

GROUNDFISH MANAGEMENT TEAM REPORT ON 5-YEAR CATCH SHARE FOLLOW ON ACTIONS- PRELIMINARY PREFERRED ALTERNATIVE

The Groundfish Management Team (GMT) was briefed by Dr. Jim Seger, Pacific Fisheries Management Council (Council) staff, on the five-year catch shares follow on action items and range of alternatives. After reviewing the documents, the GMT offers these comments and recommendations on each of the following catch share follow on actions.

At-Sea Whiting Fishery Bycatch Needs and Set-Aside Management

After the implementation of Amendment 21-3, the only remaining species managed as allocations for the at-sea fleet are widow and canary rockfish. Widow rockfish allocations are determined by the formula established under Amendment 21 (along with darkblotched rockfish and Pacific Ocean perch (POP) set-asides), and canary rockfish allocations are determined each biennium. If either at-sea sector were to exceed their allocation of widow or canary rockfish, the sector would be closed.

At the time of implementation of Amendment 21, these four species were overfished and had low annual catch limits (ACLs). By 2019, however, all four species will be rebuilt and have much higher ACLs. Set-asides for the at-sea fleet were and are intended to cover projected incidental bycatch amounts in the fishery based on the best available information. With rebuilt and rebuilding populations leading to increased interactions, in addition to other constraints on the fleet, such as avoiding salmon bycatch, **the GMT recommends that the Council select Alternative 4 as the Preliminary Preferred Alternative (PPA)**. Alternative 4 would manage all four species as sector-specific set-asides, with amounts set during the biennial specifications process.

Ultimately, set-aside management would provide flexibility in mitigating bycatch in the at-sea whiting fisheries. Using traditional approaches for establishing the set-aside amounts, instead of the Amendment 21 formulas, would better meet the bycatch “needs” of the at-sea whiting fisheries, while at the same time not “stranding” allocation that could potentially be utilized by the individual fishing quota (IFQ) fishery. For instance, the Amendment 21 formula in 2019 would allocate 21.3 mt of darkblotched rockfish to the catcher-processor (CP) sector, which would have been insufficient to cover their 2017 total mortality of 32.0 mt. By maintaining the formula, the Council would be, in essence, establishing set-asides that are too low to account for expected mortality in the at-sea fishery. Alternately, the Amendment 21 formula would allocate 404 mt of POP in 2019 to the at-sea whiting sectors, which is 370 mt or more than previous annual catches even in high years such as 2017; this residual could potentially be utilized by IFQ fishery participants that target slope rockfish such as POP.

Alternative 4 would also reduce the overall workload associated with inseason management, which has been high in recent years due to the need to supplement co-op allocations inseason. Set-asides are managed inseason only if there is a conservation concern, risk to a harvest specification, or unforeseen impact on another sector. The GMT believes that the risk of requiring inseason action for any of these species is minimal, especially if set-asides are set at appropriate levels during the biennial specifications cycle.

Blackgill Rockfish Annual Vessel Quota Pound (QP) Limit

The GMT would prefer to review the updated Amendment 26 analysis before making a recommendation about accumulation limits.

Shorebased IFQ Sector Harvest Complex Needs

In recent years, the need to develop solutions to resolve end-of-year deficits has grown, particularly related to multi-year suspensions after unexpectedly high bycatch events, or “lightning strikes.” **The GMT recommends that the Council select Alternative 2 and the sub-option as PPA.** Alternative 2 would allow vessels to obtain current year QPs to cover any overage, as opposed to needing to acquire next year’s QPs to cover prior year deficits. The cut-off date for post-season trading should be determined by the National Marine Fisheries Service (NMFS), to allow for finalization of the previous year’s vessel account system data, and should provide time for carryover considerations to be finalized by the Council in March of the next year. The sub-option (relief from vessel QP limits) would still encourage individual accountability, because boats would be required to cease fishing if they exceed their annual vessel limit and would still have to cover their overage with QP. Relief from the vessel QP limits has the potential to eliminate severe overage penalties, which can result in vessels being unable to fish for multiple years. Given that previously low limits for rebuilding species have either increased, or are set to increase, by the next biennium, vessels are unlikely to exceed annual limits by the large proportions that they have in the past. Because the vessel would need to acquire QPs to cover the overage, risky fishing strategies will remain disincentivized.

The GMT recommends Alternative 3 to reduce the occurrence of expired QPs in quota share (QS) accounts that are not transferred to vessel accounts by September 1st. Individual QS account owners may be unable to transfer pounds by the deadline for a number of reasons. This will provide more flexibility for QS owners and reduce workload for NMFS, who provide considerable outreach to remind owners to transfer their QP by the deadline.

Catcher Processor Sector Accumulation Limits

National Standard (NS) 4 requires that “allocation shall be (a) fair and equitable to all such fishermen; (b) reasonably calculated to promote conservation; and (c) carried out in such manner that no particular individual, corporation, or other entity acquires an excessive share of such privilege”. NS guidelines state that “an allocation scheme must be designed to deter any person or other entity from acquiring an excessive share of fishing privileges, and to avoid creating conditions fostering inordinate control, by buyers or sellers, that would not otherwise exist”, and that “a Council should consider other factors relevant to the FMP’s objectives. Examples are economic and social consequences of the scheme, food production, consumer interest, dependence on the fishery by present participants and coastal communities,” among other factors ([CFR 50 VI 600.325](#)). With this guidance in mind, the GMT offers the following thoughts.

Implementation

The GMT does not offer a recommendation on the implementation timeline for establishing limits for the CP sector.

Permit Limit

The current ownership structure of the CP sector stems from the limited access classification and subsequent voluntary cooperative formed in the CP sector. It is not clear the extent to which the

allocation of limited access privilege with the transition to catch share management in 2011 is responsible for “fostering inordinate control, by buyers or sellers, that would not otherwise exist” (NS guidelines at [CFR 50 VI 600.325](#)), given that available data do not indicate any consolidation in the sector since 2011. Ultimately, the GMT does not have a recommendation on this issue, as we believe the Council’s decision on whether or not to limit permit ownership in the CP sector is a policy call. However, if the Council moves forward with setting limits, **the GMT recommends adopting the IFQ and mothership (MS) rules for assessing ownership to maintain consistency across the catch share program**, particularly as many entities own privileges in multiple sectors. These rules evaluate ownership consolidation based on the percentages of the permit or processing vessels owned.

Perhaps ultimately more important than individual sector caps, the Council may wish to reconsider caps on Pacific whiting harvest privilege ownership *across* sectors. As anticipated consolidation continues across sectors, one entity could potentially own ten percent of the shoreside (SS) whiting allocation, 20 percent of the MS catcher vessel catch history assignment, and a percentage of the CP sector to be determined by this action. The CP, MS, and SS sectors receive 34, 24, and 42 percent of the U.S. non-tribal commercial allocation of Pacific whiting, respectively. In an extreme example, one individual could own 100 percent of the CP allocation, 20 percent of MS catch history assignment, and 10 percent of IFQ, which would be equivalent to 43 percent of the U.S. non-tribal commercial allocation. The action alternatives under this subcategory would limit CP ownership to fifty percent (status-quo levels) or seventy percent of the sector permits, which would permit one individual to own 26 (under status-quo levels) or 33 (under alternative action) percent of total Pacific whiting harvest limited access privilege. Without CP ownership information, current privilege ownership across affiliated-companies cannot be calculated. As with the IFQ CP accumulation limits considered in Amendment 20, the Council considered, but did not select, a program-wide share limit for Pacific whiting. This decision may merit the reconsideration after CP ownership information is available for analysis; this could be packaged with the omnibus reconsideration of aggregate non-whiting accumulation limits to best address the NS Guidelines for excessive shares in the catch share program.

Processing Limits

The Council should consider the benefits of flexibility in processing in a sector where tightly scheduled harvest schedules in Alaska, coupled with the potential for engine failures, catastrophic fires, and other unforeseen circumstances, may prevent one or more of the typical nine vessels from participating in the West Coast fishery in a given season. Restricting flexibility of companies involved in the co-op to determine annual processing schedules may result in under-attainment of the CP allocation. The benefits of these proposed limits to consumers are unclear, given that product competes in global whitefish markets. Similarly, a decrease in processing companies from three to two (or one) is unlikely to negatively impact the Puget Sound communities in which the CP companies are based and offload. Benefits of maintaining competition for processing within the CP sector are not likely to outweigh the potential costs discussed above. Should the Council wish to maintain multiple entities in the co-op, the GMT believes that permit ownership limits may be a better avenue. For example, if the fishery were to move to a 70/30 (two company) processing split, and the company with 30 percent could not participate in the fishery, sector-level attainment would be capped at 70 percent. However, in a 70/30 permit ownership scenario, the 30 percent company could still lease its quota to be processed even if it was unable to fish its quota. **Thus, the GMT recommends No Action on the processing limit.** If the Council does wish to consider Alternatives 2 or 3, two-year limits may offer the sector more flexibility to respond to unforeseen circumstances. In this scenario, a company would be restricted to processing no more than a certain percentage over two years rather than one.

The GMT notes that the benefits of processing flexibility in the CP sector may also extend to MS processors, as outlined in [Agenda Item I.7.b Supplemental Public Comment 1](#). The GMT suggests that consideration of the public comment to increase the MS processing caps is late in the process and may be outside the range of the proposed action and range of alternatives. Unlike the CP sector, where companies harvest their own fish and then compete in a world market to sell frozen product, the MS sector has both harvesters and processors.

Increasing processor limits or, as suggested in public hearings, opening the MS permit class to new entrants, would likely benefit MS catcher vessels unable to find year-round buyers. With respect to increasing processing caps, a trend towards processor monopsony (a market with a single buyer) is a concern for catcher vessels. Public comment during five-year review hearings indicated that the small number of MS companies may put downward pressure on offload prices (see [Newport Community Hearing](#)). The SS sector does not currently have processing limits. In 2017, three companies (including affiliates) purchased 93 percent of SS whiting, an increase from 74 percent when the program began in 2011. Current MS and SS regulations would effectively allow for as few as two companies to determine harvest schedules and pricing for most whiting catcher vessels (all but ten percent of the MS allocation).

With attainment typically less than full in both the SS and MS sectors, the vessels who have both at-sea permits and shoreside quota likely select their level of annual participation in either fishery depending on price incentives. Consolidation across the MS and SS sectors would be of particular concern for this group of harvesters, and monopsonistic pricing could be expected to lead to decreased revenue for this class of catcher vessels over time. As predicted in the analysis to support Amendment 20 and reiterated in the Five-year Review Report, further processor consolidation may lead to increased efficiency and utilization of the resource. However, resulting benefits would accrue to a smaller number of entities at the expense of some groups of catcher vessels and communities. The Council may wish to reconsider sector-specific and program-wide whiting processing limits as a separate agenda item in the future.

New Data Collections for Catcher Processor and Quota Share Owners

As discussed in our March 2018 statement, **the GMT recommends including a collection of both the CP ownership interest information (Alternative 2) and QS owner economic data (Alternative 4) as part of the five-year review follow on rulemaking package ([Agenda Item H.2.A Supplemental GMT Report 1](#))**. The fourth possible alternative for the QS owner survey (identified in the report) would give NMFS the discretion to implement the surveys with the least workload. The GMT believes that Alternative 4 could include obtaining the information through the Economic Data Collection survey, QS renewal form, or another method as determined by NMFS. The GMT understands that the majority of workload associated with the surveys would be borne by the Northwest Fishery Science Center, and would therefore not delay other rulemakings, which was a concern voiced by the Community Advisory Board and the Groundfish Advisory Sub-panel.

Recommendations

At-Sea Whiting Fishery Bycatch Needs and Set-Aside Management

1. The GMT recommends that the Council select Alternative 4 as the Preliminary Preferred Alternative (PPA).

Shorebased IFQ Sector Harvest Complex Needs

1. The GMT recommends that the Council select Alternative 2 and the sub-option and Alternative 3 as PPA.

Catcher Processor Sector Accumulation Limits

1. If the Council moves forward with setting limits, the GMT recommends adopting the IFQ and mothership (MS) rules for assessing ownership to maintain consistency across the catch share program.
2. The GMT recommends No Action on the processing limit.

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PFMC

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