

Raising the Partial Coverage Observer Fee Planning update

2/1/2018

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1 Introduction

In 2016-2017, facing news from NMFS HQ that no more Federal funding would be forthcoming for funding at-sea observer coverage, the Council tasked NMFS and the Observer Advisory Committee with considering options to increase partial coverage selection rates, as an alternative to increasing the observer fee. A paper was prepared by a subgroup of the OAC during the summer of 2017, which evaluated whether there are short-term options that can be addressed through changes to the ADP or the Catch Accounting System, and longer-term solutions that may involve regulatory change.

At the October 2017 Council meeting, however, the Council heard from the NMFS Assistant Administrator (Chris Oliver) that they would be receiving a one-time allocation of Federal funding to support the program for 2018-2019, but not to count on any more money forthcoming. The Council also heard from staff that as a best case, initiating an analysis to raise the fee in October 2017 would not result in increased selection rates until 2021 at the earliest. As a result, the Council opted to initiate an analysis to consider increasing the observer fee, with the first steps of the analytical process to be specific requests from the OAC with respect to developing observer coverage reference points, and optimizing the balance of vessels using EM, those in the human observer pools, and those in zero selection. While recognizing that the immediate next steps require agency staff work, the Council requested that the OAC subgroup continue to engage and interact with staff on developing these steps.

2 Purpose and need

In initiating this analysis, the Council did not formally adopt a purpose and need statement. The Council had previously noted that it was uncomfortable with recent selection rates that derive from only using funding from the observer fee. The Council had also investigated whether the current observer fee is being used as efficiently as a precursor to deciding to increase the fee.

The following draft purpose and need statement is proposed by staff:

The North Pacific Observer Program (Observer Program) is widely recognized as successful and essential for the management of the North Pacific groundfish and halibut fisheries. The funding and annual planning and review process for monitoring vessels and processors in the partial coverage category are designed to implement a scientifically reliable sampling plan to collect data necessary to manage the commercial groundfish and halibut fisheries. This system distributes the cost of observer coverage across participants in the partial coverage category and provides annual flexibility to evaluate the performance of and improve the sampling plan, in consultation with the Council. Through this process, monitoring selection rates are adjusted annually according to the available budget. In addition, the monitoring selection rates may be adjusted in response to fishery management objectives.

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The annual process of establishing observer coverage and EM selection rates in the partial coverage category using the Observer Program Annual Report and Draft Annual Deployment Plan is a well-designed, flexible, and legally defensible process. This annual process produces a statistically reliable sampling plan for the collection of scientifically robust data at any level of observer coverage, and also allows for annual consideration of policy-driven monitoring objectives identified through the Council process. However, uncertainty associated with future availability of supplemental Federal funding as well as uncertainty about future total allowable catches of the fish stocks that contribute to the annual observer fees threaten the funding stability for the partial coverage category.

To maintain current levels of observer coverage, fund deployment of electronic monitoring systems, and continue to improve the program, additional funding for monitoring in the partial coverage category is necessary.

3 Alternatives

The Council has not specifically adopted alternatives for this analysis, but the discussion in the OAC subgroup paper (September 2017¹) provides some basis for developing alternatives. **Staff are proposing the following alternatives for Council consideration:**

- Alternative 1: Status quo. Observer fee of 1.25% applies equally to all landings in the partial coverage category.
- Alternative 2: Increase the observer fee up to 2% (analyze a range), to apply equally to all landings in the partial coverage category.
- Alternative 3: Maintain the 1.25% observer fee applying equally to all landings in the partial coverage category, and additionally, raise the fee up to 2% (analyze a range) by gear sector (longline, pot, jig, trawl).

The analyzed metrics within the range of the increased fee in both alternatives 2 and 3 would derive from the reference point analysis requested by the OAC.

4 Proposed Timeline

The earliest time that an increase in revenue could affect monitoring is in 2021. Under this timeframe, the regulatory amendment to adjust the fee would need to be implemented by January 2020, which means that the Council would need to take final action at the latest in early 2019. The following timeline was developed based on these milestones.

October 2017	Council motion initiating action – evaluate raising the fee, but consider OAC recommendations as part of analysis
February 2018	Council adopts draft problem statement/alternatives
May/June 2018 (T)	OAC/Council review of progress on reference point analyses, including gear-specific base level thresholds for the hurdle approach
October 2018	OAC/Council review of EM cost optimization and impacts through the ADP
Dec 2018	Initial review of EA/RIR
Feb 2019	Final Action/Selection of Preferred Alternative
rest of 2019	Rulemaking
Jan 2020	Implementation – fees assessed at new rate
October 2021	Plan for mid-year influx of higher fees in 2021 Annual Deployment Plan
Spring 2021	Fees at new rate received by NMFS

¹ <http://npfmc.legistar.com/gateway.aspx?M=F&ID=3cd6dbe3-2656-43aa-a655-d5fcfc4f9b74.pdf>

In order to keep to this timeline, it is not possible to address all of the OAC's requests within the fee analysis. To do so would necessarily extend the timeframe, which would mean that monitoring with an increased revenue base would not occur until 2022 or beyond. A description of the elements of the OAC requests that can be accommodated within this timeframe is provided in Section 5.

5 Analytical Considerations

This action requires a regulatory amendment only. The FMP is written to accommodate an observer fee up to 2%, with the exact amount specified identified in regulations. The regulatory amendment will require an environmental assessment and a regulatory impact review.

In initiating this analysis to consider raising the observer fee in October 2017, the Council requested staff to include in the analytical process the following specific work products as requested by the OAC in September 2017. The requests are identified in the list below. **In order to stay on track with a schedule that would allow for a higher observer fee revenue base by 2021, staff proposes to incorporate only the highlighted elements listed below as part of the fee analysis.**

1. Continue to develop reference points to inform the scale of measures needed for improving selection rates. There are five example reference points included in the current discussion paper, but the OAC suggests work to develop three other approaches:
 - a. First, developing gear-specific base level thresholds (gear-specific hurdle approach) to ensure that we are getting representative data, as was already requested under the ADP.
 - b. Second, it would be helpful to understand what level of coverage is needed to provide sufficient biological samples for stock assessments.
 - c. Third, what coverage is needed to evaluate the observer effect at the post-stratified gear/target fishery level (recognizing that some trawl target fisheries will need to be grouped for this analysis).
2. Continue to evaluate zero selection criteria and collaborate on the EM optimization analysis. The discussion paper identifies next steps for both of these options.
 - a. For zero selection, these include consideration of further platooning of the hook and line fleet by effort, periodic expanded sampling plans (e.g., planning for more intensive selection rates every 4-5 years for a particular sector), and inclusion of vessels under 40 ft in a redefined zero selection pool.
 - b. For EM optimization, these include developing cost forecasts for the EM selection pool, a study of how much biological data from observers is needed to support a given EM pool size, gap analyses for EM and observer strata, accounting for how the combined sampling achieves overall sampling rates for a gear sector, and consideration of how to design incentives to induce the most cost-effective vessels to participate in the EM pool.

Under this proposal, the analyses required to evaluate items 1c, 2a, and the last part of 2b on the list above would be bifurcated from the fee analysis and would be evaluated as independent projects as staff become available.

Methodology

We intend to use projected fee revenues for 2018 as the baseline for Alternative 1 (status quo) in the analysis. Staff agree that 2018 TACs are enough of a divergence from recent years to warrant a novel approach, as 2018 fees are likely to be lower than in recent years. We have preliminarily identified a future shift in the source of observer fees from halibut and Pacific cod to sablefish. While projected 2018 fee receipts might differ from actual fees collected, the latter amount will not be known until January 2019, and the analysis needs to be prepared in Summer/Fall 2018.