

M E M O R A N D U M

TO: Council, AP and SSC Members
FROM: Jim H. Branson
Executive Director
DATE: September 11, 1987
SUBJECT: Future of Groundfish Management



ACTION REQUIRED

- (a) Adopt/not adopt the Statement of Commitment recommended by the Policy & Planning Committee.
- (b) Develop plan of action to examine alternatives to traditional management techniques.

BACKGROUND

The Policy & Planning Committee asked for a statement of commitment to examine alternatives to traditional management techniques at the June meeting. A background paper and a model statement was authored by John Harville with minimal help from the Council staff (I sent you a copy in the last mailing) and reviewed by the Policy & Planning Committee on September 2. They made some changes to the statement of commitment and adopted it as their recommendation for future Council action. It is item C-9(a).

The Statement of Commitment combines the earlier Council action to develop an access limitation system for the sablefish longline fishery (item 1 of the Commitment) and goes on to commit to a study of access limitation systems for all the groundfish fisheries of the Gulf of Alaska and Bering Sea by 1990 (item 2 of Commitment). It also states that the Council will consider implementing a moratorium on new entry into the groundfish fishery at its December 1987 meeting and lists a number of questions that have to be answered at that time, including the effects of a moratorium on the fishing industry and on the management process, criteria for inclusion in the fisheries under a moratorium, and effective dates of a moratorium.

A background paper on limited entry systems applicable to the sablefish longline fishery authored by Terry Smith and Ron Miller was sent in the last Council mailing. If everybody is in agreement that the two systems to be followed are a license limitation and a individual transferrable quota, the next step should be to develop a specific program for the sablefish longline fishery, or whatever combination of fisheries the Council cares to include, using each of those systems. The staff will have recommendations on how that should proceed.

Statement of Commitment

As Passed by the Policy and Planning Committee
Anchorage, Alaska
September 2, 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.

Rapid 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, if not impossible, under current management regimes. The North Pacific Fishery Management Council therefore is committed to aggressively pursue implementation of 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. This will begin at the September 1987 meeting and the Council intends final implementation of the selected management strategy for the 1989 season.
2. Implement a management strategy for the groundfish fisheries of the Gulf of Alaska and Bering Sea by 1990. Concurrent with this effort the Council at the December 1987 meeting will consider a moratorium on new entry into the fishery to address overcapitalization in the harvesting

sector. The moratorium would allow the Council time to develop an overall strategy for groundfish management. At the December 1987 meeting the Council will consider:

(a) Effects of a moratorium on the fishing industry and on the management process.

(b) Various criteria for inclusion in the fisheries under a moratorium, including, but not limited to:

(1) Harvest and sale of groundfish prior to moratorium date.

(2) Keel laid prior to moratorium date.

(3) Firm evidence of financial commitment for vessel construction or conversion prior to moratorium date.

(c) Alternative effective dates, including, but not limited to:

(1) December 31, 1987

(2) December 31, 1988

(3) Date of final Council action.

3. Consider effort management in the halibut and crab fisheries.

Oliver Holm
Kodiak Longliner's Association
P.O. Box 3406
Kodiak, AK 99615
September 24, 1987

Dear Chairman Campbell and Council members:

It appears that you may not get to agenda item C-9, Future of Groundfish Management, prior to my departure for Kodiak. I would like to say a few words on this subject.

The big resource grab is on! I think that it is grossly premature to limit participation in the Alaska groundfish fisheries at this time due to the domination of the harvesting, politics of allocation, and markets by joint venture harvesters and their foreign partners. While the politics of management have been against us, Kodiak processors and fishermen are making a commitment to bottomfish. Given a chance we will integrate bottomfish into our economy. The proposal of the Policy and Planning Committee would immediately derail our efforts and change our history.

If the Council is seriously considering this proposal I propose that the Council put out another proposal to elicit public comment. Access to the bottomfish fishery would close on the beginning of the first management year in which there would be no foreign fishing, or foreign processing. Also, if an ITQ system were later adopted, that no foreign processed fish would be counted toward historic participation that would be used to qualify for ITQ.

This proposal would smoke out those motivated by greed from those motivated by religion.

Sincerely,

s/Oliver N. Holm

COMMENTS BY STEPHEN GREENE (CLEARWATER FISHERIES)
TO THE NPFMC - SEPTEMBER 24, 1987

The Enterprise Allocation System in Atlantic Canada

First of all, I'd like to thank you all very much for providing me the opportunity to get to know you and to learn from you.

Whether you are in fisheries management or the seafood industry, you eventually come to the realization that the local problems we all face have common causes and usually result in similar solutions. One of the reasons I was interested in talking to you about what we call Enterprise Allocations (EAs) is that if there is anything in our system that might be attractive to you, you might well be able to refine and take it further than we have to date. And we can learn from that. I'll give you an example.

The first written work that I know of to attempt to take the theory of transferable property rights and devise a practical program of implementation was done in Nova Scotia by the Seafood Producer's Association of Nova Scotia (SPANS) in 1978. It seemed to us that we were headed for a terrible crisis and a few of us began to think about ways to head it off. Like all new things there was much skepticism but by 1979 "transferable property rights" (TPR), as we called our proposals then, became SPANS policy.

In 1981 the Canada Atlantic fishery experienced the crisis we had been predicting with the result we had an experimental EA program for all groundfish vessels over 100 feet in 1982. After about six months of lobbying by the Nova Scotia industry, EAs were put in place in about a four-week period in late November/December of 1981.

By mid-1982 the government, which had been incredibly skeptical about the program, began to trumpet EAs as an outstanding success. New Zealand and other countries heard the trumpets and began sending observers over. Now New Zealand has gone much further than we have and it is our turn to learn from them.

I mentioned the 1981 crisis. You already understand the dimensions of it and how it was caused. Your understanding of it is well summarized in the Council paper "Limited Access in Alaska Fisheries: Some Options" on page 9 when the "race for fish" mentality is described in the section detailing disadvantages to limited entry.

The particular sentence I like, and I like more than one in the paper, reads, "Recent developments in other Canadian fisheries demonstrate the inability of license limitation to prevent a 'race for fish'."

I would add that in a situation of rising CPUE which, arguably, is an objective of fisheries management, limited entry not only does not prevent a race for fish, it encourages it.

That's what happened to us in 1981--and we had had limited entry since 1973 and the 1981 quota for those boats was twice what it had been in 1973--The race for fish led to incredible quality problems, terrible relationships within industry and between industry and government, increased catching costs and vessel tie-ups when the quota was taken--something which had never happened to that fleet before. The bottom line was that the highly sophisticated system of limited entry we had was inappropriate for the very productive fishery our resource managers had brought about.

What we had been calling "transferable property rights" became Enterprise Allocations because "property" was too explosive a word and the government was not sure it had the legal authority to confer property of marine animals; "transferable", for a whole raft of political reasons dealing with the preservation of communities, was too scary; and "enterprise" was a nice sounding word which fishermen and companies could relate to.

Although 1982 was a one-year experiment and applied only to the 20 companies or fishermen, or fishermen's cooperatives which owned vessels over 100 feet, the amount of groundfish in the program amounted to over 400,000 mt. But only four of the 20 wanted EAs, so they had them in 1982, and the remaining 16 were phased in by 1984. - The original four received their EAs on the basis of 10-year fishing history on 36 groundfish stocks--about half of them cod

stocks. We weighted 50% of the initial allocation on catch history in the first seven years, and 50% on the last three. We allowed temporary transfers within the four enterprises and between the four individually and the remaining group of 16. Bycatch was debited from the EA and discarding at sea was forbidden. If you need bycatch, you must trade for it with someone. The vessel must hail catch and position everyday and they are met by a fisheries officer at a designated port. All vessels less than 100 feet had approximately another 400,000 mt and they competed for it under a limited entry system.

We went no further than that and that was a great mistake because since then it has been difficult to move much further. We are now in the fourth year of a five-year program and some of us (me included) are anxious to move forward. We have much left to do, such as:

- (1) We need to devise a mechanism for permanent transfer and subdivision of quota beyond outright sale of the whole enterprise.
- (2) We need to develop some kind of user pay system to replace the license fee.
- (3) We need a mechanism to handle growth and decline in stocks. It is generally accepted that a flat percentage is inappropriate.
- (4) We ought to have a real good look at what the New Zealand system has and whether we can use it.

Despite these shortcomings, EAs have led to some wonderful benefits.

- (1) There is no race for fish. Cost of catching has dropped. Now we are like any other industry which does not compete for supply but rather can devote its energies to competing for market share.
- (2) Handling methods at sea have improved which has led to higher yields in plant and a better return from the market.

- (3) Various overhead costs such as inventory charges have declined because EAs have led to less build-up of unsold products.
- (4) Production can be planned to meet market needs rather than be required to meet harvesting demands.
- (5) EAs have enabled Canadians to better service the U.S. demand for fresh fish.
- (6) The value of fishing assets is enhanced as banks have recognized EAs as security thus making the entire industry better able to get credit. The industry has become more attractive to investment generally. And EAs have made it easier for companies to go public.
- (7) Relationships within industry and between industry and government have become less contentious.
- (8) Government needs less bureaucracy to administer EAs than to administer a very complicated limited entry system.

While we may have been tardy in expanding the concept of EAs in groundfish, we have been very busy in other species. We now have EAs in scallops, lobster, surf clams, herring, northern shrimp, and in 1988 we'll extend groundfish EAs down to vessels 65-100 feet. Further, for the past three years an EA program has been run on the west coast of Newfoundland for groundfish vessels 45-65 feet. All of these programs have been introduced using different mechanisms for the original allocation. And transfer rules differ widely. The scallop program is most advanced in that it runs forever and transfers can be permanent (76 vessels, 55).

Scallops is most instructive. We had limited entry of 76 licenses in the fishery since 1973. And I can assure you that when we were competing with New England for Georges Bank scallops all 76 licenses were used. As soon as the world court gave us a boundary, we instituted EAs. Two years later the fleet had reduced to 55 vessels. There was no buy-back.

EAs can be as flexible as you want to make them. This year we even established the precedent of transferring between EA programs when Clearwater transferred 50 mt of shrimp to a company in return for 150 mt of cod. (We did that while the person administering EAs for the government was on vacation.)

From what little I know about Alaska, I am convinced that you have the resource under control and that mechanisms are in place to provide for Alaska's future.

But even with a healthy resource, a fishing industry can still be ruined-- which is what happened to us, or nearly so. The good thing about learning from other people is that you don't have to repeat their mistakes.

You have to remember that you are selling your products into a very competitive international environment. That environment is currently willing to pay more for seafood than it ever has before. But already we are beginning to see international markets softening and interest rates are projected to begin to increase. If you don't organize yourselves now, in such a way that you don't overcapitalize and keep costs down, Alaskan industry won't be in a position to ride out the next storm and be able to take advantage of the good times when they return. I urge you to use these prosperous times to take a long hard look at TPR, OPR, ITQs, EAs, share quotas, quota licenses, the New Zealand system, the Australian system, the Canadian system and develop some sort of hybrid which meets Alaska's particular needs. But don't take too long!

September 25, 1987

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. This will begin at the September 1987 meeting and the Council intends final implementation of 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 late spring meeting of 1988. Alternative effective cut-off dates for which credit for entry into the groundfish fisheries, including, but not limited to:
 - (1) December 31, 1987
 - (2) December 31, 1988
 - (3) Date of final Council action,will be considered at the June 1988 Council meeting.
3. Consider effort management in the halibut and crab fisheries.