

6-28-79  
From Sara Humphill

PROJECT PROPOSAL

Title:

Gulf of Alaska Trawling Demonstration

Duration:

Commence January, 1980 for 100 days

Location:

Gulf of Alaska generally from  
Yakutat south to Dixon Entrance

Project Sponsor:

Fishermen's Marketing Association  
of Washington, Inc.  
4055 - 21st Avenue West  
Seattle, Washington 98199

Sponsor (Industry) Commitment:

Provide three (3) new 108' Marco  
midwater trawl vessels. Additional  
industry participation not yet solicited.

Funds Requested:

\$50,000.00 grant for each participating  
vessel plus guarantee of minimum gross stock.  
If catch reaches target figures, a portion of  
gross stock revenue will be paid to Fisheries  
Development entities.

Project Objectives:

- (1) Determine if a commercially  
viable domestic trawl fishery is feasible  
in the offshore Southeast Alaska area  
during the winter months.
- (2) Determine if recent NMFS pro-  
jections as to optimal use of bottomfish  
resources off Alaska is valid.
- (3) Determine if new fishing grounds  
to replace traditional trawl grounds off  
British Columbia can be established in the  
Gulf of Alaska.
- (4) Assist domestic fishermen being  
displaced by termination of fishing in  
Canada.

## 1. Proposal.

The Fishermen's Marketing Association of Washington, Inc., an organization representing the offshore trawl fleet based in Washington, proposes to mount a demonstrative commercial trawl fishery off Southeast Alaska from January through March, 1980. The proposed fishing grounds would be in the Fishery Conservation Zone with a view towards establishing the commercial feasibility of a domestic trawl fishery. It is anticipated that perch, rockfish, flounders and sablefish will be taken and that the fishery will basically supplant the Japanese trawl fishery which operated in this area for a number of years. Since this will be an offshore fishery during a period of inclement weather, it will be necessary for the vessels involved to be of fairly substantial size and with modern gear. The Fishermen's Marketing Association is prepared to make available for this project three 108 foot MARCO trawlers all of recent build. Markets for the product are still in the formative stage, but it is anticipated that landings will be in Sitka. The project is based on and designed to test the validity of Northwest and Alaska Fisheries Center Report 79-3 "Bio-Economic Considerations of Harvesting Sablefish".

Fisheries development funding is desired in the forms of minimum guarantees such that if the project proves unsuccessful the vessels and crew will not realize a major economic setback. Presumably the appropriate source for funding will be the Saltonstall-Kennedy Funds to be administered through regional fisheries development entities such as the Alaska Fisheries Development Corporation. If projections are reached, it is further proposed that the vessels return some of their gross receipts into fisheries development foundations for future commercial fishery development projects. The maximum potential governmental expenditure if the project proves a complete failure and not a single fish landed, would be in the total amount of \$600,000. If the project aims are met, the fisheries development foundations would realize a profit of approximately \$150,000. The project is so designed that other vessels could participate but specific proposal herein is premised on the three vessels from which a commitment to participate can be obtained. If the proposal is accepted, the three vessels--SUNSET BAY, DISCOVERY BAY, and MARCO hull #382--are home ported in Juneau, Alaska, and owned by Steuart Investment Company.

## 2. Financial Aspects.

The following computations are based on a new 108' MARCO trawler. Similar formula could be utilized for other vessels who might wish to participate, but, of course, the exact figures would vary. All figures are consistent with those utilized in NWAFC Report 79-3.

### (a) Projected Direct Operating Expense Per Vessel

100 day project with 50 days actual fishing,  
50 days running, delivering, and awaiting weather.

|                       |               |
|-----------------------|---------------|
| Fuel                  | \$ 32,000     |
| Insurance             | 16,000        |
| Groceries             | 7,000         |
| Maintenance & repair  | 13,000        |
| Cont. & miscellaneous | 7,000         |
| Master                | 25,000        |
| Crew (5)              | <u>50,000</u> |

TOTAL \$150,000 per vessel

NOTE: This does not include any allowance for mortgage service, return on investment, etc., but rather only reflects direct operating expense for a vessel engaged in this fishery.

(b) Target Catch

30,000 pounds daily x 50 days = 1.5 mill. lbs.

Ex-vessel values are based on FMA Seattle prices (5/8/79) less an estimated 3¢ per pound transportation charge. Sablefish price is dressed, estimated ex-vessel Sitka.

(1) Species and revenue breakdown if unable to take significant quantities of sablefish with techniques employed. (Based on small Japanese trawl vessel data).

| <u>Species</u>                         | <u>Ex-vessel<br/>Sitka</u> | <u>Forecast<br/>Income</u> |
|--|----------------------------|----------------------------|
| 500,000 lbs. Pacific Ocean Perch (33%) | 18 1/2¢                    | \$ 92,500                  |
| 705,000 lbs. Rock Fish (47%)           | 18 1/2¢                    | 130,500                    |
| 285,000 lbs. Flounder & misc. (19%)    | 15¢                        | 43,000                     |
| 15,000 lbs. Sablefish (1%)             | 60¢                        | <u>9,000</u>               |
| <u>1,505,000 lbs.</u>                  |                            | \$275,000                  |

(2) Same except sablefish production reaches upper limits.

| <u>Species</u>                         | <u>Ex-vessel<br/>Sitka</u> | <u>Forecast<br/>Income</u> |
|--|----------------------------|----------------------------|
| 480,000 lbs. Pacific Ocean Perch (32%) | 18 1/2¢                    | \$ 89,000                  |
| 690,000 lbs. Rock Fish (46%)           | 18 1/2¢                    | 127,500                    |
| 270,000 lbs. Flounder & misc. (18%)    | 15¢                        | 40,500                     |
| 60,000 lbs. Sablefish (4%)             | 60¢                        | <u>36,000</u>              |
| <u>1,500,000 lbs.</u>                  |                            | \$293,000                  |

(c) Incentive and Guarantee Program.

In order to sufficiently entice an owner to devote his vessel to a new fishery, it is desirable that he be protected against a major financial disaster. This can be accomplished in the case of the three vessels here proposed by providing \$50,000 for start up costs and a guarantee of at least meeting the direct operating costs of \$150,000. If it is necessary to utilize these guarantee monies, then the project would be a failure so far as establishing the feasibility of a commercial fishery.

If the target production is met and the product marketed as contemplated, the project will have been commercially successful and no future development funding for vessels would be justified. On paper, the target production can be attained, but no domestic trawl vessel has done it yet.

An important consideration is providing incentives to fishermen, vessel owners, and development entities to undertake new endeavors such as this. The target catch is 30,000 pounds per day for 50 fishing days. The daily catch rate for small Japanese trawlers in 1977 was approximately 20,000 pounds per day. Our domestic fishermen are convinced they can do much better than the target and be extremely successful, assuming that the resource is as represented by the fishery managers. If those dreams are fulfilled, then it is only appropriate that the funding entity also realize a financial return so that similar projects can be undertaken in other fisheries.

The following formula, presented in tabular form, is meant to encompass all of the above considerations.

| Vessel Gross Production<br>(ex-vessel prices) | Fisheries Development Funding<br>to Vessel  | Vessel Return to<br>Fisheries Development                                |
|---|---|--|
| -0- to \$150,000                              | (1) \$50,000 start up costs<br>(2) Difference between vessel<br>production and \$150,000<br>(Max.- \$150,000<br>Min.- -0- ) | -0-  |
| \$150,000 to<br>\$300,000                     | 20% of amount of production<br>under \$300,000.<br>(Max.- \$30,000<br>Min.- -0- )   | -0-  |
| \$300,000 to<br>\$500,000                     | -0-   | 10% of production above<br>\$300,000<br>(Min.-\$30,000<br>Max.-\$50,000) |
| Above \$500,000                               | -0-   | 5% of production above<br>\$500,000 in addition to<br>\$50,000           |

### 3. Discussion.

For many years, areas of the British Columbia coast have provided a major source of supply to the Washington based trawl fleet and to the processors and marketing in the Puget Sound area. The trawl landings of the State of Washington have included up to 60% of fish actually caught off the coast of British Columbia. With the adoption of the 200 mile limits by both the United States and Canada, the continuation of this fishery in Canadian waters became the subject of treaty negotiations. Under the terms of a treaty negotiated with Canada the United States fishing effort in Canada must cease within a two year period and likewise the Canadian fishery for halibut in Alaska must cease after that same period. For both the years 1979 and 1980, the U. S. trawl fleet will be allowed to take only 7 million pounds of groundfish whereas their landings from these areas have averaged more than 15 million pounds per year. After March 31, 1982, there will be no U. S. trawl fishery allowed in Canadian waters. Thus in order to maintain the historical trawl fish landing and to serve the markets which have been developed, new fishing grounds must be found. Thus far the United States has made no provisions nor are there any known plans for the displaced U. S. trawl fleet. The Canadian government has embarked on a major program to assist its displaced halibut fishing vessels, the original proposal being to buy their licenses for one year's gross revenue.

The three specific vessels proposed for this project are entitled to fish in Canadian waters during this two year period and would normally have looked to those grounds for the major part of their production were it not for the phasing out pursuant to the treaty. Though the boats are new, the masters and fishermen are from the traditional trawl fishery who have utilized those Canadian grounds. The older vessels which are being displaced from the Canadian grounds are generally too small to participate in an Alaskan fishery on an economic basis and will look primarily to the Washington-Oregon coast for new grounds. It is desirable that these grounds not be further crowded by the addition of the three vessels here involved and these newer vessels are much more suited for the rigorous conditions contemplated.

The domestic trawl fishery in Alaskan waters and the offshore waters is practically nonexistent. The interior waters of Southeast Alaska have not proven susceptible to large scale trawling to date due to the nature of the resource found and the very rugged bottom terrain. However the offshore waters of Southeast Alaska do hold a promising resource. Based on our records of the Japanese trawl fishery in this area and on the belief of the fishermen who will be involved, it appears that the most desirable time to conduct a fishery would be during the period between January and March when the fish appear to school in deep water that is between 200 and 400 meters. Though this may be the best time for fishing, it is obviously also the most difficult weather period. A vessel must be rugged, must have electronics capable of locating fish, and must be capable of midwater trawl techniques in

order to best insure success. The three vessels proposed all would appear to meet these criteria. The SUNSET BAY, DISCOVERY BAY, and MARCO hull #382 scheduled for delivery in early January of 1980, are all 108 foot MARCO vessels designed for trawling. Two of these vessels have already participated in the trawl fishery both off the coast of Washington and Alaska, and the skippers and crew are experienced.

The Northwest and Alaska Fisheries Center of the National Marine Fishery Service has recently published report 79-3 entitled "Preliminary Report on Bio-Economic Considerations of Harvesting Sablefish by Longline and Trawl Gear in the Gulf of Alaska", April, 1979, which points out the need for adequate data on a domestic trawl fishery. That report tentatively concludes that the wisest use of the sablefish resource in the Gulf of Alaska would be for harvesting approximately 25% of the annual supply or 3,000 metric tons by a domestic trawl fleet. It remains quite speculative as to whether or not a domestic trawl fishery can harvest this quantity of the available sablefish. The experience of the Fishermen's Marketing Association with the Washington and Canadian fisheries indicate that the trawl catch of sablefish has been considerably less than the 25% contemplated.

There is also concern that a trawl fishery would adversely impact upon the halibut population and there is a need to carefully document this data. The most current data, primarily from the Queen Charlotte Sound area of British Columbia, would indicate that an extensive longline fishery for sablefish would impact the halibut population to a greater extent than a trawl fishery, which is contrary to the conclusion of Report 79-3.

Careful analysis of the results of the proposed fishery should be undertaken by the Northwest and Alaska Fisheries Center, National Marine Fisheries Service, so that management entities can make a wise decision as to the best utilization of the resources available. The participating vessels will be capable of carrying on board observers and data will be made available to the government for analysis.

Markets for the catch are in the formative stage. The most logical point of delivery from a geographic viewpoint would be Sitka. There is refrigerated van service from Sitka to Japan and to Seattle on a regular and frequent basis. The sablefish market in Japan has been very good during the past year and the traditional groundfish market in Seattle during these winter months is also good. Sitka and other Southeast Alaska cities have processing capability, but it is not certain if the quantities contemplated can be economically handled. If catch rates are high and trips short, it would be possible to ship fresh fish to the Puget Sound processors who do have an existing capacity and ability to handle the product.

Care must be taken to ensure that product is delivered to the market centers at the prevailing local price so as not to disrupt the

local economy. Likewise the ex-vessel price to the participants cannot be so low as to cause an economic disaster. A low ex-vessel price can be absorbed if volume is high and the overall marketing situation makes the venture too risky for the vessel owner without some sort of guarantee such as proposed here.

In general, the Alaska ex-vessel food fish prices for the species here primarily involved has been one-third to one-half of that required to support a commercial fishery. Some current price comparisons are as follows (ex-vessel):


| Species   | Seattle | Alaska                    |
|-----------|---------|---------------------------|
| Perch     | .21½¢   | .08¢ (Petersburg, 6/79)   |
| Flounder  | .17¢    |                           |
| Rockfish  | .21½¢   | .07-.08¢ (Kodiak, 6/8/79) |
| Sablefish | .32¢    |                           |

If sufficient volumes are involved, it is estimated that round fish can be transported to Puget Sound at about .03¢ per pound. Hence it may be possible to structure a fishery utilizing Sitka as a transportation center only if the product cannot be economically processed there.

#### 4. Action Requested.

The following actions are requested:

- (a) Approval in principle by North Pacific Fishery Management Council so that resource will be kept available rather than allocated to foreign fleets;
- (b) Review and comments by the Northwest and Alaska Fisheries center with particular attention devoted to the scientific viability of the proposal and ability to provide observers and/or data review;
- (c) Commitment in principle from a fisheries development entity to fund the proposal. In this regard, the proposal is being submitted to the Fisheries Development Division, National Marine Fisheries Service; Alaska Fisheries Development Corporation; State of Alaska; and the West Coast Fisheries Development Foundation.
- (d) If approval and commitments are forthcoming it will be necessary to then develop the specifics of the proposed operation.

  
 Henry Haugen  
 Manager  
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 of Washington, Inc.