

GROUND FISH ADVISORY SUBPANEL REPORT ON
TRAWL CATCH SHARES REVIEW DRAFT REPORT AND INTERSECTOR
ALLOCATION REPORT

The Groundfish Advisory Subpanel (GAP) received an overview and presentations on this agenda item from Dr. Jim Seger, Dr. Lisa Pfeiffer, and Mr. John DeVore. The GAP offers the following comments and recommendations.

The GAP believes [Appendix E](#) adequately captures the description of the program.

With regard to intersector allocation, the GAP believes that the analysis is adequate. The GAP would like to preserve the opportunity to potentially make changes to allocations to allow the groundfish fishery to function more effectively.

Regarding the draft analysis and the priority list of follow-on actions, in general, the GAP supports the [Community Advisory Board \(CAB\) statement](#). We offer specific recommendations below.

[Recommendations for the analysis](#)

The GAP supports CAB recommendation #2 (indicators of normal profit level from successful ITQ fisheries) and recommends comparisons to the American Fisheries Act, New Zealand fisheries, and the British Columbia groundfish fisheries. We heard from Dr. Lisa Pfeiffer that comparative cost information may be lacking for many fisheries, but that costs are available for the tier sablefish program. The GAP recommends performing that comparison and conducting a literature review to compare this program with other individual transferable/tradable quota (ITQ) fisheries like those described above.

The GAP requests a modification to CAB recommendation #3 (implications of increasing lease costs). Instead of immediately implementing a new economic data collection (EDC) form to allow tracking of leasing by quota share accounts not linked to vessel accounts, the GAP recommends further analysis to identify whether this is in fact an area of interest. If it turns out to be an issue, a new EDC form could be developed to better quantify the problem and lay the groundwork for a potential solution.

<p>For analysis: CAB Report Recommendation 2: Yes CAB Report Recommendation 3: Modified CAB Report Recommendation 4: No Accumulations limits: Yes</p>
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The GAP does *not* recommend forwarding CAB recommendation #4 (permit vacuum concept). This is an overarching issue to do with fishing and fishing communities on the West Coast generally and is not particularly relevant to this fishery or the Five-Year Review specifically.

The GAP supports the CAB request to provide a more thorough analysis of the accumulation limits. This item is also discussed below in the list of priority items for follow-on action.

Priority items for follow-on action

The GAP cannot emphasize strongly enough its support for the CAB recommendation to complete actions to improve the program that are already in the pipeline as quickly as possible. These actions include access to the rockfish conservation area (RCA), the gear package, and an exempted fishing permit (EFP) to authorize year-round non-whiting midwater fishing, among others.

Follow-on actions: Highest priority

Complete actions already in the pipeline quickly (RCA access, gear package, year-round non-whiting midwater EFP).

The GAP also endorses the CAB recommendation to prioritize identifying ways to address at-sea whiting bycatch needs. Finding a long-term solution that provides access to sufficient rockfish bycatch will allow for the effective and full harvest of whiting in the at-sea fisheries, reduce expenses, and potentially reduce salmon impacts.

As described in the CAB Report, the GAP understands the current Adaptive Management Program

Follow-on actions: Next priorities

Long-term solution to address at-sea whiting bycatch needs.

Continue AMP-QP pass-through until the AMP quota set-aside is otherwise resolved.

Gear-switching, for many on the GAP.
(See full discussion later in the statement)

(AMP)-quota pound (QP) pass-through provision will expire with implementation of the first catch share review follow-on action and that such an expiration would sideline the AMP-QP such that no one would receive the QP (i.e., the trawl allocations would be effectively reduced by 10 percent). For this reason, like the shoreside representatives on the CAB, the GAP believes that continuing the AMP-QP pass-through until such time as the AMP quota set-aside is otherwise resolved must be a high priority.

Gear switching was a high priority issue for many on the GAP. It's discussed separately in more detail below.

Subsequent follow-on actions

In addition to the highest priority items described above, the GAP also supports taking action on the items below as quickly as possible to help improve attainment, reduce operating costs, and provide additional flexibility and efficiency.

36° North Latitude Sablefish Management Line. Consider removing the sablefish 36° N. line, for the limited entry trawl sector only. Removing the line would make more quota available in northern areas, alleviate the sablefish constraint, and facilitate greater attainment of non-sablefish allocations. This might also reduce the gear conflict between hook-and-line fleets in the southern area and gear-switched pot vessels that travel south to harvest southern trawl sablefish. The southern trawl sablefish allocation has been consistently underharvested. Removal of the line for the trawl sector might be addressed simply by establishing a coastwide acceptable biological catch (ABC)/annual catch limit (ACL) as part of setting the biennial specifications, while preserving the existing allocation structures for all other sectors. A thorough analysis of the pros and cons should occur prior to the elimination of the management line.

Overfished Species Management Tools. Find an alternative way to manage overfished species to improve attainment of target quota. The following options should be considered:

- **Carryover Allowance for Overfished Species.** Allow 100 percent carryover of unused quota for low ABC species. This would allow harvesters to build up credit (a QP reserve), reducing the consequences of a lightning strike event while still protecting the resource). Included in this policy might be a downward adjustment in the actual QP carried over to take into account natural mortality.
- **Increase Overfished Species Vessel Caps.** Consider increasing the overfished species vessel caps to reduce the consequences of high bycatch tows (“lightning strikes”).
- **Set Asides.** Instead of individual fishing quota (IFQ), use set asides, as is being done for the at-sea fishery.

Participation Costs. Consider ways to reduce the costs of participating in the program, such as:

- **Catch Monitors.** Review and consider loosening catch monitor educational and training requirements. This is particularly relevant for situations in which vessels are using electronic monitoring (EM) such that an observer is not readily available to conduct shoreside monitoring tasks.
- **Cost Recovery Credit for Observer Payment.** For vessels not using EM and hiring their own observers, provide a cost recovery credit for the observer costs that National Marine Fisheries Service (NMFS) would otherwise be paying. This credit would be counted against the 3 percent cost recovery fee. The credit should be based on levels of observer coverage in place for the trawl sector prior to catch shares. The observer coverage that NMFS is providing for EM vessels, at no charge, makes it clear there is a governmental cost savings for observer coverage as a result of the observer payments that non-EM vessels are making to comply with the 100 percent at-sea monitoring requirement.
- **Cost Recovery Credit for Risk Pools and Collectives.** Provide cost recovery credit for vessels that pay management costs to participate in risk pools or other collectives. The activities of these entities decrease agency workload, resulting in cost savings.
- **EM Data Storage Costs.** Reduce the length of time video data must be held, or reduce industry responsibility for costs of video storage for enforcement purposes. Reduce the amount of data held by retaining only video of actual haul times.
- **Observers/Catch Monitors.** Consider reducing observer coverage/monitoring requirements and costs, and standardizing the requirements for observer coverage among gear sectors. Currently there is double coverage for all trawl landings. Coverage requirements and cost burdens should be reduced since the promised economic benefits have not materialized. The government should cover enough of the observer costs to equalize costs between regions such that the West Coast

fishery is not at a competitive disadvantage over other sectors or geographic regions.

Carryover Flexibility. Consider substantially increasing the current 10 percent limit that can be carried from one year to the next in any biennial cycle, or allow QP to be harvested over the two-year period of the biennial cycle. This would improve harvest opportunities while adhering to scientifically derived annual catch limits (ACLs).

Vessel QP Limits. Vessel QP limits may need to be raised to facilitate higher attainment. For example, the number of vessels operating in an area may be such that, for a particular species, even if every vessel fully harvested its limit the allocation of the species would not be fully attained. Additionally, the analysis indicates that some vessels are close to caps to certain species (e.g. lingcod), but that overall sector attainment is very low. It might make sense to raise the individual caps to allow greater attainment by fishermen able to fish those stocks cleanly. As another example, the aggregate nonwhiting limit may inhibit vessels from targeting lower value species. The sum of the individual species limits is greater than the aggregate nonwhiting limits. As a result, for vessels harvesting near that aggregate limit, any lower value species harvested displaces higher value species.

“Penalty box” situation. Consider mitigating the “penalty box” situation for vessels that go over a vessel limit (especially situations that might force a vessel to sit out more than the just the remainder of the year). The current requirement that vessels stop fishing once they have a deficit, combined with vessel caps that prevent them from covering that deficit, threatens vessels with the possibility of being sidelined for multiple years as a result of a lightning strike tow. The resulting risk aversion contributes to under-attainment of the trawl allocations for many stocks. One step might be to allow post-season trading of QP and allow vessels to use such QP (or QP from a subsequent year) to cover their deficit, regardless of whether the amounts are in excess of vessel limits.

Unresolved issues

The GAP was unable to reach consensus on two things: how to address the fixed gear harvest of sablefish in the catch share program and a long-term AMP resolution. Regarding the gear switching issue, we have included both a fixed gear statement and a shoreside trawl statement. Regarding the long-term resolution of the AMP, we have included a shoreside trawl statement and a processor statement.

Gear-switching: Fixed gear statement



The 2008 plan document that established the trawl catch share program specifically identified that two types of operations were anticipated to participate in gear switching: those vessels that trawled for some of their quota and also chose to gear switch, and those vessels from the fixed gear sector that would purchase trawl permits and enter the fishery.

Gear switching was a policy decision made by the Council with the specific intent to reduce trawl fishing effort and its habitat impact on the grounds. It was a key provision that supported approval of the program through NMFS and subsequent litigation to set aside the program.

In [Amendment 20](#), at section 2.2.1, page 37, the document states that once quota share (QS) was distributed, recipients are free to use QS with any legal groundfish gear, which means bottom

longline and fishpots. It provides an option for gear conversion, switching permanently from trawl gear to some other gear.

[Amendment 20](#), at section 2.6.1, page 50, further stated that while the focus of the program was improving management of the existing trawl fishery, the Council's action (regarding gear switching) takes into account the opportunity to reduce 1) bycatch and 2) other possible adverse environmental impacts, by moving some of the harvest toward non-trawl gears.

As part of the Five-Year Review of the Trawl IQ program, the fixed gear representatives on the GAP that participate in gear switching want to first highlight how well the catch share program is doing overall. We note the following:

- As planned, consolidation of effort and the number of vessels participating in the trawl fishery has occurred (119 vessels in 2009 to 83 in 2014)
- Net benefits to the participants have increased: the average annual total cost net revenue for the non-whiting sector from 2011-2014 increased over 70 percent relative to 2009-2010, the pre-catch share period ([Holland and Steiner buyback paper in Marine Policy](#), 2017)
- Discards have decreased
- Crew wages are up
- Product value has increased

It's important to note that gear switching has contributed to this success. Trawl permitted fishermen using fixed gear are leasing sablefish from trawl fishermen who are willing lessors--and whose economic and business interests are not otherwise represented in this GAP report. Not all trawl permitted net fishermen oppose gear switching and in fact, actively support it and economically benefit from it. The Five-Year Review has not addressed or analyzed these financial impacts.

Trawl permitted fishermen who only catch sablefish actively lease to trawl net fishermen hundreds of thousands of pounds of marketable species essential to trawl net directed fisheries, such as whiting, Dover sole, arrowtooth flounder, petrale and widow rockfish. Additionally, trawl permitted fishermen using fixed gear actively lease to net fishermen, both in the non-whiting and the whiting fleets, species such as darkblotched rockfish, Pacific ocean perch, canary, yelloweye and halibut, which could otherwise be highly constraining to trawl net fishermen.

Between 2011 and 2016, there has been significant investment by those participating in gear switching in the form of permit purchase, vessel purchase, quota purchase, and gear purchase. Before making any proposed changes to the program, and as part of the Five-Year Review document, an analysis of these investments from 2011 to 2016 in the IFQ fishery should be done.

In regard to any potential actions moving forward, fixed gear representatives think it would be preferable to first analyze, and then implement, the removal of the 36° North Latitude management line, via the 2019-2020 biennial harvest specifications and management measures ("spex") process, thereby making available to the entire trawl fleet additional sablefish pounds. If the issue before the Council concerning gear switching actually pertains to a perceived scarcity of sablefish pounds, adding the availability of southern sablefish pounds (around 1.7 million pounds) would

make significantly more quota available. It should be noted that only 19 percent of the southern sablefish quota was taken in 2015.

Also important to making more sablefish available to the entire fleet is for the Council to move forward in the spex process with the implementation of the sablefish discard survival credits.

Those two actions alone will increase the ability of the trawl fleet to add millions of pounds of Dover sole to the marketplace. For every pound of sablefish opportunity, it historically has added approximately five pounds of Dover able to be harvested.

The fixed gear representatives would suggest it is processor-imposed trip limits for Dover that may be constraining overall trawl landings. We suggest the Council and NMFS needs forthright information from the processors about the practice and extent and amounts of these trip limits as a constraining factor, and should include that information and the effect of the practice in the draft analysis. We would note there was almost 400,000 pounds of trawl sablefish that was not caught in 2016.

To the extent that there are challenges in the trawl IQ program, fixed gear representatives on the GAP point to the fact that the IQ program has not been fully implemented. As described above, the entire GAP concurs with this statement. It appears premature and inaccurate to lay the blame for the challenges of some trawl net fishermen at the feet of those who participate in gear switching. As new regulations are implemented, some of the access to fish by trawlers will be increased. It should also be noted that the goal of “full utilization” may not be realistic. Relative to the effects of gear switching in the trawl program, there have been concerns that gear switching has prevented full utilization of Dover. Fixed gear reps would point out page 3-145 of the [Five-Year Review document](#) that even if all the sablefish were caught only with trawl gear, there might not be a significant increase in Dover landings.

The fixed gear sector does NOT support a fixed percentage, or cap, on the amount of sablefish that would be allowed to be caught with fixed gear. First, if the cap is less than what is already owned or leased by fixed gear fishermen, it creates a race for fish. This race for fish would significantly decrease safety in the fishery, as quota fishermen would be in competition for the limited quota available to the fixed gear sector. This is the antithesis of a quota share program, which is designed to increase safety and maximize flexibility in each vessel’s fishing strategy.

As a compromise measure, those currently participating in gear switching who serve on the GAP support a control date being set. This raises questions as to what the date should be (June 12, 2017, for example), but also, what exactly a control date would pertain to fixed gear representatives suggest that it would attach to the limited entry (LE) Trawl permit – for example, if the permit has been used to land quota pounds that have been caught with fixed gear – that may be a useful definition for limiting effort.

Gear-switching: Shoreside trawl harvester statement

Addressing effects of the gear switching provision has risen to the top of a crowded list of catch shares review potential follow-on actions for trawl harvesters for two primary reasons:

- 1) Sense of urgency due to size and open-ended nature of fixed gear impacts: The current open-ended allowance of the amount of trawl sable quota that can be harvested by fixed

gear has quickly led to roughly a third of northern sablefish harvested quota coming from fixed gear; and that number could go higher if other fixed gear boats enter the fishery, such as Alaska vessels spurred by [NMFS' 2016 authorization of pot gear for the Gulf of Alaska IFQ sablefish fishery](#) beginning in 2017 (at least one processor has already received calls about interested vessels). (Amendment 101 to the Groundfish Gulf of Alaska Fishery Management Plan (GOA FMP.)

- 2) Negative impacts to groundfish fishery: Removing a large portion of sablefish from the trawl sector has negative consequences to the groundfish fishery that is struggling to recover from the years of overfishing status determinations on several species and ever-increasing costs; and could be an even larger burden in trying to rebuild the fishery, build stable markets, and increase utilization. It is no coincidence that processor representatives on the CAB expressed concern about the growth and potential growth of fixed gear sablefish specialization within the trawl sector and the extra burden it presents when attempting to build stable markets. Without stable and profitable markets, the groundfish stakeholders and dependent communities will not realize the full potential of program benefits.

Necessary components of a solution

There are four components that are necessary to a solution:

- 1) Stability: Place a limit on percentage of trawl sablefish quota that can be harvested with fixed gear so the trawl fishery and processors can have stability.
- 2) Equity: Do not create a closed class of fixed gear type permits / endorsements within the trawl program that are only available to a select few.
- 3) Fixed Gear Opportunity: Preserve the fixed gear opportunity for the foreseeable future.
- 4) Stable Fishery: Do not create a derby fixed gear fishery.

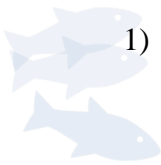
Additional points

- 1) The genesis of “gear switching” was an idea to solve a stranded trawl sablefish problem that occurred because trawl sablefish trip limits were set artificially low to reduce incidental catch of other species. It was an idea from trawl fishermen intended to allow opportunity for trawl fishermen to access fish. Prior to catch shares implementation, the gear switching provision was generally supported by trawlers who saw it as providing operational flexibility to them, but currently gear switching as constructed and operating is not supported by trawlers because of the current impact and potential future impact.
- 2) An analysis of pros and cons of removing the 36° North Latitude management line for sablefish is worthwhile; however, action on that item should not move forward prior to action on addressing the gear switching impacts as described in the previous two sections. The two items could potentially be considered together.
- 3) Considering investments of fixed gear participants is appropriate, as is consideration of investments of trawlers and processors who invested in the fishery expecting to take full advantage of program benefits.

- 4) The idea has been floated for a control date for participation in the gear switching provision of the program. This solution would be worse than the problem for three reasons:
 - a) This would create a closed class of fixed gear type permits/endorsements within the trawl program that are only available to a select few and would prevent any current trawler not grandfathered in from choosing to have the flexibility intended.
 - b) This would not provide a limit to fixed gear attainment of trawl sablefish quota because if there are 21 program vessels that have fished fixed gear, then with a 4.5 percent sablefish vessel limit, the limit on fixed gear attainment would be 94.5 percent of trawl quota; while extremely unlikely to reach that much, it could put a premium on the 21 special vessel permits sought by entities with deep pockets. This is not a desirable outcome.
 - c) It would be a workload on NMFS and others, taking away from other valuable priorities.

Quantifying and qualifying fixed gear impacts and benefits of trawl-caught sablefish

Additional analysis would be helpful to try to fully qualify and quantify not only the current impact of fixed gear catch of trawl quota, but also the potential future impact as groundfish utilization increases. Below are six items that could be further discussed and analyzed.



- 1) Analysis could be added to specifically address impact of higher sablefish lease price and lower availability for the economic stability of trawlers; especially smaller ones that would constitute entry level. Related to this is the fact that lower gross income to trawlers in the aggregate directly correlates to lower crew shares and impacts the ability of trawl vessels to attract, train, and retain capable captains and crew.
- 2) Sablefish is important for utilization of all species, not just Dover sole. Longspine thornyhead is a species where increased utilization would require more sablefish, but there are many other species caught by trawl along with sablefish. Analysis that showed utilization of all trawl caught species along with sablefish would be helpful, as well as resulting vessel employment, processor employment, and benefit to the American seafood consumer.
- 3) How trawlers use their sablefish will change as overall groundfish utilization increases, and sablefish will become even more vital, with increasingly cautious behavior in avoiding sablefish (and less economic efficiency). This would change the dynamics of the fishery and cause sablefish availability to the trawl fleet to have even greater impact than it does now; not only in terms of overall utilization, but in efficiencies in targeting strategies, which speaks directly to profitability of the fishery to both processors and trawl catcher vessels. As far as this effect could be quantified in an analysis, it should be, because this issue is at the core of the future health of the West Coast groundfish fishery.

- 4) A good subject of thorough analysis would be trawl sablefish quota use by fixed gear vessels affecting the price and availability of sablefish quota pounds and sablefish quota share; not just now but into the future. No industry or product is ever exempt from the effects of supply and demand. Removing a quarter of trawl sablefish quota from trawl vessels while trying to increase utilization (and thereby increasing demand), and the results are obvious and unavoidable; and it ultimately it will not matter whether we are talking about the internet auction price or the privately procured price, the laws of supply and demand will win out. It is also not just for quota pounds, but also for quota share. Just look at the sablefish north quota share auction on the [Jefferson State Trading Company](#) website last year: \$286,790 paid for 0.271 percent of northern sablefish quota share. What if the competition for sablefish quota share prices trawlers out of the market as a result of the influx of entities that have hundreds of thousands of dollars in to spend? That potential effect should be analyzed, as well as the estimated current and potential future fixed gear impact on sablefish QP and QS price as groundfish utilization (hopefully) rises.
- 5) There could be analysis of fixed gear impact to stability of the fresh market (and also the fishery) as Pacific Seafood has referenced; also included in that discussion (potential analysis) is market and fishery health affecting the decision of a trawler to choose between participation in the shrimp fishery or the groundfish fishery, as well as the decision of a processor to prioritize shrimp over groundfish given limited resources – such as this year’s well known shortage of workers. Some fishermen debate whether to shrimp or fish groundfish as they approach that decision in the late winter. This adds to more of that downward spiral Pacific Seafood referred to in the [draft review document](#) figure ES-3 (page 17) in the Executive Summary.
- 6) An informative analysis would be the need for increased trawl sablefish use when considering impact of RCAs potentially opening and vessels/processors taking advantage of greater flexibility in fishing strategies when trying to maintain a consistent increased supply of Dover sole and other species throughout the year.



Effect on goals and objectives

The table on the next pages show the goals and objectives for both Amendment 20 and the groundfish FMP that would expect to see an improved result to occur under a fixed gear sablefish limit.

Goals / Objectives:	Improved result?	Notes
<u>Amendment 20</u>		
Goal 1 - Increases net economic benefits.	yes	Trawl sablefish and simultaneously caught species yield more overall ex-vessel value and processing jobs
Goal 2 - Creates individual economic stability.	yes	More overall value to trawlers and their crew provide vessel economic stability; and see Pacific Seafood comments about processor and market stability
Goal 3 - Provides for full utilization of the trawl sector allocation.	yes	Trawl caught sablefish increases overall groundfish utilization relative to fixed gear caught sablefish
Objective 2 - Provide for a viable, profitable, and efficient groundfish fishery.	yes	Sufficient sablefish quota allows more efficient and profitable targeting strategies at the vessel level; and see Pacific Seafood comments about fishery and market viability
Objective 4 - Increase operational flexibility.	yes	Sufficient sablefish quota allows for flexibility in targeting strategies while preserving the flexibility of the fixed gear opportunity
Objective 6 - Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.	yes	Trawl caught sablefish allows for more consistent deliveries, more pounds across the dock, and more stable employment
Objective 7 - Provide quality product for the consumer.	yes	Trawl caught sablefish allows for more quantity and a wider variety of fish to the consumer

Goals / Objectives:	Improved result?	Notes
<u>Fishery Management Plan (March 2016)</u>		
Goal 2 - Economics. Maximize the value of the groundfish resource as a whole.	yes	Trawl caught sablefish yields more overall value than fixed gear
Goal 3 - Utilization. Within the constraints of overfished species rebuilding requirements, achieve the maximum biological yield of the overall groundfish fishery, promote year-round availability of quality seafood to the consumer, and promote recreational fishing opportunities.	yes	Trawl sablefish and simultaneously caught species achieves increased utilization and increased year-round availability of quality seafood to the consumer
Objective 6. Within the constraints of the conservation goals and objectives of the FMP, attempt to achieve the greatest possible net economic benefit to the nation from the managed fisheries.	yes	Trawl sablefish and simultaneously caught species achieves increased utilization, more stable processing jobs, and economic benefits within the American supply chain
Objective 7. Identify those sectors of the groundfish fishery for which it is beneficial to promote year-round marketing opportunities and establish management policies that extend those sectors fishing and marketing opportunities as long as practicable during the fishing year.	yes	Groundfish has been described by processors as the "backbone" of the operation that provides for year round stability with processor employment and fishing vessel opportunities
Objective 9. Develop management measures and policies that foster and encourage full utilization (harvesting and processing), in accordance with conservation goals, of the Pacific Coast groundfish resources by domestic fisheries.	yes	Trawl caught sablefish increases all groundfish utilization over fixed gear caught sablefish
Objective 13. Minimize gear conflicts among resource users.	yes	More trawl caught sablefish reduces gear conflicts
Objective 16. Consider the importance of groundfish resources to fishing communities, provide for the sustained participation of fishing communities, and minimize adverse economic impacts on fishing communities to the extent practicable.	yes	Trawl sablefish and simultaneously caught species achieve increased utilization and more employment

Based on the rationale above, the shoreside trawl representatives recommend prioritizing analysis and solutions to the gear switching provision with a range of alternatives that adhere to the four necessary components of solution listed above.

Adaptive Management Program: Shoreside harvester statement

Quota share permit owners have received the AMP QP pass-through since the beginning of the catch share program, and have become reliant on those pounds as part of their quota portfolios. We want the AMP quota shares to be allocated back to QS permit owners permanently in proportion to their current QS holdings (since AMP QP is currently passed back to QS permit owners in proportion to their current QS holdings). Shoreside processors who hold non-whiting, non-halibut quota shares already receive AMP pass-through QP currently. If AMP QS was allocated to *all* QS permit owners, it would benefit shoreside harvesters as well as those shoreside processors who are asking that the QS be allocated only to them. Shoreside harvesters currently rely on those pass-through quota pounds to prosecute their fisheries. If those pounds were reallocated to shoreside processors, we would have to pay for (or set up some kind of arrangement with) our processors to receive those very same pounds. If harvesters have the pounds, we will still be required to deliver to shoreside processors, so shoreside processors will continue to benefit from those landings. Reallocating to all current QS permit owners would reflect historic and recent participation, be more equitable (than just allocating to shoreside processors), and anchor more quota in communities permanently.

We can all agree that the Council should come to some final conclusion on AMP QS because it causes uncertainty in its current form. We all want the QS market to start opening up so that we can become more efficient with our portfolios and increase utilization, but we are hesitant to sell and trade QS percentages because we are not yet sure if the AMP should be considered in that. For example, if one company wanted to sell some unused sablefish QS (say 2 percent), the seller is unsure whether they should calculate in the AMP on top of that. On the one hand, the person who purchases that 2 percent will receive AMP pass-through QP on top of their 2 percent QP, so there's an argument that the extra amount should be calculated into the value. But on the purchaser's end, they are uncertain if that pass-through amount will continue and might not want to have that extra QP calculated into the price they pay. On the seller's end, if they hold onto the QS, it may someday turn into a greater percentage if the Council proceeds with reallocation of AMP QS to all current QS owners, so they are unlikely to want to sell until that is resolved.

Adaptive Management Program: Shoreside processors statement

Shoreside processing representatives recommend passing the distribution of the AMP quota pounds to processors for disposition.

The AMP QP was considered a possible compromise to the issuance of QS to processors and so should be used to directly secure processor operations and their investments in the communities they are located. This would stabilize processing operations as well as employment in coastal communities. This could also be useful to smooth out delivery patterns and fill in when delivery lapses occur.

The final benefit is increasing the reliability of supply chain to produce a consistent product flow (which is the number one priority of our market base). From the [Draft Five-Year Review report \(Table 3-42 page 3-80\)](#), it is clear shoreside processors as a sector are performing worse under

catch shares relative to the pre-catch share period. Unanticipated impacts include: reduced processing capacity due to a loss of up to 45 percent of our fillet crews; reduced reliability of the supply chain to deliver product to the market in a consistent manner, resulting in lost shelf space at retail counters; and lost management and skilled expertise due to low utilization rates combined with long periods of no deliveries.

The circular diagram in Figure 3-39 on page 3-141 of the same report explicitly illustrates this conundrum. If this business environment does not improve, the long-term viability of our non-whiting groundfish operations is in jeopardy. We believe that the dispersal of AMP through the processors could help reverse this situation and, in the long run, help improve the harvesters' opportunities by stabilizing their markets and securing the infrastructure on which they rely.

Any AMP QP distributed to processors would be, like whiting quota, ultimately distributed to fishing vessels; there is no "take" away from fishermen. For example, one way processors could use AMP quota is to disperse it to fishermen as an incentive.

Processors are open to the discussion of sideboards in the event AMP quota is distributed to processors. While the CAB discussed some potential sideboards, it is premature to consider specific sideboards at this point.

PFMC
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