



## New fishing quota system gains support

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On June 24, 2009, John Pappalardo, the Chairman of the New England Fishery Management Council, walked into a critical council meeting in Portland, Maine, fully expecting a battle.

The council, an appointed body of fishermen, state and federal fisheries representatives, industry reps and an environmentalist was voting on the most radical change in fisheries management since the 200-mile limit was introduced in 1976.

To some, sector management, with its emphasis on dividing up fish stocks and handing shares over to individual fishermen, was akin to fencing off the open range.

"I bent over backwards to get comments out of the audience," recalled Pappalardo, who also serves as the Chief Executive Officer for the Chatham-based Cape Cod Commercial Hook Fishermen's Association.

But the fight never materialized and the measure passed 14-1. Even the allocation method, the most controversial element of the new regulations, which dictated how the fish would be divided among fishermen, passed by a lopsided margin, 12 for, 4 against and 1 abstention. .

Consensus proved fleeting. Once the fishing season began in May, problems and discontent, particularly with the allocation of quota, surfaced.

"It's extremely complex and over-engineered, not fully vetted and developed prior to the race to implement it," said Eric Anderson, a former New England council member who represents 25 New Hampshire and Massachusetts fishing vessels.

Council member David Preble of Rhode Island agreed the process was somewhat rushed because they were under a court-imposed deadline to rebuild fish stocks by 2014. While some other proposals seemed promising, only sector management had a track record of ending overfishing and restoring fish stocks in that restrictive time frame, Preble said.

While critics grabbed the spotlight and waxed loud and long about the new management system, many fishermen from Maine to New Jersey found it to be far better than the previous regulations to the point where they are looking forward to the beginning of the new fishing year next month.

"From my perspective, this is a hell of a lot better than it was before and we're still working on ways to improve it," said Eric Brazer, sector manager for the Georges Bank Fixed Gear Sector.

Opponents took their fight all the way to Washington demanding the removal of the new National Oceanic and Atmospheric Administration Director Jane Lubchenco, an outspoken advocate of this management tool, a repeal of the regulations, and more federal aid.

Conspiracy theories flourished, including claims Pappalardo was guilty of insider deals to protect the Chatham fleet, a charge he and others on the Council deny.

With 18 council seats, including representatives of the fishery directors of five states, and fishermen from all over the region, even a whiff of insider dealing would have been exposed, Preble said.

"No way you could have pulled it off," he said. "The council is too diverse."

"I don't think it's a surprise there are people screaming about problems in the fishery," said Chatham fisherman Eric Hesse. "What is surprising to me is that so many good fishermen have figured it out right away and are

having the best years ever. Try to stop this now and you'll really hear the complaining."

Some predicted the new system would fail within three months. It didn't. Based on nine months of data, Massachusetts revenues are up by 9 percent over the same time period last year, 11 percent for the region. Even the toughest critics agree that there may be a future under sector management.

"We're in a learning curve for the first year. Next year, with (a larger overall quota), it could work out," said Richard Canastra, co-owner of seafood auctions in New Bedford and Boston. Canastra helped fund Saving Seafood, a Washington, D.C., nonprofit that was virulently anti-sectors from the start. The National Marine Fisheries Service is projecting that the total quota for 11 or more of the 19 stocks will increase next year.

## 'Painful' hearings

New Bedford fisherman and fleet owner Carlos Rafael had the assets to make the most of the new system.

"This is the best I have done in the past 10 years," said Rafael, who owns a total of 40 vessels, including 29 that catch groundfish.

Rafael believes he is way ahead of where he would have been if he had chosen to remain fishing under the old rules.

"I honestly think it will work, given time. I honestly think this is the right direction," said Rafael, who had been a very vocal critic of the system when it first was proposed.

That's not to say there weren't significant problems in implementing these sweeping changes. Fishermen in sectors are required to stop fishing for all 20 species if they reach their quota limit on even one stock. Extremely low stock assessments based on questionable data by the National Marine Fisheries Service for several species threatened to shut down the fishery within the first few months of this fishing year.

Protests by fishermen, Gov. Deval Patrick, and the state Congressional delegation led the Fisheries Service to reassess some stocks using better data. In the case of pollock, the population was found to be nearly five times larger than previously thought.

What didn't surprise anyone was the number of fishermen protesting that their low allocation had unfairly shut them out of the fishery.

"We all knew people who were going to be hurt by it. There was no way around it," said Council member Jim Fair, of Sandwich. "But it didn't seem fair to penalize people who did have the history by making it more inclusive."

Anderson's complaints were echoed in ports all along the coast. The quota allocation to vessels in his fleet was so small that he estimated 40 percent didn't bother to go out after groundfish. His fleet lobstered, caught monkfish and dogfish, not knowing those years not catching cod, haddock, or flounder would count against them in the long run.

Also, their landings between 1996 and 2006 were depressed by closures of their fishing grounds, some of which lasted six months, to protect cod.

And many had made what turned out to be a bad business decision. Up until 2010, boats were assigned a specific number of fishing days based on how often they fished in years prior, without regard to how much fish they caught during that time period. If they didn't receive enough fishing days from the Fisheries Service, they could purchase or lease permits from other boat owners who did have fishing days.

When the council decided to use catch history to determine how much of the quota to assign to individual fishermen, permits without landings were rendered worthless.

Rafael, for instance, said he spent \$250,000 on a permit that now has no value because the previous owner did not land fish.

"They changed the currency," Anderson said.

But the possibility that the council might use historic landings to portion out quota was an option right from the start of the four-year council process to write new regulations, Preble said.

"I can't say how many painful hearings we had," he added.

## Chatham's advantage?

In order to offset a poor allocation, fishermen can now lease fish quota or buy permits that have fishing history. But Anderson said the price of buying quota under sector management fluctuates according to supply and demand and can undercut profitability.

"If you pay \$1.50 per pound for cod quota, you are in the hole before you even leave the dock," he said. "You could be selling the fish for 90 cents per pound and paying \$1.50. There's no stability to what people are doing."

The state Marine Fisheries Institute found that two-thirds of the groundfish fleet received 50 to 60 percent less fish this year than they had caught last year.

Anderson, and others, were critical that the Chatham fleet used millions of dollars from environmental organizations to fund a fisheries trust to subsidize the cost of buying quota for Outer Cape fishermen. But Chatham fishermen said there was no secret to how they kept ahead of the game. When fishermen couldn't attend meetings, Hook association representatives and sector managers attended New England council and committee meetings and reported back to them. When it came to allocation, many hedged their bets and bought permits with fishing days, and ones that had catch history. And they say that anyone could have envisioned the need for a permit bank and found funding.

"This has been coming for quite a while and the guys that want to make it work are making it work and they planned accordingly," Brazer said.

Hank Soule, sector manager for the Sustainable Harvest Sector in Portland, Maine, disputed the notion that the quota trading system wasn't working. He said prices stabilized as the year went on and that data showed around 25 percent of the total groundfish quota being traded between sectors.

"We sent a lot of Gulf of Maine cod to smaller sectors who were working inshore and they were able to use (those fish) to keep fishing," Soule said.

## Sectors impact

National Marine Fisheries Service spokeswoman Maggie Mooney-Seus said statistically this year wasn't significantly different from the last year in many ways. She said 81 percent of the vessels that caught groundfish last year between May and December went out and landed fish this year. The number of vessels tied up and not fishing might also reflect the 60 percent decline in boats landing groundfish since 2001, before the new system was implemented.

But Massachusetts Division of Marine Fisheries Executive Director Paul Diodati was worried that the erosion of fishing communities might be outstripping the data.

Not everyone in sectors caught groundfish this year. Some decided their allocation of fish was too low and decided to lease it out and fish for other species like lobster or monkfish.

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In the Georges Bank sector, Brazer said that half their 60 members had groundfish landings this past year. Soule said around 20 to 25 percent of the 40 boats in his sector went groundfishing this past year, but with allocations

slated to rise next year, some boats decided they would return to fishing. Brazer said his membership has increased each year for the past three years.

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Rafael, for instance, did not get enough quota to support his entire fleet and had to mothball nearly half the boats and lay off 80 fishermen to make a profit.

"When you look at that, and see that as a microcosm of what is really happening, ...you can see that (sectors) have really had a major impact," Diodati said of Rafael's business decision.

Saving Seafood director Robert Vanasse polled Massachusetts ports and believes between 300 and 500 fishermen and crew who fished last year are now unemployed as a result of the new management regime.

"What's not OK, and the people who are not doing well are the crew members of permit holders who sold their quota and are tied up," Vanasse said.

The MFI report concluded that landings and income were concentrated in relatively few vessels.

"It appears to us that fewer people are profiting from the fishery," Diodati said. In any fishery, he said, a small hardworking number of participants make most of the money.

To give fishermen more access to business capital, the National Marine Fisheries Service recently gave states in the Northeast money to establish state permit banks to buy up quota shares and lease them back out to fishermen, at subsidized rates, with the hope more can afford to get out fishing next year.

It's something that Chatham fishermen pioneered in 2009 by establishing the Cape Cod Fisheries Trust. So far, the trust has raised nearly \$2.1 million toward its goal of \$10 million to buy groundfish and scallop permits and the quota amounts that come with them. The trust then leases fish quota to fishermen at below-market rates. The Trust has also partnered with the Community Development Partnership to provide fishermen with business and planning expertise to deal with things like applying for loans and lines of credit to grow their business.

In the end, no one, Diodati said, wants to go back to the old management system.

Even though Rafael believed sectors did hurt many in New Bedford, he did not see a better alternative.

But some are lobbying to go in a new direction. Vito Giacalone, the policy director for the Northeast Seafood Coalition, whose 12 sectors control 60 percent of groundfish quota, told Congress last month that New England needs to move to Individual Fishing Quotas. This would distribute quotas to individual fishermen without having to group together, or pay a sector manager and sector fees. But it could take four or more years to go through the governmental process to effect such a change.

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