

C4 BSAI Pacific cod Trawl CV LAPP

The SSC received a presentation from Jon McCracken (NPFMC), Darrell Brannan (Brannan & Associates LLC), and Mike Downs (Wislow Research). Written testimony was received from Amos Philemonoff, Sr. (Aleut Community of St. Paul Island), Phillip Lestenkof (Central Bering Sea Fishermen's Association; CBSFA), Heather Mann (Midwater Trawlers Cooperative), and Jon Warrenchuk (Oceana). Oral public testimony was received from Heather McCarty (CBSFA) and Lauren Divine (Aleut Community of St. Paul Island); Jon Warrenchuk (Oceana) was unable to testify due to technical difficulties but referred to his written testimony.

The SSC expresses its appreciation to the Council for specifying a preliminary preferred alternative (PPA) to allow the analysis to focus on the most relevant permutations of the elements and options. The SSC commends the analysts' responsiveness to the guidance and discussion following the previous meeting, especially as they reflect the Council's PPA; the section detailing responses to previous SSC and AP minutes made it easy to identify where information was added to the document.

The revised draft uses the PPA to paint a clearer picture of how various options and elements will work together to achieve the stated purpose and need. In particular, the analysis benefits from the more nuanced distinction between consolidation and specialization in the harvest of Pacific cod, as well as a clearer description of how these co-ops will interoperate with existing co-ops that the same vessels and processors have for other fisheries. Finally, the revised draft provides a more complete characterization of experiences with ex-vessel price effects and market power effects in the presence of various mitigating measures. **The SSC recommends this draft as sufficient to inform decision making by the Council at final action.**

As the analysis indicates, key decisions about the structure of this LAPP will need to be made with incomplete information, as the industry structures and program designs of prior experiences do not closely match those of the proposed program. The SSC had a lengthy discussion of the evidence supporting the need for, and efficacy of, the market power balancing measures. The SSC notes that, globally, empirical evidence for significant shifts in ex-vessel prices following introduction of harvest quota is mixed at best, raising the question of whether theoretical predictions of imbalances bear out in reality. However, many of these cases have market power mitigation measures in place, so this may instead provide evidence that existing measures are sufficient. In the North Pacific, and globally, there is experience with catch share programs that are working well, where processor-centered cooperatives (only) are used to balance market power between harvesters and processors and support community stability. There is also experience with a program where processor allocations of harvest quota (only) are generally considered successful. **The SSC cautions that available experience does not provide evidence that layering considerable harvest quota allocations on top of processor-centered cooperatives will result in an appropriately strong market power mitigation measure.** This may particularly adversely impact non-AFA vessels and vessels without established processor-centered cooperatives, whose initial bargaining power is identified as weaker in the analysis.

The SSC strongly encourages the Council to identify the measures on which this LAPP will be evaluated and authorize a collection program for the data necessary to populate metrics Council and NFMS staff identify for quantifying those measures. In contrast to the long-term strategic social and economic data collection planning being undertaken by the SSPT, a targeted tactical data collection program is required to track compliance with National Standard 8 and to evaluate the effects of this program against its specific purpose and need as it goes into effect. Based on past experience, the SSC is concerned that key information needed to evaluate distributional aspects of the program may be lost among inter-cooperative records and not captured in current data streams. Public testimony revealed a particular need for data necessary to track impacts on small communities engaged in harvesting and processing. The SSC

notes the reliance of this analysis on the quantifiable experience of the West Coast Trawl IFQ program, made possible by a data collection program that provides insight into harvester-processor relationships and captures information on costs from both harvesters and first receivers who benefitted from the program.

The SSC observes that the specification of the PPA helped focus the latest iteration of the analysis, leading to a presentation that was more focused, concise, and accessible. Even in the absence of a PPA, the SSC recommends future analyses be framed around answering key questions raised about the effects of the action (even if they are not explicitly stated) to keep the document as focused and concise as possible. For example, the recap of the previous literature on the effect of quotas on market power could be better focused around the questions of 1) does quota lead to price increases, and if so, under what conditions? 2) Do processor-centered cooperatives affect this? And 3) do processor allocations of harvest quota affect this?