AGENDA C-2
DECEMBER 2004

MEMORANDUM

TO: Council, SSC, and AP Members

FROM: Chris Oliver
Executive Director

ESTIMATED TIME
6 HOURS

DATE: December 1, 2004

SUBJECT: Gulf of Alaska Groundfish Rationalization

ACTION REQUIRED

(a) Receive report from Community Committee
(b) Review and refine alternatives, elements, and options

BACKGROUND

Community Committee Report

The Gulf Rationalization Community Committee met December 3 in Anchorage to address several of the design and implementation issues related to the Community Fisheries Quota Program and Community Purchase Program for analysis under Gulf rationalization. The committee report will be provided to the Council at this meeting.

Alternatives, elements, and options

In June 2003, the Council identified a suite of alternatives, elements, and options to rationalize the Gulf of Alaska groundfish fisheries. At subsequent meetings, the Council has revised and refined them based on staff discussion papers and public comment. A paper that provides a brief description of the alternatives and the process for selecting a rationalization program is attached (Item C-2(a)).

For this meeting, staff has prepared an annotation of the Council's motion on Alternatives 2 and 3 to continue that process. The annotation provides qualitative analyses of several provisions that could be decided by the Council at this time. The provisions that may be selected could be decided solely on policy (without data analysis), should the Council choose to make those decisions. The Council may prefer to postpone some decisions until staff are able to provide quantitative analyses to allow a more complete understanding of the implications of the decisions.

To facilitate the review, staff has developed the list of provisions below which prioritizes issues for Council consideration. Priority is given to provisions for which quantitative analysis is unlikely to provide additional insight and that are likely to simplify future analyses. The annotated motion (Item C-2(b)) contains a discussion of several other provisions that the Council may wish to address, if time allows.

Alternative 2

- Clarification of regionalization (2.2.9.1)
- Clarification of eligibility and qualified catch (2.2.2.2 and 2.2.2.3)
- Allocation of B shares to processor affiliated participants (2.2.3.2.5)
- Provisions concerning catcher processors and on-board processing (2.2.3.10 and 2.2.3.11)
- Provisions concerning cooperative formation (2.4.2.1.1 and 2.4.2.2)
- Provisions concerning foreign holdings of history (2.3.2)

Alternative 3

- Clarification of regionalization (3.7.1)
- Clarification of eligibility and qualified catch (3.3.1 and 3.3.2)
- Provisions concerning catcher processors and on-board processing (3.4.7.1. and 3.4.7.2)
- Provisions concerning cooperative formation (3.3.7 and 3.3.9)
- Provisions concerning foreign holdings of history (3.3.11 and 3.4.2.1)

Also, at its November 2004 meeting, the Alaska Board of Fisheries received a report from its Gulf of Alaska Rationalization Steering Committee. Based on the committee report, the Board adopted the attached findings for coordinating its management of groundfish fisheries in State waters with the Council's proposed rationalization of those fisheries (Item C-2(c)).

OCTOBER 2004
Gulf of Alaska Rationalization
Introductory Discussion Paper

ITEM C-2(a)
DECEMBER 2004

At its April 2003 meeting, the Council adopted a motion preliminarily defining alternatives for the rationalization of the Gulf of Alaska groundfish fisheries. Since that meeting, the Council has undertaken the process of refining the alternatives for analysis. This paper summarizes the status of the Council's motion defining alternatives for analysis and reviews the approach to that analysis that is being adopted by staff.

Problem Statement

To guide the identification of a rationalization program for the Gulf of Alaska groundfish fisheries, the Council has developed the following purpose and need statement:

The Council is proposing a new management regime that rationalizes groundfish fisheries in the Gulf of Alaska west of 140 degrees longitude and rockfish bycatch east of 140 degrees longitude. A rationalization program includes policies and management measures that may increase the economic efficiency of GOA groundfish fisheries by providing economic incentives to reduce excessive capital investment. These management measures would apply to those species, or groups of species identified by the Council as benefitting from additional economic incentives that may be provided by rationalization. This rationalization program would not modify the hook-and-line sablefish fishery currently prosecuted under the IFQ Program, except for management of associated groundfish bycatch.

The purpose of the proposed action is to create a management program that improves conservation, reduces bycatch, and provides greater economic stability for harvesters, processors, and communities. A rationalization program could allow harvesters and processors to manage their operations in a more economically efficient manner. Rationalization of GOA fisheries should eliminate the derby-style race for fish by allocating privileges and providing economic incentives to consolidate operations and improve operational efficiencies of remaining operators. Because rationalization programs can have significant impacts on fishing dependent communities, this program should address community impacts and seek to provide economic stability or create economic opportunity in fishery dependent communities.

Rationalizing GOA fisheries may improve stock conservation by creating incentives to eliminate wasteful fishing practices, improve management practices, and provide mechanisms to control and reduce bycatch and gear conflicts. Rationalization programs may also reduce the incentive to fish during unsafe conditions.

Management of GOA groundfish has grown increasingly complicated due to impositions of measures to protect Steller sea lions, increased participation by fishermen displaced from other fisheries such as Alaska salmon fisheries and the requirements to reduce bycatch and address Essential Fish Habitat requirements under the Magnuson-Stevens Act (MSA). These changes in the fisheries are frustrating management of the resource, raising attendant conservation concerns. These events are also having significant, and at times, severe adverse social and economic impacts on harvesters, processors, crew, and communities dependent on GOA fisheries. Some of the attendant problems include:

1. reduced economic viability of the harvesters, processors, and GOA communities
2. high bycatch,
3. decreased safety,
4. reduced product value and utilization,
5. jeopardy to community stability and their historic reliance on groundfish fishing and processing,
6. limited ability of the fishery harvesters and processors to respond to changes in the ecosystem
7. limited ability to adapt to MSA requirements to minimize bycatch and protect habitat,
8. limited ability to adapt to changes to other applicable law (i.e., Endangered Species Act).

All of these factors have made achieving the goals of the National Standards in the MSA difficult and encourage reevaluation of the status quo management of the GOA groundfish fisheries. The management tools in the current GOA groundfish FMP do not provide managers with the ability to improve the economic efficiency of the fishery and effectively solve the excess harvesting capacity and resource allocation problems in the GOA groundfish fisheries. The Council has determined that some form of rationalization program is warranted.

The Alternatives

To meet these purposes and needs, the Council motion has outlined sets of alternatives for three different sectors; catcher processors, trawl catcher vessels, and fixed gear catcher vessels. The alternatives applicable to each of these sectors are specified in separate tables.

Catcher processor alternatives

The three catcher processor alternatives are outlined in Table 1.

Table 1. Modified Gulf of Alaska groundfish rationalization alternatives – catcher processors

Alternative 1	Alternative 2	Alternative 3
No Action	Harvester IFQ-cooperative	Sector Allocations
	Shares allocated to individuals by gear type	Harvest histories allocated to individuals in cooperatives and annual harvest allocations to cooperatives
	All Catcher Processors	Sectors: CP Trawl, CP Longline, CP Pot
	Cooperative	Cooperative
	CP Provisions	CP Provisions
	No Processor Provisions	No Processor Provisions
	those that do not join cooperatives fish IFQs with option for PSC reduction	those that do not join co-ops fish open access with option for PSC reduction

Alternative 1 is the status quo, under which the LLP would be maintained. **Alternative 2** would create a harvest IFQ program under which share holders would be permitted to form cooperatives. Although limits on transfers of shares between gear types could be applied, cooperatives could be formed among holders of shares for different gear. Share holders that choose not to join cooperatives would receive their allocations as individual quota with a possible reduction in their PSC allocations. Under **Alternative 3**, sector allocations would be made to three different catcher processor sectors; the trawl sector, the longline sector, and the pot sector. The program would be history based, with holders of qualified history eligible to join a cooperative within that sector. A cooperative would receive an annual harvest allocations based on the history of its members. Holders of qualified histories that chose not to join a cooperative would be permitted to fish in a limited access fishery that will receive an allocation based on the qualified histories of sector members that chose not to join a cooperative. The PSC allocation to the limited access fishery could be reduced.

Trawl catcher vessel alternatives

Table 2 outlines the Council's five alternatives for the trawl catcher vessel sector.

Table 2. Modified Gulf of Alaska groundfish rationalization alternatives – trawl catcher vessels

Alternative 1	Alternative 2A	Alternative 2B	Alternative 2C	Alternative 3
No Action	Harvester IFQ cooperative with license limitation for processors	Harvester IFQ cooperative with license limitation for processors and processor linkage	Harvester IFQ cooperative with processor allocation	Sector allocations with processor linkage
	Shares allocated to individuals	Shares allocated to individuals	Shares allocated to individuals	Harvest histories allocated to individuals in cooperatives and annual harvest allocations to cooperatives
	Trawl CV	Trawl CV	Trawl CV	Trawl CV
	Cooperative	Cooperative	Cooperative	Cooperative
	license limitation for processors with X% delivery obligation	license limitation for processors with specific processor linkages with X% delivery obligation and share reduction penalty to move between cooperatives*	allocation of 10, 20, or 30% of harvest shares to qualified processors	specific processor linkages
	those that do not join co-ops fish IFQs subject to closed class delivery requirement with option for PSC reduction	those that do not join co-ops fish IFQs subject to processor linkage delivery requirement with option for PSC reduction	those that do not join co-ops fish IFQs	those that do not join co-ops fish open access with option for PSC reductions

*Staff has removed an incorrect reference to the element establishing the processor linkage to avoid confusion.

Alternative 1 is the status quo, which would continue the LLP. **Alternative 2A** would create a harvester IFQ program with a processor limited license program that requires a portion of each harvester's allocation to be delivered to a licensed processor. Processor licensing would be based on historic processing. Share holders would be permitted to form cooperatives to manage their members' allocations. Share holders that choose not to join a cooperative would continue to receive their allocations as individual quota with a possible reduction in their PSC allocations. **Alternative 2B** would also create a harvester IFQ program with a processor limited license program. This alternative would also create a system of harvester/processor linkages under which a share holder would be required to deliver a specific percentage of landings to the linked processor. Linkages would be based on the share holder's landings history. A share holder could change the processor to which its shares are linked, but would be subject to a share reduction penalty when making that change. Share holders would be permitted to form cooperatives to manage their allocations. Share holders that chose not to join a cooperative would receive individual allocations (which would be subject to the processor linkage), but may be subject to a reduction in their PSC allocations. **Alternative 2C** would also create a harvester IFQ program, but would allocate a portion of the harvest share pool (between 10 and 30 percent) to processors based on their processing history. Share holders would be permitted to form cooperatives, with non-cooperative members receiving individual allocations. **Alternative 3** would create a history-based cooperative program, under which cooperatives would receive annual harvest share allocations based on the qualified histories of their members. Cooperatives would be required to be associated with a processor, but the details of that relationship would be determined by negotiations among the cooperative members and the processor. Initially, each holder of qualified history would be eligible to join a cooperative associated with the processor to which it delivered the most pounds during a specific time period. Holders of qualified history that choose not to join a cooperative would be permitted to fish in a limited access fishery that would receive an annual allocation based on the histories of non-members of cooperatives. The allocation of PSC to the limited access fishery could be reduced.

Fixed gear catcher vessel alternatives

Table 3 outlines the Council's alternatives for the fixed gear catcher vessel sector. The Council has specified 6 alternatives that would apply to all or a portion of the fixed gear sector. In general, these alternatives follow a structure similar to applicable to the trawl catcher vessel sector, with the exception of an alternative that would create an IFQ program for "low producing" fixed gear vessels.

Table 3. Modified Gulf of Alaska groundfish rationalization alternatives – fixed gear catcher vessels

Alternative 1	Alternative 2 Low	Alternative 2A High	Alternative 2B High	Alternative 2C	Alternative 3
No Action	Harvester IFQ	Harvester IFQ cooperative with license limitation for processors	Harvester IFQ cooperative with license limitation for processors and processor linkage	Harvester IFQ cooperative with processor allocation	Sector allocations with processor linkage
	Shares allocated to individuals	Shares allocated to individuals	Shares allocated to individuals	Shares allocated to individuals	Harvest histories allocated to individuals in cooperatives and annual harvest allocations to cooperatives
	low producing fixed gear CV	high producing fixed gear CV	high producing fixed gear CV	fixed gear CV	Longline CV, Pot CV
	Cooperative	Cooperative	Cooperative	Cooperative	Cooperative
	no processor delivery obligation	license limitation for processors with X% delivery obligation	license limitation for processors with specific processor linkages with X% delivery obligation and share reduction penalty to move between cooperatives*	allocation of 10, 20, or 30% of harvest shares to quatified processors	specific processor linkages
	those that do not join co-ops fish IFQs	those that do not join co-ops fish IFQs subject to closed class delivery requirement with option for PSC reduction	those that do not join co-ops fish IFQs subject to processor linkage delivery requirement with option for PSC reduction	those that do not join co-ops fish IFQs	those that do not join co-ops fish open access with option for PSC reduction

*Staff has removed an incorrect reference to the element establishing the processor linkage to avoid confusion.

Alternative 1 is the status quo, which would continue the LLP. **Alternative 2 Low** would apply to only the "low producing" fixed gear sector, participants that receive allocations either below the average or below the 75th percentile of fixed gear allocations. This alternative would create an IFQ program, in which participants would be permitted to form cooperatives to coordinate harvest activities. **Alternative 2A High** would a program similar to Alternative 2A for the trawl catcher vessel sector. This alternative would create a harvester IFQ program with a processor limited license program that requires a portion of each harvester's allocation to be delivered to a licensed processor. Processor licensing would be based on historic processing. Share holders would be permitted to form cooperatives to manage their members' allocations. Share holders that choose not to join cooperatives would continue to receive their allocations as individual

quota with a possible reduction in their PSC allocations. **Alternative 2B High** would create a program similar to Alternative 2B for trawl catch vessels. This alternative would also create a harvester IFQ program with a system of processor limited licenses. Harvester/processor linkages would be established, under which a share holder would be required to deliver a specific percentage of landings to the linked processor. Linkages would be based on the share holder's landings history. A share holder could change the processor to which its shares are linked, but would be subject to a share reduction penalty when making that change. Share holders would be permitted to form cooperatives to manage their allocations. Share holders that chose not to join a cooperative would receive individual allocations (which would be subject to the processor linkage), but may be subject to a reduction in their PSC allocations. **Alternative 2C** would create a program similar to Alternative 2C for trawl catcher vessels. This program would also create a harvester IFQ program with a portion of the harvest share pool (between 10 and 30 percent) allocated to eligible processors based on their processing history. Share holders would be permitted to form cooperatives, with non-cooperative members receiving individual allocations. **Alternative 3** would create a program similar to Alternative 3 for trawl catcher vessels. This alternative is a history-based cooperative program, under which cooperatives would receive annual harvest share allocations based on the qualified histories of their members. Cooperatives would be required to be associated with a processor, but the details of that relationship would be determined by negotiations among the cooperative members and the processor.[1] Initially, each holder of qualified history would be eligible to join a cooperative associated with the processor to which it delivered the most pounds during a specific time period. Holders of qualified history that choose not to join a cooperative would be permitted to fish in a limited access fishery that would receive an annual allocation based on the histories of non-members of cooperatives. The allocation of PSC to the limited access fishery could be reduced.

Elements and options defining the alternatives

The specific elements and options that would define the alternatives are contained in Attachment A to this document. The status quo is not defined in the motion, since that is defined by current regulations. Alternatives 2, 2A, 2B, and 2C for all sectors are all defined by provisions beginning with the number 2 and starting on page 1; Alternative 3 for all sectors is defined by provisions beginning with the number 3 and starting on page 20.

The process of selecting a rationalization program

Staff anticipates that the Council will follow its normal process for selecting a preferred rationalization program for submission to the Secretary of Commerce. Typically that process begins with the Council adopting alternatives for analysis. For most Council actions, these alternatives are specified through elements and options. Staff then drafts regulatory analyses (a Regulatory Impact Review, an Initial Regulatory Flexibility Analysis and either an Environmental Assessment or Environmental Impact Statement) analyzing the impacts of the alternatives (including any elements and options) to inform the Council's decision.

Adequate regulatory analyses must fully analyze all alternatives, comparing and contrasting their impacts. To accomplish that end, the analysis must make clear the implications of each option available to the Council within an alternative, including the interaction of the choice of each option with every other option that the Council might also choose for other provisions. For example, if the Council wishes to consider options for low and high member thresholds for cooperative formation and also options for reducing PSC allocations in some circumstances, the analysis must make clear not only the general impacts of the choices of membership thresholds,

[1] This alternative contains an option that would remove the cooperative/processor association requirement from "low producing" fixed gear vessels.

but also how the threshold choices under consideration would differently interact with the various choices of PSC reductions under consideration. This example illustrates the analytical issue that arises by retaining options with respect to two decision points in a Council motion. The current Gulf rationalization Council motion, however, contains on the order of one hundred such decision points. The result is that the current motion is analytically intractable. To state the problem simply, the alternatives have too many options for staff to fully explain (or even understand) the implications of the interactions of all of the different options (as required of regulatory analyses).

Given the complexity of the alternatives, staff will be unable to complete the regulatory analyses prior to the Council substantially narrowing the options within each alternative. Although leaving some options undecided will complicate the analysis, not all options must be decided for the regulatory analyses to be completed. In assessing the extent of undecided options to leave for after completion of the regulatory analyses, the Council should bear in mind that the analyses are further complicated because of the Council's intention to be permitted to select different alternatives for different sectors. An analysis that is sufficient for the Council to select different alternatives for different sectors must clearly describe the implications of those interacting choices. For example, the analysis might need to examine the implications of one sector being governed by an IFQ program and another sector being governed by a history-based cooperative program. If these different sectors are permitted to trade shares with one another, the analysis must examine the consequences of those trades, as well. In the end, the ability of the analysts to assess these complexities along with the intricacies of options within an alternative is limited by the need to provide the Council with a document that clearly explains the consequences of the interacting choices.

In selecting options to refine the alternatives to advance for analysis, the Council should also assess the range of alternatives that are created. Each alternative should meet the Council's purpose and need statement, should be feasible, and should be distinguishable from each other alternative. The Council should therefore consider using its selection of options to distinguish the alternatives from each other, but only to the extent that maintains the integrity of each alternative under the problem statement. Since the alternatives as defined to date are distinct, the Council may select the same options for each of the alternatives, if needed to meet the objectives of the purpose and need statement.

To assist the Council in refining the alternatives, staff has prepared two discussion papers that are attached to this document. The first discussion paper (Attachment B) concerns community issues, focusing on the development of the policy objectives for the various community provisions under consideration and outlining several of technical decisions necessary to finalize the community provisions. The second paper (Attachment C) provides discussion of several options in the motion for consideration by the Council. Particular attention is given to provisions that could be decided on a policy-basis, as little data are currently available for analysis. In addition, the discussion addresses several provisions that complicate data analyses that could assist the Council in finalizing the alternatives for analysis. For example, two different sets of classifications of processors are suggested under some of the alternatives (i.e., fixed gear/trawl gear and small/large). Because of the variety of eligibility standards and processor protections that are proposed in the alternatives, applying these different classifications greatly complicates any analysis of data. Were the Council to adopt a single approach to processor classification, a more coherent presentation of the effects of different eligibility standards and protections could be presented to the Council. Staff is hopeful that the Council will use this second discussion paper to identify the programs it intends to forward in its alternatives, which will in turn facilitate its refinement of several provisions. Simplification of the alternatives should allow staff to provide more meaningful and informative analyses to the Council in the future.

North Pacific Fishery Management Council
GULF OF ALASKA GROUNDFISH RATIONALIZATION
Updated to October 8, 2004

ITEM C-2(b)
DECEMBER 2004

STAFF ANNOTATION FOR DECEMBER 2004 MEETING

The following provisions apply to Alternative 2 only:

2.2 Harvest Sector Provisions

2.2.1 Management Areas:
Areas are Western Gulf, Central Gulf, and West Yakutat—separate areas
For Pollock: 610 (Western Gulf), 620 and 630 (Central Gulf), 640 (West Yakutat (WY))

- Shortraker and rougheye (SR/RE) and thornyhead rockfishes will be divided between Southeast Outside (SEO) and WY
- The allocation of rockfish bycatch to the halibut IFQ fishery will be on a NMFS management area basis
- Non-SR/RE and thornyhead rockfish trawl catch history in SEO during 95-98 will be used in the calculation of WYAK allocation
- SEO is exempt except for SR/RE and thornyhead rockfishes as secondary species. Allocation will be based on target catch in sablefish, halibut, Demersal Shelf Rockfish and P. cod fishery

Gear: Applies to all gear except jig gear–
Option 1. The jig fishery would receive an allocation based on its historic landings in the qualifying years – the jig fishery would be conducted on an open access basis.
Option 2. Catch by jig would be accounted for in a manner similar to sport halibut harvests in halibut IFQ fishery.
Suboption: Cap jig harvest at ___% of current harvest by species and area:
1. 100%
2. 125%
3. 150%
4. 200%

2.2.2 Qualifying periods and landing criteria (same for all gears in all areas)
(The analysis will assess AFA vessels as a group)
Option 1. 95-01 drop 1
Option 2. 95-02 drop 1
Option 3. 95-02 drop 2
Option 4. 98-02 drop 1

Suboption 1: For Pacific cod under all options consider only A season harvests for 2001 and 2002.
Suboption 2: For Pacific cod consider a sector allocation based on specified percentages prior to individual allocations.

2.2.2.1 Qualifying landing criteria
Landings based on retained catch for all species (includes weekly processor report for Catcher/Processor sector)
NOTE: Total pounds landed will be used as the denominator.

Catch history determined based on the poundage of retained catch year (does not include meal)
Suboption: catch history for P. cod fisheries determined based on a percentage of retained catch per year (does not include meal)

The Council should clarify for staff whether harvests inside of 3nm should be considered in making allocations under the Federal program. Exclusion of catch inside 3nm could be justified, if that catch is used for making an allocation to a State water fishery. On the other hand, some federal participants with extensive catch history from the parallel fishery may wish to have their catch credited in making a federal fishery allocation. Uncertainty concerning the treatment of harvests inside 3nm greatly complicates the quantitative analysis.

2.2.2.2 Eligibility

LLP participation

Option 1. Eligibility to receive catch history is any person that holds a valid, permanent, fully transferable LLP license.

Suboption 1. Any person who held a valid interim LLP license as of January 1, 2003.

Suboption 2. Allow the award of retained incidental groundfish catch history arising from the halibut and sablefish IFQ fishery.

Basis for the distribution to the LLP license holder is: the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per license. In cases where the fishing privileges (i.e., moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of harvest shares to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. (Only one catch history per LLP license.)

Option 2. Non-LLP (State water parallel fishery) participation

Suboption 1. Any individual who has imprinted a fish ticket making non-federally permitted legal landings during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

Suboption 2. Vessel owner at time of non-federally permitted legal landing during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

The Council could select a preferred option for eligibility to receive an allocation under the program. Since LLP licenses are used to control access to the fishery, the use of LLP licenses for determining eligibility to receive an allocation in the rationalized fishery would be consistent with current regulation of entry. In addition, allowing entry to persons not holding permanent LLPs might be unfair to persons that have relied on the LLP regulations in trading licenses.

Including holders of interim LLP licenses could be argued by some to be fair, since these licenses have not been fully adjudicated and may be held by some persons that would ultimately be awarded permanent licenses. However, the agency anticipates having all appeals resolved prior to implementation of this program, so outstanding appeals concerning interim licenses should not be an issue at the time of implementation. Using a threshold date (such as January 1, 2003 in Suboption 1) could be supported by an argument that persons who maintained appeals through that date should be included. As written in suboption 1, persons whose appeals were denied after that date would still be eligible for an allocation. Eligibility for any holders of interim permits, however, could be argued to be unfair by those that either met the requirements for a permanent license or chose to purchase a license to continue in the fisheries. Persons that have purchased licenses to remain in the fishery, in particular, have a compelling argument that holders of interim licenses should be excluded. In some cases, appeals are likely to have been perpetuated by persons that knew their appeals would be denied to avoid having to purchase a license. Even in the case of legitimate appeals, including persons denied licenses would not have met the threshold requirements for the license appears to be inconsistent with the Council's earlier decisions concerning eligibility.

Options for the allocation to halibut and sablefish IFQ participants are included in a separate part of the motion. The second suboption may be retained and, if necessary, adapted consistent with the other section at a future date.

The treatment of participation inside of 3nm should be coordinated across this section, section 2.2.2.1 above, and section 2.2.2.3 below. Including parallel fishery participants in the program could be desirable, if no State water fishery is developed to accommodate these participants. If a State water allocation is made to support fisheries for State water participants that do not hold LLPs, the inclusion of parallel water fisheries participants in the Federal allocation could be viewed as rewarding their historic participation twice.

2.2.2.3 State Waters - Parallel Fisheries and State Groundfish Management

A portion of the TAC will be allocated to fisheries inside of 3 nm and will be subject to State management:

Option 1. An amount equivalent to the total annual catch (for each groundfish species/group) from state waters (inside of 3 nautical miles [e.g., parallel and 25% Pacific cod fishery]) by all vessels will be managed directly by the State of Alaska Board of Fisheries as a TAC/GHL equivalent to:
- a. Highest amount taken in state waters by area
- b. Highest amount taken in state waters by area plus 15%
- c. Most recent four-year average harvest from state waters

Option 2. All catch inside of 3 nautical miles by non-federally permitted vessels fishing the parallel fishery plus all catch under the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

Option 3. Only the catch associated with the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

The Council could consider establishing criteria for making allocations (both the allocation between the State and Federal fisheries and the allocations to individuals under the Federal program). In making these allocation decisions, the Council should consider the interactions of the different allocations. Valuing catch for individual allocations in the Federal program might not be necessary, if the same catch history is also allocated to a State water fishery. The Council should provide a rationale for its decisions, particularly if catch that is counted in making an allocation to a State water fishery is also counted in the Federal program.

<u>Future analysis by staff would benefit from the following Council decisions</u>

1) defining individuals eligible for the federal program (i.e., permanent LLPs, interim LLPs, any State permitted harvests in a parallel fishery)

2) deciding whether catch of eligible participants inside of 3nm will be credited in the federal program

2.2.3 Primary Species Rationalization Plan

Primary Species by Gear

2.2.3.1 Initial Allocation of catch history

Allocate catch history on an individual basis

- a. Trawl CV and CP:
  Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish
- b. Longline CV and CP:
  Pacific Cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder
- c. Pot CV and CP:
  Pacific Cod

2.2.3.2 Harvest share (or QS/IFQ) Designations

2.2.3.2.1 Vessel Designation of low producers and high producers in the fixed gear class.

Low producing vessels are:

Option 1: less than average primary species harvest shares initially allocated by gear and area.

Option 2: less than the 75th percentile primary species harvest shares initially allocated by gear and area.

High producing vessels are the remainder.

2.2.3.2.2 Harvest share sector designations:

Designate harvest shares (or QS/IFQ) as CV or CP. Annual CV harvest share allocation (or IFQ) conveys a privilege to harvest a specified amount. Annual CP harvest share allocation (or IFQ) conveys the privilege to harvest and process a specified amount. Designation will be based on:

Actual amount of catch harvested and processed onboard a vessel by species.

2.2.3.2.3 Harvest share gear designations

Designate CV harvest shares as Trawl, longline, and Pot

Designate CP harvest shares as CP trawl, CP longline, CP pot.

Option: Designate harvest shares as high and low producer fixed gear

2.2.3.2.4 Harvest Share Restrictions—Harvest restrictions apply to primary species only.

Harvest restrictions for primary harvest shares (or IFQ) may be used by other gear types except that:

Option 1: No restrictions

Option 2: Fixed gear harvest share (or IFQ) may not be harvested using trawl gear

Option 3: Pot gear harvest shares may not be harvested by longline or trawl gear

2.2.3.2.5 If a processor limited entry alternative is chosen, CV primary species harvest shares will be issued in two classes. Class A shares will be deliverable to a licensed processor. Class B shares will be deliverable to any processor as authorized under this program.

Only the annual allocations will be subject to the Class A/Class B distinction. All long term shares or history will be of a single class.

Suboption : Processor affiliated vessels to receive entire allocation as A shares.

The Council could make a decision on the suboption, namely, whether processor affiliates would receive only A shares (and no B shares). In making the determination, the Council should consider the purpose of distinguishing Class A and Class B shares and the effects of the determination on differently situated participants. Differences in Alternative 2A (license limitation for processors) and Alternative 2B (harvest shares with processor linkages), which could affect the impacts of this provision, should also be considered.

Recall, that Class A shares are subject to delivery restrictions. Under Alternative 2A, Class A shares may be delivered to any licensed processor. Under Alternative 2B, Class A shares are required to be delivered to the processor that the shares are associated with. Processor associations can be changed (or removed) by the harvester forfeiting a portion of its shares for a period of time. Class B shares are not subject to landing limitations. Because of this lack of landings restrictions, B share landings could command a higher price than A share landings. The price disparity for B share landings is likely larger under Alternative 2B, because of the greater limit on landings under that alternative. Class B shares are generally intended to provide bargaining leverage to independent harvesters. This purpose generally suggests that Class B shares should not be issued to vertically integrated harvesters (i.e., processor affiliates). Likewise, to the extent that Class B shares are intended to create opportunities for entry in the processing sector, issuance of B shares only to independent harvesters is most likely to facilitate that entry, since Class B shares provide the only opportunity for unlicensed processors to enter the general fishery. These arguments suggest that B shares should not be issued to processor affiliates.

One possible competing effect under Alternative 2B could support an argument for allocating B shares to processor affiliates, particularly if a substantial portion of the harvest sector is vertically integrated. Under Alternative 2B, if Class B shares are issued only to independent harvesters, the relative Class B share allocation to each independent share holder will increase with each increase in the vertical integration in the fishery. Processors that are not vertically integrated would be faced with associated share holders that would hold substantially fewer associated Class A shares. For example, in a fishery with no vertical integration if the A share/B share ratio is 80/20, a non-vertically integrated processor that is associated with 100 quota shares (long term shares) would have 80 IFQ associated with it. If instead 50 percent of the harvest shares in the fishery are vertically integrated and B shares are issued only to independent harvesters, the same non-vertically integrated processor that associated with 100 QS would be associated with only 60 IFQ (since the B share allocation to the independent harvesters would be doubled). This effect could be limited by limits on vertical integration and would be affected by the A share/B share ratio adopted by the Council. No similar issue arises under Alternative 2A because of the lack of processor associations in that alternative.

An additional aspect of Alternative 2B could suggest that the allocation of only A shares to licensed processors may have unintended consequences. Under Alternative 2B, if a vertically integrated processor were to hold shares that are associated with a different processor, the allocation of only A shares to the vertically integrated processor would disadvantage that vertically integrated processor in its negotiations with the processor to which its shares are linked. To overcome this potential problem, a provision could be adopted for Alternative 2B under which only A shares would be issued for QS held by the processor to which the QS is linked.

2.2.3.3 Transferability and Restrictions on Ownership of Harvest shares (or QS/IFQ)

2.2.3.3.1 Persons eligible to receive harvest shares by transfer must be:

Entities eligible to document a vessel (apply to CP).
Initial recipients of CV or C/P harvest share.
Community administrative entities would be eligible to receive harvest shares by transfer.
Individuals eligible to document a vessel with at least 150 days of sea time (apply to CV shares)

Definition of sea time:
Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

2.2.3.3.2 Restrictions on transferability of CP harvest shares

CP harvest shares maintain their designation when transferred to persons who continue to catch and process CP harvest shares at sea, if CP harvest shares are processed onshore after transfer, CP harvest shares convert to CV harvest shares.

2.2.3.3.3 When CP shares are redesignated as CV shares;

CP harvest shares retain their gear designation upon transfer.
Purchaser must further identify which processing provision and regionalization provision apply to the shares, consistent with the gear type.

2.2.3.3.4 Vertical integration

Harvest shares initial recipients with more than 10% limited threshold ownership by licensed processors are capped at:
115-150% of initial allocation of harvest CV shares.

2.2.3.3.5 Leasing of QS outside of a co-op

Leasing of QS is defined as the transfer of annual IFQ permit to a person who is not the holder of the underlying QS for use on any vessel and use of IFQ by an individual designated by the QS holder on a vessel which the QS holder owns less that 20% -- same as "hired skipper" requirement in halibut/sablefish program.

Option 1. No leasing of CV QS (QS holder must be on board or own at least 20% of the vessel upon which a designated skipper fishes the IFQ).
Suboption: Allowing leasing by initial recipients of QS (grandfather clause)
Option 2. Allow leasing of CV QS, but only to individuals and entities eligible to receive QS/IFQ by transfer.
~~Option 3.~~ Allow leasing of CP QS, but only to individuals and entities eligible to receive QS/IFQ by transfer.

The Council could decide the extent of any limits on leasing at this time.
First, since the only option with respect to leasing on catcher processors would allow free leasing, the Council could consider that a provision without option (as noted by the strike out).

Leasing prohibitions tend to be supported as a means of discouraging absentee ownership of interests in the fisheries. Although a share holder need not actively fish on a vessel, if leasing is prohibited the share holder would have to own a portion of a vessel, keeping an active role in the fishing industry. In considering whether to apply the above limitations on leasing, the Council should consider that the provisions as drafted would apply only to cooperative members (suggesting that no limit applies to cooperative members). While the Council may wish to encourage cooperative membership, by allowing free leasing in cooperatives, preventing any leasing by non-members of cooperatives may limit the effectiveness of any prohibition on leasing from serving any purpose other than encouraging cooperative membership.

The Council could also apply different leasing provisions to different sectors (i.e., low producing fixed gear catcher vessels, high producing fixed gear catcher vessels, trawl catcher vessels).

2.2.3.3.6 Separate and distinct harvest share use caps
Caps will be expressed as QS units indexed to the first year of implementation.

Option 1. Caps apply to all harvesting categories by species with the following provisions:
1. Apply individually and collectively to all harvest share holders in each sector and fishery.
2. Percentage-caps by species and management area are as follows (a different percentage cap may be chosen for each fishery):
   i. Trawl CV and CP (can be different caps):
   Use cap based at the following percentile of catch history for the following species:
   (i.e., 75th percentile represents the amount of harvest shares that is greater than the amount of harvest shares for which 75% of the fleet will qualify.)
   pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, pelagic shelf rockfish
   Suboption 1. 75 %
   Suboption 2. 85%
   Suboption 3. 95 %
   ii. Longline and Pot CV and/or CP (can be different caps)
   based on the following percentiles of catch history for the following species:
   Pacific cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if Greenland turbot is targeted), northern rockfish
   Suboption 1. 75 %
   Suboption 2. 85%
   Suboption 3. 95 %

Option 2. Caps equal to a percentage that would allow contraction of QS holders in the fishery by 20%, 30% or 50% of the number of initially qualified QS recipients by species and sector.

Conversion of CP shares:
   i. CP shares converted to CV shares
   ~~Option 1.~~ will count toward CV caps

Caps will be applied to prohibit acquisition of shares in excess of the cap.

Vessel use caps on harvest shares harvested on any given vessel shall be set at

i. 100%
ii. 150%
iii. 200%

the individual use cap for each species. Initial issuees that exceed the individual or vessel use caps are grandfathered at their current level as of a control date of April 3, 2003, including transfers by contract entered into as of that date.

2.2.3.3.7 Owner On Board Provisions

Provisions may vary depending on the sector or fishery under consideration (this provision may be applied differently pending data analysis)

i. All initial issues (individuals and corporations) would be grandfathered as not being required to be aboard the vessel to fish shares initially issued as "owner on board" shares. This exemption applies only to those initially issued harvest share units.

A range of 0-50% for fixed gear CVs and 0-40% for trawl gear CVs, of the quota shares initially issued to fishers/harvesters would be designated as "owner on board."

In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of "owner on board" quota shares may, upon documentation and approval, transfer/lease his or her shares a maximum period of 3 years out of any 10 year period.

Suboption: Owner on board provision would not apply within a cooperative.

The Council could consider selecting a preferred owner on board provision. In determining whether to require owner on board use of shares, the Council should consider the nature of the fisheries and whether such a requirement is reasonable for the future conduct of these fisheries. Establishing a portion of shares as owner on board could lead to a more fluid market for those shares since holders would be required to be on the vessel fishing those shares. Tenure of share holdings would likely decline for the owner on board shares. Owner on board shares are also likely to trade at a lower price than shares not subject to an owner on board requirement.

As with the leasing limitations discussed in 2.2.3.3.5 above, the Council should consider that the provisions as drafted would apply only to cooperative members (suggesting that no owner-on-board requirement would apply to cooperative members). The Council should bear in mind that removing owner on board requirements for members of cooperatives may limit the effectiveness of owner-on-board provisions in achieving any purpose other than encouraging cooperative membership.

The Council could also apply different owner-on-board provisions to different sectors (i.e., low producing fixed gear catcher vessels, high producing fixed gear catcher vessels, trawl catcher vessels).

2.2.3.3.8 Overage Provisions (only apply outside of a co-op)

A 7 day grace period after an overage occurs for the owner to lease sufficient IFQ to cover the overage. Failure to secure sufficient IFQ would result in forfeiture of the overages and fines.

i. Trawl CV and CP:

Suboption 1. Overages up to 15% or 20% of the last trip will be allowed— greater than a 15% or 20% overage result in forfeiture and civil penalties. An overage of 15% or 20% or less, results in the reduction of the subsequent year's annual allocation or IFQ. Underages up to 10% of harvest shares (or IFQ).

Suboption 2. Overage provisions would not be applicable in fisheries where there is an incentive fishery that has not been fully utilized for the year. (i.e., no overages would be charged if a harvest share (or IFQ) holder goes over

his/her annual allocation (or IFQ) when incentive fisheries are still available).

ii. Longline and pot CV and CP:
Overages up to 10% of the last trip will be allowed with rollover provisions for underages up to 10% of harvest shares (or IFQ).

Suboption. Overages would not be applicable in fisheries where there is an incentive fishery that has not been fully utilized for the year. (i.e., no overages would be allowed if a harvest share (or IFQ) holder goes over his/her annual allocation (or IFQ) when incentive fisheries are still available).

The Council could consider finalizing overage and underage provisions. The Council should make clear its purpose for establishing overage and underage provisions and make certain that the provision is consistent with that purpose. Under the proposed underage carryover provision a share holder that underharvests an allocation would be permitted to carryover up to 10 percent of their annual allocation to the following year. Underage carryover provisions can have an advantage, in reducing a person's incentive to attempt to fish all allocated shares, if there is a risk of overage. This incentive, in turn, reduces the possibility of an overharvest of the fleet share allocation. A downside of an underage carryover is that the agency may have to allocate in excess of the TAC to allocate both the annual share allocations and the underage carryover.

Overage carryover provisions, on the other hand, allow a person to exceed their allocation by a specific percentage without risk, since shares would be deducted from the following year's allocation. An overage carryover provision reduces any incentive to limit catch to one's allocation, since the risk of loss of catch or penalty for overages is reduced (or possibly removed). Including both overage and underage carryovers in a program could allow participants to speculate at the margin of their allocations, either intentionally underharvesting or overharvesting allocations, depending on the condition of markets. Including both provisions could be important for smaller participants, who are less likely to be able to project their harvest within the bounds of the overage and underage provisions because they fish relatively small allocations. Applying overages or underages only outside of cooperatives is consistent with this approach. As with other provisions in the motion, overage and underage provisions could be applied only to the sectors to which they are most important.

2.2.3.3.9 Retention requirements for rockfish, sablefish and Atka mackerel:
Option 1. no retention requirements.
Option 2. require retention (all species) until the annual allocation (or IFQ) for that species is taken with discards allowed for overages
Option 3. require 100% retention (all species) until the annual allocation (or IFQ) for that species is taken and then stop fishing.

2.2.3.3.10 Limited processing for CVs
Option 2. Limited processing of groundfish species by owners of CV harvest shares of rockfish species not subject to processor landing requirements are allowed up to 1 mt of round weight equivalent of groundfish per day on a vessel less than or equal to 60ft LOA. (consistent with LLPs - 679.4(k)(3)(ii)(D)).

The Council could decide whether to allow limited processing by catcher vessels under 60 feet, as is currently allowed under the LLP.

2.2.3.3.11 Processing Restrictions
Option 1. CPs may buy CV share fish not subject to processor landing requirements.
Suboption. 3 year sunset
Option 2. CPs would be prohibited from buying CV fish.

Option 3. CPs may buy incentive fish and incidental catches of CV fish not subject to processor landing requirements.

A CP is a vessel that harvests CP shares under the program in a year.

The Council could select a preferred provision concerning the extent of catcher vessel harvests that may be processed by catcher processors. If Option 2 is adopted as a preferred provision, the Council should clarify whether it would permit catcher processors to process harvest shares subject to processor landing requirements, if the catcher processor met those requirements. For example, in Alternative 2A a licensed processor is permitted to receive deliveries of any A share landings. The Council should clarify whether a catcher processor that purchased a processing license would be permitted to purchase A share landings under that alternative. Similarly, under Alternative 2B, whether a catcher processor could purchase a license and establish linkages with harvest shares should be clarified. Although deliveries to catcher processors are very limited in the Gulf of Alaska fisheries, the Council should clarify whether a catcher processor that met qualifications for either a processing license or a linkage would be permitted to receive landings to the extent permitted by the license and linkage. Option 3 would allow catcher vessels to deliver harvests (including incidental harvests) from the incentive fishery to catcher processors.

(In deciding this provision, the Council should note that its decision should be consistent with any decision concerning 2.3.1.1.1 below).

Current inshore/offshore regulations allocate all directed pollock and 90 percent of the all Pacific cod to the inshore sector and 10 percent of the all Pacific cod to the offshore sector. The inshore sector is defined as shore-based processors, floating processors that remain in a single geographic location during a fishing year, and vessels less than 125 feet LOA that hold an inshore processing permit and process less than 126 mt of aggregate pollock and Pacific cod in a week. Since the current provision includes limited processing by catcher processors in the inshore sector, the division between inshore and offshore is not equivalent to the distribution between catcher processors and shore-based and floating processors.

Any allocation of species under this program would supersede these allocations. Quantitative analyses of the share distributions to catcher vessels and catcher processors under this program could be provided at a future time. In general, the affects of the program on the distribution between the inshore and offshore sectors, however, depends on the degree to which individuals would choose to take advantage of the different provisions to adapt their behavior and not the share allocations. For example, a provision allowing catcher vessels to deliver B share landings to catcher processors would only affect the distribution of landings, if catcher vessels choose to use the latitude of the provision. The size of the B share allocation (which the Council has yet to decide) could also affect the extent of the effects.

2.2.4 Allocation of Secondary Species

Thornyhead, rougheye, shortraker, other slope rockfish, Atka mackerel, and trawl sablefish
Includes SEO shortraker, rougheye, and thornyhead rockfish.

i. Allocation of shares

Option 1. Allocate shares to all fishermen (including sablefish & halibut QS fishermen) based on fleet bycatch rates by gear:

Suboption 1. based on average catch history by area and target fishery

Suboption 2. based on 75th percentile by area by target fishery

Option 2. Allocation of shares will be adjusted pro rata to allocate 100% of the annual TAC for each bycatch species.

Suboption 1. Other slope rockfish in the Western Gulf will not be allocated, but will be managed by MRB and will go to PSC status when the TAC is reached.

Option 3. Secondary species allocations will be awarded to the owners of sablefish and halibut QS.

ii. Include these species for one gear type only (e.g., trawl). Deduct the secondary species catch from gear types from TAC. If deduction is not adequate to cover secondary species catch in other gear types, on a seasonal basis, place that species on PSC status until overfishing is reached.

iii. Retain these species on bycatch status for all gear types with current MRAs.

iv. Allow trawl sablefish catch history to be issued as a new category of sablefish harvest shares ("T" shares) by area. "T" shares would be fully leasable, exempt from vessel size and block restrictions, and retain sector designation upon sale.
Suboption. These shares may be used with either fixed gear or trawl gear.

v. Permit transfer of secondary species QS
Option 1. Primary species shares and secondary species shares are non-separable and must be transferred as a unit.
Option 2. Primary species shares and secondary species shares are separable and may be transferred separately

2.2.5 Halibut PSC

2.2.5.1 Accounting of Halibut Bycatch
Pot vessels continue their exemption from halibut PSC caps.

Hook and line
Option 1: Modeled after sablefish IFQ program (no direct inseason accounting of halibut PSC. Holders of halibut IFQ are required to land legal halibut. Estimates of sub-legal and legal size incidental mortality are accounted for when setting annual CEY.
Option 2: Halibut PSC will be managed through harvest share allocations.
Option 3: Continue to fish under halibut PSC caps.
Suboption (to all options): Holders of halibut IFQ are required to land legal halibut. Halibut bycatch occurring without sufficient IFQs would count against halibut PSC allocations.

Trawl Entities:
Option 1: Halibut PSC will be managed through harvest share allocations.
Option 2: Continue to fish under halibut PSC caps.

2.2.5.2 Halibut PSC Allocation
Each recipient of fishing history would receive an allocation of halibut mortality (harvest shares) based on their allocation of the primary species shares. Secondary species would receive no halibut allocation. Initial allocation based on average halibut bycatch by directed primary species during the qualifying years. Allocations will be adjusted pro rata to equal the existing halibut PSC cap.
By sector average bycatch rates by area by gear:
Option 1. Both sectors
Option 2. Catcher Processor/Catcher Vessel

2.2.5.3 Annual transfer/Leasing of Trawl or Fixed Gear Halibut PSC mortality
Option A: Halibut PSC annual allocations are separable from primary groundfish annual allocations and may be transferred independently within gear types. When transferred separately, the amount of Halibut PSC allocation would be reduced, for that year, by:
Suboption 1. 0%
Suboption 2. 5%
Suboption 3. 7%
Suboption 4. 10%
Suboption 5: Exclude any halibut PSC transferred for participation in the incentive fisheries (includes transfers outside the cooperative).
Suboption 6: Exclude any halibut PSC transferred within a cooperative.

Option B: No leasing/annual transfer of halibut PSC outside of cooperatives.

All halibut PSC reductions under this section will remain unfished (in the water).

2.2.5.3.1 Halibut PSC Reduction for Non-Members of Cooperatives

Non-members of cooperatives would have halibut PSC reduced by:

i 5%
ii 15%
iii 30%

Halibut PSC reduction will not apply to low-producing fixed gear participants.

All halibut PSC reductions under this section will remain unfished (in the water).

2.2.5.4 Permanent transfer of Halibut PSC harvest share mortality

Option 1. Groundfish primary species harvest shares (QS) and Halibut PSC harvest shares (QS) are non-separable and must be transferred as a unit
Suboption. exempt Pacific cod

Option 2. Groundfish primary species harvest shares (QS) and Halibut PSC harvest shares (QS) are separable and may be transferred separately

2.2.5.5 Retention of halibut incidentally caught by fixed gear vessels

Halibut incidentally caught may be retained outside the halibut season from Jan. 1 to start of commercial fishery. Any person retaining halibut must have adequate halibut IFQ to cover the landing. Retention is limited to (range 10-20%) of primary species.

Option 1: In all GOA areas.
Option 2: Limited to Areas 3A, 3B, and 4A.

The Council requests that staff notify the IPHC concerning these provisions.

2.2.6 Incentive species

Arrowtooth flounder, deepwater flatfish, flathead sole, rex sole, shallow water flatfish.

Owners of shares must utilize all their shares for an incentive species before participating in incentive fishery for that species.

Option. The portion of historic unharvested West Yakutat Pacific cod TAC will be made available as an incentive fishery, subject to provision of incentive fisheries.

2.2.6.1 Eligibility to fish in the incentive fisheries

A. The unallocated QS for the incentive fisheries are available for harvest, providing the vessel has adequate halibut PSC and secondary species.
   Suboption: vessels must be a member of a GOA fishing cooperative to fish in the incentive fishery.
B. Any holder of halibut or sablefish IFQ that has adequate IFQ or halibut PSC and secondary species.

2.2.6.2 Catch accounting for the incentive fisheries – Allocated QS and Incentive fishery quota

Option 1. The individual co-op member's apportionment of the allocated incentive species QS must be used prior to the individual gaining access to the incentive fishery unallocated portion. The co-op will notify NMFS when a vessel enters the incentive fishery quota pool.

Option 2. The co-op's allocation of incentive species QS must be fished before gaining access to the unallocated portion of the incentive species quotas. The co-op members through a contractual coop agreement will address catch accounting amongst the co-op members.

Option 3. For shareholders not participating in co-op, the unallocated incentive species are available for harvest once the individual IFQ holder's allocation of the incentive species has been used.

2.2.7 Preserving entry level opportunities for P. cod

2.2.7.1 Each initial allocation of P.cod harvest shares based on the final year of the qualifying period to fixed gear catcher vessels below the block threshold size would be a block of quota and could only be permanently sold or transferred as a block.

Option 1 10,000 pounds constitutes one block
Option 2 20,000 pounds constitutes one block
Option 3 No Block Program

Suboption. Lowest producer harvest shares earned as a bycatch in the halibut sablefish ITQ program would be exempt from the block program

2.2.7.2 Eligible participants would be allowed to hold a maximum of:

Option 1, 1 block
Option 2. 2 blocks
Option 3. 4 blocks

2.2.7.3 Any person may hold:

Option 1. One block and any amount of unblocked shares
Option 2. Two blocks and any amount of unblocked shares
Option 3. Four blocks and any amount of unblocked shares

2.2.8 Skipper/Crew

A skipper is defined as the individual owning the Commercial Fishery Entry Permit and signing the fish ticket.

Option 1. No skipper and/or crew provisions
Option 2. Allocate to skippers and/or crew
  Suboption 1. Initial allocation of 5% shall be reserved for captains and/or crew
  Suboption 2. Initial allocation of 10% shall be reserved for captains and/or crew
  Suboption 3. Initial allocation of 15% shall be reserved for captains and/or crew
Option 3. Establish license program for certified skippers. For initial allocation Certified Skippers are either:
  i. Vessel owners receiving initial QS or harvest privileges; or
  ii. Hired skippers who have demonstrated fishing experience in Federal or State groundfish fisheries in the BSAI or GOA for 3 out of the past 5 years as documented by a CFEC permit and signed fish tickets and/or appropriate NMFS documentation (starting date for five years is 2003).
  Suboption 1. include crew in the license program.
  Suboption 2. require that new Certified Skippers licenses accrue to individuals with demonstrated fishing experience (Groundfish – BSAI/GOA, state or federal waters) similar to halibut/sablefish program.

Under any alternative that establishes QS and annual harvest privileges, access to those annual harvest privileges is allowed only when fishing with a Certified Skipper onboard. Certified Skipper Licenses are non-transferable. They accrue to an individual and may not be sold, leased, bartered, traded, or otherwise used by any other individual.

Defer remaining issues to a trailing amendment and assumes simultaneous implementation with rationalization program.

2.2.9.1 Regionalization

If adopted, all processing licenses (for shore-based and floating processors) will be categorized by region. Processing licenses that are regionally designated cannot be reassigned to another region.

Catcher vessel harvest shares are regionalized based on where the catch was processed, not where it was caught. Catcher processor shares and incentive fisheries are not subject to regionalization.

In the event harvest shares are regionalized and the processor linkage option is chosen, a harvester's shares in a region will be linked to the processor entity in the region to which the harvester delivered the most pounds during the qualifying years used for determining linkages under 2.3.1.1.2.

The following describes the regions established and fisheries that would be subject to regionalization:

Central Gulf: Two regions are proposed to classify harvesting shares: North - South line at 58 51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North - South distribution: Pollock in Area 630; CGOA flatfish (excludes arrowtooth flounder); CGOA Pacific ocean perch; CGOA northern rockfish and pelagic shelf rockfish (combined); CGOA Pacific cod (inshore); GOA sablefish (trawl); WY pollock.

The Council should clarify a few aspects of regionalization, particularly its coordination with processor associations under section 2.3.1.1.2.

First, the specific method of regionalizing allocations is delineated here for clarity. In the absence of additional direction from the Council, staff would estimate regionalization of allocations in the following manner:

1) ***Estimate individual harvest allocations for each management area based on the qualifying years in section 2.2.2.***
2) ***For management areas and species that are regionalized, divide each individual allocation of each regionalized species between the different regions based on the individual's landing history of that species during the years selected for determining regionalization under 2.2.9.1.2.***
3) ***Under Alternative 2B, for each region determine the individual's processor association (under section 2.3.1.1.2) based on all groundfish landings (regionalized and non-regionalized species) of the individual in the region during the years used for associations.***

Assuming the above method for regionalization and association of shares, a few issues arise concerning regionalization. First, sablefish is not allocated based on individual history, but based on fleet incidental catch rates. Individual landing histories of sablefish could be used for regionalization, but it is possible that some individuals could receive a sablefish allocation with no sablefish landings history. Alternatively, the Council could regionalize an individual's sablefish allocation based on the regionalization of the primary species allocation that the sablefish allocation is secondary to.

Second, an issue arises by not having all primary species included in regionalization. Since all groundfish landings in a region would be used to determine the association under Alternative 2B, not regionalizing all primary species in a management area complicates administration and implementation of regionalization. The exclusion of CGOA arrowtooth from regionalization would mean that arrowtooth allocations would have a single association, while all other primary species would have a processor association in each of the two regions. Although not an insurmountable problem, the exclusion of Central Gulf arrowtooth from regionalization adds complication to the administration of the program by creating the potential for multiple associations.

Third, the method of including pollock in regionalization creates some complication in applying regional designations to those allocations. Including 640 pollock (WY) in regionalization, but no other species in West Yakutat, requires that pollock landings be used for making the regional division of each allocation. Once the

regional division is made, all groundfish landings in each region would be used for making the processor association for the pollock allocation in the region. In addition, all other primary species allocated to the individual would be subject to processor associations based on all landings of groundfish taken in the West Yakutat management area. Regionalization of one species in the area could complicate an individual's operations, if a substantial portion of the individual's pollock allocation is associated with one processor, while all of the other primary species allocated to the individual are associated with another processor.

The inclusion of 630 pollock and the exclusion of 620 pollock from the regionalization component also raises questions. The Central Gulf management area is divided into areas 620 and 630 for purposes of managing pollock only. With respect to 630 pollock, the first step in applying landings designations would be to regionalize an individual's 630 pollock allocation based on that individual's landings history. Under Alternative 2B, the second step of applying processor associations raises a question. Since the management areas for pollock differ from the management areas for other species, the Council should clarify whether processor associations for regionalized pollock from management area 630 would be based on landings only from that area (i.e., 630) or all of the Central Gulf.

A slightly different issue arises from the exclusion of 620 pollock from the regionalization component. Since the 620 pollock allocation is not regionalized, making processor associations for 620 pollock by using "all groundfish landings" could mean either using all 620 landings or all Central Gulf landings. In either case, a person could have one association for North Central Gulf, another for South Central Gulf, and a third for 620 pollock. The Council should clarify whether 620 pollock processor associations should be based on all Central Gulf groundfish landings or only landings in area 620.

2.2.9.1.1 Secondary species shares

Secondary species shares would not be subject to regionalization **(with the exception of sablefish)**

2.2.9.1.2 Qualifying years to determine the distribution of shares between regions will be:

Option 1. consistent with the preferred option under "Section 2.2.2 Qualifying Periods"

Option 2. 1999 – 2002

The use of different years for determining regionalization and for determining allocations will have uncertain effects. To apply a different set of years, but still base regionalization of an individual's shares on that individual's landings would be to:

1) determine individual allocations
2) determine the individual regional division of landings for each individual based on the regionalization years
3) apply that regional division to the individual's allocation.

To then apply associations, would require that within each region one determines the processor that the harvester landed the most pounds of groundfish with in the years used to determine associations (subject to any clarification the Council might make under 2.2.9.1 above).

Other community provisions (CFQ and CPP) moved to separate portion of the motion.

PSC for Crab and Salmon move to separate portion of the motion.

2.2.10 Review and Evaluation

2.2.10.1 Data collection.

A mandatory data collection program would be developed and implemented. The program would collect cost, revenue, ownership and employment data on a periodic basis to provide the information necessary to study the impacts of the program. Details of this program will be developed in the analysis of the alternatives.

2.2.10.2 Review

Preliminary program review at the first Council Meeting in the 3rd year and formal review in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities, by addressing concerns, goals and objectives identified in the problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

2.2.12 Sideboards

GOA Groundfish sideboards under the crab rationalization plan and under the AFA would be superceded by the GOA rationalization program allocations upon implementation.

Vessels (Steel) and LLPs used to generate harvest shares used in a co-op may not participate in other federally managed open access fisheries in excess of sideboard allotments.

Participants in the GOA rationalized fisheries are limited to their aggregate historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

The Council should consider adding sideboards for the GOA jig fishery, which will not be included in the rationalization program.

Staff analysis of sideboard issues should examine the potential consequences of the creation of a double set of sideboards relating to BSAI fisheries for vessels already subject to AFA sideboards in BSAI fisheries.

2.3 Processing Sector Provisions

The Council could clarify the processing sector provisions for Alternatives 2A and 2B in several respects at this meeting. As the Council considers these issues, it will be important to develop a coherent package, which incorporates several different consistent decisions into a comprehensive alternative. Since this section contains several overlapping decisions, to aid the Council's development of alternatives the following decisions are listed:

Alternative 2A

1) ***The percent of shares that will be delivery restricted (A shares) and unrestricted (B shares) (2.3.1.1.1)***
2) ***The extent of any limits on the number or types of licenses that can be held by a processor (2.3.1.2.6)***
3) ***Whether catcher/processors may accept delivery of unrestricted shares (B shares) (2.2.3.3.11 and 2.3.1.1.1)***

Alternative 2B

1) ***The percent of shares that will be delivery restricted (A shares) and unrestricted (B shares) (2.3.1.1.1)***
2) ***The extent of any limits on the number or types of licenses that can be held by a processor (2.3.1.2.6)***
3) ***The level of the penalty for movement between linked processors (2.3.1.1.3)***
    a. ***Percentage of shares***
    b. ***Number of years***
    c. ***Does the penalty apply to A shares or both A shares and B shares***
    d. ***Redistribution of the penalty (to share holders associated with the processor or across all co-ops)***
4) ***Whether penalties are one-time or would apply to a second linkage (or are discounted after the first linkage is severed) (2.3.1.1.3)***
5) ***The impact of a processor no longer operating in a community at the time of implementation (2.3.1.1.2)***

a. Linked harvesters can deliver to
i. any licensed processor
ii. any licensed processor in the community
b. Whether a linkage would be established

6) Whether catcher/processors may accept delivery of unrestricted shares (B shares) (2.2.3.3.11 and 2.3.1.1.1)

For alternative 2A, apply provisions generally at the company level.
For 2B, apply provisions generally at the facility (plant) level.

2.3.1 Provisions for Processor License Limitation
2.3.1.1 Harvester Delivery requirements
2.3.1.1.1 Harvester delivery requirements

Option 1. 50-100% of CV harvest share allocation will be reserved for delivery to:
i. the linked licensed closed trawl or fixed class processor (Applies to 2B).
ii. Any licensed trawl or fixed (Applies to 2A)
The remaining (50% - 0%) CV harvest share allocation can be delivered to:
any processor including CPs

The Council could decide the percentage of delivery restricted shares in both alternatives. Generally, the Council should set the percentage of A shares to balance the interests of harvesters and processors. The larger the percentage of A shares, the greater the restriction on the harvest share holder's market for landings. Under Alternative 2A, share holders would be required to deliver A shares to processors holding licenses. Under Alternative 2B, a share holder would be required to deliver their delivery restricted A shares to the particular processor to which its shares are linked (with linkages based on historic landings patterns). Given the less restrictive delivery obligation under Alternative 2A, imposing delivery restrictions on a higher percentage of shares is likely reasonable. Under Alternative 2A, a harvester would be able to induce competition among several license-holding processors for all landings, with each processor, generally, on equal footing for attracting those landings. Under Alternative 2B, processors would be able to compete for A share landings only by inducing a share holder to break the linkage associated with those shares, which requires a share reduction penalty. B shares, which are not delivery restricted, could be used to attempt to induce the linked processor to pay a higher price for A share landings or to induce a competing processor to pay a price for A shares that is high enough to make the penalty share reduction worthwhile. Under either alternative, the appropriate level for the restriction should balance the historic investment interests of the processors in having a closed market for a portion of the allocation against the interests of harvesters in having a broader, more competitive market for their landings.

The interests of potential entrants to the processing market should also be considered in setting the percentage. The Council should consider the need to allow new entrants to experiment with innovations, which could benefit the industry in the long run. Leaving a very small portion of the fishery for unrestricted delivery may severely limit opportunity for entry. Under Alternative 2B, the ability to land unrestricted shares with any processor could be of greater importance to new entrants for a few reasons. The linkage creates a relatively strong and specific relationship between the harvest share holder and the linked processor. This relationship could encompass not only the delivery restricted shares, but also the unrestricted shares. If only a small portion of the fishery is unrestricted, the ability of a processor to enter in an effective manner could require not only strong competition for the unrestricted shares, but also establishment of linkages with some share holders. While the establishment of linkages is a reasonable expectation for processors that are to be long term participants, entrants that are experimenting with relatively small quantities of deliveries should not be expected to make the investment in establishing linkages. Under Alternative 2A, the potential to enter the fishery by purchasing relatively small amounts of fish is also worth assessing. Since harvester shares do not have specific processor linkages, more harvesters will have less restrictive relationships with processors with greater competition for landings. The competition among licensed processors, however, is likely to be extensive and could affect the market for shares that are not delivery restricted.

When considering the appropriate percentage of delivery restricted shares under Alternative 2B, the Council should also consider other aspects of the processor dimension of the program. The protection provided to any processor will depend not only on the percentage of shares that are subject to the delivery restriction, but also on the penalty for share movement. While not a direct trade off, the two decisions are closely related. In general, a higher percentage of delivery restricted shares determines the quantity of shares for which a linked processor has a market advantage. The penalty determines the extent of the market advantage with respect to those linked shares.

Lastly, the Council could decide whether to permit catcher processors to purchase catcher vessel shares that have no processor delivery restrictions. This provision should be determined consistently with 2.2.3.3.11 above.

Option 2. Low producing vessels are exempt from delivery requirements (Applies to Fixed Gear 2 Low only)

2.3.1.1.2 Linkage (Linkages apply by area) (Applies to 2B):
A harvester's processor linked shares are associated with the licensed fixed or trawl processor to which the harvester delivered the most pounds of groundfish during the last ___ years of the harvester qualifying years.

i. 1
ii. 2
iii. 3

The Council could decide at this time whether to credit history from one, two or three years for purposes of establishing processor associations. A longer term for establishing the association could be justified on the basis of protecting longer associations. Using fewer and more recent years could be justified as a means to support more current associations. The analysis is unlikely to be able to show any significant contrast across these options because of confidentiality restrictions. Establishing a consistent approach across Alternatives 2 and 3 would simplify the analysis.

Also, the Council should consider establishing consistent association standards across Alternatives 2 and 3, if one standard is clearly superior to the others (Alt. 2 uses "most pounds of all groundfish," while Alternative 3 uses "most pounds of primary species" or "species aggregations"). Differences across alternatives could complicate the analysis significantly. The Council should consider whether preliminary estimates of the different allocations are useful to make decision. Staff intends to provide those analyses at the next meeting.

Processors with history at multiple facilities in a community may aggregate those histories for determining associations.

Option 1: If the processing facility with whom the harvester is associated is no longer operating in the community, and another processing facility within the community has not purchased the history, the harvester is eligible to deliver to

i. any licensed processor
ii. any licensed processor in the community

The Council could decide whether to choose option 1 and which of the suboptions (i or ii) to select, if the option is chosen. (This provision applies only to Alternative 2B.) Since this provision is in the section on establishing linkages at the outset of the program, staff assumes that the provision applies only on implementation (provisions later in the section would apply to circumstances that arise after implementation). This option could be used to limit the potential for a harvester to be linked to a secondary processor, should the processor it would otherwise be linked to stop operating in the community. The provision could be justified, if the Council believes it is unreasonable to require a harvester to deliver to either the same processor in another community or to another processor in the same community. The rationale for removing the linkage could be that the intent of the processor linkage provision in general is to protect only the processing plant with the strongest relationship to a harvester historically.

In approaching this question, the Council should consider the interaction of this provision with other provisions in this section (2.3). The outcome should be a package of consistent provisions that meet Council objectives. As a starting point, the Council decided at a previous meeting to use a facility-based approach under Alternative 2B. So, a harvest share/processor linkage would be determined at the facility level (which by its nature would establish the association within a single community).

If this provision is accepted, the Council should first clarify whether <u>any</u> linkage would be established for harvesters that delivered a majority of catch to a processor that is no longer operating. If so, the suboptions (i and ii) would be used to define processors that the share holder must be linked to. This approach would be consistent with a program that allows changes in linkages among processors, but would perpetuate linkages.

If the shares are <u>not</u> subject to any linkages if the processor discontinued operations, the provision would simply require that the shares be delivered to a licensed processor. This second approach could be applied, if the Council intended Alternative 2B to establish a one-time linkage that would not be transferred to a second processor once severed (i.e., suboption B from 2.3.1.1.3 is consistent with the approach). This approach would create an initial linkage for each delivery restricted share, but once the linkage is broken the shares would be subject to a license limitation program for processors similar to Alternative 2A.

If the Council chooses not to include this option in the alternative, the Council should clearly state its intention for addressing processor linkages, in the event a plant is no longer in operation. A possible approach would be to establish the linkage with the processor that the harvester delivered the second most pounds to.

The Council requests that staff provide a discussion paper addressing the effect of a use cap on the number of processors in a region.

2.3.1.1.3 Movement between linked processors (Applies to 2B)
Any vessel that is linked to a processor, may with the consent of that processor, deliver A shares to another plant.

Share reductions of 10% - 20% when a harvester moves from a linked processor for:

i. 1 year
ii. 2 years
iii. 4 years

Suboptions:

i. Penalty applies to A shares only.
ii. Penalty applies to both A and B shares.

A. Full penalty applies to each move
B. Full penalty applies to the first move, subsequent moves are penalized at half of that rate.
C. Full penalty applies only to the first transfer

The Council could decide several issues under this section.

First, the penalty for movement between linked processors could be decided at this meeting. The level of penalty should balance the interests of processors that have established histories in the fisheries and the processor protection arising from the linkage/penalty provisions against the interests of harvesters in having a broader market in which to sell their harvests. The penalty represents a loss of revenues to a harvester, which could be used to defer long term fixed costs, such as vessel loans, in addition to variable costs, which are reduced by not having to harvest the shares subject to penalty. This loss of revenues should be balanced against the long term loss of revenues to a processor that occurs, if a processor loses the linkage. In a program of perpetual linkages, the linkages could be of greater importance to a processor, since the

competition for delivery restricted shares linked to other processors will be limited by the need to pay an ex-vessel price that covers the penalty.

As a part of this decision, the Council could decide whether the penalty will be applied in a single year or over the course of more than one year. Extended terms for penalties are likely to discourage movement between processors by increasing the cost of movement. Discounting suggests that extending a penalty over several years, however, is likely to be less costly to a harvester than imposing a penalty of the same quantity of fish over a shorter period of time (i.e., 2 percent per year for 4 years is less costly than 8 percent in a single year, if the TAC and product markets remain constant). Extending the penalty to reduce its magnitude in a single year could also avoid disruption to a harvester's operations that could occur from imposing a larger penalty in a single year. Long term penalties, however, could discourage movement and competition. On the other hand, penalties of relatively long terms could contribute to stronger relationships between harvesters and processors. If a penalty is imposed over several years, the processor with which a new linkage is established could establish a relationship for the term of the penalty (or beyond) to cover the harvester's costs of penalty.

The Council could decide whether to apply the penalty to delivery restricted A shares or to both the delivery restricted A shares and the unrestricted B shares. Assessing the penalty on both types of shares would affect the magnitude of the penalty and the nature of the penalty. Reducing B share allocations to a share holder on severing a linkage, would reduce not only the allocation, but the ability of a harvester to use B share revenues (which are likely to be at least as large as A share revenues on a per pound basis) to disburse the cost of the penalty.

The Council could also decide whether penalties are discounted (or entirely waived) after the first move between linked processors. The possible rationale for discounting (or waiving) the penalty is that the second processor would not have the historic processing association with the share holder that is the justification for the system of linkages. On the other hand, retaining the penalty could be justified as a means to add stability to the processing sector. A discounted penalty could provide a middle ground, diminishing the potential for a harvester to move among freely among processors every year, but recognizing that a the second linked processor has less of a historic interest than the initial linked processor. Discounting penalties after the first move will have two competing effects in the market for ex vessel landings. On one side, the second linked processor will have a lower incentive to pay to establish a new association with a share holder, since its association can be more easily severed by the share holder. On the other side, a share holder will be willing to accept less from the secondary processor for severing the linkage since the share holder will have greater freedom to move among processors thereafter (because of the decreased penalty). This effect is more pronounced, if penalties apply only to the first movement. If no penalty is applied after the first move, a share holder would move, if the fair market value of unrestricted share landings are large enough to cover the cost of the loss of shares through the penalty. In either case (the reduced penalty or no penalty after the first linkage), a share holder and processor could negotiate a long term agreement under which the share holder voluntarily commits landings to a processor to induce the processor to cover the cost of the penalty for the first move.

[If the Council elects to structure Alternative 2B so that no penalty applies after the first move from a linked processor, shares that are subject to delivery restrictions (A shares) would be landed under a limited license program for processors. If the Council intends the program to operate differently, clarification should be made.]

The share reduction shall be redistributed to:

The shareholders in association with that processor that the shareholder left (if it continues to exist).

2.3.1.2 Processor License Qualifications (Applies to 2A and 2B)

2.3.1.2.1 To qualify for a processor license, a processor must have purchased and processed a minimum amount of groundfish by region as described below in at least 4 of the following years:

Option 1. 1995-99.

Option 2. 1995-01
Option 3. 1995-02

If a processor meets the threshold for total purchased and processed groundfish for all their facilities combined, but does not meet the threshold for any one facility then the processor would be issued a license for the facility in which it processed most fish. **(Applies to 2B only since 2A is entity based).**

Option 1. a. Trawl eligible Processors
Suboption 1. 2000 mt
Suboption 2. 1000 mt
Suboption 3. 500 mt

b. Fixed gear eligible Processors
Suboption 1. 500 mt
Suboption 2. 200 mt
Suboption 3. 50 mt

c. Trawl and Fixed gear eligible processors
Meet criteria for both the trawl processor license and fixed gear processor license as described above

2.3.1.2.2 Processor history would be credited to (and licenses would be issued to):
Operator – must hold a federal or state processor permit.

Custom processing history would be credited to:
the processor that purchased the fish as indicated on the fish ticket and paid for processing

2.3.1.2.3 Transferability of eligible processor licenses
Processor licenses can be sold, leased, or transferred.
Within the same region
If the license is transferred outside the community of origin, then vessel linkages are broken and vessels are allowed to deliver to any licensed processor.

(Moved from 2.4.5.2)
License Transfers Among Processors (applies to processor limited entry)

Option 1. any share association with that license will transfer to the processor receiving the license. All harvest share/history holders will be subject to any share reduction on severing the linkage, as would have been made in the absence of the transfer.

Option 2. any share associated with the license will be free to associate with any licensed processor. Harvest share/history holders will be free to move among processors without share/history reduction.

Allowing the processor association to transfer would grant a transferable interest to a processor of a portion of each harvester's landings market. Some harvesters are likely to argue that this provides a processor with too much control of a harvester's interests and could result in processor associations that a harvester would never voluntarily enter. In addition, allowing transfers of the association could result in a harvester having to deliver to a different port/community. Whether cooperative associations transfer with a processor license will greatly impact the value of processor licenses and the associated linkages. A processor that is interested in exiting the fishery will have a strong disincentive to exit, if the linkages are non-transferable. Harvesters in the association could suffer, if a processor chooses not to sell a license because of the loss of value because of lost associations. In these circumstances, private agreements between the affected share holders and the processor could mitigate any harm. For example, harvesters could agree to maintain the linkage with the new processor in the event that the license sale is agreeable.

2.3.1.2.4 Processing Use caps by processor license type (trawl, fixed or trawl and fixed, by CGOA and WGOA regulatory areas:

Option 1. Range 70% to 130% of TAC processed for all groundfish species for the largest licensed processor

Option 2. Processing use caps would be equal to a percentage that would allow contraction of processing companies in the fishery by 20%, 30%, or 50% of the number initially qualified processing companies

(Note: There is no limit on the amount of fish either a trawl or fixed gear licensed processor can buy from the open B share classed fish)

2.3.1.2.5 Processing Caps may apply at the entity level

2.3.1.2.6 License ownership restrictions on processors

Option 1. No restrictions

Option 2. Trawl/fixed license holders cannot hold any additional fixed gear only licenses.

The Council could consider adopting provisions that limit licenses that a processor could hold. Although option 2 could be used to limit holding of fixed gear licenses by persons holding licenses endorsed for fixed and trawl gear, the Council should also consider whether to limit the number of licenses that a processor can hold, as aggregating licenses in the absence of such a limitation could be an effective way of limiting competition in the processing sector. Consolidation of license holdings could be an effective way to limit competition in processing and prevent entry. Under Alternative 2A, consolidating licenses would simply limit the number of processors competing for A share landings. Under Alternative 2B, consolidation of licenses could also effectively limit competition. Given that the Council has included processor linkages as a means of protecting processors' historic interests, allowing processors to consolidate licenses could distort any balance of negotiating power between harvesters and processors that the Council intended to establish by selecting the percent of delivery restricted shares (A shares) and the penalty for changing linkages. For example, if a few processors purchase several licenses, the prospect of entry and the competition for linkages could be drastically reduced.

2.3.2 Provisions affecting Allocation of Harvest Shares to Processors (Alternative 2C)

1. Processors are eligible to receive an allocation of QS if they meet eligibility criteria identified in 2.3.1.2.1

The Council should note that entities that cannot document a vessel cannot fish in U.S. fisheries. So, any processor that is not at least 75 percent U.S. owned would not be permitted to fish any shares it holds. These entities could be permitted to hold shares, but would need to lease those shares to U.S. documented vessels for fishing. The Council should be clear in stating whether this provision is intended to allow fishing of harvest shares by processors that are not able to document a vessel. Such a policy would be unique in U.S. fisheries. If the Council intends to require compliance with current documentation laws, it could adopt the following sentence: "Any shareholder under this program is intended to comply with all existing laws concerning documentation of vessels and entry of vessels to U.S. fisheries in fishing those shares. Share holders unable to enter a vessel into U.S. fisheries may lease share holdings or use holdings through cooperative membership to the extent permitted by the program, but not in contravention of current law pertaining to entry of vessels to U.S. fisheries."

2. Up to 30% of CV shares shall be designated as "CVP" shares and eligible to be held by processors and CV recipients. A portion of the CVP share allocation will be divided among eligible processors proportional to their history in the qualifying years as outlined in 2.3.1.2.1. Any balance of CVP not distributed initially to processors shall be distributed proportionally to CV recipients.

The Council could determine the portion of CVP that will be allocated to processors. The Council's table identifying the alternative structures specifies an allocation of between 10 percent and 30 percent of the harvest share allocation would be to eligible processors. This level should be specified for the analysis.

3. CVP is transferable between eligible CV holders and /or processors
4. CVP shares may be fished on any catcher vessel and subject to existing share designations and existing vessel use caps
5. CVP shares may be transferred or leased to any entity eligible to receive CV QS by transfer in 2.2.3.3
6. Caps of CVP will apply at the company level by management area and will be a 10-30% of the total pool of CVP shares available in the management area. Recipients of CVP that exceed the cap will be grandfathered.
7. No processors (and processor affiliates using the 10% rule) may own or control CV quota shares. CVP initially issued to processor affiliates will be grandfathered.
8. CVP shares will be regionalized.

2.4 Cooperative Provisions

Several cooperative provisions contain options. The Council could choose to identify the different options for each of the alternatives. The Council could select different provisions for the alternatives, since the interactions and relationships created under the alternatives are not the same. Differences among the catcher vessels and catcher processors arise out of the processor protections that are contained in most of the catcher vessel alternatives. In addition, low producing fixed gear catcher vessel provisions could differ because of the absence of processor protections under that alternative.

Several provisions in the Council motion together define the rules for cooperative formation, movement among cooperatives, and participation in the fisheries inside and outside of cooperatives. These provisions together are likely to impact the internal rules of the cooperatives, which in turn will affect the return that different participants are able to realize from their allocations. If these provisions are not carefully developed, some participants may be inadvertently affected by differences in negotiating strength across members of a cooperative. For example, in a cooperative composed primarily of pollock fishermen, a cod fisherman could have little leverage for changing rules to reasonably accommodate cod fishing. In the extreme, share holders with little or no direct activity in fisheries could control the harvests of active participants, if the active participants have no reasonable alternative to joining a particular cooperative. In considering rules, the Council should be wary of rules that create incentives to modify share holdings. A rule that requires 90 percent of eligible share holders for cooperative formation may create an incentive for a single share holder to subdivide holdings among his friends and family to affect bargaining strength relative to other eligible share holders.

In general, the assessment of the relative power of participants in a cooperative depends on several factors. These determinants of negotiating strength can be generalized to two categories, internal and external. Internal effects are generated by the rules governing cooperatives, such as rules of cooperative formation and any rules that define membership. External effects, which are equally important, are generated by the outside options available to a harvester that chooses not to join a cooperative. For example, a person's negotiating leverage with respect to another is highly dependent on the ability to walk away from a transaction and pursue other opportunities. In the context of these cooperatives, the harvester's negotiating strength with respect to members of a particular cooperative depend on the ability of the harvester to choose not to join the cooperative and remain in the fishery. In the discussion that follows both internal and external affects are considered. Under the alternatives under consideration, processor protections are also an integral part of the cooperatives programs. The indirect impacts on processors arising from rules that affect cooperative membership decisions should be considered in fashioning cooperative programs.

In assessing the different options below, the Council should take care to develop a comprehensive cooperative program for each alternative. To do so will require that the interaction of the different provisions be assessed for both operational consistency and consistency of purpose.

2.4.1 Cooperative requirements

Cooperative membership is not required to receive an annual harvest share allocation. (i.e., IFQ will be allocated to non-members)

2.4.2 Cooperative formation

2.4.2.1 Co-ops can be formed

a. between holders of harvest shares or history in an area:
   Trawl catcher vessels
   "High producing" fixed gear catcher vessels
   "Low producing" fixed gear catcher vessels
b. between holders of harvest shares or history of a catcher/processor

Each group of share/history holders of a defined class that may form cooperatives is defined as a "sector."

2.4.2.1.1 Co-op/processor affiliations

Option 1. No association required between processors and co-ops

Option 2. CV cooperatives must be associated with
   a) a processing facility (applies to 2B)
   b) a processing company (applies to 2A)

(Option 1 or Option 2 a) or b) could apply to 2 low producing fixed gear)

The associated processor must be:
   a) any processor (could apply to 2 low producing fixed gear)
   b) a limited entry processing license holder (applies to 2A)
   c) a limited entry processing license holder to which the share holder's shares are linked (applies to 2B)

      Suboption 1. Processors can associate with more than one co-op
      Suboption 2. Processors are limited to 1 co-op per plant for each sector.

Suboption 1 and 2 could be applied under any of the catcher vessel alternatives. In considering the appropriate suboption, the Council should consider the implications for both share holders and processors of limiting the number of cooperatives that may be associated with a processor. Allowing only a single cooperative to associate with a processor could have management benefits, if the provision leads to larger cooperatives and greater consolidation of annual allocations. Larger cooperatives, generally, will reduce the management burden, since cooperatives can assume some responsibility for managing members' fishing. Whether this benefit is realized, however, depends on whether the limitation actually leads to more consolidation. If participants choose not to join a cooperative with a processor because the terms of the cooperative agreement are unfavorable, a provision that limits the number of cooperatives associated with a processor could reduce consolidation. In addition, harvesters that are unable to come to terms with the cooperative that does form could lose cooperative benefits that could be realized or suffer PSC reductions for not joining a cooperative (if the option for PSC reductions is adopted). Alternatively, some harvesters may join a cooperative subject to less favorable terms than it would otherwise agree to, if multiple cooperatives were permitted to form. The result would be a redistribution of benefits among harvesters. An indirect impact of the limitation could also be that a processor that is capable of coming to terms with two groups of incompatible share holders that may choose form two separate cooperatives, will be forced to choose between the two groups since only one cooperative would be permitted.

Note: A processor association will not be required for a C/P cooperative.

2.4.2.2 Cooperatives are required to have at least:

Option 1. 4 distinct and separate harvesters (using the 10% threshold rule) (could apply to any alternative)

Suboption: trawl CP sector, all less 1 of distinct and separate harvesters, using the 10% threshold rule).

The suboption applies to CPs only – This provision, however, is likely not manageable, since share holdings are divisible. The number of share holders could change on a daily basis as trades of shares are made, preventing any meaningful determination of whether the threshold has been met.

Option 2. 40 -100 percent of the harvest shares (or catch history) of its sector (may choose different percentages for different sectors) (applies only to catcher processors)

Option 3. 40 -75 percent of the harvest shares (or catch history) eligible for the cooperative. (Applies to Alternatives 2A and 2B) ***cannot be applied to catcher vessels under Alternative 2A***

Note: Requirements may differ across sectors (or for CV and CP cooperatives)

The Council could consider selecting cooperative formation thresholds for the alternatives at this meeting. Since the alternatives created under section 2 of the motion differ from one another, the Council could consider establishing different rules for the different alternatives.

Under all of the alternatives in section 2 of the Council motion, harvesters would receive an exclusive annual allocation (i.e., IFQs) regardless of cooperative membership. Since a harvester may choose to fish IFQs instead of joining a cooperative, the effects of cooperatives on negotiating strength should be muted and of less concern. If the Council should choose to reduce PSC allocations to non-members of a cooperative, it would be possible for members of a cooperative to assert negotiating leverage over non-members, if the non-members cannot join or form another cooperative. Similarly, rules that require a minimum percentage of share holders eligible for cooperative formation could provide negotiating leverage to either those agreeing to join the cooperative or those that have yet to join, depending on the circumstances. Generally, the power will be with the non-members until the membership threshold is met and will shift to members once that threshold is reached. As should be apparent, the level of the threshold will determine whether the negotiating leverage lies with a majority of those eligible for the cooperative or a minority and the size of that majority or minority, as the case may be. For example, under the suboption to Option 1, which sets a threshold of all less one harvester, two minority share holders could scuttle the formation of any cooperative unless their demands are met. These demands could relate to distributions from cooperative harvests, which could redistribute benefits of share holdings under the program. Although the suboption is the extreme, any provision that severely limits the number of cooperatives a share holder might join by imposing thresholds for cooperative formation could have similar impacts. For example, a provision that requires 50 percent of eligible shares to form a cooperative would create a system in which holders of a majority of shares would have the ability to structure a cooperative agreement unfavorable to other share holders. In short, in a system in which a person is eligible to join only one cooperative, setting a threshold for cooperative formation without impacting the distribution benefits from the allocation of shares is likely not possible. Increasing the number of cooperatives that a person can join will reduce this effect.

2.4.2.3 Duration of cooperative agreements:

Option 1. 1 year
Option 2. 3 years
Option 3. 5 years

Suboption 1: Duration is minimum.
Suboption 2: Duration is maximum.

The Council could choose an option for length of cooperative agreements. Longer term cooperative agreements could provide stability to participants. The ability to reformulate a cooperative agreement, however, could be important as relationships change. Although these changes could be accommodated through amendments to the agreement, shorter term agreements could provide added flexibility.

2.4.3 Rules Governing Cooperatives

2.4.3.1 Annual Allocations

Annual allocations of cooperative members would be issued to the cooperative.

- Co-op members may internally allocate and manage the co-op's allocation per the co-op membership agreement. Subject to any harvesting caps that may be adopted, member allocations may be transferred and consolidated within the co-op to the extent permitted under the membership agreement.
- Monitoring and enforcement requirements would be at the co-op level. Co-op members are jointly and severally responsible for co-op vessels harvesting in the aggregate no more than their co-op's allocation of primary species, secondary species and halibut mortality, as may be adjusted by interco-op transfers.
- Co-ops may adopt and enforce fishing practice codes of conduct as part of their membership agreement. Co-ops may penalize or expel members who fail to comply with their membership agreement.
  Processor affiliates cannot participate in price setting negotiations except as permitted by general antitrust law.
- Co-ops may engage in inter-cooperative transfers to the extent permitted by rules governing transfers of shares among sectors (e.g., gear groups, vessel types).
- Require that a cooperative accept membership of any eligible participant subject to the same terms and conditions that apply to other cooperative members.

2.4.4 Ownership and Use Caps and Underages

2.4.4.1 Set co-op use caps at 25 to 100% of total TAC by species

2.4.4.2 Co-op use caps for harvest shares on any given vessel shall be:
Option 1. Set at the same level as the individual vessel level.
Option 2. 3 times individual vessel use cap.
Option 3. No use caps

- To effectively apply individual ownership caps, the number of shares or history that each cooperative member could hold and bring to cooperatives would be subject to the individual ownership caps (with initial allocations grandfathered). Transfers between cooperatives would be undertaken by the members individually, subject to individual ownership caps.

- Underage limits would be applied in the aggregate at the co-op level

2.4.5 Movement between cooperatives

2.4.5.1 Harvesters may move between cooperatives at:
Option 1. the end of each year.
Option 2. the expiration of the cooperative agreement.
Option 3. no movement in the first two years

Allowing movement between cooperatives could be important to maintain competition in the fisheries. Requiring a commitment beyond a single year, however, could provide some stability in the fisheries. While a provision that prevents movement in the first two years could aid stability in the early years of the program (when relationships are likely to be least settled), during these early years the ability to make changes may be most important.

~~2.4.5.2 License Transfers Among Processors (applies to processor limited entry)~~
~~Option 1. any share association with that license will transfer to the processor receiving the license. All harvest share/history holders will be subject to any share reduction on severing the linkage, as would have been made in the absence of the transfer.~~
~~Option 2. any share associated with the license will be free to associate with any licensed processor. Harvest share/history holders will be free to move among processors without share/history reduction.~~

Moved to 2.3.1.2.3.

TRAILING AMENDMENTS

The Council intent is for these trailing amendments to be implemented simultaneously with the main rationalization program.

1. Fee and Loan Program
2. Skipper/Crew Share Program issues

Alternative 3
Sector Allocations and Voluntary Co-op Structure
Updated to October 8, 2004

STAFF ANNOTATION FOR DECEMBER 2004 MEETING

Alternative 3 is a sector allocation and co-op proposal. This proposal allows new processor entrants and provides a mechanism for harvesters to either enter co-ops voluntarily or continue to fish in LLP/open access fisheries. The alternative provides a flexible structure intended to reflect the diversity of the fisheries in the GOA. It recognizes that harvesters, processors, and communities all have a stake in the fisheries. The nature of the fisheries in the Gulf, however, requires a flexible rationalization program that can accommodate all of the different fisheries. This alternative would:

- Allocate primary and secondary species, and halibut PSC by sector.
- Establish a mechanism which would facilitate co-op formation within each sector.
- Specify the operational rules for co-ops.
- Provide fishing opportunities for harvesters that choose not to participate in co-ops
- Include community protection measures appropriate to a cooperative-based program.

The proposal sets up a step-wise process for the establishment of co-ops. The first step includes a sectoral allocation. This is followed by an initial co-op formation period to provide co-ops time to refine their operations. The third step is ongoing, and establishes rules to govern co-op formation, dissolution, and operation after the initial period of co-op formation.

This proposal would not require the assignation of different classes of history or shares (i.e., class A/B class designations). Gulf History (GH) is generic and would originate from an eligible participant's history. GH is only developed through cooperatives. Co-op participation, however, is strictly voluntary so a harvester may choose to continue to fish in a limited entry (LLP) open access fishery.

The proposal does not limit processor entry. A harvester is initially eligible to join a cooperative associated with the processor that it made the most primary species landings to during the qualification period. The program establishes requirements for contracts between a cooperative and its associated processor. The initial contract between a co-op and its associated processor is required to contain the terms for dissolution of the co-op or the movement of a harvester from one co-op to another. During the initial co-op formation period, inter-co-op agreements are allowed within sectors to address operational issues and ensure further rationalization of the fishery between co-ops. Harvesters may not move between cooperatives during the initial co-op formation period.

Following the initial co-op formation period, new co-ops can form and harvesters can move from co-op to co-op or exit a co-op and move back into open access. The rules for such movement, including compensation to other members of the co-op and the associated processor are part of the contract agreement. New processors can enter the fishery at any time, and following the initial co-op formation period, harvesters can form co-ops with those processors. ~~**Community protection provisions are simplified to only include options for regionalization and a community quota system because this is a co-op system.**~~

Monitoring of harvests and PSC for the co-op fishery will be at the co-op level. Assignments of GH, including transfers, will be monitored by RAM to ensure proper catch allocations and accounting. GH will result in annual allocations of Gulf Quota (GQ). Current monitoring programs for the open access fishery will continue.

The following provisions apply to Alternative 3 only:

I. SECTOR ALLOCATION PROVISIONS.

3.1 Management Areas:
Areas are Western Gulf, Central Gulf, and West Yakutat—separate areas
For Pollock: 610 (Western Gulf), 620 and 630 (Central Gulf), 640 (West Yakutat (WYAK))

- Shortraker and rougheye (SR/RE) and thornyhead rockfishes will be divided between Southeast Outside (SEO) and WY
- The allocation of rockfish bycatch to the halibut IFQ fishery will be on a NMFS management area basis
- Non-SR/RE and thornyhead rockfish trawl catch history in SEO during 95-98 will be used in the calculation of WYAK allocation
- Allocations will be made to the halibut and sablefish IFQ fisheries of species necessary to support those fisheries under section 3.10 below.
- SEO is exempt from this program. SEO groundfish will be managed in accordance with 3.11 below.

Gear: All gear types are considered.

Option 1. The jig fishery would receive an allocation based on its historic landings in the qualifying years –

1. 100%
2. 125%
3. 150%
4. 200%

3.2 Sector definitions and allocations:

CV trawl
CV longline
CV pot
C/P trawl
C/P longline
C/P pot
jig
low producing fixed gear

Low producing catcher vessel sector is

Option 1. fixed gear catcher vessels under 60 feet that are below the 75th percentile of primary species qualifed harvest history by gear and area.
Option 2. fixed gear catcher vessels less than average qualified harvest history by gear and area
Option 3. fixed gear catcher vessels that are below the 75th percentile in qualified harvest history by gear and area

High producing catcher vessels are the remainder and are divided into a catcher vessel longline and catcher vessel pot sector. Sector definitions apply throughout Alternative 3.

To be determined as a CP a vessel must have a CP LLP license and process no less than

a) 90%
b) 50%
c) 25%

of its qualifying catch ~~processed~~ on-board on average over the qualifying period.

Option 1: determined by the aggregate of all species
Option 2: determined by primary species groupings in Section 3.3.5

The Council could decide qualification for catcher processor shares on a policy basis. If the data are necessary for deciding this issue, they can be provided at a future meeting. Determining that a participant is a catcher processor for some species and a catcher vessel for others could result in an allocation that cannot be easily used and could result in some inefficiency.

Option for jig sector: jig sectors would be exempt from co-op provisions.

Option for Fixed Gear Catcher Vessel Low Producers:

Option 1. Apply same rules for initial co-op formation and general co-op operation as apply to other sectors.

Option 2. Exclude from co-op program, provide sector allocation and continue as an LLP/Open Access fishery.

Option 3. Apply all co-op rules except processor affiliation requirement for initial co-op formation (i.e. harvester co-op without processor association).

3.2.1 Sector allocations will be based on the aggregate history of vessels in each sector, which legally fished in the federal fishery and in the state parallel fishery during the qualifying period. Sector allocation qualifying periods and landing criteria (same for all gears in all areas). The analysis will assess AFA vessels as a group.

Option 1. 95-01
Option 2. 95-02
Option 3. 98-02

Suboption: for each sector drop the year of lowest tonnage.

3.2.2 Sector Qualifying landing criteria (same for all gears in all areas)
Landings based on retained catch for each species (includes weekly production report for Catcher/ Processor sector). Total pounds landed will be used as the denominator. Exclude retained catch that is used for meal production.

3.2.3 Sector Allocation: Primary Species:

Allocate catch history by sector and gear type as follows:
Trawl CV and CP:
Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish
Longline CV and CP:
Pacific cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder
Pot CV and CP:
Pacific cod
Fixed gear low producers:
Pacific cod
Jig gear
Pacific cod

3.2.4 Sector Allocation: Secondary species and halibut PSC:
Secondary species: Thornyhead, rougheye, shortraker, other slope rockfish, Atka mackerel, and trawl sablefish. Includes SEO shortraker, rougheye, and thornyhead rockfish.

Option 1: Sector allocation for both secondary species and halibut PSC is based on each sector's average catch during the sector allocation qualifying period by area and primary species target fishery.

Option 2: Maintain current halibut PSC allocations, and MRA management for secondary species.

II. Voluntary Co-op Structure

3.3 INITIAL CO-OP FORMATION PROVISIONS. Voluntary co-ops may form between eligible harvesters in association with processors. Harvesters may elect not to join a co-op, and continue to fish in the LLP/Open Access fishery.

3.3.1 Eligibility.

LLP participation

Option 1. Any person that holds a valid, permanent, fully transferable LLP license is eligible to receive an initial allocation of Gulf catch history (as generic GH) through co-op membership.

Suboption 1. Any person who held a valid interim LLP license as of January 1, 2003.

Suboption 2. Allow the award of retained incidental groundfish catch history arising from the halibut and sablefish IFQ fishery.

Basis for the distribution to the LLP license holder is: the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per license. In cases where the fishing privileges (i.e., moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of harvest shares to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. (Only one catch history per LLP license.)

Option 2. Non-LLP (State water parallel fishery) participation

Suboption 1. Any individual who has imprinted a fish ticket making non-federally permitted legal landings during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

Suboption 2. Vessel owner at time of non-federally permitted legal landing during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries

The Council could select a preferred option for eligibility to receive an allocation under the program. Since LLP licenses are used to control access to the fishery, the use of LLP licenses for determining eligibility to receive an allocation in the rationalized fishery would be consistent with current regulation of entry. In addition, allowing entry to persons not holding permanent LLPs might be unfair to persons that have relied on the LLP regulations in trading licenses.

Including holders of interim LLP licenses could be argued by some to be fair, since these licenses have not been fully adjudicated and may be held by some persons that would ultimately be awarded permanent licenses. The agency anticipates having all appeals resolved prior to implementation of this program, so outstanding appeals concerning interim licenses should not be an issue at the time of implementation. Using a threshold date (such as January 1, 2003 in Suboption 1) could be supported by an argument that persons who maintained appeals through that date should be included. As written in suboption 1, persons whose appeals were denied after that date would still be eligible for an allocation. Eligibility for any holders of interim permits, however, could be argued to be unfair by those that either met the requirements for a permanent license or chose to purchase a license to continue in the fisheries. Persons that have purchased licenses to remain in the fishery, in particular, have a compelling argument that holders of interim licenses should be excluded. In some cases, appeals are likely to have been perpetuated by persons that knew their appeals would be denied to avoid having to purchase a license. Even in the case of legitimate appeals, including persons denied licenses would not have met the threshold requirements for the license appears to be inconsistent with the Council's earlier decisions concerning eligibility.

Options for the allocation to halibut and sablefish IFQ participants are included in a separate part of the motion. The second suboption may be retained and, if necessary, adapted consistent with the other section at a future date.

The treatment of participation inside of 3nm should be coordinated across this section, section 3.2.1 above, and section 3.3.2 below. Including parallel fishery participants in the program could be desirable, if no State water fishery is developed to accommodate these participants. If a State water allocation is made to support fisheries for State water participants that do not hold LLPs, the inclusion of parallel water fisheries participants in the allocation could be viewed as rewarding their historic participation twice (once with federal allocation and a second time with the allocation to a State water fishery.)

3.3.2 Initial Allocation of primary species catch history

Allocate catch history as generic Gulf history (GH) on an individual harvester basis for the following primary species:

Trawl CV and CP:

Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish

Longline CV and CP:

Pacific Cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder

Pot CV and CP:

Pacific Cod

GH is designated by sector:

Option 1. Trawl GQ may be fished using fixed gear, if yes – appropriate mechanism to transfer GH/GQ across sectors needed.

Gulf Quota (GQ) is the annual allocation to a cooperative based on the GH of its members.

The Council should clarify for staff whether harvests inside of 3nm should be considered in making allocations under the program. Exclusion of catch inside 3nm could be justified, if that catch is valued for making an allocation to a State water fishery. On the other hand, some Federal participants with extensive catch history from the parallel fishery may wish to have their catch credited in making a Federal fishery allocation. Uncertainty concerning the treatment of harvests inside 3nm greatly complicates the quantitative analysis.

3.3.2.2 Qualifying periods and landing criteria (same for all gears in all areas) for determining GH
(The analysis will assess AFA vessels as a group).

Option 1. 95-01 drop 1
Option 2. 95-02 drop 1
Option 3. 95-02 drop 2
Option 4. 98-02 drop 1

Options to drop years would be to accommodate SSL restrictions or the inclusion of the state portion of the parallel fishery.

Individual GH will be based on retained catch for each species (includes weekly production report for Catcher/Processor sector). The denominator shall be total landed catch by species.

Exclude retained catch that is used for meal production

3.3.3 Allocation of secondary species and halibut PSC within the cooperative will be based on the primary species GH of the individual members of the cooperative using the same criteria used to allocate secondary species and halibut PSC to the sectors (i.e., the option selected in Section 3.2.4). If Option 2 in 3.2.4 is chosen, the current halibut PSC and secondary species management is used.
Secondary species are: thornyhead, rougheye, shortraker, other slope rockfish, Atka mackerel, and trawl sablefish. Includes SEO shortraker, rougheye, and thornyhead rockfish. Secondary species would receive no halibut allocation.

3.3.3.3 Transfer of secondary species and halibut PSC GH:

As permitted by and subject to any other transfer rules:

Option 1. Primary species and the associated secondary species and/or halibut PSC GH are non-separable and must be transferred as a unit.

Option 2. Primary species and the associated secondary species and/or halibut PSC GH are separable and may be transferred separately.

III. Co-op Rules for all CPs, trawl, longline, pot and catcher vessels

Option: Jig and low producer fixed gear exempted.

Initial Co-op Formation Rules:

3.3.5 Catcher Vessel Co-ops.

Catcher vessel co-ops may be established within sectors between eligible harvesters in association with an eligible processor. A harvester is initially eligible to join a cooperative in association with the processor to which the harvester delivered the most pounds of primary species by area (Western Gulf, Central Gulf, West Yakutat) and region (North/South)

during the
a) qualifying years.
b) most recent 1, 2, or 3 years from the qualifying years.

Provisions applied to a & b:
For the following species groups:

- Pollock
- Pacific cod
- Aggregate rockfish
- Aggregate flatfish
- ~~**Aggregate other species**~~

All primary species fit into the first four categories, no species are left for the "aggregate other species" category.

3.3.6 Catcher processor co-ops may be formed by eligible CPs within each CP sector. No processor affiliation is required for CP co-op formation.

3.3.7 Cooperatives are required to have at least:

Option 1. 4 distinct and separate harvesters (using the 10% threshold rule) ***(Could apply to any sector)***

Option 2. 50-100 percent of the GH of its sector. Council may choose different percentages for different sectors. ***(Could apply only to catcher processors)***

Option 3. 50-75 percent of the eligible GH for each co-op associated with its processor ***(Could apply to catcher vessel sectors – will apply to low producing fixed gear catcher vessels, only if that sector has processor associations)***

Option 4. Any number of eligible harvesters within the sector (allows single person co-op) ***(Could apply to any sector)***

The Council could consider selecting cooperative formation thresholds for the alternatives at this meeting. Since the alternatives created under section 2 of the motion differ from one another, the Council could consider establishing different rules for the different alternatives.

For all sectors, harvesters can access Gulf History only by joining a cooperative. Limiting harvesters' access to the rationalized fishery through cooperative membership should raise concern that the cooperative formation rules and agreements may provide undue negotiating leverage to some participants. In addition, if the Council should choose to reduce PSC allocations to non-members of a cooperative, it would be possible for members of a cooperative to assert greater negotiating leverage over non-members. Rules that require a majority of share holders eligible for cooperative formation could provide negotiating leverage to either those agreeing to join the cooperative or those that have yet to join, depending on the circumstances. Generally, the power will be with the non-members until the membership threshold is met and will shift to members once that threshold is reached. As should be apparent, the level of the threshold will determine whether the negotiating leverage lies with a majority of those eligible for the cooperative or a minority and the size of that majority or minority, as the case may be. This leverage could be used to distributions from cooperative harvests, which could redistribute benefits of share holdings under the program.

Allowing each harvester to be eligible to join more than one cooperative should limit the ability of harvesters to use cooperative rules to obtain undue negotiating leverage over one another. For example, a provision that requires 50 percent of eligible shares to form a cooperative would create a system in which holders of a majority of shares would have the ability to structure a cooperative agreement unfavorable to other share holders. In short, in a system in which a person is eligible to join only one cooperative, setting a threshold for cooperative formation without impacting the distribution benefits from the allocation of shares is likely not possible. Increasing the number of cooperatives that a person can join will reduce this effect.

Note: Requirements may differ across sectors (or for CV and CP Cooperatives)

3.3.8 Duration of initial cooperative agreements:

Option 1. 1 year
Option 2. 2 years
Option 3. 3 years
Option 4. Any length agreed between the co-op participants.

The Council could choose an option for length of cooperative agreements at this meeting. Longer term cooperative agreements could provide stability to participants. The ability to reformulate a cooperative agreement, however, could be important as relationships change. Although these changes could be accommodated through amendments to the agreement, shorter term agreements provide added flexibility.

3.3.9 Catcher Vessel co-op/processor affiliations

Option A: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating, the harvester is eligible to join a co-op with any eligible processor (i.e. any processor eligible to participate in the initial formation of a co-op).

Option B: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating in the community, the harvester is eligible to join a co-op with any eligible processor (i.e. any processor eligible to participate in the initial formation of a co-op) in that community.

If there are no eligible processors in that community, the harvester may join a co-op in association with any eligible processor within the region.

The Council could decide whether either of the above options will be incorporated into this alternative. Under the first provision, if a processor is no longer operating, harvesters eligible for a cooperative in association with that processor could join a cooperative with any other processor. The first option may be favored, if the specific harvester-processor relationship is intended to be protected by the association and other associations are not relevant to the Council's purpose in establishing this element of the program. If a community interest is intended to be protected, the second option could be favored. In the absence of the Council adopting one of these provisions, the Council should make clear its method of handling harvester/processor associations in the event a processor has closed. An alternative approach would be to have the association with the processor that the harvester delivered the second most landings to.

~~**Option 1.**~~ CV cooperatives must be associated with an eligible processing facility
Option 2. Processors can associate with more than one co-op.
Option 3. Processors are limited to 1 co-op per plant for each sector.

The Council could select specific from the above two options. The first option is not an option under this alternative. The second two options are mutually exclusive. In fisheries as diverse as those in the Gulf, limiting processors to an association with a single cooperative could greatly disadvantage some harvesters. Even within a sector, harvesters vary significantly from one another. Forcing all participants into a single cooperative is likely to create a circumstance in which some participants are forced to accept terms detrimental to their interests or remain the limited entry fishery. Both harvesters and processors could suffer, if cooperative membership is reduced because of such a limitation. Given the complexity of the relationships and differences in participants, allowing more than one cooperative for each processor could substantially reduce efficiency to the detriment of some participants. Options selected should be consistent with the cooperative formation rules in section 3.3.7.

Processors with history at multiple facilities in a community may aggregate those histories for determining associations.

The eligible processor is:

1) initially, a processor that the harvester is eligible to associate with in a cooperative under section 3.3.5 above
2) after satisfaction of an exit requirement, any processor

3.3.10 Catcher Processor Co-op provisions

Allocation to CP co-ops will be based on the above, with the following exceptions:

- CP co-ops do not need a processor association.
- CP co-ops will be within CP gear sectors. Transfers of GH or leases of GQ across CP gear types is
  a) not permitted
  b) permitted.
- CP co-ops are subject to the other terms and conditions specified for CPs under this program

3.3.11 Initial Cooperative Requirements

The following provision is required for the initial co-op:
Catcher vessel co-ops may be formed by eligible harvesters (the co-op) subject to the terms and conditions of a co-op membership agreement. In order to receive an allocation of GH under this program, co-ops must enter into a duly executed contractual agreement (Contract) with the processor identified in Section 3.3.5.

Contracts established under this section shall specify the terms and conditions for transferring GQ or GH from the cooperative, including mechanisms whereby a member exiting the co-op (or transferring GH from the co-op) compensates the remaining co-op members and/or the associated processor for exiting the co-op (or transferring GH from the co-op). Compensation can take on any form agreed to by the members and the associated processor, including permanent transfer of some or all GH generated by the existing participant to the remaining co-op members and/or the associated processor.

The Council should note that entities that cannot document a vessel cannot fish in U.S. fisheries. So, any processor that is not at least 75 percent U.S. owned would not be permitted to fish any shares it holds. These entities could be permitted to hold shares, but would need to lease those shares to U.S. documented vessels for fishing. The Council should be clear in stating whether this provision is intended to allow fishing of harvest shares by processors that are not able to document a vessel. Such a policy would be unique in U.S. fisheries. If the Council intends to require compliance with current documentation laws, it could adopt the following sentence: "Any shareholder under this program is intended to comply with all existing laws concerning documentation of vessels and entry of vessels to U.S. fisheries in fishing those shares. Share holders unable to enter a vessel into U.S. fisheries may lease share holdings or use holdings through cooperative membership to the extent permitted by the program, but not in contravention of current law pertaining to entry of vessels to U.S. fisheries.."

Following the initial co-op period, new GH can be generated by eligible harvesters that have never been co-op members only by joining a co-op in association with the eligible processor pursuant to the terms of an agreement that meets the requirements for an initial co-op.

3.3.12 Initial Co-op Formation Period.
An Initial Co-op Formation period shall be established beginning with year one of program implementation and extended for the period identified below.

Option 1. period is 1 year
Option 2. period is 2 years
Option 3. period is 3 years

The Council could choose a term for initial cooperative formation at this meeting. A relatively long term could contribute to stability. Shorter terms, however, could provide flexibility. In deciding the appropriate term, the Council should bear in mind that a harvester would not be permitted to exit a cooperative during the initial cooperative formation period.

3.4 General Operational Co-op Rules.

3.4.1 General Cooperative Requirements

The following provisions apply to all cooperatives:

1. The harvesters that enter into a co-op membership agreement shall be the members of the co-op. The processor will be an associate of the cooperative but will not be a cooperative member.

2. Except for CP cooperative, a pre-season Contract between eligible, willing harvesters in association with a processor is a pre-requisite to a cooperative receiving an allocation of GQ. For an initial co-op, the Contract must meet the provisions in 3.3.11. After meeting the requirements of Section 3.3.11 and following any periods established pursuant to 3.3.12, a holder of GH may join a cooperative in association with any processor pursuant to a Contract that meets the provisions of this section.

3. The co-op membership agreement and the Contract will be filed with the RAM Division. The Contract must contain a fishing plan for the harvest of all co-op fish.

4. Co-op members shall internally allocate and manage the co-op's allocation per the Contract.

5. Subject to any harvesting caps that may be adopted, GH or GQ may be transferred and consolidated within the co-op to the extent permitted under the Contract.

6. The Contract must have a monitoring program. Monitoring and enforcement requirements would be at the co-op level. Co-op members are jointly and severally responsible for co-op vessels harvesting in the aggregate no more than their co-op's allocation of primary species, secondary species and halibut PSC mortality, as may be adjusted by inter-cooperative transfers.

7. Co-ops may adopt and enforce fishing practice codes of conduct as part of their membership agreement. Co-ops may penalize or expel members who fail to comply with their membership agreement.

8. Co-op membership agreements will specify that processor affiliated vessels cannot participate in
   Option A: price setting negotiations except as permitted by general antitrust law.
   Option B: negotiations concerning price setting, code of conduct, mechanisms for expelling members, or exit agreements.

The Council could select an option for limiting terms of the cooperative agreement that a processor affiliated vessel may participate in. Limiting cooperative participation by processor affiliates could be important to maintaining arms length negotiations between the cooperative and the processor. Clearly, processor affiliates should be constrained from participating in price setting negotiations. Since provisions governing exit agreements and expulsion of members could also impact the interests of the affiliated processor, prohibition of participation in the negotiation of those provisions might also be important. Since code of conduct violations could result in the expulsion of members, those provisions could also involve some conflict of interest on the part of processor affiliates. Since the terms of a code of conduct could involve many issues that do not pertain to expulsion, a limitation on processor affiliate involvement in code of conduct provisions could be overbroad (particularly if the Council adopts a provision that limits their involvement in expulsion provisions).

9. Co-op membership agreements shall allow for the entry of other eligible harvesters into the co-op under the same terms and conditions as agreed to by the original agreement. Harvesters that have never been a member of a cooperative must enter an agreement that meets all requirements for an initial co-op, as specified under Section 3.3.11.

3.4.2 General Provisions Concerning Transfers of GH and GQ.

Co-ops may engage in inter-cooperative transfers (leases) of GQ during and after the initial co-op formation period.

During the initial cooperative formation period, GH transfers will be permitted between members of the same cooperative, but not between members of different cooperatives.

Following the initial co-op formation period, members of a co-op may transfer GH-to members of other co-ops.

All transfers will be subject to such terms and conditions as may be specified in the applicable Contract and any ownership or use caps or other conditions as may be established pursuant to this program.

For persons that join cooperatives for the first time after any period established pursuant to 3.3.12, the limits on transfers shall apply for the same period of time as those in 3.3.12.

3.4.2.1 Qualified Persons.
Persons qualified to receive GH by transfer include processors that associate with initial cooperatives pursuant to 3.3.11 and (not mutually exclusive):

Option 1. US citizens who have had at least 150 days of sea time.
Option 2. Entities that meet U.S. requirements to document a vessel.
Option 3. Initial recipients of CV or C/P GH.
Option 3. Communities would be eligible to receive GH by transfer (this provision would be applicable if certain provisions of 2.9 are adopted).
Option 4. U.S. citizens. ***Note – the agency currently interprets U.S. citizenship as including any corporation formed under U.S. laws. So, this provision would allow any U.S. corporation to acquire shares regardless of whether that corporation is foreign owned.***

The Council could choose preferred options for eligibility to receive shares by transfer. The Council should consider deleting Option 3 from this section and incorporating the provision into a community program. Different provisions could be selected for different sectors.

In addition, the Council should note that the introduction would allow processors that are eligible to associate with initial cooperatives to acquire history. The Council should note that entities that cannot document a vessel cannot fish in U.S. fisheries. So, any processor that is not at least 75 percent U.S. owned would not be permitted to fish any shares it holds. These entities could be permitted to hold shares, but would need to lease those shares to U.S. documented vessels for fishing. The Council should be clear in stating whether this provision is intended to allow fishing of harvest shares by processors that are not able to document a vessel. Such a policy would be unique in U.S. fisheries. If the Council intends to require compliance with current documentation laws, it could adopt the following sentence: "Any shareholder under this program is intended to comply with all existing laws concerning documentation of vessels and entry of vessels to U.S. fisheries in fishing those shares. Share holders unable to enter a vessel into U.S. fisheries may lease share holdings or use holdings through cooperative membership to the extent permitted by the program, but not in contravention of current law pertaining to entry of vessels to U.S. fisheries."

3.4.2.2 Definition of sea time
Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

3.4.3 Ownership caps.
Ownership of GH by a co-op member shall be capped at:
Option 1. 1% of the GH by area, sector and species groups in Section 3.3.5 (pollock, Pacific cod aggregate rockfish, aggregate flatfish, ~~aggregate other species~~.
Option 2. 5% of the GH by area, sector and species groups in Section 3.3.5.
Option 3. 20% of the GH by area, sector and species groups in Section 3.3.5.
Option 3 30% of the GH by area, sector and species groups in Section 3.3.5.
Option 4 no cap.

Allocations to original issuees would be grandfathered at the original level of GH.

3.4.4 Co-op use caps.
Control of GH or use of GQ by a co-op shall be capped at:
Option 1. 15% by area, sector and species groups in Section 3.3.5 (pollock, Pacific cod, aggregate rockfish, aggregate flatfish, ~~aggregate other species~~.
Option 2. 25% by area, sector and species groups in Section 3.3.5
Option 3. 45% by area, sector and species groups in Section 3.3.5
Option 4. no cap

3.4.5 Vertical integration
Any processor holdings of GH, using the 10% limited threshold rule, are capped at:
Option 1. initial allocation of harvest CV and CP shares.
Option 2. 115%-150% of initial allocation of CV GH.
Option 3. 115%-150% of initial allocation of CP GH.

Option 4. no cap

3.4.6 Processor caps

Processors shall be capped at the entity level.

No processor shall process more than:

Option 1. 25% of total harvest by area and primary species groups in Section 3.3.5
Option 2. 50% of total harvest by area and primary species groups in Section 3.3.5
Option 3. 75% of total harvest by area and primary species groups in Section 3.3.5
Option 4. no cap

Processors eligible under 3.3.11 will be grandfathered.

3.4.7 Catcher/Processor Provisions

In addition to the rules specified above, the following provisions apply to Catcher/Processors:

3.4.7.1 Restrictions on transferability of CP harvest shares:

CP GH may be converted to CV GH. Once it is converted, it cannot be changed back to CP GH. CP GH maintains its designation when transferred to a person that continues to catch and process the resulting GQ at sea (within a cooperative or in open access.)

3.4.7.2 Re-designate CP GH as CV GH upon transfer to a person who is not an initial issuee of CP shares:

Option 1. all CP shares
Option 2. trawl CP shares
Option 3. longline CP shares

The Council could select options for the conversion of catcher processor history to catcher vessel history at this time. The Council should choose from 3.4.7.1 and 3.4.7.2.

The provisions of 3.4.7.1 would convert catcher processor history to catcher vessel history, if transferred and subsequently landed onshore. This provision would limit the conversion of history, with the conversion taking place only on the use of the history as catcher vessel history by the holder.

The options under 3.4.7.2 would limit the holders of catcher processor history to those that receive an initial allocation of catcher processor history. Options 2 and 3 of 3.4.7.2 would limit the provision to trawl and longline catcher processor history, respectively. In the event that the Council chose a provision that applied to only one type of history, it should also identify a provision for the other gear types. This provision would convert all catcher processor history to catcher vessel history once transferred from initial recipients limiting the market for those shares, and possibly diminishing their value in some fisheries.

3.4.7.3 Leases of CP annual harvest allocations (GQ):

Allow leasing within cooperative or pursuant to an inter-co-op agreement within CP sectors (no CP leases allowed across gear types.)

3.4.7.4 Conversion of CP GH and GQ:

CP GH and GQ converted to CV GH and GQ will count toward CV caps

Caps will be applied to prohibit acquisition of shares in excess of the cap. Conversion of CP GH or GQ to CV GH or GQ alone will not require a CP GH holder or cooperative to divest CP GH and GQ for exceeding CP caps.

3.5 Skipper/Crew Provisions

A skipper is defined as the individual owning the Commercial Fishery Entry Permit and signing the fish ticket.

Option 1. No skipper and/or crew provisions

Option 2. Establish license program for certified skippers. For initial allocation Certified Skippers are either:

i. Vessel owners receiving initial GH or harvest privileges; or

ii. Hired skippers who have demonstrated fishing experience in Federal or State groundfish fisheries in the BSAI or GOA for 3 out of the past 5 years as documented by a CFEC permit and signed fish tickets and/or appropriate NMFS documentation (starting date for five years is 2003).

Suboption 1. include crew in the license program.

Suboption 2. require that new Certified Skippers licenses accrue to individuals with demonstrated fishing experience (Groundfish – BSAI/GOA, state or federal waters) similar to halibut/sablefish program.

Under any alternative that establishes GH and annual harvest privileges, access to those annual harvest privileges is allowed only when fishing with a Certified Skipper onboard. Certified Skipper Licenses are non-transferable. They accrue to an individual and may not be sold, leased, bartered, traded, or otherwise used by any other individual. Defer remaining issues to a trailing amendment and assumes simultaneous implementation with rationalization program.

3.6 LLP/Open Access fishery provisions:

The allocation for each sector of primary species, secondary species, and halibut PSC to the LLP/Open Access fishery will be those amounts remaining after allocation of the co-ops. Harvesters that choose not to participate in a co-op may continue to fish in the LLP/Open Access fishery.

Allow directed fishing for primary species only. Continue current MRA for secondary species and unallocated species.

Issue 1. Halibut PSC will be reduced by:

Option 1:

a. 10 percent
b. 20 percent
c. 30 percent

Note: this reduction may differ by sector

Option 2:

- 5 percent beginning on the date of program implementation;
- an additional 5 percent beginning on the second year of program implementation;
- an additional 10 percent beginning on year 5 of program implementation; and

Issue 2:

The LLP of any vessel that has entered a co-op and generated GH pursuant to this program may not be subsequently used, or transferred to another vessel, to fish in the LLP/Open Access fishery for any primary or secondary species identified under this program as long as they are a co-op member.

This provision would prevent an LLP from being used in the LLP/Open Access fishery "as long as they are a cooperative member". The provision, as written, does not appear to prevent anyone from reentering the LLP/Open Access fishery. The provision appears to be intended to protect participants in the LLP/Open Access fishery from participants that might join a cooperative, sell all of their GH, and then return to the LLP/Open Access fishery with an LLP, but no history. If this is the intent, the following words must be added: "unless all GH initially associated with the LLP is held by the LLP holder and is allocated to the LLP/Open Access fishery."

Note: The intent of this provision is to prevent a vessel from entering a co-op, transferring its GH to the co-op and then subsequently taking its LLP and re-entering the open access fishery or transferring its LLP to another vessel to fish in the Open Access fishery.

3.7 Communities and Regionalization

Community provisions are moved to a separate portion of the motion.

3.7.1 Regionalization

If adopted, GH will be categorized by region (for the fisheries identified below).
GH that is regionally designated cannot be reassigned to another region.
Catcher vessel GH is regionalized based on where the catch was processed, not where it was caught.
Catcher processor GH is not subject to regionalization.

The following describes the regions established and fisheries that would be subject to regionalization:
Central Gulf: Two regions are proposed to classify harvesting shares: North - South line at 58 51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North - South distribution: Pollock in Area 630; CGOA flatfish (excludes arrowtooth flounder); CGOA Pacific ocean perch; CGOA northern rockfish and pelagic shelf rockfish (combined); CGOA Pacific cod (inshore); GOA sablefish (trawl); WY pollock.

The Council should clarify the coordination of regionalization and processor associations. First, the specific method of regionalizing allocations is delineated here for clarity. In the absence of additional direction from the Council, staff would estimate regionalization of allocations in the following manner:

1) Estimate individual harvest allocations for each management area based on the qualifying years in section 3.3.2.2.
2) For management areas and species that are regionalized, divide each individual allocation of each regionalized species between the different regions based on the individual's landing history of that species during the years being used for determining regionalization.
3) For each regionalized allocation determine the processor association based on the individual's landings of the applicable species aggregation in the region during the years used for associations. (Note – associations do not apply to sablefish.)

Assuming that the above method for regionalization and association of shares, a few issues arise concerning regionalization. First, sablefish is not allocated based on individual history, but based on fleet incidental catch rates and has no processor association, since it is a secondary species. Individual landings histories of sablefish could be used for regionalization, but it is possible that some individuals could receive a sablefish allocation with no sablefish landings history. Alternatively, the Council could regionalize an individual's sablefish allocation based on the regionalization of a specific species aggregation or all primary species allocations or some other measure.

Second, an issue arises from the exclusion of Central Gulf arrowtooth from the regionalization component. Since all flatfish landings in a region would be used to determine the association for any regionalized flatfish species, not regionalizing all primary flatfish species in a management area complicates administration and implementation of regionalization. The exclusion of CGOA arrowtooth from regionalization would mean that arrowtooth allocations would have a single association, while all other flatfish primary species would have

separate associations in the different regions. Although not an insurmountable problem, the exclusion of Central Gulf arrowtooth from regionalization adds complication to the administration of the program.

The method of including pollock in the regionalization could create some operational complication for participants in the fishery. Including 640 pollock (WY) in regionalization, but no other species in West Yakutat requires that pollock landings be used for making the regional division of each allocation. Once the regional division is made pollock landings in each region would be used for making the processor association for the pollock allocation in the region. In addition, all other primary species allocated to the individual would have a processor association based on landings the applicable species aggregation in the West Yakutat management area but would not be regionalized. Regionalization of one species in the area could complicate an individual's operations, if a substantial portion of the individual's pollock allocation is associated with one processor, while all of the other primary species allocated to the individual are associated with another processor.

The inclusion of 630 pollock in and exclusion of 620 pollock from the regionalization component also raise questions. The Central Gulf management area is divided into areas 620 and 630 for purposes of managing pollock. With respect to 630 pollock, the first step in applying landings designations would be to regionalize an individual's 630 pollock allocation based on that individual's landings history. Each regionalized allocation would then be associated with a processor based on the individual's landings history. At the same time, excluding of 620 pollock from the regionalization component would result in a single processor association for 620 pollock based on all landings of 620 pollock, while all other primary species in that management area (with the exception of arrowtooth) would be regionalized.

3.7.1.1 In the event GH is regionalized, a harvester will be eligible to bring its history in a region to a cooperative associated with the processor in the region to which the harvester delivered the most pounds during the cooperative formation qualifying period:

Using species aggregations identified in 3.3.5 and

Option 1) the period identified in 3.3.5 or

Option 2) the qualifying period under 3.3.2.2.

~~**Option 1: on a species by species basis**~~
~~**Option 2: all primary species aggregated**~~

3.7.1.2 Qualifying years to determine the distribution of GH between regions will be:

Option 1. consistent with the qualifying period under cooperative formation in Section 3.3.5

3.8 Program Review and Data Collection:

3.8.1 Data collection.

A mandatory data collection program would be developed and implemented. The program would collect cost, revenue, ownership and employment data on a periodic basis to provide the information necessary to study the impacts of the program for this and other Management Councils. Details of this program will be developed in the analysis of the alternatives.

3.8.2 Program Review.

Preliminary program review at the first Council Meeting in the 3rd year and formal review at the Council meeting in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities, by addressing concerns, goals and objectives identified in the problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

3.9 Sideboards

GOA Groundfish sideboards under the crab rationalization plan and under the AFA would be superceded by the GOA rationalization program allocations upon implementation.

Participants in the GOA rationalized fisheries are limited to their historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

Vessels (actual boats) and LLPs used to generate harvest shares used in a Co-op unless specifically authorized may not participate in other state and federally managed open access fisheries in excess of sideboard allotments.

Participants in the GOA rationalized fisheries are limited to their aggregate historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

Provisions related to IFQ and SEO fisheries are moved to a separate portion of the motion.

Provisions related to salmon and crab bycatch are moved to a separate portion of the motion.

Alaska Board of Fisheries

Findings on Status of Gulf of Alaska Groundfish Rationalization and
Further Charge to Steering Committee
#2004 – FB - 234

Background

In 2003, the Board of Fisheries charged a committee to develop alternatives for board action concerning Gulf of Alaska groundfish "rationalization" issues for Alaska waters.[1] The committee fulfilled its charge, reporting to the full board in February and November, 2004.

In February, the committee reported on the results of meetings held with stakeholders in the fishery, and recommended pursuit of legislation to impose a temporary moratorium on entry to Gulf of Alaska groundfish fisheries. The legislation was introduced, but did not pass. In November, the committee recommended that the committee receive a new charge to continue work on Gulf of Alaska groundfish rationalization issues, and informed the board of a potential long-term management approach that appears to merit further analysis.

As the board's committee performed its work, the North Pacific Fishery Management Council has continued to formulate a rationalization plan for Gulf of Alaska groundfish fisheries in the Exclusive Economic Zone.

Findings

Groundfish fisheries in Alaska waters in the Gulf of Alaska are facing significant changes, including: changing economic conditions, changing management practices in the EEZ affecting Alaska waters, and potentially, increased biological pressures as a result of economic and management changes. To fulfill the mandate of conserving, developing, and utilizing fishery resources, the board should carefully consider the nature of these changes and the ways in which state management should respond in order best serve the interests of the state.

The work performed in the board's Gulf Groundfish Rationalization Committee, with tremendous input from stakeholders appointed to a steering committee, has revealed a type of approach that appears to offer significant advantages that should be more thoroughly explored and weighed against potential disadvantages. The approach involves "dedicated access privileges," meaning that fishermen would have a temporary privilege to catch a specific portion of the harvestable surplus of a stock of fish. A key feature of this approach, as developed in the committee, is that the proposed allocations of "dedicated access privileges," or a portion of them, would automatically expire on a time certain basis and revert back to the State for reallocation by the board as it sees fit. In concept, the reallocated privileges could be issued according to criteria that can be modified by the board, if desired, in order to insure that they best serve the interests of the state. It is envisioned that many of the benefits of limited entry could be realized with this program, even in a diverse fishery, without making it too difficult for new entrants to come into the fishery.

The board has received advice from the Department of Law that the legislature has not conferred authority to allocate fishing privileges in proportion to the historical landings, so new authorizing legislation would be necessary to implement a dedicated access privilege program. The board finds that it would be desirable for the legislature to confer authority to allocate fishery resources on the basis of historical landings—but only in the Gulf of Alaska groundfish fisheries—to skippers, crew, vessel owners, or other entities, by fisheries, as deemed appropriate. The proper

[1] See #2003 - 226 – FB.

agency to receive such authority may be the board or the Commercial Fisheries Entry Commission, or some combination of the two.

The board also finds that it would be desirable for the board to have express statutory authority to allocate fishery resources to cooperatives. Allocation to cooperatives is being considered by the North Pacific Fishery Management Council for the Gulf of Alaska groundfish fisheries in the EEZ, and cooperatives may provide a good way to coordinate the two management regimes that fish on groundfish stocks that straddle jurisdictional boundaries between the State of Alaska and the federal government.

Pursuit of these authorities in the 2005 legislative session would enable the board to work in coordination with the North Pacific Fishery Management Council on Gulf groundfish rationalization issues, and ensure that such a program, if ultimately approved by the board, could be implemented This approach maximizes the options available to the board as it continues its examination of promotion of resource conservation, economic efficiency, and safe and orderly fisheries in the Gulf of Alaska groundfish fisheries.

Charge to Steering Committee

The board's Gulf of Alaska Groundfish Rationalization Committee, comprised of Ed Dersham, Art Nelson, and Mel Morris, shall continue its work.

The committee shall continue to explore the dedicated access privilege model, giving special consideration given to the ways in which the model could promote resources conservation, economic efficiency, safe and orderly fisheries, and coordination with EEZ fisheries. The committee shall also consider administrative feasibility and constitutional standards for access to state resources. The committee may also explore options other than dedicated access privileges.

The committee shall advocate the adoption of legislation that would enable the allocation of fishery resources on the basis of historical landings, but only in the Gulf of Alaska groundfish fisheries. Further, the committee shall advocate the adoption of legislation that would enable the allocation of fisheries resources to cooperatives.

The committee shall keep the board apprised of its progress, and give a full report to the board at the work session in October 2006.

ADOPTED: 7-0
Anchorage, Alaska

Art Nelson, Chair

11/17/2004
Date

OCEANBEAUTY
SEAFOODS.INC.

Nov. 30, 2004

Stephanie Madsen
North Pacific Fishery Management Council
605 West 4th, Suite 306
Anchorage, AK 99501

Dear Ms. Madsen,

Ocean Beauty Seafoods (OBS) would like to take this opportunity to reiterate to the North Pacific Fishery Management Council (NPFMC) our position regarding the Cook Inlet Processing/Ocean Beauty Seafoods issues regarding Gibson Cove.

OBS purchased the processing history and processing assets from Cook Inlet Processing (CIP). CIP had a long processing history within the City of Kodiak, leasing the Gibson Cove building from 1988 to 2002. CIP leased the Gibson Cove's empty plant and property from the City of Kodiak, financing the entire Gibson Cove processing operation. The City received payment for the use of the facility's shell and the associated surrounding property. CIP was responsible for the business that occurred within the structure, purchasing all the processing equipment, upgrading the building and grounds, paying for the processing labor, the raw fish costs, all taxes and marketing the finished fish products. In other words, CIP took on all the financial risk as the processor/leaseholder. While the Gibson Cove processing plant no longer operates as a processing facility OBS continues to lease the building and grounds from the City of Kodiak.

Similar to Halibut/Sablefish rationalization, where qualified leaseholders, who took the financial risk, were granted quotas, we feel, in our case too, all the risk was borne by us the leaseholder. OBS believes that processing privileges associated with any processing history should go to those that took all the financial risk and made the investments needed to operate. Additionally, we feel that any purchases of history or rights from the qualifying years should be honored.

OBS owns another processing facility in Kodiak. We plan to continue to operate this facility. Our intention is that any processing privileges associated with the CIP merger would remain within the community of Kodiak and be conveyed to the OBS Kodiak facility.

Thank you for considering this matter.

Sincerely,

Timothy J. Blott
Ocean Beauty Seafoods

KODIAK FACILITY
P.O. BOX 1457 • KODIAK, ALASKA 99615 • (907) 486-5791 • FAX (907) 486-6244
P.O. BOX 70739 • SEATTLE, WASHINGTON 98107 • (206) 285-6800 • FAX (206) 286-2561

To: North Pacific Fisheries Management Council
Dec. 6 2004 Meeting, Anchorage
Re: GOA Groundfish

Fascism will direct the economy toward "certain fixed objectives" and will "introduce order in the economic field." – Mussolini

Q: Why is it that the quota share goes to the owner, but the processor linkage goes to the operator?

We, the Fish Heads, a group of Coastal Alaskans with direct ties to the fishing industry, do hereby declare these truths to be self-evident:

We are not a third world country, and shouldn't act like one

1. We live in the United States of America. Therefore, freedom is our birthright.
When you take away the free market you take away something guaranteed by our Constitution: *the right to free trade*. Whether you want to refer to Mr. Kong as **processor shares, licenses, or linkages,** he is the same big gorilla. These restrictive new rules will take away a fisherman's right to sell his product on the open market. Imagine if every American manufacturer were forced, by law, to sell to Wal-Mart. Now imagine Wal-Mart is a Japanese-owned company. This is what the North Pacific Fisheries Management Council plans to do to the groundfish market, and it's wrong.
Alaskan fishermen, like all American fishermen, must retain the freedom to sell their product to *whoever they want*.

2. Rationalization is forced consolidation.
The fact is everyone in the groundfish industry right now is making a living at it, *paying their taxes, feeding their families and patronizing their local coffee shops, welding shops and marine supply stores*. These are the real people who stand on the boats and on the docks harvesting and processing the fish, as many have for generations. When rationalization shrinks the fleet it simply means more money going into fewer pockets, and those pockets are in pants that are folded up into suitcases and put on the first flights out of town. It is not the giant fish buying companies or the boat owner with a few extra boats who will be really hurt by rationalization.
It is the small independent working businessman, whether crewman, welder, skipper or barista, who will be crushed under the foot of the new rules and won't be able to pay his mortgage or send his kids to college.

Therefore we suggest:

1. **Regionalization without Processor Linkages**. A traditional percentage of quotas should be directed over the docks of coastal communities, without being directed to any specified buyer. This works to the advantage of processors who

are already established while preserving the free market essential for fair dock prices. Also, this helps keep the resource going to the homes from whose backyard it comes.

2. Entry Level Must Be Maintained.

a. The State must not be pressured by the Federal government to legally limit the number of participants in State water fisheries, as they provide an essential means for the next generation to begin to make a living in their communities.

b. Skippers and Crew must be acknowledged as independent contractors whose business it is to harvest the resource, and therefore stakeholders in the industry. As such their needs and concerns must be in the forefront of the process, not trailing amendments, as ready to fall off as a lizard's tail. ***A provision must be set aside for them, either a slice of quota used as the basis for a Skipper/Crew Fund, or a RAM tax to fund a one time buyout.***

c. Co-Ops will enable a single boat to harvest for multiple quota share holders. This results in an immediate radical loss of opportunity for skippers and deckhands who make up the fishing community here in Alaska. ***The proposed new rules will tear the resource from the hands of the many,*** *namely Alaskans using it to feed their families,* ***and put it into the hands of the few,*** *most of them non-Alaskans feeding their bank accounts.*

To sum up, Alaska should not treat itself like a Third World Country.

The present plan has resident Alaskans used as low-cost harvesters of their own resource for the benefit of foreign based multinational companies who will take the maximum profit back to their home countries. ***By having the market given to them, the fish-buying companies are saying "You can have the fish; we'll just take the money."***

It has already been established that a processing company can pay less than minimum wage if it provides room and board to its employees. The logical thing for a corporation without competition to do is fill a barge with people desperate for work, load up all the cots and pillows and potatoes and cube steaks for them to sleep and eat on, and park the darn thing right outside town. Fishermen will be required by law to sell to them, wherever their dock might be. Fishermen will be required by law to sell to them no matter what price, dock service, tendering contract or courtesy is denied to them. ***Processors and fishermen need one another now. After the free market is gone, processors won't need fishermen anymore.*** Feudal lords don't bend down to sharecroppers.

Nor will processors need the skilled resident work force they have now. With competition removed any company worth its salt will bust everyone down to 30 hours or less a week, and thus avoid paying benefits. In a competitive market processing workers are often paid based on recovery. Flatfish, for instance, which is now considered a headache, could be far more profitable for fishermen, skilled filleters *and* processing plants, given the extra time afforded them by rationalization. In a monopolized marketplace it will be far more profitable for the processors only.

The public eye is lazy, but not completely blind.

Dec. 1, 2004

Dear, North Pacific Fisheries Management Council,

The position of the Gulf Groundfish Fishermen Association is:

(1) The Council needs to protect traditional crew shares in all rationalized fisheries. The argument for not including us in the rationalized is: we are not invested, to complex, transient. The Council must remember this resource belongs to all of us.

(20 Owner onboard Provisions:
Are a must from our perspective! This will help maintain the wealth of our waterfront, fishing community and fishing traditions alive. People who own or are given the rights to a public resource should also be held responsible for harvesting the resource.

(3) Entry Level:
We as crew need to have an obtainable stair step system put in place so we can still work from the deck, to the wheel house, and then to ownership.
Crew are cut off at our knees under the rationalized systems now in place.
This may sound funny and unrealistic to a lot of you in this process, but there are a lot of us left who want to be fishermen , and don't mind working our way to the top.
Please protect us and provide avenues for investment opportunities in our local fisheries.

Thank you for your time,

Alexus Kwachka

Groundfish Forum

4241 21st Avenue West, Suite 200
Seattle, WA 98199
(206) 213-5270 Fax (206) 213-5272
www.groundfishforum.org

December 1, 2004

Ms. Stephanie Madsen, Chairman
North Pacific Fishery Management Council
605 West 4th Ave.
Anchorage, AK 99501
FAX: 907-271-2817

Re: Agenda Item C-2: GOA Rationalization

Dear Madam Chair,

Groundfish Forum is a trade organization representing 19 'head-and-gut' trawl catcher processors which target non-pollock species in the Bering Sea, Aleutian Islands and Gulf of Alaska. We represent 90% of the capacity of the non-AFA trawl catcher-processor sector. We are writing you to comment on the Comprehensive Rationalization program which is being developed for the Gulf of Alaska.

As we have previously stated, we support Alternative 3 (sector allocations with voluntary coops) for the trawl catcher-processor (CP) sector in the GOA. This alternative best addresses the makeup and operations of our vessels. However, Alternative 3 has contained provisions which would force the conversion CP shares to CV shares upon almost any transfer, which severely diminishes the value of CP shares and removes all CP participation from the GOA within a very short period of time.

At the October Council meeting, the Council agreed to remove some of these provisions but left in place component 3.4.7.2, which re-designates CP shares as CV shares upon transfer to anyone who is not an initial issuee. If this provision remains in place, CP shares become CV shares as soon as the makeup of a company changes, which means that after one generation all CP shares would be CV. A fisherman who has participated in the GOA for decades could not will his shares to an heir, and no one – including captains or crew – could acquire part ownership in a vessel. In short, the sector would be eliminated from the GOA.

We support the transfer of CP share to the CV sectors under a fair and free market. However, the forced transfer which would occur under 3.4.7.2 is completely unacceptable and a clear violation of the Magnuson-Stevens Act. We request that the Council follow the advice of its Advisory Panel and remove this provision from Alternative 3 and the entire comprehensive rationalization package. For the benefit of the nation, rationalization should move forward recognizing the investment and value of all components of the fishery, the resource and the industry as a whole. It should not be a mechanism for eliminating one entire sector of the industry.

Thank you for the opportunity to comment.

Sincerely,

T. Edward Luttrell
Executive Director

To. NPMC FAX (907)271-2817

RE: C-2 GOA Rationalization

From. Mike Sharrah, Crewman's Association Representative

I am a long time stake holder as a crewmember and operator of other people's fishing vessels in the Gulf of Alaska Ground Fisheries, specifically Pacific cod. I am a resident of Kodiak. I have come here representing many other stake holders such as myself. What we have a hard time understanding in all rationalization plans to date, is why we have not been taken into consideration? We are private contractors who pay for their own licenses, are responsible for their own social security taxes, are responsible to see that income taxes are paid, and are not entitled to any unemployment insurance, health insurance, retirement funds, or any other employer contributed benefits. We are contracted to receive a percentage of the gross profits, that is all. We share in the in the expense of fuel, bait, and often times, gear. All landing taxes, sales taxes, etc come off the gross fish tickets, which affect our pay.

If a fishing trip is successful, we make money; but if a trip is not successful, we receive nothing. Yet we are still maintaining the boat, maintaining the gear, and enduring the inherent dangers of the occupation. So a traditional way of pay has been thus:

owner	50%
skipper/crew	50%

The owner has boat costs, insurance, gear, moorage, maintenance, etc. That is why he has received 50%, to cover those expenses and still make money without leaving the office!

The skipper and crew has received 50% to split amongst themselves, so really 50% of the fish belong to them

Why then during the big giveaway, do the owners get 100%? I personally worked all five qualifying years for the halibut and sabelfish rationalization plan as a 6% crew member. If I would have received 6% of the quota issued to the owners I worked for during those years, I could have had a start. The boat owners would have still made out great because they were given 50%.

DON'T FORGET US THIS TIME AROUND!

Sincerely,

Mike Sharrah
1510 Mission Road
Kodiak, Alaska 99615

Crewmen's Association
Steve Branson
Box 451 Kodiak AK
99615

Crewmen's Resolution on GOA Rationalization

The Crewmen's Association represents just shy of 200 deckhands who fish Alaska's waters. This is but one percent of the crewmen in the state, but our numbers are rapidly increasing as people realize the implications of the privatization of our public resource. With 20,000 active crewmen in Alaska, we outnumber all other players in the game combined.

It is our profound hope that the Council will include the working fishermen in the division of resource harvest rights, keeping the crew profitably employed in their traditional industry is the best community protection we can think of. Implementation of IFQ in the longline fishery was devastating to many crewmen and had a detrimental effect on the coastal communities in Alaska.

The following is a list of suggestions is aimed at making the division of resource rights fair and equitable to the majority of the people involved in harvesting Alaska's most valuable resource.

1. 21% of harvest rights be awarded to crewmen traditionally participating in the specific fishery. A. Crew harvest shares to be transferable only between deck hands.
2. Exclusive rights to the deck jobs are ensured to traditional crewmen, much as the harvest rights are exclusive to IFQ holders and limited entry permit holders. In the case of fleet, hence deck job reduction, crewmen would need to purchase deck rights from one another to continue participation. This would at least partially reimburse the crew displaced by the reduction of jobs.
3. Mandatory continuance of traditional deck percentages for each specific fishery; 5% or so for crab, 8-11% for trawl, 7-10% for longline, etc.
4. The loan program be made more accessible to lower income fishermen by reducing the down payment amount.
5. Any buyback program includes funds to reimburse deckhands for the loss of lively hood due to governmental action. After all, the BSAI crab buyback program will no doubt be partially paid for by crew when it's extracted from the boat gross of remaining vessels

6. Any co-op that reduces the number of deck positions be required to compensate displaced crew, much as co-op boat owners not fishing their vessels receive a cut of the profits.
7. These resolutions be applied to the BSAI Crab Rationalization plan as well as any new privatization plans.

Hopefully these ideas will keep our fishermen working, our communities strong, and the distribution of resource rights balanced to support as much of the traditional infrastructure as possible.

Thank you for your consideration

Steve Branson; Representative
Crewmen's Association

Crewmen's Resolution on Rationalization

WHEREAS, the privatization of halibut and sablefish bypassed entirely the fishermen on deck who harvested the fish during the qualifying years; and

WHEREAS, the majority of crewmen in the fishery were displaced; and

WHEREAS, most of the remaining crewmen's wages were dramatically reduced by IFQ "rents"; and

WHEREAS, the loan program provided for crewmen to buy into the fishery requires high enough down payment as to prohibit entry for most crewmen; and

WHEREAS, BSAI crab rationalization has again provided no benefit or safety net to protect the livelihoods of crewmen; and

WHEREAS, Privatization will most likely be used as a management tool in other fisheries; and

WHEREAS, the buyback program reduces the fleet without providing for crew displacement; and

WHEREAS, 19,529 crewmen's licenses were sold by the State of Alaska last year with additional crewmen that are permit card holders also engaging in fishing activities; and

WHEREAS, the privatization of the fisheries will ultimately degrade the quality of life for the vast majority of fishermen and their families; and

WHEREAS, conflicts of interest sway the council, rendering a fair plan impossible,

The Crewmen's Association does not support BSAI Crab Rationalization, or the use of co-ops in the rationalization of GOA groundfish without compensation for displaced crew and assurance of traditional deckshares for the few remaining active fishermen.

SPECIFICALLY, We would like: 2/% of quota allotted to skipper and crew

1.job security; exclusive rights to the deck of all privatized recourse boats, based on a point system according to time spent in the fishery during qualifying years.

A. including BSAI crab plan
B. Deck rights to be transferable, allowing entry level crew

2. Mandatory continuance of historic crew shares and division of gross ratios to avoid unfair rents as charged in current IFQ fisheries

3.First shot at buying the 10% of BSAI crab resource not required to be sold to traditional processors, be given to traditional crab crew if BSAI rationalization goes through.

4. Co-ops be stricken from consideration, due to crew displacement, unless compensation is provided for generously.

5. Regionalization be implemented according to catch areas instead.

6. The loan program be made more accessible to crew and skippers by reducing, sizably the down payment requirement.

7. Realistic compensation to crew and skippers displaced by the buyback program.

8.100% owner on board requirements be instituted for GOA ground fisheries.

9.New management plans foster entry-level fisheries with traditional crew having first crack at access.

10, Skipper's shares under BSAI crab plan be made more similar to owner shares.

11. All conflicts of interest on council are resolved before the drafting of further legislation.

12.Removal of transferable bycatch option from present plan, halibut excluders considered instead.

13. Allocation of quota to environmentally friendly fisheries be made priority.

P.1/3

Public Testimony Sign Up Sheet
Agenda Item C-2 Gulf Rationalization

PAGE 1

		NAME (PLEASE PRINT)	AFFILIATION
3	1 ✓	James Skonberg	Ouzinkie
3	2 ✓	Devin Skonberg	Ouzinkie
3	3 ✓	Jon Panamarioff	Ouzinkie
3	4 ✓	Ernie Weiss	King Cove
3	5 ✓	STOIAN IANKOV	GOA Fisherman
6	6 ✓	Daniel Malarkey	GOAC3
NP 3	7 ✓	Howard Torsen	Ouzinkie
NP	8 ✓	Roy Wolkoff, Sr.	Ouzinkie Native Corp
6	9	Patty Brown-Schwalenberg	Chugach Regional Resources Commission
	10 ✓	Chuck Totemoff	~~Chenega Corporation~~
6	11	Patrick Norman	Port Graham Village Council
	12 ✓	Keri Vlasoff	Tatitlek CORPORATION
	13 ✓	Travis Vlasoff	TATITLEK VILLAGE (assn?)
6	14 ✓	Iver Malutin	KAWA KODIAK
NP	15	Sheri Buretta	Chugach AK Corp.
NP	16	Alex Panamaroff III	Larsen BAY, AK
	17 ✓	Jack Wick	Larsen BAY, AK
	18 ✓	Tim Blott	Ocean Beauty Seafoods
6	19 ✓	Carolyn Floyd, Mayor Kodiak, Joe Sullivan	Kodiak
6	20 ✓	ALEXUS KWACHKA	GULF GROUND FISH FISHERMENS ASSOC.
6	21 ✓	Jerome Selby / Cecil Ranney	Kodiak Island Borough
6	22 ✓	Al CRATTY JR	OLD HARBOR TRIBAL COUNCIL
6	23 ✓	Rick Berns / CARL CHRISTIANSEN	OLD HARBOR CITY / COMMERCIAL FISHERMAN
	24 ✓	Paul Gronholdt	Sand Point
NP	25 ✓	Bert Ashley	Kodiak fisherman

NOTE to persons providing oral or written testimony to the Council: Section 307(1)(I) of the Magnuson-Stevens Fishery Conservation and Management Act prohibits any person " to knowingly and willfully submit to a Council, the Secretary, or the Governor of a State false information (including, but not limited to, false information regarding the capacity and extent to which a United State fish processor, on an annual basis, will process a portion of the optimum yield of a fishery that will be harvested by fishing vessels of the United States) regarding any matter that the Council, Secretary, or Governor is considering in the course of carrying out this Act.

Public Testimony Sign Up Sheet

Agenda Item C-2 GULF RATIONALIZATION (CONTINUED)

	NAME (PLEASE PRINT)	AFFILIATION
1 ✓	Craig Cochran	M.T.C.
2 (NP)	George Kirk	F. Sherman
3 ✓	STEVE DRAGE	FISHERMAN
4 ✓	Shaun Koson	Alaska Jig Assoc.
5 ✓	TRAVIS R. BERNS	FISHERMAN
6 ✓	Lena Amason	fisher-woman
7 ✓	Sven HaaKanson, Ph.D.	Anthropologist - Aluting Museum
8 ✓	Ilia Kuzmin	K-Bay fisheries Assoc.
9 ✓	LORI SWANSON	GROUNDFISH FORUM
10 ✓	JAY STINSON	AK. DEALER'S ASSOC. (short slot)
11 ✓	ROB TRUMBLE	KING COVE
12 ✓	Mellon Kozo	King Cove
13 ✓	WILBUR MCGLASHAN	SAND PT.
14 ✓	MAT HOLMBERG + BILL DUSHKIN	SAND POINT
15 ✓	SAM COTTEN	AFB
16 ✓	Trefon Angasan	B.B.N.C. vice Pres Fisheries (Steph would be?)
17 ✓	Steven Swyden	Fisherman
18 ✓	Linda Swyden	Fisherwoman
19 ✓	Dave Sowa	D.S.F.U.
20 ✓	~~TERRY~~ SARAH HAINES	Kodiak resident
21 ✓	TERRY HAINES	FISH HEADS
22 ✓	Warren Wilson	King Cove
23 ✓	JOHN GALVIN	Alaska Draggers Assoc. (Longer slot)
24 ✓	Mike Sharrock	Crewmans Assoc.
25 ✓	David Polushkin	K-Bay fishing Assoc.

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Public Testimony Sign Up Sheet

Agenda Item C-2 Gulf Rationalization (continued) P. 3/3

Page (2)

	NAME (PLEASE PRINT)	AFFILIATION
1 ✓	PETER THOMPSON	FISHERMAN
2 ✓	Dan Hull	CDFU
3 ✓	Steve Dean	City of Homer
4 ✓	BUCK LAUKITIS	NPFA
5 ✓	JOHN WHIDDON	PACIFIC SEAFOODS
6 ✓	Angela Gregorio	(Tangik Larsen)
7 ✓	Conrad Peterson	Old Harbor Tribal Council
8 ✓	Jeff Peterson	Old Harbor Native Corp
9 ✓	Martin Inga Jr	Old Harbor Native Corp
10 ✓	[illegible]	Global Seafoods
11 ✓	ALFRED ABOARIN Abaudin	Chignik Marketing Ass.
12 ✓	Mark Chandler	[illegible]
13 ✓	Mike Alfieri	OCEAN STORM
14 ✓	Tom Manos	Alaskan Lady
15 ✓	NELSON APAGANAK	AFN.
16 ✓	JOE CHILDERS	WESTERN GOA Fishermen's Assoc
17 ✓	MATTHEW MOIR	ALASKA PACIFIC SEAFOODS
18 ✓	Andy Teuber	Koniag, Inc.
19 ✓	Sara Turner	Kodiak Area Native Assoc
20 ✓	Beth Stewart	Aleutians East Borough
21 ✓	Patrick Norman	Port Graham Village Council
22 ✓	Jeremie Pikus	F/V Polar Star
23 ✓	Julie Bonney	AGDB
24 ✓	Freddie Christiansen	OACCC [illegible]
25		

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Handout 12/9
1:20pm

DRAFT

Gulf Rationalization Community Committee Report

December 3, 2004
Captain Cook Hotel, Voyager Room
Anchorage, Alaska
8 am – 5 pm

Committee: Hazel Nelson (Chair), Nicole Kimball (staff), Julie Bonney, Duncan Fields, Chuck McCallum, Pat Norman, Joe Sullivan, Chuck Totemoff, Ernie Weiss

Other participants: Sam Cotten, Dan Malarkey, Doug Hoedel, Heather McCarty, Jane DiCosimo

Summary of Formal Committee Recommendations

- Purpose Statement. Add the following language to the overall purpose statement for community provisions: "*and provide for the sustained participation of such communities*" (agenda item III)
- Eligibility criteria. Under both programs, eliminate Option 2b and Option 2c in the eligibility criteria. Also eliminate Option 4 (government structure) from the eligibility criteria for both programs. Add Option 3b from the CFQ Program to the eligibility criteria for the Community Purchase Program (agenda item V)
- CFQ must be fished by community residents and delivered onshore within the region. All CFQ is designated CV quota share, and if CP quota share is purchased on behalf of a community, it is automatically re-designated CV quota share in perpetuity. Residents of eligible communities located in a specific management area (WG, CG, WY) should receive priority over others in the leasing of community quota used in that specific management area (e.g., residents of communities in WG would receive a first priority in the leasing of WG community quota). (agenda item VI)

I. Introductions, approval of agenda, committee guidelines

This is the first meeting of the Gulf Rationalization Community Committee (committee), and all committee members were in attendance. Introductions were made, and the Chair noted that the committee would operate by consensus as much as possible. No votes would be taken, but the committee report would attempt to reflect the level of agreement and opposing positions on each issue. It was also noted that while the committee can make formal recommendations to the Council as a result of this meeting, many members may want to have a detailed discussion of the issues at this meeting and bring potential approaches and concepts back to their constituents. The committee intends to work toward consensus on further recommendations to the Council at future meetings (if scheduled).

Staff provided an overview of the agenda, which mirrored the Council's tasking from the October 2004 Council meeting (**Attachment 1**). The agenda focused on refining and developing the Community Fisheries Quota (CFQ) Program and the Community Purchase Program proposed under Gulf rationalization. The committee approved the agenda, with the addition of two items: 1) a discussion of the funding of CFQ (i.e., where the CFQ allocation comes from), and 2) a discussion of regionalization of landings resulting from community quota under agenda item VI. Staff also provided an overview of the reference materials provided to the committee at this meeting. The list of materials is at the end of the agenda in Attachment 1.

II. Committee member opening comments

Committee members provided opening comments to indicate their primary interests and issues. The committee agreed to work as a team, and welcomed the opportunity to focus on and further develop a workable community program(s) for the Council's Gulf rationalization effort.

Most committee members recognized the concern with potential consolidation and migration of the fleet due to rationalization in general. Some committee members emphasized the need to create community programs that work not only for smaller Gulf communities, but for all fishing communities and individual harvesters. One member recognized potential benefit from both rationalization and the community programs, and noted that as long as some general conditions are placed on the use of community quota and do not substantially disrupt historic landing patterns, other (non-eligible) communities will benefit as well, and current participants will not be adversely affected. One member noted upfront that the city of Kodiak has endorsed limiting the CFQ Program to the smaller (population of <1,500) communities, but has specifically requested to increase the population threshold such that Kodiak would be included under the Community Purchase Program. Another member expressed concern that the CFQ Program is appropriately developed so that there is certainty that the CFQ would not remain unfished.

Other members expressed general support for the concept behind the two programs, acknowledging the unintended adverse impacts of rationalizing the halibut and sablefish fisheries on the smallest, rural communities. Some members noted that the overall goal should be to retain the historical *access* these communities have had to the Gulf fisheries, even if their participation in Gulf groundfish has not been substantial to date. Many of these communities are involved in a myriad of fisheries and dependent on access to each fishery to complete their revenue stream.

In addition, one member noted that the CFQ Program should not be viewed as a 'gifting' of quota from other participants to communities. Small communities have a legitimate claim to accessing Gulf groundfish.

III. Review of the purpose statement and options for the CFQ Program and Community Purchase Program (Council motion as of October 2004)

The committee reviewed the overall purpose statement provided for both the CFQ and the Community Purchase Program in the current Council motion (**Attachment 2**). There was some concern that the while the purpose statement is adequate in addressing potential economic impacts on communities, it does not address the second 'prong' of National Standard 8 in the Magnuson Stevens Act (MSA), which is to provide historical access and participation for communities. The committee agreed that the purpose statement should reflect NS8 as comprehensively as possible, since the MSA is the primary guidance for the Council in formulating fishery management plans and community protection measures. **Based on this discussion, the committee recommended adding to the overall purpose statement for community provisions such that it reads as follows (additions are underlined):**

> *PURPOSE: The Council recognizes the importance of providing economic stability for communities historically dependent upon GOA groundfish fisheries. Consistent with the guidance provided by the Consolidated Appropriations Act of 2001, National Standard 8, and the National Research Council Report, the Council acknowledges that rationalization programs can have significant impacts on fishing dependent communities. Community provisions are intended to address community impacts resulting from rationalization and seek to provide economic stability or create economic opportunity in fishing dependent communities, and provide for the sustained participation of such communities.*

There was some discussion of the terms 'historical access' and 'sustained participation,' and members agreed that preserving access may be different from sustained participation. Generally, the committee agreed that it is important to continue the ability of small communities to have access to the groundfish fisheries. For the purpose statement, the committee agreed that the NS8 language itself is relatively clear in providing for 'sustained participation.' Overall, it was noted that the terms used in the purpose statement shouldn't be depended on to convey the bounds or limitations of the program, but that the specific elements and options developed will serve that role.

IV. Administrative entity representing communities

Staff provided an overview of the current Council motion and all of the options proposed for each program. The committee first discussed the three options provided in the motion for the CFQ Program to determine the administrative entity that would represent the eligible communities: Option 1) single Gulf-wide entity; Option 2) administrative entity for each GOA groundfish management area; Option 3) administrative entity representing a group of communities with common culture and history. One member noted that the program structure created should be able to be adopted under any one of the three options. Meaning, the option selected should not change the overall structure of the program. Most committee members agreed, and yet one member noted that the other elements of the program design may influence the decision on the administrative entity. For instance, if the CFQ Program only included pollock and Pacific cod CFQ, it would be possible to have multiple administrative entities and each eligible community could harvest a portion of the overall CFQ for those species. In contrast, if all rationalized species are allocated to the CFQ Program, including species like flatfish and rockfish, one single administrative entity or three regional entities (WG, CG, WY) may be more appropriate in order to pool the CFQ and lease larger portions of the overall CFQ to eligible residents.

The committee recognized that Option 3, which was added at the October 2004 Council meeting, was included to provide an option specifically for communities like the Chigniks. The three Chignik communities, which are located in the Central Gulf management area, may better identify and collaborate strongly with the Aleutians East communities in the Western Gulf (~~Sand Point, King Cove,~~ etc.) Thus, Option 3 was included for consideration as a method to group communities under an administrative entity that is not dictated solely by management area.

Nicole corrected that should have said: Perryville & Ivanoff Bays

Members agreed that while the single, Gulf-wide entity appears to be the most promising option in terms of flexibility, cooperation, and efficiency, they would like analysis of all three options. Thus, no committee recommendation was made to modify the options at this time.

The committee generally agreed that the CFQ Program and the Community Purchase Program are different, and thus it is appropriate to have somewhat different administrative structures under both programs. One member (Fields) outlined a potential management structure for each program for committee consideration. The discussion was prefaced by reviewing the draft tables provided, which indicate which communities may potentially be eligible under the Council's current criteria. Under one reasonable set of criteria (as there are multiple combinations of criteria that could result in multiple lists of eligible communities), it appears that 27 Gulf communities would be eligible.[1] It was noted that 21 of these same communities are also currently eligible under the Community (Purchase) Quota Program recently implemented under an amendment to the halibut/sablefish IFQ Program (GOA Am. 66). Under Am. 66, before communities are able to

[1] Criteria used was as follows: communities recognized as places by the U.S. Census, within 10 nm from the Gulf coast, no road access, and population of <1,500. A second table showed the list of communities under the same criteria except using a population threshold of <7,500 (which resulted in 5 additional communities).

participate, they must form a non-profit entity to represent them and purchase halibut/sablefish quota, and this entity must be qualified by NMFS. The term of art used for the administrative entity representing one or more communities under Am. 66 is "Community Quota Entity (CQE)."

Under the proposal suggested, there would exist an umbrella management entity (either one Gulf-wide entity or multiple entities by region or cultural ties, as dictated by the options under C 1.1). This management entity (or entities) would be allocated all of the CFQ under the program and be managed by a Board of Directors. Individual communities eligible for the CFQ Program would use their existing CQE (formed under Am. 66) as their representation on the Board of the overarching management entity. Communities that do not have a CQE (either because they are not eligible under Am. 66 or because they haven't yet incorporated a CQE under Am. 66) would need to form a CQE for purposes of participating in the CFQ Program. The representative of the CQE would thus serve as the management entity's conduit for communication with each eligible community. Under this structure, the CQE representative would be the one to provide a letter of support allowing the larger management entity to act on its behalf for purposes of the CFQ Program.

The second part of this proposal relates to the Community Purchase Program. Depending upon the eligibility criteria selected, the same communities could be eligible for both the CFQ and the Community Purchase Program. Under the Community Purchase Program, communities that have a CQE under Am. 66 would use that entity to also purchase quota under the Gulf rationalization Community Purchase Program. Communities that do not have an existing CQE could use other entities that have previously been formed under other fishery programs to represent communities (e.g., if Kodiak was included in the purchase program it could use its eligible crab community organization) or choose to form a CQE. In addition, if communities did not want to participate in purchasing Gulf groundfish quota through their CQE or other entities, they could authorize the overarching management entity formed under the CFQ Program to purchase quota on their behalf.

The committee agreed to consider the proposal and discuss it further at future committee meetings. Generally, the committee endorsed the idea of using the existing CQE structure that has been established for the purpose of managing quota in almost all of the potentially eligible communities, noting that it is difficult for small communities to incorporate many new entities. Similarly, if the Council determined to expand the eligibility of the Community Purchase Program to include Kodiak, the committee expressed a desire for some flexibility for non-CQE communities to use another existing entity and not have to create something new. In addition, most members noted that individual communities could be working with different funding sources, and thus, the Community Purchase Program may need the added flexibility of allowing each community to purchase quota separately (or in groups of their determination).

The committee noted that it was not an appropriate time to attempt to adjust the options in the Council motion to reflect the above proposal (e.g, by including language to reflect the use of the existing CQE structure). More thought and discussion is necessary, and the concept should be a future agenda item. In addition, the committee noted that a placeholder should be established for the elements required to qualify the overarching management entity in the CFQ Program with NMFS (whether one Gulf-wide entity or regional entities).

V. Eligibility criteria

Staff provided an overview of the proposed community eligibility criteria, which is the same under both programs (meaning the same set of options are proposed, but it does not preclude the Council from selecting a different set of criteria for each program at final action). Staff noted that

at the last meeting, the Council narrowed the population criteria to one option: less than 1,500, but not less than 25 persons. The Council also added an option under Option 3 to consider communities that have *groundfish* commercial permit and fishing activity in 1993 – 2002 (the option remains to also consider *any* commercial fishing activity).

After discussing the criteria related to geography (Option 2), the committee recommended eliminating Option 2b (coastal communities adjacent to saltwater) and Option 2c (communities within 10 nm of the Gulf coast) for both programs. The result is that the only geographic criteria considered would be Option 2a (no road access) and Option 2d (within 5 nm of the Gulf coast). The committee made this recommendation in order to simplify the options, recognizing that the coastal community criteria is encompassed in the remaining two options, and that the preliminary data indicate that it does not make a difference in the eligible communities whether the 5 nm or 10 nm criteria is applied.

The committee also recommended eliminating Option 4 (government structure) from the eligibility criteria for both programs. The committee agreed that government structure is a relatively crude tool to determine qualifying communities, and that it is not particularly relevant to the ability or need to participate in this program. In addition, a second class city may not be very different from an unincorporated community. Preliminary data indicate that 16 of the potentially 27 eligible communities would drop out if eligibility was predicated on being a first class, second class, or home rule municipality.

The committee also noted that Option 3b, related to groundfish permit and fishing activity is included under the CFQ Program eligibility criteria, but not under the Community Purchase Program criteria. Staff was not aware of an explicit reason that that criteria was excluded from the purchase program in the Council's October motion, and surmised that it was an inadvertent exclusion. **Given that explanation, and the notion that the committee believes the criteria for analysis should be the same for both programs, the committee recommended adding Option 3b to the Community Purchase Program.**

The committee also had a lengthy discussion regarding a proposal to add a new option to the eligibility criteria that would make the same set of communities that are eligible under Am. 66 (halibut and sablefish community purchase program) eligible under the CFQ and Community Purchase Program in Gulf rationalization. The intent was that selection of this option would supersede the other eligibility criteria, and that it would create a clear decision point for the Council in tracking a previously adopted program to benefit small, rural, coastal communities. It would also provide a level of certainty for and support from those communities already starting to participate under Am. 66.

The committee did not come to consensus on this issue for various reasons. One objection was based on the desire to use actual criteria (even if that under Am. 66) as opposed to an option that would automatically qualify Am. 66 communities. Another member noted that insufficient rationale was provided to adopt the change, and that a clear link does not exist between the two programs in terms of qualifying communities (i.e., using halibut/sablefish participation to qualify for a program to use Gulf groundfish quota share). While some members noted that lack of or limited groundfish participation shouldn't necessarily exclude a community from the program, other members noted that the existing criteria will flesh out which communities have commercial groundfish or any commercial fisheries participation, and that the Council will make the policy call as to what is the appropriate threshold to meet to participate in this program. In addition, members noted that justification for this change was lacking because the existing criteria could result in qualifying all communities currently eligible under Am. 66. Another member noted that Am. 66 communities could be made automatically eligible, and the remaining criteria could be

used to filter and potentially qualify communities that did not meet the eligibility requirements for Am. 66.

The committee recognized that community eligibility is a difficult issue. Similar to Am. 66, the community programs under Gulf rationalization should be implemented such that there is the ability for a community that was not determined eligible at final action to petition NMFS if they were inadvertently excluded. These communities must meet the same criteria as other communities that were made eligible.

One member (Sullivan) stated that while the community of Kodiak supports the changes to the eligibility criteria proposed, it retains the position that Kodiak should be eligible for the Community Purchase Program. Kodiak is not advocating being part of the CFQ Program.

VI. Determining how the quota may be used

Under this agenda item, the committee generally discussed how the quota may be used, as well as the potential allocation basis for distributing the use of community quota among eligible communities. First, the committee discussed the potential harvest designations for Gulf groundfish quota share under Gulf rationalization (gear type, CP/CV, blocked, area, species, regionalization), understanding that species and area designations would remain with any quota held by communities.

While no recommendations were made on whether harvest designations (other than species and area) should apply to CFQ or quota purchased by communities, the committee agreed that there should be some sort of regionalization component, such that landings should continue to be made in the region. There were no recommendations made as to whether a one-time regionalization tag should be made for all CFQ that would dictate the region in which the quota would be landed in perpetuity (as in the overall rationalization program); the discussion centered more on establishing a landings requirement in order to avoid shifting all of the processing of community quota to communities on the road system (since the CFQ will be 'funded' by both regions).

The current options require that community quota share is only leased to and fished by eligible community residents. The committee agreed that that provision meets the goal of both programs, and that the benefits to eligible communities are two-fold: 1) the fishing of the quota share, and 2) the rents that pass through the management entity from the leasing of the quota share. However, there was some concern and disagreement regarding how much specificity should be in the regulations implementing the community programs related to determining which eligible residents get to harvest the quota that is leased from the overarching management entity. Some members wanted the management entity to retain a lot of flexibility, given that it would not be efficient (or even feasible) to allow each individual eligible community (potentially 27+) to fish a little bit of each species of quota share in each area. Some members wanted the management entity to be able to have a lot of flexibility to determine who fishes what on an annual basis in a way that most benefits the overall program.

However, some members were very concerned with allowing the management entity too much control over who fishes the community quota share, citing concerns with fairness among communities and the theoretical potential (for efficiency's sake) of putting most of the CFQ on one or two vessels and not distributing it sufficiently among residents of all eligible communities. These concerns were not mitigated by the notion that revenues generated from the use of the CFQ would be redistributed to each community via their CQE representation. Because while most members realize this will need to be a revenue generating program to be sustainable (money generated by leasing the CFQ to community residents at market rate), members also expressed

serious concern about the program being primarily for revenue generation or mirroring the western Alaska Community Development Program structure. These members were most concerned that the nature of the program be focused on allowing residents to participate in the fisheries, whether by leasing the CFQ or serving as crew on a vessel fishing CFQ.

After much discussion, the committee generally agreed that there needs to be a balance between the efficiency in the use of the community quota share and the benefits derived from employment and the actual harvesting of the quota share. Given that, the committee realized that establishing some criteria for how the management entity operates could mitigate potential concerns about use of the CFQ in a way not intended by the program. As an example, committee members agreed that the management entity should be required to give residents of communities located in the management area of the quota share (WG, for example) a first priority when considering applications/bids to lease CFQ located in that area. While this priority should not overshadow all other considerations (for instance, whether the lease rate proposed by the applicant is well below the market average), it should be an established priority for the management entity. As another example, rents will be derived from the lease of the CFQ, and the potential exists that those rents will exceed the administrative costs of the management entity. Thus, a fundamental issue is whether to establish restrictions on the use of those funds. Some members noted that they envisioned those funds to only be used either by the overall management entity or via the CQEs to purchase more quota share.

The committee agreed that the above issues are in continuing stages of development, and a couple of members emphasized that how the management entity operates and the criteria by which it determines who fishes the CFQ need to be determined upfront. While the advantage of flexibility is evident, there is doubt that the programs would be supported if too much 'trust' was involved and the parameters of the management entity were not sufficiently outlined in regulation. Three issues discussed above that were identified as needing further development were: 1) determining how to implement the balance between efficiency and employment in the program (spreading the wealth of the harvesting activity, and whether to regulate a formula dictating the allocation basis or use general criteria); 2) how much latitude the overarching management entity has for use of the funds generated from leasing community quota; and 3) the regionalization component (landings requirement). These three issues remain unresolved, and the community agreed that further discussion would be necessary before recommendations could be made with regard to the options for analysis. These issues would be made a priority for the agenda at the next meeting, should a meeting be scheduled.

At this point, the committee summarized the consensus on these issues so far as follows: the CFQ must be fished by community residents (as provided for in the current options) and delivered onshore within the region. The committee recommended that all CFQ be designated CV quota share, and that if CP quota share is purchased on behalf of a community, it is automatically re-designated as CV quota share (in perpetuity). In addition, the committee agreed that one parameter for the management entity (likely implemented in regulation) should be that residents from a specific management area receive priority over other applicants when leasing quota from that management area.

In addition, the committee recognized that there may need to be a placeholder for options to restrict the sale of community-held quota share. The committee did not discuss this issue in any detail. Other placeholders that are likely necessary are options for use caps in the Community Purchase Program, which could mean a cap on the amount of quota that each individual community could purchase and/or a cap on the total amount of quota that all eligible communities could purchase under the program. Additional individual vessel use caps were discussed (similar to Am. 66) that would limit the amount of community quota one individual resident could lease

and limit the amount of community quota that could be fished on one vessel. The committee noted that more data was necessary with regard to the overall rationalization program (the use cap determined for an individual participant or cooperative, etc.) before specific options could be developed, and that different caps may apply to quota share for different species.

VII. Funding of the CFQ Program

The committee agreed that this was an appropriate time to discuss the item added to the agenda. One member (Sullivan) wanted to discuss a concept related to the potential funding of the CFQ Program. There has been a general expectation that the CFQ would be funded by a reduction off the top of the TAC or total quota share pool. The expected effect of this program is that some amount of quota will be redistributed from residents of larger, fishing communities to smaller CFQ communities. The committee recognized that the intent of the program is to remove or reduce the economic barrier created by a rationalization program for residents of these small, isolated (no road access) communities that are likely to receive limited quota at initial issuance, and may be on the margin of being able to operate a viable business without investing a significant amount of capital into purchasing additional quota. The pattern in the halibut/sablefish IFQ Program was that initially issued quota share transferred out of the smallest, rural communities at a substantially higher level and rate than the larger communities.

It was noted that there are also current fishery participants that are residents of larger communities that have marginal history that would generate smaller and marginal amounts of quota share, so their ability to continue participating in the Gulf groundfish fisheries may also be tenuous. If the CFQ Program is funded off the top of the initial allocations, some of these participants may be displaced. The concept was framed as a potential way to fund the CFQ Program so that it mitigates adverse affects on participants that won't be eligible for CFQ but that are also on the margin.

The approach proposed for discussion was as follows: rather than take the entire percentage (whether 5%, 10% or 15%) allocated to the CFQ Program off the top at initial allocation, fund at least a portion of the CFQ by taking a portion of an individual's QS at first transfer (sale of QS and/or annual lease of IFQ). This would delay the entire funding of the CFQ Program to some extent, since the quota share would not be available until transfers have been made. The result is that two sources of funding would exist for the CFQ Program: some portion would come off the top at initial allocation and some portion would be received as a tax on transfers. The intent being that it is less of a burden to initial issuees to fund the program through a tax on transfers, rather than taking it all off the top from the start of the program.

One member noted that under this concept, some amount of risk is transferred to the communities, and there may need to be some incentive for communities to take on that risk. A tax on the leasing of quota (as opposed to the sale) reduces that risk to some extent, as the program would likely be able to capture the funding more rapidly. There was some discussion and disagreement as to the level of impact that a 5% - 15% CFQ would have on initial issuees overall. In addition, the point was made that although some redistribution of harvest activity from residents of larger to smaller communities is expected, some of the revenues derived from CFQ and some of the processing of the fish landed is still expected to be channeled to the larger communities (the example used was the rural community fleet on Kodiak Island that will likely continue to process fish and spend money in the city of Kodiak). It was also noted that those are not the only benefits derived from harvesting activity, and that skipper and crew jobs would also be redistributed to some extent. This overall issue affects all communities, and is not specific to one community.

This concept was taken under consideration by the committee and will likely be discussed in subsequent meetings. Staff will try to provide additional information on the amount of transfers evident during the first few years of the halibut/sablefish IFQ Program to see if the expectation for a high volume of transfers is reasonable. That information would be useful to help determine the percentage of CFQ that could be funded thorough transfers, should this concept eventually be endorsed by the committee and/or adopted by the Council.

VII. Determining the distribution method among eligible communities

This discussion was encompassed in agenda item VI.

VIII. Discussion of how the CFQ Program and CPP program would work in combination with one another if both selected at final action

The committee discussed this agenda item to some extent under its discussion of the administrative entity under agenda item IV. More discussion is necessary with regard to this item and the proposed management structure described under IV.

IX. Discussion of how the CFQ and CPP program would work under the general rationalization alternatives (specifically Alternative 3)

The committee did not have time to address this agenda item.

X. Other issues and/or committee member summary thoughts

Most committee members expressed positive feedback with regard to the productivity of the meeting, the number of issues addressed, and the forum provided to discuss these issues in detail. Several committee recommendations were made, but the committee also benefited from the ability to propose concepts and solutions with a focused group, even if no formal recommendations resulted. Committee members agreed to work together outside of the committee (and prior to the next meeting, should one be scheduled) in order to make progress on some of these issues and to be prepared to discuss additional recommendations to the Council in the near future.

XI. Discuss need for subsequent meetings and schedule for committee report

This committee report will be considered draft until after the December 2004 Council meeting. The final draft will be posted on the Council's website.

The committee agreed that it would be worthwhile to meet again to further develop the programs and provide the Council with consensus-based recommendations on some of the fundamental issues related to program design. All committee members are available to meet on **January 28, 2005**, should the Council determine that a subsequent meeting is warranted.
A committee report could be provided at the Council's February meeting.

DRAFT

Gulf Rationalization Community Committee
Meeting Agenda

December 3, 2004
Captain Cook Hotel, Voyager Room
4th and K Street, Anchorage
8 am – 5 pm

I. Introductions, approval of the agenda, committee guidelines

II. Committee member opening comments

III. Review of the purpose statement and options for the CFQ Program and Community Purchase Program (current Council motion as of October 2004)

IV. Administrative entity representing a community(ies)
- How would the program work under the different options (i.e., how to interpret Option 2 and Option 3)
- Would the administrative entities be different under the CFQ and Community Purchase Program? If a community qualified under both programs, is it required that they are only represented by one entity for both programs?
- Must these be new non-profit entities or could a community use an existing entity?
- Comments on what existing entity in the community would either fill the role of administrative entity holding the CFQ or, in the case that a new entity is required, provide the letter of support for the new administrative entity holding the QS
- Under either program, could a community be represented by a CQE (under the halibut/sablefish IFQ Program) if it exists?
- Committee recommendations on the administrative entity issue and options

V. Eligibility Criteria
- Review current eligibility criteria and potentially eligible communities
- Are there any further delineations that can be made based on purpose statement
- Recommendations to modify current options

VI. Determining how the quota may be used
- General discussion: how do committee members see this quota being used in their communities?
- How will the entity decide which individuals fish the shares: by what criteria? Should the criteria be standardized among administrative entities (if more than one is selected)? What, if any, aspects of the criteria should be regulated?
- CFQ cannot be permanently transferred from a community administrative entity. Should there be any restrictions on the sale of quota *purchased* by a community entity under the community purchase program?
- Use caps (general discussion)
- Harvest share designations (gear or CP/CV) and whether they should apply to quota held by communities
- Recommendations to modify the current options

VII. Determining the distribution method among eligible communities
   a. Review of current options (see table) to distribute CFQ among communities (e.g., how much of the total CFQ would be leased to community residents of each eligible community)
   b. General discussion of advantages/disadvantages of dictating a formula by which to distribute CFQ among communities
   c. How would Option 3 work? With multiple administrative entities?

VIII. Discussion of how the CFQ Program and CPP program would work in combination with one another if both were selected at final action

IX. Discussion of how the CFQ and CPP program would work under the general rationalization alternatives (specifically, Alternative 3)

X. Other issues and/or committee member summary thoughts

XI. Discuss need for subsequent meetings and schedule for committee report

DRAFT

List of Gulf Rationalization Community Committee Materials

Introduction: Meeting agenda & committee contact information

TAB 1:	1.	Council motion on GOA Groundfish Rationalization Community Provisions (Oct. 2004) (*Both the clean motion and the marked up copy are provided*)
	2.	GOA Groundfish Rationalization Alternatives (tables)
	3.	Full GOA Groundfish Rationalization motions (October 2004)
TAB 2:	4.	Table 1 – draft list of eligible communities using selected criteria Table 2 – percent of CFQ that would be available to each community under the proposed allocation basis criteria
	5.	Comparison of eligibility criteria in GOA Am. 66 and proposed in Gulf rationalization
	6.	Comparison of eligible communities in GOA Am. 66 and potentially in Gulf rationalization
	7.	Map of potentially eligible communities (*two provided*)
TAB 3:	8.	Final 2004 GOA TAC specifications
	9.	Regionalization map
TAB 4:	10.	Final Council motion on GOA Am. 66 (halibut/sablefish community quota share purchase program)
	11.	Final rule for GOA Am. 66 (69 FR 23681, April 30, 2004)
	12.	Report on holdings of IFQ by residents of selected GOA fishing communities
	13.	Summary sheet of crab rationalization community protection measures
TAB 5:	14.	Draft community profiles for selected GOA communities (32)

North Pacific Fishery Management Council
Gulf of Alaska (GOA) Groundfish Rationalization
Community Provisions
Updated through October 2004

It is the Council's intent that the Community Fisheries Quota (CFQ) Program and the Community Purchase Program (CPP) be the subject of standalone staff analysis for future inclusion in GOA groundfish rationalization alternatives as appropriate. The intent is not to create these programs as a trailing amendment, but to implement them at the same time GOA rationalization goes into effect.

NOTE: Bering Sea/Aleutian Islands communities (CDQ or otherwise) and communities adjacent to the Eastern GOA regulatory area Southeast Outside District (except Yakutat) will not be included in any Gulf rationalization community provision programs.

PURPOSE: The Council recognizes the importance of providing economic stability for communities historically dependent upon GOA groundfish fisheries. Consistent with the guidance provided by the Consolidated Appropriations Act of 2001, National Standard 8, and the National Research Council Report, the Council acknowledges that rationalization programs can have significant impacts on fishing-dependent communities. Community provisions are intended to address community impacts resulting from rationalization and seek to provide economic stability or create economic opportunity in fishing-dependent communities.

C 1. Community Fisheries Quota (CFQ) Program

The CFQ program would allocate a percentage of the annual Federal TAC to an administrative entity that would subsequently determine how to use the annual harvest privileges according to criteria established in Federal regulation. Depending upon the structure and restrictions established, the non-profit entity would use the shares to enable eligible communities to fish the shares. CFQ will be fished only by eligible community residents and will not be leased outside of the community to be used for other economic development.

The intent of the CFQ program is to mitigate the economic impacts of Gulf groundfish rationalization on small (less than 1500), isolated GOA communities with a historical dependence on groundfish. Further, it is the intent of the program to sustain current participation and access to the fisheries by those communities.

C 1.1 Administrative Entity

The administrative entity representing one or more eligible communities must be a non-profit entity qualified by NMFS. The administrative entity shall be:

Option 1: A single Gulf-wide administrative entity
Option 2: An administrative entity for each GOA groundfish management area
Option 3: An administrative entity representing a group of communities with common culture and history

C 1.2 Eligible Communities

Option 1. Population (based on 2000 Census):
a. Less than 1,500, but not less than 25

Option 2. Geography

a. Coastal Communities without road connections to larger community highway network
b. Coastal communities adjacent to salt water
c. Communities within 10 nautical miles of the Gulf Coast
d. Communities on the south side of the Alaska Peninsula that are adjacent to Central and Western GOA management areas (including Yakutat) within 5 nautical miles from the water, but not to include Bering Sea communities included under the Western Alaska CDQ program.

Option 3. Historic Participation in Groundfish Fisheries

a. Communities with residents having any commercial permit and fishing activity as documented by CFEC in the last ten years (1993 - 2002)
b. Communities with residents having any groundfish commercial permit and fishing activity as documented by CFEC in the last ten years (1993 – 2002)

Option 4. Government Structure

a. Communities recognized by the State of Alaska as a first class, second class, or home rule municipality
b. All other eligible communities

C 1.3 Species

Option 1. All rationalized groundfish species including PSC
Option 2. Pollock and Pacific cod and associated species necessary to prosecute the allocation of pollock and Pacific cod

C 1.4 Allocation

CFQ awarded to a gulf-wide administrative entity cannot be permanently transferred.
Option 1. 5% of annual TAC
Option 2. 10% of annual TAC
Option 3. 15% of annual TAC

C 1.5 Harvesting of Shares

Option 1. Limited to residents of any eligible community

C 1.6 Allocation Basis

The initial allocation (harvest shares) of CFQ would be made to the administrative entity representing eligible communities.

Option 1. 0% - 100% of the annual harvest rights from the CFQ owned by the administrative entity would be distributed amongst qualified communities on an equal basis.

Option 2. 0% - 100% of the annual harvest rights from the CFQ owned by the administrative entity would be distributed amongst qualified communities on a pro rata basis based on population.

Option 3. 0% - 100% of the annual harvest rights from the CFQ owned by the administrative entity from each GOA groundfish management area, by species, would be distributed amongst qualified communities located in the management area on an equal basis.

C 1.7 Qualification of Administrative Entity
The administrative entity must submit a detailed statement of eligibility to NMFS and the State prior to being qualified. The State may comment on the statement of eligibility but does not have a formal role. The required elements of the eligibility statement will be in regulation.

C 1.8 Administrative Oversight
A report submitted to NMFS detailing the use of QS by the administrative entity. The required elements and timing of the report will be outlined in regulation.

C 2. Community Purchase Program

The CPP would allow a defined set of eligible communities to organize an administrative entity to purchase, hold, and use Gulf groundfish quota share within the rationalization program. In contrast to receiving an initial allocation, this provision would designate an administrative entity representing eligible communities as an eligible quota shareholder under the rationalization program, and that entity would be allowed to purchase GOA groundfish shares on the open market.

The intent of the CPP under GOA groundfish rationalization is parallel to Amendment 66 of the halibut/sablefish IFQ program: to mitigate the economic impacts of GOA groundfish rationalization on small (less than 1500), isolated GOA communities with a historical dependence on groundfish. Further, it is the intent of the program to maintain and enhance current participation and access to Gulf groundfish fisheries by those communities.

It is the intent of the Council that staff will adjust the options and elements below to align them consistent with Amendment 66.

C 2.1 Administrative Entity
The administrative entity representing a community or communities must be a non-profit entity qualified by NMFS, and may include an administrative entity established to manage Community Fisheries Quota.

C 2.2 Eligible communities

Option 1. Population (based on 2000 Census):
- a. Less than 1,500, but not less than 25.

Option 2. Geography
- a. Coastal Communities without road connections to larger community highway network
- b. Coastal communities adjacent to salt water
- c. Communities within 10 nautical miles of the Gulf Coast
- d. Communities on the south side of the Alaska Peninsula that are adjacent to Central and Western GOA management areas (including Yakutat) within 5 nautical miles from the water, but not to include Bering Sea communities included under the Western Alaska CDQ program.

Option 3. Historic Participation in Fisheries
- a. Communities with residents having any commercial permit and fishing activity as documented by CFEC in the last ten years (1993 – 2002)

Option 4. Government Structure

a. Communities recognized by the State of Alaska as a first class, second class, or home rule municipality
b. All other eligible communities

C 2.3 Qualification of Administrative Entity

The administrative entity must submit a detailed statement of eligibility to NMFS and the State prior to being qualified. The State may comment on the statement of eligibility but does not have a formal role. The required elements of the eligibility statement will be in regulation.

C 2.4 Administrative Oversight

A report submitted to NMFS detailing the use of QS by the administrative entity. The required elements and timing of the report will be outlined in regulation.

C-2 Handout 12/9 1:20pm

DRAFT

North Pacific Fishery Management Council
Advisory Panel Minutes
Hilton Hotel, Anchorage Alaska
December 6-10, 204

The following members were present for all or part of the meeting:

John Bruce	Bob Jacobson
Al Burch	Teressa Kandianis
Cora Crome	Mitch Kilborn
Craig Cross	Kent Leslie
Tom Enlow	John Moller
Dan Falvey	Kris Norosz
Lance Farr	Eric Olson
Dave Fraser	Jim Preston
Duncan Fields	Michelle Ridgway
Jan Jacobs	Jeff Stephan

The AP unanimously approved the minutes from the previous meeting.

C-2 GOA Groundfish Rationalization

The AP recommends the Council approve the following changes additions to Alternative 2 and Alternative 3 of the current GOA Groundfish Rationalization motion:

2.2.2 Qualifying periods and landing criteria (same for all gears in all areas) (page 1)
(The analysis will assess AFA vessels as a group)
Option 1. 95-01 drop 1
Option 2. 95-02 drop 1
Option 3. 95-02 drop 2
Option 4. 98-02 drop 1
Option 5. 98-03 drop 1 *Motion passed 16/3*

The AP recommends the Council take no action on staff recommendations on 2.2.3.2.5 issue until the A/B split is resolved. *Motion passed 18/0.*

2.2.3.3.5. Leasing of QS outside a coop (page 5) **Accept staff's recommendation to delete option 3:** ~~**Option 3. Allow leasing of CP QS, but only to individuals and entities eligible to receive QS/IFQ by transfer.**~~ *Motion passed 18/0* Dan Falvey Delete word Option 3 but retain provision.

ADD Option 4. For individuals and entities with CV QS, no leasing restrictions for the first three years. After this grace period, leasing will be allowed in the following calendar year if the QS holder is on board or owns 20% or greater of a vessel on which 30% of the primary species shares held by the QS holder in at least 2 of the most recent 4 years were harvested. This provision would apply to independent lessees and within cooperatives. Dan: Does not apply outside Co-ops

Suboption 1: Applies within cooperatives

Motion passed 18/0

2.2.3.3.6 (Page 6)
Accept staff recommendation to delete Option 1 under "Conversion of CP Shares" i. *Motion passed 18/0*

The following motion failed 5/13/1:
2.2.3.3.7 Owner On Board Provisions (Page 7)
A range of ~~0-50%~~ 0-80% for fixed gear CVs and ~~0-40% 0%~~ - 70% for trawl gear CVs, of the quota shares initially issued to fishers/harvesters would be designated as "owner on board."

Minority Report:
The minority of the AP believe much of the gulf lonline and pot fishing fleet is similar to the fleet that fishes halibut and sablefish. The policy decision for halibut and sablefish was 100% owner on board and the Council, in Gulf Rationalization, should have the option of retaining the same standard as a matter of public policy. In addition, the Gulf fleet, overall, is much different from the fleet rationalzed in AFA and the Bering Sea crab fishery. Consequently, many of the reasons used to justify lesser owner on board requirements in these fisheries are less applicable in the Gulf. The analysis may amplify reasons for an owner on board requirement of less than 100% but, without these higher options, the Council will not have decisional options at the higher end of the range. Signed: Duncan Fields, Eric Olson, Dan Falvey, Cora Crome and Michelle Ridgway.

2.2.3.3.8 Overage Provisions ~~(only apply outside of a co-op)~~ *Motion passed 19/0*

2.2.3.3.10 Limited processing for CVs (Page 8)

~~Option 2.~~ Limited processing of groundfish species by owners of CV harvest shares of rockfish species not subject to processor landing requirements are allowed up to 1 mt of round weight equivalent of groundfish per day on a vessel less than or equal to 60ft LOA. (consistent with LLPs - 679.4(k)(3)(ii)(D)). *Motion passed 19/0*

2.2.3.3.11 Processing Restrictions (Page 8)

~~Option 1.~~ CPs may buy CV share fish not subject to processor landing requirements.

~~Suboption. 3 year sunset~~

~~Option 2. CPs would be prohibited from buying CV fish.~~

~~Option 3~~. CPs may buy incentive fish and incidental catches of CV fish not subject to processor landing requirements.

Option May buy delivery restricted CV fish if they hold a processing license.

Motion passed 17/1/1

2.2.6.3 Allocation of incentive species (new section)
Allocates incentive species groundfish primary species harvest shares (QS) to the historical participants. Available incentive fishery quota is the available TAC for that fishing year minus the incentive species groundfish primary species harvest share allocated to the historical participants.

Threshold approach – Allocate harvest share as a fixed allocation in metric tons. If available TAC is less than the total fixed allocation in metric tons, then reduce participants' allocation pro-rata amongst shareholders.

Option 1. Total retained catch of the participants divided by the number of years in the qualifying period.

Option 2. Total retained catch of the participants plus 25% divided by the number of years in the qualifying period.

Option 3. Total catch of the participants divided by the number of years in the qualifying period.

Motion passed 15/2/2

2.2.9.1 Regionalization (Page 12)
If adopted, all processing licenses (for shore-based and floating processors) will be categorized by region. Processing licenses that are regionally designated cannot be reassigned to another region.

Catcher vessel harvest shares are regionalized based on where the catch was processed, not where it was caught.

Harvest shares would be regionalized based on the landings history during the regionalization qualifying period.

Catcher processor shares and incentive fisheries are not subject to regionalization.

In the event harvest shares are regionalized and the processor linkage option is chosen, a harvester's shares in a region will be linked to the processor entity in the region to which the harvester delivered the most pounds during the qualifying years used for determining linkages under 2.3.1.1.2.

The following describes the regions established and fisheries that would be subject to regionalization:

<u>Central Gulf</u>: Two regions are proposed to classify harvesting shares: North - South line at 58 51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North-South distribution: CGOA pollock (area 620 and are 630) CGOA aggregate flatfish, CGOA agregate rockfish, and CGOA Pacific cod. CGOA trawl sablefish will be regionalized based on all landing of primary species in the CGOA associated with the license during regionalization qualifying period.

~~**The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North - South distribution: Pollock in Area 630; CGOA flatfish (excludes arrowtooth flounder); CGOA Pacific ocean perch; CGOA northern rockfish and pelagic shelf rockfish (combined); CGOA Pacific cod (inshore); GOA sablefish (trawl); WY pollock.**~~ *Motion passed 18/0*

2.2.9.1.2 Qualifying years to determine the distribution of shares between regions will be: (Page 14)

~~**Option 1.**~~ ~~**consistent with the preferred option under "Section 2.2.2 Qualifying Periods"**~~

~~**Option 2.**~~ 1999 – 2002 *Motion passed 12/6*

2.2.12 Sideboards (Page 15)

GOA Groundfish sideboards under the crab rationalization plan ~~and~~ under the AFA and **rockfish pilot project** would be superceded by the GOA rationalization program allocations upon implementation. *Motion passed 18/0.*

Q fr. person to Dan
This is a start of Intent. Add to Min.

On completion of a rationalization program in the Bering Sea, any sideboards from Gulf Rationalization under this section will be superceeded for the fleet subject to rationalization. Motion passed 16/0

2.3.1.1.2 Linkage (Linkages apply by area) (Applies to 2B): (page 17)

A harvester's processor linked shares are associated with the licensed fixed or trawl processor to which the harvester delivered the most pounds of groundfish during the last ___ years ~~**of the harvester qualifying years**~~ **Prior to 2005.** *Motion passed 19/0*

i. 1
ii. 2
iii. 3

Processors with history at multiple facilities in a community may aggregate those histories for determining associations.

Option 1: If the processing facility with whom the harvester is associated is no longer operating in the community, and another processing facility within the community has not purchased the history, the harvester is eligible to deliver to

i. any licensed processor
ii. any licensed processor in the community

Option 2: If the processing facility with whom the harvester is associated is no longer operating in the community the harvester is eligible to deliver to

i. Any licensed processor

Mark Fina clarified (maria chk)

ii. Any licensed processor in the community
Motion passed 19/0

2.3.1.1.3 Movement between linked processors (Applies to 2B) (page 18)
Suboptions:

i. Penalty applies to A shares only.
~~**ii. Penalty applies to both A and B shares.**~~

Motion passed 18/0

~~**A. Full penalty applies to each move**~~
B. Full penalty applies to the first move, subsequent moves are penalized at half of that rate.
C. Full penalty applies only to the first transfer
Motion passed 20/0

2.3.1.2.1 To qualify for a processor license, a processor must have purchased and processed a minimum amount of groundfish by region as described below in at least 4 of the following years: (page 19)

Suboption: At least 3 of the following years
Option 1. 1995-~~99~~. **04** due to Pfest of a proc. shutdown + re-opened.
Option 2. 1995-01
Option 3. 1995-02

Motion passed 17/0/1

2.3.1.2.3 (page 20)
Moved from 2.4.5.2
License Transfers Among Processors (applies to processor limited entry)

~~**Option 1. any share association with that license will transfer to the processor receiving the license. All harvest share/history holders will be subject to any share reduction on severing the linkage, as would have been made in the absence of the transfer.**~~

Option 2. any share associated with the license will be free to associate with any licensed processor. Harvest share/history holders will be free to move among processors without share/history reduction.

Motion passed 19/0

2.3.2 Provisions affecting Allocation of Harvest Shares to Processors (Alternative 2C) (page 21)
1. Processors are eligible to receive an allocation of QS if they meet eligibility criteria identified in 2.3.1.2.1 **Processors who do not meet eligibility criteria to document a vessel must transfer the QS to an entity meeting this criteria within 24 months.** *Motion passed 19/0*

2.4.2.1.1 Co-op/processor affiliations (page 23)
No association required between processors and co-ops. **A processor can receive fish from more than one coop** *Motion passed 18/2*
Option: A person may join more than one coop *Motion passed 20/0*

~~**Option 2. CV cooperatives must be associated with**~~
~~**a) a processing facility (applies to 2B)**~~
~~**b) a processing company (applies to 2A)**~~
~~**(Option 1 or Option 2 a) or b) could apply to 2 low producing fixed gear)**~~
~~**The associated processor must be:**~~
~~**a) any processor (could apply to 2 low producing fixed gear)**~~
~~**b) a limited entry processing license holder (applies to 2A)**~~
~~**c) a limited entry processing license holder to which the share holder's shares are linked (applies to 2B)**~~
~~**Suboption 1. Processors can associate with more than one co-op**~~
~~**Suboption 2. Processors are limited to 1 co-op per plant for each sector**~~. *Motion passed 17/2*

2.4.2.2 Cooperatives are required to have at least: (Page 24)

~~**Option 1**~~. 4 distinct and separate harvesters (using the 10% threshold rule) (could apply to any alternative)

~~**Suboption: trawl CP sector, all less 1 of distinct and separate harvesters, using the 10% threshold rule).**~~

Motion passed 17/0

~~**Option 2. 40 -100 percent of the harvest shares (or catch history) of its sector (may choose different percentages for different sectors) (applies only to catcher processors)**~~

~~**Option 3. 40 -75 percent of the harvest shares (or catch history) eligible for the cooperative. (Applies to Alternatives 2A and 2B)** *cannot be applied to catcher vessels under Alternative 2A*~~

Motion passed 18/0

ENTRY LEVEL FISHERY/SECOND GENERATION PROVISIONS

The AP believes it is important to review a discussion of program elements intended for entry level and second generation access in the GOA Groundfish fisheries

Jig	**Pollock**	**0-2% set aside**	**September 1 rollover**
	Rockfish	**Pilot program set aside**	
Longline	**Cod**	**low producer/owner on board**	
	Rockfish	**Rockfish pilot program**	
Pot	**Cod**	**low producer/owner on board**	
	Rockfish	**Rockfish pilot program**	
Trawl	**Cod**	**Owner on board/leasing provisions**	
	Flatfish	**Owner on board/leasing provisions**	
	Pollock	**Bycatch incentive program to fish flatfish**	
	Rockfish	**Rockfish pilot program**	

Additionally, the AP requests staff provide a qualitative discussion of the Magnuson Act expectations for entry level opportunities, i.e. new open access fisheries vs. affordable license opportunities.

Motion passed 14/6

Alternative 3

3.3.1 Eligibility (Page 4)

LLP participation

Option 1. Any person that holds a valid, permanent, fully transferable LLP license is eligible to receive an initial allocation of Gulf catch history (as generic GH) through co-op membership.

~~**Suboption 1. Any person who held a valid interim LLP license as of January 1, 2003.**~~

Motion passed 16/0

Suboption ~~2.~~ Allow the award of retained incidental groundfish catch history arising from the halibut and sablefish IFQ fishery.

3.3.2.2 Qualifying periods and landing criteria (same for all gears in all areas) for determining GH (Page 5) (The analysis will assess AFA vessels as a group).

Option 1. 95-01 drop 1 **on species by species basis**
Option 2. 95-02 drop 1 **on species by species basis**
Option 3. 95-02 drop 2 **on species by species basis**
Option 4. 98-02 drop 1 **on species by species basis**
Option 5: 98-03 drop 1 on species by species basis

Marie answered Engl. Q re: aggregate add to min.

Motion passed 17/0

3.3.7 Cooperatives are required to have at least: (Page 6)

Option 1. 4 distinct and separate harvesters (using the 10% threshold rule)
Applies to low producers, high producer fixed gear, CV trawl, and CPs

Option 2. 50-100 percent of the GH of its sector. Council may choose different percentages for different sectors.
Applies only to catcher processors

Option 3. 50-75 percent of the eligible GH for each co-op associated with its processor
Applies to low producers, high producer fixed gear, and CV trawl for porcessor assoicated co-ops if less than 4 distinct & separate harvesters are available to associate with the processor

~~**Option 4. Any number of eligible harvesters within the sector (allows single person co-op)**~~

Motion passed 18/0

3.3.8 Duration of initial cooperative agreements: (Page 7)

Fuel why? Dan clarified.

Option 1. 1 year
Option 2. 2 years **for CV processors affiliated co-ops** *Motion passed 18/0*
Option 3. 3 years
Option 4. Any length agreed between the co-op participants.

3.3.9 Catcher Vessel co-op/processor affiliations (Page 7)

~~**Option 1.**~~ CV cooperatives must be associated with an eligible processing facility
~~**Option 2.**~~ Processors can associate with more than one co-op.
~~**Option 3. Processors are limited to 1 co-op per plant for each sector.**~~

Motion passed 20/0

3.3.11 Initial Cooperative Requirements

The following provision is required for the initial co-op:
Catcher vessel co-ops may be formed by eligible harvesters (the co-op) subject to the terms and conditions of a co-op membership agreement. In order to receive an allocation of GH under this program, co-ops must enter into a duly executed contractual agreement (Contract) with the processor identified in Section 3.3.5.

Contracts established under this section shall specify the terms and conditions for transferring GQ or GH from the cooperative, including mechanisms whereby a member exiting the co-op (or transferring GH from the co-op) compensates the remaining co-op members and/or the associated processor for exiting the co-op (or transferring GH from the co-op). ~~**Compensation can take on any form agreed to by the members and the associated processor, including permanent transfer of some or all GH generated by the existing participant to the remaining co-op members and/or the associated processor.**~~ **The AP recommends limiting processor compensation to the ranges identified in Alternative 2.** *Motion passed 19/1.*

3.4.1 General cooperative requirements

Processors who do not meet eligibility criteria to document a vessel must transfer the QS to an entity meeting this criteria within 24 months. *Motion passed 19/0*

A motion to delete Alternative 3 failed 6/14.

3.4.2.1 Qualified Persons. (Page 10)
Persons qualified to receive GH by transfer include processors **who are entities that meet US requirements to document a vessel** that associate with initial cooperatives pursuant to 3.3.11 and (not mutually exclusive): *Motion passed 19/0*

Option 1. US citizens who have had at least 150 days of sea time.
Option 2. Entities that meet U.S. requirements to document a vessel.

Option 3. Initial recipients of CV or C/P GH.
~~**Option 3. Communities would be eligible to receive GH by transfer (this provision would be applicable if certain provisions of 2.9 are adopted).**~~ *Motion passed 18/0*
Option 4. **Individuals who are** U.S. citizens. *Motion passed 18/0*

~~**3.4.7.2 Re-designate CP GH as CV GH upon transfer to a person who is not an initial issuee of CP shares:**~~ **(page 12)**
~~**Option 1. all CP shares**~~
~~**Option 2. trawl CP shares**~~
~~**Option 3. longline CP shares**~~ *Motion passed 17/1*

3.6 LLP/Open Access fishery provisions: (Page 13)

Issue 1. Halibut PSC will be reduced by:
Option 1: **Add 0%**
a. 10 percent
b. 20 percent
c. 30 percent
Note: this reduction may differ by sector

Option 2: **Add 0%**
- 5 percent beginning on the date of program implementation;
- an additional 5 percent beginning on the second year of program implementation;
- an additional 10 percent beginning on year 5 of program implementation; and

Motion passed 18/1

Issue 2: The LLP of any vessel that has entered a co-op and generated GH pursuant to this program may not be subsequently used, or transferred to another vessel, to fish in the LLP/Open Access fishery for any primary or secondary species identified under this program ~~**as long as they are a co-op member.**~~ **unless all GH initially associated with the LLP is held by the LLP holder and is allocated to the LLP/Open Access fishery.** *Motion passed 19/0*

3.7.1 Regionalization (Page 14)
If adopted, GH will be categorized by region (for the fisheries identified below).
GH that is regionally designated cannot be reassigned to another region.
Catcher vessel GH is regionalized based on where the catch was processed, not where it was caught.
Catcher processor GH is not subject to regionalization.
The GH associated with a license would be regionalized based on the landings history associated with that license during the regionalization qualifying period.

The following describes the regions established and fisheries that would be subject to regionalization:
Central Gulf: Two regions are proposed to classify harvesting shares: North - South line at 58 51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North-South distribution: CGOA pollock (area 620 and are 630) CGOA aggregate flatfish, CGOA agregate rockfish, and CGOA Pacific cod. CGOA trawl sablefish will be regionalized based on all landing of primary species in the CGOA associated with the license during regionalization qualifying period. *Motion passed 18/0*

~~The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North - South distribution: Pollock in Area 630; CGOA flatfish (excludes arrowtooth flounder); CGOA Pacific ocean perch; CGOA northern rockfish and pelagic shelf rockfish (combined); CGOA Pacific cod (inshore); GOA sablefish (trawl); WY pollock.~~

failure corrected

3.7.1.2 Qualifying years to determine the distribution of GH between regions will be the years ~~most recent from~~ 2005 *Motion passed 19/0* most recent ? prior to

~~Option 1. consistent with the qualifying period under cooperative formation in Section 3.3.5~~

3.9 Sideboards

- GOA Groundfish sideboards under the crab rationalization plan ~~and~~ under the AFA and **rockfish pilot project** would be superceded by the GOA rationalization program allocations upon implementation.

- ~~Participants in the GOA rationalized fisheries are limited to their historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.~~

- Vessels (actual boats) and LLPs used to generate harvest shares used in a Co-op unless specifically authorized may not participate in other state and federally managed open access fisheries in excess of sideboard allotments.

- Participants in the GOA rationalized fisheries are limited to their aggregate historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

- **On completion of a rationalization program in the Bering Sea, any sideboards from Gulf Rationalization under this section will be superceeded for the fleet subject to rationalization. Motion passed 16/0**

- Provisions related to IFQ and SEO fisheries are moved to a separate portion of the motion.

- Provisions related to salmon and crab bycatch are moved to a separate portion of the motion.

Motion passed 18/0

Community Provisions

The AP endorses the GOA Rationalization Community Committee's recommendations of:

- Adding the following language to the overall purpose statement for community provisions: "and provide for the sustained participation of such communities"
- Eliminating options 2b, 2c and 4 under Eligibility criteria
- Add option 3B to the Community Purchase Program Eligibility criteria

Motion passed 19/0

The AP strongly recommends that the Committee meet again to discuss future funding of CFQ, entity structure and how shares are allocated. *Motion passed 17/0*

show Maria —

C-2 PT: Chuck Totemoff
12-9-04 4:50pm
handout

Council Testimony
Chuck Totemoff
December 8, 2004

Madam Chairman, members of the Council, my name is Chuck Totemoff. I'm the President and CEO of the Chenega Corporation. I was appointed to serve on the Council's Community Protections Committee to represent the community of Chenega and the Prince William Sound area. Chenega is a community of 86 people and we have about 3 fishermen left in the community. When I was growing up there were about 15 boats working out of Chenega. Chenega residents have been catching fish from time in memorial.

I'm concerned about one of the Council options regarding limiting the Community Fisheries Program to communities with recent participation in the groundfish fisheries. The current fishery, with the short winter seasons for cod and pollock, really cuts Chenega fishermen out of the fishery. In a rationalized fishery, with longer seasons and without the race for fish, Chenega fishermen could fish both cod and pollock. I think the Council should qualify communities that have any type of fishing history in the last 10 years for the Community Fisheries Quota program.

We talked about allot of issues at the Community Protections Committee meeting. I had read the proposed motion and staff report but the more we discussed the program, the more issues surfaced. Council member Nelson did a good job in getting issues on the table and providing committee members opportunity for input. The committee will need more time to work toward resolving these issues and to make a set of recommendations to the Council.

At the last committee meeting, much of our discussion seemed centered on Kodiak — what was good for Kodiak or what Kodiak could support -- we heard that phrase several times "Kodiak could support this or not support that". I understand that Kodiak is the largest fishing port in the Gulf but I also want to stress that Gulf Rationalization covers at least 4 areas and 20 communities outside of Kodiak. Kodiak shouldn't act like they have a veto on what the smaller Gulf of Alaska communities seek to develop for consideration by the Council. I trust, when we meet again, Kodiak won't try to dominate the discussion.

Chenega strongly supports the conceptual framework presented by the GOACCC for the Community Fisheries Quota share program. We think a single management entity should be the recipient of groundfish CFQ. The management entity, subject to the limitations of using

community residents to fish the quota and shoreside delivery, should be focused on using its quota for efficient revenue generation. Revenue from fishing quota would be distributed to community CQEs. . Chenega fishermen may be able to fish some of the quota issued to the management entity but they will be guaranteed the opportunity to fish the quota purchased by the community CQE. The money from the management entity will help the CQE purchase quota.

I should note that if the Community Fisheries Quota is distributed directly to the qualifying communities, our fishermen won't be able to catch several species. For example, our boats are not big enough to catch deep water flatfish or rockfish. However, if Chenega fishermen receive a portion of the rents through the management entity from the fishing of deep water flatfish, we can then use this money to buy codfish and or halibut quota that is easily fished by Chenega residents. Again, the GOACCC model would work for Chenega.

I've heard the proposal to consider "funding" the Community Fisheries Program through a tax on quota transfers after the rationalization program is established. This "deficit funding" or "attenuated funding" offends me. Why should the communities be singled out as the one stakeholder in the motion that isn't fully funded. I believe the community claims may be superior to those of fishermen or processors when deciding, as a matter of public policy, who should have harvest rights to the public's resources.

Some folks have argued that the value the CFQ won't be high enough to really help the communities. This isn't true. Although the values are less than in the Bering Sea, there still will be income sufficient to help our communities—and in a community like Chenega this will really help our fisheries based development plans. However, "future funding" the program makes it increasingly difficult to actualize the benefits from the CFQ.

In summary, Chenega and the communities in our region request that you allow the smaller Gulf of Alaska fishing communities to continue working together to craft a Community Fisheries Quota program that will work.

Thank You

C-2 PT: Chuck Totemoff
12-9-04 4:50pm
handout

CHENEGA CORPORATION

Phone: 907.277.5706
Fax: 907.277.5700
E-mail: chenega@chenegacorp.com

4000 Old Seward Hwy, Suite 101, Anchorage, Alaska 99503

December 8, 2004

Stephanie Madsen, Chair
North Pacific Fishery Management Council

Dear Ms. Madsen:

I am writing in support of the establishment of a Community Fisheries Quota ("CFQ") and Community Purchase Program ("CPP") as part of the proposed rationalization of groundfish in the North Gulf of Alaska. The Village of Chenega is located in Chenega Bay, on Evans Island, in the heart of Prince William Sound. As a coastal community, fishing has always been an integral part of our traditional culture and economic wellbeing.

In 1964 the old village of Chenega was destroyed by a series of tidal waves caused by the infamous 1964 earthquake. As a result, the people of Chenega were dispersed and resettled in various communities throughout South Central Alaska. After years of dedication and hard work, a new village was founded in 1984 in the current location at Chenega Bay. In such an isolated location, with no road service and very limited ferry service, the sole economic engine for the community was commercial fishing. Unfortunately, disaster again struck the Chenega community when the Exxon Valdez ran aground in Prince William Sound. Chenega is located within the area of Prince William Sound that generally sustained the highest level of injury from that accident. The ability of villagers to engage in commercial fishing was drastically impacted, causing a severe blow to Chenega's economy. As a result, many villagers began to move to other areas of Alaska in order to find work.

The proposed CFQ and CPP programs are an important means for providing economic growth and stability to isolated coastal communities. This program would provide a vital and sustainable economic base not only for those directly engaged in the harvesting of fish, but for the entire village. This economic stability is critical to the continued health of the community as a whole, allowing fishermen and their families to remain in or return to Chenega to live and participate in the community. Equally as important, it will provide the people of Chenega with a tie to their cultural values by allowing them to productively fish in their traditional waters.

The CFQ program would be a tremendous benefit to numerous coastal communities, including Chenega, and be a valuable and sustainable economic base for the entire region. Thank you for your consideration.

Sincerely,

CHENEGA CORPORATION

Charles W. Totemoff
President/CEO

12/10/04 Dr. Sven Hawkinson, Jr.
Public Test: Sam

OUR

ARCTIC PROVINCE

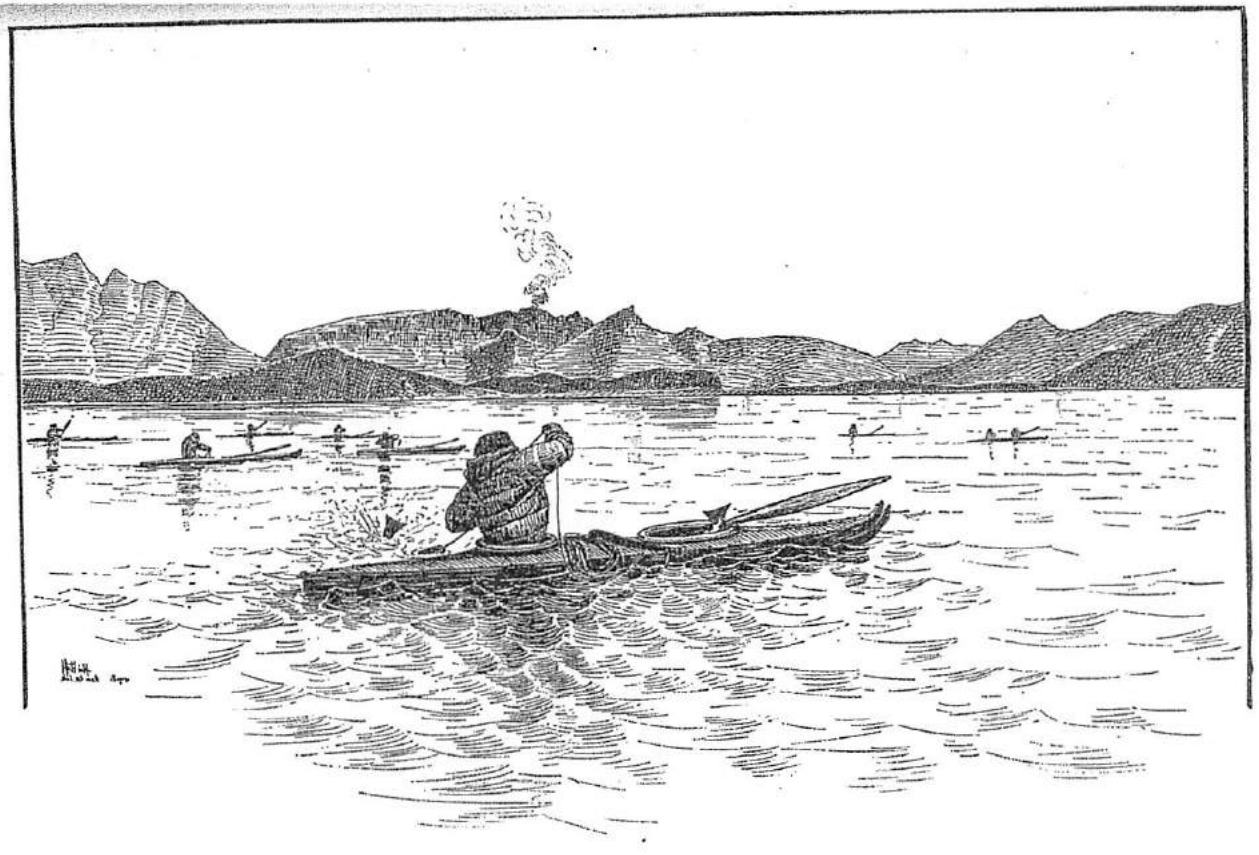
ALASKA AND THE SEAL ISLANDS

BY

HENRY W. ELLIOTT

ILLUSTRATED BY MANY DRAWINGS FROM NATURE, AND MAPS

NEW YORK
CHARLES SCRIBNER'S SONS
1886

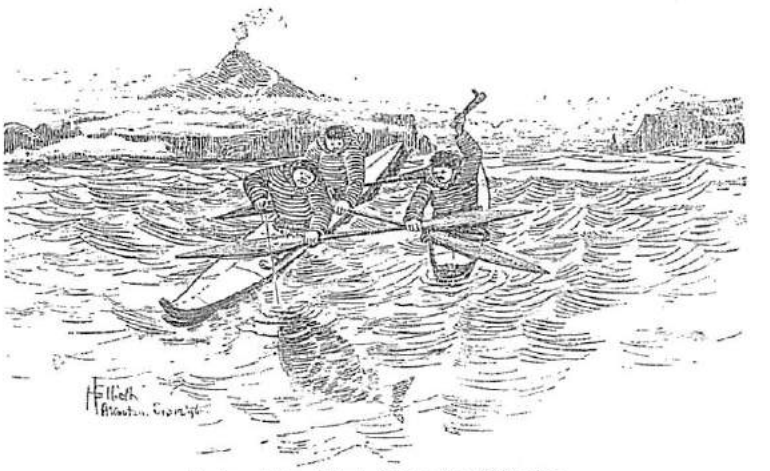


OONALASHKAN NATIVES COD-FISHING

An Aleutian Fisherman and Bidarka hooking "Treesca" in Oolachta Harbor, Oonalashka Island

lieved of the great Alaskan curse of mosquitoes: he also walks the moors and hillsides secure in never finding a reptile of any sort whatever—no snakes, no lizards, no toads or frogs—nothing of the sort to be found on the Seal Islands.

Fish are scarce in the vicinity of these islands. Only a few representatives of those families which can secrete themselves with rare cunning are safe in visiting the Pribylovs in summer. Naturally enough, the finny tribes avoid the seal-churned waters for at least one hundred miles around. Among a few specimens, however, which



Aleutes catching Halibut, Akootan Pass, Bering Sea.

I collected, three or four species new to natural science were found, and have since been named by experts in the Smithsonian Institution.

The presence of such great numbers of amphibian mammalia about the waters during five or six months of every year renders all fishing abortive, and unless expeditions are made seven or eight miles at least from the land, unless you desire to catch large halibut, it is a waste of time to cast your line over the gunwale of the boat. The natives capture "poltoos" or halibut, *Hippoglossus vulgaris*, within two or three miles of the reef-point on St. Paul and the south shore during July and August. After this season the weather is usually so stormy and cold that fishermen venture no more until the ensuing summer. *

* The St. George natives have caught codfish just off the Tolstoi Head early in June; but it is a rare occurrence. By going out two or three miles

Jerome Selby Pub Test Handout
Cecil Ranney 12/10/04 9am

Introduced by:	KIB Assembly
Requested by:	KIB Assembly
Drafted by:	Mayor Selby
Introduced:	12/02/2004
Amended:	12/02/2004
Adopted:	12/02/2004

KODIAK ISLAND BOROUGH
RESOLUTION NO. FY 2005-09

A RESOLUTION OF THE KODIAK ISLAND ASSEMBLY ENDORSING CERTAIN ELEMENTS FOR A SUCCESSFUL GULF OF ALASKA GROUNDFISH RATIONALIZATION PLAN

WHEREAS, the fishing industry of the Gulf of Alaska groundfish fisheries has requested that the North Pacific Fisheries Management Council develop a rationalization plan for the Gulf of Alaska; and

WHEREAS, rationalization could allow fishers to meet conservation concerns, improve safety at sea, and allow the industry to become more economically efficient and more competitive in world fishery markets by extracting the most amount of value for every fish caught; and

WHEREAS, Kodiak Island is at the center of the Gulf of Alaska groundfish fisheries, with the largest share of groundfish landings, with a diverse fishing community that includes vessel owners, skippers, crew members, processor workers and processors; and

WHEREAS, the Kodiak Island Borough is dependent on groundfish through investments in shore based processing facilities, support infrastructure, and catcher vessels as well as the economic base of the value of the fish; and

WHEREAS, the seafood industry is the largest sector of the Kodiak economy, accounting for over 2,800 12-month jobs, and contributing nearly 70 percent of Kodiak's basic economy; and

WHEREAS, Kodiak Island is the largest employer of processing workers in the State of Alaska who are residents of the community and who make up a large portion of the social and cultural fabric of Kodiak; and

WHEREAS, any reduction in the volume of product coming to the Island processors will have a dramatic long term effect on the local economy as a whole and processor workers in particular; and

WHEREAS, long term stability and sustainability of Kodiak Island Coastal Communities could potentially be impacted by Gulf Rationalization; and

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH THAT the North Pacific Fisheries Management Council should adopt a rationalization plan that provides long term stability and sustainability to the Kodiak Island communities by:

Section 1: Protecting Kodiak Island's port landings and on shore processing through Regionalization of historical catch landings. This should include phasing out of the off shore processing sector.

Section 2: Maintaining an independent harvester fleet while allowing for meaningful reduction of excess capacity and instituting reasonable quota share ownership caps to control excessive consolidation. Access rights should be structured to encourage that ownership of the rights remain within the community.

Section 3: Developing a Community Fishery Quota (CFQ) and Community Purchase Program (CPP) for stability and sustainability of Kodiak Island communities. Any quotas allocated to coastal fishing communities must be fished by regional residents and processed by shore based processors in the region.

Section 4: Establishing an entry level fishery opportunities.

AND NOW, BE IT FURTHER RESOLVED BY THAT the Governor of Alaska is requested to transmit the Kodiak Island Borough's request for the above items to be included in the North Pacific Fisheries Management Council's Gulf of Alaska Groundfish Rationalization Plan.

ADOPTED BY THE KODIAK ISLAND BOROUGH ASSEMBLY THIS SECOND DAY OF DECEMBER, 2004

KODIAK ISLAND BOROUGH

Jerome M Selby

Jerome Selby, Mayor

ATTEST:

Laura J. Casey for

Judith A. Nielsen, CMC, Borough Clerk

Carolyn Floyd, Mayor of Kodiak
Joe Sullivan
Pub. Test handout
12-10-04 845am

Gulf of Alaska Groundfish Rationalization
Agenda Item C-2

City of Kodiak Comments
December 8, 2004

The Kodiak City Council has had several work sessions concerning this agenda item. The attached resolution reflects opinions expressed and positions taken by City Council members in those work sessions. The resolution has been reviewed by the City Council but has not yet been formally adopted. It represents the City's current position on the matters it addresses, but may be revised before it is adopted.

The following comments expand on the points addressed in the attached resolution.

Groundfish harvesting and processing are a very important component of Kodiak's economy. Recent trends have accentuated the importance of groundfish to Kodiak. According to a McDowell Group study done in November 2002, salmon harvests by Kodiak Borough residents increased in volume by 20% but decreased in volume by 66% between 1999 and 2002. At the same time, the ex-vessel value of the Bering Sea opilio and King crab, which have traditionally been important to Kodiak's fleet, declined by 64%. The salmon and crab fisheries have not yet recovered from these declines.

Increases in the ex-vessel value of halibut associated with the shift to IFQ management have benefited the Kodiak fleet. However, that benefit has been offset to a significant degree by a shift in halibut landings to Homer and Seward, where prices are typically higher, resulting in lost employment opportunities for Kodiak's resident processing workforce. Further, under the Bering Sea crab rationalization program, Kodiak processing facilities qualify for substantially smaller amounts of processor quota shares than representative of their long term historical crab processing activity.

Under these circumstances, Gulf of Alaska groundfish has become increasingly important resource to the City's fishermen and processors. At the same time that the resource has become a more important to the City, it has declined in volume, as the result of declines in pollock and cod stocks and lost fishing opportunities resulting from Steller sea lion protection measures. As a result, the City can ill afford to give up any of the Gulf groundfish that is harvested or processed by City residents.

Rationalization offers potential benefits through safer, more efficient harvests and the potential for higher valued products, but could have adverse collateral effects.

The City recognizes that rationalization offers an opportunity to improve the safety and efficiency of Gulf groundfish fishing operations, and could make it possible for Kodiak processors to produce higher value products from groundfish deliveries. The

City appreciates that rationalization is an important step toward maintaining Kodiak's competitive position in a worldwide seafood market.

However, the City is quite concerned that allocating fishing and/or processing privileges can have potentially disruptive effects on communities such as Kodiak.

Allocating fishing privileges can make it much more difficult for second and subsequent generation participants to access the affected fishery. Allocating processing privileges can impair healthy competition, resulting in lower prices to fishermen. Rationalization could result in landings that have traditionally come to Kodiak because of its proximity to the fishing grounds shifting to communities such as Homer and Seward that have the advantage of road system access, making the fishery-related capital investments of the City, its fishermen and its processors liabilities instead of assets.

The City believes therefore believes that Gulf groundfish rationalization program should contain components that offset its potential adverse effects on the fishermen and processing workers of Kodiak.

The City also, appropriately, brings a uniquely Alaska perspective to the issue of how to do so. The City recognizes that much of the pollock and cod harvested in the Gulf have been taken in waters of the State, both under the federal TAC in the "parallel" fishery and under the State allocation that is harvested when the federal fishery is closed.

The City understands that a State waters component will be essential to the success of the Gulf groundfish rationalization program. The City strongly believes that State sovereignty should be fully exercised over that component of the program.

Under the Alaska Constitution fishing privileges allocations must be made with the "least possible impingement" on the clauses of the Alaska constitution that provide that "fish . . . are reserved to the people for their common use" and "laws and regulations governing the use or disposal of natural resources shall apply equally to all persons similarly situated".

The "least impingement" principle has been interpreted to permit unequal allocations of fishing privileges based on individual catch histories, provided that such allocations are of limited duration, are subject to adjustment based on biological, economic or social changes, and do not unduly impair opportunities for all State residents to access the fishery. In other words, these privileges must be substantially different than those contemplated under a traditional IFQ model. The City believes it is necessary and appropriate that the State waters component of the Gulf groundfish rationalization program be structured in compliance with these constitutional principles.

The first three points on the attached resolution are intended to address the City's concerns regarding the potential adverse effects of rationalization, and to promote compliance with the Alaska constitution's requirements.

First, to address the concerns of City residents who are concerned that rationalization could deny fishery access to persons without a significant amount of capital to invest in fishing privileges, the City considers it important that the Gulf groundfish rationalization program include an entry level fishery that could be accessed by harvesters who did not hold a Federal or State limited access privilege. This function is currently being served by the State groundfish allocation that is harvested inside 3 miles when the Federal fishing season is closed. It is possible that this function could continue to be served by preserving an entry level fishery in the State waters component of the rationalization program, or and/or by including an entry level fishery in the Federal component of the program as well.

Second, the City considers it important that any allocation of harvesting (and, if adopted, processing) privileges should be structured to enable participants to "stair-step" into greater engagement as they become capable of doing so.

Third, the City considers it important that the rationalization program include a regionalization provision that will reduce the risk that Kodiak and other similarly situated Gulf communities could suffer economic and social disruption as the result of landings shifting to road system ports.

The City of Kodiak also supports Community Fisheries Quota and Community Purchase Program elements of the Gulf groundfish rationalization program, on the condition that they are structured to adequately protect the City's interests.

The City recognizes that a community fisheries quota ("CFQ") program could provide an opportunity for small Gulf coastal communities to enhance their residents' participation in the Gulf groundfish fishery. Further, Kodiak acknowledges the Council's choice to define the CFQ program eligibility requirements to focus the program on small coastal communities, to simplify CFQ program governance issues, and to achieve substantial benefit for eligible communities at a reasonable CFQ allocation level.

However, Kodiak believes that it is important for the Council to recognize that Kodiak's harvesting and processing sectors are heavily engaged in and dependent upon the Gulf groundfish fishery. From Kodiak's perspective, CFQ program quota funding will be, in significant part, a transfer of economic activity from Kodiak to communities that do not currently have the engagement in or reliance upon the Gulf groundfish fishery that Kodiak does.

Notwithstanding this concern, the City of Kodiak is willing to support a Gulf groundfish CFQ program with a community eligibility threshold of 1500 residents or less, on the condition that the program includes elements that will offset to some extent the direct loss of fishing and processing opportunities Kodiak will suffer by contributing to its funding. Those elements include the following.

First, Kodiak believes the Council should seek methods for funding the CFQ program that permit it to make an appropriate allocation without disrupting the

economies of Gulf of Alaska communities with substantial engagement in and dependence upon the Gulf groundfish fisheries. A method for doing so that deserves serious consideration is funding the program by "taxing" the first transfer of fishing privileges at some reasonable level, rather than taking the CFQ allocation "off the top" of initial quota share allocations.

Second, the City believes CFQ should be required to be harvested by residents of the eligible communities, and delivered on shore within the region of their allocation. The City believes that these requirements will provide Kodiak businesses with secondary economic benefits from the program that will help offset its cost to the community.

Kodiak also supports adoption of the community purchase (CPP) program, on the condition that the City of Kodiak is made an eligible community. Kodiak believes that a properly structured CPP could potentially be one of the most effective methods for providing Gulf coastal communities with the ability to maintain participation by their residents in the Gulf groundfish fishery, by acquiring harvesting privileges for use by their residents. To address concerns that participation in the program by larger communities could impair its benefits to smaller communities, Kodiak suggests that the CPP program include reasonable limits on the amount of harvesting privileges that any single eligible community may hold.

Finally, the City of Kodiak reiterates its request that, if Gulf groundfish rationalization includes a processor license limitation component, a processor license be allocated to the City of Kodiak for the Gibson Cove facility. The Gibson Cove's plant's value to the City is in large part based on its potential use as a processing plant. The City believes that it should retain the opportunity to offer that plant to the market with that potential use if Ocean Beauty terminates its lease of the facility.

DRAFT

A RESOLUTION OF THE CITY OF KODIAK ENDORSING CERTAIN ELEMENTS OF A GULF OF ALASKA GROUNDFISH RATIONALIZATION PROGRAM

WHEREAS, the fishing industry has requested that the North Pacific Fishery Management Council develop a fishery rationalization plan for the Gulf of Alaska groundfish fisheries; and

WHEREAS, the effectiveness of any Gulf of Alaska groundfish rationalization plan will depend upon its extension to both the waters of the State of Alaska and to the waters off Alaska under Federal fishery management; and

WHEREAS, any rationalization plan implemented in Alaska's waters must recognize the sovereignty of the State over those waters and must comply with the State of Alaska Constitution's "least impingement" standard, and therefore must not create exclusive privileges to State resources of indefinite duration, nor close access to State resources to its residents; and

WHEREAS, the economy of the City of Kodiak is highly dependent upon the revenues generated from the Gulf groundfish fisheries by fishing and fish processing businesses, the employment of its resident fishermen, crew members and fish processors, and the goods and services purchased from numerous businesses that directly and indirectly support the Gulf groundfish industry; and

WHEREAS, the City of Kodiak and its residents have made extensive capital investments to support the Gulf groundfish fishing industry, in water system expansions and improvements, port expansions and improvements, and the construction of a highly sophisticated fishing vessel fleet and extensive processing facilities; and

WHEREAS, the City of Kodiak's economic and social health is therefore intimately dependent upon the community's sustained participation in all aspects of the Gulf groundfish fisheries; and

WHEREAS, fishery rationalization could enable fishermen to more effectively address conservation concerns and improve safety at sea, and enable harvesters and processors to produce more products and products of higher value from the available resource while conducting their operations more efficiently, thereby making the fishery more competitive in world markets; and

WHEREAS, on the other hand, fishery rationalization can result in migration of landings from communities close to the affected fisheries to communities that have transportation and infrastructure advantages, such as road system access, and

WHEREAS, allocating exclusive fishing and/or processing privileges can create barriers to entry for second generation participants, disadvantage those engaged in or reliant upon the fishery who do not receive such privileges (such as new fishermen, crew members and small scale processors), and can impair healthy competition among fishermen and processors; and

WHEREAS, as a result, while fishery rationalization could produce benefits for some participants in the Gulf of Alaska groundfish fishery, certain measures are necessary and appropriate to insure that Gulf of Alaska fishery rationalization recognizes the sovereignty of the State of Alaska over its waters, and complies with the Alaska Constitution's requirements, and that such program mitigates the potential adverse effects of fishery rationalization on communities such as the City of Kodiak and on its businesses and residents;

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF KODIAK THAT the North Pacific Fishery Management Council and the State of Alaska are encouraged to develop an implement a combined and coordinated fishery rationalization program for the State and Federal Gulf of Alaska groundfish fisheries, that:

1. includes a reasonable groundfish allocation which may be harvested and processed without holding any Federal or State dedicated access privilege, subject to restrictions that the State of Alaska may deem necessary to maintain the entry level character of such allocation;

2. includes reasonable limits on consolidation of harvesting and (if incorporated in such program) processing privileges, and maintains a reasonable number of small and medium sized harvest privilege units which will not be lost through consolidation;

3. designates Federal harvesting privileges by region to reflect landing patterns similar to those occurring prior to program adoption, and requires that fish harvested under such privileges be landed in their designated region;

4. includes a community fisheries quota program that provides an opportunity for small Gulf coastal communities to enhance their residents' participation in the Gulf groundfish fishery, on the conditions that the allocation to such program does not disrupt other Gulf of Alaska fishery dependent communities by displacing their fishermen, is required to be harvested by residents of the eligible communities, and requires that harvests made under such program be delivered on shore within the region of their allocation;

5. includes a community purchase program that provides Gulf coastal communities with the opportunity to maintain participation by their residents in the Gulf groundfish fishery by acquiring harvesting privileges for use by their residents, on the conditions that the City of Kodiak is an eligible community, and such program includes reasonable limits on the amount of harvesting privileges that any single eligible community may hold;

6. if such rationalization program includes a processor license limitation component, the program allocates a processor license to the City of Kodiak for the Gibson Cove facility.

Pub Test. handout
12-10-04 11:15am
Steve Dean

City of Homer
Port / Harbor

4350 Homer Spit Road
Homer, Alaska 99603-8005

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December 8, 2004

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 West 4th Ave., Suite 306
Anchorage, AK 99501-2252

Re: Agenda Item C-2, Gulf of Alaska Groundfish Rationalization

Dear Members of the NPFMC,

The City of Homer continues to support NPFMC efforts toward Gulf of Alaska Groundfish Rationalization. The plan as proposed will promote safety at sea, allow for more orderly catch management and promote conservation goals of reduced by-catch and wastage.

Gulf of Alaska groundfish fisheries have a long history of vital importance to our local longline, pot and jig fleets, processors, dock workers and the Port of Homer. (Graph attached)

The City of Homer owns and operates a high production ice plant, 24 hour open access cranes for off-loading and has ample land available for additional processing capacity. This infrastructure investment represents a commitment to our fishing fleet to provide opportunities for high quality product being shipped to the markets efficiently and cost effectively.

The regionalization provision under consideration by NPFMC for inclusion in the Gulf of Alaska Rationalization Plan would present a significant barrier to the goals of attaining the best value and highest quality product. Our small local processors fully utilize existing transportation links to ship high quality fish to worldwide markets. Opportunities for innovative expansion of these markets would be impaired by the proposed delivery restrictions. The City of Homer supports a market driven plan that would allow open deliveries for the fixed gear catcher fleet. Any regionalization provision that is adopted to ameliorate short-term industry adjustments should necessarily and specifically be phased out to allow the fishers to seek and achieve the highest value for their catch.

Thank you for the opportunity to participate in the discussion.

Steve Dean

Steve Dean, Port Director/Harbormaster

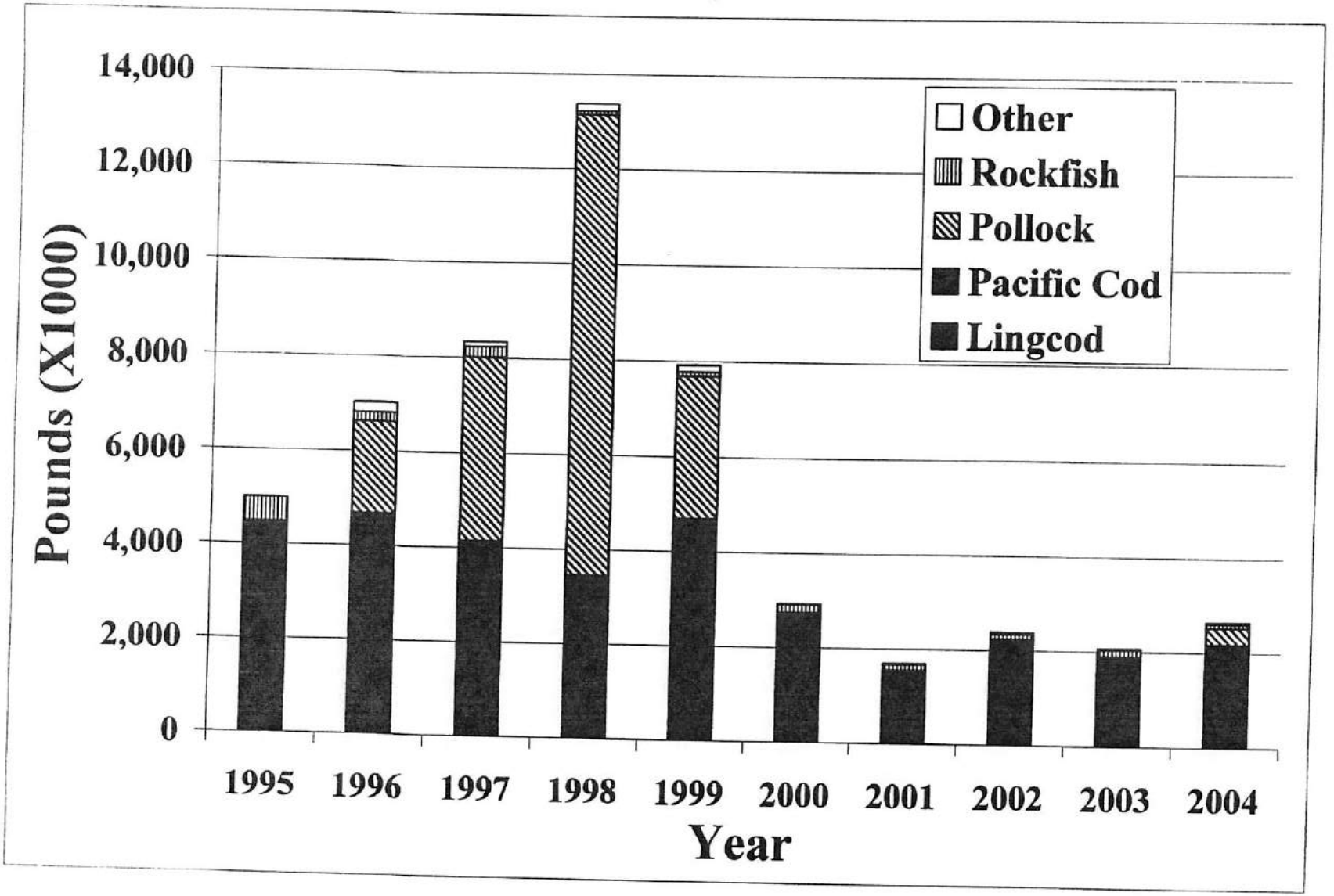

Figure 1. Cook Inlet Area state waters groundfish harvest by species or species group, except sablefish, during 1995 through August 2004. (ADF&G, Trowbridge, personal communication)

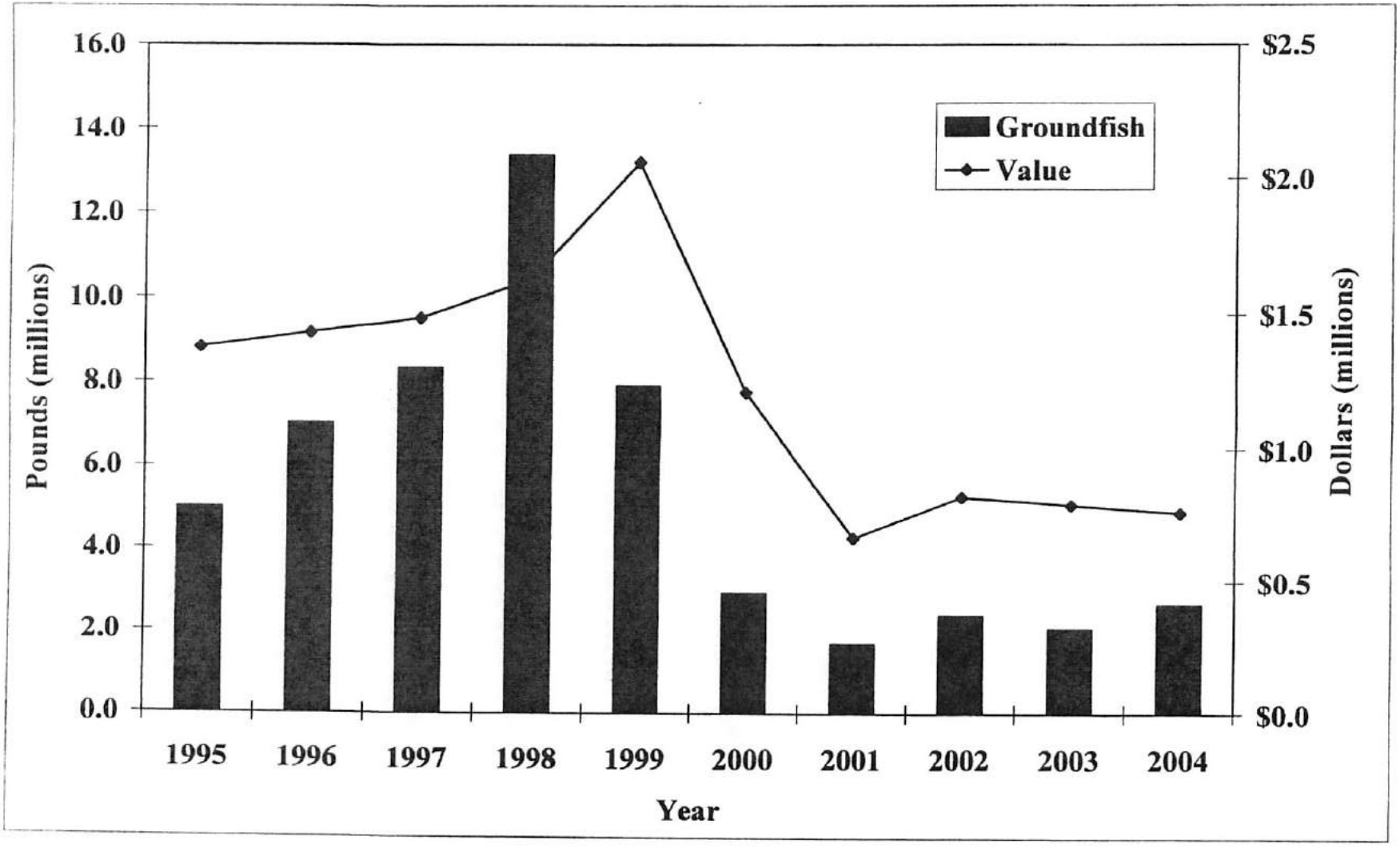

Table 2. Cook Inlet area state waters groundfish harvest and estimated exvessel value 1995 through August 2004. (ADF&G, Trowbridge, personal communication)

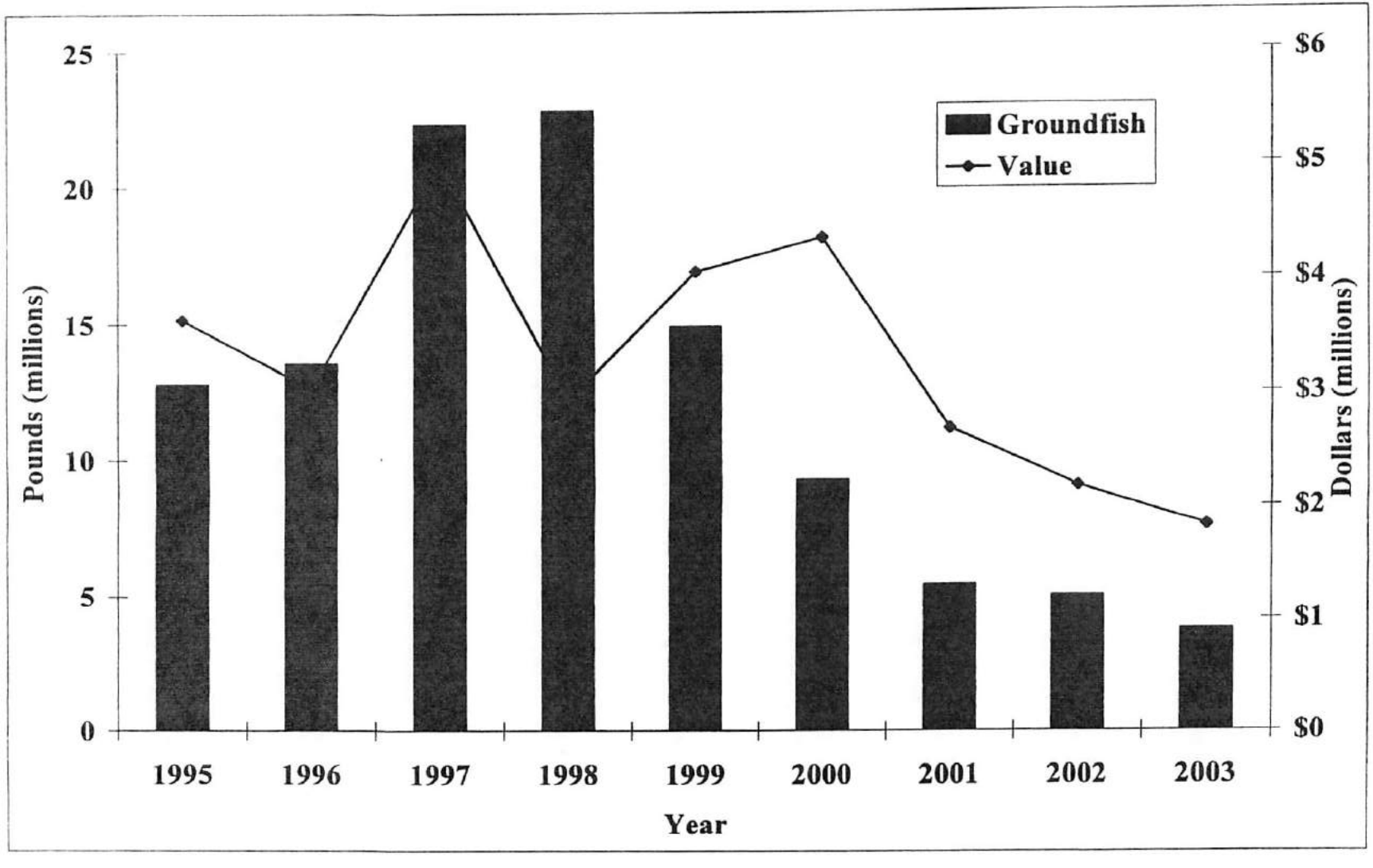

Table 3 Landings from state and federal groundfish fisheries and estimated exvessel values for the Kenai Peninsula ports of Homer, Seward, Kasilof, Kenai, and Ninilchik during 1995 – 2003.

(ADF&G, Trowbridge, personal communication)

PubTest handout: Buck Laukitis
12-10-04 11:20am

KENAI PENINSULA BOROUGH

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BOROUGH ASSEMBLY

December 7, 2004

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Dear Ms. Madsen:

Please accept the following as comments for Agenda Item C-2, "Gulf of Alaska Groundfish Rationalization," before the North Pacific Fishery Management Council.

In November of 2003, the Kenai Peninsula Borough Assembly passed Resolution 2003-122 opposing processor shares due to the detrimental economic effect it would have on processors and fishermen that do business within the Kenai Peninsula Borough. We feel that the current proposed alternative of regionalizing goundfish deliveries would have the same chilling effect on our processors and fishermen. Therefore, we continue to be opposed to regionalization.

We request that the NPFMC consider and analyze the following options as alternatives to regionalization of all deliveries.

1) A phase out of the required regional deliveries of groundfish after five years.

This option would allow processors and fishermen to develop and establish markets without concern for competition that may shift groundfish deliveries to other ports. In the long term it would allow the delivery of fish and products to the most efficient markets. Regionalization at the state level is contrary to our current national policy to support free markets and eliminate trade barriers.

2) An exemption of fixed gear shares from the regionalization concept.

Our resident fishermen participate in groundfish fisheries throughout the state. The majority of the fishing fleet within the Kenai Peninsula Borough utilizes the fixed gear method of harvesting groundfish. Once the race for fish is no longer necessary under rationalization, our residents should be allowed to deliver to their homeports if they so desire.

As the salmon crisis has proven, our biggest concern should not be with the location of the deliveries of fish within the state but in the competition from farmed fish and other fish sources worldwide.

Thank you for considering these points and for the work that all of the members of the North Pacific Fishery Management Council does in managing fish and ocean habitat in the North Pacific.

Sincerely,

Gary Superman, President
Kenai Peninsula Borough Assembly

CC: Senator Ted Stevens
Senator Lisa Murkowski
Representative Don Young
Governor Frank Murkowski
Kevin Duffy, Alaska Commissioner of Fish and Game
Senator Tom Wagoner
Senator Gary Stevens
Senator Con Bunde
Senator-Elect Albert Kookesh
Senator Georgianna Lincoln
Representative Mike Hawker
Representative-Elect Woodie Salmon
Representative Mike Chenault
Representative Paul Seaton
Representative Kelly Wolf
Representative-Elect Kurt Olson

C-2 PT handout
Patty Brown-Schwalenberg
12-10-04 1:45pm

Chugach Regional Resources Commission

Chenega Bay

Eyak

Nanwalek

Port Graham

Qutekcak Native Tribe

Tatitlek

Valdez Native Tribe

Testimony of Patty Brown-Schwalenberg, Executive Director
Chugach Regional Resources Commission
to the North Pacific Fisheries Management Council

December 10, 2004

Madam Chair and Members of the Council:

Thank you for the opportunity to provide testimony to the North Pacific Fisheries Management Council regarding the Gulf of Alaska Groundfish Rationalization Community Provisions. I would also like to express my appreciation for the Council's formation of a Community Protections Committee and support their continued work.

I represent the Chugach Regional Resources Commission (CRRC), a Tribal nonprofit organization comprised of the seven Tribes located in Prince William Sound and Lower Cook Inlet. CRRC was formed by the Tribes to collectively address mutual concerns and issues regarding stewardship of the natural resources, subsistence, the environment, and to develop culturally appropriate economic projects that promote the sustainable development of their natural resources. As such, we offer the following comments.

There are four villages within our organization that are affected by this proposal: Tatitlek and Chenega in Prince William Sound, and Nanwalek and Port Graham in Lower Cook Inlet. These communities have long depended upon the marine resources for their livelihoods, for subsistence as well as commercially. We are currently working with these four villages to participate in the recently established Community Quota Entity Program for halibut and sablefish. It is the desire of these communities to once again participate commercially in the groundfish fishery.

A Community Fisheries Quota (CFQ) option and a Community Quota Share purchase option are currently before the Council in regard to the proposal rationalization of groundfish to mitigate impacts and to ensure the sustained participation of fisheries dependent North Gulf of Alaska communities. The member Tribes of CRRC support the enactment of both of these options. The initial issuance of quota share to communities through a CFQ would be very beneficial in getting the fishery re-established, and once it

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A Tribal Organization Focusing on Natural Resource Issues Affecting the Chugach Region of Alaska

is stabilized, the ability to purchase further quota share would sustain the fishery far into the future.

If these community provisions are not enacted, it is our belief that the community fishermen will not be participating in the commercial ishery for very long. This would be a devastating blow to the local community economies of these villages. In 1995, the communities of Tatitlek, Port Graham, Nanwalek, and Chenega had 25,564 pounds of halibut IFQ in total. Currently, this figure has been reduced by 49%, for a total of 13,077 pounds. There must be a community quota system in place in order to prevent this scenario from repeating itself in the groundfish fishery.

The CRRC is currently working with these villages to develop economic opportunities through the development of shellfish farms, seafood processing businesses, salmon and shelfish hatcheries, as well as job opportunities through natural resource based projects and programs. In order to provide for a well-balanced economy, opportunities must be available for not only the village governments, but individual community members as well. This proposed program would be a perfect complement to what is currently in place today.

In conclusion, we believe the CFQ Program would make a dramatic impact on the local community economies now and long into the future, and we urge you to seriously considerate enactment. Thank you, once again, for the opportunity to provide our comments to you.

Respectfully submitted,

Patty Brown-Schwalenberg
Executive Director

John Gauvin
handout 12-9-04
11:20am

Central Gulf of Alaska Flatfish Project Report
December 1, 2004

Prepared for the Alaska Draggers Association and the Alaska Fisheries Development Foundation

Part One: Analysis of tradeoffs in target catch rates and halibut bycatch in Central Gulf of Alaska trawl fisheries and assessment of factors affecting the objective of increasing flatfish yields

Part Two: Summary of the development of halibut excluder devices for flatfish and cod fisheries in the Bering Sea and Gulf of Alaska and assessment of their potential use for increasing utilization of Central Gulf flatfish resources

Prepared in partial fulfillment of a contract between Gauvin and Associates, LLC and the Alaska Draggers Association

Prepared by:
John R. Gauvin
Gauvin and Associates, LLC
2104 SW 170th Street
Burien, WA 98166

TABLE OF CONTENTS

Part One: Analysis of tradeoffs in target catch rates and halibut bycatch in Central Gulf of Alaska trawl fisheries and assessment of factors affecting the objective of increasing flatfish yields

Executive Summary

Since the inception of halibut bycatch limits, flatfish fisheries in the Gulf of Alaska have consistently failed to achieve total allowable catch (TAC) limits for target flatfish species. For most major flatfish species, little more than a small fraction of the allowable biological catch (ABC) has been harvested each year. This analysis evaluates opportunities for increasing catches of flatfish species through improved utilization of the available halibut bycatch cap. Funding for this project was made available as part of the Alaska Fisheries Development Foundation's "Sea of Change" program grant received from the Department of Commerce.

An important aspect of any program to evaluate potential for increasing flatfish yields would be to evaluate the potential benefits from redeploying trawl fishing effort to areas where improvements in the tradeoff between target catch and halibut bycatch rates can be attained. In consideration of that objective, the Alaska Draggers Association (ADA) of Kodiak Alaska contracted for an analysis of the spatial aspects of the Central Gulf of Alaska flatfish fisheries, including an evaluation of related impediments to the goal of increasing flatfish catches. Our analysis is based on historical fishing locations and associated catch and bycatch rates from NMFS Observer data for Central GOA non-pelagic trawl fisheries for the period 1998-2002. A related objective to the spatial analysis is to evaluate the potential benefit from institutional changes in the fishery management system that would allow fishermen to take better advantage of fishing grounds with improved tradeoffs in target catch to halibut bycatch rates. This includes incentives from the management system as well as other regulatory constraints. Part Two of this report focuses on potential for gear modifications to reduce halibut bycatch rates as another means of increasing utilization of Gulf of Alaska flatfish resources within the available halibut bycatch allowance.

Specific questions for Part One are:

1. Are there significant and identifiable patterns in halibut abundance where flatfish and cod trawling occur, both on an annual or within-year seasonal basis?
2. Can areas be identified in the data for observed fishing for the last five years where catch rates of the target species are high relative to the halibut bycatch rate? Can areas where the reverse has occurred also be identified?
3. Given the relative strength of patterns in Central Gulf of Alaska non-pelagic trawl target catch and bycatch over the study period, what is the expected potential "upside" in terms of halibut savings from shifting fishing effort to more "efficient" locations (efficient in terms of lower halibut bycatch rates and potentially equal or even higher target catch rates)?
4. What mechanisms would need to be in place to allow trawl effort to shift to areas where relatively high target catch rates occur with lower relative halibut bycatch rates?
5. What institutional frameworks and incentive changes would likely have to be in place to bring about such halibut savings and increases in the utilization of the Central GOA flatfish resource?

Methods:
A literature search at the outset of our study revealed three previous evaluations of historical catch and bycatch data for the groundfish fisheries off Alaska. Similar to this study, the common objective for those reviews was to better inform fishermen and managers as to opportunities to reduce halibut bycatch and increase groundfish yields. Two of these studies focused on groundfish trawl fisheries for flatfish and cod, but their focus was limited to the Bering Sea. The third report covered both the Bering Sea and Gulf of Alaska but its subject fishery was the hook and line (demersal long line) fishery for Pacific cod and sablefish.

Despite these significant differences from the subject of this analysis, methods from those studies were a useful starting point for analysis of tradeoffs in target catch and halibut bycatch data. Given the inherent patchiness of non-pelagic trawl effort in the Central Gulf of Alaska, however, historical fishing effort requires evaluation at a greater level of spatial resolution than was done in any previous studies. Another identified gap from our review of previous works was that analysis of spatial data would benefit greatly from the use of a single index of the tradeoff between catch and halibut bycatch rates. This would allow simultaneous consideration of spatially-specific comparisons. For this reason, we developed a separate variable that served as an index of the tradeoff of target to bycatch rates. Specifically our index was the natural log of the ratio of target catch per unit effort to halibut bycatch rate per hour of fishing.

As in previous evaluations, our study relies on a careful examination of historical data in fishing. For our work, however, we opted to aggregate historical catch data into ten by ten kilometer grids covering the historically important Central Gulf trawl fishing areas over the last five years for which data are available. Previous studies have relied on grids as large as thirty-by-sixty nautical miles. With data sorted into these more spatially resolved grids, charts covering common fishing areas were produced. Comparisons of the tradeoffs between target catch to halibut bycatch rates were performed with data aggregated temporally into five year periods, annual periods, and finally aggregated monthly data over the five year period.

The specific method of evaluation was to visually compare differences in the index values for the ratio of target catch to halibut bycatch for specific fishing locations in the three temporal data groupings. Charts used for this review can be found in Appendices 2-4. Notes were then made as to the patterns in the relative values of the variables over the temporal periods. The consistency of patterns in the data between years and from month to month was of particular interest. Additionally, the degree to which such patterns appeared to be strong or weak based on the number of grids with similar values for a common fishing area was another primary focus of our admittedly subjective evaluation.

GIS analyses of fisheries data sometimes rely on "data contouring" functions in software packages to illustrate spatial and spatial/temporal patterns in fishery data. When there are sufficient data to cover a reasonably high number of relevant spatial blocks, contouring is useful for the purposes of smoothing the values or attempting to generalize spatial trends between data points. While such an approach would have likely reduced the tedium experienced from our analysis, we specifically opted not to use this approach. Contouring essentially creates extrapolated or "averaged" values across and between grids that, in our case anyway, did not appear to be useful given the patchiness of the data.

Results of the spatial analysis:
Employing the analytical approach described above, our study revealed sufficient patterns and identifiable and predictable spatial relationships to allow for halibut savings and increases in target

catch in non-pelagic trawl fisheries in the Central Gulf of Alaska. For the aggregate five-year dataset, fairly strong and consistent differences exist between fisheries and between fishing grounds within the fisheries. This finding was somewhat unexpected given that between-year variation would be expected to obscure such overall patterns. In fact, evaluation of the individual years for the different major target fisheries tended to confirm the same patterns that emerged from the five-year aggregate data despite specific fisheries where there is some evidence of between-year variation.

From the spatial analysis, the most obvious place to focus for improvements in usage of the trawl halibut bycatch allowance is shifting more Pacific cod effort from Portlock Bank and especially Chiniak and Ugak to alternative areas. Examples of alternatives areas with better tradeoffs are Albatross Bank, Sitkalidak, and the area between Trinity Islands and Chirikof. Currently, approximately 70% of the observed cod catch comes from Portlock Bank, Chiniak, and Ugak. Albatross Bank and Sitkalidak (Sitkalidak is included in the catch attributed to Albatross in Table 2 due to the spatial groupings used) and Trinity Islands comprise the remaining 30 percent of the cod catch over the period of interest.

A question emerges of why this fishing pattern occurs given that the apparent target cod catch to halibut usage ratios appear to be far better for Albatross/Sitkalidak and to some degree for Trinity Islands. In our judgment, it is not surprising that the trawl cod fleet is currently unable to make more use of the inherent advantage in tradeoffs in target catch to halibut bycatch from alternative fishing grounds farther from their homeport. The reason is that current open-access or derby-style management system provides little incentive for trawlers to travel to the potentially better fishing areas. Fishing alternative areas such as Albatross Bank would mean incurring additional travel time and expense. The cod fishery is currently able to attain its seasonal allowance of cod so there is little incentive to fish grounds with potentially better tradeoffs in halibut bycatch. To understand this, one has to remember that those halibut savings for additional flatfish fishing later in the year might not necessarily accrue to the very fishermen who incurred the added fuel expense to travel to the more distant fishing grounds.

Turning to target fishing for flatfish, a few of the most notable patterns for arrowtooth flounder, deep-water flatfish, and shallow-water flatfish merit discussion. Overall, fishing that targets shallow-water flatfish shows only minor promise in terms of increasing yields by directing fishing to areas with better tradeoffs of target catch to halibut bycatch or a different seasonal pattern. This conclusion, however, is based on the patterns in fishing that occurred recently, not the potential for fishing under different patterns or incentives.

The single most promising possibility for shallow-water flatfish appears to be a shift of effort into the more inshore blocks off Chiniak and Ugak. The fishing in those areas tended to produce relatively better tradeoffs in target catch to halibut bycatch ratios. A large fraction of the historical observed shallow-water flatfish catch has come from Ugak.

If effort can be shifted to inshore locations at Ugak and Chiniak, our data suggest that better tradeoffs in target catch to halibut bycatch could result. Such a shift would probably make halibut bycatch available to increase shallow-flats fishing but this would not necessarily translate alone into a large increase in shallow-water flatfish catch. This is because the relative halibut bycatch rate even for the areas with "better" tradeoffs in the shallow-flats fishery based on historical data is not radically different from areas with below average rates. Additionally, we have no way of knowing if such a

move to the inshore areas around Ugak would be feasible from a species composition perspective for shallow-water flatfish fishermen.

Regarding fishing attributed to arrowtooth flounder including some target fishing for rex sole, the pattern noted in the cod data for Albatross Bank and Sitkalidak and Trinity Islands versus Portlock Bank appears to apply once again. Our data show that arrowtooth and deep-flats target catch rates relative to halibut bycatch rates are relatively high for the Albatross Bank to Sitkalidak area as well as for Trinity Islands compared to rates on Portlock Bank. Catch of arrowtooth flounder and associated deep-water flatfish species on Portlock Bank comprises 35% of the overall catch in our data. This compares to about 15% for the Albatross/Sitkalidak and Trinity Islands areas combined. So once again, it appears that the target catch to halibut bycatch ratios are better outside of Portlock Bank but Portlock Bank is the area that dominates the catch. Chirikof Island is also an important area for arrowtooth flounder fishing with approximately 22% of the observed catch coming from that area, although much of this probably is attributable to at-sea processing vessels.

Seasonal aspects of halibut bycatch tradeoffs:
From our detailed evaluation of monthly data, it is evident that for the first month or possibly two months of the year, tradeoffs in the target catch to halibut bycatch are usually less advantageous than tradeoffs for the March-April time window. In reality, little cod fishing occurs in April but the lag time for data recording probably stretches NMFS' recording of catch into the first week of April. In any case, this suggests that starting the trawl cod fishery later than the current January 20th start date for most of the years in our data set would have afforded some benefits in terms of halibut savings and the ability to redirect those savings into increased flatfish catches.

It is also possible that trawlers might start fishing cod earlier than is optimal due to the perceived competition with the fixed gear cod fishery. The fixed and trawl sectors fishing cod shares the same cod TAC in the Gulf of Alaska. This suggests that the trawl fleet could benefit from a separate cod TAC in lieu of the current constructs where trawlers and fixed gear vessels compete for the same TAC. The lack of a separate allocation hence serves as a disincentive toward the goal of making best use of the available halibut bycatch allowance available to the trawl sector.

Additionally, it appears from our analysis that relatively poor tradeoffs in target cod catch to halibut bycatch rates occur in the fall months. Thus a reduction or elimination of fall cod fishing in favor of allowing more harvest in the late-winter and spring months for the shoreside trawl cod fleet also appears to hold benefits in terms of improvements in the tradeoffs of cod catch rates to halibut bycatch use. This could only practically occur via relaxation of the sea lion protection rules that currently govern the fraction of the cod catch that can be taken seasonally. Currently, no more than a fixed percentage of the trawl cod catch can occur during the spring months.

Since little fishing for shallow-water flats has occurred during the winter months, there is not much information for that time of year. Our scant data, however, do not suggest that halibut bycatch to target catch rates are necessarily promising for shallow flats during the winter.

Assessment of opportunities to expand flatfish catches via halibut savings from shifts of fishing effort and modifications to fishery management systems and management measures

In evaluating potential changes in management structures to take advantage of fishing areas with better tradeoffs in target catch to halibut bycatch rates, the question emerges as to whether a voluntary

bycatch avoidance such as the Sea State program used in the Bering Sea flatfish fishery would be sufficient. Our assessment is that a voluntary program would not be sufficient for the central Gulf of Alaska. This is because the challenge of controlling halibut bycatch in the Bering Sea flatfish fishery is generally more tractable than it is in the Central Gulf. From our experiences attempting to manage bycatch in both areas, we believe that spatial patterns in bycatch locations that emerge within seasons and annually for the Bering Sea flatfish fisheries are more predictable and reliable. Additionally, the relatively small number of participants in Bering Sea flatfish fishing and the homogeneity of that group allow bycatch avoidance based on peer pressure to be somewhat effective. Even so, we observe that when the number of participants increases with closures of other fisheries, the Sea State program for Bering Sea flatfish experiences problems as well.

Another Bering Sea example of industry bycatch management initiatives we considered were results from the cooperatives formed through the American Fisheries Act (AFA). These entities work to manage salmon bycatch through internal contractual agreements and an extensive data management system is used to provide daily bycatch rate data with associated fishing positions.

Pollock cooperatives use internal and inter-cooperative agreements to allow industry mangers to close off salmon bycatch "hot spot" areas. Controlling salmon bycatch is inherently difficult in the face of the highly-variable spatial aspects of salmon bycatch but concreteness of contractual agreements is likely a key element to the program's overall success. Such arrangements are only possible in the context of a rights-based management system. The bottom line is that individual accountability has removed the race for fish from the Bering Sea pollock fishery and this, in turn, has evolved bycatch management to a higher level despite the lack of predictability of salmon bycatch.

The example of industry initiatives for salmon bycatch management under the American Fisheries Act in the Bering Sea pollock fishery demonstrates that harvesting efficiency can be increased along with improved bycatch management. Given the spatial data we have examined, we conclude that halibut bycatch management in the Central Gulf of Alaska is attainable particularly in relation to salmon bycatch management in the Bering Sea. For this reason, it is very likely that Gulf of Alaska catcher vessels can improve bycatch management and increase yields of flatfish with those halibut savings. A change in the basic incentives of the fishery is the most important step in that process.

Facing a different set of incentives under some form of a rights-based or rationalized fishery, fishermen would without question redirect effort to areas and times of the year when target catch to halibut bycatch tradeoffs would be improved. Although fishermen may already possess ideas on how they would redirect their effort under a rationalized fishery, information from our review of historical data and formalized information sharing programs (such as Sea State in the Bering Sea) would nonetheless make the redirection of effort more effective and efficient.

Finally, our review suggests that some of the existing management constructs developed for other aspects of fishery management serve to reduce potential for halibut savings and increased yields of flatfish. The two most outstanding of these are the lack of a separate TAC for trawl cod and the sea lion regulations that mandate that a portion of the cod TAC be harvested at times of the year when target catch to halibut bycatch rate tradeoffs are less advantageous.

The lack of a separate TAC for trawl cod could amount to the continuation of a race for fish even if a rights-based management system is in place for trawlers. This situation would be expected to reduce the flexibility that trawlers need to redirect fishing to areas where halibut usage per unit of target catch

is lower. The clear solution here is to create a separate TAC for the trawl sector although this is undoubtedly a divisive issue.

Regarding the effects of seasonal divisions in the cod TAC due to sea lion protection regulations, the solution is probably more elusive. Sea lion protections have trumped other management objectives in the past. Given that rationalized fisheries can be expected to reduce the race for fish on a catch per day basis, perhaps the best approach may be to evaluate the possibility of modifying sea lion protections into catch per week or per day regulations. This alternative approach may offer a more efficient means of protection for sea lions. Such regulations could be implemented by the fishing industry via cooperatives or other structures with NMFS oversight.

For the shallow-water flatfish fishery, however, prospects for increasing yields through improved spatial management of the fishery have a more limited upside potential based on our assessment. It must be underscored, however, that the data used for this report are not a random survey of potential fishing locations and are limited to where fishing has occurred under the existing set of conditions facing the fisheries. Fishermen have expressed the opinion that the winter months may hold some seasonal advantages for shallow-water flatfish. Because little effort has historically occurred during those months, we are unable to adequately evaluate that potential.

The rather daunting overlap of the shallow-water flatfish resources with the halibut stock in the Gulf of Alaska does appear to limit the potential for success. A logical alternative focus for improving shallow-water flatfish fishing in the Gulf of Alaska is to focus on the development of an effective and feasible halibut excluder device. The relatively large size differential between target shallow-water flatfish species and the size of most of the halibut in the Central Gulf of Alaska seems to offer a great deal of potential for increasing yields of these flatfish through the use of a viable bycatch reduction device.

Part One: Analysis of tradeoffs in target catch and halibut bycatch in Central Gulf of Alaska trawl fisheries and assessment of factors affecting the objective of increasing flatfish yields

Fisheries for flatfish and cod in the Gulf of Alaska are managed under total allowable catch (TAC) limits and incidental catch allowances of halibut. Since the inception of halibut bycatch limits, flatfish fisheries in the Gulf of Alaska have consistently failed to achieve the total allowable catch limit for any of the target flatfish species. For some of the major species in the flatfish complex, such as arrowtooth flounder and flathead sole, little more than a small fraction of the allowable biological catch (ABC) has been harvested each year.

Halibut bycatch caps in the Gulf of Alaska are divided into quarterly halibut bycatch limits for deep and shallow-water species complexes. These halibut caps are applied fleet-wide in a derby-style fishery. A program of individual quota assignments for target and incidental catch species, however, is under consideration for these fisheries.

This analysis evaluates opportunities for increasing catches of flatfish species through improved utilization of the available halibut bycatch cap. One aspect of any program to increase yields would be to attempt to shift fishing to areas where target catch rates are high relative to halibut bycatch rates. In consideration of that objective, the Alaska Draggers Association of Kodiak Alaska has contracted for an analysis of the spatial aspects of the Central Gulf of Alaska flatfish fisheries. Our analysis is based on historical fishing locations and associated catch and bycatch rates from NMFS Observer data for

Central GOA non-pelagic trawl fisheries for the period 1998-2002. Considering the overall goal of increasing utilization of flatfish, attention is given to the question of what changes would be needed in the fishery management system to manage halibut bycatch more effectively and allow for increases in utilization of the GOA flatfish resource.

Objectives for the analysis

Our analysis relies on historical catch and bycatch data from observed hauls in the Central Gulf of Alaska non-pelagic trawl fisheries to investigate the following questions:

1. Are there significant and identifiable patterns in halibut abundance where flatfish and cod trawling occur, both on an annual or within-year seasonal basis?
2. Can areas be identified in the data for observed fishing for the last five years where catch rates of the target species are high relative to the halibut bycatch rate? Can areas where the reverse has occurred also be identified?
3. Given the relative strength of patterns in Central Gulf of Alaska non-pelagic trawl target catch and bycatch over the study period, and assuming such patterns persist into the near future, what is the expected potential "upside" in terms of halibut savings from shifting fishing effort to more "efficient" locations (efficient in terms of lower halibut bycatch rates and potentially equal or even higher target catch rates)? Note that we assume herein that there are essentially two practical forms for "upside" potential: 1) from savings of halibut bycatch in Pacific cod trawl fishing; and 2) from achieving a lower rate of use of halibut relative to flatfish catch in the flatfish target fisheries.
4. What mechanisms would need to be in place to allow trawl effort to shift to areas where relatively high target catch rates occur with lower relative halibut bycatch rates?
5. What institutional frameworks and incentive changes would likely have to be in place to bring about such halibut savings and increases in the utilization of the Central GOA flatfish resource?

Historical flatfish utilization in the Gulf of Alaska

The Alaska Dragger's Association and other components of the trawl industry in the Central Gulf of Alaska have a strong economic interest in increasing yields from the abundant flatfish resources of the Central Gulf of Alaska. Currently, Kodiak trawlers and shoreside processing plants are the only shoreside community component in Alaska with a significant economic dependence and historical utilization of the flatfish resources off Alaska. While most Kodiak trawlers and processors are currently using a portion of the flatfish resources such as rock sole, flathead and butter sole, rex sole, and arrowtooth flounder, their utilization of those species is only a fraction of what is available for exploitation based on NMFS' annual stock assessments. Table 1 below depicts the catch percentage of the annual total allowable catch (TAC) and available biological catch (ABC), the latter being the amount that scientists believe can be harvested annually without negatively impacting the reproductive potential of flatfish stocks.

Table 1: Comparison of Catch to TAC and ABC.

1999	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,740	2,740	1,865	68%	68%
Rex sole	5,490	5,490	2,393	44%	44%
Arrowtooth	155,930	25,000	11,900	8%	48%
Flathead sole	15,630	5,000	687	4%	14%
Shallow flats	19,260	12,950	2,298	12%	18%

Table 1. (continued)

2000	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,710	2,710	816	30%	30%
Rex sole	5,660	5,660	2,701	48%	48%
Arrowtooth	97,710	25,000	17,639	18%	71%
Flathead sole	15,720	5,000	1,274	8%	25%
Shallow flats	16,400	12,950	6,319	39%	49%

2001	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,710	2,710	667	25%	25%
Rex sole	5,660	5,660	2,506	44%	44%
Arrowtooth	99,590	25,000	13,441	13%	54%
Flathead sole	15,720	5,000	1,311	8%	26%
Shallow flats	16,400	12,950	5,955	36%	46%

2002	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,220	2,220	531	24%	24%
Rex sole	5,540	5,540	2,618	47%	47%
Arrowtooth	106,580	25,000	14,894	14%	60%
Flathead sole	11,410	5,000	1,724	15%	34%
Shallow flats	23,080	13,000	6,913	30%	53%

2003	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,220	2,220	912	41%	41%
Rex sole	5,540	5,540	2,716	49%	49%
Arrowtooth	113,050	25,000	21,711	19%	87%
Flathead sole	20,820	5,000	1,910	9%	38%
Shallow flats	21,740	13,000	4,446	20%	34%

Average 1999-2003	ABC	TAC	Catch	Catch/ABC	Catch/TAC
Deep-water flats	2,520	2,520	958	38%	38%
Rex sole	5,578	5,578	2,587	46%	46%
Arrowtooth	114,572	25,000	15,917	14%	64%
Flathead sole	15,860	5,000	1,381	9%	28%
Shallow flats	19,376	12,970	5,186	27%	40%

As can be gleaned from Table 1, flatfish TACs have historically been set lower than the highest allowable take amounts. This has been done to help manage the use of halibut bycatch in the GOA and create incentives to focus harvesting on species where economic tradeoffs are thought to be more advantageous for harvesters and processors. To help achieve the objective of maximization of revenues for the overall fishery under the halibut bycatch constraint, TAC has typically been set as a fraction of ABC for the fisheries where lower revenues per ton have occurred. Examples of species for which TAC has been set at low levels relative to ABC are arrowtooth flounder, flathead sole, and shallow-water flatfish species.

Pacific halibut is managed as a prohibited species for trawl fisheries. This means that halibut taken incidentally must be returned to the sea with minimal injury after they have been accounted for by at-sea fishery observers. The annual Gulf-wide Pacific halibut bycatch mortality cap is 2,000 MT. Halibut mortality caps in the GOA are further subdivided annually between shallow-water and deep-water trawl target fisheries. These caps are once again further subdivided into seasonal allocations for deep and shallow-water species except in the final seasonal allocation (October through December). In the final season, the halibut mortality allocation can be used by either fishery complex.

The intent of the subdivisions of halibut bycatch allowances is to allow trawl fishermen to pursue different fishing strategies within the constraints of fishery season dates and catch quotas while furthering the goal of groundfish utilization. In spite of the seasonal subdivisions, trawl halibut bycatch allowances have proven insufficient for utilizing groundfish resources governed under the bycatch caps, particularly some of the Gulf of Alaska's most abundant flatfish species.

Markets for flatfish products probably contribute to the relatively low percentage utilization of GOA flatfish resources as well. The exact degree to which markets are limited is not known and no quantitative studies of flatfish demand for GOA or Bering Sea flatfish species are available. As with many fishery products, however, market development opportunities can be affected by external demand factors, production constraints, or a combination of these two. For GOA flatfish, however, representatives of fishing and fish-processing sectors believe that flatfish harvests have never been sufficient in quantity or sufficiently consistent seasonally to allow for the full potential of market investment and development. In this sense, halibut bycatch caps may be a critical constraint to the development and utilization of GOA flatfish resources. This is because even if sufficient demand factors existed, more flatfish cannot be harvested without finding a means to alleviate the constraining factor of halibut bycatch.

Previous studies of halibut bycatch in groundfish fisheries in Alaska

In the 1990s, NOAA/NMFS in conjunction with other fishery management agencies funded three studies evaluating patterns in halibut bycatch in Alaska groundfish fisheries. These studies used PACFIN and NMFS Observer data to evaluate spatially-specific fishing data. The end goal of each study was to better inform fishermen and managers as to opportunities to reduce halibut bycatch and increase groundfish yields.

Two of these studies focused on groundfish trawl fisheries for flatfish and cod, but their focus was limited to the Bering Sea. The third report covered both the Bering Sea and Gulf of Alaska but its subject fishery was the hook and line (demersal long line) fishery for Pacific cod and sablefish. Despite these significant differences from the subject of this analysis, methods used for these studies are important examples of ways to analyze halibut bycatch data. For this reason, the methods in those studies are discussed briefly below.

An Alaska Fisheries Science Center technical report from the early 1990s (Norris et al. 1991) covers all the major Bering Sea bottom trawl target fisheries across a vast expanse of fishing area from Bristol Bay to the Aleutian Islands. The fishery data used for this report covered three years of joint venture and two years of domestic trawl effort. In the AFSC study, bycatch rates from observer data are presented in a comprehensive array of charts and tables detailing rates for catch per unit effort (in metric tons per hour) and halibut and crab bycatch rates (in kilograms per metric ton for halibut and number per ton for crab species managed under prohibited species caps). Target and bycatch rates are reported on a degree of longitude and half degree of latitude basis, which amounts to roughly 30 x 30 nautical mile blocks or 900 nautical miles squared per block, for summed catch and bycatch data per area or block.

The AFSC report for the trawl fisheries of the Bering Sea serves as a source for an analytical approach. Our study expands upon the methods used for that earlier study with the use of an index to simultaneously evaluate tradeoffs in target species catch rates and halibut bycatch rates. The AFSC report presents target catch and bycatch rates separately, which makes it more difficult to evaluate tradeoffs between the two. The identification of areas with relatively low bycatch rates for prohibited species is more meaningful in the context of how efficient fishing for target species would be in those locations because minimization of prohibited species catch is only part of the goal. Thus the simultaneous evaluation of that tradeoff in this study should facilitate identification of areas with better tradeoffs in target catch and bycatch.

In the late 1990s, a technical report by the International Pacific Halibut Commission set out to evaluate size-specific halibut bycatch patterns in the Bering Sea groundfish trawl fisheries in the mid-1990s (Adlerstein and Trumble, 1998). That report provides another useful example of ways to assess seasonal patterns and inter-annual trends in halibut bycatch in the Bering Sea. The IPHC study's incorporation of information on spatial patterns in bycatch in relation to the size (length) of halibut taken as bycatch is a unique and interesting attempt to establish a predicted relationship between bycatch locations and year class strength of halibut. The approach is useful to the key determination of locations where dominant halibut year classes could be expected to be relatively abundant. In this sense, the relevance of the IPHC report to halibut bycatch abundance is secondary to its attempt to elucidate relationships to halibut year class strength and spatial aspects in bycatch. Additionally, the spatial information provided in the report is not of a scale that would be very useful to the analysis of opportunities to redirect fishing to areas with better tradeoffs in target catch to bycatch rates.

Finally, a third Alaska study of halibut bycatch includes information on Gulf of Alaska locations where halibut bycatch has occurred at relatively high levels in the past. The study presents spatial information on halibut bycatch (in terms of kilograms of halibut per hook) in Bering Sea and Gulf of Alaska long line fisheries for Pacific cod, sablefish, and turbot during the late 1980s and early 1990s based on NORPAC data (Smoker, 1993). While the study was the only source we uncovered that dealt with halibut bycatch in Gulf of Alaska groundfish fisheries, there is reason to expect that long line fisheries encounter halibut differently from trawl fisheries. This is due to differences in timing of the two fisheries, depths fished, and the use of bait versus the dependence on fishing when fish are aggregated as occurs for trawls. Additionally, the spatial scale of the long line study is on a one degree by one degree basis (30 x 60 mile data blocks) and for purposes of reducing halibut bycatch in cod and flatfish trawl fisheries in the Gulf of Alaska, a finer scale of spatial resolution is clearly needed. For this reason, this study was not evaluated as a potential data source for the current study but was reviewed for potential adaptation of the methods used into our study.

Despite differences in focus, all of these studies establish the utility of focusing on basic measures of target catch per unit of effort and halibut bycatch per relevant unit of catch or effort. Additionally, the consistency in spatial patterns in Bering Sea halibut bycatch in the two trawl studies underscores the reliability of NMFS Observer Program data for evaluating spatial and temporal trends in halibut bycatch. Lastly, the IPHC study addresses a potentially productive approach of building a predictive model rather than evaluating historical halibut bycatch patterns. Unfortunately, the model developed for that study lacks direct utility to our goal of bycatch reduction because we are specifically interested in the overlap of non-pelagic trawl target fishing locations and relative halibut abundance. Unless there is direct overlap with the trawl fisheries of the Gulf of Alaska, the results are unlikely to be meaningful.

Thus for our study, we opted to rely on a careful examination of historical data in fishing areas that have consistently produced groundfish trawl catches over the last five years for which data are available. It is hoped that historical data will reveal sufficient patterns and identifiable and predictable spatial relationships to allow for halibut savings and increases in target catches in non-pelagic trawl fisheries.

Data

NMFS Observer data for non-pelagic trawling were the primary source for our spatial analysis of target catch and halibut bycatch trends. While the use of observer data for resource assessment has obvious limitations, for the purposes of this analysis where the spatial and temporal overlap of fishing for demersal target species and Pacific halibut are of key interest, observer data was decidedly the best source of data.

NMFS bottom trawl surveys were considered and eventually rejected as a data source. Those surveys are inherently multi-purpose in their attempt to assess abundance of groundfish of all sizes as well as several species of crab at various life stages through the use of small mesh trawls towed at relatively slow speeds. For this and other reasons, the International Pacific Halibut Commission (IPHC) does not rely on the NMFS trawl surveys for its assessments of the halibut resource. Most importantly, for our purposes the survey data showed insufficient overlap with fishing areas to be useful for the objectives of the study.

We did opt to use IPHC halibut survey data to a limited extent for our study. These data were generated from annual resource assessment survey employing long lines to assess halibut abundance at stations throughout the Gulf of Alaska. These data were used to attempt to "ground truth" halibut bycatch trends found in aggregate annual groundfish observer data. This verification exercise was only possible where trawl fishery locations overlap with stations used for the IPHC survey. The limitations to the IPHC halibut survey data for this purpose are considerable but in our judgment they represented the best available data source for some baseline information on halibut abundance differences across the Central Gulf of Alaska. Although the IPHC surveys were used for that purpose, we recognize the limitations to that information as a baseline for halibut abundance. The principle limitations are that IPHC surveys are conducted during the summer months while trawl fisheries occur at other times of the year. Other potential differences stemming from the use of long lines versus trawl are likely as well.

The geographic focus for our study was the flatfish and cod trawling grounds in the Central Gulf of Alaska where shoreside catcher vessels have concentrated their effort in recent years. While flatfish

and cod fishing occurs from Yakutat in the eastern Gulf of Alaska to Sand Point in the Western Gulf, the decision to focus on a set of specific fishing grounds around Kodiak was in response to the interests of catcher vessel owners who are members of the Alaska Dragger's Association.

The main fishing grounds for catcher vessels delivering to Kodiak processing plants are determined in large part from the limitations of their vessels and other production constraints. Instead of processing fish on board, these trawl vessels of generally less than 100 feet in length place catches in refrigerated sea water systems until they are delivered shoreside. Catches are delivered in round form to plants in Kodiak where primary and sometimes secondary processing occurs. For reasons of fish quality, fuel costs, and for vessel safety, these vessels generally stay within 18 to 48 hours running distance from the plants where they deliver.

From the overall list of areas of interest to the membership of the Alaska Draggers Association, we focused on a subset of areas where sufficient data were available to evaluate trends. NMFS' regulations prevent the release of target catch data in cases where fewer than three separate vessels fished within the area of interest over the time period for the requested data.

Attempting at first to obtain data at its highest form of resolution, we requested that the members of the Alaska Draggers Association grant individual proprietary data releases for purposes of this project. This would have allowed us access to data with spatial resolution to the nearest minutes of latitude and longitude, the finest scale available for the location of haulback positions. While ADA members attending the organizational meeting readily agreed to sign the necessary data releases, this amounted to access to the data for eleven vessels of a fleet of approximately 35 vessels. Getting sufficient information about our project to vessel owners and skippers proved to be a key obstacle to gaining access to proprietary data. This is probably not surprising given the owner-operator nature of the subject fleet of vessels.

Despite the failure to get a sufficient number of proprietary data releases, the data we eventually obtained from NMFS grouped catches over the temporal periods of interest into corresponding latitude and longitude grids or "blocks" each covering 10 kilometer by 10 kilometers. The spatial groupings were based on haul back locations from observer records.

The aggregation of catch data into 10 x 10 kilometer blocks means that all of the observed fishing with haul back locations falling into a given 10 x 10 block were summed into a single catch quantity (by species) over the time period of interest. The time periods used for aggregating data into the 10 by 10 kilometer blocks were both individual years (1998-2002) for one data set and for all months within a five-year period for the second data set. For months, all of the catches per block were summed for each month across the five-year period from 1998-2002. So for the monthly data set, all of the catches from 1998-2002 occurring in the month of January (for example) in the spatial blocks were summed for each species of interest including catch of halibut, deep-water flatfish, arrowtooth flounder, shallow-water flatfish, and Pacific cod. Likewise all of the fishing effort (in hours) for individual blocks was summed for the months of interest. Similar aggregations were done for annual data but annual periods replaced the monthly data aggregations.

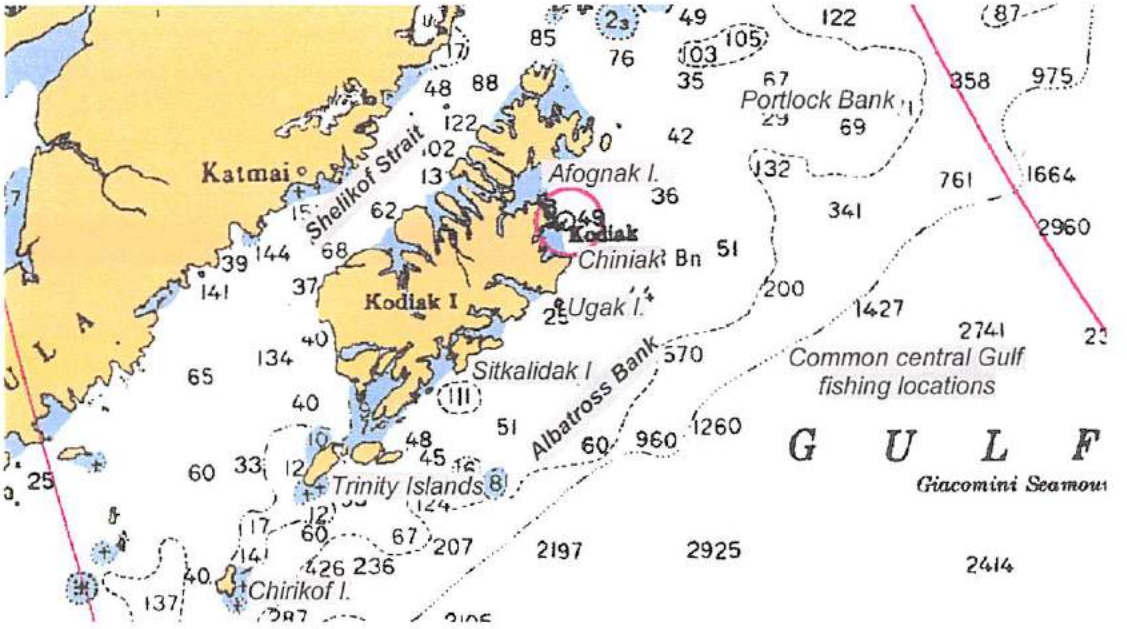
After completing our analysis, we believe that the degree of spatial aggregation in the aggregated data was sufficiently specific to be useful for the purposes of this study. In retrospect, we would likely have grouped any haul-by-haul data into roughly the same size spatial blocks even if we had individual haul data records. This is because some aggregation is needed to characterize trends across

the fishing grounds of interest. Thus the failure to obtain the data releases probably did not affect the degree of spatial resolution for our study. It did, however, affect the overall amount of data for our study because many of the less-frequently fished blocks did not have fishing from a sufficient number of separate vessels to be above the threshold for NMFS to provide the data.

So the data confidentially rules affecting data available to our study probably reduced our ability to examine less-frequently fished locations to some extent, but those locations were likely not of primary interest for this study. Data for the less fished blocks were probably also more likely to suffer from the influence of outlier values or the effects of sampling errors. For these reasons we deemed the use of spatial data grouped into 10 by 10 kilometer blocks to be adequate for our analysis.

Figure 1 (below) depicts the fishing areas on a nautical chart covering all the major fishing locations generally construed to be within the range of catch vessels around Kodiak and within the Central Gulf of Alaska for which there was sufficient data to evaluate trends. These areas in order of closest to farthest from the processing plants in Kodiak are: Cape Chiniak and Ugak Island, Portlock Bank, Albatross Bank, Sitkalidak Island, Shelikof Strait, Trinity Islands, and Chirikof Island.

Figure 1: Common fishing locations for shoreside trawlers in the Central GOA.



Another data issue of note is that we opted to include the observed catches of catcher processors during the period of interest. This matter is of interest because catcher-processor vessels are thought to fish to some extent with bycatch reduction devices. Such devices, called "halibut excluders", are used to allow halibut to escape the trawl as the net is towed through the water. The inclusion of fishing with excluder devices could downwardly bias halibut bycatch rates to some unknown degree as well as having effects on the overall species composition of those tows.

The frequency to which these halibut excluders are used by catcher processors or shoreside catcher vessels is not known but we do think that both fleets use these devices to some extent. Additionally, although some research on halibut bycatch reduction devices has occurred, the effectiveness of the

devices actually deployed by fishermen (in terms of selectivity for halibut relative to escapement rates of target catch) is also not known on any systematic basis. The main tradeoffs considered in the decision to include data for catcher processors are outlined briefly below.

The most compelling reason for including catcher processor data was to increase the amount of data available for the analysis. While nearly all catcher vessels carry observers for at least one-third of their fishing days, several catcher processor vessels that participate in GOA flatfish fisheries are over 125 feet in length. These larger vessels are required to have full-time observer coverage. So the exclusion of data for the at-sea processing vessels would have decreased the breadth of our data considerably. Excluding catcher processor data would also have compounded the reduction of data due to NMFS' confidentiality regulations. As mentioned before, these regulations require that more than two different vessels must have fished within the spatial and temporal unit for which NMFS considers in its decision to release data.

Another consideration regarding the use of data that may include the use of halibut excluders by catcher processors was that although use of these devices might markedly affect a simple comparison of halibut bycatch amounts per location, the expected effect of bias was far lower for this study. This is because the principle variable of interest for this study is actually the ratio of target catch per unit of effort to halibut bycatch rates. The former is in terms of groundfish catch per hour towed and the latter is in units of kilograms of halibut per ton of groundfish. Hence values for this ratio would be affected by the use of halibut excluders to a lesser degree because halibut excluders are known to reduce catch rates for target species to some degree (via escapement of target species) while reducing halibut bycatch rates.

One final consideration for the inclusion of data from catcher processors was that for the cod fishery, the fishery we eventually concluded was the most likely source of halibut savings to allow expanded flatfish fishing, was one that was not affected by the inclusion of data from catcher processors. This occurs for two reasons. The first is that regulations establishing allocations of cod in the GOA grants the lion's share of GOA cod to trawlers in the shore-based fleet. A few catcher processors with vessels under 125 feet can participate in that allocation but most catcher processor vessels do not qualify. Secondly, halibut excluders have never proven effective for cod target fishing because escapement of cod has been very high relative to most flatfish species. So even for the smaller catcher processors that may participate in the "shore-based" cod set aside, it is highly unlikely that the use of halibut excluders would affect their catch and halibut bycatch data.

Overall, we acknowledged there are limitations to our data with the inclusion of data for catcher processors, but we feel the overall tradeoff is positive. With no reliable performance expectation for halibut excluders and no good estimate of the degree to which they are used, there is no way to either adjust for the effect of catcher processor effort on the data or test for its potential effect on our assessment. This issue of data limitations, however, is not unique to the issue of catcher processor data. Another example of potential bias is found in the ability under the observer coverage regulations for vessel skippers operating catcher processors or catcher vessels under 125 feet in length to select the days the vessel will carry an observer. Given that observer data is still the only source of data that covers the specific locations where flatfish and cod trawling occurs, the approach adopted was to utilize the largest amount of applicable observer data for the period of interest with appropriate recognition of the limitations in the data underscored in our report.

Method of analysis of data depicting target catch and halibut bycatch trends

Data were evaluated in terms of target catch rates and halibut bycatch rates per location blocks per month and on an annual basis (per block) based on the data aggregations described above. A common GIS software routine called "Natural Breaks" was used to group the data values into classes based on inherent natural groupings. With the "Natural Breaks" software routine, convenient classes or intervals in the data are automatically selected based on maximization of the difference between classes. The features are divided into classes whose boundaries are set where there are relatively big jumps in the data values. This method identifies breakpoints (in our case four such breaks) between groups using a statistical formula (Jenk's optimization) that minimizes the sum of the variance within each of the groups.

The following data manipulations were used to create variables of interest in the observer data as assigned to spatial blocks:

- Catches of individual species were determined by multiplying the percentage composition of the catch species of interest from the observer sample by the "OTC" or official total catch in the Observer data.
- Target catch rates per fishery per spatial block were in terms of metric tons of the target species caught per hour towed. This variable is labeled "CPUE".
- Halibut bycatch rates per spatial block were determined by the quantity of halibut in the Observer sample divided by the OTC. This variable is entitled "HRATE".

Thus for each spatial block where data were available, for each temporal period of interest, a relative rate of target catch (catch per unit effort or "CPUE") and a halibut bycatch rate (HRATE) was determined. These catch rates were grouped into four relative rankings based on the "Natural Breaks" algorithm as described above.

Upon evaluation of spatial data on charts with relative rates of catch of target species per unit effort (CPUE) and relative halibut rates (HRATE) per the same location, it became apparent the tradeoffs between target catch rates and halibut bycatch rates were somewhat inaccessible due to the need to "flip back and forth" between two charts depicting separate values for the same specific locations. A single index would facilitate spatial comparisons and obviate the need for reviewing two directionally opposite indices simultaneously. The basic idea here was that every location in the data set could be assessed as to its historic tendency to produce relatively high rates of target catch ("CPUE") with relatively low rates of halibut bycatch ("HRATE"). An index of this sort would indicate if a potential fishing location was a desirable fishing location for accomplishing the objective of relatively high target catch rates while minimizing halibut bycatch rates. For this purpose we created an index variable, called "Index" for our study. This variable is the natural log of target catch per unit effort divided by the halibut bycatch rate or:

- Index = Log (CPUE / HRATE)

The natural log was taken for the values for "CPUE" divided by "HRATE" to attempt to "normalize" its values so that they would fit into a more even range. Upon examination of the catch per unit effort divided by the corresponding halibut bycatch rate for the spatial blocks as described above, it was apparent that the range of values was "skewed" toward its lower end with only a few higher values. "Skewness" characterizes the degree of asymmetry of a distribution around its mean. While the logged values for Index are possibly more difficult to interpret in terms of magnitude, the task of

grouping the values into meaningful relative rankings was facilitated by this transformation. Additionally, HRATE is constrained to remain greater than zero for the obvious reason of prevention of the division by zero.

Analytical criteria for assessing spatial patterns in the relevant variables

Our analysis of spatial patterns in the variables of interest relied on subjective analysis of spatial plots of the data for temporal groupings (aggregated years 1998-2002, individual years over that period, and finally grouped months as described above). Our analysis of monthly data was done on a higher level of spatial resolution because it was considered to be the most likely to be useful to trawl skippers interested in seeing useful patterns in spatial locations where the tradeoff between halibut bycatch and target catch rates is displayed. The existence of within-year seasonal patterns is of interest in our consideration of whether spatial patterns for some areas are sufficiently strong or persistent to hold prospects for good target catch and low halibut bycatch rates. From the perspective of a fisherman trying to use the data, the most-seasonally specific data plots are more likely to be useful for fishermen to combine with their specific knowledge and experience about the fishing areas at a relevant scale.

The specific method of charting indices of catch and bycatch was simply to focus on specific locations of interest and review the charts for grouped data year, groups of years, or by months to evaluate patterns or trends. Notes were then made as to the patterns in the relative values of the variables over temporal periods. The consistency between years or within years and between months and the degree to which such patterns appeared to be strong or weak within the available data was the primary focus of our admittedly subjective evaluation.

Some GIS analyses of fisheries data have relied on several versions of "data contouring" functions in software packages to illustrate any spatial and spatial/temporal patterns in fishery data. Contouring is used to create "isobath" lines which are essentially "contours" representing constant cell values in the input raster. When there are sufficient data to cover a reasonably high number of relevant spatial blocks, contouring is useful for the purposes of smoothing the disparate values between blocks and serving to further characterize spatial trends (for a quality example of how contouring can be used to facilitate the analysis of disparate data with full geographic coverage, see Fox and Starr, 1996). In contrast, our trawl fishing data in the Gulf of Alaska is inherently patchy and our data are also relatively thin.

One specific concern with the potential use of contouring was potential for creating extrapolated or "averaged" values for CPUE, HRATE, and Index across relatively large areas where no data were available. This prospect did not seem prudent for this analysis. Such an application would, at a minimum, imply that the spaces between points for these variables have values for the relevant variables that can be expected to reflect the values for the areas for which we do have data.

In actuality, the historical spatial distribution of trawl fishing is known to be generally patchy where it has been evaluated (Duplisea et al., 2003). Additionally, a high degree of patchiness is apparent in our data set. Further, the expectation for extrapolated trends or "averaged" performance between two points with measured performance is probably not realistic. Given the patchiness of historical fishing locations along much of the GOA shelf and slope, the assumption that trawl fishermen would be even able to set their bottom trawl gear successfully at points between historical fishing areas is perhaps unrealistic. For this reason, we specifically avoided data analysis methods involving data contouring.

Testing of the variable "Index" to ascertain its utility to the analysis

As a pre-condition to the use of the variable Index, the spatially-specific values for Index were compared to the target catch rates and halibut bycatch rates for a wide range of 5 year aggregate, annual, and monthly data charts illustrating these relationships. To illustrate how Index captures the combined relationship between target and bycatch rates, Figure 2 shows the typical relationship between the spatial rankings of HRATE, CPUE and Index for a chart covering all of the major deep-water flatfish trawl fishing locations in the Central GOA from 1998-2002.

It is important to note that catch and effort data for these fishing locations are aggregated by data points. This means that all of the catch within the 10 x 10 block is summed for the time period of interest. Point by point data are not tow by tow data, although at a low level of resolution, the appearance of overlap in the symbols for the classes for variable values may give an appearance of spatial overlap. When the charts are viewed on a sufficiently high level of resolution, however, the scores for each data block are clearly set up into grids, as was done for the highest resolution charts displaying monthly analysis below.

The black arrows on Figure 2 illustrate a fishing location on Portlock Bank where deep-water flatfish fishing has achieved on average relatively high CPUE and relatively low halibut bycatch over the time period. Note that in this example, CPUE for the block on the left hand chart indicated by the black arrow is high relative to halibut bycatch rate on the right hand side. Thus the ratio of CPUE over HRATE should be large so the value for "Index" would be expected to be relatively high at these locations for this period of time.

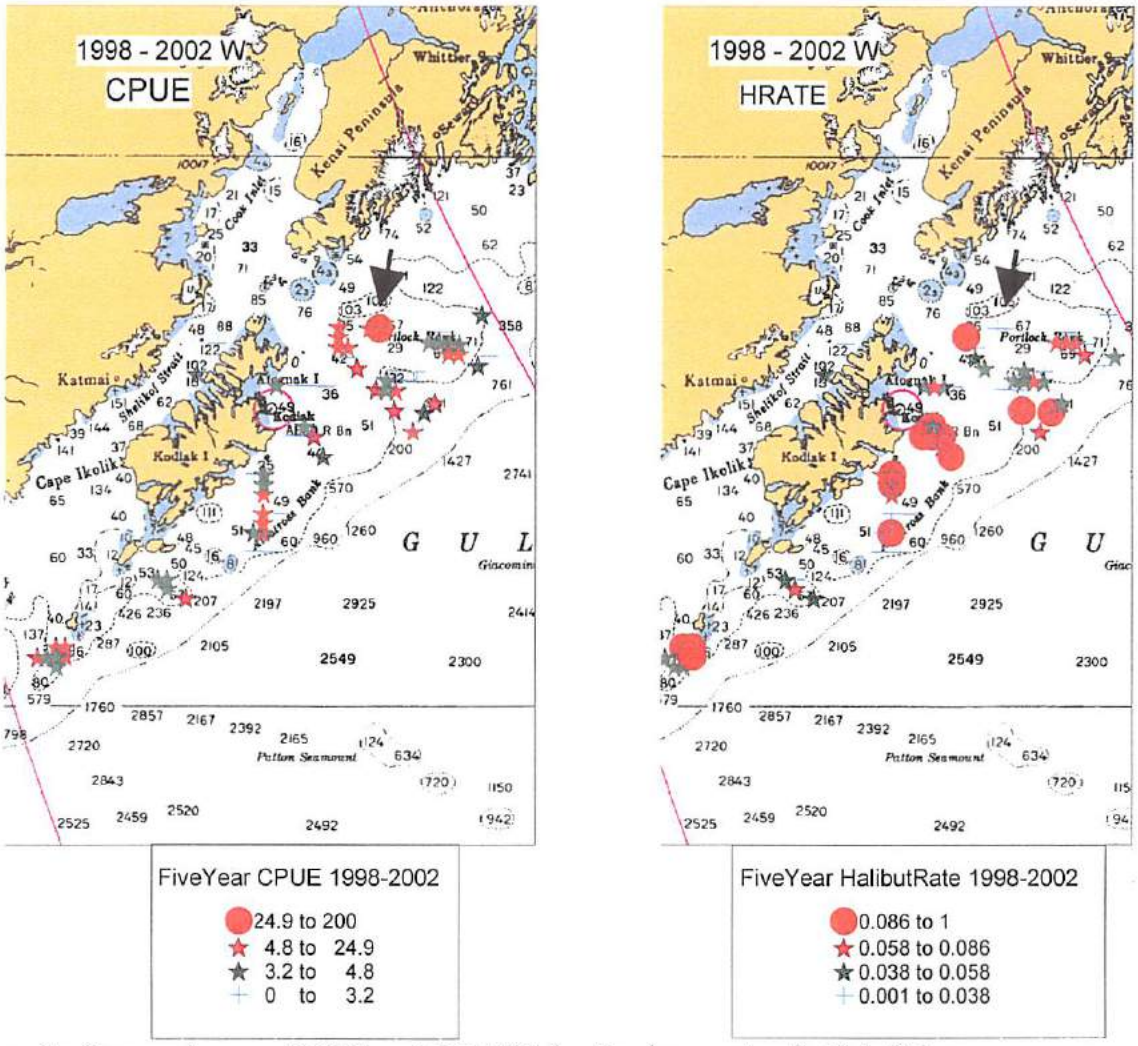


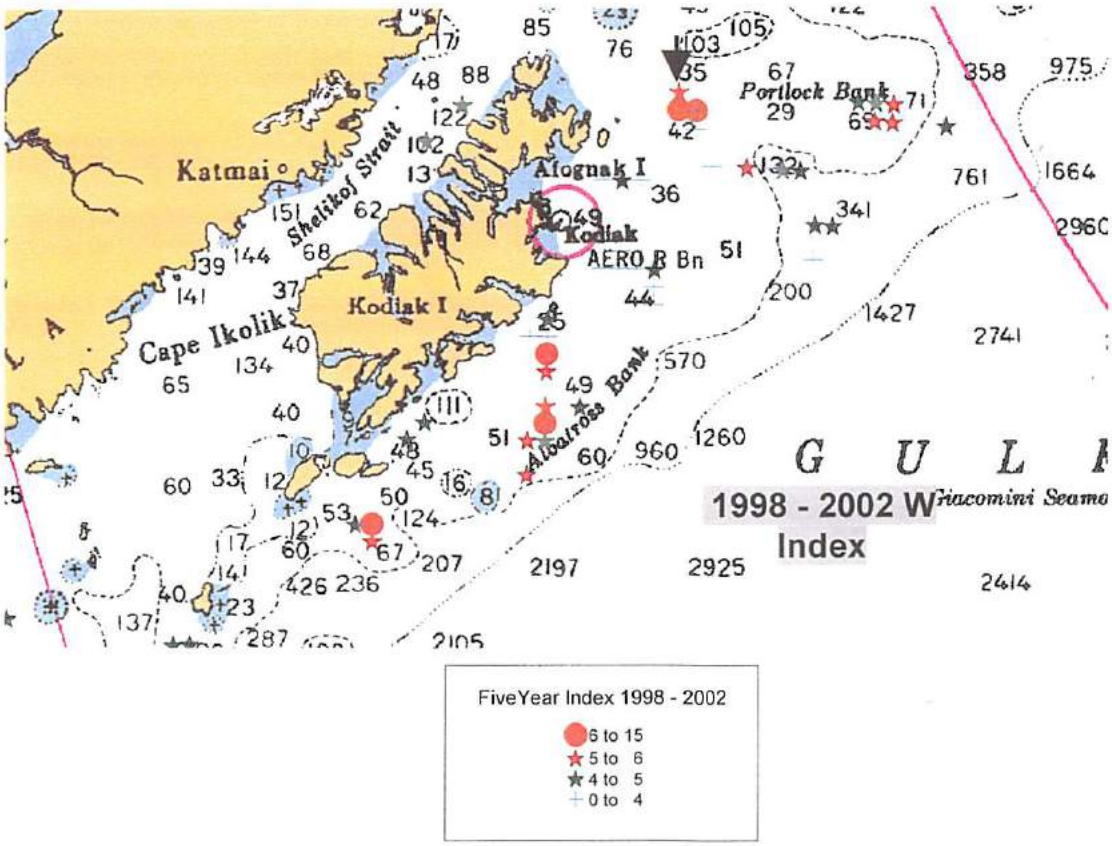
Figure 2: Comparison on CPUE and HRATE for the deep-water flatfish fishery.

Figure 3 illustrates the values for Index at the same locations indicated by the black arrow in Figure 2 described above. Note that the value for Index at the indicated location shows that the variable is accurately illustrating a high relative value because the ratio of CPUE to HRATE is relatively high as was expected.

Note also that for areas to the south of Portlock Bank on Albatross Bank, for example, relatively high values for Index occur at several locations. Tracing these locations back to the individual values for CPUE and HRATE in Figure 2 is more difficult than for the above example. This difficulty results from the differences in symbol size for different values and the way overlapping symbols for clusters of high values can sometimes obscure low values. Note that for cluster of values for CPUE and HRATE on Albatross Bank extending north to nearly Ugak, one would expect that the relatively low CPUE values close to Ugak and corresponding high HRATE values near Ugak would create low Index values. Moving to the middle of the clusters on Figure 2, one can find relatively high values for CPUE and relatively low values for HRATE so Index values for this set of locations should be relatively high. Finally, the southern set of blocks in Figure 2 repeat the pattern of the most northerly blocks on Albatross Bank; relatively low CPUE and relatively high HRATE.

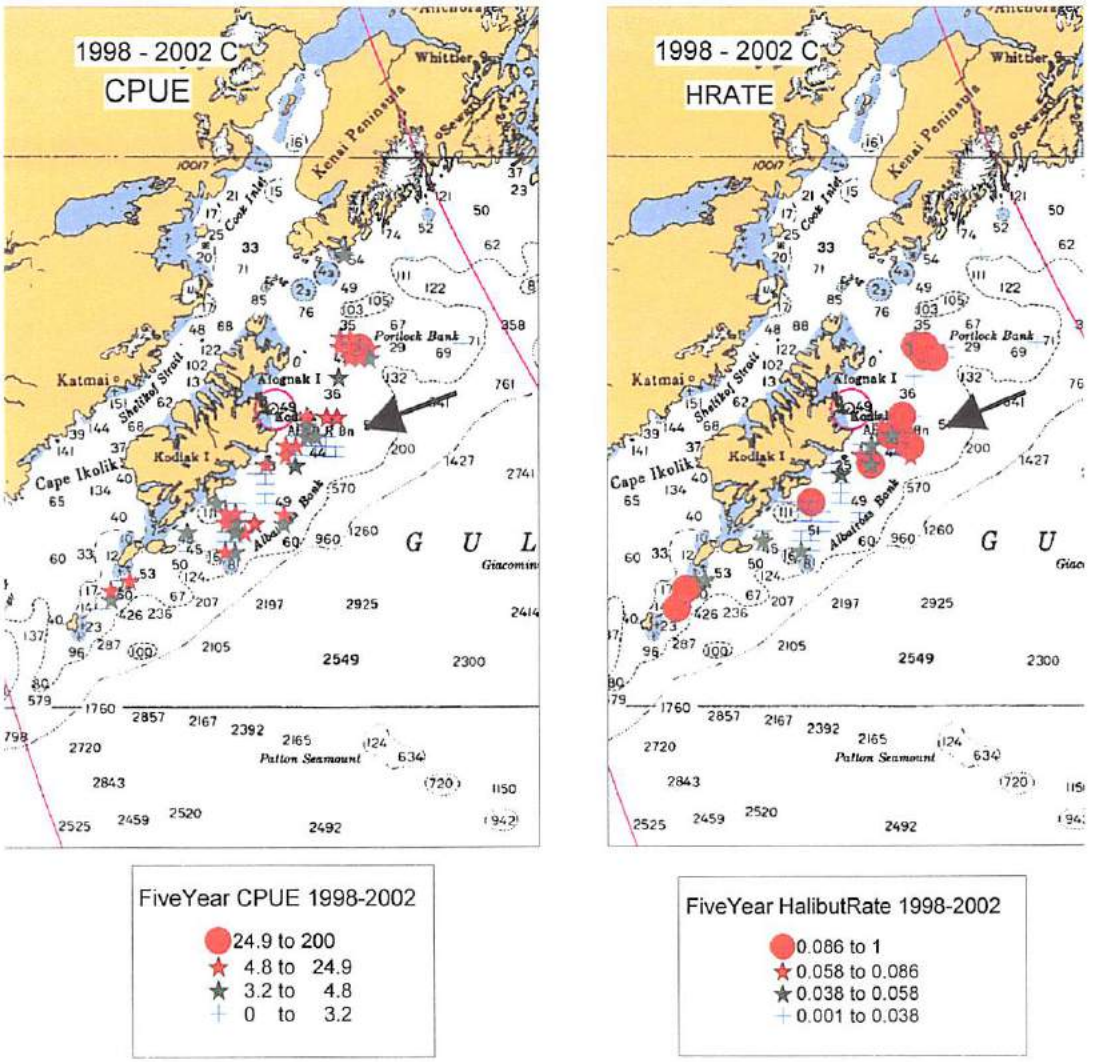
So from north to south for this area on Figure 3, one should expect relatively low values for Index, then relatively high values in the middle blocks, then relatively low values for Index once again in the southern most blocks. This pattern is evident for the corresponding blocks on Figure 3, but symbol size on the charts makes this pattern harder to discern upon first examination.

Figure 3: Use of Index to illustrate relationship between CPUE and HRATE in the deep-water flatfish fishery.



A somewhat different evaluation of performance for Index is illustrated at the location indicated by black arrows in Figure 4. In this case, CPUE for cod during the 1998–2002 period at most of the fishing locations around Chiniak is low relative to HRATE in the same area. Note that values for Index in Figure 5 are relatively low here, as would be expected by the ratio of CPUE to HRATE at these locations. When data covering a fairly common fishing area falls into a large number of adjacent 10 x 10 kilometer blocks within the area, as is the case for Chiniak, several relative values for CPUE, HRATE, and Index will be reported. In this case, there is also some variation within the relative rates at the broad set of 10 x 10 blocks comprising the fishing area around Chiniak.

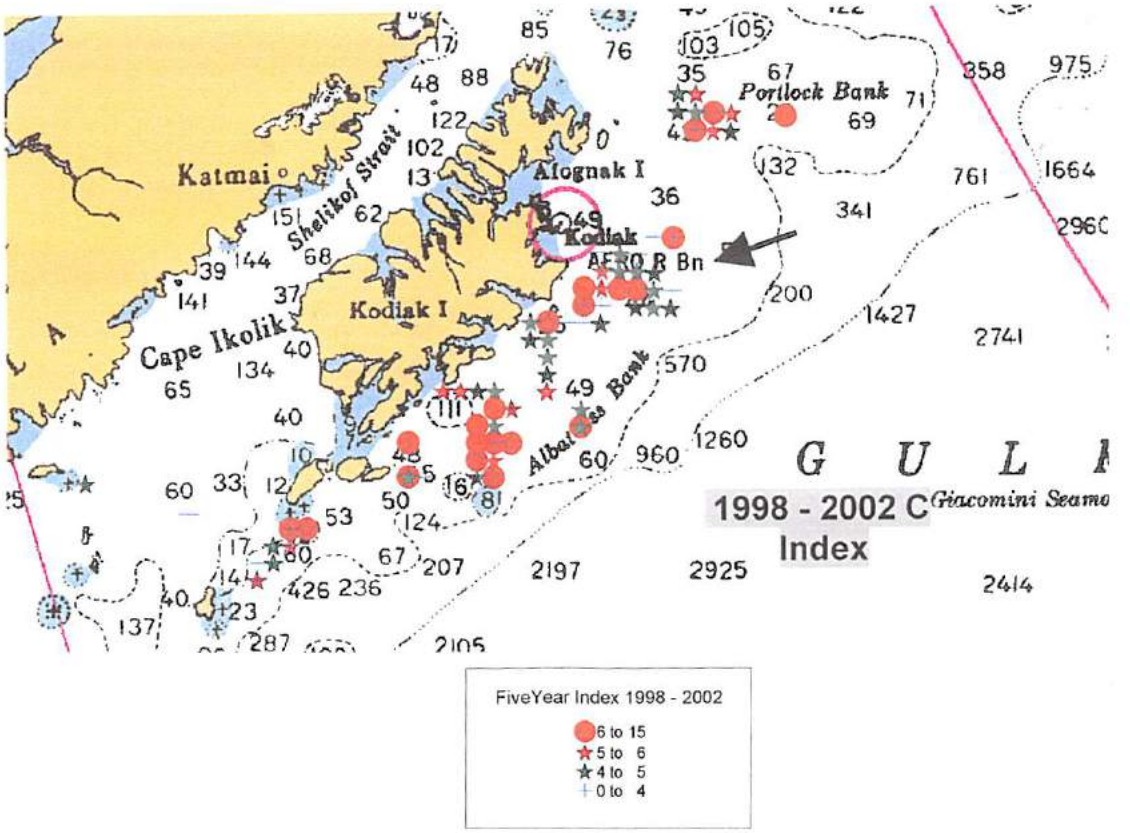
Figure 4: Comparison of CPUE and HRATE for the Cod fishery.



As can be noted in Figures 4 and 5, in some cases, the relative size of the symbol for the value of interest appears to located in a slightly different location than occurred for the other charts for the same data in the same area. This is actually a problem with the size of the symbols used to distinguish between values within the classes created with Natural Breaks. A larger magnification chart is used in the analysis for values for Index for the monthly data used to help reduce this problem. The general charts to evaluate annual spatial abundance patterns over large areas for target species and halibut are specifically for evaluation of the general question of whether patterns in target species and halibut

bycatch can be found in the data. For this reason, more detailed charts are not utilized, recognizing that these charts of annual patterns in the data are not likely to be useful to and therefore are not intended for use by fishermen.

Figure 5: Use of Index to illustrate relationship between CPUE and HRATE in the Cod fishery.



Upon careful examination of a large set of particular examples in our data, we found that the variable Index does an adequate job overall of illustrating the combined relationship between target catch rate and halibut bycatch tradeoffs and can be used to avoid the need to simultaneously compare relative target catch and halibut bycatch rates for specific historical fishing locations of the time period of interest. One limitation we noted, however, was that the variable Index in some instances can deliver a "false positive". A false positive is when an indication occurs for a location where the ratio of target catch rate to bycatch rate is such that CPUE and HRATE are both relatively low but CPUE is at least slightly greater than HRATE. In these instances, the value for Index can be relatively high creating the expectation of a relatively good fishing location in terms of the tradeoff between CPUE and HRATE. In terms of halibut bycatch rate, the value for Index is likely to accurately reflect the expectation of low halibut bycatch rates. As for the expectation of relatively high target catch rates, it is not known whether target catch rates, while relatively low, would in fact be adequate to feasibly support target fishing in the area. In our discussion of trends in the spatial data below, we point out where we think relatively high values for Index are in fact potentially "false positives".

Findings of spatial and temporal patterns in target species and halibut bycatch in the Central Gulf of Alaska

In the detailed analysis below, we provide our assessment of trends in the spatial data in three separate sections corresponding to the different temporal data sets. The summary section that follows discusses the major findings to answer the question of whether there are significant patterns in the data, the strength of those patterns, as well as a discussion of factors and institutional arrangements that would have to be in place to take advantage of those patterns. For readers interested in how the major determinations were arrived at as well as those seeking to mine the data for particular information about a certain fishery in a certain location or a particular seasonal pattern in a specific fishery, the section that follows the summary below (entitled "Detailed assessment of major patterns in the target catch and halibut bycatch rate tradeoffs in the aggregate five-year, annual, and monthly data") should be consulted.

Summary of major patterns in the target catch and halibut bycatch rate tradeoffs in the aggregate five-year, annual, and monthly data

It is clear from our assessment that there are significant patterns in the target catch to halibut bycatch tradeoffs for the fisheries of interest. This conclusion is based on our thorough review of the spatial data grouped in the three separate temporal groupings.

For the aggregate five-year dataset, fairly strong and consistent differences exist between fisheries and between fishing grounds within the fisheries. This is an important finding given that one might expect that when evaluated on a spatially-specific basis, between-year variation in these data would tend to obscure these patterns. But this was not the case.

Evaluation of the individual years for the different major target fisheries tended to confirm the same patterns that emerged from the five-year aggregate data. In some cases, the focus on individual years tended to illustrate that the overall trends would have been even stronger if not for a single year or two where the fishing area of interest showed the trend to a lesser extent than for the rest of the years.

In our judgment, the correspondence in patterns in the annual and the 5-year aggregate datasets amounts to strong evidence that some fisheries tend to generate better tradeoffs in terms of target catch to halibut usage. Additionally, specific fishing areas within certain target fisheries tend to produce better tradeoffs in the catch rate to halibut bycatch rate comparison as well. This, in conjunction with the monthly patterns that will be discussed below, amounts to credible evidence that opportunities exist for halibut savings to be realized and these could be redirected to increase yields of underutilized flatfish stocks. Once again, the detailed analysis of these patterns and the associated charts in Appendices 2-4 are the underpinnings of this conclusion. Hence, the reader is advised to review that section below to assess the specific evidence behind this conclusion.

The most obvious area of focus for generating halibut bycatch reductions while maintaining reasonable catch rates is the consideration of shifting more Pacific cod effort from Portlock Bank and especially Chiniak and Ugak to alternative areas. Examples of alternatives are Albatross Bank, Sitkalidak, and the area between Trinity Islands and Chirikof. To examine the potential upside here, Table 2 below illustrates the current fraction of the observed trawl cod catch that comes from the various major fishing areas from 1998-2002, the same years used for our spatial analysis.

Table 2: Observed catch of Pacific cod by area 1998-2002.

Region	Sum of Cod (mt)	Percent
Chirikof	0.0	0.0%
Trinity	421.8	6.8%
Albatross	1,217.8	19.7%
Ugak	612.5	9.9%
Chiniak	1,252.3	20.3%
Portlock	2,580.7	41.8%
Other	94.7	1.5%
Total	6,180	

Currently, approximately 70% of the observed cod catch comes from Portlock Bank, Chiniak, and Ugak. Albatross Bank and Sitkalidak (Sitkalidak is included in the catch attributed to Albatross in the Table 2 due to the spatial groupings used) and Trinity Islands comprise the remaining 30 percent of the cod catch over the period of interest (Table 2).

The question that merits consideration is why this fishing pattern occurs given that the apparent target cod catch to halibut usage ratios appear to be far better for Albatross/Sitkalidak and to some degree for Trinity Islands. In our judgment, it is not surprising that the trawl cod fleet is currently unable to make more use of the inherent advantage in tradeoffs in target catch to halibut bycatch from alternative fishing grounds farther from their homeport. The reason is the current derby-style management system which provides little incentive for trawlers to travel to the potentially better fishing areas. Fishing alternative areas such as Albatross Bank would mean incurring additional travel time and expense. The cod fishery is currently able to attain its seasonal allowance of cod. Furthermore, there is little incentive to fish grounds with better tradeoffs in halibut bycatch because those halibut savings might not necessarily accrue to the very fishermen willing to incur the added fuel expense to travel to the more distant fishing grounds.

Under the current regime, the lack of separate cod TACs for fixed and trawl sectors also creates the possibility that the trawl fishery could be preempted by catch of cod by the fixed gear sector. This could also serve as a powerful incentive for trawlers to fish cod as fast as possible and on the grounds closest to the port of Kodiak.

Regardless of the evidence for potential halibut savings from shifting cod to alternative fishing grounds, certain caveats must be kept in mind. Given that our data is inherently based on what has occurred rather than what could occur, there is really no way of knowing whether the areas we have evaluated as Albatross/Sitkalidak could support a large increase in cod fishing effort. Under some conditions, an area that produces excellent fishing and low bycatch rates is fairly limited in terms of space and catch potential itself. In that case, an influx of additional effort might result in an infeasible CPUE or an increase in halibut bycatch with the additional towing effort needed to take the increase in catch given a lower CPUE.

Our data are not a survey of spatial abundance of cod or any other groundfish. What we noted, however, was that there are a fairly large number of spatial blocks where cod fishing occurs in the Albatross/Sitkalidak area. This suggests that there may be sufficient fishing grounds to take more of the cod catch in this area, but hardly confirms that it would be feasible

Turning to fishing targeting flatfish, a few of the most notable patterns for arrowtooth flounder, deep-water flatfish, and shallow-water flatfish merit discussion. Overall, fishing that targets shallow-water flatfish shows only minor promise in terms of increasing yields by directing fishing to areas with better tradeoffs of target catch to halibut bycatch or a different seasonal pattern. Again, this conclusion is based on the patterns in fishing that occurred recently, not the potential for fishing under different patterns or incentives.

The single most promising possibility for shallow-water flatfish that can be distinguished from our analysis is to shift effort into the more inshore blocks off Chiniak and Ugak. The fishing in those areas tended to produce relatively better tradeoffs in target catch to halibut bycatch ratios. Table 3 below reports the current percentage of observed catch coming from the major fishing grounds in the Central GOA. A large fraction of the observed shallow-water flatfish catch has historically come from Ugak so if effort can be shifted to more inshore locations at Ugak and perhaps Chiniak, our data suggest that these areas will produce better tradeoffs in target catch to halibut bycatch. These halibut savings and may translate into some increases in yields of flatfish.

Table 3: Observed catch of shallow-water flats, arrowtooth flounder, and deep-water flatfish by area 1998-2002.

Region	Sum of Shallow Flats (mt)	Percent
Chirikof	1.9	0.2%
Trinity	38.7	4.5%
Albatross	21.3	2.5%
Ugak	400.3	46.8%
Chiniak	277.4	32.5%
Portlock	0.0	0.0%
Other	115.0	13.5%
Total	855	

Region	Sum of Arrowtooth (mt)	Percent
Chirikof	597.9	21.8%
Trinity	173.6	6.3%
Albatross	221.2	8.1%
Ugak	119.3	4.4%
Chiniak	83.4	3.0%
Portlock	943.7	34.5%
Other	598.4	21.9%
Total	2,738	

Region	Sum of Deepwater Flats (mt)	Percent
Chirikof	300.6	59.3%
Trinity	13.9	2.7%
Albatross	16.7	3.3%
Ugak	7.8	1.5%
Chiniak	3.1	0.6%
Portlock	31.0	6.1%
Other	134.0	26.4%
Total	507	

Such a shift would probably make halibut bycatch available to increase shallow-flats fishing but this would not necessarily translate alone into a large increase in shallow-water flatfish catch. This is because the relative halibut bycatch rate even for the areas with "better" tradeoffs in the shallow-flats fishery based on historical data is not radically different from areas with below average rates. Additionally, we have no way of knowing if such a move to the inshore areas around Ugak would be feasible from a species composition perspective for shallow-water flatfish fishermen.

Regarding fishing attributed to arrowtooth flounder (but still including some target fishing for rex sole as explained below), the pattern noted in the cod data for Albatross Bank and Sitkalidak and Trinity Islands versus Portlock Bank appears to apply once again. Our data show that arrowtooth and deep-flats target catch rates relative to halibut bycatch rates are relatively high for the Albatross Bank to Sitkalidak area as well as for Trinity Islands compared to rates on Portlock Bank. Catch of arrowtooth flounder and associated deep-water flatfish species on Portlock Bank comprises 35% of the overall catch in the data (Table 3). This compares to about 15% for the Albatross/Sitkalidak and Trinity Islands areas combined. So once again, it appears that the target catch to halibut bycatch ratios are

better outside of Portlock Bank but Portlock Bank is the area that dominates the catch (Table 3). Chirikof Island is also an important area for arrowtooth flounder fishing with approximately 22% of the observed catch coming from that area although much of this probably is attributable to at-sea processing vessels.

As with the cod, we do not know whether the fishing areas on Albatross Bank/Sitkalidak or around the Trinity Islands could really support an increase in the proportion of the catch without encountering an increase in halibut bycatch rates. As occurred for cod, however, there is a cluster of blocks where the tradeoffs for Index seem favorable. This is thus suggestive evidence that these areas to the south of Portlock Bank could support more of the catch. Given the current prices for arrowtooth flounder and possibly the handling and quality issues associated with arrowtooth and deep-water flatfish, however, fishermen's concentration on Portlock Bank may be driven by its relative proximity to processing plants in Kodiak based on fishing costs alone.

From our detailed evaluation of monthly data, it is evident that for the first month or possibly two months of the year, tradeoffs in the target catch to halibut bycatch are usually less advantageous than tradeoffs for the March-April time window. In reality, little cod fishing occurs in April but the lag time for data recording probably stretches NMFS' recording of catch into the first week of April. In any case, this suggests that starting the trawl cod fishery later than the current January 20th start date for most of the years in our data set would have afforded some benefits in terms of halibut savings and the ability to redirect those savings into increased flatfish catches.

We can also see from the relative amount of cod trawl effort occurring in the different spatial blocks within the different months, relatively little trawl effort in typically has been devoted to cod and flatfish fishing when the fishery opens in January. In most years, trawl fishermen appear to pursue other fishing opportunities, such as pollock fishing, prior to expending a lot of effort in the cod fishery.

With changes to the pollock fishery itself and pollock fishing seasons related to the sea lion protection regulations, however, the pattern of refraining from fishing cod until later may be changing or may be susceptible to further changes. To the extent that trawlers do start fishing for cod when the fishery opens in January, this appears from our data to be a sub-optimal time in terms of target catch to halibut bycatch rate tradeoffs. Hence any regulation that forces more cod fishing into the early part of the fishing year appears from our data to be detrimental to the objective of making halibut savings available for increases in flatfish yields.

It is also possible that trawlers might start fishing cod earlier than is optimal due to the perceived competition with the fixed gear cod fishery. The fixed and trawl sectors fishing cod shares the same cod TAC in the Gulf of Alaska. This suggests that the trawl fleet could benefit from a separate cod TAC in lieu of the current constructs where trawlers and fixed gear vessels compete for the same TAC. The lack of a separate allocation hence serves as a disincentive toward the goal of making best use of the available halibut bycatch allowance available to the trawl sector.

Additionally, relatively poor tradeoffs in target cod catch to halibut bycatch rates occur in the fall months as well. Thus a reduction or elimination of fall cod fishing in favor of allowing more harvest in the late-winter and spring months for the shoreside trawl cod fleet also appears to hold benefits in terms of improvements in the tradeoffs of cod catch rates to halibut bycatch use. This could only practically occur via partial or complete relaxation of the sea lion protection rules that currently govern the fraction of the cod catch that can be taken seasonally. Currently, no more than a fixed percentage

of the trawl cod catch can occur during the spring months. This means that in the absence of a fall fishery, cod catch might have to be foregone. So although there are potential benefits in terms of potential improvements in target catch to halibut bycatch rates with fishing more cod earlier in the year, other fishery management concerns likely prevent these gains from occurring under the current fishery management regime.

This illustrates that in some cases, although there are potential gains in target catch to halibut bycatch tradeoffs from changing the seasonal patterns for the cod fishery, such changes depend on issues unrelated to the objective making additional halibut bycatch allowance available for increasing flatfish yields. The fact that not all factors relating to the success of bottom trawl fisheries are in play reduces the range of possible solutions available for development of the flatfish resource, at least in the short run. With rationalization of the GOA trawl fisheries, improved incentives and potential alternative means of addressing sea lion management and other constraints should become available.

Most flatfish fishing also appears to start in earnest in March and moreover April as can be seen from our data showing the monthly spatial blocks covered by the flatfish fishery. This occurs in practical terms due to the concurrent seasons for pollock and cod and the fact that flatfish fishing has generally tended to be less lucrative. So waiting to pursue flatfish until other economic opportunities are completed represents rational economic behavior.

Little is known about seasonal opportunities for shallow-water flats during the winter months because little fishing in that target fishery has occurred in the winter in the past. Our scant data, however, do not suggest that halibut bycatch to target catch rates are necessarily promising for shallow flats during the winter.

Detailed assessment of major patterns in the target catch and halibut bycatch rate tradeoffs in the aggregate five-year, annual, and monthly data

When all of data over the 1998-2002 period are evaluated by target fishery, for the blocks comprising specific fishing locations, certain trends emerge. It is important to think of these patterns as potentially occurring "in spite of" the averaging effect of summing the data all fishing in all years by the 10 x 10 kilometer blocks. In other words, such patterns have to be sufficiently strong and consistent across all years to escape being marginalized by "averaging" of between-year variation. Such spatial patterns could either reflect real differences in the average degree to which target catch and halibut overlap between popular fishing areas or they could be the product of the subset of the data that was provided once confidentiality filters were applied.

To some degree, one might consider the possibility that any patterns over a five-year period could also result from outlier values from a given year or subset of years. Such values might drive the results in some of the spatial blocks. While outliers could be a factor in establishing some of the trends, the potential for this seems low when the number of data points is as large as possible, such as for aggregate years. Additionally, the strength of trends is increased when a cluster of blocks comprising a fishing area or portion thereof show the same relative pattern. In that case, it appears that the pattern or finding is stronger and unlikely to have resulted from outlier values because outliers would not be expected to affect a large number of adjacent blocks.

Changes in the spatial distribution of the halibut biomass or that of the target species populations might also affect the probability that patterns will emerge when aggregate data over five years are

considered. Effects of biomass shifts are in fact part of the ambient conditions affecting the possibility that trends in target catch and halibut bycatch can be ascertained in the set of "real world" conditions affecting groundfish fishing.

To explore the potential for differences in halibut bycatch rates (HRATE) and the ratio of CPUE to halibut bycatch rates (Index) to be attributable to differences in the distribution of the halibut between fishing areas (either within years or between years), survey data from the International Pacific Halibut Commission (IPHC) were evaluated. Data for this evaluation were obtained from the research section of the IPHC website (www.IPHC.org). Halibut surveys in the Gulf of Alaska are conducted annually with chartered commercial long line vessels employing standardized long line sets with gear similar to the gear used for the commercial target halibut fishery.

Halibut surveys are conducted in the summer months when halibut are believed to be distributed on their summer feeding grounds. Our analysis of data from the IPHC survey evaluated the relative CPUE values for halibut in terms of the catch in pounds of halibut of all sizes per standard long line skate set in the survey. A "standard skate" for their survey is described in detail under the IPHC's "resource assessment" section within the IPHC website. Appendix 1 shows annual CPUE rates for halibut of all sizes (legal and sub-legal size) for the set of fishing locations of interest as described above. Separate charts are provided in Appendix 1 for each annual halibut survey from 1998-2003.

Our admittedly limited evaluation of differences in halibut CPUE between fishing locations over the years 1998-2003 from the IPHC data suggests that between- year differences in halibut abundance for the fishing grounds of interest have been relatively low over the temporal period of interest. One exception to this is the CPUE values for Cape Chiniak and Ugak. Survey CPUE values for those areas appear to be more variable than for areas which consistently appear to hold high CPUEs in the IPHC survey such as Portlock Bank and Albatross Bank. CPUE values for Portlock and Albatross Bank tend to be in the highest quartile (>560 pounds per standard skate set) for the entire time series of interest. Our analysis below suggests that this finding would have been expected for Portlock Bank but lower relative values would have been expected for Albatross Bank.

Interestingly, the fishing grounds for shallow-water flatfish off Cape Chiniak and Ugak appear to rank in the middle to low range of halibut abundance for many of the years covered by our spatial analysis of groundfish fishing below. As will be pointed out below, Chiniak and Ugak tend to produce relatively high values for HRATE and low values for Index in the flatfish and cod target fisheries. So we would have expected halibut abundance to be relatively high for Chiniak and Ugak. This somewhat counter-intuitive result may be explained, however, by the timing of the IPHC survey. The halibut surveys occur during the summer and this does not overlap seasonally with the major thrust of shallow-water flatfish fishing in Chiniak and Ugak. Shallow-water flatfish fishing has tended to occur in the spring months and again in the fall in some years.

This raises the issue of the utility of the general IPHC data given that their survey methodology is to assess the halibut resource at a time when in it is in its summer spatial distribution. The months covered by the survey are not major periods for flatfish and cod fishing in the Gulf of Alaska. Additionally, because the survey relies on bait and large circle hooks to attract and capture halibut, the areas identified with high catch rates for halibut may not correspond well with locations where halibut abundance is likely to overlap with demersal groundfish target trawling.

One final interesting suggestion from our evaluation of relative halibut abundance from the IPHC data is that Shelikof Straits generally tends to have lower halibut abundance than other areas of interest for our study. As will be evident below, however, very little flatfish and cod effort occurs in that area so there is little groundfish fishing data to evaluate the consistency of that finding with our expectations. While this suggestion from the IPHC data is certainly of interest to the goal of shifting fishing to areas with promising tradeoffs in terms of target flatfish and cod CPUE and low halibut bycatch, the applicability of the summer halibut survey done with long lines is certainly questionable. For this reason, we did not do any further comparisons to the areas where the IPHC survey suggested halibut abundance do to overriding concerns about the applicability of the data.

Summaries of spatial trends in catch and halibut bycatch identified in the aggregate observer data from 1998-2002 by target fishery:

Figures displaying values for CPUE, HRATE, and Index for the aggregated data organized by individual target fisheries are found in Appendix 2.

Pacific Cod target fishing 1998-2002 (Figures in Appendix 2)

1. Overall, the ratio of catch per unit effort of cod to halibut bycatch per ton of target catch (i.e. the variable Index) is better for the Pacific cod fishery than for deep-water flatfish (including arrowtooth flounder) and dramatically better than for shallow-water flatfish. This finding comes from the fact that most of the values of Index for Pacific cod are CPUEs in the upper two classes of values (4.8-200 metric tons per hour towed) and many of the values for HRATE halibut are in the lower two quartiles (0.001 to 0.038). The halibut bycatch data are in terms of kilograms per metric ton of groundfish catch and this translate into halibut bycatch rates from one-tenth of one percent to just under four percent. Halibut bycatch rates for locations falling into the lower two classes are roughly comparable to what is generally experienced in the Bering Sea cod fishery (excluding the Aleutian Islands where halibut bycatch rates are considerably lower on average). This translates into Index values of generally between 5 and 15, while Index generally ranges from values of zero to six for deep-water flats and from zero to four for shallow-water flats.
2. The northwestern portion of Albatross Bank and the area offshore of Sitkalidak appear to have the best CPUE to halibut bycatch tradeoffs (values for Index that are not false positives) over a broad area.
3. Portlock Bank has some area blocks with relatively good cod catch to halibut bycatch ratios as seen in the medium to high values for the variable Index. In many cases, however, blocks with good values for Index are adjacent to blocks with lower values. This mix of adjacent blocks with good to poor rates may indicate that tradeoffs between target and bycatch rates are less reliable than for areas with a larger expanse of blocks indicating consistently good values for Index.
4. The patterns in Index around Cape Chiniak and Ugak suggest that the southern portion of the area off Ugak has better tradeoffs in terms of use of halibut bycatch while a chunk of the northern portion of the areas off Chiniak show relatively poor tradeoffs in terms of target catch per use of halibut bycatch.
5. Average tradeoffs of CPUE to HRATE between the Trinity Islands and the Chirikof Islands range from excellent to poor with two clusters of blocks in the excellent category, the first is north of the Trinity Islands and the second is located to the south.

Arrowtooth flounder and deep-water flatfish 1998-2002 (Figures located in Appendix 2)

1. Once again, Albatross Bank and areas inshore up to Sitkalidak appear to comprise a relatively broad area where values for Index indicate good CPUE to halibut bycatch tradeoffs. Fishing in this area catches a high percentage of arrowtooth flounder but could also be attributable to individual tows targeting rex sole.
2. The eastern portion of Portlock Bank including some areas extending to deeper areas off Afognak Island have relatively good values for Index although some of these are likely to be false positives (very low halibut with low CPUE values). The main portion of Portlock Bank consistently shows mid-range values of Index (values from four to six).
3. A cluster of blocks due south of the Trinity Islands has relatively good tradeoffs in terms of Index and reasonably good rates for Index. A cluster of blocks south of Chirikof Island shows fair tradeoffs of target CPUE to halibut usage.
4. Chiniak and Ugak show some fishing for arrowtooth and deep-water flatfish although corresponding depths suggest that these tows were likely targeting arrowtooth flounder instead of rex sole.
5. Shelikof Straits shows some intermediate values for Index although close examination of these on the charts illustrating CPUE and HRATE indicate a strong likelihood that these are false positives.

Shallow-water flatfish 1998-2002 (Figures located in Appendix 2)

1. As noted above, tradeoffs of catch per unit effort to halibut usage are lower for shallow-water flatfish than any other target fishery.
2. A single block in the northern portion of the Shelikof Strait shows a high expected tradeoff between target catch rate and halibut usage but this may result from a false positive, e.g. an area where target rates are relatively low but halibut rates are even lower in a relative sense.
3. The fishing on the blocks along the inside edge from Chiniak down to Ugak shows relatively high values for Index compared to those at greater depths along the outer edges of these areas.
4. Trinity Islands shows a limited area with some medium level values for Index and Chirikof appears to be consistently at the lower range of Index.
5. A few fishing locations that are identified in the data as shallow-water flats target fishing occur in deep water off the shelf from Portlock Bank and the northern extent of Albatross Bank. These are unlikely to actually be shallow-water water flatfish fishing. These values may result from miss-recorded species codes in the Observer data or other data problems.

Rex Sole Target fishing 1998-2002

It is important to note that individual tows targeting rex sole rarely catch more rex sole than arrowtooth flounder and other deep-water species. Accordingly, the fishing comprising the total catch within individual 10 by 10 kilometer blocks in our data set rarely have more than 15 or 20 percent of the total catch comprised of rex sole. For this reason, we opted to separate out the blocks falling into the flatfish target fishery that had a total catch comprised of at least five percent rex sole. This separate focus within the analysis does not include the blocks that were attributed to the arrowtooth flounder target described above. Our proxy approach to defining blocks where rex sole fishing occurs generated a limited number of areas (Portlock Bank and Chirikof Island) where target catch to halibut bycatch tradeoffs were examined separately from those that were covered under the arrowtooth flounder category. As was pointed out above, blocks evaluated for arrowtooth flounder target fishing often have up to 5-20% rex sole in the total catch within the blocks. Our examination of the blocks with sufficient catch of rex sole that do not get selected as arrowtooth flounder fishing areas is limited

to the five-year aggregate and individual years (i.e. monthly data were not evaluated) given the thinness of the data.

1. Portlock Bank: This area appears to produce the best tradeoffs in terms of CPUE to halibut bycatch. A cluster of blocks show good to fair values for Index and none of the blocks on Portlock Bank that were selected on the 5% rex sole criterion for the overall flatfish catch in the block showed low values for Index.
2. Chirikof Island: A cluster of blocks south of Chirikof had fair to poor ratings for the rex sole catch to halibut bycatch ratio. These blocks appear to have relatively high CPUE for rex sole compared to those evaluated on Portlock Bank, but halibut bycatch was relatively high compared to those on Portlock bank.

Summary of trends in annual data evaluated by target fishery:
Descriptions of trends in annual data are useful for comparison to the trends observed in the aggregate 1998-2002 data. In cases where the year-by-year data consistently show the pattern established for the aggregate data, then the aggregate trend is strong and more of an established and potentially predictable pattern. If some of the years within the five-year period show opposing trends to the expectation from the aggregate 1998-2002 period, this suggest that the pattern found in the aggregate data is not as strong. Alternatively, this may suggest that the aggregate trend over the five-year period is driven by what occurred in a subset of the years. Lastly, given the rather thin data set when divided into individual years, some divergence from the five-year trend will result from the fact that data for fishing within the spatial blocks may be lacking either because fishing did not occur in that location each year or that fewer than three vessels fished there that year so the data were filtered out due to confidentiality regulations.

To better elucidate trends on an annual basis, we sometimes group adjacent fishing areas where fishing patterns suggest that the areas are related for a particular fishery. For instance, below we group Chiniak and Ugak, and Sitkalidak with Albatross Bank. Also, for most fisheries, Trinity Islands can be grouped with Chirikof Island because the fishing locations appear to fall in between the two areas. We have developed these groupings principally for convenience and trends for the fishing occurring within the grouped areas are discussed separately when they differ from year to year. Figures for annual trends in CPUE, HRATE, and Index are found in Appendix 2.

Overview of Pacific cod fishing from annual data:
Overall, the pattern seen in the 1998-2002 data set can be found fairly consistently in the year-to-year fishing data. As was noted in the aggregate data, Albatross Bank produced the best target cod catch rates to halibut bycatch ratios with Portlock Bank running second. The patterns in the annual data below show that for a few years, this trend is not as apparent or as striking but in an overall sense, it holds up. An additional observation from the annual data is that cod catch rates in some years on Portlock Bank are relatively high for nearly all years but accompanying halibut bycatch rates are also fairly high. This means that while halibut usage tradeoffs are not always as good as for Albatross/Sitkalidak, a great deal of target fishing for cod occurs on Portlock Bank. This is relatively easy to predict because the cod fishery is rarely constrained by halibut bycatch. Hence, one might expect that fishermen will make use of the high cod target catch rates available on Portlock Bank, particularly given the area's proximity to Kodiak where most of the cod trawl vessels are home-ported.

Pacific cod target fishing based on annual data (Figures in Appendix 3)

1. Portlock Bank: During three of the five years, Portlock Bank experienced fairly high values for Index, meaning that cod fishing encountered fair to good tradeoffs between target catch rates and halibut usage. Relative values for Index in 2001 and 2002 are lower on Portlock Bank. Review of the CPUE plots separately indicates that CPUEs are generally high on Portlock Bank and what serves to reduce values for Index is the accompanying halibut bycatch rates. Additionally, Portlock Bank appears to have provided the best target to halibut bycatch tradeoffs for the year 2000. This may result from un-characteristically low halibut bycatch rates on Portlock Bank that year. These annual differences in tradeoffs of cod CPUE to halibut bycatch may, however, be explained to some degree by differences in the seasonal openings of the fishery from year to year. Cod fishing in years where the trawl fishery was opened in the fall months would tend to have lower values for Index because CPUE is typically lower in the fall than during the spring period where cod are aggregating prior to spawning. In fact, the year 2000 is a year where the cod fishery on Portlock Bank showed remarkably good rates for Index and no fall trawl opening occurred for cod that year. There was no fall opening for the trawl fishery in 2002, however, and tradeoffs for Index on Portlock Bank were relatively poor that year. This suggests that no one factor can explain the year-to-year differences between and within areas. Another interesting trend is that for nearly each year in the data set, the eastern side of Portlock Bank appears to have provided better target catch to halibut usage tradeoffs than the western side.
2. Chiniak/Ugak: This area consistently produced fair to poor values of Index across the time period. In many years, Chiniak had very low values for Index and this appears to be driven by relatively high halibut bycatch rates and medium to low CPUES for cod. Ugak consistently offered better catch to halibut bycatch rate tradeoffs over the time period and occasionally had a few spatial blocks with values in the upper range of Index.
3. Albatross Bank/Sitkalidak: Cod fishing locations tend to occur on the northern portion of the bank, often due south of Sitkalidak. This area clearly accounts for the best target catch to halibut usage ratios for three of the years in the time series. In 2000 and 2001, fewer of the spatial blocks show any effort at all, which could mean less effort occurred in those years or could be that that effort was more spread between spatial blocks and that some of the data was filtered by confidentiality restrictions. For those two years, target catch to halibut usage ratios are in the good to fair range. For 2000, this appears to result from higher relative halibut bycatch rates compared to other years. In 2001, moderate levels of cod CPUE and relatively low halibut bycatch rates were observed in the data.
4. Trinity Islands/Chirikof: Most of the cod fishing effort appears to focus on the area adjacent to the Trinity Islands. A few blocks around Chirikof had moderate values for Index over most of the period with a few blocks showing good to excellent values for Index in 2001.

Arrowtooth flounder and deep flatfish target fishing based on annual data (Figures in Appendix 3)

1. Portlock Bank: This area appears to be one of the most widely used areas for arrowtooth flounder and deep-water flatfish based on the larger relative number of blocks in which annual data consistently appears. Rates are consistently in the mid-range for Index (ratings in the second to highest category to second to lowest) with a consistent pattern in the blocks fished from year to year. Some fishing occurs on the northwestern edge of the Bank offshore of Afognak Island and this generates a range of outcomes in terms of values for Index ranging from good to poor depending on what year is examined. Close examination of the CPUE and HRATE scores shows that the traditional Portlock Bank fishing area where arrowtooth flounder and deep-water flatfish fishing occurs nearly every year has relatively high CPUE

values but corresponding Index values tend to be lower because they appear to be somewhat over-shadowed by consistently high halibut bycatch rates in this area.

2. Chiniak/Ugak: Fishing in proximity to Chiniak may be targeting arrowtooth flounder or may be targeting other species that ended up catching mostly arrowtooth flounder. Halibut rates for catches in these blocks are very high and likely drives the target catch to halibut bycatch ratio lower. In 2001, data for the blocks well offshore of Chiniak indicates some better tradeoffs in terms of target to halibut bycatch rates but this is a one-year phenomenon in the available data. Ugak shows more promise although rates for Index range from poor to good over the years in the data set.
3. Albatross Bank/Sitkalidak: For most years, this area produced a fairly wide set of blocks with mid to high values for Index. In some years, rates for Index are poor in some blocks and the CPUE and HRATE plots indicate that this is mainly driven by high halibut bycatch rates. This is of interest because cod fishing did not seem to produce these high halibut bycatch rates. Arrowtooth flounder and other deep-water flatfish fishing appear to target different areas and depths than the areas on Albatross Bank where cod fishing occurred.
4. Trinity Islands/Chirikof: Scant data in terms of the number of blocks fished. Annual rates vary from mid range to the upper end of the range for Index indicating that some fishing effort achieves reasonable to good tradeoffs between target fishing catch rates and halibut usage.
5. Shelikof Strait: Our data set indicates data for only two of the five years considered individually for this part of the analysis. For years where fishing occurs in our data, it seems to produce medium range scores for Index although some of these are likely to be false positives because target catch rates for arrowtooth and deep-water flatfish species do not appear to be very high in this area.

Shallow-water flatfish target fishing based on annual data (Figures in Appendix 3)
The patterns seen in the aggregate data for shallow-water flats are generally confirmed in the year-to-year data. Halibut bycatch rates overall are quite high relative to Pacific cod and deep-water flatfish. Analysis of shallow-water flatfish is limited by the fact that for some of the years, little or no effort appears in the data set for areas where trends appeared in the aggregate data. This clearly reduces the confidence we can have in the overall trends in the aggregate data. One such example is for Shelikof Strait where the aggregate data showed a single block where high catch rates and low halibut usage seemed to indicate relatively promising tradeoffs in catch per halibut usage. From the annual data, it is evident that this really only occurred in one year, so the prospects for this area as a shallow-water trend are lower than was noted above once the annual data were examined.

1. Portlock Bank: To the extent that shallow-water species occur in the catch on Portlock Bank, the halibut rates tend to outstrip the target species catch rates. Despite this, relatively good values for Index appear on Portlock Bank in single blocks for some years. Fishing for shallow-water flats also occurs on the inside portion of the Bank adjacent to Afognak Island to a limited extent in our data set. Rates for Index are generally poor in this area.
2. Chiniak/Ugak: This area tends to produce the best relative rates for Index although the areas with good to moderate values for Index tend to shift from year to year between Ugak and the outside portion of Chiniak. The inside portion of this area tends to produce better target to halibut bycatch rates than the outside area for many of the years in the annual data set. While this tends to confirm the findings from the aggregate five year period, the year to year data set shows that fishing on the inside portion does not produce relatively better tradeoffs in all years.
3. Albatross Bank/Sitkalidak: Shallow-water flatfish fishing occurs on the inside edge of Albatross Bank and directly adjacent to Sitkalidak in some years. Tradeoffs in terms of target

catch rates to halibut usage range from poor to fair in this area and fished blocks are generally scant in our data set.

4. Trinity Islands/Chirikof: Fishing for shallow-water flats occurs in a very limited number of blocks with no consistency in our data set. Target catch to halibut usage ratios range for poor to moderate.
5. Shelikof Strait: A high score in the northern portion of the Shelikof Strait for 1998 is likely to be a false positive based on evaluation of CPUE data for that year. Fishing in that area does not occur in any other years in our data set. In the southern portion of the Shelikof Strait, some shallow-water flatfish fishing occurs close to the Island of Kodiak. These areas have reasonably high CPUEs but halibut bycatch outstrips these rates so values for index are low.

Rex sole fishing based on annual data (Figures in Appendix 3)
As was explained above, data for rex sole involved selecting blocks where the overall flatfish catch was comprised of at least 5% rex sole. The areas where a cluster of blocks consistently meets this criterion are Portlock Bank and south of Chirikof Island.

1. Portlock Bank: This area had fair values for Index in 1998 and 1999 then Index values in the fair to good range for 2000 and 2001. In 2002, none of the blocks on Portlock Bank met the criterion used to define rex sole target fishing.
2. Chirikof Island: This area has a cluster of blocks that consistently range from fair to poor from 1998-2001. In 2002, a large number of blocks met the rex sole target criterion used for this study and nearly all these blocks showed fair rates for Index.

Trends in aggregated monthly observer data from 1998-2002 by target fishery:
Differences in the data used for the monthly data analysis
The data set for this part of the analysis differs from what was used to evaluate annual and inter-annual patterns above. In addition to sorting the data by months for the five years, another difference was that essentially a different set of data was obtained from NMFS for this part of the analysis. This occurred because the data confidentiality regulations affect what data could be released for each data set depending on the number of different vessels fishing specific blocks over the period of interest. Recall that in the case where fewer than three separate vessels fished within a block during the period of interest, NMFS' regulations do not allow for the release of those data. With the data for grouped months over a five-year period, different spatial blocks meet the minimal threshold for data and hence qualify for release. Although the end result means that the blocks within fishing areas are sometimes different from what was examined before, the general pattern of the blocks with data within the major fishing areas is common to both data sets.

Difference in focus for this part of the analysis:
This portion of the analysis departs somewhat from the earlier analysis question of whether annual trends were present in the data or whether there is a trend that is sufficiently strong that it emerges from annual data summed by fishing locations over a five-year period. Here we are interested in any consistent patterns of seasonality that emerge when the data over five years are divided into target fisheries and the relevant months when fishing occurred. While the analysis before was useful for addressing the general question of the strength of spatial patterns for annual periods, this focus on monthly data is more relevant to the question of whether there are sufficient seasonal patterns to suggest that an in-season bycatch "hotspot" bycatch avoidance program would be effective.

Assessment of within-year seasonality patterns in CPUE and halibut bycatch rates would normally be the preferred method to evaluate target catch to halibut bycatch tradeoffs within a given year. In this case, however, this was neither possible nor necessarily preferable. First of all, monthly analysis for a given year was essentially precluded due to data confidentiality regulations. This is because very few blocks within a given month and a given year would have sufficient fishing effort within a given target fishery to say much about the data. The thinness of the data under that scenario, in fact, would almost have to occur given the relatively small number of Central Gulf trawlers relative to the vast number of spatial blocks around Kodiak Island. .

To understand this issue of why individual months within a year would not produce sufficient data for the analysis given the data confidentiality rules and in general, recall that with 30% observer coverage, approximately one-half of the tows are actually sampled by observers when the vessel has an observer on board. So data for a fleet of approximately thirty vessels is limited because about one-third of the vessels are likely to have an observer on board at any given time and only one-half of the fishing on a given observed vessel is actually sampled. This leads to a situation where too little of the fishing is observed to say much about within-year seasonality patterns for the different target fisheries of interest.

For this reason, months over a five-year period were grouped together. This serves to improve both the breadth of the data as well as focusing the analysis on any trends that are strong enough to emerge from the grouped months. Additionally, after thoroughly examining this issue, we came to believe that the trends evident for months within a five-year period would likely be more reliable than the month-to-month variation within a given year.

All figures for this portion of the analysis are found in Appendix 4. Please note that the charts for monthly trends over the last five years are presented on a finer spatial scale. This was done because these charts are likely the most useful to fishermen and as such more spatial specificity is required in order for the charts to be useful.

Monthly patterns in Pacific cod CPUE to halibut bycatch rate tradeoffs for 1998-2002 (Figures in Appendix 4)

1. Portlock Bank: The annual and aggregated annual data identified this fishing area as having some of the best CPUE values for Pacific cod and reasonably good halibut usage tradeoffs, although apparently not as good as those for Albatross Bank. Monthly data indicate several blocks in the western portion of Portlock Bank have experienced the best catch to bycatch tradeoffs in February while the eastern portion has fair to poor tradeoffs. This pattern appears to reverse itself to some degree in March where the fished blocks in the eastern portion of the block have better scores for Index and the western blocks are generally only fair values for Index. April shows generally fair values for Index but only a few blocks appear to be fished during the month of April over the years in our data set. These may be tows targeting other species where sufficient quantities of cod are incidentally caught such that the targeting algorithm (species dominance in the catch) assigns these catches to the cod fishery. July appears to switch back to the March pattern where the best blocks in terms of catch to halibut bycatch ratios are in the eastern portion of the Portlock Bank. Once again, the fishing involved with this fishing in July is minimal because catch of cod in July is minimal. So any patterns may not be indicative of true seasonal patterns if substantial amounts of effort were shifted to the areas showing relatively good tradeoffs. Lastly, fishing in October appears to resemble the February pattern where the western portion of the area has excellent tradeoffs for Index but the

eastern area has relatively poor values for Index. It is important here to keep in mind that cod catches in the off-season months occurs only in some of the years in our data set as was discussed above. This makes the reliability of the spatial data for April, July, and the fall months lower than for the months of February and March where fishing occurs each year.

2. Chiniak/Ugak: While a great deal of the monthly data shows fishing that is attributed to the cod target, for the early part of the year where most cod fishing occurs, this area appears to generally produce poor target to halibut usage off Chiniak and moderate to poor rates of Ugak. This same pattern holds for the limited cod fishing occurring in July. For July, however, far fewer blocks are covered in our data for that month as summer cod fishing is not extensive and does not occur in all years. Finally, in the month of October, a mix of rates for Index occur, ranging from excellent to fair off Ugak and from poor to excellent of Chiniak, with the better rates occurring well offshore of Chiniak. The caveat regarding fall cod fishing mentioned for Portlock Bank must be kept in mind here as well.
3. Albatross/ Sitkalidak: For February and March, cod catch to halibut usage tradeoffs range from excellent to fair with the better rates occurring in the southern portion of the area on the inside of Albatross Bank. No cod fishing effort appears for this area in our data set for July. Finally, October shows a single block with a good value for Index, and little fall cod fishing has occurred on Albatross Bank so our information about fall cod fishing in this area is rather limited.
4. Trinity/ Chirikof: For February and March, the area off the Trinity Islands has several blocks with good and excellent values for Index, and this extends to the northern portion of Chirikof. For the latter months of the year, most of the cod fishing in our data set occurs in the blocks directly between Trinity Islands and Chirikof and rates for those months range from fair to poor in that area but fall cod fishing is limited to a subset of years in our data set and overall, relatively little fall cod fishing has occurred in this area.

Monthly patterns in arrowtooth flounder and deep-water flatfish CPUE to halibut bycatch rate tradeoffs for 1998-2002 (Figures found in Appendix 4)

1. Portlock Bank: Portlock Bank shows a distinct pattern in seasonal differences in the tradeoff between target catch rates for arrowtooth and deep-water flatfish and halibut usage. For March, only a few blocks are fished for deep-water flats and Index values are generally poor in the deeper areas west of the Bank. A single block south of Portlock shows good halibut usage tradeoffs in March as well. The month of April shows fishing in a wider number of blocks. The eastern portion of Portlock Bank and an area to the south shows a few blocks with excellent and good rates for Index. From our data, the deeper water fishing west of Portlock in the month of April shows relatively poor tradeoffs for target catch to halibut usage. Data for May indicates fewer blocks fished over the period for our monthly data and rates for the areas west and south of the Bank itself range from good to poor with no real pattern. Like April, July is a month where a thrust of fishing for arrowtooth and deep-water flatfish occurs and a spatial pattern similar to what occurs in April can be detected in the data. For July, a fairly large number of blocks appear in our data with excellent and good values for Index. These occur in the eastern and southern portion of the Bank itself and they occur in a fairly clustered area indicating a fairly distinct area where good halibut usage tradeoffs occur for deep flats fishing. The Index rates for several areas west and south showing rates that range from good to poor during July as well. Finally, some good values for Index occur in October in a few block on the eastern portion of the Bank but some blocks with poor ratings for Index are interspersed.
2. Chiniak/Ugak: Fishing attributable to the arrowtooth flounder and deep-water flatfish target in our data generally shows poor halibut usage tradeoffs in this area. There appears to be little

seasonal patterns to data for Chiniak/Ugak and rates for Index are consistently poor with a few values of fair. The single exception to this is for one block north of Chiniak for the month of April where a rating of excellent for Index occurs.

3. Albatross/ Sitkalidak: No target fishing for arrowtooth flounder and deep-water flatfish occurs in this area in March within our data set. April data show several blocks clustered together with values for Index ranging from excellent to good and one block to the south with a value of poor on Albatross Bank. Rates during April at Sitkalidak are poor. May shows a few blocks with excellent and fair tradeoffs in target to halibut usage on Albatross Bank and some blocks with poor rates off Sitkalidak. Data for July are very similar to April where a cluster on good and excellent blocks on Albatross Bank can be found in essentially the same area as occurred in April. Lastly, in October, our data indicate no effort for arrowtooth and deep flats on Albatross Bank and a fairly deep water area off Sitkalidak with a cluster of blocks with good and excellent values for Index.
4. Trinity/ Chirikof: Our data indicate a considerable number of blocks with fair values for Index occurring in April and May south of Chirikof Island. Three blocks with a rating of fair for Index occur in October off Trinity Islands.
5. Shelikof Strait: March and April data shows a few blocks in the central Strait with good and fair tradeoffs for target to halibut usage in the arrowtooth and deep-water flatfish target. Our data set does not include any fishing effort in the Strait for May through October.

Monthly patterns in shallow-water flatfish CPUE to halibut bycatch rate tradeoffs for 1998-2002

1. Portlock Bank: Monthly data are generally to scant to assess any pattern in seasonality in the tradeoffs between shallow-water catch rates and halibut usage on Portlock Bank. The only data of any consequence for this fishery in this area occurs in March and April and rates for Index are mostly fair and poor with the single exception of a block in April with a value of good for March occurring at a depth that generally deeper than most target fishing for shallow-water flatfish. This may be an error in the reported position in the data or the species recorded for the catch record.
2. Chiniak/Ugak: Spatial coverage for the shallow-water flatfish fishing occurring in this area is widespread. The overall pattern across all months (February, March, April, May, and July) is fairly consistent with poor tradeoffs for target catch to halibut usage in the offshore portion of the area both off Chiniak and off Ugak, and relatively fair to good tradeoffs for most of these months in the blocks located inshore of the general areas off Chiniak and Ugak. Relatively little fishing for shallow-water flatfish has occurred in winter months in the past due to the prevalence of more profitable opportunities for cod and pollock fishing. This means that the confidence we can have in historical data on catch to halibut bycatch rate tradeoffs is limited.
3. Albatross/ Sitkalidak: Monthly data for shallow-water flatfish is scant in this area. Ratings for Index are generally poor with the single exception of a single block off Cape Sitkinak in the month of July.
4. Trinity/Chirikof: Data are once again scant for the shallow-water flatfish fishery in this area. For the three months with data, the pattern is generally poor tradeoffs of target to halibut usage from month to month. The exception here is a few blocks south of Chirikof Island indicating fair ratings for Index in the month of May.

Overall assessment of spatial patterns in Gulf of Alaska catch and halibut bycatch in the context of opportunities to increase flatfish yields through improvements in fishery management incentives and management structures

The above sections have thoroughly evaluated the study questions associated with the first two objectives of our study: 1) Are there significant and identifiable patterns in halibut abundance where flatfish and cod trawling occur; and 2) Can areas be identified in the data for observed fishing for the last five years where catch rates of the target species are high relative to the halibut bycatch rate? Objectives 3-5 for this study focus on the relative strength of those patterns and spatial differences in catch to bycatch tradeoffs in light of the baseline objective of increasing yields of flatfish in the Central Gulf of Alaska. This includes a discussion of the changes in incentives, management systems, and institutional arrangements that would be necessary to ultimately achieve increases in flatfish yields within the existing constraints of the halibut bycatch allowances.

From our experience with halibut bycatch management, it is not surprising that some differences emerge in the target catch to halibut usage ratios for different Gulf of Alaska fishing areas within different target fisheries. Likewise, it is not remarkable that there appears to be a strong seasonal component to these differences. The question of the relative strength and repeatability of between-area and within-season patterns is an important factor governing prospects for success in improving halibut usage and flatfish yields. The management system (whether derived from government regulations or internal industry arrangements) is also a critical factor in the overall success towards the objectives as well.

To tackle that question, it is worth noting up front that there is little in terms of published papers or gray literature to use as an independent point of reference. We noted above that one published paper and several "fishermen's manuals" have been produced to evaluate bycatch and assist fishermen with reducing halibut and other PSC bycatch in the Bering Sea, with a minor focus on the Gulf of Alaska in one of these reports. While the long line study of halibut bycatch in the cod fishery did contain some data for the Gulf of Alaska, the inherent differences in spatial compression of trawl versus long line fisheries and the fact that one fishery targets concentrations of fish while fixed gear fishing uses bait to entice fish to the gear further complicates the use of the data and approaches in that study as a road map.

Additionally, the spatial scale of all the other reports is grossly different from this report. Those studies presented information in approximately 900 square nautical mile blocks in one case and roughly 1,900 square miles for the others. Any trends at that scale are hard to compare to our data that was summed into approximately 40 square nautical mile grids. The scale used for those other reports is of some utility over the broad shelf of the Bering Sea with its relatively smooth bathymetry and high degree of homogeneity. For purposes of comparison to our study, however, the differences in scale make the methods of data evaluation and approaches to illustrating patterns and relationship almost incomparable.

Lacking any systematic source of information for comparing the degree to which the target fishing rates overlap with gradients of halibut bycatch in the Gulf of Alaska, we are forced to rely on our experience with the degree of inherent variability in target and halibut bycatch rates. This comes mainly from our experiences in Alaska with the information and industry management tools used for halibut bycatch management systems used in the Bering Sea.

For the last ten years, we have worked with the Bering Sea trawl fleet's self-directed system to manage individual vessel daily bycatch rates and fleet-wide catch rates of target species. While this gives us some basis against which to evaluate the ambient spatial and temporal variability of catch and bycatch in the Central Gulf of Alaska, comparisons between two rather different sets of data and information are inherently difficult to make. This is because for the Gulf of Alaska, we have in this study evaluated catch and bycatch data summed across all participants by 10 by 10 kilometer blocks on a monthly, annual, and for aggregated yearly periods. This provides a somewhat different perspective to evaluate inherent variation in the spatial data and temporal aspects of tradeoffs between target and bycatch rates than our experiences managing vessel-specific bycatch rates on a daily basis. Despite this, we feel some generalized observations as to the main differences between the two fisheries and areas can be made.

One such observation is that in comparison to the flatfish fisheries of the Bering Sea, the Gulf of Alaska flatfish fishery faces greater challenges in terms of finding areas where good tradeoffs between target and bycatch rates can be achieved. This observation is based primarily on the relative degree of consistency and predictability of target catch and halibut bycatch rates by area for the flatfish fisheries of the Bering Sea relative to what has come to light from the data in the Central Gulf of Alaska.

Overall, catch and bycatch trends the Bering Sea flatfish fishery appears less-variable both in terms of the range of catch rates for target species and the range in halibut bycatch rates from season to season and year to year at the core fishing locations. From our experiences in the Bering Sea, at predictable windows of time each year in the Bering Sea flatfish fishery, fishermen encounter significant separation between areas with concentrations of target species and halibut. For weeks at a time in these locations, relatively large catches of target flatfish species catch occurs with good tradeoffs in terms of halibut bycatch cap usage. Nothing as distinct or predictable in terms of separation of target species from halibut appears to occur for the Central Gulf flatfish fishery based on the available data we have reviewed in this study.

The cod fishery in the Gulf of Alaska and Bering Sea appear more similar in several respects. For instance, the Gulf of Alaska and Bering Sea cod fisheries appear to have relatively similar catch and bycatch rates in terms of the range from high to low. Additionally, the Gulf and the Bering Sea cod fisheries both have a few core areas that tend to offer clearly better tradeoffs in terms catch rates and halibut bycatch usage. For the Gulf of Alaska cod fishery, however, fishing areas with a variety of rates for catch and halibut bycatch spread over a larger number of relatively small and discrete locations. This is not the case for the Bering Sea where, in fact, cod fishing tends to occur in three basic locations: Unimak Pass, the Slime Bank, and south and west of the Pribilof Islands. The differences in the catch rates and halibut bycatch rates between these areas are relatively small and generally predictable from year to year and within seasons.

Once again, these comparisons are based solely on experience with two different ways of looking at different fisheries. While we are fairly confident in our overall conclusion about the Bering Sea being inherently more predictable and hence inherently more likely to achieve gains in terms of improved bycatch management through the use of spatially-specific data, the different filters in the way we are looking at performance in the fisheries renders this conclusion somewhat speculative of course.

While the predictability of catch and bycatch locations and their overlap is one aspect governing the potential success of bycatch management and target fishery utilization, institutions and their inherent

incentives are certainly a large factor in determining overall success. Some comparisons to the bycatch management systems of the Bering Sea should be instructive for this purpose.

In Alaska groundfish fisheries, three programs have been developed by fishermen and fishing associations to improve bycatch management. Each system is tailored to a different set of ambient conditions. These are: 1) the prohibited species management system in Bering sea flatfish trawl fisheries for flatfish and cod; 2) the salmon bycatch management in the Bering Sea pollock fishery; and 3) the halibut and sea bird bycatch management in the Bering Sea and Gulf of Alaska long line fishery. Because the latter is not a trawl fishery, its relevance to the subject of this report is not known and hence it will not be discussed further.

For the last ten years, Bering Sea fisheries for flatfish and cod have achieved some notable success in reducing halibut bycatch rates. This has occurred from the use of a data-sharing program called Sea State. Under this system, fishermen agree to share bycatch rate information depicted on charts detailing vessel-specific bycatch rates and "hotspots" on a daily basis (Gauvin et al., 1995). This system is used to impart peer pressure for bycatch avoidance among fishery participants.

While the Sea State is system has achieved notable success in the Bering Sea flatfish fishery, this is partially attributable to the relatively small number of at-sea processing vessels in those target fisheries. The small number of participants and the transparency of vessel-specific bycatch performance allows the system to function reasonably well with only informal agreements between fishermen determining when they should leave a given area based on relative or absolute bycatch rates.

From our experience with the Sea State program for Bering Sea flatfish fisheries, it is clear that peer pressure tends to be more effective at controlling the inherent divergence between individual gain and overall benefit to the fleet when the fishery is proceeds at a manageable rate. Additionally, the system works best not only when there is a relatively small number of fishing vessels but with little ingress of new vessels as well. This small and stable participation is generally the norm but at times the number of vessels increases with seasonal closures of other target fisheries. At those times, the relative degree of success of the flatfish bycatch avoidance system is reduced due to the fact that effective peer pressure becomes more difficult if fishery participants begin to doubt that the savings in terms of additional fishing opportunity from bycatch savings will accrue to the ones who incurred the sacrifices. This is a classic case where the lack of assigned rights to catch and bycatch tends to allow individual profit maximization incentives to prevail even when such behavior decreases total yields and overall revenue.

This same outcome has been described with the voluntary use of halibut bycatch reduction devices in flatfish fisheries in Alaska (Gauvin and Rose, 2000). Although all participants would increase their revenues with fleet-wide use of halibut excluders, the lack of individual incentives allows individual profit maximization incentives to prevail. Specifically, the loss of target catch occurring with halibut "excluders" creates incentives for fishermen to remove the devices while hoping that some fishermen will continue to use the devices so as to extend the fishery for the entire fleet. Individual gains from abandoning the devices while others continue to use them are thought to be significant.

Perhaps the most critical factor in the success of bycatch management in the Bering Sea flatfish fishery is that the challenge of controlling halibut bycatch is tractable. By this it is meant that there are relatively predictable and consistent spatial patterns in bycatch locations that emerge within seasons

and annually for the Bering Sea flatfish fisheries. With the somewhat reliable and predictable spatial characteristics, individual companies through Sea State have been largely successful in keeping bycatch minimization a priority. The system works overall, however, because there are generally reasonable alternative areas for fishermen to relocate fishing effort to reduce bycatch while achieving acceptable target catch rates. So peer pressure works because fishermen are rarely faced with "no win" situations wherein to achieve lower bycatch rates they must necessarily accept lower target catch rates.

Another Bering Sea example of industry bycatch management initiatives occurs for salmon bycatch management by pollock cooperatives in the Bering Sea pollock fishery. In this case, cooperatives formed through the American Fisheries Act (AFA) manage salmon bycatch occurs through internal contractual agreements. Additionally, an extensive data management system is used to provide daily bycatch rate data with associated fishing positions. The internal bycatch agreements within pollock cooperatives and with inter-cooperative agreements are empowered to close off salmon bycatch "hot spot" areas. These closures apply differently to vessels in different tiers of weekly bycatch rates.

Controlling salmon bycatch is inherently difficult in the face of the highly-variable spatial aspects of salmon bycatch. In addition to the substantial efforts of cooperatives and trade associations make to manage salmon bycatch in the Bering Sea pollock fishery, the concreteness of contractual agreements is likely a key element to the program's overall success.

In both Bering Sea industry bycatch management examples, factors are favorable to the success of the two different programs. These factors are, however, quite different. In the case of the Bering Sea flatfish program, the patterns and repeatability of bycatch locations within seasons and between years generally seem inherently easier to manage than would be possible if a similar system were in place to manage bycatch in the Gulf of Alaska. For instance, halibut and red king crab bycatch for the rock sole fishery in the Bering Sea tend to unfold in a very similar way each year with the same set of hotspots emerging year after year in some cases. These rather consistent relationships between catch and bycatch rates well understood now by the fleet and all that is sometimes needed is to "remind" fishermen of the simple rule of thumb for that fishery at that time of year. Nothing with this degree of predictability appears to occur in the Gulf of Alaska based on the data analyzed in this study.

While predictability and a manageable number of participants are key factors for the Bering Sea flatfish example, neither of these conditions exists for the salmon avoidance program for the AFA pollock fishery in the Bering Sea. The relative degree of predictability of salmon bycatch in the Bering Sea is generally poor and approaches near randomness at times. This suggests that the success of salmon bycatch management for Bering Sea pollock catcher vessels is likely due to change in incentives with the American Fisheries Act (AFA) that assigned allocations of target catch to cooperatives and these are further assigned to individual vessels. Contracts from industry parties to cooperatives and from cooperative to cooperative establish binding arrangements that allow for spatial closures in response to real-time bycatch conditions. The bottom line is that individual accountability has removed the race for fish from the Bering Sea pollock fishery and this, in turn has evolved bycatch management to a higher level despite the lack of predictability of salmon bycatch.

The example of industry initiatives for salmon bycatch management under the American Fisheries Act in the Bering Sea pollock fishery demonstrates that harvesting efficiency can be increased along with improved bycatch management. Given the spatial data we have examined, we can conclude that halibut bycatch management in the Central Gulf of Alaska undoubtedly presents a real challenge, but

that challenge is still inherently doable relative to salmon bycatch management in the Bering Sea. For this reason, it is very likely that Gulf of Alaska catcher vessels can improve bycatch management and increase yields of flatfish with a change in the basic incentives of the fishery. A system that ends the race for fish through the establishment of assigned rights to target species and halibut bycatch would likely result in the ability to take advantage of the fishing areas we have identified that appear to hold prospects for improvements in target catch to halibut bycatch rate tradeoffs.

For the individual (firm level) incentives to result in halibut savings via the redirection of the trawl cod fishery to fishing grounds with better target catch and halibut bycatch tradeoffs, a separate cod TAC for trawlers would also be necessary for the trawl fishery to achieve significant success. This is because competition for cod TAC with the fixed gear sector could make redirection of the trawl cod fishery to areas with better tradeoffs in terms of bycatch management ineffectual. This is because the longer travel times to fishing grounds with better tradeoffs might not be worthwhile if it came with the cost of loss of target catch opportunities to the fixed gear sector.

Based on our data review, the best prospect for creating halibut savings and increased yields of the flatfish resource is to set up a system whereby cod and flatfish effort can productively shift to areas with better catch to halibut bycatch usage tradeoffs. Our data suggest that for cod and deep-water flats this would likely be a shift from Portlock Bank and Chiniak/Ugak to areas such as Albatross Bank/ Sitkalidak, Trinity Islands, and Chirikof.

Facing a different set of incentives under some form of a rights-based or rationalized fishery, fishermen would without question redirect effort to areas and times of the year when target catch to halibut bycatch tradeoffs would be improved. Our analysis suggests that halibut bycatch savings from this redirection of effort would allow undoubtedly result in some increases in flatfish yields. Although fishermen may already possess ideas on how they would redirect their effort under a rationalized fishery, use of a review of historical data such as the one we have prepared and an ongoing formalized information sharing program (like Sea State in the Bering Sea) would help make the redirection of effort more effective and efficient.

Our review suggests that some of the existing management constructs unrelated to the objective of halibut bycatch management could serve to reduce potential for halibut savings and increased yields of flatfish. The two most outstanding existing management constructs are the lack of a separate TAC for trawl cod and the sea lion regulations that mandate that a portion of the cod TAC be harvested at times of the year when target catch to halibut bycatch rate tradeoffs can be expected to be less advantageous. The lack of a separate TAC for trawl cod amounts to the continuation of a race for fish to some extent even if a rights-based management system is in place for trawlers. This situation would be expected to reduce the flexibility that trawlers need to redirect fishing to areas where halibut usage per unit of target catch is lower. The clear solution here is to create a separate TAC for the trawl sector although that is undoubtedly a divisive issue for the fishing industry.

Regarding the effects seasonal divisions in the cod TAC due to sea lion protection regulations, the solution is probably more elusive. Given that rationalized fisheries can be expected to reduce the race for fish on a catch per day basis, perhaps the best approach may be to evaluate the possibility that in lieu of seasonal catch limits, sea lion protections could be built around maximum catch per week or per day regulations. Such regulations could be implemented by the fishing industry via cooperatives or other structures with NMFS oversight.

With individual accountability from a rights-based management system and modifications to other management constructs that would otherwise reduce potential for improvements, the potential upside from shifting fishing effort to areas with better catch to bycatch tradeoffs appears significant. These factors combined would undoubtedly allow for some increases in the utilization of Gulf of Alaska flatfish resources.

For the shallow-water flatfish fishery, however, prospects for increasing yields through improved spatial management of the fishery have a more limited upside potential based on our assessment of data for this report. It must be underscored, however, that the data used for this report are not a random survey of potential fishing locations and are limited to where fishing has occurred under the existing set of conditions facing the fisheries. Fishermen have expressed the opinion that the winter months may hold some seasonal advantages for shallow-water flatfish. Because little effort has historically occurred during those months, we are unable to adequately evaluate that potential.

The rather daunting overlap of the shallow-water flatfish resources with that of the halibut stock at times of the year when shallow-water flats are pursued does appear to limit the potential for success suggesting that redirection of the fleet to alternative grounds alone will not allow much of an increase in utilization of those abundant resources. A logical area for focus for improving flatfish fishing in the Gulf of Alaska and particularly shallow-water target fishing is the development of an effective and feasible halibut excluder device. Given the relatively large size differential between target shallow-water flatfish species and the size of most of the halibut in the Central Gulf of Alaska, there seems to a great deal of potential for increasing yields of these flatfish through the use of a viable bycatch reduction device.

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Part Two: Summary of the development of halibut excluder devices for flatfish and cod fisheries in the Bering Sea and Gulf of Alaska and assessment of their potential use for increasing utilization of Central Gulf flatfish resources

Introduction:
The goal of reducing halibut bycatch in non-pelagic trawl fisheries has been pursued in Alaska since the advent of halibut bycatch restrictions for joint venture and domestic trawl fisheries in the late 1980s and early 1990s. The fundamental challenge of halibut bycatch management for cod and sole fishing has been the extensive spatial overlap of distribution of Pacific halibut with areas with feasible concentrations of cod and sole. This overlap in fact occurs at various life stages where halibut share the same water temperature and food preferences with important target species of groundfish.

This spatial overlap between halibut and groundfish limits the prospects for shifting fishing to alternate fishing grounds where halibut are less concentrated. Hence halibut bycatch avoidance programs based on spatial distribution differences will be unlikely to alleviate the constraint that halibut bycatch caps place on cod and sole fisheries. Additionally, spatial avoidance approaches to reduce halibut bycatch rates often come with the cost of reduced catch rates for target groundfish species, hence reductions in harvesting efficiency.

Some gear and fishing practice modifications have been used by cod and sole fishermen to control halibut bycatch. Some of these have been relatively simple measures such as the adoption of informal agreements among fishermen to reduce towing speeds to reduce capture of larger halibut, which are generally accepted to be more powerful swimmers. More recent efforts have concentrated on gear modifications, even extending to such things as multi-stage halibut selectivity devices inserted into trawls.

The discussion below summarizes most of the steps in the development of trawl gear modifications to reduce halibut bycatch. A timeline describing the milestones in this evolution is also included.

Fishing practices modifications:
In the late 1980s and early 1990s, joint venture and some of the early efforts to reduce halibut catches by domestic trawlers targeting cod and sole species attempted were based on instituting informal agreements to tow their nets at relatively slow speeds. The target speeds for this purpose were generally less than 2.5 knots per hour. This measure undoubtedly reduced catch rates of large halibut to some degree under a limited range of fishing conditions. But target species catch rates were undoubtedly also impacted. Overall, changes in towing speed did not result in a major reduction of halibut bycatch. This is likely due to the fact that for most sole and cod fisheries in Alaska, the size range of halibut encountered is often mostly comprised of sub-adult halibut. This size of halibut would not be expected to escape capture even at relatively slow towing speeds.

Gear modifications to reduce halibut bycatch:
With the implementation of halibut bycatch caps in the 1990s, achievement of allowable yields of cod and flatfish for Bering Sea and GOA trawl fisheries was not possible. For this reason, domestic fishermen began to experiment with gear modifications to reduce halibut bycatch. In nearly all the efforts to modify trawl gear that are described below, it is important to note that the experts from the NMFS' RACE Division has provided assistance to the trawl industry by working with fishermen to develop bycatch reduction technologies. RACE has also assisted by helping the industry develop

scientifically-sound tests to evaluate the effectiveness of gear modifications. The major milestones in those efforts are depicted in timeline form in Figure 1.

Figure 1. Steps in the development of halibut excluders in Alaska

Halibut bycatch reduction device	prior to 1990s	1995	1996	1997	1998	1999	2000	2001	2002	2003
Towing speed, low-rise nets, separator panels	x									
Open-top intermediate in GOA		x								
Open-top intermediate in BS/AI		x	x							
Behavior video and separation panel			x	x						
Rigid sorting grate for GOA fishery					x					
Flexible sorting grates for sole fishery						x	x	x		
Halibut excluder development for cod fishery							x	x		
Continued industry work on excluders for sole								x	x	x

Open-top intermediate:
Work focusing on cutting away the top portion of the intermediate initially began in the mid-1990s. A section of the top panel of the trawl was removed from the tubular section of the trawl called the "intermediate". The intermediate is the section between the most widely-spread portion at the mouth or the trawl and the catch collecting portion at the codend. The premise behind this modification was that large halibut might be able to swim out the top without significant large loss of target catch. This was based on NMFS' studies employing both underwater video and a field test with a recapture device to evaluate the escapement of halibut from several research collaborations between researchers in NMFS' RACE Division researchers and interested industry partners.

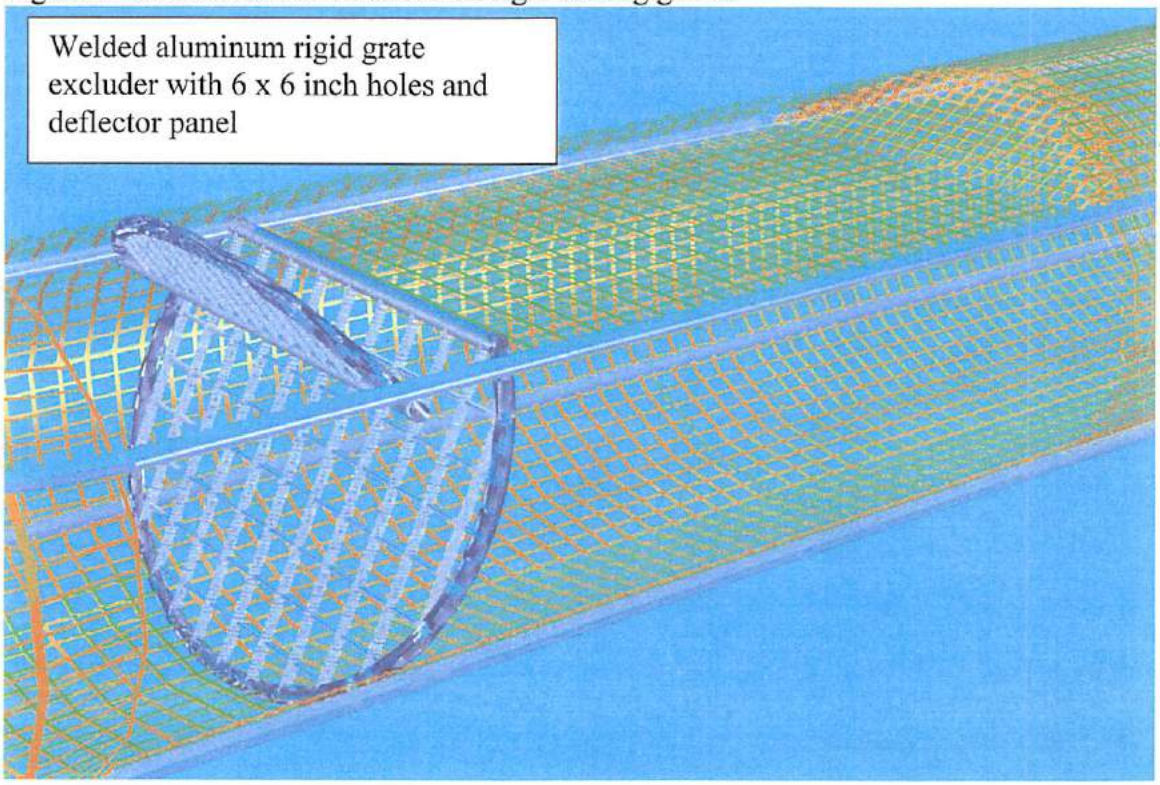
After several efforts attempting to tune the escapement panel size and placement with commercial-scale trawl gear, the open-top approach was largely abandoned for use as a halibut exclusion device. This was due to its lack of effectiveness for the size of halibut most often encountered in flatfish and cod fisheries and it relatively large escapement of cod and many target flatfish species that are also relatively strong swimmers, such as flathead and rex sole.

Sorting panels and grates for flatfish target fishing:
Starting in 1996, halibut bycatch reduction efforts shifted toward the development of rigid sorting grates with escape portals for the halibut to exit the trawl intermediate. These rigid selectivity grates were loosely modeled after the Nordmar grates commonly used in use many cold-water shrimp fisheries. These aluminum and steel grates inserted at different angles into the intermediate are essentially screens with rows of rectangular and square openings. Rigid sorting grates for removing halibut are fabricated from vertical and horizontal bars forming 6 to 8 inches rectangular passage slots. This sizing is designed around creating rectangular passageways through which most sole are supposed to be able to pass without letting large amounts of halibut to pass through.

For most target species of sole, sorting grates are installed sloping up at a relatively steep, obtuse angle. The foremost attachment points for the grate are located at the bottom of the intermediate and the top attachment point is located aft of that point at the top of the intermediate (Figure 2). Escapement of halibut and retention of target species is based on the premise that sole will be able to swim through the grate and continue on to the codend where they are collected. At the same time, halibut that are too large to be able to pass through the grate will be released at the escapement portals

at the top (aft) end of the excluder. This design concept was proven to be generally what occurs with the use of rigid sorting grates based on footage acquired from NMFS' underwater video provided in numerous field trials under fishing industry/RACE Division cooperative research efforts.

Figure 2: Halibut excluders based on rigid sorting grates

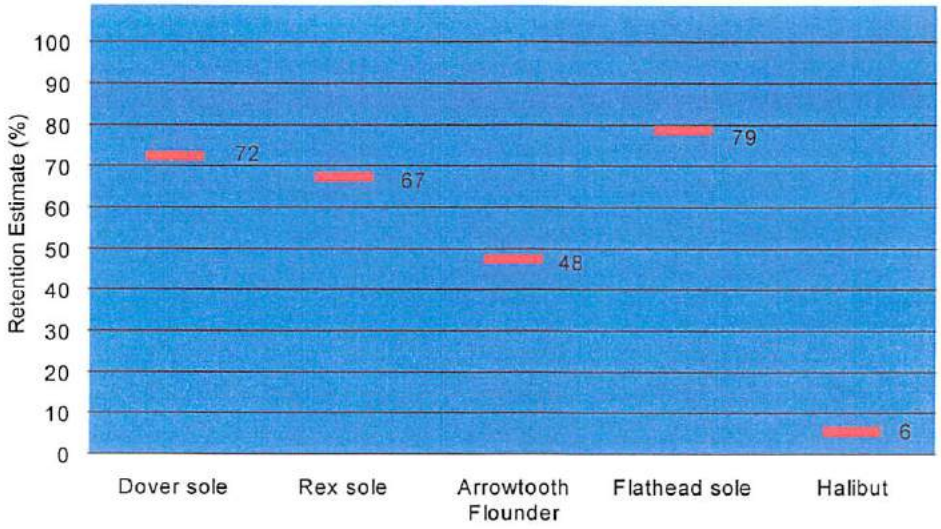


With rigid grates, halibut escapement is achieved through escape portals located at the top of the intermediate just aft of the attachment points to the intermediate. Escapement portals are sometimes as basic as a cut-away panel forming a round or rectangular hole in the intermediate aft of the excluder panel. In more sophisticated designs, escape portals are constructed of a tube of webbing leading to an opening or even a hinged door (triggered by water pressure) from which escapement occurs.

To reduce escapement of target species, water-deflecting web panels and secondary rigid grates are added to rigid grate devices. These panels are placed ahead of the top (aft) end of the grate in an attempt to force water down from the secondary panel in front of the leading edge of the main sorting grate (Figure 2). The goal here is to entice target species to swim through the grate in lieu of following the grate up and escaping at the top edge along with the halibut.

Despite the supplemental use of panels to change water flow and increase performance, the fundamental operational attribute of rigid halibut excluders is sorting based on size differences between larger halibut and target catch. When halibut are substantially larger than target species, they are unable to pass through the grate to the codend hence the excluder proves successful. Some portion of the flatfish target catch, however, does not swim through the grate and hence escapes in the same manner as halibut. Likewise, smaller halibut tend to pass through the grate with the target flatfish species. Overall, performance under ideal conditions of size differences between target flatfish species and halibut in field tests has ranged from 50-80% retention of target flatfish (by weight) and halibut bycatch reduction escapement (by weight) has exceeded 90% (Figure 3).

Figure 3. Retention of target and bycatch species with a rigid grate excluder based on 1998-01 EFP test



Concerning the performance of the rigid gate excluder described above, it must be noted here that field tests have mostly occurred in trawl fisheries where the target flatfish species are characteristically substantially smaller, on average, than the average size of halibut taken as bycatch in the fishery. On a species-specific basis, escapement of flatfish species such as arrowtooth flounder has been far less promising with approximately 50% loss of target catch of these species (by weight) in Gulf of Alaska and Bering Sea field tests. These less-promising results are likely attributable to relatively large size of arrowtooth flounder compared to most target flatfish species. Moreover, testing of rigid grates in fisheries such as those for rocksole and yellowfin sole where the average size of the target fish is rather similar to the size of the largely juvenile classes of halibut encountered in those fisheries has not been undertaken due to the low expectation for success.

Other performance problems for rigid excluders have occurred. One problem has been occasional damage to the rigid grate when rocks, crab pots, and other hard objects of significant size are caught by the trawl and bump against or block water in front of the grate. The steel or aluminum used to construct the grate is bent or severely weakened by such occurrences or the grate can tear away from the fastening points with the blockage of water flow and additional pressure on the connection points.

Another issue for rigid grates is that water flow problems can occur when soft debris becomes impaled on the rigid grate. One example of this is when large skates and sharks trapped in front of the grate due to their incompatibility with the rigid sorting panel and escapement portals with the shape and swimming abilities of these incidental catch species.

A final limiting aspect of rigid halibut excluder devices is that the use of these excluders is nearly impossible for smaller trawl vessels with aft net reels. This is a large drawback for Gulf of Alaska

trawlers delivering to shoreside markets because those boats almost uniformly use aft net reels. For these smaller trawl vessels, a rigid grate excluder device is not practical because the net with the excluder installed cannot be rolled up on the net reel and there is insufficient room to place the device to the side while the codend is being dumped into the vessel's holding tanks. In most cases, removal of the grate is also not an option because the device is sewn into the webbing of the intermediate. Once removed, re-installation takes hours to perform.

Halibut excluders for the trawl cod fishery:

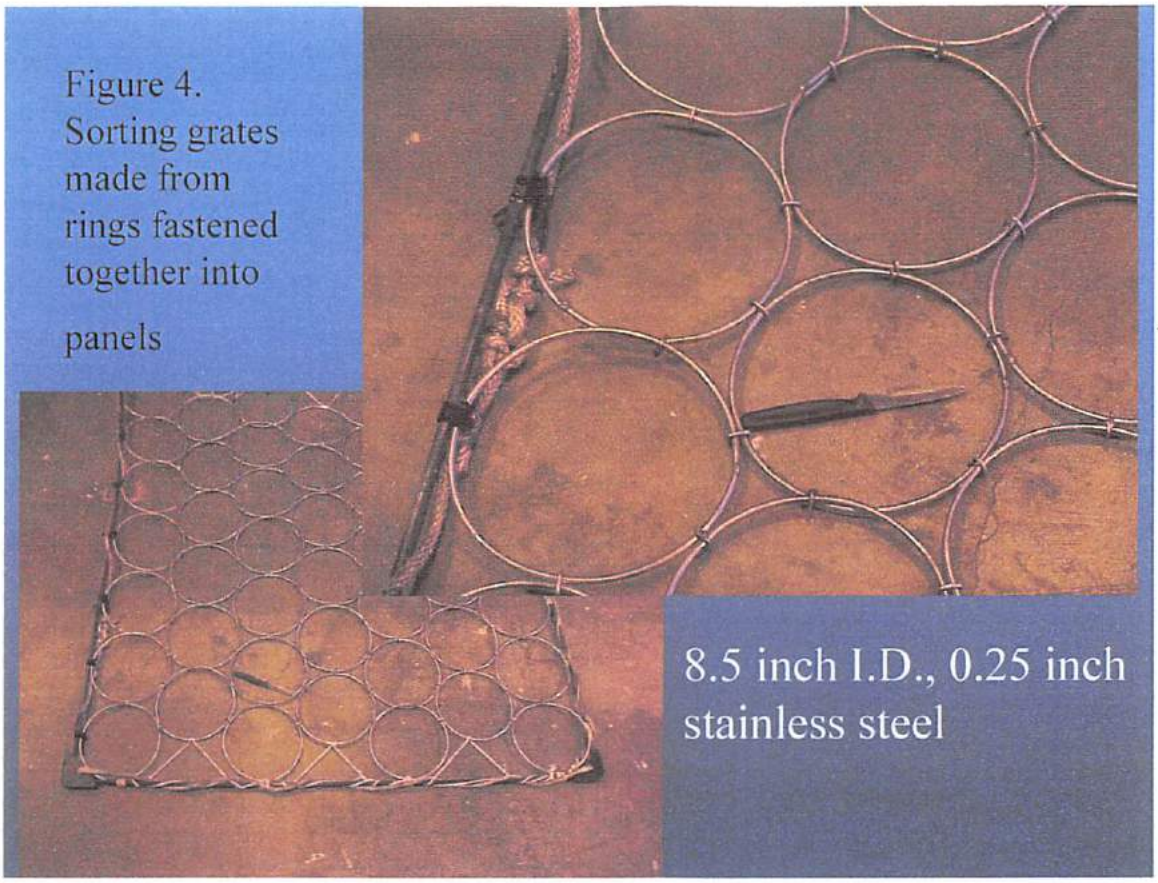
Following the work done on rigid grate excluders, the main thrust of gear modification to reduce halibut bycatch has been focused in two areas: halibut excluders for the cod target fishery and excluders made of non-rigid materials. These two important areas in the development of halibut excluders will be discussed separately below. Although excluders for the cod fishery are not the principle focus of this ADA/AFDF flatfish project, some of the performance issues for excluding halibut from cod trawls are critical to understanding performance and future potential for halibut excluders in flatfish fisheries.

When the concept of a halibut excluder for the cod fishery was first discussed, most skippers attending the skippers meeting speculated that the loss rate of cod with a flatfish excluder would be critically high. Skippers believed that cod would be at least as likely to utilize the excluder due to its upward-sloping design that would virtually invite cod to escape because they would tend to swim up in response to the excluder. The initial work on excluders for the cod fishery proved that the skippers' expectations were well founded. Underwater video confirmed what cod fishermen had assumed, and experiments showed that cod escapement occurs at a high rate with a rigid grate flatfish excluder that slopes upward from fore to aft.

Another major issue for halibut excluders for the Pacific cod fishery is that cod generally have very large heads. So the rectangular passage holes of a grate designed to allow cod to pass through would allow a large percentage of the halibut to swim through as well. The body shape of halibut is relatively flat so they can effectively make use of the larger distance of the diagonal from the rectangular openings in the grate while cod cannot do so. This effectively allows more opportunity for halibut to pass through without the same advantage being available to cod.

As the work on a halibut excluder for cod fishing developed, the specific behavioral and size considerations of cod relative to halibut led fishermen and researchers to explore such features as a rigid excluder grate built with round holes made from metal rings. The metal rings were either fastened or welded together on rectangular steel panels to form a panel of circular openings (Figure 4).

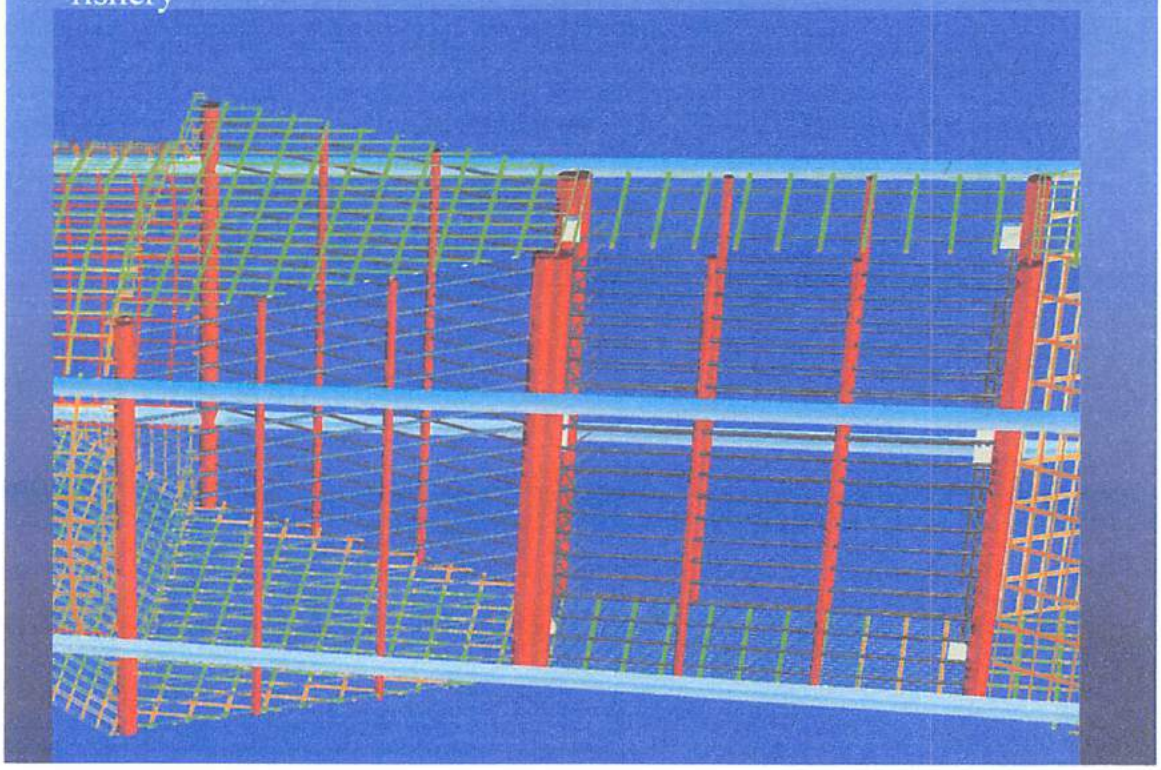
Another design aspect that was explored was that these sorting panels with circular holes were installed sloping down from fore to aft in order to encourage cod to swim through the holes. It was theorized that cod would resist swimming down and so would be induced to swim through the grates. This assumption was also based on the general notion that cod prefer to swim in the upper portion of the water column within the trawl.



When testing for halibut devices for the cod fishery was undertaken, the performance of excluders equipped with downward sloping grates with circular holes was generally lower than for the rigid grates excluders used for flatfish fishing. The major problem encountered was that even medium-sized halibut could pass through the holes in the grate when holes large enough for most cod to pass through were used (e.g. rings with a diameter on the inside dimension of 8.5 inches).

In response to this finding, an innovation for excluding halibut in the cod fishery came from a NMFS-designed excluder employing a different concept. This new approach utilized a "corral" or escapement chamber in the intermediate with slatted escapement portals. Made from fiberglass or UHMW plastic rods inserted into heavier UHMW framing, the corral portion of the device was essentially a chamber within the trawl similar in design to a cod pot. Using a set of slotted walls from opposing lateral sides as an entrance similar to a fish trap, water entering the corral was reduced in flow aft of the entrance. This allowed halibut passing through the corral chamber to make multiple attempts to escape out through the slatted escapement holes within the corral. The escapement portals for this device were the rectangular spaces or "slots" between fiberglass rods hung horizontally in the vertical UHMW framing on both sides of the corral. These spaces or "slats" were long and fairly narrow and hence designed to allow halibut to pass between them while only relatively small cod would be able to escape here (Figure 5).

Figure 5: Slot section of the "corral: halibut excluder for the cod fishery



The corral halibut excluder device was effective at allowing halibut to escape at a rate of approximately 80% while retaining large and medium-sized cod. One basic problem with the corral device, however, was its strength and resilience relative to what is needed for commercial fishing scale applications. Additionally, interest in the device was limited from the outset because many cod fishermen also seek catches of flatfish species such as rocksole and yellowfin sole while fishing for cod in the Bering Sea. Escapement for these flatfish species with the corral halibut excluder approached 100%.

"Soft" halibut excluders for flatfish fishing:

Work done to adapt the key concepts of rigid halibut excluders for flatfish into a "soft" excluder made mostly of webbing began in response to the problems smaller vessels experienced attempting to use the rigid grate excluders. Soft excluders needed to use only webbing other pliable materials to allow the device to roll onto trawl net reels. This work on soft excluders started in 1997 from a design developed by Gulf of Alaska fishermen. Square mesh webbing with large meshes was used in lieu of a metal grate for the sorting panel and most of the other design characteristics are similar to the setup for rigid excluders used for flatfish. This means that the sorting panel slopes up from fore to aft and escapement occurs at the top of the sorting panel at the aft end of the excluder.

To achieve reasonable performance from a panel made of large, square mesh netting as a sorting grate, rigidity must somehow be created. The approach used to achieve rigidity was to insert spreading rods across the intermediate at the bottom (fore end) and top (aft end) of the square mesh panel (figure 6).

This is to keep the sorting grate open rather than collapsing as would otherwise inevitably occur if large square mesh webbing were simply sewn into and across the intermediate.

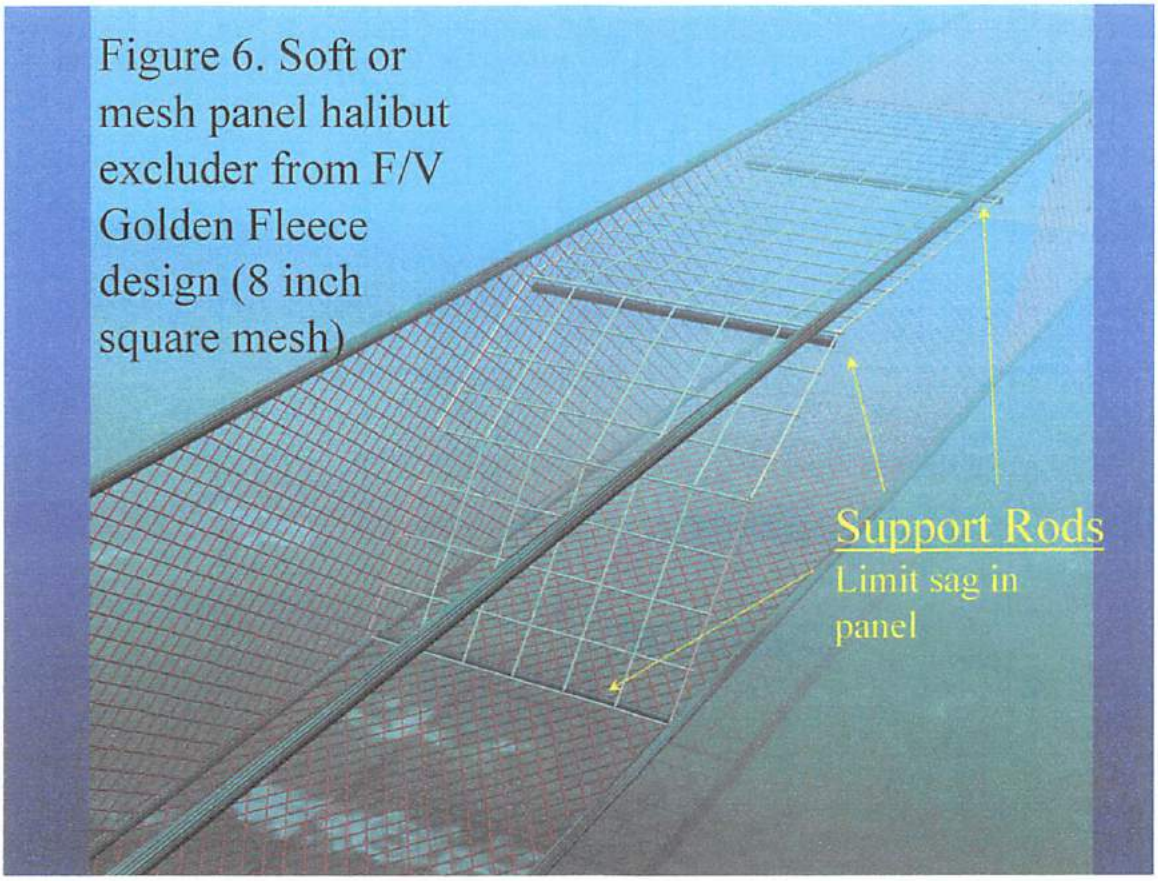
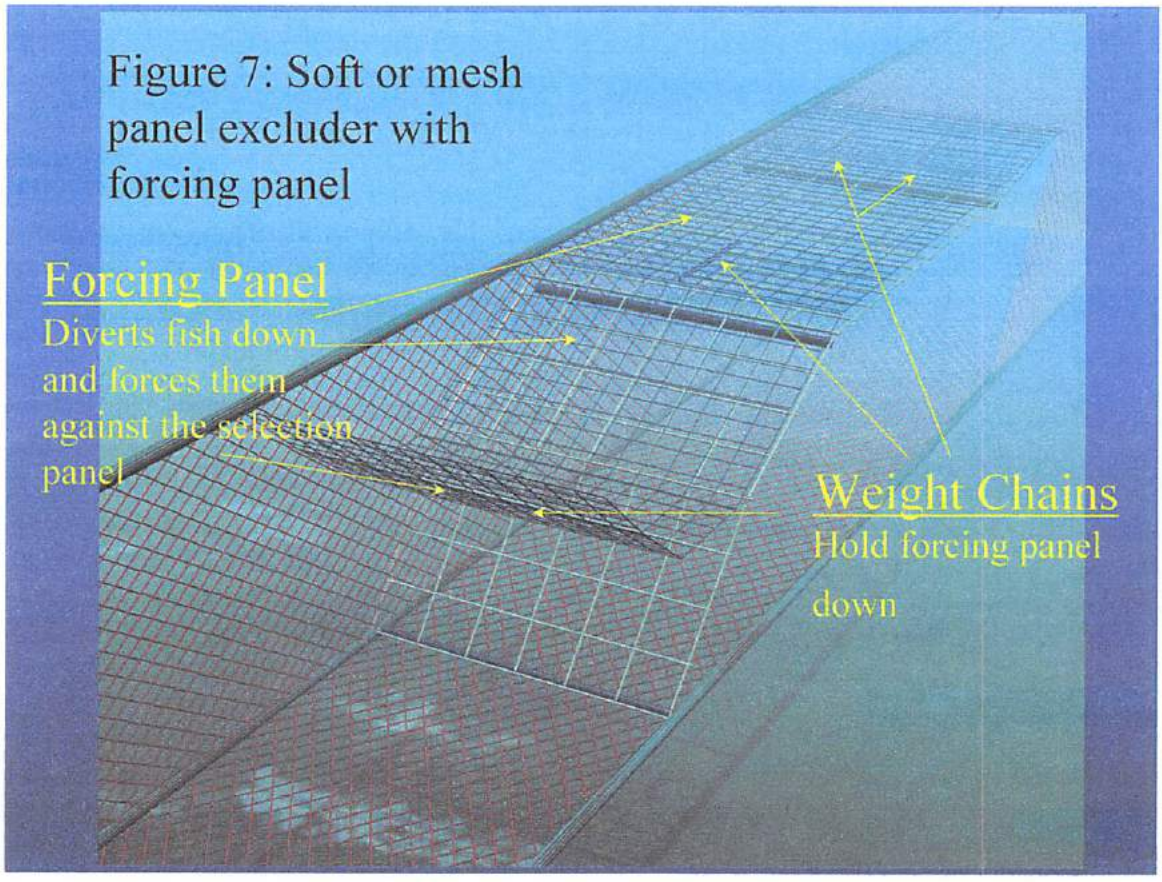


Figure 6. Soft or mesh panel halibut excluder from F/V Golden Fleece design (8 inch square mesh)

At first, the materials for spreading bars were typically made of either fiberglass or UHMW plastic rods (Figure 6). Later, two-inch circles cut out from automobile tires were strung together through the center with cable place through the center of the circles under pressure. These rubberized stiffening rods made from tire "cookies" were placed at the fore and aft connecting points to the intermediate. In all cases, spreaders or either sort were installed perpendicular to the trawl to achieve spread perpendicularly. Being both flexible and placed perpendicular to the direction of the netting, the spreader rods could be rolled onto the net reel without damaging them.

Through fieldwork in conjunction with the AFSC' Race Division utilizing underwater video, changes in the industry's initial designs for soft excluders were made to the basic device. This involved increasing the upward slope of the square mesh sorting panel in the lower portion (fore) of the excluder. This steeper slope feature was done to correct for shape and water flow problems that were causing blockages under common fishing conditions. The upper portion of the square mesh panel retained its original gradual slope.

In addition to the shaping modifications, a "forcing panel" running back from the top of the square mesh sorting panel was added along the top of the intermediate. This was done to reduce escapement of target catch and increase halibut escapement (Figure 7). The forcing panel effectively created a narrow swimming area or "gauntlet" between the top of the intermediate and the larger meshes of the square mesh sorting panel on the bottom. Weight chains at the top of the forcing panel were used to hold the panel down.



With the addition of the forcing panel, target flatfish that failed to pass through the lower portion of the square mesh sorting panel might be induced to swim down and through the sorting panel in its upper "gauntlet" portion in lieu of swimming though this uncomfortable gauntlet and on to the escape portals. Larger halibut would still be unable to pass through the sorting panel even when passing through the gauntlet so they would continue on the escapement portals and be released. When faced with the prospect of swimming between two relatively narrow mesh panels compressed together, the NMFS' underwater video footage confirmed showed that many target flatfish opted to dive down into the intermediate aft of the excluder thus passing back to the codend. Most halibut, however, proved to be unable to pass through the square mesh panel at the bottom of the forcing panel so they continued on to the escapement portal at the end of the "gauntlet".

Performance with soft halibut excluders has been evaluated through limited field experiments under NMFS RACE division charters. Under reasonably good conditions for flatfish size sorting selectivity, the performance of soft halibut excluders approaches that of rigid grate excluders (approximately 70-80% halibut reduction with 15-25% loss of target catch by weight). At this stage in their development,

however, soft halibut excluders are extremely vulnerable to clogging and flow problems and partial collapse of the square-mesh sorting panel when skates, sharks, or debris of any sort encounter the sorting panel.

Usage of the soft halibut excluders is currently very limited due to the inherent challenges associated with their use. With panels made of webbing as the main component for sorting, water flow and shaping of the intermediate greatly affect the shape and angle of the "webbing grate" and the surface area that makes up the sorting panel. Under conditions where the square-mesh sorting panel is not achieving good shape and flow performance, fishermen have noted that escapement rates of target species increase dramatically as the effective surface area of the sorting panel is greatly reduced and hence target fish have less area available to them to pass through the sorting panel.

Assessment of potential for reducing halibut bycatch with the further development of halibut excluders for shoreside trawlers targeting flatfish and cod

Under a current "Olympic" or open access management system, incentives for use of halibut excluders of any kind are relatively low. This is because use of these devices involves costs in terms of reduced catches of target species and in terms of cost to materials purchases, construction, and handling and maintenance. Under a management program with vessel-specific catch and bycatch limits and incentives, however, the benefits associated with reducing halibut bycatch in terms of additional halibut bycatch available for increasing yields of flatfish would be expected to accrue to the individuals incurring the costs of excluder use. Hence under a management system of effective individual or fishing cooperative management incentives, use of soft halibut excluders on shoreside trawlers could be expected to increase and potential for increases in flatfish yields would increase as well. With additional input from fishermen and subsequent work on soft excluders, many of the remaining selectivity and usage issues could likely be overcome.

Even with individualized incentives under IFQs or cooperatives, the need for large improvements in the design elements of the soft halibut excluder designs would still exist for some of the most problematic flatfish fisheries. Examples of such target species are arrowtooth flounder and flathead sole. While differentials in the average size of arrowtooth flounder and flathead sole and the average size of halibut encountered while fishing for those species (respectively) exist, good selectively could only be achieved with attainment of fairly precise parameters of the size and shape of the rectangular "grating" in the square mesh panel and the surface area that is consistently available across the sorting panel.

While the use of spreading bars has provided some success in terms of the achieving the proper surface for sorting panels made of square mesh webbing, achieving sufficient spread and proper shaping through perpendicular spreading bars appears to be a tall task. An alternative concept that has been suggested by a noted gear designer is to create a sorting panel constructed of webbing that achieves its shape from water flow. This would be accomplished through a tunnel of square mesh.

Such an approach might create large gains in terms of consistency of the shape of the sorting panel. Additionally, it might open up the possibility of creating large increases in the effective surface area for the sorting panel. This would be expected to increase performance. Sufficient surface area for sorting is one of the key limitations for both excluders based on rigid grate and soft excluders relying on spreader bars. Surface area of the sorting grid is reduced when catch rates increase or blockages and clogging occur. Use of water flow as the force to spread the webbing material making up the

sorting panel might solve some of these problems because higher catch rates are often associated with the larger vessels utilizing higher towing speeds. Under those conditions, water flow would also increase thereby increasing surface area for sorting. If water flow passing through a tube of square mesh webbing can be used in this manner, the performance of soft halibut excluders could surpass that of even hard grates both in terms of selectivity as well as handing and maintenance for trawl vessels of any size that target flatfish.

DRAFT

Motion to Support Coordinated Federal/State GOA Groundfish Rationalization
12/04

The North Pacific Fisheries Management Council (NPFMC) and the State of Alaska share the goal of creating a management system for Gulf of Alaska (GOA) groundfish fisheries on stocks that are migratory across jurisdictional lines that:

- Increases efficiencies, resulting in economic benefits and stability
- Improves safety
- Improves stock conservation
- Reduces bycatch
- Reduces gear conflicts

It is unlikely that these goals can be achieved unless the GOA groundfish fisheries are rationalized in both state and federal waters.

Therefore, the NPFMC acknowledges and supports the efforts of the State of Alaska to develop a management system in state waters that coordinates with a management system in federal waters to assure that the following mutually critical issues can be satisfactorily addressed while meeting the shared goals stated above:

- Management and data costs
- Enforcement costs
- Endangered Species Act issues
- Observer coverage and costs
- Bycatch, incidental take, and prohibited species caps
- Community provisions (that the state is constitutionally prohibited implementing)
- Essential Fish Habitat/HAPC

In order to achieve an integrated and coordinated federal/state management system for GOA groundfish fisheries across jurisdictions, the NPFMC supports the State of Alaska's pursuit of legislative authority enabling the Alaska Board of Fisheries (BOF) to implement a dedicated access program, such as those currently under consideration by the NPFMC for GOA groundfish. For GOA groundfish, such authority would confer upon the BOF the authority to allocate fishery resources on the basis of historical landings to skippers, crew, vessel owners, or other entities, by fisheries, as deemed appropriate. Further, it would authorize either the BOF or the Commercial Fisheries Entry Commission (or some combination of the two) to provide access to such fisheries. Authority would also be sought allowing the BOF to allocate fishery resources to cooperatives. Provision of such authority would enable the BOF to implement—if ultimately approved by the BOF—a management program coordinated with the NPFMC, as long as such a program meets Alaska's constitutional mandates.

Further, the NPFMC acknowledges Alaska's constitutional mandates and constraints, and to the extent possible and desirable, will attempt to accommodate them in the interest of seeking a mutually beneficial federal/state management program for GOA groundfish fisheries.

Draft Motion
Fuglvog

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

North Pacific Fishery Management Council
GULF OF ALASKA GROUNDFISH RATIONALIZATION
December 10, 2004

The following provisions apply to Alternative 2 only:

2.2 Harvest Sector Provisions

2.2.1 Management Areas:
Areas are Western Gulf, Central Gulf, and West Yakutat—separate areas
For Pollock: 610 (Western Gulf), 620 and 630 (Central Gulf), 640 (West Yakutat (WY))

- Shortraker and rougheye (SR/RE) and thornyhead rockfishes will be divided between Southeast Outside (SEO) and WY
- The allocation of rockfish bycatch to the halibut IFQ fishery will be on a NMFS management area basis
- Non-SR/RE and thornyhead rockfish trawl catch history in SEO during 95-98 will be used in the calculation of WYAK allocation
- SEO is exempt except for SR/RE and thornyhead rockfishes as secondary species. Allocation will be based on target catch in sablefish, halibut, Demersal Shelf Rockfish and P. cod fishery

Gear: Applies to all gear except jig gear–
Option 1. The jig fishery would receive an allocation based on its historic landings in the qualifying years – the jig fishery would be conducted on an open access basis.
Option 2. Catch by jig would be accounted for in a manner similar to sport halibut harvests in halibut IFQ fishery.
Suboption: Cap jig harvest at ___% of current harvest by species and area:
1. 100%
2. 125%
3. 150%
4. 200%

2.2.2 Qualifying periods and landing criteria (same for all gears in all areas)
(The analysis will assess AFA vessels as a group)
Option 1. 95-01 drop 1, **on a species by species basis**
Option 2. 95-02 drop 1, **on a species by species basis**
Option 3. 95-02 drop 2, **on a species by species basis**
Option 4. 98-02 drop 1, **on a species by species basis**

2.2.2.1 Qualifying landing criteria
Landings based on retained catch for all species (includes weekly processor report for Catcher/Processor sector)
NOTE: Total pounds landed will be used as the denominator.

Catch history determined based on the poundage of retained catch year (does not include meal)

Suboption: catch history for P. cod fisheries determined based on a percentage of retained catch per year (does not include meal)

2.2.2.2 Eligibility

LLP participation

Option 1. Eligibility to receive catch history is any person that holds a valid, permanent, fully transferable LLP license.

~~Suboption 1. Any person who held a valid interim LLP license as of January 1, 2003~~

~~Suboption 2. Allow the award of retained incidental groundfish catch history arising from the halibut and sablefish IFQ fishery.~~ Moved to IFQ halibut/sablefish

Basis for the distribution to the LLP license holder is: the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per license. In cases where the fishing privileges (i.e., moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of harvest shares to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. (Only one catch history per LLP license.)

Option 2. Non-LLP (State water parallel fishery) participation

Suboption 1. Any individual who has imprinted a fish ticket making non-federally permitted legal landings during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

Suboption 2. Vessel owner at time of non-federally permitted legal landing during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

It is the intent of the Council that catch history, whether harvested in the state water parallel fishery or the federal fishery, will be credited a single time, either in the state or federal program.

2.2.2.3 State Waters - Parallel Fisheries and State Groundfish Management

A portion of the TAC will be allocated to fisheries inside of 3 nm and will be subject to State management:

Option 1. An amount equivalent to the total annual catch (for each groundfish species/group) from state waters (inside of 3 nautical miles [e.g., parallel and 25% Pacific cod fishery]) by all vessels will be managed directly by the State of Alaska Board of Fisheries as a TAC/GHL equivalent to:

a. Highest amount taken in state waters by area
b. Highest amount taken in state waters by area plus 15%
c. Most recent four-year average harvest from state waters

Option 2. All catch inside of 3 nautical miles by non-federally permitted vessels fishing the parallel fishery plus all catch under the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

Option 3. Only the catch associated with the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

2.2.3 Primary Species Rationalization Plan

Primary Species by Gear

2.2.3.1 Initial Allocation of catch history

Allocate catch history on an individual basis

a. Trawl CV and CP:
Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish

b. Longline CV and CP:
Pacific Cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder

c. Pot CV and CP:
Pacific Cod

2.2.3.2 Harvest share (or QS/IFQ) Designations

2.2.3.2.1 Vessel Designation of low producers and high producers in the fixed gear class.

Low producing vessels are:

Option 1: less than average primary species harvest shares initially allocated by gear and area.

Option 2: less than the 75th percentile primary species harvest shares initially allocated by gear and area.

High producing vessels are the remainder.

2.2.3.2.2 Harvest share sector designations:

Designate harvest shares (or QS/IFQ) as CV or CP. Annual CV harvest share allocation (or IFQ) conveys a privilege to harvest a specified amount. Annual CP harvest share allocation (or IFQ) conveys the privilege to harvest and process a specified amount. Designation will be based on:

Actual amount of catch harvested and processed onboard a vessel by species.

2.2.3.2.3 Harvest share gear designations

Designate CV harvest shares as Trawl, longline, and Pot
Designate CP harvest shares as CP trawl, CP longline, CP pot.

Option: Designate harvest shares as high and low producer fixed gear

2.2.3.2.4 Harvest Share Restrictions—Harvest restrictions apply to primary species only.

Harvest restrictions for primary harvest shares (or IFQ) may be used by other gear types except

Option 1: No restrictions
Option 2: Fixed gear harvest share (or IFQ) may not be harvested using trawl gear
Option 3: Pot gear harvest shares may not be harvested by longline or trawl gear

2.2.3.2.5 If a processor limited entry alternative is chosen, CV primary species harvest shares will be issued in two classes. Class A shares will be deliverable to a licensed processor. Class B shares will be deliverable to any processor as authorized under this program.

Only the annual allocations will be subject to the Class A/Class B distinction. All long term shares or history will be of a single class.

Suboption : Processor affiliated vessels to receive entire allocation as A shares.

2.2.3.3 Transferability and Restrictions on Ownership of Harvest shares (or QS/IFQ)

2.2.3.3.1 Persons eligible to receive harvest shares by transfer must be:

Entities eligible to document a vessel (apply to CP).
Initial recipients of CV or C/P harvest share.
Community administrative entities would be eligible to receive harvest shares by transfer.
Individuals eligible to document a vessel with at least 150 days of sea time (apply to CV shares)

Definition of sea time:
Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

2.2.3.3.2 Restrictions on transferability of CP harvest shares

CP harvest shares maintain their designation when transferred to persons who continue to catch and process CP harvest shares at sea, if CP harvest shares are processed onshore after transfer, CP harvest shares convert to CV harvest shares.

2.2.3.3.3 When CP shares are redesignated as CV shares;

CP harvest shares retain their gear designation upon transfer.
Purchaser must further identify which processing provision and regionalization provision apply to the shares, consistent with the gear type.

2.2.3.3.4 Vertical integration

Harvest shares initial recipients with more than 10% limited threshold ownership by licensed processors are capped at:
115-150% of initial allocation of harvest CV shares.

2.2.3.3.5 Leasing of QS outside of a co-op

Leasing of QS is defined as the transfer of annual IFQ permit to a person who is not the holder of the underlying QS for use on any vessel and use of IFQ by an individual designated by the QS holder on a vessel which the QS holder owns less that 20% -- same as "hired skipper" requirement in halibut/sablefish program.

Option 1. No leasing of CV QS (QS holder must be on board or own at least 20% of the vessel upon which a designated skipper fishes the IFQ).
Suboption: Allowing leasing by initial recipients of QS (grandfather clause)

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Option 2. Allow leasing of CV QS, but only to individuals and entities eligible to receive QS/IFQ by transfer.

~~OPTION 3.~~ ALLOW LEASING OF CP QS, BUT ONLY TO INDIVIDUALS AND ENTITIES ELIGIBLE TO RECEIVE QS/IFQ BY TRANSFER.

Option 4. For individuals and entities with CV QS, no leasing restrictions for the first three years. After this grace period, leasing will be allowed in the following calendar year if the QS holder is on board or owns 20% or greater of a vessel on which 30% of the primary species shares held by the QS holder in at least 2 of the most recent 4 years were harvested.

Suboption: applies within cooperatives

2.2.3.3.6 Separate and distinct harvest share use caps
Caps will be expressed as QS units indexed to the first year of implementation.

Option 1. Caps apply to all harvesting categories by species with the following provisions:

1. Apply individually and collectively to all harvest share holders in each sector and fishery.
2. Percentage-caps by species and management area are as follows (a different percentage cap may be chosen for each fishery):
   i. Trawl CV and CP (can be different caps):
   Use cap based at the following percentile of catch history for the following species:
   (i.e., 75th percentile represents the amount of harvest shares that is greater than the amount of harvest shares for which 75% of the fleet will qualify.)
   pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, pelagic shelf rockfish
   Suboption 1. 75 %
   Suboption 2. 85%
   Suboption 3. 95 %
   ii. Longline and Pot CV and/or CP (can be different caps)
   based on the following percentiles of catch history for the following species:
   Pacific cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if Greenland turbot is targeted), northern rockfish
   Suboption 1. 75 %
   Suboption 2. 85%
   Suboption 3. 95 %

Option 2. Caps equal to a percentage that would allow contraction of QS holders in the fishery by 20%, 30% or 50% of the number of initially qualified QS recipients by species and sector.
Conversion of CP shares:
   i. CP shares converted to CV shares
   ~~OPTION 1~~. will count toward CV caps
Caps will be applied to prohibit acquisition of shares in excess of the cap.

Vessel use caps on harvest shares harvested on any given vessel shall be set at
   i. 100%
   ii. 150%
   iii. 200%

the individual use cap for each species. Initial issuees that exceed the individual or vessel use caps are grandfathered at their current level as of a control date of April 3, 2003, including transfers by contract entered into as of that date.

2.2.3.3.7 Owner On Board Provisions
Provisions may vary depending on the sector or fishery under consideration (this provision may be applied differently pending data analysis)

i. All initial issues (individuals and corporations) would be grandfathered as not being required to be aboard the vessel to fish shares initially issued as "owner on board" shares. This exemption applies only to those initially issued harvest share units.

A range of ~~0-50%~~ **0-80%** for fixed gear CVs and ~~0-40%~~ **0-70%** for trawl gear CVs, of the quota shares initially issued to fishers/harvesters would be designated as "owner on board."

In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of "owner on board" quota shares may, upon documentation and approval, transfer/lease his or her shares a maximum period of 3 years out of any 10 year period.

Suboption: Owner on board provision would not apply within a cooperative.

2.2.3.3.8 Overage Provisions ~~(only apply outside of a co-op)~~

A 7 day grace period after an overage occurs for the owner to lease sufficient IFQ to cover the overage. Failure to secure sufficient IFQ would result in forfeiture of the overages and fines.

i. Trawl CV and CP:

Suboption 1. Overages up to 15% or 20% of the last trip will be allowed— greater than a 15% or 20% overage result in forfeiture and civil penalties. An overage of 15% or 20% or less, results in the reduction of the subsequent year's annual allocation or IFQ. Underages up to 10% of harvest shares (or IFQ).

Suboption 2. Overage provisions would not be applicable in fisheries where there is an incentive fishery that has not been fully utilized for the year. (i.e., no overages would be charged if a harvest share (or IFQ) holder goes over his/her annual allocation (or IFQ) when incentive fisheries are still available).

ii. Longline and pot CV and CP:
Overages up to 10% of the last trip will be allowed with rollover provisions for underages up to 10% of harvest shares (or IFQ).

Suboption. Overages would not be applicable in fisheries where there is an incentive fishery that has not been fully utilized for the year. (i.e., no overages would be allowed if a harvest share (or IFQ) holder goes over his/her annual allocation (or IFQ) when incentive fisheries are still available).

2.2.3.3.9 Retention requirements for rockfish, sablefish and Atka mackerel:
Option 1. no retention requirements.

Option 2. require retention (all species) until the annual allocation (or IFQ) for that species is taken with discards allowed for overages

Option 3. require 100% retention (all species) until the annual allocation (or IFQ) for that species is taken and then stop fishing.

2.2.3.3.10 Limited processing for CVs

~~OPTION 2.~~Limited processing of groundfish species by owners of CV harvest shares of rockfish species not subject to processor landing requirements are allowed up to 1 mt of round weight equivalent of groundfish per day on a vessel less than or equal to 60ft LOA. (consistent with LLPs - 679.4(k)(3)(ii)(D)).

2.2.3.3.11 Processing Restrictions

~~Option 1. CPs may buy CV share fish not subject to processor landing requirements.~~

~~Suboption. 3 year sunset~~

Option 2. CPs would be prohibited from buying CV fish.

~~Option 3. CPs may buy incentive fish and incidental catches of CV fish not subject to processor landing requirements.~~

A CP is a vessel that harvests CP shares under the program in a year.

2.2.4 Allocation of Secondary Species

Thornyhead, rougheye, shortraker, other slope rockfish, Atka mackerel, and trawl sablefish
Includes SEO shortraker, rougheye, and thornyhead rockfish.

i. Allocation of shares

Option 1. Allocate shares to all fishermen (including sablefish & halibut QS fishermen) based on fleet bycatch rates by gear:

Suboption 1. based on average catch history by area and target fishery

Suboption 2. based on 75th percentile by area by target fishery

Option 2. Allocation of shares will be adjusted pro rata to allocate 100% of the annual TAC for each bycatch species.

Suboption 1. Other slope rockfish in the Western Gulf will not be allocated, but will be managed by MRB and will go to PSC status when the TAC is reached.

Option 3. Secondary species allocations will be awarded to the owners of sablefish and halibut QS.

ii. Include these species for one gear type only (e.g., trawl). Deduct the secondary species catch from gear types from TAC. If deduction is not adequate to cover secondary species catch in other gear types, on a seasonal basis, place that species on PSC status until overfishing is reached.

iii. Retain these species on bycatch status for all gear types with current MRAs.

iv. Allow trawl sablefish catch history to be issued as a new category of sablefish harvest shares ("T" shares) by area. "T" shares would be fully leasable, exempt from vessel size and block restrictions, and retain sector designation upon sale.

Suboption. These shares may be used with either fixed gear or trawl gear.

v. Permit transfer of secondary species QS
   Option 1. Primary species shares and secondary species shares are non-separable and must be transferred as a unit.
   Option 2. Primary species shares and secondary species shares are separable and may be transferred separately

2.2.5 Halibut PSC

2.2.5.1 Accounting of Halibut Bycatch

Pot vessels continue their exemption from halibut PSC caps.

Hook and line

Option 1: Modeled after sablefish IFQ program (no direct inseason accounting of halibut PSC. Holders of halibut IFQ are required to land legal halibut. Estimates of sub-legal and legal size incidental mortality are accounted for when setting annual CEY.

Option 2: Halibut PSC will be managed through harvest share allocations.

Option 3: Continue to fish under halibut PSC caps.

Suboption (to all options): Holders of halibut IFQ are required to land legal halibut. Halibut bycatch occurring without sufficient IFQs would count against halibut PSC allocations.

Trawl Entities:

Option 1: Halibut PSC will be managed through harvest share allocations.

Option 2: Continue to fish under halibut PSC caps.

2.2.5.2 Halibut PSC Allocation

Each recipient of fishing history would receive an allocation of halibut mortality (harvest shares) based on their allocation of the primary species shares. Secondary species would receive no halibut allocation.

Initial allocation based on average halibut bycatch by directed primary species during the qualifying years. Allocations will be adjusted pro rata to equal the existing halibut PSC cap.

By sector average bycatch rates by area by gear:

Option 1. Both sectors

Option 2. Catcher Processor/Catcher Vessel

2.2.5.3 Annual transfer/Leasing of Trawl or Fixed Gear Halibut PSC mortality

Option A: Halibut PSC annual allocations are separable from primary groundfish annual allocations and may be transferred independently within gear types. When transferred separately, the amount of Halibut PSC allocation would be reduced, for that year, by:

Suboption 1. 0%

Suboption 2. 5%

Suboption 3. 7%

Suboption 4. 10%

Suboption 5: Exclude any halibut PSC transferred for participation in the incentive fisheries (includes transfers outside the cooperative).

Suboption 6: Exclude any halibut PSC transferred within a cooperative.

Option B: No leasing/annual transfer of halibut PSC outside of cooperatives.

All halibut PSC reductions under this section will remain unfished (in the water).

2.2.5.3.1 Halibut PSC Reduction for Non-Members of Cooperatives

Non-members of cooperatives would have halibut PSC reduced by:

i 5%
ii 15%
iii 30%

Halibut PSC reduction will not apply to low-producing fixed gear participants.

All halibut PSC reductions under this section will remain unfished (in the water).

2.2.5.4 Permanent transfer of Halibut PSC harvest share mortality

Option 1. Groundfish primary species harvest shares (QS) and Halibut PSC harvest shares (QS) are non-separable and must be transferred as a unit
Suboption. exempt Pacific cod

Option 2. Groundfish primary species harvest shares (QS) and Halibut PSC harvest shares (QS) are separable and may be transferred separately

2.2.5.5 Retention of halibut incidentally caught by fixed gear vessels

Halibut incidentally caught may be retained outside the halibut season from Jan. 1 to start of commercial fishery. Any person retaining halibut must have adequate halibut IFQ to cover the landing. Retention is limited to (range 10-20%) of primary species.

Option 1: In all GOA areas.
Option 2: Limited to Areas 3A, 3B, and 4A.

The Council requests that staff notify the IPHC concerning these provisions.

2.2.6 Incentive species

Arrowtooth flounder, deepwater flatfish, flathead sole, rex sole, shallow water flatfish.

Owners of shares must utilize all their shares for an incentive species before participating in incentive fishery for that species.

Option. The portion of historic unharvested West Yakutat Pacific cod TAC will be made available as an incentive fishery, subject to provision of incentive fisheries.

2.2.6.1 Eligibility to fish in the incentive fisheries

A. The unallocated QS for the incentive fisheries are available for harvest, providing the vessel has adequate halibut PSC and secondary species.
   Suboption: vessels must be a member of a GOA fishing cooperative to fish in the incentive fishery.

B. Any holder of halibut or sablefish IFQ that has adequate IFQ or halibut PSC and secondary species.

2.2.6.2 Catch accounting for the incentive fisheries – Allocated QS and Incentive fishery quota

Option 1. The individual co-op member's apportionment of the allocated incentive species QS must be used prior to the individual gaining access to the incentive fishery unallocated portion. The co-op will notify NMFS when a vessel enters the incentive fishery quota pool.

Option 2. The co-op's allocation of incentive species QS must be fished before gaining access to the unallocated portion of the incentive species quotas. The co-op members through a contractual coop agreement will address catch accounting amongst the co-op members.

Option 3. For shareholders not participating in co-op, the unallocated incentive species are available for harvest once the individual IFQ holder's allocation of the incentive species has been used.

2.2.6.3 Allocation of incentive species (new section)

Allocates incentive species groundfish primary species harvest shares (QS) to the historical participants. Available incentive fishery quota is available TAC for that fishing year minus the incentive species groundfish primary species harvest share allocated to the historical participants.

Threshold approach-Allocate harvest share as a fixed allocation in metric tons. If available TAC is less than the total fixed allocation in metric tons, then reduce participants' allocation pro-rata amongst shareholders.

Option 1. Total retained catch of the participants divided by the number of years in the qualifying period, with drop provisions applying.

Option 2. Total retained catch of the participants plus 25% divided by the number of years in the qualifying period, with drop provisions applying.

Option 3. Total catch of the participants divided by the number of years in the qualifying period, with drop provisions applying.

2.2.7 Preserving entry level opportunities for P. cod

2.2.7.1 Each initial allocation of P.cod harvest shares based on the final year of the qualifying period to fixed gear catcher vessels below the block threshold size would be a block of quota and could only be permanently sold or transferred as a block.

Option 1 10,000 pounds constitutes one block

Option 2 20,000 pounds constitutes one block

Option 3 No Block Program

Suboption. Lowest producer harvest shares earned as a bycatch in the halibut sablefish ITQ program would be exempt from the block program

2.2.7.2 Eligible participants would be allowed to hold a maximum of:

Option 1, 1 block

Option 2. 2 blocks

Option 3. 4 blocks

2.2.7.3 Any person may hold:

Option 1. One block and any amount of unblocked shares

Option 2. Two blocks and any amount of unblocked shares

Option 3. Four blocks and any amount of unblocked shares

2.2.8 Skipper/Crew

A skipper is defined as the individual owning the Commercial Fishery Entry Permit and signing the fish ticket.

Option 1. No skipper and/or crew provisions

Option 2. Allocate to skippers and/or crew

Suboption 1. Initial allocation of 5% shall be reserved for captains and/or crew

Suboption 2. Initial allocation of 10% shall be reserved for captains and/or crew

Suboption 3. Initial allocation of 15% shall be reserved for captains and/or crew

Option 3. Establish license program for certified skippers. For initial allocation Certified Skippers are either:

i. Vessel owners receiving initial QS or harvest privileges; or

ii. Hired skippers who have demonstrated fishing experience in Federal or State groundfish fisheries in the BSAI or GOA for 3 out of the past 5 years as documented by a CFEC permit and signed fish tickets and/or appropriate NMFS documentation (starting date for five years is 2003).

Suboption 1. include crew in the license program.

Suboption 2. require that new Certified Skippers licenses accrue to individuals with demonstrated fishing experience (Groundfish – BSAI/GOA, state or federal waters) similar to halibut/sablefish program.

Under any alternative that establishes QS and annual harvest privileges, access to those annual harvest privileges is allowed only when fishing with a Certified Skipper onboard. Certified Skipper Licenses are non-transferable. They accrue to an individual and may not be sold, leased, bartered, traded, or otherwise used by any other individual.

Defer remaining issues to a trailing amendment and assumes simultaneous implementation with rationalization program.

2.2.9.1 Regionalization

If adopted, all processing licenses (for shore-based and floating processors) will be categorized by region.

Processing licenses that are regionally designated cannot be reassigned to another region.

Catcher vessel harvest shares are regionalized based on where the catch was processed, not where it was caught.

Harvest shares would be regionalized based on the landings history during the regionalization qualifying period.

Catcher processor shares and incentive fisheries are not subject to regionalization.

In the event harvest shares are regionalized and the processor linkage option is chosen, a harvester's shares in a region will be linked to the processor entity in the region to which the harvester delivered the most pounds during the qualifying years used for determining linkages under 2.3.1.1.2.

The following describes the regions established and fisheries that would be subject to regionalization:

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Central Gulf: Two regions are proposed to classify harvesting shares: North - South line at 58 51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North-South distribution: CGOA Pollock (area 620 and 630) CGOA aggregate flatfish, CGOA aggregate rockfish and CGOA Pacific cod. CGOA trawl sablefish will be regionalized based on all landing of primary species in the CGOA associated with the license during regionalization qualifying period.

~~The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North – South distribution: Pollock in Area 630; CGOA flatfish (excludes arrowtooth flounder); CGOA Pacific ocean perch; CGOA northern rockfish and pelagic shelf rockfish (combined); CGOA Pacific cod (inshore); GOA sablefish (trawl); WY pollock.~~

2.2.9.1.1 Secondary species shares
Secondary species shares would not be subject to regionalization

2.2.9.1.2 Qualifying years to determine the distribution of shares between regions will be:
Option 1. consistent with the preferred option under "Section 2.2.2 Qualifying Periods"
Option 2. 1999 – 2002

Other community provisions (CFQ and CPP) moved to separate portion of the motion.

PSC for Crab and Salmon move to separate portion of the motion.

2.2.10 Review and Evaluation

2.2.10.1 Data collection.
A mandatory data collection program would be developed and implemented. The program would collect cost, revenue, ownership and employment data on a periodic basis to provide the information necessary to study the impacts of the program. Details of this program will be developed in the analysis of the alternatives.

2.2.10.2 Review
Preliminary program review at the first Council Meeting in the 3rd year and formal review in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities, by addressing concerns, goals and objectives identified in the problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

2.2.12 Sideboards

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

On completion of a rationalization program in the Bering Sea, any sideboards from GOA Rationalization under this section will be superseded for the fleet subject to rationalization.

GOA Groundfish sideboards under the crab rationalization plan, under the AFA, **and the CGOA rockfish pilot project** would be superceded by the GOA rationalization program allocations upon implementation.

Vessels (Steel) and LLPs used to generate harvest shares used in a co-op may not participate in other federally managed open access fisheries in excess of sideboard allotments.

Participants in the GOA rationalized fisheries are limited to their aggregate historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

The Council should consider adding sideboards for the GOA jig fishery, which will not be included in the rationalization program.

Staff analysis of sideboard issues should examine the potential consequences of the creation of a double set of sideboards relating to BSAI fisheries for vessels already subject to AFA sideboards in BSAI fisheries.

2.3 Processing Sector Provisions

For alternative 2A apply provisions generally at the company level.
For 2B, apply provisions generally at the facility (plant) level.

2.3.1 Provisions for Processor License Limitation
2.3.1.1 Harvester Delivery requirements
2.3.1.1.1 Harvester delivery requirements

Option 1. 50-100% of CV harvest share allocation will be reserved for delivery to:
- i. the linked licensed closed trawl or fixed class processor (Applies to 2B).
- ii. Any licensed trawl or fixed (Applies to 2A)

~~The remaining (50% - 0%) CV harvest share allocation can be delivered to:~~
~~any processor including CPs~~

Option 2. Low producing vessels are exempt from delivery requirements (Applies to Fixed Gear 2 Low only)

2.3.1.1.2 Linkage (Linkages apply by area) (Applies to 2B):
A harvester's processor linked shares are associated with the licensed fixed or trawl processor to which the harvester delivered the most pounds of groundfish during the last ___ years ~~of the harvester qualifying years.~~ **prior to 2004.**

- i. 1
- ii. 2
- iii. 3

Processors with history at multiple facilities in a community may aggregate those histories for determining associations.

Option 1: If the processing facility with whom the harvester is associated is no longer operating in the community, and another processing facility within the community has not purchased the history, the harvester is eligible to deliver to

~~i. any licensed processor~~
ii. any licensed processor in the community
iii. the licensed processor to whom the harvester delivered the second most pounds

Option 2: If the processing facility with whom the harvester is associated is no longer operating in the community, the harvester is eligible to deliver to

~~**i. any licensed processor**~~
ii. any licensed processor in the community
iii. the licensed processor to whom the harvest delivered the second most pounds

The Council requests that staff provide a discussion paper addressing the effect of a use cap on the number of processors in a region.

2.3.1.1.3 Movement between linked processors (Applies to 2B)
Any vessel that is linked to a processor, may with the consent of that processor, deliver A shares to another plant.

Share reductions of 10% - 20% when a harvester moves from a linked processor for:
i. 1 year
ii. 2 years
iii. 4 years

Suboptions:
i. Penalty applies to A shares only.
ii. Penalty applies to both A and B shares.

A. Full penalty applies to each move
B. Full penalty applies to the first move, subsequent moves are penalized at half of that rate.
C. Full penalty applies only to the first transfer

The share reduction shall be redistributed to:
The shareholders in association with that processor that the shareholder left (if it continues to exist).

2.3.1.2 Processor License Qualifications (Applies to 2A and 2B)

2.3.1.2.1 To qualify for a processor license, a processor must have purchased and processed a minimum amount of groundfish by region as described below in at least 4 of the following years:

Option 1. 1995-99.

Option 2. 1995-01
Option 3. 1995-02

If a processor meets the threshold for total purchased and processed groundfish for all their facilities combined, but does not meet the threshold for any one facility then the processor would be issued a license for the facility in which it processed most fish. (Applies to 2B only since 2A is entity based).

Option 1. a. Trawl eligible Processors
Suboption 1. 2000 mt
Suboption 2. 1000 mt
Suboption 3. 500 mt

b. Fixed gear eligible Processors
Suboption 1. 500 mt
Suboption 2. 200 mt
Suboption 3. 50 mt

c. Trawl and Fixed gear eligible processors
Meet criteria for both the trawl processor license and fixed gear processor license as described above

2.3.1.2.2 Processor history would be credited to (and licenses would be issued to):
Operator – must hold a federal or state processor permit.

Custom processing history would be credited to:
the processor that purchased the fish as indicated on the fish ticket and paid for processing

2.3.1.2.3 Transferability of eligible processor licenses
Processor licenses can be sold, leased, or transferred.
Within the same region
If the license is transferred outside the community of origin, then vessel linkages are broken and vessels are allowed to deliver to any licensed processor.

MOVED FROM 2.4.5.2
License Transfers Among Processors (applies to processor limited entry)
Option 1. Any share association with that license will transfer to the processor receiving the license. All harvest share/history holders will be subject to any share reduction on severing the linkage, as would have been made in the absence of the transfer.
Option 2. Any share associated with the license will be free to associate with any licensed processor. Harvest share/history holders will be free to move among processors without share/history reduction.

2.3.1.2.4 Processing Use caps by processor license type (trawl, fixed or trawl and fixed, by CGOA and WGOA regulatory areas:
Option 1. Range 70% to 130% of TAC processed for all groundfish species for the largest licensed processor

Option 2. Processing use caps would be equal to a percentage that would allow contraction of processing companies in the fishery by 20%, 30%, or 50% of the number initially qualified processing companies

(Note: There is no limit on the amount of fish either a trawl or fixed gear licensed processor can buy from the open B share classed fish)

2.3.1.2.5 Processing Caps may apply at the entity level

2.3.1.2.6 License ownership restrictions on processors
Option 1. No restrictions
Option 2. Trawl/fixed license holders cannot hold any additional fixed gear only licenses.

2.3.2 Provisions affecting Allocation of Harvest Shares to Processors (Alternative 2C)

1. Processors are eligible to receive an allocation of QS if they meet eligibility criteria identified in 2.3.1.2.1. **ANY SHAREHOLDER UNDER THIS PROGRAM IS INTENDED TO COMPLY WITH ALL EXISTING LAWS CONCERNING DOCUMENTATION OF VESSELS AND ENTRY OF VESSELS TO U.S. FISHERIES IN FISHING THOSE SHARES. SHAREHOLDERS UNABLE TO ENTER INTO U.S. FISHERIES MAY LEASE SHARE HOLDINGS OR USE HOLDINGS THROUGH COOPERATIVE MEMBERSHIP TO THE EXTENT PERMITTED BY THE PROGRAM, BUT NOT IN CONTRAVENTION OF CURRENT LAW PERTAINING TO ENTRY OF VESSELS IN U.S. FISHERIES.**

2. Up to 30% of CV shares shall be designated as "CVP" shares and eligible to be held by processors and CV recipients. A portion of the CVP share allocation will be divided among eligible processors proportional to their history in the qualifying years as outlined in 2.3.1.2.1. Any balance of CVP not distributed initially to processors shall be distributed proportionally to CV recipients.
3. CVP is transferable between eligible CV holders and /or processors
4. CVP shares may be fished on any catcher vessel and subject to existing share designations and existing vessel use caps
5. CVP shares may be transferred or leased to any entity eligible to receive CV QS by transfer in 2.2.3.3
6. Caps of CVP will apply at the company level by management area and will be a 10-30% of the total pool of CVP shares available in the management area. Recipients of CVP that exceed the cap will be grandfathered.
7. No processors (and processor affiliates using the 10% rule) may own or control CV quota shares. CVP initially issued to processor affiliates will be grandfathered.
8. CVP shares will be regionalized.

2.4 Cooperative Provisions

2.4.1 Cooperative requirements
Cooperative membership is not required to receive an annual harvest share allocation. (i.e., IFQ will be allocated to non-members)

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

2.4.2 Cooperative formation

2.4.2.1 Co-ops can be formed

a. between holders of harvest shares or history in an area:
   Trawl catcher vessels
   "High producing" fixed gear catcher vessels
   "Low producing" fixed gear catcher vessels
b. between holders of harvest shares or history of a catcher/processor

Each group of share/history holders of a defined class that may form cooperatives is defined as a "sector."

2.4.2.1.1 Co-op/processor affiliations

Option 1. No association required between processors and co-ops

Option 2. CV cooperatives must be associated with
   a) a processing facility (applies to 2B)
   b) a processing company (applies to 2A)

(Option 1 or Option 2 a) or b) could apply to 2 low producing fixed gear)

The associated processor must be:
   a) any processor (could apply to 2 low producing fixed gear)
   b) a limited entry processing license holder (applies to 2A)
   c) a limited entry processing license holder to which the share holder's shares are linked (applies to 2B)

   Suboption 1. Processors can associate with more than one co-op
   ~~Suboption 2. Processors are limited to 1 co-op per plant for each sector.~~

Note: A processor association will not be required for a C/P cooperative.

2.4.2.2 Cooperatives are required to have at least:

Option 1. 4 distinct and separate harvesters (using the 10% threshold rule)
   ~~Suboption: trawl CP sector, all less 1 of distinct and separate harvesters, using the 10% threshold rule).~~

~~Option 2. 40–100 percent of the harvest shares (or catch history) of its sector (may choose different percentages for different sectors)~~

~~Option 3. 40–75 percent of the harvest shares (or catch history) eligible for the cooperative.~~

Note: Requirements may differ across sectors (or for CV and CP cooperatives)

Entry level/Second Generation Provisions (new section)
The Council would like a review of existing program elements intended for entry level and second generation access in the GOA groundfish fisheries and a qualitative discussion of the MSA expectations for entry level opportunities, i.e. new, open access fisheries vs. affordable license opportunities.

2.4.2.3 Duration of cooperative agreements:

Option 1. 1 year
Option 2. 3 years
Option 3. 5 years

Suboption 1: Duration is minimum.
Suboption 2: Duration is maximum.

2.4.3 Rules Governing Cooperatives

2.4.3.1 Annual Allocations

Annual allocations of cooperative members would be issued to the cooperative.

- Co-op members may internally allocate and manage the co-op's allocation per the co-op membership agreement. Subject to any harvesting caps that may be adopted, member allocations may be transferred and consolidated within the co-op to the extent permitted under the membership agreement.
- Monitoring and enforcement requirements would be at the co-op level. Co-op members are jointly and severally responsible for co-op vessels harvesting in the aggregate no more than their co-op's allocation of primary species, secondary species and halibut mortality, as may be adjusted by interco-op transfers.
- Co-ops may adopt and enforce fishing practice codes of conduct as part of their membership agreement. Co-ops may penalize or expel members who fail to comply with their membership agreement.

  Processor affiliates cannot participate in price setting negotiations except as permitted by general antitrust law.
- Co-ops may engage in inter-cooperative transfers to the extent permitted by rules governing transfers of shares among sectors (e.g., gear groups, vessel types).
- Require that a cooperative accept membership of any eligible participant subject to the same terms and conditions that apply to other cooperative members.

2.4.4 Ownership and Use Caps and Underages

2.4.4.1 Set co-op use caps at 25 to 100% of total TAC by species

2.4.4.2 Co-op use caps for harvest shares on any given vessel shall be:

Option 1. Set at the same level as the individual vessel level.
Option 2. 3 times individual vessel use cap.
Option 3. No use caps

- To effectively apply individual ownership caps, the number of shares or history that each cooperative member could hold and bring to cooperatives would be subject to the individual ownership caps (with initial allocations grandfathered). Transfers between cooperatives would be undertaken by the members individually, subject to individual ownership caps.

- Underage limits would be applied in the aggregate at the co-op level

2.4.5 Movement between cooperatives

2.4.5.1 Harvesters may move between cooperatives at:

Option 1. the end of each year.
Option 2. the expiration of the cooperative agreement.
Option 3. no movement in the first two years

2.4.5.2 License Transfers Among Processors (applies to processor limited entry)

Option 1. any share association with that license will transfer to the processor receiving the license. All harvest share/history holders will be subject to any share reduction on severing the linkage, as would have been made in the absence of the transfer.

Option 2. any share associated with the license will be free to associate with any licensed processor. Harvest share/history holders will be free to move among processors without share/history reduction.

TRAILING AMENDMENTS

The Council intent is for these trailing amendments to be implemented simultaneously with the main rationalization program.

1. Fee and Loan Program
2. Skipper/Crew Share Program issues

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

DRAFT Motion
Freeman

North Pacific Fishery Management Council
GULF OF ALASKA GROUNDFISH RATIONALIZATION
December 10, 2004

The following provisions apply to Alternative 3 only:
Sector Allocations and Voluntary Co-op Structure

Alternative 3 is a sector allocation and co-op proposal. This proposal allows new processor entrants and provides a mechanism for harvesters to either enter co-ops voluntarily or continue to fish in LLP/open access fisheries. The alternative provides a flexible structure intended to reflect the diversity of the fisheries in the GOA. It recognizes that harvesters, processors, and communities all have a stake in the fisheries. The nature of the fisheries in the Gulf, however, requires a flexible rationalization program that can accommodate all of the different fisheries. This alternative would:

- Allocate primary and secondary species, and halibut PSC by sector.
- Establish a mechanism which would facilitate co-op formation within each sector.
- Specify the operational rules for co-ops.
- Provide fishing opportunities for harvesters that choose not to participate in co-ops
- Include community protection measures appropriate to a cooperative-based program.

The proposal sets up a step-wise process for the establishment of co-ops. The first step includes a sectoral allocation. This is followed by an initial co-op formation period to provide co-ops time to refine their operations. The third step is ongoing, and establishes rules to govern co-op formation, dissolution, and operation after the initial period of co-op formation.

This proposal would not require the assignation of different classes of history or shares (i.e., class A/B class designations). Gulf History (GH) is generic and would originate from an eligible participant's history. GH is only developed through cooperatives. Co-op participation, however, is strictly voluntary so a harvester may choose to continue to fish in a limited entry (LLP) open access fishery.

The proposal does not limit processor entry. A harvester is initially eligible to join a cooperative associated with the processor that it made the most primary species landings to during the qualification period. The program establishes requirements for contracts between a cooperative and its associated processor. The initial contract between a co-op and its associated processor is required to contain the terms for dissolution of the co-op or the movement of a harvester from one co-op to another. During the initial co-op formation period, inter-co-op agreements are allowed within sectors to address operational issues and ensure further rationalization of the fishery between co-ops. Harvesters may not move between cooperatives during the initial co-op formation period.

Following the initial co-op formation period, new co-ops can form and harvesters can move from co-op to co-op or exit a co-op and move back into open access. The rules for such movement, including compensation to other members of the co-op and the associated processor are part of the contract agreement. New processors can enter the fishery at any time, and following the initial co-op formation period, harvesters can form co-ops with those processors. ~~COMMUNITY PROTECTION PROVISIONS ARE SIMPLIFIED TO ONLY INCLUDE OPTIONS FOR REGIONALIZATION AND A COMMUNITY QUOTA SYSTEM BECAUSE THIS IS A CO-OP SYSTEM.~~

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Monitoring of harvests and PSC for the co-op fishery will be at the co-op level. Assignments of GH, including transfers, will be monitored by RAM to ensure proper catch allocations and accounting. GH will result in annual allocations of Gulf Quota (GQ). Current monitoring programs for the open access fishery will continue.

The following provisions apply to Alternative 3 only:

I. SECTOR ALLOCATION PROVISIONS.

3.1 Management Areas:
Areas are Western Gulf, Central Gulf, and West Yakutat—separate areas
For Pollock: 610 (Western Gulf), 620 and 630 (Central Gulf), 640 (West Yakutat (WYAK))

- Shortraker and rougheye (SR/RE) and thornyhead rockfishes will be divided between Southeast Outside (SEO) and WY
- The allocation of rockfish bycatch to the halibut IFQ fishery will be on a NMFS management area basis
- Non-SR/RE and thornyhead rockfish trawl catch history in SEO during 95-98 will be used in the calculation of WYAK allocation
- ~~Allocations will be made to the halibut and sablefish IFQ fisheries of species necessary to support those fisheries under section 3.10 below.~~ Moved to halibut and sablefish IFQ section
- SEO is exempt from this program. SEO groundfish will be managed in accordance with 3.11 below.

Gear: All gear types are considered.

Option 1. The jig fishery would receive an allocation based on its historic landings in the qualifying years –

1. 100%
2. 125%
3. 150%
4. 200%

3.2 Sector definitions and allocations:

CV trawl
CV longline
CV pot
C/P trawl
C/P longline
C/P pot
jig
low producing fixed gear

Low producing catcher vessel sector is

Option 1. fixed gear catcher vessels under 60 feet that are below the 75th percentile of primary species qualifed harvest history by gear and area.

Option 2. fixed gear catcher vessels less than average qualified harvest history by gear and area

Option 3. fixed gear catcher vessels that are below the 75th percentile in qualified harvest history by gear and area

High producing catcher vessels are the remainder and are divided into a catcher vessel longline and catcher vessel pot sector. Sector definitions apply throughout Alternative 3.

To be determined as a CP a vessel must have a CP LLP license and process no less than

a) 90%
b) 50%
c) 25%

of its qualifying catch ~~PROCESSED~~ on-board on average over the qualifying period.

Option 1: determined by the aggregate of all species
Option 2: determined by primary species groupings in Section 3.3.5

Option for jig sector: jig sectors would be exempt from co-op provisions.

Option for Fixed Gear Catcher Vessel Low Producers:

Option 1. Apply same rules for initial co-op formation and general co-op operation as apply to other sectors.

Option 2. Exclude from co-op program, provide sector allocation and continue as an LLP/Open Access fishery.

Option 3. Apply all co-op rules except processor affiliation requirement for initial co-op formation (i.e. harvester co-op without processor association).

3.2.1 Sector allocations will be based on the aggregate history of vessels in each sector~~, which legally fished in the federal fishery and in the state parallel fishery~~ during the qualifying period. Sector allocation qualifying periods and landing criteria are the same for all gears in all areas. The analysis will assess AFA vessels as a group.

Option 1. 95-01
Option 2. 95-02
Option 3. 98-02

Suboption: for each sector drop the year of lowest tonnage.

3.2.2 Sector Qualifying landing criteria (same for all gears in all areas)
Landings based on retained catch for each species (includes weekly production report for Catcher/ Processor sector). Total pounds landed will be used as the denominator. Exclude retained catch that is used for meal production.

3.2.3 Sector Allocation: Primary Species:

Allocate catch history by sector and gear type as follows:
Trawl CV and CP:

Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish

Longline CV and CP:

Pacific cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder

Pot CV and CP:

Pacific cod

Fixed gear low producers:

Pacific cod

Jig gear

Pacific cod

3.2.4 Sector Allocation: Secondary species and halibut PSC:

Secondary species: Thornyhead, rougheye, shortraker, other slope rockfish, Atka mackerel, and trawl sablefish. Includes SEO shortraker, rougheye, and thornyhead rockfish.

Option 1: Sector allocation for both secondary species and halibut PSC is based on each sector's average catch during the sector allocation qualifying period by area and primary species target fishery.

Option 2: Maintain current halibut PSC allocations, and MRA management for secondary species.

II. Voluntary Co-op Structure

3.3 INITIAL CO-OP FORMATION PROVISIONS. Voluntary co-ops may form between eligible harvesters in association with processors. Harvesters may elect not to join a co-op, and continue to fish in the LLP/Open Access fishery.

3.3.1 Eligibility.

LLP participation

Option 1. Any person that holds a valid, permanent, fully transferable LLP license is eligible to receive an initial allocation of Gulf catch history (as generic GH) through co-op membership.

~~Suboption 1. Any person who held a valid interim LLP license as of January 1, 2003.~~

~~Suboption 2. Allow the award of retained incidental groundfish catch history arising from the halibut and sablefish IFQ fishery.~~

Basis for the distribution to the LLP license holder is: the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per license. In cases where the fishing privileges (i.e., moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of harvest shares to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and

identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. (Only one catch history per LLP license.)

Option 2. Non-LLP (State water parallel fishery) participation

Suboption 1. Any individual who has imprinted a fish ticket making non-federally permitted legal landings during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

Suboption 2. Vessel owner at time of non-federally permitted legal landing during a State of Alaska fishery in a state waters parallel fisheries for species under the rationalized fisheries.

It is the intent of the Council that catch history, whether harvested in the state water parallel fishery or the federal fishery, will only not be double-counted.

X.X.X.X State Waters - Parallel Fisheries and State Groundfish Management

A portion of the TAC will be allocated to fisheries inside of 3 nm and will be subject to State management:

Option 1. An amount equivalent to the total annual catch (for each groundfish species/group) from state waters (inside of 3 nautical miles [e.g., parallel and 25% Pacific cod fishery]) by all vessels will be managed directly by the State of Alaska Board of Fisheries as a TAC/GHL equivalent to:

a. Highest amount taken in state waters by area
b. Highest amount taken in state waters by area plus 15%
c. Most recent four-year average harvest from state waters

Option 2. All catch inside of 3 nautical miles by non-federally permitted vessels fishing the parallel fishery plus all catch under the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

Option 3. Only the catch associated with the 25% state water cod fishery and the PWS Pollock fishery remains under the authority of the State of Alaska Board of Fisheries.

3.3.2 Initial Allocation of primary species catch history

Allocate catch history as generic Gulf history (GH) on an individual harvester basis for the following primary species:

Trawl CV and CP:

Pollock, Pacific cod, deepwater flatfish, rex sole, shallow water flatfish, flathead sole, Arrowtooth flounder, northern rockfish, Pacific ocean perch, Pelagic shelf rockfish

Longline CV and CP:

Pacific Cod, pelagic shelf rockfish, Pacific ocean perch, deep water flatfish (if turbot is targeted), northern rockfish, Arrowtooth flounder

Pot CV and CP:

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Pacific Cod

GH is designated by sector:

Option 1. Trawl GQ may be fished using fixed gear, if yes – appropriate mechanism to transfer GH/GQ across sectors needed.

Gulf Quota (GQ) is the annual allocation to a cooperative based on the GH of its members.

3.3.2.2 Qualifying periods and landing criteria (same for all gears in all areas) for determining GH (The analysis will assess AFA vessels as a group).

Option 1. 95-01 drop 1, **on species by species basis**
Option 2. 95-02 drop 1, **on species by species basis**
Option 3. 95-02 drop 2, **on species by species basis**
Option 4. 98-02 drop 1, **on species by species basis**

Options to drop years would be to accommodate SSL restrictions or the inclusion of the state portion of the parallel fishery.

Individual GH will be based on retained catch for each species (includes weekly production report for Catcher/Processor sector). The denominator shall be total landed catch by species.

Exclude retained catch that is used for meal production

3.3.3 Allocation of secondary species and halibut PSC within the cooperative will be based on the primary species GH of the individual members of the cooperative using the same criteria used to allocate secondary species and halibut PSC to the sectors (i.e., the option selected in Section 3.2.4). If Option 2 in 3.2.4 is chosen, the current halibut PSC and secondary species management is used.
Secondary species are: thornyhead, rougheye, shortraker, other slope rockfish. Atka mackerel, and trawl sablefish. Includes SEO shortraker, rougheye, and thornyhead rockfish. Secondary species would receive no halibut allocation.

3.3.3.3 Transfer of secondary species and halibut PSC GH:

As permitted by and subject to any other transfer rules:

Option 1. Primary species and the associated secondary species and/or halibut PSC GH are non-separable and must be transferred as a unit.

Option 2. Primary species and the associated secondary species and/or halibut PSC GH are separable and may be transferred separately.

III. Co-op Rules for all CPs, trawl, longline, pot and catcher vessels

Option: Jig and low producer fixed gear exempted.

Initial Co-op Formation Rules:

3.3.5 Catcher Vessel Co-ops.

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Catcher vessel co-ops may be established within sectors between eligible harvesters in association with an eligible processor. A harvester is initially eligible to join a cooperative in association with the processor to which the harvester delivered the most pounds of primary species by area (Western Gulf, Central Gulf, West Yakutat) and region (North/South)

during the
a) qualifying years.
b) most recent 1, 2, or 3 years from the qualifying years.

Provisions applied to a & b:
For the following species groups:

- Pollock
- Pacific cod
- Aggregate rockfish
- Aggregate flatfish
- ~~AGGREGATE OTHER SPECIES~~

3.3.6 Catcher processor co-ops may be formed by eligible CPs within each CP sector. No processor affiliation is required for CP co-op formation.

3.3.7 Cooperatives are required to have at least:

Option 1. 4 distinct and separate harvesters (using the 10% threshold rule)
Applies to low producers, high producer fixed gear, CV trawl, and CP's

Option 2. 50-100 percent of the GH of its sector. Council may choose different percentages for different sectors.
Applies only to catcher processors

Option 3. 50-75 percent of the eligible GH for each co-op associated with its processor
Applies to low producers, high producer fixed gear, and CV trawl for processor associated coops if less then 4 distinct and separate harvesters are available to associate with the processor.

Option 4. Any number of eligible harvesters within the sector (allows single person co-op).

Note: Requirements may differ across sectors (or for CV and CP Cooperatives)

3.3.8 Duration of initial cooperative agreements:

Option 1. 1 year
Option 2. 2 years
Option 3. 3 years
Option 4. Any length agreed between the co-op participants.

3.3.9 Catcher Vessel co-op/processor affiliations

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Option A: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating, the harvester is eligible to join a co-op with any eligible processor (i.e. any processor eligible to participate in the initial formation of a co-op).

Option B: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating and another processor has not acquired that processing history through purchase, the harvester is eligible to join a co-op with any eligible processor (i.e., any processor eligible to participate in the initial formation of a co-op).

Option C: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating, the harvester is eligible to join a co-op with the eligible processor with whom the harvester delivered the second most pounds during the qualifying period.

Option D: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating and another processor has not acquired that processing history through purchase, the harvester is eligible to join a co-op with the eligible processor with whom the harvester delivered the second most pounds during the qualifying period.

Option ~~B~~**E**: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating in the community, the harvester is eligible to join a co-op with any eligible processor (i.e. any processor eligible to participate in the initial formation of a co-op) in that community. If there are no eligible processors in that community, the harvester may join a co-op in association with any eligible processor within the region.

Option F: If the processor with whom the harvester is initially eligible to form a co-op is no longer operating in the community and another processor has not acquired that processing history through purchase, the harvester is eligible to join a co-op with any eligible processor (i.e. any processor eligible to participate in the initial formation of a co-op) in that community. If there are no eligible processors in that community, the harvester may join a co-op in association with any eligible processor within the region.

~~OPTION 1.~~ CV cooperatives must be associated with an eligible processing facility
~~Option 2.~~ Processors can associate with more than one co-op.
~~Option 3. Processors are limited to 1 co-op per plant for each sector.~~

Processors with history at multiple facilities in a community may aggregate those histories for determining associations.

The eligible processor is:

1) initially, a processor that the harvester is eligible to associate with in a cooperative under section 3.3.5 above
2) **any processor, after satisfaction of an exit requirement (re-worded; same language)**

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

3.3.10 Catcher Processor Co-op provisions

Allocation to CP co-ops will be based on the above, with the following exceptions:

- CP co-ops do not need a processor association.
- CP co-ops will be within CP gear sectors. Transfers of GH or leases of GQ across CP gear types is
  a) not permitted
  b) permitted.
- CP co-ops are subject to the other terms and conditions specified for CPs under this program

3.3.11 Initial Cooperative Requirements

The following provision is required for the initial co-op:
Catcher vessel co-ops may be formed by eligible harvesters (the co-op) subject to the terms and conditions of a co-op membership agreement. In order to receive an allocation of GH under this program, co-ops must enter into a duly executed contractual agreement (Contract) with the processor identified in Section 3.3.5.

Contracts established under this section shall specify the terms and conditions for transferring GQ or GH from the cooperative, including mechanisms whereby a member exiting the co-op (or transferring GH from the co-op) compensates the remaining co-op members and/or the associated processor for exiting the co-op (or transferring GH from the co-op). Compensation can take on any form agreed to by the members and the associated processor, including permanent transfer of some or all GH generated by the existing participant to the remaining co-op members and/or the associated processor.

Following the initial co-op period, new GH can be generated by eligible harvesters that have never been co-op members only by joining a co-op in association with the eligible processor pursuant to the terms of an agreement that meets the requirements for an initial coop.

Any shareholder under this program is intended to comply with all existing laws concerning documentation of vessels and entry of vessels to U.S. fisheries in fishing those shares. Shareholders unable to enter into U.S. fisheries may lease share holdings or use holdings through cooperative membership to the extent permitted by the program, but not in contravention of current law pertaining to entry of vessels in U.S. fisheries."

3.3.12 Initial Co-op Formation Period.
An Initial Co-op Formation period shall be established beginning with year one of program implementation and extended for the period identified below.

Option 1. period is 1 year
Option 2. period is 2 years
Option 3. period is 3 years

3.4 General Operational Co-op Rules.

3.4.1 General Cooperative Requirements

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

The following provisions apply to all cooperatives:

1. The harvesters that enter into a co-op membership agreement shall be the members of the co-op. The processor will be an associate of the cooperative but will not be a cooperative member.

2. Except for CP cooperative, a pre-season Contract between eligible, willing harvesters in association with a processor is a pre-requisite to a cooperative receiving an allocation of GQ. For an initial co-op, the Contract must meet the provisions in 3.3.11. After meeting the requirements of Section 3.3.11 and following any periods established pursuant to 3.3.12, a holder of GH may join a cooperative in association with any processor pursuant to a Contract that meets the provisions of this section.

3. The co-op membership agreement and the Contract will be filed with the RAM Division. The Contract must contain a fishing plan for the harvest of all co-op fish.

4. Co-op members shall internally allocate and manage the co-op's allocation per the Contract.

5. Subject to any harvesting caps that may be adopted, GH or GQ may be transferred and consolidated within the co-op to the extent permitted under the Contract.

6. The Contract must have a monitoring program. Monitoring and enforcement requirements would be at the co-op level. Co-op members are jointly and severally responsible for co-op vessels harvesting in the aggregate no more than their co-op's allocation of primary species, secondary species and halibut PSC mortality, as may be adjusted by inter-cooperative transfers.

7. Co-ops may adopt and enforce fishing practice codes of conduct as part of their membership agreement. Co-ops may penalize or expel members who fail to comply with their membership agreement.

8. Co-op membership agreements will specify that processor affiliated vessels cannot participate in

   ~~Option A: price setting negotiations except as permitted by general antitrust law.~~
   ~~Option B:~~ negotiations concerning price setting, code of conduct, mechanisms for expelling members, or exit agreements.

9. Co-op membership agreements shall allow for the entry of other eligible harvesters into the co-op under the same terms and conditions as agreed to by the original agreement. Harvesters that have never been a member of a cooperative must enter an agreement that meets all requirements for an initial co-op, as specified under Section 3.3.11.

3.4.2 General Provisions Concerning Transfers of GH and GQ.

Co-ops may engage in inter-cooperative transfers (leases) of GQ during and after the initial co-op formation period.

During the initial cooperative formation period, GH transfers will be permitted between members of the same cooperative, but not between members of different cooperatives.

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Following the initial co-op formation period, members of a co-op may transfer GH-to members of other co-ops.

All transfers will be subject to such terms and conditions as may be specified in the applicable Contract and any ownership or use caps or other conditions as may be established pursuant to this program.

For persons that join cooperatives for the first time after any period established pursuant to 3.3.12, the limits on transfers shall apply for the same period of time as those in 3.3.12.

3.4.2.1 Qualified Persons.
Persons qualified to receive GH by transfer include processors that associate with initial cooperatives pursuant to 3.3.11 and (not mutually exclusive):

Option 1. US citizens who have had at least 150 days of sea time.
Option 2. Entities that meet U.S. requirements to document a vessel.
Option 3. Initial recipients of CV or C/P GH.
~~Option 3. Communities would be eligible to receive GH by transfer (this provision would be applicable if certain provisions of 2.9 are adopted).~~
Option 4. **INDIVIDUALS WHO ARE** U.S. citizens.

3.4.2.2 Definition of sea time
Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

3.4.3 Ownership caps.
Ownership of GH by a co-op member shall be capped at:

Option 1. 1% of the GH by area, sector and species groups in Section 3.3.5 (pollock, Pacific cod aggregate rockfish, aggregate flatfish~~, AGGREGATE OTHER SPECIES~~.
Option 2. 5% of the GH by area, sector and species groups in Section 3.3.5.
Option 3. 20% of the GH by area, sector and species groups in Section 3.3.5.
Option 3 30% of the GH by area, sector and species groups in Section 3.3.5.
Option 4 no cap.

Allocations to original issuees would be grandfathered at the original level of GH.

3.4.4 Co-op use caps.
Control of GH or use of GQ by a co-op shall be capped at:

Option 1. 15% by area, sector and species groups in Section 3.3.5 (pollock, Pacific cod aggregate rockfish, aggregate flatfish~~, AGGREGATE OTHER SPECIES.~~
Option 2. 25% by area, sector and species groups in Section 3.3.5
Option 3. 45% by area, sector and species groups in Section 3.3.5
Option 4. no cap

3.4.5 Vertical integration
Any processor holdings of GH, using the 10% limited threshold rule, are capped at:

Option 1. initial allocation of harvest CV and CP shares.

Option 2. 115%-150% of initial allocation of CV GH.
Option 3. 115%-150% of initial allocation of CP GH.
Option 4. no cap

3.4.6 Processor caps

Processors shall be capped at the entity level.

No processor shall process more than:

Option 1. 25% of total harvest by area and primary species groups in Section 3.3.5
Option 2. 50% of total harvest by area and primary species groups in Section 3.3.5
Option 3. 75% of total harvest by area and primary species groups in Section 3.3.5
Option 4. no cap

Processors eligible under 3.3.11 will be grandfathered.

3.4.7 Catcher/Processor Provisions

In addition to the rules specified above, the following provisions apply to Catcher/Processors:

3.4.7.1 Restrictions on transferability of CP harvest shares:

CP GH may be converted to CV GH. Once it is converted, it cannot be changed back to CP GH. CP GH maintains its designation when transferred to a person that continues to catch and process the resulting GQ at sea (within a cooperative or in open access.)

3.4.7.2 Re-designate CP GH as CV GH upon transfer to a person who is not an initial issuee of CP shares:

Option 1. all CP shares
Option 2. trawl CP shares
Option 3. longline CP shares

3.4.7.3 Leases of CP annual harvest allocations (GQ):

Allow leasing within cooperative or pursuant to an inter-co-op agreement within CP sectors (no CP leases allowed across gear types.)

3.4.7.4 Conversion of CP GH and GQ:

CP GH and GQ converted to CV GH and GQ will count toward CV caps

Caps will be applied to prohibit acquisition of shares in excess of the cap. Conversion of CP GH or GQ to CV GH or GQ alone will not require a CP GH holder or cooperative to divest CP GH and GQ for exceeding CP caps.

3.5 Skipper/Crew Provisions

A skipper is defined as the individual owning the Commercial Fishery Entry Permit and signing the fish ticket.

Option 1. No skipper and/or crew provisions
Option 2. Establish license program for certified skippers. For initial allocation Certified Skippers are either:
  i. Vessel owners receiving initial GH or harvest privileges; or

ii. Hired skippers who have demonstrated fishing experience in Federal or State groundfish fisheries in the BSAI or GOA for 3 out of the past 5 years as documented by a CFEC permit and signed fish tickets and/or appropriate NMFS documentation (starting date for five years is 2003).

Suboption 1. include crew in the license program.

Suboption 2. require that new Certified Skippers licenses accrue to individuals with demonstrated fishing experience (Groundfish – BSAI/GOA, state or federal waters) similar to halibut/sablefish program.

Under any alternative that establishes GH and annual harvest privileges, access to those annual harvest privileges is allowed only when fishing with a Certified Skipper onboard. Certified Skipper Licenses are non-transferable. They accrue to an individual and may not be sold, leased, bartered, traded, or otherwise used by any other individual. Defer remaining issues to a trailing amendment and assumes simultaneous implementation with rationalization program.

3.6 LLP/Open Access fishery provisions:

The allocation for each sector of primary species, secondary species, and halibut PSC to the LLP/Open Access fishery will be those amounts remaining after allocation of the co-ops. Harvesters that choose not to participate in a co-op may continue to fish in the LLP/Open Access fishery.

Allow directed fishing for primary species only. Continue current MRA for secondary species and unallocated species.

Issue 1. Halibut PSC will be reduced by:

Option 1: **add 0%**

a. 10 percent
b. 20 percent
c. 30 percent

Note: this reduction may differ by sector

Option 2: **add 0 %**

- 5 percent beginning on the date of program implementation;
- an additional 5 percent beginning on the second year of program implementation;
- an additional 10 percent beginning on year 5 of program implementation; and

Issue 2:

The LLP of any vessel that has entered a co-op and generated GH pursuant to this program may not be subsequently used, or transferred to another vessel, to fish in the LLP/Open Access fishery for any primary or secondary species identified under this program ~~as long as they are a co-op member.~~ **—UNLESS ALL GH INITIALLY ASSOCIATED WITH THE LLP IS HELD BY THE LLP HOLDER AND IS ALLOCATED TO THE LLP/OPEN ACCESS FISHERY.**

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

Note: The intent of this provision is to prevent a vessel from entering a co-op, transferring its GH to the co-op and then subsequently taking its LLP and re-entering the open access fishery or transferring its LLP to another vessel to fish in the Open Access fishery.

3.7 Communities and Regionalization

Community provisions are moved to a separate portion of the motion.

3.7.1 Regionalization

If adopted, GH will be categorized by region (for the fisheries identified below).
GH that is regionally designated cannot be reassigned to another region.
Catcher vessel GH is regionalized based on where the catch was processed, not where it was caught.
Catcher processor GH is not subject to regionalization.
The GH associated with a license would be regionalized based on the landings history associated with that license during the regionalization qualifying period.

~~The following describes the regions established and fisheries that would be subject to regionalization: Central Gulf: Two regions are proposed to classify harvesting shares: North - South line at 58.51.10' North Latitude (Cape Douglas corner for Cook Inlet bottom trawl ban area) extending west to east to the intersection with 140° W long, and then southerly along 140° W long.).~~

The following fisheries will be regionalized for shorebased (including floating) catch and subject to the North-South distribution: CGOA Pollock (area 620 and 630) CGOA aggregate flatfish, CGOA aggregate rockfish and CGOA Pacific cod. CGOA trawl sablefish will be regionalized based on all landing of primary species in the CGOA associated with the license during regionalization qualifying period.

3.7.1.1 In the event GH is regionalized, a harvester will be eligible to bring its history in a region to a cooperative associated with the processor in the region to which the harvester delivered the most pounds during the cooperative formation qualifying period **USING SPECIES AGGREGATIONS IDENTIFIED IN 3.3.5 AND:**

OPTION 1: THE PERIOD IDENTIFIED IN 3.3.5 OR
OPTION 2: THE QUALIFYING PERIOD UNDER 3.3.2.2.
~~Option 1: on a species by species basis~~
~~Option 2: all primary species aggregated~~

3.7.1.2 Qualifying years to determine the distribution of GH between regions will be **the years 1999-2002.**

Option 1. consistent with the qualifying period under cooperative formation in Section 3.3.5

3.8 Program Review and Data Collection:

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

3.8.1 Data collection.

A mandatory data collection program would be developed and implemented. The program would collect cost, revenue, ownership and employment data on a periodic basis to provide the information necessary to study the impacts of the program for this and other Management Councils. Details of this program will be developed in the analysis of the alternatives.

3.8.2 Program Review.

Preliminary program review at the first Council Meeting in the 3rd year and formal review at the Council meeting in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities, by addressing concerns, goals and objectives identified in the problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

3.9 Sideboards

GOA Groundfish sideboards under the crab rationalization plan, under the AFA, **and CGOA pilot rockfish project** would be superceded by the GOA rationalization program allocations upon implementation.

~~Participants in the GOA rationalized fisheries are limited to their historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.~~

Vessels (actual boats) and LLPs used to generate harvest shares used in a Co-op unless specifically authorized may not participate in other state and federally managed open access fisheries in excess of sideboard allotments.

Participants in the GOA rationalized fisheries are limited to their aggregate historical participation based on GOA rationalized qualifying years in BSAI and SEO groundfish fisheries.

On completion of a rationalization program in the BS, any sideboards from the GOA rationalization under this section will be superceded for the fleet subject to rationalization.

Provisions related to IFQ and SEO fisheries are moved to a separate portion of the motion.

Provisions related to salmon and crab bycatch are moved to a separate portion of the motion.

Community Provisions
The Council endorses the GOA Community Committee's recommendations to:

- **add the following language to the overall purpose statement for community provisions: "and provide for the sustained participation of such communities"**
- **eliminate options 2b, 2c, and 4 under Eligibility criteria**
- **add option 3B to the Community Purchase Program (CPP) eligibility criteria**

The Council recommends that the committee meet again to discuss future funding of CFQ, entity structure, and how shares are allocated.

Bold – new language
Strikethrough – deleted language
ALL CAPS – suggested staff language/housekeeping
Shaded – consistent w/AP motion

1. The purpose statement for the Community Purchase Program is amended to read as follows:

The purpose of the Community Purchase Program is to provide the eligible communities with the opportunity to sustain their participation in the rationalized fisheries through the acquisition of Gulf groundfish fishing privileges.

2. Element C 2.2 Option 1, is amended as follows:

Option 1: Population (based on 2000 census).
- **a. Less than 7500, but not less than 25**

3. A new Option 5 is added to element C 2.2 as follows:

Option 5. Ownership/Use Caps
- **a. Individual community Gulf groundfish QS/GH cap of:**
  - **i. 1%**
  - **ii. 2%**
  - **iii. 3%**
- **b. Aggregate community Gulf groundfish QS/GH cap of:**
  - **i. 10%**
  - **ii. 15%**
  - **iii. 20%**

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General Issues:

1. Focus GOA bycatch measures on Chinook salmon and C. bairdi
2. Consider tracking salmon bycatch management with or following modifications to Bering Sea salmon bycatch management
3. Include cod pot fishery in analysis and development of bycatch management alternatives (focus on trawl and pot)
4. Continue to include alternatives for crab and salmon bycatch management via "hot spot" avoidance through inter-cooperative agreements

Technical guidance for staff analysis

1. Plot king and bairdi abundance data from ADF&G surveys
   A) Time Series of trends
   B) Recent abundance with overlay of existing trawl closures areas for crab and sea lion protections
2. Plot bycatch data on charts with recent abundance
   A. Plot trawl and cod pot effort and bycatch rates separately
   B. Bycatch rates as # / set or tow and # / ton of catch