

**Testimony of Donna Parker**  
**U.S. Commerce Committee**  
**Subcommittee on Oceans, Atmosphere, Fisheries and Coast Guard**

**Support**  
**Amendment of the American Fisheries Act to**  
**Promote Vessel Safety and Economic Competitiveness**  
**Oppose**  
**Amendment of the AFA Excessive Harvest Share Cap**

Madame Chairman, Members of the Committee:

Thank you for the opportunity to appear before the members of the Subcommittee and to provide testimony on these important fishery issues. I am Donna Parker, the Director of Government Affairs for Arctic Storm Management Group. Arctic Storm is based in Seattle, Washington and operates four commercial fishing vessels in the North Pacific and West Coast fisheries. Two of the vessels are catcher-processors that harvest and process seafood and two are catcher vessels. All four vessels have a long history of participation in the development of these fisheries and all four are American Fisheries Act (AFA)-qualified vessels that participate as members in AFA pollock fishing cooperatives.

I am here to testify today on two issues of interest to this Subcommittee. My first comments are intended to speak in strong support of amending the American Fisheries Act (AFA) to promote vessel safety and the economic competitiveness of the Alaska pollock fishery by providing vessel owners with discretion to replace, rebuild or retire an AFA-qualified vessel. The focus of my other comments will be in opposition to amending the AFA excessive harvesting share cap. There has been an attempt to link these two issues which we believe is without merit.

**Support Amendment to Replace, Rebuild and Retire**  
**AFA qualified vessels.**

Congress passed the American Fisheries Act (AFA) in 1998, principally, to resolve chronic overcapitalization in the nation's largest fishery, the Bering Sea (BS) pollock fishery. The AFA included a buyback of certain fishing vessels and created a framework that allowed the three industry sectors—onshore, mothership and catcher/processor—to form fish harvesting cooperatives for the purpose of “rationalizing” the fishery. Rationalizing fisheries means ending the often wasteful race among fishery participants to catch as much of the available quota as quickly as possible.

Uncertain whether the vessel buyback program and formation of fish harvesting cooperatives would succeed, Congress included an additional measure intended to address excess capacity. The AFA included strict limitations on replacing vessels identified in the Act as eligible to participate in the BS pollock fishery.

The AFA has proven to be an unqualified success. The vessel buyback provisions and the fish harvesting cooperatives instituted in all sectors of the fishery have resolved overcapitalization in the fishery. The fish harvesting cooperatives are primarily responsible for resolving overcapitalization as they effectively remove any incentive to employ fishing capacity beyond what is needed to catch the allowable fishing quota in a deliberate, economically rational manner.

### **Removing Unnecessary Restrictions on Vessel Replacement Promotes Safety, Efficiency and International Competitiveness.**

Under current law, the AFA permits the replacement of an AFA-eligible vessel only in such limited instances where a qualified vessel is rendered an “actual total loss or constructive total loss.” The Act should be amended to allow AFA-qualified vessels to be replaced at the owners’ discretion. Because of the AFA’s success in rationalizing the BS pollock fishery, restrictions on replacing or improving vessels, including arbitrary limits on vessel length, tonnage or engine horsepower, are no longer necessary.

Most AFA vessels were built in the 1980’s. Confining their operations to business plans and technology available thirty years ago does not make sense in a global economy. In any modern business, in order to remain competitive you have to operate efficiently. Under the current restrictions of the AFA, vessel owners are often constrained by space limitations that force them to operate less efficiently. For instance, smaller boats are constrained in their ability to operate both surimi and fillet lines to meet the needs of the market and the appetites of the U.S. consumer. Space limitations also constrain the ability to install fish meal plants that allow full utilization of the fishery byproducts, fish oil plants that convert fish waste into a substitute for diesel fuel, and increased cargo hold capacity which reduces the amount of trips required to unload the vessel.

For instance, one of our catcher-processors, the Arctic Fjord packs 920 tons of finished product while the larger, Arctic Storm, packs 1540 tons. That difference in capacity forces the Fjord to make five additional trips a year to and from the fishing grounds to unload product using approximately 220,000 gallons of fuel. At current costs of \$4.20/ gallon, these trips increase operating costs substantially. It also contributes to unnecessarily extending our carbon footprint at a time when reduction of carbon usage has been identified as a high priority. Related to that issue is needed space to construct a fish oil conversion plant. Use of fish oil to fuel a catcher-processor is expected to offset diesel fuel consumption by 1,200 to 2,500 gallons a day. Like several other AFA catcher-processors, the Arctic Fjord is not large enough to accommodate construction of a fish meal plant without rebuilding the hull. Fish meal plants turn fish waste into fish

food for aquaculture operations in Asia. It also increases our recovery rates by approximately 2.5 to 5% of round weight.

For a catcher vessel, increasing vessel size allows for greater hold capacity and so reduces the number of trips needed to harvest its catch quota. The proposed amendment also contains a provision that allows for retirement of less efficient and aging vessels. Currently, AFA requires that the owner of a catcher vessel delivering to a shoreside cooperative maintain that vessel and permit in order to receive its annual allocation of pollock. The AFA vessel amendment allows AFA-qualified catcher vessels to be retired and for the owners of such vessels to assign the quota to another vessel or vessels. To avoid negative impacts to other fisheries, any retired AFA-qualified vessel must surrender its fishery endorsement and so cannot participate in other US fisheries.

Because current regulations prevent us from replacing our existing vessels, we must replace parts of the vessels piece by piece as they wear out. We are forced to figure out how to make these hulls last forever without the opportunity to take advantage of more efficient technology available to our industry. While the AFA fleet is operated and maintained to ensure maximum safety conditions, it seems counter to the promotion of the safety of human life at sea, as called for in National Standard 10 of the Magnuson-Stevens Act, to prohibit AFA-eligible vessels from being replaced or efficiently rebuilt using state-of-the-art technology and architectural designs that can simultaneously accomplish premium safety and efficiency.

The arbitrary limits on length, tonnage and engine horsepower of replacement vessels stipulated in the AFA are unnecessary. To help foster safety, product quality, innovation and efficiency—all of which contribute to Alaska pollock producers remaining competitive in the international whitefish market—it is critically important to remove limitations in current law on replacement of AFA-qualified vessels.

### **The Success of Fish Harvesting Cooperatives Demonstrates That There Will Be No Adverse Fishery Management Impacts from Removing Restrictions on Replacement Vessels.**

The fish harvesting cooperatives in the BS pollock fishery made possible by the AFA are an unqualified success. Under the cooperatives, qualified fishermen enter into contractual arrangements specifying each individual's share of the catch. Fishing and processing then proceeds in the most efficient manner to enhance utilization and maximize the value of harvested fishery resources. Prior to passage of the AFA, the BS pollock fleet could catch the entire year's quota in approximately 90 days. Since 1998, the length of the fishing season has doubled. In the catcher-processor sector, although 19 vessels are eligible to participate in the fishery, each year three or four of the less efficient vessels remain in port. The Pollock Conservation Cooperative (PCC)—the catcher-processor sector fish harvesting cooperative—reports that due to the deliberate pace of fishing and use of the most efficient vessels, *the fleet is producing nearly 50*

*percent more fish products per pound of fish harvested* than what the fleet achieved under the pre-AFA “race for fish” system. Removing unnecessary restrictions in the AFA on replacement vessels will allow for more improvements in this area.

There are also demonstrated conservation benefits of cooperative fishing. While the mid-water trawl Alaska pollock fishery has always ranked as one of the world’s “cleanest” fisheries, under the fishing cooperative less than 0.5% of what is harvested is discarded. Prior to formation of cooperatives, discard rates were somewhat higher. Eliminating the “race for fish” has allowed fishermen to target market-sized pollock, utilize more of any incidental catches of non-target species, and to institute voluntary bycatch reduction programs to minimize incidental catches of non-target species.

It is also important to note that there will be no effects on other fisheries as a result of removing restrictions on replacing or improving AFA-eligible vessels. The AFA provides for strict limits on participation by AFA-qualified fishing vessels in other fisheries, and this proposal increases those safeguards. For instance, any replaced vessel is prohibited from participating in any fishery outside the North Pacific and the West Coast hake fishery. And any rebuilt or replaced vessel that increases its length would be prohibited from fishing in the Gulf of Alaska. Any retired AFA-qualified vessel must surrender its fishery endorsement ensuring it cannot fish in any other U.S. fishery. In this way all other fishery participants in the U.S. are protected from enhanced efficiencies gained by replaced, rebuilt or retired AFA vessels.

In sum, the AFA has succeeded in removing excess capacity from the BS pollock fishery. The advent of fish harvesting cooperatives has removed any incentive for increasing fishing effort and created opportunities for maximizing utilization of fishery resources. We urge that the overly restrictive replacement vessel language of AFA be amended to enable Alaska pollock producers to meet national fishery policy objectives of promoting the safety of life at sea and to enhance efficiency and international competitiveness in the nation’s largest fishery.

**Oppose Amendment of the AFA 17.5%**  
**Excessive Harvesting Share Cap**

The AFA has been remarkably successful in stabilizing the Bering Sea pollock fishery, once marred by bitter allocation battles that devalued the fishery and hurt all participants as well as the U.S. consumer. When the AFA was enacted in October 1998, it provided the tools to accomplish four primary goals; Americanization, decapitalization, reallocation and rationalization. During detailed negotiations each of these goals were balanced in order to make the others possible. One of the key provisions was to reduce the dominance of American Seafoods which had grown from three to 16 vessels in eight years. Some of these vessels were financed and built in Norwegian shipyards. They were

among the largest and most modern vessels built during the late 1980's and so contributed to the over-capitalization of the Bering Sea pollock fishery during the 1990's.

The AFA authorized a \$90 million payment to American Seafoods to permanently remove nine of the 16 vessels from the fishery reducing its historical harvest share to 17.5%. The federal government paid American \$20 million and the remaining \$70 million is a federally guaranteed loan still being paid off by catcher vessels participating in the inshore fishery. This action accomplished two goals; it reallocated an additional 10% of the pollock fishery to the inshore sector and it reduced the dominance of a single company in the nation's largest fishery. While other companies could have offered vessels for sale under this arrangement, it made most sense for American to offer its most inefficient vessels for sale in exchange for keeping its most efficient vessels. To its credit, participation by American in this arrangement was a critical ingredient to the successful negotiation of AFA.

To ensure future balance and diversity in the industry, an excessive harvesting share cap of 17.5% was installed as a key feature of the AFA. American Seafoods now proposes to increase the harvesting cap and has argued that this increase is linked to the proposed amendment which would allow AFA vessels to rebuild, replace or retire aging AFA vessels. The rationale for this linkage is unclear but seems to focus on two issues.

The first issue is concern that if AFA vessels are allowed to become more efficient, some participants may have an incentive to terminate the Pollock Conservation Cooperative (PCC) and return to a race for fish. This issue was remedied when members of the PCC agreed to require unanimous consent by all members to terminate the coop. This means, the offshore catcher-processor cooperative which allocates harvest shares among members could not be terminated unless all participants agreed to it. In this way American Seafoods and all other members would not be put at risk of losing its share of pollock due to modification of the AFA rebuild and replacement provisions.

The second issue seems to be concern that in setting the 17.5% cap, American was allowed to operate the most efficient fleet. In allowing other vessels to modernize, the argument seems to be that American is losing its competitive advantage and should be compensated by allowing it to increase its market share. In other words, if American Seafoods is unable to increase its market share, the remaining fleet should not be permitted to effectively compete in the world marketplace.

*. Importantly, these arguments have failed to persuade most AFA participants to support an increase in the harvest share cap, including other companies that are either approaching the cap or are currently limited by the cap. Most participants feel that, in allowing the pollock fleet to modernize, the proposed amendment to rebuild and replace vessels levels the playing field rather than disadvantages any one participant.*

It should also be noted that in owning 17.5% of the pollock fishery harvesting capacity, American controls 40% of the offshore sectors allocation. Additionally, American also harvests most of the Community Development Quota (CDQ) which is not subject to the harvesting cap. The CDQ quota comprises 10% of the Bering Sea pollock fishery. Before AFA, American harvested only 5% of the CDQ quota. Today, it harvests about two-thirds of the CDQ quota. In so doing, it has increased its total harvesting share to about 23% of the nation's largest fishery.

For our company and others, this issue is simply one of putting too much control in the hands of too few. At some point, a much larger company puts smaller companies at a significant disadvantage and destabilizes the fishery. For the Bering Sea fishery, that point has been established at 17.5% of the harvesting capacity. The majority of Bering Sea participants have not been persuaded that a compelling reason exists to change that excessive share limit. We continue to believe that a cap set at 17.5% is a critical part of the AFA package and, if increased, may destabilize the fishery. We do not believe updating AFA vessel rebuild and replacement requirements will destabilize the pollock fishery or disadvantage any one company. These are two separate issues and should be treated separately. Specifically, the safety and efficiency of the entire AFA fleet should not be jeopardized by the desire of a single company to exceed the current harvest share limit.

Finally, American Seafoods is an efficient and well managed seafood company. After passage of the AFA, American was quick to comply with Americanization of its ownership. It has diversified its operations nationally and internationally. It is a well-respected participant in the pollock fishery. Our comments have focused only on American Seafoods insofar as it is the only company to request an increase in the excessive harvesting share cap.

Thank you again for the opportunity to testify on these fishery issues. We urge you to support the proposed amendment that will allow pollock fishery participants to rebuild, replace and modernize our fleet so that we can successfully compete in the global marketplace. We also urge that you keep the excessive harvesting cap in place to protect the current balance and diversity that benefits most participants in the fishery as well as the U.S. consumer.

This concludes my comments.