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Eric Olson, Chair
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Re: Agenda Item C-2: GOA Trawl Bycatch Management

April 1, 2014

Chairman Olson:

This letter is in regards to agenda item C 2 for the April 2014 meeting of the North Pacific Fishery Management Council. The undersigned organizations and companies represent a significant portion of the harvesters and processors participating in the Gulf of Alaska trawl fisheries.

Over the past few years the Council has adopted a number of actions to reduce prohibited species bycatch in the Bering Sea/Aleutian Islands (BSAI) and Gulf of Alaska (GOA) fisheries. The Council recently introduced Chinook salmon PSC limits in the GOA pollock and non-pollock fisheries, and adopted measures for reducing halibut PSC caps in the trawl and catcher-vessel fixed gear fisheries in the GOA by 15%. The groundfish trawl fisheries in the Gulf of Alaska do not have the management structure or the tools to fully adapt to these new PSC reductions.

The Council has recognized that there is a need to develop a new management structure whereby fishery participants are able to work cooperatively to adapt fishing practices to accommodate reduced PSC allocations. Such a structure needs to balance the interests of the catcher processors, harvesters and inshore processors in these fisheries while meeting conservation objectives and preventing harm to communities dependent on the fisheries.

At its June, 2013 meeting the Council received proposals from several different interest groups for developing a GOA trawl bycatch management program. At its October 2013 meeting the Council developed a proposed program structure and requested staff to further develop a discussion paper identifying key issues.

The Council's proposed program structure and accompanying discussion paper raise a number of significant issues and concerns for us, some of which could have profound impacts on our fisheries and the communities that our businesses support. These include species allocations, criteria for cooperatives, the duration of shares, community protections, and measures for further bycatch reduction. We would like to comment on each of these issues below:

1. Allocation of target, secondary, and PSC species.

We believe that the new management program must be designed to minimize allocation disputes between the trawl catcher-processor and inshore trawl sectors. Allocations between the inshore and catcher-processor sectors should be based on historical participation by each sector. For underutilized species, we believe the intent should be to develop measures to fairly allocate future opportunities between the sectors while addressing bycatch usage.

The program structure adopted in October by the Council in its motion on agenda item C-5(a) contemplates allocating halibut and Chinook salmon PSC between the sectors, and then including only pollock and cod as target species allocations for the inshore voluntary cooperative program. We support analyzing an alternative with those allocations, but also believe that the Council should consider other alternatives with additional suites of target and secondary species.

Specifically, to better address PSC bycatch usage the Council should consider developing a program whereby management of any species that could be constraining is addressed. There is high potential for constraining species to induce a race for fish, diminishing the likelihood for improved bycatch control and reduction. Allocation of constraining target species should be considered and alternatives developed to assist analysis of this potential. Allocation or revision of management measures for constraining non-target species should also be considered in these alternatives. Failing to include management modifications for constraining species is likely to constrain harvests of other species and diminish benefits that will be realized under the program.

2. Development of Cooperatives

We agree with the Council's statement that a system of cooperative management is best suited to managing and reducing bycatch while maximizing the value of available target species. Cooperatives should be developed with the intent to facilitate a flexible, responsive, and coordinated effort among vessels and processors to avoid bycatch through information sharing and formal participation in bycatch avoidance programs.

Program structure is a central issue for a successful cooperative program in both the inshore and catcher-processor sectors. Providing a voluntary cooperative structure to both sectors can greatly aid in fishery conservation and management. But the Council also needs to carefully consider the allocative implications of various measures, especially within each sector, and the unintended consequences that can arise.

With regard to the Council framework for a voluntary cooperative program for the inshore sector, we believe the program should recognize and be founded on historical participation and investments by both harvesters and processors in these fisheries. The analysis of elements and options should address the principle that the new management structure should not result in devaluation of one sector's investments or capital assets to benefit a different sector. From our perspective, the overall objective should be to develop a program that balances the interests of both sectors, does not erode the assets of either sector, and provides similar opportunities for increased benefits to all participants in these fisheries while meeting conservation goals and community needs.

With regard to the catcher-processor sector, we support developing a cooperative program building off proposals from the catcher-processors for a cooperative program for their fisheries, including additional elements and options to more fully develop such a program. As with the inshore sector, such a program should be founded on historical participation and investments by the participants.

We ask that the Council specifically direct the analysts to address these considerations as they evaluate different elements and options for these programs.

3. Limited duration of shares

The Council's motion of October 5, 2013 provides:

Duration of shares. A portion of the target species share allocations (maximum 25%) will be evaluated for retention based on achievement of performance targets relative to bycatch and other Council objectives after a set period of time (3 – 10 years). The time period and the criteria used to evaluate performance will be established in regulation.

And

Cooperative management. A system of cooperative management is best suited to managing and reducing bycatch (such as, hotspot program, gear modifications, excluder use, incentive plan agreements) while maximizing the value of available target species. Cooperatives are intended to facilitate a flexible, responsive, and coordinated effort among vessels and processors to avoid bycatch through information sharing and formal participation in a bycatch avoidance program.

Throughout its consideration of this action, the Council has stressed the importance of performance-based bycatch reduction measures that create incentives for PSC avoidance at the vessel level. The development of a share reallocation initiative under the 'duration of shares' component is an effort to advance such a measure. The suggested measure would reallocate target allocations under Council identified criteria, which would be implemented by NMFS. Several aspects of the measure proposed in this motion raise several concerns in achieving the Council's overall goal for this action of PSC avoidance.

Size of the reallocation

Under the proposed measure, up to 25 percent of the target species allocations could be reapportioned. A reallocation of this magnitude creates a strong incentive to outperform others in the fishery. As recognized by the Council through its creation of a cooperative program, coordinated efforts can best achieve PSC goals. Since actions to avoid PSC may change over time with fishing conditions (such as hotspots and target concentrations), it is important that a fleet develop a system of timely information sharing. A measure that creates a strong incentive to outperform others is likely to also create an incentive to withhold bycatch information from others, which is very likely to lead to overall poorer bycatch performance. While performance-based measures can lead to improved PSC performance, in some cases individual competition arising from those measures can impede the development of PSC improvements leading to poorer overall PSC performance. Similarly, measures should create an incentive for development of technologies (such as excluders) for PSC avoidance. Past practices have demonstrated that the development of new technologies are most likely if undertaken at the fleet level where costs can be dispersed across several vessels. Strong individual incentives could create a deterrent for these cost sharing arrangements. Lastly, at times, cooperative members may choose to engage in exploratory fishing to determine whether certain times or areas could have desirable PSC rates. The most cautionary way to pursue these explorations is with a single vessel sharing information. The creation of a strong individual incentive through large share reallocations is likely to deter these coordinated efforts, either preventing the effort altogether or reducing the overall benefit by deterring information sharing. Given the potential for individual performance based measures to lessen incentives for sharing costs and information to avoid PSC, the Council should consider other types of measures to achieve its PSC objectives.

Regulatory criteria for reallocation

Gulf fisheries are currently a series of overlapping target fisheries. Under a new cooperative structure, it is anticipated that target fishery seasons will be extended, with more overlaps. In addition, PSC avoidance capability is likely to change under the revised program. In addition, individuals are likely to have very different share allocations, weighted toward different targets. Drawing PSC performance comparisons across these targets could be complicated. Given the lack of experience administering individual performance measures, it is possible that any effort to define such a regulatory PSC performance standard could prove ineffective, particularly over time. In addition, PSC rates in the different targets could vary over time with conditions in the fisheries and stocks. With these changes, acceptable performance in a fishery one year, may be wholly inadequate the following year. In these circumstances, a rigidly defined regulatory standard could lead to little PSC avoidance, if the standard is one target is viewed as beyond reach and the performance in another requires little PSC avoidance effort. Due to changing conditions, weighting any PSC performance standards across different targets is likely to be complicated and may require modifications over time. As a result, using specific regulatory criteria for implementing share redistribution could result in a restrictive structure that fails to achieve the greatest PSC avoidance.

In addition, the program is likely to need to strike a balance of a number of competing objectives, including 1) achieving desirable PSC rates, 2) efficiently harvesting the available TAC, and 3) leaving a portion of the available PSC in the water. These objectives will often compete with one another and may vary in importance over time. A more flexible mechanism than a regulatory formula may be desirable.

An alternative to a regulatory standard is to rely on cooperatives to set and administer individual incentive provisions. The cooperative could adapt its incentive structure efficiently based on its experience and conditions in the fisheries without regulatory action. Allowing a cooperative to negotiate and administer the structure would allow for rapid correction and modification to address any shortcomings and achieve reasonable PSC avoidance incentives across all fisheries. Annual reporting to the Council provides oversight needed to ensure that the system functions as intended and creates meaningful incentives for PSC avoidance.

Cooperative administration also can encourage experimentation needed for PSC avoidance developments. PSC avoidance often requires some trial-and-error. At the simplest level, a vessel may do a single tow to determine PSC rates at a particular time and location. Exempting this experimentation from a reward system (or at least establishing a system that does not discourage it) is a necessary component of any effective reward system. Regulations establishing penalties and rewards cannot possibly identify this type of experimentation and address the disincentive for their use that may arise from general rules that reward performance.

Cooperative administration also has the advantage of avoiding some of the problematic administrative aspects of any share duration provision. Since agency administration would not be needed, the program could efficiently make redistributions without a protracted administrative process.

The complexity of administering individual incentives within a cooperative is also likely to be very challenging for the agency, since they do not typically oversee the distribution and use of shares within a cooperative. This could be addressed by simply tying shares to a vessel, which removes all the benefits of the cooperative or alternatively tracking quota distributions within a cooperative, essentially requiring the agency to administer an IFQ program. In either case, a substantial benefit of cooperative management is

lost. Because of these limitations, the Council should consider a requirement that cooperatives address its PSC objectives and annually report on the types of measures employed and their effects.

4. Community protections

Industry believes that any new GOA management program needs to consider and address historical community involvement in GOA trawl fisheries, including employment in the harvesting and processing sectors as well as the effects of management measures on community infrastructure, services, and support businesses.

There is extensive community involvement in the GOA trawl fisheries, and the harvesters and processors involved in these fisheries are the backbone for many of the GOA communities. Maintaining healthy harvesting and processing sectors should be a foundation for any Council action to protect community interests. To derive the greatest community benefits, the Council should actively mitigate potential harms to communities that could arise from the program, while maintaining historical participants.

In devising GOA community protections, the Council should be very explicit in regards to its objectives and the measures it develops. Proposals to include community approval of cooperative contracts could have the unintended consequence that no cooperatives form. Community politics should not be inserted into what are fundamentally business decisions about the daily operation of private companies and individual fishing operations.

On the other hand, carefully crafted measures such as landings requirements, caps on use, or limits to consolidation of ownership of fishing rights can protect community investments and address community concerns. The Council should be skeptical of proposals that simply transfer quota from one group to another unless there is a clear community interest that cannot be addressed through the proper design of the cooperative program.

5. Gear Conversion

The Council motion suggests that the program could be adapted to permit gear conversion allowing Pacific cod allocations to be harvested with fixed gear. Such a provision could be used to address some bycatch issues; however, the complexity of such a provision could require substantial Council and staff resources jeopardizing development of the program as a whole. For this reason, the Council should consider delaying development of any gear conversion provision to a trailing amendment.

Several issues arise under any gear conversion provision.

- Bycatch composition varies across the different gear types. Trawl vessel bycatch is typically smaller fish, than longline bycatch. It is possible that biological management issues may arise from differences in bycatch that result from transfer of shares from trawl vessels to longline vessels. Most importantly, halibut bycatch management and stock assessment issues might need to be addressed.
- Fixed gear fisheries for Pacific cod are current subject to limited access management. The interaction of any quota-based fisheries with the existing limited access fisheries would need to be considered. Catch accounting, in-season management, and quota management systems would

all need to be modified to include both a fixed gear limited access component and a fixed gear quota program.

- The elements of a transfer program would need to be developed, if the Council elects to advance a gear conversion program. These elements could define the terms for annual and permanent transfers, as well as provision for transfers of allocations back to the trawl sector.
- Transfers to the fixed gear sector will require the development of a fixed gear quota program. Such a system could include cooperatives (or IFQs), community and processor protections, transfer provisions, and other elements typically included in catch share management programs.
- Oversight of catches would need to be addressed for any quota fishery. This would likely require revisiting observer requirements on fixed gear vessels fishing quota allocations, which could include consideration of interactions with the existing observer program.
- While federal limited access management interactions may be the primary consideration for addressing any quota management system interactions, it is also possible that State Water Fishery interactions could need to be addressed.

The industry workgroup developed the attached updated and revised framework of elements and options (Attachment 1) for analysis for a GOA wide trawl bycatch management plan. We have provided options to assist the analysts, and specific and final design elements will be refined based on this analysis. The framework is intended to be responsive to the Council October motion. We have also included a response to the questions posed in the Council discussion paper (Attachment 2) to assist in program design.

The appropriate program structure is critical to industry so that we can continue to provide current or expanded harvest levels into the global fish market. Creating limiting species where there were none before risks stranding fish and risks our market share where market demands will fill in with other fish products as substitutes if we fail to meet the market needs. Allowing our industry to be competitive in a global market place is the key to a successful program along with meeting Council objectives for a GOA trawl bycatch management program.

Thank you for your consideration of our comments.

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