



C7 Observer Program Fees – Initial Review and FMAC report

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Action Memo

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Action Required: 1. Initial Review Draft of EA/RIR – review
2. Select preferred alternatives – as appropriate

BACKGROUND

This analysis considers raising the partial coverage observer fee to continue to improve the Observer Program, maintain and enhance the Council's ability to meet policy objectives through monitoring, and fund deployment of electronic monitoring systems. The measures under consideration include adjusting the observer fee that supports deployment of observers and electronic monitoring in the commercial groundfish and Pacific halibut (*Hippoglossus stenolepis*) fisheries that are subject to partial coverage monitoring, throughout the GOA and BSAI.

In 2016-2017, NMFS announced that Federal funding would not be forthcoming for funding at-sea observer coverage, as had occurred during the initial years of implementing the restructured Observer Program, which occurred in 2013. A paper was prepared by a subgroup of the FMAC during the summer of 2017, which evaluated whether there are short-term options that can be addressed through changes to the Annual Deployment Plan or the Catch Accounting System, and longer-term solutions that may involve regulatory change. The FMAC recommended the Council pursue these short-term options, and only raise the fee as a last resort. In October 2017, however, the Council opted to initiate this analysis to consider raising the fee. The Council heard from staff that as a best case, initiating an analysis to adjust the fee in October 2017 would not result in changes to fee collection rates until 2021 at the earliest, and it was also reiterated from NMFS that the Council could not rely on continued supplemental Federal funding, despite a one-time allocation that was received for 2018-2019.

At the February 2018 Council meeting, the Council adopted a purpose and need statement, and a set of alternatives for analysis. The proposed action alternatives would change the observer coverage fee requirements for vessels in the partial coverage category in GOA and BSAI fisheries. To allow for timely Council consideration of funding needs, the analysis has a narrow scope, focusing on two action alternatives for raising the observer fee in addition to the no-action alternative.

Two action alternatives are meant to address this. Alternative 2 would raise the fee to some amount, equally across all fisheries (i.e., gear types). Alternative 3 would raise the fee amount differentially across the fisheries (i.e., gear types) based on fairness. The no action alternative, Alternative 1, would maintain the current level of the fee.

Given trends of decreasing TACs in some fisheries (i.e., Pacific cod and halibut) and uncertainties related to future abundance, effort, and prices, any of the alternatives could result in some phenomenon of accruing lower revenues from the fee than was possible in years past. Analysts have described this phenomenon as “running up the down escalator”.

It is relevant to note that in restructuring the observer program prior to 2013, the Council determined that applying the same fee percentage to all sectors best represented fairness and equity in the program (since each sector benefits from the resulting data that are essential for conservation and management of the fisheries in which they participate). Choosing Alternative 3 in this analysis would constitute a policy shift by the Council to redefine the meaning of fairness and equity as regards the observer fee.

Given the lack of anticipated significant environmental impacts related to this decision (see Chapter 4), the Council might choose to make determinations about the fee at Initial Review based on their own policy goals (described in Chapter 3 and analyzed in Chapter 5). The first step in this decision process could be for the Council to consider whether the current system of equal fees across the board is or is not equitable.