

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke
Executive Director

DATE: September 18, 1997

SUBJECT: Inshore/Offshore 3

ESTIMATED TIME
8 HOURS

ACTION REQUIRED

- (a) Review information to date.
- (b) NOAA GC opinion on scope of analysis.
- (c) Consider separation of pollock CDQ program from the inshore/offshore amendment.
- (d) Develop Problem Statement and alternatives for analysis.

BACKGROUND

Information to Date

In June the Council requested that staff develop industry sector profiles which describe the evolution of the BSAI pollock fisheries over the past several years, with the intent that a problem statement and set of alternatives would be identified at this meeting. Information developed thus far was mailed to you in early September, and staff will now provide an overview of the various sections of that document, including a couple of additions that we have added since that mailing. Item C-1(a)(1) is a copy of a report on foreign ownership of fish processing facilities prepared in 1994 by the State of Alaska Legislative Research Agency. Attached to that is a diagram from a 1980 report which is illustrative of the complexities involved in discerning these ownership structures.

Council staff has been conducting its own research, through a 'Lexis-Nexis', internet-linked data base. While this research has generated a considerable volume of ownership information, on both processors and vessels, we have not compiled that information in a form suitable for distribution at this time. More to the point, we intend to continue this research, if the Council wants this type of information, and attempt to groundtruth the information prior to public release. While we have not unearthed anything particularly unexpected, we feel that information of this nature can be quite sensitive and it is our responsibility to be careful with its release.

Item C-1(a)(2) contains supplementary information prepared by staff regarding utilization rates by pollock processors, similar to some of the analyses we did for inshore/offshore 2. This represents an overall look at utilization, as a ratio of processed product per metric tons of raw pollock input, and is intended to supplement Tab 2 of your document.

NOAA GC Opinion on Scope of Analysis

During our June meeting you requested that NOAA GC provide comments and guidance to the Council regarding the necessary breadth and depth of analysis required to support a decision on allocation alternatives, including those alternatives which diverge from the 'status quo'. We made such a request to NOAA GC and have discussed this issue within our respective staffs. NOAA GC may wish to comment on this question at this time.

From Council staff's perspective, we need to inform you of what we believe is doable, given time and data limitations. Once an analysis is completed, you (as well as the Secretary of Commerce) will have to decide whether the information in front of you is sufficient for a particular decision. For reference, Item C-1(b)(1) is a copy of the discussion paper we presented in June which describes the analytical aspects of this issue. The Council needs to be aware that we will be unable to do much in the way of a strictly quantitative net benefits assessment, due to the fact that we will not have the necessary cost data to incorporate in such an analysis. Regardless of the alternatives identified by the Council, the analysis will be largely a gross revenue based analysis, much as we did with inshore/offshore 2. We would certainly focus on distributional impacts, and quantify those to the extent possible, but definitive net benefit projections will be lacking.

Our intent is also to supplement our analyses with a community impact assessment, under contract to Impact Assessment, Inc., the consulting firm which did the original inshore/offshore community profiles as well as the CRP-related sector profiles in 1994. This decision is based largely on the new Magnuson Act National Standards, one of which requires community impact assessments for FMP amendments. We have developed a very draft Statement of Work (SOW) for this study, which may be adjusted after this meeting, depending on the scope of alternatives identified by the Council. We will need the OK from the Finance Committee, and Council, before proceeding with this contract.

Separation of Pollock CDO Program from Inshore/Offshore

Item C-1(c)(1) is a letter from NMFS recommending that the pollock CDQ allocation be separated from the inshore/offshore 3 amendment and proceed on its own course, to be combined with the multi-species CDQ program, as a permanent allocation. The letter also advises that the pollock CDQ program, notwithstanding the Magnuson-Stevens Act mandate, has to be extended via a new FMP amendment, which could be prepared and acted upon by early 1998. This would allow for a final rulemaking by June of next year. Item C-1(c)(2) contains correspondence related to this issue.

Problem Statement and Alternatives for Analysis

As a reference point for the Council, we have included the action memo from the June meeting, which includes example problem statements and the range of alternatives that were put forth at the April meeting (Item C-1(d)(1)). The Council had explicitly directed staff to circulate these in our newsletter prior to the June meeting. Alternatives raised at the June meeting, but not acted upon by the Council, are not directly referenced here. Comments related to the general inshore/offshore issue are under Item C-1(d)(2).

Legislative Research Agency

AGENDA C-1(a)(1)
SEPTEMBER 1997

Alaska State Legislature




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January 21, 1994

MEMORANDUM

TO: Senator Loren Leman

FROM: Betsy A. Jensvold 
Legislative Analyst

RE: Foreign Ownership of Fish Processing Facilities
Research Request 94.048

You requested an update to Legislative Research Agency Report 90.167, published April 3, 1990, which described ownership patterns in the Alaska seafood processing industry. This report and its predecessor provide specific data on the extent of foreign ownership of major on-shore and off-shore facilities in Alaska.

Between 1989 and 1993, there was a drop in the percentage (and number) of Alaska seafood processing facilities reporting some foreign ownership. In 1989, at least 23 percent of Alaska processors had some foreign ownership; by 1993 that number dropped to 15 percent. That number, however, understates the impact of foreign ownership because foreign owned facilities tend to be larger than the average size of the 525 facilities which filed an intent to process in Alaska in 1993. In addition, most of the change from 1989 to 1993 can be attributed to two large transactions in which Americans purchased Japanese companies' minority shares: Tyson Foods' purchase of Arctic Alaska brought 20 processing vessels back into U.S. hands (Nissui previously owned 12 percent); and the Brindle family's purchase of Marubeni's share of Wards Cove Packing (20 percent) brought 15 shore-based operations back into U.S. hands. In addition, 13 vessels with some foreign ownership in 1989 were no longer operating in Alaska by 1993.

This report has four sections. The first section describes our 1990 findings and how conditions have changed since that time. The second section explains the various methods other than ownership that foreign investors may use to exert influence over seafood processing operations. The third section outlines the methodology used to obtain ownership data. The fourth section summarizes prior efforts to study foreign influence in the Alaska seafood processing industry.

Ownership information is presented in six tables. Table 1 offers an overview of the nationality of investors, type of facilities owned, and extent of ownership, for both 1989 and 1993. The five remaining tables provide specific 1993 ownership data which parallel data presented in our April 3, 1990 report. All five tables provide the same data sorted in different ways: by company name (Table 2); vessel name (Table 3); location of shore-based facility (Table 4); name of foreign investor (Table 5); and nationality of foreign investor (Table 6).

Changes in Foreign Ownership Since 1989

Our 1990 report concluded that foreign companies and individuals controlled a significant segment of the Alaska seafood processing industry, but the exact amount of control was difficult to quantify. In addition, because it was hard to quantify the extent of foreign ownership, it was also hard to draw definitive conclusions about how that influence had changed over time. Nevertheless, because the same research methodology was used in 1990 and 1994, some comparisons can be drawn between those years.

Our 1990 study revealed that in 1989 at least 23 percent of all seafood processors in Alaska had some foreign ownership; and more than 66 percent of vessels listed on *Pacific Fishing* magazine's 1989 Factory Trawler Directory had at least partial foreign ownership. By 1993 comparable numbers were: at least 15 percent of all seafood processors who filed an intent to process in Alaska had some foreign ownership; more than 28 percent of processors listed in *Pacific Fishing* magazine's Processor Directory (who filed an intent to process in Alaska) had some foreign ownership; and more than 34 percent of vessels listed on *Pacific Fishing*'s Factory Trawler Directory (who filed an intent to process in Alaska) had some foreign ownership. It should also be noted that most of the change can be explained by two transactions that removed the minority foreign ownership from 20 vessels and 15 shore-based plants (Arctic Alaska and Wards Cove Packing), plus the fact that 13 vessels with some foreign ownership in 1989 were no longer fishing in Alaska by 1993. Unfortunately,

although the State of Alaska collects processing volume data, the market share of individual companies cannot be estimated because production and sales data are not available.¹

In 1989, foreign ownership within the industry already exhibited different patterns for vessels and for shore-based plants: most vessels (79 percent) were less than 50 percent foreign owned; while most shore-based facilities (62 percent) were more than 50 percent foreign owned. By 1993 the pattern was even more distinct: 88 percent of vessels with some foreign ownership were less than 50 percent foreign owned; and 90 percent of shore-based facilities with some foreign ownership were more than 50 percent foreign owned (see Table 1).

The nationality of foreign ownership has changed since 1989, but only at the margins. Japan is still dominant with 72 percent of all foreign-owned processing facilities in 1989 and 61 percent in 1993, even after selling their interest in 35 processing units. Norway and Canada each increased their presence slightly but are still distant seconds to Japan: Norway held 9 percent of foreign-owned facilities in 1989 and 14 percent in 1993; Canada held 5 percent in 1989 and 11 percent in 1993. In 1989, England owned 5 percent, while Denmark, Korea, Switzerland, Taiwan and the USSR had some involvement. By 1993, only Denmark and Korea remained. England, Switzerland, Taiwan and the USSR had dropped out and Indonesia (6 percent), the Netherlands and South Korea had entered the market (see Table 1).

Types of Control

Foreigners have several mechanisms through which they may influence the Alaska seafood industry, including equity investment (ownership), debt (loans), marketing or price arrangements, control of information, technology transfer agreements, or employment of foreign management and technicians (Orth 1980). Ownership provides direct control

¹Foreign influence is likely to be greater than the percentages listed in this report for three reasons: 1) companies may under-report foreign ownership due to confusion about reporting requirements concerning alien affiliates and indirect foreign ownership; 2) forms of influence other than equity have not been considered in this study; and 3) the Alaska Department of Fish and Game database which served as the foundation for this research includes all processors regardless of the size of operation. Because foreign companies are more likely to invest in large facilities, their operations can be expected to produce a greater share of the total seafood production than the percentages indicate. For example, if the 15 percent of processing facilities with foreign ownership process 75 percent of the catch, the significance of foreign ownership would be much greater than the ownership percentages suggest.

although debt often provides equal leverage. Equity investment is the easiest to study simply because internal financial, sales, technical, and staffing arrangements are usually not revealed to the public. Nevertheless, it is important to remember that other forms of influence exist, and that they are significant. Alaska Department of Law memorandum "Bristol Bay Salmon Investigation" provides a detailed case study of the way in which foreign investors may influence the Alaska seafood industry.

Control through equity takes place when a foreign company or individual has complete or partial ownership in an American-based company or if a partnership exists with that company.² A foreign company or individual may control a seafood processing company through direct ownership or may have indirect control through ties to a parent company. A study by Orth and Associates (1980) illustrates the complexity of ownership interties between seafood processors (attached).³

Control through debt may occur when an Alaska seafood processing company has a financial arrangement with a foreign company. Debt may involve issuance of notes or bonds. Loans may be strictly financial in nature, with monetary repayment as the only obligation, but they frequently involve other obligations as well. Processors sometimes enter into preseason agreements where a foreign company may loan money to the processor with conditions such as the right of first refusal for processed seafood, established prices for product throughout the season, or a promise to employ foreign technicians or managers (GAO 1990). Alaska does not require disclosure of information concerning loans by foreign companies.

Foreigners may also influence a processor through control of technological innovations and technical product knowledge, or control of distribution channels. Foreign influence through pricing and marketing may be significant. For example, the Japanese fisheries import quota

²A foreign company may own as much as 100 percent of a shore-based processing facility, but foreign ownership of off-shore processors is restricted. Since 1987, fishing and processing vessels in the Exclusive Economic Zone (from 3 miles to 200 miles from shore) must have at least 51 percent U.S. ownership and the corporate board must have an American president and a U.S. voting majority.

³This chart illustrates the kinds of ownership interties that are common within the seafood processing industry, although the specific details have changed substantially since 1980.

system may give Japanese processing and holding companies additional leverage (Heigath and Rainery 1989).⁴

Methodology

Several sources were used to construct a database of seafood processors with probable foreign ownership. The Alaska Department of Fish and Game provided a list of 525 facilities (shore-based, floaters, and catcher/processors) which filed an intent to operate as processors in 1993; this report established the universe of businesses reviewed.⁵ Due to the large number of facilities listed, processors that appeared to be small operations were not investigated. However, before excluding any processors, the full database was reviewed to determine possible interties between processing facilities and to remove duplicate listings.⁶ Several additional sources were used to assure that important processors were not excluded:

Alaska Legislative Research Agency's 1990 foreign ownership study;
National Marine Fisheries Service's list of federally permitted processors;
Alaska Journal of Commerce, list of "Alaska's Top Fish Processing Companies";
Pacific Fishing, "Processor Directory";
Pacific Fishing, "Factory Trawler Directory";
Pacific Fishing, "Pot and Longline At-sea Processors"; and
Puget Sound Business Journal, list of top 24 "Seafood Processors".

Each processor was reviewed against the Department of Commerce and Economic Development (DCED) corporate biennial report database to obtain ownership information.

⁴Japan imported 95 percent of Alaska's seafood exports in 1989 (McDowell Group 1990). Control through marketing may occur through sales contracts, sales agreements, and the relationship between processors and Japanese trading and fishing companies (Orth 1980).

⁵Companies operating exclusively outside state waters (more than three miles from shore) are not required to file an intent to process form with the state, although many file anyway in order to avoid possible problems should they need to come ashore for any reason. Consequently, the National Marine Fisheries Service's list of federally permitted processors was reviewed to assure that no major processors were overlooked.

⁶Some processors create separate companies for each of their facilities although each of these companies are managed from one office. For example, Oceantrawl has three vessels, each incorporated under a different name. However, all three vessels have the same Seattle address and contact person.

Many companies were not listed at all, or the data provided was incomplete.⁷ Companies were then contacted directly to obtain or verify data concerning ownership and interties. The DCED data were used whenever it appeared to be complete and the company could not be reached or would not provide information.⁸ The resulting database of processors with apparent foreign ownership was sorted to create lists of processors by company name (see Table 2), vessel name (see Table 3), site of shore-based facility (see Table 4), parent company (see Table 5), and country of investor (see Table 6).

The actual impact of foreign investment would be easier to evaluate if production or sales volume data were readily available. Unfortunately, production and sales data are closely guarded by companies and even government records are confidential. The completeness and accuracy of data in this report is a function of the quality of information provided by seafood processors over the telephone and in writing, as well as the assumption that small processors which were not investigated did not have foreign ownership.

⁷The DCED database only includes information for processors that are organized as corporations and there is no enforcement to ensure that corporations have filed with the department or that the information filed is correct. A review of the database revealed that information concerning foreign ownership is inconsistent. Data may be out-of-date and some company representatives either misunderstand the reporting requirements or intentionally submit erroneous information.

There may be confusion about the definition of foreign corporations and alien affiliates. For DCED purposes, "foreign" means an out-of-state corporation, while "alien" means an individual who is not a citizen of the United States. There may also be confusion about how to report foreign ties to a U.S. company with out-of-country investors. Foreign ownership can be hard to identify if the processor is owned by another company and misreported alien affiliates on their biennial report. If the processor is a subsidiary of an out-of-state company or a company which is not incorporated, there is no requirement to report ownership of that company.

⁸Most company representatives provided ownership information without hesitation. However, some were reluctant to release information about ownership without a written request, and others refused to comment. When asked about direct or indirect foreign ownership during telephone interviews for this research, many company employees stated that their company was 100 percent American even though follow-up questions revealed these companies either had foreign investors or were a subsidiary of a company with foreign ownership.

Prior Studies

Several attempts to quantify the extent of foreign ownership of the Alaska seafood processing industry have been made over the last 15 years, but with inconclusive results.

In 1980, the Alaska State Legislature commissioned Orth and Associates to produce a study entitled *Foreign Investment in the Alaska Seafood Industry*. Orth and Associates based their findings on government documents and did not obtain information from industry representatives. Orth stated that "Alaska's efforts to monitor alien investment has been based on confusing, sometimes misleading statutes that have been inadequately administered and weakly enforced" (p. 9).⁹ Nevertheless, Orth concluded that Canada and Japan were the major foreign investors in Alaska seafood processing, with the Japanese maintaining partial ownership of 33 percent of the total value of all species processed.¹⁰ However, Orth was unable to determine the ownership of 35 percent of the 127 companies examined. United States processors were found to target high-value species, while Japanese-owned companies processed both high- and low-value species. The study contains an excellent description of the complex interties that frequently occur between seafood processing companies, as well as a summary of studies completed prior to 1980.

In 1980, the U.S. General Accounting Office (GAO) also studied foreign ownership in the U.S. seafood processing industry with an emphasis on Alaska. As the title revealed, *Foreign Investment in U.S. Seafood Processing Industry Difficult to Assess*, the results were incomplete. The GAO sent questionnaires to processors in Alaska and other states to determine foreign ownership and loans from foreign entities. The GAO reported that Japanese loans to processors were considerable and that some of the loans contained provisions to acquire a portion of the production as well as provisions to employ foreign technicians.

Alaska state agencies have also attempted to determine the extent of foreign ownership of Alaska's seafood processors. In 1981, the House Research Agency estimated that the fair market value of foreign ownership accounted for about one-third of the total investment in

⁹The DCED reporting requirements concerning alien affiliates have been strengthened (AS 10.06.808), but no one verifies the accuracy of this information.

¹⁰Japan's total share of the Alaska seafood market was actually less than 33 percent. This figure includes the total value of all production by firms with partial Japanese ownership even though some firms had substantial ownership by other nationalities (primarily USA).

Alaska shore-based seafood processing facilities.¹¹ During the late 1980s, staff at the Office of International Trade, the Department of Commerce and Economic Development, Commercial Fisheries Development section, and the Alaska Seafood Marketing Institute also investigated companies with probable foreign ownership.

In 1990, the GAO published *Seafood Processing: Foreign Ownership of Facilities in Alaska, Oregon, and Washington*. After describing the types of foreign investment data available from federal and state sources, the report goes on to explain that the data is not sufficiently detailed to answer questions pertaining to a specific industry. The State of Alaska was determined to have the best available ownership data, although federal data is expected to improve within the coming years.¹² The GAO also interviewed management at three Seattle-based seafood processors with some foreign ownership to qualitatively assess the impact of other types of agreements. All three companies reported having additional agreements with the parent company including loans, representatives on the board of directors and management, employment of foreign technicians and production/price commitments.

In 1993, an Alaska Department of Law memorandum entitled "Bristol Bay Salmon Investigation" described the findings and conclusions of an extensive study of the allegations of anticompetitive behavior by processors and buyers of Bristol Bay sockeye salmon. This study, far more than any other publication cited, provides useful insight, based on real data, into how the Alaska seafood industry operates. It also indicates that several major Japanese companies are involved in the Alaska seafood industry which were not identified by name through our research. Their facilities however, may have been identified and included on our list under the name of one of their subsidiaries.

I hope you find this memorandum useful. Should you need additional information about foreign ownership of Alaska seafood processing facilities, please contact this office.

Attachments

¹¹This conclusion involved an assumption that the value of all foreign-owned seafood processing facilities paralleled that of three major firms that changed ownership between 1979 and 1981.

¹²The only ownership data reported was drawn from Alaska Legislative Research Agency Memorandum 90.167.

Senator Leman
January 21, 1994
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**TABLE 1
CHANGES IN FOREIGN OWNERSHIP OF ALASKA SEAFOOD PROCESSORS**

1993				
<u>Nationality of Investor</u>	<u>Number of Facilities</u>	<u>Number of Vessels</u>	<u>Number of Shore-based</u>	<u>Ownership Percentage</u>
Canada	9	-	9	100%
Denmark	1	1	-	?
Indonesia	5	1	-	100%
			4	100%
Japan	49	23	-	17 < 50%, 3 > 50%, 3 ?
			28	3 < 50%, 3 > 50%, 20 100%
Korea	2	1	-	100%
			1	< 50%
Netherlands	3	3	-	< 50%
Norway	11	11	-	8 < 50%, 3 ?
South Korea	1	1	-	< 50%
Total	81	41	40	

1989				
<u>Nationality of Investor</u>	<u>Number of Facilities</u>	<u>Number of Vessels</u>	<u>Number of Shore-based</u>	<u>Ownership Percentage</u>
Canada	8	-	8	100%
Denmark	3	3	-	2 100%, 1 ?
England	6	2	-	< 50%
			4	1 < 50%, 3 > 50%
Japan	93	45	-	35 < 50%, 6 100%, 4 ?
			48	18 < 50%, 7 > 50%, 21 100%
Korea	4	3	-	< 50%
			1	100%
Norway	12	12	-	3 < 50%, 1 > 50%, 8 ?
Switzerland	3	3	-	< 50%
Taiwan	1	-	1	< 50%
USSR	1	1	-	50%
Total	129	69	60	

Major Ownership Changes (1990 - 1993)

Off-shore operations:

20 - Tyson Foods purchased Nisud's share of Arctic Alaska

13 - Foreign-owned vessels no longer operating in Alaska in 1993

Shore-based operations:

15 - Brindis family purchased Marubeni's share of Wade Cove Packing

4 - Ika Mida Purchased Ocean Beauty from Sealaska

3 - Marubeni purchased Hillsdown's share of Silka Sound Seafoods

3 - Misc. American investors purchased Hillsdown's share of All Alaskan

Corporate name changes:

N. Mogel changed to New Nippo Corp.

Talya Fisheries changed to Maruha Corp.

Toyo Manka Kaisha Ltd. changed to Tamen Corp.

TABLE 2
SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY COMPANY NAME

COMPANY NAME	PERCENT FOREIGN	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
ALASKA PACIFIC SEAFOODS	100%	Japan	Marubeni Corp.	S	S,HE,C,Q,H	F,FR,C	Kodiak		
ALASKA TRAWL FISHERIES	100%	Korea	Daeilm Corp.	C	G	D			
ALYESKA SEAFOODS	<50%	Japan	Maruha Corp.	S	F,CK,FR,S	F,CK,FR,S	Dulich Harbor	ENDURANCE	278'
AMERICAN CHAMPION LMT PARTNERSHIP	<50%	Norway	Kjell Rokke	C	Q,M	FR		AMERICAN CHAMPION	163'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q	FR,O		AMERICAN DYNASTY	272'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q,M	FR,O		AMERICAN EMPRESS	308'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q			TRUMPH	
ARCTIC KING FISHERIES	100%	Japan	Melch Suisan Co. Ltd.	C	G	O		ARCTIC TRAWLER	290'
ARICA FISHING COMPANY	?	Denmark	Hilshals	C	G	FR		ARICA	180'
BERING SEA FISHERIES INC.	25%	Japan	Marubeni Corp.	S	S	FR	Emmonak		
BIG CREEK FISH INC.	100%	Japan	Yuasa - Funashoku Co. Ltd.	S	S	F,FR,S	Egegik		
BLUE WAVE SEAFOODS INC.	25%	Japan	Nishko Corp. (several layers)	F	S,HE,C,Q,H	FR		BLUE WAVE	
CAN - ALASKA SEAFOODS INC.	100%	Canada	Ocean Fisheries Ltd.	S	S,H	F,FR,O	Ketchikan		
CAPILANO PACIFIC INC.	100%	Canada	D. MacDonaid	S	S	S	Arvik		
CAPILANO PACIFIC INC.	100%	Canada	D. MacDonaid	S	S	P,S	Galena		
CHATHAM STRAITS SEAFOODS	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE,C,O,Q,H	F,CK,FR,C	Petersburg		
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	Q,M	FR		CLIPPER ENDEAVOR	124'
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	Q,M,H	FR		CLIPPER SURPRISE	124'
DAICHI SEAFOOD LTD	?	Canada	?	S	O	F,CK,FR,S	Kodiak		
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	Q,M	F,FR		DEEP PACIFIC	130'
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	Q,M	F,O		LILLIAN	141'
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisea)	F	S,HE,C	FR		GALAXY	180'
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisea)	F	S,HE,C,Q,M,H	CK,FR,S		OMNSEA	324'
EXPLORER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	Q,M	FR		FRONTIER EXPLORER	135'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	SH,G	FR		NORTHERN GLACIER	201'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	Q	FR		PACIFIC GLACIER	276'
GOLDEN ALASKA SEAFOODS	?	Japan	Confidential	F	Q	FR		GOLDEN ALASKA	305'
ICY WATERS LTD.	50%	Canada	White Northern Echo Inc.	S	S,H	F,FR	Haines		
"	25%	Canada	Yukon Ltd.	S	"	"	"		
"	15%	Canada	First Echo Group Ltd.	"	"	"	"		
ICY WATERS LTD.	5%	Canada	Nick Poushinsky Holdings Ltd.	"	"	"	"		
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	C,Q,H	F,CK,FR		KJEVOLA	110'
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	G	FR		VAERDAL	124'
KANAWAY SEAFOODS INC.	100%	Canada	Canadian Fish Co.	S	S,HE,Q,M,H	F,FR,C,O	Ketchikan		
KENAI PACKERS	100%	Japan	Marubeni Corp.	S	S,HE,H	F,FR,C	Keral		
KING CRAB INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE,C,SH,O,Q,H	F,CK,FR,C,S	Kodiak		
KING CRAB INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE	FR	Neknek		
MARINER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	O,Q,M	FR		FRONTIER MARINER	135'
NAUTUS MARINE INC.	50%	Japan	Pegasus Foods Japan Inc.	S	S,HE,Q,H	F,FR,S	Valdez		
NELBRO PACKING COMPANY	100%	Canada	Weston Resources Inc.	S	S	FR,C	Neknek		
NELBRO PACKING COMPANY	100%	Canada	Weston Resources Inc.	S	S,HE,H	FR,C	Petersburg		
NEW STAR FISHERIES INC.	25%	Japan	Tsugishi Nihon Reito Co. Ltd.	C	G	F		NEW STAR	108'
"	25%	Japan	Waikua Co. Ltd.	"	"	"	"		
NORTH PACIFIC PROCESSORS	100%	Japan	Marubeni Corp.	S	S,C,G	F,CK,FR	Cordova		
NORTH PACIFIC PROCESSORS	100%	Japan	Marubeni Corp.	S	S,HE	FR	Neknek		
NORTHERN EAGLE PARTNERS	20%	Netherlands	Isihelmar Corp. (Oceanbaw)	C	G	D		NORTHERN EAGLE	341'
NORTHERN HAWK PARTNERS LP	20%	Netherlands	Isihelmar Corp. (Oceanbaw)	C	Q	O		NORTHERN HAWK	341'
NORTHERN JAEGER PARTNERS LP	20%	Netherlands	Isihelmar Corp. (Oceanbaw)	C	Q	O		NORTHERN JAEGER	326'
OCEAN PEACE INC.	30%	So Korea	Il Heung Co. Ltd.	F	Q,M	FR		OCEAN PEACE	219'
"	10%	Japan	Happy World Inc.	"	"	"	"		

TABLE 2
SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY COMPANY NAME

COMPANY NAME	PERCENT FOREIGN	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
OCEAN PRIDE	100%	Indonesia	Ika Muda (Ocean Beauty)	F	S,HE,C,G	FR			
PACIFIC EXPLORER LIMITED	<50%	Norway	Kjell Rokke	C	G	FR		OCEAN PRIDE	210'
PACIFIC KING FISHERIES	100%	Japan	Kaish Suisan Co. Ltd.	C	G,M	FR		PACIFIC EXPLORER	230'
PACIFIC SCOUT LTD. PARTNERSHIP	<50%	Norway	Kjell Rokke	C	G	FR		RESOLUTE	240'
PAN PACIFIC SEAFOODS INC.	20%	Japan	Taika America Inc.	F	S,HE	O		PACIFIC SCOUT	230'
PELICAN SEAFOODS INC.	100%	Japan	Kaish International Inv. Co.	S	S,HE,C,O,Q,H	F,CK,FR	Pelican	PACIFIC PRODUCER	
PENINSULA SALMON INC.	20%	Japan	Nichiro Corp. (several layers)	F	G	FR			
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE	F,FR,C	Dillingham King Cove	POLAR QUEEN	
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C,Q,H	F,FR,C,S	Port Moller		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C	F,FR,S			
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C,Q,H	F,FR,C,S	Valdez		
ROYAL ALUTIAN SFDS INC.	25%	Korea	Daewoo Corp.	S	S,HE,C,Q,H	F,FR,C,S	Dutch Harbor - Royal	Alutian permanently moored	
ROYAL KING FISHERIES INC.	49%	Japan	Watawai Co. Ltd.	C	S,HE,C,Q,H	F,CK,FR		ROYAL KING	217'
SEACATCHER FISHERIES INC.	?	Norway	Confidential	C	G	FR		HEATHER SEA	270'
SEAHAWK PACIFIC SEAFOODS	?	Norway	Confidential	C	S,C,SH,G	FR		CLAYMORE SEA	227'
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (8 subsidiaries)	C	S,C,SH,G	FR			
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (8 subsidiaries)	S	S	F,FR,S	Ory Bay Sitka		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (8 subsidiaries)	S	S,HE,C,SH,O,Q,H	F,CK,FR,S	Yakutat		
SPORT LTD. PARTNERSHIP	<50%	Japan	Confidential	C	O,Q,M	FR			
ST. ELIAS OCEAN PRODUCTS	100%	Indonesia	Ika Muda (Ocean Beauty)	B	S,HE,C,O,Q,H	F,CK,FR,C,S		FRONTIER SPIRIT	135'
STELLAR SEAFOODS INC.	25%	Japan	Nichiro Corp. (several layers)	F	S,HE,C,Q,H	F,CK,FR,S		STELLAR SEA	365'
SUPREME ALASKA SEAFOODS INC.	55%	Japan	Maruha (AK Marine Service Co.)	F	Q,M	FR,O		EXCELLENCE	367'
SWAN FISHERIES INC.	?	Norway	Confidential	C	S,C,SH,G	FR		SAGA SEA	302'
TOGIK FISHERIES INC.	100%	Japan	Marubeni Corp.	S	S,HE	FR,S	Togik Kaslof		
TRANS-AQUA INT'L INC.	100%	Japan	Tomen Corp.	S	S,HE,Q,H	F,FR,S	St. Paul Island		
UNIPAK CORPORATION	100%	Japan	Satoshi Sasaki (US resident)	S	C,Q,H	F,CK,FR	Dutch Harbor		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	S	G	F,FR,O	St. Paul Island		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	S	C,Q,H	F,CK,FR	Kodiak		
WESTERN AK FISHERIES INC.	100%	Japan	Maruha Corp.	S	S,HE,C,O,Q,H	F,CK,FR,SM	Dutch Harbor		
WESTWARD SEAFOODS INC.	100%	Japan	Maruha Corp.	S	C,Q,H	F,CK,FR,S			
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S,HE,H	F,FR,S	Anchorage		
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Kaig		
WHITNEY HARBOR SEAFOODS INC.	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Kaslof		
WRANGELL FISHERIES INC.	100%	Canada	JS McMillan Fisheries Ltd.	S	S,HE,SH,Q,H	F,FR,C	Wrangell		
ZENITH FISHERIES L.P.	40%	Japan	New Nippo	C	G	F,FR		ZENITH	123'
Seafood Processors With Possible Foreign Ownership									
ARCTIC STORM INC.	?	Japan	?	C	G	FR,O			
INT'L SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	B	S	F,FR,S,SM	Egagik	ARCTIC STORM	334'
INT'L SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	B	S	F,CK,FR,D,S,SM	Kodiak		
ISAFJORD FISHING CO.	?	?	?	C	B,HE,C,Q,H	F,CK,FR			
NORTHERN VICTOR PARTNERSHIP	100%	?	Marco Fisheries Inc.	S	C,Q	FR		ISAFJORD	
PENQUIN INC.	?	?	?	C	C	F,CK,FR		NORTHERN VICTOR	375'
								PENQUIN	145'

Key to Abbreviations

Types of Operation: B = company buyer, C = catcher/processor, F = floater, S = shorebased

Types of Seafood: C = crab; G = groundfish; H = halibut; HE = herring; S = salmon; SH = shrimp; M = miscellaneous finfish; O = other shellfish

Processing Methods: C = canning; CK = cooking; D = drying; F = flash (portioning); FR = freezing; P = pickling; S = salting; SM = smoking

Prepared by the Legislative Research Agency, January 1994 (94-0460).

TABLE 3
OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY VESSEL NAME

COMPANY NAME	PERCENT FOREIGN	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
AMERICAN CHAMPION LMT PRTRNSHP	<50%	Norway	Kjell Rokke	C	G,M	FR			
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	G	FR,O		AMERICAN CHAMPION	183'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	G,M	FR,O		AMERICAN DYNASTY	272'
ARCTIC KING FISHERIES	100%	Japan	Kaloh Suisan Co. Ltd.	C	G	O		AMERICAN EMPRESS	308'
ARICA FISHING COMPANY	?	Denmark	Hilshale	C	G	FR		ARCTIC TRAWLER	282'
BLUE WAVE SEAFOODS INC.	25%	Japan	Nichiro Corp. (several layers)	F	S,H,E,C,G,H	FR		ARICA	185'
SEAHAWK PACIFIC SEAFOODS	?	Norway	Confidential	C	S,C,S,H,G	FR		BLUE WAVE	
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	G,M	FR		CLAYMORE SEA	227'
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	G,M,H	FR		CLIPPER ENDAVOR	124'
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	G,M	F,FR		CLIPPER SURPRISE	124'
								DEEP PACIFIC	130'
ALASKA TRAWL FISHERIES	100%	Korea	Daerin Corp.	C	G	O			
SUPREME ALASKA SEAFOODS INC.	50%	Japan	Maruha (AK Marine Service Co.)	F	G,M	FR,O		ENDURANCE	276'
EXPLORER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	G,M	FR		EXCELLENCE	307'
MARINER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	O,G,M	FR		FRONTIER EXPLORER	135'
SPIRIT LTD. PARTNERSHIP	<50%	Japan	Confidential	C	D,G,M	FR		FRONTIER MARINER	135'
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisea)	F	S,H,E,C	FR		FRONTIER SPIRIT	135'
GOLDEN ALASKA SEAFOODS	?	Japan	Confidential	F	G	FR		GALAXY	188'
SEACATCHER FISHERIES INC.	?	Norway	Confidential	C	S,C,S,H,G	FR		GOLDEN ALASKA	305'
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	C,G,H	F,CK,FR		HEATHER SEA	270'
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	G,M	F,O		KJEVOLA	110'
								LILLIAN	141'
NEW STAR FISHERIES INC.	25%	Japan	Higashi Nihon Fieko Co. Ltd.	C	G	F			
	25%	Japan	Watarai Co. Ltd.	C	G	F		NEW STAR	180'
NORTHERN EAGLE PARTNERS	20%	Netherlands	Isthelma Corp. (Oceanrawl)	C	G	O			
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	S,H,G	FR		NORTHERN EAGLE	341'
NORTHERN HAWK PARTNERS LP	20%	Netherlands	Isthelma Corp. (Oceanrawl)	C	G	O		NORTHERN GLACIER	201'
NORTHERN JAEGER PARTNERS L P	20%	Netherlands	Isthelma Corp. (Oceanrawl)	C	G	O		NORTHERN HAWK	341'
OCEAN PEACE INC.	30%	So. Korea	Il Heung Co. Ltd.	F	G,M	FR		NORTHERN JAEGER	320'
OCEAN PRIDE	10%	Japan	Happy World Inc.	F	G	FR		OCEAN PEACE	219'
DUTCH HARBOR SEAFOODS LTD	25%	Indonesia	Ika Muda (Ocean Beauty)	F	S,H,E,C,G	FR		OCEAN PRIDE	210'
		Japan	Nippon Suisan Kaisha (Unisea)	F	S,H,E,C,G,M,H	CK,FR,S		OMNSEA	324'
PACIFIC EXPLORER LIMITED	<50%	Norway	Kjell Rokke	C	G	FR		PACIFIC EXPLORER	236'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	G	FR		PACIFIC GLACIER	276'
PAN PACIFIC SEAFOODS INC.	20%	Japan	Talka America Inc.	F	S,H,E	O		PACIFIC PRODUCER	
PACIFIC SCOUT LTD. F'SHIP	<50%	Norway	Kjell Rokke	C	G	FR		PACIFIC SCOUT	238'
PENINSULA SALMON INC.	25%	Japan	Nichiro Corp. (several layers)	F	O	FR		POLAR QUEEN	
PACIFIC KING FISHERIES	100%	Japan	Kaloh Suisan Co. Ltd.	C	G,M	FR		RESOLUTE	240'
ROYAL KING FISHERIES INC.	48%	Japan	Watarai Co. Ltd.	C	G	FR		ROYAL KING	217'
BWAN FISHERIES INC.	?	Norway	Confidential	C	S,C,S,H,G	FR		SAGA SEA	302'
STELLAR SEAFOODS INC.	25%	Japan	Nichiro Corp. (several layers)	F	S,H,E,C,G,H	F,CK,FR,S		STELLAR SEA	315'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	G			TRIUMPH	
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	G	FR		VAERDAL	124'
ZENITH FISHERIES L P	40%	Japan	New Nippo	C	G	F,FR		ZENITH	123'

TABLE 3
OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY VESSEL NAME

COMPANY NAME	PERCENT FOREIGN OWNERSHIP	COUNTRY OF FOREIGN OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
ARCTIC STORM INC.	?	Japan	?	C	G	FR,O		ARCTIC STORM	334'
ISAFJORD FISHING CO.	?	?	?	C	C	F,CK,FR		ISAFJORD	
NORTHERN VICTOR PARTNERSHIP	100%	?	Masco Fisheries Inc.	B	C,G	FR		NORTHERN VICTOR	378'
PENQUIN INC.	?	?	?	C	C	F,CK,FR		PENQUIN	148'

Seafood Processors With Possible Foreign Ownership

Key to Abbreviations
Types of Operations: C=catcher/processor; F=fisher; B=shorebased
Types of Seafood: C=crab; G=groundfish; H=halibut; HE=herring; S=salmon; SM=smelt; M=miscellaneous finfish; O=other shellfish
Processing Methods: C=canning; CK=cooking; D=drying; F=fresh (poorling); FR=freezing; P=pickling; S=salting; SM=smoking

Prepared by the Legislative Research Agency, January 1994 (94-018C).

TABLE 4
SHORE-BASED ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY LOCATION

COMPANY NAME	PERCENT FOREIGN	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S,HE,H	F,FR,S	Anchorage		
CAPILAND PACIFIC INC.	100%	Canada	D. MacDonald	S	S	S	Anvik		
NORTH PACIFIC PROCESSORS	100%	Japan	Marubeni Corp.	S	S,C,G	F,CK,FR	Cordova		
ST. ELIAS OCEAN PRODUCTS	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE,C,O,Q,H	F,CK,FR,C,S	Cordova		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE	F,FR,C	Dillingham		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (& subsidiaries)	S	S	F,FR,S	Dry Bay		
ALYESKA SEAFOODS	<50%	Japan	Maruha Corp.	S	F,CK,FR,S	F,CK,FR,S	Dutch Harbor		
ROYAL ALEUTIAN SFDS INC.	25%	Korea	Daewoo Corp.	S	S,HE,C,Q,H	F,CK,FR	Dutch Harbor -- Royal Aleutian permanently moored		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	S	G	F,FR,O	Dutch Harbor		
WESTWARD SEAFOODS INC.	100%	Japan	Maruha Corp.	S	C,G,H	F,CK,FR,S	Dutch Harbor		
BIG CREEK FISH INC.	100%	Japan	Yusae - Funashoku Co. Ltd.	S	S	F,FR,S	Egegik		
BERING SEA FISHERIES INC.	25%	Japan	Marubeni Corp.	S	S	FR	Emmonak		
CAPILAND PACIFIC INC.	100%	Canada	D. MacDonald	S	S	S	Gateza		
ICY WATERS LTD.	50%	Canada	White Northern Echo Inc.	S	S,H	F,FR	Haines		
.	25%	Canada	Yukon Ltd.	.	.	.	.
.	15%	Canada	First Echo Group Ltd.	.	.	.	.
.	5%	Canada	Nikol Poushinsky Holdings Ltd.	.	.	.	.
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Katleg		
TRANS - AQUA INTL INC.	100%	Japan	Tomen Corp.	S	S,HE,Q,H	F,FR,S	Kaslof		
WHITNEY KASLOF SEAFOODS INC.	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Kaslof		
MENA PACKERS	100%	Japan	Marubeni Corp.	S	S,HE,H	F,FR,C	Kanal		
CAN - ALASKA SEAFOODS INC.	100%	Canada	Ocean Fisheries Ltd.	S	S,H	F,FR,O	Ketchikan		
KANAWAY SEAFOODS INC.	100%	Canada	Canadian Fish Co.	S	S,HE,Q,M,H	F,FR,C,O	Ketchikan		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C,Q,H	F,FR,C,S	King Cove		
ALASKA PACIFIC SEAFOODS	100%	Japan	Marubeni Corp.	S	S,HE,C,Q,H	F,FR,C	Kodiak		
DAICHI SEAFOOD LTD	?	Canada	?	S	O	F,CK,FR,S	Kodiak		
KING CRAB, INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE,C,SH,O,Q,H	F,CK,FR,C,S	Kodiak		
WESTERN AK FISHERIES INC.	100%	Japan	Maruha Corp.	S	S,HE,C,O,Q,H	F,CK,FR,SM	Kodiak		
KING CRAB, INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE	FR	Kodiak		
NELBRO PACKING COMPANY	100%	Canada	Weston Resources Inc.	S	S	FR,C	Naknek		
NORTH PACIFIC PROCESSORS	100%	Japan	Marubeni Corp.	S	S,HE	FR	Naknek		
PELICAN SEAFOODS INC.	100%	Japan	Keloh International Inv. Co.	S	S,HE,C,O,Q,H	F,CK,FR	Pelican		
CHATHAM STRAIT SEAFOODS	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S,HE,C,O,Q,H	F,CK,FR,C	Petersburg		
NELBRO PACKING COMPANY	100%	Canada	Weston Resources Inc.	S	S,HE,H	FR,C	Petersburg		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C	F,FR,S	Port Moller		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (& subsidiaries)	S	S,HE,C,SH,O,Q,H	F,CK,FR,B	SBha		
UNIPAK CORPORATION	100%	Japan	Seitohji Basaki (JS resident)	S	C,Q,H	F,CK,FR	St. Paul Island		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	S	C,Q,H	F,CK,FR	St. Paul Island		
TOQUIA FISHERIES INC	100%	Japan	Marubeni Corp.	S	S,HE	FR,S	Togiak		
NAUTILUS MARINE INC.	20%	Japan	Pegasus Foods Japan Inc.	S	S,HE,Q,H	F,FR,S	Vadex		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S,HE,C,Q,H	F,FR,C,S	Vadex		
WRANGELL FISHERIES INC.	100%	Canada	JS McMillan Fisheries Ltd.	S	S,HE,SH,Q,H	F,FR,C	Wrangell		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (& subsidiaries)	S	S,HE,C,SH,O,Q,H	F,CK,FR,S	Yakutat		
Seafood Processors With Possible Foreign Ownership									
INTL SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	S	S,HE,C,Q,H	F,CK,FR,D,S,SM	Kodiak		

Key to Abbreviations

Types of Operation: C=catcher/processor; F=boat; S=shorebased

Types of Seafood: C=crab; G=groundfish; H=halibut; HE=herring; S=salmon; SH=stump; M=miscellaneous finfish; O=other shellfish

Processing Methods: C=canning; CK=cooking; D=drying; F=fresh (portioning); FR=freezing; P=pickling; S=salting; SM=smoking

TABLE 2
SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY FOREIGN OWNER

COMPANY NAME	PERCENT FOREIGN OWNERSHIP	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
KANAWAY SEAFOODS INC.	100%	Canada	Canadian Fish Co.	S	S,NE,G,M,I	F,FR,C,O	Ketchikan		
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	G,M	FR		CLIPPER ENDEAVOR	124'
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	G,M,H	FR		CLIPPER SUNRISE	124'
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	G,M	F,FR		DEEP PACIFIC	130'
DEEP PACIFIC FISHING CO.	<50%	Japan	Confidential	C	G,M	F,O		LILLIAN	141'
EXPLORER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	G,M	FR		FRONTIER EXPLORER	135'
GOLDEN ALASKA SEAFOODS	?	Japan	Confidential	F	G	FR		GOLDEN ALASKA	300'
MARNER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	G,Q,M	FR		FRONTIER MARINER	135'
SPIRIT LTD. PARTNERSHIP	<50%	Japan	Confidential	C	G,Q,M	FR		FRONTIER SPIRIT	135'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	SH,G	FR		NORTHERN GLACIER	201'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	G	FR	Dutch Harbor - Royal Alaskan permanently moored		
SEACATCHER FISHERIES INC.	?	Norway	Confidential	C	S,C,SH,G	FR		PACIFIC GLACIER	270'
SEAHAWK PACIFIC SEAFOODS	?	Norway	Confidential	C	S,C,SH,G	FR		HEATHER SEA	270'
SWAN FISHERIES INC.	?	Norway	Confidential	C	S,C,SH,G	FR		CLAYMORE SEA	227'
ALASKA TRAWL FISHERIES	100%	Korea	Regem Corp.	C	G	O		SAGA SEA	302'
ROYAL ALEUTIAN SFDS INC.	25%	Korea	Regem Corp.	S	S,NE,C,Q,H	F,CK,FR		ENDURANCE	270'
CAPILAND PACIFIC INC.	100%	Canada	D. MacDonald	S	S	S			
CAPILAND PACIFIC INC.	100%	Canada	D. MacDonald	S	S	F,S			
ICY WATERS LTD.	15%	Canada	First Echo Group Ltd.	S	S,H	F,FR			
OCEAN PEACE INC.	10%	Japan	Happy World Inc.	F	G,M	FR			
NEWSTAR FISHERIES INC.	25%	Japan	Higashi Nihozo Kaifu Co. Ltd.	C	G	F	Haines	OCEAN PEACE	215'
ARICA FISHING COMPANY	?	Denmark	Hitchala	C	G	FR		NEWSTAR	165'
OCEAN PEACE INC.	30%	So. Korea	Il Hwang Co. Ltd.	F	G,M	FR		ARICA	180'
CHATHAM STRAIT SEAFOODS	100%	Indonesian	Ika Muda (Ocean Beauty)	S	S,NE,Q,O,Q,H	F,CK,FR,C		OCEAN PEACE	210'
KING CRAB, INC.	100%	Indonesian	Ika Muda (Ocean Beauty)	S	S,NE,C,SH,O,G,H	F,CK,FR,C,S			
KING CRAB, INC.	100%	Indonesian	Ika Muda (Ocean Beauty)	S	S,HE	FR			
OCEAN PRIDE	100%	Indonesian	Ika Muda (Ocean Beauty)	F	S,NE,C,G	FR			
ST. ELIAS OCEAN PRODUCTS	100%	Indonesian	Ika Muda (Ocean Beauty)	S	S,NE,C,O,Q,H	F,CK,FR,C,S			
NORTHERN EAGLE PARTNERS	20%	Netherlands	Lythamer Corp. (Oceantree)	C	G	O		OCEAN PRIDE	210'
NORTHERN HAWK PARTNERS LP	20%	Netherlands	Lythamer Corp. (Oceantree)	C	G	O			
NORTHERN JAEGER PARTNERS L P	20%	Netherlands	Lythamer Corp. (Oceantree)	C	G	O	Cordova	NORTHERN EAGLE	341'
WRANGELL FISHERIES INC.	100%	Canada	J&M Millan Fisheries Ltd.	S	S,NE,SH,Q,H	F,FR,C		NORTHERN HAWK	341'
PELICAN SEAFOODS INC.	100%	Japan	Keloh International Inv. Co.	S	S,NE,C,O,Q,H	F,CK,FR			
ARCTIC KING FISHERIES	100%	Japan	Keloh Sultan Co. Ltd.	C	G	O			
PACIFIC KING FISHERIES	100%	Japan	Keloh Sultan Co. Ltd.	C	G,M	FR			
AMERICAN CHAMPION LMT PARTNSHP	<50%	Norway	Kjel Rokke	C	G,M	FR		ARCTIC TRAWLER	206'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjel Rokke	C	G	FR		RESOLUTE	240'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjel Rokke	C	G	FR,O		AMERICAN CHAMPION	183'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjel Rokke	C	G,M	FR,O		AMERICAN DYNASTY	272'
PACIFIC EXPLORER LIMITED	<50%	Norway	Kjel Rokke	C	G	FR		AMERICAN EMPRESS	308'
PACIFIC SCOUT LTD. P'SHIP	<50%	Norway	Kjel Rokke	C	G	FR	TRIUMPH		
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S,HE,H	F,FR,S	PACIFIC EXPLORER	230'	
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F			
WHITNEY HABIL OF SEAFOODS INC.	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F			
ALASKA PACIFIC SEAFOODS	100%	Japan	Maubeni Corp.	S	S,NE,C,Q,H	F,FR,C			
BEYING SEA FISHERIES INC	25%	Japan	Maubeni Corp.	S	S	FR			
KENAI PACKERS	100%	Japan	Maubeni Corp.	S	S,HE,H	F,FR,C			
NORTH PACIFIC PROCESSORS	100%	Japan	Maubeni Corp.	S	S,C,G	F,CK,FR			
NORTH PACIFIC PROCESSORS	100%	Japan	Maubeni Corp.	S	S,HE	FR			
TODIAX FISHERIES INC	100%	Japan	Maubeni Corp.	S	S,NE	FR,S			

TABLE 5
SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY FOREIGN OWNER

COMPANY NAME	PERCENT FOREIGN OWNERSHIP	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
SITKA SOUND SEAFOODS INC.	> 80%	Japan	Mitsubishi Corp. (a subsidiary of)	B	S	F,FR,S	Dry Bay	EXCELLENCE	267'
SITKA SOUND SEAFOODS INC.	> 80%	Japan	Mitsubishi Corp. (a subsidiary of)	B	S,ME,C,SH,O,G,H	F,CK,FR,S	Shiba	KJEVONJA	100'
SITKA SOUND SEAFOODS INC.	> 80%	Japan	Mitsubishi Corp. (a subsidiary of)	B	S,ME,C,SH,O,G,H	F,CK,FR,S	Yokohama	VAERDAL	124'
ALYESKA SEAFOODS	< 80%	Japan	Merulita Corp.	S	F,CK,FR,S	F,CK,FR,S	Dutch Harbor	ZENITH	823'
WESTERN AK FISHERIES INC.	100%	Japan	Mitsui Corp.	B	S,ME,C,O,G,H	F,CK,FR,S	Kodiak	BLUE WAVE	
WESTWARD SEAFOODS INC.	100%	Japan	Mitsui Corp.	B	S,ME,C,O,G,H	F,CK,FR,S	Dutch Harbor	POLAR QUEEN	
SUPREME ALASKA SEAFOODS INC.	80%	Japan	Mitsui (AK Marine Services Co.)	F	G	FR,O		STELLAR SEA	316'
JUBILEE FISHERIES INC.	40%	Japan	New Nippon	C	G	F,CK,FR			
JUBILEE FISHERIES L.P.	40%	Japan	New Nippon	C	G	FR			
ZENITH FISHERIES L.P.	40%	Japan	New Nippon	C	G	F,FR			
PETER PAN SEAFOODS INC.	100%	Japan	Nishio Corp.	S	S,HE	F,FR,C	Billingham		
PETER PAN SEAFOODS INC.	100%	Japan	Nishio Corp.	S	S,HE,C,G,H	F,FR,C,S	King Cove		
PETER PAN SEAFOODS INC.	100%	Japan	Nishio Corp.	S	S,HE,C	F,FR,S	Port Moller		
PETER PAN SEAFOODS INC.	100%	Japan	Nishio Corp.	S	S,HE,C,G,H	F,FR,C,S	Valdez		
BLUE WAVE SEAFOODS INC.	25%	Japan	Nishio Corp. (several buyers)	F	G	FR			
PENINSULA SALMON INC.	25%	Japan	Nishio Corp. (several buyers)	F	G	FR			
STELLAR SEAFOODS INC.	35%	Japan	Nishio Corp. (several buyers)	F	G	FR			
ICY WATERS LTD.	6%	Canada	Nok Potashinsky Holdings Ltd.	S	S,HE,C,G,H	F,CK,FR,S	Hakua		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	B	B,H	F,FR	Dutch Harbor		
UNISEA INC.	100%	Japan	Nippon Suisan Kaisha Ltd.	B	C,G,H	F,FR,O	St. Paul Island		
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisea)	F	S,HE,C	FR			
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisea)	F	S,HE,C,G,H	CK,FR,S			
CAN-ALASKA SEAFOODS INC.	100%	Canada	Ogden Fisheries Ltd.	S	S,H	F,FR,O	Ketchikan	GALAXY	166'
UNIPAK CORPORATION	20%	Japan	Pacific Foods Japan Inc.	B	S,HE,G,H	F,FR,S	Valdez	OMNSEA	324'
PAN PACIFIC SEAFOODS INC.	100%	Japan	Seiichi Seisai (US resident)	S	C,G,H	F,CK,FR	St. Paul Island		
TRANS - AQUA INTL INC.	100%	Japan	Taiha America Inc.	F	S,HE	O			
NEW STAR FISHERIES INC.	25%	Japan	Tomin Corp.	S	S,ME,G,H	F,FR,S	Manitok	PACIFIC PRODUCER	
ROYAL KING FISHERIES INC.	49%	Japan	Wakasa Co. Ltd.	C	G	F		NEW STAR	188'
NELBRO PACKING COMPANY	100%	Canada	Wakasa Co. Ltd.	C	G	FR		ROYAL KING	217'
NELBRO PACKING COMPANY	100%	Canada	Wakasa Fisheries Inc.	S	B	FR,C	Naitok		
ICY WATERS LTD.	80%	Canada	Western Fisheries Inc.	B	S,HE,H	FR,C	Petersburg		
BIG CREEK FISH INC.	100%	Canada	White Northern Fisheries	S	S,H	F,FR	Halibut		
ICY WATERS LTD.	25%	Canada	Yonei - Furushoku Co. Ltd.	B	B	F,FR,S	Egegik		
DAICHI SEAFOOD LTD	?	Canada	Yuhon Ltd.	B	S,H	F,FR	Haines		
DAICHI SEAFOOD LTD	?	Canada	Yuhon Ltd.	S	O	F,CK,FR,S	Kodiak		
INTEL SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	B	S	F,FR,S,SM	Egegik	NORTHERN VICTOR	379'
INTEL SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	B	S,ME,C,G,H	F,CK,FR,D,S,SM	Kodiak	ARCTIC STORM	334'
NORTHERN VICTOR PARTNERSHIP	100%	?	Marco Fisheries Inc.	S	C,G	FR		ISAF JORD	146'
ARCTIC STORM INC.	?	Japan	?	C	G	FR,O		PENOWIN	
ISAF JORD FISHING CO.	?	?	?	C	C	F,CK,FR			
PENOWIN INC.	?	?	?	C	C	F,CK,FR			

Key to Abbreviations
Types of Operation: B=company buyer; C=catcher/processor; F=freezer; S=shorebased
Types of Seafood: C=crab; G=groundfish; H=halibut; ME=meat; S=salmon; SH=shrimp; M=miscellaneous finfish; O=other shellfish
Processing Methods: C=canning; CK=cooking; D=drying; F=flash (portulac); FR=freezing; S=salting; SM=smoking

SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY COUNTRY OF FOREIGN INVESTOR

COMPANY NAME	PERCENT FOREIGN OWNERSHIP	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHOD	SHORE-BASED LOCATION	VESSEL NAME	SIZE
CAN - ALASKA SEAFOODS INC.	100%	Canada	Ocean Fisheries Ltd.	B	S,H	F,FR,O	Ketchikan		
CAPILANO PACIFIC INC.	100%	Canada	D. MacDonald	S	S	S	Anvik		
CAPILANO PACIFIC INC.	100%	Canada	D. MacDonald	S	S	F,S	Galena		
DAIICHI SEAFOOD LTD	7	Canada	?	S	O	F,CK,FR,S	Kodiak		
ICY WAINERS LTD.	50%	Canada	White Northern Echo Inc.	S	S,H	F,FR	Malina		
	25%	Canada	Yukon Ltd.	.	.	.	.
	15%	Canada	First Echo Group Ltd.	.	.	.	.
	5%	Canada	Nick Fossilinsky Holdings Ltd.	.	.	.	.
MANWAY SEAFOODS INC.	100%	Canada	Canadian Fish Co.	S	S	F,FR,C,O	Ketchikan		
NELBRO PACKING COMPANY	100%	Canada	Western Resources Inc.	S	S	FR,C	Nabak		
NELBRO PACKING COMPANY	100%	Canada	Western Resources Inc.	S	S	FR,C	Nabak		
WRANGELL FISHERIES INC.	100%	Canada	Western Resources Inc.	S	S	FR,C	Petersburg		
ARICA FISHING COMPANY	100%	Canada	JB McMillan Fisheries Ltd.	S	S	FR,C	Wrangell		
CHATHAM STRAIT SEAFOODS	100%	Indonesia	Hikmah	C	G	FR		ARICA	100'
KING CRAB, INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S	F,CK,FR,C	Petersburg		
KING CRAB, INC.	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S	F,CK,FR,C,S	Kodiak		
OCEAN PRIDE	100%	Indonesia	Ika Muda (Ocean Beauty)	S	S	FR	Nabak		
ST. ELIAS OCEAN PRODUCTS	100%	Indonesia	Ika Muda (Ocean Beauty)	F	F	FR			
ALASKA PACIFIC SEAFOODS	100%	Japan	Marubeni Corp.	S	S	F,CK,FR,C,S	Cordova	OCEAN PRIDE	210'
ALYESKA SEAFOODS	<50%	Japan	Maruha Corp.	S	S	F,FR,C	Kodiak		
		Japan	Maruha Corp.	S	S	F,CK,FR,S	Dutch Harbor		
ARCTIC KING FISHERIES	100%	Japan	Keloh Suisan Co. Ltd.	C	G	O		ARCTIC TRAVLER	280'
BERING SEA FISHERIES INC.	25%	Japan	Marubeni Corp.	S	S	FR	Emmonak		
BIG CREEK FISH INC.	100%	Japan	Yusuo - Furushoku Co. Ltd.	S	S	F,FR,S	Egegik		
BLUE WAVE SEAFOODS INC.	25%	Japan	Nichiro Corp. (several types)	F	S	FR			
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	C	FR		BLUE WAVE	124'
CLIPPER SEAFOODS LTD.	?	Japan	Confidential	C	C	FR		CLIPPER ENDEAVOR	124'
DEEP PACIFIC FISHING CO.	<50%	Japan	Oodoshid	C	C	FR		CLIPPER BURFRISE	130'
DEEP PACIFIC FISHING CO.	<50%	Japan	Oodoshid	C	C	F,O		DEEP PACIFIC	141'
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Confidential	C	C	FR		LILLIAN	160'
DUTCH HARBOR SEAFOODS LTD	25%	Japan	Nippon Suisan Kaisha (Unisee)	F	F	FR		GALAXY	324'
		Japan	Nippon Suisan Kaisha (Unisee)	F	F	CK,FR,S		OMNISEA	
EXPLORER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	C	FR		FRONTIER EXPLORER	135'
GOLDEN ALASKA SEAFOODS	?	Japan	Confidential	C	C	FR		GOLDEN ALASKA	110'
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	C	F,CK,FR		KAYOLIA	124'
JUBILEE FISHERIES INC.	40%	Japan	New Nippo	C	C	FR		VAERDAL	
KENAI PACNERB	100%	Japan	Marubeni Corp.	S	S	F,FR,C	Kenai		
MARINER LTD. PARTNERSHIP	<50%	Japan	Confidential	C	C	FR		FRONTIER MARINER	135'
NAUTBUS MARINE INC.	50%	Japan	Pageus Foods Japan Inc.	S	S	F,FR,S	Vedez		
NEW STAR FISHERIES INC.	30%	Japan	Nigam Nihon Relo Co. Ltd.	C	C	F		NEW STAR	180'
		Japan	Wateral Co. Ltd.	.	.	.			180'
		Japan	Mazubani Corp.	S	S	F,CK,FR	Cordova		
NORTH PACIFIC PROCESSORS	100%	Japan	Mazubani Corp.	S	S	FR			
NORTH PACIFIC PROCESSORS	100%	Japan	Happy World Inc.	S	S	FR	Nabak		
OCEAN PEACE INC.	100%	Japan	Keloh Suisan Co. Ltd.	C	C	FR		OCEAN PEACE	210'
PACIFIC KING FISHERIES	30%	Japan	Taika America Inc.	F	F	FR		RESOLUTE	210'
PAN PACIFIC SEAFOODS INC.	100%	Japan	Keloh Suisan Co. Ltd.	C	C	O		PACIFIC PRODUCER	
PELICAN SEAFOODS INC.	100%	Japan	Keloh International Inv. Co.	S	S	F,CK,FR	Pelican		
PENINSULA SALMON INC.	25%	Japan	Nichiro Corp. (several types)	F	F	FR		POLAR QUEEN	
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S	F,FR,C	Dillingham		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S	F,FR,C,S	King Cove		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S	F,FR,S	Peat Maito		
PETER PAN SEAFOODS INC.	100%	Japan	Nichiro Corp.	S	S	F,FR,C,S	Vedez		

TABLE 6
SHORE-BASED AND OFF-SHORE ALASKA SEAFOOD PROCESSORS WITH FOREIGN OWNERSHIP SORTED BY COUNTRY OF FOREIGN INVESTOR

COMPANY NAME	PERCENT FOREIGN	COUNTRY OF OWNERSHIP	FOREIGN OWNER	TYPE OF OPERATION	TYPE OF SEAFOOD	PROCESSING METHODS	SHORE-BASED LOCATION	VESSEL NAME	SIZE
ROYAL KING FISHERIES INC.	49%	Japan	Wateral Co. Ltd.	C	G	FR		ROYAL KING	217'
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (A subsidiaries)	S	S	F,FR,S	Dry Bay		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (A subsidiaries)	S	S,HEC,SH,O,Q,H	F,CK,FR,S	Sitka		
SITKA SOUND SEAFOODS INC.	>50%	Japan	Marubeni Corp. (A subsidiaries)	S	S,HEC,SH,O,Q,H	F,CK,FR,S	Vahului		
SPIRIT LTD. PARTNERSHIP	<50%	Japan	Confidential	C	O,Q,M	FR			
STELLAR SEAFOODS INC.	25%	Japan	Nichiro Corp. (several layers)	F	S,HEC,Q,H	F,CK,FR,S		FRONTIER SPIRIT	135'
SUPREME ALASKA SEAFOODS INC.	88%	Japan	Maruba (AK Marine Service Co.)	F	Q,M	FR,O		STELLAR SEA	315'
TOGIK FISHERIES INC.	100%	Japan	Marubeni Corp.	S	S,HE	FR,S		EXCELLENCE	357'
TRANS - AQUA INTL. INC.	100%	Japan	Tomen Corp.	S	S,HE,Q,H	F,FR,S	Togik		
UNIPAK CORPORATION	100%	Japan	Satoshi Sasaki (US resident)	S	Q,Q,H	F,CK,FR	Kasilof		
UNSEA INC.	100%	Japan	Nippon Buisen Kaisha Ltd.	S	G	F,FR,O	St. Paul Island		
UNSEA INC.	100%	Japan	Nippon Buisen Kaisha Ltd.	S	G,Q,H	F,CK,FR	Dutch Harbor		
WESTERN AK FISHERIES INC.	100%	Japan	Maruhm Corp.	S	S,HEC,O,Q,H	F,CK,FR,SM	St. Paul Island		
WESTWARD SEAFOODS INC.	100%	Japan	Maruha Corp.	S	Q,Q,H	F,CK,FR,S	Kodiak		
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	B	S,HE,H	F,FR,S	Dutch Harbor		
WHITNEY FOODS	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Anchorage		
WHITNEY KASLOF SEAFOODS INC.	100%	Japan	Kyokuyo Co. Ltd. (Kyokuyo USA)	S	S	F	Kasilof		
ZENITH FISHERIES L P	40%	Japan	New Nippo	C	G	F,FR		ZENITH	123'
ALASKA TRAWL FISHERIES	100%	Korea	Daejin Corp.	C	Q	O		ENDURANCE	276'
ROYAL ALEUTIAN SFDS INC.	25%	Korea	Daewoo Corp.	S	S,HEC,Q,H	F,CK,FR	Dutch Harbor - Royal Aleutian permanently moored		
NORTHERN EAGLE PARTNERS	20%	Netherlands	Isihelmer Corp. (Oasmitraw)	C	G	O		NORTHERN EAGLE	341'
NORTHERN HAWK PARTNERS LP	20%	Netherlands	Isihelmer Corp. (Oasmitraw)	C	G	O		NORTHERN HAWK	341'
NORTHERN JAEGER PARTNERS L P	20%	Netherlands	Isihelmer Corp. (Oasmitraw)	C	G	O		NORTHERN JAEGER	338'
AMERICAN CHAMPION LMT PARTNERSHIP	<50%	Norway	Kjell Rokke	C	Q,M	FR		AMERICAN CHAMPION	183'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q	FR,O		AMERICAN DYNASTY	272'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q,M	FR,O		AMERICAN EMPRESS	366'
AMERICAN SEAFOODS CO.	<50%	Norway	Kjell Rokke	C	Q	FR		TRIUMPH	
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	SH,Q	FR		NORTHERN GLACIER	201'
GLACIER FISH CO. LTD.	14%	Norway	Confidential	C	Q	FR		PACIFIC GLACIER	276'
PACIFIC EXPLORER LIMITED	<50%	Norway	Kjell Rokke	C	Q	FR		PACIFIC EXPLORER	236'
PACIFIC SCOUT LTD. P'SHIP	<50%	Norway	Kjell Rokke	C	Q	FR		PACIFIC SCOUT	236'
SEACATCHER FISHERIES INC.	?	Norway	Confidential	C	S,C,SH,Q	FR		HEATHER SEA	276'
SEAHAWK PACIFIC SEAFOODS	?	Norway	Confidential	C	S,C,SH,Q	FR		CLAYMORE SEA	227'
SWAN FISHERIES INC.	?	Norway	Confidential	C	S,C,SH,Q	FR		SAGA SEA	302'
OCEAN PEACE INC.	30%	So. Korea	Il Hwang Co. Ltd.	F	Q,M	FR		OCEAN PEACE	216'
Seafood Processors With Possible Foreign Ownership									
ARCTIC STORM INC.	?	Japan	?	C	G	FR,O		ARCTIC STORM	334'
INTL. SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	S	S	F,FR,S,SM	Egegik		
INTL. SEAFOODS OF AK INC.	100%	?	International Oceanic Ent.	S	S,HEC,Q,H	F,CK,FR,D,S,SM	Kodiak		
NORTHERN VICTOR PARTNERSHIP	100%	?	Maico Pêcheuse Inc.	S	C,Q	FR		NORTHERN VICTOR	378'
ISAFJORD FISHING CO.	?	?	?	C	C	F,CK,FR		ISAFJORD	
PENQUIN INC.	?	?	?	C	C	F,CK,FR		PENQUIN	148'

Key to Abbreviations

Types of Operation: B - company buys; C - catcher/processor; F - freezer; S - shorebased

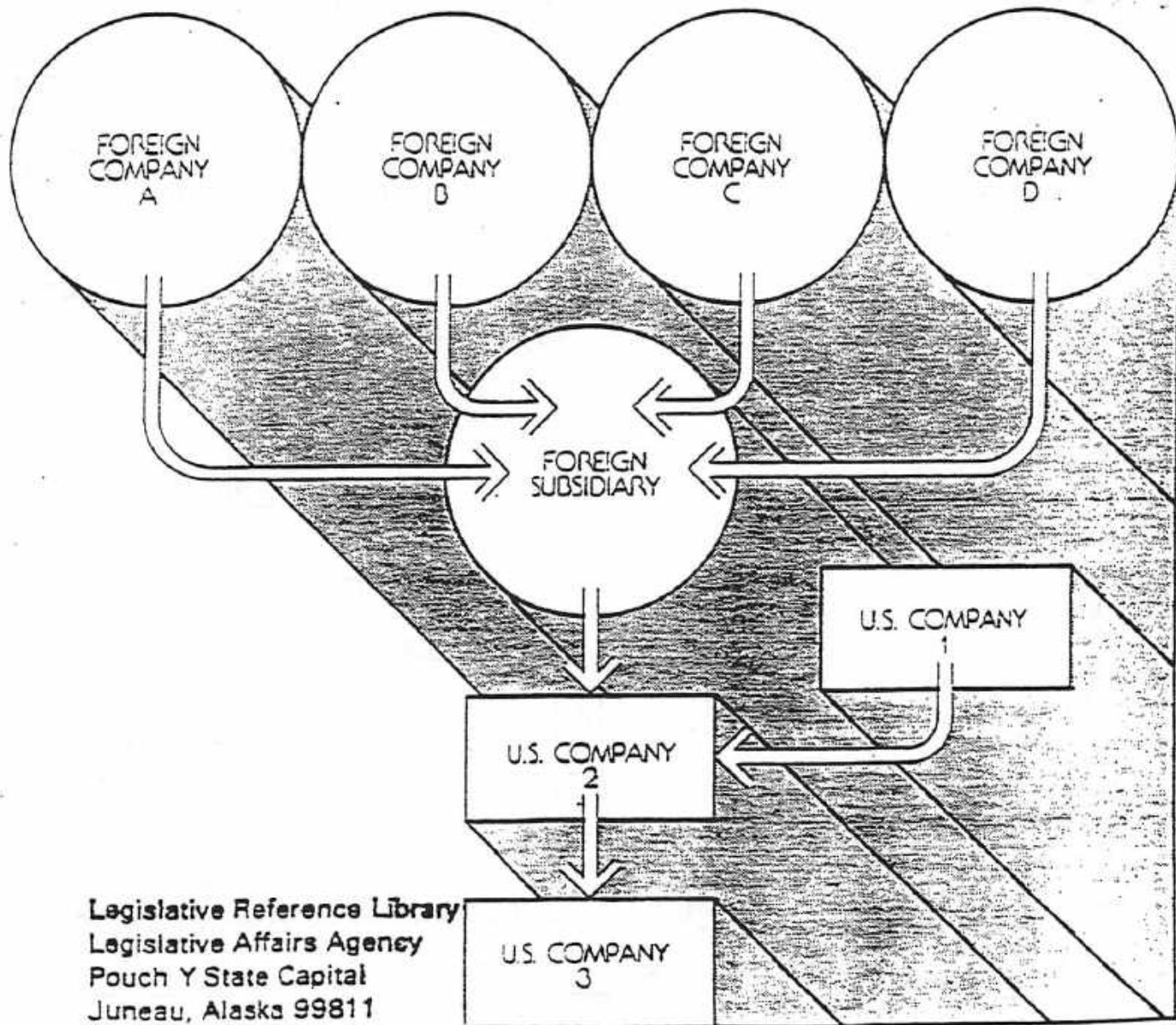
Types of Seafood: C - crab; G - groundfish; H - halibut; HE - herring; S - salmon; SH - shrimp; M - miscellaneous fish; O - other shellfish

Processing Methods: C - canning; CK - cooking; D - drying; F - fresh (portioning); FR - freezing; P - pickling; S - salting; St - smoking

FOREIGN INVESTMENT IN THE ALASKA SEAFOOD INDUSTRY

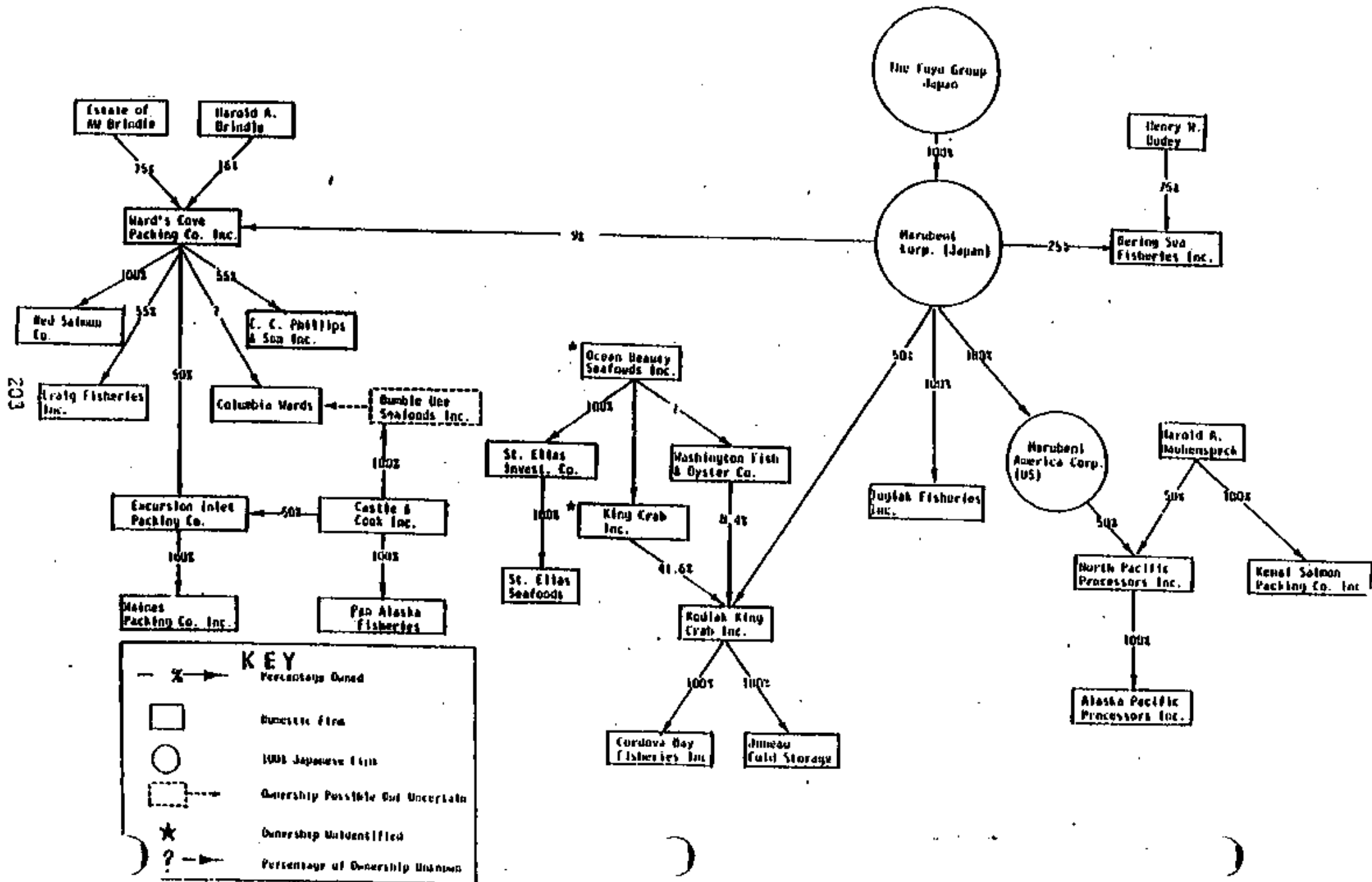
Prepared for:
HOUSE INTERIM COMMITTEE
ON FOREIGN INVESTMENT
OF THE ALASKA LEGISLATURE

Prepared by:
FRANK ORTH & ASSOCIATES, INC.
AND W. PATRICK DOUGHERTY
JANUARY, 1980



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EXHIBIT 4-14: OWNERSHIP INTERTIES BETWEEN ALASKA SEAFOOD PROCESSORS & THEIR AFFILIATES IN 1977



Calculated Utilization Rates for 1991, 1994 and 1996

Utilization of pollock may also be represented in terms of the amount of products that are derived from the round fish. In this section we will estimate the ratio of total pollock products produced to total target pollock catch. All products have been included in this calculation except discards. For example, if whole fish or meal were reported as a product form, they would be included.

The tables indicate that the overall utilization rate has increased over time. BSAI-wide the ratio has increased from 18.85% in 1991 to 24.17% in 1996. Only the fillet catcher processor class had a decrease. In 1996 their ratio was 16.99%, down from the 18.89% calculated for 1994. The decrease was likely due to that class increasing its production of deep skin fillets in response to U.S. market demand (see Tabs 5 and 6). Deep skin fillets are listed as having a product recovery rate (PRR) of 0.13, whereas boneless/skinless fillets had a PRR of 0.21 according to NMFS.

Across all product forms, offshore has been relatively stable since 1994. The onshore segment of the industry has increased from about 30% in 1994 to 33% in 1996, and the data reflect a near doubling of their utilization rate (for the limited products) from 1991 to 1996 (from 14.66% up to 26.18%). Comparing the two sectors, the onshore component had a utilization rate of over 30% in 1996 while the offshore rate was close to 20%.

When only surimi, minced, fillet, oil, and roe products are included, the utilization rates fall more for the onshore segment than the offshore. In 1996 for example, the onshore utilization rates fell from 33% to 26%, for a decrease of 7%. The offshore rates also fell, but only by 2% to 4%. However, the onshore rates are still higher than those calculated for the offshore sector.

Production and Total Catch of Target Pollock in the Bering Sea and Aleutian Islands in 1996				
		Total Catch	Total Product	Limited Products*
Fillet Catcher Processor	Tons	213,756	36,308	32,604
	Product/Total Catch (PRR)		16.99%	15.25%
Surimi Catcher Processor	Tons	432,308	84,999	72,124
	Product/Total Catch (PRR)		19.66%	16.68%
True Mothership	Tons	121,959	28,437	23,420
	Product/Total Catch (PRR)		23.32%	19.20%
Inshore	Tons	395,561	131,441	103,577
	Product/Total Catch (PRR)		33.23%	26.18%
BSAI Total	Tons	1,163,584	281,184	231,725
	Product/Total Catch (PRR)		24.17%	19.91%

Production and Total Catch of Target Pollock in the Bering Sea and Aleutian Islands in 1994				
		Total Catch	Total Product	Limited Products*
Fillet Catcher Processor	Tons	233,005	44,011	41,231
	Product/Total Catch (PRR)		18.89%	17.70%
Surimi Catcher Processor	Tons	535,669	103,571	88,150
	Product/Total Catch (PRR)		19.33%	16.46%
True Mothership	Tons	113,077	24,864	19,480
	Product/Total Catch (PRR)		21.99%	17.23%
Inshore	Tons	423,912	128,547	94,676
	Product/Total Catch (PRR)		30.32%	22.33%
BSAI Total	Tons	1,305,663	300,993	243,537
	Product/Total Catch (PRR)		23.05%	18.65%

Production and Total Catch of Target Pollock in the Bering Sea and Aleutian Islands in 1991				
		Total Catch	Total Product	Limited Products*
Fillet Catcher Processor	Tons	265,249	43,598	35,032
	Product/Total Catch (PRR)		16.44%	13.21%
Surimi Catcher Processor	Tons	738,069	129,846	110,839
	Product/Total Catch (PRR)		17.59%	15.02%
True Mothership	Tons	142,956	36,385	27,638
	Product/Total Catch (PRR)		25.45%	19.33%
Inshore	Tons	395,421	90,525	57,982
	Product/Total Catch (PRR)		22.89%	14.66%
BSAI Total	Tons	1,541,695	300,355	231,491
	Product/Total Catch (PRR)		19.48%	15.02%

* Limited Products include surimi, minced, fillet, oil, and roe products

Discussion Paper
Issues and Analysis for Inshore-Offshore 3

This discussion paper presents the current thinking of Council staff on the assessment of alternatives for Inshore-Offshore 3. It is divided into the following twelve sections, some having appendices:

1	Current Situation and Proposed Alternatives.....	2
2	Assessment for Inshore/Offshore 1.....	2
3	Assessment for Inshore/Offshore 2.....	4
4	Stock Projections.....	5
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1 Current Situation and Proposed Alternatives

Inshore-Offshore 2 will sunset in December 1998, a mere 18 months away. Inshore-Offshore 3 will have to be approved by the Council in June 1998 to take effect in 1999. Therefore, a preliminary draft analysis must be available for Council review in February 1998, and the Council must approve a draft for public review at their April 1998 meeting. Thus, there are only about seven months to complete the study. Assuming the latest possible implementation date (01/20/99), then Inshore-Offshore 3 must be submitted to the Secretary of Commerce no later than September 2, 1998, leaving only 70 days after the June 1998 meeting for drafting the Proposed Rule and Preamble, and for internal review by the Region. Clearly there is no room for slippage.

The Gulf of Alaska portion appears non-controversial. Only two options have been discussed: (1) a rollover of the current regulations, and (2) "No Action," whereby the allocation would sunset.

The Bering Sea and Aleutians alternatives proposed thus far, and reordered by Council staff, are described in Item C-1(a). They have five basic forms:

1. Return to unallocated open access; the "No Action" Alternative.
2. Allocations to two processing sectors (inshore & offshore) as currently defined, allocating 35% of the non-CDQ Pollock inshore and 65% offshore.
3. Allocations to two processing sectors, redefining the Inshore sector to include "true motherships." "True Motherships" are motherships or floating processor vessels that have never caught their own fish while operating within the U.S. EEZ under U.S. flag. Proposed inshore allocations are 25%, 45%, or 70%, with the remainder going offshore. In 1996 "true motherships" processed approximately 10% of the non-CDQ pollock TAC.
4. Allocations to three processing sectors (inshore, offshore, and "true motherships"). The inshore sector would be defined as they are currently. The range of inshore allocations goes from a low of 19% to a high of 55%. Proposed allocations to "true motherships" range between 5% and 15%. The offshore sector would be allocated the remaining portions of the non-CDQ TAC.
5. Allocations to catcher vessels and to catcher processors, with an optional minimum shore-side guarantee. Catcher processors would be allocated between 35% and 57%, and catcher vessels between 43% and 65% of the non-CDQ pollock TAC. In 1996 catcher vessels harvested approximately 51%. Of the catcher vessel allocation, between 53% and 81% could be guaranteed to the Inshore sector as currently defined.

Alternatives 2-5 also include a Catcher Vessel Operational Area. To date no changes in the definition of the CVOA have been proposed. There have been proposals to enforce the CVOA in both the A and the B seasons. Currently, the CVOA is only in effect in the B season until such time as the inshore pollock fishery opens.

2 Assessment for Inshore/Offshore 1

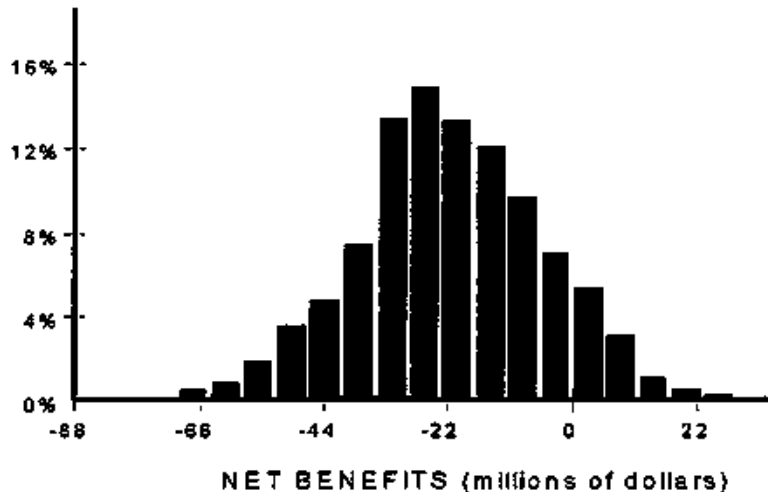
Inshore/Offshore 1 was approved by the Secretary in two phases. Initially, the Secretary approved the GOA, but rejected full approval of the Council's preferred alternative for the BSAI. That alternative was a three-year program which allocated progressively greater amounts of pollock to the inshore sector each year going from 35% in the first year to 45% by the third year. The Secretary of Commerce approved a 35% allocation for the B-Season of 1992, as well as the pollock CDQ program, but asked that the Council resubmit options for allocations beyond 1992.

The original analysis for Amendment 18/23, dated September 19, 1991, included a Social Impact Assessment and detailed cost and revenue profiles for various types of vessels and processors involved in the pollock and Pacific cod fisheries. Cost information was based on an OMB approved survey of the industry prepared and distributed by NMFS-AFSC in summer 1990. It asked for information for 1989 and for partial year information for 1990. (Copies of the survey forms mailed to Catcher Vessels, Catcher Processors, and Shoreside Processors are found in Attachment III, and will be available at the meeting.) This information was the basis of the economic assessment, which largely focused on distributional impacts of the allocation, and featured the Jensen-Radtke Fishery Economic Assessment Model, a disaggregated input/output tool still used today, most recently in the halibut charter issue. This study concluded there would be a net gain in "direct income" of approximately \$9 million over the life of the program.

The controversy surrounding the Council's approval of the original allocation, and the somewhat limited "cost-benefit" analysis included in the original SEIS, led NMFS to embark on an unprecedented "independent" assessment of the alternatives. The NMFS Economics Special Studies Team, a group of economists not directly involved in the fisheries of the North Pacific and led by Dr. Morton Miller, provided the Secretary with a draft report dated February 14, 1992. Their findings (projecting a loss of \$181 million to the nation over the three years of the program) were singularly important in the Secretary's "only partial" approval of the Council's Preferred Alternative. This report and a subsequent final draft, dated April 14, 1992, are available by contacting Council staff. These assessments were primarily "cost-benefit studies." Costs for the Inshore Sector were based on the OMB survey, while costs for the Offshore Sector were based on data submitted during public comment.

Council staff and NMFS economists, including members from the "Special Studies Team", prepared a Supplement to the SEIS following the "only partial" approval of the amendments. This document included a distributional input-output study as found in the original SEIS and a "Cost-Benefit" analysis similar to that found in the "Special Studies Team" report. It attempted to incorporate uncertainty in key parameters such as price, recovery rates, bycatch, discards, and marginal cost indices, by developing two sets of ranges, one set comprising industry input, and the other reflecting the "best estimates" of the analytical team. The ranges of the various parameters were fed into a "Monte Carlo" model. The cost-benefit results of the study projected a loss to the nation of roughly \$35 million over the three-year program. However, the hypothesis that the allocation would be neutral in terms of net-benefits could not be rejected, as roughly 18% of the Monte Carlo outcomes were positive, as shown in Figure 1 below, taken from the Supplementary Analysis of the Proposed Amendment 18.

Figure 1



In the end the Council resubmitted a program which would allocate 35% to the inshore sector in the first year, stepping up to 37.5% in the second and third years. The Secretary approved a 35% allocation for all three years.

3 Assessment for Inshore/Offshore 2

Inshore/Offshore 1 was scheduled to expire on December 31, 1996. The Council asked staff to examine a simple rollover of the amendments, though there were discussions in the early development of Inshore-Offshore 2 to include changes in the allocation percentages. The Council was apparently dissuaded from including these options partly as a result of advice from the SSC. The September 1994 SSC minutes read as follows:

"The scope of the socio-economic analysis needed will depend upon (a) the length of the extension, because a longer extension begins to look like a permanent allocation rather than an interim measure, and (b) whether any options are considered besides a simple extension of the existing allocation rules. Consideration of new allocation options (such as different percentages of cod and pollock allocated to onshore processing, or different CDQ percentages) or a long term extension would, in our view re-open the complex issues of social and economic impacts which were extensively examined in the original amendment process.

A more extensive analysis would need to quantitatively assess social and economic impacts and national net benefits of allocation among onshore and offshore sectors, and it would likely need to assess the success of the CDQ program in providing for economic development of Western Alaskan Communities."

The analysis of Inshore/Offshore 2 (Amendments 38/40) did not re-spade the previous cost-benefit or distributional analyses; rather, it examined the state of the fisheries from 1992-1994. It identified significant changes affecting the overall findings of the previous analysis. Directional changes from the original analyses, and their likely magnitudes, also were identified. Projections were made regarding the likely distributions of fishing and processing activities under two alternatives—expiration or reauthorization of the allocation using the 1993 and 1994 fisheries as a base case.

The analysis also examined other issues identified by the Council including stability within the industry, future trade-offs for affected industry sectors, and potential impacts on the Council's overall Comprehensive Rationalization Program (CRP) development. The pollock CDQ program also was examined, from the perspective of each of the six CDQ organizations' development relative to the overall goals and objectives of the CDQ program created by the Council.

No new cost information was available, so the analysis included no detailed cost profiles, and therefore no quantitative results showing costs and benefits or distributional impacts. Instead, the analysis focused on parameters for which new data were available and qualitatively assessed how these parameter changes might have affected the results of the cost-benefit and distributional studies of Inshore/Offshore 1. The analysis concluded that the losses of net benefits projected in the 1992 Supplemental Analysis were most likely overstated, and that changes in the actual fisheries would tend to move the expected impacts of the original analysis toward a more neutral outcome.

The analysis concluded that the distribution effects also were likely overstated in the original analysis. This finding derived from the fact that prices and therefore revenues were significantly lower than assumed. Lower revenues tend to dampen the magnitude of distributional changes, which are primarily a function of income.

The Council's focus during the reauthorization was on stability, and the assessment concluded the following:

"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 the harvesting vessels delivering to them. The continuation of these allocations for an additional three years was projected to maintain the relationships between these sectors as they had developed over the previous three years. The stability, which had been established between these various industry sectors, would not guarantee survival of entities within these sectors, but would be crucial to the successful fruition of the CRP program over the next three years."

4 Stock Projections

Previous inshore/offshore assessments assumed that pollock stocks in the Bering Sea were stable and the pollock TACs would remain constant over the allocation period at levels between 1.1 and 1.2 million metric tons. The same assumptions are unlikely to be acceptable for Inshore-Offshore 3.

The Eastern Bering Sea pollock stock biomass has fluctuated in abundance over the last 35 years, from very low levels in the mid-1960s (< 2 million mt.), to a peak of about 12 million mt. in the mid-1980s (Figure 2). The stock has since declined, and the 1997 exploitable biomass is estimated to be 6,120,000 mt. ABC and TAC are set at 1,130,000 mt for 1997.

High stock biomass in the 1980s resulted from consistently good year-classes produced between 1972 and 1984 (Figure 3). More recent year-classes have been below average, except for an abundant 1989 year-class and average 1992 year-class. Without consistently large year-classes, TAC specifications will become more dependent on recruitment. Available recruitment data from U.S. surveys, while uncertain, suggest that the stock may continue to decline in the foreseeable future.

Figure 2

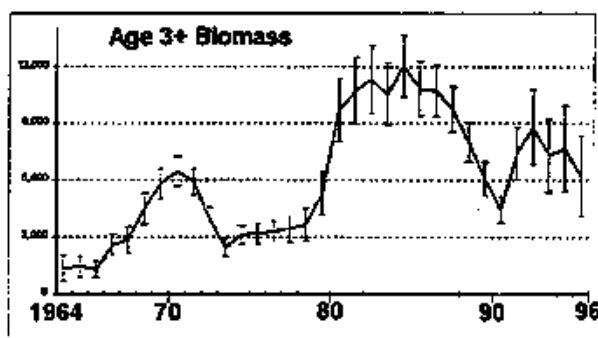
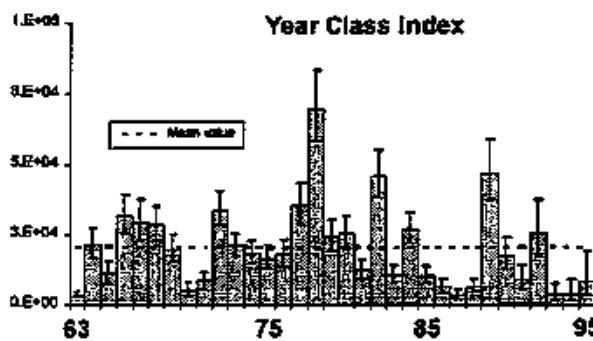


Figure 3



Preliminary data from the 1997 summer survey should be available by September, and should provide some additional indication of the strength of the newest recruits into the fishery, i.e. the 1994 year-class, as well as some indications of the 1996 year-class index. If the 1994 year-class recruits well into the fishery, or if the 1996 year-class shows up in good numbers, then TACs could be relatively stable. Otherwise declines in the TAC would be expected.

If indeed the pollock stocks are less stable than in previous years the importance and impact of the inshore/offshore allocation may be magnified. On the one hand, declining stocks may be used to justify an increase to one or other of the sectors on stability grounds. On the other hand, the instability of the sector receiving a smaller allocation will only be increased if TACs decline significantly.

5 Catcher Vessel Operational Area (CVOA)

The proposed alternatives include an option to change current CVOA regulations to exclude catcher processors from operating in the CVOA during the A-season. This would have potential biological and socio-economic impacts.

Catches in the CVOA are not explicitly recorded in the blend data, making estimates of catches within the CVOA somewhat problematic. Management areas 517 and 509 cover most of the CVOA, but large portions of those areas are north of it. In 1996 roughly 70% of the pollock targeted by catcher-processors in the A-season were taken from 517 and 509. Area 513, to the north and west of the CVOA, accounted for an additional 23% of the A-season pollock. In 1997 areas 517 and 509 accounted for 91% of the catcher processors' A-season total, while area 513 accounted for only 3% of their A-season. Figure 4, below, shows the CVOA and its relationship to the Bering Sea Management Zones.

Observer data more accurately show catch locations. Figures 5-8 show haul locations with pollock targets by all vessels in both the A and B seasons for 1995 and 1996. The CVOA boundary is the shaded area superimposed on the map. The figures show the differences in effort inside the CVOA during the A-season compared to the B-season. Clearly the areas in and around the CVOA are important for catcher-processors during the A-season. On the other hand, the CVOA is also a part of the "critical habitat" for Steller sea lions, recently listed as "endangered". Figure 9 shows the overlap of critical habitat area and the CVOA.

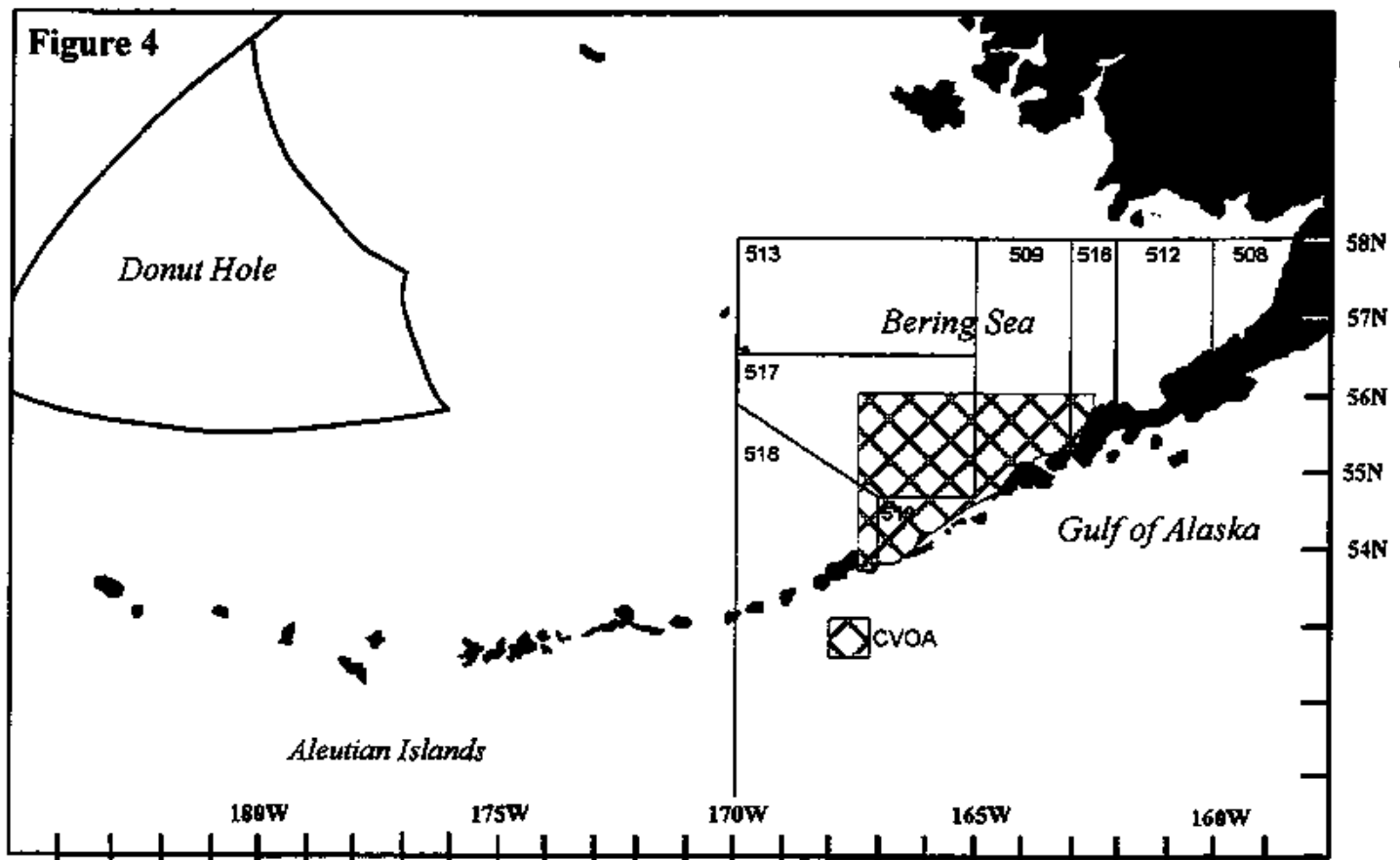


Figure 5

**1995 A-Season
Pollock Fishery**
10 and 20 nm trawl exclusion zones
around Steller sea lion
rookeries and the CVOA
are also shown.

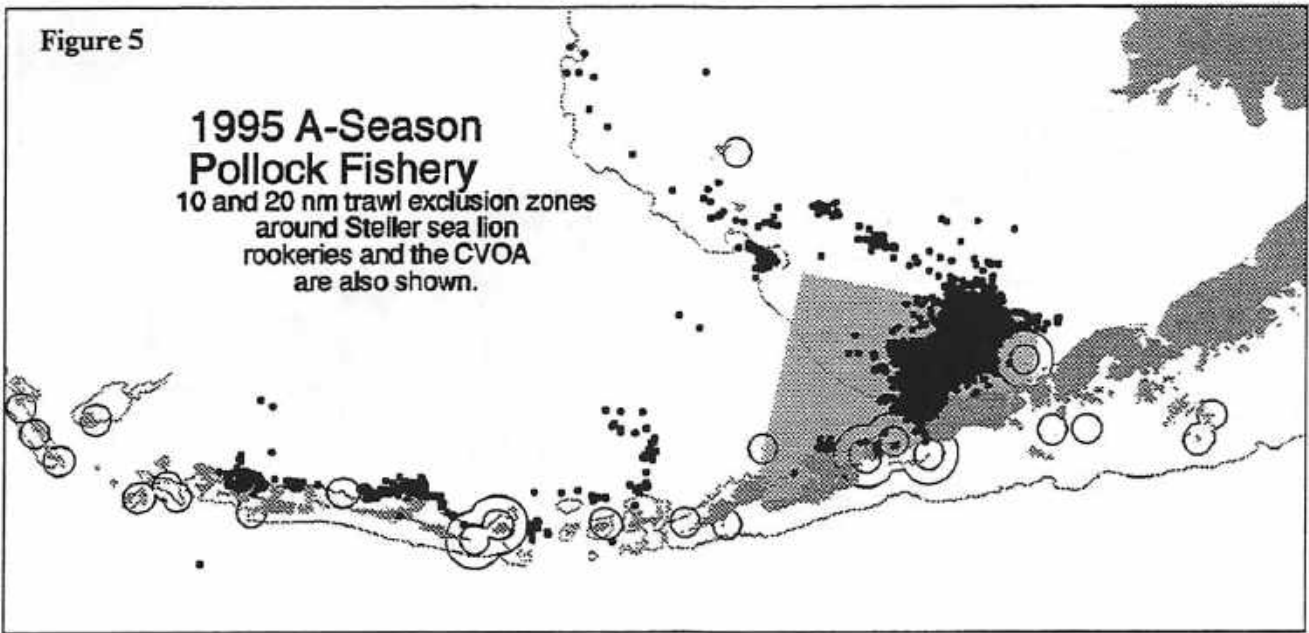


Figure 6

**1995 B-Season
Pollock Fishery**

EEZ, CVOA, and 10 nm trawl exclusion zones
around Steller sea lion rookeries are also shown.

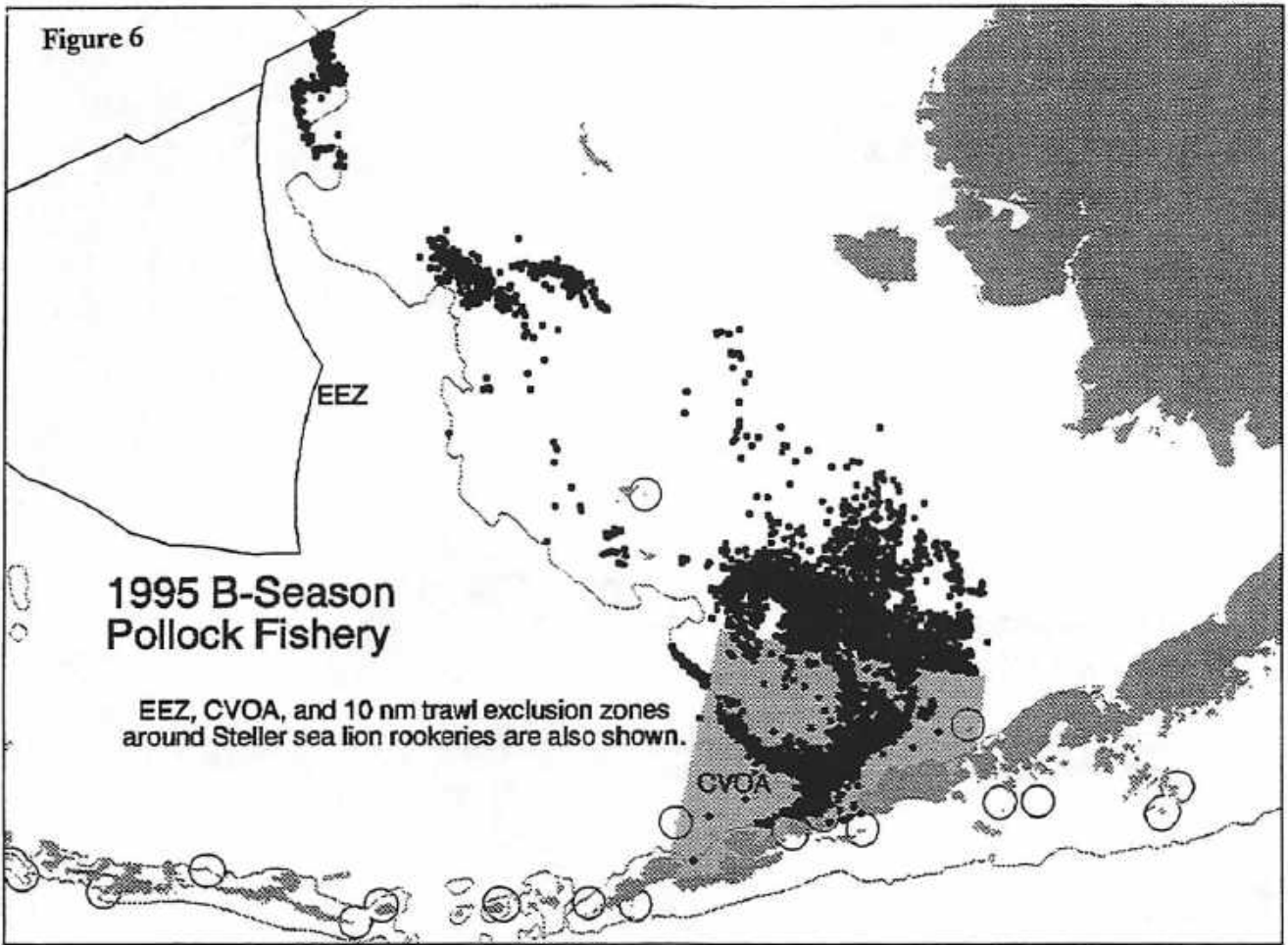


Figure 7

**1996 A-Season
Pollock Fishery**
10 and 20 nm trawl exclusion zones
around Steller sea lion
rookeries and the CVOA
are also shown.

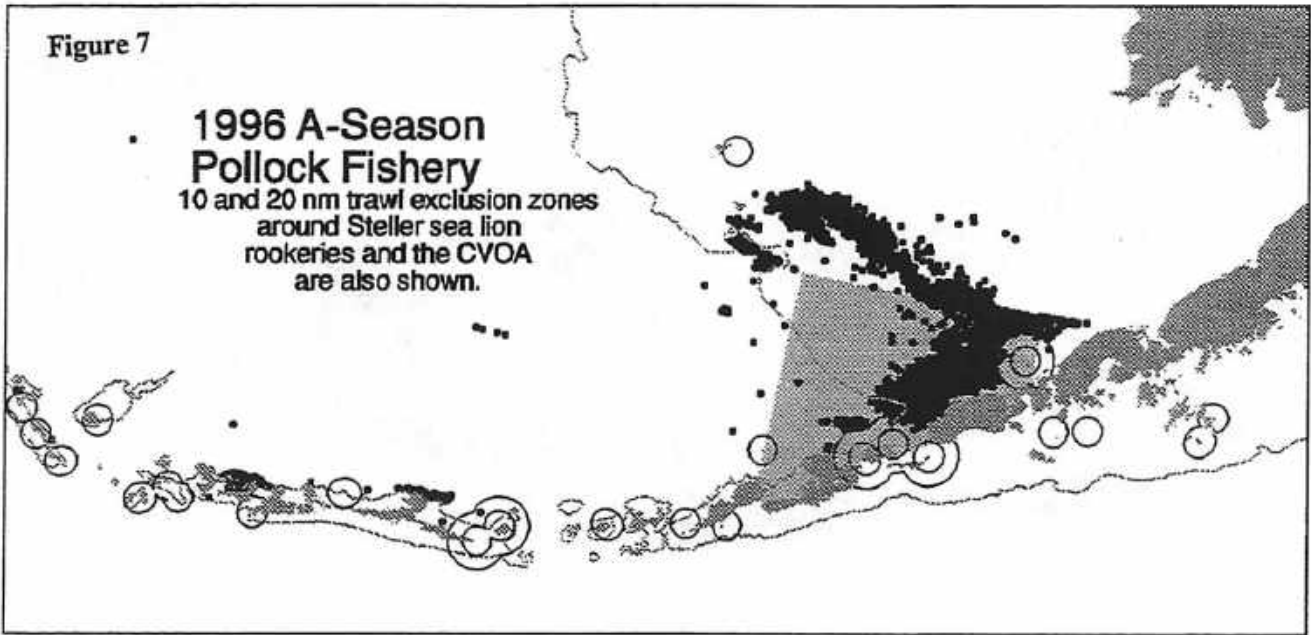
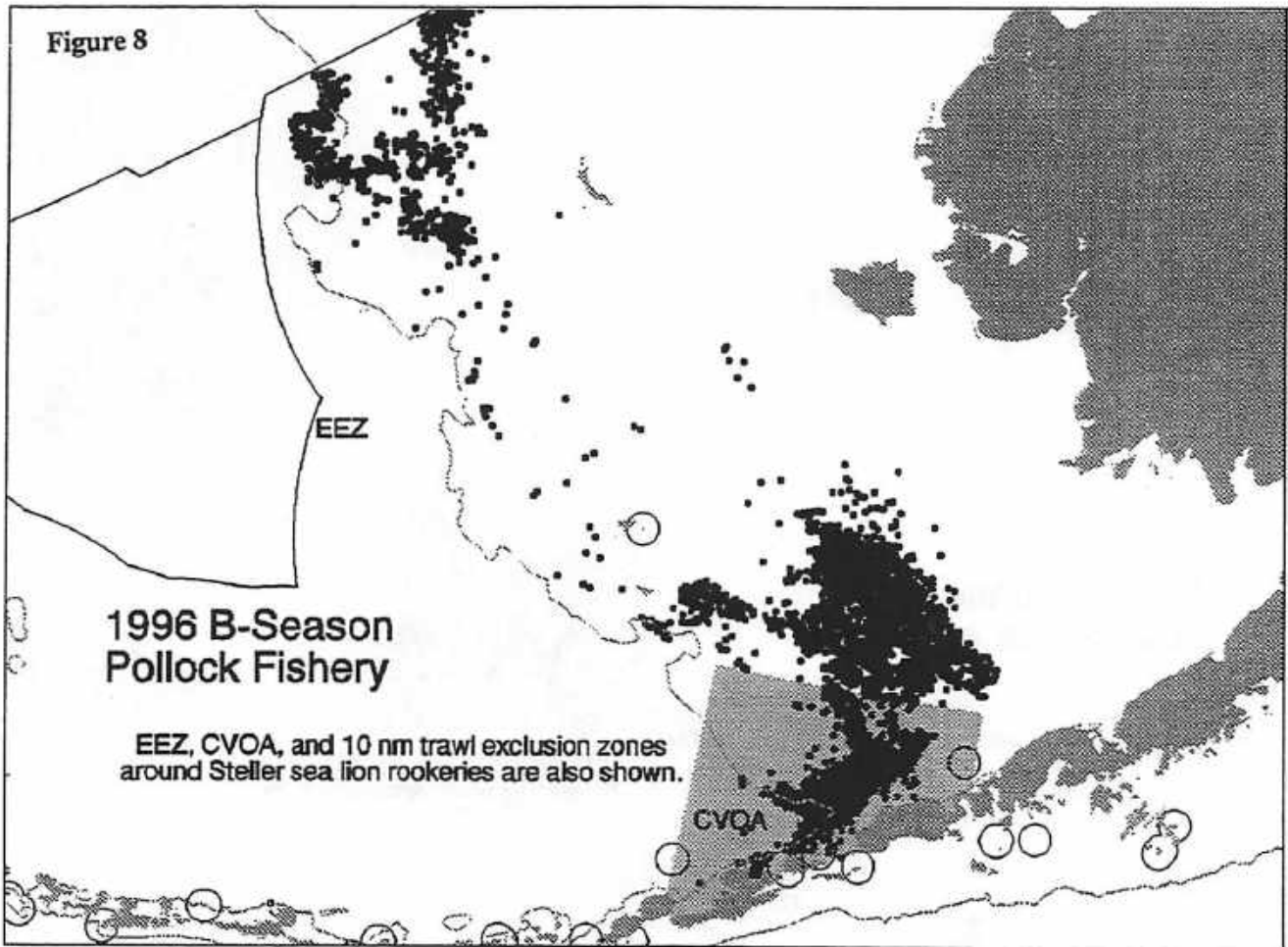


Figure 8

**1996 B-Season
Pollock Fishery**

EEZ, CVOA, and 10 nm trawl exclusion zones
around Steller sea lion rookeries are also shown.



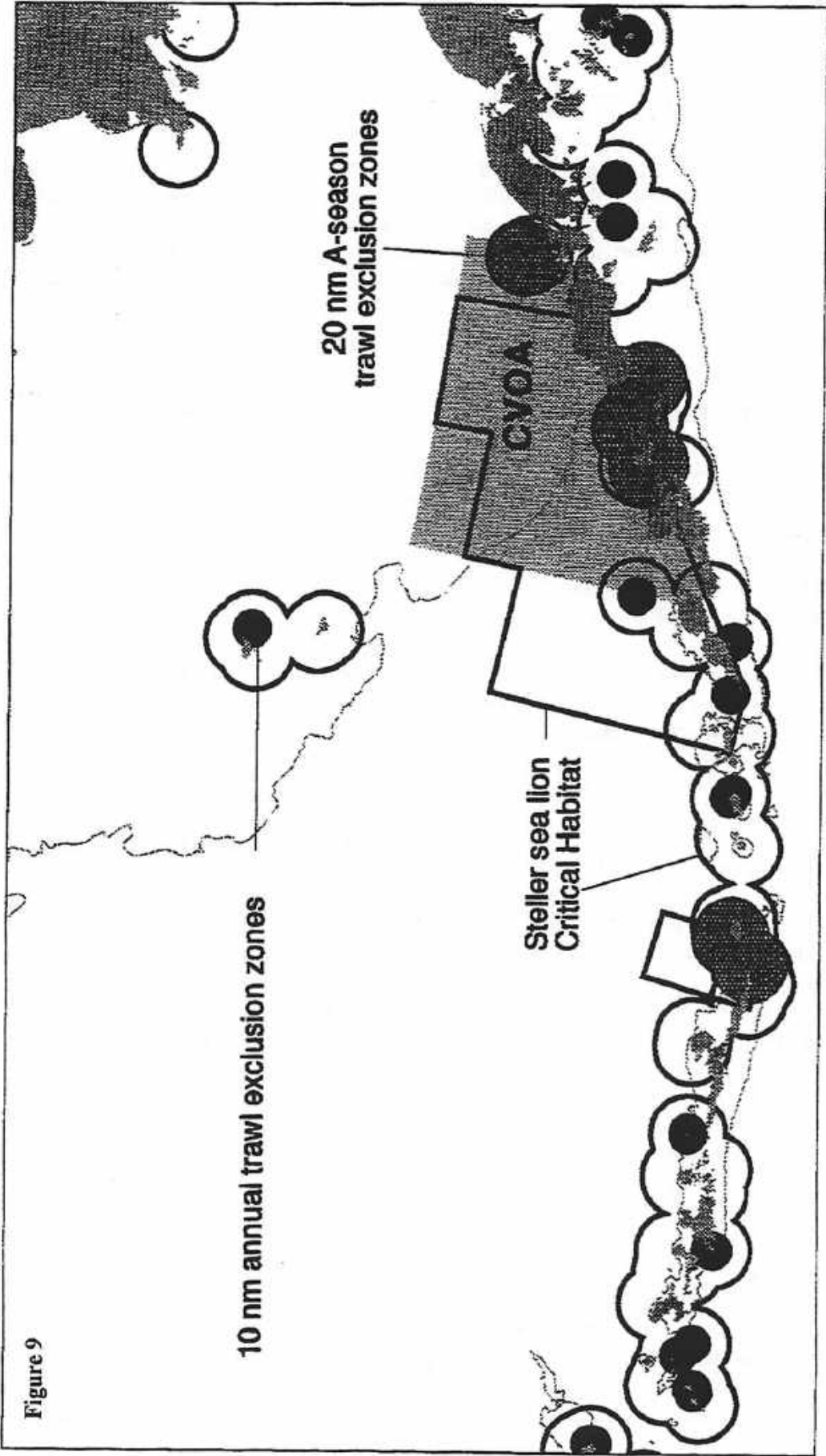


Figure 9

6 Pollock CDQs and the Magnusen-Stevens Act

When the Council approved Inshore/Offshore 2 in June 1995, they also approved the License Limitation and the multi-species CDQ programs for groundfish and crab. They explicitly made the pollock CDQ allocation part of the inshore/offshore amendment package that would expire at the end of 1998, and not part of the multi-species CDQ allocation that would commence in 1998. The Magnuson-Stevens Act has been revised to include very specific language pertaining to Western Alaska CDQ allocations. The language from Section 305 is shown in the box below:

(i) ALASKA AND WESTERN PACIFIC COMMUNITY DEVELOPMENT PROGRAMS.—

(1) (A) *The North Pacific Council and the Secretary shall establish a western Alaska community development quota program under which a percentage of the total allowable catch of any Bering Sea fishery is allocated to the program.*

(B) To be eligible to participate in the western Alaska community development quota program under subparagraph (A) a community shall—

(i) be located within 50 nautical miles from the baseline from which the breadth of the territorial sea is measured along the Bering Sea coast from the Bering Strait to the western most of the Aleutian Islands, or on an island within the Bering Sea;

(ii) not be located on the Gulf of Alaska coast of the north Pacific Ocean;

(iii) meet criteria developed by the Governor of Alaska, approved by the Secretary, and published in the Federal Register;

(iv) be certified by the Secretary of the Interior pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.) to be a Native village;

(v) consist of residents who conduct more than one-half of their current commercial or subsistence fishing effort in the waters of the Bering Sea or waters surrounding the Aleutian Islands; and

(vi) not have previously developed harvesting or processing capability sufficient to support substantial participation in the groundfish fisheries in the Bering Sea, unless the community can show that the benefits from an approved Community Development Plan would be the only way for the community to realize a return from previous investments.

(C) (i) Prior to October 1, 2001, the North Pacific Council may not submit to the Secretary any fishery management plan, plan amendment, or regulation that allocates to the western Alaska community development quota program a percentage of the total allowable catch of any Bering Sea fishery for which, prior to October 1, 1995, the Council had not approved a percentage of the total allowable catch for allocation to such community development quota program. The expiration of any plan, amendment, or regulation that meets the requirements of

clause (ii) prior to October 1, 2001, shall not be construed to prohibit the Council from submitting a revision or extension of such plan, amendment, or regulation to the Secretary if such revision or extension complies with the other requirements of this paragraph.

(ii) With respect to a fishery management plan, plan amendment, or regulation for a Bering Sea fishery that—

(I) allocates to the western Alaska community development quota program a percentage of the total allowable catch of such fishery; and

(II) *was approved by the North Pacific Council prior to October 1, 1995; the Secretary shall, except as provided in clause (iii) and after approval of such plan, amendment, or regulation under section 304, allocate to the program the percentage of the total allowable catch described in such plan, amendment, or regulation. Prior to October 1, 2001, the percentage submitted by the Council and approved by the Secretary for any such plan, amendment, or regulation shall be no greater than the percentage approved by the Council for such fishery prior to October 1, 1995.*

(iii) The Secretary shall phase in the percentage for community development quotas approved in 1995 by the North Pacific Council for the Bering Sea crab fisheries as follows:

(I) 3.5 percent of the total allowable catch of each such fishery for 1998 shall be allocated to the western Alaska community development quota program;

(II) 5 percent of the total allowable catch of each such fishery for 1999 shall be allocated to the western Alaska community development quota program; and

(III) 7.5 percent of the total allowable catch of each such fishery for 2000 and thereafter shall be allocated to the western Alaska community development quota program, unless the North Pacific Council submits and the Secretary approves a percentage that is no greater than 7.5 percent of the total allowable catch of each such fishery for 2001 or the North Pacific Council submits and the Secretary approves any other percentage on or after October 1, 2001.

(D) *This paragraph shall not be construed to require the North Pacific Council to resubmit, or the Secretary to reapprove, any fishery management plan or plan amendment approved by the North Pacific Council prior to October 1, 1995, that includes a community development quota program, or any regulations to implement such plan or amendment.*

There has been considerable debate among Agency and Council staffs over the issue of whether continuation of the pollock CDQ program is mandated in the above legislative language. Council staff believes that the combined effect of subsections (1)(A), (1)(C)(ii)(II), and (1)(D) (all in italics) is to mandate the continuation of the pollock program at the current level of 7.5%. A counterpoint that has been offered informally by NOAA GC is that the clause in (1)(C)(ii)(II):

"... the Secretary shall, except as provided in clause (iii) and after approval of such plan, amendment, or regulation under section 304,..."

will require the Council to submit a full blown plan amendment analyzing and demonstrating positive net benefits to the nation of continuation of the pollock CDQ program. Further, NOAA GC has argued that one of the alternatives analyzed must be the no action alternative, i.e., letting the pollock CDQ program expire.

To clarify congressional intent, we researched the congressional record of the legislation. The Senate Commerce Committee report on S. 39, dated May 23, 1996, states on the pages shown in parentheses:

"The North Pacific Council has implemented CDQ programs that set aside about 7.5 percent of the Bering Sea harvests of pollock, halibut and sablefish for 55 villages in western Alaska. In addition, that Council has recommended CDQs in several other major Bering Sea fisheries, including crab. The bill legislatively mandates both current and proposed Bering Sea CDQ programs and authorizes similar programs in the western Pacific. (p. 6)

In June of 1995, the North Pacific Council renewed the pollock CDQ program by unanimous consent (with one abstention)(p. 27).. New section 305(i) of the Magnuson Act would explicitly provide for the western Alaska CDQ programs and combine them in a single program for regulatory efficiency... (p. 28)

New subsection (i) of section 305 of the Magnuson Act would require the North Pacific Council and the Secretary to establish a western Alaska community development program under which a percentage of the total allowable catch of each Bering Sea fishery is allocated to the program. Bering Sea CDQ programs already recommended or submitted by the North Pacific Council would be combined into a single, more efficient western Alaska CDQ program... (p. 28)

This subsection would establish a moratorium through FY 2000 on the submission by the North Pacific Council of a ... western Alaska CDQ program unless the Council had recommended a CDQ allocation in the fishery prior to October 1, 1995. The moratorium therefore would limit the new combined western Alaska CDQ program to the pollock, halibut, sablefish, crab and groundfish fisheries until September 30, 2000. In addition the Secretary would be prohibited during that period from approving or implementing a greater percentage of the total allowable catch of the Bering Sea pollock, ... for the western Alaska CDQ program than the North Pacific Council had already recommended as of September 30, 1995 in those fisheries. The effect of this restriction with respect to pollock would be that North Pacific Council and Secretary would be required to continue to allocate a percentage of pollock to the western Alaska CDQ program, notwithstanding the current expiration date for pollock CDQs, but the Secretary would not be allowed to approve a percentage higher than 7.5 percent for pollock CDQs prior to October 1, 2000. (pp. 28-29)

Senator Stevens' comments on the Senate floor on September 19, 1996, concerning manager's amendments to S. 39, echo the committee report:

Pacific Community Fisheries

The amendment requires the North Pacific Council and Secretary to establish a western Alaska community development quota (CDQ) program under which a percentage of the total allowable catch of each Bering Sea fishery is allocated to western Alaska communities that participate in the program. The amendment prevents the North Pacific Council from increasing the percentage of any CDQ allocation approved by the Council prior to October 1, 1995 until after September 30, 2001. The amendment includes a sentence at the end of a new section 305(i) (1)(C)(i) making clear that this cap through September 30, 2001 does not prevent the extension of the pollock CDQ allocation beyond 1996. In complying with the western Alaska CDQ requirement, a percentage of the pollock fishery (and each Bering Sea fishery) must be allocated to the program every year. In the event that the North Pacific Council fails to submit an extension of

the pollock CDQ in 1998, it is the intent that the Secretary continue to allocate to the western Alaska CDQ program the percentage of pollock approved by the Council for previous years until the Council submits an extension.

The Council retains the ability to revise CDQ allocations, except as provided in the amendment for crab fisheries, provided that the allocations not exceed the levels approved by the Council prior to October 1, 1995 (after September 30, 2001, the Council retains the full ability to revise CDQ allocations). The Secretary is required to phase in the CDQ percentage already approved by the North Pacific Council for the Bering crab fisheries, allocating 3.5 percent in 1998, 5 percent in 1999 and 7.5 percent in 2000 and thereafter, unless the Council submits a percentage no greater than 7.5 percent for 2001 or any other percentage on or after October 1, 2001. CDQ allocations already approved by the Council (pollock, halibut, sablefish, crab and groundfish) do not need to be resubmitted by the Council or reapproved (if already approved) by the Secretary.

From these expressions of Congressional intent, we conclude that the Council does not have the option of letting pollock CDQs expire, but might be able to consider a reduced percentage, though the language is somewhat ambiguous on this latter conclusion. Therefore, the staff needs clear direction from the Council on two issues: (1) the alternatives to be analyzed for pollock CDQs, and (2) the scope of the analysis desired. Based on what we believe are mandates in the Act, and unless otherwise directed by the Council, the staff will include the pollock CDQs at 7.5% without sunset as the only option. The analysis will be very brief. It will dwell mainly on the benefits that have resulted from the current and past pollock CDQ programs. There will not be a comprehensive cost-benefit analysis attempting to show net benefits to the nation. The amendment more-or-less will be viewed as a technical amendment removing the current sunset date.

7 Catch and Processing Data

We anticipate including 1997 data in our analysis, however that will depend on the ability of ADFG to quickly process this year's fish tickets. Catch estimates for past years will be based on a combination of blend data, NORPAC observer data, and ADFG fish ticket data. Because it appears there will be added importance to estimates of catcher vessel participation, we plan on using a catcher vessel catch estimation algorithm similar to that used in the analysis of gear splits in the Pacific Cod fisheries. This algorithm combines blend data with the best estimate of catcher vessel harvests, such that the total catch by catcher vessel is inflated to equal the total catch estimated by the blend data. Processed product estimates for past years will be based on weekly processor reports, and to the extent they are available, on annual operator reports submitted to ADFG. NMFS-AFSC has recently compiled a draft discussion paper showing catch, processing and participation in the BSAI and GOA pollock fisheries. It was included in the council mailing of June 10, 1997.

7.1 Confidentiality of Catch and Processing Information

Data submitted to NMFS and ADFG weekly production reports and fish-tickets are confidential. In addition, all data submitted by observers are confidential. Therefore, we will not be able to discuss amounts of catch and processing accruing to individual companies, unless they voluntarily submit their individual data. This will limit our ability to provide quantitative estimates regarding the concentration of catch and processing within each sector.

8 Cost Data Collection and Projections

The only comprehensive set of cost information for the pollock and Pacific cod fisheries comes from the OMB survey for Inshore/Offshore 1. Several attempts to generate new information have come up short. A quantitative analysis of costs and benefits and distributional impacts will require new cost data from each of the affected sectors.

NMFS-AFSC has recently submitted to OMB a request to conduct a cost data collection, which will serve as a "prototype" for an annual collection process. There will be a 60-day public comment period, followed by a 30-day OMB review. No decision on the acceptability of the process may be made prior to the end of the 30-day OMB review, but a decision must be rendered within the subsequent 30 days. Therefore we may begin collecting cost information as early as 16 August 1997, but more likely sometime in September. It is envisioned that the annual process will provide cost information in a less controversial environment. Unfortunately, the cost information gathered in the initial prototype, which will focus on the pollock fishery, may produce "skewed" results if respondents attempt to influence the outcome of the inshore/offshore decision. A copy of the text of the Federal Register Notice for the cost gathering program is attached.

On June 10, 1997, NMFS and Council staff met with industry representatives to discuss the proposed collection of cost data. In general it appears that industry is willing to work with agency personnel to develop a survey instrument, which will provide meaningful cost data. The representatives also felt inclined to provide more complete information than had been proposed initially. Two areas were discussed in which additional information could be gathered: (1) inclusion of greater detail regarding non-pollock activities of participants in the pollock fisheries, and (2) inclusion of the head and gut factory trawl fleet in the survey. The former would be included to get a more complete profile of the participants in the pollock fishery. The latter would be included because it is deemed likely that they would be impacted by a change in the inshore/offshore allocation. Although they could not make promises, the representatives stated that they believed their colleagues would be willing to support the data collection to OMB, and would likely support additional burden hours in comments to OMB.

There are potential negative implications of expanding the survey. An expansion would increase the burden on industry and the agency, and may actually decrease the ability of the agency to collect the core information on the pollock fisheries. While the benefits of the expanded survey could marginally enhance the analysis, these marginal improvements could very likely be captured in a more qualitative manner.

9 Price and Market Projections

Accurate and comprehensive price data may be more difficult to obtain than in previous iterations of Inshore/Offshore. Price data through 1994 were collected in a cooperative effort between NMFS and ADFG. More recent data have been collected by ADFG alone. The most information available is for 1995, but it appears to be somewhat less reliable than earlier years. ADFG is currently collecting 1996 data which should be available in time for use in the analysis. Other sources of price information may prove useful, such as market newsletters published by various research firms. With the proliferation of the Internet, additional price information may be available. The major problem with alternative sources of price information is that the products rarely match those reported in the weekly processor reports. It may be possible that additional information may be gathered through public comments, or from a survey planned by NMFS-AFSC, which will be discussed in the next agenda item.

In the previous analysis, price and gross revenue projections served as an indicator of directional changes in the projections and distribution of benefits as estimated from 1992 supplemental analysis. Even with accurate estimates of past and current prices, there will still be a great deal of uncertainty regarding future prices. Because of the international nature of the pollock market, forecasts of future prices are particularly troublesome, as they depend not only on demand for product, in both the United States and abroad, but also on the yen/dollar exchange rates, and demand for close substitutes of pollock products. The issue is clouded further by vertical integration within the pollock industry, and the existence of long term marketing arrangements.

10 Foreign Ownership and Control

In Inshore/Offshore 1, estimates of foreign ownership, based on studies by ADFG and the General Accounting Office (GAO), were used to discount producer surplus accruing to the U.S. It was assumed that 75% of offshore producer surplus accrued to U.S. owners, while only 35% of inshore producer surplus accrued to U.S. owners. The remaining quantities "leaked" from the system to foreign nationals. Because the information in the two studies was relatively recent, it was deemed reasonable for use in the inshore/offshore analysis.

More recent comprehensive studies of foreign ownership do not exist. However, some information appears to be available from databases maintained by the states of Alaska and Washington. A quick survey of the State of Alaska Corporations database on the Internet revealed that Japanese ownership of shore plants in Dutch Harbor was extensive. Unfortunately, a similar level of information regarding fishing vessels is not so readily accessible, primarily because fishing and processing vessels tend to be held in limited partnerships rather than in corporations. Complete access to Alaska's corporate database should be available on the Internet this summer. In addition, data on limited partnerships may also be available. Similar data from Washington State apparently are available by obtaining a use license.

In addition to these public sources, we are investigating to possibility of accessing databases on LEXIS-NEXIS. Apparently, this company provides fee-based access to public records including State Corporation Databases, databases reporting bankruptcies, and other financial statements. Other sources of information include fishery trade journals such as "Fishing News International," which in March 1997 printed an extensive article and interview with executives from American Seafoods, the large corporation heavily involved in the factory trawl sector. All of these sources will be accessed to document the extent of foreign ownership and control in the pollock fisheries of Alaska.

11 Modeling the Fishery Under the Alternatives

Council staff has not yet finalized a methodology to project catch and processing by types of various vessel and processors under the various alternatives. Two methods could produce reasonable results. The first is a linear extrapolation model used in Inshore/Offshore 1 and 2. The second is a simulation model developed for the Comprehensive Rationalization Program by Dr. Matt Berman at University of Alaska's Institute of Social and Economic Research, and Council Economist Marcus Hartley. Both models may provide very similar results for the pollock fisheries. The simulation model would likely provide better projections of the impacts of reallocations in other target fisheries such as Pacific cod, and Atka Mackerel, and of the impacts of changes to the CVOA. Both models would use similar inputs for the pollock fishery, but the simulation model would require additional cost, revenue, and operational information for Pacific cod, Atka Mackerel and perhaps other fisheries. The simulation model would also require more detailed bycatch information. An additional consideration is the relative complexity of the two models. The simulation model is much more complex and difficult to explain and understand, while the extrapolation model relies on a relatively straightforward process of linear expansions and contractions.

In either case we anticipate modeling the uncertainty inherent in the parameters, as was done in the 1992 cost-benefit analysis. This will involve assigning probability distributions around key inputs, and employing "Monte Carlo" simulation methodologies to randomly select inputs from the distributions for a large number of iterations. The end results will provide "expected values" for the cost-benefit tradeoff, as well as demonstrate the level of uncertainty around that expected value.

We also anticipate using the Jensen-Radtke Fishery Economic Assessment Model (FEAM) to show distributional impacts. Results from the simulation model or the extrapolation model can be fed into the FEAM. In addition we plan to examine the effects of uncertainty by conducting "Monte Carlo" iterations of the model using random inputs from the same probability distributions mentioned in the previous paragraph.

11.1 Who Has Standing in the Accounting of Costs and Benefits to the Nation?

Foreign ownership may be a crucial determinant in the assessment of net benefits. The proper way to deal with foreign ownership and consumption in a cost/benefit analysis is currently under debate. It appears that we are mandated to examine costs/benefits and impacts only as they apply to the U.S. consumers and producers. This would imply that we should not consider impacts on consumer surplus accruing to foreign nationals. Further we would ignore costs and benefits relating to foreign owned producers. Of course the logical extension of this is the elimination of free trade.

On the other hand, economic theory holds that the benefits of free trade outweigh the benefits of trade barriers, leading to the conclusion that the U.S. is best off if the value of the resource is maximized regardless of the nationality of the beneficiaries. Thus we would count all foreign producer and consumer surplus.

Squire and Van Der Tack in "Economic Analysis of Projects" (World Bank, 1976) appear to advise analysts to exclude foreign interests from the assessment of the project:

"The traditional policy of the World Bank and most other lending agencies is to take account of physical externalities, as in the case of international rivers, and expect agreement between the countries concerned on the sharing of water and appropriate compensation for any untoward effects. Thus far, however, it has not normally taken into account external price effects on other countries caused by the projects it finances, and, with some exceptions for multinational projects, it evaluates investment projects from the point of view of the country in which the project is to be undertaken. This means that costs borne by foreign countries or foreign participants in the project, as well as benefits accruing to them, are excluded from the economic analysis of the project". (Emphasis added).

William Trumbull in his article "Who Has Standing In Cost-Benefit Analysis," (JPAM; V.9 No.2; 201-218; 1990), draws the following conclusions.

"Given that cost-benefit analysis is based on the potential Pareto principle, then the methods of the analysis must be consistent with the implications of the principle. I have argued that five implications are helpful in deciding what preferences have standing: (1) only willingness-to-pay measures of value have meaning; (2) the perspective is *ex ante* rather than *ex post*; (3) the results of a cost-benefit analysis must be interpreted within the context of other policy concerns, particularly the distributional consequences of the project; (4) the evaluation has to be consistent with the social, as well as the physical constraints that define the 'welfare space'; and (5) within that welfare space, the preferences of all who are affected by the project must be counted. With these implications, I have argued that future generations must have standing, while current recipients of the benefits of existing programs should not; the gains from criminal acts should not be counted; citizens of other countries have standing; and, certain individuals should not be given less than full standing in order to account for the distributional consequences of a project."

An informal survey of respected fishery economists around the country, including Dr. Criddle, Dr. Larson, and Dr. Marasco of the Council's Scientific and Statistical Committee, was conducted to provide insight on this issue. To date, responses have been fairly consistent in expressing the difficulty of the question. In general these six points have emerged:

1. Economists interpret the Magnuson Act national standards to require an examination of costs and benefits as they accrue to domestic consumers and producers only
2. Most economists, however, state that there are benefits to the U.S. from free trade, and that the U.S. actually benefits, albeit indirectly and perhaps not as much, when the ownership of the means of production is foreign rather than domestic.
3. It will be very difficult to gather sufficient information to adequately determine foreign "leakages".
4. There is a belief that there should be a high degree of consistency in the treatment of non-domestic benefits. Thus if we exclude foreign consumers, we should exclude producer surplus accruing to foreign owners.
5. On the other hand there is an argument to exclude foreign consumers, but include the producer surplus accruing to foreign owners of U.S. companies. This argument states that the companies are in fact U.S. companies, and that they are geographically located inside the U.S. Foreign consumers should be excluded because they are geographically located outside the U.S.
6. There are several suggestions to show both effects, i.e., estimate the total change in consumer and producer surplus including surplus accruing to both domestic and foreign entities, and then try to estimate how much might be leaking from the U.S. to foreign consumers and owners.

12 Summary Discussion

The previous discussion topics have provided a fairly complete summary of the factors which will influence the analysis. First and foremost, of course, are the Council's problem statement and the alternatives to be studied. These can be broken into three general categories: (1) status quo alternatives leading to a reauthorization of the current regulations; (2) no-action, whereby the current regulations would expire; and (3) changes in the current allocations.

Comprehensive, quantitative analysis of the alternatives will depend on recent cost data. Unfortunately, they have not been adequately updated yet to provide sufficient information for a quantitative distributional or cost-benefit analysis. NMFS-AFSC has initiated an OMB survey request that may provide the needed information.

Unlike the initial reauthorization, the Council will not be able to show progress toward a meaningful market-based allocation system, because of the moratorium on new IFQ programs in the Magnuson-Stevens Act.

Finally, uncertainty regarding the pollock stock appears to be much more pervasive than in earlier analyses.

The following table describes the various parameters involved in the assessment of the previous two inshore/offshore allocation assessments. The first column provides a description of the parameter. Each of the next four columns shows the level of controversy surrounding the parameter and the status of the parameter in terms of data availability and uncertainty during the three assessment periods. The last two columns reflect the parameters under two scenarios: (1) a simple rollover of the existing allocation, and (2) a significant change in the allocations. These of course are value judgements of the Council staff. A set of shorthand codes are employed as follows:

Shorthand Codes For Controversy and Uncertainty Used in the Table Below

Item	Code	Definition	Description
1	NP	Not Present	The parameter or issue was not present in the analysis or in allocation issue.
2	NC	Not Controversial	The parameter or issue was not controversial in the analysis or in the allocation issue.
3	C	Controversial	The parameter was controversial in the analysis.
4	HC	Highly Controversial	The parameter was highly controversial.
5	K	Known	Data showing parameter values were known with reasonable certainty.
6	AU	Available with Uncertainty	Data to make parameter estimates were generally available, but there was some uncertainty.
7	U	Unavailable and Uncertain	Some or all of the data were unavailable and there was uncertainty in the assumptions made.
8	HU	Highly Uncertain and Unavailable	Data were generally unavailable and the assumptions made were highly uncertain.

Controversy and Uncertainty in Parameters Involved in the Three Assessments of Inshore Offshore

Parameter	Original	Reauthorization	Current	
			Rollover	Change
Pollock TACs	NC, K	NC, K	C, AU	C, AU
Catch	C, AU	NC, K	NC, K	HC, K
Catch Location	C, U	C, AU	NC, AU	C, U
PRR	HC, HU	NC, U	NC, AU	C, AU
Discards	HC, U	NC, U	NC, AU	NC, AU
Utilization Rate	NP, HU	C, AU	NC, AU	HC, U
Cost	HC, AU	NP, U	C, U	HC, U
Current Ex-Vessel Prices	NC, K	NC, K	NC, U	C, U
Future Ex-Vessel Prices	C, U	NC, U	C, U	HC, HU
Current Product Prices	C, U	NC, AU	NC, U	C, U
Future Product Prices	C, HU	NC, AU	C, U	HC, HU
Foreign Control	C, AU	NP, HU	C, U	HC, U
Fish Taxes	C, K	NC, K	NC, U	C, U
Income Taxes	C, U	NP, HU	C, U	HC, HU
Employment	C, U	NP, U	C, AU	HC, U
Community Impacts in AK	HC, HU	NC, U	C, U	HC, HU
Community Impacts in L-48	HC, HU	NC, U	C, U	HC, HU

The table shows, for example, that from the perspective of the Council staff, pollock TACs in Inshore/Offshore 1 were not controversial and were assumed for future years with reasonable certainty. The same was true for Inshore-Offshore 2. However in Inshore/Offshore 3, future pollock TACs are likely to be controversial because of uncertainty surrounding the estimates.

In Inshore/Offshore 1, baseline catch estimates were available, but there was some uncertainty surrounding the estimates. This was because the estimates were based strictly on Weekly Production Reports and Product Recovery Rates (PRRs) which created uncertainty in the baseline catch levels and directly affected the magnitude of the projected changes in catch by sector under different allocations. As a result, NMFS implemented the blend system, which combines observer data and Weekly Production Reports. Thus, in both Inshore/Offshore 2 and 3 catch estimates for a given TAC level are reasonably certain and therefore less controversial.

The location of catches was fairly controversial in Inshore/Offshore 1, primarily because of the level of uncertainty in total catch, as discussed above, and because of the CVOA. Implementation of a CVOA would displace catcher processor effort into other areas. In Inshore-Offshore 2, there was some controversy regarding catch locations because of the eastward shift in the CVOA. In Inshore/Offshore 3 we expect that catch locations will not be controversial in the assessment of a simple reauthorization, but would likely be highly controversial, and much more uncertain in an assessment of a change, assuming that change excluded catcher-processors from the CVOA in the A-season.

As mentioned earlier product recovery rates were very controversial in Inshore/Offshore 1, as they were the basis of catch estimates and the magnitude of the changes under the allocation. In Inshore/Offshore 3 PRRs were almost irrelevant, and would likely be so under a simple rollover under Inshore/Offshore 3. They are likely to be somewhat more controversial and less certain if alternatives with significant changes in the allocation are analyzed. This would result if individual operators shift to less familiar product types such as fillets from surimi production.

Another important parameter is the "utilization rate", defined as the total amount of product divided by the total amount of round fish. This parameter was not really present in the original analysis because of the dependence on PRR for catch estimates. (All of the controversy was in the PRRs.) With independent estimates of catch from blend data, the "utilization rate" becomes a meaningful parameter. Thus it was a somewhat controversial issue in Inshore-Offshore 2, and is likely to be highly controversial if allocations are significantly changed in Inshore/Offshore 3. The controversy and uncertainty would result because estimates would have to be made of the amounts of different product produced under significantly different constraints.

It is apparent that there are some trends in controversy and uncertainty, a parameter being less certain will be more controversial. Uncertainty is usually a result of potentially significant changes in the parameters under the alternatives. For example future product prices are judged to be highly controversial and uncertain in any Inshore/Offshore 3 alternatives which change the allocations, but are projected to be more certain with a simple rollover.

In general we project that the greater the change in the allocation, the more controversial and uncertain the parameters will become. We expect to be able to conduct both a cost-benefit analysis and distributional impact analysis of any of the alternatives, using the best data we have available. However, such projections will be in the form of expected values surrounded by ranges of uncertainty (see Figure 1 on page 3). Concrete point estimates of outcomes under the various alternatives cannot be justified given the magnitude of the potential changes and the level of certainty contained in the data.

Draft Notice For An Annual Data Collection Program

I. Abstract

Data on cost, earnings and employment in Bering Sea/Aleutian Islands (BSAI) and Gulf of Alaska (GOA) groundfish fisheries and the Alaska halibut fisheries will be collected from the following four groups: (1) on-shore processors; (2) motherships; (3) catcher/processor vessels; and (4) catcher vessels. Companies associated with these groups will be surveyed for cost, earnings and employment data. In general, questions will be asked concerning ex-vessel and wholesale prices and revenue, variable and fixed costs, dependence on the fisheries, and fishery employment. During the first year of this data collection program, data will be collected for the BSAI pollock fishery. The BSAI pollock fishery data are expected to be used for the following three purposes: (1) to evaluate methods for collecting cost, earnings and employment data on an ongoing basis for the Alaska groundfish and halibut fisheries in order to better assess inter-annual changes in the economic performance of the fishery and the effects of alternative management measures; (2) to allow the North Pacific Fishery Management Council (Council) and the National Marine Fisheries Service (NMFS) to conduct such assessments for the BSAI pollock fishery; and (3) to prepare the Regulatory Impact Review (E.O. 12866) and Regulatory Flexibility Act Review of the BSAI pollock allocation alternatives that the Council and the Secretary of Commerce will consider before the current inshore, offshore and CDQ allocations expire at the end of 1998. As required by law, the confidentiality of the data will be protected.

The ex-vessel and product value of the BSAI pollock fishery in 1995 exceeded \$250 million and \$800 million, respectively. The large scale of many of the harvesting and processing operations and the concentration of ownership in this fishery mean that improved economic data for the management of this fishery is a high priority for the individuals who will provide data for each of the four groups. This is demonstrated by the fact that the associations representing the four groups support this data collection effort and have volunteered to assist in proving the data.

In each subsequent year, the data collection effort will focus on a different component of the groundfish and halibut fisheries and more limited data will be collected for the previously surveyed components of these fisheries. The latter would be done to update the models that will be used to track economic performance and to evaluate the economic effects of alternative management actions. This cycle of data collection will result in cost, earning and employment data being available and updated for all the components of the groundfish and halibut fisheries.

II. Method of Collection

During the first year, data will be collected from a sample of the owners and operators of catcher vessels and factory trawlers that participate in the BSAI pollock fishery and from the owners of each of the principal on-shore processing plants and motherships that participate in the BSAI pollock fishery. The data are expected to be collected principally by NMFS economists unless funding becomes available to collect some of the data under contract. Questionnaires will be mailed to the selected members of each of the four survey groups and in many cases those individuals will be interviewed to ensure the clarity of their responses. To the extent practicable, the data collected will consist of data that the respondents maintain for their own business purposes. Therefore, the collection burden will consist principally of transcribing data from their internal records to the survey instrument and participating in personal interviews.

In subsequent years, a similar method will be used to collect the same types of information from comparable groups for other components of the groundfish and halibut fisheries and brief questionnaires will be sent to a sample of previous respondents to update that data. Current data reporting requirements will be evaluated to determine if they can be modified to provide improved economic data at a lower cost to respondents and the Agency.

III. Data

Affected Public: Selected harvesters and processors in the Alaska groundfish and halibut fisheries.

Estimated Number of Respondents First Year: 45 in total consisting of 20 catcher vessel owners, 15 factory trawler owners, 5 mothership owners, and 5 on-shore processing plant owners.

Estimated Time Per Response First Year: 2 hours per catcher vessel and on average 2 catcher vessels per respondent; 5 hours per factory trawler and on average 2 vessels per respondent; and 5 hours per mothership and on-shore processor.

Estimated Total Annual Burden Hours First Year: 255 hours

Estimated Number of Respondents in Subsequent Years: 60 - 200

Estimated Time Per Response in Subsequent Years for New Respondents: 2 hours per catcher vessel per respondent; 5 hours per processing vessel or plant per respondent

Estimated Time Per Response in Subsequent Years for Previous Respondents: 1 hour per catcher vessel per respondent; 2 hours per processing vessel or plant per respondent

Estimated Total Annual Burden Hours Subsequent Years: 400 - 600 hours

Estimated Total Annual Cost to Public: \$0. Respondents will not be required to purchase equipment or materials to respond to this survey.

IV. Request for Comments

Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden (including hours and cost) of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology.

Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval of this information collection; they also will become a matter of public record.



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
OFFICE OF THE GENERAL COUNSEL
Washington, D.C. 20230

ATTORNEY - CLIENT PRIVILEGE

July 17, 1997

MEMORANDUM FOR: F/SF - Gary Matlock
FROM: GCF - *Maggie Hayes* Margaret Frailey Hayes
SUBJECT: Interpretation of section 305(i)

Lawyers in GCAK and GCF have reached the consensus that section 305(i) requires that an FMP amendment be submitted by the Council and approved by the Secretary in order to extend the pollock CDQ program beyond December 31, 1998.

At the time the Sustainable Fisheries Act (SFA) was passed, the North Pacific Council had approved three CDQ programs. Of these three programs, two had been approved by the Secretary.

The halibut and sablefish CDQ program was part of Amendment 15. Amendment 15 was approved by the Council on December 8, 1991 (reconfirmed in April 1992), and by the Secretary on January 29, 1993.

The pollock CDQ program for 1992 through 1995 was part of Amendment 18 to the Fishery Management Plan for the Groundfish Fishery in the Bering Sea and Aleutian Islands Area. It was approved by the Council in June 1991 and by the Secretary on March 4, 1992. The pollock CDQ program was extended through December 31, 1998, as part of Amendment 38. Amendment 38 was approved by the Council in June 1995 and by the Secretary on November 28, 1995.

The multispecies groundfish and crab CDQ program was approved by the Council in June 1995 as part of Amendment 39. Amendment 39 is currently undergoing Secretarial review.

The introductory sentence of section 305(i)(1)(A) of the Magnuson-Stevens Fishery Conservation and Management Act states, "The North Pacific Council and the Secretary shall establish a western Alaska community development quota program under which a percentage of the total allowable catch of any Bering Sea fishery is allocated to the program." Although this sentence requires the Secretary to establish a single, stand-alone western Alaska CDQ program, such program must be consistent with the requirements of the remaining paragraphs of section 305(i).



Section 305(i)(1)(C)(i) states, "Prior to October 1, 2001, the North Pacific Council may not submit to the Secretary any fishery management plan, plan amendment, or regulation that allocates to the western Alaska community development quota program a percentage of the total allowable catch of any Bering Sea fishery for which, prior to October 1, 1995, the Council had not approved a percentage of the total allowable catch for allocation to such community development quota program." This sentence precludes the submission of a CDQ program for additional species such as salmon or scallops.

Section 305(i)(1)(C)(i) continues by stating, "The expiration of any plan, amendment, or regulation that meets the requirements of clause (ii) prior to October 1, 2001, shall not be construed to prohibit the Council from submitting a revision or extension of such plan, amendment, or regulation to the Secretary if such revision or extension complies with the other requirements of this paragraph." Of the three CDQ programs that were approved by the North Pacific Council prior to October 1, 1995, only the pollock CDQ program was scheduled to expire. Therefore, we believe the second sentence of section 305(i)(1)(C)(i) applies primarily to the pollock CDQ program. This sentence authorizes the Council to submit a revised or extended pollock CDQ program for Secretarial review. The sentence would not have been necessary if the drafters had intended that section 305(i)(1)(C)(ii) would automatically extend the pollock CDQ program after 1998.

Section 305(i)(1)(C)(ii) states, "With respect to a fishery management plan, plan amendment, or regulation for a Bering Sea fishery that--(I) allocated to the western Alaska community development quota program a percentage of the total allowable catch of such fishery; and (II) was approved by the North Pacific Council prior to October 1, 1995; the Secretary shall, except as provided in clause (iii) and after approval of such plan, amendment, or regulation under section 304, allocate to the program the percentage of the total allowable catch described in such plan, amendment, or regulation." (Section 305(i)(1)(C)(iii) amends the allocation percentages of crab in the multispecies groundfish and crab program.)

The primary application of section 305(i)(1)(C)(ii) is to the multispecies groundfish and crab program, because that is the only one that had been approved by the North Pacific Council prior to October 1, 1995, but had not yet been approved by the Secretary of Commerce on October 11, 1996. The current pollock CDQ program had already been approved by the Secretary in 1995. This sentence cannot be read as mandating continuation of the pollock CDQ program past its expiration date, because Amendment 38 does not describe any allocation of TAC to the CDQ program for any year after 1998.

The second sentence in section 305(i)(1)(C)(ii) is susceptible of different interpretations, but we believe Congressional intent

was to cap all three programs at 7.5 percent, the highest percentage recommended for any of the programs prior to October 1, 1995. (See the Senate Commerce Committee report at 28.)

Section 305(i)(D) states, "This paragraph shall not be construed to require the North Pacific Council to resubmit, or the Secretary to reapprove, any fishery management plan or plan amendment approved by the North Pacific Council prior to October 1, 1995, that includes a community development program, or any regulations to implement such plan or amendment." This provision was added because some staffers were concerned that the multispecies/crab CDQ program would have to be reapproved by the Council following passage of the SFA, since that amendment had not yet been implemented.

We read this sentence as permissive: it allows the Council to extend or revise an amendment, under section 305(i)(1)(C)(i), but does not mandate such extension or revision. We respectfully disagree with Mr. Young's opinion that this language "requires the Secretary to allocate a percentage of the total allowable catch of Bering Sea pollock to the stand-alone western Alaska CDQ program." The sentence does not require the Secretary to do anything.¹

We are aware of the material Senator Stevens inserted into the record, describing the changes effected by the managers' amendment. We have tried to find a reading of section 305(i) that would accomplish what the Senate managers thought they had done. We are unable, however, to find any provision in section 305(i) that authorizes the Secretary, independent of a Council submission extending the pollock CDQ program, to allocate any amount of pollock to such a program after the expiration date of the current amendment.

When section 305(i) is read in its entirety, we believe that it requires an FMP amendment to be submitted by the Council and approved by the Secretary to extend the pollock CDQ program beyond December 31, 1998.

cc: DGC - Jay S. Johnson
GCAK - Jonathan Pollard
GCF - Marian Macpherson

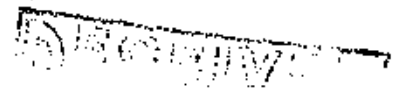
¹ In addition, if section 305(i)(D) were read to extend the pollock CDQ program indefinitely, the second sentence of section 305(i)(1)(C)(i) would become superfluous, since no relevant plans, amendments, or regulations would ever have expired.



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

AGENDA C-1(c)(1)
SEPTEMBER 1997

July 31, 1997



Dr. Clarence G. Pautzke
Executive Director
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Dear Clarence:

The current Western Alaska Community Development Quota (CDQ) program for pollock in the Bering Sea and Aleutian Islands (BSAI) area is scheduled to cease on December 31, 1998. This results from the linkage of the CDQ program for pollock to the current inshore-offshore allocation of pollock, which also is scheduled to sunset on that date. The Council must act to recommend an amendment of the Fishery Management Plan for the Groundfish Fishery of the Bering Sea and Aleutian Islands Area (FMP) if it wishes to extend or change the pollock CDQ program.

In the past, the Council has maintained the linkage between the allocation of pollock to the CDQ reserve and the allocation of pollock between inshore and offshore components of the industry. Recent amendments to the Magnuson-Stevens Fishery Conservation and Management Act (MSA), however, indicate that the pollock CDQ program, if it is extended should not be temporary and that it should be combined with the existing halibut and sablefish CDQ programs and the proposed multi-species CDQ program, if it is approved. Further, the Council must act to recommend an FMP amendment to this effect if the Council wants to extend the pollock CDQ program. The Council should not assume that this will happen automatically without Council action simply because a CDQ program is now required by the MSA. This guidance is based on a legal opinion (dated July 17, 1997) from NOAA General Counsel (enclosed).

I recommend that the Council separate the issue of reauthorizing the pollock CDQ program from the issue of inshore-offshore allocations of pollock in the BSAI area. The Council could initiate analysis of an FMP amendment to extend or revise the allocation of BSAI pollock to the CDQ program at its next meeting. The Council could take final action on this amendment at its meeting in February 1998. This would allow us to review and, if approved, implement regulations well in advance of the end of 1998, which should reduce uncertainty among participants in the CDQ fisheries.

Basically the potential effects of two alternatives would be examined in the environmental assessment and regulatory impact review supporting Council action on an FMP amendment for the



pollock CDQ program. First, the Council should assess the "no-action" alternative. As explained in the enclosed legal opinion, the Council is not required to submit a revision or extension of the pollock CDQ program. The second alternative would be to recommend adding pollock to the existing CDQ program. Because the MSA requires a single CDQ program, the Council cannot choose to have a separate pollock CDQ program. This is important for bycatch management purposes. Options under this alternative could specify the percentage of the total allowable catch (TAC) of pollock to allocate to the CDQ reserve. The MSA limits the amount of the TAC that may be allocated to a pollock CDQ reserve to not more than 7.5 percent of the TAC. The Council could consider CDQ reserve options that are equal to or less than that percentage. The Council may recommend an increase in the percentage of the TAC allocated to the CDQ reserve only after October 1, 2001.

In summary, I recommend that the Council schedule action on a separate FMP amendment that would extend the pollock CDQ program indefinitely, and authorize a percentage of the TAC for BSAI pollock to be allocated to a CDQ reserve. The Council's action schedule could be as follows:

Initial discussion & staff tasking	September 1997 meeting
Initial review of analysis	December 1997 meeting
Public review/comment	January 1998
Final review and action	February 1998 meeting

In this event we would attempt to publish the proposed implementing rule by the end of March 1998, and the final rule by June.

Sincerely,



Steven Pennoyer
Administrator, Alaska Region

Enclosure

cc: GCAK

DONALD C. MITCHELL

Attorney at Law
1335 F Street
Anchorage, Alaska 99501
(907) 276-1681

August 29, 1997

FACSIMILE TRANSMISSION

Margaret Hayes
Office of the General Counsel
National Oceanic and Atmospheric Administration
United States Department of Commerce
Washington, D. C. 20230

Re: Letter from Steve Pennoyer to Clarence Pautzke (July 31, 1997), re Pennoyer Recommendation that the NPFMC Initiate an Analysis of an FMP Amendment to Extend the Allocation of Bering Sea Pollock to the CDQ Program.

Dear Margaret Hayes:

For some inexplicable reason, I do not think we previously have met, but as you may know, I represent the Western Alaska Fisheries Development Association (WAFDA), the organization that represents the fishing groups that are participating in the western Alaska community development quota (CDQ) program.

Recently, WAFDA was provided a copy of a July 31, 1997 letter from Steve Pennoyer, the Administrator of the NMFS Alaska Region, to Clarence Pautzke, the Executive Director of the North Pacific Fishery Management Council (NPFMC), in which Mr. Pennoyer recommended to Mr. Pautzke that the NPFMC initiate an analysis of an FMP amendment to extend the allocation of Bering Sea pollock to the CDQ program. In response to the letter, Mr. Pautzke has added Mr. Pennoyer's recommendation as an agenda item for discussion by the NPFMC at its September meeting.

Attached to the copy of the Pennoyer letter that WAFDA received was a copy of your July 17, 1997 memorandum to Gary Matlock in which you advise Mr. Matlock regarding the intent of the 104th Congress that NOAA General Counsel believes is embodied in the text of what, as a consequence of the enactment of the Sustainable Fisheries Act, now is section 305(i)(1) of the Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA).

Margaret Hayes
August 29, 1997
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In pertinent part, your memorandum explicitly advises that - if the NPFMC does not submit to the Secretary of Commerce (Secretary) an FMP amendment whose approval and implementation will make an allocation of the total allowable catch (TAC) of Bering Sea pollock to the western Alaska CDQ program subsequent to January 1, 1999 - section 305(i)(1) does not authorize "the Secretary, independent of a Council submission extending the pollock CDQ program, to allocate any amount of pollock to such a program after the expiration date of the current amendment." And the memorandum implicitly advises that section 305(i)(1) does not impose an affirmative and nondiscretionary duty on the NPFMC and the Secretary to allocate a percentage of the TAC of Bering Sea pollock to the western Alaska CDQ program subsequent to the expiration in 1998 of the FMP amendment in which the pollock allocation presently is located.

With all due respect and for the reasons below, the second of the above-described interpretations of the intent of the 104th Congress embodied in the text of section 305(i)(1) does not accurately describe the result that the 104th Congress intended its enactment of section 305(i)(1) to mandate regarding the pollock allocation. And the first interpretation has the practical consequence of allowing NOAA General Counsel to make a policy decision regarding the intent of the 104th Congress that more properly belongs to the Secretary.

Section 305(i)(1) was part of an amendment in the nature of a substitute for the version of the text of S. 39 that the Senate Committee on Commerce, Science and Transportation reported to the Senate during the 104th Congress. Because the text of section 305(i)(1) was the product of a post-eleventh hour member-staff negotiation, the intent of the drafters embodied in several provisions of the text may be ambiguous. However, the intent both of the drafters and of the 104th Congress embodied in the text of section 305(i)(1)(A) is clear and unambiguous.

The text of section 305(i)(1)(A) is identical (with the exception of several nonsubstantive style changes) to the text of the version of section 313(f)(1) of the MSFCMA that the House Committee on Resources reported to the U. S. House of Representatives as section 14 of H. R. 39. See H. R. Rep. 171, 104th Cong., 1st Sess. 12 (1995). When it reported H. R. 39, the Committee informed the House that:

[S]ection 14 of H. R. 39 amends section 313 of the Magnuson Act to require the NPFMC to establish, and the Secretary of Commerce to adopt, regulations implementing the western Alaska CDQ program as a permanent, stand-alone program. The subsection also requires the North Pacific Fishery

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Management Council to allocate the opportunity to harvest a percentage of the total allowable catch of each Bering Sea fishery to communities, or groups of communities, eligible to participate in the program.

The Committee expects that, for each Bering Sea fishery, the NPFMC, with the final approval of the Secretary, will allocate to the communities participating in the program a percentage that is adequate to ensure their significant and sustainable economic participation in the fishery. (emphasis added).

Id. 35.

After having been so informed by the House Committee on Resources, the U. S. House of Representatives passed the Committee's version of section 14 of H. R. 39 without amendment.

In the Senate, the text of the version of S. 39 that the Senate Committee on Commerce, Science, and Transportation reported contained a section 112 that adopted the above-quoted language from H. R. 39 (albeit with several nonsubstantive style changes). See S. Rep. 276, 104th Cong., 2d Sess. 120 (1996). At the time it did so, the Committee informed the Senate that

New section 305(i)[(1)(A)] of section 305 of the Magnuson Act would require the North Pacific Council and the Secretary to establish a western Alaska community development quota program under which a percentage of the total allowable catch of each Bering Sea fishery is allocated to the program. Bering Sea CDQ programs already recommended or submitted by the North Pacific Council would be combined into a single, more efficient western Alaska CDQ program. (emphasis added).

Id. 28.

In its section 305(i)(1) the Committee also included a moratorium through FY 2000 on the making of allocations to the new, single CDQ program from fisheries other than the pollock, halibut, sablefish, crab and other groundfish fisheries. However, with respect to the pollock allocation, the Committee informed the Senate that section 305(i)(1) required a pollock allocation to be made to the CDQ program throughout the moratorium period, even though the present pollock allocation is contained in an FMP amendment that expires in 1998. In pertinent part, the Committee explained that:

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The effect of this restriction with respect to pollock would be that (sic) North Pacific Council and Secretary would be required to continue to allocate a percentage of pollock to the western Alaska CDQ program, notwithstanding the current expiration date for pollock CDQs, but the Secretary would not be allowed to approve a percentage higher than 7.5 percent for pollock CDQs prior to October 1, 2000. (emphasis added).

Id. 28-29.

The text of the version of section 305(i)(1)(A) that the 104th Congress enacted into law is verbatim the text of the version of section 305(i)(1)(A) that the Senate Committee on Commerce, Science and Transportation reported.

When the U. S. House of Representatives passed the amendment in the nature of a substitute for S. 39 that the Senate had passed, Representative Young, who as the chairman of the House Committee on Resources and the sponsor of H. R. 39 had personal knowledge of what he spoke, informed the House that he was

pleased that in drafting subsection 305(i)(1)(A) and (B) [of its amendment] the Senate incorporated the text of paragraphs (1) and (2) of the amendment to section 313 of the Magnuson Act that is contained in section 14 of H. R. 39.

In that regard, when the western Alaska community development quota program was considered by the Resources Committee, I and other members of the committee gave serious consideration to including a provision which would have mandated the North Pacific Fishery Management Council and the Secretary to annually allocate specific percentages of the total allowable catches and guideline harvest levels of each Bering Sea fishery to the western Alaska community development quota program, so that the percentages allocated are large enough to enable participating communities and organizations to accomplish the economic, social, developmental, and other objectives that implementation of the program is intended to achieve.

However, we did not do so. Instead, H. R. 39 assigned the council and the Secretary the important task of deciding the percentage of the total allowable catch and guideline harvest level of each Bering Sea fishery that should be allocated to the western Alaska community development quota program. However, in recommending section 14 of H. R. 39 to

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the House, it was the intent of the Resources Committee - and by accepting the text of that portion of H. R. 39 it is the intent of the Senate - that, with respect to each Bering Sea fishery, the percentage allocated by the council and the Secretary shall be large enough to enable communities participating in the program to accomplish the program's objectives (emphasis added).

142 Cong. Rec. H11,437-38 (daily ed. September 27, 1996)
(statement of Representative Young).

The above-cited expressions of the intent of the committees that drafted section 305(i)(1) and of the original sponsor of section 305(i)(1) indicate that the 104th Congress intended its enactment of section 305(i)(1) to require the NPFMC and the Secretary to by regulation establish a single stand-alone western Alaska CDQ program, and to require that an allocation of the TAC of Bering Sea pollock be made to the program on a permanent annual basis, notwithstanding the expiration of the FMP amendment that presently contains the pollock allocation.

In addition to being consistent with the above-cited legislative history of section 305(i)(1), that interpretation of the intent of the 104th Congress also is consistent with the presumption that Congress intends words used in a statute to embody their common dictionary meanings. See most recently Walters v. Metropolitan Educational Enterprises, Inc., 117 S.Ct. 660, 664 (1997) (holding that "In the absence of an indication to the contrary, words in a statute are assumed to bear their 'ordinary, contemporary, common meaning'").

In pertinent part, section 305(i)(1) provides that the NPFMC and the Secretary shall establish a western Alaska CDQ program to which a percentage of the total allowable catch of each Bering Sea fishery, including Bering Sea pollock, is allocated. Ordinarily, contemporarily, and commonly, the word "shall" communicates a mandatory command. As Black's Law Dictionary describes the concept: "As used in statutes . . . this word is generally imperative or mandatory. In common or ordinary parlance, and in its ordinary signification, the term 'shall' is a word of command, and one which has always or which must be given a compulsory meaning; as denoting obligation." Black's Law Dictionary 1375 (6th ed. 1990).

For all of the reasons above, when Mr. Pennoyer's recommendation regarding the Bering Sea pollock allocation is discussed by the NPFMC at its September meeting, WAFDA respectfully requests that NOAA General Counsel advise the NPFMC that the 104th Congress intended its enactment of section

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305(i)(1) to impose an affirmative and nondiscretionary duty on the NPFMC and the Secretary to establish a stand-alone western Alaska CDQ program and to take appropriate and timely regulatory action to ensure that a permanent allocation of the TAC of Bering Sea pollock is made to the program, notwithstanding the fact that the present pollock allocation is contained in an FMP amendment that expires in 1998.

As mentioned, if for some reason the NPFMC does not send the Secretary an FMP amendment whose approval and implementation by the Secretary will allocate a percentage of the TAC of Bering Sea pollock to the western Alaska CDQ program for 1999, your memorandum advises Mr. Matlock that NOAA General Counsel is "unable . . . to find any provision in section 305(i) that authorizes the Secretary, independent of a Council submission extending the pollock CDQ program, to allocate any amount of pollock to such a program after the expiration date of the current amendment." However, section 305(i)(1)(D) is such a provision.

Section 305(i)(1)(D) provides:

This paragraph [including, but not limited to, section 305(i)(1)(A), which requires a permanent allocation of the TAC of each Bering Sea fishery to be made the western Alaska CDQ program] shall not be construed to require the North Pacific Council to resubmit, or the Secretary to reapprove, any fishery management plan or plan amendment approved by the North Pacific Council prior to October 1, 1995, that includes a community development quota program, or any regulations to implement such plan or amendment.

As your memorandum notes, FMP amendment no. 38, which allocates a percentage of the TAC of Bering Sea pollock to the western Alaska CDQ program until December 31, 1998, was approved by the NPFMC prior to October 1, 1995. As a consequence, it is a member of the class of FMP amendments described in section 305(i)(1)(D) that the NPFMC is not required to resubmit to the Secretary and that the Secretary is not required to reapprove in order to implement the intent of the 104th Congress embodied in the text of section 305(i)(1)(A).

During the debate that preceded passage of section 305(i)(1) in the U. S. House of Representatives, Representative Young explained that admittedly esoteric point when he advised his colleagues that:

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[Section 305(i)(1)(D) requires that] in 1998 and during each year thereafter the Secretary shall continue to allocate 7.5 percent of the total allowable catch of Bering Sea pollock to the western Alaska community development quota program notwithstanding the expiration of the plan amendment in which the allocation initially was made, unless prior to October 1, 2001, the council submits and the Secretary approves and implements an amendment to the Bering Sea and Aleutian Islands area groundfish fishery management plan that allocates a percentage that is less than 7.5 percent, or unless subsequent to October 1, 2001, the council submits and the Secretary approves and implements an amendment to such plan that allocates a percentage this is either less than or more than 7.5 percent.

142 Cong. Rec. H11438-39 (daily ed. September 27, 1996) (statement of Representative Young).

Even assuming arguendo that the intent of the 104th Congress embodied in the text of section 305(i)(1)(D) is not as clear as Representative Young informed the U. S. House of Representatives, Representative Young's interpretation is a reasonable interpretation of the result the 104th Congress intended its enactment of section 305(i)(1)(D) to mandate. Assuming so, then the 104th Congress can be presumed to have intended to delegate the Secretary authority to adopt that interpretation if he determines that doing so will advance his implementation of the policy objectives that the 104th Congress enacted section 305(i)(1) in order to advance. Chevron USA v. NRDC, 467 U.S. 837, 843 (1984). Accord most recently Aver v. Robbing, 117 S.Ct. 905, 909 (1997) (holding that with respect to a question to which Congress - speaking through the text of an ambiguous statute - has not directly spoken, the interpretation of Congress's intent by the agency responsible for administering the statute will be upheld if "based on a permissible construction of the statute").

For that reason, if NOAA General Counsel determines that the intent of the 104th Congress embodied in the text of section 305(i)(1)(D) is ambiguous, WAFDA respectfully requests that NOAA General Counsel advise the Secretary that Representative Young's interpretation is a reasonable interpretation of the intent of the 104th Congress, and that whether the Secretary should adopt and implement that interpretation is a policy decision for the Secretary, rather than a question of law for NOAA General Counsel.

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The continuation of an allocation of the TAC of Bering Sea pollock to the western Alaska CDQ program subsequent to December 31, 1998 is of considerable importance both to WAFDA and to the long term success of the program. For that reason, WAFDA would appreciate NOAA General Counsel prior to the September NPFMC meeting revisiting the conclusions of law regarding the intent of the 104th Congress embodied in section 305(i)(1) of the MSFCMA that are noted in your July 17, 1997 memorandum. As part of that review and if doing so would be helpful, I would be delighted to discuss the issues raised in this letter with you and/or Jay Johnson and Jonathan Pollard, either in person or by conference call.

Thanks in advance for your early attention to this matter. It's much appreciated.

Sincerely,



Donald C. Mitchell

cc: Jay Johnson
Jonathan Pollard
Steve Pennoyer
Clarence Pautzke
WAFDA

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke
Executive Director

DATE: June 12, 1997

SUBJECT: Inshore/Offshore 3

ESTIMATED TIME
6 HOURS

ACTION REQUIRED

Finalize problem statement and alternatives for analysis.

BACKGROUND

Last December, we scheduled initial discussion of the inshore/offshore pollock allocations for April, noting that the current program sunsets the end of 1998. In April the Council discussed current issues relevant to the allocations and potential elements of a new Problem Statement, and identified a variety of alternative allocation percentages in addition to the 'status quo'. Alternatives also included changes to the definitions of industry sectors, such as motherships, as well as direct allocations to catcher and catcher/processor vessels. The April 1997 newsletter detailed these alternatives and solicited input from the industry regarding the scope of issues, and potential alternatives, for a new analysis, with a notice that the Council intended to finalize the problem statement and alternatives at this meeting.

That newsletter item is reiterated here as Item C-1(a). While there is a wide range of alternatives and options, these can be described in the following five basic forms:

- Alternative 1: No Action- allocations would expire at the end of 1998.
- Alternative 2: Rollover existing allocations- 35% inshore/65% offshore (after 7.5% CDQ allocation).
- Alternative 3: Redefine inshore sector to include 'true motherships', with a variety of alternative allocation percentages to inshore and offshore sectors (after 7.5% CDQ allocation). CVOA in effect for 'A' and 'B' seasons.
- Alternative 4: Three-tier allocation with alternative allocation percentages to inshore, offshore, and true mothership sectors (after 7.5% CDQ allocation). CVOA in effect for 'A' and 'B' seasons.
- Alternative 5: Range of allocation percentages to catcher vessels (CVs) and catcher/processor vessels (CPs), with potential minimum shoreside delivery guarantee.

The scope of the analyses planned for this iteration of inshore/offshore will depend on the final alternatives identified by the Council. Item C-1(b) is a discussion paper which will be the basis for our staff report at this meeting. In this paper we discuss the analyses which have been prepared for earlier iterations of inshore/offshore,

information/data issues as they relate to the earlier analyses as well as the current situation, and other issues as they will relate to the current consideration of this agenda item. We also discuss the pollock CDQ program and how it fits into the overall picture.

Following this report, we will discuss some of the information contained in the report, 'Economic Aspects of the GOA and BSAI Pollock Fisheries' (mailed to you last week). This report was prepared by NMFS-AFSC economists to assist our staff in responding to your information requests from the April meeting.

Item C-1 Supplemental contains written comments received on this issue since April.

SPECIAL SUPPLEMENT

BSAI POLLOCK INSHORE-OFFSHORE and CDQ PROGRAM

- **Current BSAI Fishery Inshore-Offshore Provisions**
- **Alternatives Proposed at the April 1997 Council Meeting**
- **Proposed Alternatives Reformatted to Facilitate Analysis**
- **Past, Current, and Proposed Problem Statements**
- **Information Requested by Council**

Current BSAI Inshore-Offshore Provisions

The current provisions for Inshore-Offshore pollock in the BSAI are shown below, and will serve as a reference point for additional proposals and comments.

Amendment 38 to the Bering Sea and Aleutian Islands Groundfish FMP

1. **Inshore/offshore allocations of pollock:** The allowed harvest of Bering Sea and Aleutians pollock is allocated between the inshore and offshore components of industry in specific shares in order to lessen or resolve resource use conflicts and preemption of one segment of the groundfish industry by another, to promote stability between and within industry sectors and affected communities, and to enhance conservation and management of groundfish and other fish resources.

2. **Definitions:**

Inshore is defined to consist of three components of the industry:

- 1) All shoreside processors as defined in federal regulations.
- 2) All catcher/processors which meet length requirements defined in federal regulations and which have declared themselves to be "Inshore."
- 3) All motherships or floating processors which have declared themselves to be "Inshore."

Offshore is defined to consist of two components of the industry:

- 1) All catcher/processors not included in the inshore processing category, or which have declared themselves to be "Offshore."
- 2) All motherships and floating processing vessels not included in the inshore processing category, or which have declared themselves to be "Offshore."

The Secretary is authorized to suspend the definitions of inshore and offshore as prescribed by federal regulations implementing this FMP to allow for full implementation of the Western Alaska Community Development Quota Program for pollock.

3. **Declarations and operating restrictions:** Annually before operations commence, each mothership, floating processing vessel and catcher/processor vessel must declare on its Federal Permit application whether it will operate in the inshore or offshore component of industry. This declaration must be the same for both the BSAI and the GOA if applications for both are made. All shoreside processors will be in the inshore component. Once declared, a vessel cannot switch to the other component, and will be subject to restrictions on processing amounts or locations for pollock for the rest of the fishing year. Harvesting vessels can choose to deliver their catch to either or both components.

Catcher Processors which have declared themselves to be inshore have the following restrictions:

- 1) The vessel must be less than 125' LOA.
- 2) The vessel may not catch or process more than 126 mt (round weight) of pollock or GOA Pacific cod in combination in a given week of operations.

Motherships and floating processors which have declared themselves to be inshore have the following restriction:

- 1) Processing from a directed pollock fishery or a directed GOA Pacific cod fishery must occur in a single location within the waters of the State of Alaska.

4. **Allocations:** The allowed harvest of BSAI pollock shall be allocated as follows: Thirty five percent (35%) of the pollock in each subarea for each season will be allocated to the inshore component, beginning in 1996 and continuing through 1998. By the same action, the offshore fleet will be allocated 65% of the pollock resource beginning in 1996 and continuing through 1998 in each subarea and in each season. The percentage allocations are made by subarea and period as provided in federal regulations implementing this FMP. All pollock caught as bycatch in other fisheries will be attributed to the sector which processes the remainder of the catch.

5. **Reapportionment of unused allocations:** If during the fishing year it becomes apparent that a component will not process its entire allocation, the anticipated excess shall be released to the other component for that year. This shall have no impact upon the allocation formula.

6. **Western Alaska Community Development Quota:** For a Western Alaska Community Development Quota, 50% of the BSAI pollock reserve (7.5% of TAC) as prescribed in the FMP will be held annually. This held reserve shall be released to communities on the Bering Sea Coast which submit a plan, approved by the Governor of Alaska, for the wise and appropriate use of the released reserve.

The Western Alaska Community Development 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 specified criteria and have developed a fisheries development plan approved by the Governor of Alaska. The Governor shall develop such recommendations in consultation with the Council. The Governor shall forward any such recommendations to the Secretary, following consultation with the Council. 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.

7. **Bering Sea Catcher Vessel Operational Area:** For directed pollock harvesting and processing activities, a catcher vessel operational area (CVOA) shall be defined as inside 167°30' through 163° West longitude, and 56° North latitude south to the Aleutian Islands. The CVOA shall be in effect commencing on the date that the second allowance of pollock is available for directed fishing until the inshore allocation is taken, or the end of the fishing year. Only catcher vessels and Catcher/Processors fishing under the Western Alaska Community Development Quota Program, defined in section 14.4.11.5, may participate in a directed pollock fishery in this area during this period.

8. **Duration:** Inshore-offshore allocations of pollock, the CVOA, and the Western Alaska Community Development Quota program shall cease to be a part of this FMP either (1) at midnight on December 31, 1998; or (2) earlier if replaced with another management regime approved by the Secretary.

Alternatives Proposed at the April 1997 Council Meeting

The following alternatives were proposed in public comment at the April meeting. It is assumed that existing plan amendment language not specifically addressed by the proposals would remain unchanged.

Alternative 1 - No Action - allocations (including CDQs) expire at end of 1998.

Alternative 2 - Continue current allocations of 35% inshore/65% offshore after a 7.5% allocation to CDQs.

Alternative 3 - Allocation adjustments and redefined inshore component

- Exclusive CVOA in effect for both pollock 'A' and 'B' seasons.
- 7.5% CDQ allocation, off the top.
- "Motherships" would be defined as floating processor vessels that have never caught their own fish while operating within the U.S. EEZ under U.S. flag.
- Motherships would be included within the onshore sector.
- 70% of pollock TAC allocated to catcher vessels delivering to the onshore sector.
- 30% of pollock TAC allocated to factory trawlers.

Alternative 4 - A three-tier allocation adjustment based on the current definitions of inshore and offshore components, as follows:

- Exclusive CVOA in effect for both pollock 'A' and 'B' seasons.
- 7.5% CDQ allocation, off the top.
- 40%-55% of remaining pollock TAC to catcher vessels delivering to the inshore component.
- 13%-15% to catcher vessels delivering to offshore motherships.
- 30%-47% to factory trawlers and catcher vessels delivering to factory trawlers.

Alternative 5 - Analyze a range of percentage allocations of the BSAI pollock TAC (after CDQ deductions) between catcher vessels (CV) and catcher processor vessels (CP). The percentages would be as follows:

<u>Option 1</u>	CV=52%	CP=48% (roughly approximates status quo)
<u>Option 2</u>	CV=55%	CP=45%
<u>Option 3</u>	CV=60%	CP=40%
<u>Option 4</u>	CV=65%	CP=35%

The proposers of Alternative 5 recognize that within the above concept there is a necessity for a minimum shoreside delivery guarantee. Additionally, other check and balances would have to be developed.

Proposed Alternatives Reformatted to Facilitate Analysis

The Council requested that staff "flesh out" the proposed alternatives and provide additional options which would reflect "reciprocal" or "symmetrical" changes from those proposed at the April meeting. The proposed suite of reformatted alternatives below attempts to capture the alternatives proposed, alternatives reflecting "reciprocal" shifts, and additional alternatives reflecting the "status quo." Their order of the alternatives reflects the complexity of the changes in the FMP language implied by the alternatives; thus "Reauthorization" is listed as Alternative 1, "No Action" is listed as Alternative 2, and so on.

Deriving "Reciprocal" Allocations

In April, after receiving proposals for Inshore-Offshore III, the Council instructed staff to consider those proposals, plus their "reciprocal." As used throughout this supplement, reciprocal is not simply the reverse of the percentage allocations between the inshore or offshore components. Rather, it is derived and applied in the following context.

All of the proposals received in April would reduce the offshore sector's allocation of pollock. For example, Alternative 3, Option 1, reformatted below from the proposal submitted by the North Pacific Seafood Coalition, would move motherships to the inshore sector and then allocate 30% of the pollock TAC (after CDQ removal) to the offshore catcher-processor fleet. Compared to the offshore's 1996 harvest of 55% of the pollock, this would be a $((55-30)/55)$ or 45.4% reduction in catch. To determine a reciprocal percentage for analysis, this same percentage reduction is applied to the redefined inshore component. Therefore, if the inshore component actually harvested 45% in 1996 as shown for Alternative 3, Option 2, then a 45.5% reduction in the inshore component's percentage allocation results in the "reciprocal" allocation of 24.53%, rounded to 25% as shown for Alternative 3, Option 3. The offshore percentage allocation is simply the inshore percentage subtracted from 100%.

As a second example, consider Alternative 4 which would allocate a specific percentage to motherships. Option 1 shows one of the resulting permutations: 40% to inshore, 13% to motherships, and 47% to offshore. Because the offshore fleet harvested 55% in 1996 (again, with mothership harvests removed), Option 1 would result in a $((55-47)/55)$ or 14.6% reduction in that sector's allocation compared to 1996 performance. Because a specific percentage allocation is made to the mothership sector, deriving the reciprocal is more complicated than shown in the first example above. In this case, the 14.6% "hit" or reduction is first applied to the combined inshore (35%) and mothership (10%) allocations shown in Alternative 4, Option 7. The 14.6% change reduces the combined 45% to 38%, which is then split 29% to the inshore and 9% to mothership sectors, using the same proportion as their allocation percentages shown in Option 1. The inshore and mothership percentages are then subtracted from 100% to calculate the offshore percentage. In this manner, Option 8 becomes the reciprocal of Option 1.

Alternative 1: Reauthorize existing FMP language for three more years. The current FMP language would be reauthorized under a new amendment. The only change would occur in Section 8 as shown below.

8. **Duration:** Inshore-offshore allocations of pollock, the CVOA, and the Western Alaska Community Quota program shall cease to be a part of this FMP either (1) at midnight on December 31, 2001; or (2) earlier if replaced with another management regime approved by the Secretary.

Staff Comment: This alternative is a continuation of the "Status Quo" Three-year Management Regime. Optionally, the Council could choose to lengthen the duration of the program, or make it permanent until replaced. If these options are to be considered, they should be included as specific options for analysis. It should be noted that the Magnuson-Stevens Act does not allow the Council to submit any new IFQ plans until October 1, 2000. If the Council determined that such a follow-on program is appropriate, it probably could not be implemented until January 1, 2002.

Alternative 2: No Action. The current FMP language would be deleted. There would be no specific allocations of pollock to inshore or offshore processors, and the Western Alaska CDQ program for pollock would be eliminated.

Staff Comment: This alternative is required by law to be included. It would however contradict the Magnuson-Stevens Act in that the Act specifically indicates provisions for a pollock CDQ program. If this alternative were chosen, an additional amendment would be necessary to maintain the pollock CDQ program to comply with the Magnuson-Stevens Act.

Alternative 3: Reauthorize existing FMP language for three more years, but change the allocation percentages and assign "True Offshore Motherships" to the Inshore Sector. This alternative would change the duration language of Section 8, add language to Section 2 (Definitions), and change the language in Section 4 (Allocations) to reflect the new percentage allocations. Proposed and implied changes in the allocation percentages follow the new language of Section 2 shown in the box below.

2. **Definitions**

True Motherships are defined as motherships or floating processors vessels that have never caught their own fish while operating within the U.S. Exclusive Economic Zone under U.S. Flag.

Other Motherships are defined as any vessel acting as a mothership, including catcher/processors taking deliveries from other harvesting vessels, which do not meet the criterion established for "true motherships."

Inshore is defined to consist of three components of the industry:

- 1) All shoreside processors as defined in federal regulations.
- 2) All catcher/processors which meet length requirements defined in federal regulations and which have declared themselves to be "Inshore."
- 3) All true motherships, other motherships, or floating processors which have declared themselves to be "Inshore."

Offshore is defined to consist of two components of the industry:

- 1) All catcher/processors not included in the inshore processing category, or which have declared themselves to be "Offshore."
- 2) All true motherships, other motherships, and floating processing vessels not included in the inshore processing category, or which have declared themselves to be "Offshore."

Staff Comment: The allocation percentages shown below as Option 1 reflect the allocation as proposed in public comment. The second option reflects the 1996 harvest levels, if the new definitions (as shown above) were in place. In 1996 "true motherships" processed approximately 10% of the non-CDQ pollock. Finally,

the Council requested that staff calculate and include an additional option reflecting the "reciprocal" of the proposed alternative. This is shown as Option 3, and reflects the change from 1996 harvest levels implied by Option 1.

Allocation Percentage Options For Alternative 3

Option	Inshore %	Offshore %	Source of the Option
1	70%	30%	Proposed by North Pacific Seafood Coalition
2	45%	55%	Derived by Staff to reflect the 1996 harvest were the proposed changes to the FMP language in place.
3	25%	75%	"Reciprocal Change" Option as directed by the Council. The inshore % is calculated by dividing the offshore % in option 1 by the offshore % in option 2 above, and multiplying the inshore % in Option 2 by the resulting ratio ($30\% \div 55\% \times 45\% = 25\%$). The offshore % is calculated as follows: ($100\% - 25\% = 75\%$).

Alternative 4: Reauthorize existing FMP language for three more years, but change the allocation percentages and define a new sector called "True Motherships" which would receive a separate allocation of the pollock TAC. This alternative would change language in Section 2 (Definitions) and Section 4 (Allocations) to reflect the new percentage allocations and the new "True Mothership" sector for allocations. Other sections of the FMP would change to reflect the additional sector. Section 8 would change to reflect the new sunset date. Proposed and implied changes in the allocation percentages follow the new language of Section 2 and Section 4 are shown in the box below. Proposed allocation percentages follow the changes in the FMP language.

<p>2. Definitions</p> <p><u>True Motherships</u> are defined as motherships or floating processors vessels that have never caught their own fish while operating within the U.S. Exclusive Economic Zone Under U.S. Flag.</p> <p><u>Other Motherships</u> are defined as any vessel acting as a mothership, including catcher/processors taking deliveries from other harvesting vessels, which do not meet the criterion established for "true motherships."</p> <p><u>Inshore</u> is defined to consist of three components of the industry:</p> <ol style="list-style-type: none"> 1) All shoreside processors as defined in federal regulations. 2) All catcher/processors which meet length requirements defined in federal regulations and which have declared themselves to be "Inshore." 3) Other motherships, or floating processors which have declared themselves to be "Inshore." <p><u>Offshore</u> is defined to consist of two components the of industry:</p> <ol style="list-style-type: none"> 1) All catcher/processors not included in the inshore processing category, or which have declared themselves to be "Offshore." 2) Other motherships, and floating processing vessels which have declared themselves to be "Offshore." <p>4. Allocations: The allowed harvest of BSAI pollock shall be allocated as follows: XX% of the pollock in each subarea for each season will be allocated to the inshore component, beginning in 1999 and continuing through 2001. By the same action, the offshore fleet will be allocated YY% of the pollock resource beginning in 1999 and continuing through 2001 in each subarea and in each season. Finally, the true mothership fleet will be allocated ZZ% of the pollock resource beginning in 1999 and continuing through 2001 in each subarea and in each season. The percentage allocations are made by subarea and period as provided in federal regulations implementing this FMP. All pollock caught as bycatch in other fisheries will be attributed to the sector which processes the remainder of the catch.</p>

Staff Comment: The allocation percentages shown as Options 1 and 2 in the box below reflect the allocation as proposed in public comment. Options 3-6 reflect the ranges of allocations implied by the proposal. A seventh option reflects the 1996 harvest levels, were the new definitions (as shown above) in place. In 1996 "true motherships" processed approximately 10% of the non-CDQ pollock. Finally, the Council requested that staff calculate and include additional options reflecting the "reciprocals" of the proposed alternatives. These are shown as Option 8-13, and reflect the change from 1996 harvest levels implied by Options 1-7.

Allocation Percentage Options for Alternative 4

Option	% to Inshore	% to True Motherships	% to Offshore	Source Of The Option
1	40%	13%	47%	Proposed by North Pacific Seafood Coalition.
2	55%	15%	30%	Proposed by North Pacific Seafood Coalition.
3	40%	15%	45%	Implied by ranges included in the proposal.
4	55%	13%	32%	Implied by ranges included in the proposal.
5	38%	15%	47%	Implied by ranges included in the proposal.
6	57%	13%	30%	Implied by ranges included in the proposal.
7	35%	10%	55%	Derived by Staff to reflect the 1996 harvest were the proposed changes to the FMP language in place.
8	29%	9%	62%	R. of 1
9	19%	5%	75%	R. of 2
10	27%	10%	63%	R. of 3
11	21%	5%	74%	R. of 4
12	28%	11%	62%	R. of 5
13	20%	5%	75%	R. of 6

"Reciprocal Change" Options (R.) are included as directed by the Council. These are calculated by dividing the offshore % in Options 1-6 respectively, by the offshore % in Option 7, and multiplying the sum of the inshore % and mothership % in Option 7 by the resulting ratio. The split between inshore and true motherships is calculated by taking the proportion of each in the specific allocation. As an example the splits in Option 8 are calculated as follows:

Inshore = $(47\% + 55\%) \times (35\% + 10\%) \div ((40\% + (40\% + 13\%))) = 29\%$

True MS = $(47\% + 55\%) \times (35\% + 10\%) \div ((13\% + (40\% + 13\%))) = 9\%$

Offshore = $100\% - 29\% - 9\% = 62\%$

Alternative 5: Reauthorize existing FMP language for three more years, but change the language to eliminate references to Inshore and Offshore allocations. New language would be included providing for allocations to Catcher Vessels and Catcher Processors with a guaranteed portion of the Catcher Vessel allocation to be delivered to a newly defined Inshore sector. This alternative would allocate specific percentages to be harvested by catcher vessels and catcher processors. Either sector could make deliveries to any processor, except that there would be a minimum delivery guarantee to inshore processors from the catcher vessel allocation. Wholesale changes to the FMP would be made under this alternative, but these are reflected primarily in the revised Sections 2 and 4 as shown below. Allocation options are shown following the changes in the FMP Language. The actual proposal did not include specific percentages for the shoreside guarantee, and therefore,

the options show a percentage of the catcher vessel harvest which would reflect the amount of the 1996 pollock TAC processed by the inshore sector, i.e, 35% of the non-CDQ pollock in the BSAI.

<p>2. Definitions</p> <p><u>Catcher Vessels</u> are defined as all vessels permitted to harvest groundfish which are not permitted to act as processing vessels for groundfish.</p> <p><u>Catcher Processors</u> are defined as all vessels permitted harvest groundfish which are also permitted to act as processing vessels for groundfish.</p> <p><u>Inshore</u> is defined to consist of two components of the industry:</p> <ol style="list-style-type: none"> 1) All shoreside processors as defined in federal regulations. 2) Other motherships, or floating processors which have declared themselves to be "Inshore." <p>4. Allocations: The allowed harvest of BSAI pollock shall be allocated as follows: XX% of the pollock resource in each subarea for each season will be allocated to catcher processors, beginning in 1999 and continuing through 2001. By the same action, the catcher vessels will be allocated YY% of the pollock resource beginning in 1999 and continuing through 2001 in each subarea and in each season. From the amount of the pollock resource allocated to catcher vessels, a minimum of ZZ% will be delivered to the inshore component. The percentage allocations are made by subarea and period as provided in federal regulations implementing this FMP. All pollock caught as bycatch in other fisheries will be attributed to the appropriate harvesting sector.</p>

Staff Comment: The allocation percentages shown as Options 1-3 in the box below reflect the allocation as proposed in public comment. The Council Staff calculated the shoreside guarantee such that 35% of the pollock TAC would be delivered by catcher vessels to the inshore sector. Council staff also included a fourth option which reflects the 1996 harvest levels, were the new definitions (as shown above) in place. In 1996 catcher vessels harvested approximately 51% of the non-CDQ pollock. Finally, the Council requested that staff calculate and include additional options reflecting the "reciprocals" of the proposed alternatives. These are shown as Options 5-7, and reflect the change from 1996 harvest levels implied by Options 1-3.

Allocation Percentage Options for Alternative 5

Option	% to Catcher Processors	% to Catcher Vessels	% of C.V. Guaranteed for Inshore (35% of TAC)	Source of the Option
1	45%	55%	63%	Derived by Staff
2	40%	60%	58%	Derived by Staff
3	35%	65%	53%	Derived by Staff
4	49%	51%	68%	Derived by Staff to reflect the 1996 harvest were the proposed changes to the FMP language in place.
5	52%	48%	73%	R. of 1
6	55%	45%	77%	R. of 2
7	57%	43%	81%	R. of 3

"Reciprocal Change" Options (R.) are included as directed by the Council. These are calculated by dividing the offshore % in Options 1-3 respectively, by the catcher processor % in Option 4, and multiplying the catcher vessel % in Option 4 by the resulting ratio.

Past, Current, and Proposed Problem Statements

The Council requested that the following problem statements be included in the newsletter to help focus their June discussions of an appropriate problem statement for Inshore/Offshore III.

Inshore-Offshore I Problem Statement

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

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

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

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

Inshore-Offshore II Problem Statement

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

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

DRAFT PROBLEM STATEMENT

(offered by Council Member Pereyra at April 1997 Council meeting)

The problem to be addressed is the need to maintain stability, e.g., no changes in the sector splits, while the Comprehensive Rationalization Program goes forward. The Council believes that a continuing inshore-offshore and CDQ pollock allocation, as was done in 1995 when the inshore-offshore regulations were essentially "rolled over" through 1998, will minimize instability in the groundfish industry, while allowing for continuing development of a CRP management system, including the National Academy of Science's study of individual quotas as mandated by Congress. The groundfish industry is in a different state than existed in 1995 as a consequence of many factors outside the scope of the Council process, such as the ongoing negotiations with Russia over the Bering Sea maritime boundary, as well as the inshore-offshore allocation. Furthermore, the sectors of the Bering Sea pollock fishery are now fairly evenly balanced as evidenced by the time periods required for each sector to take its quota; and beginning in 1998 the discarding of pollock and cod will be prohibited in the groundfish fisheries.

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

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

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

ALTERNATIVES

Alternative 1: No Action - the current inshore-offshore allocation and the pollock CDQ program would expire at the end of 1998.

Alternative 2: Continuation of the current program, as is, including the CDQ allocation, until replaced by a long-term CRP solution, but with review after five years if the CRP is not completed by that time.

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

Information Requested by Council

A revised Problem Statement, and alternatives for formal analysis, will be decided by the Council at their June meeting in Kodiak for both the GOA and the BSAI. The Council is encouraging comments on the alternatives and problem statements for their June discussions. The Council notes that when considering and commenting on the proposed alternatives, the public should be aware of discussion points raised by the Council in April, which included the following:

- changes in biomass levels of pollock
- consolidation of effort in some industry sectors
- ownership structures of the industry sectors involved
- changes in delivery patterns for pollock
- current and future stability of the industry
- long-range management considerations for pollock (CRP)

The Council also requested information from staff to facilitate their June discussions. Information which may be provided in June (as available) includes: data and analytical requirements necessary for various proposed alternatives; numbers of vessels, plants, and motherships operating in the pollock fisheries; 'migration' patterns of vessels previously operating in the pollock fisheries, and; recent harvest delivery patterns associated with BSAI pollock fisheries. The industry also is encouraged to document problems and concerns that have arisen as a result of past or current inshore/offshore allocations.

Written public comments on the above should be provided to the Council office by June 9 to be placed in the Council meeting notebooks. There will be time set aside at the Council meeting for further comment. A draft analysis of the alternatives resulting from the June 1997 meeting will be presented to the Council in February 1998 at the earliest. The Council needs to make their final decision by June 1998. Staff contact is Marcus Hartley.

907-586-1325
FAX 463-5480
AML1@ptialaska.net



August 29, 1997

To: Richard B. Lauber, Chairmen
Clarence G. Pautzke Executive Director
North Pacific Fishery Management Council
Anchorage, Alaska

From: Alaska Conference of Mayors
Juneau, Alaska

Subject: Conference of Mayors Resolution 97-2

Resolution Number 97-2 was passed unanimously by the Alaska Conference of Mayors on August 28, 1997 at there summer meeting in Kenai Alaska. Please include this resolution in the packets of information that you will prepare for council members at the September meeting in Seattle Washington. Listed below for the councils information are the Mayors that were in attendance at the Kenai meeting.

Mayor Carolyn Floyd, City of Kodiak, President
Mayor Rick Mystrom, City of Anchorage
Mayor Jerome Selby, Kodiak Island Borough
Mayor Mike Navarre, Kenai Peninsula Borough
Mayor Dennis Egan, City & Borough of Juneau
Mayor Willy Thomas, City of Buckland
Mayor John Gonzales, Denali Borough
Mayor Sioux Plummer, City of Skagway
Mayor Henry Quinotte, City of Palmer
Mayor Wemgatillion, City of Savoonga

Mayor Jack Cushing, City of Homer
Mayor Alaire Stanton, City of Ketchikan
Mayor Ken Lancaster, City of Soldotna
Mayor John Williams, City of Kenai
Mayor Frank Kelty, City of Unalaska
Mayor Robert Knight, City of Nenana
Mayor Lou Bencardino, City of Seward
Mayor Sarah Palin, City of Wasilla
Mayor David Cobb, City of Valdez
Carrie Williams, for Mayor of Whittier

Alaska Conference of Mayors
Juneau Alaska
Resolution 97-2

A RESOLUTION OF THE ALASKA CONFERENCE OF MAYORS REQUESTING THAT THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL ANALYZE A RANGE OF ALTERNATIVES FOR ALLOCATION OF POLLOCK FOR THE BERING SEA ALEUTIAN ISLAND AREA, SUPPORT RE-AUTHORIZATION OF THE EXISTING POLLOCK CDQ PROGRAM, AND SUPPORT A ROLLOVER OF THE EXISTING ALLOCATIONS OF POLLOCK AND COD FOR THE GULF OF ALASKA AREA.

WHEREAS, the current inshore/offshore allocation is scheduled to expire at the end of 1998, and

WHEREAS, the current formula for the BSAI of 65% dedicated to the offshore sector and 35% for the onshore sector and 100% of pollock and 90% of cod for the Gulf of Alaska has been in place since 1992, and

WHEREAS, comprehensive data on the effects of the current allocation was not available at the time it was reauthorized by the Council and there is now five years of experience under the current formula on which to base a new allocation decision, and

WHEREAS, at the June meeting of the NPFMC the Council received reports from staff, the Scientific and Statistical Committee, Advisory Panel and testimony from the public on the inshore/offshore allocation of pollock in the Bering Sea which indicated a need for additional information and which reflected a wide range of opinions on what alternatives should be considered when reauthorizing the allocation for the BSAI area, and

WHEREAS, the Magnuson-Stevens Act was recently amended and is the new law for management of our nation's fisheries; and

WHEREAS, included in the Magnuson-Stevens Act, Section 301, National Standards, are provisions that take in to account the importance of fishery resources to fishing communities in order to provide for the sustained participation of such communities, and to the extent practicable, minimize adverse economic impacts on such communities; and

WHEREAS, the pollock allocation for BSAI and the GOA is critical to the continued economic stability of coastal communities, including the CDQ communities, the shore based plants and fishing fleets that deliver in these coastal communities; and

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

Alaska Conference of Mayors
Resolution No. 97- 2
Page Two

WHEREAS, the shore based plants and fishing fleets that deliver in coastal communities contribute millions of dollars annually to the State of Alaska and coastal communities through property taxes, local and state- shared fish tax, sales tax, employment opportunities, and other social benefits; and

WHEREAS, the shore-based plants in Alaskan coastal communities are totally dependent on the fishery resources of the Bering Sea, Aleutian Islands and Gulf of Alaska and do not have the ability to process fish from other areas of the United States or other foreign countries as do the offshore factory trawlers ; and

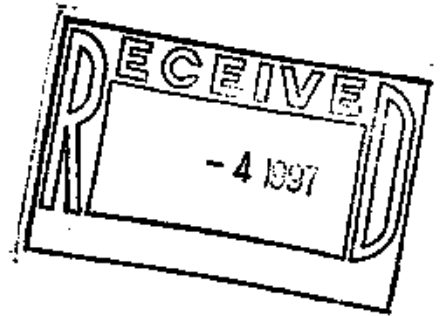
NOW THEREFORE BE IT RESOLVED that the Alaska Conference of Mayors requests that the North Pacific Fishery Management Council analyze a range of alternatives on the allocation of pollock for the Bering Sea Aleutian Islands , support the reauthorization of the Pollock CDQ Program in the Bering Sea, and support the reauthorization of the existing Gulf of Alaska allocation for pollock and cod, for the following reasons;

1. Compliance with the Magnuson- Stevens Act
2. Lack of new information or studies of changes in the pollock fishery since 1992.
3. Importance of the allocation to the continued economic stability of coastal communities, CDQ communities, processing facilities, and shore-based fishing fleets based in coastal communities.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE ALASKA CONFERENCE OF MAYORS THIS 28th DAY OF August 1997


PRESIDENT

(Untitled)



Attention: Chris Oliver or Darrell Brannan

Fishery Management Plan Amendment Proposal
(Bering Sea-Aluetian Island FMP)

Name: Brent Paylor
Address: 5021 9th ave west
Everett, Wa 98203
(206) 252-4453

Date: 7-28-97

FMP: Inshore/Offshore allocation

Brief Statement: Rollover current allocation through 2002

Objectives: Current system has worked since inception and has allowed well managed companies to profit in both sectors.

Need and justification for Council action:

The inshore component has increased its catching power in recent years. This has caused the inshore fishery to end sooner every season. The offshore side has eliminated vessels through attrition, and is still working on maximizing the resource.

Foreseeable Impact:

It now appears to be a fair split with both sides pretty much experiencing the same number of fishing days. There would be no significant impact to either side with a rollover, as all parties have adjusted to the current system.

Alternative Actions:

I do not believe there is a better way to split the quota other than going back to an olympic system.

Supportive Data:

Number of days fishing speaks for itself. The offshore side has lowered their catch rates while the inshore component has increased theirs.

Signature:

Brent C Paylor

Attn: Chris Oliver or Darnell Brannan

FISHERY MANAGEMENT PLAN AMENDMENT PROPOSAL
North Pacific Fishery Management Council

Please check applicable box(es):

- IFQ Program
- Bycatch Reduction
- BSAI Groundfish FMP
- GOA Groundfish FMP
- BSAI Crab FMP
- Scallop FMP

Name of Proposer: Michael Beresch Date: 2/22/97

Address: 3141 Harrison
Astoria, OR 97103

Telephone: (503) 325-6250

Fishery Management Plan: Inshore/Offshore Allocation

Brief Statement of Proposal: Rollover the current Inshore/Offshore Allocation for at least the next three years.

Objectives of Proposal: (What is the problem?) To give all parties participating in the pollock fishery an equal amount of days fishing.

Need and Justification for Council Action: (Why can't the problem be resolved through other channels?) Council needs to rollover the Inshore/Offshore Allocation

Foreseeable Impacts of Proposal: (Who wins, who loses?) Right now it seems to be a fair division of the quota. For the past few years inshore and offshore have had a equal amount of time fishing.

Are there Alternative Solutions? If so, what are they and why do you consider your proposal the best way of solving the problem? Some of the new proposals are unfair, and favor the inshore sector. I have been in both groups, and I feel an equal amount of days fishing is the fair and necessary way to divide the pollock quota.

Supportive Data & Other Information: What data are available and where can they be found? Number of days on the grounds for each group speaks for itself.

Signature: Michael R Beresch

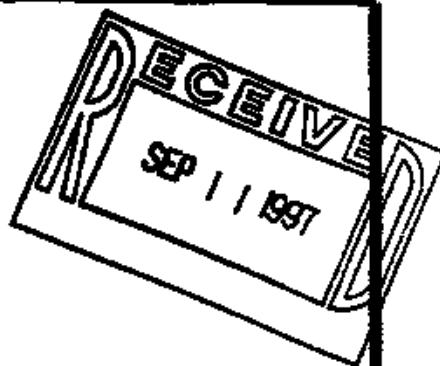
F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551



Dear Governor Knowles,

I have been an Alaskan resident since October of last year '96. I am currently employed as a cook on the F/T ARCTIC FJORD. I've been a fisherman on and off since 1975. The sea has always been good to me and my family. Please support a roll over of the current pollock allocation.

Thank you Sir, and we will forever be grateful.

Yours sincerely

Handwritten signature

10th Sept. 97.

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Dear Governor Tony Knowles -

My name is Ono Saena a resident of Newstuyahole Ak. 99636 in the Bristol Bay Region. I am writing to you sir in regards to the Allocation that is stressing before all of us in the Factory Trawling Association. You sir have claimed Bristol Bay Region a disaster area in 1997.

I strongly advise you Governor support our jobs by supporting a rollover of the current allocation.

Governor you stress the problem of welfare in the State and also rural areas of Ak. Show employment or probably no employment in our own villages can support us Alaskans out here on F/T Arctic Fjord who have employment in this Company.

Like you have said sir, take away Welfare and State and look for employment, and sir that's what we Alaskans on this Vessel are doing or have done.

I love my job, it makes a person out of me, I'm treated important on the vessel and also I am earning a check to support my family.

Lets brain storm the problem more than to conclude it now because it will be a mistake for us Alaskans to loose employment.

Thank you -
Ono Saena
9/10/97

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Dear Governor Knowles;

I'm an AK. resident that is employed on a Factory Trawler fishing CDQ.

This is a very good job and important to me + my family.

As you know, it is important that our jobs are supported by you in you supporting a rollover of the current allocation.

As you may know, salmon season was not good this past season, some of my friends are employed here making money with a secure job to make up for the salmon season.

09/09/97

Regards,
Noel Barbosa

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Dear Governor Knowles,

My name is Robert M. Yeager, I am 23 years old, I live in Dillingham. AS you know salmon fishing was not real good this year and there are not as many good paying jobs in almost all ~~town~~ busin cities and villages.

Working on the Arctic Storm & Arctic FJORD gave me a very good paying job, I work as a Driver, Graded Roe, Intern engine and Rover. This helps pay my bills, and make it possible to help support my parents. My brother also works on these boats and he has to support his baby and girl friend.

I would highly recommend you ~~please~~ to support a roll over of the current pollock allocation, and charge more alaskans to fish on factor trollies.

From.

Robert M. Yeager

9-9-97

F/T ARCTIC FJORD
400 N. 34th St. - Suite 306
Seattle, WA. 98103
(206) 547-6557
Vessel # 011-872-153-2551

Dear Governor Knowlton,

I am writing in regards to the North Pacific Fisheries Management Council's request to reallocate Pollock resources in the Bering sea.

I feel that if they succeed in doing so, Alaskan residents will have fewer job opportunities. I, myself being born in Alaska, and currently reside in Bristol Bay, feel that this situation could and will have a great impact on economic development throughout Alaska.

I am proud to say that many friends of mine would want to seek future employment with offshore processors. I myself have been employed with Arctic fjord since January of '96. It has given me great rewards in many ways. Therefore, I am in favor of a rollover of the inshore/offshore Bering Sea Allocation.

Sincerely

Andrew Golva Jr

9/9/97

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Sept. 10, 1997

To Governor Knowles,

My name is Marco Barbosa and I am an Anchorage resident. I am writing in regards to the North Pacific Fishery Management Council request to reallocate pollock resources in the Bering Sea.

I believe that the allocation should stay with the off shore processors and fleets. I have been working on Factory Trawlers for seven years and it is much better than in shore plants. Here on the boat, we are treated nicely, compensated very well, and we get the best recovery percentage off of the fish! We do not waste and we return the unwanted species back to the waters alive!

This job is very crucial for me because I am responsible for my family and I am head of household. Without my income my entire family will be in jeopardy.

Thank you for your time and patience! Please remember to support the rollover of the current allocation!

Sincerely,
Marco A. Barbosa



F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Sept. 10, 1997

Dear Governor Knowles,

My name is Janel Delatorri and I am a resident of Anchorage, Alaska. I am currently employed by Arctic Storm working as a surimi extruder on the F/T Arctic Fjord. I am writing in regards to the North Pacific Fishery Management Council request to reallocate pollock resources in the Bering Sea.

I strongly feel that you should support my job as well as other offshore processors by supporting a rollover of the current allocation. I have been working on factory Trawlers for three years and I have been treated properly and paid very well. I feel that the allocation should be kept in offshore processing because we are treated fairly, compensated well, and very happy with our jobs. I believe that the inshore plants are exploiting the Alaskan Natives and residents by underpaying them, overworking them under a bad environment, and giving them no respect. Without offshore processing I would not have a choice and be left to inshore processing which I stated is a poor situation. I have many responsibilities and I need my job here on this vessel. The loss of quota and market leverage could strongly devastate our at-sea fleet and put many jobs of at sea processors in jeopardy.

Thank you for your time and please support a roll over of the current allocation.

Sincerely a concerned
Alaskan Resident, Janel Delatorri

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Dear Gov. Tony Knowles

My Name is Norton Konukpeok & I work as a processor. ~~and~~ I would like to keep my job because there is hardly any employment in the Bristol Bay Region. Since there was a fishing disaster in 1997. I strongly advise you to keep the jobs open on the Factory trawlers, ~~and~~ to support my family since theirs no welfare & have employment for some people that have no jobs back in the villages of Bristol Bay. So I hope that they would keep hiring people from Alaska because I like my job & they treat me well.

~~Sincerely~~ Thank you
Norton Konukpeok

F/T ARCTIC FJORD
400 N. 34th St. - Suite 306
Seattle, WA. 98103
(206) 547-6557
Vessel # 011-872-153-2551

Dear Mr. Tony Knowles

My name is Vernon Konukpeok Jr. and I am an Ak. resident. I have been in Ak. all my life, I am an Eskimo Yüpiik from Togiak Ak. 99678.

I work on the F/T Arctic Fjord as a processor and the work is great for me because there are no jobs at my home town during the fall, winter and spring and we only fish salmon in the summer and this year there was no salmon at all in Bristol Bay.

I would like you to support our jobs by supporting the rollover of the current Allocation. Within five years there will not be anymore welfare and free money from the St., so you can see why I want to keep my job going on the Factory Trawlers, and the CDQ is a partnership of Bristol Bay Economic Development Corporation and is alot of help for our community that has no jobs for us but have some jobs out here as processors.

Sincerely,
Vernon B. Konukpeok Jr.

Governor Knowles,

My name is David Matsuno. I was born in Ugashik, Alaska; Bristol Bay. I am 38 years of age and have been fishing since the age of 9. This past summer I grossed a bit over \$2200. With the round trip airfare of \$600; plus groceries, supplies, and fuel, I didn't make much money for my time spent. I cannot make a living fishing as a deck-hand in the Bay any more.

Since starting my job here on the Arctic Fjord in January of 1996, I have paid off my back- taxes to the I.R.S. and my child support. I have gotten my Merchant Mariners license and hope to obtain my Q.M.E.D. (Qualified Member of the Engine Department) license.

With the Chief (Engineer Steve Becker) and the rest of the engine room staff I have had some excellent teachers. They have taught me to weld, a bit of refrigeration, some hydraulics, motors and pumps, etc. I seem to learn something new almost every day.

I recently joined the company 401(K) retirement plan. I don't count on fishing in the Bay for the 1998 salmon season.

With the mandatory drug testing, I quit smoking over 2 years ago and quit drinking recently, too.

This has been a fantastic learning experience and a great opportunity to learn a new trade. It is a chance for other villagers to get out and interact with people of other cultures; to learn new skills and broaden their minds. Please don't take this away from us Alaskans and from us all! I firmly support the rollover of the current allocation.

Sincerely,

David A. Matsuno

F/T Arctic Fjord

400 N 34th St. Suite 306

Seattle, WA 98103

(206) 547-6557

Vessel # 011-872-153-2531

F/T ARCTIC FJORD

400 N. 34th St. - Suite 306

Seattle, WA. 98103

(206) 547-6557

Vessel # 011-872-153-2551

Governor Knowles:

Hi, My name is McCallie Petta, I'm from New Stuyahok, Alaska which is in the Bristol Bay Region. In 1997 you declared Bristol Bay a Disaster area because of poor fish run in the area. I would appreciate that you extend the Quota allocation on the Pollock. As you know there are hardly any jobs in Rural Alaska, Unemployment is just about at an all time high. I have been fishing onboard the Arctic Fjord this past year and been making some good money, money that I can't or won't be making at my home town. With the Welfare Reform going on I will encourage my friends back home to apply for a job on this ship because its good paying job.

Mr. Governor please support the rollover of the allocation. So my friends and I can have a job that we could not find at home.

Sincerely,

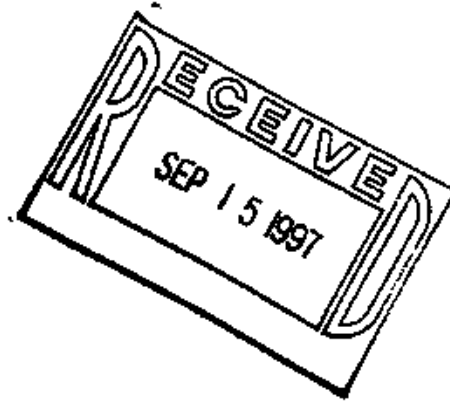
McCallie Petta

New Stuyahok, Alaska

September 4, 1997

To: Unalaska City Council
City Hall
Unalaska, Alaska

From: Christina Chamberlain
PO Box 920608
Dutch Harbor, AK 99692



Honorable Councilpeople,

I attended the Council work session Tuesday night, and was glad to see the support given Resolution No. 97-88, urging the North Pacific Fishery Management Council to consider a range of alternatives before making any decisions on the inshore/offshore allocation. I trust that support will not be eroded in any way between now and the formal meeting on Tuesday, September 9. It has become increasingly obvious over the past year or so that the offshore component is willing and able to spend great sums of money in an attempt to further their agenda. I am writing this letter to remind you that your actions in this matter are being closely scrutinized by the voters of this community, and to reiterate just a few of the more important points that were brought out at the work session.

1) Common sense dictates that the NPFMC have as much data available to them as possible before making a decision on the allocation. In fact, the Magnuson-Stevens act requires the use of the best scientific information available. The suggestion that there "won't be enough time" to adequately analyze that data is not compelling. I gathered from some of the comments made by members of the audience Tuesday night that there has been an abundance of information available for quite some time, but no one has had the guts to use it because of the obvious controversy involved. As Mayor Kelty put it so well, it's time to make NPFMC "do their job".

2) I disagree wholeheartedly with the idea that the Council "shouldn't get involved in the allocation question". It is incumbent upon you, as our duly elected representatives, to take this opportunity to start what will undoubtedly be an uphill battle against the well-greased offshore interests. The future of our community depends on it. While I appreciate Councilman Hanson's concerns about "pitting families against each other", the fact of the matter is, unless the offshore share of the allocation is radically reduced, and soon, Unalaska/Dutch Harbor will become a ghost town, and there won't be any families here at all.

In addition, as was pointed out several times Tuesday night, the current Magnuson-Stevens Act requires that "impacted communities" like ours be considered when allocation issues are discussed, and that no decision be made that would "adversely affect" those communities. So, you, as Council members, have not only a moral responsibility to involve yourselves in this issue, but a legal, or legislative responsibility as well.

3) While I can't imagine that there can still be any room for doubt as to which component benefits our community more, let me summarize the high points:

a) The onshore plants are here to stay. They have a vested interest in preserving the resource, because, unlike the offshore operators, they can't pick up and move if the fish disappear here.

b) The onshore plants make considerably better use of the fish that they catch--almost everything that is delivered is used, either in the form of surimi and roe, or in the form of fishmeal, bonemeal and fishoil. On the issue of "utilization", the onshore plants are way ahead of the offshore industry.

c) The onshore plants contribute more to the community, in terms of both money and personal involvement. As far as money, there is the city's 2% raw fish tax, in addition to the huge amounts of money that are generated in the form of property taxes and money spent by shoreplant boats and employees. As for personal involvement, I think the comments made by the audience Tuesday night speak for themselves. We and our families are active at every level in our community, serving on government and non-profit boards, doing volunteer work, participating in athletics, teaching at the school, etc. etc. etc. As Mr. Yutrzenka from Unisea put it so succinctly, "We are here to stay". I personally have been a member of this community and an employee of Westward Seafoods since November of 1990, and my husband and I hope to continue living here for many years to come.

I could go on and on, but I would just be repeating what you have already heard. I would like to close by reminding you that our community depends on fish. The way we treat that resource is, as Henry Olsen put it, "at the very root of our survival". The onshore faction represents the best bet for preserving that resource. If the offshore faction is allowed to continue its rapacious fishing habits, the fish will be gone, possibly before we have even finished paying for the nice buildings, facilities and other amenities that we currently enjoy.

Finally, to the four councilpeople who supported Resolution 97-88: please don't allow yourselves to be dissuaded from supporting it again at the Council's formal meeting on the 9th. Also, please be wary of any parliamentary maneuvers that may be introduced in an attempt to water down the resolution. Remember, the future of our community is in your hands, and the voters will be watching every move you make.

Thank you,

Christina Chamberlain

Christina Chamberlain

cc: NPFMC
ASPA
PSPA
NPSC

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION NO. 97-88



A RESOLUTION OF THE UNALASKA CITY COUNCIL REQUESTING THAT THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL (NPFMC) ANALYZE A RANGE OF ALTERNATIVES FOR THE ALLOCATION OF POLLOCK FOR THE BERING SEA/ALEUTIAN ISLAND (BSAI) AREA, SUPPORT RE-AUTHORIZATION OF THE EXISTING POLLOCK CDQ PROGRAM, AND SUPPORT A ROLLOVER OF THE EXISTING ALLOCATIONS OF POLLOCK AND COD FOR THE GULF OF ALASKA AREA.

WHEREAS, the current inshore/offshore allocation is scheduled to expire at the end of 1998; and

WHEREAS, the current formula for the BSAI of 65% dedicated to the offshore sector and 35% dedicated to the inshore sector, and 100% of pollock and 90% of cod for the Gulf of Alaska has been in place since 1992; and

WHEREAS, comprehensive data on the effects of the current allocation was not available at the time it was reauthorized by the Council, and there is now five years of experience under the current formula on which to base a new allocation decision; and

WHEREAS, proper management of America's most valuable fishery resource deserves in-depth analysis and a high level of attention by the Council; and

WHEREAS, the City of Unalaska benefits economically from both the in/shore and off/shore sectors in our community, and supports review of current data available to be considered when reauthorizing the allocation for pollock in the BSAI area; and

WHEREAS, at the June meeting of the NPFMC, the Council received reports from staff, the Scientific and Statistical Committee, Advisory Panel, and testimony from the public on the inshore/offshore allocation of pollock in the Bering Sea which indicated a need for additional information; and

WHEREAS, the Magnuson-Stevens Act was recently amended and is the new law for management of our nation's fisheries; and

WHEREAS, included in the Magnuson-Stevens Act, Section 301, National Standards, are provisions that take into account the importance of fishery resources to fishing communities in order to provide for the sustained participation of such communities, and to the extent practicable, minimize adverse economic impacts on such communities; and

WHEREAS, the pollock allocation for the Bering Sea/Aleutian Islands and the Gulf of Alaska is critical to the continued economic viability of coastal communities; and

WHEREAS, shore-based plants in Alaskan coastal communities are totally dependent on the fishery resources of the Bering Sea/Aleutian Islands and the Gulf of Alaska, and do not have the ability to process fish from other areas of the United States or other foreign countries; and

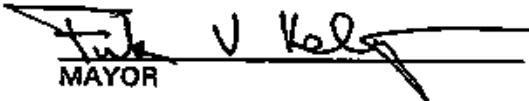
CITY OF UNALASKA
RESOLUTION NO. 97-88
PAGE TWO

WHEREAS, the upcoming decision of pollock allocations is very important to the City of Unalaska as 50% of annual general fund revenue is received from the shore-based facilities that are located in the community, and additional tax revenue is received from vessels in the offshore sector of the industry that land product in Unalaska.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council requests that the North Pacific Fishery Management Council analyze a range of alternatives on the allocation of pollock for the Bering Sea/Aleutian Islands, support the reauthorization of the Pollock CDQ Program in the Bering Sea, and support the reauthorization of the existing Gulf of Alaska allocation for pollock and cod, for the for the following reasons:

1. Compliance with the Magnuson-Stevens Act;
2. Review of current information on changes in the BSAI pollock fishery since 1992;
3. Importance of the allocation to the continued economic viability of coastal communities.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE UNALASKA CITY COUNCIL THIS 9th DAY OF Sept., 1997.


MAYOR

ATTEST:


CITY CLERK



**Economic and
Environmental
Analysts**

2360 Squak Mt. Loop SW • Issaquah, Washington

(206) 391-7602

15 September, 1997



**RE: Comments for Inclusion in SSC, AP, and Council's meeting materials
Item C-1 Inshore-Offshore 3 for Seattle September meeting**

Dear Rick and Clarence:

At its June 1997 meeting, the North Pacific Fishery Management Council delayed its determination of a 'problem statement' and accompanying alternatives to be analyzed until the September Council meeting.

In the interim, the Council requested NOAA General Counsel's (GC) opinion as to the scope of the analysis, particularly with regards to the Community Development Quota (CDQ) portion and directed staff to begin gathering preliminary data.

Several issues, associated with these pollock fisheries, have been raised at the June meeting, in Kodiak. Presumably, to the extent practicable, the Council's final analysis would address these concerns:

- spillover issues to other groundfish fisheries
- market control in the surimi market
- consolidation of harvest power & excessive shares
- impact on traditional fishing communities & the CDQ program
- net national benefits & associated gains/losses to individual sectors
- foreign ownership
- job issues
- biological implications for the pollock stocks and for marine mammals

However, before a comprehensive analysis can move forward for completion early next year, it is necessary to have a clearer understanding of what objective(s) the Council is attempting to achieve. That is the intent behind the development of a 'problem statement.' There has been some discussion as to whether a 'problem' actually exists for this issue. Webster offers up this as its first definition of 'problem'—"a question or situation that presents doubt, perplexity, or difficulty."

Right now, the Council faces three basic options for its approach in handling this Inshore-Offshore 3 agenda item:

1. **Do nothing** and the current allocation automatically expires at the end of 1998. The BS/AI pollock fishery would no longer have two separate open-access fisheries but rather a combined open-access fishery. For the GOA, it would remove the pollock and P. cod allocation. Whether the CDQ program would still be viable, based on the new Magnuson-Stevens Act, depends on NOAA GC's opinion. These fisheries, and the affected components, would still continue to be influenced by numerous other regulations, in addition to forces outside of the Council's arena. Whatever objectives or issues that drove the initial allocation scheme would presumably be determined to be of lesser importance to the Council, or to have been already resolved in the intervening years, or will be shown to be addressed more effectively under some other proposed regulation.
2. **Maintain the status quo** with regards to this allocative regulation. That does *not* automatically imply that nothing will change with regards to access for individual operations or components of the fisheries, nor that nothing will change with regards to overall returns from this fishery or to the financial well-being of individuals. It also brings up the related question of extending this status quo regulation to WHEN?
3. **Modify one or more elements** of the existing regulation. This opens up the regulation to be refined or adjusted in areas, such as the sunset date, definition of sectors, CVQA boundaries, seasons, or percentage shares. Ideally, no adjustment should be put forward as an alternate option unless it has the potential to address some oversight or issue that was not handled with the existing allocation, or if the adjustment would move the Council closer to its stated objectives for these fisheries.

The Council might choose to select different options for different components of this issue. If the Council already has consensus that exploring a given alternative will not bring them closer to their underlying objectives, then that alternate path should not be considered for further development. But the reality of the situation is that under any of the three options, there exists doubt as to what effects might occur. These risks and issues should be analyzed.

In other words, the situation is the Council is still facing the same 'problem' and the simple reason the Council is addressing it now is because it deliberately chose to incorporate a sunset date with Inshore-Offshore 2 to ensure the issue was revisited.

In both the justification and the subsequent approval of the initial Inshore-Offshore and the first extension, Inshore-Offshore was presented as a temporary measure that would be replaced eventually by a more effective management scheme. However, as clearly noted by Council staff in their June, 1997 presentation: "Unlike the initial reauthorization, the Council will not be able to show progress toward a meaningful market-based allocation system, because of the moratorium on new IFQ programs in the Magnuson-Stevens Act."

When developing the framework underlying its comprehensive rationalization program, the Council identified numerous associated problems, one in particular being "allocation and preemption conflicts *between and within* industry sectors" (emphasis added). The Council still faces that issue with Inshore-Offshore 3. Whatever preferred alternative the Council ends up ultimately selecting, the public and the stakeholders must have some degree of confidence that the Council deliberately chose it from an informed understanding of its options and their likely implications.

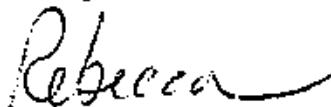
Based on my preliminary data-gathering and review of Council's past actions on this issue, I would recommend the Council do the following at its September meeting:

1. Adopt the problem statement that was adopted and presented by the AP at the June, 1997 meeting.
2. Put forward the **do nothing** option and status quo option as two alternatives to be further analyzed.
3. In addition, create alternatives for the BS/AI pollock fishery to be further analyzed

- a) that would modify the definitions of sectors from inshore/offshore to allow for separate allocations for factory trawlers, deliveries to motherships, and deliveries to shoreside plants,
 - b) that remove the sunset date from this allocation, and
 - c) that more closely reflect the initial distributional goals of the Council.
4. Keep the analysis of the CDQ program within the context of the overall fishery due to the interactions that have developed between these communities and operations that also participate in the open-access fisheries.
 5. Consider using decision analysis as an approach that would capture the uncertainties in any net benefit estimate that would be conducted.

The time to take the least disruptive action is not when the effect has been conclusively proven but when the possibility cannot be discounted and must be taken seriously. I look forward to attending the upcoming meeting where I can present some of the preliminary data I have gathered and explain in more depth the rationale behind my current recommendations.

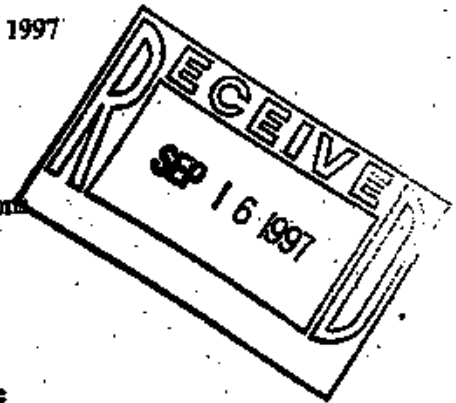
Sincerely,



Rebecca Tuttle Baldwin
Resource Economist

Rick Lanber, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

September 16, 1997
VIA FAX



Subject: Item C-1, Ecological Implications of Inshore/Offshore 3 Pollock Allocations

Dear Mr. Chairman,

The current Inshore/Offshore 3 debate has enormous ramifications not only for the make-up and conduct of the Bering Sea/Aleutian Islands pollock fishery but for the Bering Sea ecosystem as a whole, particularly since the fishery in question comprises 70% of the entire BS/AI groundfish catch and since pollock is regarded as a keystone species in that marine foodweb (Bax 1991).

Many seabird populations rely on annual production of pelagic juvenile pollock (age 0-1) in the critical breeding and chick-rearing season in the eastern Bering Sea. Pollock are a primary prey item for northern fur seals during the critical pup-rearing summer months in the eastern Bering Sea. Pollock are also a primary prey for endangered Steller sea lions and (declining) Pacific harbor seals throughout the year in the Bering Sea, Aleutian Islands and Gulf of Alaska. Although overall fishery exploitation rates appear conservative when compared to survey and model estimates of overall pollock biomass, this single-species context fails to consider the impacts of effort and catch in sensitive marine wildlife habitats where the giant Bering Sea pollock fishery is primarily concentrated.

It is a remarkable fact that none of the existing or proposed Inshore/Offshore problem statements contain even a reference to the ecological implications of this allocative decision, nor do any of the proposed allocation scenarios include an analysis of alternative management measures to reduce impacts of the fishery on pollock predators which have suffered large declines in the same areas. Frankly, this is a glaring omission and it is at odds with the Council's stated desire to move away from a single-species approach to management of marine resources and toward a more precautionary, ecosystem-based approach.

In the eastern Aleutians/southeastern Bering Sea region most directly impacted by management decisions on Inshore/Offshore 3, the largest Steller sea lion population on

earth has suffered a roughly 90% decline in population over the same period in which a high-volume trawl fishery for pollock and other groundfish has operated. Ugamak Island rookery was the largest sea lion rookery in the world 30 years ago, with an estimated 13,500+ non-pups counted in 1969; yet aerial surveys conducted at the Aiktak/Ugamak site indicated that the population had declined to just 1,064 non-pups in 1994 and 906 non-pups in 1996 (Byrd et al. 1997). A total eastern AI population of nearly 20,000 adults and juveniles in 1975 was reduced to 4,714 in 1996 (Merrick 1996). Pup production continues to decline throughout the region. At the 1985-92 rate of decline, there is a high probability that sea lions will dwindle toward extinction from Prince William Sound westward within 100 years (NMML/AFSC/NMFS 1995). The next 20 years are considered crucial to the population's survival and hopes for recovery in western Alaska (NMFS/NOAA/DOC 1997), while a viable population still remains.

The role of the fishery in this population crash is not without controversy, but other proposed causes (emigration, disease, subsistence harvest, pollution, predation) are not supported by the data (Merrick and Calkins 1996). Furthermore, the area of decline began in the center of sea lion abundance in the eastern Aleutian Islands beginning in the 1970s and moved eastward into the central GOA and westward into the Aleutian archipelago as large-scale trawling for sea lion prey advanced into these regions. By contrast, in areas of Southeast Alaska where no trawling for sea lion prey occurs, the Steller adult and juvenile population appears to have increased 41% (from 6,376 to 9,005) from 1979-94, while pup production increased 67% from 2,218 in 1979 to 3,701 in 1994 (NMML/AFSC/NMFS 1995). If non-anthropogenic factors (e.g., climate regime shifts) alone were driving the decline of the western population, one would expect to see somewhat similar trends in Southeast. Similarly, if a "regime shift" leading to greater abundance of pollock and greater reliance on pollock by sea lions was the culprit, one would expect to see a decline in the Southeast since that population also relies on pollock as a primary prey.

The magnitude of the catch and the concentration of the pollock fishery in critical sea lion foraging areas may be affecting sea lion foraging and prey availability in fundamental ways: (1) by causing localized prey depletion, (2) by disrupting schooling behavior of fishes with repeated tows of trawl gear, and (3) by hauling up non-commercial prey species as bycatch (NMML/AFSC/NMFS 1995). Prey quality as well as prey quantity may be problem, particularly if repeated trawling over the same area reduces prey density and causes foraging sea lions to expend more effort in catching

prey. Furthermore, telemetry studies show greatly increased foraging ranges and/or effort of adult females in winter and suggest that prey is more difficult to find in winter (Merrick and Loughlin 1997). When combined with the higher metabolic requirements of nursing a young-of-the-year pup, it is easy to understand why winter may be especially difficult for adult females and pups alike. Circumstantial evidence also supports the food-limitation hypothesis as a significant factor in the decline of juvenile sea lion survival (Merrick and Calkins 1996). Energy-rich and readily available spawning pollock in the southeastern Bering Sea are thought to be a vital food source for pregnant and/or nursing females and weaned juveniles at a critical time in the late winter, which is why the pollock spawning grounds off the eastern Aleutians were designated as critical habitat in 1993.

During the period of U.S. management, however, there has been a steady INCREASE in pollock removals in the region off the eastern Aleutians which is now designated critical sea lion foraging habitat between 164-170W, where annual catches have risen from an average of approximately 200,000 mt in 1977 to over 800,000 mt in 1994 and 1995 (Fritz 1997). Despite the listing of the species as threatened under the ESA in 1991 and despite the concern that lack of prey availability/food-limitation is a major factor in the chronic, on-going decline of the species (Merrick and Loughlin 1996), the amount of pollock removed from the critical foraging areas increased 45% between 1991-1995. The briefing material provided by the Council staff for the upcoming discussion of Inshore/Offshore 3 contains the following brief summary (Tab 10) of the problem:

"Despite efforts to reduce interactions between groundfish fisheries and Steller sea lions, the population continues to decline and pollock removals from designated critical habitat in the [BS/AI] increased 45% between 1991 and 1995 (Fritz et al. 1995; Fritz and Ferrero, in press). Pollock harvests from critical habitat in the BS/AI come chiefly from the southeast Bering Sea foraging area which extends from 164-170 W north of the Aleutian Islands and overlaps considerably with the CVOA (Figure 9). In 1996, pollock harvests from critical habitat declined to 1991 levels primarily because of the increased use of areas outside of the CVOA during the A-season (Figure 2)." (Fritz 1997)

The only significant protections granted by the Fisheries Service thus far involved creation of no-trawl zones of 10 nm around sea lion rookeries from the central GOA through the Aleutian archipelago, extending to 20 nm around 6 rookeries in the

Aleutian Islands (Sea Lion Rock, Akim, Akutan, Segnam and Agligadak in 1992, Ugamak in 1993) during the intensive winter roe fishery for spawning pollock. Although the existing no-trawl buffer zones offer crucial protection of near-shore foraging areas frequented by nursing females in the summer, the 1996 Section 7 consultations (NMFS 1996) conclude that rookery buffers do nothing to protect the larger areas of Steller sea lion critical foraging habitat outside the buffer zones, where sea lions spend much of the year. Fritz and Ferrero (1997) reach a similar conclusion:

"Recent pollock fishery distribution patterns suggest that interactions with sea lions in critical habitats are ongoing despite the partitioning that was achieved in the vicinity of rookeries. In the GOA, the combination of spatial pollock allocations and trawl exclusion zones may have stabilized pollock removals and effort at 1985-91 levels, but did not reduce them. In the BSAI, where there is only broad regional allocation of the pollock quota between the eastern Bering Sea and Aleutian Islands management areas, the creation of 10 and 20 nm trawl exclusion zones did not constrain landings from important sea lion habitats."

Given the recent reclassification of the western stock as endangered and the continuing decline of the western stock throughout most of its range, additional protective measures to reduce the risk of diminishing Steller prey availability in the larger aquatic foraging areas are in order. The Council should consult with NMFS and identify management measures which will achieve the goal of significant fishery catch reductions in critical habitat areas where Stellers are known to forage extensively in the winter months.

The decline of the Steller sea lion and other pinnipeds and seabird populations throughout the region in question indicates that dramatic changes in the ecosystem have occurred in recent decades. The circumstantial evidence strongly suggests the likelihood that large-scale fisheries for important wildlife prey (e.g., pollock, Atka mackerel, and cod) are a significant limiting factor in the recovery of those wildlife populations - particularly those which compete most directly for the same fish, such as the Steller sea lion (NRC 1996): "It seems extremely unlikely that the productivity of the Bering Sea ecosystem can sustain current rates of human exploitation as well as the large populations of all marine mammals and bird species that existed before human exploitation - especially modern exploitation - began."

Inshore/Offshore 3 provides the Council an object lesson in the need to incorporate

ecosystem considerations into the resource allocation process. It deserves careful attention by the Council when crafting a problem statement for Inshore/Offshore 3, particularly given the magnitude of the catch in critical wildlife habitat and the stated Council/NMFS desire to apply ecosystem-based approaches to the management of the groundfish fisheries of the BS/AI and GOA, consistent with federal laws. Therefore I submit the following draft language for consideration as you work toward an Inshore/Offshore 3 problem statement which characterizes the problem from an ecosystem perspective as well as an industry perspective:

"The problem identified in Inshore/Offshore 1 is that harvesting and processing capacity greatly exceeds what the pollock resource will bear, leading to preemption of one industry sector by another. The finite availability of the pollock resource and its importance as a keystone species in the Bering Sea ecosystem, combined with the overcapitalization of the industry and the increasing concentration of the fishery in time and area, also poses a significant risk of preemption and/or disruption of prey for declining pollock predators in the region, most particularly for the endangered Steller sea lion in designated critical foraging habitat off the eastern Aleutian Islands.

"In deciding the optimum allocation of the pollock resource, the Council will identify the alternative(s) which (1) are consistent with the Magnuson-Stevens Act requirement to avoid irreversible or long-term adverse effects on fishery resources and the marine environment (16 U.S.C. 1802, definition of "conservation and management"); and (2) are least likely to result in preemption and disruption of Steller sea lion prey or that of other marine mammals, seabirds and fishes which compete with the fishery directly or indirectly.

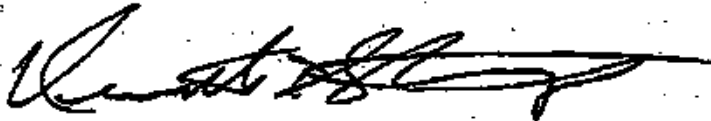
"Alternatives to be analyzed should include options for reducing competition with Steller sea lions in critical habitat, including redistribution of the catch by season and district in order to reduce first quarter removals of spawning pollock and to reduce the risk of localized depletion from pulse fishing. In addition, measures should achieve significant reductions in total tonnage of catch in areas designated as critical in order to ensure that quantity and/or quality of prey is not being compromised by the fishery in areas essential to the survival of the species."

Examples of management options for reducing interaction of the fishery with Steller sea lion critical habitat include:

- reducing the first quarter pollock me fishery allocation to no more than 25% of the annual TAC
- allocating the fishery on a quarterly and district basis to reduce the risk of pulse fishing and localized depletion in sensitive wildlife habitat
- reducing total BS/AF pollock removals from critical sea lion foraging habitat by 25%, 50%, 75% or 100%
- excluding factory trawlers from the pollock A as well as B season (7.5% CDQ pollock allocation not included) in order to move the offshore fleet's effort farther away from critical foraging habitat which overlaps the CVOA, particularly in the crucial winter months

Thank you for your consideration.

Sincerely,



Kenneth D. Stimp

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TO: RICK LAUBER, CHAIRMAN
NORTH PACIFIC FISHERY MANAGEMENT COUNCIL

RE: PROBLEM STATEMENT FOR GULF INSHORE/OFFSHORE

DATE: SEPTEMBER 1, 1997

SENT BY FAX: 2 PP



SUGGESTED PROBLEM STATEMENT FOR GULF OF ALASKA INSHORE/OFFSHORE ROLLOVER

SUBMITTED TO THE NPFMC BY ALASKA GROUND FISH DATA BANK

Allowing the current Gulf of Alaska Inshore/Offshore allocative regime to expire December 31, 1998, would allow the same pre-emption of resident fleets by factory trawlers in the pollock and Pacific cod fisheries which occurred in 1989. It was this dramatic pre-emption which triggered the original proposal for an inshore/offshore allocation. In 1989 there was still pollock available in the Bering Sea when the pre-emption occurred when vessels moved into the Gulf to take advantage of fish with high roe content.

A rollover of the Gulf of the current Gulf of Alaska inshore/offshore program which allocates 100% of the pollock and 90% of the Pacific cod to shorebased operations is a proactive action to prevent the reoccurrence of the original problem.

CHANGES IN THE GULF OF ALASKA SINCE THE FIRST ROLLOVER OF INSHORE/OFFSHORE
Since the implementation of Inshore/Offshore pollock and Pacific cod have become increasingly important to the Gulf of Alaska communities due to the following changes in the Gulf fisheries:

1. The implementation of the halibut and sablefish IFQ programs eliminated the participation of many small vessels (and some larger vessels) in these fisheries and caused economic hardships.
2. The increased acceptance of farm-reared salmon has drastically reduced the value of wild-caught salmon and further increased economic hardship for many communities and their resident vessels.
3. Roe herring prices fell dramatically in 1997 and there is some thought that the importance of herring to the traditional markets is eroding.

These negative changes in other fisheries have increased the importance of pollock and Pacific cod to many Alaska communities and fishermen.

1. Pollock processing in the Gulf, confined to Kodiak in 1989, now occurs in the Western Gulf, Cordova and Seward. Pollock processing is also expected to start in West Yakutat.
2. Pacific cod is now processed throughout the Gulf of Alaska.
3. The State of Alaska has established a State Water, State Managed Pacific cod quota open to pot and jig vessels to help alleviate the economic hardships caused by the IFQ program and value declines of salmon and herring.

Inshore/Offshore has provided the stability necessary to allow a greater diversity of use by vessels and processors of the Gulf pollock and Pacific cod.

Thank you for your consideration of our comments.



Chris Blackburn, Director
Alaska Groundfish Data Bank

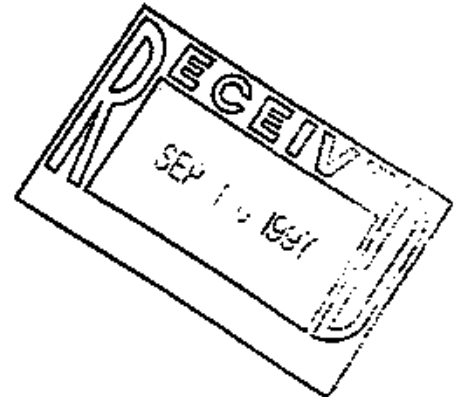


HIGHLAND LIGHT, INC. / F/T HIGHLAND LIGHT
123 N.W. 36th St., Suite 230, Seattle, WA 98107

Phone: (206) 547-3002
Fax: (206) 547-2429

September 10, 1997

FACSIMILE TRANSMISSION



To: Governor Tony Knowles
State of Alaska
Facsimile #: 907-465-3532

Dear Governor Knowles:

I am contacting you on behalf of Highland Light, Inc. and the F/T Highland Light in regard to the issue of inshore / offshore pollock allocation. As a representative of the offshore segment, I am very concerned about the economic ramifications if the allocations are increased in favor of the inshore side. The owners of the F/T Highland Light also own the M/V Yardarm Knot, a floating processor involved in the salmon, crab and herring fisheries in Alaska. Although the issues of inshore / offshore do not effect this operation, the ripple effect on other fisheries from declining economics will have its own impact on the industry as a whole.

A shift in the Bering Sea pollock allocation would dramatically impact the marketplace. Those seeking to change the current pollock allocation are seeking to increase significantly the amount of pollock processed inshore, and to include three mothership vessels in the inshore processing sector. The major inshore processors are owned by Nippon Suisan, Maruha and Nichiro. In addition to controlling these inshore plants, the three Japanese multinationals also own or control the three mothership vessels. At present, the Japanese dominated inshore processors and the mothership sector control roughly 45 percent of the pollock harvest. I have grave concerns that an increase in the inshore allocation would put too much market power in too few hands. It would give them such a large share of the production that they could easily manipulate the market to the detriment of Alaska, i.e. take all of the profit on the Japan side. This cannot be allowed to happen.

The Alaska salmon industry is already subjected to allegations of anti-trust activities in the salmon market. Nippon Suisan, Maruha and Nichiro are all major defendants in this suit. If the ultimate control of the pollock market is in the hands of these same Japanese corporations, it would be only a matter of time and attorneys before the same allegations were made regarding pollock.


In closing, we ask that your consideration be given to the arguments above and that you support a roll-over of the present allocation structure.

Sincerely,


Alan J. Chaffee
President

cc: North Pacific Council

MEMORANDUM


Dr. John T. Sproul, Fisheries Economist
208 3rd Street Lynden, WA. 98264
PH: (360) 354-4383; FAX: (360) 354-0212
E-mail: enies@brigadoon.com

September 12, 1997

**TO: NORTH PACIFIC FISHERIES
MANAGEMENT COUNCIL
604 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252**

RE: Public Comment on "Inshore-Offshore" Pollock Fishery Issue

I am a citizen and resident of the United States of America (US), with training (BS, MS, & Ph.D.) as an applied academic in Fisheries Science, Economics and Policy. I am professionally associated with the University of British Columbia Fisheries Centre & Sustainable Development Research Institute. However, I write as a private US citizen and business owner in support of responsible US fisheries practices consistent with economic development and environmental sustainability.

My comments are as in the form of recommendation for Council consideration:

1. To ensure future "Inshore-Offshore" related federal management decisions are consistent with the following specific US-recognized international agreement, the Council should undertake a comparison of both sectors' compatibility with the recently ratified UN Code of Conduct for Responsible Fisheries.
2. Such an review should place special emphasis on those most relevant Articles in the UN Code of Conduct including the General Principles (Article 6), Fishing Operations (Article 8), Integration of Fisheries into Coastal Area Management (Article 10) & Post-harvest Practices and Trade (Article 11).
3. As an ongoing working tool for the Council, (since the only thing constant is change) each year such a "side-by-side" status report should be presented on how the "inshore" & "offshore" sectors of the pollock fishery correspond with this UN Code that is both internationally recognized and US sanctioned.

Attached with this Memorandum is a copy of the UN Code of Conduct For Responsible Fisheries for your review and reference.

I wish the Council every success in fulfilling its mandate to manage our nation's North Pacific living marine resources toward long-term sustainable economic, social, and environmental benefit for all citizens.

Thank you for your thoughtful consideration.

Encl. 1) UN Code of Conduct for Responsible Fisheries
(submitted with original, not with fax version)



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Washington, D.C. 20230

OFFICE OF THE GENERAL COUNSEL

September 19, 1997

Donald C. Mitchell, Esq.
1335 F Street
Anchorage, AK 99501

Dear Mr. Mitchell:

Thank you for your letter dated August 29, 1997, concerning the legal interpretation I provided to Dr. Gary Matlock on NOAA General Counsel's interpretation of section 305(i)(1) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act). The following is a summation of NOAA General Counsel's interpretation of section 305(i)(1) with direct responses to your comments. As your comments are directed primarily to the pollock CDQ program, I will apply our interpretation of section 305(i)(1) to that particular program.

We interpret section 305(i)(1) as requiring the North Pacific Fishery Management Council (Council) and the Secretary to establish a single, stand-alone western Alaska CDQ program for Bering Sea fisheries, including the pollock fishery. Congress has directed the Council and the Secretary to establish such a program and the Council and the Secretary are under an obligation to implement Congress' wishes. However, the CDQ program must also be implemented in accordance with all of the provisions of section 305(i)(1) and other requirements of the Magnuson-Stevens Act.¹

After the broad mandate of section 305(i)(1)(A), sections 305(i)(1)(B), (C) and (D) set forth parameters and exceptions for the Council and the Secretary in developing such a program. Section 305(i)(1)(B) defines the eligibility criteria for communities to participate in the CDQ program, including pollock. Section 305(i)(1)(C)(i) establishes a moratorium on new CDQ

¹ This interpretation is stated in my memorandum to Dr. Matlock on page 1, "Although [section 305(i)(1)(A)] requires the Secretary to establish a single, stand-alone western Alaska CDQ program, such program must be consistent with the remaining paragraphs of section 305(i)." Memorandum dated July 17, 1997, for Gary Matlock from Margaret Frailey Hayes.



programs until October 1, 2001, by prohibiting the Council from including a fishery in the CDQ program if the Council had not already approved a percentage of the total allowable catch (TAC) to a CDQ program for that fishery prior to October 1, 1995.² Section 305(i)(1)(C)(i) goes on to exempt an extension or revision of the pollock CDQ program during the moratorium provided that the revision or extension complies with the provisions of 305(i)(1)(B) and 305(i)(1)(C)(ii). While this sentence may be construed as granting the Council and Secretary an option to revise or extend the pollock CDQ program, rather than a requirement as set forth in 305(i)(1)(A), we interpret the sentence as a clarifying statement, identifying the extension or revision of the pollock CDQ program as exempt from the moratorium. In order to meet the CDQ moratorium exemption requirements, an extension or revision of the pollock CDQ program during the CDQ moratorium must not allocate more than 7.5 percent of the pollock TAC in accordance with section 305(i)(1)(C)(ii).³

The three main points of your letter appear to be: (1) that section 305(i)(1) requires the Council and the Secretary to implement a pollock CDQ program; (2) that such a program must be implemented prior to the expiration of the current pollock CDQ program on December 31, 1998; and (3) that if the Council fails to submit a pollock CDQ program for Secretarial approval, section 305(i)(1) requires and authorizes the Secretary to implement a pollock CDQ program. Based on our interpretation as stated above and in the Matlock memorandum, I believe we are in agreement with your first point as to Congress' mandate and the Council's and the Secretary's responsibilities under section 305(i)(1). However, we disagree with your second point that such a CDQ program for pollock must be established prior to the expiration of the current pollock CDQ program. While section 305(i)(1)(C)(i) clarifies the Council's ability to resubmit a plan amendment for a pollock CDQ program during the Congressionally imposed moratorium on CDQ programs for new

²As stated in my memorandum to Dr. Matlock on page 2, "This sentence precludes the submission of a CDQ program for additional species such as salmon or scallops."

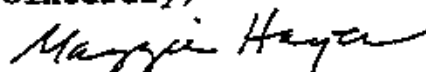
³Section 305(i)(1)(C)(iii) specifically deals with a CDQ program for crab and has no bearing on a pollock CDQ allocation.

species, we do not find any requirement within section 305(i)(1) that requires the Council or the Secretary to implement such a program by a date certain, i.e., prior to the expiration of the current pollock CDQ program on December 31, 1998.

As to your third point, we reiterate our position as stated in the Matlock memorandum. We are unable to find any provision in section 305(i)(1) that authorizes the Secretary, independent of a Council submission extending or revising the pollock CDQ program, to allocate any amount of pollock to such a program after the expiration date of the current amendment. In preparing the Matlock memorandum, we also reviewed the floor statements you cite in your letter. However, the strongest language, requiring the Secretary to allocate up to 7.5 percent of the pollock TAC notwithstanding the expiration date of the pollock CDQ program, was removed from section 305(i)(1)(C)(ii) and replaced with language that requires Secretarial approval of a CDQ program under section 304 before an allocation can be made. While we hold to our interpretation that section 305(i)(1) does not grant the Secretary unilateral authority to act, the Secretary may derive authority to carry out section 305(i)(1) responsibilities under section 304(c) of the Magnuson-Stevens Act if the Council fails to approve a pollock CDQ program.

We also continue to interpret section 305(i)(1)(D) as permissive, allowing the Council to extend or revise the current pollock CDQ program under section 305(i)(1)(C)(i) but not mandating such an extension or revision. As stated in the Matlock memorandum, this provision was added because some staffers were concerned that the multispecies/crab CDQ program would have to be reapproved by the Council following passage of the Sustainable Fisheries Act as that amendment had not yet been implemented. As a result of our interpretation, it could be construed that section 305(i)(1)(D) overrides the mandate contained within section 305(i)(1)(A). However, we believe that the two sections must be read together, that the requirement set forth in section 305(i)(1)(A) is controlling, and that 305(i)(1)(D) only applies to the current pollock CDQ program.

Sincerely,



Margaret Frailey Hayes



NATURAL RESOURCES CONSULTANTS INC.

4055 21ST AVENUE WEST, SUITE 100
SEATTLE, WASHINGTON 98199, U.S.A.
TELEPHONE: (206) 285-3480
TELEFAX: (206) 283-8263

September 25, 1997

Mr. Rick Lauber, Chairman, and Members of the NPFMC
North Pacific Fisheries Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Re: Inshore/Offshore III Data Analysis

Dear Mr. Chairman and Council Members:

Natural Resources Consultants, Inc. (NRC), a private fisheries research and consulting firm located in Seattle, Washington, was retained by a group of catcher vessel owners who are members of the North Pacific Seafood Coalition, to provide you with an analysis which pertains to your deliberations on Inshore/Offshore III.

This analysis is of limited scope. First, for the three sectors of the directed Bering Sea/Aleutian pollock fishery, comparisons are made of pollock catches, discards, non-pollock groundfish catches, and prohibited species bycatch of halibut and crab and pollock products produced from retained pollock catches. Salmon bycatch by all three sectors were not included because the best scientific evidence shows the NMFS accounting of salmon bycatch in the pollock fishery to be inaccurate by overestimation. The three

sectors of the industry whose performances are compared are catcher/processors, catcher vessel/motherships and catcher vessel/inshore processors.

Differentials in overall products produced from this fishery are presented by industry sector, which result from a combination of different rates of retained catch, different combinations of products produced and sector differences in yields, which are achieved in producing their respective cargo of pollock products.

Finally, I have been asked to assume pollock allocations of 15% to the catcher/mothership sector, 45% to the catcher/inshore processor sector and 40% to the catcher/processor sector. To these allocations, I applied each sector's most recent year's (1996) product yields and prohibited species bycatch rates to calculate overall differentials in food products produced and bycatch costs, relative to the status quo.

This summary presents the results of this analysis of sector differentials with a brief narrative and exhibits. The input data used in this analysis was provided by the NMFS and the NPFMC staff and it was corrected once by the NMFS and once by Council staff after it's initial release. This analysis incorporates both the NMFS and Council staff corrections. I have been advised that catcher boat catches delivered to catcher/processors and

the products produced from these catches are included in the catcher/processors sector data.

The analysis methodology inputs the NMFS provided databases on catches, discards, bycatch and products produced in the directed pollock fishery for the years 1991, 1994 and 1996. This data was then organized by the three industry sectors for the analysis of differences by sector. The analysis next projects future sector differentials in overall products produced per unit of pollock catch, by applying the actual rates achieved by each sector in 1996. Use of earlier years (1991 and 1994) differentials would result in increased sector differences, but would not reflect the industry's across-the-board improvements in reducing discards and achieving higher product yields.

I fully recognize that Inshore/Offshore III is a highly contentious issue. This analysis is factual and is based upon a government provided database made available to the public and incorporating one allocation assumption provided by the client. NRC takes no adversarial position in Inshore/Offshore III.

The results of the analysis are summarized as follows and keyed to referenced exhibits:

- Exhibit 2.1. Compares pre-inshore/offshore (1991) with the most recent post-inshore/offshore year (1996) industry-wide BS/AI

directed pollock fishery catches which have declined about 25% from 1.54 million mt to 1.16 million mt.

- Within this same time period, the harvest (mt) by catcher/processors and catcher/motherships has declined while catches by catcher/inshore processors has remained constant.

- Within this same time period, sector pollock catches have changed:
 - Catcher/processors accounted for 65.0% of the 1991 total catch and 55.5% of the 1996 total catch.

 - Catcher/motherships accounted for 9.2% of the 1991 total catch and 10.4% of the 1996 total catch.

 - Catcher/inshore processors accounted for 25.6% of the 1991 catch and 34.0% of the 1996 total catch.

- Exhibit 2.2 and 3.2. Pollock discards in the directed pollock fishery have declined over time in metric tons, but pollock discards have consistently been much higher in the catcher/processor sector than in the catcher/mothership or catcher/inshore processor sectors.

- In 1991, while accounting for 65.0% of the pollock catch, catcher/processors accounted for 92% of the pollock discards.
 - In 1996, while accounting for about 56% of the pollock catch, catcher/processors accounted for 79% of the pollock discards.
 - The catcher/inshore processor sector has recorded the most consistent low level of pollock discards at 0.9%-1% of their catch during 1991-1996.
 - The catcher/mothership sector has recorded the next lowest pollock discard rates at 1.9%-2.0% in 1991-1994 and most recently in 1996, the lowest recorded rate of 0.4%.
 - The catcher/processor pollock discard rates were 7.4% of their catch in 1991, 2.8% in 1994 and 2.6% in 1996.
- Exhibit 3.3. Pollock catches retained and processed for the same 1991-1996 period have been 98% or higher each year within the catcher/mothership and catcher/inshore processor sectors and 93%-97% for catcher/processors.

- Consistent differences between industry sectors also exists in the catch of non-pollock groundfish and in the discards of non-pollock groundfish species caught.
- Exhibit 2.5. Non-pollock discards for 1991, 1994 and 1996 (Primarily cod and flounder) have totaled:
 - 14,000 mt - 24,000 mt for catcher/processors.
 - 800 mt - 3,000 mt for catcher/inshore processors.
 - 500 mt - 2,700 mt for catcher/motherships.
- Exhibit 3.4. As a percentage of catch, catcher/motherships and catcher/inshore processor sectors have consistently recorded the lowest percentage of non-pollock groundfish in their directed pollock fisheries.
- Exhibit 3.5. The catcher/inshore processor sector has consistently discarded the lowest percentage of their non-pollock catch and retained the highest percentage for processing.
- Exhibit 4.1. The cost of the prohibited species bycatch of halibut in conducting the directed pollock fishery has also shown consistent sector differences, 1991-1996:

-Catcher/motherships used by far the least halibut at 4.0 mt -
22.8 mt of halibut/yr.

-Catcher/inshore processors showed a decline from 330 mt of
halibut in 1991 to 49.9 mt in 1994 and 44.7 mt in 1996.

-Catcher/processors' use of halibut declined from 724.8 mt in
1991 to 708.6 mt in 1994 and 255.5 mt in 1996.

- Exhibit 4.2. The cost of the prohibited species bycatch of red king
crab by sector has also shown substantial differences, 1991-1996:

-Catcher/motherships were reported to have a zero bycatch of
red king crab in 1991, 1994 and 1996.

-Catcher/inshore processors red king crab bycatch declined
from 2,400 crab in 1991 to about 100 in both 1994 and 1996.

-Catcher/processors red king crab bycatch was 1,300 crab in
1991, 42,700 in 1994 and 5,900 in 1996.

- Exhibit 4.3. The cost of the prohibited species bycatch of *bairdi*
Tanner crab showed differences by sector similar to that of red
king crab:

-For catcher/motherships, 5,700 crab in 1991, zero in 1994 and 100 in 1996.

-For catcher/inshore processors, 254,800 crab in 1991, 4,900 in 1994 and 7,300 in 1996.

-For catcher/processors, 780,400 crab in 1991, 369,200 in 1994 and 82,100 in 1996.

- Exhibit 4.4. The cost of the prohibited species bycatch of other Tanner crab (primarily *opilio*) also followed a similar pattern with catcher/motherships having the lowest bycatch, catcher/inshore processors having the next lowest bycatch and catcher/processors having the highest.
- Exhibit 5.1, 5.2, 5.3, 5.4. Halibut and crab bycatch presented as rates of bycatch per unit of pollock catch showed catcher/motherships to be the lowest in each year of 1991, 1994 and 1996 with catcher/inshore processors having the highest halibut, red king and *bairdi* Tanner crab rates in 1991 and catcher/processors having the highest rates for all species in 1994 and 1996.

- Exhibits 6.1 - 6.3. The three industry sectors produced different combinations of products which also changed somewhat over time, 1991-1996.
- Exhibit 7.1 - 7.7. The NMFS database on pollock products produced from the directed pollock fishery identified seven pollock product categories--surimi, minced, fillet/block or IQF, deep skinned fillets, meal, oil and roe. The above exhibits summarize the quantities of each product produced in 1991, 1994 and 1996 by industry sector from their respective retained pollock catches.
- Each of the three industry sectors % yield of pollock products was calculated:

$$\frac{\text{Sum of Pollock Products (mt)}}{\text{Pollock Retained Catch (mt)}} = \% \text{ Product Yield}$$

- Exhibit 9.1. The results showed substantial sector differences.
For the 1996 the yields were:

-Catcher/motherships	=	25.0%
-Catcher/inshore processors	=	33.6%
-Catcher/processors	=	21.2%

- Scenario 1.0. Assumes under Inshore/Offshore III that pollock TAC is equal in quantity to that of 1996 (1,163,584 mt) and is allocated to three industry sectors as:
 - 15% Catcher/motherships
 - 45% Catcher/inshore processors
 - 40% Catcher/processors

- Scenario 1.0. Assumes that pollock discards, halibut and crab bycatch, and pollock product yields, are all consistent with 1996 actual rates.

- The change in pollock allocation would, relative to status quo, add 52,579 mt of pollock to catcher/motherships, add 128,052 mt to catcher/inshore processors and deduct 180,631 mt from catcher/processors.

- This change in pollock allocation would:
 - Increase the retained pollock catch by 3,197 mt.
 - Increase pollock products by 18,431 mt.
 - Decrease the non-pollock catch by 1,355 mt.

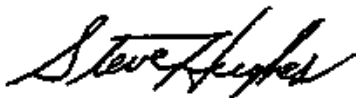
-And substantially decrease the prohibited species bycatch of
halibut, red king crab, *bairdi* Tanner crab and other Tanner
crab.

If the above 18,431 mt of additional pollock products per year were valued at
\$1/lb, this value would equal an additional \$40.6 million value to the Alaska
fishing industry.

On behalf of the catcher boats belonging to the North Pacific Seafood
Coalition, thank you for receiving this analysis.

Sincerely,

NATURAL RESOURCES CONSULTANTS, INC.



Steven E. Hughes
President

BERING SEA/ALEUTIAN ISLANDS POLLOCK

ANALYSIS OF SECTOR DIFFERENCES



CATCHER/MOTHERSHIPS



CATCHER/INSHORE PROCESSORS



CATCHER/PROCESSORS

Exhibit 2.1 Pollock Catch (mt) by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector			Total
	Mothership	Inshore	Catcher/Processor	
1991	142,956 (9%)	395,421 (26%)	1,003,318 (65%)	1,541,695 (100%)
1994	113,077 (9%)	423,912 (32%)	768,674 (59%)	1,305,663 (100%)
1996	121,959 (10%)	395,561 (34%)	646,064 (56%)	1,163,584 (100%)

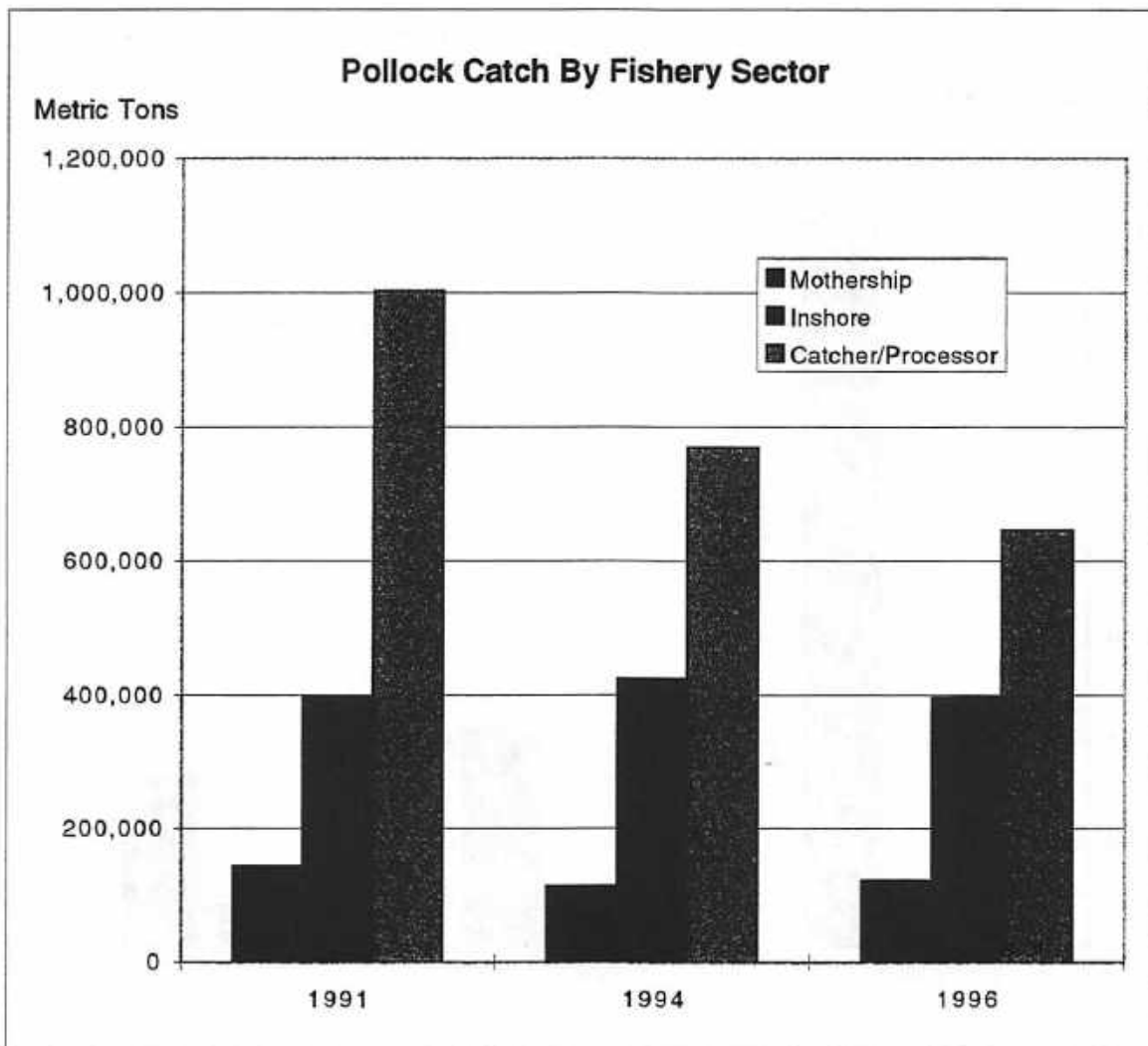


Exhibit 2.2 Pollock Discards (mt) by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector			Total
	Mothership	Inshore	Catcher/Processor	
1991	2,768 (3%)	3,481 (4%)	74,304 (92%)	80,553 (100%)
1994	2,262 (8%)	4,321 (15%)	21,582 (77%)	28,165 (100%)
1996	430 (2%)	4,078 (19%)	16,821 (79%)	21,329 (100%)

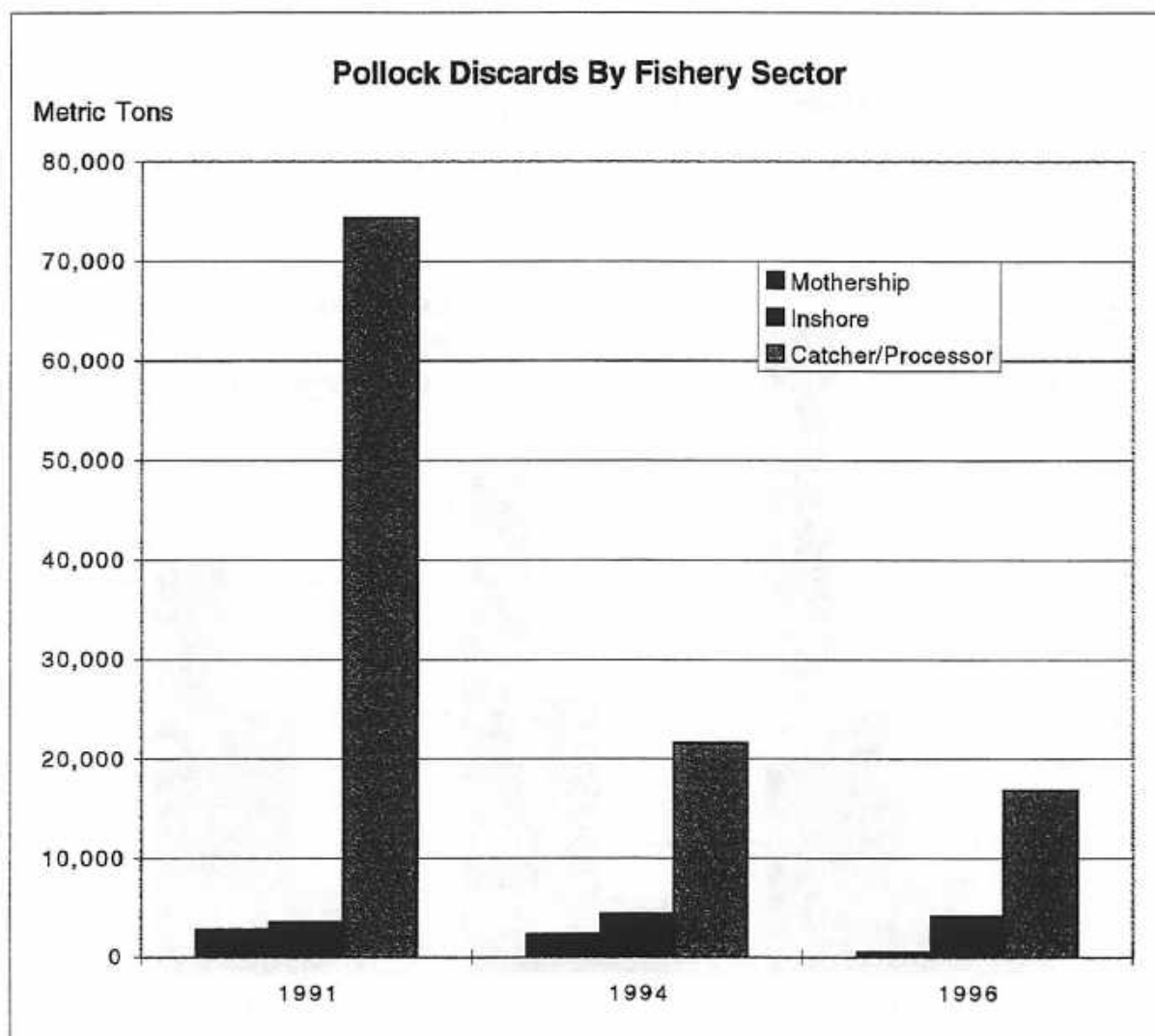


Exhibit 3.2 Percent of Pollock Catch Discarded by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	1.9%	0.9%	7.4%
1994	2.0%	1.0%	2.8%
1996	0.4%	1.0%	2.6%

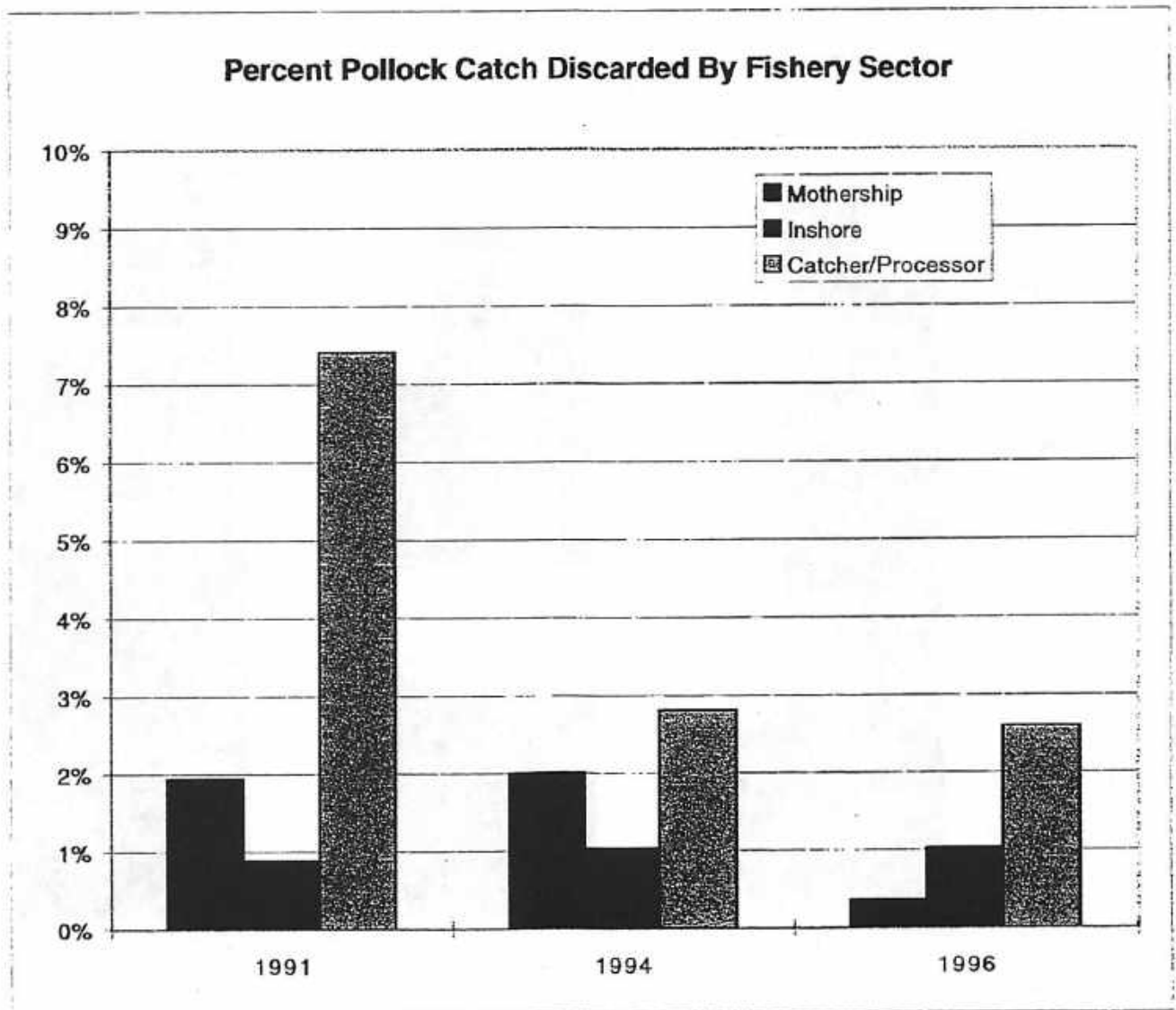


Exhibit 3.3 Percent of Pollock Catch Retained by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	98.1%	99.1%	92.6%
1994	98.0%	99.0%	97.2%
1996	99.6%	99.0%	97.4%

Percent Pollock Catch Retained By Fishery Sector

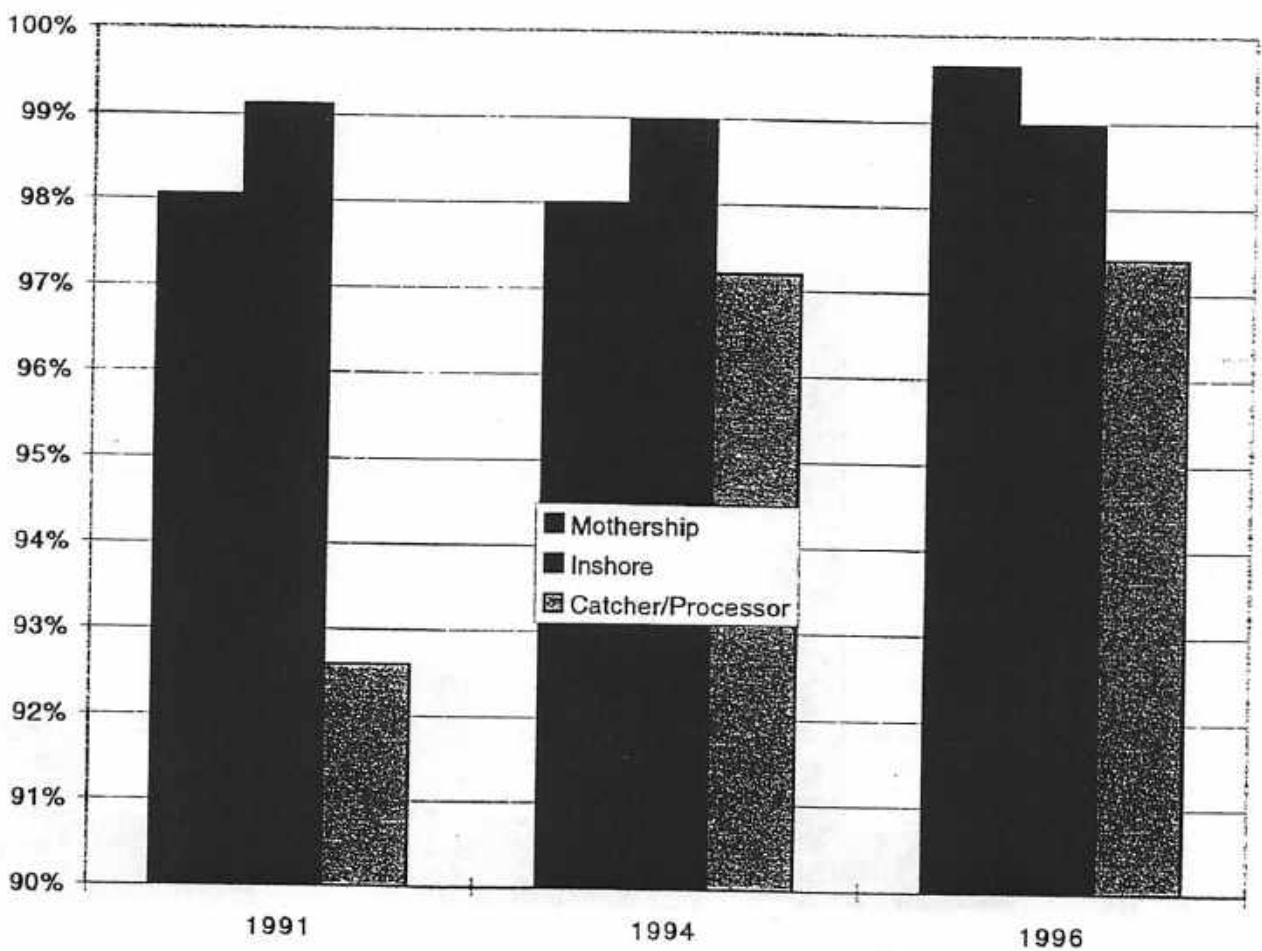


Exhibit 2.5 Non-pollock Discards (mt) by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	507	3,032	23,562
1994	1,262	809	14,462
1996	2,741	2,751	14,500

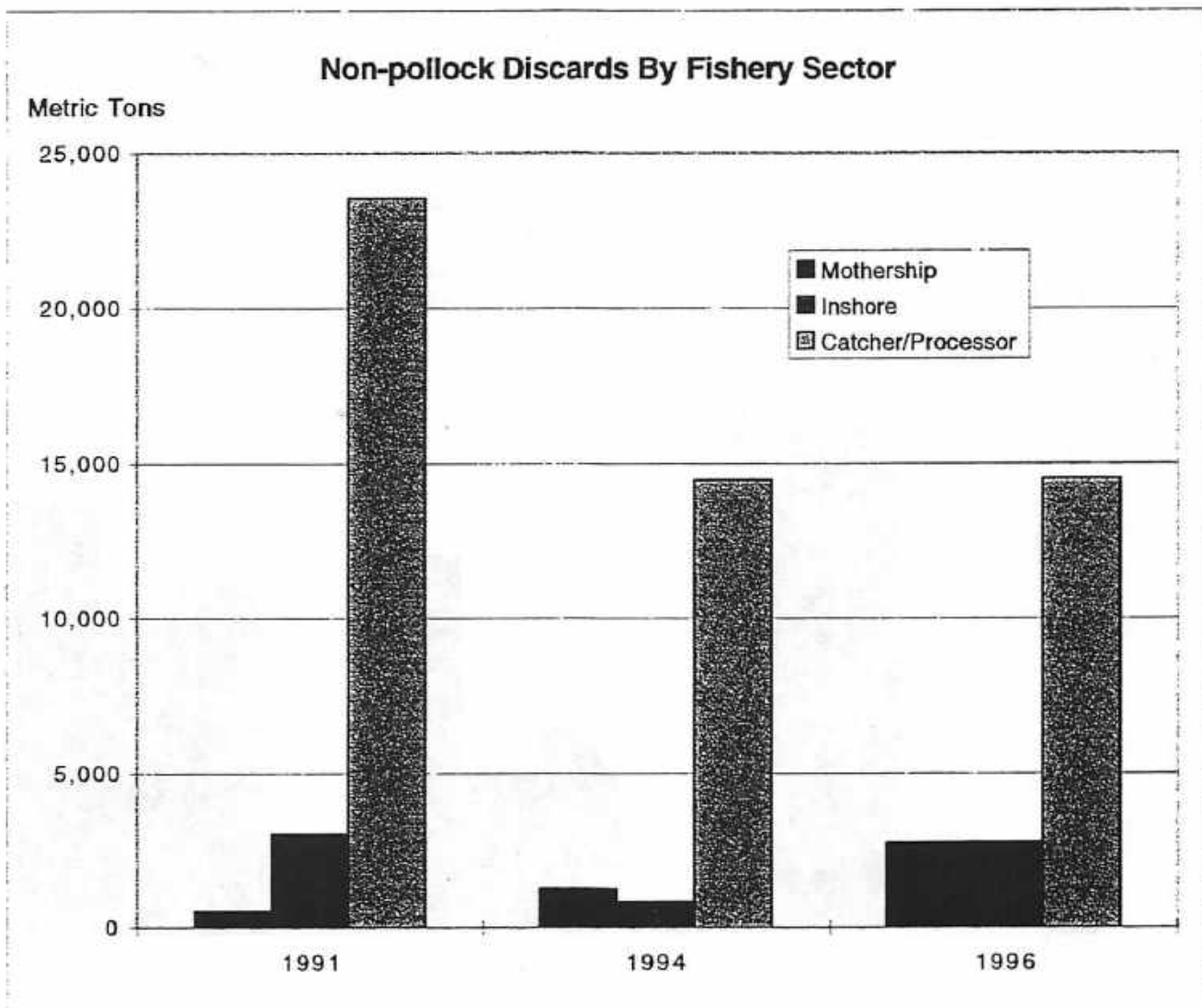


Exhibit 3.4 Percent Non-Pollock of Total Catch by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.6%	3.2%	3.5%
1994	1.3%	1.0%	2.4%
1996	2.2%	1.9%	2.7%

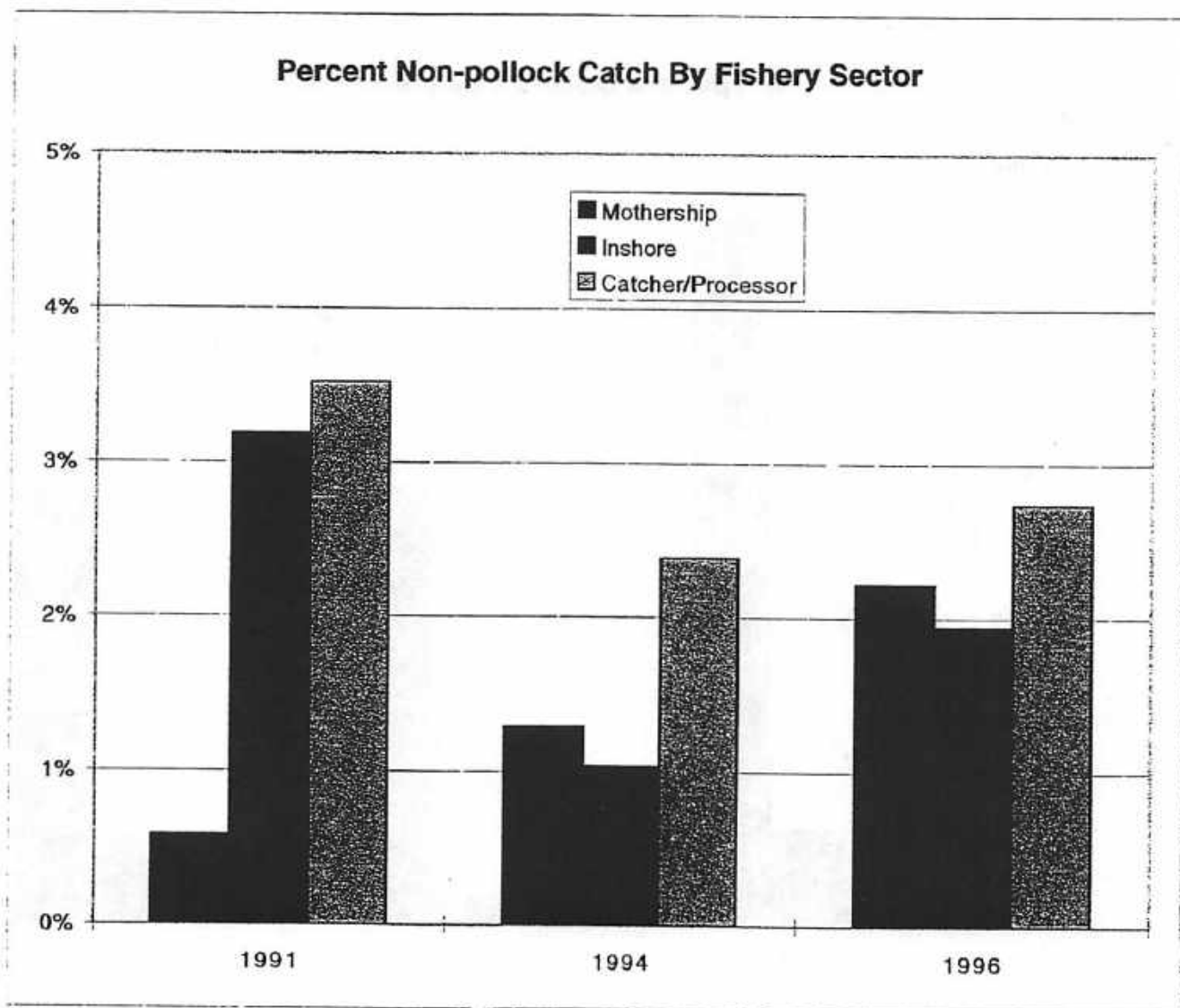


Exhibit 3.5 Percent of Non-Pollock Catch Discarded by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	60.4%	23.3%	64.4%
1994	85.5%	18.3%	77.0%
1996	99.1%	35.1%	79.8%

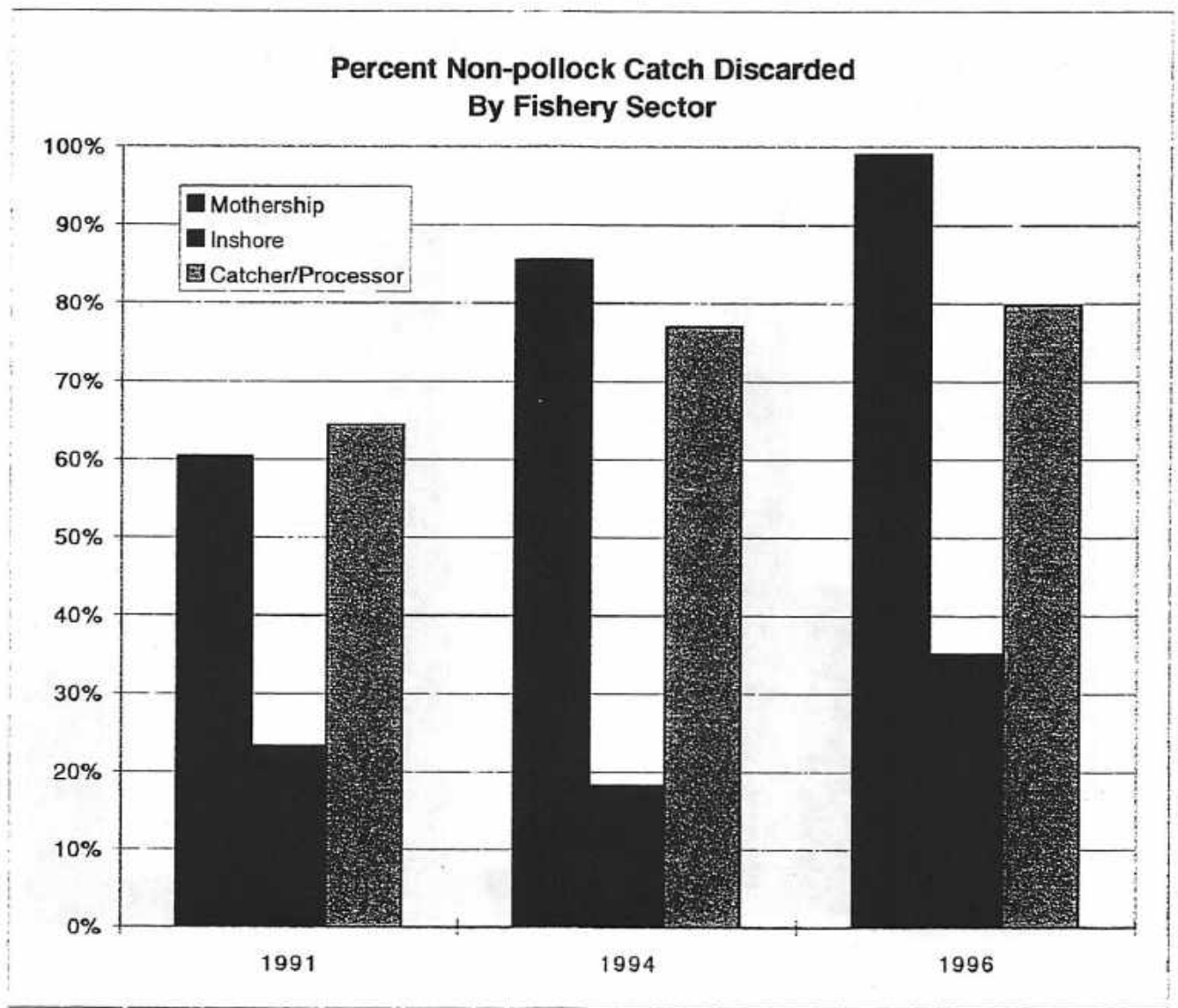
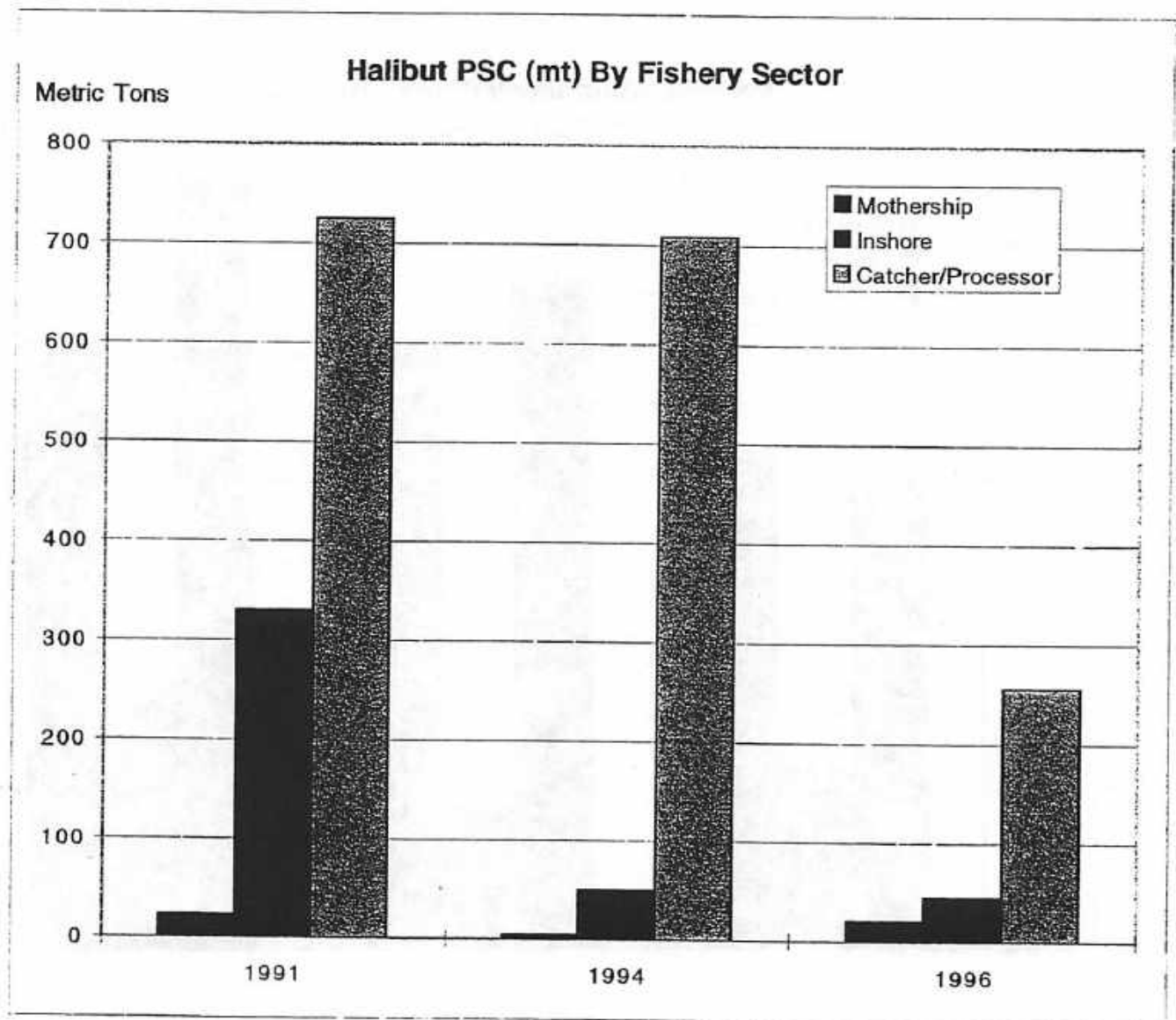


Exhibit 4.1 Prohibited Species Catch of Halibut (mt) by Fishery Sector and Year

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	22.8	330.0	724.8
1994	4.0	49.9	708.6
1996	20.5	44.7	255.5



**Exhibit 4.2 Prohibited Species Catch of Red King Crab (1,000s)
by Fishery Sector and Year**

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.0	2.4	1.3
1994	0.0	0.1	42.7
1996	0.0	0.1	5.9

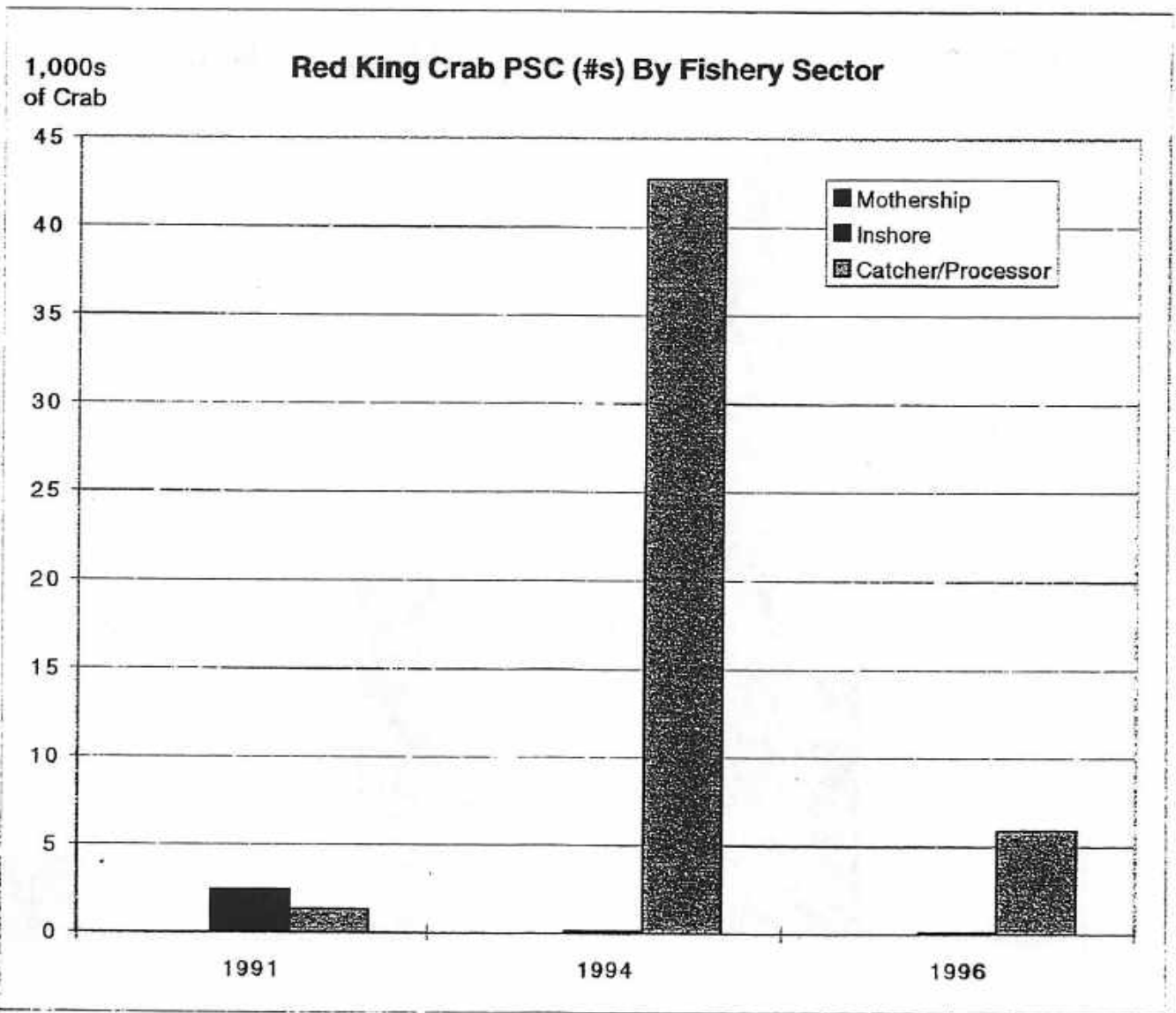


Exhibit 4.3 Prohibited Species Catch of Tanner *bairdi* Crab (1,000s) by Fishery Sector and Year

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	5.7	254.8	780.4
1994	0.0	4.9	369.2
1996	0.1	7.3	82.1

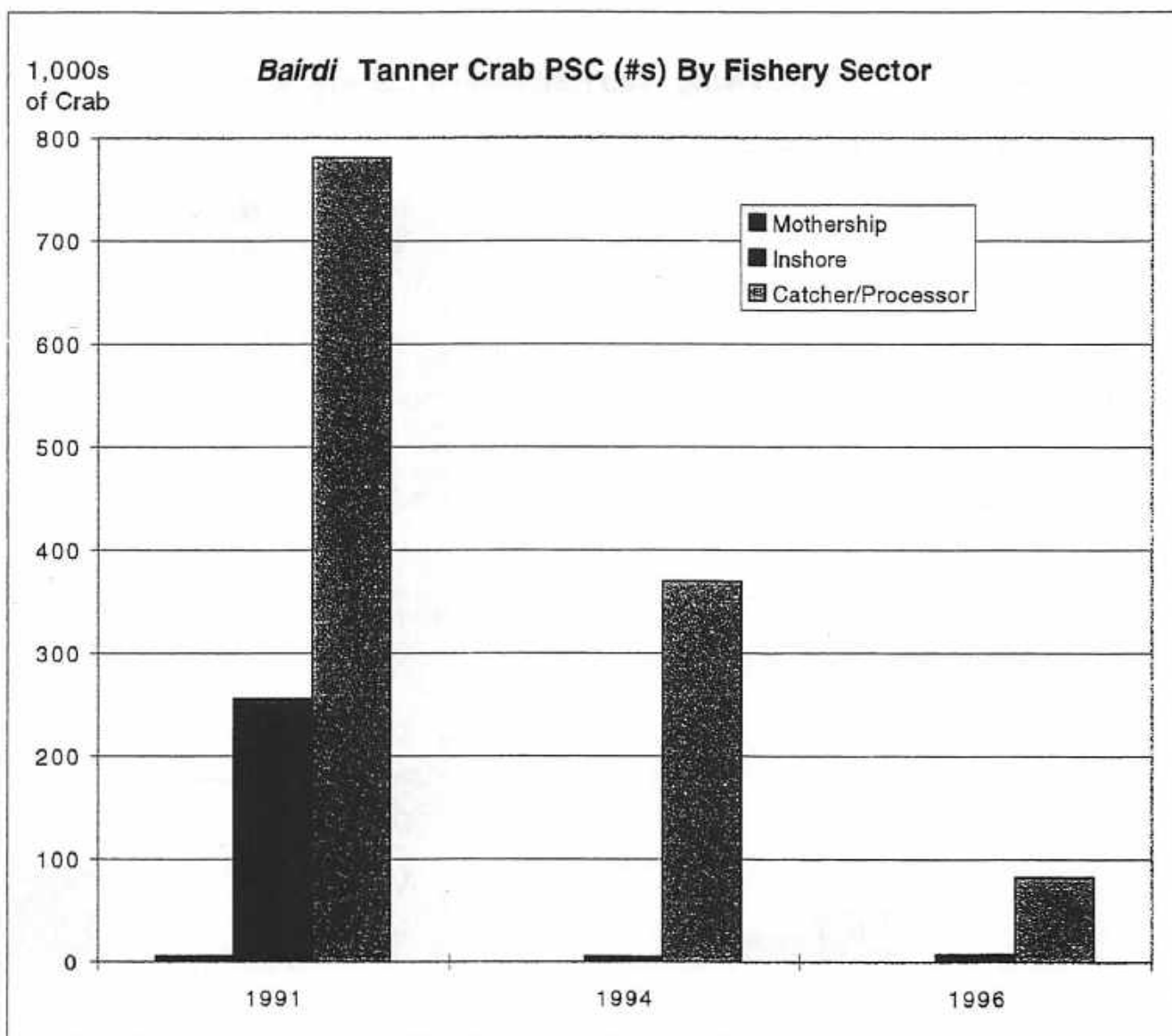
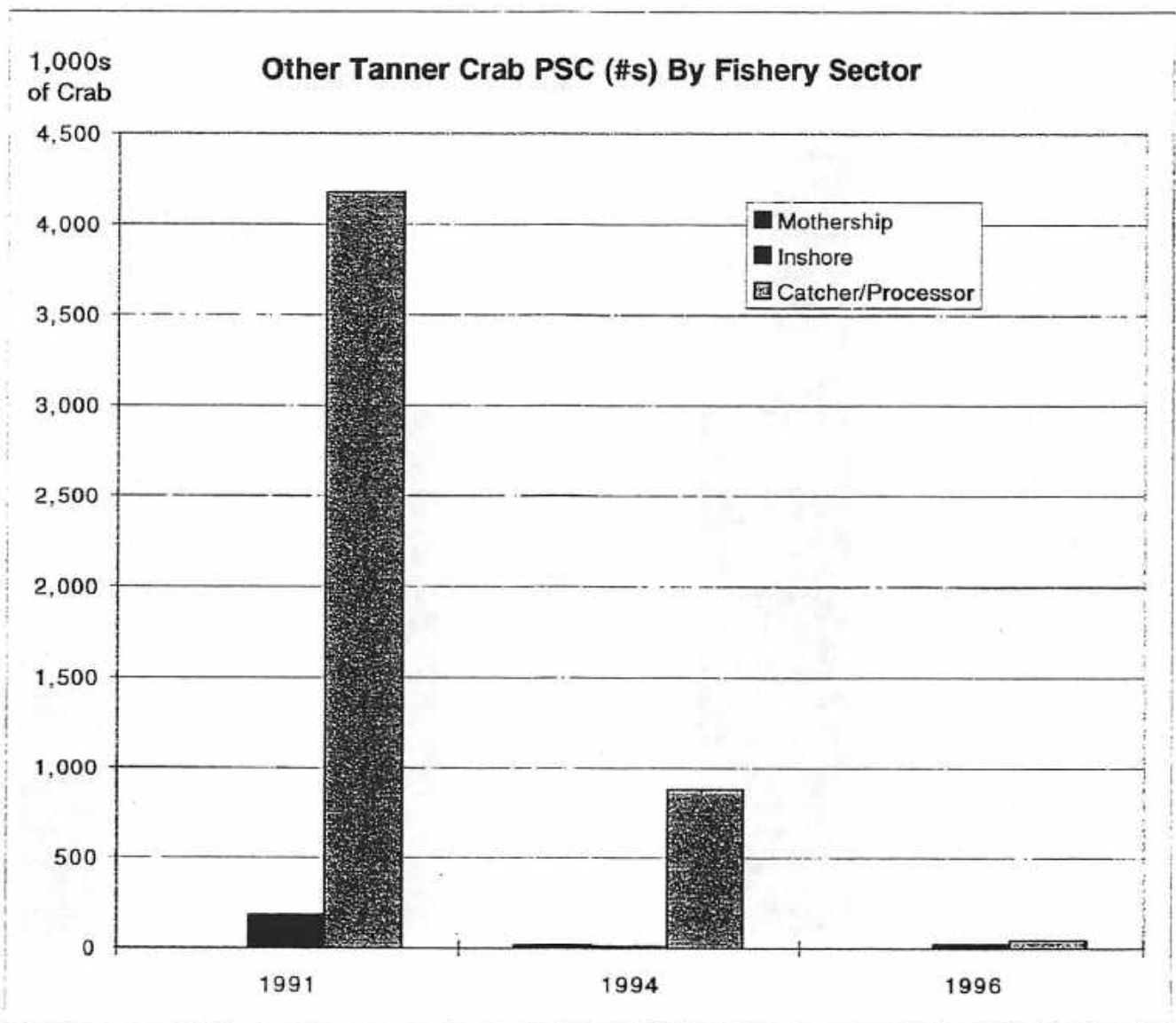


Exhibit 4.4 Prohibited Species Catch of Other Tanner Crab (1,000s) by Fishery Sector and Year

Source: NMFS July 24, 1997.

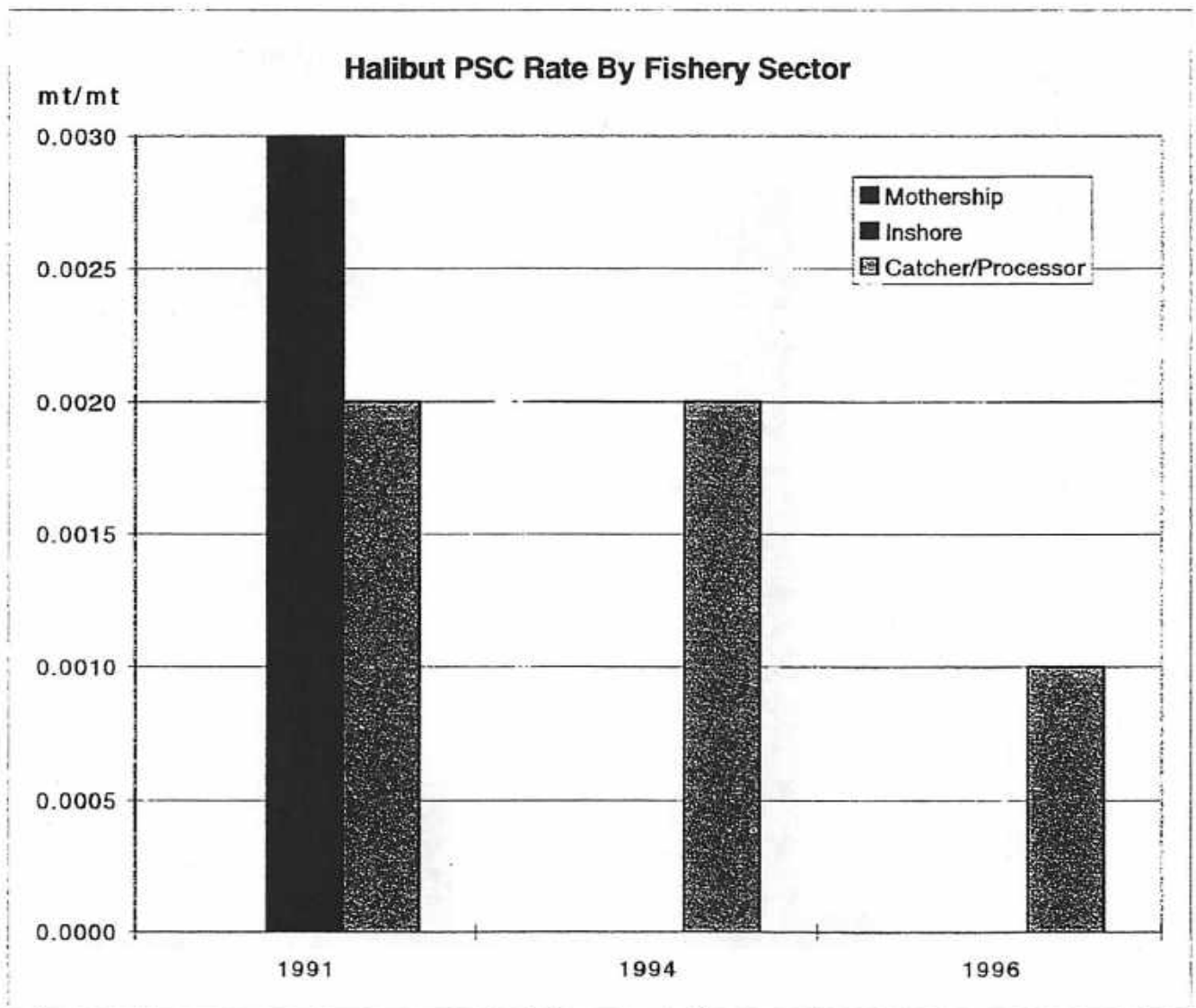
Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	1.4	182.7	4,176.9
1994	11.7	7.5	876.0
1996	0.2	18.3	45.0



**Exhibit 5.1 Prohibited Species Catch Rate of Halibut
(metric tons halibut ÷ metric tons total catch)
by Fishery Sector and Year**

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.000	0.003	0.002
1994	0.000	0.000	0.002
1996	0.000	0.000	0.001



**Exhibit 5.2 Prohibited Species Catch Rate of Red King Crab
(number of red king crab ÷ metric tons total catch)
by Fishery Sector and Year**

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.000	0.009	0.004
1994	0.000	0.001	0.168
1996	0.000	0.000	0.024

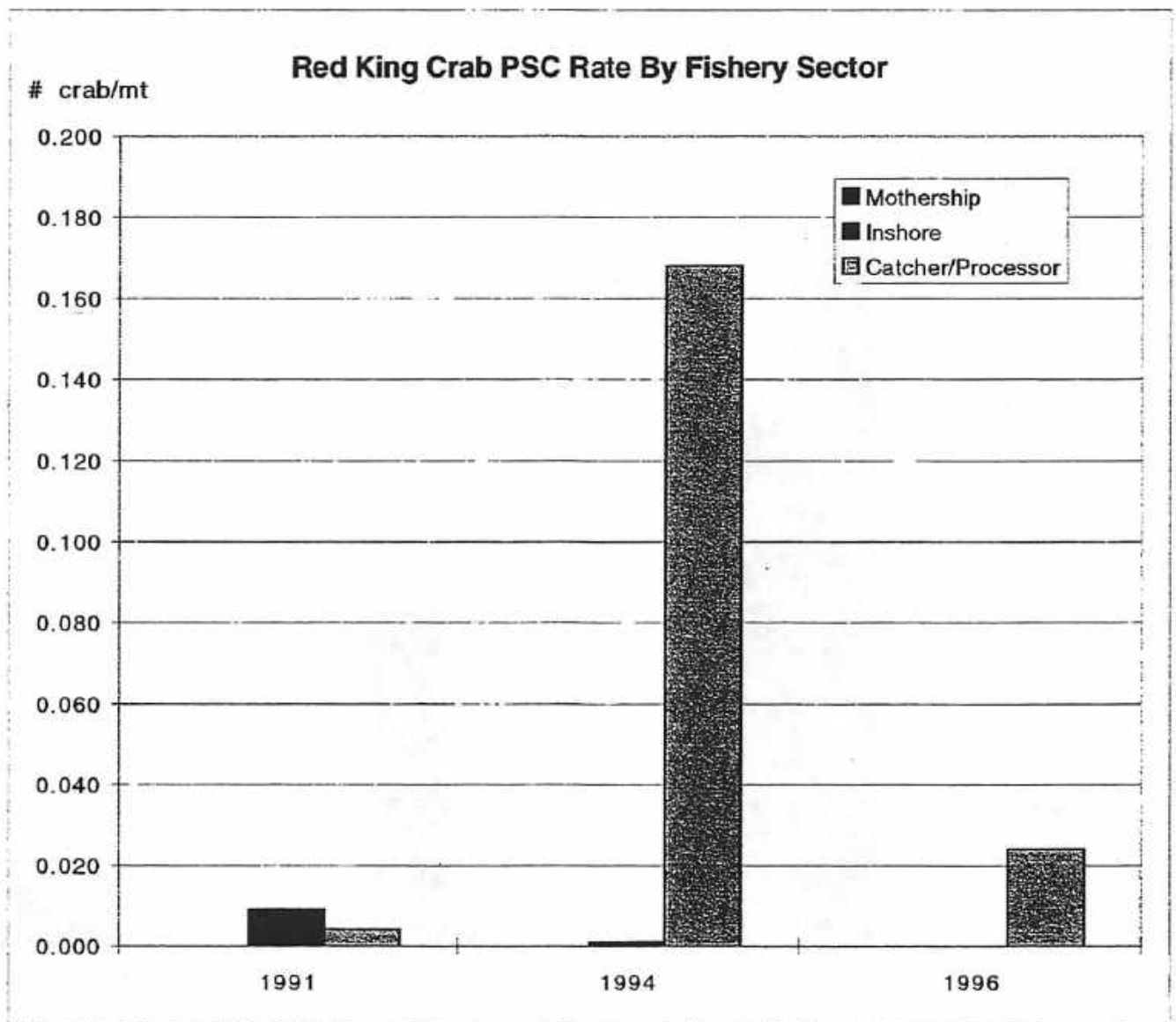
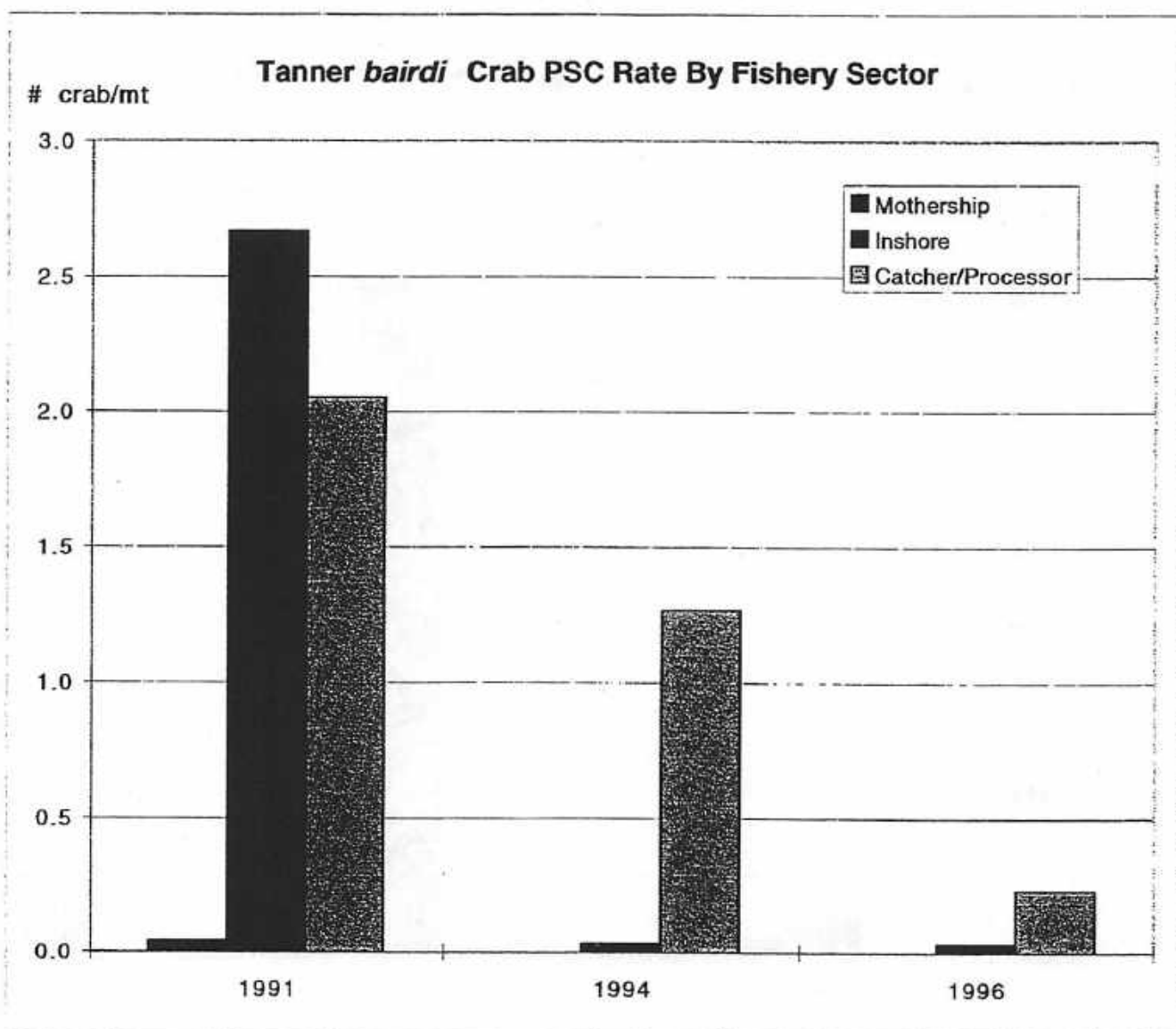


Exhibit 5.3 Prohibited Species Catch Rate of Tanner *bairdi* Crab (number of Tanner *bairdi* crab ÷ metric tons total catch) by Fishery Sector and Year

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.040	2.667	2.052
1994	0.000	0.031	1.265
1996	0.001	0.031	0.230



**Exhibit 5.4 Prohibited Species Catch Rate of Other Tanner Crab
(number of other Tanner crab ÷ metric tons total catch)
by Fishery Sector and Year**

Source: NMFS July 24, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0.010	1.602	8.829
1994	0.102	0.049	3.026
1996	0.002	0.088	0.148

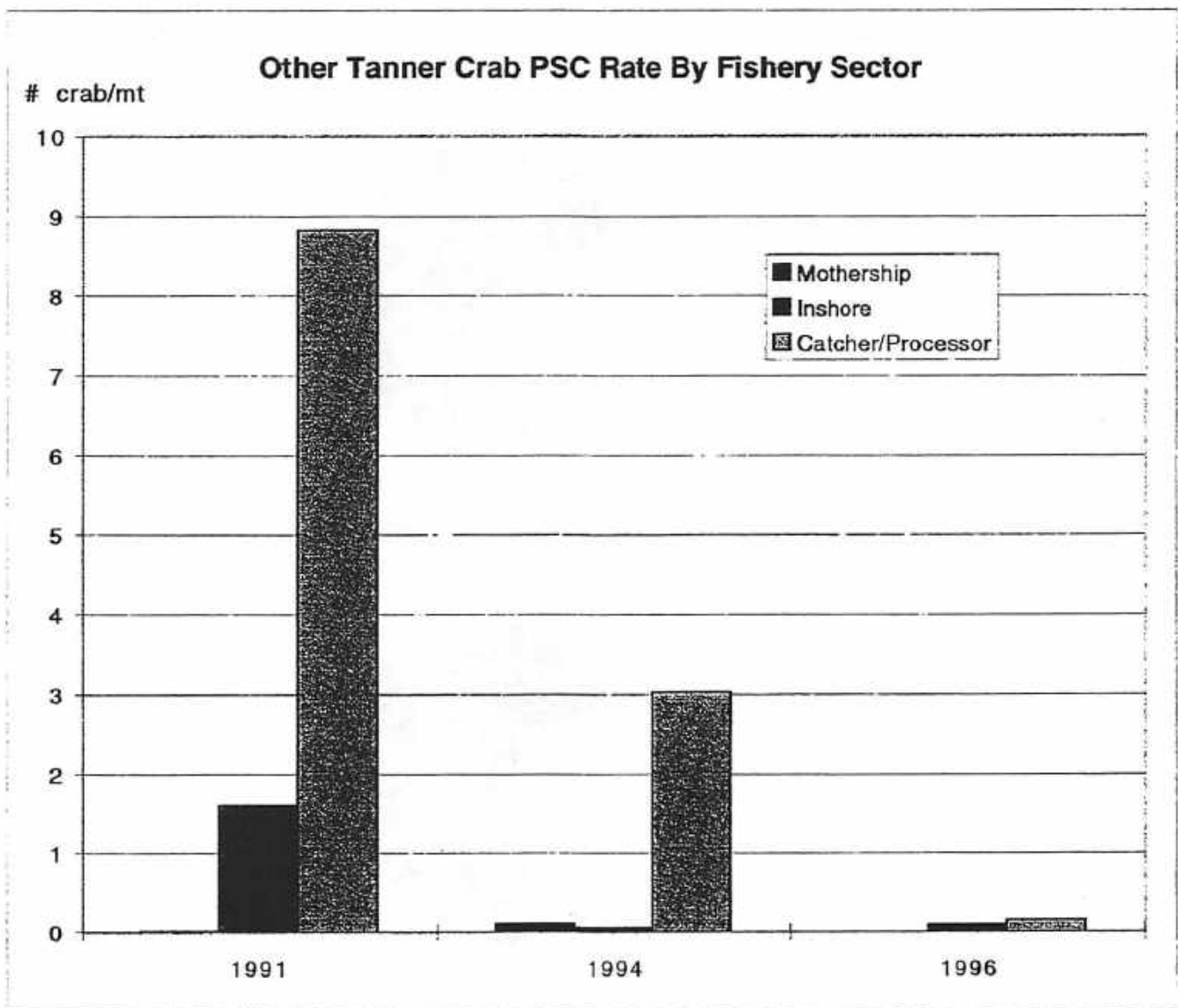


Exhibit 6.1.1 Pollock Product Composition Produced by Catcher/Processors

Source: NMFS August 26, 1997.

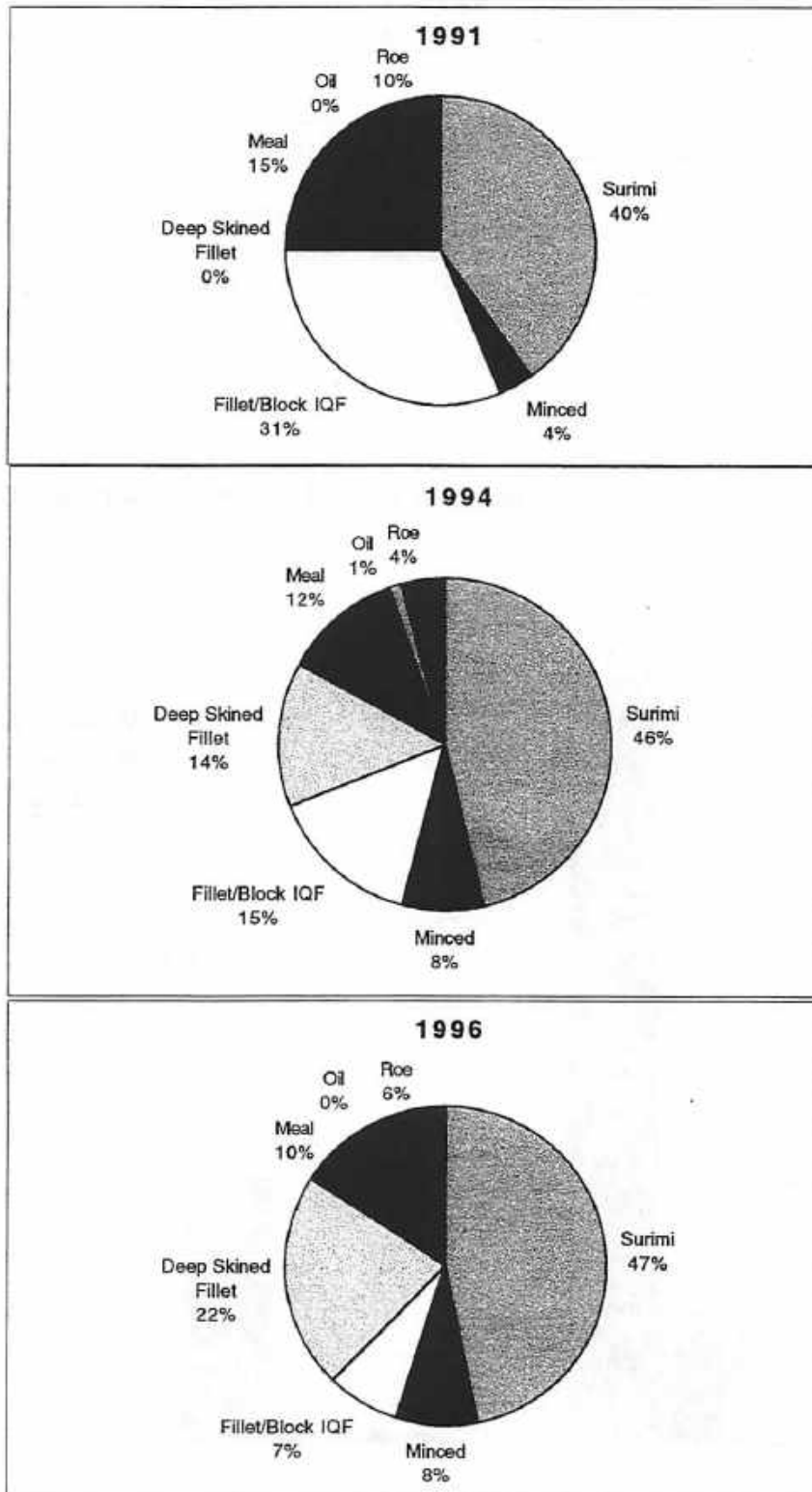


Exhibit 6.2.1 Pollock Product Composition Produced by Inshore Processors

Source: NMFS August 26, 1997.

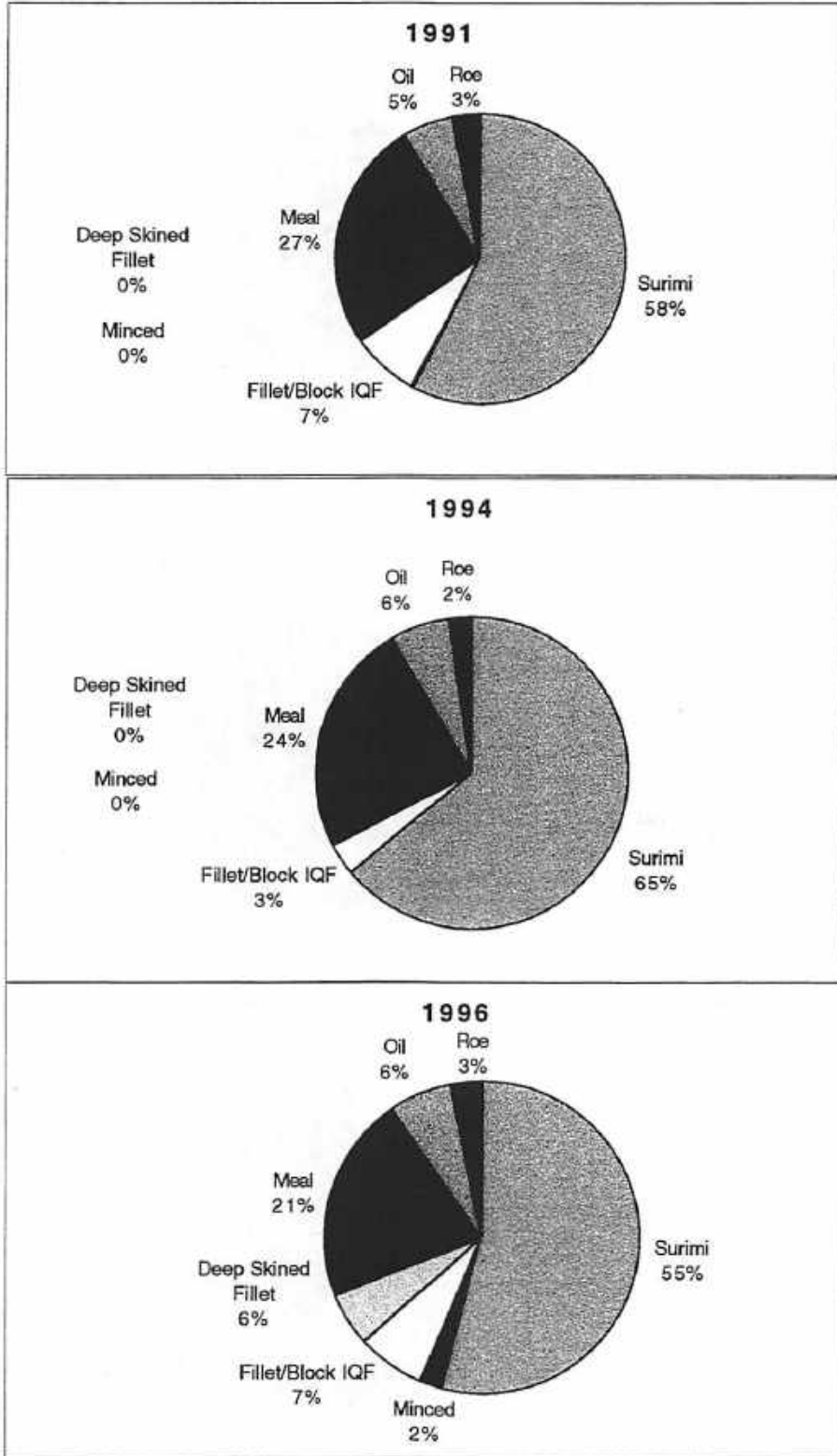


Exhibit 6.3.1 Pollock Product Composition Produced by Mothership Processors

Source: NMFS August 26, 1997.

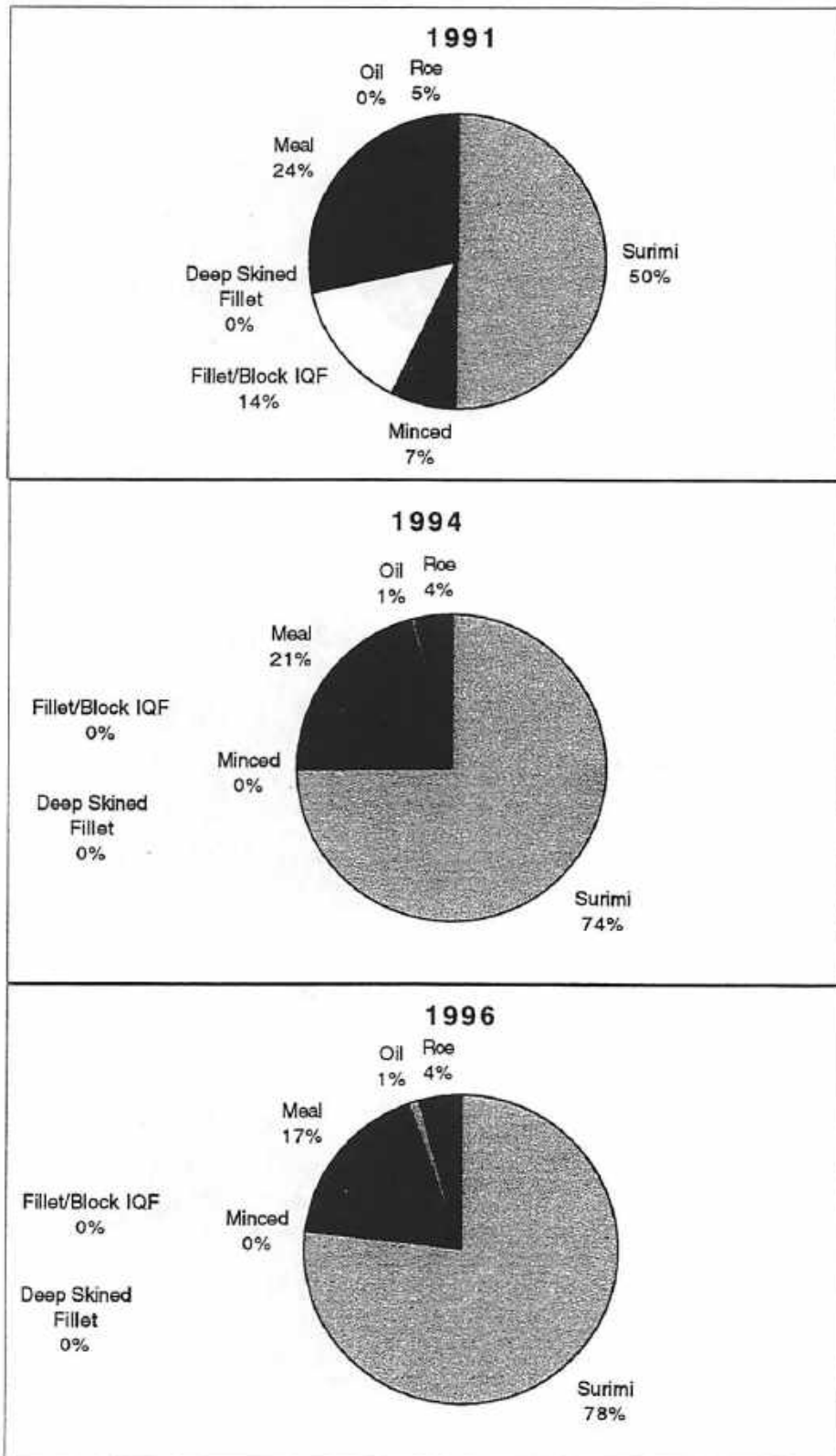


Exhibit 7.1 Pollock Surimi Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	18,252	45,027	68,492
1994	19,501	79,678	79,060
1996	23,361	71,349	62,142

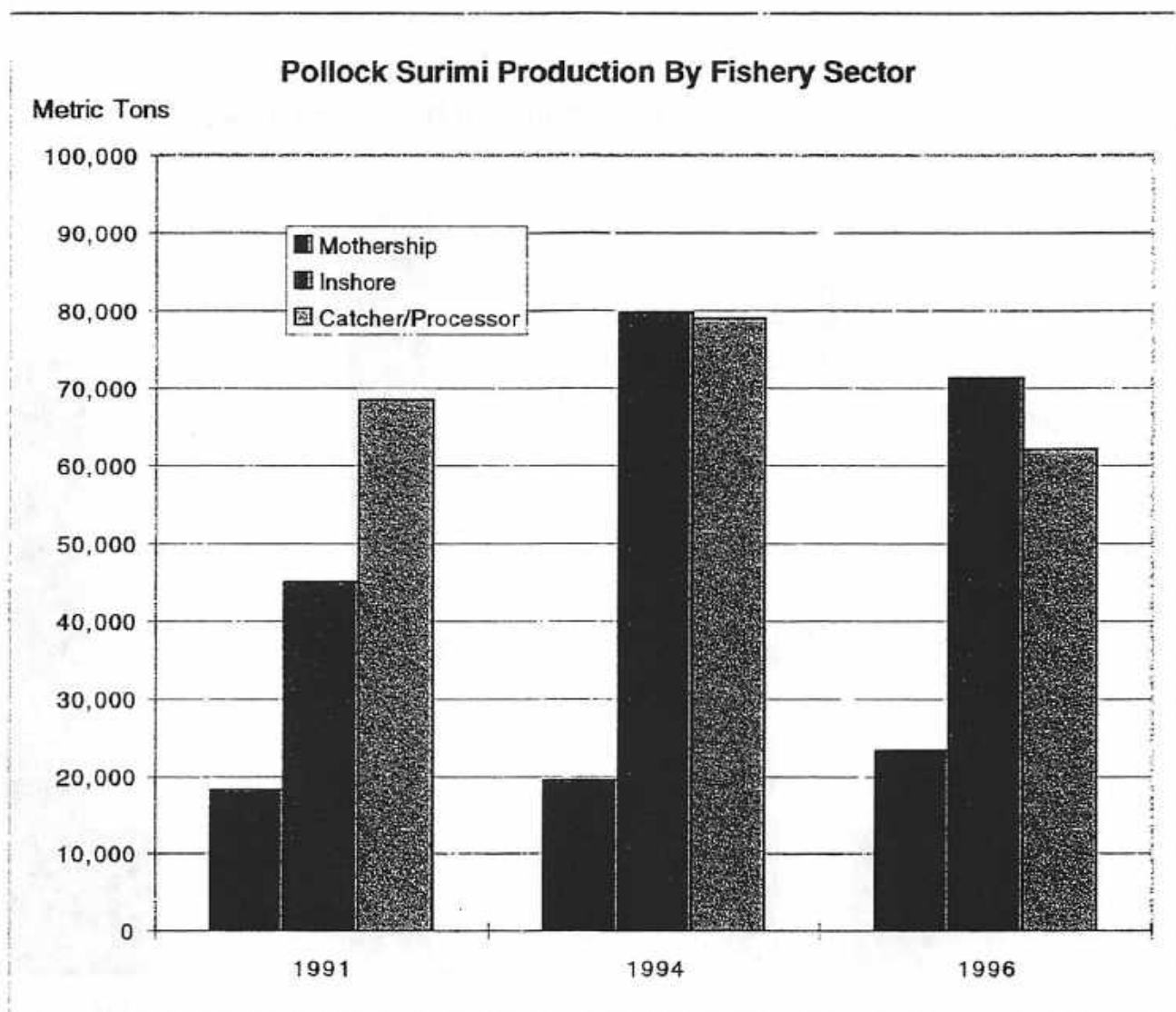


Exhibit 7.2 Minced Pollock Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	2,603	211	6,233
1994	0	119	13,680
1996	0	2,626	11,082

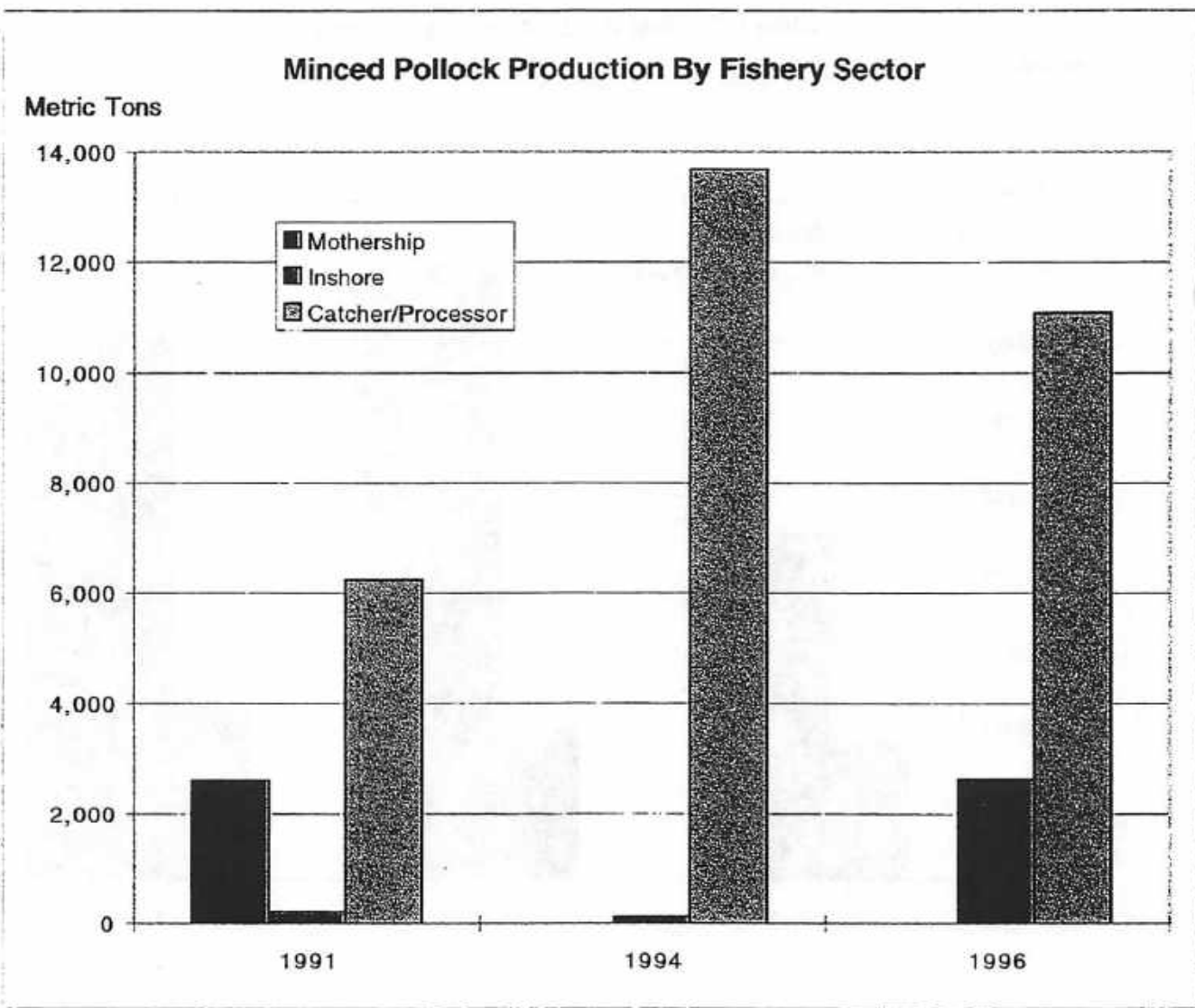


Exhibit 7.3 Pollock Fillet/Block IQF Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	5,123	5,836	54,070
1994	0	3,927	25,057
1996	0	9,229	9,552

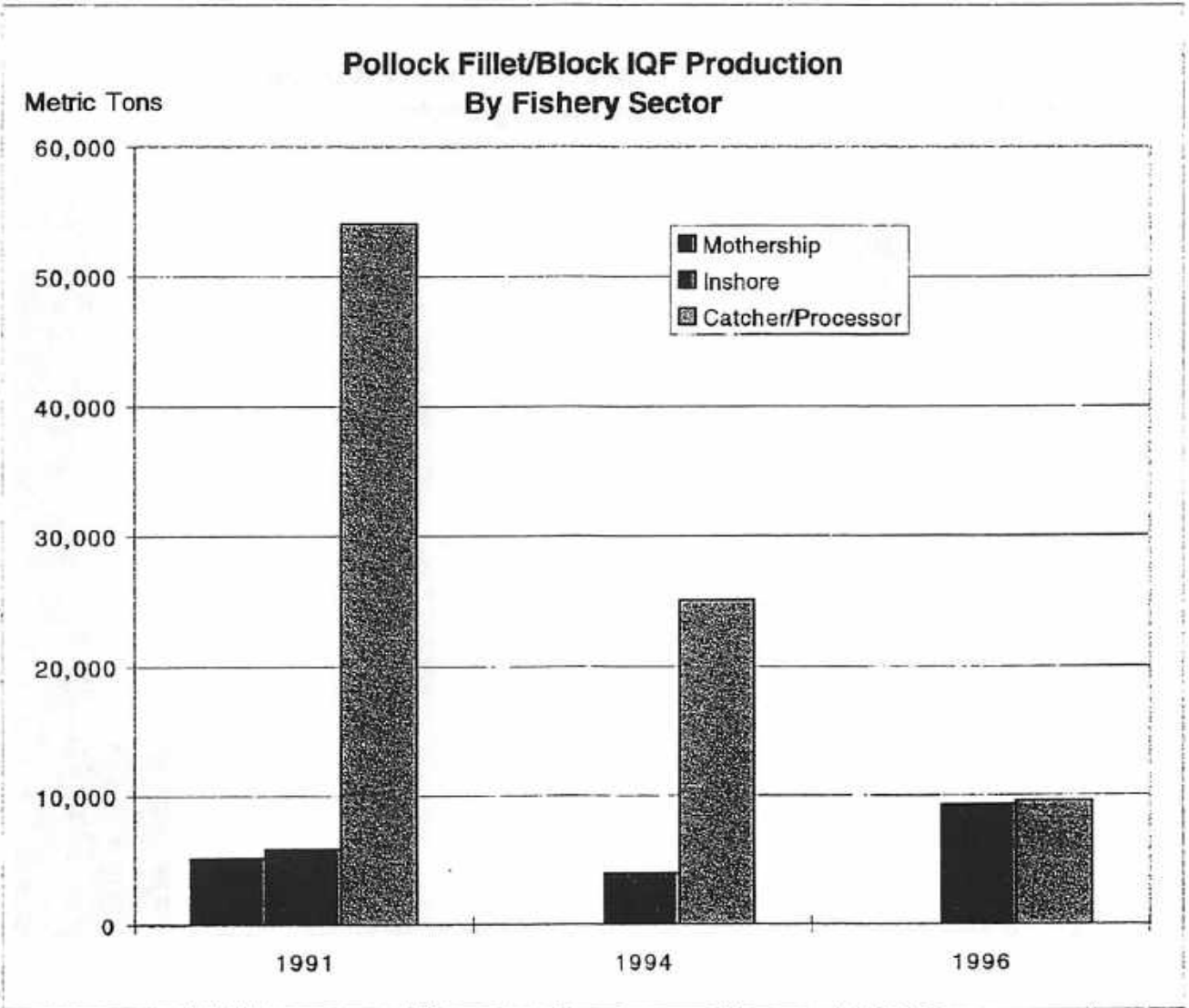


Exhibit 7.4 Pollock Deep Skinned Fillet Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0	0	0
1994	0	330	24,272
1996	0	7,442	29,097

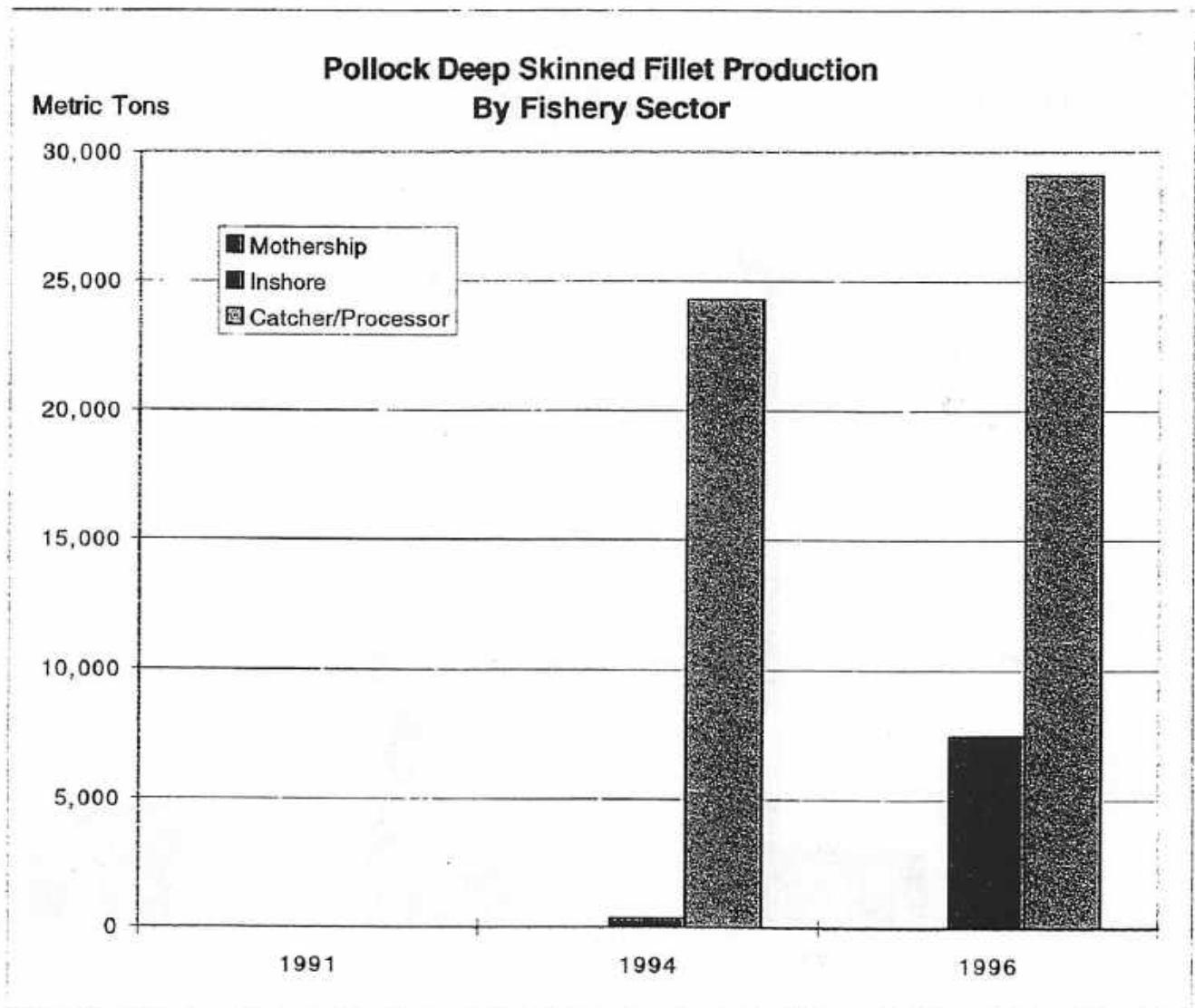


Exhibit 7.5 Pollock Meal Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	8,747	20,389	25,781
1994	5,378	30,054	19,782
1996	5,294	27,864	12,668

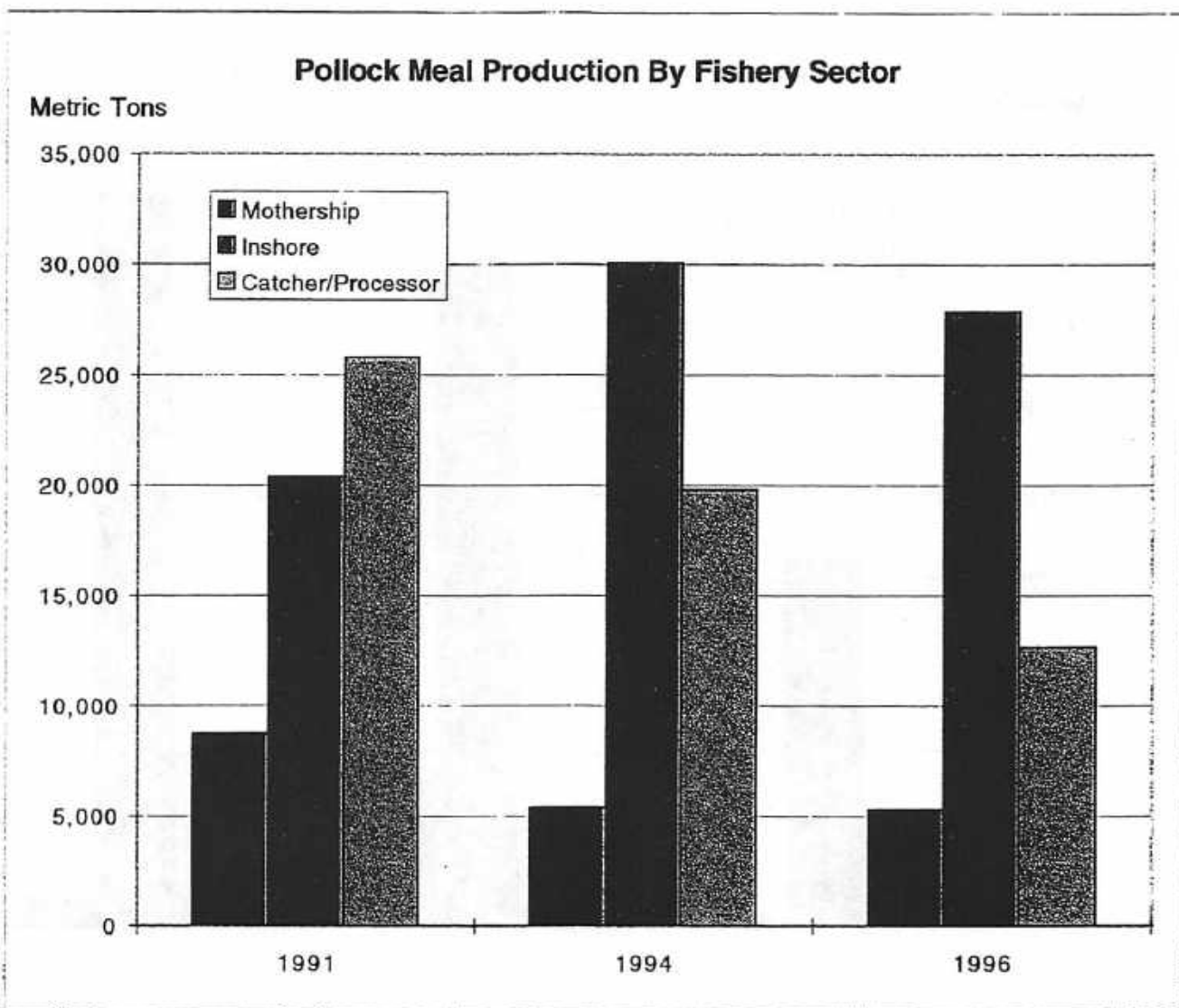


Exhibit 7.6 Pollock Oil Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	0	4,222	96
1994	191	7,672	1,802
1996	353	8,514	344

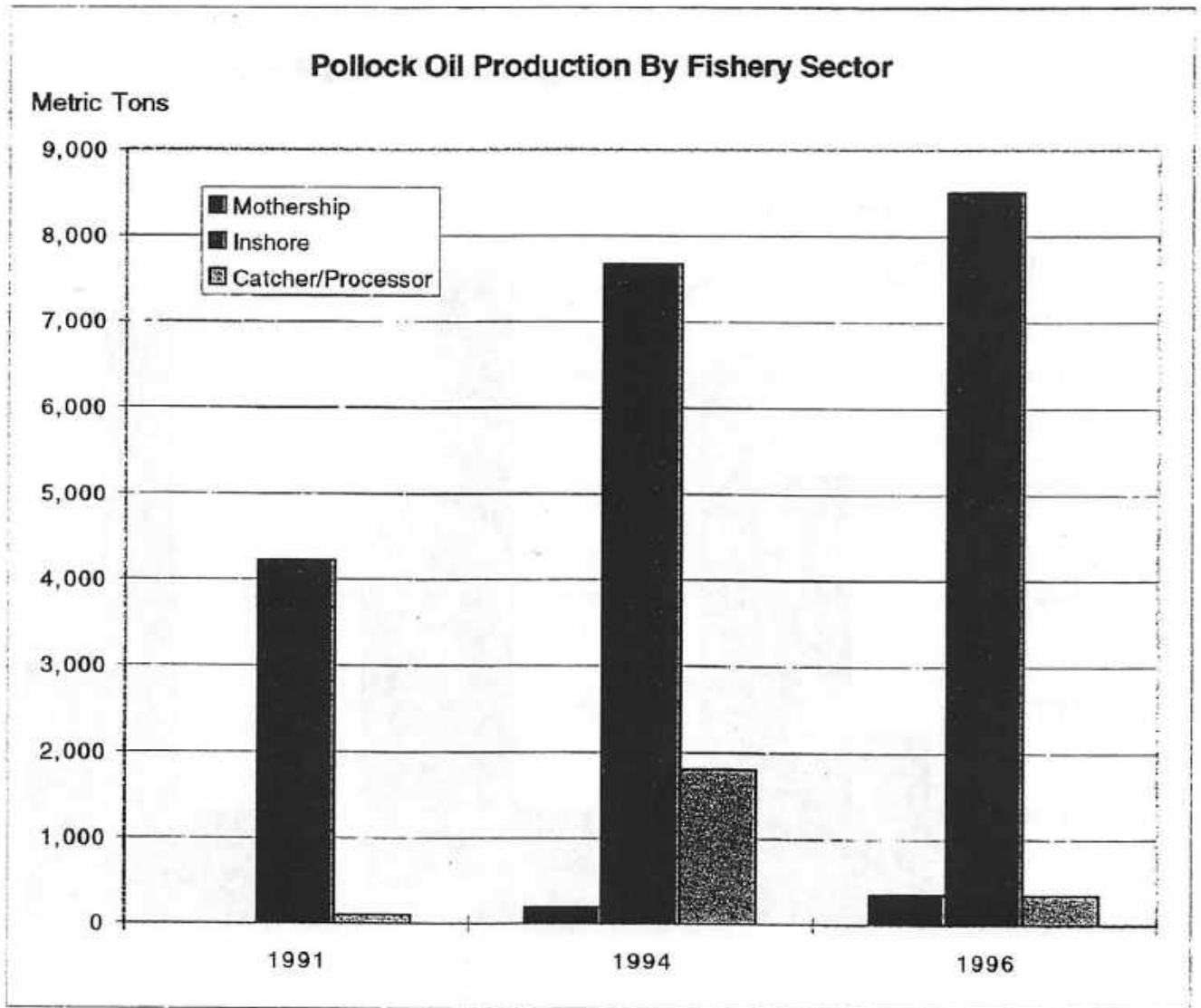


Exhibit 7.7 Pollock Roe Production (mt) by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	1,660	2,686	16,980
1994	985	2,950	7,687
1996	1,363	4,417	8,216

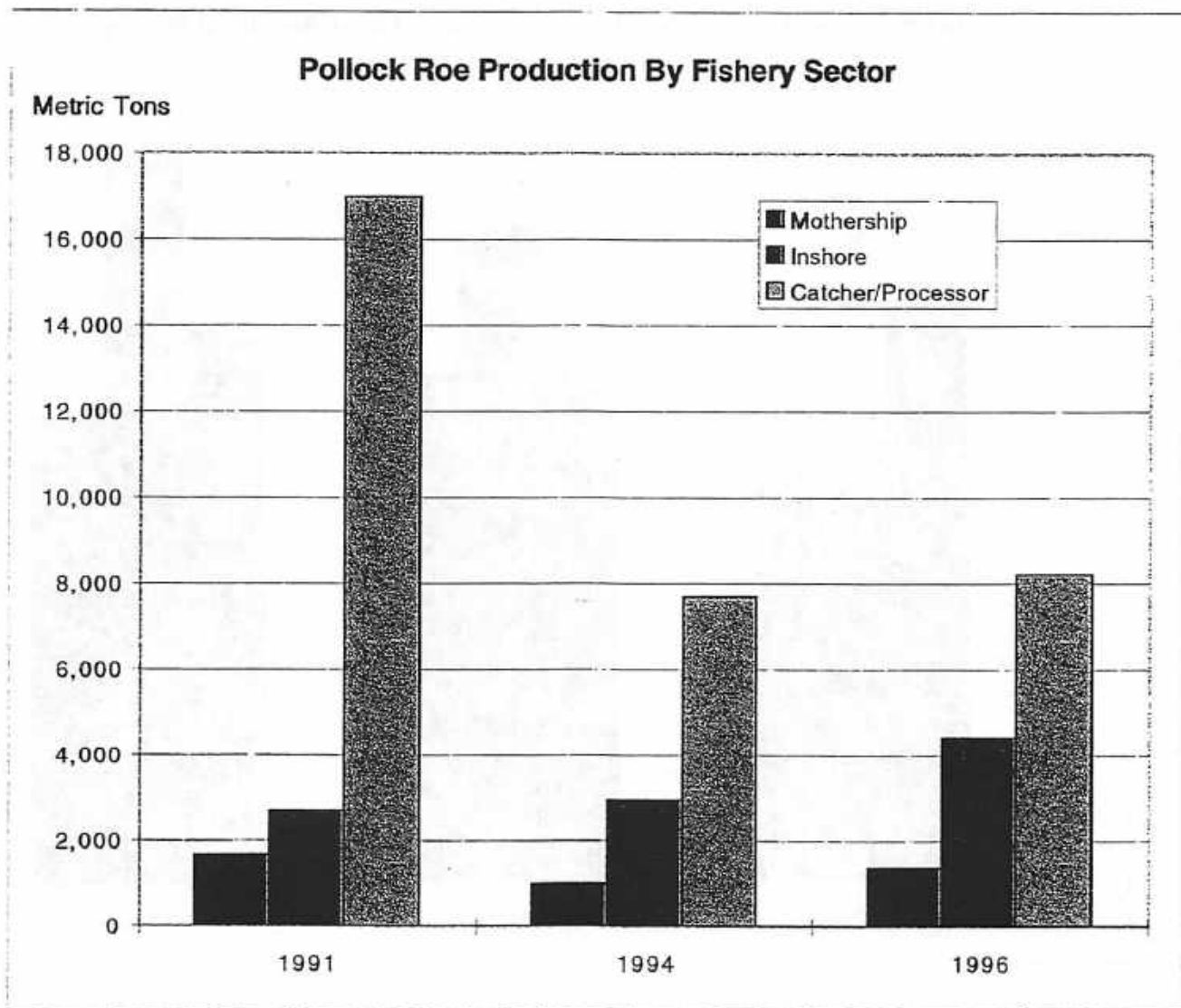
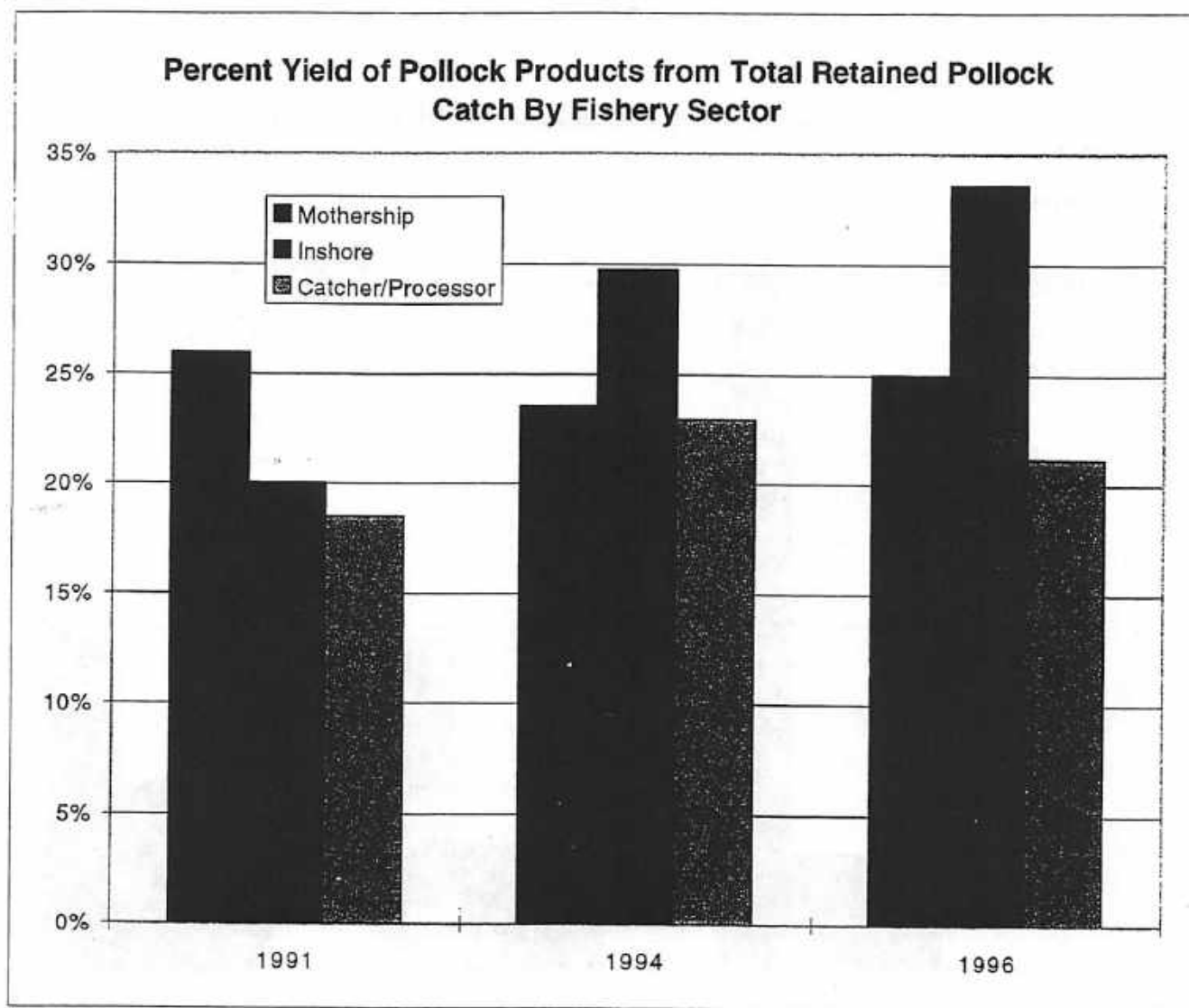


Exhibit 9.1 Percent Yield of Pollock Products from Total Retained Pollock Catch by Fishery Sector and Year

Source: NMFS August 26, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
1991	26.0%	20.0%	18.5%
1994	23.5%	29.7%	22.9%
1996	25.0%	33.6%	21.2%



Scenario 1.0 Assumptions

TAC (1996 Actual) 1,163,584 mt

Percent Allocation

Catcher/Mothership 15.0%

Catcher/Inshore Processor 45.0%

Catcher/Processor 40.0%

Percent Pollock Discards (1996 Actual)

Catcher/Mothership 0.4%

Catcher/Inshore Processor 1.0%

Catcher/Processor 2.6%

Halibut and Crab By-Catch Costs (1996 Actual)

Percent Pollock Product Yields (1996 Actual)

Catcher/Mothership 25.0%

Catcher/Inshore Processor 33.6%

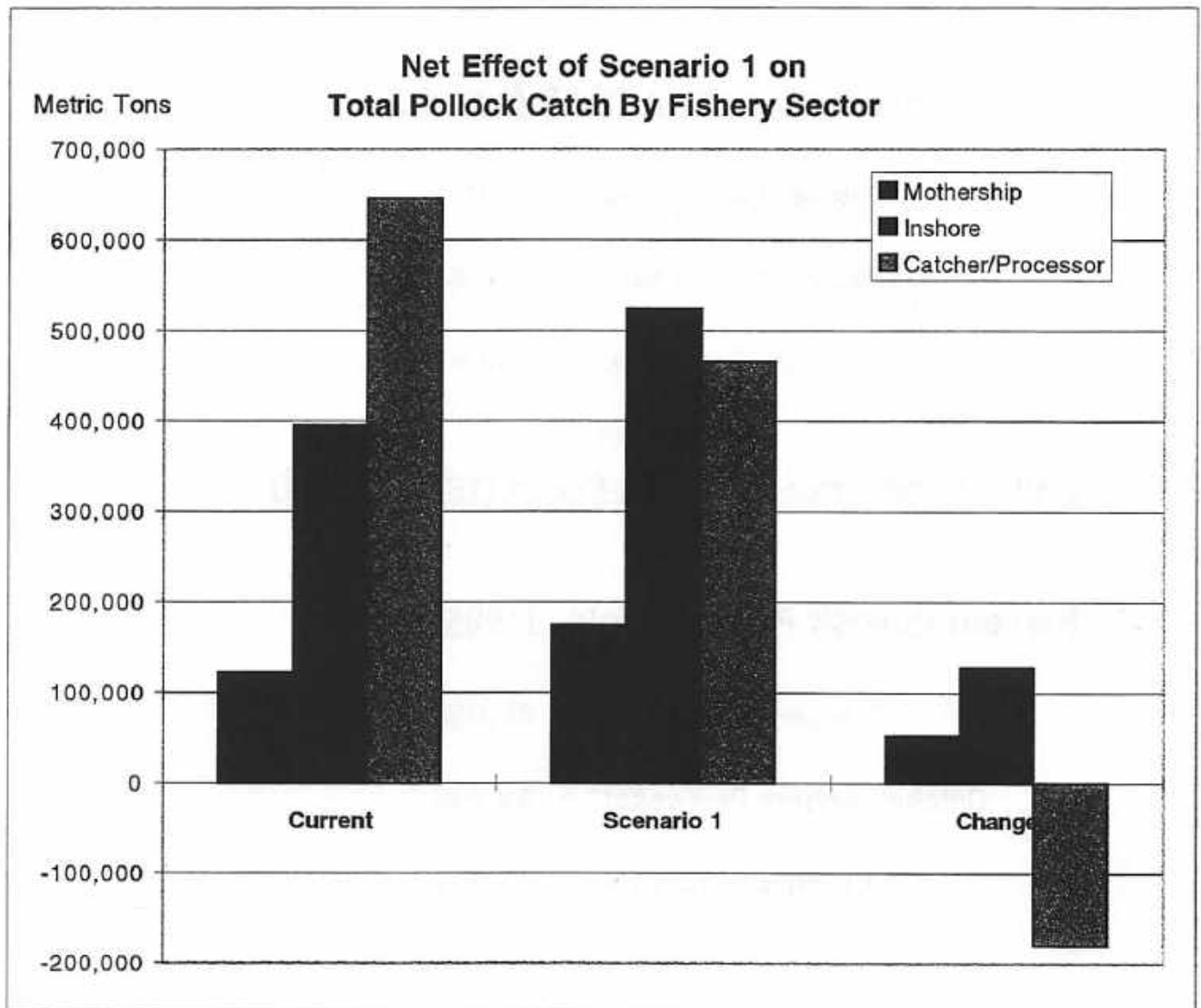
Catcher/Processor 21.2%

Scenario 1.0 Pollock Catch (mt) by Fishery Sector and Year

Source: NMFS August 6, 1997.

Year	Fishery Sector		
	Mothership	Inshore	Catcher/Processor
Current	121,959	395,561	646,064
Scenario 1	174,538	523,613	435,434
Change	52,579	128,052	-180,631

RESULT • NO NET CHANGE OF OVERALL POLLOCK HARVEST



Scenario 1.0 Summary of Effects of Scenario 1

Change in Pollock Harvest

- NO NET CHANGE OF OVERALL POLLOCK HARVEST
- NET INCREASE OF 3,197 MT OF RETAINED POLLOCK CATCH

Change in Pollock Products Produced

- NET INCREASE OF 18,431 MT OF POLLOCK PRODUCTS
- NET CHANGE IN INDIVIDUAL POLLOCK PRODUCTS PRODUCED

	<u>Increase/Decrease</u>	
Surimi	+15,794	MT
Minced	-2,248	MT
Fillet/Block IQF	+317	MT
Deep Skined Fillet	-5,726	MT
Meal	+7,761	MT
Oil	+2,812	MT
Roe	-280	MT
Total	+18,431	MT

Change in Non-Pollock Catch

- NET DECREASE OF NON-POLLOCK CATCH OF 1,355 MT

Change in Prohibited Species Catch

	<u>Increase/Decrease</u>	
Halibut	-48.1	MT
Red King Crab	-1,617	#s of CRAB
Tanner bairdi Crab	-20,548	#s of CRAB
Other Tanner Crab	-6,571	#s of CRAB

Rebecca
Baldwin

"The Council also received reports from their Scientific and Statistical Committee, and Advisory Panel, and listened to several hours of testimony from the public." The input from the various groups covered a *wide range of sentiment* and made it clear to the Council that they would need additional information before they would be able to adequately assess the current status of the fisheries and develop alternatives for a potential reauthorization."
(From July 1, 1997 NPFMC newsletter, page 7)

In Kodiak, the AP put forth a problem statement that did not make it clear to the Council what "problem" they were trying to solve with this action. Now, in September, they come back to you essentially with the same statement. This statement reflects the 'wide range of sentiment' of concern that exists about these pollock fisheries. The AP is the appropriate forum from which the industry and affected stakeholders' concerns can first be brought forth into the Council process. BUT THIS STATEMENT OF WIDESPREAD CONCERN STILL DOESN'T HELP CLARIFY WHAT THE NEED FOR ACTION IS FOR THIS PARTICULAR AGENDA ITEM.

Why?

The AP and the public are trying to solve the 'wrong' problem!

The appropriate vehicle is the comprehensive rationalization program as became apparent during AP debate yesterday on the issue and from the Council's staff responses to what type of analysis could be done within this year's schedule.

INSHORE/OFFSHORE WAS NEVER MEANT TO SOLVE ALL THOSE PROBLEMS. HAS BEEN USED AS A PLACE MARKER FOR THE COUNCIL IN THE PAST FEW YEARS UNTIL A CRP COULD BE PUT IN PLACE.

Focusing solely on this particular agenda item requires a much more narrow scope and the Council has already grasped that fact.

Need and Justification for Council Action

1. Continue to be the place marker for preserving the components within these fisheries until CRP is in place.
2. Preserve the CDP for pollock

Therefore the focus of the analysis to be done over the next few months should assist the Council to

- (1) identify which alternative is most likely to preserve components of the industry for future integration into CRP

- (2) Identify which alternative is most likely to comply with highlighted concerns of excessive shares of pollock harvested by a single entity
- (3) Identify which alternative is most likely to address the concern for marine mammals, particularly with regards to how operations are conducted within the CVOA.
- (4) Identify the impacts of these alternatives on the relevant fishing sectors and on fishing communities.

Alternatives to be Analyzed

GOA

1. Rollover of existing amendment
2. Rollover of existing amendment, with no sunset provision
3. No Action (required by law)

POLLOCK CDQ

1. Rollover of existing amendment
2. Rollover of existing amendment, with no sunset provision
3. No Action (required by law)

BS/AI

1. Rollover of existing amendment
2. Rollover of existing amendment, with no sunset provision
3. Adjustments in CVOA
4. Adjustments in definitions
 - This requires a look at how allocations would go to the new categories
 - Recommend give amendment new name to reflect it is no longer "inshore-offshore"

DRAFT

DRAFT

**DESCRIPTIVE STATISTICS
&
A PRELIMINARY ASSESSMENT
OF THE
COMPONENTS OF
THE WALLEYE POLLOCK FISHERY**

**Submitted by:
Rebecca Tuttle Baldwin
Economic & Environmental Analysts**

**Prepared for:
North Pacific Seafood Coalition**

**September, 1997
PRELIMINARY DRAFT**

DRAFT

DRAFT

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1996 BSAI Pollock Fishery

American Seafish

ASC	A.S.C. ALASKA, INC.	AMERICAN EMPRESS	SEATTLE
ASC	A.S.C. ALASKA, INC.	PACIFIC EXPLORER	SEATTLE
ASC	VICTORIA ANN FISHERIES, INC.	VICTORIA ANN	SEATTLE
ASC	AMERICAN DYNASTY, INC.	AMERICAN DYNASTY	SEATTLE
ASC	AMERICAN SEAFOODS CO.	OCEAN ROVER	SEATTLE
ASC	AMERICAN TRIUMPH CORP.	AMERICAN TRIUMPH	SEATTLE
ASC	CHRISTINA ANN FISHERIES, INC.	CHRISTINA ANN	SEATTLE
ASC	ELIZABETH ANN FISHERIES, INC.	ELIZABETH ANN	SEATTLE
ASC	KATIE ANN FISHERIES, INC.	KATIE ANN	SEATTLE
ASC	NORTHERN EAGLE PARTNERS, L.P.	NORTHERN EAGLE	SEATTLE
ASC	NORTHERN HAWK PARTNERS, L.P.	NORTHERN HAWK	SEATTLE
ASC	NORTHERN JAEGER PARTNERS, L.P.	NORTHERN JAEGER	SEATTLE
ASC	PACIFIC NAVIGATOR, INC.	PACIFIC NAVIGATOR	SEATTLE
ASC	PACIFIC SCOUT, INC.	PACIFIC SCOUT	SEATTLE
ASC	REBECCA ANN FISHERIES, INC.	REBECCA ANN	SEATTLE
ASF	STARBOUND PARTNERSHIP	STARBOUND	SEATTLE
SAS	ALASKA JOINT VENTURE SEAFOODS	EXCELLENCE	SEATTLE
AOS	ALASKA OCEAN SEAFOOD L.P.	ALASKA OCEAN	ANACORTES
ATF	ALASKA TRAWL FISHERIES, INC.	ENDURANCE	EDMONDS
ASI	ARCTIC FJORD, INC.	ARCTIC FJORD	SEATTLE
ASI	ARCTIC STORM, INC.	ARCTIC STORM	SEATTLE
GFC	GLACIER FISH CO. LTD. PARTNERS	NORTHERN GLACIER	SEATTLE
GFC	GLACIER FISH CO. LTD. PARTNERS	PACIFIC GLACIER	SEATTLE
o ✓ GAS	GOLDEN ALASKA SEAFOODS, INC.	GOLDEN ALASKA	SEATTLE
HLI	HIGHLAND LIGHT, INC	HIGHLAND LIGHT	SEATTLE
GAF	GOLDEN AGE FISHERIES	BROWNS POINT	SEATTLE
KFC	LEGACY FISHING, INC.	LEGACY	KODIAK
CFC	M/V SAVAGE, INC.	SEAFISHER	SEATTLE
NPF	NORTH PACIFIC FISHING, INC.	AMERICAN NO. 1	SEATTLE
OPI	OCEAN PEACE, INC.	OCEAN PEACE	KODIAK
✓ PPS	PHOENIX PROCESS. LTD. PTNSHP.	OCEAN PHOENIX	SEATTLE
OES	EX-EMERALD SEA, IN RUSSIA	HEATHER SEA	SEATTLE
OES	EX-EMERALD SEA, IN RUSSIA	CLAYMORE SEA	SEATTLE
OES	EX-EMERALD SEA, IN RUSSIA	SAGA SEA	SEATTLE

in Russia or back?

5

TSG	TYSON SEAFOOD GROUP, INC.	✓ HARVESTER ENTERPRIS	SEATTLE
TSG	TYSON SEAFOOD GROUP, INC.	AMERICAN ENTERPRISE	SEATTLE
TSG	TYSON SEAFOOD GROUP, INC.	✓ SEATTLE ENTERPRISE	SEATTLE
TSG	TYSON SEAFOOD GROUP, INC.	✓ KODIAK ENTERPRISE	SEATTLE
✓ TSG	TYSON SEAFOOD GROUP, INC.	✓ ISLAND ENTERPRISE	SEATTLE
✓ TSG	TYSON SEAFOOD GROUP, INC.	ARCTIC ENTERPRISE	SEATTLE
✓ PET	PETER PAN SEAFOODS INC.	KING COVE PLANT	SEATTLE
ALY	ALYESKA SEAFOOD	DUTHC H PLANT	SEATTLE
✓ TSC	TRIDENT SEAFOODS	AKUTAN PLANT	SEATTLE
TSC	TRIDENT SEAFOODS	SAND POINT PLANT	SEATTLE
✓ UN1	UNISEA INC	DUTHC H PLANT	SEATTLE
✓ WES	WESTWARD SEAFOODS	DUTCH H PLANT	SEATTLE
✓ NOV	NORTHER VIC. PARTNERSHIP	NO. VICTOR (DUTCH H)	SEATTLE
ISA	INTERNATIONAL SEAFOOD OF AK	KODIAK PLANT	SEATTLE

15-16 companies with FII.
 less < 100 T of catch were exceeded
 target pollock finery circuit only.

Check
 Ghost
 for Tyson

6

Table E-10

Total catch of the top factory crawlers in the BSAI
pollock fisheries, 1991-96.

	Mean catch	Percent of catch	Percent of vessels
Bering Sea			
Top 5 vessels			
1991	52,533	26%	9%
1992	44,993	28%	10%
1993	42,642	28%	10%
1994	41,200	27%	11%
1995	34,938	24%	11%
1996	32,671	25%	13%
Top 10 vessels			
1991	47,002	47%	19%
1992	40,607	50%	20%
1993	38,057	50%	20%
1994	36,784	48%	23%
1995	33,090	45%	22%
1996	30,258	47%	25%
Top 25 vessels			
1991	34,917	87%	46%
1992	28,570	87%	51%
1993	27,274	89%	50%
1994	27,772	90%	57%
1995	26,338	90%	56%
1996	23,246	90%	63%

Source: Alaska Region blend estimates, National Marine Fisheries Service, 7600 Sand Point Way N.E., BIN C15700, Seattle, WA 98115-0070. 7600 Sand Point Way N.E., BIN C15700, Seattle, WA 98115-0070.

*How concentrated would this
look by company, given
vessel consolidation*

American Seafoods Company
2025 First Ave #900
Seattle WA 98101
DUNS: 19-692-8808

Ultimate U.S. parent
Resource Group International⁷
1420 5th Ave Ste 4200
Seattle WA 98101
DUNS: 86-132-4846

Although this company only showed up as the owner of 1 vessel (Ocean Rover) on the NMFS-provided listing for the 1996 BS/AI pollock fishery, 9 other of the vessels on that list have American Seafoods as the company actively managing the operations.

Those vessels are:

American Empress

O/N 942347
Surimi/Fillets/Roe/Meal factory trawler
280.6'
owned by American Empress LP

Pacific Explorer

942592
fillets/mince factory trawler/longliner
213.7'
owned by Pacific Explorer Inc

American Dynasty

951307
Surimi/fillets/roe/meal factory trawler
244.1'

Ocean Rover

552100
factory trawler
223.0'

American Triumph

646737
surimi/fillets/oil/meal factory trawler
251.7'

⁷ Merged with Aker ASA. Wall Street Journal, 10/11/96.

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Northern Eagle

506694
surimi/fillets/H&G/meal factory trawler
310.5'

Northern Hawk

643771
surimi/fillets/H&G/meal factory trawler
310.1

Northern Jaeger

521069
surimi/fillets/H&G/meal factory trawler
308.4'

Pacific Navigator

592204
factory trawler
195.0'

Pacific Scout

934772
cod/pollock fillet/minced factory trawler
213.7'

Five of these vessels owned or managed by American Seafoods are ranked within the ten strongest (as ranked by horsepower) in the U.S. In addition, American Seafoods manages the 213.7' factory trawler/longliner, **Pacific Explorer**.

Resource Group International is also shown as the parent company for **American Seafoods of Russia** and **American Seafoods Argentina**. Both of these companies had the same address as American Seafoods.

American Business Information estimates sales for American Seafoods at \$10-\$20 million, with approximately 70 people employed.

AK Employment
Manufacturing, Seafood Processing

Company	1995 ¹	1996 ²
Trident Seafoods	1,248	1,377
Tyson Seafood Company	723	860
Ocean Beauty Seafoods	662	457
UniSea	650	683
Icicle Seafoods	612	557
Peter Pan Seafoods	540	531
Cook Inlet Processing	531	456
Norquest Seafood Company	407	415
Wards Cove Packing Company	399	422
Westward Seafood	370	346
North Pacific Processors	345	357
International Seafoods	334	264
Alyeska Seafoods	275	270

Tyson Seafoods, Ocean Beauty Seafoods, and Westward Seafoods were considered Trends 100 movers as they were firms that moved up 10 or more ranks compared to 1994. Tyson's numbers got a big boost in part from the purchase of All Alaskan Seafoods of Kodiak. 1995 was Alyeska Seafoods first appearance on this listing. . Of the companies profiled for the pollock fishery, both **Tyson Seafoods Company** and **UniSea** made the list of "Top Employers for New Hires by Selected Occupational Groups, 4th Qtr, 1995", with 63 and 41 new hires, respectively³.

¹ Table 2, Trends 100 by Industry, *Alaska Economic Trends*. August 1996. Page 5.

² Table 1, Alaska's 100 Largest Private Employers 1996 *Alaska Economic Trends*. August 1997. Page 2-4.

³ *Alaska Economic Trends*. August 1996. Page 14.

Alaska's 100 Largest Private Employers 1996

Rank	Firm Name	Employment	Headquarters or Largest Work Site	Business Activity
1	Carr Gottstein Foods	3,299	Anchorage	Grocery
2	Providence Alaska Medical Center	2,261	Anchorage	Hospital
3	Fred Meyer	1,760	Anchorage	Grocery/General Merchandise
4	ARCO Alaska	1,572	Anchorage	Oil & Gas Production
5	Trident Seafoods	1,377	Akutan	Seafood Processing
6	Alaska Airlines	1,355	Anchorage	Air Carrier
7	Wal-Mart/Sam's Club	1,284	Anchorage	General Merchandise
8	National Bank of Alaska	1,165	Anchorage	Banking
9	VECO	1,162	Anchorage	Oil Field Services/Construction
10	BP Exploration	1,132	Anchorage	Oil & Gas Production
11	Alaska Petroleum Contractors	1,103	Anchorage	Oil Field Services
12	Fairbanks Memorial Hospital	1,012	Fairbanks	Hospital
13	Safeway Stores	982	Anchorage	Grocery
14	Alyeska Pipeline Service Company	972	Anchorage	Pipeline Transportation
15	Kmart	879	Anchorage	General Merchandise
16	Tyson Seafood Group	860	Kodiak	Seafood Processing
17	First National Bank of Anchorage	832	Anchorage	Banking
18	Federal Express	760	Anchorage	Courier Service
19	Ketchikan Pulp Mill	752	Ketchikan	Pulp & Lumber Products
20	Laidlaw Transit	714	Anchorage	Bus Charter Services
21	Alaska USA Federal Credit Union	685	Anchorage	Credit Union
22	Columbia Alaska Regional Hospital	684	Anchorage	Hospital
23	UniSea	683	Dutch Harbor	Seafood Processing
24	Union Oil of California (Unocal)	682	Anchorage	Petroleum Products
25	Yukon Kuskokwim Health Corporation	669	Bethel	Health Care
26	Alaska Commercial Company	655	Anchorage	Grocery/General Merchandise
27	Sears Roebuck	620	Anchorage	General Merchandise
28	ERA Aviation	615	Anchorage	Air Carrier
29	ATT/Alascom	613	Anchorage	Telephone Communications
30	Spenard Builders Supply	573	Anchorage	Trade: Lumber Products
31	Westmark Hotels	572	Anchorage	Hotel
32	Peak Oilfield Service Company	559	Anchorage	Oil Field Services/Construction
33	Icicle Seafoods	557	Petersburg	Seafood Processing
34	J C Penney Company	555	Anchorage	General Merchandise
35	Peter Pan Seafoods	531	King Cove	Seafood Processing
36	Tanana Chiefs Conference	525	Fairbanks	Social Services/Health Care
37	HC Price	523	Fairbanks	Pipeline Service/Construction
38	Southeast Alaska Regional Health Corp.	522	Juneau	Health Care
39	Ogden Facility Management	517	Anchorage	Facilities Management
40	Anchorage Daily News	505	Anchorage	Newspaper
41	Pizza Hut	501	Anchorage	Eating Establishment
42	Alyeska Resort	493	Girdwood	Hotel/Resort
43	Costco	491	Anchorage	General Merchandise
44	GCI Communications	476	Anchorage	Telephone Communications



As reported in the *Wall Street Journal* (9-4-97, page A2), the average state diversity index has increased from the 1970s to the present. In 1974-75, the average state measured 0.44 on the index, according to Bureau of Labor Statistics data compiled by Regional Financial Associates (RFA). By 1995-96, the average state had increased to 0.69.

Year	Diversity of AK	Diversity of WA
1971	0.25	0.59
1972	0.26	0.62
1973	0.27	0.62
1974	0.27	0.61
1975	0.28	0.61
1976	0.26	0.62
1977	0.26	0.63
1978	0.27	0.63
1979	0.24	0.62
1980	0.24	0.62
1981	0.25	0.61
1982	0.28	0.62
1983	0.31	0.64
1984	0.32	0.66
1985	0.33	0.66
1986	0.32	0.66
1987	0.31	0.65
1988	0.28	0.64
1989	0.27	0.62
1990	0.26	0.62
1991	0.26	0.63
1992	0.25	0.63
1993	0.26	0.63
1994	0.28	0.64
1995	0.27	0.66
1996	0.27	0.67

Personal communication. Craig Thomas, RFA. September, 1997. Full report will be available in October.

Community of Kodiak

Economy and Employment

Description of Economy

The Kodiak economy is based on fishing, seafood processing and government. Adaptability and diversification in a variety of fisheries has enabled the Kodiak economy to develop and stabilize. It is the nation's second highest port in seafood volume and third in value. 274 million pounds of seafood were landed in Kodiak in 1992, at a value of \$90 million. 733 residents hold commercial fishing permits. City, Borough, state and federal agencies rank second as local employers. The largest U.S. Coast Guard base lies just south of the city.

Employment	Class of Employment	
Total Workforce (16+):	3,644	Private Sector: 2,837
Armed Forces:	137	Local Government: 329
Civilian Employed:	???	State Government: 193
Persons Unemployed:	162	Federal Government: 148
Percent Unemployed:	4.3%	Self Employed: ???
Not in Labor Force:	927	Unpaid Family Worker: ???
% Adults Not in Labor Force:	23.0%	
Occupations	Industries	
Executive/Administrator:	345	Forestry/Fishing/Farming: 546
Professional Specialty:	423	Mining: 3
Technician:	90	Construction: 202
Sales:	243	Non-Durable Manufacturing: 582
Administrative Support:	432	Durable Manufacturing: 62
Private Household:	5	Transportation: 178
Protective Service:	91	Communications/Utilities: 89
Other Professional Service:	370	Wholesale Trade: 83
Forestry/Fishing/Farming:	394	Retail Trade: 542
Precision Craft or Repair:	421	Finance/Insur./Real Estate: 73
Machine Operators:	340	Business& Repair Service: 109
Transportation or Materials:	128	Personal Services: 87
Handler/Equipment/Labor:	225	Entertainment/Recreation: 18
		Health Services: 184
		Education Services: 269
		Other Professional Services: 196
		Public Administration: 282

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Community of Sand Point

Economy and Employment

Description of Economy

Sand Point is home to the largest fishing fleet in the Aleutian Chain. The state provides sub-regional services through public safety, fish and game, and the court system. Trident Seafoods has a major bottomfish and salmon plant, and also provides fuel and other services. Peter Pan Seafoods owns a storage and transfer station. In 1991, New West Fisheries moored a floating processor near the City dock for Pacific Cod processing. 126 residents hold commercial fishing permits. Two exploratory mining operations are currently underway nearby, namely Battle Mountain Gold and Alaska Apollo. Locals participate in subsistence consumption of fish and caribou.

Employment	Class of Employment	
Total Workforce (16+):	439	Private Sector: 359
Armed Forces:	0	Local Government: 63
Civilian Employed:	???	State Government: 11
Persons Unemployed:	13	Federal Government: 5
Percent Unemployed:	3.3%	Self Employed: ???
Not in Labor Force:	194	Unpaid Family Worker: ???
% Adults Not in Labor Force:	32.0%	
Occupations	Industries	
Executive/Administrator:	14	Forestry/Fishing/Farming: 76
Professional Specialty:	38	Mining: 0
Technician:	7	Construction: 15
Sales:	9	Non-Durable Manufacturing: 180
Administrative Support:	15	Durable Manufacturing: 4
Private Household:	0	Transportation: 18
Protective Service:	13	Communications/Utilities: 8
Other Professional Service:	35	Wholesale Trade: 13
Forestry/Fishing/Farming:	77	Retail Trade: 27
Precision Craft or Repair:	66	Finance/Insur./Real Estate: 5
Machine Operators:	117	Business & Repair Service: 9
Transportation or Materials:	22	Personal Services: 7
Handler/Equipment/Labor:	25	Entertainment/Recreation: 0
		Health Services: 4
		Education Services: 52
		Other Professional Services: 6
		Public Administration: 14

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Community of Akutan

Economy and Employment

Description of Economy

Commercial fishing and fish processing dominate Akutan's cash-based economy. Trident Seafoods operates a major bottomfish plant west of the City. Deep Sea Fisheries also has a permanent processing vessel in the bay. Nine residents hold commercial fishing permits. Subsistence hunting and fishing activities are minimal because the majority of residents are employed. The majority of the population lives in group quarters facilities.

Employment	Class of Employment	
Total Workforce (16+):	527	Private Sector: 408
Armed Forces:	0	Local Government: 22
Civilian Employed:	???	State Government: 0
Persons Unemployed:	2	Federal Government: 97
Percent Unemployed:	0.3%	Self Employed: ???
Not in Labor Force:	40	Unpaid Family Worker: ???
% Adults Not in Labor Force:	7.0%	
Occupations	Industries	
Executive/Administrator:	33	Forestry/Fishing/Farming: 15
Professional Specialty:	2	Mining: 0
Technician:	1	Construction: 5
Sales:	2	Non-Durable Manufacturing: 378
Administrative Support:	23	Durable Manufacturing: 0
Private Household:	0	Transportation: 46
Protective Service:	2	Communications/Utilities: 9
Other Professional Service:	47	Wholesale Trade: 2
Forestry/Fishing/Farming:	19	Retail Trade: 14
Precision Craft or Repair:	80	Finance/Insur./Real Estate: 0
Machine Operators:	194	Business Repair Service: 2
Transportation or Materials:	36	Personal Services: 0
Handler/Equipment/Labor:	88	Entertainment/Recreation: 2
		Health Services: 0
		Education Services: 19
		Other Professional Services: 10
		Public Administration: 25

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January 11, 1996

Economic Analysis of Federal Regulations Under Executive Order 12866

After President Clinton signed Executive Order 12866, "Regulatory Planning and Review," the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget convened an interagency group to review the state of the art for economic analyses of regulatory actions required by the Executive Order. The group was co-chaired by a Member of the Council of Economic Advisers and included representatives of all the major regulatory agencies. This document represents the results of an exhaustive two-year effort by the group to describe "best practices" for preparing the economic analysis of a significant regulatory action called for by the Executive Order.

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GLOBAL MARKETS FOR PRODUCTS

After access to the fishing stocks, these companies' financial well-being and ability to support employment within various communities depends on being able to sell the fish or processed fishery products. These products are either sold domestically or exported abroad. In either market, demand for these fishery products is influenced by the availability and price of substitute products.

For the fisheries we are examining, most of the fish products are exported, rather than consumed within U.S. boundaries. Although these products can be sold to many nations' consumers and also face competition from fisheries worldwide, most are consumed within Asian markets, particularly Japan.

The export market of edible groundfish products from Oregon, Washington, and Alaska custom districts in 1995 amounted to 834 million pounds, valued at \$985 million (Kinoshita et al, 1996). Exports of all edible fishery products from those custom districts in 1995 were 1.4 billion pounds (633,188 metric tons), valued at \$2.15 billion. These exports accounted for 65.9% of the total U.S. export of edible fishery products (Kinoshita and Terry, 1996).

External factors which, in part, determine the economic status of these fisheries include

1. the prices and price indices of products that compete with the fish products;
2. foreign exchange rates,
3. the strength of the foreign economies; and
4. cold storage inventories.

As already noted, one thing that influences demand is the price and availability of alternate products. Within the U.S., fishery products are relatively more expensive in price than meat or poultry items and individual fish products appear to be more of a substitute for each other than for these other food categories. Currently, Americans appear to be eating more salmon, but that increase comes from reductions of other types of seafood, as opposed to reductions in beef or poultry products. U.S. per capita consumption of fish and shellfish has remained fairly consistently around 15 pounds annually for the past decade (Kinoshita et al, 1996) although the composition of that consumption varies. By comparison, Americans consume an average of 70 pounds of poultry each year.¹

¹ The News Tribune Tacoma, WA 6/1/96. "Tyson Aims to Drum Up Fish Business/Poultry Producer Opens Tacoma Hub."

Decision Analysis

Decisions are often irrevocable (although they often can be reversed by a new decision at some future point) and they often are based on a variety of information. There may be uncertainty over the actual values of much of that information.

People make decisions in order to move closer to some objective. Decision analysis can improve the quality of the results of a decision made by creating a structured way of thinking about the objective and any related goals, and by helping to identify the alternate choices and their associated uncertainties. Once the framework of the issue had been identified, decision analysis constructs models, which capture the relationships within and among these components of a decision. The ranking of the alternatives by one or more criteria of success, and the associated sensitivity analysis, allows a decision-maker to both better understand the implications of any action he chooses to take and also provides a basis for sharing the justification of his action with others.

Decision analysis spans many types of processes and can have broad applications. In "Decision Analysis Applications in the Operational Research Literature, 1970-1989" (*Operations Research*, vol.39, No.2, pp206-219, March/April 1991 edition), authors James Corner and Craig Kirkwood report the results of an intensive search of 10 different scientific journals for the period of 1970-1989. They found 86 published articles identified as applications of decision analysis. These applications were categorized by them as applying in the areas of energy, manufacturing & services, medical, public policy, and general.

A good and accessible text that covers most of the aspects of decision analysis is "Making Hard Decisions: An Introduction to Decision Analysis" by Robert T. Clemen. This 1996 text is a 2nd edition and is often used in university courses on decision analysis. The text has many practical examples and covers the basic elements of decision analysis as grouped into three main sections. The topics covered in each section are identified below.

- **Section One—Modeling Decisions** (Elements of Decision Problems, Structuring Decisions, Making Choices, and Sensitivity analysis).
- **Section Two—Modeling Uncertainty** (Creativity, Probability Basics, Subjective Probabilities, Theoretical Probability Models, Using Data, Monte Carlo Simulation, and the Value of Information)
- **Section Three—Modeling Preferences** (Risk Attitudes, Utility Axioms, Paradoxes, and Implications, Conflicting Objectives)

Another good reference for someone seeking to understand the process and how to construct a model is a collection of readings taken from publications of

the Operational Research Society of Great Britain. The book, "Readings in Decision Analysis", was written by Simon French and published in 1990.

The goal of the decision analysis process is to develop a model. This model's construction and outputs aid in the decision-making process in several key ways:

- It provides a framework for establishing which criteria are important in making the decision, the relative importance of the individual criteria, and explicitly displays how the options will be evaluated.
- Through the graphical risk profile and the accompanying sensitivity analysis, it helps drive consensus among varying perspectives and highlights areas where further information-gathering or study may be merited
- It allows the decision-maker(s) to communicate the implications of the choices and makes it easier to justify the decision to other interested stakeholders

Once the Team is formed, the process the Team is generally an iterative one that requires coordination. The basic steps are outlined briefly below and discussed thereafter in greater detail:

- Step 1 Formulate the problem based on one's objectives
- Step 2. Creation of alternatives
- Step 3. Develop the decision model
 - a. Design an influence diagram establishing a basic framework of the model
 - b. Identify primary elements of uncertainty to be considered
 - c. Estimate the probabilities of the various events or combinations of events occurring as well as the associated values
- Step 4. Run the decision model
 - a. Indicate results,
 - b. generate the risk profile, and
 - c. conduct associated sensitivity analysis.
- Step 5. Interpret the implications and results
- Step 6. Determine next step of action (e.g. implement decision or conduct a revised analysis)

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Japanese Surimi and Fish Meat Imports by Country

1991	1992	1993	1994	1995
108,069	117,530	136,628	145,032	144,981
1,562	5,905	501	39	532
12,643	26,961	16,702	17,306	22,078
1,435	4,648	3,470	4,875	11,355
10,724	15,737	28,190	22,533	21,543
3,270	6,363	7,206	12,017	11,149
12,051	9,189	10,470	9,669	9,939
2,930	2,424	3,633	4,402	9,460
47,690	17,503	17,274	1,336	682
55,877	48,787	53,545	51,448	60,379
29,240	4,235	4,019	4,110	4,409
215,491	243,281	265,640	272,766	296,505

Ministry of Finance Trade Data (Compiled by Ag. Office)

World Economic Outlook Annual Percentage Change

World Output	1996	1997	1998
Advanced economies	4.1	4.2	4.3
United States	2.8	3.7	2.6
Japan	3.5	1.1	2.1
Germany	1.4	2.3	2.8
European Union	1.7	2.5	2.8
Newly industrial countries (Asian economies)	6.4	5.9	6.0
Developing countries	6.5	6.2	6.2

Source: International Monetary Fund, 1997 and 1998 are projected annual growth rates as of September, 1997.

IMF forecasts global growth of about 4.5% annually over the next five years (WSJ 9-17-97). Average global growth has averaged 3.75% over the past quarter-century.



*Submitted by
Paul MacGregor*

CORPORATE PROFILE

MARUHA CORPORATION



Message from the President

Maruha has been bringing the harvest of the seas to consumers' tables for well over a hundred years now. This past century has been a time of unprecedented change, and over the years Maruha, too, has experienced many changes. Conditions surrounding the fishing industry have altered drastically, but the company has always responded in a positive way, transforming itself from its original specialization in the fishery business into a comprehensive food products enterprise centering on marine products. Indeed, one could say that it is change that drives progress.

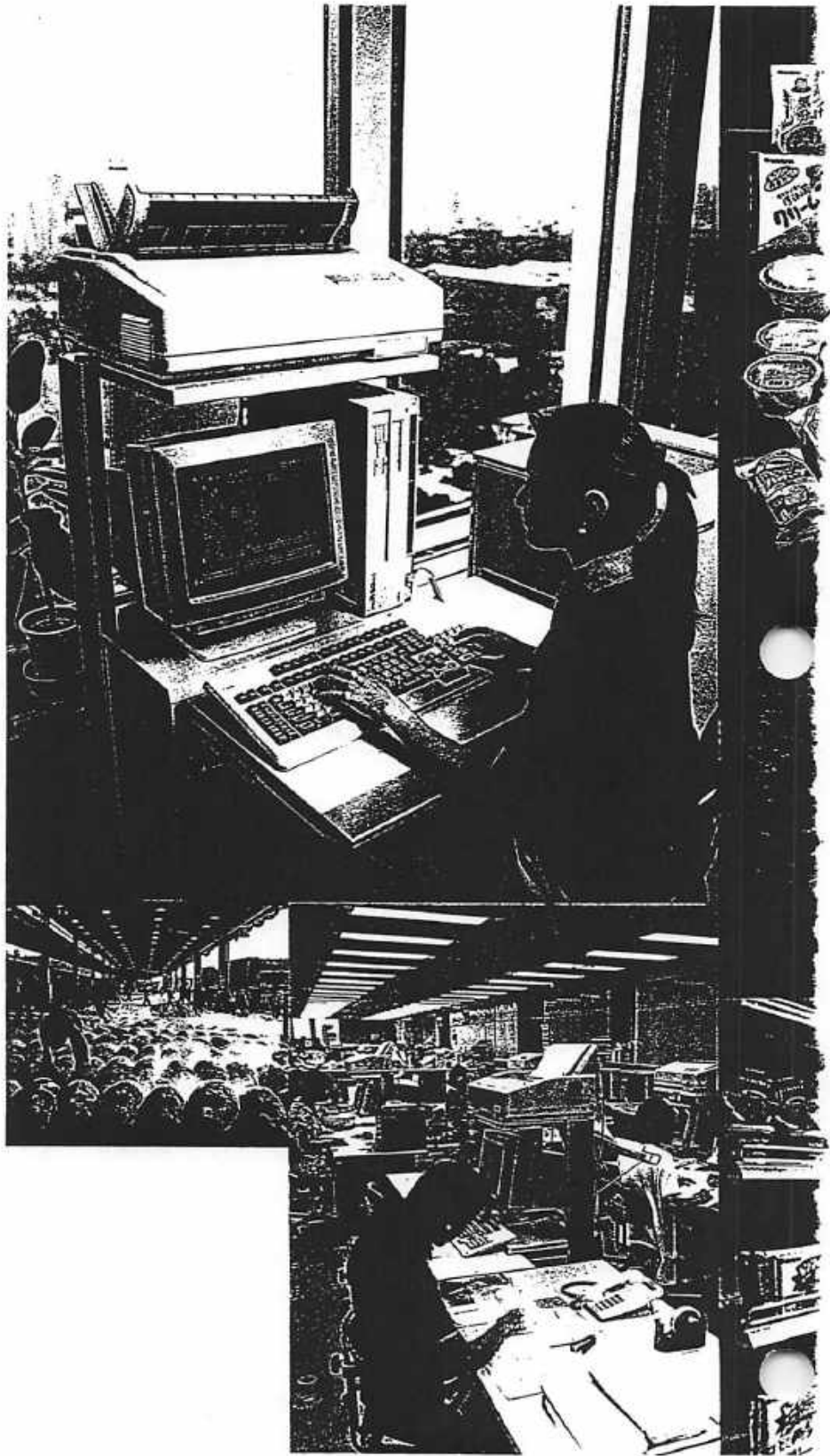
On the threshold of the twenty-first century, Maruha is anticipating many more changes to come as we develop a broad array of operations. In our most familiar lines of business, for example, we are developing new food products designed to fully utilize marine resources, as well as processed foods with high added value to satisfy the consumer's growing concern with health, genuine quality, and convenience. We are committed to actively providing the products that consumers want, taking advantage of the wide-ranging expertise of our R&D team and our ready access to high-quality materials through our corporate network. And we will strive not only to meet consumer needs, but also to constantly renew the company itself by rising to every challenge. With its youthful vitality and vision undimmed, Maruha will continue to create a "Food Wonderland."

As a company whose maximum potential is yet to be realized, we will continue to draw on over a century's worth of experience to create products and services for an ever-expanding market and a prosperous future.



Keijiro Nakabe
President

From marine products to processed foods
to life sciences.



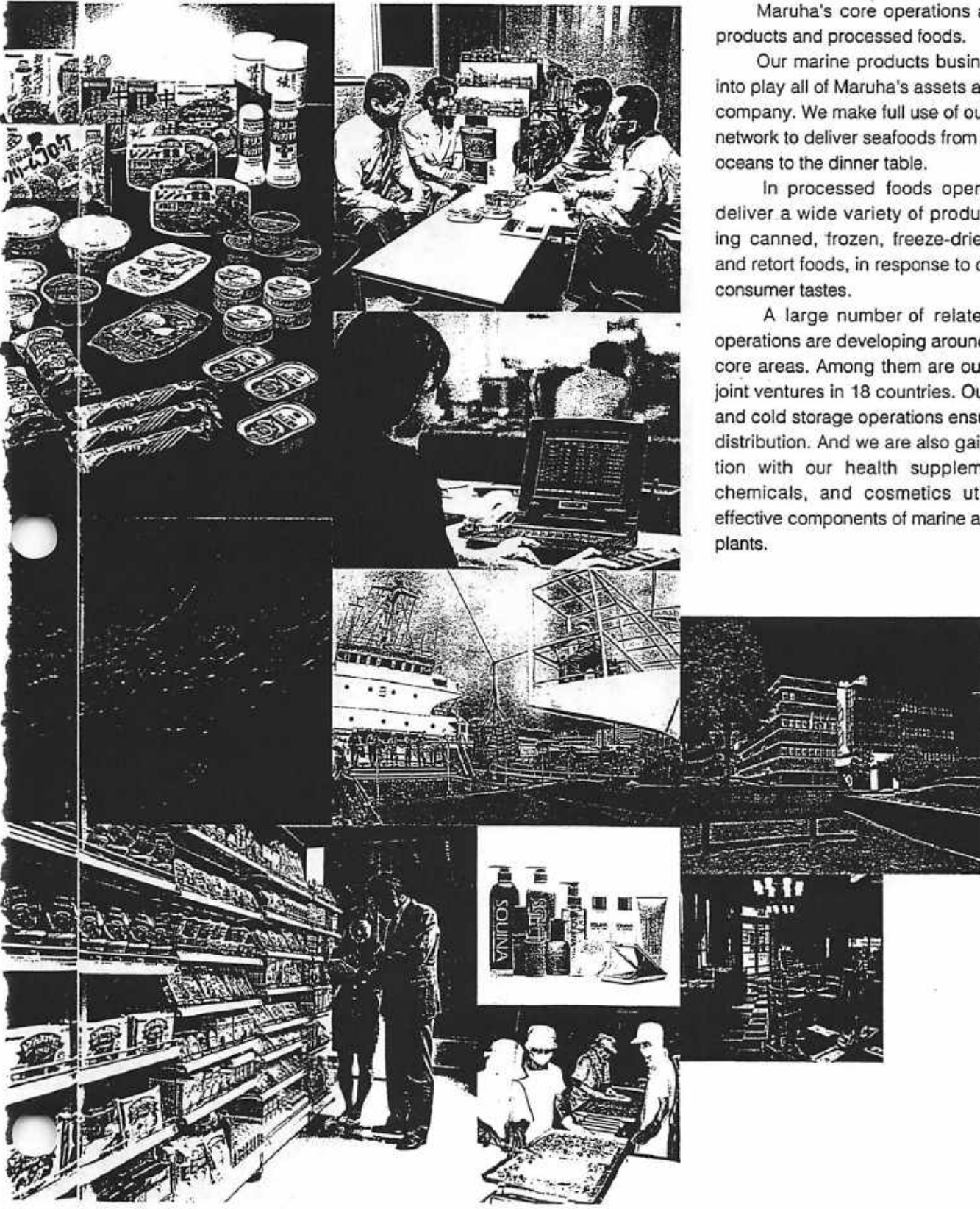
Business Domain

Maruha's core operations are marine products and processed foods.

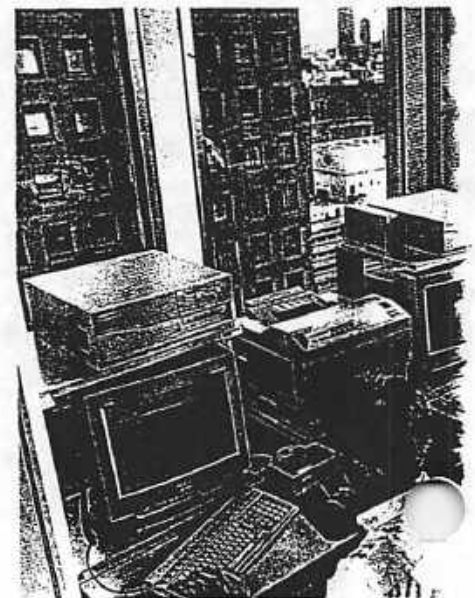
Our marine products business brings into play all of Maruha's assets as a trading company. We make full use of our overseas network to deliver seafoods from the world's oceans to the dinner table.

In processed foods operations, we deliver a wide variety of products including canned, frozen, freeze-dried, chilled, and retort foods, in response to diversifying consumer tastes.

A large number of related or new operations are developing around these two core areas. Among them are our overseas joint ventures in 18 countries. Our shipping and cold storage operations ensure smooth distribution. And we are also gaining attention with our health supplements, fine chemicals, and cosmetics utilizing the effective components of marine animals and plants.



Maruha, the expert on marine products.



Marine Products



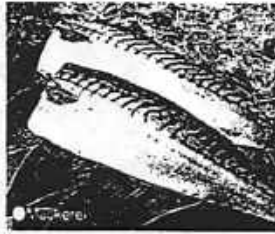
Frozen Seafood



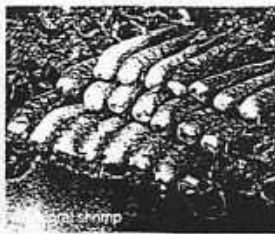
● Seafood salad



● Sashimi



● Shrimp



● Tuna

While Japan is the world's largest importer of marine products, there is growing demand in Europe, the United States, and the booming economies of Southeast Asia and China. To meet this demand, Maruha supplies top-quality fish and shellfish from all over the globe. These operations are supported by our worldwide purchasing and sales network as well as our active team of overseas staff who know where, and when, to find any marine product at its best.

Marine food products are a finite resource. As one of the world's largest marketers of marine products, we will address the need to sustain and foster these resources for the future world food supply.

Shrimp

Japan is one of the world's biggest consumers of shrimp, importing 300,000 tons yearly. Maruha handles about 10% of this volume—the largest market share in the industry.

Cuttlefish and Octopus

Maruha also leads the industry in cuttlefish and octopus imports, handling 40% of the 50,000 tons of cuttlefish and 30% of the 100,000 tons of octopus which Japan imports annually.

Tuna

Maruha imports choice frozen tuna, mainly bluefin, from many parts of the world for use in sashimi, and also airfreights fresh tuna.

Salmon and Trout

Japan imports considerable quantities of salmon and trout. Maruha supplies the world's best from North America, Northern Europe, and Chile.

Surimi

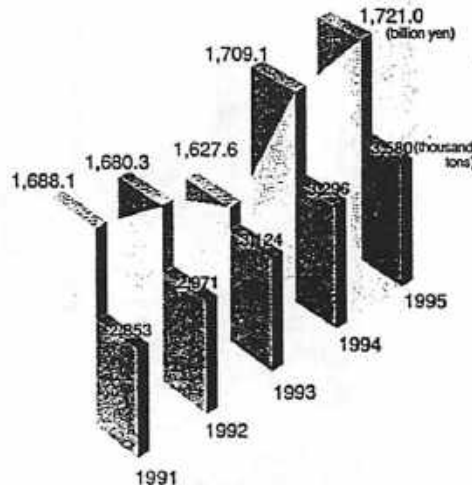
Demand for *surimi* and *surimi* products is increasing in the United States, Europe and Southeast Asia. We handle about 100,000 tons annually.

Other Fish and Shellfish

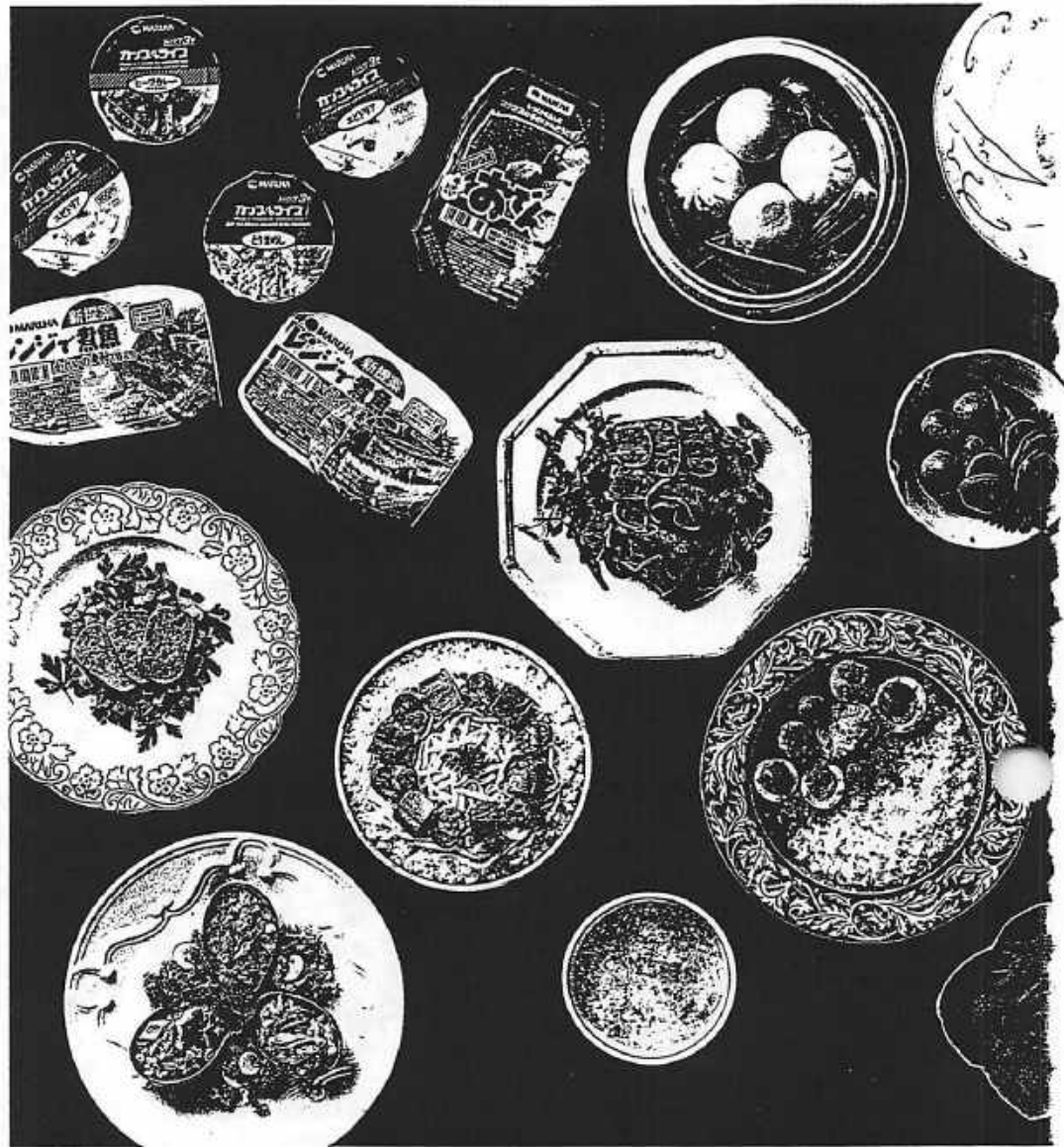
Other types of fish supplied by Maruha are sea bream, flounder, horse mackerel, and Spanish mackerel, while shellfish include quality crabs such as king crabs and snow crabs, scallops, and ark shell.



Japan's Annual Imports of Marine Products
(Ministry of Finance trade statistics)



The Maruha brands guarantee healthy dining pleasure



ire.

Processed Foods



Maruha not only selects materials from all over the world, but also actively creates its own delicious products as a manufacturer of processed foods. As consumers' tastes diversify, Maruha will continue to deliver the extra value they look for in food products. Health, genuine quality, and convenience are our keywords.

Canned Foods

Canned seafoods, such as crab, scallop, tuna, mackerel, and mackerel pike, are the mainstay of Maruha's range. We also rank first or second in market share for canned vegetables, including asparagus, mushrooms, and sweetcorn.

Retort and Microwaveable Meals

Maruha has entered the field of retort foods, such as seafood and pork cutlet curries and a series of toppings for rice dishes. We are also active in the microwaveable meal sector, including fish dishes and stews.

Fish Hams and Fish Sausages

Fish hams and fish sausages are ever-popular products in Japan. We are constantly striving to improve their quality and convenience.

Frozen Foods

Maruha supplies the food service industry, such as restaurants and supermarket delicatessen counters, with processed fish and shellfish products, frozen ready-to-cook foods, and frozen vegetables. Production is

based both in Japan and in other countries where the raw materials are produced, including China, Taiwan, Thailand, and the Philippines.

Freeze-dried Products

Freeze-drying has made it possible to preserve food materials over long periods without flavor loss. Maruha produces freeze-dried ingredients for makers of instant noodles and soups, as well as its own series of instant savory rice dishes.

Sugar

Maruha supplies a wide range of sweeteners, from white sugar to corn sweeteners such as high-fructose corn syrup, corn syrup, and fructose. Our new lactosucrose sweetener stimulates the action of *Bacillus bifidus* in the intestine and thus helps promote digestion and overall health.

Other Products

Other Maruha products include *chikuwa*, a traditional fish-paste delicacy which continues to lead the industry in quality; chopped tuna for sushi; lightly smoked salmon for sashimi; laver; Jellice, the best-known brand of powdered gelatine; "Bacana" brand chilled beef; and "Pastora" brand processed livestock products.



Maruha is a prominent player in various fields.

Dehydrated Foods, Health Supplements, Pharmaceutical and Cosmetic Ingredients

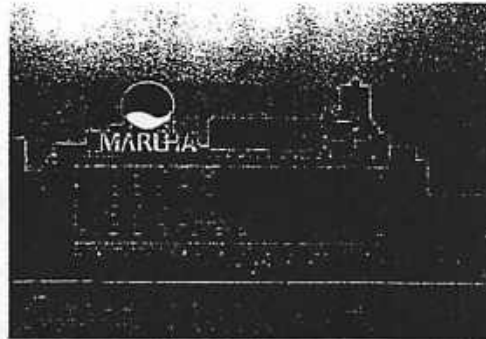
Among Maruha's products in this area are freeze-dried ingredients for instant foods, and natural seasoning manufactured from fish and shellfish. We also utilize our technical expertise to produce health supplements such as DHA, which is extracted from oils found in the eye sockets of skipjack and tuna; EPA from sardine oils; and calcium from fish bones.

In the field of pharmaceuticals and cosmetics, notable areas of product development include pharmaceuticals, which utilize the effective components of marine animals and plants, and cosmetics based on squalene compounds, which are extracted from the livers of deep-sea sharks and are reportedly effective in activating skin cells. These are fields of increasing interest to consumers.

Overseas Joint Ventures

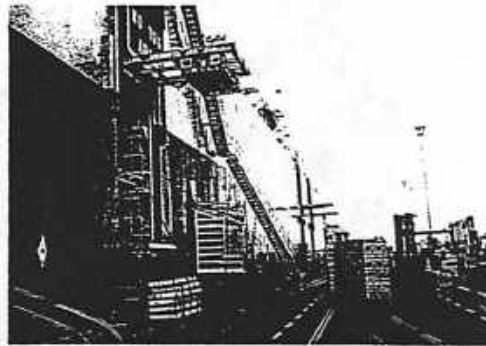
Maruha's joint ventures not only contribute to a stable supply of marine resources for Japan, but also benefit the partner countries in many ways, including the role played by Maruha's plants, technology, and funds in promoting the development of the local fishing industry and economy. Today, Maruha is a partner in 30 overseas joint ventures, located in 18 countries. Our cooperative ventures with governments and private corporations around the world include: Solomon Taiyo Ltd. (Solomon Island), which exports frozen and canned tuna; Société Malgache de Pêche (Madagascar) and EFRIPEL (Mozambique), both engaged in fishing; and Western Alaska Fisheries Inc. (U.S.A.), Kingfisher Holdings Ltd. (Thailand), and Zhoushan Industrial Co., Ltd. (China), which process marine products.





Cold Storage

The Maruha Group has built up a nationwide network of cold storage facilities whose capacity currently totals about 660,000 tons, making it one of the largest in Japan, and we are further strengthening this network to contribute to Japan's frozen delivery system.



Shipping

Maruha currently operates a worldwide fleet of 30 refrigerated carriers. As well as frozen marine products, these vessels carry cargoes of fruit, vegetables, and meat. We have also established overseas joint ventures in the shipping business such as Reefer Express Lines in Bermuda.



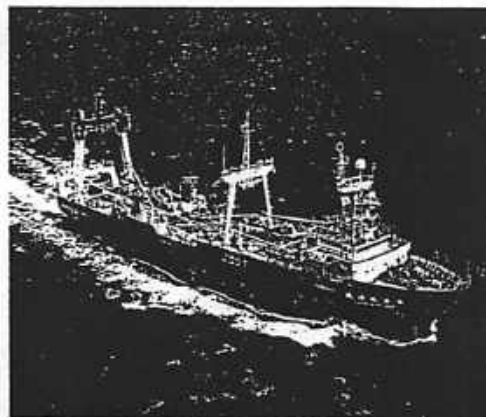
Aquaculture

Maruha became involved in aquaculture from an early stage with the aim of utilizing marine resources more effectively. Starting in 1958 with rainbow trout, we have established hatching and rearing techniques for sea bream, yellowtail, tiger puffer, and yellow jack, among other species.

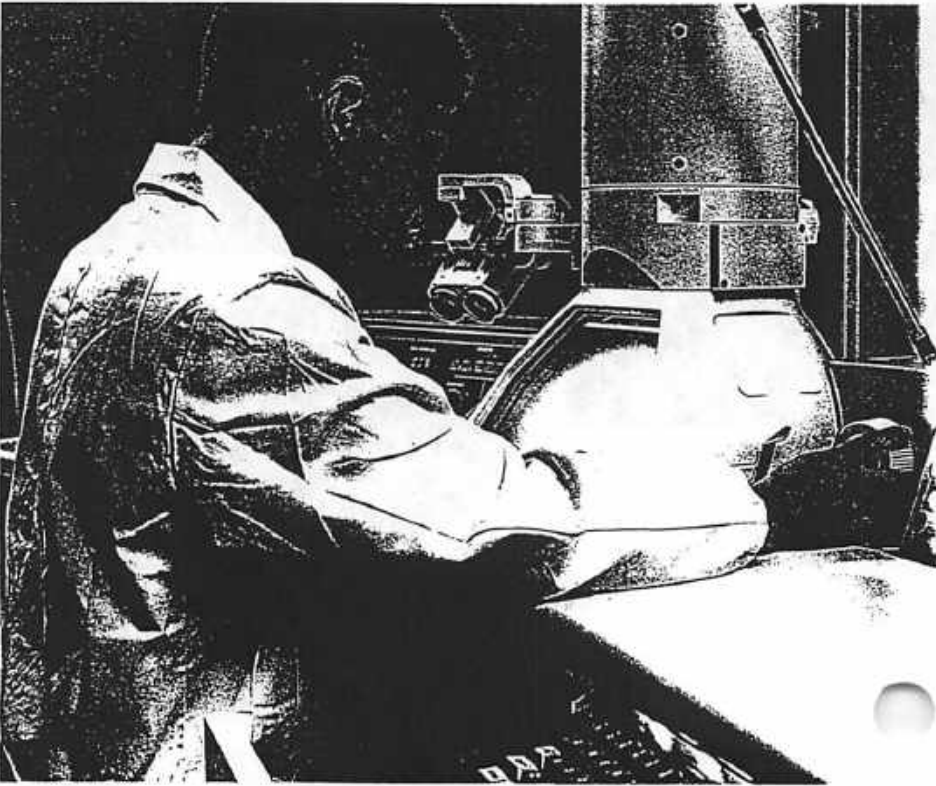
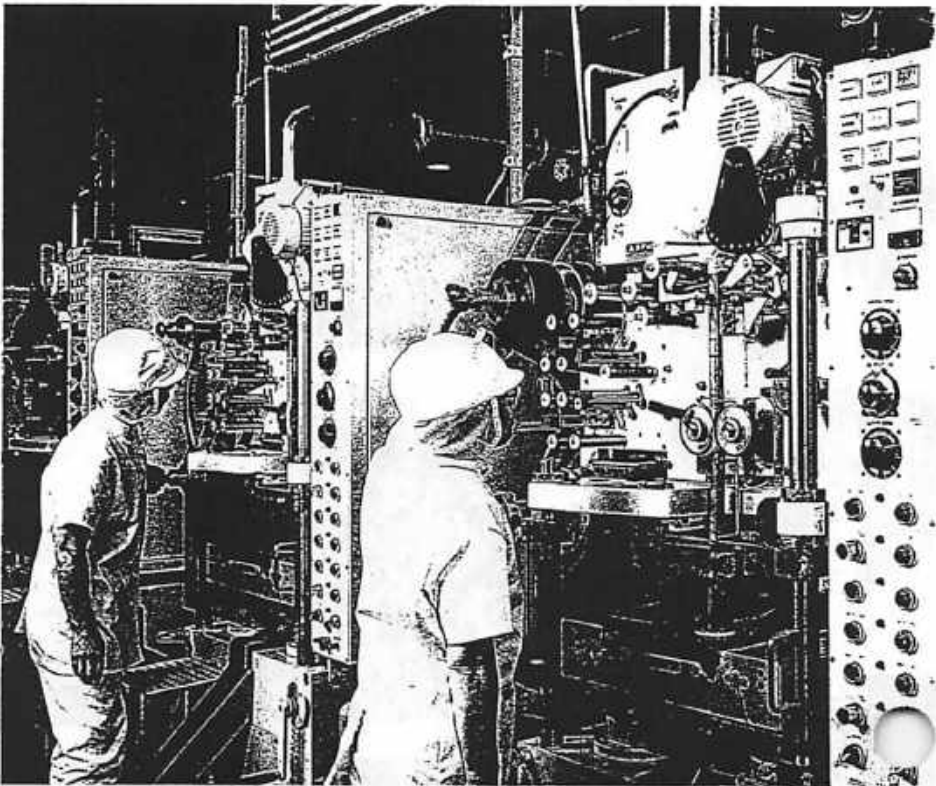


Fisheries

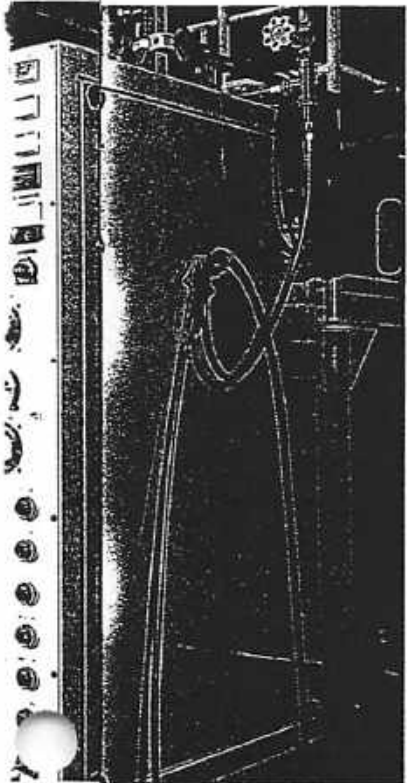
In 1977, many countries adopted 200-mile fishery conservation zones, and Japan's pelagic fishery industry has been steadily downsized since then. Under these conditions, Maruha has been forced to drastically downsize its fishing fleet and currently has only two 3,000-ton trawlers.



Maruha is also active in product development.



Plants and R&D



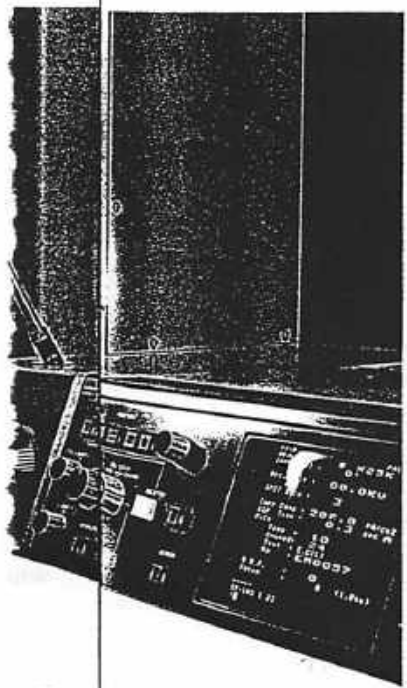
Locations of Plants and Research Laboratories



Plants

Maruha has a nationwide network of six production bases. These are located in Monbetsu, Sapporo, Sendai, Utsunomiya, and Shimonoseki. Maruha also undertakes the manufacturing of processed marine products and other processed foods at its cooperative plants in Japan and overseas.

In every one of these plants, we employ state-of-the-art production technology and equipment, together with complete quality control, to ensure superior flavor and quality worthy of the Maruha brand name.



Research & Development

The Central Research Institute is located in Tsukuba Science City, north of Tokyo. Here, Maruha pursues a broad array of research, working in concert with universities, national research institutes, and other companies. Areas being explored include: the physical properties and functions of foodstuffs; manufacturing and processing technology; additives and the use of enzymes; bioactive substances derived from marine plants and animals; and basic biochemical research related to aquaculture.



The Maruha Group pools the strength of its more than 200 companies.



Jewelry and furs



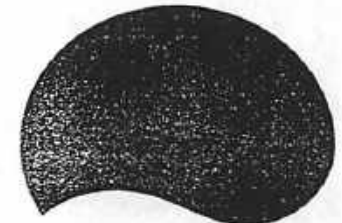
Others



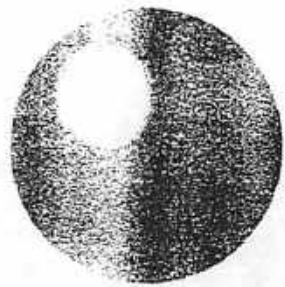
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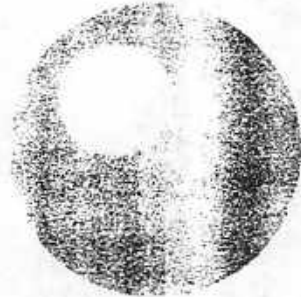
Procurement



MARUHA



Feed, livestock,
and meat



Food processing
and sales



Marine
whc

Group Diversification

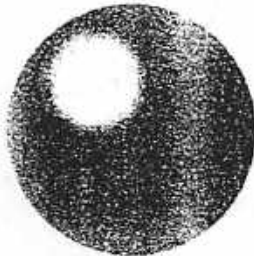
estate



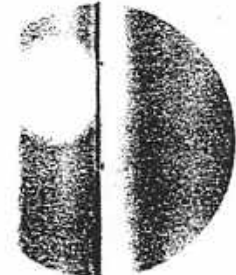
Sea and land transportation



Cold storage



Fisheries



marine products wholesalers

The Maruha Group comprises over 200 companies, in Japan and overseas. Their multifaceted operations extend to all areas of daily life, from marine product wholesaling, food processing and sales, and cold storage, to jewelry and furs.

In the food service sector, for example, the Maruha Group operates a variety of distinctive, trend-setting restaurants, offering elegant seafood dinners or ethnic menus.

Maruha also owns the Yokohama Bay Stars, one of Japan's 12 professional baseball teams.

With each of its diverse companies contributing to prosperity in its own field, the Maruha Group is poised for new progress as we enter the 21st century.

The Maruha Group

Operations	No. of Companies	Sales (millions of yen)	No. of Personnel
Fisheries	9	27,354	516
Marine products wholesalers	20	549,917	1,835
Food processing and sales	29	140,436	3,300
Cold storage	16	25,048	958
Feed, livestock, and meat	12	49,449	623
Sea and land transportation	9	19,942	961
Procurement	5	25,495	476
Jewelry and furs	4	9,914	429
Real estate	3	2,778	10
Others	38	28,612	1,492
Overseas enterprises	63	141,086	11,491
TOTAL	208	1,020,031	22,091

(as of March 31, 1996)



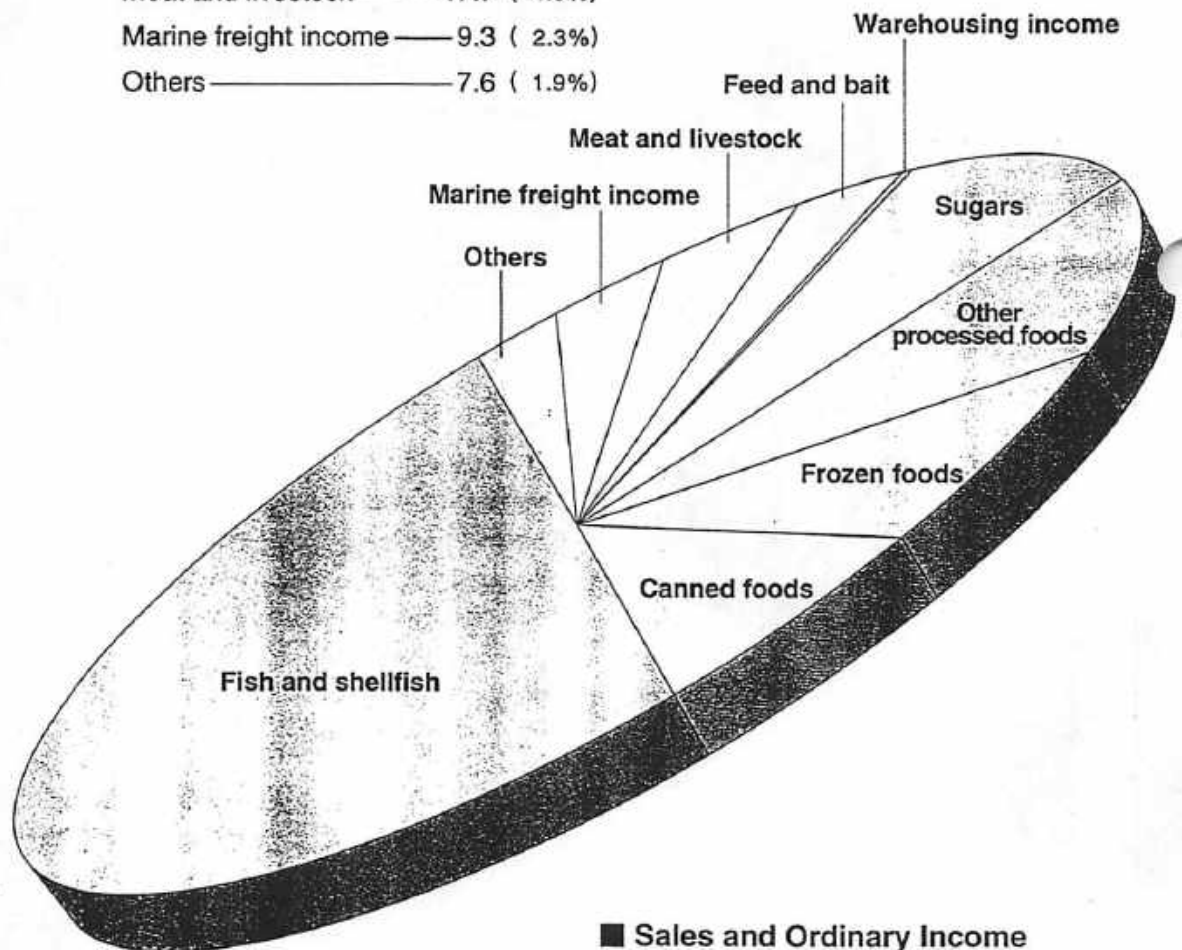
Maruha is constantly realizing new potential—
around the globe and close to home.

Sales Breakdown

(Unit: billion yen; percentage of total net sales in parentheses)

■ Net Sales 411.4 (April 1, 1995~March 31, 1996)

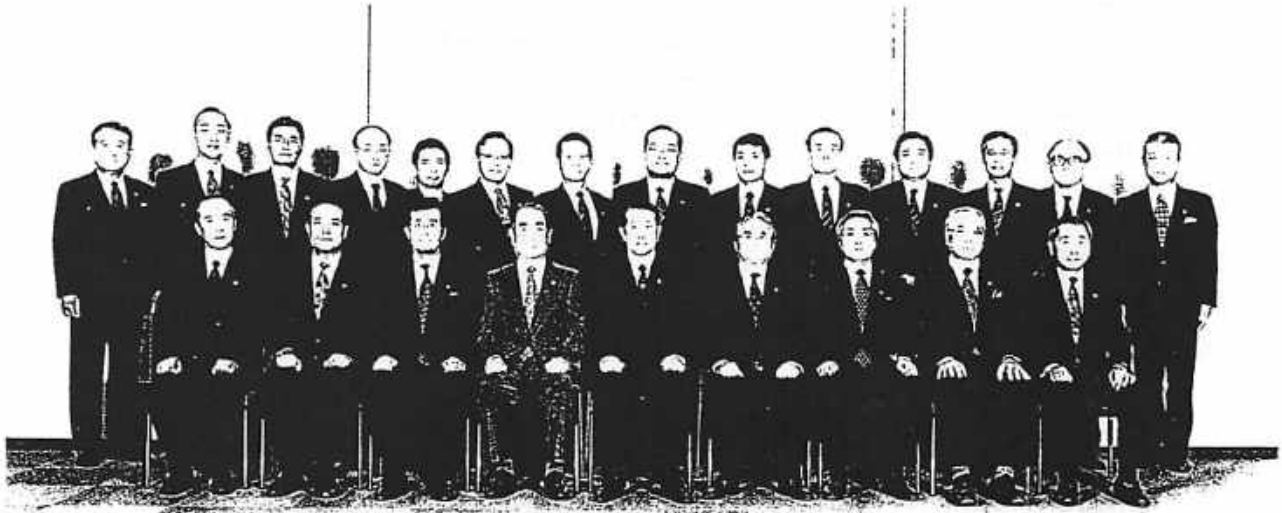
Fish and shellfish	205.5	(49.9%)
Canned foods	28.9	(7.0%)
Frozen foods	33.7	(8.2%)
Other processed foods	50.5	(12.3%)
Sugars	44.1	(10.7%)
Warehousing income	1.2	(0.3%)
Feed and bait	12.9	(3.1%)
Meat and livestock	17.7	(4.3%)
Marine freight income	9.3	(2.3%)
Others	7.6	(1.9%)



■ Sales and Ordinary Income

Year Ended	Sales (billion yen)	Ordinary Income (million yen)
March 1994	433.0	183
March 1995	420.8	2,413
March 1996	411.4	2,950

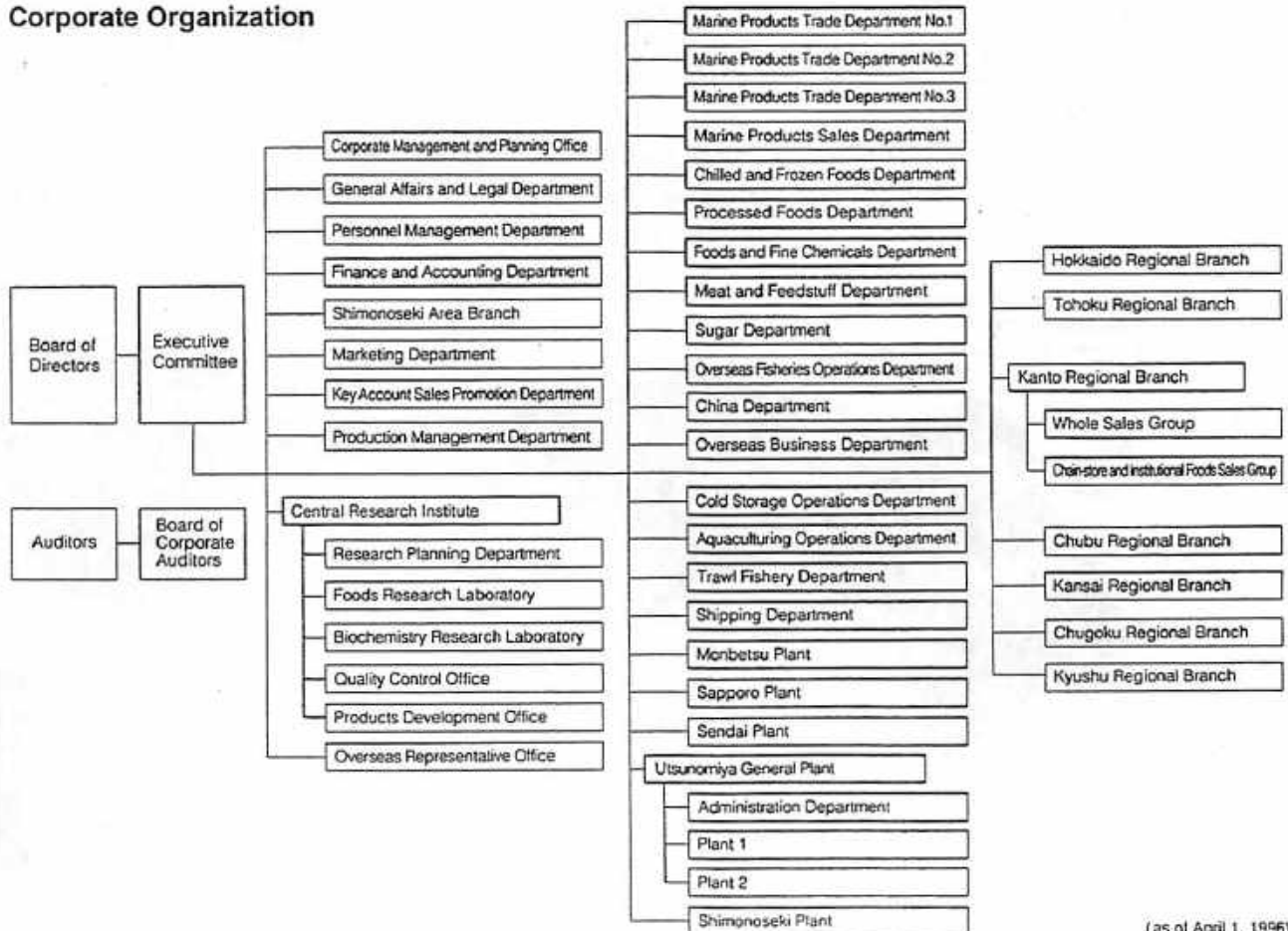
Executive Lineup



From the third person from the left in the front row : Executive Managing Director Takaharu Ikeda, Executive Vice President Koichi Maeda, President Keijiro Nakabe, Executive Managing Director Yutaka Ando.

(as of June 27, 1996)

Corporate Organization



(as of April 1, 1996)

Network

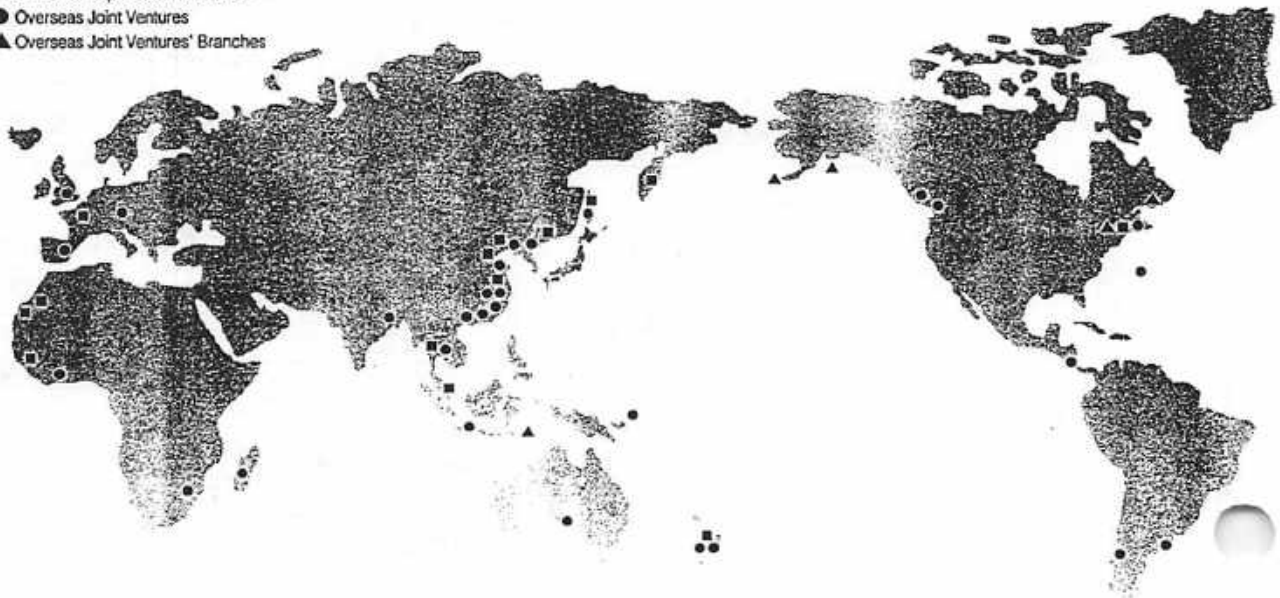
Overseas Representative Offices

France
 Paris Representative Office
 U.S.A.
 New Jersey Representative Office
 Thailand
 Bangkok Representative Office
 Singapore
 Singapore Representative Office
 New Zealand
 Auckland Representative Office
 Morocco
 Agadir Representative Office
 Spain
 Las Palmas Representative Office
 Senegal
 Dakar Representative Office
 China
 Beijing Representative Office
 Dalian Representative Office
 Shanghai Representative Office
 Russia
 Vladivostok Representative Office
 Kamchatka Representative Office
 Sakhalin Representative Office

Principal Overseas Joint Ventures and Subsidiaries

Taiyo (U.K.) Ltd./U.K./Trade
 Gill & Duffus S.A./Switzerland/Trade
 Sociedad Pesquera Taiyo Chile Ltda./Chile/Trade
 Western Alaska Fisheries, Inc./U.S.A./Seafood processing
 Alyeska Seafoods, Inc./U.S.A./Seafood processing
 Westward Seafoods, Inc./U.S.A./Seafood processing
 Supreme Alaska Seafoods, Inc./U.S.A./Seafood processing
 Trans Ocean Products, Inc./U.S.A./Seafood processing
 Reefer Express Lines Pty., Ltd./Bermuda/Shipping
 Kingfisher Holdings Ltd./Thailand/Seafood processing
 Vela Taiyo Fishery Co., Ltd./New Zealand/Fisheries
 Solomon Taiyo Ltd./Solomon Islands/Seafood processing
 P.T. Nusantara Fishery/Indonesia/Shrimp fisheries
 Bengal Fisheries Ltd./Bangladesh/Shrimp fisheries
 South Australian Marine Farm Pty., Ltd./Australia/Southern bluefin tuna farm
 Maruha (Hong Kong) Ltd./Hong Kong/Trade
 Raoping Younglian Foodstuffs Factory Co., Ltd./China/Frozen food processing
 Cixi Yongching Frozen Foods Co., Ltd./China/Frozen food processing
 China Zhouyang Fishery Co., Ltd./China/Fisheries
 Lianjiang Xinyang Aquatic Products Co., Ltd./China/Seafood processing
 Zhoushan Industrial Co., Ltd./China/Seafood processing
 Dandong Hongming Food Products Co., Ltd./China/Seafood processing
 Société Malgache de Pêche/Madagascar/Shrimp fisheries
 Entrepoto Frigorífico de Pesca de Mocambique, Ltda./Mozambique/Shrimp fisheries
 New Eastern Ltd./Liberia/Shipping

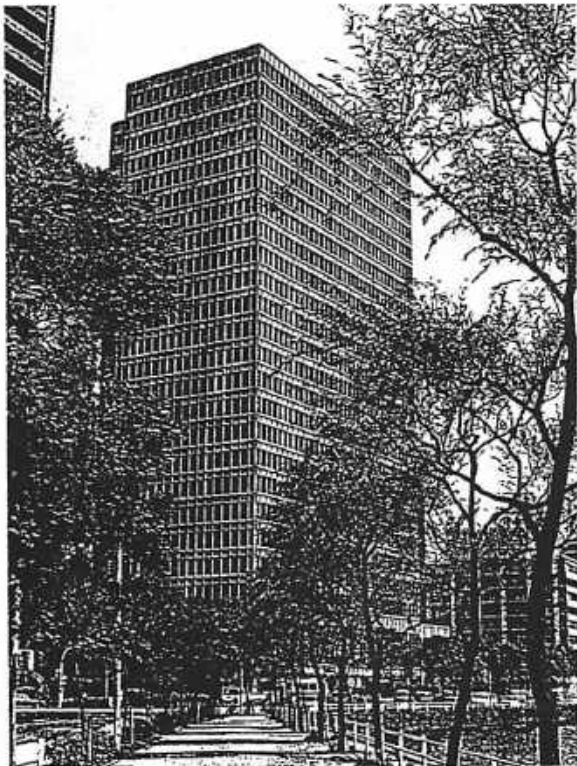
- Overseas Representative Offices
- Overseas Joint Ventures
- ▲ Overseas Joint Ventures' Branches



History

Company History

- 1880 The founder, Ikujiro Nakabe, begins purchasing fish from fishermen for sale to wholesalers at the wholesale fish market in Osaka.
- 1904 Operation base moved to Shimonoseki in Yamaguchi Prefecture.
- 1924 Incorporated as K.K. Hayashikane Shoten, ending the era of private operation.
- 1943 Corporate name changed to Nishi Taiyo Gyogyo Tosei K.K.
- 1945 Virtually all overseas assets and operations lost at the end of WWII. Corporate name changed to Taiyo Gyogyo K.K. (Taiyo Fishery Co., Ltd.)
- 1949 Corporate headquarters moved to Tokyo. Taiyo professional baseball club (present-day Yokohama Bay Stars) established.
- 1951 Overseas operations started. (Our corporation was one of the first marine products companies to do so.) Salmon fishing using mother ships resumed in northern seas.
- 1952 Fish hams and sausages put on sale.
- 1953 Aquaculture operations begun.
- 1958 West African fishing grounds opened to trawling.
- 1960 Operations expanded from the marine products business into feeds and livestock production.
- 1964 Sugar operations begun with capital participation in Ensuiko Sugar Refining Co., Ltd.
- 1977 Adoption of 200-mile zone by many countries around the world dramatically reduces fishing operations.
- 1978 New headquarters building completed in central Tokyo.
- 1990 Central Research Institute moved to Tsukuba City north of Tokyo.
- 1993 New trademark adopted. Corporate name changed to Maruha Corporation (Maruha Kabushiki Kaisha).
- 1995 Joint venture Zhoushan Industrial Co., Ltd. established in China.
- 1996 Acquisition of Taiyo Seafoods Co., Ltd.



MARUHA CORPORATION

Public Relations Office

1-2, 1-chome, Otemachi, Chiyoda-ku, Tokyo, Japan 100
Telephone: 03-3216-0821 Facsimile: 03-3216-0342

MARUHA CORPORATION

1-2, 1-chome, Otemachi, Chiyoda-ku, Tokyo, Japan 100

Office/Department	Telephone	Facsimile
Corporate Management and Planning Office	03-3216-0226	03-3216-0290
General Affairs and Legal Department	03-3216-0232	03-3216-0826
Personnel Management Department	03-3216-0239	03-3216-0241
Finance and Accounting Department	03-3216-0356	03-3216-0251
Marketing Department	03-3216-0863	03-3216-0336
Key Account Sales Promotion Department	03-3216-0368	03-3216-0840
Production Management Department	03-3216-0391	03-3216-0333
Marine Products Trade Department No. 1	03-3216-0819	03-3216-0304
Marine Products Trade Department No. 2	03-3216-0835	03-3216-0303
Marine Products Trade Department No. 3	03-3216-0849	03-3216-0848
Marine Products Sales Department	03-3216-1716	03-3216-0261
Chilled and Frozen Foods Department	03-3216-0801	03-3216-1718
Processed Foods Department	03-3216-0804	03-3216-0860
Foods and Fine Chemicals Department	03-3216-0853	03-3216-0865
Meat and Feedstuff Department	03-3216-0807	03-3216-0318
Sugar Department	03-3216-0890	03-3216-0339
Overseas Fisheries Operations Department	03-3216-0254	03-3216-0382
China Department	03-3216-0320	03-3216-0323
Overseas Business Department	03-3216-0373	03-3216-0350
Cold Storage Operations Department	03-3216-0313	03-3216-2517
Trawl Fishery Department	03-3216-0272	03-3216-0949
Shipping Department	03-3216-0294	03-3216-0296
Central Research Institute	0298-64-6700	0298-64-6719
Monbetsu Plant	01582-4-3105	01582-4-3107
Sapporo Plant	011-621-1581	011-621-1584
Sendai Plant	022-236-3461	022-236-3466
Utsunomiya General Plant	028-667-0801	028-667-0736
Shimonoseki Plant	0832-67-4610	0832-67-4951
Aquaculturing Operations Department	092-724-7254	092-724-7259

The pride of being the world's largest marketer of marine products.

Japan is the world's largest importer of marine food products, with increases recorded every year. Maruha handles annual imports worth ¥132 billion of seafood products from around the world. Maruha's worldwide network spans the sea from every corner of the world, while overseas joint ventures are strongly promoted to assure a reliable supply of fish and shellfish to meet consumer demand now, and in the future.

Shrimp

As a country, Japan boasts the highest per capita consumption of shrimp, importing over 300,000 tons yearly. Maruha holds the largest share (some 15%) in the industry including superior quality "on-board frozen" shrimp by overseas joint ventures.

Cuttlefish & Octopus

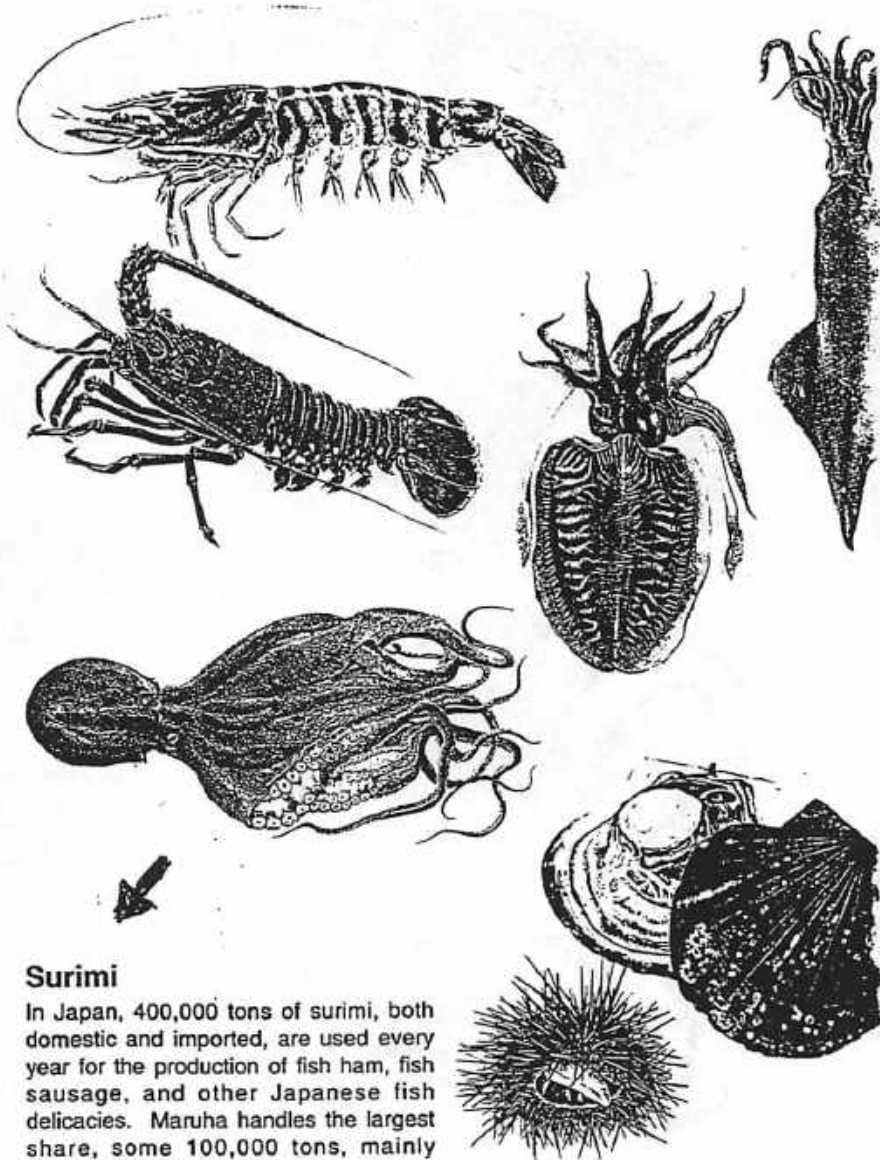
Maruha handles some 20% of the 60,000 tons of cuttlefish imported into Japan yearly. Maruha also handles 30% of the 110,000 tons of octopus imported annually. In both of these products, Maruha holds the largest share in Japan.

Skipjack & Tuna

Maruha vessels equipped with deep freezing facilities catch skipjack and tuna. Maruha also handles frozen tuna from around the world, along with air-freighted shipments of fresh tuna from Australia, the Philippines, Spain, and the United States. In order to optimize limited marine resources, Maruha is also engaged in aquaculture of bluefin tuna.

Salmon & Trout

Japan now imports more than 200,000 tons of salmon and trout from Chile, North America, and Northern Europe. Our main source is Western Alaska Fisheries, Inc., a 100%-owned Maruha subsidiary.



Surimi

In Japan, 400,000 tons of surimi, both domestic and imported, are used every year for the production of fish ham, fish sausage, and other Japanese fish delicacies. Maruha handles the largest share, some 100,000 tons, mainly imported from Alaska through Maruha's joint ventures, the world's largest-scale supply operation of its type.

Crab

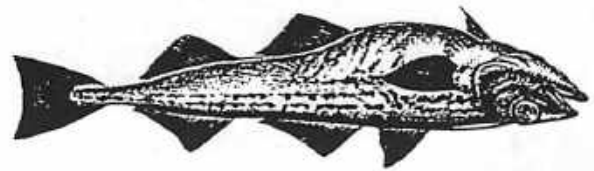
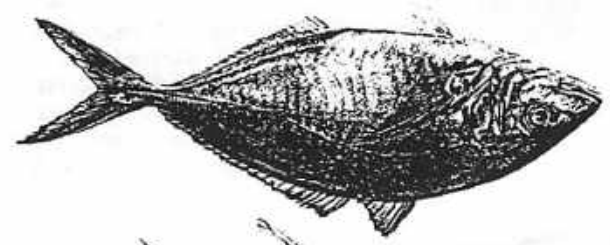
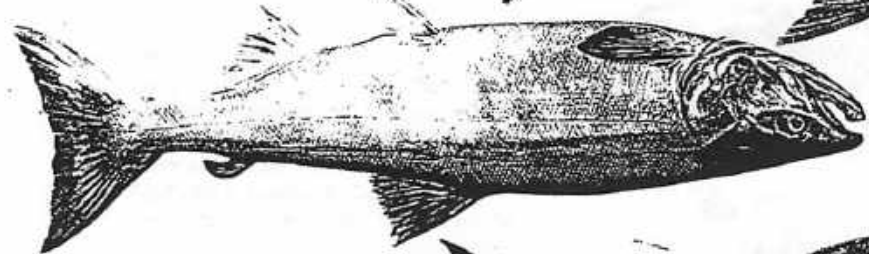
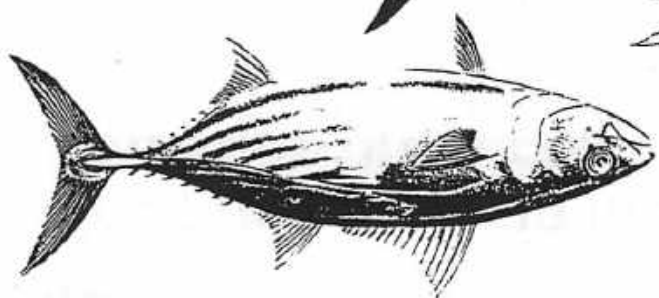
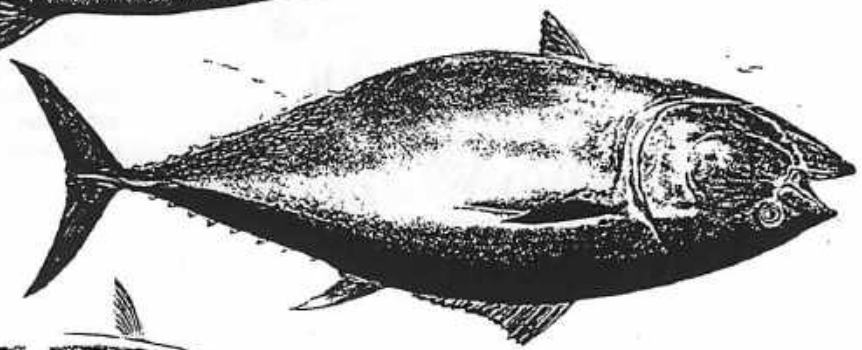
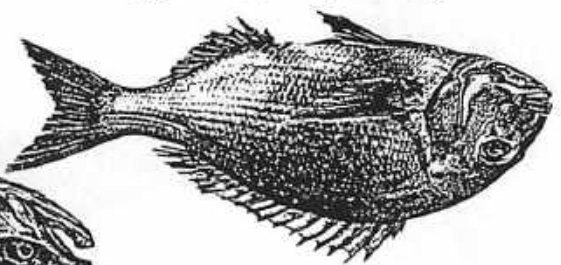
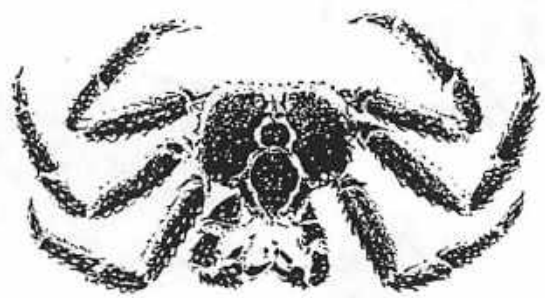
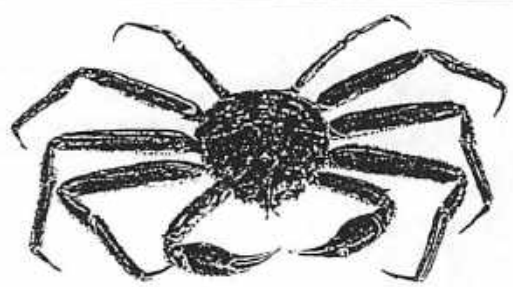
Imports of crab have grown steadily in response to the recent trend toward gourmet dining in Japan. Maruha handles about 10,000 tons of crab yearly, mostly from Russia and Maruha's joint ventures in Alaska.

Other Fish & Shellfish

Maruha also supplies other types of fish and shellfish. Fishes include sea bream flounder, horse mackerel, Spanish mackerel, cutlass fish, and so on. Shellfish such as scallop, ark shell, cockle, and arctic surfclam are supplied.

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Overseas Representative Offices

REPRESENTATIVE OFFICE	COUNTRY	TELEPHONE	FACSIMILE
London Representative Office	U.K.	(44)171-628-2488	(44)171-628-3502
Paris Representative Office	France	(33)1-47-23-9954	(33)1-47-23-9957
New Jersey Representative Office	U.S.A.	(1)201-740-0740	(1)201-740-0449
Bangkok Representative Office	Thailand	(66)2-253-4419	(66)2-253-2037
Singapore Representative Office	Singapore	(65)220-1844	(65)222-4037
Auckland Representative Office	New Zealand	(64)9-3076778	(64)9-3076998
Agadir Representative Office	Morocco	(212)8-843560	(212)8-844354
Las Palmas Representative Office	Gran Canaria, Spain	(34)28-462878	(34)28-465842
Dakar Representative Office	Senegal	(221)22-2641	(221)22-2161
Cape Town Representative Office	South Africa	(27)21-254328	(27)21-252148
Beijing Representative Office	China	(86)1-513-0650	(86)1-512-6360
Dalian Representative Office	China	(86)411-23-5527	(86)411-80-8672
Shanghai Representative Office	China	(86)21-275-3333	(86)21-275-8331
Vladivostok Representative Office	Russia	(7)4232-268168	8729-1404307
Petropavlovsk-Kamchatskiy Representative Office	Russia	3-75-19	8729-1405124
Sakhalin Representative Office	Russia	298-468	298-468

Principal Overseas Joint Ventures & Subsidiaries

JOINT VENTURE	COUNTRY	TYPE OF BUSINESS
Solomon Taiyo Ltd.	Honiara, Solomon Islands	Fisheries, skipjack
Vela Taiyo Fishery Co., Ltd.	Hamilton, New Zealand	Fisheries
Bengal Fisheries Ltd.	Chittagong, Bangladesh	Fisheries, shrimp
Société Malgache de Pêche	Mahejanga, Madagascar	Fisheries, shrimp
EFRIPEL	Maputo, Mozambique	Fisheries, shrimp
P.T.Nusantara Fishery	Jakarta, Indonesia	Fisheries, shrimp
China Zhouyang Fishery Co., Ltd.	Zhoushan, China	Fisheries, shrimp
Dalian Shuang Da Aquatic Co., Ltd.	Dalian, China	Aquaculture, shrimp
Western Alaska Fisheries, Inc.	Seattle, U.S.A.	Processing, seafoods
Alaska Seafoods, Inc.	Seattle, U.S.A.	Processing, surimi, seafoods
Trans-Ocean Products, Inc.	Bellingham, U.S.A.	Processing, crab-flavored fish stick
Westward Seafoods, Inc.	Seattle, U.S.A.	Processing, surimi, seafoods
Sovmestno Predpriyatie Diana	Yuzhno-Sakhalinsk, Russia	Processing, surimi
Kingfisher Holdings Ltd.	Bangkok, Thailand	Processing, canned foods, frozen foods
Raoping Youngian Foodstuff Factory Co., Ltd.	Raoping, China	Processing, frozen foods
Zhoushan Industrial Co., Ltd.	Zhoushan, China	Processing, trading, seafoods
Taiyo (U.K.) Ltd.	London, U.K.	Trade, seafoods, sugar
Taiyo Gyogyo Co., (Hong Kong) Ltd.	Hong Kong	Trade, Seafoods, pearls
Gill & Duffus S.A.	Geneva, Switzerland	Trade, sugar
Sociedad Pesquera Taiyo Chile Ltda.	Santiago, Chile	Trade, seafoods
Reefer Express Lines Pty., Ltd.	Hamilton, Bermuda	Shipping
New Eastern Ltd.	Monrovia, Liberia	Shipping

production can compete with roe-herring from North America.

Details are scarce at this point, but the fishing effort was relatively high this year. Russian factory ships participated in the fishery, following the end of the roe-pollock fishery, in addition to factory vessels from both North and South Korea. The North Korean fleet alone can process more than 7,000 tons, and when combined with the other participants, the 40,000 ton catch figure is very believable.

Even though about 40,000 tons was harvested in the fishery, it is uncertain how much of this product is actually usable for sale as roe-herring. Icebergs remained in the main fishing ground in the Okhotsk Sea, and the herring were late in getting close to the shore. As a result, by the time the herring were taken in the coastal set nets, the majority of the fish were "spawn outs". Reports from the grounds indicate that roe recovery rates range from 3% up to 12%.

The highest roe rates were apparently found in the herring in the top levels of the set nets, with spawn outs increasing towards the bottom. The herring were transferred to the processing vessels using a fish pump, however, meaning that each frozen lot contains a widely varying mixture of mature roe to spawn outs. The importers are generally afraid to buy the product, even with sampling of each lot, as the samples are not guaranteed to properly represent the entire lot.

A lot of 2,500 tons of roe-herring and another of more than 700 tons has already been imported into Japan for processor inspection, but the Japanese processors aren't able to set a price because of the uncertainty of the overall roe rates of the product. There is a good possibility, therefore, that most of the product will be shipped to China for stripping and export to Japan.

It will take some time before the actual amount of mature roe from this year's Russian fishery is known. Assuming that about 30,000 tons of this year's roe-herring is usable, about 1,500 tons of herring roe could be produced at a 5% roe recovery rate, or 2,400 tons at a rate of 8%. While the Russian operations need a lot of work to effectively compete with established operations in North America, this fishery could eventually be a viable force in the future marketplace for herring roe. (HSK June 7, 1997)

GOVERNMENT/INDUSTRY

Maruha Surimi Operations

Maruha reported plans to increase their fleet of catcher boats, in order to increase and stabilize the supply of pollock to their operations. Maruha has three shore-based plants, and one mothership, operating in the North Pacific, with a total reported capacity of about 40,000 tons.

The four Maruha facilities receive pollock from the catcher boats and process the fish into surimi. Maintaining a constant fleet is increasingly important to a stable operation, especially in view of the "Olympic" fishing system under which the fleet operates. In order to maintain a stable fleet of vessels fishing for their plants, Maruha has been increasingly willing to invest in equipment and other improvements for catcher boats in their fleet.

Last year, their fleet totaled 12 vessels, of which most, or all, of have received some form of assistance for capital improvements aimed at improving efficiency. Their current catcher boat fleet currently totals about 23 vessels, or about one-fourth of the estimated total of about 90 catcher boats operating in the fishery. (NSK June 6, 1997)

Luke built the Tin Lizzie for himself after his previous boat, the 32' Briny, sank in August 1995 during Hurricane Felix. The aluminum lobster boat is powered with the 160-h.p. Perkins 6-354 diesel that came out of the Briny. The Perkins is hooked up to a Warner 1.91:1 gear that spins a 24" x 20" four-bladed bronze prop at the end of a 2" Aquamet shaft. That's not a lot of power for a 34-footer, but Luke says she still punches out 16 mph.

The single-chine hull is plated with 1/4" 5086 aluminum. The chine has a 3"-wide flat step, except where the chine is faired into the bow sections. The flat step helps the Tin Lizzie achieve some lift and dampens the rolling motion. When Luke is hauling traps, he says the chine "takes the roll right out of it. She's steady."

Plating for the work deck, which stretches 22' from the main bulkhead to the transom, is also 1/4" plate. The wash rails from the bulkhead aft are 1/4", while the plating on the forward deck is 3/16", as is the plating for the split wheelhouse. The transverse framing is made up of 1/4" x 2"

Shore 34 and South Shore 36 hulls, and by June they yard will be constructing a deck mold for the 38-footer.

Two South Shore 34s are going out as kit boats for Friendship, Maine, lobstermen Tim Thompson and Tom Thibodeau. The boats will be finished by Gary Delano, a Waldoboro lobsterman who finishes off hulls in the winter. Both boats will have 220-h.p. John Deere engines. South Shore Boats will be mounting the engines and installing shafting, tankage and rudders before sending the lobster boats to Delano.

Another South Shore 34 is scheduled to go to Spruce Head, Maine, lobsterman Dennis Darling in April. Darling's boat will also have a 220-h.p. John Deere engine for power, along with a Twin Disc MG506 gear with a 2:1 reduction.

A pair of 38' hulls, both for Maine lobstermen, will be going out soon to finishers. The first is for Philip Genthner in Friendship and the other is for Mike Prior in Bremen. Prior's boat has a 650-h.p. Mack engine and is being finished off by Kenny Flower. Genthner's boat will go to



John P. Luke plated the 34' Tin Lizzie's single-chine hull with 1/4" 3"-wide flat step in the chine helps give the lobster boat some lift

Clark Island Boatworks in Spruce Head to be completed.

Fishermen looking for a different design than Maine's Down-East style can try the 43-footer at Donelle Boat Builders Ltd. in Cap-Pele, New Brunswick. Boats built in this Canadian yard clearly show a Northumberland Strait heritage, with their slight clipper bows and heavily flared forward sections.

Donelle Boat Builders' Leon Donelle has been building fiberglass boats for only two years, but before that, he built about 650 wooden lobster boats. His father constructed 1,000 fishing vessels, and his grandfather built another 1,000. That's what you call a committed boatbuilding family. In case you're wondering how many fiber-

glass boats Leon has built this March.

Those 43' x 14' boats are an exception to the Canadian rule. Most of the boats are built on a Beach conch and built in Portlock. It's likely that these boats will be going to a number of fishermen in Rhode Island and L.

Portlock's boats are built with diesel engines for power. Leon's fiberglass boats have Leon Cummins engines. Most of them have the 300-h.p. Cummins, Don will hit 22 knots.

WEST

In addition to his traditional repair and conversion services for commercial fishing boats, John Johnson, owner of Ventura Harbor Boatyard in Ventura, Calif., is beginning to market bulbous bows. It is a relatively inexpensive project that, he says, can save fishermen money at the fuel pump. In January, he finished adding a bulbous bow to the 80' Royal Dawn, a high-seas albacore troller owned by Brent Bixler of Santa Barbara.

"We're getting more and more interest from commercial fishermen," says Johnson of the bow conversions. "Every time we've done one, we've seen a least a 10-percent improvement in efficiency of the boat. You can either go faster with the same amount of fuel, or you can go the same speed with less fuel. Cost varies with the boat, but this one was about \$15,000."

Although a bulb adds friction with increased wetted surface, it helps to reduce wave-making resistance, which becomes more important than friction at higher speeds. The wake created by the bulbous bow has the effect of canceling out the normal bow wave, and the result is a net reduction in wave-making resistance.

"The bulb will impact speed in the 5- to 6-knot area on a full-displacement boat," adds marine architect Paul Gow of PK Marine in Moorpark, Calif., who designs the bulbous bow projects for Johnson. "But, when you give it additional power, you will reach an upper limit where top economical speed will not change much. After this conversion, you can expect a reduction in horsepower at that point in the order of 10 to 15 percent, and maybe 20 percent if you're lucky. But you

won't see a 10- to 15-percent increase in top economical speed. Although the resistance curve starts out very gently, it hits that point where it turns and goes almost vertical."

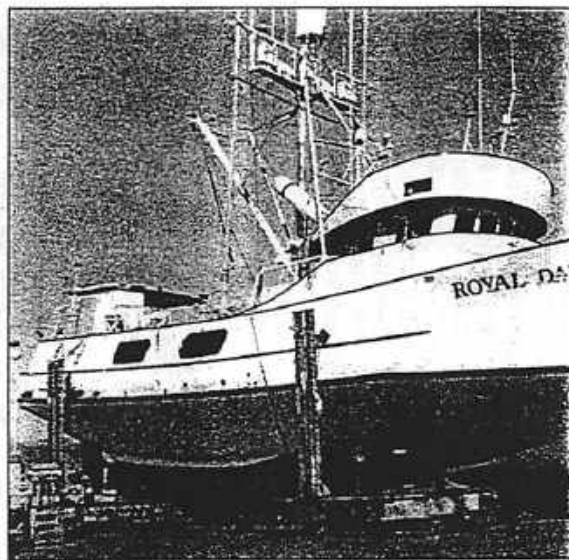
Up in Puget Sound, Nichols Bros. Boat Builders in Freeland, Wash., expects to complete a major repower project on the 185' trawler Alaskan Command by June 1. The vessel, owned and operated by Westward Seafoods, will have three times her previous power with a pair of new Wartsila 3,218-h.p. diesels, plus a new shaft and controllable-pitch propeller.

"The power of the old engines was relatively low," explains project manager Jeff Binford. "My understanding is that they had trouble pulling their nets, running their hydraulics and going forward at the same time. The new engines will give them plenty of raw power to do all that."

Fish-hold capacity is also being increased by expanding into spaces previously used as fuel tanks and converting former ballast tanks into new fuel storage. The hold will be lined with steel — backed by foam insulation — for use as dry freezing space part of the year and for wet RSW storage at other times.

Other work on the Alaskan Command includes pulling out two auxiliary generators from the engine room and adding two new 900-kw shaft generators, constructing a new hydraulic room and installing two new Rapp-Hydema trawl winches and a Rapp-Hydema fish pump.

A little farther north, Sea Wolf Marine Manufacturing in Burlington, Wash., recently delivered a new aluminum crew boat to Secret Harbor School, a private alternative school for boys on Cyprus Island near Anacortes, Wash. The 30' x 10' aluminum vessel cost around \$105,000 and will be



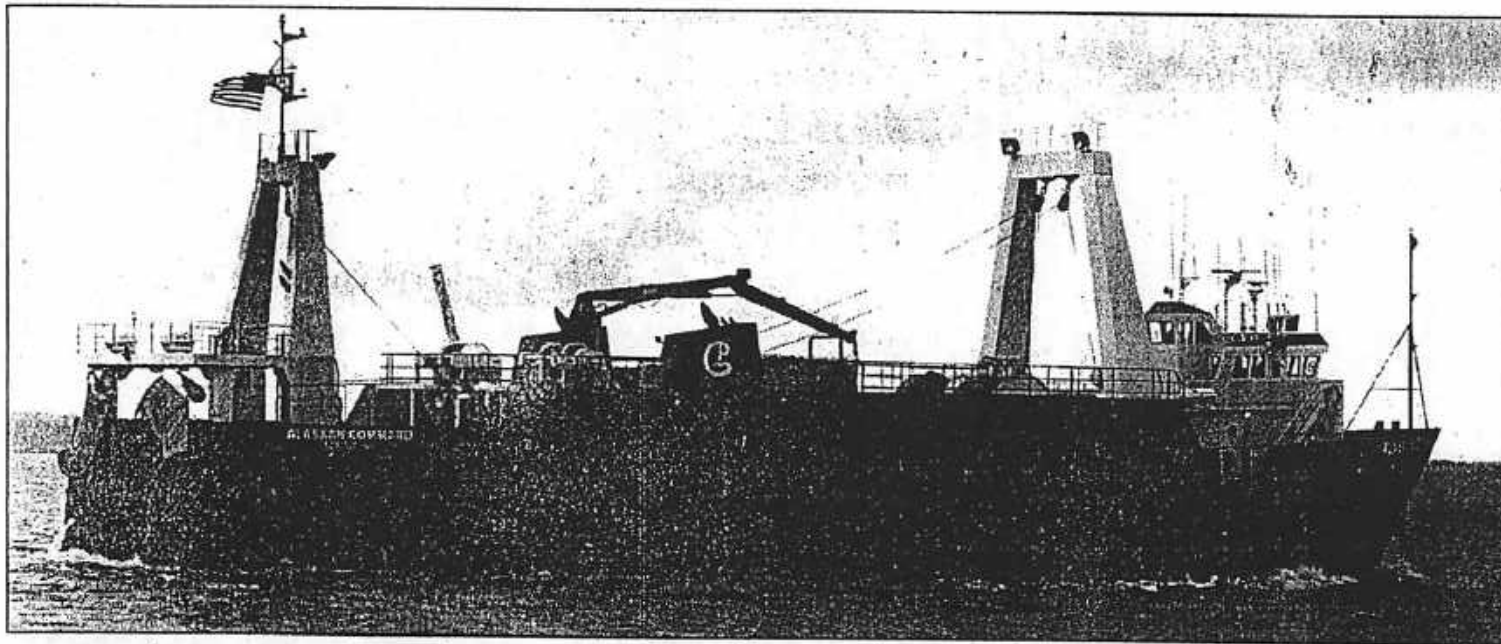
Adding a bulbous bow, like the one sported by the 80' Royal Dawn, is an inexpensive way for a fisherman to cut fuel costs.

used to transport personnel and supplies.

The raised-pilothouse design features a 14-degree V-bottom hull with 6"-wide gull-wing (5 degree) chines. Construction includes 1/4" bottom plate, 3/16" sides, 3/16" tread plate on decks, 1/4" x 3" longitudinals on 12" centers and 3/16" x 5" x 3" flanged thwartship frames every 24". The pilothouse contains a centered helm station with single auxiliary seats on either side; the lower, after cabin provides additional seating for 16 in eight transit bus-type seats.

During sea trials, the single 230-h.p. Volvo KAD 42 duo-prop sterndrive turned

21 knots at 3,000 rpm and 24 knots at 3,500 rpm. "The boat was very happy turned out," says Binford. "We came in way up on the fuel economy and performance was excellent. There was some concern about full throttle (3,900 rpm) about 32 knots. That have is that it is too slow for four walls and a heave-to. Transporting their people in Zodiacs in all types



The 56.38 metre *Alaskan Command* as she entered the Nichols Brothers yard. She is due to emerge this month as a tank ship.

A US factory trawler is being transformed into a mid-water trawling tank ship on the same lines as the highly successful *Chelsea K*.

Westward Sea Foods is converting the 185 ft. (56.38 metre) *Alaskan Command* to land to its processing plant in Alaska.

Chelsea K, the 150 ft. tank ship built by the Martinac Shipyard at Tacoma, set catch records for the US fleet fishing pollock.

Now, *Alaskan Command* is due to emerge from the Nichols Brothers Boat Builders Inc. shipyard later this month repowered and refitted.

Her refit for US-based owner Westward Sea Food includes two new 12V200 Wärtsilä main engines each developing

Factory ship switches to tanks...

3250 hp at 1500 rpm — replacing her old 1200 hp engines also from Wärtsilä.

The engine maker is also supplying new shafts, shaft generators and controllable pitch propellers.

She is being fitted with a new hydraulic system and

control room, along with two new trawl winches from Norwegian firm Rapp Hydema, replacing her old Marco WT366 MarTrawl winches. Rapp Hydema also supplied a new fish pump system.

Existing deck machinery includes an automated trawl control system and

supply vessel before being converted to a factory trawler in 1989 (see *FNI* March 1989) at the Marco shipyard in Seattle.

Changes to her then included: fish holds converted from former mud tank areas; wheelhouse modifications; relocation of her control house to act as a trawl control station; raised bulwarks with winch foundations; two gantries; a mezzanine deck; and an additional two rooms in the accommodation area.

For the last eight years *Alaskan Command* has been catching yellowfin sole, rock sole and Pacific cod, which were headed, gutted and frozen on board before being delivered at sea to reefer vessels.

net drums, both supplied by Marco, along with gilson and auxiliary winches from Pullmaster.

Alaskan Command will also have her fish holding capacity increased and a new refrigerated seawater system installed.

She originally started her career as an offshore

Yard's third trawler for deep water

A 40 METRE stern trawler being built for the Fairweather Fishing Co. Ltd. of Peterhead, Scotland, is destined for deepsea fishing in Atlantic waters.

The \$5.6 million trawler, designed by Macduff Ship Design Ltd. for a crew of up to 18, will have sophisticated fish handling systems.

With a speed of 14 knots, the new trawler from the Ailsa-Troon shipyard on the Firth of Clyde is mainly for twin-rig trawling and she will have two stern ramps and six sweepline winches serving her large trawl deck.

Fairweather has been formed by Peterhead skipper John Buchan and Caley Fisheries Ltd. Their craft replaces *Pursuit II* (PD 197) which will continue to operate within the Caley organisation, but with a new skipper.

Three 43-tonne trawl winches, each carrying 3460 metres of 26 mm warp, will be computer-controlled, while a mechanised fish handling system will feed her 340 cu. metre chilled fish-room.

Ailsa-Troon is now building a 40 metre stern trawler for Ian and Billy Gatt, together with the Denholm Fishing Co. Planning work is also under way on a \$4.6 million and 34 metre trawler which will be delivered to the Marcus Fishing Co. based in the Orkney Islands.

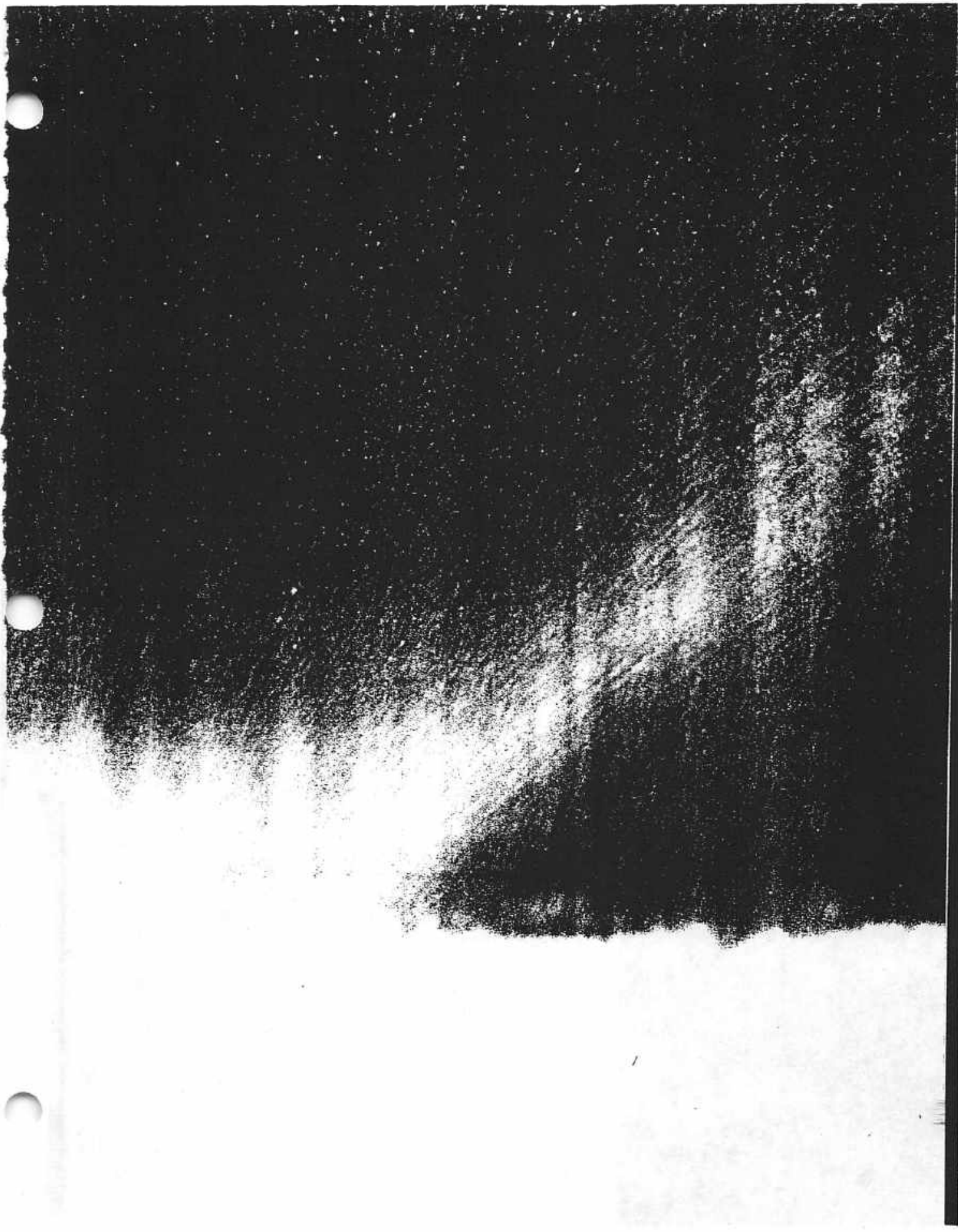
CORPORATE PROFILE

Submitted
by
Paul
MacGregor

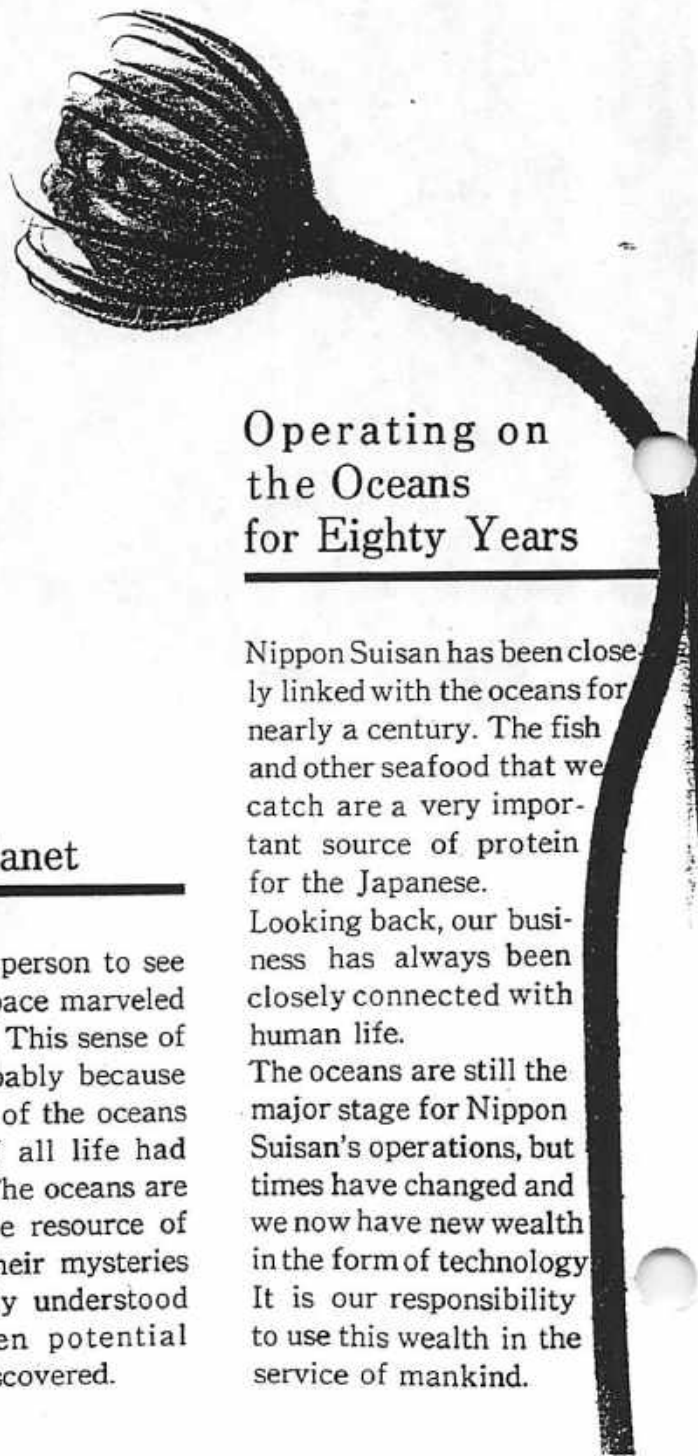
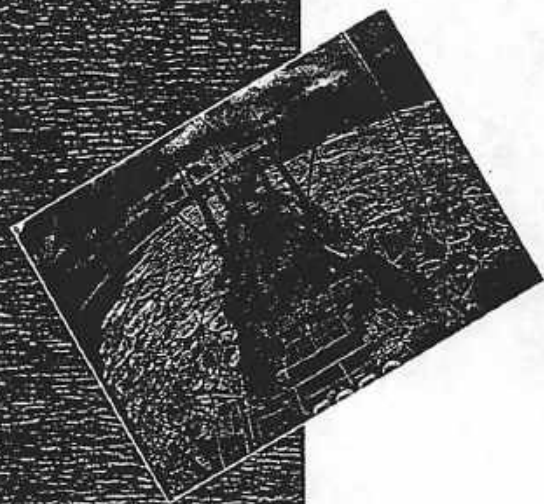
**A Fascinating Business - Nissui Supplying
Attractive Foods and Services.**

**Nippon Suisan's mission is to enrich people's lives
by supplying the best food commodities.**

**Although times change, we will remain faithful
to our goal of keeping customers satisfied
through our efforts to meet the challenges
of the 21st century.**



Changing Our Focus from Oceans to People



Our Blue Planet

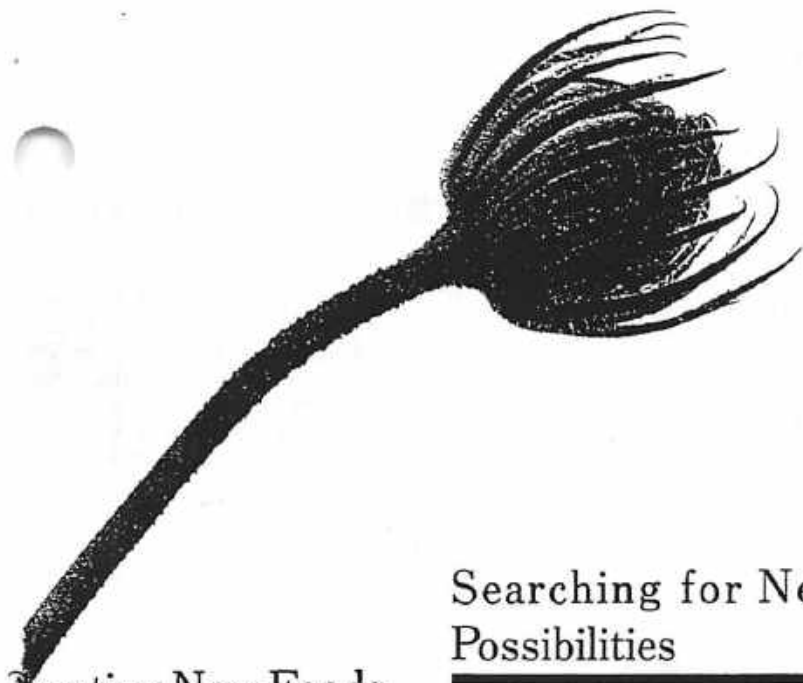
In 1961, the first person to see the earth from space marveled at how blue it is. This sense of wonder was probably because the great wealth of the oceans as the source of all life had been forgotten. The oceans are the most valuable resource of our planet but their mysteries are still not fully understood and their hidden potential remains to be discovered.

Operating on the Oceans for Eighty Years

Nippon Suisan has been closely linked with the oceans for nearly a century. The fish and other seafood that we catch are a very important source of protein for the Japanese.

Looking back, our business has always been closely connected with human life.

The oceans are still the major stage for Nippon Suisan's operations, but times have changed and we now have new wealth in the form of technology. It is our responsibility to use this wealth in the service of mankind.



Creating New Foods

Nippon Suisan never ceases to ensure that our food products are the greatest pleasure to people. And developing new products is a constant challenge to our continuity. Needless to say, in the course of these activities, we have created many new products and we are proud of the contribution we have made in adding value to foods by giving consumers a greater sense of satisfaction.

The pleasure of a food product is not fully appreciated until many people have tried it. With this in mind, we aim to become a general foods manufacturer centered on our marine products and food products businesses.

Searching for New Possibilities

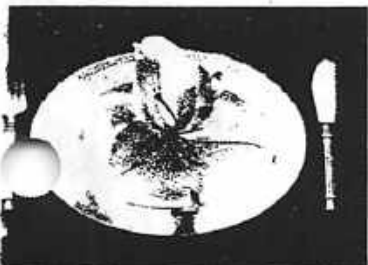


Nippon Suisan's major goal is to bring the choicest produce of the world's oceans to the table in the freshest condition. We have created a comprehensive system, comprised of R&D, procurement, processing, shipping and marketing, just for this purpose. This unique system is part of our real wealth which we plan to continue adapting to market conditions while maintaining our tradition as an international food corporation. In our search for new possibilities, we will always aim to be a company that gives greater satisfaction to customers by living up to their expectations and by being worthy of their trust.

Looking to the Future

In these times of rapid change, Nippon Suisan is looking to the future. This will involve further development of our five business activities. We are convinced we can increase our customer base by making our products and services more appealing.

By following our management philosophy of "Contributing to improving people's health and enriching their quality of life as an international food corporation," Nippon Suisan is already on course for the future.



Five Business Areas

Nippon Suisan is always asking itself:

What are our customers' needs?

and How should we respond to these needs?

This self-questioning has created five areas of business:

Marine Products, Foods, General Distribution,

Fine Chemicals, and Service.

Nippon Suisan is continually considering food and health

by examining the basis of good living from new perspectives.

By doing this, we are already foreseeing customers' needs in the future.

● Marine Products

Since its founding, the Marine Products has been the core of our business activities and it still forms the base for our operations. In the future, we aim to become one of the world's top producers of marine products by forming a global network to supply the best value-added marine products.

● Foods

Food products are another of our major business activities. We plan to develop foods using the technologies resulting from our research on marine products to meet customers' needs.



Putting

● General Distribution

Our plans for this business are to build more coldstores and to expand the range of products they handle. We will also enhance our extensive distribution network by linking our domestic and overseas networks, as well as develop new services resulting from these activities.



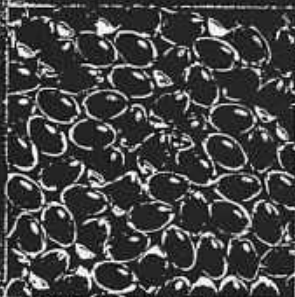


Customers First



Service

The purpose of the Service is to sense customers' needs and to convey them to the other businesses. It has the closest contact with customers and aims to provide good services that they appreciate to the fullest.



Fine Chemicals

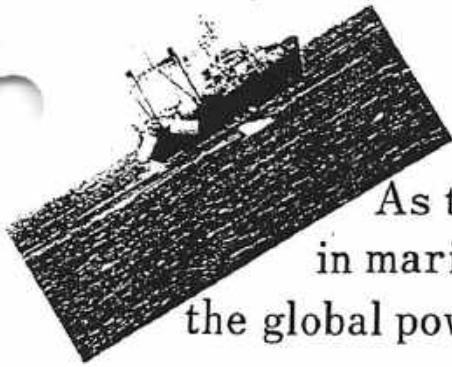
Our Fine Chemicals taps the enormous potential of the oceans through its research activities. This research and the resultant technologies are used to make pharmaceuticals and food products to enrich people's lives.

We plan to greatly expand our pharmaceuticals and food applications technology to make this business a world leader in the 21st century.

MARINE PRODUCTS



Marine Products



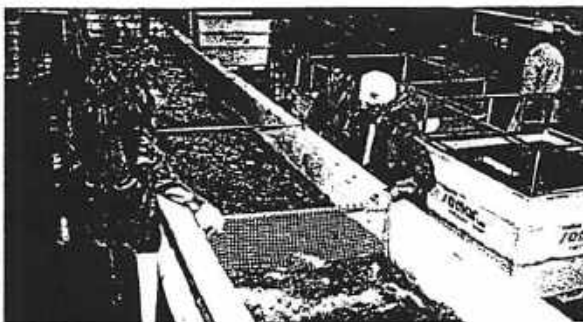
As the leading industrial company in marine products, Nippon Suisan has the global power to supply products to every table.

Supporting Life

It is nearly a century since Nippon Suisan ventured to sea in search of the rich fish protein resources that sustain life. Since those early beginnings, we have endeavored to provide the freshest marine products in the fastest time to meet customers' needs, and now we are a leading company in the marine field. We take pride in meeting our responsibilities as a food producer and we pay detailed attention to every aspect of our business; we have quality control inspectors evaluating every step of our products, from the catch to your table.

Supporting Universal Marine Life

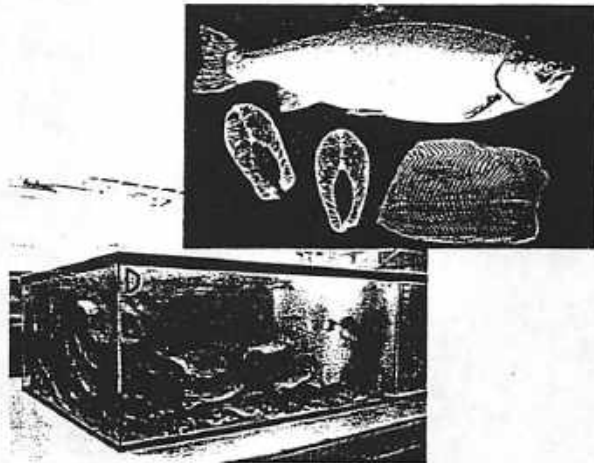
The world's fishing environment has experienced great changes since Nippon Suisan was established. To meet these changes, we use our technological ingenuity to match the need to catch fish and provide food. Nations worldwide use our fishery technology and we have 27 stations in 18 countries. We also analyze fishery information to meet our Japanese and global obligations. We continue to expand our activities in various fishery fields including production of ground fish



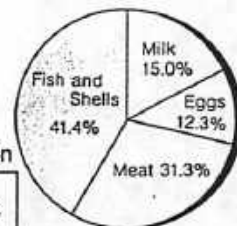
meal, white fish meat, silver salmon, processing of eels and purchasing of freshwater fish.

Supporting the Japanese Diet

Nippon Suisan handles both popular and less well-known fishes (for processing into other value-added commodities) as well as shellfish and fish meal for animal feeds. But, we will always be committed to supporting staple Japanese foods as the central pillar of our business.

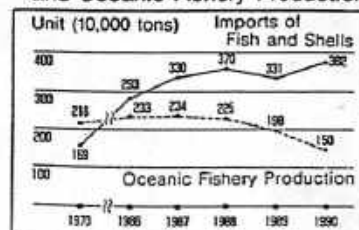


● Animal Protein in Japanese Diet (1990)



Total Weight 45.4g

● Imports of Fish and Shells and Oceanic Fishery Production



(Agriculture, Forestry and Fisheries Agency Reports)

FOODS



Foods

Delivering Freshness and Enjoyment
Right to your Table.

We have the finest technology
to bring quality freshness out of foods.

Living on Food

Nippon Suisan started business by offering fresh marine products to customers but we have grown into a company that also supplies value-added foods. Nippon Suisan has expanded into canned, processed, and frozen products as people have become more familiar with our products. We will continue putting every effort into delivering the tastiest and freshest foods while seeking good value in fields including agricultural and livestock production as well as our traditional marine products.

Developing Technology

Nippon Suisan has invested in technology as a means to popularize processed foods by enhancing flavor and attractiveness. The finest food-processing and freezing technologies are put to practical use in many well-known foods at our plants around the world. Eight years of R&D went into a revolutionary extruder which has enabled us to produce micron-level textured proteins.

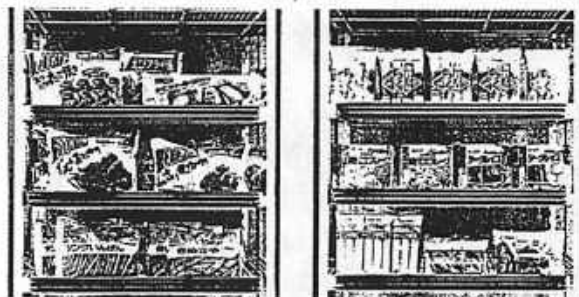
Seagrace, a completely-new food material with just 2% of the fiber texture of our earlier kani kamaboko, is just one of our foods that utilizes our advanced technology.



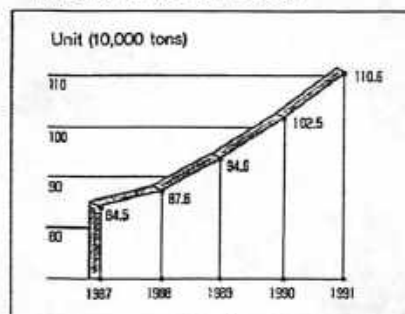
The challenge to capture consumers' imagination has led us to create new foods. Nippon Suisan's technology is the fundamental basis for producing attractive and tasty new foods.

Paving the Way to the Future

The most important goal in the food business is to meet the needs and demands of society. Thus, in order to meet this goal, Nippon Suisan has taken such steps as establishing a joint venture with a U.S. food company and investing in a livestock farm in New Zealand. Measures such as these have led to the development of new products in frozen, canned, and processed foods, which now comprise nearly 30% of our total sales, we will continue to follow this goal and pave the way so that other businesses may follow our example.



Change in production volume of frozen foods

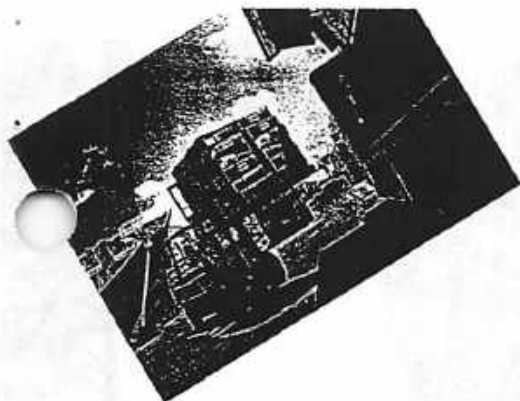


(Japan Frozen Foods Association)

GENERAL DISTRIBUTION



General Distribution



Any Time, Any Place -
Strong Global Networks.

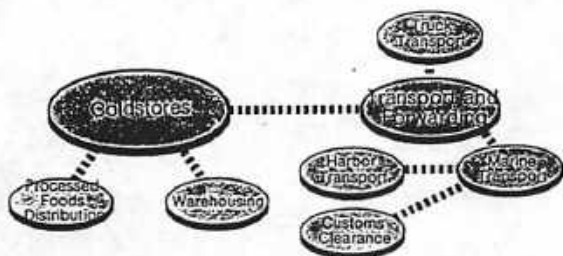
Creating Networks

Nippon Suisan's distribution concept is to create a wealthy lifestyle by supplying food commodities that people need. We take total responsibility right from production through to delivery. And as a producer, our distribution network is built on the secure foundation of stable supplies starting right at the production site.

Adding Value

Commodities don't just have value when they are made - value is added as they pass from hand-to-hand through the distribution system. The Nippon Suisan distribution network is an enterprise for creating value. We collect information on the distribution of commodities to insure stable supplies using our own distribution paths; frozen and chilled food products are delivered to supermarkets and convenience stores nationwide from 28 coldstores acting as storage and distribution centers from Hokkaido to Kyushu.

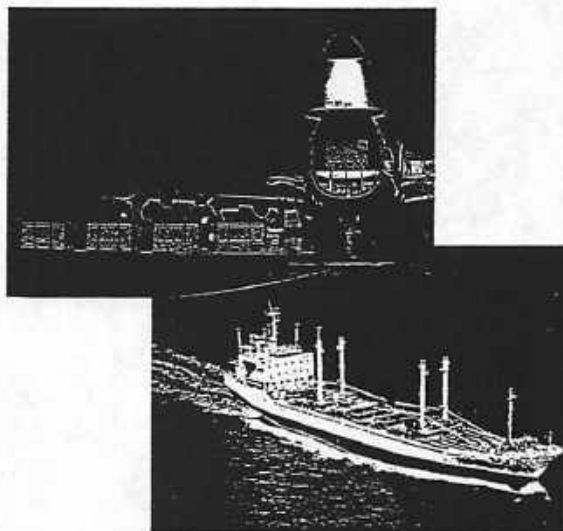
● Nippon Suisan Group General Distribution Business



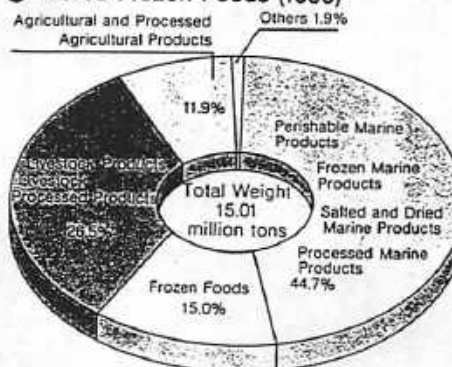
Creating a Wealthy Culture

Nippon Suisan's quality products are not just for Japan - people worldwide want the gourmet foods that we supply and our network knows no frontiers. We are establishing a global distribution network using joint ventures with foreign companies to supply the finest food commodities to the nations of the world.

Creating a wealthy food culture and leading the way for others is the result of our fast response to changing needs and our constant determination to ensure satisfaction by selecting only the choicest marine products from the world's oceans.



● Stored Frozen Foods (1990)



(Transport Policy Bureau, Ministry of Transport)

FINE CHEMICALS



Fine Chemicals



Health is a universal theme
which we are researching
at the molecular level.



Promoting Health

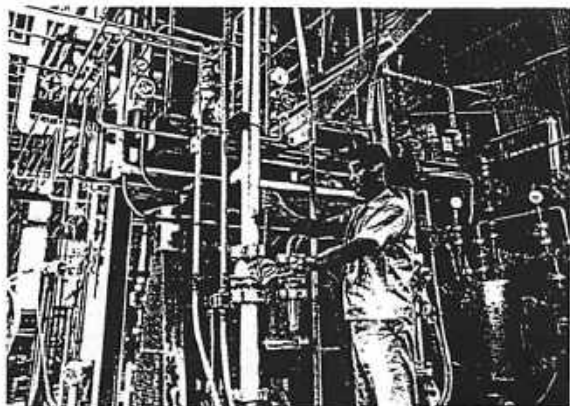
The oceans are believed to have been the cradle of life on earth and they are an indispensable resource for mankind.

People love to eat health-giving seafood and Nippon Suisan has been researching health and food for almost 70 years. We believe it is our duty to promote health not just by supplying good food but also by discovering useful pharmaceuticals from the sea.

Fish are part of the life of the sea and we understand that pharmaceutical products from fish and other marine life can promote health. We have chosen food and health as our new business development theme.

Expanding Chemical Frontiers

In recent years, biotechnology has been the main focus for production of fine chemicals. Extracts and flavors have been extracted from nutrient materials and are being used in various fields of chemistry. Nippon Suisan is an active participant in supplying pharmaceuticals and foods to support health. Examples of these materials are EPA (EicosaPentaenoic Acid), a natural taurine (amino acid), and DHA (DocosaHexaenoic Acid). EPA-E Nissui is being marketed as EPADEL



by Mochida Pharmaceutical Corp. Ltd. as a treatment for arteriosclerosis, and health foods have also been commercialized. Nippon Suisan intends to continue developing these products to contribute to people's health and their quality of life.

Contributing to Society

People are living longer and society is becoming more complex, so there is growing interest in health foods and pharmaceuticals. Nippon Suisan is focusing its attention on this trend as a central business theme in the 21st century and our experience in marine products and foods can be a guiding force in manufacturing useful fine chemicals for health.

●What is EPA (EicosaPentaenoic Acid)?

EPA is a naturally-occurring amino acid which is plentiful in the fats of blue-backed fish such as sardines and mackerel. It controls the action of blood platelets to prevent thrombosis formation and helps prevent arteriosclerosis by reducing blood cholesterol levels.

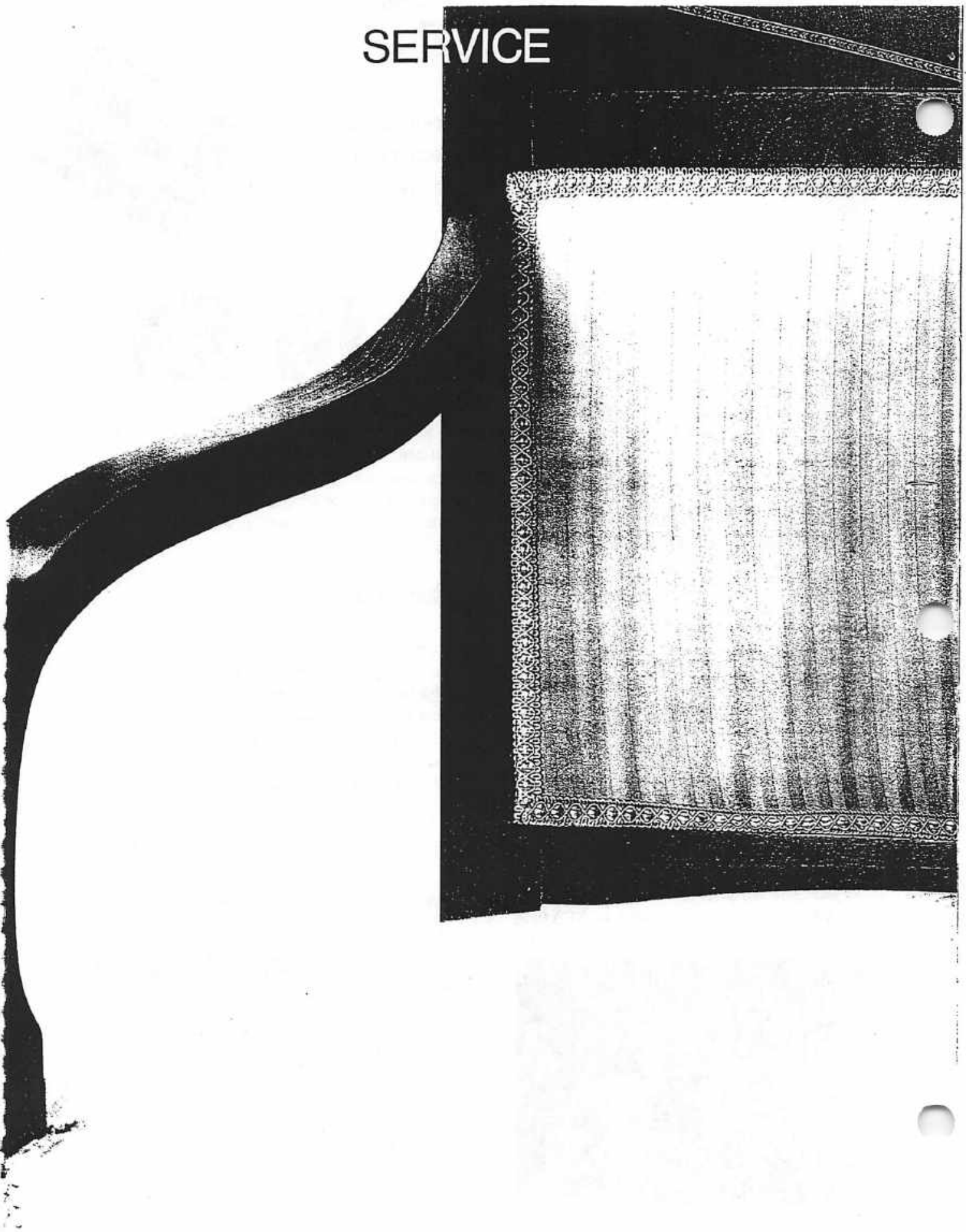
●What is taurine?

Taurine is an amino acid that is plentiful in squid, octopus and shellfish as well as in breast milk. It aids recovery from exhaustion, improves visual acuity and also has hypotensive and cardiac anti-arrhythmia properties.

●What is DHA (DocosaHexaenoic Acid)?

DHA is a type of eicosapentaenoic acid which is abundant in breast milk and the fats of blue-backed fish. It is used by the brain and meninges and promotes brain activity.

SERVICE



Service

Providing Services Meeting
Every Customer's Need
on Every Occasion.



Giving Greater Satisfaction

Nippon Suisan's main business principle is to "Satisfy the customer." With this in mind, we put our heart and spirit into every one of our delicious food products to insure that they appeal to everybody's taste.

Seeking the Best Flavor

Nippon Suisan operates many seafood restaurants to cater to the latest gourmet tastes. We are very proud that the efforts of our chefs have been a major factor in the recent popularity of seafoods. Their fashionable and extensive new menus are the result of our efforts to be in constant touch with our customers' desire for delicious food through our policy of listening.

Looking To the Future

At Nippon Suisan, 'Service' means showing our customers how much we care about them as well as providing for their needs. To do this, we have



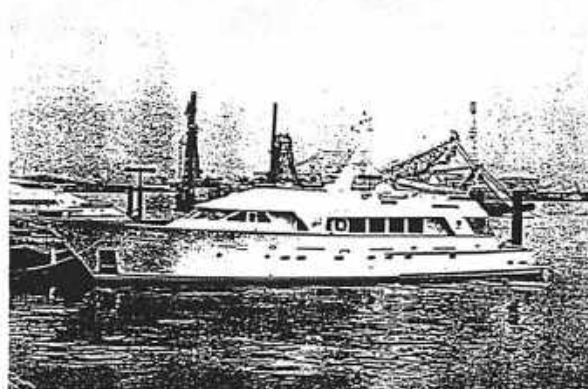
TU-KI-JI

expanded the scope of our Service by actively promoting sports and leisure facilities.

We have advanced into the development of marinas and other marine leisure facilities, real estate, engineering and many other new types of businesses. In doing so, we are constantly aware of our customers' needs and are always watching trends to make full use of all future possibilities.



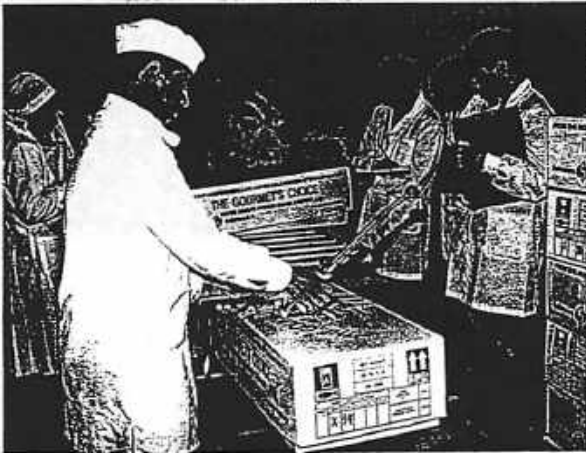
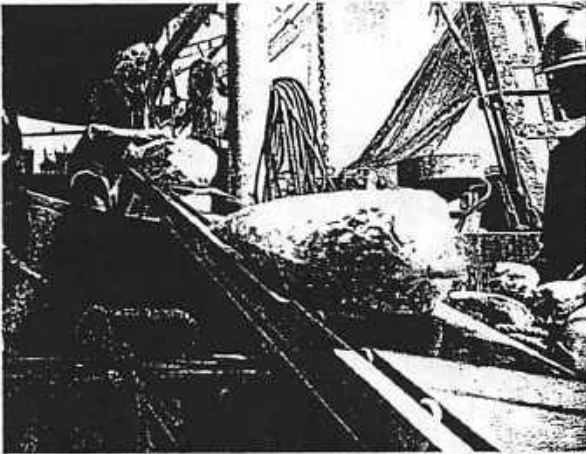
CARA CARA



Mical Marine Ariesta



Our Worldwide Activities



Wherever there's food, there's Nissui.

We want to put more marine products on the dining tables of the Japanese. To make this goal a reality, Nippon Suisan has set sail to almost every part of the world. Through this effort, we have become partners with other marine companies worldwide. Furthermore, this overseas experience has led to the expansion of our company into agriculture and livestock. Thus, we have also developed new partnerships in areas other than marine products. Our worldwide expansion has realized our goals to view the world from a wide perspective and to aim constantly for globalization.

Plant of UNISEA : Dutch Harbor.



Office Location

A NELSON OFFICE

98 Vickerman Street, P.O. Box 286, Nelson, New Zealand
Phone : 001-64-3-546-3605

B BEIJING OFFICE

Rm No.819, The Beijing Fortune Building No.5, Dong San Huan
Bei-Lu, Chao Yang District, Beijing, China
Phone : 001-86-1-501-1340

C BANGKOK OFFICE

3rd floor, Siam Condominium 22/56
Rama IX Road, Huai Khyang Bangkok 10310 Thailand
Phone : 001-66-2-246-3809

Subsidiaries and Affiliates

<ASIA-NEW ZEALAND>

1 DONGIL FROZEN FOODS CO., LTD.

743-5, Sinnam-Ri, Dunpo-Myun, Asan-Si, Choongnam
Republic of Korea.
Phone : 001-82-418-41-7170-6

2 XIAMEN LONG HE CO., LTD.

No.57, Dong Du-Lu, Xia Men, Fu Jian, China.
Phone : 001-86-592-6015087, 6015818

3 NIPPON SUISAN (SINGAPORE), PTE, LTD. (NISSUI (SINGAPORE))

No.10 Anson Road. #2210 International Plaza, Singapore 0207
Phone : 001-65-222-0548

4 P. T. IRIAN MARINE PRODUCT DEVELOPMENT (I.M.)

Jl. Kemang ia No.11A, Kebayoran Baru, Jakarta. 12730 Indone
Phone : 001-62-21-799-7067

5 P. T. WEST IRIAN FISHING INDUSTRIES (W.I.F.)

Jl. Kemang ia No.11A. Kebayoran Baru, Jakarta. 12730 Indone
Phone : 001-62-21-799-5264

6 SOUTHERN NISSUI LTD.

Seabridge Househavel 5, 110 Featherston Street, Wellington,
New Zealand. Phone : 001-64-4-739834

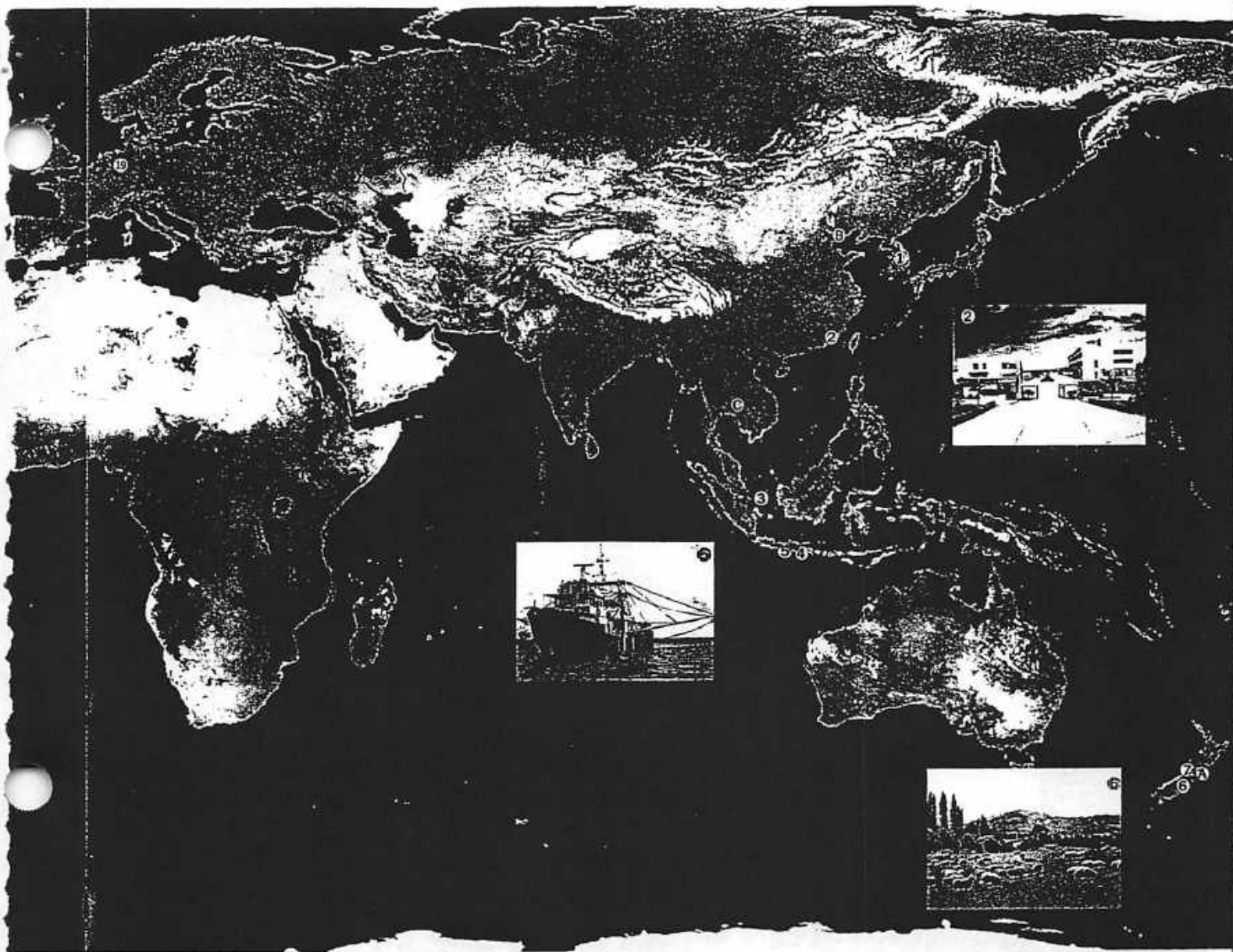
7 NIPPON SUISAN (NEW ZEALAND) LTD.(NISSUI (NZ))

98 Vickerman Street, P.O. Box 286, Nelson, New Zealand
Phone : 001-64-3546-3605

<NORTH AMERICA>

8 NIPPON SUISAN (U.S.A.), INC.(NISSUI (U.S.A.))

Bank of California Building, 29F, 900, 4TH Avenue, Seattle, W
98164, U.S.A. Phone : 001-1-206-624-7720-1



⑨ UNISEA, INC. (UNISEA)

15400 N.E. 90TH Street, P.O. Box 97019, Redmond, WA.,
98073-9719, U.S.A. Phone : 001-1-206-881-8181

⑩ UNISEA FOODS, INC.

15400 N.E. 90TH Street, P.O. Box 97019, Redmond, WA.,
98073-9719, U.S.A. Phone : 001-1-206-881-1919

⑪ DUTCH HARBOR SEAFOODS, LTD. (D.H.S.)

15110 N.E. 90TH Street, P.O. Box 97019, Redmond, WA.,
98073-9719, U.S.A. Phone : 001-1-206-881-8181

⑫ PACIFIC FOOD SYSTEMS, INC. (P.F.S.)

944 N.E. Leary Way, Seattle WA.,
98107-4646 U.S.A. Phone : 001-1-206-784-8700

⑬ NIPPON SUISAN (HALIFAX), LTD.
(NISSUI (HALIFAX))

Suite 609, Purdy's Wharf 1969, Upper Water Street, Halifax, N.S.
Canada. B3J 2R7, Canada. Phone : 001-1-902-423-8120, 8129

<SOUTH AMERICA>

⑭ EXPLOTACION PESQUERA DE LA PATAGONIA
S.A. (PEPASA)

Tucuman 637, 5-Piso, Buenos Aires, Argentina.
Phone : 001-54-1-322-7835, 7864 393-1193, 5021

⑮ EMPRESA PESQUERA DE LA PATAGONIA Y
ANTARTIDA, S.A. (PESANTAR)

Moreno 490, 7-Piso, Buenos Aires, Argentina.
Phone : 001-54-1-331-2699, 2754

⑯ EMPRESA DE DESARROLLO PESQUERO DE
CHILE, S.A. (EMDEPES)

Avenida Providencia, 2633, Piso-15, No.1502 Edificio Forum,
Santiago, Republica de Chile.
Phone : 001-56-2-232-1080, 231-6282

⑰ SALMONES ANTARTICA S.A.(S.A.)

Los Carrera 327, Castro Chiloe, Republica de Chile.
Phone : 001-56-657-2362, 2433

⑱ NIPPON SUISAN AMERICA LATINA S.A. (N.A.L.)

Avenida Providencia, 2633 Piso 15 No.1502
Edificio Forum, Santiago, Chile.
Phone : 001-56-2-232-1079, 1080

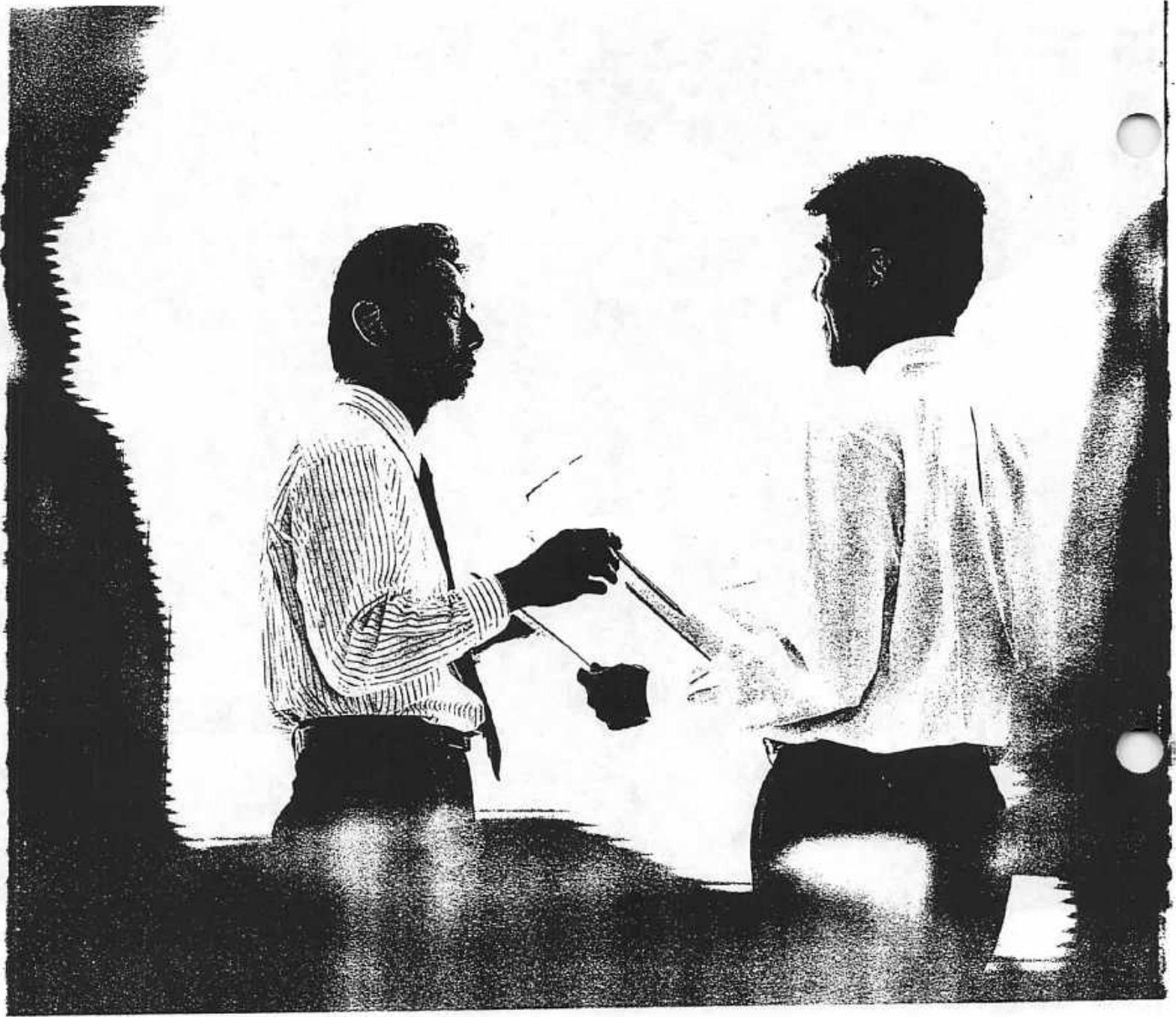
<EUROPE>

⑲ NIPPON SUISAN (EUROPE), B.V.
(NISSUI (EUROPE))

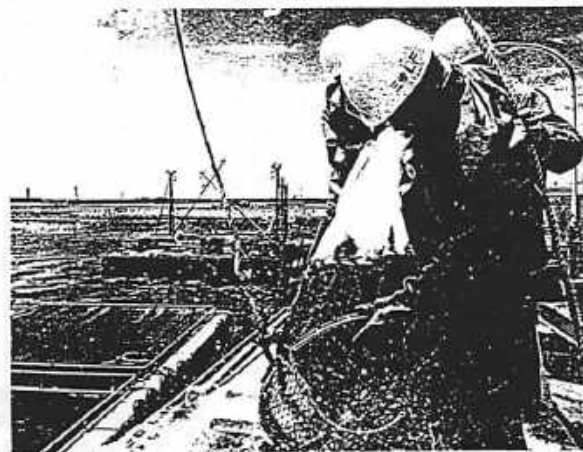
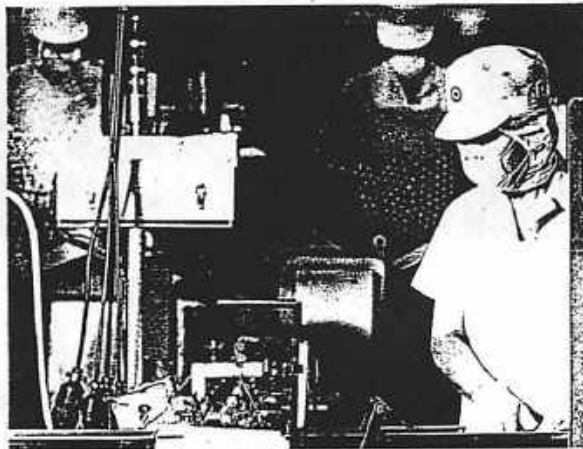
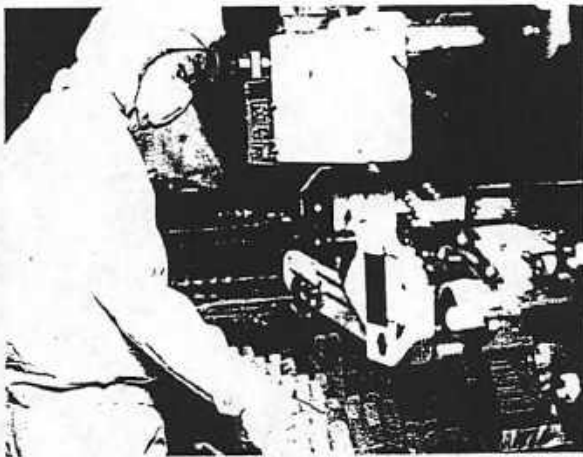
Building "Nieuw Amsterdam", Hoekenrode 2, 1102 Br Amsterdam
South East, The Netherlands. Phone : 001-31-20-691-8811

P.)
ia.

ia.



Our Japanese Activities



Wherever there's people, there's Nissui. The Japanese market for fishery products is one of the world's most important and our long business history in Japan has established strong links with the Japanese market where we have 8 branch offices and 24 sales offices; our distribution network covers the whole nation and we also have 18 plants and 84 affiliated companies. Our business covers food procurement, production, distribution and marketing to support the culinary life of the Japanese. Nippon Suisan aims to be wherever people are living and working.



Office Location

A HEAD OFFICE

Nippon Building, 2-6-2, Ote-machi,
Chiyoda-ku, Tokyo 100
Phone : (03)3244-7000

① Computer Systems Group

B TOBATA FISHERY OPERATION BRANCH

2-6-27, Ginza, Tobata-ku, Kitakyushu-shi
804 Phone : (093)884-2000

C CENTRAL RESEARCH LABORATORY

559-6, Kitano-machi, Hachioji-shi, Tokyo
192 Phone : (0426)56-5191

② OITA MARINE BIOLOGICAL TECHNOLOGY CENTER

D SAPPORO BRANCH

6-2, Kitagojonishi, Chuo-ku, Sapporo-shi
060 Phone : (001)205-5351

E SENDAI BRANCH

3-1-1, Ichiban-cho, Aoba-ku, Sendai-shi
980 Phone : (022)263-6245

F MORIOKA OFFICE

G TOKYO BRANCH

1-7-17, Shiba, Minato-ku, Tokyo 105
Phone : (03)5441-5555

H NIGATA OFFICE

I MITO OFFICE

J UTSUNOMIYA OFFICE

K TAKASAKI OFFICE

L OMIYA OFFICE

M CHIBA OFFICE

N TAMA OFFICE

O YOKOHAMA OFFICE

P NAGANO OFFICE

Q NAGOYA BRANCH

3-22-8, Meieki, Nakamura-ku, Nagoya-shi
450 Phone : (052)561-5310

R SHIZUOKA OFFICE

S OSAKA BRANCH

1-12-39, Umeda, Kita-ku, Osaka-shi 530
Phone : (06)347-6972

T KANAZAWA OFFICE

U KYOTO OFFICE

V SHINKI OFFICE

W OKAYAMA OFFICE

X TAKAMATSU BRANCH

29-10, Setouchi-machi, Takamatsu-shi 760
Phone : (0878)62-6844

Y MATSUYAMA OFFICE

Z KOCHI OFFICE

AA HIROSHIMA BRANCH

9-1, Nakajima-machi, Naka-ku,
Hiroshima-shi 730 Phone : (082)241-4877

AB YONAGO OFFICE

AC HOFU OFFICE

AD FUKUYAMA OFFICE

AE FUKUOKA BRANCH

3-2-1, Hakataekimae, Hakata-ku,
Fukuoka-shi 812 Phone : (092)471-3476

AF KITAKYUSHU OFFICE

AG OITA OFFICE

AH KUMAMOTO OFFICE

AI KAGOSHIMA OFFICE

AJ ONAGAWA MEAL-OIL PLANT

AK ONAGAWA PLANT

AL TSUKUBA PLANT

AM HACHIOJI GENERAL PLANT

AN SHIMIZU PLANT

AO ANJO PLANT

AP ITAMI PLANT

AQ HIMEJI GENERAL PLANT

AR TOBATA PLANT

AS AOMORI COLDSTORE

AT HARUMI COLDSTORE

AW OHI COLDSTORE

AX HEIWAJIMA COLDSTORE

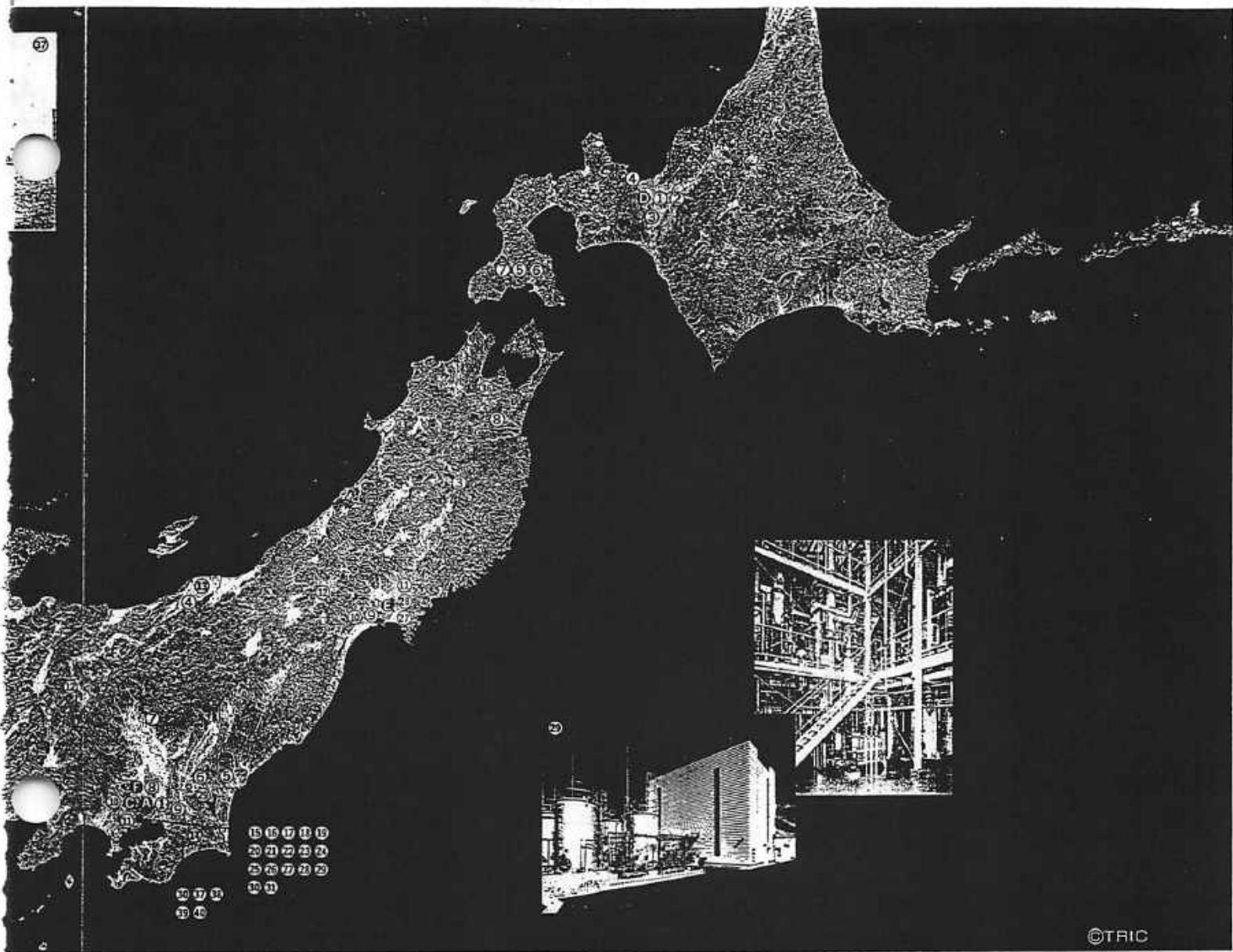
AY KAWASAKI COLDSTORE

AZ NAGOYA COLDSTORE

BA ANJO COLDSTORE

BB KOBE ROKKO-ISLAND COLDSTC

BC FUKUOKA COLDSTORE



©TRIC

Subsidiaries and Affiliates

<HOKKAIDO AREA>

- ① SAPPORO HINOMARU REIZO K.K.
- ② HOKKAIDO NISSUI FOODS K.K.
- ③ ENIWA FRESH FOODS K.K.
- ④ HOKKO GYOGYO K.K.
- ⑤ NIPPO SANGYO K.K.
- ⑥ HAKODATE TEION REIZO K.K.
- ⑦ HOKKAIDO TEION SHOKUJIN K.K.

<TOHOKU AREA>

- ⑧ K.K. HACHITEI
- ⑨ SENDAI HAM K.K.
- ⑩ SENDAI HINOMARU REIZO K.K.
- ⑪ ESU-KEI SUISAN K.K.
- ⑫ MOGAMI FOODS K.K.

<KANTO·KOSHINETSU AREA>

- ⑬ YAMATSU SUISAN K.K.
- ⑭ KYOWA TECNOS CO., LTD.
- ⑮ K.K. HOHSUI CORPORATION
- ⑯ NISSUI PHARMACEUTICAL CO., LTD.
- ⑰ NISSUI SHIPPING CORPORATION
- ⑱ NICHINAN SEKIYU CO., LTD.
- ⑲ K.K. SAEKI
- ⑳ K.K. S-R CORPORATION
- ㉑ NISSHIN SANGYO K.K.

- ㉒ NISSUI SERVICE K.K.
- ㉓ NISSUI ENGINEERING CO., LTD.
- ㉔ MARUSHIN UNYU K.K.
- ㉕ KEIKOU SUISAN K.K.
- ㉖ NISSUI FOOD SYSTEM K.K.
- ㉗ CHILLDY CO., LTD.
- ㉘ TOBU REIZO SHOKUJIN K.K.
- ㉙ YOKOHAMA TRADING CORPORATION, LTD.
- ㉚ NIPPON MARINE ENTERPRISES, LTD.
- ㉛ K.K. HELLO DELICA

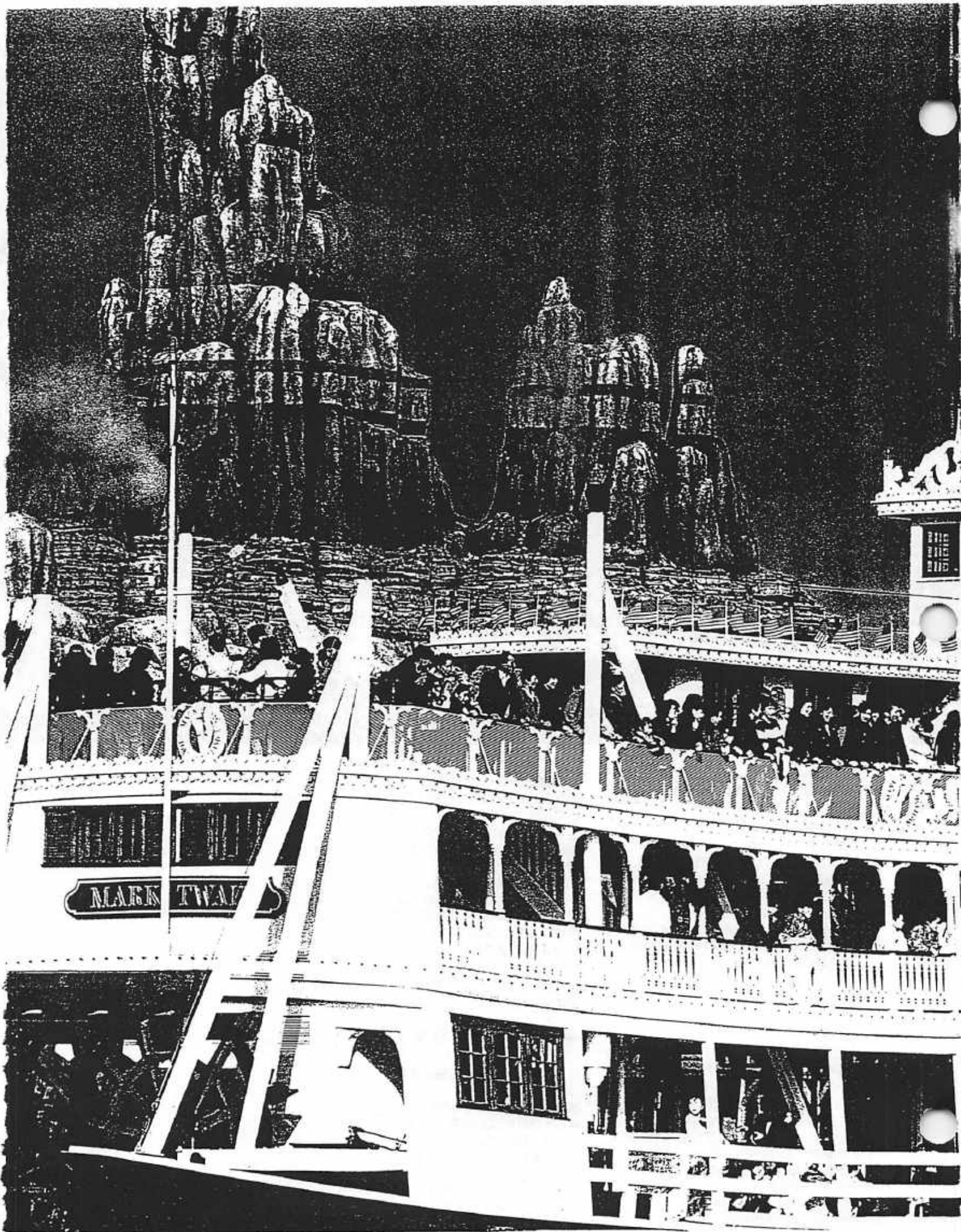
<KANSAI AREA>

- ㉜ KANSAI COOKERY K.K.
- ㉝ KINKI REIZO SHOKUJIN K.K.
- ㉞ K.K. HIMEJI FRESH FOODS
- ㉟ K.K. KANSAI FRESH FOODS
- ㊱ K.K. HOKURIKU FRESH FOODS

<KYUSHU AREA>

- ㊲ KITAKYUSHU NISSUI K.K.
- ㊳ K.K. TOSUKO
- ㊴ TOBATA UNYU SEIKAN K.K.
- ㊵ WAKAMATSU SHIPBUILDING CO., LTD.
- ㊶ OITA RINKAI KENKYU K.K.
- ㊷ SEIBU REIZO SHOKUJIN K.K.
- ㊸ K.K. NISHISHO
- ㊹ OITA CHUO SUISAN K.K.
- ㊺ NIPPO SHOKUJIN KOGYO K.K.
- ㊻ K.K. ESA ICHIRAN

- ㊼ NAGASAKI ZOSEN K.K.
- ㊽ FUJI SEIKAN K.K.



Maintaining Contact with Society



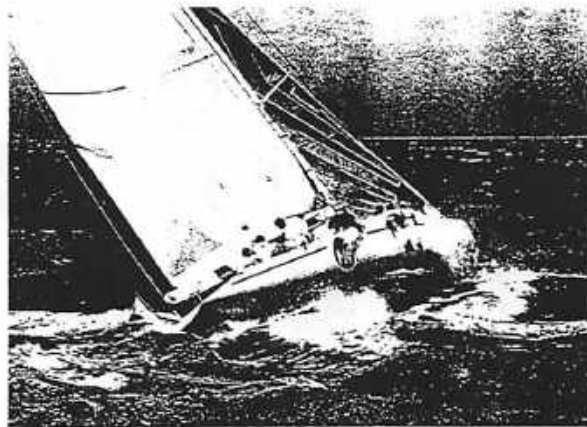
Communicating through Social Activities.

Interacting with Society

Our relationship with society goes much further than our five business activities. Nippon Suisan promotes corporate citizenship and public awareness through a wide range of events to show people what kind of company we really are.

We have been promoting interest in fish and the sea through various events over the last 10 years; we are giving children the chance to live out their fantasies by sponsoring the Mark Twain riverboat at Tokyo Disneyland and the Nissui Family Theater.

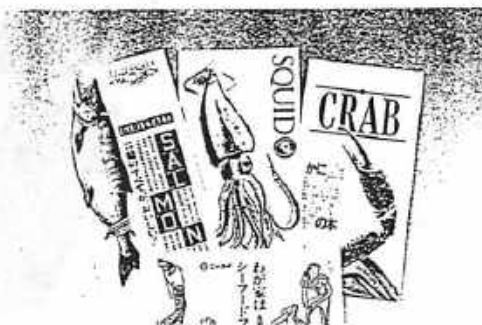
More recently, Nippon Suisan was an official sponsor of the Nippon Challenger team, Japan's first entry in the Americas Cup, the world's leading yacht race. However, our activities are not just confined to Japan; we have been an official sponsor of the New Zealand All Blacks Rugby Team for the last 4 years and supporting

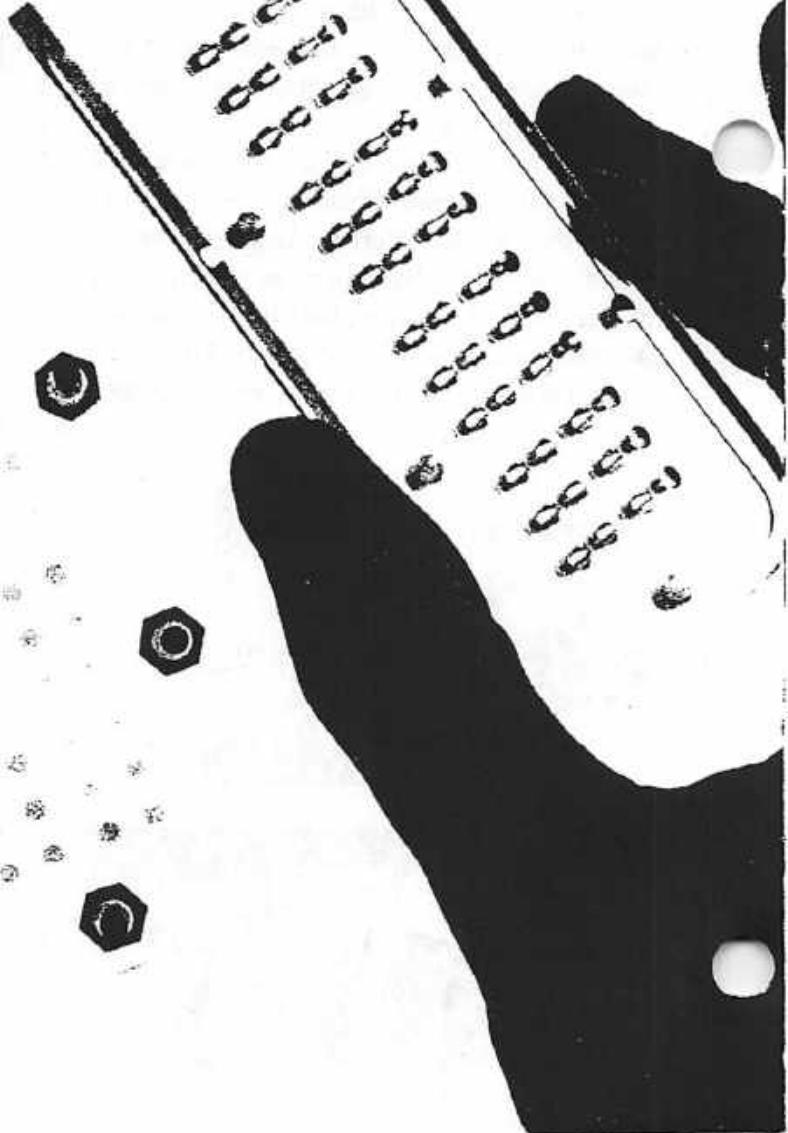
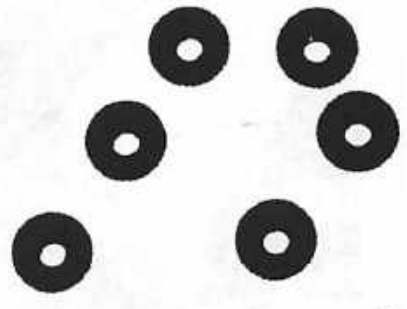
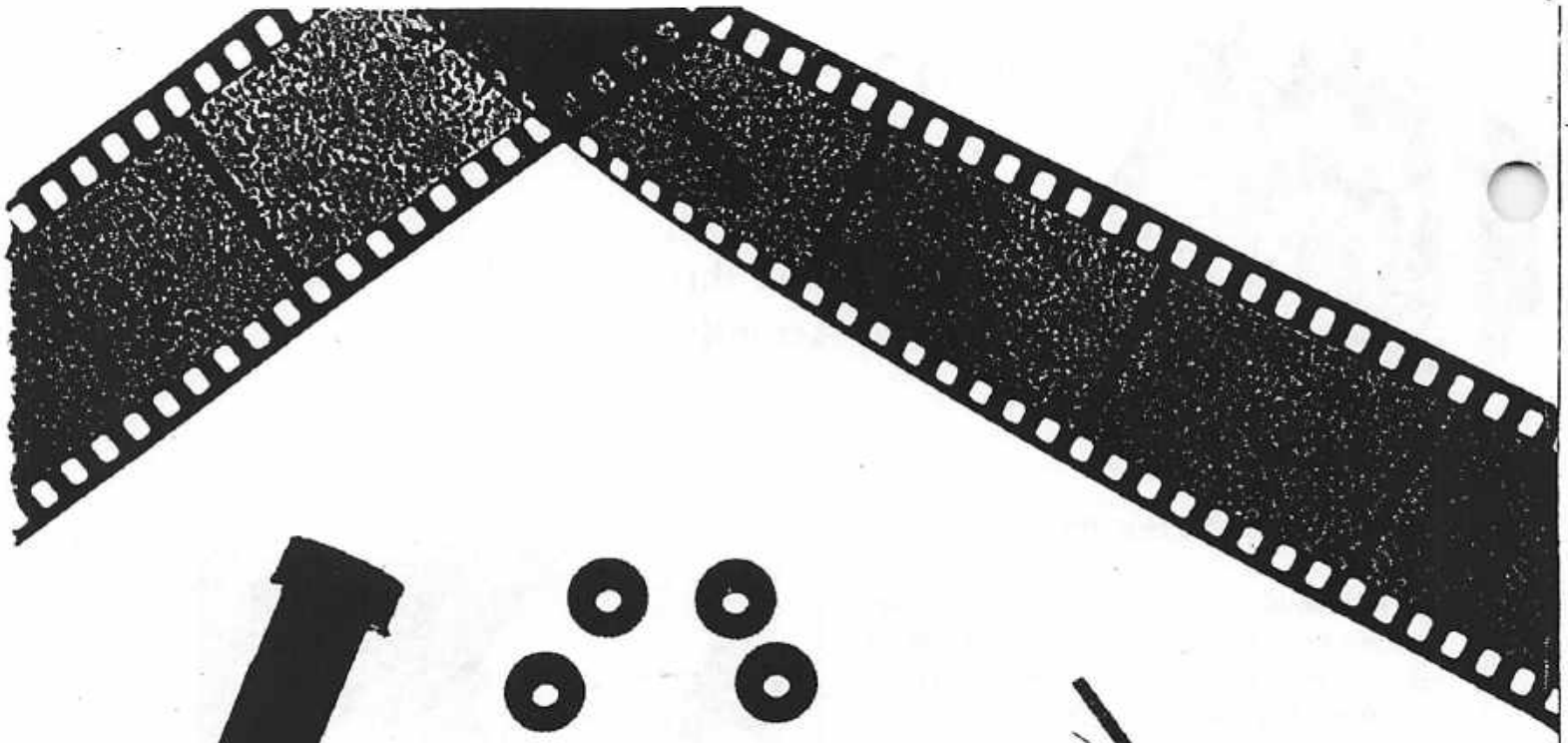


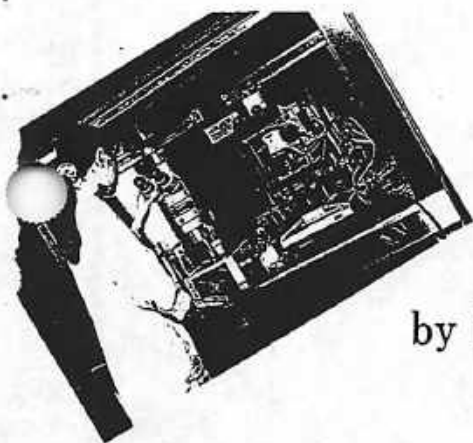
international sports events is another way of showing our intention to be a good global corporate citizen.

In Japan, 5 years ago, we established the Nissui Seafood Club, a mail order club to encourage communication with our customers by making the best seafood available to them. It provides a variety of services as well as makes people more aware of the excellence of seafood and has more than 12,000 members.

In the future, we plan to further our interaction with the public by following our goals of harmonizing with society while keeping our customers' trust.







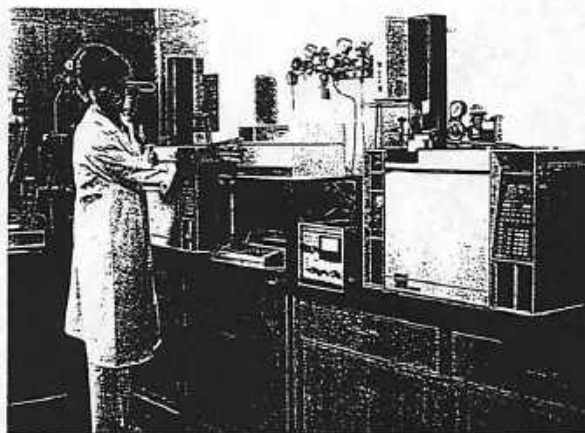
Targeting the Future

Making Dreams Reality
by Researching Food and Health.

Promoting R&D

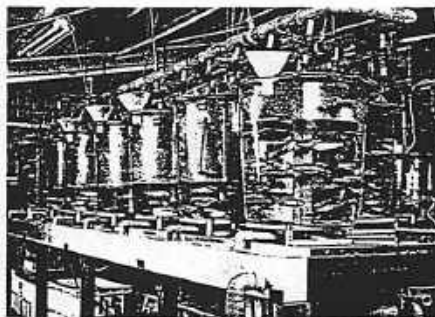
Nippon Suisan's R&D activities started in 1920 when we established Japan's first private-sector marine products research institute. Our research sections are contributing to marine-product technology through research on saturated and highly-unsaturated fatty acids from fish, ground fish meal, and texturing of fish protein. We have been commended for sharing this technology with foreign companies through international joint ventures. In the future, our research on cell fusion using genetic engineering aims to raise the productivity of marine species through breeding and cultivation techniques. To expand the scope of this research, we also plan to search for physiologically-active marine extracts which can be used as pharmaceuticals.

Our Food Research & Development Center adjoining the Central Research Institute and the Hachioji General Plant, has been developing new products by integrating research and production. Although R&D supports all our business activities, the know-how we have gained over the last

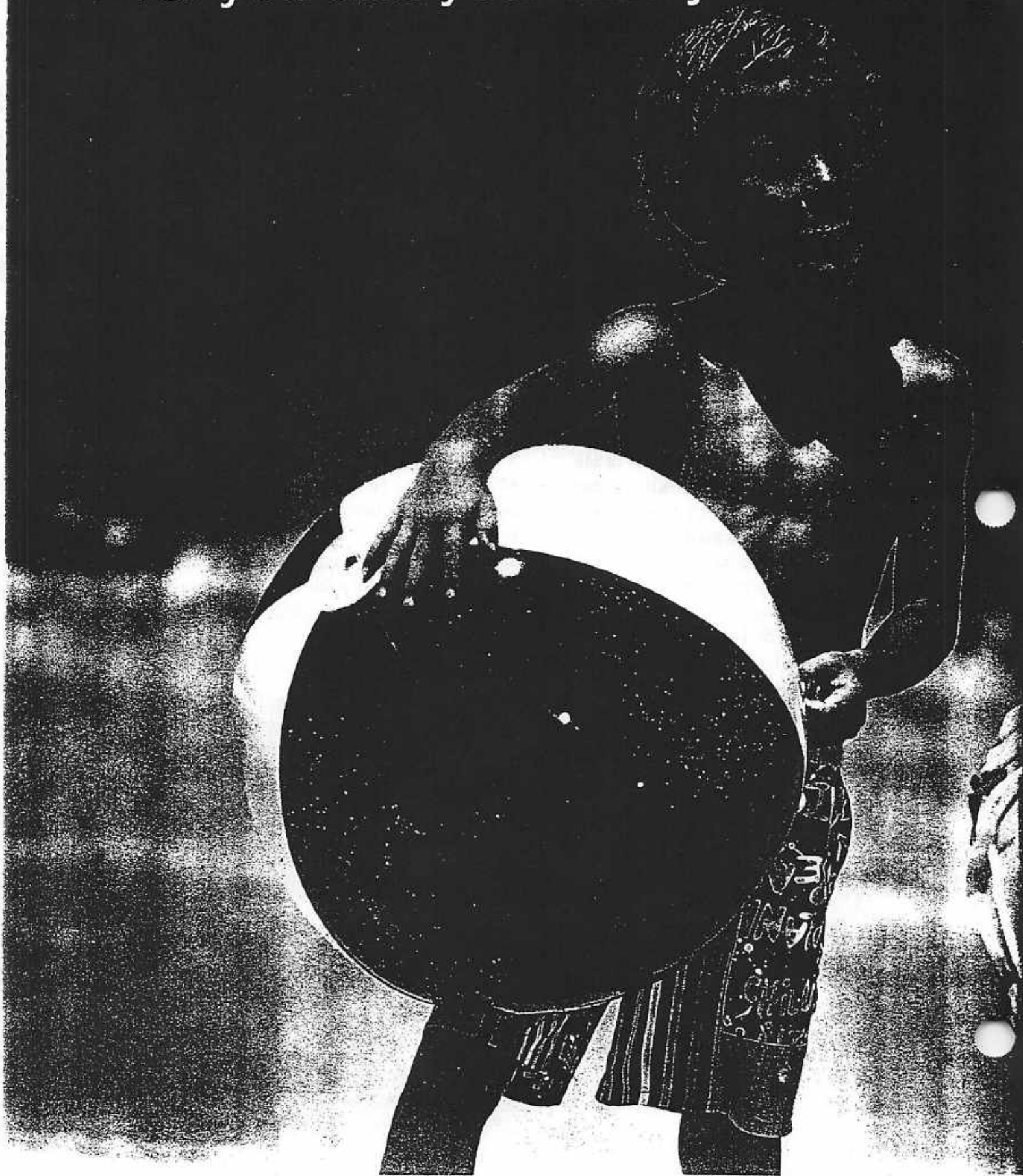


70 years is not just for our own benefit; being health-related, it has also brought us closer to society.

Combining and analyzing pharmaceuticals, their applications, and effect on and the response of genes is one part of our ongoing biotechnology research.



Quality Products; Quality Service
for you and your family





Corporate Profile

Nippon Suisan Kaisha, Ltd. (As of March 31, 1996)

■ Founded 1911
 ■ Capital 23,729 million yen
 ■ Authorized Stock 400,000,000 shares

■ Issued Stock 297,210,277 shares
 ■ Number of Share Holders 20,489
 ■ Employees 2,382

Board of Directors (As of November 1, 1996)



President
Yasuo Kunii



Executive Vice President
Naoya Kakizoe



Senior managing Director
Kazuo Morita



managing Director
Toru Saigyo



managing Director
Shigehiro Suzuki



managing Director
Noboru Ueda

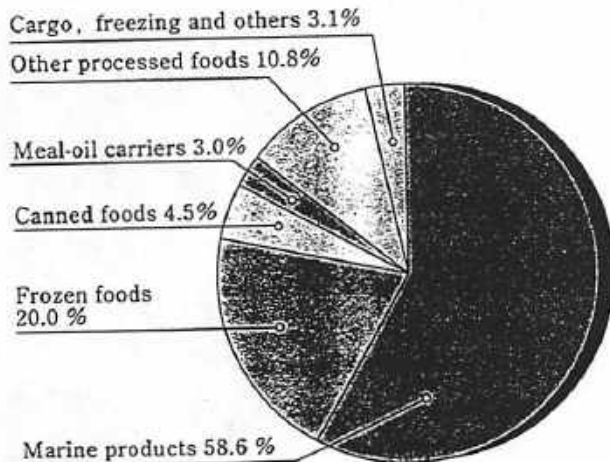
Directors Masahiro Higasa
 Sachio Yamamoto
 Atsushi Yasui
 Koki Hiraoka

Directors Kanji Kato
 Kenichi Suzuki
 Hiroaki Kunimasa
 Jiro Mizukami
 Yasuhisa Sato
 Masahiro Yamada
 Kenichiro Izawa
 Ikuo matsuoka

Auditors Juro Kuboi
 Koichi Gomyo
 Seishiro Kataoka
 Keinosuke Kondo
 Board Adviser Fumio Imanaga
 Katsusuke Minoda

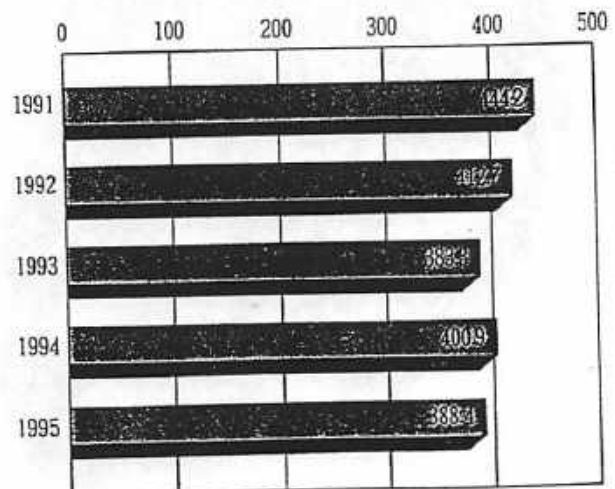
Sales Breakdown

(March 31, 1995 and 1994)



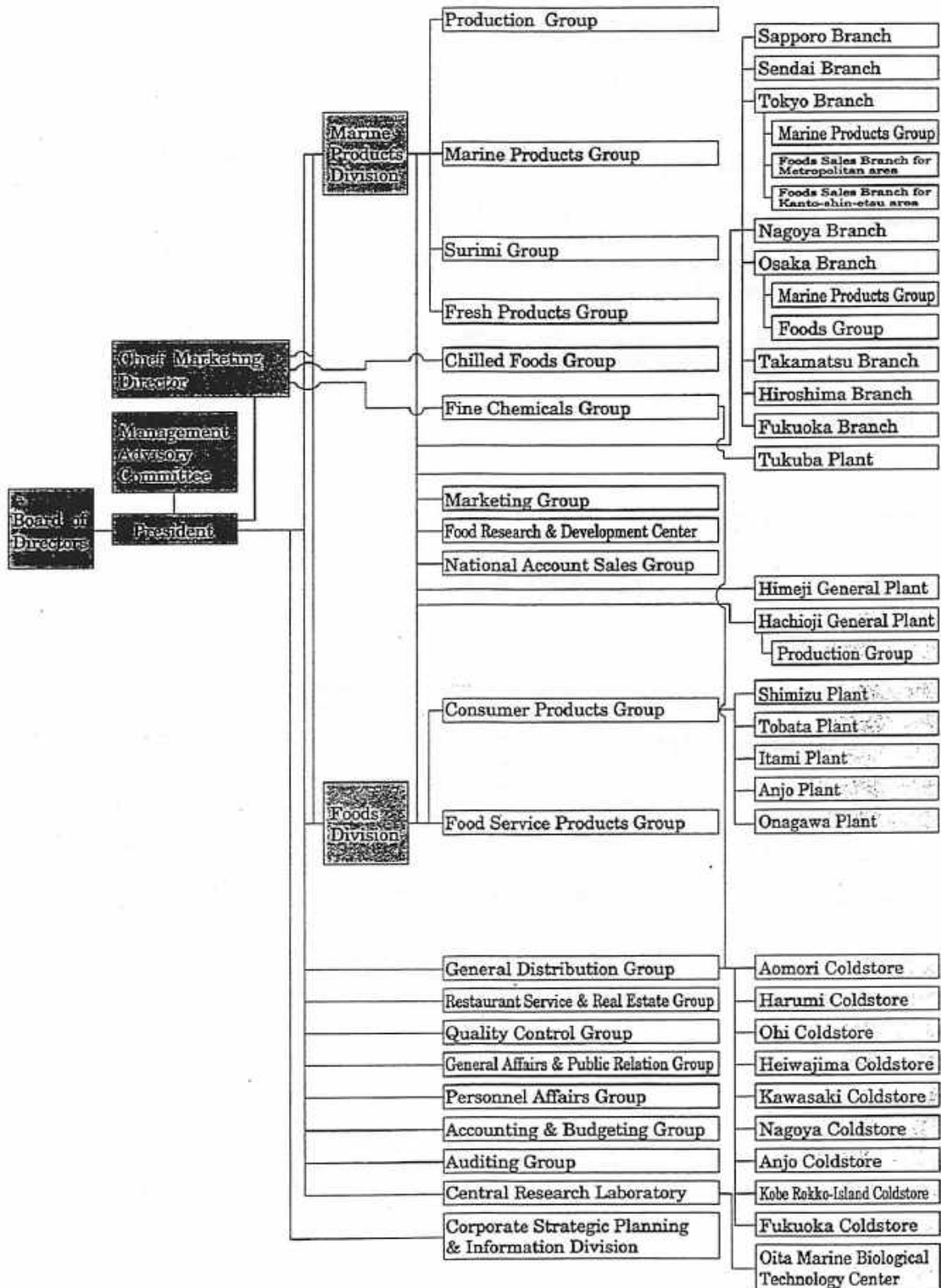
Five-Year Summary Sales amounts

(Billion yen)



Corporate Organization

(As of June 29, 1995)



June 11, 1996

To: All Shareholders

From: Yasuo Kunii, President
Nippon Shusan Kaisha, Ltd.
2-6-2 Otemachi, Chiyoda-ku, Tokyo

Notice of Regular General Shareholders Meeting for the 81st Fiscal Period

Greetings. I hope this finds you healthy and prosperous.

I would like to notify you and request your presence at our company's regular general shareholders meeting for the 81st fiscal period to be held as shown below.

If you cannot attend, you may vote in writing, so please look at the following reference materials, mark "Agree" or "Disagree" on the enclosed ballot, and return it to us after placing your seal on it.

Thank you.

Meeting date and time: Thursday, June 27, 1996 at 10:00 a.m.

Place: Keidsuren Kaikan, 14th floor hall
1-9-4 Otemachi, Chiyoda-ku, Tokyo

Meeting objectives:

Reports:	Contents of the business report, balance sheet, and income statement for the 81 st fiscal period (April 1, 1995 - March 31, 1996)
Resolutions:	Resolution 1 Approval of proposal for the appropriation of losses in the 81 st fiscal period
	Resolution 2 Nomination of 7 directors
	Resolution 3 Presentation of severance payments to retiring directors

On the day you attend the meeting, please submit the enclosed ballot to the receptionist.

(4) Employees

Category	Number of employees	(Change from previous year)	Average age	Average length of service
Staff				
Male	1,429	(down 59)	38.8	16.9
Female	378	(down 46)	38.8	7.6
Ship crew				
Male	510	(down 44)	44.5	7.0
Management				
Male	65	(down 3)	44.7	21.0
Total	2,382	(down 152)	38.6	13.4

Note: In addition to the above, we have 1,009 (term average) temporary workers.

(5) Business combinations

(a) Important subsidiaries

Company	Capital	Ratio of shares we hold	Main lines of business
Hosui Co., Ltd.	¥2,005 million	63.0%	Fishery
Nissui Pharmaceutical Co., Ltd.	¥4,449 million	53.6%	Manufacture & sale of pharmaceuticals
Nissui Shipping Co., Ltd.	¥1,600 million	100.0%	Marine shipping
Nippon Suisen (U.S.A.), Inc.	US\$8,101,000	100.0%	Import & export of marine products
Unises, Inc.	US\$3,505,000	100.0%	Processing and sale of marine products

Note: Our main consolidated subsidiaries are shown.

(b) Consolidated progress and results for this year

Progress at consolidated companies

Nissui Pharmaceutical Co., Ltd. Decided at its Board of Directors meeting on March 12, 1996 to issue 0.1 bonus shares for every share held to shareholders registered as of March 29, 1996.

Consolidated results

Our consolidated subsidiaries numbered 43, and companies accounted for using the equity method numbered 14. Consolidated sales for this year were 468.733 billion yen, and the consolidated net loss for this year was 4.345 billion yen.

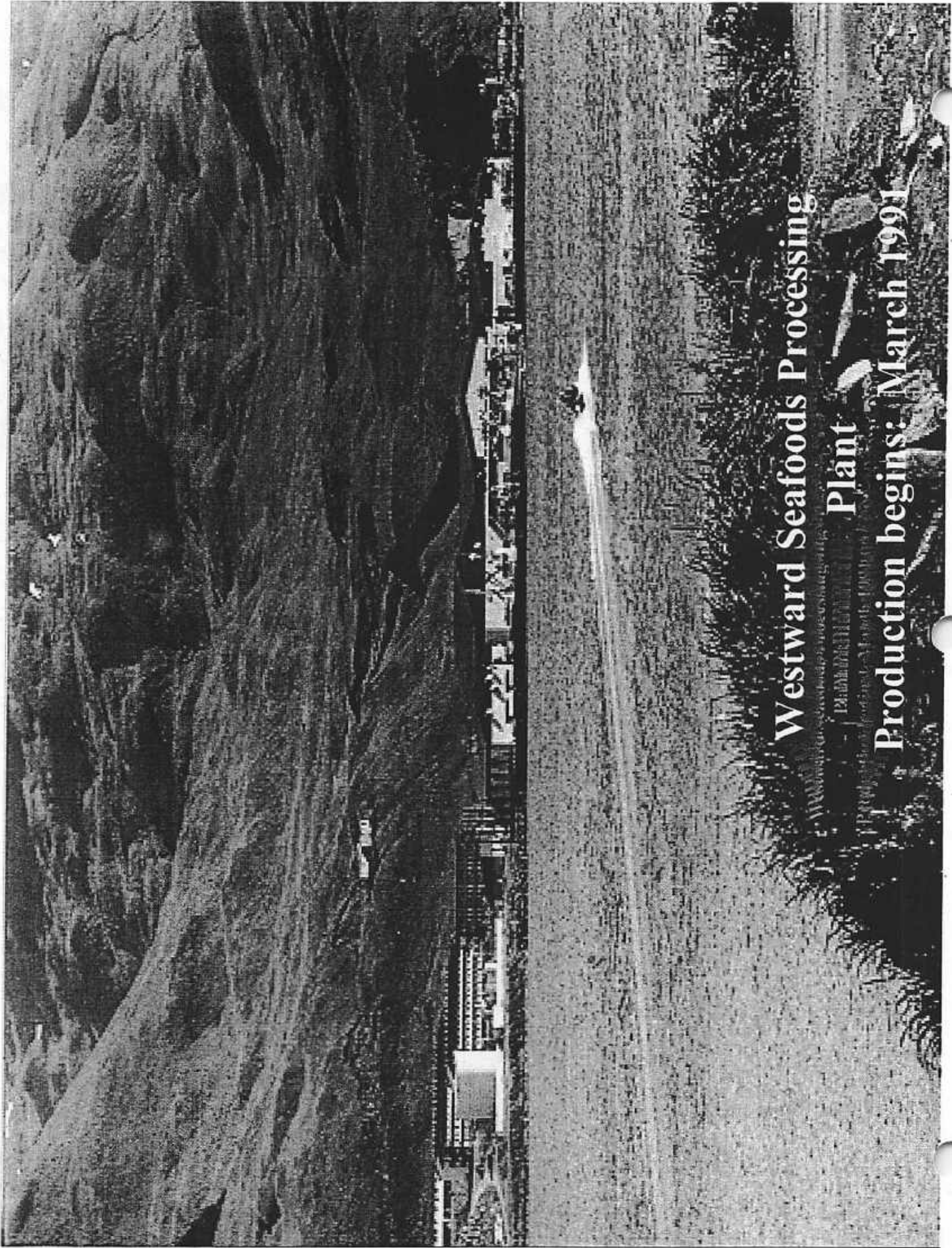
Westward Seafoods, Inc.

Alaska Recruitment & Job Development



Presentation to the
**North Pacific Fishery Management
Council**

September 1997



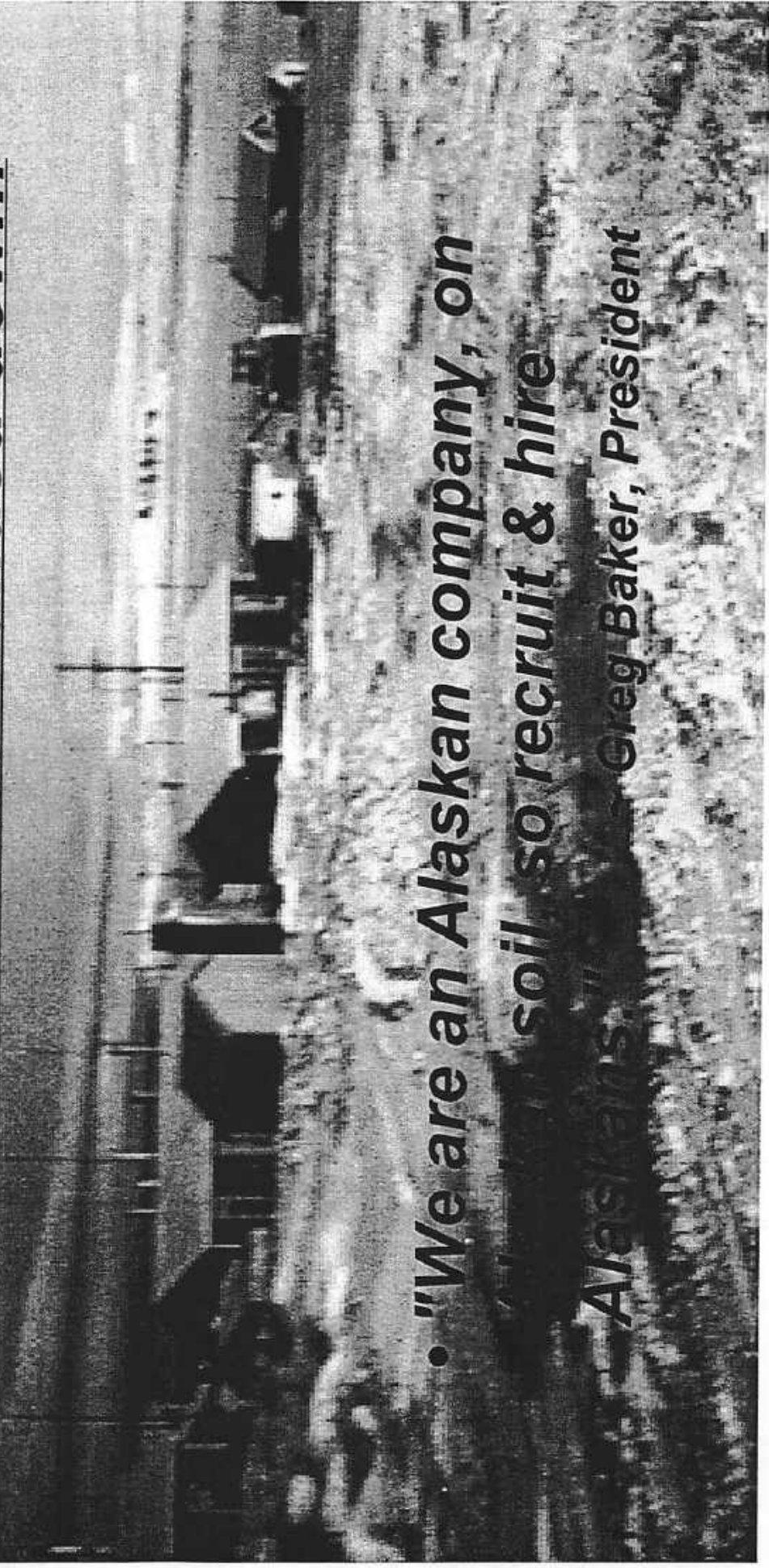
Westward Seafoods Processing Plant Production begins: March 1991

WESTWARD SEAFOODS PROCESSING PLANT
1200 WESTWARD DRIVE
SEASIDE, CALIFORNIA 94132
TEL: (415) 435-1000

Westward's Recruiting Strategy: Hire Alaskans

1990: The "Edict" handed down:

- "We are an Alaskan company, on Alaskan soil, so recruit & hire Alaskans." — Greg Baker, President





Westward Responds to Needs

Aggressive Implementation of Rural Recruitment Program

- **1992/1993: Implemented Cross Cultural Training with emphasis cultural sensitivity to Native Alaskan issues**
- **1995: First company to extend Points of Hire to include Bethel, Dillingham, Emmonak, Nome**
- **1995 to Present: Paid for CDQ Recruitment & Training staff to visit Westward's Plant in Dutch Harbor**
- **1995: First non-CDQ company to travel to Western Alaskan villages**
- **1996: CDQ partnership with CVRF**
- ***August 1996: Hired a full time Rural Recruiter***

**1997: Focus on
In House Development**

Rural Recruitment: from
Apprentice to Professional

Investment in the Long Term





Dale Smith's Investment in the Program: New contributions...

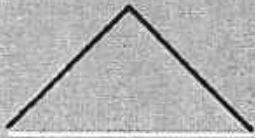
First to collect Drug Screens in villages

Established committee of WSI employees to address the needs of Native
Regions of Westward: modelled after the 4 Site Leadership team at CVFC

Expanding recruitment to other non-CDQ regions & organizations throughout
Alaska

Developing aggressive recruitment at colleges, universities, and trade
schools

Propose to create a new program to address cultural needs of Native
Alaskans in



Westward Employment Trends in Alaska

Number of Employees Recruited from Alaska

	1994	1995	1996	Net Increase
	64	91	110	71.9%

*1997 to date we have hired 91 employees from Alaska.

Westward Hiring Trends

Referral Source Information for Hires

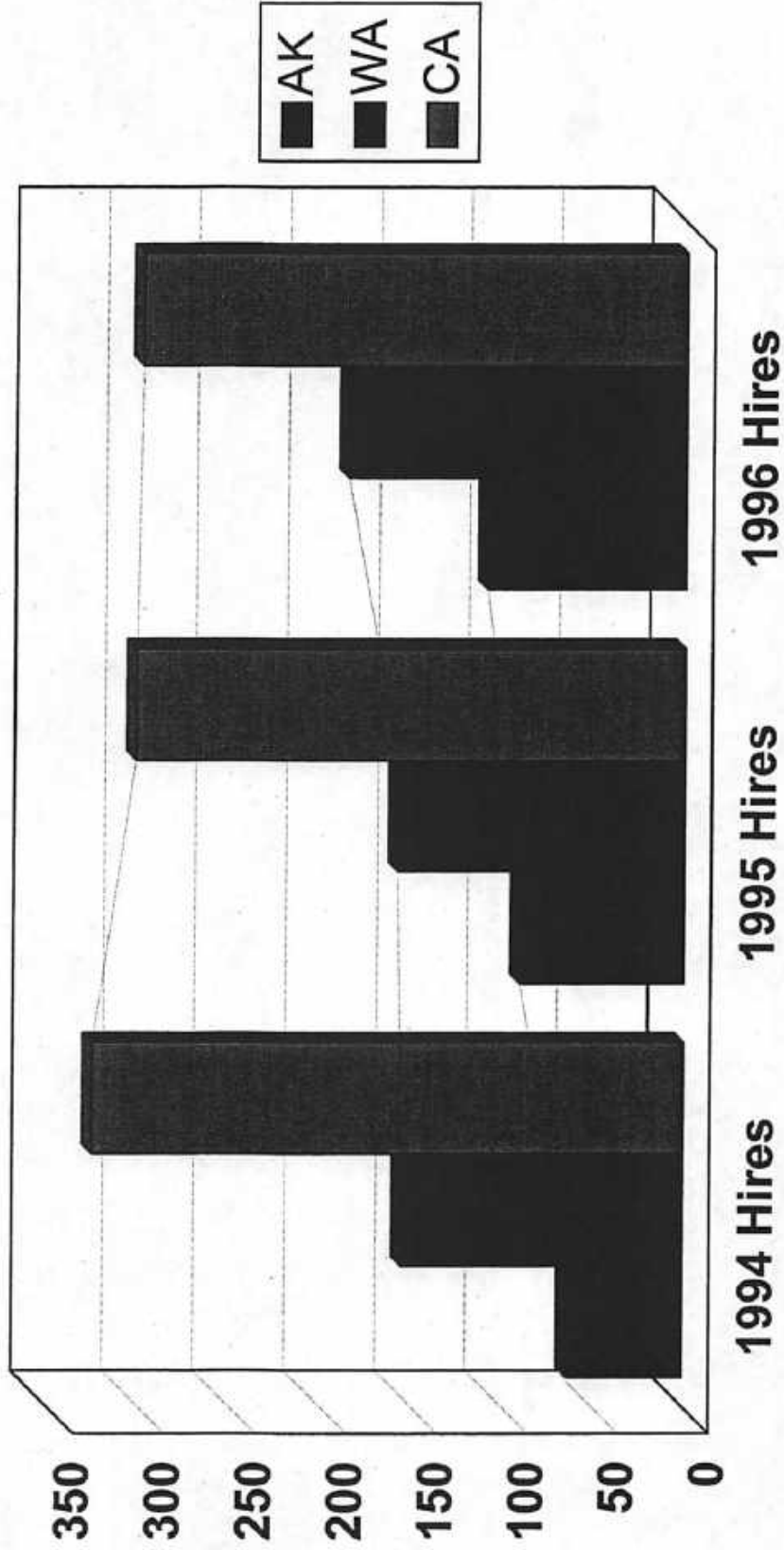
Recr. Source	1994	1995	1996	Increase/ Decrease
AK Empl. Svc*	2%	9%	20%	18%
WA & CA	62%	58%	40%	<22%>

* Does not include those hired outside of AK DOL Empl. Svc

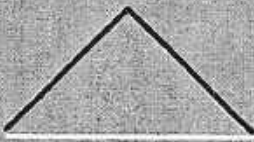


Employment Trends Based on State Addresses for W-2s

Total Number of New Hires



WSI is striving to create parity in hiring from state to state



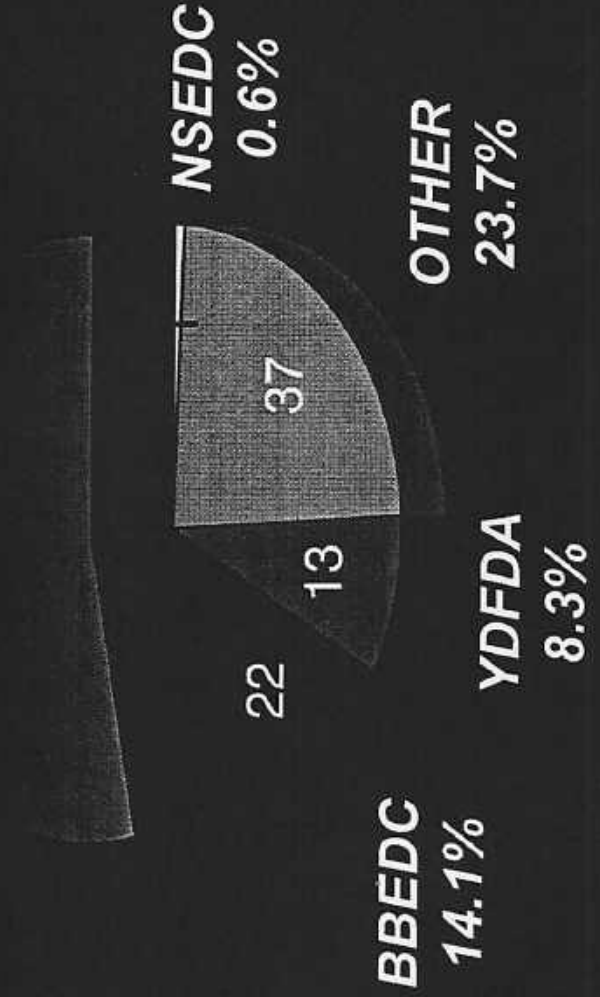
CDQ & Rural Recruitment

Who says shore based doesn't support CDQs?

■ CVFC ■ BBEDC ■ YDFDA ■ OTHER □ NSEDC

CVFC
53.2%

83



CDQ & Rural Recruitment Detail

In Relation to DCRA Report* Dated August 27th, 1997

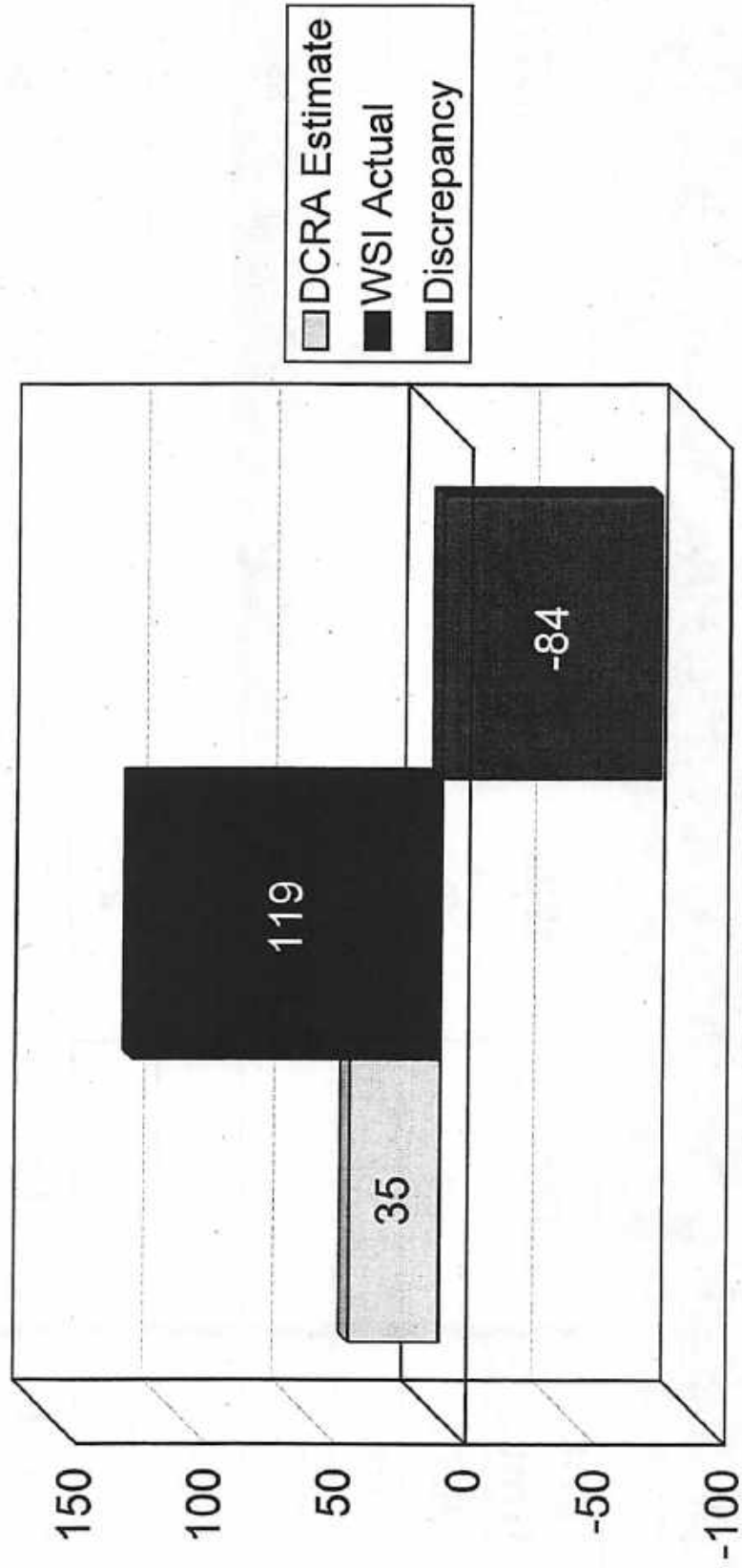
CDQ Group	1994	1995	1996	1997	SUBTTL
BBEDC	0	10	7	5	22
YDFDA	0	3	4	6	13
CVFC	0	8	38	37	83
NSEDC	0	1	0	0	1
OTHER	12	2	5	18	37
TOTAL	12	24	54	66	156
		CDQ TOTAL:		119	

*** Report stated that onshore sector employed 35 total CDQ Residents; WSI alone has surpassed that figure by over 300%!!**

(Refer to Appendix A ~ CDQ report to DCRA)



Westward Hiring Statistics In Comparison to DCRA Data



Total Westward Hires



Current Alaska Resident Employment at Westward

Compared to AK DOL Resident Employment Avg of 24%

B Season 97 Data	Total WSI EEs	F/T Empl (Res.)	AK Empl. (Seas)	AK Empl. Subttl	Non Res. Empl.
Number of Employees	409	107	63	170	239
Percentage of Employees	100%	26%	15%	42%	58%

Discrepancy of 17% between DOL Resident Data & WSI Resident Data



Westward Data

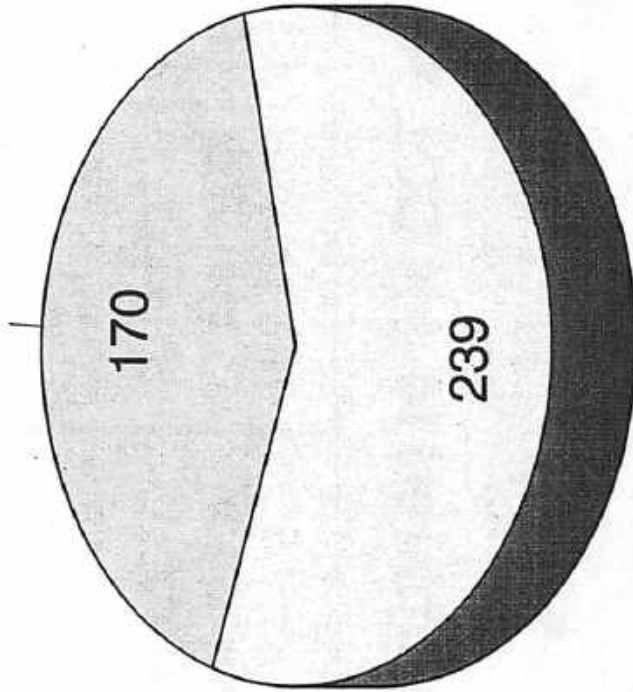
vs.

AK DOL Data

AK Resident EEs Non Resident EEs

AK Resident EEs

42%

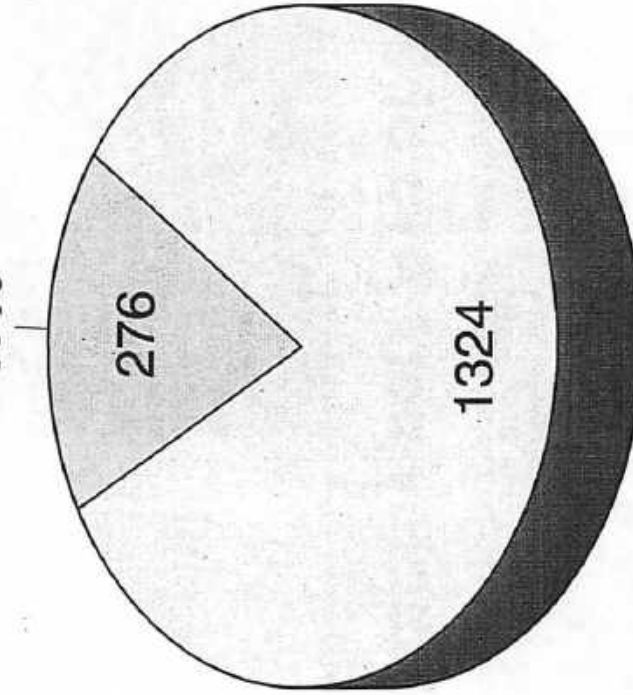


Non Resident EEs

58%

AK Resident EEs

17%



Non Resident EEs

83%



The Next Level of Westward Recruitment in Alaska

Current Projects

- **Videoconferencing Kiosk Pilot Project sponsored by Aleutian Seafood Processors Association; to utilize for interviewing in the rural communities**
- **Internet: Webpage/Job Boards/Electronic Application/Email Mentorship Program/Interactive multimedia**
- **Extension of recruitment from Western Alaska to non CDQ communities**
- **Focus on Educational Development; School to Work Programs in cooperation with community High Schools, faculty, & students**
- **Continue to develop new Apprenticeship positions; extend to non CDQ Alaskans**
- **Development of *life skills program*; orientation & ongoing education for new employees coming from rural communities**



"The time for apathy is gone."

~ Fran Ulmer, State of AK Lieutenant Governor

As a responsible and responsive company in an industry dependent upon a declining resource, we are not afraid of taking a good look at the facts. I urge the Council to support the request to do the same.

CVFC/CVRF CDQ PARTNERSHIP EMPLOYEE & EARNINGS SUMMARY

YEAR	QUARTER	SEASON	TTL EEs	TTL WAGES	AVG EARNINGS PER PERSON	AVG HOURS WORKED PER EMPLOYEE	
1996	FIRST	JANUARY "A"	21	39227.96	1868.00	409.2	
	SECOND		0	0	0.00	N/A	
	THIRD	AUGUST "B"	17	13740.92	808.29	134.2	
	FOURTH		10	28038.05	2803.81	362.8	
			Total Hires	38	\$81,006.93	\$2,131.76	Y/E TOTALS
1997	FIRST	JANUARY "A"	13	33766.03	2597.39	384.1	
	SECOND		2	5711.93	2855.97	319.4	
	THIRD	AUGUST "B"***	26	67625.12	2600.97	N/A	
			Total Hires	37	\$107,103.08	N/A	YTD TOTALS
	TO DATE TOTAL HIRES for CVFC:			75	\$188,110.01	\$2,508.13	

729.39 AVG EARNINGS PER EE
 2855.97 INCREASE OVER 1996
 1792.68 **

** 1997 THIRD QUARTER EARNINGS ESTIMATES BASED ON AVG. INCREASE PER EMPLOYEE OVER 1996 FIRST AND SECOND QUARTER EARNINGS.

26 This number is the actual number of hires for B Season '97 Send Up; it is actually much lower than the number originally sent to DCRA. (This is due to drop out rates during the pre-empl. testing phase.)

Revision: 27-Sep-97
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Appendix A

CVFC/CVRF CDQ PARTNERSHIP EMPLOYEE & EARNINGS SUMMARY

YEAR	QUARTER	SEASON	TTL EEs	TTL WAGES	AVG EARNINGS PER PERSON	AVG HOURS WORKED PER EMPLOYEE		
1996	FIRST	JANUARY "A"	21	39227.96	1868.00	409.2		
	SECOND		0	0	0.00	N/A		
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Appendix A

DICK
TREMAYNE/
WAFDA

Concept: Provide regulatory flexibility to allow multispecies COQ program to occur and allocations to be fully harvested (common sense)

① Flexibility for observing + monitoring catch

- pre-approve scale + observer station permits
- unified checkin/check out reporting for COQ halibut fleets
- Allow volumetrics as ^{immediate} fall back if scales do not prove to be reliable +/or until proven effective
- make observer station siting + size appropriate for vessel size, layout + safety issues
- Quick fall back to standard sampling if approach alternative fails
- Allow crew members to assist observers if requested
- Increase the number of hauls to be observed per shift
- Allow for halibut grid sorting
- One observer for fixed gear CP's unless appropriate for two
- Use open access criteria for minimum processing amounts to determine need of an observer at shoreplant

② Flexibility in catch management

- ~~Allow~~ ^{Provide} a small overage allowance to be subtracted from the following year as is done with IFQs
- Deal with squid, arrowtooth, + "other species" by:
 - A. Placing them on PSC status when level reached
 - B. Combining them into one category
- Allow COQ + IFQ or COQ from 2 groups to be combined

③

Interim allocation of $\geq 250\%$ except pollock at 45%

Allow trawling to begin Jan 1.

American Independent Fishermen Redux
A Coalition of At-Sea Sellers of Pollock

Proposed by
Austin as
Sub Mt.
c-1

Problem Statement

The problem is that the Inshore-Offshore allocation, an interim stop-gap measure designed to limit preemption and provide a measure of sectoral stability while the Council dealt with CRP, expires at the end of 1998; and that the failure to rollover the program will inject an enormous amount of uncertainty and instability into the pollock fishery.

Inshore-Offshore Alternatives

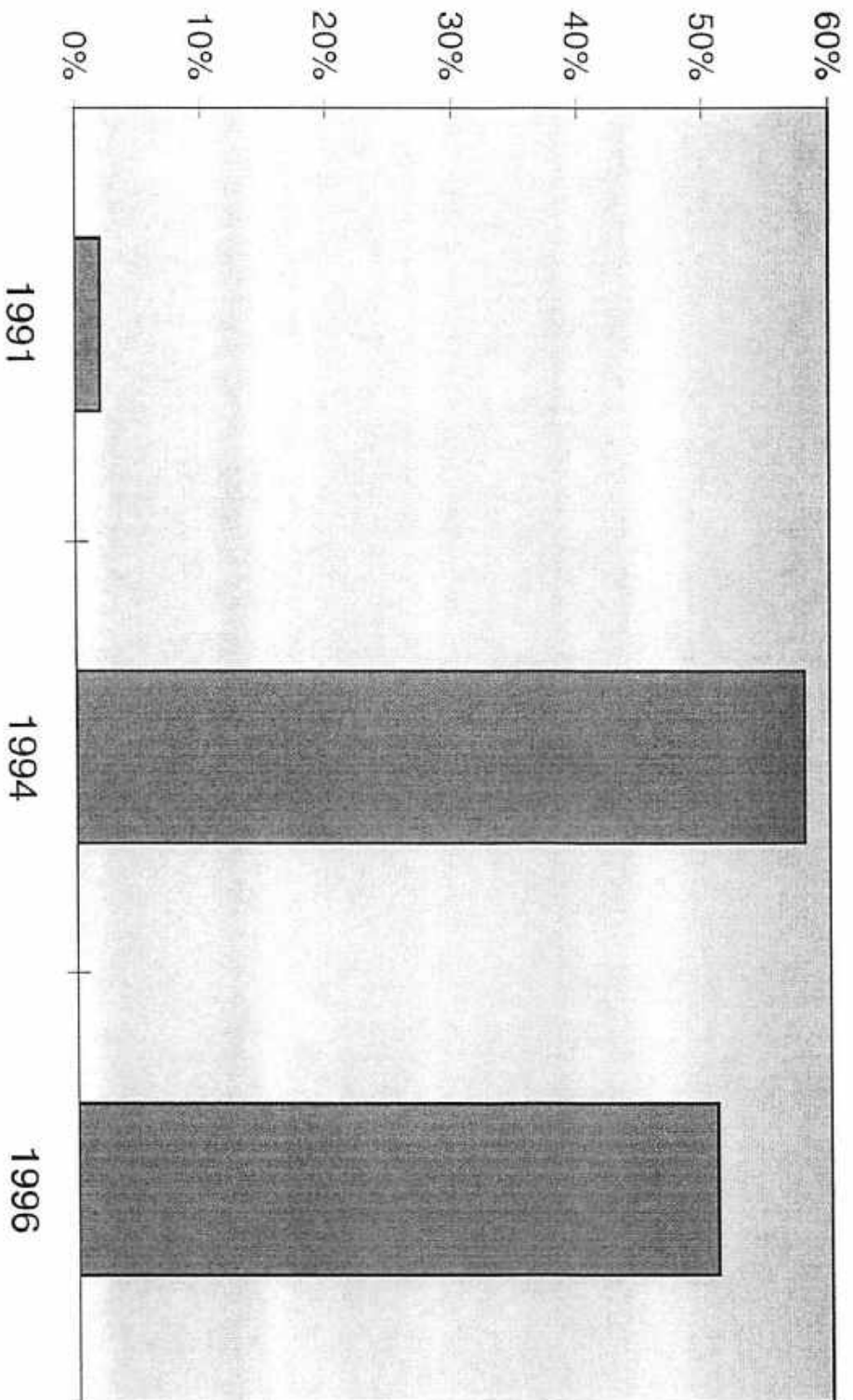
Alt. 1 - No Action, Allocations would expire at the end of 1998.

Alt. 2 - Rollover Existing Inshore-Offshore Program for 3 years, including:

- 7.5% CDQ
- GOA Pollock and P. cod Allocations
- B-season CVOA
- 65/35 BSAI Pollock Allocation

Additionally, the Council would undertake an extensive study of the problems in the BSAI and GOA pollock fisheries, including those addressed by the existing Inshore-Offshore program as well as those identified in the CRP problem statement.

Percentage of Factory Trawlers Buying Pollock From CV's



Vessels with Ownership Interest by Market

TRIDENT SEAFOODS

	%
Owned	
1. Dona Paulita	25%
2. Dona Liliana	25%
3. Dona Martida	25%
4. Flying Cloud	50%
5. Viking Explorer	100%
6. Golden Dawn	100%
7. Dominator	100%
8. Columbia	100%
9. Archurus	100%
10. Aldebaran	100%
11. Majesty	100%
12. Golden Pride	0%

Trident Control 11/12 Boats = 92%

UNISEA

1. Aurora	0%
2. Auriga	0%
3. Sea Dawn	0%
4. Gun-Mar	0%
5. Alsea	0%
6. Argo-Sea	0%
7. Alyeska (smaller fleet)	49%
8. Nordic Star	0%
9. Starfish	0%
10. Starlight	0%
11. Starward	0%
12. Defender	49%
13. American Eagle	0%

Total 2/13 Boats Owned = 15%

WESTWARD

1. Chelsea K	25%
2. Pacific Prince	0%
3. Caitlin Anne	0%
4. Progress	0%
5. Viking	25%
6. Pacific Knight	100%
7. Fierce Allegiance	25%
8. Westward I	25%
9. Titan (Alaskan Command)	25%

ALYESKA

1. Sea Wolfe	100%
2. Destination	49%
3. Great Pacific	100%
4. Royal American	0%
5. Morning Star	100% ≈ 5%
6. Bering Rose	100%
7. Alaska Rose	100%

TOTAL 6/7 Boats = 86% Owned/Controlled

NORTHERN VICTOR

1. Storm Petrel	0%
2. Commodore	0%
3. Lisa Melinda	0%
4. Pacific Monarch	0%
5. Royal Atlantic	0%
6. Arctic Wind	30%
7. Poseidon	50%

Total N. Victor 2/7 = 28%

TYSON

1. Arctic I	100%
2. Arctic II	100%
3. Arctic III	100%
4. Arctic IV	100%

Total Tyson 4/4 = 100%

Bering Sea Fleet Total

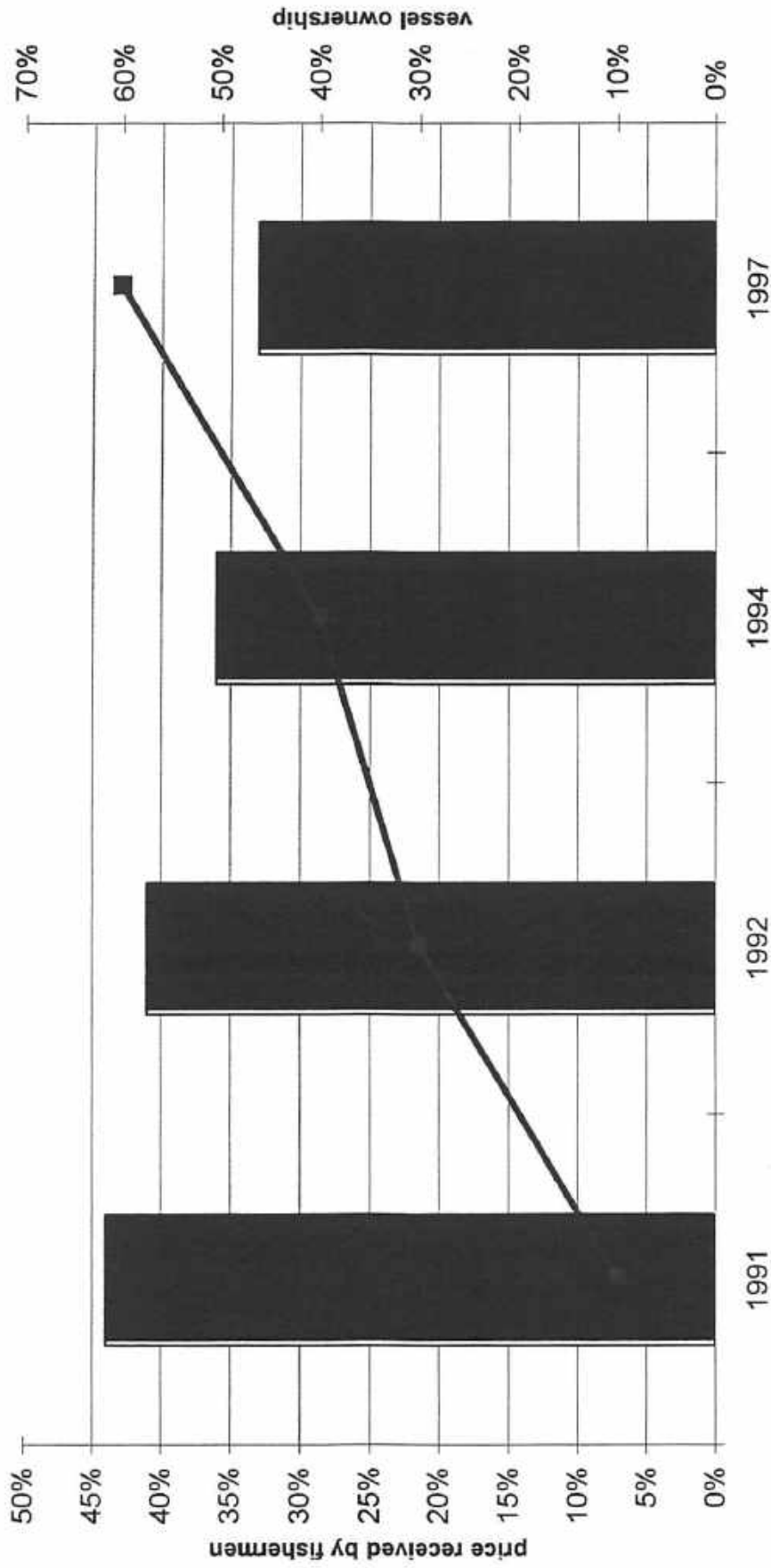
Independent Boats = 21 (40%)

Owned in Part or Full = 31 (60%)

Total = 52

Total Westward = 6/9 = 67%

Pollock Catcher Boats Losing Independence As Fish Price Plummetts



Price paid to fishermen by shoreplants as % of value of goods produced FOB Dutch Harbor
 % of catcher vessel ownership partly/fully held by purchasing processor

DAVE FRASER
C-1

American Independent Fishermen Redux
A Coalition of At-Sea Sellers of Pollock

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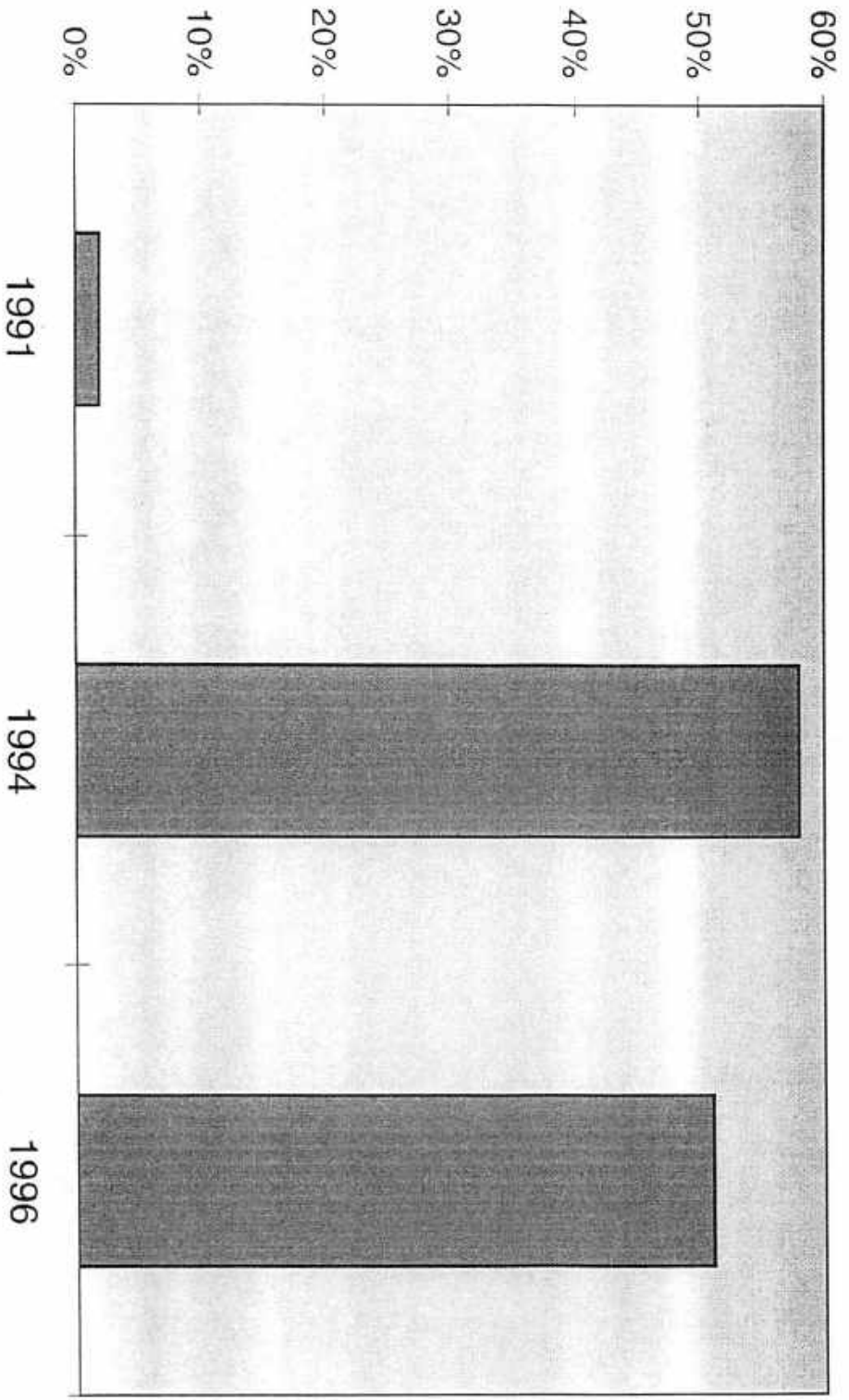
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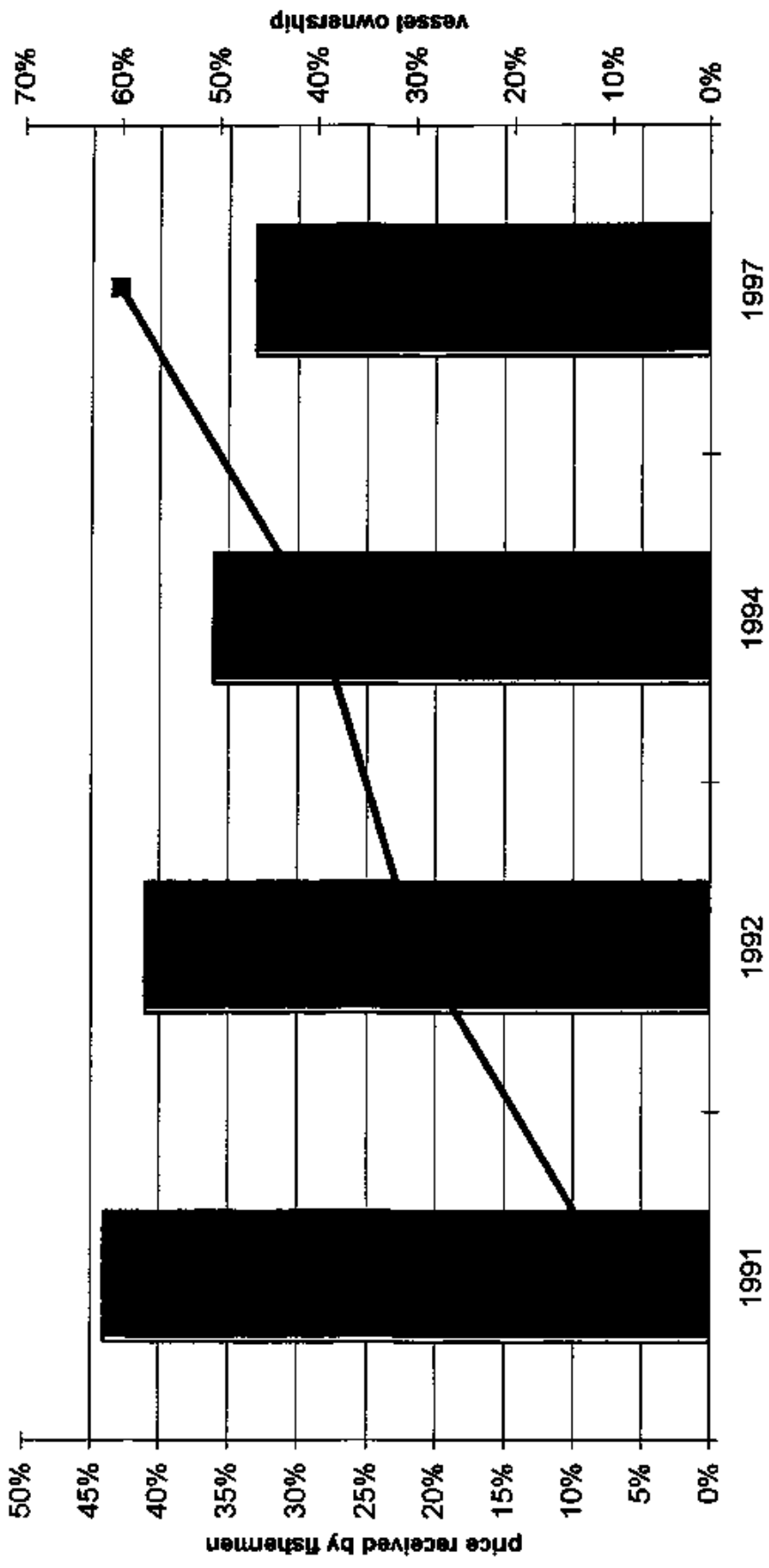
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Price paid to fishermen by shoreplants as % of value of goods produced FOB Dutch Harbor
 % of catcher vessel ownership partly/fully held by purchasing processor



The
Groundswell Movement

P.O. Box 19257
Seattle, WA 98109 U.S.A.
Msg.Tel. (206) 282-3680

North Pacific Fishery Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Thursday, September 25, 1997

Re: C-1 Inshore-Offshore 3 (Pollock Allocations) at 129th Plenary Session

Dear Council Members:

“It is unconscionable for the Council to consider any increased allocations to the onshore pollock industry segment until the effects of abusive, global tax practices and the outcome of the *Alakayak* (Bristol Bay) antitrust action are fully known. To do otherwise would be to completely cast aside the public’s right to the greatest benefit possible from North Pacific fisheries. It would be to favor Japanese multinational corporations at the expense of the U.S. taxpayer.”

The U.S. taxpaying public did not insist on a national resource price for fish caught in the public waters within our Exclusive Economic Zones. Instead, through the ‘spirit and intent’ of the Magnuson Fisheries Conservation and Management Act, they essentially established both processors and harvesters in ‘a marriage of economic proxies’ to stand in for the taxpaying public’s rights to financial benefits from these bountiful national treasures. Tax revenues, jobs, and the multiplier effects of economic revenues retained in the U.S. stand as the public’s compensation.

Today, our industry is suffering under the effects of foreign-ownership problems, not the least of which are abusive global accounting practices. I conservatively estimate that over \$200 million per year is bled away from the tax coffers and state economies of the U.S. as foreign-owned multinational corporations disregard U.S. laws with such impunity that it brings great shame on the Council and the entire system of fisheries policy and management enforcement.

During 1997, based in part on my efforts, the Internal Revenue Service established a Seattle based **Seafood Specialties Group** to continue looking into transfer pricing problems in the North Pacific seafood industry. Most significant, as the IRS seems to have also concluded, is the problem of Japanese owned plants in Alaska. The Washington State Board of Accountancy still has a case pending on the role of CPAs in such accounting practices, as well.

Back in June of 1995, I advised the Council about the effects of international taxation tactics known as "abusive" Transfer Pricing. Senatorial news releases outlined that 73% of 35,318 foreign controlled corporations doing business in the U.S. during 1991, paid no federal income taxes on sales of \$359 billion. U.S. controlled firms also avoid taxes in cross-border transactions by using transfer pricing strategies. [Reference the General Accounting Office International Taxation report (GAO 95-101) entitled "Transfer Pricing and Information on Nonpayment of Tax" prepared upon the request of the House Ways and Means Tax Oversight Committee. See attached news article, as well.]

A layman's term for such inbound and outbound trade which uses global tax avoidance strategies of "milking-off profits" and "loading-in expenses" is **PRODUCT LAUNDERING**. Abusive transfer pricing is the leading tax concern for the Global 1,000 and world governments, today. The problem of foreign firms repatriating profits through the use of transfer pricing was predicted in a 1979 report on "Foreign Investment in the U.S. Fishing Industry" by professors Jeremiah Sullivan and Per Heggelund. Clearly, it should receive great attention by the NPFMC in evaluating the economic effects of major fisheries policies like pollock allocations.

As the Council is also aware, there is the ongoing, industry-shaking Bristol Bay Sockeye Salmon Antitrust Lawsuit. Lawyers from that class action case advised the plaintiffs in a September 11, 1997 letter responding to processor letter campaigns (proclaiming their innocence) that:

"First, it is illegal not only for competitors to agree on the precise amount of money to pay for your fish, it is also illegal for competitors to reach any kind of understanding or agreement among themselves to lower prices, even if there is no agreement on a specific price. Second, when the processors tell you that they did not fix prices, they know that we are not free to disclose to you most of the evidence that we have discovered. The defendants have prevented [this] by obtaining from the Court a 'protective order' that prohibits us from disclosing to any fishers any documents or testimony [simply designated by them as] 'confidential'. [Third] Please do not be fooled. When defendants tell you to 'oppose' the suit or to opt out, keep in mind that their financial interests in your opt out decisions are diametrically opposed to your interest. Defendants have a financial interest in minimizing the amount of damages they will pay if found liable at trial, by reducing the numbers of fishers who are seeking to recover damages as class members." and "We have obtained documents showing that major processors and others have had conversations with other processors concerning the grounds prices paid in Bristol Bay. These documents include statements from the Chief Executive Officers of several processors, who admit talking with their competitors about prices." — Mr. Frederick Furth

Please help erase this *alternative essence of management* of U.S. fisheries from that which was promised under the Magnuson Fisheries Act. I recommend that the Council do that by *rising above gear type issues, going beyond a focus on species, and getting around onshore/offshore disputes* until such time as the detrimental effects of abusive tax practices and investment-level effects by foreign-owned entities across our industry are fully examined. Likewise, MFCMA amendments should include enforcement policies to guard against such abuse.

Thank you for your attentions.

Stephen R. Taufen - *in the vortex of public opinion*

Founder of the Groundswell movement ... where a wave of public opinion rises to recapture over \$200 million each year in the U.S. North Pacific fishing industry.



Transfer Pricing Affects Fish Catch and Sales Prices

North Pacific fishermen wonder why fish prices seldom seem linked to final market prices. And in recent years, the increased strength of the yen has not translated to higher grounds prices, in most species. You may have asked, "How do these large gaps occur and who really ends up with the profits? Are other forces at work?"

Japanese ownership of U.S. processors and investments in the fishing industry are increasingly suspect as an anti-competitive force. After all, Japan is the leading consumer of much of Alaska's seafood products. Suspicion runs high that U.S. managers are often under some type of foreign "directive and control" when it comes to setting fish prices paid to processors or even fishermen.

The majority of our North Pacific seafood goes to Japan through a layer of importers who are scantily distinct from the multinational enterprises (MNEs) who parent the many foreign-controlled corporations to where fishermen deliver the lion's share of the catch. In some cases, the vertical integration runs from the grounds to the final retailers in Japan's markets.

The ongoing Bristol Bay salmon price-fixing lawsuit reflects these concerns. Likewise, there are loud echos in the hallways of the inshore-offshore pollock allocation debate from voices which gasp at Japan-led requests for a greater shoreside percentage.

Underlying competitive concerns, by offshore firms who may not be foreign-owned, is the commonly shared concern by independent harvesters over their delivery price to all processors.

An Alaska State economist, Mr. Gunnar Knapp of the Salmon Market Information Service stated in 1994, that "There is nothing written that says prices paid to fishermen need to be fair." Is Mr. Knapp correct?

Well, the U.S. has had tax laws on the books for many years regarding international transactions between related affiliates of a MNE, or similar cross-border transactions.

These "intrafirm transfers" are

covered under Internal Revenue Service Tax Code section 482 — known as **Transfer Pricing**. Since the 1930's, the IRS has watched over such opportunities for "milking off profits" without paying a fair share of U.S. taxes. Today, these actions are often called "product laundering."

Transfer pricing (TP) is a complex issue of great magnitude. It is the leading tax issue for international business. Let's see if we can define it and show how it influences fish prices.

A 'transfer price' is the price charged by one company to a related company, whenever they allocate income and expenses among themselves.

At issue in U.S. fisheries is the price which an affiliate charges for resources obtained and processed in the U.S., then transferred as products to its overseas parent. On the other hand are expenses the foreign parent charges to the U.S. subsidiary for management services, technical know-how, equipment costs, labor or other services provided. The latter can be "loaded-in costs" which may bear no relationship to the actual factors underlying the production requirements themselves. Such expenses and royalties are a large object of scrutiny by tax authorities.

"TP policies sometimes reflect competitive dynamics set by default or in line with competition, cost and profit objectives to promote the efficiency of the seller, or resource allocations decisions... [for] extra resources needed on the value-added end of production," according to John Fraedrich and Connie Rae Bateman in a 1996 article entitled "*Transfer Pricing by Multinational Marketers: Risky Business*".

However, the underlying concern is often taxes and where to pay them. Transfer pricing decisions are made daily within multinational corporations for both tangible and intangible outputs in "intrafirm exchanges" among their affiliates or subsidiaries. **The bottom line at IRS is whether or not the U.S. company properly reflects income attributable to its operations within the**

U.S., or whether its foreign parent is using pricing strategies to avoid higher effective U.S. taxes.

A tragic feature in today's world of globalization, is that many CPAs are now earning a large part of their income, at a harm to the U.S., by showing these MNEs the "tricks of the transfer pricing trade", while holding public licenses requiring standards of "honesty and integrity". Often using dollars already "milked-off", MNEs simply use such CPAs, and tax attorneys, to fight off IRS inquiries.

IRS international exam powers are based on the concept of whether or not such 'controlled transfers' take place under the same market influences as uncontrolled transactions between separate firms responding to normal market forces. That is, "**Are prices determined 'at arm's length' to clearly reflect the income of any such organization?**"

Under section 482 rules, the IRS can simply reallocate the "correct" level of profits to the U.S. side, but it seldom recaptures the full amount of taxes unpaid. Meanwhile, the net-of-tax revenues also remain overseas. Such outbound shifts are a real concern for economists, since they bleed away the revenues which, through multiplier effects, are key drivers of economic health, and underlie a lack of jobs.

In the Alaska seafood industry, we can ask if a foreign parent company is "milking profits" away from its U.S. subsidiary by Abusive Transfer Pricing. ATP is where prices and costs are clearly set arbitrarily to satisfy global tax strategies rather than the true, underlying economic circumstances.

At the least, this means the U.S. processor has less cash when it comes to setting prices paid to U.S. fishermen.

Allowing abusive transfer pricing is like cutting the legs off of our fish price bargaining table before we even sit down at it to negotiate.

As the IRS pursues U.S. businesses who send our national resources overseas, an underlying concept is the

establishment of a "fair and economically justified price" for those resources. The cost of fish landings is a key component of the price for U.S. seafood.

So — to counter Mr. Knapp's assessment — the fairness of fish prices IS directly tied to whether or not transfer prices were indeed fairly determined or "abused" U.S. tax laws.

The IRS has established a Seafood Specialty Group in the Seattle office to begin the investigation of many foreign owned firms on matters of transfer pricing and whether or not there were abusive transfers. The National Marine Fisheries Service first approached the IRS on this matter in 1989. The author has also pressed hard for IRS scrutiny, particularly of Japanese-owned firms.

It can be criminal to deliberately scheme to deny the U.S. of its tax share. However, as a rule, the cases are usually handled under civil examination where the burden of proof lies on the taxpayer to convince tax authorities that it has used "basic arm's length standards". Consequently, the closest thing to an international standard method of evaluating cross-border transactions is known as a "*comparable uncontrolled price*" (which also applies to cost transaction values) — i.e., the CUP (or CUT) method.

A leading concern for fish harvesters, as the parties work out agreements in tax audits of MNEs, will be the possible establishments of "advance pricing agreements" (APAs). APAs address IRS section 482 issues where the taxpayer works out a formula or basis for the transfer prices of various transactions and allowable practices, to establish in advance how its financial transactions will be viewed.

"Who is representing U.S. fishermen during APA-setting, and putting the legs back on the bargaining table for fish prices?" Also, "Who is representing the U.S. when it comes to the original Magnuson Fishery Conservation and Management Act's (MFCMA) 'spirit and intent' of *Americanization* — as defined by the highest overall taxable profits from our fisheries — to obtain the greatest overall benefits for our nation?"

After all, the U.S. decided not to

charge a national resource price for the fish caught in its Exclusionary Economic Zones (200-mile limits). Instead, a decision was made that two economic sectors — harvesters and processors — would 'marry' as the economic proxies to the rights of U.S. citizens for fishery worth.

The main economic artery created by that decision was to be the creation of income driving forces through revenues created by value-added processing in the U.S. The underlying rewards for citizens were tax contributions and domestic jobs. This squarely places ATP concerns among the most important issues in the entire industry.

Clearly, the balance of these proxy rights is the most basic and primary concern for policy making in the industry. There is an obvious need for proper evaluation of transfer pricing activities. Indeed, nowhere in this APA process is there a provision for third-party rights such as those of the fishermen to receive their portion in "an economically fair and justified price."

This quirk in the law could turn out to be an 'open door' to tax abuse that was, in part, closed by the reluctance of the IRS to act eight years ago on this issue.

In many species, catch prices are cascading, denying the harvesting sector its rightful rewards. For that reason alone, the entire record of the Bristol Bay antitrust suit should be made public, and not protected by lawyer tricks of "confidentiality orders." That is an outright contempt of the American taxpayer's rights to know.

Similarly, the failure to have open disclosure of all foreign lobbying dollars and activities on our North Pacific Fisheries Management Council (NPFMC) is a national disgrace. This body has great responsibility to U.S. citizens and taxpayers.

The MFCMA should be changed to deny foreign "agents of influence" from surreptitiously operating under the mask of U.S. faces on our public agencies or during any testimony. The Act should also require the full disclosure of all financial documents and transfer pricing criteria to U.S. authorities, under strengthened guidelines.

Likewise, there should be a return

to the Council of leading concerns, in what *Groundswell* calls a "rising above gear issues, getting around onshore & offshore allocations, and going beyond a focus on species."

Minor issues have distracted us from examining the truth of foreign ownership, exposing ATP, and following up on MFCMA with the second generation legislation needed to truly obtain the maximum economic benefit from U.S. fisheries for the nation. We have forsaken alternative markets, welcomed a broken price mechanism, and created severed bonds between independent harvesters and processors who serve foreign interests.

Only if we are armed with the economic facts can correct policy result. This will not be attained by employing typical neo-classical economists. Rather, start with a review of the history of the 'banana republics' of Central America, and "the grain merchants", or other agricultural examples.

Then, understand and apply the new paradigms of "competitive advantages within industry-segments", and toss out the old notion of "comparative factor advantages" and the incorrect theory of "free trade between nations."

The global tax strategies of MNEs can readily prevent U.S. subsidiaries from paying for national resources at values reflecting fair market prices.

ATP strategies can keep currency rate changes and market forces from influencing your fish price. So, as fishermen, you must become increasingly concerned and educate yourselves on the modern complexities of how these tax and trade issues work together against you.

It is important that you communicate your concern [even bear witness] to the IRS, as they are your key enforcement resource — and you've already paid for it.

Stephen Taufen of the Groundswell movement. P.O. Box 19257; Seattle, WA 98109. Address your APA concerns directly to: IRS Seafood Group; Mailstop W137, Room 2348; 915 Second Ave.; Seattle, WA 98174.

Gale K. Vick
dba GKV & Sons and GKV & Associates
P.O. Box 220221 , Anchorage, Alaska 99522-0221
907-248-4264

REPORT TO
THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL
on behalf of the
AT SEA PROCESSORS ASSOCIATION
on the
BERING SEA COMMERCIAL FISHERIES DEVELOPMENT FOUNDATION
HIRING PROGRAM SYNOPSIS
September 1997

My name is Gale Vick and I am a 30-year Alaskan resident with a long history in employment and training in many industries including the fishing industry. I am an independent human and natural resources research and development consultant. I also commercially fish in Prince William Sound.

I am submitting this report to the North Pacific Fishery Management Council on behalf of the At-Sea Processors Association based on the time period that I contracted with the Bering Sea Commercial Fisheries Development Foundation (BSCFDF.)

This testimony is specific to 1991-1993 - the time I was under contract to the BSCFDF- and, like almost all my previous employment experience, emphasizes one very essential issue; employment for Alaskans.

To me this is the single most essential issue. Employment means much more than institutions, or corporate taxes paid, or quota shares. Good paying jobs put money directly into the hands of people, not bureaucrats. Employment that is interesting and rewarding, boosts self-esteem, and provides upward mobility and long-term economic stability is never to be taken for granted in communities which have experienced unemployment rates as high as 85%. Employment is *the* most important factor to Alaskans, an importance too often overlooked or underestimated.

I was hired in March of 1991 by the American Factory Trawler Association (AFTA) to conduct a feasibility study for developing an Alaskan training and hiring program. This was preparatory to the formation of the Bering Sea Commercial Fisheries Development Foundation (BSCFDF) an organization solely funded by the American Factory Trawler companies and consisting of a board that was comprised of three AFTA members and six non-AFTA related prominent Alaskans. This board included:

Johne Binkley, Chair, (business owner and former Alaskan legislator) Fairbanks
Harvey Sameulson, Western Alaska Commercial Fishermans Assn, Dillingham
Tim Towarak, Unalakleet (now Special Assistant to Governor Knowles)
Dr. John White, Bethel (now Chair of the Alaska Board of Fish)
Ed Crane, President, CFAB Bank
Mark Snigeroff, President, Atka Fishermen's Association
Stan Simonson, President, Golden Age Fisheries
Bob Morgan, Board of Directors, Ocean Trawl Fisheries
Ed Luttrell, President, Arctic King Fisheries

BSCFDF was originally designed by Paul MacGregor and others of AFTA as a way of getting the off-shore fleet more directly involved in the Alaskan economy. It was a unique concept. BSCFDF was remarkably successful in meeting its goals of encouraging fisheries employment in Western Alaskan villages due to one specific reason - BSCFDF was an organization *financed* by the off-shore fleet but *managed* by Alaskans and committed to the concept of maximizing hire.

This is a program that worked well and has continued to work in various forms through the CDQ's. Although it is a program also offered to shoreside operations, it works best in the offshore fleet because:

- People, especially from remote communities, like the seasonal employment it provides fitting in well with subsistence lifestyles
- People can make 3-4 times as much money on offshore boats than in shoreside plants
- Off shore companies usually provide 800 numbers and mail-in or in-person application procedures, and often provide "point of hire" at home village
- There is an emphasis on inter-acting directly with elders, with tribal councils and other community members to help identify qualified applicants.
- There is emphasis on follow-up, continued training and upward mobility

BSCFDF provided financial and organizational support to the emerging CDQ's. The BSCFDF training and employment program was basically a *blueprint* for the CDQ training and hiring programs. It provided the sociological framework for the concept that the Western Alaskan hires *were not just for CDQ fishing seasons only*. Hires and re-hires and upgrades were meant to be across-the-board, cross-company, cross-region, cross-season - so that Western Alaskans were fully integrated into the general hiring system. The CDQs adopted the employment and training model that the BSCFDF had developed and expanded on it, resulting in thousands of jobs and millions of dollars being infused into the Western Alaska economy since 1992.

The accomplishments of the BSCFDF and its contributions to the CDQ program *and to the general Alaskan work force* has largely been ignored by the Alaskan press, the Alaskan legislature and the North Pacific Fishery Management Council. However, my personal extensive background in Alaskan employment and training has taught me what works and what doesn't.

I could easily see even back in 1992 that there were more opportunities in the off-shore fleet, but even the most recent 1997 CDQ report from the Alaska Department of Community and Regional Affairs states:

"There appears to be a substantial wage differential between each sector, with greater earning opportunities to CDQ residents in the offshore sector. The wages paid in the inshore plants are often barely above minimum wage, although overtime opportunities are available. Often, residents of a community where a plant is located do not participate in the employment opportunities these plants provide due to the high cost of living in rural Alaska. Many consider the wages unable to meet their needs and prefer to find employment elsewhere. Therefore, a large part of the inshore plants' workforce is imported from other communities, states, or nations."

From January of 1992 through May of 1993, 181 people were placed in training at the Alaska Vocational Technical Center (AVTEC) in Seward, at an average cost of \$2,500¹ per student. In that time period ² 140 trainees graduated and were placed in employment. In addition to the trainees, there were many more "direct hires" - people with prior fishing experience who did not go

¹ This does not include the salary and expenses of BSCFDF personnel and contractors

² There were many subsequent training sessions sponsored by CDQ's using the BSCFDF model

through a training program but did go through an extensive selection process. Their experience was usually fishing in small boats close to home shores, but it translated into good working habits. The Foundation continued to be responsible for placements through Pollock -A of 1994, at which time, the BSCFDF employment and training program was discontinued in favor of developing CDQ programs.

This was a very aggressive hiring program, doing what was necessary to encourage and assist companies in hiring and working with companies on their expectations for employees. The safety training at Seward was just one step in providing a basis for employment, interaction with various company representatives, and camaraderie among the graduates. It emphasized safety, zero-tolerance, shipboard requirements, basic trawl operations, among others.

The BSCFDF maintained personal contact with all the trainees and most of the direct hires, a practice continued by the CDQ's. This is a very critical element in the success of the program. The BSCFDF provided a platform for communications. From owners down to personnel managers to front line factory managers, etc., to community elders and other leaders to experienced fishermen and real-greenhorn trainees, for the first time in Alaska's employment history, there was a way for multi-layers of management and layer and inter-active agencies to talk seriously about a plan of action. *Every* trainee who graduated from the BSCFDF training program was basically guaranteed a job by an agreement *among competitive companies*. Many graduates of the both training programs and hiring programs have worked steadily for the industry since their training, as early as 1991. Many went to work for their CDQ groups or have stayed with non-CDQ companies and have "gone up the ladder."

The following statistics reflect the employment and training that the Foundation conducted during those years. I want to emphasize that this data base is only as complete as the information supplied to me during this time period and is NOT meant to be a definitive resource as there are *likely many additional* hires that are not recorded here.

		# Trainees	# completers	
PILOT PROGRAM:	(1/2/92 - 1/7/92)	16	15	
TRAINING PROGRAM # 2	(4/22 - 5/1/92)	19	15	(PHOTO)
TRAINING PROGRAM # 3	(5/4-5/15/92)	21	18	
TRAINING PROGRAM # 4	(10/6 TO 10/16/92)	25	14	
TRAINING PROGRAM # 5	(12/9-12/19/92)	20	15	
TRAINING PROGRAM # 6	(1/5 - 1/15/93)	20	13	
TRAINING PROGRAM # 7	(3/2 -3/12, 1993)	20	16	
TRAINING PROGRAM # 8	(4/1-4/14, 1993)	20	14	
TRAINING PROGRAM # 9	(4/27-5/7, 1993)	20	20	
	TOTAL	181	140	

AVERAGE COST OF TRAINING PER STUDENT: \$2500.00

TOTAL NUMBER OF HIRES 1/92 - 5/93: 432 recorded³ (138 trainee hires vs. 294 direct hires.)

I encourage you to maintain the stability of the infrastructure currently existing in offshore sector employment by rolling over the current allocations for pollock in the Bering Sea.

Thank you.

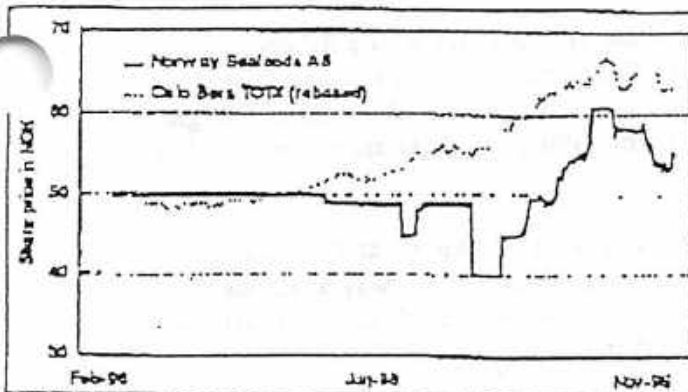
COMPANY Norway Seafoods AS

Glenn Reed
Strong Buy c-1

Business: Fisheries

Analyst: Jakobsen/Leivdal

Date: 01/04/97



Price of d. shares	(NOK):	55.50
Market cap.	(mil. NOK):	3,888.8
Share capital	(mil. NOK):	380.3
Par value per share	(NOK):	5.00
No. of shares outstanding	(1000):	70,082.6
Change this year	(%):	38.8
Change last month	(%):	(5.1)
Change last 6 months	(%):	11.0
Change last 12 months	(%):	-
Rel. TOTX last 6 months	(%-points):	(15.8)
Rel. TOTX last 12 months	(%-points):	-
High/low this year	(NOK):	61/45
High/Low last 12 month	(NOK):	61/40

KEY FINANCIAL FIGURES	2000E	1999E	1998E	1997E	1996	1995P	1994P	1993P
Operating revenues (mil. NOK):	6,900	6,800	6,500	6,780	3,395	2,533	785	619
Operating profit " :	950	885	446	300	(38)	284	87	90
Net profit " :	828	436	277	187	9	278	112	130
EPS (NOK):	8.9	6.2	4.0	2.9	0.1	4.1	1.8	-
Return on equity	23.2%	20.1%	15.3%	13.4%	0.8%	-	-	-
Share price	56.5	55.5	55.5	55.5	42.5	-	-	-
P/E	6.2	8.9	14.0	19.3	-	-	-	-

Norway Seafoods

Norway Seafoods represents one of the most exciting potential growth story in Norway. The company is position to grow shareholder value by 30-40% p.a. over the next 3-4 years:

- Norway Seafoods is the world's leading fisheries group. Its current profitability is based on its competitive fleet and unique resource base.
- The company's strategy is to secure control of the value chain through vertical integration.
 - The gains from incorporating the fishing, processing, marketing and distribution functions within one company structure are potentially huge.
 - Direct costs and overhead can be cut and production and distribution functions can be optimised.
 - The development of brands will strengthen Norway Seafoods' long-term position further.
 - Looking further forward, an integrated seafood producer will have unique resource base and competitive position, enabling it to continue to grow profitably.

The stock's current pricing (1998 P/E-multiple of 14x) is a direct result of Pareto bond's low commodity price assumptions. The price does however in no way reflect the company's unique growth potential. Management has a lot of work to do before the integrated structure is in place, however we are convinced that the key to success lies in the resource base. Norway Seafoods is therefore in a unique position.

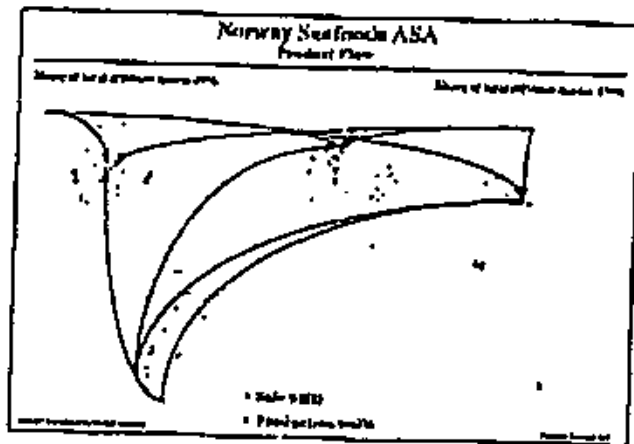
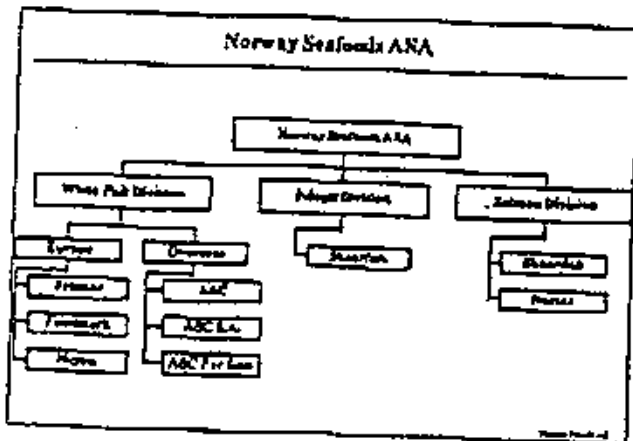
On the basis of our earnings estimates we expect the stock to grow by 40% p.a. over the next 3 years. Norway Seafoods has indicated that the integration process may take slightly longer, but even under this scenario we believe that investors can look for an outstanding return (30% p.a. over 4 years). This indicates to us that the upside potential is significant relative to the risk.

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Company History

Norway Seafoods ASA was established in December 1994 as a holding company for RGI's fishery activities. The company was formed to restructure and develop the fishing business into an international seafood company based in Norway. The company consists of three divisions: White Fish Division, Pelagic Division and Salmon Division, with operations all over the world. The fishing activities are concentrated in four areas: Norway, Alaska, South America and Russia.

Norway Seafoods controls 31 vessels; 15 vessels operate in North America, 10 in Russia and 5 in South America. In addition, 1 vessel is engaged in crab fishing outside the coast of Africa. Norway Seafoods also owns 8 production units located in Europe (5), USA (2), and Thailand (1). Norway Seafoods' sales offices are located in Europe (8), North America (2), Japan (1), Thailand (1) and Australia (1).



American Seafoods Company (ASC) was founded in 1987, and is today one of the world's leading producers of white-fish. ASC controls 31 vessels, and can be expected to catch 250,000 metric tonnes of fish in 1997, with a market value of approximately NOKm 2,839. ASC has fishery operations in three parts of the world, and is therefore geographically diversified. Today, ASC controls 49% of the total Alaskan 'quota' of Alaskan Pollock, and 19% of the Russian Alaskan Pollock quota. Other important species include Southern Blue Whiting, Hoki, Hake, Chilean Sea Bass, and Cod.

In 1995, Norway Seafoods acquired the Skarfish Group. Skarfish was RGI's first move into the Norwegian fishing industry. Skarfish processes and sells pelagic fish and salmon from four plants in Western Norway. The company has traditionally recorded high operating revenues but relatively low margins.

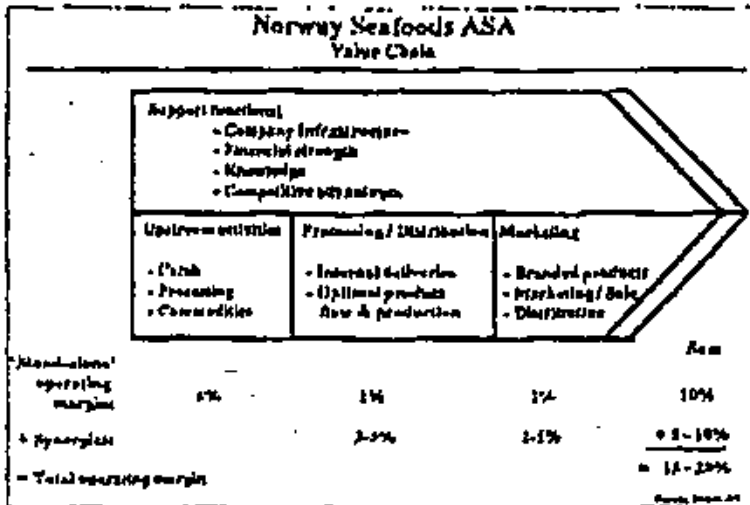
Melbu Fiskeindustri (70%) and Fondmark Holding were acquired in 1996. Melbu is situated in Norway. The company is positioned in several segments of the value chain. Fondmark Holding is based in Denmark, and processes, distributes and sells white fish. Both companies have had relatively weak operational performances in recent years.

Norway Seafoods acquired 33.2% of Frionor in August 1996, and a further 51% from Orkla in December 1996. Norway Seafoods paid NOKm 564 in shares for the 84% of Frionor. In December 1996, Norway Seafoods and Frionor decided to merge. The merger will be effective as of 1 January 1997.

Frionor is one of the few Norwegian brand names established outside Norway. The company sells branded products in over 30 different geographic markets. The main markets include USA and Scandinavia.

Margin potential

The biggest gain from vertical integration is, in our opinion, the potential for improved overall margins due to lower costs throughout the value chain. As a fully integrated player, Pareto Foods believes that Norway Seafoods should be able to target a total operating margin of 15-20%.



Upstream Activities

The stand-alone operating margin from the 'upstream activities' has been estimated on the basis of ASC's historical figures. ASC's operating margin (based on finished product prices) has been very volatile, but the average operating margin, adjusted for bareboat hire, has been approximately 6%.

Processing

We have estimated the stand-alone operating margin from the 'processing / distribution' segments on the basis of the historical figures in Skaarfisk. The operations of Skaarfisk have been characterised by a low degree of value-adding activities. Historically Skaarfisk has had an average operating margin of about 2%.

Distribution/Marketing

We have put the 'stand-alone' margin from distribution and marketing at approximately 2%. Frionor has performed badly in recent years, and has recorded an historical operating margin of about 2.5%. Larger volumes through the system would have given an operating margin of 4-5%.

Potential synergies for an integrated player

Synergies within the processing businesses can be realised through:

- Reduced direct costs
- Optimal processing of the fish on the vessels
- Larger volume will lower unit costs.
- Enhanced logistics from vessels to production units

Synergies in the marketing / distribution segments can be realised through:

- More optimal use of the production units
- Larger volume will lower unit costs.
- Enhanced logistics from production units to consumer

The integration process therefore represents a significant potential for improved profitability. This potential is however not open to everyone. The key to success is the resource base. Norway Seafoods is therefore in a unique position.

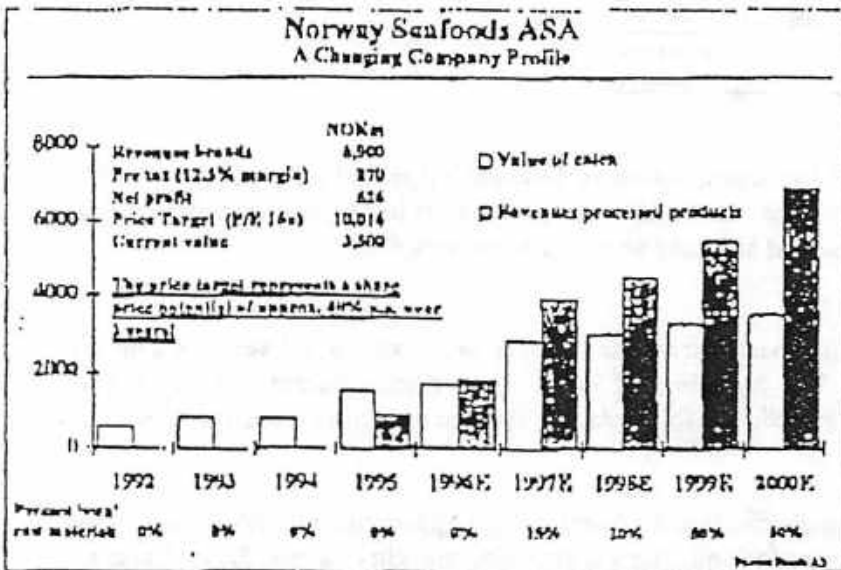
Share Price Potential: 30-40% p.a. over the next 3-4 years

Earnings potential: NOKm 600-650 by the year 2000 - 2001

Norway Seafood's potential can be identified by looking at the profit the company could generate when the new company structure is firmly established. As mentioned earlier, we expect that a growing share of their own catch of fish will be processed through their own production units. We have assumed that 80% of the raw materials controlled by Norway Seafoods will be delivered internally by the year 2000. In this way, 80% of Norway Seafood's raw material resources will be taken through the whole value chain.

On the assumption that 80% of Norway Seafood's raw material base is processed in-house and sold as consumer products, we have estimated that Norway Seafood's could sell processed products for about NOK 6.9 bn. p.a. by the end of the century. The company should be able to finance its growth through cash flow.

We indicated earlier that the margin potential is 15 - 20%. We have based our calculations on significantly lower margins (pre tax margin of 12.5%) as we expect margin improvement to take time, especially on the marketing side. Despite this, we calculate that Norway Seafood could still generate a net profit of NOKm 626 on revenues of NOK 6.9 bn. in the year 2000.



Are our estimates too aggressive?

Norway Seafoods has indicated that the integration process will take time, and that our earnings target for the year 2000 may not be reached before 2001-2002. As indicated below, this "down-side" is incorporated into our recommendation, as investors will still receive an outstanding return even in this scenario.

Pricing Potential: 3x current capitalisation in 3 year's time

If Norway Seafood's strategy is successful, the company will have changed profile from a producer of commodities to a fully integrated food producer. Norway Seafoods will then be priced at a significantly higher P/E. Assuming a moderate P/E-multiple of 16x, the market value of the equity could be over NOK 10 bn. in 3-4 year's time, against NOK 3.5 bn. currently. This indicates an upside of 200% over the next 3-4 years, or 30-40% per year. If it takes 5 years, the growth potential is approximately 25% p.a.

Investors should realise that Norway Seafood's management have a lot of work to do before their goal of creating the world's leading fully-integrated seafood producer is in place. On the other hand, Parcto Fonds believes that the key to success is the resource base. Norway Seafoods is therefore in a very interesting position. The upside potential is therefore significant relative to the risk.

**NORTH PACIFIC
FISHERY
MANAGEMENT
COUNCIL**

ADDRESSED BY

**DALE SMITH
RURAL RECRUITER**

FALL MEETING SEPTEMBER 1997

Address to The North Pacific Fishery Management Council

1) Why WSI?

- CDQ Program Interest
- Opportunity for Employment
- Support for Employment

2) My Role

- Creating Recruiting Material
- Traveling and Recruiting Throughout Rural (CVFC)
- Assisting Dutch Harbor HR, Liaison Between Alaskan Employees and WSI
- Leadership Team Committee Member (CVFC)
- Established WSI Committee

3) My Vision

- More Employees From CVFC Region
- All Apprenticeship Positions Filled
- CVFC Employees Complete Contracts
- More Alaskans, Other CDQ Regions and Throughout Alaska

ADDRESS TO THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL

1) WHY WSI?

- **CDQ Program Interest**
 - ▶ Senior Project - wrote a report on the CDQ Program
 - ▶ Benefits to CDQ communities; money, skills, scholarships, loans
- **Opportunity for Employment**
 - ▶ Job posting, applied and was selected
 - ▶ Able to work with diverse workforce
 - ▶ Knowledge of HR and ability to converse with people
- **Support for Employment**
 - ▶ Supporting individuals from Alaska being hired for WSI
 - ▶ Supporting Apprenticeship program

2) MY ROLE

- **Creating Recruiting Material**
 - ▶ Brochures, Picture Boards, and WSI Logo
 - ▶ Job posting to all Coastal Villages Fishing Cooperative (CVFC) villages (apprenticeship positions), vocational centers throughout Alaska
- **Traveling and Recruiting Throughout the Rural (CVFC)**
 - ▶ Travel to all 17 CVFC villages and Bethel Job Service (Regional Hub)
 - ▶ Traveled to Fairbanks; Tanana Valley State Fair
 - ▶ Established connections with other CDQ groups, non-profits entities
 - ▶ Will be soliciting throughout universities and vocational centers

- ▶ **Attending the Alaska Federation of Natives (AFN) Conference**
- **Assisting Dutch Harbor HR, liaison between Alaska employees and WSI**
 - ▶ Paperwork, filing, interaction with employees
 - ▶ Interact w/Alaska employees
- **Member of the Leadership Team Committee (CVFC)**
 - ▶ Meet every 6 weeks
 - ▶ Discuss employment opportunities within the fishing industry for individuals from CVFC Region
- **Established the WSI Committee**
 - ▶ Established May of 1997
 - ▶ Committee members from each department
 - ▶ Issues regarding Alaska employees

3) MY VISION

- **More employees from CVFC Region**
 - ▶ Processor positions available
 - ▶ Able to "Grow with Company"
- **All Apprenticeship Positions Filled**
 - ▶ Three positions available
 - ▶ Recruiting from universities, colleges, vocational centers
- **All CVFC Employees Complete Contracts**
 - ▶ Provide "steam-house" (proposed)
 - ▶ Provide native food for Native Alaskans (proposed)
- **More Alaskans, Different CDQ Regions and Throughout Alaska**
 - ▶ Continued recruiting throughout Alaska

SEP-11-1997 14:56
Joe Plesha
C1

We, the following catcher vessel operators and crew, strongly support an increase in the percentage of pollock allocated to the inshore sector of the industry. Fishing communities throughout Oregon, Washington and Alaska are dependent upon the inshore pollock fishery and utilization of pollock by the inshore sector of the industry assures that the amount of food produced from this National resource is maximized.

We urge the North Pacific Fishery Management Council to go forward with an analysis of an inshore/offshore allocation which contains a substantial increase in the percentage of Bering Sea pollock which is allocated to the inshore sector of the industry.

Name	Vessel	Residence
<u>Brod Crisp</u>	<u>Blue Fox</u>	<u>Newport OR</u>
<u>Ernest Alexander</u>	<u>Dona Paulita</u>	<u>Scotts Valley, CA</u>
<u>DAVID Osburn</u>	<u>F/V Columbia</u>	<u>Gearhart, Or</u>
<u>DANIEL CLARK</u>	<u>F/V COLUMBIA</u>	<u>MOLALLA, OR.</u>
<u>Brian M. Hagan</u>	<u>F/V MISS BERDIE</u>	<u>Newport, OR.</u>
<u>Doug Sheppard</u>	<u>F/V FLYING CLOUD</u>	<u>MILL CREEK, WA.</u>
<u>Jake Brownie</u>	<u>F/V FLYING CLOUD</u>	<u>FOX IS., WA.</u>
<u>Toni Tameia</u>	<u>COLUMBIA</u>	<u>BIALLARD WA</u>

OVER
↓

We, the following catcher vessel operators and crew, strongly support an increase in the percentage of pollock allocated to the inshore sector of the industry. Fishing communities throughout Oregon, Washington and Alaska are dependent upon the inshore pollock fishery and utilization of pollock by the inshore sector of the industry assures that the amount of food produced from this National resource is maximized.

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Name	Vessel	Residence
<u>William McLathoy</u>	<u>Doña Paulita</u>	<u>Wa.</u>
<u>Mark George</u>	<u>DOÑA PAULITA</u>	<u>WA.</u>
<u>Judith Seck</u>	<u>DOÑA PAULITA</u>	<u>WA</u>
<u>Gary W. Doren</u>	<u>F/V Golden Dawn</u>	<u>OR</u>
<u>Jay Stedman</u>	<u>F/V Golden Dawn</u>	<u>WA.</u>
<u>Randy DeVold</u>	<u>F/V Golden Dawn</u>	<u>WA.</u>
<u>Paul Cole</u>	<u>F/V Golden Dawn</u>	<u>WA.</u>
<u>Tim Hovden</u>	<u>F/V Golden Sun</u>	<u>OR.</u>

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Name	Vessel	Residence
<u>Norman Babka</u>	<u>Aldebaran</u>	<u>Oregon</u>
<u>Craig Jensen</u>	<u>Dominator</u>	<u>WA</u>
<u>Steve Rozewski</u>	<u>Ms Amy</u>	<u>Oregon</u>
<u>Steve Beard</u>	<u>Golden Pisces</u>	<u>Oregon</u>
<u>Shawn Sullivan</u>	<u>ARCTURUS</u>	<u>WA</u>
<u>Phil Shu</u>	<u>ARcturus</u>	<u>WA</u>
<u>Richard A. Clark</u>	<u>Columbia</u>	<u>OR</u>
<u>Wes Froyd</u>	<u>1/2 FLYING CLOUD</u>	<u>WA</u>

We, the following catcher vessel operators and crew, strongly support an increase in the percentage of pollock allocated to the inshore sector of the industry. Fishing communities throughout Oregon, Washington and Alaska are dependent upon the inshore pollock fishery and utilization of pollock by the inshore sector of the industry assures that the amount of food produced from this National resource is maximized.

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Name	Vessel	Residence
<u>ROBERT SMITH</u>	<u>owner/Raven, Snawna</u>	<u>Newport, OR.</u>
<u>DAVID RICHCREEK</u>	<u>Captain/crew RAVEN</u>	<u>Newport OR</u>
<u>CORY VANCE</u>	<u>crew/Raven</u>	<u>Siletz, OR.</u>
<u>THOMAS LUDWIG</u>	<u>CREW/RAVEN</u>	<u>NEWPORT, OR</u>
<u>Harold McCall</u>	<u>Perseverance</u>	<u>Newport, OR</u>
<u>Scott W. Price</u>	<u>crew Perseverance</u>	<u>Sequim WA</u>
<u>Bruce Van Dyke</u>	<u>crew Perseverance</u>	<u>Newport OR.</u>
<u>Chris G. Lewis</u>	<u>Captain/Predator</u>	<u>NEW OR</u>

6

We, the following catcher vessel operators and crew, strongly support an increase in the percentage of pollock allocated to the inshore sector of the industry. Fishing communities throughout Oregon, Washington and Alaska are dependent upon the inshore pollock fishery and utilization of pollock by the inshore sector of the industry assures that the amount of food produced from this National resource is maximized.

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Name	Vessel	Residence
<u>Ron Keiser</u>	<u>Pacific Ram</u>	<u>Oregon</u>
<u>Doc Manow</u>	<u>Pacific Ram</u>	<u>Oregon</u>
<u>MEM'S</u>	<u>BLUE FOX</u>	<u>OREGON</u>
<u>Hank Keatta</u>	<u>Blue Fox</u>	<u>Oregon</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Name	Vessel	Residence
<u>Jack Hankin</u>	<u>F/V Pegasus</u>	<u>WA</u>
<u>KEVIN L. DUNN</u>	<u>F/V Pegasus</u>	<u>OR</u>
<u>Ron Walker</u>	<u>F/V Pegasus</u>	<u>WA</u>
<u>Bryan Netto</u>	<u>F/V Pegasus</u>	<u>OR</u>
<u>Dave Saff</u>	<u>F/V Lisa Melinda</u>	<u>OR</u>
<u>J. Meyer</u>	<u>F/V SEEKER</u>	<u>OR</u>
<u>John Lamata</u>	<u>F/V Hadel</u>	<u>Blain WA</u>
<u>J.R. MARCHAND</u>	<u>FV MS Amy</u>	<u>OR</u>
<u>Aaron Morse</u>	<u>FV MS Amy</u>	<u>OR</u>
<u>CRAIG BOLTON</u>	<u>F/V MS. AMY</u>	<u>OR.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

We, the following catcher vessel operators and crew, strongly support an increase in the percentage of pollock allocated to the inshore sector of the industry. Fishing communities throughout Oregon, Washington and Alaska are dependent upon the inshore pollock fishery and utilization of pollock by the inshore sector of the industry assures that the amount of food produced from this National resource is maximized.

We urge the North Pacific Fishery Management Council to go forward with an analysis of an inshore/offshore allocation which contains a substantial increase in the percentage of Bering Sea pollock which is allocated to the inshore sector of the industry.

Name	Vessel	Residence
<u>Ed French</u>	<u>Messiah</u>	<u>Toledo, OR</u>
<u>Tom Stan</u>	<u>Miss Berdie</u>	<u>Siletz, OR</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
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We urge the North Pacific Fishery Management Council to go forward with an analysis of an inshore/offshore allocation which contains a substantial increase in the percentage of Bering Sea pollock which is allocated to the inshore sector of the industry.

Name	Vessel	Residence
<u>Ugo Johannessen</u>	<u>F/V Storm Petrel</u>	<u>Wa.</u>
<u>Ed. Svedsen</u>	<u>F/V Pasaden</u>	<u>NV</u>
<u>[Signature]</u>	<u>F/V Pasaden</u>	<u>NV</u>
<u>Jeff Mason</u>	<u>F/V Royal American</u>	<u>Wa.</u>
<u>[Signature]</u>	<u>F/V Commodore</u>	<u>WA</u>
<u>Dan Martin</u>	<u>F/V Commodore</u>	<u>NV</u>
<u>[Signature]</u>	<u>f/v. ROYAL ATLANTIC</u>	<u>WA.</u>
<u>Joas E. Jacobs</u>	<u>f/v Royal American</u>	<u>WA.</u>



KAWERAK, INC.

P.O. BOX 948 • NOME, ALASKA 99782

TELEPHONE: (907) 443-8231 • FAX: (907) 443-3708

SERVING THE VILLAGES OF:

- BARVING MISSION
- COUNCIL
- DIGHEDE
- ELIM
- GAMBELL
- GOLVIN
- KING ISLAND
- KOVUK
- MARYS GLOO
- NOME
- SANDONGA
- SHANTOOK
- SHISHMAROF
- SOLOMON
- STEBBINS
- ST. MICHAEL
- TULLER
- UNALAKLEET
- WALES
- WHITE MOUNTAIN

Resolution

#97-06

Whereas, the current inshore/offshore allocation of pollock in the Bering Sea has been in place since 1992; and

Whereas, the current allocation system has resulted in a strong and healthy pollock CDQ program; and

Whereas, the current inshore/offshore sectors of the Bering Sea has provided a measure of stability in the industry and between the two sectors since 1992; and

Whereas, the inshore/offshore sectors of the Bering Sea pollock industry are in a state of balance under the current inshore/offshore allocation system; and

Whereas, the current allocation system ensures a healthy product mix and a diversity of markets for Bering Sea pollock products; and

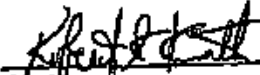
Whereas, the current allocation system maintains a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, thereby enhancing the inherent value of the Bering Sea pollock resource; and

Whereas, Western Alaskan communities depend on the employment and economic made possible through their involvement with both the CDQ and non CDQ operations of at-sea processors; and


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

Therefore be it resolved: that Kawerak Inc., endorses:

1. A continuation of the Bering Sea/Aleutian Islands pollock CDQ program on a permanent basis; and
2. A roll-over of the current inshore/offshore allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other groundfish species.



 Chairman



 Secretary

Passed this 17th day of September, 1997 at a duly convened meeting of the Kawerak Board of Directors.

JEFFREY D. CURRIER
BOROUGH MANAGER

P.O. Box 189
NAKNEK, ALASKA 99633



c-1
TELEPHONE
(907) 246-4224
FAX
(907) 246-6633

Bristol Bay Borough

NAKNEK, SOUTH NAKNEK, AND KING SALMON, ALASKA

Resolution 97-23

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

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

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

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

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

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

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

Therefore be it resolved that Bristol Bay Borough endorses:

1. A continuation of the Bering Sea/ Aleutian Islands pollock CDQ program on a permanent basis; and
2. An extension of the current Bering Sea/ Aleutian Islands and Gulf of Alaskan inshore/ offshore pollock allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other groundfish species.

ATTEST:

Betty J. Borin
Borough Clerk

IN WITNESS WHEREOF

[Signature]
Assembly President

C-1

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

Resolution 97- 09
by
Executive Committee

Onshore / Offshore resolution

- WHEREAS: Western Alaskan communities depend on both the employment and economic development made possible through their involvement with both the CDQ and non-CDQ pollock operations of the Bering Sea; and
- WHEREAS: by maintaining a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, the current allocation of 65% offshore and 35% onshore enhances and inherent value of the Bering Sea pollock resource and of pollock CDQ's; and
- WHEREAS: shifting pollock quota from the offshore sector to the onshore sector would adversely affect the competitive market for and value of Bering Sea pollock and pollock CDQ; and
- WHEREAS: offshore sector jobs are aboard vessels that pay a good living wage, maintain a "zero tolerance" drug and alcohol-free environment and permit Alaskans to maintain their participation in traditional subsistence activities, and are therefore highly preferred over onshore jobs by Western Alaskans; and
- WHEREAS: the current pollock allocation system provides a stable source of jobs and other economic opportunities for Western Alaskan fishermen and fishery-dependent communities in the Bering Sea pollock fishery; and
- WHEREAS: shifting pollock quota from the offshore sector to the onshore sector would result in a substantial loss of pollock fishery employment opportunities preferred by Western Alaskans.

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

Signed: *Donald J. Nelson*
President

CERTIFICATION:

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

Signed: *Margie Nelson*
Secretary

BRISTOL BAY NATIVE ASSOCIATION

Bristol Bay Region to be Possibly Devastated by Effects of Welfare Reform Compounded by a Crash in the Bristol Bay Fisheries

Introduction

A. Description of the Bristol Bay Native Association

The Bristol Bay Native Association (BBNA) is the regional Native non-profit organization serving the Bristol Bay region of Alaska by acting upon the requirements of the Alaska Native Claims Settlement Act and supporting the concept of the Indian Self-Determination Act. The Bristol Bay Native Association is a service agency dedicated to the betterment of the Native people of the Bristol Bay region.

BBNA is governed by a Board of Directors consisting of representatives from each of the 30 villages which it serves and 6 at-large representatives. The full board meets twice yearly and is ultimately responsible for the services provided by BBNA and for assuring compliance with all applicable laws. An Executive Committee, composed of ten board members elected from the full BBNA board, meets about eight times per year to provide continuing direction to BBNA management and staff.

Mr. Terry Hoeffler, Chief Executive Officer, leads a staff of 58 and a field staff of 197, in addition to JTPA Summer Youth employees. BBNA is comprised of Administration, Accounting, Higher Education, Employment & Training, Village Public Safety Officer, Elderly Services, Economic Development, Legal, Tribal Government Services, Vocational Rehabilitation, Fisheries, Social Services, Head Start, Realty and Natural Resources Departments.

B. Description of Region / Population Demographics

The Bristol Bay region is located in southwest Alaska. Its regional boundaries under the Alaska Native Claims Settlement Act (ANCSA) extend about 350 miles north to south, and about 230 miles east to west, and cover about 40,000 square miles, the size of the state of Ohio.

Three of Alaska's major ethnic Native groups - Yup'ik Eskimos, Athabascan Indians, and Aleuts live in the region.

The 1990 U.S. Census has tabulated 6,972 residents in the area. The Alaska Native population makes up about 4,639 residents, or 66% of the total population. There are three separate census divisions. The Bristol Bay Borough Census Area includes the communities of King Salmon, Naknek, and South Naknek. The Dillingham Census Area includes nine villages, and the Lake and Peninsula Borough Census Area includes 17 villages. About 4,700 of BBNA's members live in the region, and another 2,000 members reside most of the year in Anchorage.

C. Natural Resources and Economy

The vast majority of the Bristol Bay region's land remains undeveloped, with subsistence hunting and gathering activities being the primary land use. Most of the region's land mass is moist tundra, with stunted cottonwood, willows, and spruce trees scattered throughout.

Commercial fishing and subsistence are the primary economic activities in the Bristol Bay region. During the off fishing season, unemployment levels increase to more than 55% in many villages. Smaller communities have few other employment alternatives. Full time employment is generally limited to the schools and community / government service. The salmon season lasts three months (late May through July), and the annual fluctuations of the salmon runs and salmon prices play a major part in the economic condition of these communities. Other economic activities include cottage Native arts and crafts, and trapping for beaver, land otter, mink, lynx, fox, and marten. The crafts market remains good, but the market for furs has collapsed and no longer contributes very much to the local economy.

Since 1975, when Alaska's Limited Entry Program was established for the commercial salmon fishery, the Bristol Bay area has experienced a net loss of 313 limited entry salmon permits owned by area residents. A total of 1,325 resident permits were originally issued, and 952 permits currently remain in the region, so a total of 24% of all resident permits have left the region since 1975. This loss represents a significant part of the region's traditional economy.

When a salmon permit leaves the area, two or three crew member jobs are also lost. Consequently, over time, as many as 700 local crew member jobs are no longer available. "Outside" permit holders (persons from the lower 48 contiguous United States who have purchased Bristol Bay commercial salmon permits) who participate in the salmon fishery generally hire their own out-of-region crew members.

Despite having the world's largest sockeye salmon fishery, according to the 1990 U.S. Census Bureau, 27.5% of the region's Native population live below the poverty level.

According to the 1997 Bristol Bay Regional Survey conducted by the University of Alaska Fairbanks Bristol Bay Campus, salmon fishing crew members who held no other job earned, on average, a household income of \$16,235. Permit holders who held no other job earned on average, a household income of \$23,181, and boat owners who held no job other than fishing earned on average \$29,187. The figure reported is household income and does include supplementary income from other adults in the house and should not be misunderstood as what fishermen earn. Actual earnings from fishing alone are significantly lower, according to the 1997 survey results from the 30 villages of Bristol Bay. The majority of crewmembers make less than \$10,000 a year; moreover, the majority of salmon permit holders and boat owners make less than \$20,000 a year from

fishing.

The income of these fishing families does not go very far when you consider the high cost of living in the Bristol Bay region. There are no roads connecting the thirty villages of Bristol Bay, and all non-subsistence food and grocery items must either be flown in by commercial air cargo service or barged in over-water from Seattle.

The University of Alaska Fairbanks surveyed nineteen communities state-wide, and the results were compiled in the December of 1996 to determine the cost of food at home for a week in Alaska. Of the nineteen communities, the Bristol Bay community of Dillingham ranked the third highest in its cost of food relative to urban Anchorage, Alaska's prices. The same groceries that cost a family of 4 living in Anchorage \$83.34 a week cost \$139.55 in Dillingham to feed a family of 4. This is not hard to imagine when it costs over \$5 for a gallon of milk and over \$2 for a loaf of bread in Dillingham.

A. A Review of Needs Particular to the Bristol Bay Region

The State of Alaska began implementing its TANF program, the Alaska Temporary Assistance Program (ATAP), on July 1, 1997. The welfare time limit clock has started ticking on Bristol Bay families. Our people will be struggling with considerably more barriers to self-sufficiency than any other welfare recipient living in the urban areas of Alaska or perhaps even in the entire United States. As stated earlier, the thirty tribes of the Bristol Bay region of Alaska are spread over a geographic area of 40,000 square miles, roughly the size of the State of Ohio, without any infrastructure of connecting roads.

The Alaska Division of Public Assistance has not hired or based even one eligibility technician in Bristol Bay in over 18 years. The Alaska Department of Labor has taken cuts recently and closed our State Employment Service office in the hub village of Dillingham for several months. The Alaska Employment Service Office in Dillingham was then re-opened in Spring of 1997 on a part-time basis only. The same office historically never had any travel budget to deliver services to any of the outlying 29 villages. A villager had to fly in over a hundred miles to register for work with Job Service since there is no infrastructure of roads connecting the villages of Bristol Bay, which is quite a financial hardship on someone who's dependent on either an AFDC check or unemployment benefits from seasonal work.

There has never been a real State presence in Bristol Bay for the Alaska Department of Community and Regional Affairs' At-Risk and Transitional Child Care Program. A review of their case load in Bristol Bay for FY 96 showed only two families were signed up for transitional child care services. We learned that even these two families had to wait for a turn-around time of six weeks between when they applied for

child care and when they actually were determined eligible and processed for services by Anchorage-based case workers. It is inconceivable that the working poor trying to transition off of welfare would have to wait six weeks for child care to maintain their new employment. This is a real lack of access to transitional child care services when the State's FY 94 AFDC caseload report for Alaska Native adults on AFDC from Bristol Bay counts 263 Native Adult recipients.

Our people have suffered from a devastating lack of State social services provision for decades. A needs assessment conducted by the management of the Bristol Bay Native Association reveals the following:

- No local access to at-risk and transitional child care services in Bristol Bay.
- No local access to Alaska Division of Public Assistance Eligibility Technicians or Workforce Development Specialists in all of Bristol Bay.
- No local access to Child Support Enforcement counseling to work out payment plans for the benefit of Bristol Bay children and families.
- No local access to full-time Alaska Department of Labor Employment Service functions in Bristol Bay.
- No local access to State of Alaska Child Care Registry Services or supportive child care food programs in Bristol Bay.
- No regional coordination of TANF / ATAP services for families in Bristol Bay.
- No integration of State support services and training so people can work in Bristol Bay.
- No infrastructure in place for Community Work Service for welfare recipients where there are no jobs.
- No local access to State work supplementation or On-the-Job Training programs.
- No State-delivered consumer education in Bristol Bay on available state and federal Work Incentives such as the Earned Income Tax Credit, subsidized child care, retention of Medicaid benefits, etc. for parents transitioning off of TANF benefits.
- No supportive services in place for job coaching and other employment retention programs for newly hired parents to prevent work attrition and a return to TANF benefit dependency.
- No local provision of counseling and self-sufficiency plan development and case management services to ATAP / TANF recipients in Bristol Bay.

B. Welfare Reform Effects to be Compounded by the Impending Crash of the Bristol Bay Salmon Fisheries

With only the Wood River section nearing its minimum escapement goal and most major river systems in Bristol Bay in danger of neither meeting minimum escapement goals nor allowing for any productive commercial fishing time to protect stocks, residents of these Bristol Bay fishing communities are bracing for what could be the most devastating Bay-wide fishing disaster in decades.

According to the long-time Dillingham Superintendent for Peter Pan Seafoods, Norman Van Vactor, if the fishing season continues failing to produce as it has as of July 11, 1997, Bristol Bay communities will be in the worst possible shape they've been in for many years.

Van Vactor said that most Bristol Bay drift gillnetters incur an average of \$20,000 in pre-season debt before they even get their nets wet. These pre-season expenses include the costs for nets, boat repairs, engine repairs and replacements, etc.

As of July 11, 1997, Van Vactor said the average Bristol Bay salmon vessel has only put in 12 to 17,000 lbs of fish. If this fish is valued at 50 Cents a pound, then Van Vactor said the vessel has only grossed about \$8,500, and they haven't even paid their crews yet.

Van Vactor said Fishing Companies in addition to Bristol Bay fishing families may need some major relief if the season continues its slide into what could be one of the worst Bay-wide fishing disasters on record. Van Vactor said Peter Pan could be left holding the bag for a couple of million dollars easily from this fishing season.

In normal years, there is not a collapse on more than one river system in Bristol Bay. This ordinarily enables fishing companies to assist families in the fall from a bad season by fronting them some money to get through the winter. However, with a Bay-wide system not producing, Van Vactor said fishing companies just won't be in a position to help. Moreover, Van Vactor is afraid the companies themselves may be in danger of needing some type of government relief.

C-1



CITY OF SAINT PAUL

P.O. BOX 901
SAINT PAUL ISLAND, ALASKA
99560-0901
(907) 546-2331
FAX (907) 546-3188

RESOLUTION 97-12

A RESOLUTION SUPPORTING THE POLLOCK CDQ PROGRAM AND THE CURRENT INSHORE/OFFSHORE ALLOCATION.

WHEREAS the current inshore/offshore allocation of pollock in the Bering Sea has been in place since 1992; and

WHEREAS the current allocation system has resulted in a strong and healthy pollock CDQ program; and

WHEREAS the current inshore/offshore allocation of pollock in the Bering Sea has provided a measure of stability in the industry and between the two sectors since 1992; and

WHEREAS the current allocation system ensures a healthy product mix and a diversity of markets for Bering Sea pollock products; and

WHEREAS the current allocation system maintains a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, thereby enhancing the inherent value of the Bering Sea pollock resource; and

WHEREAS rural Alaskan communities depend on the employment and economic development made possible through their involvement with both CDQ and non-CDQ operations of at-sea processors; and

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

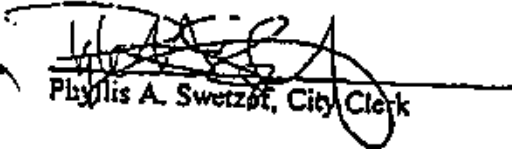
NOW THEREFORE BE IT RESOLVED THAT the Council of the City of Saint Paul hereby endorses

1. A continuation of the Bering Sea pollock CDQ program on a permanent basis;
2. A roll-over of the current inshore/offshore allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other groundfish species.

PASSED, APPROVED AND ADOPTED BY A MAJORITY VOTE OF THE COUNCIL OF THE CITY OF SAINT PAUL THIS 15th DAY OF AUGUST, 1997.

ATTEST:


Myron Melovidov, Vice-Mayor


Phyllis A. Swetzel, City Clerk

C-1

RESOLUTION

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

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

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

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

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

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

IT IS RESOLVED that city of clark point endorses:

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

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

Thomas R. Anderson
Mayor

Jing Wassil
Deputy Clerk

Western Alaska Fisheries
Development Association
310 K St. Suite 200 • Anchorage AK 99501
(907) 264-6610 ph. (907) 264-6633 fax

September 26, 1997

Richard Lauber, Chairman
North Pacific Fishery Management Council
605 West 4th Ave. Suite 306
Anchorage AK 99501

Dear Mr. Chairman,

The six CDQ groups represented by WAFDA have reviewed the proposed rule implementing the expanded Multi-Species CDQ Program for groundfish and crab published August 15 in the Federal Register. We are attaching a copy of a condensed version of our oral testimony for your information and questions. If you would like a copy of the full comments package, please let me know.

We apologize for not getting this information to you sooner, but are sure you appreciate the complexity of this rule and the time it takes to arrive at a consensus with all the groups and partners involved. We completed and submitted our comments to the National Marine Fisheries Service on Monday, September 21st.

We have grouped our concerns under the following headings:

CDQ Specific Prohibitions

Jan. 1 - 20 Trawl Flatfish Closure

Early Harvests on Interim Specifications

No overage allowance

Limiting non-target, low commercial value bycatch species

Prohibition on combining IFQs with CDQs and CDQs with CDQs

CDQ and PSQ Transfers

Halibut Grid Sorting

Weighing and Catch Estimation

At-sea scale requirement

Permits- pre-approval

Catch Estimation Alternatives and Plans

Observer Issues

Observer Sampling Station

Observer Coverage

Two observers on all catcher processors, regardless of size or gear

Higher observer coverage requirements than IFQ on catcher boats <124'

One size fits all observer work rules

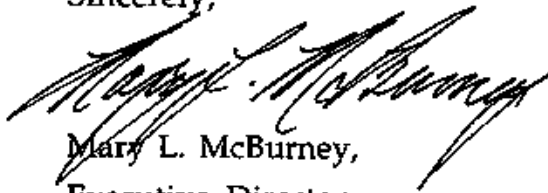
Flexibility Issues - Halibut Skiff Fisheries

Check-in / Check-out reports

Catch Monitoring Requirements

Thank you for this opportunity to express our concerns.

Sincerely,



Mary L. McBurney,
Executive Director

**Comments on Draft Amendments to 50 CFR Part 679
Submitted by the Western Alaska Fisheries Development
Association**

A. CDQ Specific Prohibitions

1. Jan. 1 - 20 Trawl Flatfish Closure

The general closure to fishing for groundfish with trawl gear in the BSAI during the period of January 1-20 of each calendar year (at §679.23(c) is extended to CDQ operations by reference. The general closure of the open access fishery is justified by conservation measures for chinook bycatch in the pollock fishery. It was extended to all trawl fisheries to block crossover of pollock vessels to other trawl fisheries.

Recommendation—

We recommend an exemption for the non-pollock trawl CDQ fisheries from this closure. The fisheries likely to be prosecuted at this time are primarily for flatfish which have negligible salmon bycatch, and there is no danger of crossover in a quota fishery.

2. Early Harvests Based on Interim Specifications

The policy of allowing harvests based on interim specifications is carried over to the expanded CDQ program. The proposed regulations authorize a 25 percent harvest of the initial TAC and prohibited species allowance for all non-pollock species until the final specifications are approved by NMFS in consultation with the Council. Currently, NMFS allows 45 percent of the pollock TAC (the A season fishery) to be taken based on initial specifications, and this is also extended to the CDQ pollock fishery.

Recommendation—

We recommend that the regulations give greater consideration to seasonal harvesting requirements of the non-pollock trawl fisheries, and not restrict the harvest in the early months of each year to an arbitrary 25 percent level. In some cases the level may need to be increased to fully utilize the

quotas. The NPFMC should be given the frameworked authority to allow up to 50% of the interim TAC (except for pollock and existing IFQ species) to be harvested before specifications are final when:

- there is very little possibility that the final specifications will reduce the TAC more than 50 percent from the initial TAC and
- a 25 percent allowance would impose a significant and otherwise unnecessary restriction on the CDQ operations.
- If the final specifications reduce the TAC more than 50 percent, the NMFS Regional Director should have the authority to reduce the percentage based on the final specifications by emergency order.

3. No overage allowance

This section would prohibit a CDQ group from exceeding a CDQ or halibut PSQ. We understand the need to ensure that CDQ harvests do not exceed the allocation. Managing harvests to fall within a quota is an important part of fishery management. This proposed regulation, however, ignores the reality that innocent and inadvertent overages do occur. The agency and the Secretary have already recognized the need to provide some flexibility in quota management by approving over and under regulations for the halibut and sablefish IFQ program. The prohibition on exceeding a CDQ allocation is far more strict than the open access and IFQ allocation requirements. The CDQ groups deserve similar flexibility or they will always fall short of their allocation or be in violation of the regulations.

Recommendation—

We propose that the regulations be modified to provide CDQ groups with an overage allowance that mirrors the IFQ procedure for target species—any overages would be deducted from the group's following year's allocation. We do not propose an underage provision that would allow carryover of unfished allocation from one year to the next. However, if the agency wishes to add that provision, we have no objection. The primary focus

is on securing the flexibility for CDQ groups to reasonably harvest their allocations without being forced to forego harvest or become criminals.

4. Limiting quotas of low commercial value bycatch species

NMFS has attempted to provide some flexibility by proposing a “non-specific reserve” for arrowtooth flounder, squid and ‘other species,’ but this approach is inadequate in situations where the TACs for bycatch species don’t coincide with actual harvests and fishing strategies. For example, the ‘other species’ TAC is not normally reached in the open access fisheries since a large percentage of the cod is taken with trawl gear, which has a lower incidence of skate bycatch. Most CDQ cod, on the other hand, will be taken with longlines in order to lower halibut bycatch, but longlines result in higher skate bycatch.

Recommendation—

To address the bycatch species problem, we recommend that the regulations provide NMFS with a “frameworked” authority in the annual specifications process to list species which become PSC when a CDQ is reached — as is the norm in the open access fisheries — rather than shutting down a fishery. The initial list should include squid, arrowtooth flounder and ‘other species,’ all of which are bycatch species with little or no commercial value. The Regional Director's authority to prescribe management measures if an overfishing level is being approached should also apply in this case.

5. Prohibition on combining IFQs / CDQs and CDQs / CDQs

These subparts would prohibit catcher processors and observed catcher vessels from combining quota from more than one CDQ group, or combining the catch of CDQ and IFQ in the same haul or set. Catcher vessels would be prohibited from having CDQ and non-CDQ fish on board with the exception that longliners could have CDQ and IFQ fish on board.

The IFQ regulations currently allow observed CDQ vessels and catcher/ processors to fish IFQ and CDQ on the same set, allowing halibut to

be retained as IFQ to reduce halibut mortality. The proposed regulation would prohibit current practice and increase halibut waste. It would also contradict the existing IFQ management plan which requires retention of halibut and sablefish if a CDQ group has unharvested IFQ.

The prohibition on harvesting more than one CDQ group's quota in a single haul or set is likewise a potential complication for groups seeking to optimize harvesting efficiency. Without the ability to combine quotas on a single vessel and potentially harvest more than one quota on a haul or set, managing small quotas will be made more difficult. This proposed regulation would also prohibit current practice.

Recommendation—

This is a data recording problem, not an enforcement or management problem. Observer catch estimates will be used to enforce CDQs after the fact, not at sea. The observers could report any mixed CDQ/IFQ fishery as a CDQ harvest. It would then be up to the CDQ groups to document their IFQs and report the catch as appropriate—either as IFQ catch to the RAM division or as CDQ catch. If more than one CDQ is fished in the same haul or set, it could be recorded to one CDQ group and sorted out later by group. The amounts involved are likely to be very small.

6. Limits on CDQ and PSQ Transfers

This subpart governs the transfer of CDQ and PSQ allocations among CDQ groups, requiring a substantial amendment for the transfer of more than 10 percent of a CDQ, or any quota allocation. Technical amendments are required for less than 10 percent of an annual CDQ. No PSQs or PSQ allocations can be transferred without a proportional amount of CDQ. Any type of PSQ change requires a substantial amendment, and PSQ amendments can only be filed January 1-31. Approved changes of PSQ become effective for that calendar year upon approval by NMFS. Approved changes for PSQ allocations do not become effective until January 1 of the year following.

Recommendation—

We recommend that the 10 percent cutoff for technical amendments on CDQ transfers be extended to allow transfers under a set tonnage using the technical amendment process regardless of the percentage of allocation affected. We suggest that transfers of 25 mt of CDQ or 10 percent of the allocation, whichever is greater, should be allowed with a technical amendment. This should greatly reduce the number of substantial amendments needed to rationalize the small TAC fisheries.

Finally, we request that NMFS allow up to five percent of CDQs to be traded after the fact in the event one group has a small overage and can trade it to another group with an equivalent surplus. This would not result in the overall CDQ being exceeded, but could limit the number of enforcement actions necessary for small overages while allowing a higher percentage of the quotas to be taken.

7. Halibut Grid Sorting

CDQ groups are individually accountable for their bycatch and have every incentive to minimize halibut mortality. Generally their operations also have a higher level of observer coverage than the open access fleet. It would be preferable to minimize halibut mortality through a grid sorting mechanism if the objections to the original proposal can be overcome. Alternative methodologies such as halibut excluders in the midbody of the net can also be used, but may conflict with other objectives such as minimizing cod and pollock bycatch in flatfish fisheries through use of separator panels or other gear modifications.

Recommendation—

Allow the use of halibut grid sorting in CDQ operations provided that the IPHC and observer program requirements can be met.

B. Weighing and Catch Estimation

1. Catch Weight Measurement

While we support use of at-sea scales for weighing at-sea, we cannot support implementation of these provisions until certifiable at-sea scales are proven to be effective.

Recommendation—

NMFS needs to provide for an exemption to the requirement if at-sea scales do not prove to be reliable. The regulations should authorize volumetrics as a fallback or secondary source of measurement until such time as scales are proven effective.

2. CDQ Permits- pre-approval process

NMFS proposes a CDQ vessel permit and inspection to verify compliance with the proposed regulations, particularly the availability of a certified scale and observer sampling station contained in § 679.28. This proposal poses potential hardship if a company undertakes modifying a vessel in order to meet the new requirements only to have them disapproved upon inspection.

Recommendation—

We recommend that NMFS adopt a “pre-approval” process in cases where vessel modifications are required.

3. Catch Estimation Alternatives and Plans

The proposed regulations require that a group’s CDP identify the methods or source of data used to estimate catch weight of CDQ and PSQ for each vessel and processor. The subpart also specifies the minimum requirements for catch estimation and verification of CDQ and PSQ catch. These requirements include use of the CDQ observer’s estimate, reports of weight or numbers of species on ADF&G fish tickets and other sampling techniques, depending on the size and type of vessel. It also allows for an alternative method to be proposed that would increase sample size and

number, and if approved, that would become binding. The apparent objective is to increase the accuracy and reliability of the catch weight estimation. We note that in shore plants, company personnel do the sorting monitored by an observer, while on catcher processors, the observer does all the sampling, including sorting.

Recommendation—

If a CDQ group proposes an alternative sampling methodology and it is approved, there is no recourse to the standard method without filing a technical amendment. That means in the event that the alternative methodology does not work out or a critical piece of equipment fails, fishing must stop until the amendment is approved. This would require the CDQ group to process and submit paperwork to the State which would then be passed on to NMFS.

We suggest that NMFS give CDQ groups the ability to fall back to NMFS standard procedure upon filing a letter of notification to the State with a copy to NMFS if an alternative, higher sampling frequency plan approved by NMFS is attempted, but for some reason does not work out. We further recommend that a fax transmission from a vessel be considered sufficient notification.

We also request that at least one set or haul per shift be at least partial haul sampled for the catch of prohibited species by the observers of catcher/processors. We further request that the regulations authorize vessel crew members to assist the observer in his sampling or other catch estimation technique, when appropriate and requested.

C. Observer Issues

1. Observer Sampling Station Size

The size of the observer sampling station described in this subpart may be excessive given the limited space available on most multi-species trawl and longline vessels. Many CDQ vessels will be unable to comply with this requirement.

Recommendation—

We suggest that a 4 ft. x 6 ft. workspace should be adequate for observer stations.

2. Observer Coverage

Two observers on all catcher processors, regardless of size or gear

The draft regulations require two observers on any catcher-processor of any length. This one-size-fits-all rule fails to take into consideration the differences between vessels and gear types.

On certain vessels, particularly small fixed gear catcher-processors, it will not be possible to have two observers since there is insufficient room. Accordingly, one result of this regulation will be to limit the size and type of catcher-processor vessels CDQ groups can use. This may force CDQ groups to cease using smaller longline catcher-processors for their sablefish CDQ. The additional cost is another unnecessary burden on CDQ longline catcher-processors since these boats harvest fish one at a time. This is a very different situation from the large tows associated with trawl catcher-processors.

Recommendation—

We propose that the regulations provide the Regional Director with the flexibility to require that fixed gear catcher-processors carry two observers if deemed appropriate given the particular operation. Otherwise, fixed gear catcher-processors would be required to carry only one observer.

Higher observer coverage requirements than for IFQs on catcher boats <124'

This subpart requires all catcher vessels in excess of 60 feet LOA, except a catcher vessel that only delivers unsorted cod ends to a processor or another vessel, have at least one lead CDQ observer present at all times while CDQ is harvested.

Recommendation—

We recommend retention of the 30 percent observer coverage requirement for catcher vessels between 60 feet and 124 feet that participate in a directed fixed gear sablefish or halibut CDQ fishery. If there is a demonstrated need to require 100 percent observer coverage this rule should not go into effect until 1999, since the harvesting rules for the fixed gear halibut and sablefish fisheries in 1998 will remain the same as for 1995-97. During this period, vessels 6 >124 feet in length come under the 30 percent rule. To our knowledge, there are no proposals to require 100 percent observer coverage in these IFQ fisheries.

One size fits all observer work rules

This subpart limits observers to sampling three hauls in a 12-hour period, which in turn limits each vessel to three hauls in a 12-hour period. As proposed, this rule will cause operational problems with production and test tows in some fisheries. One of the goals of this program is bycatch reduction—limiting test tows will greatly increase the uncertainty of catch composition. Another objective is to increase the accuracy of catch composition estimation – limiting the number of tows sampled may work at cross purposes with that objective.

Recommendation—

We propose that a provision be added to exempt test tows from the three hauls in 12-hours limit and give the Regional Director the authority to increase the number of test tows sampled when appropriate for a given fishery.

D. Flexibility Issues - Halibut Skiff Fisheries

1. Check-in / Check-out

The proposed check-in/check-out process is cumbersome when applied to the many small skiffs and fishing vessels participating in the CDQ halibut fisheries. It also creates problems for CDQ groups with boats

participating in both the CDQ and IFQ halibut fisheries. Vessels that currently harvest both CDQ and IFQ halibut on the same trip would have to check-out of the CDQ fishery to catch IFQ halibut.

Recommendation—

We recommend that NMFS adopt a unified reporting procedure that would allow CDQ groups to a single check-in report for all vessels at the beginning of the halibut season. A second check-out report identifying all vessels that actually participated would be submitted by the group at season's end. Catch reports would provide a mechanism for checking participation on a weekly basis. Anyone fishing halibut during the season will be required to check in to provide for enforcement.

We have no objection to filing check-in/check-out reports in the other fisheries, but suggest that there be further clarification that a vessel's skipper can be authorized to act as an agent for a CDQ group in submitting the check-in/check-out reports, rather than complicating (and potentially delaying) the process by requiring vessels to communicate with NMFS through the relevant CDQ group.

Finally, we encourage a broad definition of "receipt" of check-in/check-out notification. We suggest that fax transmissions be authorized to come directly from vessels, with a copy to the CDQ group. "Receipt" verification would be achieved by a fax transmission confirmation report which would be printed out and retained by the sender.

2. Catch Monitoring Requirements

This subpart establishes monitoring requirements for vessels and processors, and generally eliminates the need for observers on catcher vessels less than 60 feet LOA so long as they retain all groundfish and halibut CDQ until it is delivered to a processor. All catcher processors and motherships must have all CDQ hauls or sets sampled by a CDQ observer. The regulations seem to both exempt trawl vessels delivering unsorted cod ends from

observer coverage, regardless of LOA, and also require all vessels larger than 125 feet to have observers.

Recommendation—

We suggest that unobserved halibut catcher vessels be exempted from the requirement to retain and deliver groundfish and PSC (except for Pacific cod and pollock as required by IR/IU). The amounts involved are trivial in the larger picture, but for very small vessels and processors, it creates potential hardship. The regulations should clearly exempt trawl vessels delivering unsorted cod ends from observer coverage, regardless of LOA.

Bering Sea Fishermen's Association
725 Christensen Dr.
Anchorage, Alaska 99501

September 25, 1997

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

LATE COMMENT

RE: BSAI Pollock Inshore - Offshore 3

Gentlemen and Gentlemen:

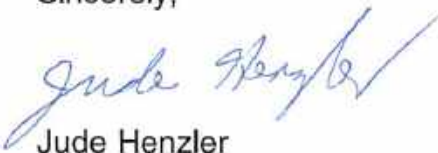
For your consideration in the Above-referenced issue:

To the extent that and in the event that ultimately more BSAI Pollock quota (more than 35%) is directed inshore by the NPFMC, that additional quota shall be distributed among Bering Sea Communities on a per capita basis of permanent residents of Alaska. In those communities that are members of CDQ Corporations, the additional "Inshore" quota going to those communities shall go to the existing CDQ Corporations.

For purposes of this proposal a permanent Alaska resident is an individual who qualifies for and receives an Alaska Permanent Fund Dividend, or who qualifies for an Alaska Permanent Fund Dividend but who does not receive part or all of a Permanent Fund Dividend, and which "Qualifying" individual indicates on her or his Alaska Permanent Fund Dividend application, a qualifying Bering Sea Community as her or his permanent residence.

If you have any questions, I will gladly attempt to answer them. Thank you.

Sincerely,



Jude Henzler
Executive Director

LATE COMMENT



c-1

September 17, 1997



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

Re: Public Comment on Inshore/Offshore Agenda Item

Dear Chairman Lauber:

Please include this public comment on the Inshore/Offshore agenda item in the Council members' briefing materials for the upcoming September meeting in Seattle.

LD Foods strongly urges the North Pacific Fishery Management Council to limit analysis of the Inshore/Offshore issue to two options: 1) Allow provisions of the existing rule relating to allocations of Bering Sea Pollock between the inshore and offshore sectors to sunset, or 2) extend for three or more years without change the current inshore/offshore Bering Sea Pollock regulation.

LD Foods opposes any change in the present Inshore/Offshore regulations that increases the percentage of Pollock harvested by the inshore sector. LD Foods, a major buyer of Pollock fillet and block products, is engaged in value-added, secondary processing. We custom-process Pollock products for a variety of end users, including the McDonalds chain of restaurants. Alaska Pollock reprocessed by LD Foods accounts for approximately 100 million fish meals consumed annually in McDonalds' customers.

Efforts to increase the percentage of Pollock processed by the inshore sector pose a direct threat to domestic producers and consumers of Pollock products. The North Pacific Council's analysis unambiguously supports that contention. The onshore processing plants, particularly those owned by Nippon Suisan and Maruha, exclusively produce surimi. Very little fillet and block production occurs in the onshore sector.



On the other hand, a significant portion of the Pollock processed by the catcher/processor fleet is dedicated to fillet and block production. It is important to note that the Japanese-owned or controlled mother ships, which account for 10 percent of the overall Pollock harvest, are surimi operations. Proposals to include mother ships in the inshore sector and to increase the amount of Pollock available to onshore processors and mother ships above current levels would adversely affect the supply of fillet and block production for domestic users.

We urge the North Pacific Council to consider the market impacts of allocation actions and to maintain the present balance in allocations between the two disparate sectors of the North Pacific fishing industry.

Thank you, for considering these views.

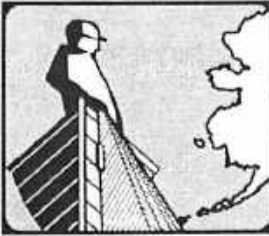
Sincerely,

A handwritten signature in black ink, appearing to read 'J. Loftis, Jr.', written over the word 'Sincerely,'.

James R. Loftis, Jr.
Managing Partner & CEO



BSFA



Bering Sea Fishermen's Association

725 Christensen Drive
Anchorage, Alaska 99501
(800) 770-6519 (Within Alaska)
(907) 279-6519
FAX (907) 258-6688

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LATE COMMENT

September 11, 1997

North Pacific Fishery Management Council
Richard B. Lauber
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Re: Inshore-offshore 3



Dear Chairman Lauber and Council Members:

At its June 1997 meeting in Kodiak, Alaska the Council weighed aspects of its prevailing distribution of those Bering Sea pollock under its jurisdiction among inshore and offshore interests. Ever since that June Council meeting, and even while in full pursuit of subsistence and commercial salmon harvests, board members here at BSFA have likewise focused on this issue which is at once a division economical, political and emotional.

The Alaska Federation of Natives called a Subsistence Summit of Alaska Natives in late August in Anchorage, and our board members, who came to Anchorage for that meeting, used that opportunity to hold a BSFA board meeting in Anchorage all day August 29, 1997. At that BSFA board meeting the board members carefully and thoroughly considered the NPFMC inshore-offshore Bering Sea pollock allocation.

After thoroughly reviewing the issue, it is the BSFA Board recommendation to the Council that it "rollover" the current inshore-offshore division of Bering Sea pollock and retain the status quo.

Thank you for your attention to this matter, and, if you have any questions, please call.

Sincerely,

Andy Golia
Andy Golia
Chairman, BSFA Board

cc: BSFA Board Members

P.O. Box 31359
Seattle, WA 98103
Phone (206) 547-2100
FAX (206) 547-1808



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FAX (907) 581-1631

DATE: 9/22/97

TIME SENT: _____

C-9

Mr Pautzke

Grant DoubleTree Hotel

FAX TRANSMISSION COVER SHEET

TO: Clarence Pautzke Executive Director North Pacific Tillery Management Council

FROM: Frank Kelly Vice President, Southwest Alaska Municipal Conference

MESSAGE: Re- SWAUC Resolution 9726 passed Sept 20th for Council members packets.

LATE COMMENT

This transmission includes 4 pages, including cover sheet. If there are any problems, please telephone or fax at the number listed above.

Thank you.



3300 Arctic Boulevard, Suite 203
Anchorage, Alaska 99503
Phone (907) 562-7380
Fax (907) 562-0438
Email: swamc@alaska.net
<http://www.alaska.net/~swamc>

September 20, 1997

Mr. Rick Lauber, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Dear Mr. Lauber:

Attached is a resolution from the Southwest Alaska Municipal Conference (SWAMC) regarding the issue of inshore / offshore allocation reauthorization that is before the North Pacific Fishery Management Council.

You will note that the resolution adopted supports the CDQ program, a rollover of the existing allocations for the Gulf of Alaska, and an analysis of changes in the fishery since inception of the program in 1992, concerning pollock allocation in the Bering Sea / Aleutian Islands area.

SWAMC thanks you for the opportunity to provide input. If you have questions or need additional information, please feel free to contact me.

Sincerely,

Alice J. Ruby, President
SWAMC Board of Directors

cc: SWAMC Members



3300 Arctic Boulevard, Suite 203
 Anchorage, Alaska 99503
 Phone (907) 562-7380
 Fax (907) 562-0438
 Email: swamc@alaska.net
<http://www.alaska.net/~swamc>

RESOLUTION 97-26

A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE REQUESTING THAT THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL ANALYZE DATA AND INFORMATION REFLECTING THE CURRENT STATUS OF THE BERING SEA / ALEUTIAN ISLANDS POLLOCK FISHERY BEFORE ALLOCATING THE RESOURCE, SUPPORTING REAUTHORIZATION OF THE EXISTING POLLOCK CDQ PROGRAM, AND A ROLLOVER OF THE EXISTING ALLOCATIONS OF POLLOCK AND COD FOR THE GULF OF ALASKA

- WHEREAS,** the current inshore/offshore allocation is scheduled to expire at the end of 1998;
- WHEREAS,** the current formula for the BSAI of 65% dedicated to the offshore sector and 35% for the onshore sector and 100% of pollock and 90% of cod for the Gulf of Alaska has been in place since 1992;
- WHEREAS,** the current inshore/offshore allocation system has resulted in a strong and healthy CDQ program;
- WHEREAS,** the comprehensive data on the effects of the current allocation was not available at the time it was reauthorized by the Council and there is now five years of experience under the current formula;
- WHEREAS,** at the June meeting of the NPFMC the Council received reports from staff, the Scientific and Statistical Committee, Advisory Panel and testimony from the public on the inshore/offshore allocation of pollock in the Bering Sea which indicated a need for additional information and which reflected a range of opinions on what alternatives should be considered when reauthorizing the allocation for the BSAI area;
- WHEREAS,** another rollover without analysis, of the current allocation would ignore the changes to the fishery as a result of the existing allocation and evidence of the changing nature of the industry that harvests this highly valuable pollock resource;
- WHEREAS,** the Magnuson-Stevens Act was recently amended and is the new law for management of our nation's fisheries;
- WHEREAS,** included in the Magnuson-Stevens Act, Section 301, National Standards, are provisions that take into account the importance of fishery resources to fishing communities in order to provide for the sustained participation of such communities, and to the extent practicable, minimize adverse economic impacts on such communities;

- WHEREAS,** the pollock allocation for BSAI and the GOA is critical to the continued economic viability of coastal communities, especially the CDQ communities;
- WHEREAS,** the BSAI Pollock CDQ program has been a success, leading to the participation of the Bering Sea coastal communities in the fishing industry of the Bering Sea, creating employment opportunities, increased and stabilized revenues that will result in increased community stability and long-term viability;
- WHEREAS,** the shore based plants, fishing fleets that deliver in coastal communities, and at sea processors that land product in coastal communities, contribute millions of dollars annually to the State of Alaska and coastal communities through property taxes, local and state-shared fish tax, sales tax, employment opportunities, and other social benefits;
- WHEREAS,** the inshore/offshore pollock allocation system provides a stable source of jobs and other economic opportunities for Western Alaska fishermen and fishery-dependent communities in the Bering Sea pollock fishery;

NOW THEREFORE BE IT RESOLVED that the Southwest Alaska Municipal Conference requests that the North Pacific Fishery Management Council analyze data and information reflecting the current status of the Bering Sea / Aleutian Islands pollock fishery and the effects of any changes to the current allocation formula before allocating the resource, supports the reauthorization of the pollock CDQ program in the Bering Sea, and supports the reauthorization of the existing Gulf of Alaska allocation for pollock and cod, for the following reasons:

1. Compliance with the Magnuson-Stevens Act
2. To recognize changes in the BSAI pollock fishery since 1992
3. Importance of the allocation to the continued economic viability of coastal communities.

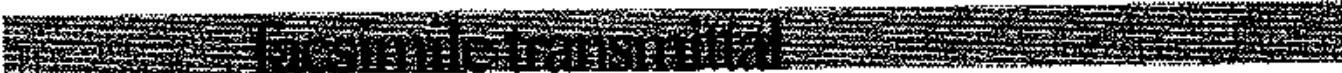
PASSED AND APPROVED BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE
THIS 20th DAY OF SEPTEMBER, 1997.


Alice J. Ruby, President


Mary S. Stedum, Executive Director

Don Stiles
Box 375
Nome, AK 99762

C-1



To: North Pacific Fisheries Management Council Fax: (206)431-8687

From: Don Stiles Date: 09/23/97

Re: Offshore resolution Pages: 1 plus cover

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LATE COMMENT





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Resolution

#97-06

Whereas, the current inshore/offshore allocation of pollock in the Bering Sea has been in place since 1992; and

Whereas, the current allocation system has resulted in a strong and healthy pollock CDQ program; and

Whereas, the current inshore/offshore sectors of the Bering Sea has provided a measure of stability in the industry and between the two sectors since 1992; and

Whereas, the inshore/offshore sectors of the Bering Sea pollock industry are in a state of balance under the current inshore/offshore allocation system; and

Whereas, the current allocation system ensures a healthy product mix and a diversity of markets for Bering Sea pollock products; and

Whereas, the current allocation system maintains a healthy level of competition between competing sectors and firms in the North Pacific pollock fishery, thereby enhancing the inherent value of the Bering Sea pollock resource; and

Whereas, Western Alaskan communities depend on the employment and economic made possible through their involvement with both the CDQ and non CDQ operations of at-sea processors; and

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

Therefore be it resolved: that Kawerak Inc., endorses:

1. A continuation of the Bering Sea/Aleutian Islands pollock CDQ program on a permanent basis; and
2. A roll-over of the current inshore/offshore allocation until such time as the North Pacific Fishery Management Council completes its Comprehensive Rationalization Plan for pollock and other groundfish species.

Chairman

Secretary

Passed this 17th day of September, 1997 at a duly convened meeting of the Kawerak Board of Directors.

[NOTE: To save time and space, the formalities of seeking recognition of the Chair and being recognized by the Chair have been omitted.]

Tape 61

Rick Lauber (Chairman): . . . We have heard all the public comment and technically we have a motion and an amendment on the floor, or a motion and a substitute, I can't remember what it is, so, probably, we've heard a lot of other stuff, new stuff, and so forth, probably the best way is to take it off, but we need the two people that made the motions to agree to that and then no one else object.

[Referring to action at the June 1997 meeting, as follows:

Dave Benton moved to adopt the AP problem statement motion:

The current allocation will expire at the end of 1998 without having completely fulfilled its objective of being the interim solution during the CRP development process. In addition, as of late 1996, the primary source of guidance for fishery management in this nation is a new law, the Magnuson-Stevens Fishery Conservation and Management Act. The problem is to identify what allocation would best serve to:

1. **Ensure compliance with the provisions of the new Act,**
2. **continue to provide a suitable lead into the CRP process, and**
3. **reflect our current understanding of the make-up and implied future composition of the fishery, with respect to the effects on individual sectors, individual companies, and communities, and with respect to the original issue of potential preemption as well as stability that have been incorporated directly or through reference in previous analysis of this issue.**

Drop the Bering Sea portion of the AP motion and substitute the following:

Alternative 1: No action.

Alternative 2: Allocation by mode and sector

Inshore	True Mothership	Offshore
35%	10%	55%
35%	13%	52%
35%	15%	59%
40%	10%	50%
40%	13%	46%
49%	15%	45%
45%	10%	45%
45%	13%	42%
45%	15%	40%

Allocation to the "true" motherships to be analyzed as a subcomponent of either the inshore or the offshore component.

NOTES:

- **For the Bering Sea, use the definitions that staff provided with regard to inshore/offshore and true mothership.**

- CVOA included as applying to both A & B seasons; analyze as to whether or not to have a CVOA.
- Duration of 3 years; for BSAI, includes the 7.5% CDQ allocation.

For the Gulf of Alaska, adopt the AP recommendations:

Alternatives:

1. Rollover of current allocations.
2. No action

Include for analysis:

1. No sunset date but is intended to serve as an interim measure until the CRP has been completed.
2. Sunset for a specific period.

The motion was seconded by Bob Mace.

Wally Pereyra moved to bifurcate the motion to deal with the problem statement separately. The motion was seconded and carried unanimously.

Wally Pereyra moved the following substitute problem statement:

The underlying problem is the need to maintain stability between the inshore and offshore sectors until CRP can be addressed comprehensively. A further problem is the lack of a comprehensive current data set that fully characterizes the groundfish industry and fisheries; and models that, together will permit a thorough analysis of the impacts of any changes to the current allocation structure in the pollock fishery or its rationalization under CRP.

A continuing inshore-offshore and CDQ pollock allocation, as was done in 1995, when the inshore offshore regulations were essentially rolled over through 1998, will avoid preemption by one sector over another and maintain some degree of stability in both sectors in the groundfish industry, while allowing for continuing development of a CRP management system, including consideration of the findings of the National Academy of Sciences study of individual quotas as mandated by Congress.

The motion was seconded by Dave Fluharty.

After discussion of the problem statements and possible alternatives, and the need for additional information, Steve Pennoyer moved to postpone the discussion of the problem statement and the range of appropriate alternatives until the Council's September meeting. In preparation for discussions in September, the Council staff is directed to develop a profile of the relevant fishery sectors using the available fishery data. In September, the Council will consider these profiles and, on the basis of this information, (1) specify a problem statement, and (2) identify a range of alternatives to address those problems. The motion was seconded and carried, 8 to 3, with Fluharty, Pereyra and Tillion voting against.]

Continuing with September 1997 Discussion:

Lauber: Go ahead. Wally, do you have any objection to taking it . . .

Wally Pereyra: Well, my main problem is I can't remember what my substitute motion was, so, with that if you don't mind, I'd like to pull it off, because . . .

Lauber: O.K. Without objection, we'll put off the substitute motion. Mr. Benton, you made the original motion.

Dave Benton: I'd withdraw my original motion as well.

Lauber: O.K., that might be a good idea so if the people that made them can't even remember what they were, then I don't think the people in the audience. . . this way we can, whatever your current thinking is, motions can be made and, Mr. Benton, you want to try it all over again?

[Change to Tape 62 -- portion of discussion lost]

Benton: . . . [tape starts in mid-sentence (and evidently losing the first part of a motion)]. . . changes. . . I would incorporate the AP's problem statement for the Gulf of Alaska; I would substitute, however, for the Bering Sea, the following, and this what I've typed up that we'll have to get copies of, Mr. Chairman.

Problem Statement for the Bering Sea.

The current inshore-offshore allocation expires at the end of 1998. The Council thus faces an inevitable allocation decision regarding the best use of the pollock resource. Many of the issues that originally prompted the Council to adopt an inshore-offshore allocation, i.e., concerns for preemption, coastal community dependency and stability, resurface with the specter of expiration of the current allocation. The current allocation is not the result of the Council's deliberative process. Rather, the existing allocation is a product of a Secretarial decision. The substitution of Secretarial judgement was made on the basis of several critical assumptions, including utilization rates, foreign ownership, the balance between social gains and assumed economic losses to the nation and the nature of progress on the Council CRP initiative. Many of these assumptions have not been revisited since approval of the original amendment. It is not clear that these assumptions hold or that the Council and the Nation are well-served by continuing to manage the pollock fishery without a reexamination of allocation options. Conditions have substantially changed since the current allocation was originally implemented. Most notably, the Magnuson-Stevens Act presents the Council with a new source of guidance to evaluate national benefits. This includes enhanced statutory emphasis on increased utilization, reduction of waste, and dependent coastal communities. There have also been substantial changes in the structure and characteristics of the affected industry sectors, including number of operations, comparative utilization rates, and outmigration and concentration of capital. These changes are associated with new problems, including failure to optimize food production resulting from wide differences in pollock utilization, excessive shares of pollock harvesting and processing, significant discards of usable pollock protein, increased reliance on pollock by fishery-dependent communities, and significant decreases in the total allowable catch of pollock. In addition, changes in fishing patterns could lead to local depletion of pollock stocks, or other behavioral impacts to stocks which may negatively impact Steller sea lions and other ecosystem components dependent on stock availability during critical seasons. Therefore, the problem facing the Council is to identify what allocation would best serve to ensure compliance with the new Act and address the issues identified above.

Mr. Chairman, I'd have us to get copies of this so that Council members could have it, I know it's rather long. Continuing on, though, Mr. Chairman, while it's done, I'd further move that

we accept the AP recommendations for alternatives. Alternative 1 would be no action - the allocation would expire at the end of 1998.

Alternative 2 would be to roll over the existing inshore-offshore program, including Gulf of Alaska pollock and Pacific cod allocations, a 65/35% BSAI pollock allocation, with a suboption of 1 year, or suboption for 3 years, and an additional option which would reserve set-aside for catcher vessels less than 125 feet, with the range to be analyzed of between 40 and 65% of the inshore quota.

Alternative 3, an allocation range for the BSAI to catcher vessels delivering to the inshore sector, 25%, 30%, 40%, and 45%; true mothership, 5%, 10%, 10%, and 15%; factory trawlers, catcher vessels delivering to factory trawlers, and factory trawlers, 70%, 60%, 50%, and 40%, with an option to reserve the set-aside for catcher vessels less than 125 feet with a range, again, of between 40 and 65% of the inshore and mothership sector quota.

The analysis would also look at the allocations for true motherships, such that they would be a subcomponent of either inshore or offshore, or a separate component. A change I'd make here to the AP recommendation is that we would analyze this such that true motherships would be limited to operations in the Bering Sea/Aleutian Islands only. We would use the definitions provided by staff for inshore, offshore and true motherships. Also included in the analysis would be:

- (1) Catcher vessel operational area would be analyzed to include it applying in both the 'A' and 'B' season, with an examination of motherships in the CVOA exclusively as well as excluded from the CVOA.
- (2) No CVOA.
- (3) No sunset date, but the intention here is to serve as an interim measure until (a) CRP has been completed, or (b) a three-year sunset.

Looking further into the AP motion, I'd delete the next paragraph, the one that reads, "Additionally the Council would undertake an extensive study of the problems in the BSAI pollock fishery, including but not limited to those addressed by the existing inshore-offshore program, and including Alternative 3 option." I'd delete that paragraph, Mr. Chairman.

Continuing on, I would further move to adopt the AP recommendation that the inshore-offshore analysis identify and examine potential conservation impacts on fish stocks, marine mammals and other marine resources that may result from status quo or any changes in the structure of the fishery, as well as other recommendations made by the SSC made in their June 1997 minutes.

Finally, I'd move that we adopt the AP recommendation to separate the current CDQ allocation from inshore-offshore 3 and proceed as its own amendment and be combined with the multi-species CDQ program as a permanent allocation. And I would anticipate there that the two options that would be looked at would be the status quo, and then 7-1/2% with no sunset.

If I have a second, I'll speak to my motion.

Linda Behnken: Second.

Dennis Austin: I have a question. My recollection last time was that we separated the problem statement from the alternatives. Was that motion that we voted on, or was that just by agreement of Mr. Benton's original motion? I thought it was something we voted on.

Pereyra: We did. We voted on it in relationship to Mr. Benton's original motion.

Benton: That was in relationship to my original motion. My interpretation was that that's all gone now, Dennis.

Lauber: I think we have several different things here. What we can do is, I think we've done this in other cases, and that is rather than doing one and then fussing over others, and so forth, they're all interrelated, is we can take them up one at a time and they would come back if they passed in whatever form into the overall motion and we've voted on it as a total package. That might be a way out of this.

Clarence Pautzke: I'm just looking for a clarification from the maker of the motion on. . . Dave, when we get down to the 1, 2, 3, which are under the. . . they look like they're under Alternative 3, but I'm looking at the sunset date, no sunset date versus a three-year sunset, and then I'm looking at the suboptions under Alternative 2 where you have a one-year and a three-year; is one applied to one alternative and the other suboptions to the other alternative, or does the no sunset date and three-year sunset date apply to the whole program?

Benton: Clarence, under Alternative 2 the suboptions (a) and (b) of one year and three years, I intend that those apply strictly to Alternative 2. However, further down, items 1, 2, and 3 with regard to the CVOA and no CVOA and then no sunset or a three-year period, those apply to the overall motion.

Pautzke: Either Alternative 2 or Alternative 3?

Benton: Correct. For just further clarification, as to the logic there. It's my interpretation of the AP, and it's certainly my intent by this motion, that those two suboptions under Alternative 2 pertain only to Alternative 2 because there has been discussion that the scope of analysis perhaps would indicate perhaps that there was a need to just rollover inshore-offshore with the present allocation scheme for one year to accommodate analytical needs. I don't necessarily agree that that's the case but I do think that at this point we should have the option there available in case we wanted to, when we got to the end of this process, take such an action. But with regard to items 1, 2, and 3 further down the page, those items I think need to be analyzed irrespective of these alternatives because they could apply across the board.

Pautzke: One more clarification. When Stephanie was up here looking at the ranges of numbers under Alternative 3, for inshore sector, 25-45% and 5-15% and so, on, she essentially clarified that those were not independent. That you had essentially four suites there of. . . is that what your intention is, too?

Benton: In other words, what we have done is identified a range and that we can choose numbers within those ranges and so we have. . . is that your question?

Pautzke: Well, my question was, the way that Stephanie I think clarified, is that I put a vertical line between each one of those rows and so I'd have essentially. . . the Council could choose then the first column. . . [interrupted by Benton]. . .

Benton: Oh, either that the Council is strictly limited to 25-5 or 70, or 30-10- . . . [interrupted by Pautzke]. . .

Pautzke: . . . versus the next one, versus the next one, versus the next one, or do you want to be able to vary, say 10% and then vary the inshore and the factory trawler portion of it around that 10% for true motherships.

Benton: Normally whenever we've dealt with these things in the past it's my recollection that these numbers are here for guidance for staff, that the Council can choose between these and it sort of constitutes a range, and that would be my intention.

Pereyra: What is the Chair's wish, in terms of how you want to handle this?

Lauber: Well, it looks like rather than jumping all over the place, we'll take it as a single motion, but take each one of these items, the problem statement, the bulk motion, and splitting the CDQ out, and work each one and then whatever their pleasure is, then we put it back, and then work on the other and put it back, and then work on the other and put it back and then they come back together to be voted on as a motion, I guess, that was my recommendation.

Pereyra: As part of the multification (?), I guess, or whatever you want to call it, of Mr. Benton's motion, it would seem to me that there's really three parts. You have the problem statement, whatever that turns out to be; we have the alternatives that might ensue from that problem statement, and then following that we would have the sorts of analytical direction, sorts of things that would flow from the establishment of the alternatives, so it really would flow in that manner, is that sort of the way you would see it? 'Cause there are really three aspects to Mr. Benton's motion as I see it.

Lauber: Yes, I agree. But, I don't know about analytical direction, that seems to me would be something we would . . . we could take it up with the motion, or we could take it up later, I don't think there's any problem. But this is the motion; this is what you would be voting on, and if there's a will of the Council to do, you know, give some direction on it, we can certainly do that.

Bob Mace: Before we do this, I think that at least it would help me if we had some direction with respect to the effort and the staffing involved. This looks like it covers the waterfront and I agree that we probably need some analysis other than a simple rollover on the basis of what we've heard, but this is a tremendous, on the first shot, chore and before we treat them individually I think we have to look at the whole package and see what we can achieve by next June when this is due, and I'm confident that we couldn't handle all these; it just looks too complex to me. And we ought to know that before we start to add one segment to another and end up with a very complex job of analysis.

Pereyra: This goes back to my motion in June, and that was that we really needed to work on the problem statement first to determine what the real problem is that we're trying to solve and from that we get options that we're looking at, get staff input as to what we can actually do, and so forth. I think this an iterative process we're involved in here and I agree with Mr. Mace. This analytical side of it is the one that really has me perplexed because based on what I see here, we're talking about some very extensive analysis to be able to discern impacts, benefits, all the other sorts of things that go on . . .

Benton: I can sympathize with what Mr. Mace and Mr. Pereyra are saying. I think that your guidance is probably a good way to proceed. If we were to . . . now that we have, . . . if we wish to do so, we have a sort of a framework motion on the table that has some components to it. If we were to work on the . . . start with the problem statement, which I think Counselor would encourage us to do, get through the problem statement, set that aside, just sort of like what we did, as I recall it, with license limitation, come back in light of that discussion, craft the alternatives, and as we do that I think we'll hear from staff about the analytical requirements for those alternatives, get through that, and then vote on a main motion and if there's any additional guidance we have to give the staff with regard to some of their workload, we can do that at the end. That would be the way, it seems to me, it might be a good way to proceed if I understood your direction correctly.

Lauber: Unless there's any further... let's start out with the problem statement and start working on it, assuming that anyone's got any suggestions for changes.

David Fluharty: Along that line, I think that it, the second paragraph, is technically accurate with respect to where we were at inshore-offshore 2. The Council did take action at that time which, whether you want to say, we actually did confirm those splits as being appropriate to continue, so I just think that this language should indicate the two-step process if it's necessary to do that, but I'm not sure we need to dredge old history, because the Council did act on a new partial analysis three years ago that said we endorse these, and so it was a Council action. It was not somebody doing it to us.

Benton: I perhaps can help clarify some of the thinking that went into the drafting of the problem statement. With regard to the second paragraph--I think the first paragraph is fairly straight forward--with regard to the second paragraph, it is a statement of where the 35/65 percentile came about, and it certainly is, I think, accurate in the sense that when we did inshore-offshore 2 there was a sense around the table, I hope around the table, that we were going to move fairly expeditiously on to other things and get a CRP program in place that would deal with some of the issues that are before us today. Obviously we're not able to do that. Nonetheless, I think it's important to have in the problem statement a recognition that this allocation was a Secretarial decision, that the analysis that provided the basis for the allocation had some critical assumptions. Those assumptions have only in part been revisited. They were revisited in our analysis on inshore-offshore 2. That analysis showed that a number of those assumptions, the reality of what has happened in the fishery was different than what those assumptions called for, and that it's also true that we have not reexamined them in any depth aside from what we did for inshore-offshore 2 and all that did was verify that some of those assumptions were incorrect. For example, if I can find them here from the Executive Summary, we said that the analysis under inshore-offshore 2 did not attempt to, the word was re-spade, the previous cost-benefit or distributional analyses and that directional changes were however identified in the discussion that we had under inshore-offshore 2. So the analysis did not actually analyze all those assumptions, or didn't re-do the analysis that led to inshore-offshore 1, but it did look at changes in directions and most importantly, if I can find it here, may take me a moment, if I recall it, the assumptions regarding the negative impacts, well, the assumptions regarding prices and the assumptions regarding utilization were not borne out and then the negative impacts were probably overestimated in the analysis for inshore-offshore 1, given the experience under inshore-offshore 2, or by the time we'd gotten inshore-offshore 2, and the analysis we had on inshore-offshore 2 stated that. I think that at the time as I recall it, the Council chose to extend inshore-offshore 1 under inshore-offshore 2 because of CRP, but also because of our understanding of the direction things were going that negative impacts that were projected were overstated perhaps the first time around and we were relatively comfortable with that knowing that we were going to be, or knowing at the time that we were going to move off of this and get into a CRP program. If I could continue for just a moment, speaking to my problem statement and the motion, I think that the data that we've seen in the sectoral analysis, and I want to thank staff for putting that together in such short order, I thought that they did a very good job under limited time, I think that information showed us that the situation and conditions that the fishery has operated under have changed. We saw a number of changes in the composition of the catcher boat fleet, we saw a number of changes in the composition of the offshore catcher processor fleet, we saw a significant, at least to me it was significant, differential between utilization rates, discard rates, and bycatch rates between different sectors. We know that the Magnuson-Stevens Act presents the Council with new guidance on what national benefits are. We had advice from NOAA General Counsel that we have to consider those, and also I note that NOAA General Counsel, for example, cited the bycatch reduction standard and the coastal community standards as things that have to be considered. I think that the changes that the sectoral analysis showed us are associated with new problems. We don't know the magnitude of those problems and will not until we have an analysis that can sort of help us understand that, but given the changes in the Magnuson Act, I think that in my view, at least, we are required to look at some of these. We're required to look at how bycatch and discard rates affect meeting the new National Standards and provisions in the Act. We are required to look at the relationship, in my view, between discards and better utilization of product and the Magnuson Act certainly put a new emphasis on that, including reducing

discards. We have information that's been presented to us that there is concern and that there may be an undue concentration of resource in the hands of a few companies. We've heard that allegation from both the inshore sector about certain operations in the offshore and from the offshore sector saying that about the inshore sector. It seems to me that we have to look at that issue to the extent that we can to try and make a decision about whether or not the current allocation is resulting in any particular entity having an unnecessarily large share and, similarly, whether a change in allocation would either ameliorate or exacerbate that problem. And, finally, the information that we saw with regard to removals from the catcher vessel operational area which is substantially the same as a critical habitat area for Steller lions leads me to believe that we have to look at the catcher vessel operational area, both under the status quo of just applying in the 'B' season but maybe also applying in the 'A' season. There's very large removals in the 'A' season from that critical habitat area. We have not had an analysis yet that would indicate to us whether or not that is significant for Steller sea lions, but I believe that the Endangered Species Act requires to look at those kinds of issues and take them into consideration when we make a decision. I think that the Gulf of Alaska problem statement that the AP crafted addresses the issues in the Gulf of Alaska well, without getting into any discussion at the moment about the alternatives, I'm not going to speak to the alternatives other than to say that the preemption issue that we heard about in the Western Gulf potentially could be addressed either by the options that the AP identified or some other measures that the Council has presently got on its agenda, such as trip limits or some combination thereof. But, I think that insofar as the Gulf of Alaska goes the problem statement is sufficient and I think the range of alternatives will deal with the one problem that we really identified in the Gulf.

Pereyra: . . . I guess when I look at the problem statement here, it's got a lot of issues that are identified there and they're all identified in relationship to the Bering Sea, and then we get to the Gulf of Alaska situation, we say, well, those can be handled through other means other than getting involved in changing allocations, going beyond rollover, and I had a little problem with that. It seems to me that if the changes in the Magnuson Act are sufficient to warrant a major overhauling of the allocation structure in the Bering Sea, certainly it would seem to me that same. . . [Change to Tape 63—portion of statement lost in changeover]. . . that has some utilization rate numbers in it; it's time that was done. We discussed this at great length and it was decided that after considerable time we would set the utilization rate to 15% because of the deep skin problem and some other issues. If the Council so feels that the utilization issue now that's identified in the Magnuson Act requires that we re-address that particular issue, we certainly can do it under IR/TU. We don't have to go through and create instability in the Bering Sea, instability in the Western Alaska communities, by changing the allocation scheme. We have other means before us. And there are a number of others in there that I'm not going to talk about right at the present time, but I will later. But, getting back to the problem statement itself, in the second paragraph it starts out that "the current allocation is not the result of the Council's deliberative process." In my view, the current allocation scheme we have is a result of the Council's deliberate process. At the time inshore-offshore 1 was done I can very well recall the very extensive analysis we had, we had a very extensive data set that we worked on, we had community profiles, lots of testimony, lots of meetings, it was a very deliberative process. In inshore-offshore 2 we had analysis at that time also. It was not as extensive because the range of alternatives that we looked at, that the Council chose to look at at that time, was much narrower, and the SSC felt that we did not have to do as much analysis to make the decision that we made on that set of alternatives. If the Council had decided in inshore-offshore 2 that they wanted to look at a broader range of alternatives and maybe restructure allocations themselves we certainly could have done that, but we chose not to. So, Mr. Chairman, I don't know how you want to move on this, how we will make modifications and changes to the problem statement. Could we do it as a motion? O.K., I'd like to make the first motion.

I would like to strike the first sentence in the second paragraph that reads, "The current allocation is not the result of the Council's deliberative process", and the first word in the next sentence, "rather," strike that and insert. .

Lauber: Wait a minute here, I'm not reading from the same script you are.

Pereyra: Second paragraph, first line, strike that.

Lauber: "The current allocation. . .", strike that?

Pereyra: Yeah, "is not the result of the Council's deliberative process," strike that, and strike the word, "rather," and . . .

Lauber: Rather, appearing where?

Pereyra: The next sentence.

Lauber: Oh, so that would strike "rather" comma, and change "t" to capital, and it would then . . .

Pereyra: And start out by saying, "The existing allocation is the product of the Council process followed by a Secretarial decision."

Fluharty: Second.

Pereyra: . . .I'll try to be brief. I think that this more clearly captures what actually happened and is not an incorrect statement. It just simply states that the Council process was followed by the Secretarial decision. I think that is in fact what happened.

Benton: I guess I can't support that amendment, because as we've heard in testimony and as we have had the agency also reaffirm, what actually happened was that while the Council did have a deliberative process and did provide the Secretary with recommendations in the end, the Secretary substituted the Secretary's decision for the Council's recommendations. It wasn't a situation where the Secretary said I'm partially disapproving this, send it back to the Council, the Council didn't deliberate it, made a subsequent recommendation to the Secretary which the Secretary found acceptable, or the Secretary found unacceptable and then sent it back again to the Council and said try again. It was more a process where after a couple of iterations the Secretary just made the decision and said for three years this is what the number's going to be.

Pereyra: I guess Mr. Benton and I have a difference of opinion or vision as to how we got to where we are today. The present allocation we have is a result of the decision that was made in 1995, not the decision that was made in 1992 or 1991, or whatever it was. The original inshore-offshore decision expired and we went through a process that put in place a new amendment that was a rollover, with some modifications I might add, there were some modifications to it. It wasn't a 100% rollover, I think the Western boundary of the CVOA was changed by half a degree and there may have been some other technical changes, I'm not sure. But it was not exactly the same. But that was a new amendment that is the basis for the present allocation.

Pennoyer: I don't know what we're going to gain, either by the debate or the direction we're going on a line-by-line editing of the problem statement before we really decide if there is a general problem and generally how we want to deal with it, but in this case I think that clearly there was a Secretarial decision. Without getting back into a debate over whether that decision was right or wrong, or whether the Council's process was quote, deliberative, or was flawed as the Secretary seemed to say in terms of the analysis, could we just try something here? Could we say something like, "The current allocation," and then eliminate everything down to the third line, to "was made"? And, just say "The current allocation was made on the basis of several critical assumptions." That's the point that's trying to be made and who dreamed those up to start with or whether Council did or whether Council was right or wrong in their first assumption, the Secretary. . . is less important to this statement that's being made, which I may or may not agree with overall. Then, the concept that it was based on certain critical assumptions which may or may not have been true at the time.

Benton: That would be acceptable to me, if the maker of the amendment would drop his amendment, I'd accept it as a friendly.

Pereyra: It's acceptable to me if it's acceptable to the seconder of my amendment.

Fluharty: Accept.

Pennoyer: I guess that line to the Secretary is what's troubling here, and I had a bunch of other comments I was going to make. But, coming back just to the basis for deciding which way we want to go here, I think all these comments about the fact that we have uncertainty in the original information, uncertainty in the current information, uncertainty in whether some of these issues are really problems or not because we don't know, several of the things in the statement over here are issues, I think, but I don't know if we can say with certainty that they're problems, or more specifically that they're problems caused by the inshore-offshore allocation. Many of these problems could have more to do with IR/TU and whether it's done right, they could have to do with issues on how we're treating bycatch in general, they have to do certainly with interpretations of the Magnuson Act, in coastal communities in what dependence versus significantly engaged in fishing means--there's a lot of things here; I'm not sure that they're specifically related to the inshore-offshore allocation. But even beyond that, I guess what troubles me is the SSC's and other comments on the level of analysis we're going to have and what we can count on getting within the next six months, versus what is asked to be done. And this isn't a clear and bright line standard. I wish. . . General Counsel commented on it the other day; it'd be real nice to give everybody a formula and say if you've got this information, you can make this level of decision. I don't think that exists, but fairly clearly any ability to analyze in detail things like costs versus fishery utilization, what it costs to produce different products in different sectors of the industry, are not going to be available. There are a lot of other uncertainties as well, and I'm not. . . and this is not an excuse for not taking any action because I think it's a conundrum that we face across the line, but many of the things about this industry are things that we're going to have a very hard time predicting, or our analysts are going to have a hard time predicting. Either the effect of Council actions on those, or in fact how just in general the industry's going to change over the next few years--everything from structure to pricing to markets to international affairs; all these type of things. We have a bunch of initiatives out right now. We have. . . well, we had a presentation from Lowell Fritz and Dick Merrick on sea lions, and the recent declaration of endangerment on sea lions. We have not proposed any management measures to go with that listing of endangerment, but we're certainly going to be discussing it and both Lowell Fritz and Dick talked to you about initiatives to look at the current management regimes and what the actual effects might be on sea lions and the ecosystem and come back and make some suggestions to you. Now those may have some impact on TAC-setting this fall, I don't know. They certainly could have some impact on the distribution of effort and how we're going to handle that. Again, these are snapshots in time. When that information becomes available we'll have to deal with it, I understand that. We have the IR/TU; we've recently passed it; it's coming on line. There's a major shift going to occur, presumably in various sectors of the industry and most dramatically, part of the offshore sector, and how to deal with that. We don't know what effect that's going to have. It's going to have a big effect presumably on retention and utilization, some of the things that are clearly listed as possible problems here. We have the license limitation program and while in passing it, I think basically, the Secretary thought that this probably didn't get at CRP, it was another step along the way towards CRP as the moratorium was, maybe a little more advanced than that. Certainly it's going to take us somewhere. It's going to show us where to go beyond that. Again, we've heard that CRP is something that's not totally within our grasp; some of the tools, like IFQs, for example, are still sitting out there on the borderline for a study by the National Academy of Sciences and some recommendations by Congress. We know that's going to happen and probably won't be three, five years before we really get to conclude something on that. Even sitting here now we know probably IFQs aren't a good solution for the whole multispecies trawl fisheries in total and the CDQ program, which we've just entered into, is going to be a major educational process in how the agency will deal with monitoring and managing such a program, and the State, and in fact how the groups will react to that type of an allocation. We're going to have to look at that. We have a lot of discussion here about economic data acquisition. Now I don't know how that's

going to play out, but Joe Terry is sitting at the table and he's got an initiative there that we're starting to get cost data. Now, I guess we may all have opinions as to how current that's going to end up being in terms of decision-making versus the fact that those items and costs and prices may change pretty dramatically in the short term. I guess what I'm trying to get out here is that I don't know how rigorous, how much of a problem these problems as stated are relative to the allocation we're talking about, and secondly, I don't know what we can even count on getting at in the next six months and I think maybe we need to come back and get to that type of discussion, not just edit your statement line by line. I think it's a rather well written statement, frankly, in writing. I'm not sure whether it leads me to some conclusion the way it's written in terms of the type of the spread of analysis we need to do. . . and one more statement before. . . I know you're going to want to comment on that. This isn't a question of not doing analysis. We were told in inshore-offshore 2 that "simple rollover" was not a legal term of art. In fact, simple rollover assumed that a new FMP amendment at 35% was the appropriate thing to do, as though it sort of sprung up from whole cloth. So you're going to do some analysis and you're going to look at something. I just don't know what we can expect to have that deals with these issues given the status of a bunch of other things that are outstanding to bear on this issue. And I'm not sure that the range of alternatives that are in this, or that the problems that are stated here, are problems that can be problems that are related to inshore-offshore, so maybe we ought to talk about that rather than just editing this statement line-by-line. I don't think, like this first edit, I think it makes sense but I'm not sure it makes a big difference in terms of the overall process. We're here, the assumptions may or may not have been correct; the Secretary did make a decision, so there's nothing factually wrong, just maybe there's an inference wrong. So, I think we need to come back and talk a little bit about where we think we are and where we might be in six months. I don't want to give you the impression, and I'm not sure whether Joe would or not, that we're going to have cost data in the year that's going to make all this stuff completely obvious. There are changes that are going on out there, reconstitutions of the industry that I don't think we can easily predict. But again, I'm not sure these are all related to inshore-offshore. And, if I had to decide right now, which I don't have to decide; somebody pointed out we're just deciding on the analysis, I'd probably say we don't have enough information to decide anything different than the status quo at the moment is the correct thing to do. I don't know how I'll feel in six months, but I'm not anxious to take on a huge analytical load for information that is not liable to come up with a conclusion that will justify a major reallocation between people dependent on this resource. So, I'll leave it at that for the moment, Mr. Chairman.

Lauber: So I can understand, it's a pretty long statement, but you're not suggesting that you want to make any changes in this?

Pennoyer: Well, I think I . . . [interrupted]. . .

Lauber: Well, I realize the one we accepted, that one has. . . I assume that one. . . some of these other. . . there was an awful lot of 'I'm not sure, I'm not sure, I'm not sure,' but and so I guess it ended up I'm not sure what you said.

Pennoyer: That's fair enough. I think the bottom statement was that I thought that these problems as stated as certainties on the next page for one thing are issues and I think that is clearly a change that needs to be made in the statement to my view and they may be problems but I don't know that they're problems; they're issues and I don't even know they all relate to the allocation.

Benton: I assume that you're referring, Steve, to what would be paragraph 1, 2, 3; the first paragraph on the second page, really, the one start's off, "There have also been substantial. . .", is that what you're describing?

Pennoyer: That's correct and I was arguing with the first . . .

Benton: I chose the words in that paragraph fairly carefully, especially with regard to the second sentence, and if you note, it says "These changes are associated with new problems." I think that the information in the sectoral analyses that we got at your request, primarily, show that there have been some changes, and I don't say here that

we, and I was very careful about this, because I concur with what you were saying, in part. We know there are changes; we do not know at this juncture whether or not those changes are causing a problem. We need an analyses whether or not and of what magnitude, at least in some sense, those are problems and provide us with some direction. I was very careful not to say that new problems have come about that are arising because of the allocation because, as you've said yourself, we don't know that until we have an analysis. What I am identifying, however, is that we see from just some very preliminary information that we've gotten or information that was prepared in a preliminary manner that there are these changes and that they are reasonably significant enough that you can see them given the data that was put to us now. With six months of further analysis and data collection I think we'll have a much better understanding of the scope and magnitude of those issues, because they are issues, but it was certainly my intention with drafting this, and I'm glad you thought it was reasonably well drafted, that we would identify those kinds of matters we want to have looked at, but it is not intended to lead us to a conclusion today about what the decision should be. We're not looking for that, that's what the analysis is for. Many of the statements that you made also with regard to this, I agree with them but I think that it really comes down to when we look and talk about the alternatives because the matters you're bringing up about what kind of information we can get and how quick and how much in depth and all of that really has to do with the alternatives before us and not necessarily the problem statement. But, I guess to wrap that up, I chose these words very carefully because I don't think we have information whether or not, and I emphasize whether or not, these are problems of a sufficient magnitude to make a change in the allocation or not, that's the purpose of the analysis.

Fluharty: I'd like to make an attempt to capture the dialogue between Dave Benton and Mr. Pennoyer. I think if we go to the last three lines on the first page of the problem statement where it says, "Most notably," and we just strike "most notably" and before that just say "The Magnuson-Stevens Act presents the Council with a new source of guidance to evaluate National benefits. . ." and add "in the context of inshore-offshore."

Benton: Could you repeat that again, Dave, please?

Fluharty: Strike the first sentence, start the second sentence with "The Magnuson-Stevens Act presents the Council with a new source of guidance to evaluate National benefits in the context Council deliberations over inshore-offshore. This includes statutory emphasis on increased utilization. . ."; continue wording as is. Turn the page; leave the language alone down to "These changes are associated with" and here I think we might follow Mr. Baker's suggestion and call these "issues" and I think this is consistent with Mr. Pennoyer. And here I think we want more neutral language given what Mr. Pennoyer is saying because some of this will be analyzed so I would propose striking "Failure to optimize" and just say "Optimization of food production. . ." which is the charge that we have. Drop "excessive" (shares of pollock harvesting and processing); maybe that's not acceptable, but try it anyway. Drop "significant" (discards) because we're to look at discards whether they're significant or not and determine whether significant. Drop "increased reliance" and just say "reliance on pollock by fishery-dependent communities, and strike "significant" and "decrease in total allowable catch of pollock."

Benton: So, could you read through the whole thing again starting from the beginning?

Fluharty: O.K. I'm trying to make the minimum changes possible. The basic idea is to give us an issues statement that hinges on changes in the Magnuson Act and what we must consider as we go into inshore-offshore.

Benton: . . . Before you re-read this, could you explain to me why you want to remove the first sentence, the very first sentence in the paragraph?

Fluharty: I guess that becomes a . . . I mean, I think it's a given.

Benton: So you think it's accurate.

Fluharty: Well, we've been looking at a number of things, whether they're substantial changes, or expected changes or things that . . . I mean I wouldn't get real hung up over this, but I think the key reason we're interested here in this are the changes in the Magnuson Act and possible new standards that click in. I mean, we have to look at changed conditions in inshore-offshore anyway, that's why we're bringing it up, so it's almost not necessary would be my view.

Benton: So, could you read from the top again, please?

Fluharty: I would start, "The Magnuson-Stevens Act presents the Council with a new source of guidance to evaluate the National benefits in the context of Council deliberations on inshore-offshore 3. This includes enhanced statutory emphasis on increased utilization, reduction of waste and dependent coastal communities. There have also been substantial changes in the structure and characteristics of the affected industry sectors, including numbers of operations, comparative utilization rates and outmigration and concentration of capital. These changes are associated with new issues, including optimization of food production--maybe we should drop new, because they've been with us before--optimization of food production resulting from wide differences in pollock utilization, shares of pollock harvesting and processing, discards of usable pollock protein, reliance on pollock by fishery-dependent communities, and decrease in the total allowable catch of pollock. Continue with the same.

Benton: Would you make that as a friendly amendment?

Fluharty: Yes, sir.

Benton: I think I can accept that, Mr. Chairman.

Lauber: Anything additional?

Pereyra: Where we use the term . . ., first of all I want to say that I totally agree with Mr. Pennoyer. I think we do need to have some discussion about where we can go. I think it's very important to have that discussion and I don't know whether we have it pre-problem statement, post-problem statement, whatever, but I do think we need to have it before we ever begin to discuss alternatives. It's going to have a definite impact upon what we can do, how we do it, when we do it, so forth. But, getting back to the problem statement itself, where we use the term "dependent coastal communities," I think to properly reflect the changes in the Magnuson Act, and this is very important, I think we have to work in there somehow and I haven't figured out how to do that without changing the phrase there, the fact that substantially engaged is very important in connection with that dependent or substantially engaged in the harvest. That is a very important aspect and I think it needs to be put in here.

Jon Pollard (NOAA General Counsel): With respect to that, actually what the new Magnuson Act says in National Standard 8 is, "fishing communities" rather than dependent coastal communities or fishery dependent communities, it says "fishing communities" and that concept is also defined in the Act to include both communities that are substantially dependent on or engaged in, so just substitution of the word "fishing communities" for "dependent coastal communities" would do that just fine.

Lauber: Is there any objection to that change?

Pereyra: That's fine with me.

Benton: That's fine with me, Mr. Chairman.

Lauber: So the very last three words would be . . . [interrupted]

Pereyra: No, wherever this occurs.

Lauber: Wherever it says dependent coastal communities it will be fishing communities?

Pereyra: Yes. I would like to get back and talk a little bit about where we're headed. We're talking about changes that have occurred and associated new problems and we have such things as discards of usable pollock protein. Between inshore-offshore 1 and inshore-offshore 2, the discard issue was much more significant than it is today. Somehow or other, that particular issue did not move us to change the allocations. The same thing with increased reliance on pollock by fishery dependent communities. Again, we had the start of the CDQ program, that increased the dependency. We certainly had an expanded activity in Dutch Harbor and Akutan, that increased their involvement in pollock, and then we go on and we talk about significant decreases in total allowable catch of pollock. Pollock catch was decreasing during those first few years that we were in inshore-offshore. We also had utilization rate, comparative utilization rates, that were worse than between inshore-offshore 1 and inshore-offshore 2 than they are now between inshore-offshore 2 and inshore-offshore 3. So if they are a problem now, they damn well should have been a big problem back in those days and it wasn't enough to trigger some sort of change in the allocations. The number of operations, that again changed. And one of the issues that isn't even mentioned here, which certainly I think is very significant, and that is we've had a continuation of bankruptcies in the offshore sector together with consolidation. That was certainly in part a result of our inshore-offshore allocation. So we had those changes occurring during inshore-offshore 1, inshore-offshore 2, but we saw fit to just do a simple, I shouldn't use the term 'simple' rollover; we used a considered rollover after we had some analysis of the data. So, again, I make those comments because I think that what we're doing here should be consistent with what we've done in the past and I don't see that and I'm just wondering where we're headed. I cannot support this problem statement for that reason, the way it's written.

Lauber: O.K., let's . . . now we're debating the problem statement. There's no further amendments to it?

Fluharty: The one thing that Mr. Pereyra brought up [Change to Tape 64] in this discussion that is not contained here, and does not relate to the Magnuson Act per se, but certainly has been brought out in testimony is, is what sounds like economic distress in the harvesting and processing. There have been signs of economic difficulties in these. . . I don't know whether we need to add that into the problem statement. I think it's a fact of life and is not something that the Council is allowed necessarily to work on except that that is a background. We want economically successful industries here. So, in reviewing this problem statement in light of what Mr. Pereyra said, that would be the key thing. How we chose to do it and whether there were bigger problems before, in a sense that's water under our bridge because even though we did use IR/TU to make a major change in discards, that'll be taken into account in this thing; we'll decide whether that was enough or not.

Robin Samuelsen: I'd like to ask staff, since they're all sitting up at the table, going through the AP recommendation and changes that the problem statement Mr. Benton put forth, I'd like to ask staff if they could do a qualitative analysis by April on everything that's laying out before us right now, because that's where the bottom line lies with me. If we can't get the analysis done, the hoops we're jumping through right now are absolutely meaningless.

Pautzke: I think it might be instructive to have Dr. Criddle up there, too, at the table since . . . the SSC had laid out kind of the various elements in their June minutes and perhaps he would be a good one to have there with staff when they're trying to answer these sorts of questions about scope of analysis.

Linda Behnken: . . . Clarification or point of order. I thought that we had decided we were going to look at the problem statement and work through that and then go through these elements and options and at this point we were just kind of focusing our discussion, questions, on that. Is that . . . or did you want to open it up to the whole . . .

Lauber: That's what we had decided. Mr. Samuelsen asked for something different . . . the situation we have here, I guess when people use this for their own purposes, but one of the things was we can't do something until we have a problem statement and now we're saying, well, apparently now we want to find out what kind of analysis we can do before we can get a problem statement. My point, if you recall, was that we would work these things through and then we would vote on it as a final motion with all three of them in it, the problem statement, the various options, and the splitting off of the CDQs, not meaning that you can't make further amendments or changes when it comes up in final form, but we're just . . . I think I'm going to hold our feet to the fire. We're just going to keep running around in circles here. Unless you direct me otherwise, I think we'll stay with the problem statement and then when we get to that, we'll go on to the next and the next, and then we'll come back and we'll debate all of them together and make any other changes, alright? I hate to . . . you can still all sit there, but . . .

Pennoyer: Since I think I started this process by my long and, as you said, somewhat confusing statement, I'd like to agree with that. I think that there's nothing here that automatically leads me in a particular quantitative direction until we get down to the analysis required and the range of options. And doing that, I may want to come back and revisit that, but you said we can so I think we just ought to go ahead in order. I agree with you.

Lauber: O.K., now does anyone have any other specific amendments to the problem statement.

Pereyra: On the second page, the back page here, third line, it said "these changes are associated with new problems. . ." [interrupted by several people -- "issues" rather than "problems" and pointing out that "new" was removed]. . .

[several people talking, giving their version of what's been done]

Pautzke: . . . with "issues including optimization of food production. . .

Pereyra: Maybe we need to get a clean copy because mine's all screwed up. I can't . . . I mean, I've got stuff written all over the damn thing and. . .

[miscellaneous comments]

Benton: Are we then done with the problem statement?

Lauber: No. . .

Pereyra: No, no, no, no, don't feel so lucky.

Benton: Are we waiting for Dr. Pereyra to. . .

Lauber: Dr. Pereyra is finding out that a lot of the problems he had with it are resolved in Dr. Fluharty's motion, I think. But, he'll find something.

[Break]

Lauber: We should have before us a new clean copy of the motion as it currently stands as amended. There's one change that wasn't made, in the third paragraph, the final sentence, "dependent coastal communities" should be changed to "fishing". The motion was that wherever that appeared would be changed.

Bob Mace: It would appear to me that it might be appropriate to move the adoption of this with the thought that we can come back to reconsider after we've had a chance to nitpick the wording on it and then go on to other issues. But I think we could work with words forever and I . . .

Lauber: I understand that. That's my intention; I just wanted to give you a chance to look at it. We'll come back and revisit this if you care to, but I would like obviously to get the major work done so that we have something. If anybody's got any kind of an idea that they're laying in the weeds with a major revision, that will be frowned upon.

Pereyra: Not if I move a substitute problem statement, but I won't do that, Mr. Chairman. I understand. . . I mean I have some changes I'd like to make, some things I think should be in there, but following along your lead, which I'm more than happy to do for the moment, I would just like to make certain in the future I'll have a chance to revisit it again.

Lauber: I know you were reading it and didn't hear me just say that, that's exactly what. . .

Pereyra: I heard you. I can actually read and hear at the same time. I just can't read, hear and talk, that's my problem.

Lauber: O.K., so that's the Chair's intention. We're taking this up, moving to the next item which would be the AP motion as changed by Mr. Benton.

Pereyra: Do we have a copy of that, Mr. Chairman?

Lauber: It's in the AP draft minutes. . .

Pereyra: But there've been some changes, haven't there?

Lauber: Well, they were the changes that Mr. Benton made in his motion, but they weren't significant. Dropping that one paragraph and then a couple of clarifications, I think. All right, so now for the moment we have a problem statement that has not been technically approved, but it has been worked. We'll now move to the second portion of the motion, which is which alternatives would be analyzed, etc.

Mace: Can we move through these by alternatives and move for the adoption? [Lauber: I think that would be fine, . . .] I think it would be pretty safe to move to adopt Alternative 1.

Benton: I'll second, Mr. Chairman.

[several people talking; chair indicates no objection]

Lauber: Alternative number two?

Mace: I move that we adopt Alternative 2.

Benton: Second.

Pereyra: We're now starting out on a whole new suite of issues and to tell you the truth I don't have all the changes and I'd like to put those in if we could hold down for just a second.

Benton: Just for Dr. Pereyra's benefit, there were no changes to the parts that were just dealt with.

Mace: Although I moved to adopt Alternative 2, I wanted to comment on it. I think that suboption (a), one year, may have some bearing on the Steven's proposal for 75% ownership of fishing vessels and if this thing goes through, of course, that would have some impact, and we'd know within a year I would hope, and so that has some potential as well as suboption (b), three-year rollover. I am concerned about the reserve set-aside for catcher vessels less than 125 feet with the range of 40 to 65%. It looks to me like that is a tremendous distribution of catching effort involved and a tremendous effort from the standpoint of analysis and I would like some comments from the staff on that particular phase.

Lauber: Staff have any comments on that particular item, what we're referring to is the kind of a suboption of Alternative 2?

Pautzke: The intention of that, I think, is to set aside not a reserve, but to partition between smaller vessels, under 125 feet, and larger vessels a percentage of the amount that would have gone to the inshore quota. Reserve is kind of a funny word for there, but it's to allocate between two vessel classes, right?

Darrell Brannan (Council staff): If I could speak to that briefly. Those percentages came out of the AP and I think they were derived from looking at catch data that was provided in Joe Terry's document from June, and the information provided at this meeting, looking at the percent of catch that the catcher vessels under 125 feet had between 1991 and 1996, the data that we provided. That's what was used to develop that range of percentages. Speaking to how difficult it would be to analyze that information, certainly we have that information at hand for 91, 94, 96, and we could provide a qualitative discussion of that fairly simply. Going beyond that, I'm not sure at this point.

Benton: So, if I understand this correctly, the percentile range is roughly within the historical observed data over the life of inshore-offshore 1 and 2, plus 1991, I guess, and what this would look at is in some way either going back to a historical level or remaining close to the present historical level. In other words, I recall seeing information in the sectoral analysis that indicated that at one point those vessels were near 65%; they've gone down and I want to say it's like in the 40, 38 percentile, or 40 percentile range presently, so it would contemplate that, it wouldn't contemplate a . . . it would basically be a measure that if you took the lowest range would prevent displacement of that sector of the catcher boat fleet and if that's the case, what kind of analysis do you think . . . I mean, if it's a qualitative analysis what kind of information do you think that would provide us? Would that provide us information of the impacts of, at least in a qualitative manner again, of if you didn't do this, here's the impacts to that fleet in terms of further displacement, or what? I guess I'd look for some guidance on what kind of information we could expect.

Joe Terry (AFSC Staff): I think there are a number of things you'd want to look at, including the current dependence of that part of the fleet on the pollock fishery compared to other fisheries. I think ideally you'd look at the harvesting costs for those smaller vessels compared to larger vessels. That data is not currently available. As has been noted, there's been some increase in the tendency for onshore processors to own or control catcher vessels. This could affect those relationships, or the productivity of those relationships. Just off the top, those are some of the things you'd want to look at and, again, with a qualitative analysis maybe at best you could talk about directions of change, and maybe not even that. You could talk about some things that could happen; I think it'd be a difficult qualitative analysis to provide information that would help you make a large decision.

Benton: So, there would be a qualitative discussion that would try and interpret the historical data to say to us if you chose somewhere in this range here's what could happen in terms of the composition of this component of the fleet, maybe with some discussion of how that might affect the relationship or ownership patterns with regard to the processing sector, inshore processing sector, but it really couldn't go beyond that, is that correct?

Terry: That's correct. Again, we could look at historical trends to see if we could identify clear trends and what might happen without some action in this area.

Pereyra: I don't know which one of the analysts to ask this to, but what we do here, if we take one specific issue and we talk about whether we can do it or we can't do it or how much it's going to take or how much it's not, those decisions are not mutually exclusive are they, of the other decisions we make? So, I guess the question I would have is, given the timeline we have, how far can we get, given this package?

Chris Oliver (Council staff): I think it's true, and the thought struck me if you ask us under Alternative 2 what this particular option does to you in terms of the overall analysis, it's difficult to answer that question when we don't know what you're going to do with Alternative 3 at this point. In and of itself, if I'm just looking at it in the vacuum of Alternative 2, it's not going to break our back. But again, the point being I don't know what you're going to do as you go on through the rest of the page.

Benton: So, for example perhaps a better way to look. . . I share Dr. Pereyra's concern, perhaps a better way of dealing with this is to go along with what I think Mr. Mace is suggesting, which is delete this from Alternative 2 and as we discuss Alternative 3 and we look at the range of options there, that has a direct impact on the level of work you all can do on a number of these matters, including that kind of option which is also included under Alternative 3. Is that sort of where you're going, Chris?

Oliver: Yes.

Mace: Let's not lose sight of the fact that the last item on the agenda is to take a look at amendment proposals under D-5. Some of those are specified by the reauthorization act; some of these people are going to be involved in that effort, too, so this is not something that we can do unilaterally without looking at what we're going to load on them with respect to the proposed amendments, IFQ and plan amendments. So I think we have to keep that in mind as we get generous with their time here.

Pautzke: The only thing I'd add, Bob, is that Darrell and Chris, and I don't know about Joe, I think maybe it's Lew instead of Joe, and whoever, is going to be dedicated full time to your inshore-offshore analysis unless you think there's something of comparable critical priority when you get to that staff tasking. That's the team that's going to be working on it, along with probably partial time for a biologist and someone like Lowell Fritz to do some things on the CVOA, so they are going to be dedicated full time to this between now and June.

Lauber: So, the rest of the things are going to have to scratch for other people.

Mace: Well, I'd like to add a comment to that. This is the hardest working group of people that I've ever been associated with and it's easy for us. We think it's hard to make these decisions, but it's easy for us to come up here and say do this and that. But we haven't sat down with those people when they did the analysis and we expect definitive answers from them and so I think we have to have some little bleeding for them as we go along, and I'm personally going to arm wrestle to protect them as much as we can so we don't overload them, if we're going to expect anything out of them.

Joe Kyle: Just as we're getting into this, and I don't want to put words in General Counsel's mouth, but what I think I heard General Counsel say yesterday, or maybe it was the day before, was that we would be held to really two different standards, a qualitative analysis that was sort of focused around status quo, we'd be held to one set of standard, if you will, back in Washington. The further we move from the status quo, the more quantitative the analysis would have to be and the more quantitative things would have to be included. Is that an accurate repeat of what you said to us?

Pollard: I think that's close but a little bit different than what I tried to say the other day. What I tried to convey is that to the extent that the range of alternatives includes alternatives that deviate greatly from the status quo you might have more trouble and have more difficulty showing the net benefits if there's not a lot of information that will allow you to predict what the consequences of actions under that alternative will be. So, I don't see it as two different standards, I see it sort of like a gray area, a large gray area, and at some point in the game it's going to be very difficult to show the net benefits if you don't have an adequate analysis. It's what happened in the Secretary's review of inshore-offshore 1 where the Secretary was not satisfied that the Council's analysis showed a net benefit and conducted his own and on the basis of that analysis took action.

Pennoyer: To follow up on that, then, relative to this one particular item, as Mr. Benton said and I think Chris responded, that a qualitative analysis could include these things and Joe elaborated on that. That didn't exactly answer the question of what you ought to do to show this, and I guess that's not a simple thing. If we're down to 40% for catcher boats under 125 feet, the presumption is if you went up to 65% you'd be taking a bunch away from somebody else who's now catching it, and whether they should be or not, that's a separate issue. So you'd have to somehow evaluate the benefits and costs to those two groups of a rather significant shift in allocation. I'm not saying whether I'm pro or con to that allocation, but Joe's answer didn't quite cover that. He said what we could qualitatively do. We can't quantitatively deal with any of this because we don't have cost data. So the more the shift from what is occurring now, that's. . . so if you were down to the range and your request was which could you do qualitatively, even setting this up, I'm not really sure what you end up with at the end of it and whether you could really reach a judgement, for example, that's going to make a lot of sense.

Benton: Looking through the sectoral analysis, and also some of the public testimony that we had, showed a fairly clear trend of displacement of the small, under 125-foot category by other vessel sizes and I guess my question is if we don't have some kind of option here to deal with that preemption issue then we cannot reach it. If our intention is to look at this, and let's say the Council looks at some information and decides in its deliberations that it wants to prevent further erosion in the under 125-foot category, how do we get to that, Mr. Pennoyer? It seems to me there's the conundrum. I think it's more the notion of not necessarily expanding their shares as opposed to preventing further erosion of their participation.

Pennoyer: Clearly one of the biggest changes shown in this data was that change in catcher boat shares under 125 feet of the pollock, without defining the reasons for it, without defining who was in the fishery and left the fishery, a lot of things could have happened, but there is a definite. . . or it could be more large boats entering that sector of the fishery. So, I agree with you, that is the conundrum. And, if you list the range, in this case maybe nobody's going to assume that you're going to do that automatically because you're not going to have cost data to show what the effect is of 65%, but you'd at least have the analysis that would say time out, we're not going to have a further shift, if that's warranted. And, I don't. . .

Pereyra: This particular issue is not too different from the problem that exists in the Gulf right now, and yet we seem to be very willing to kind of push it under the table and say we're going to handle it in some other manner. I have a problem with, again, trying to. . . [Change to Tape 65—some comments lost in changeover]. . . is quantitative to some degree and it may include analyses that are more rigorous than other analyses depending on what our database is and depending on what kind of assumptions we can make and how those assumptions would stand up under any kind of a reasonable test. So, I would rather see us talking about degrees of analysis, getting away from the words qualitative versus quantitative because I don't think that's necessarily what we're doing here. We're just not going to go out and just describe the fishery. We've already got that in our black book and if that's all we have to do, we can tell the analysts to take a long vacation because we're not going to need them between now and April. But that's not the case, so one thing that would be helpful, I think, for myself, Mr. Pollard talked about "deviate greatly from status quo." Well, I hate to put you on the spot, but in some point in time we kind of have to get a feel for what "deviate greatly" really means. Is 5% plus or minus deviating greatly? Is 10% plus or minus deviating greatly? Because that's really what it boils down to, it's really Alternative 3. That's where the

nuts and bolts of this whole issue is and I think we just zero right in on that and kind of see what we can do between now and April and what we can't do and that would determine I think some of the ranges that we're looking at. And if it looks like we want to have larger ranges, then we have to be looking at some sort of a two-phased problem statement. First problem statement being that we have inshore-offshore that's going to expire at the end of '98 and we have to do something about that in the interim, and then we'd have a whole range of issues which have been identified that is going to require a more extensive analysis that would be addressed at the end of that period of time. So, going back to what I was starting to talk about, what does "deviate significantly" mean in terms of the Alternative 3? Do you have a feel for that?

Pollard: I think it's the Council's responsibility to look at that. I think it's the Council's responsibility to conduct it's analysis and determine on the basis of that analysis whether there is sufficient evidence in the record that satisfies the Council that there is a net benefit in taking a particular course of action and I cannot tell what significant is. Like I said, at some point the Council may find, I'm not necessarily saying it will find it, but it may find that a particular alternative that it has selected for analysis doesn't show any net benefits because of some insufficiency of the analysis and that's really the Council's responsibility first to make the choice on what's supported by the record and what's not, and then of course the Secretary also gets to review the amendment and make a choice.

Pereyra: And here again I think is the carborandum [sic], or whatever it is we call it that we find ourselves on. [miscellaneous comments] This is really a catch-22 because I feel in order for us to be able to determine what the net national impacts are, and granted there's either economic aspects to that and there are also non-economic aspects to determining what those net national benefits or losses are. We have to have a certain degree of analysis to determine consumer surplus, producer surplus, some of the input-output things that we want to do--all of these require a certain degree of analysis which in turn requires a certain database which we already admit we don't have and in fact Dr. Teny prepared a very worthwhile proposal to OMB to get permission to start this data collection process and I know that it's sort of been redirected a little bit but initial write-up of it specifically identified the kinds of data that we don't have to prepare the analysis for the RIR or the regulatory flexibility analysis that we in turn have to do, and I admit that, we have to do that. So, we keep going around on this issue.

Benton: While I concur with Dr. Pereyra in some degree it seems to me, and maybe Counselor could help a little bit here, the analysis that, as I understand it, how it would proceed, would, for example just for the sake of discussion, look at the range of options under Alternative 3 as they are presently constituted, one of the functions that the analysts would perform would be to identify for us whether or not, especially for the outlying sort of options, the ones that are furthest away from the present circumstance. But they would identify for us whether or not we have sufficient information to determine the effects of making that change and then it would be our responsibility at that time to make a judgement based on their work, such that if for example you're looking at something that deviated 15 or 20 points off from the present allocation, the analysts came back and said you can't tell what the impacts of that are going to be unless you have a full cost-benefit analysis and give us reasons--I'm hopeful that we're not going to just see something that says you can't do it because we don't have the numbers; I'd like to have some articulation of why. That's important because I think having that information is also important to our deliberations, but you get to that point. Obviously it would seem to me at that juncture the Council is in a situation where, O.K., we don't have sufficient information to make a decision about this level of a change. The analysis is supposed to help guide us through that. The analytical process is supposed to help guide us through that. I can't sit here today and make a judgement about that without the information the analysts are going to provide us, within some range. I mean, obviously if it was going to be a real major deviation that you could see we're not going to have the information, but it just seems to me that the level of analysis that we're going to get, we already know what it is, within some reasonable range of possibilities. The SSC has already told us that we will have information available to us to allow us to make a decision. We've talked about national benefits as including not just economic benefits but other benefits. Economic benefits are going to be the item that probably are going to be the most difficult to quantify. They're certainly an important factor but they're not

the only factor that we have to deal with and we're going to have to weigh and judge the level of information on a range of factors when we get our analysis back and I think we need to keep that in mind, that part of the function of the analytical process is to tell us whether we have sufficient information for a certain set of options.

Dennis Austin: I would like to suggest that we do have to judge what is doable and we do have to stay within an equation that two and two equals four. We made an initial decision on I/O 1, we made a subsequent decision on I/O 2. We did some analysis. Now, as part of our problem statement, and maybe that's what I'm trying to say, that the problem statement and the analysis have to stay in balance. Part of our problem statement says that we made a bunch of assumptions. Time has passed and we can test those assumptions. Yet I'm hearing staff tell us that, oh, by the way, the database that you used and the analysis that you made can't be repeated. So, are we going to selectively do some kind of analysis or are we in fact going to repeat and test all of our assumptions. I think the Council in its decision has to decide what's doable and not doable within the timeframe between now and April. To do otherwise just says we're going to go into April and not be able to pick a preferred option and put it off and I don't think that's the expectation of our public.

Pennoyer: We sort of going back to the whole basis for this analysis, jumping . . . completely from this one suboption under item 2, I think, and I think we could ask a couple of questions about the analysis that might deal with this catcher boat issue and maybe find out what we would have and then decide, because it seems to me that is, if we can't do something on that, at least look at it, then we kind of left. . . straining water on this thing because that was one of the biggest changes identified, whether it's right, wrong or indifferent, good or bad, it's one of the biggest changes and we're saying change is one of the things that needs to be discussed or addressed, without saying it's a problem, just saying it's an issue. And I guess I'd have to ask. . . Chris, you said it's relatively simple to do this qualitatively. What do you mean by that? Are we going to find out the vessels under 125 feet, then they have left the fishery and they have upgraded out of their size class or something--oh, no, they can't go over 125 feet, can they, under the moratorium--but may have left the fishery for one reason or another, might or might not be coming back? Or this is a transfer of new vessels entering the fishery and how much they took of that original share, and what their part played in the production going to the plants? I mean, I don't know what you mean. If it's just a description of who's in now and what they're catching and therefore they're going to get this much less, that doesn't answer exactly the question to me where you ought to set that limit. Those are not totally the same question; I mean, setting a floor, a moratorium in effect, on change because you're trying to maintain a status quo until you evaluate whether you have to do something about it is one thing, but going back in time, or forward in time, to get a different percentage says something different. So if you could just kind of tell us what you think is available maybe we can make this judgement about this one item and move on because the other items are perhaps more complex to analyze than this one is.

Oliver: Boy, I wish I could tell you exactly what this analysis would look like six months from now; it would make us a lot more comfortable if we could do that. But I'm not certain that we're in a position to tell you exactly what we can say about that particular issue. Maybe Joe or Darrell have some ideas. Beyond what Joe already mentioned earlier I don't have anything off the cuff that I can tell you. I can make some general observations. Mr. Samuelsen asked the question earlier, could we do a qualitative analysis of all these alternatives by April and the easy answer to that would be, Yes. The big question is to what extent can we do other, perhaps more quantitative analyses of these by April, and we've talked about the lack of cost data and our inability to do a definitive cost-benefit assessment of really any of these alternatives by next April. On the other hand, that gives us some opportunity to concentrate on many of the other issues that have been brought up and some of those do lend themselves to quantitative treatment - distributional impacts, the SSC laid out for us a fairly good outline of how we would approach this analysis given the data limitations and it's certainly a trade-off. There's a continuum somewhere, the more alternatives you add, the less detailed analysis we'll be able to provide on any of them. I think we can bring you back an analysis of any and all of these options, but it's yet to be aware of what the limitations are of that and have some expectations of what you're going to see. Again, I wish I could tell you exactly what we'd have in there, but I can't at this point.

Mace: I think three of the Council members, Steve, Dennis and Wally, have touched on the fact that maybe we ought to check priorities on what we consider here and I think that Alternative 3 is a high priority. It's a part of the elements of the original I/O 1 & 2, it's something we have to consider; we've had a tremendous amount of testimony that suggests considering and analyzing a change in that allocation and I think we ought to consider that as the highest priority and then if we have time left and manpower we can come back to ones that we consider of lesser importance, but I think we have to develop a framework to consider these potential changes.

Pereyra: Two thoughts come to mind and I hope they're helpful. First of all, history is a great teacher and inshore-offshore 1, we got this puppy right back in our lap and one of the reasons we got it back is because we did not do sufficient analysis and we didn't do the type of analysis necessary, and it was a cost-benefit analysis and that was when we had a very, very complete data set, or at least as complete a data set as could be imagined. We absolutely know that we're not going to be able to do cost-benefit analysis; we just can't do it between now and April. It's just impossible; we can't even collect the data in that time. So, we're going to be faced with having to make a decision without a cost-benefit analysis. There are some distributional impact analyses that we can do without the very, very rigorous data that's necessary for doing cost-benefit analysis. So, we won't have a cost-benefit analysis. What kinds of deviations as a Council do we think we could actually support and that we would have a high likelihood of getting accepted in the system. And I think those kinds of ranges would be the ranges that we intuitively know probably fall within the parameters of, you know, you're going to hurt somebody but you're not going to kill 'em. With inshore-offshore 1 we had quite a few bankruptcies. Inshore-offshore 1 contributed to that; I'm not going to sit here and say it caused it, 'cause it didn't cause it, but it contributed to it. It's like the sinking of the battleship Maine, that didn't create the Spanish-American War, but it sure precipitated it, and I think that our action certainly helped to do that. We've had testimony before us, or statements made, or questions raised by Mr. Samuelsen that what happens if we reduce your allocation by 10%, and they said 10% relative, and we said absolute, and they say, Whoa, we're out of here. And that goes for both sectors, so we know that if we're thinking of those kinds of changes, we going to destroy that particular sector. Maybe that's what some people have in mind, but I can tell you now, if that is in fact the case, we've got to have a very, very rigorous analysis because we've got history that shows that through these allocation decisions we cause hardship in sectors. We've got employment issues now that we have to deal with now that we didn't have before. So, that sort of indicates to me that if we really sincerely are trying to make a decision in April as to what the alternative. . . we have to have a very narrow range of options to be looking at, with the no action, and the rollover and maybe there's some other things that you want to throw in here that they could look at without going into a lot of detailed analysis. Now, if our intent is to have something much more expansive and involved, then we have to bite the bullet and recognize that we're not going to make that decision in April and then we have to come up with an alternative strategy. An alternative strategy might be to roll this thing over until that analysis is complete. That would be a responsible decision in my mind if that's what we want to do. If we feel that it's that extensive, so I just throw that out as sort of some thoughts that have kind of accumulated in my mind that I wanted to get out.

Benton: Maybe in order to help move things along, if Mr. Mace is suggesting that in order to sort of tidy up where we are so we can get to number 3 and start talking about the numbers, Mr. Mace is suggesting deleting the option under Alternative 2, to reserve a set-aside for catcher vessels less than 125 feet, if he's making that suggestion, I would accept that as a friendly amendment. Just under Alternative 2. Is that what you're suggesting?

Mace: Yes.

Benton: So, now then we're on Alternative 3 as I understand it so we can have the discussion about Alternative 3.

Lauber: O.K., any comments on . . . Mr. Austin.

Austin: May I ask the original motion maker-- but I thought I heard when you were introducing this alternative that you suggested that there was almost a random mix of those four vertical columns--not random in the true sense, because each column obviously has to add up to 100, but with that constraint were you talking a random mix?

Pautzke: I can suggest how to get out of this little problem here because obviously the analysts can't be expected to do all the permutations and combinations that. . .[interrupted]

Austin: That was my point.

Pautzke: So, what I would suggest you do is to. . .we would try and present the difference in impacts using those as linked on four columns there, but you would have the freedom in making your decision in June, for instance, or in April if you wanted to tie it down a little further, to use a range for any of them that you wanted. But for your analytical purposes we would use four different suboptions there. You could then choose a range and when we develop the final document we would home in on that particular set of numbers.

Austin: As a follow up, would our Counsel confirm that that would be within the scope of what we're allowed to do?

Lauber: I think he's going to tell us the same thing, Mr. Austin. You know, you can try to trap that rascal any way you want, but he's pretty fast on his feet, so if you want to answer it, but I just think. . .

Austin: Well, I would personally think it was within the scope of our ability.

Lauber: You think what?

Austin: I think it's within our scope, range, if we did what Clarence suggested, rather than a random. . .

Lauber: Right on! (referring, I think to a positive gesture from Pollard) What was that. . .okey-dokey, that's the latest okey-dokey? You have to go back a few years to get okey-dokey on the Council. All right, any more discussion on Alternative 3?

Pereyra: I guess I'd like to ask the maker of the motion, what do you think would happen to the offshore sector, including the catcher boats, if you chose 40%?

Benton: I don't know if I can answer that question now. I would expect that the analysis would show us something about what would happen to the offshore sector. My intuition, however, is that that would have a very significant impact on the offshore sector.

Pereyra: Well, I can tell you one thing. I wouldn't be here, sitting here working on the Council. Just from my own operation I know what would happen, that particular decision. . .

Benton: I'm not sure how I would feel about that, Wally. . . [laughter]. . .

Pereyra: That percentage drop is greater than, and likewise that might be a good deal for myself, too; that percentage drop is greater, that absolute drop on a percentage basis is greater than what we did on inshore-offshore 1 and we had and well, I think the word massive is appropriate, we had a lot of bankruptcies in the offshore fleet and a lot of displacement, a lot of consolidation and so forth, and so since we know that, why do we even want to trouble the analysts with analyzing the obvious. Why don't we just pick some ranges that would

go from, say, the inshore would go 25-45, the motherships 5 to 15, and the offshore would go from 45 to 65, which is ten on either side. I mean, why. . . just to put this in some sort of perspective.

Benton: Is that a motion?

Pereyra: It's a friendly idea.

Lauber: Well, it may be a rhetorical question but it's also going to sound somewhat like a statement and maybe it is both. I'd like to hear some people respond and I'm surprised that in the hours and hours and hours of testimony I didn't recall people, at least concentrating on this very much, but we keep talking about inshore-offshore 1 and rollover and inshore-offshore 3 and so forth. There's been some comments regarding the comprehensive rationalization process which, as we know has created a situation because of the Magnuson-Stevens Act that put that on hold for us, a moratorium on that, which complicates this particular situation. But, I guess I bring this up at this time because of Wally saying, well, he puts it in the context of what would happen to these various sectors, but I would say, not so much the sectors, but to the State of Alaska, the people, whatever, it seems to me that what with inshore-offshore 3 is probably going to be what we do with comprehensive rationalization, ITQs, and so we probably need to spend a little bit of time considering this and these various alternatives because we probably are going to be deciding in perpetuity what this fishery is going to look like. It's going to be, I can tell you, they pay an awful lot of attention, we do, and maybe we won't be here but somebody is going to pay a lot of attention to the status quo, and what we decide here is what's going to become the status quo in 'x' number of years and so when you say, whatever these numbers are, no matter what side you're on in this thing, are these numbers that you want to give to these various sectors, nationalities, areas, localities and so forth, in perpetuity. And, not only perpetuity but probably transferable quotas where they have a stock in ownership of these resources forever. Transferable, worth hundreds and hundreds of millions of dollars. So, it is a very difficult thing. I understand that one might say, gosh, this is going to be very tough on some factory trawlers if it's 40%, or conversely very tough on the inshore sector if it's only down to 25. But there may be people who feel that's the way it ought to look forever. In other words, maybe we don't want this situation to go on forever, so that's my observation or question, why wouldn't we want to spend a lot of time on a reasonable alternative?

Pereyra: I'm glad you brought that up because I do think that's a very helpful comment that you make because I do think that this has a continuing play into our CRP, ITQ, whatever you want to call it, in pollock, our further rationalization of the pollock fishery. What Congress did, did not prevent us from addressing this issue. We have what I consider to be a very comprehensive initial first step in moving in that direction. It's got all the bells and whistles in it and whatnot. There's no reason why we couldn't dust that off and include that in here as part of the analysis process, just to see how this would play out, because you're right, we have a second-order interaction there we must be very, very concerned about here. And, I agree with you; I think it's probably presumptuous of us to assume at this time just what we're going to be able to do and not be able to do once Congress gets through putting their spin on the whole transferability issue, the nationality issue, etc., etc., the concentration issue, rents, there's a whole range of directions that we're going to get, I feel. But, that having been said, I think that what you mentioned further supports the concern I have that our analysis is not going to be complete enough when we get to April and then we're going to be faced with that carbundum [sic] again. So, I would much rather see us step back a little bit here and look at this thing as a two-part problem because that's really what it is.

Benton: I agree with Dr. Pereyra about the way that we should look at it. While your statements, Mr. Chairman, were true, especially in the way that maybe others are looking at this issue. . . for example, I recall, I think it was MacGregor that was saying that this is really CRP, this isn't anything else. While I don't agree with that statement, and certainly that may be the perception out there in the world, I think that for the task in front of us [Change to Tape 66--lost some comments in changeover]. . . we can't provide you with a very definitive answer on what implications it would have on markets and pricing and that sort of thing and so we might have an analysis that says that we can't provide you that information because we have to have a full cost-benefit

analysis and we weren't able to do that. I don't know if we would get that back or not, but we might. The more important issue to me is whether or not, I guess, with this range of options and, with the guidance that we've had from NOAA General Counsel when we started this debate a day or so ago, and from the SSC, I would ask staff what could we see here, given what you understand the way that our problem statement is presently configured and what's your best guess on completing the task that you see in front of you.

Oliver: I assume you're referring to the whole list of alternatives. I guess, similar to what I said earlier, at some point we can bring back an analysis of this and you'll have to be the judge of whether it's sufficient at that point to make a particular decision. I would imagine that, as you alluded to, we would be able to tell you in certain areas, 'gee we simply couldn't make that jump,' based on the data we have, or . . . a little back from that, well, we could say this with the following qualifications, and again, I don't know exactly what we'll be able to bring to each of these until we get into it farther down the road and start pulling the layers back.

Benton: Chris, for example, if we were to look at, and I'm just looking now at Alternative 3, this range of numbers, O.K.? If we were to do those, I would assume that, for example, you could calculate changes in discards with some caveat around the uncertainty of what impact [R/TU might have, but you could, based on the information that you've already presented us in the sectoral analysis, provide us with information and a further analysis of impacts on discards. Similarly, I would suspect that that would be true for, let's say, bycatch. And I would also assume that you would be able to look at product production in terms of, here's the current product mixes by the various sectors, here would be a shift, and here's what we would anticipate having. That kind of information would be available, would it not?

Oliver: Yes, much as we did in that second, the inshore-offshore 2 analysis where we I thought took quite a detailed look on a, albeit a gross revenue basis and revenue per ton, utilization rates, bycatch discards, all the things you mentioned, certainly we can do that kind of thing, but the missing part of course being, O.K. what are the associated. . . the cost side which we don't have the definitive information on, but. . .

Benton: So, then if we were to look at, and I don't pretend to understand the methodology, but for example if we were to look at reliance in fishing communities on the pollock resource, Rebecca Baldwin for example provided us with sort of a methodology to measure that and take into account some relative dependencies. You could look at that information perhaps, or use that methodology and look at the new information on changes in allocations and how those different allocation ranges might then affect that relative measure of dependency, did you not?

Oliver: Yes, with a little bit of explanation. We intend, as I mentioned I believe yesterday, to do a contract with Impact Assessment, Inc. to help us look at that community-level impact issue and what that would be based on largely is, when we do the kind of calculations that we've just discussed previously, we would feed that information to those analysts who would then incorporate that as they develop their community profiles and links to the various sectors, how the changes in harvests among those would then flow, I guess, through those communities. I don't know that we ever envisioned a specific look at all of the dozens of Bering Sea individual communities, but rather on a generic basis, I think is where the results would be couched.

Benton: And then, could you also not use the work that was done under inshore-offshore 2? For example, you did look at the assumptions under inshore-offshore 1 and perform a qualitative analysis to make some determinations of whether or not the observed effects of inshore-offshore 1 correlated with the estimated or projected impacts of inshore-offshore 1 and the assumptions that were used in making those decisions, and you made some findings about that in regards to the negative impacts, the costs and that kind of thing. Could you not build on that work around a set of options here to help provide information in that manner?

Oliver: Probably so. I think it's a little bit different approach, perhaps, than we took the second time around when we were really trying to groundtruth some of our earlier projections and in this case, the context may be a little different where we're not necessarily trying to groundtruth the projections we made originally. In the second analysis we were not able necessarily to groundtruth all the variables that went into the previous analysis, but we looked at some of them and some other aspects that led us to some conclusions based on revenues per ton, for example, that allowed us to say we think we overestimated the negative impact the first time around.

Benton: And if you were to sort of to build off of that work, though, could you now identify those factors that you could not get information on and provide us with guidance about the relative significance in terms of the overall picture that you are trying to describe, what the impacts might be?

Oliver: I think a general answer to that is yes. Price data and some other things. . .we have some vagaries, uncertainties with, but in general, yes we could approach it in that way.

[.....Council stopped at this point to take testimony on other subjects from members of the audience who had to leave; continued inshore-offshore discussion the next day.....]

September 28, 1997

Tape 68

Lauber: . . . I lost my little pad, and so I had four names on it and I don't remember who they were. Mr. Austin was one of them, but. . . so we're going to start all over and since I don't know whether he was first or not, he's the only name I remember.

Benton: Before we get started, could Clarence or somebody who's sort of keeping track of where we are remind us of where we are? Just very briefly.

Pautzke: . . . Mr. Benton had a main motion on the floor, and it was the AP recommendation with changes and it had the problem statement and then we had worked on the problem statement during the afternoon and then we had tentatively accepted the problem statement for the time being as you have it retyped here with the cross-outs and things, and then we were moving down through the alternatives and we had O.K.'d Alternative 1 tentatively. We had O.K.'d Alternative 2, and then Mr. Mace had had a friendly amendment accepted to Alternative 2 to remove the set-aside for small vessels. And then we were working our way, I think, on Alternative 3 is where we kind of left it yesterday if I recall right. Does that track with . . . ?

Lauber: I think that's correct.

Pereyra: Could someone review for me what we have now on Alternative 2?

Pautzke: In Alternative 2 you've got Alternative 2 without that little option, reserve set-aside. I deleted that from my page.

Pereyra: The option, 1-year option, 3-year thing is gone?

?: Yeah.

Pereyra: That's O.K. -- suboption a, suboption b, is O.K.?

Pautzke: They're still there.

Pereyra: They're still there.

Austin: Staff can correct me if I'm wrong, but the earlier questions. . . interactions, it's my understanding that before I/O 1, the offshore proportion was 73-74%, is that about correct? Am I correctly characterizing it?

Oliver: That's my recollection, roughly at the time you approved that inshore-offshore 1 split, it was about 73-27, I believe was roughly the division.

Austin: To me, that's 8 or 9% shift from status quo. In Alternative 3 we're looking at a 10-15% plus or minus shift which, given the analysis that we had the first time around, and the analysis that we're likely to have this time around, I don't know how we can justify that type of a range. I think we're outside the reality that's in front of the Council and so I'd like to suggest a friendly amendment or otherwise to alter Alternative 3 to be, for inshore. . . , and it would be three options to be analyzed, like there are four here. One would be 30% inshore; 50% offshore, and 7% mothership; and one would be 35% for inshore; 55% for offshore, and 10% for mothership, and the other one would be 40, 60, 13, for motherships. And what that does is allow us to analyze a 7 to 13% range, which is a 3% plus or minus for the motherships, allows us to analyze a plus or minus 5% for

the offshore, and a plus or minus 5% for the inshore and that analysis would make the arithmetic equal to your 100 percents, which it doesn't in what I'm talking about. And additionally we would have a catcher vessel minimum of 10 to 15% of the offshore share rather than the option to reserve set-aside catcher vessel that's in this.

Lauber: Is there a second?

Pereyra: Second.

Lauber: O.K., it's been moved and seconded.

O'Leary: I'm sorry, I wasn't writing fast enough. Could we just have the numbers again one more time?

Austin: Basically what I'm proposing is an analysis that is plus or minus 5% for the inshore and the offshore which would be 30-35-40; 50-55-60; and then a plus or minus 3%, which would be 7,10 and 13 for the motherships and let staff fix my arithmetic if it doesn't make those add up to 100%.

Pereyra: And also you said you had a provision in the offshore that there would be a minimum of . . . analyze a minimum of 10-15% of that would be available to catcher vessels, no less than 10 to 15%, they could have more, is that correct?

Austin: Yes. If I could speak to that, the reason I'm proposing that is because I think it's the only option that we can look at and still stay within the framework of the analysis that we've been advised that we're likely to see and not be forced to try to make decisions on a less than comprehensive information package.

Pennoyer: Just a clarification, Mr. Austin. So, it's plus or minus 5% offshore and plus or minus 5% inshore is what you're talking about, and plus or minus 3% on the motherships?

Austin: Yes.

Benton: I was asked whether or not that would be a friendly amendment and I would say that if you linked those two issues together, that's not a friendly amendment. I just wanted to provide that advice, from that perspective.

Pereyra: What?

Benton: If you link the numbers that have been put down with the analysis for the catcher vessels, then that is not a friendly amendment. If you split those two, I have no objection to the analysis on the offshore catcher vessel component of your proposal, so you can go either way. I just wanted to let you know that.

Austin: I think they need to be together.

Lauber: So, it has been moved and seconded as a stand-alone amendment.

Pereyra: I think that is a responsible alternative and my reasons are as follows: First we've had testimony and we've had reports from the SSC. We have staff analysis and in our book that clearly shows that unless we are prepared to do a full-blown cost-benefit analysis, that any sort of deviation that is, I forget the words that Mr. Pollard used, but any deviations from the existing allocations that are outside of a reasonable range, we're going to have to have a very extensive analysis, and the timeframe that we have, we have five months until April, there's no way that we can get beyond a more bracketed analysis and for that reason I think this is a proper way to go and I strongly support the amendment to Mr. Benton's motion.

O'Leary: I'd like some clarification. I'm still confused and I certainly don't want to make a vote on something as important as this without truly understanding what I'm voting on here. We're talking about moving each one of the sectors plus or minus 5%. Now, is the mothership sector remaining in the . . . does the mothership sector have the option of moving from inshore to offshore, or I mean they're offshore now, but to inshore or staying the same, or . . . what are implications of the possible shift between mothership and . . .

Austin: Well, the implications would be part of the analysis. But the proposal was that it would shift. Because as of now, there's no allocation for them now.

O'Leary: So you're saying they're stand alone, but they wouldn't be shifting to the inshore sector.

Austin: The analysis would look at it from both directions. I wasn't proposing to change where it says "allocation would be analyzed such that the true motherships would be looked at as a subcomponent of either inshore or offshore, or as a separate component." I wasn't proposing to change that. I was only proposing to change the numbers.

Pennoyer: Just so I have it clear on this then. So, under Alternative 3, AP minutes, you've changed everything down to the words, "allocation should be analyzed such as true motherships would be looked at as a subcomponent of either inshore or offshore or as a separate. . ."

Austin: Yes.

Pennoyer: But with the percentages added or subtracted to these groups as you've listed, plus or minus 3% on motherships; that would be added inshore-offshore if they stayed that way. And then are you dealing with the rest of the AP recommendations or are we just going down to that point?

Austin: No, I was just going down to that point.

Pennoyer: So then, the rest of it would be still up for discussion?

Austin: Yes, I thought that was the process we were following.

Pautzke: Could you just repeat that catcher vessels, 10 to 15% clause that you had?

Austin: What we would want to be analyzed is setting a minimum portion of the offshore for the catcher vessels at 10 to 15% of the offshore quota.

Lauber: Ready for the question? All right. Call the roll.

Pautzke:	Mace	No
	O'Leary	No
	Pennoyer	Yes
	Pereyra	Yes
	Samuelsen	No
	Austin	Yes
	Behnken	No
	Benton	No
	Fluharty	Yes
	Kyle	No
	Lauber	No

It failed.

Lauber: O.K., who was next? We have before us. . .we're working on the Alternative 3 down to. . .from Alternative 3 and that motion is on the floor as it reads in the AP motion.

Benton: Just sort of a clarification on procedure here. If we have no further motions on this matter, then we would move forward to a different section, is that correct?

Lauber: That's correct.

Samuelson: I'd like to move that in the analysis, in the shift in allocation I'd like to see the impacts on coastal communities in the Western Alaska CDQ program, jobs, investment opportunities, as well as royalty payments, see how they're affected by shifts in allocations.

Mace: I did not hear that; you're not coming through Robin.

Samuelson: I moved that I'd like to see the impacts on coastal communities in the Western Alaska CDQ program as a result of a change in pollock allocation and that analysis include the effect on jobs and royalty payments.

Benton: I don't know if we need a motion on that, but I'd accept that as a friendly amendment in terms of guidance toward staff; it's not a big deal.

Lauber: Without objection, then, it's accepted into the main motion. Hearing none. . .

Fluharty: If it is the Chair's wish that we can take some items like that, I think that I would ask if it would be considered a friendly amendment to include analysis of these changes on other fisheries, including groundfish or yellowfin sole, Atka mackerel, things like this, from a change in this allocation, to make sure that's analyzed.

Pautzke: We have to do impacts on other fisheries and related fisheries, so. . .

Fluharty: O.K., so it's in there.

Benton: On that last motion, not the last motion, the motion before last, if anybody wanted to propose an analysis of the catcher vessel minimum percentages, I think that's something that might merit some attention. I can't propose it.

Pereyra: I would like to move that the offshore portion, which now ranges from 70 to 40--70, 60, 50, 40, that that be 65 to 45, so it would be 65, 60, 50, 45, and then you'd have to make some adjustments in the others to account for that. But, I would like to see that range, rather than the 70-40 range, I would like to see a 65-45 range looked at.

Lauber: You would take 5 off of the front end and put it on the back end, is that the way it works?

Pereyra: I see these four sets of numbers here as sort of being an indication of what the range is. I mean, right now we've got the mothership range goes from 5 to 15, and we've got the inshore sector goes from 25 to 45, and right now the offshore sector goes from 40 to 70, so the offshore sector is plus or minus 15 while the inshore is plus or minus 10 and the motherships are plus or minus 5. And what I was saying was in order to simplify the analysis, I was going to suggest that that be changed so that the range would really be 45 to 65, plus or minus 10% range, the same as the inshore. That's what I was going to suggest.

Fluharty: Second, if it's not a friendly amendment.

Pereyra: Is that a friendly amendment?

Benton: I'm still looking at the numbers. Let me see if I've got this straight. So this would be a range of 65 to 45 for the offshore.

Pereyra: Right.

Benton: If we did that and in looking at the numbers for the motherships the range for them would be 5, 10, or 15, I assume.

Pereyra: Right.

Benton: And then for the onshore the range would have to be 30 to 45, is really what you're saying.

Pereyra: Plus or minus; well, they presently 35, so it would be plus or minus. . . yeah, they're plus or minus, what are they, 35 now? So, they're plus or minus 10, so it's 25 to 45, that's the range. I mean in order to get 100% you're going to have to obviously juggle those in the final analysis. We'll be doing that anyway. I mean, we're not going to be sticking with these strict numbers. I think that the Executive Director has told us that that's what the analysts would be doing anyway in their analysis. They'd be picking out certain sets that equal 100%, but it would be in that range.

Kyle: So what you're saying, though, Dr. Pereyra, is that you don't want anything analyzed that could possibly move more fish offshore if you do that. You're locking yourself in at 65 no matter what the analysis might show.

Pereyra: No, the offshore without the motherships is presently 55.

Kyle: O.K.

Pereyra I'm just trying to put some equal bounds on it, is what I'm trying to do.

Lauber: So, let's try to do it. . . we're dealing with this set of numbers and instead of. . . let's see how they would add up. I know on the one he said and then have the staff adjust. I think that's something we probably should do, we should. . . because. . . so the first set of numbers would then read 60. . . reading from the bottom up, would read 65, 05, 30, is that right? And then, 60, 10, 30, from the bottom up [someone said "No"]. It would be 65, 5, 30; that would add up to 100, wouldn't it?

Pereyra: Yeah.

Lauber: And then the next set would stay the same, right? It would stay at 60-10-30, and the next set would stay the same at 50-10-40, reading up; and the next set would say, what?

Mace: 45-15, and 40.

Lauber: 45-15, and 40. . . [Change to tape 69--obviously missing some comments here from tape changeover]

Pereyra: . . . 45, right. It could be 45-10-45. Rather than going to try to figure out what kind of combinations and permutations you might have, all I'm saying is the staff would analyze a range for the inshore sector that

would be plus or minus 10%, a range for the offshore sector that would be plus or minus 10%, and a range for the motherships that would be plus or minus 5%. That's really what I'm saying. They're going to set some limits on either end that are going to be able to allow some analysis to see what the impacts would be. I mean, you can come up with a million different permutations and combinations of these things.

Pautzke: That's why I think we'd really appreciate it if you just gave us the ones you want us to look at and then you can choose between the ranges, because we don't know what your rules are for determining which one has a degree of freedom and which one should be held constant. And we've probably got a pretty good change we're going to come up with the wrong combination.

Pereyra: Well, give me a few minutes to think about this; we'll move on to something else. . .

Behnken: It seems like we're spending a lot of time chiseling, potentially chiseling away just a little bit of the analysis at either end and I just wanted to ask staff how much of a difference that would make if we dropped 5% either side or something, in your ability to give us a meaningful analysis in six months?

Oliver: I don't think that's going to make a significant difference either way. I don't know if this will help Mr. Pereyra or not, on his particular motion, just looking at the numbers it might be helpful to look at it in terms of three columns as opposed to four where the middle column for example would be 35 inshore, 10 motherships, 55 offshore, and then to the left of that would be 25-10-65, to the right of that would be 45-10-45. That gives you the basic bounds, those 10 across the board for motherships noting that that's not necessarily a fixed number. I don't know if that helps or not, helped me visualize it.

Pereyra: Why don't I just forget about my motion because it's obvious this time of the morning I can't figure numbers out anyway. My personal feeling is that these numbers are so far outside of any reasonable range that we'd ever even consider that, you know. . .

Pennoyer: I think Ms. Behnken's question was an excellent one, but it's a two-part thing to this. One is there . . . [unintelligible]. . . in what you can judge, and I think even at 35% we're only going to get a qualitative analysis. And, I accept, Mr. Pereyra, the word qualitative is probably not exactly right. But in terms of cost-benefit we probably won't get there for that. So, sort of picking the range that we think that type of analysis would stretch us to. . . reasonable alternatives to look at that we might really do come June. So, it's a two-part question. I agree with Mr. Oliver, I don't think there's a hell of a lot of difference in what we're going to get in terms of the. . . [unintelligible]. . . nature at 35% or 45% or whatever, so. . . Still, we have to look at what's likely with that type of analysis for us to act on come next June.

Pereyra: O.K., then I would like to move, unless it's a friendly amendment, that under the offshore portion that, look at a range for the catcher vessels, a minimum for the catcher vessels of 10-15%.

Benton: I accept that as a friendly amendment, Mr. Chairman.

Pautzke: That's using the current numbers that are in the AP thing? You've withdrawn your other one, Mr. Pereyra?

Pereyra: Yeah. I'm withdrawing that other one, that 65, for the moment.

Lauber: So, the range was what, 10 to 15%, or. . .

Pereyra: 10 to 15%. Presently it's about. . . well, maybe we should make it 9; the current one is, so maybe we could make it 9 to 15; I think the current one's 9.

Lauber: That was friendly? Accepted?

Benton: Yes.

Lauber: O.K., anything additional? Ready for the . . .

Pereyra: Can I ask a question? Do we have this option, reserve set-aside, or did we eliminate that?

Pautzke: That's still there, for Alternative 3.

Lauber: That's still in here for now. Are we ready to move on, or is there anything else under the . . . The next thing we would then take up would be what, the . . .

Pereyra: Well, we have all the things under the 1, 2, 3, 4, that goes under this also included, right?

Lauber: Well, that's what I'm asking. This section is . . . the next thing we would move to would be CDQs.

Behnken: I have a question before we move on to CDQs, unless someone had more on this.

Pereyra: I have some more on this.

Behnken: O.K., I . . .

Pereyra: Number 1, I would move that Number 1 be changed to read, and I don't know what the proper word is here, but "existing CVOA arrangement." In other words, the way it is today, so we would have "Existing CVOA arrangement would be Number 1 and Number 2 would be no CVOA. If there's a second to that, I'll . . .

Lauber: In other words, you would strike the language in Number 1 and insert the "existing . . .

Pereyra: Existing CVOA arrangement.

Lauber: And number 2 would be . . .

Pereyra: Number 2 would then be no CVOA. I'd like to speak to that if someone . . .

Fluharty: Second.

Pereyra: My reason for that is if you go to page . . . figure 2 in section . . ., under Tab 10, it's quite obvious that during the winter period the majority of the fish are inside the CVOA and for that reason the fleet, both inshore, motherships and offshore, are operating in that area. To go and even consider eliminating the fleet from that area, I think that we are spending a lot of time analyzing something that is quite obvious in this analysis is not appropriate. We've had a lot of discussion on this over the past when we've talked about the CVOA and that was the underlying reason why the CVOA was set up with a 'A' season-'B' season differential. The other thing is that there is an increasing number of small catcher boats that have been displaced from the inshore area that are now operating with the offshore catcher processors and these vessels are small, they're not the larger vessels. We've got some that are in the 80-foot range. To even consider putting those vessels outside in the central Bering Sea in the winter time, I think is unconscionable. We would be subjecting them, I think, to some very severe potential safety problems. And I don't think this Council wants to be in a position of even considering something of that nature. So, I would ask that we strike that provision and do the responsible thing and have two alternatives to consider. One would be no CVOA, and the other would be the way it is today.

Behnken: I'm not sure how all this will play out in the analysis, but it seems to me that below that we have this recommendation from the AP that we analyze all these ranges and these other issues as they pertain or as they affect marine mammals and other marine resources. And it seems to me the CVOA has been flagged in some recent papers and discussions as a pretty critical area and we may need to look at not eliminating the CVOA as is recommended here, but maybe some changes that affect the pulse fisheries in that area, or the pulse fisheries near other critical zones and I had intended later on to ask the staff how they were going to interpret that recommendation from the AP, which is part of our motion, particularly as it relates to the Number 1, 2, above that is part of this motion, with regards to the CVOA. So, I don't know, is there Chris or someone on staff that can speak to that?

Oliver: I'm not . . . we're probably going to have a lot of help from the Center and Lowell Fritz on that part of the analysis. I guess I'd be a little bit over my head speaking to exactly what we're going to do on that. We could look at an entire range, I suppose, of options with regard to the CVOA, from one extreme to another. But I don't know exactly what analysts at the Center would be giving us on that.

Pennoyer: I was going to save this until later as sort of a final discussion, but it comes in very specifically in the CVOA. Any of this, including the harvest by area that's allowed under different alternatives, the CVOA questions, are all going to be subject to a discussion under NEPA and our concerns for sea lions and the ecosystem. So, I would say at some point, I hope the Council realizes this, anything we do here is going to be subject to that sort of discussion on Section 7 consultation and the analysis is going to have to give us enough information to decide what needs to be done. And, I'm not precluding what that would be or how it would occur or anything else because our sea lion people, for example, as you heard are still going to meet this fall and spring and talk about the Lowell Fritz presentation and what other information we have. So, the analysis will have to include enough information for that to be evaluated.

Benton: . . . question . . . sort of relevant about whether I take Mr. Pereyra's motion as a friendly amendment. Mr. Pennoyer, I think we all understand the National Environmental Policy Act and the Endangered Species Act, and we have to consider all these things and have to comply with those laws. But, if the Council does not have an option on the table for analysis, such as, let's say, having a CVOA for 'A' and 'B' and yet we come to a place where it is decided based on the information that we have that we should do something like that for marine mammals in that area, are we precluded from dealing with that? It seems to me that then we're in a situation where we don't have the tools in front of us necessary. Now, I'm not presupposing how the decision would go. That's not my point at all. It's just, are we foreclosing an option that we probably ought to keep open, or what. Could you provide me some guidance on that?

Pennoyer: That's a very good question and it implies not just the CVOA but the configuration of any closed area relative to critical habitat. So, we might not even be ultimately talking about quote CVOA, it might be a different configuration, smaller or larger, more catch inside, more catch outside, irrespective of the inshore-offshore allocation. So, it's a hard one to answer. I guess I'd feel more comfortable if there was some flexibility in dealing with it.

Fluharty: In short, I would support what Mr. Pennoyer is saying. From an ecosystem perspective, if we truly are going to be dealing with marine mammal issues on this, I think we would want to have flexibility. This inshore-offshore is really trying to get at a different problem and it does have distinct involvement with this, but I think if we try to squeeze things into this type of analysis using the CVOA we're sort of really binding things up and so I think we should keep in mind that what Mr. Pennoyer said is the likely way that we would deal with any marine mammal interactions, but that we should try to keep our analysis as simple as possible relative to the main purpose of inshore-offshore. I mean, it's essentially looking at those options.

Pereyra: In hearing the testimony of Dr. Fluharty and Mr. Pennoyer, I can see where if we went this way and if sea lions is one of our considerations here, we are taking a very static approach. We are saying that this is the only alternative to address that issue. I mean, there are other alternatives. We might want to have 50-mile closures around rookeries. Maybe we want to change the percentage between the 'A' season and the 'B' season. There's this experimental approach that the Center and the marine mammal recovery team, the sea lion recovery team, are wrestling with where they might take the closures off certain rookeries and keep it in others, just kind of see how the pollock-sea lion interaction really proceeds. We may even want to lower the total quota of pollock because of sea lion considerations. We might want to change the configuration of the CVOA entirely. We may want to partition in a different way. I mean, I can see a whole range of potential options that we might want to consider to address a . . . if there is a sea lion-pollock interaction, to address that particular problem. So, I think it would be better to keep this cleaner here and proceed in a manner that would not have a major shift in which the CVOA would operate under inshore-offshore, so I would hope that would be a friendly amendment.

Behnken: I think Mr. Pereyra is right, that there will be a range of options that will be possibly recommended by the marine mammal people, but . . .and there's no way for us to include all those at this point in the analysis. I think the difference between that and dropping out, or what Mr. Pereyra's motion is, is that the CVOA has already been flagged by them as an area of concern and the level of effort in that area is a level of concern and, not to say we're going to make a change in it, but it just seems like an option that ought to be kept in at this point.

Pennoyer: I guess I agree with that. There are all sorts of things that may come up, but what we have to do is evaluate what you're proposing relative to the effects on sea lions. So if you were proposing one thing and the analysis doesn't give us much flexibility we'll have to do a separate thing. I'm trying to get this all to come together. I guess what you have here is no CVOA, or changing the CVOA arrangement under 1; how about making a third one, just existing CVOA arrangement, and that give you the range of what you were talking about, and includes this other option and gives us the chance to do an analysis on what any of those things might mean to the sea lions. Is that a friendly amendment?

Benton: If I could ask a question. So that would be . . .that would mean CVOA in the 'A' or 'B' or 'A' and 'B', or not CVOA, that's basically what you've just said?

Pennoyer: Yes. It's what Mr. Pereyra suggested--the existing arrangement versus what's in 1 now, which is what you said, so I guess you're right, that's the range.

Benton: I can accept that as a friendly amendment. But . . .

Pereyra: Well, I expect that'll be the will of the Council, I still think that it's presumptuous of us in terms of sea lions to think that this is the only measure we're going to be considering. I think it's much more inclusive and the proper way to handle it through some sort of a Section 7 consultation or however Mr. Pennoyer will be handling this just to see what the range of alternatives are that we might want to consider under sea lions. That's my feeling.

Lauber: You say this is the only thing we can do for sea lions, is right here?

Pereyra: No, but all I'm saying is that if that is our consideration, if we are taking it under consideration, that we should not be addressing that here out of context of the other sorts of approaches that might be used. We are being presumptuous by this approach. It could be that what is of concern that would be looked at here, that there would be some other approach that would be much more desirable from the standpoint of the sea lions and from the standpoint of the fishery. That's why I'm saying, I think that to do it out of context so to speak with all the other options that might be available I personally think is not the right way to proceed.

Lauber: Where are we in accepting Mr. Pennoyer's suggestion, which is basically the three options: the current CVOA situation . . . it was accepted as far as an amendment, but actually Dr. Pereyra had a . . . his motion said to drop the number of [two or three people talking at once; difficult to hear]. . .

Pereyra: What I had proposed was to place Mr. Pennoyer's suggestion which was accepted by the maker of the motion, to have that be a substitute for the wording that's in there for Number 1 and what Mr. Pennoyer has done is gone ahead and put that in addition to the wording in Number 1.

Lauber: That's right. I'm asking you if that's acceptable, because it's your amendment.

Pereyra: Well, it's not acceptable to me, but then again if that's the will of the Council, that's obviously the way it'll be.

Lauber: . . . having a vote. . . do you want me to call the roll on your motion?

Pereyra: No, it's not acceptable to me, but I don't want you to call the roll of the Council.

Lauber: The Chair rules that Mr. Pennoyer's suggestion has been accepted by the maker of the original motion and the Chair takes note that Dr. Pereyra grumbled.

Pereyra: I take umbrage with that statement, Mr. Chairman.

Fluharty: Just to review what Mr. Pennoyer is suggesting. The effect of letter 'a' does not deal with any ecosystem consideration, per se. It's strictly allocative. If you look at what this is, the only thing that we would be considering would be excluding. . . would be applying the CVOA all year 'round, which means that would exclude the catcher processors during the 'A' season. The second is excluding motherships. That's the effect of this, it's not an ecosystem thing. It may be something we want to analyze, but this does not achieve what Mr. Pennoyer's talking about in terms of a more flexible approach to how we might deal with marine mammal issues. I mean, we can still keep it in here but I don't want people to think that that has ecosystem implications because there's probably no discernible difference between a catcher processor-caught roe-bearing pollock in that season than one caught by a catcher vessel.

Pereyra: I move that we remove this. Based on Dr. Fluharty's comments, I move that we remove this.

Lauber: Remove Number 1.

Pereyra: Yeah.

Lauber: O.K., is there a second? Hearing none, it fails for lack of a second. All right, we're back to where we were, where we have 1, the Pennoyer 2, which is the original Dr. Pereyra's motion, and 2 is renumbered as 3.

Pereyra: Maybe we could group them all together as CVOA considerations, or something, so that they would be. . .

Lauber: Good idea, because the next three doesn't really involve that. So, after "also included," we would use "CVOA Issues."

Pereyra: I just wanted to make them a, b, and c.

Lauber: O.K., we'd have to strike 3, then. Number 1 would be (a); the original Dr. Pereyra motion, would be (b); what's now numbered as 2 would be (c).

Fluharty: In order to try to come up with something, I would propose a (d) as a friendly amendment and that would be that to the extent practicable our analysts would work with Center staff with respect to required changes or changes in the fishery affecting inshore-offshore that are oriented toward dealing with marine mammal interaction issues.

Pennoyer: That doesn't just apply to a CVOA analysis, that's a separate, not (d) under CVOA, that's instruction to staff that I think we need to do at the end of this anyway for the whole thing.

Fluharty: Accepted.

O'Shea: One of the comments that I heard from Dr. Pereyra was safety implications of what you do in the CVOA, so just to put in a marker for that, I would assume your analysis would want to look at that and possible applications to the new National Standard 10.

Lauber: Any further discussion on this? Can we move down the line to what's now Number 3, a, sunset date; b. . . I think we'll have to re-designate that somehow, maybe as Number 2, because we changed 1 to (a), remember? This now becomes 1, I guess.

[Several people making miscellaneous comments]

Lauber: O.K., I see. One would be CVOA Issues, then this would be 2, Sunset Issues. O.K. Anything on that? And the original motion deleted the next paragraph.

Benton: The following paragraph does speak to marine mammals and other marine resources and I just wanted to flag that because of Dr. Fluharty's previous statement. I think this covers, and it certainly is my intent that it cover, the kind of things that you talked about, Dr. Fluharty.

Fluharty: Agree.

Lauber: Is there anything else under this item?

Pennoyer: I just. . . I raised originally that we do it overall. I think Mr. Benton is right. I think this does cover it as long as everybody realizes that the whole analysis, all aspects of it, are going to have to give us the information to decide on a FONSI, be able to do that. I'd like to say again that if we can't declare a finding of no significant impact, you enter into another process that could actually mean that nothing happens for a year or two because you'd be in the IS process. So, but I think the paragraph covers that as long as the admonition is clear that we've got to do this study relative to the effects on the ecosystem, and sea lions in particular. Thank you.

Mace: Is it appropriate for this particular motion to be considered now and voted on and then the CDQ issue separate?

Lauber: Yes, we apparently have worked our way through this item and we're now, assuming there's no further motions, . . . [interrupted]. . .

Mace: I call for the question on the motion.

Pautzke: The CDQ is part of the main motion.

Lauber: CDQ is part three of the main motion.

Mace: O.K.

Samuelson: The language in the CDQ portion isn't quite clear. I'd like to offer a friendly amendment to the maker of the motion: That the Council direct staff to begin an analysis of a separate amendment to the Bering Sea groundfish fishery management plan that will incorporate Bering Sea pollock into the multi-species Western Alaska Community Development Program. Alternatives for analysis shall include: Alternative 1-Status quo, existing pollock CDQ program expires at the end of 1998; Alternative 2-7.5% of the total allowable catch of the Bering Sea pollock fishery is allocated to the program.

Benton: I would accept that as friendly, Mr. Chairman.

Lauber: O.K., without objection then it's accepted into the main motion. All right. We have completed the three segments and have completed the debate.

Pereyra: Will we get to a point where we, before we vote, that we will be discussing the sorts of analyses that we would like to see, some of the factors that we would like to see included in the analysis?

Lauber: We could either do that before or we could do that after, whatever kind of Council direction you care to give staff, I think in most cases they would be appreciative.

Benton: It seems to me that we should just vote and then have a discussion about the components of the analysis that need to go forward because we don't know what we'd talk to them about until we vote.

Lauber: Are we ready for the question?

Mace: Question.

[Change to Tape 70--comments lost in tape changeover]

Pereyra: ... [starting in mid-statement]. ... a real problem in April. I think we're making the Council look rather unprofessional the way we're dealing with this issue. I think everyone of us around this table knows that we cannot get there from here, based upon what this motion is asking to be done. I think that's irresponsible for this Council. I think this is probably the most egregious deviation from what I would have considered to be responsible Council actions in the past, and this bothers me. I've been on this Council for six years, and what am I, seventh year, and we've had our controversies and our debates and so forth, we've had our differences, but we've always I think stayed within what I would consider to be reasonable bounds. And this one I think is way outside our reasonable bounds. I don't think any of us really in our hearts can feel that we are in reasonable bounds with this. It just will not fly. And so, I have to vote against it for that reason.

Pennoyer: I don't know what ultimately is going to be the result of the analysis, obviously. I do know the quantification that we might want at a higher level of allocation decision is probably not going to be there, and I don't know what the Council is going to ask for because we're voting for a range of analysis, we're not voting on the final decision. I'm troubled by all the comments that even the range of analysis means people out there are making business decisions on assumptions that something may go one way or the other and I'm not clear, given all the ecosystem concerns and other things that that's a valid assumption by anybody. And whatever we vote on in the range of alternatives here, and by the way, personally I would not vote that I think now I would

want to see that wide a range of decision come April or June, but others may. But even if we vote for the broader range I think we want to send the word out that this is for analysis, this is not that the Council members have made up their mind that any particular range is viable, and I think that needs to be very clear in the statements we've sent out, because I've heard a lot of discussion here that the message that's going out is that the Council really is going to perhaps reallocate 20% in some direction, or more, or whatever, and I will just tell you that from all the ecosystem concerns and others I think it could happen either way. That verdict is not in yet and I think the world ought to know that's why we're doing the analysis and they shouldn't be banking whatever they think they might be banking. I don't think generally the Council thinks that's a valid assumption, but the public is coming across that way and I don't think that's a good idea.

Kyle: I would just like to associate myself with the remarks of Dr. Pennoyer. I think we're voting on an analysis and I think it would be a mistake for any business person to draw any conclusions from what we're going to ask the staff to analyze at this point as to where we may end up.

Benton: I too concur with Mr. Pennoyer and the comments that have been made. Regarding this and as maker of the main motion I particularly feel that it's important to emphasize that this range of options is for analysis, that there have not been any conclusions made, that we may wind up at the end of this process coming down right where we are with the present allocation with the present configuration, but it seems to me that it is necessary for us to look at these options and to have this kind of range of analysis so we can make a reasoned and supportable decision if that's the decision we make.

Samuelson: This is just a question. With the new Stevens bill on the floor, the Americanization bill, I know it's just a bill, it's going to be changing, but can we have Council staff appraise [sic] us in December as well as in February, as well as in April, on the development of that? I think as indicated in public testimony and comments of the Council, it's going to have a profound effect on the outcome of the offshore fishery as we know the fishery today. The bill alone, if it is passed in its entirety, or even with substantial changes to it, so I would like to be appraised by staff as that bill marches through Congress and if it is passed, presented to the Council and its effects that it will have on both the onshore and offshore sector.

Oliver: Mr. Chairman, I'm sure we'll do that. Analytically, whether that bill passes could have some tremendous effects on how we look at the potential impacts of these alternatives when you look at perhaps removing some segment of effort from that sector, so we'll be looking at it closely, too.

Fluharty: I'll second the remarks of Mr. Pennoyer and Mr. Samuelson. I think there are two things I would add. The first is that while I'm not enthusiastic about the wide range that we're analyzing I think it will actually help given the lack of data to really lay out what some sideboards are. I think they're as large as Mr. Pereyra is talking about and so it may be particular to an advantage for our process to have that kind of difference analyzed, but Mr. Pennoyer's remarks rule. The other part is to just raise a question regarding the problem statement which talks about outmigration and concentration of capital. I'm curious if we're really serious about those terms in the problem statement and how we would analyze that. I think I know what the intent is to get at, but having them prominently in the problem statement implies that we're actually going to be tracking capital movements and I'm not sure how hard or how easy that might be. So, it would be a question both to staff and also to Mr. Benton, how we might work with these words, outmigration and concentration of capital, with respect to analysis. I just want to make sure our problem statement can be analyzed.

Pautzke: . . . capacity, or companies, or the consolidation. . . ?

Fluharty: But if you refer to capital I think it's one thing to say that certain things have happened, but to get behind that, to actually see what true. . . [unintelligible] . . . and what's, what's, I mean there's a pretty sophisticated Wall Street type of analysis that, in my view, might be required to actually track capital as opposed to. . .

Benton: I think that the sectoral analysis provides a good first shot at what I think we're attempting to look at, and that is the movement of in some instances harvesting capacity in and out of the fishery and changes that that's constituted in the fishery and what impacts it's having on the fishery. I can't see much more than that.

Lauber: Maybe we could better. . . if you care to, explore this when we talk about the analysis rather than at this point. . . [interrupted]. . .

Fluharty: Major part of our problem statement so that was why. . .

Lauber: If it was for your purposes of making an amendment or something I'll allow it, otherwise let's go on.

Pennoyer: I don't know if that makes a difference, but this isn't defined as an issue we're going to analyze necessarily, it's a characteristic of change in the fishery which may have led to something else, so it doesn't demand that we pick that as good, bad or indifferent. It just says that has happened and it may have affected other things or lead to these other issues. So, it's not exactly an answer to your question, but it doesn't demand that we analyze that.

Austin: I too agree with Mr. Samuelsen's amendment to separate the CDQ program from the inshore-offshore allocation question. But I can't support the main motion, neither the problem statement or the alternatives. I too agree with Mr. Pennoyer, but I come to a different conclusion. Like Mr. Pennoyer, I don't see a problem. What I see, however, is a list of issues. We are told that change has occurred and therefore we need to study this change and reconsider our inshore-offshore pollock allocation. But we are told that we won't be able to include a cost-benefit analysis in our consideration of this change. And yet the change in the Gulf of Alaska, despite the harvest overage, is O.K., and doesn't need reconsideration. Change in the industry occurs continually despite our goal of stability. There are not enough hours in the day, days in the week or weeks in the year for the Council to respond to these changes. Therefore, the Council must respond to major changes that I will call watershed events, events that cause the direction of the Council to change its course. The IFQ program was such a watershed event. The moratorium on the IFQ program was such a watershed event; it caused the Council's goal of the CRP to be delayed. It also caused some to see this as a great opportunity to change the status quo before the CRP is finalized. And the Council's chair I think spoke very eloquently to that. While not authorizing the FCMA would have been a watershed event, reauthorization of the FCMA is not a watershed event. Why? Because the Council and its advisors anticipated these changes. In fact, we led the nation by advocating changes to the FCMA that we had already considered in our own deliberations. For example, the four issues, but not problems that we have brought up have already been addressed -- utilization, ownership, safety and fishing community. Utilization? The Council has already addressed Standard 5 by requiring full utilization and setting a rate recovery standard of 15%. This was done with consideration of U.S. market demand for the product being delivered by the offshore sector. We are now considering using this standard set by the Council as a problem that requires solution by reallocation from the offshore sector to the onshore sector. If that doesn't violate a National Standard, it violates my personal standard of fairness. I think we need to allow the new full utilization rules to be implemented by the industry and then evaluate this performance. Utilization is an issue already addressed by the Council. This issue can only be evaluated after the 1998 season. Ownership. First we were concerned about the domination of the onshore sector by two Japanese companies. Concern was caused by the vertical integration of the companies and the impact this has on the free market place, not on the fact that the companies were foreign. Now we are concerned about Norwegian ownership of a disproportionate share of the offshore sector, a concern that is being characterized as violating the original intent of the FCMA to Americanize. If this issue is to become a problem, then the Council needs to make the full commitment of the staff and resources to evaluate ownership regardless of the time constraints or the complexities of vertical integration of the onshore sector. It should also include catcher boats, including general ownership and limited ownership. In addition, the Council needs to define 'excessive' ownership before it can use this criteria to judge and reallocate the resource. In fact, I suggest that excessive ownership is now being debated in the U.S. Congress by the introduction of the Americanization bill,

or the anti-factory ship bill, depending on your perspective. In fact, if that bill passes I would think it would be appropriate for the Council to go into emergency session and consider its implications. Safety. If safety is a concern that requires us to shift the motherships from one sector to another, so they don't have to compete in bad weather, etc., then we need to consider I think the size of vessels involved in our fisheries and maybe we need to set a minimum size limit. Fishing Community. That was one of the last items debated as I understand it, on the floor of Congress as the FCMA was being reauthorized, and one of the telling statements, I believe, on that subject that causes me to have such a reaction to this diversity question, was made by our Washington State senator Murray and I think Dr. Pereyra already read that, but I think it bears repeating and I'd like to repeat it: The definition of fishing communities in this bill will work well. Fishing communities are those communities substantially dependent upon or substantially engaged in the harvest of fishery resources. This definition recognizes that fishers are fishers no matter where they live, an individual fisher and his or her family, whether they work on a big boat or a small boat, are equally dependent upon the fish for their livelihoods no matter where they live. The fisher from a small New England port, an Alaskan coastal town, or a metropolis such as Seattle, all make their living from the sea. Their lives are all tied to the health and abundance of the fish they catch. They all deserve to be considered when difficult and painful fishery management measures need to be implemented. Under this bill they will be, and I suggest that the political make-up and structure of the Council is already considered, both in inshore-offshore 1 and inshore-offshore 2, the impacts of decisions on coastal communities and those dependent on the resources for their livelihood. As a result of these, I would like to propose a substitute motion, and that substitute motion is already before the Council. It's a problem statement and inshore-offshore alternatives presented by Mr. Dave Fraser and it's labeled 'American Independent Fishermen's Redux: A coalition of at-sea sellers of pollock.' I also believe that this substitute motion is consistent with the minority statement that was presented to us by the AP. By that reference, I would like to incorporate that minority statement in my substitute motion.

Pereyra: Second.

Lauber: Is there any discussion? Ready for the question?

[Samuelson indicated he did not have a copy of the Minority Report]

Lauber [to Austin]: Care to read it into the record?

Austin: Sure. "Problem Statement. The problem is the inshore-offshore allocation, an interim, stop-gap measure designed to limit preemption and provide a measure of sectoral stability while the Council dealt with CRP, expires at the end of 1998 and that the failure to roll over the program will inject an enormous amount of uncertainty and instability into the pollock fishery. Inshore-Offshore Alternatives: Alternative 1: No action. Allocations would expire at the end of 1998. Alternative 2: Roll over existing inshore-offshore program for three years, including the 7.5% CDQ, GOA pollock and Pacific cod allocations, 'B' season CVOA, 65/35, BSAI pollock allocation. Additionally, the Council would undertake an extensive study of the problems in the BSAI and GOA pollock fisheries, including those addressed by the existing inshore-offshore program as well as those identified in the CRP problem statement." Would you like me to read the minority statement?

Lauber: No. Call the roll on the motion.

Samuelson: Before we vote, may I request a 5-minute break?

Lauber: O.K., take a recess.

Lauber: Council's back in session. Ready for the question? Call the roll.

Pautzke:	O'Leary	No
	Pennoyer	No
	Pereyra	Yes
	Samuelsen	No
	Austin	Yes
	Behnken	No
	Benton	No
	Fluharty	No
	Kyle	No
	Mace	No
	Lauber	No

Failed.

Lauber: We have before us the main motion and I think I was going to allow Dr. . . .excuse me, I think we have. . . go ahead, Mr. Samuelsen.

Samuelsen: Speaking to the main motion, halfway through public testimony I told the public that I didn't bear a problem and to give me something to focus on in testimony coming after Mr. Baker to put the public on notice that was going to testify to come up and give me something I could sink my teeth in, show me one sector of the industry that is being hurt. We finished public testimony and we've been floundering around since yesterday afternoon or whatever time it was. With all the information that I had gathered, I still haven't seen a problem. I think the problem statement is very weak, I think our options are too many options, the staff doesn't have time to do the full analysis, and I was going to vote against the main motion. But then I said, where does that put us with the time clock running, and then I leaned toward 'well, it's an analysis,' the staff can't do the analysis. Come December, come our February meeting, as they're doing their analysis things are going to be falling out. Quite frankly, I think with what we're voting on before us now, is going to be a complete melt-down of the system by June because things that we have put in this motion are not going to be attainable. So, I guess looking at all the different alternatives, where we're at with the clock running, and trying not to really take a stand on inshore or offshore, I concur with Hazel Nelson's comments yesterday when she presented her testimony. I'll be voting for the analysis to go out, supporting Mr. Benton's motion. My preferred choice for some reason is saying no and we all get a gut feeling on things and I have that gut feeling that says no, don't ship out the analysis. But, looking at everything, seeing where we're at, I don't think it's going to be attainable, I think the things that are in the analysis are not what I've been hearing in public testimony, so this is probably my toughest vote on this Council so far. And it's only because that clock is running, and we have to do something by June of '98, so although I don't support the problem statement, although I don't support a lot of portions of the motion, I'm going to be voting for it. It's a hell of a position to be in, that's a hell of a statement, but that's just the way I feel. I'm just like that old dog salmon in the back of my boat, just flipping back and forth here, so that's how I feel.

Austin: I tried to interject with my previous substitute motion some reason into the Council and some acknowledgment of the constraints the Council is under as a result of the analysis that has to follow. Having failed to do that, I don't want my vote to be interpreted, or my original motion to be interpreted, as trying to avoid bringing information before the Council and having a fully informed Council so they can make as wise decisions as possible. So, I'm basically saying the same thing that Robin is saying, is that I have a real problem with the lack of a problem statement, but I don't have a problem with the need to have an analysis so I will be voting in favor of the motion that is now before the Council.

Pennoyer: Very quick; I don't want to hold up any longer, but I think what we said earlier about people not assuming that a vote for this motion meant the Council is making a decision to go for one percentage or another, you're hearing these statements made somewhat repetitively but I think that's part of clearly sending that message out. Nobody should anticipate they can bank one end of a percentage or the other. And, I'm going to vote for

the motion as well because I think we're passed the stage of arguing two or three percent up this way or some other direction, even if I at the moment tend more to believe that where we're going to end up is that we're not going to be able to make a valid choice. But I don't have any problem with looking at a more advanced sector analysis and some of the other things we've talked about so I'm going to vote for the motion, but again, nobody should bank it.

Lauber: O.K., I said I would let Dr. Pereyra close it out, so go ahead.

Pereyra: Well, I'll start out on a positive note and end on a negative note, Mr. Chairman. On the positive side I can support Mr. Samuelson's motion to separate the CDQ; I think that's the proper thing to do. But even though we separate the CDQ allocation itself, I don't think we want to delude ourselves into thinking that CDQ and inshore-offshore are mutually exclusive. They're not. What we do on inshore-offshore regards to allocations, CVOA, and all of these other aspects of it will directly impact the participants of the CDQ communities that are operating in the offshore sector. That's a fact. It will affect the viability of certain investments the CDQ has made and so forth. So, any thought that we might not have to analyze impacts on the CDQ community in my mind are totally erroneous. Second, I, like the others, do not see a problem. I think the problem statement misstates what the problem is. I don't think it covers what I consider to be one of the most glaring changes which has taken place since the initial inshore-offshore 1 and that is the bankruptcies and decapitalizations that have occurred in the offshore sector, and the subsequent consolidation which everybody has identified as something that they are concerned about. We contributed to that. It's not identified in the problem statement; I think that is one of the most glaring problems we had to deal with; it's not even there. Another aspect of this which bothers me--on one hand I hear us saying time and time again, particularly in the last fifteen minutes or so, nobody has to worry, this is just going out for analysis purposes and so forth. Yet previously we've said you can't get there from here, That you can't do the analysis that's necessary [Change to Tape 21 comments lost in changeover]. . . set of the alternatives. How can we possibly discern what the impacts are going to be to the sectors by decisions we might make if we don't have the analysis and how can we do the analysis if we don't have the cost data. It's a catch-22, and so to send something out for analysis that you know you can't analyze seems to me to be not very clear thinking. Also, we said, well, people will know that this isn't really our decision algorithm, or our decision criteria, that we're just sort of putting this out for analysis purposes. Let me tell you what will happen. The minute the Council votes on this, this will be on fax machines all over the world -- that this Council is contemplating a wide range of alternatives. And some of these alternatives could be very damaging to the inshore sector; we've had testimony to that, and some of these alternatives could be damaging to the offshore sector, they could be damaging to the motherships and so forth. This is going to go out. There will be impacts in the marketplace; the marketplace is going to perceive this as indicating that in fact a particular supplier, whether he's inshore or offshore, may or may not be so reliable. There may be a move away from traditional suppliers in the North Pacific, both inshore and offshore. They may decide, the marketplace may decide that they want to more firmly embrace suppliers from South America, for example. We do ourselves harm that way; we do the individual operators harm that way. And this is just something that this Council does, it doesn't think that it is innocuous, but it is. It does have very definite impacts. What about the normal business that certain members of our industry may be considering? For example, I think it's pretty common knowledge that one of the CDQ communities has been contemplating making what I think is a very significant acquisition. This set of alternatives I think would make it impossible for anyone who had any responsible handle on risk management to make that kind of decision. You can't do it. Because, if you look at the range of alternatives, particularly the bank, the bank is going to look at this and they're just going to say, until this is resolved there is no way that we can do anything else but look at the worst-case scenario, which means in effect you don't do anything. And those are bad, that's bad for the industry and that's the consequences of what we do here, when we do something which is just this wide range of alternatives because they will assume the worst. So, what is the problem. To me the problem is that inshore-offshore expires in '98. That's one problem. The other problem is that one sector desires more fish. In reality, all sectors desire more fish, and that's because they need more fish because we have this ongoing race for fish, this so-called, we have too many fishermen chasing too few fish. How often has that phrase been worn? It's

well-worn. And, we've known this for ten years or longer and that's what really was the driving engine for CRP. And we were moving along in that. We've had some changes; we've put together a moratorium first to sort of put a hold on bottoms of vessels; we didn't really do a very good job on a hold on fishing power because we've seen the power of the inshore fleet double; we've seen the power of the offshore fleet increase by 50%, so we've had continual capitalization. Seasons have gotten shorter in a way that is greater than the decrease in quotas would indicate. And we have had problems as a result of that. We're talking about potential marine mammal problems and others. That is a consequence of the race for the fish. What we need to do is we need to get back to CRP. That's what we really need to do, and there's nothing in the Magnuson Act that says this Council can't take the CRP initiatives that we have off the back burner and put them on the front burner and work on them. We can do that. This whole analysis can be folded right into CRP and we can continue to work on it. There's nothing to prevent us from doing that, and come up with a comprehensive solution, not something again which is a bandaid and I think the responsible thing for the Council to do would be for the Council to step back and do that. So, the way I see this is I see us really having a two-part sort of approach, and one part would be, this expires in '98; what we should be doing is doing what we have to do to roll it over at the end of '98, or the no-action alternative, the more simple approach. In the meantime, that would take care of the short-term problem. The long-term problem as regards CRP would be to take this extensive analysis which should be done, and which must be done, take that and roll it into some sort of a CRP-directed initiative so we can come up with a final comprehensive solution, taking care of all these issues -- the issues of consolidation of ownership, the issues of foreign ownership, all of these sorts of things which seem to be bothering the industry and the Council, and do it right, rather than the approach which is sort of dictated by this alternative amendment, so I have to continue to vote against this because I just cannot in my own mind vote for something which I think is consistent with what I would consider to be a responsible direction for the Council to go in, so. . .

Lauber: O.K., call the roll on the main motion, all three parts of Mr. Benton's amended motion. A yes vote will carry all three.

Pautzke:	Pennoyer	Yes
	Pereyra	No
	Samuelsen	Yes
	Austin	Yes
	Behnken	Yes
	Benton	Yes
	Fluharty	Yes
	Kyle	Yes
	Mace	Yes
	O'Leary	Yes
	Lauber	Yes

Pass.

Lauber: All right, that takes care of that item. We did say we were going to discuss. . . if you wanted to give staff some guidance.

[Before continuing, the Council had a short discussion of the timing for remaining agenda items.]

Lauber: . . . We're still on the inshore-offshore. The motion is passed and we are now. . . opportunity to make comments to give staff directions that might be helpful to them in doing their work.

Austin: Maybe it'll help if we confirm the fact that there will be this conference call between staff and SSC. There was a recommendation that that in fact happen and whatever we pull here together here, to make sure we have the best science I think that's a good idea.

Darrell Brannan (Council staff): We do intend to have a conference call with the SSC once we have the alternatives coming out of this meeting and we definitely will be talking to them and getting their advice on what can and should be done.

Austin: And it doesn't take any action of the Council to see that that happens?

Brannan: No, it will not.

Mace: This is rather short notice and I'm wondering if it might be appropriate to have the staff sort of ruminate and digest on this load of poles for a while before we really make too much direction, changes in their efforts. I don't know, maybe they've been able to absorb it by now, I don't know, but it looks like it's a real load.

Pautzke: Thanks, Bob, but I think it would be better if the Council has some suggestions on what they want I'd like to see them get them out on the table here, what their expectations are, and then let them ruminate and if they want to come back and talk to you about how they can respond to that, that would be great, but I'd like to get it out on the table if you could.

Fluharty: In the spirit of what Clarence is saying it might be feasible for Council members to simply write down a quick note with the items that they have in mind, give them to the staff to kind of go through, confer, are we already including this, and just in a sense come back with a response and any questions that they might have. I don't mean to take this off the table as a serious discussion topic, but as a way to accelerate the thing, because I've proposed things that the staff has said, yes, it's already in there, so if we're just trying to make sure that something is included as opposed to . . .

Pautzke: Well, my only problem with that, Mr. Chairman, is that I don't know when they're going to do that. Are they going to do that before we all leave, or whatever, because if someone comes up with this big long laundry list of all the things they want and then hands it to the staff as we're heading out the door, and then we say, well, hold it, there's no way on God's green earth are we going to be able to provide that information, that Council member should know that at this point so he doesn't get really disappointed when we hit February.

Fluharty: What I had in mind was while we were deliberating on the halibut charter that we'd come right back to this.

Lauber: Well, if you would like some time to work on it, I have no objection to putting it over, but what I'd hate to see this do is become a thinly disguised effort to change, completely change what we did and it could generate into that.

Pennoyer: I'm not sure what the viability of this exercise is. Most of us aren't experts on the type of analysis that has to be done to analyze these various alternatives and if somebody's got some really weird idea like they'd like to find out the diameter of the moon or something, have us go measure it, then I think we'd probably have to rule it out anyway. I'm not sure, Mr. Pautzke, what . . .

Pautzke: We can get you that one.

Pennoyer: O.K., we got that one, so that's taken care of. Having taken care of that one, do we really need to do anything else? I mean, we're putting out items like I want to make sure you do this, I want to make sure you do that, and yet by omission we're not saying don't do the hundred other things that might be needed to analyze these alternatives. I don't see a lot of . . . apparently others do, I'll shut up.

Pereyra: I think the responsible thing for us to do is to sit and have a discussion on this particular topic. This is pivotal. This is pivotal to us being able to do something in April if we go beyond some certain range. Because if we don't, we're going to be in a lot of trouble. And I think also I don't want to see us all of a sudden getting to April and finding out there's some glaring hole in the data set that if we had discussed it here could have been covered, and that's the reason why I think it would be helpful maybe to have a short discussion along those lines. I think it's the responsible thing to do.

Pennoyer: I'm not trying to cut off valuable discussion, but you're not. . . some of us already feel that way, Wally, that you're not going to get to some of these items that are going to cover some of these ranges by April, because you're not going to have cost-benefit. No matter how much we ask them for cost stuff here, we're not going to get it. We've got to make a judgement come sometime as to whether the analysis we do get is going to be enough to justify doing various things. I don't know how we're going to sit here and make that judgement ahead of time, so we voted on the motion and I think we just ought to get on with it, let them come back to us, review their progress in December, review their progress in February, review their progress in April, and if what they bring back to us has glaring holes, then tell them at that time. But I don't see how you're going to do it now because I don't even know what they've got.

Pereyra: I think this particular discussion is symptomatic of the reason why we have the problem that we do. At the time of inshore-offshore 2 the SSC sat there and told us, get on with it, get the cost data because you're going to need it. And what did we do? We went ahead and filled the staff up with so much work that they couldn't get on to it. Your staff, the Council staff, and now we don't have the cost data and using that as an excuse for not doing the kind of analysis which is necessary to make the responsible decision in April and I think we need to discuss these sorts of things. We can't fiddle around with this anymore. We need the cost data; we have to have that. It has to be updated; that should have the highest priority of anything that we do. This really frustrates me, to have us sort of sitting here and kind of floating around like that. We all know what we need. Let's sit down and discuss it and get a direction here that will help us in the future. The future could be April, it could be next June for all I know, or the June following that, but we've got to start doing that. We need to have that kind of. . . this Council needs to be like a board of directions [sic] and give direction instead of sitting here waiting, well, tell us what we can do or can't do; we need to establish that ourselves.

Pennoyer: Very briefly. I don't disagree with you, Wally, that we need to decide what we need in the longer term, but that's not specifically the debate of the analysis of this amendment at this time. This is a separate discussion and it's one that we probably ought to have, but I just don't know that it has bearing on specifically, at this moment in time, looking at the alternatives, so, if we tell them we need cost data, they have already told us they're not going to have it.

Lauber: If anyone has a specific recommendation that they would like the Council to make to staff, the floor's open to hear it. If not, we are moving on to the next agenda item.

Pereyra: O.K. I have specific recommendations. I have a litany of things that I want to talk about here. First of all, a specific recommendation: I want to see us start collecting that cost data yesterday. Recognizing that we're not going to have it in time for April to make the kinds of analysis that's needed to do cost-benefit analysis, consumer surplus. . . [unintelligible]. . . but I want to see us start collecting or start moving in that direction now. I know you have a very good proposal, Dr. Terry does, to move in that direction, to get the OMB approval, and so forth. I want to see that be given a priority so we can start moving that way so that three years from now we don't have the same sort of problem before us--we don't have the data set. I want to see that as a priority.

Benton: I absolutely concur with Dr. Pereyra, that we do need to get that information, and in fact I remember us discussing that we wanted to have this kind of information gathered quite a long time ago. It's not necessarily a function of the Council loading up our staff or even the Agency staff, it's also a function of the Agency's

priorities in terms of their budgeting and what they put an emphasis on and so I would take Dr. Pereyra's suggestion and go one step further and that is to ask that the Council send a letter to either Mr. Pennoyer, but frankly I think it should go to Mr. Schmitten, and suggest that the agency provide the funding necessary and the staffing at the Center or in the Region so that they can go out and perform the functions that are necessary to collect that information. It's basic field research and data collection is what we're talking about here. I fully concur with you, Wally, and I think that we should ask that that letter be put forward and I would further just note that the agency in this next year's federal budget, if the Senate numbers go through, is going to have a, I think it's 11 to 12 million dollars of new money specifically for Magnuson Act implementation, and that we ask that some of that money be directed to implement such a program. If somebody would second that, that's a motion that I'm making.

[Several people seconded]

Lauber: Moved and seconded.

Pautzke: I just wondered if Joe wanted to make just a few brief comments on the initiative that they have going right now to collect the cost data. It might satisfy the request in the motion, if you want.

Lauber: Without objection.

Joe Terry: The proposal that Dr. Pereyra was talking about has been funded, at least partly with money from the Office of Science and Technology. We've had an organizational meeting to sort out some methods for collecting the data, so the program is under way. The money from headquarters will fund a cooperative agreement between Fisheries Service and Pacific States and there was a summary report prepared for the SSC this week, presented to them. The initial plan is to collect data for the participants in the Bering Sea/Aleutian Islands pollock fishery and for participants in the basically H&G factory trawler fleet during the first year and then after that expand the data collection to two other sectors of the industry, with the idea of developing an ongoing data collection program for cost, earnings, employment data initially through primary processing.

Benton: Thank you, Joe, for that explanation, but I don't think that negates the necessity of having a letter go out in the manner I've discussed because the Agency may be moving forward on that kind of a process but those things get stalled out and I think the Council should, recognizing the frustration around the table here, I think the Council should go ahead and do that anyway.

Lauber: It could recognize the work that's already being done, but... is there any objection to sending such a letter on such a matter that... the Benton-Pereyra detente motion? All right... [Change to Tape 72 -- comments lost, fate of motion, plus initial comments of Mr. Pereyra]

Pereyra: ... some sort of cost-benefit analysis I think is extremely important. I think we need to do that as soon as we can after we get that sort of data in hand, and along with that we need to have something on looking at the input-output models, we can look at the consumer surplus issue, producer surplus issues and so forth. I think all of that needs to get done and started as soon as we have the data in hand. I think that's going to be very, very important. If it's not important for the decision that we make now, today, it's going to be important for decisions we make in the future. I think we need to look at changes in catcher vessel marketing opportunities as result of changes in the pollock allocation. We know that there are shifts occurring and we need to look at that. We have an emerging small boat offshore fleet that could be potentially impacted negatively from the result of the shifts in allocation. Product values, by grade and by sector; I don't think we have good information on that. I think we're going to need that. We talked about it, differences between inshore-offshore, motherships, and so forth, but we need to have that kinds of data collected presented to us. We've had a lot of discussion about degrees of ownership, foreign ownership, in both the inshore sector and the offshore sector and the mothership fleet, catcher

boats, we need to have that kind of data and that is available; it's just going to have to be ferreted out. I know that we've already talked about the impacts on the CDQ communities, on the Western Alaska residents; that I'm sure will be done. But we also need to look at the impacts on the other non-Alaskan communities as a result of changes in the pollock allocation. I think we need to look at the effects on family jobs, in all sectors, as a result of changes in pollock allocation. What is the spillover effect into other fisheries? That's something which we need to look at. If you go ahead and you change the allocation to the offshore fleet, no matter how you change it there are going to be spillover effects. There will be second and third-order spillover effects. This results in increased harvesting of yellowfin sole or Atka mackerel, that means quotas are going to be taken that much faster which will mean that the smaller H&G fleet which is presently operating in that area on those species will be looking for something else and some of them will obviously go down to the Gulf of Alaska. Those are going to cause impacts and we need to look at those. And I don't know to the degree the model will handle it. Now, we had a model at one time that allowed us to do that and maybe that has to be upgraded to do the proper job. I think we need to look at the comparison of the economic health in both sectors. We've seen changes in the health of the offshore sector and we've had reference to some difficulties that are being experienced in the inshore sector, maybe some of the catcher vessels also, but we need to look at that. Environmental impacts, what are the environmental impacts from changing these allocations. We talked about marine mammals and it's something that's going to be looked at under some sort of a Section 7 consultation, but there are other environmental impacts. There are clean water impacts, there are clean air impacts, and so forth, that need to be at least examined. Safety at sea. Captain O'Shea mentioned that. I think this is a very important issue, particularly as it affects the CVOA discussion. That needs to be examined. The Alaskan and non-Alaskan hires throughout the industry that's associated with the pollock fishery. The data we have here I don't think allows us to really get a handle on that. We have data that's presented, but it isn't broken out, some of it includes all plants and all areas, some of the Washington data includes all hires, and we need to separate that out because we are dealing with the pollock industry here, and we need to have that broken out. The surimi ex-vessel price issue; we have testimony from one of the marketing individuals who talked about a one-to-one price elasticity in pollock surimi versus market; we've had other presentations to us [such as] Dr. Freese that had some indications in that direction. That needs to be looked at. What would be the impact of making an allocation that would increase the amount of surimi going into the marketplace. Those, Mr. Chairman, are some of the issues that I think we need to get some information and have some analysis on for our April meeting, the analysis that we would need to do, so we can make a decision.

Pautzke: Can we get a copy of that?

Pereyra: Sure.

Lauber: Any comments on those, . . . from staff.

Pautzke: Sounds like pretty normal. . .

Austin: I had a specific proposal relative to the ownership question; I'm not sure it's appropriate now, but what I wanted to suggest to the Council is that we do a contract, hire somebody outside of staff, to go out and do the necessary research to provide us a comprehensive structure from top to bottom of the offshore industry, processing industry, the catcher vessels, as well as the onshore processing industry. And I got a sense from earlier testimony that that was done under contract in inshore-offshore and I was going to propose that it be done under on a contract again.

Pautzke: You want us to do, what, the input-output model and. . . I'm sorry, if you could. . .

Austin: No, I don't need any model. What I wanted is a corporate description for the onshore industry, the catcher vessels, who owns what, and the offshore. Earlier in this meeting it was presented that the onshore, at

least, was a very complex issue and what I thought is that we construct a contract for somebody independent of the staff to go out and do that. We take some load off from the staff but still get the information that we're now getting in piece-meal and we don't know what is factual and what is something else.

Pautzke: We are doing right now considerable research through Lexus-Nexus on the various components of the industry and one way to approach that is to bring that information together as much as we can, but then I think we need to go through some type of a groundtruthing by the respective people that we're trying to describe because as those... [unintelligible]... diagrams, I imagine if we looked at the Arctic Storm, which we have, it's probably very complex and while these are all public documents we need to bring those together into a picture of what is the Arctic Storm or other vessel or this shore plant, and there is a certain probability that we're going to get the picture wrong, and so I need to go through some kind of a loop with the individuals to make sure that we don't come out with something that's distorted or misrepresentation and I don't know how anybody else would do anything different as far as a contractor.

Austin: My thought was only to take some pressure off the staff, but if you're already doing it, then it's not something that...

Lauber: They have done a considerable amount and I know Dr. Pautzke said that they could have made a presentation at this meeting. That is sensitive information and if it is incorrect could be, you know, once it gets out in this system, it could be damaging. So, it was felt that the best thing to do was until you had a higher confidence level in it, to withhold it. And, they're going to work on that, as Dr. Pautzke has said. Now, I don't have any problem with hiring a consultant but quite frankly the staff's already done it looks to me like about 80% work and the person that was hired would have a pretty good deal. It wouldn't be all that difficult.

Pereyra: There's another aspect of this, too, and it's the confidentiality aspect to it. I think hiring someone might present some difficulties in that area if you're trying to groundtruth things and so forth. I have total confidence in the staff, Dr. Pautzke's ability to be able to direct the staff. If he feels in his judgement that additional judgement is needed, I would assume he's got resources together with the Chairman's approval to go out and hire... maybe that's the way to handle it, that they go ahead and handle it from their end. I would say that probably what they're looking at is probably Lexus-Nexus-perplexus because when I looked at the Arctic Storm I noticed that they had as a Japanese partner and it happens to be Korean, so...

[Miscellaneous comments]

Lauber: The Lexus-Nexus is not a cheap thing, if we keep working with it, several thousand dollars...

Pautzke: Yes, a thousand dollars a month for just this initial little warm-up fee, but...

Fluharty: This is a request that staff take a look at something that really underlies this whole thing, I mean, it's quite far out in front. And what I'm talking about is a qualitative discussion, probably not more than a paragraph or a page, something that requires thought, not a lot of detailed analysis. And that's the relationship between inshore-offshore and CRP. I think that there's a strong linkage in virtually everyone's minds here that has had a significant influence upon the way that we've structured the analysis. I think we need to be explicit, that there is a relationship, the most specific proposal we have is what we were considering in Dutch Harbor the last time we were... three years ago, and to the extent that I have anything in mind, something that keys off of that. But, I'm not asking for a quantitative analysis, but one that acknowledges the relationship between these two major programs that we have.

Pereyra: As part of that I would hope and expect that pollock IFQ proposal that's sort of been put on the back burner, that that be looked at as part of that analysis of where we'd be on CRP.

Fluharty: That's the Dutch Harbor alternative, I think that was the . . .

Pereyra: That's the Dutch Harbor alternative you're talking about?

Fluharty: Right. We had some work that was underway at that time, that it was a draft. It wasn't very complete, but that was the last time we dealt with this analytically, so I mean, just to pick up that that's where we left off. Make note that that's as far as we're getting and maybe any remarks keyed to sort of where that was. For example, if it was largely a harvester-oriented program as opposed to a two-pie, or other type of program, so that that's just a marker that relates to Council's previous actions.

Lauber: . . . [someone coughed, missed first word(s)]. . . concerned about sending false signals throughout the world, drop a little doo-doo like this on somebody and . . .

Fluharty: Mr. Chairman, I think that your remarks inspired me to make sure this was included because I think it absolutely is something. . . I'm not saying what we're going to do, it's not. . . it's just saying there is a linkage in many people's minds and if you had somebody new taking a look at this without that explanation they may not be able to understand a lot of what we did.

Pereyra: The whole basis for inshore-offshore 1 and 2, very, very clear, this was a holding pattern until we were able to complete CRP and so I think it's absolutely imperative that we do that sort of a linkage analysis because what we're doing here is we're flowing in that direction and we keep making these deviations left and right and whatnot and I don't know if we're ever going to get there. I recall reviewing Mr. Iani's remarks back in '95 and he was admonishing Mr. Millikan, from the Washington Department of Fisheries, who said that we weren't going to get there by the year 2000, and he said oh, yes we are, we'll be there by 2000. So, you can see the sorts of changes that are occurring there and I think it is important that we show how this would flow into that, what effects it might have on that program.

Lauber: O.K., we'll take a break and come back and take up the halibut charterboat item.

[End of this agenda item]