

**Testimony by Dr. Daniel S. Holland, Resource Economist, Gulf of Maine Research Institute
before the Senate Subcommittee on Oceans, Atmosphere, Fisheries and Coast Guard
October 14, 2008**

Thank you for the opportunity to testify before this committee. It is an honor to be here. These are difficult times for the groundfish industry, and I am grateful that the Subcommittee and particularly the Senators present today are focusing their attention on the needs of this industry. Please note that my statements today reflect my own opinions based on my research and experience and do not represent the New England Fishery Management Council Groundfish Plan Development Team on which I serve.

My prepared remarks today are focused primarily on Amendment 16 to the Multispecies Fishery Management Plan and, in particular, on the development and implementation of groundfish sectors. Sector management in New England, and similar types of management elsewhere in the world, has been a primary focus of my work for several years, and the Gulf of Maine Research Institute is now deeply involved in providing technical assistance to groups developing sectors.

It appears likely that, to meet mortality reductions required by law, the Regional Administrator will need to implement further and possibly deep effort reductions. Indications are that such cuts will continue under Amendment 16 for those that remain under effort controls. While there may be limited flexibility to mitigate these cuts in the next fishing year, Amendment 16 provides some potential relief in 2010 and beyond in the form of sectors. Sectors offer an opportunity to increase profitability and access to healthy fish stocks, and to improve safety at sea. Community-based sectors combined with permit banks may provide an opportunity for fishing communities in smaller ports such as Port Clyde to maintain their fleets and hopefully grow them as fish stocks rebuild.

Although sectors may offer opportunities for fishermen they also impose new responsibilities and financial burdens on the industry at a time when most are struggling to survive. One of the greatest new costs for sectors is monitoring. A good monitoring system is critical to ensure that all catch is accounted for. However, a report commissioned by GMRI found that an adequate monitoring system will be expensive, and it will be difficult for the industry to bear the full costs initially. An investment made by the government now to support the implementation of monitoring systems and help defray costs in the initial few years should pay dividends as it will both support a more profitable fishery and improve data quality for stock assessments.

Sectors present an opportunity to fishermen but also a potential threat to fishing communities and fishermen in smaller ports such as Port Clyde or communities Downeast that have lost access to the fishery. I say this for two reasons and present some ways to mitigate this threat and turn it into an opportunity.

First, the per vessel costs of developing, implementing and operating a sector may be higher for smaller sectors in smaller ports because costs will be shared between fewer vessel owners and because monitoring costs may be higher for more remote ports with fewer landings. If the public desires to preserve these fishing communities, it may be necessary to provide them with some particular assistance. An example would be to defray higher monitoring costs for small ports. I

do not wish to suggest that sectors based out of larger ports do not also face financial difficulties – there is a need for assistance with sector implementation costs throughout the industry.

A second threat to small fishing communities and small independent operators may actually result from the economic success of sector management. If sectors succeed in increasing the profitability of members, the value of permits is likely to rise. This may make it an expensive proposition to maintain or gain access to the fishery. The reason for the expected increase in the value of permits under sectors would be a belief by permit buyers that the long term profitability associated with the fishing privilege is higher and more secure. Those with access to capital can reap the rewards of a more profitable fishery, but those without access to capital are left on the outside. A potential solution to this problem may be the creation of financing mechanisms for individual fishermen to get low interest loans to buy permits. It may also be useful to create financing mechanisms that would allow community trusts to purchase permits to be affiliated with community based sectors.

In conclusion, I would urge this committee to consider the pressing needs of the groundfish industry not only to survive the next year, but to thrive in the coming years. An investment now in improving monitoring systems may be critical to the success of sector management and should pay dividends in future years. Providing new financing tools to fishermen and fishing communities will also be critical to the continuation of the small owner-operator fishing business and small fishing communities.