



Initial Review Draft Environmental Assessment/Regulatory Impact Review for Proposed Regulatory Amendment to Adjust the Partial Coverage Observer Fee

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North Pacific Fishery Management Council, April 2019

Initial Review:
an analysis to consider adjusting
the partial coverage observer fee

- Chapters 1 & 2 (Background)
- Chapter 3 (Monitoring Objectives)
- Chapter 4 (EA)
- Chapter 5 (RIR)



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Chapters 1 & 2: Background



The fee-based system was designed to fairly and equitably distribute the cost of observer coverage among all in the partial coverage category and provides a consistent source of revenue directly linked to the value of the fishery.

- Fee first implemented in 2013
- Currently, NMFS collects a 1.25 percent fee based on the ex-vessel value of groundfish and halibut in fisheries subject to the fee.
- This analysis was initiated October 2017

Purpose and Need

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, as funding allows.

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 can allow for annual consideration of policy-driven monitoring objectives identified through the Council process.

To continue to improve the Observer Program, maintain and enhance the Council's ability to meet policy objectives through monitoring, and fund deployment of electronic monitoring systems, additional funding for monitoring in the partial coverage category may be necessary.

Decision Alternatives

Alternative 1: **Status quo**. Observer fee of 1.25 percent applies equally to all landings in the partial coverage category.

Alternative 2: **Increase the observer fee up to 2 percent (analyze a range), to apply equally to all landings in the partial coverage category.**

Alternative 3: Maintain the 1.25 percent observer fee applying equally to all landings in the partial coverage category, and additionally, **raise the fee up to 2 percent (analyze a range) by fishery sector (longline, pot, jig, trawl).**



Other ongoing regulatory & non-regulatory work related to the Observer Program

- Federal Funding
- Zero Selection
- EM Optimization
- Monitoring Cooperatives
- Voucher Program
- Contract Changes
- Modify Deployment Design



Comparison of the Alternatives

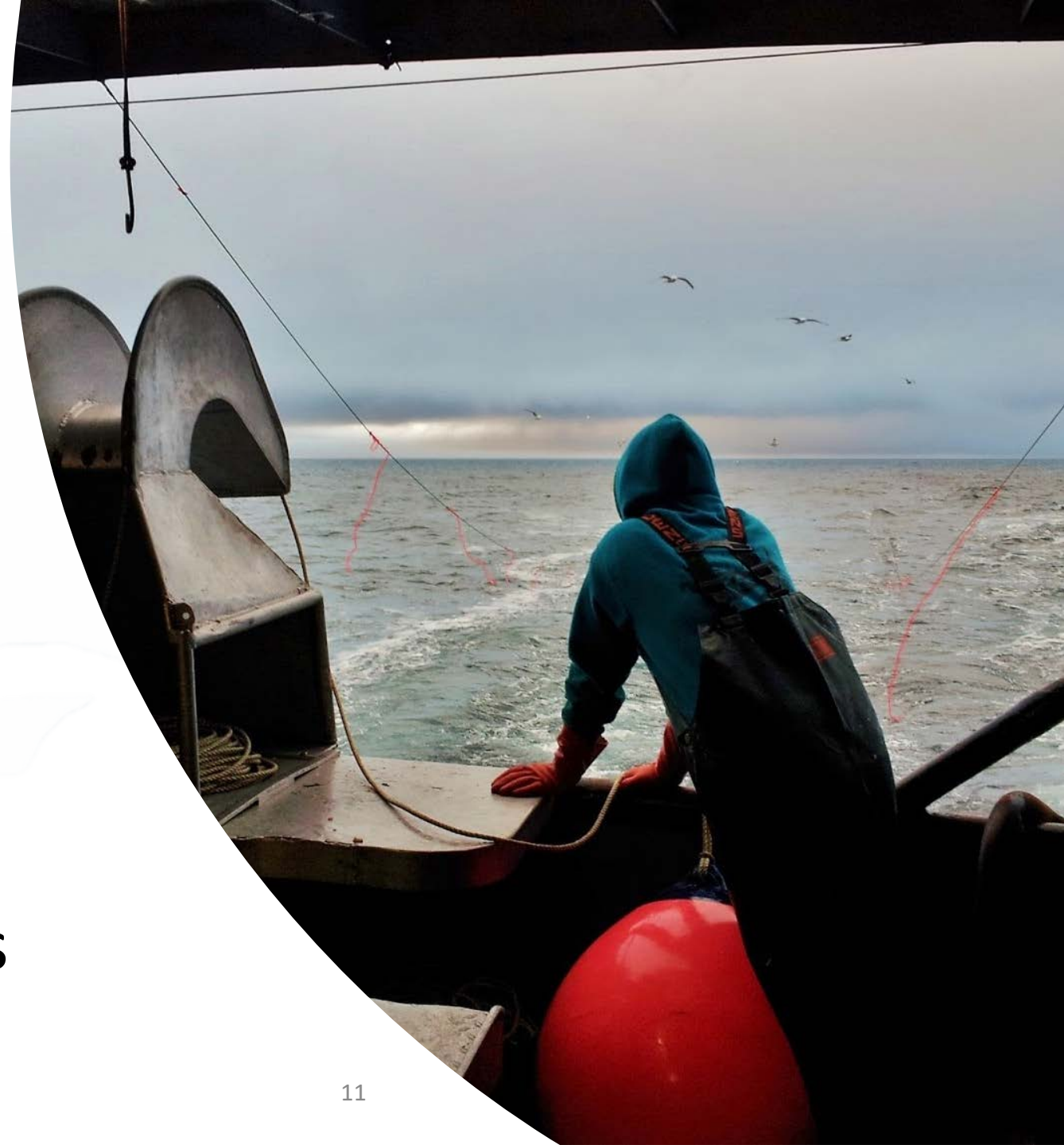
	Alternative 1	Alternative 2	Alternative 3
	Status quo. No action.	Increase the observer fee equally to all landings subject to observer fees	Maintain the 1.25% fee equally for all landings, and consider adjusting the fee up to 2% for individual gear sectors
Fee percentage	1.25%	1.25 – 2.0 %	HAL: 1.25% - 2% Pot: 1.25% - 2% Trawl: 1.25% - 2% Jig: 1.25% - 2%
Standard Price Calculation	Standard prices are calculated for trawl and non-trawl gear sector by port or port groupings	Status Quo	Status Quo
Determination of observer and EM Deployment	Determined each year by NMFS in consultation with the Council in the Annual Deployment Plan	Status Quo	Status Quo
Review of Observer and EM deployment	Evaluated annually in the Observer Program Annual Report	Status Quo	Status Quo

Chapter 3: Monitoring Objectives



Sampling Needs

- Catch Accounting System (CAS)
- Representativeness is key
- Random sampling
- Data for stock assessment
- Data for ecosystem models



Sampling Needs

There is no specific threshold of coverage below which NMFS cannot sustainably manage federal fisheries.

There are levels of coverage below which there is an increased risk of non-representative data, or below which there may be gaps in the ability to obtain biological samples for stock assessments.



Sampling Needs

At lower levels of coverage there is risk that observer data become less useful for achieving random, gear-specific, or area-specific, species-specific sampling.

At lower levels of observer coverage, fishery managers may take more conservative or precautionary approaches towards management decisions.



Policy Objectives

- ❖ Minimizing a 'monitoring effect'
- ❖ Improving discard estimates for fishery species, including minimizing variability and reducing gaps in coverage
- ❖ Priority for monitoring PSC
- ❖ Detecting species decline or rare events



Policy Objectives

- ❖ Design the program with flexibility
- ❖ Provide for equitable distribution of the burdens of monitoring
- ❖ Design the program so the requirement for monitoring does not impact operational choices
- ❖ Foster and maintain positive public perception and stakeholder support



Factors affecting coverage rates

- Fee revenues
- Costs
- Trip length



As you listen to presentations of the EA and RIR... Some Key Points in the Initial Review Draft Document

Ongoing Challenge

Given current trends of decreasing TACs and an uncertain future, **any of the alternatives could result in some phenomenon of accruing lower revenues from the fee than was possible in years past.**

Decision Point

Given the lack of anticipated significant environmental impacts related to this decision presented in Chapter 4, **the Council might choose to make determinations about the fee at this Initial Review based on policy goals.**

Thank you for your attention.



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Regulatory Impact Review: Chapter 5

From the Council's purpose and need:

*"... to improve the Observer Program, **maintain and enhance** the Council's ability to meet policy objectives through monitoring, and fund deployment of EM..."*



The RIR considers...

Trends in the factors that affect revenues

- TAC for key species
- Ex-vessel values
- Monitoring costs

To assess the likelihood that a fee *rate* increase will “maintain and enhance” program outcomes in the context of an uncertain cost/revenue environment.

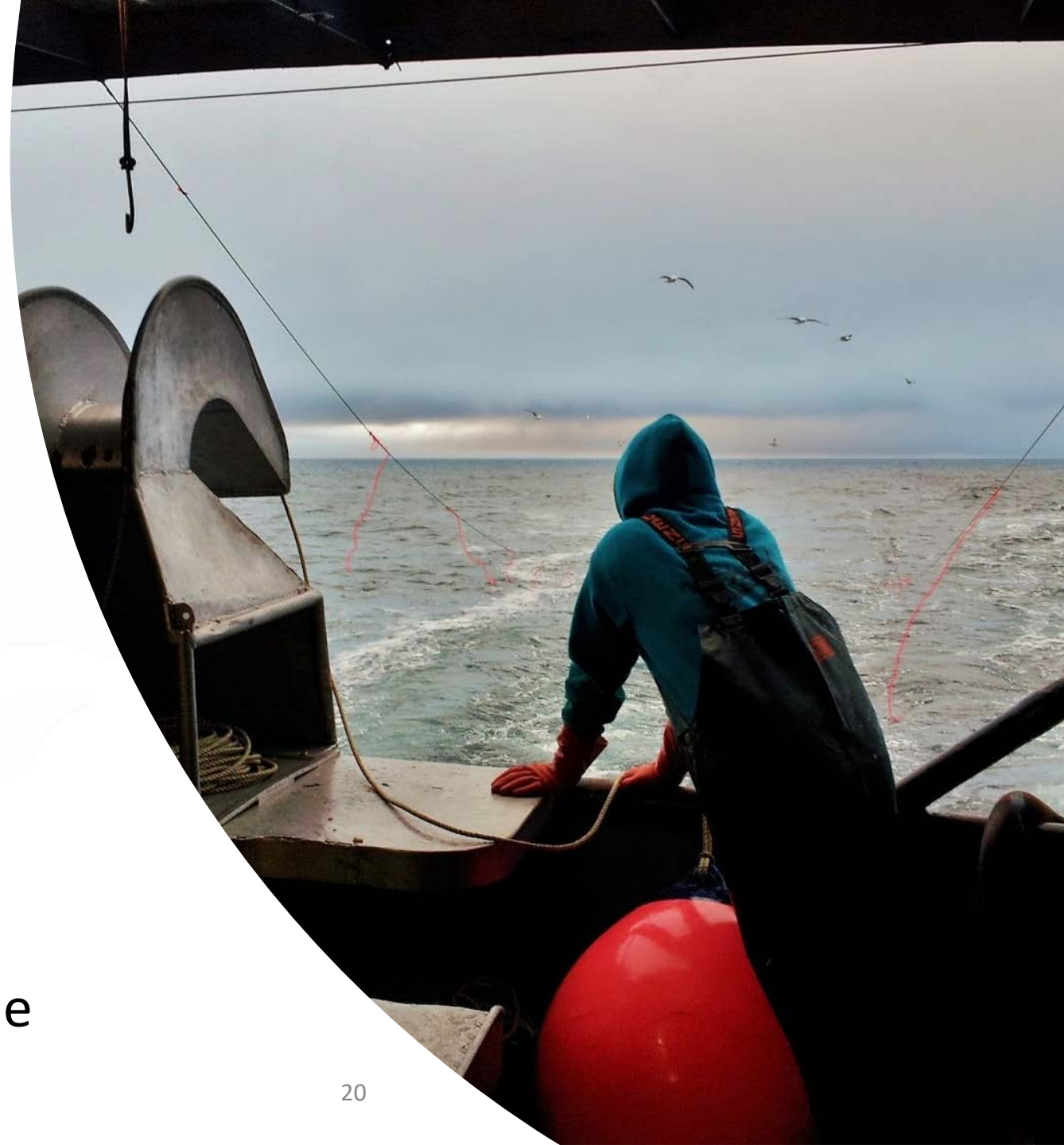


Table 18 (p.113): Annual fee revenues, 2009 – 2017

		Nominal	Inflation Adjusted
Hypothetical	2009	\$4,114,772	\$4,786,920
	2010	\$3,954,914	\$4,518,825
	2011	\$4,582,633	\$5,080,927
	2012	\$5,307,374	\$5,763,709
Actual	2013	\$4,164,670	\$4,371,604
	2014	\$3,366,149	\$3,493,627
	2015	\$3,713,488	\$3,834,373
	2016	\$3,694,995	\$3,774,313
	2017	\$3,774,200	\$3,840,443

Fig. 23 (p.112): Share of fee revenue by species, 2013 – 2017

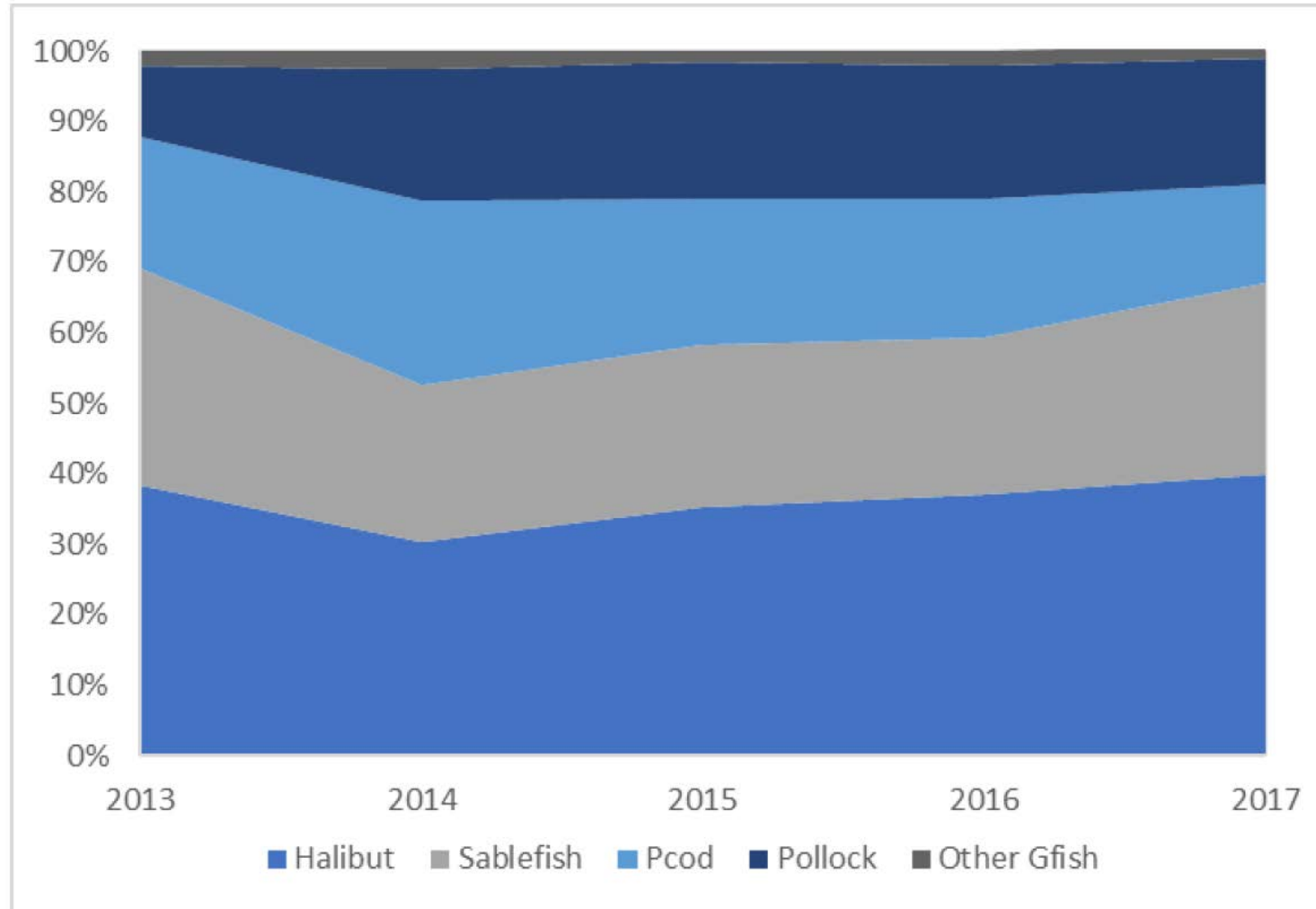
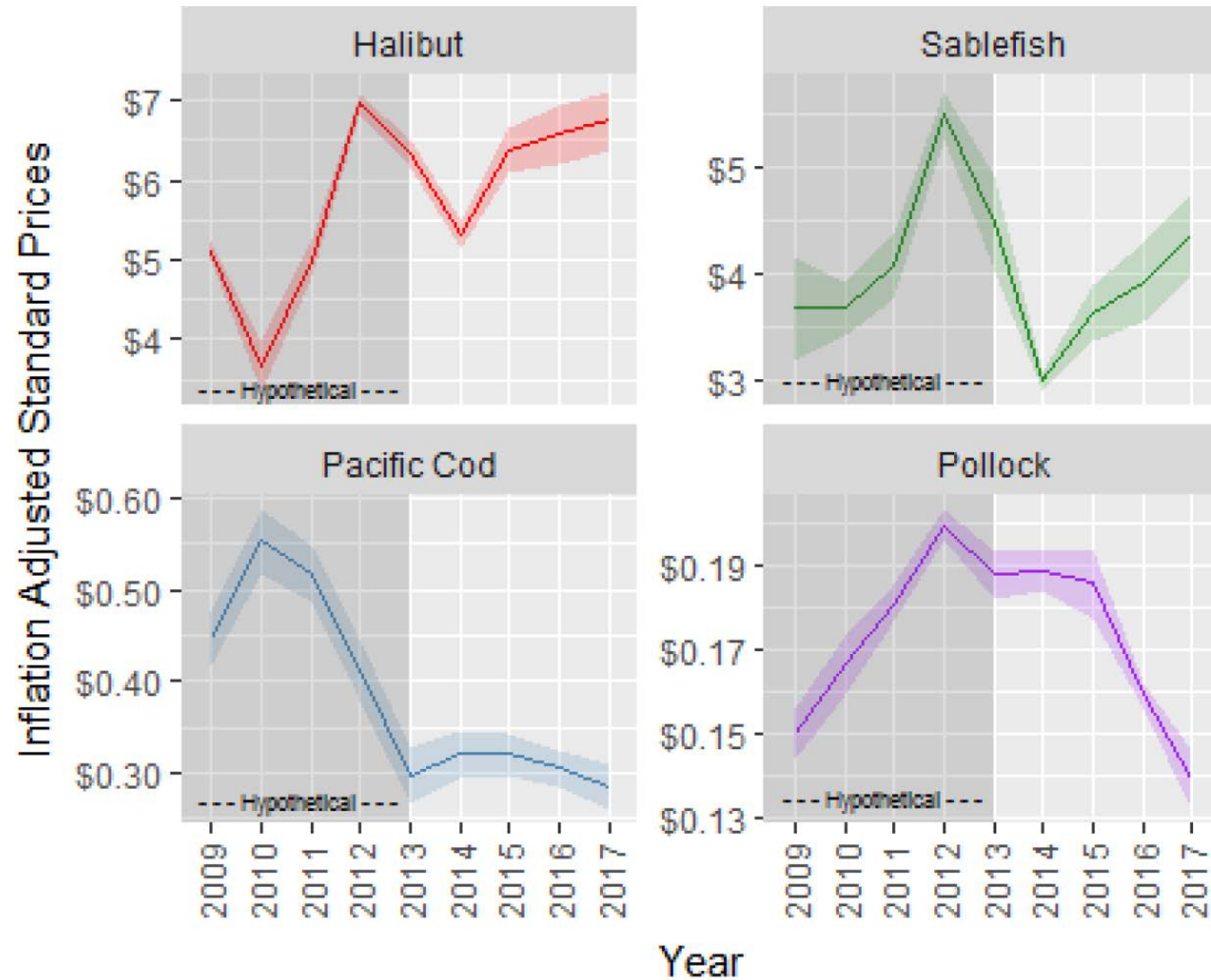


Fig. 3 (p.47): Standard prices (+/- 1 SD), 2009 – 2017



Figs. 24 & 25 (p.117/118): AKFIN nominal ex-vessel prices (2006 – 2017)

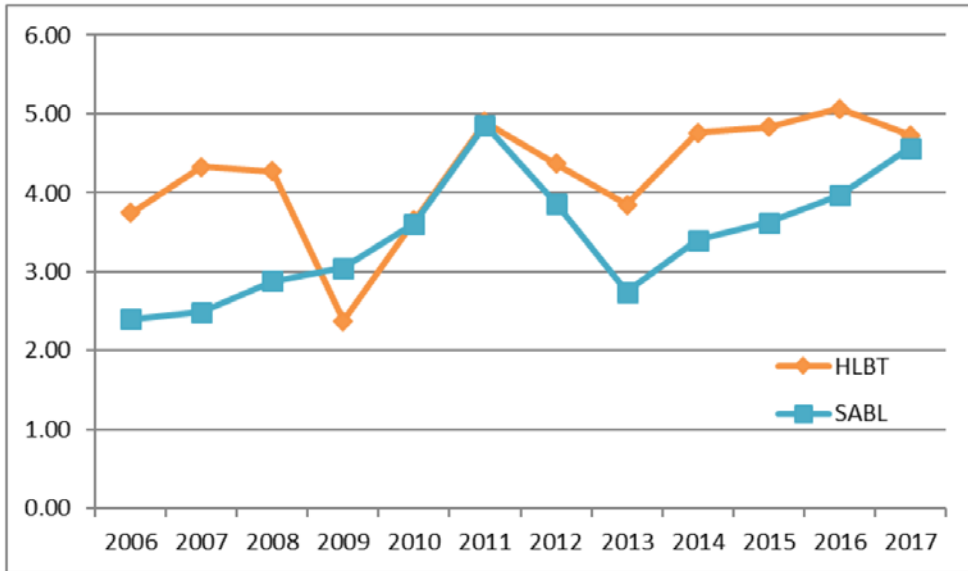


Figure 24 Alaska state-wide average ex-vessel \$/lb. (nominal) for halibut and sablefish (2006 – 2017)
 Source: ADFG/CFEC Fish Tickets, data compiled by AKFIN in Comprehensive_FT. Note: halibut ex-vessel prices are reported based on delivered weight (H&G).

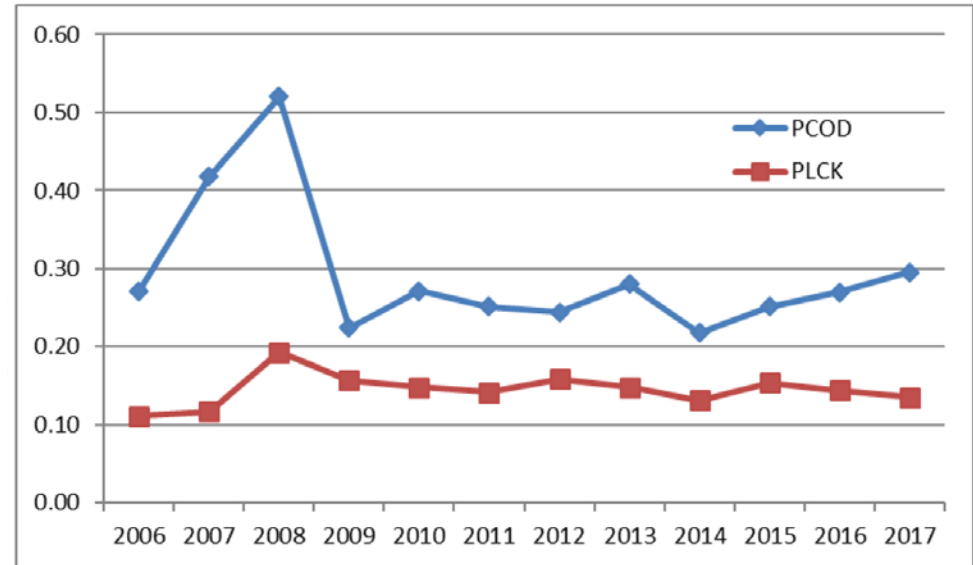
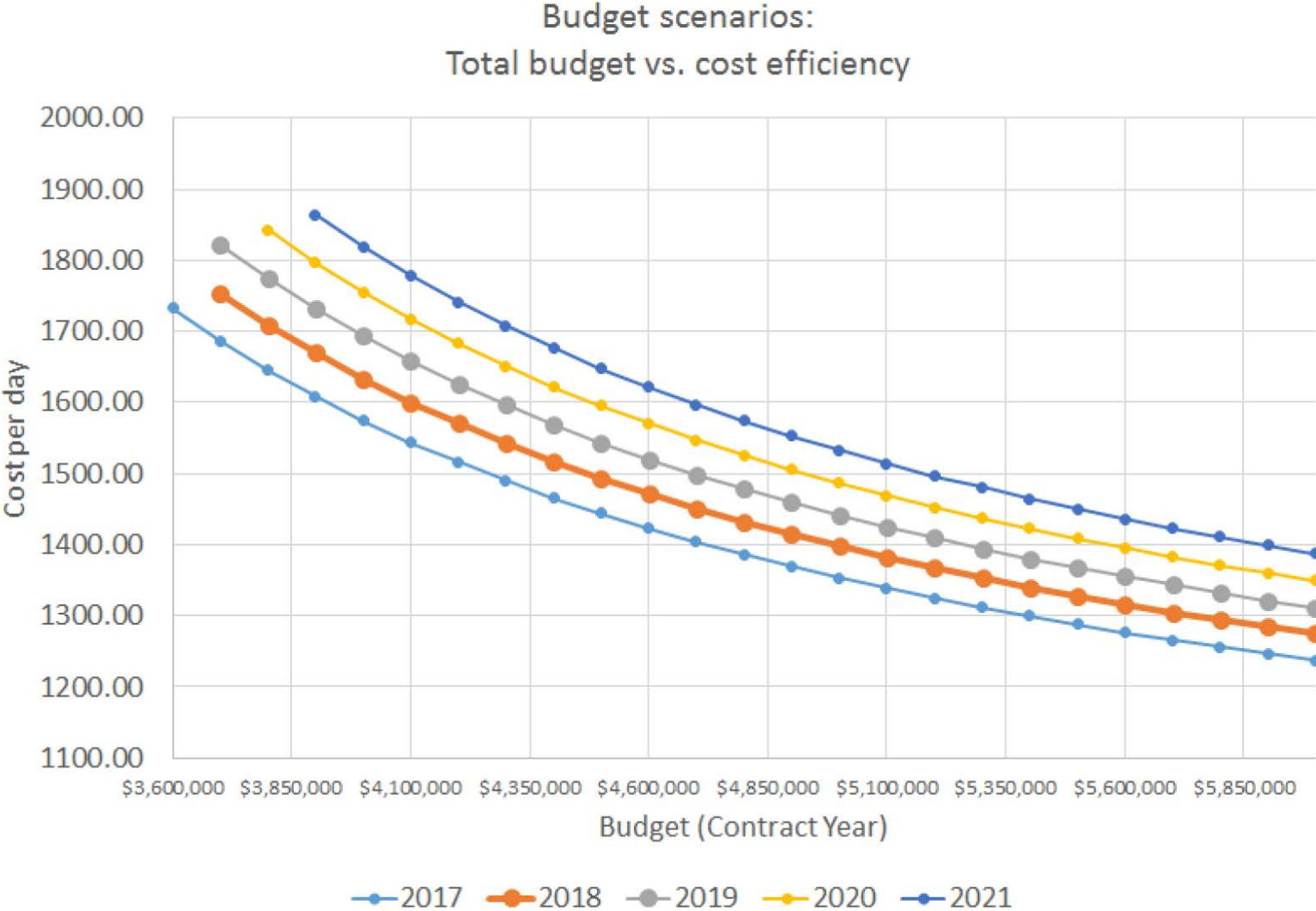


Figure 25 Alaska state-wide average ex-vessel \$/lb. (nominal) for pollock and Pacific cod (2006 – 2017)
 Source: ADFG/CFEC Fish Tickets, data compiled by AKFIN in Comprehensive_FT.

Market Trends (5.5.2.1, p.119)

- Global market... Price-takers
- Supply is “inelastic” ... on a global level supply is down and prices are steady or elevated
- Substitutes... Price affects demand
- Competition... Relative currency strength, Trade relations, New suppliers
- Willingness to pay... Price fatigue

Fig. 9 (p.68): Cost per observer-day under Gap Analysis budget scenarios (incl. guaranteed/optional days)



Participation –

Harvesters, Processors,
Communities

- Affected vessels by state (ownership) – Table 19, p.125
- Affected vessels by gear/fishery – Table 20, p. 126
- Gross vessel revenues by state (ownership) – Table 21, p. 126
- Vessel diversification RE: Partial Coverage fisheries – Tables 22 & 23, p.127
- Processors by type – Table 24, p. 128
- Other taxes/fees – Section 5.5.3, p.131



Impacts

- Benefits in terms of likelihood of achieving program goals
- Costs in terms of risk – “gaps” etc.
 - Short term, Long term
- Not looking at marginal impacts in terms of affording one more/fewer observer-day
- Distributional effects discussed at level of stakeholder group, not community/geography



Alt. 1 – No Action

- Revenue risk analysis was looking backward
- Lower-value period (2013-17)
 - Future outlook moderately positive
 - Barriers to growth
- Lower abundance of key species
- Assume no Federal funds
- “Costs” uncertain but not likely to decrease
 - Cost curve @ lower revenue
 - New contracts
 - EM... EM optimization?



Alt. 1 – No Action

*Is the treadmill going faster?
Am I getting slower?*



Alt. 1 – No Action

- Effects of a “user fee”
 - Regressive
 - Some marginal effects of imposing a fee have already been experienced
- Fee is additional to other operating costs
 - Cost recovery
 - Other taxes
 - IFQ “leasing”
- Consider costs in light of monitoring benefits



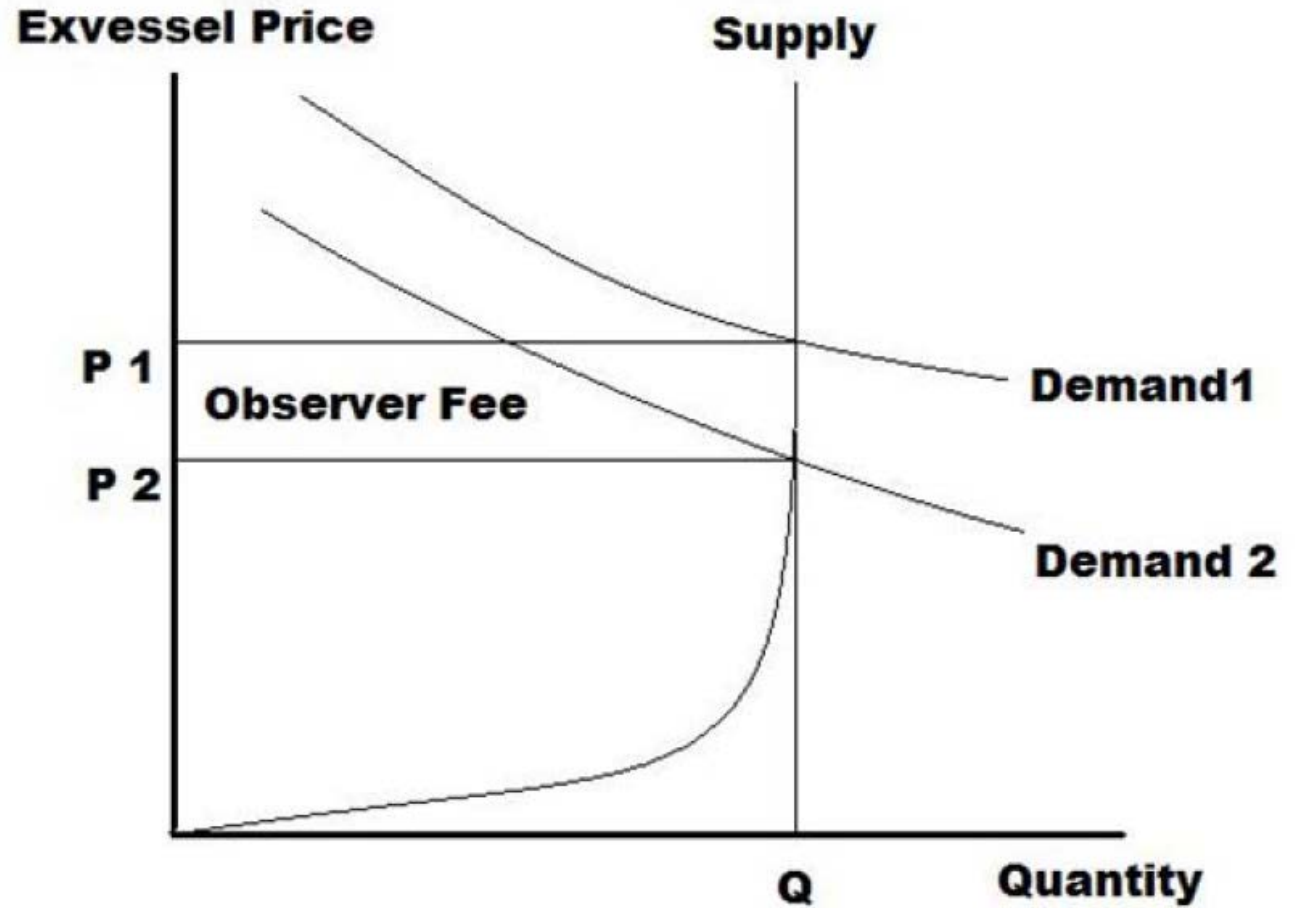
Alt. 1 – No Action

- Benefits and costs flow back to factors of production (e.g. crew)
- Marginal effects flow through engaged communities



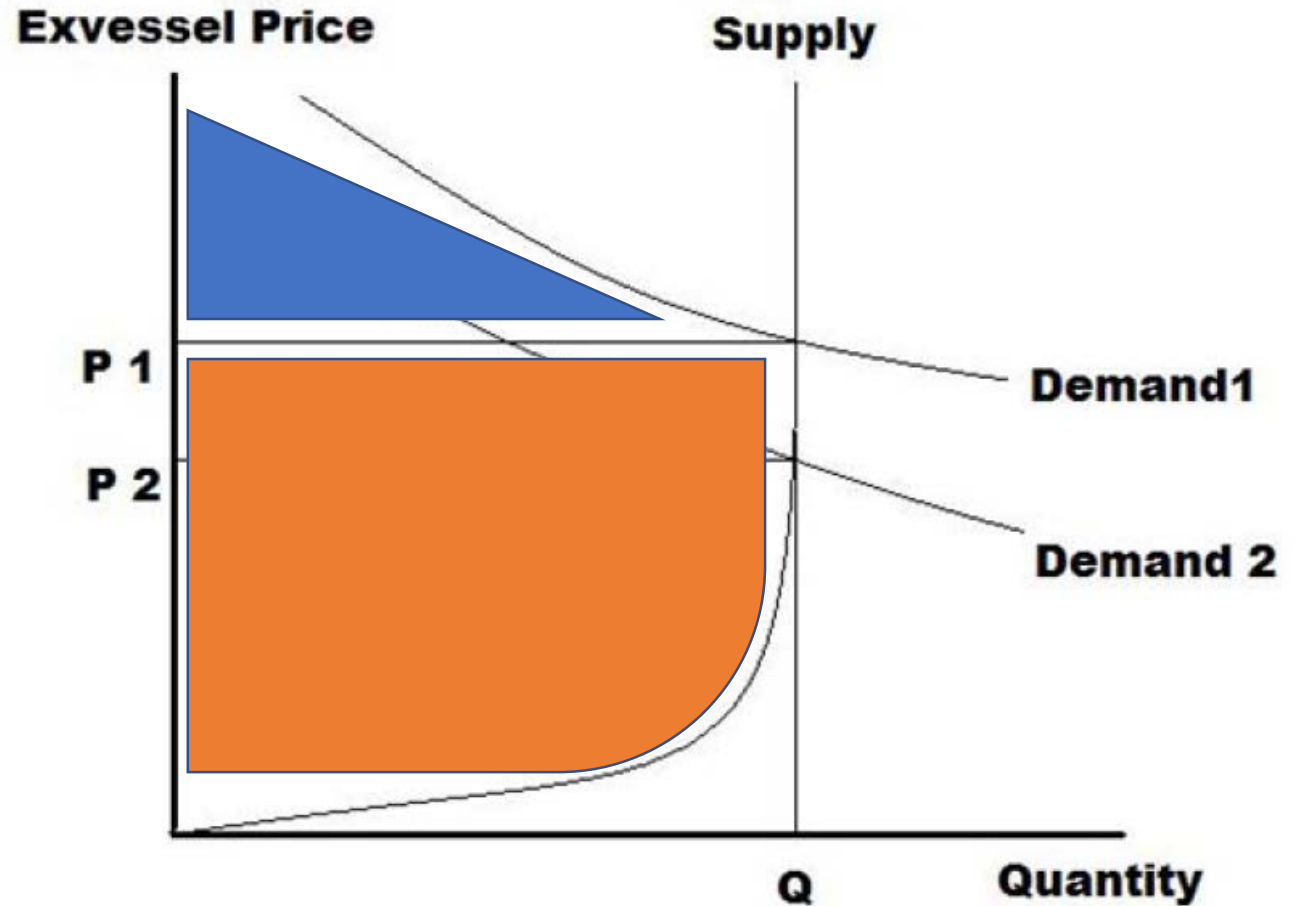
Alt. 1 – No Action Harvesters & Processors

Inelasticity of supply for fully
harvested, valuable species



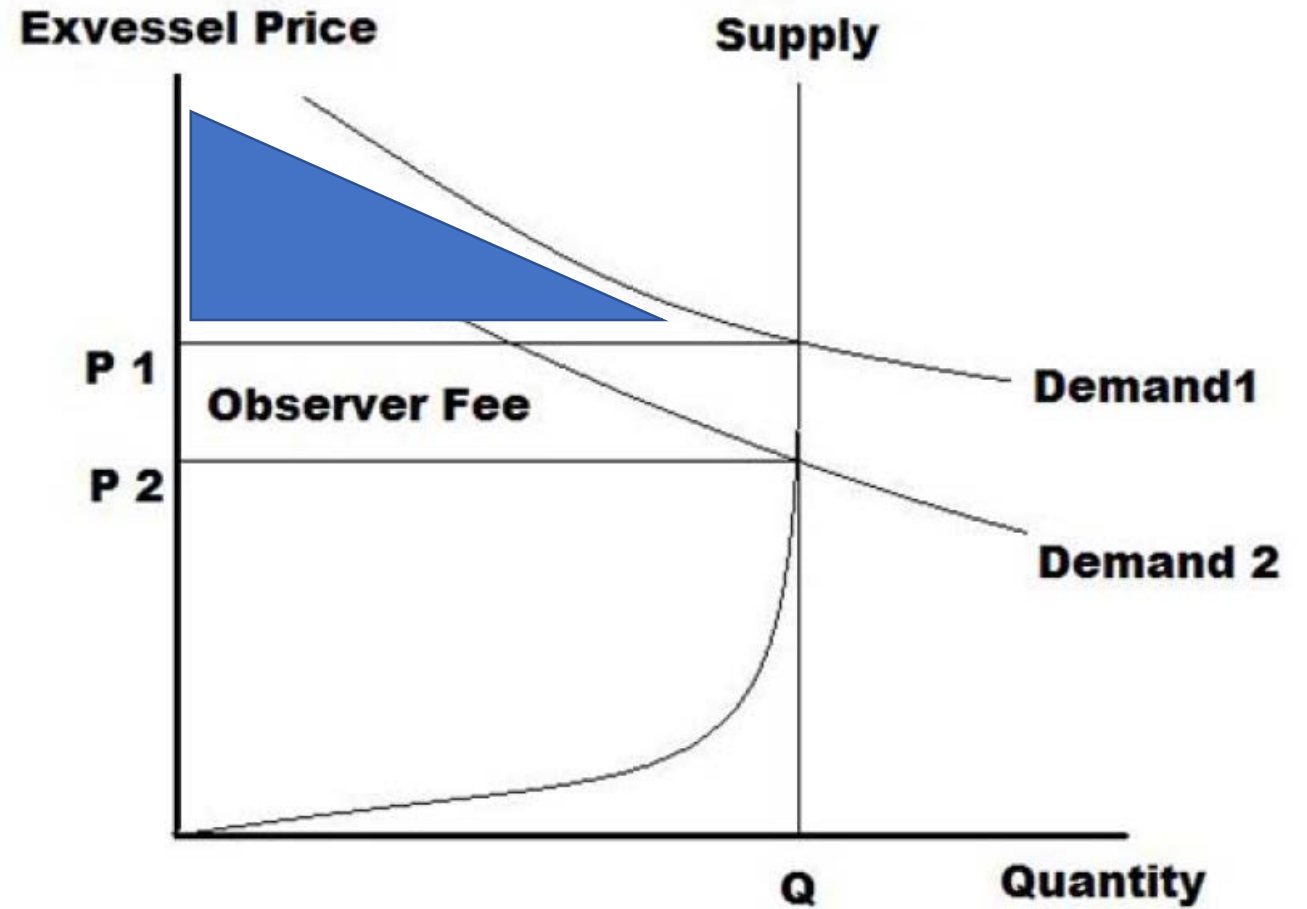
Alt. 1 – No Action Harvesters & Processors

In the dockside (ex-vessel) market, the processor is the “consumer,” and the harvester is the “producer”



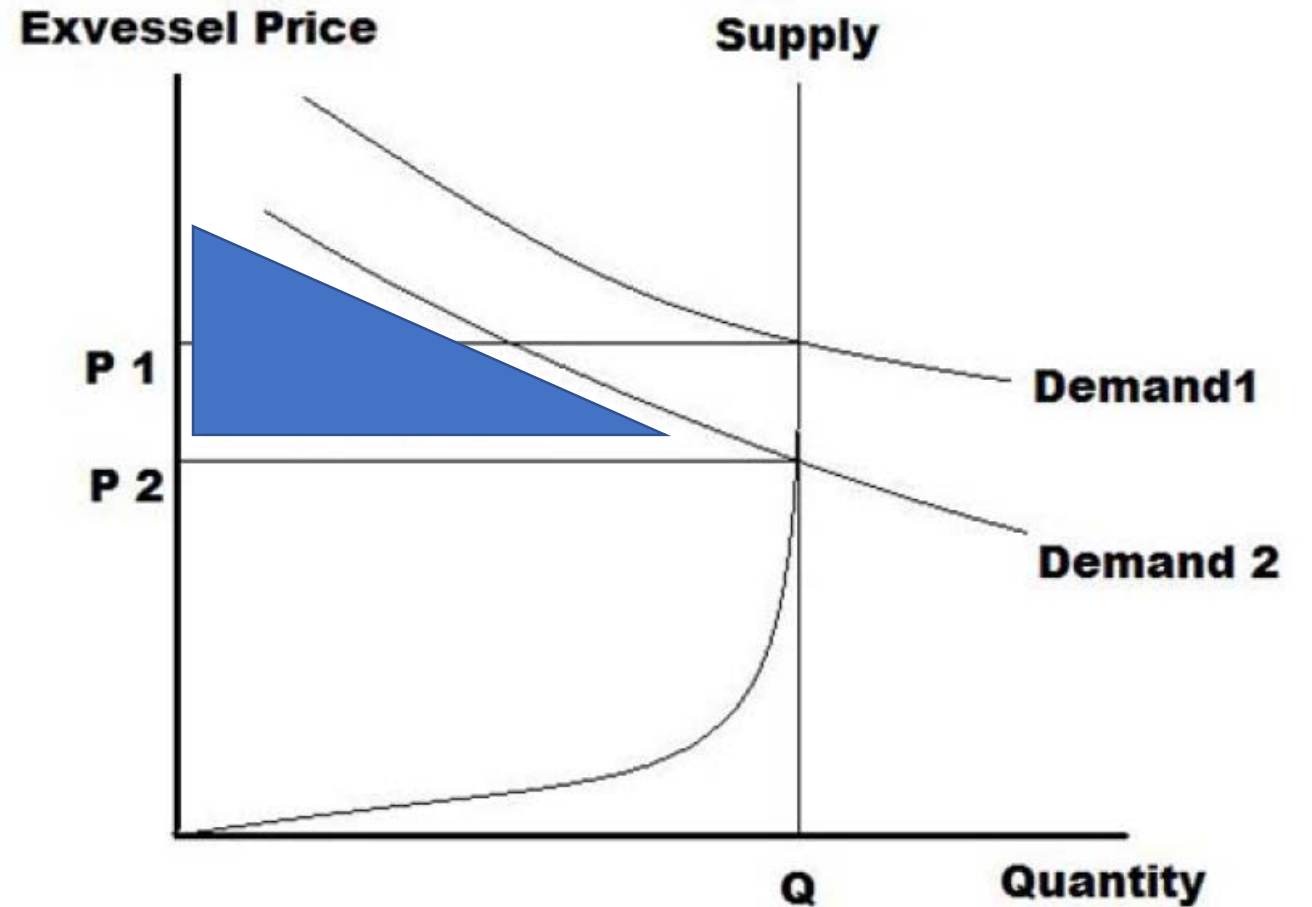
Alt. 1 – No
Action
Harvesters &
Processors

“Consumer surplus”



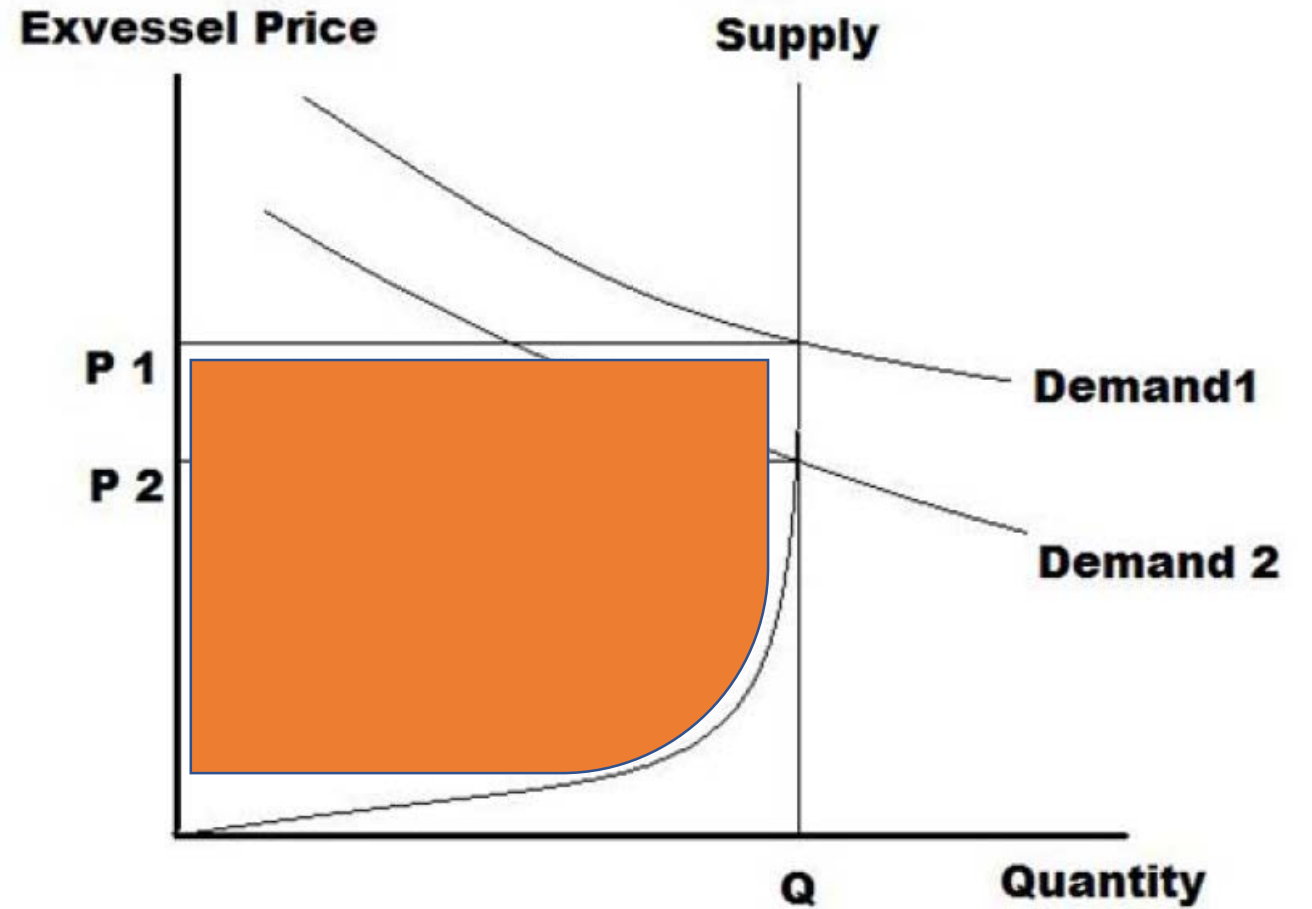
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“Consumer surplus”



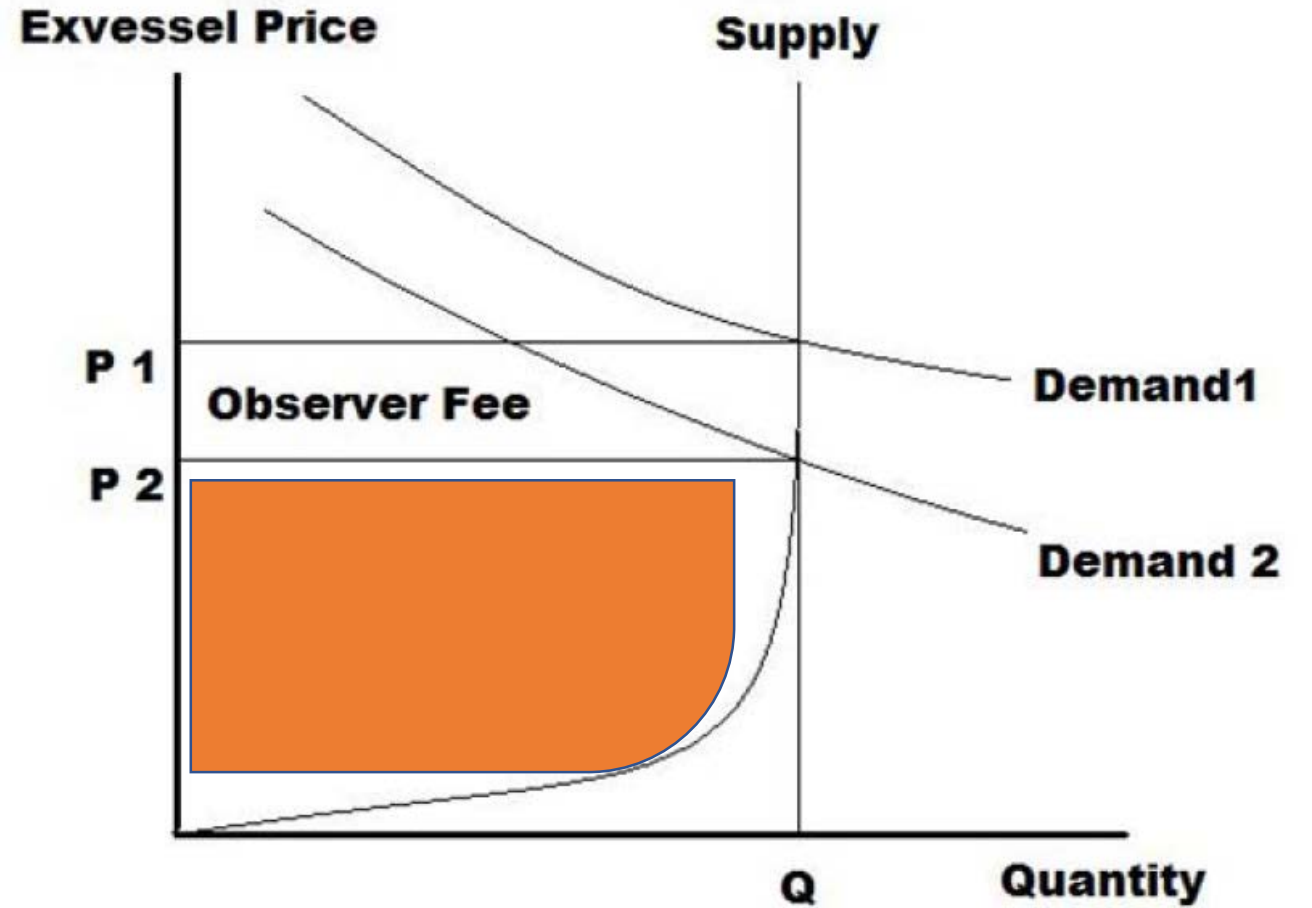
Alt. 1 – No Action Harvesters & Processors

“Produce surplus”



Alt. 1 – No Action Harvesters & Processors

“Produce surplus”



Alt. 2

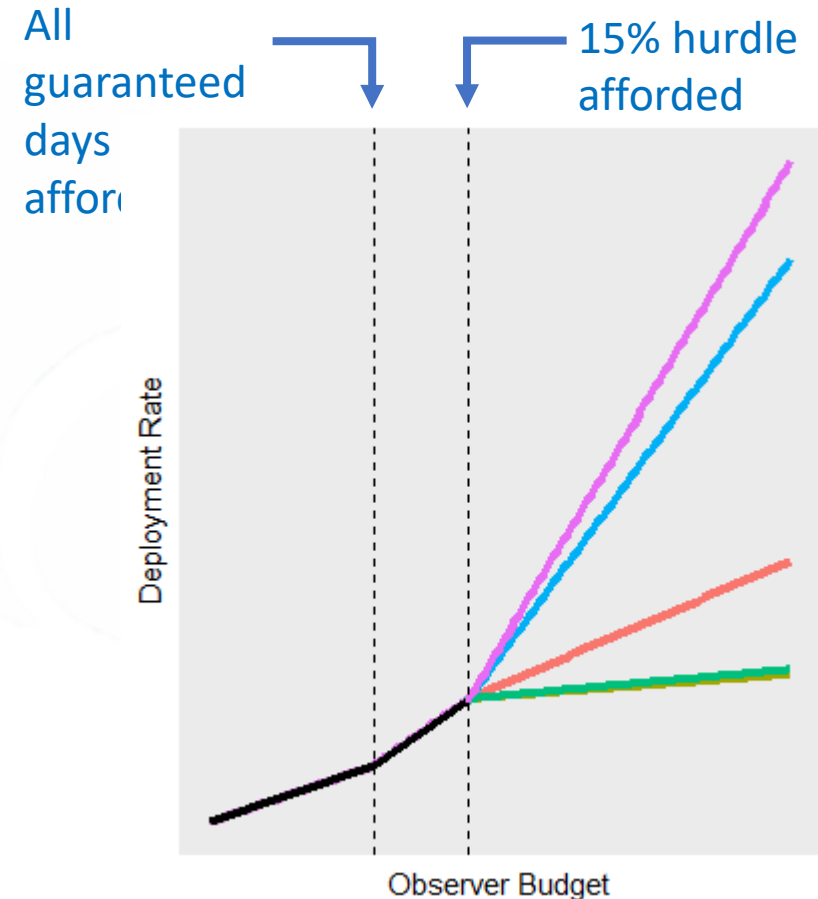
Relative to where we are now, how does the *likelihood* of achieving objectives change?

- e.g. optimizable days

We don't estimate the extent, but we have a good idea of the direction.

So at what cost is this probable change in likelihood achieved? Who pays directly? Indirectly?

What is the "cost" of inaction?



Alt. 3

Consider the factors that influence the *policy decision* of how to define equitability in relation to monitoring objectives

Examples –

Is a fishery:

- Generating discards?
- Managed under PSC limit?
- Participating in EM?



Alt. 3

Document provides information on harvest, revenue, and observer deployment by fishery...

But – unless directed otherwise – we explicitly do not consider “use” of the monitoring program (direct deployment) to be the measure of what is equitable. This is consistent with status quo.

