


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke
Executive Director 

DATE: January 9, 1995

SUBJECT: Inshore/Offshore

ESTIMATED TIME 3 HOURS

ACTION REQUIRED

Receive progress report on development of analysis.

BACKGROUND

In December the Council discussed the potential scope and nature of an analysis of a continuation of the inshore/offshore processing allocations scheduled to expire at the end of 1995. The proposed amendment currently being examined includes continuation of the pollock CDQ program. In order to provide staff with the appropriate context for the study, the Council developed a Draft Problem Statement as shown below:

DRAFT PROBLEM STATEMENT

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

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

The Council also incorporated by reference the original Problem Statement for inshore/offshore, which is contained under Item C-3(a), and identified the following alternatives to be analyzed:

- (1) No Action - the inshore/offshore allocations and pollock CDQ program will expire at the end of 1995.
- (2) Continue the current program as is for a period of three years.

Progress on the analysis since the December meeting has been limited to identifying necessary data and tasking assignments to Council and other agency staff who will be contributing to the analysis. Based on Council direction given the staff in December on the scope of the analysis, we will be emphasizing stability in the industry and seeking to identify which alternative will cause the least disruption and instability while the Council strives to accomplish its longer term goal of comprehensive rationalization. As noted in the Problem Statement above, we will identify the future trade-offs for all impacted sectors.

To give you some expectation of what the analysis will look like, we have developed the expanded outline under Item C-3(b). In the outline we describe what will be contained in each section of the analysis, how and why that information will be used, and how it will fit into the overall fabric of the analysis. We believe the resulting analysis will respond to the Council direction from December, and that it will meet the requirements of the Magnuson Act, E.O. 12866, NEPA, and other applicable law.

The Problem Statement of the original amendment.

Problem Statement

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

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

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

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

Overview of the Organization of the Analysis

It is anticipated that the analysis of the proposed Reauthorization of the Inshore/Offshore Allocation will consist of an Executive Summary and eight chapters in the main body of the document. The first chapter will introduce the issue and give an overview of the analytical approach, methodologies and definitions to be used. Chapters 2 and 3 will discuss the "base case" in terms of the marine environment, and the fishery, and then will examine the economics and social framework of the various industry sectors and communities. The "base case" is defined as the state of the industry and affected communities in 1993 and 1994 as data are available. Included in these chapters will be discussions of how the "base case" has changed from that used in the original analysis. Chapter 4 will be an examination of the Pollock CDQ program. This chapter, more or less a stand-alone analysis, will show the current situation and make projections regarding the affected CDQ communities with and without the reauthorization of the CDQ program and the Inshore/Offshore Allocation. Chapters 5 and 6 will use the "base case" to project the outcomes under the two alternatives. These sections will focus on the non-CDQ industry sectors and communities. Chapter 7 will tie Chapters 2-6 together and make conclusions regarding the overall net impacts and changes which could occur under the two alternatives. Included in Chapter 7 will be a section discussing stability and the future trade-offs for the affected sectors. Additionally there will be a section which discusses potential directional changes in the estimates of net benefits found in the original analysis. Primarily this section will compare parameters used in the original analysis to parameters from the assessment of the "base case" and "projected outcomes" from the current analysis to the extent possible, given the quality and availability of data. Because of the lack of recent cost information, we do not anticipate a full-blown use of the models developed in the original analysis. This section will also examine the compliance of the alternatives to E.O. 12866. Other sections in Chapter 7 will include an EA, a Fishery Impact Statement, and discussions regarding compliance with IRFA and CZMA. Finally Chapter 8 will provide a summary of the entire document and its findings. The eight chapter headings are shown below:

- 1 **INTRODUCTION**
- 2 **BASE CASE ASSESSMENT OF MARINE AND FISHERY INDICES**
- 3 **BASE CASE ASSESSMENT OF ECONOMIC AND SOCIAL INDICES**
- 4 **ASSESSMENT OF THE POLLOCK CDO PROGRAM**
- 5 **PROJECTED OUTCOME UNDER ALTERNATIVE 1: WITHOUT THE ALLOCATION.**
- 6 **PROJECTED OUTCOME UNDER ALTERNATIVE 2: WITH THE ALLOCATION.**
- 7 **FINDINGS AND CONCLUSIONS**
- 8 **SUMMARY**

Annotated Preliminary Table of Contents

The preliminary Table of Contents shown below provides more detail on the scope of the analysis. The Table of Contents is annotated with *italicized text* which briefly explains the content and/or purpose of the section.

- 0 **EXECUTIVE SUMMARY.** *The executive summary will contain an overview of the entire document including the problem statement, alternatives examined and the conclusions reached.*
- 1 **INTRODUCTION.** *This chapter will introduce the problem to be studied, the alternatives to be examined, and the methodology which will be used. There will also be a history of the inshore/offshore allocation issue and a summary of the finding of the original analysis.*
- 1.1 **PROBLEM STATEMENT.** *See the cover memo.*

- 1.2 **PURPOSE AND NEED FOR ACTION.** *The problem statement indicates that because the current Inshore/Offshore Allocation will expire in 1996 and because the Council is still in the process of developing a Comprehensive Rationalization Program (CRP), an interim measure, i.e. a reauthorization of the Inshore/Offshore Allocation, may be necessary to maintain stability during CRP development.*
- 1.3 **ALTERNATIVES.** *Two basic alternatives will be described 1) An end to the Inshore/Offshore Allocation. 2) Reauthorization of the Inshore/Offshore Allocation. The document will treat CDQ program and the Inshore/Offshore Allocation as unseverable.*
- 1.3.1 **ALTERNATIVE 1:** Do not reauthorize the Inshore/Offshore Allocation.
- 1.3.2 **ALTERNATIVE 2:** Reauthorize the Inshore/Offshore Allocation and the pollock CDQ Program.
- 1.4 **BACKGROUND**
- 1.4.1 **HISTORY.** *This section will include a history of the Inshore/Offshore Allocation issue from its beginnings in 1989 through the present.*
- 1.4.2 **SUMMARY OF FINDINGS OF THE ORIGINAL ANALYSIS.** *A brief summary of the findings of the original analysis will be included. This is because of the direct linkage that exists between the original and the current issues, and the fact that we will be including the original analysis by reference in the current package. Without this direct reference and linkage the original analysis would have to be respaded in its entirety. The reference point for comparison of the alternatives in this analysis, however, will be the current situation, i.e. the "base case."*
- 1.5 **ORGANIZATION OF THE DOCUMENT.** *This section describes the organization of the remainder of the document and is summarized above.*
- 1.6 **ANALYTICAL APPROACH.** *This section will introduce the methodologies and definitions which will be used in the analysis.*
- 1.6.1 **DEFINITION OF THE BASE CASE.** *This section defines the "Base Case" as the EEZ pollock and GOA Pacific cod fishery as they exist under current regulations, in particular the most recent years for which we have adequate data. The "base case" includes both the marine and fishery indices and economic and social indices. This section will discuss the legal meaning of the "Status Quo" and the differences between this and the "Base Case" as used in this analysis.*
- 1.6.2 **PROJECTION OF OUTCOMES UNDER THE ALTERNATIVES.** *This section introduces the methodologies which will be used to project outcomes under the alternatives, i.e. with and without the allocation. These methodologies are annotated more completely in Chapters 5 and 6 of this table.*
- 1.6.3 **COMPARISON OF THE BASE CASE TO THE PROJECTED ALTERNATIVE OUTCOMES.** *This section discusses the methodologies used to compare the base case and the projected outcomes under the different alternatives. These methodologies are annotated more completely later in the Table of Contents.*
- 1.6.4 **KEY ISSUES TO BE EXAMINED.** *This section will introduce and define the key issues which will be examined and include the following.*
- 1.6.4.1 **Marine and Fishery Indices** *We define marine and fishery indices, i.e. the "marine environment,"*

to include the harvest of pollock and Pacific cod and examine the impacts of those removals on the pollock and Pacific cod stocks as well as impacts of the fisheries on other stocks of marine organisms including other exploited and non-exploited fish stocks, marine mammals, and seabirds.

- 1.6.4.1.1 **Stock or biomass levels.** *The analysis will describe pollock and Pacific cod stocks and biomass levels and future TACs. Additionally the document will discuss stocks and biomass with respect to harvests, CPUEs, bycatch, and other marine stocks. This may also include a discussion of predator-prey relationships of pollock and Pacific cod as an indicator of the impacts of these stocks on other marine organisms. Also included in discussions of the pollock and Pacific cod stocks will be an examination of the life histories of the species including migration and spawning patterns and discussions of measures of exploitability, such as schooling behavior and flesh/roe content. The latter are included because they impact the timing of the fishery and the ability of processors to meet the demands of the marketplace.*
- 1.6.4.1.2 **Harvests and CPUEs.** *Harvests or removals of pollock and Pacific cod are the connection between the strictly marine environment and the human environment. Therefore harvests will be examined from both perspectives. CPUEs are an indicator of stock levels as well as an indicator of the cost of harvest and are examined from both perspectives as well.*
- 1.6.4.1.3 **Bycatch in the pollock and Pacific cod fisheries.** *Bycatch is an indicator of the impacts of the pollock and Pacific cod fisheries on other stocks of marine organisms.*
- 1.6.4.1.4 **Marine Mammals and Seabird interactions.** *The pollock and Pacific cod fisheries may impact marine mammals directly and indirectly. Direct impacts occur when marine mammals or seabirds physically interact with the harvesting process, including entanglements or disturbances to rookeries by vessels. Indirect impacts occur if food sources or the availability of food sources are impacted by the harvest of pollock and Pacific cod.*
- 1.6.4.2 **Economic and Social Indices.** *In defining the economic and social indices, i.e. the "human environment," we also start at the point of harvest. In this case we will examine the harvesters in detail as well as the processors, affected communities, and markets (i.e. the end consumers).*
- 1.6.4.2.1 **Stability** *Stability has been highlighted in the problem statement. Unfortunately stability by its very nature is a difficult concept to study and quantify. For purposes of this study we will define stability as a state of being which is "not likely to breakdown, fall apart, or give way." The Inshore/Offshore Allocation inherently provides the inshore and offshore sectors access to specified percentages of the pollock and Pacific cod resources. The set harvest percentage may add to the stability of the relationship between the inshore and offshore sectors. Similarly the allocation may provide stability within the sectors. The definition of stability given above allows us to develop indicators of stability within sectors. These indicators or measures differ depending on the entity in question. Stable communities are characterized by relatively constant populations and economic activity. They will also be communities in which the necessary infrastructures are in place and utilized at a reasonable level. Communities with boom and bust economies are inherently instable as are communities with insufficient infrastructures or infrastructures that are unwarranted. Diversity is another characteristic of stable businesses, economies and communities, and will be used as an index of stability. Stability from the perspective of a given business will be quite different. Here the focus will be on markets and access to the means of production. Stable businesses will face a relatively steady demand for the products they produce, and will be able to obtain the necessary inputs for their production. They will also be able to achieve a reasonable utilization of their production capacity. In general then the following may be used to measure stability for this analysis depending on the availability of data.*

- 1.6.4.2.2 **Infrastructure Levels and Utilization.** *Infrastructure is defined in terms of communal assets, i.e. roads, schools, ports, etc., which enable communities to engage in economic and social activity. The availability of data on community infrastructure is uncertain, but if data become available particularly with respect to recent changes in infrastructure, it may be included in the analysis. Infrastructure and capacity utilization (capacity is defined below) are direct indicators of stability as we have defined the term above. Utilization is directly related to level or amount of infrastructure or capacity in place and available for use. If infrastructure and capacity exceed utilization then the entity is less stable, particularly if the utilization is insufficient to support and pay for its own maintenance. Similarly, if utilization is excessive then the entity is prone to instability, particularly if additional infrastructures or capacity is unattainable. In many cases over-utilization will lead to growth and to additional infrastructure and capacity, which may return the entity to a more stable but different position.*
- 1.6.4.2.3 **Processing Capacity and Utilization.** *Capacity is defined differently for different sectors of the industry, particularly the harvesting and processing sectors. Processing capacity will be defined primarily on the basis of historical production. If a processor produced a product during the base case, then the capacity to produce that product will be a function of the maximum rate of production achieved at any time during the base case. This measure of capacity may be augmented if additional data indicating that new machinery has been installed. Capacity utilization may be measured as a ratio of capacity to actual production. If capacity utilization is very low then it is likely that the costs of maintaining that capacity are not being met and the business or industry sector is less stable.*
- 1.6.4.2.4 **Harvesting capacity and utilization.** *Harvesting capacity is more difficult to measure than is processing capacity, particularly in the pollock fishery. In general this is true because of the excess amount of harvesting capacity available. Currently in both inshore and offshore sectors of the pollock industry, it appears that the bottleneck is the production process rather than in harvest of the fish. At any given time there are likely to be many vessels which are not fishing, but which would if a processor were available. If the converse were true, and processors were idle waiting for fish to process then the overall production would be a measure of harvesting capacity rather than of processing capacity. Therefore the analysis makes the assumption that there is an excess of harvesting capacity particularly relative to processing capacity. This is an inherently unstable situation for both the inshore and offshore sectors. The above notwithstanding, we will quantify the number of harvesters and attempt to estimate potential capacity.*
- 1.6.4.2.5 **Access to resources and production inputs.** *Stable industries cannot be developed in the absence of consistent access to resources and production inputs. The Inshore/Offshore Allocation may provide consistent percentages to industry sectors as a whole but within each sector access to fish resources may not be assured. Availability of other production inputs such as fuel, and employees will also be examined where data exist.*
- 1.6.4.2.6 **Diversity.** *Diversity allows businesses, industries, and communities to withstand downturns in a given area of interests. A business which produces only one product or service is much more at risk, particularly if that product or service experiences significant shifts in demand. Similarly, industries and communities are inherently more stable if they are more diverse in their interests and activities. A "company town" is less stable than a community where several businesses and industry types are active. We will attempt to quantify diversity to the extent possible given the limits of available data and personnel. For communities we hope to examine the economic base to assess which industries are present, and in the fishing sector, to identify the different fisheries which are important to the communities. For industry sectors we will examine the involvement of*

that sector in various fisheries, including not only pollock and Pacific cod but also other groundfish fisheries, salmon, and crab, etc.

- 1.6.4.2.7 **Markets.** *Markets impact stability by creating demand for products. If markets fluctuate wildly then industry sectors using that market will be less stable. Additionally the influence of the Inshore/Offshore Allocation on markets and on market control has been cited as an important area of study.*
- 1.6.4.2.8 **Products and productions levels.** *The product mix of the inshore and offshore sectors may differ, and therefore the Inshore/Offshore Allocation may impact the market for these products. Supply shocks may impact the market and prices which may lead to instability, and may have distribution and efficiency implications.*
- 1.6.4.2.9 **Employment, income and expenditures.** *These indices are measures of the distributional impacts or future tradeoffs of the fisheries and of the alternatives. Generally, these terms are associated with input-output analyses using such tools as the FEAM and IMPLAN. While we do not anticipate undertaking the use of these models in this document, we will examine these measures for the base case and future projections where possible and compare them with those used in the original analysis.*
- 1.6.4.2.10 **Producer surplus measures; costs and revenues.** *Producer surplus is a measure of efficiency generally associated with cost/benefit analysis. An explicit calculation of producer surplus was undertaken in the original analysis. Because the data used in the original study have not been updated there will not be an explicit estimate of producer surplus in this analysis. Rather this study will examine directional changes of the parameters used in the original analysis and attempt in a more qualitative sense to determine any changes which could be expected.*
- 1.6.4.2.11 **Consumer surplus measures.** *Consumer surplus is the other component (with producer surplus) of a formal cost/benefit analysis. Consumer surplus is a measure of the benefits which might accrue to the consumers of the products in question. Assessments of consumer surplus are in general more esoteric than assessments of producer surplus. Essentially consumer surpluses arise if consumers are able to obtain a desired product at a price below an amount they might be willing to pay. Changes in consumer surplus occur when the supply of a product or the demand for a product shifts, resulting in a change in prices. Our ability to predict changes in consumer surplus is quite limited, however we will attempt to assess impacts in our examination of markets, prices, and changes in product mix which may result from either of the alternatives.*
- 1.6.4.2.12 **Bankruptcies.** *Bankruptcies are a measure of stability as we have defined it above. We will attempt to examine bankruptcies, however we are uncertain in our ability at this time to link any particular bankruptcies to specific causal agents, e.g. the Inshore/Offshore Allocation, or the ban on roe stripping, or exogenous market shocks such as a reduction in prices.*
- 1.6.4.2.13 **Future tradeoffs between impacted sectors; Distributional impacts.** *The problem statement also focuses on future tradeoffs between all impacted sectors. From the analytical perspective this is interpreted to be the distributional impacts of the two alternatives; who gains and who loses if the pie is sliced differently.*

- 2 **BASE CASE ASSESSMENT OF MARINE AND FISHERY INDICES.** *This chapter will look at the role of the pollock and Pacific cod in the marine environments of the BSAI including the CVOA and the GOA. The "base case" is defined as 1993 and/or 1994 depending on the availability of data. The chapter will also look at impact of the fisheries in terms of harvest, CPUE and bycatch. The focus of this*

section will be on the biological and environmental impacts of the pollock and Pacific cod fisheries (both inshore and offshore) on their own stocks and on other stocks of marine organisms.

- 2.1 **GENERAL BSAI.** *This section will discuss pollock and the pollock fishery from a biological perspective. The focus will be on the role of the pollock on the marine environment BSAI EEZ and on the impacts of the inshore and offshore fisheries as they affect the pollock stock itself and the stock of other marine organisms including other exploited and non-exploited fish stocks, marine mammals and seabirds. A separate section will discuss the relationship of the CVOA to pollock and the pollock fishery.*
 - 2.1.1 **POLLOCK IN THE MARINE ENVIRONMENT OF THE BSAI.** *This information will be included in the "base case" assessment because it will allow for projections of future stock levels and TACs and because the pattern and relationships shown result in an exploitable biomass. The migration patterns impact the locations of harvest which are directly related to bycatch and marine mammal interactions. Spawning patterns are of indicators the potential seasonality of the harvest.*
 - 2.1.2 **HARVEST AND CPUE.** *This section will examine harvest levels, locations, and CPUEs by sector during the base case. It will also draw on historical information. This is included in the "marine environment" section because without the harvest there would be no other impacts i.e. bycatch or marine mammal/seabird interactions.*
 - 2.1.3 **BYCATCH IN THE POLLOCK FISHERIES IN THE BSAI**
 - 2.1.4 **IMPACTS ON MARINE MAMMALS AND SEABIRDS**
- 2.2 **CVOA** *Under the "base case," the CVOA is in effect during the 'B' season for pollock. It is assumed for purposes of this analysis that the CVOA is included in Alternative 2, the reauthorization of the Inshore/Offshore Allocation, and is not severable. This section will focus on the CVOA itself and discuss the relative importance of the CVOA to the pollock stocks as well as its relative importance to other marine organisms. Other issues such as comparative bycatch rates will be examined as will the locations of pollock harvests inside the CVOA and in adjacent waters.*
 - 2.2.1 **POLLOCK IN THE MARINE ENVIRONMENT OF THE CVOA**
 - 2.2.2 **HARVEST AND CPUE IN THE POLLOCK FISHERIES OF THE CVOA**
 - 2.2.3 **BYCATCH IN THE POLLOCK FISHERIES OF THE CVOA**
 - 2.2.4 **IMPACTS ON MARINE MAMMALS AND SEABIRDS**
- 2.3 **GENERAL GOA POLLOCK.** *This section will discuss the pollock stock and the pollock fishery in the GOA from the biological perspective. Harvests of pollock and bycatch of other species in the pollock fishery are included in this section because it is at the point of harvest that the interface between the marine environment and the human environment occurs. Also included in this section will be a discussion of the current pollock biomass, year classes, recruitment etc. These will be indicators allowing the projection of future harvest levels. Also included in this section will be discussions of interaction and interdependencies with marine mammals and seabirds.*
 - 2.3.1 **POLLOCK IN THE MARINE ENVIRONMENT OF THE GOA**
 - 2.3.2 **HARVEST AND CPUE IN THE POLLOCK FISHERIES OF THE GOA**

2.3.3 BYCATCH IN THE POLLOCK FISHERIES OF THE CVOA

2.3.4 IMPACTS ON MARINE MAMMALS AND SEABIRDS

2.4 **GENERAL GOA PACIFIC COD.** *This section will discuss Pacific cod in the GOA under the "base case." The discussion will be very similar in nature to the discussions in the previous section.*

2.4.1 PACIFIC COD IN THE MARINE ENVIRONMENT OF THE GOA

2.4.2 HARVEST AND CPUE IN THE PACIFIC COD FISHERIES OF THE GOA

2.4.3 BYCATCH IN THE POLLOCK FISHERIES OF THE CVOA

2.4.4 IMPACTS ON MARINE MAMMALS AND SEABIRDS

2.5 **OVERALL CONCLUSIONS ON THE POLLOCK AND PACIFIC COD FISHERIES**

3 **BASE CASE ASSESSMENT OF ECONOMIC AND SOCIAL INDICES.** *This Chapter will focus on the human aspects of the EEZ pollock and GOA Pacific cod fisheries. Markets for products will be examined as well as the producers, harvesters and non-CDQ communities involved in these fisheries. CDQ communities will be examined in Chapter 4.*

3.1 **MARKETS** *The pollock and Pacific cod fisheries exist because there is a demand for the products which can be produced once they are harvested. This demand is manifested through a global market. This section will examine these markets with a focus on prices for various products and the location of demand, i.e. where are products being sold, Japan, Europe, the U.S., etc.. The analysis will also examine the issue of market control.*

3.1.1 POLLOCK

3.1.2 PACIFIC COD

3.2 **PROCESSORS.** *This section will focus on the processing sector using definitions of processors developed in the original analysis and in the CRP analysis.*

3.2.1 **INSHORE.** *The inshore sector by definition includes all shore-based processors, catcher-processors or motherships which operate solely within state waters, and catcher-processors less than 125' LOA which process less than 18mt (round weight) per day. In this analysis shore-based processors will be examined by location. Catcher-processors and motherships will be categorized based on their capacity to produce various products. These have been described in the license limitation document.*

3.2.2 **OFFSHORE.** *The Offshore processors include all processors not classified as inshore processors. These will be examined by categorizing the vessels into classes based on gear and the products they produce. Specific categories were most recently detailed in the License Limitation analysis.*

3.3 **HARVESTING FLEETS.** *This section will describe the harvesting fleets which include both trawl and longline catcher vessels. Harvests of catcher-processors will also be discussed where relevant. The harvest fleet will be examined using the categorization scheme described in the License Limitation analysis.*

3.3.1 INSHORE

3.3.2 OFFSHORE

3.4 **COMMUNITIES.** *We anticipate an examination of the same communities studied in the original analysis. However, given data limitations some communities may be selected for more rigorous study. We will use the Community Profiles produced for the CRP as well as the profiles developed in the original analysis.*

3.4.1 **ALASKAN.** *Alaskan communities studied in the original analysis included Kodiak, Sandpoint, King Cove, St. Paul, Dutch Harbor/Unalaska, Akutan.*

3.4.2 **PACIFIC NORTHWEST.** *Pacific Northwest communities included in the original analysis included Seattle, and Bellingham in Washington, and Newport in Oregon.*

3.5 OVERALL CONCLUSIONS REGARDING THE BASE CASE

4 **ASSESSMENT OF THE POLLOCK CDQ PROGRAM.** *This section will examine the pollock CDQ program in depth. It will also project potential outcomes with and without reauthorization of the Inshore/Offshore Allocation. One aspect of particular importance to this study will be the development of infrastructures which will lead to more communities and economies, and permanence and/or viability of those infrastructures regardless of the reauthorization of the Inshore/Offshore Allocation.*

4.1 SUMMARY OF REGULATORY ENVIRONMENT

4.2 SUMMARY OF PROGRAMS BY GROUP

4.3 **POTENTIAL IMPACTS WITHOUT REAUTHORIZATION.** *Without reauthorization of the Inshore/Offshore Allocation and the Pollock CDQ program, the affected communities will no longer be given an exclusive share of the resource. However, any infrastructure that has been developed during the "base case" would remain in place, as would the continued impact of the CDQs under the Sablefish and Halibut IFQ Program.*

4.4 **POTENTIAL IMPACTS WITH REAUTHORIZATION.** *With reauthorization of the Inshore/Offshore Allocation and the pollock CDQ program, the affected communities will be able to continue the development of the infrastructure under the exclusive allocation of harvest rights. Future changes in these infrastructures will be assessed from the Community Development Plans which are submitted regularly.*

5 **PROJECTED OUTCOME UNDER ALTERNATIVE 1: Without the Inshore-Offshore Allocation:** *This chapter will attempt to paint a picture of the future in the case where the Inshore/Offshore Allocation is not reauthorized. Projections will be based on the "base case" and on knowledge and experience from these and other fisheries and communities both past and present.*

5.1 **PROJECTIONS OF FUTURE ABCs AND TACs.** *These will be derived from the assessment of the pollock stocks under the base case. We will assume the same ABC and TACs under both alternatives.*

5.2 **PROJECTIONS OF HARVEST.** *Harvests by sector, season and location of delivery/processing will be projected using the projected ABCs and TACs, and various measures developed and discussed in the assessment of the base case. Although the exact measures and assumptions have not yet been finalized*

we anticipate that the following may be used to some degree in our projections:

- 1) *Maximum daily production in base case by sector and season.*
- 2) *Average daily production in base case by sector and season.*
- 3) *Minimum daily production in base case by sector and season.*
- 4) *Measures of unused production or harvesting capacity by sector and season.*
- 5) *Historical production by sector and season, i.e. prior to the implementation of the Inshore/Offshore Allocation.*
- 6) *Projections of stocks, ABC and TACs*

5.3 **PROJECTIONS OF THE MARINE ENVIRONMENT.** *Given the harvest projections we will apply information developed in the base case assessment to project impacts on the marine environment, i.e. bycatch, impacts on other stocks, and impacts on marine mammals and seabirds.*

5.4 **PROJECTIONS OF STABILITY INDICES**

5.5 **PROJECTIONS OF CONSUMER AND PRODUCER SURPLUS INDICES**

5.6 **PROJECTIONS OF DISTRIBUTIONAL INDICES**

5.7 **PROJECTIONS OF AFFECTED COMMUNITIES.**

6 **PROJECTED OUTCOME UNDER ALTERNATIVE 2: With the Inshore-Offshore Allocation:** *This chapter will attempt to paint a picture of the future in the case where the Inshore/Offshore Allocation is reauthorized. Projections will be based on the "base case" and on knowledge and experience from these and other fisheries and communities both past and present. In this case the projection will differ from the base case only if there is evidence from the assessment of the marine environment that ABCs and TACs may change during the interim period while the allocation would be in effect.*

6.1 **PROJECTIONS OF HARVEST**

6.2 **PROJECTIONS OF THE MARINE ENVIRONMENT**

6.3 **PROJECTIONS OF STABILITY INDICES**

6.4 **PROJECTIONS OF CONSUMER AND PRODUCER SURPLUS INDICES**

6.5 **PROJECTIONS OF DISTRIBUTIONAL INDICES**

6.6 **PROJECTIONS OF AFFECTED COMMUNITIES.**

7 **FINDINGS AND CONCLUSIONS.** *This chapter will compare and contrast the "base case" to the projections of the future under the two alternatives, and attempt to draw conclusions regarding the changes which might occur under each of the alternatives.*

7.1 **ABILITY OF THE ALTERNATIVES TO ADDRESS THE PROBLEM STATEMENT.** *For both alternatives we will use the indices and projected outcome to discuss the ability of the alternatives to address the problem statement. In particular the issue of stability under the two alternatives will be addressed.*

7.1.1 MARINE ENVIRONMENT

7.1.2 INDUSTRY SECTORS

7.1.3 COMMUNITIES

7.2 **ECONOMIC ASSESSMENT.** *This section will address the issue of "future trade-offs" between industry sectors, i.e., distributional and cost/benefit (producer consumer surplus) impacts. As noted earlier we do not anticipate the explicit use of models such as the FEAM, IMPLAN or the @RISK Cost/Benefit model as were used in the original analysis. We will attempt to compare parameters to the extent possible and in a more qualitative sense predict potential outcomes. This section will also contain the finding with respect to E.O. 12866.*

7.2.1 COST/BENEFIT IMPACTS

7.2.2 DISTRIBUTIONAL IMPACTS

7.2.3 E.O. 12866 FINDINGS

7.3 **ENVIRONMENTAL ASSESSMENT (NEPA).** *This section will use the projected outcomes of the two alternatives to discuss the NEPA implications of the actions in terms of an formal Environmental Assessment (EA).*

7.4 **FISHERIES IMPACT STATEMENT.** *This section will use the projected outcomes of the two alternatives to discuss the impacts on other adjacent fisheries in a formal Fishery Impact Statement as required by law.*

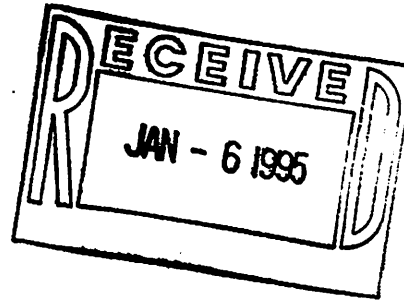
7.5 **IMPACTS ON SMALL ENTITIES (REGULATORY FLEXIBILITY ACT).** *An Initial Regulatory Flexibility Analysis (IRFA) will be included to assess whether the alternatives will have a significant economic impact on small business entities.*

7.6 **COMPLIANCE WITH COASTAL ZONE MANAGEMENT ACT (CZMA).** *An assessment of whether the alternatives comply with the CZMA will be included.*

8 **SUMMARY.** *This chapter will summarize the findings of the entire document.*

AGENDA C-3
Supplemental
JANUARY 1995Brent C. Paine
Executive DirectorSteve Hughes
Technical Director

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



January 6, 1995

Re: Agenda Item C-3, Inshore/Offshore

Dear Rick,

At the September and December 1994 North Pacific Fishery Management Council meetings, United Catcher Boats (UCB) observed the Council's development of an extension to the Inshore/Offshore allocation for another three years. Due to the contentious nature of this issue, we reserved comment until a full membership meeting could be held. This occurred on December 19, 1994, at which time the UCB organization reviewed recent Council actions on extension of an Inshore/Offshore amendment.

UCB believes that the Council, in its development of plan amendment to the BSAI FMP extending the Inshore/Offshore allocation, should give serious consideration to reasonable alternatives addressing the problem statement it has drafted. To this end, UCB requests the Council expand the current alternatives considered regarding the BSAI FMP from two to three, to include a harvesting based alternative at the upcoming January 1995 meeting. At a minimum, we request the Council to at least give specific reasons why they find a harvesting based alternative to be unreasonable.

We believe a Harvester Alternative to be reasonable. It would divide BSAI pollock TACs between vessels that catch and process (C/Ps), and vessels that only catch (CBs). Allocation of the harvest would be based on maintaining the current proportion between the two harvesting sectors and upon the average historic production of individual operations. According to recent years' production, this allocation would result in approximately a 50/50 split of the pollock TAC between C/Ps and CBs.

Our intent in requesting a Harvester Alternative is to provide for an honest market between harvesters and processors without compromising each sector's investment in the BSAI groundfish fishery. Recent arguments presented to the Council suggest actions that

secure "stability" in our industry in an era of over-capitalization and interim management measures. As harvesters of a majority of BSAI groundfish, trawler catcher boat owners request management measures that provide stability in the price structure of the industry. An optimal alternative would result in harvesters and processors maintaining a balance of power in both pricing of the harvest and access/delivery of fish. In addition, by including a Harvester Alternative, the analysis would hopefully illustrate how an interim allocation of pollock to processors over the past three years has affected this balance of power between the harvesting and processing sectors. Our hope is that the new analysis can review the effects of a processing based allocation, including answers to the following questions:

1. Has harvesters' restricted markets under a processing based allocation program negatively affected their abilities to negotiate prices?
2. Has there been a tendency toward vertical integration of processors owning/controlling catchers?
3. Has the profit center shifted from the harvesting sector to the processing sector?
4. Has less rent been captured by US citizens due to profit taking in the foreign end of the vertically integrated operations?

We believe that by analyzing the past three years of real world experience, concrete answers to these questions are readily available. Perhaps more importantly, answers to these questions are needed in order for the Council to make an informed decision.

The Harvester Alternative could include options of a guaranteed sub-allocation to those vessels delivering to shore plants and/or to motherships in the BSAI. While catcher boat owners would prefer to have access to all potential buyers, we recognize the political pressure upon the Council to provide shorebased and mothership processors some level of guaranteed production. If the Council is determined to provide this protection to existing processors, it is possible to do so within the context of a harvester based allocation program. We suggest the following two options for a guaranteed delivery of catcher boat production: 85% and 90% guarantee of present inshore allocation to existing buyers. The remainder (15% or 10%) would be available to all potential buyers (CPs, motherships or shoreplants). "Present" means the Inshore sector as presently defined by current regulations.

We realize the timely nature of our request is sub-optimal. However the magnitude of the effects of such an allocation issue are such that we feel compelled to make this request at this late date. Thank you for your consideration.

Sincerely,



Brent Paine
Executive Director



Steve Hughes
Technical Advisor