

WASHINGTON DEPARTMENT OF FISH AND WILDLIFE REPORT ON MOTHERSHIP SECTOR UTILIZATION ISSUE

In September, the Council heard extensive public comment under the Catch Shares Follow-On Action agenda item on several issues affecting the Mothership (MS) sector. MS sector representatives indicated their intent to further discuss these issues and bring recommendations back to the Council for consideration. In response, the Council added an item to the groundfish workload prioritization list (aka “omnibus”).¹ The Washington Department of Fish and Wildlife (WDFW) would like to offer the following information as background as the Council considers whether and when to potentially take actions to address these issues.

Mothership Processing Permits

The American Fisheries Act (AFA) was signed into law in October 1998, resulting in the rationalization of the Bering Sea/Aleutian Islands pollock fishery. The AFA included U.S. ownership standards for U.S. fishing vessels and established cooperatives with specific provisions for allocations, structure, and participation by catcher vessels and processing plants, as well as annual reporting requirements and accumulation limits.

As there were vessels that did not qualify under the AFA, and the West Coast whiting fishery was increasing in profitability, the Pacific Council developed Amendment 15 to protect those vessels with historical participation in the whiting fishery. Amendment 15 was intended to be “an interim measure to limit potential participation in the Pacific whiting fishery within the U.S. West Coast Exclusive Economic Zone sunsetting such time until with implementation of a trawl rationalization program under Amendment 20 to the Groundfish FMP” ([Amendment 15 EIS](#)). Through Amendment 15, there were seven motherships owned by six companies that qualified for permits. At the time, the Council had been focused on protecting West Coast whiting interests and taking action quickly as the cooperative system under the AFA was implemented only a few months after it passed in 1999. There had been very little discussion about the potential long-term effects of creating a “closed class” of MS processors, particularly on harvesters and new entrants.

Under Amendment 20, the number of MS permits was further reduced from seven to six, which were owned by five companies in 2007; those six permits are now held by only four companies (Premier Pacific Seafoods, American Seafoods Group LLC, Arctic Storm Management Group LLC, and Golden Alaska Seafoods, LLC). Similar to the Amendment 15 process, there was little discussion about the long-term effects of having only six MS processing permits and, given the competitiveness for whiting, further consolidation of MS permit ownership did not seem plausible. Most of the discussion about MS issues centered on whether to create processor/harvester linkage (discussed below); however, in hindsight, many of the concerns associated with processor/harvester linkage could also apply to the establishment of a limited entry program for processors. Therefore, the Council may wish to consider whether it would like to keep the current “closed class” system of MS processors, explore mechanisms such as MS permit ownership accumulation limits, or potentially open the MS processing system to new entrants.

¹ This item is referred to as N-6 in [Agenda Item G.4.a, GMT Report 1](#).

Processor/Harvester Linkage

Through the Amendment 20 process, the Council considered an alternative that would require catcher vessels to deliver a portion or all of their catch to the processing company that bought their catch the previous year (i.e., processor/harvester linkage). However, the Council expressed concerns with this alternative, including how price may be affected if a catcher vessel's quota were obligated to a processing company for multiple years, how obligating catch to specific companies could result in processing consolidation (which, in turn, could exacerbate the price issue), and general discomfort with directing to whom a catcher vessel had to deliver.

The processing companies, on the other hand, were concerned that there would not be sufficient catcher vessels available to fulfill their markets and that the amount of product they would receive would be unpredictable and determined too late to make market plans. As a compromise, the Council selected alternatives to set a processing limit and a mothership commitment requirement.

Processing Limit

Through the Amendment 20 process, the Council set a processing limit of 45 percent to ensure that a minimum of three MS companies would be needed to fully achieve the MS whiting allocation each year. In 2017, four companies processed whiting in the MS sector, with the proportion harvested ranging from eight percent to 43 percent.

We would note that the Council's intent of maintaining a minimum of three MS processing companies could still be achieved if the processing limit were raised to something less than 50 percent. However, there may be a concern of whether the remaining percentage is sufficiently high enough to attract an MS processor. With the current limit of 45 percent, even if two companies achieved the maximum, it was thought at the time of Amendment 20 that the value of the remaining ten percent would be enough of an incentive for a third company. However, if the limit were raised to 48 percent as an example, then the four percent remainder may be too low to attract interest. The Council may wish to consider whether the processing limit is still appropriate and if the percentage should be adjusted.

Catcher Vessel and Mothership Commitment

Section 50 CFR 660.150 (d)(iii)(A)(1)(iii) states that within the MS coop agreement there must be "A processor obligation clause indicating that each MS/CV-endorsed permit has notified a specific MS permit by September 1 of the previous year of that MS/CV-endorsed permit's intent to obligate its catch history assignment to that MS permit." During public comment in September, several catcher vessel owners and operators testified to the Council about how there have been issues in recent years with the inability of catcher vessels to deliver whiting to the MS vessel they committed to the previous year. Reasons included motherships choosing to fish in Alaska, prioritization of deliveries by other catcher vessels, and operational issues (e.g., fire or mechanical issues). The Council therefore may wish to consider whether a reciprocal clause to require an MS processor to commit to the catcher vessel that has obligated its catch history is appropriate, and if there should be exemptions to the processing limit and/or catcher vessel commitment allowed for emergency situations or after a certain date in the season.

In summary, WDFW believes that the issues raised by the MS sector representatives in September are real and important. The MS sector has done an admirable job of self-management through their co-op, but should not hesitate to bring issues to the Council's attention that may be best addressed through regulatory actions. Again, the intent of this report is not to provide specific recommendations for these issues, but to offer some background information and our initial thoughts for the Council's consideration.