

SCOMM

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Alaska State Legislature
House of Representatives

14
Special Committee on Fisheries

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September 16, 1983

To: Representative Adelheid Herrmann
& Mel Monsen

From: Deborah L. Greenberg

Re: State Policies and Activities Concerning Bottomfish

The following report is in response to your request that I provide you and the Fisheries Committee members with some background information on bottomfish fisheries for your trip to Dutch Harbor. At your suggestion, I contacted officials from the Governor's Office, the Department of Commerce, and the Department of Fish and Game about their policies and activities concerning bottomfish development. I also included information from other sources, and can easily provide you with more.

STATE POLICIES AND ACTIVITIES RELATED TO GROUND FISH

Currently neither the Governor's Office, the Department of Commerce, or the Department of Fish and Game has any significant written policies directing the development of Alaska's bottomfish resource. Most groundfish regulations are developed by the North Pacific Fisheries Management Council (NPFMC), and apply to the Fisheries Conservation Zone.

Office of the Governor

The Office of the Governor has no official policy concerning the development of Alaska's groundfish resource. However, in a recent letter explaining his decision to approve two Portuguese joint venture permits for salt cod, the Governor expresses that "the goal of the State is to move to a shore-based operation as quickly as possible." Others have felt that the Governor's handling of these permits is inconsistent with a commitment to developing a shore-based operation expeditiously. (See the letter to Mr. Dickson, Attachment A).

The Fisheries Policy Task Force has recently made several recommendations to the Governor regarding the bottomfish fisheries and when the summaries of these recommendations are completed I will forward them to you.

The Department of Commerce and Economic Development

During the 1970's, the Department of Commerce and Economic Development had a leading role in sponsoring programs for the development of the State's bottomfish resource. For the most part these programs no longer exist and recently the department returned to the general fund a small appropriation allocated for bottomfish projects.

The Department of Fish and Game

On a limited basis, the Division of Commercial Fisheries ground fish program is engaged in monitoring the resource, and conducting research with the primary intent of keeping track of the domestic stock. Groundfish staff manage the sablefish stocks in Southeast, and the joint venture cod stocks outside of Kodiak. The program is small by comparison with others in the division, and has an annual budget of approximately \$500,000 and five full-time staff. According to the commercial fisheries director, that division, most users, and the Board of Fisheries have apparently indicated that they do not want bottomfish development at the expense of other fisheries, i.e., salmon, herring, halibut etc.

STATE POLICIES AND ACTIVITIES IN PREVIOUS YEARS

During the 1970s, the State had extensive policies and programs directed at developing the State's bottomfish fisheries. A Governor's task force on bottomfish established long-range goals (20 years) and included participants from the Departments of Commerce and Economic Development, Fish and Game, Natural Resources, Labor, and many others.

Despite the high hopes and efforts of those involved with bottomfish development, by recent years the programs had all but vanished and many Alaskans participating in the bottomfish fisheries had experienced severe losses. Many reasons have been suggested for both the decline of State involvement and the problems of the industry and these are outlined below.

Explanations for Limited State Involvement in Bottomfish Development

Several reasons have been suggested to explain the limited role of the State in bottomfish development including:

- difficulties of coordinating all the State agencies involved;

- pressures from participants in other fisheries who perceive bottomfish development as an interference with existing fisheries;

- perceptions that the programs were not accomplishing anything;

changes in funding priorities based on the perception that the fishery is troubled and may not succeed;

Problems in the Developing Fishery

Some claim that the State's role in developing the domestic groundfish fishery is based on a perception that the fishery is troubled and involves too much economic risk. Although many have been successful, and harvests from the fishery have increased dramatically, several problems have been noted including:

high interest rates;

high cost of shipping to distant markets;

lack of easy channels to market the fish;

preference of fishermen to participate in more developed fisheries while these species are still available, especially salmon, herring, and halibut;

inadequate processing facilities; and

the difficulties of converting vessels from the declining king crab and Tanner crab fisheries for use in the groundfish fisheries. (These vessels were not as easy to convert as had been anticipated. Refer to the article on the "Aleutian Mistress" Attachment B.)

Despite the problems sited, the annual domestic and foreign groundfish harvest in Alaska has increased dramatically.

DESCRIPTION OF THE BOTTOMFISH FISHERY

Some of the world's most abundant sources of bottomfish inhabit the Bering Sea and the Gulf of Alaska. For these two management areas, the NPFMC has identified the following as the commercially important bottomfish species:

Commercially Important Bottomfish Species in the Gulf of Alaska:

Pollock	Pacific Cod	Pacific Ocean perch
Sablefish	Other rockfish	Thornyhead rockfish
Flounders	Atka mackerel	Squid

Commercially Important Bottomfish Species in the Bering Sea/Aleutian Is:.

Pollock	Other flatfish	Pacific Ocean Perch
Sablefish	Other rockfish	Yellowfin sole
Pacific Cod	Atka mackerel	Turbots, Squid

Joint Venture, Shore-based, and At-Sea Fisheries

Bottomfish comprise three distinct fisheries; joint venture, shore-based and At-Sea.

When the US processors cannot use or do not intend to use the total amount of the US catch, deliveries are frequently made to foreign processors for joint venture processing. Joint ventures have involved the US and the USSR, Poland, Korea, Japan, West Germany, and Portugal, in the Fisheries Conservation Zone. In 1981, 29 US trawlers in Alaska joint venture fisheries delivered 95,000 metric tons of fish. Joint ventures have grown substantially in recent years, apparently because of the markets they create. Joint ventures are, however, controversial because of their economic impacts. These fisheries do not generate employment at shorebased processors. (See Attachment D for the catch by country by species).

Shore-based landings equalled only 1/16th that of joint venture deliveries in 1981. And despite the additions of shore-based cod splitting and salting facilities at Dutch Harbor, Sand Point, and Akutan, in 1982,

the increases in joint venture deliveries have remained sharp by comparison.

Although At-Sea salt cod and factory trawler fisheries are more labor intensive and costly than joint venture fisheries, they provide a higher value per unit weight of catch to US fishermen. In 1981, this fishery accounted for 14 percent of the US domestic groundfish harvest from Alaska, 16,000 metric tons of catch measured as round weight.

BOTTOMFISH STATISTICS

Below I have included some noteworthy statistics on the participants and harvest levels in the Alaska bottomfish fishery.

Vessels homeported in Alaska accounted for less than 17 percent of the catch harvested in the Alaska region. Vessels homeported in Washington accounted for 83 percent.

Less than 7% of the groundfish harvest off Alaska is currently caught by US fishermen. (See Attachment D).

The foreign bottomfish catch in 1981 in all areas of Alaska in the direct fishery totaled over 1.5 million metric tons and in the joint venture fishery totaled over 95 thousand metric tons. (See Attachment E).

In 1981 approximately 800 Alaskan vessels and 200 Washington vessels harvested bottomfish in Alaska, yet Alaskan vessels accounted for only 16.3 million pounds of fish compared to 212 million pounds harvested by Washington based vessels. The ex vessel value of the groundfish catch to Alaska based fishermen was considerably less than that for their Washington based counterparts. (See Attachments F, G, and

I hope you find this information useful, and have a good trip.



*Attachment
A*

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

September 7, 1983

Mr. George A. Dickson, Esquire
Dickson, Evans, and Esch
880 "H" Street, Suite 200
Anchorage, AK 99501

Dear Mr. Dickson:

I have approved your application for a second internal waters processing permit for Pascoal and Filhos, Ltd., to process Pacific Cod harvested by domestic fishermen. My approval, however, is with reservation and I consider the granting of this permit as an exception. It is my position that all Alaskan internal waters joint ventures will actively promote the development of Alaska shore-based processing of seafood products and that specific activities intended to promote Alaska's seafood industries will be negotiated and agreed upon prior to the issuance of any permit to operate. I have made this exception in light of the severe time constraints placed on us by the early start up date for this operation and its economic significance to certain elements of the Alaskan fishing fleet.

In my cover letter, for the first permit I issued to your client, I stated that the goal of the State was to move towards a shore-based operation as quickly as possible. At that time I also believed that was your goal, as you had stated that you were making efforts to lease a processing plant located in Kodiak. I encouraged you to continue that effort and to also include purchases of product from Alaskan operations in your planning.

Unless a significant good faith effort toward promotion of domestic processing is demonstrated by your clients during the period of this permit, request for extension of the existing permit or for the reissuance of a third permit will be denied. I would consider significant progress to have been made toward my goal if your clients purchase or contract to purchase from domestic processors operating in Alaska, by December 31, 1983, an amount of finished product equivalent to that realized from the joint venture. This

Attachment B

Alaska Fisherman's
Journal

The Highliner and The Mistress

8/83

by Roger Fitzgerald

"To be a highliner is to be a highliner."

—Terry Sparks

What's the high point in Terry Sparks' fishing career? Ask him, and he'll tell you he hasn't reached it yet. "I've never caught enough fish," he says. "What's enough? I don't know yet."

"But what about the time you took 190,000 pounds of king crab in eighteen hours—wasn't that enough?"

"Don't mention that!" he exclaims. "People will think I'm bragging."

Sparks is sensitive about his image these days. He's a highliner out of work. He's in good company. Think of a pioneer fisherman, and chances are he's lost his boat.

"That's the price you pay when you're the fastest gun in the West," said Don Barton, Sparks' friend and partner in the supercrabber *Aleutian Mistress*. You don't get rich being first; "it's the second fastest gun that makes the money."

"Watch and follow" is the way to survive said Sig Jaeger who led the way in the blackcod pot fishery—and about whom articles are still being written. He lost his boat, too. Now he runs a consulting business in Seattle, and the *Aleutian Mistress* was one of his clients. Some of the best fishermen in the industry have been through the bankruptcy courts, Sparks ranking among them.

"Some people say I drive too hard—that I'm hard on men and hard on equipment, but it's not true. There are a lot of guys out there that don't have both oars in the water, and I'm not one of them," Sparks said.

Whatever the high points in Sparks' career thus far, the low point is clear enough: the U.S.

Marshal's sticker on his boat. "She was my kept woman. When I couldn't afford her anymore, she left me. It all has to do with money. Pretty cold-blooded."

Why the *Aleutian Mistress* has a marshal's sticker on her has as many answers as there are partners in the boat, including the view that she had too many partners. "No one owned enough of her to keep the pencils sharpened," said Sparks—except himself and he was fishing the boat. He owned 41%; Sea-West Industries owned 20%; the rest was scattered among ten partners, including Sparks' father. "Everyone wanted a rainbow."

Those were the days, in 1979-80, before king crab "disappeared"; before anyone believed they would and, anyway, the bottomfish bonanza was just around the corner; interest rates were running about 18-19%. The boom had ended, but no one knew it.

Sparks, in fact, never knew fishing to be other than a boom. He would argue with that, pointing out

that he was fishing at the age of 12 when the only "boom" was a bang around the ears from his father who was himself a fisherman and taught his son early to be tough. And there were some years when the crab price wasn't all that good; like in 1974 when it averaged 32¢ a pound, he remembers. But Sparks was there for all the good years—on the *Nova*, *Scorpio* and *Priscilla Ann* (now the *Coastal Glacier*)—averaging 800,000 pounds a season, ten years in a row. In 1980, he missed a quarter of the season because of hydraulic leaks (he mixed diesel and lube oil at one point to keep fishing), and he still finished with 1.2 million pounds, one of the top boats that season. The price was around \$1.25, and he needed the money.

The *Mistress* was going to be converted to a crabber-autolongliner—"to pioneer a new fishery"—and that was going to cost the partnership over a million dollars—"plus the \$500,000 I figured I would have made tanner fishing." (Before it was over it would cost them more than that; they would be unleashing their lawyers on one another, a costly but not infrequent aftermath of a marshal's arrest and partnership dissolution. Attorneys' fees could run into "six figures," said Sparks.)

The decision to convert the year-old *Aleutian Mistress* to an autoliner sealed the boat's fate: "You can't spend a million dollars to make \$300,000 and succeed," said Sparks. According to Barton, "You don't longline for cod in the North

Pacific and make it—no matter how good you are. We were associated with the best people around, and we lost in seven figures."

Darryl Pedersen, president of Sea-West, said, "The operation was too expensive for what it could earn.

We're still picking arrows out of our butt. We were trying to be pioneers."

At the end of the first year, after close to a half-million in support from the Alaska Fisheries Development Foundation, the

Aleutian Mistress was run substantially in the red, and Sparks was tapped out of money. What could he do? He went to Sea-West and asked them.

"Catch more fish," they told him, said Sparks. "You want more fish?"

Not only was the *Aleutian Mistress* to be a novel effort—a crabber that could convert to longlining and processing in three days—but a noble one as well. You can hear the fife and drums in the voluminous AFDF reports that precede, accompany and follow the project: "One of the first American vessels in the North Pacific to integrate an automated longline harvesting system and on-board processing line under a shelter deck . . . The efforts of the *Aleutian Mistress* will be intently followed by those within and outside of the fishing industry. We will learn by her successes and failures. We will move ahead toward utilizing the huge fishing resources of the Gulf of Alaska and Bering Sea because of pioneering efforts through projects such as the *Aleutian Mistress*."

Sparks heard the music; he wanted to pioneer a fishery for his country (maybe that would be enough); besides that, there was the free money from AFDF. "One thing I've learned," said Sparks: "there's

"I'll catch more fish!"—and back to the grounds he charged. He's far enough away from it now to laugh at himself; he does a good caricature of the dumb fisherman ("You want fish? I'll get you fish!"—and starts for the boat). Sparks is black Irish and Norwegian, and whatever those origins produced, it wasn't a dumb son. Some fishermen depend on luck—and have it—and others school themselves in the nuts and bolts of the trade. Still others encompass both—and that's Sparks. He has his certificates and licenses (including a master's license), one of them in trawling which, though he has never done it, may be his next step. (What if the *Aleutian Mistress* had been converted to trawling instead of longlining—would she still be fishing? Anyone who has lost a boat knows about the *what ifs*).

"What's it like to be without the *Mistress*?"

"Like coming back from the moon; I'm down to earth learning about the industry."

"How much did you lose?"

"About \$600,000 plus right out of my pocket."

"Maybe somehow you'll get back together with her. Life takes funny turns," I say.

"I know."

Where it all began is where it all ended: with the conversion of the *Aleutian Mistress* to a crabber-autoliner. The executives and directors of the Alaska Fisheries Development Foundation had a vision of crab boats converting to longlining—wresting the bottom-fishery from the foreigners with Mustad systems—so they pumped Saltonstall-Kennedy money into the project, about \$450,000. "It was a drop in the bucket," said Pedersen later, but more of that farther down the primrose path.

them shirts and belt buckles that said so. Sandi McKenzie, an observer on the *Mistress* for Frank Orth and AFDF, said Sparks had the ability—the charisma—to rally the crew, to get the best from them they had to give. "Doing it isn't enough," he drilled into them; you had to do your best. He drummed it into them like a slogan: "Doing it is doing it," and the king codders heard him; they went for it. But it just wasn't the same as king crab. The difference was no money.

On the king crab grounds the added enthusiasm meant pulling 18 pots an hour instead of 15, a difference of 72 pots per day. If Sparks found himself in an area where there were no boats and no crab, he told the crew they were "ahead of the school." (The rainbow was always the next pot.) The "school" always showed up sooner or later, and the reward for believing it (in the best years) were shares that ran up to \$80,000. On the king cod grounds, however, a big catch meant the blast freezer was overloaded, and the fish spoiled. It was a no win deal.

"What would you do if you had the *Mistress* today?" I ask.

"I'd regroup and I wouldn't fail," he snaps. "Maybe I'd process crab off St. Matthew's Island and along the Chain; get myself solvent again; think things out. I'd get into dragging, a joint venture possibly. They spend a lot of time drifting after they make their tows; that's not efficient. I'd like to try some processing—keep the crew busy. Refrigeration is going to be critical in the future. The thing is this experience is just a stepping stone for me." □

no such thing as free money."

To make the project work, Sparks figured all he had to do was catch enough fish which is what he is good at. But the idea of a 124-foot crabber-autoliner was an idea ahead of its time; the deficits created a hole too big to fill, even with help from Saltonstall-Kennedy funds. While Sparks could bury himself in the reports the project generated, the problem could be stated in a sentence: the boat was too expensive for the fish the Mustad system could catch, and the blast freezer couldn't keep up anyway. When they had shifted from headed and gutted cod to fillets, they needed a horizontal plate freezer, but it was too late for that now.

"The hooks on the Mustad System are too small and the gangions too

"Sparks could bury himself in the reports the project generated, but the problem could be stated in a sentence..."

light for Alaska cod—and it takes too many men to operate the system," said Sparks. (As many as 11, he said.) Erling Skaar who fished the Mustad system on the *Seattle Star* had a similar assessment: "The hooks are too small; the system doesn't work for Alaska species. In Norway it is very successful."

One can sense Sparks' struggle with the longline system by reading between the lines of the AFDF reports, or even an article commissioned by AFDF which appeared in *National Fisherman*: "To give each fish individual handling, Sparks prefers a working crew of nine despite the *Mistress*' high degree of automation." (Nov. 1981) Sparks would have preferred a working crew of four—so that he could have made some money.

No doubt the *Mistress* produced some good cod—but at a cost substantially above what it sold for; the results are elaborated upon by AFDF (setting speeds, catch rates, bait costs, etc.) suffice it to say that

under the auspices of AFDF) about 500 pounds per day of finished fillets; the minimal breakeven figure was 2,500 pounds.

Either Sparks didn't catch enough fish or he caught too many—and had to sell it for bait because the blast freezer couldn't keep up, thus dooming the operation if the size of the vessel didn't. As it says at the end of the AFDF *Interim Report*: "Unfortunately, given the costs of production and the market price, the *Aleutian Mistress* is far from breaking even."

What was the point of the project? According to a report prepared for AFDF by consultant Frank Orth, "It's unrealistic to expect a profitable operation at the beginning of the learning curve. Those who judge the success of the

Aleutian Mistress demonstration project by the profitability yardstick are missing the point of the project." The point is "to guide investors in similar fishery development efforts. It is in this sense that the project will contribute to a profitable fishery."

By such a standard, AFDF and its consultants couldn't fail; for them, even failure was success. But Sparks had no such luxury; he was left holding the bag, even if he grabbed it, and continued his grim trip to the bottom.

Chris Mitchell, now executive director of AFDF (Sara Hemphill was director at the time of the project) said the *Aleutian Mistress* made "one hell of a contribution to the industry. Not everyone believes that," he said, "but if it keeps one fisherman from going into it and going bankrupt, it was worth it."

But those were heady days out on the cod grounds with the *Aleutian Mistress* while it lasted. Sparks

Attachment

Table 8. U.S.-foreign joint venture groundfish catches by country and species from the Alaska portion of the U.S. FCZ, 1979-1981.

VENTURE/SPECIES	CATCH IN METRIC TONS			TOTAL
	1979	1980	1981	
U.S.-Soviet				
Flounders	16	12,552	21,413	33,981
Pollock	64	7,265	14,489	21,818
Cod	27	4,756	7,544	12,327
Other Fish	31	308	4,142	4,481
TOTAL	138	24,881	47,588	72,607
U.S.-Korean				
Flounders	61	853	538	1452
Pollock	518	6,988	29,555	37,061
Cod	684	1,581	299	2,564
Other Fish	121	208	277	606
TOTAL	1,384	9,630	30,669	41,683
U.S.-Japanese				
Pollock			11,339	11,339
Other Fish			75	75
TOTAL			11,414	11,414
U.S.-Polish				
Pollock			2,246	2,246
Other Fish			4	4
TOTAL			2,250	2,250
U.S.-West German				
Pollock			1,165	1,165
Cod			1,372	1,372
Other Fish			865	865
TOTAL			3,402	3,402
GRAND TOTAL	1,522	34,511	95,323	131,356



Fisheries of Alaska 1981

Prepared by
Natural Resources Consultants
Seattle, Washington

for
Alaska Fisheries Development Foundation
Anchorage, Alaska

July 1982

Thousands of
Metric Tons

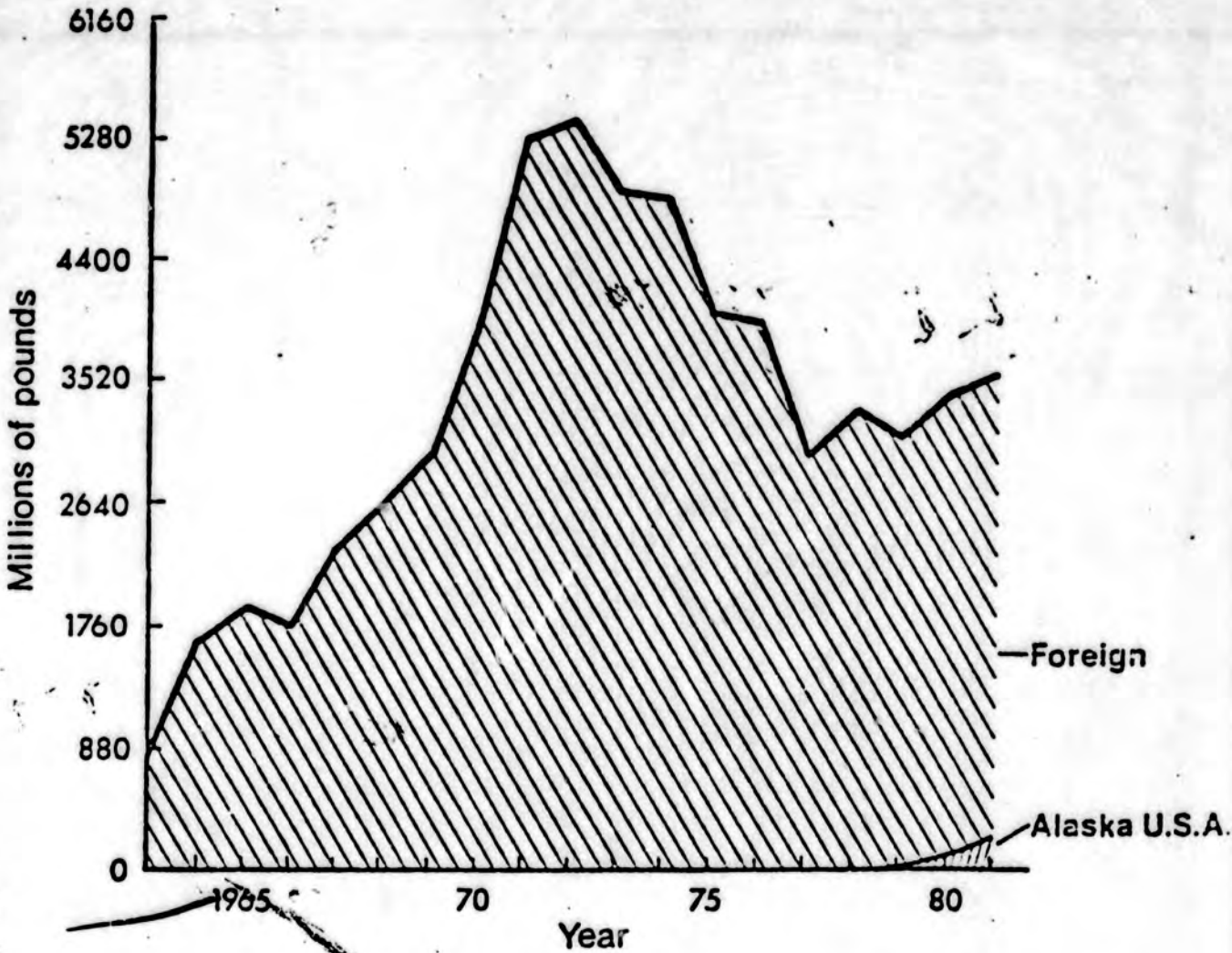


Figure 18. Total foreign and U.S. catch of groundfish from the FCZ off Alaska (excludes Canadian halibut catch).

Source: NRC data files.

Natural Resources
Consultants
District Water Study
1/83, Seattle,
Wash.

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Table 4. Catches (in metric tons) in 1981 of Alaska groundfish (all species and areas) by directed foreign fisheries and in joint venture operations with U.S. vessels.

	DIRECTED FISHERY CATCH	JOINT VENTURE CATCH	TOTAL
Japan	1,151,467	11,413	1,162,880
South Korea	242,936	30,686	273,622
U.S.S.R.	-0-	47,702	47,702
Poland	99,623	2,227	101,850
West Germany	11,875	3,402	15,277
Taiwan	5,913	-0-	5,913
TOTALS	1,511,814	95,430	1,607,244

Source: Preliminary "best blend" data from Northwest and Alaska Fisheries Center, National Marine Fisheries Service, Seattle.

Table 5. Catches (in metric tons) in 1981 of individual species, or species groups, by directed foreign fisheries and in joint venture operations for the combined areas off Alaska.

	DIRECTED FISHERY CATCH	JOINT VENTURE CATCH	TOTAL
Alaska pollock	1,121,493	58,772	1,180,265
Pacific cod	75,444	9,388	84,829
Sablefish	11,050	180	11,230
Rockfish	25,747	9	25,756
Atka mackerel	37,044	1,633	38,677
Flatfish	187,467	21,976	209,443
Other fish	45,533	3,467	50,000
Squid	7,039	5	7,044
TOTAL	1,511,814	95,430	1,607,244

Source: Preliminary "best blend" data from Northwest and Alaska Fisheries Center, National Marine Fisheries Service, Seattle.

Fishes of Alaska 1981

Prepared by

Natural Resources Consultants
Seattle, Washington

for

Alaska Fisheries Development Foundation
Anchorage, Alaska

7/85

Source
For Attachments
F, G, + H:

Natural Resources
Consultants
District Water Study

~~183~~, Seattle,
Wash.

Table 18. Number of commercial vessels by homeport state (Washington, Alaska and Oregon/California) that harvested groundfish in Alaska in 1981.



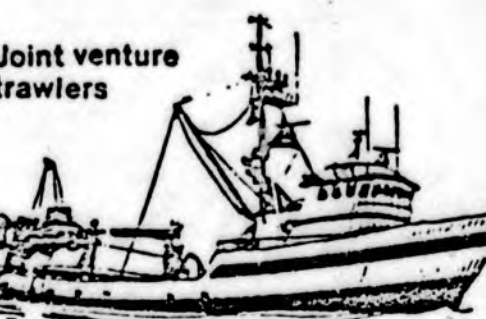
Fleet/1981	Washington	Alaska	Other	Total
 Shorebased longliners & trawlers	≈180	≈800	≈15	≈995
 Joint venture trawlers	≈25	≈3	≈5	≈33
 Cod catchers-processors	≈7	0	0	≈7
All vessels	≈212	≈803	≈20	≈1035

Table 19. Catch (in millions of pounds) of groundfish by vessels registered to home ports in Washington, Alaska and Oregon/-California in 1981.

Attachment B

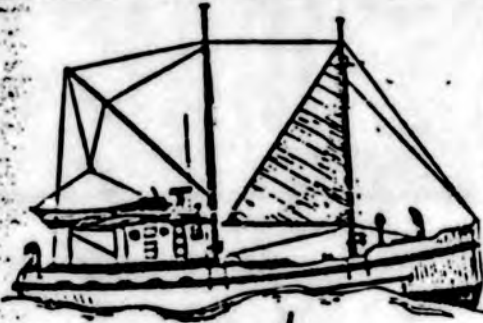

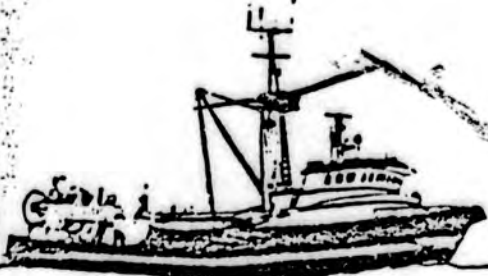



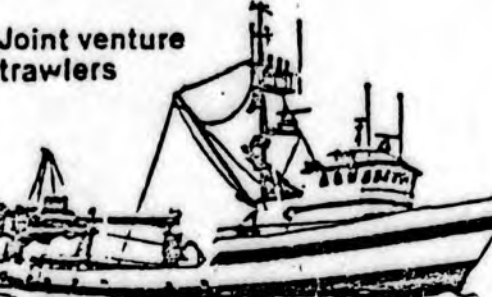
Fleet/1981	Washington	Alaska	Other	Total
	≈5.0	≈4.5	0.1	9.6
Shorebased longliners & trawlers				
	≈170.0	≈11.8	≈28.2	210.0
Joint venture trawlers				
	≈37.0	0	0	≈37.0
Cod catcher-processors				
	212.0	16.3	28.3	256.6
All vessels				

Table 20. Ex vessel value (in millions of dollars) of groundfish catch from Alaska by vessels registered to homeports in Washington, Alaska and Oregon/California in 1981.

Attachment

Fleet/1981	Washington	Alaska	Other	Total
 Shorebased longliners & trawlers	≈1.2	≈1.1	≈.1	≈2.3
 Joint venture trawlers	≈8.2	≈0.6	≈1.3	≈10.1
 Cod catcher-processors	≈8.8	0	0	≈8.8
All vessels	≈18.2	≈1.7	≈1.3	≈21.2