

SCIENTIFIC AND STATISTICAL COMMITTEE REPORT ON FISHERY MANAGEMENT
PLAN AMENDMENT 20: TRAWL RATIONALIZATION

The Scientific and Statistical Committee (SSC) received presentations from Mr. Jim Seger and Mr. Merrick Burden (Council Staff) regarding technical aspects of the trawl rationalization provisions for groundfish and Pacific halibut bycatch. The SSC also received a presentation from Ms. Heather Brandon (Council Staff) regarding area management provisions, and a presentation from Drs. Gil Sylvia and Michael Harte (Oregon State University) concerning an analysis they conducted of the option for a fixed-term auction of quota shares. The SSC also had discussions with Dr. Steve Freese (National Marine Fisheries Service Northwest Region) regarding the estimated costs for data collection, monitoring, enforcement and administration.

The SSC commends the Council staff for their hard work in assembling the multitude of analyses and documentation for Amendment 20.

Adaptive Management

Under the adaptive management option up to 10 percent of quota shares would be set aside to allow the Council flexibility during implementation of the trawl rationalization program. The details of this option have not been fully developed. The SSC agrees that an adaptive management provision is a desirable design feature but is concerned that currently there is little guidance on what activities will be eligible for support from the adaptive management program or how the program would be administered. Also, there should be supporting economic analyses to evaluate the consequences of a quota set-aside, such as impacts on marginal fishing vessels.

Monitoring

The SSC notes that while the 100 percent observer coverage provision of the trawl rationalization program is crucial for complete catch accounting, achieving full observer coverage will require a large increase in the number of observers compared to the current observer program. Given that the pool of trained observers is limited, costs per observer may be higher than currently estimated. Also, 100 percent observer coverage could provide the opportunity to collect comprehensive biological data that would be valuable for improving stock assessments. Observers hired for collection of biological data (as opposed to just monitoring bycatch) may require a greater degree of training and higher salaries, however.

The costs of on-board observers will be covered by direct payments from the vessels but other costs for administering and monitoring the rationalization program may exceed the cap for cost recovery (3 percent of exvessel revenue); thus the program may not be self-financing or some provisions of the monitoring program will need to be dropped.

The current version of the Preliminary Draft Environmental Impact Statement (DEIS) does not include any analysis of the types and levels of enforcement that will be needed to ensure an acceptable level of compliance.

The SSC supports mandatory collection of socioeconomic data to monitor and report on the effects of rationalization.

Regional Impact Model

An analysis of regional impacts was not included in the current version of the Preliminary DEIS. Council staff stated that time constraints, other priorities, and inability to quantify regional effects precluded its inclusion.

Accumulation Limits

Accumulation limits will influence the amount of consolidation in the fleet. Analyzing proposed accumulation limits relative to actual recent behavior (measured by the maximum relative landings by vessel) is a reasonable approach to this issue. The SSC endorses the Analytical Team's approach for showing the effects of accumulation limits relative to historic landings rather than the initial allocation (Agenda Item F.3.c, Additional Analysis, Figures 2-35).

Area Management

Area management could be implemented to achieve social objectives and biological conservation goals. The Preliminary DEIS includes rules that define how quota shares will be modified if an existing management unit is divided into several management units and if two or more management units are combined.

The ability to identify distinct biological stocks and detect localized depletion is poor for most of the Council's groundfish species. Identifying biologically-based area boundaries is difficult for most species. If requested, assessment authors could provide advice on how to use survey and catch-rate data to allocate optimum yields (OYs) spatially. However, the assignment of coastwide OYs to areas will not necessarily match existing removals by area. Regional landing zones that are not based on biological considerations could create mismatches between stock productivity and harvest rates, and possibly lead to localized depletion.

Fixed-Term Auctions

The SSC discussed the issue of fixed-term auctions and reviewed the associated analysis contained in Appendix F. Drs. Silvia and Harte made a presentation of their analysis to the SSC. The SSC notes that the rationale and goals of a fixed-term auction are not fully developed in the Preliminary DEIS; thus, it is difficult for the SSC to discuss the degree to which its goals would be met. Generally speaking, fixed-term auctions would capture for the public a portion of the rents generated by rationalization. Fixed-term auctions also affect the distribution of the economic benefits and may to some degree decrease the overall size of those benefits. Both of these latter effects would vary with the percentage of quota share (QS) that reverts to an auction. There are many different ways that fixed-term auctions could be implemented; the outcomes will depend on the details of the implementation.

Appendix F analyzes the potential effects of a fixed-term auction. A fixed-term auction increases the amount of uncertainty and risk associated with the holding of quota shares. This will tend to decrease the amount of investment QS holders are willing to make in the fishery, and in turn, reduce the economic benefits of rationalization. However, the conclusions in the appendix are stated too strongly and fail to acknowledge the uncertainty involved in predicting the outcomes.

There are several factors that may mitigate reductions in investment and economic benefits. First, the length of the initial allocation of QS is 15 or 16 years. This is a rather long time horizon and much of the fleet consolidation will likely take place well in advance of the 15 or 16 years. Thus, the remaining QS holders will tend to have larger QS holdings due to consolidation, and be the most efficient, profitable, and innovative operators. Second, most businesses operate in risky and uncertain environments regarding costs of inputs, and they tend to take actions to mitigate those risks. QS holders, for instance, could engage in contracts or purchase quota in the private market in anticipation of the auction. Third, investment time horizons may be shorter than those suggested in the appendix because returns on business investments usually need to be realized more rapidly. Generally, the effects of an auction on investment and economic benefits will depend on the percentage that is auctioned. If it is 1-5 percent, there may be very small effects. If it is closer to 20 percent, the effects would be larger.

The SSC also discussed the effect of fixed-term auctions on stewardship. The appendix asserts that fixed-term auctions would have a negative effect on stewardship because the returns to stewardship would be partially dissipated by any loss of QS that is not replaced. However, it is unclear to the SSC how large the stewardship incentive associated with QS ownership would be, even if held in perpetuity. The expected number of vessels that will operate in the rationalized fishery may be so large, and the percent of the quota owned by a single operator so small (due to accumulation limits) that the private gains to stewardship may not be significant enough to change operations in a meaningful way.

The SSC notes that the analysis in Appendix F is qualitative. As such, the analysis does not support the firm conclusions regarding the magnitudes of the effects, as stated in the report and described in Table 5.1 and Figure F-1.

PFMC
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