REVIEW OF CATCH SHARE COST STUDY

SSC Meeting, May 11, 2023

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BACKGROUND

- Introduction
- Structure of Document
  - Selected Catch Share Fisheries
    - West Coast IFQ & Cooperative
    - NE Sector
    - AFA Pollock
    - British Columbia IVQ
    - CGOA Rockfish
  - Stakeholder Input and Recommendations
  - Summary of Available Cost Data
  - Potential Cost Saving Opportunities
  - Changes for Final Draft
  - Detailed Data Appendix

STUDY TIMELINE

- Introduction of project September 2022 Council meeting
- Progress report and first opportunity for Council/stakeholder input at April 2023 Council meeting
- Final review scheduled for the September 2023 Council meeting

STUDY GOALS

- There are three primary objectives of the study.
  - The first is to clearly identifying the costs borne by stakeholders in the West Coast Trawl IFQ program as they are affected by specific program elements and document industry concerns with those costs.
  - The second is to provide a comparison of those costs to similar programs.
  - The third is to organize and present the information in a way that informs future studies that may consider program element modifications.

WEST COAST STAKEHOLDER INPUT

- A total of 120 emails were sent out to permit and license holders notifying them of the project and providing contact information if they wished to participate in the study.
- A person that held multiple permits was only sent one email.
- An email was sent to each plant location for the first receivers.
  - One large processing firm had all their facility managers provide comments to a company representative who aggregated the comments and provided them to the author.
  - In total, 21 individuals have responded. They represent catcher vessel owners/operators from California (4), Oregon (5), and Washington (5). Some of the vessel operators only fished non-whiting species with trawl or pot gear. Others fished non-whiting and whiting. Whiting catcher vessel operators either delivered shoreside to motherships or both. First receivers, were located in California (2), Oregon (4), and Washington (1).

WEST COAST STAKEHOLDER INPUT

- Achieved its goals of collecting data needed to monitor allocations, reducing bycatch/discards, and accounting for all catch.
- Less successful creating new markets, increasing harvest of available quota, or increasing net revenue in the fisheries.
- Some of the specific concerns expressed were:
  - Observers costs.
  - All catch counts against their QP and must be retained by regulation, except sablefish and lingcod.
  - Cost recovery costs
  - Several other concerns were identified

NORTHEAST SECTOR PROGRAM

- Implemented 2010 and allocates 13 groundfish stocks
- Sector are allocated a limit for each NE multispecies stock
- Estimated catch (landings plus discards) is deducted from the limit
- Program is not subject to cost recovery
- The percentage of quota harvested varies by year, but for the most highly valued species it is well short of 100%.

NORTHEAST SECTOR PROGRAM

- Target monitoring rates.
  - Prior to 2023, achieve 30% coefficient of variation for discard estimates
  - 2023 and forward:
    - 100% of trips for 4 years, if Federal funding supports costs
    - Year 5 and beyond 40%, but allows for increased ASM coverage in year 5 and beyond, when Federal funding is available
- Realized observer coverage rates:
  - From 2010 through 2019 ranged from 14% to 32% and some years did not achieve the 30% coefficient of variation
  - Most years were 100% Federally funded

BC GROUNDFISH IVQ PROGRAM

- Groundfish fishery was integrated into a single catch share program in 2006
- The program assigned catch history to about 140 groundfish licenses and about 40 vessels are currently active.
- Successful in meeting its conservation and management objectives
- 100% at-sea (EM) and 100% shoreside monitoring. All monitoring is currently 100% industry funded.
- Trawl license fees are based on a flat rate plus a fee for each pound of an allocated species assigned to the license
- The program uses groundfish equivalents for calculating ownership and use limits. GFEs were set in 1997 and were based on species prices

ALASKA AFA POLLOCK PROGRAM

- Formed in 1999 and 2000.
- All shoreside catcher vessels are required to have 100% monitoring coverage. Motherships and catcher-processors 200%.
- Pollock quota and Chinook salmon PSC is allocated
- Pollock quotas are harvested at close to 100% of the allocation each year.
- Salmon bycatch is a contentious issue for the fishery

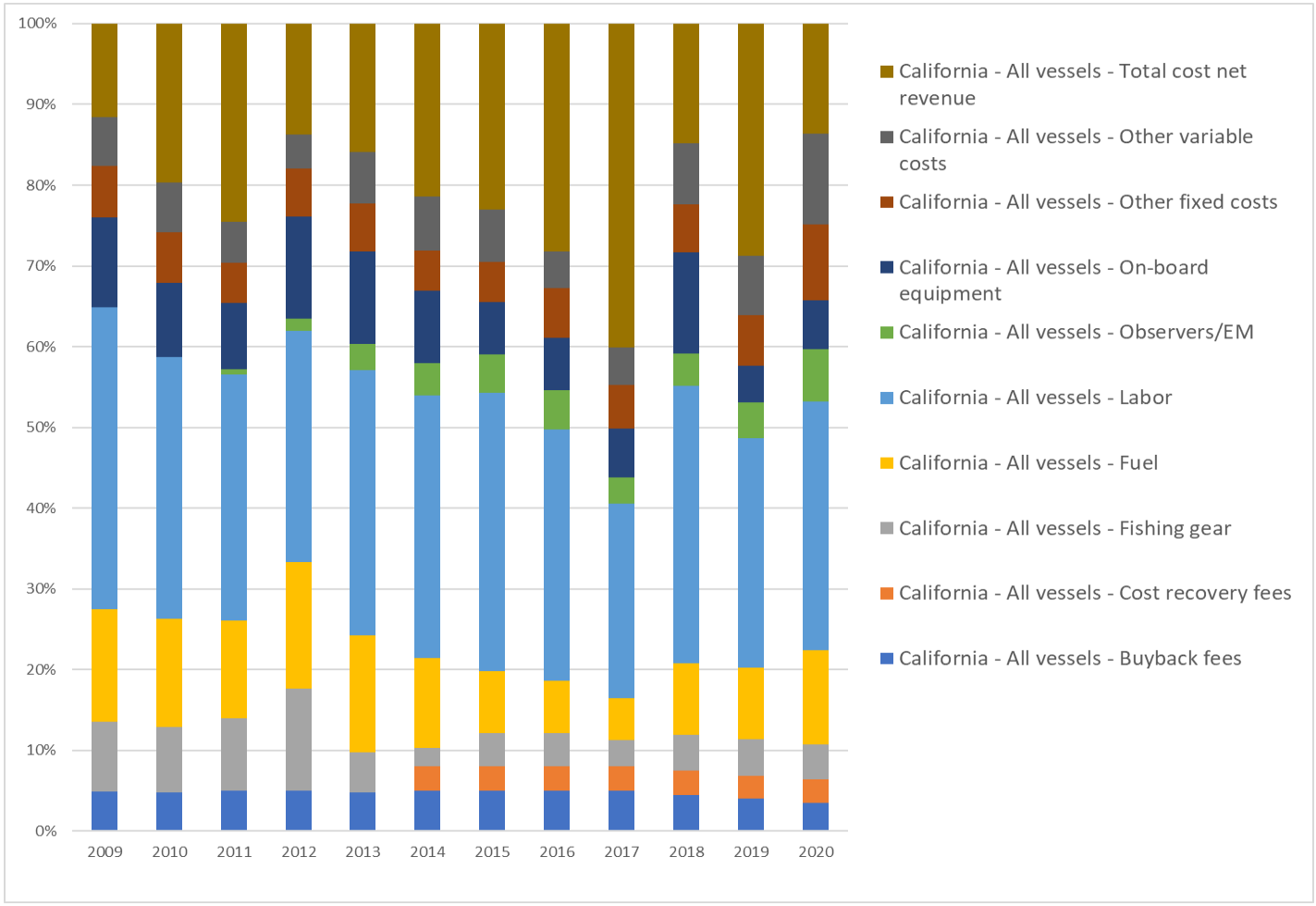
ALASKA CGOA ROCKFISH PROGRAM

- Implemented in 2007
- All catcher vessel deliveries must be made to a processor in Kodiak, AK.
- After the pilot program, the first Rockfish Program expired after 10-years requiring the NPFMC to renew permits.
- Catcher vessels have 100% monitoring coverage. EM is currently not a option in this fishery. Plants have 100% coverage.
- Cost recovery fee percentage from 2018 through 2022 was 2.86%, 3.0%, 3.0%, 2.77%, and 2.53%, respectively.

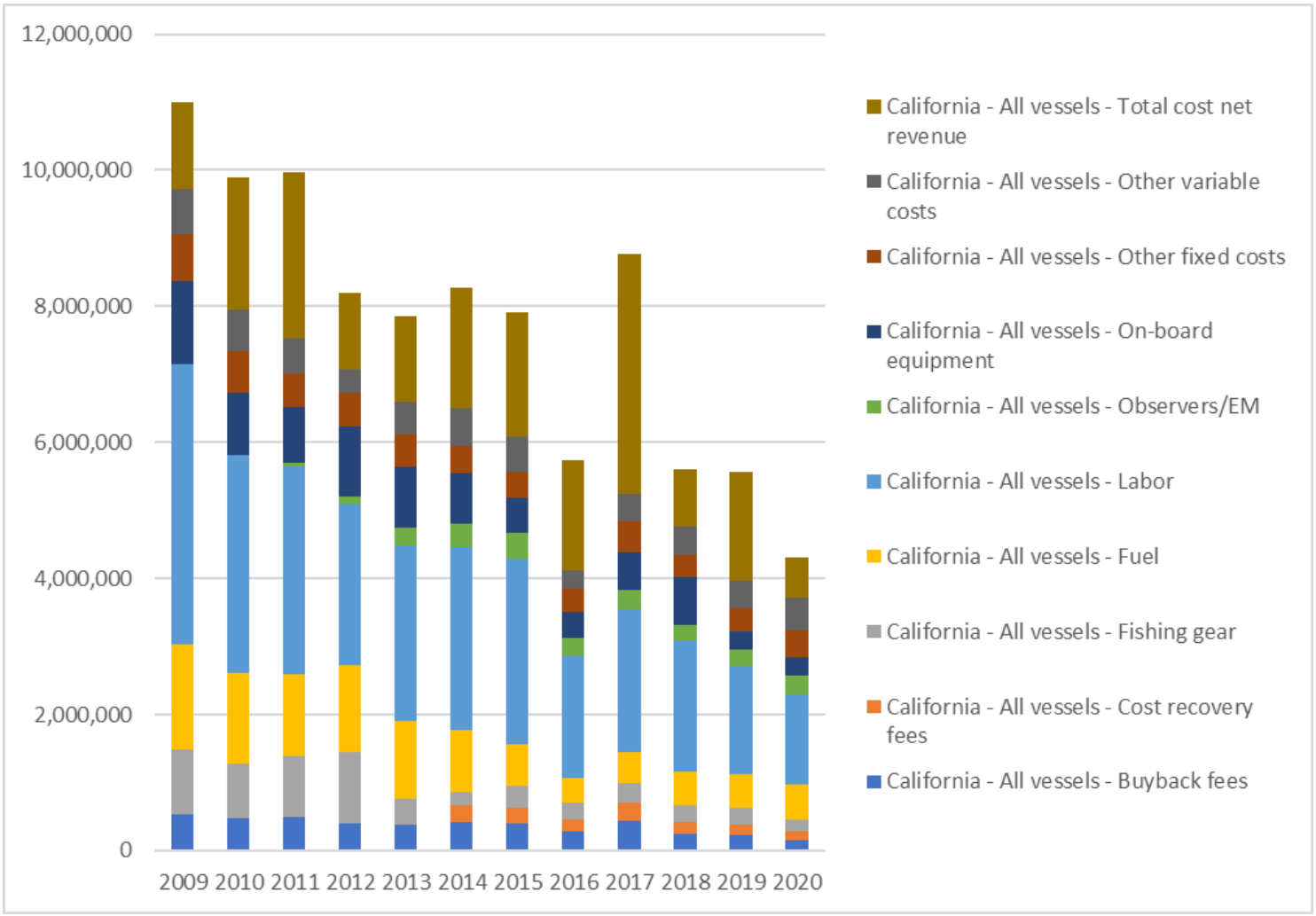
DATA COLLECTIONS: COSTS

- West Coast conducts annual surveys
- NE Sectors: At-sea observers/monitors collect trip cost. Fixed costs collected by voluntary survey
- BC IVQ: Has not had annual cost surveys.
- AFA Pollock: Very limited cost data are available. Fuel costs and Chinook salmon lease costs.
- CGOA Rockfish: Vessels…fuel, fishing gear and labor costs. Shoreside processors… labor, employees by month, and water and electric usage.
- NPFMC is considering revising all economic data collections.

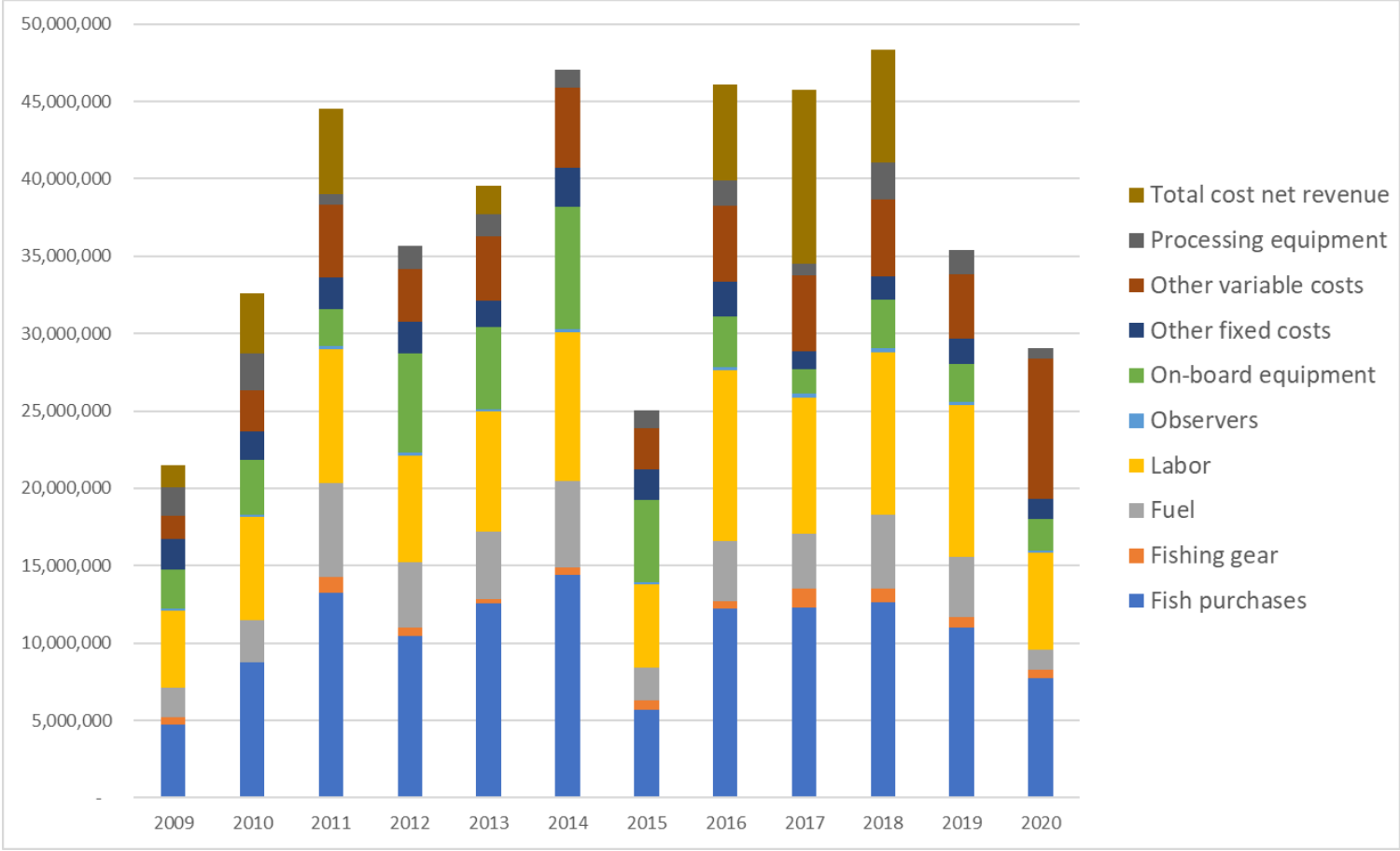
COSTS IN %: CALIFORNIA CATCHER VESSELS



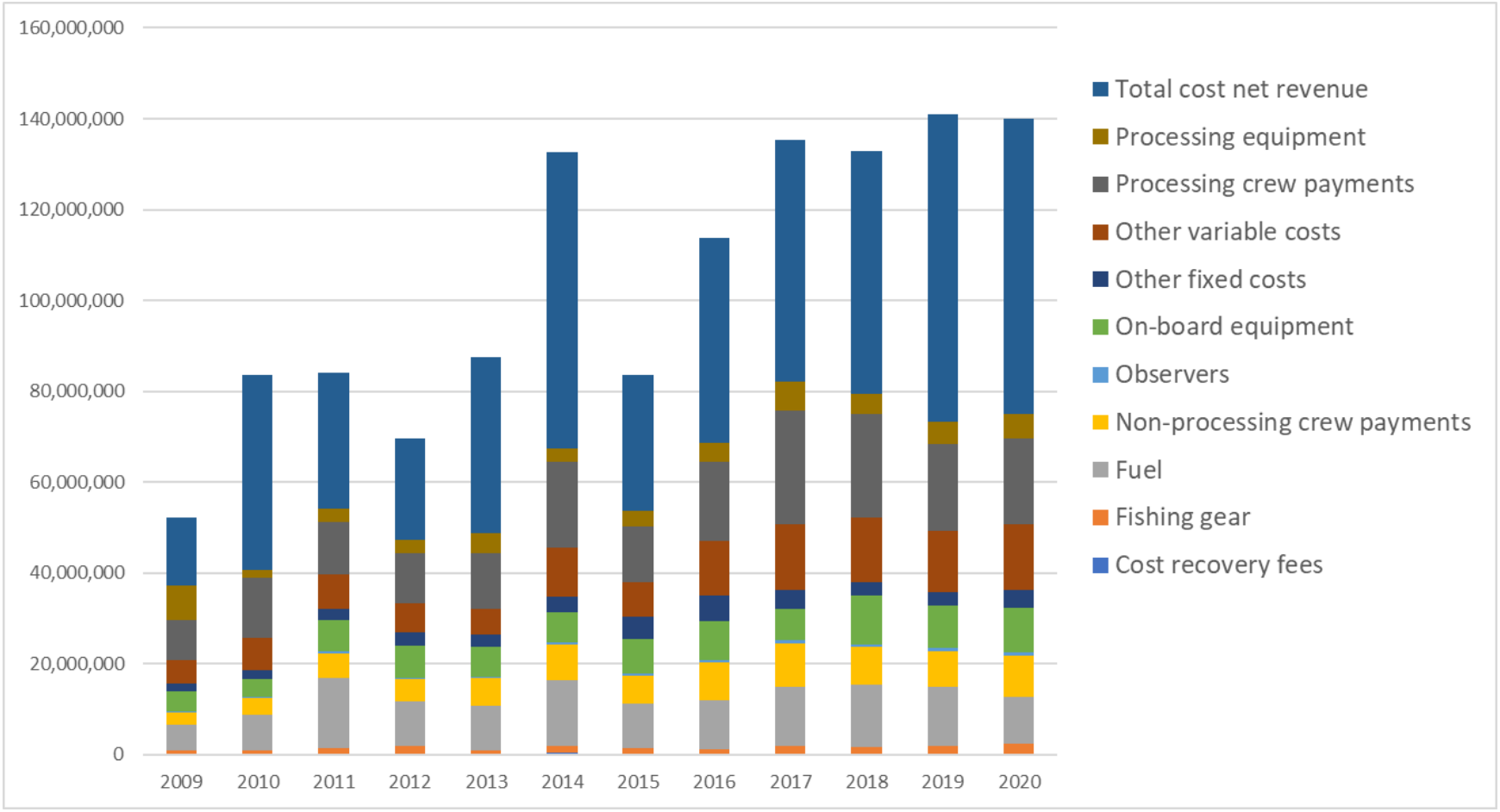
COSTS IN $: CALIFORNIA CATCHER VESSELS



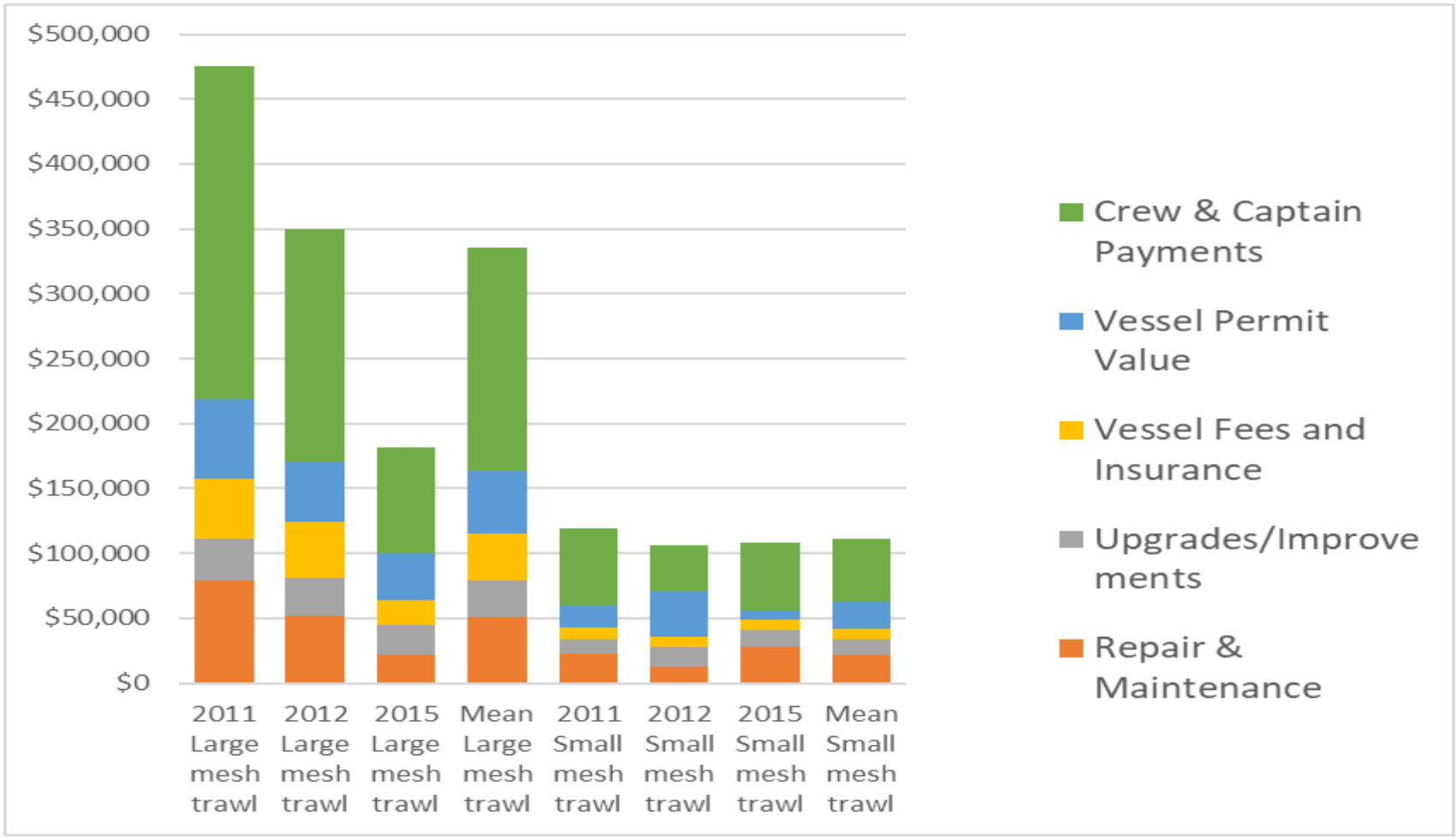
$ COSTS: MOTHERSHIPS



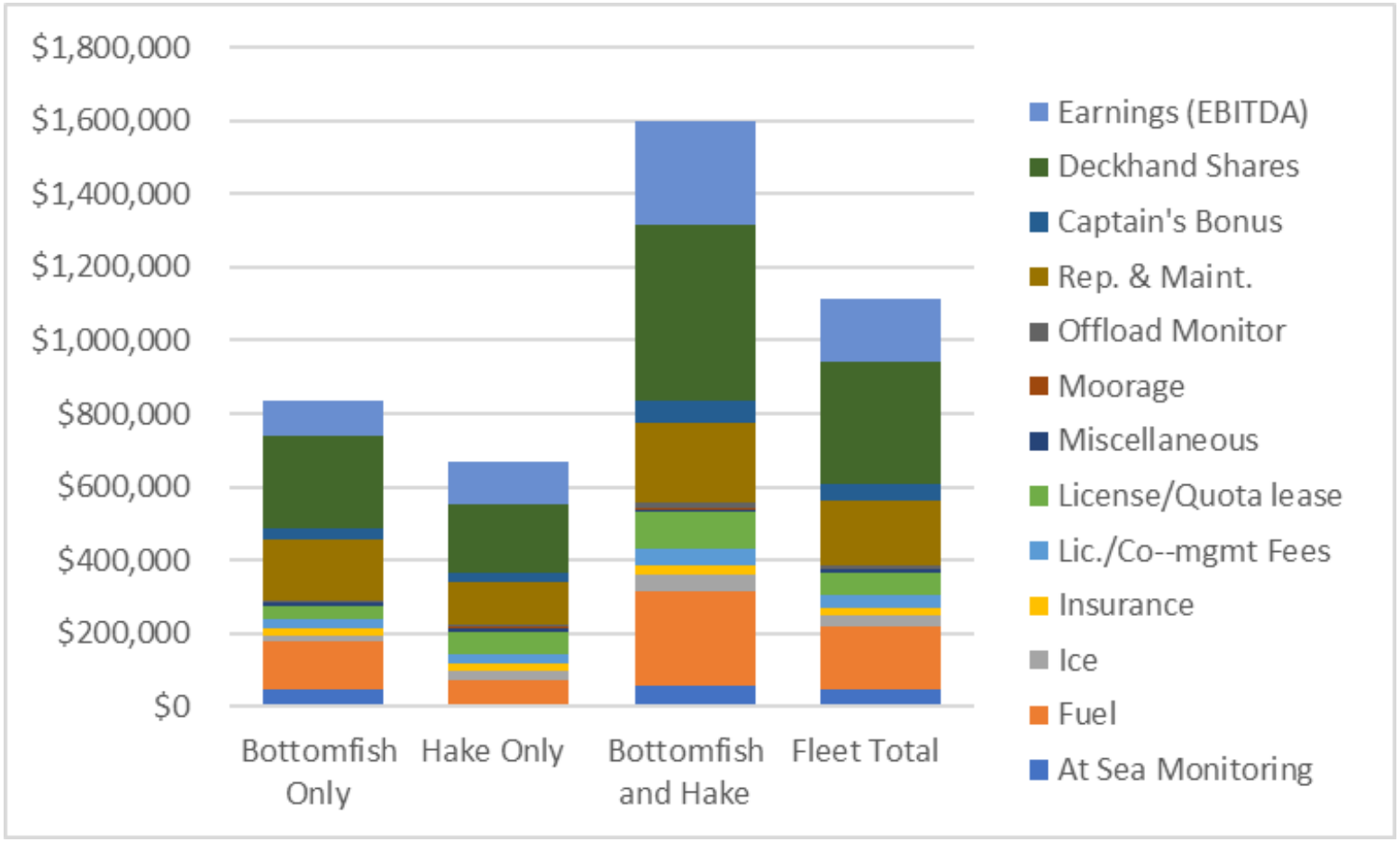
$ COSTS: CATCHER-PROCESSORS



MEAN FIXED AND LABOR COSTS: NE SECTORS



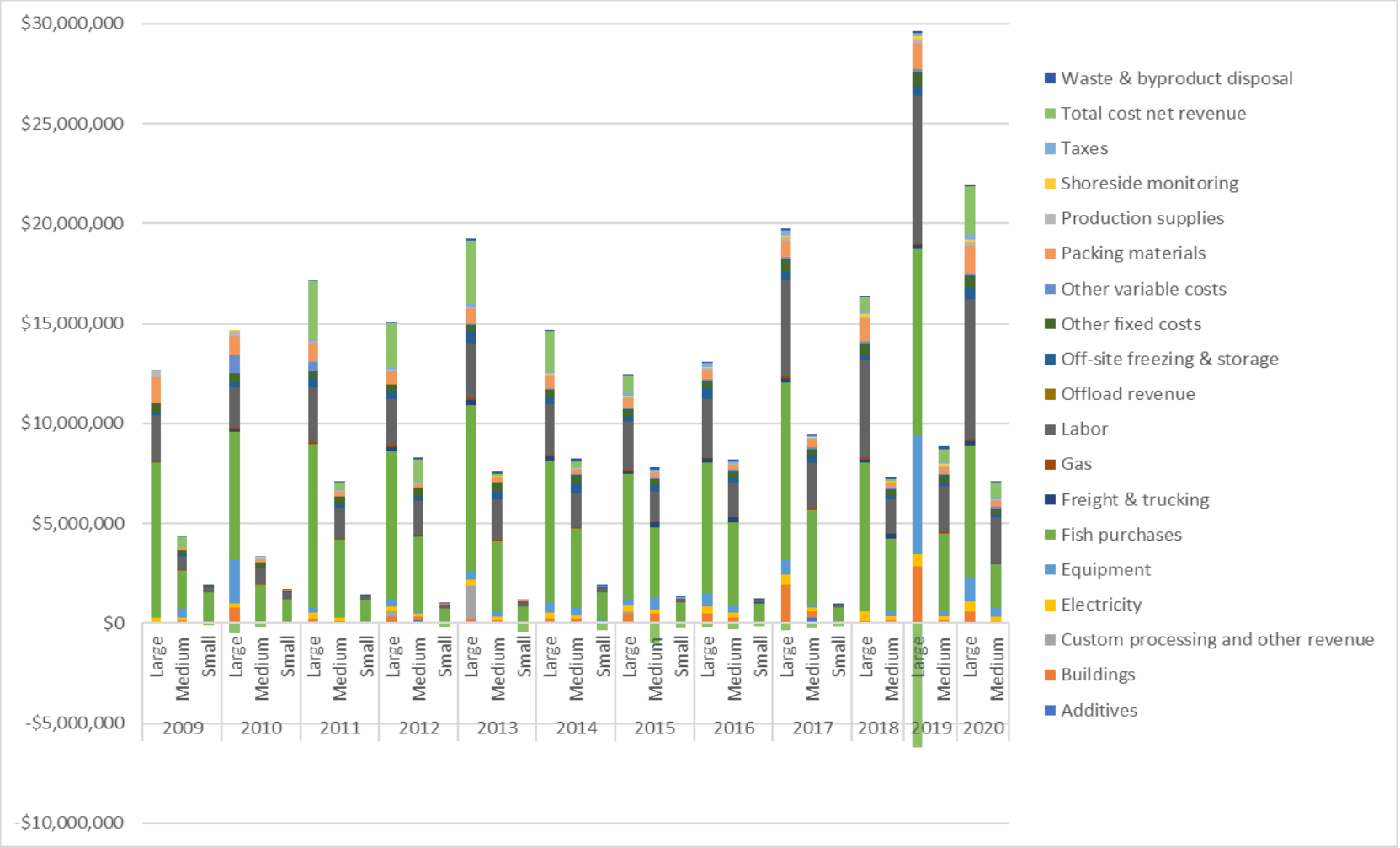
MEAN COST: BC IVQ DATA 2009



VESSELS COST SUMMARY TABLE WC CATCH SHARE FISHERIES (2014-2019), BC 2009

	2014-2019				2009
Item	WC CV	WC MS	WC CP	NE	BC
Net Revenue (Total Cost)	27.4%	10.0%	42.5%	Cannot calculate with available information	15.2%
Variable Costs	55.0%	70.7%	42.6%		67.9%
Lic./mgmt Fees/cost recovery	2.7%	n/a	0.1%		2.9%
Observers/EM	2.7%	0.5%	0.5%		5.1%
Buyback Fees	4.8%	n/a	n/a		
Labor	29.9%	22.3%	22.0%		34.1%
Fish Purchases	n/a	27.5%	n/a		
Fuel	10.4%	9.6%	10.1%		15.6%
Other Variable Costs	4.5%	10.8%	9.9%		10.2%
Fixed Costs	17.6%	19.3%	14.9%		16.9%
Fishing Gear	3.0%	1.8%	1.3%		
Processing Equipment	n/a	3.5%	3.6%		
Onboard Equipment	9.3%	9.5%	6.7%		
Other Fixed Costs	5.3%	4.4%	3.3%		

$ COSTS MEAN: SS PROCESSORS



WC SS PROCESSORS COST SUMMARY TABLE GROUNDFISH PRODUCTION (2014-2019)

Item	Small	Medium	Large	All
Total cost net revenue	-19.06%	-0.76%	-3.17%	-2.87%
Additives	0.06%	0.73%	0.56%	0.60%
Buildings	4.42%	3.14%	5.52%	4.73%
Custom processing and other revenue	0.00%	0.00%	0.14%	0.09%
Electricity	1.98%	2.61%	2.69%	2.65%
Equipment	1.12%	4.11%	8.21%	6.70%
Fish purchases	90.44%	49.19%	45.78%	48.18%
Freight & trucking	0.47%	1.79%	1.22%	1.38%
Gas	0.11%	0.45%	0.49%	0.47%
Labor	14.62%	23.23%	25.10%	24.19%
Offload revenue	0.00%	0.00%	0.04%	0.03%
Off-site freezing & storage	0.38%	3.56%	2.34%	2.67%
Other fixed costs	1.91%	4.29%	2.97%	3.36%
Other variable costs	0.79%	0.58%	0.54%	0.56%
Packing materials	0.93%	3.82%	4.90%	4.44%
Production supplies	0.40%	0.67%	0.66%	0.65%
Shoreside monitoring	0.61%	0.50%	0.59%	0.56%
Taxes	0.37%	0.57%	1.08%	0.90%
Waste & byproduct disposal	0.45%	1.51%	0.34%	0.72%

POTENTIAL CATCH SHARE COST SAVINGS

- Chapter 5 is under development and provided two examples of the type of information that is being developed. Below are the headings from a proposed table structure that is being developed.

Program Element	Possible opportunity for cost savings	Description	Purpose of Program Element	Comparisons to other programs	Industry Costs	Agency Costs

WORK TO DO

- Availability of data from recent surveys if available (FISHEyE 2021, NE, and BC)?
- Updated information from NE trip cost data model specific to trawl vessels?
- Add stakeholder feedback to the extent more input is provided
- Complete section of potential cost savings
- Update document to finalize sections and add more summary information
- Develop executive summary and conclusions

STAKEHOLDER INPUT

- New fresh fish markets have not developed.
- Leasing of fish creates an expense that cannot be fully recovered.
- Access to larger fish has been reduced because of localized depletion.
- Prohibit the use of crucifiers on hook & line vessels.

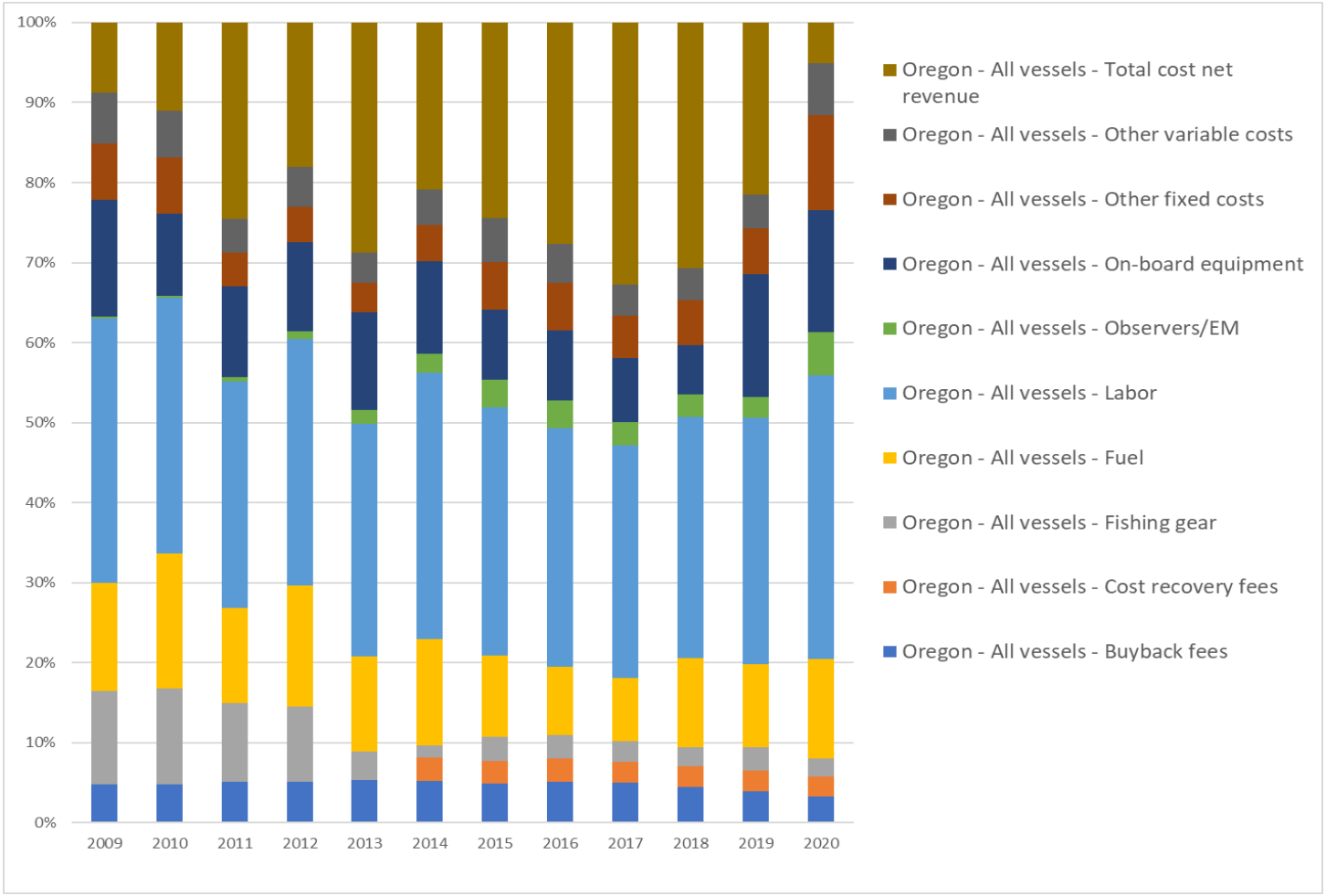
STAKEHOLDER INPUT

- Program removed willingness to invest in trawling in some regions because of low (negative) returns in investments.
- Captains would rather fish pink shrimp and whiting because they do not have to deal with as many bycatch/regulatory issues.
- Consider alternatives to allow higher quality product to be delivered.

STAKEHOLDER INPUT

- Consider more flexible quota limits
- Remove stripetail rockfish from the shelf rockfish group
- Develop EM options for shoreplants
- Continue developing EM for whiting and develop EM for non-whiting fisheries
- Streamline activities with recoverable costs to what is necessary

% COSTS: OREGON CATCHER VESSELS



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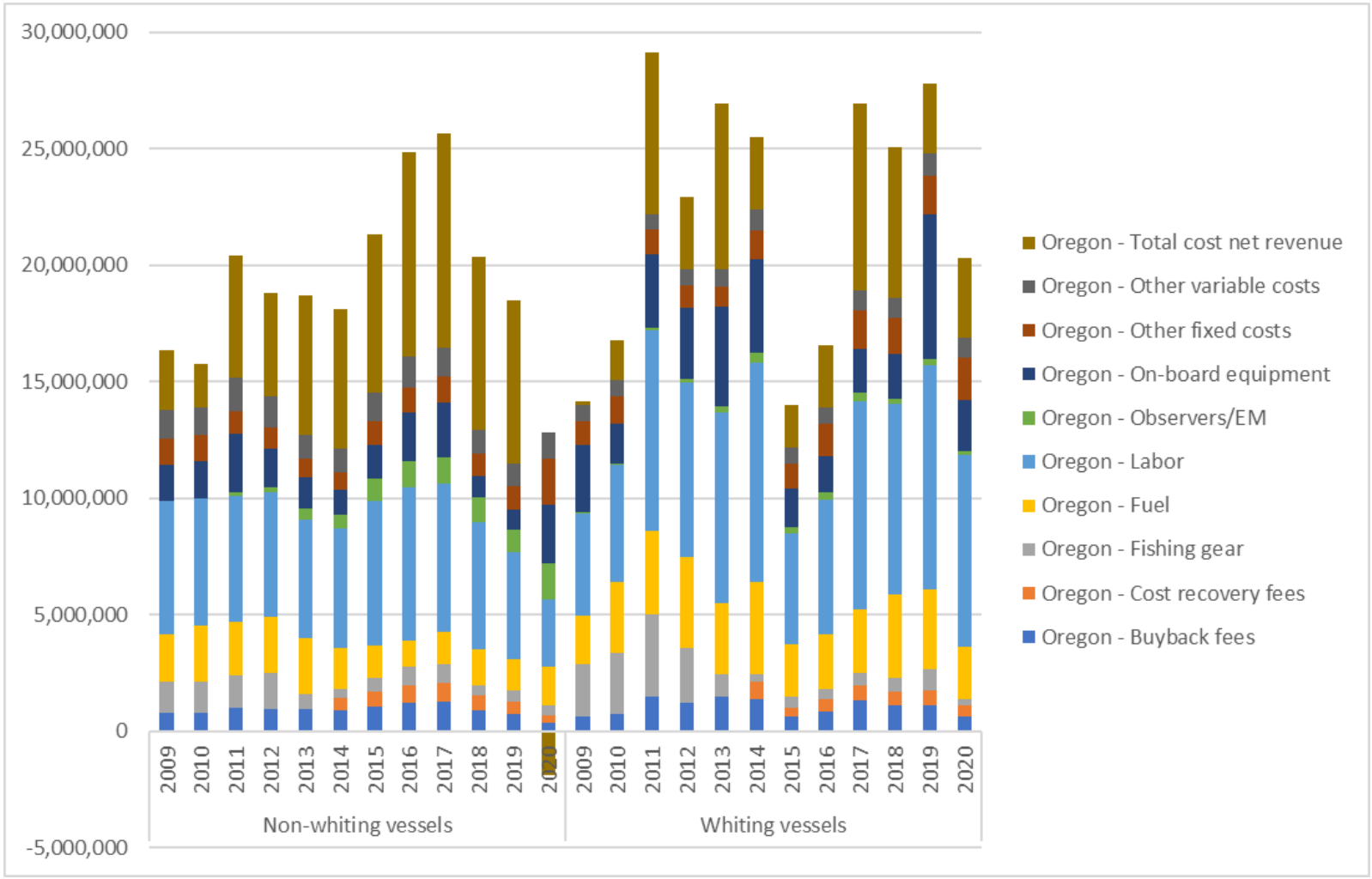
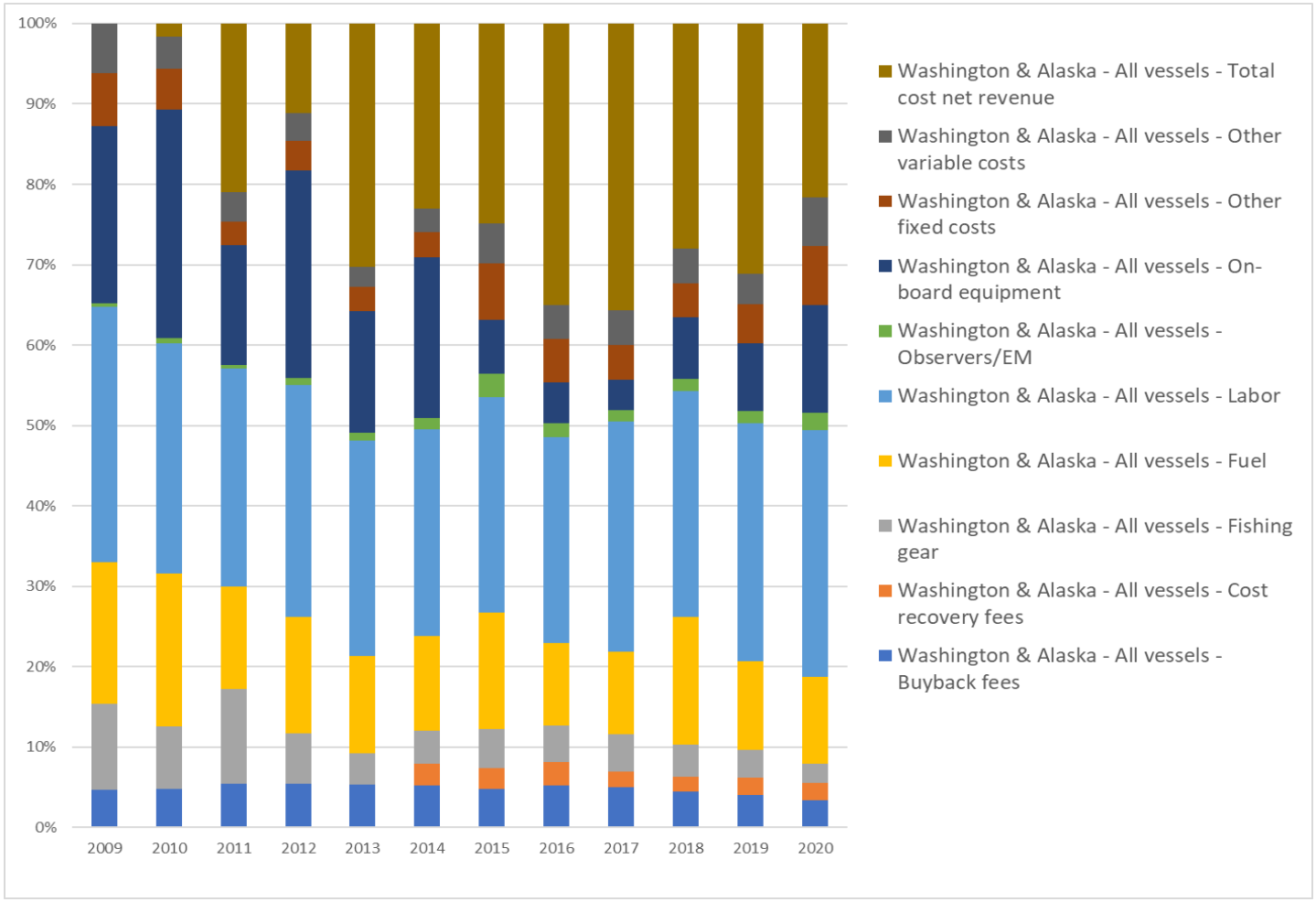


% COSTS: WASHINGTON & AK CATCHER VESSELS



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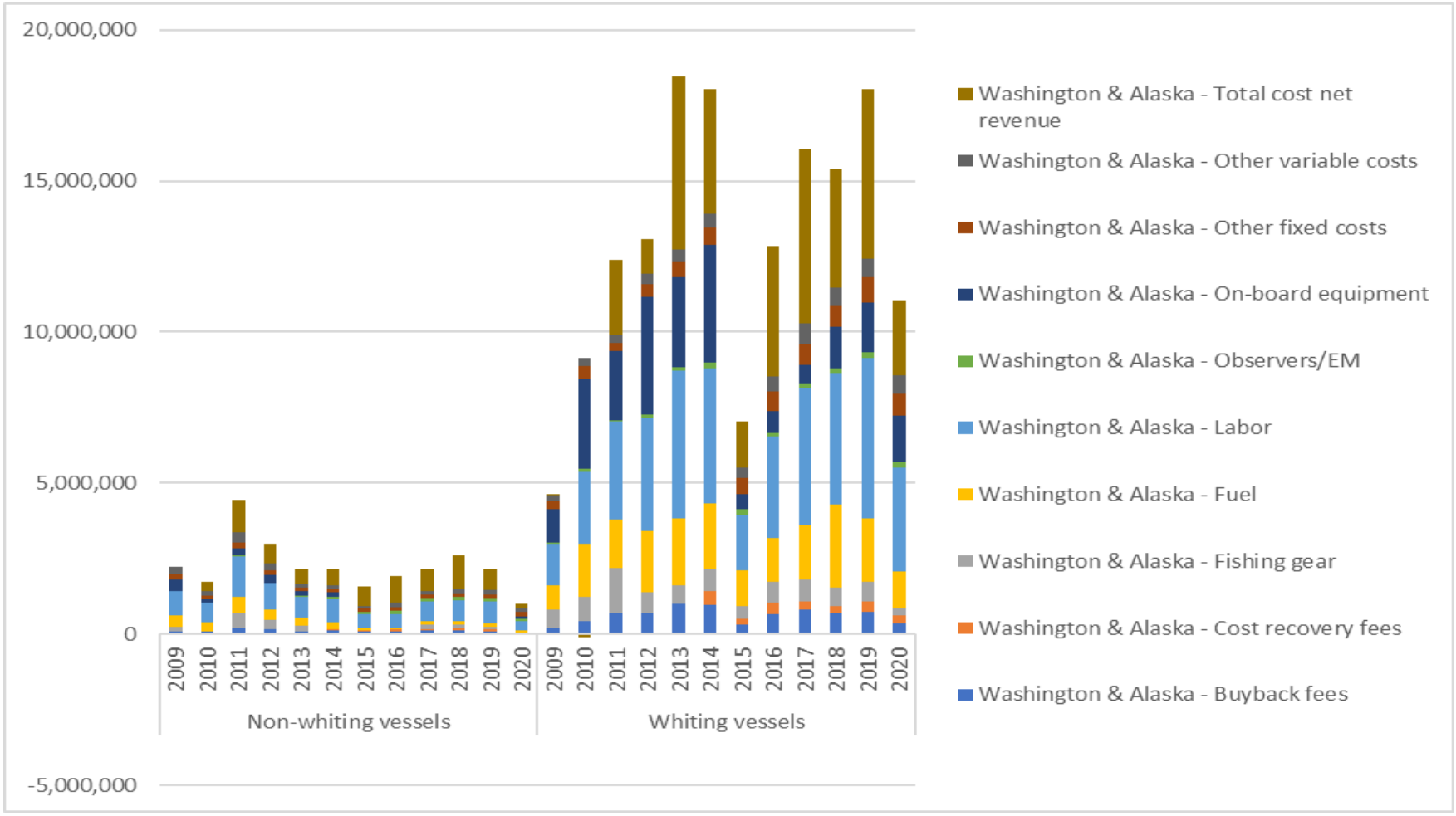

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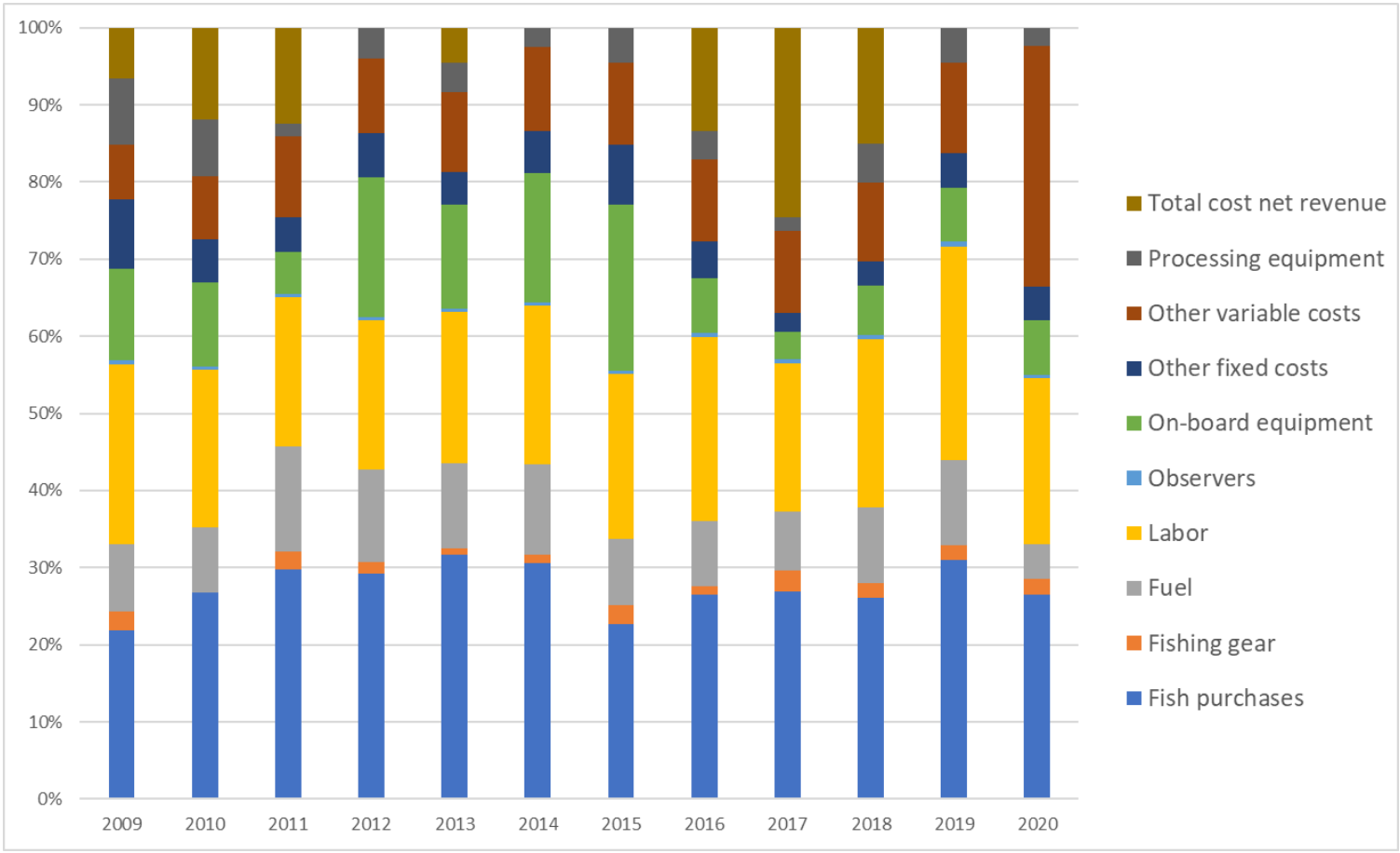

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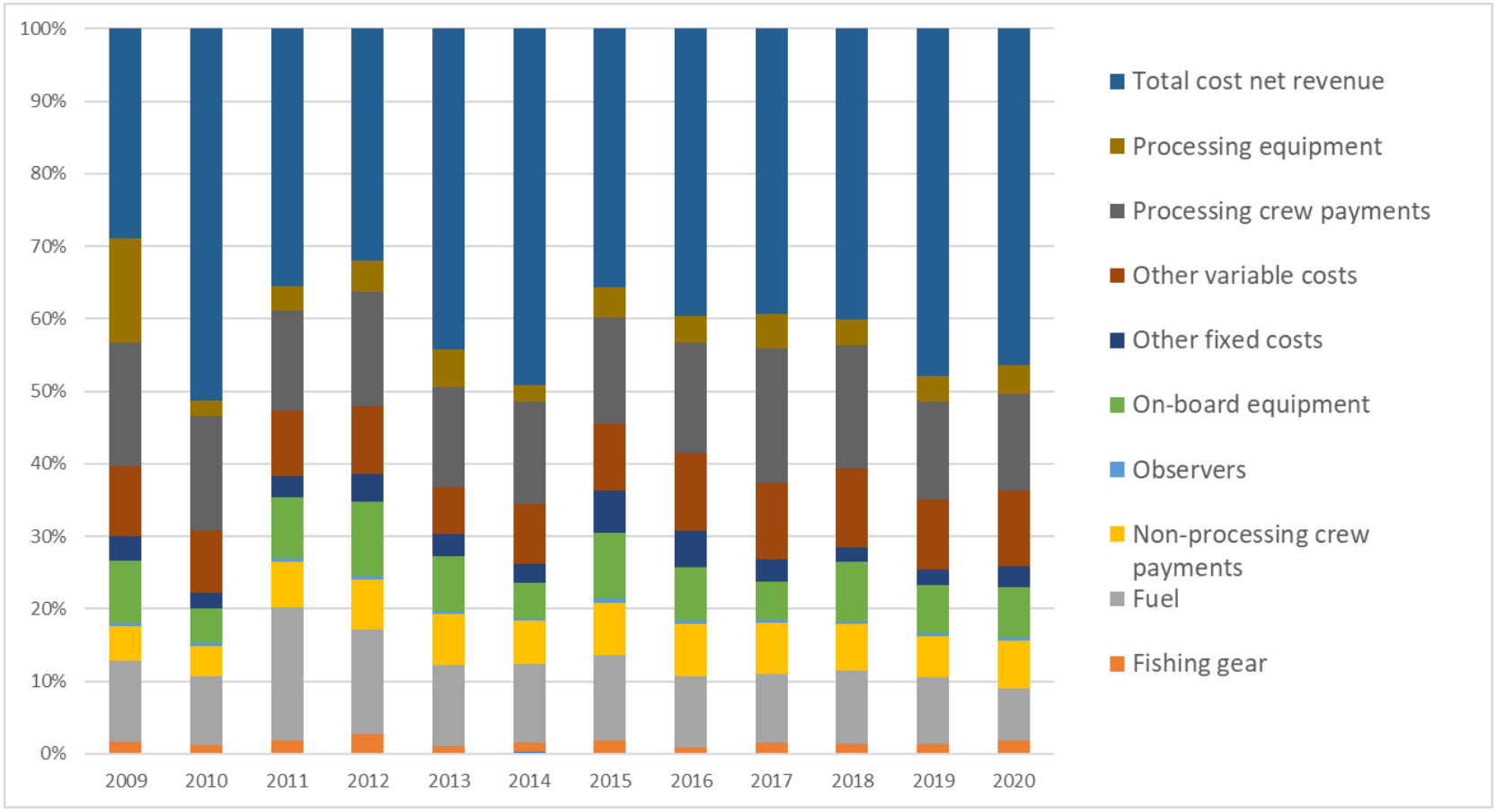
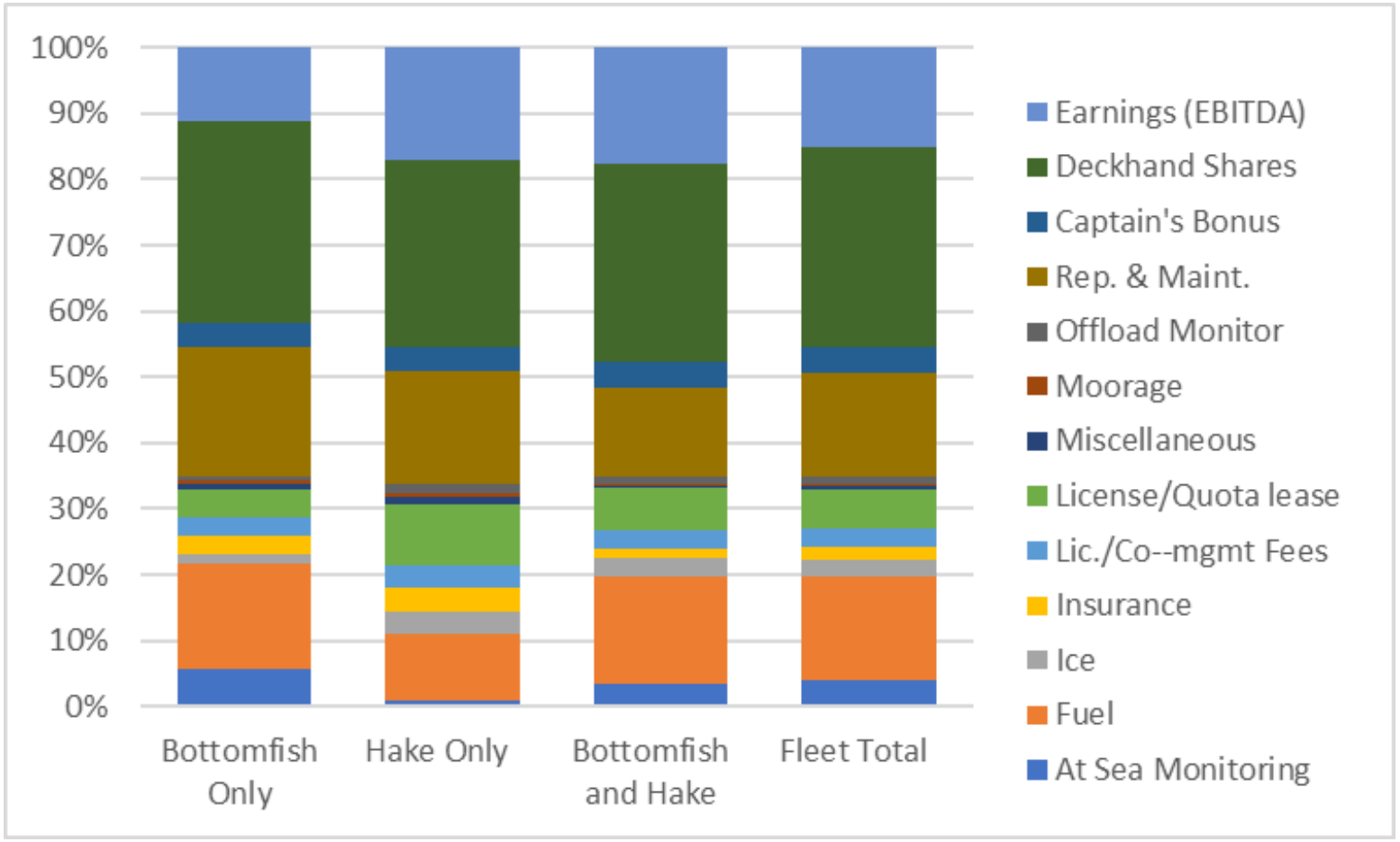
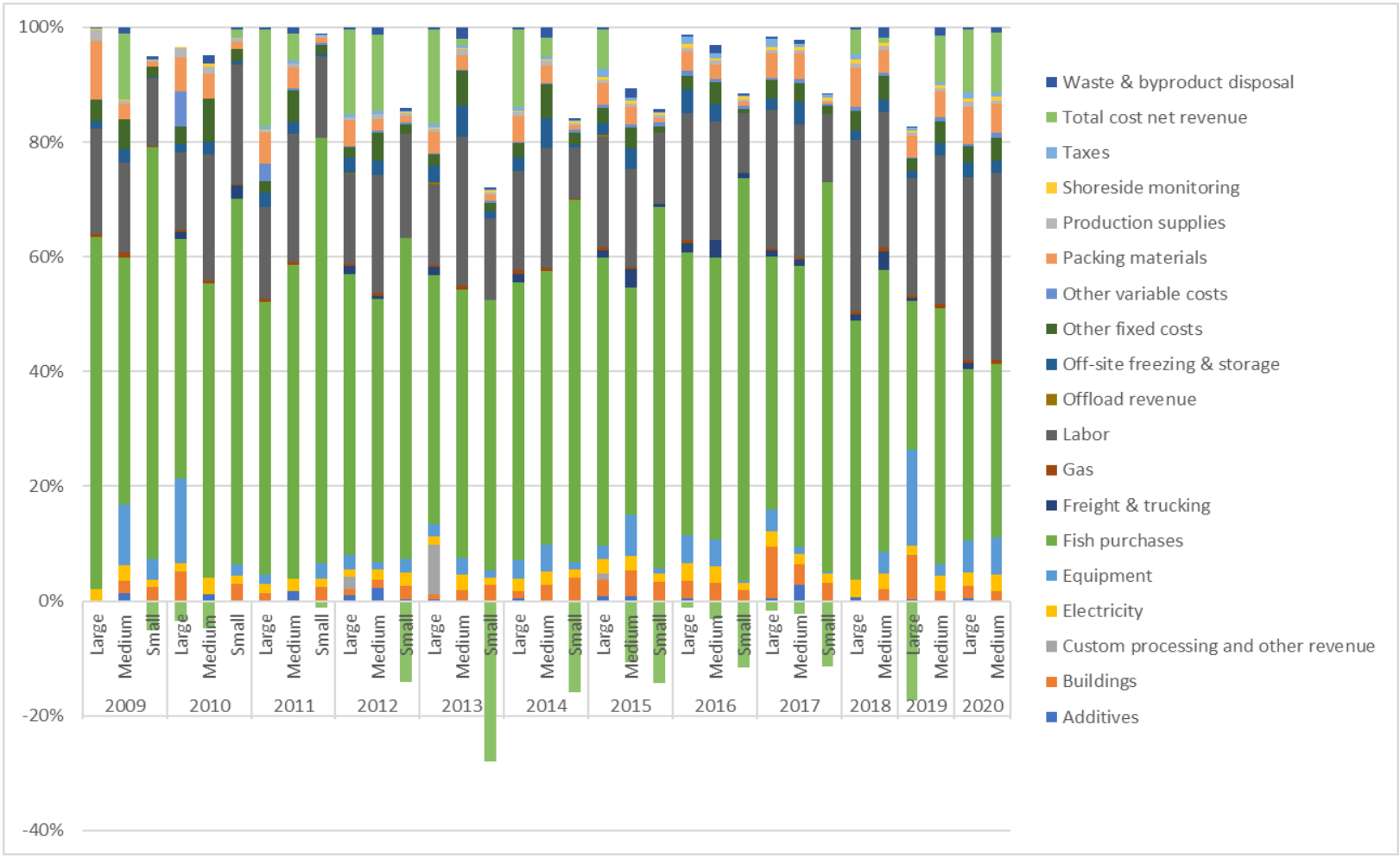


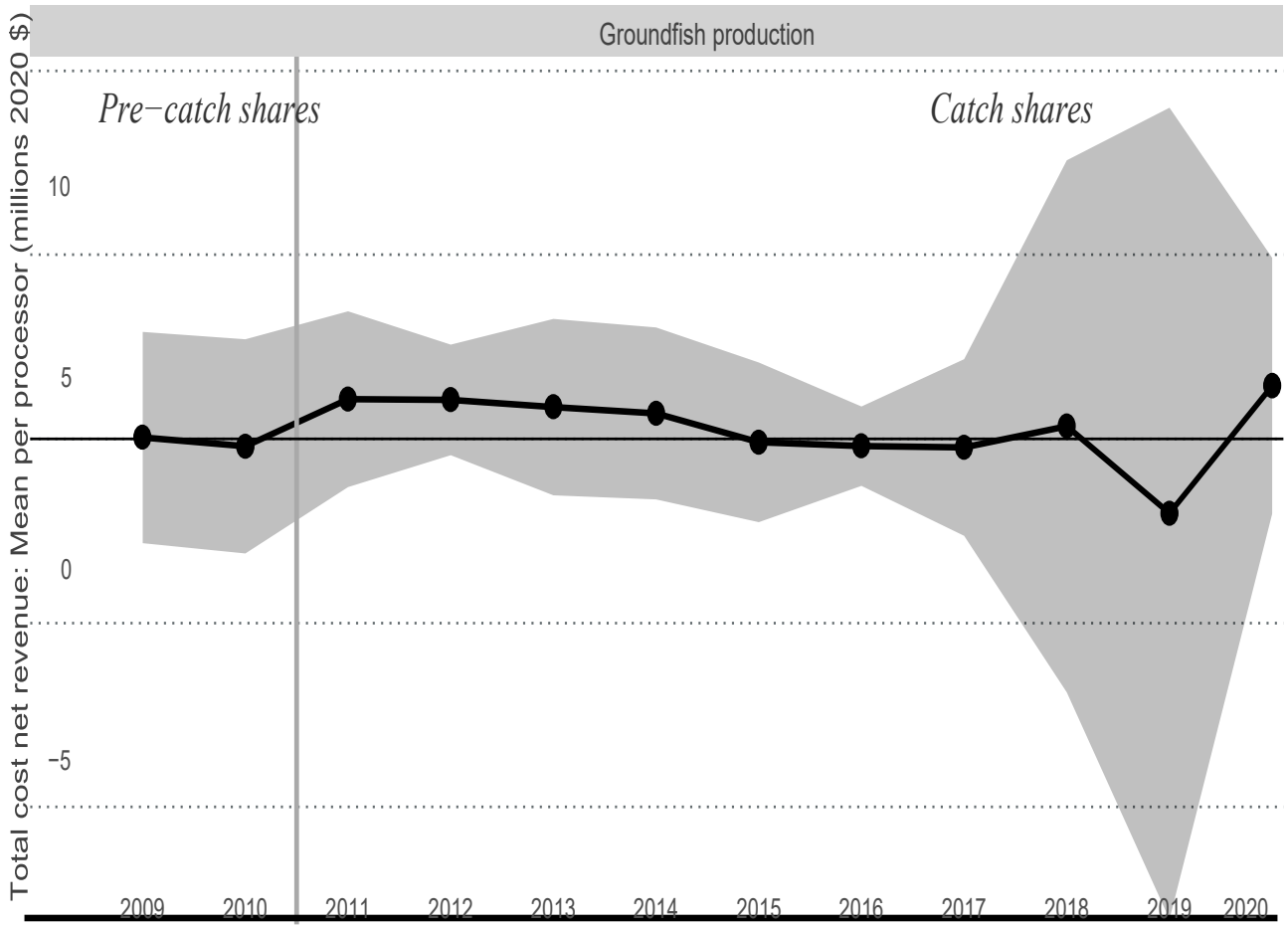
% COST: BC IVQ DATA 2009



% COSTS : MEAN PER SS PROCESSOR



TOTAL NET REVENUE GROUNDFISH: SS PROCESSORS



NET REVENUE VARIABLE COST: NE SECTORS

- Estimating total cost net revenue for any year is not possible using NE sector data. The figure below is taken from the 5-year review and shows net revenue less variable costs. The variable cost net revenue estimate does not indicate if vessels would be viable in the long-run.