

# ALTERNATIVE APPROACHES TO THE JV OLYMPIC SYSTEM

by

Larry Cotter

The alternatives presented here are intended to stimulate discussion and do not reflect a personal preference. Each of the alternatives addresses JVP allocations in a way which solve the Olympic System problems but which, admittedly, create a different set of problems and concerns. These run the gauntlet from legal to practical.

## Alternative 1: Allocate By Country on the Basis of Historical Participation

Under this approach a year would be determined which would then serve as a base from which the average percentage harvest by country for all years from and including the base year would be derived to determine the percentage allocation to each country for subsequent JV allocations. The allocation could be made to either:

Option 1: Each country itself. The allocation to specific countries would, however, provide that country with substantial leverage over domestic JV harvesters.

Option 2: The domestic JV company (if still in business) which represented the U.S. harvesters who harvested the JV allocations during those years. The allocation to the domestic JV company would be in an amount proportionate to the amount of each country's total JV harvest during those years which the domestic JV company harvested. The allocation to the domestic JV company for a share of the country's JV allocation would have to be processed by that country -- the allocation could not be shifted to another country.

## Alternative 2: Allocate By JV Company on the Basis of Historical Participation

Under this approach a base year would again be determined from which the average percentage harvest by domestic JV company for all years from and including the base year would be derived to determine the percentage allocation to each domestic JV company for subsequent JV allocations. The

allocation would be made to each domestic JV company and that company would be free to choose its own foreign partner.

Alternative 3: Allocate on the Basis of "Fish and Chips"

Under this approach countries and/or domestic JV companies would present the Council with a "bid" for a certain amount of JVP allocation. The bid would specify what was being offered in exchange for the allocation. Provisions, such as Letters of Credit, etc., would be developed to ensure the entity offering the bid would be capable of following through on its proposal. Subject to applicable law, there would be no limitation on the type or extent of the bid.

The process of picking and choosing among the bids to determine which are the most attractive to the Council and should be awarded is inherently subjective. The establishment of a "point system and accompanying criteria" will not eliminate subjective conclusions. Therefore, it would be misleading to develop a point system which theoretically would eliminate the subjectiveness. The development of criteria itself specifying the form bids should take, the collateral necessary to insure the bid, a general set of "Fish and Chips" items which are particularly attractive to the Council, etc., seems to make sense.

In order to provide the winning bidders adequate time to prepare for their fishing year, the decision on who wins the bids for the following fishing year should be made at the September Council meeting. Since the Council does not determine final DAP, JVP and TALFF allocations until the December meeting the extent of a winning bid's allocation would have to be contingent upon the December Council decisions. Although this poses some problems for the bidders since they will not know in advance the exact amount of allocation which may be available, they will have a fair indication -- just as they do now -- of what will be available for the next year based upon a variety of factors including the current year's DAP production, etc.

Should this alternative be adopted and the September Council meeting be selected as the bid award date, the alternative could not go into effect until 1989.

JOINT VENTURE FISHERIES  
UNDER THE OLYMPIC SYSTEM

By Larry Cotter

Under the joint venture Olympic System, the Council reviews the requests for JVP by each country, approves or disapproves each request, and then determines the level of JVP for the subsequent fishing year based upon the priority allocation requirements of the Magnuson Act. No country or company receives an allocation under the Olympic System--the allocation is to JVP as a single entity. Once the fishing year commences any country or company with an approved permit can harvest as much of the JVP allocation as it desires or can.

Under the Olympic System a company or country is not guaranteed a JV harvest. If the company or country is able to get out early enough and fish hard enough it is possible for it to take or exceed its early request. On the other hand, it's also possible the amount of its harvest may fall far short of its request. Factors such as the company or country's historical participation in the EEZ or the extent to which its past performance was met relative to its request are no longer factors to be taken into account. It's first come, first serve.

PROBLEMS GENERATED BY THE OLYMPIC SYSTEM

All the problems associated with Olympic System stem from the "first come, first serve" aspect of the System. That aspect creates a host of inevitable harvest technique reactions. Given the increasingly compressed nature of JV fisheries, the focus of effort is to harvest the maximum amount of the target species in the shortest time possible. This results in the following problems:

1. Fisheries become increasingly shorter. Bering Sea pollock is a good example. What used to be a year-round fishery has become a split season that will last into June with some possibility of a fall fishery depending on DAP needs. Whether or not shorter seasons are a problem depends on a fishermen's market, vessel, gear, and ability to fish in inclement weather. However, some problems, such as equipment failure, could be particularly severe in a short, fast paced fishery.
2. Increases bycatch of other species. Bycatch is a natural component of every fishery. Among other factors, bycatch is affected by time, area, and gear type. As seasons become compressed and competition for target species increases, fishermen may take less time to avoid or minimize bycatch.
3. Adversely affects long term marketing and trade opportunities. Three components necessary for optimum long term marketing of a species are price competitiveness, quality, and stable supply. Given the compressed season, the Olympic System adversely affects both the quality (overall) and the stable supply of those products being harvested. While this may not have an immediate adverse impact upon JV fishermen it has a potential adverse impact upon DAP fisheries as they expand into markets for those same species.

4. Results in waste product. This problem is due to a combination of the Olympic System, the 40/60 split for Bering Sea pollock, and the 20% rule defining directed fishing. The problem has become pronounced during 1988. Following the early closure of the pollock joint venture season the 20% rule came into effect. The result of this was the discard of pollock in excess of 20% even though the excess continued to count toward the pollock TAC. The pollock discard was wasted.
5. Diminishes opportunity for other JV fisheries to rationally harvest their allocations. As one JV fishery reaches its quota and shuts itself down, the participants in that fishery generally shift to other JV fisheries which have not yet harvested their quota. This shift increases pressure on the fishery with remaining quotas and, in turn, hastens its closure. This adversely affects the fishermen targeting on that quota and makes it impossible for them to rationally harvest their fishery. Indeed, the advance knowledge that effort in that fishery will increase as soon as another JV fishery has closed increases the pressure upon those fishermen to maximize their harvest even more. This serves to accentuate the other problems associated with the Olympic System.
6. Creates economic inefficiency. The existing system couples intense periods of operations with long periods of idleness. For some species there may be two or three seasons in the course of a year. This requires the commitment of processing capacity on an irregular and unknown basis for an unknown amount of product. Costs associated with the processing entity increases thereby decreasing the value of the harvest to the fishermen.
7. Adversely affects fishermen. The combination of the above factors has--or will--adversely affect both JV and DAP fishermen. The inability to rationally harvest a species to take full advantage of market opportunities, whether the harvest is JVP or DAP, results in a lesser economic gain in exchange for that harvest. This, in turn, increases the difficulties for U.S. fishermen to economically survive the transition from JVP to DAP.

There are additionally, some attendant problems associated with the Olympic System and the direct problems generated by that system:

1. Increases the pressure on fishery managers to make management decisions on the basis of economic need. This is a political fact of life, and would occur anyway. The fact remains though, as JV fishermen experience decreased earnings due to the result of the Olympic System the amount of pressure increases on fishery managers to make decisions based more on economic need than biological justification.
2. Increases target species conflicts. Conflicts between target fisheries which occur as a result of increased bycatch or a premature taking of a target species TAC are also inevitable. However, these conflicts--and the emotional vehemence associated with them--increase proportionate to the increased pressure on all target species.

3. Does not allow the use of JVP allocations for "Fish and Chips" purposes. Admittedly this is not a problem for everyone. Nevertheless, "fish and chips" has been used successfully in the past to generate benefits for the U.S. fishing industry which otherwise would not have been available and which, once received, have benefited the entire industry.

#### CONCLUSION

The replacement of the Olympic System with some other approach will impact different fishermen in different ways, some positively and some negatively. Likewise, the extent of the problems associated with the Olympic System outlined above vary from fisherman to fisherman. The real question is could the United States fishing industry derive greater benefits from a management system other than the Olympic System?

NORTH PACIFIC FISHERY MANAGEMENT COUNCIL

Policy on Joint Ventures and Allocations\*

General Policy. The North Pacific Fishery Management Council is responsible by law for assuring the conservation of fishery stocks off Alaska and fostering the development of the United States fishery for those stocks currently underutilized by this country, though they may be fully exploited by other nations. The Magnuson Fishery Conservation and Management Act allows the Council to equitably allocate harvest privileges, and the Council intends to use these allocations to increase American participation in underutilized fisheries consistent with the Act.

The Council believes it is in the greatest national interest for the resource to be harvested, processed, and marketed by U.S. industry. However, until the domestic industry can harvest, process, and market the available groundfish resource, the Council will allow joint ventures between Americans and foreigners that will increase U.S. participation in the utilization of these resources. Joint ventures generally are considered to be operations in which U.S. fishermen deliver raw fish to foreign processors at sea. Other forms of joint ventures are possible and will be appraised on their individual merits as they are formulated.

The Council will continue to give highest priority to target operations that are wholly American, and joint ventures will only be considered for groundfish species not harvested and processed totally by U.S. industry.

The Council intends that any country to whom a direct allocation is given must also be engaged in "over-the-side" joint ventures or the purchase of U.S. produced products. As fully-U.S. harvested and processed fisheries expand, TALFF and then JVP will be decreased toward the total elimination of foreign fishing and processing.

Joint Venture Permit Review Procedure. The Council will hold its review each December of all prospective joint ventures for the coming year. This will coincide with the Council making its final recommendations on apportioning available groundfish yields to Domestic Annual Processing (DAP: totally U.S. harvested and processed), Joint Venture Processing (JVP: U.S. harvested and foreign processed), and Total Allowable Level of Foreign Fishing (TALFF: foreign harvested).

The Council must receive all permit applications for joint ventures at least two weeks before the week of the Council meeting. Applications must be complete and have been published in the Federal Register by Friday preceding Council meeting week. Review of applications not meeting these deadlines will be postponed until the next scheduled meeting of the Council. If necessary, the Council may request the Permit Review Committee to consider applications between regular Council meetings.

\*Adopted by Council in June 1986.  
(Amended September 1987; new language in italics)

All interested persons are invited to submit written and oral comments to the Council and its Permit Review Committee on all matters relevant to proposed joint ventures, including the extent to which various foreign nations meet the criteria listed in Table 1.

Joint ventures are expected to estimate their groundfish harvest needs as accurately as possible and to specify their needs by Council management area (e.g. Bering Sea, Aleutians, Western Gulf, etc.). The Council will compare these requests in aggregate with NMFS projections of JVP derived from industry surveys and will closely monitor attainment of joint venture goals during the season.

The Council's recommendations on approvability of permit requests and on permit conditions and restrictions will be forwarded to NMFS. The Council requests that NMFS respond in writing concerning final disposition of the Council's recommendations, with reasons for disapproval should that occur.

Basis for Recommendations. Groundfish operations which are legitimately wholly domestic in the harvesting and processing of our fishery resources and do not involve foreign flag vessels, fall under the Council's definition of DAP and therefore will not need permits. They will be given first priority in groundfish apportionments. Second priority is granted to operations involving foreign processing vessels and U.S. harvesters and other sectors of the U.S. industry.

The Council will use the criteria in Table 1 to appraise a country's joint venture requests relative to other nations and make its recommendations to NMFS. Other factors not listed may be considered also. The Council intends to give preference to those nations whose operations clearly evidence maximum U.S. industry involvement in all phases of the operation and which give strongest support to the development of the domestic industry for underutilized species.

*The Council remains very concerned about the catches of pollock and other species of fish in the international waters of the Bering Sea and the impact those catches will have on the overall stock abundance, particularly as it relates to the setting of harvest quotas in the U.S. Exclusive Economic Zone. Any nation receiving directed allocations or operating in joint ventures off Alaska will be expected to provide timely, accurate, and verifiable data on their past, present, and projected catches of pollock and other species from the international waters in question, and to cooperate whenever possible in international research programs on those stocks.*

#### Company Bycatch Guidelines

All companies will fish from a common pool for joint venture target species whether or not demand exceeds supply. However, each company will have harvest guidelines for bycatch species as deemed necessary by the Council. The Council expects a company to voluntarily modify its operations to minimize further bycatch upon reaching its guideline limit. The Council will conduct a post-season audit of performance each December when developing recommendations for joint venture approval for the following year.

### Internal Waters Joint Venture Review

The Council requests the opportunity to review all internal waters joint venture requests. Depending on the nature of the specific application, the Council may meet formally in whole or in Committee to comment further. The Council staff may provide technical comments. The Governor of Alaska is requested to appoint the Chairman of the Council's Permit Review Committee as a standing member of the State's Foreign Processing Advisory Committee.




Table 1. Criteria for the review of joint venture requests\*

- 
- Level of U.S. industry involvement in all phases of nation's joint operations (harvesting, processing, marketing, or others)
  - Enhancement of U.S. employment at sea and ashore
  - Transfer of capital through investment in U.S. industry.
  - Technology transfer.
  - Achievement of joint venture goals during previous seasons.
  - Proof of financial responsibility by foreign partner.
  - Compatibility of joint operation with other U.S. fisheries and incidental species (i.e. gear conflicts, ground preemption, bycatch of U.S. fully-utilized species, etc.).
  - Economic contribution of nation's joint ventures to U.S. harvesting, processing, and support industries.
  - Purchase of U.S. processed product, especially underutilized species.
  - Compliance with U.S. laws, international treaties, and regulations.
  - Existence of trade barriers to U.S. fish products and efforts to remove them.
  - Ratios of country's total joint venture request and purchase of U.S.-processed product to total direct fishing request.
  - Reporting of fishery and market information beyond that required by law.
  - Foreign participation in fisheries research off Alaska.
- 

\*No priorities implied.

M E M O R A N D U M

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke   
Executive Director

DATE: June 16, 1988

SUBJECT: Future of Groundfish Management

ACTION REQUIRED

- (a) Review Future of Groundfish Committee report and provide direction for further action.
- (b) Consider alternative means for determining credit if limited access is implemented.

BACKGROUND

- (a) Review Committee report and provide direction for further action.

In September 1987, the Council approved a "Statement of Commitment" (C-8(a)) which expressed concern about the current management system and its ability to support the Council's goals. The Statement expressed the Council's commitment to pursue alternative management methods that would support the goals and achieve "more productive and rational effort and harvest levels." The Council stated its intent to develop a new management strategy for the sablefish longline fishery in 1989, for other groundfish fisheries by 1990, and to consider effort management for crab and halibut.

The Council appointed an industry team to study the fisheries and their problems, and to recommend "how the fisheries should be managed in the long term." The report of that team, which became known as the Future of Groundfish Committee, was mailed to the Council family on June 10. It describes the problems facing the fisheries and how status quo or limited access might address them. It also provides recommendations on how the Council should proceed and outlines some of the major policy issues which must be faced when developing limited access options.

The Committee's recommendations are summarized in item C-8(b). A detailed description of these recommendations can be found in the report. On Sunday afternoon the Council will have the opportunity to discuss these recommendations with Committee members. Formal Council action is scheduled for Thursday. Written comments received on the Committee's deliberations are under C-8 Supplemental.

- (b) Consider alternative means for determining credit if limited access is implemented.

The Council's Statement of Commitment states in part:

"2. . . .At the June 1988 meeting the Council will consider alternative means to determine the extent to which various participants may accrue credit, including cut-off dates, participation credit and other approaches, should access limitation be implemented in the future."

When considering alternatives for credit under a limited entry system, the Council must be mindful of the requirements of Section 303(b)(6) of the MFCMA which states:

[a fishery management plan may. . .]

"(6) establish a system for limiting access to the fishery in order to achieve optimum yield, if, in developing such system, the Council and the Secretary take into account--

- (A) present participation in the fishery,
- (B) historical fishing practices in and dependence on, the fishery,
- (C) the economics of the fishery,
- (D) the capability of fishing vessels used in the fishery to engage in other fisheries,
- (E) the cultural and social framework relevant to the fishery, and
- (F) any other relevant considerations;"

These factors need only be considered when developing a limited entry program. As the Council was advised in a March 28, 1983 memorandum from NOAA CG-AK Pat Travers, these factors need not be accommodated by a limited entry system "if the Council and NOAA reasonably find that other factors should be given greater weight." Travers further advised that Congress, by providing for other relevant considerations, allowed wide discretion to override the five detailed criteria by the other considerations as long as the Council had a well-reasoned basis for its decision. The administrative record of Council deliberations on limited entry should detail the consideration of detailed factors and clearly state the basis for their inclusion or exclusion as criteria in any system adopted.

In considering whether to establish a cut-off date for participation in the fishery, the Council must decide whether to establish a control date, as it did in the sablefish fishery in December 1985 or a moratorium on new entry as attempted in the halibut fishery in 1983. In the context of the future of groundfish discussions, the purpose of either action would be to provide the Council with an opportunity to decide whether and how to implement limited entry without generating speculative entry into the fishery.

#### Control Date

A control date would be the easier of the two actions to implement since it would entail notice to the industry, opportunity to comment, and publication in the Federal Register after final Council action. The notice should be

accompanied by a finding by the Council that the existing fleet is capable of harvesting the entire quota and could read as follows:

"The North Pacific Fishery Management Council announces that anyone participating in the fishery for the first time after --(control date)-- will not be assured future access to the ----- resource if a management regime is developed and implemented that limits access to the fishery."

Although the sample language refers to participation, Section 303(B)(6)(F) would allow inclusion of other criteria such as investment in a fishery or economic dependence on a fishery.

If a season or seasons occurred between the control date and final access limitation, the Council could not summarily disregard the interim participation because of the requirements of Section 303(B)(6)(A) and (B) that present participation and historical fishing practices be considered. In the final system, the interim participation may not be given as much credit as participation before the control date or it may be excluded, but the record must reflect that it was considered and detail the reasons for discounting or excluding it in favor of other factors.

#### Moratorium

A control date is intended to discourage entry by "limited entry speculators" while limited access deliberations take place, but a moratorium prevents new entry. A moratorium, the simplest form of limited entry, would be implemented as an FMP amendment and would require the Council to consider the factors of Section 303(B)(6) before adoption.

Eligibility to participate in a fishery under a moratorium may be open to any fisherman or vessel that participated in the fishery at any time before the moratorium date or during a shorter eligibility period. Other eligibility criteria such as minimum landing requirements, investment in vessels and/or gear, or demonstrated economic dependence on the fishery are also permissible under 303(B)(6); however, the more complex the system the less likely it will be seen as an interim measure by the reviewers in Washington, D.C.

Moratoria are generally for a specified time period to allow implementation of a more permanent regime. OMB has advised that a moratorium may only be acceptable if it is followed by a full-scale limited entry system.

#### Eligibility Criteria

As mentioned above, eligibility for continued participation in a fishery after a control date or during a moratorium may be based on any of several factors such as participation or investment in a fishery before a control date or moratorium date. One consideration that should influence the choice of qualification is the ease with which eligibility may be demonstrated by the chosen criteria. If the requirement were a legal harvest before a certain date, that would be readily reflected in official records; however, if the qualification were a minimum percentage of investment in a vessel or a specific level of income dependence on a fishery, those determinations would have to be made on a case-by-case basis. This process would substantially increase the administrative burden at the outset of a moratorium program; it would increase the burden at a later time with a control date if a limited entry system followed.

Much of the administrative and adjudicative burden the State of Alaska has experienced with its limited entry system was generated by awarding credit for special or unavoidable circumstances that may have prevented a fisherman's participation during the eligibility period. Precise criteria based on information in official records, rather than adjudicative criteria such as level of investment, is the most administratively efficient and least costly method of determining credit or eligibility for an access limitation system.

Statement of Commitment

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

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

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

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

To fulfill this commitment the Council will:

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

\*Modified December 11, 1987

Summary of Future of Groundfish Recommendations

1. Trawl Groundfish: Develop an amendment package for the 1989 cycle to limit access in the groundfish trawl fisheries. Include the following alternatives:
  - A. An IQ proposal for all trawl groundfish species in the EEZ by management area.
  - B. A multispecies permit program for all groundfish species in the EEZ. This program would be preceded by a June 30, 1988 cut-off date.
  - C. A ProChoice program where fishermen could choose whether to fish in an open access or an IQ fishery.
2. Longline Species: Develop an amendment package for the 1989 cycle to limit access in all longline fisheries. Include the following alternatives:
  - A. A ProChoice program.
  - B. A multispecies longline permit system for all longline-caught species. This program would be preceded by a June 30, 1988 cut-off date.
3. Crab: Develop an amendment package for the 1989 cycle to limit access in the crab fisheries. Include the following alternatives:
  - A. A ProChoice program for a 3-5 year experiment.
  - B. A permit system with a buyback program funded by a tax on gross sales for a fixed number of years. The cut-off date for qualifying would be June 30, 1988.
4. General Recommendations:
  - A. Take part in a series of seminars for industry which would summarize the Committee discussions and the strengths and weaknesses of various alternatives.
  - B. Appoint a revised committee to act as an advisory group for the Council team developing the amendment packages.
  - C. With respect to the Council's considerations of a cut-off date, the majority of the Committee believes that the Council should announce that, if a harvesting vessel has not fished or is not "in the pipeline" by June 30, 1988 that it will not be able to earn credit for any eventual limited access system. While this was the majority position, a number of members disagreed with this position.

# ALYESKA OCEAN, INC.

AGENDA C-8  
SUPPLEMENTAL

816 FOURTH STREET • P.O. BOX 190 • ANACORTES, WASHINGTON 98221  
206 293-4677      TELEX 152597-AOI-AACT      TELEFAX 206 293-4241

June 16, 1988

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

Re: Limited Entry

Dear Mr. Campbell,

I am writing to express my concern about actions which the Council may be considering to limit entry into the trawl fisheries in the Bering Sea and Gulf of Alaska.

I have reviewed the Future of Groundfish Committee's June 1988 Report to the Council which recommends the adoption of restrictions that will limit commercial participation or access to the Groundfish resource. I am extremely concerned that limited entry proposals could destroy legitimate trawler-processor projects currently in progress including a project in which my company is involved.

Adoption of a limited entry scheme effective now would be inconsistent with the Magnuson Act goal of encouraging development of a domestic industry to achieve best DAP utilization of U.S. fishery resources. Early forms of U.S. processing will be the first to establish rights but may not be the most favorable in achieving MFCMA Standards and NPFMC Goals. I feel it is premature, therefore, to penalize or discourage legitimate projects that will help properly develop DAP .

I am not opposed to an equitable form of limited entry into the fisheries, but strongly oppose damaging legitimate projects in progress.



Mr. James O. Campbell  
June 16, 1988  
Page 2

My company, Alyeska Ocean, Inc., is currently involved in a project to build a factory trawler at a cost in excess of \$30 million. We began negotiations with potential investors in the project in 1986. A preliminary agreement among the principals was signed in June, 1987. In August 1987, a contract for the design of the vessel was signed and in February 1988 the design was finalized. Between August 1987 and December 1987, we made an analysis of the qualifications of various shipyards around the U.S. A bid package for the construction of the vessel was sent out to selected yards at the end of April, 1988. We are currently in the process of negotiating the shipyard contract. To date, we have invested well over \$1 million in this project.

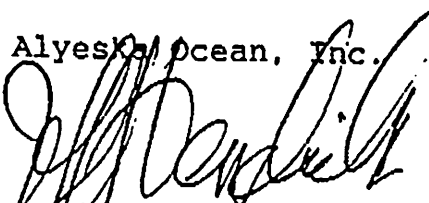
This chronology demonstrates that our project is a legitimate investment and not merely an attempt to create a project in anticipation of some action by the Council to limit entry into the groundfish fisheries. The inception of our project predates the Council's discussions on the possibility of a cutoff date or moratorium on new entry into the fisheries. On this basis, any action by the Council at this point should at least not restrict vessel eligibility such as ours to enter the groundfish fisheries.

In order for us to sign a shipyard construction contract, we must have reasonable certainty with regard to our right to use this vessel in the groundfish fisheries in the future. The Council should therefore state positively that any limited entry proposal it considers must grandfather legitimate projects currently in process.

I would very much appreciate the Council's consideration of the concerns expressed in this letter.

Sincerely,

Alyeska Ocean, Inc.



Jeff Hendricks, President