

Statement of Stephen Welch
Before the
Subcommittee Oceans, Atmosphere, Fisheries, and Coast Guard
Committee on Commerce, Science and Transportation
United States Senate
Boston, Massachusetts
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Mr. Chairman, Members of the Committee, I am Stephen Welch. I own and operate the fishing vessel *Holly and Abby*, which is a 55 foot gillnet vessel, and Abby and Holly, a 45 foot trawl vessel, both of which operating out of Scituate, MA. I have been active in the NE groundfish fishery for over 35 years as a boat owner, captain and crew on inshore and offshore vessels using all of the major gear types including long-line, trawl and gillnet in Southern New England, Georges Bank and the Gulf of Maine.

I am a member of Northeast Sector 10 established under groundfish Amendment 16 and I am also a Board Member of the Northeast Seafood Coalition. However, I want to be clear that my testimony today is on behalf of myself and no other organization. There are many different views within our industry today and so I am very grateful for the opportunity to present my own. Thank you.

Despite my many years of experience and fishing success, today my fishing business is no longer viable under the new sector management system created under Amendment 16 to the groundfish plan. I am certainly not alone. Prior to Amendment 16, I had a very profitable and successful small business that employed six people full-time. Not anymore. Many other life-long fishermen in Sector 10 and other sectors share my plight.

Three fundamental elements of Amendment 16 changed the world and contributed to the reality I face today.

First and foremost, Amendment 16 changed the basic currency with which investments in the fishery were previously made. Prior to Amendment 16, investments in the fishery were based principally on the value of the permit as measured by its allocated Days at Sea. More days, more value—regardless of any catch history.

Upon implementation, Amendment 16 immediately and completely changed that currency to the “catch history” of a permit and made instant winners and losers within the fishery. Although there were options available to the Council to mitigate the adverse impacts of this change by using a blended currency that accounted for both allocated Days At Sea and catch history, the Council chose to make the most drastic change possible. Was this arbitrary—or based on some form of insider information? I suppose we’ll never know. But one thing is clear—some folks made out extremely well—and some of us didn’t.

For many like me, this had the dual consequences of stranding considerable investment in Days at Sea and substantially reducing the value and utility of permits under the new sector system. The Potential Sector Contributions (PSCs) allocated to my permits based on my stock-by-stock catch history under the new sector system are simply far below what is needed to support a viable fishing operation under current economic conditions. That’s because when I bought my permits, I wasn’t buying them for catch history. This was arbitrary and unfair. The Amendment 16 sector system has virtually destroyed my fishing business at no fault of my own.

The second aspect of Amendment 16 that has contributed to the demise of so many small vessel operators along the Gulf of Maine relates to the various closures designed to reduce mortality of sensitive stocks including especially Gulf of Maine cod. This dramatically and disproportionately reduced our access to certain traditional stocks and, by extension, reduced our catch history relative to those that were less directly affected by the closures—and/or who found ways to continue to target cod and other stocks and increase their catch history notwithstanding the overfished condition of those stocks. In effect, this was double jeopardy. First we were disadvantaged under the old Days at Sea program

for lack of access to our nearby traditional stocks—and then this was perpetuated and exacerbated when our lack of catch history of those same stocks became the new allocation currency under Amendment 16. We were denied access to our nearby stocks --and then punished for not having that access.

Because the Amendment 16 sector system is a catch share, hard TAC “output control” management system, there should be no place for continuing any of the “input controls” such as groundfish mortality closures in this new system. Yet, they exist in the plan today as a useless, counterproductive artifact of the old Days at Sea management system. And they are still hurting us. This needs to be fixed.

The third aspect of Amendment 16 that threatens small operations like mine are the costs associated with the new sector system. Sectors themselves cost money to develop and operate—a lot of money we have found out. Sectors need a manager and staff to satisfy the vast amount of paperwork and reporting requirements thrust on them by Amendment 16. This is no small thing.

In addition, the sector system has transferred traditional NMFS functions including especially catch monitoring—onto the private sector. Although mandatory requirements for dockside monitoring have recently been eliminated, we face the requirement to pay for At-Sea monitoring costs beginning in fishing year 2012.

Another substantial constraint is the costs associated with leasing fish, to make up for the poor allocations and low ACLs. For me, this cost equates to up to 50% of my gross revenues. Small businessmen like me simply do not have access to the capital it takes to participate in the leasing market.

Together, these staff, reporting and monitoring costs, and leasing costs represent completely new, unprecedented burdens that our fishermen have never faced—and I can assure you that neither the status of the stocks nor the financial condition within the fishery are at a level that can support these new costs. Not even close. The addition of At-Sea observer fees in 2012 would be absurd. If nothing is done, many other fishermen will be financially crippled by these new

costs. In fact, I would venture that the entire sector system will collapse under the weight of these new costs in Fishing Year 2012.

What can be done? It's not too late for some of us hanging on to our permits in hopes that Congress, NMFS and the Council can make some serious changes and improvements to turn things around. At the same time, some things may not be possible at this point. Here are my views on what can and cannot be done at this point:

1) Allocation:

While the sector system and some of its key elements are greatly detested by me and many of my fellow industry members, the system is here to stay for the foreseeable future. It could have been done right; but it wasn't. Magnuson mandates are real and now there are no real alternatives available to the existing sector system. Therefore, it is critical to make the existing sector system work and not pose unrealistic alternatives that have the potential to strand more capital and put more people out of business. Initiating programs that assist fishermen with the capital needed to be active in the fishery are essential for the fleet, especially for those that have been adversely impacted by a hasty allocation formula adopted by the Council through Amendment 16.

2) Access:

With the strong encouragement of Congress, both the Council and NMFS need to maximize fishery access by eliminating all groundfish closures that are not critical for habitat protection purposes. Increasing access to stocks in proximity to small vessel fleets such as ours in Sector 10 will enhance our cost efficiencies given high fuel and other costs and move us toward financial viability.

In addition, leasing additional quota of stocks in close proximity will make a lot more business sense if that quota can be more easily accessed in a cost efficient manner. For those vessels that received very small catch-history based allocations under Amendment 16, leasing is one of the few options

they have for improving their financial viability—but again, only if that quota can be accessed in a more cost efficient manner. Currently, the costs of leased quota coupled with the cost of accessing that quota are prohibitive. Re-opening archaic near-shore groundfish mortality closures is a critical step to addressing this problem.

Finally to this point, please do not allow the Stellwagen Bank Sanctuary staff to take yet another needless bite out of our most important small-vessel fishing grounds. There are better ways to achieve what they want by tapping into existing habitat closures. They need to listen to the ideas of fishermen who have spent generations on this Bank. Let's not forget Stellwagen was established for the purpose of providing a sanctuary for our centuries-old fishery.

3) At Sea Monitoring Costs:

As described above, many groundfish stocks will have to rebuild far more, our ability to more fully utilize those stocks will have to increase substantially, and the overall financial stability of the sectors will need to improve dramatically before we can assume the costs of At-Sea Monitoring. This is NOT going to happen in fishing year 2012.

Notwithstanding the current requirement in Amendment 16 for the industry to assume these costs next year, Congress and the agency need to accept this reality and ensure that these costs are fully funded in FY12 and probably FY13. We certainly recognize the difficult budget climate you face in Washington these days, but the consequence of not funding A-Sea monitoring next year will be a collapse of the sector system and a whole lot of New England fishermen contributing to the unemployment rate.

Based on findings from a report prepared by Marcus Hartley of Northern Economics titled "A Review of Observer and Monitoring Programs in the Northeast, West Coast and Alaska, presented to the New England Fishery Management Council on September 28, 2011, in 2010, the At Sea monitoring program for all sectors cost \$4.3 million, which equates to an

average of 5.3% of the ex-vessel revenue. However, in my vessel class, the average amount was higher; 9.9% of the revenue—and my business costs are even higher, 35% for one-day trip. On top of all the other new costs associated with sectors, this is simply unsustainable. My business can not afford this, nor can any other business in the fishery. And, at a total cost of \$4.3 million, the At Sea monitoring cost equates to \$2.20 per pound of discards—which is completely absurd in terms of cost/benefit.

To this point, we are extremely grateful to Mr. Kerry and other Senators for securing language in the Senate’s bill to fund NMFS in FY12 that makes it clear that NMFS must fully fund At-Sea monitoring of the groundfish fleet in fishing year 2012. We can only hope and urge you to do everything you can to ensure that this language will survive the difficult battles that lie ahead in the FY12 appropriations process—and that this monitoring is indeed fully funded next year.

4) ACLs:

Thanks to you Mr. Kerry, and our other good friends in Congress and the State of Massachusetts, an enormous effort was made to get NMFS to adjust the initial ACLs for stocks managed under Amendment 16. Even small upward adjustments to these ACLS that would not have exceeded the overfishing limits could have made a huge difference in several ways—

- reduce inflated leasing costs that prevent our small vessel fleet from leasing our way out of the insufficient initial allocations they received under Amendment 16;
- thaw the ‘frozen’ sector trading system that is essential for sector viability and greater OY utilization; and
- increase the viability of individual fishermen with very small PSC allocations.

It seems there were two things that got in the way of the agency using common sense. First were the National Standard 1 guidelines that have

excess levels of precaution built into multi-layers of buffers which results in ACLs being set far below the Fmsy—the true overfishing limit. Congress should look into what changes can be made to these guidelines—either through statutory changes or otherwise—to achieve a greater utilization of OY. We all know that science and management have inherent uncertainties and risks, but these guidelines simply went too far in trying to address those concerns.

Second, it seems the agency was stymied by a pointlessly narrow interpretation of its own guidelines for using its emergency action authorities under the Magnuson-Stevens Act. Congress should very seriously consider re-writing the emergency action provisions in the statute to provide the agency with a more useful level of flexibility when common sense dictates. There should be a fail-safe mechanism built into the process when the results of Council and/or Scientific and Statistical Committee actions simply don't make sense and undermine the overarching purposes of the Act. That is what we thought the emergency actions provisions in the Act were meant to do—but clearly they didn't work in the case of the groundfish ACLs.

5) Rebuilding:

The bottom line is that we continue to under-harvest the groundfish stocks at an alarming rate. The sector system has not changed that and, in fact, the sector system will not achieve its objectives unless we can fix this. More utilization of the OY means more fish in the system—which will mitigate most of the problems discussed at the hearing today.

The current MSA provisions dictating arbitrary time-frames for achieving a fully-rebuilt biomass has no basis in science and has seriously undermined efficient fishery management and caused immeasurable and needless financial harm to US fishermen. That is because we are leaving vast quantities of sustainable yield in the ocean in order to rebuild a stock—not according to nature—but according to an arbitrary deadline set in a statute.

The truth is, the only thing we can control is fishing mortality. But that is only one component of what determines if, how and when a stock achieves rebuilding. No one can control the other 3 core components of recruitment, growth and natural mortality -- not Congress, not scientists and not fishermen. And, as we see year after year in groundfish stock assessments—not only are we completely unable to control those aspects of population dynamics, we cannot predict them with sufficient accuracy either.

The rebuilding provisions of the Magnuson-Stevens Act need to be reevaluated and revisited if we are ever going to be able to solve this problem. But, even the most thoughtful efforts to do this have been treated as if they are radioactive. We need some real leadership in this arena. We are wasting our fish and losing our fisheries. It's pointless.

We understand that at the request of Congress, the National Research Council may begin looking into this. We strongly encourage this and hope that the right people will be appointed to do this work, and that it will be a serious effort to find improvements. We sincerely hope this will provide the basis for Congress to take the difficult political steps needed to improve the statute.

6) Financial Assistance:

As mentioned above, through sectors our fishery has to absorb unprecedented costs to establish and operate sectors. While stocks have yet to rebuild and the sector system in its infancy, it is extremely difficult if not impossible for sectors to generate sufficient funds to meet these initial start-up and operations costs. We have received some financial support from the agency to date and frankly we could not have made it this far without it. But we are far from solvency—at least for my Sector 10. Additional direct financial support for sector start-up and operational costs is desperately needed.

Access to capital that is not readily available to the fleet is also critical. While many of us have managed to hold onto our permits this year, we literally cannot afford to fish. We cannot afford the inflated quota leasing costs or the cost of new permits with higher catch histories. We are stuck in limbo—desperately wanting to fish and generate revenue, but unable to buy our way out of port. While we hope and wait for Congress or the Council to make changes that will improve our circumstances, some form of financial assistance to those most disadvantaged by the change in allocation currency from Days at Sea to ‘catch history’ will be needed to bridge that gap. We ask you to seriously consider what Congress can do to help with this.

Thank you for the opportunity to present my views. I would be pleased to answer any questions.