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Report to Congressional Committees and Selected Members of Congress

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FISHERY MANAGEMENT

American Fisheries Act Produces Benefits

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Congressional Members of Congress

About one-third of the total commercial fish harvest in the United States is pollock caught in the Bering Sea off Alaska. As the supply of better-known groundfish like cod has dropped,[1] the demand for pollock, which is a valued source of fillets, surimi,[2] and other products, has increased. In past years, this increased demand led fishing vessels to compete to catch as many fish as possible before the overall catch limit was attained and the season closed. Vessels that caught the most fish before the catch limit was reached stood to make the most money. Over the years, as more and more vessels joined this race, the pollock fishery became overcrowded, with too many vessels chasing a set amount of fish. To address this situation, in 1998, the Congress passed the American Fisheries Act (P.L. 105-277, division C, title II). The act reduced the number of vessels eligible to participate in the fishery by declaring nine, predominantly foreign-owned, vessels as permanently ineligible. It also changed the way the annual allowable catch was allocated among the various sectors of the fishing industry and set up a structure for the formation of fishing cooperatives to help end the competition for fish.

During debate on the act, concerns were raised that reducing the number of eligible vessels and redistributing the catch would result in a greater emphasis on surimi production, making restaurants and seafood companies unable to obtain the fillets they needed to supply their customers. To determine if this was happening, the act required us to report on whether the market for pollock fillets was being adversely affected. This report addresses the act's impact on the production of pollock fillets and the price paid for them, as well as some of the act's

[1] "Groundfish" is a general term that refers to fish that live on or near the seafloor, including cod, haddock, pollock, and ocean perch.

[2] Surimi is a fish paste that is converted to imitation crab, lobster, and other products.

positive and negative impacts on fishing operations in the pollock fishery and other fisheries in Alaska.[3]

Results in Brief

To date, the act has had a positive effect on the production of pollock fillets. Although U.S. production of Bering Sea pollock fillets dropped by about 10 percent in 1999 (the year after the act was passed), production for the completed portions of the 2000 season are up nearly 27 percent over 1999 levels. The act is just one of many factors that affect supply, and we were unable to isolate its effects from those of other factors, such as price fluctuations and increases and decreases in fillet production in other parts of the world. However, increased fillet production does appear to have resulted in part from the act's structure for creating fishing cooperatives. By giving cooperative members more certainty about a share of the fishing quota, the cooperative agreements largely stopped the competition for fish. As a result, cooperative members could take more time to process their catch into fillets rather than surimi, which is faster to produce. By slowing down to produce fillets, cooperative members who process fish aboard ships at sea were also able to increase yields (the amount of edible product from each pound of catch) by 20 percent over 1998 levels.

To the extent that the act encouraged greater production of fillets, it had some effect on price as well. Between 1998 and 1999, when fillet production slumped worldwide, prices for pollock fillets rose as much as 74 percent. However, for the completed portion of the 2000 season, prices have fallen over 20 percent from the comparable parts of the 1999 season. As with supply, many other factors besides the act can potentially affect price, and, again, we could not isolate the act's effects from these other factors. Lower prices in 2000 may also have been affected by, for example, larger-than-usual inventories carried over from 1999, decreased demand after customers switched to other products when prices rose in 1999, and the Chinese offering their pollock fillets at below-market prices.

The act's provisions had a clear effect on certain other aspects of fishery operations. Most are positive, and most stem from the formation of fishing cooperatives. Cooperative members almost universally report that the

[3] We issued an interim report that addressed the act's impact by the end of the first fishing season after the act's passage. See *Fishery Management: Market Impacts of the American Fisheries Act on the Production of Pollock Fillets* (GAO/RCED-99-196, June 30, 1999). This final report covers both that first season and subsequent seasons through April 2000.

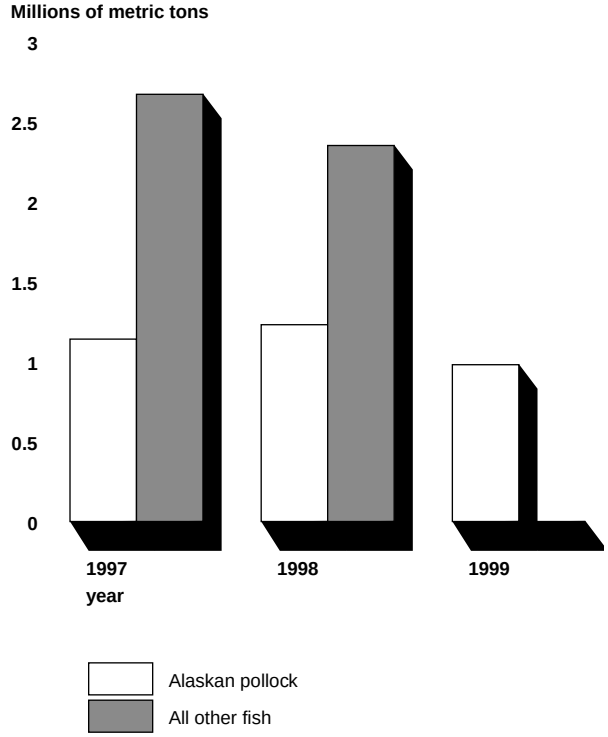
cooperatives are working well—even better than expected. They are able to conduct operations in a more businesslike fashion, and the notoriously dangerous job of fishing at sea is considered safer because operators no longer feel compelled to spend even the worst weather days racing for fish. Overcapacity in the fishery—something the act addressed by removing the nine, largely foreign-owned, vessels has been further reduced because the remaining participants do not use all their vessels. In 1999, for example, only 14 of the remaining 20 eligible vessels that can both catch and process pollock at sea were used during the summer/fall season. While most results have been positive, industry officials also point to some ongoing concerns. Most of these concerns deal with the act's restrictions on the extent to which those involved in the pollock fishery can also participate in other fisheries, such as cod or yellowfin sole.

Background

Bering Sea pollock is the largest U.S. fishery by landed weight, with over 1.2 million metric tons landed in 1998 and .98 million metric tons in 1999 (see fig. 1).[4] The annual value of pollock products after primary processing is roughly estimated by industry participants at about $700 million. Bering Sea pollock are currently harvested in a series of four fishing seasons during the year. These four seasons are commonly grouped into two distinct periods—January through May (winter/spring season) and June through October (summer/fall season). Only the winter/spring season had been concluded for 2000 at the time we completed our review.

[4] A metric ton equals 2,205 pounds.

Figure 1: Landed Weight of Bering Sea Pollock and All Other Fish Species in U.S. Fisheries



Note: Excludes shellfish and other marine species, such as sea urchins and seaweed. The 1999 total for all other fish species was unavailable at the time of our review.

Source: National Marine Fisheries Service.

The growth of the American Bering Sea pollock fishery was made possible by the Fishery Conservation and Management Act of 1976,[5] later amended and now known as the Magnuson-Stevens Fishery Conservation and Management Act. This act established a fishery conservation zone that extended federal jurisdiction for fishery resources in coastal waters beyond state boundaries to 200 miles from the U.S. coastline and gave priority to American fishermen to fish within this zone. The Secretary of Commerce manages the fishery through the National Marine Fisheries Service (NMFS), an agency within the Department of Commerce's National Oceanic and Atmospheric Administration, and through the North Pacific

[5] 16 U.S.C. 1801 *et seq.*

Fishery Management Council (Council).[6] The Council acts as an advisory board and recommends fishery management actions to the Secretary of Commerce.

Although at first content to catch and deliver pollock to foreign vessels for their use, Americans soon started investing in vessels capable of both catching and processing pollock at sea. After these catcher/processor vessels proved that pollock could be caught and processed profitably, companies (primarily Japanese) began constructing processing plants on land. By 1990, the catcher/processor vessels were catching an estimated 80 percent of the total allowable annual catch, and controversy developed over how the annual pollock catch should be distributed. To protect and expand their investment in processing plants built onshore, the companies and their U.S. trade association petitioned the Council to divide the allowable annual catch of Bering Sea pollock between the offshore sector of the industry and the "inshore" sector—those catching pollock and processing it either in shore-based plants or in processing vessels located just offshore. In 1991, the Council approved such an allocation formula. From the annual total allowable pollock catch, an amount was first set aside as a contingency reserve. Half of this reserve was used to adjust for changes in pollock populations and operational problems in the fishery; the other half was allocated to western Alaskan native communities in what is termed a Community Development Quota (CDQ). These communities do not, for the most part, actually catch or process pollock but instead sell their allocation to the highest bidder in either the offshore or inshore sector. However, CDQ groups are making major investments in various groundfish fisheries and becoming more directly involved in the harvesting and processing of fish. After this initial deduction, the rest of the total allowable catch was distributed as follows:

- 65 percent to the offshore sector. This sector consists of three types of vessels: (1) catcher/processors; (2) motherships that process pollock but do not catch it; and (3) catcher vessels that catch pollock and deliver them to the motherships and catcher/processors for processing.

[6] The Magnuson-Stevens Act established eight regional councils and required them to prepare fishery management plans for each fishery within their jurisdiction that they determined required active federal management and to review and revise these plans as necessary.

- 35 percent to the inshore sector. The inshore sector consists of plants located on or near the shore, along with catcher vessels that catch the pollock and deliver them to the processing plants.

Although the Council's allocation formula set limits on how much pollock each sector could catch, it did not limit how much pollock individual vessels could catch. While the two sectors no longer had to compete with each other for fish, within each sector the competition for fish remained. Each fishing season, vessels raced to catch as many pollock as possible until the sector's allocation was reached and the season closed. Vessels that caught the most fish stood to make the most money. As more vessels joined this competition, the pollock fishery became more and more crowded.

The Council's allocation formula also did not end the controversy over how the annual allowable catch should be divided between the offshore and inshore sectors. To address this issue as well as overcrowding, foreign involvement in the fishery, and the competition for fish, the Congress enacted the American Fisheries Act in 1998. The act changed the Bering Sea pollock fishery in many ways. First, it eliminated nine, predominantly foreign-owned, catcher/processor vessels by listing them as permanently ineligible to participate in the fishery. Second, it increased the allocation for the CDQ program and then distributed the remaining quota equally between the inshore and offshore sectors.[7] The offshore sector's 50 percent was further split with the catcher/processors and their catcher vessels receiving 40 percent, and the catcher vessels supplying the motherships receiving the remaining 10 percent.

The American Fisheries Act also provides for the formation of fishing cooperatives. These cooperatives were designed to eliminate the competition for fish by assigning a specific amount of fish to each cooperative member. Members could then catch and process their fish allocation at a slower pace. A slower processing pace allows time for labor-intensive activities that emphasize the production of higher-valued products like deep-skin fillets (a fillet with the layer of fat removed). Catcher/processors formed a cooperative before the start of the 1999 season. However, the act did not authorize the motherships or the inshore sector to operate as cooperatives until January 1, 2000. The catcher vessels for both the inshore processors and the offshore motherships established

[7] An additional amount was subtracted from the total allowable catch to allow for the incidental taking of pollock by other fisheries. This is called a bycatch allowance.

cooperatives and used them for the first time during the winter/spring season of 2000.

Cooperative Agreements Authorized by the Act Helped Increase the Fillet Supply

During debate on the act, concerns were voiced that the supply of fillets might be inadequate because fillet-producing vessels were being removed from the offshore sector, and the inshore sector, which historically produced surimi, was receiving a higher portion of the allowable catch. This has not happened. For the completed portions of the 2000 harvest, the production of pollock fillets has increased over 1998 levels. Among the many factors that could have affected this increase, two stand out. One, a low supply of fillets from other sources in 1999 (accompanied by an increase in price), was the result of many market conditions and was not a product of the act. The other, however, was a direct consequence of the act's provision allowing the various sectors of the industry to form cooperatives and end the competition for fish. This change freed up time and resources to devote to the slower processing of fillets.

Fillet Production Fell in 1999 but Rose in Completed Portions of the 2000 Harvest

Because all four fishing seasons for 2000 had not been completed by the time of our review, we could not compare the full pollock harvest for 1998, 1999, and 2000. However, as table 1 shows, in 1998, fillet production totaled about 56,000 metric tons, and in 1999, it totaled about 50,000 metric tons, a drop of about 10 percent. This drop reflected an overall reduction in the total allowable catch of pollock during the period. To protect declining pollock stocks and the Steller sea lion,[8] which eats pollock, the Council reduced the total allowable pollock catch for 1999 by about 11 percent from 1998 levels.

[8] The Steller sea lion is protected by the Endangered Species Act of 1973, as amended, 16 U.S.C. 1531 *et seq.*

Table 1: Total Annual Fillet Production by Sector, 1998 and 1999

	1998		1999	
Sector	**Thousand metric tons**	**Percentage of total**	**Thousand metric tons**	**Percentage of total**
Offshore catcher/processors	40.5	72.7	32.6	65.2
Offshore motherships	0	0	0	0
Inshore producers	15.2	27.3	17.4	34.8
Total	**55.7**	**100.0**	**50.0**	**100.0**

Note: Production figures include the Community Development Quota, most of which was purchased by the offshore sector.

Source: National Marine Fisheries Service.

While the production of pollock fillets declined overall, it actually increased among inshore producers, the sector that historically produced relatively few fillets. As table 1 shows, production rose from 15,200 metric tons in 1998 to more than 17,000 metric tons in 1999. The reduction in fillet production occurred among the offshore catcher/processors, which experienced an overall reduction of 50 percent in their pollock allocation between the winter/spring season of 1998 and the same season of 1999.[9]

While the final season of the 2000 harvest was not yet under way when we completed our review, production data were available for the winter and spring seasons. For these seasons in 1998, 1999, and 2000, fillet production increased each year (see table 2). Fillet production for the winter/spring 2000 season totaled over 23,000 metric tons, an increase of nearly 27 percent from 1999 and 50 percent from 1998. Most of the increase came from the inshore sector, where production more than doubled from the 1998 level. Whether these trends will continue through the remaining seasons of the 2000 harvest is unknown at this point.

[9] The 50 percent reduction was the result of an 11 percent drop in the annual quota, a reduction in the amount that could be caught in the winter/spring season, the change in the allocation formula, and an increase in the Community Development Quota.

Table 2: Winter/Spring Fillet Production by Sector, 1998-2000

Sector	1998 winter/spring		1999 winter/spring		2000 winter/spring	
	Thousand metric tons	Percentage of total	Thousand metric tons[a]	Percentage of total	Thousand metric tons	Percentage of total
Offshore catcher/processors	11.0	71.0	12.8	70.3	12.8	55.4
Offshore motherships	0	0	0	0	0	0
Inshore producers	4.4	29.0	5.4	29.7	10.3	44.6
Total	**15.4**	**100.0**	**18.2**	**100.0**	**23.1**	**100.0**

Note: Production figures include the Community Development Quota, most of which was purchased by the offshore sector.

[a]1999 figures have been updated to reflect changes and corrections from totals reported previously.

Source: National Marine Fisheries Service.

Worldwide Market Forces Contributed to Increased Fillet Production

Part of the increase in fillet production, particularly among inshore processors, was likely the result of high prices and the lack of production from certain other sources. In 1999, the Russian production of pollock dropped sharply. Russia has historically produced a large portion of the total pollock fillets available, but its production has dropped, with overfishing cited as the primary reason for the decline. Many industry officials we talked with agreed that the severe decline in Russian production, coupled with an overall decline in worldwide groundfish stocks, spurred the demand for American Bering Sea pollock fillets. This demand was accompanied by a substantial increase in the price paid for pollock fillets. Market forces like these are largely outside the effects of the act, and the complex interaction of such forces is one reason it is difficult to determine the effect of any single factor, including the effect of the act itself. However, it is likely that a low worldwide supply, continuing demand, and the resulting high fillet prices caused the inshore sector to increase its production of pollock fillets in 1999.

Formation of Cooperatives Allowed More Time to Concentrate on Fillet Production

While many of the reasons for increased fillet production were driven by market factors, the increase also partly resulted from a fundamental shift in how the fishing industry operated within the American Bering Sea pollock fishery. By the 2000 season, both the offshore and inshore sectors of the industry had formed cooperatives. These cooperatives ended the competition for fish and allowed members of the cooperatives to take more time to catch pollock and process fillets. By doing so, cooperative members

were also able to turn the fish they caught into higher yields of various products.

Cooperatives began in the offshore sector. The act provided for the offshore catcher/processors to form and operate as a cooperative starting with the winter/spring season of 1999 and for the motherships to do likewise in the winter/spring of 2000. These agreements ended the competition for fish. Because members of the catcher/processor cooperative were now guaranteed a set amount of pollock, many decided they could invest in additional fillet-producing equipment and increase fillet production to take advantage of the high 1999 fillet prices. By slowing down to produce fillets, the catcher/processors were also able to increase yields by an average of 20 percent. Before the formation of the cooperative, they raced to process the fish into whatever product could be processed the fastest, usually surimi. With the race over, they could focus on producing the products most preferred by customers.

Before the start of the winter/spring 2000 season, the inshore catcher vessels organized themselves into seven cooperatives in which each cooperative receives a specific quota share and sells mainly to one processor. Like the offshore processors, the inshore processors stated that the end of the competition for fish in their sector was one factor encouraging them to add fillet-producing equipment and increase their production of fillets in 2000.

Act's Stimulation of Fillet Production Affected Fillet Prices

To the extent that the act's provisions helped increase fillet production, they also affected fillet prices. Fillet production in the American Bering Sea pollock fishery was stimulated by prices that rose substantially between 1998 and 1999. By 2000, as supplies rose, prices dropped.

Fillet Prices Rose Sharply in 1999 but Fell in 2000

Between 1998 and 1999, prices rose substantially but then receded in 2000 (see table 3). For pollock fillets produced in the winter/spring season of 1999, the average price for deep-skin fillets was $1.81 a pound, a 41-percent increase over 1998. The price for other fillets (that is, fillets without the fat layer removed) at $1.58 a pound, increased even more—74 percent. For the winter/spring season of 2000, average prices fell from their 1999 highs to $1.38 a pound for deep-skin fillets and $1.21 a pound for other fillets.

Table 3: Average Price per Pound of Pollock, Winter/Spring Seasons, 1998-2000

Product	1998	1999	2000	Percentage change, 1999-2000
Deep-skin fillets	$1.28	$1.81	$1.38	-24
Other fillets	$0.91	$1.58	$1.21	-23

Source: Fisheries Market News Report.

Act Was One of Many Factors Affecting Prices

Since the act's passage, fillet prices have responded predictably to changes in fillet demand and supply. A limited supply of fillets worldwide contributed to the price increases from 1998 to 1999, while an increasingly abundant supply contributed to the price declines between 1999 and 2000. More specifically, factors that affected fillet supply and demand, and consequently fillet prices, between 1999 and 2000 included the following:

- *Carry-over of inventory from 1999*. By the end of 1999, supply had begun to rebound. As a result, industry officials stated that the amount of fillets carried over to 2000 was higher than the amount carried over the year before.
- *Increased quota for the American Bering Sea pollock fishery*. The size of the total allowable catch approved by the Council for 2000 is up about 15 percent over the allowable catch in 1999.
- *Decrease in demand as consumers switched to other meat sources*. Industry officials said pollock fillets are very price-sensitive. In 1999, when the price was high, many consumers switched to other products, such as chicken and beef. Industry officials estimated that it might take at least a year to win these consumers back to fish.
- *Price reductions by Chinese producers*. Pollock fillets produced by Chinese factories have been sold below the going market rates. Industry officials stated that this was done to keep the Chinese plants at full operation and their workers employed.
- *Price reductions by some Alaskan processors*. Inshore processors, who historically produced surimi, started producing large quantities of fillets for the first time in 2000. Because these processors were new to the market, industry officials stated that some were willing to sell at slightly below the going market rates to attract customers and establish a future customer base.

We could not isolate the act's effect from the effects of these and many other factors. However, because the act's provisions on fishing cooperatives had a definite effect on increasing fillet production and because increased production is likely to have some effect on the price of pollock fillets, it seems reasonable to infer that the act had a price effect as well.

Act's Other Effects Have Been Largely Positive

To this point, other effects of the act appear largely positive. Many of these effects have stemmed, directly or indirectly, from the formation of fishing cooperatives. Benefits cited by cooperative members and others include safer operations, improved cooperation among vessel operators, and the opportunity for more businesslike operations. Overcapacity in the fishery has also been reduced beyond the levels attained by the mandatory removal of the nine, predominantly foreign-owned, vessels. Nonetheless, we did hear occasional criticisms from industry representatives or cooperative members about the implementation of some of the act's provisions. Criticisms by those in the pollock fishery centered on ways in which the act limited them from participating in other fisheries where they had traditionally operated.

Improved Safety and Product Quality

The industry views itself as safer. Deep-sea fishing in the Bering Sea has historically been a hazardous occupation, and the hazards are increased when vessel operators believe they must operate in extremely bad weather to land a share of the catch. Because the cooperative agreements give members specific shares of the catch, vessels can now avoid fishing in such weather conditions.

Another benefit has been that vessels can now justify catching fewer fish per trip. Catching fewer fish per trip improves product quality and utilization by reducing bruising and damage to fish. Fewer fish per trip also disperses fishing pressure over a wider area and a longer period of time. Dispersing fishing pressure over a wider area and period of time is viewed by NMFS' officials as helping to achieve their objective of reducing the interaction between fishermen and endangered Steller sea lions foraging for pollock. The average number of days at sea for the catcher/processors between 1995 and 1998 was 26 days for the winter/spring season. This increased to 59 days for the same season in 1999. One mothership reported spending 16 days at sea during the winter/spring season before the cooperative and 41 days after its formation.

Improved Cooperation Between Vessels

Industry representatives and cooperative members noted that cooperation between individual members and with other cooperatives has increased. They pointed to such things as an increased willingness to share information on where to find fish, the size of those fish, and whether bycatch in an area is a problem. One example cited of this increased cooperation is an attempt to minimize bycatch in new and unfamiliar areas of the fishery.[10] In such areas, where vessels are less certain about the extent to which pollock may be found with other species, industry officials said vessels will first fish with a smaller net to assess the amount of bycatch. If bycatch is a problem, the vessel will move and will also share this information with other vessels. In addition, equipment has been placed on vessels to start testing the water in hopes of creating a database that will help avoid fishing where water conditions are most likely to create high bycatch rates.

Opportunity for More Businesslike Operations

Industry officials and cooperative members describe the formation of cooperatives as making their operations more businesslike. For example, they said it is now possible to better estimate income and expenses and use that information to decide whether to invest in additional equipment or operate all or some vessels. They also cited instances in which large vessels with a small amount of quota share remaining will sell it to another cooperative member because selling it is more cost-efficient than taking the vessel out again. Some officials also stated that, for the first time, they could actually work with their customers to produce the size and type of fillets or grade of surimi that each prefers.

Further Reduction of Overcapacity in the Fishery

Because the harvest is no longer a competition for fish, some members of the cooperative no longer use all their vessels, which they formerly needed to catch their share of the quota as quickly as possible. As a result, the problem of overcapacity—too many boats chasing a set amount of fish—has been reduced. For example, of the 20 catcher/processors named by the act as eligible to operate in the fishery, 16 fished the winter/spring season, and only 14 fished in the summer/fall season of 1999. Similarly, none of the

[10] In comparison with many other species, bycatch is less of a problem for the pollock fishery. Pollock swim in enormous, tightly packed schools, generally leaving room for little commingling with other fish species. Bycatch rates in the pollock fishery are usually less than 2 percent, and the fishery is considered by the United Nations' Food and Agricultural Organization to be one of the "cleanest" in the world.

seven eligible catcher vessels that supply the catcher/processors fished in the winter/spring season of 2000. Instead, their quota was sold to the catcher/processors, which then proceeded to catch the fish themselves.

Difficulties in Entering Other Traditional Fisheries

Some cooperative members voiced concern about ways in which the act's implementation limited them from participating in other fisheries where they had traditionally operated. Historically, members of the cooperative often participated in several different fisheries. When the pollock season ended, they would move vessels from pollock fishing into other fisheries, such as cod. The act recognized the advantage that members of cooperatives could have if allowed to move into other fisheries without restrictions. Because they could now fish for pollock when they wanted to without fear of losing their share of the catch, members of the cooperative could potentially set up their fishing schedules to take as much of the catch as possible from other fisheries as well. The act limited how much of these other species cooperative members could catch by capping them at the fleet's average harvest percentage in the years 1995 through 1997. They are not guaranteed this amount but may not catch more than the cap.

While we found that most members of cooperatives accept the limits placed on them to protect fully utilized fisheries, some expressed concern about the restrictions that keep them from increasing their share of fisheries that are considered underutilized. For example, industry officials told us that the annual quota for yellowfin sole is never achieved because these fish require special handling and because halibut bycatch limits are usually reached before the full quota of yellowfin sole is caught. As a result, this fishery is considered to be underutilized. Some cooperative members said they have considered expanding and improving their operations for processing yellowfin sole. However, they are restricted to their average historic share of the yellowfin sole market between 1995 and 1997, and this amount is considered too small to warrant any additional investment. The Council is presently considering measures that might resolve this concern.

Difficulties in Removing Vessels to Permanently Reduce Overcapacity

According to industry officials, under the implementation approach adopted by the Council, an inshore catcher vessel's share of the quota remains with that vessel until the act expires. Thus, even if a vessel operator has decided to use fewer vessels to catch the allotted share of the quota, or even if the operator has decided to sell the share to another member of the cooperative and not fish at all, the vessel cannot be removed from the fishery. To maintain the share of the quota from year to year, that

vessel must still make at least one delivery of fish. This requirement precludes the scrapping or other permanent removal of vessels.

Conclusions

All in all, the American Fisheries Act appears to be working well. It did not adversely affect the market for pollock fillets, and particularly with regard to supply, it has had a definite effect in increasing fillet production. Perhaps of greater significance, the fishing cooperatives it authorized appear to have provided the stability and flexibility needed for companies to respond to such basic market forces as supply, demand, and price. Other benefits include improvements in productivity, safety, product quality, and use of the fishery. While industry representatives and cooperative members have raised some concerns about specific issues, most are supportive of what has been accomplished under the act. These "lessons learned" may have implications for solving problems in other fisheries beset by similar pressures of overcapacity and competition for fish.

Agency Comments

We provided the Department of Commerce and the North Pacific Fishery Management Council with a draft of this report for review and comment. While the Department did not indicate whether it agreed with the overall message of our report, it did provide technical comments that we incorporated as appropriate. The Council agreed with our findings on fillet production and with our conclusion that the act had benefited the pollock fishery in many ways. The Council noted, however, that it has concerns regarding the structure of the various cooperative agreements and that the act has created a series of potentially adverse impacts for non-pollock fisheries, along with tremendous pressure to enact similar programs to manage other fisheries in the North Pacific. The Council indicated that addressing these issues is consuming the majority of the Council's time and resources.

Scope and Methodology

To determine if the act had adversely affected the production of pollock fillets, we obtained and reviewed data on the production of pollock products from NMFS. To determine changes in fillet prices since the act's implementation, we obtained and reviewed price data from industry market reports, the processors, and their customers. We did not perform reliability tests on either the volume of fish produced or price data but these data are widely used throughout the industry. We also reviewed the

act itself and its legislative history, as well as various industry publications, market reports, and Federal Register notices concerning the act.

To identify positive and negative effects of the act and to learn about the history of the pollock fishery, the development of the American Fisheries Act, and the act's effects during 1999 and the winter/spring season of 2000, we interviewed representatives of six of the nine members of the offshore/catcher processor cooperative, four of the seven inshore processors, and all three of the motherships. We also talked with companies identified by both the inshore and offshore sectors as their major customers. The processors and seafood companies we contacted are listed in appendix I. Finally, we talked with officials from NMFS, the Council, and associations representing the fishing industry.

We conducted our review from February through June 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable William M. Daley, Secretary of Commerce; Dr. D. James Baker, Under Secretary for Oceans and Atmosphere, the National Oceanic and Atmospheric Administration; Penny Dalton, Assistant Administrator for Fisheries and Director of the National Marine Fisheries Service; Richard Lauber, the Chairman of the North Pacific Fishery Management Council; and other interested parties. We will also make copies available to others upon request.

If you have any questions about this report, please contact me at (206) 287-4800. Key contributors to this report were Jerry Aiken, Jill Berman, and Bill Wolter.

James K. Meissner
Associate Director, Energy,
Resources, and Science Issues

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Companies and Associations Contacted

Catcher/Processors

American Seafoods Company
Trident Seafoods Corporation
Arctic Storm, Inc.
Glacier Fish Company
F/T Highland Light
F/T Starbound

Motherships

Supreme Alaska Seafoods
Golden Alaska Seafoods, Inc.
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Industry Associations

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