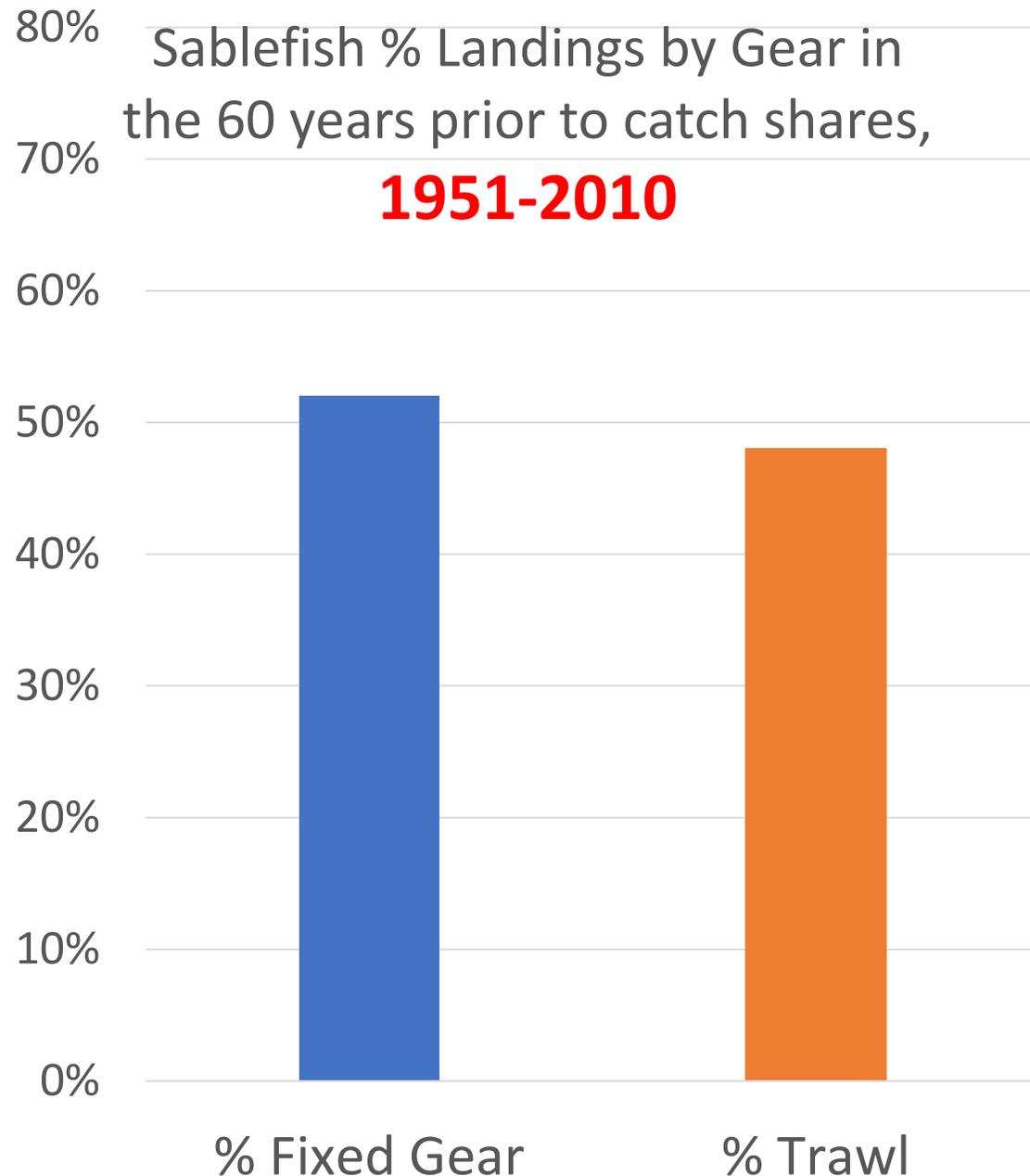


Underutilization of the Trawl Sector Allocation

This document provides background on the bottom trawl fishery and the issue of utilization levels under the catch share program and the gear switching provision

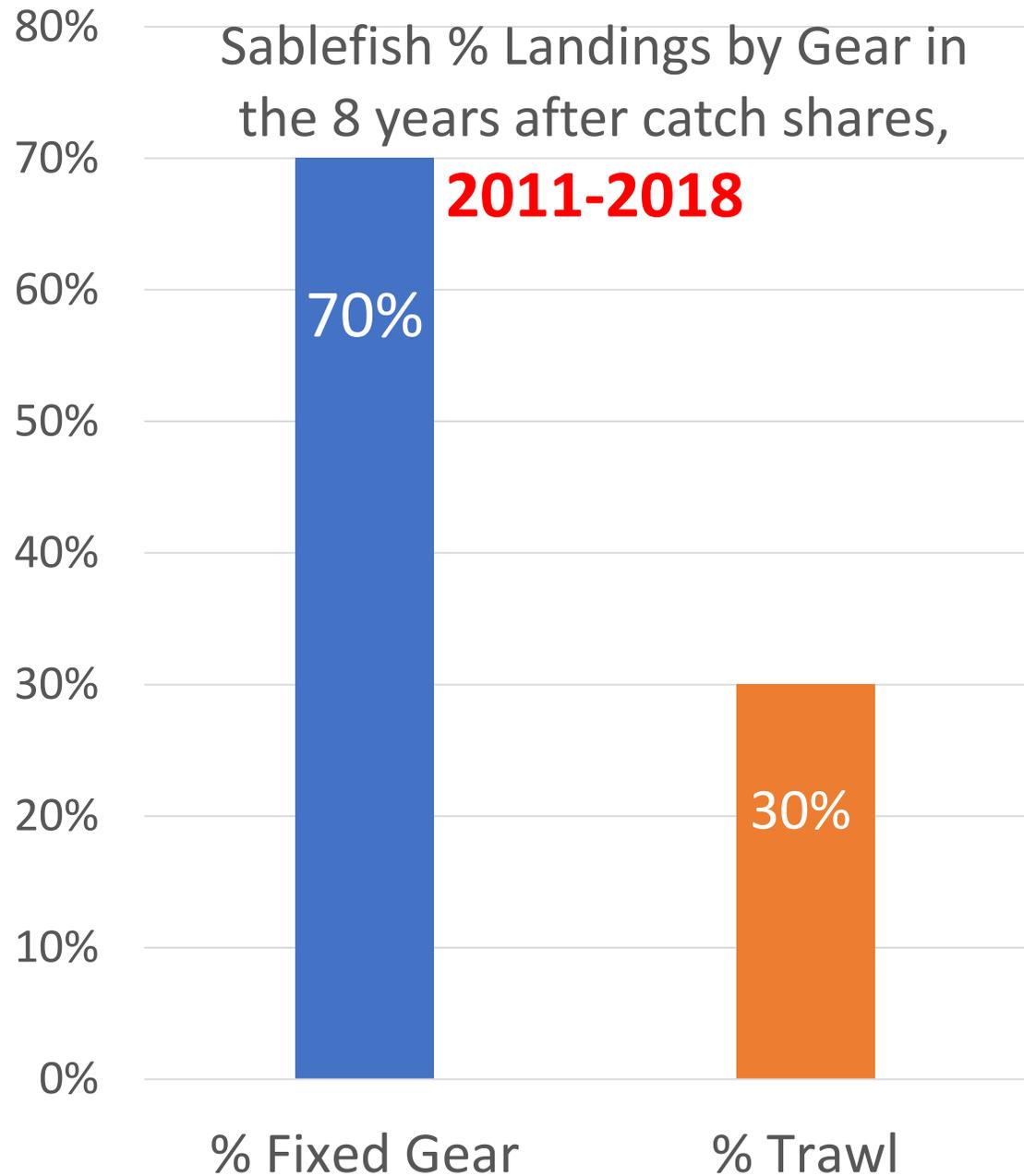
Oct 7, 2019 – Version 1 Jeff Lackey



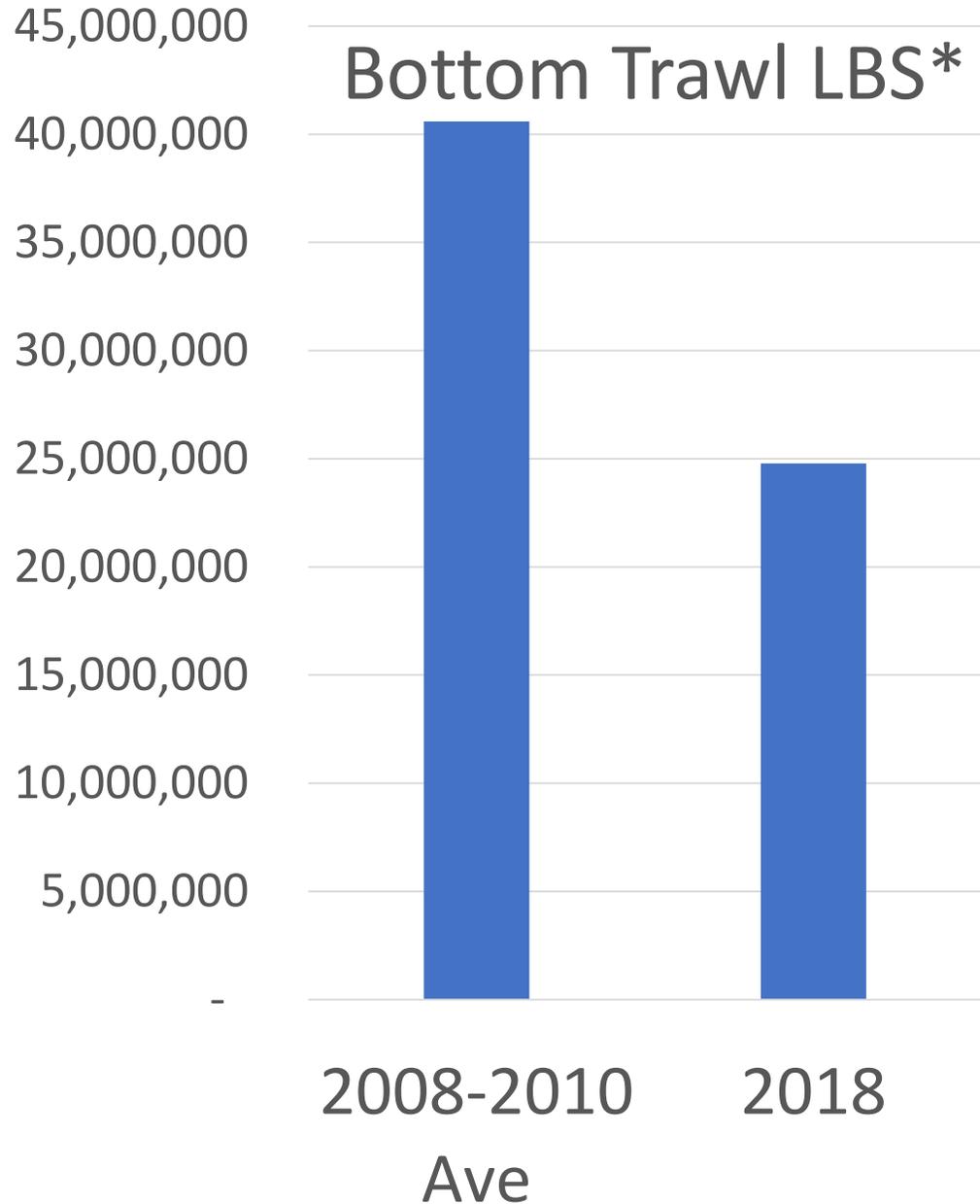
The Trawl **baseline** for west coast sablefish was **48%** for **60 years** prior to catch shares, with the lowest decade being 44%

Data source: 8/1/19 [Status of the sablefish stock in U.S. waters in 2019](#) – Table 1

PP Version 9/30/2019-1



Despite six decades of a near even split between trawl and fixed gear, **after catch shares** the trawl split went to **30%**; with fixed gear accounting for nearly 2 ½ times that amount



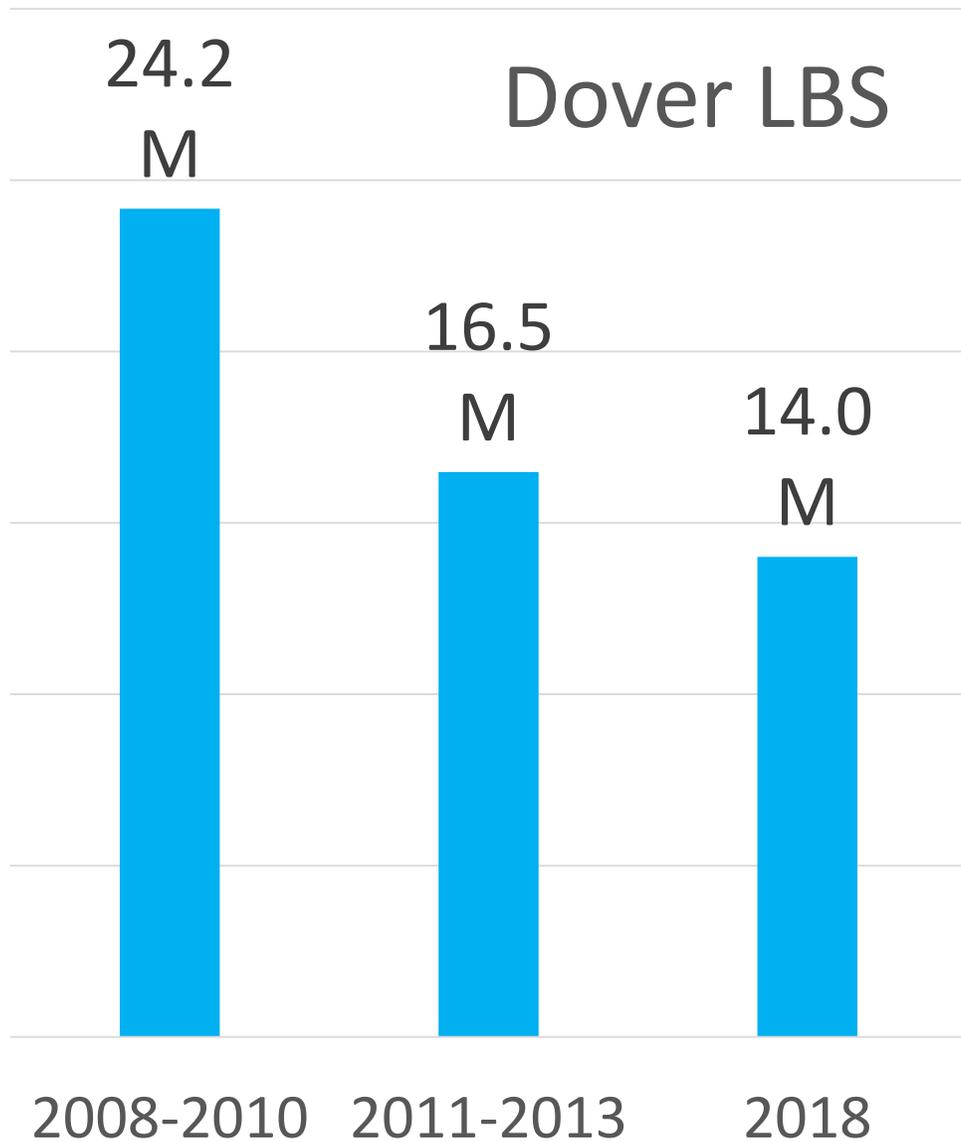
The pre catch shares **baseline** for bottom trawl landings was **over 40 million lbs**; but is now less than **25 million**

* Bottom trawl lbs excludes petrale, sable, and hake

Data source: Estimated Discard and Catch of Groundfish Species in the [20XX](#) & [2018](#) US West Coast Fisheries

Consolidation & Replacement: It is obvious from the below [2009-2014 EDC catcher vessel report \(pg 10\)](#) excerpt that there was anticipated consolidation under catch shares; but there was also replacement of trawl vessels and effort with fixed gear vessels. Some have asked, **“Is this a problem?”** or **“Do fixed gear vessels have any impact at all on the drastic decreases in attainment?”** To help answer those questions, it is helpful to **1)** Refer to previous slides, **2)** look at the next 3 slides about the DTS complex and **3)** then look at the following two slides that compare the impact of trawl and fixed gear vessels.

“There were 54 vessels that fished in 2009 and/or 2010 that did not fish in 2014... Despite the exit of some vessels from the catch share program, there were 17 vessels that fished in 2014 but did not fish in the trawl fishery in 2009 or 2010. Of those “new” vessels, 13 now fish in the Groundfish fixed gear with trawl endorsement fishery.”



The pre catch shares dover **baseline** was **24.2 million** lbs per year. Post catch shares saw an immediate 32% drop down to 16.5 million lbs, and has further declined from there to **14.0 million** lbs

Excerpt Figure 40 From [Five Year Review](#):

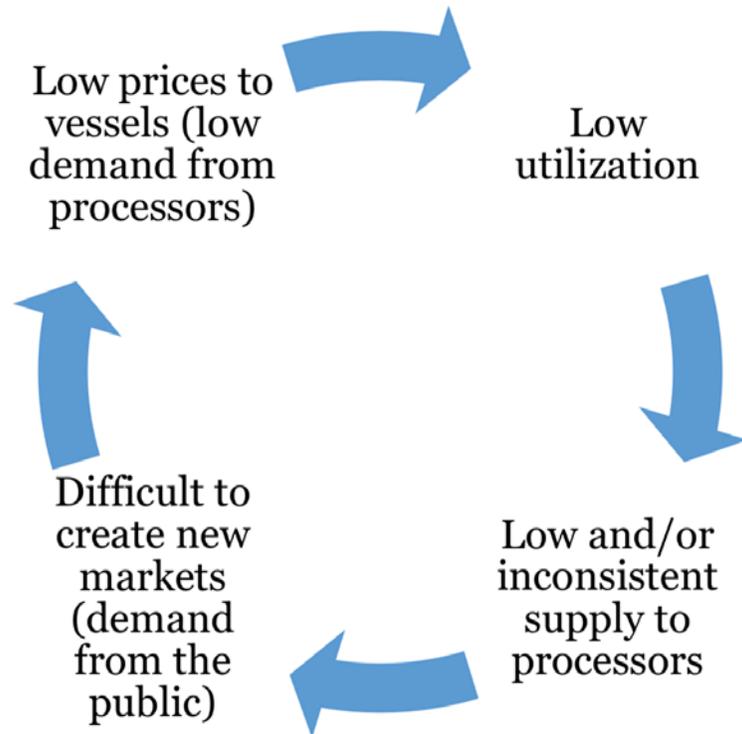


Figure 40. Illustration of cycle of low demand and low utilization.

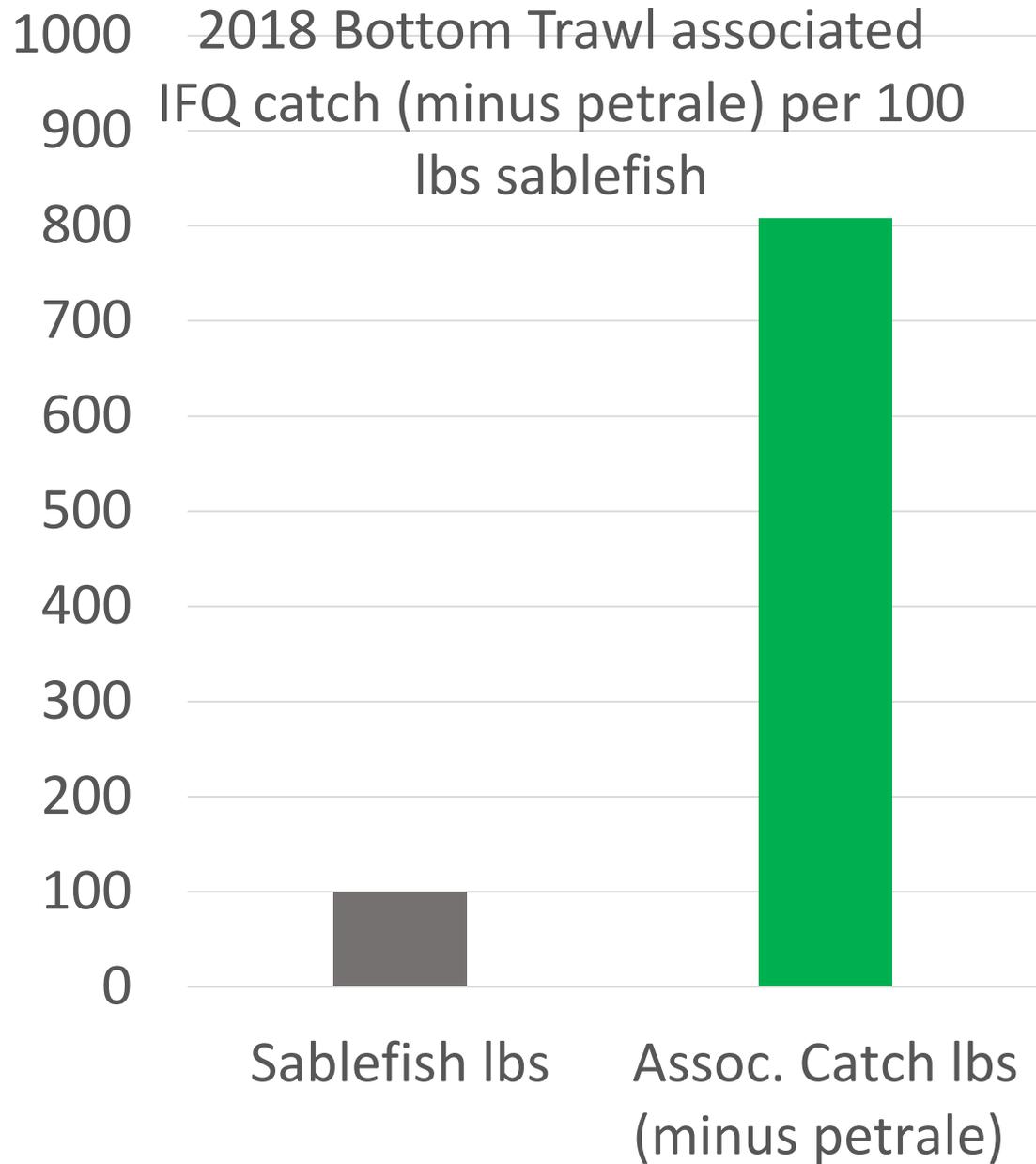
The **cycle of inconsistent supply to processors** (ex: dover) leads to a cycle of low attainment & reduced profitability for harvester and processor, further dragged down by in the cycle by inevitable trip limits and longer delivery intervals.

The **exit of sable from the trawl fishery** and the uncertainty, affordability, and reduced amount of remaining sable has a massive impact on this downward cycle; as supported by the dover catch results.

Sable is essential in targeting dover (& thorneyheads) not only as incidental catch, but also for efficient targeting strategies and economic viability.

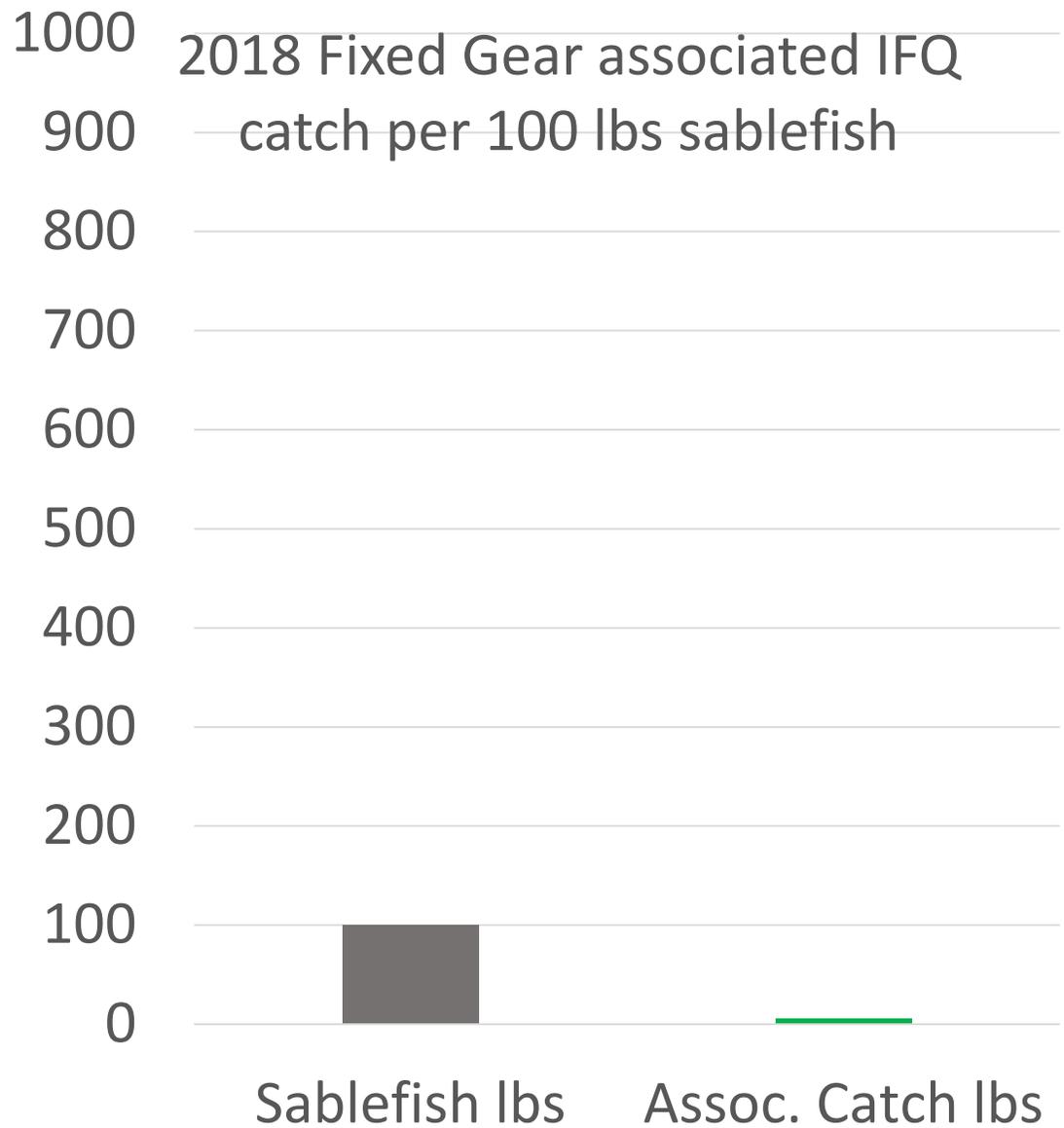
The **five year review document makes clear the link** between fixed gear attainment of sable and reduced attainment of DTS species

- The utilization of sablefish by the **fixed gear fishery has contributed to the decrease in attainment** of Dover sole and thornyheads by vessels fishing with trawl gear ([Five-Year Review Pg 172](#))
- The 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 trawl fishing** because it is the only target stock that approaches full utilization and is higher value than the other species (Appendix A). ([Five-Year Review Pg 162](#))
- Table 73 of five year review shows a theoretical 2015 upper bound dover increase of 10.4%, or 10.5 million lbs, in the absence of gear switching. Based on 2019 increase of sablefish ACL and extrapolation using same method, that translates to an **upper bound dover increase of 14.5%, or 14.7 million lbs, in the absence of gear switching.**



In 2018, on average, every 100 lbs of sablefish for a **trawl** vessel corresponded to **808 lbs** of other IFQ catch (minus petrale)

Data source: Estimated Discard and Catch of Groundfish Species in the [2018](#) US West Coast Fisheries



In 2018, on average, every 100 lbs of sablefish for a **FG** vessel corresponded to **5 lbs** of other IFQ catch (minus petrale)

When replacing large scale trawl effort that leverages on average 100 lbs of sable into 808 lbs of other IFQ species with fixed gear effort that leverages on average 100 lbs of sable into 5 lbs of other IFQ species, a clear picture emerges of **significant impact of fixed gear use on the utilization of other IFQ species**, which is backed up by the data. In addition, the immediate **32% reduction** in dover attainment under catch shares **corresponded** to a **27% share** of northern sable landings attributed to fixed gear. Moreover, with the downward cycle of processor capacity and the DTS fishery and fewer bottom trawl trips, other bottom trawl dominant species decrease as well.

To recap, under catch shares & the unlimited gear switching provision there has been a **massive trawl reduction from pre catch shares baseline** in the following areas:

- 60 year average of trawl portion of sable of 48% was reduced to 30%
- Pre catch shares average of over 40 million lbs annually of bottom trawl catch was reduced to under 25 million lbs
- Pre catch shares average of 24.2 million lbs annually of dover was immediately reduced to 16.5 million lbs with catch shares, then further reduced to current level of 14.0 million lbs

It is also worth noting that species stock health and ACL's are currently much improved over pre catch shares condition, yet the catch shares result is still that of a massive reduction in bottom trawl catch

Five Year Review:

- Gear switching was identified as a primary issue to address for the bottom trawl fishery in the five year review.
- Catch shares a few months away from starting its tenth year.
- **The bottom trawl fishery needs help now** having experienced a major degradation as a direct result of catch shares & the unlimited gear switching provision as detailed earlier.
- The SaMTAAC was formed out of the November 2017 Council meeting nearly two years ago.
- The net products from the SaMTAAC thus far are a vastly insufficient preliminary purpose & need statement & four in-process alternatives that, as far as one can tell, do not direct a decrease in fixed gear attainment for at least the first quarter century of the program, if at all.

A proper **purpose & need** statement should be the starting point for this process and should, as noted in the NMFS report:

- Identify the problem(s).
- Say why we are taking action.
- Say what we are trying to achieve.
- Be guided by the relevant statutory authorities.

The proposed purpose & need statement in the NMFS Report properly **achieves the required components**

Three Baselines to Consider:

- 48%
- 40 million lbs
- 31%

To increase utilization from 25 million lbs towards the pre catch shares **40 million lbs** level, the trawl portion of sable will have to rise from 30% towards its 60 year pre catch shares average of **48%**; and for that to happen, the fixed gear attainment of northern trawl sable will have to be reduced from **31%**. This is the only path to alternatives that actually address the problem.

Ultimately, the decisions that need to be made can be facilitated by the SaMTAAC and Council asking, and more important, **answering these questions:**

- Do we want to rebuild the bottom trawl fishery?
- Do we want to facilitate the capacity of the program to feed people with 10 to 15 million lbs of additional yearly catch?
- Do we want to facilitate the capacity of the program to allow full time employment of dozens of more full time workers?
- Do we want the volume, stability, and infrastructure for our industry that helps sustain other fisheries and our communities?

Everything flows from the answers to these questions

ANALYSIS: The primary analysis that informs decision making and evaluates alternatives should be guiding regulatory items.

- For example, if we wanted to estimate the quantitative & qualitative impact to each program goal and objective if we could rebuild the bottom trawl fishery to pre-program catch levels, one could attempt to estimate what was lost from 2008-2010 timeframe to 2018 in terms of catch / utilization, jobs, seafood to consumer, community impacts, etc., and this should be similar to what could be gained.
- Another example, each program goal & objective could have estimated impact quantified and qualified in a table for each alternative.
- The analysis that has been provided over the last few years in the Council, CAB, and SaMTAAC was quality work completed in a very thorough way, was provided efficiently as requested, and has been informative. However, the primary analysis relative to guiding regulatory items with examples given in first two bullet points has not taken place.
- It would be helpful to see impact to goals & objectives with different levels of gear switching

Where we have been, are, & need to go

- Six decades (1951-2010) of sablefish landings average result of 48% trawl / 52% fixed gear was turned to 30% / 70% with catch shares.
- Average of over 40 million lbs of annual bottom trawl landings (minus petrale & sable) before catch shares (2008-2010) has been turned into less than 25 million landings with catch shares.
- The Catch Shares program negatively impacted the goals and objectives for bottom trawl instead of the intended positive impact.
- Per **MSA**, the Council is tasked during program review to make “any necessary modification of the program to meet those (program) goals.”
- Gear switching is not 100% responsible for failing to achieve goals & objectives, but it is a primary reason, and coupled with another reason like added program costs, **gear switching has facilitated the exodus of sable** out of the trawl fishery and resulted in 10-15 million lbs annual lost catch.

Where we have been, are, & need to go (continued)

- An increase of sable quantity and certainty to the trawl fishery closer to the six decade 48% level of coast landings is necessary to reverse the program's degradation to the harvesters, processors, and fishing communities.
- This increase of sable is required to meet the program goals & objectives, FMP goals & objectives, MSA charge, NS1 charge, and SaMTAAC charge.
- The bottom line is that regulations caused the fishery degradation; and by logic, precedent, & regulatory directives, **a regulatory fix is required**; and reduction of fixed gear catch of northern trawl IFQ is an indispensable component of that regulatory fix. There is no path forward without the sable.
- **The gear switching provision negatively impacts goals & objectives and therefore must be vastly scaled back or eliminated to allow capacity of the program to rebuild and achieve goals & objectives.**

Given the previous information, it is logical that the **three requests from the OTC be adopted.**

- Adopt and follow the recommendations of NMFS for the SaMTAAC Purpose and Need for action.
- That there be at least one "Trawl centric" alternative in the range of Alternatives.
- There absolutely needs to be economic and/or other analysis that projects the state of economic outputs and effects on the IFQ Trawl Fishery with different levels of gear switching

Trawl Stakeholder Letter & Alternative

- Given the **need for trawl-centric alternatives**, a trawl stakeholder group submitted an alternative in a letter with rationale; signed by 33 vessels, 3 processors and MTC.
- The five SaMTAAC alternatives (including status quo) all allowed the status quo fixed gear footprint to continue for the foreseeable future, and in most cases increase. So these allow the massive losses detailed earlier to continue and possibly get worse, so they are fixed gear-centric.
- **The proposed alternative considers many factors** in arriving at a fixed gear attainment reduction to allow the capacity of the program to begin to reverse the losses of the last nine years. The focus of this alternative is to foster increased bottom trawl dominant species utilization while taking into account ownership of vessels and quota by those people that met a minimal participation requirement.
- Since there is still substantial fixed gear attainment allowed under this alternative, it is not meant as a “bookend” alternative in the range of alternatives being developed. A **bookend alternative with a more restrictive reduction** or phase out of fixed gear attainment would be appropriate for consideration.

Those proposing rebuilding of the bottom trawl fishery facilitated by the reduction of fixed gear catch of trawl quota have been met with some of the same questions. The next slides list those **questions and the associated answers.**

Question: **Is fixed gear catch of trawl quota the only problem** affecting attainment and profitability for bottom trawl harvesters and processors?

- **No, but addressing and reducing it is mandatory** for any solution that makes a serious attempt to rebuild the bottom trawl fishery
- This is simple math; look at the scope of degradation of the bottom trawl fishery outlined previously; look at how much fish is leveraged by bottom trawl sable vs fixed gear sable; the certainty & quantity of sable needed to rebuild must be dedicated to that effort to mathematically work
- Gear switching is not 100% responsible for failing to achieve goals & objectives, but it is a primary reason, and coupled with another reason like added program costs, **gear switching has facilitated the exodus of sable** out of the trawl fishery and resulted in 10-15 million lbs annual lost catch.

Question: Isn't a benefit to trawlers to have the **option to lease** and sell quota to fixed gear fishermen?

- **No, it is ultimately a huge detriment.**
- This is like a **ponzi scheme**. The first few to participate have an isolated short term benefit, but ultimately the vast majority lose in a big way.
- As trawlers sell and lease quota out of the trawl fishery, the capacity goes down; and each time the capacity of the fishery decreases, the value of all the other bottom trawl assets (quota, vessel, gear) decreases, because the demand for it decreases.
- This is **simple economics** that makes this argument an absolute non-argument.
- In addition to fishermen and processors losing, the fishing communities, including non-ifq fixed gear fishermen, lose out as the infrastructure that supports them all is compromised.
- The goals & objectives also lose out as sable exits the fishery and capacity decreases.

Question: **We can't take something away from someone, can we?** This refers to those that used fixed gear pre-control date

- Management decisions impacting participants for the purpose of a **larger management goal** happen all the time, and have been happening for decades to trawlers; even the design of catch shares program was recognized as a mechanism that would drive boats out of the fishery
- Specifying a different gear requirement for participation has been happening for years to trawlers
- Specifying a different gear requirement for participation is not taking something away
- **No decision exist in a vacuum**; there are other factors to consider; such as the lost trawl catch that has taken away its economic benefits to communities, seafood to consumers, processing jobs, trawl jobs, and maybe most of all the relevant statutory authorities
- SaMTAAC is a continuation of the **five year review process, which is a MSA required component** of the catch shares program; it has been public knowledge from the beginning that the catch shares program would be reviewed and, according to the MSA, make *“any necessary modification of the program to meet those (program) goals.”* Utilization is a program goal.
- If the Council wants to not immediately “take something away” from those that met some participation and ownership requirements, that could apply to only about a third of the control date FG baseline, because about two thirds of the fixed gear catch has been leased quota. It is widely understood that **leasing is a one time cost of doing business** in a calendar year w/ no future obligations or expectations

Question: If 20,000 QP are on the auction, or a few trawlers say they have enough sable, **does that prove there is no problem?**

- **No, think about micro vs macro**; there is not enough certainty of availability and affordability to move the needle anywhere close to where it needs to move
- Look back at the scope of the degradation of the bottom trawl fishery
- Look back at the certainty of availability and downward cycle trend, and statements from processors about **stability and predictability required to invest and build markets**; otherwise, it is not a good business decision to invest time and money
- Sable value can only be leveraged for trawl if sufficient processor capacity and markets are available; and the weaker the markets, the longer the deliver intervals, and the more time it takes to leverage the sable value for trawl, and the opportunity cost for the vessel increases to the point of limiting attainment and incentive
- A few trawlers saying they have “enough” sable means they have enough to execute their fishing plans for that year according to their processor’s capacity, trip limits, and delivery intervals; sable is needed to increase the capacity of the fishery over the long-term

Question: If sable leverages catch of other species, why can't **trawlers just compete for trawl quota with fixed gear vessels?**

- We have been reminded the hard way why **disparate sectors** have separate allocations in other fisheries on the west coast and in other regional fisheries. Use of sectors is one of the most common tools to provide some degree of stability for sector participants to be able to make and execute long term business plans.
- **Trawl vessels and processors have** higher capital costs, brick & mortar type required infrastructure, sustained supply requirements of a fresh market, inability to take full advantage of intermittent spikes of sable availability, inability to jump in and out of markets and jump in and out of communities at will as the market fluctuates.
- It is much more restrictive for fixed gear vessels to use fixed gear in the tier fishery than it is to use fixed gear in the trawl fishery. Therefore, for a fixed gear vessel to take advantage of economies of scale for sable, they must enter that trawl fishery to do so. If the Council desires fixed gear vessels to land more than 2 ½ times their current tier fishery amount, perhaps they could consider tier program changes rather than **inadvertently incentivizing increased fixed gear participation in the trawl fishery** at the expense of trawl program goals and objectives.

Question: **Is sable really needed** to catch dover & thornyheads?

- **Without question.**
- Sable is **incidentally caught** in DTS fishery because the species exist in the same space.
- Sable is an important **economic value** component in a fishery where margins are thin (or non-existent) for both vessel and processor
- Sable is needed for **efficiency of targeting strategies**. The vessels already have restrictions, closures, and other choke species. Trying to avoid yet another species, one that adds economic value, is a double-whammy for trying to put together viable trips and a viable fishery, for both vessel and processor.
- Dover to sable **ratios are variable**. Dover fishing patterns are highly variable, year-to-year, season-to-season, and even tow-to-tow; and that is before considering variability in sable encounters for area, amount, and fish size.
- The certainty and quantity of sable is necessary to account for these variables and ensure as much stability of supply as possible to processors to **maintain markets & fishery capacity**.

CONCLUSION:

- The gear switching provision was a program component intended to help meet goals & objectives
- The gear switching provision had the reverse effect, hindering attainment and goals & objectives on a large scale
- Fishery managers now have the responsibility under program review to address program components hindering utilization and goals & objectives
- Therefore, the gear switching provision requires being vastly scaled back or eliminated