

THE WILLIAM D. RUCKELSHAUS CENTER

WDFW Surplus Hatchery Salmon Distribution Study

Situational Assessment

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WDFW Surplus Hatchery Salmon Distribution Situation Assessment

The Washington State Legislature included in its 2010 State Budget a *proviso* directing the Washington State Department of Fish and Wildlife (WDFW) to “work with appropriate stakeholders to facilitate the disposition of salmon to best utilize the resource, increase revenues to regional fisheries enhancement groups, and enhance the provision of nutrients to food banks.” The proviso instructs WDFW to provide, by November 1, 2010, a report to the appropriate Legislative committees summarizing the resulting discussions, outcomes and recommendations. The proviso also instructs WDFW to give due consideration to the recommendations before soliciting or awarding a new surplus salmon disposal contract.

The following information has been gathered as a component of the stakeholder input process. The purpose of this interview-based situational assessment was to develop a summary of interests, positions, objectives, motivations and desired outcomes. This report summarizes the opinions and perspectives of individuals interviewed via telephone by staff at the WSU Division of Governmental Studies and Services, consequently it does not necessarily reflect the overall position of any entity involved in this process. This input from internal and external stakeholders is intended to be used in the development of recommendations about an appropriate process for engaging stakeholders in discussion about the future of the salmon disposition program, including meetings between WDFW and appropriate stakeholders. Those meetings will be held to solicit input that will inform WDFW’s recommendations to the Fish and Wildlife Commission, State Legislature and the public.

Given the number of potentially-interested stakeholders, it was determined that a representative set numbering no more than 25 would be interviewed. Twenty interviews have been conducted to-date. The affiliations of interviewees are as follows: six represent Regional Fish Enhancement Groups, three are with the Department of Corrections, three are with Food Banks, three are with commercial fish processing companies (one of which is the current contract holder), one is with the NW Indian Fish Commission, two are with Fish Conservation groups, one is a hatchery manager and one is a commercial fisher. What follows is a listing of common themes heard in the interview responses, followed by further detail on each theme along with quotes and reference to affiliation as appropriate. Appendix B at the end of this assessment includes a list of recommendations compiled by the RFEG’s. It is included not because it represents the views of any other entity representatives, but because it provides what could be seen as the RFEG’s unified response to most of what was asked during the telephone interviews.

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General Themes:

Satisfaction with System/Suggestions for Change:

Interviewees who had some knowledge of the history of surplus hatchery salmon disposition in Washington felt strongly that future contract holders should account for all fish and eggs taken from the hatcheries, and that all entities should account for the fish they receive and how that fish is dispersed. Many felt that there should be more transparency in the contracting and management of the program. These interviewees felt that changes should be made to bring more stakeholders, especially processors, to the table. Several interviewees also expressed the opinion that the full value of the fish not being accounted for and some parts of the fish are wasted. To maximize benefit to all, they say, every part of the fish should be used and WDFW should be more focused on achieving the most return value¹ from the surplus salmon disposal program.

“The mission for the Department should be threefold: 1) WDFW should no longer be paying for the fish to be disposed of, 2) the provision of resources to the RFEG’s should have more attention paid to it, and 3) provision of fish protein to food banks, etc. should continue to be a priority.”

Quality of Fish and the Critical Issue of Timing:

Several interviewees expressed concern regarding the quality of some of the fish coming from the hatcheries and indicated that changes should occur to ensure that the fish are processed more quickly, in order to maximize the value of the fish. There was an overriding sentiment that the state should now be considering the fish not just as carcasses that need to be removed, but as a possible funding source. Many felt that the hatcheries overall are underfunded and, as a consequence, do not have the personnel, capacity and quality facilities required to manage the fish quickly enough that they retain the best quality for use by others. Some recipients indicated that they have received some fish that are of poor enough quality that they had to be sent back to

¹ For a fuller analysis of the financial, environmental and/or social benefits that derive from WDFW’s surplus salmon disposal strategies, see the economic analysis that is a companion piece to this assessment report.

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the processor. Their feeling is that the fish are not being iced and processed quickly enough and, as a result, quality is lost.

Concern for Sustainability of Hatcheries:

Some interviewees were concerned that a number of hatcheries are seriously underfunded and that some have already had to close down operations. They feel that hatcheries need to be able to use some of the surplus salmon as a method of obtaining funding for the hatcheries themselves, not just for the RFEG's and other stakeholders. Several stated that the hatchery model used in Alaska allows for a cost recovery process to support facility operations and that Washington should take a closer look at aspects of Alaska's model². Concern was expressed that, given the opportunity, RFEG's will intentionally increase surplus salmon to support themselves without regard for other stakeholders, and that the real purpose of the hatchery salmon: to benefit the citizens of Washington, would not be a priority. A couple of interviewees believe that the existence of hatcheries at all is destroying the ability of wild salmon to survive into the future.

Fish for Populations in Need:

Stakeholders from all areas recognize, and in some cases strongly emphasized, the importance of providing fish to the Food Banks and to the Department of Corrections. Although those representing recipient groups of the surplus fish were as passionate about this aspect of the program as one would expect, it is interesting to note that some who expressed great commitment to and pride in the use of fish for food for needy populations were not affiliated with either the Food Banks or DOC. Representatives of Food Banks contacted thus far are generally happy with the system as it is. They are very appreciative of the fish they receive and believe the program to be working well overall. Representatives of the RFEG's and some representatives of entities receiving fish did indicate that in some cases the fish is not of good food quality, and that, especially over the last year or so, they have had to send back a "fair amount" of fish products received.

² See description of the Alaska model in the fact-finding document that is a companion piece to this assessment report.

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Nutrient Enhancement

Overall the interviewees nearly unanimously see nutrient enhancement as an extremely important activity and are hopeful that it will become a greater priority in future contract agreements. Some believe that currently the system is not maximizing the amount of fish that could be being put back into the system to support the recovery of wild salmon. There is some feeling that carcasses that are not of food quality are still viewed as being without any value when, in fact they should be viewed as highly valuable for the health of the streams and for long term salmon recovery. Interviewees expressed a need for increased recognition of the value of the fish as a resource, not just as an economic value, but as an ecological value. They remain concerned that the full worth of the fish is not maximized as long as there are parts being discarded that could be used for nutrient enhancement.

Fairness and Transparency:

Most interviewees did not go so far as to say that the contracting and/or operation of the surplus salmon disposition system is deliberately unfair or deliberately lacks transparency. But several thought that steps could and should be taken to ensure greater fairness and transparency. Examples included the idea that WDFW should restructure the requirements for bidding on the contract to make it open to more bidders. Concern was expressed that the language of the bidding requirements is such that only the current contractor has the required number of years of experience managing such a program.

“WDFW should seek out, identify and allow other processors to bid on the contract(s).”

Several interviewees indicated that the current arrangement accomplishes the state’s original goal of having the surplus salmon disposed of in an effective and cost-efficient manner. However, concern was expressed that this single goal is outdated, that the Department should now also be concerned with achieving the best value for the fish and the eggs, and thus the contracting arrangement should be updated. Some interviewees feel very strongly that in order for the process to be transparent, the public should be aware of the actual profits being made by the sale of the fish and the eggs, and that stakeholders are unable to determine how the process could be made more fair without this level of transparency.

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Some interviewees believe that the current contractor is making a large profit on the sale of surplus salmon. But some of these interviewees indicated that often the salmon and the eggs are not of a high enough quality to receive a good market price, and that the surplus is not being processed quickly enough for there to be much high quality fish, a problem which is partly dependent upon location, the stage of the season and the resources and capacity of the particular hatchery.

Some suggested that a regional system might be better. They suggested that such a system would allow more processors to be a part of the system, which would be seen as more fair and might allow opportunity for mutual learning in the various steps and processes, and provide for the establishment of best practices overall. Some interviewees would like the RFEG's to serve as a sort of broker in each area of the state, to assist WDFW in finding the appropriate organization to process the fish, so that all of the stakeholders obtain the maximum benefit. Some interviewees would like the current RFP language modified so that RFEG's and others would qualify as bidders and some would prefer that the Legislature award the state contract directly to the RFEG's.

“There should be a partnership between the stakeholders: the RFEG's, the Food Banks and WDFW; that doesn't exist now.”

What stakeholders need to know to participate in discussions:

This question stumped several interviewees; however, the most common responses included some variation of the following:

- Potential volume of fish in different areas of the state.
- Some understanding of what it would take to manage the number of fish involved, some history on how this situation has evolved over time, and some understanding of what legal requirements/allowances are currently in place.
- People also need to know what is being achieved under the current contract and what might be achieved under a revised new contract.

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Other Disposition Strategies or Elements that WDFW Should Consider:

Interviewees seemed to be most aware of the State of Alaska's model and believe that there are components of that model from which the State of Washington could benefit. Some interviewees believe that the current system in Washington is the model to follow, and some believe that a pilot project conducted in the Chehalis Basin [the Bingham Project] represents a model that could work statewide.

Other Comments of Interest:

- Although distribution of fish to food banks is a priority for WDFW in the contracting process, at least one Food Bank representative was under the impression that the potential exists for the food banks to lose the opportunity to receive fish as they currently do, if the state enters into an agreement with a different contractor. "Right now, the funneling of the fish through the food bank system is done of the current processor's own goodwill."
- A concern was expressed that fish being picked up from the hatcheries and going directly out to local communities might not receive the best food handling practices. As a consequence, they would like to see all of the fish that is being used for food be handled by licensed processors.
- "The process should be streamlined and the restrictions on what can be done with the product for state mandated uses should be eliminated. It makes the contract too complicated and too risky for companies to want to bid."
- Several interviewees emphasized their belief that WDFW and the current contractor are not doing anything wrong, but that times have changed and a new system should be put into place that reflects the market value of the surplus fish and provides for more stakeholders to receive funding through the disposal process.

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APPENDIX A

INTERVIEW QUESTIONS

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Introductory Statement and Notification of Implied Consent

*Thank you for taking the time to meet with us and for your willingness to assist with this assessment. The **Division of Governmental Studies and Services (DGSS)** from Washington State University is carrying out this assessment for the William D. Ruckelshaus Center³. This assessment calls for DGSS staff to conduct interviews with a number of stakeholders sharing an interest in the distribution of surplus hatchery salmon. Representative input from a broad range of stakeholder groups is critical to the development of a clear understanding of the issues involved in maintaining a transparent and fair distributional process that best utilizes the resource, increases revenues to enhancement groups and provide nutrients to food banks. As you know, your participation in this process and in this interview is entirely **voluntary** – you should feel under no pressure or obligation to participate. We will not report the names of those who are interviewed, or of those who choose not to be, to anyone outside of WSU. Your responses and comments will be summarized and synthesized, and these interview summaries will not be attributed to any specific individuals. Our goal is to protect, as much as possible, the identity of our interview subjects through this process. Do you have questions before we begin? This interview ought to take no more than an hour. Are you willing to proceed?*

1. Please tell us a little bit about yourself (job title, roles/responsibilities, relevant history) and describe how you, or your organization, are involved in these issues.
2. How would you describe your **level of satisfaction** with the operation of this system at the present time? Would you say the system in place “works fairly well” or “doesn’t work very well at all”? Please explain what leads you to hold the view you do.
3. How would you measure success for the future of the salmon disposition program? What will happen (or not happen)? What will change (or stay the same)?
4. Some concerns have been raised about issues of *transparency* in the operation of the surplus hatchery salmon disposition process used by WDFW. Do you share those concerns? If so, what actions might WDFW take to make this process more transparent for those people who are interested in it?
5. Similarly, some concerns have been raised about issues of *fairness* in the operation of the surplus hatchery salmon products distribution process. Do you share those concerns? If so, what actions might WDFW take to make this process more ‘fair’?

³ Information on the Center and DGSS available at www.ruckelshauscenter.wsu.edu and <http://dgss.wsu.edu/>.

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6. If you were invited to recommend *changes* in the WDFW disposition system, what two or three changes would you recommend?
 - a. _____
 - b. _____
 - c. _____

7. To what degree would you be willing to participate in organized and targeted efforts to make progress on each of your recommendations?
 - a. _____
 - b. _____
 - c. _____

8. Are you aware of any disposition strategies or elements in other states or provinces that you think WDFW should look at as a model?

9. Would you be interested in participating in facilitated discussion between WDFW and its stakeholders as part of WDFW's process to develop recommendations for the surplus salmon disposition program?

10. Any other persons we should be talking to concerning the WDFW surplus hatchery salmon products distribution system? Who else needs to be involved in the discussion?

11. What background information do you think stakeholders need in order to participate in the discussion?

Anything to add to what we've discussed up to this point? What should we have asked that we did not?

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APPENDIX B

The following recommendations were compiled by the RFEGs in preparation for the stakeholder process.

Suggested changes to the Request for Proposals process:

1. Remove preference for bidders with five years of experience doing similar work. This eliminates the RFEGs and eliminates competition among potential bidders. There has not been sufficient competition for the contract in the past.
2. Remove requirement that bidders must be a licensed processor. Bidders could document ability to partner with a processor.
3. The process should weigh ecological value. Add preferential points for maximizing use of the resource (nutrient enhancement) and use of “profit” to increase value to the salmon recovery.

Suggested changes to the contract:

1. Add clauses that open books for regular review by WDFW / RFEGs and include review of profits earned from value-added products. Can Ruckelshaus Center (under their current scope of work with WDFW) help with suggestions to improve the transparency of the contract and provide better accountability? Currently the contractor is able to make a lot of revenue from value-added products, but the profit is hidden.
2. Value of fish going to food banks should be accounted for in the contract.
3. WDFW could either set a minimum per fish price, a minimum contract value, or establish a percentage-based profit sharing agreement.
4. The contract could specify that only male fish go to food banks, not females.

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Other recommendations and considerations (outside the contract)

1. WDFW should send the contractor an invoice that accounts for every hatchery in the contract, even if there is no revenue derived from some hatcheries. This will improve transparency.
2. Where feasible, donations to food banks should go through the general processor (or contractor), not directly to local food banks, because this allows for the utilization of the roe. It is recognized that sometimes this is not feasible, particularly when there are just a few fish at a remotely located hatchery.
3. Spring Chinook, steelhead and kokanee could be defined as food bank fish because they can't be used for nutrient enhancement.
4. Specific hatcheries could be assigned as "food bank only" based on their proximity to the processor and the type/ number of fish cultured at the hatchery.
5. RFEGs believe future contracts should be market-based. Under the Ruckelshaus Center's work with WDFW, we hope that Ruckelshaus Center's economic analysis will point toward market-based options (market-based sales, value-added sales, a contract based on percent of profits, etc.)
6. WDFW needs to implement and ensure hatchery policies that minimize category "F" unusable fish – pond morts and fungus fish.
7. WDFW needs a public process for vetting hatchery closures and privatizations, as this removes surplus salmon from the contract.