

MEMORANDUM

TO: Council, AP and SSC Members

FROM: Clarence G. Pautzke
Executive Director



DATE: November 26, 1990

SUBJECT: Inshore-Offshore Allocation

ACTION REQUIRED

Receive progress report on analysis.

BACKGROUND

Overall, we're still on the schedule shown in item C-4(a), though minor adjustments have been made to accommodate late-arriving survey forms. The status of each of the three main sections of the analysis--economic, social, and biological impacts--is reported below.

Economic Analysis

Economic surveys originally were due October 6. Industry members indicated in September that, because of the complexity of the survey and the data required, more time would be needed. As of November 23, 60 usable questionnaires had been returned of the 1,700 sent out. Item C-4(b) summarizes the number of returns by sector. Though the return is quite low for some groups, there is sufficient information from the surveys and secondary data bases to develop the assumptions needed for our economic models and analysis. As more questionnaires are received, they will be incorporated into the data base.

The consultants hired to build the economic models have completed their work and Marcus Hartley and Jim Cornelius are becoming familiar with the models. Dick Tremaine has been verifying the data received from industry, and Peggy Kircher, in her new assignment as Computer Assistant, has been working **diligently** at building the data base necessary for input to the models.

Our schedule **called** for a 30-day review of the industry sector profiles and economic assumptions in November. This review was intended to provide a "reality check" before analysis began. Given the late survey returns, I've instead scheduled a series of meetings between the analytical team and major industry groups to check our economic assumptions. My goal is to obtain a high degree of confidence that the economic assumptions are representative of the industry. The meetings will be held in Seattle and Kodiak during December 3-14. Then we'll begin running the models, interpreting the results, and drafting the analytical documents. We also sent a questionnaire to key industry representatives requesting a forecast of growth trends in their respective sector. The results are summarized in item C-4(c).

Social Analysis

In September the Council concurred with the Fishery Planning Committee to include Ballard in the social impact assessment. The analytical team recommended that key industry and community leaders in Ballard should be interviewed to obtain information on the potential social impacts of inshore-offshore actions on the community. The interviews are scheduled for December 11-14. By mid-December most of the primary social data from the Alaska-Northwest communities will have been collected and drafting of this section of the analysis will begin.

At the request of the Fishery Planning Committee and the SSC, I have assembled a SIA Review Panel consisting of the following three experts in the social-anthropological field:

Marc L. Miller, University of Washington;
Michael K. Orbach, East Carolina University; and
William R. Freudenburg, University of Wisconsin.

They will review drafts of the SIA to assure that the analysis meets required standards and is the best work product possible given time, data, and funding constraints.

In September, the SSC also requested information on the methodology of the SIA. Analysts hired by the Council to prepare this analysis discussed these issues with the Chairman of the SSC on November 16. A written explanation of the methodology was prepared and is provided for your information as item C-4(d).

Biological Analysis

Biological analysts have met several times and are assembling the required data. A drafting session is scheduled for late December/early January.

Pacific Council Activities

Item C-4(e) is an excerpt from the Pacific Council's newsletter. Apparently they are heading toward a final decision in March on limiting domestic offshore processing of Pacific whiting to 192,000 mt for 1991. This action is being taken under the auspices of a framework within their groundfish plan that allows for such allocational decisions. I hope to have more materials on this issue by the time we take up this agenda item.

- August 17 Send out comprehensive economic survey.
- August 24 FPC meeting. Receive status report on economic survey, development of analytical models, and social impact assessment.
- September 25-28 Council meeting. Receive status report.
- Late September Complete development of economic models. Finalize industry projection data base.
- October 6 Economic survey responses due.
- November 6
- Finalize economic survey data base and industry sector profiles.
 - Begin 30-day public review in industry sector profiles and other model assumptions.
 - Perform trial runs of models.
- December 6
- Council meeting. Status report.
 - Perform final economic model runs. Draft economic analysis. Submit economic results to social impact assessment team. Draft biological analysis due.
 - Six indepth community profile due.
- January 15-18 Council meeting. Preliminary review of analyses by Council family. Status report. Draft Social Impact Assessment due to review team.
- February 8 Draft inshore-offshore amendment analysis due.
- February 15 FPC meeting. Review draft.
- March 8 Second draft amendment analysis due.
- March 15 FPC meeting. Review second draft.
- April 21-25 FPC and Council review. Approval to send out to public review.
- May 10 Send amendment documents out to public review.
- June 24 Public review period ends.
- June 25-28 FPC and Council meeting. Final approval of amendments.
- July Submit to Secretarial review.
- November Secretarial review ends. Implementation.

Note: Scheduling of additional milestones, FPC meetings, and some adjustment of dates will likely occur during the year.

Economic Survey Results

(as of November 28, 1990)

	<u>Harvest Vessel</u>	<u>Catcher/ Processor</u>	<u>Onshore Processor</u>	<u>Mothership</u>	<u>Total</u>
Surveys sent (A)	1,332	358	140	22	1,852
Total expected (B)	1,600	100	20	10	1,730
Returned	69	38	15	6	128
Not applicable	18	3	5	1	27
Refusals	3	7	3	3	16
Useable	48	28	7	2	85
(usable percentage of those expected)	3%	28%	35%	20%	5%

Notes: Surveys (A) were sent based on federal groundfish permits. Therefore, a troller which freezes salmon but not sablefish would qualify as a catcher/processor. These totals were adjusted (B) based on discussions with industry leaders. Not applicable and refusal are based, respectively, on responses received by the Council indicating those who do not land or process groundfish and those who do not intend to complete the survey.

DRAFT SUMMARY

Projected Growth of the Groundfish Industry for 1991-1993

Harvesting and Processing Sectors

On the processing side of the industry, most of the projected growth is in the at-sea components. Factory trawlers are expected to increase from 54 in 1991 to 62 by 1993 (15%). Two new motherships will be added, bringing that sector to a total of 12. Freezer longliners see their ranks increasing from 28 in 1991 to 36 (29%) by 1992, but remaining at that level in 1993.

Shoreside plants active in groundfish processing in both the Bering Sea/Aleutian Islands area and the Gulf of Alaska are expected to remain stable at 4 and 14, respectively. Inshore floaters predict an addition of two new operations in each year, bringing the 1993 total to 20.

With regards to harvesting capacity, very little growth in either the number of boats or capacity (as measured by average length) is expected for trawlers, except for those delivering offshore. Gulf shoreside processors expect no increase in the number of catcher boats delivering to them (now totaling 100), but plants in the Bering Sea expect an increase from 80 boats delivering in 1991 (40 trawl/40 fixed gear) to 90 vessels by 1993, with all the growth being in fixed gear operations. The trawl fleet delivering offshore expects to increase by 20 boats over the next 3 years. Mothership operations will increase by two.

Target Species, Product Mix and Markets

All the sectors surveyed, except for the pot boats, indicated they will expand the number of species they target on. Although most indicated that walleye pollock and Pacific cod are their primary targets and will continue to be so, there was general agreement that as fishing seasons shorten and excessive capacity develops, efforts will increase on flatfish in the Gulf of Alaska and BS/AI, and on rockfish (primarily in the GOA).

Catcher boats using pot gear for Pacific cod are a relatively new sector of the industry. They foresee considerable room for expansion within this target fishery and indicate no shift in target species over the next 3 years.

Given uncertainties about future availability of the stocks, the impacts of bycatch regulations, and marine mammals, etc, most respondents felt that a successful groundfish processor would be one that could maintain a great deal of flexibility and be capable of utilizing both a wide range of species and of product types. As stated by one processor, "Individual processors will need to be multifaceted in terms of production lines both in terms of species produced as well as types of products within a species."

The Asian market, primarily Japan, is recognized as the continuing primary destination for commercial groundfish products from Alaska. However, for a variety of reasons, such as the shift in target species, the potential of the 1992 EEC, the opening of Eastern Europe, and fluctuations in currency exchange rates and prices, most processors felt that Europe and US markets would become more significant. This shift in markets would lead to greater emphasis on fillets as a product type.

No major innovation in gear or processing technology was forecasted. Instead the emphasis was on using existing technology to increase efficiency within the sectors.

Options if Groundfish Fisheries are not Available

The possibility of bankruptcies was felt to be high for some operations if access was denied to the pollock and Pacific cod fisheries. Although it is uncertain how many operations might go bankrupt over the 3-year period rather than just reduce operations and profitability, estimates ranged as high as 50% for motherships, and between 25-35% for most other sectors.

Respondents thought that the majority of participants would probably stay in operation, but switch to other target species within the EEZ off Alaska. Catcher/processors would attempt to target on flounders, about 20% of motherships would attempt to process yellowfin sole, and shoreside operations in both regions would attempt flatfish, although some would be less successful than others. The other anticipated shift in target species would be back to the more "traditional" species with an estimated 30% of motherships switching to crab, salmon, and herring processing. Some trawl catcher boats are predicted to switch to longline gear and target halibut and sablefish.

Very little movement of effort out of the Alaskan EEZ was indicated, with the possible exception of some catcher/processors moving into the Donut Hole and some longline catcher boats moving down off the lower West Coast for albacore and squid.

Labor Issues

Only one sector predicted a future labor shortage for the period of 1991 through 1993. Inshore floating processors, with their work force primarily made up of workers 18-24 years old, cite current demographic trends as working against them.

All sectors indicated Alaska, Washington, and Oregon as the primary source of future labor, with California, Idaho, and other parts of the western U.S. serving as a secondary source for the industry overall.

IMPACT ASSESSMENT, INC.

2160 AVENIDA DE LA PLAYA, SUITE A • LA JOLLA, CALIFORNIA 92037

TELEPHONE (619) 459-0142 • FACSIMILE (619) 459-9461 • MODEM/BBS (619) 459-9468

Mr. Steve Davis
North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, AK 99501

November 24, 1990

Dear Steve:

As we discussed last week with Richard Marasco, I have prepared the following memorandum setting out the assumptions employed to select communities to be used as examples or case studies of the kinds of social impacts to be sustained -- either as a result of a "no action" decision or as a result of changes initiated by the Council regarding inshore-offshore allocations of the North Pacific groundfish resources.

To begin, development of complete profiles and impact assessments for every Alaska, Washington, Oregon (and California, all things considered) community potential affected by the proposed regulatory change would have required a large number of researchers and vast sums of money. The decision was taken early, by the fishery planning committee, NPFMC staff, and the contractor that it would simply not be feasible to attempt such an effort at this time, and that communities should be selected as "representatives" of the kinds of social organization and process potentially affected by the proposed changes. We fully agree with this decision.

The communities identified in our initial negotiations with the NPFMC were Dutch Harbor, Sand Point, St. Paul, and Kodiak in Alaska, Bellingham in Washington, and Newport in Oregon. In response to the concerns of industry representatives at an advisory committee meeting, Ballard was also added to the "communities" to be studied (but from a slightly different perspective, as described below).

Our objective in selecting example study communities was to gather sufficient information concerning the social organization of potentially affected communities to satisfy the social impact assessment requirements of the National Environmental Policy Act (1969). The criteria employed to select the original six communities that would be used as representative included: (1) geographic; (2) economic; (3) sociocultural; and (4) linkages to the economic analysis.

Geographic Criterion: With respect to geography, we tried to select communities that were widely separated and, to the extent possible, those associated with the different affected fisheries -- to assure adequate coverage of the key issues.

Economic Criterion: Communities were selected that are currently involved, at some level, with the evolving North Pacific groundfish fishery. Communities with no current or immanently planned activities in the fishery were excluded from consideration. Communities were selected which we felt would provide a sufficient range of alternative adaptations that could be used as models of the kinds of social impacts that would be sustained by the communities not examined in the study. Given the regulatory mandates, we were concerned to include communities that exhibited some form of involvement in the fishery and with some variation in the apparent level of dependence on the fishery.

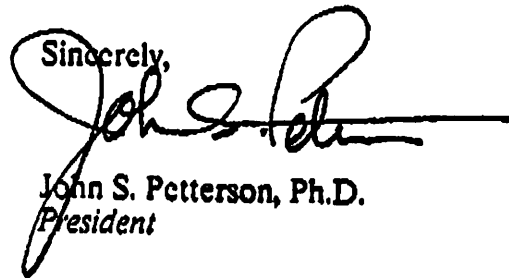
Sociocultural Criterion: To the extent possible, we tried to select communities that would best reflect the social and cultural diversity of the communities potentially affected by the change. Social impacts are differentially distributed depending on a wide range of pre-existing social and cultural conditions and we sought to have this range reflected in the analysis.

The community of St. Paul is located in the Pribilof Islands, is increasingly dependent on the fishery resources of the Bering Sea, and is just now initiating its groundfish development phase. Unalaska was selected as one of the two principal groundfish ports of Alaska (with Kodiak), and Sand Point was selected as a rapidly growing, relatively recent, entrant into the development effort. Bellingham was selected as a representative of the potential social impacts of the proposed inshore-offshore allocation decisions on Washington communities, and Newport as an example of potential impacts to Oregonian communities. As was the case for the Alaska communities, both Bellingham and Newport were considered to meet the geographic, economic, and social selection criteria.

It was considered impossible, however, to assess, at the level of detail required, the "social" impact of the proposed regulatory changes on Seattle/Ballard. While this fact is obvious, during NPFMC Planning Committee meeting in Seattle, a concern was nevertheless raised that the "principal" involvement of Washington in the Alaska groundfish fishery was conducted through Ballard, not Bellingham. In response to this concern, we proposed to conduct key interviews with Seattle/Ballard processors, fisherman organizations, unions, local businessmen and leaders to develop sufficient information to describe, in non-quantitative terms, the potential social impacts of the proposed regulatory changes on affected community clusters. In our estimation, this will enable us to describe, at a relatively elevated level (and within reasonable costs), the principal social ramifications of the various proposed distribution systems, without, however, being able to provide the quantitative support available as a result of the six detailed community profiles.

I hope this explanation of the criteria employed to select "representative" communities for this study proves satisfactory. If not, I would be glad to respond to any additional questions.

Sincerely,



John S. Petterson, Ph.D.
President

Table 2. Final 1991 Council recommendations for quota, DAP, JVP, reserve, and TALFF specifications (in thousands of metric tons).

	Quota	DAP	Reserve	JVP	TALFF
Pacific Whiting	228.0	228.0	0.0	0.0	0.0
Shortbelly Rockfish	13.0	0.0	2.6	10.4	0.0
Jack Mackerel	46.5	0.0	9.3	25.0	12.2

quota may be reapportioned to JVP. It is the Council's intention for any joint venture fishery to begin on or about July 23.

Proposed Limit on Domestic Offshore Processing of Pacific Whiting

For 1991, the Council has made a preliminary recommendation that up to 192,000 mt of Pacific whiting may be processed offshore. This would leave 36,000 mt for shoreside processing, with the provision that if the full 36,000 mt is not used, any remainder will be made available for offshore processing in a timely manner. This 36,000 mt, which is not a limit, is intended to provide a degree of protection to the developing shoreside whiting processing industry, while allowing development of the offshore processing sector. A final analysis will be prepared and made available to the public, and National Oceanic and Atmospheric Administration will publish a proposed rule with request for comments in the Federal Register. The Council will take final action at its March 1991 meeting in San Francisco. It is anticipated that a final rule will be published after the March meeting.

California Lingcod Bag Limit Increased

The federal bag limit for lingcod in waters off California will be increased from 3 to 5 fish with a 22-inch minimum size limit, beginning January 1. This means recreational limits will be the same in both state and federal waters off California.

Black Rockfish Management Measures Approved for Washington Waters

The Council took action on a Washington Department of Fisheries (WDF) proposal to manage the black rockfish fisheries off the State of Washington. The recreational daily rockfish bag limit will be reduced from 15 to 12, and the commercial hook-and-line fisheries will be limited to an incidental black rockfish trip limit of 100 pounds or 20 percent of all groundfish on board, whichever is greater. This limit applies to the areas between the U.S./Canada border and Cape Alava and between Destruction Island and the Washington/Oregon border. The coastal tribes will develop consistent regulations for tribal fishermen and will present these to the Council in March. The Council intends that the changes will be implemented in early April.

Reporting Requirements and Observers Approved for Offshore Processors

The Council took final action on reporting requirements for offshore processing vessels and an observer plan. The regulations will apply to processing vessels (defined as vessels over 125 feet that process groundfish) and all vessels that deliver unprocessed fish to processing vessels. Federal permits will be required for processing vessels and any vessels that deliver fish to them. With respect to observer coverage, all processing vessels will be required to carry a certified observer at their own expense.

Coastal whiting catch divvied up for the first time

By Scott Sunde
P.I. Reporter

A federal panel that regulates Pacific Coast fishing gave tentative approval yesterday to a plan that will allocate the coastal whiting catch between factory trawlers and on-shore processing plants supplied by smaller boats.

The action marked the first time that regulators have allocated a catch. Operators of processing plants hope

the decision will act as a precedent for a larger allocation proposal in Alaska.

The allocation involves Pacific whiting caught off the coasts of Washington, Oregon and California. The Pacific Fishery Management Council, which regulates fishing in those waters, decided in Seattle yesterday to limit factory trawlers to 196,000 metric tons and to reserve 36,000 metric tons for boats that deliver to on-shore plants.

"It's protectionism, and a form of

protectionism we haven't had before," said Bruce Buis, a spokesman for the American Factory Trawlers Association in Seattle. "It's a dramatic change in U.S. fishery policy of open access to the resource."

Operators of smaller boats asked for an allocation this fall after some factory trawlers indicated they might catch whiting for the first time. At least 20 factory trawlers — large vessels that can catch, clean and process tons of fish a day — had indicated they would

like to take 273,000 metric tons in 1991.

The operators of the smaller boats — non-processing vessels that can supply shoreside plants — expressed alarm, noting the entire catch in 1990 was limited to 196,000 metric tons.

The operators of smaller boats, however, left Seattle with only a partial victory, said Larry Shock, a Newport, Ore., fisherman. He complained that the 36,000 metric tons

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Fish: Alaska pollock catch may be next

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reserved for on-shore plants is too low.

The stakes, however, may be larger than whiting and might include the \$1 billion pollock catch off the Alaskan coast, said John Iani, president of the Pacific Seafood Processors Association. These members include Alaskan shoreside plants.

The North Pacific Fishery Management Council, which regulates fishing off Alaska, has been considering for two years proposals to allocate pollock in the Bering Sea and pollock and Pacific cod in the Gulf of Alaska.

The factory trawlers have a huge capability to catch and process fish. Alaskan shoreside processors and the smaller boats that supply them have complained that they need an allocation to assure their getting some fish.

Iani said he believes the Alaskan panel may now follow the Pacific council's lead and could adopt an allocation scheme as early as June.

The factory trawlers appear unlikely to accept an allocation anywhere along the Pacific coast.

Buis said the Pacific council's decision will not be final until March.

"I can pretty much guarantee you that if they persist in this, it will end up in a court of law," he said.