

Mr. Trevor McCabe
At-Sea Processor's Association
(Based on Meeting Transcript)

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Hello, my name is Trevor McCabe and I'm the Executive Director of the At-Sea Processors Association. The APA is a trade association comprised of the seven companies that operate catcher processors in the Bering Sea pollock fishery. We employ more than 2,000 people, board 19 vessels and we harvest around 40 percent of Bering Sea pollock, the nation's largest fishery. Our main products are pollock filets, surimi roe and fish meal. We sell filets to the domestic and European markets and surimi roe and meal to the Asian markets. We're U.S. owned and we represent the most significant ownership by Alaskans, in this case western Alaskans, as Morgan just mentioned, in the history of the ground fish fisheries off Alaska. With help from the CDQ program five of the six CFQ groups representing 23,000 Alaskans now own more than 25 percent of our fleet and we expect that they'll own a majority of the fleet within five years.

The first chart I have to present is on page seven of the handout. It shows the volume of commercial landings in the United States. It's taken from the year 2000, the most recent year we have available from the National Marine Fisheries Service. As in most years the pollock fishery off Alaska represents about one-third of the entire national harvest of seafood. A portion of that is caught in the Gulf of Alaska but the Bering Sea Aleutian Islands pollock fishery generates counts for the bulk of the harvest. We're about 25 percent of the nation's entire seafood harvest alone in the Bering Sea Aleutian Islands pollock fishery. We believe it's the best managed ground fish fishery in the world.

My second chart illustrates the track record in the time since 1976 when Senator Magnuson and Senator Stevens and others succeeded in extending U.S. jurisdiction to 200 miles. We now have almost three decades of U.S. Management in which the pollock fishery has been like a long-term savings bond, a massive savings bond sustainably producing yield of between a million and a million and a half metric tons of pollock annually. While visiting Alaska I believe that you will hear from countless people about the ingredients involved in making our fisheries management system successful in North Pacific.

In my second chart I want to draw your attention to one of the most important ingredients, our conservative approach in setting annual catch levels. The dark shaded area of that chart represents the measured biomass of sexually mature age three plus pollock in the Bering Sea consistently in the 10 million metric ton

range and even higher than this in 2001 and 2002 which don't appear on the chart. The light dotted area, the small light dotted area at the bottom, represents the annual allowable biological catch, or ABC, which is recommended by scientists at the National Marine Fisheries Service, peer reviewed by Council's science and statistic committee and then approved by the Council. In its history the Council has never exceeded the recommendations from its scientists. It's after approving the ABC that the Council sets the total allowable catch, or TAC, which is equivalent to or in most cases less than the ABC but never exceeds the ABC. In addition to this approach the Council has adopted and adhered to an overall harvest cap of 2,000,000 metric tons for Bering Sea Aleutian Islands ground fish fisheries even when the science would support fishing levels above that cap.

To lend some perspective to this approach, in the North Pacific it's useful to compare it to New England and I'll also compare it to Russia. In New England you've heard about the disagreement over the need for hard caps, for what we have as a TAC where when you hit the TAC fishing stops for the year. That's a little bit unusual for us because that's been the way it's been done up here. In Russia, if you look at the black bars on the chart, that's our annual harvest. They -- their scientists believe that that bar could be twice as high as it is, more than twice as high. They believe that you can fish pollock at an exploitation rate around 30 percent or more and we've been fishing an exploitation rate of the mature fish around 15 percent. The proof is in the pudding. The big area behind the consistency of the biomass and the health of the biomass are the result of this management system that we have.

According to pollock market research recently completed by Gunner Napp (ph) at the University of Alaska pollock fishery has now replaced Russian Bering Sea and see cod's pollock as the largest single species fishery. Theirs has been in decline using that higher exploitation rate, ours has just been steady state.

Had the Commission been formed and come to Alaska prior to 1998 instead of today the story of our successful management would have been marred by bitter allocative battles over access to the catch levels set by the Council. Those battles were resolved after almost a decade of bitter fighting by Congress in 1998 through the American Fisheries Act. Besides fixing loopholes in the U.S. ownership requirements for U.S. flagged fishing vessels the American Fisheries Act permanently divided the Bering Sea pollock harvest between the main sectors that participated.

The next chart in the packet illustrates the divisions mandated by the AFA. These are the allocations that occur after the Council has set that annual total allowable catch. The AFA mandates that 10 percent be allocated to the six western Alaska CDQ groups that Morgan just spoke about and then an additional amount is taken off the TAC off the top for the pollock bycatch that will be used in the non-pollock fisheries. I wanted to draw your attention to this because some

people don't realize that every fish is accounted for in the North Pacific. The pollock that's going to be used in the non-pollock fisheries comes out of that total allowable catch that the Council sets.

With respect to the directed pollock fishery, which is the big bar on the chart that represents about 85 percent of the annual total allowable catch, the AFA divided this between inshore plants that receive fish from a fleet of about 100 catcher vessels, that's 50 percent of it, 40 percent to the catcher processor companies that I represent and 10 percent to mother ships who also receive fish from a fleet of approximately 20 catcher vessels. That's your largest fishery, the largest by volume in the country. And it's the framework of the division among those sectors that allow the formation of cooperatives, fishing cooperatives, in 1999.

Fishing cooperatives are binding contracts among fishery participants that establish the portion of a particular sector's allocation that the participant can harvest. The first cooperative was formed by four of our companies in the Whiting Fishery off the Pacific Coast in 1996 with pre-approval or the blessing of the Department of Justice, essentially ruled that we weren't violating any trust laws in forming it. With the help of the American Fisheries Act 10 cooperatives have now been formed by virtually the entire fleet in the Bering Sea pollock fishery. To most participants and observers of the fishery the cooperatives have been the biggest fishery management improvement since the extension of U.S. jurisdiction in 1976.

The benefits of cooperatives are similar to benefits you've probably heard about relating to individual fishing quotas. Though an individual cooperative participant does not have a federal permit or guarantee to a specific portion of the harvest, the private contractual guarantee provides many of the same basic benefits of IFQ's. A vessel operator has the ability to stop fishing when weather conditions make fishing too dangerous with the knowledge that the other parties to the contract will not catch the portion that's reserved under the contract for his or her vessel. This has been one of the most significant improvements in the Bering Sea where even fishing in good weather is more dangerous than most other occupations. If a vessel begins to encounter bycatch of other species the vessel has the ability and time to stop fishing and move to a better area under cooperative management.

We've taken this one step further in the pollock fishery and last year formed a binding contract among all 10 of the pollock cooperatives through which we agreed to work together to avoid salmon bycatch. Under the contract vessels are forced to cease fishing and move to other areas when levels of salmon bycatch become significant. We've retained a private company to monitor the entire fleet's bycatch on a real time basis and we have mechanisms through which the private contract actually closes areas in the Bering Sea to pollock fishing. You have to stop and think about that. We have areas in the Bering Sea that are now closed by private contract to fishing by the pollock fleet. During 2001 alone this

program is estimated to have led to the avoidance of more than 20,000 salmon, perhaps a third of the fleet's incidental salmon harvest, and that was only the first full year that we've had it. We're continuing to refine and improve the arrangement.

Another of the significant improvements under cooperative fishing has been the increasing yield we are seeing from each pound of pollock harvested. Our vessels have been able to greatly increase the efficiency of their processing operations now that the lines can be operated in a slower and more efficient manner. In some cases vessels have been able to install secondary processing lines to wrench new products from what would previously have simply been wasted. The new processing lines and flexibility allow the fleet to respond to changes in consumer demand and market conditions more readily by shifting product forms.

The next chart in the packet illustrates these improvements in the catcher processor sector that I represent. As a result of the cooperative we produce nearly 50 percent more seafood for each pound of pollock harvested in 2001 than we would have without the cooperative under the old race for fish. In our sector alone in one year that represented nearly 60,000,000 more pounds of finished seafood than would have been made from the same amount of pollock without the cooperative.

Monitoring enforcement has also improved under the American Fisheries Act and pollock fishing cooperatives. Our fleet carries two federal observers full-time at its own cost, we pay for federally monitored scales that weigh every pound of fish, we carry vessel monitoring systems that provide real time data as to vessel location at all times to enforcement agencies. We're probably the most heavily monitored observed, regulated and scrutinized fishery in the nation if not the world.

My final chart represents the degree of transparency in this system. We're required to disclose on a vessel by vessel basis the catch and bycatch of every vessel. As you may know, the Magnuson Act precludes this type of disclosure for proprietary considerations. When Congress enacted the AFA they not only waived that but required vessel disclosure. It's a tremendous incentive to fish cleanly because the public is going to know. In our fleet the same year that the disclosure started we created an incentive program, the top three skippers in our fleet receive a cash award for being the cleanest.

I always wanted to draw your footnote to this chart. That's our disclosure of the vessels in our fleet, what they caught in 2001. We note in the footnote that we kept and used 99.4 percent of every pound of fish we caught. The fishery wide average in Alaska is about 92 percent and I believe the national average is about 85 percent. It's the cleanest fishery in the nation if not the world.

I guess I'm out of time. The -- in closing, the nation's largest fishery and the North Pacific ground fish fisheries generally deserve an A on your report card I believe. We have not stopped refining and making improvements over the past 25 years nor will we now, but our fisheries are being sustainably managed as envisioned by Congress in 1976. You've undoubtedly heard concerns from other regions of the country. I believe the North Pacific provides you with a blueprint for sustainable fisheries management within the resilient and adaptive framework of the Magnuson-Stevens Act. I believe your basic challenge is to come up with incentives that will allow the other regions of the country and other Councils to achieve sustainable fisheries within this framework. Thank you.