Scallop AP Meeting

June 17, 2009
Revere, MA

AP members in attendance: James Fletcher, Ed Welch, James Gutowski, Robert Maxwell, William Wells (Chair), Gary Hatch, Michael Marchetti, Dan Cohen, Ray Starvish Jr., and Ron Enoksen
NEFMC Staff present: Deirdre Boelke and Demet Haksever
There were about 15 members of the audience present for the meeting

The meeting began around 9:15 am. The Chair summarized the agenda and staff reviewed the meeting materials and gave a presentation on the alternatives under consideration in Amendment 15. Following the presentation the advisors had a handful of questions as well as general comments for the PDT and Committee to consider while measures are finalized at future meetings. One advisor suggested that timing details of the "disclaimer for triggering limited access AMs" should be specified. It is still not clear when the PDT will review an updated biomass estimate and how that would affect initiation of AMs. Another advisor recommended that all the ACL related acronyms need to be as clear as possible because it is very difficult to follow all the new terms.

A member of the audience commented that the Council would be better served to develop ACLs first and then address capacity alternatives; "making decisions about ACLs/AMs and stacking alternatives simultaneously is dangerous." In addition it was not clear to the speaker how AMs will only affect one sector of the fleet if their sub-ACL is exceeded.

Staff then presented a summary of the fishing power adjustment alternatives under consideration for the stacking and leasing alternatives. In summary, the PDT has developed a production model that suggests the use of two distinct adjustments: one fishing power adjustment (FPA) that is specific to the vessels involved in the stack/lease, and another adjustment that is applied after that is an "overall DAS adjustment", which accounts for overall expected increases in LPUE when effort is stacked/leased. Advisors then asked specific questions about the proposed adjustment alternatives and provided general input. Next, the AP addressed about a dozen specific questions of the AP that were embedded within the FPA document reviewed at the meeting.

One question on the FPA analysis was related to how adjustments will be applied to LA trawl permits. Staff responded that additional tables will be generated that will have specific adjustments for permit stacking/leasing among trawl vessels and between trawl and dredge vessels, as well as between small dredge permits. These two gear types have much different fishing capacities compared to regular dredge permits – so different adjustments will need to be applied. One advisor explained that the PDT will have to specify how vessels that have converted from trawl permits to dredge permits will be treated, and whether they can convert back to trawl before stacking/leasing. Several advisors wanted clarification on how 9% was calculated for the second "overall DAS adjustment". Staff explained that this adjustment is based on the production model estimates. The simulation results indicated that the LPUE is

estimated to increase by about 5% if open area days-at-sea used is doubled as result of stacking or leasing. In order to maintain LPUE at the same level as it was before stacking, the number of *days that are transferred* should be reduced by about 9% after adjustments for the fishing power. In other words, the 9% adjustment is a rounded number calculated directly from of the coefficient of production function for DAS-used.

Another question came up related to what permit data the PDT used; was it the original permit data, after vessel characteristics were "corrected", or current permit info including vessels that have been upgraded and/or been replaced. Staff responded that the vessel characteristics are based on current permit info according to the permit database for 2008. Staff will confirm if that includes "corrected baseline values" or uncorrected.

Next the AP discussed the assumption that LPUE will increase as a result of stacking because trip length will increase. Most advisors agreed that is possible, but several explained that there are many factors that affect trip length, and it should not simply be assumed that optimizing trip length will completely dictate how long vessels fish. One advisor added that crew will get more fatigued later in the trip so catch rates will likely decline. A member of the audience added that fishing patterns may change as a result of stacking, but it could work in both directions in terms of LPUE. Specifically, he noted that if there is one area or one season with much higher catch rates, an individual with two permits on one vessel will not be able to fish that area as hard compared to two separate vessels, so pulse fishing may be reduced as a result of stacking. This could have beneficial impacts on vessels that do not stack.

After all questions and general discussion of the adjustment alternatives the AP discussed the specific questions within the FPA document. The first series of questions (1-8) are related to the second adjustment: overall DAS adjustment. Questions 9-13 are directed more at AP advice on potential impacts of stacking on costs, shoreside businesses and crew.

1. **Are there any other factors that might increase LPUE as a result of permit stacking or DAS leasing that have not been identified yet?**

The advisors agree that mathematically the assumption that steam time will be lower with more DAS per vessel makes sense, but changes in LPUE could go in the other direction too. Some vessels keep trips shorter for quality and safety reasons, so even with more days they will not increase trip length. It was also pointed out that some vessels are registered for larger HP, but have actually gotten smaller engines to reduce fuel consumption, so factors like this may be lost in the model. One advisor suggested that HP does not capture it all and vessel age is a major factor affecting LPUE. Newer vessels are more efficient even if HP is lower. Another advisor agreed that LPUE would increase with more DAS on one platform not just because of the trip length issue, but because the operation would be more efficient overall – not having to move gear from one vessel to the other for example. He predicted that turn around times between trips would be much faster with stacking. Another advisor agreed that the operation would be more efficient but he did not agree that the vessel would increase catch. He pointed out that with two permits a vessel will more likely have to fish at less optimal times because it has more DAS for the year – it will have to fish during months when meat weights are lower for example to get all trips in.

A member of the audience commented that there are clearly additional reasons why vessels will catch more with stacking simply because people are pushing the Council to consider stacking – so there must be a reason. Lastly, and advisor commented that these models are just models and common sense has to be used; in his opinion catch will increase. *In summary, some advisors agree with the model output prepared by the PDT which estimates that catch and LPUE will increase as a result of stacking, and some advisors did not agree.*

The next three questions are related to other factors of a vessel that likely have an impact on LPUE. Based on input from meetings to date, the primary factors on a vessel that affect catch (aside from crew and gear) are the use of a kort nozzle, the ratio of reverse gear, and the size and shape of a vessel's propeller. The advisors discussed these three specific aspects of a vessel and whether they impact overall catch.

2. **In your opinion, do most scallop vessels have kort nozzles? When did this trend begin?**

Yes, most vessels use kort nozzles and have since the 1970s. The AP estimated that 95% of the fleet probably does. They agreed this increases catch, but since almost all vessels have kort nozzles already, catch rates should not increase from this factor exclusively.

3. **In your opinion, is the reverse gear ratio an important indicator of fishing power?**

Most advisors that spoke to this issue agreed that the ratio of reverse gear is an important indicator of fishing power. Individuals can adjust it to make a vessel more efficient, but there are tradeoffs with fuel use and power, so increased power is limited.

4. **Have you changed the propeller on your vessel? Have you noticed increases in power as a result of changing propeller size and shape?**

The advisors agreed this has to do with power as well and all three of these affect how efficient a vessel is, but most advisors agreed that there are other factors that affect catch more like crew and resource abundance – so it if fine to note these other factors, but they are not the primary drivers of higher catch rates. It was also pointed out that if vessels wanted to increase power by these additional means they probably already have.

5. **In your opinion, are there other changes that can be made on a vessel that have a substantial affects on fishing power?**

Several advisors suggested that other improvements on the vessel could impact catch more such as a high speed hydraulic winch that will haul back gear much faster than a mechanical winch. Furthermore, only one crew member needed to operate a hydraulic winch. Other suggestions were how the vessel is set up. If it is set up effectively a crew is more efficient; for example, a rear station can enable the Captain to operate the vessel and gear from the deck so he can also shuck scallops.

6. **In your opinion, what affects catch per day the most?**

The advisors went around the table and responded to this question individually. Most responded a combination of several factors, and the primary factors include: captain and crew, weather, horsepower, how the vessel is set up, and general advancements on new boats.

7. **The PDT assumes that DAS will transfer to the boat with more experienced and skillful crew and captain. If more DAS are fished by more efficient crew, more catch is expected. Do you agree with this assumption?**

Most advisors agreed with this assumption, but many pointed out that the same crews are working multiple vessels now so the overall increase compared to status quo may not be that great.

8. **One assumption the PDT makes is that as a result of stacking/leasing fewer vessels will be fishing compared to No Action, so effort will likely be less per unit of time (more spread out during the year). Therefore, it is possible that overall LPUE in open areas would decline at a slower rate, possibly increasing average LPUE and catch, do you agree with this assumption?**

Most advisors agreed with this assumption, but again pointed out that spreading effort out could have positive impacts on all vessels – ones that stack and ones that do not. If there is less pulse fishing as a result of stacking and catch rates do not decline as fast (high density areas are not "fished out" as fast) then all vessels could theoretically benefit as a result of effort being more spread out. It was pointed out by one member of the audience that not all vessels can fish in all areas however, and it may be more likely that vessels with stacked permits will be on newer, stronger vessels that would likely be able to fish in harder areas farther offshore and in harder weather.

9. **What costs would or would not change as a result of permit stacking and by how much?**
    a. **Insurance (vessel and labor)**
    Many responded that there will likely be savings in hull insurance but the insurance for labor will stay the same because one vessel will fish twice as much. Others replied that hull insurance will go higher as well because that platform will be more valuable because it has more fishing ability. One advisor disagreed and responded that overall insurance costs will probably decline by 75%; in his opinion there would be a large savings in insurance related costs.
    b. **Maintenance costs**
    One responded that general maintenance costs will stay relatively the same because you will work on one vessel twice as much. For example, if you have two vessels and haul them out every other year, with two permits on one vessel you may need to haul out that single vessel each year. However another responded that maintenance costs will decline about 75%, while another felt overall costs would decline 50%.
    b. **Repairs**
    One responded that repairs should be less, but in his opinion all vessel support businesses will have to increase their fees to compensate, so savings will not be as great as people think. Another added that if that is true and overall costs increase in response to less support services needed, then vessels that do not stack will be negatively impacted as well. For example, if there used to be two welders in a port and one goes out of business as a result of welding needed, then the remaining welder could and would likely increase fees. A member of the audience added that there is buying power in numbers, and if vessels stack they

will be able to negotiate better prices with vendors than single vessels. Another commented that newer vessels will likely have fewer repairs – but repairs on modern equipment are more expensive so it will even out.

c. **Gear**
   One responded that gear costs will be relatively the same, and another argued that gear related costs will be 50% less.
d. **Mooring fees**
   Docking fees should be less, but it was pointed out that if too many vessels leave a particular dock, dockage fees at that dock will likely increase to compensate.
e. **Professional fees (accounting/office/management costs)**
   One responded that these fees should be similar.
f. **Fishery association fees**
   One responded that these fees should be similar.
g. **Communication fees – VMS etc.**
   Several responded that these fees should be reduced as a result of stacking.
h. **Others?**

There was a brief discussion about unemployment. One member of the audience said that in Massachusetts vessels are required to pay into unemployment and that is an additional cost. But an advisor responded that with stacking it may be more likely that crew will not need to collect unemployment because they will be employed for more of the year. Another noted that as overall expenses get streamlined, communities are lost.

Overall some advisors felt there would be significant savings for individuals that stack, and some costs may even increase as a result of stacking that would impact all vessels. Several commented that the savings may not be as high as people perceive. Another commented that efficiency and savings should not be viewed as negative – in today's world we should support efficiency.

10. What costs would or would not change as a result of DAS leasing and by how much?

One commented that if this action allows vessels to lease from CPH there will be huge savings. An individual would be able to lease out their DAS and trips and not bear any costs. One commented that leasing has been presented as a more flexible option to stacking for single vessel owners, but he does not agree. He believes that the cost of leasing will far outweigh what a vessel could get for that leased effort, so leasing will be out of reach for single vessel owners as well. Another agreed that if a vessel leases 100% of their effort there will be high savings, but if they only lease 30% for example, there are no savings. But leasing does provide flexibility that is not currently there – i.e. if your vessel is unable to fish after an accident.

11. Let's discuss potential impacts on shoreside businesses from stacking. In your opinion, which businesses will be affected and how?

One commented that in general if shoreside businesses are impacted there will be great pressure from the recreational sector for dock space. Businesses that support trip expenses like fuel and ice should not be impacted by stacking. On the other hand the advisors listed other vessel support businesses that could be: vessel repair, carpenters, shipyards, ship supply companies, painters, electricians, trucking, fish houses, engine and propeller companies, etc. Any business that service vessels will likely be impacted negatively, but businesses that are trip related will

probably stay the same. One concluded that there would be less of everything and the multiplier effect would impact the entire community. Another added that the need for shoreside business may be a little less at first, but the work would be spread out over the entire year instead of being compressed in 8-9 months; so there would be less seasonal shoreside workers.

12. **Let's discuss potential impacts on crews. In your opinion, if stacking occurs would most crew members remain employed, would their total work days change, would crew shares change, who would most likely pay for DAS leasing (crew, vessel, shared)?**

Several advisors explained that crews currently rotate between vessels so overall employment would not change. Another raised concern about vessels having to fish all year under stacking. For safety and other reasons, vessels should reduce effort in the winter. Another advisor commented that you would not see reductions in crew right away, but over time only the best crew would remain.

In terms of who would pay for leased effort, most advisors responded that expense would likely be shared between the owner and the crew so it would be removed from the top; unlike how it is done currently in the groundfish fishery. However, a few commented that with consolidation a large company may change their lay system and with fewer companies around crew will have to take lower shares.

On a different note, one advisor commented that fishing has always been a good source of employment for low income individuals. In his opinion, it is important to maintain decent jobs in a society for people with little education and low income. If income is increased for crew as a result of stacking these jobs are no longer available for low income individuals, what options will they have?

13. **What is your opinion of the minimum 9% overall DAS adjustment under consideration? Should it be higher or lower?**

After the advisors discussed all the potential issues of increased catch as a result of stacking each was asked if the second adjustment appropriately reflected the potential risks not captured in the fishing power adjustment. Of the nine advisors present (excluding the Chair), two felt it was too low and would not capture the potential risk of increased catch, one felt it was too high and 5% would be more appropriate, two additional advisors did not agree that a second adjustment was warranted and the fishing power adjustment would account for potential increases in catch, two advisors did not express an opinion either way, one voiced issue with the model overall and felt it was incorrect to use and was concerned that it had not been used in another fishery before, and one felt the model likely captured a value (9%) that was appropriate to use, but argued that the percent should be frameworkable if we learn later in the process that 9% was too high or too low. One of the advisors that felt the second adjustment was not appropriate commented that there are vessels in the fleet that are "sister ships", designed to be the same so stacking permits between those vessels should not increase catch because the vessels are identical.

Lastly, the AP passed two motions without objection related to the fishing power adjustment alternatives.

1. *For the fishing power adjustment alternatives in A15, staff should consider trawl vessels (believed to be 13) that have converted to dredge vessels (believed to be 12) as dredge vessels for the purposes of applying the FPA.*

The rationale for this motion was to protect trawl vessels that have converted to dredges from having a higher adjustment applied. Staff explained at the meeting that the analysis so far is for dredge vessels only, and separate adjustment tables will be developed for stacking between trawl and dredge vessels and trawl to trawl vessels. It is assumed that dredge vessels have higher catch rates, so when a trawl permit is stacked on a dredge vessel a higher adjustment will be applied. It was pointed out that 12/13, or the vast majority of existing trawl permits are actually fished with dredges, so applying a higher adjustment would not be appropriate or fair. The Chair requested that the record reflect that while the first motion was being made one advisor that is most involved in the trawl fishery was upset by the topic and left the room.

2. *Staff should clarify what permit data has been used to determine vessel baselines for HP and length in the fishing power adjustment analyses.*

Several times during the meeting concerns were raised about the groundfish leasing program and parallels were made to this program. One advisor requested that staff consider determining the level of latent effort in the scallop fishery (number of unused DAS). In his opinion, an accurate description of the current latent effort would give a better sense of the potential impacts of leasing. The advisors did not all agree that this analysis would reflect potential impacts of DAS leasing.

Framework 21

The AP then discussed the general measures under consideration in Framework 21. Staff briefly summarized the four issues that will be developed further: specifications for 2010 including a potential new rotation access area in the Great South Channel, measures to comply with turtle biological opinion, adjustments to the observer set-aside program, and measures to minimize YT bycatch in access areas on GB. The advisors provided general input on each issue.

1. <u>Potential new rotational closed area in the Great South Channel</u> – One advisor expressed concern that a closure this close to shore would have negative impacts on small vessels in that area. In addition, there is substantial effort in that area and if closed, that effort would likely shift to the Mid-Atlantic, which would then have negative impacts on vessels in that area. Another commented that this it is premature to discuss more closures until other areas open. If other EFH areas open as a result of the Omnibus Amendment in 2011 then perhaps other areas could be closed, but until that happens closing more areas to the scallop fishery would not be a good idea in his opinion.

2. <u>Measures to comply with turtle biological opinion</u> – no comment

3. <u>Adjustments to the observer program</u>
    - <u>Prohibit a vessel from fishing if it has not paid observer provider –</u> Advisors that spoke on this issue felt that the government should not get involved in the

- Assigning observer coverage –
  Several advisors expressed concern with how observer days are being assigned. They do not think lowering the possession limit in CA2 was an appropriate response to the problem that occurred in ETA. Scallop prices will not be as high this summer and 200 pounds will just cover the cost of the observer and food – was 300 pounds considered? Several voiced that since general category vessels do not usually take trips in CA2 the problem of set-aside running out should not be as great. One speaker commented that reducing the possession limit could help reduce YT bycatch. Overall there was general concern and dissatisfaction with how the set-aside program is set up and administered.

4. Measures to reduce YT bycatch in access areas in 2010 –
   One advisor said that smaller vessels could access NL and larger ones could go to CA1 in an effort to spread effort between the two areas. He also suggested that larger twine top could be a possibility. One advisor recommended that what we really need is data over the entire year – so maybe what the industry should agree to is sacrifice one year and set aside a maximum number of trips per month. A lottery system could be established and observer coverage could be increased so data could be taken each month. Another suggestion was to convert more YT bycatch to catch; for example, allow general category vessels to land YT from access areas.