

ESSA notes

When GH asked me to do a presentation on fisher's response to climate change in the Arctic, I told him while I had plenty of experience responding to change (some times rationally, sometimes not), I didn't have a clue about the Arctic. GH strong armed me anyway, and now I think it was because he wanted a bit of comic relief at this late point in the conference.

I didn't get in to fishing because it was something I'd grown up wanting to do, but because of the convergence of 3 random factors....the recession of 1970, an essay by the author of charlotte's web, and a cheese sandwich. (Slide 2)

I moved to Bellingham in 1971 and needed a job, but jobs were scarce. The year before I'd read EB White's account of his season in SEAK, which sparked a romantic vision about the idea of fishing.

So I was walking the docks and ran into some guys working on a net. I asked if they needed crew and the skipper asked if I had fishing experience. I said no, and then he asked if I could cook. I bluffed and said yes. So he told me to go down to the boat and fix lunch. I made grilled Velveta sandwiches and was hired.

(Slide 3) I spent a year salmon seining and fell in love with fishing, though not so much with my skipper.

So, that winter I borrowed \$4K from granny and bought a 28' gillnetter and stumbled through 1972 learning how to run a boat and set a net without getting it in the wheel.

(Slide 4) Luckily 1973 was a good year for PS salmon, the Japanese cash buyers entered the salmon market in a big way and the price tripled. In response to that change, we built a new gillnet boat for the 1974 season.

(Slide 5) About the time we got the new boat in the water, Judge Boldt issued his decision recognizing native treaty rights to half the salmon in PS. In response to that change we decided to diversify by heading to SEAK.

(Slide 6) Alaska's response was to implement limited entry for salmon fisheries in 1975 and we didn't qualify for a permit, so it was back to PS where i tried diversifying by setnetting cod and dogfish.

(Slide 7) At a nickel a pound dogfish wasn't going to cut it, so we bit the bullet and bought a \$3K BB permit.

(Slide 8) 1977 - After a season of playing bumper cars in BB, I could see my love for fishing didn't extent to BB. It was one of the last years of the bad cycle in BB and prices weren't good, so I turn my back on the Bay and went back to dogfish in PS to re-group.

(Slide 9) - The big event of 76 was the passage of the 200 mile limit, which created new opportunities which took a while to take hold. 1978 brought the announcement of the 1st JV with the Soviets. Now, that sounded exciting. Fishing on the high seas, coupled with chipping away at the Cold War. So managed to hitch a ride on a Soviet Hake trawler for a couple weeks and learned a bit about trawling for hake.

(Slide 10) As much fun as being on a Russian trawler was, it wouldn't have had much impact on my career if not for two other events. NMFS guaranteed loans which required only 10% down payment coupled with a 10% investment tax credit...which meant you could build a boat at virtually no out of pocket cost. The only rational response seemed to be placing an order with a shipyard, so together with a couple other fishermen we place an order.

(Slide 11) We launched the Muir Milach in 1979 and started fishing in a Soviet JV hake fishery, sure that we had a bright future. At least that's what we thought until Xmas eve.

(Slide 12) That's when the Russians marched into Afganistan, which seemed to have ominous implications for our JV fishery. Our response was to recognize we needed to diversify into Bering Sea fisheries, so in 1980 we headed north.

(Slide 13) Luckily we arrived in time for the last big year of King crab fishing before that stock crashed. So, we had one season of crab fishing before having to adapt again.

(Slide 14) Fortunately the State Department wanted to preserve detent and didn't cancel JV's. Instead the CIA recruited Mr. Bin Laden to fight a proxy war, and so we headed to the Aleutians for the 1st Atka mackerel JV. Fishing the Aleutians became my great love and I have returned there every year for one fishery or another.

(Slide 15) The 1980's were the JV era. Our motto was "have net, will travel" and we participated in every JV fishery target and country.

(Slide 16). By 1989 JV's were phased out, and we found a small domestic motherhip market t6at processed the full range of groundfish target species.

(Slide 17) The Speedwell (our market) went bankrupt in 1993 and we were forced to adapt. Unfortunately for us we were in the game of musical chairs for finding a new market. We spent the next few years trying to find our niche. Along the way we fished rockfish SEAK for a couple year until it was closed to trawling. We move a bit west to Yakutat and then to Kodiak for rockfish season but never quite fit in. We still fished the Bering and Aleutians providing supplemental catch of cod and pollock to CPs. During those years, we never were sure where or what we'd be fishing for 6 months down the road.

(Slide 18) The big event of the next few years was the rationalization of fisheries. In 1998 the AFA passed which rationalized BSAI Pollock.

(Slide 19) This was followed in 2002 with Crab Ratz.

(Slide 20) And by GOA rockfish rationalization in 2004.

(Slide 21) In 2008 flat fish, mackerel, rockfish and cod fisheries were rationalized for trawl CPs. This year the West Coast groundfish fishery was also rationalized.

The rationalization of these fisheries provided a measure of stability for participants that they had not enjoyed in the past. We had participated in all these fisheries at one time or another. In some fisheries the timing our history won us a share of the fishery, in others we lost and were locked out.

(Slide 22) While we've benefited greatly from rationalization there is a downside that deserves some thought when it comes to adapting to change. And that is the loss of flexibility in response to big changes when entering or moving between fisheries requires capitalizing an expected future benefit stream.

Let's look at what a new entrant trying to follow my career path would face.

In addition to needing boat and net, a small boat fisher faces high permit costs:

PS salmon 25K – SEAK salmon 85K - BB salmon 150K

Cost of entry for the groundfish and crab fisheries are even more daunting.

Crab one year lease rates are around \$3.50/lb. Pollock lease rates are around \$350/ton.

Whiting and Mackerel are about \$100/ton.

But these lease rates are relevant to those already in the fishery. To actually enter if you are on the outside requires buying a permitted vessel as well as capitalizing some amount of quota.

As a result, the transactions you see in these fisheries are almost exclusively consolidations by existing participants. New entrants are a rarity. What this means for small communities deserves consideration.

(Slide 23) I'd like to talk about rationalization and communities in the context of one community out in the Aleutians that I love – Adak.

Adak is right in the middle of the Aleutian archipelago, in the middle of a rich marine resource base that includes king crab harvest worth \$10M/year, a pollock biomass with an allowable harvest around 20K tons, rockfish allowable harvest over 10K tons, mackerel allowable harvest of 50-75K tons, cod allowable harvest 25K tons. Adak is the only community with a good harbour and airport for 400 miles in any direction so it should be well situated to be a successful fishery dependent community.

Now one thing that I learned in fishing BB, is that if you have an opportunity to cork another fishermen you should take it. So I stole a couple lines from the abstract of the presentation Keith Criddle is giving tomorrow.

(Slide 24) Keith captured my points. Catch share are great for existing participants adapting to modest change but may make them more vulnerable in the face of big

changes. But more importantly, for some communities – catch shares can reduce their resilience. So how has rationalization worked out for Adak?

(Slide 25) Adak was a military facility with no civilian or fisheries economy until the late 1990's when the government returned to the indigenous Aleut people. So Adak had no "catch history" for the years used for most of the rationalization programs for Aleutian Island fisheries. While Aleuts did bring in a processing company to Adak once the Navy left. In the 1st few years Adak processed 2 million lbs of crab per year. But given the qualifying years, crab landings dropped by 80% on implementation of the program.

(Slide 26) When crab was taken away from Adak, Congress allocated Aleutian Island pollock to the Aleuts as an offset. However, because of SSL protection measures all of the pollock fishing grounds had been closed in the Aleutians, so Adak received paper pollock but no place to fish.

The result was that processing Adak has been entirely dependent on one species – cod. So when the world market for cod crashed in mid-2009, the processor in Adak was left holding an inventory of product for which it couldn't recover costs. Without access to other species to offset losses, bankruptcy was the result.

(Slide 27) In Adak when it rains, it pours. The Aleuts have been trying to recruit another processor to take over the plant in Adak. Last year NMFS adopted further restrictions on fishing as SSL protection measures. Those measures resulted in a 2/3rd reduction in Aleutian cod catch this year.

(Slide 28) Rationalization doesn't have to be a bad thing for small communities, if the managers are willing to take steps to mitigate impacts. But when constituencies are small and the community is "out of sight and out of mind" they have a very limited ability to make their voice heard.