

EXECUTIVE SUMMARY

This report provides an evaluation of the economic and social performance of active limited access Northeast groundfish vessels for the 2012 fishing year (May 2012 through April 2013). Table 1 contains a summary of major trends for the fishery for the period 2009-2012. The report focuses on changes during 2011-2012, with a brief discussion for some performance indicators of trends from 2009 onward. For the first time in its three year history, this annual report includes an analysis of the impacts of quota leasing on the distribution of net revenues for different segments of the groundfish fleet.

Fishing year 2012 brought a halt to the upward trends in landings and revenues seen in the fishery from 2010 to 2011. The total amount of allocated Annual Catch Entitlement (ACE) for the all allocated groundfish species declined 3.6% from 2011 to 2012. The allocated ACE for 7 stocks was cut from 2011 to 2012: eastern Georges Bank cod, Gulf of Maine cod, eastern Georges Bank haddock, western Georges Bank haddock, Gulf of Maine haddock, pollock, and Georges Bank yellowtail flounder. Allocated ACE increased from 2011 to 2012 for western Georges Bank cod, plaice, redfish, white hake, Georges Bank winter flounder, Gulf of Maine winter flounder, witch flounder, Cape Cod and Gulf of Maine yellowtail flounder and Southern New England yellowtail flounder. Fishermen in the groundfish fleet were unable to offset the declines in groundfish revenues with increases in non-groundfish revenues. In 2012, total landings of all species on all trips taken by the groundfish fleet declined by 5.4% and total all species revenue fell by 7.7% (\$25.3 million) from 2011. Groundfish landings declined 24.9% from 2011, to a four year low of 46.3 million pounds. Although groundfish average price rose by 2.7% from 2011 to 2012, it did not compensate for the drop in groundfish landings, and groundfish nominal revenues fell 22.9% in 2012 to a four year low of \$69.8 million. At the same time, non-groundfish landings remained nearly constant, with a 0.4% increase, and average non-groundfish price fell 2.6%, which led to a 1.9% decrease in non-groundfish revenues in 2012 from 2011.

Sector and common pool vessels both had declining total gross nominal revenues for all species in 2012 compared to 2011, and both groups saw declines in both groundfish and non-groundfish revenues. Total gross nominal revenues from landings of all species declined 10.7% for sector vessels and 0.2% for common pool vessels from 2011 to 2012. Declining groundfish revenues are responsible for over 80% of the decline in all species revenues for both sector and common pool vessels.

The impacts of these changes in the fishery varied by landed port state and major landed port, but were mostly negative. All landing port states saw decreases in all species revenues, with the exceptions of Connecticut and Maine, where all species revenues were at a four year high in 2012. In the landed port state of New Hampshire, all species revenues were at a four year low. Groundfish revenues by landed port state fell in 2012 for Massachusetts, New Hampshire, and Rhode Island, with Massachusetts and New Hampshire seeing a four year low in groundfish revenues in 2012. Groundfish revenues increased in 2012 for landing port states Connecticut, Maine, New Jersey and New York, with all but New York at a four year high for groundfish revenues. Both all species and groundfish revenues decreased in 2012 for five of the six major landing ports in the Northeast. In the Massachusetts landed ports of Chatham and Gloucester, all species and groundfish revenues were at a four year low in 2012. Portland, Maine was the exception to the declines in all species and groundfish revenues for the rest of the Northeast's

major landed ports; all species and groundfish revenues from fish landed in Portland were at a four year high in 2012.

Nominal groundfish revenues from American plaice flounder, winter flounder, redfish, and white hake increased modestly in 2012 from 2011 levels, while revenues from cod, haddock, yellowtail flounder, witch flounder, and pollock all decreased in 2012. Cod and haddock revenues fell to four-year lows; these reductions were driven by declines in landings, as these species had higher average prices in 2012. The top non-groundfish species landed by the groundfish fleet, by value, were sea scallops, lobster, long-finned squid, monkfish and silver hake. Sea scallop revenue (\$90.0 million) accounted for 29% of total revenue for all species and 38% of revenue from non-groundfish species in 2012.

Fishing effort generally declined in 2012. Both the number of vessels with revenue from any species and the number of vessels with revenue from a groundfish trip continued to fall; these declines occurred across vessel class sizes. The group of sector vessels increased, while the group of common pool vessels shrank. Groundfish vessels took fewer groundfish trips, with fewer total days absent on groundfish trips. However, for the groundfish trips taken, average groundfish trip length was slightly longer in 2012 than it was in 2011. Effort measures for non-groundfish trips suggest that the fleet took fewer non-groundfish trips in 2012 than they did in 2009-2011, but for the fleet overall, those trips were longer than they were in 2010 and 2011.

The number of active vessels and active vessel affiliations (ownership groups) in the groundfish fleet continued to decline, primarily due to declining numbers of vessels and affiliations that actively target groundfish. The number of vessels with revenue from any species fell from 776 vessels in 2011 to 764 vessels in 2012 (1.5%). Since 2009, the number of vessels with revenue from any species has fallen 16.6%. The number of vessels with revenue from a groundfish trip declined 4.3% from 2011 to 2012. Over 2009-2012, the number of vessels with revenue from a groundfish trip fell 29.2%. The number of active vessel affiliations fishing under limited access groundfish permits declined 16.3% over 2009-2012 (737 to 618 affiliations), with a 2.4% reduction between 2011 and 2012 (633 to 618 affiliations). The number of permits being placed into Confirmation of Permit History (CPH) continued to increase, with 60 additional eligibilities placed into CPH in 2012, a 35.7% increase from 2011. Permits in CPH accounted for 16.2% of the total number of groundfish limited access eligibilities in 2012.

Economic trends for the fishery in 2012 were generally negative. There have been some improvements in average returns per day on groundfish trips, but aggregate measures suggest that fewer of these groundfish trips are being taken, possibly due to restrictions in quota for key groundfish stocks or other reasons. This has led to declines in the economic performance of the fleet overall from 2011 to 2012. Unadjusted for leasing activity, average owner's shares per day on groundfish trips in 2012 were the highest in the four year period for all but the largest vessel length class. From 2011 to 2012, increases in average owner's shares per day on groundfish trips ranged from 26.6% to 102.1% for the three smallest vessel class sizes. For vessels 75' and longer, average owner's share on groundfish trips was 27.4% lower in 2012 than in 2011 and at its lowest point in the four year time period. Average returns per day for non-groundfish trips declined for most vessel sizes from 2011 to 2012, but were about the same or higher than they were in 2009 and 2010. Average owner's shares per day on non-groundfish trips dropped in 2012 from 2011 levels for vessels in all length categories except for those between 30' and <50'. These declines ranged from 1.3% to 11.2%. Average owner's share per day on non-groundfish trips for vessels between 30' and <50' saw an increase, 5.7%, above its 2011 level. Average owner's share and average crew share per vessel (unadjusted for leasing activity) fell from 2011

to 2012 across vessel class sizes, but usually remained higher than they were in 2009 and 2010. For average owner's share per vessel, declines ranged from 3.6% for the smallest vessel class to 15.1% for vessels 30' to < 50' from 2011 to 2012. Similarly, declines in average crew share per vessel ranged from 3.0% for vessels in the smallest length class to 15.3% for vessels 30' to < 50' in length. For the fleet overall, average owner's share of net revenue (unadjusted for leasing activity) declined 9.3% in 2012 from its 2011 level, but remained higher than it was in 2009 and 2010. Average crew share for the fleet overall was 8.8% lower in 2012 than in 2011, but higher than it was in 2009 and 2010. The declines from 2011 to 2012 in average owner's and average crew shares occurred across vessel sizes. For most vessel class sizes, average owner's and average crew shares were typically higher in 2012 than they were in 2009 and 2010, with the exception of vessels 30' to < 50' in length, where average owner's and average crew shares were at a 4 year low in 2012. The declines in average owner's and average crew share occurred across all home port states from 2011 to 2012, with the exception of Connecticut, where both measures were at a four year high.

The quota market declined in 2012 in both weight and value. Approximately 32% of allocated quota was caught in 2012, down from 41% in 2011. In 2012, about a third of the members enrolled in sectors did not catch allocated groundfish and leased their quota to other fishermen. A total of 23.3 million pounds (live pounds) of quota was leased in 2012, down from 30.7 million pounds in 2011. The value of quota leased declined 45.8%, from \$15.1 million in 2011 to \$8.2 million in 2012. Nearly 10.9 million pounds (47%) of quota was leased within vessel affiliations (networks of connected owners) in 2012, compared to almost 16.6 million pounds in 2011. Approximately \$4.1 million worth of transfer payments occurred in 2012 between these vessel affiliations, down from about \$9.1 million in 2011.

Fishery-wide impacts of quota trading on net revenues are neutral overall because aggregate quota costs to buyers of quota equal aggregate quota revenues to sellers of quota. However, leasing activities have an impact on the distribution of net revenues earned by different segments of the groundfish fleet. For vessels that need quota in order to fish, obtaining quota is a true cost and the financial significance of that cost becomes greater with declining net revenues. Reductions in net revenues due to quota costs ranged from 3.9% to 25.7% based on vessel size category.

Both all species and groundfish revenues continued to consolidate onto fewer active vessels and vessel affiliations in 2012. All species and groundfish revenues have both been concentrated among the top earning vessels and vessel affiliations throughout the 2009-2012 period, with a marked increase in concentration in 2010. In 2011, it appeared that the degree of concentration for these revenues might be decreasing (i.e., revenues might be becoming more equitably distributed throughout the fishery). However, this trend did not continue into 2012; both all species and groundfish revenues are at least as concentrated among top earning vessels and vessel affiliations as they were in 2011, and possibly slightly more concentrated. As in the past three years, groundfish nominal revenues in 2012 were more concentrated among active vessels and vessel affiliations than all species revenues.

Employment trends for vessel crew are mostly negative. In 2012 there were fewer opportunities for crew work on most vessel sizes and in most home port states. Total crew positions decreased by 1.2% (25 positions) from 2011 to 2012 to a four year low. Total crew trips were also at a four year low in 2012, with a 4.6% decrease from 2011 to 2012. Finally, total crew days were at a four year low in 2012, after decreasing 1.1% from 2011. The exception to the negative overall trends for crew employment was the home port state of Maine, where all

three measures of crew employment increased from 2011 to 2012. Trends in the three indicators were mixed for the home port states Connecticut, New Hampshire, and New Jersey. In home port states Massachusetts, New York and Rhode Island, all indicators of crew employment were at four year lows in 2012.

1. INTRODUCTION

The Northeast Multispecies Fishery, referred to as the groundfish fishery, is managed by the New England Fishery Management Council (NEFMC). The groundfish fishery is carried out using both fixed and trawl gears.¹ The groundfish resource is distributed throughout waters of the Gulf of Maine (GOM) and Georges Bank (GB) and, to a lesser extent, Southern New England (SNE) and the Mid-Atlantic Bight. Prior to Fishing Year 2010, the groundfish fishery was managed using effort controls, including Days at Sea (DAS). Amendment 13 to the groundfish Fishery Management Plan (FMP) was implemented in May 2004; it redefined initial allocations of DAS and allowed vessels to engage in DAS leasing and DAS transfers under certain conditions. Amendment 13 also introduced the “Sector Allocation” program, which gave fishermen the opportunity to voluntarily form sectors that would be constrained by quotas rather than DAS. Sectors could request exemption from many of the traditional input controls such as trip limits. This set the stage for Amendment 16 to the Northeast Multispecies Fishery Management Plan (FMP), implemented on 1 May 2010.

Fishing year 2012 was the third year in which the groundfish fishery operated under the catch share management program implemented by Amendment 16, which was designed to comply with catch limit requirements and stock rebuilding deadlines required under the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006 (MSA). The new groundfish management program contained two significant changes. The first consisted of “hard quota” annual catch limits (ACLs) for all 20 stocks in the groundfish complex. The second expanded the use of ‘sectors’, which are groups of fishing vessels allotted a share (quota) of the total groundfish ACL (sectors are allocated subdivisions of ACLs called Annual Catch Entitlements (ACE)). All permit holders with a limited access groundfish permit that was valid as of 01 May 2008 were eligible to participate in a sector, including holders of inactive permits currently held in Confirmation of Permit History (CPH).

Sectors, including state permit banks, receive ACE for nine of 13 groundfish species in the FMP and are exempt from many of the traditional effort controls.² Each limited access groundfish permit has a potential sector contribution (PSC) that, based on that permit’s fishing history, is a percentage of the total quota allocation for each allocated groundfish stock. When a fisherman becomes a sector member, his PSC is pooled with those of the other members of that sector. The pooled PSCs of the sector become the sector’s ACE. Fishermen may hold limited access eligibilities, which are linked to a Moratorium Rights Identifier (MRI), in Confirmation of

¹ Fixed gear includes gillnet and hook gears including bottom longline, tub trawls, and rod and reel.

² The nine allocated species are American plaice (*Hippoglossoides platessoides*), cod (*Gadus morhua*), haddock (*Melanogrammus aeglefinus*), pollock (*Pollachius virens*), redfish (*Sebastes fasciatus*), white hake (*Urophycis tenuis*), winter flounder (*Pseudopleuronectes americanus*), witch flounder (*Glyptocephalus cynoglossus*), and yellowtail flounder (*Limanda ferruginea*). The four non-allocated groundfish species are halibut (*Hippoglossus hippoglossus*), ocean pout (*Zoarces americanus*), windowpane flounder (*Scophthalmus aquosus*), and wolffish (*Anarhichas lupus*). All references to groundfish species include these 13 species unless there is specific mention of the nine allocated species. Non-groundfish species are any species other than the 13 groundfish species listed here.