



Situation

Week of June 9, 2008: Future of West Coast Commercial Fisheries Determined

During the week of June 9, 2008 the Pacific Fishery Management Council will vote on a quota based system that will stop the race for fish. Two programs are under consideration: a monopoly quota and a shared market quota. Either quota will force the industry to absorb an anticipated administrative cost of 16 to 23 percent to monitor the system.

The monopoly quota would allocate 100 percent of initial quota to vessel owners/fishermen. A shared market quota would include processors, giving them the same level of security that vessel owners/fishermen have. Processors have invested in facilities, family wage jobs and communities, and a shared market approach would provide economic safeguards to protect their investments.

Affected Fisheries

Pacific Whiting Fishery

Pacific whiting is the largest fishery by volume on the West Coast, representing more than 3,000 jobs and in excess of \$89 million in annual revenues. A versatile protein source, Pacific whiting is a groundfish that can be caught and processed year round, and major ports extend from Westport, Wash., to Eureka, Calif.

The fishery is regulated by the federal government as an Olympic or derby-style fishery: the government establishes a quota for the fishery as a whole and permitted vessels fish until the overall quota is reached. Vessels do not have individual limits, so vessel owners/fishermen race to catch as much of the regulated supply as early as possible to maximize their profits

Groundfish Fishery

The West Coast trawl groundfish fishery includes flatfish, sablefish and rockfish. These species are fished year round as far north as Blaine/Bellingham, Wash., and as far south as Avila Beach, Calif., with the industry accounting for more than 2,000 jobs. The fishery is regulated by the federal government as a limited entry fishery, managed through bi-monthly trip limits.

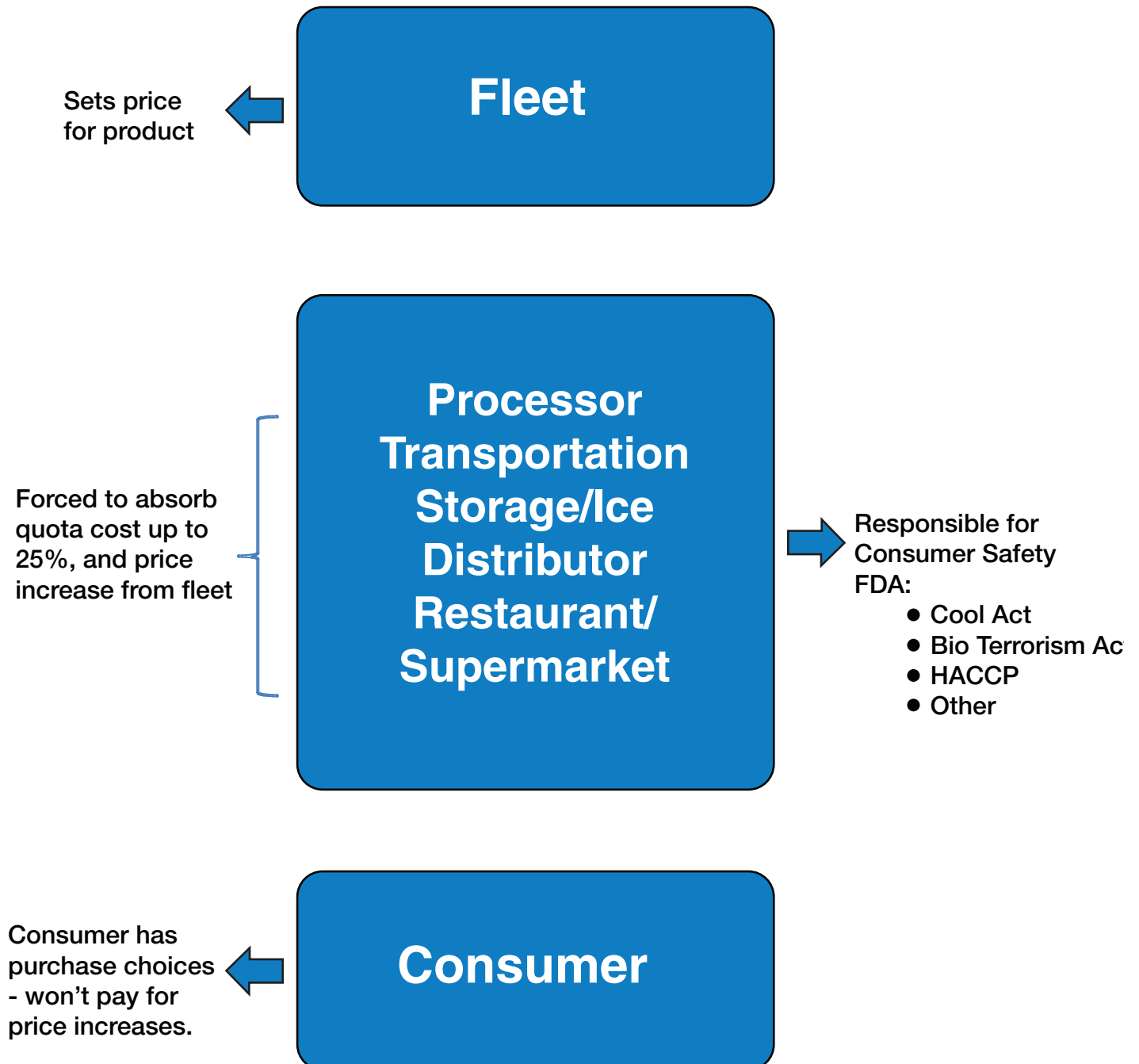
In earlier attempts to maintain fish stock and economic security for fishermen, the federal government reduced the groundfish trawler fleet by one-third by buying back trawl groundfish permits and vessels from their owners. The impact of a reduced fleet has devastated some coastal communities where processors have scaled back or closed due to limited or no product.

The Current Problem: A Monopoly and a Race for Fish

In the West Coast seafood industry, there are approximately 176 commercial groundfish limited entry permits; permit owners are allowed to commercially catch either whiting or groundfish. The permits enable vessel owners/fishermen to have a monopoly of a public resource. The results:

- Currently, permit holders sell their catch to whomever they choose at a negotiated price that is subject to market forces
- Processors must also negotiate to purchase and process safe food product product at costs subject to market forces
- Consumers, from individuals, to grocery stores, to restaurants, have choices in the seafood market that are influenced by price, quality, availability and sustainability of products. Currently:
 - Too much product jams processing plants, inhibiting optimal protein recovery and creating more waste. Today 68% of the catch goes into non-value added products.
 - Too much product at one time creates a feast or famine cycle for vessel owners/fishermen, processors, and the communities in which they operate.
 - Conservation efforts take a backseat to speed, as the race to capture fish often results in greater by-catch (non-targeted or prohibited species).
 - Coastal Jobs are at risk:
 - In the groundfish industry, 4.3 people are employed by processors for each person employed as a vessel owner/fisherman
 - In the Pacific whiting fishery, 12.5 people are employed by processors for each vessel owner/fisherman

Results of Quota Monopoly



Quota Options

Elements	Current Permit System	Monopoly - Quota	Shared Market - Quota
Catch Timing	Derby (Whiting)/Limited Derby (Groundfish)	Fisherman Driven	Managed Catch
Permits	Vessel Owners Only	Vessel Owners Only	Vessel & Processor Share
Admin Cost	Minimal Costs	Anticipated 16-23% Administrative Cost (Federal Govt Regulated)	Anticipated 16-23% Administrative Cost (Federal Govt Regulated)
Results			
Consumer Cost	Fluctuating Market Driven Price	Vessel Driven Price	Stable Market Driven Price
Food Safety (processor regulated)	Food Safety Maintained	Food Safety Challenged	Food Safety Maintained
Environment	Resource Under Utilized, Little Market Innovation	Resource Under Utilized, No Market Innovation	Resource Fully Utilized, Processor Innovation Incentivized Long-term Sustainable Fisheries
Jobs	Family Wage Jobs (Cyclical) More Stable	Minimum Wage Jobs, More Seasonable and less Stable	Stable, Long-term Family Wage Jobs
Industry Supply (subject to weather)	Inconsistent Supply Feast or Famine	Inconsistent Supply	More Consistent Supply, Increase Sales, Greater Access to Markets
Industry Business Model	Status Quo	Fisherman Gain More Revenue, Price Collusion, Costs Bourne by Industry	Revenues and Costs Spread Through Industry
Industry Long Term	Industry Stable	No Industry - Mid Market Declines - Fisherman Sell to Foreign or Non-Fishing Entities	Industry Stable, More Opportunities

Quota Explained

Monopoly Quota: The Wrong Solution: Vessel Owners/Fishermen Win; Consumers and Processors Lose

Monopoly markets rarely work to the advantage of anyone other than the monopoly holder. They drive prices higher for consumers while driving out the smaller players and decimating jobs and communities in their wake.

Approving a quota system that allocates 100 percent of initial quota to vessel owners/fishermen will provide a single group in coastal communities with a virtual monopoly of the ocean.

- Vessel owners/fishermen have a level of economic security unavailable to other stakeholders in coastal communities
- Vessel owners/fishermen belong to associations that allow them to collude on prices
- Vessel owners/fishermen will be able to sell their permit quota to whomever they please, including non-fishing entities. For instance, they could sell to environmental groups who will not fish the quota. A diminished supply of product would reduce coastal employment, as locking up the resource locks out jobs.
- Some vessel owners/fishermen want to sell their quota to the highest bidder and then retire
- Forced to pay higher prices for product, processors will have fewer resources to maintain food safety standards
- Processors will have less incentive to promote optimal utilization of product received
- A monopoly quota will destroy the prospects of coastal communities.

Shared Market Quota: The Right Solution: A Win for Consumers, Permit Owners and Processors

A shared market quota system will provide economic safeguards for two key coastal entities: vessel owners/fishermen and processors. In a balanced transferrable quota system, the initial quota would be allocated among the two groups.

A transferrable component will enable shore-side processors to share their quota with vessel owners/fishermen. With a shared quota, processors would be guaranteed product and vessel owners/fishermen would be paid for 100 percent of the fish landed, as they are today.

As with any quota system adopted, a shared market quota would result in a managed catch to help conserve natural resources and maintain a consistent supply for processors and distributors. Unlike a monopoly quota, however, a shared quota would:

- Assure that market forces drive the cost of the fish for the consumer
- Allow processors to maintain adequate resources for food safety
- Enable processors to focus on innovation and responsible utilization of the catch
- Provide greater overall stability for the industry and coastal communities

Why It Matters To You

A sustainable West Coast fishing industry requires not only good fishery management practices, it must also be economically stable and free from subsidy. Having the primary participants share in an initial allocation of fishing quota insures increased stability and encourages the best and most innovative use of the natural resource.

A monopoly based quota system will create instability and decrease the important role of the processor in the areas of species management, food safety and value added to the resource.