

GROUND FISH ADVISORY SUBPANEL REPORT ON COST RECOVERY REPORT

The Groundfish Advisory Subpanel (GAP) received an update on the topic from Mr. Chris Biegel (National Marine Fisheries Service, NMFS), and offers the following comments and suggestions.

The GAP very much appreciates NMFS' increased communication with industry and improvement in the cost recovery report. Although this year's iteration of the report does not have the detailed breakdown by major task or detailed incremental costs (with cost savings) that is desired, it does show the major categories that gives the industry and Council something to work with to further identify and realize potential efficiencies.

Although the improved NMFS report and communication are welcomed and appreciated, the GAP still sees the cost recovery methods not complying with two very important points:

- 1) Adopted cost recovery methodology as originally defined and intended, particularly with respect to cost savings / detailing incremental costs.
- 2) Addressing deficiencies described in the Glacier court case findings, particularly with respect to cost savings / detailing incremental costs.

As noted previously by the GAP, it may be worth exploring having an independent 3rd party auditor evaluate performance of cost recovery methods and result to its regulatory requirements, comparison to similar programs, and compliance with the Ninth Circuit decision in the Glacier Fish Company case. The GAP also thinks it would be helpful to identify, and distinguish between, items that are essential and those that are elective or discretionary. For example, while collection of economic data is a mandatory requirement of the catch shares program, it appears that research using the economic data is occurring above and beyond the needs of the catch shares program. The GAP is concerned about high research costs related to discretionary items, and is further concerned that there is the possibility of adding to those costs if economic data collection is expanded with quota share owner data as proposed under Agenda Item G.3.

To use the IFQ sector as an example of areas that need further clarification, there are three major cost categories that make up about \$1.7 million out of the \$2.0 million recoverable costs:

- Monitoring (\$866,234),
- Research (\$448,088), and
- Information Technology (\$370,481).

Because these three items make up the majority of recoverable costs, it makes sense to focus on these as a start of an activity for possible future efficiency gains and detailing the incremental costs (including cost savings). Guidelines for this activity should come from previously adopted cost recovery methodology and "NMFS Cost Recovery Framework (June 2011, Agenda Item E.7.b, NMFS Report)." Industry could provide input on this activity to look for efficiency gains and look at better defining incremental costs.

Specifically related to the \$866,234 monitoring cost coming from WCR-PSMFC, NWFSC Fisheries Observation Science, and NWFSC-PSMFC, the GAP has the following thoughts. The November 2010 NOAA Catch Share Policy states that, *“fixing inadequacies in the quality, frequency or coverage of existing monitoring or enforcement programs should not be attributed as catch share costs when these needs pre-existed the catch share program.”* There were inadequacies pre-catch shares that industry funded monitoring helps address at a significant cost to the industry, so it leads to the question should industry also fund \$866,234 of monitoring costs in light of the previous policy statement and if such functions are the subject of agency costs in other fisheries nation-wide.

The \$1.7 million in costs constitute the basic administration of the program and seems not to include rulemakings, Council support, permits issues, or enforcement. When comparing the current program administration with previous trip-limit based fishery administration, one would expect significant cost savings if not an overall cost savings in the new program. Reasons for this are the individual accountability being a self-managing feature, industry bearing the entire cost of observers and electronic monitoring, and the onerous nature of the previous trip limit management scheme.

The GAP is interested in the incremental costs of monitoring. With the significant decrease in participating vessels and sea days post program, the previous 25% amount of monitoring costs paid by NMFS could translate to 80% or more of costs under current participation that should be covered by NMFS. The GAP would like to review costs pre- and post-catch shares to determine level of costs being considered incremental.

In summary, the GAP sees some positive changes in this report that could be used as a basis for further communication and work between industry and NMFS; specifically looking for efficiencies and incremental cost details in the three large cost categories of monitoring, research, and information technology; and the GAP would still like to see the original cost recovery methodology applied, particularly with regard to cost savings / detailing incremental costs.

PFMC
11/04/18