AGENDA C-8
APRIL 2003

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver
Executive Director

ESTIMATED TIME
2 HOURS

DATE: March 14, 2003

SUBJECT: Observer Program

ACTION REQUIRED

Review draft schedule and outline for potential analysis to restructure the North Pacific Groundfish Observer Program design and funding mechanism.

Background

At its October 2002 meeting, the Council tasked the Observer Advisory Committee (OAC) to develop a problem statement and alternatives to restructure the North Pacific Groundfish Observer Program (Observer Program), to be presented at the February Council meeting. In order to facilitate further progress by the committee, NMFS developed a discussion paper which proposed a problem statement, scope, and general alternatives and issues for long-term, significant revisions to the Observer Program. The OAC met in January with the primary purpose of reviewing this paper and providing recommendations to the Council. At its February meeting, the Council reviewed the discussion paper and the draft OAC report, and approved the following problem statement for restructuring the Observer Program:

> The North Pacific Groundfish Observer Program (Observer Program) is widely recognized as a successful and essential program for management of the North Pacific groundfish fisheries. However, the Observer Program faces a number of longstanding problems that result primarily from its current structure. The existing program design is driven by coverage levels based on vessel size that, for the most part, have been established in regulation since 1990. The quality and utility of observer data suffer because coverage levels and deployment patterns cannot be effectively tailored to respond to current and future management needs and circumstances of individual fisheries. In addition, the existing program does not allow fishery managers to control when and where observers are deployed. This results in potential sources of bias that could jeopardize the statistical reliability of catch and bycatch data. The current program is also one in which many smaller vessels face observer costs that are disproportionately high relative to their gross earnings. Furthermore, the complicated and rigid coverage rules have led to observer availability and coverage compliance problems. The current funding mechanism and program structure do not provide the flexibility to solve many of these problems, nor do they allow the program to effectively respond to evolving and dynamic fisheries management objectives.

Further, the Council recommended that staff develop a timeline and structural outline for a potential analysis based on the recommendations of the Council and the OAC to restructure the Observer Program design and funding mechanism to address the data quality and disproportionate cost issues resulting from the current program structure. The primary alternative would propose a new funding mechanism and program structure

for all Gulf of Alaska (GOA) groundfish vessels and processors under which observer coverage would be financed using a combination of user fees and Federal funding. This would include a suboption to extend the new program to cover all groundfish vessels that currently have less than 100% coverage requirements in the BSAI.

Included in the analytical outline is a list of decision points for the Council relevant to finalizing the alternatives for analysis. These decision points will be refined and developed into formal alternatives and options upon approval. The analytical outline also contains a point-by-point discussion of major issues that arose during the development of the Research Plan in the early 1990s and that ultimately lead to the demise of that proposal. The Council expressed interest in reviewing these past issues before proceeding too far with the development of a new program. The analytical outline was sent to you on March 24 and is attached as Item C-8(1) (revised slightly from the mailed version). The draft timeline is also included in the revised version of the analytical outline.

The Council does not need to take any specific action on this agenda item. The analytical outline is provided at the request of the Council and is intended to indicate the overall context in which the analysis will be structured. The Council may want to confirm this direction for staff, or make alternative recommendations, at this time. Upon approval of the general direction, timeline, and the list of decision points, staff will begin developing a preliminary analysis for review in October 2003.

DECISION POINTS AND ANALYTICAL OUTLINE

FOR

OBSERVER PROGRAM RESTRUCTURING

NMFS Alaska Region
March 2003

The following discussion of decision points and analytical outline was prepared at the request of the Council at its February 2003 meeting to discuss various ideas for restructuring the North Pacific Groundfish Observer Program (Observer Program) to address issues associated with data quality and disproportionate costs resulting from the current program structure. At that meeting, the Council decided to proceed with analysis of a new funding mechanism and program structure for all Gulf of Alaska (GOA) groundfish vessels and processors under which observer coverage would be financed using a combination of user fees and federal funding. The Council also requested analysis of a suboption to extend the new program to cover all groundfish vessels that currently have less than 100% coverage requirements in the Bering Sea and Aleutian Islands Management Area (BSAI). The Council also requested a discussion of the problems encountered in past efforts to restructure the Observer Program.

Problem statement

At its October 2002 meeting, the Council tasked its Observer Advisory Committee (OAC) to develop a problem statement and alternatives for restructuring the Observer Program, to be presented at the February Council meeting. In order to facilitate further progress by the committee, NMFS developed a discussion paper which included a general discussion of issues and alternatives related to restructuring of the Observer Program. The OAC met January 23-24, 2003, with the primary purpose of reviewing this paper, drafting a problem statement, and providing recommendations to the Council. At its February meeting, the Council reviewed the discussion paper and the draft OAC report (available on the Council website) and approved the following problem statement for restructuring the North Pacific Groundfish Observer Program:

> *The North Pacific Groundfish Observer Program (Observer Program) is widely recognized as a successful and essential program for management of the North Pacific groundfish fisheries. However, the Observer Program faces a number of longstanding problems that result primarily from its current structure. The existing program design is driven by coverage levels based on vessel size that, for the most part, have been established in regulation since 1990. The quality and utility of observer data suffer because coverage levels and deployment patterns cannot be effectively tailored to respond to current and future management needs and circumstances of individual fisheries. In addition, the existing program does not allow fishery managers to control when and where observers are deployed. This results in potential sources of bias that could*

jeopardize the statistical reliability of catch and bycatch data. The current program is also one in which many smaller vessels face observer costs that are disproportionately high relative to their gross earnings. Furthermore, the complicated and rigid coverage rules have led to observer availability and coverage compliance problems. The current funding mechanism and program structure do not provide the flexibility to solve many of these problems, nor do they allow the program to effectively respond to evolving and dynamic fisheries management objectives.

Necessary program elements

A new fee-based system for observer coverage must contain a variety of program elements. These include: (1) a funding mechanism and fee collection program, (2) a process to establish coverage levels for individual fisheries, (3) a system of direct federal contracting for observer coverage, (4) a system to manage observer deployment within individual fisheries, and (5) mechanisms to ensure vessel compliance with observer regulations. These program elements are introduced briefly below

- Funding mechanism and fee collection program. A successful program restructuring will require a combination federal funding and user fees (unless of course 100% federal funding is forthcoming). At a minimum, federal funding will be necessary to jump-start the program during the initial phase-in period even if the program ultimately becomes self-supporting. Necessary components of a fee collection program include: (1) A fair and equitable user fee, (2) a public process to establish and adjust the user fee upwards or downwards, (3) an electronic accounting system to track fee assessments for individual vessels and processors, and (4) a billing and collection system to ensure the fees are paid in a timely and efficient manner. Depending on the type of fee, it may be possible to modify existing electronic reporting systems to generate and track fee assessments. Fees could be collected by processors as under the original Research Plan, or through direct NMFS billing of permit holders as is the done in the current IFQ cost-recovery program.

- Process to establish coverage levels. Any funding mechanism, whether it is based on federal funds, user fees, or a combination of the two, will ultimately result in a limited pool of funds that will be available for observer contracting. Therefore, some decision process must be established by which decision makers can set coverage levels for the various fisheries covered by the program for each upcoming fishing year. This process will require careful weighing of competing scientific and management objectives to best determine how to deploy a limited number of observers in the various fisheries on an annual basis. Decisionmakers will need weigh competing objectives such as inseason management, stock assessment, marine mammal and endangered species monitoring, compliance monitoring, etc. Perhaps an annual public process similar to that used by the Plan Teams may be useful to establish recommended annual coverage levels for individual fisheries. Observer Program managers would then be guided by these recommendations when they design contracts and oversee deployment of observers within individual fisheries.

- System of direct federal contracting. NMFS will need to establish a system under which contracts will be made available for bids. While the federal contracting process is fairly well defined, NMFS will still need to establish a process for contract management and oversight.

- Deployment process. Once coverage levels are established for various fisheries, NMFS in cooperation with the contractor(s) will need to establish a process to determine which vessels

receive observers and how observers will be rotated within a fishery. This is specially if the target coverage level is less than 100% as it is likely to be for most GOA fisheries.

- Enforcement mechanisms are a final required program element. NMFS will need to ensure that the program can be adequately monitored and enforced. Penalties must be adequate to ensure timely payment of user fees. The program could employ late fees, fines, permit sanctions, or other mechanisms to ensure timely payment. In addition, NMFS must ensure that vessels, processors, contractors, and observers all comply with the requirements of the program.

Options and decision points

At its February 2003 meeting, the Council, based on the recommendations of the OAC and Advisory Panel (AP), decided to proceed with analysis of a new fee-based program that would include all vessels and processors in the GOA with a sub-option to expand the program to include all vessels that have less than 100% coverage in the BSAI. Taking this proposal as a starting point, NMFS and Council staff have identified a variety of options and decision points that may help the Council identify and refine alternatives. The following is a summary of these options and decision points. These decision points will be refined and developed into formal alternatives and options upon approval. Not all of the program elements identified above necessarily have associated decision points with viable alternatives. For example, NMFS has a well-established process for administering Federal contracts and it may not be fruitful for the Council to spend time exploring alternatives to this process.

1. Which vessels would be included in the program?

1.1 Minimum program--GOA only: All groundfish catcher and catcher/processor vessels (including vessels <60 ft) would be covered by the program when fishing in the GOA (including parallel State-waters fisheries).
1.2 Option: Include BSAI groundfish vessels that currently have <100% coverage requirements *(All pot and jig, trawl and longline <60 - 124 ft, in non-CDQ fisheries)*
1.3 Option: Include halibut vessels in GOA (and BSAI if 1.2 is adopted).

Establishing a program limited to the GOA would create crossover issues for vessels that fish in both the BSAI and GOA. Vessels would be operating under two separate programs depending on where they were fishing and may need to change observers when switching areas depending on how contracts are structured. However, a program that applies only to certain vessels in the BSAI would mean that vessels fishing side-by-side in the same fishery could be operating under separate programs. This could reduce management flexibility and could create perceptions of inequity, especially if the restructured program is federally subsidized and costs are lower.

2. Which shoreside and floating processors would be included in the program?

2.1 None.
2.2 All GOA-based shoreside processors as defined by any or all of the following criteria:
  2.2.1 Is physically located in the GOA.
  2.2.2 Receives majority of its total groundfish from the GOA and from BSAI vessels covered by the fee program (measured in tons, value, or threshold value from previous year).
2.3 All floating processors while in GOA or when receiving groundfish from the GOA

2.4 Annual opt-in provision for processors not covered in 2.2.2. Processors opting out would still pay fee on GOA and BSAI landings covered by the program.

If shoreside processors are included in the program, an important decision point for the Council will be involve determining how to deal with processors that receive groundfish from both the GOA and BSAI. Under no circumstances do staff recommend maintaining separate observers at each plant to cover BSAI and GOA groundfish landings separately. Therefore a single observer at a plant may be simultaneously working with groundfish harvested by BSAI vessels covered by the current "pay-as-you-go" program and GOA vessels covered by the new fee-based program. Under such circumstances, from which program would the plant obtain observer coverage and on which landings would the plant pay the fee?

BSAI-based plants that receive the large majority of their landings from the BSAI may not wish to be included in the program if it would result in dramatic cost increases relative to what they are currently paying under the existing "pay-as-you-go" program. This is certainly true of the large AFA inshore processors that only receive a small percentage of their total groundfish landings from the GOA. However, exempting their GOA landings from the fee could give such plants a competitive price advantage over GOA plants that are subject to the fee. Therefore, it may be appropriate to impose the fee on all GOA landings regardless of whether or not a processor decides to opt-out of the program.

3. What type of fee would be assessed (to cover costs not subsidized by Federal funding)

3.1 As percentage of exvessel value of retained catch.
- 2.1.1 Standard prices.
- 2.1.2 Actual prices.
- 2.1.3 Vessel elects which price to use as in IFQ fee program.

3.2 Other fees not based on exvessel value (staff has no recommendations for other types of fees).

Note: Staff considered and rejected alternative fees such as those based on the number of days at sea in a given fishery. Fees based on criteria other than the sale of fish would be more difficult to track, collect, and enforce. Groundfish landings involving the sale of fish are already well documented and would be the easiest to track using existing recordkeeping and reporting systems. In addition, a fee that is directly linked to coverage levels will reduce the flexibility to change coverage levels because any coverage change will result in a change in the fee. This issue is discussed in more detail later under decision point 5.

4. How would the fee percentage be determined and adjusted?

4.1 Adjusted annually through framework process (may not be viable given recent legal guidance on frameworking).

4.2 Adjusted through rulemaking only when warranted by major changes in coverage levels or management needs.

Under the original Research Plan, coverage needs would have been assessed on an annual basis and the fee percentage would have been announced annually by NMFS through a single notice in December of each year. However, recent guidance on frameworking suggests that this type of framework may not be legally viable If notice and comment rulemaking is the only viable option for adjusting fee percentages then fee percentage are likely to be fixed in regulation and only changed on an infrequent basis as a part of major program changes or new management regimes.

5. Should fee be uniform across all fisheries or vary by sector and fishery according to management and coverage needs?

- 5.1 Uniform fee for all sectors and fisheries covered by the program
- 5.2 Uniform fee for "baseline" coverage in all fisheries with supplemental fees as needed to cover specific management needs in individual fisheries (co-op monitoring, IFQ monitoring, etc.)
  - 5.2.1 Supplemental fee based on exvessel value
  - 5.2.2 Supplemental fee based on other criteria (co-op allocations, days at sea etc.)
  - 5.2.3 Federal subsidy for supplemental coverage driven by federal mandates (ESA, MMPA etc.)
- 5.3 Variable fee by sector and/or fishery based on management needs and observer costs in that sector or fishery.

Coverage needs among fisheries are not uniform and may vary dramatically based on various factors such as species composition, bycatch levels, marine mammal and endangered species interactions, and the level of individual vessel monitoring in the fishery. This decision point addresses the equity-related question of whether all fishermen should pay a uniform fee regardless of the coverage needs in their particular fishery, or whether fishermen who participate in fisheries with higher coverage needs should pay a proportionately higher fee. One of the problems identified with the current "pay-as-you-go" system is that coverage levels are inflexible and difficult or impossible to adjust based on management needs. Staff believe that an important advantage of the proposed restructuring is increased flexibility in determining how observers should be deployed among fisheries. For that reason, staff cautions against establishing a program in which fees are directly linked to target coverage levels in individual fisheries. If every change in management's target coverage level for a particular fishery also resulted in a change in the fee for that fishery, then every change in target coverage levels would become a politically-charged decision that would require notice-and-comment rulemaking. Such a system would greatly restrict the flexibility to vary coverage levels in response to changing management needs.

6. How would program be integrated into existing IFQ fee program for vessels covered by both programs?

- 6.1 Observer costs for IFQ fishing covered by (adjusted) IFQ fee
- 6.2 IFQ vessels pay both IFQ fee and observer fee

IFQ fishermen already pay an exvessel fee to cover direct management costs associated with the IFQ program. Observer coverage could arguably be considered a direct management cost that should be covered by the existing IFQ fee. However, including observer coverage costs in the existing IFQ fee program would require raising the existing IFQ fee (which is limited in statute to 3% of exvessel value).

7. Which entity pays the fee?

- 7.1 Fee percentage for vessels
- 7.2 Fee percentage for processors

Under the original research plan, vessels and processors would each pay 50% of the exvessel value fee on each ton of fish landed. These same percentages could be used for the proposed new program, or alternate percentages could be chosen.

8. Which entity collects the fee?

8.1 Processors collect fees
8.2 Direct billing by NMFS

A major issue with the previous Research Plan was the requirement that processors collect and submit vessel fees. Processors complained about the administrative burdens associated with collecting and submitting fees. With advances in electronic reporting, fee tracking and submission could be largely automated. Therefore, the administrative burdens associated with fee collection and submission are likely to be much less than what they were under the original Research Plan. On the other hand, the IFQ fee collection program is based on direct billing of fishermen and has proven that such a system is viable, at least in the context of IFQ fisheries where individual quotas may be withheld for lack of payment.

9. Collection frequency

9.1 At time of each landing
9.2 Quarterly
9.3 Annually

10. What costs would the fee cover?

10.1 Only direct (human) observer coverage costs
10.2 Costs of technology to supplement observer coverage

Under the previous Research Plan, fee proceeds would have covered some of the costs of program administration. Staff discussed but did not include any options that would use fee proceeds to cover the general costs of program administration. The proposed program restructuring is being promoted by NMFS as an alternative that would provide increased benefits to the agency such as improvements in data quality and increased flexibility. It was thought that using a new fee to cover administrative costs as well as the costs directly associated with observer coverage would make the program less palatable to industry and, therefore, less likely to be approved. However, technological advancements such as video monitoring may supplement coverage or be cost-effective alternatives to human observers. Therefore it may be appropriate to use fee proceeds to cover the purchase and installation costs of certain technologies that reduce the need for human observers.

Major subjects for analysis

Staff have identified a variety of subjects that will need substantial analysis as part of the development and implementation of the proposed Observer Program restructuring. Some of these subjects are most appropriately analyzed in-house by NMFS or Council staff. Other subjects may lend themselves nicely to outside contracts. The following is a summary of the major subjects we have identified for analysis and comment about whether the subject is most appropriate for in-house analysis or outside contract:

1. Analysis of coverage levels for Year One

A necessary component of any program restructuring is the development of a process to establish target coverage levels for the various fisheries that are included in the program. A deliberative process similar to the Plan Team process and that involves all of the major users of observer data will likely be used to determine coverage levels on an annual basis. It is likely to be beyond the scope of the analysis to

conduct a major examination of coverage needs in every fishery to determine the most appropriate coverage levels given the multiple objectives and uses of observer data. However, the analysis will need to include a examination of coverage levels for Year One of the program before a long-term decision making process is in place. We would not anticipate dramatic changes in coverage levels during Year One. However, some expansion of coverage to vessels <60 ft and halibut IFQ vessels might be explored. This is an appropriate subject for in-house preparation by NMFS or Council staff.

2. *Integration of technology into monitoring*

The analysis of Observer Program restructuring should closely examine technological alternatives to traditional observers. The analysis should address existing and emerging technologies that have been used as alternatives to traditional observers in other fisheries around the world. It should identify the tasks that observers accomplish now in the groundfish fisheries off Alaska and identify which of these tasks may lend themselves to technological alternatives to either assist or replace observers. Special attention should be placed on technological alternatives to observer coverage on small boats where observer coverage is impractical due to cost and space constraints. This subject is a logical candidate for outside contract with the Regional Office taking the lead to draft the RFP.

3. *Develop model to inform future coverage level decision-making in a multi-objective, multi-fishery environment*

As discussed above under #1, a necessary component of any program restructuring is the development of a process to establish target coverage levels for the various fisheries that are included in the program. While we anticipate that the NMFS would establish an advisory body similar to the Plan Team that would develop coverage recommendations for each upcoming fishing year. In support of this process, a major subject for analysis could be the development of a model to inform coverage level decision-making in a multi-objective, multi-fishery environment. This subject is a logical candidate for outside contract with the Science Center taking the lead to draft the RFP.

4. *Development of models for inseason deployment of observers within fisheries*

While numbers 1 and 3 above address the issue of how the scarce resource of observer coverage should be distributed among various individual fisheries, this subject would address how a given number of observers should best be deployed within an individual fishery. NMFS is currently developing a pilot project to test alternative methods of deploying observers within a fishery to maximize data quality and utility. However, this is a subject for additional analysis. This is an appropriate subject for in-house preparation by the Regional Office or Science Center.

5. *Coordination of Observer Program restructuring with GOA Rationalization*

With the start of an Environmental Impact Statement and development of alternatives for GOA Rationalization, it is increasingly clear that the current Olympic-style fisheries in the GOA may soon undergo comprehensive restructuring. Therefore, it is essential that any Observer Program restructuring anticipate the coverage needs that are likely to be required under the various GOA rationalization alternatives. The analysis to support Observer Program restructuring in the GOA must be closely integrated with the GOA Rationalization to ensure that the newly restructured program would remain

viable under a rationalized fishery. This is an appropriate subject for in-house preparation by the Regional Office or Science Center.

6. Contracting process with observer providers.

Under all alternatives to the status quo, NMFS intends to directly contract with one or more contractors to recruit, hire, and place observers in the field. NMFS does not intend to convert observers into federal employees. However, NMFS will supplement the contracted observers by occasionally deploying staff to assist in solving field problems, and to keep staff current with field operations. NMFS intends to contract for observer work because contractors have demonstrated high competence and efficiency in completing this work in Alaska and throughout the U.S. In addition, the contracting process allows for open competition which will work to keep costs controlled. The analysis should include a detailed examination of the Federal contracting process as it applies to contracting for observer coverage. This is an appropriate subject for in-house preparation by the Science Center.

7. Enforcement issues

NMFS will need to ensure that the program can be adequately monitored and enforced. Penalties must be adequate to ensure timely payment of user fees. The program could employ late fees, fines, permit sanctions, or other mechanisms to ensure timely payment. In addition, NMFS must ensure that vessels, processors, and observers all comply with the requirements of the program. This is an appropriate subject for in-house preparation by the Regional Office.

8. Economic effects of the alternatives

This includes the typical subjects that are covered in the Regulatory Impact Review. This is an appropriate subject for in-house preparation by the Regional Office, Council Staff, or Science Center.

9. Environmental effects of the alternatives

This includes the typical subjects that are covered by an environmental assessment. This is an appropriate subject for in-house preparation by the Regional Office, Council Staff, or Science Center.

10. Impacts on small entities including community and social effects

This includes the typical subjects that are covered in a Regulatory Flexibility Act analysis. This is an appropriate subject for in-house preparation by the Regional Office, Council Staff, or Science Center.

11. Statutory Issues

The statutory issues identified below merit expanded discussion in the analysis. This is an appropriate subject for in-house preparation by NOAA General Counsel.

12. Wage issues

In the past, the applicability of the Service Contract Act (SCA) to observer contracts has been a source of debate. The debate centered on: 1) if SCA was applicable to observer contracts and 2) what impact any applicability would have on wages and potential increases in the cost of the Observer Program. Our understanding is that the debate about the SCA is moot because of the existence of collective bargaining agreements which the Department of Labor will defer to in wage determinations. However, the

Department of Labor will need to make this determination as part of the contracting process. This is an appropriate subject for in-house preparation by NMFS.

13. Crossover issues between a fee-based program in the GOA and "pay-as-you-go" based program in the BSAI.

The analysis must examine issues and pitfalls associated with operating under a fee-based program in the GOA and a "pay-as-you-go" program in the BSAI. This is an appropriate subject for in-house preparation by NMFS.

Statutory authority

Any program restructuring that involves collection of user fees will require some form of statutory authority. Otherwise, NMFS does not have the authority to collect fees and allocate fee revenues towards specific uses. Subsections 313(a) through (e) of the Magnuson-Stevens Act do provide the Council with the authority to establish a Research Plan and fee collection program for the all groundfish and crab fisheries of the North Pacific. These provisions were signed into law in the early 1990s to authorize an Alaska-wide Research Plan that was under development by the Council and NMFS. However, NOAA General Council has indicated that it is unlikely that the Council and NMFS could rely on the Research Plan authority provided by section 313 to establish a program limited to the GOA (or other specific fisheries) because paragraph 313(b)(2)(F) requires that fees "be assessed against all fishing vessels and United States fish processors, including those not required to carry an observer under the plan, participating in fisheries under the jurisdiction of the Council, including the North Pacific halibut fishery." This language would appear to prevent the Council from using the authority provided by section 313 to establish a program limited to the GOA that excludes some BSAI vessels and processors.

Although the Research Plan program set out in section 313 of the Magnuson-Stevens Act does not appear to provide statutory authority for the proposed Observer Program restructuring, other sources of statutory authority may be possible. These include:

- IFQ fees collected under GOA Rationalization. The alternatives currently under consideration for GOA Rationalization include options that can be considered Individual Fishing Quotas (IFQs) under the Magnuson-Stevens Act. Subsection 304(d) provides the Council and NMFS with the authority to establish a fee to recover the actual costs directly related to the management and enforcement of any IFQ program. Any observer coverage that is directly related to the management and enforcement of an IFQ program in the GOA could be collected through a fee program established under the authority of subsection 304(d). However, this authority may be too limited to establish the type of program under consideration because it would not allow NMFS to establish a fee program for any fishery that is not governed by an IFQ program, and would not allow for any observer coverage that is not directly related to the management and enforcement of the IFQ program.

- Magnuson-Stevens Act reauthorization. Several bills have been introduced in Congress that would amend and reauthorize the Magnuson-Stevens Act. As part of this ongoing process, NMFS, in consultation with all of the Councils, has developed a series of recommended amendments to the Magnuson-Stevens Act. One of these recommendations would provide NMFS with broader authority to establish fee programs in support of observer programs nationwide. This amendment, if passed by Congress, would provide NMFS with the necessary

authority to implement any of the options for program restructuring currently under consideration by the Council.

- GOA rationalization. Some of the GOA rationalization alternatives currently under consideration would require additional statutory authority. These include the alternatives that would establish a closed class of shoreside processors an/or establish individual processing quotas. Presumably, if the Council ultimately adopts one of these GOA rationalization alternatives, then members of Congress will need to introduce legislation authorizing the Council's preferred alternative. Such legislation would also be a logical place to establish the authority for observer program restructuring in the GOA because Observer Program restructuring is likely to be tied to GOA rationalization, at least to some extent. The drawback to this approach, however, is that it would delay program restructuring until after any final action on GOA rationalization, and there is no certainty that the Council would recommend a GOA rationalization alternative that would require additional statutory authority in the first place.

- Stand-alone legislation. If the Council develops a final recommended approach for Observer Program restructuring, and this approach has wide support within industry, then individual members of Congress may be sufficiently supportive of the effort to introduce legislation authorizing the Council's preferred alternative. However, because the NMFS-Alaska Region and the Council cannot directly lobby Congress, this approach would rely on the support and interest of non-governmental organizations who are not restricted in their ability to lobby Congress.

Funding mechanisms and fee collection

The estimated number of observer deployment days in the GOA and BSAI groundfish fisheries decreased from about 35,100 in 2000 to about 34,100 in 2002 and averaged about 34,900 for 2000 through 2002 (Table 1). With an estimated cost of $335 per day, including transportation costs, the annual direct cost to the industry decreased from $11.8 million in 2000 to $11.4 million in 2002 and averaged $11.7 million. In 2001, the most recent year for which an estimate of gross exvessel earnings is available, the estimated cost of $11.9 million was almost 2.2% of the $542 million gross exvessel earnings from the GOA and BSAI groundfish fisheries. The estimates of gross exvessel earnings used in this discussion paper do not include the value added by at-sea processing. As noted above, estimates of observer deployment days and the direct cost of the observer deployments on vessels by observer coverage levels and area are presented in Table 2. Comparable estimates for inshore processors are in Table 3.

The estimates of the observer costs as a percent of gross exvessel earnings differ substantially among vessel classes and within each vessel class (Tables 5 - 5.2). For example, the weighted averages in 2001 ranged from 1.2% for mid-size, trawl, catcher vessels with 30% coverage requirements to 4.3% for large, longline catcher processors with 100% coverage requirements. However, among the mid-sized trawlers, the observer cost ranged from 0% to 7.3% of gross exvessel earnings. These estimates are based on an average cost per observer deployment day of $335. NMFS does not have the information necessary to estimate the differences in the cost per day by vessel class or by vessel.

Based on the average number of observer deployment days in 2000 - 2002 and a an increased cost per day of $355, the projected cost for 2003 is $12.4 million. Observer providers have indicated that the cost per day is expected to increase in 2003 due to increased insurance costs and wages for observers.

Startup costs

Staff are not in a position to speculate about the likelihood of obtaining federal funding to cover all or part of the ongoing costs of a restructured observer program. However, federal startup funds will be necessary to get the program up and running during the first year until sufficient fees are collected to maintain the program on an ongoing basis. Because contract modules are likely to be on an annual basis, startup funds equal to one-years estimated coverage costs are likely to be required.

If startup funding in the form of a federal grant proves unlikely, then one alternative may be a federal loan similar to that established to pay back the inshore pollock sector's portion of the buyout of nine catcher/processors retired under section 209 of the AFA. Startup costs could be payed back through fee proceeds over a longer period of time such as the 20 year time-period established for the AFA inshore fee program.

Full federal funding

To fully fund the current number of observer deployment days (i.e., the 2000-2002 average), an additional appropriation of $12.4 million would be needed in 2003. If the cost per deployment day or the number of deployment days increases, the required annual appropriation would increase. Despite the fact that most observer programs are fully funded by NMFS, the Alaska Region was not successful in obtaining full federal funding for FY 2003 and it is not clear that it will be successful in the future.

Obviously the additional appropriation that would be necessary for full federal funding will depend on the scope of the program for which there would be full funding. For example, to fully fund the current number of observer deployment days (i.e., the 2000-2002 average) for the vessels with 30% coverage requirements, an additional appropriation of just over $3.1 million would be needed in 2003. That estimate is based on 8,843 deployment days (Table 1). Alternatively, the projected cost for only GOA vessels that currently have coverage requirements is about $1.3 million

Full federal funding for only the GOA or BSAI or for just some classes of vessels and processors would change the vessels and processors for which there would be disproportionate observer costs.

Research plan (partial or total)

In 2001, a research plan fee of 2%, the maximum currently authorized under the Magnuson-Stevens Act would have generated almost $11.2 from the GOA and BSAI groundfish fisheries and another $2.2 million if it also had been applied to the halibut fishery. The total of $13.4 million would have exceeded both the $11.9 million estimated cost of the actual observer deployment days in 2001 and the previously mentioned $12.4 million projection for 2003. In 2001, the surplus of $1.5 million could have funded almost 4,500 additional observer deployment days or a fee of 1.8% would have covered the estimated cost of $11.9 million. Estimates of the potential fee revenues and observer costs for 2001 by type of operations are summarized in Table 6.

The estimates in Table 6 indicate that the current disproportionately high costs for some types of operations as a whole and for some vessels in each vessel category could be eliminated by imposing a fee of less than 2% on the groundfish landings of vessels less than 60' and on halibut landings. If a fee of 2% were imposed on those landings, in addition to addressing the disproportionately high cost problem for some vessels, the deployment days could be increased.

The following problems would be associated with most any fee collection program based on gross exvessel earnings: (1) there would be an accounting and collection burden for those who submit the fees

to NMFS (under the Research Plan Fee Collection Program that was in place for less than a year, processors collected the fees and submitted them to NMFS); (2) a fee collection program will have administrative costs; (3) the issues of calculating standard exvessel prices and deciding whether to use actual exvessel prices when they are available have to be resolved; (4) there would be a need for federal funding to allow NMFS to enter into contract with observer providers before the fee revenues have been collected; and (5) the redistribution of observer costs would benefit some fishing and processing operations at a cost to others.

NOAA General Counsel, Alaska Region (GCAK) has made a preliminary determination that the Research Plan authority provided in the Magnuson-Stevens Act cannot be applied to only a subset of the vessels in the fisheries for which the Council and NMFS have the authority to establish a fee program. Therefore, any new fee program for selective fisheries under the Council's jurisdiction is likely to require statutory authorization unless different fees can be levied against different fisheries.

IFQ fees (under GOA rationalization)

In 2001, the estimated gross exvessel earnings from GOA groundfish landings were about $122 million. Therefore, an IFQ fee of 3% of gross exvessel earnings would have generated almost $3.7 million. However, because almost $1 million was collected for GOA landings under the sablefish IFQ cost recovery program with a fee of 1.8%, the additional revenue that would have been generated by applying a 3% fee to all groundfish would have been about $2.7 million. It is not known either how much of that revenue would be required to cover IFQ management and enforcement costs or how the level of observer deployment days would change. However, the expectation is that some of the IFQ fees would be available to support observer coverage in the GOA. The expected timing of the implementation of a GOA rationalization program is an important factor in determining whether improvements to the observer program for the GOA should be pursued as part of the rationalization program or separately.

Issues related to direct federal contracting for observer coverage

Under all alternatives to the status quo, NMFS intends to directly contract with one or more contractors to recruit, hire, and place observers in the field. NMFS does not intend to convert observers into federal employees. However, NMFS will supplement the contracted observers by occasionally deploying staff to assist in solving field problems, and to keep staff current with field operations. NMFS intends to contract for observer work because contractors have demonstrated high competence and efficiency in completing this work in Alaska and throughout the U.S. In addition, the contracting process allows for open competition which will work to keep costs controlled.

Under a NMFS contract, NMFS would be the direct client of the contractors awarded the contract. NMFS envisions that a pool of money would be available to fund the contract. This money would flow from NMFS to the contractor for performance under the contract. Our experience with well managed contracts is that the contractor and NMFS become business partners in completing the work. This fosters good working relationships and good communications which help make an effective Observer Program.

Overview of NMFS contracting

NMFS is serviced for its contracting needs by staff in NOAA's Western Administrative Support Center (WASC) located in building one at Sand Point. While WASC provides the service, contracting is a shared responsibility because it is incumbent upon NMFS to articulate what it needs in a contract, to provide funds, and to monitor technical progress. The essential elements of the federal contracting

process are outlined in the attached Gantt chart which outlines a hypothetical NPGOP observer acquisition process. WASC staff prepared this Gantt chart using a hypothetical contract worth $2-4 million annually, issued for 1 year with 2 option years. The Gantt chart identifies the key steps, responsible parties, and tentative timelines for each step. Items in Red are primarily a NPGOP responsibility. Items in Black belong primarily to WASC contracting. Green items represent schedule impacts that are fixed by regulation. Blue are legal review at the Department of Commerce level.

Please note that this example is presented to give the reader an overview of the procurement process with a realistic timeframe for developing and awarding a contract. While this may serve as a planning guide, each contract is different and the timeframe will be influenced by the dollar size of the contract and the overall complexity of it.

Additional tasks lending themselves to contracting

Under the current program, the tasks necessary to run the observer program are split between NMFS, observer providers, and industry. NMFS trains, debriefs, and manages the information provided by observers. The observer providers recruit, hire, deploy, insure, and pay salaries for observers. They also compete with each other for industry business. The industry pays the direct costs of providing observers, accommodates them on their vessels and in their plants, and provides room and board. They select a contractor(s) to provide the observer and coordinate their scheduling needs with them. The industry is responsible for obtaining mandatory coverage needs.

Under a direct contracting system, there is an opportunity to shift some of these responsibilities onto the contractor. NMFS intends to continue to train, debrief and manage the information provided by observers as these are essential quality control steps. But, additional tasks, dependent on the contract scope may be included in the contract. For example, a different deployment scheme could require the contractor to maintain a system of tracking vessels so coverage decisions could be made.

Hypothetical contract modules.

Several different contract modules are possible, but it is difficult to develop them until the scope of work is defined. In essence, there are several ways to accomplish any task and distribute work. Contracting is flexible and will accommodate various desired scenarios. For example, the work can be broken into components regionally (BSAI or GOA), by gear type, or by vessel size class. Various combinations are possible. It is also possible to develop different types of work modules. For example, one module could be for overall coverage planning and another for the provision of observers to obtain that coverage. Once the scope of work and funding are identified, NMFS can further develop alternative contract modules.

Discussion of contract benefits.

Managing an observer system through contracts offers some advantages and disadvantages to the status quo system. We recognize different stakeholders may have various perspectives on these issues. NMFS's perspective on them is as follows:

Contract Advantages

- Professional contract management assistance and support from WASC.

- Contracting would replace most of the cumbersome regulatory processes used to manage under the status quo. In previous OAC meetings, NMFS staff explained the difficulties inherent in using regulations as the control mechanism for managing an operational program like the Observer Program.

- Contractors would be held accountable for their performance through the contract rather than through regulatory enforcement. NMFS resources dedicated to current regulatory development and compliance efforts would be available for other tasks.

- Contractors would have a better ability to manage and predict workloads during the performance period of the contract.

- The work required of the contractor could be changed, if needed, through contract modifications rather than through regulation fixes. Contract modifications can be done quickly, albeit at a cost.

- Eliminates the regulatory burden on industry to acquire its own observers. Vessels and processors would only be required to carry observers when one is provided by NMFS.

- Clarifies the chain of authority and lines of reporting for observers, contractors, industry, and NMFS.

- If well managed, contracts will help build good working relationships among constituents.

- The distribution of coverage could be changed to meet agency's data needs for conservation and management of the North Pacific groundfish fisheries.

Contract Disadvantages

- The management program for a given fishery could be placed at greater risk if a contractor fails and that contractor is the sole source of observers for that fishery. That risk can be mitigated by giving multiple awards which distribute the workload.

- It may be cost effective to limit the number of contractors awarded part of the contract. Even with multiple awards, some contractors may not be awarded part of it.

- If a sub-set of the overall program is selected for contracting, we will need to sort out how observers and contractors would shift between the new system and the current system. The contractor for the sub-set may wish to provide coverage to the vessels under the current system.

- NMFS and WASC would have to staff the contract development and management process.

- Some additional requirements on industry may be needed such as providing advance notices of fishing schedules.

- A funding source must be developed to initiate a contract, and funding will need to be maintained over time.

Issues and problems that arose during previous attempts to restructure the Observer Program

Before proceeding with a comprehensive analysis of new proposals to restructure the Observer Program, the Council requested a discussion of previous problems and issues that arose during past efforts to restructure the program. In 1998, Council staff prepared a discussion paper that outlined in detail those issues that were viewed as most problematic during the development and subsequent repeal of the Research Plan. The issues identified by Council staff in 1998 are summarized below with discussion of their relevance to the current proposal for restructuring of the Observer Program in the GOA:

Determination of necessary coverage levels

Issue: The original Research Plan incorporated an annual cycle whereby the OAC, and then the Council, would review a series of factors (available funds, coverage needs, etc.) to determine the fee percentage to be assessed in the upcoming fishing year. One fo the major benefits of the plan would be to get out of the 'lock step,' 30% and 100% coverage requirements by vessel size and adjust coverage levels each year as necessary, on more of a fishery-by-fishery basis. However, in order to expedite the implementation of the Research Plan, the first year of full implementation would have retained the existing 30% and 100% coverage requirements, much to the consternation of many industry participants. Because a restructuring of observer coverage levels feeds so directly into overall costs (and the exact fee percentage) many were unwilling to proceed with the Research Plan unless and until more "appropriate" coverage levels were determined and incorporated into the initial phase of the plan.

Discussion: The approach taken during the implementation of the Research Plan is unlikely to be repeated under a restructuring of the program in the GOA. NMFS anticipates that revised coverage levels and deployment systems would be an integral part of any restructuring effort from the start. A major subject for analysis is developing a systematic method to refine and modify coverage levels as appropriate.

Cost inequity

Issue: Under the pay-as-you-go plan, cost equity is a major concern, as it was during the develop of the Research Plan in the early 1990s. Inequity takes two forms. First, many who benefit from the Observer Program pay no costs at all. Second, among those who do pay, some operators' costs are disproportionately high relative to their gross exvessel revenues. Addressing this inequity was a major objective of the Council during the development of the Research Plan. A flip side of the cost inequity issue is that, under the Research Plan, many of the large processors faced much higher costs in total dollars than under the pay-as-you go system, along with additional administrative and accounting costs for shoreside processors.

Discussion: Because the proposed restructuring of the program is limited to the GOA with a suboption to include 30% boats in the BSAI, the large shoreside processors and catcher/processors in the BSAI that faced the highest dollar costs under the Research Plan would be unaffected. These large processors would continue to operate under the existing pay-as-you-go system. However, unless there is substantial federal funding, the implementation of a fee program will increase costs for some and decrease costs for others.

Overall cost uncertainty

Issue: Aside from inequity, overall program costs were a major source of concern for the industry in the original Research Plan and uncertainty over those costs was a major reason for its repeal. Cost

uncertainty stemmed from several sources including: Observer compensation, agency budgets and perceived program inefficiencies, uncertainty about whether federal funding of the program would continue, necessary baseline coverage levels, and perhaps most importantly, indications that some type of supplemental program above and beyond the 2% fee would be necessary.

Discussion: Overall program costs are likely to be one of the major issues of concern for any program restructuring. Some cost issues that were of great concern during the development of the Research Plan and JPA has been largely resolved. For example, concerns about overall observer compensation costs have been largely resolved through collective bargaining agreements. In addition, as industry has discovered, abandonment of the fee-based Research Plan has not limited cost increases that have occurred under the pay-as-you-go system. While the Research Plan did have some inherent cost uncertainties, it could be argued that costs were more certain than under the current system which contains no cost limitations. Nevertheless, overall program cost and the level of federal funding are likely to be issues of great concern in any effort to restructure the Observer Program.

Supplemental programs

Issue: Perhaps the most significant aspect of cost uncertainty under the Research Plan stemmed from the potential for supplemental observer coverage payments above and beyond the 2% fee. Most participants in the fisheries assumed that, when the fee percentage was increased to 2%, sufficient funds would be generated to cover the costs of all observer coverage. When it became apparent that it would likely cover only existing coverage requirements (as they existed in 1995), a supplemental observer program, outside the fee program, became a central issue. Even though existing requirements could have been covered by a fee of less than 2%, many in the industry felt that new observer coverage requirements should be outside the fee; i.e., there was no mandate to assess a 2% fee if baseline coverage could be accommodated with less. For many, the idea of a supplemental program represented an open-ended cost situation that they could not support.

The OAC has gone on record as recommending that a fee assessment only be used to cover the costs of baseline coverage - that necessary for quota monitoring, overall bycatch monitoring, and scientific data gathering necessary for fisheries management. Additional requirements necessary for programs of individual vessel/plant accountability would be paid for directly by those participating in and benefitting from such programs. While that approach could resolve the problem on its surface, two main issues remain: (1) How to determine what in fact is the baseline, and (2) once that is established, how to integrate two separate programs where fee-supported observers come from one source and pay-as-you-go observers may be obtained from a separate source.

Discussion: The proposals currently under consideration do not contemplate supplemental programs or a blended program. Under current proposal to restructure the Observer Program in the GOA, all observer costs would be paid for through some combination of fees and federal funding. However, the issue of supplemental funding (as opposed to a supplemental program) could continue to be an issue.

Use of standard prices

Issue: The Research Plan used a set of standardized prices, by species and gear, upon which to base the fee assessment. Price information from the current year was used to calculate a standard price per pound which would be applied to the following year's landings. Industry was largely opposed to the use of standard prices, preferring to use actual prices when possible. However the use of standard prices was necessary for several reasons: (1) many operations have no price transaction (at-sea processors, for

example), (2) non-monetary compensations or post-season adjustments occur which do not appear on fish tickets, (3) use of actual prices could induce price reductions, or "under reporting," and (4) projection of revenues, and specification of annual coverage levels, is much more feasible with the use of standardized prices.

Discussion: Standardized prices were also a major issue in the development of a cost-recovery (fee) program for the halibut/sablefish IFQ program. For that program, NMFS ultimately developed a flexible system under which fishermen were given the choice to report actual prices or use NMFS standardized prices. This approach appears to have successfully addressed the major industry concerns about the use of standardized prices. Furthermore most IFQ fishermen have elected to use NMFS standardized prices rather than actual prices, which suggests that the standardized prices are reasonable and acceptable to industry. The IFQ cost-recovery program could be a useful model for a future observer fee in the GOA.

Observer compensation

Issue: Under the Research Plan, observer salaries and their relationship to data integrity, were a major issue for both the contracting process and the observers themselves. The RFP, as drafted, while not stipulating minimum salaries, would have placed a high degree of emphasis on the contractors' ability to provide high-quality observers, across a series of grade levels. Inherent in that requirement was an expectation for reasonable salaries for observers. During the development of the JPA, it was also determined that the provisions of the Service Contract Act (SCA) will apply in any contractual situation between NMFS and observer providers. Application of the SCA was expected to result in significant increases in observer salaries.

Discussion: Since the formation of an observer union in the late 1990s, the issue of observer compensation has largely been resolved as salaries are now addressed through collective bargaining. Based on information provided by the union, the establishment of a prevailing wage through collective bargaining supersedes the standard wage scales that would otherwise be mandated under the SCA. Therefore, a restructuring of the program in the GOA is unlikely to affect salaries directly as observer compensation would still be covered by collective bargaining agreements.

Number of observer providers

Issue: Under the Research Plan, as well as under the proposed JPA program, the elimination of some of the independent observer contracting companies was a real likelihood. This was a source of considerable discussion by the Council during the development of the Research Plan. The Council finally stipulated that a minimum of three contractors be used. In the RFP process initiated by NMFS, it was stipulated that observer service would be divided among three contractors, at a ration of 42//33/25. Employing more than 3 observer contractors was considered but would have increased costs and decreased efficiencies. Furthermore, each companies share of the business would be decreased, possibly to the point where the smaller shares would make the business unviable. Other solutions included the use of multiple delivery order (MDOs) or modular contracts. Under the MDO concept, certified contractors could bid on discrete modules by fishery gear type, area, etc., with a minimum guarantee for each contractor. Disadvantages of this approach include increased costs, due to the fact that no contractor could be assured in advance of what modules they would be awarded. As a consequence, contractors would have an incentive to build in the business' entire annual overhead into each modular bid.

Discussion: The current proposal to restructure the Observer Program in the GOA would affect only 20% of current groundfish observer coverage days in the groundfish fisheries off Alaska. The large-scale

fisheries in the BSAI would continue to operate under pay-as-you-go, which would continue to provide opportunities to most, if not all, current contractors. The number of contractors that would participate in a new fee program in the GOA has not yet been explored and is an obvious subject for further analysis and discussion.

Complex and burdensome accounting for processors

Issue: The Research Plan not only expected processors to share in the fee assessment (one half of the fee paid by harvester and the other half paid by processors), it also placed the burden of collection and accounting at the processor level. In addition to the basic fairness issue (processors having to act as "collection agents" for the harvest vessel's portion of the fee) there were significant complexities associated with the billing process. While many of these problems were associated with the first year phase of the program, and included accounting for certain vessel exemptions and processor credits, any fee system which is based on exvessel value of fish harvested will be inherently complex, whether standard or actual prices are used. It also required processors to separate landings in federal waters from landings in state waters which were not subject to the fee, further complicating the process.

Discussion: Many of these issues also arose during the development of the IFQ cost-recovery program. Under the IFQ cost-recovery program, NMFS chose to bill fishermen directly rather than use processors as collection agents. The analysis should explore whether direct billing of vessel owners for observer fees is also practical in the groundfish fisheries. The analysis should also explore the extent to which catch accounting software can be modified or adapted to track fees as well. When the Research Plan was under development in the early 1990s, processors still operated under a system of paper logbooks and paper fish tickets. Since then, NMFS has developed electronic shoreside delivery reporting software which all processors use to track and report groundfish landings off Alaska. It is conceivable that this system (or 3rd party software) could be adapted to automatically generate and track observer fees, relieving processors of much of the paperwork burden that existed under the original Research Plan. However, differentiating between catch from State and Federal waters could continue to be a problem.

Table 1. Estimated observer deployment days, percent of deployment days and deployment costs (in millions) in the GOA and BSAI groundfish fisheries by type of operation and year, 2000-2002.

Year	Type of Operation	Days	% Days	Cost
2000	Vessels with 30% coverage	9,126	26.0%	$3.1
	Vessels with ≥ 100% coverage	21,442	61.1%	$7.2
	Shore plants and floaters	4,522	12.9%	$1.5
	Total	35,090	100.0%	$11.8
2001	Vessels with 30% coverage	8,873	25.0%	$3.0
	Vessels with ≥ 100% coverage	22,121	62.4%	$7.4
	Shore plants and floaters	4,463	12.6%	$1.5
	Total	35,457	100.0%	$11.9
2002	Vessels with 30% coverage	8,530	25.0%	$2.9
	Vessels with ≥ 100% coverage	21,392	62.7%	$7.2
	Shore plants and floaters	4,196	12.3%	$1.4
	Total	34,118	100.0%	$11.4
Average	2000 - 2002	34,888		$11.7

Notes: The cost is estimated using a cost per day of $335. This is an estimate of the average cost per day charged by observer providers in 2000-2002. This includes a transportation cost of $20. It is estimated that the cost per day will be $355 in 2003. In this table, motherships are included in the vessels with at least 100% coverage requirements.

Source: NMFS observer-program. National Marine Fisheries Service, P.O. Box 15700, Seattle, WA 98115-0070.

Table 2 Estimated observer deployment days, percent of deployment days and costs (in millions) in the GOA and BSAI groundfish fisheries by year, vessel class and area, 2000-02.

		BSAI			GOA			All Alaska	
Year	Vessel class	Days	% Days	Cost	Days	% Days	Cost	Days	Cost
2000	Vessels with 30% coverage	6,065	19.8%	$2.0	3,057	10.0%	$1.0	9,122	$3.1
	Vessels with ≥ 100% coverage	20,731	67.8%	$6.9	705	2.3%	$0.2	21,436	$7.2
	Total	26,796	87.7%	$9.0	3,762	12.3%	$1.3	30,558	$10.2
2001	Vessels with 30% coverage	5,873	19.0%	$2.0	3,000	9.7%	$1.0	8,873	$3.0
	Vessels with ≥ 100% coverage	21,548	69.5%	$7.2	565	1.8%	$0.2	22,113	$7.4
	Total	27,421	88.5%	$9.2	3,565	11.5%	$1.2	30,986	$10.4
2002	Vessels with 30% coverage	5,862	19.6%	$2.0	2,674	8.9%	$0.9	8,536	$2.9
	Vessels with ≥ 100% coverage	20,680	69.1%	$6.9	704	2.4%	$0.2	21,384	$7.2
	Total	26,542	88.7%	$8.9	3,378	11.3%	$1.1	29,920	$10.0

Notes: The % of days is based on the total days for all vessel combined for each year. The cost is estimated using a cost per day of $335. This is an estimate of the average cost per day charged by observer providers in 2000-2002. This includes a transportation cost of $20. It is estimated that the cost per day will be $355 in 2003. In this table, motherships are included in the vessels with at least 100% coverage requirements. Inshore processors, including floating processors are not included in this table. The estimates of days in this table are marginally less than the those in Table 1; however, the differences are too small to affect the estimated costs.

Source: NMFS observer-program. National Marine Fisheries Service, P.O. Box 15700, Seattle, WA 98115-0070.

Table 3. Estimated observer deployment days and deployment costs (in millions) in the GOA and BSAI groundfish fisheries by inshore processor category and year, 2000-2002.

Year	Processor Category	Days	% Days	Cost
2000	Alaska Peninsula/Aleutians	557	12.3%	$0.19
	Bering Sea Pollock Processors	2,203	48.7%	$0.74
	Floaters	381	8.4%	$0.13
	Kodiak	1,083	23.9%	$0.36
	South Central	150	3.3%	$0.05
	St. Paul	0	0.0%	$0.00
	Southeastern	148	3.3%	$0.05
	Total	4,522	100.0%	$1.51
2001	Alaska Peninsula/Aleutians	757	17.0%	$0.25
	Bering Sea Pollock Processors	2,255	50.5%	$0.76
	Floaters	225	5.0%	$0.08
	Kodiak	953	21.4%	$0.32
	South Central	85	1.9%	$0.03
	Southeastern	154	3.5%	$0.05
	St. Paul	34	0.8%	$0.01
	Total	4,463	100.0%	$1.50
2002	Alaska Peninsula/Aleutians	736	17.5%	$0.25
	Bering Sea Pollock Processors	2,223	53.0%	$0.74
	Floaters	155	3.7%	$0.05
	Kodiak	858	20.4%	$0.29
	South Central	61	1.5%	$0.02
	Southeastern	128	3.1%	$0.04
	St. Paul	35	0.8%	$0.01
	Total	4,196	100.0%	$1.41

Notes: The cost is estimated using a cost per day of $335. This is an estimate of the average cost per day charged by observer providers in 2000-2002. This includes a transportation cost of $20. It is estimated that the cost per day will be $355 in 2003. The processor categories are defined as follows: (1) "Bering Sea Pollock Processors" are the AFA inshore pollock processors including the two AFA floating processors; (2) "Alaska Peninsula/Aleutian" are other processors on the Alaska Peninsula or in the Aleutian Islands; (3) "Kodiak" are processors on Kodiak Island; (4) "South Central" are processors west of Yakutat and on the Kenai Peninsula; and (5) "Southeastern" are processors located from Yakutat south.

Source: NMFS observer-program. National Marine Fisheries Service, P.O. Box 15700, Seattle, WA 98115-0070.

Table 4. Numbers of vessels with observers, observer-deployment days, and estimated observer costs ($1,000) in the GOA and BSAI groundfish fisheries by year and type of operation, 2000-01.

	2000			2001		
	Count	Obs. Days	Cost	Count	Obs. Days	Cost
Catcher vessels						
Hook and line (predominately 60-124')						
H&L total	87	947	317	95	930	312
Pot						
60-124	107	870	292	70	718	240
>124	31	243	81	16	117	39
Pot total	138	1,113	373	86	835	280
Trawl						
60-124	112	4,436	1,486	114	4,596	1,540
>124	30	4,193	1,405	27	3,697	1,238
Trawl total	142	8,629	2,891	141	8,293	2,778
Catcher-vessel total	367	10,690	3,581	322	10,057	3,369
Catcher/processors						
Hook and line						
60-124	12	1,841	617	12	1,724	578
>124	26	6,496	2,176	29	6,928	2,321
H&L total	38	8,337	2,793	41	8,652	2,898
Pot						
>60	11	423	142	8	526	176
Pot total	11	423	142	8	526	176
Fillet trawler						
>124	4	1,195	400	4	1,312	440
H&G trawler						
60-124	9	860	288	8	748	251
>124	15	4,532	1,518	16	4,261	1,427
Surimi trawler						
>124	11	3,645	1,221	11	4,337	1,453
Trawl total	39	10,232	3,428	39	10,658	3,570
Catcher/processor total	88	18,992	6,362	88	19,836	6,645
Motherships	8	786	263	4	1,010	338
Other vessels	16	90	30	12	82	27
All vessels	467	30,558	10,237	415	30,985	10,380

Table 5 Observer costs as a percent of ex-vessel revenue in the GOA and BSAI groundfish fisheries by vessel type and length, 2000-01.

Year/Vessel Type/Length	Min. %	Max. %	Avg. %	Wt. Avg. %
2000				
Longline catcher vessels				
60-124	.0	16.6	1.1	1.3
Pot catcher vessels				
60-124	.0	13.3	1.8	1.8
>124	.0	5.0	1.7	1.5
Trawl catcher vessels				
60-124	.0	4.2	1.4	1.1
>124	.0	3.5	1.9	1.8
Longline catcher/processors				
60-124	.0	4.9	2.6	2.9
>124	2.3	8.4	4.2	3.8
Pot catcher/processors				
>60	.0	7.6	3.5	3.6
Fillet trawl processors				
>124	-	-	1.8	1.6
H&G trawl processors				
60-124	1.0	5.4	2.9	2.3
>124	2.0	3.9	2.7	2.7
Surimi trawl processors				
>124	1.0	1.4	1.2	1.2
2001				
Longline catcher vessels				
60-124	.0	16.7	1.1	1.3
Pot catcher vessels				
60-124	.0	19.7	2.7	2.8
>124	.0	4.9	2.0	2.2
Trawl catcher vessels				
60-124	.0	7.3	1.8	1.2
>124	.0	3.1	1.6	1.5
Longline catcher/processors				
60-124	.0	6.8	3.0	3.1
>124	.0	9.9	4.5	4.3
Pot catcher/processors				
>60	.0	16.9	5.4	3.4
Fillet trawl processors				
>124	-	-	2.2	2.1
H&G trawl processors				
60-124	1.5	7.1	3.3	2.9
>124	1.6	3.6	2.5	2.3
Surimi trawl processors				
>124	1.4	2.1	1.7	1.7

Table 5.1. Observer costs as a percent of ex-vessel revenue in the Gulf of Alaska by vessel type and length, 2000-01.

Year/Vessel Type/Length	Min. %	Max. %	Avg. %	Wt. Avg. %
2000				
Longline catcher vessels				
60-124	.0	3.5	.6	.9
Pot catcher vessels				
60-124	.0	6.2	.9	1.1
>124	.0	4.0	1.1	1.6
Trawl catcher vessels				
60-124	.0	4.2	1.7	1.6
>124	-	-	.9	2.0
Longline catcher/processors				
60-124	.0	4.6	1.5	1.3
>124	1.5	5.9	2.6	2.0
Pot catcher/processors				
>60	-	-	3.7	4.2
H&G trawl processors				
60-124	-	-	3.2	2.9
>124	1.0	5.6	2.4	2.4
2001				
Longline catcher vessels				
60-124	.0	16.7	.9	1.2
Pot catcher vessels				
60-124	.0	19.7	2.5	1.5
Trawl catcher vessels				
60-124	.0	9.6	2.4	2.1
Longline catcher/processors				
60-124	.0	3.8	1.3	1.7
>124	1.3	4.3	2.6	2.2
Pot catcher/processors				
>60	-	-	3.7	2.6
H&G trawl processors				
60-124	1.5	15.9	6.6	3.1
>124	1.1	8.5	3.0	2.4

Table 5.2. Observer costs as a percent of ex-vessel revenue in the Bering Sea and Aleutian Islands of Alaska by vessel type and length, 2000-01.

Year/Vessel Type/Length	Min. %	Max. %	Avg. %	Wt. Avg. %
2000				
Longline catcher vessels				
60-124	.0	13.8	2.0	3.3
Pot catcher vessels				
60-124	.0	17.3	2.9	2.6
>124	.0	6.5	2.0	1.5
Trawl catcher vessels				
60-124	.0	5.2	1.2	.9
>124	.7	3.5	2.0	1.8
Longline catcher/processors				
60-124	2.0	6.3	4.0	3.8
>124	2.3	8.4	4.2	3.8
Pot catcher/processors				
>60	.0	7.6	3.0	3.5
Fillet trawl processors				
>124	-	-	1.8	1.6
H&G trawl processors				
60-124	1.0	19.9	4.8	2.1
>124	2.0	3.9	2.8	2.7
Surimi trawl processors				
>124	1.0	1.4	1.2	1.2
2001				
Longline catcher vessels				
60-124	.0	19.6	1.6	2.2
Pot catcher vessels				
60-124	.0	12.8	2.5	3.1
>124	.0	4.9	2.0	2.2
Trawl catcher vessels				
60-124	.0	15.5	1.4	.9
>124	.0	3.1	1.6	1.5
Longline catcher/processors				
60-124	.0	8.6	3.7	3.9
>124	.0	9.8	4.5	4.4
Pot catcher/processors				
>60	.0	16.9	5.9	3.6
Fillet trawl processors				
>124	-	-	2.2	2.1
H&G trawl processors				
60-124	1.5	7.3	3.7	2.9
>124	1.6	3.6	2.5	2.3
Surimi trawl processors				
>124	1.4	2.1	1.7	1.7

Note: The cost estimates are based on an estimated average cost per day of $335. This includes the payment to observer providers and the cost of transportation. The average percent (Avg. %) is the average of the percents for all vessels in a category. The weighted average percent (Wt. Avg. %) is the weighted average for all vessels in a category. It is the total observer cost for all vessels in a category as a percent of the total ex-vessel or gross product value of all the vessels in that category.

Source: NMFS Observer Program, CFEC fish tickets, weekly production reports, Alaska state and Federal vessel-registration files. National Marine Fisheries Service, P.O. Box 15700, Seattle, WA 98115-0070.

Table 6 Estimated observer costs and potential research plan fee revenue by type of operation and year, ($ millions).

Year/Area	Type of Operation	Cost	Potential Fee
2000 BSAI	0%	0.0	0.1
	30%	2.2	2.8
	100%	6.5	6.2
	Vessel Subtotal	8.7	9.1
2000 GOA	0%	0.0	1.5
	30%	1.1	1.5
	100%	0.2	0.2
	Vessel Subtotal	1.3	3.2
GOA-BSAI	Vessels	10.0	12.3
	Motherships	0.3	0.0
	Inshore Processors	1.5	0.0
	Halibut	0.0	2.7
	Grand Total	11.8	15.0
2001 BSAI	0%	0.0	0.1
	30%	2.1	2.7
	100%	6.7	6.0
	Vessel Subtotal	8.8	8.8
2001 GOA	0%	0.0	1.1
	30%	1.0	1.2
	100%	0.2	0.1
	Vessel Subtotal	1.2	2.4
GOA-BSAI	Vessels	10.1	11.2
	Motherships	0.3	0.0
	Inshore Processors	1.5	0.0
	Halibut	0.0	2.2
	Grand Total	11.9	13.4

Notes: The cost is estimated using a cost per day of $335. This is an estimate of the average cost per day charged by observer providers in 2000-2002. This includes a transportation cost of $20. It is estimated that the cost per day will be $355 in 2003.

Source: NMFS observer-program. National Marine Fisheries Service, P.O. Box 15700, Seattle, WA 98115-0070.

Preliminary Schedule for NPGOP Design Change

	Apr-03	Oct-03	Dec-03	Feb-04	Apr-04	Jun-04	Oct-04	Dec-04	Feb-05	2006
Adopt alternatives & initiate analysis	X									
Craft RFP to examine coverage levels	X									
Approve contract in August	X									
Preliminary review		X								
Need Congressional Action to support new fee collection program		X								
OAC review of draft analysis			X							
Initial review				X						
Review contract analysis results				X						
Develop '05 coverage levels (this process and fee collection recommendations must be initiated in '04 as start-up function)				X						
Develop '05 fee percentage				X						
Final action					X					
Start-up funding provided by NMFS or Congress?					X					
Gulf rationalization preliminary review*					X					
Begin developing fee collection infrastructure						X				
RFP issued for observer contracts						X				
Gulf rationalization initial review*						X				
Gulf rationalization final action*							X			
Finalize '05 fee percentage								X		
Select contractors								X		
Implement final regulations									X	
Complete fee collection infrastructure									X	
Develop '06 coverage levels										X
Develop '06 fee										X
Implement Gulf rationalization* and adjust coverage accordingly										X

*Tentative, pending Council direction in April 2003.