

Written Statement of  
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***Hearing “How is NOAA Managing Funds to Protect the Domestic Fishing Industry?”***

Before the  
Subcommittee on Federal Financial Management,  
Government Information, Federal Services, and International Security  
United States Senate

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Members of the Committee, thank you for the opportunity to testify before you this morning. My name is Brian Rothschild. I am the Montgomery Charter Chair of Marine Science at the University of Massachusetts Dartmouth. I also chair the Mayor's Ocean and Fisheries Council in New Bedford, Massachusetts, the largest fishing port in the Nation in terms of value. Our Council is a sounding board for much of the Massachusetts fishing industry. I bring you their greetings.

I have been asked to address, “...how NOAA’s National Marine Fisheries Service (NMFS) is handling money allocated to assist New England fisherman transition to a new catch share fishery management system.” I recognize that this subcommittee focuses on federal financial management so I will focus my testimony, as requested, on the performance of the catch-share fishery management system in the northeast to show how funding for the catch-share system could be used more effectively. Finally, I will provide advice on strategies that should be adopted to redirect programs and minimize fiscal waste.

There is no way to completely isolate NOAA northeast fisheries catch-share funding from NOAA northeast fisheries management funding. Funding for stock assessments, research vessel operations, cooperative research, Council operations, regional fishery management operations, etc. are all part of NOAA fisheries management and its catch-share orientation. Thus, “handling money” vis-à-vis catch shares should really relate to the entire NOAA fisheries operation in the northeast.

Handling of money can be proper or improper. There is plenty of evidence for improper handling of funds. For example, the Inspector General’s report, the Swartwood report, and the asset forfeiture fund issues all point to improper use of authority and funds. The Preston Pate report reflects a broken, disenfranchised, and needlessly expensive management system. Because the management system is supposed to be working

smoothly, consistent with the intent of Congress, it is fair to say that the Pate report identified serious problems that reflect improper use of funds.

There is, however, a third misuse of funds that is often more serious. This misuse involves failure to reprogram extant budget resources from low to high priority programs. This is insidious because it translates the failure to reprogram into perpetually inflated budget requests: hundreds of millions of dollars are at stake.

With all of this as a setting, we return to the original question posed by the subcommittee: performance of funds allocated to the catch-share system.

The catch-share system, NOAAs primary initiative in the northeast, got off to a bad start. Contrary to the National Environmental Policy Act, this major federal initiative was not exposed to the analysis, planning, and public vetting that ordinarily is required of a major federal action. Among other things, there was significant controversy on the allocation of fish, significant shortfalls in the economic analysis, and an articulation of alternatives. Even though the adoption of the catch-share system was debated for 3.5 years by the New England Fishery Management Council, the inception of the catch-share system was not accompanied by a handbook on how to move forward, and the industry continues to be forced to muddle through on issues that range from day-to-day operations to items as fundamental as “consolidation caps.”

In order to appreciate how well we are expending our fiscal resources in catch-share management, we should have metrics of performance. This is a key issue for this subcommittee. We *may* know how much the catch-share program costs, but we do not know what we are receiving for these expenditures. Remarkably, the launch of the catch-share system was not accompanied by any evident plan to monitor economic performance. This omission is not only remarkable from the point of view of an evident lapse in good public policy, it is also remarkable because it violates the clear intent of Congress stipulated in National Standard 8 (which requires that the agency take into account social and economic data when formulating fisheries management plans).

Let’s take stock of where we are in assessing the performance of the catch-share management system. We are one year into its implementation. The reports that we have focus on revenues. There is practically no understanding of the costs, and so the revenue statistics are virtually meaningless. In addition to costs associated with fishing operations, we particularly need costs to the government associated with subsidization of catch-share management (e.g., observers). Also, we need costs associated with lease transactions and jobs. There are, in addition, many subtle but important problems that have not been addressed, such as using public funding to generate cadre of “slipper captains.”

While on one hand we know very little about the details of the day-to-day economic performance of the catch-share system, we have a pretty good overview. We can use as a point of departure the days-at-sea system that preceded the catch-share system. The days-at-sea system was widely disliked. There were at least two characteristics of the

days-at-sea system that were not sustainable: 1) the number of days-at-sea of fishing per year per boat became very small (e.g., 20 days), and 2) severe *underfishing* resulted in an annual loss of fish to fishing communities that amounted to about 100,000 tons per year.

One would have thought that the implementation of the catch-share system would have eliminated severe underfishing. But regulations maintained under the catch-share system did not account for the mixed-species nature of the fishery, and instead of catching 95,000 tons of fish as deemed possible by NOAA scientists, the catch amounted to 33,000 tons. This waste of 62,000 tons of fish has a value of about \$200 million at the dock, or \$800 million by the time it reached consumers. To put this amount of waste into perspective, consider that discussions relative to buying out the fleet have indicated that \$50 million might be a reasonable number.

A particularly interesting statistic relating to performance is that the landings in 2010 under the catch-share system are identical to the landings in 2009 under the days-at-sea system: 33,000 tons. Surely the catch-share system is more expensive both to the public and private sectors and, as a consequence, one might have to conclude, as the data roles in, that the catch-share system was not a big improvement over the days-at-sea system, except to those who were reallocated reasonably large quantities of resource.

So given these observations, could the agency do a better job of “handling money?” The answer is definitely affirmative. NOAA needs to reprogram resources to demonstrate to folks in the street that fisheries management is not broken. This will not be an easy task inasmuch as many of these issues and problems have been existent for a long time, and if there were a will within the agency to solve the problems, they would have been solved. Because some of the problems have been extant for many years and some have been induced or exacerbated recently, it is necessary to arrive at both short-term and longer-term strategic solutions.

The short-term problems are relatively easy in the sense that we all know the symptoms as they have been articulated in, for example, the Pate report. We have to move from symptoms to solutions. We need a time-phased action plan to 1) develop critical mass capabilities for economic analysis, 2) identify and minimize constraints to obtain optimum yield, 3) conduct an analytic study to open closed areas (30% of Georges Bank is closed to fishing with no apparent justification), 4) begin planning immediately to facilitate optimal harvest for the 2010 year class of haddock, 5) improve regulations and management, 6) develop an effective communication plan, 7) invest in cooperative research, 8) seek new and innovative approaches to stock assessment, including multiple species interaction and the ocean environment, and 9) incorporate mixed stock exceptions into fisheries management plans.

Of particular importance in the mix of these activities is the development of revamped critical mass cooperative research programs. Industry needs to become more substantially involved in the collection of data for stock assessments. A great example of cooperative research has been the scallop success story. Ten years ago NOAA declared that the scallop fishery was overfished and the scallop stock required a ten-year

rebuilding period. The industry disagreed and sought technical advice from the School for Marine Science and Technology (SMAST) at the University of Massachusetts. SMAST found that the scallop stocks were several times larger than indicated by NOAA research. As a result, the secretary of commerce opened the fishery, and this resulted in a conservation and economic bounty of roughly \$250 million per year for the past ten years. Cooperative research will yield data that cannot be otherwise obtained and will promote the fractured good will of the fishing industry.

From a strategic point of view, reforming a broken fisheries management system in the northeast is a major undertaking. We need to move beyond describing symptoms. We need an action plan. Where is the action plan? And how can an action plan be developed without the buy-in of those who are most affected, the fishing industry?

I do not believe that NOAA is well placed to develop a shared vision of reformed fishery management. Rather I think the Congress needs to form a commission that reports to Congress that develops the action plan to reform fisheries management in the northeast. The strategic plan should involve a five-year time horizon. The commissioners should be drawn from various interest groups, with a clear majority of the fishing industry. The commission should have a finite life, delivering the strategic-level plan in 12 months after it is fully staffed and operational. Staffing should be seconded in part from NOAA. Funding should be derived from existing budget resources.

The fact that the fisheries management system in the northeast is widely viewed as broken, needs analysis with regard to how it arrived at its present state. As stated earlier, many of the problems have been long standing. I believe that a lack of checks and balances in the previous administration has led to practices and policies that are wasteful and fiscally unwise. Unfortunately, many of the questionable practices and policies have been propagated under the current administration. The common theme that runs through all of these issues is a lack of accountability stimulated by a lack of organizational checks and balances. Installation of a system of checks and balances requires an innovative institutional arrangement such as a National Fisheries Management Board. The Board would ensure that fisheries management responded to the intent of Congress, was innovative and state of the art, and that anyone who is disaffected could receive a fair hearing. An analogue to such a board is the relation between the National Transportation Safety Board and the Federal Aviation Administration. The creation of the Fisheries Management Board would be funded by existing funds.

To conclude, fishery management in the northeast is perceived to have lost its way. We need to create an *ad hoc* commission that reports to Congress to develop a strategic action plan that has a five-year time horizon that gets fisheries management back on track. This strategic management plan should include a countervailing board that ensures the operation of fair process, innovation, conservation, and economic welfare.