485
Oil	0	0	0	0
Subtotal	198,163,469	55,949,640	272,862,526	526,975,635
Grand Total	205,209,635	55,949,640	382,035,178	643,194,453
Weight Processed	423,900	110,800	768,700	1,303,400
Value per mt processed	484	35% 505	497	493
1991				
Fillets	17,755,143	15,585,949	164,499,756	197,840,848
DS fillets	—	—	—	—
Mince	330,271	4,074,387	9,756,303	14,160,962
Subtotal	18,085,414	19,660,336	174,256,059	212,001,810
Roe	22,442,696	17,053,904	174,442,943	213,939,543
Surimi	125,075,820	63,576,608	238,572,509	427,224,937
Meal	9,888,910	4,820,909	14,209,198	28,919,017
Oil	0	0	0	0
Subtotal	157,407,426	85,451,420	427,224,650	670,083,496
Grand Total	175,492,840	105,111,757	601,480,709	882,085,306
Weight Processed	395,400	142,960	1,003,300	1,541,660
Value per mt processed	444	% 735	600	572

D. FRASER
C-1

What Still Could Be… Independence for Under 125' Catcher Vessels

Alternative 4 <125 CVs Free Market Reserve Option

Alternative 4 results in 3 redefined sectors:

I. **CVs <125** - with abiltilty to sell at their choice to shoreplants, motherships or CPs
II. **CVs >125** - required to sell to shoreplants or inshore floating processors.
III. **CPs**

The < 125 CVs sector's allocation is the sum of the reserves from Alt. 3 suboptions for:
(1) the <125 Inshore CVs, (2) the offshore CVs, and (3) true mothership quota.

Option "35/65"

Example Based on a Status Quo Reference Point

	base allocation		reserve %	% of Total		reserve %	% of Total
"Inshore"	35	CVs <125	40.0%	14.0%	CVs >125	60.0%	21.0%
	35	**CVs <125**	**52.5%**	**18.4%**	**CVs >125**	**47.5%**	**16.6%**
	35	CVs <125	65.0%	22.8%	CVs >125	35.0%	12.3%
"True Mothership"							
	11		**11.0%**				
			reserve %	% of Total		reserve %	% of Total
"Offshore"	54	**CVs**	**9.0%**	**4.9%**	**CPs**	**91.0%**	**49.1%**
	54	CVs	15.0%	8.1%	CPs	85.0%	45.9%

Maximum for <125 CVs	41.9%	Min. for Onshore CVs >125	10.5%	Min. for CPs	49.1%
Midrange for <125 CVs	**34.2%**	**Mid for Onshore CVs >125**	**16.6%**	**Mid for CPs**	**49.1%**
Minimum for < 125 CVs	29.9%	Max for Onshore CVs >125	18.0%	Max for CPs	49.1%

INTERNATIONAL LONGSHORE AND WAREHOUSE UNION, LOCAL 200 UNIT 223, DUTCH HARBOR

The Longshore local in Dutch Harbor consists of 62 registered longshoremen and 250 local and non-local casual workers. We handle the majority of the cargo which moves through the port including everything which is containerized and much of what goes out by tramper, with the exception of the trampers which call at the shoreplants. Our contributions to the community, both economically and socially are substantial.

Like alot of people we serve both the onshore and offshore sector and are not now taking sides on the allocation issue before you. However, we are concerned about the shipside cargo work at the shoreplants which is currently being done by foreign crew members.

This is currently legal under a very complicated agreement which was reached between the parties based on the reauthorization of the Immigration and Naturalization Act in 1991 and amended in 1995. This settlement allowed the trampers to continue using foreign labor in remote ports where there were no cargo workers so that the shipment of Alaskan fish products would not be stopped. At that time, we also agreed to allow these trampers to work at the shoreplant docks in Dutch Harbor and at other private docks in Alaska while we built up the local longshore workforce to be able to handle the work.

Our agreement with the shippers and the law provide for notification of an available longshore workforce if one becomes available. We have so notified the shoreplants and the foreign carriers of our ability to perform this work at their docks at this time. We see this as the next logical step in the Americanization of the fisheries and we are hopeful that we can resolve this issue with them before the June Council meeting.

Meetings have been scheduled in May and we will keep you informed on the progress of our negotiations. With all the testimony about the fisheries in Alaska supporting community development, we feel this initiative fits well with what the various parties and the Council are trying to accomplish. We feel it is in the national interest to maximize American employment from the fisheries in the US EEZ.

Pete Hendrickson
Vice President, Unit 223
Dutch Harbor

NPFMC Discussion
Inshore-Offshore 3
April 24, 1998

NOTE: To save time and space, the formality of seeking and receiving recognition from the Chair, and addressing the Chair at the beginning of each statement, has not been transcribed.

Tape 28

Lauber: This Council is back in session. Mr. Mace, you have the floor.

Mace: If we're ready for a motion I'm prepared to make one. I move that the inshore-offshore EA/RIR for Amendment 51/51 be sent out for public review with the provision that modifications recommended by the SSC and the AP be incorporated subject to the ability of the staff to complete such modifications within the time frame required to meet the June meeting deadline for final action.

?: Second.

Lauber: It's been moved and seconded; speak to your motion, Mr. Mace.

Mace: I think we've had quite a bit of discussion on the analysis, a lot of favorable comments on it. The SSC has given us a scientific review, the AP has given us an industry review, and I think that we need to start with that as a blanket motion with the potential amendments based upon what we've heard from the public. I think that we need to get this out. I would suggest that we might visit with Chris Oliver and the rest of the staff regarding their ability to complete these modifications within the timeframe. I guess you've two weeks to do that, but. . .with that, Mr. Chairman, I'm finished.

Austin: I wonder if the maker of the motion would entertain a friendly motion that would include in his motion the recommendations of the SSC.

Mace: I did, the motion did.

Lauber: The motion did.

Austin: Did he? I'm sorry, I didn't catch that.

Benton: Point of clarification. . .with regard to the recommendations on the McDowell report, the AP had a set of recommendations and the SSC had a slightly different take on their recommendation. Is it the maker of the motion's intent that what would take place is that, as time allows, the analysts would take into consideration the kinds of questions that were raised by the AP but do them consistent with what the SSC recommended?

Mace: Yes, it is. I think the key point is" as time allows, " Mr. Benton, depending upon the staff's ability to accomplish it.

Benton: O.K., Thank you.

Pennoyer: We're going to discuss any amendments required and I guess I don't understand a few of the AP items and maybe right now I don't think they're necessarily even possible. We heard some discussion this morning on the possibility of an alternative 4 allocation scheme, and I looked at the AP recommendation, and I admit when I first looked at it I didn't understand what it meant, but if you go down to. . .the percentages given are more or less within the range of discussion of analysis we've already conducted; namely, set asides for catcher vessels of under 125 feet, 40 to 65% of inshore quota; 9 to 15% of the offshore quota, and then it goes up to 100%, or the

true mothership quota which is a little different than what we analyzed because we went up to 65, but the kicker is the next sentence, 'The catcher vessel set aside may be delivered to any sector, and that seems to me it probably changes the whole allocation scheme that's in front of us by a very considerable amount, potentially. I'd like staff to comment on. . .I know time allowed, but I don't want people to have the impression we're doing things that we end up not doing and then for us to get criticized for not doing them, come the June meeting. I think this one is not very possible and I'd like Chris to comment on that.

Oliver: It is a significantly different twist, if you will, on the alternatives that you already have in the document. It essentially establishes off the top a guaranteed portion for the small catcher vessels which they could deliver anywhere. For example, if you took the midpoint of. . .just some rough calculations we've got here, if you took the midpoint of each of these three bullets, the 40 to 65%, 9 to 15, and the current range for the motherships, what it would result in is right at 34% of the total being set aside for that sector which could be delivered anywhere and, of the remaining two-thirds of the pie, that would have a guarantee, onshore guarantee, offshore delivery designation which, again, based on the midpoint would be right at 50% for the catcher processor fleet and 16½% onshore. Now, obviously some of that 35% that's originally set aside would end up being delivered on shore, but there's no guarantee. So, what you end up with, when you put together a matrix of the different possibilities here, there's some alternative allocations that are potentially significantly different. What we can do, and what I had told the AP was all we could do with regard to this, is not re-do in any significant analysis, but lay out for them a matrix of what the resulting percentages would be and some discussion pointing them to in the document where they could find information that's relevant. A lot of the baseline information would still be relevant, but it wouldn't be a wholesale reanalysis and I think you would be in a position then in June to determine if you wanted to go this route, whether you had appropriate information in front of you. But, it definitely is a significant change.

Pennoyer: I think what Chris said is we'll do something; it probably won't be as much as you might want for a significant allocation change, you've got to make up your mind in June if you think it's enough. I guess that's what he said.

Pereyra: This is a question directed to staff. In your. . .modifications to the document before it goes out, will you be having any discussions with either the authors of the McDowell report, which I understand is an ADF&G activity, regarding this issue of the relative value of jobs in the western Alaska community sector. In other words, the relative value of jobs that are in communities where there are significant onshore plants versus the value of jobs in communities where there are no onshore plants and what the impacts might be of an allocative shift. I know you can't do anything qualitative. But we had some discussion yesterday the possibility of having at least some qualitative discussions on that. And, I think it was either [with] regard to Appendix 3 or Appendix 2, but I'm not sure which one. It might have been Appendix 2. That would be helpful. I know we had a fair amount of testimony from people that were concerned about that issue.

Oliver: I guess all I can say in response is I think between both the information that's provided in those reports along with some employment information that we provided, supplemental document, there is information on values of jobs. Now we haven't made an explicit comparison and then attempted to say if you change the allocation by whatever percent you could expect it to be. . .we could assume a strictly linear relationship there and equate some job value with the change in the allocation, but I don't know to what extent we would be able to get the McDowell report or the Impact Assessment folks to explicitly look at that. I know in my conversations with Impact Assessment they have indicated the ability, just barely, the ability within the next two weeks to respond to the SSC comments and to get those incorporated in the document. So, I'm just not certain I could say we would be able to make it explicit.

Pereyra: My concern is that several meetings back when we were discussing what was going to be done for this important decision, that issue was one which was highlighted and it was my understanding that that was going to be addressed at some level and it hasn't been yet and I think that whole integrated function I think one of the

shortcomings of the document in some other areas, but this one in particular I think is important because the job issue is one which has been critical to our decision.

Benton: On this subject. . .this is wasn't what I. . .earlier.

Lauber: No, you're third in line, but you can respond to this.

Benton: The McDowell report was, at least the funding went through our shop. I think in response, Wally, what I would ask is that immediately after we're done with this meeting that Chris confer with McDowell and maybe some folks over at the state just to see what we can do to amplify or complement the information. I think Chris is correct in that the information actually is available; it's not been put together in a manner that maybe you're looking for. And, between what's in Impact Assessment's, Department of Labor data and the McDowell report, I think that some information could be synthesized down and I think there may be some ideas out there how to do that.

Pereyra: Again, I realize we've got a short timeframe and maybe you can't do very much but at least identify it. Another issue that was discussed, and that had to do with the issue of fish meal and the bone meal on shore issue that was totally missed in the analysis and I don't know how that can be picked up. I think it has to be picked up at least in some qualitative way. Reference to Table E-2 and in Chapter 3, and I want to highlight that as an area of particular concern.

Brannan: I will check with the people who put together the core report and I will check with Dr. Steve Freese to see if we can provide any additional information on that question between now and when the report is sent out.

Kyle: Chris, I'm curious, I may want to make a friendly amendment, but would the analysis you'll have before us in June, would we be able to say, make a decision on an allocation to vessels up to a certain length in the CVOA, much like the AP did, say at 155 feet, or would that need to be in your judgement an amendment to the motion that incorporates the AP recommendation of 125 feet or less. You use under the definitions of catcher vessels, those less than 125, those 125 to 155, and those over 155. Would we have the information in front of us to possibly do a 125 to a 155 allocation? Or, do we need to tell you to do that if it's the will of the Council.

Oliver: I guess I'm not sure I understand your question. To make an allocation to, or was your question with regard to specifically item 6, about exclusion of a vessel from this class from the CVOA?

Kyle: Well, I was really looking at seven, 'establish a new alternative 4 which would provide a set aside for vessels less than 125.' Will we have the information available to do that at 155, say between 125 and 155, as well as below 125, or do we need to make that a friendly amendment to the motion if the maker would accept.

Brannan: I think we have provided that breakout in the document, looked at both 125 and 155 in terms of. . .. One caution, and it has to do with allocations by vessel length, is that NMFS has informed us that because of the way they collect data that we couldn't enforce that type of allocation at the beginning of inshore-offshore 3, and that may. . .the Council. . .**[Change to Tape 29; comments lost in changeover]**. . .

Oliver: . . .**[Comments lost in changeover]**. . .the point about the 1999 implementation versus 2000, and that would go for whether you use 125 or 155. All we could do in terms of this alternative 7, is include that breakdown in the. . .[unintelligible]. . .. It's a different data aggregation, a different subset, it would be a different set of tables. I don't think that poses any huge problem, but again with either one of those, it's not going to be much of analysis. It's going to be a table of resulting percentages if you do.

Kyle: If I may, then, I would ask the maker to accept a friendly amendment to also include a set aside for 125 to 155 so that we could take a look at that in June.

Mace: Accepted.

Lauber: It's been so accepted.

Pautzke: Joe, is that a separate set aside from the set aside for 125 and less, or are you talking about all catcher vessels less than 155? Do you want it divided between two vessel size groups?

Kyle: Well, it's my understanding that with what we would have before us we could do either or, we could do less than 155 or less that 125, or nothing.

Oliver: The way we have it now, we could set up a matrix of tables that illustrate the effects, percentage wise, if you do a set aside for the less than 125. So, you would want to see another set that was a set aside for only the 125 to 155, or everyone under 155? I assume the latter?

Kyle: Well, yes, everyone under 155 so then we could draw the line there if we chose to, or draw it at 125, right?

Samuelsen: Just a follow-up to Mr. Kyle's friendly amendment there. How would we break out the 125 bracket from the 155 if they're all lumped together in the analysis?

Kyle: I think the staff has already done that for us in how they've put definitions to the catcher vessels in the analysis. They've defined catcher vessels as less than 125, as 125 to 155, and over 155. So, I think it'll be there.

Samuelsen: I'd like to offer a friendly amendment to the maker of the motion. In the second to the last paragraph on the second page, on the AP motion, I'd like to delete, 'to the extent practical, Council staff monitor the,' and put in there 'recommend.' It's right under the number seven item. It says, 'Further, the AP would like to highlight to the Council that the impact on CDQ employment and wages are a very important part of the analysis. . .' I'd like to put 'recommend' in place of 'to the extent practical Council staff would monitor the program.' I think that we've heard through public testimony as well as from the CDQ regulators, Glenn Haight, that they recognized differences with the CDQ groups in the McDowell study and that they're moving forward to correct them. I don't feel that the Council staff, due to the time limits, should be looking over the State's shoulders as these revisions are being made to the document at this point in time. I think we've pretty well explained our differences.

Pautzke: I don't understand. If you put in 'recommend', for 'to the extent practical' it's almost like you're asking us to do it. You want us to monitor. . .

Samuelsen: No, I want delete 'to the extent practical Council staff monitor.' I'm taking the Council's action out of there. . .

Pautzke: Oh, and you just put in 'recommend,'. . .

Samuelsen: What, we're going to do as a Council, we recommend that if revisions are needed to the McDowell group, that that be revised and brought back. I personally feel that the Council staff has enough to do and they don't need to be looking over the State's shoulders at that point in time.

Pautzke: . . .[unintelligible]. . .

Lauber: O.K., so it would then read, if I'm correct, 'Further, the AP would like to highlight to the Council that the impact on CDQ employment and wages is a very important part of the analysis and, recommend the revision to the McDowell study to ensure that as much information as possible be available to the public and Council review.' Is that correct?

Samuelsen: Yes.

Lauber: O.K., is there any objection to that?

Mace: Robin, what you're saying is this is going to be less of a demand on the staff with this? I'll buy that. O.K., I accept it as a friendly amendment.

Austin: Does the McDowell study become a Council study? I mean, . . .

Lauber: It becomes part of the record.

Austin: It becomes part of the record but it's not, quote, unquote, a Council study; it doesn't pick up our. . .I'm concerned that in fact the final product, the Council doesn't even get to see it and yet it picks up our name. But that isn't going to be the end result of this?

Pautzke: It's just an annex or appendix to our formal document. It's all part of the record and it will be submitted with the record to the Secretary of Commerce.

Austin: It maintains its independent identity.

Lauber: And, it will go out to public review.

Austin: Yes, all right.

Benton: Chris, I too am a little concerned about the amount of time you guys have available and I remember some questions that we asked when you were here before public testimony. With regard to, looking at the AP motion, with regard to item number five, which has to do with the true motherships. I recall that I asked you between option 1 and option 2, which one of these would be most difficult to analyze and as I recall it, you said that option 2 would be quite difficult and require a lot of time. Is that correct?

Oliver: Yes, that is correct in the sense that it puts us in the limited entry consideration context. Noting that what's not listed in the AP motion is your existing option which is the most. . .

Benton: I was going to get there. What I'm trying to do, and I guess in part we're going to have to ask Counselor, but I understand that there's a problem with the existing definition, and I'm just thinking of this in terms of your ability to get an analysis done in a couple of weeks. Option 2 it seems to me is. . .the search you'd have to do would have to be quite broad and would probably complicate your analytical process and if I understand it right, you said yes to that. Then, if I turn to our Counselor for a minute, what part of the definition under option 1, helps us avoid the problem that you have, at least for this part of the ball game with the analysis, with regard to the limited entry problem for the motherships? Does option 1 satisfy your concerns, Counselor, or can we even narrow this down a little bit more?

Lindeman: I don't see a problem with option 1 with respect to creating a. . .the limited entry problem I think is taken care of with option 1.

Benton: It would be taken care of with option 1? [affirmative response] O.K., . . .if I could follow up on that? To the maker of the motion, then, I would propose as a friendly amendment that we drop option 2 under number five of the AP recommendation and the reason I would do that is we can address the concerns, the legal concerns raised by Counselor with option 1, and we could save our staff a considerable amount of time by dropping option 2. So, I'd recommend deleting option 2.

Mace: If it's going to save time, I accept that, yes, I accept that as a friendly amendment.

Pereyra: I had two short issues. One of them has to do with. . .this may be embodied in one of the motions, I've got too many pieces of paper floating around here, but. . .and this is to the staff. We had some discussion and we had some testimony regarding the competitive impact to non-pollock processors and I was wondering if that could be picked up, at least in a qualitative sense?

Oliver: Are you referring to what we call the potential spillover effects into other. . .

Pereyra: Well, in a generic sense, certainly spillover would be a subset of that, it is a spillover effect. You can think of spillover in the effect of the presentation that was made by Mr. Gauvin, which is spillover into other fisheries from effort going into other fisheries. This is a spillover effect into the marketplace, I guess you could call it that.

Kyle: I wonder, Dr. Pereyra, if you're including the Gulf of Alaska in that. Those companies all operate in the Gulf and we really didn't get any public testimony from the Gulf on this package before us right now, so I wonder if you would be including spillover effects in the Gulf?

Pereyra: Well, I think these particular individuals that testified to us identified themselves as having operations that went from Nome to Ketchikan, in fact even farther south than that and I think their concern, if I read it right, was that by making competitors in the marketplace stronger at their expense really puts them at a disadvantage, so I would think that that certainly does have a Gulf of Alaska impact in an indirect way. So, that would be my answer to that.

Benton: What I heard being said by that group was that they also recognize that the Council may not have the ability to do that at this time and they wanted to have a program put in place that would track any effects of concentration in either inshore or offshore as a result of any allocation decision. Status quo would be one of those allocation decisions. And, I guess my concern with what Dr. Pereyra is pointing out, I think it would be very useful information and I support collecting that kind of information. I don't think we have it, but I'd point out that a couple of those, or at least one of those fellows identified that they've got operations in California and Oregon and Washington as well, and the scope of that would be I think prohibitive from a staff standpoint, especially seeing as how we've got only a couple of weeks to get the document done, and I didn't hear them say that they think that that's something that needs to be analyzed in this analysis. They said quite clearly they were not taking sides, they were not making a recommendation, and they did not want to delay getting the document out for public review and delay this decision.

Pereyra: I agree with Mr. Benton's recollection of the testimony that was given. My concern is I don't want to see us doing an ostrich number here and sticking our head in the sand. I just think it needs to be identified. It would probably take a few minutes to write a few sentences or a paragraph that sort of just captures it and might even make a statement that as Mr. Benton pointed out, that this is beyond the scope of analysis at the present time but is something that might be looked at in the future. That's all I wanted to say.

Behnken: I think Mr. Pereyra's raised a really good point. The AP motion that Mr. Mace has moved does include a section that talks somewhat, I'm sure it'll be qualitatively, but about some of the spillover effects. And, I think

it would be a really good idea subsequent to this action on inshore-offshore that we talk about what we can do to collect that data. I don't think it needs to be wrapped into this, but maybe something we take up after we vote on this motion.

Pautzke: It seems to me that some of the best way to collect this type of information so you would have it before you at the June meeting is to encourage and highlight in our circular that we send out with our document to public review, if you want, have some questions in there on these spillover effects so that when the public comes in, like Icicle Seafoods, or someone else, they can speak to that issue which becomes part of the record and it's very easy to collect that information and be informed by it during the public review process, because the staff is not going to have the time to go out and collect anything in detail on it, but certainly you could find some testimony out there on it very compelling if we just highlight those questions you want additional information on when we circulate this for public comment.

Pereyra: When we had the discussion on the motherships, there were a couple of issues that came out but I think need to be captured. Again, they may not be able to be captured in a quantitative sense, but they should be captured certainly in some sort of a qualitative sense. One of them has to do with this tax leakage issue. I think Mr. Reed this morning concurred that that is something that would be useful to have separated out. At the present time it's totally included in the offshore sector and I certainly respect the statements that were made by staff that this might be difficult because of the limited number of participants, but I would hope that maybe it could be noted in some way in an expanded way in the narrative section. If you can't do anything quantitative on it, and I recognize the short time and fact that you've got a potential limited participant issue with that.

Lauber: How would they do that? My recollection is that staff attempted to do that and that the state Department of Revenue refused to give the information because there were less than four, or some number, whatever their criteria is, and they wouldn't give it. So other than anecdotal information or dockside talk I don't know how would. . .

Pereyra: Well, I think your comments are consistent with my request, and that is that I think that where we can't pick it up quantitatively we can, I think note it in the qualitative sense in the narrative. I think that would be helpful to alert people to that effect. And, the last thing that I had was, there was also I think some testimony given that I think pointed out the mis-characterization of the ownership relationships in the mothership sector and I think that definitely needs to be corrected. I think that is a mis-characterization that needs to be corrected in the document. Those are the last comments I had regarding the document and I only had one other comment I want to make before the gavel goes down.

Benton: This is in regard to the point that Dr. Pereyra. . .. We have the information in the Department of Revenue. Part of the problem is confidentiality issues. I can tell you that it doesn't make that big a difference; it makes some difference, but not that big a difference. What we'll do, is we'll go back and see if there's a way we can aggregate the information, or Revenue can aggregate the information, and make it available for inclusion in the document. I'm not confident we'll be able to get past the confidentiality issues, but we will talk to Revenue and we'll work with staff to try and see if there's a way we can get that information into the document in a manner that will be useful.

Pereyra: I appreciate that.

Austin: I had two questions. One of staff and of NOAA Counsel. When Mr. Fraser was testifying I asked him about whether there was additional information that could be put in that would strengthen the analysis of this question of catcher boat independence and he indicated that in the AP process they had sat down and went through the document with you in a lot of detail and they had made numerous recommendations to different tables and stuff that weren't captured in the bigger picture AP motion. And, I just wanted to confirm that in fact, and

he thought that would help what I'm talking about, and I just wanted to confirm the fact that that sort of detailed addressing of this would be handled by the staff.

Oliver: Our response to those items that don't show up in the AP list was in most cases, yes, no problem, that's something we intended to do anyway or it was a technical correction. There were a couple items where we had to say, we think we can do that, we'll do our darn best to, depends on data availability through our National Marine Fisheries Service counterparts to some extent, but I think we're in pretty good shape on that. I think we'll be able to do most all of that.

Austin: Including the tonnage question?. . .Tankage, I'm sorry.

Oliver: Oh, tankage. . .

Brannan: It may be possible to do that. I can't make any promises, but on some of the vessels in the CFEC registration file there is information on tank size and capacity. It's not required that they fill that out, so I couldn't tell you if I'll have a complete data set, or the accuracy of the information, but it's possible that I could go back and try and look at some of that. I can't guarantee that I will have time, though.

Austin: My second question, to NOAA Counsel. We have added a lot to the staff's plate and I'm constantly amazed about the productivity of Clarence's staff. . .I think there's going be a long list in wanting to hire all you guys if you're not burned out, you're really putting out a tremendous product. But there's a point in time when the proverbial straw lands on the camel's back and the camel falls. And, I want to make sure that we don't have the option of any further delay in releasing this. What happens if in fact the Council does not release this public document at this time relative to the sunset clause of our inshore-offshore allocations. Do we have to release the document now?

Lauber: Dr. Pautzke will respond.

Pautzke: We are going to wrap this document up and in ten days it's going out of the office and if not everything's in there, people are just going to have to testify for it, there's also an opportunity to enhance the document, add information that comes available in the public record after the June meeting before it goes to the Secretary of Commerce, because it goes through a whole other public review. But in ten days it's going to be out of our office and that's it. It's not going to be delayed by anything that's going to be made in your motion unless you tell us to delay it.

Austin: Well, that's my point. If the Council votes not to release the document, I mean, is that truly an option we have. Or we have no option, the document must be released. . .

Lauber: The answer to that is that is an option.

Pennoyer: The consequences of not releasing anything is probably not taking action in June. The consequence of not taking action in June is that the inshore-offshore allocation that's currently in place goes away next year, So your question, not releasing the document, or not releasing all of the alternatives. . .I, mean there are a lot of variations on that, but you've got to release a document to be able to take action in June. You've got to take action in June to be able have something in place for 1999. Otherwise, the whole allocation scheme is ended and you're back to open access for the whole fishery.

Austin: That's what I wanted to know, thank you.

Pautzke: I've got to clarify. . .I'm a little unsettled about the ownership statements that were made here. We did not have any formal data collection process to. . .there's a list under the foreign ownership thing and a lot of that information is very tenuous. We went through Lexus Nexus and that's pretty much open information and we gave each company a chance to review. . .I mean, we had some information from the state, then we tried to enhance that information by bringing in information on each vessel, plant, motherships, so on, from Lexus Nexus. And then I decided to go through the next step which was, 'here is the picture we have formed about your vessel or assets, and this is what we're going to tell the Council unless you correct it.' And, as you go down those lists you'll see an asterisk, I had an asterisk put in there if we had a response so you know that that has company taken an active role in responding to us and telling us what the ownership of their vessel was, and then we had public testimony here that, well, yes, on the surface that vessel may be owned by a U.S. corporation or something, so therefore it gets a 'U.S.' check next to it. It's fully chartered out to deliver its fish to a certain company, Maruha, or whatever. There may be a lot of other vessels that are in the same thing where they show up as being totally U.S., but they are, through some kind of a legal arrangement, business contract, or whatever, they're furnishing all their fish to a particular plant or operator which may have foreign ownership to it. And, I guess for us to take. . .I'm trying to come to a consistent way to treat all of these things rather than taking, say, public testimony and then saying well we need to highlight 'x', 'y', and 'z' mothership vessel out there on the basis of public testimony, not by that particular operation but by someone else on what their pattern is and how they're influenced by this foreign ownership or management or intervention of some sort. And, I guess I'm looking for a little bit more guidance on that than what we have right now, which is this is spurious information you have in your document on the mothership; they may be owned by U.S. corporations but we know actually what they're doing here. I feel like it's inconsistent with the way the rest of the information is presented in the table. . .

Lauber: We've been wrestling with this issue, and let me say staff has made a very sincere effort to work this through and get the best information as Clarence reported. We paid for I don't know how many months of Lexus Nexus. We devoted a tremendous amount of staff time with that and other types of research and you just recounted all the other things. I don't know that we're ever going to get anything that everybody is going to either accept or sign off on and so forth. I think we've gone about as far as we can go and as far as I'm concerned let's let the Vikings and the Samurais fight it out and we'll . . .

Mace: Call for the question.

Pennoyer: I had one additional item. On the AP recommendation, there's a request that the Council write the Congressional delegations requesting increased funding toward Steller sea lion research. I'm a definite proponent in getting more money for research into this difficult ecosystem management question, but I'm not sure it's appropriate for the Council to be writing Congress directly to lobby for funds, so I'll probably have to abstain from that one particular recommendation just as a normal process even though I certainly agree with the need for more research. But given you're going to work that out however you need to do it, I think the inference that you need to write to somebody and let the need for that additional research be known is fine. I'm just questioning the direct request.

Pautzke: I would recommend then, if there's a problem with this lobbying thing, is that we do what we have numerous times in the past. We write to the U.S. Secretary of Commerce and copy the Congress. No one has argued with that approach before.

Lauber: That all right, Mr. Pennoyer?

Pennoyer: Let it be known I have to abstain from that one sub-piece, but I'll vote for the rest of the motion.

Lauber: O.K., we'll recognize that. Now, let's see if we've taken care of all the issues here. Now, let's go into final debate and move this thing out.

Austin: I'd like to speak on behalf of the motion. I think the Council is in a position where it doesn't really have a large choice in this matter and that whether the document is sufficient or not, it's the best we can put together at this moment in time and it needs to be released for public comment. We knew when we were going into this that we would not have a net national benefit analysis and that's what we don't have now. So, that shouldn't surprise. It causes me a lot of concern but a total loss of sunset, loss of this, would be a lot more disruptive and for that reason I think we must release the document for public comment.

Pereyra: I share Mr. Austin's comments and concerns. But, in addition, I'm also, after hearing the testimony, after reading the information that's in the document, I'm even more convinced that the problem we have is we need to somehow take care of the fact that inshore-offshore expires at the end of 1998. That is the problem that we're dealing with and I think that the rest of this. . .**[Change to Tape 30]**. . .I think is an enormous fish grab. I don't think it is supported at all by the data. I think it's put our industry at each other's throats. I think it's been very destructive from that standpoint, and I'm disappointed, I'm very disappointed. I know we have got to go through this process because we started it, but as far as I'm concerned I don't see really a huge problem here that we're dealing with in terms of one industry somehow preempting another and so forth. What we need is stability in our industry, particularly right now. This industry, people that are in it know this, this industry is having very difficult times now, whether you're in salmon or blackcod, or halibut or whatever and if you're dealing with Asia, and a lot of our industry does deal with Asia, this is a very difficult market to be dealing with right now and I think we're going to see repercussions coming down here that we don't even know about at the present time. And the instability that we create by going in this direction, I think, is destructive in the long term. . .

Lauber: Let's keep our comments germane to the motion. Next name is Benton.

Pereyra: Mr. Chairman, I hadn't finished my comment. You said we were going to have time to. . .

Lauber: You wandered off the motion on to debating actually the merits. . .

Pereyra: I was leading up to the fact that I was going to support going out with the document but I also wanted to make the statement regarding the testimony that we received. A lot of the testimony that we received will not be able to be re-heard in Dutch Harbor and the reason being that there is not sufficient for people to come out there and I talked about this till I was blue in the face and people just seem to shrug their shoulders. But that is a fact. We've had people come up and testify before us that they aren't able to get out there. For that reason, I seriously want to have before our meeting in Dutch Harbor, I want to have some sort of a summary of the comments that were made at this meeting, in our book, and available for people to see that are out there in Dutch Harbor. I think it's very important that we have that part of the record included and I would hope that that would be something that we would have to take with us to sort of help, I think help to mitigate this particular issue, and I think this is a serious one, so I would hope the Council could go along with this and I hope it would not impact staff too much between now and June to do that. Thank you.

Benton: I too want to speak to the motion, but in response to what Dr. Pereyra has just said, maybe what we need is a set of transcripts, maybe that would be the easiest for the staff is just have somebody do a set of transcripts and have that provided. I want to speak in favor of the motion. I think that the analysis that we have before us is, given the time constraints that we have, actually maybe more than what some of us expected we would get. Certainly there are things that we would all like to have; that's always the case. I think that the information that we have fits well with our problem statement. I think that it will allow us to look at our problem statement and look at the issues before us, one of which is the expiration of the current inshore-offshore amendment. But there are other issues that are before us as well and they're framed within the problem statement. And, as Clarence has identified, the document is going to go out. His staff is going to make the improvements that they can and I think when we see the document when we are in Dutch Harbor I think we're all going to keep in mind the testimony we've heard here today but also what we heard back in June in Kodiak and at every other subsequent Council

meeting between that meeting and this one. We've heard a lot of testimony and we've seen a lot of facts and information all of which is in the record, so I would speak in favor of moving the document out. Thank you.

Kyle: I would just like to speak in support of the motion and say that I am surprised at the amount of information that staff was able to compile for us. I guess my expectation was we may have to narrow down some of the alternatives that are available to us at this meeting, but I think the whole wide range of alternatives are still open and because of the job staff did and I just want to again commend them for doing a super job and it's going to be fun in June in Unalaska.

Samuelsen: I'd like to know your definition of fun. . . I'll be in support of the motion. I also have to commend staff; they sure gave us enough to read for this meeting. In fact, too much. I guess from my perspective I was pretty disappointed in the public testimony process. I thought it would be more germane to the document and to the AP's comments and it seemed that a lot of spin doctors, I mean testifiers, that testified were hell bent on throwing trash at different sectors of the industry, and vice versa. My preferred alternative would be that the industry sit down and come up with a negotiated settlement with all affected parties. I've always felt that fishermen know their fishery better than the regulator, whether it be this process or the Board of Fish process. So, I'll support the motion. My message to all sectors out there is, this is your final chance to settle this issue. I've read every document that was sent out by staff, I listened to public testimony. After public testimony in June I will make my decision and I could guarantee that that decision will not be influenced by the offshore sector, it will not be influenced by the onshore sector. I will be influenced by a number of factors that I'll take into consideration at that time. This is their final chance.

Lauber: Are there any other comments? Are you ready for the question? Is there any objection to the motion? Hearing none, it passes. I would state that in keeping with what Clarence said, we will include in the newsletter a call for written communications which will obviously be included in the packet for the Council. Also, I would encourage individual Council members, should they have conversations or contact with individuals that they'd care to summarize those contacts, naming the individuals and so forth, and send them to the Council staff we could likewise include that information in the package.

Mace: Mr. Chairman, I sort of saved my speech until after the vote, but I want to second what Robin Samuelsen said. Time and time again, the Council's better decisions have been based upon industry compromise. I understand you've been visiting on this, you're quite close. I would urge you to continue to visit because a compromise on your part is going to be a lot better solution than you'll get out of this Council if it's left up to them in June. And, so that's fatherly advice as far as I'm concerned and I hope that you consider it. Another concern that I have is the tendency toward divisiveness that I see when we get into a feeding frenzy such as this, Alaskans versus non-Alaskans. You know, we're all part of the family. It reminds me of a pride of lions. We fight like hell over the kill, but the next hunt we cooperate. And, we have to do that. The industry in Alaska owes a lot to Washington and Oregon entrepreneurs and fishermen that pioneered in the JV days and while we want to fight, and fights are good, I think that we have to fight as a family and we can't consider ourselves Alaskans versus outsiders. The Alaskan hire thing came up, and I support that, that's great. But a lot of that Alaska hire is going to depend upon outside, or Washington or Oregon, money and expertise. So, let's continue. I think in the past twenty years you've done very well fighting as a family and I hope that we can avoid this business of us and them and get on with it. Thank you.

Behnken: Mr. Chairman, I just wanted to say that I love all factory trawlers except. . ., I mean especially. . .. No, Mr. Chairman, we have this other issue Mr. Pereyra had brought up about collecting the socioeconomic data. And, rather than get into that now, it seems to me that maybe we could take that up under C-6, is that the Council's intent?

Pautzke: Yes, that's a good place for it.

Lauber: All right, thank you. Thank all of you that participated in the testimony. We'll take a break and come back on agenda item C-1, essential fish habitat.

[end of this agenda item]

Public Comments
Inshore-Offshore 3
April 23, 1998

NOTE: To save time and space, the formality of seeking and receiving recognition from the Chair, and addressing the Chair at the beginning of each statement, has not been transcribed.

Tape 17

11:14 am Jim Salsbury, Supreme Alaska Seafoods. We operate the mothership, Excellence. I'd like to make just a few comments. First of all, in the reports that we've received and the characterization of the mothership sector in those documents, I thought, was very well done. I think it described the sector very accurately from our perspective in that sector. I also think it describes very accurately the other sectors as we know them. I think also the report that was provided giving a explanation of the impact of this allocation question on CDQ communities was also well done. I think that it was clear that there may be impacts depending upon the individual nature of each CDQ community relationship with their business partners and so some CDQ operations may be impacted and others may have no impact at all and I think from an overall perspective that's true and we've had CDQ proposals ourselves, the kinds of proposals that we have made could have resulted, in fact had we been chosen as a CDQ partner. On the other hand, other companies have made CDQ proposals and become partners and it would have no impact at all and I think the report clearly reflected that. Mostly I'd like to direct my comments [to an issue] that's arisen lately which is that somehow that this category of motherships and whether or not there would be an allocation or separate category called motherships, would constitute a limited entry class and I think that one suggestion that's been made is that the Council look at this through what I think is called 303(b)(6) in the Magnuson Act, [which] describes how an analysis must be made if you're going to allocate to a limited entry class and that I think that the Council should go through that process, at least do the analysis from the perspective that 303(b)(6) describes, however, I do not believe that what's been suggested constitutes a limited entry class. Basically the Council is allocating to catcher boats; you're not allocating to motherships, you're allocating to catcher boats and you're describing a limitation on the activities of those catcher boats. You're saying, like many other regulations do, that those catcher boats can do certain things, or cannot do certain things, and what they cannot do is if you set the limitation at 10% of the TAC they can't deliver more than 10% of the TAC to motherships. I mean, it's a limitation on an already limited entry class. I think that we've gotten wrapped up in this because we talk in kind of a shorthand and we say it's an allocation to motherships, but it's not an allocation to motherships and under current regulations other vessels could also become motherships. There's no preclusion of somebody going out and building a new mothership and under the definition that was proposed, which is that vessels that have not fished in the U.S. EEZ, under that definition other vessels could become motherships. I don't think it precludes anybody else from becoming a mothership. What it is trying to do is distinguish the difference between a mothership and a factory trawler as a recipient of fish that's being delivered to it and it's trying to describe when that fish is delivered to the mothership what category it's counted under. Right now, what's delivered to a factory trawler and what's delivered to a mothership's very difficult to distinguish. So, I don't believe that this constitutes a creation of a limited entry class. You already have a limited entry class of catcher boats, you're trying to put some limitation on the activities of those catcher boats, how much they can deliver to a mothership. I think that's the way it should be viewed. But I would urge that you do do the analysis that might be required if you create a limited entry class so that we don't get down the road and someone says, well you haven't done enough analysis of this issue and therefore we can't do it. If you want to do it, I think you can, if you don't, then there's no point in having an analysis of it in the first place.

Council questions:

O'Leary: Mr. Salsbury, originally when this whole discussion began, motherships came forward and said they wanted to become a part of the inshore sector. I sense from your comments that maybe you now. . .and I don't recall if you testified or made comment at that time. . .I sense from your comments though that maybe you're

thinking about a separate class as opposed to part of the inshore sector. Could you just tell me, is your preference to a distinct class of your own or to be a part of the inshore sector?

Salsbury: Originally we had proposed to. . .and I say 'we', the motherships in general, had proposed to be a subset or a reserve out of the inshore category, be transferred to the inshore category. I think it's evolved into kind of a sense that there should be a separate category but that hasn't been driven by the motherships, that's been driven primarily by the factory trawlers and the shoreplants themselves who see complications of putting the motherships in either one side or the other. So they've kind of pushed us out of each category into a separate category of our own. Personally, I don't think it would make too much difference whether we were in the shorebased category and there was some limitation on the amount of fish that could be delivered to motherships, or kind of a reserve for motherships, I don't think it matters too much but we've been pushed out of the other two categories and that's why there's a proposal for a third.

O'Leary: But what is your preference? If you could tell us what to do, what are you saying to us now? Are you saying make us a separate category or we want to be part of the inshore sector. I'm just trying to get a sense of what your preference is.

Salsbury: I think after having to listen to all the different people advocate for one side or the other I think we have developed a preference for a third category because it makes it simpler, If you have a category that can be described and defined, then the deliveries of catcher boats to that category are very easily distinguished. They're easily analyzed and it's everything simpler, but I guess it's not a strong preference either way.

Austin: Mr. Salsbury, if in fact the Council was to decide to create a separate sector, motherships, how do you now determine what catcher boats deliver to you and how would you expect to make that determination under that separate sector?

Salsbury: The way we determine it now, is it's a simple contract relationship between us and a catcher boat. In our own particular case we've had a very consistent fleet of boats but it has slightly changed over time, but they're all independent boats, they have no relation to our company and we hire them to fish for us. I don't anticipate any change at all in the how you do that. The whole class of all catcher boats are within the potential range of customers that you'd have. By customers, I mean a catcher boat that you could hire.

Kyle: Jim, I think when you began you said you more or less agreed with the analysis and the information we have before us, from a mothership perspective. And what I gleaned from that analysis is that the motherships have done O.K. while part of the offshore sector; your percent has been creeping upwards and it's also in here that you feel that if you're put in the inshore sector that you could compete well there as well. From your opener, you agree with those things that are in the analysis that I just repeated?

Salsbury: Yes, I think the motherships have demonstrated that they hold their own in the offshore sector in terms of the consumption of the quota. It went down sharply at the very beginning but it's been fairly stable and slightly rising towards the end. The problems that we have are not so much in competing, in finally getting the amount of quota, it's the operational problems in between. It's the fact that the smallest of the catcher boat fleet is in fact harvesting in competition with the very largest of the harvesting fleet. We have difficulties, I think there's been a lot of times when the factory trawlers would like to do one thing that might benefit their style of operation but it would inhibit ours and so you have very little ability to operate as a kind of a collective, or in a cooperative way. The main distinction that we have is that we're buying all the fish from the catcher boats and you have a very different set of circumstances. I think some of the things, for example, that come out of the difference, when the cod season was delayed because the factory trawlers basically wanted to match the roe season more effectively. Well, the impact on the catcher boats was severe. It basically cut a great deal out of their cod season and they can't get it back. The impact on a factory trawler, it's doing one or the other, it can't do both. But the catcher

boats could. So I think there are a lot of operational problems that happen because we operate in much more of a style that's similar to a shoreplant where we hire boats, pay for fish, and process it.

Kyle: The other thing that I would just mention that comes through fairly clearly in the analysis that you said you agree with, as you know the offshore sector and the onshore sector had quite an employment campaign, Alaskan employment, and it says in one of the reports, the San Diego report, that mothership employees are reported to come from all other and other than the CDQ participants, no special attempts were reported by any of the operations to recruit Alaskans. And, even the one operation that is aligned with a CDQ group, the have to put those folks on other vessels because there's long-term historic participation by the employees on the motherships. Do you agree with that?

Salsbury: I agree with what they said. I think it bears a little bit of description if that's what you want to focus on. I think first of all there's one of the motherships that has a CDQ operation. What is not apparent in that statement is that employment is limited because of the consistency of the jobs, the low turnover of jobs on that operation. What's happened in fact is that the other two motherships have been the ones that hired people from that same CDQ community to sort of spread it out and make it available to more of them. So, we've all done. . .all of the motherships have tried to participate in the employment of that CDQ community's employees. I think you'll hear testimony on that later today. So, that's where the activity's been directed, but it doesn't show up there, but that's what's happened.

Samuelsen: Jim, in the analysis because of the limited number, very little information I feel was provided on ownership of motherships, the amount of employment. How many people do you employ on your vessel?

Salsbury: It varies between 100 and 140 people, depending upon the season.

Samuelsen: Can you tell me approximately what percentage of that is Alaskan hire?

Salsbury: We got all that and we provided it, I think there are some documents around. I can go check, but in my, and this is just my memory so it's not accurate to the perfect, but it's about 22% at this time that's Alaskan. That includes. . .that's primarily made up of CDQ community members.

Samuelsen: Another big issue of motherships, we've always heard testimony that they don't pay state taxes, deliver their cargo directly overseas; what portion of your product do you pay state taxes, landing taxes in Dutch, on?

Salsbury: Thanks for asking that. That's actually good. The landing tax issue I think has been a big focus of controversy. We made several trips to Japan to deliver product well before the landing tax was instituted. The reason we did it is that's when the fishing season had a dramatic drop; we had our shortest season and we basically had nothing to do, so we did that, and it had no effect on the landing tax because there wasn't one at the time. We pay all the landing tax now and as well we're an Alaska corporation so we pay corporate income tax in Alaska as well.

Samuelsen: Do you participate in any other fisheries besides the pollock fishery?

Salsbury: Yes, we participate in the hake fishery off the Washington coast.

Pereyra: Mr. Salsbury, the figure you gave for employment, at 22%, I don't think that is captured in our document so this is all new information and the Council has an auditing procedure already established. Would you be willing to have your employment data audited so that we could have benefit of those audited figures.

Salsbury: Sure, we can provide, I guess audited figures, or we can provide just the raw material and whoever wants to audit them can audit them, but as I said, I'm saying that out of my head but we do have a paper that the motherships put together where we looked at the facts and tried to accumulate them and I think you can see from that the actual number that it is. We've had a very up and down record of employment. At one time we operated out of Alaska and at that time we had as high as 68% employment by Alaskans. Now that we're operating more out of the Seattle area because of the hake fishery that we participate in, that's gone down considerably and I think that's more of a function of the year-round activity that we do down there. What it does mean, however, is that the Alaskan employees we have are not solely employed during the Alaska fishery, they're also employed during the fishery in Washington and Oregon coasts, so it kind of expands their employment opportunity as well.

Pereyra: So, this 22% figure is sort of a soft number that you're maybe not quite totally secure on, or. . .?

Salsbury: Well, it's soft 'cause I told you it's out of my head which is fairly soft, but. . .we can give you the exact numbers and every year it's different, it goes up and down and you have to pick which year and which season you want to look at because it's up and down by season, but I think that at the present time it averages around 22%.

Samuelsen: Clarification. You refer to your letter, is that the letter from Premier Pacific Seafoods. . ..submitted to the Council?

Salsbury: Yes, I think you already have it.

Samuelsen: Yes, I thought maybe there was another letter out there.

Salsbury: That has been accumulated by data both in the Council documents and then what holes we saw there, we provided individually.

End of questions.

11:33 am Donna Parker, Arctic Storm. I'm here to comment on the two community dependence reports done by Impact Assessment and the CDQ report done by the McDowell group. To a lesser extent, I'm also representing Glacier Fish Company in that they have provided us with some numbers that we've blended into our own so that you'd have a better view of the wages in the offshore sector. Glacier Fish Company and Arctic Storm are CDQ partners in Norton Sound and Bristol Bay groups. Both of us are medium-sized companies. We have two boats each, one primarily fillet, the other surimi, both industry pioneers. We harvest approximately 42% of the CDQ quota and about 10% of the TAC. Both CDQ groups have large ownership in our companies and in fact our two companies represent the only Alaska-owned processors in the Bering Sea. And to the extent that the ownership catcher vessels diminished significantly since inshore-offshore was first implemented, and the deliveries by Alaska is now only 1.7% of the TAC, we also exceed the ownership of the catcher fleet by Alaskans. Approximately 15 to 20% of our crew are Alaskans; the two regions that we work with represent 28% of the 56 communities and about 60% of the population, or about 4 times the population of Dutch Harbor and Akutan. This allocation in addition to being competition between the two sectors is also a competition between two regions, and I'm speaking in terms of Dutch Harbor and the CDQ communities. Dutch Harbor as you know is the number one port and has been for the last six or seven years in the United States. It benefits greatly from the services that it provides to both the offshore and inshore sector. In 1996 it had 2 million dollars in raw fish tax, $2.7 million in landing tax, annual income is about $56 million [sic] per household with a 1% unemployment rate, contrasted to the 56 CDQ communities with a population of 20,000, extremely high employment--around 20-30%, and a median income about $20,000 or less. The Bering Sea CDQ communities really have not benefited from the pollock resource at their doorstep because of the shallow water and ice which makes the shoreside processing prohibitive, so the only benefits that have come to that region is through the CDQ program and those have primarily been royalty, wages and investments. And I want to show you some overheads here and they're

also provided in your document, which discuss why these benefits are not transferable with a change in allocation. While he's putting those up, I'd would like to tell you this information was provided to the McDowell group but we did not see any evidence of it in the report. One of the pieces of information we've provided which I'm not going to put up on the overhead was a breakeven analysis for our company. We've used audited payroll and revenue figures and it indicated to us that even a 5% shift would put us in the red which means that this would impact our ability to pay for CDQ royalties. Right here is a picture of a season, the horizontal line is an indication of the value of the pollock over the year and as you can see, it's worth most in February at the peak of the roe season and then it drops off significantly. The smaller lines there are based on NMFS catch data and length of season which indicate that, you can see the middle one is status quo and the inshore season is longer than the offshore, and then rising above that is what happens with an increased allocation to the inshore and below, that's what happens with an increased allocation to offshore. As you can see, the inshore season would be extended with a change in allocation, this is for 5 and 15%. And making the CDQ royalties worth much less because the fishery would occur after the roe season. These are audited payroll figures for the four vessels of Arctic Storm and Glacier Fish Company and we compared them with the highest shorebased wage figures that we could find, and I supplied you with classified ads in the Seattle Times; it's $6 an hour and we included the overtime in a 12-hour shift and compared it to our company. Under a 5% allocation shift, our entry level workers would lose about $2,300 and $970 would be gained by shoreside; a change of allocation of 15% would be a loss to each one of our entry level employees of $7,000; $2,000 would be gained by onshore workers who would have to work about 15% longer period of time. So, you can see that about $5,000 per entry level employee evaporates. . . .One more, I'll just quickly put it up there. This is an indication of over the entire season, and the middle one is a comparison of status quo in the center and then off to the right is what happens with a shift to inshore and off to the left is what happens with a shift to offshore. In closing, I'd just like to say that this information was not included in the report and we think that we would like to see that. We also found that the structure of the report tended to summarize some of the information gathered by the CDQ groups and their partners and then it was often challenged, or unsubstantiated opinion was offered. We would like to see that removed from the report and to have the CDQ groups and partners responses represented more fairly, and finally, it's just some simple information, demographic information such as I've provided to you as well as some of the tables, I think on page 18 of the CDQ report could be included in the Impact Assessment report we would have something to be able to compare the two regions and the impact allocation changes might have.

Council questions:

Behnken: I have a question, Donna, on your first graph. If a CDQ group had an offshore partner, why wouldn't that CDQ group go fish their CDQs with their CDQ partner as soon as the offshore season was over? Why would they wait until the end of the inshore season when the roe was less valuable?

Parker: The purpose of this graph is to show that it's not transferable. In other words--you don't have the benefit of seeing the breakeven analysis--but if we are either put out of business or we are no longer competitive in banking CDQ bids for royalties, we will no longer be CDQ partners. The point is it cannot be replaced by going to inshore partners because they will not be able to harvest the roe and the CDQ royalty will be drastically reduced. It's also reduced because there are less people competing for the CDQ royalty.

Behnken: So, your assumption, then, that you go out of business and they have to seek inshore. . .

Parker: Either we go out of business or our breakeven changes and so in order to move our breakeven back we may want a CDQ quota more than ever to stabilize our access to the resource, but we won't be able to afford it so we'll no longer be competitive in the CDQ world.

Change to Tape 18

Benton: Donna, I'm looking at your graphics on wages and I'm looking under your assumptions and I'm just curious what this means, it says that under number 'c', it says wages based on audited average production levels during the last days of 'A' and 'B' season. So, you chose the last days of the 'A' season and then averaged that across, or used that as the basis to cross the employment data for the 'A' season and you chose the last days of the 'B' season, how'd you do that?

Parker: We looked at our production on those days and the reason we did that is because those are the days that are going to be lost if our allocation is reduced and admittedly they are the most valuable days; the last fish you catch is always the most valuable because you've met your fixed costs.

Benton: So, that would be the day that. . .let's say if you use one day or three days, or whatever it is, that an individual would be making the highest crew share, is that right?

Parker: Absolutely, and that would be lost under an allocation shift.

Benton: It also shows that these are very high wages are based on that high data.

Parker: Well, that's why I showed you the next one so that you could see it over the entire season and I'd like to say that the next one represents only the pollock open access fishery, it does not include the CDQ fishery, or hake or yellowfin sole, so the wages of the workers could actually be much higher.

Kyle: Just for clarification, Donna, on the onshore wages, did you factor in the free room and board, that sort of stuff?

Parker: Absolutely, we have free room and board on our vessels as well.

Kyle: Well, if I may, Mr. Chairman. We have an offshore partner in the CDQ group and I know that their wages get debited for certain expenses, like that when they're aboard. That's not true in . . .

Parker: No, maybe that's why we have such a high Alaska hire rate.

-end of questions-

11:44 am John Bundy, Glacier Fish. I want to make two points. Substantively, the Council should not regulate the pollock in a manner that it becomes like the salmon industry. And secondly, as a procedural matter, the analysis in my opinion is not sufficient to send out at this time for public review. My name is John Bundy, I'm president of Glacier Fish Company; we own and operate two catcher processors. We're the kind of business that I think the Council members, particularly those from Alaska, should be concerned about. In the pollock universe we are small, we're independent, we're 100% U.S.-owned, and we're 50% Alaska-owned. Our owners that I answer to include the Board of Directors of Norton Sound Economic Development Corporation, a CDQ group made up of the 15 communities of Norton Sound. Their investment in the pollock industry through Glacier Fish is more than $21 million and we together with Donna's company and Donna's CDQ partner, represent the only Alaskan investment in. . .[unintelligible word]. . .pollock processing. We have a six-year history of creating rural economic development in Western Alaska, providing family wage jobs. Our small company has paid direct cash payments to the Norton Sound region of over $32 million in that time in the form of wages and payments to local fishermen and CDQ royalties. That's not something that we started yesterday. We make a variety of products from pollock; sell them to a variety of markets, North America, Europe, as well as Asia. Since our processing is closer to the resources we are able to make a higher quality surimi and roe product from pollock

and we manufacture a deep-skin fillet block for domestic consumption. Others will talk more about the nature of the shoreside system which in terms of the Dutch Harbor plants acts more as a low-cost pipeline of materials to Japan and other places in Asia for re-processing. But the dangers of over-reliance on that market which is a great market is obvious to anyone who's presently trying to sell anything to Japan, whether it's surimi, roe, salmon, herring, blackcod or turbot. By contrast, the catcher processor offshore system is less dependent on the Japanese system because the offshore system produces a greater variety of species and products and sells into a greater variety of global markets. Our operation is a case in point. We can shift our production to filets and away from surimi if market conditions dictate as they do now. On the other hand, the Dutch Harbor plant and motherships stay with surimi no matter what because that is what their parents in Japan need and that's what they need in Japan. In short, I just want to emphasize that the offshore system has greater incentives to drive prices up since we ourselves are harvesters while the shoreside system has powerful incentives to keep prices low and to funnel the material elsewhere for secondary and other value-added processing. Therefore, a proper analysis at this time must include the cost side of the ledger which would show, first, that any onshore allocation would take away family wage jobs from Alaskans and replace them with minimum wage jobs. Second, decrease the value of investment by Alaskans in the pollock industry; third, weaken the one sector that is capable of paying the highest royalties for CDQ; fourth punish the companies that have contributed most to economic development in rural Alaska; fifth, reduce product quality and mix and total overall value of the resource; sixth, shift raw material away from more competitive and diversified global markets towards a more closed Japan-dominated market, and finally, I think in the long run, reduce the Alaska state tax revenues. The adverse market consequences that I've described are not mere speculation; it's already happened in many respects since 1992; the ex-vessel price to fishermen for pollock has gone down, the ownership by plants and catcher vessels has increased to approximately now 70% of the inshore harvesting capacity, so there are fewer and fewer independent catcher boats, and Alaska ownership in catcher vessels has decreased to just 1.7%. I cannot emphasize strongly enough that the cost analysis under the regulatory flexibility act is crucial in this process and before any proposal of changed allocation is sent to the public, particularly in light of this decision, the importance of this decision to the. . .an important U.S. fishery and to the impacts of these allocations upon economically disadvantaged coastal communities. After-the-fact analysis is not sufficient to meet the mandate of that Act. New NMFS guidelines released just last week make it clear. . .that the assessment must be, quote, sufficient to allow the Council to make an informed decision and to present quantitatively and qualitatively expected net benefits for management alternatives under consideration, end quote. Thank you.

No questions.

11:50 am John Gauvin, Groundfish Forum. I'll tell you up front that the Groundfish Forum has maintained a neutrality position on the merits of who should get more in this allocation. However, we are concerned about downstream effects of changes in the allocation. We decided on a. . .admittedly the scenario that changed the allocation the most, that would be one that took, 3d, where the factory trawlers are reduced to 40%. The reason we focused on that is that it makes our point in spades. It also is a level in change in the allocation that I think starts to bring in very strong incentives for pollock factory trawlers to actually make large capital investments to do our fisheries better. As you know, we're involved in the flatfish fisheries, in Atka mackerel. What I'm going to show you is some gross revenue estimates based on 1997. I'm going to try to value what the change in the pollock allocation under 3d is worth to pollock factory trawlers. We concentrated on that because we've looked at the data on fisheries those guys do when they're not doing pollock and they do our fisheries. And then we're going to show you what we think the yellowfin sole fishery and Atka mackerel fisheries are worth and make some comparisons. Where I'd like to end up is to suggest that you at least incorporate this possibility of large spillover or preemptive effects into the analysis at this time. Some of the baseline data are there; you need to pull it together and make some sort of statement of what you think the possibilities are here. And, I'll run through this presentation very quickly. We used 1997 prices; we figure that the pollock factory trawlers right now are getting about 55% of the pollock; if they're reduced down to 40, we estimate that's worth $92 million. How we came up with that estimate is based on, again, we figured. . .this is how we got to 148,000 metric tons

of fish at stake here in this alternative, based on a 1.1 million metric ton quota into the future. Obviously that's an assumption we had to make to be able to come up with a number. But, if you look at where they're getting 55%, they're down to 40%, subtract for a likely discard rate based on current performance, you go down under that TAC scenario, 396,000 metric tons round fish. We used the recovery rates which we believe to be as accurate as possible, and the current breakout of products that pollock boats make, so this is like taking a ton of pollock and saying it goes into these product forms on average based on the NMFS data--this is how much product you get out of a ton of pollock for pollock factory trawlers. We used 1997 prices, which are higher than 1996 prices; we did that because we had 1997 prices. We tried to be as current as possible. So, a ton of pollock is worth $624 round weight equivalent, ton of pollock. We looked at entry patterns in the fisheries. Pollock factory trawlers typically finish the pollock season and go into H&G, or, I shouldn't call them H&G fisheries, call them fisheries that we do, yellowfin sole, o-flats to some degree, and Atka mackerel. What this is, is on the Y axis, the number of boats in a target fishery per week. We used the PSC rates to get the number in that target. That comes off the NMFS bulletin board. You'll see that the flatfish fishery and Atka mackerel, in any one week you can have 15 pollock factory trawlers in the targets. Using the same year for the catcher boats, just to give you a comparison, these are shoreside and at-sea catcher boats, you'll note over the same rough period of time, in 1997, none of them in Atka mackerel, very few of them in the flatfish fisheries, and most of them doing cod. This is the premise we used to say, boy, if they lose fish they'd probably try to make up their lost revenues in our fisheries. What we did here was try to estimate what our fisheries are worth and sorry about the subliminal message about the flatfish fishery. Yellowfin sole, these are products forms that are made, the percentages of the catch in 1997 that went into those product forms, PRRs, and so what we did was we said, O.K., a ton of yellowfin sole on average in that year was worth about $480 exvessel, that's F.O.B. Dutch. Atka mackerel's mostly made into H&G, it was a pretty. . .we just assumed it all went to H&G, it didn't matter for the accuracy here. About $582 a ton. From this we estimated that our fisheries of yellowfin sole. . .[commenting on a graphic, 'that's Atka mackerel, in a frozen block]. . .Atka mackerel and yellowfin sole combined value are $105 million, 1997. So from this we did the brave assumption here that if pollock factory trawlers are losing $92 million and they had to come into our fishery to try make some of that up, in the extreme, which is not likely to happen, but in the extreme, they'd have to take 88.3% of those two fisheries to make up for that revenue. That's a large percentage. Here's some factors I'd like to run you through. This sort of conditions how far the pollock factory trawlers could go in our fisheries. That's supposed to say 'high-volume harvesters'. We've seen that these guys are high-volume harvesters; they can catch three to five times more per day and put it through their factories than the typical H&G boat can. For Atka mackerel, they made surimi out of Atka mackerel, that's a low-recovery rate product, that allowed them to have relatively more freezing power; they did three to five times more than a typical Atka mackerel H&G boat did. We believe under a shorter pollock season they'd have low opportunity costs and they'd have. . .the Pacific whiting fishery now under the agreement they have allows them to not have to go back to go Pacific whiting fishing, so that creates incentives to make our fisheries better than doing nothing. They could in fact if the technology's available under a large reallocation, try to make surimi out of yellowfin sole. If they're successful at that, that would open up the avenue to larger and larger catches per day because they could put more through the factories than they currently can. Under a reallocation there would be fewer fishing days for the pollock factory trawlers. In order to get crew you have to offer them some obligations of fishing time. If you reduce the number of days in pollock, you're going to have to say to them, well, and we'll also give you some days in yellowfin sole or Atka mackerel. So, I think crew contract obligations are an important consideration and incentive. In fact, I think even if it's not economic in the long run for them to be in our fisheries 'cause they can't operate over the average variable cost, the crew contract obligations could add to the incentive to try it. They fish yellowfin sole typically in the spring; if pollock were over earlier after 'A' season they'd be in the highest CPUE part of that fishery which would allow them to have high CPUEs for yellowfin sole. And, IR/IU regulations put a great advantage to boats with meal plants. H&G boats have to avoid catching things they can't process; boats with meal plants can run that through the meal plants, so I think that gives these boats an advantage that they didn't have before. Finally, the yellowfin sole fishery and Atka mackerel are currently fully subscribed fisheries. We have some pollock boats in there; there's actually not that many at this time, but we caught 93% of the yellowfin sole TAC in 1997, so there isn't a lot of room for a bunch of new boats to come in.

It's also a PSC limited fishery. We don't think they could take all of our fish, we think we'd be fishing at the same time, so if we're fishing concurrently we're going to catch something. But under that sort of condition, how much they can take, but nonetheless, with their extra, what one my members calls it, firepower, they're going to get a pretty big piece of it. And then lastly I'd like to suggest that you as managers, if you are going to do a large reallocation of this pollock, could put sideboards on it. You have a license limitation program that could be used effectively to keep some of these boats from making the. . .or as many of these boats making that transition into these fisheries. That's all I have, Mr. Chairman.

Council questions:

Kyle: Slide, number 2, I think. I just wanted to get some clarification from John on the one that shows the pollock per metric ton, the value. . .where you get the $682 or whatever. I was just curious, I don't understand how you had those different product forms up there, because it's my impression that generally a surimi boat doesn't do deep-skin fillets and. . .could you just help me understand how that's. . .?

Gauvin: Yes, we didn't concentrate on surimi boats. We said pollock factory trawlers, we defined the universe of those and then looked at the products that are made and the average. . .on average for a ton of fish, some of these caught by fillet boats, they're in the same sector as the surimi boats, so this is how the products break out with their recovery rates, that's how much finished product in these categories that you'd get from a ton of pollock, on average based on 1997 mix of products.

Pereyra: John, you looked at the spillover effect going from inshore to offshore, increasing the inshore allocation. What if you did a reverse? What kind of a spillover effect would you expect to have if you increase the offshore allocation, reduce the inshore?

Gauvin: We actually, if you read my paper which is your pile of documents, we looked at that scenario to some degree. We looked at what a ton of pollock was worth to them and it was more gross revenue per ton, with higher recovery rates, etc., and we said, O.K., what's that going to mean under the same scenario. . .we ran. What stopped us was, when we got to that effort data, how it distributes between the different targets, we realized that boy, there's a problem for some reason over the last two years the shoreside hasn't made a big, I use the word incursion, into flatfish fisheries and they haven't done any Atka mackerel at all. Atka mackerel's too far away for them to do, I believe. And I think with yellowfin sole there's only certain windows of time when the yellowfin sole are close enough to Dutch Harbor or other plants to really put much of an effort into it. I think the last two years have shown shoreside guys that the flatfish fisheries are hard to do for them, and they haven't increased their effort much, so, it kind of stopped there. We speculated on it and then we said, it's too far a reach.

Pereyra: Would it be fair to say then, John, that if the offshore allocation were increased that the spillover effect which currently occurs would be less?

Gauvin: It could be.

Behnken: Quick question. In the AP minutes they recommended, their #2, was that we include consideration of these spillover effects. Does that encompass your concerns, is that your recommendation for Council action at this point?

Gauvin: Yeah. We asked that the AP consider this after my presentation. We're not trying to hold up the document; we think a lot of this baseline information is in there, you'll have some tables in there about how many factory trawlers in flatfish targets per week, that's identical to what I've produced. The revenue information is there. I think the analysts are a little bit uncomfortable about sort of saying, well, what are the possibilities here, but I think speculation on that is warranted in a separate section because I think there's enough record of these

boats doing it in the face of a slightly lower pollock quota in the last two years, so yeah, I think you should have a dedicated section to this. It may have to be qualitative but at least makes me think that the Council is thinking of this when they make their final decision.

Benton: John, I think you in part answered my question, which is, as I recall at different Council meetings and different times that this problem has already resurfaced, for example, you put some of the information up with regard to the Atka mackerel fishery, and where surimi boats have already moved into the Atka mackerel fishery and actually caused quite a problem in management for that fishery, at least in one year. So, in some ways it seems almost from what you're saying to us is that irrespective of inshore-offshore, there's a problem or a potential problem with some preemption coming from the pollock surimi fleet into some of the other fisheries, and my question really is, is part of your message here that irrespective of inshore-offshore, the Council should consider looking at this issue and perhaps adopting or looking at some management measures to try and contain this before it becomes a larger problem?

Gauvin: . . .I don't think we think we're the only ones that should be able to do these fisheries, but this is the core of what we do. It's not like we do pollock and then come back and top. . .you know, get a few weeks on this stuff. This is what the H&G boats do, so yeah, we have put in a proposal in fact for what I believe would be sideboards with species endorsement based on the boat having some history in these fisheries of significance. Now, I guess what my analysis focused on was a large change. I think this potential for preemption and this fishing effort in our fisheries is happening already under a lower pollock quota or under lower pollock prices, for instance, but it's a question of degrees. This allocation really increased possibility and the need for recovering revenue and it's extreme. So, a large reallocation obviously is of great concern to us. At the same time, a large reallocation, as I said, increases the incentives for capital investment to make surimi out of yellowfin sole to put more boats in there at a faster pace. . .we don't think we're the only ones who get allowed to do these fisheries but we think we should have a fair chance.

Benton: Nonetheless, again irrespective of inshore-offshore, you do have a proposal in that you think the Council should look at to deal with this before it becomes a problem. If I understand your point, which is, if you make a large shift in quota for pollock then that's going to have some ripple effects and you want us to consider that and I think that's fair. But, would you say that if we stayed at status quo on inshore-offshore that we should not consider the measures that you've put in for consideration by the Council to prevent this kind of preemption that's occurring.

Gauvin: Well, we submitted the proposal before inshore-offshore was really going here. We did it because we thought it was something that would identify a problem ahead of time like you're supposed to do in the proposal process and give an avenue of avoiding a train wreck in the future. But the Council didn't do anything with our proposal; it didn't get a very high priority and it languishes in some briefing book somewhere.

Benton: That's sort of a yes, right?

Gauvin: Yes, that's a yes.

[Council takes lunch break]

1:17 pm Terry Leitzell, Victor Seafoods. What I wanted to do is two things. I wanted to express my opinion to the Council that the document should go out for public review. I think it is, although flawed in some respects, certainly adequate and in good enough shape to do. But also to make a few comments about the inshore sector of which we are part. I feel a little bit as if we're in the middle of a battle of behemoths, of elephants, and we're a smaller company and I wanted to tell you just enough about us to make it clear to the Council that the inshore sector is not homogeneous, that there are different players and companies that do different kinds of things.

We own and operate the second largest pollock floating processor, the Northern Victor. We are part of the inshore sector and we operate in inshore waters in Beaver Inlet in Alaska. We are 100% U.S.-owned and have about 300 employees. Our production is pollock fillets; we don't have surimi equipment, we don't make surimi, we make deep-skin fillets, regular fillets, and other kinds of pollock fillet products. Most of our production is in fact deep-skin fillets and we were one of the companies that pioneered the development of deep-skin fillets. Our market is the United States **[Change to Tape 19]** except, of course, for roe. We sell to all of the normal markets for fillets and are one of the largest suppliers of fish that goes to McDonalds. On the utilization side we do have a fish meal plant and I know you will hear some argument that fish meal should not be taken into account in looking at utilization figures. Our utilization figures are high, but frankly even if you subtract out the fish meal plant we are still in our operation a couple of percentage points higher than the numbers in the document for the offshore catcher-processor fleet and we as a pollock fillet producer with a fish meal plant are listed in the document as producing the highest value per ton of round fish, I think it's about $618. Finally, we do pay lots of Alaska taxes. We operate in Alaska waters, we move after the pollock season and cod season to go to Prince William Sound to process pink salmon and consequently we pay the highest rate of tax in Alaska. So, I want to make those comments just again to put you in a mindset this afternoon as you listen to a lot of testimony that at least in the inshore sector there is variation. We are not all the same; we don't all do the same thing, we don't make the same kind of products, we don't all have the same kind of ownership. But I also want to stress that the document is in fact accurate, I think, in its portrayal of the sector. I'm not here to argue that it needs to be changed or amended in order to make these points that I've made. And, frankly, just as a last comment, in terms of the overall analysis and the comprehensiveness of the document, I certainly wish in my earlier days with NMFS a couple of decades ago that we'd had some documents like this. I think this one is certainly ready to go out for public comment. Thank you.

Council questions:

Pereyra: Terry, in the document we have, we get some recent information from the Impact Assessment people regarding the Seattle impacts and so forth, and in they characterize the inshore floating processors of which you are a part of as operating in relatively fixed location in state waters, having minimal interactions with the shoreside communities and being sort of industrial enclaves. Is that an accurate portrayal, do you feel?

Leitzell: We do operate in one place, we are anchored in an inlet both for pollock 'A' and for pollock 'B' in the same place. Our crews do not go into town, we are somewhat remote from Dutch Harbor. We obviously use Dutch Harbor for logistical support; we have an office in Dutch Harbor. But we are fairly isolated from that community.
Pereyra: And in that context, what sort of investments has your company made in Alaska?

Leitzell: Aside from having an office in Alaska, we have not made investments in Alaska as such. We've made our capital investment obviously in a processing vessel and took it to Alaska.

Benton: Terry, you mentioned that you process salmon, or pink salmon, in the off season. Roughly, how many Alaska salmon fishermen deliver to your vessel?

Leitzell: I think it's about a dozen. . .that's a number I'd have to look and supply you, however.

Benton: And this is in Prince William Sound?

Leitzell: Yes.

Benton: And would you say that that's an important market for some of the people that live in those communities?

Leitzell: Yes, I think it certainly is. Obviously Prince William Sound has been heavily impacted by various events over the past number of years. We helped to develop a pink salmon fillet market in Europe for that product and we're hoping to continue to expand it.

Samuelsen: Terry, in the updated employment information, in '96 it says the Northern Victor had roughly 438 employees, Alaska residents 2; in 1997 445 employees, Alaska residents 2, for a 99.6% non-Alaskan employment. Why is that?

Leitzell: We have not had much luck in hiring in Alaska, we have not had the advantage of having a CDQ partner, as I think you probably know. And frankly we're a small company and we simply haven't been able to make the time and money investment to do a lot of recruiting in Alaska.

Samuelsen: Do you participate in any other fisheries, besides pollock and salmon fisheries, with that vessel?

Leitzell: Yes, we do. We this year also processed crab, and worked with an independent crab fleet in the opilio season and we participate in the cod fishery after the pollock 'A' season, again with a fleet of independent boats, probably 15 or 20.

Austin: I'm not sure how to phrase this question, but I'm very concerned about the flow product to the American consumer and note that you're producing the deep-skin fillets. Could you comment on the impact on that market alone? I mean, what is your capacity if there is loss of offshore capacity, what is your capacity to fulfill that market demand?

Leitzell: We produce depending on the year, probably 10 to 15% of the deep-skin fillets that are produced from the fishery as a whole. Obviously we operate at capacity; we would operate for a longer period of time if there were a larger allocation inshore and would be able to take up at least part of that market. I don't have specific numbers; I could probably provide you with some more information.

Austin: I'm sure you have an understanding of your industry. If that market demand is there, would the price of these deep-skin fillets to the public go up, or there be additional onshore capital investment to produce this product?

Leitzell: That's hard to predict. These markets are worldwide in the sense that whitefish markets around the world and the supply of cod and whiting and pollock all interact to some extent. So, I think within the range that we're dealing with here, that we're unlikely to see any fairly serious change. The demand side of the market, particularly from the fast-food suppliers is probably the much more important determinant and they make those decisions based on policy and what they think the consumer wants.

End of questions.

1:27 pm David Long, Arctic Storm. . . .I'm a 30-year resident of Alaska and my wife's a 39-year resident. I have four children which I'm raising in Alaska, very committed to Alaskan interests. I've been involved in the fishing industry in Alaska since the early '70s. I've been involved in longlining halibut, crabbing opilio, Tanner and king crab, trolled for cod, sole and pollock as skipper of a catcher vessel, particularly the Peggy Jo for Oscar Dyson for seven years, and I'm currently employed by Arctic Storm, Incorporated as the fish master on the Arctic Storm and the Arctic Fjord. I'm also a Bristol Bay salmon permit holder and boat owner which I operate every year. I feel I'm pretty well integrated into the fishery and I'm pretty concerned about any regulatory changes that might be made here. My interests are in Alaska and the long-term viability of this industry for our state. I'd like to address the issue concerning the CVOA. I think excluding any group from the CVOA at this time, especially during 'A' season, is extremely unreasonable and unfair especially when you consider the critical importance of

that area economically to Alaskans and our CDQ partners. I can assure you it's the only place economically and scientifically to fish during the 'A' season. Inside the CVOA is where you find the largest fish which constitutes your best recovery for roe and meat and dollar per pound. In most instances to be forced to fish north and west of the CVOA you would be catching smaller fish and less consistent size and roe quality wouldn't be as good. Forcing us to fish outside the CVOA would increase our bycatch, I feel. The fish are just smaller, it's pretty simple. To change the allocation of this CVOA during 'A' season I think that you have to look at the industry as a whole, not just one sector. Inside the CVOA is the best place to fish during 'A' season to get the best utilization of the resource. Under the current allocation I feel there's enough fish for everybody in the CVOA from my experience over many years' fishing in there and increasing the offshore sector's allocation in the CVOA, or in the Bering Sea would increase the removal of pollock from the CVOA over the year. I think the current allocation offers the best management for the region and maintaining the current allocation will extend the stability throughout the fishing industry. I think we've experienced the current level of stability that's been difficult to reach from the last decisions you made appropriating the catch between the offshore and inshore. I think your policy has encouraged the investments of millions of dollars into this fishing industry in the offshore and onshore with your last policy change. I think we've just now reached some stability there. I think to change it to the onshore side would just mainly increase. . .would be for the foreign-owned interests on shore, mostly Japanese. I mean, they certainly own some of the biggest fish companies in the world, if not the fish company's that's the biggest in the world and they own the 100% of the shorebased. . .some of these interests. So, I think it would be ill advised at this time to make any reapportionment. I'd also like to say that inside the CVOA and the critical habitat area where I've traveled much of the time to and from the sea delivering, that I see a large amount of pollock in and around these rookeries and I have yet to see any data concerning the abundance of the fish right off the beach around the critical habitat area. And, also I see more orca whales in pods around these critical habitat areas and I was just wondering has anybody ever gathered any data within 3 to 10 miles of these rookeries, because you go inside those rookeries and it's just. . .fish is mammy most of the time from my experience. So, that's all I have to say.

Council questions:

Pereyra: Capt. Long, when you're operating throughout the CVOA, where do you see sea lions primarily? Do you see a lot of them off a ways from these areas?

Long: No, we don't see hardly any sea lions, even when we're 10, 15 miles out from these rookeries. Offshore, it's just. . .you might see one a year, you just don't see them very often. I don't see any reason for them to leave that rookery. I mean, inside most of those rookeries, there's just a terrific abundance of fish and I've never seen any statistical data relating to that. You don't see any, really.

End of questions

1:33 pm Tammy Fowler Pound, Unalaska. . . .I am a resident of Unalaska, arriving for the first time on April Fool's day of 1983, at the urging of my future husband. There was not a lot happening in Dutch Harbor at that time and I was only going to stay for one year. I guess the joke was on me because 5 years later I was getting married in the local church surrounded by my friends in a town I now called home. In May of 1993 my husband Jack was laid off from his job with a company involved in the catching and processing of pollock in the Bering Sea. This layoff was due in part to the instability created in the pollock industry from the first inshore-offshore allocation. Having had our first child and being unprepared for the loss of income by the only wage earner in the family, we uprooted and we returned to familiar ground and family support in Seattle. Two and a half years later we returned to Dutch Harbor full time for an employment opportunity with a local support service and, just recently, American Seafoods. We enrolled our child in school, added another child to our family and purchased a home. I'm not unlike many other residents in the community. I go to school plays, I own property, I do dishes and wash the clothes, I shop for groceries in the local stores and volunteer as the vice-chair on the

board of directors for USAFE, a non-profit organization. And once again I worry that my family will suffer from another job loss with the possibility of the current BSAI allocation being shifted in June. This has been a very divisive issue in the community, onshore versus offshore. It has been discussed in many different forums, the local papers, city council chambers, chamber of commerce luncheons, as well as individual conversations among community members. One common theme in all of these discussions is economic stability for the community. I feel an allocation increase for either sector of the industry will cause a great deal of instability regarding existing job loss and the decrease of future opportunities. A shift in favor of the shoreside will cause job loss in the support sector of the industry due to less consumption of services by the catcher-processor fleet. I do not feel that this will be offset by increased landings of pollock in Unalaska-Dutch Harbor shore plants. King Cove, Sand Point and Akutan will also be competing for the additional stock allocation. A shift in favor of the offshore sector would also create unstable atmosphere with decreased production on shoreside which may result in job loss and local tax revenue. Unalaska, its residents and the State of Alaska benefit from the involvement of both the inshore and offshore sectors. The support services utilized by these sectors are highly integrated providing employment opportunities, tax revenues, and a stable economy. Mr. Chairman, with a rollover of the allocation everybody wins. All members of the community are important and benefit from a reasonable expectation of economic stability. I would like to have entered into the public record letters I have brought with me from other members in the community of Unalaska advocating a rollover based on economic stability. I have presented those to Council staff and there is a copy for each member of the Council. And, again I thank you for your time.

Lauber: Is that the packet we have here?

Pound: Yes, sir.

Council questions:

Mace: We'll, make this decision in June, of course, but what we're trying to find out today, is this analysis adequate and should it be sent out for public review. Are there any changes that you can suggest in it?

Pound: I have read quite a bit of it; I can't claim to be an expert on it. There's a lot of issues in there that even I don't understand. I don't understand a lot of them, but I do feel that because of what has happened to me previously I feel that if there is a shift in the allocation that that is going to once again create an unstable atmosphere in Dutch Harbor-Unalaska and there is a huge potential for job losses in the support sectors or the shoreside,. . .or. . .it'll be unstable.

End of questions.

1:39 pm Don Giles, Terry Gardner, Bill Terhar. . . .My name is Don Giles, I'm president and CEO of Icicle Seafoods. With me today is Terry Gardner, president of Norquest Seafoods, Bill Terhar, president of Ocean Beauty Seafoods. We come before the Council today not part of any coalition or association but rather as individual companies to represent a sector of the industry that is potentially being overlooked as the Council addresses complicated issues before it. While we all have common concerns, we are all independent operators and competitors and each of us will speak individually about our concerns. My comments today should not be taken as an endorsement for onshore nor the offshore sector. It is not our intent to delay the analysis or slow down the decision-making process. However, I feel it's important for you to hear real concerns from those of us not directly involved in the Bering Sea pollock fishery, but who may feel the ramifications of this and other future Council decisions. I'd like to repeat, my comments today should not be taken as an endorsement for onshore nor offshore. It is not my intention to delay the analysis or slow down the decision-making process. Icicle Seafoods is 100% American-owned and operated with a majority of our stockholders being Alaskan fishermen and residents. We purchase, process all species of crab, herring, halibut, sablefish and salmon throughout the State of Alaska. Our buying and processing operations extend as far north as Norton Sound and as far south and

southern southeast Alaska. Our processing locations include St. Paul, Dutch Harbor, Homer, Seward, and Petersburg, Alaska, Bellingham and Everett, Washington, and Astoria, Oregon. We have four floating processors that operate throughout Alaska but primarily in Western Alaska herring and salmon fisheries and the Bering Sea crab fisheries. We do not participate in the Bering Sea pollock fishery, however we do have a surimi analog plan in Bellingham, Washington, and we purchase surimi from both the onshore and offshore sectors. In 1997 we purchased over 110 million pounds of product with an exvessel value in excess of $61 million. One hundred percent of our purchases were from independent fishermen. By value, 70% of our 1997 purchases came from Alaska resident fishermen residing in 112 communities throughout Alaska. Again, by value, 95% of our purchases in 1997 came from residents of Alaska, Washington, Oregon. At peak season we employ approximately 2500 people in Alaska, Washington, and Oregon and our payroll for those states, Alaska, Washington, Oregon, exceeded $17 million in 1997. The non-pollock sector of the business in Alaska is huge and benefits tens of thousands of harvesters, seafood workers, processors, and those communities and support businesses that are dependent on the industry throughout Alaska, Washington, and Oregon. I understand the current initial analysis on inshore-offshore includes the examination of potential impacts of any allocation decision on western Alaska and the Bering Sea communities, and even some communities in Washington state. Unfortunately, it appears that the examination of the impacts of a Bering Sea allocation decision on the non-pollock harvesting and processing sector, along with the employment, support business and affected communities in the Gulf of Alaska have been left out. The focus of the current debate has been on the current pollock participants. However, there is a huge sector that has been overlooked, that being the non-pollock participants that are a vital part of the North Pacific seafood industry. As a large operator and employer in the Gulf of Alaska, the Bering Sea, and Washington state, this is a concern to us. There are likely more Alaskan residents in the Gulf making their living as fishermen, processing workers, plant and office management personnel and fish-related support work in these communities than the whole pollock industry put together. Any allocation decision in the Bering Sea that weakens this infrastructure in the Gulf or weakens the non-pollock sector in Western Alaska must be taken into consideration. The issue is much more complicated than just the allocating between onshore and offshore, foreign versus domestic. There are ramifications for all participants throughout the North Pacific seafood industry. If the number of players changes significantly or control is further consolidated, there will be ripple effects throughout the industry for both pollock and non-pollock participants. There has been concern raised throughout this debate regarding vertical and horizontal integration, consolidation, and market control. I share these concerns as all sectors of the North Pacific seafood industry are interrelated regardless of fishery, species and area. Economic advantage to one sector is a disadvantage to the other. Any consolidation of existing processing capacity means fewer jobs and fewer markets for our fishermen in the Gulf and the Bering Sea. It also leaves a greater control of all markets by fewer players. The inshore-offshore allocation decision before you now, coupled with other issues such as Senate Bill 1221 and future management measures, all have the potential of making big winners and big losers. My concern is some of the potential losers may not immediately be obvious to you and may not be directly involved in the current allocation fight. What I hope is obvious, is that we want the record to reflect that non-pollock sector, both in the Bering Sea and Gulf of Alaska, will be impacted by current and future Council decisions. In closing, let me reiterate, we are not asking for further analysis prior to this decision, or for delay of this particular decision. Rather, what we are asking is that the Council put all participants on notice that they have heard our concerns and intend to monitor the impact of this decision on participants, both fishermen and processors in both the pollock and non-pollock fisheries off of all Alaska's coast, including the Gulf of Alaska. In addition, we'd like the Council to formally initiate a review of these impacts for use in any future allocation decisions, whether that decision is a future action on inshore-offshore or due to passage of Senate Bill 1221, or action in some other form of comprehensive rationalization, like IFQs. The world's fish markets are increasingly complex and large processors continue to vertically integrate in their bid to control market share. Given the importance of independent fishermen and processors, both in the pollock and non-pollock fisheries to the health of the small coastal communities in Alaska, Washington, and Oregon, we think it's appropriate for the Council to initiate such review in preparation for future decisions. Thank you for hearing my concerns. At this point, Bill Terhar has some words.

Bill Terhar: . . .Much of what Don has gone over is a joint statement between the three companies that are here represented, but I will tell you a little bit about Ocean Beauty. I'm Bill Terhar and I'm president of Ocean Beauty. Ocean Beauty has seafood processing facilities in Alaska in Kodiak, Cordova, Naknek and Petersburg. In Oregon, we're in Astoria, Newport, and Coos Bay. In the state of Washington, we're in Seattle and in Southwest Washington, we're in Chinook and Bellingham, and we also have two smoked salmon factories in California and Ocean Beauty has some retail outlet stores and distribution outlets in seven western states. At peak we employ about 2700 employees in Alaska, Washington and Oregon. Our facilities process salmon, a salmon-based company, Oregon coast bake in H&G and fillet form, crab, Pacific cod, halibut, sablefish, and Central Gulf pollock in fillet form. Again, I think it's important for us today to convey to you that we're not here to endorse one side or the other, offshore, inshore, anyone else. Nor are we here to delay the decision process that you're going through. Everybody in this room has gone through months, years, whatever it may be, of decision-making process and heard enough testimony. What we're asking for is that once you have made your decision, that there is a monitoring effect or a method that can be put in that allows some study and some monitoring for the effect thereof of those decisions. Again, I'm not here and wouldn't have enough background in what you all have been going through to even look at your document and your summary to know enough to endorse it, to tell you need to do more to it, you need more study, you need more of anything. I'm simply asking for, once you have made your decision, a method by which to go forward with to study the effects.

Terry Gardner: . . .I'm the president of Norquest Seafoods, and we have a combination of shoreplants in Alaska and floating processors. We have shoreplants in Ketchikan, Petersburg, Cordova, and recently in Chignik. Our floating processors work from Southeast all the way up to Norton Sound in both herring, salmon and crab business. Company-wide, we process salmon, herring, crab, halibut, blackcod and many other **[Change to Tape 20]** more minor species. We're also not involved in the cod and pollock fisheries in the Bering Sea. We employ about a thousand people at the peak and a lot of our facilities run year-round, both on the floating side and on the shorebased side. Primarily and almost exclusively we buy fish from independent fishermen, some 500 more or less full-time fishermen and a lot of other fishermen are delivering to us a partial portion of their catch. I think that if the only thing that we were seeing coming down the track was a debate between a few percentage points of reallocation of pollock in the Bering Sea between one sector and another there really wouldn't be much need to testify here today about impacts in the long term to other sectors of the industry, but as we look out there we see this debate over the onshore-offshore allocation, debate in Congress over the Stevens bill that may have other types of allocation impacts, discussion about various IQ proposals coming down the road, and if we look at the long term we wonder what is the design. Does somebody have a plan? Is there something coming down the track; what is this going to look like; how many players will be left. Anyway, I guess in conclusion, I'd like for you to look at the cumulative impact in many areas for our sector of the industry too and where this all ends up, with all the decisions coming down, not just the one today.

Council questions:

Kyle: For Terry, I didn't understand what you were starting to say about the cumulative impacts. It sounded like you were talking about if there was a large shift instead of a small shift. Would you explain that?

Gardner: Specifically, just to give an example, our company's looked at entry to bottomfish opportunities in both the onshore and offshore side and so as somebody making an investment and you're going to have to talk to your shareholders and the bank, you look out there, well what's coming down the track. If we have an operation will we have resource, and so we're looking at all of these things because you're making a long-term investment and you can see that all of these would affect, a reallocation in essence, and change the competitiveness as to who's in, who's out, through any one of these measures. And then you'd ask yourself, well maybe we've made an investment and there's no fish; we don't have access through the cumulative effect of all these. Any one in isolation may not have a significant impact.

O'Leary: Don, I understand that you fellows are on the periphery of this and you don't want to take sides, but you were discussing market implications and just for myself, could you expand upon your comments? I mean, what kind of market implications are you talking about, . . .[unintelligible]. . .talking vertical integration and how that. . .expand upon how that affects you or how you perceive that may affect you down the road if there's substantial shifts either way.

Giles: Well, in our sector of the business, what distributes the most economic benefit to the most communities is buying from independent fishermen and I think there's a concern about vertical integration of controlling the fishing fleets, controlling the resource from the fishing grounds to the processing ground, to marketing the product and I think there has been concerns raised in this debate, I think you've heard them all, and we share some of those concerns.

Behnken: I guess, to Don. We have a recommendation from the AP to include within this analysis some of the kind of considerations I think you're raising about impacts to non-pollock fishermen. But from what I'm hearing from you, maybe that doesn't go far enough. Not that you're saying hold back this analysis, but do you feel like we need to start gathering other data, sort of separate from the inshore-offshore so we have a baseline to look at down the road, or do you think what the AP has recommended encompasses your concerns.

Giles: I haven't seen exactly what the AP recommended, but I would think once we get past whatever decision the Council's going to make, we think there ought to be a thorough examination and analysis going forward that's fairly comprehensive not only in the Bering Sea but throughout the rest of the state of Alaska. One thing that has concerned us is through this whole fight, if you will, between the onshore and offshore, both sectors have been spinning their message throughout the rest of the state of Alaska on what our business, the non-pollock business looks like, whether somebody gets more fish or somebody gets less fish or somebody gets fish taken way, they haven't done a very good job of defining the non-pollock industry and non-pollock fisheries throughout the state have been drug into this fight. I'd like to read you something that just came out in one of the Southeast Alaska Gillnet Association, their newsletter updating their members, Southeast gillnetters, on issues in front of the Legislature. They talk about HCR 33, Resolution Allocating Salmon. "This resolution will put subsistence and sports uses, resident and non-resident above commercial uses. The bill was scheduled for hearing on 4/15/98 and was canceled. It has been suggested that this bill was introduced in reaction to the inshore-offshore pollock allocation bill." So, what appears to be a battle between inshore and offshore is infecting the rest of the state right now and I think there's several hundred gillnetters in Southeast that would say that it's affecting them today, and fishermen all over the state.

Benton: I find that last thing a little bit interesting. I wonder which side put that bill up, but that isn't my question right now and don't expect an answer to that. Don, we, and I think this is a question of Don, but whoever feels like they want to answer it, that'd be fine. At the last Council meeting we received a recommendation from the SSC that basically suggested the Council should adopt a plan amendment to require the collection of price and cost data because in past years and including this year we have suffered from the lack of such data so we could do a full-blown cost-benefit analysis on certain kinds of actions in front of the Council. And so we're entertaining, and we'll later in this meeting look at the issue of such a plan amendment to get that kind of data looking towards the future. If what I'm hearing you fellows say is correct, what you're saying is something that's complementary to that which is, we would like for you to develop a data gathering system and have it in place that starts to collect basic information about the structure and nature of the seafood industry as a whole in Alaska and maybe the Pacific Northwest so that when the Council makes decisions which can be rather far-ranging, you would like for that information to be available to the Council. If I've got this correct, do you have specific recommendations on that, or could you provide specific recommendations to us by the time we get to that agenda item here at the Council, here at this Council meeting.

Giles: At this meeting?

Benton: Yes. First off, do I understand what you're saying correctly? And then secondly, if so, if you have specific recommendations could you provide them to us.

Giles: I guess what I'm saying, and Terry and Bill could add, would be, beyond this decision we think there needs to be a total look at the non-pollock sector throughout Alaska and what ramifications of decisions in the pollock fishery have on the other industries, fishermen, processors, etc. We can certainly provide some input that we would have on how to go about doing that, but I don't know that we could provide what you need for this meeting.

Pereyra: Terry, regarding some of your testimony, I guess what I heard you say, and correct me if I'm wrong, is that you're concerned about the possible impact that a decision that we make may have on your sector of the industry, that we should take it into consideration?

Gardner: That's correct. For example, I know you have some documents considering what the impact of consolidation in the industry might be, but we are also becoming concerned about what would be the effect in our sector of the industry of some substantial consolidation by the accumulation of all these decisions that may come over a several-year period in different forums, what would be the impact on us. Will people in the Bering Sea pollock game have some competitive advantage that other people in the total fishery sector don't have.

Austin: If I can get your concerns straight in my own mind, what I think I hear you saying is that you are in business competition with some of the entities that are in our pollock analysis and if we make those entities more healthy in the pollock aspects of their business, that has a trickle-down or crossover effect on your ability to compete with those same companies, in say the salmon market.

?: That's correct.

2:00 pm Olga Kroppall, Anesia Apakodak, Joshua Andrews, Robert Hanson. Kroppall: . . .I work as a recruiter for Arctic Storm. My office is in Dillingham. I recruit in the Southwestern Alaska villages, Bristol Bay area, and hire people to work aboard our factory trawler. I also do the job fair that is held here in Anchorage in December, and last year in response to the poor salmon season we had in Bristol Bay, our partners BBEDC held a job fair in Dillingham and as a result of that we identified perspective employees and hired many employees out of the Bristol Bay area. I'd like you to know that about 20% of the crew on our boats are Alaskans. In 1997, $1.9 million in wages were paid to Alaskans and nearly $1 million of that was paid to the residents of Bristol Bay. In the first quarter of 1998, 46 people employed, myself included, made nearly $358,000. In my area, the villages in Southwest Alaska, there are not a whole lot of jobs. There are teacher's aides, health aides, and maybe VPSOs (?) and various projects that come to town and so there's some part-time work at times and so these jobs are very important to the people in our area. With me are Anesia Apokodak, Joshua Andrews, and Robert Hanson, from different villages in Southwest Alaska and they work aboard our factory trawlers. This is Joshua Andrews.

Andrews: . . .from Togiak. I work on the Arctic Storm, for about 2½ years, processor. Also I am a Bristol Bay commercial fisherman. I started working for Arctic Storm because I found declining prices with salmon. It has helped me keep up with school bills and getting an outboard, snow machine, gas, grocery, and stove oil. If the allocation is reduced I have a chance of losing my job or it might not be worth going out for. Besides going out trawling and salmon fishing I do subsistence back home and after I work I always have some money left over to keep some things so I can do my subsistence hunting. Thanks for your time.

Apakadok: . . .I'm from Chevak and I work on the Arctic Storm as a galley worker. I was recruited at Dillingham during a job fair BBEDC had sponsored. I started in October of '97 and my last trip ended in February '98. During that time I made over $11,000 which helped me support my family and pay bills with and if you take away any percentage of the allocation for offshore fisheries I and a lot of other people would have less fishing time and

with less fishing our paychecks would be smaller and it would affect our jobs, a job that I would take the time away from my family to go and work to make the money that I made on the four trips, but I wouldn't leave my family for four months and maybe make only $5,000 of what I would earn by working onshore. So, if the allocation stays at 65/35, that would be great and since I won't be in Dutch Harbor in June for the final decision, I hope my testimony will help make a difference.

Hanson: . . .I've been working for Arctic Storm for two years. Without this job I'd be unable to live in a rural Alaska and it's been able to not only support myself but my relatives who rely on salmon and herring as an income. So, without this job I would have to leave and not be able to help them. This summer while they're relying on fishing I can subsist and help out the family. Thank you, that's all.

No Council questions.

2:06 pm Larry Cotter, APICDA. I'm here testifying on behalf of APICDA. It's been a year since I've attended a Council meeting and I wish I wasn't here today, but be that as it may, I'm going to testify on the McDowell report. APICDA has two CDQ pollock harvesting partners, Trident Seafoods and the Starbound partnership. Starbound is a factory trawler. APICDA's position on inshore-offshore is neutral; that means we don't support status quo, we don't support any changes in allocation, we don't have a position. We're neutral and I think that's a reflection of our relationship with our partners. I think our perspective of the McDowell report is different from some of the other CDQ groups. We don't believe that royalties are going to be affected at all by any of the allocation changes that you are contemplating. We think that royalties are a function of supply and demand and we don't see that changing. There are of course always ability to pay considerations that enter into the supply and demand matrix, but we don't think that the ability to pay considerations are going to be affected significantly enough through any reallocation that it would adversely affect royalties. In 1997 Trident Seafoods processed 47% of APICDA's pollock CDQ. That catch was taken by harvesting vessels and delivered into Trident. Starbound took the other 53%. Royalties APICDA received in 1997 were approximately $225 per ton, averaged out during the course of the year. Those royalties to the best of my knowledge and based on calculations that I've done after looking at different reports that DCRA and others have produced would indicate that our royalty is about the mid-range, maybe a little higher. We're probably number three. So there's no doubt that shoreside processing companies either on their own or in partnership with factory trawlers have the ability to pay the going rate for CDQ allocations. I do not agree with comments that suggest that if there's a reallocation of pollock that the royalty for roe is going to decline; I don't agree with the premise that if there's a reallocation that factory trawlers are suddenly going to be unable to afford to compete and buy CDQ pollock. I think that the CDQ groups are intelligent enough in the event that did occur, they're intelligent enough not to wait until the inshore fishery is completed after the peak of the roe season; I think that they'll lease their CDQ pollock to factory trawlers who can catch it at the peak of the roe season. So I don't see any changes happening there. Last year APICDA purchased 25% of the Prowler and 25% of the Ocean Prowler. Actually APICDA's wholly-owned profit-making subsidiary, APICDA Joint Ventures, did that, AJV. I then put on my APICDA hat and sat down and negotiated with the owners of the Prowler and the Ocean Prowler, which again included 25% ownership by AJV. We negotiated a royalty agreement whereby the Prowler and the Ocean Prowler would harvest our Pacific cod. It was impossible for me not to be cognizant of the interrelationship between the profit-making side of our Prowler-Ocean Prowler investment and the royalty side of our APICDA needs. It was impossible for me not to recognize that at different times the value of the product that is produced is going to be higher or lower based upon market considerations, that there is only so much of the pie available to provide for the needs of the crew and the company and the royalty and that at different times we, in APICDA, may have to adjust our royalty in order to assist on the profit-making side and at other times the profit-making side may have enough latitude to allow us to increase the royalty. That's a function of business. It's a function of our investment in the Prowler and the Ocean Prowler and we knew that going in. And I think some of the other CDQ groups are finding themselves in the same position. We do, Mr. Chairman, also own 25% of the Golden Dawn which is a 148 foot trawler operating out of Akutan. That vessel fishes our CDQ. It pays a royalty to APICDA when it's fishing our

CDQ. When it fishes CDQ the fishermen on board that vessel get paid a little bit less than they would if they were fishing open access because they participate in paying for the royalty. The same is true on the Starbound, for the crew of the Starbound. When they're fishing CDQ their earnings are reduced a bit because they're sharing in paying for the cost of the royalty. I want to comment that APICDA, our folks don't spend a lot of time working on factory trawlers. We understand how important that is for the other CDQ groups and don't want to say anything at all to diminish that importance. It is very important. Our folks have a tendency to want to work in their communities. We're geographically fortunate enough that we've been able to develop infrastructure and businesses in our communities so that people have the luxury to stay at home. This year we expect that we may have about 125 folks working directly for APICDA subsidiaries in our communities. Next year we expect that to be higher, but all the infrastructure and all of the business investments that is producing those 125 jobs came from pollock royalties. So when you look at employment in the pollock industry and the impacts of inshore-offshore, you need to recognize that pollock royalties generate activity not only on factory trawlers and not only in shore plants working on pollock but also in other industries. I have one more comment, Mr. Chairman, which is a little off the subject, and that is John Roos made some comments to the AP regarding sea lions and the marine mammal research consortium. I was distressed to hear that contributions from the public to that consortium have declined from well over $200,000 a year several years ago to just $100,000 this year. APICDA has contributed $5,000 a year to that consortium for the last four years. I think that it's incumbent upon every organization and every company that's involved in the pollock industry to at least match the $5,000 contribution from APICDA. We have to do the research; this is a major problem and it needs to be addressed. Thank you.

Council questions:

Pereyra: . . .You made a statement there that if one of the allocative decisions we made negatively impacted the factory trawlers that they would come to the table and buy CDQ during the peak of the 'A' season. Why would they want to do that? What's the economic incentive for purchasing CDQ pollock at the peak of the roe season when in fact they can fish it for nothing out of the remaining offshore quota.

Cotter: Well, if that were the case, I wouldn't buy it either. I'm assuming that the comment made earlier today, in the hypothetical is that with an allocation to the inshore, an increased allocation inshore, then that is going to reduce the offshore season and it's going to lengthen the inshore season, lengthen the inshore season past the peak of the roe season, with the comment made that then means that the CDQ groups are going to make a lot less money because they'll be fishing on spawned out pollock. And the reasoning was suggested that that is going to happen because the factory trawl fleet will not be able to afford to participate in a CDQ roe fishery and I think that's a bogus statement. I think that once they're completed with their open access factory trawl season, yeah, they'd be interested in going in and fishing CDQ pollock roe, particularly if it's at the peak of the season. They are now.

Pereyra: Of your two CDQ partners, which one harvested the bulk of your CDQ during the 'A' season this year?

Cotter: I'm glad you asked. This year the Starbound, and I didn't mean to avoid saying that, because I did say it in the AP. The Starbound took 100% of our 'A' season pollock this year. That's the very first time that has happened, and the reason it happened this year is because of the very poor market for pollock roe, the length of time that the 'A' season was expected to last. . .**[Change to Tape 21 - comments lost in changeover]**. . .you would have the flexibility to be able to take advantage of opportunities and changes in markets.

End of questions.

2:17 pm Paul Peyton, BBEDC. . . .I'm here representing the Bristol Bay economic development corporation and I'm going to limit my comments to the McDowell report. We put a tremendous amount of work into this. I realize that the degree of time and energy invested in answering the questions varied quite a bit

between groups. We put a lot of work into it as did our partner and we're rather frustrated that very little of that work made to the surface of the report. I think Scott Miller said it the best before the SSC, that they did not have the experience to discern the effects on partners of profitability and therefore the effect of those profits on royalties and therefore the program and they spent a lot of time thrashing around trying to figure out how all this was going to fit together. There are also clearly differences between groups and their experience in how their relationships work and I think that they're are correct in stating that there is quite a bit of variability there. But, at the same time, many times it felt like they were substituting their judgement for our own and we would have much preferred to have seen our opinions make it all the way through so the reader could judge for themself. For that reason, we support the AP recommendations, that those, at least the author's conclusions, be clearly spelled out, why they came to them and how they came to them, what their justification is. However, we're probably most frustrated with the treatment of employment. A tremendous amount of effort was invested in trying to determine what the actual employment numbers were and they basically corroborated the findings of the 1997 DCRA report, which is that within the CDQ community that the pollock employment is. . .[unintelligible. . .only offshore and that's true of every single CDQ group. It doesn't matter which one you look at. And the simple reason is that the pay is better. You don't have to be a rocket scientist to figure this out. The bottom line is that there is probably going to be a significant impact if there is a change in season length, either positively or negatively. And yet there is absolutely nothing in the report that even begins to address that. We find that this sadly deficient and again concur with the AP recommendation that they should be instructed to go back and try again. Our sort of back of the envelope version of it is that if you cut season length you're going to pay; if you lengthen season length, you're going to increase pay and to imply as they did that CDQ folks somehow are going to be able to dodge that bullet better than other employees in the offshore sector is a bit presumptuous. We don't know how our folks are going to be able to do that. I think everybody's pretty much in the same basket there. And I guess one other statement I would make, just to clarify some things. It didn't seem like there was much emphasis in that report in terms of differentiating between folks on the icebound coast from Bristol Bay north to folks in the Aleutians and Pribilofs. These areas have different approaches to things and the folks on the icebound coast are much more dependent on offshore employment because they do not have the local opportunities that folks with deep water ports and access to resources more year 'round do, and that's pretty clear. Anybody that works with a CDQ program and tracks it over the years can clearly see the difference. And all the people that invested in offshore tend to be up north. We have a different relationship with our partner. I think one of the other things they did point out is that partner relationships are really critical. We spent a long time picking a partner that we felt would be a good fit. To imply that a large scale shift in allocation would somehow not impact royalties skips over the fact that you have to lose your partner and gain another one in the interim and there are going to be significant employment impacts to that. There's going to be significant opportunity costs in trying to find a new partner. having gone through it, we essentially lost a year at the tail-end of our last relationship and took a year to get up to speed with this one, and there's a huge opportunity cost associated with that that shouldn't be taken lightly. And they did note that, but it never really did make it into the finding about what would happen if there was a large scale allocation shift. The focus seemed to be entirely on royalty value. That's all I have.

Council questions:

Pennoyer: Paul, you made a point of saying you supported the AP recommendation regarding the McDowell report. The SSC had recommendations, too, and I've been trying to figure out what the difference is between them. Have you read the SSC recommendation, and . . .

Peyton: I haven't seen it; I heard a part of it. Could you read it to me?

Pennoyer: O.K., 'The SSC requests that prior to release of this document for public review the authors prepare an appendix that reduces the survey responses into bullets that reflect the diversity of opinions offered by respondents subject to maintaining confidentialities.' So, I don't know if what they're requesting is sort of just

a listing whereas the AP request is for more analysis. Could you characterize what you think the AP was requesting?

Peyton: Well, the SSC didn't specifically address the employment question, the AP did. Another piece of the AP motion is that employment in the CDQ community is a critical piece in analyzing this allocation decision and the McDowell report simply says nothing about it.

Pennoyer: I guess that's what I don't understand, because the AP wanted bullets that reflected the diversity of opinions offered by respondents, not just what's was in the report. I guess that would cover employment if it was offered but not in the report.

Peyton: Well, part of the problem is we didn't have access to all the other data from the other groups. The only people that did were the authors. We could say what we think's going to happen to us, but there was quite a bit of effort expended to try to gather that data and yet there is no analysis of it. So, I think that's one reason the AP went a little further.

End of questions.

2:24 pm Sue Aspelund, Naknek. . . .I appreciate this opportunity to address you today. My name is Sue Aspelund, I'm a 20-year resident of Naknek, which is a CDQ community in Bristol Bay and have been a commercial salmon fisherman for 19 years. I'm here today representing myself and my two children and I would also like to call your attention to Resolution 97-23 passed by the Bristol Bay Borough Assembly on September 22, 1997. I come before you today to request that you maintain the status quo for the inshore-offshore pollock allocation. Bristol Bay residents have historically relied almost solely on the salmon industry to supply an economic base for our local government, schools and the business of the region. As you are well aware, in Bristol Bay we can no longer rely exclusively on the salmon industry to provide for our livelihood and to support our needs. The condition of the salmon industry today is one reason why I support maintenance of the status quo in the inshore-offshore allocation. I've viewed diversification of our salmon markets as absolutely critical if we're to turn our industry around. Decreasing our dependency upon Japanese markets must occur if we're to derive greater income from our salmon resource. Some of the offshore factory trawl fleet is already assisting us in that effort. They are developing alternative domestic markets and value-added products for salmon and are actively working in partnerships with fishermen to do so. In this year of salmon run failures coupled with depressed market conditions these efforts are especially important to us. As a resident of a CDQ community I'm aware of the benefits that the offshore fleet provides to our region. The decisions you make on this allocation affect the profitability of the factory trawler which our CDQ group has invested in. And anything that affects this profitability obviously affects the benefits of the CDQ program that we enjoy. Due to the depression in the salmon and herring markets now our residents must often seek additional employment in order to support families once taken care by the earnings from our fisheries. Employment of our CDQ residents on factory trawlers has provided some of those jobs and resulted in an economic gain to our region of over $2 million. In our community, the internship program supported by our CDQ group has provided the opportunity for our young adults to gain exposure and experience in a work field both inside and outside our community that has previously been unavailable. Since 1992 our CDQ program has awarded 171 academic scholarships in the amount of $258,000. From 1993 to '97, more than 900 residents have been served by the adult basic education GED program which our CDQ program assists in funding through the University of Alaska. And, 74 of these participants have been awarded GEDs through their participation in the program and are now eligible for advanced training. During the same period hundreds of regional residents have benefited from a variety of CDQ-funded vocational training programs. As the community education coordinator for our school district I've personally been involved in partnerships with our CDQ group to provide course work in marine survival drill instruction for many fishermen in the Bay. Other programs that have been offered as a result of our CDQ program in our villages and available regionally are welding, fiberglass repair, small engine maintenance and repair, computer applications for small

business, and more. This instruction assists us in our commercial operations and in our subsistence pursuits. Since 1994 our CDQ program has provided an especially valuable service to our region, the Bristol Bay permit brokerage. This has assisted hundreds of resident commercial fishermen to retain and/or access limited entry permits and has provided much needed tax counseling and intervention services. And, this has been really valuable to us in our region in light of the recent downturn in the salmon industry upon which we're so reliant. Obviously, any adjustments to the inshore-offshore allocation will affect our communities since the programs provided for by our relationships to the offshore fleet are directly related to their profitability. The offshore fleet has provided our residents with stable employment at equitable wages in drug-free work environments close to our home communities as well as the infrastructure to develop our fisheries further. The offshore fleet has been a sound economic partner in our region. And in closing I would like to call your attention to Resolution 97-23 from the Bristol Bay Borough Assembly in support of CDQs and an extension of the current Bering Sea/Aleutian Islands and Gulf of Alaska inshore-offshore allocation. This resolution passed our borough assembly unanimously on behalf of the residents of our borough. Thank you very much.

No questions.

[break]

2:49 pm Joe Plesha, Trident. . . .For the record, my name is Joe Plesha and Jacob Stepetin is with me from Akutan who didn't get a chance to sign up initially and with the Council's approval, I'd ask that he be allowed to testify with me. And, I'll be very brief. The issue before the Council right now is whether to send this document out for public review. As the Council is aware, inshore-offshore sunsets after this calendar year, so assuming that. . .if we're going to have any sort of allocation in place for 1999, there has to be a final decision on the allocation at the June meeting and therefore I urge that the Council vote to send this document out for public review with a full range of alternatives and the suggestions that have been made by the AP and the SSC with regard to improvements of the document. The only short comment I would make is I think there should be included within the analysis the issue of excessive shares. And, again, I might be beating a dead horse as has already been beaten, but my feeling is that if National Standard 4, Section C applies only to limited access systems, certainly, we have a limited access system in place with regard to the offshore sector because of the vessel moratorium followed by the license limitation program and that therefore, even under the NOAA General Counsel's legal interpretation of the limitations of that section, it would apply in this case because of the special circumstances of the moratorium and the license program. With that, I'd like to turn it over to Jacob.

Stepetin: . . .I'm the mayor of the city council of Akutan. Akutan incorporated as a second-class city in 1979 because of the king crab boom and due to the increase of floater processors in our harbor. At that time we levied a raw fish tax which became the basis of our economic stability. Revenue from these fisheries was stable until the crash of king crab season. With the crash came uncertainty to the survival of our community. The thirteen floaters that were in our harbor did not return, only leaving us with one shorebased processor. Our community still depends on the fisheries resource for its economic stability. According to the Magnuson-Stevens Act of 1976, National Standard 8, quote, 'Take into account the importance of the fisheries resources to fishing communities in order to provide for a sustained participation of such communities and minimize adverse economic impacts on such communities.' Without the presence of a shorebased processor Akutan would be an economic wasteland. Local jobs and services would decline because of loss of the tax base, fishing jobs would disappear because most of that work is on vessels that deliver at the shorebased plant. Because Akutan does not have a boat harbor we fish from small skiffs. Without a local plant to take our deliveries, the fisheries would disappear. Almost everyone in the community would be unemployed and have to look to the State and Federal governments for assistance. Akutan is not the only community that depends on the fisheries resource; there are many more. I'd like to reiterate the fact that without the increase of pollock allocation in the shorebased sector our communities will suffer. In closing, I hope the Council will consider an increase in the BSAI pollock allocation for the shorebased processors. Thank you.

No questions.

2:53 pm Doug Forsyth, Premier Pacific Seafoods. . . .I'm speaking today on behalf of the three true motherships. First thing I wanted to address here was the sector definitions, the issue of limited access that came up last week when the document went out. The motherships never sought to exclude anyone from that sector who had been a pure processor in the past. Floaters, salmon processors, new builds, were all O.K. What we have sought to exclude was the moratorium protected factory trawlers from rolling into the sector if they deemed it more advantageous to do so. There's two reasons for that. One, we can be one of them. They're a moratorium protected class, we're not. Several years ago when the decision was made whether one wanted to be a factory trawler or not, that was a made decision. The Ocean Phoenix could have qualified, so could the Golden Alaska, yet we chose to remain as true motherships. Factory trawlers could have made that same choice at that point in time. Second reason, and perhaps more compelling, is the fleet strategy type of fishing that could be employed. Let's say you had a fleet of vessels and there was two categories selected at the start of the season, you decided to flood one particular sector, you'd nominate four or five vessels to roll into the mothership sector, bankrupt the current occupants of that sector, then in the following season pull some vessels out and redistribute them out throughout the fishery. Don't think this won't happen. American Seafoods this past 'A' season employed that very same strategy with regards to the Aleutians quota. They sent the Northern Hawk out to the Aleutians on January 26 when the offshore season opened, took all of that quota, supported the operation off the backs of the rest of the fleet operating in the Bering Sea. So, fleet fishing strategies have been employed in the past and if free exchange between sectors on a short timeframe was allowed, I guarantee it would occur in the future. There's some other reasons for establishing true motherships as a sector. One of those is, as we move towards this nirvana of CRP, the issue of data collection I think needs to be addressed. I think the document that's been put together is as good as could be given the confusion of the data base. Sometimes motherships are broken out accurately, sometimes not accurately, and vessels are miscategorized, especially if you go back in time. If you did have the three sectors clearly identified I think it would make data collection ongoing into the future simpler and easier to understand. Probably more compelling, though, is National Standard number 10 which I had mentioned at the September Council meeting. National Standard number 10 speaks to the issue of safety. It specifically states, quote, 'An FMP should try to avoid creating situations that result in vessels going out farther, fishing longer, or fishing in weather worse than they generally would have in the absence of management measures.', end of quote. The mothership fleet of 19 catcher vessels are all under 125 feet, yet they are competing against the largest vessels in the industry, same weather, same fishing conditions, same grounds, same race for fish. I think there are safer ways to organize the fishery than putting these smallest vessels into competition with the largest vessels. Last point on the sector definition is, remember although we're talking about three motherships currently in this sector there have been other vessels in the past that have participated as motherships and, more importantly, we're talking about 19 catcher vessels. Those are the people who you're talking about. They deliver to motherships. The motherships don't catch any fish; it's the catcher vessels that catch the fish and deliver them to a particular processing platform. Second major topic I'd like to touch on is the issue of allocation and the question of what is status quo. I think as you look back in that document when you look at the years '91, '94, I think you have to discount them as you look towards the offshore sector. Emerald Seafoods had three very large vessels, the Saga Sea, Heather Sea, Claymore Sea. When they departed the offshore sector it dramatically changed the make-up of that sector. Everyone's share increased. If you look in 1996 the motherships were 10½. . ..these are all figures out of the document. . .10½, '97 was 11.45%, and this last 'A' season was 11.7. The average of those three is 11.2, my point being is that the offshore sector has changed fairly dramatically in the capacity in that sector and realistically you have to look at the last two or three years to get a clear picture. It's one of the cases where I think going all the way back to the beginning distorts the picture. Moving on to some sensitivity analysis, the document tends to state that 10% is the status quo for motherships. On the 1996 actual column, those are numbers out of the document as well, you see that the quota that the three processors took was 121,000 tons yet what is stated as status quo is 102,000. Well, that's 90% of the actual for '96, so I would argue that status quo is not 10% but is more reflective of an 11% number. . .[Lauber: you'll have to wind it up, Doug]. . .In the letter I sent out there's a number of data points regarding utilization, ownership, employment, catcher boat

CDQ and taxes, I urge you take the time to read those and if there's any particular questions, I'd be happy to address them.

Council questions:

Pereyra: Doug, with regard to taxes, I know the Ocean Phoenix goes to Japan with product and I was wondering, when the Ocean Phoenix offloads at sea, if you do a mini-offload at sea, does that product go through Dutch Harbor or does it go to Japan?

Forsyth: All those shipments transit through Alaskan state waters.

Pereyra: So, you pay taxes on those?

Forsyth: That's correct.

Pereyra: Then, you paid a fee I believe this year of some sort, you made a contribution I believe of $125,000, to offset the taxes. Does that represent your full tax avoidance for the year or is that just partial?

Forsyth: That's equal to the 'A' season operation.

Kyle: Doug, I assume that you would like to see the document go out.

Forsyth: I've been anticipating this question and I have to admit I'm not a fishcrat, and so when you say, send the document out, I'm not quite sure what that means.

Kyle: Well, I'll get right to the point. A lot. . .what I've seen, like in your draft, your overhead, you want to emphasize the point that your historical average should really just be the last three years or whatever, and what's in the document of course is anything from five to fifteen, and shoreside 25 to 45, and offshore, 65 to 55 or 75, and, I just wanted to make sure that if we send this out the way it is, there's a whole variety of ways it could come out in the end, come out status quo, you could be left with onshore, you could be left with offshore, or you could have your own allocation. . .I just wanted. . .you support it going out like that knowing that there's this range of things that we'll be looking at in June if we send it out in its current state.

Forsyth: Yes, I would.

Kyle: I mean, there's. . .who knows what we'll wind up doing, but. . .

Austin: I asked this question previously of Mr. Salsbury. If the Council was to decide to allocate into a third sector, the motherships, you made reference to 19 catcher boats. What would stop 112 catcher boats, or 90 catcher boats from being part of that? I don't understand how what we've got in front of us is going to limit, unless you intend to limit, the numbers of catcher boats that would deliver to the mothership.

Forsyth: Well, I don't think there's a limit other than the economic realities of what it costs to run a vessel versus the opportunity. If you look at any fish-buying operation, whether it's a shoreplant, a floater, or a mothership, the fleet size is a balance between factory capacity, catching capacity, and the economics of both sides of that equation needed to balance out and make it work. From the processor side, we might love to have 150 catcher boats delivering, but none of those catcher boats would be able to survive, so over time you kind of optimize to a particular level. On the Ocean Phoenix, our fleet has ranged between seven, eight, and I think at one time we might have had nine vessels. Last couple of years we've used eight, and it appears to be pretty balanced given the CPUEs and what not.

Austin: Who owns the catcher vessels that deliver to you?

Forsyth: They're all independently owned. In fact, in the mothership sector, 89% of those catcher boats are U.S. -owned, where the fleet average as a whole is 81%.

O'Shea: Mr. Forsythe, you mentioned National Standard 10. In your opinion, does the document in its present condition adequately address the safety issues involved in this decision?

Forsyth: I haven't read every single page in the document. I can't recall in reading it, though, where I've read that issue being brought up in it, but I could be mistaken there.

O'Shea: It is in the document, so I guess I. . .

Forsyth: Then I would say I'm remiss and I couldn't comment if it addresses it adequately or not.

Samuelsen: Doug, in your letter to us, under taxes, your first sentence there, in '97, the three true motherships paid a total of $1.3 million in state taxes. However, you allude to other fisheries and I take it that's salmon and other fisheries that the three motherships are in?

Forsyth: Yes, in '97, if we just took the fisheries landing tax, I believe is the operable one here, the three motherships would have paid in total about $600,000 in taxes, yet the total amount of state taxes paid was over $1.2 million, so we're adding value, if you will, to the tax base by operating in other fisheries in state waters **[Change to Tape 22 - rest lost in tape changeover]**

3:07 pm Jan Jacobs, American Seafoods. . . .Director of Government Affairs for American Seafoods Company. Others have spoken today to specific issues of the inshore-offshore analysis, so I'd like to focus on the contributions that we've made to the pollock fishery, to coastal communities dependent on the fishery, and to the State of Alaska as a whole. It seems there's been a lot of mudslinging about our company lately and I'd just like to provide another side of the story that you may or may not have heard. Last couple of years our company's grown quite a bit, but keep in mind that as we've grown, it wasn't that long ago that we were a fairly small company, we've grown mostly from the end of '96 til early '97. But, like I said, as we have grown so have our contributions. Some benefits to the fishery, as you know over 90% of our pollock operations are conducted in the midwater trawling mode, that has resulted in one of the cleanest fisheries in the world, 2% bycatch. Discards of pollock and cod are now zero. We aggressively promoted that regulation along with the rest of the offshore fleet. Our company spends about $400,000 a year for observer coverage on our vessels. That's 100% in all cases and 200% a good part of the season as well. Of our production in the Bering Sea, about 30% of that goes into products for the domestic market in the U.S., pollock fillets. The highest value product there is deep-skin fillets. Those products, value is added again in the United States to those products and they're consumed in the United States. We currently have a vessel participating in the State inshore cod fishery off Chignik. It's underway as we speak; before this fishery is completed we will have purchased about 3 million pounds of cod, worth about $600,000. We're working with 10 to 15 local Chignik pot and jig fishermen that really have very few alternatives and I've heard that they are very pleased with the way this fishery has gone and if they weren't out fishing I wouldn't be surprised they'd be here today. Some benefits to Alaska coastal communities--we spend about $35 million a year in goods and services in Alaska, most of that's in Dutch Harbor. We've developed a good relationship with a shipyard in Ketchikan. We were the first company to bring a vessel in there from this industry for vessel repairs. In '97 we had 3 vessels in Ketchikan. We were quite pleased with the work there. And, we're on our way to becoming the largest single customer of the Ketchikan Shipyard and we hope to be significant in their ability to be profitable. We've been CDQ partners with Central Bering Sea Fishermen's Association since 1992; we provide about a million dollars a year in royalties, $50,000 dollars a year in educational scholarships, and unlimited employment opportunities. A year ago we formed an Alaskan community advisory board. We

provided $50,000 a year for that board to donate to worthy organizations around the state. We've got four offices in Alaska. We've had an office in Dutch Harbor since 1989, an office in Naknek and Dillingham and last year we opened a recruiting office in Anchorage. That office is dedicated solely to recruiting Alaskans to work on our vessels. We've also made this year half a dozen port calls in Adak, offloading seafood products there, purchasing fuel and employing local labor. Some benefits to the State of Alaska as a whole, we pay about $2 million a year in landing taxes. Employment in 1997, we hired over 150 Alaskans on our vessels. This year so far we've hired over 200 Alaskans; by the end of this year we will have reached our goal of 500 Alaskans. We're basically offering employment in any open positions to Alaskans. We provide a drug and alcohol-free work environment as well and it's strictly enforced. We purchased $3 million worth of salmon in Bristol Bay; that operation's been in existence four years, we'll be again there this year. That value's added in Bristol Bay, Alaska, not in Japan. Last year we committed to a $600,000 contribution to the Alaska Sea Life Center, made our first payment last year and that of course carries over the course of three years. Just to summarize, I'd like to say that we're committed to these programs and to a lasting partnership with Alaska. Of course, our ability to maintain these activities and to pursue new activities depends on a stable, profitable pollock fishery. There's a fine balance now, I don't think it's going to take a whole lot to upset that balance. You know, we've seen 17 bankruptcies since inshore-offshore first was implemented.

Council questions:

Pereyra: Jan, the issue before us is whether we should send this document out in its present form. Do you feel it properly characterizes the problem that we have before us and the alternatives that we have to look at.

Jacobs: Well, as I understand the problem has just been that we ought to study the industry and see what's changed over the last several years. I'm not sure I've seen another compelling problem yet. I think I'd like to see the range of allocations narrowed; I'd like to see the onshore employment data audited because I understand that has not been audited. There isn't a whole lot of. . .market implications hasn't really been studied to any degree. That could have serious implications on this industry and related industries, and I don't know; I think it's hard to come up with the best decision without cost data. It's like having one side of the ledger and not the other.

Samuelsen: Jan, referring to the sunset issues. Do you have an opinion on them?

Jacobs: As far as how long the decision should last?

Samuelsen: No sunset date, a 3-year sunset date, . . .

Jacobs: Well, it'd sure be nice to not go through this battle every couple years. I'm not sure, . . .if there's a problem where there's a reason to revisit it, but I think the original schedule of this Council was to complete the comprehensive rationalization process. It seems that's what we should be doing.

3:16 pm Dennis Andrew; Joyce Johnson. Andrew: . . .my name is Dennis Andrew. I'm a commercial salmon and herring fisherman from Nustuliak(sp?). Nustuliak is located in Bristol Bay, 250 miles southwest of Anchorage. I was born and raised in Nustuliak and lived most of my life there. I'd like to go on record on opposing any increase of Bering Sea pollock quota to the offshore processor. I support continuing the status quo, 65/35, plus because of status quo, has been good for Alaskan villages like Nustuliak. Under the existing pollock allocations both sectors can continue operating in Alaska. . . .[could not understand]. . .I do not believe there is any compelling reason for Alaskans to change the quota allocations. Shifting quotas to a few onshore processors will hurt the offshore pollock processor sector. . .[couldn't understand]. . .threaten the existence of offshore processing companies, and as a result many of us living in Western Alaska by taking away our jobs and opportunities to better our life. Unlike at Dutch Harbor, a good job is very hard to come by in Nustuliak and other Western Alaska Villages. Companies like American Seafoods has been good to Western Alaskans and have

hired significant number of Alaskans to work onboard offshore processor boats. Offshore jobs provide a good income; it is important for the Council and Alaskans to support the offshore pollock processors. A large part of the offshore jobs has been brought about by the CDQ programs, however I've seen American Seafoods and other offshore companies participate in job fair held in Dillingham. We don't question the company has made . . .[can't understand]. . .to hire Western Alaskans. I am also concerned that if pollock quota is shifted away from the offshore sector that not only will Bristol Bay residents be losing jobs with the offshore pollock fleet, but Chignik cod fishermen and Bristol Bay salmon fishermen who fish for offshore processing companies will lose their markets. I've seen American Seafood buy salmon from Bristol Bay fishermen. I have relatives who fish salmon for the company. I've also learned that American Seafoods is buying cod from Chignik area fishermen. In times when salmon and herring prices from shoreplants were down to fishermen these new alternative markets are important to the fishery and to the fishermen working in Bristol Bay and Chignik area. In closure, any shift in pollock quota away from the offshore fleet will hurt us in Western Alaska. Shifting quota to the onshore processors [couldn't understand] markets for fishermen. Please maintain the status quo in Bering Sea pollock allocations so we can continue to benefit from the pollock fishery along with other Alaskans.

Johnson: . . .I'm a Bristol Bay permit holder from Dillingham, born and raised in Dillingham, and I also support the allocation the way it stands now. If it's not broke, don't fix it. Previous to last year I was able to support my family, I have three kids and I'm single, on my fishing income. Well, with the market the way it is I've come to fast realize how important it is to have alternative markets and independent markets. I would rather have the choice to sell my fish in a competitive market. And, if things change we might not have that choice and the choice would be taken away from us. Then what do we do? I've seen also first-hand the jobs alternative markets provide. I am now employed by American Seafoods in the office, the hiring office, taking applications from all over Alaska. And, with the bad season like we had last year, there are many, many people in all the different varieties of fishing that have come asking for jobs. Deckhands, processors, captains, the whole nine yards. We are continuing to offer these jobs and I'd like to see it stay that way. So I do support the allocation the way it stands. If we have a choice it would be nice if we could choose between a good job rather than go on welfare because of a poor fishing season. So, that's pretty much all I have to say. If it isn't broke, please don't fix it; leave things the way they are. Thank you.

No Council questions.

3:22 pm Ed Glotfelty, Billy Charles, Yukon Delta Fisheries Development Assn. . . .My name's Ed Glotfelty; I work for Yukon Delta Fisheries Development Assn., and Billy Charles is the President of the association. We're one of the six CDQ groups that exist. I'll be very short with my testimony. Yukon Delta's CDQ pollock partner since the inception in 1992 has been Golden Alaska Seafoods and Golden Alaska is one of the 3 mothership operations that operate in the pollock fishery. During the first quarter of 1998 Yukon Delta Fisheries has had 84 people employed in the Bering Sea fishery. Seventy-eight of those were in the pollock fishery, 62 of that group were offshore; 45 of that 62 were employed in mothership operations, with the Golden Alaska, the Excellence, and the Ocean Phoenix. Seventeen were offshore, with catcher processors, and 17 were in the onshore plants of Westward, UniSea and Trident. We endorse the status quo, the 65/35 split, but if in your wisdom you decide to create a second category for motherships, we would endorse an allocation of in the 15% range for the motherships.

Council questions:

Kyle: Ed, where would you like it to come from, the 15%, if you endorse the status quo?

Glotfelty: Well, I think a 35/50/15 split would be good.

Kyle: 35/50/15? O.K., that's pretty. . .blunt.

Pereyra: Since you want to increase the quota by 50% to the mothership sector, I have to ask this question and that is do you know who the owner of your mothership is?

Glotfelty: Yeah, I sure do. Nichiro. But, they've treated us very well and I think we've had. . .I'll just say we're very satisfied with Nichiro, but the other two motherships that we're working with are American-owned, and they provide employment opportunities to quite a number of our people.

End of questions.

3:25 pm Rick Upton, Steve Wittman, Mike Prince: Westward Seafoods - Dutch Harbor. Upton: . . .I am employed by Westward Seafoods in Unalaska-Dutch Harbor. I've worked there for three years as the environmental compliance technician. I'm also the recreation club officer and a volunteer radio disc jockey and board member of Unalaska Community Broadcasting. I'm here today to touch on three issues that I believe represent a good argument for an increase of pollock to the onshore processors. Number one, shoreside plants and their employees are involved in the community and represent a large tax base for the community and the state. Number two, shoreside plants are involved in protecting the marine environment, and Number three, shoreside plants represent a wiser use of the pollock resource. Concerning community involvement, I'm involved as a recreation club officer in setting up recreation for Westward employees and this includes bowling alley, the City of Unalaska PCR, which is a gymnasium, the city school swimming pool and we also provide transportation for our employees when they have time to go and enjoy some off time at these facilities in town as well as transport them to town for shopping and things within the community. Number two, concerning my job, my work as an environmental compliance technician involves sampling of effluence, some of the analysis, data collection throughout the year, and reporting of results to federal and state agencies. I think this is important because the water bodies around Captain's Bay and around Unalaska Island are. . .we're under fairly strict regulations from the ADC and the EPA to monitor organic loads during processing, unlike factory trawlers who are allowed to discard and discharge pretty much anything they want out into the Bering Sea. This sampling effort is a fairly large capital expense. It goes on throughout the year. We sample in-house and we also sample out in the Bay, the receiving water body and are required to report that. The third issue is concerning use of the pollock resource. According to NMFS figures from last year, most factory trawlers report a 17% recovery of pollock in surimi. Our plant ranges between 23 and 25% recovery of the pollock and in addition to that we have a 24-hour a day fish meal plant that recovers another 10 to 12% and also produce fish oil from the discards. We basically, it's a total utilization of the resource at our plant. The way I see it, our city of Unalaska, the processing plants, the community, all the supporting business, the fishermen and women, are all interrelated and dependant on the resource and catcher processors, I don't have any actual numbers or anything to back this up, but I've heard that they can travel; obviously, they're boats. They go to Argentina, they go to Russia at times, make deals to fish their resources, whereas we're in Unalaska to stay and we feel we need to have our fish. So, in conclusion, I support the Council document to be part of public review and a decision to be made in June after that review. Thank you.

Prince: . . .I'm the supervising engineer for Westward Seafoods in Dutch Harbor-Unalaska. I live there year-round with my wife, Katie. She works for the city of Unalaska. We're there to stay; we would like to think so. You guys have been hearing lots of argument on both sides all day; you're probably pretty burned out on it, I'm sure, getting pretty tired, but my wife and I and numerous others that work for Westward Seafoods are very deeply involved with the community as far as things we do for the community, go to meetings, go to this, go to that. We'd actually like to call it our home and we put money back into the community. We buy things. . .as well as Westward, they create a tax base for Unalaska-Dutch Harbor. In addition to the 2% raw fish tax that the shoreside processors collect and the property taxes they pay represent a major source of funding for the City of Unalaska. The offshore sector, who will take their factory trawlers and move on once the fish are gone, we the onshore people will still be there after they've left. In closing, I urge you to be very careful in your decision-making. After all, your decision affects all of us that live there and at other shoreplant operations. I highly

support the Council document going to the public for review. After all, that is who it's really going to affect. Thank you.

Wittman: . . .I'm an administrative apprentice at Westward Seafoods. Originally from Mekoryuk, Alaska, which is a part of the Coastal Villages Region Fund. I now consider myself a resident of Dutch Harbor. As a resident of the CVRF region and a recent graduate from the University of Alaska Fairbanks, I as did many others found it difficult to adapt to the environment of Dutch Harbor. I've been in Dutch Harbor for about a year now and during that short time I notice many members of the CVRF region found themselves in a tough situation because of the environment and usually they ended up leaving for home. Being unsure and shy in the beginning, I too was in that situation and what helped me to overcome this type of situation was the fact that I began to have regular and consistent access to talking to all the managers in the plant. I would talk to the managers about the progress of a particular season and how employees are doing two to three times a week. In the off season I was able to talk to the managers every day. Being able to have consistent access to speak to the managers is important to me because when I learned that the work I do is not only important to them but also the board of Westward Seafoods, it really inspired me and encouraged me to concentrate and do a better job. I was not like this when I came to Westward Seafoods. As a matter of fact, I had several problems. I never wanted to talk to anyone about the problems I had at work or home. So having this type of access to the managers of Westward Seafoods was a turning point in my work life. Not only did this help me, but I began to have daily visits with our foreman on the production line and the reason I did this was because I wanted to know what problems employees were having so I could try and help them succeed. I told myself that if I was able to adjust to this type of an environment I can help others to feel more comfortable while employed with Westward Seafoods in Dutch Harbor. We all know that everyone has problems of some sort, and these problems may result from mistakes. Making a mistake is not the end of the world or your job as I used to think. Rather, by making a mistake you learn and you learn how to prevent others from making that same mistake. In conclusion I would like to say that I like my apprenticeship program with Westward Seafoods because, one, it has given me the opportunity to learn how seafood companies operate; two, it has made me realize how important it is to succeed in life, and the importance of making the right decisions. Three, it has enabled me to learn the ways of successful management by interacting with managers and attending seminars. Four, I like the work I do and knowing that the work I do is important to the managers, the board and the president of Westward Seafoods. And, five, I like my apprenticeship program with Westward Seafoods because I am doing work that I love to do.

Council questions:

Austin: I get a sense from your testimony. . .well, let me verify **[Change to Tape 23 --his question and any answer and other questions and answers, if any, were lost in the changeover]**

End of questions.

3:39 pm John Gruver (F/V Seawolf), Brad Conally (F/V Westward 1), Bill Lock (F/V Viking), Charles Bronson (F/V Great Pacific). Gruver: Our four boats deliver pollock to shoreplants in Dutch Harbor-Unalaska. Myself and the Seawolf began delivering shoreside in 1987, Bill and the Viking in 1988, Brad with the Westward 1 in 1989, and Charles has been delivering shoreside since 1988. In addition, the four of us and many of our crew members have participated in the pollock joint venture fisheries since the early '80s. Between ourselves and our crews, a group of 23 fishermen, we represent a combined total of over 465 years of fishing experience. We clearly have a long-term interest and have made a long-term commitment to this industry. Fishing is clearly our life's work. We would like to add that we're not part of the Groundswell movement and actually had not heard of the Groundswell movement until this week, but we certainly have been moved by groundswells. We had a little trouble preparing this statement on a group consensus level because as captains our responsibilities are quite clear to us. First off, it is our responsibility in the safest way possible to create a reasonable rate of return in dollars for the investment of risk, labor, and time spent away from families for ourselves and our crews. Additionally,

it is our responsibility to generate the greatest amount of revenue possible for the vessel, ensuring not only its integrity as a safe place to work, but to maintain its position in a very competitive industry. Over the past years, there's been a steady downward spiral in fishing opportunity for meeting these responsibilities. The original inshore-offshore agreement helped to slow the decline in opportunity and also recognized that a 35% inshore quota did not represent the quota owed us. However, when finalized by the Department of Commerce the stair-step to 45% was eliminated denying us the opportunity to regain at least a portion, a partial share, of the fishery we lost. We are not here to ask for a hand-out, and the term fish grab certainly does not apply. We are here only requesting that the opportunity to fish, which has been taken away, be returned.

Conally: . . .Over the years we have created long-term and experienced crew members with little turnover, good paying jobs and safe working conditions. These vessels operate with four to five crew members who are experienced in doing several jobs which include engineering, sewing web, cooking, wheel watching, maintenance of the gear and the vessel. These crew members are not easily replaced; there's no substitute for experience. Decline of opportunity to fish will affect the keeping of these experienced crew members because of lower incomes. Thank you.

Bronson: . . .In addition we'd also like to express our concerns to NMFS's concerns of the increased effort in the CVOA. We feel that a year-round CVOA would allow us and similar catchers to operate in a safe manner without further impact to the grounds as they are now should there be an increase in the shoreside quota. The CVOA is precious grounds to catchers that would be a heavy concern to safety of operation should that ground be lost. The existing CVOA has provided an opportunity to have a safety net of a shelter and any loss or further push offshore could and would be detrimental to all of us onboard. We have a lot of dead friends. The impacts of your decisions are not always seen by you and the non-active lobbying for these issues. We are there. We live with the risk of your decisions.

Lock: . . .As we listen to people in the offshore sector talk about maintaining the stability of the pollock fishery we wonder what stability they're referring to. Over the past eight years no new pollock fisheries have been created. There's only been a reallocation of opportunity to more specific groups. We and other long-term fishermen have continually been the ones to pay the price. Since inshore-offshore 2 finalized, the price has become too great. As further reallocation of pollock in the Gulf of Alaska takes place, we can no longer be the only ones to pay the price. We've had quota taken away beyond the point of fairness. We now need to get something back. The only avenue left is to reallocate more pollock to the inshore sector. Finally, in the interest of other fishermen on catcher boats outside our sector, we would support a quota split be made between offshore catcher processors and the true mothership sector.

Council questions:

Mace: . . .What class of vessels do you skipper on, under 125 feet, or bigger than that, or what?

?: It's a 50-50 split I think here -- is that right? [talking among themselves] I'm sorry. It's 3 to 1; three over 125 and one under 125.

Mace: The second question. The AP came up with a recommendation which is new to the Council, Alternative 4 which would set aside for catcher vessels less than 125 feet, a specific quota. Do you think that's an appropriate thing to analyze?

?: No, we discussed it yesterday afternoon some and got a little chuckle, but that's about it. [miscellaneous comments]. . .I think in response to that, there's a little difference right in this group here from what I think you're trying to get at. And that is, you're looking at the very large vessels that pack in excess of a millions pounds, very

large horsepower and whatnot and ourselves here in this group, the vessels are either 124s that were stretched a little for a little more capacity or, like myself, at the 124 level.

Mace: Mr. Chairman, what I'm pointing at is that we're going to make a decision as to what to send out for public review and I was just questioning whether this was appropriate.

Behnken: My question is along the same lines. Your vessels are all less than 155, or greater than 155?

?: Less.

Behnken: So, you're between the 125 and 155?

?: No, we have one less.

O'Leary: One of you made reference to you in the Gulf of Alaska and loss of quota and I didn't quite understand what you meant. Could you expand on that?

?: I understand there's a stand-down period now? . . .

O'Leary: Stand-down period in the Gulf? Oh, moving between. . .I believe we're still reviewing that, but we are looking at something like that. You're talking about for the Western Gulf area at the end of the season?

?: If that comes to pass. We all participate in the Gulf fishery; that would be another loss.

Pereyra: . . .John, I don't know if you've had a chance to read this document, it's fairly lengthy. But, there's quite a bit of information in here and some of it speaks to the characterization of the catcher boat fleet and changes and so forth, and gives a lot of tables. Do you think that this document as it is presently constructed properly represents the configuration of the fleet as it presently exists?

Gruver: I haven't reviewed the document enough, Mr. Pereyra, to really respond in any manner, really, at this point. Sorry.

Austin: Gentlemen, do you all four independently own your fishing vessels:

?: [All responded no]. . . But it's different on all the boats. I own a small piece of the Viking and the Westward.

?: I own a piece of the Westward and the Viking and Bill has the same.

Austin: One of the concerns that I have is a loss of independence of the catcher vessel fleet. In the document that Dr. Pereyra was asking you about, it makes reference to an increasing trend of ownership or control by the onshore plants. Would you concur with that statement?

?: Could you ask the question again, sorry, I'm lost.

Austin: Have you. . .well, let me ask in another way. Have you noted an increasing trend of ownership and/or control through that ownership, or contractual arrangements, control of the catcher vessels by the onshore plants.

?: I would say interest but not control. No one controls what I do. I'm on a lease charter of a boat and I can make my own calls as to what I want to do with that boat.

?: Same here. They have no control over my boat.

Gruver: I'd like to answer too, because I owned a boat, the Seawolf, with partners, that we recently sold to Alaska Boat Company and I operate the boat for them. And, so while there's been an ownership change, the Alaska Boat Company, and how they view delivery to Alyeska, so far that's where I've delivered. However, when it comes to the marketing association and strike, that sort of thing, no questions asked and I have told the owners that I belong to the marketing association myself and no one's questioned me when I've struck for price; no one's instructed me on how I should view information that we collect on price. Those kinds of decisions have been solely left up to me as the operator of the vessel, if that helps.

Austin: Yes, it does. Thanks.

End of questions.

3:51 pm Sinclair Wilt, Alyeska Seafoods, Unalaska. . . .I am the surimi plant manager for Alyeska Seafoods in Unalaska and I'll be brief with my comments. There are two areas of the document I wish to address. The first is the inshore-offshore social impact assessment prepared by Impact Assessment, Inc. I have been a resident of Unalaska-Dutch Harbor for over 21 years. I saw the king crab boom years in the '70s; I experienced the severe depression the community went through in the early '80s when the king crab stock crashed, and I witnessed the economic revival of the community when the shorebased surimi plants were built. I have seen the community transform from a boom town with few full-time residents into a larger, more family orientated community. From that background, I can tell you that Mike Downs of Impact Assessment has done an excellent job of describing our community. The document points out that there is certainly a lot of debate within the community as to which sector has the greatest impact on the local economy. And it is certainly my view and my experience that the shoreside sector contributes the greatest amount to our local economy. The other issue I wish to address is utilization. The document points out that the onshore sector's utilization rates have improved more dramatically than the offshore sector's since 1991. This corresponds with our experience in our operation. According to the document, overall utilization in '91 was 23% for the onshore sector and has increased to 33% in 1996. At Alyeska our overall recovery in '91 was 31.7% and has risen to 38.3% in 1996. Our surimi recovery went from 19% in '91 to 24.7% in '96. In fact, our surimi recovery has averaged over 24% each year since 1993. That is significantly higher than the 16 to 17% product recovery rates used by NMFS for the offshore sector. I believe utilization should be a primary reason for a change in quota and for that reason I think you ought to put this document out for public review.

No questions.

3:55 pm Paiki Lesui, Gia Lesui, American Seafoods. Paiki Lesui:. . .I'm the bosun on the Northern Eagle and we're employed by the American Seafoods. And, this is my wife, Gia Lesui, and we both work on the same boat. We're just here today to testify against the issue here today. Because our jobs are at stake right now and I hope that the decision that you'll be making some time soon won't jeopardize our livelihood here. And also we are residents of Alaska.

Gia Lesui: . . .The reason we're testifying here today on the offshore-onshore plan is because we are unable to be in Dutch Harbor for the June meeting due to there are no more hotels available for anybody to stay there. I've been working for American Seafoods for the last five years and I've been fishing for the last seven and a half to eight years. This has been a major part of my life for almost eight years and it has helped me and my husband to buy property in Alaska and work into own a house and if it comes down to going towards the opposite of what we wish it could affect our life a great deal. I've been a resident of Alaska for the last 27 years and it's my home and I put a lot of time and money into my community and the money we do make off our boat it goes back into our community.

Paiki: Speaking from experience, I've been fishing for ten years on the factory trawlers and all these years since it's been cut short most of the year, but as the year goes by, the projects and the processing, factory trawlers that we operate out at sea, it's improving a great deal right now and hopefully it'll maintain that way, or maybe improve more, so that's all I have to say.

No questions.

[Break]

4:15 pm Bob Czeisler, Margaret Lynn. . . .I am a partner in the Margaret Lynn. Our vessel, the Margaret Lynn was one of the pioneers that Americanized the pollock industry fishery. The late Dave Harville, a Kodiak resident, was a skipper and my partner. When we started there were only about three American catcher vessels delivering pollock to both shoreplants and to at-sea processors. By 1987 there were 130 American catcher boats catching 100% of the pollock. By then we had fully Americanized the pollock fishery. In addition, our home port at that time was in Alaska and our skippers were from Alaska. We did our repairs in Alaska and got much of our crew from Alaska. Then, what happened was in 1987 through the lobbying of AFTA the Anti-reflagging Act was passed which had a loophole which allowed for. . .what happened was that the catcher boats lost their foreign trawler markets and in addition to that we were replaced by primarily foreign-owned and foreign-built factory trawlers. As a result the trawler fleet went from catching 92% of the pollock resource down to 26% in 1990. That is a 66% reduction in the catcher boat harvesting of groundfish. Foreign control of the resource went to over 50% at one time and now is down to 40% of the offshore factory fleet. This Council has sought to redress the preemption that occurred at that time when they passed inshore-offshore 1 by placing a 35% minimum for trawlers delivering to shore plants. That, however, had the effect of reducing the amount of the catcher boats' share that was delivering to motherships. This Council has the opportunity now to protect the historic catcher boat fleet that delivers to true motherships. The effects of preemption should be remedied for the catcher boats delivering to true motherships; we're asking for at least a 10% allocation to the boats that are delivering to three motherships. That constitutes 19 boats; they're all under 125 feet, they're all the historic pioneers who developed this fishery, so we want our own separate share because if there's any kind of severe weather our share of the quota gets dramatically reduced because our smaller boats, between 100 feet and 125 feet have to compete with the biggest boats out there, the factory trawler fleet. This has put the motherships and the trawler fleet in serious financial problems whenever there's any kind of severe weather. To remedy this, we ask for a separate allocation. On a question of duration, we are recommending a three-year allocation period. During that time the Council can study the impacts of any legislative enactments. If the Stevens bill passes then it can revisit this issue and do some other kind of reauthorization. If it doesn't then it should study a factory trawler split with the. . . [unintelligible]. . .of increasing the trawler's allocation of fish in order to remedy the preemption that occurred from 1987 to 1990 when the foreign-owned, foreign-built factory trawlers preempted the American-owned catcher fleet. This would then perhaps be able to benefit all the trawler fleet that pioneered this fishery. Thank you.

Council questions:

Behnken: I may not be listening as closely as I would have if I wasn't getting tired, but did you, with regards to the impacts of vessels under 125 feet, are you supportive then of the additions to the analysis regarding a split for vessels under 125 feet that the AP suggested?

Czeisler: Well, I think that there may need to be a study of that, but to the extent that it delayed sending out the report, I think it would be something that perhaps shouldn't be there to complicate the matter. But I would be in support instead of is a study of a factory trawler - trawler split as opposed to doing anything based on the length of the vessel. Because there are some boats, for instance, that are 130 feet and the split at 125 feet to some degree is arbitrary.

Austin: I'm afraid I was drifting too. I didn't hear your opening remarks. . .that characterized yourself?

Czeisler: Let me just go over that again. I'm a partner in the Margaret Lynn which was one of the original boats that delivered. . .pollock in the Bering Sea. In addition to that I'm also a partner in the Ocean Phoenix which is one of the motherships and that was a boat that was formed by seven fishermen who basically bought a . . . it was called the President Wilson and Kennedy. . .and had it modified into a mothership. In addition to that, I'm the secretary for United Catcher Boats but they are not taking a position on this issue.

Austin: Then a question I should have asked earlier wasn't whether or not the Phoenix owned its catcher vessels, but whether the catcher vessels owned the Phoenix?

Czeisler: Yes. The catcher boats own the Ocean Phoenix.

Austin: And there's seven of them?

Czeisler: Well, there are actually six catcher boats that own; there are two outside boats, one of which is partly owned by one of the owners of the Ocean Phoenix.

4:22 pm Rebecca Baldwin, EEA, for North Pacific Seafood Coalition. . . .I'm a resource economist with EEA and here at the request of my client, North Pacific Seafood Coalition. I want to remind you, it's been said a few times this day already, that the focus of this meeting is simply deciding whether or not to send this document out for public review. It's very tempting to go ahead and suggest all these things that should be included in the document, but I guess I have a lot of respect for this process. In the last year you have sat through many, many hours of public testimony and you have put people in all sectors of the industry on notice that this issue was going to be looked at, so we've all had ample opportunity to go out and collect our own data, do own analysis, provide our own information, and it's important to remember that this document is not the only basis for making a decision. It is one. You have so many documents in front of you that all pertain to this and give you some insight. What I think you really need is a sorting mechanism to figure out what pieces of information to pay attention to. And, that's what I hope that my presentation will help you towards. [referring to overheads now] **[Change to Tape 24]** We actually have four separate issues we're talking about here. Those issues were debated extensively in terms of creating definitions and problem statements. Then we had a process for talking about which alternatives we would look at in an attempt to solve those problems. That time has come and passed. We can only move forward. It is very clear in this process that nothing you do today or June or next September is going to be the definitive answer to solving any of the problems. What's it's going to be is, hopefully, a movement in the right direction, given the constraints that you have given yourselves in terms of the alternatives. So, the only choices in front of you are really which of the alternatives make a movement toward a more improved management system. And to do that you need to have some sort of criteria to figure out whether the movement's towards an improvement or away from an improvement. In February I presented to you what I thought was a reasonable body of criteria on which to measure improvement and management for these systems, and as I said at that time, those management measures came from information in terms of society, which is through the laws we passed to govern these fisheries, and it's also from recent management actions that have survived the test of being approved by the federal government. So these are the criteria have. In each of those four problems you can go through and ask yourself what type of information do I have under that criteria and how important is that criteria to me in making a decision. You can do that for each of the alternatives and the paper I'll present to you in June, I actually have done that for the four action items. This one's an example from the Bering Sea allocations. When you look at the three different primary sectors and you can. . .[unintelligible]. . .them by the different criteria as to whether or not it's more or less desirable to make an allocation of pollock towards them. The question marks up there are indicated that it's indeterminant and the gray circles are neutral and I'll save the information underneath the other boxes until June when we're actually talking about the decision. So, basically what I want to remind you is that I think the analysts that did your document did a very thoughtful and reasoned

job of figuring out what type of information you needed, given your construct of the problems and your limited universe of the alternative solutions and while it's always interesting as data comes out to say, what if, what if, if you only have three choices, all you need to ask yourself is do I have a reasonable information to pick among those three choices, or among those two choices. I don't need to know the answer to everything and there is a marginal cost to acquiring information and have to offweight (?) that against the marginal benefit of having that information in the decision process. Thank you.

Council questions:

Austin: Is it possible for us to get a copy of that criteria that you've laid out there, is it. . .

Baldwin: Members of the SSC have the entire paper. Anybody else who wants it, I'll refer them to my client, if they want it handed out or not. But, I expect you will see it in June, hopefully before the June meeting.

Austin: Could we just get a copy of the criteria sheet?

Baldwin: Certainly. I think you actually had that at the February meeting, but I'll be glad to get a copy. I'm also willing to, if someone wants to beat a dead horse, talk to you about why excessive shares is still in my criteria and it's not a reason that's been up here before, but there is a reason for still having it in the criteria base.

End of questions.

4:29 pm Eugene Asicksick, Don Stiles; NSEDC. . . .Asicksick: . . .I have with me Don Stiles. We had planned to sign together, so if it will be O.K. with the chairman, he will have a few things to say after I get done. He is Chairman of Norton Sound Economic Development Corporation. I am the President of Norton Sound Economic Development Corporation which represents 15 Western Alaska communities in the CDQ program. All of the CDQ groups had chose to place all or part of their CDQs with offshore harvesting partners. Most of the groups used a competitive proposal process and went with the partners which offered them the best harvest partner package. Chief among those benefits were the royalties and employment opportunities. CDQ partnerships have meant that Western Alaska had a meaningful stake in this fishery through royalties, employment, and more recently, actual ownership. NSEDC is one of the CDQ groups to purchase an equity interest in the Bering Sea pollock fishery. We now own 50% of Glacier Fish Company, a company which owns two midwater trawl vessels. We also jointly own, along with Glacier Fish Company, a freezer longliner vessel. Through our offshore harvesting partnership we have been able to place residents of our region onto these vessels. They can earn over $25,000 in 'A' season alone. This kind of income is extremely significant to rural Western Alaska where jobs are hard to come by and many of the government jobs and programs are being cut. We also extend the employment opportunities to Alaska residents in our neighboring region such as Shismaréff and Koltag. It is very discouraging to hear the onshore sector asking for more fish when the request is going to mean shorter seasons and less income for our region. Through our offshore harvest partnership we receive royalties which have been between $4 and $5 million per year. We use these royalties to provide training and scholarships to our region residents. We fund shoreside infrastructure projects, salmon rehab projects and fishery development projects. Our per-ton royalty is based on the market price received for the pollock produced. It is very discouraging to hear onshore sector asking for more fish when the only previous allocation to shoreside sector resulted in depressed surimi prices. Our harvesting partner can alter some of the production away from surimi, but not all the production. Any reallocation to shoreside would reduce our royalty that we receive. Through our ownership of Glacier Fish Company we are working toward full participation in the offshore fisheries of the Bering Sea. We expect to use income from this investment to pay down debt and further in the future we expect income to help pay for programs in our region. We rely on this fishery to be an economic engine for Western Alaska. It is very discouraging to hear the onshore sector asking for more fish when any such reallocation will reduce income used by Western Alaska to pay down debt and to pay for programs benefiting their people who

by the way are Alaska residents and U.S. citizens. When we made the investment into Glacier Fish Company we were prepared to accept the risks of the fishing business. We took a careful look at the TAC, information on the new classes of pollock, the bycatch issue, market prices, and so on. When we made our investment into GFC we were prepared to live with the inshore-offshore indefinitely. Even though we were prepared to move forward with no change in inshore-offshore, if you feel compelled to make changes, then we ask that you choose one of the options which allocate more to the offshore sector. To the extent that there is concern about the impact to all of Alaska and not just the four communities studied by the Impact Assessment, consider that more of the entire pollock harvest is harvested on Alaska-owned vessels in the offshore sector than the inshore sector; that more of the pollock is processed in Alaska-owned offshore processing plants than Alaska-owned onshore plants; that the aggregate Bering Sea pollock payroll paid in the offshore sector to Alaska residents is now over four million dollars, which I believe is higher in total as well as per hour than the onshore sector; and that the vast majority of the royalties paid to CDQ groups is paid by the offshore sector. Looking at the broader impact on Alaska, any reallocation is destructive, but a reallocation inshore would on balance be most negative. It would be a fairer gesture to move forward with the status quo. But if a reallocation is to occur, then we have no choice but to advocate that the Council increase the offshore allocation as this would do less damage to Alaskan interests; than would be an increase to inshore. Let me conclude by saying that our region has one of the highest unemployment rates and highest poverty rates in Alaska. We know what it is like to have someone take money out of your pockets and wouldn't wish it on anyone. Real people's livelihood and opportunities for better economic future are at state here. It saddens me to see people in corporations trying to take our economic future away the way they have been doing, this push for more fish. Everyone has to live with the rise and fall of the TAC and the rise and fall of the market prices, but nobody should have the right to ask for their share and get it through this council. Thank you.

Stiles: . . .I am the Chairman of the Board of Directors for NSEDC and our decision to buy into Glacier Fish as a Board was based on the proximity of our communities and where the fish are harvested. The Norton Sound - Bering Strait region isn't anywhere near what takes place in the Bering Sea, I'm sure you're all aware of that. We are grateful for the opportunity to participate in such a lucrative fishery through our partners. That participation has helped in ways that are beyond belief. We felt the intent of the program was to put our people into the Bering Sea and harvest the fish that are out there and we seized the opportunity to buy Glacier Fish 'cause our successes came from there through the pollock fishery and it didn't really make good business sense for us to buy into smaller vessels for the localized fisheries that have suffered historically due to a lack of resource. Another reason we chose Glacier Fish was for their reputation for providing fair wages for our people. If you look at the high cost of living in Western Alaska you really can't expect someone to work for $6 to $8 an hour as an entry level seafood processor and still provide income for subsistence needs. In our region gasoline is up to $2.50 a gallon. That takes a lot out of a person's paycheck when you look at it over a whole gear. A gallon of milk is over $5. Glacier Fish has provided our people with opportunities in this industry but has still allowed them to remain culturally attached to the region. Our royalties from the pollock fishery have provided local fishermen in Norton Sound with a market where there wouldn't be any. It has helped provide funds for restoration projects to address the salmon problems that the people of Nome have faced for eight years. It has provided for education for our youth who dream of a higher education and provide for future needs in a declining economy. Some of those people are now working for NSEDC and in our management. Our interest in Glacier Fish is Alaskan-owned, our partners are from Seattle. We are Americans and we intend to remain that way. What we own as a portion of the whole picture is minuscule, but we realize the detrimental impact a shift would have in the overall picture of our success as a CDQ group and we recommend the status quo. Thank you.

No questions

4:39 pm John Iani/Allison McFall, UniSea. Iani: . . .with me is Allison McFall, our human resources manager. I'd like to brief and I know that you would like us to be brief as well. We're here representing all the employees of UniSea and would like to remind the Council that in past Council meetings where this issue has

been discussed we've had a number of UniSea employees testify before the Council. We neglected. . .or, we decided not to have them testify at this meeting because the nature of the meeting and where the meeting wants. . .is deciding for this document to go. I hope that the Council will not take their absence as lack of interest in this issue because that's certainly not the case. Again, I'd like to bring the Council back to where we're supposed to be and where we're supposed to go, and that is simply to send the document out for public review with the alternatives to go forward as well. And I bring a little history because I was here in 1989 when inshore-offshore 1 was first put together and have been here ever since that has happened and would like to remind the Council that the record and the analysis is a living and working document and it will continue beyond this document and beyond this meeting. Just in the testimony that you've heard before you and the testimony that was before the AP, I think this document has done what it was supposed to do; it's accomplished its purpose. It has put out to the public a bunch of information, a lot of information that has been both complex and full and it has brought the public back to you with ideas and information that it needs to fill the gaps that are in that analysis so that you as a Council can be better informed. I would like to discuss a couple of things, though, concerns that have been brought before you and probably will be brought before you after I am finished and after Allison is finished testifying. And those are a couple of. . .three items actually: market concentration, fish meal as a product, and employment and CDQs. And, with regard to market concentration you are going to hear a number of witnesses testify that the onshore industry is dominated by a global firm and a global conspiracy to take over the fishery world through the inshore-offshore allocation. I don't subscribe to that theory and here's the reason why. UniSea is owned by Nippon Suisan, 100%. UniSea's been operating in Alaska for 25 years. In the pollock fishery, UniSea has 12 vessels delivering pollock to UniSea. UniSea owns 49% of one of those vessels, about 5% of the production that goes to UniSea. UniSea has had a market share, or share of the inshore quota, its vessels have harvested about 23-24% and we negotiate with those independent vessels twice a year, every 'A' and 'B' season, on the fish price. More often than not there's been a strike because the price that we've offered has not been acceptable and they have not fished. We sell our products, which is the important part, we sell our products to Nippon Suisan in part, but we also sell our products to a lot of other buyers. We sell about 45% of the surimi that we make to Nippon Suisan, but we sell 55% to independent Japanese buyers and also buyers in Korea, Taiwan, China, and about 10-15% is sold in the United States. Some of it goes through our analog plant, UniSea's analog plant in Redmond, Washington, and on through distribution there. And, I think that's important for you to know because there will be some allegations in front of you that Nippon Suisan is globally dominating the surimi market. If that were the case, they would demand, I would think, that all the surimi that we produce be sold to them and controlled by them and that is not the case. We sell at arms length to competitors, some of them. . .and. . .Nissui also buys some product from some people in the offshore sector as well. The other concern that will come before you is meal as a product. There will be some who will say that meal should not be considered in the EA/RIR and should be removed as a product. I don't think that's right. I think that the document before you shows how much meal is produced and what that contributes to overall utilization. And in the inshore sector, some will say that the reason why we have meal plants is to comply with the pollution laws. Well, that's simply not the case. There were two ways to respond to waste discharge. One was to build meal plants and produce another valuable product. The other, and frankly the more easy way, was to throw the carcasses and offal back onto the catcher boat and have them sent out to the Bering Sea and dump it in a dumping zone. We simply didn't want to do that. So I think that the argument that meal should not be counted as a product because it was a repsonse to anti-pollution just doesn't hold weight. The third area I'd like to discuss is employment and CDQs. We are a CDQ partner with Central Bering Sea on crab and we are hopefully a candidate in the pollock CDQ arena with Coastal Villages Region Fund. We have joined with the factory trawler Alaska Ocean to put together a proposal and are in the process now of responding to that RFP, and actually have been interviewed for a second time and hopefully maybe chosen. But, the important part for the Council to know is that the royalty that we offer together as a joint venture was not conditioned upon the inshore-offshore allocation that's presently before you. In other words, it was independent of whatever decision this Council makes, and I think that's important to know. And, I would like to have Allison kind of provide a little bit more detail about some of the employment that we provide at UniSea in Alaska because the document shows you numbers of employees and wages and locations but it really doesn't show what were these jobs really like, and I think that's

important because some Council members, some members of the public have certain ideas about what shoreside processing is like and I'd like Allison to go over those a little bit for you.

McFall: . . .We do provide a large number of excellent employment opportunities at our Dutch Harbor facility. These positions include not only the seasonal processing positions but many year-round, full time positions. And our employees find UniSea to be a very positive place to live and work and some of the positive aspects of working at UniSea include the strong company emphasis on treating all individuals with a great deal of respect, a very strong policy against substance abuse, our open-door policy where employees can discuss any concerns at any time, a generous educational assistance program, very, very fine housing facilities where employees make their homes. Our benefits package is truly outstanding. As you probably know, the housing and meals for our Alaska employees are free, so they are enabled to save a very large percentage of their income. Our medical and dental insurance is excellent. We also provide both a 401(k) and a pension plan which I think is very unusual. Generous transportation policy for our employees, year-round, full time employees generally get two trips out a year, either to their point of hire in Alaska or to Seattle. Our year-round full time positions in Dutch Harbor really encompass a very large variety of fields, including just to name a few: production management, accounting and administration, production maintenance, power plant and meal plant operations, inventory management and purchasing, safety and security, environmental compliance, fleet support, hospitality, so a very wide range of a true career position, and all of them providing an excellent annual earning for the employees. We have a very strong promotion from within policy; all of our positions above the production processor level are posted throughout the company and last year over 60% of all the positions in the company were filled from within, so many of the departments and the career opportunities that I named previously are filled eventually from people who started as production processors. We have placed a great emphasis on our Alaska recruiting program. Increasingly over the past several years our HR staff has really worked hard to develop the program. We work very closely with the State of Alaska employment security department, specifically with Virginia Klepser, the State of Alaska seafood employment coordinator. Initially we concentrated our efforts on Southeast Alaska, but this last year we expanded to recruit in locations throughout the state. For 'A' season we went to 12 locations throughout Alaska and also recruited, of course, very heavily in Washington state. Out of those efforts in Alaska we hired 65 employees and in fact just this week our recruiter was here in Anchorage and hired 25 people. And, as John mentioned we have submitted a proposal to CVRF for the 1999 pollock CDQ and that proposal includes a commitment on UniSea's part a very large number of employment positions for the CVR residents, including a number of hourly positions that we've committed to, and an apprenticeship program for four people, and a very nice internship program for six CVRF residents in four departments at our corporate headquarters and at our Dutch Harbor location. Just to conclude, we 're fully committed to our employees in Alaska, providing very good career opportunities and a very positive work environment. Thank you.

Iani: Just in summary, . . .I forgot when I was talking about vessel ownership and vertical integration, since inshore-offshore was in place we have actually reduced our ownership interest in vessels. In addition to the one vessel I mentioned, we'd also had a minority 25% interest in the fishing vessel Alyeska; we no longer have that at all, so if anything we have divested ourselves of the harvesting capacity. Be happy to answer questions.

Council questions:

Pereyra: John, I would assume that you're familiar with Nippon Suisan's worldwide operations and that being the case, are you familiar with their operations in Chile involving salmon?

Iani: I'm only. . .I've never been involved or seen any of those operations, Dr. Pereyra. I know that they import Chilean salmon into the Japanese market, yes, I do.

Pereyra: Well, they happen to have a large operation over there called. . .[unintelligible]. . . Antarctica and I just wanted to find out if you were aware of that because you made a comment that you didn't see them as having some sort of a global strategy, you might say, for their operations.

Iani: No, that's not what I said at all, Dr. Pereyra. What I said was that, and I think that's a pretty good example of exactly what they're not doing in Alaska and in the Bering Sea, and so I'm glad you pointed that out because if they were going to follow that sort of pattern in Alaska in the Bering Sea I think they would be asking us to (a) buy our vessels, and to (b) sell all of our products into their marketing chain which, as I said, we're not doing. As a matter fact. . .we've gone down since inshore-offshore 1 went into place. Our sales to Nissui have gone down from about 60% down to about 45% presently.

Austin: John, you indicated that you have 12 vessels that deliver to you and I think the report points out that UniSea is the exception, which literally doesn't own any of the vessels themselves. How do you determine each year who the 12 are, and is there much change from year to year?

Iani: Mr. Austin, there has not been much change. We have with the vessels an agreement with them that if they either would like to add a vessel to the fleet or we would like to add a vessel to the fleet, it takes approval of all the fishing vessels who fish for us, so it comes at the end of each year, well, actually not year, but each season, where we meet with the vessel owners and decide whether or not they would like to add a vessel into the fleet. So, it's kind of an arms-length agreement with them and so far that's how it's worked.

End of questions.

4:53 pm Bruce Cotton, Cracker Barrel Old Country Stores. . . .I'm vice president of government relations of Cracker Barrel Old Country Stores in Lebanan, Tennessee, a chain of more than 350 restaurants throughout the U.S. Most of you know me better as the senior vice president of public affairs for Long John Silvers. I also proudly served on this Council's Advisory Panel from January 1994 until my removal this past December. I'm here today representing three major users of Alaskan pollock, fillets, and minced product in the U.S. The companies I'm speaking for include Gortons of Gloucester, a major supplier to the McDonald's chain of restaurants and to the U.S. retail market under its own brand, LD foods, the other major supplier of. . .**[Change to Tape 25. . .some comment lost in tape changeover]** . . .The combined production and sales of these companies account for almost 500 million fish meals made from Alaska pollock consumed by Americans each and every year. These companies are strongly opposed to any further allocation away from the offshore sector to the pollock harvesting and processing industry, whether through increasing the percentage of fish to be processed onshore or through expansion of the CVOA by time or area. We support an extension of the current program as is while the Council completes work on its comprehensive rationalization plan. We are opposed to reallocation of the pollock quota because we are deeply concerned over the effect such a reallocation would have on fillet production out of Alaskan waters. In calendar year 1997 less than 5% of the onshore sector's primary production went into fillets and this was a decrease from 1996, while there were 30% of the factory trawler's primary production went into fillets. For deep skin pollock, an increasingly important product for the U.S. food service market there was no shoreplant production in 1997. This is according to NMFS reports. There are two floating processors anchored and registered as onshore plants and they do produce deep skin fillet production, although certainly not enough to come close to satisfying this growing market. It does not appear the shoreplants have either the intent or the capacity to produce fillets sufficient to satisfy U.S. demand. Inquiries to the Japanese-owned shorebased plants regarding producing deep skin pollock for sale into the U.S. market have been unsuccessful. Only one of the onshore plants has made any serious effort to produce fillets. The picture's not much better for minced products which is used in the production of fish sticks for the U.S. market. In 1997 minced production from the offshore sector comprised almost three-quarters of the total out of the Bering Sea. Less than 1% came from the shorebased plants. For the companies I am representing today, 100% of their products are further processed in the U.S. creating further economic benefit to the people. While we do not have

the specific numbers in front of us, a much greater share of the fillet production is further processed and consumed in the U.S. than is the case for surimi blocks. If the allocation to shorebased sector is increased, the companies I am representing here today would be forced to buy more of their product overseas since the shorebased sector has not demonstrated an interest in fillet production. A greater allocation to the onshore sector would divert fillet and mince production currently generated by the offshore fleet into surimi production by the large-scale shorebased plants which in all practical purposes are dedicated surimi facilities. It is ironic that the Council would consider reallocation which will restrict production of fillets and minced blocks at a time when these products are becoming more and more attractive. There is currently a critical shortage of fillet and minced products in the world market. A reallocation by the Council restricts the U.S. industry's ability to work to fill that shortage. Alaska's been led along a dangerous path by the proponents of allocating more and more product to vessels delivering onshore, increasing the allocation will only increase the dependence of the U.S. groundfish market on the product forms and markets primarily served by the shoreside plants. The pollock industry needs alternatives to surimi so the fishery does not follow the same path as the Alaska salmon industry. We urge you to roll over the current inshore-offshore program. One final point I would like for the Council to consider. My former Advisory Panel seat was the only direct voice the U.S. market and consumers had on this Council. I have received numerous letters from members of the Council and from members of the Council family commenting on the loss of the consumer seat. I would implore the Council to reinstate someone, but not me, I'm not speaking for myself, but to reinstate someone with a connection to the U.S. markets and/or the end consumers to the Advisory Panel. Mr. Chairman, I'd like to thank you personally and to thank the Council for their courtesy to me and the time and consideration given this matter. I also want to thank you for letting a fella from Kentucky be part of this Council's process since 1990.

Council questions:

Pereyra: Bruce, one of the aspects of this whole process that I think is not too understood is the issue of how the secondary processors, or the tertiary sector, is able to shift, or not be able to shift, from one sector to the other. And I was wondering, do you have a difficulty making those kinds of switches from, say a deep skin product that you may have developed to something which might be entirely different, out of New Zealand or something like that?

Cotton: Well, you know historically our company used only cod from the North Atlantic in the early founding of it and for many, many, many years. Then as the cod supply began to dwindle we began searching for a new product form and it was one of the shorebased plants that came to us with a product called pollock which we weren't too familiar with. We experimented with that and we found that the regular skin pollock really did not work for our consumers or for our restaurants, but when the deep skin process was developed that our consumers accepted that once again. We also buy fish, as I've said before this Council before, from New Zealand and from South Africa and we find that the product can be differentiated between by our consumers which is a pretty amazing thing to me, but they can. If we were to switch to other products it would take a whole new educational process basically by Long John Silvers to train the customers that this is a product that we're serving now and it's good, wholesome and tasty.

Austin: Partly following up on that is, you're indicating there's a taste difference that can be detected; is there is a cost difference to your company, is there an economic impact of replacing the lost pollock with New Zealand fish.

Cotton: Well, deep skin pollock sells for more per pound than regular skin pollock does, so yes there is an economic impact on us.

Kyle: Bruce, could you just tell us one more time what it is that your consumers like and dislike, fish that. . .I think you told us at the first meeting you ever came up here.

Cotton: What it is they don't like?

Kyle: . . .what it is that they like, they like a fish that's. . .

Cotton: They like the fish that doesn't taste like fish. Sorry, but that's true.

End of questions.

5:04 pm Jim Wilen, Fisheries Economist, UC Davis. . . .I'm a fisheries economist from the University of California at Davis and I'm here on behalf of At-sea Processors to discuss the potential market implications of this reallocation of raw pollock. I've spent most of my 25-year career specializing in fisheries policy issues with a particular focus on interrelationships between fisheries policy and fisheries markets. Most of my recent work is involved trying to learn, for example, how fish prices are determined, particularly in the Japanese markets. I've studied sockeye prices; I've studied salmon inventories in Japan, I've studied roe markets, I've studied the sea urchin market and tried to figure out how prices in Japan are transmitted down to harvesters and divers in the sea urchin case. The other thrust of my research over the last 10 years has been in examining how policy changes affect markets and the profitability of fisheries. For example, I conducted a study just after the British Columbia ITQ system was adopted and focused in particular on how that was affecting the market. I think I've learned a couple of broad lessons from looking a range of fisheries around the world. First, policy changes that are aimed at one goal, such as stock conservation or employment or different user groups, very often have unintended and unforeseen effects on the market. Second, these market effects can have of course substantial impacts on resource harvesters and others who make their living from public resources. Now, why is this important in the inshore-offshore debate? Well, because I think that once again the market implications of this reallocation haven't been given serious enough attention and it's possible that we're setting ourselves up for adverse consequences by not thinking about this more carefully. Let me walk you through my thinking that's led me to this conclusion. Basically, my view of these two sectors that harvest this resource is that they feed raw product into two quite different production, marketing and distribution systems. The inshore sector is one that is tightly linked into and dependent upon the Japanese marketing system. The inshore sector is essentially a first stage in a production chain that converts surimi into a range of end products in Japan. Most of the profit in this system is earned in Japan in the value-added activities that are associated with processing and distributing the final products to Japanese consumers. This marketing and distribution system is dominated by two very large fisheries conglomerates who own processing, storage, distribution, retail and a whole range of supporting and peripheral industries. The reach of these two firms extend far beyond their immediate ownership interests because they also act as price leaders in this system. It's common knowledge among all people who sell into this Japanese system that these two large fisheries product conglomerates do things like set price ceilings, they announce maximum prices and use other overt and covert signals that serve to discipline the rest of the market. Now these practices of course are acceptable in a long standing tradition in the Japanese business culture and from their standpoint of course they make perfectly good sense because they have a very hungry food production and distribution system which basically needs secure volumes of low priced raw inputs. But being subjected to those business practices is not necessarily in our best interests as U.S. citizens, for obvious reasons. First, by becoming inflexibly dependent on that system we end up simply on the receiving end of a marketing and distribution chain in which the profits are made and retained elsewhere. Moreover, when market conditions shift in such a system such as in the recent Asian financial crisis, we bear a disproportionate risk because we haven't got a diversified portfolio of buyers to sell into. Let me talk a little bit about the offshore sector. The offshore sector of course is also dependent on the Japanese market for its surimi sales. There are in my mind two important differences between the inshore and offshore systems, however. The offshore sector is independent of the corporate structure of these two large conglomerates. The offshore sector actively works around major players by cultivating sales arrangements with other secondary buyers in Japan. In addition, the offshore sector converts and sells its raw product into a broader suite of non-surimi products including high-valued fillet products processed and marketed in the United States and other countries, as the previous marketing expert testified. As a consequence, when

surimi market takes a downturn, or when fillet prices rise, the offshore sector can react and move more into other higher income earning opportunities. Now, I need to point out, of course, that the offshore sector also has a reasonably large Norwegian entity which markets surimi as well as other fillet products. But in this particular case we have to regard this as a good thing from the perspective of U.S. consumers because essentially having another integrated and flexible fisheries company that markets across a diversity of products generates more competition for the raw product, which is in the end what we sell. Now, where I end up on all this is fairly simple. There seems to me to be nothing to be gained and perhaps something to lose by shifting raw product away from a marketing sector that's characterized by lots of players marketing a range of surimi and non-surimi products into a range of buyers, other than the big two, towards a sector that's largely dependent upon two large conglomerates whose fundamental interests are in procuring a large volume of inexpensive raw inputs. This isn't a decision it strikes me that a private business person would make and it doesn't strike me as a sensible decision that we should make with a public resource. Now, I want to wrap by saying that I want to make clear that I'm not making an anti-big business statement here, I'm not making anti-vertical integration arguments, or an anti-Japanese argument. I'm simply arguing that we as U.S. citizens that effectively own this resource ought to be trying to increase rather than diminish the competition among the buyers of our raw product. Taking resources away from the very sector that provides a countervailing force to the two large surimi conglomerates is clearly not the way to do this.

Council questions:

Pereyra: Dr. Wilen, in the last statement you made about what the U.S. should be concerned about in terms of maximizing the value of the resource, we've been talking a lot about the differences between the nation and Alaska, or I should say Alaskan and non-Alaskan. Is that issue embodied in this, or is that a separate issue?

Wilen: Well, that's a good question. I've been coming up to Alaska and working on Alaskan, and keeping abreast of, Alaskan policy issues for 25 or 30 years and I know that there's a pervasive perception among Alaskans that their interests often. . .[unintelligible]. . .with those of non-Alaskan citizens. And I've tried to think of that issue in the context of this particular inshore-offshore dispute, and when you start thinking about all the players involved and all the different elements, it starts to drive you crazy fairly quickly. I've come up with a way that I think makes sense to think about it. And, that is to first put on my hat as a U.S. citizen, and ask the question, what do we have here and what should we do with it. And, the way I view this, we have a resource here that effectively makes us like corn farmers. I mean, we're producing a raw product and it in some sense is really in our interests, as it would be to corn farmers, to have cereal conglomerates and feed manufacturers slugging it out over our raw product. And so basically, we're sellers in the same sense that a corn farmer is a seller and it makes sense to generate more competition for the raw product. Now, I raised the question, what kinds of markets do we have right now for raw product here in Alaska and actually we really only have one competitive raw product market here, that's the CDQ fishery. It's new, it's green, but it's competitive in a sense that both inshore and offshore sectors compete from that raw product and the beneficiaries of that of course are the CDQ who can be thought of as the owners of the resource in that particular case. Whichever sector, inshore or offshore, generates the most value from its suite of products, basically affords it the ability to bid the most for those CDQ opportunities. But, whichever group wins the bid, the CDQ communities benefit of course from this. I want to talk about this particular market because this year I understand that the price of CDQ fish is $250 to $270 a ton. In some sense this is the only barometer we have here in Alaska to tell us what price raw fish fetches in a competitive market. Now, I want to contrast what's going on in a CDQ market with what we see in the inshore market. What price is being paid to harvesters in the inshore market - about $170 a ton. And this exactly illustrates my point, which is basically the competition among buyers and market structure ultimately have a big influence on prices. In the CDQ fishery, the competition is open and vigorous among a large group of different players. In the inshore sector prices are comparatively lower reflecting the corresponding lack of competitive forces there. We have in some sense dedicated a big chunk of this resource to a system that doesn't exhibit

adequate competition within itself to bid raw product prices up and that's why I think you see CDQ prices of $270 a ton and inshore prices at $170 a ton. . .

Lauber: . . .Just a. . .this is all very interesting, but I've really forgotten what the hell the question was originally. . .are we going to get the answer here pretty quick?

Wilen: Well, I was just going to answer the question. . .there's a long. . .my thinking on this, I said I first put on my hat as a U.S. citizen. And the conclusion there is, of course, is that good and vigorous competition for raw product is a good thing. Now, I'm not Alaskan, but I'll put on a hat as an Alaskan. If you're an Alaskan, the question is what are we getting out of this resource. Well, we're getting some jobs, we're getting CDQ benefits, and we're getting some benefits to some Alaska harvesters, and we're getting, importantly, raw fish taxes. Now, the bottom line here is that all of those things to Alaska are in effect connected to a vigorous raw product market. And Alaskans would benefit most from a vigorous raw product market and in that sense, the interest of the U.S. citizens and Alaskan citizens are basically the same.

O'Leary: Doctor, I don't know that I could agree with you that, although I'm sympathetic to some of your arguments, the issue on CDQs versus the product that's being paid for on shore. My experience in the industry is that because of the nature of the way the CDQ fishery is being prosecuted that tends to have at least some effect of having value to that product to the people that are producing that. And therefore it might, it seems to me, mean that they could afford to pay a little bit more for it. You're talking about an open entry fishery at one point where people have to put a whole bunch of product through a plant all at once and then marketing it, versus a much more orderly planned fishery where you can sort of maximize your potential. I guess. . .it's just a comment, I'm sorry, Mr. Chairman.

Wilen: Actually, I'd like to respond to that because I think that's clearly the case. People I've talked to who work in the CDQ fisheries say that there are benefits to them in participating in that, for example tuning up their vessel for the open access fishery. It's also the case, of course, that people who bid CDQ contracts offer other things which in fact reduce their bid a little bit. I guess the point I'm raising here is that I know that some onshore plants are willing to pay $250 to $270 for CDQ fish. They, if they successfully win those bids, also have to pay harvesters to go out and get them, another 80 bucks a ton? So, they're willing to pay for CDQ fish, $350 a ton, but they're only paying their own harvesters inshore $170 a ton. Now, we can talk about numbers here, but there shouldn't be that big a disparity.

Benton: Dr. Wilen, I have two questions. One is, you've made a number of assertions and as Rebecca Baldwin reminded us, everyone has been over this information a fair amount and has had plenty of opportunity to know they're supposed to bring their information here and make it available. And, I'm curious whether or not you have and can supply us with the supporting data for the assertions that you've made and if you could do so, I for one would like to see it.

Wilen: Which assertion in particular, I mean, part of what I argued was simply that competition is a beneficial thing and in fact in some sense the thrust of what I'm saying.

Benton: Any supporting data you have for your testimony, can you supply it?

Wilen: Well, I could, if I have another opportunity to, sure.

Benton: Well, I mean after the meeting, or whenever, or to the Council staff.

Wilen: I can supply it at the next meeting; if you want a numerical investigation, for example, of markets, margins, those sorts of things.

Benton: This my second question? I guess it is. . .I wanted a little clarification of what he meant by his data. . .[Lauber responds, but is away from mike, can't hear]. . . O.K., have you developed numerical analyses to support your testimony yet and if you have, can you provide it to us now or within the week, or . . .

Wilen: Well, I haven't made a numerical testimony here, basically.

Benton: One other question, then, Mr. Chairman. O.K., I also understand that you're involved with Dr. Terry perhaps to develop the long-term economic data program that the Council, or the National Marine Fisheries Service, may try and implement to provide the Council with the kinds of information we've asked for. Is that correct?

Wilen: That's sort of correct. I have a colleague at the University of California, Doug Larson, and we both have a pretty active fisheries research program and this particular contract that Doug and Joe Terry worked up basically and I was involved initially in sort of thinking through what kind of things ought to be gathered, but I'm not really playing an instrumental role in the project itself.

Benton: And, that's under the aegis of the University at Davis, not under your current contract, right?

Wilen: Yes.

Fluharty: Dr. Wilen, does any of your work. . ., you mentioned you've been looking at Japanese markets, and perhaps others around the world. I think in light of what Mr. Benton is asking, is what kinds of information is there out there in terms of studies that demonstrate the ability to make the kinds of market control that theoretically I think we all understand are possible, but, what evidence do we have that this actually occurs. I think that kind of would be helpful to the Council, to have your insights as to what's available, what can be said along those lines.

Wilen: And I think the kind of information that would be important here and the kind of information that is important, actually, is for example a comparison of patterns in wholesale prices and patterns in exvessel raw fish prices. The data that I've looked at that pertains to the pollock fishery show basically a rising margin between those two. In other words, exvessel price has been relatively flat, wholesale prices are trending upward somewhat. But margin analysis of that sort is the sort of thing that you would be looking for because in a competitive system with enough sufficient competition among buyers, what you'd see is an exvessel price tracking a wholesale price. So, wholesale prices are moving up and down, you'd see exvessel prices moving up and down, too.

Pennoyer: Jim, I guess in following up a little bit on what Mr. Benton asked you and I'm still unsure of what we're ending up with. Are you presenting a report to the Council at some time, or we simply taking this as expert witness testimony, and have to evaluate it with no other follow up. While I agree your testimony wasn't strictly data driven, there are a lot of things that were based on studies you have done that are not accessible to us directly, so I'm still unsure where we leave all this.

Wilen: Well, as I said, in some sense what I'm arguing doesn't require much more than common sense. It basically requires you to believe that there are people out there looking for profit opportunities and that they exploit them and that in a situation where you have a raw product that's used up a chain of subsequent secondary and tertiary products that, when there's vigorous competition in the marketing chain, the activity of that gets passed down to the raw product and that's something that agricultural economists know, for example, when they're looking at the mechanisms by which changes in food demand affect the demand for corn on the farm. So, I mean, in some sense I'm trying to present something I think is based on a very few set of simple premises which not too many people can find objection to.

Pennoyer: As a follow up and sort of a second question, the answer then is yes, you're testifying as an expert witness, no there won't be a written report, and so I should get a print out from the Council record if I want to recall what you said.

End of questions.

Kyle: Mr. Chairman, just for clarification. We're receiving public comment, aren't we? Not testimony, expert testimony. . .it's public comment.

Lauber: Public comment, technically, yes.

[miscellaneous comments]

Pennoyer: Mr. Chairman, I remember I/O 1, when I think the Chairman reminded me that the record is the record and so it's all part of the record and you need to use it as you see fit in making your decision.

Lauber: Technically, I guess the terms the way we use them are interchangeable, but I've heard both used.

Pereyra: A comment following along this dialogue going back and forth about whether or not there are numerical models available and, you know, a lot of people are making presentations to us and they aren't providing us with any information, I mean, it's just testimony and I think we view it as that. . .[unintelligible]. . .documents or something, you know, we have that for a record, otherwise we just have their. . .

Pennoyer: . . .Dr. Wilen. . .because I certainly appreciate his testimony; I wasn't inferring I did not, and I don't think Mr. Benton was either, I think we were trying to determine if we're getting something else to follow up on or how the Council should recall that testimony and use it. Thank you.

Benton: Mr. Pennoyer summed up what I was after. I just wanted to know whether the gentlemen had, because he's an expert, whether he had further professional analyses that he'd put together or not.

Recess for the day.

April 24, 1998

[Change to Tape 26]

8:15 am Glenn Reed, North Pacific Seafood Coalition. . .I'm here testifying today on behalf of the North Pacific Seafood Coalition. We're a group of shorebased processors, two mothership floating processors, and catcher boats. I'm speaking today in favor of the document before you going out for public review. I passed out the morning, or Helen did for me, a small packet with a clip on it with some information that I wanted to go over real briefly before I get into my testimony on the document. The slide up above right now is from those documents that I passed out to you and they include a variety of information about one of the large companies involved in the fishery, American Seafoods. You've received documents over the last week or so characterizing Nippon Suisan's parent, Nissui, and Maruha, the parent of Westward Seafoods and partial owner of Alyeska Seafoods as having a global vertical integrated strategy to control this fishery specifically and possibly others as well. This mission statement above on the screen is from American Seafoods and the only thing it doesn't include is their global strategy, I guess. I've also included a copy of the website of Norway Seafoods, this strategy is from the ocean to the plate. If you'll look at the website of American Seafoods, on the back page it lists a shipbuilding company that they own 67½% of, that's several of their vessels, the American Triumph, the American Empress, Arctic 1, and American Monarch, so they're integration seems to reach into the shipyard and capture some value

in that part of the chain as well. I've also included, as a result of my understanding that you've received information about salmon as well regarding these Japanese companies, I've enclosed some information on salmon farming and Norway Seafoods continuing a growing investment in that industry in the back of your packet for you to look at your convenience, though it's not part of this discussion specifically. This issue of vertical integration has been interesting and troublesome and I've been listening with a lot of interest to the testimony that you've heard from professors of economics and on down to the line to people like myself who take a little simpler and less educated view of these things. I was interested to read in the Wall Street Journal this morning an article on corn wheat prices drop. . .[unintelligible]. . ., talking about futures and inventories which weren't discussed much in the talk yesterday. One of the things in this article form the Journal today says, 'outside the volatile world of meteorology, market participants remain concerned about the Asian economic situation which has dragged down agriculture commodity prices throughout the year.' And, I'm not sure if that's what was being insinuated by the discussion on corn yesterday or not; I don't know if the Japanese are controlling our corn market, too, seems like it might be a possibility we should look into to. To move on to the document, I only have four points that I want to go over today. Those include utilization, value, employment, and taxes and fees. These are points that we have consistently tried to bring to the attention to the Council and others involved in the process as they may affect the allocation of the Bering Sea pollock resource. Starting with utilization, from the April 1998 Council document, page 85, the utilization rates above, indicate a consistent and growing trend of a gap in utilization between the inshore sector, the true mothership sector, and the offshore sector. And, as been mentioned before, there has been issue taken with the use of meal in these utilization numbers. As meal becomes more of a integrated product in industries beyond farming of fish and into farming of chickens, pork and beef, it's becoming a more valuable product and we see its price going up on the world market and I think it's critical that it continue to be included in any valuation of utilization. As we've been encouraged, if not forced, to make use of all the products, I think it's important to note that the shorebased processors have been inventive in ways to recover costs from utilizing what was formerly considered waste and compare that to a dramatic difference in the offshore sector. In the value-per-ton of pollock in the Bering Sea, my chart here combines the mothership sector and the inshore sector's value, not on a weighted scale. I didn't weight it at all; I took the total value per ton out of the document, I added it together and divided it by two, so it's probably a little lower than it would actually be if it was weighted. It's still about 6% higher than the value per ton in the offshore sector and I think that's. . .it's interesting to me because up until this point in this process we have been consistently accused and referred to as getting less value and making less valuable products and on and on and on, so it was interesting to us and somewhat of a surprise to me personally that this number came out this way. Most of the discussion has been focussed on it being just the opposite. The employment issues seems to be one of the key and critical issues in the debate. From the Council document, updated employment information paper dated April 17, 1998, based on offshore information provided by the At-sea Processors on onshore information provided by the Department of Labor, we noticed again a dramatic difference. And while these numbers differ from some other numbers that have been presented, the trend seems to be very consistent and they track the work of Impact Assessments, while they mention that one may be related to an FTE component and another is a year-round employment figure, there's a trend regardless of the measure used, of consistency between the percentages as well as the dramatic difference in numbers. Another issue that's come up in the wages is the issue of family wage jobs versus kind of, quote, unquote, six bucks an hour. I think it's important to note in the information before you on the inshore sector in the Impact Assessment study, the wages for Alaskan residents are dramatically higher than the wages for non-Alaskans and the opposite seems to be the trend in the offshore sector. I was also confused I guess a little bit by the job opportunity value of a job and the information presented to you by the at-sea processor, the factory trawler group, in that in the AP the job opportunity was described not as wages earned by people, I think it was about $13,000 a year was the average they published and put in the paper to you, that's not actual wages, that's the opportunity that anyone who worked for any part of the year would have earned had they worked for a longer year if they had chosen to. I think one amendment that could be made to the document that would make it more valuable if we just put what people earned if we're going to use historical data, and not what they might have earned had they made different choices. That seems like a. . .that seems ridiculous; to me it seems like a way to twist a number that's not very real. If they didn't take it home, why put it in there. I think it's

clear that at the entry level offshore jobs based on harvesting and processing of the pollock pay more than onshore jobs based only on processing. We've tried hard to interject some of the wages for the catcher boat fleet to balance the inshore $6 an hour processing entry level job with the catcher-processor, . . . crew share/hourly job, in some of the information there was a July study done in part by the Council that shows pollock offshore catcher boat wages average about $60,000 a year. Those are not included in these numbers and I think it's important for you to note that and if there's a way to include them I think it's important to try to do that. In taxes and fees, particularly around Alaska, this chart [referring to overhead] isn't entirely complete, but it gives an idea of the trend and I think it's clear that where processing occurs by floating processors close to shore or by shorebased processors, and that's compared to processing that's occurring beyond three miles, the advantage to the impact on the communities and the people in coastal Alaska is again dramatically different between the sectors and your document, I think, outlines that real clearly and the chart up there just tries to pull a few of those things out. Some of them are variable and some of them are fixed. According to the Council document, there's a 17% average leakage in taxes from the offshore sector. While that includes both true motherships and factory trawlers in that data because of the time that it was gathered, there was a suggestion made yesterday that those be separated. I would agree with that suggestion, that if they can be separated let's do it and have a look at that and I think it will be telling as well. Thank you, Mr. Chairman.

Council questions:

Behnken: . . .Glenn, I guess I am a little surprised to hear about the offshore involvement in salmon farming. It's the first I've heard and have actually seen in print, oh, newsletter, special supplement to the Fair Market Report, that the offshore sector does not have any substantial involvement in salmon farming. Is this involvement of the Norwegian parent company of American Seafoods, is that something new in the salmon farming, or has that been an ongoing involvement?

Reed: . . .Ms. Behnken, I don't think it's new at all and I was surprised also as I received a copy of the Fair Market Coalition's report. . .actually I wasn't surprised at all, but I was discouraged to see that report not mention the offshore sector's involvement in salmon farming and even more discouraged and frustrated and upset to see that they had mentioned it in a way that indicated there was no involvement. I actually called their office, a very, very short time after I received that document on the fax and talked to them at some length. I faxed them this information and some other information that's older than this information and asked if they would print it. They invited me to write them a letter to respond to them. After reading the quote taken out of a letter that had been written to them previously on another issue I chose not to do that and just asked that they print these documents that you have before you and try to balance the argument that way. And I hope they give a full page on this information as they did on the other information which as it turns out was completely inaccurate. Other information I'm trying to find, I think there's also a large amount of investment from this Norway fish farming company in Canadian fish farming, a little closer to home, so those are the kind of things I'm trying to help them provide. . .provide to them to add some balance to this document they send out periodically that gets a very wide audience.

Pereyra: Glenn, when you were speaking just earlier about this leakage issue, I was wondering, I know that the shoreplants in your coalition certainly make significant contributions to Dutch Harbor and Akutan and they pay significant taxes and that's certainly self-evident, but you have some motherships that are in your coalition also and I know there has been a significant amount of product which has gone directly to Japan which has resulted in tax leakage and I'm wondering if that is a concern to you.

Reed: . . .I suppose that it would be a concern to me as a long-time Alaskan of any leakage of taxes. During my brief government career I worked hard on passing that landing tax law that was fought vehemently by the offshore sector for three years before they finally decided to start paying it. And, in the case of the motherships, two of the motherships have consistently paid that tax since it came into being. One of the mothership make a business

decision each year as to what's better to do for their company, to take the product to the market in a vessel that was designed to do that, or whether to pay the taxes, and as you mentioned, in 1997 they paid taxes, this year they didn't. This year they donated $120,000 to educational programs and Steller sea lion research in lieu of those taxes and they've indicated their intent to continue to pay that. The leakage, it concerns me from in a sector that's currently harvesting 55% of the resource more than it concerns me in a sector that's harvesting somewhere in the neighborhood of 10% of the resource and on a percentage basis, as I mentioned, I'd like to see the difference between the motherships and the factory trawlers broken out so we can have a look. So, the short answer is yes, and you just heard the long answer.

Pereyra: ; . . .I think it's good that they're now paying taxes. There's about a half a million dollars in back taxes that haven't been paid, but regarding the motherships, what sort of . . . I mean the shoreplants certainly made very significant investments in Dutch Harbor and Akutan and King Cove and other places that are certainly very important to those communities, but what sort of investments of the mothershps made that are in your coalition, what sort of investments have they made in Alaska?

Reed: . . .I think I'd agree with you that it's important. First of all, to respond to your first comment that they pay their back taxes. Again I'd like to reiterate that two of the motherships have paid 100% of the taxes on their fish since the tax came into being and neither one of them sued the state for three years to try to not pay them. As far as the shoreplants having an impact on the communities of Dutch Harbor, Dutch Harbor-Unalaska, and Akutan, I think it's important to mention that all the communities of Aleutians East Borough, communities in the Gulf, are affected in some way by this pollock fishery, either directly or indirectly. Most, though, include several communities of the Borough, Akutan, and Unalaska and I think it's important not to forget them. As far as the investment made in Alaska, as you know the shoreplants have invested about a half a billion dollars in infrastructure and plan development and improvements over the last ten years of this pollock fishery, much like the factory trawler fleet, the motherships are based in Seattle, they have office locations, at least one in Dutch Harbor, one of them remains an Alaska incorporated company, they pay corporate income taxes. I think one of the differences is that one of the offices that one of them has in Alaska has been opened for a number of years, so while in testimony yesterday I think the motherships indicated they invest their capital in their processing platforms and that's their business decision as well. I think in the offshore sector factory fleet the same might occur.

Austin: . . .Have you had an opportunity to look at the AP's recommendations to corrections they'd like to see in the McDowell report?

Reed: . . .I haven't had a chance to read and look at that, no sir.

Austin: Then I can't ask you if you support them, can I?

Reed: You could ask me if I support them, I guess, but I would just. . .

Lauber: I would suggest you review that last slide, on taxes. If you use that again, maybe you should take a look at. . .I think the first item at the top was business, which is the. . .actually the fisheries business license tax, you list 3% inshore, I think you'll find it, that's 3% and 5% for inshore floaters. O.K.? The other thing that you listed is landing tax, and you list that under the offshore fleet that lands, that 3.3%, but I saw nowhere the inshore tax assessment for Alaska Seafood Marketing Institute which is actually, corresponds to that .3% that's on the landing tax, so you're. . .to my knowledge at least to that extent you're incorrect and of course you don't get deducted for that because it was incorrect to your detriment, not to your benefit. . .in other words, you should have pointed out the taxes are higher.

Reed: Thank you for correcting that, Mr. Chairman, I guess that might illustrate one of the issues related to employment in this debate, and that is that regardless of what happens, I lose my job.

Lauber: Yes, but I might respond to that, the way we've been going, you will be back. Inshore-offshore 4 is just over the horizon.

Samuelsen: Glenn, did you finish your presentation? I notice you had a number of overheads there.

Reed: . . .Yeah, I finished with the overheads and I was pretty much wrapping up when the red light came on.

Samuelsen: Well, O.K., good timing. I was going to request that you be allowed to present the other overheads if you had them. Do you want to see the document go out as written with the AP's recommendations?

Reed: Yes, sir.

End of questions.

8:35 am Doug Christianson, Arctic Storm. . . .I'm the President of Arctic Storm, Inc, Arctic Fjord, Inc., and Seastorm, Inc., all participants in the offshore sector. I'm here this morning to give testimony regarding the impacts of any reallocation between the onshore and the offshore and the inadequacy of the current document before you and the use of that document to make a informed decision that's in the best interests of the nation and the state of Alaska. I don't believe that the Council has basic cost data or current market information to begin to understand the various impacts associated with any change in an allocation. The document that's before you advises you that impacts are expected to be proportional to the allocation changes considered. I strongly disagree with this statement and the notion that allocations being considered are so small that net impacts to the nation from any of the alternatives will likely be significant. The necessary data has not been gathered to support this opinion with any degree of reliability. Reducing the CPs from 55% to 50% will result in a nearly 10% reduction in our harvest and our gross income. The nature of our industry is such that fixed costs are very high. As a result the last fish we harvest are those fish that add anything to our bottom line and its these fish that are the subject of a reallocation. In the current market situation all the companies in the pollock industry are having a difficult time. With a reallocation, it's the companies such as ours, a small-to-medium sized factory trawler company that's going to have the greatest difficulty surviving. I do not believe it's a proportional impact for one business to survive and another business to fail. Nor do I think a business failure is an insignificant impact, and I'm concerned that these issues are not being analyzed fully. It's been documented that since I/O 1 the shoreplants, the actual amount of fish that they have harvested has remained relatively constant and the amount of fish that the true motherships have harvested has decreased slightly while the amount of fish that the CPs have harvested, and especially the surimi CPs, like the Arctic Storm and the Arctic Fjord, has declined significantly. And I do not believe there is no coincidence in the fact that we've had eight business failures in our sector while the motherships and the shoreplants have not had a single business failure. The information before you is dated basically from '91 and '96 and while that's valuable data that you need to use during your deliberations and the public needs to see it to make their comments, you simply cannot ignore the current market situation in evaluating the likelihood of any impacts of a reallocation. In 1997 and continuing through today we've seen an incredible collapse of the Asian economies such as Indonesia, Thailand, Korea and Japan. These are the primary markets to which we sell our products or their markets which have an impact on our primary markets. The current yen value of surimi has dropped at least 25% in the last six months, and possibly more. The value of this year's roe pack was 25-30% lower than last year. Most of the CPs in our sector have not yet sold any of their 'A' season product. For our company this is a unprecedented situation. We're carrying inventories that we have never, ever had to carry in the past and it's putting a tremendous amount of strain on our company. Not only has the yen value of the products fallen, but the dollar, the U.S. dollar has strengthened over the last 12 months by nearly 17% and this has a direct impact on our bottom line as well. These economies that I'm talking about, those in

Korea and Japan, which are our primary market, they're not going to turn around quickly. It's going to take months or years for these economies to turn around and this data must be considered in determining any likely impact from a reallocation. If stability is what is desired in this industry, and I think we all believe that that is what's desired in this industry, then you should not make a change in the allocation. Any change in the current allocation is destabilizing and the likely impacts have simply not been addressed in the document that's before you. I don't think the impact on the CPs as I've just discussed has been adequately addressed. I don't think that the impact on the crews of the CPs have been adequately addressed. For instance, the crews on the Arctic Storm and the Arctic Fjord, with a shift from 55% to 50%, the crews on my two boats alone in the first year will lose $925,000 in annual wages. Over a five-year period, that's nearly $4.6 million and extrapolating that out to the entire CP fleet, that's in excess of a $50 million hit in wages, wages that I think we've demonstrated are not directly transferable to the onshore sector. I think that these sorts of things need to be better addressed. In closing, I think it's important to have the diversity and the competition in the marketplace and if you reduce the competition, then you're relying heavier on price negotiations between the remaining participants which are going to be primarily dominated by a foreign parent corporation and its U.S. shoreplant subsidiary. Thank you.

No questions.

8:43 am Dave Fraser, American Independent Fishermen. . . .I'm here on behalf of American Independent Fisherman but I wanted to start out with a personal note. One of our vessels is the Tracy Ann and it didn't get listed in the table of ownership in the back; it is an American-owned boat. But, just thought I'd put up a brief history of our market over the last period since inshore-offshore was passed. The first one bankrupt, mothership, Royal Seafoods went bankrupt, fished for the Valiant for a while, and they lost that boat to American Seafoods; fished for Cold Sea for a while and they went bankrupt and then the Brown's Point and they ended up bankrupt and we sold to [unintelligible] when they were managing the Victoria Ann, they went out of business, sold to American. So now we're fishing for American, so I don't think you need to worry too much about American being around much longer, and if we go shoreside, we can deal with the Japanese problem, too, so. . . That's all on that. But while the Tracy Ann's invisible in the document, Darrell's going to fix that, but the under-125 foot sector itself has been shrinking since 1992, inshore-offshore didn't protect them. Excerpts of a couple of things that are in the EA, our fishing time collectively has dropped from 1245 (?) weeks to. . . **[Change to Tape 27--lost some in the changeover]** . . .ownership of its fleet, and other than that company, the low end of the range is 45% of the vessels and the high end of the range is 86% of the vessels, has some company ownership or control, according to the analysis, so there's been a loss of independence. So, I'd speak to what that meant for the fleet. [Referring to an overhead] Prior to inshore-offshore we had a large fleet of independent boats and a few company boats. The value of the products from a ton of groundfish was about $444 in the wholesale mode and the exvessel price back then was about $187 per metric ton, about 42% of the final value. Over time, 1994, there's a little better utilization shoreside and the amount of products generated, their value was up a little bit to $484. Meanwhile, the price to the fisherman was down to $170 which is about 35% of the value of the finished products. By 1996, utilization rates were continuing to increase shoreside; the value of the products generated reached $593. Meanwhile, we were back to the original price of $187 per metric ton, but the ratio now is down to 32%. So, if we had retained our independence somehow by having the freedom to sell into competitive markets where price is what brought fish to a buyer rather than a mandate, perhaps we might have retained that 42% share of the value of the product and even now getting $249 per metric ton, which is about a spread of about $98 million over the course of the fishery. This net result of, well it's correlation I guess, but, as the percentage of company-controlled boats is increased, the potential revenue share has also been decreasing. That could be explained a couple ways. One is that there's a loss of bargaining power when the fleet is in large measure company owned; it could also be explained by the extra value being created in terms of a wholesale price for the finished product, involves some significant cost to produce, so there isn't a net benefit to share with the fishermen; maybe the fishermen are getting all that's really on the table. But if that's the case, it speaks to the issue of net benefits rather than looking at gross sales. But in any case, if it is a matter of reduced price because of reduced competition, the value that the resource could have, that would be in turn taxed, would be significantly higher and

would have been a benefit to both the independent fleet and to the state of Alaska as a tax base. The Advisory Panel recommended that you consider another alternative, Alternative 4, which would be based, if you go back to Alternative 3, it has a bunch of sub-reserves for vessels under 125 feet in the shoreside sector, for vessels delivering to factory trawlers and a mothership sector. If you combine those amounts and provide a free market, free choice sector for vessels under 125, that would go a long way to creating a vigorous and competitive market for the catch of independent boats. The box at the bottom of the table here is looking how that alternative passed by the AP would function with the range of percentages listed under alternative 3 and how they combine. I included in what got passed out to you, a page that also looks at a couple of the other options that were different from a 35/65 split and so there's a matrix of where these numbers could fall out. My personal interest isn't to push for major reallocations and so I've highlighted for you an option that is pretty much based on the status quo, 35/65 split, but you can see how the other alternatives would work. And that's the last slide.

Council questions:

Kyle: Dave, I'd be curious to know, two questions, but first, the AP identified the 125 foot length category as an area to perhaps allocate to. What if up to 155 was included and why didn't you include that, or it just didn't come up, or what would be the impact of stretching that to 155, which is another data point in our document, really.

Fraser: It is the sector under 125 who's suffered the most erosion over time in its share of the catch. The boats up to 155 have been the ones that have been growing in terms of their sector of the catch. If you look at some of the new big boats that have come on line, actually over the 155, too, but like the Alaska Command, it appears that given their packing capacity that that boat alone could harvest 6% of the inshore quota. So, those are some big hitters there and even at the 155 or 150 break, what you don't have in the document is a tankage chart to show you what the packing capacity of various sized vessels might be, but I think if you had that, you'd see what a spread that is. The other factor is, there's been a lot of people in the under 125 foot sector who have been grousing and wanting to maintain their independence, they tend to be more the family owned, sort of partnerships, and what not, and as you increase into the bigger sector, I haven't heard too many of those folks coming forward and asking for market freedom and they're mostly pretty tightly related to their markets whether through ownership or long-term contracts. The one thing I would say is that. . .I was thinking about this later, in the offshore sector and in alternative 3 in your document that reserve is not spelled out as being for under 125, and there's a little bit of catch history by boats over 125 in the offshore sector. I started thinking about that last night and it may not be quite appropriate to exclude them entirely from that, you know, their historic participation there. So, you might set aside a couple percent of that what had been the reserve for catcher boats delivering to factory trawlers as a free choice market for the over 125 boats, but you'd want to relate it to their catch history and in the mothership sector it's almost zero and in the factory trawl sector it's a couple percent.

Kyle: My second question then is, as a representative of the American Independent Fishermen, and knowing what's really looming in the background behind all of this, which is a monster to some and a panacea to others, I notice in the document that the catcher processor sector does not rely on catcher boats when they're fishing CDQ, and I just wondered how you feel about that, where's the future of catcher vessels down the road?

Fraser: In terms of participating in CDQs?

Kyle: Well, or any similar type management regime. As I said, the catcher processor fleet doesn't seem to need catcher vessels to help feed the plant when they're fishing in a CDQ mode, so. . .

Fraser: That's correct, and I think that will continue to be the case. I don't think that vessels participating in shoreside CDQ arrangements actually receive much over their just basic opportunity costs, so that it's pretty much a wash to participate unless you have that vertical integration, whether it's between a shoreplant and the catcher boat or between a self-integrated factory trawl unit. I think there isn't much likelihood that that will change in

terms of factory trawlers with CDQ partners using catcher boats, but I think more importantly to us as catcher boats, if our fish was our fish and we could choose to follow price and where we delivered that fish, I think there would be competition for our fish like there is competition for CDQ fish and that would give us status. I'd just be happy to have that kind of competition and let CDQ be on its own.

Pereyra: Dave, looking at the options we have before us, and of course including this also, and the objective of this option, right now I think, I don't know if my statistics are right, but I think the independent catcher boat portion of the offshore CP quota is somewhere in the neighborhood of 8% of the offshore CP quota?

Fraser: Yes, you've got to be careful how you express it, whether you're expressing it as the TAC, the offshore sector including motherships, or the offshore sector without motherships, and the number bumps around, but. .

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Pereyra: But we have a range that in our options goes between 9 and 15, which puts the entire range slightly above where they are today. And the question is, if the point that was selected if in fact that option were to be selected, if the point were, say, 50% higher than where it is today and it becomes a fixed minimum, doesn't that automatically create a somewhat competitive environment to enhance the position of the smaller independent offshore catcher boats?

Fraser: Yes. From my personal perspective delivering offshore I would really like that kind of situation so that my catch was of clear value to a factory trawler. I think from the perspective of the health of the fleet as whole, the under 125 fleet, the alternative 4 is better, it does something for everybody, not just for the ten or so catcher boats that deliver to the offshore sector, but if you don't go with alternative 4, certainly the reserve for catcher boats delivering to factory trawlers is something that I'd support wholeheartedly as a fallback, and again, it's our fleet that's been eroded. Some of the guys that started out shoreside have ended up finding that it's been worthwhile for them to move to the offshore sector just because their capacity and size and whatnot, they're just not competitive in the shoreside.

Pereyra: One last question. One aspect of the dynamics in our pollock fishery is not really captured by the document, I think, although it tries to. . .the changes in the negotiating ability of the independent catcher boats in terms of price as this erosion has occurred that you demonstrate here. Given the fact that the offshore catcher vessels are not mutually exclusive from the inshore catcher vessels from price, in fact, probably inshore's the price leader, I think that that's captured in the document, how do you see this evolving. I mean, looking at what's happened, how do you see this evolving over time given the current situation?

Fraser: Well, if we don't change from our status quo arrangement I think it's an ongoing downward slope. You know, it's not that the marketing associations aren't doing a good job, but the whole pie's not on the table. Basically, the crust is on the table in an open access kind of fishery and they're getting what's there to get but there's a lot more that could be there to get. I mean, obviously if we went to ITQ, sort of, in the long-term, there's a lot more on the table because the whole character of the fishery changes, shoreside as well. I mean, they have a different opportunity not to be capital stuffing in the race for fish and so forth, so the pie expands, the filling's on the table as well as the crust.

Austin: Dave, is there any items or information that you think could be put in the report that would help us or strengthen our ability to evaluate this loss of catcher boat independence?

Fraser: Well, the AP went through a process of going through the document in sort of a technical fashion of correcting little line items, asking that various charts be expanded with more detail and what not, and then we also made a laundry list of recommendations. I don't know if. . .I didn't see our own minutes to know if the technical stuff got put into the minutes or not, or if staff just took their own notes on that. Some of the things that we

asked for, recommended was some finer detail looking at the horsepower breakdown, you've got two break points, now, under 1,000, 1,000 to 1,500, and 1,500 and over. There's horsepowers up into the 6,000 range, so it would be helpful to see that breakdown. It would be helpful to see a breakdown of the tankage capacity of the different vessel sizes and then looking. . .there's a table on page 80, I think it is, it looks at the percentage of boats that have delivered more than 5,000 tons per year and under. For us in the little market, 5,000 is a decent year. So in order to see, particularly in the offshore sector where catcher boats are delivering to factory trawlers, whether those are just. . .you know, a boat that is a shoreside boat and its primary market that is able to pass a bag now and then to a factory trawler coming out from offload, or a boat that's full-time dependent. You need an extra break point down there. There were a number of things that the AP recommended in that regard and I think it was pretty well covered.

Lauber: Dave, you fished, or do fish both inshore and deliver offshore as well, and can you tell me how the price, you arrive at your price when you're delivering offshore, how that is negotiated or arrived at?

Fraser: Sure, catcher boats in the offshore sector don't have a guaranteed quota at this point, so we're basically cutting off our nose to. . .or whatever the analogy would be. . .if we were to go on strike. The factory trawlers would say, O.K., fine, we'll just catch it ourselves. We've got no leverage. So we're price takers like everybody else in the harvest sector. And, the general trend has been to index the price to about 87% of shoreside and in a relative sense that's a pretty good deal. If you look at what a shoreside boat does, it spends a good percentage of its time being a tender essentially, brings the fish in and, you know, spends a third of the time fishing and a third of the time running and offloading and what not, I don't know, half and half, whatever the percentages are. Well, in the salmon fishery, I don't know what tender contracts are going for right now, but one time they were a nickel a pound, so if you deduct a nickel a pound from the eight cents that they're getting paid, they're really getting paid three cents to go fishing and then they're getting five cents a pound to be a tender is one way of looking at it. We don't do any tendering so we just think we're being paid just for our fish, and in some sense our base price is better than theirs.

Lauber: Your price is basically based upon. . .

Fraser: They're linked. It's a price taker situation and we've go no leverage.

End of questions.

9:04 am Paul MacGregor/Ed Richardson, At-sea Processors Assn. . . .I'm here on behalf of the At-sea Processors Association to talk about a subject that's near and dear to my heart. Along with me is Ed Richardson who is a staff economist with APA. I'm going to testify briefly about the analysis and the position of our association as to whether or not this document is adequate to go out for public review. Ed was actively involved in the audit process of the employment and wage data that APA put together along with the pricing information we've supplied to you and Ed has some comments in connection with that. I hope I don't use up too much time on my part of the testimony here. APA supports sending this document out for public review, at least those portions of the document that deal with the issue of whether or not to roll over or extend the inshore-offshore allocation beyond January 1, 1999. It's our opinion that the only problem that has been identified that needs to be addressed at this point is the fact that the current inshore-offshore regime expires at the end of this year. We don't think that it would be a good idea to have a lapse back to an open access system in neither the Gulf or the Bering Sea that would create the inter-sector preemption problems we had before. So, we think that the regime needs to be continued and to that extent we think those portions of the document dealing with an extension of the regime need to be sent out for public review so that the Council can take action in June. With regard to the allocation changes, however, we have yet to see a problem that would justify a switch of allocations and from that standpoint, without a problem that would justify a change we would recommend that the allocation switches not

be included in the document that goes out for public review. This is particularly true in view of the analysis that is in the document and is not in the document. Even if a problem had been identified that would require some sort of allocation shift to address, we don't think that the analysis in the document justifies or would support any such shift. In the first. . .the first reason for that is that there is no cost data in this document. There is nothing in this document that would enable the Council to reach any sort of net benefit conclusion associated with a shift in allocations. We've known that for a long time, at the outset of this initiative we realized there wasn't going to be any cost data and an unfortunate consequence, and despite the staff's best efforts in a very abbreviated time period, we have a document that does not enable you to make the net benefit calculations you have to make in order to justify any change in allocations. This gross revenue assessment that is included in the analysis is not a surrogate for a cost benefit analysis. You cannot draw any sort of net benefit conclusions on the gross revenue analysis that's in there. In particular, there's a very fundamental flaw included in the gross revenue analysis and that is that you can make wholesale changes in allocations from one group that makes a diverse product forms, sells to a diverse number of markets and transfer fish from that group to another group that is primarily a single product oriented producer that sells into a limited number of markets, and then that there will not be a price effect associated with that transfer. If there's a price effect associated with transferring this product around, and we believe there would be, then the gross revenue analysis is wholly inadequate to enable you to calculate what the net impact of that would be. There's no consideration in the analysis of the consumer surplus associated with products that are made for the U.S. market, value-added here in the United States economy and sold to U.S. consumers being transferred into a product that's primarily a semi-processed product and sold to foreign markets for further processing abroad. There's no consideration in the document of the impact that this will have on small entities as required by the Regulatory Flexibility Act. That Act requires that an important stage in the development of regulations that an IRFA be prepared and circulated to the public for comment so that they can identify areas in which their interests are impacted, their interests be small entities. You heard yesterday from people that testified from Icicle, from Ocean Beauty, and from one of the other small independent processing organizations here in this state, concerns that they had about the competitive effect that a transfer of fish from the current system to their major competitors in the shoreside industry would have on their ability to remain competitive. There's no analysis in this document that would help them to make meaningful comments on the impacts the proposed changes would have on their business. Similarly, you heard from Mr. Gauvin about the impacts that transfer would have on the spillover effect on other elements of the fleet; there's no analysis in this that would enable you to make conclusions on those impacts either. Finally, with regard to the impacts on fishery-dependent communities, we think that unfortunate that there is a large gap or hole in the analysis that you have available to you in so far as the impact on fishing dependent communities are concerned. I testified about this in December; I testified about it again in February, and unfortunately I'm going to have to testify about it again here. You have two separate documents that are supposed to address the impact on fishing dependent communities, it's not one integrated document. It's two separate documents. One, that's the Impact Assessment's document that looks at Seattle, Kodiak, Akutan, Sand Point, and Dutch Harbor. It presents to you community profiles on those communities. In addition, you have the McDowell report which is an analysis of the linkage between CDQ communities and the pollock allocation. But the McDowell folks did not talk to people other than the CDQ groups themselves. They did not go to Toksook or Hooper Bay, or the communities around the western rim of the Bering Sea to evaluate the impact that a change in allocations would have on the residents in those communities. These people that live in those communities are in fishery-dependent communities and yet you have no way of telling what the impact of this allocation is going to have on those folks. This is important, because it's an area of the state where, as you well know, we have devoted a long time, a lot of money, and a lot of effort cultivating job opportunities for people that live in those communities. And yet you have nothing before you that will enable you to calculate what the impact of costing people to live in Hooper Bay and Tooksok, jobs, from communities that have very high levels of employment; very low median income levels and transferring opportunities from those people to a large community such as Unalaska where you have high levels of employment and very high median incomes. There is a tremendous dislocation and impact on the people that live in the communities that are associated with our operations and it's not limited to the CDQ program. We hire people from those villages that work in the open access fishery, they have good paying jobs on our boats; they

fish not only in pollock but in the whiting fishery as well and they would be adversely affected by this allocation. You don't have an analysis that evaluates that impact. And this is exactly the concern that I had two or three meetings ago when I gave basically the same testimony. I was concerned the way you were going about looking at this; you were going to leave those people out of the formula and unfortunately they've been left out. The map that is on the screen up here [referring to overhead], . . .

Lauber: Paul, if you planning on giving Mr. Richardson any time, he's now got about 50 seconds.

MacGregor: I just finished, sir, thank you.

Richardson: Thanks, Mr. Chairman. [Lauber injects some comments]. . .I'm here on behalf of the At-sea Processors and really on behalf of our controllers and HR people that put the audited data set together for you so you could try to have a better idea of judging the employment impacts of the relative sectors and the gross revenue impacts, 'cause we collected a lot of price data, too. So, I'll just quickly put up this one slide and work from. . .we're working from the employment supplement hand-out. And, there's been a lot of confusion about how do you judge the employment impacts. We've got employment opportunities, we've got a full time equivalent wage rate, we've got the total payroll provided, and it's tough given the data we've able to collect so far to get something that's comparable among the sectors. If you look at your employment supplement and you wanted to calculate the full-time equivalent labor payment for a processor in the offshore sector, you take the median wage payment that's listed there, and this is the 1996 chart, you multiply it by the median FTE time that's listed there and it gives you a FTE labor payment that's about $24,746. So, the $24,746 is a quality measurement of the employment opportunity. The tough part is trying to get something comparable on the inshore sector, and I've looked through the document and am trying to get some indicator of the quality of the inshore jobs and there's no data in there yet that can give you that. The best thing I could find for a processor on the inshore sector was the ads that we were able to pull out of the paper and so I've worked the inshore processor example based on that ad. You can see that there, if you work it through, give them 20 hours overtime at time and a half, you get about a $7 an hour average wage, you work it through the same way, the 8 hours a day at 240 days a week [sic] you get another index of the quality of that employment opportunity, $13,000. [cut off by Chairman; time was up]

Council questions:

Pereyra: Ed,. . . **[Change to Tape 28--question lost in changeover]**. . .

Richardson: . . .**[portion lost in tape changeover]**. . .inshore baseline '96.

Pereyra: The reason I asked that is because I can't read that. . .[referring to overhead]. . .I need glasses.

Richardson: You can get confused, though. The way you can get confused is when people try to mix employment opportunities and FTEs, and if Glenn would share with us his slide again I could point out there how he has confused FTEs with employment opportunities and you can get it right off of your employment supplement. He snuck in an FTE number that's listed on the employment supplement under the opportunities for offshore, but on inshore he's got the employment opportunity percentage. I don't know if it's. . .it's easy to get confused and it's sometimes confusing.

Lauber: You've been teaching him, Paul. Ask a question, he just keeps going. Like that energizer bunny.

Kyle: Ed, if I understand what you've shown us here, this is I suppose the annual value of one FTE working offshore as opposed to one FTE in a similar job working onshore? Is that what you're. . .

Richardson: The audited data that we had was based on experience, so that's history, 1996, those were the numbers. It's not the potential, though. We've had a lot of confusion also because people say, geez, the offshore guys are saying you can make more money, how come it's lower. The reason is, that $24,746 history includes people that just worked the 'A' season, others that may have just worked the 'B' season, some that may have worked both, and also others that got homesick after four or five days and left, so that's. . .and, I've tried to do this honestly. The median is the best, most honest way to show that, and so, it's not the highest potential, but that's actual history, that's what happened in the offshore sector.

Kyle: So, as I understand you, that's a median FTE in the offshore sector in 1996 versus a median FTE on the onshore sector in 1996.

Richardson: Onshore, I looked in the document; I can't find any data to work with to give us a good idea of the quality of the jobs inshore, so that example I worked for inshore is based on an ad that we found in the paper in 1997, the best I could do, because the data's just not in there.

Kyle: . . .I hope this is a clarifier, not a question. . .I have one question left I think. . .

Lauber: Well, it sounded a lot like a question to me. . ., but. . .

Kyle: I yield.

Benton: Paul, you mentioned employment in the CDQ communities and I would assume that you're familiar with the conditions under which that employment has taken place, your long experience. The employment for the companies involved in CDQs, is that not a requirement under the CDQ contracts?

MacGregor: In some it is, and in some it isn't. And, to the extent that it is, we hire people from the CDQ communities to meet the employment goals and objectives of the programs. But, Dave, we don't stop there. We hire people out of those communities over and above the CDQ requirements and the people that are on our boats in connection with our CDQ operations also stay on the boats in the open access fishery, and to the extent that our open access fishery allocations are affected, it affects the jobs and employment opportunities that we afford the people from those communities. That's the map up here, the red communities are the places from which we hire.

Benton: Paul, I'm looking at the data that's provided by APA, and when I look at it, and I'll just use 1997, I see that. . .and I'll use the preferred method used by the Department of Labor which is PFDs, and it's 293 Alaska resident total employees in 1997. So if I understand what your. . .I guess these are public comments, not public testimony. . .if I understand what you're saying correctly, is that that's. . .and these are numbers provided by your office and through your process. . .the total employees were a little less than 300, and when I look at the breakout of information that was provided by you I see that a lot of them are from, in fact probably the vast majority of those, are from CDQ communities. And, what I'm really wondering, so, if I understand your answer correctly you're saying that the folks that are here are both folks that are from contracts under the CDQ program and people that are not under contracts from the CDQ program, including people from these rural villages, and I added up one CDQ company's employment in 1997, again, from one of the CDQ companies that's affiliated with a company in your association and they are partners in a couple of factory trawlers in your association and the grand total in 1997 was 25 individuals. So, I guess, my question to you is, and maybe you cannot answer this, I don't know, is were those individuals, were all of those subject to the CDQ contract or some of those individuals also independent hires from some other company not subject to a CDQ contract.

MacGregor: That's a hell of a question, David. I don't know. I would suspect that if they were hired. . .I really don't know; I couldn't follow the question, basically. I mean. . .

Benton: Well, let me be a little clearer, please. What I understood you to say is that out of the 293 people that your office identified, and looking at the information you've provided, looks to me like, and I haven't added the total up, but the vast majority of them come from CDQ-related communities and if I understand you correctly, not all of those people came because of the CDQ contracts, O.K.? So, I looked at the villages associated with one CDQ company in particular that has a partnership with a company in your association and they own half of two factory trawlers and I added up the hires from the data that you provided and those hires in 1997 totaled 25 individuals. So my question is, were those. . .because of what you said about some of these people might be from the CDQ contracts and they might be hired independently by somebody else. . .my question is do you know whether or not those hires are solely from the CDQ arrangement, or are some of those hires not even from the CDQ arrangement, but maybe from some other company that hired people from those villages because they were out doing rural hiring. And, if you don't know the answer, that's fine, but. . .

MacGregor: I think Ed, who was involved in the audit process can perhaps respond to that.

Richardson: Just to make a quick clarification. After talking with ADL, and I provided them the data, because of their lags in the way they compile the PFD files, for 1997, perhaps the best indicator of Alaska residents is a combination of PFD and drivers licenses and that gets us closer to the opportunities we thought we had. And, some of those opportunities are not CDQ partner hires. They're people that are hired at job fairs in Anchorage and other towns around the state.

MacGregor: Part of my confusion is still in the question that Dave asked, other than the numbers completely threw me off. All of the coastal communities in the Bering Sea area are from CDQ groups. If you go to Hooper Bay to hire somebody, Hooper Bay is a CDQ area; all of the communities are, so you can't hire in Western Alaska without hiring somebody from one of those communities. Whether or not the hire is associated with a CDQ contract is a different question. We have people who are not CDQ partners in our association. They hire out of those communities as well. We have some companies who are CDQ partners in one region but hire out of other regions as well. It's real hard to distinguish our hires I guess from CDQ-related communities because they are all CDQ-related communities. The hires are not necessarily CDQ-related, however.

Pereyra: I won't try to clarify my previous question, but I would like to know, in your previous statement you made, that you wanted to see this document go out, I was confused. Do you still feel that the mothership sector is properly characterized by the document as it is presently configured, or do we need to do more work on it?

MacGregor: Well, I guess given the focus that the mothership group has come into here it seems to me that the document is lacking in a couple of fairly critical areas. I don't think it would be very difficult to fill in those areas, though, and. . . For example, on ownership, when I read the ownership information about the motherships I was surprised to see the ownership identified as one of the vessels having foreign ownership and the others being U.S. owned. Well, there's some pretty important facts associated with how these motherships operate that should be included in there. For example, the vessel Excellence, which is the mothership operated by Supreme Alaska Seafoods. That is a U.S.-owned vessel, it's true. It's owned by a company called Alaska Joint Venture Seafoods, AJVS, but that boat has been bare-boat chartered and operated by Maruha under the auspices of Supreme Alaska ever since the boat came up into the North Pacific, it's part of Maruha's surimi production strategy in Alaska. You would not know that reading the analysis. The document shows that the Golden Alaska is a foreign-owned vessel. It doesn't tell you that it's Nichiro, one of the Japanese surimi companies that owns that vessel, and it doesn't indicate to you that the Ocean Phoenix is financed by Nissui and that that vessel has marketing agreements with Nissui in Japan. So, what you have is the entire mothership sector is actually an extension of the Japanese-owned shoreplant facilities and is part of their raw material acquisition strategy. That's important, that's important because it plays into this vertical integration issue and the downstream loss, if you would, or leakage, of opportunities for U.S. products if allocations are taken away from the catcher processor fleet and transferred to surimi production facilities. These vessels are also very mobile. I think the testimony they've given

you is that they go down to the whiting fishery, they take their catcher boats with them, one of them is a big cargo vessel that regularly goes to Japan to deliver its cargo, it doesn't offload in Alaska very often. I think the information, in fact I know that the information regarding the amount of leakage of that vessel is publicly available. We've actually done. . .asked a freight expediter to provide for us information about the quantity of product that vessel has taken to Japan over the last five years and I can provide that to you. It's a pretty good total, I think, of the amount of tax leakage associated with that vessel. That's available. That kind of information I think should be available to you. And, one further thing I would like to say, Mr. Chairman, Mr. Reed suggested that the motherships and members of his coalition were willing participants in the landing tax assessed in Alaska and that they had not been involved in the legal challenge. Nothing could be further from the truth.

Lauber: . . .Some members. . .

MacGregor: Some members, that is correct.

Lauber: Any other questions of Paul? I couldn't help but think that before that last question there may have been a gap in our records but you certainly were able to fill that, so now I think now it's ready to go for public comment. O.K., that concludes the public comment. . .

End of public comment.
[Break]