

GROUND FISH ADVISORY SUBPANEL REPORT ON COST RECOVERY UPDATE

The Groundfish Advisory Subpanel (GAP) heard a report from Mr. Frank Lockhart on the agency's recent cost recovery discussions resulting from a Council request in April 2017 that National Marine Fisheries Service (NMFS) discuss ways to address transparency concerns with the annual cost recovery report.

While the GAP appreciated the Council's request in April, we find the resulting NMFS report disappointing for its lack of new information to address transparency. For NMFS to basically say that they provide more information more often than other regions does nothing to alleviate the true concerns that the industry has over how incremental costs are identified and tracked. For NMFS to suggest that there is nothing more that can be done does not sit well with the GAP or the industry. Further, the GAP is alarmed to learn that more of the industry's money is being spent on studying the trawl individual fishing quota (IFQ) program than actually managing and implementing it.

The GAP has shared their multiple concerns regarding the cost recovery process several times over recent years and for the record, all the comments are referenced here:

- GAP Statement April 2017
- GAP Statement April 2016
- GAP Statement April 2015
- GAP Statement April 2014
- GAP Statement November 2012
- GAP Statement September 2012

Unfortunately, NMFS has chosen to ignore almost all of the industry's requests and does not address them in their report, including the GAP's multiple requests for a third-party audit of the cost recovery program. As troubling is the agency's apparent disregard for the court findings in the Glacier Fish vs. Pritzker case outlined in our April statement. It would appear they have not adjusted their practices to meet the deficiencies and misreporting identified by the court. Not surprisingly, NMFS is currently facing another court challenge over cost recovery in the North Pacific.

The trawl catch share program is struggling for a variety of reasons, including the inability of NMFS to complete and implement rulemakings in a timely manner. When regulatory processes drag on indefinitely and the Council's actions are not implemented, it costs the agency even more to manage the fishery. At the same time, when the improvements to the program are not implemented due to endless delays at NMFS, it results in an inefficient and less economically successful fleet. That's a bad combination, and the situation is unsustainable. The costs for participating in this fishery are high with a current 3 percent cost recovery fee in the shoreside fishery (and the indication that the percentage will never be decreased), the cost of 100 percent monitoring, and the Buyback loan payments of 5 percent of the ex-vessel value in addition to other costs. The industry wants to ensure that their hard-earned income is being spent properly and they currently have no confidence that costs are being accounted for in a way that meets the requirements of the law.

Because of the lack of transparency, the GAP is unable to determine if the costs that NMFS says are incremental truly are costs that the industry should be paying. For example, several of the actions NMFS deems recoverable are actually things that are required by statute – is it really industry’s responsibility to pay for those things? The 5-year review is a good example. The review is required by the Magnuson Act, and the components of the review including the annual Economic Data Collection’s and associated analysis, academic papers, and meetings – are these all things that NMFS deems recoverable? When 12 NMFS employees attend a Community Advisory Board Meeting – are they all charging their time to cost recovery? Is it really necessary for them all to be there? How about the cost recovery training that the agency has recently undergone? Who pays for that? The IFQ fishery was included in the Office of Law Enforcement presentation video – will a portion of the video production costs be charged to cost recovery? The GAP believes that not all incremental costs really are costs that are or should be recoverable. Further, why should the industry pay for programmatic elements that we have not requested or are not essential to the program?

When the GAP asks for information on cost savings we hit a brick wall. Every time. NMFS claims they are unable to calculate the savings because they have no baseline of what it cost to previously manage the program (which is incredible to comprehend). They go as far as to say *“In actuality, the catch share program simplified management in terms of making it the fishermen’s responsibility to manage their catch. However, the corresponding rules, regulations, and infrastructure to implement and administer the program has resulted in an increased burden for NMFS.”* The elimination of the in-season trawl management process alone has to have resulted in a huge savings to NMFS and to the process. Instead we hear the program is a burden.

And while the industry struggles because rulemakings are not being completed and implemented in a timely manner, we see that most of the money collected for cost recovery is actually going towards studying the program rather than managing and improving it. Of the West Coast Region cost of \$809,045:

- \$400,000 went to the Northwest Fishery Science Center for database management of the vessel account system
- \$152,214 went to Pacific States Marine Fisheries Commission to administer the CM program
- \$265,831 went to program implementation/management/rulemaking¹.

Contrast the \$265,831 that went to program implementation/management/rulemaking with the \$1,199,580 that went into studying the program, and that means only about 1/5th (22%) of the amount of money went into implementing and improving the program as did to scientific studies of the program. That is unacceptable given the backlog of regulations. If we are going to pay for the program costs, we should have more say in where that money is best used – and the writing and implementation of new regulations to help the fishery would be much more beneficial than five times that amount spent on studying the fishery.

¹ Breakdown of West Coast Region costs from [F.12.a NMFS Supplemental Report 1](#).

Table 1. Incremental costs (DPC) associated with management, data collection, and enforcement of all sectors of the Trawl Rationalization Program, FY 2016 (October 1, 2015 to September 30, 2016).

Cost Category	WCR	NWFSC	OLE	Total (before adjustment)
Personnel ^a	\$809,045.13	\$1,199,580.07	\$243,863.70	\$2,252,488.90
<i>IFQ</i>	\$748,088.11	\$1,059,396.20	\$214,006.24	\$2,021,490.55
<i>MS</i>	\$41,160.08	\$96,597.97	\$29,791.46	\$167,549.51
<i>C/P</i>	\$19,796.95	\$43,585.90	\$66.00	\$63,448.85
Travel ^b /Transportation ^c	\$ -	\$ -	\$ -	\$ -
Printing	\$ -	\$ -	\$ -	\$ -
Contracts/Training	\$ -	\$ -	\$ -	\$ -
Supplies	\$ -	\$ -	\$ -	\$ -
Equipment	\$ -	\$ -	\$ -	\$ -
Rent/Utilities/Overhead ^d	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -
Total	\$809,045.13	\$1,199,580.07	\$243,863.70	\$2,252,488.90

a Personnel costs include salary and benefits. Federal grant covering Pacific States Marine Fisheries Commission (PSMFC) personnel costs is included in the WCR.

b Travel includes per diem payments.

c Transportation includes shipment of items.

d Rent/Utilities/Overhead includes costs of space and utilities and shared common space and services.

The GAP reiterates its previous requests:

1. Provide more detail on what tasks are deemed recoverable
2. Provide more detail on the number of hours spent on each recoverable task
3. Provide information on cost-savings since implementation of the program
4. Hire an outside organization to provide a complete cost accounting audit

Further, we would expand our request to include:

1. Which costs deemed recoverable by NMFS are required by statute?
2. What are the actual costs of managing the program? NMFS indicates they could be charging more but are not currently charging for travel, supplies, etc. What is NMFS's estimation of what this program actually costs on an annual basis?
3. How are funding decisions made within NMFS to allow 5 times more funding to go to studying the program than to program implementation?

PFMC
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