

Columbia River Commercial License Reduction Program and Alternative Gear Development and Implementation

Request from Governor Inslee – June 8th

In June 2021, Governor Inslee requested the Department prepare a supplemental budget proposal for the 2022 legislative session that includes recommendations for a voluntary license reduction program, a path forward for “improving our understanding and implementation of viable alternative gears” and the identification of additional science and monitoring needs. In relation to these requests, the Governor emphasized the goals of ensuring salmon conservation and recovery and sustaining responsible fisheries. The Governor also requested that the agency consult with Oregon and tribal comanagers on the above initiatives as well as broader Columbia River management objectives.

What is the relationship between license reduction, alternative gear and wild salmon conservation and recovery?

The conservation requirements for Columbia River salmon fisheries are well established and precede the Columbia River Salmon Fishery Management Policy C-3630 (previously C-3620). Conservation objectives are informed by federal law, the Endangered Species Act (ESA), Recovery Plans, federal court orders for the *U.S. v. Oregon* case, state/tribal agreements, and regional plans such as the Columbia Basin Partnership. The states of Oregon, Washington, and Idaho and the Columbia River tribes have a consistent performance record at remaining within the harvest limits that guide annual fishery management.

While the number of licenses in the lower Columbia River fishery and the type of gear used are important considerations to sustainable fisheries management, these proposed initiatives respond to policy decisions and will not directly influence the conservation and recovery of wild salmon. This is because WDFW manages commercial and recreational fisheries, along with our co-managers, first and foremost to remain within harvest constraints (e.g., spawning objectives and ESA requirements) approved by NOAA fisheries, regardless of the allocation of impacts across sectors, the number of license holders or the commercial gears utilized.

Making additional progress on wild salmon conservation and recovery will require an additional suite of management and policy measures, such as habitat protection and restoration, survival of salmonids through the hydro-system, a reduction in predation on ESA-listed salmon and steelhead and continued improvements to hatchery practices.

Recommended Path Forward

2022 Supplemental Budget Request (\$3.4M)

In response to the Governor’s request, the Department is developing a decision package for the 2022 supplemental session. The decision package will include the following elements:

- *License reduction* – funding for a voluntary license reduction program (\$2,170,000)
- *Alternative gears* – funding to support further research on alternative gears, and develop tools for navigating new permitting and leasing processes (\$226,000)
- *Communication, outreach, and policy support*– funding to develop focused education and outreach tools on Columbia River fisheries and to support regional policy dialogue (\$388,000)

- *Fisheries assessment* – funding to improve monitoring for Columbia River fisheries to refine mortality estimates, identify information gaps, and track progress over time (\$620,000)

Coordination with Co-managers, Key Partners and Stakeholders

The Governor requested that the Department consult with several key partners, both in the development of this supplemental budget request and throughout the process of conducting the funded activities. He asked that the agency work with Oregon regarding salmon recovery, concurrency, alternative gear, and license reduction and consult with tribal co-managers during this process. So far, Department staff have held focus groups with commercial and recreational stakeholders and Columbia River advisors and the Director has reached out to tribal co-managers and license holders requesting their input and engagement. Additional public outreach, as outlined in C-3630, will be undertaken with commercial, recreational, conservation community members and members of the public leading up to the 2022 legislative session and will also be built into the rulemaking process should we receive funding to advance this work.

2022 Supplemental Budget Request Summary

License Reduction

Program Goals

The goals for Columbia River commercial gillnet license reduction are not explicitly stated in Policy C-3630 (or the previous Policy, C-3620). Based on the overarching goals for the Policy (e.g., maintain and enhance the economic well-being and stability of the fishing industry in the state), the agency has interpreted the purpose of license reduction as an attempt to align the number of licenses in the fishery to the available harvest (based on existing allocation and anticipated run sizes), and promote a more viable and stable fishery for remaining participants.

Background and Program Design

Over the past decade, there have been various unsuccessful attempts to develop and secure funding for a license reduction program. Following more than a year of research, scoping and outreach with the fleet, the agency submitted a budget request for a license reduction program during the 2021 legislative session. While the request was funded in the Governor’s budget, the proposal was altered by the legislature and was ultimately vetoed by the Governor because it included changes in harvest allocations that would have resulted in non-concurrence with Oregon in the jointly managed Columbia River.

The Governor indicated an interest in seeing a revised program that ensures the recovery of salmon, sustains responsible fisheries, and includes the purchase of active and inactive licenses. While salmon conservation and recovery is a pillar of Policy C-3630, the nature of license reduction is such that it will not change our recovery outcomes for wild salmon. The proposed license reduction program will allow us to continue to manage within harvest constraints (e.g., spawning objectives and ESA requirements) and is built within the parameters set in C-3630 around the commercial fishery allocation. License reduction will also increase management certainty by more clearly defining fishery participants. This additional management certainty increases the precision of management measures and our ability to stay well within our harvest constraints.

The WDFW team has been exploring a range of program structures that respond to the Governor’s request, but also maintain the values we’ve heard from license holders (See Table 1). The following key principles served as useful reference points for developing a program that achieves both goals:

- The program must be voluntary
- The program needs to be appealing to active and inactive license holders

- The program needs to incentivize participation by offering a competitive price for licenses (e.g., above market value)
- The program should accommodate broad participation while minimizing loopholes

The Department is recommending a two-choice program structure. Under this structure, license holders would have the option of participating in either a) a fixed bid program for \$10,000 per license, or b) a reverse auction program. This provides license holders with a choice based on their situation and fishing history and is appealing to both active and inactive license holders.

Why offer a fixed bid price of \$10,000? The fixed bid price of \$10,000 reflects the need to offer a competitive price point that is above market value so it will incentivize license holders to participate in a voluntary program. Listings on online marketplaces have ranged from \$4,500 - \$11,000 with the most recent sale in 2020 going for \$7,500. The price of \$10,000 per license offers a modest premium above recent sale and listing prices, and reflects a higher purchase price for retiring a license vs. transferring ownership. Further, WDFW administered three buyback programs on the Columbia River between 1995 and 1998. The 1998 program which included both reverse auction and a fixed-bid option at \$10,000 per license had over 60 license holders sell their licenses at the fixed bid price of \$10,000.

Why also accept bids under a reverse auction? The reverse auction option will allow license holders to set their own price, which will likely be more appealing to active license holders. The Department is currently working on additional analysis to determine the specific program details for the reverse auction and will continue to engage the stakeholders through the legislative and rulemaking processes to ensure open and transparent policy development and implementation.

What are the licensing complexities and loopholes? The structure for commercial fishing on the lower Columbia River is complex with two Washington licenses (Columbia River – Willapa Bay and Columbia River – Grays Harbor) as well as Oregon Columbia River licenses. Washington’s licenses are limited entry, so no new licenses are being issued and the total number of licenses has decreased gradually over time as licenses have been retired. To enter the fishery, one must purchase a license from another fisher. Oregon license provisions are structured differently under OAR 508.792.

The importance of a joint-state approach

Both the Governor and the Fish and Wildlife Commission have emphasized the importance of working with Oregon on license reduction and alternative gear development and implementation. Policy C-3630 recognizes the importance of maintaining concurrency with Oregon and of a two-state approach for license reduction. While Washington can make progress on license reduction with the proposed program, collaboration with Oregon on goals and implementation is needed to fully realize the benefits.

Continued dialogue between the Washington and Oregon Fish and Wildlife Commissions is essential to advance these efforts and ensure effective management of this shared fishery.

In designing a program the agency is considering how we might prevent license holders from selling a Washington license in the program and then purchasing another Washington or Oregon license (for less than the purchase price received through the program) and continue fishing. This is important if we want the program to make efficient use of public funds, maintain or enhance license values over the long-term and avoid effort and economic benefits shifting to Oregon.

The agency is exploring legal authorities and options for minimizing this potential loophole with our AAG’s as well as potential licensing, enforcement, and implementation challenges. Restrictions on future participation may be more appropriate, and more effective, in a joint state program with Oregon.

Potential Outcomes

In his June 2021 letter, the Governor asked that our request identify the potential implications of license reduction on several different factors.

- The harvest of hatchery fish – Without changes to harvest limits established in the *US v Oregon* and Pacific Fishery Management Council forums, we do not anticipate any changes to the harvest of hatchery fish through a reduction in commercial gillnet licenses. We anticipate the harvest allocation will be redistributed amongst the remaining commercial license holders.
- The conservation of wild salmon – Wild salmon conservation and recovery is a priority for WDFW, the Washington Fish & Wildlife Commission and is one of the primary goals of Policy C-3630. However, license reduction aims to restructure the commercial fishery within existing harvest constraints and thus will not result in increased wild salmon conservation benefits.
- The commercial industry and impacted communities – A measured approach will help minimize impacts to the fishing industry and coastal communities. Evaluation of economic, social, and environmental impacts will be conducted as a part of the rulemaking process as we conduct a small business economic impact statement, a state environmental policy act analysis and collect and evaluate public input.

Alternative Gear

The goal of Policy C-3630 regarding alternative commercial gear was to promote conservation goals and enhance and optimize economic benefits to commercial and recreational fisheries. Implemented alternative gears will need to increase the selectivity of fishing gear compared to current capabilities, be economically viable for commercial harvesters, and promote state conservation objectives (i.e., controlling hatchery fish on the spawning grounds). In theory, gears with greater selectivity for hatchery fish will be able to harvest more hatchery-origin salmon utilizing the same number of allowable impacts to wild salmon and steelhead we have currently.. This would extend commercial fishing seasons, as more opportunity would be allowed before we exceed our harvest constraints and could potentially increase economic benefits to commercial fishers and their communities.

What is an emerging commercial fishery?

Under RCW 77.65.400, the WDFW Director can designate an Emerging Commercial Fishery, which allows commercial gears currently prohibited in Washington waters to be used commercially for the purpose of gathering additional information. After approximately 5 years of operating under this designation, the information gathered on these experimental fisheries will be compiled into a report for the WA legislature, along with interested Commissioners, co-managers, partners, and stakeholders (RCW 77.70.180). The legislature can then consider the information contained in the report to inform a decision on whether to legalize the designated gears.

WDFW has initiated a rule-making process to designate some alternative commercial fishing gears (e.g., seines, pound nets) as an Emerging Commercial Fishery. The decision was made by the WDFW Director in April 2021, and a [pre-proposal](#) was announced on May 19, 2022. Staff are currently working on language for the CR-102 and assessing the need for State Environmental Policy Act and Small Business Economic Impact Statement analyses to satisfy other statute requirements.

The purpose of the Emerging Commercial Fishery Designation is to explore the commercial feasibility of these experimental gears. Collection of information on economics, ESA-impacts, marketability, etc. will help

us better understand the costs and benefits of alternative gears which hasn't been fully explored by research projects to date. This information will be analyzed to assess the commercial viability and selectivity of these gears and will be presented in a summary report to the Legislature. We anticipate a future funding request will be crafted to help with analysis and crafting of this report when the gathering of information is complete.

While the agency has some existing funding in the current biennial budget to support this work, the Department is requesting additional funding in this supplemental budget request to:

- Diversify the research efforts currently underway by experimenting with more gears.
- Conduct a review of the information available to date on alternative gears.
- Design and conduct a study to investigate mortality rates and handle estimates for an alternative gear (e.g., seine, pound net).
- Develop a streamlined approach for fishers to apply for licenses, permits and leases.

Communication, Outreach and Policy Support

Given the complicated nature of Columbia River fisheries and the confusion around how these fisheries interact with wild salmon conservation and recovery goals, this budget request includes several communication activities. The proposed communications efforts will help stakeholders, managers, policy makers and the public advance important discussions around Columbia River fisheries and wild salmon conservation including:

- Development of a suite of communication materials on Columbia River fisheries and wild salmon conservation and recovery to communicate the science and address questions and common misperceptions.
- Creation of content tailored toward seafood consumers (e.g., info on sustainable salmon management, the Columbia River fishery, seasons, catch, community impacts and certifications).
- Funding to support ongoing regional dialogues around Columbia River programs and policies (e.g., contractor to support process and/or development of materials).

Fishery Assessment

A rigorous fishery assessment program for both commercial and recreational fisheries (including biological sampling and fishery monitoring) is essential for ensuring accurate and precise estimates of fishery impacts on fish stocks. The more accurate and precise those estimates are, the greater the confidence fishery managers have in using those estimates to model upcoming fishery seasons and ensure we remain within our management constraints. Governor Inslee invited the agency to outline scientific data collection and monitoring necessary to adapt or refine program implementation over time. With that in mind, this budget proposal includes funding for fishery assessment tools that will improve our understanding of the stock composition and impacts to ESA-listed stocks from our fisheries.

- Funding for the one-time purchase of a passive integrated transponder array (PIT tag detector), PIT tags and supplies. Information collected through this technology will inform stock composition, run timing, and refine mortality rate estimates.
- Staff to assist with development and implementation of a more rigorous monitoring plan (e.g., increased observation, logbooks, electronic monitoring and/or enhanced creel).

Table 1: Summary of license reduction program structures explored

| Structure | Price | Participation | Cost | Pros | Cons |
|---|---|--|--------|--|--|
| Single price fixed bid (WDFW's 2020 proposal) | \$10,000 fixed, first come first served | Open to all but anticipated to attract more inactive license holders | \$1M | Cost effective to administer and low burden of participation (i.e. straightforward to submit bid). | Does not offer a strong incentive for active license holders. |
| Two-tier fixed bid (two price points based on landings) | Two price points, one for active and one for inactive license holders based on ex-vessel values for 2010-2019 timeframe. | Anticipated to be attractive to both active and inactive license holders | \$1.5M | Cost effective to administer and straightforward for submitting bids. Offers greater incentive for active license holders. | Likely to draw participation from less active license holders (with low enough landings that the fixed price was a good deal). |
| Simple reverse auction (bids ranked and accepted from low to high without scaling based on landings/ participation) | Interested license holders would submit a bid for the price they want in exchange for their license. No landings requirements or max bid mounts would apply. | Anticipated to attract both active and inactive license holders. Likely more winning bids from inactive license holders due to relative value. | \$2M | Simple to administer (no calculations to scale bids) and provides equal opportunity for all license holders, regardless of landings. | Doesn't account for license history/ activity. By treating all licenses the same, the program may not be equitable for all license holders. |
| Two-choice program (choice of fixed bid or reverse auction) | License holders can participate in either: 1. Fixed bid (open to all license holders regardless of landings history), or 2. Reverse auction (open to all license holders that meet a qualifying number of landings). Reverse auction bids could be scaled based on ex-vessel value or accepted lowest to highest based on price, until funds are exhausted. | Anticipated to attract both active and inactive license holders. | \$2M | Provides license holders with a choice (fixed bid or reverse auction) based on their landings history and motivation for having a bid accepted. This option also avoids a complication with assigning people to a program. | More expensive and time consuming to administer than some other options, particularly if criteria is used to scale bids in the reverse auction. |
| Two-category program (fixed price for licenses with low ex-vessel value and reverse auction for licenses above ex-vessel value threshold) | \$10,000 fixed price or maximum bid of 3.5x average ex-vessel value for 2010-2019. Reverse auction bids weighted based on ex-vessel value and ranked from lowest to highest. | Anticipated to attract both active and inactive license holders. | \$2M | Links compensation with landings history and provides a competitive fixed price for inactive license holders. | More costly to administer and may result in some license holders falling through the cracks (ex: someone with low ex-vessel value may be forced into an active program that results in a lower purchase price than that offered to inactive license holders. |