UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE
NORTHEAST REGION
55 Great Republic Drive
Gloucester, MA 01930-2276

FEB 18 2011

Dear Vessel Owner:

This letter notifies you of the initial compensation rates for scallop vessels that carry an observer under the industry funded observer program for the Atlantic sea scallop fishery. Effective March 1, 2011, the following compensation rates apply for scallop vessels that carry an observer on scallop trips:

- 180 lb per day, or part of a day, for Elephant Trunk and Delmarva Access Area trips.
- Vessels will be charged 0.92 DAS per DAS for open area trips. This represents a 0.08 DAS credit per DAS when fishing with an observer onboard.

These compensation rates are based on an evaluation of the compensation rates using anticipated fishery conditions for the 2011 fishing year. These fishery conditions are included in the New England Fishery Management Council's Framework Adjustment 22 document. A summary of the calculation is attached.

I welcome your comments on this calculation and you may submit such comments in writing to the Sustainable Fisheries Division. Comments can be mailed to: 55 Great Republic Drive, Gloucester, MA 01930; emailed to: Comprate@noaa.gov; or faxed to 978-281-9135.

We will consider your comments as we evaluate the compensation rates throughout the fishing year, when coverage levels are established for 2011 (through the Standardized Bycatch Reporting Methodology), and when new measures under Framework 22 are implemented (if approved).

Sincerely,

Patricia A. Kurkul
Regional Administrator

Observer Set-Aside Compensation Rate (Compensation Rate) Calculation Summary

This document explains the initial calculation of the compensation rate for the 2011 fishing year. The calculation was coordinated between the Northeast Fisheries Science Center (NEFSC) and Northeast Regional Office (NERO) of NOAA's National Marine Fisheries Service (NMFS). NERO is presenting this analysis to explain the initial calculation of the compensation rate. This is also an opportunity for vessel owners, captains, crews, industry representative groups, and the New England Fishery Management Council (Council) to review the calculation and provide feedback.

The Council's recommended 2011 management measures are contained in Framework 22. Although Framework 22 will be implemented, if approved, after March 1, 2011, NMFS used the information from analyses in Framework 22 as the basis for the compensation rate evaluation. The information in Framework 22 represents the best available information regarding estimates of the amount of effort, catch, and scallop price, as described below. When Framework 22 becomes effective, if approved, we will re-evaluate the compensation rates to see if adjustments are needed, and we will consider your feedback at that time.

Compensation Rate Calculation

A range of compensation rates were evaluated. Table 1 summarizes the information used in the calculation (see "Information Used in the Calculation" section below for details). Table 2 summarizes the calculation of initial rates. The compensation rate for the Delmarva Access Area (DMV), Closed Area I (CA I) and Closed Area II (CA II) Access Areas, and Hudson Canyon Access Area (HC) for limited access vessels is 180 lb in addition to the vessel's possession limit for the trip for each day or part of a day an observer is onboard. Limited access general category (LAGC) vessels may possess an additional 180 lb per trip into these areas when carrying an observer. The compensation rate for open areas for limited access vessels fishing under DAS is 0.08 DAS per DAS (the vessel is charged 0.92 DAS for each DAS fished with an observer onboard). The compensation rates in this table were selected because they provide sufficient compensation for the observer fee at the expected price of scallops. They also provide sufficient observer coverage based on anticipated coverage levels needed for 2011 (see below). The compensation rates provide a buffer of approximately $922 per day over the $775 per day cost of the observer. These excess funds are intended to account for variations in the fishery, such as lower scallop price and landings per unit effort (LPUE), without creating financial incentive to extend an observed trip.

Table 1: Information Used in Compensation Rate Calculation

Observer Cost (per day) All Areas	$775.00				
Scallop Price (Unadjusted)	$8.85				
	Open	**DMV**	**CA I**	**CA II**	**HC**
Estimated DAS	10,464	2,358	3020	1052	2529
Set Aside	129	74,360 lb	111,540 lb	35,060 lb	74,360 lb
	Open	**DMV**	**CA I**	**CA II**	**HC**
Adjusted Price	$8.76	$8.69	$8.77	$8.74	$8.81
LPUE	2400	NA	NA	NA	NA

Table 2: Compensation Rate Calculation

Average Compensation (per day) for All Areas		$1,575.72
	Formula	
Buffer (per day) for All Areas	Average Compensation minus Observer cost per day ($775.00)	$800.72
Open		
Comp Rate	Target Comp/(LPUE*Adjusted Price)	0.0900
Sea Days Covered	Set-Aside / Comp Rate	1510
	Compensation per DAS	$1,576.80
	Buffer per DAS	$801.80
DMV		
Comp Rate	Target Comp/Adjusted Price	180
Sea Days Covered	Set-Aside / Comp Rate	403
	Compensation per DAS	$1,564.20
	Buffer per DAS	$789.20
CA I		
Comp Rate	Target Comp/Adjusted Price	180
Sea Days Covered	Set-Aside / Comp Rate	611
	Compensation per DAS	$1,578.60
	Buffer per DAS	$803.60
CA II		
Comp Rate	Target Comp/Adjusted Price	180
Sea Days Covered	Set-Aside / Comp Rate	192
	Compensation per DAS	$1,573.20
	Buffer per DAS	$798.20
HC		
Comp Rate	Target Comp/Adjusted Price	180
Sea Days Covered	Set-Aside / Comp Rate	410
	Compensation per DAS	$1,585.80
	Buffer per DAS	$810.80

Observer Coverage Levels: The Scallop FMP specifies target observer coverage levels only for the CAI, CAII, and NLCA access areas, where the yellowtail flounder bycatch TAC is monitored. For the rest of the scallop fishery, observer coverage levels are set to achieve levels specified under the Standardized Bycatch Reporting Methodology (SBRM) and for resource assessment purposes. The compensation rates above will result in observer coverage rates of approximately 10 percent for open areas, 13 percent for the DMV, 21 percent for CA I, 19 percent for CA II, and 17 percent for the HC. These coverage levels are higher than those projected in the 2010 SBRM in consideration of higher coverage levels that have been proposed in the 2011 SBRM. The 2011 SBRM is currently under review by the Councils and by NMFS, and compensation rates will be re-evaluated when the 2011 SBRM is finalized. The target observer coverage DAS are divided by the total DAS to calculate the percentage of observed DAS. The resulting rates are approximate, due to potential variability in LPUE and length of trips.

Information Used in the Calculation

Total fishing days per area: Open area DAS are based the total allocated DAS effective March 1, 2011 (and include the 129 observer set-aside DAS, since they are a portion of total DAS than could be observed). For access areas, Framework 22 predicts the number of DAS that will be fished in each area based on a predicted LPUE for the scallop fishery. The predicted LPUE for each access area is applied to the total trips allocated on March 1, 2011, to these areas. Limited Access General Category (LAGC) effort is included in these estimates.

Table 3: Total DAS by Area

	DMV	CA I	CA II	HC	Open Areas
DAS	2,358	3,020	1,052	2,529	10,464

Set-aside allocations: The Access Area set asides are specified as TACs, which are harvested by both LAGC and limited access DAS vessels. The open area set aside is specified as DAS, for harvest by limited access DAS vessels only. LAGC vessels do not pay for observer coverage on open area trips.

Table 4: 2011 Observer Set-Asides

DMV	CA I	CA II	HC	Open Areas
74,360 lb	111,540 lb	35,060 lb	74,360 lb	129 DAS

Landings per Unit Effort (LPUE): Framework 22 estimates the average amount of scallops that will be landed per fishing day (lb/day) for trips in each access area and in the open area. Open area LPUE is estimated to be 2,400 lb/day in Framework 22. Because observer costs are charged per DAS, these LPUE values are used to translate the access area TACs into DAS. Lower LPUE, down to 1,000 lb, was evaluated in order to consider how different fishery conditions would impact observer compensation.

Table 5: LPUE (lb/day)

DMV	CA I	CA II	HC	Open Areas
2,744	3,214	2,899	2,559	2,400

LAGC vessels generally complete Access Area trips in one day. Therefore, LAGC LPUE does not factor into calculating the compensation rate for LAGC vessels.

Observer costs: The observer cost continues to be estimated at $775/day.

Trip costs: Framework 22 estimates daily fishing costs at $2,500/day for limited access DAS vessels and $400/day for LAGC vessels. This is an increase from the 2010 estimate to account for anticipated increase in fuel and oil costs in 2011.

Scallop price: Framework 22 estimates the ex-vessel price of scallops to be $8.85/lb. Lower prices, down to $4.50/lb, were evaluated in order to consider how different fishery conditions would impact observer compensation.

The price of scallops was adjusted downward by approximately 1 percent to account for the cost of the extra time to catch the scallops or compensation DAS to pay for the observer. To calculate the adjusted price, the cost of the additional fishing time associated with the compensation was subtracted from total revenues. Then the reduced total revenue was divided by total revenue for the trip, equaling an adjustment factor. This was done for a range of compensation rates, prices, and LPUEs, resulting in an

average of about a 1-percent reduction. This was done as a way to generalize the effect of costs when applied to various compensation rates and LPUEs (which affects the amount of time needed to catch the extra scallops or fish the extra days).