

is due to NMFS from each CDQ group is changed from May 15 to May 30 to provide more time for the CDQ groups to comply with this requirement.

2. The definition of "inshore component" at §§ 672.2 and 675.2 is revised as follows. The requirement for an owner of a processor vessel to declare on the annual application for a Federal fishery permit (NOAA Form 88-155) whether it will be part of the inshore component has been deleted from paragraphs (2) and (3) of the definition. This definition is revised for clarity and is not fundamentally different from the current definition.

3. The definitions of "inshore component" and "offshore component" at §§ 672.2 and 675.2 are revised as follows. The phrase "any processor vessel" that appears in both definitions is changed to "vessels". This change was made to simplify and clarify the definition. The definition already refers to vessels that "process", therefore, further reference to a "processor vessel" is redundant.

4. For clarity, NMFS revises the definitions of Community Development Quota Reserve and Community Development Quota at § 675.2.

5. For clarity, NMFS combines paragraphs (1) and (2) of § 675.27(e)(3)(i)(F) into one paragraph 675.27(e)(3)(i)(F). Also, NMFS revises this paragraph (e)(3)(i)(F) of § 675.27 to give the Secretary of Commerce (Secretary) acting through NMFS, in addition to the Governor of the State of Alaska, the authority to deem a change to a Community Development Plan (CDP) to be a material change. This will give NMFS the ability to make a determination that a proposed change to a CDP is a material change.

6. Paragraph § 675.22(g)(2) is removed. This permissive statement is unnecessary.

7. The phrase "processor vessels" in paragraphs § 675.22(g) (3), (4), and (5) is changed to "vessels" to be consistent with the definition of "offshore component."

Response to Comments

Fourteen letters of comment were received within the public comment period. Two letters had no comment, eight were supportive of the proposed action and are summarized in comment 1, and four were received with comments that are summarized and responded to in comments two through ten below:

Comment 1. Continuation of the inshore-offshore program through Amendments 38 and 40 provides the industry with stability while the Council proceeds with developing a

comprehensive rationalization plan. This program is needed by fishery-dependent coastal communities to ensure continuing access to fisheries resources. These fishery resources provide revenue to local communities through raw fish taxes, municipal sales taxes from goods and services, fuel tax revenues from sales to the fishing fleet, corporate income tax revenues, and real and personal property tax revenues. Much of this tax revenue has gone into community infrastructure that has been a great benefit to rural Alaskan coastal communities. The inshore-offshore program slows the pace of harvesting activity and allows NMFS to improve its monitoring of the fisheries. The CDQ program has been a success and has accomplished the positive results that were intended.

Response. NMFS notes this comment.

Comment 2. Amendments 38 and 40 will not maintain stability in the fishery, safeguard capital investments, prevent preemption, or protect coastal communities that are dependent on a local fleet. The derby-style fishing that will continue to characterize these fisheries under Amendments 38 and 40 is unstable. Fishing seasons will continue to shorten, capital investments will continue to be at risk as a result of increased inter-sector competition and capital investment. Local fishing fleets will continue to be preempted by other nonlocal inshore fleets.

Response. NMFS recognizes some limitations of these amendments, but the inshore/offshore allocation is not intended to be a substitute for comprehensive rationalization planning. This allocation extension is a continuation of a temporary solution and as such will provide 3 additional years for completing the development and implementation of a permanent solution.

Comment 3. The analysis for Amendments 38 and 40 should examine environmental issues, such as the water quality problems that have continued to plague shoreside processing operations in Dutch Harbor.

Response. Pages 214 and 215 of the EA/RIR/FRFA for Amendments 38 and 40 address water quality problems in Dutch Harbor. The analysis concluded that it is unlikely that Amendments 38 and 40 will have a negative impact on the water quality in this area.

Comment 4. The analysis did not evaluate the market structure in key seafood markets to determine whether there might be anti-competitive effects by giving shoreside processing plants an increased share of the pollock resource. For example, is there a transfer pricing risk? Or, did the inshore-offshore

allocation result in the price collapse of offshore surimi that occurred during the first inshore-offshore allocation in 1993?

Response. The EA/RIR/FRFA for inshore-offshore examined several issues related to this comment. Page 124 shows that the inshore price for surimi collapsed at about the same rate as the offshore price for surimi from 1992 through 1993. This overall price drop may or may not have been influenced by the inshore-offshore allocation at that time. The price drop was experienced by both sectors, though it was slightly more severe for the offshore sector. The analysis indicates that this may not have been a price collapse at all, but a return to normal prices after 2 years (1991 and 1992) of inordinately high prices. Pages 119 to 123 of the analysis contain a detailed discussion of price factors, though the analysis is not specific to the issue of the collapse of 1993 surimi prices. In an issue related to the collapse of the 1993 surimi prices, Appendix V of the analysis contains further analysis of the structural breakdown of surimi prices relative to exvessel prices paid. The analysis in Appendix V is unable to attribute this phenomenon to the inshore-offshore allocation.

Furthermore, the price collapse issue raised in this comment is more relevant to the original inshore-offshore decision than to Amendments 38 and 40, because the inshore-offshore allocations have been in place for 3 years and their continuance now represents the status quo.

Comment 5. Proponents of the inshore-offshore allocation program claim that allocating more fish to large shoreside processors will provide jobs and economic opportunity for local residents. However, the analysis did not address this question. On the other hand, Akutan has petitioned the Council to be included in the pollock CDQ program because the Akutan Trident plant is not part of the community and local residents rarely work at the plant. The logic on these two issues is inconsistent.

Response. The Akutan plant is not necessarily reflective of other shoreside plants, in terms of local employment. The social impact analysis focused primarily on Dutch Harbor, Kodiak, St. Paul, and Ballard/Seattle. The community impact study in the analysis looked at total and distributional income indices, of which direct employment is only a part. The relevant point is not just one of direct employment. There are other non-quantifiable benefits derived from the inshore/offshore allocation system. The availability of alternative economic activity was also an important