

Salmon Bycatch Workgroup meeting minutes

The NPFMC Salmon Bycatch Workgroup convened at 10am on January 20th, 2009 at the Hilton Hotel in Anchorage, AK.

Members of the workgroup were the following:

Eric Olson, co-chair
Stephanie Madsen, co-chair
Becca Robbins Gisclair
Karl Haflinger
John Gruver
Robin Samuelson (for Paul Peyton)
Art Nelson (for Michael Smith)

Staff: Diana Stram (NPFMC)

Committee members absent: Vince Webster, Jennifer Hooper

State and Agency staff and members of the public in attendance included the following: Chris Oliver (NPFMC), David Witherell (NPFMC), Gretchen Harrington (NMFS), David Bedford (ADF&G), Stefanie Moreland (ADF&G), Herman Savikko(ADF&G), Brad Robbins (ADF&G), John Henderschedt (NPFMC), Joe Plesha (Trident), Alan Haynie (NOAA AFSC), Donna Parker, Don Rivard (USFWS/OSM), Mike Hyde, Brent Paine (UCB), Dorothy Lowman, Simon Kineen(NSEDC), Glen Reed (PSPA), Paul Peyton, Dani Evenson (ADF&G) Mary Mcdowell (PSPA), Jim Ianelli (NOAA AFSC), Ed Richardson (APA), Karen Gillis , Mark Fina (NPFMC), Anne Vanderhoeven (BBEDC), Jan Jacobs (American Seafoods), Dan Bergstrom (ADF&G) Phone: Demian Schane (NOAA GC), Tim Cusack (Westward Seafoods), Kris Noross (Icicle), Larson Hunter, Pat Hardina (Icicle)

The meeting convened at 10am. The agenda for the meeting is attached. The chair noted that a presentation by Karl Haflinger would be added to the meeting agenda and that David Bedford (ADF&G) had some opening comments to make prior to the formal presentations.

David Bedford (ADF&G) provided some opening comments at the request of the commissioner. He noted that the workgroup's session is crucial in moving ahead in addressing bycatch in the Bering Sea. He noted that the State feels that the Council's PPA approach for industry-incentive programs is likely to be better suited to limit relative costs of bycatch reduction to the industry and to better assist in providing benefits to the Yukon-Kuskokwim region. He also noted that with the situation in Emmonak and other villages this issue is being discussed at Commissioner-level meetings at the governor's office, and the work here today is thus very important. He also stressed the importance of the SSC's review of these proposals in February.

Diana Stram (NPFMC) provided an overview of the Council's PPA structure. This PPA structure provides for a higher annual cap if the Council approves of proposed industry incentive-based programs for bycatch reduction. She provided a review of the schedule for Council actions on salmon at the next several meetings, noting that in February the Council (and AP/SSC) will receive presentation of these proposals as well as the report from the committee and provide comments to industry at that time. The comment period for the EIS has been extended until February 23rd, however final action on the Chinook EIS will still occur at the April 2009 Council

meeting. At that time, final presentation by industry on these proposals will be presented in conjunction with the Council's review of the Chinook EIS and prior to the Council's decision on their final preferred alternative.

Proposed incentive programs

John Gruver provided a presentation of one incentive proposal (Legacy program). He noted that some modifications have been made to the formula that was presented in December. These changes include a revised structure to the formula of credits in future years based on past behavior. This formula was reworked to ensure that if the worst performing vessel is the same 3 years in a row then it will have the least number of credits to start the 4th year. Previously poor behavior of this sort would take 7 years to achieve the least credits of all vessels. Thus the weighting was adjusted accordingly to decrease the time frame to penalize this type of behavior more rapidly.

Questions from the committee and public included the following:

- Given that this is a market-based system which only works if a cap is low enough that there is a real chance it will be hit and therefore some will need to buy credits, creating a financial incentive, how is there an incentive when the cap is unlikely to be hit in most years?
 - Answer: Any hard cap for purposes of allocation puts an onus on vessels to perform better. Some vessels will still exceed individual allocations and it is not determined to what extent these overages would be able to be resolved by transfers. Thus, individual allocations can be exceeded even in years of low encounters. Also transfers will likely occur less and less as the program moves forward as they will be costly and exert an impact on future allocations.
- How does a high cap assist the recovery in WAK streams? It is not apparent what the incentive is to minimize bycatch below this level.
 - Answer: Demonstrating to what degree future bycatch would be below the cap would be very difficult. However, bycatch rates affect individual behavior much more than an aggregate number by sector, thus allocation to the vessel level will create behavioral change and result in a lower level of overall bycatch. Competition between fishermen will motivate behavioral changes and result in lower bycatch.
- If the cap were 47,500 would there be an incentive program to stay within cap?
 - Answer: Under that circumstance the industry would likely do a year one allocation. However, the competitive aspect that motivates behavior changes would be lost under a strict allocation policy only.
- If the cap were set at 68,000 is there any type of step-down approach from this level that industry is willing to do?
 - Answer: This has not been discussed as yet. In general the belief is that everyone will generally congregate around the mean bycatch levels and that will bring overall numbers down.
- What percentage of vessels don't fish in a given year?
 - Answer: The number of vessels ranges seasonally and annually but approximately 10-12%.
- Could bad performers get credits from a non participating vessel?
 - People are more likely to lease pollock with a good performer not a bad
- What about Buy Side limitations in addition to sell side limitations?

- Answer: Buy side limits have been discussed but there is no agreement on these at present. Currently industry feels that sell side limits provide strong enough incentive in absence of buy side limits.
- Is there a limitation on transfers within cooperatives?
 - Answer: Transfer limitations exist between entities, but there has not yet been discussion of limiting it inside cooperatives. Co-ops have their own agreements that may impose these limitations however.
- Given that the incentive is to provide additional profit for boat, could an increase (or decrease) in pollock allocation be used rather than ITECs?
 - Answer: This-could occur inside a co-op but under the AFA pollock cannot be moved between cooperatives.
- If punishment is based on a vessels performance in relation to the mean, how is there an incentive to reduce bycatch as specified in the PPA versus just having similar bycatch?
 - Answer: The mean will drop over time because people will clump and change behavior.
- Is the impact different on single boat companies versus on companies with significant market shares?
 - Answer: We haven't looked at this specific issue, but the legacy program will control this aspect.

The committee discussed the importance of the use of a forecast model to predict the bycatch needs of the fleet early in season. This level of assumed bycatch will limit transfers. The lower the forecast model the higher the transfer limit rates would be. Additional information on the forecast model was requested for the next presentation of this proposal. John noted that the industry has also discussed a limit based on a tax. Here the intent would be that in lower encounter years more salmon would be saved by the stranding rule while in higher encounter years more would be saved by use of a tax.

The committee discussed the timing of finalizing details of the plan. John noted that the conceptual elements are all finalized, with only the final weighting coefficients which govern the elements to be modified prior to finalization of the plan. How this plan would be managed within a year is not yet finalized.

Karl Haflinger presented a concept for an alternate plan, noting that this does not represent a consensus plan or one that has undergone substantial vetting yet. Under this plan, bycatch performance is used to determine relative contribution to both funding a research component (with a fund equal to \$1 per metric ton of pollock) and operation under an incentive plan. The plan also includes a revised VRHS system. He noted that he is still working to devise some means addressing the need to incentivize actual crew on vessels as this aspect is currently lacking in other programs.

Questions from the committee and public included the following:

- How effective would this program be at influencing behavior?
 - Answer: Draft tables are presented on how much boats would be responsible. Fundamentally it is not known how much it will cost vessels to change their behavior. There is a need to include the rolling hot spot program in there as well, not just the economic incentive driven program. Core closure areas are necessary to keep from driving people out of the relatively dirty portions of primarily clean areas and subsequently into high bycatch areas.

- Why is the program structured to punish bad guys rather than being structured with the goal of efficiency?
 - Answer: It seems appropriate to have a program structured around amplification of penalties on worse bycatch and amplified savings for clean fishing.

Ed Richardson presented a third incentive based program (Undercatch Incentive Program (UIP)). This program is largely based on bycatch competition amongst participants. While largely based conceptually on the program described by Kochin et al (*In Prep*)¹, that program proposed a vessel-level competition while the UIP proposes a company-level program and the UIP proposes a lower assessment of \$10/metric ton of pollock instead of \$22/metric ton. The UIP also proposes a shutdown mechanism whereby when certain performance standards are met no one is required to pay out.

Questions from the committee and public included the following:

- Is there additional incentive provided by the skewness and moving past a threshold and suspending payments?
 - Answer: An example where a reduction in salmon bycatch at the sector level resulted in a suspended incentive payment was illustrated. The ultra-high bycatch incentive is designed to increase the incentive under circumstances where bycatch performance would otherwise fail to achieve the threshold designated as equivalent to ultra-high bycatch performance. The placement of the incentive is determined based on historical bycatch performance and most importantly, where circumstances are such that bycatch reduction is no longer under the control of the vessel. The objective to increase the incentive under circumstances where behavioral change at the vessel level can be expected to result in high salmon bycatch savings while avoiding circumstances where the incentive becomes simply a fine for random salmon bycatch.
- What is the proposed \$/mt?
 - Answer: For example purposes only 10\$/mt was shown. An exact number has not yet been decided. We are still working on how the various pieces fit together.
- The incentive and settlement are increased when aggregated at the company level for CP fleet as shown, would this also occur at shoreside level?
 - Answer: It is possible but to get agreement to participate it would need to be a fair competition.
- This program does not appear to meet the intent of a vessel-level incentive, how is that vessel level incentive created?
 - Answer: Vessel behavior on the grounds is company behavior on the grounds. By placing a demand for behavioral change and increased bycatch performance on the company, a derived demand for behavioral change and increased bycatch performance is created at the vessel level. That is to say, if a financial incentive is such that it creates a reduction in salmon bycatch of x-percent at the company level, then, if the number of company-owned vessels fishing does not change, average bycatch at the vessel level will decrease by x-percent. A bycatch competition at the company level may produce a more equitable competition than one at the vessel level where companies own multiple vessels.
- Are transfer rules part of this program?
 - Transfer rules or incorporation into the program has not yet been discussed.

¹ Kochin, L.A., Riley, C.C., Kujundzic, A. and J.T. Plesha. *In prep*, Analysis of an Incentive-Based Chinook Salmon Bycatch Avoidance Proposal for the Bering Sea Pollock Fishery

- Could there be a situation where PCC-wide aggregate performance makes up for bad bycatch by one company and thus no payment occurs?
 - Answer: No, that should not be possible, high bycatch by one company should result in payment by bad company
- There has been discussion in regards to this plan previously about fixing the plan to address the differential values of avoiding salmon based on market share. Has this been addressed?
 - Answer: The industry group is still debating whether to include some sort of “efficiency” measure.

Committee Discussions and recommendations:

The committee thanks all of the presenters for their presentation and the industry in general for their hard work in trying to create these programs to meet Council intent. However, given the work-in-progress status of these programs, the committee struggled to provide specific comments or recommendations. Many committee members felt that they were not prepared to comment on proposals that did not yet have all the details finalized and thus were not final. Some committee members requested that the committee convene an additional meeting prior to final action to review the final proposals.

Some specific comments by committee members on two of the programs are listed below:

Comments on Legacy program:

- Model for low or high abundance year should be provided
- Specific model for legacy plan should be provided
- Additional information should be provided on transfer rules, sell side transfers and the possible tax provision.
- Impact on single boat companies versus those with a large market share should be examined.
- Generally not enough information was provided to best understand and evaluate this program.

Comments on Undercatch Program:

- The extent to which company-level competition meets the intent of vessel-level incentives was not clear to the committee. There is an additional difficulty in reconciling the potential differential impacts on a single vessel company versus a multi vessel company.
- As with the other program additional details on the program operation, concept and specific details of the proposal need to be provided in order to evaluate this program, specifically the amount of the assessment needs to be determined.

Some committee members felt that as currently structured these proposals only protect status quo operation of the fishery and do not reduce bycatch. Other members felt that there are sufficient details as presented today to allow for some comments as well as encouragement to further develop these concepts prior to final action. Still others noted that while details as yet are insufficient to comment on specificity there are two or more programs that do appear to address the Council’s intent aspects of the PPA. Other committee members felt the opposite, indicating that the proposals do not appear to meet Council intent and at least one of them does not provide specific vessel level incentives to avoid bycatch. Overall, the Western Alaska committee members did not feel that the industry proposals, as presented, met the Council’s requirements under the PPA to reduce bycatch under any condition of pollock and salmon abundance.

Some committee members commented that the Legacy program proposal put forth many details and indicated a strong commitment to specific numbers already. Others felt that sufficient information was not provided to best evaluate either this proposal or the others. No documentation was provided in advance for review. Some committee members commented that the proposal put forward by Karl Haflinger should be developed further and seems to have the potential to include strong incentives for bycatch reduction.

Some committee members noted that these programs appear to move backwards in terms of effectiveness from a western Alaskan perspective from the presentations put forward in December. There needs to be some assurance that programs may be more effective at reducing bycatch than either program is currently indicating.

The committee discussed the fact that multiple plans are proceeding and to what extent should there be a single versus multiple plan put forward. The committee agreed that multiple plans should be pursued and put forward to the Council at the time of final action. The Council should not be limited to a single plan.

Some committee members commented that ADF&G managers should also comment on these plans and the specific needs for rebuilding in-river goals and how these plans may or may not address that. Additional comments expressed that the Council should only concern itself with establishing a hard cap number and not involve itself in how industry goes about avoiding hitting it. Another committee member expressed that the incentive programs do not appear compelling enough in their perceived effectiveness to warrant additional salmon as proposed under the PPA.

The committee discussed meeting again, noting that another meeting may or may not be beneficial. If the Council feels another meeting is necessary then the committee will schedule another review. If another review meeting is scheduled, the committee would like to have all proposals submitted in advance of the meeting for everyone's prior review. Committee members also noted that the proposals were to be reviewed by the SSC in February but that given the current status of documentation and detailed information on the proposals it appears unlikely there will be substantive review by the SSC given the lack of definitive information at this time.

The meeting adjourned at 4:00pm.

NPFMC Salmon Bycatch Workgroup meeting

January 20, 2009

Fireweed Room, Hilton Hotel,

500 West 3rd Avenue

Anchorage, AK

Draft Agenda 1/9/09

A listen-only teleconference line is available at 907-271-2896

Meeting objective: The committee will review industry proposals for incentive-based salmon bycatch reduction programs in conjunction with the Council's forthcoming action on Chinook salmon bycatch management measures and provide their recommendations on these proposals to the Council for its consideration.

10:00am- 5:00pm

- | | |
|------------------------|---|
| 10:00 am | Welcome and Introductions |
| 10:15am | Overview of Council PPA (context for incentive program presentations) and schedule for Chinook EIS: <i>Diana Stram</i> |
| 10:30am-12:30pm | Proposed Incentive Program #1: <i>John Gruver/Karl Haflinger</i> <ul style="list-style-type: none">• Committee questions and discussion |
| <i>12:30pm -1:30pm</i> | <i>LUNCH</i> |
| 1:30pm-3:30pm | Proposed Incentive Program #2: <i>Ed Richardson</i> <ul style="list-style-type: none">• Committee questions and discussion |
| 3:30pm-3:45pm | Proposed Incentive Program #3: (<i>tentative</i>) |
| 3:45pm-5:00pm | Committee discussions and recommendations; continue as necessary |