

# Scientific and Statistical Committee Economics Subcommittee Report on “An Initial Review Draft of a Comparative Cost Study for the West Coast Groundfish Trawl Catch Share Program”

Pacific Fishery Management Council  
Online Meeting

May 11, 2023

The Scientific and Statistical Committee’s (SSC) Economics Subcommittee met via webinar on May 11, 2023 to review “An Initial Review Draft of a Comparative Cost Study for the West Coast Groundfish Trawl Catch Share Program.” Darrell Brannan of Brannan & Associates, LLC gave a presentation describing the contents of the report and progress on this project thus far. This report summarizes the SSC Economics Subcommittee’s comments on the report and presentation. Mr. Brennan will continue to develop the report and will present a final version at the September 2023 Council meeting. The full SSC will review the final version of the report at its meeting in September 2023.

## **Main Recommendations**

*1. The report should focus more on program administration costs and operating costs that are influenced by program design.*

Section 4 provides details of the fixed and variable operating costs of industry participants. These are summaries of publicly available data and reports from the Northwest Fisheries Science Center’s FISHEyeE tool for analyzing data from the Economic Data Collection Program. Assessments of total costs and net revenue are a large undertaking. Many factors contribute to these outcomes and if this is a concern it may be better addressed in a catch share program 5-year review or other dedicated analysis.

It would be beneficial for the report to focus more on detailed tabulation and analysis of cost related to program administration, monitoring, and cost recovery fees. Mr. Brannan indicated that Section 5 of the report will identify program elements that have potential opportunities for cost savings. The Subcommittee recommends that the results of the analysis in Section 5 guide the content in Section 4. That is, the program costs with the most potential for savings should be tabulated and analyzed in detail.

Further, the text of the report does not clearly state the objectives of the study. The [situation summary for Agenda Item G.3.](#) at the April 2023 Pacific Fishery Management Council (PFMC) meeting states that

*“The cost project covers three broad objectives:*

- *documentation of industry concerns and identifying costs related to specific program elements;*
- *comparison of those costs to similar catch share programs, and*
- *organization and presentation of the information to inform future deliberations.”*

However, the section 1.0 of the report is less clear and states (p. 4):

*Primary concerns are the costs of some elements of the program and lower than anticipated increases in gross and Northeast [meant to be “net”] revenue. How those costs directly impact the benefits realized by the permit holders, vessel operators, first receivers and processors, and other stakeholders are addressed in this paper. Changes in revenue realized are also considered.*

Aligning the objectives of the report more closely with the Council’s stated objectives, clearly stating these objectives early on in the report, and describing more specifically which costs are the focus of study would help orient readers and focus the remainder of the report.

*2. The number of fisheries that can be used for comparison is larger than the number currently included.*

The report currently includes five fisheries for comparison to the west coast groundfish trawl catch share program. The report does not compare costs across fisheries. However, comparing a limited set of costs related to program administration, monitoring, and cost recovery fees may be possible.

The report does not specify the criteria used to select other fisheries for comparison. Mr. Brannan indicated during the meeting that these were chosen in consultation with the Council and industry representatives and were intended to be the set of fisheries most similar in terms of gear and operating characteristics. However, a wider set of fisheries could be used to compare program administration, monitoring, and cost recovery. These fisheries need not employ similar production technology (trawl gear, for example) for those costs to be compared.

*3. The industry feedback information could be utilized in a more focused and less conclusive way.*

The sample size (21 respondents from across all harvest sectors and processors) is too small to draw conclusions. This input from a small group of stakeholders can be a useful way to identify potential issues for further investigation, but the information is anecdotal and may not be representative. Statements in section 3.4 and 6.0 draw overly strong conclusions based on the very small subset of industry participants that provided input.

The outreach to industry was open-ended and not structured to elicit the information needed to inform an analysis of program administration, monitoring, and cost recovery fees. Mr. Brannan indicated concerns with Paperwork Reduction Act rules about data collection limited his ability to undertake a more structured approach.

Some of the industry concerns documented in Section 3.0 do not seem to be related to specific program elements, but rather broader concerns about economic conditions not addressable by fisheries management. For example, the report discusses in some detail comments regarding port infrastructure issues, tariffs and geopolitical uncertainties, United States Department of Agriculture (USDA) purchases of fish, labor shortages, and wastewater permits. These are important issues for industry, but are not relevant to the immediate issue of identifying and comparing program costs and may not be related to the catch share program generally.

#### *4. Some analysis of the distributional effects of fees may be of interest.*

For example, the Pacific Coast Groundfish Buyback Program permanently removed 91 vessels and 239 permits and generated economic benefits for fishery participants that remained in the fishery, including larger shares of quota allocated under the Individual Fishing Quota (IFQ). However, because buyback fees are assessed as an ongoing landings fee collected by first receivers, those paying the fees may be different from the primary beneficiaries of the buyback, quota owners (see Holland et al., 2017 “Can vessel buybacks pay off: An evaluation of an industry funded fishing vessel buyback” <https://www.sciencedirect.com/science/article/pii/S0308597X16305711>, and Steiner et al., 2022 “Quota Share Owner Survey: Initial Results and Analysis” <https://repository.library.noaa.gov/view/noaa/34365>). Cost recovery fees for the Pacific Groundfish Catch Share system are collected in a similar manner, and observer costs are paid by vessels. While there may be good reasons for structuring cost collections mechanisms in this way, they may have unintended distributional impacts that should at least be evaluated.

#### **Other Comments**

There is a find and replace error throughout the document such that “net revenue” is written as “Northeast revenue”.

Section 4.1.1: it would be helpful to use consistent color schemes and ordering in the column charts showing costs and net revenue (e.g., always put Net Revenue on top).

Figure 4-2. It is not clear why results are selectively presented for two regions.

Table 8-27 shows that license fees (e.g., cost recovery) are about 2.9-3.5% of gross revenue in the British Columbia (BC) groundfish IFQ. It would be useful to state this explicitly in the comparison of costs given that this is a significant industry concern. It should also be possible to make comparisons of this cost for other US catch share fisheries. Similarly, a comparison of monitoring costs as percentage of gross revenue should be possible.

The table comparing costs and net revenue as percent of gross revenue for West Coast and BC that was shown in the presentation (slide 19) does not appear in the report, but would be very useful to include in the main body of the report.

## **Appendix 1**

### **SSC Economics Subcommittee Members Present**

Dr. Chris Free, University of California Santa Barbara, Santa Barbara, CA

Dr. Michael Hinton, San Diego, CA

Dr. Dan Holland (SSC Chair), National Marine Fisheries Service Northwest Fisheries Science Center, Seattle, WA

Dr. André Punt, University of Washington, Seattle, WA

Dr. Matthew Reimer, University of California Davis, Davis, CA

Dr. Cameron Speir (SSC Economics Subcommittee Chair), National Marine Fisheries Service Southwest Fisheries Science Center, Santa Cruz, CA