

West Coast Seafood Processors Association 650 NE Holladay Street, Suite 1600 Portland, OR 97232

February 23, 2018

(503) 227-5076

Phil Anderson, Chairman
Pacific Fishery Management Council
7700 NE Ambassador Place, Suite 101
Portland, Oregon 97220-1384

Re: Agenda Item H.2 Trawl Catch Shares – Gear Switching and Trawl Sablefish Area Management

Dear Chairman Anderson:

On behalf of the West Coast Seafood Processors Association (WCSPA), I am writing to urge the Pacific Fishery Management Council to move forward as expeditiously as possible with the development of management action to address problems associated with sablefish gear switching in the West Coast groundfish fishery. This is an extremely high priority issue for the groundfish trawl fishery and must be addressed to meet the goals and objectives of the catch shares program established in Amendment 20.

Through extensive discussion over the last two years, it has become evident that problems associated with gear switching are significant enough to warrant immediate attention by the Council (for example, see <a href="WCSPA">WCSPA</a> comments from November 2016 – p. 24/27). The groundfish Community Advisory Board (CAB; see reports from <a href="June 2017">June 2017</a>, <a href="September 2017">September 2017</a>, <a href="November 2017">November 2017</a>, <a href="September 2017">September 2017</a>, <a href="September 2017">November 2017</a>, <a href="September 2017">November 2017</a>) and the public (see extensive public comments from November 2016 – November 2017) have already spent a great deal of time debating this issue and laying the groundwork for the Council to develop a management action. While there is clearly not consensus among stakeholders regarding how to address this issue, there has been adequate discussion to justify moving forward with the process. Given all the information available at this time, as well as more than two years' worth of input from affected stakeholders and the public, the Council should feel comfortable developing a management action <a href="mailto:now">now</a>; however, we recognize the decisions that need to be made will not be easy.

WCSPA recommends that management action to address gear switching be developed by the Council according to the following schedule:

- June 2018 Adopt Purpose and Need/Range of Alternatives
- September 2018 Adopt Preliminary Preferred Alternative
- November 2018 Adopt Final Preferred Alternative

If the Council moves forward according to the schedule outlined above, there would be no need to reconvene the CAB to further address this issue (although additional input from the CAB may still benefit the process). Consistent with the Council's process for developing management actions, the

GAP and the Groundfish Management Team (GMT) would meet in June and develop recommendations regarding the range of alternatives for the Council to consider. WCSPA supports this process and encourages the Council to move forward utilizing the GAP and GMT to develop this action as soon as possible. Under no circumstance would we support reconstituting the Groundfish Allocation Committee (GAC) for this purpose. This is not an appropriate issue for the GAC to address, nor is there time to reconstitute this group to begin the process of debating this issue.

At the March 2018 Council meeting, during Agenda Item C.7 (Future Council Meeting Agenda and Workload Planning), we recommend the Council schedule adequate time on the June 2018 meeting agenda to adopt a purpose and need statement and a range of alternatives for further GMT analysis. Given the significant time already spent discussing this issue, this could likely be achieved with 4 hours of time on the Council floor in June.

Thank you for your consideration of our recommendations and your attention to this very important issue. WCSPA is committed to working through the Council process to address this problem in the most expeditious manner possible.

Sincerely,

Lori Steele Executive Director



Mr. Phil Anderson, Chairman Pacific Fishery Management Council 770 NE Ambassador Place, Suite 101 Portland, Oregon 97220-1384

# RE: AGENDA ITEM H.2: TRAWL CATCH SHARES – GEAR SWITCHING AND TRAWL SABLEFISH AREA MANAGEMENT - GUIDANCE ON A FUTURE PROCESS AND SCHEDULE

Dear Chair Anderson and Council Members:

Allowing Trawl sablefish quota to be harvested by fixed gear only vessels (i.e., "Gear Switching") is a significant impediment to fulfilling the fundamental purpose, and the goal and objectives (the "Goal and Objectives") of the Amendment 20 (A-20) Trawl Rationalization Program. This paper has three objectives:

- 1) Outline the background and issues to explain why Gear Switching is an impediment to the A-20 Trawl program economic performance;
- Propose a Gear Switching Purpose and Need Statement aligned with the A-20 purpose,
   Goal and Objectives, and achievement of the fishery OY and;
- 3) Ask the Council to establish a schedule that will allow final action to fix this problem as expeditiously as possible while conducting full analysis to ensure that any preferred alternative comports to A-20's Goal and Objectives and the mandate in NS-1 to achieve OY in the fishery.

#### 1) SABLEFISH GEAR SWITCHING: BACKGROUND AND ISSUES

Gear switching is the most contentious issue in the A-20 five-year review. The issue can be condensed to a fundamental question: Are working mechanisms of the program that were created as operational devices for A-20 (e.g. Gear Switching) more elemental and critical to the A-20 program than the stated purpose, goal and objectives of A-20 that are the founding principles of A-20? Pacific Seafood maintains that the A-20 Goal and Objectives which are the

\_

<sup>&</sup>lt;sup>1</sup> "Environmental impact analyses have four essential components: a <u>description of the purpose and need for the proposed action</u>; a range of alternatives, including the proposed action, that represent different ways of accomplishing the purpose and need; a description of the human environment affected by the proposed action; and an evaluation of the predicted direct, indirect, and cumulative impacts of the proposed action and the <u>alternatives.</u>" A20 FEIS, Chapter 1, Sec. 1.1 Page 2: "<u>The following goal objectives outline the purpose of the proposed action</u>" A20 FEIS, Chapter 1, Sec. 1.2.3 Page 5 Purpose of the Proposed Action: <a href="https://www.pcouncil.org/wp-content/uploads/TRatFEIS">https://www.pcouncil.org/wp-content/uploads/TRatFEIS</a> chapter one June2010.pdf

<sup>&</sup>lt;sup>2</sup> "Goal and Objectives" A20 FEIS, Chapter 1, Sec. 1.2.3 Pages 5-6:

February 26, 2018



Agenda Item H.2.b Supplemental Public Comment March 2018

founding principles and overarching constructs of this program supersede any, and all working mechanisms or instruments that were designed to support the operational functionality of the program itself.

The present Gear Switching elements are contrary to A-20's stated purpose, as expressed in the FEIS Goal and Objectives, prohibit the fulfillment of Optimum Yield for the ITQ non-Whiting fishery, and stymie development of full utilization.

To date the suggested Gear Switching Purpose and Need statements do not comport to the original purpose of A-20 as expressed in the Goal and Objectives, nor will they maximize fishery OY. Present A-20 regulatory mechanisms that allow maximized and singular species harvest of ITQ sablefish by the fixed gear sector created a seismic shift away from the A-20 Goal and Objectives. This is counterintuitive to achievement of the FEIS projected net economic benefits for the non-whiting Trawl sector. Specifically as outlined below in Objective 6 this was to include Trawl harvesters, processors, distributors, the support sector, and the U.S. markets. These sectors and related industries constitute a trawl dependent supply chain reliant on the trawl harvest of multiple ITQ species for survival. This is especially true in the face of rising foreign imports that compete directly with ITQ fish in US markets. This "West Coast Trawl Dependent Supply Chain" is hinged on interdependent business sector relationships that must coordinate tightly to realize the fullest utilization, create the highest value for the Trawl ITQ resource, maximize employment benefits, and provide markets for harvesters.

A-20 is a *Trawl Rationalization* Management Plan. The sablefish allocated to the ITQ fishery is a Trawl allocation. A-20 priority precepts are dictated by the A-20 purpose and are explicitly expressed through the Goal and Objectives. The Goal and Objectives are unequivocal and outweigh any functional elements. According to the FEIS, mechanisms such as catch shares and gear switching are privileges were created as means to achieve an end. That end is specifically delineated in the Goal and Objectives. The A-20 Goal and Objectives when actualized would fully support Optimum Yield attainment outlined in NS-1. Additionally we note, the A-20 Goal and Objectives and OY attainment support the present administration's stated purpose to stave off the wholesale takeover of the U.S. seafood markets by foreign imports. This cannot be accomplished if we do not secure maximum access to the resource within the boundaries of sustainable management practice.

The founding purpose, goals and objectives of the program must be supported by the operational mechanisms and instruments, not subjugated to them. Further we believe it is the responsibility of the Council and NMFS in general sessions, and specifically in the five-year review, to promulgate actions necessary to attain the goals and objectives of A-20. Moreover to not take such actions will further weaken investments and employment in the trawl fishery.



## 2) GEAR SWITCHING PURPOSE AND NEED STATEMENT

The Gear Switching Purpose and Need Statement must align the Purpose and Need, and future regulatory governance with the original principles, intent and language as explicitly outlined and stated in the A-20 purpose, Goal and Objectives. Further the Gear Switching Purpose and Need must meet the mandates of NS-1 to achieve Optimum Yield (OY) in the Trawl Fishery.

**Purpose:** Achieve the original A-20 purpose in the non-whiting trawl fishery, as stated in the FEIS Goal and Objectives, to provide for full utilization and other economic targets, specifically, as associated and linked to the (unrealized) economic benefits for trawl fishermen, processors, distribution elements, support sectors and markets that compose the Trawl Dependent Supply Chain and affiliated businesses.

The economic goal<sup>3</sup> of A-20 is to, "Create and implement a capacity rationalization plan that increases net economic benefits, creates individual economic stability, [and] provides for full utilization of the Trawl sector allocation..."This goal is supported by the following A-20 (economic) objectives:

- Objective # 2: Provide for a viable, profitable, and efficient groundfish fishery.
- Objective # 3: Increase operational flexibility.
- Objective # 4: Minimize adverse effects from an IFQ program on fishing communities and other fisheries to the extent practical.
- Objective # 6: Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.
- Objective # 7: Provide quality product for the consumer.

**Need:** Provide the Trawl ITQ program with their full allocation of Trawl ITQ Sablefish in order to achieve the A-20 Goal & Objectives as stated above; and to achieve the Trawl Fishery OY as mandated in NS-1.

#### Requirements to meet the Purpose and Need:

**Full Utilization**: According to the NMFS EDC report, "the [Deepwater Complex Trawl Species ('DTS')] complex is one of the most economically important fishing strategies for the non-whiting groundfish Trawl fleet (Steiner and Holland working paper). In the DTS Trawl complex, sablefish is targeted along with Dover sole, longspine and shortspine thornyhead rockfish, and other rockfish and flatfish in smaller volumes. Sablefish quota is the principal constraint on DTS

<sup>&</sup>lt;sup>3</sup> "Goal and Objectives" A20 FEIS, Chapter 1, Sec. 1.2.3 Pages 5-6:



Trawl fishing because it is the only target stock that approaches full utilization (Appendix B) and is higher value than the other species (Appendix A)<sup>4</sup>."

What is not pointed out in this report is the adverse impacts truncated deliveries of Dover and other DTS have had on processors, their employees, and the market-- i.e. the entire Trawl Dependent Supply Chain. While harvesters and quota holders have secured their investments with Quota Shares, granted and /or purchased, processors and distributors' investments are secured only by the fish landed at our docks.

**Objective 6** is: "Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry." This objective is of particular import in the overall structure of the program. Although Objective 6 explicitly declares that the program should provide benefit to the aforementioned individual business sectors and the employment therein, there is another salient element inherent in this declaration. The described business sectors combined form the trawl dependent supply chain for west coast groundfish. This objective plainly expresses the need to protect and enhance the structure of this supply chain. No one sector on its own can obtain all the economic elements outlined in the Goal and Objectives or OY as described in NS 1.

The business sectors (and employment) referenced in Objective 6 are dependent on a robust, functional supply chain. Links in supply chains that are not strong, resilient and propitious become dysfunctional and create upstream and downstream impacts to the business sectors that rely on them. In a natural resource business this reverts back to the resource extraction sector, the harvesters, and downstream to the markets. Unreliable and unpredictable supply sources place tension and stress on the supply chain and lead to unfavorable economic outcomes. Objective 6 in essence expresses the need to protect and guarantee a healthy supply chain which each of these business sectors and the employment they provide can depend on. The singular species focus of the fixed gear sector to harvest ITQ sablefish removes a critical choke species that is necessary to supply target species resource requisite for the Trawl Dependent Supply Chain to be fully functional. This "disconnects" the Trawl supply chain and attaches that Trawl ITQ sablefish to the fixed gear supply chain. This infringement extends well beyond the harvest sector threatening the functionality of Trawl Dependent Supply Chain itself.

Shifting essential Trawl sablefish QP to the fixed gear sector disconnects it from the Trawl Dependent Supply Chain disrupting that supply chain and afflicts all dependent entities. It also creates a short quota pound market that foments an environment of speculation and

.

<sup>&</sup>lt;sup>4</sup> NMFS EDC Report, Sec. 3.1 Page 3-147: <a href="http://www.pcouncil.org/wp-content/uploads/2017/10/F2">http://www.pcouncil.org/wp-content/uploads/2017/10/F2</a> Att3 E-Only 5Year Review August Draft for public review NOV2017BB.pdf



uncertainty. When fixed gear QS holders or lessees have privileges such as carte blanche leasing, the privileges will override the achievement of the Goal and Objectives. Processors perhaps bear the largest brunt as there is no formula that informs them how much DTS to expect on a month to month basis. Heavy leasing by fixed gear participants dramatically reduces DTS landings, and when market or other conditions for sablefish become unfavorable DTS landings will swell. This type of roller coaster effect is impossible to prepare for, undercuts ex vessel pricing, and undermines market confidence for reliable supply.

Attainment: To achieve the ITQ Trawl fishery OY and attain the economic benefits that A-20 was predicted to bestow<sup>5</sup> the Trawl fishery must be able to maximize harvest of the DTS complex. This cannot occur if the Trawl ITQ fishery allocation of sablefish continues to bleed to the fixed gear sector as de facto reallocation. Harvest of DTS requires incidental sablefish. The average ratio is about one pound of sablefish to five pounds of Dover. Dover is now underutilized with attainment levels in between 13.5% to 16%, stranding over 85 million pounds annually. The northern Trawl allocation of sablefish was approximately 5.3 million pounds for 2017. This would equate to approximately 26.5 million pounds of Dover if sablefish were be entirely utilized through trawling only. Actual catch was 16 million. By our estimates 34% of the northern sector Trawl sablefish was landed by "Gear Switching." The vast majority of this was harvested by fixed gear entry boats that did not switch gear but harvested with the fixed gear they already used in the west coast tier fishery or the Alaska fishery. This is fishery switching; it is not "gear switching."

Impacts, Challenges, and Loss: The FEIS analysis is replete with the projected benefits of Gear Switching. However, there is also comment that there would be impacts to the DTS complex<sup>6</sup> harvest. Pacific does not understand how "Gear Switching" was projected to be so beneficial without analysis to impacts that processors, distributors and markets, the entire Trawl Dependent Supply Chain, would incur when large volumes of DTS were stranded. While the value of the fixed gear harvested sablefish itself on a pound per pound basis may exceed that of Trawl gear sablefish on a stand-alone basis, such comparison is deceptive. When the amount of Dover and other species (including Trawl caught sablefish) is added, it surpasses the value of

https://www.pcouncil.org/wp-content/uploads/TRatFEIS chapter four June2010.pdf

<sup>&</sup>lt;sup>5</sup> A-20 FEIS Chapter 4 Table 4-23 Page 328

<sup>&</sup>lt;sup>6</sup> "This information implies that large-scale gear switching may result in several species of flatfish being left unharvested". & Page 356 "If large-scale gear switching occurs off one particular area of the coast, the catch of flatfish stocks may be foregone because fixed-gear is relatively less effective at catching those species" A-20 FEIS. Chapter 4 Sec. 4.6.2.1, Page 297 & Sec 4.6.3.6, Page 356

# February 26, 2018



Agenda Item H.2.b Supplemental Public Comment March 2018

fixed gear sablefish on an ex. vessel basis. In other words, ending Gear Switching would lead to more money in the pockets of fishermen and benefit the entire supply chain.

In addition, comparing the ex-vessel price of sablefish in the fixed gear sector and Trawl sector does not take account of the economic multiplier effect and related jobs in the Trawl processing and distribution sector. Sablefish requires only a small workforce and in many cases is transferred away from the coast for processing. It is a valuable component in the export market but when it starves the U.S. market of Dover, it results in a net employment loss and our U.S markets replace U.S. harvested species with imported species such as tilapia. Whether caught by Trawl or fixed gear, the ratio of sablefish exported to Japan will be little changed. There is little offset to the seafood trade deficit through Gear Switching, but there is a significant loss of Trawl fish for U.S markets. This could be an offset to the trade deficit.

At the time of A-20 implementation, it was impossible for the FEIS analysis to account for the accelerated rebuilding of rockfish which occurred a decade ahead of schedule. The authors and analysts for A-20 projected that economic benefits to the Trawl fishery would multiply, and that landings might increase to levels seen in the 1990s. They had to base their conclusions on species and factors other than the rockfish in long term rebuilding plans. These factors appear to be based on A-20 producing higher ex. vessel prices and higher landings for DTS. However, we can find no specific record of what species they thought were to increase, nor is there reference to the importance of the trawl supply chain being a primary factor affecting market and vessel pricing.

Gear Switching was a "voluntary" regulation that many trawlers believed would protect their access to sablefish if Dover ACL's plunged and became the choke species for Trawl sablefish. This had happened. Instead it became a vehicle to transfer large percentages, and in theory, all ITQ sablefish, to the fixed gear sector. Many trawlers and trawl dependent processors never envisioned this situation. Year to year this can, and has effectively chopped off the supply chain for DTS species. The A-20 economic Goal and Objectives will not be satisfied without a large contribution of Dover and other DTS species. Nor will NS-1 requirements for optimum OY for each fishery be met. Stranding Dover is antithetical to the Goal and Objectives of A-20 and the requirements of NS-1. Trawl gear is the only gear capable of harvesting the hundreds of millions of pounds available in this multi species fishery. It makes no sense, and is contrary to the

<sup>7</sup> "when the revenue from all species caught on DTS trips with trawl gear and the differences in costs between gear types were considered, DTS trawling was, on average, more profitable per pound of sablefish quota than using Fixed Gear to target sablefish." NMFS EDC Report, Sec. 3.1 Page 3-150

<sup>8 &</sup>quot;Changes in Vessel Catches" A-20 FEIS Chapter 4, Page 287: Sec. 4.6.1.1:

<sup>&</sup>quot;Increased Profits & Fleet Consolidation" A-20 FEIS Chapter 4, Page 289: Sec. 4.6.2.1:



principles in A-20 and NS-1, to cut off access to the Trawl fishery resource, endangering the entire trawl fishery and dependent entities, so another sector, that already has its own sablefish, can harvest an essential trawl choke species.

3) ADOPT A SCHEDULE FOR FUTURE COUNCIL MEETING AGENDA & WORKLOAD SO THAT ACTION CAN BE COMPLETED AS EXPEDITIOUSLY AS POSSIBLE WHILE PERFORMING THE NECESSARY AND THOROUGH ANALYSIS THAT ESTABLISHES THAT ANY PREFERRED GEAR SWITCHING ALTERNATIVE MEETS THE GOAL AND OBJECTIVES AND THE MANDATE IN NS-1 TO ACHIEVE OY IN THE FISHERY

The Council has wisely separated Gear Switching and trawl Sablefish area management out from the rest of the follow-on actions and into its own Agenda Item at this March meeting. Now this Agenda Item needs to find its place on the Council's Year-at-a-Glance Calendar, and more importantly, on subsequent Agendas. To that point, it is concerning to see just how full the draft Council agendas are for the upcoming April<sup>9</sup> and June<sup>10</sup> meetings. However, there are several shaded HMS items on June 9<sup>th</sup> and June 12<sup>th</sup> that are candidates for rescheduling that could free up 6 hours.

At this March meeting during Agenda Item C.7 - Future Council Meeting Agenda & Workload Planning, the Council should adopt the following schedule in order to timely address the Gear Switching problem:

March 2018 – Adopt Purpose and Need Statement if possible

June 2018 – Adopt Purpose and Need and Range of Alternatives

September 2018 – Adopt Preliminary Preferred Alternative

November – Adopt Final Preferred Alternative

## 4) CONCLUSION

For the reasons stated in this report, we respectfully urge the Council to:

- 1. Adopt a purpose and need statement that is grounded on A-20's Goals and Objectives;
- 2. Commence the process as quickly as possible; and
- 3. Establish a schedule that will allow final action to fix this problem as expeditiously as possible while conducting full analysis to ensure that any preferred alternative comports to A-20's Goal and Objective and the mandate in NS-1 to achieve OY in the fishery.

<sup>9</sup> https://www.pcouncil.org/wp-content/uploads/2018/02/C7 Att2 AprQR MarchBB2018 v1.pdf

<sup>10</sup> https://www.pcouncil.org/wp-content/uploads/2018/02/C7 Att3 JuneQR MarchBB2018 v1-pdf



Thank you for your consideration.

Sincerely,

Mike Okoniewski Fisheries Policy & Management Advisor

Pacific Seafood Group t: 360-619-2019

mokoniewski@pacseafood.com

JURSOUL

Jonathan Gonzalez Fisheries Policy Analyst Pacific Seafood Group t: 805-455-7220

jgonzalez@pacseafood.com

From: Michele Longo Eder < michele@michelelongoeder.com >

Date: Mon, Feb 26, 2018 at 4:53 PM

Subject: H2

To: "pfmc.comments@noaa.gov" <pfmc.comments@noaa.gov>

#### Agenda Item H. 2

Mr Chair, Members of the Council:

My name is Michele Longo Eder and my husband and I own the FV Timmy Boy, out of Newport, OR. We have fished for sablefish for 40 years, using fixed gear. We own a trawl IQ permit and have fished for 6 of the 7 years of the trawl IQ program, only missing one year when our vessel was in the yard for reconstruction. In addition to buying this trawl IQ permit and its quota in 2011, we have purchased additional sablefish quota and also lease sablefish quota from other trawl fishermen.

For whatever reason, the Council analysis provided regarding gear switching and sablefish quota under H2 did not come to my attention until Monday, Feb 26<sup>th</sup>. I do not believe it was posted on the Council web site before then as I routinely reviewed the Council briefing book from Feb 16 onward and did not see this document. On Feb 16 only a comment from the public was posted under H2. I asked for additional time in which to make public comment for inclusion in the supplement briefing book materials distributed to Council, but this was not allowed. My comments on this issue will be brief here but I will supplement them at the meeting and in testimony.

As we've stated before in written comment and in public testimony, we continue to oppose limiting the gear switching aspect of this program. We also oppose any reduction in the vessel limit as proposed under H2.

For purposed of illustration, for 2017, the quota share ownership limit was 3% or approximately 160,000 pounds. The vessel limit was 240,000 pounds. Table 6 page 5 of H.2

Also relevant to the discussion below is Table 3 page 3 of H2: The weighted average price of trawl caught sablefish between 2011 and 2017 was 2.05 and the average weighted price of FG sablefish under the trawl program was 3.20.

First, in addressing the analysis under H2, it's hard to make sense of it. Nowhere in the current document does it isolate out for analysis "Vessels that Only Gear Switched." Instead, it breaks down into categories "Vessels that used only trawl gear during the year" and "Vessels with at least some gear switching during the year." What needs to happen is to break out the vessels that only gear switched.

Next, the question has to be asked—what would be gained by reducing a vessel limit to a quota share limit? From 4.5 % to 3 %? From a fleet perspective, see page 5 of H.2. It would affect 9 vessels per year on average over the life of the program, out of 157. But what is important as well is only 5.1 percent more fish would be available for other vessels on average and at most 6.1 %. That translates into 246,000 pounds and 341,000 pounds, respectively. And there is no

guarantee that the fish would go to trawl only fishermen. Because the value of the fish is greater in the fixed gear fishery, FG fishermen that don't currently fish a vessel cap would then fish up to a limit, thereby redistributing the fish with no rational basis. Or would the Council say, in order to get more sablefish to trawl only fishermen, we're going to reduce the vessel cap and reallocate this fish to trawl only vessel. And on what basis? Every trawl only vessel of the 75 currently participating would be given 4000 more pounds?

Finally from our personal perspective—we have fished up to a quota share limit every year we've been able to find trawl fishermen willing to lease us their fish at a market price we are willing to pay,. If you reduce what we can catch from 240,000 pounds to 160,000 pounds, that's a \$250,000 hit to one business, without solving a problem.

Michele Longo Eder

Michele Longo Eder F/V Timmy Boy Argos, Inc. P.O. Box 721 Newport, OR 97365 541-270-1161 cell michele@michelelongoeder.com