

U.S. DEPARTMENT OF COMMERCE

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NATIONAL OCEANIC AND ATMOSPHERIC  
ADMINISTRATION

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MARINE FISHERIES ADVISORY COMMITTEE

+ + + + +

Tuesday,

February 23, 2010

The Marine Fisheries Advisory Committee met in the Honolulu Ballroom in the Sheraton Waikiki, 2255 Kalakaua Avenue, Honolulu, Hawaii at 8:30 a.m. Hawaii-Aleutian Standard Time, Tom Billy, Committee Liaison, presiding.

MEMBERS PRESENT:

TOM BILLY, Committee Liaison  
JAMES BALSIGER, Vice Chairman  
TERRY ALEXANDER  
RANDY CATES  
ANTHONY CHATWIN  
PAUL CLAMPITT  
JOHN P. CONNELLY  
PAMELLA J. DANA  
BILL DEWEY  
PATRICIA DOERR  
EDWIN A. EBISUI, JR.  
MARTIN FISHER  
CATHERINE L. FOY  
KENNETH FRANKE

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MEMBERS PRESENT(Cont'd):

STEVE JONER  
HEATHER D. McCARTY  
GEORGE C. NARDI  
TOM RAFTICAN  
KEITH RIZZARDI  
DAVID WALLACE

CONSULTANT TO MAFAC:

LARRY SIMPSON

STAFF PRESENT:

MARK HOLLIDAY, Designated Federal Official  
HEIDI LOVETT  
KARI MacLAUCHLIN  
ANNE BARRETT  
SAM RAUCH  
ALAN RISENHOOVER

ALSO PRESENT:

LEE ANDERSON  
EARL COMSTOCK  
DOROTHY LOWMAN  
JON LYNHAM  
ROY N. MORIOKA  
SARAH PAUTZKE  
KITTY SIMONDS  
BRUCE TURRIS

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1 P-R-O-C-E-E-D-I-N-G-S

2 (8:40 a.m.)

3 VICE CHAIR BALSIGER: Good morning,  
4 everyone. Thanks for coming to this terrible  
5 place for a meeting. I'm glad you put up with  
6 it. Welcome. Now some of you live in  
7 climates just like this and it's pretty  
8 fabulous to come from D.C. to see this in the  
9 middle of February. The agenda calls for me  
10 to make introductions and opening remarks and  
11 we're ten minutes behind, but I have a ten  
12 minute slot there so we are going to make up  
13 about nine minutes of that by me not saying  
14 much.

15 But let's introduce ourselves. I  
16 don't think -- there are a couple of visitors  
17 here who are new -- people probably don't  
18 know. But some people have only been at one  
19 meeting or so. So just to make sure we know  
20 who we are, I am Jim Balsiger. I am the  
21 Regional Administrator for the Fishery Service  
22 in Alaska. I am just finishing up as acting

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1 as head of the Fishery Service.

2 So we have a new boss for the  
3 Fishery Service, Eric Schwaab, who most people  
4 know because he was a member of this group  
5 until about a week ago when he resigned. So  
6 he asked me to tell you that he wished he  
7 could be here. It is a little hectic in his  
8 life right now as he is trying to figure out  
9 what NOAA is about. And trust me, if you  
10 haven't been in D.C., you don't know what NOAA  
11 is about, because it isn't about the stuff we  
12 do at these meetings. It is an interesting  
13 and hectic interface with the political side  
14 of the country, being in Fisheries.

15 So he is busy with that but wanted  
16 me to tell you he will be here, intends to  
17 attend all of the MAFAC meetings. This will  
18 be -- I think he may not have time to do all  
19 of them, but he genuinely believes that this  
20 group is where he is going to get his advice.

21 He is part of it and he knows that we have  
22 used advice from the group before. And this

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1 will be a strong input to the way he develops  
2 policies. So this group will take a new, what  
3 is the word for it, a new leaf in the book, I  
4 guess, and become more important. So this is  
5 a good time to be on MAFAC.

6 So let's do introductions. Tom?

7 MR. BILLY: Okay. Yes, thanks. I'm  
8 Tom Billy. I am the Committee Liaison. And  
9 in my private life, I am president of a small  
10 consulting company, International Food Safety  
11 Consulting, Inc. and semi-retired after 38  
12 years of government service.

13 DR. HOLLIDAY: Hi, I'm Mark  
14 Holliday, your Designated Federal Official for  
15 the federal advisory committee.

16 DR. DANA: I am Pam Dana. I am  
17 owner of Sure Lure Charter Company, a for-hire  
18 charter company, and we also do commercial  
19 fishing.

20 MR. WALLACE: I'm Dave Wallace. I  
21 have a consulting firm from the East Coast  
22 United States. Most of my clients are

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1 commercial fishing clients.

2 MR. JONER: Good morning. I am  
3 Steve Joner with Makah Tribe in Washington.  
4 And I would just like to let everybody know  
5 that my daughter, Emily, is making an amazing  
6 recovery. And she got her halo off about a  
7 month ago and made a trip to South Carolina  
8 with my wife and me last week to go visit my  
9 mom, and she did really well. So, I couldn't  
10 be more pleased.

11 MR. RAFTICAN: I'm Tom Raftican. I  
12 chair the Ecosystems Subcommittee. I run The  
13 Sportfishing Conservancy in California.

14 MR. NARDI: I'm George Nardi of  
15 GreatBay Aquaculture, and we operate a Marine  
16 Species Hatchery in Portsmouth, New Hampshire  
17 and a farm in Maine.

18 MR. CONNELLY: I'm John Connelly  
19 with the National Fisheries Institute.

20 MR. ANDERSON: I'm Lee Anderson. I  
21 am one of the guests. I'm a professor at the  
22 University of Delaware. I do fisheries

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1 economics and I am also on the Mid-Atlantic  
2 Council.

3 DR. CHATWIN: I'm Tony Chatwin. I  
4 am the Director for Coastal Marine  
5 Conservation at the National Fish and Wildlife  
6 Foundation.

7 MS. BARRETT: I am Anne Barrett. I  
8 am the Deputy CFO for Fisheries.

9 MR. FRANKE: Ken Franke. I own a  
10 sportfishing company in San Diego and I am  
11 President of Sportfishing Association of  
12 California.

13 MS. LOVETT: Heidi Lovett with the  
14 policy office of NOAA Fisheries.

15 MR. ALEXANDER: Terry Alexander. I  
16 am a commercial fisherman from Maine, and I  
17 have a couple of groundfish boats.

18 MS. LOWMAN: I am Dorothy Lowman.  
19 I am one of the guests, and I do consulting  
20 and am listed on the Pacific Council. And I  
21 am a former member of MAFAC.

22 MR. CLAMPITT: My name is Paul

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1 Clampitt. I own F/V Augustine in Seattle,  
2 Washington. And we fish IFQ halibut and  
3 sablefish.

4 MR. EBISUI: Good morning. Ed  
5 Ebisui. I am a fisherman. I live on the  
6 other side of the island.

7 MS. DOERR: Rub it in. Patty  
8 Doerr, Director of Ocean Resource Policy for  
9 the American Sportfishing Association.

10 MR. CATES: Randy Cates, also from  
11 Hawaii. I do open ocean fish farming, marine  
12 salvage, repair reefs, a mix of everything.  
13 Also on the other side of the island.

14 MR. EBISUI: He lives on the other  
15 other side.

16 (Laughter.)

17 MS. FOY: I am Cathy Foy from  
18 Alaska. The other, other, other island,  
19 Kodiak, Alaska. I am a marine mammal  
20 biologist and consultant, and on the Protected  
21 Resources Subcommittee.

22 MR. FISHER: Martin Fisher. I am

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1 vertically integrated in commercial fisheries  
2 in Florida.

3 MR. RIZZARDI: Keith Rizzardi. I  
4 am a Florida environmental lawyer and I  
5 publish Endangered Species Act Blog.

6 MS. McCARTY: I am Heather McCarty.  
7 I am from Alaska and I am a fisheries  
8 consultant.

9 MR. SIMPSON: I am Larry Simpson,  
10 Gulf States Marine Fisheries Commission.

11 MR. TURRIS: I am Bruce Turris, an  
12 invited guest, a consultant from British  
13 Columbia.

14 MR. RAUCH: Sam Rauch, Deputy  
15 Director of the Fishery Service.

16 MR. COMSTOCK: Earl Comstock. I am  
17 a consultant out of Washington, D.C. I am a  
18 guest.

19 MR. RISENHOOVER: I am Alan  
20 Risenhoover, the Director, Office of  
21 Sustainable Fisheries, National Marine  
22 Fisheries.

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1 MR. LYNHAM: I am John Lynham. I  
2 am actually an uninvited guest by some  
3 problem. I am a professor here at the  
4 University of Hawaii, and I was one of the  
5 authors on the Catch Shares Paper.

6 VICE CHAIR BALSIGER: Well,  
7 consider yourself invited, and welcome.

8 MS. MACLAUHLIN: I am Kari  
9 MacLauchlin. I am a Sea Grant Fellow in the  
10 policy office.

11 MR. DEWEY: I'm Bill Dewey from  
12 Taylor Shellfish out in Washington State.

13 VICE CHAIR BALSIGER: So Heidi and  
14 Mark, maybe you can tell us what our status is  
15 of our internet connection. This is kind of  
16 intended to be a paperless meeting. And so a  
17 lot of us don't have any papers along. Are we  
18 are going to be able fix it? Do we know if we  
19 will be able to fix it?

20 MS. LOVETT: Yes, that is some --  
21 we are supposed to have 35 users be able to  
22 get onto the wireless. So we are trying now

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1 to work with it to make sure. The user name  
2 and the password are up there. It is case  
3 sensitive. It is up on that piece of paper.  
4 So I am waiting for them to come back and tell  
5 me. Because if people are having troubles, --

6 VICE CHAIR BALSIGER: And they  
7 offered, mine says the maximum number of  
8 people has been --

9 MS. LOVETT: Somebody else must be  
10 using it. So I have let them know.

11 VICE CHAIR BALSIGER: I know that.  
12 But I just wanted to make sure everyone else  
13 was not further frustrated thinking it was  
14 only them.

15 MS. LOVETT: Okay. So nobody's on.

16 DR. HOLLIDAY: I have a couple of  
17 administrative notes, just to make sure  
18 everyone is aware of it. For your information  
19 for restrooms, if you go out this door and  
20 then to the left around the corner, you will  
21 see a glass block wall. There are the  
22 restrooms there.

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1           In terms of emergency exits, in  
2 case of an emergency we have to evacuate the  
3 room. There are two exit stairwells. One out  
4 the door and to the right at the end of the  
5 hall. That will take you down to the  
6 stairwell. Also an exit to the left will take  
7 you down over the stairwell. Don't use the  
8 elevators.

9           We have an agenda that Tom will go  
10 through and talk about that, but we also have  
11 an evening event scheduled for tonight. We  
12 will hear more about that as we go on.

13           If there is any problem with your  
14 rooms or any of the other issues, both Kari  
15 and Heidi will be more than happy to  
16 troubleshoot the problems. As soon as we get  
17 the unit up and running, we will take on the  
18 next challenge.

19           MR. BILLY: Okay, thank you very  
20 much. I would like to turn now to the agenda  
21 and speak briefly to the agenda. For those of  
22 you that were present at our last meeting, you

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1 will recall that there was a request that the  
2 committee consider a yet-to-be-publicly-made-  
3 available draft policy on catch shares. And  
4 after learning more about it -- what the  
5 agency could share at that time -- the  
6 committee requested that we add an extra  
7 meeting this year, timed so that we will be  
8 eligible to provide comment on the proposed  
9 catch share policy and related materials. And  
10 this is that meeting. And the purpose in  
11 particular of this meeting is to focus on that  
12 subject area.

13 The topic is a complex topic. It  
14 is important to fisheries in many respects,  
15 not just the people that make a living in  
16 fisheries or enjoy fishing, but also those  
17 that try to manage fisheries as well. And it  
18 is an important tool that has shown some  
19 significant success.

20 It is likely that this will not be  
21 the last time this committee deals with this  
22 subject. It is going to be, I believe, an on-

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1 going area of interest and concern,  
2 particularly as the agency moves forward with  
3 its policy. There will be a need for reviews,  
4 as well as perhaps other input to the agency  
5 as time passes.

6 Not only do we have an opportunity  
7 for providing public comment through this  
8 committee, but each of you also have the  
9 opportunity as individuals to provide public  
10 comment in to the process, and NOAA is  
11 encouraging that. It wants comment input so  
12 that it can consider all of the comments and  
13 refine, as appropriate, the draft policy as it  
14 moves to a final draft.

15 So that pretty much will take up  
16 the first day. And then if you look at the  
17 second day, down at the bottom, you will see  
18 where there are scheduled several subcommittee  
19 meetings. And the last one, the meeting of  
20 the Strategic Planning, Budget, Program  
21 Management Subcommittee chaired by Heather is  
22 the subcommittee that will then take up this

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1 subject as its primary focus, based on all of  
2 the comments here today and other inputs, and  
3 formulate a set of comments that will then be  
4 carried back to the full committee.

5 Also on the second day, there are  
6 two other subjects that we felt warranted  
7 attention by this committee at this time. The  
8 first is at the top of Wednesday, day 2, the  
9 Budget Formulation and Development. The  
10 reason this is so timely is that, as you have  
11 probably been hearing, there is intense  
12 growing concern about the status of the  
13 government budget and the need to find ways to  
14 reduce federal spending. And this obviously  
15 will lead to the targeting, among other  
16 things, of those agencies in the federal  
17 government that are under what are called our  
18 discretionary spending, and NOAA Fisheries is  
19 an example of that.

20 And so it is important not just to  
21 think about the planning for future budgets  
22 but also, as you are moving into a period of

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1       retrenchment, which I believe is the case, for  
2       this committee to have an opportunity to  
3       provide guidance to the agency, in terms of  
4       priority setting, if things have to go what  
5       things should go first. That kind of input.  
6       And I think the agency would welcome that.

7                 We have added another item that is  
8       a subject area that the committee has dealt  
9       with several times previously, and that is the  
10      issue of methylmercury in seafood. And you  
11      will see there is going to be a presentation  
12      on some research that is being carried out  
13      here in Hawaii. And I think you will find it  
14      very informative and enlightening in terms of  
15      some new information, scientific information  
16      that has come out.

17                And then finally there is a new  
18      report out produced by the Department of  
19      Commerce     Inspector     General     on     NOAA  
20      enforcement. And this is getting an awful lot  
21      of attention in Washington and other parts of  
22      NOAA and Fisheries. And we will learn more

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1 about the report and what it says and, more  
2 importantly, the committee then needs to think  
3 about whether this ought to be a major topic  
4 for us at a subsequent meeting, and what kind  
5 of input we feel we can provide.

6           So those are the main features of  
7 the agenda. There is an opportunity to go to  
8 the fish auction on Thursday morning. I  
9 recommend it. It is very interesting. You  
10 will see a lot of different species than --  
11 unless you live here -- you are used to  
12 seeing, and it is fun.

13           We will have some other reports and  
14 then the report out of the various  
15 subcommittees. I don't want to diminish the  
16 importance of the new Recreational Fishery or  
17 Fish Subcommittee, and the Protected Resources  
18 Subcommittee. In both cases, you will recall,  
19 we are working to, in Recreational Fisheries,  
20 to help the administration, the NOAA, to plan  
21 a national meeting, as well as some other  
22 input that they have requested.

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1           And in Protected Resources, we are  
2 also looking at areas where this committee can  
3 provide meaningful input in this important  
4 subject area as well.

5           So that is the agenda. We will  
6 hopefully finish on time Thursday. I will do  
7 my best to make that happen. Are there any  
8 comments or subjects, new business that anyone  
9 would like to raise at this time?

10           (No audible response.)

11           MR. BILLY: No? Okay. All right,  
12 thanks.

13           So we will move on now to the  
14 principal topic for today, catch shares. And  
15 it is my pleasure to call on Mark Holliday to  
16 set the stage with a presentation on the Draft  
17 Catch Shares Policy, and an opportunity for  
18 some questions as appropriate. Mark?

19           DR. HOLLIDAY: Thank you, Tom.

20           So I would say refer to the  
21 annotated agenda on our website, but if you  
22 don't have connectivity that would be probably

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1 salt in the wound. So, I won't say that.

2 But I will give you a little bit of  
3 context for the material that we are going to  
4 talk about. Tom did a great job explaining  
5 what happened at our last meeting. And in  
6 November the Draft Catch Share Policy that we  
7 are having up for public comment was not  
8 issued yet, so it was difficult for me to  
9 explain to you in any great detail what the  
10 contents were. Unfortunately our timing  
11 didn't have the policy being released until  
12 December. But Catch Shares really is a  
13 program that this administration is asking  
14 councils and others to consider. And while it  
15 is not a mandate, it is not a requirement, it  
16 is not a prescription, there certainly are a  
17 lot of reasons why Dr. Lubchenco and her staff  
18 would like to promote that consideration. And  
19 what I would want to do this morning is to go  
20 through the policy and provide this context  
21 for the discussion for the rest of the day.  
22 And if I could just queue that up to make sure

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1 you understand how this pieces together.

2           The purpose of all of these  
3 presentations is to help facilitate MAFAC's  
4 consideration of the NOAA policy. So while we  
5 all have opinions about catch shares in  
6 general and different experiences that we will  
7 be sharing with each other today, it is really  
8 not a referendum on catch shares per se. It  
9 is an attempt to try to build comments on the  
10 draft policy as part of a charge to the  
11 committee, which is to provide advice to the  
12 administrator and the Secretary of Commerce on  
13 these policy issues.

14           So that is the context. So I will  
15 begin by presenting the contents of the  
16 policy, and then we organized two panel  
17 discussions. And throughout the day, we are  
18 hoping to promote a dialogue about people's  
19 knowledge, experiences, information both from  
20 the personal viewpoint -- and so we are going  
21 to have an internal panel discussion,  
22 following my presentation -- of people who are

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1 currently in a catch share program or helped  
2 build one.

3 We will go around and hear from  
4 different members of the committee who have  
5 had that type of experience, open that up for  
6 questions and answers. And this is a learning  
7 process, trying to understand what some of the  
8 differences are, what some of the successes  
9 have been, what some of the problems have  
10 been, in the history of personal experiences  
11 with catch shares by the members.

12 And so that will take us through  
13 the session through lunch. And it will be  
14 informal in the sense of asking questions, you  
15 know, see where the dialogue goes. It is all  
16 based on trying to get you comfortable being  
17 able to then look at the catch share policy  
18 and see how well does it address this issue,  
19 and what improvements we might suggest in our  
20 comments to NOAA about the policy itself.

21 After lunch we are going to have an  
22 external panel -- another panel discussion

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1 with external experts. At the request of  
2 members, we were asked to bring in people  
3 knowledgeable, experts in their field, with  
4 the catch share, and we are very fortunate to  
5 have some very esteemed guests talk to us  
6 about their involvement in the development of  
7 catch share programs here in the U.S. and in  
8 Canada. They all have presentations that they  
9 will share with us, questions and answers  
10 about the policy, about the catch shares  
11 programs that they are familiar with, and then  
12 open it for discussion.

13 On our annotated agenda, if we  
14 don't have it back up online, we can post it  
15 on the screen, but I developed a number of  
16 trigger questions to help start the  
17 discussion, but we are not limited to those  
18 questions. We don't even have to use those  
19 questions if there are other avenues or other  
20 areas that the committee wants to pursue to  
21 discuss the catch share information that we  
22 have heard from these experts.

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1           So all of this is to try to build  
2           some learning capacity, exchange of ideas,  
3           some pros and cons, some concerns, what are  
4           the most important issues, all in the context  
5           of -- eventually by the end of the meeting we  
6           would like to have MAFAC work on a draft set  
7           of comments that would be submitted by April  
8           10th, that is the deadline for NOAA's comment  
9           period, back to the Secretary. In particular,  
10          we are interested in what this advisory  
11          committee has to say about that draft policy.

12          And so NOAA is very much interested in  
13          providing you the opportunity, as well as the  
14          resources, to explore the policy and get your  
15          advice and your feedback on it.

16                 So does that make sense in terms of  
17          the structure? We are going to start out with  
18          the policies and panel discussions. And I  
19          have asked the experts or our invited guests  
20          to sit at the table because throughout the  
21          day, if there are questions that come up that  
22          we can use them as a resource. Well, how

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1 about this or how did it work there? Or do  
2 you have something to complement what is going  
3 on? Take advantage of them being in the room  
4 and not just for the time that they are  
5 presenting their sessions. So I would like to  
6 take advantage of the opportunity to ask them  
7 to participate to the extent that you need and  
8 want their input.

9 Sound okay?

10 So I will launch into the  
11 PowerPoint that I have put together. It  
12 actually is different. I looked at the one I  
13 gave in November. This one actually is a  
14 little bit different, so I hope it is building  
15 on what you have already heard from me about  
16 the Draft NOAA Catch Share Policy.

17 I usually like to start out and  
18 share our common definition of what we and  
19 NOAA are using for defining a catch share. It  
20 is an overall generic term used to describe a  
21 fishery management program. It is not defined  
22 in statute. You won't find it in any U.S. law

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1 -- what catch share is -- but the term itself  
2 refers to allocating a specific portion of the  
3 total allowable catch to some entity. That  
4 entity could be individuals, a cooperative, a  
5 community. The exclusivity of it is -- one of  
6 the most important features is -- the idea  
7 that the recipient is directly accountable, is  
8 directly responsible to stop fishing when  
9 their specific share allocation is reached.

10 It does include some of the  
11 programs that are defined in the Magnuson Act,  
12 that are defined in law such as Limited Access  
13 Privilege programs. It is within this  
14 umbrella term of catch shares. Individual  
15 Fishing Quotas, IFQs, again these are  
16 identified and defined in the Magnuson Act.  
17 Fishing communities and regional fishing  
18 associations, other allocative measures --  
19 they are all under this umbrella term. Some  
20 are defined in statute and some are not, but  
21 again, providing that direct accountability,  
22 making an allocation of some share, some

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1 portion of the total allowable catch to an  
2 entity.

3           So as context as to why NOAA and  
4 Dr. Lubchenco are involved in this entire epic  
5 about catch shares comes back to what the  
6 current fisheries management challenges that  
7 we are facing under the Magnuson Act. If you  
8 look throughout the 40 some-odd fishery  
9 management plans around the country, you have  
10 seen that we have had difficulty over time in  
11 some fisheries, in particular controlling  
12 catch to an overall limit leading to over-  
13 fishing.

14           In some fisheries, not all, but in  
15 some fisheries there is still a race to catch  
16 as much fish as possible as derby conditions,  
17 which can lead to overcapitalization. This  
18 dilemma of too many boats, too few fish,  
19 resulting in lower profits and poor product  
20 quality in many examples.

21           In many of our current fishery  
22 management challenges, bycatch is a big issue.

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1       There is no incentive to change current  
2 fishing behavior to reduce bycatch.

3               Some of the difficulties encountered  
4 with derby fisheries are seasonal gluts of  
5 fish in markets, depressing prices, affecting  
6 the product quality in order to race to fish.

7       Sometimes fishermen are looking to make  
8 decisions to go out fishing in weather that is  
9 unsafe, conditions that are unsafe, in order  
10 to maximize their share of the total allowable  
11 catch before their competitors get it.

12               And if you look at where we stand  
13 economically, U.S. fisheries are currently  
14 underperforming economically. In other words,  
15 because of these conditions and these races to  
16 fish, the economic value and the employment in  
17 the fisheries are not as high as they could be  
18 if we were managing them on a more sustainable  
19 basis.

20               And evidence of that is that we  
21 continue to see many, many requests because of  
22 the status of our stocks and the status of our

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1 fisheries management, for direct assistance to  
2 the fishing industry. So over time, these  
3 requests for fisheries disaster assistance or  
4 some other means to help fisheries continue to  
5 survive -- in the case of existing management  
6 tools, we have seen these types of program  
7 requests increase.

8 Outcomes of catch shares. There is a  
9 lot of discussion currently about what is  
10 peer-reviewed science, what is quantitative  
11 about the results of catch share applicability  
12 worldwide and the U.S., but as we go through  
13 programs that we tried to draw your attention  
14 to the 14 catch share programs that are in  
15 place in the United States by referring you to  
16 those spotlights that are on the MAFAC  
17 website, linking back to the NOAA Catch Share  
18 Program.

19 Looking at those programs, we have  
20 seen that both globally and in the United  
21 States, catch shares have helped achieve these  
22 conservation objectives, ending overfishing,

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1 helping to reduce overcapacity in the  
2 harvesting sector. So there is a list of  
3 things that in practice we have seen result  
4 from the adoption of catch share programs.

5 Many of you have asked the question  
6 or a lot of people have asked me at least, you  
7 know, catch shares in context. I mean, we  
8 heard about the current administration also  
9 talking about coastal and marine spatial  
10 planning. President Obama created an  
11 interagency Ocean Policy Task Force to  
12 undertake development of a national ocean  
13 policy. How do these things fit together? Is  
14 catch shares part of that? Is it something  
15 different? So I tried to develop a diagram  
16 here to put it in context that, yes, indeed,  
17 we are looking at developing in this  
18 administration an overall National Ocean  
19 Policy that would include these principles in  
20 that arrow to the left. That they would be  
21 ecosystem-based, science-based, leading to  
22 management that is inclusive and respects open

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1 transparent public participation in making the  
2 optimal value of our natural resources in the  
3 ocean.

4 So developing this National Ocean  
5 Policy -- and one of the principles that it is  
6 built on is having healthy resilient  
7 ecosystems. So whether we are using the  
8 resources for consumptive uses, for food, for  
9 recreation, the idea that they need to be  
10 based on a mode of operation for promoting  
11 healthy ecosystems is one of those foundations  
12 of the policy. And a healthy ecosystem can  
13 only be healthy and sustainable and resilient  
14 if it is including sustainable fisheries. It  
15 is an essential component of a healthy  
16 ecosystem.

17 And catch shares is a tool to help  
18 manage fisheries to these sustainable levels  
19 and improve their economic performance.

20 So it is not catch shares instead of  
21 a National Ocean Policy. It is not catch  
22 shares as a national ocean policy. Catch

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1 shares is one tool to help us build  
2 sustainable fisheries. And with sustainable  
3 fisheries, we can help promote resilient and  
4 healthy ecosystems. And that is one of the  
5 key elements of this administration's goal of  
6 building a national ocean policy.

7 As I mentioned, there is 14 current  
8 programs online working in the U.S. in catch  
9 share programs, the most recent being the Gulf  
10 of Mexico Grouper and Tilefish IFQ. There are  
11 three programs that are in the queue, so to  
12 speak. They are going to be coming online in  
13 the near future -- some futures nearer than  
14 others -- but Northeast Multispecies Sectors  
15 scheduled to take effect this coming May. The  
16 West Coast Trawl Groundfish is currently  
17 underway, looking to try to hit those  
18 milestones in the next year.

19 If you look at the distribution of  
20 the catch share programs around the country,  
21 these are the regional fishery management  
22 council areas, as well as the headquarters,

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1 highly migratory species. A list of catch  
2 share programs in the first year that it took  
3 effect, dating back to Surf Clam and Ocean  
4 Quahog in the Mid-Atlantic in 1990. Around  
5 the country, you will see where they have been  
6 used. Quite a few of them in the North  
7 Pacific Council area. And again, for each one  
8 of these fisheries, there is a synopsis, the  
9 spotlight. It is a two-page document  
10 summarizing sort of the vital statistics of  
11 these programs that we have posted on the  
12 catch share website and linked to on the MAFAC  
13 website for you to look at.

14 If you looked them up, this is what  
15 they look like. It talks about what the fleet  
16 size was, the number of permits before and  
17 after, what the status of the stock was before  
18 and after, what some of the features were in  
19 the program with respect to the design  
20 elements, in terms of transferability or  
21 concentration controls. So we try to provide  
22 a short overview in the two pages, based on

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1 actual performance of those fisheries.

2 So this is all background leading up  
3 to the development of a policy statement that  
4 NOAA felt was important to help lay down a  
5 marker on where this administration felt catch  
6 shares should be going. And in the summer of  
7 last year, Dr. Lubchenco announced the  
8 creation of a Catch Share Task Force that  
9 included 18 people, ten of which were from  
10 NOAA, representing headquarters, regions and  
11 fishery science centers. Also it included a  
12 member from each of the regional Fishery  
13 Management Councils. Lee Anderson was on for  
14 the Mid-Atlantic Council, for example.

15 We did most of our work to develop  
16 input to a catch share draft policy via  
17 electronic conference calls.

18 In the process, we went out to all of  
19 the council, regional councils. We discussed  
20 with them what the charge was. We gathered  
21 input on what the elements of a draft policy  
22 should and should not include. We held

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1 briefings with different constituency groups  
2 representing the commercial industry, the  
3 recreational industry, environmental groups.

4 We set up a website to help promote  
5 some information about what the Task Force was  
6 doing, leading up to a draft policy. So our  
7 intent was not to issue a policy in final form  
8 but to include a long period of time where  
9 people could look at a draft policy, comment  
10 on it, and hopefully help improve upon it, so  
11 that we could move forward with something that  
12 people understood, people felt would be  
13 useful, and not just a statement that could be  
14 used on its own.

15 The draft policy is out now for  
16 public comment. We have various means to  
17 submit comments electronically and in  
18 traditional ways as well.

19 But I wanted to sort of dive into a  
20 little bit of the process thinking that went  
21 into the policy itself. So as we worked as a  
22 Task Force, we were talking to people involved

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1 in catch share programs around the country and  
2 internationally. What were some of the  
3 lessons learned that those people could share  
4 with us that would influence the content of  
5 the policy? What were some of the experiences  
6 that they had that we should try to  
7 incorporate into developing the principles and  
8 the policy itself?

9 And while these aren't necessarily in  
10 priority order, I mean, these were very  
11 important discussion points for the Task Force  
12 about how we should craft the document itself.  
13 For example, community sustainability and  
14 participation. The tension between  
15 rationalizing a fishery, making its economic  
16 performance and economic efficiency improve  
17 over time, what about the consolidation  
18 concerns that come with implementation of a  
19 catch share program? By design, they will  
20 tend to consolidate the fleet.

21 How do we ensure continued working  
22 waterfronts? How do we ensure continued

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1 access to the resource over time, both from  
2 the recreational standpoint and the commercial  
3 standpoint? So these discussions about what  
4 experiences have been helped inform, to make  
5 the writers of the policy statement. And we  
6 will go into the details of that in a few  
7 moments.

8 But as you look down, these were the  
9 top issues that continue to come up again and  
10 again. And how do we draft a policy that  
11 addresses these things? Policies on  
12 transferability of the shares themselves,  
13 owning them, leasing them, the markets for  
14 them, the Council support, and the resource  
15 limitations. Do they require more resources  
16 in terms of people, capacity, data,  
17 monitoring? So if you are going to promote a  
18 policy, what are the coincident resources  
19 necessary to implement it?

20 Fair and equitable treatment. There  
21 has been a lot of discussion about different  
22 sectors and how catch shares affect them

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1 differently, whether they are affecting small  
2 boats versus large boats. Owner operated  
3 vessels versus large fleets, whether they are  
4 affecting the commercial sector differently  
5 than the recreational sector. Within the  
6 recreational sector, are there different  
7 effects for the for-hire sector of  
8 recreational fishermen versus the private  
9 marine anglers? Trying to account for these  
10 differences in the policy statement was quite  
11 a challenge.

12 So these are some of the experiences,  
13 lessons learned that we tried to accommodate  
14 in the policy.

15 And these are just three quotes,  
16 questions that we were asked to address. You  
17 know, if you use catch shares, are we going to  
18 lose all of our small boats and lose our  
19 communities? The issues of government give-  
20 away of a public resource. We don't collect  
21 any resource rental payment. So for example,  
22 in other natural resource environments were

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1 oil and gas leases for the federal government.

2 We collect a royalty payment on the private  
3 use of those public resources.

4 So while we do cost recovery for some  
5 of our catch share programs up to three  
6 percent, we don't have any programs currently  
7 that are collecting a resource rent, even  
8 though the Magnuson Act gives councils the  
9 authority to do that.

10 So in some respects many people have  
11 commented these programs are just a give away  
12 of a public resource by granting them shares  
13 and not recovering anything for the public for  
14 the private use of those resources.

15 So again, typical questions that we  
16 were trying to accommodate in developing a  
17 policy statement.

18 Now this is the resulting statement  
19 itself. It is not earth shattering. It is  
20 really pretty straight-forward but I will read  
21 it just to make sure we are all seeing it the  
22 same way. That in order to achieve that long-

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1 term ecological and economic sustainability of  
2 our nation's living marine resources, the  
3 three resources and communities, NOAA  
4 encourages, and again, each word was chosen  
5 pretty carefully, encourages the consideration  
6 and adoption of catch shares wherever  
7 appropriate in fishery management plans, in  
8 ecosystem plans and their amendments. And  
9 NOAA will support the design, implementation,  
10 and monitoring of catch share programs.

11 So, in some cases, in some respects  
12 it is as important what the policy doesn't say  
13 as opposed to what it does say.

14 There are really three objectives  
15 that we are trying to get at in crafting this  
16 policy statement. Our goals were to reduce  
17 administrative or other impediments to the  
18 consideration of catch shares. So if there  
19 are some institutional problems associated  
20 with councils considering a catch share  
21 program, we want to reduce those burdens,  
22 reduce those impediments.

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1           Our second objective important to us  
2 was to inform and educate stakeholders of the  
3 different options.       There are so many  
4 different varieties of designs and so many  
5 different flexible elements of a catch share  
6 program capabilities that we wanted to provide  
7 that kind of information, so that people can  
8 decide for themselves -- stakeholders in a  
9 particular fishery in a particular region --  
10 where the catch shares made sense to them.  
11 There is no one-size fits all program.   And  
12 having information that they can use to choose  
13 and adopt a choice for themselves was a very  
14 important objective of the policy.

15           And so given those two first  
16 principles of the objectives, we wanted to  
17 provide a policy that helped organize.   And  
18 this is a collaborative effort.   It is not a  
19 top-down effort.   It was a bottom-up effort --  
20 a collaborative effort with the councils, with  
21 states,       with individual communities,  
22 fishermen's groups, any stakeholder who was

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1 interested in looking at the consideration and  
2 the design and implementation of a catch share  
3 program to meet their needs. That is the  
4 underlying objective of the policy, to work  
5 with people, to help them organize a process,  
6 to make a choice. If they choose to go forward  
7 with catch shares, to help them then implement  
8 that choice.

9 This is, again, not a rule making.  
10 This is not going to wind up in the Code of  
11 Federal Regulations. This is not a  
12 requirement to do catch shares. It is high-  
13 level policy guidance. It is not a rule-  
14 making.

15 They are not mandated, catch shares.  
16 There is no requirement to do catch shares.  
17 Like in previous administrations, there are no  
18 specific targets for catch shares. There is  
19 no goal of 50 percent of all fisheries or 100  
20 percent of all fisheries, or 3550 by 2012.  
21 There is no target. It is where it makes  
22 sense to the people who want to use them.

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1 That is the target.

2 But our real goal is to encourage  
3 broad consideration of catch shares and  
4 provide support to people. It is as simple as  
5 that.

6 Hopefully you had a chance to read  
7 the policy. I have copies of the executive  
8 summary I will pass around for use for the  
9 rest of the day, just to help remind you of  
10 some of the elements. But these are the  
11 desired program features that we had included  
12 in the draft policy statement that is out for  
13 public comment now.

14 The idea of specific management goals  
15 -- and this may seem over-simplistic -- but  
16 all fishery management programs, including  
17 catch shares, should identify very specific  
18 goals for management. And the more specific  
19 goals that you can get identified, the  
20 stronger and more likelihood of success you  
21 will have with designing a catch share program  
22 that is tailored to meet those needs.

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1           So looking at many of our fishery  
2 management plan goals and objectives now, they  
3 are sometimes rather vague. And so it is hard  
4 to design a program if the council has not  
5 come up with what the goal or what their  
6 vision is for that fishery over the next five  
7 years, of eliminating particular problems in  
8 that specific fishery.

9           So we are trying to emphasize that a  
10 catch share program should very much specify a  
11 specific set of management goals.

12           Transferability is a very important  
13 decision. Once one makes these allocations,  
14 the design of a program and the  
15 transferability provisions associated with  
16 that will really influence the makeup of that  
17 fishery over time, so that the choice the  
18 councils make of whether to allow  
19 transferability, when to allow it, to whom to  
20 allow transfers by sale or lease, this is one  
21 of the most significant design features that  
22 the councils have to make and choose when they

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1 consider a catch share program.

2 So our commitment at NOAA is to  
3 provide technical advice, you know, evaluate  
4 the different options for transferability,  
5 what are the possible effects, and how  
6 stakeholders will be affected by  
7 transferability, because again, this is a tool  
8 that can help control many of the features of  
9 the future components of the catch share  
10 program in terms of who is holding shares, who  
11 is fishing, and the transferability decision  
12 is paramount.

13 The next program feature is the  
14 review process. And so many of our programs  
15 are put into place or at least reviewing our  
16 fishery management programs, we felt it was  
17 very important to have a performance  
18 monitoring element for catch share programs.

19 We recommended that councils  
20 periodically review their catch share and non-  
21 catch share programs. Curiously, in the  
22 Magnuson Act, the law requires us to review

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1 catch share programs within five years and  
2 every seven years thereafter. And you know, a  
3 thorough review. There is no such requirement  
4 for non-catch share programs. So in fact,  
5 catch shares are a little bit ahead of the  
6 curve in looking at performance monitoring and  
7 have a requirement to do that. But we want to  
8 make sure that we are looking at tracking  
9 whether the specific goals chosen are being  
10 achieved and be adaptive.

11 So if we need to make corrections, we  
12 need to make changes over time that we have  
13 these built into the program at the outset.

14 So again, one of the important  
15 elements of putting together a catch share  
16 program are these critical design elements in  
17 the review process of how to make adaptive  
18 changes over time is very important.

19 We tried to get at this question  
20 about equity and fairness and the concern  
21 expressed that we are going to mandate catch  
22 shares for every fishery and that some sectors

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1 were not interested in pursuing that by coming  
2 straight out and saying that policy does not  
3 require any fishery or any sector, whether it  
4 is a commercial sector or recreational sector,  
5 there is no requirement for them to adopt a  
6 catch share.

7 The councils have the responsibility  
8 to consider the appropriateness of catch  
9 shares, decide which sector may benefit from  
10 their use. The Magnuson Act doesn't require  
11 catch shares, nor does NOAA policy require  
12 that.

13 But the councils and NOAA should  
14 together evaluate the effects of catch shares  
15 on all sectors associated with a fishery. So  
16 even if we don't choose a catch share program  
17 for a recreational sector and a joint fishery,  
18 we choose them only for commercial fisheries,  
19 the policy suggests that we should evaluate  
20 the effects of catch shares on all sectors  
21 associated with a fishery.

22 MS. McCARTY: Thank you, Mr.

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1 Chairman. I have brief question. Do you  
2 think that that also applies to catch share  
3 programs that are already in place? Is that  
4 the intent? Do you think that is the intent?

5 DR. HOLLIDAY: Which part of it?

6 MS. McCARTY: The intent of  
7 evaluation and all of the other things that  
8 you have been talking about, specifically this  
9 one here. Do you think it is the intent of  
10 the policy that catch share programs already  
11 in place should undergo those kinds of reviews  
12 and evaluations? I know they have to be  
13 reviewed but these specific kinds of  
14 evaluations.

15 DR. HOLLIDAY: I don't think we are.

16 Just like the Magnuson Act requirements for  
17 Limited Access Privilege Programs, we are  
18 forward looking and did not require the  
19 existing programs to go back and change to  
20 comply with the recent amendments to the  
21 Magnuson Act. We are not requiring people to  
22 go back and change programs that have already

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1       been approved under the laws of the public  
2       process that resulted in them in the first  
3       place.

4               So again, this is, from a policy  
5       standpoint, we don't have the authority to  
6       require these things in the first place  
7       because it is not a rule-making. It is not a  
8       regulation. This is guidance. This is  
9       instruction to people but we couldn't enforce  
10      it. We don't have the ability to enforce it  
11      anyway. But I think the public policy  
12      statement is saying you want to promote the  
13      widest range of possible evaluation of the  
14      impacts on fisheries.

15             And so as amendments come up, and  
16      that is part of the previous slide where we  
17      talked about review process, some of our  
18      programs haven't been reviewed in a while but  
19      when they do come up for review, those future  
20      actions would fall under the guidance of this  
21      policy.

22             MS. McCARTY: All right. That is

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1 kind of what I was getting at. When they are  
2 reviewed, these sort of principles would then  
3 be looked at as part of the review.

4 DR. HOLLIDAY: Right. If there's a  
5 proposal to modify or review that existing  
6 program. But it is not a requirement to go  
7 back and review every single program that we  
8 have ever put in place.

9 MS. McCARTY: Okay.

10 MR. SIMPSON: I have a question. I  
11 can't -- in the Gulf there are two but we are  
12 constantly in the process of looking at  
13 everything. Are you saying that there are  
14 plans that exist in Magnuson Act that are  
15 never reviewed or there are management  
16 measures that are instituted that are in some  
17 way interpretation permanent?

18 Because my note here was I was going  
19 to ask the question and will later on, there  
20 is a beginning to catch shares and then there  
21 is an end result. The beginning may not  
22 resemble the end result.

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1 I mean when I say the beginning and  
2 ending, once it is passed and then after 50  
3 amendments, it is nothing like it was to begin  
4 with. I mean I can't conceive of anything in  
5 Magnuson Act or law that would prevent Council  
6 from going back and changing something.

7 DR. HOLLIDAY: There is no  
8 prohibition on it. I am saying I think it is  
9 just the opposite that we are promoting the  
10 idea that there should be a review process  
11 that goes through the entire FMP and says, you  
12 know, our current regulations, our current  
13 goals, all these things should be routinely  
14 looked at to see how closely we are achieving  
15 those objectives we have set out to do.

16 MR. SIMPSON: And my question is, --

17 DR. HOLLIDAY: And that is fine.

18 MR. SIMPSON: -- are there cases  
19 where that occurs in the council system?  
20 Because I can't even conceive of one in the  
21 Gulf. I mean, every stone is turned over  
22 twice.

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1           VICE CHAIR BALSIGER: I think the  
2 point is that much like the catch share  
3 policy, there is nothing new here. I mean, it  
4 is things we have been doing. The Magnuson  
5 Act allows you to look at everything and most  
6 councils do that. So I think this is just  
7 sort of --

8           MR. SIMPSON: Okay.

9           VICE CHAIR BALSIGER: -- writing down  
10 on paper the good practices that are going on  
11 in most places.

12          MR. SIMPSON: Well he was just kind  
13 of emphasizing that and it made me consider.

14          DR. HOLLIDAY: I think it is a good  
15 point.

16          MR. SIMPSON: Maybe there are some  
17 cases that I am not aware of.

18          DR. HOLLIDAY: Okay, thanks for that.

19                 The issue of fishing community  
20 sustainability, remember that was one of the  
21 issues I listed early on as an issue of  
22 concern. The NOAA encourages councils to take

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1 advantage of the special community provisions  
2 in the Magnuson Act. So this limited access  
3 privilege program, Section 303A has particular  
4 features that allow you to set aside shares  
5 for communities to help create fishing  
6 community associations, regional fishing  
7 associations, to provide special access to  
8 small vessel owner-operated or new entrance to  
9 the fishery, a number of different features  
10 that are perhaps not fully utilized at this  
11 point. So we are encouraging people to take a  
12 hard look at what those features are because  
13 you can design programs that are very  
14 sensitive to the long-term sustainability of  
15 fishing communities, if that is one of the  
16 principle objectives of the plan to get at  
17 this question of providing access for future  
18 generations, providing economic sustainability  
19 to fishing communities to ensure that shares  
20 don't leave particular geographies or don't  
21 get again, tied back into the issue of  
22 transferability. All these features work

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1 together in the design aspect.

2 The point that I am trying to make  
3 and the policy trying to make efficient  
4 community sustainability, there are tools that  
5 provide a means for councils to design  
6 programs that help meet these long-term  
7 fishing community sustainability goals.

8 Heather?

9 MS. McCARTY: Mark, this part of the  
10 MSA that provides for these community  
11 associations and all that sort of stuff,  
12 fishing groups can do this and do that, there  
13 has been a lot of questions about how that  
14 actually will be implemented.

15 And I know the last time, and the  
16 time before here, we talked about the  
17 guidelines that were being worked on by NOAA  
18 and they were put on the back burner while  
19 this catch share policy was being developed.  
20 Is that going to come back on the table to  
21 provide more guidelines in these areas such as  
22 this?

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1 DR. HOLLIDAY: Yes, in fact, that is  
2 one of the -- on the table in the catch share  
3 policy the answer is -- the short answer is  
4 yes. That is, described in the policy itself  
5 is one of the recommended activities that need  
6 to take place in order to implement the  
7 policy.

8 MS. McCARTY: Okay.

9 DR. HOLLIDAY: The short answer.

10 Earlier I had listed one of the  
11 concerns and questions that had come up about  
12 resource rental. And again, this  
13 responsibility has been assigned by statute to  
14 the councils. So NOAA's position on this is  
15 that we will assist the councils if and when  
16 they determine that it is in the public  
17 interest to collect royalties in connection  
18 with the initial or any subsequent allocation  
19 of privileges.

20 So you don't have to -- there is no  
21 requirement in the Magnuson Act that specifies  
22 when or how they be collected. Councils could

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1 design programs that defer rental payments in  
2 the first year or somehow transition over a  
3 period of time. Curiously or interestingly,  
4 you know, any funds that are collected by this  
5 resource rental process of the Magnuson Act go  
6 to a dedicated fund that can only be used in  
7 the fishery from which they came. So it is  
8 not enhancing the general treasury. It is  
9 putting the money back in the fishery --  
10 collected from the fishery back into the  
11 fishery or science, research, monitoring,  
12 whatever the goals and objectives specified by  
13 the council for the use of those funds.

14 So those roll now into those three or  
15 four things that NOAA wanted to try to  
16 indicate in the policy in terms of our  
17 support. The first was providing leadership  
18 in the form of technical advice, support for  
19 the consideration and use of catch shares.

20 Most of you on the ground in  
21 fisheries management know that this is a  
22 shared responsibility with state partners, our

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1 constituents themselves in designing fisheries  
2 management programs that meet their needs, and  
3 because of the relative newness of catch  
4 shares to many councils or the different  
5 design objectives that are out there, NOAA is  
6 committed to providing this type of advice and  
7 support and it is outlined in the different  
8 activities in the policy what some of those  
9 specific things are.

10 These are some of the examples that  
11 are out there in terms of reducing technical  
12 administrative impediments to designing catch  
13 share programs. Heather, you mentioned, you  
14 cite your best practices. It is not just for  
15 enforcement but sharing information from other  
16 programs about what succeeded and how to  
17 improve upon it in the future.

18 Providing expertise in terms of  
19 resources, FTEs, other capacity building both  
20 for the councils and for the regional offices  
21 charged with designing and implementing  
22 programs; identifying experts; developing

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1 business tools to help different stakeholder  
2 groups evaluate what catch shares would do in  
3 their fishery; promoting the programs that  
4 help people purchase quota programs. We have  
5 talked in the past about the Fisheries Finance  
6 Program and the provisions that are available  
7 to get federal loans for small business and  
8 small vessels and entry-level fishermen to buy  
9 quota using the federal loan programs.

10 So all these things that would  
11 provide support, expertise, and resources to  
12 help those councils that wish to look at our  
13 catch share program.

14 Yes, Randy?

15 MR. CATES: How are you -- how is  
16 NOAA saying they are going to be able to  
17 support these things when we are obviously  
18 very, very short on the budget?

19 DR. HOLLIDAY: I think my last slide  
20 covers that a little bit, if I could defer  
21 that just for a minute or two. I will check  
22 back with you at that point.

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1           So, providing help and support to  
2 stakeholders. Again, these are best or the  
3 most likelihood of success and their best  
4 design from the ground up. So meeting the  
5 goals and objectives that a particular region  
6 has, a particular fishery has, supporting  
7 stakeholders and figuring that out, what it is  
8 that they want to accomplish, what are the  
9 goals and objectives. And so providing that  
10 information, providing education, providing  
11 training to people, providing tools, you know,  
12 access to expertise. Because it is a  
13 different way of managing fisheries than many  
14 people are used to.

15           And the last, you know, there are  
16 some investments in data collection, research,  
17 and performance monitoring that are necessary  
18 that would benefit both catch and non-catch  
19 share programs. So the policy talks about  
20 promoting establishment of electronic  
21 reporting nationwide as a goal, getting away  
22 from paper-based systems, promoting

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1 standardization of our policies on observer  
2 coverage, both in terms of questions about who  
3 pays for observers as well as coverage levels.

4 What is an appropriate level of observer  
5 coverage for a particular fishery?

6 Making available information on what  
7 the market is for catch share transfers. A  
8 market news-type function so that people can  
9 have a more level playing field when they make  
10 business decisions about whether to lease or  
11 to buy or to sell catch shares because this  
12 new commodity, this new tool is not something  
13 that they have had experience with in the  
14 past.

15 Establishing relevant performance  
16 measures, conducting a research program.  
17 Again, in the long-term, investments to help  
18 ensure the likelihood of success of a catch-  
19 share program.

20 So the question, if you have had an  
21 opportunity, and Anne Barrett will talk to us  
22 about the budget tomorrow in more detail, but

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1 just highlighted from the President's 2011  
2 budget request, this is what was just released  
3 this past, earlier this month. NOAA has  
4 requested an increase of 36 million dollars  
5 for catch share programs in the budget. It  
6 would bring it to a total of 54 million  
7 dollars overall. It is split approximately  
8 one-third of that increase would be for  
9 analysis, evaluation, development of new  
10 programs. So the design aspect, you know, the  
11 supporting of consideration of new programs.  
12 And about two-thirds of that increase would be  
13 for implementation of pending or recent catch  
14 share programs in New England, in the Mid-  
15 Atlantic, the Gulf of Mexico, and the Pacific  
16 Coast regions.

17 So it is a mixture of both planning  
18 and implementation to provide the financial  
19 support behind the policy initiatives that are  
20 described in the draft. And these funds would  
21 go towards these lists of activities,  
22 including observers, monitoring, both at-sea

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1 and on-shore; enforcement and compliance  
2 activities to ensure the integrity of the  
3 program; the implementation of additional  
4 reporting systems, electronic log books,  
5 information management; and the performance  
6 evaluation of different catch share programs.

7 And so this administration feels very  
8 strongly that this policy should be moved  
9 forward with the resources necessary to ensure  
10 their success. And these are increases to the  
11 budget. They are not taking resources away  
12 from existing programs or existing activities  
13 within the budget. These are up to the  
14 existing program that is currently in the  
15 budget for catch shares.

16 MR. RISENHOOVER: Mark? My point is  
17 that -- and I think Anne will get into this  
18 tomorrow, but to Randy's point that how can we  
19 do this under capped budgets, if you look at  
20 the fishery service budget, it is basically  
21 capped. And this is made by reducing some  
22 things and then adding this in.

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1           So again, this isn't a 36 million  
2 dollar increase on our budget this year and I  
3 think Anne will talk more about that tomorrow.

4           MR. CATES: So that statement that it  
5 is not taking away from something else might  
6 not be entirely true?

7           DR. HOLLIDAY: I'll let Alan defend  
8 what he said but I will defend what I said.

9           (Laughter.)

10          DR. HOLLIDAY: And I will hand the  
11 floor to Anne in a second but I put this all  
12 in perspective. Everything comes out of price  
13 for something else. And so the entire federal  
14 budget more or less has a cap. All right? I  
15 mean, Congress prints the money but there are  
16 always tradeoffs or allows us to print money.

17          There are always trade offs of things that  
18 get funded and things that don't get funded.

19          The point that I was trying to make  
20 in terms of coming at the expense of something  
21 else, we didn't take existing funds from  
22 conducting stock assessments in our current

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1 budget and say we are now taking that away and  
2 going to do catch shares. We are not taking  
3 money away from these other high-priority  
4 programs in order to do this. So the budget  
5 is a zero sum game. There is an overall  
6 amount of money that the Commerce Department  
7 is going to spend but this --

8 MR. DEWEY: Mark, did you say you did  
9 or did not take away from --

10 DR. HOLLIDAY: Did not. We are not  
11 taking away from these other high priority  
12 programs in order to fund this activity.

13 MR. DEWEY: I thought I had seen that  
14 in one of the -- a lot of materials that came  
15 our way on catch shares. And that was one of  
16 the criticisms I thought I had seen in an op-  
17 ed or an editorial was that there was research  
18 dollars taken away in order to fund the  
19 development of the catch shares.

20 DR. HOLLIDAY: We can go into the  
21 details tomorrow.

22 MR. DEWEY: Okay, that's fine.

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1 DR. HOLLIDAY: There was money that  
2 was being spent on catch share programs that  
3 had been moved in the line item but it is not  
4 taken -- the money was being spent in one  
5 place on catch shares. And it was moved and  
6 still being spent on catch shares in another  
7 place.

8 MR. DEWEY: Great, we can talk this.  
9 That's fine. Thanks.

10 MR. CATES: Mark, since I opened the  
11 box a little bit --

12 DR. HOLLIDAY: Randy, could you speak  
13 up a little bit?

14 MR. CATES: Since I opened that box  
15 up a little bit, I have a quick comment. The  
16 key word I look at this is requests. For ten  
17 years in aquaculture, national aquaculture  
18 within NOAA, we have been making decisions  
19 based on a budget request. And it has been  
20 devastating.

21 Even recently national NOAA folks  
22 came to Hawaii and wanted Hawaii to make some

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1 decisions on open ocean aquaculture and  
2 dangled the carrot that we are going to go  
3 back to D.C. We are going to come back and we  
4 are going to have this open public hearing.  
5 So go ahead and let this company start without  
6 best management practices in place, basically,  
7 we will develop it later. And that is wrong.

8 So I would caution about making  
9 important decisions unless you know you are  
10 going to be able to have the funding there and  
11 do it. And it alarms me when I see requests  
12 because a lot of times, it just isn't there.  
13 So you go down the path and then you are not  
14 able to implement it.

15 DR. HOLLIDAY: Right. I think that  
16 is an excellent point. You don't want to  
17 raise expectations that can't be fulfilled.  
18 That is absolutely correct.

19 Just one comment and I want to get  
20 back and let Anne respond here. But in the  
21 2010 budget, there was an increase in  
22 practice, you know, in hand that resulted in

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1 additional catch share programs,  
2 implementation for New England. So there was,  
3 in terms of having money in hand versus the  
4 theoretical, in 2010 we did get a significant  
5 bump up for New England.

6 So there is some track record of  
7 getting some additional funds for these  
8 programs.

9 Anne, could I ask you to --

10 MS. BARRETT: I just wanted to  
11 acknowledge that we do have a few decreases in  
12 the budget which I will get into tomorrow.  
13 But many of our decreases are decreases of  
14 congressional earmarks which would terminate  
15 almost every year. So that is some of how we  
16 are paying for some of the 36.6 million in  
17 catch shares.

18 DR. HOLLIDAY: So just to remind you  
19 we have a public comment period that is open  
20 until April 10th. We are continuing to go out  
21 and meet with councils, meeting in various  
22 other venues. Eric is going to be going up to

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1 the Maine Fishermen's Forum the 5th of March  
2 to talk on a panel discussion on catch shares  
3 with Paul Howard and George Lepointe from the  
4 State of Maine. And so we are, again, making  
5 business with different council to talk about  
6 their views of the catch share policy and how  
7 the draft could be improved.

8 And that is the charge in front of  
9 MAFAC is, you know, what is your view of the  
10 policy as it is currently written. What you  
11 like, what you don't like and what would you  
12 like to suggest as an improvement.

13 MR. BILLY: Okay, let's open it up to  
14 some questions. Heather?

15 MS. McCARTY: The last slide, could  
16 we go back to that?

17 DR. HOLLIDAY: Yes.

18 MS. McCARTY: Performance evaluation  
19 of catch share programs, is that a biological  
20 or is it an economic or is it all of the  
21 above? What does that mean, exactly?

22 DR. HOLLIDAY: Right. So it is all

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1 the different aspects. On the one side you  
2 have set out the goals and objectives for this  
3 program. So we want to meet our annual catch  
4 limit targets and we want to maintain this  
5 level of fishing community participation and  
6 we want to improve the economic performance of  
7 the fishery to X. Those are the goals that  
8 have been set out for the fishery. We want to  
9 be able to collect information and monitor  
10 that over time to see how well we hit those  
11 marks. And this is an important consideration  
12 in substantiating the budget requests and  
13 continuing to receive support from both the  
14 Hill and from OMB for the monies that we are  
15 asking for because these are significant  
16 amounts of money.

17 MS. McCARTY: And this is again on  
18 recent catch share programs or developing ones  
19 and not going back and doing that for the in-  
20 place ones, the ones that have been in place  
21 say for ten years.

22 DR. HOLLIDAY: Well many councils are

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1 making the choice to go back and look at their  
2 programs over time. I think that was the  
3 point earlier that councils are looking at  
4 this performance as an element and some  
5 councils better than others, obviously or some  
6 councils more frequently than others.

7 MR. SIMPSON: Well let me get back to  
8 my point then that wasn't answered really.  
9 Are you saying that there are plans in Alaska  
10 that in ten years have not been looked at?

11 MS. McCARTY: No.

12 MR. SIMPSON: Oh, okay.

13 MS. McCARTY: I am not saying that at  
14 all.

15 MR. SIMPSON: Okay.

16 MS. McCARTY: What I am trying to get  
17 at is whether some of this money, for example,  
18 is earmarked or say the Pacific Coast and  
19 whether that money could be used by councils  
20 or regions to look at catch share programs in  
21 the light of the policy. The same sort of  
22 question I had earlier. Are we going to do

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1 that kind of thing and do a wholesale  
2 evaluation of catch share programs nationwide  
3 or is this more focused on recent ones?

4 DR. HOLLIDAY: The focus has been on  
5 designing programs from this point forward  
6 that have these features that performance  
7 monitoring should be part of it, that we  
8 should collect the data. In some cases,  
9 councils don't have the data to monitor the  
10 actual performance.

11 There is a subgroup of fishery  
12 service economists. There is a project that  
13 is ongoing to develop some of these  
14 performance metrics. And I heard a briefing  
15 on it, the status of that project, at the New  
16 England Council meeting about four or five  
17 weeks ago. And what struck me from that  
18 report was, you know, we have all of these  
19 different measures that we would like to say  
20 how well this is working. And Drew Kitts is  
21 an economist from the Northeast Science Center  
22 and he presented on it and what struck me was

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1 the first thing he said was, one of the things  
2 he said was, well we would like to measure as  
3 an element of performance the profitability of  
4 the fleet. Okay? Are fishing vessels making  
5 money or are they losing money? However, we  
6 don't have the data to monitor profitability  
7 of fishing vessels and I am struck by well,  
8 that's a pretty basic piece of information to  
9 monitor the performance.

10 So while councils have continued to  
11 look at their plans, they sometimes don't have  
12 the wherewithal to actually measure whether or  
13 not success is there or not. So I think part  
14 of the performance evaluation of catch share  
15 programs goes hand-in-hand with making sure  
16 that you have an ability to measure. That was  
17 one of the slides earlier on about -- I forget  
18 which slide it was. But it was not just  
19 setting a performance measure but collecting  
20 the data in order to monitor it, whether it is  
21 a biological goal or an economic goal or a  
22 social goal, you need to be able to track it.

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1 MS. McCARTY: Okay.

2 DR. HOLLIDAY: And some of our  
3 historical fisheries, we don't have those  
4 kinds of data in all of these fisheries. An  
5 economic data collection program might be a  
6 means to get at that in a better fashion.

7 MS. McCARTY: The reason I am asking  
8 is because obviously in Alaska there are a  
9 couple of programs that are underway and have  
10 been for a while. And the economic data  
11 reporting aspect of the evaluation, you know,  
12 it is just impossible. I am wondering if some  
13 of this money is going to be available in  
14 regions where they already have programs in  
15 place that badly need to be evaluated and you  
16 don't have the data and it costs a lot of  
17 money to get it.

18 So that was my question.

19 DR. HOLLIDAY: Right. And money  
20 certainly is one of the issues but it is not  
21 the only issue in obtaining these data.

22 MS. McCARTY: That is true.

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1 DR. HOLLIDAY: There is a lot of  
2 resistance to collecting this data on the part  
3 of participants, or submitting this data.

4 MR. BILLY: Randy?

5 MR. CATES: Thank you. I am kind of  
6 approaching this subject really open-minded.  
7 I don't have any real experience in catch  
8 shares. But one of the first questions that  
9 came to my mind is it something we need? And  
10 I ask that based on we are hearing -- I  
11 understand it is an easier method for  
12 management but easy is not necessarily the  
13 best thing -- policy to put in place.

14 And being on MAFAC over the years we  
15 have heard that we are doing far better than  
16 what we get credit for, for putting back  
17 online. We have got seven one year, eight  
18 more coming on.

19 So is the current system we have  
20 broken? And if not, do we really need to go  
21 anywhere? And I can understand as a tool, it  
22 is easier. But that would be my first

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1 question is how are we doing under our current  
2 system really? I mean, not what the press  
3 says. And is this something we need to do?

4 I am reading in here in some of the  
5 slides about controlling overfishing. Well  
6 under Magnuson-Stevens Act, we are not  
7 supposed to be having that anyways.

8 DR. HOLLIDAY: Right. So two points  
9 come to mind. One is I think we need to give  
10 ourselves credit for the successes that we  
11 have had. Okay? So since the inception of  
12 Magnuson Act in recent years, we have been  
13 making incremental improvements in a lot of  
14 fisheries, rebuilding stocks, eliminating  
15 overfishing. And you are absolutely right.  
16 We have firm fixed deadlines under the  
17 Magnuson authorization to eliminate  
18 overfishing and get overfished stocks on a  
19 rebuilding plan.

20 That being said, there are still  
21 fisheries that are not meeting those  
22 biological goals. And in particular, many

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1 more fisheries are not meeting these economic  
2 performance goals. In other words, we are not  
3 getting the maximum value out of the fisheries  
4 that we could be.

5 And so catch shares may not be the  
6 answer in all of these cases but it is  
7 something that ought to be considered as an  
8 alternative. If we are not hitting the goals  
9 that we have set out for these fisheries with  
10 our current tools, why should we not consider  
11 catch shares as an option to see if that could  
12 do it, be more successful?

13 The one interesting fact about catch  
14 shares is when people say well we are going  
15 through ACLs and we have these 2010 deadlines  
16 and 2011 deadlines for annual catch limits and  
17 that is going to take care of the overfishing  
18 problem. Well, that is the foundation for  
19 developing a catch share program. We have a  
20 firm fixed total allowable catch. A catch  
21 share is taking it to the next step and saying  
22 okay we are going to distribute that TAC, that

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1 total annual cap among participants, and allow  
2 them all of the benefits of having an  
3 allocated privilege so that they don't have to  
4 race to finish.

5 And so you will get that biological  
6 component and you will get that economic  
7 component working at the same time. So it is  
8 not as simple as saying catch shares for  
9 everything. It is not appropriate, it may not  
10 be amenable in all these different fisheries  
11 but it certainly ought to be looked at in  
12 those fisheries where we are not hitting the  
13 marks that we want to be at.

14 MR. CATES: The first statement that  
15 once you adopt a catch share there really is  
16 no turning back? I mean, I would imagine that  
17 if you make a catch share program and people  
18 that obtain these catch shares, I mean, they  
19 have basically a contract. They are going to  
20 be making investments and there is no turning  
21 back.

22 DR. HOLLIDAY: Well, I can't point to

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1 -- maybe Bruce or Lee can point to catch share  
2 programs that have dissolved after a certain  
3 period of time. But I think if a council is  
4 concerned about what the future is for a catch  
5 share program, they can design an exit  
6 strategy up front. I mean, the Magnuson Act  
7 requires that all these catch share programs  
8 have a ten year duration and at the end of ten  
9 years, then they are going to be renewed  
10 unless they have been revoked or otherwise  
11 modified.

12 And so you can have a business  
13 interest that says you have a ten year lease  
14 on this radio frequency spectrum and after ten  
15 years, we are going to put it out for bid  
16 again. Okay, so you make a business decision  
17 given the parameters of what that privilege  
18 that you have been given, the duration of that  
19 privilege is. So the answer to your question  
20 I think really is it depends on how you are  
21 going to design it.

22 If you design in New Zealand, they

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1 grant these things in perpetuity. They are  
2 given as rights to the resource. And so there  
3 is very little expectation that they are ever  
4 going to revert to something other than what  
5 they have set up. But in the U.S., in the  
6 program, you have the tools or the flexibility  
7 to design a program, if that is a concern, to  
8 be very specific about how you deal with those  
9 issues about long-term rebuilding of a  
10 fishery, long-term business interest of  
11 somebody who has made that investment. Now  
12 you are going to say they don't have that  
13 privilege anymore. Well, the time to answer  
14 to that question is up front when you design  
15 it, not nine years into a program and say oh,  
16 we didn't think of it.

17 MR. SIMPSON: We've done this with  
18 gears frequently, fishing gear.

19 MR. BILLY: I have on my list Dave,  
20 Bill, George, and Martin. So, Dave, the floor  
21 is yours.

22 MR. WALLACE: I have a question and I

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1 guess I will preface the question by saying in  
2 the Northeast we have seen a number of  
3 requirements by the region to change existing  
4 systems through plan amendments which actually  
5 do not provide the fishermen anything. If  
6 anything, just further reduce their rights and  
7 the operation.

8 And my question is does NMFS today  
9 have a national policy that if a system  
10 doesn't fit into this group of parameters,  
11 then the region is requested or suggested that  
12 they go out and push for an amendment to fill  
13 those gaps?

14 DR. HOLLIDAY: So I am not aware of  
15 any policy that the National Fishery Services  
16 has that requires that. Jim are you?

17 VICE CHAIR BALSIGER: No but I don't  
18 think there is a system in our policy system  
19 but we have the regional administrators  
20 generally sit on each of the councils. And if  
21 there is major changes in thought processes or  
22 policies of administration changes, those

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1 regional administrators or people traveling  
2 from NOAA go to the councils and say we want  
3 you to consider catch shares. So using that  
4 position on the council sort of brings new  
5 thoughts to the council process. That is not  
6 exactly what you are asking but we do have an  
7 ability to try to influence the council agenda  
8 as policies change or new thoughts come up or  
9 we have different ideas at headquarters.

10 MR. WALLACE: So actually the answer  
11 is yes. Yes, because surely in the Northeast  
12 we have been watching this where there are  
13 suggestions for plan amendments to existing  
14 plans that are driven by the region and not by  
15 the council.

16 VICE CHAIR BALSIGER: Well, I think  
17 they have to be driven by the council because  
18 the regions or the regional administrators and  
19 all the way up through Dr. Lubchenco can't  
20 make the councils do something unless there is  
21 a biological emergency under the Magnuson Act.  
22 But if it is just an idea on a different way

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1 to manage fisheries, unless the council works  
2 for it, the fishery service can't do it.

3 Nonetheless, I think that there is an  
4 opportunity to influence the council and some  
5 regional administrators are more influential  
6 than others to look at Roy Crabtree and some  
7 of the council stuff that goes down in the  
8 Gulf of Mexico. He is a strong influence on  
9 that council.

10 MR. WALLACE: I meant to preface it  
11 by excluding anything that is a mandate by  
12 congress.

13 VICE CHAIR BALSIGER: Right.

14 MR. WALLACE: You know, because when  
15 congress says the service is going to do  
16 something then they don't have any choice but  
17 to do that.

18 VICE CHAIR BALSIGER: Right.

19 MR. WALLACE: And we all understand  
20 that. These unwritten policies on redesigning  
21 in subtle ways existing fisheries management  
22 plans that appear to be driven philosophically

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1 by the administration but it is not open. It  
2 is a very subtle thing that we are  
3 experiencing.

4 VICE CHAIR BALSIGER: Well I guess I  
5 can't think of anything more pertinent than  
6 the catch share policy. And there is  
7 certainly no subtlety about that. We are  
8 right in your face. We want catch share  
9 programs to be considered. And so I am having  
10 trouble finding something that we have subtly  
11 brought to the table consistently.

12 MR. WALLACE: Yes, but it does become  
13 very regionalized because every region is very  
14 different and you would know that better than  
15 anybody at this table. And you know, so it is  
16 hard to have a single policy, a single rigid  
17 policy that is going to drive the whole system  
18 because the fisheries management throughout  
19 the United States is such a vast and diverse  
20 group that there is no single policy that  
21 really fits it.

22 But you know, you see some, or I

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1 think I see overarching in policies in the  
2 Mid-Atlantic that would appear to be  
3 Washington driven, maybe. And the question  
4 is, when the regional administrators and the  
5 hierarchy of the Fishery Service have their  
6 retreats, you know, you obviously talk about  
7 all of these big issues.

8 And so the real question is, is there  
9 something that is understood between  
10 Washington and all the administrators and the  
11 science center that says, except for open  
12 policy agendas like catch shares, how that is  
13 just a big open policy. You know, and I think  
14 you answered the question and I will be quiet.

15 VICE CHAIR BALSIGER: Well, I don't  
16 think we have any secrets, you know, and there  
17 are overriding things like don't put in  
18 regulations something that can't be enforced  
19 and those kinds of things which are not in a  
20 policy document someplace but we talk about  
21 those kinds of things. Like I said, I don't  
22 think we have any secret agendas that we are

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1 trying to put through. Nothing that comes to  
2 mind, anyway.

3 MR. BILLY: Okay. We have come up on  
4 10:00. I have got four more people who would  
5 like to raise questions or comments. So, I  
6 think we will break for about 15 minutes. A  
7 number of people seem to be getting restless.

8 So I think we will break and come back.

9 (Whereupon, the above-entitled matter went off  
10 the record at 10:01 a.m. and resumed  
11 at 10:24 a.m.)

12 MR. BILLY: Okay, I think we will get  
13 started again. One request we have from two  
14 or three people is that we are not speaking  
15 loud enough. So people down at that end can't  
16 hear from here and vice-versa. So speak up.

17 Next on my list is Bill.

18 MR. DEWEY: So, I had a question  
19 about transferability. And if it is  
20 appropriate now, it's fine. If we are going  
21 to address it later, we can just save that to  
22 save time. But Mark you mentioned that it is

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1 one of the most important decisions they need  
2 to make is regarding transferability. And I  
3 haven't had a chance to read through the 14  
4 different programs that are in place but are  
5 there examples where they have not allowed  
6 transferability? I am trying to understand  
7 the situation why you would not. I mean, I  
8 presume if you don't over time, eventually  
9 there are no boats or people left to fish in  
10 the fishery if you can't have a mechanism to  
11 transfer them.

12 DR. HOLLIDAY: Right. So the real  
13 question is not so much transferability but  
14 the degree. So it is not -- no  
15 transferability is not really the choice. The  
16 practice is conditioned on only within a  
17 particular gear. So from gear to gear or from  
18 port to port, there are different conditions  
19 on it. So, that is the relevant --

20 MR. DEWEY: So it is not a question  
21 of if to, it is just more a question of how.

22 DR. HOLLIDAY: Right. Under what

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1 terms and what conditions.

2 MR. DEWEY: Thank you, Mark.

3 MR. BILLY: Okay, George? Oh, sorry.

4 MR. TURRIS: Well we have had two  
5 programs with no transferability. One stayed  
6 that way and the other one actually lasted  
7 about two years before the industry felt they  
8 needed it. So, the difference is the economic  
9 benefits you derive, the net benefit from the  
10 fishery are significantly different.

11 MR. DEWEY: Significantly different  
12 if you don't allow the transferability?

13 MR. TURRIS: Pardon me?

14 MR. DEWEY: Significantly different  
15 if you don't allow the transferability?

16 MR. TURRIS: And I was going to  
17 comment the way you have worded it in your  
18 policy, you to talk about to whom and when but  
19 you don't talk about the how in your policy  
20 and the details about how you limit  
21 transferability to deal with social issues or  
22 distributional issues. So you might want to

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1 expand that.

2           Because that where the focus will be  
3 once you get in -- not to who or between  
4 sectors or within the sector. In fact, the  
5 limits you put on it, whether they be  
6 permanent or temporary, whether they be capped  
7 or proportioned or there are rules around how  
8 you can transfer fish from one user to  
9 another. So the detail is in how you can  
10 actually do it.

11           MR. BILLY: Okay, thanks. George?

12           MR. NARDI: Thank you, Tom. And I  
13 agree the first is often how. It is not so  
14 much always the what, but the how.

15           And going back to that list and I  
16 think I am feeding off of what Randy said  
17 earlier when Mark you sent around a list of  
18 sort of questions to trigger things. And for  
19 me the most important thing was I guess here  
20 A, the identification of fishery management  
21 rules and how to consider whether a catch  
22 share program is best to obtain those goals.

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1           So what I am hoping what we will get  
2 out of this is for me anyway to help make any  
3 kind of advice and maybe some of the rest of  
4 the group where I am not as hands-on as some  
5 of the other people in fisheries anymore,  
6 would be to understand how we can consider  
7 whether a catch program is best. And I am  
8 hoping that is what some of this internal and  
9 external discussion would help educate me in  
10 that.

11           And so I think that is, for me  
12 anyway, the most important thing to get at.

13           MR. BILLY: Thanks, George. Martin?

14           MR. FISHER: I am going to pass,  
15 please.

16           MR. BILLY: Okay. Keith?

17           MR. RIZZARDI: I am going to start  
18 with my grandfather's wisdom. If you always  
19 do what you always did, you always get what  
20 you always got.

21           (Laughter.)

22           MR. RIZZARDI: You know, and I think

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1 we are having this discussion because we have  
2 got an overfishing problem in some areas and  
3 we are trying to address it. And I think NOAA  
4 did a tremendous job with this document. And  
5 I want to give kudos to Jim and Mark and  
6 everybody else.

7 I think this document is important.  
8 It does a really good job of defining the  
9 policy. And what I am hearing around the  
10 table is people boring the distinction between  
11 a policy and a program. This document is  
12 about the macro-level of the policy, the why  
13 of what we are doing and laying it out. And  
14 then comes the actual program, which gets  
15 implemented at the local level where it gets  
16 developed at the local level. And that is the  
17 real details and the how of how it comes  
18 about. But I think having read all of the  
19 material, NOAA has really done a good job  
20 about, Jim, as you put it, you have been in  
21 your face about it. There is nothing hidden.

22 It is all right up front. All of the issues

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1 have been identified and now it is up to us to  
2 figure out do we want to add any additional  
3 detail in this document. Are there more  
4 materials or more statements that need to be  
5 made from a policy direction or is this ready  
6 to move on to the next stage, which is the  
7 development of site-specific programs and  
8 regional-specific programs and fishery-  
9 specific programs.

10 But again, I just want to say having  
11 really gone through as much of the material as  
12 I could get my hands on, I really think NOAA  
13 has done a fantastic job of getting the issues  
14 out there, reaching out to the community and  
15 making sure that there are no secrets. So,  
16 thanks.

17 MR. BILLY: Okay, thanks. Okay, Ed?

18 MR. EBISUI: Thank you. I just  
19 wanted to follow up or comment on some of the  
20 previous comments. You know, this catch share  
21 policy, I think in certain circumstances where  
22 you don't have regular overfishing occurring

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1 and there is a TAC in place but occasionally  
2 the fishery does not -- is valued in a boat's  
3 TAC. It seems to me that a catch share type  
4 of plan would actually encourage exploitation  
5 all the way up to the TAC because now the  
6 permit or the share has economic value.

7 And so I think it goes back to that  
8 phrase in the policy statement about "where  
9 appropriate." It has to be really carefully  
10 looked at to see what the consequences are.  
11 Because like I said, it actually encourages  
12 full exploitation where, without it, you  
13 wouldn't have full exploitation.

14 MR. BILLY: Thanks. Terry?

15 MR. ALEXANDER: I was just going to  
16 ask a question. Are we going to be, feeding  
17 off of Keith was it, feeding off him, are we  
18 going to be recommending a little more detail  
19 than that that we would like to see or -- what  
20 are we going to be recommending, is what I am  
21 asking.

22 MR. BILLY: I really think that is up

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1 to the committee. And it can be either, or,  
2 or both. We will see. I think as we peel  
3 away sort of the layers of the onion, we are  
4 going to have the opportunity to get more  
5 detail to see if we choose to do that.

6 We have been asked for comments on  
7 the policy. And often it is important to use  
8 some very specific examples or comments  
9 related to that to ensure that the policy is  
10 being clearly understood or will work  
11 effectively as drafted or need some  
12 refinement. So it is open. We will see.

13 And it is in the able hands of  
14 Heather to sort of sort that out as we hear  
15 all the comments moving forward about what TAC  
16 we take.

17 Heather?

18 MS. McCARTY: Yes, I might say that  
19 people who are on that committee -- I don't  
20 even know who they really are right now and  
21 maybe they will be people who are interested  
22 in coming to the committee meeting, if they

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1 are not on the committee -- if you would take  
2 good notes while we are having these  
3 discussions. And then try to sort them out in  
4 your own mind before you get to the  
5 subcommittee meeting tomorrow so that we can  
6 have some starting point from the discussion  
7 so we can make some sense out of all of this.

8 MR. BILLY: Okay, anyone else? Okay,  
9 Randy.

10 MR. CATES: I just have a quick  
11 question or comment on Keith's comment about  
12 the assumption that we are having all of this  
13 overfishing. Are we? And are the measures  
14 that we are taking correcting that? I am not  
15 too quick to judge that all of our fisheries  
16 are being overfished and that we need to rush  
17 in to change.

18 The other comment I have is you talk  
19 about evaluating all these policies. We often  
20 see that we are currently managing based on  
21 ecosystem base and science management. Are we  
22 really? In this country are fisheries really

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1 being managed properly in that manner?

2 I think that is a fair question that  
3 we should be asking in evaluating what we are  
4 doing. I can tell you in Hawaii not every  
5 decision is clearly based on science. Do you  
6 think it is? Every question in the Hawaiian  
7 Islands was based on science?

8 MR. CATES: Oh, no, no. That is not  
9 based on science. He was talking about what  
10 the council does.

11 MR. CATES: Well that is not -- that  
12 is only a part of it.

13 MR. BILLY: Jim?

14 VICE CHAIR BALSIGER: I'm not sure  
15 how much of a dialogue you want to get on  
16 these particular issues. Of course, we have  
17 parts of the country where there are still a  
18 lot of stocks being overfished. And Mr. Alan  
19 Risenhoover can detail this for us. I think  
20 there are 37 or 39 stocks that we manage that  
21 we have identified where overfishing is still  
22 going on. We have rebuilding plans in place,

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1 I believe for every one of those, which will  
2 set annual catch limits starting this year or  
3 next year to get us out of the overfishing  
4 problem.

5 Of course, any stock fish, no matter  
6 its status, is vulnerable to becoming  
7 overfished at the next survey because the  
8 oceans change, fish stocks change. Even in  
9 Alaska where we say we have never had any  
10 overfishing go on ever, the last couple years,  
11 the pollock fishery, which is the biggest  
12 volume fisher in the country, is close to what  
13 might be called an overfishing level.

14 So these are dynamic things. So just  
15 because we have rebuilding plans for them  
16 doesn't mean that there will not be overfished  
17 stocks in the fishery. It is just a symptom  
18 of changing ocean surfaces. But we have plans  
19 in place to address those where we know they  
20 are taking place.

21 On your question about whether we are  
22 following science, science only gets you so

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1 far. The Magnuson Act requires us to have a  
2 scientific peer review process that sets a  
3 limit, a maximum amount that can come out of,  
4 be taken from a fishery. And so the level of  
5 science that goes into those peer review  
6 things is different across the country. But  
7 there is, each annual catch limit has some  
8 reference to science.

9 But that is not to say that there  
10 isn't politics that changes those decisions.  
11 That is what the council process is for. I  
12 mean, that is politics at the local level.  
13 And that is where real politics is, at the  
14 local level. And so those decisions can be  
15 made to change science.

16 So if there is a distribution or an  
17 allocation between one user group and another,  
18 there is politics involved. But ultimately  
19 the science should protect the resource so  
20 that the total catch doesn't exceed that. Of  
21 course, science isn't perfect and we are  
22 working on probabilities of distributions

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1 around annual catch limits recommended to the  
2 scientific process. And there is a long ways  
3 to go on that yet but we surely are trying to  
4 put the safety bar such that stocks aren't  
5 overfished.

6 Like I said, Alan Risenhoover is in  
7 charge of our Sustainable Fisheries Office and  
8 he may, if we want to go on in this  
9 discussion, he could probably detail the  
10 stocks we think are overfished and how those  
11 rebuilding plans are coming together, but I am  
12 not sure what the committee wants.

13 MR. RISENHOOVER: I can give you just  
14 a real quick highlight.

15 VICE CHAIR BALSIGER: Sam's gone for  
16 the rest of the morning.

17 MR. RISENHOOVER: So just the 30  
18 second highlight is, right now there are 38  
19 stocks subject to overfishing. So there are  
20 38 there. There are 153 stocks that are not  
21 subject to overfishing.

22 MS. FOY: Alan, can you define what

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1 you mean by subject to overfishing?

2 MR. RISENHOOVER: The rate of harvest  
3 is too high.

4 MS. FOY: The rate of harvest is too  
5 high. And so we risk reaching an overfishing  
6 level if we fish to a TAC?

7 MR. RISENHOOVER: We risk an  
8 overfished level, yes.

9 MS. FOY: Overfished. Okay.

10 MR. RISENHOOVER: Yes. So 38 subject  
11 to overfishing, 153 not subject to  
12 overfishing, and about 190 where we really  
13 don't know. So there is a science component  
14 there as well.

15 VICE CHAIR BALSIGER: So there is a  
16 significant difference between overfished and  
17 overfishing, which probably most people around  
18 the table know. But if there is a question,  
19 then put it in context. Alan could probably  
20 explain that to you.

21 MR. BILLY: We all right?

22 MR. RISENHOOVER: Yes. The only

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1 other caveat I would add is some of those  
2 stocks are also pursued internationally. So  
3 there is eight to ten that have a large  
4 international component that relates to the  
5 overfishing as well. So the pure domestically  
6 harvested stocks is probably more on the order  
7 of 30.

8 MR. BILLY: Okay, Randy?

9 MR. CATES: Just a follow up with  
10 that. You know, this catch share is a big  
11 issue. It is a scary issue. It has big  
12 changes and has implications for our  
13 community, not just a company or a fisherman.

14 And back to what we are currently  
15 doing, I have got to disagree, I do not, from  
16 my point of view, think that we manage our  
17 fishery ecosystem based on science management.

18 Ed says we do. And I give him an example of  
19 Northwest Hawaiian Islands. Oh, yes, well  
20 that is different.

21 Well what about our --

22 MR. EBISUI: That wasn't council,

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1 actually.

2 MR. CATES: Yes, in Hawaii, for  
3 example, turtles used to be part of our  
4 fishery. And it is a cultural fishery -- no  
5 longer fished. You can't even get the science  
6 done on it. We have been requesting it for  
7 years and years and years. And there is a  
8 resistance to even do the science because  
9 everybody knows it is going to go back into  
10 the fishery. You can't go out of here without  
11 running over a turtle. They are everywhere.

12 So before we just throw away the old  
13 system, we have got to evaluate whether the  
14 system we are currently on is really what we  
15 are saying it is doing. I mean, it really is  
16 kind of jumping into the catch shares before  
17 we do that. It is too hard to turn it around  
18 once you start it.

19 MR. BILLY: Martin?

20 MR. FISHER: I have a question for  
21 you, Alan, if you don't mind, related to what  
22 you just said about different stocks. You

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1 said there were 190 that you really didn't  
2 know what the status was and there was another  
3 breakdown. How much of the budget is being  
4 earmarked for stock assessments to find out?

5 MR. RISENHOOVER: A large amount. I  
6 couldn't tell you off the top of my head. Our  
7 science centers -- that is the science part of  
8 the agency -- is about two-thirds of our  
9 budget. So it is on the order of about 700  
10 million.

11 MR. FISHER: Okay.

12 MR. RISENHOOVER: And they have a  
13 stock assessment improvement plan where they  
14 have ranked all the stocks that they are  
15 trying to: A) either improve the information  
16 on, or B) get information on them to get them  
17 up to some levels. There is a tier structure  
18 in there that they have a mix.

19 And so on one hand we are trying to  
20 have better science on those stocks that are  
21 really important, as well as bring everything  
22 up to a better level.

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1           MR. FISHER:    And I also wanted to  
2           express to the committee that I am really  
3           uncomfortable with the notion that without  
4           IFQs, ACLs and TACs we don't work to maintain  
5           healthy levels of stock fisheries management.

6           Before we had the IFQ for grouper at  
7           2006 SEDAR report for the stock assessment for  
8           red grouper, all of a sudden we were  
9           considered to be in a rebuilt status. We had  
10          a closure in '04 and '05 in the Gulf for red  
11          grouper of one and a half months to two  
12          months, and in the meantime we rebuilt the  
13          stock, without the help of IFQs.

14          So I think that there is a selling  
15          point here that needs to be examined. I don't  
16          know if it needs to be examined in the policy  
17          or not but I am uncomfortable with it. And  
18          that is the notion that in order for ACLs and  
19          TACs to work, you need IFQs. You simply  
20          don't.

21          DR. HOLLIDAY: Can I follow up?

22          MR. BILLY: Yes.

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1 DR. HOLLIDAY: Just a point of  
2 information. Where do you see that statement  
3 in the policy?

4 MR. FISHER: You said it a little  
5 while ago. It may not be in the policy but I  
6 heard you say it. It is in the policy. Where  
7 is it?

8 DR. HOLLIDAY: That ACLs and AMs  
9 don't work without IFQs? I don't think so.

10 MR. FISHER: Okay, that is the  
11 inferred. That is what I read between the  
12 lines out of the words -- that catch shares  
13 will help achieve. I will look for it, Mark,  
14 and get back to you --

15 DR. HOLLIDAY: All right.

16 MR. FISHER: -- but I know that it is  
17 in here.

18 DR. HOLLIDAY: Okay.

19 MR. FISHER: Because it just stood  
20 out to me. And it is something that I hear a  
21 lot --

22 DR. HOLLIDAY: On this point?

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1           MR. FISHER: -- from the people that  
2 are selling the IFQ programs around the  
3 country.

4           MR. BILLY: Okay. Is that on this  
5 point?

6           MS. DOERR: No, his previous one.

7           MR. BILLY: Okay, hold on. Ed?

8           MR. EBISUI: I just wanted to mention  
9 what Martin said about the previous discussion  
10 was about the role of science. Everything is  
11 based upon TACs, ACLs and some good idea of  
12 what sustainable harvest is. But yet the  
13 science is seriously lagging. I mean, I was  
14 going to ask Alan how comfortable he is with  
15 the status of -- you know, how current are our  
16 stock assessments.

17           MR. RISENHOOVER: Well, that depends  
18 on the individual stock. Some are on a more  
19 or less annual schedule. Some are more or  
20 less on a five-year schedule. Some of them,  
21 there isn't a schedule.

22           MR. EBISUI: Right.

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1 MR. RISENHOOVER: So again, part of -  
2 - if you do look at our budget over the last  
3 year -- has been trying to build that expanded  
4 stock assessment line, our survey and  
5 monitoring line, some of the analysis lines  
6 that go along with that.

7 So again, you know, to say how  
8 comfortable are you with it? As comfortable  
9 as you can be at the current resource level.

10 MR. EBISUI: Well I mean I see 54  
11 million dollars being budgeted for catch share  
12 discussions and analysis, but I think there is  
13 an even greater need to get those stock  
14 assessments up to speed because you just can't  
15 manage. You can't do good management without  
16 those assessments.

17 MR. RISENHOOVER: Right. And I think  
18 our budget tries to move along both those  
19 lines. And Anne, what were our increases for  
20 stock assessments in '10? It was 10, 11, 12  
21 million.

22 DR. HOLLIDAY: We will go through

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1 that tomorrow in the budget discussion in  
2 great detail. We will go through the budget  
3 tomorrow if we can demonstrate for you or  
4 delve into the specifics of stock assessments  
5 and survey monitoring. I would rather take it  
6 piece meal. I think it would be better to  
7 leave it for the discussion when we will have  
8 all the data in front of us.

9 MR. RISENHOOVER: And I think you  
10 will see in that kind of a movement along both  
11 drafts.

12 MR. BILLY: And that will be before  
13 the subcommittee meetings. So, we will be  
14 informed by that discussion as well. Patty?

15 MS. DOERR: I have two questions and  
16 one was budget-related, and it was whether or  
17 not there's an increase in the budget for  
18 stock assessments. But we can talk about that  
19 tomorrow.

20 MR. BILLY: The short answer is yes.

21 MS. DOERR: My second question is for  
22 Mark. Is there anything in the policy, the

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1 draft policy, that is required? Are there any  
2 kind of basic things that you are recommending  
3 to the council to be required in developing a  
4 catch share policy, or is everything kind of  
5 optional?

6 DR. HOLLIDAY: It is a policy. By  
7 definition, it can't require anybody to do  
8 anything. It is a statement of policy, so  
9 there is no force of law in a policy  
10 statement.

11 MS. DOERR: Well I mean not so much  
12 NOAA requiring the councils to do something  
13 but is there anything? I mean because I read  
14 it as guidance, informal guidance saying:  
15 councils, this is what we recommend that you  
16 do when it comes to catch shares, should you  
17 decide to do a catch share. But out of these  
18 recommendations, my question is, you know, out  
19 of the recommendations, these are five or ten  
20 that we really, really think are just  
21 fundamental requirements of a catch share  
22 system. Not required for the council to do

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1 but recommended requirements. I know it is a  
2 semantics thing.

3 DR. HOLLIDAY: I mean, the guidance  
4 that we all abide by are overall national  
5 standards for the Magnuson Act. All right?

6 MS. DOERR: Yes.

7 DR. HOLLIDAY: And then within  
8 Section 303(a) of the Magnuson Act, we have  
9 ten pages of statutory requirements that the  
10 councils must abide by, if they are to  
11 consider a catch share program that deal with  
12 transferability, that deal with excessive  
13 share, that deal with eligibility, that deal  
14 with duration. Those are all mandatory  
15 requirements spelled out in the Act, and I  
16 brought extra copies for those, some paper  
17 copies if you want to reference them.

18 So those are all the required  
19 mandated things. From that, we have a policy  
20 statement that suggests all of those things  
21 have to be adhered to and when a council goes  
22 to design a catch share program, some of these

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1 things are so important that we call them out  
2 in the policy for emphasis or special  
3 attention. That is what I tried to highlight  
4 this morning and issues about fishing  
5 communities, sustainability and  
6 transferability and equity. Those issues that  
7 were identified to us as extremely important  
8 considerations by stakeholders and fisheries  
9 management, not just for catch shares but in  
10 particular if you are going to go down this  
11 route, you need to pay attention to that in  
12 design and consider them in whatever you come  
13 up with.

14 But we cannot extend beyond what is  
15 in the statute by imposing a requirement on a  
16 council to do something that is not required  
17 by law. We don't have that authority to do  
18 that.

19 MR. BILLY: Okay, Heather?

20 MS. McCARTY: Mr. Chairman, I think  
21 if we want to get through what we planned to  
22 this morning, we should jump into it. I think

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1 that a lot of the discussion that we are  
2 having can be had also at the subcommittee  
3 meeting. And then when we present the  
4 findings from the subcommittee, we can do  
5 another discussion. It seems to me that there  
6 is a lot of interest in discussing catch  
7 shares as a concept, as well as the policy.

8 So I think that we are going to have  
9 to accept that and make it part of our report.

10 MR. BILLY: Good input. Earl?

11 MR. COMSTOCK: I just want follow up  
12 on what Mark was saying. I notice in the  
13 policy and also in conversations that I have  
14 had with NOAA legal counsel, there is a  
15 definite ambiguity as to whether or not when a  
16 council is doing this you are doing this under  
17 Section 303(a) or you are doing this under  
18 some other aspect. You have defined catch  
19 shares in a way that goes outside the Limited  
20 Access Privilege Program or IFQ Program. And  
21 I am just curious if you can provide any more  
22 guidance as to what other things a council

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1 might be considering that would be "catch  
2 shares" that aren't covered under that  
3 section. Because then I think you are in an  
4 area where there is a lot more latitude than  
5 for a council to do something.

6 DR. HOLLIDAY: Yes, I think that  
7 issue was discussed at length during the  
8 development of the catch share policy. So  
9 catch share does include all of the issues  
10 under a Limited Access Privilege Program. But  
11 clearly by example in New England, the sector  
12 program for groundfish is not considered a  
13 limited access privilege program. So that  
14 carries with it both pros and cons.

15 It doesn't have any of the features  
16 that, for example, it is not eligible for  
17 fisheries finance loan programs to support the  
18 purchase of catch share programs because it is  
19 not a Limited Access Privilege Program. So  
20 that could be seen as a bad thing.

21 It also doesn't require all of the  
22 other protections that Magnuson gives for

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1 participation, transparency, and that public  
2 aspect of developing a catch share program  
3 that Section 303(a) requires of people.

4 But indeed, they are allocating  
5 privileges among the various sectors, you  
6 know, the 17 sectors in New England for their  
7 exclusive catch. So it does fall under the  
8 broader umbrella of our catch share programs.

9 There are good points and bad points  
10 to that aspect. The policy, we don't have the  
11 authority to include those non-Magnuson Act  
12 programs under the same requirements as those  
13 true LAP programs, but NOAA would like to see  
14 councils treat those in the same fashion, in  
15 terms of that public participation, the  
16 transparency and the protections of those  
17 important features of a catch share program  
18 that are in 303(a). Because it was carefully  
19 constructed to look at equity issues and  
20 historical participation and small  
21 communities, small owner-operated vessels,  
22 fishing communities, sustainability. All

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1 those are features that are part of the  
2 requirement of 303(a), but are not necessarily  
3 required by law under these non-303(a) catch  
4 share programs.

5 MR. BILLY: Okay, I am going to take  
6 one more comment and then we will move on with  
7 the next part of the agenda. Randy?

8 MR. CATES: Mark, you touched briefly  
9 on a fees-for program. You said that the  
10 money funneled back into that fishery. Is  
11 that under Magnuson-Stevens? And if so, does  
12 the national ocean policy differ from that?  
13 Is there language or talk of additional fees  
14 under that policy?

15 DR. HOLLIDAY: The first part of your  
16 question, it is specified in the Magnuson Act  
17 where the fees come from, how they are  
18 calculated, and what they can be used for. So  
19 that is explicit in the law.

20 Are there additional fees in the  
21 national ocean policy? I can't speak to that.

22 I don't think we have a definitive statement

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1 of what that policy is going to be. The  
2 President has gone through a process of  
3 proposing a draft policy, getting public  
4 comments on it, and the issuance of a final  
5 statement of policy has not happened yet. But  
6 I don't recall seeing any discussion in the  
7 draft of some sort of national ocean policy  
8 fee as a proposal. So I would be surprised if  
9 there was something put in at the final step.

10 MR. CATES: It would be easier to  
11 assess a fee onto a catch share program than  
12 it would be overall.

13 DR. HOLLIDAY: Yes, I think there are  
14 other authorities throughout different  
15 statutes for the Minerals Management Service  
16 with oil and gas royalties and, you know, the  
17 Forest Service for grazing rights or radio  
18 frequency spectrum for these others, but  
19 nothing that is in that national ocean policy  
20 document that suggested a fee for everything.

21 MR. BILLY: Ken, is it on this point?

22 MR. FRANKE: Yes, just real quick.

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1 We spent three days in San Francisco talking  
2 about catch shares recently; Mark and his team  
3 together are a really good group of speakers.

4 And he was talking about sardines and just  
5 floating the concept of doing catch shares.  
6 And we have a recreational component, et  
7 cetera.

8 But the only thing I wanted to  
9 comment right now is after all was said and  
10 done, we had all the speakers offline and said  
11 okay, if you had to do it over, would you do  
12 it? Every one of them said "yes," but they  
13 said with a caveat that if we look to identify  
14 future areas that we can target for catch  
15 shares, that we pay very critical attention to  
16 unintended consequences and that, whatever  
17 policy we establish, that it have a very clean  
18 procedure involving all the impacted parties,  
19 because they had unintended consequences in  
20 almost every one of their cases where the  
21 small guy got cut out.

22 So they said, if you have to do it

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1 over, if you are going to be establishing  
2 process here, their recommendation from their  
3 experience is then what we did and try and pay  
4 attention to those process pieces that will  
5 hopefully not do any damage to some of the  
6 smaller entities.

7 MR. BILLY: Okay, that is a good  
8 segue into the next part of our agenda. We  
9 are going to draw on the experiences of a  
10 number of members of the committee that have  
11 direct experience in one or more aspects of  
12 this broad area of concern. We will start  
13 with Martin Fisher, the ideas that he -- okay,  
14 or you can choose who you want.

15 MR. FISHER: I asked people to  
16 volunteer to do this.

17 MR. BILLY: Oh, okay.

18 MR. FISHER: It's not a requirement,  
19 but I was offering the opportunity for those  
20 named to participate.

21 MR. BILLY: Okay, fair enough.

22 MR. FISHER: I just wanted to clarify

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1 that.

2 MR. BILLY: No problem. All right,  
3 so I am going to offer the opportunity for  
4 anyone on this list --

5 (Laughter.)

6 MR. FISHER: I will go first.

7 MR. BILLY: -- to take advantage of  
8 this opportunity. Short comments or  
9 statements based on your experience, to share  
10 with the full committee to help us do a good  
11 job of dealing with this subject area.

12 So Martin, the floor is yours.

13 MR. FISHER: Thank you very much, Mr.  
14 Chairman.

15 I wish I had the opportunity and I  
16 will later, hopefully, with the full  
17 committee, it would be great to hear what your  
18 ideas are, Ken, and how you could elevate  
19 policy language to the 3500 foot flight deck  
20 to accomplish the goal that you just talked  
21 about. I think the committee would really  
22 benefit from that and so would the catch share

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1 policy.

2 So having said that, I come from the  
3 Gulf of Mexico; Florida specifically. And we  
4 have all been selected individually to  
5 represent our own personal experience. So my  
6 personal experience in the Gulf in grouper and  
7 snapper is not going to apply to the West  
8 Coast, Alaska, surf clams, any of that. It is  
9 simply my world and that is what I am going to  
10 speak about, because that has been my  
11 experience since 1971.

12 In my world, in grouper specifically  
13 and red snapper, the race to the fish has been  
14 replaced by a new race for catch shares. And  
15 there has been a race to implement catch  
16 shares by large producers so that they can  
17 capture the large initial allocations that  
18 they have designed in the ad hoc committees  
19 that have been presented to the councils.

20 Certainly it has been the councils'  
21 decisions to implement recommendations out of  
22 the APs. But as we all know, the council

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1 process is somewhat political and the large  
2 shareholders or allocation respective  
3 recipients certainly have a political clout at  
4 the council level to get done what they need  
5 done.

6 I don't know how to accomplish what I  
7 want to accomplish at the policy level. We  
8 are always talking about the 35,000 flight  
9 deck. What I can only show to you today is  
10 details, details of my experience. The nuts  
11 and bolts, the unintended consequences of the  
12 program.

13 I was on the AP, the ad hoc, the  
14 advisory panel for the grouper IFQ, not the  
15 snapper. We made some huge, huge errors in  
16 judgment and errors in planning, and we didn't  
17 do the job that we needed to do to protect the  
18 fishery from the standpoint of the fisherman.

19 We certainly also made some errors about the  
20 taking of the standpoint -- of protecting the  
21 fishery from the standpoint of the fish.

22 In the design of our catch share

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1 program, we forgot that there are certain  
2 marketing tools that will come to bear in any  
3 new IFQ. We have a deep water complex  
4 grouper. There are four or five different  
5 species. They used to be sold under size  
6 increments; one-to- three, four-to-seven, and  
7 eight and up. Now we only have one size,  
8 because all the small fish are being discarded  
9 because they have no economic value. Now that  
10 is an unintended consequence of the program,  
11 but the fisherman really doesn't have the  
12 economic wherewithal to bring back a fish that  
13 is one-third the value of the next fish on the  
14 line.

15 So to that end, I am very concerned  
16 that one of the -- and it is in the policy  
17 that we have to have observers and we have to  
18 have accountability. It is right there. But  
19 the how, we are going to create that is  
20 missing. And maybe it doesn't belong at the  
21 policy level, but to me it is a self-evident  
22 truth. A catch share program without 100

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1 percent observer coverage of some kind or  
2 another is an invitation for the human spirit  
3 to do the bad thing and high grade and take  
4 care of themselves economically and not  
5 necessarily -- there are going to be the  
6 exceptions that will actually not throw back  
7 that small fish and bring it to the dock. But  
8 by and large, people are going to need to feed  
9 their families, they are going to need to take  
10 care of their crew, and they are going to do  
11 what is economically expedient to them.

12 So, that has been my experience in  
13 the Gulf, that we didn't have this guidance.  
14 If we had had your paper document that you  
15 wrote in 2007 when we started in 2004, we  
16 would probably have a very different looking  
17 IFQ. If we had really been able to establish  
18 the advisory panel in such a way that it  
19 wasn't weighted politically and vote-wise  
20 towards the heavy producers, we may have a  
21 very different IFQ.

22 And I don't know if you can

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1 accomplish at the policy level what needs to  
2 be done at the weeds level, which is formulate  
3 some policy so that that doesn't happen in  
4 future IFQs.

5 The other thing I want to reiterate  
6 is the TACs and ACLs protect the respective  
7 fisheries and their stocks, irrespective of  
8 whether catch shares or limited access  
9 programs are in play. Certainly, if you have  
10 a catch share, you have a minute-by-minute  
11 unloading-site-perfected documentation on how  
12 many fish are caught.

13 And in the Gulf in the old quota  
14 monitoring system, we were off by two percent,  
15 sometimes two percent, sometimes under,  
16 sometimes over. But two percent, three  
17 percent really doesn't kill a stock  
18 assessment. It really doesn't fail a  
19 rebuilding plan. And it allows anybody to  
20 fish and to fish to the extent that they want  
21 to participate in the fishery.

22 One of the things that the catch

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1 share program in the Gulf prevents currently -  
2 - for instance in red snapper -- red snapper  
3 shares are going for \$25 a pound. If I wanted  
4 to enter the fishery as a newcomer and make a  
5 living for myself, my family, and my crew, and  
6 as an owner-operator, I would need at least  
7 50,000 pounds of share weight to make a living  
8 annually. That would cost me \$1.25 mil. That  
9 doesn't even start the cost of the boat.  
10 There isn't a bank in the world that I know  
11 that is going to amortize a loan like that.

12 Our council rejected the notion of  
13 taking 25 percent of the three percent cost  
14 recovery fee to establish a loan program for  
15 new entrants. I wish they would reconsider  
16 that. The government is asking us to consider  
17 these things. The government is spending an  
18 exorbitant amount of money to make sure that  
19 we consider these programs. It seems to me  
20 that the observer issue, the cost of the  
21 observer issue, needs to be explored more  
22 carefully and not necessarily put on the backs

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1 of fisherman in fisheries that certainly can't  
2 afford to have it.

3 And again, what is the race? What is  
4 the necessity to convert all of these  
5 fisheries, some of which are meeting their  
6 marks of rebuilding like the red grouper plan,  
7 when we don't have the attendant ingredient  
8 that is most necessary for the success of a  
9 catch share program? And that is  
10 accountability.

11 And I just wanted to also -- in the  
12 MSA RA there is new language, I think it is  
13 new language, that defines and protects the  
14 sovereignty of catch shares for U.S. citizens.

15 I think the policy needs to include a  
16 statement about sovereignty of catch shares.

17 What is within Magnuson, the MSA RA  
18 is somewhat vague. It says that non-citizens  
19 but living here, permanent residents are  
20 allowed to own shares and corporations. It  
21 doesn't define that the corporations need to  
22 be owned and operated by U.S. citizens. And I

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1 think it is essential. I mean, in 1976, we  
2 created an EEZ, a 200-mile limit so that other  
3 nations wouldn't come and take our fish.

4 We are potentially setting up a  
5 situation where other nations can come and  
6 take our fish. And I think that is something  
7 that I didn't think about until today, but I  
8 think it is essential at the policy level that  
9 we might make some inclusion or some mention  
10 of that.

11 Thank you, Mr. Chairman.

12 MR. BILLY: Okay, questions for  
13 Martin? Yes.

14 MR. ALEXANDER: Are you guys fishing  
15 under that quota yet?

16 MR. FISHER: Of the new quota?

17 MR. ALEXANDER: Yes.

18 MR. FISHER: Yes, we are.

19 MR. ALEXANDER: And how is it going?

20 MR. FISHER: Well, there are issues.  
21 Some of them have nothing to do with the  
22 implementation of IFQ. Some of them have to

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1 do with gear restriction issues. One of the  
2 things that we are faced with is restrictions  
3 on long-lining for red grouper, which produces  
4 about 70 percent of the catch. And because of  
5 that, the price of shares, the price of quota  
6 is up in the air. People are --

7 Let's put it this way, Terry. Before  
8 October 1st and the letters went out  
9 establishing that you were going to have a  
10 personal account, the cost of red grouper  
11 share was about \$2.00 or \$1.50. October 2nd,  
12 that jumped to \$5.00. Again, how are we going  
13 to entice young people, new entrants into a  
14 fishery when they are going to have to work  
15 for 10 or 15 years to accomplish the business  
16 plan to even be there.

17 Rents for red snapper are \$3.00 to  
18 \$3.50 a pound. For ex-vessel value, fish of  
19 \$4.00 or \$4.50, depending on the fish house.  
20 Guys are fishing for less than \$1.00, \$1.50.

21 The issues that we have in the Gulf  
22 are so complex because of the multi-species

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1 aspect and because of regionality difference  
2 that haven't been defined in terms of  
3 management. We really haven't partitioned off  
4 the Gulf in red snapper for east and west.  
5 And we have a population explosion of red  
6 snapper in the eastern Gulf and West Florida  
7 shelf. Because of that and because 95 percent  
8 of the directed grouper fishery is there and  
9 encounters snapper as a bycatch, there is no  
10 way for us in the management scheme to be able  
11 to account for our bycatch for the red  
12 snapper. It is not the IFQ's fault, but  
13 before we are able to bring back a limited  
14 amount every first ten days of the month. Now  
15 you can't bring back any unless you can afford  
16 the \$3.00 a pound or the \$3.50 that the  
17 fishermen are charging other fishermen.

18 So again, this isn't policy level,  
19 but something in the policy level could affect  
20 what happens at the sea level. Does that  
21 answer your question?

22 MR. ALEXANDER: Yes.

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1           MR. BILLY:    Does someone else have  
2           one?

3           MR. SIMPSON:  Martin, would you -- I  
4           would agree, and I think you would too, that  
5           there is a philosophical side and there is a  
6           scientific side to catch shares.  Wouldn't you  
7           agree to that?

8           MR. FISHER:  Yes, I would and that is  
9           something that I forgot to say in the  
10          beginning.

11          MR. SIMPSON:  All right.  So what you  
12          are talking about is a philosophical, rather  
13          than the science side.

14          MR. FISHER:  Well, I am talking about  
15          both, really.  From the science side, we had  
16          95 percent of the science that we needed  
17          before the catch share in terms of the QMS.  
18          The QMS was developed in 2004 and right on the  
19          heels of developing it, we had closures in '04  
20          and '05.  And then all of a sudden we had to  
21          rebuild grouper stock, red grouper stock.

22          So I am not saying those three things

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1 go hand-in-hand but our ability to handle the  
2 science, I don't think there has been --

3 MR. SIMPSON: Oh, I agree that there  
4 are ways to accomplish management in a fashion  
5 other than catch shares that would allow you  
6 to have sustainability. That is a given.

7 MR. FISHER: Okay.

8 MR. SIMPSON: I firmly believe in  
9 that, but there are other things besides just  
10 science that a catch share policy does, and  
11 you have enumerated some of the -- I won't  
12 call them problems -- I will just say issues  
13 associated with it, most of which were not a  
14 surprise to me at least, but I am sure they  
15 were a surprise to a lot of people, the  
16 social, the business, the economic and so  
17 forth.

18 Do you think that it is appropriate  
19 to have a limited entry system of any kind as  
20 a philosophical position? If you do, then you  
21 are going to have to deal with these issues  
22 with the catch shares. If you don't, then you

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1 can stand and say they are all bad.

2 MR. FISHER: Well --

3 MR. SIMPSON: Well, before you  
4 answer, look at the world around us.

5 MR. FISHER: I am looking at the  
6 world around us.

7 MR. SIMPSON: There are a certain  
8 number of taxi cabs that can go in New York  
9 City. You know, there are a certain number  
10 now of shrimp vessels that can have the  
11 ability to harvest. There is a lot more that  
12 is capable than are currently in it, and we  
13 need to address that, but I think overall we  
14 have seen that has been a pretty good thing as  
15 far as bycatches and stuff.

16 There are a certain number of charter  
17 boats that can apply. I mean, if you go down  
18 that road that you think that is an acceptable  
19 thing rather than laissez-faire, then you have  
20 got to deal with these other issues.

21 MR. FISHER: Well, let me answer your  
22 question, if I may. Firstly, I want to

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1 establish I am not anti-catch share. I am  
2 not. What I promote and what I support is the  
3 design of catch share programs, if you are  
4 going to implement catch share programs, that  
5 bring the most benefit to the most people and  
6 most of the resource possible.

7 MR. SIMPSON: Well, within limits  
8 because --

9 MR. FISHER: Well, of course.

10 MR. SIMPSON: -- some people will say  
11 you should have economics drive every decision  
12 that you make, and I don't follow that  
13 philosophy.

14 MR. FISHER: Well, let me answer --

15 MR. SIMPSON: Magnuson says you  
16 can't, really.

17 MR. FISHER: Let me answer your  
18 second question, if I may.

19 MR. SIMPSON: All right.

20 MR. FISHER: There is a huge  
21 difference between a limited-access open-  
22 access fishery, but we have the 14 IFQs and an

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1 IFQ system where the only people that get to  
2 participate either have more funds, enough  
3 funds to participate, or they are privileged  
4 by the initial allocation.

5 It is true that when we switch to  
6 limited access, at that point, the only way  
7 you could enter the fishery was to spend money  
8 and buy a permit. But at that point, it was  
9 up to the individual's boat, commitment,  
10 skill, to be successful or not. That is also  
11 true in IFQ, but the amount of money, the  
12 amount of resource it takes to become a new  
13 entrant now is so different than before.

14 MR. SIMPSON: I agree.

15 MR. FISHER: And it is true that we  
16 had overfishing before and over-  
17 capitalization, but that also does take care  
18 of itself. It is a natural Darwinian order  
19 thing economically, as long as the fish are  
20 protected by a TAC or an ACL.

21 MR. SIMPSON: One last comment and I  
22 will be quiet. To get that initial permit,

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1 anybody that you mentioned could walk up and  
2 put the minimal administrative amount down and  
3 get that permit. Is that correct, initially?

4 MR. FISHER: Initially, yes.

5 MR. SIMPSON: Okay, then the catch  
6 shares were based upon how well that person  
7 performed. Correct?

8 MR. FISHER: Mostly correct.

9 MR. SIMPSON: So your concern is that  
10 there should be some kind of method to allow  
11 more or more liberal new entrants into the  
12 system. That is your point, not so much catch  
13 shares are bad.

14 MR. FISHER: Right. Again, I am not  
15 saying catch shares are bad, and let me just  
16 expand that a little bit. It is not just new  
17 entrants. It is current participants, and the  
18 Magnuson Acts talks about consideration for  
19 current participants.

20 There are people that entered the  
21 fishery six months before there was a control  
22 date on IFQ that you guys put in the Panama

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1 City meeting in 2004. They had no inkling  
2 that IFQ was coming for grouper. They  
3 invested \$100,000. They were excluded from  
4 the program because the years for allocation  
5 that were chosen were before that.

6 MR. SIMPSON: I have heard all of  
7 them.

8 MR. FISHER: I know you have. I know  
9 you have, Larry.

10 MR. BILLY: We have got to move on  
11 now. Tony?

12 DR. CHATWIN: Yes, thanks. Martin,  
13 thanks for sharing your experience. You said,  
14 one of that statements you said you have -- a  
15 document that was produced, I guess that is a  
16 technical guidance on limited access privilege  
17 program -- that things would look different  
18 today or could look different.

19 Could you elaborate on what would be  
20 different, in your mind what could be  
21 different today, based on that, just so for us  
22 who haven't participated in that process, we

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1 can get a sense of what that would be?

2 MR. FISHER: During our committee  
3 discussions, our AP discussions, we kept  
4 looking to the agency, to NMFS for guidance.  
5 How do we do this? How do we do that? How do  
6 we ensure that most of the people are  
7 protected? What is the proper and appropriate  
8 amount of time to use for a timeline to  
9 establish history?

10 That is the biggest question. You  
11 know, we need guidance, and I don't think your  
12 technical paper says what that timeline should  
13 be, but at least it speaks to it and there are  
14 other issues like that. You know, who gets  
15 the allocation? Who can transfer the  
16 allocation? All of those things, really, we  
17 were shooting in the dark.

18 Bruce came and spoke to our committee  
19 -- and I believe you are from British  
20 Columbia, right? So you have a multi-species.  
21 But you even said in committee that it  
22 wouldn't work without 100 percent observatory.

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1 It wouldn't work without cameras, video,  
2 whatever because there would be high grading.

3 There would be efforts on the fishermen to  
4 capitalize on the economics of their catch.

5 MR. TURRIS: Well, I didn't say  
6 exactly that, but something similar.

7 MR. FISHER: Okay. Fair enough.

8 MR. TURRIS: That would be an  
9 incorrect statement.

10 MR. FISHER: Okay.

11 MR. BILLY: Okay, we will get to it  
12 this afternoon?

13 MR. TURRIS: Yes.

14 MR. BILLY: Okay. All right, I would  
15 like to thank you very much, Martin.

16 MR. FISHER: You're welcome.

17 MR. BILLY: I would like to now open  
18 it up to the other panelists.

19 MS. McCARTY: Do you want me to go?

20 MR. BILLY: Yes, Heather.

21 MS. McCARTY: I can go.

22 MR. FISHER: Sure.

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1 MR. BILLY: Heather?

2 MS. McCARTY: There is -- I don't  
3 know whether to do this by issue or by  
4 program, because there are a lot of programs  
5 in the North Pacific that I am familiar with,  
6 some more than others.

7 So I do think that the summaries that  
8 you provided are really, really good. And if  
9 people read those, they are almost all  
10 correct. There a couple of things that aren't  
11 quite there, but mostly those are good  
12 descriptions of the programs that are in place  
13 in the North Pacific.

14 One of my particular interests is the  
15 community protection aspect of the catch share  
16 programs. So okay, I will start with that.

17 The Community Development Quota  
18 Program or the CDQ Program is, I think, unique  
19 to Alaska. And there is a second community  
20 protection program in place as well that is  
21 called the CQE program, community quota entity  
22 program. The CDQ program is only in place in

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1 the Bering Sea, and the CQE program is  
2 relatively new and is in place only in the  
3 Gulf at the moment.

4 There are, at every council meeting  
5 of the North Pacific Council, there is more  
6 communities who want to jump into one or the  
7 other of those types of programs because they  
8 have, I think, successfully addressed some of  
9 the major issues having to do with community  
10 protection when you start handing out fishing  
11 rights to individual entities.

12 The CDQ program provides essentially  
13 ten percent of the major resources of the  
14 Bering Sea -- that's pollock and groundfish,  
15 halibut and crab -- to the CDQ communities.  
16 There are 65 CDQ communities all around within  
17 50 miles of the Bering Sea, and they have  
18 formed themselves into six CDQ entities that  
19 basically lease out those ten percent rights  
20 to all those resources to large vessels who  
21 catch that fish or crab and pay a royalty to  
22 the CDQ communities.

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1           With that money, the CDQ communities  
2 have been able to buy lots more pieces of the  
3 Bering Sea fisheries, including processing  
4 vessels, processing plants, all kinds of  
5 things to diversify the economies in those  
6 coastal communities and to provide other  
7 social services to the communities that they  
8 wouldn't ordinarily have. These are very  
9 remote, very poor communities that have gained  
10 enormous amounts of, essentially, cash.

11           I mean, I think -- there is one CDQ  
12 group, for example, has I think eight million  
13 dollars in the bank just sort of in the bank  
14 and they have already bought like fish  
15 companies and all kinds of stuff, all from the  
16 money that comes from mostly from the pollock  
17 fishery and now more and more from the crab  
18 fishery. So it is kind of a unique program  
19 and it was created by Congress.

20           So that is how that happened and that  
21 is how a lot of the catch share programs in  
22 Alaska have been started, is they have been

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1 legislated, almost all of them.

2           The CQE program is pretty recent and  
3 it provides the ability for communities in the  
4 Gulf of Alaska to buy into the halibut  
5 program, for example, and to buy IFQ in the  
6 halibut program. The only problem is that  
7 none of the communities, except one -- I think  
8 there are 16 communities that are eligible --  
9 only one of them has been able to get together  
10 enough to actually buy halibut quota because  
11 it is so expensive.

12           And so that has been one of the  
13 issues in the CQE program is the expense of  
14 getting into any kind of catch share program,  
15 which I think echo some of the things Martin  
16 has said. So I would identify that as an  
17 issue, certainly, in some catch share  
18 programs.

19           To go back to the CDQ program again,  
20 frankly I can't think of very much that is  
21 wrong with it. The main thing that is wrong  
22 with it is that people envy it. And there is

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1 a lot of hostility in the rest of the  
2 fisheries towards the CDQ program. And some  
3 people consider it social engineering, which  
4 indeed it is, and it is hugely successful for  
5 these communities and people resent the  
6 program. And it comes out in testimony at the  
7 council. It comes out in radios, out on the  
8 fishing grounds. Oh, you are a CDQ group, you  
9 can buy anything you want. You can pay your  
10 crew anything you want. We can't compete with  
11 you because you are so successful, and that is  
12 really what the net effect has been of the CDQ  
13 program because it has been so successful.

14 To get to the IFQ system in halibut  
15 and sablefish, I don't know as much about that  
16 program. I wasn't around when it was formed  
17 but it was not legislated and it was put  
18 together I think basically by the grass roots  
19 participants in the program.

20 Some of the things that have been  
21 identified that have been, essentially,  
22 unintended consequences in some cases of the

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1 halibut IFQ program is that it didn't protect  
2 processors. It protected, it was what they  
3 call in Alaska, a straight IFQ, individual  
4 fishing quota. It didn't have any  
5 consideration, initially, for protection of  
6 processing interests and for protection of  
7 individual communities. So it was a long-  
8 legged stool.

9 And the thinking has evolved in  
10 Alaska towards a two-legged stool or a three-  
11 legged stool and I will get into that more  
12 later, but the IFQ program is a one-legged  
13 stool. And some of the processors feel as  
14 though they were disadvantaged by the program  
15 and, hence, the development of subsequent  
16 programs, two-legged and three-legged stools -  
17 - two-legged, meaning the processor has a  
18 share, the processor has a protective right of  
19 some kind to the resource that helps him  
20 compete with the harvest side.

21 And so I guess that is probably  
22 another issue is the balance of protection in

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1 programs amongst those three sectors. The  
2 harvester, the processor, and the community  
3 and I think that is really one of the keys to  
4 a successful catch share program.

5 IFQ, for example, moved from Pelican,  
6 which is a small place in Southeast Alaska,  
7 and that plant there that used to be a  
8 successful halibut processing plant no longer  
9 operates. Several entities have tried taking  
10 it over and trying to make it work but people  
11 aren't delivering there. And the reason is  
12 because they don't have to because the IFQ  
13 program spread out the fishery so that you can  
14 fish whenever you want, essentially, during  
15 the year.

16 And so you don't have to go these  
17 little places to deliver. You go places where  
18 you get more money or where there is road  
19 access or airplane access or whatever. So  
20 again, unintended consequences but we should  
21 be able to learn from those in these programs.

22 The American Fisheries Act created

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1 the Pollock Cooperative System in the Bering  
2 Sea and that is probably one of the better  
3 known programs. And I think that Dr. Anderson  
4 is probably an expert in it, amongst others.  
5 That was legislated. The legislation was a  
6 culmination of a long battle between the on-  
7 shore and the off-shore parts of the Bering  
8 Sea Pollock Fishery and they couldn't work it  
9 out. It was called inshore/offshore and it  
10 went on and on and on at the council process  
11 for years, and years, and years. And finally  
12 everybody threw up their hands and went to Ted  
13 Sevens and said fix it.

14 And so basically he did and the  
15 American Fisheries Act created this highly  
16 successful, cooperative-based catch share  
17 program in the Bering Sea where processors  
18 have a stake in it and harvesters have a stake  
19 in it. It has a number of features that  
20 people could learn from, I think. There is  
21 caps on ownership which is another really  
22 important part of catch share thinking, I

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1 think. There was some consolidation because  
2 that was the whole point was to consolidate  
3 into fewer vessels to save money. And so the  
4 consolidation aspect of these catch share  
5 programs is not really an unintended  
6 consequence. Sometimes it has unintended  
7 effects on one sector another or one entity.  
8 I think somebody over here suggested, I think  
9 it was Ken said, that this is what you have to  
10 think about is the little guy when you put  
11 these big programs together. But the little  
12 guy can suffer because either he is not at the  
13 table or nobody thinks of him or whatever. So  
14 I think that is huge and that I think is a  
15 lesson to be learned from all of these  
16 programs that are in place in the North  
17 Pacific.

18 Another point that I will just bring  
19 up right now is that none of these programs  
20 were put in place for resource issues. None  
21 of these programs were put in place to address  
22 overfishing, period. They were put in place

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1 for economic reasons and social reasons.  
2 Mostly economic but they kind of go hand-in-  
3 hand. So these did not address overfishing  
4 because there wasn't any overfishing in any of  
5 these fisheries. There is maybe some  
6 overfishing in the crab fishery in the Bering  
7 Sea but that is not why the Crab  
8 Rationalization Program was put together.

9 So I would point out that these were  
10 well managed in the sense of the resource  
11 sustainability well before any of these  
12 programs were there and they still are. So I  
13 know that is one of the themes that I keep  
14 hearing around the table. You don't have to  
15 have catch share programs to manage a fishery.

16 I agree with that.

17 I guess the next one on my list is  
18 what they call the Crab Rat[ionalization]  
19 Program and this has probably been the most  
20 emotional catch share program in Alaska. I  
21 know there are lots of people who can speak to  
22 it who have first-hand experience.

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1           For example, if you live in Kodiak,  
2 as you were just telling me, there is graffiti  
3 in Kodiak against the Crab Rationalization  
4 Program.       There's tee-shirts.       There's  
5 demonstrations. No More Crab Rat.

6           And it was emotional, I think for a  
7 couple of reasons. One, it was also basically  
8 legislated and it was put in place allowing  
9 processor quota, IPQ, and it was, I think  
10 probably on the processor's part, a reaction  
11 to what they considered the lack of protection  
12 in previous programs. And so they made sure  
13 that it was a two-legged stool.

14           And in the case of the Bering Sea  
15 communities, they made sure that it was three-  
16 legged stool. So it is actually the first  
17 three-legged stool, in terms of catch share  
18 programs. There's three sectors. We continue  
19 to tinker with the program.

20           It has only been in place for five  
21 years and we have done, I think we are working  
22 on our 14th amendment to the program already

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1 for the Fishery Management Plan. That is how  
2 many things were wrong with that program and  
3 unintended consequences all over the place.  
4 And I guess the lesson to be learned from this  
5 program is that they can be fixed.

6 That it is a program that basically  
7 works. It basically protects the harvester,  
8 the processor, and the community but because  
9 of all the protections that are written into  
10 the program, they have effects that you didn't  
11 think about.

12 Right now, for example, we are doing  
13 something or trying to do something about the  
14 unintended consequence of having to deliver in  
15 a particular region. This program has  
16 regional delivery requirements to protect  
17 communities. Well, one of those communities  
18 has no processing capability right now for  
19 crab and so there is like 800,000 pounds of  
20 crab that can't be caught by the people who  
21 hold the IFQ because they have to deliver to  
22 that community and they can't because there is

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1 no processing capability. And the law says  
2 you can't catch that crab because you can't  
3 deliver it, basically.

4 So there is an emergency rule being  
5 published as we speak in the Federal Register  
6 to allow some emergency relief from that  
7 regional delivery requirement.

8 There's other problems with ice on  
9 St. Paul Island in the middle of the Bering  
10 Sea. Ice comes down and blocks off the  
11 harbor. You can't deliver the crab. There is  
12 this huge elaborate process going on right now  
13 that I am part of because I work for people on  
14 St. Paul to try to deal with that unintended  
15 consequence.

16 So there is a lot that works in the  
17 crab program and there is a lot that doesn't.

18 The final one is the Rockfish Pilot  
19 Program in the Gulf. This was also legislated  
20 and it has a pilot attached to it. It is only  
21 five years. It runs out in -- actually it was  
22 supposed to be two years and then they went

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1 back for more. Again, legislated an  
2 additional three years so it is a five-year  
3 program; there are people who like it so much.

4 Again, it was done for economic reasons, not  
5 for resource reasons. It was done to stretch  
6 out the season so that people could deliver  
7 when there wasn't a cannery full of salmon,  
8 for example, so that you could spread out the  
9 processing amongst different months.

10 And a lot of people are doing very,  
11 very well under the program. It is unpopular  
12 in some places in Kodiak as well because it  
13 tends to limit the ability of people to get  
14 into the fishery. There is an entry level  
15 component. Again, another lesson to learn, an  
16 entry level that really means something. An  
17 entry level that is a door rather than just a  
18 dead end. I think that is a big piece to  
19 consider in catch share programs.

20 So again, we are going through this  
21 elaborate process again at the council to re-  
22 establish this program because it ends in

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1 2011. So we are hopefully learning from all  
2 of these things that I have just talked about  
3 as well as the things that happened in the  
4 Rockfish Pilot Program. Again, somewhat of a  
5 lesson. If you are going to do a catch share  
6 program, make it a pilot program. See how it  
7 works. And that way you are not limited to  
8 that particular program forever. You could  
9 learn from the mistakes and the good things  
10 and put a new program in place that is better  
11 than the old one.

12 Let me see if I have covered all of  
13 the issues. The whole idea of bycatch and  
14 ecosystem-based management, if you are going  
15 to say that that is a goal of catch share  
16 programs, than the catch share program itself  
17 has to have some pretty strong pieces in it  
18 that lead to those results. Again, something  
19 that you talked about, Martin, the idea of  
20 having 100 percent observers or whatever,  
21 whatever fits that fishery, whatever works for  
22 that fishery, I think you have to have that

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1 sort of accountability. I agree with that.

2 Three-D protection I have already  
3 talked about.

4 One of the other big issues with the  
5 IFQ program right now is the owner-on-board  
6 provision. That is a transferability  
7 provision. Who can actually fish the quota?  
8 Can you lease it out indefinitely or does the  
9 owner have to be onboard? I think that is a  
10 huge issue in the crab program and in the  
11 halibut program. So, that is a big deal.

12 Sideboards to protect other  
13 fisheries. I know there is a piece in the  
14 policy that talks about protecting the  
15 components of that fishery. There also needs  
16 to be pieces in catch share programs that  
17 protect other fisheries from the participants  
18 in the rationalized fishery. And in the North  
19 Pacific, that has been recognized and there  
20 are sideboards that protect other fisheries.  
21 It is kind of hard. I am not going to try to  
22 explain it right now but we could talk more

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1 about that later.

2 Financing, I have that as an issue.  
3 I have already mentioned it but for catch  
4 shares to be accessible to coastal community  
5 residents who don't have a lot of money there  
6 needs to be a solid financing program to allow  
7 individuals to get into a fishery if you are  
8 going to create a catch share program.

9 So those are basically the issues  
10 that I picked out.

11 MR. BILLY: Okay, any question for  
12 Heather? Yes.

13 MR. ALEXANDER: Heather, you said  
14 that they made 14 amendments to the plan  
15 already.

16 MS. McCARTY: Yes.

17 MR. ALEXANDER: That has only been  
18 two or three years, right?

19 MS. McCARTY: Right.

20 MR. ALEXANDER: And they have done 14  
21 amendments?

22 MS. McCARTY: Yes. We were working

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1 on number 14, I think --

2 MR. ALEXANDER: We have been four  
3 years developing one. So it just seemed  
4 really fast to me.

5 MR. BILLY: Larry.

6 MR. SIMPSON: Yes, Heather, you  
7 indicated that, carrying this point forward,  
8 that there have been a lot of changes. I am  
9 concerned about what you start with in a catch  
10 share program and what you end up with. And  
11 would you hazard an opinion of what the  
12 majority of the people who were involved in  
13 the catch share program would say now versus  
14 what was first established as to whether or  
15 not they would want to enter into it?

16 In other words, after all of these  
17 changes, are they still of the opinion that  
18 yes, catch shares was a good idea or were  
19 there changes of little pieces and parts that  
20 now add up to a position that they wouldn't  
21 hold to start this whole process with?

22 MS. McCARTY: I think generally

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1 speaking the people who are participants in  
2 catch share programs like them very, very  
3 much. Of course, being that they are an  
4 economic tool more than anything else in my  
5 opinion, the people who are involved in the  
6 catch share programs and hold shares are doing  
7 extremely well in the programs that are in the  
8 North Pacific. And so they like them very  
9 much.

10 It is the people that got left out of  
11 them that don't like them and they continue to  
12 not like them. And that is one of the things  
13 that is happening in the Crab Rat Program is  
14 that more and more people are getting a little  
15 piece of the crab fishery.

16 For example, skippers have a little piece and  
17 crew has a little piece. Crew was considered.

18 Crew wants more. And so those are some of  
19 the amendments that are underway. And  
20 everybody wants a little piece of it because  
21 they know that is the way it is going to be  
22 from now on.

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1           So I think that the amendments that  
2 have been made, and I get this from program to  
3 program, but I think the amendments in the  
4 crab program are creating a whole different  
5 animal than it was originally. When it was  
6 first put in place, the harvesters kind of  
7 went kicking and screaming into it. The  
8 processors were the ones that wanted it  
9 because they got a piece of it and that was a  
10 big deal at that point, for a processor to get  
11 a piece. And they -- now the tide has turned  
12 to the point where the skippers and the owners  
13 of the crab vessels are ecstatic because they  
14 are all millionaires. They are doing  
15 extremely well.

16           And the processors aren't so pleased  
17 with how this whole thing has turned out  
18 because there is this binding arbitration  
19 system because you have to deliver it to a  
20 particular place. And so in order to equalize  
21 the power in that situation, there is a  
22 binding arbitration system. And I think in

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1 every situation where the price negotiation  
2 has gone to binding arbitration, the  
3 harvesters have won. And the processors are  
4 saying, wait a minute, we are supposed to win.

5 And so they don't like it anywhere near that  
6 they thought were going to, as much as they  
7 thought they were going to, but the harvesters  
8 like it a whole lot more than they thought  
9 they were going to.

10 MR. SIMPSON: Last point, is the Gulf  
11 had been criticized a great deal about having  
12 a fishermen's referendum, whether or not to  
13 start and whether or not to implement, not a  
14 catch share, but a limited entry quota.

15 Now, in retrospect, do you think that  
16 maybe a policy of whether or not you continue  
17 with a catch share program should involve a  
18 fishermen's referendum or not?

19 MS. McCARTY: The referendum would be  
20 of the people who are in the program currently  
21 or everybody?

22 MR. SIMPSON: Well, that would have

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1 to be determined. Some of it may be people  
2 that are outside the program.

3 MS. McCARTY: Then that is a recipe  
4 for disaster.

5 MR. SIMPSON: Well they own it too.

6 MS. McCARTY: I understand that.

7 MR. SIMPSON: I didn't say a  
8 majority, I just said in some fashion, a  
9 referendum.

10 MS. McCARTY: If you did a referendum  
11 in Kodiak right now on the crab program, it  
12 would be gone tomorrow. Right? If you didn't  
13 let everybody vote.

14 MR. SIMPSON: Is that a reasonable  
15 thing to put in a policy? A referendum on the  
16 program.

17 MR. BILLY: Only by fishermen?

18 MR. SIMPSON: Well that should have  
19 to be determined.

20 MS. McCARTY: It depends on how you  
21 design it. The answer is if you ask the  
22 people who are participating in the program to

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1 vote, that is a whole different thing.

2 MR. SIMPSON: You want to have  
3 several. You know, you want to have  
4 fishermen, processors, communities, outside  
5 people.

6 MS. McCARTY: It would be very  
7 interesting.

8 MR. SIMPSON: No, no, no. I said do  
9 you think that that could be a legitimate part  
10 of the catch share program?

11 MS. McCARTY: No.

12 MR. BILLY: Okay, I am going to move  
13 on. I have got Randy, Bruce, Lee, and Terry.  
14 Randy?

15 MR. CATES: Heather, you said you  
16 recommended a pilot program, which I agree  
17 would be nice, but I am concerned that you  
18 wouldn't be able to make an appropriate  
19 investment if you knew just in five or ten  
20 years it is up for grabs, even. And  
21 certainly, I wouldn't invest in equipment to  
22 an extent if I think I am going to be out in

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1 five or ten years.

2 MS. McCARTY: Well that is the good  
3 part of it is that you know. You know?  
4 Because theoretically, all of these catch  
5 share programs are subject to a sort of  
6 referendum, a sort of review.

7 I think if you are invested in the  
8 program, you are going to throw everything you  
9 have, and you like the program, and you have a  
10 ten year review in front of your regional  
11 council, you are going to throw everything you  
12 have got at making sure that council keeps  
13 that program in place.

14 But if you have an ending point, I am  
15 not saying it is the only way you can do it  
16 but if you have an ending point of five years,  
17 say, and you know that that program is going  
18 to go away unless you reestablish it, that is  
19 a much harder stop than a five year review or  
20 a ten year review as in the MSA. So and you  
21 go into the program as a participant knowing  
22 that, then you act accordingly.

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1 MR. CATES: The problem is you are  
2 not properly invested in your ability. It is  
3 like aquaculture. With a short lease, you are  
4 not getting the best equipment, which  
5 contributes to escapements and a whole bunch  
6 of other issues. And there is a reason why  
7 these ventures build cheap cages is they only  
8 have a short lease. The longer the lease, the  
9 long-term vested interest.

10 MS. McCARTY: I understand. I think  
11 that is an issue.

12 MR. BILLY: Okay, Bruce?

13 MR. TURRIS: Heather, I was curious,  
14 too. I think in part you answered with Larry  
15 about the number of changes. Wasn't that an  
16 expectation, though, that you would have to  
17 have a number of changes? I think the largest  
18 program in our country that we lived, we made  
19 17 significant changes three months after the  
20 program was implemented but that was all  
21 forgiven. I mean, those are all necessary and  
22 constructive and positive changes. Because

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1 mostly because of unforeseen issues, and in  
2 part because of competing objectives that you  
3 had that you just didn't get it right. So is  
4 that a lot of what happened in those 14  
5 changes?

6 MS. McCARTY: Yes. I think it is a  
7 good thing. I hope I got that across. I  
8 think the ability to make those changes and to  
9 make the program better are essential. I  
10 think it is fine.

11 You know, I said there was a lot  
12 wrong with it but people didn't put it in  
13 place thinking that but once they started  
14 fishing under it, they realized it and went to  
15 the council and said, look, let's do this,  
16 let's do this, let's do this. And the council  
17 did and it has been good.

18 MR. BILLY: Lee?

19 MR. ANDERSON: I would like to go  
20 back to a couple of points. Marty or Martin?

21 MR. FISHER: Martin, please.

22 MR. ANDERSON: Martin, okay. Sorry.

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1           You made the point about TACs and  
2           ACLs and somebody says that they won't work  
3           without having catch shares. And I certainly  
4           don't believe that but I think there is -- you  
5           know, they can work on their own.

6           And this gets to the point that  
7           Heather made. You said that -- and I don't  
8           mean to pick on you here. We are having a  
9           discussion here. But you said halibut was a  
10          well-managed fishery before ITQs. Now, I --

11          MS. McCARTY: No, I didn't.

12          MR. ANDERSON: Well that is what I  
13          wrote down.

14          MS. McCARTY: Okay.

15          MR. ANDERSON: So like I said, I  
16          didn't want to start a fight.

17          But halibut before ITQs was  
18          biologically pretty sound. I think they could  
19          catch it but they kept the limit. But what  
20          happened? They caught everything in two days.

21          That is why you had a plant out on Pelican  
22          Island, if I understood you, with no road

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1 access and things like that.

2           There is no way in the world -- I'm  
3 sorry, I speak frank -- but no way in the  
4 world should you have a plant out there. It  
5 is out there because you've got a goofy  
6 regulation system that forces you to fish fast  
7 and build it out there.

8           So what I think if you are going to  
9 have a look at a system, it is a bioeconomic  
10 analysis. It may be biologically correct but  
11 I think that, my personal opinion, my personal  
12 opinion, that was a broke system when you  
13 landed everything in that fast.

14           And the other thing that is really I  
15 think it is a broke system. When I lived in  
16 Norway during this period, I could get fresh  
17 halibut every day. In the United States, we  
18 couldn't get fresh halibut every day. You  
19 could get fresh halibut two days a year. Now  
20 that is a crime to me. You take a fresh  
21 halibut and you freeze that puppy and sell  
22 that institutional stuff, that is a crime.

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1 Okay?

2 So we have to look at the whole range  
3 of issues that this system does. So in answer  
4 to your question, do you need a catch share to  
5 make a TAC work? No. But if you don't have  
6 something, there is the other thing you get  
7 which is this over capitalization, too big of  
8 boats, short seasons, terrible products, in my  
9 opinion. Well, certainly not products as good  
10 as it could be.

11 And so you look at all of those  
12 issues and to me I look at both of them, the  
13 products that come out of it and the  
14 biological success.

15 And I tell you, this has really been  
16 interesting for me. I have been taking notes  
17 like crazy and I don't know how I am going to  
18 tie them all into my remarks this afternoon.  
19 So I had to say that but thank you for letting  
20 me participate.

21 MR. BILLY: You're welcome.

22 MS. McCARTY: Mr. Chairman?

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1 MR. BILLY: Yes?

2 MS. McCARTY: I said it wasn't put in  
3 place because of overfishing --

4 MR. BILLY: Okay.

5 MS. McCARTY: -- and it really  
6 wasn't. It was put in place because the  
7 system was broken. There is no question about  
8 that. I completely agree with you.

9 MR. ANDERSON: Okay. I'm sorry I  
10 misinterpreted it. We do agree on that.

11 MS. McCARTY: Oh, absolutely.

12 MR. BILLY: Okay. Next we have  
13 Terry. Oh, you're all set? Martin.

14 MR. FISHER: Thank you, Mr. Chair.

15 Heather, the policy often talks about  
16 economic under-performance and economic-  
17 enhanced performance. Do you think that catch  
18 shares necessarily enhance economic  
19 performance and do you think it should be part  
20 of a policy statement to define what that  
21 means? Because just to say economic  
22 performance, economic performance for who?

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1 For the fishermen, for the processor, for the  
2 community, for who?

3 And I would like to see the policy  
4 make some attempt to move a little bit lower  
5 in the atmosphere with what economic  
6 performance means.

7 MS. McCARTY: Is that a question?

8 MR. FISHER: Yes.

9 MS. McCARTY: So the answer is yes.  
10 I agree with you. I think that the policy  
11 does need to get more specific about that. I  
12 am not sure it can be much more specific if it  
13 wants to stay at the policy level but I do  
14 believe that it needs to be more fully  
15 explained what that means.

16 And I think I said earlier, I think  
17 catch share programs, the ones that I am  
18 familiar with are what I have done for  
19 economic reasons have succeeded in many cases.

20 And the big question is, succeeded for whom?

21 This goes back to the referendum  
22 idea. You know, if you are in the catch share

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1 program, you vote yes. If you are not in the  
2 catch share program and you want to get in and  
3 you can't for whatever reason, you vote no  
4 because you are on the outside looking in.

5 And I think one of the main issues in  
6 the crab program has really pointed that out,  
7 the idea of the consolidation that took place.

8 The Crab Rationalization Program was  
9 accompanied also by a congressionally mandated  
10 and funded buyback program. And it reduced  
11 the number of vessels significantly, thereby  
12 reducing the number of jobs for crew members  
13 and skippers even and thereby reducing the  
14 economic benefits to the communities where  
15 those crew members lived.

16 Many of those communities were in  
17 Alaska and one of the main ones was Kodiak.  
18 And that is why Kodiak doesn't like the  
19 program because lots and lots of people who  
20 don't have any training for anything else were  
21 out on the street. And so the economic  
22 benefits of the catch share program that you

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1 are looking at need to be -- you can't really  
2 say they need to be universal but you need to  
3 determine before you put the program in place  
4 who is going to benefit and who is not, and  
5 how, and whether it is right.

6 MR. BILLY: Okay. Please, go ahead.

7 MR. COMSTOCK: Just to add on what  
8 Heather said, I actually participated in the  
9 Crab Rationalization debates and the AFA. And  
10 everyone should take note of the fact that all  
11 of these major programs in Alaska, with the  
12 exception of halibut, came through  
13 congressional legislations because the  
14 council, frankly, wasn't able to grapple with  
15 the issues sufficiently well enough and also  
16 because of the tremendous influence of the  
17 processors. A lot of this was driven by the  
18 processors. And in fact that is the whole  
19 reason Kodiak got cut out was because the  
20 processors who controlled the influence in the  
21 process weren't located in Kodiak. And so  
22 that is an unfortunate sad fact but the thing

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1 that really interests me, and I wanted to  
2 follow up on Heather's comments, is there is a  
3 lot of discussion of unintended consequences.

4 And this is a place where I think NOAA can  
5 really make a big difference.

6 Most of these consequences were in  
7 fact pointed out in advance. The program is  
8 the council wasn't interested in hearing about  
9 it. And part of the problem was that the  
10 people who were raising them couldn't get the  
11 economic analysis to make those points.

12 And so I think one of the key points,  
13 and I will raise it again later in my  
14 presentation, that if NMFS wants to go down  
15 this path, one of the key things they have to  
16 do is provide much better economic analysis of  
17 the consequences across the board, so people  
18 at least know what the decisions are going to  
19 do.

20 Because as I said, if you sat through  
21 the council testimony, a lot of these issues,  
22 a lot of these so-called unintended

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1 consequences were in fact flagged by various  
2 people giving testimony but they somehow  
3 didn't seem to make it into the documents that  
4 were presented to the Secretary. And so it  
5 makes it then very difficult for anybody as a  
6 legal matter to challenge it. It makes it  
7 very difficult to get your point to the  
8 council. So this is a key place where NMFS as  
9 the agency looking at this really needs to  
10 step up and do a much better job is in  
11 providing that very economic analysis of the  
12 consequences of these programs and who is  
13 going to benefit and who is going to lose.

14 MS. McCARTY: That is an excellent  
15 point. I completely agree. It is so true.

16 MR. BILLY: Okay, I think we will  
17 move on. Terry do you want to?

18 MR. ALEXANDER: Sure. We started  
19 talking about catch shares about --

20 MR. BILLY: Speak up.

21 MR. ALEXANDER: We started talking  
22 about catch shares about four years ago, three

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1 or four years ago. And we had an advantage of  
2 seeing, looking at different catch shares  
3 around the country when we were trying to  
4 develop ours. So we added transferability  
5 into -- any size boat can fish anybody's  
6 quota. We made it so that the currency, up to  
7 that point had been days at sea. And there  
8 were a lot of boats with days at sea but they  
9 didn't have any fish. So now those permits  
10 are cheaper. They have lost value so that  
11 people can get into the fishery by buying the  
12 cheaper permit and then lease an allocation,  
13 and building up their allocation that way.

14 Just a couple of things. Our  
15 allocation was based on strictly history  
16 between '96 and 2006. So it is a long time  
17 period to just smooth out the bumps and  
18 different things.

19 The states have made up permit banks,  
20 a lot of it funded by NMFS so that communities  
21 will have access to all of the areas that we  
22 are in. And they avoided the referendum part

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1 of Magnuson by not giving us an ITQ, giving us  
2 a sector allocation, which I think was kind of  
3 a weasel thing to do. I mean, you know, it  
4 would have been a lot easier for us to have an  
5 ITQ and not have to worry about this big bunch  
6 of boats.

7 Like my association which I am the  
8 President of, there are 129 permits in it; 40  
9 active boats. That is a lot of people to get  
10 on the same page. So I mean, and we are kind  
11 of policing ourselves. They kind of left us  
12 free reign to police ourselves.

13 So we have written up a code of  
14 conduct contract that everybody signs in the  
15 sector that we are not going to throw any fish  
16 away and we are just going to have to see how  
17 it works. We haven't actually wet a net under  
18 the rules yet. So I mean, that is coming May  
19 1st. And we were lucky that we had all these  
20 other things that were in place already to be  
21 able to go look at in order to hopefully  
22 combat some of the problems that some people

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1 have.

2 And we have a multi-species fishery.

3 It gets 19 stocks. One of those stocks is at  
4 ten percent of its current level -- ten  
5 percent of its sustainable level. So we would  
6 be fishing at ten percent if we stayed under  
7 days at sea. Ten percent of what we should be  
8 at.

9 So it really was our only alternative  
10 to do in our area because we couldn't all take  
11 ten days at sea. So this was the only way to  
12 go for us.

13 MR. BILLY: Okay, thank you, Terry.  
14 Yes, question?

15 MR. WALLACE: No. I just would like  
16 to go next.

17 MR. BILLY: Okay. Any questions?  
18 Yes, go ahead, Patty.

19 MS. DOERR: You mentioned the  
20 creative permit thing or whatever it was  
21 called. Can you elaborate on that a little  
22 bit more? And as part of that system did the

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1 state -- how do they control who purchased the  
2 permits? You know, how was that set up?

3 MR. ALEXANDER: The qualification to  
4 be able to lease fish from that permit bank is  
5 you have to be under 43 feet. So they are  
6 trying to keep the smaller boats and smaller  
7 communities in the business.

8 You know, when I was a kid in my  
9 little dinky harbor, there were 15 60-foot  
10 boats. Now there is none. There are zero  
11 fishing boats in my community now. They have  
12 all moved to Mass and Rhode Island. You know  
13 what I mean? So you get closer to the fish  
14 because we are fishing under days at sea. So  
15 we need to be closer to the -- so and the  
16 State of Maine is trying to keep boats in the  
17 State of Maine and so they have created this  
18 permit bank and most of the boats left in the  
19 State of Maine have arrived at 43 feet.

20 MS. DOERR: So it is controlled, this  
21 is totally a state thing --

22 MR. ALEXANDER: Yes.

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1 MS. DOERR: -- and not -- this  
2 council doesn't have anything to do with that?

3 MR. ALEXANDER: No.

4 MS. DOERR: It is something they have  
5 done --

6 MR. ALEXANDER: Yes, because anybody  
7 can lease anything from anybody. Anybody can  
8 lease quota from anybody. So the state will  
9 only lease you quota if you are under 43 feet.

10 MR. BILLY: Other questions?

11 DR. CHATWIN: Yes, so I am interested  
12 in hearing a bit more about that division for  
13 the path to entry into the fishery where you  
14 said they could buy the boats that have the  
15 days at sea allocation but have no fish and  
16 then they could lease the --

17 MR. ALEXANDER: Yes.

18 MR. WALLACE: -- quota from quota  
19 holders. How does someone in that capacity  
20 then get to -- has anybody thought out how  
21 that person would be kind of a quota holder?

22 MR. ALEXANDER: Well, I mean anything

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1 with days at sea now has some sort of quota on  
2 it. I mean, like I have, one of my licenses  
3 has 3900 pounds of quota next year. Okay,  
4 that license there, somebody could buy and get  
5 into the fishery and then lease quota to go  
6 fishing with and in turn, build up capital to  
7 buy quota with. You know, in the long-run.  
8 It is going to be expensive, just like  
9 anything. But I mean, there is an avenue now  
10 in our area for new entrants to get in and  
11 those permits are virtually, they are not  
12 valueless but they aren't anywhere near --

13 Like I have one that I paid \$225,000  
14 for that has 2900 pounds of quota on it now.  
15 So that permit is probably worth maybe  
16 \$25,000. So that is a lot cheaper way for  
17 somebody to get into it than going out buying  
18 a \$500,000 permit to start out with. You  
19 know, he could get in and work his way up like  
20 we all did. You know, that is how we all got  
21 into it. We started out with a small boat, a  
22 junk boat, and then you work your way up.

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1 MR. BILLY: Okay, Martin?

2 MR. FISHER: Thank you, Mr. Chairman.

3 Terry, I am just trying to understand. You  
4 said under the old system you would only have  
5 ten days at sea.

6 MR. ALEXANDER: Yes.

7 MR. FISHER: What weight did that  
8 represent? How many actual -- what kind of  
9 quota did you --

10 In other words, how much could you  
11 catch in that ten days and how does that  
12 relate, correlate to what actual quota you  
13 received?

14 MR. ALEXANDER: Well, it is according  
15 to how much you fished because --

16 MR. FISHER: Well, in your case.

17 MR. ALEXANDER: Yes, in my case  
18 because I fished those whole ten years, it  
19 would be about a tenth of what I should have  
20 caught.

21 MR. FISHER: So in other words, if  
22 you were to fish for ten days, you would

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1 actually catch more if there wasn't an IFQ  
2 than under the IFQ?

3 MR. ALEXANDER: No. No, the  
4 opposite. If we fished ten days, okay,  
5 because of daily trip limits on fish and  
6 stuff, I mean, that would be you know,  
7 probably somewhere in the neighborhood of a  
8 \$40,000 gross.

9 MR. FISHER: Okay.

10 MR. ALEXANDER: If you fished. And  
11 under the ITQ system or whatever you call it,  
12 we can go and fish like an average boat, a  
13 flounder boat in our area probably might get  
14 50,000 pounds a day. I mean, he would have  
15 \$250,000 of fish he could capture, overall for  
16 the year, going under the sector rules, as  
17 opposed to ten days at sea.

18 MR. FISHER: Okay. So you could have  
19 caught more under the ten days at sea?

20 MR. ALEXANDER: No. No.

21 MR. FISHER: You could not?

22 MR. BILLY: The opposite.

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1 MR. FISHER: The opposite. I'm  
2 confused.

3 MR. ALEXANDER: Opposite. I guess I  
4 am not explaining it right.

5 MR. FISHER: Explain it to me later.

6 MR. BILLY: Okay. I want to move on.  
7 Next is Dave Wallace.

8 MR. WALLACE: You know, you are all  
9 going to be shocked to find out that I have a  
10 much different perspective than the previous  
11 presenters. I am going to start off with the  
12 realities of the world the way I see them.

13 First, I am going to say that I think  
14 the catch share policy draft is well-defined  
15 and as far as it should go and I don't really  
16 see any new policy in its structure, other  
17 than the administration now really wants to  
18 move this forward. The concepts have been  
19 there for years and so now this administration  
20 has decided that the easiest way and the best  
21 way to manage fisheries is to use things like  
22 catch shares where it gets the councils out

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1 and the National Fishery Service out of  
2 micromanaging fisheries. And I know a lot  
3 about being micromanaged by NMFS.

4 And so there is only, I only have one  
5 suggestion and I will put it in writing and  
6 that is that the policy had a paragraph added  
7 that says that what really is needed is  
8 flexibility for all the councils. The  
9 councils do not need any more mandates than  
10 Congress has already given them. And I feel  
11 very strongly about that. Trying to put into  
12 the policy a whole series of mandates and  
13 guidelines only makes it less flexible and so  
14 therefore makes catch shares programs less  
15 desirable by the participants who are involved  
16 in them.

17 Don't forget a whole series of really  
18 important things. We import more than 80  
19 percent of our fish. We are a third world  
20 fishing country. It just drives me crazy. We  
21 have been for 50 years or maybe 100 years.  
22 And in many respects, our own policies assure

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1 us of being a third world country and I think  
2 that we, as a patriotic American flag waver,  
3 think that we should be number one in the  
4 world in everything. I don't think we should  
5 just say, well, all of those other countries  
6 have the ability to make rules that allow  
7 their people or their companies to become  
8 highly productive. We have some of the least  
9 productive fishing vessels in the world and it  
10 is done because of the rules that we have who  
11 are supported by the people who do the  
12 fishing, who try to maintain the status quo.  
13 The status quo will not work. It will lead to  
14 overfishing, if that is not stopped.

15 Congress has said overfishing is now  
16 illegal in 2011. So now we are going to have  
17 to deal with the reality that those overfished  
18 fisheries or those that are close to being  
19 overfished are going to face the consequences.

20 And so if you don't start planning for that  
21 now, it is going to be devastating when it  
22 takes place.

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1           And so we live in a global economy in  
2 fisheries as well as everything else. And if  
3 we, as an advisory panel to the Secretary and  
4 to the administrator say, we think that the  
5 status quo is the way to go, and they were to  
6 take that up, we would just continue to be a  
7 third-rate power.

8           And so what I want to do very quickly  
9 is to run you through an industrial fishery  
10 that I know a great deal about because I have  
11 been in it, I was in it before 1976, so I was  
12 both a boat owner and a processor before there  
13 were any rules whatsoever. And guess what we  
14 did? We destroyed our own fishery. My  
15 favorite statements to my clients who just  
16 bristle at it. And I say, if you want to know  
17 who the problem is, just look up when you are  
18 shaving in the morning. And they just bristle  
19 at the idea. But what we did is economic  
20 surprise the system.

21           Back in the '70s, we thought five  
22 million bushels of surf clams for two to three

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1 years collapsed the fishery, just annihilated  
2 the entire fishery at giveaway prices. And  
3 before the Fisheries Conservation Management  
4 Act was even enacted, we had started with a  
5 discussion using all of the states of the Mid-  
6 Atlantic and the Northeast Region to find a  
7 way to regulate ourselves and protect  
8 ourselves from ourselves.

9 Because what you do is you race for  
10 the fish. You give them -- it goes only to  
11 processors so there is no fresh market. You  
12 give the fish away just so you can get more  
13 volume so you can hopefully stay in business.

14 We lost vessels. We had the vessels that  
15 were 100 years old that were out there racing  
16 for fish in just terrible weather and lost a  
17 lot of vessels, lost a lot of people.

18 So the first Fisheries Management  
19 Plan was the Surf Clam Merchant Co-Op  
20 Management Plan in 1977 and it had limited  
21 entry, a fixed quota, a whole series of  
22 things. It was grossly overcapitalized. They

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1 had to deal with it.

2 In 1990, we finally had -- an ITQ  
3 system went into effect January 1, 1990. So  
4 it has been in effect now over 20 years. It  
5 has almost no rules. So therefore, NMFS does  
6 not micromanage the fishery. The fishery  
7 manages itself or the participants manage  
8 themselves. We have fixed quotas. We  
9 participate using direct money out of our own  
10 pockets in further science to understand the  
11 population and how in this changing  
12 environment, our fishery is changing like  
13 almost every other fishery that I am aware of,  
14 at least on the east coast, where we are  
15 getting migrations of fish further north all  
16 the time because of the change in water  
17 temperatures. So we have to be able to  
18 adjust. We can add vessels or take vessels  
19 away.

20 So we constantly adjust the catch  
21 capacity to equal the demand. When we get our  
22 prices too high, then what happens is we

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1 invite imports and they drive the prices back  
2 down. And we, like everybody else, deal with  
3 a product that can be replaced by chicken, or  
4 beef, or pork. Because when somebody goes to  
5 order a meal in a restaurant and the fish is  
6 \$30 and the steak is \$20, they buy the steak.

7 They buy the steak and we have lost that sale  
8 forever. Because it is unlike buying a two by  
9 four. If you can't get all the two by fours  
10 you want today, you get some delivered  
11 tomorrow. But when you are going to eat, you  
12 are going to eat now. And if you don't order  
13 that fish, then that sale is lost forever.

14 There was an interesting academic  
15 paper written recently that says fish are  
16 going to become so expensive that they are  
17 going to only be for the very wealthy. Well,  
18 we need to make sure that we can produce them  
19 at the lowest possible marginal cost so that  
20 we can provide good protein to our citizens  
21 and the rest of the world, hopefully in the  
22 future.

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1           And so I am going to go back to my  
2 original statement. What only needs to be  
3 done is to make sure that there is flexibility  
4 in the system and no mandates and let the  
5 councils work it out on a fishery-by-fishery  
6 basis.

7           Thank you.

8           MR. BILLY: Okay. Martin?

9           MR. FISHER: Thank you, David. That  
10 was very informative.

11           How many quota holders are there in  
12 the surf clam IFQ?

13           MR. WALLACE: Oh, hundreds.

14           MR. FISHER: Hundreds?

15           MR. WALLACE: It depends on how you  
16 count them. If you count all of those in the  
17 whole fishery, there are a couple hundred.

18           MR. FISHER: Is there a producer and  
19 processor?

20           MR. WALLACE: No, but there is no  
21 prohibition from a processor. There were  
22 vertically integrated companies when the ITQ

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1 went into effect. And so all of the quota was  
2 allocated to the vessel but the vessel could  
3 have been owned by a processor so that the  
4 processors -- And the processors today can own  
5 quota as long as they are not foreign  
6 corporations.

7 Also, when it went into effect, most  
8 of the companies that were involved, the  
9 processes were large multi-national public  
10 companies. People were willing to pay such  
11 high prices for the quota that the processors  
12 who headquarters sold their quota and then  
13 sold their businesses because their  
14 shareholders were just delighted that they  
15 could get such an enormous return on their  
16 planned investments.

17 So today, there are no public  
18 companies in the clam industry. They are all  
19 privately held, many by the fishermen who  
20 used to supply the processors ended up buying  
21 the processors.

22 MR. FISHER: And in terms of pricing

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1 in the red snapper fishery, the consumer  
2 price has risen probably 25 percent since the  
3 inception of the IFQ, groupers following  
4 suit. Did clams also? Because you spoke  
5 about fish out-pricing itself as a commodity.

6 MR. WALLACE: We did that.

7 MR. FISHER: And halibut has, too.  
8 I don't know if anybody else around this  
9 table can buy halibut.

10 MR. WALLACE: When it went into  
11 effect, we believe that there was, the limit  
12 that the consumer would pay was higher than  
13 it actually was. So what happened is we  
14 priced ourselves out of the market and  
15 invited imports. So we have a double whammy  
16 and we haven't recovered from that yet.

17 And so you know, your notion that  
18 the quota share being -- the rental share  
19 being paid by the folks that you compete  
20 with, well I would suggest to you that if it  
21 costs more than a dollar a pound to catch  
22 them, that they are just going to go broke.

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1 So for 20 years what happened is we had this  
2 big spike, then it went down. Now it has  
3 been a level playing field straight through.

4 It is self-correcting. It has to be. It is  
5 driven by economics. Just don't over catch  
6 the quota.

7 We can actually, the clam industry  
8 when that management plan was written, put a  
9 cap on both surf clams and ocean quahogs on  
10 what the quota can be. There is a minimum  
11 and a maximum. And it is very unusual  
12 because almost none of them have that today.  
13 Both of those quotas use a sustainable level,  
14 our quotas, the max could be five to seven  
15 times higher than they are. We are quite --  
16 more clams die of old age than we catch. We  
17 are happy about that. And the reason for  
18 that is that then no one is saying that we  
19 are over-exploiting and running right on the  
20 edge. Quite to the contrary. We are not.

21 MR. FISHER: So do you actually  
22 achieve your quotas every year?

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1 MR. WALLACE: No.

2 MR. FISHER: You don't?

3 MR. WALLACE: No.

4 MR. FISHER: Just to be clear

5 because I am still not clear, most of the

6 quota is held by vertically integrated

7 companies that are processors?

8 MR. WALLACE: No. No, that is not

9 what I said.

10 MR. FISHER: Okay.

11 MR. WALLACE: There are some boat

12 owners who pooled together their resources

13 and bought some processors. And there are

14 some processors who bought quota.

15 You know we were a grossly

16 overcapitalized fishery. We had 180 permits

17 and the calculation is that it only took like

18 seven boats to catch the entire quota. So

19 that is how grossly overcapitalized it was.

20 And there were a lot of little guys who

21 wanted to get out and we had such a difficult

22 -- when we were being micromanaged by NMFS,

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1 we were down to fishing a 124 hours a year.  
2 And that was extremely tightly controlled.  
3 And the crews, each crew ran four boats.  
4 They ran two boats in one week, two boats in  
5 the next week, and the biggest expense that  
6 the boaters had besides the crew and the fuel  
7 was dock space to tie up this huge fleet of  
8 boats that is grossly underutilized. And so  
9 we had to do something.

10 And Lee Anderson sitting down here  
11 was the chairman of the committee on the  
12 council, the Mid-Atlantic council when this  
13 went into effect. And you know, in  
14 retrospect, we have no social engineering  
15 built into this plan. And what that does is  
16 gives us the flexibility to manage our  
17 fishery on a day-to-day basis without having  
18 to go back and look through.

19 MR. BILLY: Okay, Randy?

20 MR. CATES: David, you caught my  
21 attention when you talked about the United  
22 States being a Third World country in terms

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1 of fisheries. I think that is a balance of  
2 supply and demand. A lot of these Third  
3 World countries that have healthy fisheries  
4 are pretty rural.

5 And also aquaculture plays into  
6 that. If you are thinking of that in terms  
7 of supply, a lot of these other countries  
8 have gone towards aquaculture so they are  
9 able to produce and compete. But I agree  
10 with you 100 percent on out-pricing and there  
11 is a vulnerability to a lot of fisheries.

12 In our country we haven't made the  
13 commitment to go to aquaculture and so we are  
14 going to compete with all these imports. It  
15 is just the demand is so high.

16 MR. WALLACE: Well you know, one of  
17 the great failings of this country, right at  
18 the moment, is the lack of active aquaculture  
19 on a large scale. You have some, an  
20 aquaculture farm. We have some catfish,  
21 which are fresh water. We have some trout  
22 which are fresh water. I saw some shrimp

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1 farms up here on the north end Sunday.

2 MR. CATES: No you didn't.

3 MR. WALLACE: What?

4 MR. CATES: Sorry to interrupt you  
5 but no you didn't. You saw shrimp trucks.

6 MR. WALLACE: Okay well anyhow, --

7 MR. SIMPSON: Trucks don't count.

8 MR. WALLACE: But you know, when  
9 most of the shrimp in the world are not  
10 produced in aquaculture, the United States is  
11 woefully inadequate in dealing with that.  
12 And hopefully this administration will come  
13 up with allowing the councils to go deal with  
14 aquaculture versus holding it all up while  
15 they try to build national guidelines for  
16 aquaculture.

17 MR. SIMPSON: Well, I will just  
18 follow up with that. A lot of people think  
19 these are two separate issues but they are  
20 really sort of tied together because it is  
21 all about production. And I will tell you  
22 that with regards to aquaculture, we are sure

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1 going backwards in a fast way under this  
2 administration. We are going nowhere very  
3 quick and it is very alarming. Something  
4 that MAFAC hasn't really addressed in several  
5 meetings.

6 MR. BILLY: I am going to get us  
7 back on catch shares. I don't disagree with  
8 your comment.

9 It is 12:20. Steve, you are going  
10 to speak. Patty okay. And Paul, are you  
11 going to?

12 MR. CLAMPITT: Yes.

13 MR. BILLY: You are prepared? Okay.

14 I think what we will do is break for  
15 lunch now and then cover the last three on  
16 the internal panel after we get back and then  
17 go on to the next panel discussion.

18 So we are listed for an hour and 15  
19 minutes for lunch. So I would like you to  
20 stick to that and be back at 12:30 -- or  
21 1:30. Sorry.

22 (Whereupon, the above-entitled

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1 matter went off the record at 12:21 p.m. and  
2 resumed at 1:38 p.m.)  
3  
4  
5  
6  
7  
8  
9

10 A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N

11 (1:38 p.m.)

12 MR. BILLY: Okay, let's get started  
13 again. The next panelist I have is Steve  
14 Joner who I think is going to talk about  
15 halibut.

16 MR. JONER: Yes. We were getting  
17 rearranged here.

18 MR. BILLY: Okay.

19 MR. JONER: So I looked actually  
20 where Heather was. She was over there. I  
21 have got this real simple mind. You know, I  
22 see something and it sticks.

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1           Heather talked about all the  
2 different fisheries and different catch share  
3 programs in Alaska. And in the Pacific Salmon  
4 Treaty Process and the cause are known as  
5 Little Alaska. I don't know if that is good  
6 or bad. But anyway, there is a little of  
7 everything go on but I am going to focus just  
8 on halibut today because that is the one that  
9 has had the most done to it in the way of  
10 catch shares. And I am going to talk about  
11 catch shares without IQs. So it will be more  
12 like maybe a community based thing.

13           So anyway I think when Dave talked,  
14 he went back to 1976. I am going to go back  
15 about 100 years beyond that. So off the  
16 Washington coast and Cape Flattery, before  
17 there were Boston's, which the Indians called  
18 the Americans, and King George's men, which  
19 they called the Canadians, there was a Makah  
20 Fishery and they landed, the Halibut  
21 Commission has documented in about the year  
22 before the commercial fisheries started out of

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1 Seattle, Makahs landed about 1.3 million  
2 pounds out of their canoes all with hand  
3 lines. So they had a very well operating  
4 fishery. It was basically run by catch shares  
5 because the fishing banks were owned by heads  
6 of families. And they regulated who could  
7 catch, who could fish there. So it was, on  
8 the West Coast at least, it was the original  
9 rationalized fishery. Then it rapidly became  
10 irrational.

11 So, we now have the halibut  
12 commission areas. Let's start at the south.  
13 Area 2A is Washington/Oregon; 2B is British  
14 Columbia and so on up clear to the Bering Sea  
15 is area 4E.

16 So within area 2A, the Makah tribe  
17 went to court to get a determination on its  
18 treaty share of halibut. And this is based on  
19 the treaty with the United States signing  
20 1855, in which the tribe reserved the right to  
21 fish at its usual custom fishing grounds and  
22 stations. And up to that point, salmon had

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1 only been the adjudicated fisheries. And so  
2 it was really groundbreaking to move beyond  
3 salmon into halibut.

4 So that lawsuit was filed in '85.  
5 And in '93, we finally got a ruling from the  
6 judge which set the tribal allocation. And by  
7 then, there were quite a few other tribes.  
8 Out of the 20 Western Washington Treaty  
9 tribes, I think 12 of them recognized halibut  
10 fishing rights.

11 So we looked at the long-term average  
12 catch within area 2A going back 20 some years  
13 and argued that that is the best indicator of  
14 how much fish is available in the tribal area.

15 And the court found that that was the best  
16 argument and ordered that that long-term  
17 average be implemented. And 70 percent of the  
18 area 2A catch over 20 years or more had been  
19 in the tribal area. And so the tribes were  
20 allocated half of that. So that is the  
21 current allocation, 35 percent of the area 2A  
22 TAC goes to the tribal fisheries.

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1           In the process of implementing that  
2 we began to, through the Pacific Council,  
3 developing a catch sharing plan for area 2A  
4 and that was formalized right after the  
5 court's ruling at the end of 1983 or 1993 and  
6 it has been in place since then.

7           And that catch sharing plan has fixed  
8 percentages allocated to the tribal fishery,  
9 35 percent off the top and then I am going to  
10 focus on that 35. There is a certain share to  
11 the non-tribal commercial fishery. And I  
12 think Paul is going to talk a little bit about  
13 that. Then there are recreational fisheries  
14 that each have their own share. Puget Sound,  
15 the North Washington Coast and then two sub-  
16 areas in Oregon. And so that has really been  
17 a very well managed fishery over the years.

18           And when Alaska and B.C. were going  
19 through their problems with being able to  
20 monitor and account for all of the  
21 recreational catch, I won't get into that, but  
22 there were some problems there over the years,

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1 it was, the 2A catch sharing plan was used as  
2 an example of how all fish can be accounted  
3 for.

4 So, back in the early '90s before a  
5 lot of the other tribes entered the fishery  
6 and before there were IQs in B.C. or Alaska,  
7 the Makahs had it pretty good because they  
8 were catching on the average probably 75 or 80  
9 percent of that tribal fish and they could  
10 start at the opening date set by the halibut  
11 commission, which was somewhere between March  
12 first and March 15th.

13 So there were fresh fish in the  
14 United States for many months. It is just you  
15 had to know where to get them. They were  
16 coming from Alaska.

17 And before the buzzsaw fisheries  
18 opened in B.C. and Alaska each year with their  
19 48 hour or however long openings were, the  
20 Makahs were enjoying, this is really nice, \$4  
21 a pound for their fish. And I know some of  
22 the Halibut Commission folks said that is

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1 really what convinced the Canadians to reach  
2 an agreement on their IQ because look what the  
3 Makahs are getting, \$4 a pound. We are  
4 fighting over half a percent. We could throw  
5 away that half, double the value of our fish  
6 and be way ahead. And so they did. And then  
7 a couple of years later, that happened in  
8 Alaska.

9 But unfortunately, for the tribal  
10 fisher, it was going the other way. So by the  
11 last '90s, 2000, around then, the tribes were  
12 having a 48-hour fishery. And there were a  
13 lot of tribes that were unhappy with that so  
14 they would go to the U.S. District Court and  
15 ask for relief. There had never been any  
16 basis for allocating between the tribes.  
17 There are treaties between the tribes and the  
18 United States but not between the tribes  
19 themselves.

20 So the court always did this. You  
21 guys work it out or if you don't, I am going  
22 to do something nobody likes. And nobody ever

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1 called their bluff. We always reach and  
2 agreement and then we realize well wait a  
3 minute. You know, they have never taken any  
4 fish away so why should we do that.

5 But at the time the Makahs were  
6 getting 70 percent of the fish or so, we  
7 realize that catch shares was really a way to  
8 go because I keep hearing a lot of phrases  
9 here like unintended consequences. We had  
10 some really bad unintended consequences before  
11 we went to this inter-tribal catch sharing  
12 plan. Namely, you had a 48-hour opening. If  
13 a boat broke down, that guy was out of luck.  
14 If there was bad weather, there was more than  
15 once where there was an all-night vigil at the  
16 community center for a boat that went missing  
17 in the storm and fortunately it all came back.

18 But those were all some of the  
19 problems we were facing and then as we got  
20 into dealing with over-fished rockfish  
21 species, particularly the yelloweye, we would  
22 have the vast majority of the tribal yelloweye

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1 catch occurred during these competitive  
2 halibut openings. And it was difficult to  
3 tell a fisherman don't go there where the  
4 yelloweye are because it was make or break, do  
5 or die.

6 So the Makah tribe took the lead to  
7 argue for catch shares. And of course, the  
8 question was what are the shares? About that  
9 time, we were involved in negotiating the  
10 Hake/Whiting Treaty with the Canadians. I  
11 will be diplomatic here and say that we all  
12 kind of agreed that looking at the average  
13 catch over recent years, catch history was the  
14 way to go. Although each side had a reason  
15 why theirs really should have been higher.

16 And Fred Bruce said well you know in  
17 the United States the courts have said that  
18 catch histories are probably the best thing  
19 you have to go on. And so that was our  
20 recommendation. We eventually settled on that  
21 and that is why we have the shares we have  
22 now.

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1           And then I went right from that back  
2 to the tribes and I said, you know, with  
3 dealing with the Canadians, we go on catch  
4 shares and that is the standard we use there.

5           And so it worked both ways. And we were able  
6 to settle on an allocation to each tribe based  
7 on its average over a base period. And of  
8 course, nobody was happy but it got us away  
9 from these derby fisheries.

10           If we had to scrub an opener because  
11 of weather, then you had to get everybody to  
12 agree on when the next opener was. And that  
13 was just not workable. It got us away from  
14 the bycatch problems. It really addressed the  
15 economics because we could start planning the  
16 fisheries to get back to the good old days,  
17 the pre-B.C. IQ days and the monopoly that the  
18 Makah tribe had on the first fresh fish of the  
19 year.

20           So it was addressing all these things  
21 and the problem people point out now is what  
22 about newcomers and what about the little

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1       tribe that is not catching, that doesn't have  
2       much catch history? And the reality is they  
3       would have zero catch history before that  
4       because the year before they reached this  
5       agreement, I think the Makahs caught 87  
6       percent of the halibut and yet Makahs were  
7       willing to take quite a bit less than that in  
8       the allocations.

9                So the way we have done it is we took  
10       75 percent of this tribal allocation and that  
11       is apportioned to each tribe based on its  
12       average catch. And then the other 25 is in a  
13       restricted but competitive fishery so that it  
14       is kind of the equalizer each year. And what  
15       has happened is the Makah's share is down  
16       below 60 percent now and there are new tribes  
17       who have had hardly anything who are able to  
18       go out and fish in this 25 percent fishery.

19               So we are looking at a way to advance  
20       that now. So there is an example of something  
21       done without IQs and that has been very  
22       workable and I could go through examples of

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1 other fisheries with other gear types. And  
2 the one thing falling on this because the one  
3 wild card in this now is the bycatch. And we  
4 are hopeful that trawl rationalization will  
5 help address this and that was a point that  
6 Dorothy and I emphasized in our trawl IQ  
7 committee is that we really need to get a  
8 handle following the Canadian example on  
9 bycatch.

10 The bycatch in Area 2A now that is  
11 taken off the top is about a quarter of the  
12 overall harvest. So it is a real hit. And so  
13 we think that the next step is getting  
14 individual vessel caps on bycatch so that we  
15 can put those fish back into the directed  
16 fishery.

17 MR. BILLY: Very good. Any questions  
18 or comments for Steve?

19 MS. McCARTY: I have a question.

20 MR. BILLY: Heather?

21 MS. McCARTY: I don't understand that  
22 fishery, the 25 percent. Is that -- I don't

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1 understand how that works. It's just an open  
2 access?

3 MR. JONER: It is an open access to  
4 and any tribal boat can fish in it. And it is  
5 limited by we have a target of duration of the  
6 fishery, 30 days, 40 days, whatever it is. So  
7 we set a trip limit, daily trip limit and then  
8 that is adjusted. If we see that the 25  
9 percent will be exceeded before the preferred  
10 time, then we lower the trip limit.

11 So what it does, it has really  
12 transferred the catch in the Puget Sound so  
13 the tribes in the inner sound, the Lummi Tribe  
14 up near the Canadian border, when that fishery  
15 is open, they are catching fish equally to  
16 what the Makahs are doing out in the ocean.

17 You know, I look at it as overall it  
18 has been a real benefit.

19 MR. BILLY: Okay, anyone else? Okay,  
20 next I think I am going to go with Paul  
21 Clampitt.

22 MR. CLAMPITT: I am involved in the

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1 Halibut and Sablefish Program in the North  
2 Pacific. I am also involved in the tier  
3 program in Oregon, California, and Washington.

4 The North Pacific Halibut Fishery was the  
5 poster child for overcapitalization. We went  
6 from in '79 we were a year-long fishery. And  
7 by I think it was '88, we were down to a few  
8 days.

9 And what happened was we started out  
10 with, don't quote me on the numbers but around  
11 300 boats and we ended up in the Halibut  
12 Fishery, I think it was over 3,000 boats. And  
13 you know, they have an opening date. It would  
14 be March first. And it didn't matter what the  
15 weather was, you had to be out there because  
16 if you weren't somebody else was. And in '88  
17 I think we delivered over 50 million pounds to  
18 the docks in three days.

19 And the processors, they hated the  
20 IFQ program because they had all the control  
21 and then they lost all the control. You know,  
22 nobody forced us to pay his price. I mean,

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1 they complained that they are paying too much  
2 for the fish but we say well, you are giving  
3 it to us. It is not like we are holding a gun  
4 to their heads. So you know, what is going on  
5 is the market has dictated a price. We went  
6 from a frozen fishery to a fresh fishery,  
7 although there still is a big part of the  
8 industry is based on the frozen product.

9 We had a bycatch problem beforehand  
10 because there were so many boats on the  
11 grounds that people were pushed into  
12 unproductive areas, where they had big bycatch  
13 problems with either sablefish or halibut,  
14 depending on what fishery was going on at the  
15 time. And it was exacerbated because you  
16 know, you were under such a frenzy that nobody  
17 took care of the fish.

18 If you are long lining, you know, you  
19 can slow the gear down. You can trip whatever  
20 bycatch species you have off and for the most  
21 part, they will swim away. But if you are  
22 hauling gear, I mean, it was insane. Just as

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1 fast as you possibly could, these fish were  
2 just basically, they just put a horn down on  
3 the roller and just strip them off and you  
4 lost up to 50 percent. So that is gone.

5 It really, I mean, we had injuries  
6 from exhaustion. Unseaworthy boats were  
7 reduced to a couple crews a year. I remember  
8 a couple of fishing pools, or insurance pools,  
9 one of them was a liability pool. And I mean  
10 we rarely have, I can't remember the last time  
11 we had a claim from sinking. It is really  
12 becoming a much safer fishery.

13 I remember that when we first put the  
14 program together, there was a guy from New  
15 Zealand who came to speak to their programs  
16 and he made a comment that said that, he said  
17 that everything you think that you are worried  
18 about that can happen won't. And everything  
19 that you don't think about will. And that  
20 really is true.

21 I remember some of the biggest  
22 concerns was high-grading. There was a lot of

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1 talk about oh, the guys are just going to keep  
2 all the big fish and let all the little fish  
3 go and you will have a higher amount of  
4 mortality because of that. But the reality is  
5 the difference between a 10/20 pound halibut  
6 is like \$3.50 and a 40 pound halibut is \$4 a  
7 pound. So you really, are you going to waste  
8 all your time catching a 10/20, I mean,  
9 stripping these \$3.50 a pound fish to get to  
10 the \$4.00 a pound fish? Not if you are trying  
11 to catch 50,000 pounds, you are not. There is  
12 just too much effort involved. So that was  
13 really kind of a worry that was unfounded.

14 Now our system up there is one of the  
15 most complicated. There is a lot of social  
16 engineering that went into it. I mean, you  
17 can only own one percent of the fishery if it  
18 is sablefish and a half a percent of it is  
19 halibut. And then there is a vessel cap where  
20 a boat can only have a certain amount of fish  
21 on it. I think it is a half a percent for  
22 halibut and I can't remember what it is for

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1 sablefish.

2           And then the other thing is new  
3 entrants. First generation they don't have to  
4 be onboard but any new guy coming in has to be  
5 onboard the vessel. And in Southeast Alaska,  
6 it started out that way. If you a quota in  
7 the Southeast, you have to be onboard. And it  
8 was perceived that that was kind of an owner  
9 operated fishery to begin with and so they  
10 wanted to keep it that way.

11           And now after this has all been  
12 worked out, now they are coming back and  
13 people are saying, you know, we want everybody  
14 to be onboard. They are trying to sunset  
15 these people out, the first generation out  
16 quicker. And there's different reasons for  
17 that. I think the major reason is the  
18 perception that if these old timers are forced  
19 to go onboard, they will sell the fish and  
20 they will put it on the market and the price  
21 of the halibut quota will go down. I don't  
22 think that it is true. So there is this big

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1 push.

2 But you know, the way that fisheries  
3 have worked has always been where, you know,  
4 you have a crew and you know, a guy gets to be  
5 50, 60 years old, it is kind of a young man's  
6 job and he starts looking at the guys on deck  
7 and he figures well this guy looks like he  
8 could run the boat so he brings them up into  
9 the wheelhouse and pretty soon he is sitting  
10 on the beach and the guy is running his boat.

11 And that has always been the way it has been  
12 in that fishery.

13 So if you make the skipper be  
14 onboard, you eliminate that. I mean, where  
15 does a guy learn how to run a boat or how does  
16 a guy get the capital together to buy quota if  
17 he isn't getting that sticker share? Because  
18 he is paid more if he runs the boat.

19 So I think it is kind of short-  
20 sighted to try to go back now and make the  
21 original quota holders go onboard. And I  
22 think that whole idea is a mistake to begin

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1 with.

2 But in our fishery when the system  
3 was being developed, we had a deep sea  
4 fishermen's union which was very, you know,  
5 they were involved from the beginning and they  
6 were looking out for the crew. And I haven't  
7 seen that in any of these other systems that  
8 are being developed. I mean, there's no  
9 provisions for a buy-in opportunity for the  
10 crews or I don't see a lot of provisions for -  
11 - I mean, they have very liberal requirements  
12 for ownership.

13 In our fishery, you have to be a bona  
14 fide fisherman. You have to have spent 150  
15 days on deck. And a lot of that, that  
16 eliminates a lot of, I think, speculation into  
17 the fishery. I mean, what corporation wants  
18 to find somebody that is going to spend 150  
19 days on deck in a boat?

20 So, I had wrote some notes down here.

21 I know Ed is here and he was making a comment  
22 about how he felt that these programs would

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1 increase over-exploitation. But in my  
2 experience, that hasn't happened. In the  
3 halibut IFQ, the problem was waste. We never  
4 went over the quota or we might go over the  
5 quota a small amount. But the big problem was  
6 wasted fish.

7 And now with the IFQ program, I don't  
8 think there has been, we have never been over  
9 the quota. It has always been right around 98  
10 percent harvested or 96 percent harvested. So  
11 that is another fear that just isn't there.

12 Let's see, what else do I have here?

13 Oh, the other thing is if you force these  
14 original owners, which I am one of, that  
15 quota, we have a share system like most  
16 fisheries, and we are not leasing. We are not  
17 charging. I won't say that is true throughout  
18 the fishery but most of these guys haven't  
19 really changed their business structure. And  
20 so if you force these guys to sell to go  
21 onboard like in this fishery, what will happen  
22 is they are going to recoup the cost. All of

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1 a sudden, that fish becomes more expensive.  
2 So the crew shares have to go down and it  
3 becomes that much more difficult for new  
4 entrants. I don't know if you follow me.

5 And then of course, there is this  
6 capital gains problem where that is going to  
7 have to be recouped too and that will come out  
8 of the fishery also.

9 Another question, somebody mentioned,  
10 you know, how do you have a test fishery or  
11 how do you go backwards. And I would caution  
12 that, you know, it is almost impossible to go  
13 backwards because once you have gone to the  
14 bank and borrowed the money, they want their  
15 money back. And the fact is that the biggest  
16 holder of quota share in Alaska really is Farm  
17 Credit. They are the ones that have all the  
18 liens on that quota.

19 So when anybody starts talking about  
20 changing the system, you know, their ears pick  
21 up because, you know, any inconsistency in a  
22 program, you know, increases risk and it makes

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1 it that much harder to get capital.

2 So once this thing goes down and  
3 shares change hands, going backwards is pretty  
4 tough. So you have got to be careful how you  
5 set it up in the first place.

6 And the other thing is, you know, you  
7 get involved in micromanaging these things by  
8 saying well the skipper has got to be onboard  
9 and you can only own one percent and you can  
10 only own a half a percent but most of these  
11 things, you can't really prevent people from  
12 making agreements, side agreements.

13 You know, I mean, what is to prevent  
14 a guy from selling -- let's say he asks to go  
15 onboard. All he has to do is sell his quota  
16 to a crewman and make an agreement where he is  
17 paid back over 100 years or until I die. And  
18 all that takes is lawyers and accountants and  
19 a lot of that goes on. And I don't believe  
20 there is anything illegal about it. I mean,  
21 people make agreements all the time.

22 So I just think you know, you get

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1 caught up in the minutia of micromanaging  
2 these systems and people find ways around them  
3 anyway. I guess that is all I have.

4 MR. BILLY: Okay. Any questions or  
5 comments? Bruce?

6 MR. TURRIS: Paul, thanks. That was,  
7 especially the last comment, that was really  
8 good about the side agreements.

9 I just wanted to -- you said about  
10 not going over the TACs but you would probably  
11 agree that all of the fish that came off of  
12 the rail with the hook strippers or just  
13 marked off there aren't counted against the  
14 TAC. Those don't come off because they aren't  
15 recorded. Right?

16 MR. CLAMPITT: Well that is before  
17 the system was --

18 MR. TURRIS: Yes, I know but I am  
19 saying prior to catch shares that was just  
20 unknown catch.

21 MR. CLAMPITT: That's true.

22 MR. TURRIS: And then all the bycatch

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1 and the other hook and line or trap fisheries  
2 and even a trawl fishery to a greater extent  
3 than the smaller boats isn't accounted for so  
4 it is not coming in. It is not accounted over  
5 the TAC. Is it?

6 MR. CLAMPITT: Do you mean now?

7 MR. TURRIS: No, prior to --

8 MR. CLAMPITT: Yes.

9 MR. TURRIS: Yes, so you really don't  
10 know how much, if you were going over the TAC  
11 or not.

12 MR. CLAMPITT: Well, I would agree  
13 with that. I mean think now we have a much  
14 better handle on what is being caught. I was  
15 just saying the fear that IFQ fisheries that  
16 over-exploit.

17 MR. TURRIS: No, I agree with you. I  
18 am agreeing. I am just saying your general  
19 comment about you weren't exceeding the TACs.

20 MR. CLAMPITT: Oh, okay.

21 MR. TURRIS: Maybe not based on the  
22 landed catch in the corrective halibut

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1 fishery.

2 MR. CLAMPITT: No, I would agree with  
3 that.

4 MR. BILLY: Okay, Heather?

5 MS. McCARTY: Paul, you talked a lot  
6 about owner onboard provisions in the halibut  
7 program.

8 MR. CLAMPITT: Yes.

9 MS. McCARTY: Do you favor, I  
10 understand that there is an issue now about  
11 what you were talking about but what I wanted  
12 to ask you, do you think that owner onboard is  
13 a good provision for the new entrants or do  
14 you think that should go away as well?

15 MR. CLAMPITT: I think it should go  
16 away because I mean, it is a traditional way  
17 of running business. I mean, I don't think it  
18 is much different than a farmer. I mean, a  
19 guy, they homestead a piece of land and the  
20 family owns it for a couple generations. And  
21 you know, the old guy, he is not plowing the  
22 back 40. His kids are doing it or he has

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1 hired a guy to do it. And I think a better  
2 way of controlling that is by controlling the  
3 amount that a person can own, any one  
4 individual.

5 I do agree that in the beginning of  
6 the halibut fishery, you had to have, there  
7 was corporate ownership and then there was  
8 individual ownership. And the National  
9 Fishery Service made everybody declare are you  
10 going to be a corporate owner or an individual  
11 owner? Because after this, you have to be an  
12 individual.

13 Now I think that is a good way of  
14 keeping traditional fishermen from having to  
15 compete with a few charitable trusts, you  
16 know, or the Environmental Defense Fund, which  
17 is what basically we are worried about now  
18 because they bought 14 permits in this new  
19 Trawl Rationalization off the coast of  
20 Washington, Oregon, and California. And they  
21 have got a special exemption and they are  
22 leasing that quota to long line vessels.

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1           And you know, we would like to get  
2 involved in that because you can transfer that  
3 trawl sable fishing to a long line fishery.  
4 You know, how are we going to compete with an  
5 outfit that has a billion dollars in assets?  
6 We really can't.

7           So I like the idea that it has to be  
8 owned by an individual, you know, a certain  
9 percentage of ownership.

10           MR. BILLY: Okay. Larry?

11           MR. SIMPSON: Yes, Paul, one big  
12 difference in the analogy with the farm is I  
13 don't own that farmland and the little old  
14 lady in Iowa doesn't own that farmland.  
15 Whereas, in the ocean, everybody owns that  
16 fish.

17           My question to you is and this is an  
18 important issue in the Gulf, we get a lot of  
19 comments that has gone from -- to a person who  
20 manages the catch shares sitting on the hill.

21           And philosophically, they don't think that is  
22 the right thing to do for a common property

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1 resource.

2 And I haven't made up my mind just  
3 how I feel about that but the more I hear  
4 about it, the less I kind of think that is  
5 something that we ought to institutionalize as  
6 a government or a management body.

7 MR. CLAMPITT: I am missing your  
8 point. You are saying that --

9 MR. SIMPSON: You are leasing these  
10 shares. You are renting these shares and you  
11 are sitting on the hill. You just own the  
12 catch shares. And so you are paying, like  
13 Martin was saying, you are charging these guys  
14 so much to fish these shares. So they take  
15 that off of the price and that guy is just  
16 sitting on the hill getting that profit.

17 MR. CLAMPITT: Right. I understand  
18 that but how is that different than any other  
19 business in the United States?

20 MR. SIMPSON: Well, this is a common  
21 property resource. That is the difference.

22 MR. CLAMPITT: Well, right.

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1           MR. SIMPSON: You can't do that with  
2 oil. You can't do that with timber.

3           MR. CLAMPITT: Well, I would suggest,  
4 I mean, on that same line, I mean, people used  
5 to lease boats. I mean, in the fishery, you  
6 had to house a boat and if you weren't going  
7 to fish that year, you would lease your boat  
8 to some guy and he would go out and catch  
9 halibut.

10          MR. SIMPSON: That is a property that  
11 you wholly own.

12          MR. CLAMPITT: Right.

13          MR. SIMPSON: We are talking about a  
14 resource. And that is where -- I can't -- I  
15 don't know yet where I come down on this. I  
16 mean, you just in one instance said that, you  
17 know, that is how you keep Pew out of it and  
18 corporations out of it.

19                 Well you mentioned the fact that it  
20 just takes a lawyer and an accountant. What  
21 is to say that someone can't say they are  
22 individually owned but they are backed by

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1 corporations?

2 MR. CLAMPITT: Well there is nothing.

3 MR. SIMPSON: Okay.

4 MR. CLAMPITT: And that is why I  
5 would suggest that it would be owned  
6 individually and you couldn't own any more  
7 than some certain percentage that would  
8 prevent quite a bit of that.

9 You know, the other part of that is  
10 why do you want to hitch a guy to a plow for  
11 the rest of his life? I mean, you know, he  
12 starts a business. He runs it for 35, 40  
13 years. He has got a 30-year-old son and he  
14 wants to run the boat now. Where is the  
15 moral?

16 MR. BILLY: All right. I am going to  
17 move us on, folks. Martin.

18 MR. FISHER: Thank you Mr. Chairman.

19 Paul, was it EDF or the Pew that got  
20 the exempted permits?

21 MR. CLAMPITT: It is just the  
22 natural, it is actually the Nature

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1 Conservancy.

2 MR. FISHER: Oh, Erika Feller. She  
3 is not here. Who issued her -- or not her.  
4 Who issued the Nature Conservancy, was it an  
5 exempted -- some kind of provision?

6 MR. CLAMPITT: Yes.

7 MR. FISHER: Was it the council that  
8 did that?

9 MR. CLAMPITT: Yes.

10 MR. FISHER: Okay and what do you  
11 think about that?

12 MR. CLAMPITT: Well, I wish I would  
13 have known about it. I would have applied,  
14 too. You know? I mean, the whole thing, if  
15 you look at their website, their purpose is to  
16 remove bottom trawling. And they wanted to  
17 move that fishing onto longliners. And they  
18 got an exemption.

19 And part of their thing was that we  
20 were going to help a local community and they  
21 leased it out of, I think mostly out of Morro  
22 Bay, California and they got the deal. I

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1 heard about it way after the fact.

2 MR. FISHER: I would also like to  
3 follow up on what Larry said if I may. I  
4 think there are some council members or your  
5 esteemed brethren over there that are going to  
6 be proposing a 25 percent cap on how much you  
7 can lease of your quota. Otherwise, you have  
8 to fish it on your own boat.

9 MR. CLAMPITT: And that would  
10 certainly be a way in which people could still  
11 sit on the hill and not fish some of the time  
12 and fish the rest of the time without coming  
13 to --

14 MR. BILLY: All right, I am going to  
15 move us on. I like to encourage the continued  
16 focus on the policy and comments on the  
17 policy.

18 Lee?

19 MR. ANDERSON: Well you guys have  
20 aroused the economist in me again here. I  
21 have to get back in and talk a little.

22 You seem to forget the point I made

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1 earlier about the over capacity and  
2 everything. And this is an economic thing and  
3 part of the thing we are trying to do is to  
4 mimic property rights. I say that because I  
5 know it is a privilege and everything else.  
6 But you want to set up incentives so that  
7 individuals have the incentive to hire, to  
8 catch that stuff as cheaply as possible to put  
9 it into product markets that are most  
10 efficient.

11 Now I understand all these issues  
12 about controls here but your point, it is not  
13 a property right like anybody else and it is  
14 created under the system but if you want to  
15 keep this thing so that it at least can be  
16 called a catch share program in the sense that  
17 economist mean it, you can't destroy all of  
18 the things that are like property rights.

19 So I would encourage you that this is  
20 the thing that I would think that the policy  
21 should state. There are many objectives. One  
22 of them are efficiency. Some of them are

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1 these social objectives but one comes at the  
2 cost of the other. And keeping an owner on  
3 his boat -- that may not be the most efficient  
4 way to harvest the catch and it may not be the  
5 best use of resources.

6 I am not saying that is an absolute  
7 truth but remember those tradeoffs.

8 MR. BILLY: All right. With that,  
9 one final panelist, Patty Doerr is going to  
10 sort of open the doors to a whole new aspect  
11 of catch share.

12 MS. DOERR: I am going to be very  
13 quick. You know, this is coming from some  
14 folks in direct fishing perspective who don't  
15 have hands-on experience in catch shares like  
16 most of you guys do. But I wanted to give you  
17 a couple of things to think about, kind of  
18 plant some nuggets into your head as we are  
19 going into the subcommittee conversations  
20 tomorrow.

21 You know, from our perspective, when  
22 it comes to catch shares, we don't support

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1       them in recreational fisheries. In commercial  
2       fisheries, hey, that's you guys. Our concerns  
3       arise in mixed use fisheries, when there is a  
4       heavy recreational fishing component and what  
5       kind of short-term and long-term impacts there  
6       will be on the recreational sector from  
7       instituting catch shares on the commercial  
8       sector.

9               And so there has been a lot of talk  
10       on the full, you know, obtaining the full  
11       economic value of the fishery. And I would  
12       suggest that that should go beyond the full  
13       economic value of the commercial sector and  
14       look at the entire fishery, rec and  
15       commercial.

16               Then the next point to that would be  
17       looking at allocation. We will be looking at  
18       allocation. You know, when you go in an  
19       institute, a catch share system, you know, the  
20       commercial guys get a percentage of the quota  
21       and it is hard to have reallocation now. And  
22       it is going to be even harder when there are

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1 catch share system in place. And so we would  
2 advocate for, as part of a catch share policy,  
3 having a reallocation, not necessarily a  
4 reallocation, an examination of the allocation  
5 prior to going into a catch share system to  
6 ensure that you are really representing the  
7 full economic contribution of the entire  
8 fishery, to make sure it is fair and  
9 equitable, whether the allocation has to shift  
10 one way or another or stay the same.

11 One of our kind of recent favorite  
12 examples of the economic contribution of  
13 recreational fishing comes from a Texas A&M  
14 study from last year. It looked at the value  
15 of the shrimp in reef fished fisheries in the  
16 Gulf of Mexico. And they found that the total  
17 value of that fishery was 11.8 billion  
18 dollars; 9.1 billion came from recreational  
19 anglers, 0.8 billion which if I have done my  
20 math right is 830 million dollars from four  
21 higher sector, 1.6 billion for new shrimp and  
22 270 million, 0.27 billion, I can't read my own

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1 writing from the commercial reef fish sector.

2 And so that just kind of begs the  
3 question as you are going into the catch  
4 shares, does the allocation reflect the  
5 current economic contribution of the entire  
6 fishery of mixed use fisheries.

7 And so I wanted to toss that out  
8 there for fear of my commercial brother not  
9 liking me very much.

10 MR. FISHER: I will always like you,  
11 no matter what you say.

12 MS. DOERR: But I think it merits  
13 some discussion of looking at a current  
14 allocation, examining it, providing guidance  
15 to the councils as part of the policy to look  
16 at allocation before they set up a catch share  
17 for the commercial sector, whether it has to  
18 shift one way or another or stay the same.

19 And then the other thing I kind of as  
20 just reading some stuff and one point that  
21 somebody had brought up to me and I kind of  
22 talked about there is a question to everybody

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1 with experience with catch shares is a concern  
2 about localized depletions or local pressure  
3 around ports that have a catch share system,  
4 since there is no longer that race to fish to  
5 kind of go out and find it. And commercial  
6 guys, you know, in an effort to save money  
7 don't have to use as much gas or whatever. We  
8 will fish closer to home, which is also where  
9 the recreational guys fish.

10 And so I don't know if this is a  
11 problem, you know, closer to ports if there is  
12 more pressure. So I just kind of tossed it  
13 out there as to -- if that is something that  
14 has been discussed and in the process.

15 MR. BILLY: All right. Questions or  
16 comments?

17 MR. ALEXANDER: Yes, I have got a  
18 couple.

19 MR. BILLY: All right.

20 MR. ALEXANDER: I can tell you as a  
21 business person, I sure wouldn't go closer to  
22 home if there was less fish there. I would go

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1 further away and get them.

2 And the way that our allocation went,  
3 the recs got their whack first and we decided  
4 that allocation at home first and then the  
5 commercial guys got what was left over. And  
6 where the recs aren't fishing under a hard  
7 TAC, if they go over their allocation, it  
8 comes off the commercial guys that are  
9 following you. That is how it works.

10 MS. DOERR: So the rec guys go over  
11 their allocation.

12 MR. ALEXANDER: It comes out of the  
13 commercial guys next year.

14 MS. DOERR: Okay. Now is that  
15 expected to change with the ACL retirement?

16 MR. ALEXANDER: No.

17 MS. DOERR: Because I know they are  
18 starting to shut down rec fisheries, once the  
19 ACLs are hit, based on the MRFS data, --

20 MR. ALEXANDER: Right.

21 MS. DOERR: -- which is a whole other  
22 concept.

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1           MR. ALEXANDER: If you go over that  
2 and it is going to, you know, they are  
3 probably going to go over the allocation.  
4 They said that it was going to definitely come  
5 out of the commercial guys the following year.

6           It comes off the dock. So the commercial  
7 guys are paying for it and the rec guys are  
8 paying for it.

9           MS. DOERR: Okay.

10          MR. ALEXANDER: So it comes off the  
11 top, whatever the allocation is the following  
12 year.

13          MS. DOERR: Well and I think there is  
14 issues with implementing Magnuson-Stevens and  
15 those requirements in the data for rec  
16 fishing. I mean, that is a whole other kind  
17 of discussion.

18          MR. ALEXANDER: Yes.

19          MS. DOERR: We just, like I said, we  
20 just want to ensure that before you dive into  
21 this, there is some look at if we are really  
22 looking at the full economic value of the

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1 fishery, you really look at the full economic  
2 value of the fishery.

3 MR. BILLY: Okay, a couple more and  
4 then we are going to shift to the next panel.  
5 So Mark?

6 MR. FISHER: Thank you, Mr. Chairman.  
7 Patty, you don't have to worry. This is not  
8 a personal thing. Really, honest to God. You  
9 know? We have been totally in agreement this  
10 year. Not a problem.

11 MS. DOERR: Absolutely.

12 MR. FISHER: That is really  
13 important. Having said that, well there is a  
14 couple of issues that your presentation brings  
15 up. One is the economic study that you are  
16 talking about. To the best of my knowledge,  
17 it looked at the ex-vessel value of the  
18 product on the commercial side. And it didn't  
19 extrapolate that into how that focused on the  
20 economy in terms of the infrastructure,  
21 service workers, restaurants. It didn't  
22 extrapolate the full benefit and the value of

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1 that. Because I have seen that study before  
2 and I have had this -- you know, we have had  
3 this discussion with other people before.

4 There is absolutely no evidence that  
5 I have been able to obtain that shows that  
6 once a non-IFQ commercial fishery goes IFQ  
7 that there is automatically or any impediment  
8 to reallocating the fishery, recreational or  
9 commercial.

10 In fact, in the red snapper IFQ in  
11 the Gulf of Mexico, we recently, our TAC was  
12 reduced, everybody's TAC was reduced. So  
13 allocations are really bad work, as far as I  
14 am concerned, in catch shares. It should be  
15 distribution. It is the distribution of the  
16 allocation. Allocation between sectors is a  
17 wholly different issue than the allocation of  
18 IFQ. And it is a very, very confusing word  
19 and it is being misused in this way.

20 So I just offer to you that, I mean,  
21 Dr. Crabtree, the RA of Southeast Region has  
22 made it explicitly clear in many, many public

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1 appearances, that in no way is the agency at  
2 all thinking that just because there is a  
3 catch share program for grouper and snapper  
4 that that is going to in any way affect future  
5 distribution or excuse me, future allocation  
6 between recreational and commercial.

7 MS. DOERR: And I wasn't -- I didn't  
8 mean to imply that that would occur. My point  
9 is that, I mean, allocation or distribution of  
10 sectors at this point in time is very  
11 difficult. Councils don't like to look at it  
12 for a variety of reasons. And we view this as  
13 a very good opportunity for them to look at  
14 it.

15 And like I said, if we are looking at  
16 the total economic value, then let's start  
17 from the beginning. Let's start at the  
18 beginning and address it from the beginning of  
19 the catch share system instead of somewhere  
20 down the road.

21 Because there are so many impediments  
22 now to allocation among sectors, you just add

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1 another. And so there may be some issues with  
2 the Texas A&M study but it is just one  
3 example. And it is just a nugget I wanted to  
4 put out there and say, you know, you don't  
5 want to be an unintended consequence of a  
6 catch share system for a commercial sector  
7 unless you commit to this fishery.

8 MR. FISHER: And just one little  
9 piece of information that might make you sleep  
10 a little better. Amendment 29, the IFQ  
11 Amendment, was on the table before 30B came  
12 along; 30B reallocated the fishery and  
13 actually increased the recreational share in  
14 red grouper.

15 MR. BILLY: Ken, you are up next.

16 MR. FISHER: I guess I am out.

17 MR. FRANKE: I would just like to  
18 make one comment. You know, just as a matter  
19 of policy, you know, which is ultimately what  
20 we are looking at, is I agree with Patty. I  
21 will tie it a little bit more directly into as  
22 far as looking at the future.

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1           You know, I think ultimately the  
2 bottom line is that all of us, as a matter of  
3 policy, would like to see a well-informed  
4 decision and so I would agree with Patty that  
5 prior to any decision being made that the  
6 recreational industry be considered as a  
7 component of any catch shares. Thank you.

8           MR. BILLY: Thank you. Is it Tony?

9           DR. CHATWIN: Yes. I just had a  
10 question. When you talk about total economic  
11 value, you have mentioned one study but is  
12 there like a method to determine that the  
13 recreational sector has embraced like a model  
14 that you could apply to all the fisheries and  
15 say this is the total economic value?

16           MS. DOERR: No, not specifically on  
17 this.

18           DR. CHATWIN: So I am not saying you.

19           MS. DOERR: Yes.

20           DR. CHATWIN: In the recreational  
21 community, if this is such a big, it is such  
22 an important issue, I mean, it would be good

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1 to know whether there is an approach.

2 MS. DOERR: Well, the --

3 DR. CHATWIN: Maybe NOAA has an  
4 approach.

5 MS. DOERR: Yes. Well, --

6 MR. FISHER: NOAA already has done a  
7 national approach, which has very different  
8 results than what you are talking about when  
9 you are talking about regions.

10 MS. DOERR: Well and it will vary  
11 region to region on a national basis. I mean,  
12 there is also a fundamental problem with the  
13 NOAA that economic data and statistics for  
14 recreational fisheries and sectors are not as  
15 robust as the commercial.

16 And so you know, when regs are put  
17 into place they look at the economic hit on  
18 the commercial fisheries and for-hire guides,  
19 not the individual anglers and not the angler  
20 themselves, but the industry, the off-shore  
21 industries.

22 And so they just did, I think, Brian

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1 Getner released his a couple of years ago, the  
2 full economic value of recreational, fully  
3 recreational fishing. And it was, from my  
4 little cheat sheet, 82 billion dollars for  
5 sales for recreational fishing and almost  
6 equal number of jobs as commercial, as  
7 domestic commercial.

8 And so they are still, they kind of  
9 just, NOAA fisheries is just starting to  
10 really look at economics when it comes to  
11 recreational fisheries. And so to answer your  
12 question, I don't know of a model that we  
13 would get behind at this point.

14 MR. BILLY: Okay. I am going to shut  
15 this off. We need to move on with the next  
16 panel. There is an opportunity for us to hear  
17 from some real experts that have been looking  
18 at this important subject area for some time.

19 I have asked Mark to sort of chair this part  
20 of it and introduce the speakers. So I am  
21 going to turn it over to Mark.

22 DR. HOLLIDAY: Thank you. Well we

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1 have had people sitting around the table so I  
2 think if Dorothy would like to move, that is  
3 fine. It is a question of where can people be  
4 heard best. It is not so much where you are  
5 sitting but that people can hear you and we  
6 can get questions and answers.

7 So, just to set the stage and the  
8 context, I am going to pass out, this is the  
9 executive summary of the catch share policy,  
10 just as a reminder. This can go down this way  
11 and across. Just, as I said, the first couple  
12 of pages of the policy because that is really  
13 what we are trying to get at here is to look  
14 at how well, based on, I asked Heidi to  
15 highlight this from the annotated agenda.

16 Our goal is to gain an understanding  
17 of the workings of different catch share  
18 programs, identify the pros and cons of the  
19 programs presented, including lessons learned  
20 and any best practices to be passed on to  
21 others.

22 So that has been the genesis so far

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1 this morning hearing and sharing what our  
2 experience is and our knowledge is from our  
3 internal panel. And this afternoon we are  
4 going to have some external panelists speak to  
5 us about the same sorts of things, their  
6 experiences in the design, the implementation,  
7 and the operation of catch shares for our  
8 benefit, to help inform us about of more  
9 knowledge about what catch share programs have  
10 done, could do in the future.

11 All of this is to enable the  
12 committee to be able to better identify  
13 strengths and weaknesses in the draft NOAA  
14 policy and suggest changes needed for  
15 improvement in that policy. So we are trying  
16 to bring it back to our original purpose.

17 And I think part of our process is  
18 learning and exchanging ideas and exchanging  
19 views and exchanging experiences but it all  
20 comes back to trying to figure out NOAA's  
21 proposed a draft policy. You heard the  
22 presentation that I gave this morning about

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1 why we are trying to do that, and what we hope  
2 to achieve with that. We are trying to get  
3 some feedback from this federal advisory  
4 committee on NOAA's draft policy.

5 So just kind of touching back to  
6 where we are trying to go with this. And with  
7 that, I would like to begin the discussion and  
8 the presentations from this afternoon.

9 Did you four have a preference in  
10 terms of order to go? You can go  
11 alphabetically.

12 MR. TURRIS: I was wondering if we  
13 had the same opportunity as the earlier ones  
14 that we were just invited, we had a choice  
15 whether to speak.

16 DR. HOLLIDAY: Oh, volunteer?  
17 Actually, I am very sensitive to the time  
18 because I wanted to say thank you right now  
19 for the willingness at no cost to the federal  
20 government, other than your travel, to share  
21 you time with us. So to Lee, to Bruce,  
22 Dorothy and to Earl, I think it has just been

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1 a real wonderful response from you in response  
2 to our request to help focus the dialogue here  
3 today on catch shares and share with us this  
4 information.

5 So I think we are very lucky to have  
6 the four of you join us this afternoon and  
7 talk about your experiences.

8 And so in deference to my colleague  
9 and my major professor from many, many years  
10 ago at the University of Delaware, I would  
11 like to ask Lee Anderson to start us off. And  
12 the format would be, we will read  
13 presentations, 10 to 15 minutes. I think we  
14 have a little more than two hours from our  
15 original three hours. So we will try to keep  
16 back on schedule so we finish close to on  
17 time. Presentation, questions and answers.

18 And then I would like to allow enough  
19 time that all four of us, all four of you can  
20 engage in the broader discussion back to sort  
21 of the theory questions that we were  
22 originally trying to get to on the policy

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1       itself and where we should go from here.

2                   So we have got 2:35. Lee, take 10 or  
3       15 minutes to give us your perspective on this  
4       and we will go from there.

5                   MR. ANDERSON: Okay.

6                   DR. HOLLIDAY: If you would.

7                   MR. ANDERSON: I will.

8                   I can't help but thinking as I look  
9       around this room how much, see how much we  
10      have learned about these things. Look back to  
11      one of the original questions was can you tell  
12      us about an ITQ program that you designed. I  
13      was in on when they designed the surf clam  
14      ITQ. And you said you saw that it was  
15      approved in '90. So I was working on it in  
16      1988. We were flying blind back then,  
17      compared to what is going on here. At the  
18      time, Bruce may remember, but even in the  
19      economics literature, they were still writing  
20      articles on what should it be. What are the  
21      various important items?

22                   And to give you a give feel for what

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1 was going on, I remember I had to make a  
2 presentation, as chairman of the council, I  
3 was going to make a presentation down at the  
4 NMFS headquarters on various aspects of it.  
5 And I said well there is the distribution  
6 aspects and there is the way that things  
7 should run. I went through this thing like  
8 crazy and said I am not going to have anything  
9 in there that does not go along with what the  
10 economic literature says.

11 To make a long story short, I gave  
12 this presentation that went about oh 45  
13 minutes. And I said all right, anybody got  
14 any questions on the theory part of it.  
15 Nothing. I went through and I said I thought  
16 I was going to have a tough time selling this  
17 because you do have a tough time selling it  
18 when you talk to your fellow economists.

19 Then we got into the simple thing of  
20 distribution. Now that is where they went  
21 forever. They went on, and on, and on, and on  
22 about distribution. And I think you can kind

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1 of see that that has not changed. I think  
2 people are a little more concerned about the  
3 makeup of the economics. They understand that  
4 it can affect the efficiency and it can also  
5 affect distribution.

6 But I will have to say, too that I  
7 don't know a lot of you folks around this  
8 table but I can tell from the tones of your  
9 arguments, the arguments that you use, that  
10 the evidence you use, what side of the table  
11 you sit on. This distribution, folks, that  
12 comes out is there.

13 So actually setting up the ITQ  
14 program for surf clams was pretty simple  
15 because everybody left me alone on the  
16 economics and finally we let the industry  
17 fight awhile until they came up with a rule  
18 that they could kind of live with and that was  
19 the end of it.

20 But it was a very simple thing, too.  
21 It was an industrial fishery. There was no  
22 recreational sector. It was really an easy

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1 one to go on.

2 The other fishery that I had  
3 something to do with early on was when the  
4 halibut fishery was being introduced, the  
5 council paid my way up there to go have this  
6 big discussion. And I can remember going  
7 around and around and distribution was  
8 important again, too.

9 But talk about an unintended  
10 consequence, at least to me, maybe Bruce  
11 figured this out ahead of time, but when we  
12 were talking about it, we were talking about  
13 well what is going to happen to the boats?  
14 How are the boats going to become more  
15 efficient? These are where the gains are  
16 going to come from. They started the fishery  
17 and in about three months they realized that  
18 where the gains come from was marketing. You  
19 don't sell frozen fish, you sell fresh fish.

20 And I don't know, a lot of folks, I  
21 was kind of caught off guard. I am not happy  
22 to say that, but you think about one thing and

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1 they do come up.

2 But one of my points in telling that  
3 story is that when we do things now, we have a  
4 lot more to learn from experiences than we had  
5 then. And so I wouldn't necessarily go back  
6 to that fishery. I think some lessons have  
7 been learned but there's a lot of other things  
8 that have been learned as well since then.

9 Another thing that I think is  
10 important when we are talking about this and  
11 it may be wise if we could get it in to the  
12 catch share, what do we call it, policy.

13 (Laughter.)

14 MR. ANDERSON: I'm getting old,  
15 forgetting these names.

16 When you talk about catch share  
17 policy, when we talk around this table, we  
18 think that all fisheries management is catch  
19 share. Catch share is one part of it. In  
20 fact I think it is worth it to stress that  
21 some of the most important parts are setting  
22 the target catch level, the stuff that is in

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1 national standards one and two, setting the  
2 ACLs. Setting the ABCs and the AFLs and the  
3 ACLs around them. That is really what it is  
4 about. You can do that whole thing. You  
5 don't have to mention catch shares. It isn't  
6 in there. And people have to realize that all  
7 that stuff is there and you can't have a good  
8 fishery management program unless those things  
9 are there.

10 The issue then, when we get down to  
11 it is, once you decide what ACL is, what you  
12 think you should catch to preserve the stock,  
13 to make sure it is going to remain where it is  
14 or it is going to grow to it. How are you  
15 going to get there? That is the time that  
16 catch shares comes up. And I can go through a  
17 very short history but if you look at how we  
18 have done it in the states.

19 How did we do it in the states? We  
20 started off with input controls. I am  
21 speaking of commercial here. I will be very  
22 brief so I am going to say stuff that is

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1 wildly to the point and there may be more  
2 subtleties to it but input controls don't  
3 work. They are an elastic measure and for the  
4 most part, you cannot stay within your ACL if  
5 you only use input control. It is much more  
6 difficult.

7           So what happened when that didn't  
8 work? We said well let's go to output  
9 controls. Let's put in TAC. What happened  
10 with TAC? We get the halibut case. If it  
11 works, you get problems of overcapacity,  
12 shortened seasons, other problems.

13           And so I am making a long story very,  
14 very short. But what happens when people  
15 realize that you take that output control that  
16 works biologically, you mix it with a limited  
17 access type of a program where you put your  
18 license in terms of the ability to catch, you  
19 can control the biologic of it and you can  
20 create incentives to harvest efficiently.

21           And that is really one of the  
22 arguments that you want to think about. And I

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1 think that when we think about that as well,  
2 there were the input controls, those other  
3 types of controls.

4 I have heard a lot here today that  
5 says well we have got to watch out for  
6 unintended consequences. We have got to watch  
7 out for distribution effects. Let me tell you  
8 folks, the input controls all those, every  
9 other thing that you use to answer that  
10 question of how do you keep catch within your  
11 ACL, whether it is catch share or a  
12 traditional input control, you have got the  
13 same issue. You have got distribution  
14 effects. You may not think you have  
15 distribution effect but if you put a gear  
16 restriction on, you may force half of the  
17 boats out because they can't fish with that  
18 gear or they are fishing at different times.  
19 It is more implicit and more subtle, maybe  
20 that is why it is even more devastating. But  
21 there are those distribution effects and those  
22 types of managements.

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1           There       are       also       unintended  
2 consequences. How many times do you put these  
3 in and things didn't work out? So my point is  
4 while it is very good that this discussion  
5 here that says watch out for unintended  
6 consequences, consider distribution. Well  
7 that is true but the ideal is not let's not be  
8 looking at some platonic ideal and say that is  
9 our comparison.

10           I think the comparison that should be  
11 made here is what is the other relevant sort  
12 of regulation types that we can use when you  
13 make that. I have heard so many stories about  
14 you can't use ITQs or catch shares when you  
15 have bycatch. You know what? ITQs did not  
16 invent bycatch. Bycatch occurs because you  
17 have got interdependent technologies and  
18 interdependent species. And yes, it makes it  
19 a little more difficult when you use it but  
20 again the relevant question is, if you have  
21 interdependent species, if you have  
22 interdependent gears, which is the one that

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1 can handle your problem the best?

2 So I think if we can get a suggestion  
3 in here, let's not compare these ITQs to  
4 platonic ideals because that isn't relevant.

5 Okay. See, you get me going, I get  
6 going too fast when I try to kick in here.

7 Okay, well just to finish up, ITQs  
8 may have some problems but what about problems  
9 if you are going to try to handle bycatch with  
10 possession limits or trip limits? They can  
11 still have them discarding fish because you  
12 can have waste. You have those tradeoffs.

13 Another thing that I think is  
14 important is about this policy that we are  
15 talking about. I think if we can do one kind  
16 of a service here today, if we can spread the  
17 word that the policy is what it says it is.  
18 Mark was very clear about saying what it says.

19 It says we want to encourage. I have  
20 heard so much stuff about, you know what this  
21 is, it is NMFS trying to stuff down our  
22 throat. I have heard that for a long time.

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1 You know, I have an interesting career because  
2 I have worked inside NMFS and outside NMFS. I  
3 have been in the office of policy. I think I  
4 can tell that you guys don't listen. These  
5 guys do not want to stuff anything down the  
6 council's throats. I have sat in on some, not  
7 all, but I have sat in on many. For one  
8 thing, they know they can. If they try to do  
9 it, everything is going to backfire and hit  
10 them in the head. That is the worst thing you  
11 can do is try to say we are going to tell you  
12 guys what to do.

13 And in this case, I think it is  
14 clear, they even said, Jim says they are in  
15 your face about it. They think these are good  
16 things. And one of the reasons they are good  
17 things is if you go back and you read the  
18 national, what is that thing, the Commission.  
19 The Ocean Studies Commission. They have this  
20 big thing and they talked about this and one  
21 of their conclusions was, at the end of the  
22 day because of the problems with input

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1 controls and output controls, we ran into  
2 problems.

3 I think the idea is that there is the  
4 potential, anyway, to solve both biological  
5 problems and economic problems. And so NMFS  
6 is encouraging that but I feel no threat as a  
7 council member of anything being pushed down  
8 our throat. And I think we can make this a  
9 more interesting discussion if we move beyond  
10 that and say, let's look at the issues.

11 So what should we be looking at? How  
12 can we do it? Well, I think there are a  
13 number of interesting elements that we can  
14 look at and I am not going to tell you all of  
15 them. But the New England Council had a catch  
16 shares policies meeting and the Mid-Atlantic  
17 Council is going to have one soon. There may  
18 be other ones. But they do surveys and they  
19 say what are the problems that show up to you?  
20 And you know what they show up they are? They  
21 are some of these ones that we have talked  
22 about, transferability, eligibility to own,

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1 initial distribution, divisibility, what  
2 excessive shares? Ask the people in your  
3 areas what it is and then have a committee  
4 look at it.

5 I know it is a big problem if you are  
6 going to say you are going to consider it.  
7 Now one thing, you cannot consider a policy  
8 unless you have set something out so that  
9 there is really something to look at and that  
10 takes a little bit of time. But I know in the  
11 Gulf Council when they were doing snapper,  
12 Walter Keithly was in charge of setting up a  
13 committee where they said here are the various  
14 elements we are going to look at,  
15 transferability, eligibility, blah, blah,  
16 blah. And then they had the Fisheries  
17 Advisory Committee come in and say their piece  
18 on it and vote on it.

19 Now I heard an interesting thing from  
20 Martin and I think heard you say that but  
21 maybe that committee was stacked or they were  
22 the wrong people on it or the votes that came

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1 out weren't something that was right. I don't  
2 know whether you said that or not but I  
3 thought I heard you say that earlier.

4 MR. FISHER: Those weren't my words.

5 MR. ANDERSON: Those weren't your  
6 words. Okay, take it back. I take it back.  
7 It makes a good story anyway but you didn't  
8 tell it.

9 (Laughter.)

10 MR. ANDERSON: I mean, so the issue  
11 is even if you have committees to set these  
12 things up, the voting rules and everything  
13 else, you can get things wrong.

14 Now I don't know how to work on it  
15 but I think those are the ways, if you are  
16 going to consider them, the councils have to  
17 be very active in setting up their own  
18 committee and NMFS has said that they are  
19 going to provide help to do so.

20 Okay, I have a couple of random  
21 points. I have got so many points here that I  
22 listed today that I think I could go on

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1 forever but I won't. And sometimes it would  
2 take me a long time to say the point because I  
3 think I would have to introduce it for 15  
4 minutes to get it clarified to a point where I  
5 can tell you about it. So I won't tell you  
6 very many of those.

7 But just here are some things that  
8 occurred to me as I heard people talk about  
9 things today. One of them is watch out for  
10 unintended effects. Somebody said protect the  
11 fishermen. Then I started thinking about it.  
12 Okay, let's try and operationalize that.  
13 Who's the fishermen? Are all fishermen the  
14 same? If you take a query of all the  
15 fishermen out there and you ask them what is  
16 important to them, it is going to be very  
17 different. So sure, you want to protect the  
18 fishermen but you have got to make sure you  
19 know what it is you are trying to protect.

20 The other thing that occurred to me  
21 in almost any type of management plan, there  
22 is going to be losers. And I think we are

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1 very naive if we think we can do anything and  
2 not have a loser. Look at the halibut  
3 situation. Well, I think a few people looked  
4 back on it and said probably that was a good  
5 move to go to the halibut IFQ probably. But  
6 there were some losers going from that case  
7 together. There is going to be losers in  
8 every case.

9 If you can find a case in any  
10 fisheries regulation where you can improve it  
11 so that the biologist says you are doing a  
12 good job, the industry folks say you are doing  
13 a good job and you say are there any losers  
14 and nobody raises their hand, that is  
15 Pangloss. That is not going to happen.

16 And so I think the other thing on  
17 this case is when we hear these horror  
18 stories, we did this and this happened, the  
19 real issue you have to look at is have we  
20 really looked at all of these effects. Have  
21 we identified the losers? Have we talked  
22 about different ways of doing it so we can

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1 maybe change who the losers are, change how  
2 much they lose? Can we have policies where  
3 there is potential compensation for the  
4 losers?

5 One thing that rents from a fishery  
6 can do is compensate. If we are going to have  
7 losers, maybe we can use the resource rentals  
8 to compensate them. I don't know but I think  
9 it is something to look at. But I personally  
10 don't get too upset if somebody raises their  
11 hand and say if you do this, this person or  
12 this sector is going to get hurt. I am not  
13 happy about it but it is the rare case where  
14 it doesn't happen.

15 The other thing that kind of worries  
16 me is that people say wow when you put a quota  
17 share program in, you get prices and they sell  
18 at a price. And sometimes these prices are  
19 high and the rental prices are high. I hate  
20 to tell you guys but that is a sign of  
21 success. Okay? That means that you are  
22 allowing the folks to succeed.

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1           Where does that rental price come  
2 from? It comes from the value of the fish  
3 that are sold, minus the cost of producing it.

4           And the whole idea from an economic point of  
5 view, I realize there are other twists to this  
6 in distribution but the whole idea is to try  
7 to get the highest value from your fish and to  
8 try to capture it as cheaply as possible.

9           So the fact that those prices are  
10 high is a sign of success. Now, there can be  
11 problems with people moving in. There can be  
12 original problems but the guys who have it  
13 given to them have a big bounty. Guys that  
14 have to buy in later are in a different score  
15 and maybe you want to work that out. That  
16 raises the other issue. Or maybe you want to  
17 auction them off for the first time. That is  
18 a scary thing, isn't it?

19           But the fact that you have high  
20 prices in a lot of ways should be viewed as a  
21 success.

22           The other thing that I will stop with

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1 on is community development quotas. And  
2 Heather you mentioned those. They are a very  
3 interesting thing but we have to remember that  
4 when they started, they came out of a new  
5 fishery. And so you took fish out and gave  
6 them to men who owned them before. And I  
7 think I don't know a lot about them because it  
8 is out of my area and everything but I don't  
9 think it is something that is going to be  
10 transferred to fisheries in the lower 48. I  
11 think if you say we are going to go to a  
12 fishery like the, I don't know, the snapper  
13 fishery, and when we did that, let's take 20  
14 percent off the top of that quota and give it  
15 to other folks. I think that is going to  
16 cause a problem that will make these things  
17 insurmountable.

18 So I think that is a very interesting  
19 case, the community development quotas, that  
20 they had the opportunity to start that when  
21 there were no other original owners. But I am  
22 not sure how far you can expand it to the rest

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1 of the world. Maybe we can come up with ideas  
2 to do it but it is a different question.

3 I'll stop there, Mr. Chairman.

4 DR. HOLLIDAY: He's over here now.  
5 But thanks, Lee.

6 So I am going to take maybe three or  
7 four questions to try to promote some of the  
8 dialogue later in the session. But I suspect  
9 you want to have a clarification?

10 MS. McCARTY: Just a clarification,  
11 yes. The CDQ quota that comes from the  
12 pollock fishery, I assume that is what you are  
13 talking about as the new fishery, they also  
14 have some quotas come off the crab fishery and  
15 the halibut fishery. So there are older  
16 fisheries that the CDQ quota comes from.

17 VICE CHAIR BALSIGER: I think the CDQ  
18 gets a piece of everything.

19 MS. McCARTY: Yes.

20 MR. COMSTOCK: They have been  
21 clarifying the CDQ since I helped draft the  
22 original one. It came out of the halibut

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1 fishery originally. And each time a CDQ was  
2 put into place, it was put into place  
3 basically as the price of gaining this  
4 improvement in the fishery. So as the halibut  
5 fisheries were, in fact that was the boat that  
6 Clem traded with Henry Mitchell to get the IFQ  
7 program through in the first place, the price  
8 was CDQs.

9 MR. ANDERSON: Okay.

10 MR. COMSTOCK: And so each time, and  
11 the same thing with crab and the same thing  
12 with pollock, you want the AFA, you are going  
13 to get CDQ. So I mean it was always done as a  
14 political exchange as the price that the  
15 industry paid for getting this improvement  
16 that they were receiving.

17 DR. HOLLIDAY: Just and to the same  
18 point, just a technical clarification. Under  
19 the Magnuson Act, CDQs are excluded from the  
20 definition of limited access privilege  
21 programs. So the legislatively-derived CDQ  
22 program in Alaska is not currently considered

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1 part of that definition. However, within  
2 limited access privilege programs, councils  
3 can set aside parts of the allocation to  
4 fishing communities or regional fishing  
5 associations for analogous purposes, but not  
6 in the same manner as the CDQ program that was  
7 derived by statute. So there are  
8 considerations that allow for looking at  
9 fishing community sustainability in the long-  
10 term.

11 MS. McCARTY: Can I ask him a  
12 question now?

13 DR. HOLLIDAY: I will go to someone  
14 else first and then come back.

15 MS. McCARTY: Okay.

16 DR. HOLLIDAY: If there are any other  
17 questions directly to Lee on his presentation?  
18 Then the floor is yours, Heather.

19 MS. McCARTY: Okay. I have a  
20 question about auctions. I don't know whether  
21 you are one of the people who has proposed,  
22 but I think one of your former students has

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1 proposed that when these rights are -- at the  
2 end of the set period of time like ten years,  
3 for example, that the rights would then go  
4 back to the government and then be auctioned  
5 off the second time around.

6 MR. ANDERSON: That's a proposal?

7 MS. McCARTY: That has been talked  
8 about in Alaska circles. I think we are  
9 talking about Seth, right? Seth Macinko.  
10 Didn't he do a paper?

11 MR. ANDERSON: Seth is not my  
12 student.

13 MS. McCARTY: Not your student.

14 (Laughter.)

15 MS. McCARTY: Sorry. Anyway, how do  
16 you feel about that?

17 VICE CHAIR BALSIGER: You shouldn't  
18 have mentioned Seth.

19 MR. ANDERSON: I don't really -- at  
20 the end of ten years, you are going to auction  
21 them off again.

22 MS. McCARTY: I am not a --

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1 MR. ANDERSON: All right, that is  
2 what the plan is.

3 MS. McCARTY: Well --

4 MR. ANDERSON: Okay, one of the  
5 aspects of property rights in fisheries  
6 management, the incentives that they have is  
7 that they are a secure sort of a thing. And  
8 you want something that people have a right  
9 that kind of matches the ability to fish.

10 And so to make it short, if you are  
11 going to have a ten year right for sure that  
12 you are going to be able to auction, first you  
13 are going to buy a boat that is going to last  
14 ten years. These are some of the stories.  
15 And so there is an argument, if you are going  
16 to have a property right to make it perennial  
17 if you are going to get all of the benefits.  
18 And that is the economic efficiency affect.  
19 The distribution effect is you can do what you  
20 want. And I guess if it was announced at the  
21 start, they would have to be called fair. At  
22 least people would know what was happening.

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1 When they were buying it all along, they would  
2 be knowing they are buying something that has  
3 a less secure life.

4 If you want to know my opinion, I  
5 would go for a more secure property right or  
6 whatever it is, whatever the right is that we  
7 hold. It is tenuous in some ways because it  
8 can be taken away by a council at any time but  
9 you would want to make it as secure as you can  
10 so that the incentives from other property  
11 rights are flowing into it and people have the  
12 incentives to make sure that they have the  
13 right sort of productive capacity to catch the  
14 fish and more long-term incentive to be  
15 concerned with the resource.

16 DR. HOLLIDAY: I feel like jumping in  
17 every time somebody says something. So I am  
18 holding things back. I am sorry if I am  
19 stuttering.

20 Let's move on to our next speaker.  
21 Okay, so Earl would you be willing to give us  
22 your perspective on things?

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1 MR. COMSTOCK: Absolutely.

2 DR. HOLLIDAY: Oh, sweet. I have a  
3 clicker for you.

4 MR. COMSTOCK: Oh, okay, I was going  
5 to say, I have a coordination issue here.

6 All right, I am Earl Comstock and I  
7 am going to talk on the sort of poor step  
8 child of this whole thing. And as an overall  
9 observation on the catch share policy, and I  
10 think it does a lot of what it sets out to do,  
11 but I think in terms of going forward as much  
12 of the discussion here has been focused on  
13 commercial, the real issue that is being left  
14 out that has been brought up, Patty raised it  
15 and some others have, is what are you going to  
16 do with recreational? So that is what I am  
17 going to focus my discussion on.

18 I think some of the key realities you  
19 have to look at are that you have got  
20 population growth that is going to continue to  
21 increase, which means the demand for  
22 recreational angling is going to increase.

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1 Anglers are simply seafood consumers who want  
2 to pay more to catch their own fish.  
3 Commercial catch shares, as we have been  
4 discussing, inevitably result in job  
5 reductions. Part of the whole purpose of the  
6 program is this economic efficiency and absent  
7 certain safeguards built in, even with the  
8 safeguards built in for example in Southeast  
9 Alaska, the number of IFQ holders has  
10 basically been reduced by 50 percent since  
11 1995 when the program was implemented. So you  
12 have that many fewer people fishing the  
13 resource. You have that many fewer processing  
14 jobs.

15 So if you are going to have job  
16 growth and I think that is one of the things  
17 that ought to be incorporated in the catch  
18 share policy from just a macro perspective is  
19 the council should be encouraged to look at  
20 what does the policy do with respect to job  
21 growth in coastal communities. And job growth  
22 in coastal communities, I would argue is

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1 largely going to be dependent on recreational  
2 fishing.

3           For your continuing sort of down the  
4 basic point, you know, catch share programs do  
5 tend to be in perpetuity. It has been  
6 mentioned here for example of radio frequency  
7 spectrum auctions. I have worked on those in  
8 the past, too. None of those things are done  
9 in a revocable -- they are all revocable.  
10 They are all subject to government revocation,  
11 government modification, government change,  
12 but the reality is they are essentially in  
13 perpetuity. I don't know of any of these  
14 programs where, notwithstanding the discussion  
15 of auctions that constantly goes on, you see  
16 these licenses en masse being recollected and  
17 brought back. Usually what happens is  
18 somebody individually violates something and  
19 as a result, may lose their license. This is  
20 true for broadcast licenses, radio licenses,  
21 wireless licenses. It is true for every IFQ  
22 program you can think of.

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1           I think everybody needs to proceed on  
2 the assumption that once you issue these  
3 things, they are likely going to be there in  
4 perpetuity. There may be changes to the  
5 program, there may be modifications, but the  
6 likelihood of them being revoked in their  
7 entirety is very slim.

8           Catch share programs, I think, and  
9 this is a fundamental aspect that needs to be  
10 focused on, create a historical snapshot of  
11 the fishery at the time. And so I would echo  
12 Patty's comments that you really have to  
13 address other users of that fishery at that  
14 time on the allocation question because the  
15 impacts are inevitable.

16           And Heather spoke about the  
17 sideboards that went on in the crab fishery.  
18 Exactly the same thing. If you take one  
19 element of the fishery and you create this  
20 essentially economic windfall for that element  
21 of the fishery, what you are going to do is  
22 create a class of fishermen and/or a class of

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1 processors and this is exactly what is  
2 happening in Alaska, who have a huge economic  
3 advantage over their competitors. And they  
4 will go in and utilize that economic advantage  
5 to purchase up the next fishery.

6 And so for example, the second the  
7 pollock fishery got rationalized, all of those  
8 processors who I mean literally got hundred  
9 million dollar windfalls, turned around and  
10 focused all of their attention on crab. And  
11 they immediately ran out of business or bought  
12 the crab processors who were not also pollock  
13 processors.

14 So I mean, there is these huge  
15 spillover effects that go down. I mean, you  
16 can see it with the halibut fishery to a  
17 lesser degree but they were tied in with the  
18 sablefish operators and typically then tend to  
19 be the successful operators in the other  
20 fisheries that are in any way related, other  
21 long line fisheries. If you look at who is  
22 operating in the other fisheries down the

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1 Pacific Coast, you see many of the same  
2 players. And again, it is because they have a  
3 solid economic base from which to work, so  
4 they are in a better financial position. So  
5 you do have this spillover effect.

6 The other things that I can speak to  
7 directly from the halibut side is that  
8 literally the day the council approved the  
9 halibut IFQ program, the halibut IFQ fishermen  
10 turned around, submitted a proposal to the  
11 council saying we need to regulate the charter  
12 operators. Because they knew that the way the  
13 fishery management commission did it was they  
14 took the recreational fish off the top.

15 So to the extent they could get  
16 regulation of the charter operators who are a  
17 segment of the recreational fishery, then they  
18 could increase their bottom line directly.  
19 People can literally whip out their  
20 calculators and say you know what, if we get  
21 an extra hundred thousand pounds, this is what  
22 it means to me. And so you do have this

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1 collateral spillover effect.

2           So I would say the key point, and I  
3 would urge the policy to recognize this is you  
4 have got to create transfer mechanisms between  
5 sectors as part of this process. Maybe not  
6 all at the same time because that might be too  
7 much of a lift for a council, but you  
8 certainly have to set that process in motion.  
9 You have got to consider how do we start  
10 transferring between these sectors. Because  
11 otherwise what you are doing is you are  
12 freezing in place this historic picture of the  
13 fishery where you know, the commercial guys  
14 had 80 percent and the recreational guys had  
15 20 percent, that is what people are going to  
16 expect going forward for the next hundred  
17 years and that is just not a realistic way to  
18 manage fisheries.

19           The catch share policy, I think,  
20 should allow the best use of the resource to  
21 change over time, based on market forces. So  
22 this is the purchase between sectors. So if

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1 recreational fishing falls out of favor and  
2 you want to go back to more commercial  
3 fishing, great. If people, for policy  
4 reasons, want to let environmental groups buy  
5 the stuff and hold it to put on their wall,  
6 maybe that is what you do. But the point is,  
7 it should be allowed to change over time.

8 I think you need to focus on how do  
9 you create jobs in coastal communities? And  
10 you should look at how the catch share policy  
11 can help that. And again, my point would be  
12 here, recreational fishing, as I will talk a  
13 little bit further down the road, may do that.

14 I think you need to allow full  
15 transferability between the sectors. You need  
16 to provide guidance on leasing and legal  
17 issues and I will speak a little bit more to  
18 that later. You need to provide economic  
19 analysis of all uses. And that is something  
20 that, as I commented earlier, is sadly  
21 lacking, particularly with respect to the  
22 value of recreational fisheries but I am sure

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1 there are other fisheries that feel the same  
2 way that they tend to be the smaller, less  
3 noticed players.

4 And I think you need to provide some  
5 templates. You mentioned that in sort of your  
6 support here but I think being even more  
7 affirmative about that that you will actually  
8 work out some models to give the council  
9 something to work from and to help, frankly,  
10 sectors like the recreational sector that is  
11 not as well funded, not as well organized,  
12 have something to work with the councils on,  
13 rather than having to come up with everything  
14 from scratch.

15 So the problems for applying it to  
16 recreational fisheries, the biggest problem is  
17 recreational anglers catch fish and not  
18 pounds. And so you have a translation problem  
19 when you are trying to marry up the commercial  
20 fishery, which is done in pounds, to the  
21 recreational sector.

22 The biggest one factor is the fact

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1 that reducing participation is generally not  
2 the goal with recreational fisheries. You are  
3 not trying to cut down on the number of  
4 anglers.

5 Consolidation. There are no  
6 consolidation benefits. I mean, if I get to  
7 catch the fish and Lee doesn't, there is no  
8 benefit for Lee. You know, I mean, it is a  
9 problem. And there are no economies of scale.

10 I mean, he can't stand on my head and catch  
11 the fish. We can't stack ourselves onto a  
12 boat.

13 So and the other thing is angler  
14 participation is transitory. The angler shows  
15 up one day and wants to go fishing. He may or  
16 may not come back next year. He may or may  
17 not come back next month. This isn't  
18 something where you know in advance exactly  
19 who is going to participate.

20 Buying quota shares requires a long-  
21 term horizon. In other words, for me to  
22 monetize something like a quota share, it is

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1 very difficult for the individual angler or  
2 the individual charter operator to do that.  
3 Because with a few exceptions, I was talking  
4 to Ken earlier and the kind of fishery that  
5 they have where they have got a huge  
6 investment in their boats, they have got very  
7 stable clients, yes, he could monetize that  
8 and say you know what, buying a hundred  
9 thousand pounds of fish makes sense to me.  
10 But a lot of your charter operators can't do  
11 that. They just don't have the certainty of  
12 people showing up. They don't know from day  
13 to day. They may be small day boat operators  
14 or even small lodges. The idea of having to  
15 purchase quota and guess that they are going  
16 to get clients is a very scary thing.

17 Privatization of the public resources  
18 is obviously a concern. And talking to Paul's  
19 point, you know, about the land and I'm going  
20 to comment down the tail here. You know, this  
21 is like saying people get to fish or hold land  
22 in a national park. You know, the idea that

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1 somebody could lease a portion of the national  
2 park in perpetuity, I think would turn most  
3 people away from that idea. So that is the  
4 kind of thing we are talking about.

5 And then again, management costs  
6 could be very significant if you start looking  
7 at hundreds of thousands of anglers, each  
8 holding individual quota shares. It is  
9 probably not a practical idea.

10 So recreational catch shares, I think  
11 you have to come up with a program that is  
12 going to be transparent to anglers. It has to  
13 address the allocation issues. It has got to  
14 promote resource conservation. They are going  
15 to have to be tailored to each fishery, just  
16 like the commercial ones have individual  
17 wrinkles that go with each fishery. And  
18 again, I think it should promote job creation.

19 So to make it transparent to anglers,  
20 as I mentioned, they catch fish and not  
21 pounds. You get too many anglers to allocate  
22 individual shares. So you have got to come up

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1 with someone holding the shares, I would say  
2 in trust for them.

3 And again, this is one idea of how  
4 you could do it. Depending on the nature of  
5 the fishery, you may find that there is  
6 another way to do it if you have big operators  
7 who can, in fact, monetize this going out.  
8 They might be much more like a commercial  
9 program.

10 You might have a mixed fishery like  
11 we have here in Hawaii where there are people  
12 that go out and both catch fish for  
13 subsistence use and sell some fish. But  
14 again, I think in those kind of situations,  
15 something that ought to be looked at least, is  
16 an angler pool. And basically the anglers get  
17 to fish as they have before. They don't see  
18 the quota as being held. It is really you are  
19 creating a mechanism to do this transfer  
20 between the sectors.

21 So what you do is create a non-profit  
22 entity. It holds the recreational sector

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1 allocation as a pool that is available to all  
2 anglers. The anglers to fish, to participate  
3 have to purchase a stamp or become a member,  
4 however you want to structure it, but somehow  
5 they are going to pay into this pot.

6 The revenue from the stamps is used  
7 to purchase catch share from commercial  
8 holders. And then the entity then controls  
9 the recreational harvest by using traditional  
10 bag limits, seasons. And if they decide it is  
11 needed, they can actually limit the number of  
12 stamps or permits that they are going to  
13 issue. So you do in fact control the input of  
14 the number of anglers and then they could  
15 decide to issue it through a lottery or a  
16 pool. You know, first come first serve. They  
17 can look at how do they do that if they are in  
18 fact going to limit angler participation?

19 You have got to address the  
20 allocation issues. And as I mentioned before,  
21 you see all the points. Demand is growing and  
22 you don't want to freeze the historical

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1 snapshot. So I think the main thing, the  
2 point I would make here is you want to create  
3 a mechanism where the recreational sector can  
4 buy fish from the commercial holders. Because  
5 generally you are going to find that you have  
6 got the commercial quota set up first and so  
7 now the question is how do you transfer  
8 between the two? Obviously if you did the  
9 whole thing at once, you are doing commercial  
10 and rec together, you are just going to create  
11 a mechanism for once you do that initial  
12 allocation, how do you transfer over time?  
13 Because the likely balance is going to change.

14 You want to optimize the resource use  
15 and you do that by recognizing the fact that  
16 recreational entities may have to buy quota  
17 for the time when the stock is low because  
18 again, angler demand does not change based on  
19 stock fluctuations.

20 And so what you are going to end up  
21 doing is in times when the stock is good, you  
22 are going to have a recreational entity that

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1 is holding too much quota.

2 So what I would suggest you do to  
3 solve that problem is you just let the  
4 recreational entity that is holding it  
5 determine how much fish is going to be needed  
6 and then the excess is fished by the  
7 commercial holders for free. And it actually  
8 helps the commercial holder because now I can  
9 buy a certain amount of fish and I may get to  
10 fish an additional 10 or 15 or 20 percent  
11 without having to pay for that asset. So, I  
12 get a benefit.

13 You want to promote conservation, you  
14 can use this non-profit entity to keep track  
15 of angler harvest. And they might do that in  
16 any one of a number of ways, including, for  
17 example, charging you \$25 for your stamp and  
18 you get \$10 back when you turn in your data or  
19 they can say you are not going to fish next  
20 year if you don't turn in your data. But I  
21 think it presents the opportunity to create a  
22 mechanism for getting better data collection

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1 on recreational fishing.

2           There are a number of legal issues  
3 that we have to get help from. And again,  
4 here is where I think the catch share policy  
5 could be very helpful. Rather than simply  
6 saying NMFS will provide guidance upon request  
7 from the councils, dealing with some of these  
8 issues up front. And there is a list here of  
9 the issues that I have identified, at least  
10 that we need to get worked out.

11           But it would be very helpful to get  
12 that information known in advance, not  
13 something that the councils have to guess at  
14 as they go through the process and the  
15 stakeholders have to guess at. Because  
16 depending on the answers to these, you may or  
17 may not be able to do what I am proposing.

18           The problems you get for anglers, in  
19 particular, that I just want to toss out there  
20 and again, it is different from the commercial  
21 fisheries, the biggest problem is a lack of  
22 economic data and analysis on the benefits of

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1 recreational fishing.

2 An example of this is the North  
3 Pacific Council just did a limited entry  
4 program that basically knocked 43 percent of  
5 the charter operators out. Just they are gone  
6 from the fishery without any supporting data  
7 on what did that mean for the local  
8 communities. They did note that well, gee,  
9 there is enough latent capacity that we could  
10 handle the anglers but again, no sense of what  
11 was the actual economic impact of that  
12 decision. And so we need that information.

13 You have got a lack of organization  
14 in funding in general amongst recreational  
15 anglers. So again, having greater support  
16 going into the council process would be very  
17 helpful.

18 Oftentimes you have commercial  
19 opposition to the sale of quota to  
20 recreational sectors and so that has to be  
21 addressed because the recreational sectors  
22 typically don't have large representation on

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1 the councils and you have got a lengthy  
2 council process and representation issues.

3 And so in conclusion I would just say  
4 recreational catch shares should be considered  
5 to address allocation issues. I think they  
6 can be a useful tool.

7 We need templates and legal guidance  
8 if we want to go down this path, otherwise I  
9 think you are going to find it very difficult  
10 for the recreational community to get behind  
11 an idea and support it.

12 We need better economic analysis to  
13 support the arguments, particularly with  
14 respect to the allocation questions.

15 And, as a result the catch share  
16 policy I would say needs to endorse,  
17 including, it doesn't say you have to have it  
18 when you issue it but they need to set up a  
19 mechanism to create the templates, the legal  
20 guidance, and the economic analysis that are  
21 needed for people to then implement this on  
22 the ground at the council level.

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1           And that is my presentation.

2           DR. HOLLIDAY:   Okay, so we are going  
3 to take some questions. I heard a voice in my  
4 left ear before I even said that. So we will  
5 start. Go ahead.

6           DR. DANA:       Thank you, Mark. And  
7 thank you, Earl.       That was a nice  
8 presentation.

9           I see your experience is mostly with  
10 Hawaii, or is it nationwide or -- I'm sorry  
11 Alaska.

12          MR. COMSTOCK:   Yes, Alaska primarily.  
13 But I also worked at the national level on  
14 policy from '87 to '97 for Senator Stevens.  
15 So I am familiar with some of these other  
16 fisheries that have been discussed.

17          DR. DANA:       Thank you. I have a  
18 charter business out of Florida in the Gulf  
19 and we have gone from a significant season for  
20 red snapper to what is now being proposed to  
21 maybe a month, which totally impacts our  
22 ability to book a large number of our former

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1 clients because they love to go for snapper  
2 fishing.

3 At any rate, all that said, we have  
4 been working with our council and others  
5 trying to figure out how can we remain viable.  
6 And that is contentious to say the least. And  
7 while the charter fleet is very much  
8 supportive of the recreational private what we  
9 call monkey boat, there has been significant  
10 discussion about sector separation. What does  
11 that mean and insofar, the majority of the  
12 charter fleet in the Gulf has been imposed to  
13 that.

14 And largely because we don't think  
15 that the number of fish are correctly being  
16 counted and how can you then go and do a  
17 sector separation to a catch share program, et  
18 cetera, if you don't really know how many fish  
19 are out there?

20 And so one of our big beefs, and we  
21 are talking about budgets tomorrow, is there  
22 sufficient money out there for cooperative

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1 research and other research to make sure we  
2 have got the numbers right and then to address  
3 the catch share sector separation later.

4 What is your experience with the  
5 sector separation for the charter boats? Have  
6 you had that discussion?

7 MR. COMSTOCK: Yes, we have. In  
8 fact, echoing Heather's earlier comments,  
9 which I very much agreed with, at least in  
10 Alaska, all of this has been done on an  
11 economic basis, not because of conservation  
12 concerns. One of the first things that  
13 happened is the recreational sector, the  
14 unguided sector in Alaska, being Southeast  
15 Alaska, is largely local. The guided sector  
16 is almost exclusively out of state.

17 So the commercial guys very quickly  
18 figured out that if you picked a fight with  
19 the entire recreational sector, you are going  
20 to have a problem with the locals. So they  
21 immediately split off the charter sector from  
22 the unguided sector as a means of divide and

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1 conquer.

2 An astute move on their part but the  
3 preference amongst the guided sector would be  
4 to treat all recreational fishermen the same  
5 for the simple reason that what you are seeing  
6 now is an increasing number of people going  
7 into the unguided fishery as a means of going  
8 to get their two halibut because you are  
9 limited to one halibut in the charter sector.

10 So my recommendation and experience  
11 on the policy level is keep the recreational  
12 sector combined because it really shouldn't  
13 matter whether I go out and hire somebody to  
14 go out and take me out fishing because I don't  
15 own a boat or because my boat broke down or  
16 because I am going with my six year old  
17 daughter and I don't feel confident driving a  
18 boat. Whatever the reason, there should be no  
19 distinction between how I choose to catch my  
20 fish. It is recreational fishing and I think  
21 from an enforcement point of view it makes it  
22 a lot simpler if the bag limits are the same,

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1 things like that.

2 But that is just our experience in  
3 Alaska. We would prefer to keep the  
4 recreational sector together. There may be  
5 operative reasons why you would split them.

6 DR. DANA: One last comment, real  
7 quick. Our experience is a little bit  
8 different in that yes, we are guided but we  
9 are a departure. We have federal permits,  
10 limited access into the Gulf. And so we have  
11 to follow by virtue of NMFS rules, the federal  
12 rules and our state laws as well. Whereas,  
13 other recreational fishermen are not, do not  
14 hold federal permits or can have different  
15 rules applied to them by the state.

16 MR. COMSTOCK: And again, that might  
17 be a reason. The charter boat operators have  
18 log books in Alaska that they have to keep.  
19 They have other federal requirements that they  
20 have to meet.

21 I think our view is if you moved into  
22 a catch share pool like this and brought in

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1 both guided and unguided, it would give you a  
2 tool to probably increase. It wouldn't  
3 necessarily mean you that you get the logbooks  
4 and the other requirements on charter  
5 operators but it would be a means of  
6 increasing the catch accountability of the  
7 recreational sector. Because at the end of  
8 the day, you are all fishing off of the same  
9 pot of fish.

10 And so you have got the commercials  
11 under accountable rules. You have got the  
12 charter sector under accountable rules. And  
13 you have the unguided sector that you don't  
14 really know what they are catching. All you  
15 are doing is transferring the problem from one  
16 place to the next.

17 And that is the other thing I have  
18 seen with catch shares is once one entity is  
19 under catch shares, they don't go over their  
20 quota anymore. So it is very easy for them to  
21 essentially launch an assault on the other  
22 sector by saying hey those guys are the bad

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1 guys. Even if the amount that the other side  
2 is going over, you know the recreational  
3 sector is going over, is 500,000 pounds versus  
4 several million that used to be in the  
5 commercial sector. And I am not picking on  
6 the commercial guys, they do a very good job  
7 now of staying inside their limits. But you  
8 know, it is very easy to target whoever is not  
9 under this system and say they are the bad  
10 guys. They are the conservation problem, even  
11 though the amount of fish at issue may be  
12 relatively small.

13 So I think what you will find is as  
14 one group goes under, the next group is  
15 probably going to need a find a macro  
16 solution.

17 DR. HOLLIDAY: Sector separation is  
18 not a trivial problem.

19 MR. COMSTOCK: Right.

20 DR. HOLLIDAY: Tom?

21 MR. RAFTICAN: Yes. First of all,  
22 thank you. I think it is the first good

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1 overall look at some of the problems that  
2 recreational fishermen face. You touched on  
3 some of the things that Patty was bringing up  
4 before.

5 And I think I want to go back to one  
6 of the things you said. Putting in this  
7 system right now simply takes a snapshot and  
8 freezes it where it is at. And you know, that  
9 sounds pretty accurate. Your solution was  
10 that the public sector, recreational fishermen  
11 should be able to buy commercial quota. And  
12 while I don't disagree with that, the thing  
13 that I have is all of a sudden you have got  
14 the public paying money for public trust  
15 resources that basically have been privatized  
16 for profit. I mean, if you just take a big  
17 overall look at the picture. And that gets to  
18 something Lee was saying with the auctions.  
19 How do you get this out of the difference  
20 between my farm and farming in a national  
21 park?

22 One of the things you touched lightly

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1 on that the council's issue is going back  
2 initially and basically putting all of this  
3 up, I mean, really for auction. And if you do  
4 that, it would seem that this covers the  
5 management expense. It allows the economic  
6 factors to fall where they may. Could you  
7 talk to that?

8 MR. COMSTOCK: Sure. Well, a couple  
9 of things. One is you are dealing with  
10 something that is not static in time. And so  
11 in the case of halibut, we already have IFQs  
12 for the commercial sector. So as much as you  
13 might say why would I pay these guys for what  
14 is essentially a public resource, the bottom  
15 line is they are there. They made the  
16 investment. This is the way they have  
17 transferred them out.

18 The other thing I can tell you from  
19 the experience I have got in the  
20 telecommunications field where we do, for  
21 example, auctions for cellular licenses and  
22 things like that, what you find when you get

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1 an auction is you will drive up the price of  
2 the initial allocation and it will not  
3 necessarily be held -- it will not make it  
4 necessarily any cheaper for the public that  
5 follows on. Because unless the public has the  
6 money to buy the fish initially at that  
7 auction, what you are going to find is some  
8 very astute speculators will buy that and then  
9 they will turn around and flip it to you for a  
10 premium.

11 I mean, this has happened every time  
12 we have tried this. So the government does  
13 this, tries this a lot. Frankly if you want  
14 to look at a system that might make sense, you  
15 can look at a royalty system. But again, if  
16 you go into the oil and gas side, yes, we do  
17 royalties there and we collect these royalties  
18 but the people who pay the royalties didn't  
19 spend a lot of money to drive the price of  
20 those royalties down.

21 So I think my experience has been  
22 that one way or another you are going to end

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1 up, the public is going to end up paying for  
2 this if they want to get access to this. This  
3 is the reason I suggest a pool because you are  
4 going to buy it once and then you are taking  
5 care of that problem. You are essentially  
6 paying to buy out capacity that got there for  
7 lots of historic reasons. But hopefully you  
8 only have to do it once.

9 DR. HOLLIDAY: So I have got Tony,  
10 Martin, Patty, Bruce, Larry, and Paul. Tony?

11 DR. CHATWIN: Okay. Earl, I really  
12 enjoyed your talk. I liked the concept.

13 You mentioned having set up non-  
14 profits to manage your recreational quota and  
15 I was wondering why not the states? Because  
16 it seems very similar to our wildlife sort of  
17 game management approach and the states have a  
18 presentation on the councils. And so you  
19 create an incentive for the states to actually  
20 safeguard that quota for the public.

21 So I don't know if you have given  
22 thoughts of states versus non-profits and that

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1 sort of thing.

2 MR. COMSTOCK: Well the reason I  
3 would actually suggest a non-profit over the  
4 state is twofold. One is, if it is a state,  
5 it depends on whether the state is authorizing  
6 legislation to do it. So you are most likely  
7 looking at a situation where you would have to  
8 go through a state legislative process, which  
9 can be an expensive and time consuming thing.

10 The other problem you have got and we  
11 can speak specifically of this in Alaska,  
12 Alaska, if the state manages it, will  
13 discriminate in favor of state residents. And  
14 so you have got a federal fishery, and we see  
15 this for example in salmon, if you are a state  
16 resident you get six salmon. If you are an  
17 out-of-state resident, you get three salmon.

18 Yes, the state might be a natural to  
19 do it but I think you have to look carefully  
20 at do they have the authority to do it. Will  
21 the revenues that are brought in be  
22 exclusively limited to the management of that

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1 particular fishery? And will you discover  
2 that you have got a discrimination problem  
3 between residents of different states? All of  
4 which you avoid by this non-profit under a  
5 federal approval process.

6 DR. HOLLIDAY: Okay, Martin?

7 MR. FISHER: Thank you, Mr. Chairman.  
8 Thanks very much for the presentation Earl.  
9 It was great.

10 The one thing that I really didn't  
11 hear, though, was about accountability for the  
12 recreational side. And it has been my  
13 experience that when I hear recreational  
14 interests talking about reallocation, it is  
15 often with the absence of what are we going to  
16 do to bring our house in order to make sure  
17 our bycatch issues, our regulatory discards  
18 are in line with a fishery management plan?

19 In the Gulf of Mexico, according to  
20 the best available science, the recreational  
21 gag fishermen lands six gags to keep one.  
22 That is a big problem because there is also

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1 discard mortality.

2 So my point is along with all of the  
3 other suggestions for policy, what would you  
4 suggest to add to the policy to the directive  
5 in terms of accountability measures for the  
6 recreational community?

7 MR. COMSTOCK: I think that is a  
8 great question and I think that is to me one  
9 of the benefits of why you would look at  
10 setting up one of these organizations and a  
11 pool system. One of the difficulties is  
12 collecting information from recreational  
13 fishermen. The State of Alaska actually  
14 spends quite a bit of money trying to do that  
15 through a survey. They follow up. They  
16 actually call you. I mean, they track you  
17 down but it is not really an ideal system.  
18 You know, if they call me six months later, do  
19 I remember what fish I caught that day? You  
20 know, I usually end up calling the guide and  
21 saying, hey, you know, do you have it in your  
22 logbook what I catch?

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1           So, I think you do have to do  
2 something for accountability and to me that is  
3 one of the things that this organization can  
4 do. Like I said, if you wanted to look at a  
5 system, we have looked for halibut, we have  
6 considered the idea of issuing as part of the  
7 stamp a zip tag that goes into the fish's  
8 mouth and then gets recovered when it is  
9 landed and you have to send the tags in.

10           We have also thought about the idea  
11 of like say you pay \$25 to get your stamp and  
12 if you send in, you know, fill in the  
13 electronic form, you get \$10 back. You can  
14 also keep track of who these individuals are.

15           And if they are somebody who shows up every  
16 year and they didn't report last year, well  
17 then they don't get their stamp this year.

18           It will never be a perfect system,  
19 given the number of people that you are  
20 talking about but I think that given that each  
21 individual angler may not catch that much, if  
22 you can capture 80 percent of what is being

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1 taken, you have got a pretty good sample from  
2 which to extrapolate, based again on the  
3 numbers.

4 See that is the thing. You are  
5 getting a very solid count of who is actually  
6 fishing because of the stamp process. So, I  
7 think that is a mechanism --

8 MR. FISHER: What about at the policy  
9 level? What could the policy do to help us  
10 get there?

11 MR. COMSTOCK: Well, I think what the  
12 policy should say is that in setting up these  
13 organizations, one of the objectives that that  
14 organization has to meet is to come up with a  
15 plan for improving the accountability of  
16 recreational catch. I mean, you can't say  
17 that it has got to be done in one year but  
18 over five years, you know, you ought to be  
19 able to pay something in.

20 MR. FISHER: Great.

21 DR. HOLLIDAY: Patty?

22 MS. DOERR: Tommy stole my question

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1 about the states so mine now is more of a  
2 statement in terms and it kind of connects to  
3 what Martin just said for accountability for  
4 the rec anglers and the type of data that  
5 currently exists for us.

6 I mean it is not -- my impression is  
7 one of the reasons why commercial catch shares  
8 are successful is the ability of real data.  
9 And it just doesn't exist in the majority rec  
10 fishing sectors. And I am going to beat up on  
11 NOAA Fisheries here. Sorry guys.

12 But I mean, NOAA Fisheries barely has  
13 adequate data to implement the ACLs and  
14 accountability measures require Magnuson for  
15 the rec sector. You know, it took them ten  
16 years to do a stock assessment in the  
17 Southeast on red snapper and the result was we  
18 have to close the fishery and we may have to  
19 close the entire bottom complex in the South  
20 Atlantic.

21 And so it just seems as though this  
22 idea, while I think it may have some merit, is

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1       incredibly data-intensive that NOAA fisheries  
2       just doesn't have. And so I don't know, if I  
3       have a question. It is just more of statement  
4       in terms of concern.

5               And I think there is going to have to  
6       be a lot of capacity building within NOAA  
7       Fisheries for data, angler data, economic  
8       data, catch data, fishery independent data,  
9       all that stuff before I think that can be a  
10      reality.

11             MR. COMSTOCK: I would just observe  
12      on that to keep in mind that with the growing  
13      comfort level people have with doing stuff  
14      over the internet, that real time reporting  
15      can become much more likely. I mean, we are  
16      starting to look at electronic reporting of  
17      logbooks in Alaska. I mean, it is not there  
18      yet. It is going to be a little while. But I  
19      mean to NMFS's credit, they are pushing to try  
20      to get that kind of stuff, as is the state.

21             MS. DOERR: The more data you can  
22      get, I know the better off the rec sector is

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1 going to be. I just want to see it happen. I  
2 would love it to.

3 DR. HOLLIDAY: Bruce?

4 MR. TURRIS: Yes, good presentation,  
5 Earl.

6 A couple of things. One is you can't  
7 have, I mean, there is a concept of individual  
8 quotas for individual anglers and it is done  
9 in the --

10 DR. HOLLIDAY: Bruce, could you speak  
11 up just a bit please?

12 MR. TURRIS: It is done in Hunting in  
13 British Columbia, where you can actually, they  
14 have a draw for tags and you can go in, you  
15 know, if you get a tag. And often people pool  
16 together so there might be 20 people in a pool  
17 and they would get four tags. And they will  
18 go out and they will hunt collectively. And  
19 also it is done in Norway. In the fishery, it  
20 is done in Norway.

21 MR. COMSTOCK: Interesting.

22 MR. TURRIS: The other thing is, I

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1 think small charter operators would be  
2 interested in buying quota, even though they  
3 may not have some guaranteed each year they  
4 are going to use it, as long as it was  
5 transferable. So they weren't going to get  
6 stuck, you know, unable to use it that year,  
7 they could transfer it to another charter  
8 operator or they could transfer it back to a  
9 commercial operator for the year and still  
10 benefit from it.

11 And finally, you know, Martin's  
12 comments is something that is front and center  
13 in our -- because we actually have trading of  
14 halibut quota between recreational and  
15 commercial in our fishery. And the greatest  
16 concern is the accountability thing for the  
17 recreational catch. So you are moving from a  
18 completely accountable commercial fishery with  
19 100 percent at-sea monitoring and dockside  
20 monitoring to a fishery that fish is moving to  
21 a fishery that is far less accountable.

22 And I am not saying they have to be

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1 exactly the same. I am not saying they are  
2 going to put a camera on every boat. But  
3 certainly there is an economic advantage to  
4 the recreational sector from not having the  
5 same level of accountability. I mean that one  
6 fish that counts as one fish and one pound of  
7 mortality in commercial may be equivalent to  
8 three pounds mortality in the recreational  
9 fishery.

10 Even if they are properly accounted  
11 for, it may be a catch-and-release fishery.

12 MR. COMSTOCK: Right.

13 MR. TURRIS: But as long as there is  
14 progress, I mean, whether you wanted to start  
15 with the pool, I think it is just a starting  
16 point. And I think there is a lot more that  
17 can happen after that.

18 MR. COMSTOCK: And I just again point  
19 out that I think you are going to look at each  
20 one and this is why I encouraged NMFS to look  
21 at some templates that you could use, possibly  
22 a pool concept. I mean, obviously Canada has

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1 done some work and you have got other examples  
2 of ways you could do it.

3 Some depends on the number of people  
4 that you have participating and the  
5 sophistication of the players. I mean, if you  
6 have got a well-established charter, fishery,  
7 you have got large operators or other things.

8 They, as I said, they may be much more  
9 comfortable with and better able to implement  
10 something that looks a lot more like a  
11 recreational one. As I said, at least in the  
12 15 years of discussions that have been  
13 distilled in the Alaska one, nobody yet has  
14 come up with something that the majority of  
15 operators seem comfortable with, and they look  
16 very specifically at the individual charter  
17 operator type of IFQ plan.

18 So that is why we are interested in  
19 looking at this pool concept, because it does  
20 preserve the fact that it is not charter  
21 operators themselves that are catching the  
22 fish, it is individual anglers. So that was

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1 their concern.

2 DR. HOLLIDAY: So we have got two  
3 more. I have got Larry and then Paul.

4 MR. SIMPSON: Thank you, Earl, for  
5 organized thoughts on this. I appreciate it.

6 I have got two comments and two questions.

7 Number one comment is that you  
8 mentioned that catch shares are frozen points  
9 in time, and commercially, that is true, but  
10 that is what a limited entry system does. You  
11 have put into effect an artificial reality so  
12 that they can't move. So I mean, the dynamics  
13 of comparing a limited entry system on  
14 commercial with recreational is not a valid  
15 concept.

16 The second thing is I would have said  
17 before a month ago that a free transfer of  
18 fish from a recreational to the commercial  
19 quota, that would happen when the Saints win  
20 the Super Bowl.

21 (Laughter.)

22 MR. SIMPSON: I will have to rephrase

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1 that in a different way.

2 And the two questions I had was you  
3 seem to say that consolidation in the  
4 commercial sector was a bad thing. So that  
5 would translate then at some point  
6 consolidation in a recreational fishery would  
7 be a bad thing. Do you want to put a percent  
8 on that? That is one question.

9 And my last question is, you talked  
10 about these, I don't know what you want to  
11 call them, cooperatives, fishing clubs,  
12 whatever, entities which would hold and  
13 administer this stamp program. And you could  
14 say that you are required to have data. You  
15 could say you won't get your stamp if you do  
16 this or don't do this, et cetera, et cetera.

17 My thought is, why would you not want  
18 to go all the way, all the way and have total  
19 accountability and have total universe known  
20 rather than just the reporting universe?

21 Because when we discussed this at the  
22 council meeting and we were talking about

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1 limited entry, I said if you ever want to  
2 figure out the full data on limited entry, it  
3 is like counting the blue-eyed Cajuns that  
4 goes into Tiger Stadium. You have got to  
5 count everybody to know how many blue-eyed  
6 Cajuns go in there.

7 So why wouldn't you want to go all  
8 the way and have total individual  
9 accountability rather than have a stopgap  
10 individual accountability with a coop? I  
11 don't understand why you wouldn't want to go  
12 all the way.

13 MR. COMSTOCK: Very good questions.  
14 To respond to your first one, which was the  
15 consolidation --

16 MR. SIMPSON: Percent.

17 MR. COMSTOCK: Well, I wouldn't put a  
18 percentage on it. What I was pointing out is  
19 not so much that consolidation is a bad thing.

20 In fact, consolidation is precisely one of  
21 the objectives that you typically want in a  
22 commercial fishery because you have got

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1 overcapitalization.

2           What my statement was is that  
3 consolidation in recreational fisheries is  
4 generally not the policy goal we are trying to  
5 achieve. I mean, there is a presumption  
6 there. There is an assumption on my part that  
7 in general as a public policy matter, we don't  
8 want to discourage recreational fishing.

9           Now if we do, obviously if we decide  
10 that there is only so much fish for  
11 recreational fishing and that is it, then yes,  
12 you can't really consolidate. I mean, I can't  
13 get squished into Bruce here next to me, but -  
14 -

15           MR. SIMPSON:       Well, catch and  
16 release, you are not stopped from --

17           MR. COMSTOCK:     That is true. But  
18 again if the goal is job creation -- and that  
19 is one of the things I would think might be of  
20 interest to the administration is the reality  
21 of commercial IFQ programs -- is  
22 consolidation. That is how you get the

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1 economic efficiencies. That is how you do  
2 this process and as Lee was talking about,  
3 become more efficient at catching that fish  
4 for the lowest possible cost and getting it to  
5 the consumer for the highest possible return.

6 MR. SIMPSON: That is what a limited  
7 entry system does. It freezes.

8 MR. COMSTOCK: That's right.

9 MR. SIMPSON: If it is laissez-faire,  
10 there is a lot more. Then you have go  
11 overcapitalization.

12 MR. COMSTOCK: Then you have  
13 overcapitalization.

14 So my point is not that consolidation  
15 in all cases is a bad thing. My point is in  
16 looking at the public policy goals of why  
17 would you do recreational fishing,  
18 consolidation typically isn't one of them.

19 So what I am saying is if you are  
20 going to look at the highest best use of the  
21 fish -- and don't forget the overall purpose  
22 of the Magnuson Act is optimum use of the

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1 fishery -- I would argue that if every single  
2 seafood consumer in the United States wanted  
3 to go out and personally drop a line in the  
4 water and pay to do that and catch his fish  
5 that way, that is probably going to get the  
6 best bang for the buck for the nation. Do I  
7 think that is a practical reality? No. But I  
8 mean if you want to carry it to an extreme,  
9 that is what you have got.

10 So all I am saying is there are  
11 different objectives that you are trying to  
12 achieve with the two. Recreational fishing I  
13 think you are trying to maximize  
14 participation.

15 In the case of commercial fishing,  
16 you are trying to go for efficiency and  
17 consolidation. And so you get two different  
18 goals there. So I wouldn't put a percentage  
19 on either one. I think you have to look at  
20 each fishery and say what do we want.

21 What are we looking for out of this?  
22 My observation and my experience in coastal

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1 Alaska is there aren't that many jobs. And if  
2 you want to create jobs in these communities,  
3 the jobs are going to come from recreational  
4 fishing, from the lodges, from the  
5 restaurants, from people flying in and out.  
6 It is not going to come from commercial  
7 fishing. And that is not a slam on commercial  
8 fishing. It is just economic reality.

9 You know, as I say, we have gone from  
10 2400 permit holders to 1500 permit holders, or  
11 1200 actually now. And the processors have  
12 also shrunk. There is no job growth by  
13 allocating more fish to the commercial sector  
14 in Alaska. There is job growth by going  
15 recreational.

16 And your second point, and I am sorry  
17 --

18 MR. SIMPSON: Why wouldn't you go all  
19 the way?

20 MR. COMSTOCK: Why wouldn't you go  
21 all the way with individual accountability?  
22 Again, I think it becomes a management issue.

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1 NMFS spends a lot of money managing these  
2 fisheries. Now they can collect a certain  
3 amount back. But if you start talking about  
4 100,000 anglers and keeping track of 100,000  
5 allocations, you are talking about a huge  
6 administrative overhead. For what, would be  
7 my point.

8           And to me the objective is you are  
9 trying to get better accountability to ensure  
10 that the sector doesn't go over. It is not  
11 about having people fill out tons of forms and  
12 have to transfer their quota. You know, I  
13 fished this day but now I am not going to fish  
14 that day so I am going to transfer it to  
15 somebody. I mean, it becomes an  
16 administrative nightmare. You know, you are  
17 dealing with way too many people.

18           MR. SIMPSON: You were talking about  
19 buying a stamp and then keeping track of who  
20 gave you the data and who didn't.

21           MR. COMSTOCK: Well, I am just  
22 pointing that out that is one way you might

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1 increase the accountability. I mean, again,  
2 my practical suggestion would be I would say,  
3 yes, charge people five extra bucks and if you  
4 don't send in your form, you don't get your  
5 five bucks back. That might be one way to do  
6 it. It is just a thought as to how to do it.

7 I think all of these things --

8 MR. SIMPSON: Wouldn't it be better to  
9 know everybody?

10 MR. COMSTOCK: In a perfect world,  
11 yes. But again, it is a tradeoff between the  
12 administrative overhead of doing that -- and I  
13 don't know if Jim remembers how much the state  
14 of Alaska spends but I think they spend  
15 several million dollars every year trying to  
16 track down the hundred thousand anglers that  
17 come to Southeast Alaska and fish. So, it is  
18 a tradeoff. You know, how much money do you  
19 want to spend to implement your program?

20 And I am just saying given the volume  
21 of recreational fishing, typically, and the  
22 return that you get from the amount of

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1       overfishing one individual angler can do, I  
2       would say there is a balancing act that the  
3       councils and the agency need to look at to  
4       say, when have I improved my data collection  
5       at the best cost. And that is my suggestion.

6                 DR. HOLLIDAY: So Paul has the last  
7       question and then we are going to take a very  
8       short break and give you all a stretch.

9                 MR. CLAMPITT: Earl, well, I have to  
10       say I disagree with your description of the  
11       history of the commercial and charter conflict  
12       in the Southeast.

13                But beyond that, you said you didn't  
14       think there was a difference between private  
15       charter operation and an individual angler  
16       going out and catching fish on his own, and I  
17       don't see how you can come to that conclusion.

18       There is a fundamental difference. One is  
19       making a living off of a resource that we are  
20       all trying to make a living on. The other one  
21       is just out enjoying a day on the ocean. And  
22       I don't think anybody would, you know, want to

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1 deny that. But I mean if we are both trying  
2 to make a living -- how isn't there are  
3 fundamental difference there?

4 MR. COMSTOCK: Well again, I  
5 certainly can see your point about somebody  
6 making a living, but I think you are  
7 mischaracterizing it. The bottom line is that  
8 the charter operators exist because there is a  
9 demand for people who don't own boats who  
10 would like to go catch fish. You know, the  
11 charter operator doesn't have any means of  
12 forcing somebody to go with him. He doesn't  
13 have any right to the fish. What he is  
14 offering is a business that basically is no  
15 different than a taxi. Now can you regulate  
16 the number of taxis? Absolutely. Can you say  
17 taxis have to report on where they have been  
18 and keep a log? Sure.

19 So charter operators are subject to  
20 additional requirements. That is why they  
21 have got six-pack licenses, they have got  
22 Coast Guard certification. All of that is

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1 done because they are offering a service to  
2 the public, which involves the transportation  
3 of them to something else. They also have a  
4 service in their expertise as to where you  
5 might want to fish. But at the end of the  
6 day, it is not their fish. And if somebody  
7 who does want to catch a fish doesn't show up,  
8 then you have got no market.

9 So it is not to say you can't treat  
10 them differently. I am just saying that to  
11 argue that somehow they should be subject --  
12 an angler who decides to pay someone to take  
13 him fishing should be subject to a different  
14 set of catch rules than an angler who goes out  
15 on his own.

16 In fact, you know, many of the  
17 anglers in Southeast Alaska who are locals go  
18 out 10, 15, 20, 30 times, and they know as  
19 much or more about where to fish. In fact,  
20 many of them were commercial fishermen  
21 themselves. They know exactly where to fish.

22 So it is not like the charter operator guy

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1 has a huge advantage over these guys.

2 So I am just saying there really  
3 isn't in my mind any reason why you would  
4 treat me differently because I choose to hire  
5 someone to take me for whatever reason than  
6 you would if I go and rent my boat and go out  
7 fishing. I mean, I just don't see the policy  
8 rationale for why you would distinguish  
9 between those two type of anglers. But that  
10 is just my thought.

11 DR. HOLLIDAY: So I think there is  
12 two perspectives on this question.

13 But I want to take -- yes, we can  
14 carry forward on the break. We are going to  
15 take a short break. We have two other  
16 speakers. We want to continue this dialogue.

17 But Heidi can you just, before  
18 everybody loses their focus, what are we doing  
19 for tonight's event? What is the time table?

20 MS. LOVETT: Oh great, yes.

21 DR. HOLLIDAY: Pay attention. This  
22 is important.

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1 MS. LOVETT: Yes, there is one bus  
2 and the bus is meeting us at 5:30. The plan  
3 was to depart here at 5:30 from the front of  
4 the hotel to go to Randy's home. We should  
5 meet probably at the turtle statue.  
6 Essentially, right in the front.

7 DR. HOLLIDAY: So Randy Cates is  
8 hosting us this evening at his home.

9 MS. LOVETT: And everybody is  
10 welcome. So any significant others or family  
11 that you have with you, he is very, very happy  
12 for you to all come.

13 DR. HOLLIDAY: Spouses, significant  
14 others, 5:30 out front by the turtle statue,  
15 it's a bright yellow bus?

16 MS. LOVETT: A bright yellow school  
17 bus. That is right.

18 DR. HOLLIDAY: So it is  
19 transportation there. And the bus is coming  
20 back at 9:00.

21 MS. LOVETT: The plan now is for the  
22 bus to leave Randy's at 9:00 to come back

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1 here. And if there is not really much  
2 traffic, he said it is like a 20 minute drive.

3 And it is a pretty drive so bring your  
4 cameras. He said it is really beautiful right  
5 now.

6 DR. HOLLIDAY: Okay.

7 MS. LOVETT: The only other thing,  
8 too, is I wanted to get a head count at some  
9 point of people who were planning on going to  
10 the auction Thursday morning because we need  
11 to get a different bus system for that.

12 DR. HOLLIDAY: So if you are going to  
13 the fish auction Thursday morning, raise your  
14 hand.

15 MS. LOVETT: Really high, please.  
16 Wait a minute, I can't count everybody here.  
17 Thank you. Twenty. Did I get that right?

18 DR. HOLLIDAY: How many aren't going?

19 MS. LOVETT: Twenty-two -- twenty-  
20 three? Okay. Okay, thanks.

21 DR. HOLLIDAY: Is there limited seats  
22 on the bus?

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1 MS. LOVETT: Not tonight, but for the  
2 auction we have to do something different and  
3 there might be several small kinds of buses.

4 DR. HOLLIDAY: Okay, so we will be  
5 back in our seats by 4:00 and we will pick up  
6 with the next speaker.

7 (Whereupon, the above-entitled matter went off  
8 the record at 3:51 p.m. and resumed  
9 at 3:59 p.m.)

10 DR. HOLLIDAY: Let's take our seats.  
11 Did you get the clicker?

12 MS. LOVETT: Yes, yes. Hold on. I am  
13 just trying to get it back.

14 DR. HOLLIDAY: So Dorothy Lowman is  
15 going to speak to us. Many of you know our  
16 alumnus from MAFAC and our council member  
17 about the trawl individual quota or say the  
18 groundfish fishery. And take it away.

19 MS. LOWMAN: So I am going to give a  
20 little bit of a description of where we are in  
21 catch share development quota for the West  
22 Coast trawl fishery, and then kind of think

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1 about, well, what are the lessons we have  
2 learned through this last, we started in 2003.  
3 So a number of years here so far. A lot of  
4 gray hair that I have to dye. And then maybe  
5 think what if we had had the catch share  
6 policy and some of the support from it. How  
7 might it have been different, you know, or  
8 what might have happened?

9 So just a few basics about the  
10 groundfish fishery and resource. Generally  
11 managed, it covers over 90 species; 64 are  
12 that are rockfish, five of those which are  
13 overfished. And those are a long-lived  
14 species in general. Flatfish, one of which is  
15 overfished, it was just declared overfished  
16 this last year -- it was trawled sole. And  
17 groundfish, one is overfished, and sharks, and  
18 then there are some other ratfish and things.

19 Because of these overfished species  
20 that are under rebuilding schedules now, you  
21 know, the management is driven by the weak  
22 stocks. So we have a number of healthy sets

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1 of which the fishery does not access the  
2 available resource.

3 I did say just a little bit more on  
4 these overfished species. These rockfish  
5 species are, as I said, long-lived species.  
6 It has been a number of years since we  
7 realized they were overfished and that there  
8 has been rebuilding schedules for some of  
9 them.

10 Widow will hopefully be rebuilt next  
11 year but yellow eye, I think it is 2087 by  
12 now. So we are talking, you know, at least  
13 two generations of fishermen, if they fish for  
14 30 years starting now. That will be an over-  
15 and under- rebuilding schedule for this.

16 The Petrale sole is significant for  
17 this fishery because you know, we have been  
18 working on this and looking at the all  
19 analysis of the expected returns. And this is  
20 what is one of the money fish for the non-  
21 whiting fishery.

22 But hopefully the good news is the

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1 council took proactive action as soon as it  
2 was sort of realized there was going to be --  
3 starting to get quotas declared overfished,  
4 reduced the available harvest quite a bit, and  
5 it is a shorter widow season. Hopefully, we  
6 will rebuild relatively quickly, but it is  
7 significant and it is going to have some  
8 significant economic hurt in the industry for  
9 the next couple of decades.

10 There are a number of different  
11 fishery sectors. There is tribal that we have  
12 talked about a little bit. In the non-tribal,  
13 there is a commercial limited entry that has  
14 trawl and fixed gear. There is commercial  
15 open access and then there is the recreational  
16 fisheries.

17 Since I am going to focus on the  
18 trawl fishery, it is important to know that  
19 they are sort of two different fisheries  
20 themselves. There is the whiting fishery and  
21 the non-whiting or traditional bottomfish  
22 fishery. And where the whiting is mid-water

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1 gear and it has three distinct sectors: the  
2 shore-side sector which has sort of sub-  
3 allocations of whiting; mothership; and  
4 catcher processor. So it is two at-sea and  
5 one shore- side sector.

6 Why did we decide to go this way, to  
7 go look at catch shares for this fishery? We  
8 actually have in a fixed gear limit entry, it  
9 is identified as a catch share program. It is  
10 a stacked permanent system for the sablefish  
11 fixed gear fishery. And the trawl fishery is  
12 probably 90 percent of the landed catch.

13 There are significant bycatch  
14 concerns. I have already talked about the  
15 overfished species issues. And there is  
16 concerns about how well we are monitoring full  
17 catch. There is constantly litigation over  
18 are we rebuilding fast enough or do we know  
19 what we are catching of these species.

20 There is also because of the way that  
21 we have tried to manage this and to spread out  
22 the season that try to minimize the catch of

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1 these overfished species is the use of a lot  
2 of trip limits now. There are two-month trip  
3 limits and you know, different trip limits for  
4 different species. You catch your trip limit  
5 for that, you keep fishing, discarding that  
6 one while you are catching your other trip  
7 limits and then you start all over in two  
8 months. And so there is a lot of regulatory  
9 discards and life switch that bother the  
10 fishermen a lot.

11 There has been very poor economic  
12 performance. The regulatory disaster in 2000.  
13 There was a cost/earnings study recently that  
14 showed on average for the non-whiting fleet  
15 there is a zero profit per vessel.

16 And overcapitalization is a problem.

17 The whiting fishery operates under the  
18 traditional race for fish situation. And  
19 there is overcapitalization both the  
20 processing and the privacy sector of that  
21 fishery.

22 And then the recent, the fleet did do

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1 the buyback program and they bought out about  
2 50 percent of the historic catch. And there  
3 was a sense that well, okay, now that the  
4 moratorium is lifted, we could go towards  
5 catch shares. That was part of the long-term  
6 strategic plan. And because we had this sort  
7 of pool that everyone was paying back this  
8 loan for having bought this fish, that that  
9 might make the initial allocation a little  
10 easier because we could equally share that  
11 part.

12 So, just a little bit about it,  
13 landings, 242,000 metric tons. Total value is  
14 81 million. I think it is actually closer to  
15 90 million in 2009. But broken up into these  
16 kinds of sectors. So you can see that the  
17 landings of the non-whiting is pretty small  
18 but it is about 39 percent of the total  
19 revenue and then the two on the side are the  
20 at-sea portion.

21 About 177 permits. About 120 vessels  
22 actively fish non-whiting. There is about 35

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1 vessels in the shore side whiting and at least  
2 a third of those catcher vessels also fishing  
3 a mothership fishery and there are about five  
4 to six motherships.

5 And then the catcher processors have  
6 had a voluntary call-up and so they have  
7 essentially been rationalized since -- John do  
8 you know what year -- and they have realized a  
9 lot of the gains of rationalization through  
10 this voluntary co-op.

11 Just a little bit about the  
12 statistics. So we do have, you know, as we  
13 talked about, we do have goals for this  
14 program. And the overarching goal is here.  
15 It is created in implemented capacity  
16 rationalization plan that increases net  
17 economic benefit. It creates individual  
18 economic stability. It provides a full  
19 utilization of the trawl sector allocation,  
20 considers environmental impacts, and achieves  
21 individual accountability of catch and  
22 bycatch.

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1           And I would say this program is  
2 driven as much by the bycatch concerns and the  
3 overfishing concerns as it is the economics.  
4 They are both important in this but I think  
5 that the bycatch, the wastage, the fact that  
6 they aren't able to get the healthy stock out  
7 because of the constraints on the overfished  
8 species.

9           People said if I had the ability to  
10 be individually accountable, I could do better  
11 and then I could access more of the healthy  
12 stock.

13           So there was, in 2003 when fishermen  
14 came and asked the council to start this also,  
15 they had actually gone on a trip up north,  
16 Bruce's hometown, and sat down with some trawl  
17 fishermen up there and heard about how their  
18 fishery had changed. And again, a very  
19 similar fishery that delivers actually to the  
20 same market. And they sort of had this sense  
21 of a vision that there could be a better way.

22       So I think that also helped start this

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1 process.

2           These are some of the goals and the  
3 objectives that underneath that overarching  
4 goal, the full catch accounting was very  
5 important. You can also see that some of  
6 these are a little competing.

7           You know, we have promote measurable.

8           We want to promote practices that reduce  
9 discards -- let's see which one I was thinking  
10 of. The economic and employment benefits, we  
11 want to do that but we also want to make it as  
12 efficient as possible. So we have that  
13 tension as we always do that you may have some  
14 consolidation. And there are some needs for  
15 balancing and minimizing adverse impacts on  
16 fishing communities and other fisheries to the  
17 extent practical. Some of these are balancing  
18 objectives.

19           As I said, it has been a long  
20 process, starting in 2003. I think one of the  
21 lessons learned is we have started on a  
22 shoestring. You know, there was just a little

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1 bit of money here and there that started to  
2 think about this. And so part of the time and  
3 part of the, I think, lessons learned for the  
4 policy is if the council is going to do this  
5 and you are going to support this, really  
6 support it and give us the resources needed to  
7 follow through on a timely basis. Because  
8 there was quite a bit of fits and starts at  
9 the beginning of this.

10 And in about 2007, I believe, the  
11 council received full funding. It continued.

12 It is a very complex program. Finally, the  
13 preliminary DEIS was distributed for public  
14 comment in the early fall of 2008 and in  
15 November the council adopted the final --  
16 decided to do it, except they had a lot of  
17 trailing actions, too.

18 So they kept working on these  
19 trailing actions, things like what should the  
20 accumulation limits be. And so it really  
21 wasn't wrapped up until June of 2009.

22 In the summer, the limited entry

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1 permit holders received sort of unofficial  
2 estimates of their quota share allocations and  
3 there was a lot of sticker shock. And you  
4 know, wait a minute, this isn't what I signed  
5 up for.

6 And in some cases, and in fact in one  
7 community, no one in the community had any of  
8 the canary rockfish. And as you know, you  
9 have to cover everything you catch with quota.

10 This is a catch, a total catch. So they  
11 said, well, how can I go out when I might  
12 encounter canary rockfish? And so the council  
13 actually re-looked at it and reopened that  
14 portion up, chose an alternative that was  
15 different than they had previously chosen,  
16 that was within the realm of that which had  
17 already been analyzed that provided an  
18 opportunity for everyone to have -- I think it  
19 came out to be close to about a hundred pounds  
20 apiece. But that is what we are talking  
21 about, 50 to 100 pounds, you know, minimum.  
22 We are not talking about a lot of some of

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1 these overfished species.

2 The Secretary is scheduled to approve  
3 or disapprove the program in the summer, this  
4 summer. There is, as I said, this is quite a  
5 complex program. NMFS is working on sort of  
6 three rules, sets of rules -- the first of  
7 which has been completed, which governs the  
8 collection of ownership data. The second rule  
9 for the main body of the program is supposed  
10 to be ready for deeming by the council in two  
11 weeks. And then the third rule is sort of  
12 going to follow up in June, I believe, for  
13 monitoring and cost recovery.

14 This is a really tight schedule that  
15 has to be met if it is going to have quota  
16 application and issuance in the fall and the  
17 program implemented in 2011.

18 So, as I said, we had some different  
19 sectors. We have different people who have  
20 different experiences, the folks that see most  
21 of them, unless they participate in Alaskan  
22 fisheries. And they are very comfortable and

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1 know about co-op type management. And they  
2 are also very comfortable with some sort of  
3 linkages of processors in many cases.

4 And so the different sectors chose  
5 different types of catch share shares. So --  
6 well, you know, the catcher processors really  
7 just want to continue what they want and their  
8 issue is how much cost recovery do they have  
9 to have.

10 And then the motherships decided that  
11 they wanted to do a co-op but there was a lot  
12 -- again the sooner you can have some  
13 definition of what is legally possible and  
14 what isn't legally possible the better.  
15 Because there was a lack of clarity of how  
16 much linkages you could have without special  
17 legislation. And they ended up with needing  
18 to have an annual processor affiliation. That  
19 wasn't what the processors wanted at first in  
20 terms of some of the incentives to stay with  
21 the same, have that sort of security, but I  
22 think people are fairly happy with how things

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1 are. Although I think there are some people  
2 who are also having sticker shock there in  
3 their allocations.

4 The shore side whiting and non-  
5 whiting are in one sector now. Even though  
6 they are sort of distinct fisheries, they are  
7 in one sector and they fall under an IFQ  
8 program, or they will be.

9 But the initial allocation, we  
10 probably spent at least two of those years  
11 doing hardly anything else except fighting  
12 over the processor allocations. And in the  
13 end, the council decided that 20 percent of  
14 the initial allocation of the whiting  
15 harvester quota would go to processors, based  
16 on their processing histories for whiting.

17 For non-whiting, they chose to not  
18 give any initial allocation to processors, but  
19 they also set aside or held sort of in public  
20 trust ten percent of the quota share for  
21 adaptive, what they are calling an Adaptive  
22 Management Quota. And some of the uses for

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1 this quota are to promote community stability,  
2 to deal with new entrant issues, to deal with  
3 processor stability issues and concerns, and  
4 then I think some environmental performance.

5 This is not a fully fleshed out  
6 program, the Adaptive Management. Because of  
7 the complexity of the program, NMFS made a  
8 strong case on the council that why don't we  
9 get the rest of the program together. That  
10 ten percent will just flow through to all of  
11 the permit holders for the first two years of  
12 the program, and in that interim time, we will  
13 finish that program and come up with how that  
14 will be allocated in a different way. And you  
15 know, there has been some discussion, would it  
16 be done on sort of a formula basis. Is it  
17 done from sort of proposals, from communities,  
18 you know, maybe processor fishermen  
19 communities, entities coming together and  
20 asking for the use of that quota to meet  
21 certain community goals. That is still up in  
22 the air.

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1           You know, as I said, this is probably  
2 would be the most complex U.S. program to be  
3 implemented. It is multi-species. As I said,  
4 we do have some challenges with these small  
5 amounts of overfished species.

6           Excessive consolidation was a  
7 concern, but there is also recognition that  
8 there has to be some consolidation. And so  
9 there are accumulation limits and they range  
10 from species to species. They tried to look  
11 at kind of what the cost of what people  
12 historically have had and not disrupt that too  
13 much, but the caps are smaller if the fishery  
14 is more constrained. So you can kind of  
15 capture control of the fishery if you have had  
16 too much of those more constrained stocks.

17           There are also vessel use caps so  
18 that you can and then there in general about  
19 two kinds out of the ownership caps. So this  
20 would allow people if they had two vessels to  
21 put it all in one vessel but not consolidate  
22 it and lose two-man crew jobs. That was a

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1 concern, loss of crew jobs.

2           There is a lot of concern on the West  
3 Coast about excessive control. The sort of  
4 dynamics of the fishery is that, you know,  
5 there has been a lot of, and I am talking now  
6 about the non-whiting fishery, the sort of  
7 bottom trawl fishery. There has been a lot of  
8 consolidation in the processing sector in that  
9 sector, as opposed to the whiting sector.

10           And so there are just a handful of  
11 larger processors that are involved here and  
12 one processor that is over 50 percent. And so  
13 there is a lot of concern about control. You  
14 know, if it is hard to find, who is going to  
15 be financing the quota and therefore maybe  
16 having control over it. And there is a lot of  
17 fear around this. So there are some pretty  
18 strong control rules.

19           And there is also, there are --  
20 besides that, the other entity that has  
21 already been brought up there that has created  
22 a lot of concern and fear has been T&C,

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1 because they did buy up a lot of permits in an  
2 effort before the IFQ program -- or as we were  
3 just beginning to discuss the IFQ program --  
4 related to trying to mitigate or get  
5 concessions for larger areas for trawl crews  
6 for EFA in California. And they said, well,  
7 to mitigate that we will essentially buy out  
8 these vessels that happen to be located in  
9 some of these northern Mid-California ports,  
10 Morro Bay, in particular.

11 What that did, though, is they were  
12 quite successful -- in part I think also  
13 because some of these guys didn't see a lot of  
14 good future -- and then the rest of the  
15 fishing community said, wait a minute, you  
16 just sort of destabilized us. You know, why  
17 would a processor want to come in here when  
18 the bread and butter of the trawl fishery is  
19 no longer here? You know, what are you going  
20 to do? This is not good for any of us.

21 And they said, well, we didn't want  
22 to do that. And so they have been working

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1 very actively to try to look at ways that they  
2 could work so that those communities could  
3 form a community fishing association and that  
4 they could divest to that association. So  
5 there are at least two parties that are  
6 significantly over these accumulations and  
7 they have five years in which to divest down  
8 to those accumulation limits.

9 But there is a tension between these  
10 control rules and then letting something like  
11 a CFA work, because they may need to have  
12 control over is more than is excessive for one  
13 group and that has been where some of the  
14 struggle is. Or even a group of fishermen  
15 that want to try to pool some of their  
16 overfished quota sort of as a risk pool.  
17 Because as I said, these are very small  
18 amounts. And if you had a disaster toll, you  
19 know, you could have a very difficult --  
20 finding enough to cover that toll.

21 So some of these other cooperative  
22 arrangements may be negatively impacted by

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1 these control rules. So, on the one hand we  
2 don't want to anyone to have too much control  
3 and we have a lot of fear of that, but we on  
4 the other hand need to be able to have these  
5 cooperative arrangements for this program to  
6 work right. And to be perfectly honest, we  
7 haven't worked all of that out, but the  
8 community fishing association's vehicle --  
9 which again has not been finished, and in fact  
10 it hasn't really even -- is just, we are  
11 working on a schedule to try and complete it  
12 by the end of this year or the very beginning  
13 of next year. It is going to be important and  
14 some of these issues are going to come up.

15 You know, overfished species, there  
16 is a complex initial allocation methodology  
17 for this, because they knew it might be harder  
18 to just buy it on the marketplace. There are  
19 lower accumulation limits. The council is  
20 encouraging these risk pools and that is also  
21 driving part of the 100 percent catch counting  
22 and monitoring. The program calls for 100

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1 percent at-sea monitoring, plus 100 percent  
2 shore side monitoring. So observers on every  
3 vessel, someone in every plant.

4 The concern, new entrants, you can  
5 buy those very small -- the quota here is  
6 infinitely divisible up to a pound. And so  
7 that was considered a way that, well, a crew  
8 member could maybe start to buy a few fish on  
9 the boat and gradually move into the fishery  
10 on a small scale. Also, the adaptive  
11 management program may be a provision to help  
12 with that issue.

13 There was a concern about -- and also  
14 in one of the objectives was -- to try to  
15 minimize habitat impacts and so there is a  
16 provision to allow for gear switching. You  
17 still have to have a trawl permit but you  
18 could use other gear, fixed gear if you wanted  
19 to, but you are also subject to the same  
20 monitoring requirements.

21 There is also the objective of  
22 providing operational flexibility. You have a

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1 lot of rules about carryovers and unders and I  
2 don't want to go into any great detail. There  
3 is quota shares freely transferable after a  
4 two-year moratorium on that, because they kind  
5 of wanted people -- there was a concern which  
6 not everyone agreed with but the council  
7 decided that -- they thought people might not  
8 know the value of this, and they wanted to  
9 give them some time.

10 You know, other people say -- wait a  
11 minute, people are going to be making these  
12 agreements under the table. They are making  
13 them now, and what you are doing is, you are  
14 just doing it, and you have actually less  
15 information under which these things are  
16 happening.

17 And then, both quota pounds annually  
18 and quota shares can be leased.

19 So, lessons learned. First of all,  
20 program design really matters, but it can be  
21 really overshadowed by initial allocation  
22 concerns.

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1           And it was very hard to get people to  
2 focus on -- we have this multi-species complex  
3 on how are we going to make it work very well  
4 in the long run because everyone goes, "Well  
5 what am I going to get." And I think it is  
6 important to always bring us back the design  
7 to your goals and objectives.

8           And something that we didn't do that  
9 I think would be useful to do an explicit  
10 visioning exercise. What do you want this  
11 fishery to look like in ten years and how can  
12 catch shares be designed to help achieve that  
13 vision?

14           Also, I think it is important that we  
15 had an individual trawl committee that worked  
16 a lot in this design phase and I think it is  
17 important that all interests be represented.  
18 Now the one that we have had processors on it,  
19 had fishermen, had vessel owners on it. It  
20 had some association members on it. It had  
21 one environmental rep on it and one community  
22 rep. It did have no one from a crew and I

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1 think you can sort of see that in the design.

2 And so I think that it is really  
3 important to set these things up to make sure  
4 that you have a good representative. You also  
5 had primarily owners who had, well I guess it  
6 is not quite true for the whiting fishery, but  
7 for the bottom trawl fishery they were larger  
8 owners closer to retirement than early in  
9 their career.

10 I think that another important lesson  
11 is don't wait to the end to plan an effective  
12 monitoring and tracking system. As I said,  
13 you kind of need the basic structure. And the  
14 council was very clear, they wanted 100  
15 percent observer covering for at least four  
16 years now, three or four years.

17 And I think it is very important to  
18 develop cost estimates and tradeoffs in the  
19 way you are going to design this early on  
20 because I think some of the decisions that you  
21 might make would be influenced on that, you  
22 know, in some of the design elements.

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1           And also engage the stakeholders in  
2 the design because if the responsibility to  
3 fund lies with the industry or partially with  
4 the industry, then it is important that they  
5 be included in design.

6           You know, if you are going to, you  
7 have to feel like if you are going to have to  
8 pay for something that it is an efficient  
9 system.

10           You know, the fishermen actually did  
11 not have a lot of resistance. They saw that I  
12 need that observer to also show that I am  
13 doing better and so that I can access more of  
14 the healthy stock quota.

15           And I think you have to look at the  
16 holistic view of the system. You know, if you  
17 are like under traditional management, there  
18 is a 20 to 30 percent coverage of observers  
19 now. If you just take the same kind of system  
20 and up it to 100 or do you need to kind of  
21 look at how it is done and then add on shore  
22 side observers and then the states have

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1 samplers. And does everything just sort of  
2 ramp up or do you look at how you want to  
3 integrate it in a better way?

4 As I think I alluded to before, I  
5 think you need to provide the financial and  
6 human resources throughout the development  
7 process and I was pleased to see in the catch  
8 share policy the recognition there can be a  
9 transition phase.

10 As I said this fishery is pretty  
11 depressed economically in the case of the non-  
12 whiting and it is going to a lot for someone  
13 to -- it is not going to happen overnight to  
14 realize some of the benefits of the program.

15 And also it has been said before  
16 here, I think you have to understand the  
17 program won't be perfect. Is it moving in the  
18 right direction? Is it better than what we  
19 have now? And also expect to be making  
20 changes to improve it. As I said, we hadn't  
21 even gotten it submitted before we were making  
22 the first change.

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1           So now I was thinking through well  
2 what if we had a catch share policy here? How  
3 could it have helped the West Coast design?  
4 So one of the things that is in the catch  
5 share policy is talking about resolving  
6 outstanding questions of application of MSA  
7 requirements. It would be helpful to us, and  
8 I think we would be further along on some of  
9 the design of this, of the AMP and CFA type  
10 things if we had some guidance on the  
11 community provisions and how they might be  
12 applicable in this design.

13           Also, the processor allocation, the  
14 processor shares based on profits and history,  
15 I think this is a very difficult issue and it  
16 is going to be different for different  
17 fisheries but some guidance on criteria to be  
18 looked at and when it is not appropriate could  
19 be helpful.

20           And then I think it is should be  
21 really clear what exactly is under the  
22 umbrella, the three percent cap on cost

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1 recovery. The other part of the buyers  
2 remorse right now quite frankly is that  
3 fishermen said, and there was no real sense of  
4 urgency to go through and do this design of  
5 the most effective program for the monitoring  
6 because people say, "Oh well, I am capped at  
7 three percent. I know what I will have to pay  
8 for this." But that is not really how it is  
9 designed. Ultimately the fishermen are  
10 responsible for the whole direct cost of the  
11 observer and then on top of that three percent  
12 for the administration. And that is a lot  
13 different bill.

14 And again I think it also comes back  
15 the need to have that conversation early in  
16 the game. Look at ways you can make this.  
17 How can fishermen share observers? How are  
18 they going to make it on their own? But it is  
19 hard to do that in the final hour.

20 I think that some of the guidance in  
21 the policy and the support to look at some  
22 enforcement protocol, it is important again to

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1 look at the relationship efficiencies. You  
2 know, we have three states that have  
3 enforcement responsibilities and personnel and  
4 we have federal enforcement folks. And we are  
5 now going to have a full shore side monitoring  
6 and full observers.

7 And so the question becomes do you  
8 actually need more? Do you need more  
9 enforcement officers or do you actually need  
10 less? But in the budgets that have been  
11 submitted from the states and others, it is  
12 more and I don't know that that is what is  
13 really needed. And I think that needs to be  
14 talked about earlier rather than later.

15 Some of the other things, in looking  
16 at the catch shares, is providing the  
17 expertise and the related support in the  
18 system development. I think that could have  
19 been helpful to us. We actually heard a lot.

20 People brought people down from D.C. to talk  
21 about their program. But what we heard less  
22 about and got less of the ability to learn

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1 from or other U.S. programs which we are doing  
2 like in Alaska in some of these pieces.

3 And I think that having this policy  
4 and having a sort of way to organize this and  
5 have it available would be good. Because this  
6 has been an -- I am not blaming anyone about  
7 this, it has been an incredibly intensive  
8 process. Everyone in the region has been  
9 really busy trying to like get these regs, get  
10 all of the pieces together and all of that but  
11 they hadn't had the opportunity. I talked to  
12 people in Alaska to say well no one has called  
13 me to ask me how we have done here. And no  
14 one is down here. We keep waiting for these  
15 calls and they are not happening.

16 And I don't think it is -- I think it  
17 is just like involvement in that case. You  
18 know, I could use some help but I just take  
19 longer to ask the questions and hunker down to  
20 get the job that I have to have it done  
21 yesterday. And so I think this could really  
22 facilitate a better design process if we

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1 actually did this.

2 The other, I guess, closing remark I  
3 would make is this is a huge change to make of  
4 these kinds of management. And you know,  
5 everyone recognizes a huge change for  
6 industry. It is a new way of doing business.

7 You have to look at ways of reducing your  
8 cost and how you can get the most value per  
9 pound so you can maximize your profits in that  
10 way but I would also maintain there is a huge  
11 change in the culture for management and that  
12 we need to give that as much thought too in  
13 terms of how can we make things efficient.

14 One of the things I did not see in  
15 this was are there maybe some of the  
16 responsibilities for monitoring that could be  
17 made more efficient if they were outsourced  
18 privately? And I think that reaction is well  
19 no way. You know, how can we maintain the  
20 confidentiality? How can we do these things?

21 Well I submit that that is part of what co-  
22 ops do. They kind of privatized a lot of

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1 that.

2 And I think that even if it is an IFQ  
3 program, that there ways of gaining some of  
4 these efficiencies that we need to explore and  
5 think about in a little bit of different way.

6 So that is all I have to say.

7 DR. HOLLIDAY: Thank you, Dorothy.  
8 So one of the benefits of holding on to the  
9 gavel when Tom is not here is I get to make  
10 decisions.

11 So in the interest of time, we are  
12 going to hold questions for Dorothy's  
13 presentation to take advantage of Bruce's time  
14 here. Because of prior commitments, Bruce is  
15 not going to be able to be with us for follow-  
16 up tomorrow, whereas Dorothy will be.

17 So I would like to reserve the  
18 balance of the time for Bruce's presentation  
19 and questions to him. Thank you. But you do  
20 have to speak up loudly, please.

21 MR. TURRIS: Well, I am going to go  
22 through very quickly. I have been involved

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1 with catch share fisheries for the better part  
2 of 25 years and I have been involved with the  
3 implementation and design and evaluation of  
4 every catch share fishery in British Columbia,  
5 which includes a half dozen groundfish  
6 fisheries, herring, a number of shellfish  
7 fisheries and now some salmon fisheries as  
8 well and they are all different.

9 I am just going to talk about  
10 groundfish because I think it is relevant and  
11 all of the messages are there. You have six  
12 groundfish fisheries which are limited entry;  
13 black cod, halibut, trawl, rockfish by hook  
14 and line, and then dogfish and lingcod by hook  
15 and line.

16 They all have gone to catch shares  
17 now at different times, starting in 1990 all  
18 the way through 2006. And since then we have  
19 actually integrated them all into one overall  
20 catch share program. So the evolution has  
21 been for a 20 year plus period and you know,  
22 we have learned a lot and a lot has changed.

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1           It is very dynamic so don't think  
2           that the starting point will be anything close  
3           to what it may end at. And even though we  
4           have integrated them all, I know that ten  
5           years from now it will be a lot different than  
6           they are today and in some major ways, too,  
7           not just in some minor changes.

8           So I am just going to go through a  
9           series of questions that would probably be  
10          asked about our experiences and hopefully that  
11          answers some of the questions and it relates  
12          to some of the policy that you are working on.

13          Why did we go to catch shares? It is  
14          both. You heard the arguments that they are  
15          all economic. We had a lot of conservation  
16          issues. Even where we didn't have TAC  
17          overages, we had a lot of conservation  
18          concerns.

19          There was a halibut fishery. We had  
20          some small overages of the TAC. That was  
21          based on landed catch only. We have no idea  
22          of discards. We have no idea of bycatch and

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1 other fishery. And even within that halibut  
2 fishery which was licensed to only catch  
3 halibut, they were throwing away rockfish in  
4 greater quantities than they were retaining  
5 halibut.

6 So we had overall biological concerns  
7 about multiple species. One of the misnomers  
8 and misunderstandings about fisheries that  
9 people think or that the halibut fishery or  
10 sablefish or rockcod or whatever fisheries,  
11 that is what you catch. Well for those who  
12 fish, the reality is there are very, very few  
13 fisheries that are clean. Very few.

14 Even a geoduck fishery, which is a  
15 dive fishery are bringing up horse-clams and  
16 other species of clams when they are pulling  
17 up geoduck in a very selective way.

18 So for any gear that -- you put it  
19 down, you are bringing up a lot of species.  
20 Clearly, you have to be concerned about all of  
21 those species. So even though there may not  
22 be direct overages for the species that went

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1 to IQ, there was considerable concern about  
2 unknown catch in other species. But we also  
3 did it all for economic reasons as well.

4 And I am going to throw in something  
5 that hasn't been mentioned, that safety for  
6 all of the fishermen, safety was more  
7 important than the economic or the  
8 sustainability reasons when we first went into  
9 the programs. Some of that has changed but  
10 certainly it was front and center in our  
11 discussions.

12 Are catch share is the best way to  
13 manage. And I am going to tell you that is a  
14 poor question. That wouldn't be an accurate  
15 statement of how you manage your fishery. We  
16 use catch shares as a tool with a whole host  
17 of other tools, which include at-sea  
18 monitoring, dockside monitoring, which are not  
19 catch share elements that can be part of an  
20 overall program but they are there regardless.

21 I mean we needed dockside monitoring.  
22 We had dockside monitoring and 100 percent

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1 at-sea monitoring in our trawl fishery before  
2 we had catch shares. And that is because even  
3 with limited entry and input controls like  
4 trip limits, we were discarding fish, we  
5 weren't accounting for those discards. People  
6 were misreporting catch by area, by species to  
7 get around limits.

8 So the accountability of the catch is  
9 not a catch share per se issue. It is a  
10 fisheries management issue. So we have to  
11 look at all these tools. We still use gear  
12 restrictions. We still use area restrictions.  
13 We have catch limits on non-TAC species  
14 within a catch share program. So it is just  
15 something we may want to look at in your  
16 policy. Because when I read the policy, and I  
17 thought it was really good, by the way, but  
18 when I read it, you get the impression that  
19 you know you talked about catch share being  
20 the tool. And it is really just one of many.

21 I dare say that our catch share  
22 programs, which I think are pretty effective,

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1 wouldn't be nearly as effective without the  
2 monitoring tools but those aren't necessarily  
3 catch share issues.

4 Are the programs all the same? The  
5 answer is no. Every program has been designed  
6 about a fishery, a specific fishery and those  
7 social, those cultural, those economic and  
8 biological issues that are pertinent to that  
9 fishery.

10 I have been involved with I think a  
11 dozen, the design of a dozen programs. There  
12 are some similarities but there is always  
13 little tweaking and nuances which are specific  
14 to a fishery that make it work. One, to get  
15 everybody on side, the majority of people on  
16 side to support the program. And two, just  
17 because of the nature of that fishery, the  
18 economics of that fishery, the species, the  
19 biological aspects of that. Some are close  
20 TACs some are broken up into various stocks  
21 throughout the coast and you have to manage it  
22 and design your program accordingly.

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1           Do they work for multi-species  
2 fisheries? I heard that asked. You know, the  
3 academics told you, sorry Lee, that catch  
4 shares were best for single-species fisheries.

5           I am going to tell you today they work for  
6 single species fisheries but the greatest  
7 power in a catch share program is in a multi-  
8 species fishery, without a doubt.

9           The ability to deal with bycatch  
10 issues, the flexibility to change programs  
11 around multi-species and ecosystem management  
12 is, I don't know how you could achieve it any  
13 other way efficiently without top down  
14 generalistic management rules without a catch  
15 share program.

16           It is not necessarily the only type  
17 of management, I stress that again, but for  
18 multi-species fisheries, it can be very  
19 effective.

20           Pilot programs, we did both. We have  
21 pilot programs and we have something that went  
22 permanent right away. Irrespective, when you

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1 went to a catch share program, I think the  
2 government's belief and the industry's  
3 attitude was we weren't going back. It wasn't  
4 perfect but you weren't going to go back to an  
5 effort-control program and that was never the  
6 thought process.

7 So I would say we did think about it.

8 We talked about it. We talked about sunsets.

9 We talked about five year programs that could  
10 be completely reviewed or changed after that.

11 And generally the belief was that it wouldn't  
12 be effective for the proper management of the  
13 fishery even during that period of time. On  
14 the sunset clause, it wasn't just Lee's point  
15 about you only invest in gear and vessels, et  
16 cetera for a fixed period of time, during the  
17 end of that sunset, who cares about the  
18 resource? You know, who cares about the  
19 market? Who cares about doing what is best  
20 for the fishery long-term? Because I have got  
21 to get the most out of that fishery in the  
22 next year or two years because I may not have

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1 it after that or it may change completely. It  
2 may be allocated somewhere else.

3 So stability and security isn't only  
4 important for the economics but also in terms  
5 of the incentive structure that you are trying  
6 to create in a fishery, which is by far the  
7 largest change that you will see when you go  
8 to a catch share. It is the incentive  
9 structure for the fishermen and the  
10 participants in the fishery to change it in a  
11 way that is consistent with the government  
12 regulators. So I am not saying it is  
13 perfectly aligned but is far more inline than  
14 it ever was before.

15 So fishermen now, because it is an  
16 asset, they view it as an asset, even though  
17 it is not real property, it is quasi property,  
18 it has proprietary properties to it, treat it  
19 in a way that they say I want that asset to  
20 grow a value. And the way to do it is to  
21 market it better, fish it cheaper, find good  
22 market, but also to make sure that the quota

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1 value increases over time to help with the  
2 resource. And if the stock is going down,  
3 well my quota is going to be plummeting as  
4 well, not just in terms of the number of  
5 pounds, but in terms of the price per pound.  
6 So they have an incentive to invest in  
7 science, invest in monitoring, to work  
8 cooperatively with each other, as well as with  
9 government to make the fishery better. And  
10 that is being the most obvious chains that we  
11 have seen in the last 20 years.

12 Are the stocks rebuilt after a  
13 worldwide depletion? This is a really tough  
14 question. I am going to tell you that while I  
15 think there are a lot of things that happen  
16 from our catch share programs which improve  
17 their science, improve their ability to stay  
18 within TACs, account for all mortality, not  
19 just landed catch, I can't tell you that that  
20 is the sole reason why stocks will go up or in  
21 some cases stocks have gone down.

22 Because when we are talking mostly

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1 with long-lived species that live anywhere  
2 from 30 to 130 years, you know, it could take  
3 50 years before you see whether or not a stock  
4 is improving or not because of a better  
5 management.

6 The point being is that I think we  
7 agree we are making decisions that will  
8 improve the overall stock management but there  
9 are other dynamics which aren't controlled by  
10 the fishery, whether they be environmental or  
11 other influences on the environment, human  
12 influences that will also affect that.  
13 Certainly things that we are doing will give  
14 us more confidence that we are going in the  
15 right direction.

16 We have allocated the stock through  
17 catch shares in multiple ways. Generally we  
18 have used some form of historical performance.

19 We have combined that with other things like  
20 vessel size so that even if you had no history  
21 in the fishery, everybody gets some allocation  
22 because they have a vessel. They get an

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1 allocation associated with that. But  
2 generally there has been history.

3 We do have a rockfish hook and line  
4 rockfish fishery allocated strictly by equal  
5 shares. So everybody just got an equal  
6 portion. It is all based on a percentage of  
7 the TAC. But the point again here is that  
8 each one was specific to that fishery.

9 Even where they both used catch share  
10 history and vessel length, the years might be  
11 different than they used as we felt to be the  
12 best years for that fishery.

13 Now we also, the issue of allocation  
14 should also cover other users, recreational,  
15 first nations, communities perhaps. We  
16 haven't allocated anything to communities in  
17 our program per se directly. We have  
18 indirectly.

19 The allocations with the recreational  
20 sector, we only have one allocation and that  
21 is with halibut. The recreational halibut  
22 sector gets 12 percent. We do have

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1 arrangements for fish to trade, move between  
2 the commercial and recreational sector, based  
3 on whether the commercial sector overharvests  
4 in a year. Essentially, they have to lease  
5 fish under the recreational sector and vice-  
6 versa.

7 So the recreational sector, which has  
8 been happening lately, goes over their  
9 allocation and I don't see it turning around  
10 anytime soon, they actually, they go into the  
11 commercial market as a sector, not  
12 individually, as a sector, and they leased  
13 commercial halibut over the commercial sector  
14 on a temporary basis.

15 Now I am not going to say that the  
16 recreational sector likes that. Something  
17 that hasn't been mentioned here today is that  
18 they don't like it. Philosophically, the  
19 recreational sector was generally opposed to  
20 catch shares. And that is because it limits,  
21 catch shares leads, in the commercial sector,  
22 leads to the allocation between recreational

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1 and commercial, which will cap recreational  
2 growth, which is generally opposed by  
3 recreational users in British Columbia because  
4 they believe that they should have a priority  
5 access over the commercial sector, which they  
6 don't at this point in time. At least not  
7 explicitly. Some had already been made  
8 implicitly because essentially recreational  
9 catch comes off the top before the commercial  
10 TAC is set.

11 How much rationalization has there  
12 been? Lots. But it was one of the objectives  
13 of the program. We have far too many vessels  
14 in all of our groundfish fisheries. The  
15 rationalization has been at least 50 percent  
16 in all of the fisheries and in some it has  
17 been greater.

18 So in rockfish, a rockfish hook and  
19 line fishery, it has probably been about 90  
20 percent. But that again was by design. We  
21 have had, as I mentioned to you, we have  
22 integrated all of our groundfish so that

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1 everybody is accountable for every pound of  
2 fish that they catch.

3 So a halibut boat which initially  
4 just had halibut IQ and only had to be  
5 accountable for halibut under a catch share  
6 program, now he is accountable for his  
7 rockfish bycatch. So he may not have rockfish  
8 quota but he has to account for every pound of  
9 rockfish he catches. In fact 100 percent  
10 mortality. So he has to account for every  
11 penny, even if he discards it. He has to go  
12 to a rockfish quota holder and find quota to  
13 cover.

14 So if I go out on a trip and catch a  
15 thousand pounds of halibut and I catch 500  
16 pounds of yelloweye rockfish, I have got to go  
17 find 500 pounds of yelloweye rockfish. I can  
18 find it before I go out or I can find it after  
19 but I still have to go and find it.

20 So they are accountable for every  
21 pound. And so in rockfish, it is the most  
22 common bycatch. So essentially what happened

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1 is that the directed rockfish fishery, a lot  
2 of the TAC got used up for bycatch. And the  
3 directed rockfish, and this again, we knew  
4 this was going to happen. It was part of the  
5 design of the program, it was going to  
6 decrease enormously in terms of directed  
7 fishing effort.

8 In our fishery, most of the boats are  
9 diversified. In fact, we encourage that. It  
10 makes for a much more viable operation to have  
11 your investment in multiple licenses. So all  
12 the boats that have a rockfish license, a  
13 halibut license and a sablefish license. Some  
14 might have a lingcod license. There is a lot  
15 of combinations. So a boat that had a  
16 rockfish license while using their rockfish  
17 quota as bycatch in their halibut or their  
18 black codfish.

19 And we did have in some of the other  
20 fisheries like lingcod and rockfish we had  
21 about 60 or 70 percent rationalization. Some  
22 of it, you know, it was just strictly because

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1 of the added costs associated with fishing.  
2 We went with, in the trawl fishery, we have  
3 100 percent observer program. In the hook and  
4 line or trap fishery, it is 100 percent at-sea  
5 monitoring by camera, electronic monitoring,  
6 which is about a quarter to a third of the  
7 cost of an observer but it is still expensive  
8 and probably costing about \$150, \$100 to \$150  
9 a day, when you include all of the costs  
10 associated with looking at the video and  
11 checking the logbooks and getting a report on  
12 the data.

13 So some of the smallest vessels with  
14 the smallest allocations weren't viable. So  
15 they sold out or transferred their fish off to  
16 more viable operations.

17 What happened to those that exited  
18 the fishery? Well some of them left the  
19 fishery all together. Some of them have  
20 again, I said a lot of multi-licensed boats.  
21 So some of them are just, they are spending  
22 more time, so they spend more time halibut

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1 fishing now and less time rockfish fishing.  
2 Some of them are involved with salmon and  
3 herring. Those fisheries aren't doing very  
4 well. And we have had a very strong economy  
5 in British Columbia for the last 15 years. So  
6 a lot of them actually went into other  
7 sectors, mostly the construction industries.

8 We don't consider IQs property,  
9 although legally for the cases of bankruptcy  
10 and insolvency and divorce, the courts will  
11 consider them as property, actually personal  
12 property security added in registries. So it  
13 is a gray area. I mean, it is clearly not  
14 property in terms of private property but it  
15 can be considered property in -- I don't know  
16 the legal term, but for other purposes.

17 Now our job, you know, in British  
18 Columbia, we need to do what we had talked  
19 about earlier, to try to find ways to create  
20 the same qualities as property without  
21 creating property. So, we do allow for  
22 transferability.

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1           Do you need to have transferability  
2           in your objectives? I described a program for  
3           you about how we did with bycatch. And  
4           everybody has to be accountable for every  
5           pound of fish they catch. Well try to imagine  
6           doing that without transferability. It is  
7           probably not possible. Nobody is going to be  
8           perfect in knowing I got the buy or the  
9           allocated. We have got about 61 different  
10          species or stocks of quota. So no, the answer  
11          is we don't allocate it that way. We actually  
12          say we trade fish.

13                 In fact our allocation formula is  
14                 reflective of that. For the trawl fishery,  
15                 rather than figure out an allocation parameter  
16                 that was based on history and gave everybody  
17                 their historical performance for a species, we  
18                 just grouped all of their catch together under  
19                 what we call groundfish equivalents, converted  
20                 it based on just like currency, and then  
21                 everybody's total catch history based on  
22                 equivalencies was determined and their

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1 percentage of the total of all catch histories  
2 gave them their percentage. And then we gave  
3 them that percentage of every one of the 61  
4 stocks, even though I may have not have fished  
5 40 of those. I may have only harvested a  
6 small -- I got a percentage of all 61 and the  
7 government said, you guys will figure it out.

8 Trade it. Because why try to give them their  
9 allocations the way they were before, when  
10 they are going to change their business  
11 operations anyways?

12 In fact, everybody knew they were  
13 going to change because had a trip limit  
14 program that forced people to go and fish all  
15 over the coast under trip limits. Whereas  
16 now, some are going to want to regionalize by  
17 area or specialize by species or depth.

18 So they were going to change anyways.

19 So we just gave them complete flexibility,  
20 gave them portions of everything and they  
21 traded the fish around. Now it took about a  
22 year or two but it was extremely efficient and

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1 it allowed for different business plans.

2 Some people made permanent trades and  
3 said I am just going to stay up north. That  
4 is where I am going to fish. So I traded all  
5 of my southern and central coast quota off to  
6 guys who wanted to fish there and gave me  
7 their northern quota. Some said well I am  
8 just going to stay diversified and every year  
9 I am going to adjust my fishing plan and based  
10 on the market. And based on my other fishing  
11 opportunities for other fisheries, I will make  
12 my plans accordingly or based on what the  
13 market is doing on those species.

14 So, there have been a whole host of  
15 approaches that have come out of it.

16 We have both permanent and temporary  
17 transfers. Not for every fishery but we do  
18 like in our halibut and sablefish and trawl  
19 fisheries, you can do permanent transfers as  
20 well as temporary transfers. And some of our  
21 others newer, there are still only temporary  
22 transfers but I expect that they will be

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1 allowed to do permanent transfers in the very  
2 near future as well.

3 I think they are both good and they  
4 are both important in our quota because as I  
5 said, you know, sometimes you just need a  
6 little bit of fish to cover an overage for  
7 species that you don't usually catch. So you  
8 don't want to have to go permanently buy fish  
9 that you may not need this year. You can get  
10 a temporary transfer.

11 Others, permanent transfers are good  
12 because you might make a decision that I am  
13 going to invest in this type of fishing over  
14 the long period of time and I am going to buy  
15 a boat or upgrade my vessel or change my view  
16 accordingly and get involved with the  
17 processing and distribution. And I want to  
18 make that a long-term investment in security  
19 of supply.

20 Both are important aspects in our  
21 programs and they are both totally utilized.  
22 For example, in the last three years, we did

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1 about 7500 trades a year within our groundfish  
2 fishery and that is both permanent and  
3 transfer. By far, the majority of those are  
4 temporary transfers but there are say probably  
5 90 percent are temporary transfers.

6 Now we have tried only allowing  
7 permit transfers but all that did was create a  
8 lot of paperwork for everybody and a lot of  
9 work for lawyers. Because as people have said  
10 earlier, all they just do is what we call  
11 trust agreements, where they lease it and they  
12 make it look like a permanent transfer but at  
13 the end of the year we get permanent transfer  
14 papers to move it back to the same boat. And  
15 the government gave up trying to stop it and  
16 allowed them to do temporary transfers.

17 Now some people were asking can one  
18 person own all the ITQ? It depends on the  
19 fishery. In sablefish, yes. Somebody could  
20 buy up all the ITQ if they wanted to. It has  
21 never happened. In fact, we have less  
22 concentration now than we had prior to our

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1 catch share. But in sablefish, you could have  
2 bought all of the sablefish licenses for about  
3 ten million dollars. Today, you can buy all  
4 of the sablefish quota and it will cost you a  
5 couple hundred million. So we haven't seen it  
6 towards consolidation to a very few hands but  
7 it is possible in sablefish.

8 In some of the other ones, in most of  
9 the other ones, there are caps. In groundfish  
10 trawl, we have species caps and we have total  
11 vessel holdings caps. So you can only hold so  
12 much of a certain species and quota, whether  
13 it be permanent or temporary. And a vessel  
14 can have only so many groundfish equivalents  
15 on it and maximum at any one time. So that  
16 limits the amount of concentration.

17 We also require quota holders and  
18 license holders to be Canadian citizens or  
19 legal immigrants or Canadian corporations. I  
20 am not going to sit here and pass the red face  
21 test and say anything to guarantee that there  
22 is no foreign ownership because again, there

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1 is just agreements that go on, many of which  
2 that I am aware of that we keep some form of  
3 ownership.

4 How do new entrants get in? Not very  
5 easily. And this is a problem. I am not  
6 saying it is a fault. It is just a problem  
7 with public resources. And can you just try  
8 to imagine a housing market and if a new young  
9 family couldn't use the house they were buying  
10 as collateral to borrow money from the bank?  
11 How many young people would buy houses? Not  
12 many. Well that is exactly the situation we  
13 have in our fishery, at least, where you can't  
14 collateralize the quota or licenses. The bank  
15 won't borrow against it. It won't lend  
16 against it because it can't register any of it  
17 in your name.

18 So essentially what you see is you  
19 just see a lot of families, you know,  
20 essentially self-funding or processors funding  
21 new entrants. But you don't see a lot of new  
22 entrants. So this is something we are trying

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1 to change. We are trying to get the  
2 government, we are making progress actually,  
3 in getting the government to create a process  
4 that won't be a registry but it will allow  
5 potentially banks or financial institutions or  
6 lenders to register an interest in a license  
7 and quota. That will essentially, the way it  
8 will work is that the government won't do a  
9 transfer of that license or quota without the  
10 consent or the acknowledgment, there are legal  
11 issues here, the acknowledgment of a financial  
12 institution of that transfer. So it gives  
13 them some hold over the movement of quota and  
14 licenses.

15 But it is a real problem and one that  
16 we can -- I know you have these programs you  
17 provide bridge funding or loan guarantees.  
18 And that may be helping to an extent but I  
19 think the more you can make it available,  
20 financing available, the more access you will  
21 have and the more new entrants you will have.

22 I do personally believe from our

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1 experience is that you are not going to get  
2 new entrants in speculators. We haven't seen  
3 that at all. And the reason you don't see  
4 that is that fishing is not, I mean most  
5 fishing, there are fisheries but most fishing  
6 is very, very labor intensive and the people  
7 who have knowledge in how to do it are going  
8 to do better from it. And they are going to  
9 make more money from it. Plus, the best way  
10 to make money is to pull out a boat share, a  
11 crew share, a crew skipper share if you can,  
12 as well as the return on investment that you  
13 can get from owning it.

14 So, I mean, our belief is that new  
15 entrants would be mostly new fishermen or crew  
16 members.

17 We don't have an owner-operator  
18 clause. We have discussed it. There are many  
19 people who would like to see it, mostly to  
20 keep the lease rates down as incentive to the  
21 argument about keeping price and quota down.  
22 But we don't have a clause like that mostly

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1 because we don't think we can enforce it. The  
2 government has to be able to enforce it.  
3 There are too many ways to get around it.  
4 There are too many hardship cases that we  
5 would have to deal with all the time in  
6 response to it.

7 We didn't allocate to processors or  
8 communities directly in our groundfish trawl  
9 fishery. We actually set aside ten percent of  
10 the TACs which are allocated out as community  
11 development quotas. And the way it works is  
12 that processors have to come to a board with  
13 joint proposals from fishermen to access this  
14 ten percent of the TAC.

15 Essentially what it does is it allows  
16 processors to use the community development  
17 quota to leverage the other 90 percent of the  
18 quota that we fishermen have. So it is kind  
19 of a balancing of power program that we have.

20 And by the way, it has been very  
21 effective. What it has done is it has capped  
22 the processing facilities that were

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1 established in the coastal communities, capped  
2 the fish there and kept them very viable.

3 We have actually seen through catch  
4 share programs fish move out of the urban  
5 centers and into the coastal communities.  
6 That has been our experience and that is  
7 because we have gone from a frozen to a fresh  
8 product and from long trips to short trips.  
9 And delivering closer to the ground is a more  
10 viable operation, especially when the price of  
11 fuel keeps going up.

12 DR. HOLLIDAY: Bruce, I hate to  
13 interrupt you but we are going to have wrap up  
14 our session for this afternoon. So if there  
15 are some closing thoughts that you would like  
16 to leave us with, that would be terrific.

17 MR. TURRIS: Okay, I will do that.

18 And well I would just say I often get  
19 asked, did we get it right. And the answer  
20 is, no. We never expected to get it right.  
21 What we expected and what we were trying to do  
22 is make progress.

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1           We don't believe that we are looking  
2           for the optimal program because we will spend  
3           our whole lives trying to find it and we will  
4           never make any changes. So we have made, what  
5           we believe over the last 20 years is a lot of  
6           very small iterative steps starting with one  
7           fishery and extending to more fisheries,  
8           starting with dockside monitoring and  
9           extending to 100 percent monitoring dockside  
10          and partial monitoring at-sea to 100 percent  
11          monitoring at sea. We didn't go for  
12          everything at once but starting with the  
13          single species programs and evolving to multi-  
14          species programs.

15                 The point is, you know, we have just  
16          taken small steps that always in what we think  
17          is a direction that is answering the main  
18          objectives which are better stock management  
19          and sustainability and economic viability with  
20          minimal disruption to our participants.

21                 Sorry for going so long.

22                 DR. HOLLIDAY: No, I think it has

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1 been very helpful to hear your perspectives.  
2 I appreciate it very much.

3 Martin, did you have a question?

4 Okay so we have to get on the bus  
5 about 5:30 and a lot of people need to go to  
6 their rooms first. So I am willing to go to  
7 5:15 but if you need to get out of here to go  
8 to your room right now, I can understand.

9 But Bruce's time is limited so I will  
10 take two or three questions for Bruce before  
11 we have to. So Martin, Tony, and Heather.

12 Quick short answers, quick short  
13 responses.

14 MR. FISHER: I was going to ask do you  
15 guys have a carryover? And in the Gulf, we  
16 keep hearing from Agency that it creates a  
17 biological deficit to do that. And I keep  
18 arguing that point.

19 Could you talk to that for second,  
20 how that is biologically viable?

21 MR. TURRIS: Yes, we allow for  
22 carryover. For most of our groundfish it is

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1 30 percent over or under. So you can under  
2 harvest by 30 percent and add the quantity to  
3 your next year's allocation of over harvest  
4 and take it off of next week's.

5 And you know, it is a long-lived  
6 species so we don't see a biological problem  
7 with the exception that if you see a stock  
8 that is in a steady downward turn, the  
9 government has suspended the carryover --

10 MR. FISHER: So there is flexibility.

11 MR. TURRIS: -- during that period of  
12 time. Yes.

13 MR. FISHER: Thank you.

14 DR. HOLLIDAY: Thanks, Martin. Tony?

15 DR. CHATWIN: So Bruce thanks. This  
16 was great. Just when you were talking about  
17 recreational, the relationship with the  
18 recreational sector, you said, my recollection  
19 of what you said was that the recreational  
20 sector does not like the catch shares because  
21 of the perception that it can, or something  
22 like perception. You didn't say because it

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1 limits growth, because of the perception it  
2 can limit growth of the sector.

3 So my question is, are there any  
4 studies of the actual impact on the growth of  
5 the sector?

6 MR. TURRIS: The impact on the growth  
7 of the recreational sector from growth shares?

8 DR. CHATWIN: Yes.

9 MR. TURRIS: You paraphrased me  
10 correctly.

11 DR. CHATWIN: Oh okay, yes. So I  
12 picked up on that. Well you know, if there is  
13 something that we could learn from that,  
14 because information is really helpful. So if  
15 you have gone through that and it is a  
16 perception. But if somebody had studied it to  
17 document, you know, if there was actually a  
18 limit on growth on the sector, that would be  
19 interesting.

20 MR. TURRIS: Well, really the halibut  
21 sector, given that the allocation came in  
22 2003, the first three years they were actually

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1 under their allocation or getting close to it.

2 And the last four years they have been over  
3 it.

4 You could argue that it has limited  
5 the growth of the halibut recreational catch.

6 I can't say that that would -- clearly,  
7 sometimes there are poor salmon seasons where  
8 they are doing more halibut but overall I  
9 can't say that it is limiting.

10 DR. HOLLIDAY: Okay, so Heather can  
11 buy a last question.

12 MS. McCARTY: Yes, two really short  
13 ones. Do you have any cooperative style  
14 management in any of these fisheries?

15 MR. TURRIS: One with a processor.

16 MS. McCARTY: Is it managed by a co-  
17 op? A co-op of transfers and --

18 MR. TURRIS: No.

19 MS. McCARTY: No? There is no co-op  
20 management at all?

21 MR. TURRIS: No.

22 MS. McCARTY: And the second

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1 question, the trawl program that sets its  
2 limit as ten percent, who do they apply to and  
3 how does that work? That might be too long a  
4 question.

5 MR. TURRIS: Well quickly, we have  
6 set up a groundfish development authority  
7 which is a community and a fishermen's union.  
8 And they are the board that makes  
9 recommendations to the minister on how to  
10 allocate that ten percent. So these proposals  
11 from processors and fishermen come to that  
12 board and then they get rated. And  
13 recommendations based on those ratings go to  
14 the minister on how much of that they should  
15 be allocating.

16 DR. HOLLIDAY: So I would like to  
17 thank all four speakers for the time they have  
18 given us this afternoon. So Lee, and Earl,  
19 and Dorothy are staying overnight. They will  
20 be around tomorrow. Bruce has to leave this  
21 evening, I believe. So catch him at the  
22 reception.

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1           And we are adjourned until the bus  
2 ride or tomorrow morning, as the case may be.

3       We will be back in this room at 8:30 tomorrow  
4 starting up.

5           (Whereupon, the above-entitled matter  
6 went off the record at 5:13 p.m.)

7

8

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