

Statement of
John Garner
On Behalf of the
North Pacific Crab Association
To
The U. S. Commission on Ocean Policy
August 22, 2002

The North Pacific Crab Association represents companies that process and market over 80% of the crab harvested in the Bering Sea, a resource with an annual value that has exceeded \$500 million first wholesale in peak years. Our members have invested over \$500 million dollars in facilities used to purchase and process Bering Sea crab. We employ over two thousand workers in rural Alaska communities where crab is processed. Our crab processing facilities are also important to salmon, herring, pollock and cod fisheries.

There are many safety, conservation, economic, and social goals to be accomplished by rationalizing the crab fisheries of the Bering Sea. To achieve those benefits, care must be taken to ensure that the program is fair and balanced considering the needs of each sector of the industry.

Any system of allocation of quota or shares to harvesters has implications for the investors in the fishery, including the processing sector. At the time the Magnason Stevens Fishery Management Act was adopted, major crab stocks were still harvested and processed by foreign entities. Processors responded to the intent to Americanize the fishery by increasing its processing capacity and developing markets for these resources formerly ignored by the US fishing industry; the race for fish was at first a race to Americanize it, and in time the capacity of both the harvesting and processing sectors exceeded the available resources.

The problems associated with this surplus capacity led the Congress to direct the North Pacific Fishery Management Council to review the options to rationalize the fishery. By converting the fishery to individual fishing quota managed fishery, the fishing season will become elongated and slower paced, allowing safety and conservation issues to be squarely addressed. At the same time, harvesting capacity developed by vessel owners and processing capacity created by processors become surplus. This carries several implications:

1. The vessel owners and processors capital is ‘stranded’ unless there is an alternative use of the investments in property, equipment, plants and people. This is very problematic considering the specialized equipment used in the crab industry and the very remote locations where the operations occur.
2. If the rationalization system fails to take into consideration the capacity of each sector, future revenues will be transferred to one sector as the other bids to utilize the now surplus capacity, and the sector costs may increase from the elongated season.

If the goal of the rationalization program is solely to address conservation and safety issues, then there is no need to be concerned about the economic impacts of the program on either harvesters or processors. Quota shares could be distributed by lottery, or auctioned to the highest bidder, or given exclusively to communities or other parties with no investment in the fishery. However, when the program does include economic goals (as it should), initially distributing quota to the existing participants is justified to avoid capital losses (in the form of devalued prior economic investments) for those investors that occur by the change from a derby to a rationalized industry. Rationalization by design will result in less capacity; issuing quota to the existing investors establishes a means of privately funded compensation for the investors that exit the fishery, and an opportunity for those that remain to establish a cost system fitting the available revenues from the resource.

As Chairman David Benton stated to you in his opening remarks yesterday, the Council’s crab rationalization plan is the first attempt by any Council to undertake a comprehensive rationalization plan, one that includes captains and crew, vessel owners, processing plant owners and community interests.

To the extent that our policies for our oceans include measures to allow rationalizing the Bering Sea crab fisheries, we believe that the Council should be given the tools allowing for a comprehensive program designed to address the needs of all parties that might be affected by this significant, and needed, change in regulatory policy.