GOVERNOR'S TASK FORCE

ON THE

MAINE GROUNDFISH INDUSTRY

JUNE 2004

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OFFICE OF NO. 03 FY 04/05

THE GOVERNOR DATE August 22, 2003

AN ORDER CREATING THE TASK FORCE ON THE MAINE GROUNDFISH INDUSTRY

WHEREAS, the groundfish industry of the State of Maine is a vital component of the economy of the State and our coastal communities and heritage; and

WHEREAS, Maine relies on healthy groundfish stocks for recreational and commercial use; and

WHEREAS, the long-term health of the groundfish resource is critical to sustaining the State's working waterfronts; and

WHEREAS, Maine has experienced a fifty-one percent decline in its groundfish fleet since 1994, and the industry has experienced additional stresses, including those caused by the pending implementation of the updated Northeast Multispecies Management Plan known as Amendment 13; and

WHEREAS, current trends in groundfish biomass are signaling hope that groundfish stocks can be significantly rebuilt; and

WHEREAS, Maine must plan ahead for the effects of Amendment 13 and for a future day when groundfish stocks have returned to abundance;

NOW, THEREFORE, I, John E. Baldacci, Governor of Maine, do hereby establish the TASK FORCE ON THE MAINE GROUNDFISH INDUSTRY (hereinafter "Task Force").

Mission

The mission of the Task Force is to formulate recommendations about how best to rebuild groundfish stocks, and preserve and enhance Maine's groundfishing industry in the face of significant challenges and changes. To that end, the Task Force shall:

1. Weigh the short-term impacts of Amendment 13 and devise strategies that will preserve Maine's existing fleet and infrastructure;
2. Develop recommendations for a long-term plan to position Maine's fleet for future prosperity;
3. Contemplate the future composition of the fleet, and determine how the historic diversity, character, and existing geographical opportunities may be maintained;
4. Evaluate the future role of the Portland Fish Exchange, and ascertain how the benefits of the Exchange to the industry may be maintained;
5. Consider the future role of the Department of Marine Resources, including determining what new services, research, surveys, and stock assessments should be provided, and how those services should be funded;
6. Assess the future role of the State, including contemplating ways the State can further support the harvesting, processing, and distribution of groundfish;
7. Consider the future role of an industry coalition, and determine what might be accomplished by the industry if it works together across sectors;
8. Provide preliminary recommendations to the Department of Marine Resources for consideration at the Governor's Natural Resource-based Industries Summit; and
9. Submit recommendations to the Governor regarding strategies to rebuild, preserve, and enhance the long-term sustainability of the Maine groundfish industry.

Organization of the Task Force

The Task Force shall be composed of twelve (12) members, who will be appointed by, and serve at the pleasure of, the Governor. Those members appointed by the Governor will be broadly representative of the groundfish industry and will include fishermen, processors, managers, attorneys, and business people. In addition, the President of the Maine Senate and the Speaker of the Maine House of Representatives each may appoint one (1) member to the Task Force, who both will serve at the pleasure of their respective appointers.

The Commissioner of the Department of Marine Resources, or his designee, also shall be a member of the Task Force.

The Governor will designate a member to serve as Chair of the Task Force, who will preside at, set the agenda for, and schedule Task Force meetings.

Deadline for Recommendations

The Task Force shall submit its recommendations, along with any legislation needed to implement the recommendations, to the Governor on or before February 1, 2004. The Task Force, and the authority of this Executive Order, will dissolve on July 1, 2004.

Meetings

The Task Force shall meet as often as necessary to complete its assigned tasks. All meetings shall be open to the public and held in locations determined by the Task Force.

Prior to submitting its recommendations to the Governor, the Task Force shall hold a public hearing to entertain comments on the draft recommendations.

Staffing/Funding

The Department of Marine Resources shall provide staff support to the Task Force, drawing on existing resources. The Department may utilize its existing authority to accept contributions and donations of money, services, and supplies to support the work of the Task Force.

Effective Date

The effective date of this Executive Order is August 22, 2003.

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John E. Baldacci, Governor

GOVERNOR'S TASK FORCE ON THE GROUNDFISH INDUSTRY

LIST OF MEMBERS

1. Jill Goldthwait, Chairman
   Maine State Senator, 1994-2002
2. Robin Alden
   Commissioner, Department of Marine Resources, 1995-1997
3. Vincent Balzano
   Fisherman, Portland
4. Edward Bradley
   Marine lawyer
5. Alan Caron
   President, Caron Communications
6. Randy Cushman
   Fisherman, Port Clyde
7. Terry Harriman
   Seafood Manager, Hannaford Bros.
8. Richard Klingaman
   President and owner, Stinson Seafood Co., 1990 - 2000
9. John Norton
   President, Cozy Harbor Seafood
10. David Pecci
    Owner/Operator Obsession Charters
11. Hank Soule
    Executive Director, Portland Fish Exchange
12. Elizabeth Sheehan
    Coastal Enterprises Inc.
13. Robert Tetrault
    Fisherman and business owner, Portland
14. Dennis Damon
    State Senator, Senate Chair of the Joint Standing Committee on Marine Resources
15. Leila Percy
    State Representative, Member of the Joint Standing Committee on Marine Resources
16. George Lapointe
    Commissioner, Department of Marine Resources

DEPARTMENT OF MARINE RESOURCES STAFF

1. Lewis Flagg
   Deputy Commissioner for External Affairs
2. Susan Inches
   Director of Industry Development
3. Cindy Smith
   Resource Management Coordinator

INTRODUCTION

In February 1999 the New England Council embarked on the development of Amendment 13 to the groundfish management plan. As the plan progressed under the added pressure of litigation by environmental groups it became evident that the impact of new regulations could be devastating to what remains of Maine's groundfish fleet and shore-based infrastructure.

Recognizing this impending crisis, the groundfish industry appealed to the Governor for assistance. In response Governor Baldacci issued an Executive Order creating the Task Force on the Maine Groundfish industry. The Task Force consists of sixteen members from a diverse field of interests including commercial and recreational fishermen, processors and retailers. The Task Force met from November 2003 to June 2004, often joined by other industry members whose comments were welcomed at the meetings. A public hearing was held at the Maine Fishermen's Forum in March of 2004.

This report contains the response of the Task Force to the nine specific charges in the Governor's Executive Order, including recommendations on how the industry may be assisted to survive the current crisis and expand in the future to capitalize on groundfish stocks that are already on the way to recovery. The groundfish resources of New England offer a significant economic opportunity for Maine coastal fishing communities. It is a fishery that has been very much a part of the culture and tradition of Maine since the earliest coastal settlements.

EXECUTIVE SUMMARY

Maine and its fishing communities are facing one of the greatest threats in their three hundred year history. During the last two decades Maine's annual groundfish harvest has dropped from 80 million pounds to less than 20 million pounds today. Dozens of fishing vessels and seafood processors have gone out of business, and the relatively few that remain are the bare minimum required to maintain a viable stake in the industry. Now, new federal fishery regulations, which are intended to accelerate the restoration of fish stocks poses an immediate threat to the survival of Maine's groundfish fleet and the hundreds of businesses up and down the Maine coast that support it. Under these new regulations, known as Amendment 13, the government estimates over 300 jobs will be lost, and Maine's place as the second largest New England groundfish landings state is in jeopardy.

There are brighter days on the horizon if Maine's fishing fleet can survive to benefit from them. Federal regulators estimate that groundfish catches will triple over the next few decades, increasing in value from $100 million to over $300 million and creating hundreds or thousands of new jobs in Maine's working waterfront.

The challenge Maine faces is how to protect and strengthen our groundfish industry so that it can weather the next few years and survive to reap the benefit of those increasing populations of fish. Maine now must choose its path. We can choose to stand by and hope, or we can take action now to ensure that groundfishing remains as important in our future as it has been in our past. Fishing will be a growth industry over the next 20 years. The question is will it grow in Maine or somewhere else?

Recognizing the impending crisis posed by Amendment 13 and the opportunities that are ahead, Governor John Baldacci created a Groundfish Task Force to identify threats to the survival of the industry and ways to overcome those threats. The task force represented a diverse field of recreational and commercial fishermen, seafood processors and retailers, state officials, and elected representatives. The task force identified two goals:

1) Preserve the remaining elements of the commercial and recreational fisheries, consisting of both fishermen and shoreside infrastructure.
2) Position the industry to be prepared to take advantage of the future abundance of fish populations.

The Task Force recommends a series of steps that the State can take to preserve the fishery including:

- Acquire fishing rights and permits that will allow Maine fishermen to stay in business until stocks increase. Over the last several years, many of our small, coastal fishermen have lost their harvesting permits. The loss has been particularly acute in fishing communities east of Rockland. Acquiring fishing rights will ensure Maine retains a diverse, geographically decentralized fleet where the economic benefits of increasing harvests are distributed spread along the entire coast.

- Eliminate disadvantages for vessels working from Maine ports. A combination of state and federal policies makes Massachusetts a more attractive port of call for groundfishing vessels. Most of these disadvantages can be reduced or eliminated.

- Seek immediate federal disaster assistance to allow critical infrastructure to survive.

Over the longer term, we need to redevelop our fishing capacity to take advantage of tomorrow's increasing stocks. Specifically, Maine should:

- Send to the voters a Maine Fisheries Bond Issue in excess of $10 million dollars that will help to develop infrastructure, reduce loan rates, create a revolving loan fund, improve management and marketing, and promote research and product development in Maine's fishing industry. That Bond will give the people of Maine an opportunity to support our fishing heritage while creating jobs and positioning Maine to lead in the sustainable use of New England's recreational and commercial fishery resources.

- Support additional and continuous long-term funding for research and monitoring of groundfish stocks by the State. This data is needed to support management of sustainable commercial and recreation fisheries.

- Actively support the creation of an industry coalition of broad-based fishing interests (including representation from a groundfish advisory council) to educate and promote fishing interests to both the public and the state legislature. Members could be drawn from both harvesting and shoreside businesses from the many fisheries conducted from Maine ports.

MAINE'S GROUNDFISH INDUSTRY TOMORROW

Maine's groundfishery is one of few natural resource-based industries that offers real growth potential. The task force believes the groundfish resources of New England offer a significant opportunity for economic development within Maine's coastal fishing communities. Since the earliest settlements along the coast, fishing has been a primary part of the culture and tradition of our state. Immediate steps are required to avert the crisis posed by Amendment 13. But crisis can be averted and Maine can be positioned to secure a leading role in the New England groundfishery.

The task force envisions a Maine groundfish fleet comprised of vessels sailing from and returning to ports from Kittery to Eastport. It envisions community shoreside infrastructure – fleet suppliers, seafood processors, and service organizations – which are locally self-sustaining. It envisions populations of fish abundant enough to revitalize Maine's recreational groundfishery for the use and enjoyment of citizens and tourists alike. It envisions an industry that accounts for thousands of jobs in Maine's coastal economy, fueled by the private sector and supported by state policies, which are fishing-friendly and attuned to the long-term, sustainable growth and use of the groundfish resource.

FINDINGS

The Groundfish Task Force makes the following findings:

1. Amendment 13 (AM 13) is a set of federal measures designed to restore stocks. However, the pace of rebuilding those stocks threatens to decimate the Maine commercial fishing industry before the rebuilding targets are achieved. AM 13's reductions in fishing opportunity will cause some businesses to operate below break-even. Shoreside businesses are especially vulnerable to failure because they cannot relocate and they rely on vessels working from Maine ports.

2. Groundfish stocks are predicted to triple under Amendment 13. This will create a $300-$400 million opportunity for the New England groundfish fleet. Maine must preserve its existing business infrastructure and prepare for the opportunity provided by stock rebuilding.

3. The groundfish industry has been shrinking for more than a decade. Stocks are rebuilding but additional regulatory restrictions will further reduce the size and diversity of Maine's industry.

4. Low abundance of stocks in some nearshore areas, and federal regulations have resulted in a loss of fishing opportunity for many small-scale and seasonal commercial groundfishermen in Maine.

5. Loss of fish nearshore has eliminated most of the recreational and personal use fisheries for groundfish.

6. Recovery of groundfish stocks is essential to both the recreational and commercial fishery. The recreational fishery would benefit from the fastest recovery possible. For the commercial fishery, a more measured pace of recovery will allow more fishing businesses to survive.

7. Federal scientists have documented that nearly all populations of fish are rebuilding. The additional reductions in harvesting effort implemented in AM 13 may not be essential to population recovery, but are needed only for recovery to occur within the ten-year time frame required by the law.

8. AM 13 regulations and fishing-friendly Massachusetts state policies give Massachusetts fishermen a competitive advantage. Boats are leaving Maine to fish from and land their catch in Massachusetts on a regular basis. The Maine industry cannot compete against states that aggressively support their fishing industry.

9. Severe effort restrictions combined with fleet relocation have already caused significant losses for Maine's groundfish support businesses on shore.

10. The Department of Marine Resources (DMR) is so under-funded that its role has become almost entirely regulatory. It is not able to effectively carry out its fisheries development and management responsibilities.

11. The failure of industry to develop a united groundfish coalition has limited the opportunities for groundfishermen to have an effective voice at the state and federal level.

RECOMMENDATIONS

ACCESS and ENTRY

CURRENT CRISIS

1. The Groundfish Task Force recommends that the State immediately seek $5 million in federal emergency relief funds for a Groundfish Industry Relief Fund (GIRF). The Groundfish Task Force recommends that $2 million of the GIRF be utilized to establish a pilot program through the Portland Fish Exchange (PFE) to acquire and issue Days-At-Sea (DAS) to ME vessels that will sell their catch through the PFE.

2. The Groundfish Task Force recommends that the DMR establish a program to acquire fishing DAS for lease to ME vessels. The goal of the program is to restore the number of active DAS held by ME vessels to at least the level held in January 2001. The Groundfish Task Force recommends that vessels acquiring DAS from the State be required to land their catch in ME.

3. The Groundfish Task Force recommends that $1 million from the GIRF be used to help communities east of Rockland secure groundfishing opportunities.

4. The Groundfish Task Force recommends that the State make funds available from the GIRF for shoreside businesses endangered by the implementation of AM 13.

FUTURE OPPORTUNITY

5. The Groundfish Task Force recommends that the State acquire inactive (latent) permits that will be available for use in the future as stocks rebuild.

6. The Groundfish Task Force recommends that the DMR assist Maine fishermen holding C DAS to register their permits in the Confirmation of Permit History (CPH) program to preserve their potential to fish in the future. The DMR should work with NMFS and the Council to assure that permits in CPH will be re-activated as stocks recover.

INCREASING COST COMPETITIVENESS WITH OTHER STATES

Lobster Landings

7. The Groundfish Task Force recommends that Maine groundfish fishermen who forego landing non-trap caught lobster be compensated with additional DAS or some other mechanism to help offset the revenue lost by discarding lobsters bycatch.

Sales Tax Exemption

8. The Groundfish Task Force recommends a sales tax exemption on diesel fuel for all federally permitted, active groundfish vessels.

9. The Groundfish Task Force recommends that ice for use by fish processors be exempt from sales tax.

Steaming Time

10. The Groundfish Task Force recommends that the DMR continue to facilitate industry efforts to develop a position on steaming time for presentation to the New England Fishery Management Council and NMFS.

Health Care

11. The Groundfish Task Force recommends that the Dirigo Health Plan accommodate the needs of the harvesting and shoreside sectors of the groundfish industry with benefits that are at least comparable to those available through the MA Fishermen's Health Plan.

12. The Groundfish Task Force recommends that information on the Dirigo Health Plan including cost, availability and application process be sent to all Maine commercial fishermen in routine DMR communications.

Unemployment Compensation

13. The Groundfish Task Force recommends a reinstatement of the provisions in the Maine Unemployment Compensation Program that allow fishing businesses, on a voluntary basis, to enroll crew members who are paid on a 'share' or 'lay' basis.

14. The Groundfish Task Force recommends that unemployment regulations be amended to accommodate daily variation in work opportunity (e.g. sporadic shut downs at processing plants due to lack of product) for processing and shoreside, fishing-related employees.

SHORESIDE INFRASTRUCTURE

15. The Groundfish Task Force recommends that state tax incentives be created to encourage private investment in seafood processing, fisheries-dependent shoreside businesses and fishing vessels.

16. The Groundfish Task Force recommends that the State provide legal and business planning assistance to fishing businesses and communities interested in acquiring additional DAS or permits.

Working Waterfront

17. The Groundfish Task Force recommends the development of a groundfish port strategy that will secure the position of the groundfishing industry on Maine's waterfront.

18. The Groundfish Task Force recommends that the State support a constitutional amendment proposing current use taxation for working waterfront property.

Seafood Processing and Marketing

19. The Groundfish Task Force recommends the State develop post secondary education and training programs for current and future workers in the seafood industry.

20. The Groundfish Task Force recommends the industry work with the legislature to obtain funding for the development of a marketing program for Maine seafood and value-added products to increase demand and stabilize prices for the product.

INDUSTRY COALITION

21. The Groundfish Task Force recommends that the State convene a wide array of fishing industry interests and actively support those interests in the creation of a permanent coalition to advance unified positions on matters important to the industry.

22. The Groundfish Task Force recommends that the DMR create a Groundfish Advisory Council to advise it on groundfish management and development issues for the commercial and recreational fisheries.

23. The Groundfish Task Force recommends that the State continue to support the Working Waterfront Coalition as a forum to represent a wide range of waterfront interests.

24. The Groundfish Task Force recommends that Maine representatives to state and federal fishery management boards, commissions and councils undergo an orientation process and be supported with timely and thorough briefings, consultation and coordination with DMR and industry.

STATE BOND

25. The Groundfish Task Force recommends that the Governor propose a Fisheries Protection Bond that would fund the acquisition of fishing permits and DAS for lease to Maine fishermen to preserve groundfishing opportunities. Bond funds could also cover urgent expenditures necessary to secure development rights, create a revolving loan fund, maintain and develop public shoreside facilities and promote research, product development and marketing.

OTHER ISSUES

Sustainable Fisheries Act

26. The Groundfish Task Force recommends that the Sustainable Fisheries Act (SFA) be amended to balance the health of the resource and the economic viability of the commercial and recreational sectors of the fishing industry and coastal communities.

Vessel Insurance

27. The Groundfish Task Force recommends the State Board of Insurance report to the Joint Standing Committee on Marine Resources on the cost and accessibility on vessel insurance and the fishing restrictions in current policies.

FUTURE ROLE OF THE DMR

28. The Groundfish Task Force recommends that the State increase its capacity to conduct research and monitor both commercial and recreational groundfishing and gather habitat data.

29. The Groundfish Task Force recommends that the State expand its ability to analyze fisheries management proposals to determine the impacts on the Maine industry.

30. The Groundfish Task Force recommends that the State focus on developing convenient, real-time data collection techniques with the ability to process data for fast turnaround and use in the management process.

31. The Groundfish Task Force recommends that the state fund the DMR at a level that allows it to fulfill its fisheries management and development mission.

Section I INDUSTRY BACKGROUND

I.1 Commercial Fleet

Maine's commercial fishing industry has expanded and contracted since 1976, as has the rest of New England's, but has now reached an historic low and is on the brink of collapse. The existing Maine fleet consists of about 150 vessels that still pursue groundfish, predominantly out of Portland, and a small boat fleet, mostly located downeast, that is excluded from the fishery by regulatory changes and lack of nearshore groundfish.

Prior to the adoption of the Magnuson Fishery Conservation and Management Act (MFCMA) in 1976, the state's small boat fleet declined due to stock depletion caused by foreign fishing. Documentation of the number of vessels participating historically is virtually impossible because no records were maintained.

After passage of the MFCMA, the American fleet doubled due to expulsion of foreign fishing boats and governmental programs that encouraged investment in the industry. Maine's fleet and landings peaked in the early 1980's with over 300 vessels landing about 80 million pounds and then began a steady decline to a low of 160 vessels landing about 15 million pounds in 1999. By 2002, landings in Maine had increased only slightly to 20 million pounds. Vessels impacted in the mid-1980s by the cancellation of reciprocal fishing agreements with Canada and the delineation of The Hague Line focused their fishing efforts in the Gulf of Maine, which in turn led to stock declines in the early 1990s. Appendix 1 shows the increase in the number of fishing vessels and the decrease in landings over time.

Federal litigation initiated by the Conservation Law Foundation (CLF) in 1991 generated a decade of increasingly restrictive regulations on the groundfish fleet that have severely restricted fishing effort while trying to allow stocks to rebuild. About 50 Maine vessels left the fishery during the 1990s.

In response to the litigation and declining stocks, the New England Fishery Management Council (NEFMC) and National Marine Fisheries Service (NMFS) implemented severe restrictions in fishing effort starting in the mid-1990s. These regulatory restrictions led to a contraction of the industry to Portland and the disappearance of the groundfish industry elsewhere throughout the state. Fishermen report a lack of reliable, professional, trained crew. Fisheries once conducted in ports including Eastport, Jonesport, Bar Harbor, Stonington, Vinalhaven, Boothbay, Kennebunk and York have all but disappeared. Some vessels remain in other ports in the western half of the coast but almost all supporting services are gone. The remaining fishery is conducted by local families who continue to fish from home despite increasing economic pressure to leave the fishery altogether. Almost without exception, these harvesters must truck their product to Portland for sale and distribution because their homeports no longer provide processing or other support services locally.

Groundfish are an extremely important part of the mix of fish that can support a Maine fishing industry. It is a recent phenomenon (since the 1960's) that fishermen have become specialized as lobstermen or groundfishermen. Prior to the stock depletions caused by the foreign fleets in the 1960's and the subsequent licensing by the federal government in the rebuilding since then, the majority of fishermen in Maine were diversified, fishing lobster, herring, groundfish, scallops

and anadramous fish. Then, as now, there were also some large-scale vessels that did specialize in groundfish.

What is at risk with the loss of the groundfish industry in Maine is not just the current groundfishery and support industries but the entire commercial fishing industry because it is insupportable, long term, to be dependent on just one fishery—lobster. The state continually loses in the NEFMC arena because Maine has different ecological, economic and social conditions than the core of the NEFMC area.

I.2 Recreational Fleet

The groundfish recreational fishery was largely forced out of business when the stocks were diminished in the nearshore areas due to fishing pressure or stock relocation. Forty years ago, there were over fifty recreational vessels participating in the Maine for-hire industry. Today, only four are still operating, due to the loss of the groundfish resource.

According to a NMFS survey, there are over 350,000 anglers currently participating in the Maine saltwater recreational fishery. However, these anglers, whose groundfish catch once represented 52% of all recreational landings, now must depend almost entirely on other species, primarily striped bass, mackerel and bluefish. Groundfish now represent only about 7% of the current recreational landings.

Indirect benefits of the recreational fishery include retail and tourist based industry such as restaurants, hotels, boat rentals and sales, boat service, and tackle shops.

I.3 Shoreside Infrastructure

In the 1980's, the state of Maine, in conjunction with the City of Portland, developed the Portland Fish Pier. The Fish Pier provided a point of concentration for groundfish vessels and supporting business infrastructure. In 1986, the Portland Fish Exchange (PFE) opened on the new pier, providing a display auction for groundfish that served as a model for the region.

There are significantly fewer groundfish processors then there once were, and most of those that remain are in Portland. Since 1981, over forty processing plants have gone out of business. At that time, most Maine groundfish processors relied on Maine-landed fish for their raw material. However, because the regulatory restrictions that started in 1994 led to inconsistent deliveries of locally caught product, seafood processors have been forced to diversify to continue operating and consistently fill customer orders. Some processors import whole frozen fish to process, some import fillets and others have diversified into lobster and shrimp processing. Currently, Maine processors rely on raw material caught or grown outside Maine and supplement their production with Maine product.

Other shoreside businesses include the suppliers of goods and services to commercial vessels such as electronics, gear, fuel and oil, ice, net builders and menders, fabricators, welders, engine service, and hydraulic repair. These have also declined. Commercial fishing gear suppliers have all but disappeared from the State. Portland, which in the late 1980s supported four commercial fishing gear companies, now supports only one and, despite the lack of competition, that company has been forced to cut back on its service locations and hours of service. One of the

two commercial-scale ice suppliers in Portland has closed leaving just one to supply virtually all the ice to the fleet.

Section I.4 A Summary Of Regulatory History

The regulatory history illustrates the increasingly complicated nature of regulations since the passage of the original Magnuson Act in 1976. Many attempts were made to maintain the health of both the resource and the industry. Appendix 2 links regulatory changes with changes in fleet size and landings. Appendix 3 contains a more detailed description of regulatory changes.

Section II AMENDMENT 13

II.1 Amendment 13 Summary

Amendment 13 is the most recent in a decade of regulations designed to restrict fishing effort and allow stocks to rebuild. It is unique, however, because it implements severe cutbacks in the commercial fishery at a time when stocks are already rebuilding. The Sustainable Fisheries Act (SFA) mandates that when a fishery is designated "overfished" the Council must enact management measures that will produce the rebuilding of stocks to sustainable levels within ten years.

The stated objectives of AM13 are to rebuild overfished stocks, end overfishing, reduce unused effort in the fishery, reduce bycatch and minimize the impact of the fishery on habitat and protected species.

Environmental groups filed a lawsuit in 2000 (Conservation Law Foundation v. Evans, 209 F Supp. 2d, 1(D.D.C. 2001)) against the federal government alleging that the rebuilding plan in the fishery management plan was inconsistent with the overfishing definitions in the SFA. Federal District Court Judge Kessler ruled in favor of the plaintiffs and presided over an interim settlement agreement that immediately imposed a 20% reduction in DAS. AM 13 is a response to both the new stock rebuilding standards established by the SFA and the pressure generated by litigation.

In 2000 and 2001, scientists re-evaluated the models they use to estimate stock size and develop rebuilding targets. The results of that re-evaluation significantly raised the rebuilding targets for all groundfish stocks. The new targets indicated that additional restrictions in fishing effort were necessary to allow the stocks to reach the new targets within the ten years mandated by the SFA.

NMFS' own economic analysis shows that many vessels will be forced to operate below the break-even point (see appendix 4). Amendment 13 adds an additional 40% restriction on vessel DAS to regulations which were already demonstrated to be rebuilding groundfish stocks. Thus the fishing industry has been subjected to additional effort restrictions even though the NMFS biological analysis shows that most stocks would rebuild, though more slowly, without the new restrictions.

The cost to Maine commercial fishing businesses is of questionable benefit. Sustainable fishing practices and a return to levels of stock abundance that will serve Maine's inshore commercial and recreational fisheries are essential, but it makes no sense to risk the loss of the commercial

fishing industry to achieve rebuilding rates that are only incrementally faster than those which are projected under regulations existing prior to the adoption of AM 13.

II.2 Impacts of Amendment 13 On Harvesters

Under AM13, consolidation of the fleet will accelerate. This will stress shoreside businesses to the limit of their ability to stay in business. The critical question for the shoreside business owners is whether they will survive until stocks recover.

1. Many Maine vessels will not meet the AM 13 baseline criteria to qualify for fishing DAS and will not be allowed to fish for groundfish at all.

2. According to the NMFS AM 13 economic analysis, nearly all vessels in the fishery will be operating below break-even for the next several years. This will cause some businesses to fail and force some Maine-based vessels to relocate to other ports, most likely in Massachusetts. It will also lead to consolidation of the fleet, as many small and medium vessels will sell their permits or lease their DAS to people who have sufficient assets to buy and hold them for the time when fish stocks are abundant again.

3. Sporadic supply of fish will force processors and wholesalers to further substitute imported fish or other species in order to maintain their markets. When groundfish stocks rebuild, it may be difficult for New England fisheries to reclaim these markets for groundfish and secure a fair price for their product due to competing imports and species.

4. Some shoreside businesses, such as ice and fuel dealers, cannot relocate and may be forced out of business. In the short term this will lead to higher prices and a decline in services that could cause additional vessels to relocate.

5. Lack of fish or sporadic supply could lead to the collapse of the Portland Fish Exchange (PFE). Loss of the PFE would force vessels to make private sales with processors, putting some harvesters at a disadvantage in negotiations and forcing prices lower than they are with the current auction system. Loss of the PFE would force Maine vessels to truck their product out of state to be sold, and would also remove a critical incentive for vessels to fish from Maine ports.

6. Given intermittent work opportunities at processing plants, workers will quickly find work elsewhere, leaving seafood processors without a trained workforce.

7. Loss of shoreside facilities could be permanent, as shorefront property is highly sought after for non-fishing related development.

8. Loss of income due to reduced fishing DAS will continue the trend of owners being forced to postpone or eliminate routine maintenance, resulting in additional safety concerns for the groundfish fleet.

9. Consolidation of the fleet via permit transfer and leasing DAS was developed as a way to mitigate the sharp reductions in fishing opportunity experienced by each permit holder,

but many vessel owners cannot afford to acquire the additional permits or DAS they need to stay in business.

II.3 Effects of Amendment 13 on Shoreside Businesses

The businesses most vulnerable to regulatory cutbacks under AM13 are shoreside facilities such as fuel, ice and gear dealers, piers, wharves, welding and repair shops, and net-makers. These businesses depend on numbers of vessels and numbers of trips to make their businesses work. Prior to AM13, these services were at the minimum critical mass to support the fleet. There were once two ice dealers in Portland, now there is only one. There were once four gear shops in Portland, now there is only one, with limited inventory. There is not enough ice in Rockland or Port Clyde, resulting in small pickup truck loads of ice being delivered individually to vessels, which is inefficient.

Under AM 13, consolidation of the fleet has started and will continue to take place. This will stress shoreside businesses to the limit. The critical question for them is whether they will have enough business to carry them until stocks recover. Relief strategies including direct subsidy, loan guarantees, and incentives to attract more boats to Portland should all be considered to support this segment of the industry.

Section III FUTURE OF THE INDUSTRY

III.1 Commercial Fleet

The remaining components of the commercial industry must be preserved and groundfish stocks managed in such a way that coastal and offshore stocks return to abundance levels that will support a diversity of vessel sizes and gear types. The state's coastal communities are best served by a diverse fleet of commercial vessels geographically dispersed from the New Hampshire border to Eastport with concentration in fishing ports that have historically supplied the fishery.

An ownership pattern that encourages owner-operated family enterprises as opposed to absentee corporate ownership of the fleet offers the broadest employment base and most closely follows the traditional fishing practices in Maine. Fishing businesses based on the family structure allow the preservation of coastal communities. Conversely, recommendations that concentrate ownership of vessels, DAS, or other forms of fishing access by individuals or entities that are not involved in the daily operations of the fishing fleet weaken the community structure. Governmental action that discourages individual citizens from continuing to fish is contrary to the interests of the State of Maine.

III.2 Recreational Fleet

Recreational groundfishing is totally dependent on stock abundance. A healthy groundfish stock in Maine could result in an increase in recreational activity yielding in excess of $14 million annually. This would put the total recreational value at $41.5 million.

These economic benefits would be realized by local retail and tourist-based businesses such as charter and headboats, restaurants, hotels, boat rentals, boat sales, boat service, tackle shops and other shore-side facilities. A shore-based fishery would also develop. This fishery would re-

establish a basic outdoor experience that has not been available to an entire generation. A restored recreational groundfish fishery might also provide job opportunities for displaced commercial fisherman as it has done in other states.

III.3 The Department Of Marine Resources

The knowledge base for marine research in general and sustainable fisheries management in particular is grossly under-funded at a time when calls for ecosystem-based management are increasing the demand for knowledge.

To achieve ecosystem-based management and to better manage the fishery at both the state and federal levels, the State must have additional information on the status and trends of the resource and the industry, as well as oceanographic and habitat data on the Gulf of Maine and Georges Bank.

Currently, the state's Department of Marine Resources does not have the capability to fully develop or evaluate alternative management measures. In the interstate and federal arenas, this inability to evaluate management proposals in terms of their impact on Maine fishermen is a significant handicap. The result, in a state with limited political influence, is the adoption of regulations that disadvantage Maine fishing communities.

III.4 The Portland Fish Exchange

The Portland Fish Exchange has had a tremendous influence on the market and pricing of Maine groundfish since opening in 1986. By consolidating the harvest of nearly 150 vessels into one market, fish buyers from Maine to New York have access to 90% of the fish landed in Maine in one location. The auction currently has 25 registered buyers who represent a diversity of seafood businesses.

Without the auction, fishermen would have to find and negotiate sales with buyers on their own. This can add cost and uncertainty to a fishing operation. Further, without access to a broader market, harvesters would sometimes be forced to accept low prices in order to move their highly perishable products to market quickly. The PFE ensures prompt payment to fishermen, helping them to avoid cash flow problems.

The existence of the PFE allows family-owned fishing vessels to stay in business on a small scale, buyers to have full access to the fish landed in Maine, and Maine harvesters to have a role in supplying the global seafood market.

The benefits of the Portland Fish Exchange include:

- A non-profit public corporation owned and operated by the City of Portland governed with board representation by both buyers and sellers of fish;
- A regular display auction where buyers can inspect fish and where fish quality is reflected in the bid price;
- Establishment of a regional market place, with bonded buyers representing seafood companies from Maine to New York;
- An up-to-date transaction settlement system, which collects from buyers and ensures payment to harvesters within 24 hours of sale;
- Maintenance of published daily pricing on all species, promoting market transparency;

- Representation of harvesters on the auction floor, effectively setting a price floor for all species of fish; and
- An offering of essential services including vessel unloading, a refrigerated display and holding area, regularly scheduled auctions, stacking and boxing services, truck bays for shipping and information services such as vessel landings histories.

According to the 2003 PFE Strategic Plan, issues affecting the survival of the Exchange include reduced landings due to new regulations, competitive advantages of out-of-state ports, vertical integration and consolidation of the industry, extreme price fluctuations due to inconsistent local supply and increasing competition from imported fish, and growing negative public and political perceptions that the groundfishing industry is in decline. (See appendix 5.)

The PFE Strategic Plan includes a number of specific goals. Foremost is to prevent and reverse vessel relocation to other ports, and to support local and state measures that will assure a steady supply of fish. The PFE is also interested in improving its operational efficiency, becoming more involved in the regulatory and political process, and using technology for a number of day-to-day advancements as well as for producing data usable for stock assessments in the management process

Section IV ACCESS TO THE FISHERY

IV.1 Maine's Loss of Access Under AM 13

AM 13 reduces the DAS allowed to approximately 53 days per fishing year for the average vessel. According to NMFS calculations, the reduction in fishing days under AM 13 means that nearly all Maine groundfish vessels would be forced to operate close to or below their break-even point. (See appendix 4 for the economic impact section on Maine from Amendment 13).

In 2001, 12,000 active fishing days were allocated to Maine groundfish permit holders. In 2004, following the implementation of AM 13, Maine fishermen were allocated 8,632 fishing days. Therefore, in order to bring Maine's groundfishery back to the 2001 level of allocation, a total of 3,434 active fishing days would have to be acquired and allocated to Maine vessels. At a cost of $2,000 per day (an estimate of what fishing days are worth in 2004) the total cost is estimated at $6.8 million.

Three classes of fishing days were created from a baseline developed from each permit holders' fishing history. "A" DAS are active fishing days. "B" DAS are reserved for Special Access Programs (SAPs) that allow fishing for abundant species in specific areas and subject to specific rules. "C" DAS are not fishable, but may be held in reserve until stock abundance allows them to be fished.

In the earliest years of the new plan, fishermen's " A" DAS allocation will be about 33% of the days they could fish in 1994. The rest of their fishable days will be allocated as "B" DAS, which can be used only to fish for stocks that can support additional fishing pressure in SAPs. Only one SAP is approved so far and it is well offshore, beyond the reach of most Maine vessels. Vessel owners who do not meet the requirements for "A" or "B" DAS will receive only "C" DAS, which are not usable at this time. Finally, there are numerous other restrictions designed to limit mortality and allow stocks to continue to rebuild.

IV.2 Permit Transfer and Leasing

Prior to AM13, vessels were not allowed to "combine" permits onto one vessel by buying another vessel and adding that vessel's DAS to their original vessel. As AM 13 was analyzed, it became clear that some kind of consolidation provision would be needed to give vessels that choose to remain in the fishery a chance to remain financially viable. The State of Maine successfully advocated allowing permit transfer and leasing in the final federal amendment.

Permit transfers are only allowed between vessels in the same size class. There are several disincentives for transferring a permit, however. A 40% "conservation tax" (a reduction of 40% in usable fishing days) is imposed on the transferred permit and a vessel must surrender all other fishing permits if its groundfish permit is transferred. The balance of the days transferred then become a permanent allocation of additional days to the receiving vessel.

Vessels are also allowed to lease "A" DAS from another vessel in the same size class, without purchasing the vessel. There is no "conservation tax" on leased days. Leases are limited to one year and the leasing program will sunset after two years, unless extended by Council action.

IV.3 Restoring Access: A Community DAS Leasing Program

Under the permit transfer and leasing provisions in AM 13, seafood processors, fuel or ice dealers, municipalities, states or other public and private entities can purchase vessels with permits, tie up or haul the vessel, and lease the DAS to other fishermen.

This opportunity for community involvement in acquisition of fishing effort has led to an intense debate over the merits of community participation. Because of the obvious benefits additional fishing days could provide—retaining more vessels in the fishery and supporting the shoreside industry-- the Task Force is recommending that a portion of any federal disaster money acquired by the State be used for this purpose. The Portland City Council has also recognized the importance of acquiring additional fishing opportunities (DAS) for use by Maine vessels and discussed several options on how it could be accomplished in the Mayor's Task Force Report. (See Appendix 6.)

Some Maine fishermen want to lease DAS and have assets in place that can collateralize a loan to purchase the additional days. There are other fishermen who don't intend to purchase additional fishing permits and have considered selling out of the business altogether, though most in this group would rather fish if they could find a way to do so without taking on more debt or more risk. For those undertaking the purchase of additional DAS, additional cuts in DAS or a closure of the fishery altogether could mean they own an asset that has no income potential and perhaps no value.

A community DAS program could assist fishermen by increasing their fishing days while allowing them to avoid the risk of buying a permit themselves. It would also support shoreside businesses by requiring that the fish harvested be landed in the state of Maine.

A community DAS program would be costly to set up and administer. Revenue from leasing DAS would not be likely to cover all the costs of initiating and maintaining a community DAS program. Public or private grant funds would have to supplement loan funds.

IV.4 Loss Of Access To Other Fisheries Over The Past 20 Years

Maine fishermen have traditionally changed the focus of their efforts through the seasons and throughout their lifetime based on stock abundance. Groundfishermen may have re-directed effort to shrimp, urchins or lobster. During the past twenty years, a number of regulatory measures occurred which decreased access to other fisheries they used to rely on to supplement their income. A number of fisheries (offshore scallops, herring, squid, mackerel, butterfish and summer flounder) that have come under federal management are closed to new entrants, thus further reducing the options available to groundfish fishermen who want to remain in commercial fishing and land product in Maine.

IV.5 Loss of Recreational / Personal Use Access

Because of low stocks of groundfish, the recreational fishery has all but ceased to exist along the coast of Maine. Recreational access to groundfish depends on a higher level of stock abundance than that needed by the commercial fishery. This is due to the inherent inefficiency of hook and line fishing as well as several other factors. There is not much to be done at this time for the recreational fishery; stock rebuilding is key. It is only through achieving an industry-wide consensus on the issue of stock abundance that both commercial and recreational fisheries can co-exist and thrive.

Section V INCREASING COST COMPETITIVENESS

A set of conditions in Maine, some deliberate and some inadvertent, combine to make landing fish out of state, usually in Massachusetts, very appealing. Many groundfish boats are already taking their catch out of state, gaining some advantage for their vessel but having potentially disastrous effect on the shoreside infrastructure in Maine. The following is a description of some of the factors that apply.

V.1 Non-Trap Caught Lobster

In the course of fishing, groundfish boats do haul some lobster in their nets. Maine prohibits the landing of lobster taken by any means other than traps. In all other states, dragged lobster may be landed to the federal limit of 100 lobsters per day and 500 lobsters per trip. Maine's prohibition is considered to be the single greatest competitive disadvantage for Maine groundfishermen. At the same time, Maine groundfishermen acknowledge that this prohibition is a key conservation provision from the lobstermen's perspective.

Lobsters are caught in groundfish nets primarily from December through April. Fishermen estimate that revenues from lobsters range from $48-$100,000 per vessel per year, depending on price and how many trips they land in Massachusetts. According to a NMFS database, an average of twenty-nine Maine vessels land groundfish in Massachusetts each year. If twenty-five of these vessels land lobsters worth $48-$100k per vessels per year, then a rough estimate of the value of the lobsters now landed would fall between $1.2 and $2.5m, or about $1.8m annually.

Further, vessel owners say that the prohibition on landing lobsters makes it more difficult to hire and retain crew, who find a significant pay increase due to lobster landings if they fish from

Massachusetts. Clearly, this is an additional competitive disadvantage for the state.

The impact of Maine's lobster landing prohibition is devastating for shoreside businesses that depend on vessels landing and operating from Maine. When Maine vessels land their product in Massachusetts, they are depriving the Maine shoreside companies of their business. In turn, the shoreside businesses must adopt strategies to address the decline, which often include higher costs and/or reduced services to the remaining fleet. These increased costs combined with a lesser degree of service increase stress on the fleet and provide additional motivation for the fleet to relocate. In some instances, the combination of factors will cause financial failures for both vessels and shoreside businesses.

As long as this prohibition is in place, a means to level the playing field for Maine fishermen should be sought.

V.2 Sales Tax Exemption on Ice and Fuel

Commercial fishermen are exempt from sales tax on ice. In many circumstances, fish processors are not. Large volumes of ice are used to preserve the quality and safety of fish processed in Maine. A lower level of landings starting in the winter of 2003 and projected into the future while stocks rebuild increases the importance of this tax exemption to processors.

Fuel prices fluctuate, but the fact that Massachusetts's fishermen are exempt from sales tax on fuel is another factor that makes Massachusetts's ports an attractive alternative for Maine's groundfish harvesting businesses.

An estimate based on data from Portland and other Maine fuel dealers suggests that Maine groundfish vessels produced approximately $270,000 in sales tax revenue for the State in 2003. If Maine vessels were exempted from the sales tax on fuel the savings over the course of a year are estimated to range from $1,300 to $6,300 per vessel.

V.3 Health Care

The high cost of health insurance has been identified as a problem for many Maine fishing families. Participation in the state-subsidized Massachusetts Fishermen's Health Plan is one of the potential benefits to operating a fishing business from that state. (The Massachusetts program pays a percentage of the cost of premiums based on a sliding scale.) Research by the Maine Health Access Foundation suggests that the problem of inadequate or nonexistent health insurance is a problem throughout the State, and not unique to the fishing industry. The State of Maine responded to this problem in 2002 by creating the Dirigo Health Plan. One of the top priorities of the Plan is to expand insurance coverage to all Maine's citizens by 2009. The Maine Health Access Foundation's mission is to promote affordable and timely access to comprehensive, quality health care for every Maine resident.

Dirigo Health Insurance will be designed for businesses with fewer then 50 employees, self-employed and unemployed individuals, and individuals working less than 15 hours per week. Fishermen in Maine are considered to be self-employed, and thus will be included in the pool of qualified residents. The product is expected to be available before the end of 2004.

V.4 Unemployment Compensation

On most fishing vessels crew are paid a share of the proceeds from each trip. In Maine, crew members are not eligible for unemployment compensation because under Maine state law they are independent contractors, not employees. In Massachusetts, vessel owners do pay into the state unemployment system for their crew, enabling them to receive benefits when they are not working. This disadvantages the Maine fleet because it hinders their ability to recruit and retain crew.

Shoreside workers in the processing industry may experience weekly or even daily variation in their employment due to the intermittent supply of product from the region. These workers would also benefit from participation in the unemployment compensation program.

V.5 Berthing Costs

Research shows that Maine berthing costs are competitive with Massachusetts, although there are some out-of-state facilities that permit free berthing if other vessel services provided by the pier owner are used.

In Portland, with the exception of the city-owned Portland Fish Pier, wharves are generally privately owned, and several are in poor shape. Rates are charged either by the length of the vessel or by the size of the slip. According to City of Portland Director of Fishing Operations, Judy Harris, the average monthly cost of dockage in Portland is $300 per month. Generally, when vessels from outside of Gloucester put in to that port to unload or for repairs, they do not pay for dockage.

V.6 Steaming Time

Steaming time, the transit time for vessels to get to fishing grounds, counts as fishing time under the current DAS allocation. The industry has raised this issue and highlights it as a matter of inequality with respect to the current regulations to the State of Maine.

The issue was analyzed in AM 13 and DMR staff convened a meeting with members of industry to discuss the problem. The minutes of that meeting are attached in appendix 7. Since the solution to this problem may create offsetting disadvantages, the Task Force is making no recommendation at this time.

Section VI SHORESIDE

VI.1 Seafood Processing

The expected rebuilding of New England groundfish stocks over the next 20 years presents both a challenge and an opportunity for Maine's seafood processing sector. Projections show that New England stocks could triple from the current harvest level of 100 million pounds. If Maine can retain its market share, the Portland Fish Exchange could see a threefold increase in landings from its current level of roughly 20 million pounds per year. However, in order for Maine to reap the benefits of these additional landings, preliminary estimates suggest that an investment of $30-$50 million in shoreside facilities will be needed. (Public and private investment is needed for all aspects of shoreside processing, wholesale and retail businesses including additional

vessel-unloading facilities, more refrigerated trucks, new and improved processing plants, and especially the development of new markets to absorb additional product.

In the short term the critical issue for processors is survival. Shortages in the groundfish supply can upset production, forcing processors to substitute fish from Gloucester, Canada and Europe to fill customer orders. While this can be a temporary solution, the added cost of importing fish could make Maine processors uncompetitive and unprofitable in the long run.

The key to sustaining the processing sector is first to address short-term challenges and then to put financing tools in place so that Maine is ready and able to take advantage of growing fish stocks.

Reduced DAS will result in consolidation of the fleet and a highly variable supply of fish to processors. Reduction in short term supply of fish and regulatory uncertainty make processors reluctant to invest in facilities and equipment. Increasing vertical integration of the industry (including processors buying and owning fishing vessels) assures fish supply to processors who own vessels but reduces opportunities to purchase fish for processors who do not.

In the long run these activities could permanently alter the structure of the supply chain by reducing the diversity of the fleet, threatening the existence of the auction, pushing harvester prices down and making it difficult or impossible for the part-time or occasional fishermen to find an outlet for their product. Processors, who "lock in" a private supply of fish to their plants in the short term may find later, if they are seeking additional volume or species, that most of the available fish has been contracted to other processors and is not available on the open market.

Continued consolidation in the grocery and food service sectors will result in larger orders to fill and more pressure on processors to reduce costs. Increasing competition from imported, mostly farm-raised seafood such as shrimp and salmon, which often sell at lower prices than domestic groundfish, will further disadvantage Maine groundfishermen. Required Country of Origin Labeling, scheduled to go into effect September 30, 2004, will increase processor costs but may also provide an opportunity for branding or promotion of Maine groundfish.

The groundfish industry as a whole suffers from a poor public image. The media has portrayed the industry as troubled, suffering and declining. On top of that, private foundations have poured money into legal and public relations efforts in an effort to restrict fishing effort. The groundfish industry has done little to respond to negative publicity or present its side of the story to the media. Industry could do more to promote Maine groundfish as a sustainable fishery and educate them about the conservation and management actions to protect fish stocks that this region undertakes that may not be true of foreign imports.

VI.2 Working Waterfront

Maine's working waterfront consists of private and public piers, wharves, marinas, unloading stations, boat ramps and other shoreside facilities that are necessary to carry on a fishing business. A recent study showed that 75% of working waterfront facilities are privately owned and the remaining 25% are public (Coastal Enterprises Inc, 2003). A number of factors put Maine's working waterfront at risk:

1. Coastal property in Maine is a desirable and limited resource. There is increasing pressure to develop coastal property for tourism and private residential use.
2. Increasing property values have elevated property taxes. In some cases, the increases are beyond what fishing businesses can afford to pay.
3. A decline in some fisheries (notably urchins, shrimp, scallops) and an uncertain groundfish harvest in the short term will continue to put some waterfront facilities at risk.
4. A high median age of fishermen may lead to increased retirement sales of waterfront facilities in the next five to ten years. Some of these facilities may be converted to non-fishing uses.
5. Increasing conflicts over land and water use (noise, odors, appearance, mooring space, etc.) make it more difficult and in some cases more costly to run a waterfront fishing business.
6. Current use taxation policies are in place for farmland and working forests. Voters rejected current use for working waterfronts in a public referendum in 2001. But recent research shows that the public would support current use taxation for working waterfronts if it was presented as a "fairness" issue with farms and forests (Working Waterfront Coalition Report, 2004).
7. Fishing businesses have shown interest in other tax reform proposals including "circuit breaker" programs that link property taxes with revenues and ability to pay.

VI.3 Changes In The Marketplace Over Time

Small grocery chains, independent restaurants and fish markets used to dominate the market for the coastal and intermediate fleet whereas institutional buyers purchased, processed, and froze the offshore fish. Currently, large corporate buyers hold major market share and many small fish buyers and markets have disappeared. Improved communications and transportation systems give corporate seafood buyers access to product from around the world. As a result, Maine seafood processors are now in direct competition with low cost, high volume processors from throughout the world.

Corporate seafood buyers buy product in a very structured way and are unable to tolerate fluctuations in supply and prices. Retail sales and menu plans are approved quarterly. To meet these quarterly plans, buyers must have confidence that seafood products will be delivered on time, in sufficient quantity and at prices agreed on months in advance. If there is any doubt about product delivery, Maine product will be replaced immediately with more reliable products, such as farm raised salmon and shrimp.

The Maine seafood industry must invest in research and development of "value-added" fresh and frozen products, such as meals ready for the microwave or marinated, stuffed and prepared entrees for both restaurants and retail to remain competitive with other processors and wholesalers in a fast moving market.

Section VII INDUSTRY ADVOCACY

VII.1 Industry Coalition

Maine's groundfish industry is comprised of a diverse group of fishing interests that includes recreational, full time, part-time and occasional commercial fishermen and stakeholders who

would like to participate in groundfishing but don't have an active permit. The industry includes both owner-operators and vessel owners with hired captains and crew. Smaller vessels are limited by their size to fishing within about 50 miles of shore; larger vessels can fish 200 miles offshore and beyond.

A Market Decisions survey of 100 commercial groundfishing businesses in 2002 demonstrated that there are two major categories of commercial vessels. The first commercial group tends to own smaller vessels, has few employees and has fished 88 days or less in recent years. They have smaller loan balances and are less likely to have made investments in their businesses in the last two years. They are less likely to have health insurance, less likely to have other family members contribute to their income, have usually not considered relocating, and more likely to have income from other marine or non-marine activities.

The second commercial group tends to own larger vessels and employ additional people. They are more likely to have outstanding loans and have larger balances than the first group. They tend to fish more than 88 days and are much more likely to need more than 88 days to break even. They are more likely to have health insurance, less likely to have income from other marine or non-marine activities, more likely to have other family members contribute to their income and are much more likely to have considered relocating.

The recreational fishery is characterized by very few 30-40 foot charter boats, and headboats larger than 40 feet. There are also many private boats from 18-40 feet. They are limited in harvest efficiency and are predominantly inshore participants. They utilize the same infrastructure as the commercial small boat fleet as well as the retail marine/ fishing supply infrastructure.

Because these two commercial groups and the recreational fishery have such distinctly different needs and different approaches to fishing, it has been difficult to build an industry coalition that speaks with one voice on policy issues. The unfortunate result of this lack of unity is that policy makers—whether at the state, Council or federal level - are often unclear on how to meet the needs of these diverse interests, and Maine's interests are often ill-served by the resulting policy decisions.

While the groundfish industry has put a great deal of effort into influencing public policy at the Council and Congressional level, almost no effort has been made to develop support within the state legislature. As a result, the groundfishing industry has not been included in policy development at the state level. A few examples include: state revolving loan funds for farmers but not fishermen, current use taxation for forestry and farming, but not fishing properties; diesel fuel tax exemption for farmers but not fishermen, a state marketing program for farm products but not fish, tax credits for manufacturing equipment but not fishing equipment, and so forth. All of these state policies are the result of a continuing effort by farm and forest industries to educate and lobby the state legislature.

Maine's groundfish industry is small and fairly concentrated in southern Maine, giving it little political clout in Augusta, even if it were actively involved there. "Fishing Council of Maine" (FISHCOM) organization consisting of members from various fishing industry organizations and modeled after the Agriculture Council of Maine (AGCOM) would have a much better chance of

success at the state and federal level. AGCOM united multiple agricultural interests and developed a strategic plan. If this kind of organization were in place, fisheries groups could work together on state issues of common interest, such as water access, working waterfront preservation, financing, taxation, health care and so forth.

Consensus seems to develop within the groundfish industry on an issue-by-issue basis, as demonstrated by the DMR's work on the steaming time issue. The state is in a unique position to take a neutral stance and bring all parties together for discussion on the issues and determine whether consensus is possible or even desirable in each case.

VII.2 Training for Fisheries Management Representatives

The effectiveness of state and federal Board, Council or Commission members could be enhanced by additional training prior to the start of their service and increased communication during and between meetings. It is important that Maine delegates to these bodies keep the needs of the state as a whole in mind. Regular discussions and meetings among themselves and with industry will help state delegates develop stronger negotiating strategies and present a more unified position.

Section VIII ADDITIONAL ISSUES

VIII.1 Vessel Insurance

Vessel insurance has become a significant problem in recent years, as the number of insurers for fishing boats has dwindled. This year there are Maine trawlers in the groundfish industry that have experienced more than a 30% increase in the cost of their premiums. In addition, some policies have effectively limited vessels to working within 100 miles of the coast by charging higher premiums for greater distances, putting the cost beyond the reach of some fishermen. For some vessel owners the distance limitation and the cost of insurance have resulted in the difficult decision to forego insurance altogether, threatening their vessel and livelihood.

The vessel's insurance is often the only safety net for injured fishermen. Also, because the vessel generally serves as collateral for business loans, uninsured losses will make it much more difficult for fishermen to acquire the capital they need for equipment repair, conversion, expansion and survival. Finally, without insurance they are ineligible to participate in cooperative research, which can add significantly to a vessel's gross productivity. The cost of premiums has increased in recent years because claims against the insurance companies have been very high.

VIII.2 Public and Private Investment

Loan Funds

In the past Maine groundfishing businesses have successfully sought funding from a number of sources including commercial banks, credit unions and Farm Credit of Maine. In 1996 two revolving loan funds were set up specifically to serve Maine's fishing industries. One of these is administered by Coastal Enterprises, Inc., the other by Eastern Maine Development Corp in Bangor. Fishermen and shoreside businesses have also taken advantage of low interest rates and inexpensive home equity credit lines to support their operations in recent years. However, access to capital for fishing businesses is becoming more difficult.

Despite the ready availability of credit to fishing businesses, there is no public investment strategy or any public financing available to support the groundfishing industry. Public investment in the industry would assure that jobs in harvesting, seafood processing and support services for the fishing industry are sustained into the future.

A Bond Proposal:
The Groundfish Task Force supports a fisheries bond that could help both harvesters and shoreside businesses. Substantial public investment will be required if the industry is to survive to see the day when Maine can take advantage of the healthy stocks of the future.

A bond proposal should provide funds in the following four areas

1. Funding for a state fisheries revolving loan fund;
2. Funding to maintain and develop public and private shoreside facilities;
3. Funds to be used as seed money for preliminary costs necessary to support proposals to purchase development rights of working waterfront properties; and for the
4. Purchase of fishing permits.

IX Written Submissions to the Task Force

The Task Force received written comments from the public on a number of issues. Those submissions are attached in Appendix 8.

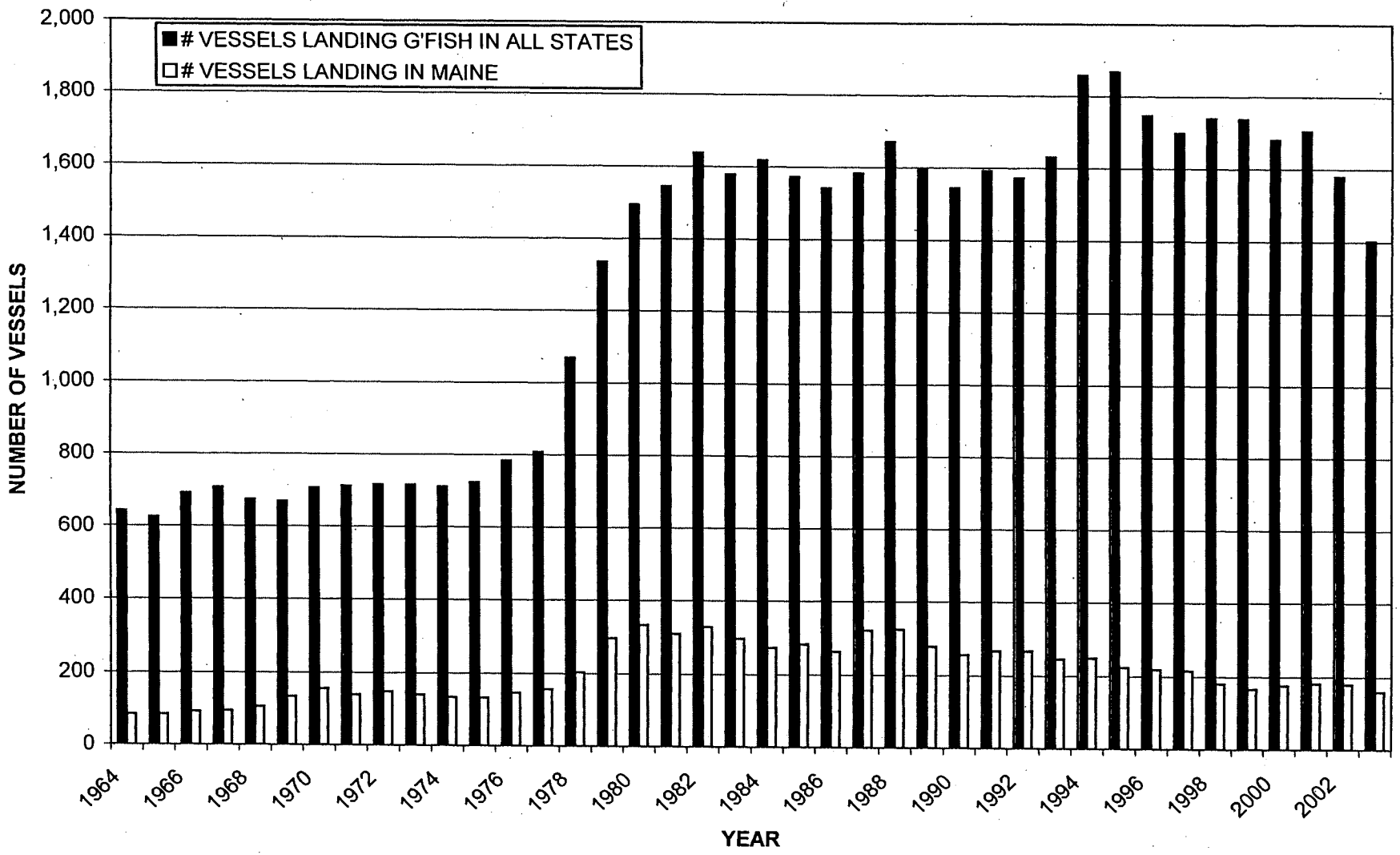
APPENDIX 1

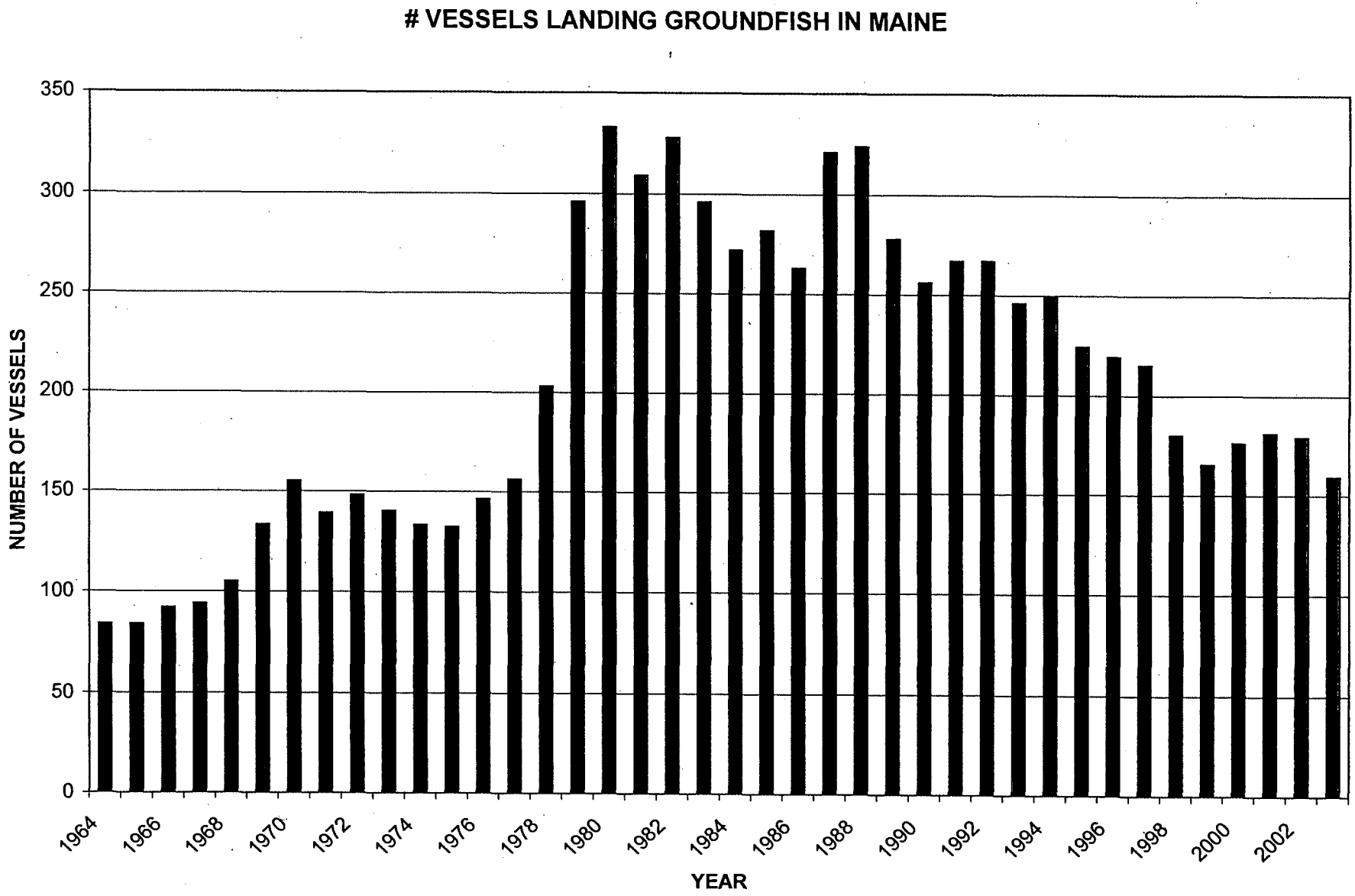
Chart 1. Data showing the change over time in the number of vessels landing groundfish in New England and Maine

Chart 2. Data showing the change over time in the number of vessels landing groundfish in Maine

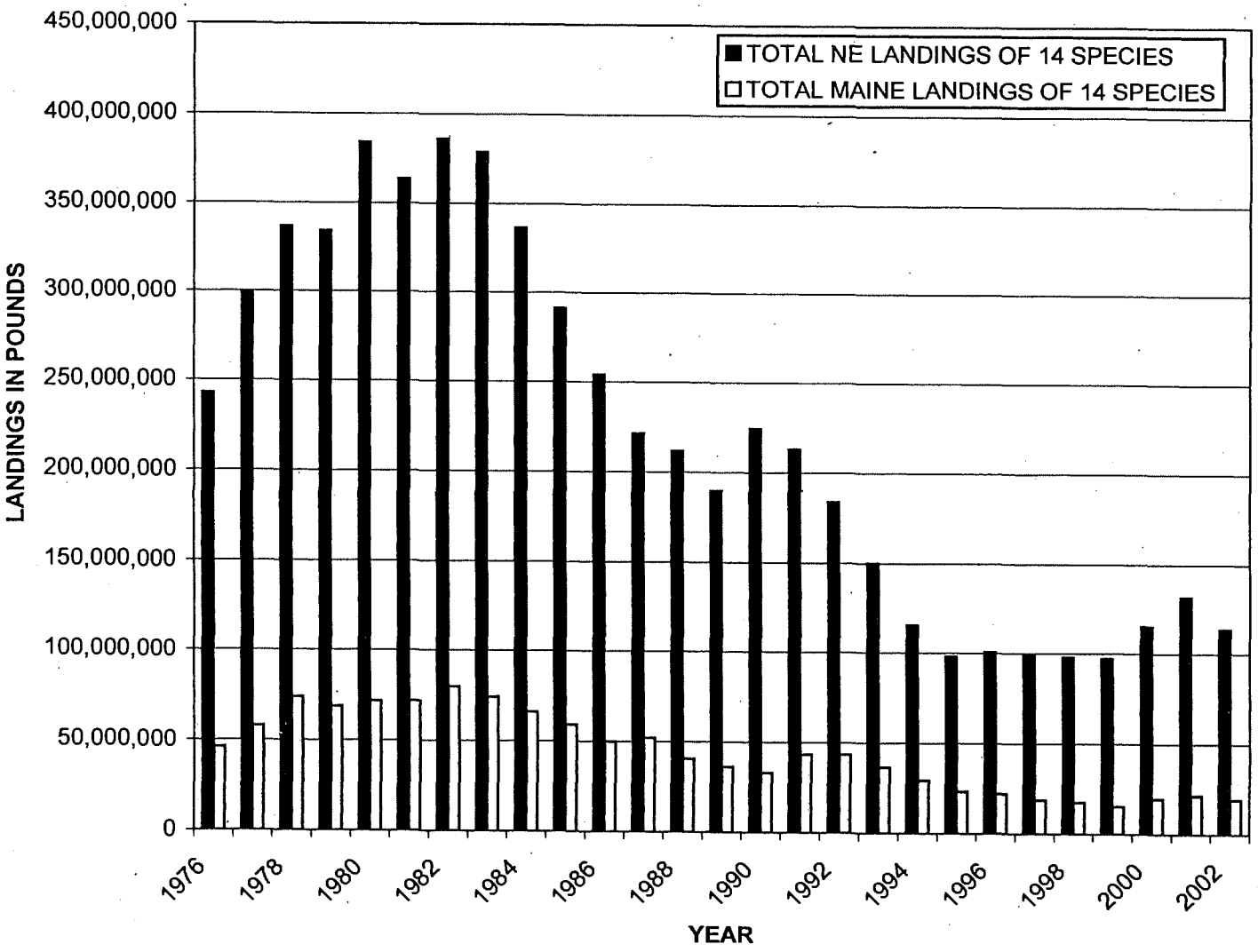
Chart 3. Data showing the change over time in the volume (pounds) of groundfish landed in New England and Maine

Vessels Landing Groundfish Over Time




VESSELS LANDING GROUNDFISH IN MAINE
NUMBER OF VESSELS
350
300
250
200
150
100
50
0
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
YEAR

NEW ENGLAND AND MAINE LANDINGS OF 14 SPECIES

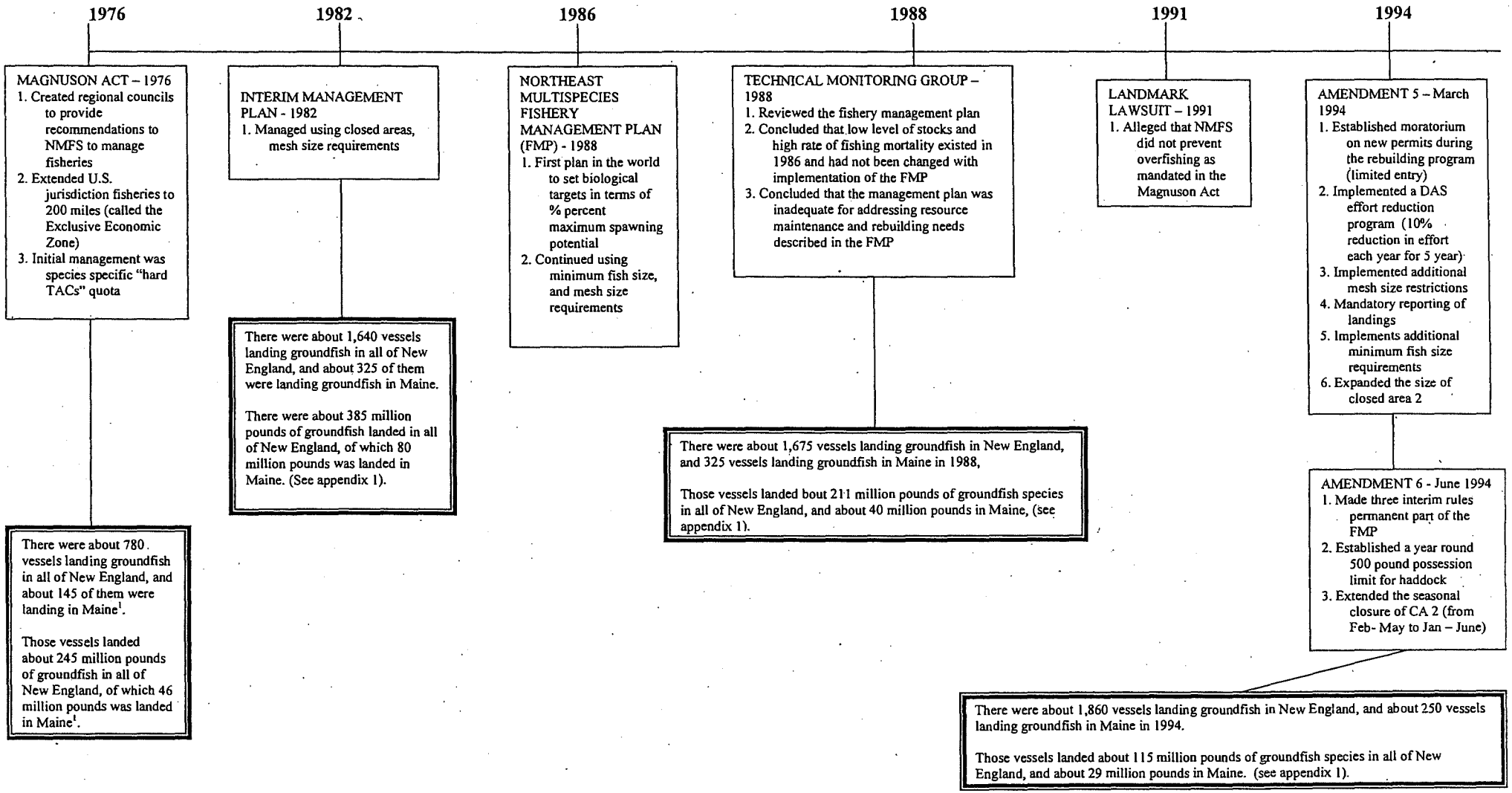


APPENDIX 2

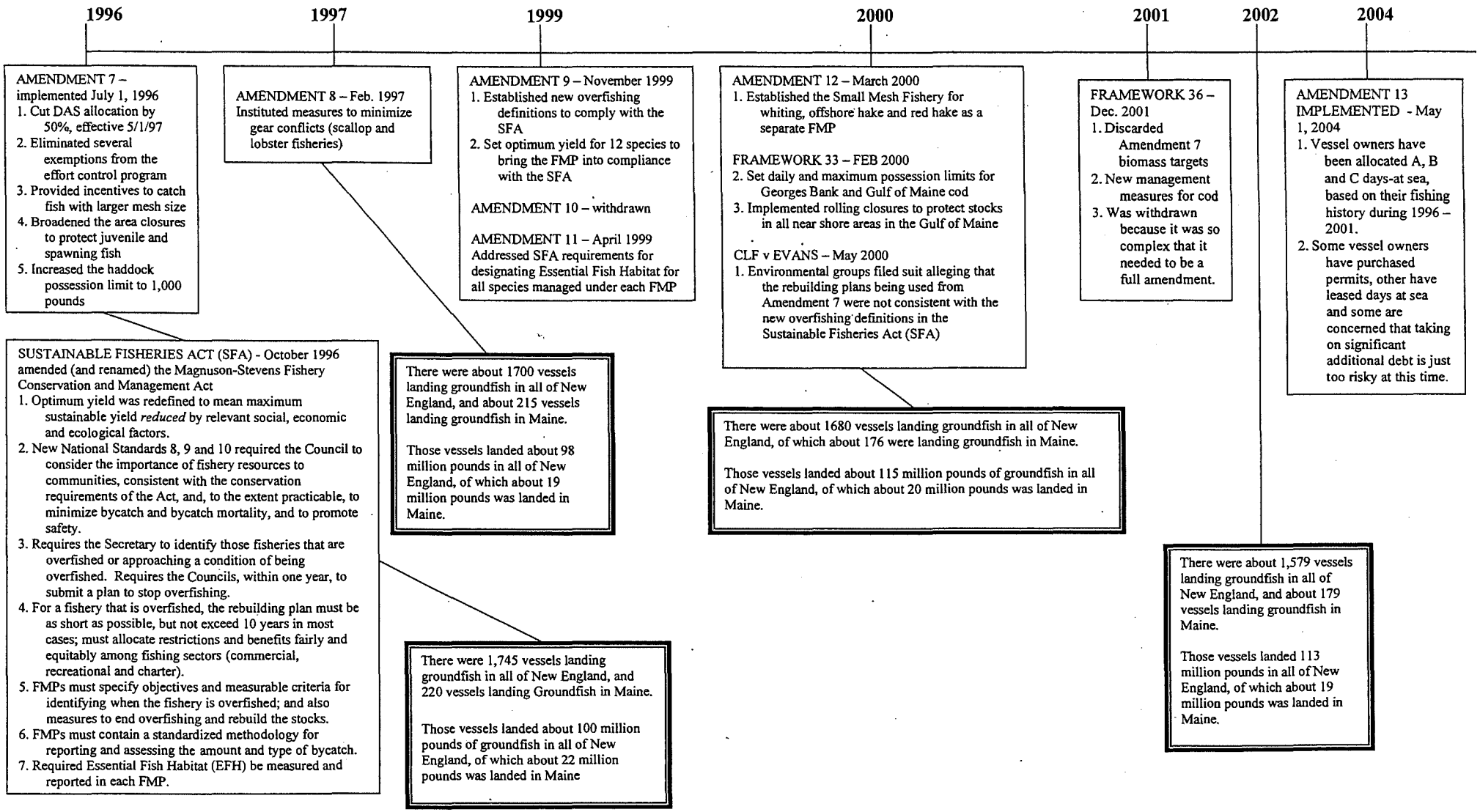
Chart 1. Regulatory history linked to fleet size and landings 1976-1994

Chart 2. Regulatory history linked to fleet size and landings 1996-2004

SELECTED MANAGEMENT MEASURES AND LEVEL OF FISHING ACTIVITY OVER TIME



SELECTED MANAGEMENT MEASURES AND LEVEL OF FISHING ACTIVITY OVER TIME



APPENDIX 3

Regulatory History of the Northeast Multi-Species Fishery

REGULATORY HISTORY OF THE NORTHEAST MULTISPECIES FISHERY MANAGEMENT PLAN

The Beginning of Groundfish Management (1950s - 1976)

From the turn of the 20th century until the late 1950s, American and Canadian fishermen dominated the New England fishery. In the 1960s, distant water factory trawler fleets from more than a dozen countries including, Poland, East Germany, and the Soviet Union, moved into the waters off New England and caught record levels of most species, depleting one stock after another. The international management measures imposed by the International Commission for the Northwest Atlantic Fisheries[1] (ICNAF) were insufficient to control the intense fishing pressure and principal groundfish stocks declined by almost 70% from 1963 to 1974. In 1976, Congress passed the Magnuson Fishery Conservation and Management Act (FCMA). The purpose was to establish the Exclusive Economic zone (EEZ), which excluded all foreign fishing vessels without special permits from the waters within 200 miles of the US coast, develop the eight regional fishery management councils, prevent overfishing, and allow overfished stocks to recover. In the spring of 1977, the New England Fishery Management Council implemented the first groundfish fishery management plan for cod, haddock and yellowtail flounder. The National Marine Fisheries Service (NMFS) developed the plan, based on individual species quotas that had been in effect under the jurisdiction of the North Atlantic Fishery Organization. The quota system was based on a hard "total allowable catch" (Hard TAC), which meant the fishery was shut down once the quota was caught.

While the lower quotas reduced the catch of these species compared to the factory trawlers in the 1960s, the system had serious flaws. Because there was no limit on the number of participants, the number of vessels landing groundfish in New England doubled between 1977 and 1982.[2] The growing number of vessels meant the quota was quickly caught, and the fishery was frequently closed for long periods. For example, in 1977 the Gulf of Maine cod quota was taken within five months, the Georges Bank cod quota with in six. The industry protested the frequent closures and in response, NMFS extended the quarterly quotas basing their decision on economic emergency. Because of the "derby"[3] nature of the fishery, the Council implemented trip limits for vessels, but enforcement was weak and it was easy for fishermen get around the system and land more fish then they were permitted.

The Interim Groundfish Plan (1982-1985)

The Council, having wrestled with the fishery's problems, developed a major management policy. The Interim Groundfish Fishery Management Plan (FMP), adopted in 1982, eliminated the quota-based management system because of the problems caused by the trip limit system. The objectives of

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[1][1] The International Commission for the Northwest Atlantic Fisheries was established in 1949, and was responsible for conducting research and proposing regulations for the Northwest Atlantic fish stocks that were fished by more than one nation. They divided the North Atlantic Ocean into eastern and western regions, and an international panel of 17 nations (13 European countries, the U.S., Canada, the USSR and Japan) proposed management measures including minimum mesh size requirements, fishing seasons, and closed areas to protect spawning and juvenile fish.

[2] There were several federal programs established in 1980 to subsidize investment in the American fleet and many of the vessels fishing today were built at that time.

[3] Any time there is a hard TAC, there is a "race of the fish" or a "derby", in which each vessel is forced to fihs as hard as possible and as fast as possible in order to catch his share before the whole quota is caught and the fishery shut down. Derby fisheries lead to unsafe fishing conditions and lower quality fish at market.

the interim plan were: (1) restore the reliability of fisheries data; (2) give individual fishermen more flexibility, and (3) increase industry support for the management system. The interim plan shifted management emphasis from a hard TAC quota to effort controls, including minimum fish sizes, and larger mesh that allowed smaller fish to escape.

Under the interim plan, management measures could be modified in response to major biological, social or economic changes within a fishery that were contributing to the decline of the stocks, or if stocks declined to some measurable, minimal level of abundance.

Northeast Multispecies Fishery Management Plan (1986)
The Northeast Multispecies FMP was implemented in 1986. It was the first plan in the world to set biological targets in terms of maximum spawning potential (%MSP). This framework allowed the Council to meet its biological objectives either by increasing the age-at-first capture (size of fish caught) or by controlling fishing mortality. The plan also increased the number of species managed by the plan. In 1987, Amendment 1 made minor adjustments to the plan.

(1988)
The Multispecies FMP established a Technical Monitoring Group (TMG), which, in their assessment of the new plan, concluded that the FMP was making only limited progress towards the achievement of its objectives and that the management plan was inadequate for dealing with the resource maintenance and rebuilding needs described in the FMP. They also concluded that the plan regulations were unenforceable, unrealistic, and would likely require further reductions in fishing mortality. They stated "***For many regulated species, the conditions of low abundance and high fishing mortality rates existed when the FMP was implemented, and these conditions have not measurably changed subsequent to the implementation of the FMP."***

The TMG emphasized in its recommendations that "substantially more extensive closure or other measures that reduce the amount of mortality due to fishing, such as catch limits or effort limits, may be necessary. The merits of these other measures, with particular reference to their effectiveness and enforceability, need to be examined." ...

The Groundfish Committee's Plan Development Team (PDT) took over for the TMG and followed-up on the TMG's recommendations as part of its larger task to develop a new management approach for the **halving the fishing mortality** on cod, haddock, yellowtail flounder, and the other species covered under the FMP. The PDT then presented its recommendations to the Council for consideration.

Amendment 2 (1989)
In January 1989, the Council adopted Amendment #2 which implemented the following measures:
(1) trip bycatch limits and stricter non-reporting penalties in the Exempted Fisheries Program;
(2) increased the minimum size for yellowtail to 13 inches and American plaice to 14 inches;
(3) established a seasonal large mesh area on Nantucket shoals to protect cod;
(4) applied mesh size regulations to the whole of mobile nets rather than only to the codend;
(5) set all recreational minimum sizes to be consistent with commercial minimum sizes; and
(6) excluded trawlers from Closed Area II to improve enforcement.

Amendment 3 (1990)

Amendment #3, implemented in December 1989, established the Flexible Area Action System to enable the Council and NMFS to respond quickly to protect large concentrations of spawning fish. To date, this system has not been effective.

Amendment 4 and Environmentalists' lawsuit (1991)
Amendment #4, implemented in January 1991,

(1) added more restrictions to the Exempted Fisheries Program;
(2) established a procedure for the Council to make recommendations for modifying northern shrimp gear to reduce the bycatch of groundfish;
(3) expanded the management unit to include silver hake, ocean pout and red hake;
(4) established management measures for the Cultivator Shoals whiting fishery;
(5) further tightened restrictions on the carrying of small mesh while fishing in the Regulated Mesh Area; and
(6) established a 5-1/2 inch mesh size in the Southern New England yellowtail area.

In Amendment #4, the Council also stated that it recognized the need to develop and implement rebuilding strategies for the principal stocks of groundfish that were overfished as part of its next amendment.

Amendment 5 (March 1994)
In June 1991, only six months after Amendment 4 was implemented, environmental groups filed a landmark lawsuit charging that the Secretary of Commerce and NFMS did not prevent overfishing of cod, haddock and yellowtail flounder as mandated by the Magnuson Act. Nearly three years had passed since the TMG had reported that the Northeast Multispecies Fishery (groundfish) Management Plan (FMP) was inadequate, and the council had made no progress on their plan to stop overfishing, Amendment 5. In August the parties agreed to a consent decree, which gave the Council six months (until March 1993) to develop a plan to eliminate the overfished condition of cod and yellowtail within five years (by 1998) and haddock within 10 years (by 2003). If the Council did not submit a final plan to the Secretary of Commerce by September 1992, then the Secretary had to develop a plan to accomplish the same goals by November 1992.

Thus two main objectives of Amendment #5 were: 1) to eliminate the overfished condition of the principal groundfish stocks (cod, haddock and yellowtail flounder) by reducing the rate at which fish are caught by fifty percent over the next five to seven years, and 2) to reduce the bycatch of harbor porpoise in the sink gillnet fishery.

The critical pieces of the Amendment included: (1) a moratorium on new entrants to the fishery; (2.) an effort reduction program based on a new permit system; (3) harvest targets for the principal stocks, (cod, haddock, and yellowtail flounder); (4) new mesh size restrictions with corresponding new minimum fish sizes; and (5) area closures to protect spawning stocks. Finally, the amendment established a "framework" system to change management measures as needed. The Council believed the new annual harvest targets, based on fishing mortality objectives would provide a basis on which to monitor the progress of the rebuilding plan.

Moratorium and New Permit Categories: The effort reduction program limited fishermen's access to the resource by instituting a moratorium on the issuance of new multi-species (groundfish) permits for at least three years. The Council developed a new permit system requiring any vessel landing groundfish to have a permit based on the number of days spent at sea, (called Days-At-Sea, DAS, or das). Only vessels with a valid multispecies permits in 1991, which could document groundfish

landings in 1990 or 1991, or vessels that were under construction in 1991 with documented landings of groundfish in 1992, qualified. Vessel owners could enter into an "Individual DAS" program provided they could document their fishing days, or they could opt for the "Fleet DAS" program, if they had been fishing for groundfish, but could not document their history. Those in the Individual DAS program were allocated the average number of DAS they had fished, (less their lowest year between 1988 and 1991) with by a 10% reduction in their allocation of days each year for five years. Permittees in the Individual DAS program were required to use a Vessel Monitoring System (VMS), but did not have to declare any days out of the fishery. (VMS was not fully developed at that time). Those who chose the Fleet DAS program were initially allocated 176 DAS, but were required to declare 20-day blocks of days when they would not fish, and spend one day at the dock for every two days spent fishing. All DAS vessels were required to call in to report their departure from and arrival to port.

There were three categories of fishermen who were exempted from the days at sea, "limited access" program. Vessels less then 45 feet were issued a small vessel exemption permit, longline (hook) fishermen who agreed to use less then 4,500 hooks per day were issued a hook gear only permit, and vessels involved in other fisheries, were issued a "maximum possession limit" permit. This permit allowed the fishermen to keep only 500 pounds combined weight of the ten regulated groundfish species.

Emergency Measures and Amendment 6 (1992 – June 1994)

The Council prepared Amendment 5 to remedy the overfishing of principal groundfish stocks that occurred in the late 1980's and early 1990's. However, Amendment 5 so highly contentious that it took three years before it was finalized, meanwhile, stocks continued to decline. In February 1992, scientists warned that both Gulf of Maine and Georges Bank haddock stocks were at record-low levels, and the following year they urged the Council to consider asking the Secretary of Commerce to take emergency measures to protect haddock. The Council recommended the Secretary take emergency action and implement a number of measures to protect haddock. The Secretary issued an emergency rule in June 1993, which included a 500-pound possession limit for haddock. When the Council finally submitted Amendment 5 to NMFS it still called for a haddock trip limit of 5,000 pounds. The Secretary disproved that provision and extended the emergency rule for an additional 180 days. The emergency rule eventually became permanent as Amendment 6 in June 1994.

More stocks collapse (1994-1996)

In June 1994, as Amendment 5 was being implemented, scientists announced that Southern New England yellowtail flounder had collapsed. The scientists also asserted that the Georges Bank cod stock, was at a record-low level of abundance, was being fished at a record-high rate of exploitation, and suggested that the collapse of the fishery was imminent.

In August, they presented assessments of Georges Bank cod and yellowtail flounder to the Council, which indicated that these stocks were also at or near the point of collapse. The New England Fishery Science Center, (NEFSC) issued a Special Advisory Report indicating that the measures implemented in Amendment 5 were insufficient to stop the continued decline in the spawning stocks of these principal groundfish species. They advised that, to avert a collapse of cod and to improve prospects for rebuilding of yellowtail, **fishing mortality rates "should be reduced to as low a level as possible, approaching zero"**. The Council responded immediately by starting Amendment 7. Meanwhile, NMFS indicated through formal reports and public statements that other stocks in the multispecies complex were also depressed with many over exploited and /or at low levels of abundance.

The purpose of amendment 7, therefore, was to rebuild the spawning stock biomass of cod, haddock and yellowtail, and to prevent other groundfish stocks from being overfished. It was primarily a conservation action, although management considerations and economic impacts did form the basis for the selection of specific management measures.

Fall 1994 – More Emergency Measures
In October, the Council recognized that the development of Amendment 7 would require too much time while the stocks continued to decline, so they recommended that the Secretary of Commerce implement an emergency rule to slow the decline of those critically low stocks while it continued to develop the comprehensive rebuilding plan in Amendment 7.

In December 1994, the Secretary of Commerce implemented the emergency rules recommended by the Council. Under these rules, large areas defined in Amendment 5 for seasonal or occasional closure were closed to all fishing, year-round. The emergency action also prohibited fishing with mesh smaller than the regulated minimum size except in fisheries determined to have a groundfish bycatch of less than 5 percent; and vessels in certified small-mesh fisheries were prohibited from possessing any regulated groundfish.

Amendment 7 (1996)
The amendment contained sweeping effort control measures designed to reduce fishing mortality. Its purpose was to rebuild the spawning stock biomass of cod, haddock and yellowtail, and to prevent other groundfish stocks from being overfished. The amendment again used effort controls such as days-at-sea (DAS), area closures, and minimum mesh size to limit fishing effort for Georges Bank (GB) and Southern New England (SNE) yellowtail flounder, GB and Gulf of Maine (GOM) cod, and GB haddock. The amendment also:

1) set fishing mortality rate objectives to allow the biomass of the stocks to rebuild to minimum thresholds;
2) established an annual process for setting total allowable catch (TAC) targets, and created a program for reviewing and revising the management measures through a "framework adjustment" process to insure that goals would be met;
3) accelerated the DAS effort-reduction program established by Amendment 5 and eliminated most of the exemptions to that program;
4) broadened the area closures to protect juvenile and spawning fish, and added new closed areas in the Gulf of Maine;
5) placed restrictions on party/charter and recreational catches;
6) restricted other fisheries (not based on DAS) that could not demonstrate a minimal bycatch of regulated groundfish species (less than five percent);
7) modified existing permit categories, initiated several new ones and eliminated most open-access categories that could retain any regulated species;
8) provided incentives to fish exclusively with mesh larger than the minimum required; and finally
9) increased the haddock possession limit to 1,000 pounds.

Of all the major changes to the Northeast Multispecies Plan, Amendments 5 and 7 had the greatest impact on the fishery, both for stock rebuilding and in shaping the socio-economic conditions of the industry and fishing communities.

Sustainable Fisheries Act (1996)
On October 11, 1996, President Clinton signed the Sustainable Fisheries Act (SFA) which amended (and renamed) the Magnuson-Stevens Fishery Conservation and Management Act (FCMA, PL 94-265). This law revised and added national standards for fisheries management, and added new requirements for fishery management plans. The new mandates of the SFA were the basis for Amendment 9.
The main elements of the SFA that affect the Multispecies FMP are:

1. Optimum yield (OY, defined in National Standard 1) was redefined to mean maximum sustainable yield *reduced* by relevant social, economic and ecological factors.
2. New National Standards 8, 9 and 10 required the Council to consider the importance of fishery resources to communities, consistent with the conservation requirements of the Act, and, to the extent practicable, to minimize bycatch and bycatch mortality, and to promote safety.
3. Annual Status of Stocks Report: The Secretary of Commerce must identify those fisheries which are overfished or approaching a condition of being overfished, requires the Councils, within one year of being notified that a fishery is overfished or approaching an overfished condition, to submit a plan to stop overfishing.
4. For a fishery that is overfished, the amendment must include a rebuilding plan that will be as short as possible but not exceed 10 years in most cases, allocate restrictions and benefits fairly and equitably among fishing sectors (commercial, recreational and charter).
5. FMPs must specify objective and measurable criteria for identifying when the fishery is overfished and, where a fishery is overfished, include measures to end overfishing and rebuild the stocks.
6. FMPs must contain a standardized methodology for reporting and assessing the amount and type of bycatch, and
7. FMPs must include a description of the commercial, recreational and charter fishing sectors and their respective landings trends.

The SFA also required the Council, within 24 months of enactment, to include in each FMP a description and identification of essential fish habitat (EFH) and submit a separate amendment to each FMP. Each amendment will include recommendations to minimize any adverse effects of fishing on EFH and on other actions to encourage the conservation and enhancement of such habitat.

Framework Adjustments (1996 – 1999)
Frameworks 17, 20 and 24 made direct changes to the principle management measures in the groundfish fishery. Most of the other 27 framework adjustments were technical changes designed to coordinate the multispecies fishery regulations with those for other fisheries in the region.

Amendment 8 (1997)
Amendment 8 instituted measures to minimize gear conflicts with fishermen and their gear in the sea scallop and lobster fisheries.

Amendment 9 (1999)
The purpose of Amendment 9 was to bring the Multispecies FMP into compliance with the new and revised national standards and other required provisions of the Magnuson-Stevens Act. It had a significant impact on the fishery, establishing new status determination criteria (overfishing definitions) and setting the Optimum Yield (OY) for twelve groundfish species to bring the plan into

complete compliance with the 1996 revision of the Magnuson act, now named the Sustainable Fisheries Act (SFA).

In Amendment 9, NMFS approved the following:

1. A new definition for overfishing, as mandated in the new Sustainable Fisheries Act;
2. an increase in the minimum size of winter flounder;
3. to postpone implementation of the required Vessel Monitoring Systems (VMS);
4. to include Atlantic halibut in the Multispecies Fishery Management Unit, stop overfishing and rebuild the stock;
5. to use the Framework Process for approval of Aquaculture projects;
6. to prohibit brush sweep trawl gear; and
7. to define and protect EFH.

Definition of Overfishing (Amendment 9)

The Council proposed to revise the overfishing definitions for all species in the Northeast Multispecies FMP, and to include an overfishing definition for Atlantic halibut, in response to the revised national standards guidelines in the SFA. It also recommended that the framework adjustment process be allowed to modify these definitions.

The Council convened an Overfishing Definition Review Panel to evaluate existing overfishing definitions and develop recommendations for new definitions, to bring the FMP into compliance with the Magnuson-Stevens Act.

New overfishing definitions have two basic parts, a stock biomass component (B) and a fishing mortality rate (F) component. A stock is "overfished" when its biomass is less than that which can produce maximum sustainable yield (Bmsy) on a continuing basis.

"Overfishing" is occurring when F exceeds Fthreshold. The Fthreshold is less than or equal to the fishing mortality rate that can produce maximum sustainable yield (Fmsy) and varies with stock size based on whether the biomass is above or below (and how far below) Bmsy. For stocks with biomass levels below Bmsy, Fthreshold is the F that allows the stock to rebuild to Bmsy in a maximum rebuilding time period, which is not to exceed 10 years.

Bmsy is the biomass level that would produce MSY if the fishing mortality rate is Fmsy. Optimum Yield (OY) is portrayed as the target fishing mortality rate that would produce optimum yield at various levels of stock biomass. The fishing mortality rate target is the rate that will achieve the plan objectives with an acceptable degree of safety or precaution.

For an overfished stock, for example, the Council would set a target rate to rebuild the stock in a specified time period or within a maximum time, usually not to exceed ten years. On a rebuilt stock, the Council should set Ftarget safely below the threshold level that will produce MSY. In setting target fishing mortality rates, the Council will need to balance maximizing short-term economic yield and providing for sustained participation of communities in the fishery against the risk, or cost, of allowing the biomass to decline to levels below Bmsy. Thus, the Council will consider social, economic and ecological factors in setting the Ftarget in addition to considering the risk of not achieving stock recovery in an acceptable time period, or the risk of the rebuilt stock becoming overfished at any given time.

OY, therefore, is not a fixed amount but varies with the status of the stocks in the fishery, but cannot be above a level that would exceed Fmsy. It is a quantity that represents the yield that results from fishing at target levels on a rebuilt stock or stock complex. It is also the yield that results from fishing at target levels designed to rebuild the stock in a specified time frame. Therefore, OY fluctuates as stock biomass fluctuates and as new scientific information becomes available about individual stocks.

Essential Fish Habitat
According to a 2000 ruling in *American Oceans Campaign et al. v. Daley et al.* [Civil Action No. 99-982(GK)], EFH considerations continued to be inadequate in fishery management plans. The prosecution contested NMFS approval of amendments, management plans the adequacy of evaluations of fishing gear which did not fully address the impacts of fishing on habitat. The U.S. District Court for the District of Columbia found that the agency's decisions on the subject EFH amendments were in accordance with the Magnuson-Stevens Act, but found that the Environmental Assessments (EAs) for the Councils' amendments were inadequate and in violation of National Environmental Policy Act (NEPA). The court ordered NMFS to complete a new and thorough NEPA analysis for each EFH amendment named in the suit.

Amendment 10 (not passed)
Amendment 10 concerned vessel upgrading and replacement.

Amendment 11 (1999)
Amendments 11 addressed the SFA requirements for designating EFH for all species managed under each FMP.

Amendment 12 (2000)
Amendment 12 created a new, separate, small-mesh multispecies FMP for managing whiting (silver hake), red hake and offshore hake.

APPENDIX 4

Amendment 13 Economic Analysis

The Amendment 13 (AM 13) Environmental Impact Statement (EIS) did not address economic impacts on a state by state level, so it is necessary to read the "Maine" section from several different parts of the EIS. This appendix consists of selections from the Human Impact and Social Impact sections of AM 13 that describe the impacts on the Maine industry. Because the selections are from different parts of the Amendment 13, the page numbers are not sequential.

- **Short-Term Impacts on Coastal Sub-Regions** – Describes the regional sub-regions and projects short-term impacts on sales, income, and employment (p. 707 – 713);
- **Social and Community Impacts** --- includes background information defining social impacts, identifies communities of interest and impacts by sub-regions (p. 859 – 865, and p. 868). Only Maine sub-regions are included.

There is more information in the **Economic Impacts Section** of the EIS (Volume II, p. 564 - 836) and the **Affected Human Environment Section** (Vol. III, p.1370 - 1376, p.1490 – 1493 and p.1503 – 1541). Some of the most helpful subsections in the Economic Impact Section are listed:

1. **Economic Impacts of the Proposed Action** (p.564 - 570);
2. **Comparison of Rebuilding Strategies for 2014 Rebuilding Time Frame for Most Stocks** (p.597 - 603);
3. **Impacts of the Proposed Action on Vessel Fishing Revenue** (p.610 - 623); and
4. **DAS Requirements for the Multispecies Fishery** (p.693 - 698);

5.4.6 Short-term Impacts on Coastal Sub-Regions

An input/output (I/O) model was employed to assess the relative short-term economic losses (sales, personal income, and employment) associated with the proposed management alternatives on the New England regional economy. This approach evolved out of collaborative research between the Marine Policy Center of the Woods Hole Oceanographic Institution and the Northeast Fisheries Science Center as part of a grant received through the Marine Fisheries Initiative (MARFIN) in 1999 (see Marine Policy Center 2000).

The I/O approach provides the ability to estimate how changes in the economic activity of a particular industry will affect other industries from which it purchases and to which it sells goods and services. Thus, in addition to reductions in harvesting revenues, this analysis captures losses associated with the commercial fishing industry buying fewer inputs and the upstream losses that result from less product being available to local seafood dealers and processors. For example, as purchasers of inputs, the commercial fishermen support a number of other industries such as net manufacturers and boat building and repairing. If fishing revenues decline, commercial fishermen demand fewer inputs from these and other supporting industries. In addition, forward linked purchasers of seafood such as seafood dealers and processors may also experience reductions in sales, income, and employment if the management measures result in a diminished supply of local seafood.

The total regional economic effects of the proposed management measures consist of three components: (1) direct, (2) indirect, and (3) induced. In this analysis, direct impacts are considered to be the reductions in sales, income, and employment associated with commercial fishing, seafood dealers, and seafood processors in each of the eleven subregions. Indirect impacts are the associated reductions in sales, income, and employment of all the industries that supply commercial fishermen, seafood dealers, and seafood processors within each of the eleven subregions. These indirectly affected industries, in turn, purchase fewer goods and services from their suppliers and this cycle of reduced purchases continues until the amount remaining within a particular subregion is negligible. Induced impacts represent the reduction in sales, income, and employment attributable to employees of the direct and indirect sectors earning less income. Lower personal income leads to reduced spending on food, housing, entertainment, etc. The summation of the direct, indirect and induced impacts represents total impacts. In the analysis presented here, the total impacts on sales, personal income, and employment are shown for 11 different coastal subregions as well as the non-coastal New England subregion.

Data and Methods

The subregions designated herein were based on several criteria. First and foremost, data particularly on the non-fishing industrial sectors were available only at a county-level. Thus, the subregional impact area designations represent either an individual county or groups of counties within each of the five New England states. Data obtained from Northeast vessel trip reports, Northeast dealer weigh-out slips, Northeast permit applications, and County Business Patterns information on processors were used to classify subregions that have similar economic networks and fishing-related attributes. In general, these data provided the ability to identify the regional distribution channels of seafood as it flows from harvesters through dealers and finally on to processors in New England. Eleven of the twelve subregional designations mainly consist of a coastal county or groups of coastal counties, for these are the counties where the majority of the losses accrue and where the harvesters, dealers, and processors reside (Figure 26, subregions 1-11). A near coastal New England subregion was also included in the analysis to examine the impacts that the proposed management measures will have on businesses located in non-maritime

New England (Figure 26, subregion 12). These subregions generally mirror the community groups identified in the Affected Human Environment (Section 9.4.5).

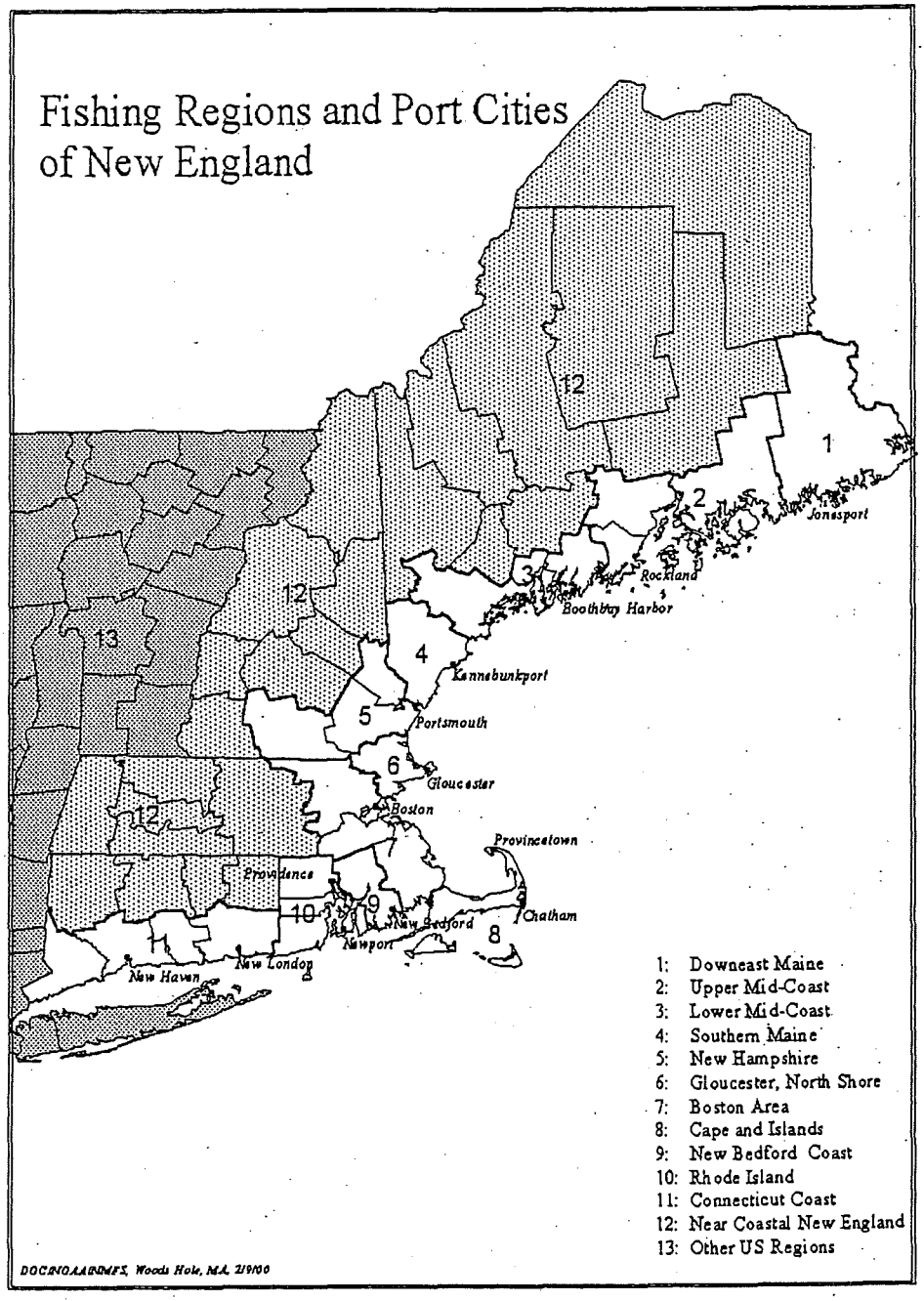

Figure 215 - Map of subregions considered in analyses
Economic analyses exclude subregion 13.

The I/O analysis was constructed using the IMPLAN software system (Minnesota IMPLAN Group, Inc. 1997). The IMPLAN system provides secondary industry data collected from national, state and local government reports and a user-friendly media for customizing I/O models

to an application. These regional data were based on calendar year 1998 so all adjustments and the resulting impact estimates are based on 1998 conditions. However, estimated impacts are reported in 2001 dollars using deflators to convert 1998 monetary values to 2001 values.

The default IMPLAN models provide detailed county-level estimates of business activity for up to 528 sectors in each subregion. However, much of these data had to be refined to account for specific features of fishing-related industries. In particular, the five commercial fishing gear sectors that land groundfish in each subregion were incorporated into the default models: bottom longline, gillnet, small trawl, medium trawl, and large trawl vessels. The sales estimates (i.e., ex-vessel revenues) for these sectors were derived from 1998 Northeast dealer weigh-out slips for each subregion except for the Connecticut Seacoast subregion. For Connecticut, data collected from Northeast vessel trip reports on landings by gear type were used to prorate the Northeast dealer data which is reported in aggregate terms across all gears. Fishing cost data for each of the gear sectors were obtained from several sources. First, average fishing costs for small, medium, and large trawlers were obtained from surveys conducted by researchers at the University of Rhode Island in 1996 and 1997 (see Lallemand et al. 1998 and Lallemand et al. 1999). Fishing costs for longline vessels operating in New England were obtained from the University of Massachusetts Dartmouth, which surveyed longline vessels in 1996 (see Georgianna and Cass 1998). Finally, cost data for the gillnet fleet were obtained through the Northeast Fisheries Science Center's sea sampling program in 1997. These data were used to develop production functions for each of the five gear sectors that land groundfish in New England. In I/O models, production functions delineate the proportions of inputs required to produce one dollar of ex-vessel revenue. Employment estimates for the five gear sectors were calculated by prorating the IMPLAN default values for the commercial fishing sectors in each subregion according to ex-vessel revenue shares within each subregion.

Seafood dealer sectors were also incorporated into each subregional model. Total seafood dealer sales within each subregion were estimated from 1998 Northeast dealer weigh-out data. This database provides the origin of seafood purchases by gear type and subregion. Thus, it was possible to determine the quantities of seafood purchased from each gear sector within the subregion and the amount that was imported from outside the subregion. Separate production functions for seafood dealers in each subregion were developed from information contained in a Kearney/Centaur report that estimated national economic impacts of commercial fishing, processing, and distribution in the United States (Kearney/Centaur 1986), and from Northeast dealer data on the origin of seafood purchases. Thus, the production functions reflect the actual seafood purchasing activities of dealers from each gear sector within each subregion. The seafood dealer mark-up or margin varied by subregion and was estimated by summing the gear sector coefficients in each seafood dealer production function and subtracting this value from one. In other words, since a production function accounts for all expenditures required to produce one dollar of sales, the sum of all of the non seafood coefficients in the dealer production function measures the additional value seafood dealers must charge to cover their fixed and variable operating costs.

The impacts of the proposed management measures on the flow of seafood from local dealers to processors within each subregion were also examined in the analysis. The IMPLAN system includes a fresh and frozen seafood processing sector in the default data base so it was not necessary to create a new fish processing sector for each subregion.

Impact Assessments

In the I/O model presented here, total economic impacts are calculated by applying estimates of direct revenue changes to IMPLAN generated multipliers that measure the indirect and induced

relationships between industries and households in each subregion. Therefore, prior to calculating the total estimated losses (direct + indirect + induced) of each alternative, it was necessary to determine the direct revenue changes associated with the 5 gear sectors, the seafood dealer sector, and the seafood processing sector in each subregion.

Direct revenue losses for the five affected gear sectors in each subregion were estimated by multiplying the total value of all species landed by vessels in these gear sectors that landed groundfish by the proportional loss in total fishing income. The latter was based on aggregating the estimated revenue changes reported earlier to compute expected revenue changes by gear sector and subregion. These direct revenue changes are based on the constant fishing mortality rebuilding strategy.

Direct revenue losses associated with seafood dealers in each subregion were estimated in the following manner. First, the summation of the estimated direct revenue losses associated with the 5 harvesting sectors in each subregion were multiplied by the proportion of total dealer groundfish purchases that were derived from local harvesters (i.e. purchased from harvesters within a particular subregion). This results in an estimate of the value of groundfish harvested in a particular subregion that was purchased by seafood dealers in that same subregion as well as an estimate of seafood purchases by dealers from vessels in other subregions. The proportions used in these calculations were determined from the 1998 Northeast dealer data base and ranged from a low of .17 for New Hampshire Seacoast dealers to a high of .99 for Upper Mid-Coast Maine dealers. Secondly, the results from the first step were multiplied by the dealer mark-ups or margins in each subregion to obtain the estimated direct revenue losses for seafood dealers in each subregion. A description of the steps followed to calculate seafood dealer margins was provided in the previous section.

For purposes of this analysis, seafood processors in each subregion were also estimated to be directly impacted by the proposed management measures. According to IMPLAN default data it was estimated that about 60% of the total groundfish value sold by seafood dealers within each subregion was exported out of New England, either as domestic or foreign exports, and thus were not available to be purchased by local seafood processors or any other sectors in the model. In addition, it was assumed that only the seafood processing sector would be affected by a reduction in seafood dealer sales. Several other sectors purchase groundfish from seafood dealers as an input into their production process, such as eating and drinking establishments, hospitals, hotels and lodging, and amusement and recreation services, but it was assumed that these forward-linked establishments have the ability to purchase substitutes or replace local supply with imports to minimize or eliminate associated losses. According to the data contained within IMPLAN seafood processors purchase approximately 50% of the dealer sales that remain in New England (the remainder is purchased by the aforementioned businesses). As such, the estimated direct revenue losses for the seafood dealer sectors were first multiplied by 0.6 (to eliminate exports) and then by 0.5 to obtain the value of groundfish purchased by seafood processors. These values were then multiplied by the appropriate seafood processing margins to obtain the estimated direct revenue losses for seafood processors in each subregion. Seafood processing margins were calculated by subtracting the seafood dealer coefficient in the processing production function from one. This margin measures the additional value seafood processors charge to cover their fixed and variable operating costs (including profits and taxes).

After the direct revenue losses were estimated for the 5 gear sectors, the seafood dealer sectors, and the seafood processing sectors within each subregion, total economic losses were calculated by applying the revenue losses to the appropriate IMPLAN generated multipliers. Considerable effort was employed to ensure that the impacts were not double counted. The losses associated

with seafood dealers exclude the losses associated with the 5 commercial harvesting gear sectors, and the losses associated with seafood processors exclude those attributable to the seafood dealers and the commercial harvesters. Thus, the losses associated with reductions in supply to these sectors can be summed to obtain the total effect on sales, income, and employment within each subregion and to the New England region as a whole.

No attempt was made to estimate forward linked impacts beyond the processing sector because reductions in groundfish supply at the harvesting level are not likely to significantly alter the cost of groundfish for restaurants, hospitals, and supermarkets pay in each subregion. In fact, according to data contained within IMPLAN, less than 2% of the processed seafood purchased by upstream industries is actually derived from processors within each subregion. According to this data, imports from other areas supply the majority of retail-level purchases from processors. Although retail-level purchases of locally processed groundfish may differ from these statistics, it was assumed that no forward-linked impacts would occur in each subregion beyond the seafood processing sector.
The I/O framework is based on a set of inter-industry and household purchases made over a particular calendar year. The annual time frame means that the impact of seasonal fluctuations in supply is not captured. The fact that the production relationships are assumed fixed means that all goods and services produced in the economy will be bought and sold in the same proportions with or without a change in fisheries management. These two factors mean that adaptations by individual establishments or changes in market relationships are not fully captured.

In general terms, seafood consumers are assumed to be unaffected (in terms of their aggregate consumption of seafood although prices may increase) by changes in groundfish management. That is, consumers will still purchase seafood but the mix of species may change as substitute products are made available: farm-raised salmon or shrimp, for example. However, certain segments of the distribution network from harvest to retail may experience very different impacts as a result of groundfish management.

Although an oversimplification, seafood distribution may be segmented into two markets; one that services specialty restaurants, hotels, and retail seafood markets and one that services large restaurant chains, grocery chains, and large institutions. These two markets compete for the same supply of raw material but operate in different ways.

The specialty seafood market consists of a large number of buyers with each one purchasing relatively small quantities of seafood. These purchases are made on a daily or short term basis where changes in market price due to reduced supplies can be passed on to their clientele. With respect to groundfish, this means that the specialty market (the Fulton fish market in New York and to a lesser extent Philadelphia and Baltimore) will tend to bid away groundfish supplies from New England processors that serve the restaurant and grocery chain market. Because buyers in the specialty market operate on very short term supplies and face a relatively inelastic demand (i.e. quantities demanded in consumer markets are relatively insensitive to price) this market segment may not be appreciably affected by the Amendment 13 management alternatives. Note, however, that the extent to which hard quotas result in derby-style fishing would still be very disruptive as market supplies would be very volatile.

Unlike the specialty market the chain market operates over a longer planning horizon, faces a more elastic demand (i.e. consumer demand is much more price sensitive), has fewer buyers but purchases are made in large quantities, and relies on processors to provide finished products for resale. Chain markets usually plan specific seafood promotions that may be planned one-quarter in advance. This marketing strategy requires predictability in terms of both supply and price. In

order to meet these requirements, processors must, in turn, be able to source the raw product in consistent quantities at predictable prices. In a time of fluctuating groundfish supplies, New England processors may be able to commit to provide limited quantities to their clients. In this setting localized spikes in landings may result in depressed ex-vessel price not because processors lack the capacity to handle the supply, but because they have no market to accept their product. In this manner, unpredictability in supply has a cascading effect from processors back to harvesters. Note that while some ability to source alternative supplies of groundfish from international imports may be possible, stocks throughout the North Atlantic are depressed and New England processors would have to outbid European buyers.

The fact that business arrangements at the processor level require a longer term commitment to provide agreed upon supplies at agreed upon prices also means that business relationships are developed over time and the inability to provide consistent supplies of groundfish means that buyers in the chain market will turn to alternative seafood products. These buyers will tend to develop longer term relationships with alternative seafood providers meaning lost market share for New England groundfish will be difficult to recover.

For New England processors the primary impact of Amendment 13 will be in how any given management measure affects variability in supply. This means that alternatives with hard TACs or other measures that causes volatility in landings would have a comparatively larger impact on processors. Note that even alternatives that promise reasonably consistent supplies could have comparatively larger impact on New England processors where total supplies are limited. For example, given that specialty markets will outbid processors for groundfish supplies, if half of the market goes to processors and half goes to specialty markets, a 20% reduction in groundfish supply would be absorbed by New England processors resulting in a 40% reduction to New England processors.

The following provides the economic impacts associated with the proposed management alternatives where evaluation of alternatives was limited to consideration of alternatives (1A, 2 with a backstop TAC, 3, 4, and 4A) that meet the conservation objectives for Amendment 13. Alternative 1B and Alternative 2 without a hard TAC backstop do not meet this criterion. Note that the estimated economic impacts of these alternatives would be lower than anything presented below but only because landings would not be consistent with needed fishing mortality rates.

5.4.6.1 New England Regional Economic Impacts of the Proposed Action

The direct economic impact of the Proposed Action consists of the sum of the reduction in gross sales by vessels ($39.0 million), seafood dealers ($15.4 million), and processors ($22.9 million) for a total direct impact of $77.3 million. Note that to avoid double counting the reduced value in dealer and processor sales is measured in terms of sales net of the cost of purchasing seafood from the next lower market level. This direct impact results in an additional $58.2 million in indirect and induced impacts for a combined total impact of $135.5 million to the New England economy (Table 243). However, compared to the New England economy as a whole this impact represents less than 0.02% of total sales in the combined five coastal New England states.

Across sub-regions, the Boston area (20%) would be the most impacted sub-region even though the local Boston-area represented only 9.3% of total loss in combined direct commercial fishing, dealer, and processor sales impacts. However, the Boston-area is an important center of economic activity that provides a large amount of manufacturing, transportation, wholesale trade, financial services and other business services to other New England sub-regions such that the Boston-area

indirect plus induced impacts represented 31.1% of total New England-area indirect plus induced impacts. By contrast, the New Bedford area was estimated to account for 36.2% of total direct impacts but only accounted for less than 3% of indirect plus induced impacts. Thus, the total sales impact in the New Bedford was still second only to Boston (19.2% of total New England impact) but the proportion of total New England impact was much less than the New Bedford sub-region's share of direct impact. This highlights the importance of taking into account the inter-industry linkages both within and across sub-regions. For example, the direct impact on the Connecticut Seacoast sub-region was only 1% of total direct impacts but represented almost 20% of total indirect and induced impacts. Combined, the total impact on the Connecticut Seacoast sub-region represents 9.1% of New England economic impacts. As was the case, for New England as a whole, the economic impact in any one sub-region represents, at most less than 0.1% of total sales. This means that while the impacts would, in fact, be concentrated in a few specific industrial sectors the economic viability of any one of the sub-regions would not be threatened even though a specific locality within a sub-region may be relatively more affected.

The estimated impact on personal income was a loss of $55.4 million (Table 244). In general, the share of impact across sub-regions followed a similar pattern to that of gross sales except that the New Bedford sub-region would have a larger loss in personal income than the Boston area. This difference is due to the fact that compared to other industries the share of gross sales going to make personal income payments is much larger. Since the New Bedford direct sales impact for commercial fishing was larger than the Boston sub-region the direct income impact was also larger that when combined with the direct and induced effects, the total income effect was larger than that of the Boston sub-region.

Region-wide the Proposed Action was estimated to impact about 1,900 jobs (Table 245). Of these jobs, almost 800 would be associated with commercial fishing, almost 400 would be in seafood wholesale trade and about 150 would be in the seafood processing sector. The remaining nearly jobs would be in a variety of economic sectors spread throughout the New England coastal states. Across sub-regions, the New Bedford area would be slightly more affected than the Boston area followed by Lower Mid-Coast Maine, and Gloucester. Other than the non-maritime sub-region employment impacts would represent less than 6% of total region-wide impacts.

5.6.1.3 SIA Communities of Interest

The communities that are likely to experience significant impacts from the alternatives under consideration include those with at least one of the following characteristics:

- an active and large multispecies fishing fleet,
- vessels and shoreside facilities that currently depend on groundfish for a substantial portion of their business,
- geographically close to areas proposed for additional seasonal or year-round closure, and
- vessels that hold a substantial amount of latent effort (inactive DAS).

The above criteria qualify almost every one of the 40 primary community and secondary port groups described in the Affected Human Environment, except for the "other" categories and some of the most southern states. Because it is not practical to identify all of these groups as *communities of interest* for this assessment, the following groups have been chosen to represent the diversity, scale, and extent of those involved in the groundfish fishery. Inferences can be drawn about social impacts on other port groups based on the information presented in the Affected Human Environment and the likely distribution of other predicted impacts. All primary community groups have been identified as *communities of interest* for this assessment.

Primary Community Groups

1. Portland, Maine
2. Portsmouth, New Hampshire
3. Gloucester, Massachusetts

4. Boston, Massachusetts
5. Chatham/Harwichport, Massachusetts
6. New Bedford/Fairhaven, Massachusetts
7. Point Judith, Rhode Island
8. Eastern Long Island, New York

Secondary Community Groups

9. Upper Mid-Coast 1, Maine
10. Lower Mid-Coast 1, Maine
11. NH Seacoast
12. South Shore, Massachusetts
13. Provincetown, Massachusetts
14. Eastern Rhode Island
15. Northern Coastal New Jersey

It is important, however, to consider the impacts of the proposed alternatives across all communities. Social impacts can be defined as the changes that a fisheries management action may create in people's way of life (how they live, work, play, and interact), people's cultural traditions (shared beliefs, customs, and values), and people's community (population structure, cohesion, stability, and character). As such, social impacts may result from changes in flexibility, opportunity, stability, certainty, safety, and other factors that are not specific to any community, but oftentimes to any individual or entity experiencing changes resulting from a fishing regulation.

It is possible that the social impacts of some measures under consideration will not be experienced solely by one community group or another; rather, it is likely that some impacts will be experienced across communities, gear sectors, and vessel size classes. An example of this would be a reduction in allocated DAS if it is applied to all multispecies permit holders. Another example would be a mesh restriction for otter trawl vessels. While extra consideration is given to the *communities of interest* for this framework, the potential social impacts of the measures under consideration are discussed generally in this assessment so that their impacts across communities can be understood more clearly.

The following paragraphs summarize recent fishing activity in the *communities of interest*. More information about these and other communities is presented in the Affected Human Environment.

Portland, Maine: In FY99 and FY00, Portland averaged 13,770,600 pounds of groundfish landings and $15,620,900 in groundfish revenues, establishing it as an important port of landing for groundfish vessels and a primary port for the multispecies fishery. The community of Portland is also substantially dependent on groundfish for a significant portion of its total fisheries revenues. In FY99 and FY00, 46 active multispecies vessels homeported in Portland earned more than $10,800,000 in revenues from groundfish. More than 64% of Portland's total fisheries revenues from federally-permitted vessels came from groundfish from FY99 – FY00. While these data reflect the community's relative dependence on the groundfish fishery, it is important to remember that at least some of the individual groundfish vessels in Portland are even more than 64% dependent on the multispecies fishery. Vessel-level impacts of the Amendment 13 measures, therefore, will vary.

At the social impact informational meeting in Portland, residents of Portland reported having experienced the most significant social impacts from the Amendment 5/7 DAS reductions (Appendix I). Many of Portland's active groundfish vessels possess Individual DAS permits and have experienced a 50% reduction in their Individual DAS. Moreover, most Individual DAS vessels use the majority of their allocated DAS. The measures proposed in Amendment 13 that are likely to impact this community the most are those that

modify or further reduce DAS allocations. However, because Portland is such a large and important groundfish port, and because of its location, it is likely that most measures proposed in Amendment 13 will affect this community. The EA for the settlement agreement estimated that 84.9% of groundfish activity in Portland could be affected by the recently-implemented Interim Action.

Portsmouth, New Hampshire:

Gloucester, Massachusetts:

Boston, Massachusetts:

Chatham/Harwichport, Massachusetts:

New Bedford/Fairhaven, Massachusetts:

Point Judith, Rhode Island:

Eastern Long Island, New York:

Upper Mid-Coast 1, Maine: This community group includes Rockland, Port Clyde, and surrounding communities. In FY99 and FY00, this group averaged 1,100,250 pounds of groundfish landings and $1,106,300 in groundfish revenues. These values have significantly increased since the 1994 fishing year, suggesting that ports in this community group are becoming more important ports of landing for multispecies vessels. Rockland was historically a very important multispecies port, so increased multispecies activity in this area in recent years may somewhat reflect a return towards historical patterns and/or a re-emergence of groundfish activity lost due to stock declines. In contrast, this community group has become less dependent on multispecies in recent years. The 16 vessels homeported in this area earned an average of $1,192,400 in groundfish revenues from FY99 – FY00. The community group's dependence on groundfish for its total fisheries revenues from federally-permitted vessels averaged 23.1% for this time period (versus 46.1% in FY94). While these data reflect the community's relative dependence on the groundfish fishery, it is important to remember that at least some of the individual groundfish vessels in Upper Mid-Coast 1 are more than 23% dependent on the multispecies fishery. Individual vessel impacts, therefore, will vary.

During the social impact informational meetings, some comments were received from Upper Mid-Coast 1 community residents suggesting that DAS reductions since Amendment 5 have had the most significant social impacts on them and their communities (Appendix I). It is difficult to predict which Amendment 13 measures will most significantly impact this community group. Because of its location and multispecies activity, it is likely to experience impacts from most of the Amendment 13 measures that address Gulf of Maine cod, including gear restrictions and modifications to area closures. The alternatives to address capacity are also likely to significantly impact this community group. The EA for the settlement agreement estimated that an average of 86% of groundfish activity in Upper Mid-Coast 1 ports could be affected by the recently-implemented Interim Action.

Lower Mid-Coast 1, Maine: This community group includes Bristol, Boothbay, and surrounding communities. In FY99 and FY00, groundfish landings in Lower Mid-Coast 1 averaged 680,650 pounds and $665,700. These values have significantly declined since the 1994 fishing year, along with landings and revenues from other fisheries, suggesting an overall decline in (federal) fishing activity in the area. Vessels that are homeported in Lower Mid-Coast 1 have become somewhat less dependent on multispecies in recent years. The decline in this community group's dependence on the multispecies fishery is not as significant as the overall decline in fishing activity in this area. The 18 active multispecies vessels homeported in this area earned an average of $1,228,000 in groundfish revenues from FY99 – FY00. This group's dependence on groundfish for its total fisheries revenues from federally-permitted vessels averaged 34% from FY99-00 (versus 46.3% in FY94). While these data reflect the community's declining relative dependence on the groundfish fishery, it is important to remember that at least some of the individual groundfish vessels in

Lower Mid-Coast 1 are more than 34% dependent on the multispecies fishery. Individual vessel impacts, therefore, will vary.

It is difficult to predict which Amendment 13 measures will most significantly impact this community group. Because of its location and multispecies activity, it is likely to experience impacts from most of the Amendment 13 measures that address Gulf of Maine cod, including gear restrictions and modifications to area closures. The alternatives to address capacity are also likely to significantly impact this community group. The EA for the settlement agreement estimated that an average of 88% of groundfish activity in Lower Mid-Coast 1 ports could be affected by the recently-implemented Interim Action.

NH Seacoast:

South Shore, Massachusetts:

MARFIN SUB-REGION	% Related Occupations	% of Total Employed	Alternative Occupation Ratio Summary
Downeast Maine	45	3.6	255.54
Upper Midcoast Maine	36	2.0	171.05
Cape and Islands	27	0.79	104.43
Lower Midcoast Maine	23	0.46	51.32
New Bedford/South Shore	27	0.40	38.95
Southern Maine	23	0.39	36.94
Rhode Island	24	0.31	30.86
Gloucester/North Shore	20	0.21	24.91
New Hampshire Coast	8	0.09	9.46
Boston Area	7	0.05	6.39
Connecticut Coast	2	0.01	2.61

Table 333 Comparative Fishing Dependence Indices for the Eleven Sub-regions of New England (MARFIN 2001)

**The MARFIN Report did not examine communities south of Connecticut.*

RANK	COMMUNITY GROUP	AVERAGE GROUNDFISH DEPENDENCE FY99-FY00
1	Chatham/Harwichport, MA	71.1%
2	Portland, ME	64.3%
3	Gloucester, MA	61.7%
4	Boston, MA	55.7%
5	Portsmouth, NH	54.7%
6	South Shore, MA	47.7%
7	Provincetown, MA	45.4%
8	NH Seacoast	44%
9	Lower Mid-Coast 1, ME	34%
10	Upper Mid-Coast 1, ME	23.1%
11	New Bedford/Fairhaven, MA	22.3%
12	Point Judith, RI	18.3%
13	Eastern Long Island, NY	16.9%
14	Eastern RI	11.5%
15	Northern Coastal NJ	3%

Table 334 – Ranking of Dependence on Groundfish for Communities of Interest

APPENDIX 5

Future Role of the Portland Fish Exchange
by Sue Inches, DMR staff

Portland Fish Exchange
Prepared by: Sue Inches, DMR

From Governor's Charge: "Evaluate the future role of the Portland Fish Exchange, and ascertain how the benefits of the Exchange to the industry may be maintained"

Introduction and Background:

The Portland Fish Exchange has had a tremendous influence on the market and pricing of Maine groundfish since its opening in 1987. By consolidating the harvest of nearly 200 vessels into one market, fish buyers from Maine to New York have access to 90% of the fish landed in Maine in one location. The auction currently has 25 registered buyers who represent a diversity of seafood businesses.

Without the auction, fishermen would have to find and negotiate sales with buyers on their own. This can add cost and uncertainty to a fishing operation. Further, without access to a broader market, harvesters would sometimes be forced to accept low prices, in order to move their highly perishable products to market quickly.

Maine's dairy and blueberry industries provide good examples of what can happen in a commodity market without an auction. In these two industries, the prices paid to farmers are often below their break-even cost. But with a highly perishable crop and few buyers, farmers often have no choice but to sell at those prices or lose the crop.

Further, without an auction, farmers and fishermen invariably face cash flow problems, since there is no mechanism to ensure prompt payment. In the case of blueberries, farmers are routinely paid for the crop four to six months after the harvest. Prior to the opening of the PFE, stories of fishermen receiving delayed payment and sometimes no payment abound.

In summary, the existence of the Portland Fish Exchange allows family owned fishing vessels to stay in business on a small scale while supplying the global seafood market and it allows buyers full access to the fish landed in Maine.

The benefits of the Portland Fish Exchange include:

- A non-profit public corporation owned and operated by the City of Portland with board representation by both buyers and sellers of fish
- A regular display auction where buyers can inspect fish and where fish quality is reflected in pricing
- Establishment of a regional market place, with bonded buyers representing seafood companies from Maine to New York
- An up-to-date cash transaction system, which collects from buyers and ensures payment to harvesters within 24 hours of sale
- Maintenance of published daily pricing on all species, ensuring price fairness
- Representation of harvesters on the auction floor, effectively setting a price floor for all species of fish

- An offering of essential services including vessel unloading, a refrigerated display and holding area, regularly scheduled auctions, steaking and boxing services, truck bays for shipping and information services such as boat landings histories

Key Issues:

A summary of key issues facing the PFE taken from the 2003 PFE Strategic Plan include:

1. Reduced landings due to steaming time, reduced DAS allocations and pressure for vessels to land in other ports

2. Potential for paradigm shift in the industry through vertical integration, consolidation and/or quotas

3. Extreme price fluctuations—both lows and highs—due to inconsistent local supply and increasing competition from imported fish

4. Growing negative public and political perception that the groundfishing industry is in trouble and fading

Future Role:

The Portland Fish Exchange has implemented a strategic plan that includes the following goals:

- Prevent and reverse vessel relocation to other ports
- Improve materials handling to increase efficiency, reduce costs and improve retention
- Participate in the regulatory and political process representing the PFE as appropriate
- Technology: To use technology to improve the following:
    - Auction sales mechanism
    - Customer account information access
    - Product control, accountability and materials handling
    - Auction efficiency and convenience
    - Price and landings histories
    - Data collection for stock assessment programs
- Accountability: Lead the industry in the areas of product accountability and financial controls
- Financial Service: Investigate modern financial products that will improve buyer liquidity without sacrificing security of receivables
- Marketplace: Define what makes the PFE successful in the current marketplace and evaluate elements for continued success

- Volume: Recruit more volume from other ports and other species
- Capital Investment: A $3m 10-year plan to include:
    - Increased production, auction and office space
    - Computer software to enhance customer service and data mining capabilities
    - Materials handling improvements including electronic scales, sorting machines and bar code inventory systems
    - Improved ice handling systems
    - Improved sanitation systems

APPENDIX 6

City Of Portland Mayor's Task Force Report

Mayor's Groundfish Task Force Report
March 2004

Background

In the late summer of 2003, the federal government began finalizing rules, known as Amendment 13, to manage New England's groundfish fishery. "Groundfish" consists of approximately 15 different species of fish including cod, haddock, and flounder. Maine's fishing community realized that Amendment 13 could pose a serious threat to its continued participation in the industry:

- Faced with further reductions in fishing effort, larger vessels would face significant financial pressure to fish out of Massachusetts ports. A combination of state and federal law disadvantages vessels working out of Maine ports compared to Massachusetts ports.
- Smaller vessels, which don't necessarily have the luxury of choosing among state port of landing, could either be forced to move south, or exit the fishery altogether.

Essentially, the federal government's plan was likely to force the vast majority of the existing fleet to operate below the breakeven point. As vessel landings of fish were lost (either through relocation or attrition), a domino effect would begin – fewer sales of ice, fuel, and other marine supplies; less fish for sale which would force processors to source raw material elsewhere which would in turn make Maine a less attractive place of business; less fish landed at the City's Portland Fish Exchange making it a less viable marketplace, and so on. The industry could envision a spiraling effect of fewer fish, fewer jobs, and fewer businesses that could ultimately result in little groundfish harvesting and processing activity occurring in the state.

Despite concern that the failure of the groundfish industry may result from Amendment 13, it is reasonable to expect that after the crisis passes, fish landings will become far more abundant. In fact, landings are expected to triple over the next 2 decades, which is why many in the business often refer to it as "growth industry." The challenge, therefore, is not only to ensure the survival of Portland's groundfish industry over the next few years, but also to position it for the growth to come afterward.

Councilors Geraghty and Cloutier have been concerned about these issues. As Portland groundfish sellers and buyers handle the vast majority of product in the state, the proposed federal rules could have a significant impact on the City. The Portland Fish Exchange handles $20-$25 million of groundfish each year, which translates to $70-$90 million in overall economic impact. While Mayor, Councilor Cloutier formed a Mayor's Groundfish Task Force, charged with developing strategies to retain Portland's presence in the industry. Many members of the fishing community representing nearly every affected groundfish-related local business staffed this task force.

In the fall, the task force encouraged the City to press for more flexible fishing regulations. It's fair to say that not only did the City do that, it was far ahead of and far more aggressive than any other federal, state, or local advocacy group. The Council was instrumental, via its proclamation and participation in press briefings, in educating the public about what Portland and Maine stood to lose if Amendment 13 was implemented as proposed.

As is normally the case, parts of Amendment 13 were modified as the plan wound its way through the management process. A major change was the decision to allow vessels to consolidate their allowable fishing days.

Ground fishing effort is primarily controlled through limiting the number of days each vessel is allowed to fish (DAS). 20 years ago, there was no limit. Today, the average boat is limited to 70 days of fishing per year, and will be reduced to 53 days when Amendment 13 is implemented (in May of this year).

Until the promulgation of Amendment 13, vessels were not allowed to "combine" those days on to one boat. For instance, a vessel owner could not buy another vessel and combine the two 70-day fishing permits on to one boat in order to create one boat with 140 total fishing days. The problem with this restriction is that it required fishermen to try to operate valuable businesses and maintain safe working conditions with a very limited allocation of fishing days. As Amendment 13 was analyzed, it became clear that was an impossible task with just 53 allowable fishing days per year.

Therefore the government decided to allow vessels to, with some limits, combine permits. They also decided to allow vessels to "lease" fishing days among themselves if they wished. Both programs are intended to allow those fishermen who choose to stay in the business adequate opportunity to remain economically viable.

Many Maine fishing interests had pushed hard for these provisions. They realized that the state had very little chance of retaining its market share of groundfish (currently around 18% of New England's total) without some consolidation provisions that would allow Maine boats to acquire adequate fishing time in order to remain viable.

A byproduct of the federal regulations is that ownership of fishing days is not limited to fishermen. As proposed, the regulations allow a seafood processor, or a fuel provider, or even a state or municipal agency to acquire fishing days. Community ownership of fishing effort is not a new idea – it has been in place on the west coast for some time – but it has never been applied in New England.

The task force's general consensus is that Amendment 13 has created a crisis for Maine's fishing community. There is likely no way to avoid some attrition of vessels. If the industry is to survive, it is important that there be no further erosion of shoreside infrastructure – Portland has one remaining ice supplier, two fuel suppliers, effectively one offloader of groundfish, one vessel hydraulics service provider, one vessel electronics service provider – we have reached what is described as a "critical mass" of infrastructure which is barely enough to provide for the needs of the fleet. For instance, if Portland's sole ice supplier, Vessel Services, or the Portland Fish Exchange itself, were to cease operations, then the fishing fleet would have no way to continue operating from Portland. This is a critical situation.

This report is presented by the Task Force to address the concerns and the opportunity presented by the groundfish industry. DAS retention and acquisition appears to be a key element of the response to both problems.

The Task Force report describes several alternatives, which address the issue, but emphasizes that none are mutually exclusive. Each alternative promises to provide positive impact on the groundfish industry.

Alternatives

- The City could assist in the creation of, or directly manage, a loan or grant program designed to help Maine fishermen buy or lease fishing days from vessels. Ideally, those vessels would be from other New England states; the task force would prefer to see as many Maine fishermen as possible remain in the fishery.
- The City could purchase those fishing rights itself, then lease and/or sell them to Maine fishermen.
- As a component of either a purchase or loan program, the City could facilitate the acquisition of DAS by Portland-based and other customers of the Fish Exchange by providing technical and other market-based assistance to the fleet.

These strategies would help ensure that Portland's fleet remained viable, thus ensuring that the related groundfish shoreside infrastructure would remain intact. Under all of these alternatives, participating vessels would be required to offload their fish in Portland.

Alternative 1. Purchase of DAS by acquiring vessels in different size categories with assumption that DAS would be leased as long as regulations allow. Current regulations sunset leasing after two years and provide a 40% tax on DAS upon transfer. The pros and cons of this alternative are outlined below. There are two Options to this Alternative regarding the length of time of ownership.

Pros	Cons
1. Acquire DAS to support fishing industry infrastructure.	1. High capital cost
2. Greatest influence to direct landings to PFE.	2. Costs and risks of vessel ownership and disposal.
3. Provides opportunity for new entrants to Fleet.	3. Administration of leases/ enforcement/monitoring performance/ allocation, etc.
4. Preserves diversity within existing size and class.	4. Distortion of market for vessels and fleet vessel by DAS because of City program.
5. City benefits from appreciation in value of DAS, if any.	5. Risk of regulatory change. Loss of leasing option, increase in conservation tax, further restriction in DAS.

In the event the City decides to purchase DAS, it should decide whether it would:

- Retain ownership of DAS only for as long as it takes to get over the 3-5 difficult years ahead, or
- Retain ownership of DAS in perpetuity to guarantee Portland's ongoing participation in the groundfish industry.

If the purchase option is selected, then two fundamentally different approaches to ownership could be used. First, the City could acquire DAS with express intent to lease and transfer either the vessel or DAS once its lease authority terminates. Under applicable federal regulations, current lease authority is limited to two years. The second alternative would be for the City to purchase and hold DAS for as long as the regulations allow. Although leasing is limited to two years, regulatory changes could extend that period or otherwise increase flexibility of transferring DAS. The Task Force believes the choice is fundamental and believes that the choice should be made before the City decides how to proceed with respect to DAS. The pros and cons of each option are as follows:

Option 1. Purchase and immediate sale of DAS. Lease/sale will transfer DAS ownership at end of two-year period.

Pros	Cons
City participation limited in scope and duration	40% conservation tax under current regulations
	Risk of default and enforcement, particularly if transfer of ownership to lessee is financed.
	Limited influence over DAS use after transfer to private ownership.

Option 2. Long-term ownership

Pros	Cons
Continued control over DAS fish from PFE	Greatest risk of regulatory change
Fleet diversity	Annual administration of DAS, allocation/landing restriction/lease history
New opportunity	Costs of vessel ownership – scrap/sell/save

Alternative 2. Grants and loans to assist vessel owners to acquire DAS through purchase and lease.

Pros	Cons
1. No vessel ownership	1. Less influence over DAS; limited to length of loan.
2. Current program in place/ administrative expertise and experience.	2. Exposure to risk of vessel failure over term of the loan.
3. Direct product flow to exchange.	3. No upside if value of DAS appreciates.
4. More DAS for dollar.	
5. Less risk from business failure.	
6. Less risk due to shared involvement in loan.	

Alternative 3. Facilitation, technical assistance and matching of lessors and lessees by city or exchange personnel.

Pros	Cons
1. Less risk	1. Conflict with other alternatives; purchase/loan
2. Immediate exposure to market prices and issues.	2. Comparatively low benefit to Port.
3. Increase local retention of DAS by providing vessel owners information re: market, regulations, loans, etc., to facilitate private acquisition of DAS.	

Estimated Costs

Using survey data and the knowledge of its members, the Task Force computed the value of DAS by estimating the cost recovery for a vessel to be able to lease or purchase additional days. They also estimated the number of additional fishing days required to address the needs of Maine's fishing fleet. The following assumptions were used:

> Current prices for ground fish permits are at approximately 1-2 times (1X-2X) annual earnings, i.e., if a permit can reasonably expected to produce $200,000 per year in gross income, the permit & vessel are selling for $200,000-$400,000.

Average gross annual income per DAS ranges from $1,500 to $5,000, depending on vessel class.

It is expected that a vessel can afford to pay 1 to 1.5 times the earnings a day produces (on an annual basis), i.e., if earnings for one DAS is $1,500, a vessel could buy that day for $1,500 to $2,250 and be in the same or better financial position as it was without the additional day. This takes into account the conservation tax of 40%.

Among all vessel classes, there is a demand for a minimum of 1,500 DAS, with half of the demand in the under 50-foot class.

The result of the computation shows a capital need of between $5 to $8 million to secure the estimated 1,500 DAS. Cost to the City depends on the structure used to acquire DAS. Pursuing Alternative 1 to purchase the DAS and to lease them to vessels, the estimated cost of acquisition would be six to eight million dollars. If the City were to loan or grant funds to private vessel owners to acquire more days, the cost would be reduced by the degree to which the City loans and grants could leverage other financing (FAME, CEI, conventional banks, etc.). The cost of Alternative 3 facilitation alone would be small ($30-50,000) but the impact on DAS available by Portland based vessel is expected to be much less dramatic. The Task Force envisions this Alternative as a necessary component of Alternatives 1 and 2.

The next step will be to identify possible sources for this capital, and then begin to work out the details of making it available to the industry.

APPENDIX 7

Steaming Time

1. Minutes of meeting between Department of Marine Resources and industry, April 2, 2004
2. Federal analysis of Steaming Time (p. 717 – p. 734 from the Economic Impact section of Amendment 13 EIS)

Steamtime Meeting
Friday April 2, 2004
Marine Trades Center, Portland

DMR staff met with several members of industry to discuss the issue of steaming time. Steaming time is an issue that has been raised by Industry with both the State the Council, NMFS and Maine's congressional delegation as highlighting the unfairness of the current and new regulations to the State of Maine.
Attendance: Elizabeth Sheehan, Barbara Stevenson, Proctor Wells, Craig Pendleton, Hank Soule, Jim Odlin, Dave Leeman, Lew Flagg, George Lapointe, Maggie Raymond, Ed Bradley, Sue Inches, Vin Balzano, Mike Love

Major issues identified:

1. Distance to fishing grounds for mid-size vessels
2. Location of VMS demarcation line
3. Crossing rolling closures to get to fishing grounds for smaller vessels
4. Cod trip limits (added by Barbara Stevenson)

Other points to clarify the issue:

- The fish are much farther out than they used to be, making day trips impossible
- Incentives to fish below 42'20 line is less because of changes in the cod limit,
- About 10 boats are in the cod exemption program where they agree not to fish in the GOM but are charged steaming time if they cross it
- Location of the VMS line created inequities, especially with New Bedford boats
- The demarcation line was created as a result of scallop regulations
- Technically the line is easy to change, but politically would be difficult
- The issue of off-shore VMS equity is a separate issue from in-equities between VMS and non VMS vessels

Remedies:

- The Snowe amendment would create more problems than it solves
- The issue is a "red herring" because almost any solution would cause a reduction in DAS, and because it is not a Maine only issue, meaning that other ports might want steam time credit for coming into the GOM
- The perception is that Maine "wants something" not that Maine "lost something", so part of the solution is to continue to remind the Council how disadvantaged Maine has been
- Steamtime is part of the cumulative disadvantages Maine has faced, but we should choose an issue we can win more easily
- Could the VMS line be eliminated with trips starting at the dock? Yes but that would reduce DAS for all
- Could we introduce VMS on all boats? Yes, except days don't kick in until the line is reached, so lots of in-shore days would go uncounted
- Group agrees that steamtime is a real issue, with few, if any, good solutions

- An less expensive ($1100) 12-volt VMS is now available which could help some boats take 2-3 hours off steamtime per trip, which would help
- Could the government buy a VMS for every boat? They are expensive—with a purchase cost plus a $150/month service fee
- Cod trip limit is a clock issue: as soon as the trip starts the 500lb (800 under A13) trip limit starts, Maine would rather see the trip limit start after 24 hours. The trip limit as currently defined gives Gloucester day boats a huge advantage: they target 500/800 pounds of cod on short duration day trips. This should be changed at the Council level.
- Does the state want to sue the federal government on steaming time, based on it not meeting National standards? Not at this time, since no steamtime proposal has been made at the Council level.

Wrap Up Comments:

- Steamtime is not a pressing issue. Lobster landings are much more important than steamtime, particularly since Maine vessels can't make up for lost lobster revenues with the haddock program.

- Maine shouldn't press the steamtime issue with the Council now, primarily because the risk of further reducing DAS allocations is too high.

- Action should be taken to try and get the haddock SAP approved and to open the western GOM shrimp closure. DMR has made comments to NMFS urging changes on both issues. Can an alliance with Gloucester be built on the haddock issue?

- On lobster landings, is there a way to land the lobsters and then bring the groundfish home? This is illegal under Maine law now. The issue could be pursued with NMFS, but with cod trip limits, much of the catch gets unloaded at the same time as the lobsters, making it too much extra hassle to take the rest of catch to Portland. A new policy in MA says you can't unload lobster at night, a further inconvenience to Maine vessels. No good solution offered on this.

5.4.6.1.1 Potential impacts of DAS reductions on vessel location

Public comments on Amendment 13 identified Maine's proximity to offshore groundfish fishing grounds, and the increased steaming times required to reach those grounds, as an intrinsically linked component of DAS reductions that will disproportionately impact the Maine groundfish industry. The specific problem identified appears to be the perception that Maine vessels will relocate to Massachusetts. This issue has also attracted attention in local media both inside and outside of Maine (see "Task force will help protect both fish, groundfishermen," Portland Press Herald, Sept 4, 2003, among others). While public comments focused on Maine, similar arguments could be made for other states.

The theory is investigated in several ways. Changes in documented homeport and principal port locations are tracked as an attempt to understand the "baseline" level of state-to-state vessel transfer over time. Landings and fishing patterns for Maine-based vessels are quantified in an attempt to determine which vessels and which ports are likely to be impacted. Product caught on Georges Bank and landed in Maine ports is quantified, losses due to differential transit times for affected fishing trips are modeled, and the opportunity costs associated with landing Georges Bank fishing trips in Maine is estimated. An upper bound estimate of potential losses for the Maine economy is provided. Finally, the issue of steaming time for offshore trips is put in perspective by comparing the percentage of time spent steaming on offshore and inshore fishing trips.

The results show that Maine's groundfish fleet has shrunk by roughly 40% since 1995, which is consistent with the reduction in multispecies permit holders region-wide (35%). Groundfish revenues in Maine are up approximately 50% from their late-1990's lows. Total revenues generated by Maine vessels but landed outside of Maine have remained constant at roughly 10% of total groundfish revenues from 1995 through 2002. Of 159 active groundfish vessels in Maine in 2002, only 29 reported making trips in statistical areas that are farther from Maine ports than Massachusetts' ports (areas 514, 521 and 522, principally). Twenty Maine vessels landed trips from these statistical areas in Massachusetts in 2002, and this number has remained nearly constant since 1999. Costs associated with steaming time for trips occurring in these statistical areas were roughly 20% of per-trip groundfish revenues for trips reported in statistical area 514, but only 3% of gross revenue in statistical areas 521 and 522. Analysis of steaming time for inshore and offshore trips shows that vessels fishing inshore may spend a significantly greater percentage of their trip time steaming than do vessels fishing offshore trips. Finally, lobster landings data from these areas highlights one potential source for increased revenues for Maine trawlers, demonstrating that the opportunity costs of fishing in Georges Bank statistical areas may be compensated.

Relevant background information on the groundfish fishery in New England

To properly frame the issues surrounding potential economic impacts associated with vessel transfers out of Maine, it is important to understand the trends in vessel movement between states and the efficacy of potential data fields available for conducting such and investigation.

Choosing an indicator of economic impact: the homeport and principal port data fields

The primary impact being discussed in this investigation is that of product landed. Therefore, the homeport and principal port data fields are investigated to determine their comprehensiveness as indicators of the impacts of landed product in any particular state. The results show that homeport state is not an accurate indicator of a vessel's landings activity. Table 246 indicates that, for example, roughly 55% of groundfish revenue by Maine homeported vessels is landed in Maine. Basing estimations of direct impacts of this nature on the homeport data field will likely miss an important portion of vessels with strong ties to the Maine economy. Instead, the principal port data field (Table 247) reveals a much stronger tie between port state and state of primary landing. While a credible argument can be made that homeport is reflective of the communities (and states) in which vessel owners and crew reside, and therefore spend their incomes,

landings more often occur in the principal port state than the homeport state. For this reason, the principal port state data field is used for the remainder of this investigation.

Homeport state *(x)*	1995	1996	1997	1998	1999	2000	2001	2002	eight-year avg.
CT	29%	17%	27%	29%	35%	24%	52%	56%	**34%**
MA	96%	96%	93%	88%	87%	85%	86%	82%	**89%**
ME	52%	45%	47%	51%	52%	61%	67%	70%	**56%**
NC	29%	42%	7%	87%	99%	76%	32%	99%	**59%**
NH	84%	70%	83%	84%	84%	83%	83%	88%	**82%**
NJ	58%	59%	49%	62%	54%	71%	60%	66%	**60%**
NY	95%	97%	89%	86%	93%	98%	98%	99%	**94%**
RI	63%	58%	49%	53%	67%	72%	70%	81%	**64%**
VA	22%	50%	83%	59%	6%	39%	17%	47%	**40%**

Table 246 – Percentage of revenue (groundfish only) generated by vessels homported in state *(x)* that is landed in that state (source: vessel trip reports).

Principal port state *(x)*	1995	1996	1997	1998	1999	2000	2001	2002	eight-year avg.
CT	90%	91%	97%	85%	94%	79%	88%	93%	**90%**
MA	96%	97%	96%	89%	88%	86%	86%	82%	**90%**
ME	95%	90%	90%	90%	90%	93%	96%	96%	**93%**
NC	60%	97%	100%	87%	99%	87%	35%	100%	**83%**
NH	87%	72%	83%	85%	77%	84%	86%	90%	**83%**
NJ	86%	82%	83%	75%	79%	91%	94%	98%	**86%**
NY	95%	96%	96%	97%	99%	99%	99%	100%	**98%**
RI	93%	91%	78%	89%	91%	88%	86%	91%	**88%**
VA	17%	20%	21%	50%	87%	39%	71%	47%	**44%**

Table 247 – Percentage of groundfish revenue generated by vessels with a principal port state *(x)* that is landed in that state (source: vessel trip reports).

Changes in homeport and principal port in New England

New England vessels routinely change ports for any number of reasons: vessel sale or ownership change, changes in fishery/target species and improved access to markets or dealers are just some of the many reasons a vessel may change it's documented homeport. Table 248 shows the total change in the number of permits listing each state as their documented principal port (Table 249, which shows the same data for the homeport data field, is included for reference). In these tables, only vessels possessing a valid limited access multispecies permit are counted.

Over the eight-year time series, groundfish vessel retention in Maine was roughly consistent with the overall reduction in fleet size across the New England region. With the results of the groundfish vessel buyback program figured in (Table 250), Maine's groundfish fleet has shrunk by 27% since 1995 (the total fleet has been reduced by 24%).

	1995	1996	1997	1998	1999	2000	2001	2002	% Change 95 - 02	% Change 95 - 02 (excl. vsl buyback)
CT	29	29	31	32	30	29	26	23	-21%	-3%
MA	1,029	831	849	800	796	777	761	680	-34%	-23%
MD	10	9	9	9	8	9	8	6	-40%	-20%
ME	369	307	295	281	285	291	273	217	-41%	-27%
NC	53	26	24	20	22	21	24	26	-51%	-45%
NH	106	78	80	76	87	89	85	80	-25%	-16%
NJ	129	88	83	89	89	103	103	89	-31%	-19%
NY	180	154	151	148	151	144	134	125	-31%	-20%
RI	202	161	159	158	162	164	158	139	-31%	-21%
VA	43	16	15	12	11	12	10	11	-74%	-74%

Table 248 – Limited access multispecies permit holders by principal port state, calendar years (Source: multispecies permit database).

	1995	1996	1997	1998	1999	2000	2001	2002	% Change 95 - 02
CT	14	17	19	20	21	18	17	16	14%
MA	1258	1009	1003	923	917	884	848	746	-41%
MD	5	5	5	5	4	5	7	5	0%
ME	219	181	179	191	199	219	216	178	-19%
NC	36	22	21	19	22	21	23	25	-31%
NH	86	61	68	65	76	78	78	76	-12%
NJ	77	50	52	63	65	79	83	75	-3%
NY	232	193	185	178	174	169	156	143	-38%
RI	116	93	87	104	112	123	126	110	-5%
VA	56	24	23	19	17	18	13	14	-75%

Table 249 – Limited access multispecies permit holders by homeport state, calendar years (source: multispecies permit database).

	Number Vessels
CT	5
FL	1
MA	115
MD	2
ME	53
NC	3
NH	9
NJ	15
NY	19
RI	20

Table 250 – Principal port state locations for vessels/permits purchased in the 1996 and 2002 buyback programs.

As an attempt to gauge where vessels that departed Maine went, and where vessels that changed their principal port to Maine came from, Table 251 and Table 252 track those changes that occurred intra-year

(i.e., vessels that ended the year with a different principal port state than they began the year with). This list is not comprehensive, as it does not track vessels that changed principal ports on their annual permit renewal application—only vessels that changed principal port during the year are tracked here. This does, however, provide insight into vessel transfers.

State (X)	1995	1996	1997	1998	1999	2000	2001	2002	total
AK	.	.	.	.	.	1	.	.	1
CT	1	.	.	.	.	.	.	.	1
MA	1	1	5	5	6	7	7	3	35
NC	.	.	.	.	.	.	1	.	1
NH	.	.	1	.	1	.	1	.	3
NJ	1	.	1	.	.	.	1	1	4
NY	.	.	.	1	1	1	1	.	4
RI	.	.	.	.	.	1	.	.	1
VA	.	.	1	.	.	.	.	.	1

Table 251 – Number of vessels changing principal port state from Maine to state *X* (source: vessel permit database).

State (X)	1995	1996	1997	1998	1999	2000	2001	2002	total
CT	.	.	.	1	.	.	.	.	1
MA	4	1	2	3	7	6	3	2	28
NC	.	.	.	.	1	.	.	.	1
NH	1	.	.	.	.	1	.	.	2
NJ	.	.	.	.	.	1	.	.	1
NY	.	.	.	1	.	.	.	2	3
RI	.	.	1	1	.	.	.	2	4

Table 252 – Number of vessels changing principal port state to Maine from state *X* (source: vessel permit database).

5.4.6.2 Preliminary data regarding the groundfish fishery in Maine

Overall, the number of vessels actively fishing for groundfish has declined across New England by 23% over the eight-year time series (Table 253). During this time, the number of vessels principally-ported and landing in ME has decreased 34%. Pro-rated VTR-reported revenues have increased 58% for New England as a whole, while ME pro-rated VTR-reported revenues have rebounded from a steep decline into the late 1990's and are now showing revenues approximately equal to those in 1995 when adjusted for inflation. Non-Maine vessels landing in Maine are contributing less to the state in terms of revenue now than in the late 1990's.

Rolling closures and the GOM cod trip limits likely contributed to declines in revenue and, possibly, the disproportionate decrease in active groundfish vessels (relative to New England as a whole). The state prohibition on landing lobsters may also disadvantage Maine ports relative to their New Hampshire and Massachusetts counterparts. Average distance to the fishing grounds, discussed in some detail later in this section, may contribute as well, but is likely to be much less significant.

	Active NEMS limited access permit holders		Active NEMS limited access permit holders listing ME as principal port state		Active NEMS limited access permit holders listing ME principal port and landing in ME		Active NEMS limited access permit holders not listing ME as principal port but landing in ME	
year	# vessels	value	# vessels	value	# vessels	value	# vessels	value
1995	1812	$79,352,000	258	$21,217,000	251	$19,880,000	46	$1,108,000
1996	1759	$76,184,000	246	$16,911,000	236	$16,008,000	35	$1,693,000
1997	1533	$76,497,000	213	$15,073,000	207	$14,555,000	27	$1,580,000
1998	1553	$84,240,000	200	$15,313,000	193	$14,409,000	19	$1,690,000
1999	1524	$85,344,000	173	$14,459,000	167	$13,515,000	21	$1,460,000
2000	1535	$98,207,000	184	$19,674,000	177	$18,058,000	28	$1,297,000
2001	1485	$111,514,000	183	$21,257,000	174	$19,132,000	27	$743,000
2002	1396	$113,075,000	171	$21,887,000	163	$19,356,000	21	$792,000

Table 253 – Number of NEMS limited access permit holders actively fishing and revenue generated from landings (source: calendar year, prorated vessel trip reports).

	NJ		NY		CT		RI		MA		NH		
Year	# vsls	# trips	# vsls	# trips	# vsls	# trips	# vsls	# trips	# vsls	# trips	# vsls	# trips	Total Revenue
1995	2	2	16	77	10	171	5	10	2	2	1	3	$1,337,000
1996	2	2	18	48	8	267	2	3	2	5	.	.	$903,000
1997	2	3	22	303	6	115	.	.	.	.	3	5	$518,000
1998	3	3	18	158	4	67	.	.	.	.	3	15	$904,000
1999	.	.	23	63	7	157	.	.	.	.	2	4	$944,000
2000	.	.	22	87	7	179	.	.	2	2	3	29	$1,616,000
2001	.	.	24	115	7	135	.	.	2	21	3	14	$2,124,000
2002	.	.	25	147	7	96	1	1	1	1	1	13	$2,503,000

Table 254 – Number of vessels listing Maine as their principal port state but landing outside of Maine; breakdown by state of landing (source: prorated vessel trip reports; revenue in 2002 dollars).

annual % change	ME		NH		MA		RI		NY	
	pp state	transient	pp state	transient	pp state	transient	pp state	transient	pp state	transient
# vessels	-7%	-13%	3%	-4%	-3%	-13%	-5%	11%	-6%	11%
revenue	3%	9%	11%	-3%	11%	5%	21%	85%	22%	175%

Table 255 – Annual rate of change in number of vessels landing groundfish at least once and total revenue of landings for each state, distinguished between vessels listing the landing state as their principal port state (pp state), and vessels with principal port states that differ from the state they landed the trip in (transient) (source: vessel trip reports and vessel permit database).

Table 254 shows that a number of vessels with their principal port state listed as Maine currently land some groundfish outside of Maine. The total amounts of these landings range from seven to eleven percent of the total groundfish revenue generated by Maine principal-ported vessels. What is significant is that these vessels appear to have established ties with dealers outside of Maine, thereby decreasing (albeit to an unknown degree) one source of potential cost increases associated with landing product outside of a principal port state. Table 255 shows that, while the number of registered vessels landing trips in their principal port state has declined for all states except New Hampshire, overall revenues have increased for

all states. Maine, notably, has shown the smallest average rate of annual revenue increase among those states where groundfish are typically landed.

Quantifying the potential impacts of DAS reductions on Maine
This section attempts to quantify the impacts of DAS reductions on Maine, first by determining which trips and which vessels are most likely to be impacted, second by estimating the opportunity costs imposed upon impacted trips, and third by providing an upper-bound estimate for potential overall impacts on the Maine, and New England, economies.

Determining potentially impacted trips
Amendment 13 DAS reductions may range anywhere from 35% to 65% in allocated DAS, bringing the pre-settlement agreement Fleet DAS allocation from 88 DAS down to between 57 and 31. Individual DAS allocations will be reduced similarly. This portion of the analysis utilizes extant 2002 trip-level data and therefore the impacts are not reflective of future DAS reductions. The non-linear relationship between utilized DAS and fleet revenues means that these results should not necessarily be reduced by a corresponding factor to accommodate DAS reductions. Furthermore, because the necessary inputs data has a spatial component it is not possible to factor in anticipated stock-specific F reductions to calculate potential impacts. Actual trip-level data is therefore deemed to be the be the best for these purposes but, due to the significant reductions proposed, the resulting estimates are likely to be high.

To determine who may be affected, and by how much, the following criteria are used to sort trips and create an appropriate data set:

- 2002 landings data

Trips by vessels listing Maine as their principal port state
Trips landing groundfish in Maine
Trips reporting fishing in statistical areas other than 511, 512, 513, and 515

Because the perceived problem is the direct shift of product and revenues from Maine to Massachusetts, trips made by Maine vessels and landed in Maine are the focus. 2002 data is utilized to reflect current regulatory and stock status environments. Trips occurring in areas closer to MA than ME are assumed to be potentially impacted and, consequently, trips reported to have occurred in statistical areas 511, 512, 513 and 515 are eliminated from consideration (leaving the focus on areas 514, 521 and 522).

Figure 215 and Table 256 show landing by statistical area for all Maine vessels—note that these data show the vast majority of Maine groundfish landings coming from statistical areas 512, 513 and 515. This begins to show that the differential impacts of DAS reductions may not affect a large portion of the Maine groundfish fleet. Recent landings from statistical areas 521 and 522 have increased; this increase has been fueled in large part by a dramatic rise in haddock landings (Figure 217), which increased four-fold between 1998 and 2002 as the stock size increased and trip limits were raised.

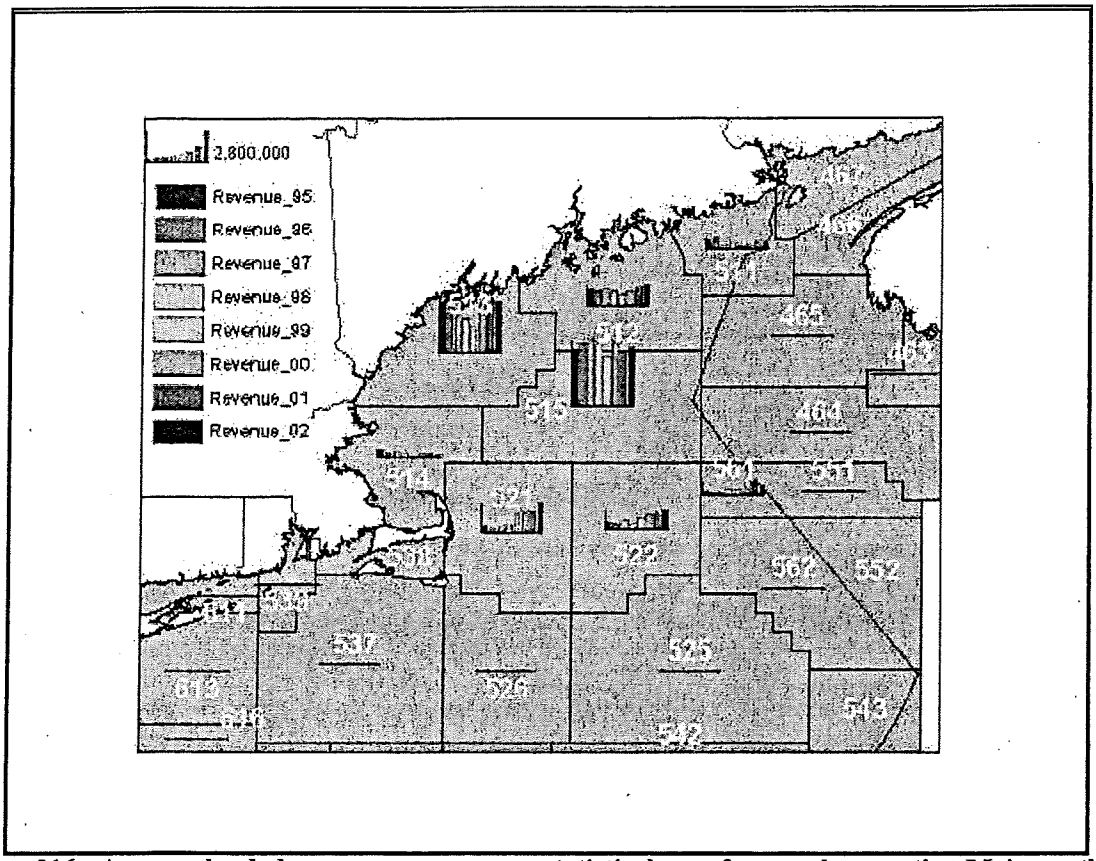

Figure 216 - Average landed revenue per year per statistical area for vessels reporting Maine as their principal port state (source: prorated vessel trip reports, revenues in 2002 dollars).

	1995	1996	1997	1998	1999	2000	2001	2002
511	$1,112,000	$1,096,000	$300,000	$593,000	$234,000	$439,000	$879,000	$862,000
512	$2,438,000	$1,670,000	$1,821,000	$1,745,000	$1,281,000	$1,699,000	$2,005,000	$2,324,000
513	$6,022,000	$4,878,000	$3,840,000	$3,697,000	$2,857,000	$4,952,000	$5,777,000	$5,428,000
514	$880,000	$541,000	$602,000	$490,000	$64,000	$557,000	$513,000	$326,000
515	$7,407,000	$6,663,000	$6,456,000	$6,363,000	$5,370,000	$6,650,000	$6,004,000	$6,315,000
521	$911,000	$559,000	$516,000	$824,000	$2,044,000	$2,138,000	$2,214,000	$3,145,000
522	$1,034,000	$634,000	$884,000	$633,000	$1,310,000	$1,659,000	$1,801,000	$1,987,000
525	$60,000	$43,000		$47,000	$30,000	$2,000	$33,000	$2,000
561	$326,000	$134,000	$94,000	$457,000	$445,000	$729,000	$1,335,000	$926,000
562	$12,000			$4,000	$89,000	$1,000	$22,000	$31,000
SNE	$163,000	$99,000	$12,000	$33,000	$73,000	$36,000	$28,000	$19,000
other	$432,000	$465,000	$491,000	$230,000	$224,000	$223,000	$246,000	$144,000
total	$20,797,000	$16,782,000	$15,016,000	$15,116,000	$14,021,000	$19,085,000	$20,857,000	$21,509,000

Table 256 – Landings revenue by statistical area for vessels listing Maine as their principal port state (source: prorated vessel trip reports).

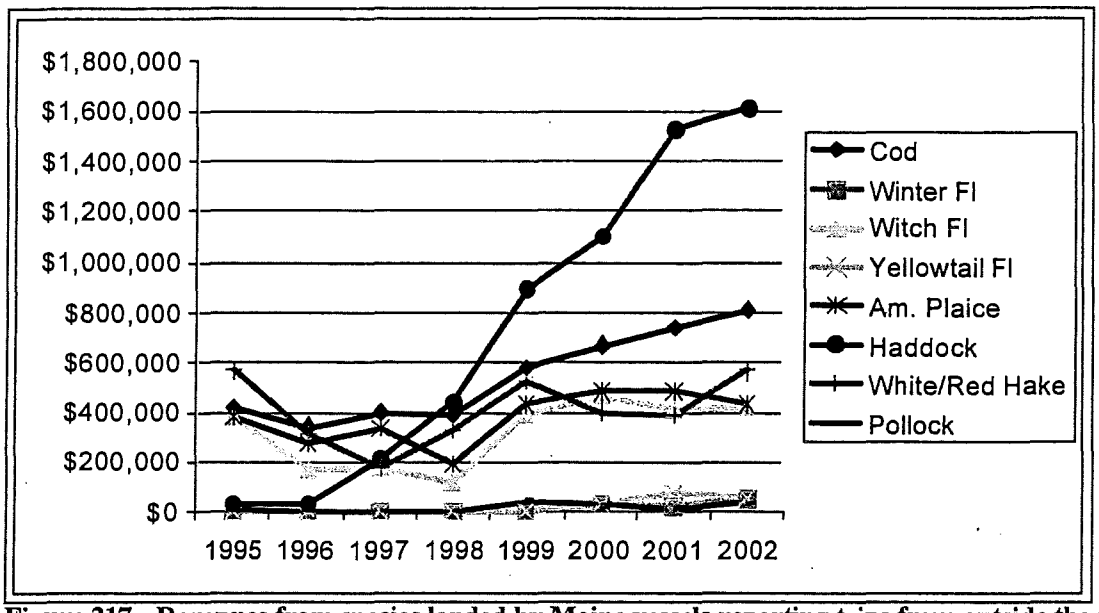

Figure 217 - Revenues from species landed by Maine vessels reporting trips from outside the Gulf of Maine from 1995 through 2002 (source: prorated vessel trip reports, revenues in 2002 dollars).

Table 258 shows that the impacts of Maine vessels fishing on Georges Bank were, in 2002, roughly 22% of the total groundfish revenues for that state. This percentage has increased since the mid-1990's, but has remained relatively constant over the most recent three years Table 258). Thus, it can be estimated that revenues from the fishing trips most likely to be impacted at a differential rate (relative to Massachusetts-based vessels) comprise roughly 20-25% of the total groundfish revenues in Maine. Note that the number of vessels listed in Table 258 refers to all vessels landing at least once in (or out) of Maine; hence, the same Maine vessel may be counted both as landing in and outside of Maine. Table 258 also shows that Maine vessels that do fish on Georges Bank, on average, derive roughly 25-30% of their annual revenue from Georges Bank trips. These data, however, are very noisy (Figure 218) and a handful of vessels earn a significant percentage of their groundfish revenue from the Georges Bank statistical areas.

	vessels fishing outside stat areas 511, 512, 513 and 515 and landing in Maine					vessels fishing outside stat areas 511, 512, 513 and 515 and landing outside of Maine				
	Maine principal port state vessels		other principal port state vessels			Maine principal port state vessels		other principal port state vessels		revenue (ME vsls only)
state	# vessels	# trips	# vessels	# trips	revenue	# vessels	# trips	# vessels	# trips	
1995	41	144	15	43	$2,395,000	16	47	923	13,645	$535,000
1996	32	102	15	37	$1,738,000	10	30	921	13,900	$228,000
1997	35	122	15	28	$1,953,000	7	21	792	12,997	$78,000
1998	28	115	7	24	$2,240,000	11	126	815	12,903	$253,000
1999	41	211	12	51	$4,122,000	20	43	857	12,856	$594,000
2000	35	184	13	47	$4,308,000	19	49	776	11,028	$889,000
2001	33	165	8	17	$4,393,000	21	76	761	12,687	$1,410,000
2002	29	141	2	13	$4,793,000	20	82	701	10,267	$1,733,000

Table 257 - Breakdown of vessels, trips and revenues for fishing trips occurring outside of statistical areas 511, 512, 513, and 515 (source: prorated vessel trip reports).

	Revenues from GB trips	All groundfish revenues	%		% per-vessel annual revenue taken on GB trips	Number vessels	Std. Dev.
1995	$2,395,000	$20,797,000	12%		23%	53	0.23
1996	$1,738,000	$16,782,000	10%		17%	45	0.16
1997	$1,953,000	$15,016,000	13%		27%	42	0.23
1998	$2,240,000	$15,116,000	15%		20%	40	0.22
1999	$4,122,000	$14,021,000	29%		29%	47	0.26
2000	$4,308,000	$19,085,000	23%		31%	47	0.23
2001	$4,393,000	$20,857,000	21%		24%	46	0.19
2002	$4,793,000	$21,509,000	22%		30%	35	0.23

Table 258 – Percentage of total groundfish revenues landed in Maine reported to have come from trips on Georges Bank; and, percent of total annual per-vessel revenue landed from Georges Bank-fished trips for all Maine vessels (source: prorated vessel trip reports).

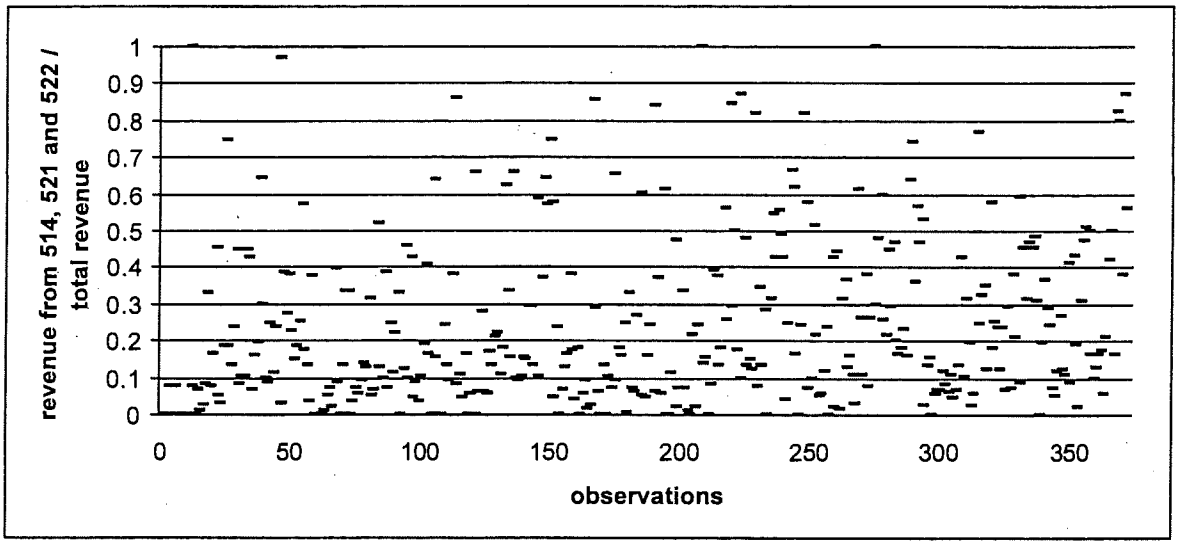

Figure 218 – Scatter plot of George's Bank trips divided by annual revenue for all vessels reporting at least one trip in statistical areas 514, 521 and 522 (source: prorated vessel trip reports).

Quantifying the opportunity costs of additional steaming time

Maine vessels have farther to travel to gain access to Georges Bank than Massachusetts-based vessels. Table 259 shows, for trips landing in various MA and ME ports, the average distance from port, average days absent, per-trip value and per-day value of product landed, and the total number of trips meeting the criteria. It is interesting to note that Maine vessels, on average, produce more revenue per day than their counterparts from other ports for all statistical areas except 522, where they rank second to Gloucester-based vessels. This may be due to the characteristics of the particular vessels (horsepower, gross tonnage, etc), levels of technology present aboard the vessels, or the skill of their captains. In any case, it seems logical that only those vessels able to fish with a high rate of success venture to the Georges Bank fishing grounds.

NEMAREA 514	avg dist (nm)	days absent	value	daily value	# trips
Chatham	44.6	1.24	$1,412	$1,032	194
Gloucester	23.25	1.17	$888	$661	43,652
New Bedford	70.27	4.42	$6,919	$1,867	1,025
Provincetown	31.1	1.2	$1,041	$812	6,266
Portland	119.02	4.55	$10,184	$2,468	316
VMS Demarc (NB trips)	62.38	4.42	$6,919	$1,867	1,025
NEMAREA 515	avg dist (nm)	days absent	value	daily value	# trips
Gloucester	105.15	4.4	$9,376	$2,079	1,849
New Bedford	142.24	7.88	$12,125	$1,788	80
Provincetown	42.67	1.9	$364	$143	11
Portland	108.38	5.43	$10,991	$2,120	4,010
VMS Demarc (NB trips)	108.4	7.88	$12,125	$1,788	80
NEMAREA 521	avg dist (nm)	days absent	value	daily value	# trips
Chatham	36.93	1.09	$1,655	$1,503	22,246
Gloucester	76.16	3.61	$10,360	$2,370	2,094
New Bedford	93.08	6.78	$15,504	$2,880	4,634
Provincetown	35.62	1.7	$1,644	$841	1,232
Portland	132.12	6.63	$19,545	$3,251	573
VMS Demarc (NB trips)	51.2	6.78	$15,504	$2,880	4,634
NEMAREA 522	avg dist (nm)	days absent	value	daily value	# trips
Chatham	83.44	1.06	$1,996	$1,968	756
Gloucester	142.69	5.75	$16,899	$3,000	935
New Bedford	138.67	7.59	$14,904	$2,208	3,969
Provincetown	89.45	5.48	$9,780	$1,717	59
Portland	191.27	7.39	$17,691	$2,504	601
VMS Demarc (NB trips)	92.99	7.59	$14,904	$2,208	3,969

Table 259 – Avg. distance of reported trips from various ports, with avg. days absent, total value, avg. daily value and number of trips reporting lat/long. VMS_demarc info is for reference only and applies to all vessels reporting landing in New Bedford (source: prorated vessel trip reports 1995 - 2002).

In order to assess the estimated value of lost time due to steaming, the distances listed above were used to determine the differential distance between any two ports (in this case, Gloucester and Portland were used). An adjusted revenue per day absent (RPDA) was computed by subtracting transit time, assuming that the point location provided on the vessel trip report was the beginning and end point for the fishing trip and that fishing did not occur between this point and the landing port. Transit speed was estimated to be 9 knots. The adjusted RPDA was used to estimate the potential for revenue gain based on the reduced distance traveled from Gloucester instead of Portland (assuming that the additional catch does not result in a decrease in RPDA). The following flow chart summarizes this process:

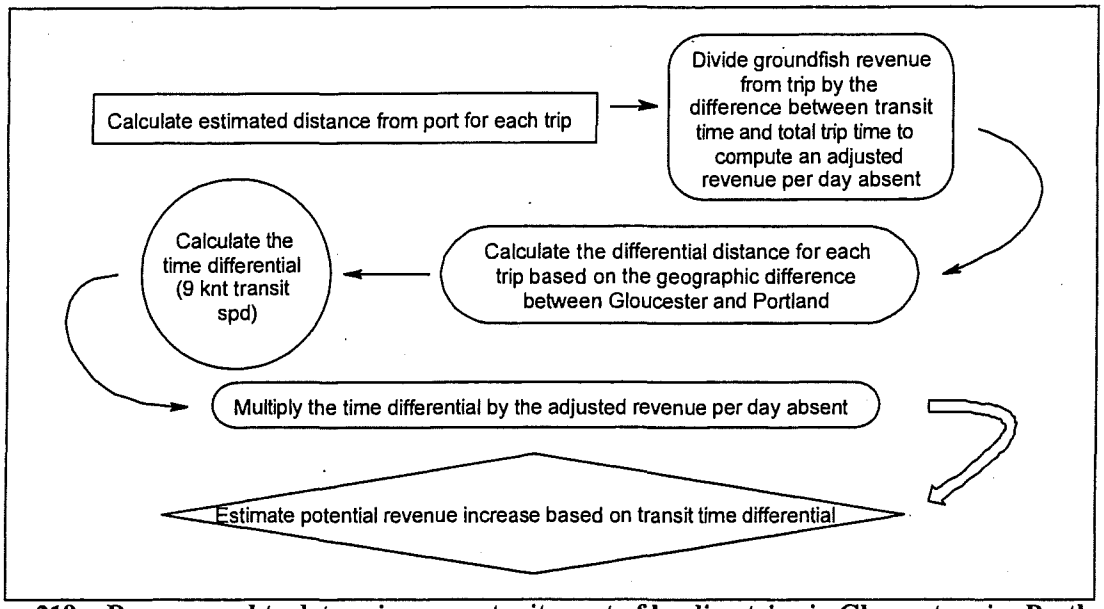

Figure 219 – Process used to determine opportunity cost of landing trips in Gloucester vice Portland.

	Assumed difference in distance to fishing grounds (nm)	Assumed difference - round trip	Assumed add'l hours per trip @ 8 knots transit spd	RPDA	Standard-ized RPDA	# Trips by Portland-based vessels	Potential DAS-based revenue increase through relocation (per trip)	Estimated 2002 potential gross revenue gain (all trips)	Total 2002 gross revenues from areas	Potential percent increase in revenue if trips were made from Gloucester and not Portland
514	95.8	191.54	23.94	$1,989	$2,470	29	$2,191	$63,526	$326,000	19%
521	56.0	111.92	13.99	$2,588	$2,808	74	$1,455	$107,648	$3,145,000	3%
522	48.6	97.16	12.15	$2,032	$2,165	58	$974	$56,476	$1,987,000	3%

Table 260 – Opportunity cost estimates of Maine-based vessels landing Georges Bank trips in Portland vice Gloucester (data based on prorated 2002 vessel trip reports).

Table 260 shows that vessels landing selected trips in Gloucester instead of Portland could expect to increase their revenues by roughly 20% for trips in statistical area 514, and less than five percent for trips in statistical areas 521 and 522. This steaming time opportunity cost likely explains why a relatively few trips are made from Portland in area 514. The roughly five percent opportunity cost for trips in areas 521 and 522 is likely to be compensated by the difference between expected revenues closer to Portland (i.e. statistical areas 513 and 515) and the revenues expected from trips in either 521 and 522 for the trips in these areas. If expected revenues in 513 and 515 were higher at other times during the year, vessels would be expected to continue using Portland as their principal port. If, however, expected revenues on average throughout the year are anticipated to be higher in the Georges Bank statistical areas, Portland-based vessels may be better off (in terms of recouping their opportunity cost) by relocating to Gloucester. A more in-depth, temporally-based investigation would be required to determine when vessels typically make trips to the George's Bank, and what percentage of their overall revenue (vice groundfish revenue, which is used here) is generated from such trips. If vessels have sources of revenue in addition to groundfish, and that revenue is more readily available close to Maine ports, the opportunity cost of landing trips in Maine vice Massachusetts may be significantly more tolerable than if such trips comprised a high percentage of their overall revenue.

Vessel re-location: an upper-bound estimate

It may be possible to quantify, in very rough terms, an upper-bound estimate of the impacts of vessels shifting their fishing operations from Portland to Gloucester. If one is to assume that every trip occurring in statistical areas 514, 521 and 522 in calendar year 2002 will relocate to Gloucester, the direct and indirect impacts of the landed product shift from the Upper and Lower Mid-Coast region of Maine, to the Gloucester region of Massachusetts. In 2002, these vessels landed a total of $4.09 million dollars of groundfish. Using the I/O model, the shift in landed product shows some interesting results (Table 266, Table 267, and Table 268).

The overall adverse impact on the Maine economy is roughly $8 million, while the overall positive impact on the Massachusetts economy is only $7.6 million. The primary reason for this is that the production functions embedded in the model assume that seafood landed in Portland is distributed more locally, while Gloucester has greater economic connectivity outside of Massachusetts and, in fact, outside of the New England region. The overall impact of such a shift on the New England region, consequently, is roughly -$0.3 million. This implies that some economic benefit resulting from the increased landings in Massachusetts are distributed outside of New England.

The model estimates that the overall impact on Maine incomes would be approximately -$3 million based on this upper-bound estimate. However, the overall impact on incomes within the New England region is positive ($142,000) under this scenario (Table 267). This is due to the model's estimates of productivity in the various sectors. Essentially, the model assumes that it takes fewer people to process seafood in Maine than it does in Gloucester and, consequently, more people are employed overall by the shift of product from one region to the other. Similarly, Table 268 shows a positive net impact on 7 jobs for New England as a whole while this hypothetical change would adversely impact 120 jobs in Maine.

Table 261 presents the estimated impacts on Maine (without the consequent impacts on Massachusetts or New England economies noted) in comparison to the contribution of all groundfish fishing, all fishing, and finally all commerce on the Maine economy. These estimates, which likely dramatically over-estimate the impacts as it is unlikely that *all* trips reported in areas 514, 521 and 522 would land their product in Gloucester in order to realize a gain of between five and 20 percent, clearly comprise a very small portion of the fishing economy in Maine. This is not to say that the consequences are insignificant as they are not. If certain business entities have production thresholds below which they cannot remain profitable, the I/O model does not incorporate the impacts of a total shutdown of that entity. With no data to evaluate such situations, however, no further conclusions may be drawn.

	Direct output impacts of vsls relocation	Total output impacts of vsl relocation	Total output impacts of groundfish overall	Total output impacts of all commercial fishing	Total output of local economy (all fishing and non-fishing related impacts)	Vsl relocation output impacts as a percent of all fishing impacts	Vsl relocation output impacts as a percent of all economic impacts
Maine	-$4.03	-$8.00	$63.24	$530.22	$42,949.49	-1.509%	-0.019%

Table 261 – Upper-bound estimates of potential impacts if all vessels fishing at least one trip in statistical areas 514, 521 and 522 relocate to Gloucester from Portland (in millions of dollars).

Steaming time for offshore versus inshore fishing trips

Steaming time is commonly thought to occupy a larger portion of an individual trip's dock-to-dock time for trips farther from shore than for those trips closer to shore. This hypothesis is tested for the Gulf of Maine and northern/central Georges Bank by comparing the percentage of time steamed for trips reporting less than 1.5 days absent and fishing in statistical areas 512, 513, 514 and 521 with trips reporting more than 1.5 days absent and fishing in statistical areas 515, 521, and 522 (see Figure 8 for statistical area locations). This methodology makes the assumption that fishing begins and ends at the point (latitude/longitude coordinates) reported on the vessel trip report. While this is obviously not an accurate assumption, no data exists to indicate if the assumption is individually biased for either group.

A t-test for two independent samples is conducted to test the hypothesis that the mean percent of steaming time is the same for both types of trips. Table 262 and Table 263 show that, for data with both equal and unequal variance, the probability of seeing these two data sets if the mean steaming time percentage were actually the same for the two trip types is less than .0001—or, very unlikely. Essentially, the mean steaming time is dramatically different between the two trip categories, with inshore trips spending a significantly greater percentage of their fishing time steaming than offshore trips.

When these data are viewed on a per-port basis, it is interesting to note that for both inshore and offshore trips, Portland has a lower steaming time percentage than either Gloucester or New Bedford. Chatham and Provincetown have the lowest average steaming times for both categories of trips. Table 265 converts the percentage of steaming time to a mean time per DAS used. For trips taken from a specific port, there is little difference between the amount of time spent steaming for each DAS used. Indeed, the values are remarkably similar with the exception of those for Provincetown (lower in all cases), Chatham (lower for offshore trips), and New Bedford (higher for inshore trips).

Variable	area	N	Lower CL Mean	Mean	Upper CL Mean	Lower CL Std Dev	Std Dev	Upper CL Std Dev
pct_stm	inshore	7184	0.1558	0.1583	0.1608	0.1057	0.1075	0.1092
pct_stm	offshore	1774	0.2119	0.2187	0.2256	0.142	0.1467	0.1517

Table 262 – Descriptive statistics for Inshore and offshore steaming time percentage data.

Variable	Method	Variances	DF	t Value	Pr > |t|
pct_stm	Pooled	Equal	8956	-19.61	<.0001
pct_stm	Satterthwaite	Unequal	2264	-16.31	<.0001

Table 263 – T-test results for Ho=*mean1=mean2*

	Offshore trips				Inshore trips			
	Mean value	Mean distance (nm)	Mean days absent	Mean pct_stm	Mean value	Mean distance (nm)	Mean days absent	Mean pct_stm
Chatham	$7,901	20.29	2.54	0.09	$1,893	18.53	1.07	0.19
Gloucester	$25,552	112.02	5.85	0.25	$2,086	22.86	1.05	0.22
New Bedford	$26,963	114.59	6.55	0.22	$10,678	66.35	1.2	0.59
Provincetown	$15,048	23.49	4	0.1	$2,175	11.53	1.04	0.11
Portland	$25,477	117.15	6.15	0.21	$1,606	28.66	1.04	0.28
Portsmouth	N/A	N/A	N/A	N/A	$772	28.28	1.07	0.27

Table 264 – Inshore and offshore steaming time percentages for various New England groundfish ports (source: prorated vessel trip reports).

	Offshore Trips		Inshore Trips	
	Mean Steaming Time (DAS)	Mean Time/DAS	Mean Steaming Time (DAS)	Mean Steaming Time/DAS
Chatham	0.2286	0.09	0.2033	0.19
Gloucester	1.4625	0.25	0.231	0.22
New Bedford	1.441	0.22	0.708	0.59
Provincetown	0.4	0.1	0.1144	0.11
Portland	1.2915	0.21	0.2912	0.28
Portsmouth	N/A	N/A	0.2889	0.27

Table 265 – Inshore and offshore mean steaming time per DAS used (source: prorated vessel trip reports)

	Downeast	Upper Mid-Coast	Lower Mid-Coast	Southern	NH Sea-coast	Gloucester	Boston	Cape & Islands	New Bedford	Rhode Island	CT Seacoast	Non-Maritime	New England
Sector	ME	ME	ME	ME	NH	MA	MA	MA	MA	RI	CT	NE	NE
Fishing: Inshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Offshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Large Bottom Trawl	0	0	-3,080,000	0	0	3,080,000	0	0	0	0	0	0	0
Medium Bottom Trawl	0	-17,000	-860,000	0	0	877,000	0	0	0	0	0	0	0
Small Bottom Trawl	0	0	-56,000	0	0	56,000	0	0	0	0	0	0	0
Large Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Small Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Surf Clam, Ocean Quahog Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Sink Gillnet	0	0	-16,000	0	0	16,000	0	0	0	0	0	0	0
Diving Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Midwater Trawl	0	0	0	0	0	0	0	0	0	0	0	0	0
Fish Pots and Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Bottom Longline	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Mobile Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fixed Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Hand Gears	0	0	0	0	0	0	0	0	0	0	0	0	0
Agriculture	-1,122	-52	-110	-65	-35	-64	-135	-54	-18	-31	-610	-1,158	-3,452
Mining	0	0	0	0	0	-2	-13	0	0	0	-3	-10	-28
Construction	-11	-54	-202	-53	-283	-250	-1,427	-144	-170	-265	-866	-1,358	-5,083
Manufacturing	-6	-42	-259	-54	-316	-437	-1,981	-46	-246	-453	-1,651	-1,534	-7,025
Fresh and Frozen Seafood Processing	0	-1,356	-2,361,123	0	4,679	2,247,243	46	0	4,297	-151	0	0	-106,365
Manufactured Ice	0	0	0	0	-1	-7	-75	-6	-64	-34	-4	-44	-235
Cordage and Twine	0	0	0	0	0	0	0	0	0	0	0	0	-1
Paperboard Containers and Boxes	0	0	-166	-155	-125	-398	-859	0	-374	-620	-1,045	-2,714	-6,456
Transportation, Communications and Public Utilities	-11	-40	-328	-49	-508	-360	-3,019	-151	-255	-710	-1,926	-2,274	-9,631
Motor Freight Transport and Warehousing	-37	-49	-447	-48	-413	-274	-1,786	-65	-255	-470	-954	-2,228	-7,026
Water Transportation	-2	-8	-13	-1	-4	-13	-50	-26	-6	-17	-65	-7	-211
Trade	-17	-87	-471	-126	-694	-498	-2,880	-282	-385	-672	-1,682	-2,721	-10,514
Seafood Dealers	0	-916	-1,600,000	0	3,160	1,520,000	31	0	2,900	-102	0	0	-74,927
Wholesale Trade	-10	-46	-538	-67	-956	-701	-5,645	-84	-483	-695	-2,883	-3,206	-15,314
Finance, Insurance and Real Estate	-8	-58	-517	-66	-741	-679	-6,339	-232	-293	-871	-3,591	-4,342	-17,738
Services	-30	-159	-1,027	-199	-1,343	-1,230	-10,077	-444	-662	-1,752	-5,069	-6,455	-28,447
Government	-4	-16	-74	-16	-93	-92	-460	-28	-52	-106	-239	-489	-1,669
Other	0	-3	-5	-1	-4	-7	-34	-3	-2	-6	-32	-29	-126
Total	-1,258	-19,886	-7,977,280	-899	2,323	7,791,230	-34,703	-1,564	3,933	-6,955	-20,619	-28,569	-294,246

Table 266 – Total New England regional sales impacts from shifting selected product landed in Maine to Gloucester; an upper-bound estimate.

	Downeast	Upper Mid-Coast	Lower Mid-Coast	Southern	NH Seacoast	Gloucester	Boston	Cape & Islands	New Bedford	Rhode Island	CT Seacoast	Non-Maritime	New England
Sector	ME	ME	ME	ME	NH	MA	MA	MA	MA	RI	CT	NE	NE
Fishing: Inshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Offshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Large Bottom Trawl	0	0	-1,776,852	0	0	1,776,852	0	0	0	0	0	0	0
Medium Bottom Trawl	0	-7,276	-368,080	0	0	375,356	0	0	0	0	0	0	0
Small Bottom Trawl	0	0	-19,242	0	0	19,242	0	0	0	0	0	0	0
Large Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Small Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Surf Clam, Ocean Quahog Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Sink Gillnet	0	0	-8,523	0	0	8,523	0	0	0	0	0	0	0
Diving Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Midwater Trawl	0	0	0	0	0	0	0	0	0	0	0	0	0
Fish Pots and Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Bottom Longline	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Mobile Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fixed Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Hand Gears	0	0	0	0	0	0	0	0	0	0	0	0	0
Agriculture	-159	-13	-23	-15	-9	-20	-42	-19	-7	-8	-212	-347	-874
Mining	0	0	0	0	0	-1	-4	0	0	0	-1	-3	-8
Construction	-6	-28	-110	-28	-163	-150	-871	-84	-100	-153	-533	-805	-3,033
Manufacturing	-1	-9	-63	-13	-81	-106	-554	-13	-60	-115	-473	-387	-1,877
Fresh and Frozen Seafood Processing	0	-213	-317,077	0	966	551,633	10	0	805	-30	0	0	236,094
Manufactured Ice	0	0	0	0	0	-3	-37	-3	-32	-17	-2	-21	-116
Cordage and Twine	0	0	0	0	0	0	0	0	0	0	0	0	0
Paperboard Containers and Boxes	0	0	-37	-30	-30	-74	-194	0	-83	-125	-255	-623	-1,451
Transportation, Communications and Public Utilities	-3	-11	-81	-11	-117	-88	-807	-34	-59	-167	-484	-540	-2,402
Motor Freight Transport and Warehousing	-11	-13	-139	-15	-129	-93	-588	-20	-83	-151	-331	-714	-2,287
Water Transportation	0	-1	-2	0	-1	-3	-14	-6	-1	-3	-15	-2	-50
Trade	-8	-42	-231	-59	-341	-241	-1,399	-136	-185	-323	-840	-1,335	-5,139
Seafood Dealers	0	-479	-836,751	0	1,653	794,914	16	0	1,517	-53	0	0	-39,184
Wholesale Trade	-4	-18	-208	-26	-369	-271	-2,181	-32	-186	-268	-1,113	-1,237	-5,912
Finance, Insurance and Real Estate	-2	-13	-132	-8	-140	-98	-1,419	-39	-49	-178	-813	-1,062	-3,953
Services	-14	-77	-535	-95	-685	-660	-5,843	-223	-346	-936	-2,854	-3,477	-15,746
Government	-1	-4	-28	-5	-35	-28	-203	-9	-17	-46	-97	-175	-647
Other	0	-3	-5	-1	-4	-7	-34	-3	-2	-6	-32	-29	-126
Total	-208	-8,201	-3,328,118	-307	514	3,524,676	-14,164	-621	1,110	-2,578	-8,057	-10,756	153,290

Table 267 - Total New England regional income impacts from shifting selected product landed in Maine to Gloucester; an upper-bound estimate.

	Downeast	Upper Mid-Coast	Lower Mid-Coast	Southern	NH Seacoast	Gloucester	Boston	Cape & Islands	New Bedford	Rhode Island	CT Seacoast	Non-Maritime	New England
Sector	ME	ME	ME	ME	NH	MA	MA	MA	MA	RI	CT	NE	NE
Commercial Fishing	Employment (jobs)												
Inshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Offshore Lobster Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Large Bottom Trawl	0	0	-61	0	0	61	0	0	0	0	0	0	0
Medium Bottom Trawl	0	0	-17	0	0	17	0	0	0	0	0	0	0
Small Bottom Trawl	0	0	-1	0	0	1	0	0	0	0	0	0	0
Large Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Small Scallop Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Surf Clam, Ocean Quahog Dredge	0	0	0	0	0	0	0	0	0	0	0	0	0
Sink Gillnet	0	0	0	0	0	0	0	0	0	0	0	0	0
Diving Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Midwater Trawl	0	0	0	0	0	0	0	0	0	0	0	0	0
Fish Pots and Traps	0	0	0	0	0	0	0	0	0	0	0	0	0
Bottom Longline	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Mobile Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fixed Gear	0	0	0	0	0	0	0	0	0	0	0	0	0
Hand Gears	0	0	0	0	0	0	0	0	0	0	0	0	0
Agriculture	0	0	0	0	0	0	0	0	0	0	0	0	0
Mining	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturing	0	0	0	0	0	0	0	0	0	0	0	0	0
Fresh and Frozen Seafood Processing	0	0	-17	0	0	13	0	0	0	0	0	0	-4
Manufactured Ice	0	0	0	0	0	0	0	0	0	0	0	0	0
Cordage and Twine	0	0	0	0	0	0	0	0	0	0	0	0	0
Paperboard Containers and Boxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation, Communiztions and Public Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Motor Freight Transport and Warehousing	0	0	0	0	0	0	0	0	0	0	0	0	0
Water Transportation	0	0	0	0	0	0	0	0	0	0	0	0	0
Trade	0	0	0	0	0	0	0	0	0	0	0	0	0
Seafood Dealers	0	0	-36	0	0	49	0	0	0	0	0	0	13
Wholesale Trade	0	0	0	0	0	0	0	0	0	0	0	0	0
Finanace, Insurance and Real Estate	0	0	0	0	0	0	0	0	0	0	0	0	0
Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Government	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	-133	0	0	141	0	0	0	0	0	0	7

Table 268 – Total New England regional employment impacts from shifting selected product landed in Maine to Gloucester; an upper-bound estimate.

APPENDIX 8

Written submissions to the Task Force

1. Three Letters from fisherman Glen Libby regarding gear conflicts
2. Letter from John Williamson regarding fishery management measures
3. IFISH Recommendations (Proctor Wells)
4. Letter from the Associated Fisheries of Maine (AFM) Groundfish Group (Maggie Raymond)
5. Letter from the Northwest Atlantic Marine Alliance (NAMA) (Craig Pendleton)

Dear Governor Baldacci,

I am writing because I am planning to go camping this summer in Baxter State Park and would like to leave my camping gear there this spring in case I decide to come use it sometime this summer. I'll just set it up in one of the sites and leave it and if I decide to use it I won't have to lug all that stuff around, that's a lot of work you know. Yeah, it will be in the way of others trying to use this public resource but I expect them to leave it alone. They can call me if it needs to be moved and if I have the time I'll come move it to one side of the campsite to give them a little room.

Absurd? Of course it is.

That would never be allowed and shouldn't be. Now lets look at another public resource, the ocean, specifically, the waters governed by the State of Maine. I am sure that most people are aware of the problems the groundfish industry is facing with severe cutbacks in fishing time that is being proposed.

Right now it is shrimp season and the same boats that go groundfishing have an alternative to help out during the winter months. We are now facing another obstacle that is severely limiting our fishing time for shrimp. This year we are allowed 40 days to go shrimping, not much, but anything that allows you to make a buck outside of groundfishing is welcome. The trouble is that many of the traditional areas that are fished for shrimp by these boats are loaded with untended lobster gear. There are thousands and thousands of traps out there that are not being fished and are just left until spring with no intention by the owners of sharing these areas with anyone else. Sure, it is illegal not to tend you gear for a certain amount of time (thirty days) but how does the marine patrol enforce that?

It is nearly impossible to tell if gear has been tended for thirty days without focusing on the movements of the owner. Something clearly needs to be done.

If you accidentally tow a shrimp net through the gear it fouls the net possibly damaging it, ruins valuable lobster gear, and generally causes hard feelings all around, this all amounts to alot of lost time fishing for shrimp. No shrimp fisherman wants to be put in this position by someone, for whatever reason, couldn't find the time to take care of his traps in a proper manner. There are plenty of places to set traps in the winter where they do not interfere with shrimping, a sharing of our resource.

I don't mean to put a black mark on all lobstermen, probably over 95% of them are great, they understand where the shrimp tows are and are more than willing to help avoid gear conflict. It is always just a few that ruin things for everybody. So if you are one of the few, please go get that gear, move it, take it home, what ever it takes to be a sharing partner of the wonderful public resource that all fishermen here in Maine rely on.

Glen Libby
Captain, F/V Skipper
Port Clyde Maine
(372-0628)

Dear Governor Baldacci,

I am writing as a follow up to the letter to the editor that I forwarded to you concerning untended lobster gear. A few years ago the scalloping season was shortened by one month to allow lobstermen more time to get their gear in and avoid gear conflict, part of the bill was a provision to have a closed season for lobstering in Maine waters from January 1 until April 15, the end of scallop season. The scallop season was shortened but the part about lobstermen sharing some of the pain was omitted. Given the amount of laziness about tending their gear properly by a few lobstermen, it is time to revisit this issue.

The task force on fisheries set up by your administration could do this. This would be a huge help for our groundfish fleet, because most of us switch to other fisheries in the winter. It would be wonderful to be able to go out and fish for shrimp or scallops and not have to contend with this mountain of untended gear that shortens our time we are allowed to work by wrecking our gear and theirs.

Another point I'd like to make is this, next year with the allotment of 52 days ground fishing it is very likely that we will have to go scalloping in the spring until the season closes, April 15, unless the shrimp season is extended. What has happened in the past is that around the middle of march or even sooner the lobstermen start putting their traps back in the water, there are very few lobsters to be caught at this time, it is just a rush by these guys to get their gear into the prime spots before their neighbors get there first. If we could actually explore all the area that is open to us for scalloping unimpeded by traps just holding the bottom it would surely give us enough economic relief to be able to survive the crisis in ground fishing at this time. There are some areas that would need to be exempted from this such as Monhegan, where they voluntarily have their own season in the winter months, there are other areas that could be negotiated as well I'm sure, this should not be a problem.

This proposal, a closed season for lobstering in Maine waters was on the table once before, it may be time to open it up again.

Thanks for your time,

Glen Libby
Captain, F/V Skipper,
Port Clyde , Me. 372-0628

LANDING LOBSTER

I was reading an article in the courier gazette about the Governors fisheries task force yesterday and noticed that you had asked for more comments before May1st. I am a Groundfisherman from Port Clyde and I'd like to share some observations with you about what is happening right now out off the coast of Maine in federal waters.

There is a great amount of effort by out of state boats every year that are setting lobster gear all over the gulf of Maine. There are also quite a few draggers that land their catch in ports outside of Maine that are able to keep and sell lobsters to supplement their income, a lot of this happens right off our coast. All of this money is going out of the State of Maine to support the fishing economies of Massachusetts and New Hampshire.

Maine fishermen and the Maine fisheries' support structure are losing out on this money because of the prohibition on dragged lobsters in Maine. These guys that land their catch out of state must love it, we fish right beside them, throw the lobsters back overboard, they catch and sell them. The Maine law prohibiting dragging was initially put in years ago to stop people from dragging for lobsters right along the coast in close to shore. That was a good move, and dragging for lobsters in state waters should never be allowed, it is not allowed in Massachusetts. But these lobsters are that we could land if it were allowed are offshore 40, 50 miles. We are at a disadvantage here in Port Clyde, and other small ports in Maine, because we do not have large enough boats or easy access to the rich fishing grounds on Georges Bank that fishermen from Massachusetts do, and we are also losing out on this offshore lobster resource (that we have perfectly legal federal permits for) that others are able to utilize and have been doing so for years.

Isn't it about time to steer some of this badly needed income into the state of Maine? The fact is this, the lobsters that are offshore are going to be landed and sold, a lot of them by draggers; fishermen are making money doing it, the only ones losing out are our own fishermen here in Maine.

I was at a meeting at the Samoset last fall during the amendment 13 debate. George Lapointe and Lew Flagg were hosting. The question came up about losing our federal lobster permits. In the regulatory climate today if you don't use it you lose it. George said that, well if you don't have any lobster landings they are going to take it, case closed. Then George was going on about how we needed to save the latent permits of people who had gone lobstering for several years and now wanted to have the option of getting back into fishing when it recovered.(the federal government wanted to take their permits because they had no fish landings) Now I think George does a great job as commissioner and I don't believe he meant to sound so one sided, but that was what we were hearing. "These guys need a way to have access to groundfishing but tough luck boys, you can't drag lobsters so your permits will be gone."

Groundfishermen cannot afford to lose any more permits, especially ones that we would certainly use if the State of Maine allowed us to utilize them. I certainly would like to see a way for Mainers regardless of

what fishery that they are in right now have access to all fisheries. Maine fishing has always been based on diversity, the ability to switch fisheries with the seasons, and according to abundance of stocks.

The way fisheries are regulated today flies in the face of tradition and common sense from a fisherman's standpoint. To lock each group into their own little corner is unsustainable for the resources and especially fishermen.

One last comment, right now there is a brain drain if you will in ground fishing. There are very few young people that are interested in learning the business. Fishing is very complex; there is much to learn before you are qualified to take a boat, I am personally blessed with the fact that I am able to work with and teach my family members the family business, but if we keep losing qualified people to run these boats, over regulation will cause an exodus from our industry of new members and the regulations will have succeeded in bringing back the fish but with the loss of everyone who knows how to catch them. Ask any fisherman today how hard it is to get and keep a crew, I'll bet you anything the stories will be much the same.

In closing, more income means more interest in young people to get involved in this line of work, more opportunities provided by Maine (such as being able to land our legal federal limit of lobsters) will provide more income. More fishermen learning the business will keep the fisheries infrastructure going here in our state and provide an opportunity in the future for those who wish to get back into groundfishing at some point. Without some incentive for people to stay fishing all opportunity for groundfishing will be lost here in Maine.

Sincerely, Glen Libby
Captain F/V Skipper
Port Clyde, Maine
207-372-0628

JOHN WILLIAMSON
Fishing Community Activist

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201 Western Avenue . Kennebunk, ME 04043

January 25, 2004

Jill Goldthwait, Chair
Governor's Groundfish Task Force
c/o Department of Marine Resources
21 State House Station
Augusta, ME

Dear Madam Chair:

Please accept my comments for consideration by the Groundfish Task Force.

After having served on the New England Fishery Management Council for more than seven years, I am becoming increasingly critical of the process "architecture". The most recent negotiation of groundfish measures offers a clear example of internal process biases. How these may be remedied over time is uncertain, but there are several things that Maine could be doing to improve the position of its fisheries within the planning system and to lend stability to the situation. Many of these suggestions could also apply to fisheries other than large mesh groundfish, which is the focus of the Task Force.

First, we absolutely must have a dedicated groundfish scientist within DMR whose job it is to serve on Council technical teams, the most important of which being the Groundfish Plan Development Team. Ideally, this would be a senior scientist of some stature in order to be creditable with NMFS scientists in the process. Increasingly, the PDT's are where basic problems and solutions are mapped out for more detailed development. These biologists and economists frame the issues that the Council considers, and then lay out a range of solutions in consultation with Council Oversight Committees and Advisory Panels. As the Council budget shrinks, in relative terms, we are relying more upon the PDTs and less upon the Committees. Ideally, we would have a biologist and an economist from Maine available to serve and to track issues.

Second, we must invest in DMR's policy and planning staff. Over my Council tenure, I have witnessed the benefits of anticipatory planning by state agencies. An example is the investment that Massachusetts DMF made in developing the raised foot-rope trawl and fielding an experimental whiting fishery well in advance of development of the Whiting FMP. It is no coincidence that the raised foot-rope trawl is now the gear of choice within the FMP and that many Massachusetts fishermen are permitted. Experimental fisheries

in the next 2 to 3 years will play a major role in shaping access to groundfish for many years to come thereafter. Maine needs to "hit the ground running" if we expect to reverse the trends in planning that are selecting against Maine fisheries.

Third, Maine has to assemble a savvy, vertically integrated, long-term economic development plan for fisheries along its coast and then pursue it aggressively. At the Council level, planning for fisheries in "recession" has a bias toward those sectors most immediately affected – this is the phenomenon with which we are all most familiar in groundfish. However, groundfish is now in the early years of a rebuilding trajectory that may increase landings by 300% over the next decade. The question will soon become (already is), to whom will the new opportunities be afforded. In an expanding fishery, the "allocation" flows toward processing and marketing infrastructure under development – with the caveat being that it has to be creditable and financed development. Changes in the herring and mackerel fisheries are good current examples of fleet structure, allocation and growth shifting toward ports with new processing facilities in Gloucester, New Bedford and New Jersey (and another example of Maine on the sidelines).

Stated bluntly, if you want to get fishermen from Knox, Hancock and Washington Counties back in the groundfish business, then the State needs to start looking now at incentives for private investors to locate processing and freezer facilities in Port Clyde, Stonington and Gouldsboro. I don't know if anyone has bothered to put a scale rule to the chart, but it is no further for vessels steaming from those communities to choice fishing grounds on Georges Bank than it is from New Bedford or Point Judith. And the labor and land acquisition costs have got to be more attractive in Maine. Find the incentives, do the marketing, and the laws of economics will take over.

Fourth, the State has to re-examine its long-standing policy in opposition to quota-based fishery management plans. I have come to this change in position reluctantly, having been an ardent opponent of quota systems in the past. However, it has become inescapable that days-at-sea, as a unit of management, and our present system of input controls, is working against Maine and small-boat fisheries in general. Instead, we may need a hybrid system of input and output controls, combined with area quotas, similar to what we now have in the herring FMP. It is very difficult to imagine how, in the future, we are going to rebalance the allocation of access to groundfish in favor of Maine localized fisheries through a days-at-sea system – the potential solutions are too contorted and mask serious allocation questions (as we are about to discover in the groundfish framework actions now under discussion). A quota management system puts the fundamental allocation questions right up front, in which case Maine has a reasonable argument to make in negotiating allocation of access for jobs and economic development.

As importantly, recovery of the groundfish industry in Maine will depend heavily on access to private capital. A form of quota management for groundfish could add a great deal more certainty to the financing equation for lenders than the present system. This is a multi-faceted issue, where the devil is very much in the details, but one example of where a quota-based system has been successful in restoring small artisanal fisheries and lending security to rural community development is in the use of CDQs (community

development quotas) in the Gulf of Alaska. A similar result is stability and preservation of a small-boat fishery through use of IFQs (individual fishing quotas) in the Sable Fish FMP, again in the Gulf of Alaska. The Task Force should investigate the lessons to be learned from these experiences when considering creative answers to our growing "access" problem in Maine.

Fifth, we need to increase understanding within the Maine fishing community of the fishery management system and science. The Fishermen's Forum is one great contributor. However, we should go further in providing training for fishermen and resource professionals who wish to engage in the management process most effectively. The Marine Resource Education Project at the University of NH is an example of this, offering six full days of training. The program is available to fishermen from six states, and it could be better promoted in Maine. What the project is demonstrating is that graduates are participating in the management process more frequently. This sort of training may be all the more important for fishermen in communities isolated by distance from the locations where the public process of management plays out.

Finally, we need much better economic profiling of our fishing communities and the structure of the industry as a whole. No academic from out of state is going to do as good job as someone from instate. We need more well documented baseline information to create creditable economic impact analysises to accompany management actions in the future – this was our biggest failing in the debate surrounding Amendment 13.

Thank you so much for the work that the Groundfish Task Force has taken on. Hopefully, this is the first step toward a comprehensive planning exercise for our State and its fishing industry. I believe that commercial fisheries are our most renewable resource, and we should be investing in them aggressively. At stake are big dividends for Maine's future.

John Williamson
Kennebunk

I.F.I.S.H.

Independent Fishermen Investing in Sustainable Harvesting

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To: The Governors Task Force

It is our request that the Task Force study the following recommendations with a view toward including these in the final report to the Governor.

1) **" Seafood Promotion Council"**
Expand the Lobster Promotion Council to become the Seafood Promotion Council. This expanded Council would advocate for all seafood, an action that would promote the consumption of all Maine seafood products. The funding could come from a fee on fish and other seafood products. The newly formed SPC might promote a "Made in Maine" seafood seal, and in turn educate the public to look for this seal of approval for Maine made products.

2) **Tax Relief for the Working Waterfront**
The working waterfront should receive the same tax breaks under the "current use tax rules" as do the farmers, open space and tree growth programs. Fuel taxes could be reduced or eliminated.

3) **Funding For Collaborative Research**
Advocate for continued collaborative research funding.
Good collaborative research is badly needed and provides a lifeline of funding to the fishing industry.

4) **Disaster Relief Package for Fishermen & Infrastructure**
Work with State and Federal representatives to secure Disaster Relief Money along with no interest loans for consolidation of current debt only. It must be federally guaranteed and very low or no interest money. Many of the affected fishermen have children in college and some financial relief for them is a must – such as tax breaks, no interest loans, or federal grants.
Ice Plants, fuel docks and unloading facilities need to be maintained and upgraded to be here in the future when the fish come back.

5) **Form a Permanent Groundfish Commission**
This group should be made up of industry leaders, state representatives, municipal leaders, representatives from the recreational sector and seafood processors. This commission should address the following issues:

- Area Management
- Future access for coastal communities
- Maine purchasing DAS for its communities
- Explore/ Resolve Steaming time.

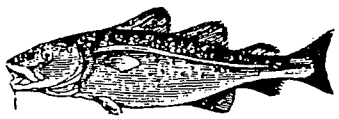
6) **Have the DMR Commissioner attend all the NEFMC meetings.**
Consolidate the two Deputy Commissioners into one position and thus eliminate the position that fills the seat on the NEFMC and have the Commissioner personally attend these meetings, as do all the other New England Commissioners. We further suggest that the Commissioner and the other Maine appointees to the New England Council meet regularly as a group and also with industry leaders to make sure Maine stays on track, and stops losing in the council arena.

7) **Consider Funding Changes For Department of Marine Resources**
The DMR needs to broaden its funding base by hiring a grant writer and increasing the accounting fees that it gets from these grants. We understand that DMR keeps 18% for processing fees for some grants. This fee could be increased to 30% or better and still be justifiable. We need a state groundfish biologist, additional observers and more scientists. These requirements must have a steady funding source to be addressed.

8) **Review the Recommendations of the Fishing Vessel Safety Task Force**
It has been some time since this task force gave its final report. We need to see what has been accomplished on this list and what still needs to be done. The boats are getting older and maintenance is being overlooked.

9) **Portland Fish Exchange Changes**
Increase customer appreciation, look into a working arrangement with a grocery store so that vessels can buy grub and have the costs taken out of their settlement. Make the same arrangement for fuel and ice at vessel services. Eliminate the peewee grey sole cull. Address the reality of lower prices for unloading on Saturday instead of Sunday. Work with fishermen to create and expand a whiting market and to develop markets for live fish.

10) **Lobster Landings on Groundfish Vessels List**
Landing of lobsters on draggers is an issue but it is strongly noted that the lobster fishery uses the fact that draggers cannot land lobsters in their mortality arguments. This issue will tend to further divide the two fisheries. It will also overshadow the hard work of this Task Force and be the " Only recommendation that people will remember."



ASSOCIATED FISHERIES OF MAINE

The Groundfish Group
PO Box 287
So. Berwick, ME 03908

November 10, 2003

Jill Goldthwait, Chair
Groundfish Task Force

Dear Jill:

On behalf of our membership, I'd like to extend to you sincere appreciation for the extraordinary amount of time you spent at the marathon meeting of the New England Fishery Management Council on November 4-6. This demonstrates a remarkable commitment on your part to understanding the impacts of Amendment 13 on Maine's groundfish fleet. We feel confident that, under your leadership, the Groundfish Task Force will work diligently to craft solutions to the crisis that our groundfish fleet is now firmly in. We also want to thank each member of the Task Force for accepting this important and difficult assignment.

As the Task Force moves forward, you will undoubtedly be studying both long and short-term problems and solutions. In the short term, the Task Force must focus on recommendations that will help the State salvage what is left of our groundfish fleet and our groundfish infrastructure, so that there will be a base to grow from for the future.

The immediate problems for the fleet include:

- days-at-sea (DAS) allocations that are now below "break-even" for <u>every</u> vessel
- the fact that, by necessity, personal assets, including family homes, are tied to these vessels that are now below "break-even"
- a long list of incentives for Maine fishermen to relocate to Massachusetts ports, including steaming time, lobster bycatch, lower berthing costs, exemptions on sales tax for fuel, and subsidized health care
- skyrocketing costs of vessel insurance
- limitations on the DAS leasing program (the one and only economic solution provided by Amendment 13) that severely restrict its short and long term utility

Again, this list is offered as a representation of the *most immediate* needs of the fleet, and is meant in no way to undervalue the somewhat longer-term needs, including future access to the resource by those who were stripped of that opportunity by Amendment 13, and long overdue legislation that will once and for all clarify Congressional intent of the Magnuson-Stevens Fishery Conservation and Management Act.

We must never lose sight of the fact that the government's own analysis clearly demonstrated that none of the economically crippling restrictions in Amendment 13 are necessary to rebuild our groundfish stocks to sustainable levels.

Amendment 13 includes "default" reductions in DAS, scheduled for subsequent years of the rebuilding schedule. Unless the law is clarified in ways that will afford fisheries managers the flexibility to withdraw those default measures, there really is no hope for long-term survival.

It is not possible to overstate the importance of the Task Force goals and objectives, particularly in the aftermath of Amendment 13 decision-making. I am willing to assist the Task Force in any way that you may deem appropriate.

Regards,

Maggie Raymond

cc: Governor Baldacci
Maine Congressional delegation

Total Revised DAS Requirements by Crew Member Average Payment

Vessel Category	$25K	$35K	$50K
Long-line < 40 Feet	65	82	108
Long-line >= 40 Feet	81	103	136
Trawl < 50 Feet	70	87	114
Trawl 50 to 70 Feet	78	94	119
Trawl >= 70 Feet	97	115	143
Gillnet < 40 Feet	53	68	92
Gillnet >= 40 Feet	50	64	84

NORTHWEST ATLANTIC MARINE ALLIANCE

September 4, 2003

Dear Governor;

I'm the director of the Northwest Atlantic Marine Alliance (NAMA), a non-profit organization that represents the interests of family-owned fishing operations and coastal communities across New England. I am writing to you to ask that you examine the impacts of the proposed groundfish regulation on smaller, inshore vessels and their communities and to make a stand that good conservation will not be served by their elimination.

Last week, NAMA hosted a meeting attended by members of 10 different conservation groups, fishing associations, and universities as well as independent fisheries scientists and economists. Paul Howard, the executive director of the New England Fishery Management Council, and two of his staff, Tom Nies and Chris Kellogg, were also in attendance to address our concerns over Amendment 13, the proposed regulations for New England's groundfish fleet.

Although we represented diverse (and sometimes conflicting interests) we all agreed that the proposed rules will be devastating to New England's smaller boat inshore fleet, unless specific provisions are included to protect this socially and economically important component of the industry. We are not suggesting that new conservation measures are not needed. To the contrary, NAMA has been a leading advocate for an approach to management based on an ecological understanding of the resources, rather than political convenience and litigation, as is the current practice. It must be understood that the debate over Amendment 13 is no longer about how many fish can be caught at a sustainable level, but *who* will be allowed to catch them.

In its current form, Amendment 13 will allocate the vast majority of the total allowable catch (TAC) to larger offshore boats, leaving the smaller inshore boats (and the communities that depend on it) struggling for survival. Government must recognize the very real social, economic, and political consequences of the proposed rules.

Since the beginning of the Amendment 13 discussions, NAMA has been dedicated to finding innovative solutions to the fisheries crises. In fact, we helped craft (with 75 individuals from four states) "The Gulf of Maine Inshore Fisheries Conservation and Stewardship Plan", which is included in the Amendment 13 document, but is not considered a "stand-alone" proposal because it does not address the entire Gulf of Maine. However, no organization—not even the National Marine Fisheries Service—has put forth a plan that adequately addresses the needs of the whole Gulf. Our plan is a starting place. It recognizes the different fishing practices as well as the economic and social realities between the offshore and the inshore fleets.

The latest scientific and economic approach to resource management argues that to be effective, fisheries management decisions should be made at the most local level in order to match fishing effort to the ecology of the fish. Yet, for at least the past decade, management has been moving in the opposite direction. This has been extremely detrimental, not only to coastal communities but also to the ecological health of marine resources.

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The most recent example comes out of the federal courts in *Conservation Law Foundation vs. Donald Evans*. In that case, latent effort and unused days-at-sea were turned into a political boogey man. The very people who had been giving us 100% conservation-fishermen who had shifted from groundfish to another species or another business-or worse, depleted fish stocks left them virtually tied to the dock- were punished by the loss of unused days-at-sea, in some cases, leaving fishermen with an allocation of only eight days. This is mind-boggling to me, and points to the severity of social injustice that is occurring within fisheries management.

On behalf of the communities across the region that depend on small boats for their survival we ask you to consider three important issues:

First is Jobs: Inshore/small boat fishermen make up the majority of the job-base within the groundfish fishery. Most of these boats employ at least two people; most are tied to a coastal community where they purchase fuel, ice, and supplies. Just as the boats depend on local services, so the local economy depends on the boats. It is an important connection that is being underestimated and overlooked. Under Amendment 13 many of these boats will be facing an allocation of fewer than 30 days-at-sea. If places like the Portland Fish Exchange will suffer greatly under the new rules, just imagine the impact on the dozens of small fish piers and sellers up and down the coast who will no longer be able to get fish.

Community: Inshore fishermen have chosen this lifestyle for a variety of reasons, but probably the most important is family life and community participation: Many serve as volunteer firemen, town selectmen, Little League coaches, Credit Union volunteers and active parents. Wives serve as bookkeepers and are equal partners in the family business. Children often choose the fishing way-of-life at a young age. This has been a crucial component to New England's culture for three centuries. But it is all at risk. The constant flow of bad news has led to banks tighten up lending to fishermen, piers are being sold to out-of-state buyers as vacation destinations, small grocery stores and gear shops have gone out-of-business, forcing fishermen to steam to larger ports, further damaging their local economy and raising their costs.

Access: The small boat fleet has shouldered and even endorsed the need for regulatory actions, including rolling coastal spawning closures, the Jeffery's Ledge closure, marine mammal closures and gear restrictions. But their efforts to conserve fish have been curtailed by actions such as limited entry and the latent effort issue I spoke of earlier. Our research shows that in states such as Maine, Connecticut and Rhode Island, the economies are paying a great price as the fisheries consolidate either by choice or by force. In Maine, for example, there are only 17 active limited access (days at sea) permits remaining east of Port Clyde. As fish stocks increase and get back to sustainable levels, the residents in these eastern coastal communities will not have any ability to access the resources.

Since any criticism, if it is to be valid, must have as its standard not only a need but a better way, we suggest the following actions to protect the small boat fleet and its communities:

1. Area management of the inshore Gulf of Maine be given serious consideration as a way to recognize the differences in fishing practices and social issues associated with the allocation of a public resource. "The Gulf of Maine Inshore Fisheries Conservation and Stewardship Plan" would serve as a good model for this concept.
2. Sector allocation should be given serious consideration in the offshore and Southern New England area.
3. Conservation should be rewarded not punished.

4. Ecosystem-based fisheries management should be embraced and experiments should be designed so that we all may learn how to do it effectively.
5. Real time data collection should be made a high priority
6. Observer coverage should be increased as a sound way to collect "ground-truthing" data.
7. Collaborative research should be promoted and incorporated into the management process and participating vessels should be credited for their participation and not lose any further days at sea or other historical access issues.
8. Gear modifications that reduce by-catch and habitat impacts should be rewarded and accepted
9. A new form of local governance should be allowed to emerge that will work closely with the state governments to restore and enhance the Gulf of Maine ecosystem.
10. Southern New England fishermen, managers and others concerned about the marine resources should be allowed these same opportunities to initiate sound and acceptable management measure to deal with their species of concern.

We realize that you have tough decisions to make in regards to fisheries management. We believe strongly that our suggestions will help fish and protect a way-of-life that has defined the region's economy and culture for three centuries. Allocation is always difficult especially when it is being considered during a time of scarcity. I ask you to consider all the facts, along with the vision of what you would like our New England fishery to look like in 20 years, and give guidance and direction to your state directors for the difficult decisions ahead.

NAMA will continue to face the regulatory considerations head-on with fishermen and their communities by providing leadership and resources. We will continue to provide practical alternatives to this regulatory nightmare instead of simply complaining that we need Congress to fix this.

Thank you, consideration of this issue that is vital to so many of our communities now and into the future. As always, I am available to discuss these issues at any time.

Respectfully,

Craig A. Pendleton
Coordinating Director