



Central Bering Sea Fishermen's Association

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Simon Kinneen, Chairman
North Pacific Fishery Management Council
1007 West Third, Suite 400
Anchorage, Alaska, 99501-2252

Agenda item C6: BSAI pot cod C/P license endorsements

Chairman Kinneen and Council members:

Thank you for the opportunity to comment on the initial review of the North Pacific Fishery Management Council (NPFMC) action regarding Bering Sea Aleutian Islands (BSAI) Pacific Cod C/P License Endorsements. The Central Bering Sea Fishermen's Association (CBSFA) holds an LLP endorsement for the BSAI Pacific Cod Pot Catcher/Processor (C/P) sector with history during the years 2006 through 2012. In order to help fulfill CBSFA's mission of community development through investment in North Pacific fisheries, we ask that the Council adopt Alternative 2, Option 1, as a Preliminary Preferred Alternative. Option 1 uses the years 2005 to 2019 to determine the Pacific Cod (Pcod) landing history in the management area, and would allow CBSFA to continue to hold and utilize our LLP permit.

CBSFA is the management organization for St. Paul Island under the Western Alaska Community Development Quota (CDQ) Program. Through the CDQ Program, created in 1992, the federal government has awarded various species of fish (CDQ allocations) from the Bering Sea and Aleutian Islands (BSAI) commercial fisheries to six CDQ groups including CBSFA. Pursuant to the CDQ Program Statute, the CDQ groups manage these allocations to promote social and economic development in their respective regions.

CBSFA is committed to developing a fishery-related economy that enhances the social and economic well-being of our community. CBSFA manages cod, pollock, crab, halibut and groundfish CDQ allocations, as well as our acquisitions of additional quota shares and fishing vessels. All are important to CBSFA's business operations, and to our ability to fund projects and programs that benefit St. Paul Island in furtherance of CDQ Program objectives. With its community location in the middle of the Bering Sea, CBSFA is uniquely positioned to provide for a diversified, fisheries-based economy in the BSAI based on the resources in the North Pacific.

Background

CBSFA has been involved in the Pacific cod fishery in the BSAI since allocations of cod were added to the CDQ program in 1998, utilizing trawl and fixed gear. CBSFA built two 58-foot pot cod boats in 2008 and 2011 that currently participate in the Federal, State water, and CDQ fisheries. CBSFA has a wholly owned subsidiary, Village Cove Seafoods (VCS), that purchases cod harvested by its vessels. The cod is custom processed and marketed, maximizing the value of cod harvested by CBSFA vessels in the three fisheries.

CBSFA continually looks to diversify its operations, and to purchase access to different fisheries including Pacific cod, crab, sablefish, and pollock.

With the intent of diversifying further into the Pcod pot fishery, in March 2016, CBSFA with its partners paid \$400,000 for a Bering Sea LLP with an endorsement for operating in the C/P sector. CBSFA's plan was to design and build, or purchase, a purpose-built vessel to participate in the pot cod C/P fishery. Operating as Frozen at Sea, CBSFA and partners engaged a consulting firm in April 2017 to help determine the feasibility and advisability of building and operating a catcher processor boat up to 124 feet long for the pot cod federal, CDQ and state fisheries in the BSAI. The original consulting firm was unable to complete the project, and in late 2017, CBSFA hired a second consulting firm that successfully delivered a comprehensive report in February 2018.

The total cost of the business plan, market analysis, regulatory review and vessel design and drawings was close to \$50,000.

The report estimated the cost of a new catcher processor vessel at approximately \$10 million. In addition to harvesting federal cod in the BS and State-water cod in the AI, the vessel could harvest cod allocated to other community development quota (CDQ) groups and would be allowed to take deliveries from catcher vessels (CVs) participating in various cod fisheries and process that fish on board, contributing to overall throughput and revenue. Such a vessel could potentially act as a mothership to CBSFA's pot cod vessels.

CBSFA's history in the non-CDQ cod fishery goes further through its ownership interest in three trawl vessels that have cod sideboards and are members of the UniSea Fleet Cooperative and UCB. If the trawl CV rationalization program now being considered by the Council includes a gear conversion mechanism, it may be possible for CBSFA to have the ability to harvest and process its trawl cod catch shares on a pot cod C/P vessel, or on its pot cod catcher vessels. Each of the options described above are reliant on CBSFA's retention of its pot cod C/P LLP.

Using data through 2017, the consulting firm concluded that the GOA cod stocks may not recover in the near term, but that it was prudent to consider the BS and AI stocks at a range of values.

The report provided the following conclusion: “In summary, considerable uncertainty exists about the status of the EBS cod stock, whether that stock has experienced decline or moved northward, and what TACs will be in the future. Should the longer-term trend be towards the cod biomass aggregating north and west of traditional fishing areas, a CP would have a significant advantage over a CV, and a mobile processing platform could prove to be an attractive delivery option for catcher vessels.”

The Pacific cod markets were at a relative low point for a period of several years before experiencing a resurgence over the course of 2017. While prices were at relatively high levels in 2017, cod prices were analyzed using a range of historical prices.

Regarding regulatory issues, the consulting firm reported, in early 2018:

“The Council is also concerned about the high level of latency for the AFA trawl catcher vessel fleet, and the shortening duration of the BSAI trawl catcher vessel Pacific cod fishery, which makes it more difficult to maximize the value of the fishery and is negatively impacting fishery participants. To address the concerns of vessel latency in the BSAI trawl catcher vessel Pacific cod fishery, the Council has proposed an alternative that would prohibit the use of any LLP in the BSAI trawl cod fishery unless they have been attributed a directed BSAI trawl Pacific cod landing within a set time period. This is essentially a recency action, and does not affect licenses other than trawl licenses. However, this issue should be monitored carefully to ensure it does not expand to impact fisheries outside the trawl fishery.”

In January 2018, CBSFA purchased another 25% interest in the Frozen at-Sea, LLC pot cod C/P permit, increasing its ownership to 75%. However, with continued low stock levels in 2018, and the opening of a processor at Adak which led to the AI state waters cod TAC being fully harvested, CBSFA put on hold implementing the new business plan and the \$10 million investment in a new vessel.

Then, at the December 2018 Council meeting, a motion was introduced during staff tasking to evaluate limiting participation in the pot cod C/P fishery by removing licenses. CBSFA was not aware this was going to happen until the day the motion was made. We invested a large amount of money, human resources and time on this opportunity that is now at risk. Our LLP is the cornerstone needed to prosecute the business/fish plan laid out above. Without this piece, none of the rest of the business plan can work.

In the initial review on Page 33, Figure 3.5 lists the participation history of the eight LLPs currently endorsed for the pot cod C/P fishery. CBSFA’s LLP is represented by Permit C, with combined history in the BSAI from 2006 through 2012. CBSFA’s LLP was used every year from 2006-2011 in the Aleutian Islands, and fished the Bering Sea in 2007, 2011 and 2012. Our permit has the most history in the Aleutians of any of the permits from 2005-2019.

In the Executive Summary on Page 6, our permit is the one that is eligible to remain in the fishery under Option 1, and is NOT eligible under Option 2. The Sub-options do not make a difference in the outcomes, and the eligibility hinges on the suite of years that is chosen by the Council.

We ask for the Council's support for Option 1, the suite of years from 2005 through 2019. This permit is very important to CBSFA and St. Paul. It was purchased in good faith for a considerable sum of money, and represents future opportunity for the community.

As related above, when CBSFA joined with partners to purchase the LLP, we carefully considered the risks and benefits of entering this fishery sector. We also investigated the catch history of the LLP. While we recognized the downturn in cod stock strength, we did not anticipate the possibility of the Council removing permits from this sector of the cod fishery. We understood the widely-accepted cyclical nature of cod stocks and anticipated a future upturn, and/or change in stock location as a result of environmental variation. We knew that constructing a vessel to participate in the pot cod C/P fishery would also result in a boat that could be used for crab and other CDQ fisheries, as well as for salmon tendering in the summer, mitigating the risk.

Now, CBSFA is in the same situation as the other active participants in this fishery, challenged by the downturns in the cod resource and other factors, and looking for ways to increase revenues and opportunity. We will continue planning for cooperative participation in the pot cod C/P fishery when cod stocks rebound. We believe it would be inequitable for the Council to remove that opportunity, causing huge monetary losses associated with CBSFA's purchase and business planning, as well as the potential for future revenues.

Initial Review

Cooperative fishing

The initial review states that the four more recently active participants in the sector believe that removing the four "latent" permits will allow them to increase stability, reduce bycatch and increase safety. These goals are desirable ones, and traditionally associated with rationalizing a fishery and ending the race for fish. However, the more recent participants do not suggest rationalization, just reducing the potential number of vessels in the fishery, saying that the four of them can then fish more cooperatively to achieve those goals.

The four vessels (and a fifth vessel recently participating at a level that does not make the cut under either Option in Alternative 2) essentially participated in the fishery for the last eight years without the other license holders. Presumably, they were able to fish cooperatively during that period. If they did, were they able to achieve reductions in bycatch?

The data on Page 39 of the initial review shows that the bycatch of crab during the years 2013 (three vessels), 2014 (four vessels) and 2015 (four vessels) was the highest on record. The numbers of red king crab taken by those vessels were 51,913 in 2013, 72,552 in 2014 and 94,632 in 2015. In addition, the numbers of tanner crab taken during those years were also high: over 100,000 in 2013, over 179,000 in 2014 and over 217,000 in 2015. Bycatch of RKC and tanner crab has declined since that time, but the number of opilio crab bycatch has risen since then.

Clearly, crab bycatch has been widely variable over the last decade, as the analysis points out, and is likely due in part to the relative strength of the crab stocks, fishing location and timing. The latter two aspects of the fishery can be controlled by participants within certain parameters; the analysis could include more detailed information on possible steps already taken by the long-time participants to collectively alter fishing behavior in the years since 2012.

We also know from the analysis that it is unclear whether the level of bycatch could be reduced under the action alternative. It may be possible, depending on multiple factors, but it is by no means guaranteed. In addition, there is not a sector-wide bycatch management plan being offered up by the four recent participants.

Because of our interests in halibut and crab, CBSFA is a proponent of reducing bycatch of those species in other target fisheries. If bycatch reduction is one of the major expectations for a cooperatively managed fishery, and a large part of the rationale for taking Council action, perhaps it makes sense to consider bycatch reduction goals for the participants, with closures as a result of overages. Under the status quo, no such limits or closures exist, and the action alternative does not currently contemplate making those changes.

We understand and appreciate the desire for stability in a fishery. Any future CBSFA operation in the pot cod C/P fishery would be pleased to consider a fair and equitable cooperative fishery arrangement. We also strongly support the goal of safety at sea, and agree with any cooperative steps taken to further that goal.

However, the analysis shows that the only certain outcome of the removal of CBSFA's license endorsement is the removal of potential competition in the fishery. As the analysis points out, this is a big positive for the four vessels seeking this action, and a very big negative for CBSFA and the community it supports.

Community effects

Since undergoing the congressionally-mandated phase-out of the commercial fur seal harvest in 1983, pursuant to the Fur Seal Act Amendments (HR 2840), the Pribilof Aleuts of St. Paul Island have focused their efforts with heavy federal and state support on *"the development of a stable, self-sufficient, enduring and diversified economy not dependent on sealing"* as directed by

Congress. CBSFA has been an important part of this effort by leading the development of a local halibut CDQ/IFQ halibut fishery; acquiring quota, vessels, and other assets in the Bering Sea commercial fisheries; and contributing funds to the construction of critical fisheries-related infrastructure, including the St. Paul Small Boat Harbor and the Vessel Repair Facility.

Although incomplete and far from certain, these efforts have to date succeeded. In the 1990s, shortly after the construction of its main breakwater and harbor, St. Paul became one of Alaska's most important ports as a result of its participation in the snow crab fishery. During the same period, St. Paul developed a thriving local halibut CDQ/IFQ fishery which has been a key source of employment as well as central to the community's cultural, social, economic, and psychological well-being. However, the collapse of the crab stocks in 2000 and more recently the decline of the halibut resource have threatened these gains, and the community's long-term survival.

In response, St. Paul, with CBSFA's critical participation, has sought opportunities to diversify its fisheries-based economy. Given its presence in the waters surrounding the Pribilof Islands, cod makes sense. The community's top priority to achieve this diversification was to address seafood waste concerns associated with cod and other oily commercial fish species, which may affect the health of northern fur seals, Steller sea lion, and seabird populations that inhabit the islands. Seafood waste issues may be resolved either through extension of the existing waste outfall or the construction of a fish meal plant. Unfortunately, either of these options is expensive and given the current status of the cod stocks may be financially unviable at this time. Regardless, diversification into cod remains a top priority for St. Paul, and CBSFA's investment in the BSAI LLP with an endorsement in the Pcod pot C/P fishery was made with this objective in mind, and in furtherance of the directives established by Congress through the Fur Seal Act Amendments of 1983, as well as the CDQ Program.

Magnuson-Stevens Act National Standards

As stated earlier, Alternative 2, Option 1, protects CBSFA's investment and St. Paul's interest in the cod fisheries. Moreover, Alternative 2, Option 1, is consistent with two of the MSA National Standards that may be trumped if another option is selected by the NPFMC: National Standard 4 (NS4) regarding fair and equitable allocations; and, National Standard 8 (NS8) regarding sustained community participation and minimizing adverse impacts on communities.

The NS4 guidelines adopted by NMFS state that “[w]here relevant, judicial guidance and government policy concerning the rights of treaty Indians and aboriginal Americans must be considered in determining whether an allocation is fair and equitable.” The NS8 guidelines, for their part, direct that “[a]ll other things being equal, where two alternatives achieve similar conservation goals, the alternative that provides the greater potential for sustained participation of such communities and minimizes the adverse economic impacts on such communities would be the preferred alternative.”

Potentially at stake with this action are the treaty rights of the Aleuts of St. Paul as aboriginal Americans, as well as the federal government's fiduciary responsibilities towards a tribal government and its members. Similarly, NPFMC action that deprives St. Paul, through its CDQ organization, of this investment would undermine St. Paul's potential for sustained participation in the surrounding Bering Sea fisheries.

In conclusion, the LLP license at stake in this action was not a latent permit when CBSFA invested in it and made it a centerpiece of future planning for the benefit of the community. The permit had extensive catch history up until 2012, and that value was reflected in the purchase price. The permit should not now be treated as a latent permit. This Council action designed to remove future competition from the fishery should not result in the community of St. Paul losing access to their pot cod C/P opportunity.

If bycatch reduction through cooperative fishing is an objective of this action, CBSFA stands ready to participate in such a program.

Thank you for your consideration of our position.

Sincerely,



Phillip Lestenkof, President
Central Bering Sea Fishermen's Association