

GROUND FISH MANAGEMENT TEAM REPORT ON CATCH SHARES FIVE YEAR REVIEW DRAFT REPORT AND INTERSECTOR ALLOCATION, PART 2

The Groundfish Management Team (GMT) was briefed on the *West Coast Groundfish Trawl Catch Share Program Five-year Review--Draft* by Dr. Wendy Morrison, National Marine Fisheries Service (NMFS) Silver Spring, and Dr. Lisa Pfeiffer (NMFS Northwest Fisheries Science Center) on the GMT's publically noticed webinar on June 1, 2017, and Jim Seger (Council staff) at the June meeting. In addition, the GMT reviewed the Catch Share Analyst Report ([Agenda Item F.2.a, Catch Share Analyst Report, June 2017](#)); *Evaluating the Performance of Intersector Allocations Since Implementation of the Trawl Catch Share Program* ([Agenda Item F.2. Attachment 2, June, 2017](#)); and *Pacific Coast Groundfish Fishery Management Plan (FMP) for the California, Oregon, and Washington Groundfish Fishery, Description of Trawl Rationalization (Catch Shares) Program Appendix E* ([Agenda Item F.2, Attachment 3, June 2017](#)).

Intersector allocation review

The GMT believes the intersector allocation review document [Agenda Item F.2, Attachment 2, June 2017](#) addresses the requirements under [NMFS Procedural Instruction 01-119-02](#) either directly, or by incorporating relevant references. However, the GMT would like to note that the document makes the supposition that the increase in trawl revenues per pound of landings since the implementation of Individual Fishing Quota (IFQ) management is the result of an enhanced ability to land quota when demand and market value are higher. While there could be some market effects, other factors may have had a greater impact on this trend. The mix of species landed since the implementation of IFQ has changed; notably, relatively low-value Dover sole represents a lower share of landings. Additionally, since IFQ implementation, a portion of the trawl sablefish allocation is landed via fixed gear, which receives a higher price per pound. This contributes to the increase in overall trawl revenues per pound.

Appendix E

At the November 2016 Council meeting, the Council received a draft revision of the Groundfish Fishery Management Plan (FMP) Appendix E description of the Catch Share Program. **The GMT reviewed the revised version and recommends the following changes.**

In 2011, NMFS codified the regulation for Adaptive Management Program (AMP) pass-through ([76 FR 74725](#)), which should be noted in Appendix E.

On section E.2.1.6, Program Monitoring, Review, and Future Action, the GMT suggests the following changes (shown in strikeout and italics):

The Council ~~will~~ conducts a formal *periodic* reviews of *catch share* program performance *as required by the Magnuson-Stevens Act*. *The current policy required a review no later than five years after implementation and now requires review every four seven years thereafter*. The result of these evaluations could include dissolution of the program, revocation of all or part of quota shares, or other fundamental changes to the program. ~~At~~

~~the time of its first review, the~~ The Council will also consider the use of an auction *or royalties as required by the Magnuson-Stevens Act, or* along with other non-history-based methods when distributing quota share that may become available after the initial allocation.

For all new Limited Access Privilege Programs (LAPP), the Magnuson-Stevens Fishery Conservation and Management Act (MSA) requires “a formal and detailed review 5 years after the implementation of the program and thereafter to coincide with scheduled Council review of the relevant fishery management plan (but no less frequently than once every 7 years)” ([16 U.S.C. 1853a MSA § 303A\(c\)\(G\)](#)). The GMT recommends that the Amendment 20 Appendix E review requirement be changed from four to seven years. [NMFS Guidance](#) specifies “the second review should be initiated before the end of the program’s 12th year, regardless of when the initial review was actually completed”, which means the Council should initiate the next review no later than 2022. Annual indicators will continue to be available to the Council to assess the program during the interim (e.g. annual reports and the FishEYE tool from the Economic Data Collection (EDC) Program, Groundfish Mortality reports from the Fisheries Observation Science Program). Several recent and upcoming changes to management of the fishery (e.g. alterations to Rockfish Conservation Areas and gear regulations, and the rebuilding of canary and darkblotched rockfish) may lead to significant effects that should be addressed in the next review; however, these effects will take longer than four years to observe in lagged data once changes are implemented in regulations.

In regards to the language on auctions, while the GMT does not believe the Council is considering any distributions of allocations at this time, the GMT notes the MSA requires consideration of auctions or royalties “for the initial, or any subsequent distribution of allocations” in a LAPP ([16 U.S.C. 1853a MSA § 303A\(d\)](#)).

Catch share program review report

The GMT commends the project team for their excellent work, collaboration with GMT members, and the high quality of the draft report. The GMT appreciates team efforts in assembling a comprehensive analysis on an accelerated schedule. The information assembled will be indispensable for the Council as it moves forward in prioritizing follow-on actions, as well as support analytical background for other trailing actions. **The GMT believes this review satisfies requirements for initial five-year reviews of LAPPs as stated in *NMFS Procedural Instruction 01-121-01, Guidance for Conducting Review of Catch Share Programs* ([Agenda Item F.2, Attachment 4 June 2017](#)) and recommends that it be approved for public review.**

Future Research and Data Needs

The GMT notes that the EDC survey and resulting reports have greatly improved our understanding of the economic performance of fishermen and processors, and will continue to better our ability to grasp changes related to the Catch Share Program.

Therefore, the GMT recommends the Council consider implementing a mandatory survey of quota share (QS) owners, a recommendation made in [Agenda Item F.6.c. Supplemental CAB Report, November 2016](#):

The [Community Advisory Board] CAB recommends that data submission by QS owners that are not currently required to submit EDC forms be required. The form would not necessarily need to be very extensive, but would help inform future catch share reviews, particularly with respect to providing a more complete picture of harvesting operations' profits and indicating whether QS owners participate directly in the fishery and at what level.

This additional data collection would improve the ability to better understand and compare absentee QS holders who lease out quota with those who actively fish. The current lack of information from QS holders makes it difficult to accurately estimate the financial performance of active vessels in the fleet. This topic also arose in the SSC economics subcommittee meeting in November 2016, which stated the issue as follows:

...for evaluating financial performance of individual entities or for the fleet of active vessels, revenues and costs from quota transfers should be considered, since some of the revenue from quota transfers accrue to quota owners that do not operate vessels in the fishery and not accounting for this "leakage" will tend to overstate the net revenues accruing to the active harvesters in the fishery.

In addition to making it difficult to estimate the financial performance of active vessels, the lack of information from QS holders inhibits the ability to make accurate economic impact estimates for different port areas. When a portion of groundfish revenues is used to pay for quota, the recipients of those payments will likely have a positive impact on the communities where they reside and spend their proceeds on goods and services. Given the current lack of information, it is unknown which communities are likely benefiting from quota payments.

Secondly, results from the Pacific Coast Groundfish Social Survey presented in [Agenda Item F.2.a, Catch Share Analysts Report](#) section 3.2.2(g)(3)(b) indicates that a wide diversity of fishery participants express concern with absentee quota owners. The collection of information from QS holders would improve understanding of the role that absentee owners play in the fishery.

Finally, cost recovery fees cover only a portion of the costs of program administration. Further quantification of these costs for regulating agencies would be informative in the next program review.

Suggested CAB Analyses

Based on a cursory review, some of the suggested CAB analyses, particularly scenario-based predictions about impacts of the expansion of gear switching, would be highly speculative and have limited value. The CAB request to gauge capital and investment costs (e.g., fixed gear switchers joining the program) raises similar concerns, because it is difficult to assess the extent to which those changes directly relate to the program or to other fisheries. However, the GMT notes that information is available on the impact of gear selectivity on sablefish productivity from the 2010 assessment. The results referenced by the CAB in the Steiner and Holland paper are preliminary at this time and subject to revision.

In summary, the GMT has reservations about the utility of some CAB analytical requests, and feasibility for inclusion of any new analyses in a final report by November 2017. **Therefore, the**

GMT recommends that the Council consider any additional analyses to inform specific proposed follow-on actions during issue scoping, rather than in the current program review document.

Guidance on Initial Priorities for Trawl Catch Share Follow-on Actions

The GMT reviewed the list of follow-on actions and, at the September 2017 meeting, will comment on the Purpose and Need Statements and Initial Range of Alternatives developed by the CAB over the summer.

Workload Concerns

Given the current schedule for a final preferred alternative on follow-on actions in April 2018, the bulk of the analytical work will need to occur over the winter of 2018. This overlaps with the GMT's work on the 2019-2020 biennial harvest specifications and management measures, including work on salmon mitigation measures. In addition, in the current schedule, prioritization of measures from the five-year review will be ahead of the June 2018 omnibus prioritization discussions.

During our preliminary discussions for the 2019-2020 harvest specifications, the GMT recognized that some items (e.g. creating a coastwide trawl allocation for sablefish) may be includable as new management measures within the specifications. The GMT believes that other recommendations from the Groundfish Advisory Subpanel (GAP) and CAB around intersector allocations may be better taken up by the Council in June 2018 at the earliest (i.e. aligned with the omnibus). Ongoing rulemakings, such as set asides for darkblotched and Pacific ocean perch in the at-sea whiting sectors, may provide information for analysis of a broader allocation issue of providing access to bycatch species to the at-sea sectors. **The GMT recommends that the Council consider delaying final action on follow-on actions until June 2018 to align with omnibus prioritization process, unless items are identified in September to be included as new management measures for the 2019-2020 biennium.**

Recommendations

1. **Recommends the following changes to Appendix E:**
 - a. **AMP: In 2011, NMFS codified the regulation for AMP pass-through ([76 FR 74725](#)), which should be noted in Appendix E.**
 - b. **On section E.2.1.6, Program Monitoring, Review, and Future Action, the GMT suggests the following changes (shown in ~~strikeout~~ and *italics* above).**
2. **The GMT believes this review satisfies requirements for initial five-year reviews of Limited Access Privilege Programs as stated in *NMFS Procedural Instruction 01-121-01, Guidance for Conducting Review of Catch Share Programs* ([Agenda Item F.2, Attachment 4 June 2017](#)) and recommends that it be approved for public review.**
3. **The GMT recommends the Council consider implementing a mandatory survey of quota share (QS) owners.**
4. **The GMT recommends that the Council delay consideration of additional analyses to inform proposed follow-on actions separately, rather than in the current review document.**

- 5. The GMT recommends that the Council consider delaying final action on follow-on actions until June 2018 to align with omnibus prioritization process, unless items are identified in September to be included as new management measures for the 2019-2020 biennium.**

PFMC
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