


M E M O R A N D U M

TO: Council, AP and SSC Members

FROM: Clarence G. Pautzke   
Executive Director

DATE: April 1, 1988

SUBJECT: Future of Groundfish Management Committee

ACTION REQUIRED

Information only.

BACKGROUND

The Future of Groundfish (FOG) Management Committee continues to discuss the problems facing the groundfish fishery and alternative management strategies to address those problems. They will be presenting their recommendations to the Council in June. Since the January Council meeting the FOG Committee has met three times: February 25-26 in Seattle, March 14-15 in Anchorage, and April 7-9 in Seattle. A progress report will be distributed as supplemental material.

Future of Groundfish Committee  
Progress Report  
April 14, 1988

Since the last Council meeting, the FOG committee has met approximately once a month. The February and April meetings were held in Seattle while the March meeting took place in Anchorage. The Committee continues to analyze the implications of alternative management measures for the future of the Alaska groundfish fisheries and possible impacts on various fishery sectors and coastal communities. Committee members and other interested persons have presented a number of "strawmen" proposals, some based on license limitation schemes and some on individual quotas for discussion by the Committee. Through examination of these proposals a number of key issues have emerged. A partial list of these issues would include the following:

- If individual quotas were to be allocated in fisheries currently underutilized should processors participation be credited in the initial allocation of shares?
- How might the initial allocation of shares impact the "balance of power" between processors, vessel owners and crew?
- In trying to devise a comprehensive limited access program, what is the interaction between fully DAP fisheries and others not fully DAP? If a cutoff date is desirable should it be triggered by the level of DAP activity rather than be tied to a specific date?
- What are the implications of full or limited transferability and duration of rights?

In examining these and other issues in great detail the Committee has drawn on both their understanding of the current status of Alaskan groundfish fisheries and potential future scenarios as well as reports on impacts observed under alternative systems as implemented in other fisheries around the world. For example, at the April meeting the committee heard a report from Dr. Marian Binkley, Dalhousie University who has been studying changes in labor and management practices in the Eastern Canadian offshore groundfish fleet which have been operating under Enterprise Allocations.

The Committee intends to meet their deadline of the June Council meeting to present their recommendations and suggestions on how to proceed. In addition, their report will outline in as much detail as possible the implications of the key issues identified for various fishery sectors, coastal communities, the ability of the industry to be world competitive and the future full domestic utilization of the Alaska groundfish resources.

Summary Minutes  
Future of Groundfish Fisheries Committee Meeting  
605 West 4th Avenue  
Anchorage Alaska 99501  
March 14-15, 1988

Call To Order

Chair Nancy Munro called the meeting to order at 11:10 am on March 14, 1988. The following committee members were present:

Nancy Munro	Brian Kelly
Joe Blum	Mark Lundsten
Dave Fraser	Mel Morris
Dave Harville	Wally Pereyra
Vic Horgan	Kris Poulsen
Gordon Jensen	

The agenda was amended to include a discussion of the Committee's report to the Council. Chris Riley was not able to attend so the discussion of his proposal was postponed until April. There were several changes to the minutes. Vic Horgan requested better representation of the negative concerns brought up at the February meeting. Modifications to Mel Morris's proposal and to Dave Fraser's proposal were also noted. These changes will be made and the revised minutes distributed to the Committee members for their approval.

Discussion of the Structure of the Committee's Report to the Council

Chair Nancy Munro noted that the Committee have at most four remaining meetings until they are to report to the Council. She asked for each member's thoughts on how that report should be structured to provide the most useful product to the Council

Mark Lundsten stated that the report should concentrate on the functional nature of what is proposed, stating clearly the rationale behind any proposals. The report should be as comprehensive as possible, with species by species differences well described.

Dave Fraser noted that it was difficult to separate a discussion of the report's structure from its substance but that outlining the next steps for the Council was an important topic. He believes that a moratorium is an important component of any overall plan. Industry consensus is needed before any detailed plan can go forward.

Dave Harville thought that the Committee needed to throw the ball back into the Council's court for the next phase. He agreed that the Committee needed to recommend some sort of cutoff date or moratorium which could sunset if no detailed plan was forthcoming.

Wally Pereyra expressed concern over the moratorium approach as it might delay action on any long-term solution. Mark Lundsten agreed, believing that it would tailor

the program to a permit limited entry program while denying technological innovation in underdeveloped fisheries during the moratorium phase.

Gordon Jensen stated that the Committee should provide the Council with the best possible system that they could recommend by June as time was probably shorter than people think .

Joe Blum saw two possible directions: the Committee could come to the Council with one or several comprehensive proposals or with "completed staff work". By "completed staff work" he meant a description of alternatives discussed by the Committee with the pro and cons and implications for different fishery sectors spelled out. This would then be sent out for public comment. As a Committee member and as a Council member he preferred to see the latter approach.

Vic Horgan doubted that consensus on any given system or components of a system could be reached by June. He supported the concept of providing completed staff work with the addition of the implications of continuing with a modified status quo.

Wally Pereyra envisioned a matrix presentation describing alternatives by species, areas and gear types. This should be as generic as possible with areas of agreement highlighted and the rationales behind disagreements well articulated.

Brian Kelly was pessimistic about the committee reaching agreement on a specific plan by June. He suggested that the committee try and find elements where there is consensus and detail the pros and cons of all the issues.

Dave Fraser expressed concern that if the committee was to recommend too much detail at this point they might end up with nothing because of the lack of industry consensus. As a minimum, he would like to see consensus on a simple identifiable course of action for the Council to continue development of a plan. The completed staff work approach would be desirable as a maximum.

Mel Morris stated that some fisheries require more immediate action than others. He stressed the need to distinguish between fisheries and focus on those which need action now.

Dorothy Lowman had polled a number of the Council members prior to the meeting to discover what their expectations were concerning the Committee's report in June. While there was no real expectation for one plan with full details and consensus the following were identified as useful elements: (1) a clear identification of problems with issues uniquely Alaskan noted; (2) the Committee's views on comprehensive versus piecemeal implementation, (3) discussion of how various strategies would address the problems with impediments to solutions identified; (4) identification of points of consensus and areas of disagreements with supporting rationales, (5) description of the process which the committee has gone through; and (6) a matrix outlining systems discussed, with the pros and cons and winners and losers spelled out.

Nancy Munro presented the following report topics for consideration by the committee: (1) Statement of Problems with problems grouped into conservation, economic and management areas, (2) Proposals for the Council to consider, (3) Criteria to Evaluate

proposals, (3) Discussion of Specific Issues such as impacts on coastal communities, implications for full utilized versus underutilized species, implications for the processing sector and (4) Comments on how the Council should proceed.

#### Discussion of Inshore/Offshore Fleet Components

Chris Blackburn reviewed with the committee the discussion paper which she prepared examining the following two questions: (1) Should the Gulf of Alaska and Bering Sea be treated as a single area or as separate areas if there is a limited access system implemented? (2) If there is a limited access system, should it be by species or by gear type?

She argued that they should be treated differently but that the differentiation should be in terms of inshore or offshore operations. The group which discussed this question based their discussion on the assumption that any system implemented should not destroy existing investment.

Wally Pereyra asked about how large vessels which had history of deliveries on and offshore would be handled under this system. Chris Blackburn responded that they would probably earn dual rights. In the case where the inshore fleet could not harvest all the "onshore" resource then offshore vessels could be allowed into the inshore zone. Vic Horgan saw some problems if historical participation was the primary basis for qualification for inshore rights.

With respect to allocation of rights, Chris suggested that they be allocated by gear type but not species by species. Emphasis on species complex management systems is desired. The committee felt that the implications of Blackburn's discussion of this issue are very different if one is talking about license limitation or individual quotas. Wally Pereyra felt that non species-specific EAs would lead to feeding frenzy fisheries where the majority effort would be targeted on the easiest or most valuable species. Mark Lundsten felt that having the EAs not species specific would lead to having to make Amendment 14 decisions for every species. He also thought that area specific EAs would help solve the inshore-offshore problem. Brian Kelly found the concept of non species specific EAs as appealing as it would build in more flexibility to adjust to market changes. Lee Daneker thought that generic groundfish EAs would be functionally the same as license limitation but probably without as much of a capital stuffing problem. Mel Morris suggested that percent recovery should be considered when initially allocating EAs. He also expressed concern that EAs would not do away with the Olympic system and was skeptical about the assertion that they would spread out the season.

Al Burch, Alaska Driggers Association, emphasized that if limited access is implemented it must be done comprehensively, not on a piecemeal basis.

#### Community Development Quotas

The committee received copies of a proposal by Paul Fuhs to initially allocate Community Development Quotas to coastal communities if limited entry is implemented. A number of committee members felt that initial allocation might be seen as discriminatory under the MFCMA national standards but that some

mechanism to fund communities buying quota or in other ways dedicating EAs to assist coastal communities may be needed. Dave Fraser stated that Community Development Quotas, if allocated, should only be leasable so that they would stay within the community.

#### NOAA Legal Counsel Comments Concerning Limited Access Issues

Jon Pollard, NOAA General Counsel, provided the Committee with a preliminary response from the Washington DC office on a number of limited access related issues. Their response was quite general and preliminary; more detailed answers would depend on the rationale behind a given proposal. These issues will be discussed in greater depth by all of the NOAA attorneys at a meeting on April 6-8. Both Ron Miller and Jon Pollard will be attending that meeting and will report back to the committee.

The committee asked that the NOAA attorneys be asked to evaluate the Community Development Quotas as one example of a specific proposal. Also they requested that they address the question of whether access to a DAP fishery can be limited when a JV fishery continues to operate.

#### Discussion of a Cut-off Date and Other Issues

On the evening of the 24th the committee divided into small groups to try and develop strawmen proposals for longline species, crab and pollock. Before discussing the proposals developed some general comments about the process were made. Mel Morris stated that not enough effort has been spent in discussing the impacts on the processing sector. As a shoreside processor, he does not want to be put into the position of having to become a custom processor. There is a need to look at the implications for individual processing operations.

Vic Horgan presented a process which he thinks might be possible to follow to examine alternatives although he was not sure he personally was in favor of all of its elements. The first step would be to establish a June 30, 1988 cut-off date which would terminate on January 1, 1990 unless the Council is actively pursuing an amendment at that time. The second step would be to divide the fisheries into logical sectors (e.g., crab, halibut/black cod, Bering Sea bottomfish, Gulf of Alaska bottomfish, etc.). The third step would be to solicit public input by the sectors outlining potential strategies for modified status quo, license limitation, and ITQs and having the public assist in developing preferred and secondary amendment proposals for each of the three major categories of management measures (status quo, license limitation and ITQs).

Wally Pereyra expressed frustration over the Committee's difficulty in reaching consensus. He believed that the Council has not provided the committee with much focus. He questioned whether the administrative or legal framework is in place to make any major change in how the fisheries are managed.

Kris Poulsen stated that, although there may be a "perception of opportunity" in many of the groundfish fisheries, full utilization may be closer than we may think. There is a need to push forward as status quo is not going to continue to work.

Dave Fraser stressed the need for a moratorium to buy the time necessary to fully assess the implications of alternatives and develop the best possible program for the fishery. Vic Horgan stated that any cutoff date should definitely be removed if nothing is developed in a timely manner.

Joe Blum told the Committee if they wanted Council action, they needed to come to the Council with as much consensus as possible. A cut-off date would send the message that this is not an "open playing field" and that further boundaries would be defined.

Wally Pereyra objected to a cutoff date when the industry is so far from being fully DAP. The only cutoff date which he thought might be acceptable would be one somewhere in the future, for example, when the fisheries are 90 percent DAP.

Brian Kelly stated that a cut-off date would function as a financial moratorium. Making the industry fully DAP is still a primary objective. The intent is to bring the value added revenue into the US economy. Opportunity must be left for the US industry to develop the underutilized species, e. g., yellow fin sole, pollock and cod. In terms of employment, the members of AFTA currently employ approximately 4 times the number of people as the JV fleet. While a moratorium for fully developed fisheries may be order, one for underutilized fisheries is not.

Dave Harville felt that a cutoff date based on a percentage of DAP put the burden on the harvesting sector as it would provided for more factory trawlers where a immediate cutoff date would force product back to shore.

Wally Pereyra stated that the Council will ultimately have to agree on an imperfect system but it should be one which can "self-cleanse" itself. He still believes that, in the long-term, ITQs are the only system capable of this self cleansing. If the cut-off date was the point at which ITQ credits were no longer earned then 100 percent DAP might be the appropriate trigger.

Brian Kelly thought that some percentage less than 100 percent such as 80 percent might be appropriate for a cut-off date for eligibility under limited access in order to avoid overcapitalization.

Mel Morris expressed concern that a cut-off date might create a sanctuary for JVs which would hinder DAP development as competition with JV products is a major impediment to DAP growth.

Dave Harville disagreed, predicting that a cutoff date would increase investment in all forms of processing capacity. Further, the-MFCMA call for an orderly transition from JV to DAP.

Mark Lundsten agreed that one problem with a cut-off date is that it could have a chilling effect on technological innovation which was needed to fully develop underutilized fisheries. However, without some form of cut-off date as fisheries become more fully utilized allocation problems between gear types will increase. Therefore, he would be in favor of some form of fairly conservative trigger cut-off date, such as when a fishery is 50 percent DAP. Kris Poulsen also supported the concept of a graduated cut-off date, preferring a conservative trigger such as 50 percent DAP.

Gordon Jensen also supported the 50 percent DAP cut-off concept. Wally Pereyra outlined how he thought a trigger cutoff date (for example 75 percent DAP) would stimulate the transition to a fully DAP fishery for all species.

Vic Horgan stated that the only way such a cut-off date made sense is if it was tied to individual quotas which he opposes. Dave Fraser agreed that a floating cut-off date assumes individual quotas, particularly if it species by species. He does not want to be restricted to development of a individual quota program at this time.

### Discussion of the Longline Strawman Proposal

Mark Lundsten presented the strawman proposal for halibut , blackcod, pacific cod and turbot which developed in the small group discussions. The system would apply in the Bering Sea and the Gulf of Alaska (GOA), subdivided into NMFS management areas and IPHC registration areas. For longliners the system would cover all species in all areas. For trawl gear, black cod would be limited to 20 percent in the GOA and no halibut would be included. For pot gear, halibut would be excluded as would blackcod in the GOA. The basic system would be a prochoice system with both an EA and open access component. Vessels would qualify for EAs based on past production and possibly other socio-economic criteria. EAs would be fully transferable and initially be limited in duration.

The authors saw two principle advantages of the proposal: (1) its multispecies aspect would allow operators to manage their "portfolio" of fisheries and (2) it provides a way to minimize the number of allocation decisions the Council has to make. The major disadvantages with any individual quota system are the potential power structure changes among processors, vessel owners and crew and the enforcement problems associated with potential hygrading and quota busting.

Mel Morris added that in his view the EAs needed to be tied to the vessel so that if you bought the EAs you could retire the vessels and consolidate the quota. The point is that there are too many boats in some of the longline fisheries.

Lee Daneker remarked that trawlers would also be competing and getting credit for pacific cod and turbot. Based on these initial allocations and subsequent transfers, the need for Amendment 14 type allocative measures would be minimized.

Based on the preceding cut-off date discussion, June 20, 1988 would be the suggested cut off date for the fully DAP species (halibut, blackcod, and turbot) while pacific cod would be some time into the future depending on what percentage DAP was chosen as the cut-off date trigger.

Wally Pereyra asked why other gear types should not be allowed to buy halibut for bycatch needs in the future. Mark Lundsten said this is a contentious issue and would not be allowed under this strawman. Mel Morris said the group thought the existing regulations in this case was a good starting point and that halibut should not be allowed to transfer to trawl gear.

### Crab Strawman Proposal



Kris Poulsen presented the license limitation strawman proposal which was developed the previous night in the small group discussions. This proposal is presented as an alternative to the EA type of program proposed for crab at the last meeting. This license limitation program, based on vessel length related capacity, attempts to include everyone currently fishing in the initial allocation. A buyback program, funded by mandatory assessment tax, is required to remove excess capacity. Boats that derived a minimum of 25 percent of annual income from BS/AI crab fisheries for any 2-3 years in the past 10 years would qualify. Qualification in any one crab fisheries maintains an individual's access rights in all crab fisheries in the BS/AI area. Participants can upgrade or downgrade by buying or selling vessel foot length capacity.

Jon Pollard reminded the committee that any funds for buyback would have to be generated by the industry not from government. Kris Poulsen agreed, stating that the industry would have to have a mandatory assessment.

Dave Harville questioned what would happen to the vessels bought out of the crab fishery. He was concerned that they would enter other fisheries, transferring the overcapitalization problem to other sectors of the industry.

Mel Morris wondered if the program was designed to obtain a 300 boat fleet and if the percentage of income requirement would be adjusted to arrive at this fleet size. Kris responded that initially the purpose was for easy qualification and afterwards the "optimal" fleet capacity would be determined and effort bought out.

Kris Poulsen stated that one advantage of the license limitation program might be that setting specific seasons for crab may be more better for the stocks than allowing year round harvest with EAs. Mel Morris thought that one problem with EAs for crab was that it rewarded the catcher processor operations for catching larger volumes of smaller crab.

#### Pollock Small Group Discussion

The small group assigned to pollock was unable to reach consensus on any strawman proposal. Wally Pereyra suggested that one reason was the difference between growth and liquidation problems. With pollock both are occurring at the same time unlike the longline and crab fisheries.

Dave Harville noted that both the crab and longline strawmen proposals protect traditional ways of fishing. He wants to see the mid-sized family owned trawlers also protected when developing a proposal for the trawl fisheries.

Dave Fraser outlined a way of thinking about the alternatives for the groundfish (trawl) fisheries. He had constructed an outline of all of the elements which need to be considered with various options under each element suggested. This outline is attached as appendix 1.

#### April Meetings

Nancy Munro reminded the committee that the next meeting would be held in Seattle on April 7-9. April 22-23 was chosen as the best dates for the following meeting if two are necessary in April.

Adjournment

The meeting was adjourned at 4 pm on March 15, 1988.