

## NATIONAL MARINE FISHERIES SERVICE REPORT ON COST RECOVERY CALCULATIONS FOR THE MOTHERSHIP AND CATCHER-PROCESSOR SECTORS

### *Introduction*

The National Marine Fisheries Service (NMFS) is recommending the Pacific Coast Groundfish Trawl Rationalization Program (Trawl Program) cost recovery regulation language be adjusted to state that the value of “Pacific whiting” instead of “all groundfish” will be used in the annual cost recovery fee calculations for the at-sea sectors to reflect the current practice and available data.

The Magnuson-Stevens Fishery Conservation and Management Act (MSA) requires NMFS to collect fees to recover the costs directly related to the management, data collection and analysis, and enforcement of a limited access privilege program (LAPP) (16 U.S.C. 1854(d)(2)), also called “cost recovery.” The Trawl Program is a LAPP and consists of three sectors: the Shorebased Individual Fishing Quota (IFQ) Program, the Mothership Co-op (MS) Program, and the Catcher/Processor Co-op (CP) Program.

Beginning in January 2014, NMFS West Coast Region (WCR) implemented cost recovery for the Trawl Program. The details of the cost recovery for the Trawl Program are in the [Code of Federal Regulations](#) at 50 CFR 660.115 and the regulatory development history can be found in Appendix A.

In accordance with the MSA and based on a recommended structure and methodology developed in coordination with the Pacific Fishery Management Council (Council), NMFS collects mandatory fees of up to three percent of the ex-vessel value of each sector (IFQ, MS, and CP). While the cost recovery regulations state that all groundfish harvested should be used to calculate ex-vessel value, it is current practice to use Pacific whiting only when calculating the ex-vessel value of the MS and CP sectors. Only Pacific whiting is used because there is insufficient data available on the value of non-whiting species encountered by the MS and CP sectors.

### *Methods for Calculating Non-Whiting Ex-Vessel Value*

NMFS explored whether it was possible to calculate real-time ex-vessel value of all groundfish for the MS and CP Programs, consistent with the regulations. The NORPAC Comprehensive Data Table<sup>1</sup> contains only estimated revenue and price per pound entries for at-sea whiting, which are calculated based on time-varying shoreside prices and applied to at-sea whiting catch (i.e., Shorebased IFQ proxy which is used for the CP and MS Programs). While NORPAC does contain the weight of the non-whiting catch (see Table 1) the disposition is not reported and the revenue is not estimated. Furthermore, there is limited real-time information to provide accurate revenue estimates for those products and any value attributed to these pounds would have to be estimated and would not necessarily reflect the value provided to the vessel. The Economic Data

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<sup>1</sup> A description of the Comprehensive Data Table can be found on the PacFIN website: [https://pacfin.psmfc.org/wp-content/uploads/2015/09/Comprehensive\\_npac.pdf](https://pacfin.psmfc.org/wp-content/uploads/2015/09/Comprehensive_npac.pdf)

Collection Program reports that non-whiting species are processed into non-species specific products, as described below.

Table 1: The Weight (mt) of All Groundfish and Non-Whiting Groundfish Catch for MS and CP Sectors for 2011-2018.

YEAR	All Groundfish		Non-Whiting Groundfish		Percent Non-Whiting Groundfish	
	CP	MS	CP	MS	CP	MS
2011	71,351	49,872	366	61	0.51%	0.12%
2012	55,119	38,326	112	45	0.20%	0.12%
2013	77,91	52,299	146	26	0.19%	0.05%
2014	103,109	61,854	92	64	0.09%	0.10%
2015	68,434	27,545	120	58	0.18%	0.21%
2016	108,763	64,615	241	80	0.22%	0.12%
2017	136,935	65,527	808	322	0.59%	0.49%
2018	116,030	65,956	800	329	0.69%	0.50%

NMFS consulted with Fishery Resource Assessment and Monitoring Program (FRAM) staff about discards and the disposition of non-whiting catch in the at-sea fleets. While value can be attributed to the non-whiting catch, there are issues with differentiating between non-whiting and whiting weighback.<sup>2</sup> In a cost benefit evaluation, the value of the non-whiting catch is a small proportion of the overall catch. The costs required to provide an accurate accounting of this value would not be commensurate with the additional cost recovery fees that could be recovered compared to the overall value of the fisheries.

FRAM Economic and Social Science Research Program staff stated that vessels report zero value for production of species-specific non-whiting groundfish products. Although the total volume of non-whiting groundfish brought aboard the vessel is known and the total value of the non-species specific products could be estimated<sup>3</sup>, the share of fishmeal/fish oil that should be attributed to non-whiting groundfish would have to be estimated. The final disposition of these products (e.g., fertilizer, fish oil, fuel oil) differs among sectors and vessels.

<sup>2</sup> Fish that is unidentifiable due to damage at the bottom of the trawl net.

<sup>3</sup> For example non-whiting value has been estimated to make up 0.2% of total payments to catcher vessels in the mothership fleet in 2017.

*NMFS Recommendation*

Collecting additional data on the value of non-whiting species from the at-sea sectors via the economics survey would be a time consuming endeavor involving new reporting requirements. Reasons for this include that some whiting itself (probably including weighback) gets mixed in with the non-whiting catch, which then goes into meal and/or oil, making separation of whiting versus non-whiting revenue very difficult.

The alternative to collecting the data on the value of non-whiting groundfish in the at-sea sectors is to adjust the cost recovery regulation language to reflect the current practice of using whiting only in the cost recovery fee calculations. This would reflect the original intention of the Council in their 2011 cost recovery recommendations. The final decision, however, was to align the cost recovery program regulations with the loan buyback regulations which uses all groundfish to avoid confusion for industry members who would be paying both. Comments from industry indicate that the use of “whiting only” in cost recovery calculations would not be confusing and the additional effort of tracking, collecting, and reporting information about low-value products would be an unnecessary burden. In addition, upon further exploration, the buyback program does not appear to be using non-whiting species or “low-value” products in mothership collections.

*Regulation change suggestions*

NMFS recommends that the cost recovery regulation language be adjusted to state that the value of “Pacific whiting” instead of “all groundfish” be used in the annual cost recovery fee calculations for the at-sea sector to reflect the current practice and available data.

**§660.111 Trawl fishery—definitions.**

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*Ex-vessel value* means, for the purposes of the cost recovery program specified at §660.115, all compensation (based on an arm's length transaction between a buyer and seller) that a fish buyer pays to a fish seller in exchange for groundfish species (as defined in §660.11), and includes the value of all in-kind compensation and all other goods or services exchanged in lieu of cash. Ex-vessel value shall be determined before any deductions are made for transferred or leased allocation, or for any goods or services.

(1) For the Shorebased IFQ Program, the value of all groundfish species (as defined in §660.11) from IFQ landings.

(2) For the MS Coop Program, the value of ~~all groundfish species~~ Pacific whiting (as defined in §660.11) delivered by a catcher vessel to an MS-permitted vessel.

(3) For the C/P Coop Program, the value as determined by the aggregate pounds of ~~all groundfish species~~ Pacific whiting (as defined in §660.11) retained on board by the vessel registered to a C/P-endorsed limited entry trawl permit, multiplied by the MS Coop Program average price per pound as announced pursuant to §660.115(b)(2).

## Appendix A

### *History of Determining the Sector-Specific Ex-Vessel Value*

Initially, in [September 2011](#), the Council determined that cost recovery should apply to the ex-vessel value of all IFQ species for the Shorebased IFQ Program and to the ex-vessel value of Pacific whiting for the at-sea sectors (MS and CP). However, at its September 2012 meeting, the Council recommended that the ex-vessel value for each sector should be based on the value of all groundfish species for all sectors to better align the cost recovery program regulations with the buyback loan regulations. As such, the proposed rule ([78 FR 7371](#)) to implement the cost recovery program stated:

“Due to similarities in the need to collect and document payment of a fee for both the buyback program and the proposed cost recovery program, the cost recovery program would utilize elements of the buyback program as much as possible.”

“Because the trawl rationalization program manages all groundfish species, the cost recovery program for each sector (IFQ, MS, and C/P) would be based on the value of all groundfish species. This is consistent with the buyback program, which collects fees from fish buyers in the Shorebased IFQ Program and the MS Coop Program based on the value of all groundfish.”

“For the Shorebased IFQ Program, the ex-vessel value would be based on the value of all groundfish species from IFQ landings. For the MS Coop Program, the ex-vessel value would be based on the value of all groundfish species delivered by a catcher vessel to an MS-permitted vessel. For the C/P Coop Program, the ex-vessel value would be based on the value as determined by the aggregate pounds of all groundfish species harvested by the vessel ...”

The cost recovery final rule ([78 FR 75268](#)) also describes the value of the fishery including “all” groundfish species for all sectors.

“The ex-vessel value for each sector is further described in the definition section at § 660.111, and includes the total ex-vessel value for **all groundfish** species.”

This is expressed in the regulations (§ 660.111):

“*Ex-vessel value* means, for the purposes of the cost recovery program specified at §660.115, all compensation (based on an arm's length transaction between a buyer and seller) that a fish buyer pays to a fish seller in exchange for groundfish species (as defined in §660.11), and includes the value of all in-kind compensation and all other goods or services exchanged in lieu of cash. Ex-vessel value shall be determined before any deductions are made for transferred or leased allocation, or for any goods or services.

(1) For the Shorebased IFQ Program, the value of **all groundfish** species (as defined in §660.11) from IFQ landings.

(2) For the MS Coop Program, the value of **all groundfish** species (as defined in §660.11) delivered by a catcher vessel to an MS-permitted vessel.

(3) For the C/P Coop Program, the value as determined by the aggregate pounds of **all groundfish** species (as defined in §660.11) harvested<sup>4</sup> by the vessel registered to a C/P-endorsed limited entry trawl permit, multiplied by the MS Coop Program average price per pound as announced pursuant to §660.115(b)(2).”

The final rule goes on to say that the MS pricing (IFQ price for *whiting only* as a proxy) will be used for the CP Program to determine the CP ex-vessel value for the *aggregate pounds of all groundfish*. It was the inclusion of the IFQ *whiting only* language that turned into the current practice of only looking at the whiting only catch for MS and CP and not the *aggregate pounds of all groundfish*.

“The MS pricing will be used by the C/P Coop Program to determine their fee amount due (MS pricing multiplied by the value of the aggregate pounds of all groundfish species harvested by the vessel registered to a C/P-endorsed limited entry trawl permit, multiplied by the C/P fee percentage, equals the fee amount due). However, because the MS Coop Program's average price per pound as reported on the cost recovery form is not yet available, the MS pricing for the first year of cost recovery is based on the average price per pound of Pacific whiting as reported in PacFIN from the Shorebased IFQ Program.”

In the section discussing the value of the fisheries, the WCR first [Annual Cost Recovery Report \(2014\)](#) states:

“While all groundfish species are included in the Shorebased IFQ ex-vessel value, only hake is included in "value" for the at-sea sectors, as other species are predominantly discarded or used for fish meal, with little to no revenue and specific information.”

Then, in the MS pricing section, the report goes on to say:

““MS pricing” is the MS Coop Program’s average price per pound for Pacific whiting, also called hake. The MS pricing will be used by the C/P Coop Program to determine their ex-vessel value (MS pricing multiplied by the value of the aggregate pounds of **all groundfish** species retained by the vessel registered to a C/P-endorsed limited entry trawl permit) which is then multiplied by the C/P fee percentage to determine the fee amount due. However, because the MS Coop Program’s average price per pound as reported on the cost recovery form is not yet available, the MS pricing for the first year of cost recovery is based on the average price per pound of whiting as reported in PacFIN from the Shorebased IFQ Program. **Only the value of Pacific whiting is used because the at-sea whiting fisheries (MS & C/P) target whiting and the value of non-whiting species is comparatively insignificant.**”

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<sup>4</sup> This language was updated in the Final Rule ([84 FR 68799](#)) for the follow on actions to replace the word “harvested” with “retained on board” to make it clear that discards are not included in cost recovery calculations.