

**The present P&N for the SaMTAAC recently included factors that are stated by some to be underlying causes driving the poor performance of the IFQ program in regard to utilization and economic benefit. We started analysis from a business perspective of the alluded factors, declining trawl vessel participation and lack of markets<sup>1</sup> and infrastructure, to better explain why the listed “causes” for the weak performance of the IFQ fishery are symptoms of a dysfunctional supply chain, not root causes of dysfunction.**

**After our analysis we are more convinced that gear switching is the key program element that led to the degradation IFQ groundfish program.**

**The data in this Table prior to and after IFQ shows definitive trends for Sablefish & Dover landings and for Tilapia imports:**

1. Trawl landed sablefish dropped from an average proportion 44% of the total Sablefish catch (2001-2010) to only 30% after IFQ was implemented.
2. Ratios of Dover to Sablefish landings increased by an average of 54% after IFQ (3.04 pre-IFQ to 4.71 post-IFQ). The IFQ period is likely the highest ratio ever. Yet is a higher ratio conducive to a higher total groundfish resource attainment that the P&N supports as a goal? Bycatch avoidance is a management target, yet Sablefish is a target species for trawl as well as a necessary bycatch component. Will the high recruitment of Sablefish further restrict the trawl fishery?
3. After an increased ACL in 2007, average annual Dover landings were 53% higher for 2007-2010 than for the years after IFQ, 2011-2019. This represents an annual average attainment loss of 8,131,076lbs per year for the IFQ years. Over a nine-year period, this is over 73 million lbs. of foregone opportunity. But achieving these numbers only gets us to status quo pre-IFQ. The IFQ program was purported to have efficient management and operational function that many stated thought should surpass pre-IFQ years.
4. The presence of Tilapia imports, especially fresh Tilapia which competes head to head with fresh groundfish, was firmly established by 2007 with the highest recorded year of fresh imported fillets being 2008. Industry was increasing Dover production and markets at the precise time our largest whitefish competitor peaked in the U.S. market. This should dispel the myth that we cannot compete against imports.
5. Not in the data but of note. The total processing infrastructure today (minus filleters) is higher than 2011. The Ocean Gold now has two facilities can handle millions of lbs. a week. Pacific Seafood has invested heavily in modernization and a new plant. Others still have the same facilities. If the reward is worth the investment and there is some certainty of supply, groundfish could be incorporated into this infrastructure; but it will not happen overnight or without a concerted effort, and the confidence we will have the Sablefish we need every year to maximize harvest.
6. The west coast seafood industry and markets have responded in the past to large increases in supply. Several examples: The growth of the whiting industry. The quick response of industry in 2017 to large increases in rockfish. And, as per our table the 97% rapid increase in Dover (and other species) production and sales during the years 2007-2009. The question then is what are the causal factors that are now preventing a higher utilization of many of the DTS stocks? What is different from 2007-2010?

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<sup>1</sup> In general discussion at the SaMTAAC it was expressed by some participants that imported seafood was a large factor repressing groundfish markets.

**Which single cause provided a “canary” that clearly signaled that the trawl groundfish fishery was evolving from a disaster based on overfishing to one based on economics?**

The signal came in 2011. The answer was later stated in testimony at many of the pre-review community meetings: (See appendix A<sup>2</sup> “public comments”) Between 2011 and 2012 Pacific, Eureka went from a high of 40 filleters pre-IFQ to 12. Newport from 27 to 6-8. Warrenton (which reached peak production years in 2009) went from 34 to 17-19. On average we lost 45/50% of our skilled fillet crew. We attended many of these meetings but the EDC report was not surgical enough to highlight the significance or tie together the fact that if you restrict a critical production portal by 50% you have effectively collapsed the supply chain to the market and distorted the value equation.

Loss of skilled workers truncated our groundfish production capacity by 50%. This sliced into how much, and when, fishermen could deliver and quickly demonstrated to our customers that groundfish was no longer a reliable product line. Loss of skilled filleters broke the supply chain<sup>3</sup> function and disoriented the markets we had built up from 2007 through 2010. Market demand and the skilled work force still existed at the start of 2011. However, as soon as it was apparent the supply of fish for production was dramatically restricted many skilled workers left to find other employment. Trawl groundfish no longer was a reliable income source for employees nor was it a reliable sales item. This was the single causal factor that pushed groundfish into the EDC Circle<sup>4</sup> of underutilization. It is important to note that this happened shortly after the inception of the program, not several years out. Elements of the ITQ program itself disabled what had been a well-functioning supply chain which was increasing production and sales of Dover as of 2010. We are now making strides forward on rockfish production and markets. But, for the most part rockfish fishers have the necessary by-catch availability. The single element that prevents the potential to increase utilization in the DTS complex is gear switching.

Concurrently, when we lost our necessary skilled team members, new IFQ costs added a 5 to 10% cost to the fleet. This coupled with the loss in processor capacity limited fishermen options and affected fishermen’s decisions whether to participate in the groundfish fishery. IFQ with its many choke species and inflexible accountability rules further tightened the noose for many operations. What seemed a good principle placed a mini-ACL on every vessel regardless of how much impact it had on utilization and optimum yield goals.

We need to examine what can be fixed rather than open up the whole ITQ program for review at this juncture. Worse, is for individuals to hand pick symptoms of this economically challenged program and nominate those symptoms, as root causes of underutilization. The symptoms can and do add to the problems, but addressing only symptoms without addressing root causes, will not remove obstacles that block the success of our trawl industry’s program. We need to focus solely on the obstacle of gear switching as the factor that impedes the success of the trawl sector.

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<sup>2</sup> [2016 Public Hearing Processor Related Comments](#)-Courtesy of Jeff Lackey

<sup>3</sup> In [business](#) and [finance](#), **supply chain** is a system of organizations, people, activities, information, and resources involved in moving a [product](#) or [service](#) from [supplier](#) to [customer](#). Supply chain activities involve the transformation of [natural resources](#), [raw materials](#), and components into a finished product that is delivered to the [end customer](#). [https://en.wikipedia.org/wiki/Supply\\_chain](https://en.wikipedia.org/wiki/Supply_chain)

<sup>4</sup> Figure 3-40 page 3-145 West Coast Groundfish Trawl Catch Share Program 5 Year Review

Unabated, gear switching will further remove us from achievement of the stated goals in the P&N originating in the Groundfish FMP, A20 and NS1. Fullest utilization cannot happen when a key bycatch component is impermanent and transitory and cannot be depended upon on year over year in order to harvest, process, and market multi-species of groundfish. This deters and stymies long term business strategy for processors, active trawlers and markets. Without permanently quantifying and codifying into regulation the restoration of historical trawl harvest levels of Sablefish to the active trawl fleet the Trawl IFQ Groundfish Program will continue to founder and degrade. Industry, NMFS, and the Council need to work to achieve the listed goals from the FMP, NS1, and A20. The entire non-whiting industry is dependent on our efforts.

To conclude we have the following asks:

1. Restore the P&N to the original NMFS<sup>5</sup> version.
2. Adopt a 4<sup>th</sup> alternative that eliminates gear switching. This needs to be in the ROA in order to cover the pre-IFQ historical past practices of the Trawl Fishery and provide the fullest scope of alternatives as provided in MSA and NEPA. We recommend a simple alternative that is time based and stair steps down on a percentage basis over time.
  - a. Option 1
    - Years 1-3: Initial fixed gear usage cap of a vessel limit of 3% of Quota pounds. (QP)
    - Years 3-6: Cap of 1.5% of QP
    - Year 6 no Gear Switching
  - b. Option 2
    - Option 1 with the provisions in Alternative 3 for active trawlers

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<sup>5</sup> NMFS P&N prepared for and presented at the October 2019 SaMTAAC meeting

APPENDIX A – 2016 Public Hearing Processor Related Comments (courtesy of Jeff Lackey)

Below are some comments from the 2016 five year review hearing summaries specifically related to the loss of processing capacity for groundfish under catch shares.

*FORT BRAGG – Sep 6, 2016*

- 1) *“As a processor, our production has dropped 38 percent and we have lost half our workforce.”*
- 2) *“Because of limited processor workforce we cannot go right back out again after making a landing; and, at the same time, if we do not provide a consistent supply the processor will lose its workforce.”*

*EUREKA – Sep 7, 2016*

- 1) *Packing crews are down to 50 percent of what they were. The product is not there to keep the crews on line. Used to have 40 filleters, now 15-17. Used to have 30 packers now 15-18.*
- 2) *Vessels have had to be put on stricter limits because the processing capacity is not there.*

*COOS BAY – Sep 8, 2016*

- 1) *“Under the catch share program, we have lost 45 percent of our fillet crew, gone from five fillet plants down to 2.5 plants.”*
- 2) *“My plant’s production is down 30 percent, I’ve gone from 21 filleters to 6 and associated with that reduction are another 18 packers and 6 on the freezer crew. It is tough to find people to replace them. We’ve lost 46 jobs in the last 5 years and gone from 11 vessels to 5.”*

*ASTORIA – Sep 28, 2016*

- 1) *A processor saw a 40 percent to 50 percent reduction immediately after implementation and some increases since then—the increases due in part to their leasing of a large amount of quota.*
- 2) *Once production has declined, recovery takes investments on many fronts: market development, specialized labor (e.g. filleters), and infrastructure. In order to make these investments, the industry needs consistency and predictability.*
- 3) *This is a people issue. In the fish plants, there has been a general decline in wages and earnings over the years, particularly on the bottomfish side.*

*NEWPORT – Sep 29, 2016*

- 1) *The backbone of the fishing industry has been the trawl fishery. “We are losing infrastructure and the markets are suffering.”*
- 2) *“There have been tremendous cuts in the seafood industry—lost jobs and infrastructure—ice machines, plants, and pilings.”*