

North Pacific Fishery Management Council

Eric A. Olson, Chairman
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October 19, 2011

Mr. Eric Schwaab
NOAA Assistant Administrator for Fisheries
1315 East-West Hwy, SSMC3, Room 14636
Silver Spring, MD 20910

Dear Mr. Schwaab:

As NOAA Fisheries is now on the verge of resolving its FY2012 budget allocations, we are writing to once again strongly urge the agency to provide the necessary start-up funding for our recently restructured groundfish observer program. While we understand that the FY2012 budget may result in overall reduced funding to NOAA, we believe that funding the initial, one-time start-up costs for this program is critical to the continued stewardship of our Nation's largest and most valuable fisheries. Last year the North Pacific Fishery Management Council (Council) took final action to restructure the observer program, in order to improve what is already a very successful data collection program. This action by the Council, if approved by the Secretary of Commerce, will provide the first full-scale, all fisheries, industry-funded observer program in the Nation. We are again writing to request the agency's support to help facilitate the Council's recent action and ensure that the program is implemented in a timely manner, such that the conservation and management objectives of both the Council and the agency can be supported by reliable and scientifically valid observer information. The program approved by the Council (detailed to you in our November 1, 2010 letter) retains a pay-as-you-go structure for many of the largest fisheries, and implements a fee-based structure for the remaining fisheries, thereby significantly reducing the necessary start-up funding needs, relative to earlier projections. **In order for this precedent setting program to be fully implemented in a timely manner, we are requesting NOAA to provide first-year, start-up funding of approximately \$3.8 million, beginning in January 2013.** It is our understanding that such funding would need to come from the FY2012 NOAA budget.

As conveyed in our previous letter, the Federal groundfish observer program in Alaska is the oldest and largest observer program in the Nation and the only one whose direct costs of deploying observers are entirely funded by industry.¹ NOAA and the Council have continued to refine, improve, and expand the program over time, but the funding mechanism has not changed. The North Pacific Groundfish Observer Program typically receives just over \$5 million in Federal funds to cover agency expenses associated with training, debriefing, and supporting observers in the field, as well as costs associated with data quality control, management, and analysis. The North Pacific groundfish industry pays the remaining \$13 million to \$15 million to cover the actual costs of deploying observers, including travel, accommodations, and insurance. In total, Federal funds typically represent about 25%–30% of the total program costs. The Council is aware that the majority of other regional observer programs are funded through appropriations from Congress, or otherwise from within the NOAA budget, and that NOAA allocated significant funds in FY2011 to catch share programs, a significant portion of which funded observer programs in fisheries managed under catch share programs other than the North Pacific. In previous correspondence on this issue, you noted that both the New England and Pacific groundfish fisheries will receive observer funding

¹ The only other fisheries with industry funding of observers are the offshore component of the West Coast Pacific hake fishery and the Atlantic scallop fishery. However, over 90 percent of the industry funding for observer programs is attributed to the North Pacific groundfish fisheries (Source: NMFS, 2009. National Observer Program Annual Report 2008, U.S. Department of Commerce, NOAA, NMFS, Silver Spring, MD.)

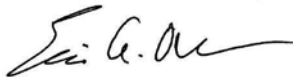
for up to three years in order to support the transition to new catch share programs. As you are aware, most of the fisheries in the North Pacific, which rely heavily on the observer program for their successful management, are in fact managed under some type of catch share program. **The North Pacific Council is at this time simply requesting sufficient, one-year funding to support its transition to a restructured observer program.**

The Council's recent action to restructure the program represents a significant step toward providing NOAA the flexibility to deploy observers in response to fishery management needs, and to reduce the bias inherent in the existing program, to the benefit of the resulting data. The fee assessment approved by the Council is not an insignificant amount for fishermen and processors to pay, and the Council heard strong concerns about the impact of this cost, especially on sectors with lower profit margins due to poor market conditions or reduced stocks. In spite of the costs, the fishing industry spoke largely in favor of restructuring the program, showing a willingness to partner with NMFS in what is truly a very large and positive step forward in the conservation and management of fisheries in the North Pacific. The Council strongly believes it is in NOAA's best interest to provide start-up funding to help implement the program that NOAA and the Council have worked so hard to develop.

Under the Council's preferred alternative, NMFS would enter into direct contracts with observer companies to provide observer services. Thus, start-up funds would need to be available to NMFS to move from the existing program structure to the new, contracted model, as NMFS cannot assign contractual task orders without having funds available. Thus, NMFS would need about \$3.8 million prior to the first year of deployment under the restructured program. Lacking Federal start-up funds, NMFS would need to collect sufficient fees from industry *in addition to* existing observer expenses for at least one year, in order to build up the funds necessary to issue task orders in the first year of a new program. Federal funds to transition to a restructured program would prevent the need to develop complex regulations and a fee collection system prior to deployment under a restructured program and allow NOAA to begin the new program more rapidly. This would represent one-time funding to initiate the transition from the status quo to a restructured observer program.

In summary, the North Pacific Council strongly encourages NOAA to provide start-up funding from the FY2012 budget in the order of \$3.8 million, in order to facilitate our efforts toward receiving more reliable catch and bycatch data to manage the North Pacific fisheries. Given the magnitude of this observer program, and its critical importance to the management and sustainability of the Nation's largest fisheries, we reiterate our belief that \$3.8 million is a relative bargain in terms of federal support of fisheries observer programs overall, and is an easily justified request. We strongly urge you to include this request in your upcoming budget formulations. Please contact me, or our Executive Director, Mr. Chris Oliver, if you have any questions in this regard.

Sincerely,



Eric A. Olson, Chair
North Pacific Fishery Management Council

cc: Dr. Jane Lubchenco
Dr. Jim Balsiger
Dr. Douglas DeMaster
Mr. Martin Loefflad
Mr. Glenn Merrill
Mr. Bob King
Mr. Dave Whaley

Senator Patty Murray
Senator Maria Cantwell
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Senator Jeff Merkley
Ms. Stefanie Moreland
Senator Lisa Murkowski
Senator Mark Begich