

TESTIMONY OF MR. JAMES HAYWARD

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REGARDING THE IMPACT OF FEDERAL FISHERIES MANAGEMENT ON SMALL BUSINESSES

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Mr. Chairman, distinguished members of the committee, my name is James Hayward, a second generation commercial fisherman. First off I am a husband, married for 16 years, and a father of one beautiful two year old daughter. I'm primarily a day boat gillnet fisherman operating in the Gulf of Maine ranging from 20 to 120 miles from port. I currently own two fishing boats located in Portsmouth Harbor New Hampshire, F/V Heidi & Elisabeth and F/V Isabelle Nicole. I also own four federal fishing permits that I use with these boats. I own and manage Heidi Seafood Services, the only federal licensed groundfish dealership at the State facility in Portsmouth Harbor. I am President of the communities' groundfish Sector, XI Northeast Fisheries Sector, Inc. I am also Treasurer of New Hampshire community supported fishery, NH Community Seafood. I am board member of the Northeast Seafood Coalition and the Northeast Sector Services Network. I am also, as community leader, a member of the Seafood Harvesters of America.

Having been raised in a fishing family it was relatively easy for me to get involved at a very young age. In fact I started at the age of 12 spending my summers on boats doing what I could to provide for the business. From that young age I developed a passion for fishing. Today at 42, with 30 years on the water I understand why so many before me had risked as much as they had to make a career in this business. Most fishermen will say they enjoy their work, finding their duties very noble. Harvesting their catch, feeding families, providing for their own is very rewarding to most. Today's fishermen have the pride and passion to protect the resource and ecosystem in order to preserve the tradition for the generations that follow.

I began fishing in the groundfish fishery full-time in 1993. Regulations were far different then, than they are today. We took about three observers a year. There were no trip limits, no area closures; the only rule was on the mesh size of your nets. I'm not saying management was better then. I want to paint the picture of how far and how fast the fishing industry in the Northeast Region has been squeezed by the seemingly endless means of regulatory management.

In 2004, after working 10 years as full time Captain and crew I finally made the big step and bought my first boat. At the time I knew that there was a level of risk involved but I chose to invest my life savings into what I wanted to make as a career. At this time, managers had the fleet working in a DAS (days at sea) system and days had already been reduced by one half of what they were when the system was introduced in 1997. Each vessel had about 50 days a year to make their living.

During this era, which ended in 2010, various reductions in DAS took places, including two for one counting. There were varying trip limits on cod, as well as other species like monkfish and dogfish. We took about two federal observers a month. Vessels purchased acoustic devices in order to protect marine mammals, commonly referred to as pingers. Most of the vessels in my community were able to survive by leasing DAS from other permits or diversifying fisheries. In my opinion in the years leading up to 2010 fisheries managers were growing weary that too many groundfish vessels were engaging in fisheries activities even though managers were taking great measures to slow fishing capacity. Although the community's fleet was shrinking at this point it wasn't at an alarming rate. It was somewhat consistent to the 20 year average.

In May of 2010 managers and regulators changed the currency of which the fleet operated under. Instead of the DAS system where vessels were allocated so many days per year, vessels were allocated PSC (potential sector contribution). Fishing community started entities to pool and manage their community's allocation. This would be known as the Sector catch share system.

In New Hampshire, the first year of catch shares saw a few more small businesses decide that they were too small to participate and choose to take an inactive role. My sectors roster comprised of 26 active vessels. Some new requirements were put into place, for instance an at sea monitoring program or ASM as well as dock side monitoring. The ASM federal observer would be notified of the trip 48 hours in advance of the trip, and they would join the vessel on the fishing trip weighing and measuring what the vessel would keep and discard. The dockside monitor required from the vessel a two hour notice upon landing. They would record the offloaded weights breaking them down by species for every trip landed.

During the first couple of years under catch shares the sectors leaders were able to create a permit bank in conjunction with the States Fish and Game Department. They were able purchase a couple of permits with the help of federal funding from within the community. These permits were basically comprised of cod. The leaders understanding the local resource, knowing the high value that the cod represented, choose these permits knowing that they directly assisted the needs of the community, for both near term and long term objectives. Although skeptical about the future, our fishing fleet remained active harvesting roughly three million pounds of fish each of the first two years.

Early in 2012 NOAA trawl surveys indicated that cod stocks were not as healthy as anticipated and the cuts to the total allowable catch began. In 2012 the total allowable catch on cod was reduced by roughly twenty percent. This coinciding with more cuts looming on the horizon created acceleration in consolidation throughout the region. By the start of the fishing year in 2013 managers and regulators were left with no choice but reduce catch limits by an additional seventy-five percent solely based on a trawl survey that had been knowingly inaccurate in the past.

This in itself was devastating to small business. Vessels that fished in small vessel near to shore were impacted the hardest. They had run out of options and many were forced out of business. New Hampshire's struggling groundfishing community was reduced to 13 active vessels many of them part time working only one or two months of the year. The fallout of these reductions triggered the federal government to declare a Fisheries Disaster upon the region. Unfortunately for all permit holders the worst was yet to come.

In August of 2014 news broke that NOAA had completed another trawl survey, an unscheduled survey much to the surprise of the ones invested in the fishery. This survey stated the cod stocks were in their worst condition in history. By November NOAA regulators imposed an emergency action plan closing the majority of the inshore waters and imposing strict trip limits on cod in other regions. This cost the fleet millions of dollars. Regulators essentially took the fleets remaining quota for that fishing year and made it unharvestable. Any stakeholder that was holding cod quota to harvest in the second half of the fishing year was not only unable harvest it but was also unable to recoup any of the value that they had invested in it.

With the start of the next fishing year, 2015, regulators imposed a second seventy-five percent reduction in Gulf of Maine cod. This in itself was an additional disaster not recognized by the original Disaster Declaration. This essentially reduced permits holding Gulf of Maine Cod PSC to less than five percent of what it had originally acquired only five short years prior in 2010.

The effects of this were catastrophic. Landings by all vessels in our small sector had already been cut in half prior to 2015. I can predict our Sector's landings in fishing year 2015 will not eclipse one million pounds. Our current fleet has been reduced to seven vessels. Our sector operating on a \$60,000 budget is predicting a \$35,000 loss. Our States offloading infrastructure is on the verge of bankruptcy. Permit holders that invested in additional permitting to secure their business are left with deflated permits barely worth pennies on the dollar.

As if that wasn't damaging enough beginning in March NOAA fisheries has passed the ASM expense on to the fishing fleet. Introducing an industry-funded ASM program at a cost of nearly four million dollars annually on this fleet greatly reduces its chances of survival. The nearly four million dollars represents an estimated 10-15 percent of gross revenues for the entire Northeast Region. Although difficult to predict the damages this will impose on small business owners many are calling it "the final nail in the coffin".

In my honest opinion much of this hardship could have been avoided. Reducing total allowable catches by greater than twenty percent on any one species annually only creates hardship. We are clearly at the infant stages of understanding fisheries science models and how to effectively use to manage this large multi-stock ecosystem.

The repairs that need to be made to fix this industry are clearly going to take many years to come. But in order to prepare for the future some steps need to be taken immediately. To preserve the fishing culture in the small ports of the region I would suggest the following:

- 1) Congress should direct NOAA to continue to fund the ASM/future EM programs until the time where the fleet is viable enough to assume costs.
- 2) Congress should direct NOAA to integrate new sources of fisheries dependent information (like CPUE information) and environmental information (especially climate change factors) as additional reference points for stock assessments in order to reduce uncertainty and provide greater stability for ACLs.
- 3) Congress should make additional funds available to the communities most affected, and direct those funds to be allocated to the State Permit Banks to provide an additional level of protection and investment in the sustainability of the at-risk Community Sectors.
- 4) Congress should direct NOAA Fisheries to develop and implement new technologies for real time, monitoring, reporting, and increased accountability, like EM/ER, and use these new streams of fisheries dependent data to inform stock assessments.
- 5) Congress should streamline the size of NOAA Fisheries agency—especially the fisheries sampling branch-- so that new technology and integrated management systems replace the bloated systems that is subject to much human error.
- 6) Direct Congress to make sure the Office of Law Enforcement is adequately funded to address the myriad of new challenges, and level the playing field for everyone and improve the level of fleet wide accountability.
- 7) Congress should cap the amount of allowable variability in ACLs from year to year, so that uncertain science and poor stock assessments don't lead to extreme changes in mortality estimates greater than X percent from year to year.
- 8) Congress should redefine the definition of "Over-Fishing" to reflect the fact that almost all overfishing determinations have been a result of poor science and management advice. The perception is that fishermen just over-harvest ACLs, and this leads to poor perceptions of the fishery and low rankings on seafood watch lists that prevent market opportunity—e.g. GOM cod price remained low even after severe cuts and limited supply.
- 9) Congress should direct NOAA to develop management incentives that encourage the fleet to adopt higher levels of accountability. For example, if EM is implemented on a fleet wide basis, it should also eliminate the 48 hour pre-trip notification system; or, fishermen should get management uncertainty back in their allocations.

It is my opinion, that if these areas of fisheries management were improved through actions taken by both Congress and NOAA Fisheries that the New England ground fishing industry could grow over time, become sustainable, and provide new opportunities and better jobs for the future. Thank you for this opportunity to testify before you today.