


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke 
Executive Director

DATE: June 6, 1995

SUBJECT: Inshore-Offshore Allocations and CDQs

ESTIMATED TIME 6 Hours

ACTION REQUIRED

Final Action on the Proposed Reauthorization of Amendment 18/23.

BACKGROUND

The Draft EA/RIR for the reauthorization of the Inshore-Offshore Amendment was completed and mailed to the Council on May 4, 1995. The Executive Summary of the EA/RIR and the Problem Statement are attached as Item C-1(a). The EA/RIR assesses two main alternatives in response to the problem statement. These alternatives are:

- Alternative 1: No Action - the current inshore-offshore allocation and the pollock CDQ program would expire at the end of 1995.
- Alternative 2: Continue the current program, as is, for three years. This would include the pollock CDQ program as an unseverable element of the overall package.

Additionally the Council has indicated a desire to re-examine specific provisions of the Catcher Vessel Operational Area (CVOA), and the definition of inshore and offshore relative to freezer vessels. Although changes to the CVOA and the definition of inshore and offshore are not included as alternatives *per se*, the EA/RIR contains substantial information on both, and the Council could choose to take action if they desire.

Item C-1(b) contains written comments received on this agenda item.

DRAFT FOR COUNCIL AND PUBLIC REVIEW

ENVIRONMENTAL ASSESSMENT AND REGULATORY IMPACT REVIEW

(EA/RIR)

for the proposed reauthorization of

AMENDMENT 18/23

to the

GULF OF ALASKA AND BERING SEA /ALEUTIAN ISLANDS

FISHERY MANAGEMENT PLANS

(INSHORE-OFFSHORE PROCESSING ALLOCATIONS AND POLLOCK CDQ PROGRAM)

**Prepared by staff of the
North Pacific Fishery Management Council**

with contributions from NMFS and State of Alaska DCRA

May 4, 1995

EXECUTIVE SUMMARY

Background and Need for Current Action

This document examines a potential reauthorization of Amendment 18/23 to the BSAI and GOA FMPs, which established the inshore-offshore processing allocations for pollock and Pacific cod and the pollock CDQ program for Western Alaska. These amendments are currently scheduled to expire at the end of 1995. The Council originally approved Amendment 18/23 in 1991 after a series of analyses of the economic and distributional impacts, though the BSAI pollock allocation was disapproved by the Secretary of Commerce (SOC) in 1992. After further analyses, the Council submitted a revised Amendment 18 which proposed allocation percentages different than the original submittal. This was approved by the SOC after additional revisions were made to the allocation percentages by the SOC. The final Amendment 18/23 contained the following primary elements:

1. For the GOA, 100% of pollock would be reserved for vessels delivering to inshore plants, and 90% of Pacific cod would be reserved for vessels delivering to inshore plants.
2. For the BSAI, 35% of the pollock is reserved for inshore for all three years.
3. A catcher vessel operational area (CVOA) reserved for catcher vessels in the BSAI pollock B season.
4. A 7.5% allocation of the BSAI pollock quota for Western Alaska community development (CDQs).
5. A specific list of alternatives for "comprehensive rationalization" of the fisheries; within that list were traditional management tools, limited entry programs including IFQ allocations, and continuation of the inshore-offshore allocation. This was tied to the December 31, 1995 sunset date with the stipulation that the inshore-offshore allocation would expire at that time if the SOC had not approved a more comprehensive management program for these fisheries.

At about the same time, the Council embarked on an initiative to develop more comprehensive, long-term management programs to address the overcapitalization and allocations problems facing the industry, not only with regard to inshore-offshore, but to the overall groundfish and crab fisheries off Alaska. This Comprehensive Rationalization Plan (CRP) examined a myriad of alternative approaches, but focused on some type of limited entry or IFQ program. The current focus is on a License Limitation program, followed by some type of IFQ program for the groundfish and crab fisheries. The Council is scheduled to take final action on License Limitation in June 1995, followed by further development of more comprehensive management programs.

A comprehensive management regime, will likely take two to three more years to implement. In order to maintain stability between industry sectors and to facilitate further development of more comprehensive management regimes, the Council is considering an extension of Amendment 18/23 for an additional three years. This would also allow for realization of the goals and objectives of the pollock CDQ program. The alternatives currently being considered are:

Alternative 1: No Action - the current inshore-offshore allocation and the pollock CDQ program would expire at the end of 1995.

Alternative 2: Continuation of the current program, as is, for a period of three additional years. This would include the pollock CDQ program as an unseverable element of the overall package.

The Council has also indicated a desire to reexamine specific provisions of the Catcher Vessel Operational Area (CVOA) and the definition of inshore and offshore relative to freezer longliners.

Organization of this Document

Chapter 1 of the document provides details on the background and development of Amendment 18/23, and the process leading to the current consideration of reauthorization. Chapter 2 contains a review of the previous analyses conducted relative to Amendment 18/23, with the primary results of those analyses, and then describes the methodological approach used for the current analysis.

Chapters 3 and 4 are devoted to a description of what has actually occurred during the past three years with the inshore-offshore allocation in place. This included details on harvests of pollock and Pacific cod, processing activities, and activities within the CVOA. Chapter 5 provides projections of what would occur without the reauthorization of Amendment 18/23 while Chapter 6 provides projections with reauthorization of that amendment. Chapter 7 then makes comparisons of these projected outcomes to what was occurring in the base case described in the previous chapters. Overall findings and conclusions regarding the basic allocation are presented in Chapter 7. Community Impacts are discussed in Chapter 8, with an examination of the pollock CDQ program provided in Chapter 9.

Findings from Previous Analyses

Original SEIS from March 1992

The original SEIS prepared by Council staff focused on input/output modeling which projected distributional changes in employment and income at the community/regional level. This analysis indicated that losses in employment and income for the Pacific Northwest induced by the inshore-offshore allocations analyzed would be more than offset by gains in direct income to Alaska regional economies. The magnitude of this effect depends on the specific allocation alternative chosen, but holds true across all alternatives to some degree. The Preferred Alternative of the Council was a three year phase-in of allocation percentages (35/65, 40/60, and 45/55 inshore-offshore). Combining offshore and inshore regional impacts yielded a net gain in direct income of around \$9 million in the first year of the program, based on the projections in that analysis.

Cost-Benefit Study from April 1992

As part of the Secretarial review process, NMFS economist conducted a cost-benefit oriented analysis which focused on overall net benefits (or losses) to the nation which would result from the inshore-offshore analysis. The basic methodology of this analysis was to measure producer surplus for each sector and then to predict the relative changes in that producer surplus for each sector—inshore and offshore. This involved estimation, for each sector, of relative harvest percentages, product mixes, recovery rates, and prices for fish. From this estimate total revenues are projected, then subtracted from total estimated costs of production, to arrive at net revenues (or producer surplus) for each sector, for both the "allocation case" and "no-allocation case". The net revenue difference between the two cases is the estimate of overall changes in net revenues to the nation of the allocation.

That analysis projected a net loss to the nation of \$181 million over the three year life of the allocation. Gains to the inshore sector were outweighed by losses to the offshore sector by that amount. Assumptions and parameters used in this analysis were the subject of intense disagreement and debate, and the analysis was largely silent on the issues of distributional and community impacts. The analysis was part of the basis of Secretarial review, and subsequent disapproval of the BSAI pollock allocation (the GOA allocations were approved as well as the CDQ program for the BSAI).

Supplemental Analysis from September 1992

Following Secretarial disapproval, a final, Supplemental Analysis was jointly prepared by NMFS economists and Council staff. This analysis combined a cost-benefit assessment with an income/distributional analysis. The analysis also contained a detailed examination of the CVOA. Alternatives examined included the three year phase-in as described above and a more straightforward 30/70 split over the entire three years. The Council finally approved and forwarded to the Secretary an allocation of 35/65, 37.5/62.5, 37.5/62.5. The final analysis projected the following major findings for the Preferred Alternative:

- Cost-benefit analyses projected an overall loss to the nation of \$33.6 to \$37.6 million over the three years of the allocation, depending on which set of parameters was used in the models. Sensitivity analysis indicated that, with certain parameters in the model, these projected losses could be reduced substantially, or could result in a net gain to the nation of \$11 million. Essentially, the projections of net benefits/(losses) covered a range of possibility, from positive to negative depending on parameters and assumptions used, with the expected value in the negative.
- Distributional income analyses, using the same parameters assumed in the cost/benefit study, also projected an overall net loss, in terms of direct income at the U.S. level, with offshore losses outweighing gains to the inshore sectors. The estimated loss was \$20 to \$28 million over the three year allocation (Preferred Alternative), though a potential overall gain of \$11 million could be projected using model parameters based on public testimony to the Council.
- The Social Impact Assessment (SIA) which accompanied this analysis concluded that benefits to Alaskan coastal communities from the proposed allocation would be immediate and direct, while corresponding losses to Pacific Northwest communities would be less direct and less immediate. Overall, the study concluded that a given level of benefits accruing to Alaskan coastal communities was proportionally more significant when compared to regions like the Pacific Northwest where alternative industries and employment existed. The SIA noted that continuation of status quo (no inshore-offshore allocation) would have immediate and direct negative consequences for economic development and social stability in Alaskan coastal communities who rely heavily on fish harvesting and processing.

Current Analysis - Scope and Methods

The current analysis of the proposed reauthorization of Amendment 18/23 does not attempt to respade the previous cost-benefit or distributional analyses; rather, it examines the current state of the fisheries and identifies any significant changes which have occurred which would affect the overall findings of the previous analyses. Any directional changes, and their likely magnitudes, from the original analyses are identified in this iteration. Projections are made regarding the likely distributions of fishing and processing activities under both current alternatives—expiration of the allocation or reauthorization. Using the 1993 and 1994 fisheries as a base case for comparison, impacts of these projections are offered.

This analysis also examines additional issues which have been identified by the Council in the proposed reauthorization. In addition to potential preemption, these include stability within the industry, future trade-offs for affected industry sectors, and the potential impacts on the Council's overall CRP development. The pollock CDQ program is examined from the perspective of the current status of each of the six CDQ organizations' development, relative to the overall goals and objectives of the CDQ program created by the Council.

Base Case Description of the Fisheries, CPUE, Bycatch, and CVOA Activities

Chapter 3 contains data and discussion of the distribution (size and spatial) of walleye pollock in the eastern Bering Sea, the distribution (temporal and spatial) of the pollock fishery, and the impact that the Catcher Vessel Operation Area (CVOA) has had and may continue to have on the fishery and other members of the eastern Bering Sea ecosystem (marine mammals). Chapter 3 is divided into the following sections:

- I. Eastern Bering Sea Pollock Natural History and Recent Stock Assessments
- II. Pollock Populations and Fisheries (1990-94)
 - A. Size and Biomass Distribution of Pollock from Surveys and Fisheries
 - B. Bycatch of Prohibited Species (Surveys and Fishery) and Fishery Pollock CPUE within and outside the CVOA
- III. Effects of CVOA on Marine Mammals
 - A. Steller Sea lion
 - B. Pacific harbor seals
 - C. Northern fur seal
 - D. Killer whales
 - E. Gray whales
 - F. Pollock as prey, Fishery Exploitation Rates (1990-94) and Impacts of the CVOA

From 1990-94, the exploitable (30+ cm in length) pollock population in the eastern Bering Sea changed from one composed of several strong year-classes (spawned in 1978, 1982 and 1984) to one dominated by a single year-class (1989). Furthermore, there has been a shift in exploitable pollock biomass (and the fishery) to the southeast (toward the CVOA), due to the distribution of the 1989 year-class. While surveys in the last 5 years continue to show that commercial-sized pollock are widely distributed throughout the southeastern Bering Sea, both inside and outside of the CVOA, the distribution of exploitable pollock during the summer can change from year to year, which may cause the distribution of the fishery and areal CPUEs to change.

The fishery harvests pollock disproportionately to its areal biomass distribution. During the 1990-94 B-seasons, harvest rates of exploitable pollock in the CVOA ranged from 22-50%, rates which were much higher than in Areas 51 and 52 outside of the CVOA (combined ranges of 1-14%). Furthermore, A-season pollock removals have also been concentrated in the CVOA.

Survey and fishery data have shown that bycatch rates of:

- herring and salmon have been higher inside the CVOA than outside, particularly from July-September;
- herring have been higher outside the CVOA from October-December;
- halibut by bottom trawls have been higher inside the CVOA than outside;
- red king crab have been higher outside the CVOA; and
- bairdi Tanner crab have been either higher or lower inside the CVOA than outside, depending on the fishery data set being analyzed.

Recent information on distribution of the crab species suggests that red king crab bycatch rates should be lower, and Tanner crab bycatch rates should be higher inside the CVOA than outside in areas frequented by the pollock fishery.

Pollock are an important prey for marine mammals and birds in the eastern Bering Sea. While most pollock are eaten as juveniles, there is considerable overlap in the size distributions of pollock taken by the fishery and those eaten by Steller sea lions. The spatial and temporal concentration of the pollock fishery is contrary to the management philosophy utilized for the pollock fishery in the Gulf of Alaska to minimize the likelihood of

creation of localized depletions of marine mammal (particularly Steller sea lion) prey. Due to the distribution of the dominant 1989 year-class and the apparent desire of the fleet to avoid smaller members of the cohort, effort shifted from areas west of 170° W to the southeast (including a foraging area designated as Steller sea lion critical habitat under the ESA) in 1993-94. However, if the CVOA had not excluded the offshore fleet during these 'B' seasons, it is likely that harvest rates and removals from the CVOA and critical habitat would have been greater than they were.

Base Case Assessment of Economic Indices

Chapter 4 describes the status of the fisheries under the inshore-offshore allocations from 1992-1994, with a focus on economic indices related harvesting and processing of GOA pollock and P. cod and BSAI pollock. A description of fish prices used in the analysis, and status and trends of these prices is provided. Prices for major pollock products, other than roe, declined significantly from 1991 and 1992 levels to 1994 levels for both sectors. A description of major pollock and P. cod processors, by various classes, is also provided in Chapter 4. In order to describe actual activities which occurred over last three years, a detailed examination of the GOA P. cod, GOA pollock, and BSAI pollock fisheries is provided. The results of this examination are then compared to results as projected in the original analyses of inshore /offshore. Major findings from this examination are summarized below:

GOA Pacific Cod Fisheries

- Despite the 10% allocation of Pacific cod, the offshore sector took only 3% of the TAC in 1993 and 1994.
- About 10% of the overall GOA quota in 1993 and 1994 was taken by longline catcher/processors designated to the inshore category.
- Production for the inshore sector has shifted to higher priced fillets, while falling prices overall and reduced harvest levels have kept revenues per ton constrained.
- Revenues per ton decreased relatively more for the offshore sector, though some of this may be attributable to mandatory discarding under the rules of the allocations.

GOA Pollock Fisheries

- Total offshore sector harvest of pollock was about 1% in 1993 and 1994; the processing locations for GOA pollock have shifted significantly to Kodiak and Sand Point/King Cove locations (from Dutch Harbor) from a combined 65% in 1991 to 85% in 1994.
- Processed product form has shifted substantially over the period 1991-1994; more emphasis was placed on surimi in 1992, then shifted back to fillets and roe by 1994. Roe prices have risen and remained at high levels through 1994, while both fillet and surimi prices have dropped dramatically, with a relatively higher price decrease in surimi.
- Total product utilization by the inshore sector is higher than offshore sector utilization (21-22% of total weight for the inshore sector, over all years v. 16% for the offshore sector in 1991).
- By 1994, roe comprises nearly 18% of total gross revenues for the inshore sector, with fillets accounting for 49% and surimi for just over 29%.

- Gross revenue per mt has fallen from 1991 to 1994 for the inshore sector, but not by much considering product price reductions. Changes in product mix combined with differential prices for each product have contributed to relative 'maintenance' of revenues per ton.
- Lower revenues per ton in the offshore sector (based only on 1991 data) may indicate that total revenues generated from the pollock fisheries would have been lower without the implementation of the Amendment.

BSAI Pollock Fisheries

- Price trends were similar to GOA with surimi and fillets decreasing significantly and roe maintaining high levels. Both sectors have increased surimi production relative to other product forms, while fillet and roe production as a percentage of overall production has remained fairly constant, with the exception of roe production for the offshore sector which has dropped as a percentage of overall production.
- Lower prices have decreased gross revenues for both sectors; gross revenues per mt of catch have also dropped for both sectors, though differentially. The inshore sector revenue per mt decreased 11.3% from 1991 to 1994 while the offshore sector revenue per mt decreased 32.6% over the same period.
- Compared to the projected impacts of inshore-offshore as modeled in the original analyses, these changes indicate that projected impacts (net losses to the nation) were likely overstated, and that actual net losses are likely much less. The current analysis indicates that the range of expected economic impacts of the allocation would be shifted more toward a neutral point.

The conclusions noted above must be tempered by the limitations of the information available to the analysis. The most notable caveat is the lack of new information regarding costs of harvest and production for both sectors. The best cost information available was that used in the original study which was based on an "OMB Survey" conducted in the Fall of 1990. Efforts to update cost information since that time have not been successful. Therefore, the analysis assumes that costs per ton of harvest and production remained constant for all producers in both sectors, and attempts to work around this shortcoming by focusing on utilization rates, changes in product mix, and apparent changes in weekly catch and production. Additionally, information regarding product prices for 1994 has not yet been compiled, and therefore 1993 prices were applied to 1994 production totals.

Projections with Expiration of Amendment 18/23

Chapter 5 projects probable implications of Alternative 1, the Expiration of the Inshore-Offshore Amendments. The chapter focuses on projection of the harvest splits and potential economic impacts which might occur in the BSAI pollock fishery without the inshore-offshore allocation. It goes on to a more qualitative discussion of possible outcomes in the GOA pollock and Pacific cod fisheries.

BSAI Pollock Fishery Under Alternative 1

Seasonal averages and maximum catches were used to estimate harvest splits under Alternative 1. These two different methodologies projected inshore harvests of 29.15% and 25.46%, respectively. It appeared that using the seasonal averages predicted the 1991 harvest split more accurately than did the seasonal maximums. Using the projected harvest splits along with total product to total catch ratios (the "Utilization Rate"), product mixes and prices assumed for the 1994 fisheries, we estimated gross revenues. The results showed a probable decline in overall gross revenues accruing to the BSAI pollock fisheries under Alternative 1 from \$515 million estimated for the 1994 fishery to \$511 million using the seasonal averages or \$509 million using the season maximums, a very small change relative to the overall magnitude of the fishery. Further, the projected harvest splits using the seasonal average approach indicated that the overall shift in harvest to the inshore sector from the offshore

sector, which was predicted to occur under the inshore-offshore allocation in the Supplemental Analysis, were likely overstated. This implies that the estimated net losses to the Nation, resulting from Amendment 18 in the Supplemental Analysis, were also overstated.

The analysis also concluded that Alternative 1 would likely have negative impacts on the stability of coastal communities, and upon the industry itself, particularly during the crucial period in which the Council attempts to rationalize the fisheries with comprehensive solutions.

Overall, it was concluded that Alternative 1 is less likely to provide significant gains in net benefits to the Nation than might have been supposed in the Supplemental Analysis. It is also likely that, given the inherent uncertainty of the information and the models used, the cost/benefit implications of the inshore-offshore allocation approach neutrality, and therefore the cost/benefit implications of the lack of an allocation also approach neutrality. These conclusions are based on several key assumptions:

- (1) Discard and utilization rates remain at the same relative levels during 1996-1998 as in 1994.
- (2) 1993 prices used to estimate 1994-gross revenue will be applicable for the years 1996-1998.
- (3) Product mix in each of the years from 1996-1998 will be identical to those found in 1994.
- (4) Relative weekly catch and production between sectors will remain as it was in 1994.
- (5) Relative harvests and product costs between sectors remain the same as in the supplemental analysis.
- (6) Biomass levels, TACs, and therefore CPUEs, remain at 1994 levels.

These are fairly strong assumptions and thus the fairly weak conclusion of the neutral impact on the cost/benefit implications of the allocation. Given a neutral allocation in terms of efficiency, conclusions regarding stability and impacts on communities become all the more relevant.

GOA Pollock Fishery Under Alternative 1

Estimates of impacts of Alternative 1 on the GOA pollock fishery were qualitative. In general it was concluded that under the Alternative offshore catcher-processors would likely enter the GOA pollock fisheries in the second and third quarter apportionments, causing shorter seasons and destabilizing the current participants, noting that these conclusions are based on assumptions similar to those listed above.

GOA Pacific Cod Fishery Under Alternative 1

Estimates of impacts of Alternative 1 on the GOA Pacific cod fishery were also somewhat qualitative. In general it was concluded that freezer longliners would benefit significantly under the Alternative. It appears that they would be able to enter the GOA Pacific cod fishery until the TAC was reached, and then continue on into the BSAI to fish under the guaranteed fixed gear TAC. It is also possible that some offshore catcher-processors would participate in the GOA Pacific cod fisheries. Both of these conclusions would lead to shorter seasons and would likely be destabilizing for the current participants.

Projections with Reauthorization of Amendment 18/23

Chapter 6 contains the projections of impacts of Alternative 2 - reauthorization of Amendment 18/23 for an additional three years. Projections of harvest/processing activity are straightforward for this alternative - it would be 35/65 for the BSAI pollock, GOA pollock would be 100% inshore, and GOA P. cod would be 90% inshore. Patterns of harvesting and processing are expected to be relatively unchanged from the base case; i.e., the 1993 and 1994 fisheries. GOA pollock stocks are relatively small, decreasing, and quarterly allocated. Alternative 2 would facilitate inseason management of the pollock stocks and avoid quota overruns by limiting the harvest of pollock to smaller, lower capacity shore based trawlers. If the Council chooses Alternative 2, other

considerations include the CVOA and the definition of 'inshore' relative to freezer/longliners. Major findings from the analysis are presented below:

CVOA Considerations

- Shore based vessels are more dependent on the CVOA (and any nearer shore fisheries) than the offshore sector.
- Pollock are harvested disproportional to their areal distribution; harvest rates of pollock are concentrated in the CVOA in the 'A' season, and harvest rates are much higher inside the CVOA than outside in the 'B' season.
- Allowing offshore sector vessels inside the CVOA in the 'B' season will likely exacerbate the disproportionate harvest rates relative to pollock distribution.
- Variation from year to year is exhibited relative to average size of pollock inside and outside the CVOA, with average size rates being similar; percentage of fish > 30 cm (commercially viable size) is higher inside the CVOA than outside.
- Overall, CPUEs of exploitable fish have been similar overall both inside and outside the CVOA, so exclusion from the CVOA should pose no significant impediments to offshore sector fishing operations. Operating costs, however, could be higher outside the CVOA.
- Increased harvest rates in the CVOA could adversely affect marine mammal critical habitat areas in the CVOA if the restrictions are relaxed.
- Bycatch rates of salmon and herring are higher inside the CVOA during the 'B' season time period. Additional effort could result in higher overall bycatch of these species.

Cost-Benefit Implications

A reauthorization of Amendment 18/23 would be expected to result in the same general cost-benefit impacts as projected in the original Supplementary Analysis from 1992, as adjusted by findings from this current analysis. Wholesale, quantitative reassessment has not been conducted in this analysis primarily because of the lack of new cost information which are key elements of a cost/benefit analysis, but changes in other primary model parameters have been identified which may directionally affect the original findings. From Chapter 4, we saw that the expected net losses to the nation were likely overstated in the original analysis, and that changes in the actual fisheries relative to assumptions used in that analysis would tend to move the expected impacts more towards neutral, given the data available to the analysis and the assumptions used.

Distributional Impacts

The methodologies for projecting distributional changes in employment and income, at a community/regional level, are directly dependent on the revenues generated from the fisheries for each sector. The original analysis (Supplemental analysis from September 1992) predicted net losses in direct income of \$20 - \$28 million, depending on model parameters used, and could project a gain of \$11 million using selected model parameters. In that analysis benefits to inshore sectors were more than outweighed by losses to the offshore sector. Based on information presented in Chapter 4, fish prices and product mixes have changed to the point that overall revenues from the fisheries for both sectors are significantly reduced, relative to the projections made in the original analysis. The bottom line effect of this is to dampen the magnitude of any distributional effects overall; i.e., drive them towards the zero, or neutral point, keeping in mind that distributional effects are a function of both income

from fisheries and employment from fisheries. Previous projections indicated a substantial loss of employment for the Pacific Northwest communities, and a gain for Alaska based communities. There is no information contained in this analysis to indicate that those employment projections were inaccurate.

The reductions in direct income from the fisheries for both sectors tend to reduce the aggregate income effects when compared to the original analyses, though we still expect gains to the inshore sector and losses to the offshore sector overall, when combined with employment effects. It is important to reiterate, however, that even though the trend is more towards a more neutral impact in aggregate, some distributional impacts will certainly still be expected, and any level of impacts to Alaska coastal economies are far more significant than a similar level of impacts to Pacific Northwest economies. This is a consistent finding in both the distributional analyses previously conducted and the Social Impact Assessment previously conducted. Therefore, although net negative impacts in direct income may still be expected, these impacts are reduced from projections in the original analysis. These impacts for 1996-1998, under the three year extension, would be similar to the impacts actually occurring in 1993-1995.

Stability Implications

Compared to the base case (the 1993 and 1994 fisheries), continuation of the inshore-offshore allocations as they now exist would result in the least change, relative to that base case. Stability is epitomized by lack of change in a given industry or between sectors in a given industry. The existing allocations provide a reasonable assurance to each industry sector involved regarding the amount of fish for harvesting and processing. Business planning is largely affected by these allocations for both inshore and offshore processors and harvesting vessels which deliver to them. The continuation of these allocations for an additional three years would maintain the relationships between these sectors as they have developed over the past three years. The stability which has been established between these various industry sectors may not guarantee survival of entities within these sectors, but may be crucial to the successful fruition of the CRP program over the next three years. A stable environment in the fisheries has been cited by the Council as critical to successful CRP development. Indeed, the disruption of existing distributions of harvesting and processing of pollock and P. cod, and the business relationships based on those distributions, could have serious and adverse implications for successful CRP development.

Allowing the inshore-offshore allocations to expire would result in a projected "reallocation" of about 6% of the overall pollock quota in the BSAI; i.e., the split between inshore and offshore processing is estimated to be about 29/71, closer to pre-inshore offshore splits (26.5/73.5), as opposed to the current 35/65. Because of this projected change, the reauthorization of Amendment 18/23 holds implications for future tradeoffs between industry sectors. Under the reauthorization, the offshore sector would be giving up about 6% of pollock harvests/processing which it would enjoy if the allocations were allowed to expire. Conversely, the inshore sector enjoys about a 6% "gain" under the reauthorization relative to expiration of the allocations. From the offshore sector's perspective, this 6% relative loss represents a tradeoff between increased revenues and some amount of upheaval in the industry which may result if the allocations are allowed to expire. Continuation of the allocations may provide the stable operating environment necessary for eventual implementation of CRP programs such as IFQs, something the offshore sector generally has been striving towards.

Inshore v. Offshore Definition of Freezer/Longliners

In the original Amendment 18/23, the designation of freezer/longliners as inshore or offshore was discussed, particularly relative to the allocation of Pacific cod in the GOA. Initially the Council had designated all freezer/longliners as "inshore." In the final decision, the Council altered this definition such that all catcher/processors (both trawl and longline) would be designated as either onshore or offshore depending on vessel size and average production. If a vessel was less than 125' in length, and processed less than 18 mt per day, round weight equivalent, it would be classified as "inshore." The rationale for this change was that the impacts on preemption issues were based more on overall vessel capacity as opposed to gear type, and further

that the smaller catcher/processors which would be fishing against the inshore quota do contribute to shore based economies, even though they may not deliver catch to onshore processing plants. Based on the information available at that time, it was estimated that two trawl and ten fixed gear catcher/processors would receive the inshore designation. Based on harvest shares by sector at that time, it was estimated that this designation would, in effect, reclassify 5% of the GOA Pacific cod from offshore to inshore.

It has been suggested that all freezer/longliners should be allowed to fish against the inshore quota in the GOA. The analysis provides the following major findings relevant to this issue:

- 10% of the P. cod quota in 1993 and 1994 was taken by catcher/processors designated as 'inshore'; nearly all of this was by freezer/longliners.
- Of the total quota taken by hook and line gear, 58% is by freezer/longliners designated as inshore catcher/processors.
- Based on examination of catch rates by freezer/longliners currently excluded from the inshore GOA P. cod quota, allowing these vessel to fish on that quota could reduce the GOA season by as much as 40% based on current quotas. About 40% less of the overall quota would find its way to onshore plants.
- The group of vessels which would likely enter the GOA P. cod fisheries could end up taking 40% of the total GOA quota, and up to 90% of the total taken by all hook and line vessels.
- Given increased quotas in the GOA for 1995, the season length would remain nearly as long and deliveries to onshore plants would only be minimally reduced. Conversely, seasons could lengthen considerably if these vessel continue to be excluded.

Community Impacts

Although the distributional, income based analyses previously conducted (and described above) are based on economic activity at the community/regional level, an additional, more qualitative examination of community impacts is provided in this analysis. A review of the previous SIA from 1992, which focused on the communities of St. Paul, Dutch Harbor, Sand Point/King Cove, Kodiak, Newport, and Bellingham/Seattle, indicates that the smaller Alaska communities, which are fundamentally dependent on the groundfish fisheries, exhibit the most variability and vulnerability to socially disruptive forces. Inshore allocations were determined to provide the greatest benefit to Alaskan coastal communities and afford them the greatest opportunities for development and growth, while the only community negatively affected would be Ballard/Seattle. The absence of an allocation would very likely impact coastal Alaskan communities negatively, both economically and socially.

Immediate and direct positive impacts would be expected by Alaskan communities with the allocation, partially offset by negative impacts to Pacific Northwest employment and income, though the latter would be more easily absorbed by the more diverse economies of that region. Since 1992, additional infrastructures have developed in Alaskan coastal communities, partially in response to the guaranteed allocations from Amendment 18/23. Given the current status of the fisheries, and these communities which rely on fishing and processing, allowing the inshore-offshore allocations to expire, in the absence of alternative management remedies, would likely result in at least the same level of impacts as previously projected. Impacts at this time could be exacerbated beyond those previously predicted due to the additional infrastructures and the ability of these communities to utilize the current allocations.

Pollock CDQ Program

Chapter Nine of this analysis provides a separate examination of the pollock CDQ program. This examination relies partially on a report from the State of Alaska Department of Community and Regional Affairs which examines the relative attainment of overall goals and objectives of each of the six CDQ organizations receiving pollock allocations. While many of the individual projects have been completed or are in significant stages of development (61% of initial, critical projects are complete), many of the individual projects will not be completed if the program is allowed to expire at the end of 1995. Overall objectives of bringing these communities into fisheries self-sufficiency will be seriously jeopardized, and investments to date will be nullified, resulting in economic losses attributable to the current program.

Two fundamental questions formed the premise of the examination: (1) whether the development projects and initiatives underway now can be brought to fruition without a continuation of the allocation, and (2) once these development projects are completed, can they be sustained in the absence of a direct allocation of pollock? The answer to the first question seems apparent from the information at hand - the individual projects, as well as the overall development objectives of the program, will not be realized if the program sunsets in 1995. It does not appear to be a valid expectation that the program could transform the region in the short two and one-half years of existence.

The second question is more difficult to answer at this time. The future viability of the program in the absence of a direct allocation (even if infrastructures are fully developed) remains a critical question. Future development projects of the CDQ groups may hinge on the intent of the Council with regard to this question. Planning and development by these groups may be quite different without the expectation of a direct allocation in the future than they would be if a direct allocation is expected, either through the current mechanism or through some type of inclusion in the overall CRP process.

A new formal cost-benefit analysis has not been prepared for consideration of the continuation of Amendment 18/23. A summary of findings and projected impacts from previous analyses is relevant to any evaluation of continuation of that program, as it represents the best indication of potential costs, benefits, and distributional impacts of the allocation. Section 1.3 summarizes the methodologies and results of those analyses for reference, as well as the Council's findings regarding trade-offs between net benefit projections and distributional impacts. Subsequent sections of the document will discuss projected impacts in the context of the present day fisheries and overall development of the Comprehensive Rationalization Program.

1.1 PURPOSE AND NEED FOR ACTION

The Council began serious development of Comprehensive Rationalization (CRP) in November 1992, shortly after resubmittal of Amendment 18 to the SOC, with establishment of the Comprehensive Planning Committee (CPC) and an initial meeting in Seattle to discuss the alternatives and develop a course of action. The Council initially concentrated its efforts on some type of comprehensive system of Individual Fishing Quotas (IFQs) for all groundfish and crab fisheries. The CPC was later disbanded as it became apparent that the issue required the full attention of the entire Council membership. As this program developed over 1993 and into 1994, it consumed a large part of the Council's meeting time and staff analytical time. It also became apparent that development of a comprehensive IFQ program was a very contentious issue for the industry and would not likely be resolved in the immediate future. There was also concurrent support building for some type of simpler, less contentious license limitation program, perhaps as a step in the overall development of CRP. By early 1994, the Council had directed its analytical resources specifically at a license limitation program for groundfish and crab fisheries off Alaska, while reserving further IFQ development until after development of the license program.

At that time, in early 1994, the Council also recognized that a license limitation program would not address the issue of inshore-offshore, and directed staff to begin an evaluation of continuing the program beyond the 1995 sunset date. Specifically, the Council is examining a proposed continuation of Amendment 18/23 (including the CDQ program for pollock) for an additional three years to allow for further development of the overall CRP initiative. In doing so, the Council is continuing the mandate established for itself back in 1992, when they recognized that a more permanent solution to overcapacity and preemption is needed. If Amendment 18/23 were allowed to lapse, the management void could indeed create the preemption problems envisioned when the Amendment was originally approved and implemented. In the current context of the issue, an additional and overriding concern of the Council is that of industry stability, both between and within sectors, which has been created during the three years of the program. This issue is of primary importance in this iteration of the inshore-offshore and will be of primary interest in the analyses of a continuation of that program. In December 1994, the Council developed the following Problem Statement relative to the inshore-offshore issue:

DRAFT 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.

The Council's original Problem Statement from 1990 is also incorporated by reference, as the original preemption problem is still a very real factor to consider, if the program is allowed to sunset at the end of 1995. Because the program is scheduled to sunset in 1995, Council action will be required no later than June of 1995 to keep the program going for an additional three year period. Action by the Council in June would allow for Secretarial review and approval by the start of the 1996 fishing year. No new regulations or infrastructures would be necessary for (continued) implementation of the program under this schedule.

1.2 ALTERNATIVES

The Council has identified the following two alternatives for consideration in this amendment package:

Alternative 1: No Action - the current inshore-offshore allocation and the pollock CDQ program would expire at the end of 1995.

Alternative 2: Continuation of the current program, as is, for a period of three additional years. This would include the pollock CDQ program as an unseverable element of the overall package.

In developing these alternatives, the Council feels that major changes, such as changes in the percentage allocations, would be likely to: (1) require significant new and complex economic analyses, (2) create undo 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 intends minimal disruptions to the fishing and processing industry, they have submitted only two basic alternatives for consideration, as shown above. The specifics of the current Amendment 18/23 are described in the previous section of this document.

Notwithstanding the desire to keep the alternatives simple and to a minimum, the Council has identified two specific areas for possible re-evaluation: (1) the Catcher Vessel Operational Area (CVOA), and (2) the definition of inshore and offshore vessels as it pertains to freezer longliners. Information has been requested on these two issues and is provided in subsequent sections of this document. The Council may or may not choose to revise Amendment 18/23 with regard to these two provisions. The full list of provisions of the current Amendment 18/23 is provided below for reference:

Summary of Current Inshore - Offshore Allocation Effective Through December 31, 1995

(1) Definitions, Rules, and Allocation.

Relative to definitions, rules and allocations for inshore and offshore components of the Gulf of Alaska (GOA) pollock and Pacific cod fisheries and the Bering Sea and Aleutian Islands (BSAI) pollock fisheries:

A. Definitions

The following definitions shall apply:

Offshore: The term "offshore" includes all catcher/processors not included in the inshore processing category and all motherships and floating processing vessels which process groundfish [pollock in the BSAI or pollock and/or Pacific cod in the GOA] at any time during the calendar year in the Exclusive Economic Zone.

Inshore: The term "inshore" includes all shorebased processing plants, all trawl catcher/processors and fixed gear catcher/processors whose product is the equivalent of less than 18 metric tons round weight per day, and are less than 125 feet in length, and all motherships and floating processing vessels, which process pollock in the BSAI or pollock and/or Pacific cod in the GOA at any time during the calendar year in the territorial sea of Alaska.

Trawl Catcher/Processor: The term "trawl catcher/processor" includes any trawl vessel which has the capability to both harvest and process its catch, regardless of whether the vessel engages in both activities or not.

Mothership/Floating Processing Vessel: The term "mothership" or "floating processing vessel" includes any vessel which engages in the processing of groundfish, but which does not exercise the physical capability to harvest groundfish.

Harvesting Vessel: The term "harvesting vessel" includes any vessel which has the capability to harvest, but does not exercise the capability to process, its catch on a calendar year basis.

Groundfish: The term "groundfish" means pollock and/or Pacific cod in the GOA and pollock in the BSAI.

B. Rules

The following rules shall apply to both the Gulf of Alaska, and the Bering Sea and Aleutian Islands:

1. Each year, prior to the commencement of groundfish processing operations, each mothership, floating processing vessel, and catcher-processor vessel will declare whether it will operate in the inshore or offshore component of the industry. A mothership or floating processing vessel may not participate in both, and once processing operations have commenced, may not switch for the remainder of the calendar year. For the purpose of this rule, the Gulf of Alaska, the Bering Sea and the Aleutian Islands are viewed as one area, and groundfish applies to all of the species combined which have been allocated to one component or the other.
2. A mothership or floating processing vessel which participates in the inshore component of the industry shall be limited to conducting processing operations on pollock and Pacific cod, respectively, to one location inside the territorial sea, but shall be allowed to process other species at locations of their choice.
3. If during the course of the fishing year it becomes apparent that a component will not process the entire amount, the amount which will not be processed shall be released to the other components for that year. This shall have no impact upon the allocation formula.
4. Harvesting vessels can choose to deliver their catch to either or both markets (e.g., inshore and offshore processors); however, once an allocation of the total allowable catch (TAC) has been reached, the applicable processing operations will be closed for the remainder of the year unless a surplus reapportionment is made.
5. Allocations between the inshore and offshore components of the industry shall not impact the United States obligations under the General Agreement on Tariffs and Trade.
6. Processing of reasonable amounts of bycatch shall be allowed.
7. The Secretary of Commerce would be authorized to suspend the definitions of catcher/processor and shoreside to allow for full implementation of the Community Development Quota program as outlined in the main motion.

C. Allocations

The following allocations shall apply:

1. Gulf of Alaska

Pollock: One hundred percent of the pollock TAC is allocated to harvesting vessels which deliver their catch to the inshore component. Trawl catcher/processors will be able to take pollock incidentally as bycatch.

Pacific cod: Ninety percent of the TAC is allocated to harvesting vessels which deliver to the inshore component and to inshore catcher/processors; the remaining ten percent is allocated to offshore catcher/processors and harvesting vessels which deliver to the offshore component. The percentage allocations are made subarea by subarea.

2. Bering Sea/Aleutian Islands

Pollock: The Bering Sea/Aleutian Islands pollock TAC shall be allocated as follows:

<u>Years</u>	<u>Inshore</u>	<u>Offshore</u>
1993-1995	35.0%	65.0%

These percentage allocations apply to the TAC after subtracting 7.5 percent of the TAC for the Western Alaska Community Development Quota program, previously approved by the Secretary for 1992-1995.

3. Unused Allocations

If during the fishing year it becomes apparent that either the inshore or offshore sector cannot fully harvest its allocation, the excess shall be released to the other component, without affecting the allocation formula in future periods.

(2) Catcher Vessel Operational Area

A Catcher Vessel Operational Area is defined for pollock harvesting and processing during the pollock "B" season (starting on June 1 unless changed), encompassing the area between 168 and 163 degrees W. longitude, and 56 degrees N. latitude south to the Aleutian Islands. The following operational rules apply to the CVOA:

- A. Shore based catcher vessels delivering pollock from a directed fishery to inshore plants or inshore motherships may operate in the CVOA if an inshore allocation remains unharvested.
- B. Offshore motherships and their associated catcher vessels also may operate in the CVOA if an offshore-allocation remains unharvested.
- C. Offshore catcher-processors cannot target on pollock in the CVOA during the "B" season.
- D. Access to the CVOA is unrestricted during the pollock "A" season.

(3) Western Alaska Pollock Community Development Quota Program.

For a Western Alaska Pollock Community Development Quota, the Council instructs the NMFS Regional Director to hold 50% of the BSAI pollock reserve as identified in the BSAI Groundfish Fishery Management Plan (FMP) for release to communities on the Bering Sea Coast who submit a plan, approved by the Governor of Alaska, for the wise and appropriate use of the released reserve. Criteria for Community Development Plans shall be submitted to the Secretary of Commerce for approval as recommended by the State of Alaska after review by the NPFMC.

The Western Alaska Community Quota program will be structured such that the Governor of Alaska is authorized to recommend to the Secretary that a Bering Sea Rim community be designated as an eligible fishing community to receive a portion of the reserve. To be eligible a community must meet the specified criteria and have developed a fisheries development plan approved by the Governor of the requesting State. The Governor shall develop such recommendations in consultation with the NPFMC. The Governor shall forward any such recommendations to the Secretary, following consultation with the NPFMC. Upon receipt of such recommendations, the Secretary may designate a community as an eligible fishing community and, under the plan, may release appropriate portions of the reserve.

(4) Duration.

If by December 31, 1995, the Secretary of Commerce has not approved the FMP amendments developed under a Comprehensive Rationalization Program, the inshore-offshore and Western Alaska Community Development Quotas shall cease to be a part of the FMPs.

1.3 NEPA REQUIREMENTS

An Environmental Assessment (EA) is required by the National Environmental Policy Act of 1969 (NEPA) to determine whether the action considered will significantly impact the human environment. An Environmental Impact Study (EIS) must be prepared if the proposed action may reasonably be expected to: (1) jeopardize the productivity capability of the target resource species or any related stocks that may be affected by the action; (2) allow substantial damage to the ocean and coastal habitats; (3) have a substantial adverse impact on public health or safety; (4) affect adversely an endangered or threatened species or a marine mammal population; or (5) result in cumulative effects that could have a substantial adverse effect on the target resource species or any related stocks that may be affected by the action. An EA is sufficient as the environmental assessment document if the action is found to have no significant impact (FONSI) on the human environment.

An EA must include a brief discussion of the need for the proposal, the alternatives considered, the environmental impacts of the proposed action and the alternatives, and a list of document preparers.

1.4 REGULATORY IMPACT REVIEW (E.O. 12866) REQUIREMENTS

Regulatory Impact Review. Executive Order 12866, "Regulatory Planning and Review," was signed on September 30, 1993, and established guidelines for promulgating and reviewing regulations. While the executive order covers a wide variety of regulatory policy considerations, the benefits and costs of regulatory actions are a prominent concern. Section 1 of the order deals with the regulatory philosophy and principles that are to guide agency development of regulations. The regulatory philosophy stresses that, in deciding whether and how to regulate, agencies should assess all costs and benefits of all regulatory alternatives. In choosing among regulatory approaches, the philosophy is to choose those approaches that maximize net benefits to society.

COMMENTS RECEIVED

ON

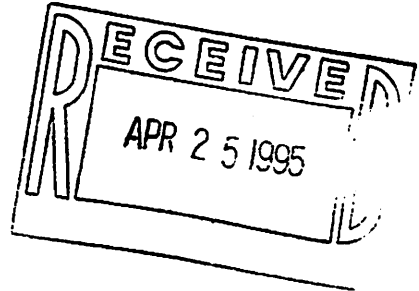
**INSHORE-OFFSHORE &
POLLOCK CDQ
REAUTHORIZATION**

AKUTAN TRADITIONAL COUNCIL

P.O. BOX 89
AKUTAN, AK 99553-0089
PH. 907-698-2300
FAX 907-698-2301

April 18, 1995

The Honorable Michael Irwin
Commissioner
Dept. Community & Regional Affairs
P.O. Box 112100
Juneau, AK 99811-2100



Re: CDQ Program Participation

Dear Commissioner Irwin:

The purpose of this letter is to request the support of the Knowles Administration for the inclusion of the Native village of Akutan as an eligible community in the Community Development Quota (CDQ) Program. It is our understanding this program is likely to be re-authorized on a multi-year basis by the North Pacific Fishery Management Council at its June meeting.

Background

This program was initiated in 1992 for a four-year period to involve western Alaska residents more fully in the economic opportunities related to the multimillion-dollar Bering Sea groundfish industry. Eligible Alaskan communities have been able to participate as partners with established commercial fishery entities for the purpose of deriving direct economic benefits from this valuable resource located in nearby waters. Available opportunities include working on factory trawlers and in related seafood production, and direct participation with locally owned and operated commercial fishing vessels.

Key eligibility criteria requires communities to be located on or within 50 miles of the Bering Sea Coast from the Bering Strait to the westernmost of the Aleutian Islands, or located on islands within the Bering Sea. These communities must also meet the definition of Native villages under the Alaska Native Claims Settlement Act. The Native village of Akutan qualifies fully under both criteria.

Unfortunately, Akutan was denied program eligibility in the federal rulemaking of November 23, 1992, promulgated by the National Marine Fisheries Service of the U.S. Department of Commerce. The location in Akutan of a large seafood processing plant engaged in groundfish processing was the stated basis for the decision to exclude our community. The rulemaking record also suggests that the limitation of the CDQ program to pollock was a related component of this decision.

Eligibility & Need Issues

The Native village of Akutan objects to this determination and believes it deserves to participate in the program as a full partner. While it is the case that Akutan is the site of a large seafood processing plant, this is also the case with a number of eligible communities such as Dillingham, St. Paul and South Naknek.

Akutan has a "local" resident population of about 90 people. The working age population is approximately 50 people. Almost all of the residents are Aleut. In recent years, the average per capita income has been about \$10,000. These figures are consistent with most of the eligible communities, and are more severe than several of these communities..

Employment opportunity related to the existence of the plant has been part of the argument against Akutan's inclusion in the CDQ program. The reality of our situation is that few local residents have elected to work at the plant because of the conditions related to processing line jobs: very long hours at minimum wages. To the best of our knowledge, this is also true of almost every other eligible community with seafood processing. Nearly half of our working age population attempt to fish commercially for a living. The average size of these vessels is 16 feet, which greatly limits our economic opportunity and presents increased safety risks. IFQs have made it virtually impossible now to participate in the halibut fishery. Akutan residents also do not own any of the lucrative salmon limited entry permits that are owned in many of the other CDQ villages.

Participation by local residents in the fisheries is curtailed, in part, by the lack of a boat harbor for a local fleet. This is a major factor in limiting local residents to the smaller boats that can be physically hauled to shore to avoid the weather. A boat harbor would provide needed protection for larger boats, thereby increasing the amount of local fishing involvement.

The City of Akutan has been working in conjunction with the Aleutians East Borough to develop a viable small boat harbor project. Total project costs are currently estimated at slightly more than \$6 million. A local match of \$1 million in bond funds has already been approved by the borough. The City and the Akutan Corporation are working together to contribute land and access to the construction site. The City and the Borough have also funded some preliminary engineering work.

Conclusion

The residents of Akutan believe it is inconsistent and unfair to apply one standard to our community and another, more bending standard to the other communities in the Bering Sea/Aleutian Islands area. Most of the local residents of the eligible communities have similar income levels, fish in the same size vessels, have the same opportunity to work in the seafood processing industry.

The only difference between the local residents of Akutan and the local residents of the eligible communities is that groundfish is processed in Akutan and salmon or crab is processed elsewhere. We fail to understand why that justifies treating our community differently. It is worth mention that the proceeds from the CDQ program can be used

to engage in development projects for any fish species. We also understand it is likely this program will be expanded to additional species such as crab.

The availability of a program to help finance larger vessel purchases and to help with needed infrastructure development could greatly aid in the economic growth of our community. The Aleutian Pribilof Islands Community Development Association (APICDA), which is the CDQ group in our area, has consistently supported allowing Akutan to be an eligible community. This position has been included in both the 1992/93 and 1994/95 APICDA CDQ Community Development Plan.

We fail to see any downside to this request. The total amount of CDQ distributed to APICDA and the other applicants will neither increase nor decrease as a result of this step. Any proposals for capital investment in Akutan would be included in a future APICDA program proposal, and would be reviewed by the appropriate parties at that time. A major benefit of this action will be to give Akutan status as full voting member within APICDA.

Thank you for your consideration of our request. If you have any questions, or need additional information, please call me directly at 698-2300.

Sincerely,



Jacob Stepetin
President

cc: The Honorable Tony Knowles, Governor
The Honorable Lyman Hoffman, Alaska State Senate
The Honorable Carl Moses, Alaska State House
The Honorable William Hensley, Commissioner
Department of Commerce & Economic Development
The Honorable Frank Rue, Commissioner
Department of Fish & Game
The Honorable Richard B. Lauber, Chairman ✓
North Pacific Fishery Management Council
Ms. Gilda Shellikoff, APICDA Chairman
The Honorable Joe Bereskin, Mayor
City of Akutan

MIDWATER TRAWLERS COOPERATIVE

1626 N. COAST HIGHWAY-NEWPORT, OREGON 97365

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President
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MTC

MEMBER VESSELS May 19, 1995

AJ
ARGOSY
BAY ISLANDER
BLUE FOX
CAPE FALCON
CAPE KIWANDA
CARAVELLE
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EXCALIBUR
EXCALIBUR II
HAZEL LORRAINE
LESLIE LEE
LISA MELINDA
MARATHON
MISS BERDIE
MISS LEONA
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NEW LIFE
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PACIFIC FUTURE
PACIFIC RAM
PEGASUS
PERSEVERANCE
PERSISTENCE
PIONEER
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VANGUARD

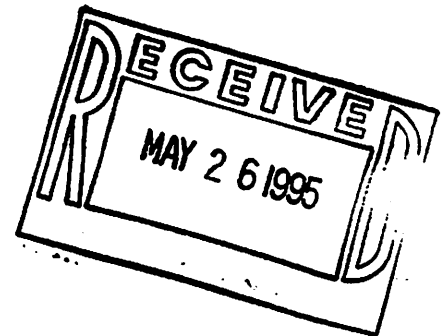
Mr. Richard Lauber, Chairman
North Pacific Fishery Management Council
P. O. Box 103136
Anchorage, Alaska 99510

RE: Inshore/Offshore Allocation Rollover Issue

Dear Chairman Lauber:

We would like to offer written comment at this time in strong support of the Council rolling over the current inshore/offshore allocation including all of its subparts without modification.

The maintenance of some degree of stability in fisheries management is probably the strongest reason for rolling over the inshore/offshore allocation. It is clear from the analysis that small and medium size vessels delivering to shore based plants (which includes most of our members) would be the big losers if the current allocation scheme is not maintained. Without the allocation the large offshore factory trawler fleet which has continued to increase its capacity would move in and substantially shorten seasons for the smaller catcher vessels, which would not only economically damage the vessels themselves but, also, the communities in Alaska that depend upon this fleet for employment in a wide variety of businesses.



The allocation balance between inshore and offshore was decided several years ago and there is no justification for altering that balance in favor of either sector at this point in time and, therefore, we urge you to rollover the inshore/offshore allocation without modification.

Two additional sub-issues of the inshore/offshore regulation are also of utmost importance to the small to medium size catcher vessels such as those included in our membership.

The first is the Catcher Vessel Operating Area (CVOA) which should also be included in the rollover without modification. The CVOA applies only during the B pollock season and was established as a zone in the area of Dutch Harbor and Akutan during that time of year when the pollock resource is spread over a broad area so as to allow the catcher vessels, which are dependent upon their shore based markets, a reasonable opportunity to operate in an economical fashion while at the same time spreading out the harvest removals of pollock so that disproportionately large quantities are not taken from limited areas. The offshore fleet is not limited by any requirement that it operate within close proximity to Dutch Harbor or Akutan and during the past two years they have had no problem efficiently harvesting their quota outside the CVOA and, in fact, the offshore fleet has been doing so in ever shorter periods of time. A further justification for leaving the CVOA in its current form is the new regulations relating to closure areas within the CVOA to protect chum salmon bycatch. To allow a reduction in the size of the CVOA or its elimination would only result in the harvest of more chum salmon and in all likelihood would prevent the opening on September 1 of the chum salmon savings area to small and medium size catcher vessels. This area is the traditional pollock fishing grounds for the small and medium sized trawlers and if the chum salmon bycatch cap is taken prior to September 1 (the likelihood of which will increase if factory trawlers are allowed in the CVOA) it will be the small and medium size trawlers, such as our membership, which will suffer the greatest loss.

Again, please rollover the CVOA portion of the regulation without modifications.

Secondly, and of great concern to small and medium size trawlers, such as our membership, is the current definition within the inshore/offshore regulation of freezer longliners as it relates to the allocation between inshore and offshore segments of the industry for the harvest of Pacific cod in the Gulf of Alaska. Cod is extremely important to small and medium size trawlers delivering to shore plants in the Gulf. In fact, it has become the most important fishery for many Gulf trawlers because of the decreasing pollock stocks in this area. To allow large freezer longliners into the Gulf (by including them in the inshore component) would shorten the season for shore based boats and the shore plants, according to the analysis, by as much as 40% based upon current quotas. This would have a serious adverse impact, not only on catcher vessels, but would also create further instability and hardship for the communities dependent upon these stocks, especially in light of current reduced quotas of pollock.

Page 3
Richard Lauber, Chairman, NPFMC
May 19, 1995

Therefore, we urge the Council to, again, rollover this portion of the inshore/offshore regulation as it relates to the definition of which freezer longliners are considered inshore and those which will be considered offshore for the purpose of the allocation.

Thank you for considering our comments in support of a complete rollover of the inshore/offshore allocation regulation without modification.

Sincerely,

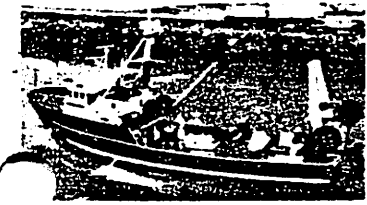
MIDWATER TRAWLERS COOPERATIVE



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President



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Vice President

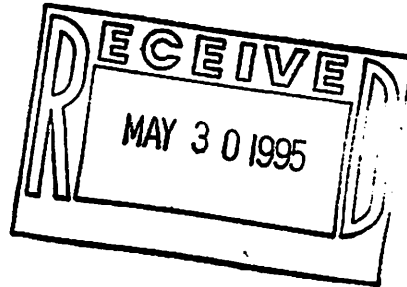


F/V American Eagle and Owners

1212 N.W. Culbertson Drive
Seattle, WA 98177

(206) 363-1994
FAX: (206) 367-4945

RICHARD LAUBER
NPFMC
605 WEST 4TH AVE.
ANCHORAGE AK 99501

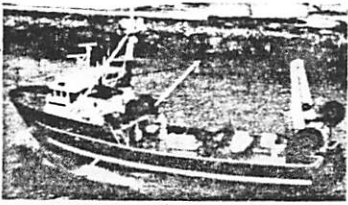


RE: INSHORE/OFFSHORE ROLLOVER

DEAR MR. CHAIRMAN

I AM THE OPERATOR/OWNER OF A SMALL SHORESIDE CATCHER VESSEL CURRENTLY DELIVERING POLLOCK AND COOIFISH TO A PLANT IN DUTCH HARBOR AK. WITH THE FINAL DECISION REGARDING THE EXTENSION OF INSHORE/OFFSHORE ALLOCATION COMING UP SOON, I WOULD LIKE TO EXPRESS TO YOU HOW IMPORTANT THE INSHORE ALLOCATION IS TO MYSELF AND, I BELIEVE, ALL THE VESSELS DELIVERING SHORESIDE. MY VESSEL AND MANY LIKE MINE WERE THE VERY EARLY PARTICIPANTS IN WHAT WAS TO BE THE 'AMERICANIZING' OF THE GROUND FISH FISHERY IN ALASKA. WE BEGAN DISPLACING THE FOREIGN HARVESTORS AND ELIMINATING TALFF AS EARLY AS 1980 AND WE THOUGHT WE WERE FINALLY DOING THE RIGHT THING ONLY TO WATCH OVER A SHORT PERIOD OF TIME AS FOREIGN INVESTMENT BEGAN TO DISPLACE US THIS TIME IN THE FORM OF LARGE FACTOR TRAWLERS ENTERING THE FISHERY IN BIG NUMBERS AND CUTTING DOWN OUR FISHING OPPORTUNITY TO A QUESTIONABLE EXISTENCE.

I AM NOT AFRAID TO SAY THAT I HAVE A VERY DIFFICULT TIME TO COMPETE HEAD TO HEAD ON THE



F/V American Eagle and Owners

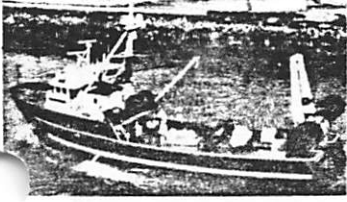
1212 N.W. Culbertson Drive
Seattle, WA 98177

(206) 363-1994
FAX: (206) 367-4945

SAME GROUNDS WITH THESE LARGE FACTORY TRAWLERS DURING THE SUMMER 'B' SEASON AND I KNOW I'M NOT ALONE WHEN I SAY THAT.

THE INCEPTION OF THE INSHORE/OFFSHORE ALLOCATION HAS BROUGHT BACK SOME SEMBLANCE OF ORDER TO AN OTHERWISE CHAOTIC FISHERY. I ENCOURAGE YOU, MR LAUBER AND MEMBERS OF THE COUNCIL TO EXTEND THE INSHORE/OFFSHORE ALLOCATION ANOTHER THREE YEARS AND TO RETAIN THE CATCHER VESSEL OPERATIONAL AREA FOR THE 'B' SEASONS. DELIVERING SHORESIDE LIMITS OUR OPERATING RANGE FOR THE CATCHER BECAUSE THE SHOREPLANTS NEED THE FRESHEST FISH POSSIBLE TO MAKE THINGS WORK.

THE CATCHER VESSELS AND FACTORY TRAWLERS NEED TO BE SEPARATED DURING THE SUMMER MONTHS WHEN THE FISH ARE GENERALLY MORE DISPERSED BECAUSE FRANKLY, MYSELF AND DOZENS LIKE ME WOULDN'T STAND A CHANCE ON THE SAME GROUNDS WITH THOSE HUGE VACUUM CLEANER NETS THE FACTORY TRAWLERS USE. THAT'S JUST THE WAY IT IS. THE CVOA IS VERY IMPORTANT TO OUR VIABILITY AS WELL THAT OF THE SHOREPLANTS. WE NEED THIS STABILITY THAT THE INSHORE/OFFSHORE ALLOCATION HAS PROVIDED UNTIL A BETTER SCHEME CAN BE INITIATED. I URGE THE COUNCIL TO EXTEND THE INSHORE/OFFSHORE



F/V American Eagle and Owners

1212 N.W. Culbertson Drive
Seattle, WA 98177

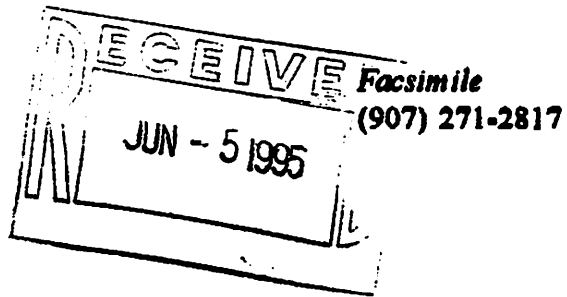
(206) 363-1994
FAX: (206) 367-4945

ALLOCATION AND TO RETAIN THE CVOA.
THANK YOU FOR THIS OPPORTUNITY TO COMMENT
ON THIS IMPORTANT ISSUE AND I APOLOGIZE
FOR THE HAND WRITTEN FORM AS I CAN'T
TYPE AT ALL.

SINCERELY

JOSEPH WABEY
F/V AMERICAN EAGLE

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



Saturday, 3 June 1995

Re: C-1 Inshore-Offshore Allocations and Pollock CDOs at 118th Plenary Session

Dear Mr. Lauber:

I am hoping to testify in person, but just in case I can't make it to Dutch Harbor, please distribute and enter into the record both this letter and attached news releases. This regards my opposition to further allocation preferences for the shoreside component: until the effects of foreign ownership are better understood.

I am a former accounting manager for a major shoreside surimi processor in Alaska. This company was a vertically integrated foreign-owned firm.

During my tenure, I was asked to perform my duties in ways which I considered to violate the independence required of the profession.

As a result of my refusal to comply with requests to violate "generally accepted accounting principles" which would lead to incorrectly-stated taxable values, I was terminated.

I believe that the attached (May 11, 1995) news releases from Senators Byron Dorgan (D-ND) and Harry Reid (D-NV) address the effects of such issues.

I believe that our fishermen, communities of Alaska, and U.S. taxpayers deserve a proper accounting for and distribution of this industry's resources. Shoreside preference circumvents this.

Thank you for your consideration.

Sincerely yours,

A handwritten signature in cursive script that reads "Stephen R. Taufen". The signature is written in black ink and is positioned above the typed name.

Stephen R. Taufen
P.O. Box 19257
Seattle, WA 98109

Mail cc: N.P.F.M.C. (signed copy to follow this fax)
Mail cc: Hon. Jim McDermott; 7th District, Washington
cc: Mr. Morris Barker, State of Washington Council Member

U.S. Senator

North Dakota

Byron L. Dorgan

U.S. Senate

Washington, D.C. 20510-3403

202 224-2551

FOR IMMEDIATE RELEASE
Thursday
May 11, 1995

CONTACT: Barry E. Piatt
or Becky Fleischauer
PHONE: 202-224-2551

**"DORGAN RELEASES GAO REPORT WHICH FINDS MASSIVE AND GROWING
U.S. TAX AVOIDANCE BY LARGE FOREIGN CORPORATIONS
WHICH OPERATE IN THE UNITED STATES"**

"-- SOME MAKE BILLIONS, BUT PAY ZERO IN TAXES, SENATOR SAYS"

(WASHINGTON, D.C.) --- U.S. Senator Byron Dorgan (D-ND) said Thursday the federal government will lose \$70 - \$100 billion over the next 7 years because some of the largest and most profitable foreign corporations which operate in the U.S. avoid paying U.S. income tax on billions of dollars of profit earned here.

Dorgan released a study he requested by the Government Accounting Office (GAO) which found that 73% of foreign based corporations doing business in the U.S. paid no income taxes on hundreds of billions of dollars of sales in the United States.

"The problem of massive tax avoidance is growing rapidly worse," Dorgan said. "Among the largest and most profitable foreign-based firms doing business in this country -- those with over \$100 million in assets -- the number which avoid paying U.S. income taxes has more than doubled in just the last four years analyzed by the GAO."

"Tax avoidance on this scale is an outrage," Dorgan said.

He said the corporations use a scheme called "transfer pricing" to avoid U.S. taxes. Under the scheme, companies transfer profits out of the U.S. through "creative accounting" practices which make it appear as though foreign-based operations paid their U.S. based affiliates artificially low prices for goods and services produced in the U.S. and sold their own foreign-produced goods and services to U.S. affiliates at artificially high prices.

With transfer pricing, some firms claim their U.S. affiliates purchased safety pins for \$29 each, toothbrushes for \$18 each, and sold pianos for \$50 each and tractor tires for \$7.69 each, Dorgan said. He called those prices "patently absurd."

Dorgan called on the Internal Revenue Service (IRS) to "scrap its outdated international tax enforcement tools" which allow the companies to avoid paying U.S. taxes through "transfer pricing." He also called on the Senate Finance Committee and the House Ways and Means Committee to hold hearings aimed at beefing up tax enforcement with regard to multinational corporations.

The GAO study found that 73% of foreign-based corporations operating in the United States paid no U.S. income taxes. It concluded 35,138 foreign-based multi-national firms operating in the U.S. paid no income tax despite sales of \$159 billion and more than \$680 billion in assets in 1991, the most recent year for which figures are available.

-- More --

Nearly half -- 46% -- of the largest firms with assets of \$100 million or more paid no U.S. income tax. The number of those sized firms which pay no U.S. income tax doubled in the last four years measured by the GAO to 715 firms.

U.S.-based multinational firms are also avoiding U.S. taxes, the GAO report concluded. More than 1.2 million U.S.-based multinational firms -- 62% of U.S. based multinationals -- paid no U.S. income tax, despite sales of \$1.5 trillion and \$3.2 trillion in assets.

"While Main Street businesses and citizens faithfully pay their taxes and painfully struggle to reduce the federal deficit, giant multinational corporations -- with billions of dollars in U.S. profits -- are evading taxes on a massive scale. There is simply no excuse for it," Dorgan said.

"Many of these multinational firms are not only ripping off the federal treasury and honest taxpayers, they are adding to the deficit and creating an unfair advantage for themselves when they compete here against honest U.S. companies which do pay taxes," Dorgan said.

Currently, the IRS tries to untangle these transactions on a case-by-case basis, using an "arms length" pricing policy to determine whether the listed prices fall within the normal range of independent business transactions. "It is like trying to connect the ends of two plates of spaghetti," Dorgan said. The IRS is "hopelessly overwhelmed" by the vast number of such transactions, Dorgan said, "and the multinational companies know it. They work this scam with no fear of ever being caught."

Dorgan said the Treasury Department and IRS could stop the "transfer pricing rip-off" by switching to a "formulary apportionment" approach. Under that plan, the U.S. government would levy taxes on multinational corporations doing business in the U.S. on a formula basis, according to the percentage of the multinational firm's business activity and revenue generated in the United States. "States have been using this approach for decades to collect taxes from businesses which operate in more than one state," Dorgan said. "It has worked well. It's time for the Treasury Department and the IRS to leave their 19th century tools behind and get with the modern age."

"Multinational corporations must pay their fair share," Dorgan said, "instead of forcing honest taxpayers to pull the whole load. They make tens of billions of dollars in profits in this country and should pay taxes on that income, just like every American business or citizen does."

-- END --

UNITED STATES SENATOR FOR NEVADA

HARRY REID

DATE: Thursday, May 11, 1995
NUMBER: 95-92
CONTACT: Susan McCue/202-224-3542

REID BLASTS TAX-DODGING FOREIGN COMPANIES

WASHINGTON -- U.S. Senators Harry Reid (D-NV) and Byron Dorgan (D-ND) today released a report confirming that the vast majority of foreign-based firms doing business in the United States pay no federal taxes.

"At a time when Congress is considering unprecedented cutbacks in Medicare and education funding, it is unconscionable that we continue to allow foreign firms to cheat the treasury out of billions of dollars in taxes," Reid said. "The deceptive conduct of these foreign companies puts U.S. businesses at a huge disadvantage."

The General Accounting Office report released by Reid and Dorgan shows 73 percent of foreign-based firms paying no federal taxes and 62 percent of U.S.-based multinationals paying few U.S. taxes. This means that about 35,138 foreign controlled businesses, with \$680 billion in assets and \$359 billion in receipts, are competing with domestic companies while paying no taxes; and more than 1.2 million U.S. multinationals are skirting federal taxes.

In order to avoid paying federal taxes, international companies are artificially shifting their U.S. source income outside of the taxing jurisdiction of the United States. Senator Reid blasted the tax-dodging foreign firms and called for a new, simpler collection procedure by the IRS for international companies.

"We are losing billions of dollars every year to foreign companies that are intentionally cooking their books to avoid taxes," Reid said. "If an American business owner tried to evade federal taxes, he or she would face severe penalty. There is no way for American businesses to compete fairly under current circumstances."

"The IRS needs to end its keystone cops approach to international oversight and, instead, adopt a simple formula that states have been using successfully for years."

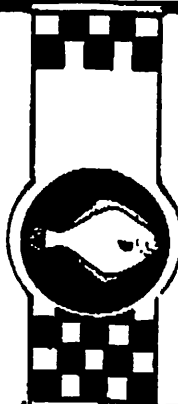
Last year, Reid and Dorgan introduced the Foreign Tax Compliance Act to put U.S. businesses on equal tax footing with foreign companies. Today, the two senators called for congressional hearings and a simplification of IRS collection parallel to state procedures.

--end--

F/V HAZEL LORRAINE

182 Nickerson Street
Suite 307
Seattle, WA 98109

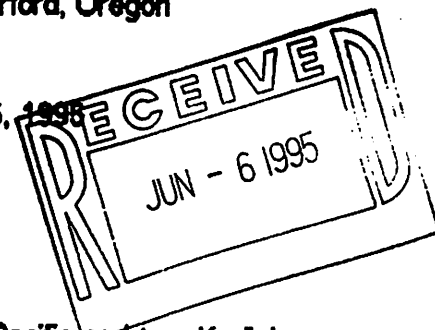
Mr. Richard Lauber, Chairman
N.P.F.M.C.
P.O. Box 103136
Anchorage, AK 99510



Tel: (206) 285-6424
Telex: 277115 MRC UR
Fax: (206) 282-9414

Albert Geiser
42277 Garrison Lake Rd
Port Orford, Oregon
97465

June 6, 1995



Re: Inshore/Offshore Allocation, Freezer/Longliners in G.O.A.

Dear Chairman Lauber,

I'm the owner and operator of a medium size trawler that delivers Pacific cod to a Kodiak shore plant. I understand there is a move afoot to change the definition of the length and processing capacity rule for Factory Freezer/Longliners. The current rule allows vessels less than 125 feet that process less than 18 metric tons per day, to be classified as inshore and they are allowed to fish in the Gulf of Alaska (GOA) for Pacific cod. As you know this is a fully utilized fishery by all of the shore based communities in the GOA. Changing this rule would allow increased effort by the larger Factory Freezer/Longliners. This would have a very negative impact on the all of the inshore boats (trawl, pot, longline) that are currently capitalized in the cod fishery. NMFS has placed on record with the council, a report that estimates that if these larger vessels are allowed into the GOA, there catch effort could reduce the amount of cod delivered to shore based plants by as much as 40%, based on the current quota!

My first question; What are the socioeconomic reasons for considering this issue when cod makes up such a large portion of the winter landings that are deliver to the shore plants? The next question; Has the council made a "Social Impact Analysis Study" of how this would effect the fishing communities? The shore based fishermen is first in line to feel any reduction of quota, whether scientific or political. Every level of the communities, from the plant worker to the carpenter, from the retailer to the banker, each finally feels the economic result, because every dollar of fish that crosses the dock multiplies six to eight times as it works its way through the communities. This is a decision, that if made in favor of the Factory Freezer/Longliners will underwrite their futures at the expense of the communities in the Gulf of Alaska.

Sincerely,

Albert Geiser

cc: Al Burch: Executive Director Alaska Druggers
Barry Fisher: President Midwater Trawlers Cooperative



**ROYAL
SEAFOODS,
INC.**

P.O. BOX 19032 (ZIP 98109) 1226 16th AVENUE W., SEATTLE, WA 98119
TELEPHONE: (206) 285-8900 FAX: (206) 285-4515



June 6, 1995

VIA DHL EXPRESS MAIL

Mr. Steven Pennoyer
Director of the Alaska Region
National Marine Fisheries Service, NOAA
P.O. Box 21668
Juneau, AK 99802-1668

Mr. Richard Lauber, Chairman
North Pacific Fishery Management Council
605 W. 4th Avenue, Room 306
Anchorage, AK 99501

RE: Public Comment - Inshore/Offshore Processing Allocation
and Pollock CDQ Program (SEIS/RIR/IRFA)

Dear Gentlemen:

These comments are respectfully submitted on behalf of Royal Seafoods, Inc. (Royal), a uniquely United States citizen-owned company that is vertically integrated and totally committed to marketing further processed pollock fillet products to the United States' market. Unlike most shorebased operations, Royal is dedicated to the pollock fishery and does not process nor have the economic benefit of any of the traditional species such as crab, salmon, halibut or herring. In addition to owning two factory trawlers and managing a third, Royal owns and operates a large secondary processing plant and cold storage in Seattle, Washington. Royal Seafoods, Inc. should be considered *the model for the Magnuson Act*, not the focus for devastation by the North Pacific Fishery Management Council.

As a company we are outraged at the amount of time and the extent of resources that this Council has chosen over the years to invest in the inshore/offshore allocation scheme while ignoring its primary charter to conserve and manage the fisheries on a sustainable yield basis. The Secretary of Commerce could not have been more specific when authorizing the inshore/offshore allocation for only three years. The Council was not to spend time -- nor ask -- for another lame and purely allocational form of this amendment.

In spite of all the rhetoric and obfuscation that has prevailed, the Council as a whole has chosen to address the issue of preemption. The first major flaw in the supporting documentation for this proposed rule making is that no responsible examination of the issue of preemption has occurred other than to now define preemption utilizing the ill-gotten gains of the original three years of inshore/offshore as a baseline. The record,

Mr. Steven Pennoyer
Mr. Richard Lauber
June 6, 1995
Page 2

including public testimony, is full of examples of the hardships all sectors experience when not enough harvesting time is available; but the record is totally devoid of either a definition of preemption or any analysis of where the evil preemption has actually occurred. In fact, it appears to us in reading the problem statement and alternatives that the Council is using two entirely different and mutually exclusive definitions of preemption -- one for the Bering Sea and one for the Gulf of Alaska. Without a clear definition of the term and how the "preemptive" problem is addressed in each of the two management areas, it is impossible for the Council to act responsibly and in accordance with the national standards of the Magnuson Act.

If preemption is to be the defined problem, then Royal has been and continues to be preempted in both a real and legal sense. This fact is totally unrecognized in either the current version of the problem statement or in any element of the various analytical documents. Furthermore, there are no proposed alternatives before the Council that will grant Royal or others similarly situated relief from this preemption. Royal's flagship, the F/T Royal Sea (the former Seafreeze Pacific), began processing high quality frozen-at-sea pollock fillets in mid 1986, long before even the last joint venture vessel was placed into service. The current preemption of the F/T Royal Sea and similar vessels has occurred notwithstanding express Congressional intent to the contrary. Not only were we very early entrants into the fishery, but the Royal Sea, has a long pedigree of Congressional support for the precise activity in which it is currently engaged -- an activity that is at risk under the proposed amendments. The Royal Sea was constructed pursuant to the "Fishing Fleet Improvement Act (FFIA)" one of the main goals of which was:

"to build stern trawlers equal in size and sophistication to any foreign trawlers."

[Hearings before the subcommittee on Fisheries and Wildlife Conservation and the Environment of the House of Representatives Committee on Merchant Marine and Fisheries, 94th Congress, 1st Session (1975) (The Seafreeze Hearings)]

"The outmoded vessels are competing for fisheries' resources in the northwest Atlantic and northeast Pacific against large, modern vessels of Russia, Japan, Canada, and many European nations. This disparity in the age, size, and productivity of vessels that severely handicap our fishermen continues to grow worse each year with the entry of additional new modern vessels from foreign countries and the continued aging of our fleet."

[U.S.C.C.A.N., 3183 at 3184 (1964)]

Mr. Steven Pennoyer
Mr. Richard Lauber
June 6, 1995
Page 3

One of the primary goals of the FFIA was "to encourage the development of larger, more economical vessels capable of safely operating offshore and competing on the world market with vessels used by foreign fishermen (i.e., factory trawlers)."

"Many of the foreign vessels competing with them are less than five years old and range up to nearly 300 feet in length. I (Congressman William H. Bates) firmly believe that the enactment of (this) bill will enable the U.S. fishermen to construct vessels that would enable them to compete with these foreign vessels. ...On the Pacific coast fishermen are having to take small vessels designed for fishing within a few miles of the coast as much as 300 miles off shore to catch albacore. New and larger vessels would allow them to operate more safely and economically."

[U.S.C.C.A.N., 3183 at 3189 (1964)]

It has taken from 1969 until today for this vessel to fulfill the intent of Congress to profitably Americanize the at-sea-element. The record could not possibly be clearer that Congress encouraged and actively promoted the construction and operation of the Royal Sea and similar vessels. Now after the vessel has become profitable under U.S. citizen ownership the North Pacific Council is considering regulating it into failure. Why?

I believe there is a **major flaw** in the analytical data and the fundamental approach of this Council. The regulatory impacts are analyzed primarily from the perspective of the costs and benefits of Alaska vs Washington. Virtually ignored are the fundamental Magnuson Act concepts of "the good of the Nation as a whole" and true "Americanization of the fisheries". Nowhere are the potentially devastating market effects upon the Nation discussed. I understand how this may have been overlooked because the pollock fishery is generally considered a Japanese surimi industry. The fact is that wedged tightly amongst the surimi producers, both ashore and afloat is a small component that is committed to the U.S. market place. (Is it possible that the truly preempted party is the United States consumer?) Where is the micro analysis of the effects on the U.S. market consistent with the voluminous analysis of Kodiak's benefits?

To the best of my knowledge, there are only three companies operating in the North Pacific pollock fishery that are totally dedicated to pollock production for the U.S. market. The Council's analysis has not addressed the likely adverse impact on the U.S. consumer of a continuation of the inshore/offshore allocation.

Mr. Steven Pennoyer
Mr. Richard Lauber
June 6, 1995
Page 4


As this issue is once again debated and considered for vote we ask that you do not lose site of the original facts (rather than the political rhetoric) surrounding the original action when the Council convened a "blue ribbon" Economist Focus Group in Seattle on November 21, 1989 (attached). This group consisted of 28 of the most technically qualified, eminently knowledgeable and *independent* scholars of fisheries economics available in the Northwest. As a matter of procedure, the group randomly split into three discussion panels, each with the instructions of independently producing an oral report on the nature of the problem, alternatives for solving the problem, and guidelines for analysis of the alternatives. "Upon reconvening it was clear that all three groups had reached a consensus that the nature of the problem was too many boats chasing too few fish, rather than an inshore-offshore allocation issue". The group then went forward in detail analyzing the problem statement, putting forth a recommended solution, and recommended form of analysis. Ignoring the efforts of this group and their educated and unbiased conclusions, the North Pacific Council chose to disregard totally this group's findings and continued on a path of total reallocation rather than addressing the issue of the moment, a preemption potential around Kodiak in the Gulf of Alaska.

In spite of being competently advised that no inshore-offshore issue per se existed, the remainder of the Council debate and actions have centered around "keeping the train on time". On numerous occasions over the past five years the Council has heard testimony from the public and admitted as a group that Individual Transferable Quotas (ITQ's) are the only viable means to address the stated problem of preemption. Ignoring what appears to be an overwhelming consensus that ITQ's are the answer, the special interest groups have been successful in keeping this alternative off the list of proposed solutions. Why?

Without having ITQ's (or any other viable alternative) included in the proposed list of alternative solutions by the Council, the Secretary of Commerce would appear to have only one viable alternative, to deny the proposed rule making in its entirety. This being the case, we respectfully request that a carryover of the Inshore/Offshore allocation be denied at the Council level.

Sincerely,

ROYAL SEAFOODS, INC.



Stuart W. Looney
President and CEO

attachment

MEMORANDUM

TO: Council, AP, and SSC Members
FROM: Terrence P. Smith
Economist
DATE: December 3, 1989
SUBJECT: Inshore-Offshore Allocation

ACTION REQUIRED

Receive report on Economist Focus Group meeting on the inshore-offshore issue.

BACKGROUND

A group of west coast fishery economists met in Seattle on November 21, 1989 to discuss the inshore-offshore allocation issue. Specifically, the group was to discuss the Council's problem statement, the given list of alternatives, and the analysis necessary for an economic assessment of the costs and benefits of adoption of any one of these alternatives.

Traditionally, Council and NMFS economists plan and conduct the economic analyses necessary for a plan amendment. Since the inshore-offshore issue is, in terms of economic scope and impact, so complex and so comprehensive, we thought it useful to ask others in the profession how they might approach this particular problem. Accordingly, most of the resource and fishery economists active in fisheries research on the west coast were invited to a one day meeting in Seattle to discuss this allocation issue. All invitees were mailed the same informational packet as received by the FPC for their November 15 meeting.

In attendance were:

Ingolfur Arnarson	Oregon State University
Rebecca Baldwin	AFSC
John Boyce	University of Alaska, Fairbanks
Keith Criddle	University of Alaska, Fairbanks
Jim Crutchfield	University of Washington
Ron Dearborn	Alaska Sea Grant
Ted Evans	AFTA
Steve Freese	NMFS-NWR
Susan Hanna	Oregon State University
Marcus Hartley	NPFMC
Jim Hastie	AFSC
Dan Huppert	University of Washington
Dick Johnston	Oregon State University
Jonathan Karpoff	University of Washington
Richard Kinoshita	AFSC
Biing-Hwan Lin	University of Idaho

Rich Marasco	AFSC
Clarence Pautzke	NPFMC
Lew Queirolo	NMFS-AKR
Hans Radtke	Consultant
John Roos	PSFA
Jim Seger	PFMC
Terry Smith	NPFMC
Bob Stokes	University of Washington
Gil Sylvia	Oregon State University
Joe Terry	AFSC
Dick Tremaine	NPFMC
Craig Weise	University of Alaska, Marine Advisory Program

Clarence Pautzke and Terry Smith began the meeting with a discussion of the history of the amendment package: how the issue had arisen this year partly in response to allocational conflicts in the Gulf of Alaska during the pollock roe fishery; the call for proposals and comment; the Fisheries Planning Committee's involvement; and the specific problem and solutions (alternatives) articulated by that committee.

The group then split into three discussion groups. Each group was responsible for producing an oral report on the nature of the problem, alternatives for solving the problem, and guidelines for analysis of the alternatives.

The problem statement

Upon reconvening, it was clear that all three groups had reached a consensus that the nature of the problem was too many boats chasing too few fish, rather than an inshore-offshore allocation issue. The allocational conflict is a symptom of excess harvesting and processing capacity rather than an independent problem. The group also felt that the alternatives listed were in fact allocational rules rather than solutions to the problems. If measures of this nature were adopted they would solve the allocational conflict in the short term, however, as effort continued to enter the fishery it would be necessary to provide greater and greater allocational specificity.

For example, if allocation were to stationary and mobile processors it would ultimately be necessary to allocate to stationary processors in the Central Gulf, Western Gulf, Aleutians, Western Alaska, etc., and to allocate to mobile processors by category and vessel size. If, instead, allocational rules were related to vessel size, there would naturally develop more detailed allocational schemes to sets and subsets of vessels types and sizes.

The solution

The group also agreed on the general form of the solution: a permanent, stable, allocation program in which the individual operations determine their quota. Specific recommendations from one of the groups were:

1. An immediate moratorium on entry to the groundfish fisheries off Alaska.
2. Development of a permanent, stable allocation program for management of the fishery.
3. If open access is retained, institutionalization of an arbitration mechanism or procedure for resolving allocational disputes.

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The analysis

The group discussed the analysis necessary to an SEIS/RIA and suggested that the following three general categories be included:

1. Description and quantification of the changes in the distribution of local employment (jobs).
2. Description and quantification of the changes in the distribution of local income.
3. Description and quantification of the changes in the distribution of net benefits.

Given that alternatives are pre-specified, the perspective of the analysis should be relative one, that is, a comparison of one alternative against another, or a comparison of each alternative against the no-action alternative.

The group felt that there were no particularly difficult analytical issues from a theoretical perspective, but that the usual constraints of time and data limitations may limit the ability of the researchers to completely quantify the three items listed above.



ALASKA OCEAN SEAFOOD

LIMITED PARTNERSHIP

June 2, 1995

Mr. Richard B. Lauber, Chairman
North Pacific Fishery Management Council
PO Box 103136
Anchorage, AK 99510

Re: Agenda Item C-1 Inshore-Offshore (CVOA)

Dear Mr. Lauber:

Alaska Ocean Seafood Limited Partnership files these comments on the Draft EA/RIR of the proposed reauthorization of Amendment 18/23, specifically, the CVOA portion of that analysis.

Our partnership owns the ALASKA OCEAN, which is a large, modern surimi trawler. As such, we have had first-hand experience with the effects of our vessel's being excluded from the CVOA. We consider the Draft analysis wholly inadequate because it addresses only the alternatives of continuing the CVOA as presently delineated or discontinuing it entirely.

We believe that the correct approach - and the one that should have been analyzed - is continuation of the CVOA, but with new boundaries. Specifically, we recommend that the northern boundary of the CVOA be placed at 55° 30' N latitude and that the western boundary be placed at 167° 30' W longitude. We believe that the new boundaries will help alleviate some of the problems caused by the CVOA without undermining the goals that the CVOA was intended to achieve.

1. The existing CVOA.

In previous testimony before the Council, we have pointed out that the CVOA was established without assessment of the opportunity cost to the catcher/processor sector, and merely assumed that the catcher/processor sector could make a cost-free migration to other fishing areas. The realities, of course, have been quite to the contrary.

Mr. Richard B. Lauber
June 2, 1995
Page 2

The ALASKA OCEAN has lost access to a substantial portion of her traditional resource, has incurred increased transit costs, and has experienced loss of production time. Most importantly, both in terms of our operations and the overall health of the resource, the fish stocks in the areas where we have been forced to fish have proved to be smaller in size than in the CVOA.

This last effect is amply confirmed by the Draft analysis, which notes a continuing shift of the exploitable pollock biomass toward the east and south, i.e., toward the CVOA. See, e.g., Draft analysis at p. 45. Thus, as we have been forced away from the CVOA, the fish have moved toward it.

We believe that the adverse effects we have experienced can and should be mitigated by a new delineation of the CVOA, one that allows us to fish where the fish are but continues to reserve the near-shore waters for the catcher fleet.

2. Our proposal.

As noted above, we propose to shift the northern boundary of the CVOA 30 nautical miles southward and the westward boundary of the CVOA 30 nautical miles eastward. This would allow the factory trawler fleet to respond to the ongoing migration of the pollock resource to the south and east and to do so in an area which has not been traditionally exploited by the catcher only fleet. See Draft analysis at p. 61. Thus, CVOA costs to the catcher-processor fleet would be mitigated without adverse effects on the other sectors.

We are convinced that our proposal comports much more closely with the requirements of the Magnuson Act than the existing CVOA does.

- A. National Standard 1. This Standard requires conservation and management measures to achieve optimum yield from each fishery. The existing CVOA has run counter to this standard; the ALASKA OCEAN, for example, has experienced a decrease in efficiency with respect to recovery ratio, speed of production, and quality and nature of product because she has been forced to harvest smaller fish. Our proposal would give us access to more mature stocks, and thus would increase our efficiency, contributing to rather than detracting from optimum yield.
- B. National Standard 2. This Standard requires that conservation and management measures be based on the "best scientific information available." The data contained in the Draft analysis strongly support our proposal. That information confirms that the pollock stocks are migrating toward the CVOA; we are merely asking for access to a small segment of the waters where the mature stocks are.

- C. National Standard 3. Standard 3 requires that fish stocks be managed throughout their range. Our proposal comports with this standard by allowing us to fish where mature populations are and by not forcing us to harvest in areas populated by less-mature stocks.
- D. National Standard 4. This Standard, which deals with allocation of fishing privileges among U.S. fishermen, requires such allocations to be fair and equitable to all fishermen; to be reasonably calculated to promote conservation; and to avoid acquisition of excessive shares. Unlike the existing CVOA, our proposal would be consistent with each of these requirements.
- (1) The existing boundaries of the CVOA are neither fair nor equitable because they place a significant portion of the groundfish resource outside the reach of a large segment of the industry. Our proposal would give our segment of the industry access to some portion of that resource while continuing to reserve the near-shore portion of the resource to the catcher fleet. Hence, the proposal would be fair and equitable to both sectors.
 - (2) The existing CVOA forces catcher/processors into harvesting areas that contain smaller-sized stocks, while our proposal would allow us to target on more mature stocks, thus promoting conservation of the resources.
 - (3) Unlike the present CVOA boundaries, our proposal would result in a broader and more equitable distribution of shares of the resource.
- E. National Standard 5. Standard 5 requires conservation and management measures to promote efficiency. Our proposal would alleviate to an extent the inefficiencies resulting from the CVOA.
- F. National Standard 6. This Standard effectively requires the Council to account for the fact that fishermen fish where the fish are. The existing CVOA is contrary to this Standard because it ousts the factory trawler fleet from areas where the fish are and causes them to relocate, at considerable cost, to other fishing grounds. Our proposal, on the other hand, would give the factory trawler fleet access to at least part of the areas where the fish are.
- G. National Standard 7. Standard 7 requires conservation and management measures to minimize costs and avoid unnecessary duplication. Our proposal would help alleviate the excess costs imposed on the factory trawler fleet as a result of the CVOA.

Mr. Richard B. Lauber
June 2, 1995
Page 4

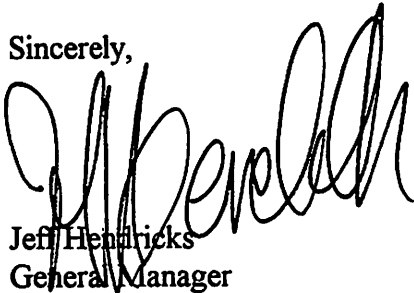
CONCLUSION

The Draft analysis of the CVOA is seriously lacking. The CVOA need not and should not be viewed as an all-or-nothing proposition. It is both possible and desirable to have a CVOA which continues to protect onshore interests and gives the factory trawler fleet better access to the resource. We urge the Council to adopt our proposal and redefine the boundaries of the CVOA.

* * *

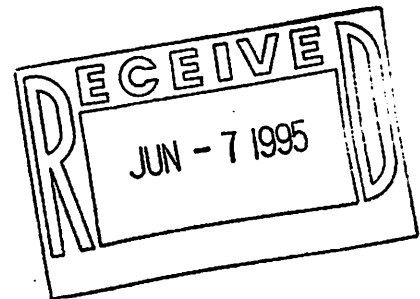
Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Henricks", written over the typed name and title.

Jeff Henricks
General Manager

**F/V COHO, INC.
Captian Philip S. Drage
P.O. Box 645
Warrenton, OR 97146**



June 7, 1995

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

Dear Mr. Lauber,

It is important to the economic and social well being of the Gulf of Alaska coastal communities and the independent vessel owners and operators to continue the Inshore / Offshore allocation plan. As the owner/operator of the F/V COHO, I support the continuation of the current management plan.

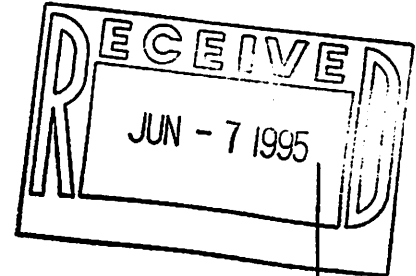
In the year of 1989, before this was in effect, our season was reduced drastically. As we do not have the resource to support such a large fleet.

Thank you again.

Respectfully,

Captian Philip S. Drage

AMERICAN FACTORY TRAWLER ASSOCIATION



June 7, 1995

Mr. Clarence Pautzke
North Pacific Fishery
Management Council
Post Office Box 103136
605 West Fourth Avenue
Suite 306
Anchorage, Alaska 99510

Re: Proposed Extension (Rollover) of Inshore/Offshore
Amendment

Dear Clarence:

For purposes of the record in connection with the proposal to rollover Amendment 18/23 for another three years, please include the following documents:

1. All comments and other materials submitted to the Council by the American Factory Trawler Association ("AFTA") in connection with the original version of Amendment 18/23; and
2. Appendix I to the RIR/RFA that was prepared in connection with the original version of Amendment 18/23.

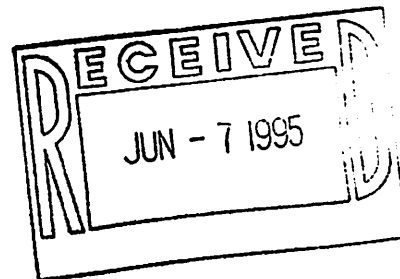
We have copies of the referenced documents and will be happy to supply them to you if you need them. If you do, please let me know. In the meantime, we will be submitting additional comments and supporting documentation in connection with the proposed rollover.

Sincerely yours,

AMERICAN FACTORY TRAWLER ASSOCIATION


Joseph R. Blum
Executive Director

LPautzke.008

JAY E. STINSONP.O. BOX 3845
KODIAK, AK 99615

June 7, 1995

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

Dear Mr. Lauber,

It is important to the economic and social well being of the Gulf of Alaska coastal communities and the independent vessel owners and operators to continue the Inshore / Offshore allocation plan. As the owner/operator of the F/V ALASKAN, I support the continuation of the current management plan.

Respectfully,


Jay E. Stinson

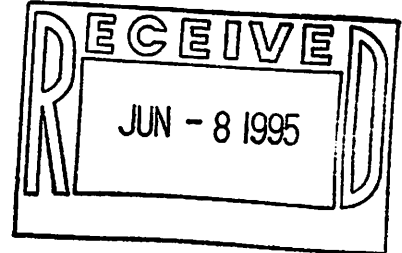


907-486-3910
Box 991

Kodiak, Alaska
99615

FAX 486-6292

June 8, 1995



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

Dear Mr. Lauber & council members:

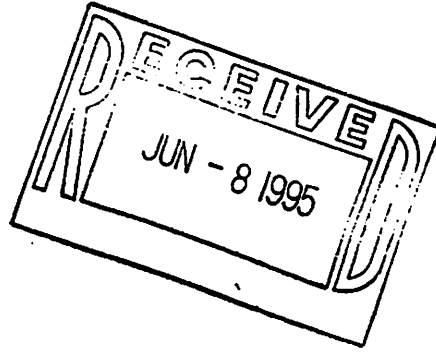
As an association of shore based catcher vessels, we urge you to approve the roll over of onshore/offshore at the June meeting. This agreement has provided some stability for the fishing industry.

Sincerely,

Alvin R. Burch
Executive Director
ADA

Jay E. Stinson
President
ADA

MR. RICHARD LAUBER
CHAIRPERSON, NPFMC
PO BOX 103136
ANCHORAGE, AK 99510



ALASKA HYDRAULICS
PO BOX 1849
KODIAK, AK 99615
JUNE 8, 1995

DEAR MR. LAUBER:

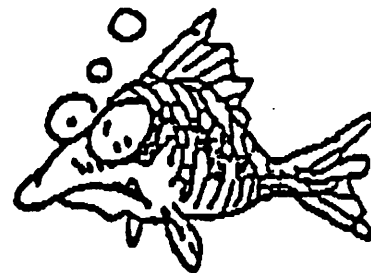
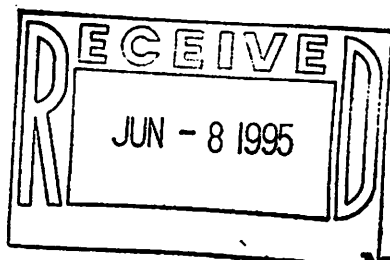
AS A BUSINESS DIRECTLY AFFECTED BY THE LOCAL FISHING ECONOMY, WE DO NOT SUPPORT THE CHANGE IN LENGTH DEFINITION AND PROCESSING CAPACITY RULE FOR FACTORY LONGLINERS. OUR COMMUNITY DEPENDS ON THIS FISHERY TO CARRY US THROUGH THE WINTER MONTHS. WE HOPE YOU WILL NOT BEND TO THE HUGE AMOUNTS OF DOLLARS THROWN OUT BY THESE MASSIVE FLEETS. THIS IS OUR LIVELIHOOD. WE ARE ALREADY BEING ROCKED BY THE IMPLEMENTATION OF IFQS. WHEN ARE ALASKAN FISHERMEN AND COASTAL COMMUNITIES GOING TO TAKE PRECEDENT?? PLEASE, IF NOTHING ELSE, READ THE REPORT THAT NMFS HAS PLACED ON RECORD WITH THE COUNCIL THAT INDICATES THAT COD DELIVERED TO SHORE BASED PLANTS COULD BE REDUCED BY AS MUCH AS 40%! WE'RE SURE YOU'LL UNDERSTAND OUR POINT OF VIEW.

VERY SINCERELY,

A handwritten signature in cursive script that reads "Michelle Van Tyne".

MICHELLE VAN TYNE
ALASKA HYDRAULICS

**North
Pacific
Longline
Association**



Agenda C-1, C-2

June 7, 1995

Mr Richard B. Lauber, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue
Anchorage, AK 99501

**RE: Potential Cumulative Impact of CRP on Freezer-Longliners;
Unintended Consequences?**

Dear Rick:

As you are aware, some 30 American freezer-longliners have replaced the Japanese freezer-longliner fleet off Alaska. These vessels fish primarily for cod, producing a premium frozen-at-sea product. Several are owned and operated by Alaskans. Bycatch and discard of prohibited and other species is minimal - the IPHC has recently recommended a reduction of the assumed mortality rate for halibut in our BSAI cod fishery, due to the success of our careful release and industry bycatch monitoring programs. Crab and salmon bycatch is negligible.

These vessels were designed to fish for twelve months a year, but are now lucky to fish for six. They have the capacity to harvest the entire fixed-gear portion of the BSAI cod TAC in a conservation-oriented manner. Alternative fisheries are not available to them.

The cumulative impact of regulatory actions pursuant to CRP could put this fleet out of business. We have no reason to suspect that this is the Council's intent, but we ask that you give serious consideration to the following comments.

Moratorium

The Department of Commerce is now in the process of implementing a rule to establish a moratorium on entry into the groundfish and crab fisheries off Alaska. The purpose of this moratorium is to "freeze" the fleets, recognizing past participation and dependence.

The proposed moratorium fails to achieve this goal where the fixed-gear fishery for cod in the BSAI is concerned. Rather than "freezing" a stable fishery with some 30 serious and dedicated longline participants, it allows the entry into that fishery of some 200 vessels which have no history in or dependence on the

groundfish fishery during the moratorium qualifying period (supplemental analysis, pages 13-14). This formula will not promote stability or recognize past participation and dependence. It is a formula for disaster.

Most of the additional vessels allowed to enter the fishery under the moratorium are pot vessels. We have absolutely no quarrel with the participation of pot vessels in the BSAI fishery for cod. Like longliners they have minimal bycatch of halibut and other species, and such fishing practices should be encouraged. In future the Council may wish to reflect further on how the BSAI cod fishery should be conducted.

Inshore/Offshore I

The "preemption" which gave rise to Inshore/Offshore is a trawl problem, arising out of the Shelikof Straight experience in 1989. It is not a longliner problem. The record makes that abundantly clear. Even shoreside processor and trawl representatives testified to this fact:

In the case of Trident Seafoods...we have not included freezer-longliners within the proposed allocation, and we have no intent of including freezer-longliners in the definition of what we would consider to be a factory trawler [i.e., the offshore component]. Because obviously a freezer-longliner can't cause localized depletion of pollock. I don't think they can cause localized depletion of anything.

Testimony of Joe Plesha (September 27, 1989, emphasis added); see also testimony of Joe Plesha (April 26, 1990), Trident supports defining longliners in inshore component because "fixed gear fishermen don't cause the localized depletion" associated with factory trawlers.

A trawl representative agreed:

Absolutely. I mean this all started because vessels with very large nets could mass and take fish very quickly...this does not apply to longliners.

Testimony of Chris Blackburn, April 26, 1990, emphasis added.

Freezer-longliners understand the concept of "preemption" by trawlers. We catch our fish one at a time, and are even more likely to be preempted by trawlers than a shore plant which employs trawlers. Freezer-longliners should be restored to the "inshore" category, which is designed to offer protection from preemption.

The analysis of Inshore/Offshore I supports this view. Throughout development of the proposal freezer-longliners were included in the inshore sector. Thirty-six percent of the data

supporting the inshore profile - which shows the benefits of economic activity by those threatened with preemption - is freezer-longliner data. This inclusion clearly had a dramatic effect on the conclusions reached by the SEIS/RIR with respect to the effects that the various allocations would have on the respective sectors. The Council simply ignored the analysis in a last-minute switch which excluded large freezer-longliners from the Gulf cod fishery. Negative economic impacts on the excluded vessels were not assessed, and the benefits of freezer-longlining are still attributed to the inshore sector - the analysis remains unchanged to this day.

The decision to exclude freezer-longliners from the Gulf was based on a false premise. It ignored the testimonial and analytical record. The supporting analysis failed to quantify negative economic impacts on the excluded vessels.

Inshore/Offshore II

The documentation of Inshore/Offshore II attempts to sweep all this under the rug by claiming "stability" as its aim. It adds up the harvesting and processing activity of freezer-longliners in the BSAI (to which they were banished by Inshore/Offshore I) and argues that if the entire fleet suddenly descended upon the Gulf cod fishery, "inshore" interests would suffer. The obvious point which is missed in this imaginary scenario is that freezer-longliners capable of fishing in the BSAI are not about to spend much time in the Gulf. They never have. The maximum historic take of Gulf cod TAC was about 3%. They will head for the BSAI to compete in a simultaneous fishery which yields catches three or four times the 18 mt per day limit imposed in the Gulf - and in which they must compete to survive. Negative economic impacts of this continued exclusion are not identified in the analysis.

Freezer-longliners have no colorable preemptive history in the Gulf. Under the 18 mt catch per day limit, they are indistinguishable from other inshore GOA participants in terms of production capacity. To exclude them again on another imaginary pretext would confound logic and make a mockery of the federal fishery management process. They should be restored to the "inshore" sector.

License Limitation

Elements of the earlier manifestations of "comprehensive rationalization" reappear in or affect elements of the License Limitation proposal in ways that appear to perpetuate or exacerbate negative impacts on the freezer-longliner fleet. Some of these elements seem to go beyond the earlier measures in this regard.

Under the moratorium, so long as a vessel qualified in the GOA or the BSAI, it could fish in both. One freezer-longliner,

the Liberty Bay, fished only in the GOA during the qualifying period, and qualified for the fisheries in both the GOA and BSAI under the terms of the Moratorium. In reliance on this qualification, the owners spent some \$5,000,000 repairing and improving the vessel. Since the vessel is in excess of 125' in length, it has been relegated to the BSAI by Inshore/Offshore I. If it is not granted a BSAI General License under License Limitation (see Nature of Licenses, NEWSLETTER of 5/5/95, pp. 13-14), it will be forced out of business.

While the General License Qualifying Period (QP) of Jan. 1, 1988 - June 27, 1992 would seem to admit all serious freezer-longliners, the provision which would give all "crossovers" as allowed in the Moratorium a General license would appear to pose the same problem as the Moratorium. That is, it would allow large numbers of vessels into the fixed gear BSAI cod fishery, even though they may have no history in or dependence on the fishery. This could destabilize a fishery which now barely supports 30 freezer-longliners.

The QPs for Area Endorsements also present problems. The Area Endorsement period for QP alternative 900 is Jan. 1, 1992 - Dec. 31, 1994. This brings into play the Catch-22 nature of Inshore/Offshore I as it relates to freezer-longliners in the GOA. Under what we regard as false pretenses (the notion that we present a preemptive threat) and in contradiction to the SEIS/RIR analysis, freezer-longliners 125' in length and longer have been prohibited to fish in the GOA since mid-1992. Obviously they would be permanently eliminated from participation in the GOA fisheries if this alternative were adopted - even though Inshore/Offshore I was presented as a temporary measure.

The Landings Requirements for General License also specifically allow all "crossovers" as allowed in the Moratorium to receive a General License - even though they may have no history in the fishery.

Finally, the Landings Requirements for Endorsement, options 9, A, and B, would all eliminate freezer-longliners 125' in length and longer from the GOA permanently, because Inshore/Offshore I prohibited them from fishing there "in each calendar year, Jan. 1, 1992 - Dec. 31, 1994."

Conclusion

Many elements of the CRP program threaten the future of the freezer-longliner fleet - a fleet with a proven track record of clean fishing and quality production. The Moratorium allows large numbers of vessels into the BSAI cod fishery which have no catch history and no history of dependence; the stability of the fishery is threatened, contrarary to the purpose of the Moratorium. Unlike other gear types, freezer-longliners do not have alternative fisheries.

Inshore-Offshore excludes freezer-longliners from the GOA cod fishery on a false pretenses - that they constitute a "preemptive" threat like trawlers, that they have effective production capacity beyond that of other "inshore" participants, and that they threaten "stability." Freezer-longliners catch their fish one-at-a-time, and have no history of preemption. The 18 mt cap would limit their capacity to that of other "inshore" participants, rendering them indistinguishable in terms of production. Finally, large freezer-longliners are not going to descend en masse on the GOA, threatening stability. They will focus primarily on the BSAI cod fishery, where they can harvest on average two to three times the GOA "inshore" daily limit of 18 mt.

License Limitation imports many of these damaging measures and threatens to make them permanent.

These transparent fabrications and bootstrap arguments lack intellectual honesty and threaten to destroy the freezer-longliner fleet. We sincerely hope the Council will adopt the following recommendations:

1. Under Inshore/Offshore II, return all freezer-longliners to the "inshore" category, capping their daily catch at 18 mt. If necessary, prohibit freezer-longliners over 125' from fishing in the Eastern GOA.

2. Under License Limitation:

A. Grant General Licenses for both the GOA and the BSAI for vessels which qualified in good faith under the Moratorium (a landing either of the areas);


B. Select Groundfish Qualifying Period A00 (Area Endorsement QP Jan. 1, 1988 - Dec. 31, 1994), or give Eastern and Central GOA endorsements to all freezer-longliners; and

C. Select Landing Requirements for Endorsement option 1, one landing in an area during the Endorsement QP.

3. Give consideration to further action which will prevent destabilization of the existing fixed gear fishery for cod in the BSAI (See Reducing the Incidental Catch of Prohibited Species in the Bering Sea Groundfish Fishery Through Gear Restrictions, Council Document #13, April, 1981; IPHC Technical Report No. 19, 1982).

Thank you for your attention. We hope to support a rational License Limitation program.

Sincerely,

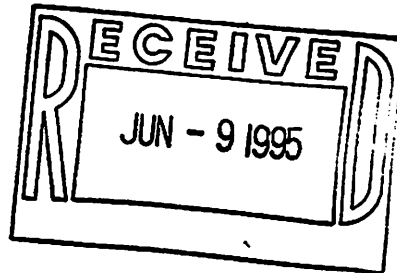


Thorn Smith

Mr. Rick Lauber, Chairman
Dr. Clarence Pautzke, Executive Director
North Pacific Fishery Management Council

Post Office Box 103136
Anchorage, Alaska 99510

Re: Inshore/Offshore



Dear Rick,

At the April council meeting the AP requested that the Inshore/Offshore analysis include a section on the distribution of catch amongst harvesting sectors similar to the section in chapter 4 on distribution of processing by processor types. The processing section broke down the In and Off shore sectors in great detail. The AP had recommended that the same be done for the harvest sector using the categories of harvesters included in the License Limitation analysis. (ie: TH1, TH2, TH3, SN, etc.)

If the fiction that this is a harvest allocation and not a processing allocation (which by definition would not be within the scope of the council's authority) then the figleaf of some analysis of the impact on harvesting sectors was important to include in the analysis.

The Council had already decided that the time line was so important that it was impossible to include other reasonable alternatives, in April they further decided that the timeline was so important that the analysis of the impact on fishers wasn't relevant.

A reviewer of this action cannot decide if it is fair and equitable to fishermen if the analysis fails to reveal it's impacts on fishers. As a member of the public I am unable to make intelligent comment on this aspect of the proposed action because I have no access to statistics by harvest sector.

The only portion of the entire analysis that actually deals with impacts on harvesters in the BSAI pollock fishery is Appendix V, which shows that harvesters have been negatively impacted in terms of the share of the end value of surimi product which they receive as an ex-vessel price. This would suggest that rents are being shifted from the harvest to the processing sector as would be expected with what is essentially a allocation to processors. Since the processing sector has a substantially higher percentage of foreign ownership than the harvest sector, it follows that rents are being captured in the foreign end of the business. This means there is a loss of net economic benefits to the nation under Inshore/Offshore, as contrasted to an alternative which would have allocated between catchers and catcher-processors. This perception of a shift in the bargaining power in favour of processors is broadly shared by harvesters.

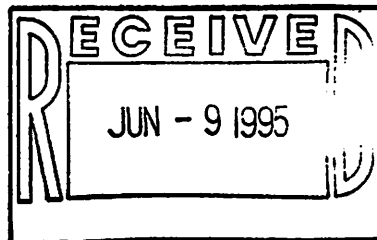
After receiving the most recent draft of the Inshore/Offshore analysis and seeing there was no additional information on impacts on harvesters, I forwarded a FOIA request through NOAA-GC, but have received no data in response to that request. In my opinion the allocation of pollock to the Inshore processing sector in the BSAI is inconsistent with opinions provided to the council by NOAA-GC. (see attached letter to the council on this subject submitted at the 1994 Dec. meeting)

My personal experience as a owner operator of a 86' catcher trawler has been that Inshore/Offshore has created substantial pre-emption and instability for my operation.

david fraser
F/V Muir Millach

Oct. 25, 1994

Lisa Lindeman, NOAA-GC
Steven Pennoyer, Regional Director
Alaska Region, NMFS
Juneau, Alaska 99802



Re: Amendment 18 revisited

Dear Lisa and Steve,

At the Sept./Oct. Council meeting in oral testimony to the NPFMC David Fraser requested that consideration be given to adopting a harvesting based allocation of BSAI pollock to replace the processing based allocation upon the expiration of Amendment 18.

Despite specific advice from NOAA-GC Lisa Lindeman that the Council has an ongoing obligation under NEPA and other law to consider all reasonable alternatives, there was absolutely no discussion by the Council as to whether the Harvester Alternative was or was not reasonable.

The purpose of this letter is to:

1. Demonstrate that the Harvester Alternative is reasonable.
2. Suggest that the Processor Alternative has legal problems.
3. Demonstrate that the analysis will be deficient if a qualitatively different alternative is not included for contrast.
4. Request NOAA-GC and NMFS insist that the Council comply with NEPA and MFCMA requirements.

I. Is the Harvester Alternative Reasonable?

The Harvester Alternative is conceptually similar to Alternative 6 from the original Amendment 18 analysis. It would divide BSAI pollock TACs between vessels that both catch and process, and those which only catch. Based both upon the average historic production and upon maintaining the status quo proportions of the two harvesting sectors a Harvester Alternative would state:

1. Catcher/Processors harvest share should be capped at no more than 50% of the pollock TAC.
2. Catchers who do not process pollock would be allowed to harvest at least 50% of the pollock TAC.

(A sub-option could be included stating:

- a. Catchers delivering shoreside would be guaranteed the opportunity to harvest 25% of the pollock TAC.
- b. The remaining 25% of the pollock TAC could be sold to any DAP processor, shore plant, catcher/processor, or mothership.

Another sub-option might divide the catcher portion of the TAC between vessel greater than 125' and less than 125' addressing the shift that has occurred amongst catcher vessels under Amendment 18.)

The problem statement in the original analysis of Amendment 18 stated "the underlying problem in the proposed amendment is one of resource allocation, where one industry sector faces preemption by another". It is self-evident that to be responsive to the problem the preferred alternative should make an allocation to the sector that has experienced the preemption.

The Harvester Alternative is not only a valid option, it is the only alternative proposed to the Council that directly addresses the underlying preemption problem.

The only sector which was preempted in the BSAI pollock fishery from a position of historic participation, has been the catcher vessel sector. In July of 1992 graphic documentation was submitted to the Council on behalf of AIF showing that the catcher vessels' share of the pollock harvest was eroded from over 90% in 1987 down to less than 40% in 1991 as the result of the influx of factory trawlers. A second graph showed the steadily escalating growth of shoreside processing during the same period. Clearly it was the harvest sector, not the processing sector which was preempted.

The Harvester Alternative could include a sub-option of a guaranteed sub-allocation to those vessels delivering to shore plants. While harvesters would prefer to have full access to all US buyers in a competitive market, we recognize the political pressure upon the Council to give shorebased processors some level of guaranteed production, and that the Council believes such authority exists. Whether or not such authority exists (the basis for questioning this authority is detailed below), we maintain that it is not good policy. If the Council is determined to 'protect' shore based processors, it is possible (though perhaps not legal) to do so within the context of a harvester based allocation that at least leaves all buyers competing in a functioning market for some of the fish.

II. Is the Processor Alternative Legal?

Even with Judge Rothstein's summary judgment we believe there are continuing unresolved legal questions about the Secretary's authority to allocate to processors under the MFCMA and other law .

This is underscored in the recent memorandum from Aurthur Watson to Lisa Lindeman dated Sept. 7, 1994. On page ten it states:

"On-shore processors can be distinguished from vessels and vessel owners, principally through their activities. They do not harvest fish and their operations have no direct impact on the resources of the EEZ. There is a tenuous link -- at best -- between measures that merely affect the subsequent on-shore transfer or processing of those resources."

The same paragraph comments upon the difficulty in justifying a system which would: "result in the U.S. government dictating to foreign-controlled on-shore processors which customers they could or could not do business with, possibly with major financial implications."

One would hope the law embodies a similar concern for the freedom of U.S harvesters to choose to which processors they sell their catch.

Another recent memorandum provided to the Council Sept. 20, 1993 by NOAA-GC Lisa Lindeman on "Magnuson Act authority to allocate fishing and processing privileges to processors" also seems relevant to Inshore/Offshore discussions though it was written in the context of IPQ proposals. On pages 8 it states:

"On-shore processing does not constitute "fishing" as that term is defined by the Magnuson Act."

Continuing on pages 8 & 9 it states categorically that:

The Councils and the Secretary do not have the authority to create and allocate on-shore processing privileges.

The opinion continues by responding to the possible argument that subsection 303(b) (10) of the MFCMA would provide such authority where it allows the Council to -

"prescribe such other measures...or ...restrictions....necessary and appropriate for conservation and management of the fishery."

Since these same arguments have been used to justify an On-shore allocation under Amendment 18 -

"Establishing an IPQ (substitute On-shore allocation - d.f.) would achieve the Magnuson Act's economic and social goals because on-shore processors would be at a competitive disadvantage and possibly driven out of business as the at-sea processing sector drove up the price of fish. An IPQ (substitute On-shore allocation - d.f.) system would balance the playing field so that on-shore processors and the communities that benefit economically, socially and culturally from the existence of an on-shore processor would be protected. the response in the final paragraph on page 9 seems instructive.

"This argument fails to withstand scrutiny on two grounds. First, subsection 303(b) (10) was not included by Congress as a means for the Councils and the Secretary to circumvent any limits on their authority contained in other sections of the Magnuson Act. Subsection 303(b) (10) provides the Councils and the Secretary with the discretionary ability to develop measures not enumerated in subsection 303(a) or (b). To interpret 303(b) (10) in such a sweeping manner would swallow up the other provisions of the Act. Second, there is nothing within the subsection to expand the definition of fishing."

While the opinion goes on to say that the defacto creation of an on-shore quota by an action taken to limit at-sea processing may be acceptable as an indirect consequence of such action, one has to wonder if in the case of Inshore/Offshore, this is an incidental by-product, or the whether the goal is to circumvent the Act.

In light of the requirements of the National Standards which explicitly states that the "allocation of fishing privileges must be fair and equitable to fishermen.", one wonders why such a legally questionable processor based approach to allocation is being pursued, while a harvesting based allocation is not even given the courtesy of discussion by the Council.

If indeed a stop gap allocation measure has merit as a necessary detour on the road to CRP, it would be unfortunate if the Council boxed itself in by rejecting viable options out of hand, only to find itself with a choice between a wide open derby and a legally flawed allocation to on-shore processors.

III. The Need for Contrasting Alternatives in the Analysis

If one considers a wide open derby the worst of all possible worlds, the Council can justify any action if that is the only alternative to which it contrasts a proposed action. Ask someone whether they want their head or their arm chopped off and they will generally choose surrendering their arm. Add a third choice of being given a candy bar and they will generally chose the candy bar, thank you very much. The analysis will suffer if a qualitatively different alternative is not included to provide contrast.

After the initial rejection of Amendment 18 in 1992, a number of catcher vessel owners made claims that they would be made worse off relative to the status quo ante while on-shore processors would be made better off by adoption of a processing based allocation (then Alt. 3). In arguing for the continued consideration of the harvesting based alternative (then Alt. 6) it was stated that under a processing based allocation several things would occur, including:

1. A tendency toward vertical integration as processors acquired control/ownership of catchers.
2. Harvesters' ability to negotiate price would be affected under a processing based allocation.
3. The profit center would shift from the harvesting sector to the processing sector.
4. Less rent would be captured by US citizens due to profit taking in the foreign end of vertically integrated operations.

It could be argued that the Council dismissed the Harvester Alternative after the initial rejection of the processor based allocation by the Secretary because they felt the Amendment 18 analysis had

sufficiently examined those assertions from a theoretical standpoint. We now have three seasons of real world experience with a processor based allocation and the analysis should re-examine these assertions in light of that experience, before dismissing an alternative approach to the preemption issue.

IV. Request for Policy Enforcement by NMFS/NOAA-GC

It would have been our preference that the Council had moved expeditiously toward an ITQ management system, which in our opinion is the only approach to truly deal with the root problems inherent in the Olympic system. Recognizing the Council has not done so, we desire the inclusion of the Harvester Alternative in what is called the Inshore/Offshore package.

We believe the Harvester Alternative begins to rectify the underlying preemption of the catcher sector by the catcher/processor sector at the harvest level, while leaving the allocation of processing rights to a functioning market. As such, it complies more closely with the guidance given the Council in Dr. Knauss' letter.

We believe the Harvester Alternative is a more legitimate alternative from both a policy and legal standpoint, than the processor based alternative. Whether the Council agrees with us or not is their choice to make after the analysis, not before it. These issues can only be decided if the Council debates them on their merits. At a minimum the Council is required to state why they are not considering an option that has been brought before them in public testimony. The fact that the harvest sector of the pollock fishery has no representative sitting on the Council does not relieve the Council of the obligation to seriously evaluate alternatives proposed by harvesters.

We request that you require the Council to either include the Harvester Alternative, or explicitly state why it is not a reasonable alternative.

Thank you.

david fraser

F/V Muir Milach

C-1

NORTH PACIFIC INDUSTRY AND COMMUNITIES
REQUEST REAUTHORIZATION
OF
INSHORE-OFFSHORE ALLOCATIONS IN BSAI & GOA
AND CDQ PROGRAM

June 12, 1995

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

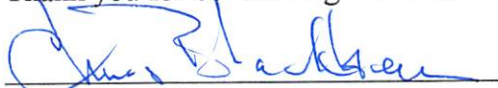
Re: C-1 Inshore-Offshore Allocations and CDQs.

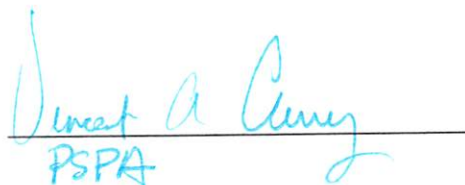
Dear Chairman Lauber,

We request that the North Pacific Fishery Management Council take immediate action to reauthorize the existing pollock and Pacific cod groundfish allocations, the CVOA and the Community Development Program as currently specified under Amendments 18/23 to the BSAI and GOA Fishery Management Plans. We ask the Secretary of Commerce approve the reauthorization so there will be no gap in this fundamentally important allocation structure which the industry relies upon to plan operations and conduct business. Maintaining the Amendment 18/23 allocations and CDQ program is essential for the stability of the industry and our communities. Reauthorization will preserve viability within both the onshore and offshore industry sectors as well as CDQ communities. Stability through Inshore-Offshore generally benefits Alaska and Northwest regional communities active in the seafood business. In contrast, a failure to reauthorize Inshore-Offshore promises great disruption for the fishery triggered by the absence of sector based quotas and removal of the CDQ program. Disruption of the fishery will harm Alaska, Washington, Oregon, and national interests. Please help us continue to operate within the reasonable Amendment 18/23 structure.

We are certain that a reauthorization of the Inshore-Offshore allocation will also allow the industry to focus available energy and effort on other pressing issues. Reauthorization will help the industry move towards completion of long term management solutions which the Council has been actively developing under the CRP development process.

Thank you for considering our views.


AGBB


PSPA

^(RPC)
Silda Shalipoff
ADKDTA

Mark Kandrianis

John H. Goffaly, Ken DeHa Fish Co.

John Levin
NORTH PACIFIC PROCESSORS

Michael Spitz
JRC of Pacific Processors Inc.

Shari Cross - HANA

Wm. Cell
COASTAL VILLAGES FISHING COOP

F. Elhoff
UNIVERSER, INC.

Harold Nelson, Sec
ABEDC

Doug
ALASKA SPORTFISH ASSOC.

J. Gregory Baker, Westward Seafoods, Inc.

John Wirth FV Prowler

Van Fohy ALASKA LONGLINE FISHERMAN'S ASSN

Mary D. Staden Southwest Alaska Municipal Conference

Steve Hughes, United Catcher Boats

F/O Alliance, Koolik Fish Co.

Joseph J. Testin
TRIDENT SEAFOODS CORPORATION

Alfred R. Steyer
UNITED FISHERMEN'S MARKETING ASSOCIATION

Snayking Inc

W. J. KLUVA

John Jaworski
NSEDC
Paul O'Leary - Western AK Fisheries Development Assn.

Frank O'Leary Mayor City of Unalakleet

Doeg Bagnell - General Manager: The Grand Alutian

ALYESKA SEAFOODS, INC

John Wetman F/O Rosetta, Inc

Fred Yeck - Mid water trawlers coop

Alvin Burch Ak. Druggers Assn

June 13, 1995

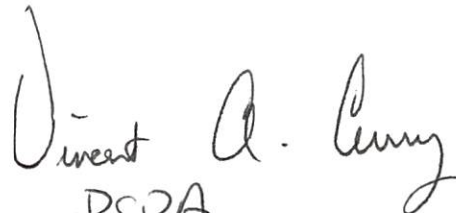
Mr. Richard Lauber, Chairman
North Pacific Fishery Management Council
Dutch Harbor, Alaska

Re: Agenda Item C-1

Dear Mr. Lauber,

Having discussed our mutual desire to create an atmosphere of cooperation and an opportunity to explore CRP options; the undersigned organizations agree to support reauthorization of Amendments 18/23 for an additional three years. Three modifications to Amendments 18/23 should be included: 1) The western edge of the CVOA should be modified to 167 degrees 30 minutes allowing offshore processors additional fishing opportunities throughout the offshore season. 2) offshore catcher processors may be allowed within the CVOA after all onshore BSAI pollock quota has been used and the onshore season closes. 3) The offshore "A" season start date should be January 26. It is further agreed that the modifications set forth in items 1 and 2 above will be revisited if they disrupt the onshore sector's opportunity or ability to prosecute the onshore sector's share of BSAI quota. Both industry sectors pledge their full cooperation and support for the reauthorization of the Inshore - Offshore allocation with these modifications before the North Pacific Fishery Management Council and throughout the Secretarial review process.


AFTA


PSPA.

Kelly, Pace - etc
C-1

C-1

**CITY OF UNALASKA
FY95 GENERAL FUND REVENUES
MAJOR GENERAL FUND REVENUE SOURCES¹**

Revenue Source	Total	% of Total
Fish Tax ²	5,599,913	35.1
Property Tax	3,833,692	24.0
Sales Tax	3,367,912	21.1
All Others	3,149,857	19.7
Total General Fund	15,951,374	99.9

¹Through May 31, 1995

²FY95 fish tax revenues consist of the following:

Local fish tax through May 31, 1995: \$3,099,913

State shared fish tax minimum estimate: \$2,500,000

**CITY OF UNALASKA
FY95 GENERAL FUND REVENUES
ONSHORE FISH TAX AND PROPERTY TAX CONTRIBUTIONS¹**

Revenue Source	Onshore
Local fish Tax	3,099,913
State Shared Fish Tax	2,500,000
Property Tax	2,042,472
Total Onshore Fish & Property Tax	7,642,385

Total GF Revenues	15,951,374
% of Total GF Revenues	47.9

¹Through May 31, 1995

**CITY OF UNALSKA
FY95 PROPERTY TAX REVENUE**

Revenue Source	Onshore	Total	% Onshore
Real Property Tax	1,022,705	2,333,692	43.4
Personal Property Tax	1,027,497	1,500,000	68.4
Total	2,042,472	3,833,692	53.2
Alyeska Seafoods, East Point Seafoods, Icicle Seafoods, Prime Alaska Seafoods, Royal Aleutian Seafoods, San Souci, Trident Seafoods, Uniesea, Westward Seafoods			

Revenue Source	Offshore	Total	% Offshore
Real Property Tax	177,543	2,333,692	7.6
Personal Property Tax	62,270	1,500,000	4.1
Total	239,813	3,833,692	6.2
Arctic Alaska, Crowley Marine Service, Factory Trawler Supply, Freight Management Services, Northern Eagle Partners, Northern Hawk Partners, Northern Jaeger Partners, Ocean Trawl, Offshore Fuel, Offshore Systems, Inc.			

**CITY OF UNALASKA
FY94 GENERAL FUND REVENUES
MAJOR GENERAL FUND REVENUE SOURCES**

Revenue Source	Total	% of Total
Fish Tax ¹	5,412,124	34.6
Property Tax	3,890,084	24.9
Sales Tax	3,216,882	20.6
All Others	3,098,030	19.8
Total General Fund	15,617,120	99.9

¹FY94 fish tax revenues consist of the following:

Local fish tax \$2,641,802

State shared fish tax \$2,770,332

**CITY OF UNALSKA
FY94 PROPERTY TAX REVENUE**

Revenue Source	Onshore	Total	% Onshore
Real Property Tax	880,134	2,179,836	40.4
Personal Property Tax	1,027,646	1,710,248	60.1
Total	1,907,780	3,890,084	49.0
Alyeska Seafoods, East Point Seafoods, Icicle Seafoods, Prime Alaska Seafoods, Royal Aleutian Seafoods, San Souci, Trident Seafoods, Uniesea, Westward Seafoods			

Revenue Source	Offshore	Total	% Offshore
Real Property Tax	200,447	2,179,836	9.2
Personal Property Tax	40,816	1,710,248	2.4
Total	241,263	3,890,084	6.2
Arctic Alaska, Crowley Marine Service, Factory Trawler Supply, Freight Management Services, Northern Eagle Partners, Northern Hawk Partners, Northern Jaeger Partners, Ocean Trawl, Offshore Fuel, Offshore Systems, Inc.			

**CITY OF UNALASKA
FY94 GENERAL FUND REVENUES
ONSHORE FISH TAX AND PROPERTY TAX CONTRIBUTIONS**

Revenue Source	Onshore
Local fish Tax	2,641,802
State Shared Fish Tax	2,770,322
Property Tax	1,907,780
Total Onshore Fish & Property Tax	7,319,904

Total FG Revenues	15,617,120
% of Total FG Revenues	46.9

**CITY OF UNALASKA
FY93 GENERAL FUND REVENUES
MAJOR GENERAL FUND REVENUE SOURCES**

Revenue Source	Total	% of Total
Fish Tax ¹	6,712,745	39.5
Sales Tax	4,199,095	24.7
Property Tax	3,168,122	18.6
All Others	2,909,279	17.1
Total General Fund	16,989,241	99.9
Note: General Fund total does not include State of Alaska capital project appropriations.		

¹FY93 fish tax revenues consist of the following:

Local fish tax \$3,131,611

State shared fish tax \$3,581,134

**CITY OF UNALASKA
 FY93 GENERAL FUND REVENUES
 ONSHORE FISH TAX AND PROPERTY TAX CONTRIBUTIONS**

Revenue Source	Onshore
Local Fish Tax	3,131,611
State Shared Fish Tax	3,581,134
Property Tax	1,639,916
Total Onshore Fish & Property Tax	8,352,661

Total GF Revenues	16,989,241
% of Total GF Revenues	49.2
Note: General Fund total does not include State of Alaska capital project appropriations.	

**CITY OF UNALASKA
FY93 PROPERTY TAX REVENUES**

Revenue Source	Onshore	Total	% Onshore
Real Property Tax	828,078	1,875,437	44.2
Personal Property Tax	811,838	1,292,685	62.8
Total	1,639,916	3,168,122	51.8
Alyeska Seafoods, East Point Seafoods, Icicle Seafoods, Royal Aleutian Seafoods, San Souci, Trident Seafoods, Uniesea, Westward Seafoods			

Revenue Source	Offshore	Total	% Offshore
Real Property Tax	178,595	1,875,437	9.5
Personal Property Tax	64,420	1,292,685	4.9
Total	243,015	3,168,122	7.7
Arctic Alaska, Crowley Marine Service, Factory Trawler Supply, Freight Management Services, Northern Eagle Partners, Northern Hawk Partners, Northern Jaeger Partners, Ocean Trawl, Offshore Fuel, Offshore Systems, Inc.			

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION NO. 94-94

A RESOLUTION OF THE UNALASKA CITY COUNCIL SUPPORTING THE RE-AUTHORIZATION OF THE INSHORE/OFFSHORE ALLOCATION AND CDQ PROGRAM AMENDMENTS 18/23 OF THE FEDERAL MANAGEMENT PLAN.

WHEREAS, the North Pacific Fisheries Management Council continues to work on Comprehensive Rationalization Planning and it could be years before a plan is in place; and

WHEREAS, the inshore/offshore allocation and CDQ programs are scheduled to expire in December of 1995; and

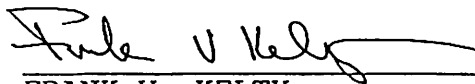
WHEREAS, the inshore/offshore allocation was a means to prevent pre-emption of the fishery resource by one fishing sector over another; and

WHEREAS, while the Comprehensive Rationalization Planning continues, the re-authorization of the inshore/offshore allocation and CDQ programs will be important to the continued stability of local economies in coastal communities of Alaska; and

WHEREAS, the CDQ program has been a success, lending to participation of Bering Sea coastal communities in the fishing industry, creating employment opportunities, education scholarships, increased and stabilized revenues that will result in increased community stability and long-term viability.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council supports re-authorization of the inshore/offshore allocation and the CDQ program amendments 18/23 to the Federal Management Plan for the following reasons: 1) increased state and local revenues, 2) increased employment opportunities, 3) economic stability for Alaska's coastal communities, 4) allocation of the resource will prevent the pre-emption of one industry sector over the other, creating stability to the on-shore sector of the industry which has invested hundreds of millions of dollars in Alaska's coastal communities and pay millions of dollars in taxes to State and local government.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 27 DAY OF September, 1994.



FRANK V. KELTY
MAYOR

ATTEST:


CITY CLERK



3300 Arctic Boulevard, Suite 203
Anchorage, Alaska 99503
Phone (907) 562-7380
Fax (907) 562-0438

C-1

June 13, 1995

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

Dear Chairman Lauber:

Thank you for the opportunity to comment on the draft Environmental Assessment and Regulatory Impact Review (EA/RIR) for the proposed reauthorization of Amendment 18/23 to the Gulf of Alaska and Bering Sea/Aleutian Islands Fishery Management Plans.

The Southwest Alaska Municipal Conference (SWAMC) is comprised of nearly 130 communities, businesses, Native organizations and nonprofits located or doing business in Bristol Bay, Kodiak Island, the Alaska Peninsula, the Aleutian Chain, and the Pribilof Islands areas. Our membership includes the Bristol Bay Borough, Lake and Peninsula Borough, Aleutians East Borough, Kodiak Island Borough, and many communities in Southwest Alaska. We are a regional membership organization that advances the collective interests of Southwest Alaska people, businesses, and communities. We help promote economic opportunities to improve the quality of life and influence long-term, responsible development.

Our organization is in favor of Alternative 2, the continuation of the current program for a period of three additional years, including the pollock CDQ program. SWAMC took a supportive position on the inshore-offshore allocation from the beginning, and we have passed at least four resolutions over the past several years supporting the allocation. In addition, we have provided comments and testimony to the Council, to the National Marine Fisheries Service, and to the Secretary of Commerce on the issue. We also supported and commented on the implementation of the CDQ program.

Reasons for support of an inshore/offshore allocation

We support a continued inshore/offshore allocation because it clearly benefits Alaska coastal communities economically and provides community stability. The communities rely on taxes generated from the fisheries as a basis for their economy. Fisheries are taking on an even greater role in the future of Alaska, as oil production diminishes, and the state must rely on renewable resources for economic stability. With the continued allocation, there are the following results:

- o There are more stable flows of municipal and state revenues, as opposed to the economic peaks and valleys prior to the inshore/offshore allocation;
- o Locally-managed and owned support businesses operate more evenly throughout the year to serve processors, their workers, and their fleets;
- o An expanded market is available to fishermen for processing traditional species;

- o Integration and permanent residency of processing and management personnel and their families can continue;
- o Employment and education opportunities for local residents continue to improve; and
- o Longer-term decision-making and planning can occur, which facilitates financing of much-needed infrastructure.

Coastal communities benefit from the combined operation of both the onshore and offshore sectors. Each sector creates a different and essential type of economic benefit to coastal communities. The stability of both sectors is achieved by a continued allocation.

Communities in Southwest Alaska depend heavily on state revenues from raw fish taxes, municipal sales tax revenues from services and goods, fuel tax revenues from sales to the fishing fleet, corporate income tax revenues, and real and personal property tax revenues. Without dependable long-term sources of revenue, the financial stability of coastal communities is tenuous.

In the Aleutians/Bering Sea region, including Unalaska/Dutch Harbor, Akutan, the Aleutians West area, and the Pribilof Islands, the total economic impact of the shoreside seafood processing industry in 1993 was \$1.1 billion, of which \$493 million were direct expenditures. Seventeen and half million was spent on tax related items. These statistics were according to a study done by Pacific Associates in April of this year.

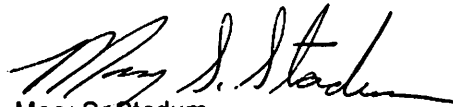
In Kodiak, the same study estimates the total impact of shoreside processing at \$523 million, of which \$209 million were direct expenditures, and \$9.4 million was spent on tax related items.

Much of the revenue generated in the last three years has gone into critical community infrastructure. SWAMC's 1995 Overall Economic Development Program update identifies water, electricity, phone, sewer, and solid waste disposal improvements in many communities; harbor, dock, and port development projects undertaken; roads and airport facilities upgraded; and health care facilities, schools, and other community facilities built or expanded.

In looking toward a diversified, nonpetroleum-funded state economy, Alaska's communities must generate revenue for their own growth and security, and help contribute monies to assist other communities in attaining their own stability.

In summary, long-term community stability, in which communities can continue to build their self-sufficiency through a variety of means, will result from revenues generated by a continued inshore-offshore allocation and the continuation of the CDQ programs. We urge you to choose Alternative 2.

Sincerely,



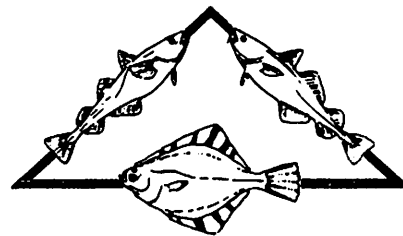
Mary S. Stadum
Executive Director

TO: RICK LAUBER, CHAIRMAN
NORTH PACIFIC FISHERY MANAGEMENT COUNCIL

RE: COMMENTS ON PROPOSED
INSHORE/OFFSHORE ROLLOVER

DATE: JUNE 9, 1995

DELIVERED BY HAND: 2 PP



**COMMENTS ON PROPOSED ROLLOVER OF INSHORE/OFFSHORE
SUBMITTED BY ALASKA GROUND FISH DATA BANK - JUNE 9, 199588**

The members of Alaska Groundfish Data Bank support extending the provisions of Inshore/Offshore for an additional three years without any changes in the provisions.

The reasons for rolling over the existing inshore/offshore provisions are well and eloquently stated on page E-9 of the May 4 EA/RIR for public review:

Stability is epitomized by lack of change in a given industry or between sectors in a given industry. The existing allocations provide a reasonable assurance to each industry sector . . . A stable environment in the fisheries has been cited by the Council as critical to successful CRP development.

EFFECT ON GULF OF ALASKA PACIFIC COD FISHERIES

As noted in the EA/RIR, if Inshore/Offshore is allowed to sunset the Gulf Pacific cod fisheries would be destabilized for the current participants. Allowing freezer longliners over 125-feet into the Gulf Pacific cod fishery is projected to result in a reallocation of up to 40% of the Gulf Pacific cod from catcher vessels to large freezer longliners.

EFFECT ON GULF POLLOCK FISHERIES

As noted in the EA/RIR offshore catcher processors vessels would be expected to enter the second and third quarter Gulf pollock fisheries. Because the offshore Bering sea pollock fishery now ends before October 1, we would also expect offshore effort to enter the Gulf fourth quarter.

Because the Gulf pollock quarterly area pollock quotas are so small an influx of offshore effort would make the pollock fisheries unmanageable and preclude a Gulf pollock fishery in any quarter except, perhaps, the first quarter. The inability to take the TAC would represent not only a serious loss to the Gulf catcher boat fleets, but a net loss to the nation.

REMEMBER SEA LIONS

The Gulf pollock fishery is currently managed to afford maximum opportunity for sea lions to feed on pollock and to avoid localized depletions. Any action which increases the fleet size or the number of large capacity vessels is in direct conflict with the rationale for the current Gulf pollock management measures.

OTHER ISSUES

GULF SMALL BOAT FLEET

The Gulf small boat fleet has been hit particularly hard by the loss of the Tanner crab fishery in 1995 and by the IFQ halibut program under which many vessels failed to receive halibut shares equivalent to their recent years' production. This has increased the small boat fleet's dependency on Pacific cod. Allowing Inshore/Offshore to sunset would not only be devastating to the Gulf communities, it would compound hardships now facing the small boat fleet -- hardships due to both nature and a previous Council action.

DISCARDS IN THE SHOREBASED POLLOCK AND PACIFIC COD OPERATIONS

The EA/RIR discusses discards in the Shorebased sector pollock and Pacific cod fisheries. In reviewing this section we noted several things:

1. The document appears to include fish made into meal as "discards." This is an artifact of the way NMFS chooses to present the discard data and the fact that Kodiak plants use a communal meal plant. Only the vessel discards should be listed as "discards." We have raised this issue a number of times in the past and will no doubt have opportunities to raise it again in the future.
2. Pacific cod discards in the Central and Western Gulf appear to follow the same trend 1992 thru 1995 to date. This indicates the discard rate may be a function of size composition of the stock.
3. 1992 shows abnormally low Pacific cod discards in all areas and is probably not a good base year to use without reference to size composition of the catch compared to more recent years.
4. Pollock discards have remained relatively low 1992-1994. First quarter 1995 discards are notably high and probably reflect both the existence of an increased amount of small fish on the grounds and the result of short openings which preclude vessels taking time to search out schools of large pollock.

We thank you for the opportunity to comment on the proposed inshore/offshore rollover.

Sincerely,



Chris Blackburn, Director
Alaska Groundfish Data Bank

PACIFIC COD DISCARDS - SHOREBASED						
CENTRAL AND WESTERN GULF - TOTAL AND THRU APRIL 30						
1992 THRU 1995						
CENTRAL GULF						
PACIFIC COD VESSEL DISCARDS - SHOREBASED						
THRU APRIL 30				ANNUAL		
YEAR	MT CAT	MT DISC	%DISC	MT CAT	MT DISC	%DISC
1992	30193	35	0.12	33303	153	0.46
1993	30875	898	2.91	33606	2734	8.14
1994	28398	570	2.01	29167	1579	5.41
1995	35430	537	1.52			
WESTERN GULF						
PACIFIC COD DISCARDS - SHOREBASED						
THRU APRIL 30				ANNUAL		
YEAR	MT CAT	MT DISC	%DISC	MT CAT	MT DISC	%DISC
1992	18482	114	0.62	18868	136	0.72
1993	11611	572	4.93	11794	741	6.28
1994	10774	385	3.57	10981	270	2.46
1995	12667	308	2.43			
POLLOCK CATCH AND DISCARDS - SHOREBASED PLANTS - 1992-1995						
AREAS 630, 620 AND 610						
POLLOCK VESSEL DISCARDS - SHOREBASED						
AREA 630				AREA 620		
YEAR	MT CAT	MT DISC	%DISC	MT CAT	MT DISC	%DISC
1992	62388	2481	3.98	21907	814	3.72
1993	60862	1174	1.93	21462	946	4.41
1994	28398	570	2.01	29167	1579	5.41
1995	4560	481	10.55	4725	563	11.92
POLLOCK VESSEL DISCARDS - SHOREBASED						
AREA 610						
YEAR	MT CAT	MT DISC	%DISC			
1992	9514	500	5.26			
1993	11611	572	4.93			
1994	19617	777	3.96			
1995	5426	363	6.69			

A Discussion Paper on Pollock, Market Structure & Trade

What is Market Power?

Although it is often tempting and convenient to think of the economy as composed of the powerful and the powerless, market realities do not always provide such clear distinctions.

The essence of *market power* is the ability to influence or alter the price of a product. For most markets, on the demand side, there exist a relatively large number of consumers who make their choices independently of each other. As such, no one consumer or group of consumers can have a very appreciable effect on the final market price. These same set of conditions are frequently not true on the supply side and so it is appropriate to focus on the supply side primarily when talking about general categories of market structure. Differences in market structure have implications for where equilibrium price will occur in the market.

Most market situations in the real world can be thought of as falling on a line between the limiting poles of **perfect competition** and complete **monopoly**. As one moves away from perfect competition (with a large number of very small suppliers) toward a monopoly (a single seller), the market structure becomes decreasingly competitive (imperfect competition).

Perhaps, the most distinctive characteristic of a competitive industry is that the many individual firms that make up the industry are all **price takers**. Any one firm can sell all its output at the prevailing market price. It will sell nothing if it attempts to raise its price above that level because there is such a vast amount of the good available from all the other suppliers at the market price. Because it is a profit-maximizer and can sell all its quantity at the market price, there is no incentive to lower price in order to increase its sales volume. Thus, each firm takes the market price as given and has no market power.

It is interesting to note, that competitive firms collectively move closer to society's goals, producing the level and mix of output consumers desire with the most **efficient** combination of resources. In this sense, a market composed of hundreds or even thousands of individually powerless firms is capable of maximizing social welfare. Two important dimensions of this efficiency is minimum average cost of production and marginal cost pricing.

There are very few perfectly competitive markets in the world or in the U.S. for that matter. One need not look very hard to find an industry where a few firms have tremendous market control, e.g. Coca-Cola and Pepsi who share tremendous market power in the soft drink industry as do Kellogg, General Mills, and General Foods in the breakfast-cereals market. Market power is an important phenomenon.

Except for under perfect competition, *any other market* structure affords an individual firm *some degree of market power* or the ability to control its own price. In general, as a market moves closer to the monopoly end of the spectrum, the degree of market power increases, the number of firms decreases (and thus the market share of an individual firm increases), there is a greater degree of differentiation of products within the market, there are more barriers to entry to other potential firms, fewer substitutes are available, and there is a greater potential for profit. However, even with a strong degree of market power (or price control) a firm within a monopolistic market structure can not charge whatever price it wants—for a transaction to occur there must be a willing purchaser as well. Final price will still be the result of the interaction of supply and demand.

Control of What Market?

Pollock can be made into a variety of product forms; some of which are more readily acceptable into one market than another. Individual processors of pollock will adjust their product mix based on relative prices, contractual arrangements, customers, and other changing market factors. "It's real hard to make things simple," summed up Steve Freese, acting chief of the Trade & Industries branch of the National Marine Fisheries Service (as reported on page 24 of the June 1995 issue of *Pacific Fishing*).

A Discussion Paper on Pollock, Market Structure & Trade

What is Market Power?

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Perhaps, the most distinctive characteristic of a competitive industry is that the many individual firms that make up the industry are all **price takers**. Any one firm can sell all its output at the prevailing market price. It will sell nothing if it attempts to raise its price above that level because there is such a vast amount of the good available from all the other suppliers at the market price. Because it is a profit-maximizer and can sell all its quantity at the market price, there is no incentive to lower price in order to increase its sales volume. Thus, each firm takes the market price as given and has no market power.

It is interesting to note, that competitive firms collectively move closer to society's goals, producing the level and mix of output consumers desire with the most **efficient** combination of resources. In this sense, a market composed of hundreds or even thousands of individually powerless firms is capable of maximizing social welfare. Two important dimensions of this efficiency is minimum average cost of production and marginal cost pricing.

There are very few perfectly competitive markets in the world or in the U.S. for that matter. One need not look very hard to find an industry where a few firms have tremendous market control, e.g. Coca-Cola and Pepsi who share tremendous market power in the soft drink industry as do Kellogg, General Mills, and General Foods in the breakfast-cereals market. Market power is an important phenomenon.

Except for under perfect competition, *any other market* structure affords an individual firm *some degree of market power* or the ability to control its own price. In general, as a market moves closer to the monopoly end of the spectrum, the degree of market power increases, the number of firms decreases (and thus the market share of an individual firm increases), there is a greater degree of differentiation of products within the market, there are more barriers to entry to other potential firms, fewer substitutes are available, and there is a greater potential for profit. However, even with a strong degree of market power (or price control) a firm within a monopolistic market structure can not charge whatever price it wants---for a transaction to occur there must be a willing purchaser as well. Final price will still be the result of the interaction of supply and demand.

Control of What Market?

Pollock can be made into a variety of product forms; some of which are more readily acceptable into one market than another. Individual processors of pollock will adjust their product mix based on relative prices, contractual arrangements, customers, and other changing market factors. "It's real hard to make things simple," summed up Steve Freese, acting chief of the Trade & Industries branch of the National Marine Fisheries Service (as reported on page 24 of the June 1995 issue of *Pacific Fishing*).

What can be said is that the principal pollock products--surimi and fillets--are traded within larger, global markets. The price of each is influenced to some extent by the relative price of the other and also by the prices of other substitute fish. Pollock fillets compete within a general fillet market which includes fillets made from Atlantic and Pacific cod. Pollock tends to be considered the lower-priced substitute for cod so that the cod price will act as an upper bound for pollock fillets. The increased demand for pollock fillets can, in turn, bid up the price of surimi.

Walleye pollock is the most commonly used species in surimi production because of its abundance, high gel-forming capability, year-round availability, and white color. While pollock still sets the standard; alternative species are being substituted more and more. Other demersal species such as hoki, *Macruronus novaezelandiae*, and blue whiting, *Micromesistius poutassou*, as well as pelagic species such as jack mackerel, *Trachurus japonicus*, and sardine, *Sardinia melanostrichus* are also being used. The addition of egg white or beef plasma to Pacific whiting counters that species' natural mushiness and improves its gel strength. This allows manufactures to produce lower-cost acceptable products.

According to a report in *Quick Frozen Foods International* (April 1993) University of Illinois researchers have perfected a process to make surimi from beef. Elsewhere, mechanically deboned poultry has also been used as a primary ingredient in surimi items. Chicken raw material costs can be substantially lower than fish ingredients.

Pollock is still the primary input and so control of this raw fish would increase market power in the surimi processing market. Current production data indicates that surimi is the dominant product for both at-sea and shorebased producers in the North Pacific. However, no one company or nation has complete control over this resource. The U.S. has a large stock of pollock but the pollock is also harvested in the Russian EEZ. In addition, as previously mentioned, an increasing number of other fish stocks and other meat products are being utilized in the production of surimi. Pollock also has alternate uses (e.g. pollock fillets) and so the foregone revenue from pollock fillets will influence the decision of how much surimi will be produced. Foreign control of these decisions can be exerted through direct ownership, sales contracts, loans, etc and they do appear to be present in both the shoreside and at-sea components of the PNW pollock industry. This structure could not be viewed as perfectly competitive but operations continue to evolve and with corporate holding structures, it is sometimes difficult to assess the true number of actual players. According to NMFS data, more than 50 producers were involved in surimi processing on 1993 but the majority of the product was produced by a much smaller number of operations.

However, some international markets may require a minimum firm size that is not consistent with perfect competition. In fact, a cartel (or oligopoly) of at-sea surimi producers, the U.S. Surimi Commission, is allowed to establish prices among its members and coordinate marketing strategies. This type of collusion, which would be illegal under the existing antitrust laws in this country, is allowed under a specific waiver with regards to the export market.

Global Surimi Market

(with special emphasis on Japan)

Surimi is categorized by several grades. There are no uniform standards of identity within the industry but they are generally graded in descending order as SA, FA (or A), KA and B by processors. What's more, most processors offer high-, middle-, and low-end quality levels to appeal to customers at different price points and uses.

Fresh surimi has been a principal dietary staple of the Japanese for centuries but it wasn't until the 1960s that technological advances lead to the production of a high quality *frozen* surimi. Although, Japan carries an overall huge trade surplus, seafood is among the few areas where they carry a trade deficit. From 1960 to 1988, Japan's rate of self-sufficiency in fish products has gone from 111% to 80% (MAFF, Food Balance Sheet, 1991 as reported in Sproul & Queirolo, 1994). Japanese domestic demand for surimi has continued to exceed domestic supply. Japanese suppliers have become increasingly dependent on imports to meet consumer demand for many of their fish products. The U.S. is one of the major foreign sources to meet the

Japanese demand, with 102,000 t of pollock surimi being shipped there in 1991. Japan does continue to be a major player both for the consumption (demand) and production (supply) of surimi and surimi-based foods.

Commodity	Definition
Surimi	A semi-processed wet fish protein made from washed and refined minced fish meat mixed with cryoprotectants and sugar. Not for direct consumption.
Neriseihin	Any surimi-based processed food product.

Source: OECD Multilingual Dictionary of Fish and Fish Products, 1978, as reported in Table 2, *The Asian Surimi Industry*, Marine Fisheries Review, 52(1), 1990, P. 25.

Some traditional surimi products are kamaboko (boiled fish paste), chikuwa (tube-shaped fish paste) and satsumaage (fried fish paste).

The Japanese may eat a lot of fish but demand depends on prices of substitutes as well as changes in taste. The annual rate of surimi-based food dropped significantly in the second half of the 1980s.

Food Item	1980 (g/yr)	1985 (g/yr)	Annual rate of change: 1980-85 (%)	1990 (g/yr)	Annual rate of change: 1985-90 (%)
Pork	21,029	18,886	-2.2	18,299	-0.6
Chicken	14,529	14,937	+0.6	13,178	-2.5
Beef	9,275	10,162	+1.8	11,540	+2.6
Neriseihin	13,371	13,299	-0.1	9,937	-6.0

Source: Table 5. John T. Sproul and Lewis E. Queirolo, *Trade and Management: Exclusive Economic Zones and the Changing Japanese Surimi Market.*, in Marine Fisheries Review, 56(1), 1994. P. 39.

Demand (Consumption)

Demand for surimi totaled about 480,000 mt worldwide in 1991, with Japan consuming approximately 80% (p. 66, Ron Jensen in "Surimi Market-Boom or Bust", *Pacific Whiting, Harvesting, Processing, Marketing and Quality Assurance*, ORESU-W-92-001). The markets in Korea and Europe are currently much smaller, younger markets but with a greater growth potential than the mature Japanese market.

Global markets for surimi-based products, like kanikama, are growing and starting to find acceptability as a protein source in many places beyond the traditional Japanese and Korean markets. Surimi seafood hit the U.S. market in the 1970s and continues to gain fans among consumers and food operators. In 1993, 138 million pounds of surimi products were sold in this country (foodservice, retail, and manufacturing markets), according to the National Fisheries Institute. That compares to 18 million pounds consumed a decade ago but it is currently used primarily as a cold-salad ingredient.

Consistency of quality and supply are two important considerations producers need from their suppliers to produce the analog products for end consumers. Maintaining high and consistent quality, which require the necessary production technology and access to the raw fish resource are thus two primary barriers to entry into this market, which would allow a producer (or cartel of producers) to gain substantial market influence.

The Asian surimi industry is undergoing a period of rapid change as the Republic of Korea, Thailand, New Zealand, and the United States are increasingly challenging Japan's position as the world's leading surimi producer. The appreciation of the yen and their aforementioned exclusion from U.S. and Soviet pollock resources have caused Japanese production to decline. Over 20 countries in Asia, Europe, and North and

South America are now involved in the production of surimi. Major surimi producing nations currently include Japan, U.S., Korea, Russia, Argentina, and Thailand. The U.S. surimi industry is one of the leading contenders since it was established with Japanese technical assistance in 1986 and now has access to the technology as well as more control over a primary resource input.

Trade

Trade does not necessarily create jobs; what it does do is create wealth by encouraging countries to shift towards production of goods in which they hold a comparative advantage.

Canada, Mexico, and Japan are the three largest trading partners overall with the U.S.. By far, Japan is the primary market for edible fish products from the Pacific Northwest (Alaska, Washington, and Oregon).

What is at issue with our trade with Japan is the persistent trade deficit the U.S. has. We currently import more than we export overall with Japan, to the tune of about a \$60 billion trade deficit. More than 60% of that imbalance is in auto and automotive parts. As already mentioned, Japan does not carry a trade surplus in fishery products, although overall it has a massive trade surplus with its major trading partners. While there are many contributing and related factors that influence a nation's trade (and capital account) balance, the U.S. contends that Japanese protectionist policies are a main factor.

In general, Japanese markets are not considered as open to imports as U.S. markets are. The U.S. and Japan are currently involved in a trade dispute over automobile parts and Eastman Kodak has just begun to ask the U.S. government for assistance against alleged anticompetitive actions taken by Tokyo-based Fuji Photofilm, *with the cooperation of the Japanese government*. Most of the goods sold in the Japanese economy go through an elaborate network of distributors. The Japanese government's economic policies allow them then to gain market power through collusive activities that are legal in that country.

The Japanese and the U.S. have both taken their cases to the World Trade Organization (WTO). "The U.S. case would force the WTO to rule on so-called invisible trade practices--murky issues such as cartel-like dealings and business-government collusion for which there are no clear international rules." (Business Week, page 35, June 5, 1995). The U.S. case isn't as strong because we are threatening unilateral tariffs which are clearly banned. "Privately, U.S. officials admit their case isn't as strong as Japan's. Many WTO members aren't rooting for Washington anyway.....and many see Japanese collusive practices as "important tools in their economic development arsenal," says Clyde V Prestowitz Jr., president of the Economic Strategy Institute. (Business Week, page 35, June 5, 1995).

World market forces, changing social and demographic influences in the Japanese population, the soaring yen, and trade pressure all will contribute to the opening of this market, but we shouldn't expect Japan's politico-economic system to become identical to the Western model nor expect if it did that all our trade issues would be solved. As reported in the Wall Street Journal (May 19, 1995) Japanese units of U.S. firms are posting better sales and profits in Japan than their Japanese and European counterparts. This conclusion came from a report by A.T. Kearney, Inc. which studied 127 foreign corporations operating in Japan. These firms account for half of all foreign-company sales here. Japan's regulations may pose major barriers, but three-fourths of firms surveyed said internal management decisions--most critically the size of their investment in Japan--are more or equally important to their performance. The high-priced yen will force open the Japanese economy even more to foreign competition.

Indeed, these trade frictions might encourage Japan to focus more on deepening its ties with its immediate neighbors at the expense of investments in the U.S. The soaring yen has made the production costs of end products expensive in Japan so there will likely be an acceleration of Japanese manufacturers operating overseas. These products are made by affiliate in the U.S. and other countries and shipped back for consumption in Japan. The Japanese "are going to have to source more from abroad, but for whom?" says Mark Mason, a Japan expert at Yale University's School of Organization & Management (as reported on page 52, Business Week, June 5, 1995). There may also be a change in the way the plants are built and

operated. Japanese exporters that follow the old method of buying equipment in Japan and staffing U.S. operations with Japanese managers will lose a lot of money since that is usually paid for in yen.

Foreign investment increases the amount of capital in the host country, which raises the productivity of labor and that nation's GDP. Workers are better off with more capital than with less and are usually indifferent to the nationality of the source. "A Conference Board study of 108 foreign-owned companies in the U.S. found that 80% are active in their local communities." (Wall Street Journal, Nov. 10, 1994). In 1991, 10,008 affiliates of foreign companies operated in the U.S. The Japanese firms totaled 2,287, with the largest concentration in California (1,108). (For more discussion of this issue, please refer to the EEA paper presented at the April, 1995 NPFMC meetings).

In summary, the broader the good market we look at, the more influences need to be look at and the harder it is for any one group to dominate. To successfully sustain market power and generate real profits, a company or companies need to have barriers to entry to prevent potential competitors from entering and taking market share. Successful cartels tend to be able to restrict access to the good (e.g. through control of the resource or through technology) and the goods tend to have few close substitutes. Because of the spread of technology, because of the increase in potential substitutes for pollock in the process, because of the increase in both the number of producers and the number of countries involved, and because of changes in consumers' tastes, the related surimi markets are probably more competitive now than they have been in the past but are still far from perfectly competitive.

The degree of concentration and the implications of the market control should be an issue of ongoing study and analysis but are clearly influenced by many factors far beyond a simple allocation of raw fish.

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June 12, 1995

Mr. Rick Lauber
North Pacific Fishery Management Council
P.O. Box 103136
Anchorage, AK 99510

Dear Mr. Lauber:

I offer this statement to comment on the application of environmental quality standards in South Unalaska and Akutan Bays and their relationship to implementation of Amendment 18/23 of the Gulf of Alaska and Bering Sea/Aleutian Islands Fishery Management Plan. I would like to begin this statement, however, by making it clear that the water quality issues under discussion should not affect the volume of fish that the shore-based processors in those areas can process.

The United States Environmental Protection Agency, the Alaska Department of Environmental Conservation, and the shore-based processors in Unalaska and Akutan have been involved in discussions concerning the environmental quality of these waterbodies. These discussions are in the context of the biennial waterbody listing process known as the Total Maximum Daily Load (TMDL) process. Section 303(d) of the Clean Water Act requires the State or EPA to prepare a list of waters that: (1) do not meet water quality standards and; (2) will need regulatory controls (through permits, for instance) to assist in the recovery of the waterbodies. These listed waterbodies are then subject to a management plan called the TMDL plan.

There has been a great deal of confusion generated about this process and its implications. I offer this statement in an effort to clarify the process. Listing of a waterbody as "impaired" does not equate to shutting down or limiting operations of those who discharge into the waterbodies. Rather, it provides a management tool to evaluate the waterbody so that permits can be effectively drafted to minimize waterbody impacts. This sometimes takes several regulatory cycles. However, the operators currently operating on impaired waterbodies are not necessarily restricted in their operations throughout this recovery process, but they must adhere to permit requirements.

South Unalaska and Akutan Bays have been listed as "impaired" for several years due to fish wastes discharged historically by both off and on-shore processors. Over the years, the agencies and the shore-based processors have been working on regulatory controls to limit additional discharges to allow the waterbody to recover. In fact, during the last several years

North Pacific Fishery Management Council

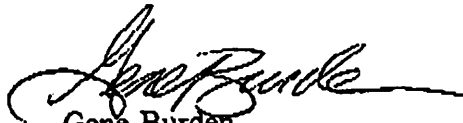
June 12, 1995

the shorebased processors have invested millions of dollars in equipment and process changes which have resulted in significant decreases in the amount of fish waste discharged into Unalaska Bay and Akutan Bay. We are now in the process of developing the next round of permits for the shore-based processors in these waterbodies which, we believe, will implement the recovery plan and allow the waterbodies to be "delisted" in the near future.

We are confident that these waterbodies are on the road to recovery, but we must continue to keep them under close scrutiny to maintain water quality standards. And, we must maintain this vigilance regulatorily through the TMDL and the permit processes -- our legal tools to manage waterbodies. However, it is critical to understand that this regulatory scrutiny does not mean that the shore-based processors operating on these waterbodies will not be able to handle the full volume of the fish allocated to them.

Thank you again for this opportunity to comment and please do not hesitate to contact me for additional information.

Sincerely,



Gene Burden
Commissioner

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David L. Bee

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C-1

Dying continues in villages

Alaska Natives fall victim to alcohol abuse, suicide

by DAVID L. MARSHALL
Special to the Daily News

One year ago the Anchorage Daily News published its remarkable series on Native villages — People in Peril — that gave great detail on the lives of village residents who had fallen victim to alcohol.

Some had died by their own hand while drunk; others had died in alcohol-related accidents, and others were in jail for a long time for alcohol-related crimes of violence.

The information in this series was powerful in its personal detail and led to a flurry of public concern. The topic is once again fading from public view.

In the villages little has changed. It's the young men who are dying.

In the 49 villages of southwest Alaska — the area of the middle and lower Kuskokwim and Yukon — suicides have apparently risen. Over the six-year period 1979-84 there were 38 suicides, of whom 36 were Natives. The highest number in any one year was 12 (1979), and the average was six a year. But in 1987 there were eight, and in 1988 there were 12 Native suicides.

These are not large numbers but the rates are. The Native rate for this region for the period 1979-84 was 40 per 100,000 people — out three times as high as the rate for the state.

Now this rate has apparently gone up. This is more disturbing when one realizes that many inclined to suicide already have taken their own lives: there are even fewer young people around to do so, but more of them are doing so.

The rate among the young adults must now be astronomical. We don't know what it is because we don't have up-to-date numbers on the Native population by village. The latest published estimates are for 1985. (Recent research in Greenland gives an average rate of 103 per 100,000 for all ages and sexes for the period 1977-86 but one of 500 for the young men aged 20.)

It's the young unmarried men especially who are committing suicide. This hasn't changed. Of the 36 Native suicides in the Yukon-Kuskokwim region over the period 1979-84, 28 were males. Their median age was 24, and 25 of them were unmarried.

In the same region over the period 1987-88, 18 of the 20 suicides were males, 13 of them were under 30, and all but one were unmarried. Assuming young men and young women are about equal in number in these villages, the rate among young men was three to four times as high as the rate among young women in 1979-83, and eight times as high in 1987-88. Why?

I think the answer is obvious. The young men have no work. With no work they have little to occupy their time and no money. With no money, they are less able to engage in subsistence activities that are central to their sense of well-being, and which, along with work, define their roles in the community. They have neither clear roles nor prospects.

The young women fare better. They have roles. They are mothers or expect to become so in the near future. And they — not the young men — occupy the lower-paid white-collar permanent jobs.

These are in the post offices, schools, the IRA councils, the city councils, the non-profit corporations and the stores. There, they are secretaries, clerks, and typists. They keep files and records. Most of the village health aides — a singularly important position in the small villages in particular — are women.

The young men have enough education to occupy these positions too, or could just as easily be trained to do so. But they don't. Their orientation is toward and their training is in blue-collar occupations — especially in construction and in the operation and maintenance of heavy and light machinery.

These are precisely the village occupations that have been cut back by the recent drop in state construction spending. State capital project outlays fell from \$1.3 billion in fiscal year 1985 to \$700 million in fiscal year 1987. Private sector contracts fell from \$1 billion to \$200 million.

This showed up in the villages. In Aniak, for example, of 25 young men interviewed in April 1987, 23 had worked in 1986 (16 full-time and seven part-time). In 1987, 18 had not worked and had nothing lined up. They estimated their 1987 earnings for the rest of the year as unknown.

My sense is that, if the apparent increase in suicides in the Yukon-Kuskokwim region has occurred in the villages as a whole, the drop in state spending — in construction projects and revenue-sharing — will be seen to have had a lot to do with it.

It dropped against a background of already-high unemployment, even when the state was spending lots of money on construction projects in the villages, as it did in the first half of this decade. There were too many young men in Alaska's villages for all of them to find work in these occupations. Now that level of state spending is overpresumably for good.

Hence, even more young men now are unemployed and expect to remain so. With no earnings, they can't afford the gear and equipment needed to engage in subsistence activities, their main remaining role. Nor can they think about starting their own family.

As for leaving, their education and skills are too limited to support a move to a competitive labor market outside the area, where in any case the culture is different from that of the village, which for them is home.



PEOPLE IN PERIL: State is woefully short on answers to basic questions

So they get to drinking, have fights with their girlfriends, and, on apparent impulse, commit suicide almost always with a gun.

These circumstances seem to me to explain why the rate of suicide is high among young men and why it's higher among them than among young women. Of course, the explanation doesn't hold in all cases. (A few of the young men who have committed suicide had no drinking problem, hadn't had a fight with a girlfriend, had no history of attempts at suicide, had done well in school and were not from poor families.)

Particular attention needs to be paid to such cases. Also, since so many young men don't commit suicide even though their circumstances are outwardly similar to the ones that do, we need to understand better why they don't, what holds them together.)

But if the analysis is accepted for the many, certain things follow. The crux of the matter is jobs in the villages for the young men. More precisely, the key seems to be meaningful work that has the twin merits of occupying the time of the young men in producing goods or services that are of value to the village and of yielding enough earnings to support their role as subsistence harvesters.

Can enough jobs be created? I don't know. They are of two kinds, and the list is familiar. One is jobs based on the production of goods and services for export — fish, minerals, timber, arts and crafts, and so on.

The other is jobs based on the production of goods and services for the village market. Some of these may be bought instead of imported — boats, sleds, snowshoes, repair services, for example, and those involving skills of various kinds now provided by outside consultants.

Others may come about from a change in the pattern of local spending — on things that were neither imported nor produced locally — entertainment, taxi services, personal services such as beauty parlors, restaurants and others.

One can't know beforehand if enough such jobs can be created, since the big unknown is human ingenuity. However, one can make some estimates based on the likely levels of exploitation of natural resources (for export-based jobs) and on the likely level of money flowing into the villages (for the other jobs).

Such estimates might well suggest that not enough jobs will ever be available for the Native labor force in the villages. A conclusion of that kind, tentative as it may be, has profound implications.

It involves wide-ranging debate on continuing state spending to support jobs in the villages, on rural education and vocational training, on out-migration, on fish and game allocation and management policies as they affect rural areas, and on other things.

No such estimates have ever been made, and the debate on these topics is fitful and piecemeal. Thus, the last section of this article summarizes the kind of research needed to make such estimates, as a basis for sustained and wide-ranging debate. Out of such a debate solutions might come. Without it, increasing misery appears to be the lot of the villages.

Taken as a whole, this line of reasoning leads to the conclusion that the plight of the villages may now be a permanent feature of the state's economic landscape. This conclusion was reached in a recent report published by the Alaska Department of Commerce and Economic Development: The Alaska Economy, 1987 Performance Report.

Further, the plight in the villages will worsen in the absence of systematic efforts to reduce it. There will be even more people looking for fewer jobs because the population and the labor force are growing, and there is little net out-migration to relieve the pressure. The combination of these conditions will lead to increased stress in the villages.

It doesn't really matter where one looks in the state — north, south, east, or west, maritime or interior — this is the condition of the villages. They tell us so. At first glance there appear to be some regional differences. The North Slope Borough, for example, with 5,500 people — 3,000 in Barrow and the remainder in seven villages — has a stream of income available to no other region.

Its oil property taxes from the Prudhoe Bay complex amounted to \$249 million in 1987. However, little of this reaches the villages. More than 90 percent (\$232 million in 1988) leaks out immediately in the form of debt payments. The maritime villages appear to have an advantage over those inland because they have commercial fishing and in the Southeast timber too.

But the returns to commercial fishing are concentrated; numerous households in such villages live in poverty. In Southeast, the economic viability of timbering by the Native village corporations is limited. They borrowed heavily to invest in logging, in the face of a depressed market. They had to log the best stands to pay their creditors.

Increasingly marginal logging is for the time being supported by the upturn in the timber market abroad and by the weak dollar. No, these regional distinctions are at too aggregate a level for practical purposes.

The villages themselves describe the same problems wherever they are.

"The greatest problem ... is the lack of activities for youth and ... for the entire community ... leading to drinking and drugs (as the second problem, both related to) the lack of employment during the winter months," said a report on the maritime villages that rely on commercial salmon fishing in the Bristol Bay Borough.

The report also said the communities wanted services to aid in the reduction of suicide and other self-destructive behavior.

- A Southeast village, rich in both fish and timber, writes about itself: "In the past 13 years, 10 people have committed suicide, nine (of them) ... under the influence of alcohol or drugs; 23 have died accidentally, (including) 10 drowned with half the drownings linked with alcohol useage; two homicides which both involved alcohol. ... Up until 10 years ago, fishing was the primary employment for (this village). Now, stevedoring — the loading of logs onto Japanese log ships — ranks at least equal to fishing. There are not enough good jobs for those that want to work, most jobs are low-paying dead-ended or just dead jobs. Fewer young people are getting married and more babies are born to a single, solo parent only."

These quotes, which describe the link between jobs and stress, are from two of 65 applications submitted by villages in late 1988 to the Alaska Department of Health and Social Services Division of Mental Health. The applications were for funds for an innovative program devised by the DHSS and stimulated by the 1988 hearings statewide of the Senate Select Committee on Suicide: the community-based suicide prevention program.

Like these two, many of the applications explicitly link poor mental health, alcohol abuse, accidental deaths and suicide with lack of meaningful work. Lack of such work makes all the harder the task of the numerous agencies involved in supplying services to the villages: counselors, health aides, magistrates, troopers and others. That the villages know the link suggests the need for links between the agencies involved.

A major obstacle to grappling with the economic plight of the villages is that nobody knows quite what to do. The major efforts in 1987 consisted of the Jobs Bill and two programs in the Alaska Department of Community and Regional Affairs: REDI (Regional Economic Development Initiative) and FOSTER (Financial Outreach Services to Encourage Rehabilitation). For various reasons they fall far short of what is needed.

An immediate issue — and one that can be tackled — is that we don't know the size of the problems with which everyone involved is trying to deal. We have little hard data with which to work. This despite the fact that a year ago, when the People in Peril series came out, Gov. Steve Cowper described the village situation as "unconscionable."

Knowing the size of the problem means knowing the answers to several questions. How many Natives are there in how many villages? What is the size of the Native labor force? How big is the gap between their actual employment and earnings and their desired employment and earnings? What are the major sources of employment and earnings in the villages? How and why do the unemployment rates among young Native men differ from those among young Native women? What is the relative importance of earnings from government spending and from earnings based on the export of the villages' renewable and non-renewable commodities? How much net Native out-migration is there? What do the various measures of stress tell us about the level of stress in the villages? What are recent, present and likely trends?

We don't know the answer to any of these questions.

All we know is that in 1985 there were between 45,000 and 50,000 Natives living in about 190 villages. The data are not current and/or not reliable for any of the questions. Date for the answers to several of the questions are not published but can be compiled from various sources.

For answers to the other questions the raw data do not exist and will need to be gathered from village surveys designed for the purpose. All we have is a handful of village studies that go into different levels of detail for particular instants in time.

If we do the research needed to answer these questions, we will at least join the issue squarely. The research will answer one question, only to raise another. It will answer the question: What is the present and likely future size of the problems? It will raise the question: Who ought to be doing what, with and for whom, in what amounts, and in what ways?

My hope is that 1989 will see a sustained effort to get the hard data without which we have little sense of the size of the problems and that that effort will provide the foundation for a more wide-ranging debate with villages than the state has so far seen.

Without it, many of the merry, bright-eyed youngsters now in school will sooner or later withdraw, step by step, until ultimate withdrawal is for them the only option left.

□ David L. Marshall is an economic consultant in Juneau. He lived in Aniak from 1979-87 and is now working with Kake on jobs planning.

THE OFFICERS:

- THE JURY: Tape
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- PASTORS: Ancl

Anarchy reigns in devastated area

people ripped the steel gates from the concrete walls of the Crenshaw Swap Meet building, then ran from it with jewelry bunched in their arms and rings on all of their fingers.

ghoulish shopping spree. Next door, four armed guards stood outside a Western Union store, their pistols drawn and cocked, as workers filled boxes with cash and dragged them to waiting armored cars.

a shopping center to loot an electronics store. A woman ran through the street, a sack of stolen goods in one arm, a portrait of Christ in the other.

Daily News wire services

LOS ANGELES — They are scenes of utter madness, of complete anarchy in neighborhoods where reason has lost its moorings.

"If Dr. King was alive to see this today, he'd die of a

And on Martin Luther King Jr. Boulevard, 1,000 mostly black, mostly young

Black, white, Hispanic and Asian. Young, old, male and female. Mothers carrying babies on their backs.

At Sixth Street and Bonnie Brae, men, women and children doused themselves with water before racing in to the smoldering remains of

Please see Back Page, **SCENE**

Suicide takes increasing toll in Y-K villages

One attempt every 36 hours, long-term study finds; accidents and crime further skew population

Marshall's study confirms what many people in the region already knew: While accidental deaths tapered off somewhat toward the end of the decade, the number of suicides each year jumped in the mid-1980s and remained high through the end of 1990.

While suicide prevention programs and a sobriety movement have taken root in the region, residents say people there are still killing themselves at alarming rates. The Bethel-based Y-K Health Corp. estimated earlier this year that, on average, one person in the 49-village region attempts suicide every 36 hours. No one is sure if the Y-K Delta has the highest suicide and accidental death rates in the state because no one has ever done such a detailed study of other regions.

Marshall, the author of the new study, lived in the Kuskokwim River village of

BY DAVID HULEN
Daily News reporter

A new state study of suicides and accidental deaths in western Alaska shows a dramatic increase in the number of villagers killing themselves in the late 1980s and suggests that a big proportion of young Native men are "vanishing" from their villages because they die or go to prison.

Among Marshall's new findings:

- From 1979 to 1990, there were a total of 450 Native suicides and accidental deaths in the region, and the number of suicides rose drastically between 1985 and 1990. While 37 people killed themselves between 1979 and 1984, the number jumped to 66 for the years 1985-1990, an increase of 78 percent. Over the same period, the Delta's population grew 21 percent. About 17,000 Natives live in the region today.

While suicide prevention programs and a sobriety movement have taken root in the region, residents say people there are still killing themselves at alarming rates. The Bethel-based Y-K Health Corp. estimated earlier this year that, on average, one person in the 49-village region attempts suicide every 36 hours. No one is sure if the Y-K Delta has the highest suicide and accidental death rates in the state because no one has ever done such a detailed study of other regions.

Marshall, the author of the new study, lived in the Kuskokwim River village of

The numbers paint a tragic picture of life and death in the Yukon-Kuskokwim Delta, a Kansas-sized region that contains some of Alaska's poorest communities and populations that are rising steadily.

Please see Back Page, **SUICIDE**

26/1/95

Continued from Page A-1

marching from the campus of the University of California at Berkeley across the Bay Bridge to San Francisco, briefly blocking access to Interstate 80, a key commuter route.

Other protesters in San Francisco blocked north-bound lanes of Interstate 280, another commuter route, causing traffic jams.

Later in San Francisco, about 1,000 protesters converged on a state building, then broke into smaller

bands that marauded through downtown, setting fire to garbage cans, overturning cars and breaking store windows.

The Bay Area Rapid Transit system closed four stations in San Francisco. Rioters also smashed win-

dows in San Jose.

A curfew was imposed in Las Vegas after hundreds of people took to the streets, looting stores, setting fires and shooting at police. One officer was wounded in the leg by gunfire.

Fighting between blacks

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SUICIDE: State study tracks deaths in Y-K Delta

Continued from Page A-1

• Much of the increase in suicides was centered in villages at the mouth of the Yukon River, where a series of young men and women killed themselves starting in 1984 and 1985. In one Lower Yukon village, Alakanuk, population 544, there were 13 suicides between 1985 and 1990. The village had another nine accidental deaths during those years.

• Suicides became increasingly common throughout the region during the 1980s. People killed themselves in 33 of the 49 Delta villages during the 12 years. Only one village, Newtok, had no suicides or accidental deaths during that time. Most villages had multiple suicides.

• The worst year for suicide and violent death in the region was 1988.

• Of the 103 suicides in the region during the 12-year period, 86 were men, most were under age 30 and most used guns. About three-fourths of all suicides involved alcohol and about three-fourths of the people who killed themselves had given signs they

were considering it.

• There appears to be a steady drop in the ratio of men to women in the population with increasing age, and Marshall theorizes it's because many are dying or jailed. Up to the age of 14, he reports, the number of girls and boys in the region is about equal. But during the next 14 years of their lives, the number of men gradually slips away. It appears that as many as 600 young men have "vanished" from the region since the mid-1970s, according to the study.

In the report, Marshall called for more study of the "missing" men. He speculates that "almost all" of them are gone because of "alcohol-related suicides, accidents and murders, or are in jail for crimes of violence. Few of the missing ... young Native men are missing because they have left the villages to seek their fortunes elsewhere."

The causes of hopelessness and suicide among young villagers in the Delta are complex. Experts and rural residents point to a number of intertwined factors — massive cultural upheaval in many vil-

lages, joblessness and dependence on welfare, the huge gap between life on television and life in the villages.

"There's a lack of opportunity for work, simply having nothing to structure your time, no focus on your activities," Marshall said. "To me, that's a very important explanation, but that, in itself, it's not the only one."

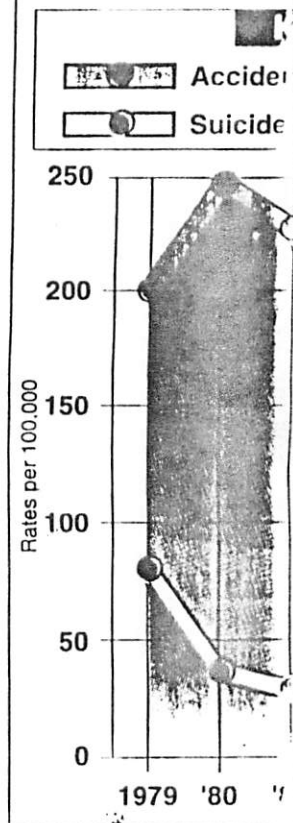
The \$30,000 study was a follow-up to a 1986 report by Marshall and his wife, psychologist Susan Soule, that looked at every death in the Delta between 1979 and 1984. What they found then was that state record-keeping was drastically underreporting the number of suicides in the region.

The new study, which reviewed every death certificate in the Delta from 1985-1990, found that state reporting has improved much, Marshall said.

Brian Saylor, Health and Social Services deputy commissioner, said the study shows how serious the problems are in the Y-K Delta and points out the need for continued work at solving them.

"The sad picture that it paints continues," he said.

Native Accidents and Suicides Rates 1979-1990



PACIFIC SEAFOOD PROCESSORS ASSOCIATION

COMMENT

REAUTHORIZATION OF AMENDMENTS 18/23

INSHORE - OFFSHORE ALLOCATIONS

BERING SEA/ALEUTIAN ISLANDS AND GULF OF ALASKA

AND

COMMUNITY DEVELOPMENT QUOTA SYSTEM

JUNE, 1995



PACIFIC SEAFOOD PROCESSORS ASSOCIATION
4019 - 21st Ave. West, Suite 201
Seattle, WA 98199
(206) 281-1667
FAX (206) 283-2387

June 8, 1995

Dr. Clarence Pautzke
Executive Director
North Pacific Fishery Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Re: C-1 Inshore-Offshore Allocations and CDQs.

The Pacific Seafood Processors Association urges the North Pacific Fishery Management Council to reauthorize existing pollock and Pacific cod groundfish allocations, the CVOA and the Community Development Program as currently specified under Amendments 18/23 to the BSAI and GOA Fishery Management Plans. By reauthorizing the Inshore-Offshore allocations, the Council will preserve viable onshore and offshore industry sectors together with the economic base and resulting benefits presently established in CDQ coastal communities. In contrast, a failure to reauthorize Inshore-Offshore promises great disruption for the fishery, triggered by the absence of sector based quotas. Failure to reauthorize the inshore-offshore allocation will throw the entire fishery into chaos. It is generally acknowledged that a reauthorization of the Inshore-Offshore allocation will also allow the industry to focus available energy and effort on other pressing issues. Reauthorization will help the industry move towards completion of long term management solutions.

Throughout the existing Inshore-Offshore allocation both the offshore and the onshore sectors have successfully harvested all available quota without difficulty. The Inshore-Offshore allocation prevents the offshore sector from preempting traditional catcher vessels and onshore processors. Inshore-Offshore empowers each sector to reasonably plan seasonal fishing and processing strategies. A straightforward reauthorization will continue the existing quota splits previously approved by the Department of Commerce for the Bering Sea and Gulf of Alaska. In light of the experience gained under this system during the past several years individual participants within each sector can now make reasonable operational plans. This has the benefit of allowing Gulf of Alaska and Bering Sea catcher vessels, coastal communities, and the onshore processing industry to forecast the amount of BSAI and GOA pollock and Pacific cod which will be available to them. Maintaining the Bering Sea and Gulf of Alaska allocation and the Bering Sea CVOA catcher operational areas are fundamental for the continuing success of our operations. Inshore-Offshore promotes operational efficiency as well. The predictability of available quota to a sector promotes planning efficiency, while establishing a corresponding measure of stability within the regulatory system.

It is noteworthy that along the entire US west coast as well as the BSAI and GOA, inshore-offshore allocations are now used as a management tool to address the multitude of problems presented by onshore and offshore sector confrontations. It is reasonable to maintain the separation of inshore and offshore quota and operational areas in the North Pacific as the industry continues its progress towards a CRP solution for our groundfish fisheries.

We do not believe there is a reasonable alternative at the present time other than continuing the Inshore-Offshore allocation. The North Pacific fisheries are the largest and most complex in the United States. Achieving a longer term CRP solution will certainly demand additional time and significant effort if we are to achieve an effective and equitable management system. The present Amendment 18/23 allocation has been extremely useful by establishing some consistency within the pollock and cod fisheries and the communities most dependent upon these resources. Longer term management solutions may incorporate some aspects of the Inshore-Offshore allocation, and for this reason reauthorization will produce a more complete record of industry performance. We anticipate a longer time series in the data set will result in a better CRP decision.

The onshore harvesting and processing sector has capacity to catch and process more groundfish and has demonstrated through its performance a superior ability to optimize use of the available pollock and Pacific cod quotas. The analysis indicates reauthorization of Inshore-Offshore is more likely to produce significant gains in net benefits to the Nation. (EA/RIR Page E-7.) The onshore sector has consistently demonstrated a capacity and dedication for higher utilization of its quota share, which increases the value of each ton of raw material used by onshore processors. We believe the onshore sector should have a larger share of the available pollock quota in the Bering Sea as we make better use of the nation's resources through onshore processing. However, at a minimum the original allocation percentages should be maintained.

The reauthorization of the Inshore-Offshore allocation should be for three or more years. It would be unreasonable to extend Inshore-Offshore for a shorter time period as the industry and management system would necessarily be driven to return to debate this basic allocation issue. In effect, a short reauthorization period will inhibit development of a long term CRP management solution. CRP development in the North Pacific is the most complex fisheries management issue ever undertaken, reflecting the diverse and complex nature of the North Pacific fishing industry itself. It would be more logical and effective to extend the existing Inshore-Offshore allocation system to a point when a long term CRP plan is actually implemented. The Council should also have the ability to consider adjusting sector quota shares for Bering Sea pollock based upon both demonstrated need for more quota combined with achieving reasonable utilization

standards. A longer reauthorization period would have the advantage of separating the two sectors and preserving predictability within the industry as we progress along the path towards CRP. NMFS has previously advised that following Council CRP action, it will take years to develop the management and enforcement systems necessary to actually implement a broad CRP for North Pacific fisheries. Therefore, the Inshore-Offshore allocation should be continued in its present form for no less than three years. Provision should be made to allow adjustments in the quota allocations between sectors as deemed appropriate.

The Catcher Vessel Operating Area (CVOA) must be continued without modification. The CVOA only applies during the pollock B season. It was established as a zone in an operationally reasonable area near Dutch harbor and Akutan during the season when the pollock resource is spread over a broad area. The CVOA allows the catcher vessels which are dependent upon their shore based markets, a reasonable opportunity to economically operate while simultaneously spreading out the catch effort. This prevents disproportionate removals from limited areas.

In contrast, the offshore fleet is not limited by any requirement that it operate in close proximity to Dutch Harbor or Akutan. During the Inshore-Offshore allocation period factory trawlers have been able to operate along the entire west coast and in foreign waters as well. During the past two years there has not been any problem with the factory trawlers efficiently harvesting their BSAI pollock quota outside the CVOA.

If the CVOA were reduced in size or factory trawlers were allowed in during the B season, it would produce greater bycatch of chum salmon. This would complicate the September 1 opening of the chum salmon savings area (traditional catcher vessel fishing grounds) to small and medium sized vessels. This prospect presents a significant burden to the catcher vessel fleet which is unnecessary since factory trawlers have easily harvested their quota outside the CVOA.

There is no evidence that the CVOA during the Inshore-Offshore allocation have had any detrimental impacts on the pollock stocks. The CVOA in the B season affords some protection in lowering exploitation rates due to the exclusion of factory trawlers. The biomass of pollock in the BSAI has risen from a low of 6.3 million Mt.'s in 1980 to a high of 11.2 million MT's in 1995. Data indicates the pollock biomass from 1989 - 1995 has averaged about 7 million MT's each year as compared with a 10 million MT annual average biomass from 1981-1988. Prior to 1981 (1977 - 1980) the pollock biomass averaged about 7 million MT's each year. The status of the BSAI pollock stocks is good and probably is affected more by environmental factors affecting recruitment than by the interaction of the fishing industry. From 1990-1994, the catch of pollock in the CVOA area of total EBS 3+ biomass averaged 13%. Thus, the total pollock catch each year in

the CVOA forms a small percentage of the total EBS biomass. There is no evidence of localized depletions occurring under the Inshore-Offshore management system.

There is no reason to believe that localized depletion of pollock occurs in inshore areas frequented by sea lions. Studies have documented that pollock is a prey item for Steller sea lions. Currently, marine mammal scientists believe that highest mortality of sea lions takes place with juvenile pups. Young sea lions are known to consume smaller fish than adults and it is likely that much of their diet is composed of a fish of a size which are not taken in the commercial fishery. In addition, it is known that pups have a more restricted foraging range. The current buffer zones are sanctuaries for sea lions which close areas and provide considerable protection from direct interaction with fishing vessels.

Data gathered by NMFS over several years does not suggest that there has been any significant change in prey items consumed by the sea lions. In addition, the status of the BSAI pollock stocks are relatively healthy. Thus there is no evidence to suggest that inshore fisheries have impacted pollock or sea lion populations in the BSAI.

Fishery exploitation rates on pollock in the BSAI from 1977 have ranged from a low of 9% in 1983 to a high of 21% in 1990, with an annual average of 15% over this time period. These are not high removal rates. For all groundfish species, the annual exploitation rate from 1977-1994 ranged from 8% to 12%, averaging 11%. This is a low removal rate.

In the Gulf of Alaska the pollock biomass information from 1977 to the present time has shown a peak of 3.0 million MT's in 1981 with a sharp decline to .4 million Mt.'s. in 1987 and 1988. The biomass increased to 1.3 million Mt.'s by 1991 and currently (1995) is at .6 million Mt.'s. GOA Pollock exploitation have averaged 12% on an annual basis over this period. For all GOA groundfish species, total biomass estimates are available from 1984 - 1995 and have been steady, ranging from 4.2 million Mt.'s in 1995 to 5.4 million Mt.'s in 1991. Annual exploitation rates have been low ranging from 3% to 4%, averaging 5% each year.

There is no scientific evidence to suggest that current or past fishing practices have resulted in depletion of any groundfish stocks in the BSAI or GOA. In addition, these removal rates cannot be linked to the decline of Steller sea lions either in the BSAI or GOA. The primary question with respect to the effect of commercial fishing on the various species is, is there any evidence of localized depletion resulting from fishing and is there lower recruitment/production of young fish needed for juvenile sea lions. The information presently available suggest that neither the groundfish resource species or Steller sea lions have been adversely impacted by the manner in which the commercial

fisheries have been operating. Inshore-Offshore as a component of the larger fishery management scheme has supported the benefits of generally low exploitation rates within the fishery complex by protecting against over exploitation and preventing localized depletion.

In addition to preventing localized depletion of BSAI and GOA pollock and Pacific cod stocks, the Inshore-Offshore allocation, CVOA , and onshore processing methods constitute an environmentally appropriate management system. Onshore processors in the Gulf of Alaska and Bering Sea conduct their operations under the General NPDES permit for seafood processors, and in some cases hold an individual operating permit. In all cases North Pacific onshore processors operate under the oversight of the EPA and ADEC. These agencies, charged with technical oversight of environmental concerns have carefully considered onshore processing operations and have approved operations of those plants from an environmental standpoint. EPA has issued various FONSI (Finding of No Significant Impact) for the relevant NPDES permits associated with pollock and Pacific cod BSAI and GOA onshore processing operations. The agency has concluded "the proposed action [issuance of the NPDES Permit for onshore processors] (would) not significantly affect land use patterns or population, wetlands or flood plains, threatened and endangered species, farmland, ecologically critical areas, historic resources, air quality, water quality, noise levels, fish and wildlife resources." (e.g. see EPA FONSI for Westward Seafoods, 1/18/91, attached.)


Onshore processors are continuing to operate under sustained monitoring systems without significant environmental impacts resulting from the advent of the Inshore-Offshore allocation. The EPA's assessment of site specific and cumulative impacts contemplate both the volume of pollock processing onshore treatment capabilities. Onshore processors have instituted effective techniques and employ state of the art technology to ensure their operations are environmentally sound. These techniques include greater use of meal production which limits discharge of solid wastes, careful screening and treatment of waste water, consistent sampling of both receiving waters and effluent, shoreline inspections as well as oceanographic assessments. Reauthorization of the present Inshore-Offshore allocations will not impact this good onshore processing environmental record.

The careful environmental monitoring onshore is in stark contrast to offshore processing operations which discard significant quantities of wasted pollock catch and processing waste directly into water bodies without any appreciable treatment. The relatively unmanaged factory trawler operations would only increase their discards and negative environmental impacts if the current allocation were to cease. These negative factory trawler impacts were thoroughly described as "souring of fishing grounds" by fishermen in the original inshore-offshore debate.

The Pacific cod fishery is important for catcher trawl, longline and pot vessels in both the Gulf of Alaska and the Bering Sea. Pacific cod constitutes an essential component for onshore processing operations located in Akutan, Sand Point, King Cove, Kodiak, and Dutch Harbor. Pacific cod is relied upon as an essential part of the onshore sector's operations. The supply of Pacific cod must remain reliable without threat of preemption, particularly in light of decreasing pollock stocks in the Gulf. In contrast, the freezer longliner fleet are relatively new entrants to the fishery. They have never utilized Gulf Pacific cod to a great extent and do not depend upon Gulf Pacific cod as an important source of raw material. The current provisions of the Inshore-Offshore allocation should not be modified with respect to freezer longliners given the disruptive impact potential to Gulf communities and among fishermen dependent upon Pacific cod. These disruptions could result if large freezer longliners entered the Gulf and shorted current fishing season already impacted by declining pollock stocks.

For all the reasons specified we urge the Council to reauthorize the existing Inshore-Offshore allocation in the BSAI and GOA. Thank you for considering our comments.

Sincerely,



Vincent A. Curry
President

enclosure: EPA FONSI



REPLY TO
ATTN OF: WD-136

JAN 18 1991

FINDING OF NO SIGNIFICANT IMPACT

To all interested government agencies, public groups, and individuals:

In accordance with Environmental Protection Agency (EPA) procedures for complying with the National Environmental Policy Act, 40 CFR Part 6, Subpart F, EPA has completed an environmental review of the following proposed action:

Issuance of New Source National Pollutant Discharge
Elimination System (NPDES) Permit No.

AK-004978-6 to:

Westward Seafoods, Inc.

authorizing the discharge of
wastewater to Captains Bay, Unalaska, Alaska

The proposed action is issuance of an NPDES permit authorizing the discharge of seafood processing wastewater, fishmeal processing wastewater, and non-process wastewaters to Captains Bay from a shore-based facility to be located near Unalaska, Alaska.

The proposed permit authorizes the discharges subject to its stated effluent limitations, monitoring, and other requirements. Permit requirements are specified in the draft NPDES permit for the facility; the Fact Sheet describes the basis for these requirements.

An environmental assessment has been completed and is attached. Based on this assessment, including consideration of the proposed NPDES permit conditions, and in accordance with the guidelines for determining the significance of proposed federal actions in general (40 CFR 1508.27) and EPA criteria for initiating an environmental impact statement (EIS) (40 CFR 6.605), EPA has concluded that the proposed action will not result in a significant effect on the human environment. The proposed action will not significantly affect land use patterns or population, wetlands or floodplains, threatened and endangered species, farmlands, ecologically critical areas, historic resources, air quality, water quality, noise levels, fish and wildlife resources, nor will it conflict with approved local, regional, or state land use plans or policies. The proposed project will also be in conformance with the Alaska (air quality) State Implementation Plan (SIP). EPA has determined that an EIS will not be prepared.


The proposed project will conform with all applicable National Ambient Air Quality Standards (NAAQS), applicable prevention of significant deterioration (PSD) increments, and the Alaska SIP. This finding is based on EPA's review of the initial screening-level air quality modeling analysis for the project, available project air emissions control technology, and requirements of the Alaska Department of Environmental Conservation (ADEC) Permit to Operate regulations. Additional refined air quality modeling analyses and review of available control technology will be required for the air quality Permit to Operate application pursuant to the federal Clean Air Act, and the EPA-approved SIP. An air quality Permit to Operate can be issued by ADEC only if the permit application demonstrates that the project will comply with the NAAQS, applicable PSD increments, and other provisions of the SIP. The permit will require installation of air emissions control technology so as to assure compliance.

Comments pertaining to this Finding of No Significant Impact may be submitted in writing to:

Rick Seaborne
Environmental Protection Agency
Environmental Review Section
1200 Sixth Avenue, WD-136
Seattle, WA 98101

No administrative action will be taken for at least 30 days after the release of this Finding of No Significant Impact. EPA will fully consider all comments before taking final action.

Sincerely,


Robert S. Burd
Director, Water Division

Attachment (Environmental Assessment)

NORTH PACIFIC INDUSTRY AND COMMUNITIES
REQUEST REAUTHORIZATION
OF
INSHORE-OFFSHORE ALLOCATIONS IN BSAI & GOA
AND CDQ PROGRAM

June 12, 1995

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

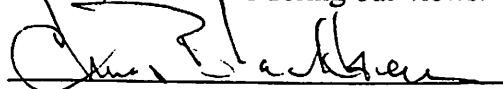
Re: C-1 Inshore-Offshore Allocations and CDQs.

Dear Chairman Lauber,

We request that the North Pacific Fishery Management Council take immediate action to reauthorize the existing pollock and Pacific cod groundfish allocations, the CVOA and the Community Development Program as currently specified under Amendments 18/23 to the BSAI and GOA Fishery Management Plans. We ask the Secretary of Commerce approve the reauthorization so there will be no gap in this fundamentally important allocation structure which the industry relies upon to plan operations and conduct business. Maintaining the Amendment 18/23 allocations and CDQ program is essential for the stability of the industry and our communities. Reauthorization will preserve viability within both the onshore and offshore industry sectors as well as CDQ communities. Stability through Inshore-Offshore generally benefits Alaska and Northwest regional communities active in the seafood business. In contrast, a failure to reauthorize Inshore-Offshore promises great disruption for the fishery triggered by the absence of sector based quotas and removal of the CDQ program. Disruption of the fishery will harm Alaska, Washington, Oregon, and national interests. Please help us continue to operate within the reasonable Amendment 18/23 structure.

We are certain that a reauthorization of the Inshore-Offshore allocation will also allow the industry to focus available energy and effort on other pressing issues. Reauthorization will help the industry move towards completion of long term management solutions which the Council has been actively developing under the CRP development process.

Thank you for considering our views.


AGDB

1995

^{EPK}
Silda Shaliboff
A/I CDA

Steve Hughes, United Catcher Boats

Mark Kandelmanis

F/O Alliance, Kooliak Fish Co.

J. H. Gifford, Yukon Delta Fish Coop

Joseph J. Sestini
TRIDENT SEAFOODS CORPORATION

John Perrin
NORTH PACIFIC PROCESSORS

Alfred R. Steyer
UNITED FISHERMEN'S MARKETING ASSOCIATION

Malcolm Spidle, former

Smuggling Inc

W. D. KLUVA

Shirley Ross - HANA

John Jaworski

Wm. Cell
COASTAL VILLAGES FISHING COOP

NSDC
Paul Ahls - Western AK Fisheries Development Assn.

F. Elhoff
UNISER, INC.

Mike U'Kelley Mayor City of UNALASKA

Harold Nelson, Sec
BBDC

Georg Bagnell - General Manager, The Grand Aleutian

David [Signature]
ALASKA SPORTFISH ASSOC.

[Signature] ALYESKA SEAFOODS, INC

F. Gregory Baker, Western Fisheries Inc

John [Signature] F/O Rosetta, Inc.

John Wirth F/O Prowler

Fred Yeck - Midwater trawlers coop

Van Fong
ALASKA LONGLINE FISHERMAN'S ASSN

Alvin Burch AK Druggers Assn

Mary D. Staden
Southwest Alaska Municipal Conference

June 13, 1995

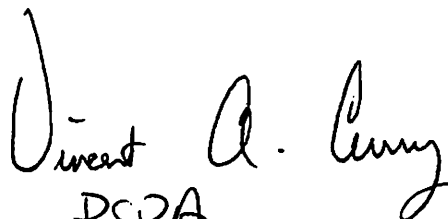
Mr. Richard Lauber, Chairman
North Pacific Fishery Management Council
Dutch Harbor, Alaska

Re: Agenda Item C-1

Dear Mr. Lauber,

Having discussed our mutual desire to create an atmosphere of cooperation and an opportunity to explore CRP options; the undersigned organizations agree to support reauthorization of Amendments 18/23 for an additional three years. Three modifications to Amendments 18/23 should be included: 1) The western edge of the CVOA should be modified to 167 degrees 30 minutes allowing offshore processors additional fishing opportunities throughout the offshore season. 2) offshore catcher processors may be allowed within the CVOA after all onshore BSAI pollock quota has been used and the onshore season closes. 3) The offshore "A" season start date should be January 26. It is further agreed that the modifications set forth in items 1 and 2 above will be revisited if they disrupt the onshore sector's opportunity or ability to prosecute the onshore sector's share of BSAI quota. Both industry sectors pledge their full cooperation and support for the reauthorization of the Inshore - Offshore allocation with these modifications before the North Pacific Fishery Management Council and throughout the Secretarial review process.


AFTA


PSPA.