



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE
Northwest Region
7600 Sand Point Way NE
Seattle, Washington 98115

August 26, 2010

The Honorable Mike Thompson
U.S. House of Representatives
Washington, D.C. 20515

RECEIVED

PFMC

Dear Representative Thompson:

Thank you for your letter, dated July 27, 2010, to National Oceanic and Atmospheric Administration (NOAA) Administrator, Dr. Jane Lubchenco, pertaining to the west coast trawl catch shares program. At Dr. Lubchenco's request, I am providing additional details on the important aspects of the program that you raised in your letter. I also hope to meet with you and your staff in the near future to discuss these issues further. In responding, please allow me first to express my appreciation for your long-term service on behalf of marine fisheries and marine conservation, and your continued attention to the needs of the fishery and the fishing communities that depend upon them.

Your letter requested that NOAA disapprove the catch shares program for the west coast groundfish trawl fishery or remand it to the Pacific Fishery Management Council (Council). Due to NOAA's commitment to the tight schedule governing review of the program and the need to respond to the Council's proposed amendments within 95 days, as dictated by the Magnuson-Stevens Fishery Conservation and Management Act, on August 9th I approved (with minor technical modifications) the west coast trawl catch shares program. This decision was carefully considered, and based upon a review of the record as a whole. I describe briefly the history of the development of the program by the Council because it is relevant to your request.

This program has as its origins and primary sponsorship the members of the Pacific Fishery Management Council, who have repeatedly endorsed the program and recommended that NOAA and the Secretary of Commerce endorse it, approve it and implement it promptly, starting in January, 2011. The Pacific Council worked very hard over the last seven years on this major restructuring of our west coast trawl ground-fish program. In 2003, the Council initiated its consideration of trawl rationalization in response to requests from a cross-section of fishing industry leaders and their concern about severe economic stress and un-sustainability in the fishery. The trawl fishery is in a difficult position, caught between the severely compromised status of a number of weak ground-fish stocks and the need to rebuild these same stocks by reducing harvest-related impacts. These two facts translate into necessary catch limitations for the fishery that are not a product of the catch shares program, but are, on the contrary, a driving factor that led the Council to initiate consideration of a catch shares program as a possible solution.

After a comprehensive public process, the Council decided that switching to a properly designed catch shares program is the best course for the fishery, the fishing industry,



and the families and communities that depend upon the fishery. The Council established several expert advisory bodies, and held specialized workshops to make recommendations on possible program elements; all were open to the public. Over the course of many meetings, the Council considered and analyzed numerous different approaches to this restructuring and ultimately adopted a final catch share program, embodied in Amendments 20 and 21 to the Pacific Coast Groundfish fishery management plan. Discussion of the various considerations was extensive; over 100 individuals testified at one Council meeting alone. NOAA and the Council believe that the catch shares program that evolved from this process offers substantial conservation and economic benefits. It is precisely for these two objectives that the Council and I have recommended it to Secretary of Commerce, Gary Locke, and the Secretary has approved it. I would note in passing that the Council recently reaffirmed its support for the program by a significant vote of 17 in favor and 1 opposed – reflecting the depth of commitment to the restructuring of the trawl program.

You have raised several specific issues in your letter that NOAA and the Council have examined extensively. Please allow me to comment briefly on each.

Implementation Costs. The initial costs of implementing this catch shares program are high and must be reduced. The Council members have repeatedly affirmed their strong support for the 100% observer coverage requirement as a core element of the accountability and conservation benefits expected to result from the program. However, we will continue to examine adjustments in the details of the observer program to capture additional efficiencies in the manner in which the observer program is executed. There is, in fact, considerable flexibility available to the industry to design strategies for cooperatively sharing observers and data management capabilities to reduce per unit costs, and we are confident that the first year of implementation will yield valuable lessons on these opportunities for efficiencies. It is difficult to predict with precision exactly how the industry will respond and the degree to which it will coordinate closely in sharing observer and monitoring costs, but we expect considerable efforts along these lines as has been evidenced in other fisheries governed by catch shares programs. Furthermore, the Council is considering potential costs savings that might be achieved by modifying the educational requirements for shore-side monitors and at-sea observers and using less expensive at-sea monitoring technologies, such as electronic monitoring for certain vessel or gear types.

Additionally, the existing estimates of initial implementation costs are conservative, and therefore, likely overestimates. The cost issue is real, but we also believe there are both short and long-term solutions for it. In the short term, NOAA is committed to share 90% of the permit monitoring costs for the first year if Congress approves the Administration's budget request for the coming year.

Initial Allocation and Gifting of Public Resources. The Council carefully considered this fundamental topic at the start of this endeavor and reviewed a wide range of public testimony on it before proceeding. I acknowledge as a matter of principle that reasonable people differ on this topic. As a legal matter, the fishery resources will continue to be in the public trust. In our practical approach to the topic, we designed the program to ensure that the legal character of the

established quotas do not create private property rights that can give rise to takings claims if at a future time we seek to restructure the trawl program using other tools.

However, as a financial matter, we recognize that quota has current value, and thus the initial allocation of quota confers that value on its recipients. To achieve an allocation that is in the judgment of the Council members fair and equitable, the program specifies that approximately half of the initial allocation be allocated equally among all permit holders and that about half be split among those who have been active participants in the fishery during the 1994-2003 qualifying period, based on their individual catch production record.

Quota shares and improved observer coverage will become the primary tools to manage trawl fishing effort and harvest, replacing the traditional approach of managing landings through bimonthly cumulative harvest limits. Under IFQs, the government gets out of managing fishing effort through bimonthly limits. Instead, the overall fishing effort is limited by quotas; fishermen may go fishing when it is most advantageous to them. They may also trade or exchange fishing quotas as they judge most appropriate, subject to strict accumulation limits and other requirements.

Participation. I share your concern about the potential for quota shares to be controlled by entities without a direct interest in the fishery. This issue is one that received a substantial amount of discussion by the Council during program development. The program contains a number of provisions to ensure the annually issued quota pounds would be available in the fishery each year and to encourage control by fishermen. For example, there are requirements that quota pounds be transferred only to and among vessels and that all quota pounds be transferred to a vessel account every year. We will monitor this issue closely and will likely revisit it during program reviews.

Consolidation and Equity. Consolidation is an intended outcome of this catch shares program in light of the current overcapitalized status of the fleet. Notably, the current distribution of catch among vessels shows too many vessels and not enough catch; many vessels are not economically profitable businesses, do not currently support crew members, and do not support ancillary community economic benefits. However, the Council has been vigilant on the topic of accumulation limits to ensure that quota ownership is not overly consolidated into the hands of a few corporate entities. The Council has worked hard on the accumulation limits of the program to minimize opportunities for circumvention, and is confident in its strong approach on this important component of the program.

Spill-over. The spillover of existing vessels and effort into other fisheries was a concern considered by the Council as it weighted all the tradeoffs involved with implementing the program. The Council's Final Environmental Impact Statement identifies the same fisheries of concern that you identify in your letter. Studies show that spillover impacts on other fisheries depend on how well those other fisheries are managed. The impact will be less in fisheries with adequate harvest controls. Your letter notes that surplus trawl vessels may be reactivated with permits from other Federal fisheries and highlights concern for resulting impacts on the fixed gear ground-fish, pink shrimp, and Dungeness crab fisheries of the west coast. Of these fisheries, only the fixed gear ground-fish fishery is a Federal fishery and that fishery is an

already largely rationalized fishery that will effectively control any spillover problems. The other two fisheries are state-managed fisheries. The Council, including its state agency representatives, considered potential impacts on these fisheries and concluded that since these fisheries were state managed, it would be best to address the issue outside the Council process.

This restructuring of the trawl program represents the most complex catch shares program undertaking in the United States, and it is indeed complicated. We fully expect to refine the details of the program in parallel with its implementation as we learn more about what is working and what requires adjustment. Continued refinement has been essential to every other catch shares program implemented domestically; the number of amendments to each in the immediate out-years is impressive, and speaks to the learning and positive adaptation that occurs and is anticipated here. As such, NMFS is working with the Council on development of a set of trailing amendments this fall. In addition to considering observer program costs, we will look at refining the adaptive management elements of the program and developing provisions to authorize community fishing associations to hold and pool quota to achieve a variety of purposes.

The fact that work will continue on refinements to the program, both administratively and by formal amendment, brings us to your final point on the issue of the schedule for implementation. One might argue that the prudent course would be to defer implementation while these additional details are refined, or while improvements in electronic monitoring can take hold. On this issue, the Council has repeatedly considered and voted against every proposal to delay or postpone the implementation of the program, with the latest occurring just this past June. Each time, the Council rejected these options in favor of prompt implementation of the program by January, 2011, reflecting the conclusion that implementation should proceed, as delay would saddle fishing communities with continued deterioration of economic benefits and would leave the Council to confront the same fundamental problems that has led it to adopt the present set of important changes to the fishery. The Council has therefore decided after careful consideration to proceed, and by approving the Council's proposed amendments on August 9th, I concurred with that recommendation.

In closing, I again express my appreciation for your longstanding leadership of and support for our efforts in managing our marine resources and for the families and coastal communities that depend upon those resources. I welcome an opportunity to visit with you and your staff to further discuss these important topics.

Sincerely,



William W. Stelle, Jr.
Regional Administrator

cc. Dr. Lubchenco
Mr. Eric Schwaab
Mr. Mark Cedergreen, Chairman, PFMC



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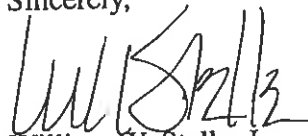
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