

BEFORE THE
UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
SUBCOMMITTEE ON OCEANS, ATMOSPHERE, FISHERIES, AND COAST
GUARD

On

*Fishing Vessel Safety, AFA Vessel Rebuild & Excessive Share Cap, and Pacific Cod
Fishery Cooperative*

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Testimony of

John Bundy

Thank you, Madame Chairman and Members of the Subcommittee, for the opportunity to testify. I am John Bundy, president of Glacier Fish Company. Based in Seattle, Washington, Glacier Fish Company is principally owned by two Seattle fishing families and the Norton Sound Economic Development Corporation (NSEDC). NSEDC is a private nonprofit corporation representing 15 member communities and over 8,400 people in the Bering Strait Region of Northwestern Alaska. NSEDC is one of six Community Development Quota (CDQ) organizations. I have a broad perspective of fisheries management issues in the North Pacific having recently completed nine years of

service on the North Pacific Fisheries Management Council (Council) on which I was one of three voting members appointed by the Governor of the State of Washington.

Glacier Fish Company owns and operates three trawl catcher/processor vessels that participate in the Bering Sea Alaska pollock fishery. Two of those vessels are eligible as well to participate in the catcher/processor sector of the west coast Pacific whiting fishery. Our company also operates two freezer longline vessels that participate in the Bering Sea/Aleutian Island (BSAI) Pacific cod fishery.

I am here to testify today in favor of two issues being considered by the Subcommittee. The first issue is a legislative proposal to facilitate the formation of a fish harvesting cooperative for the freezer longline sector of the BSAI Pacific cod fishery. The second issue is a provision in the House-passed Coast Guard reauthorization bill, H.R. 2830, relating to the replacement, rebuilding and retirement of vessels identified in the American Fisheries Act (AFA) as eligible to participate in the Bering Sea pollock fishery. This provision was also included in the Coast Guard reauthorization bill in the 109th Congress, which passed the House, but was not taken up by the Senate.

Freezer Longline Cooperative Proposal

I am testifying on this matter as a board member of the Freezer Longline Coalition and on its behalf.

The members of the Coalition are the owners of 34 of the 36 vessels authorized by the Council to participate in the freezer longline sector of the BSAI cod fishery. Our members are united in their commitment to sustainable fishing practices evidenced by the fact that our fishery is the first cod fishery in the world to receive certification from the Marine Stewardship Council (MSC) as sustainable, eco-friendly and well-managed. The MSC certification is the most widely recognized and respected mark for sustainable well-managed fisheries. The certification requires that a team of independent scientists investigate and find the fishery resource to be healthy, not in danger of being overfished, and harvested in a sustainable manner. The Coalition is committed to improving fishing practices and ensuring the productivity and sustainability of the Pacific cod resource.

I would like to provide the Committee a brief overview of the freezer longline fleet and how it operates in the Pacific cod fishery. The fleet consists of 36 vessels that catch, process, freeze and package fish on board the vessel while at sea. The vessels use specialized longlines with individually baited hooks to catch the resource. Each line is set and hauled every day; the fish are individually taken off the hook and flash frozen within a matter of hours. This method of fishing allows the operators to maintain the highest quality level. The use of longlines also allows the fleet to make important adjustments in selective gear and bait methods to avoid bycatch, ensuring not only the health of the cod fishery but of the other fish species in the marine ecosystem. In addition, the fishing methods employed by the freezer longline sector are very low impact, minimizing damage to the ocean floor and interaction with corals, plant life, and other marine life.

While the Freezer Longline Coalition is extremely proud of its sustainable and low impact fishing practices, it still has concerns regarding the management of the fishery. Under the current fishery management plan, there is a “race for fish” resulting in substantial safety concerns, unnecessary waste of the fishery resource, and environmental consequences that could be avoided by cooperative harvest behavior. Because the fleet is over-capitalized, the total harvesting capacity is greater than the available quota of cod. This results in extremely short seasons with operators racing to maintain or increase their “share” of the catch within the short time allowed before the quota has been caught. We refer to this as the “Olympic system” because the incentives inherent in a common pool of fish causes vessel owners to concentrate their efforts and investments on catching and processing the maximum amount of cod that their vessels can handle in the shortest possible time. This practice requires vessel operators to take safety risks and naturally leads to waste. Under the “race for fish,” vessel operators must fish in weather conditions that jeopardize vessel safety. Many less valuable parts of the cod fish are often discarded along with other bycatch to make room in the hold for more valuable products so the vessels can continue fishing as long as possible. Fishing crews often throw excess provisions and bait over the side to make room for a few more cases of cod before the season ends because if not harvested now the cod will be “lost” to that vessel operator.

The formation of a cooperative in this sector would eliminate the waste inherent in the “Olympic System.” Providing this sector with tools to voluntarily fish cooperatively will mean that vessel operators can slow down their harvest rates with the

knowledge that they will still be able to catch their share of the resource. The members of the cooperative will convert energy and investment previously used only to maximize the daily catch of cod to improving safety and maximizing the value of their share by increasing yield and quality of all products and species caught. Operating in risky weather will no longer be an economic necessity. Far less will go to waste. We know that recovery rates in some rationalized fisheries have been increased by as much as 50% and bycatch rates have been cut by 40%. By operating in a cooperative structure, vessel safety will be enhanced and our members will become even better stewards of the resource because they will have a greater long-term vested interest and better tools to manage it sustainably.

Fishery cooperatives and other forms of rationalization are not new management concepts to West Coast fisheries. In fact, the freezer longline Pacific cod sector is the last remaining major fishery yet to be rationalized in the BSAI region of the North Pacific. A cooperative for the freezer longline Pacific cod sector will be similar to other successful voluntary harvest cooperatives currently in place, including numerous BSAI Pollock cooperatives implemented under the American Fisheries Act (AFA), the offshore cooperative in the Pacific whiting fishery off the coast of Oregon and Washington, cooperatives in the BSAI flatfish trawl fisheries, a cooperative in the Gulf of Alaska rockfish fishery, and numerous cooperatives formed in various BSAI crab fisheries. A voluntary harvest cooperative for our Coalition members will provide the same public and private benefits as experienced by these other rationalized fisheries.

The benefits of a voluntary harvest cooperative are numerous. The support letter from the State of Washington Department of Fish & Wildlife sums it up well:

“(1) improved safety at sea, (2) reduced impacts to the ecosystem, (3) stronger support for sustainable fishery management, (4) increased product quality and supply to consumers, (5) removal of incentives for overcapitalization, and (6) improved financial stability for participants in the cooperative.” Fishing in a cooperative will allow the fleet to slow down the fishery and choose better weather in which to fish. No longer will the skipper and crew feel compelled to start at midnight on January 1 regardless of storm and ice conditions. A slower pace will allow the crew more time to rest and provide greater job stability by extending the fishery over most of the year. The fleet can be more selective in fishing operations which will help to reduce incidental bycatch of non-target species and have less fishing impact on the environment. Capital investment to enhance a vessel’s prospects in the “race for fish” will be converted to technology to enhance the value of the fishery, reduce waste and lower fuel consumption and the fleet’s carbon footprint.

A voluntary harvest cooperative requires 100% agreement because non-members in the same sector are free to continue to race for the entire quota. Over the last four and half years, the fishermen in the freezer longline Pacific cod sector have worked to establish a cooperative with 100 % approval of the fishery participants. However, despite all of the proven benefits of a cooperative, one company with two of the fleet’s 36 vessels has decided it does not want to participate. Faced with this situation, Congress in the AFA adopted the approach we advocate here: define a sub-pool of the quota which

reflects what the non-joiners would reasonably be expected to harvest and let them race for it; and leave the remainder for the voluntary harvest cooperative to manage under supervision of the Council and National Marine Fisheries Service.

The legislation proposed by the Coalition would not grant any resources to any individual, vessel or company. It would not in any manner lessen the North Pacific Council's authority and responsibility to manage and conserve the BSAI cod fishery, or to make new or different allocations in the future. It would simply provide a basic tool modeled on the AFA that would allow formation of a voluntary harvest cooperative.

Specifically, it would provide that if 80% or more of the fleet wishes to form a voluntary harvest cooperative, NMFS will divide the total cod quota for the sector into two parts based on historical vessel harvests in a reasonably recent set of years. The cooperative would then manage the part equal to the collective catch history of its members, and parties wishing to continue the derby style of fishing would be free to do that by accessing the collective catch history of the non-cooperative members.

The owners of all but two of the 36 fishing vessels in our fleet have signed an agreement to form a voluntary harvest cooperative. There is broad support for the cooperative form of management from other West Coast commercial fishing groups and harvest cooperatives, as well as fishery management agencies and financial institutions that provide support for the fleet. All six Alaska Community Development Quota (CDQ) groups, representing 65 Alaska Native coastal communities, support legislation that will

permit the formation of a voluntary harvest cooperative, which will provide additional resources for needed economic development in rural western Alaska. The Environmental Defense Fund, fisheries scientists and safety organizations all support this outcome, as does the State of Washington. In its letter of support, the Director of the Washington Department of Fish & Wildlife states:

“The Washington Department of Fish and Wildlife is strongly in support of cooperative fishing efforts for the Washington and Alaska based fleets operating in federal waters off the coast of Alaska....WDFW supported the recent actions of the ...Council in restructuring the Pacific Cod fishery in the Bering Sea and Aleutian Islands (Amendment 85), and expected that the Freezer Longline sector would be able to form a voluntary cooperative as a result of the Council’s action.”

But formation of a voluntary harvest cooperative has been stymied by a single company. The need for a resolution is urgent. The fishing seasons for Pacific cod continue to shorten, creating uncertainty for the industry and loss of stable work. This year’s “A” season was the shortest on record, as was the year before that, and the year before that. As fuel prices increase and the Pacific cod allocation drops to its lowest point in recent years, participants are forced into an increasingly dangerous race for the fish. Captains and crews fish around the clock, sometimes without sleep and without regard to bad weather, to catch as much of the resource as quickly as possible before the fishery is closed. The race for fish encourages risk-taking behavior and is wasteful. Our sector needs the tools necessary to form a voluntary harvest cooperative to slow down the fishery and stabilize the industry.

For more than four years, in a transparent process open to all, our group has tried its best to include everyone in a voluntary agreement to form a harvest cooperative, but it now appears that without congressional action the race for fish in the Pacific cod longline sector will never end. On behalf of all the members of the Freezer Longline Coalition I respectfully ask the members of the Subcommittee to act quickly in introducing legislation that provides the fleet with tools needed to end the derby style race for fish in the BSAI freezer longline cod fishery.

The freezer longline sector of the Pacific cod fishery has a long and positive history of working with fisheries managers and Congress to promote sustainable fishing practices. Leaders in the fleet have supported Council and Congressional actions to eliminate the race for fish, minimize bycatch, and reduce capacity. Establishment of a voluntary harvest cooperative is a vital step in this progression, and important to the ongoing health of the resource and safety of the fleet.

American Fisheries Act Vessel Amendment

The AFA vessel amendment in the House Coast Guard reauthorization bill provides a vessel owner the discretion to replace, rebuild or retire an AFA-qualified vessel when there is a business case to do so. This proposal updates current law that prohibits the replacement of any AFA-qualified Bering Sea pollock fishing or fish processing vessel except in the calamitous “event of the actual total loss or constructive total loss” of the vessel. Current law further limits the flexibility of a vessel owner by

essentially requiring that any such replacement vessel not exceed the length, tonnage and engine horsepower of the original vessel. Coupled with an existing regulatory regime that essentially limits the *rebuilding* of an existing vessel to its current length, vessel owners are restricted to business plans adopted in the 1980s when virtually the entire fleet of Bering Sea pollock catcher, catcher/processor and mothership vessels entered the fishery.

As explained below, the AFA vessel provision updates current law to promote efficiency, including energy efficiency, and enhanced utilization of fishery resources. The provision is intended to promote international competitiveness for U.S. fishers and processors in the largest and one of the most important U.S. fisheries. This provision will not result in overcapitalization of the pollock fleet nor will it have adverse conservation impacts. In fact, it could further reduce fleet capacity and provide conservation benefits by reducing the environmental footprint of the fleet.

The AFA provided a three-sector split of the Bering Sea pollock fishery and identified either by vessel name or qualifying criteria the vessels eligible to participate in each sector. While the Act treats each sector of the pollock fishery (onshore, mothership and catcher/processor) somewhat differently, the Act contemplated that a fish harvesting cooperative, or cooperatives, would form within each of the three sectors, and that proved true. Fish harvesting cooperatives establish individual pollock allocations among cooperative members that yield a number of benefits, including removing any incentive

for employing fish harvesting and fish processing capacity beyond what is needed to optimize catching and processing of the allowable quota.

The Bering Sea pollock fish harvesting cooperatives established a decade ago are an unqualified success. The cooperatives have achieved measurable conservation benefits, resolved overcapitalization concerns, and resulted in economic and social stability for fishery participants. These improvements are the direct result of ending the “race for fish.” In considering the AFA vessel amendment, the first public policy question to be addressed is whether allowing AFA-qualified vessels to be replaced at the owners’ discretion and without size restrictions will undermine fish harvesting cooperatives and spark a return to a race for fish. The answer is clearly “no.” The efficiencies achieved through individual allocations in terms of reducing operating costs and increased revenues from optimized utilization of the resource are so significant that the cooperative structures in the Bering Sea pollock fishery will be preserved at all costs.

Continuation of the cooperative structure is ensured by other safeguards as well. For example, the contractual cooperative agreement among catcher/processor sector participants requires unanimous consent among co-op members to dissolve the co-op. In short, the smallest company or the company with the oldest and least efficient vessel, or vessels, has a veto against dissolution of the catcher/processor co-op. With regard to the catcher vessel fleet, the AFA provides a formula for allocating pollock individually among qualified vessels, so there is no incentive to replace or rebuild vessels to catch fish faster since individual allocations are fixed in the law. Vessel operators support the AFA

vessel amendment because it will allow them to operate more efficiently within the current co-op structure.

AFA vessel operators are seeking the amendment as a necessary means to maximize the value of their individual fish allocations and reduce costs. While the Alaska pollock fleet consists of safe and seaworthy vessels, almost all of the 19 AFA-qualified catcher/processors, three at-sea processing mothership vessels, and roughly 100 catcher vessels were either built, or converted from some other use, to pollock fishing and fish processing vessels between 1980 and 1990. The restrictions in current law regarding when a vessel can be replaced and to what size inhibit further improvements in fleet performance.

With respect to the catcher/processor fleet, the larger at-sea processors have onboard factories equipped to produce two primary product forms derived from the flesh of the fish—fillet and *surimi* products. *Surimi* is a minced fish product used to make imitation crab and other analog products. Larger at-sea processors can also accommodate machinery for producing fish meal and fish oil from inedible portions of the pollock (skin, bones and viscera.) Although it has a variety of uses, pollock fish meal is most often sold for fish feed in aquaculture operations. Fish oil, which is a byproduct of the fish meal production process, is used in boilers onboard the vessels as a substitute for diesel fuel and has the advantage of achieving both cost savings and lower emissions in generating energy.

Smaller at-sea processing vessels, however, are limited primarily to employing fillet making equipment, which limits product marketing flexibility. Space limitations in the factory also preclude making fish meal and fish oil from which vessel operators can derive additional revenue and reduce costs. Increasing vessel size, which the current AFA does not allow for vessels over 165 feet in length, is the only option for vessel operators seeking to enhance utilization and derive more value from their assigned quota. Increasing vessel size also allows for increased onboard cold storage capacity. The more product that can be frozen and stored onboard the vessel at any one time reduces the number of trips to shore for offloading, which increases efficiency and reduces fuel costs.

Passage of the amendment will also help safeguard family wage fishing and fish processing jobs. Removing vessel size restrictions that inhibit, or preclude, investments in new technology and value-added processing equipment helps U.S. fishing operations compete better against lower foreign labor costs. If our freezer holds are filled with relatively unprocessed fish, value-added processing will be performed in China or other countries with low labor costs. We can keep these manufacturing jobs in the U.S., however, if we have the latitude to configure our vessels to take full advantage of state-of-the-art processing technologies.

For a catcher vessel, increasing vessel size allows for greater fish hold capacity. Greater fish hold capacity means fewer trips are needed to catch an individual's quota limit, which again means reduced fuel usage and greater efficiency. The AFA vessel amendment also contains a provision that allows for the retirement of less efficient or

older catcher vessels. Currently, as implemented, the AFA requires the owner of a qualified catcher vessel delivering to an inshore cooperative to provide evidence that the vessel holds a valid fishing permit before the National Marine Fisheries Service (NMFS) issues that vessel's annual pollock allocation. As a result, a fleet owner with a less efficient vessel, or vessels, who aggregates his or her catch allowances and fishes them on more efficient vessels must still moor, maintain and insure vessels that are no longer operating in the fishery. The same circumstance applies to vessel owners leasing their annual quota to be harvested by owners of other AFA-qualified catcher vessels. The AFA vessel amendment allows for AFA-qualified vessels to be retired and for the owners of such vessels to assign the quota to another vessel or vessels. Importantly, any retired AFA-qualified vessel must surrender its fishery endorsement ensuring that it cannot fish in any other U.S. fishery.

A second public policy question to be answered is whether allowing AFA-qualified vessels to be replaced or rebuilt without constraints on size will have negative effects on other fisheries. The answer is “no.” The AFA already imposes significant restrictions on participation by AFA-qualified vessels in other fisheries. The AFA vessel amendment adds more restrictions. As noted above, any replaced vessel forfeits its fishery endorsement, which disqualifies the vessel from participating in any other U.S. fishery. The amendment also prohibits any replacement catcher vessel—regardless of whether or not the vessel increases its size—from harvesting fish in any region other than the North Pacific, except for the west coast Pacific whiting fishery. The AFA already imposes this limitation on the three AFA-qualified motherships and 19

catcher/processors. Any AFA-qualified rebuilt vessel that increases beyond its current size will also be prohibited from harvesting fish in any region other than the North Pacific, except for the Pacific whiting fishery. Within the North Pacific region, any AFA-qualified replacement vessel or rebuilt vessel that increases in length beyond the vessel length specified on its current groundfish license would be prohibited from fishing in the North Pacific's Gulf of Alaska management area. In sum, the AFA vessel amendment further reduces opportunities for vessels from the Bering Sea pollock fishery to "spillover" into other U.S. fisheries.

The Alaska pollock fishery has a number of strengths. Fish stocks are healthy and robust. The fishery has undergone an independent environmental audit and been certified as sustainable by the World Wildlife Fund-backed Marine Stewardship Council. The value of the Alaska pollock fish products at the primary processing stage is nearly \$1.0 billion annually. As one of the largest fisheries in the world, Alaska pollock competes strongly in the very competitive global whitefish commodity market. Alaska pollock products are high quality and in strong demand in the U.S., Japan, U.K. and EU markets, among others. Passage of the AFA vessel amendment will provide U.S. fishers and fish processors the flexibility to optimize operations, promote fuller utilization of the resource, increase operational efficiency, and maintain international competitiveness.

Thank you for the opportunity to testify today on these two important issues. I will be pleased to answer any questions that you or other Subcommittee Members might have.