

EXECUTIVE DIRECTOR'S REPORT

It seems like much of the time since the December meeting has been used up by the office move from the Sunshine Mall to the Old Federal Building. Actually it only took a week of total disruption but included some partial disruption on both ends as you might expect. The staff responded nobly as usual and with much gaiety and vigor packed and unpacked tons of paper, plants and other material accumulated in the three years we've been in the Sunshine Mall. Much of it ended up discarded or stored since our new quarters actually have slightly less space.

We've spent a lot of time in staff and interagency discussions on how to balance and distribute the workload. Some of the amendment proposals that you will probably adopt are going to require intensive analysis and data collection. These, combined with the ongoing sablefish limited access program and the work of the Future of Groundfish Committee, are stretching everyone to their limits and we are searching for new help from agencies with which we have not hitherto operated. I speak specifically of the need for a supplementary environmental impact statement (SEIS) for the Bering Sea if the OY range proposal is adopted.

There have also been a number of out-of-town workgroup meetings since the December Council meeting. The Plan Amendment Advisory Groups for the groundfish plans met in Seattle to review and rank the amendment proposals on January 4-5. There was a scoping meeting chaired by John Peterson the afternoon of the 5th in Seattle to get the SEIS moving. The Future of Groundfish workgroup met on December 17-18 and again on January 11-12. Bunny Lowman will have a report on those meetings for you. Clarence Pautzke went to the Southwest Municipal League annual meeting in King Salmon on January 16-17, and to a Pacific Coast Data Committee meeting in San Diego on January 6. Don Bevan represented us in a meeting to discuss PacFIN financing with Assistant Administrator for Fisheries Bill Evans in Portland on January 14.

Jim Campbell traveled to Juneau January 14-15 to discuss Council matters with the executive and legislative branches of the State government.

The Interim Action Committee for the Bering Sea groundfish plan teleconferenced January 4 to discuss the Alaska Factory Trawler Association's proposal for a restriction on the joint venture fishery for roe-bearing rock sole. More information on that matter is under Agenda item D-2.

We were represented at the PICES (Pacific International Convention for the Exploration of the Seas) meeting in Ottawa on December 8 by Ron Dearborn who has worked closely with the Council on this matter since it became active several years ago. He is here at the meeting and it would be appropriate to ask him for a short report on the meeting.

Members of the North Pacific Council SSC, the Pacific Council SSC and the Western Pacific SSC will meet in Seattle on February 4-5 with representatives from NMFS to continue work on developing a consensus position on the definitions and terms to be used in the 603 Regulations and Guidelines. That subject is also on the SSC agenda for this meeting.

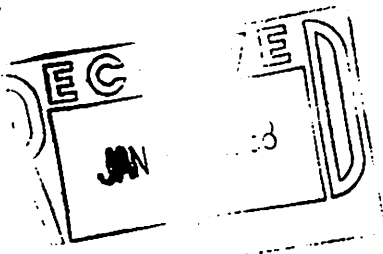
The International Pacific Halibut Commission meetings start in Sitka next Sunday, January 24. Ron Miller and Denby Lloyd will be attending to represent the Council.

There was quite a flurry of interest from the Canadian news media because of a misinterpretation of our December newsletter. You may recall there was a chartlet in the newsletter that shows the regulatory and reporting districts for groundfish in the Gulf of Alaska. The southern boundary is the boundary between two INPFC statistical areas and is marked on the chartlet at 54°30'N latitude. Debate on the AB line, which separates Canada from the United States at Dixon Entrance, continues and is of particular interest to the fishermen of both countries. The people in Prince Rupert apparently thought the Council was making a new adjudication of that dispute and became quite excited. I think that the matter has been adequately explained by now and we will take pains to clarify that particular chartlet in the future. That's the same chartlet, incidentally, that has been used in the Gulf groundfish plan since it was adopted.

Attachment B-1(a) is the National Marine Fisheries Service analysis of the transshipment data given to the Council by Mayor Paul Fuhs at the December meeting. Since it applies, at least in part, to the catch in the international waters of the Bering Sea it is pertinent to agenda item B-2, the special Coast Guard report on patrols and sightings in that area, and to the special report that you'll be getting from Sam Hjelle and Ted Evans in conjunction with the Coast Guard report.

I have some sad news to report. We learned last week that Hajime Nakamura, once the leader of the Japan Longline and Gillnet Association, died on January 11 in Nemuro. Mr. Nakamura was a good friend and a very wise leader who I have known and worked with since 1965. He will be missed by everyone on the North Pacific fisheries scene.

And last, this is the 80th and last Executive Director's report that I will be making to the North Pacific Fishery Management Council. It's been an incredible 11 years and I am honored to have been able to take an active part in it.



**UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration**

National Marine Fisheries Service

P.O. Box 21668

Juneau, Alaska 99802-1668

AGENDA B-1(a)

JANUARY 1988

December 30, 1987

Mr. Jim H. Branson
Executive Director
North Pacific Fishery
Management Council
P.O. Box 103136
Anchorage, AK 99510

ACTION	ROUTE TO	INITIAL

Dear Jim:

In response to your December 15 letter, attached is a report prepared by our Enforcement Division regarding the transshipment data submitted to the Council by Mayor Fuhs. Comparing the transshipment data to the reported catch is truly an apple and orange situation. The foreign fleets have been reporting the quantities of fish products transshipped in the Alaskan EEZ regardless of the source of the fish. It may have been caught in the "Donut Hole", in non-Alaskan areas of the EEZ, or inside the zone of another nation. Errors in calculating the total quantities of transshipments may be present because, due to confidentiality restrictions, the identity of the reporting vessel had to be removed from data provided to the contractor who prepared the report. Thus, editing duplicate reports was made difficult or impossible. It has been our experience that duplication occurs frequently in reporting systems of this type.

The suggestion that the transfer data compilation presented by Mayor Fuhs reveals harvest levels in our EEZ higher than authorized by our rules is not borne out by our own analysis. Enforcement's view, based on reasonably accurate recovery rates for various product types, is that known catches in and outside of our EEZ are in reasonable accord with the transfer data, even as presented by Mayor Fuhs. More detailed explanation of this conclusion is presented in the attached review.



While we cannot deny the possibility that some clever measures are practiced to underlog without detection, the nearly 100 percent coverage of TALFF and JV fisheries by well trained observers makes it extremely improbable that large amounts of fish could be involved.

Sincerely,

Bob

Robert W. McVey
Director, Alaska Region

Attachment

REVIEW OF FOREIGN TRANSSHIPMENTS

1986 Transfer Data:

Cargo data contained in transfer reports includes not only TALFF and JVP catch from the Alaska EEZ but most of the catch from the "Donut" and in the case of the Soviets and the Poles, JVP catch from the Washington, California and Oregon fisheries as well. Soviet and Polish vessels typically participate in the WOC fisheries prior to coming to Alaska. Much of the product from those fisheries is transferred to cargo vessels after arrival in Alaska.

Vessels fishing in the "Donut" typically check into the US EEZ and conduct cargo transfer operations inshore (outside 3 miles) or in the case of the Soviet and Polish vessels, in the ice pack, where sea conditions are usually milder. For Soviet vessels, US EEZ loading zones and ice packs are closer than Soviet waters.

There is no way of distinguishing in the transfer messages the original source of the fish products. Fish from the "Donut" is reported the same as fish from the EEZ. In many cases the transfer operations documented in the transfer messages relate to "Donut" fish only. For example, almost all of the Polish transfer data relates to fish that was caught in the "Donut".

Product Recovery Averages by Nation:

Japan: Japanese vessels process most pollock into surimi with fish meal and oil as a by-product produced from the waste. Although surimi, meal and oil product recovery rates (PRRs) fluctuate widely with the quality of the plant, industry's claimed PRR average for surimi equates to roughly 25 pct. with an additional 18 pct. PRR industry average for meal from the waste. Total round weight to product weight recovery for a normal surimi operation is approximately 38.5 pct.

(example: 100 mt round wt yields 25 mt surimi
75 mt waste yields 13.5 mt meal for
total product of 38.5 mt or 38.5 pct.)

Remaining Japanese production is typically dressed fish with waste being rendered into meal. Dressed fish PRR ranges from 50 pct. to 70 pct. with 55 pct. being a conservative average. Again industry claimed PRR yield average for meal is approximately 18 pct. Total round weight to product weight recovery for frozen fish operations is approximately 63 pct.

(example: 100 mt round wt yields 55 mt dressed fish
45 mt waste yields 8.1 mt meal for
total product of 63.1 mt or 63 pct.)

Japanese vessels also produce a variety of other by products including fish oil, roe, pectoral collars, and skate wings. Estimate over all Japanese PRR conservatively at 42.5 pct.

USSR: Soviet vessels typically produce a variety of fillet cuts with waste being rendered to meal and oil. PRRs for the various fillet cuts range from 24 pct. to a high of 38 pct. with 30 pct. being a conservative average. Meal again averages between 10 to 20 pct. with 18 pct. being a standard. Total round weight to product weight recovery for fillet operations is approximately 43 pct.

(example: 100 mt round wt yields 30 mt fillet fish
70 mt waste yields 12.6 mt meal for
total product of 42.6 mt or 43 pct.)

Korea: Korean vessels traditionally have frozen all catch in the round for a 100 pct. PRR. In recent years however Korea has brought a number of surimi operations on line with results similar to Japanese production. Exact ratio of surimi tonnage to whole fish tonnage can not be calculated but the majority of the vessels still produce whole frozen fish. Total round weight to product weight recovery for the Korean operations is estimated at well over 50 pct.

Poland: Polish vessels output is very similar to that of the Soviets and total round weight to product weight recovery for fillet operations is approximately 43 pct.

China: Chinese vessels are also producing fillets and meal in operations similar to the Polish and Soviet vessels. Total PRR is estimated at 43 pct.

Catch/Potential Production/Transfers: (in metric tons)

<u>Nation</u>	<u>Catch Source</u>	<u>Potential Production</u>	<u>Transferred</u>
Japan	TALFF	386,732	surimi 377,511
	JVP	607,224	meal 217,361
	Donut	698,000	frozen 100,049
	-----		oil 24,151
			other 1,000

total	1,691,956	720,072	657,107
USSR	TALFF	0	Cannot calculate
	JVP	200,621	
	WOC	44,989	
	Donut	unknown *	
	-----		-----
total	245,610 *	*	284,119 mt

(* "Donut" catch from the USSR is not available but considering size of the North Pacific fleet and proximity to the US EEZ and Soviet zones, it is presumed that Soviet catch in the "Donut" would greatly exceed the Soviet JVP/WOC. In that case total Soviet catch at a minimum would exceed 491,220 mt and total production at a minimum (@ 43 pct.) would exceed 211,224 mt.)

Korea	TALFF	106,228	@ 50 pct.	
	JVP	399,605		
	Donut	128,414		

total		634,247		317,123 237,207

Poland	TALFF	6,847	@ 43 pct.	
	JVP	9,343		
	WOC	54,765		
	Donut	163,249		

total		234,204		100,707 77,626

China	TALFF	2,016	@ 43 pct.	
	JVP	13,261		
	Donut	3,218		

total		18,495		7,952 4,822

TOTALS **		2,578,902		1,145,854 976,762
			(@ 40 pct.)	1,031,560
	***	1,752,488		788,976 976,762
	(** not including Soviet data)			
	(*** Total of Japan and Korea TALFF and JV only and all for Poland and China)			

Conclusion: The total known catches of 2.6 million tons would have been expected to produce 1.0 to 1.1 million tons of products, a quantity in excess of the quantity transferred within the EEZ off Alaska. Summations of transfer reports alone are not valid measure of catch reporting within the US EEZ. Products contained in transfer reports originate from a number of catch sources with a large percentage of the products being derived from catches taken outside of the Alaska portion of the EEZ.

Report on the December and January Future of Groundfish Fisheries Committee Meetings

The Future of Groundfish Fisheries Committee has met twice since the December Council meeting at the Northwest and Alaska Fisheries Center in Seattle, Washington. The first of these meetings was held on December 17-18, 1987. All members were present except At this meeting the committee heard a presentation by Dr. Chris Dewees, California Seagrant Marine Advisory Program, on the New Zealand ITQ system and initial industry reactions to operating under such a system. They also discussed the strengths and weaknesses of the Alaska license limitation programs with Ron Miller, NPFMC staff. The committee prepared a list of criteria against which to evaluate effort limitation alternatives and discussed problems in the fishery, in particular identifying those which might be addressed by alternative management strategies. Details of these discussions can be found in the attached December meeting minutes.

The January meeting of the committee was held on January 11-12, 1988. The following committee members were present:

Nancy Munro	Brian Kelly
Joe Blum	Mark Lundsten
Bart Eaton	Wally Pereyra
Dave Harville	Kris Poulson
Gordon Jensen	

Steve Greene of Clearwater Fine Foods met with the committee on January 11, 1988 to provide information on the development and current status of the "Enterprise Allocation" management system currently employed in the offshore groundfish fisheries, surfclam, offshore lobster, shrimp and herring fisheries of Eastern Canada. His company holds enterprise allocations (EAs) in most of these fisheries and is a strong proponent of this form of effort limitation. A discussion of this program and some of its perceived strengths and weaknesses can be found in the attached draft January minutes of the committee's meeting.

The committee continued its discussion of long-term management alternatives for the groundfish and crab fisheries of the North Pacific. They were presented with a thought provoking discussion paper outlining some of the issues prepared by Chris Blackburn.

The concept of a dual individual quota/ open access system where participants would choose between operating with an individual quota or in an open access mode was discussed by the committee. The implications of such a system will be explored in greater detail by the committee at their next meeting.

The February meeting will be held on February 25-26, 1988 at the Northwest and Alaska Fisheries Center in Seattle, Washington.

DRAFT

Summary Minutes
Future of Groundfish Fisheries Committee Meeting
Northwest & Alaska Fisheries Center
7600 Sand Point Way NE, Building 4 Room 2079
January 11-12, 1988

Call To Order

Chairman Nancy Munro called the meeting to order at 8:45 am on January 11, 1988. The following committee members were present:

Nancy Munro	Brian Kelly
Joe Blum	Mark Lundsten
Bart Eaton	Wally Pereyra
Dave Harville	Kris Poulson
Gordon Jensen	

The agenda and minutes were approved as drafted.

Eastern Canada's Enterprise Allocation System

Steve Greene, Clearwater Fine Foods, discussed with the committee the development and current status of the "Enterprise Allocation" (EA) management system currently employed in the offshore groundfish fisheries, surfclam, offshore lobster, shrimp and herring fisheries of Eastern Canada.

For the offshore groundfish fisheries, Enterprise Allocations were first instituted in 1982 for vessels over 100 feet in length. The program was developed by the offshore trawl companies in response to restrictive license limitation rules and a rapid growth in the inshore fleet. Initial allocation was achieved by intra-industry negotiations except for one stock (northern cod) where the Department of Fisheries and Oceans (DFO) acted as arbitrator. Initial allocation was based on historical landings over the prior ten years with the average of the first 7 years given equal weight with the average of the last 3 years' landings. In 1983, DFO suspended the program but the industry continued observing the agreed upon allocations on a voluntary basis. In 1984, DFO reinstated the program as a 5 year experiment sunsetting in 1988. Since that time, groundfish EAs have been implemented for vessels between 65 and 100 feet, and have been expanded to include scallops, offshore lobster, shrimp, herring, and surfclams. In an undeveloped fishery such as surf clams all applicants are given equal shares initially.

Some of the benefits of the Enterprise Allocation system cited by Steve Greene are improvement of industry-government relations, less pressure to raise TACs to the detriment of the stocks, improvement in the quality of the fish and prices received, and increased intra-industry cooperation.

Nancy Munro asked for a description of some of the concerns of industry members less enthused about EAs. According to Steve Greene, some opponents owning vessels in the 45 to 65 foot range dislike EAs because they believe they limit their expansion opportunities. Inshore fishermen also perceive a decrease in their political strength since implementation of EAs for the offshore fishery. EAs are being seriously discussed for the smaller vessel fisheries and many Town Councils are opposed to them due to a concern that EAs will transfer effort, and hence jobs, out of their areas.

Wally Pereyra brought up the question of increased incentive to discard under EAs. While Steve Greene admitted that some discarding was occurring he did not believe it was a significant problem. No discards are legally allowed in these fisheries and boats are required to take observers upon request of DFO. Industry pays the costs of these observers. In 1987 observer coverage averaged 23 percent, although for some species there was 100 percent observer coverage.

Responding to questions from Brian Kelly and Mark Lundsten, Steve Greene stated that vertical integration between the harvesting and processing sectors was substantial before the implementation of EAs. The majority of vessels between 65 and 100 feet are independently owned by fishermen. These fishermen have tended to develop contracts with specific plants or have collectively started their own processing operations. Some smaller processors have lost access to fish since the EA program began. In general, however, the processing community is very much in favor of EAs.

Administration of the EA program has required firms to develop computer accounting systems and hire 1 to 2 additional staff to manage the company's EAs. Total government management costs were reported as similar to those prior the EA system although the distribution of costs has changed. There are plans to increase the industry assessment fee to assist in covering the costs of management to one percent of the value of the catch.

Currently there are approximately 100 companies having EAs, 16 of which are large companies with multi-purpose fleets of vessels over 100 feet in length while approximately 80 companies have vessels in the 65 to 100 foot range. Enterprise allocations are being discussed for the inshore fisheries which involve 15,000 vessels. As an initial step towards individual quotas for this fishery a separate TAC for vessels between 45 and 65 feet in length has been established. A number of options have been discussed for allocation of EAs in the inshore fisheries including fishermen association or union EAs, and "community EAs".

There was considerable discussion of the differences in fishing operations in eastern Canada and the North Pacific. As a general rule there is far greater vertical integration in Canada, the vessels tend to be single purpose vessels and processing is almost exclusively shorebased. Bart Eaton suggested that in the United States there is considerable lack of coordination between the various government agencies and that industry did not play the same dynamic management role as the Canadian industry was playing under the Enterprise Allocation system. Mark Lundsten stated that license limitation might be a necessary first step in moving toward something like EAs.

Discussion of Strawmen Proposals

Committee members were asked to submit strawmen proposals for long-term management of the North Pacific groundfish fisheries for discussion. Mark Lundsten and Dave Fraser submitted such proposals.

Lundsten Strawman - The proposal was a license limitation scheme for groundfish trawlers, crab vessels and longline vessels with allocation of quotas by gear type/mode of operation. Vessel replacement restrictions would apply. There would be "local boat" quota allocations of most species which would remain as open access fisheries. A fishermen panel would administer the system and make allocation decisions. Industry would be taxed to pay for the administration in addition to possible buyback. Restrictions on use of CCF money in the fisheries would be imposed. ITQs would be considered as a future measure.

There was discussion on whether such a system would assist in controlling capital stuffing to any significant degree. Kris Poulson agreed that establishing some limit on harvesting capacity in

necessary. Wally Pereyra stated that such a system would impair the ability to develop certain fisheries such as Pacific cod in new ways. Bart Eaton suggested that restricting the gear type used on the vessels permitted under the license limitation might not be desirable. Gordon Jensen stated that for the halibut fishery some sort of individual quota system might be the only system practicable.

Dave Harville stressed that need for a moratorium to stop the rapid increase in capacity while developing a detailed system.

Fraser Strawman Proposal - Dave Fraser presented two proposals for committee consideration. First he proposed that a several step process was needed: (1) a cutoff date needed to be established immediately, (2) a 2-3 sunseting moratorium should be implemented as soon as possible and (3) a preferred system of limited access, be it IQs or effort controls or taxes should be developed to go in effect at the end of the moratorium period. Second, he proposed a ITQ system for the JVP fishery only be developed where shares would be based on past performance, IQs would be transferable and the monies received in the transfer of quotas could be used to subsidized changes needed to develop DAP markets.

Dave Harville was concerned about the JVP ITQ proposal because it did not treat all trawl vessels equally. Wally Pereyra felt that such a system would encourage the JV fisheries to continue in a JV mode rather than stimulating the growth of DAP fisheries.

It was agreed that all the strawmen proposal were useful because they focused on different issues for different fisheries. There was general agreement that different schemes might be necessary to address fishery specific problems/opportunities.

Steve Greene pointed out that allocation schemes can be fairly flexible, giving the example of Clearwater taking less than their historical catch in the initial allocation of a certain species in exchange for the greater percentage of the growth. Lee Daneker gave the example of Australian fisheries reserving a portion of the TAC to be used by small boats in an open access situation.

Discussion of "ProChoice" Concept

Nancy Munro and Wally Pereyra described an idea which arose during dinner with Steve Greene where eligible participants could choose to operate under either a individual quota/enterprise allocation or open access regime. (For the purposes of this discussion it should be noted that EAs and ITQs are identical in concept.) The general concept is that participants would be given an idea of what their individual quota would be based on some agreed upon set of criteria (for example some combination of historical landing patterns and investment). On an annual basis, each permit holder would then choose either to be allocated an individual quota or participate in the open access fishery. Depending on the number of operations choosing each option the total TAC would then be divided into a EA component and a OA (open access) component. Subject to biological constraints, EA holders would be able to harvest their quota year round while open access fishermen would fish only during the open access season openings. EAs would be transferable during the year. However, an individual could not lease his quota and then go fish in the open access fishery. In the next year, those participants in the open access fishery would be given the opportunity to change to the EA mode. These second year EAs would not impact the first year's EAs but would be subtracted from the open access fishery. An initial EA recipient could decide in the second year to change back to an open access mode but would forfeit his rights to his initial EA. These EAs would revert back to the open access portion of the TAC. This process would continue on an annual basis.

John Peterson pointed out that Bob Stokes had suggested a two tiered system for the halibut fishery several years ago when the proposed halibut moratorium was being developed. Ron Miller stated that the State of Michigan had instituted a system where the fleet was frozen and half of the total TAC was allocated as individual quotas to all participants and half the quota was taken in an derby "Olympic" system by the same fishermen. It was thought that this gave more stability while preserving a perceived desirable "competitive" quality of an Olympic system. John Peterson questioned whether EAs would be for specific tonnage or for a percentage of the TAC and who would bear the burden of a decline in the stocks; the Open Access fishery, the EA fishery, or both. These details will be discussed in greater detail in February.

Mark Lundsten expressed some concern about the impact of such a system on crew members and undeveloped fisheries. Kris Poulson thought that a ProChoice system could hold promise for the crab

fisheries. Gordon Jensen pointed out that other unanswered questions needing to be address include what limit should be placed on percentage of company ownership of EAS and whether the EA component should be restricted to a certain percentage of the TAC.

There was considerable discussion over what credit JV operators should accrue for EAs. Wally Pereyra stated that while it was desirable to recognize the pioneering efforts of JV fishermen, incentives needed to be built in to accelerate full DAP utilization. He suggested that a system of temporary EAs (TEAs) might be set up where JVs were given EAs which would sunset after a given time if they had not been utilized in the DAP fishery.

One of the issues which would need to be addressed if EAs were allocated for a portion of a fishery would be whether initial allocation would be exclusively to harvesters or whether processors would be eligible. If factory trawlers were given initial allocations then shore side processor may also want EAs. One argument forwarded for allocating to factory trawlers as harvesters is that allocation would be based on their harvesting capacity and that the factory trawlers had made investments to allow for harvesting capabilities. It is not possible to separate harvesting and processing components physically for factory trawlers while it is for shore based operations. Following this line of reasoning, shorebased operations with harvesting fleets would receive EAs based on the catch histories of the vessels in their fleets.

Dave Harville listed the following as important questions/ potential problems with an EA or "ProChoice" system which the committee will need to address in greater detail at the next meeting: hygrading, foreign ownership, initial allocation, community dislocation, and transfer of quotas among gear types. He also raised the issue of whether the committee intends to treat the Gulf of Alaska and Bering Sea/ Aleutian Islands fisheries separately. Kris Poulson stated that EAs would probably have to be allocated using the same management areas as the Council currently uses for crab and groundfish. It was agreed that there was no easy answer to this question and would need to be addressed on a species by species basis.

Discussion Paper Prepared By Chris Blackburn

Dave Harville lead the discussion of a thought provoking paper prepared by Chris Blackburn. Considerable discussion was

stimulated by the question of how should catch capacity relate to the resource. Gordon Jensen stated that the desirability of "banking" stocks depends on the species; for example such a strategy would make more sense for halibut than for pollock. Dave Harville saw the desirable fleet size as one which, if stretched to the limit, could harvest the available fish at the highest stock sizes while surviving as a fleet during periods of low stock abundance. There was general agreement that the domestic processing capacity estimates for the factory trawlers has probably been overestimated. Several individuals speculated that investment in this sector of the fishery is beginning to slow down.

Dave Harville offered the services of the Alaska Groundfish Data Base to assist in answering some of the committee's research questions.

Proposed Trip to Eastern Canada

Steve Greene offered to set up a trip to eastern Canada for the committee to talk with government and industry representatives in both the offshore and inshore groundfish fisheries. Committee members present expressed interest in such a trip, perhaps in April after the committee's focus has been more clearly defined.

Discussion of Meeting Locations

The committee had received a request to hold some of their meeting in Kodiak. At this time the committee agreed that holding meeting in different locations would add considerable expense and that the time to hold such a meeting would be after the committee had a more specific recommendation to discuss.

Freezing of Issuance of Permits

There had been a request for the committee to take up the issue of calling for an immediate freeze on issuance of federal groundfish permits at this meeting. There was not a quorum of committee members present to "vote" on this and Dave Harville expressed the desire that the committee refrain from voting but work together for consensus.

February Meeting Date

At the February meeting the committee will divide up into smaller groups and begin to examine **by fishery** some of the implications of

the ProChoice system and other alternatives in greater detail. In preparation for this meeting Kris Poulson will work on some of the implications for the crab fishery. Wally Pereyra will develop in greater detail "ProChoice" proposal with a TEA component for fisheries not fully DAP. Mark Lundsten will address the bycatch issue for longline species and provide further details on a proposal for a longline multispecies fishery. Wally Pereyra requested a legal analysis of the ProChoice concept for the February meeting. The February meeting of the FOG committee will be held on February 25-26, 1988 in Seattle.

March Meeting

Mark Lundsten requested that the March meeting of the committee be held on March 7-8 in order to allow his participation.

Adjournment- The meeting was adjourned at 4 pm on January 12.

Summary Minutes
Future of Groundfish Fisheries Committee Meeting
Northwest & Alaska Fisheries Center
7600 Sand Point Way NE, Building 4 Room 2143
December 17-18, 1987

Call To Order

Chairman Nancy Munro called the meeting to order at 8:45 am on December 17, 1987. The following committee members were present:

Nancy Munro	Victor Horgan
Joe Blum	Gordon Jensen
Frank Bohannon	Brian Kelly
Bart Eaton	Mark Lundsten
Dave Fraser	Mel Morris
Dave Harville	Kris Poulson

The agenda and minutes were approved as drafted.

Report on Council Action in December

Dorothy Lowman gave a report of the Council's action at the December meeting concerning the December 31, 1987 cutoff date. Reference to specific cutoff dates was eliminated from the Council's Statement of Commitment but use of cutoff dates was maintained as an option. The new language is as follows: "At the June 1988 meeting the Council will consider alternative means to determine the extent to which various participants may accrue credit, including cut-off dates, participation credit, and other approaches, should access limitation be implemented in the future". The Council reserves the right to make retroactive application of such determinations, in whole or in part. The revised Statement of Commitment is attached as Appendix A.

Jim Branson stated that this Council action put the decision of a cutoff date as a tool more firmly in the hands of the committee. Practically speaking, however, the December 31, 1987 date is most likely not a feasible option.

Dave Fraser questioned whether procedurally committee decisions should be made by consensus or by formal votes. He expressed concern that the distribution of interests represented on the committee might not reflect the composition of the fishing interests currently involved in the groundfish fisheries. Nancy Munro stated that it was too early in the process for the committee to be taking formal votes. Vic Horgan suggested that instead of

formal votes opinion polling at regular intervals would be desirable to gain an understanding of how members are feeling toward various systems. Jim Branson reminded the committee that they had been chosen because they represented a diverse but not rigid set of viewpoints. The Council is looking for the committee to recommend one option which they feel the industry as a whole could accept.

Discussion of Criteria to Test System(s) Developed

Using some initial criteria suggested at the November meeting as a starting point, the committee discussed criteria to evaluate effort limitation alternatives. The following list of criteria was produced based on this discussion:

1. Prevent overfishing (FCMA National Standard #1)
2. Don't discriminate between residents of different states (National Standard #4).
3. Promote efficiency in utilization of fish resources (National Standard #5).
4. Minimize costs and avoid duplication (National Standard #7).
5. Provide a framework for the industry to be the most competitive in the world consistent with sound management.
 - a. Promote economic efficiency in the industry, taking into account social and biological constraints
 - b. System should be simple to understand and cost effective.
 - c. System should allow the industry to respond to market and resource fluctuations.
 - d. The issue of technological innovation should be considered.
6. Consider the implications for all existing fishery participants and the coastal communities.
7. Be as comprehensive as possible, recognizing that individual fisheries may require specific measures.
8. Recognizing that industry is made up of capital and labor, consider the impacts on both.
9. Ensure that pertinent industry members play a major role in the implementation and administration for the fishery management system.
10. Ensure the conservation of fish resources.
11. Balance the development of underutilized species fisheries with the management of fully utilized fisheries.

The first four criteria are national standards in the Magnuson Fishery Management and Conservation Act (FCMA) which must be addressed. Considerable discussion occurred over whether the committee should try to address potential overcapitalization in the processing sector as well as in the harvesting sector. Some

members felt that this was not feasible while others felt that the problem of overcapitalization in the industry could not be addressed without examining both the harvesting and processing sectors.

Review of Background Material

Several resource people were present at the meeting to provide information to the committee on limited access systems currently in place in other fisheries. Dr. Courtland Smith, Oregon State University Anthropology Department, described some research he was been doing in examining changes in capacity in the Oregon trawl fleet. He also talked about the need for new institutions and organizations to assist in resolving management issues.

ITQs in the New Zealand Groundfish Fisheries - Dr. Chris Dewees, California Seagrant Marine Advisory Program, described the New Zealand ITQ system and discussed his research examining the reactions of the New Zealand fishing industry and managers to the first six months of the ITQ program. He spent six months in New Zealand interviewing fishermen, processors, and managers about the perceived benefits and problems of the ITQ system during its development and initial implementation. Based on these interviews, the most frequently cited benefits of the system are as follows: conservation of the resource, provision of an asset and security to the participants, improved fish prices, increased professionalism in the fishery, reduced effort and competition, and an improved ability to plan. The primary problems identified by the industry were dumping of bycatch, concern about consolidation of quotas by large companies, and difficulty in obtaining sufficient quota.

The system took 3 years to implement during which time there was a moratorium on new entrants. While most participants do not find the ITQ system difficult to understand, poor communication between the regulators and the industry during the development of the system caused some problems.

Dave Harville asked whether the ITQ systems was thought to be working for (1) the country, (2) the resource, (3) the fishermen, (4) the fish plants, and (5) coastal communities. Based on his observations and data, Chris Dewees gave the following responses: The country: yes, it was resulted in a large increase in net revenues from the fisheries. The resource: the resource is in better condition overall than before the ITQ system was implemented. The fishermen: over 50 percent felt they were better off economically under the ITQ system. The fish plants: the processors interviewed were either neutral or slightly negative about ITQs. The coastal

communities: some have been negatively impacted while others have been positively impacted.

In response to another question, Dr Dewees stated that when he initially went to New Zealand he was very negative towards ITQs while now he views them in a more positive light. He would favor testing out ITQs in some fishery in the United States but thought it should be developed slowly as it is difficult to change once it has been implemented. He also stressed the need for industry involvement during development of any system and the importance of industry acceptance before implementation. Any system developed in Alaska would also have to be customized to address the specific characteristics of the fishery.

License Limitation Programs in Alaska - Ron Miller, NPFMC staff, reviewed the papers by Adaisiak and Muse and Schelle on the Alaska license limitation systems with the committee. The Alaska system has provided some stability in the limited fisheries and has probably slowed down the process of "capital stuffing" which results in overcapacity; however, in some cases the number of participants has actually increased after the implementation of license limitation.

The initial eligibility criteria were worded vaguely which led to many hearings to determine facts on an individual basis. Subsequent programs have been more specific, reducing the number of appeals considerably. Studies of the redistribution of licenses since the program's inception have shown some outmigration from native communities, but the ratio of resident to non-resident license holders is similar to that observed before entry was limited.

Mark Lundsten asked whether management of the stocks was improved by the imposition of license limitation. Ron Miller responded that while the number of fishermen were not reduced in most cases the number of participants did not increase. Knowing that there was some control on effort also assisted in the development of aquaculture organizations which have been beneficial. Dave Harville asked Ron Miller whether in his opinion the committee should look at the Alaska system with respect to its application for the groundfish fisheries. Ron Miller stated that close examination of the system would be useful because it is close at hand, it provides experience on problems in administering limited entry systems, and its administrative framework would provide information on data and computer systems needed to monitor any system developed. The Alaska Limited Entry Commission has an annual budget of \$2 million and a staff of 35-40 people. Annual license fees are approximately \$3.5 million.

Discussion of Problems In The Fishery

Bart Eaton suggested that before the committee begins to develop any alternative management recommendations, more discussion of what the problems that are trying to be solved is needed. The following list is a first cut at identifying these problems. Not all committee members agree on importance of all of these problems or whether all of the problems can be addressed by alternative management strategies. In particular, those problems with a question mark after them may be unable to be influenced. The problems identified are as follows:

1. There is more harvesting capacity than needed to harvest the resources over a year round season, but not necessarily the right mix to harvest and process the resource most efficiently.
2. Pace of Development
 - a. Easy money
 - b. High debt to equity ratios
 - c. Unstable planning environment
 - d. Pressure on markets (Undeveloped markets)
3. Undercapitalization in the processing sector in some areas.
4. Conflict between sectors of the industry.
5. Gear conflicts.
6. Increased difficulty in the management of the fisheries with declining data availability (?); increased enforcement problems.
7. Government policies stimulating investment in already developed fisheries.
9. Bycatch problems.
10. Less than optimal utilization of the resource.
 - a. Waste in the fisheries.
 - b. Poor quality of product.
11. Value of the US dollar/ interest rates (?).
12. Market access for US fishery products (?).

Dave Harville suggested that one way the debt to equity ratio might be impacted would be to remove the groundfish fisheries from the list of fisheries for which vessels can qualify for NOAA construction loans. The committee should request that the Council ask for NOAA review of this list.

There was considerable discussion of the desirability of freezing effort while trying to come up with long term solutions to some of these problems. Dave Fraser urged that the committee recommend that issuance of permits be frozen as soon as possible, although vessels currently under construction should be included. Bart Eaton agreed that a moratorium was needed to allow full discussion of options. Mel Morris questioned limiting domestic

entrance into fisheries which is still only 15 percent DAP. He also pointed out that JV vessels deliver 6 months to their foreign processors and are therefore not available to deliver to domestic processors during those six months. Frank Bohannon stated that he favored a moratorium at this time, preferring to having to reopen entry rather than regretting not cutting entry off in time. The issue of freezing issuance of licenses will be discussed in greater detail at the January meeting.

NMFS Economic Status of the Alaska Groundfish Fishery in 1987 Report

Joe Terry reviewed some of the sources of information which can be made available to the committee. The NMFS report shows some of the kinds of data presentations possible. Three basic data sources can be linked: the vessel permit files, the PacFIN data base, and the ADFG fish ticket files.

January Meeting Agenda and Research Needs

In addition to discussing whether the committee will advocate a freeze on permit issuance, Joe Blum requested that both harvesting sector and processing sector representatives come to the January meeting with their ideal straw man proposals for committee discussion. Dan Huppert's report will hopefully be completed and ready for distribution before the January meeting. Steve Greene will be available to discuss the Nova Scotia Enterprise Allocation program under which he has a quota allocation.

The following were identified as research needs by the committee:

1. What is a realistic estimate of current harvesting capacity in the groundfish fisheries? Is the current vessel composition of the fleet sufficient to harvest the resource under different scenarios of fully domestic processing? (For example, how would this capacity change if a greater portion of the catch was harvested shoreside.)
2. What is a realistic estimate of the current and planned domestic processing capacity?
3. How many harvesting only vessels are currently being built or converted for use in the Bering Sea and Gulf of Alaska groundfish fisheries?
4. What are the current world and domestic markets for principal groundfish species?
5. Using Dan Huppert's model, how many vessels would result in 0 profit rather than maximizing the profit from the fisheries?

Dorothy Lowman will begin to work on providing the relevant information to the committee to address these questions.

February Meeting Date

The February meeting of the FOG committee will be held on February 25-26, 1988.

Adjournment- The meeting was adjourned at 4 pm on December 18.

Statement of Commitment

As Approved by the North Pacific Fishery Management Council
Anchorage, Alaska
September 25, 1987*

On December 7, 1984 the North Pacific Fishery Management Council adopted nine comprehensive management goals designed to provide a sense of direction for the course of its fishery management decisions over the next decade. The Council's comprehensive goals are consistent with, and supplemental to, the National Standards of the Magnuson Fishery Conservation and Management Act.

By adopting the nine goals, the Council made a commitment to (1) assure future productivity of fish stocks, (2) support the stability and economic well-being of the fish industry and the communities dependent upon that industry, and (3) efficiently manage the resources within its jurisdiction for the benefit of the citizens of the U.S.

Expansion of the domestic fleet harvesting fish within the EEZ off Alaska has made compliance with the MFCMA's National Standards and achievement of the Council's comprehensive goals more difficult under current management regimes. The North Pacific Fishery Management Council therefore is committed to pursue alternate management methods that will support the Comprehensive Goals adopted by the Council and achieve more productive and rational effort and harvest levels in the groundfish fishery.

To fulfill this commitment the Council will:

1. Develop strategies for license limitation or use of individual transferable quotas in the sablefish longline fishery. The process will begin at the September 1987 meeting and the Council intends to implement the selected management strategy for the 1989 season.
2. Develop a management strategy for the groundfish fisheries of the Gulf of Alaska and Bering Sea by 1990. Establish a workgroup to consider the need for and impacts of alternative management techniques for groundfish with a full analysis report due by the June 1988 Council meeting. At the June 1988 meeting the Council will consider alternative means to determine the extent to which various participants may accrue credit, including cut-off dates, participation credit, and other approaches, should access limitation be implemented in the future. The Council reserves the right to make retroactive application of such determinations, in whole or in part.
3. Consider effort management in the halibut and crab fisheries.

*Modified December 11, 1987