

CALIFORNIA DEPARTMENT OF FISH AND GAME REPORT ON ADAPTIVE MANAGEMENT

The California Department of Fish and Game presented a proposal for the Groundfish Allocation Committee (GAC) Meeting (October 8-9, 2008) to more clearly define the details of the adaptive management alternative under consideration for the trawl rationalization program (Agenda Item F.3). The proposal has been revised to reflect comments received at the GAC meeting and is provided here starting on page 4

Response to GAC Comments on the Adaptive Management Proposal by California Department of Fish and Game

The following is a response to specific questions from the Groundfish Allocation Committee on the "Clarification of the Adaptive Management Proposal by the California Department of Fish and Game" (page 4).

Summary

What is the purpose of Adaptive Management Pounds?

Adaptive Management Pounds (AMP) would be used to aid in community and regional development, create incentives for gear switching, mitigate unforeseen circumstances of trawl rationalization program implementation, promote attainment of a stable market to encourage sustainable fishing practices, and facilitate new entrants to the fishery. Adaptive Management Pounds would be a mechanism to increase profits to individuals or communities to allow them to eventually purchase their own Individual Fishing Quota (IFQ).

What percentage of the trawl allocation would be set aside for Adaptive Management?

A 10% set aside of quota shares is currently being analyzed for each trawl sector in the adaptive management program. The Council could request the Groundfish Management Team (GMT) analyze a range of set asides (e.g., 5%, 10%, 15%, 20%) to determine the amount of fish available and potential profits to the trawl sector under each option to help inform a Council decision. In determining the appropriate set aside for this program, the Council may also want to consider other processes, such as intersector allocation, which could affect the trawl sector allocation.

Who is eligible to apply for Adaptive Management Pounds?

AMP could be issued to harvesters (a person or entity that owns a vessel with a limited entry trawl permit) by sector on an annual basis through an application process. Although harvesters, processors, or other community entities can work collectively to formulate a plan that utilizes AMP, the AMP would be issued to the harvester since their vessel is subject to quota share accumulation limits.

The Council could choose to issue AMP to Regional/Community Fishing Associations. Under this option, the associations would be responsible for managing AMP awarded to their members. They would not be responsible for determining how the shares would be awarded to

the various states. If the Council elects to allow associations to manage AMP, exemptions from accumulation limits may be necessary.

How could Adaptive Management Pounds be regionally distributed?

Taking into consideration the goals and objectives of the adaptive management program, the Council could use a range of options to address concerns of regional distribution of AMP, including the following:

Option 1:

Use a competitive application process with no geographic subdivisions in AMP. This could result in consolidation of AMP in one area or state.

Option 2:

Use a competitive application process where AMP retains geographic subdivisions as determined by the Council for IFQ. Adaptive Management Pounds could only be used for the area they are issued. This option would provide limited protection from consolidation of AMP in one geographic area.

Option 3:

Use recent landings data (2004-2006) to determine proportion of landings in each state and distribute AMP based on those proportions. Distribution of AMP based on recent landings may better reflect current need. Under this option, AMP would be distributed as follows: WA = 15.9%; OR = 54.9%; CA = 29.2%

Conversely, the Council may choose to distribute AMP based on the inverse of 2004-2006 landings to provide additional benefit to states with lower landings. Additional harvesting opportunities provided by AMP shares could aid in local community development through the purchase of additional quota shares or upgrades to infrastructure. Under this option, AMP would be distributed as follows: WA = 54.9%; OR = 15.9%; CA = 29.2%

Option 4:

Base the distribution of AMP on the proportion of landings in each state over the window period used to allocate quota shares (1994-2003). Under this option AMP would be distributed as follows: WA = 17.0 %; OR = 47.2 %; CA = 35.8%.

Conversely, the Council may choose to distribute AMP based on the inverse of 1994-2003 landings to provide additional benefit to states with lower landings. Under this option, AMP would be distributed as follows: WA = 47.2%; OR = 17.9%; CA = 35.8%

Option 5:

Distribute AMP based on number of vulnerable communities in each state as determined in the trawl rationalization analyses.

Option 6:

Distribute AMP equally among the states.

What decision-making body and process determines who receives Adaptive Management Pounds?

The final decision on who will receive AMP will be made by the Council. The Council could provide guidance on which types of proposals they would give preference to prior to the start of the application process. Prior to reviewing applications, the application review committee would develop objectives to evaluate proposals, a ranking system to determine how well the applications are deemed to contribute to their objectives, a set of performance standards, and a mechanism for dealing with changes in business arrangements (i.e. how to deal with situations such as one member of the business plan going out of business).

Review of adaptive management applications could be conducted by either an ad-hoc committee within the Council or by individual state review committees. An ad-hoc committee would review all applications and report directly to the Council; individual state committees would review only state-specific applications and report to one individual (e.g., NMFS or other representative) who would then communicate with the Council.

Depending on what type of review committee the Council chooses, membership of the committee(s) could include economists, scientists, elected officials, business owners, harvesters, community members, etc. Although potential benefits to an ad-hoc committee could include more consistency in review of applications, finding individuals who have the expertise to effectively evaluate each state's needs may be more difficult and review of all applications could be labor intensive depending on the number of applications. Individual state review committees may have a better understanding of state-specific needs and be more able to effectively review the merits of each application and its impacts on local communities. State review committees may not be as consistent in their reviews and may require additional oversight by Council staff, NMFS, or PSMFC.

Clarification on the Adaptive Management Proposal by California Department of Fish and Game

The California Department of Fish and Game presented a proposal for the Groundfish Allocation Committee (GAC) Meeting (October 8-9, 2008) to more clearly define the details of the adaptive management alternative under consideration for the trawl rationalization program (Agenda Item F.3). This report has been revised to reflect comments received at the GAC meeting.

Executive Summary

This proposal is a detailed description of how the adaptive management alternative might address changing fishery needs, support program development, and address unanticipated consequences from implementation of a trawl rationalization program. The Adaptive Management program would operate within the Council process and be subject to criteria and recommendations specified by the Council. Under this program harvesters would submit an application in the year prior to the start of the fishing year to gain access to adaptive management pounds (AMP). If the Council adopts an initial allocation for processors, they would not be eligible to participate in this program. Applications would be reviewed by a committee based on predetermined qualification criteria and those proposals that incorporate and make the best use of vulnerable communities, gear switching, stabilize existing processors, encourage new entrants (processors and harvesters) could be scored more highly. This program is intended to benefit small volume harvesters, small volume processors, and vulnerable communities. It allows individuals/entities to work together in a manner that is mutually beneficial to all.

Program Goals and Objectives

Goal

The goal of the Adaptive Management proposal is to provide more details on how this alternative can aid in community and regional development, create incentives for gear switching, mitigate unforeseen circumstances of trawl rationalization program implementation, promote attainment of a stable market to encourage sustainable fishing practices, and facilitate new entrants to the fishery. This program is intended to benefit small volume harvesters and processors and vulnerable communities.

Objectives

The Adaptive Management goal is supported by the following program objectives:

1. Provide a simplified mechanism that can address a variety of needs from individuals to communities
2. Provide a simplified mechanism that minimizes the number of quota share units to track reducing program costs.
3. Promote economic development and benefits in vulnerable communities
4. Provide a mechanism to mitigate unforeseen circumstances of program implementation
5. Promote practices that reduce bycatch and promote sustainable fishing practices
6. Promote practices that maintain and/or improve existing processing capabilities
7. Promote practices that stabilize employment and enhance the groundfish industry

8. Provide opportunities for new entrants

Adaptive Management Set Aside

This proposal would set aside up to 10 percent of each trawl sector's allocation of target and overfished species for each calendar year to respond to changing fishery needs, support program development, and to address unanticipated consequences from implementation of a trawl rationalization program. Harvesters (a person or entity that owns a vessel with a limited entry trawl permit) would apply prior to the start of the fishing year to gain access to this additional resource.

Adaptive Management Set Aside for Processors Option

If the Council adopts an initial allocation for processors, they would not be eligible to participate in the Adaptive Management program. One expected result of the trawl rationalization program is an increase in the number of non-whiting shoreside processors. Since there would not be an expectation of stranded capital, there would be no need for Adaptive Management Pounds (AMP) to mitigate any loss.

Issuance of Adaptive Management Pounds

Issuance of AMP to harvesters would be done on an annual basis through an application process. Although harvesters, processors, or other community entities can work collectively to formulate a plan that utilizes AMP, the AMP would be issued to the harvester since their vessel is subject to quota share accumulation limits for ownership and control. The Council could also choose to issue AMP to Regional/Community Fishing Associations. Under this option, the associations would be responsible for managing AMP awarded to their members. If the Council elects to allow associations to manage AMP, exemptions from accumulation limits may be necessary.

Application Review Committee

Applications would be reviewed annually during Council meetings by either an ad-hoc committee within the Council or by individual state review committees that operate subject to criteria specified by the Council. The reviews could occur using a two-meeting process, with final recommendations at the June meeting. The ad-hoc committee would review all applications and report directly to the Council; individual state committees would review only state-specific applications and report to the Council via a representative (e.g., NMFS or PSMFC representative). The committee would consist of individuals with broad interests (e.g., economists, scientists, elected officials, business owners, harvesters) where no more than 30% are directly linked to the fishing industry.

One potential benefit of a single ad-hoc committee would be more consistency in review of applications, although finding individuals who have the expertise to effectively evaluate each state's needs may be more difficult. Application review could also be labor intensive depending on the number of applications. Individual state review committees may have a better understanding of state-specific needs and be more able to effectively review the merits of each application and its impacts on local communities. State review committees may not be as consistent in their reviews and may require additional Council staff oversight.

Application Evaluation Criteria

The task of the committee(s) would be to review applications for AMP based on evaluation criteria to determine how much, if any, additional quota pounds would or could be granted to the harvester for the year. Prior to reviewing applications, the committee(s) would develop objectives to evaluate proposals, a ranking system to determine how well the applications are deemed to contribute to their objectives, a set of performance standards, and a mechanism for dealing with changes in business arrangements (i.e. how to deal with situations such as one member of the business plan going out of business).

The purpose of a point system is to minimize subjectivity in proposal evaluations. Applications would be scored on a predetermined point basis and a minimum score must be achieved to receive any AMP. Proposals that incorporate and make the best use of vulnerable communities, stabilizing existing processors or encouraging new ones, gear switching, or new entrants could be weighed more heavily and receive more points. The Council could provide guidance on which types of proposals they would give preference to prior to the start of the application process. Proposals that meet the minimum score would receive AMP subject to availability.

Any unused quota would be redistributed to the harvesters prior to the start of the fishing season based on proportions of quota shares.

The Council could include a provision for an application fee to cover program costs.

Restrictions on Use of Adaptive Management Pounds

The AMP will be valid for one year and only to the vessel for which they are issued. The AMP can not be transferred and the vessel cannot exceed accumulation limits. The geographic distribution of AMP management units would be determined by the Council. A harvester may hold AMP for an area in which it does not own quota shares.

Adaptive Management Program Implementation

Implementation of the Adaptive Management program could occur concurrent with the start of the trawl rationalization program or it could be suspended for the first two years. Implementation of the adaptive management program at the start of the trawl rationalization program could address community stability issues and mitigate for insufficient initial allocations of quota shares. If the Council chose this option the details of the Adaptive Management program (how much to set aside, members of application review committee, application review criteria) must be finalized at least one year prior to the start of the trawl rationalization program. This would allow the applications to go through the review process and return any unused quota pounds for the first year prior to the start of trawl rationalization program implementation.

Delaying implementation of the Adaptive Management program until a later date would provide additional time to finalize the details of the Adaptive Management program.

The Adaptive Management program would sunset 10 years after implementation, unless the Council chooses to extend its duration. If the Adaptive Management program sunsets, the quota pounds would be redistributed to quota share holders.

Adaptive Management Program Benefits

The Adaptive Management program will benefit some individuals and communities more than others. Presumably, greater benefits would be realized by smaller volume harvesters and vulnerable communities because proposals that incorporate them would be ranked higher in the application process and be considered for AMP before those that incorporate larger harvesters or more stable communities.

Smaller volume harvesters may not receive many quota shares initially and would benefit from the additional AMP as well as small to medium level processors who do not own their own vessels. Increased income from AMP could eventually allow them to purchase additional quota shares needed to maintain their current business plans. Benefits to vulnerable communities under this program could include new jobs to accommodate the increased business activity (e.g., ice, transportation) and increased profits to local businesses (e.g., fuel, groceries).

Harvesters who have reached their accumulation limits may not benefit under this proposal because they cannot apply for additional quota which would result in exceeding accumulation limits. Communities with strong infrastructure also may not benefit as much because preference may be given to those proposals from harvesters who choose to operate in a vulnerable community in an attempt to rebuild infrastructure.

The Adaptive Management proposal can address the needs of community and regional development, unforeseen circumstances, and community stability using a simplified mechanism that provides equal opportunities for industry and communities by increasing earning potential(s) for participants. The Adaptive Management proposal allows individuals/entities to work together in a manner that is mutually beneficial to all. The fishing industry's survival is dependent on reliable participation from everyone involved - harvesters, processors, and communities. The Adaptive Management proposal allows participants to address issues (e.g., rebuilding lost infrastructure, ensuring constant product supply) by providing capital via the sale of fish to build up infrastructure or to purchase quota shares to leave to harvesters that will land fish locally.

Because this program is voluntary, it does not restrict harvesters to specific areas and allows for flexibility in business planning. The number of quota share units to track under Adaptive Management would also be substantially reduced, resulting in decreased monitoring costs.

Examples of AMP uses:

1. **Community stability** – a harvester may submit an application for AMP to ensure a more reliable supply of product to processors in a particular port to maintain local processing jobs and stimulate the economy. Applications that include a declaration of intent to land in a vulnerable community may receive a higher overall ranking, resulting in AMP that may offset any increased costs of operating in that area. Applications that include harbor district contracts for local services (e.g., ice, delivery trucks, offloading) may also receive a higher ranking.

Examples for Shoreside Trawl:

Local community - in some vulnerable communities, members (e.g., harbor districts, local businesses, environmental groups, processors) could work together to form a business plan identifying the participants and detailing contractual agreements. The designated harvester could then apply for AMP which would be issued to individual vessel(s) (subject to accumulation limits). Profits from AMP could eventually be used by the community to purchase additional quota shares for that area.

2. **Gear Switching** – harvesters could apply for AMP that will allow them to catch additional fish while using gears with lower bycatch.

Examples for Shoreside Trawl:

Harvester – harvesters could apply for AMP using fishing gear that lead to a more efficient fishery, sustainable fishing practices and reduction in bycatch.

Example for Catcher-Processors in the At-sea Sector:

Harvester – Catcher-processors could apply for AMP as an incentive to test new gears (e.g., salmon excluders) that lead to a more efficient fishery, sustainable fishing practices and reduction in bycatch. Profits could be used to offset the costs of purchasing and testing the new gear.

3. **Mitigation of unforeseen circumstances** – in the event that new federal or state programs are implemented after rationalization that restrict a harvester’s ability to prosecute their quota shares, the harvester could apply for AMP to mitigate this impact. Events may include, but are not limited to, new national marine sanctuaries or marine protected areas which restrict trawling or alternative energy projects which close off portions of the ocean for wave energy.

Examples for Shoreside Trawl:

National Marine Sanctuary – implementation of a national marine sanctuary that restricts trawling could inhibit a harvester’s ability to harvest their quota shares. In some instances national marine sanctuaries can be very large and effectively close off profitable fishing ground. If a national marine sanctuary encompasses remote ports, the ability for a harvester to re-locate to a new area or travel to new fishing grounds outside the sanctuary may be limited. Switching to new gear that meets sanctuary restrictions may be prohibitively expensive without additional economic assistance. Profits from AMP could be used to offset the costs of purchasing the new gear.

4. **Long term business planning** – a harvester may submit an application for AMP of a particular species for which their accumulation limit has not been reached to allow for expanded fishing opportunities.

Examples for Shoreside Trawl:

Harvester – initial distribution of quota shares may result in a species portfolio for some harvesters that is not indicative of their current business practices. Profits gained from AMP could be used to purchase additional quota shares to more closely match their species portfolio prior to the trawl rationalization program. This may make fishing more economically feasible for some harvesters with low initial quota shares.

Processor – a small level processor that does not own a permitted vessel could enter into an agreement with a harvester to maintain a reliable product supply through exclusive access. The harvester could then apply for AMP which would be issued to individual vessel(s) (subject to accumulation limits). Profits gained from AMP would allow a processor to purchase quota shares at a later date to meet their production needs.

Examples for Catcher Vessels Delivering to Motherships in the At-sea Sector:

Harvester – For some harvesters, the initial distribution of quota shares may result in a whiting allocation that is not indicative of their current business practices. Profits gained from AMP could be used to purchase additional quota shares to more closely match their species portfolio prior to the trawl rationalization program. This may make fishing more economically feasible for some harvesters with a low initial quota shares.

5. **New entrants** – intended to provide a mechanism for entering the fishery. This could allow for development of specialty opportunities addressing niche markets or provide increased revenue to vulnerable communities.

Examples for Shoreside Trawl:

Processor – processors wanting to enter the fishery in vulnerable ports or create a niche fishery could contract with individual harvesters to guarantee product supply. The AMP would be issued to the vessel(s) (subject to accumulation limits), but written contracts would guarantee product supply to the processor. Profits gained could eventually be used to purchase quota shares.

Deckhand – deckhands wanting to enter the fishery can form a contract with a harvester and the harvester can apply for AMP. The AMP would be issued to the vessel(s) (subject to accumulation limits), but a written contract would solidify terms of the contract (e.g., what proportion of the profits the deckhand would receive). Profits gained from AMP may eventually allow a deckhand to purchase their own shares which they could then put on someone's vessel.

Example for Catcher Vessels Delivering to Motherships and Catcher Processors in the At-sea Sector:

Deckhand – deckhands currently working on a catcher vessel delivering to a mothership or catcher-processor may aspire to own quota shares. The deckhand could form a contract with the vessel and apply for AMP. The AMP would be issued to the vessel(s) (subject to accumulation limits), but a written contract would solidify terms of the contract (e.g., what proportion of the profits the deckhand would receive). Profits gained from AMP may eventually allow a deckhand to purchase their own shares which they could then put on someone's vessel.

6. **Increased Product Recovery** – Mothership operators in the whiting sector could apply for AMP that will allow them to catch additional fish while increasing product recovery rates.

Example for Motherships in the At-sea Sector:

Harvester – Mothership operators could apply for AMP as an incentive to test new processing equipment to minimize the amount of bycatch that is discarded or turned into fish meal. Profits could be used to offset the costs of purchasing and testing the new gear.