


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke  
Executive Director 

DATE: April 8, 1997

SUBJECT: Inshore/Offshore

ESTIMATED TIME  
1 HOUR

**ACTION REQUIRED**

Begin development of alternatives for analysis.

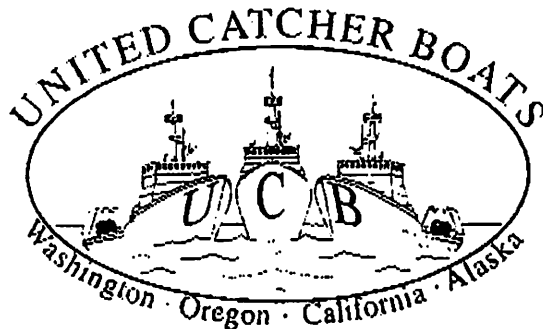
**BACKGROUND**

At the December 1996 meeting, during Council discussions of overall staff tasking, the inshore/offshore issue was scheduled for discussion at the April 1997 meeting. The current allocations are scheduled to expire at the end of 1998, and any analyses of a reauthorization would need to begin fairly soon in 1997. One of the groundfish proposals reviewed from last year's cycle, submitted by the North Pacific Seafood Coalition, proposed to 'review and modify as appropriate the inshore/offshore pollock allocations of Amendment 18 (BSAI), and to extend the allocation percentages of Amendment 23 (GOA)'. In 1995, the Council extended these allocations through the year 1998, including the 7.5% pollock CDQ allocations.

	<u>Inshore</u>	<u>Offshore</u>
BSAI pollock	35%	65%
GOA pollock	100%	0%
GOA Pacific cod	90%	10%

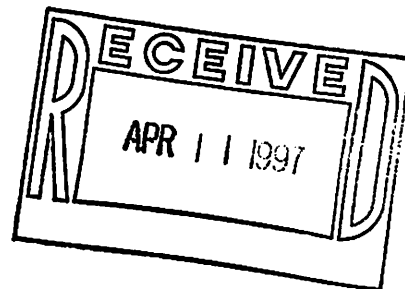
When the Council approved its License Limitation Program (LLP) and multi-species CDQ program in 1995, pollock CDQs were specifically excluded from that action. While the recent Magnuson-Stevens Act mandates CDQ allocations for all species, Council staff has been advised by NOAA-GC that a plan amendment is nonetheless required to extend the pollock CDQ allocations beyond 1998. If the Council initiates a reauthorization of the inshore/offshore allocations beyond 1998, we assume that the pollock CDQ amendment would be included as part of that action.

Ant C. Paine  
Executive Director



Steve Hughes  
Technical Director

April 11, 1997



Mr. Richard B. Lauber, Chairman  
North Pacific Fishery Management Council  
P.O. Box 103136  
Anchorage, Alaska 99510

Re: Inshore/Offshore Option for Analysis

Dear Mr. Chairman:

United Catcher Boats (UCB) board of directors met April 8, 1997, and debated their association's possible roles and management options which could be recommended to the North Pacific Fishery Management Council (NPFMC) for analysis.

As you can well imagine, the meeting was a full house. UCB member catcher vessels account for close to one-half of Bering Sea pollock catches and this fishery is the life's blood of our membership.

The UCB board of directors voted unanimously that the following option be provided to the NPFMC with the request that this option be analyzed in the plan amendment package:

That the Bering Sea/Aleutian Islands pollock TAC available to open access be allocated between catcher-only vessels and catcher processors in a range of

- Status Quo    CV = 52%; CP = 48%
- CV = 55%; CP = 45%
- CV = 60%; CP = 40%
- CV = 65%; CP = 35%

End of motion

Mr. Richard B. Lauber  
April 11, 1997  
Page 2

The membership recognizes that the above concept needs to be fully fleshed out and that important details need to be developed. We would like the opportunity to further develop these details with input from other industry components and to provide these details to Council staff in the near future. As an example, we all recognize that a minimum shoreside delivery guarantee is a necessity and we recognize that other checks and balances need to be developed.

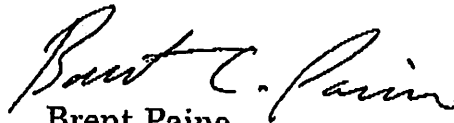
We thank you and the NPFMC for considering this request on behalf of our catcher boats.

Sincerely,

UNITED CATCHER BOATS

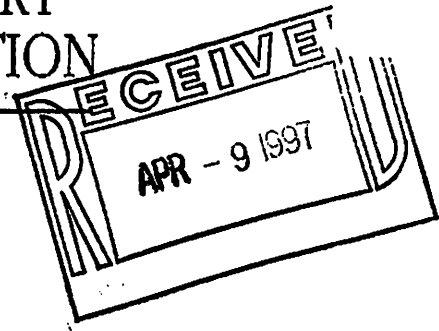


Steven E. Hughes  
Technical Advisor



Brent Paine  
Executive Director

SEH:sjp

AMERICAN FACTORY  
TRAWLER ASSOCIATION★  
April 9, 1997

Mr. Clarence Pautzke  
North Pacific Fishery Management Council  
605 West Fourth Avenue  
Suite 306  
Anchorage, Alaska 99501-2252

SENT VIA FAX

Re: Agenda Item C-7/Inshore-Offshore Allocation Regime

Dear Mr. Pautzke:

On behalf of the American Factory Trawler Association ("AFTA"), I would like to submit some brief comments in connection with the above-referenced agenda item that will be considered at the Council meeting in Anchorage later this month.

As we all know, the current inshore/offshore ("I/O") regime expires at the end of 1998. There are essentially three separate and distinct elements of the I/O regime: the community development program for Bering Sea pollock (the "CDQ Program"); the Gulf of Alaska cod and pollock set aside for shoreside communities in and around the Gulf; and the I/O allocation split (35/65) between shoreside and offshore processors in the Bering Sea. We will comment on each of these elements separately.

1. The CDQ Program for Bering Sea Pollock Should be Continued. The CDQ program has been entirely successful insofar as the objective of providing economic opportunity to Western Alaskan communities is concerned. The program should be continued and should be de-linked from the unrelated allocation issues involved in the I/O debate. The jobs, investment programs and other benefits associated with the CDQ Program should not be subjected to the vagaries and uncertainties of a three-year reauthorization process as is currently the case. In AFTA's view, the pollock CDQ program should be accorded the same status as the CDQ programs for other groundfish species -- as part of the license limitation program that the Council approved in 1995 and that the Congress recently endorsed in the Sustainable Fisheries Act.

2. The I/O Regime in the Gulf of Alaska Should be Maintained. The current regulations allocate 100% of GOA pollock and 90% of GOA cod to the shoreside sector. Any change in the I/O regime would only serve to destabilize an industry that has

Mr. Clarence Pautzke  
April 9, 1997  
Page 2

adapted to the current rules and regulations over the past four and one-half years (since I/O #1 went into effect). Furthermore, the relatively limited size of the GOA pollock resource, the traditional dependance on that resource by small-boat local fishermen and the fact that offshore processing vessels are not dependent on the GOA pollock resource, all support maintenance of the current I/O regime in the Gulf.

3. The I/O Allocation in the BSA Should be Extended until the Council has a Chance to Implement its Comprehensive Reauthorization Plan ("CRP"). While it could be argued that the I/O allocation regime in the Bering Sea should be allowed to expire at the end of 1998, AFTA endorses a rollover of the existing regime until a CRP plan is implemented for several reasons. First, in the absence of a quota-based management system, expiration of the I/O allocation system would only serve to trigger a renewed "race for fish" between competing sectors of the industry. Such a race would inevitably lead to increased capitalization in the form of "capital-stuffing" by individual operations so as to more effectively compete in the renewed race. This would not only be costly in terms of additional excess investment, but would exacerbate the overall overcapitalized state of the pollock fishery in the North Pacific.

Second, a renewed race for fish between the two competing sectors would only serve to undermine the goals and objectives of I/O #1 (avoidance of preemption of one sector over another) and I/O #2 (maintenance of stability in the industry pending completion of the CRP process). Given the "equilibrium" or "stability" that has been created between the sectors during the time that I/O #1 and I/O #2 have been in effect, a resumption of the race for fish between those two sectors would inevitably result in some level of preemption and a great deal of instability as a result of one sector or the other capturing a greater share of the annual pollock quota than that sector has been harvesting under the I/O regime. To the extent that the avoidance of preemption and the need to maintain stability in the industry were legitimate justifications in the past, those same justifications would seem to argue against an expiration of the current regime until the CRP process can be completed. The same applies to a change in the allocation percentages themselves. A change in those numbers would automatically result in preemption of one sector's opportunity to participate in the fishery and would, by definition, be destabilizing to both sides (exacerbating overcapitalization in one sector and renewing the race for fish in the other).

Mr. Clarence Pautzke  
April 9, 1997  
Page 3

Third, a rollover of the existing regime is the most appropriate action for the Council to take in view of the study that Congress has commissioned on quota-based management programs. Unless and until the ITQ study has been completed, the Council should maintain the "status quo" insofar as the competing sectors are concerned. Once that study has been completed, the Council will be in a better position to determine the best and most appropriate course it should take on the road to comprehensive rationalization.

In the event the Council chooses to abandon the "anti-preemption" and "maintain stability" rationales that have guided the I/O management regime since 1990, AFTA is prepared to offer a number of alternative management options for consideration. Absent a compelling reason to abandon those rationales, however, AFTA will defer from making alternative proposals at the present time.

Thank you for the opportunity to present these comments. We will be at the Council meeting to testify on this particular agenda item when it comes up later this month.

Sincerely yours,

AMERICAN FACTORY TRAWLER ASSOCIATION



Paul MacGregor  
Managing Director

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# *North Pacific Seafood Coalition*

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**Alaska, Washington, Oregon**

*"Working For Responsible Use And Management Of Alaska Groundfish"*

The North Pacific Seafood Coalition suggests the following alternatives be included for analysis under item C-7:

## Gulf of Alaska

Alternative 1: Maintain current pollock and Pacific cod allocations

## Bering Sea/Aleutian Islands

Alternative 1: Status Quo

Alternative 2. Three tier allocation adjustment based upon the current definitions of the inshore and offshore components.

Exclusive catcher vessel operational area (CVOA) in effect for catcher vessels during both pollock "A" and "B" seasons.

7.5 % CDQ pollock allocations.

40% - 55% of remaining pollock TAC to catcher vessels delivering to the inshore component.

13% - 15% to catcher vessels delivering to offshore motherships.

30% - 47% to factory trawlers and catcher vessels which deliver to factory trawlers.

Alternative 3: Allocation adjustments and redefined inshore component.

7.5% CDQ pollock allocations.

Catcher vessel operational area (CVOA) in effect for catcher vessels during both pollock "A" and "B" seasons.

"Motherships" defined as floating processor vessels that have never caught their own fish while operating within the U.S. Exclusive Economic Zone under U.S. flag. Motherships to be included within onshore sector.

70% of pollock TAC to catcher vessels delivering to onshore sector.

30% of pollock TAC to factory trawlers.

The Coalition believes this range of options will allow for an analysis package providing maximum flexibility to the Council when reaching a decision on this issue.

## **Inshore-Offshore I**

### **Problem Statement**

The finite availability of fishery resources, combined with current and projected levels of harvesting and processing capacity and the differing capabilities of the inshore and offshore components of the industry, has generated concern for the future ecological, social and economic health of the resource and the industry. These concerns include, but are not limited to, localized depletion of stocks or other behavioral impacts to stocks, shortened seasons, increased waste, harvests which exceed the TAC, and possible pre-emption of one industry component by another with the attendant social and economic disruption.

Domestic harvesting and processing capacity currently exceeds available fish for all species in the Gulf of Alaska and most species in the Bering Sea. The seafood industry is composed of different geographic, social, and economic components which have differing needs and capabilities, including but not limited to the inshore and offshore components of the industry.

The Council defines the problem as a resource allocation problem where one industry sector faces the risk of preemption by another. The analysis will evaluate each of the alternatives as to their ability to solve the problem within the context of harvesting/processing capacity exceeding available resources.

The Council will address these problems through the adoption of appropriate management measures to advance the conservation needs of the fishery resources in the North Pacific and to further the economic and social goals of the Act.



## **Inshore-Offshore II**

### **Problem Statement**

The problem to be addressed is the need to maintain stability while the Comprehensive Rationalization Program (CRP) process goes forward. The Council believes that timely development and consideration of a continuing inshore-offshore and pollock CDQ allocation may preserve stability in the groundfish industry, while clearing the way for continuing development of a CRP management system. The industry is in a different state than existed in 1990 as a consequence of many factors outside the scope of the Council process, as well as the inshore-offshore allocation. The Council intends that staff analyze the effects of rapidly reauthorizing an interim inshore-offshore allocation relative to maintaining stability in the industry during the CRP development process, as well as the consequences of not continuing the present allocation. These alternatives are appropriate as they address the problem of maintaining stability. Therefore, the focus of analysis to be done over the next few months should assist the Council to:

- (1) Identify which alternative is least likely to cause further disruption and instability, and thus increase the opportunity for the Council to accomplish its longer-term goal of CRP management.
- (2) Identify the future trade-offs involved for all impacted sectors presented by the two alternatives.

## DRAFT PROBLEM STATEMENT

The problem to be addressed is the need to maintain stability, e.g., no changes in the sector splits, while the Comprehensive Rationalization Program goes forward. The Council believes that a continuing inshore-offshore and CDQ pollock allocation, as was done in 1995 when the inshore-offshore regulations were essentially "rolled over" through 1988, will minimize instability in the groundfish industry, while allowing for continuing development of a CRP management system, including the National Academy of Science's study of individual quotas as mandated by Congress. The groundfish industry is in a different state than existed in 1995 as a consequence of many factors outside the scope of the Council process, such as the ongoing negotiations with Russia over the Bering Sea maritime boundary, as well as the inshore-offshore allocation. Furthermore, the sectors of the Bering Sea pollock fishery are now fairly evenly balanced as evidenced by the time periods required for each sector to take its quota; and beginning in 1988 the discarding of pollock and cod will be prohibited in the groundfisheries.

The Council intends that staff analyze the effects of reauthorizing the inshore-offshore allocation relative to maintaining stability in the industry during the CRP development process, as well as the consequences of not continuing the present allocation structure. These alternatives are appropriate as they address the problem of maintaining stability with regard to the sector splits. Therefore, the focus of the analysis to be done over the next year should assist the Council to:

- (1) identify which alternative is least likely to cause further disruption and instability, and thus increase the opportunity for the Council to accomplish its longer term goal of CRP management;
- (2) identify the future trade-off involved for all impacted sectors presented by the two alternatives.

Council action will be required no later than June of 1998 to keep the program going until the CRP process can be completed. Action by the Council in June would allow for Secretarial review and approval by the start of the 1999 fishing year. No new regulations or infrastructures would be necessary for (continued) implementation of the program under this schedule.

## ALTERNATIVES

- Alternative 1: No Action - the current inshore-offshore allocation and the pollock CDQ program would expire at the end of 1988.
- Alternative 2: Continuation of the current program, as is, including the CDQ allocation, until replaced by a long-term CRP solution, but with review after five years if the CRP is not completed by that time.

In developing these alternatives, the Council feels that changes to the present allocation program, such as changes in the percentage allocations, would have similar consequences as were identified for the last "roll over" (Amendment 18/23), i.e. (1) require significant new and complex economic analyses, (2) create additional debate over basic management policy by the Council, (3) be inconsistent with their overall intent to deal with the issue on a more long-term, comprehensive basis through CRP, and (4) create unnecessary delays in implementing the continuation. Because of these concerns, and because the Council still intends minimal disruptions to the fishery and processing industry, only two basic alternatives are being considered.