



Agenda Item G.5
Situational Summary
June 2016
Supplemental Comment

Ms. Dorothy Lowman, Chair
Pacific Fishery Management Council
7700NE Ambassador Place Suite 101
Portland OR 97220

Dear Ms. Lowman: Please accept these comments on behalf of Pacific Seafood:

***“PLANS FOR REVIEW OF THE WEST COAST TRAWL CATCH SHARE PROGRAM AND
INTERSECTOR ALLOCATIONS INCLUDING COMMENTS ON DRAFT GUIDANCE FOR CATCH
SHARE PROGRAM REVIEWS”***

Prologue: (Except as noted these comments are directed to the non-Whiting Shoreside Fishery only.)

Pacific Seafood is the largest buyer of non-Whiting groundfish on the West Coast. In addition we purchase, produce and market significant amounts of groundfish from Alaska and Canada. Our business history has taken us through the high production years on the west coast as well as the disaster years, a time when the majority of the west coast seafood plants shut their doors to groundfish. Many disappeared entirely.

Pacific's business strategy is diverse, however our core business model has always relied on west coast groundfish. It is the glue that provides year around employment for our employees, both on the coast and at our distribution centers. Until recently it provided us with important sales items, on a year around basis, to our customer base which includes major retail chains and a large number of restaurants. We presently have three plants cutting groundfish. Frankly, we do not know if this is sustainable. 45% of our fillet crew has quit due to lack of consistent work. The profitability of west coast groundfish has dropped significantly.

During the West Coast Groundfish disaster years until present, US imports of Tilapia and Swai (Asian catfish) rocketed upward by a factor of 65:1: from under 10 million pounds in 1998 to 649 million pounds in 2015, 55 million pounds of which was *fresh Tilapia*. US per capita consumption of seafood in 2014 was 14.6 pounds¹. 14% of that consumption was Tilapia and

¹ <http://www.seafoodhealthfacts.org/seafood-choices/overview-us-seafood-supply>

Swai, higher than all other whitefish, imported and domestic, which includes cod, Pollock and whiting products. Over 90% of the seafood consumed in the US is now imported. An article in Seafood.com on June 13, 2016 suggests Vietnam is scaling up their “catfish” operations to produce another million metric tons per year.²

Dover harvest attainment on the west coast in 2015 was 13.75 million pounds of whole fish or about 3.7 million pounds of fillets; 13% of the Dover ACL. At a time when foreign imports dominate and continue to gain US market share west coast groundfish harvest and consumption seems to be going the opposite direction. Ostensibly increased rockfish quotas should provide opportunity, but ultimately there needs to be enough demand in the market and a well-constructed supply chain to service the increase of fish to that market. Consistency is key.

Several relevant and important points: First: During the implementation process of Amendment 20/21 there was not a valid end-market analysis for west coast non-whiting products. Outside of a few species the value equation for west coast groundfish, has been, and remains fresh sales. Second: No one analyzed the tenuous nature of the fresh market supply chain and what impacts markets would suffer when that supply chain is disrupted. A simple but all important question: What is required from the regulatory sector to allow the harvesters and processors to increase utilization, substantially increase market demand and maximize value? Each an unrealized promise of this program. We believe Pacific Seafood can help to establish realistic alternatives to extricate ourselves from this malaise. However it will first take the realization, and then admission that the present program is not up to the task; and perhaps more difficult, that the present prescriptive remedies are not the antidote. It will also require a new spirit of cooperation that places the highest priorities on the economic fundamentals; necessary to compete in a world where imported seafood subjugates US production in the marketplace.

Pacific Seafood involvement in the West Coast Groundfish and the Council process.

Pacific Seafood altered their business plan in the early 80's from solely distribution to include processing. As various businesses elected to close their doors when first salmon, and then groundfish quotas were slashed, Pacific kept going. It was a very tough time for all.

When the buyback program was implemented Pacific had the choice of purchasing vessels of their own or shutting down the Eureka plant. We had already been forced to remove groundfish operations from Westport and Charleston. Even though we relocated many team members this

² <http://www.seafoodnews.com/Story/1022334/Catfish-Prices-Tumble-as-Vietnamese-Exporters-Scramble-for-Clients>

was an extremely difficult time for our staff and our remaining fleet. We took a huge risk but managed to find enough vessels to keep Eureka open.

We participated in the formulation of the West Coast Trawl IFQ (A20/21) program from the onset. It appeared to us that though many of the goals were laudable there was never serious consideration given to how they were to be achieved. The first mistake may have been not analyzing the supply chain and end markets. In 2015 with only a 22% attainment harvest rate of available aggregate quota, coupled to costs that continue to mount, it is impossible to call this program an economic success.

We again reference the Goal and several Objectives in the A20 FEIS:

- (A-20 FEIS) "The primary stated goal of Amendment 20 is: *Create and implement a capacity rationalization plan that increases net economic benefits, creates individual economic stability, provides for full utilization of the trawl sector allocation, considers environmental impacts, and achieves individual accountability of catch and bycatch.*" Additional stated objectives of Amendment 20 include: (#2) "provide for a viable, profitable, and efficient groundfish fishery," (#4) "Increase operational flexibility," (#5) "minimize adverse effects . . . on fishing communities," and (#6) to "promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry."

To be blunt the A20 program achieved the opposite. The remedies and prescriptions in the trailing amendment process have not helped, and the process itself is daunting.

References to "Comments to the PFMC" from Past Councils: (Does not include verbal testimony)

Pacific Seafood began lobbying for fundamental changes to the IFQ non-whiting program in 2014.

Agenda Item J.1.d

Public Comment

September 2014

RE: OMNIBUS REGULATION CHANGE PRIORITIES³

Agenda Item J.2c

Public Comment

Nov 2014

RE: WIDOW ROCKFISH REALLOCATION AND DIVESTITURE ISSUES⁴

³ http://www.pcouncil.org/wp-content/uploads/J1d_Sup_PubCom2_SEPT2014BB.pdf

Agenda Item E.6.b
Supplemental Public Comment
April 2015
Re: Widow Allocation and Divestiture Issues (2 Comments)⁵

Agenda Item B.1.b
Open Public Comment
Nov 2015
RE: *Draft Guidance for Conducting Reviews of Catch Share Programs*⁶

**Santa Rosa III IFQ Workshop
Non Whiting Shoreside Review
Issues and Necessary Solutions⁷**

We have an opportunity to reverse the economic maladies that have come with Amendment 20. It will not be easy. But it will not occur at all if we continue to use the same thought process and procedures that have brought us to this point. The program amendment goal and objectives are clear. They are commendable. What is not clear is if Management, the Council and the non-whiting Industry are willing to put aside some of their differences and look to solutions that have worked in other US and foreign fisheries. We have not prescribed remedies in this comment letter however we have presented ideas at past Council meetings. We have attempted to attach our power point presentation from the Santa Rosa III meeting in the e-mail to the Council.

Our company has lost valuable team members and large sums of revenue on west coast groundfish. That may just be the new norm but we would like to believe otherwise. Correcting this program so businesses can survive will not be an easy task and all of us will need to contribute something to the effort.

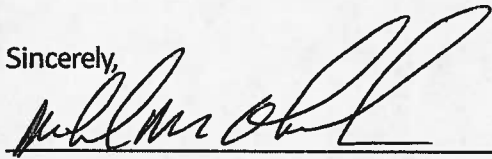
⁴ http://www.pcouncil.org/wp-content/uploads/J2c_Sup_PubCom_NOV2014BB.pdf

⁵ http://www.pcouncil.org/wp-content/uploads/2015/04/E6b_SupPubCom2_APR2015BB.pdf

⁶ http://www.pcouncil.org/wp-content/uploads/2015/11/B1b_Sup_PubCom3_PacificSeafood_Nov2015BB.pdf

⁷ <http://www.nationalfisherman.com/news-events/top-news/6268-west-coast-ground-fish-management-a-disaster>

Sincerely,



Mike Okoniewski

Fisheries Policy & Management Advisor

Pacific Seafood

Ana Kujundzic

Chief Economist

Pacific Seafood

Separate attachment: Santa Rosa III: Pacific Seafood: Powerpoint Presentation:

Non-Whiting Shoreside IFQ Fishery Review

ISSUES AND NECESSARY SOLUTIONS

-MIKE OKONIEWSKI & ANA KUJUNDZIC, PACIFIC SEAFOOD

The non-whiting West Coast IFQ trawl fishery is an economic sinkhole. Original advocates have publically declared it an “economic failure”. Aggregate non-whiting species landings attainment in 2015 was the worst yet at 20.2 percent.¹ Pacific Seafood lost 45 percent of our fillet workforce due to extended lapses of groundfish deliveries.

In September 2014 Pacific Seafood submitted a report² to the PFMC, followed by public testimony, on fundamental issues and potential solutions in the non-whiting IFQ fishery. The report contrasted the large variance in the British Columbia (BC) IFQ performance to the West Coast IFQ program. In post-testimony questioning, a Council member, emphatically stressed that we failed to point out the regulatory differences between the BC and the West Coast programs, along with MSA requirements. This in fact is the point.

The BC program was held to be an iconic example by the PFMC, a template for the West Coast. If the US regulatory framework is that divergent, how did the West Coast IFQ proponents expect it to replicate similar performance? Why did analysts neglect to distinguish regulatory differences, and fail to recognize the predictable disparity in operational and economic performances?

The Whiting Fishery functions well for all sectors. In stark contrast, the Amendment 20/21 program needs to be structurally overhauled before it destroys the non-whiting fishery. The 5 year Review is our opportunity.

¹ SEE SLIDE 7 FOR 2015 IFQ SHORESIDE HARVEST AND ACL ATTAINMENT PERCENTAGES.

² PFMC SEPTEMBER 2014, AGENDA ITEM J.1.D. SUPPLEMENTAL PUBLIC COMMENT 2: PACIFIC SEAFOOD, “OMNIBUS REGULATION CHANGE PRIORITIES”.
[HTTP://WWW.PCOUNCIL.ORG/WP-CONTENT/UPLOADS/11D_SUP_PUBCOM2_SEPT2014BB.PDF](http://www.pcouncil.org/wp-content/uploads/11D_SUP_PUBCOM2_SEPT2014BB.PDF)

Top areas of poor performance:

1. Inconsistent fresh market supply chain.
2. Vessel and processor revenues are stagnant or reduced.
3. Costs to vessels and processors have increased → California trawl fishery is largely an artifact.
4. ACL attainment rates have decreased in aggregate.
5. Historic target species such as Dover sole have been underutilized.
6. The “trailing amendment” process is a regulatory quagmire creating more confusion for the industry.

IFQ program elements that require modification:

1. Net economic benefit and optimum yield must become a primary focus of the IFQ program as outlined in National Standard 1 and groundfish FMP A20 goals.³
2. Increase vessel usage limits for individual species, remove the aggregate non-whiting QS limit and the aggregate vessel usage limit → this will allow vessels to specialize which should lead to better ACL utilization, reduced costs and increase in quota value.
3. Eliminate the utilization of trawl IFQ sablefish QP by non-trawl gear, or alternatively allow trawl IFQ fishery participants access to the tier sablefish fishery's quota (i.e. allow two way trading between the two fisheries).
4. Decrease the cost of observer coverage by some combination of EM and decreased human coverage and/or provide subsidies to eligible participants.

³ See Slide 8 for NS 1 and FMP A20 goals.

Necessary elements that should be analyzed and potentially added to the IFQ program:

1. Regulatory flexibility should be the top priority → use in-season management structure to better balance catches with available quota. Instead of having a “hard cap” system where QS and QP vessel usage limits are fixed in perpetuity, the focus should be on a “soft cap” system where usage limits can be temporarily changed to allow for greater ACL utilization if catch rates are very low for example.
2. Analyze and possibly implement a coop system similar to other successful coops (AFA and other Alaska coops for example) where vessels would optimize *collective* and individual accountability to reduce bycatch while *achieving* optimum yield → create coop use caps instead of having individual vessel caps.
3. In the event of a large “lightning strike” where a vessel could be prohibited from fishing for more than a year, allow the vessel one-time access to any unharvested ACL at year end by paying a “penalty fee” and/or provide some other mechanism so that the vessel is not forced to be out of the fishery for several years.

Necessary elements that should be analyzed and potentially added to the IFQ program:

4. A new approach we believe worth consideration is to allow IFQ participants to sell catch deficits (think of it as “bond trading” vs “stock/equity trading”). This is a way to mitigate “lightning strikes”. The ability to spread large catch deficit over multiple vessel accounts could in many cases prevent vessels from being tied up for several years. Even if there is enough quota available in the IFQ pool and willingness of other participants to cover somebody’s large catch deficit, the vessel in jeopardy still might not be able to fish for multiple years because the total pounds in its vessel account would be significantly higher than the vessel usage limit.
5. Use the economic performance metrics to drive actionable response plan and in-season adjustment:
 - a. Create easy to read quarterly or semiannual performance report card in a timely manner.
 - b. Estimate “break-even species prices” to understand when economic viability is compromised.
 - c. Utilize downstream seafood market data from different government agencies to help assess the IFQ fishery performance (e.g. gaining or losing retail shelf space to tilapia, etc.).

NOAA West Coast Groundfish IFQ Application- FY 2015					
IFQ Species	Sector Quota Pounds	Carryover Quota Pounds	Catch to Date	Quota Pounds Remaining	Percentage of TAC Harvested
Arrowtooth flounder	7,041,410	-	3,680,826	3,360,584	52%
Bocaccio rockfish South of 40°N, 10' N.	180,537	17,273	85,223	112,587	43%
Canary rockfish	95,372	8,866	98,842	5,396	95%
Chilipepper rockfish South of 40°N, 10' N.	2,652,161	-	416,972	2,235,189	16%
Cowcod South of 40°N, 10' N.	3,175	187	832	2,530	25%
Darkblotched rockfish	629,662	60,158	269,762	420,058	39%
Dover sole	101,370,312	4,788,683	13,753,292	92,405,703	13%
English sole	20,179,330	-	724,877	19,454,453	4%
Lingcod North of 40°N, 10' N.	2,498,543	-	408,620	2,089,923	16%
Lingcod South of 40°N, 10' N.	987,032	-	69,851	917,181	7%
Longspine thornyheads North of 34°N, 27' N.	6,530,820	384,413	1,693,928	5,221,305	24%
Minor shelf rockfish North of 40°N, 10' N.	2,406,787	-	73,704	2,333,083	3%
Minor shelf rockfish South of 40°N, 10' N.	423,728	2,196	19,676	406,248	5%
Minor slope rockfish North of 40°N, 10' N.	2,688,339	-	502,616	2,185,723	19%
Minor slope rockfish South of 40°N, 10' N.	934,738	26,453	153,212	807,979	16%
Other flatfish	16,910,558	-	1,837,997	15,072,561	11%
Pacific cod	2,273,870	223,576	831,541	1,665,905	33%
Pacific halibut (IBQ) North of 40°N, 10' N.	186,287	19,421	79,075	126,633	38%
Pacific ocean perch North of 40°N, 10' N.	261,138	23,921	109,926	175,133	39%
Pacific whiting	274,712,403	-	128,712,290	146,000,113	47%
Petrale sole	5,598,419	-	5,510,340	88,079	98%
Sablefish North of 36°N, 10' N.	4,848,781	198,725	4,857,975	189,531	96%
Sablefish South of 36°N, 10' N.	1,587,064	137,010	374,175	1,349,899	22%
Shortspine thornyheads North of 34°N, 27' N.	3,486,589	296,304	1,583,654	2,199,239	42%
Shortspine thornyheads South of 34°N, 27' N.	110,231	10,244	1,809	118,666	2%
Splitnose rockfish South of 40°N, 10' N.	3,569,901	-	61,642	3,508,259	2%
Starry flounder	1,668,569	-	14,144	1,654,425	1%
Widow rockfish	3,131,931	167,354	1,795,880	1,503,405	54%
Yelloweye rockfish	2,205	172	78	2,299	3%
Yellowtail rockfish North of 40°N, 10' N.	10,126,162	-	3,196,463	6,929,699	32%
Includes IFQ SS Whiting	477,096,054	6,364,956	170,919,222	312,541,788	35.35%
Non whiting IFQ species only	202,383,651	6,364,956	42,206,932	166,541,675	20.22%

- National Standard 1: *Conservation and management measures shall prevent overfishing while achieving, on a continuing basis, the optimum yield from each fishery for the United States fishing industry.*
- (A-20 FEIS) “The primary stated goal of Amendment 20 is: *Create and implement a capacity rationalization plan that increases net economic benefits, creates individual economic stability, provides for full utilization of the trawl sector allocation, considers environmental impacts, and achieves individual accountability of catch and bycatch.*” Additional stated objectives of Amendment 20 include: (#2) “*provide for a viable, profitable, and efficient groundfish fishery,*” (#4) “*Increase operational flexibility,*” (#5) “*minimize adverse effects . . . on fishing communities,*” and (#6) to “*promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.*”

“Economists tend to trust that competitive markets are the most efficient means of distributing scarce resources (e.g., QP), but this may not be the case when these markets are inherently thin and must distribute multiple goods with jointly determined and highly uncertain values....

“The centralized decision-making of a large firm (whether an owner of vessels or a processor that owns or buys and distributes QP to the vessels that deliver fish to it) that can harness disparate information and/or can mitigate risk associated with uncertainty may actually be able to do a better job of maximizing value. It is notable that, in mature multispecies IFQ systems in New Zealand, Iceland, and British Columbia much of the quota share has been acquired by large firms, often by processors or vertically integrated firms with processing and harvesting capacity. Part of the reason for this is undoubtedly to increase their ability to build stable markets for their products by gaining control of what fish is landed when, but these firms are also able to move QP around to the vessels that fish to them to ensure it is used efficiently. **Cooperatives might achieve similar gains, depending on how they are organized and operated. Risk pools also play an important role....**

“Rules that at face value appear to be designed to make the market more competitive (e.g., aggregation limits, prohibiting subtracting quota cost from ex-vessel price) may actually constrain useful distribution mechanisms (e.g., risk pools and cooperatives), though they may also be necessary to avoid abuses of market power. There are likely to be trade-offs in terms of allowing useful organizational mechanisms for quota distribution and abuses that can occur as a result of centralized control and “market power....”

The Anatomy of a Multispecies Individual Fishing Quota (IFQ) “Market” in Development -
Daniel S. Holland and Karma Norman

Link: <http://spo.nmfs.noaa.gov/tm/TM158.pdf>

WEST COAST SEAFOOD PROCESSORS ASSOCIATION

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503-227-5076

June 14, 2016

Ms. Dorothy Lowman, Chair
Pacific Fishery Management Council
7700 NE Ambassador Place, Suite 101
Portland, Oregon 97220-1384

Dear Chair Lowman:

West Coast Seafood Processors Association (WCSPA) submits the following comments for consideration under Agenda item G.5 at the June 2016 Council meeting – *Preliminary Plans for Review of the West Coast Trawl Catch Share Program and Intersector Allocations, Including Comments on Draft Guidance for Catch Share Program Reviews*. Our member companies have been greatly affected by the trawl individual quota (IQ) program and are eager to participate in the identification of problems and the development of solutions during the upcoming five-year review. WCSPA submitted extensive comments regarding the trawl IQ program review for consideration at the April 2016 Council meeting; we reiterate these comments and [incorporate our April 2016 comments by reference](#) for the June Council meeting. The additional comments provided below expand on some of the recommendations from our April 2016 letter that we feel are most important for the Council to address at this time.

Commitment to Action

First and foremost continues to be the need for the Council to commit **now** to developing a dedicated follow-up management action to address the recommendations resulting from the trawl IQ program review. We cannot emphasize the importance of this commitment enough. Furthermore, we **do not** support the idea of incorporating the recommendations from the five-year review into the 2018 omnibus workload prioritization process, as proposed in [Table 2 of Attachment 1 for Agenda Item G.5](#) (Trawl Rationalization and Intersector Allocation – Plans for the Five-Year Review Process). Simply funneling the five-year review recommendations into the 2018 omnibus process does not reflect the urgency of this matter, nor does it send the appropriate message to the industry about how seriously the Council is taking the five-year review. The Situation Summary for Agenda Item G.5 states that “*during the 2014 omnibus workload planning process, the Council planned to delay onset of the five-year review until November 2016 in order to allow work on other priorities.*” Now, as the review is set to begin this fall, it seems appropriate to formally acknowledge that responding to the outcome of the review will be a management priority in 2018. For many in the industry, this needs to be a priority now.

In addition to the reasons discussed in [our April 2016 comment letter](#), we believe that making a formal commitment to a five-year review follow-up management action now would help the Council prioritize *all* groundfish-related work over the next several years and would simplify the 2016 omnibus prioritization process. Under our suggested approach, the Council could restructure the 2016 omnibus priority list (Agenda Item [G.6 Attachment 2](#)) by identifying the issues/measures that would be more appropriate to address through a five-year review follow-up action in 2018, thereby freeing up staff time and resources to focus on other issues/measures on the omnibus list ahead of or during the review. Many of the remaining issues/measures on the 2016 omnibus list could be “packaged” together to further streamline technical work and necessary analytical/environmental documents. This approach could reduce the complexity of both the 2016 and 2018 omnibus prioritization processes and help the

Council plan ahead in terms of the workload and resources that will be needed to address groundfish management issues through at least 2018. It also provides more certainty to the public regarding the Council's commitment to respond to the outcome of the five-year review and ensure the long-term success of the trawl IQ program.

We also support the recommendation made by at least one other stakeholder during the April 2016 Council meeting that the Council should address any revisions/adjustments to the trawl IQ program that have already received widespread support ahead of completion of the five-year review. The report from the recent catch shares workshop in Portland, OR ("Santa Rosa III") identified many of these issues and also reflects the workshop participants' desire for the Council to move quickly and "change the tire while driving the car." It is critical for the Council to acknowledge the urgency of this situation and address these issues as expeditiously as possible. We encourage the Council to utilize the community advisory board (CAB) to identify any widely-supported revisions to the trawl IQ program early-on during the five-year review.

Proposed Hearing Locations, Dates, and Hearing Officers

While we recognize the difficulties associated with coordinating travel and resources to cover multiple public hearings in a short time frame, we recommend that the Council refine the public hearing documents and clarify the purpose/intent of the hearings at its September 2016 meeting, prior to conducting any of the hearings (Option 1 from [G.5 Attachment 1](#)). Currently, it is not clear what information will be presented at the public hearings and whether or not the Council will seek comments from the public regarding any specific issues/questions. Since it is unlikely that these details will be resolved during the June 2016 Council meeting, we recommend that the Council finalize these details at the September 2016 meeting. Also, since CAB membership will not be determined until the September Council meeting (we assume), conducting all public hearings after the September Council meeting would allow CAB members to more effectively participate and perhaps attend multiple public hearings to gain a better understanding of the issues.

We urge the Council to change the location of one of the public hearings from Port Orford, OR to Coos Bay/Charleston, OR. The Coos Bay/Charleston area includes both trawl fishermen and non-trawl fishermen who may have been affected by the catch share program and covers a region with more seafood industry participants overall, including many of those who work in Port Orford. There has been no groundfish trawl activity in Port Orford for many years. While it is important to identify impacts on non-trawl communities, it is more important to maximize opportunities for participation in the public hearings by *all parties* who have been affected by the catch share program. Moving this hearing from Port Orford to the Coos Bay/Charleston area would allow input by individuals in both trawl and non-trawl communities along the southern Oregon coast.

Catch Share Review Project Coordination and Analytical Effort

We support Model 2 proposed on pp.4-5 of the *Trawl Rationalization and Intersector Allocation Plans for the Five-Year Review Process* ([G.5 Attachment 1](#)). Model 2 would convene an ad hoc analytical team to coordinate the technical work necessary for the five-year trawl IQ review. We believe this approach will provide a more formal and transparent process, which is appropriate given the importance of this issue to affected stakeholders. We encourage the Council to schedule analytical team meetings/webinars with sufficient advanced notice to the public throughout the review process in order to enhance clarity, ensure thoroughness, and improve understanding of the complex technical issues the analytical team will address.

We note that the initial list of potential contributors to the five-year review (Table 6 on p. 7 of [G.5 Attachment 1](#)) does not currently include any analysts from State agencies (WA, OR, CA). We encourage the Council to expand the scope of potential contributors and draw from its pool of technical expertise within each of the affected States to conduct the analytical work required for the review. In our April 2016 letter, we asked the Council to consider contracting some outside expertise to participate on the analytical team. If it is not possible or desirable to augment the current pool of analysts with outside experts, then the Council should at least incorporate analytical experts from the affected States.

Community Advisory Board (CAB)

As we stated in [our April 2016 comment letter](#), we support the involvement of a CAB in the five-year review, but we encourage the Council to limit membership on the CAB to only those parties that are directly affected by the trawl IQ program, i.e., groundfish fishermen, processors, and those involved in other fishing-related businesses. Given the complexity of the issues and the timeline for conducting the five-year review, it would not be useful to include individuals on the CAB who are not actively engaged in the groundfish fishery and/or directly affected by the trawl IQ program. There simply is not enough time to bring other individuals or entities into this process, familiarize them with the issues and information, and engage them in developing specific recommendations related to the program.

We generally support the structure for the CAB proposed in Table 7 on p. 9 of [G.5 Attachment 1](#) because it acknowledges the need to include **multiple fishermen and processors** from different geographic regions in order to capture the diversity of the groundfish trawl fishery. We suggest simplifying Table 7 by combining the four columns on the right side of the table (*Service Provider*; *Local Governmentalities, Districts, Boards, Quota Funds etc.*; *Consumer/Retailer*; and *Other*) into one *Other* column to account for these interests on the CAB. In addition, harbor masters and port managers, although not specifically listed in Table 7, would be appropriate to include on the CAB in the *Other* category. We have notified WCSA members about the upcoming formation of the CAB, and we are eager to work with the Council and Council staff to ensure that the scope of fishing and processing interests are adequately represented on the CAB.

We urge the Council to convene and engage the CAB as soon as possible and as often as possible during the five-year review process. As we suggested in our April 2016 letter, we encourage the Council to utilize the expertise on the CAB early-on to evaluate progress towards the program goals/objectives and to identify performance metrics by which to evaluate future progress under the trawl IQ program. We are very concerned that only having the CAB meet twice, possibly only via webinars – in November 2016 to approve the review document template and in September 2017 to review the preliminary draft report – will not maximize opportunities for the individuals on the CAB to share their expertise and effectively engage in the five-year review.

Catch Share Review Outline – Performance Metrics

We note that in [Agenda Item G.5, Attachment 2](#), the *Five-Year Review Document Outline*, several metrics to evaluate the performance of the trawl IQ program are proposed, many of which are socio-economic in nature. However, almost all of the metrics listed in Section III of Attachment 2 characterize trends associated with the harvesting sector of the groundfish fishery. During the five-year review, it will be equally as important to evaluate metrics that more specifically characterize the effects the trawl IQ program has had on the processing sector. Some significant costs associated with participating in the groundfish fishery and operating a business under the trawl IQ program are incurred after the fish are harvested.

We anticipate providing more specific comments about the socio-economic metrics proposed for evaluation in the review document – including those that most accurately reflect the effect of the IQ program on processors – both at subsequent Council meetings as well as during opportunities for public input early-on during the review process. The Economic Data Collection Reports provided in the briefing book under this agenda item include several metrics to consider as a starting point. In the meantime, we urge the Council and the Project Coordination Team to remember that it will be necessary to evaluate the economics of the fishery beyond when the fish hit the dock in order to better understand the impacts of the trawl IQ program on all participants.

Thank you for your consideration of our recommendations regarding the upcoming five-year review of the trawl IQ program. We are eager to work with the Council and NMFS to ensure this review is effective in addressing the existing problems in the Pacific Coast groundfish trawl fishery and ensuring its long-term success.

Sincerely,

A handwritten signature in dark ink, reading "Lori L. Steele". The signature is written in a cursive, flowing style. The first name "Lori" is written in a larger, more prominent script, followed by "L." and then "Steele".

Lori Steele
Executive Director

WEST COAST SEAFOOD PROCESSORS ASSOCIATION

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June 14, 2016

Ms. Dorothy Lowman, Chair
Pacific Fishery Management Council
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Dear Chair Lowman:

West Coast Seafood Processors Association (WCSPA) submits the following article from seafoodnews.com as a supplemental comment for consideration under Agenda item G.5 at the June 2016 Council meeting— *Preliminary Plans for Review of the West Coast Trawl Catch Share Program and Intersector Allocations, Including Comments on Draft Guidance for Catch Share Program Reviews*.

The June 14, 2016 article, written by John Sackton for Seafoodnews.com, summarizes recent efforts by the North Pacific Fishery Management Council to rationalize the Gulf of Alaska groundfish fishery. The article effectively highlights many significant challenges that fisheries managers have faced when trying to implement successful catch share programs in fisheries throughout the U.S., including the West Coast groundfish trawl fishery. The important message in this article, which was conveyed clearly at the recent North Pacific Council meeting, is that there are no simple solutions to both manage bycatch and maximize the economic value of a fishery, and that creativity and flexibility are necessary to tailor management programs to meet the unique needs of each fishery.

We encourage the Council to consider this message relative to providing comments on NMFS' *Draft Guidance for Conducting Reviews of Catch Share Programs* as well as the upcoming five-year review of the West Coast trawl individual quota program.

Sincerely,

A handwritten signature in cursive script that reads "Lori L. Steele".

Lori Steele
Executive Director

Attachment (1)

N. Pacific Council Advances Motions That Restrict Catch Shares

SEAFOODNEWS.COM [News Analysis] by John Sackton June 14, 2016



The intense debate at the North Pacific Fishery Management Council this week culminated in a series of votes by the council that will likely mark a turning point in consideration of catch shares in US fisheries.

The Gulf of Alaska groundfish trawlers must comply with stricter by-catch caps on chinook salmon and halibut. But at the same time

they operate in an open fishery, where anyone with a permit can fish. As a result, there is no collective way to change behavior to avoid bycatch, as no single boat can be held accountable for exceeding their share of bycatch.

Recognizing this problem, the council asked the industry to propose a rationalization program more than two years ago. They accepted the industry contention that the bycatch regulations were unworkable without a rationalization program in the Gulf. The council is considering this plan (called Alternative 2), plus an Alaska plan to allocate only bycatch, called Alternative 3.

During the past two years, the administration in Alaska changed, and a new Commissioner of ADF&G, Sam Cotten, signaled a change in policy that made many of the assumptions of the industry rationalization plan moot.

The council already recognized that harvesters, processors, and the communities where they are based all have a stake in the fishery and that no program that applies only to one sector is acceptable. For this reason, the rockfish program requires a system of co-ops, where in order to fish, a vessel has to join a co-op tied to a processor. The co-op can then allocate fish and bycatch among its members.

Alternative 2, the proposal most like the rockfish program, was moved forward for further analysis by the council, but with a series of policy restrictions. Alternative 3 was moved forward for analysis also.

The key restrictions came from a motion passed by the council that declared the overarching goal of the N. Pacific council's Gulf of Alaska Trawl Bycatch Management Program is that the regulations must minimize "economic barriers for new participants by limiting harvest privileges that may be allocated". This language passed on an amendment 6-5, and replaced stronger language that had been offered by Sam Cotten, saying the council wanted to "avoid creation of new economic assets, and must limit the duration of harvest privileges that may be allocated."

A second motion added "participation in the fishery by harvesters" as a key element in the fair and equitable distribution of access privileges.

In the discussion, a number of the Alaskan representatives on the council made the point that fishing history alone does not confer any economic rights. The history of the past 15 years is no more or less important than the history 50 years ago, or the history some time in the future.

Sam Cotten, ADF&G Commissioner, said that he was unalterably opposed to the creation of an economic asset for the existing users of the fishery that would have to be paid for, i.e. purchased, by future users of the fishery.

The next step is for the council staff to take the policy statements and amendments to both alternatives and further develop them into concrete options for potential council action.

The crab fishery catch share program is seen by these council members as an historic mistake, where 70% of the value of the red king crab fishery now belongs to people who no longer participate in the fishery, while the existing captains, vessels, and crews make do with 30% of the value.

Another caution is the experience of west coast groundfish rationalization. A recent paper in Marine Policy by the University of Washington's Peter Kuriyama, Trevor Branch et al, showed that the catch rates of target species on the West Coast fell dramatically after the adoption of the catch share program. One of the

main purposes of the program was to allocate bycatch, and it was thought that by allocating the bycatch, fishermen would trade quotas and catch the total amount of TAC.

Instead, they are now catching less of the TAC than before the rationalization. Besides hurting vessels, this has cost processors millions of dollars. They have seen their volumes and their customers evaporate. The entire West Coast groundfish sector has become worse off, in terms of ability to harvest a share of the resource, and to get maximum value out of the fishery.

In BC, by contrast, the share of resource harvested under their catch share program has not declined from before, possibly due to the easier barter and transfer of quota among participants, say the authors.

In New England, the experience of moving to catch shares also has drastically reduced the volume of species caught compared to the TAC, as the mechanisms for transferring quotas are not working well.

These examples show that in a mixed species fishery, simply allocating shares and giving them value is not sufficient to allow the fluidity and flexibility necessary for harvesters to catch the full quota.

The Alaskan council members were not opposed to co-ops or allocation schemes, but they were adamantly opposed to a 'fishing rights' scheme that permanently conferred fishing privileges.

They also argued that the Gulf of Alaska fishery was not overcapitalized to the extent of some of the other fisheries that moved to catch shares.

The real message of the meetings in Kodiak this past week is that there are no simple solutions to both manage bycatch and maximize the economic value of the fishery. A simple economic asset approach - ie turn the fish quotas into tradable shares, would obviously create value and lead to a further consolidation in both harvesting and processing. But this efficiency might come at the expense of the existing industry in Kodiak and other Gulf of Alaska communities.

At the same time, restrictions that preserve future access can create so much uncertainty that investments maximizing the value of the TAC are not possible,

leading to failure of processors who depend on volume, and the erosion of the fishing community into exactly what they fear: a small number of boats harvesting for one or two plants.

NOAA and Congress likely have a role to play here. NOAA's failures in West Coast Groundfish have made a bad situation worse. This does not give confidence that the agency can be creative or flexible enough to help the unique structures needed in the Gulf come into being under existing rules. That is why Congress may ultimately have to step in, and make the laws fit the requirements for a healthy fishery, and not allow the agency to kill the fishery to preserve the current regulations.

Like any bureaucracy, NOAA tends to focus on what they already know, and they have fully bought into the catch share model. As a result, they see requirements for other types of programs as threatening, or creating more work. This attitude must be swept away if a Gulf of Alaska program is to be successful.

John Sackton, Editor and Publisher

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**The West Coast Trawl Catch Share Program:
Comments on the program's economic performance and system design in
response to the 5 year review process**

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Intro

Environmental Defense Fund has been an enthusiastic supporter of the West Coast Groundfish Catch Share Program since its inception, and before that worked side by side with fishermen, other stakeholders and managers to help get the program implemented. For us, the hope was that under catch shares we would see dramatic improvements in conservation and economic outcomes. While bycatch has fallen dramatically, catch of overfished species is well under allowable limits, and fishermen are unleashing a bevy of creative gear and behavior innovations, the economic indicators are less rosy. Program costs are high, we have not met program goals for improved utilization, and market demand and price have not improved despite millions of pounds of certified sustainable seafood in close proximity to many major markets. For this program to be a success, and a model for other fisheries to want to emulate, economic outcomes need to mirror the already strong conservation outcomes.

Several members of EDF's Oceans Program, along with Dr. Gil Sylvia (Oregon State University), recently gathered to discuss the Pacific coast IFQ program and the economic performance of that fishery. Our aim was to diagnose whether economic problems exist in the fishery, and if so, what types of solutions could be identified to correct these problems. Our collective finding is that the Pacific IFQ program does indeed suffer from economic underperformance and the manner in which it is occurring is leading to challenges upstream in the consumer marketplace, and downstream to the harvesting sector. This underperformance is playing out on several fronts including: by reducing harvests in the fishery compared to pre-IFQ years; reducing the benefits of fishing activity to coastal communities; negatively impacting the values of fishery assets; and forcing vessels to look to other fisheries to make up profits they used to generate from groundfish.

We believe the PFMC should place high priority on program refinements that would enhance the economic performance of the IFQ program. We believe the best approach to doing so is to focus on measures which can help foster or incentivize greater collaboration among the industry. In saying this, we envision collaboration being enhanced among participants at

multiple points in the value chain, including between harvesters, but also between harvesters and processors.

To achieve these aims, we recommend the Council pay particular attention to ways that incentivize the creation of harvesting cooperatives in the shoreside IFQ program.

We believe the Pacific IFQ program is very close to serving as a model for complex multi-species IFQ programs globally, but at this time it is falling short on socioeconomic aspects. We recognize that several trailing actions and other factors, like dramatically increased rockfish ACLs in 2017, are likely to enhance economic outcomes in coming years. We firmly believe that coupling those actions the Council has already taken with some careful adjustments to the program – and in particular better coordination – will enable the Pacific coast IFQ fishery to serve as a model for rights-based management approaches that can achieve the triple bottom line of conservation, economics, and social objectives.

We look forward to continuing to work with stakeholders and the PFMC as the 5 year program review unfolds to help improve upon the dramatic evolution of the Pacific groundfish fishery and the forward-thinking nature of the Pacific Council in crafting measures which have led to that evolution.

Why we believe the Pacific IFQ program is under-performing economically

Several factors hamper the economic output of the program. High program costs limit participation, which creates upstream implications in terms of available product and consistency. In addition to high participation costs, constraining species, inflexible gear and area regulations, and less than ideal cooperation between harvesters and processors contributes to low attainment of quota. All of these lead to lower than hoped for revenue and further contribute to poor groundfish market conditions. Compounding those factors are several others, including: a general failure to differentiate groundfish from other commodity whitefish; easy substitution with Canadian product; a detrimental exchange rate with Canada; and a consumer base largely unfamiliar with many groundfish species. These factors all contribute to the fact that West Coast groundfish do not currently have a strong pull in the marketplace.

Finally, excellent shrimp seasons off of Oregon, and lower costs of participation in that fishery have meant that many groundfish vessels are fishing longer for shrimp and less for groundfish, exacerbating the poor consistency and low overall attainment.

High degrees of collaboration are necessary for successful harvesting in the fishery

Perhaps the most over-arching opinion arising from our discussions about the Pacific groundfish fishery is the need for high levels of collaboration. Collaboration is needed in order to deal with a multitude of factors which stretch all the way from harvesting groundfish from Pacific waters, to the sale of groundfish to the consumer. Two key obstacles exist which collaboration can help to overcome. These include A) dealing with program complexity and B)

successfully competing in the marketplace with other types of fish which are easy substitutes for Pacific groundfish.

Available literature, along with our experience with fishery management systems and markets around the globe, indicate that cooperative arrangements are superior at dealing with complexity when compared to individual actor market-based systems, such as a pure IFQ system. This is an important consideration as we contemplate the complexity of the Pacific IFQ system. The system as currently designed is perhaps the single most complex IFQ system in the world due to the number of species managed by the fishery and the multitude of overlapping and parallel regulations that are in place at the same time.

Coordination and/or collaboration is also much better at dealing with risk when compared to market-based systems built around individual actors. As we all know, the choke stock nature of the fishery means that individual fishermen face very large risks when fishing. Many fishermen have attempted to forge risk pools or other types of collaborative approaches to deal with these risks, with generally positive results.

High degrees of coordination are necessary for competition in the consumer market

By and large, Pacific groundfish help feed the market for rather generic whitefish. With a couple of notable exceptions (petrale sole and sablefish, plus some niche marketing activity) Pacific groundfish competes in the market with other whitefish from around the globe, plus aquaculture products like tilapia. In such an environment, a product with consistent quality and consistent, reliable supply is the product that marketers will most readily turn to for their business. In the case of Pacific groundfish, this means that harvesting activity and marketing activity should be coordinated to optimize the flow of groundfish harvests and align market demand with harvesting activity.

One example of how this coordination could play out comes in the form of the development of fishing plans for harvesting groundfish over the course of a year. These fishing plans would be developed by fishermen or fishing cooperatives. Those harvesting entities would coordinate with processors who would use those plans to sell fish to markets in advance of harvesting. Such assurance to markets enables business planning and provides added degrees of certainty to those markets. In small margin businesses, like grocery and restaurants, the ability to plan in advance and develop some certainty about the future is very desirable.

What needs to happen to enhance collaboration?

One of the main elements necessary for such coordination to exist and function in the manner we envision is through the existence of harvesting cooperatives. In order for necessary functions to play out, we believe that cooperatives should, at a minimum: A) be required to develop and submit annual fishing plans, and B) that members of a cooperative be required to remain members of that cooperative through the course of a calendar year. We believe that the formation of such cooperatives, with the necessary safeguards placed upon them, will first serve as the foundation of collaboration among harvesters, but will also, in a follow-on fashion, allow for greater collaboration with other supply chain actors. The requirement that harvest

cooperatives develop annual fishing plans, for instance, sets the stage for advanced business planning which helps to foster developments and marketing arrangements in the upstream market. To be clear, we do not envision a fishery where everyone would be required to participate in coops. We believe that individuals and coops could and should operate side by side, but we also believe that coops and better coordination generally enhance opportunities to increase attainment and improve markets, particularly for high volume species.

The PFMC can take action to foster greater collaboration

The PFMC can take action on two key fronts in order to enhance the ability of the industry to collaborate and to create willingness to do so. Of course, such arrangements must be voluntary, so one question concerns whether there are IFQ system design elements that can help to foster the creation of cooperatives. Factors which influence the ability and willingness of entities to form cooperatives include things such as:

- Group size (how many entities are in the fishery?)
- Communication (how easy and clear are methods of communication?)
- Payoff structure (what is the incentive to cooperate?)
- Uncertainty (how stable are quota allocations?)
- Power and status (can one entity dominate the interests of the group?)
- Among others

The design elements of the Pacific IFQ program can influence the important factors above (and others). Therefore, we suggest the Council consider aspects which influence these elements and whether they warrant any adjustments to the program components.

Perhaps the most salient example of something the PFMC can do that would help foster creation of formal harvesting cooperatives is to create incentives for their formation. In the BSAI crab fishery the NPFMC implemented an IFQ system with the ability for those IFQ holders to form cooperatives. We believe the PFMC can and should consider doing the same with the Pacific IFQ fishery. The PFMC should further consider incentivizing the creation of such cooperatives either through the application of more liberal accumulation limits, or other mechanisms which may entice quota holders to form cooperatives. This is merely an example of how the PFMC might create incentives for coop formation.

Conclusion

The Pacific IFQ program is not performing as well as it could be in an economic sense. Many of the challenges facing this fishery appear to be problems that could be resolved through increased collaboration. While there is nothing to prevent collaboration from occurring at the moment, incentivizing the creation of formalized cooperatives and requiring certain activities of those entities is a fairly subtle but powerful change in institutional structure. Doing so would create a solid foundation from which collaboration can take place at multiple points along the value chain, starting with harvesting activity and continuing on the way up to the consumer market.

We recommend that, as part of the Council's 5 year review, the PFMC consider the role of collaboration in addressing some of the shortcomings of the program to date. Should the Council agree with us that collaboration can help address many of these challenges, we envision the Council crafting incentives and requirements of cooperatives in the shoreside IFQ program to govern their formation and operation.

June 14, 2016

Ms. Dorothy Lowman, Chair
Pacific Fishery Management Council
7700 NE Ambassador Place, Suite 101
Portland, OR 97220

RE: Ensuring a Transparent, Inclusive and Comprehensive Process for the 5 Year Review in the West Coast Groundfish Fishery and Timely Adjustments to Improve Program Performance.

Ms. Lowman,

We're writing to you today as a group of diverse stakeholders invested in the ongoing improvement of the West Coast Groundfish Individual Fishing Quota Program and in the success of the fishery in fully achieving its objectives. Our comments herein are related to Agenda Item G.5 - *Preliminary Plans for Review of the West Coast Trawl Catch Share Program and Intersector Allocations Including Comments on Draft Guidance for Catch Share Program Reviews*, and in particular the pending 5 year programmatic review of the catch share program. We see this review as a critical opportunity to rigorously evaluate all aspects of the program's performance to date; identify areas where there are remaining issues; and inform subsequent efforts to address those shortcomings. Done well, this review can serve as an invaluable and timely step in the ongoing development of a successful management transition for one of our region's flagship fisheries.

First, we wanted to express our appreciation for the full allocation of the requested budget resources to support this important programmatic review. However, despite that committed support, we have concerns that we would like incorporated into the plans for the review process. Specifically, we'd like to raise the following issues:

- **Transparency:** A successful and credible review process must be comprehensive and inclusive. To achieve this, it is important to **maintain high-levels of transparency as to what assumptions are being made as well as how information is being collected, analyzed and incorporated into the findings** of the review. At the recent 'Santa Rosa III' workshop, concerns were expressed as to how economic and operational realities or assumptions would be handled in the review. We believe that, to achieve the necessary transparency and credibility, the fishing industry and outside parties must be consulted extensively to groundtruth operating assumptions prior to initiating or finalizing analysis.
- **Capacity:** While we recognize that there are tremendous staff resources at the Regional Office and the Pacific Fishery Management Council (Council), we believe this review will require external capacity to succeed along the necessary timeline. Given competing work priorities and constraints, it is very likely that the most effective and productive way to conduct key elements of this review (e.g., stakeholder outreach/meeting facilitation; certain economic or related analyses; and document review) is to **engage external contractors with specific expertise**. Almost no one

involved in this review will have the opportunity to ‘drop everything’ in order to focus exclusively on this important task. Therefore, it makes sense to access added capacity and expertise to support the objectives of this review, provide a level of independent verification of the review’s findings, and facilitate it moving forward in a timely way.

- **Prioritization:** Finally, we want to recognize that this review and any resulting changes to the groundfish fishery come at a time when the Council is dealing with a number of important regulatory actions. Given the existing schedule for omnibus priority-setting, it may be 2019 or 2020 before any recommendations produced from this review will be implemented. We believe this review will identify significant and potentially urgent issues that need to be addressed in order to achieve programmatic goals and improve the situation for fishery participants and coastal communities. For that reason, we recommend the Council **engage in a comprehensive review of all groundfish related workload issues**, and **conduct advanced planning to ensure there are sufficient resources and capacity secured for the Council and the agency** to assess and implement prioritized regulatory changes stemming from the 5 year review.

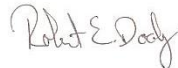
We all share a common belief that this review is a critical opportunity to evaluate every component of the fishery against the explicit management goals. We believe, by embracing these recommendations, the Council and the agency can demonstrate the usefulness of a comprehensive and inclusive review process in the ongoing improvement of a fishery following such a significant transition.

We look forward to working with the Council and NMFS to help support this process.

Sincerely,



Lisa Damrosch
Executive Director
Half Moon Bay Groundfish Marketing Association
Half Moon Bay Commercial Fisheries Trust



Robert Dooley
Trawl Fisherman
Half Moon Bay, California



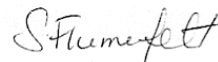
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