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RE: Comments on proposed socio-economic surveys of vessel owners, permit holders and crew in New England and Mid-Atlantic Fisheries, 76 Fed. Reg. 16611 (March 24, 2011)

Food & Water Watch (FWW), a national consumer action organization that defends and advocates for robust public management of natural resources, including fish, appreciates this opportunity to comment on the proposed socio-economic surveys of vessel owners, permit holders, and crew in the fisheries of New England and the Mid-Atlantic.¹ While FWW supports further study of the socio-economic status of fishermen in these regions so that federal fisheries management policy is better informed and able to fulfill its mandate to preserve fishing communities,² FWW believes that much of this data collection, particularly in regards to assessing the effects of catch shares management, should have begun prior to radical fishery management changes (such as those of the New England Multispecies Sectors plan). However, FWW supports the initiative to collect this extensive data with all due speed, while limiting the burden it may place on fishermen.

We strongly feel that the federal government's focus for fisheries management – namely, the advocacy and implementation of catch shares by the National Oceanic and Atmospheric Administration (NOAA) and the National Marine Fisheries Service (NMFS) – destroys coastal communities while privatizing our nation's fisheries. The gains in economic efficiency hailed by supporters of catch shares have come at the expense of the livelihoods of thousands of smaller-scale, traditional fishermen and their communities, and the claims of increased fishery sustainability and safety are often overblown. The design of catch share programs has violated the Magnuson-Stevens Fishery Management Act and has been found to violate human rights in international court.

The social and economic damage from catch shares to coastal communities in New England and the Mid-Atlantic is difficult to assess due to a lack of thorough and publicly-accessible data on fishermen and crew, but available evidence suggests that just one year of catch shares management in New England pushed hundreds of fishermen and their crew out of the fishing industry. In 2010, less than five months after catch shares were implemented in the groundfish fleet in New England, 55 out of the initial 500 boats in the fishery controlled 61 percent of the revenue, while 253 boats in the fishery sat idle.³ In another example, the ocean quahog fishery in the Mid-Atlantic became so

¹ National Oceanic and Atmospheric Administration. "Proposed information collection; Comment request; Socio-economic surveys of vessel owners, permit holders, and crew in New England and Mid-Atlantic fisheries." 76FR16611. March 24, 2011.

² Magnuson-Stevens Fishery Conservation and Management Act, as amended through Jan 12, 2007. § 301(a)(8). May 2007, second printing.

³ Saving Seafood. "Catch shares cut New England fleet in half; New Bedford mayor to convene council meeting." Dec 9, 2010. <http://www.savingseafood.org/state-and-local/catch-shares-cut-new-england-fleet-in-half-new-bedford-mayor-to-convene-council-me-4.html>

consolidated that one firm controlled 35 percent of the available quota two years after the program began.⁴ Now the regions are considering a catch shares program for monkfish,⁵ which could result in even more job loss in these hard-hit areas.

Thus far, catch share programs in the United States have been implemented with little real consideration of their socio-economic consequences. The proposed survey should be sufficiently broad to collect data to determine whether the following cascade of negative social and economic effects of catch share programs is occurring in the New England and Mid-Atlantic regions:

Windfall profits are unfair: The initial distribution of shares grants windfall profits to those with the largest amount of quota and transfers the future value of the public fishery into private ownership.⁶ Shares in a new catch share fishery are typically distributed proportionally to fishermen's historical catch. Immediately upon receipt, these privileged few can sell their quota and gain an instant profit⁷ or they can use the expected value as collateral to get bank loans.⁸ Quota owners can use these loans to buy additional quota⁹ or to invest in other industries, furthering their own personal profit.¹⁰ Many choose to hold on to their quota, lease it to other fishermen and accrue long-term wealth without actually fishing.¹¹ Essentially, catch shares turn a fishery into a stock market, where quota shares become intangible assets with higher market values than the vessels and equipment needed to fish, or even the fish themselves.¹²

NOAA should study the economic effects of share distribution to determine the consequences of windfall profits and quota leasing on all members of the fishery that were present before and during catch shares implementation.

Transferability hurts all but the largest fishermen: Fishermen who receive the largest initial distribution of shares — or have the most capital to buy and lease shares — often gain control over an entire fishery, pushing smaller fishermen out of fishing and even into bankruptcy.¹³ Many quota holders don't even fish themselves. Instead they become "armchair fishermen" or "fishery landlords" by leasing their quota for exorbitantly high prices. The Canadian halibut fishery switched to a privatized catch share system in 1991, and, by 2006, 79 percent of the quota was leased instead of fished by quota owners themselves.¹⁴ A huge financial burden was placed on the fishermen who had to pay rent to

⁴ National Research Council. Committee to Review Individual Fishing Quotas. "Sharing the fish: Toward a national policy on individual fishing quotas." National Academy Press. Washington, DC. 1999 at 295.

⁵ National Marine Fisheries Service, of the National Oceanic and Atmospheric Administration. "Fisheries of the Northeastern United States; Monkfish fishery; Scoping process." RIN 0648-BA50. 75FR74005. Nov 30, 2010.

⁶ Clark, Colin C. "Fisheries bioeconomics: why is it so widely misunderstood?" *Population Ecology*. 48:95-98. 2006 at 98.

⁷ National Research Council. 1999. Op. cit. 4 at 142.

⁸ Arnason, Ragnar. "Iceland's ITQ system creates new wealth." *The Electronic Journal of Sustainable Development*. Vol 1 Issue 2. 2008 at 36.

⁹ National Research Council. 1999. Op. cit. 4 at 142.

¹⁰ Arnason, Ragnar. 2008. Op. cit. 8 at 38

¹¹ Clark, Colin W. 2006. Op. cit. 6 at 97.

¹² Ecotrust Canada. "Briefing: A cautionary tale about ITQs in BC fisheries." Issue 8. 2009 at 4.

¹³ Copes, Parzival and Charles, Anthony. "Socioeconomics of individual transferable quotas and community-based fishery management." *Agricultural and Resource Economics Review*. 33/2. October 2004 at 174-175.

¹⁴ Pinkerton, Evelyn et.al. "The elephant in the room: The hidden costs of leasing individual transferable fishing quota." *Marine Policy*. 2009 at 4.

bring in their catch. One study found that, “of the 182 active halibut fishing vessels in 2006, 37 vessels leased 90 percent or more of the halibut quota they fished, 67 vessels leased 70 percent or more of the halibut quota they fished, and 91 vessels (half of the active fleet) leased 50 percent or more” of their quota.¹⁵ Quota leasing has become the single largest operating cost for these fishermen, pushing them to the margins of profitability,¹⁶ potentially driving more fishermen into bankruptcy.¹⁷

Quota leasing also prevents new fishermen from entering a fishery. One study estimated that it can cost between \$250,00 and \$500,000 for a new entrant to acquire enough quota for a single fishing trip in Alaska’s halibut fishery.¹⁸ Fishermen who already have quota can use their existing quota as leverage for loans, but fishermen just starting out may have to use personal assets, such as their homes, for the required downpayment (between a quarter and half of the loan, or \$62,500 to \$250,000) before they can even catch any fish.¹⁹ Purchasing the quota outright is out of reach for most, since widespread leasing drives up the price of quota.²⁰

NOAA should study the short and long-term social and economic trends of share transferability to determine the effects of quota leasing on all members of the fishery that were present before and during catch shares implementation. This should include monitoring the type and quality of employment after exiting the fishery and the barriers preventing smaller-scale fishermen from remaining profitable and new fishermen from entering the fishery.

Crews suffer unemployment and reduced wages: Traditionally, fishing crews have received a percentage of the total catch value, most of which was caught in a short fishing season. Crews in fisheries under catch shares are now spending months at sea instead of weeks, but are not making more money. The average crabber in the Bristol Bay red king crab fishery made \$45,426 harvesting 281,259 pounds of crab in 2008, but only made \$39,414 for harvesting 436,847 pounds in 2009. That’s \$6,000 less for harvesting 155,000 more pounds of crab.²¹

Vessel owners are shifting the costs of leasing additional quota onto crews by taking a large percentage of the total catch value before calculating wages. Crew members in the Canadian halibut fishery received 10 to 20 percent of the catch value before catch shares and now receive only 1 to 5 percent.²² Even the fishermen who own their quota have begun to pay their crew these same low wages, because it is more profitable for quota owners to lease their quota than to fish it themselves while paying their crew the wages they used to receive.²³ So, in the Canadian halibut fishery, although the overall value of the fishery has

¹⁵ Ibid.

¹⁶ Ibid. at 2.

¹⁷ Copes, Parzival and Charles, Anthony. 2004. Op. cit. 13 at 175.

¹⁸ Dory Associates. “Access Restrictions in Alaska’s Commercial Fisheries: Trends and Considerations.” Prepared for the Alaska Marine Conservation Council and Gulf of Alaska Coastal Communities Coalition. January 2009 at 21.

¹⁹ Ibid. at 18.

²⁰ Ecotrust Canada. 2009. Op. cit. 12 at 3.

²¹ Jensen, Andrew. “Study backs up crew complaints about compensation.” *Alaska Journal of Commerce*. April 14, 2011.

²² Pinkerton, Evelyn, et al. 2009. Op. cit. 14 at 5.

²³ Ibid.

increased by 25 percent over 17 years, the crews' share of that value has dropped by 73 percent.²⁴ In the Bristol Bay red king crab and Bering Sea snow crab fisheries, some crew members report that pay has dropped from 5 to 6 percent of catch value to less than 1 percent,²⁵ while an estimated 1,214 crew members lost their jobs entirely after catch share implementation in those fisheries.²⁶

NOAA should thoroughly assess changes in crew compensation, lifestyle and job security and satisfaction of all crew members of the fishery before and during catch shares implementation.

Communities suffer from catch shares: The economic hardship and job loss among fishermen due to catch share programs have widespread impacts. Related industries like processors, baiters and boat repairers also suffer, along with the ports and communities reliant on fishing. As unemployment spreads, there is less to spend at grocery stores, restaurants and other key community businesses, which can eventually lead to a resident exodus in search of jobs and opportunity.²⁷ And generally speaking, unemployment is linked to higher risk for spousal abuse,²⁸ child abuse and neglect,²⁹ and increased suicide and divorce rates.

The consolidation of fishing in a region can have profound economic and social effects. A study of the Nova Scotia groundfish catch share program found that transferability of shares resulted in striking regional imbalances in consolidation, as some areas acquired quota at the expense of other towns and ports.³⁰ The increasing fortunes of those able to take advantage of catch shares in these communities have exacerbated disparities of wealth and status and undermine the values of hard work and equity that held the communities together.³¹ Regional shifts in quota have also left communities in Iceland and Alaska struggling to survive the loss of their fishing tradition.³²

Processors can also be hurt by quota systems, as some processors gain control of the quota and others go out of business. In the Alaska halibut and sablefish fishery, catch shares reduced the number of halibut processors from 104 to 82 firms, only 31 of which existed

²⁴ Ibid.

²⁵ Jensen, Andrew. "Owners profit, but crew feel the pinch of crab catch shares." *Alaska Journal of Commerce*. June 4, 2010.

²⁶ Calculations performed by Food & Water Watch staff. "Rationalization resulted in an estimated loss of 757 total jobs in the BRR fishery.... And an estimated loss of 457 total jobs in the BSS fishery." From Knapp, Gunnar. "Economic Impacts of BSAI Crab Rationalization on Kodiak Fishing Employment and Earnings and Kodiak Businesses. A Preliminary Analysis" Institute of Social and Economic Research, University of Alaska Anchorage. May 2006 at.22.

²⁷ Copes, Parzival and Charles, Anthony. 2004. Op. cit. 13 at 176.

²⁸ Macmillan, Ross and Kruttschnitt, Candace. "Patterns of violence against women: Risk factors and consequences." For the National Institute of Justice. 2004 at 21.

²⁹ ScienceDaily. "Unemployment linked with child maltreatment." Oct 5, 2010.

³⁰ McCay et al. "Individual transferable quotas (ITQs) in Canadian and US fisheries." *Ocean & Coastal Management*. Vol 28, No 1-3. Pp 85-115. 1995 at 104.

³¹ Ibid. at 105.

³² McCay, Bonnie J. "ITQs and community: An essay on environmental governance." *Agricultural and Resource Economics Review*. 33:2. Oct 2004 at 166 - 167.

before catch shares.³³ Of the 51 new processing firms, four of them accounted for nearly a fourth of the total market share.³⁴ The halibut processors that survived the implementation of catch shares lost upwards of 56 percent of their prior wealth due to changes in the price of fish off the boat, wholesale prices and exclusive deals between new processors and the now-consolidated fishermen.³⁵

Quotas can also change the social dynamics of a community. Quota owners can choose to avoid the discomfort of dealing directly with struggling fishermen by leasing through processors instead, thereby further consolidating the fishery through vertical integration.³⁶ These processors can then schedule guaranteed deliveries with leasing fishermen, controlling both supply and demand (and therefore the prices) for fresh fish.³⁷

NOAA should assess the cascading effects of unemployment, consolidation and changing social dynamics on the coastal communities of New England and the Mid-Atlantic.

As highlighted in the comment request, “no data exist that allow for tracking the social impacts of fishery management policy and decisions over time in the Northeast and Mid-Atlantic States, and insufficient economic trend data are available.”³⁸ FWW believes that given this lack of data, no actions, such as catch shares, with broad negative economic and social impacts, should have been undertaken by the regional fishery management councils and NFMS.

The Magnuson-Stevens Fishery Conservation and Management Act (the Act) specifies that, among other critical safeguards, all fishery management plans must “take into account the importance of fishery resources to fishing communities...in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts on such communities.”³⁹ And that catch shares programs must provide for “fair and equitable initial allocations” of quota, prevent “excessive” consolidation, and set aside portions of the catch for entry-level fishermen, small vessel owners and crew.⁴⁰

Without data to track the socio-economic impacts of catch shares programs, there is no way that the regional fishery management councils and NMFS can fulfill their mandated obligation to sustain fishermen and fishing communities.

Again, while we support the development and implementation of a new data collection survey of New England and Mid-Atlantic fishermen, FWW would like to stress that this data comes too late to save many of the fishing communities on the east coast. We are further concerned that the collection of this data after the socio-economic devastation of a large-scale catch shares program, like the NE groundfish sectors program, has already taken place does little more than establish a

³³ Matulich, Scott C. and Clark, Michael L. “North Pacific halibut and sablefish IFQ policy design: Quantifying the impacts on processors.” *Marine Resource Economics*. Vol 18, pp 149-166. 2003 at 160. Calculations performed by Food & Water Watch staff: 31 surviving processor firms plus 51 new firms entering in 1999-2000 equals 82 firms.

³⁴ Ibid.

³⁵ Ibid. at 160-164.

³⁶ Pinkerton, Evelyn, et al. 2009. Op. cit. 14 at 3.

³⁷ Ibid.

³⁸ National Oceanic and Atmospheric Administration. 76FR16611.

³⁹ Magnuson-Stevens Fishery Conservation and Management Act, as amended through Jan 12, 2007. § 301(a)(8). May 2007, second printing.

⁴⁰ Ibid.

false baseline of data that will not capture the changes that have taken place in the last two years. Any resultant products and analysis from these surveys should attempt to account for these changes, and where that is impossible, make clear that the surveys were late to assess radical socio-economic damage in the regions. This data will be particularly important during the formal five-year review of the New England multispecies sectors program, the New England Atlantic sea scallops program and the Mid-Atlantic golden tilefish, as required by the Act.⁴¹

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Meredith McCarthy', with a long horizontal flourish extending to the right.

Meredith McCarthy
Researcher, Fish Program

⁴¹ Magnuson-Stevens Fishery Conservation and Management Act, as amended through Jan 12, 2007. § 303A(c)(1)(G).